

# Chapter 2: Horticulture and Animal Related Businesses

This division encompasses businesses primarily engaged in Landscape, Horticulture, Veterinary, and Animal Specialty Services.

## Veterinary Clinics

**SIC: 0742      NAICS: 541940**

Establishments of licensed practitioners primarily engaged in the practice of veterinary medicine, dentistry, or surgery, for animal specialties.

### Description of Business

The services provided by veterinarians affect several different areas. Public health, agriculture, and human companionship are served by this highly specialized industry. In order to open a practicing veterinary clinic or hospital, a licensed Doctor of Veterinary Medicine must be employed.

### General Industry Information

In the United States, approximately 67% of veterinarians are engaged in private or corporate clinical practice. Other veterinarians limit their practice to the care of farm/ranch animals and advise owners on the best approaches to production medicine. Some veterinarians treat horses exclusively, and others treat combinations of species. Although a majority of veterinary professionals focus on basic services for companion animals, a large variety exists in terms of specialization by procedures. This includes treatments for cancer, dental care, and animal transplants.

Clinics servicing smaller companion animals have begun to sell over the counter drugs and other animal care products in addition to offering traditional veterinary services. The pet population has increased significantly, maintaining steady demand for veterinary services. Although the market largely consists of smaller independent operations, a clear industry leader exists. VCA Antech, Inc. boasts of a network of over 300 animal hospitals throughout the United States.

**Financial Performance Ratios**

**Table 2-1: Veterinary Practices**

Margins	
Manager/Owner Salary (% of revenue)	15-25%
Operating Expenses (% of revenue)	85-90%
EBITDA/Operating Margin (% of revenue)	8-12%
Ratios	
Current Ratio	1-1.5
Quick Ratio	0.1-0.4



**Business Valuation Formulas**

55-65% of annual revenues  
2.5-3.5 times ODCF



**Equipment Valuation and Real Estate Rental Formulas**

*Equipment:*  
OLV is typically 10-25% of retail value.  
*Real Estate:*  
Rent as a % of Sales should be no greater than 6-8% of gross sales, unless the facility is located in a location with a high median family income; typical square footage is 1,300-8,000 sq ft with a median of 4,000 sq ft being typical. Rental rates are typically NNN expense leases in primary areas and are gross expense leases in secondary areas.



**Financing**

The past decade has had a pattern of low down payments, ranging from zero to ten percent. Typical terms of financing range from five to ten years, at seven to ten percent interest.



**Red Flags and Risks**

The largest risk for a veterinary clinic or hospital is the threat of competition. Chain pet shops, such as Petsmart, and Petco increasingly provide free advice and often sell over-the counter medications for animals. This threat can be hedged to a certain extent through advertisement and marketing. Buyers should beware of any licensed veterinarians who intend on parting from the clinic after acquisition. It may prove difficult and costly to replace these highly skilled and licensed employees, should they choose to leave.



**Resources**

Association of American Veterinary Medical Colleges <a href="http://www.aavmc.org">www.aavmc.org</a> (202) 371-9195	VCA Antech Inc. <a href="http://www.vcaantech.com">www.vcaantech.com</a> 12401 West Olympic Blvd. Los Angeles, CA 90064 (310) 571-6500
American Animal Hospital Assn <a href="http://www.aahanet.org">www.aahanet.org</a> 12575 W. Bayaud Ave. Lakewood, CO 80228 (303) 986-2800	Veterinary Hospital Managers Association <a href="http://www.vhma.org">www.vhma.org</a> PO Box 2280 Alachua, FL 32616-2280 (518) 433-8911