

# How Does Your Practice **MEASURE UP?**



LIVE OAK BANK MEASURES **VETERINARY PRACTICE PERFORMANCE**



**LIVE OAK BANK**  
Lending More than Capital

# Introduction

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Live Oak Bank is privileged to have financed over 700 veterinary practice start-ups, acquisitions and expansions across the United States. Our relationships with our veterinary borrowers have allowed us to gain tremendous insight into the profession and to measure the financial success of the practices we serve. The following represents a summary of various measures of practice performance drawn from survey responses from our practice owners and our own internal data. We sincerely hope this information will guide you in the operation and financial management of your practice going forward.

# Section One: Survey Findings

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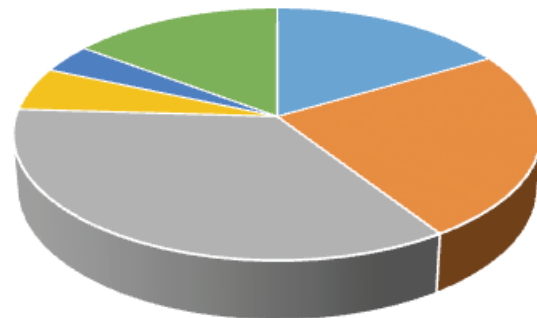
The data reported in this section was provided by a group of our borrowers in response to a survey generated by Live Oak Bank. In the future, we hope more and more of our practices will contribute to our survey in order that we can provide all our borrowers with the most current and complete picture of key veterinary practice performance metrics.

# Percentage of Revenue

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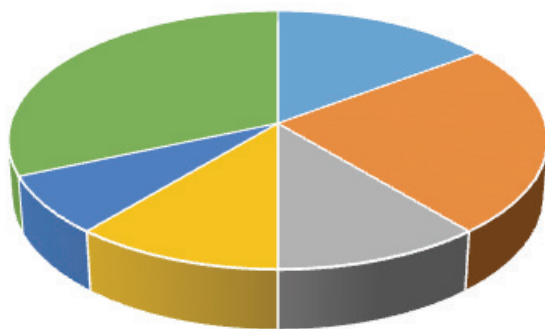
### In-house Pharmacy % Revenue

**In-house Pharmacy % Revenue.** This category includes only dispensed medications and excludes preventatives (flea and tick control and heartworm prevention) and over-the-counter products. Only 17% of the practices surveyed see greater than 20% of annual revenue from in-house pharmacy sales.



- >20%
- 15.1-20%
- 10.1-15%
- 5.1-10%
- 1-15%
- 0-10%

### Vaccinations % Revenue



- >15%
| 10.1-15% | 10% |
| 5.1-10% | 20% |
| 1-15% | 10% |
| 1-10% | 10% |
| 0-5% | 40% |

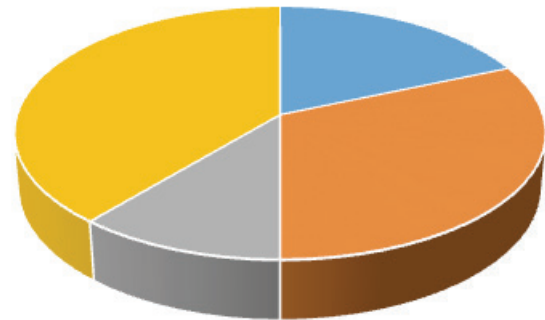
**Vaccinations % Revenue.** This category includes only income from the administration of vaccines and not the associated revenue seen from providing physical examinations. The majority of practices surveyed derive 10% or less of annual revenue from providing vaccinations.

# Percentage of Revenue

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**Lab Services % Revenue.** Income in this category includes that gained from offering both in-house and outside laboratory services. Thirty-nine percent of the practices surveyed derive 15% to 20% of annual revenue from providing laboratory services.

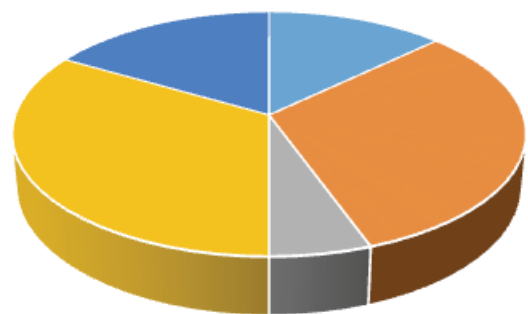
Lab Services % Revenue



■ >20% ■ 0-15% ■ 1-20% ■ 15.1-20%

**Dentistry Services % Revenue.** Dental services income excludes related services such as pre-anesthesia laboratory services and anesthesia services. Thirty-three percent of the practices surveyed derive 2.5% to 4% of annual revenue from providing dental care.

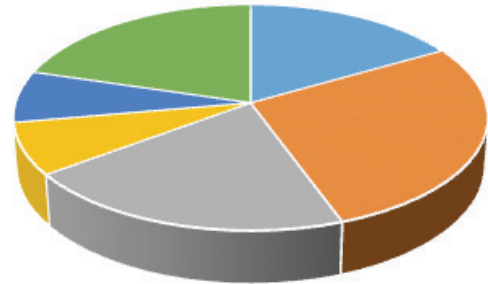
Dentistry Services % Revenue



■ >6% ■ 0-2.5% ■ 1-6% ■ 2.51-4.0% ■ 4.1-6.0%

# Percentage of Revenue

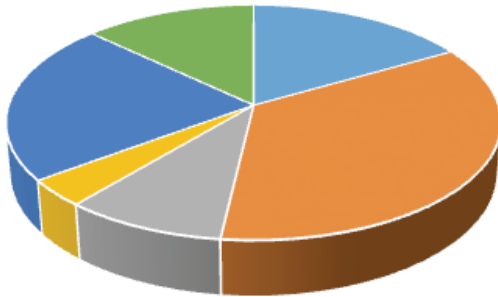
In-house Preventive Care Product Sales % Revenue



**In-house Preventive Care Product Sales % Revenue.** In-house preventive care product sales include those seen from selling flea, tick and heartworm prevention products. Only 17% of the practices surveyed see greater than 15% of gross annual revenue from selling preventive care products in-house.

- >15%
- 0-5%
- 10.1-15%
- 1-10%
- 1-15%
- 5.1-10%

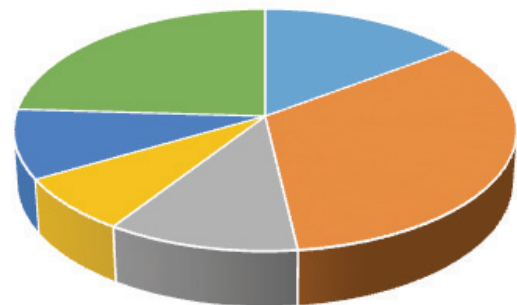
Examinations/Consultations % Revenue



- >25%
- 0-15%
- 1-20%
- 1-25%
- 15.1-20%
- 20.1-25%

**Examinations/Consultation % Revenue.** Examination and consultation services income includes that seen from providing examinations associated with both well-pet and non-well-pet visits. Only 17% of the practices surveyed derive more than 25% of annual revenue from providing examination services.

Surgical Services % Revenue

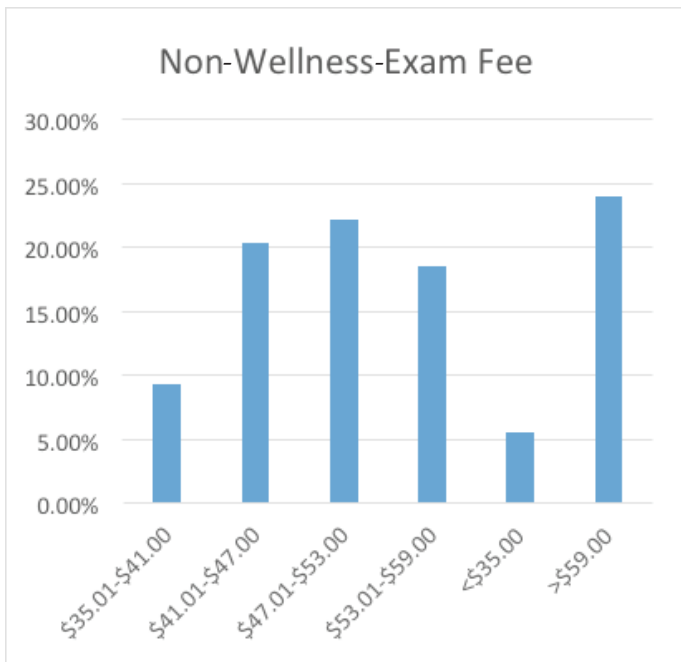


- >15%
- 0-5%
- 10.1-15%
- 1-10%
- 1-15%
- 5.1-10%

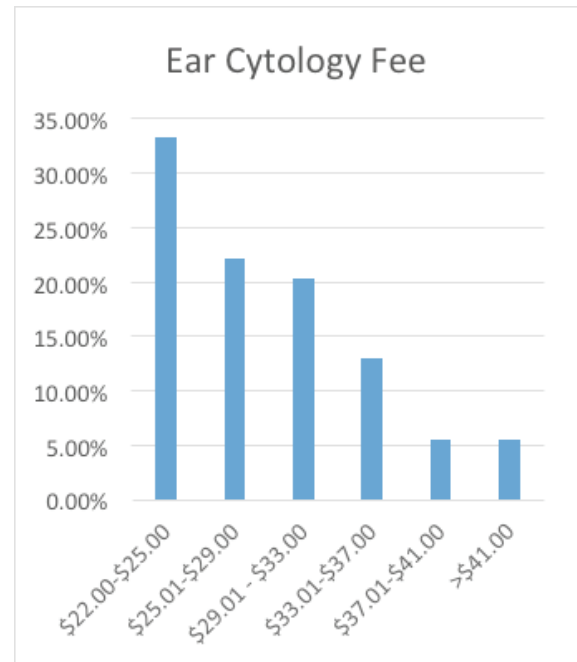
**Surgical Services % Revenue.** Surgical services income excludes that associated with pre-anesthesia examinations, pre-anesthesia laboratory services and anesthesia services. 57% percent of the practices surveyed derive up to 10% of annual revenue from providing surgical services.

# Fees

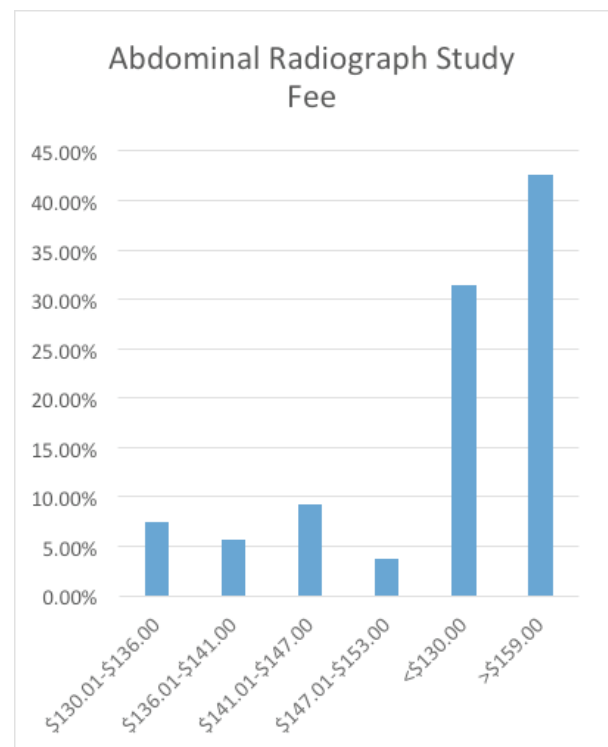
**Non-Wellness-Exam Fee.** This is the fee associated with examining a patient presented for an injury or illness and excludes the fee charged for preventive care and/or annual examination patient visits. Sixty-five percent of the practices surveyed have a non-wellness-exam fee greater than \$47.00.



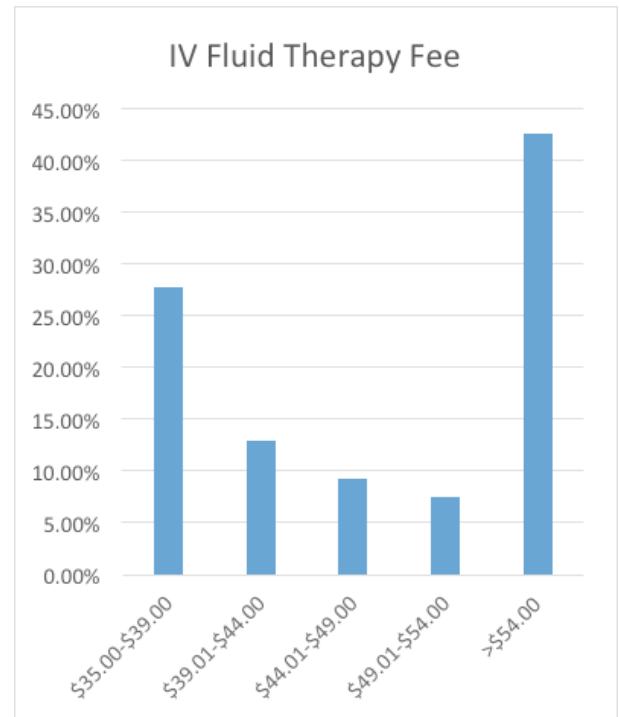
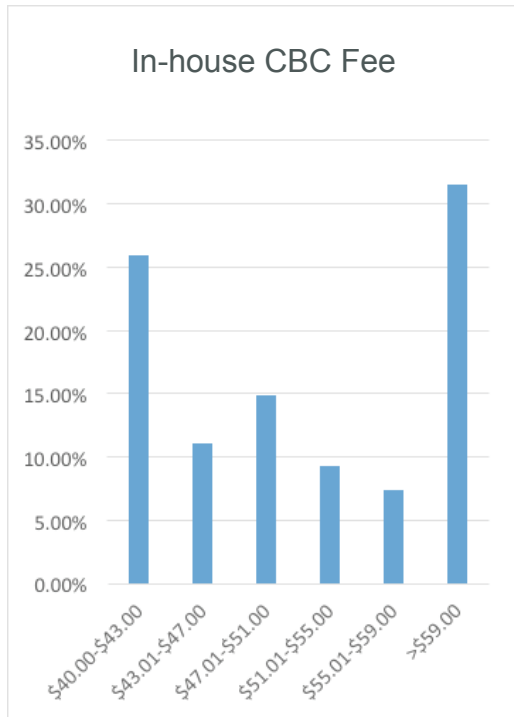
**Ear Cytology Fee.** This is the fee associated with sample collection, slide preparation and in-house cytology. The majority of practices surveyed charge between \$22.00 and \$33.00 to perform ear cytology.



**Abdominal Radiograph Study Fee.** This is the fee charged for providing a two-view abdominal radiographic study, including in-house interpretation of the radiographs. Only 32% of the practices surveyed charge less than \$130.00 for this study.



# Fees

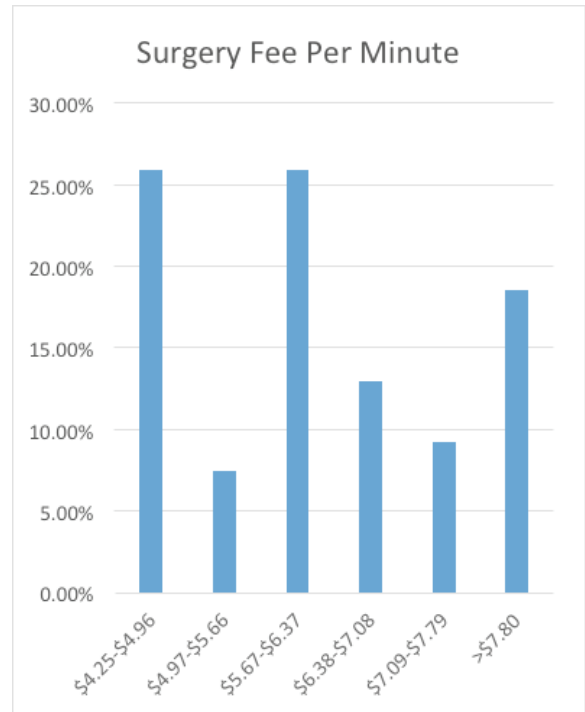
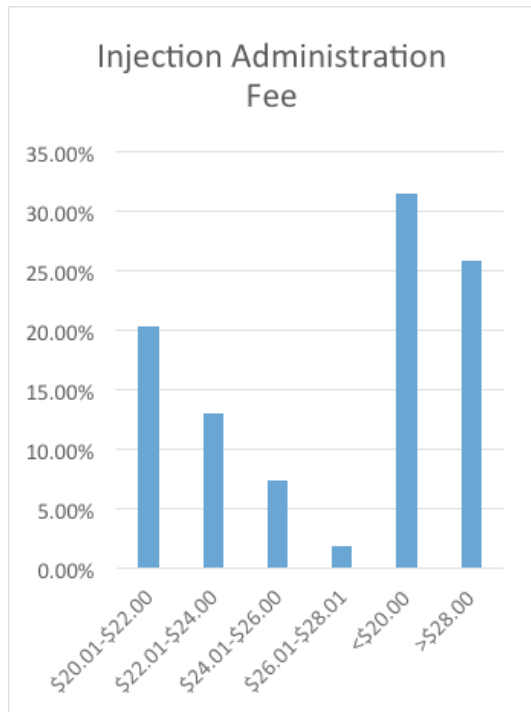


**In-house Complete Blood Count Fee.** The fee charged for an in-house CBC includes sample collection and preparation and interpretation of the in-house laboratory results. Only 32% of the practices surveyed charge more than \$59.00 to perform an in-house CBC.

**IV Fluid Therapy Fee.** The fee for intravenous fluid therapy includes IV catheter placement, the fluid administration set and no more than 1 liter of fluids administered over a 24 hour period and excludes the fee charged for an IV fluid pump. Forty-three percent of the practices surveyed charge greater than \$54.00 to administer IV fluids over 24 hours.



# Fees



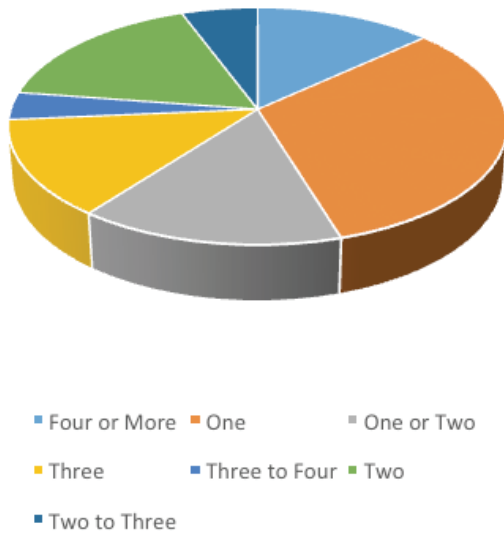
**Injection Administration Fee.** This is the fee charged for injection administration and excludes the cost and mark-up of the medication administered and medical waste disposal fees. Only 26% of the practices surveyed charge an injection administration fee greater than \$28.00.

**Surgery Fee Per Minute.** This is the fee charged for soft-tissue surgical services. Less than 20% of the practices surveyed charge a surgery fee in excess of \$7.80 per minute.

# Operations

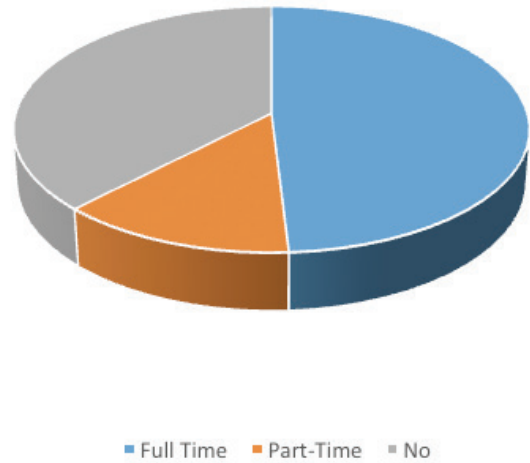
**Number of Full-Time Doctors.** The majority of practices surveyed have one to two full-time-equivalent doctors working in the practice. A full-time-equivalent doctor is one scheduled to provide professional services for a minimum of 40 hours per week.

Number of Full-Time Doctors



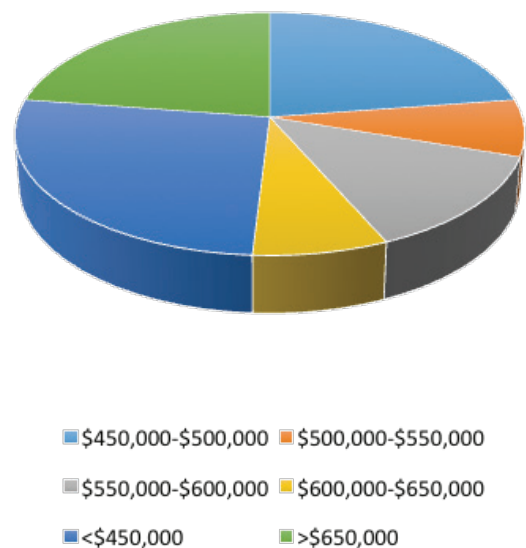
**Employment of a Practice Manager.** Nearly half of the practices surveyed employ a full-time practice manager. A full-time practice manager is one employed for a minimum 40-hour work week.

Employment of a Practice Manager



**Annual Revenue Generated Per Full-Time Doctor.** Only half of the practices surveyed see greater than \$500,000 in annual production per full-time-equivalent doctor in the practice.

Annual Rev Generated Per Full-Time Doctor

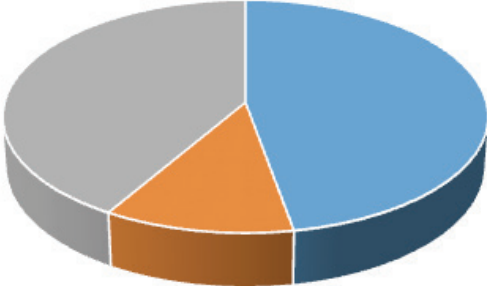


# Operations

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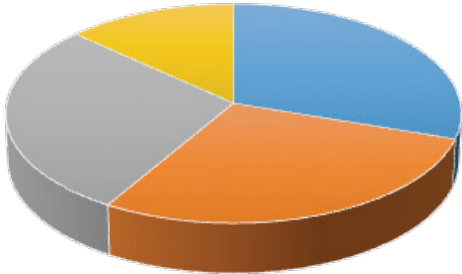
**Compensation Methods.** Nearly half of the practices surveyed compensate associates with a base salary and a percentage of their production.

Compensation Method



- Guaranteed Base Plus Production
- Production Only
- Straight Salary

Fee Adjustments



- Annually
- Bi-Annually
- Occasionally
- Quarterly

**Fee Adjustments.** The majority of practices surveyed adjust their fees bi-annually or annually.

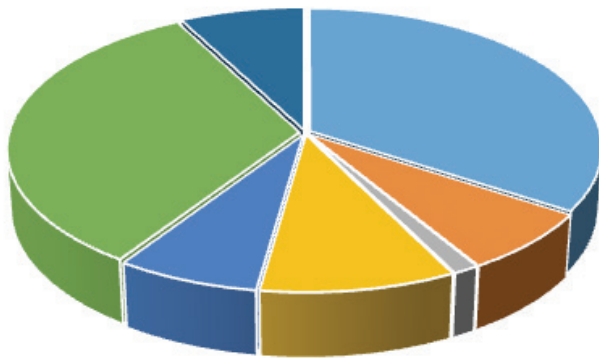
# Marketing

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**Online Marketing Tools.** Our survey results confirm that an active website and Facebook page are essential to compete in today's market for veterinary services.

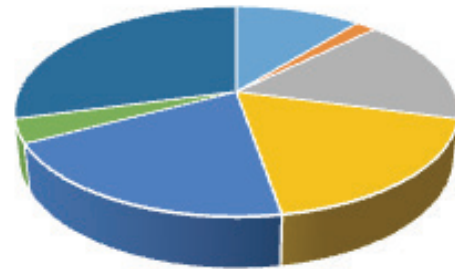
**Most Effective Marketing Tool.** While a great online presence is important for practice growth, our survey results demonstrate that referrals from existing clients also will drive significant business into a veterinary practice.

Online Marketing Tools



- Facebook
- LinkedIn
- Pinterest
- Twitter
- Practice Blog
- Website
- Other

Most Effective Marketing Tool



- Community Involvement
- Email
- On-line Listing Reviews
- Other
- Refer a Friend or Similar Referral Reward Program

# Section Two: Practice Performance

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Because Live Oak Bank carefully monitors the financial performance of all the practices we serve, we are uniquely positioned to provide data gauging a wide range of practice financial performance indicators. Our findings are detailed in this section and sorted by geographic region.

## **Geographic regions are defined as follows:**

**Northeast:** Connecticut; Delaware; Maine; Maryland; Massachusetts; New Hampshire; New Jersey; New York; Pennsylvania; and Vermont

**Southeast:** Alabama; Arkansas; Florida; Georgia; Louisiana; Mississippi; North Carolina; South Carolina; Tennessee; Virginia; and the Virgin Islands

**Mid-West:** Iowa; Illinois; Indiana; Kansas; Kentucky; Missouri; Nebraska; Ohio; Oklahoma; and West Virginia

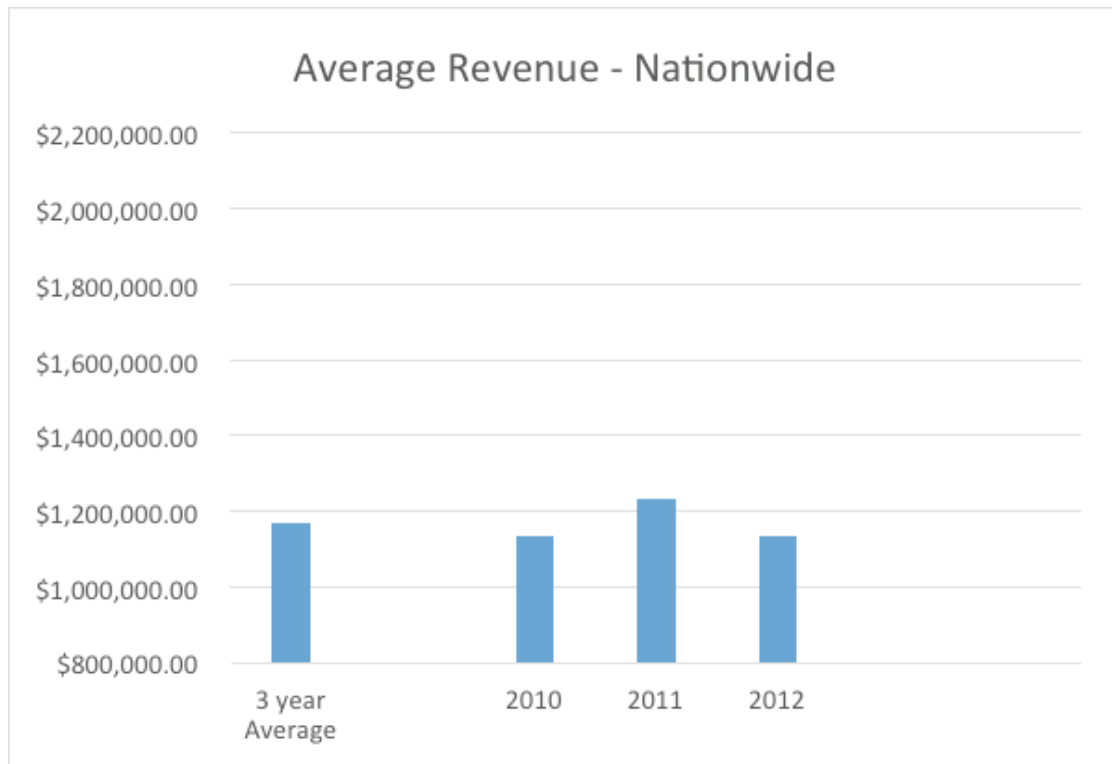
**Upper Mid-West:** Michigan; Minnesota; Montana; South Dakota; and Wisconsin

**Southwest:** Arizona; New Mexico; and Texas

**Mountain:** Colorado; Idaho; Nevada; and Wyoming

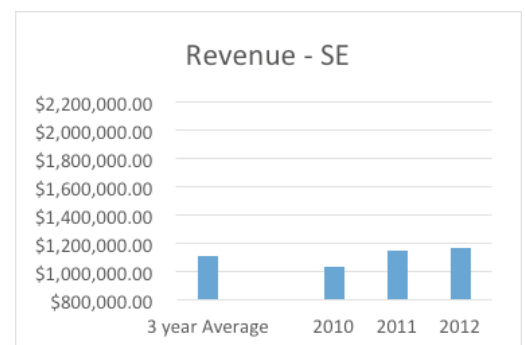
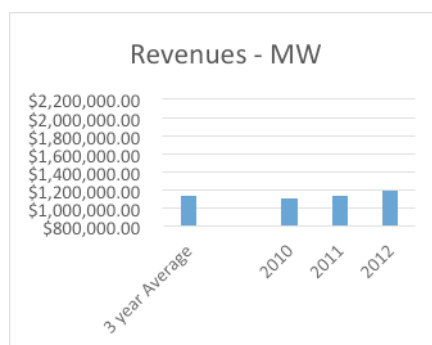
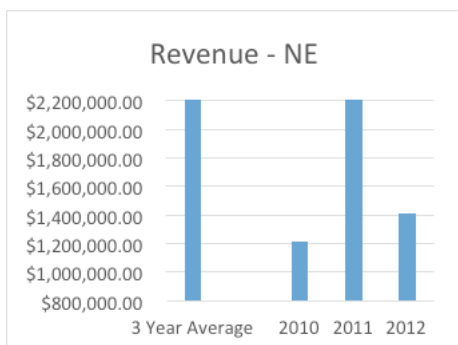
**West Coast:** California; Hawaii; Oregon; and Washington

# Average Revenue



Average revenue represents an average of the gross annual income realized by a practice through sales and providing professional services.

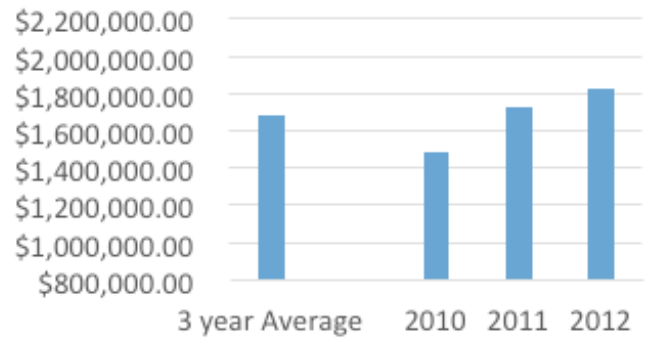
Between 2010 and 2012, the average revenue seen by our practices nationwide was almost \$1,170 million. 2011 was the highest revenue year nationwide during this period with average revenue reaching \$1,233 million.



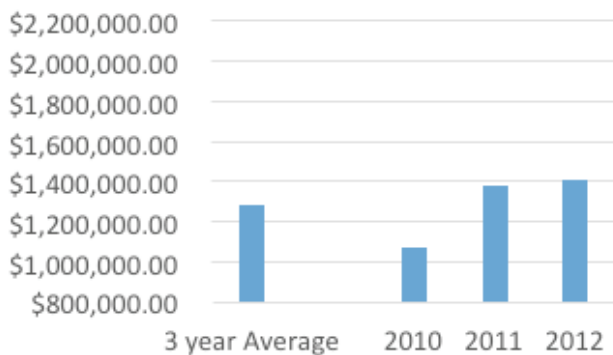
# Average Revenue

With the exception of our practices in the Northeast and the Upper Mid-West, practices nationwide saw year-over-year increases in average revenue between 2010 and 2012.

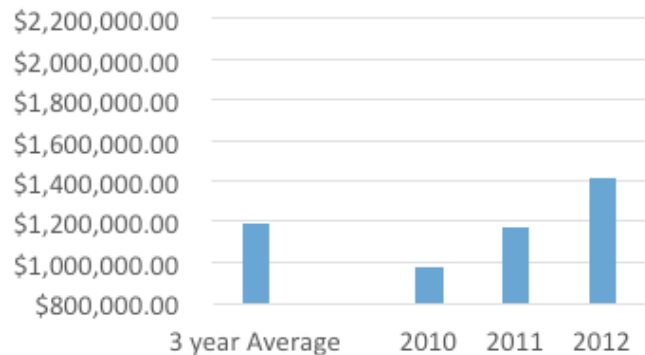
### Revenue - WC



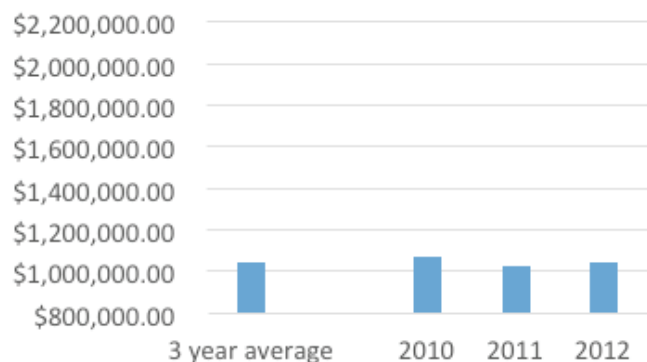
### Revenue - SW



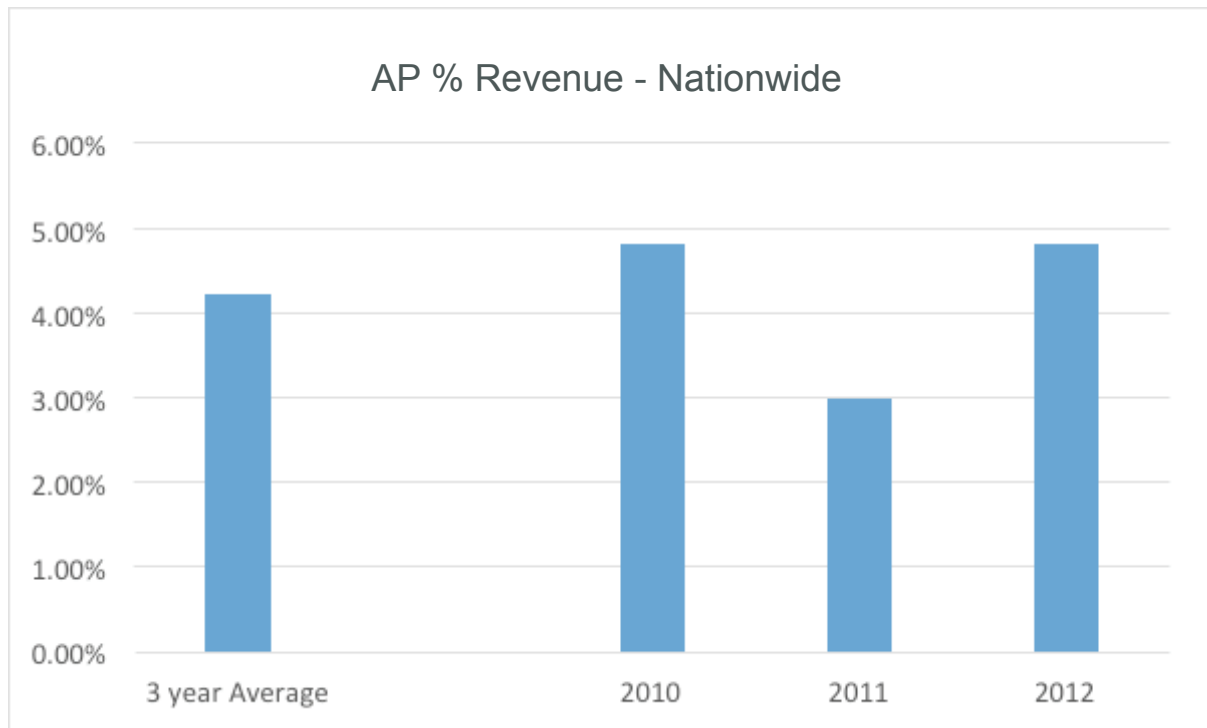
### Revenue - Mountain



### Revenue - UMW

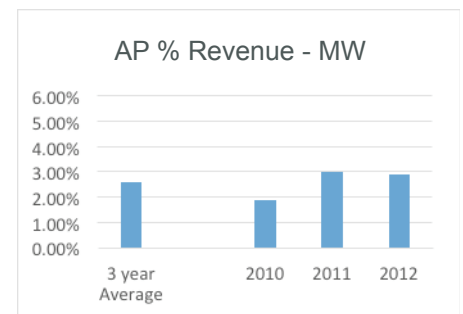
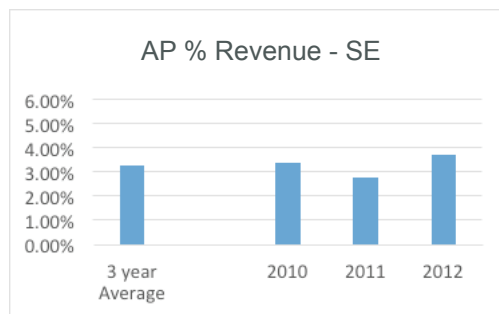
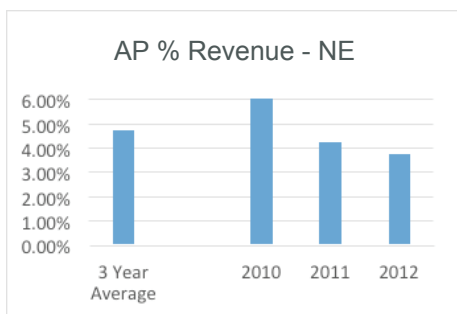


# Accounts Payable as a Percentage of Revenue



Accounts payable includes outstanding sums owed to vendors such as outside laboratories, pharmaceutical and medical supply companies, distributors and providers of outside services such as advertisers.

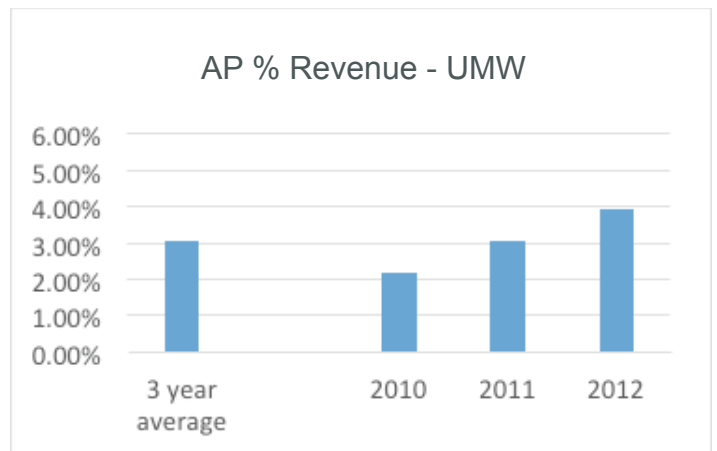
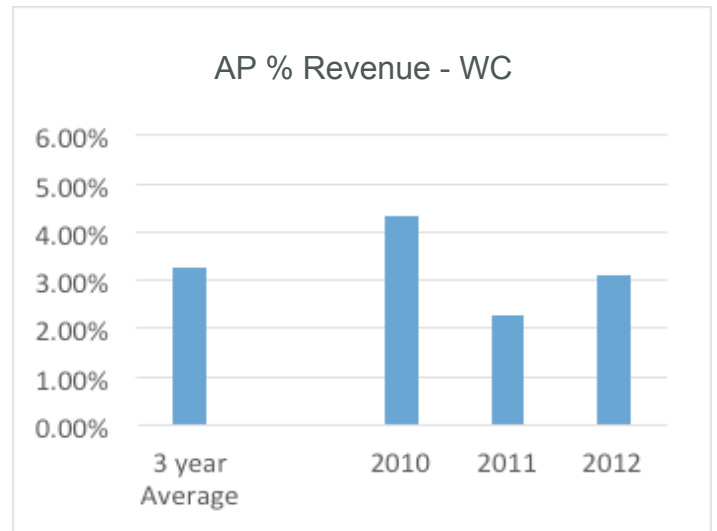
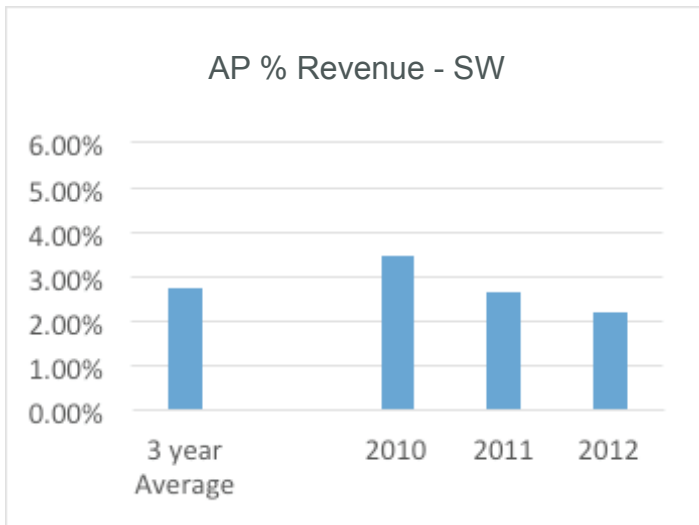
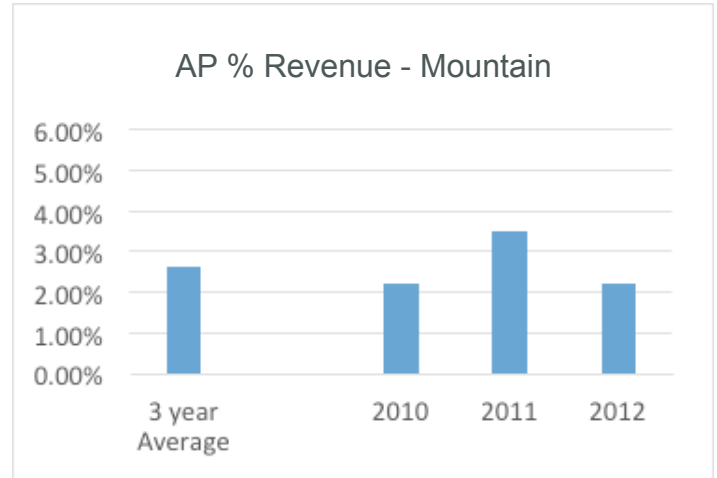
Between 2010 and 2012, our practices nationwide on average carried accounts payable totaling 4.21% of gross revenue with lower average balances of 3% carried in 2011.



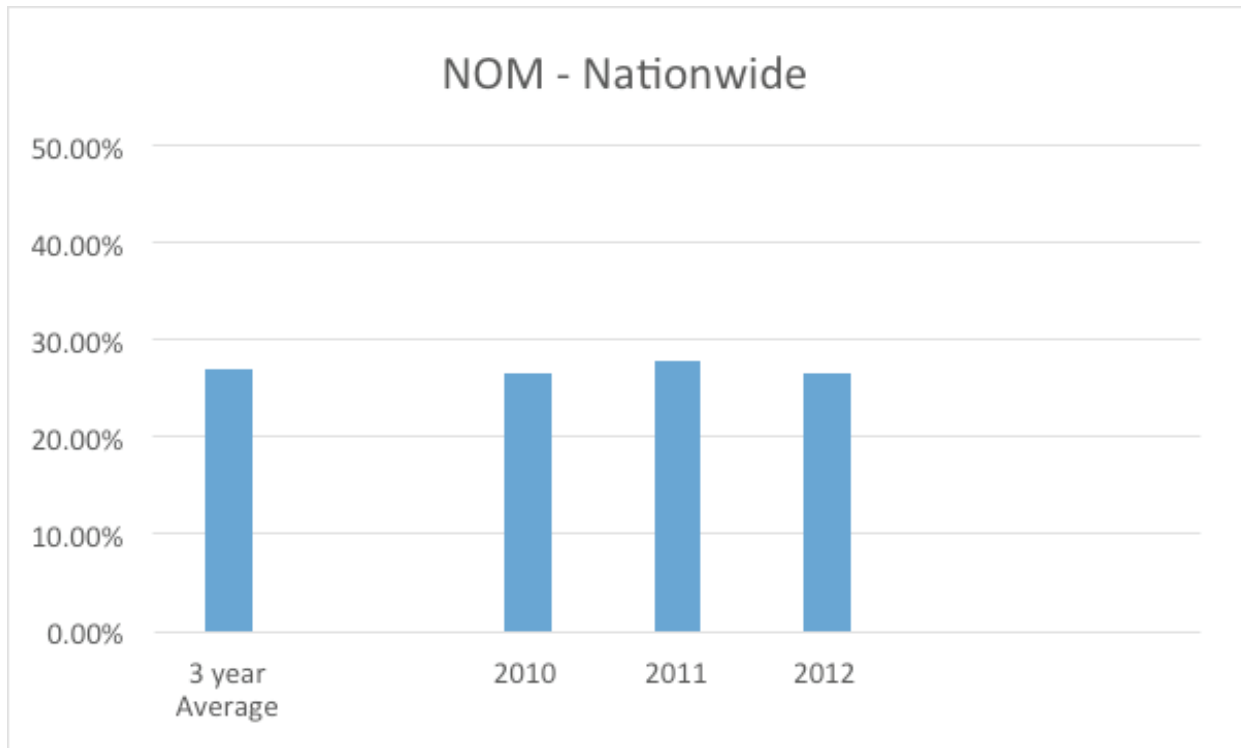


# Accounts Payable as a Percentage of Revenue

Practices in the Northeast and Southwest saw average accounts payable as a percentage of gross revenue decline year over year between 2010 and 2012, while practices in the Upper Mid-West saw average accounts payable as a percentage of gross revenue increase.

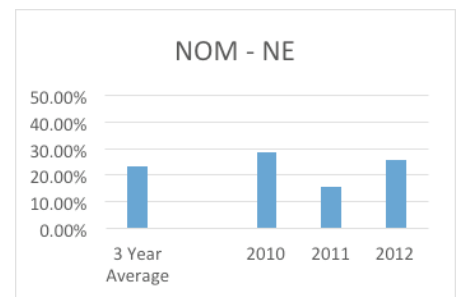
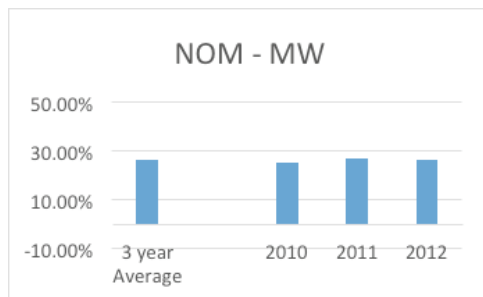
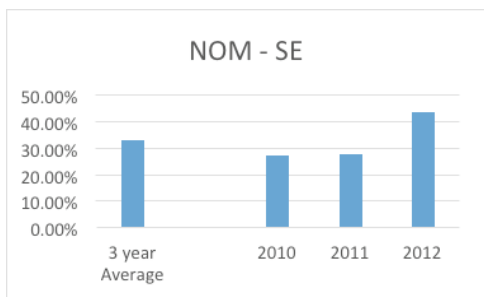


# Net Operating Margin



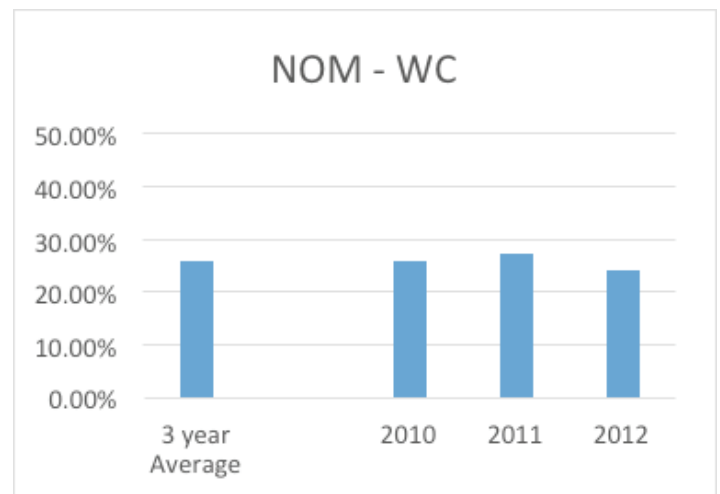
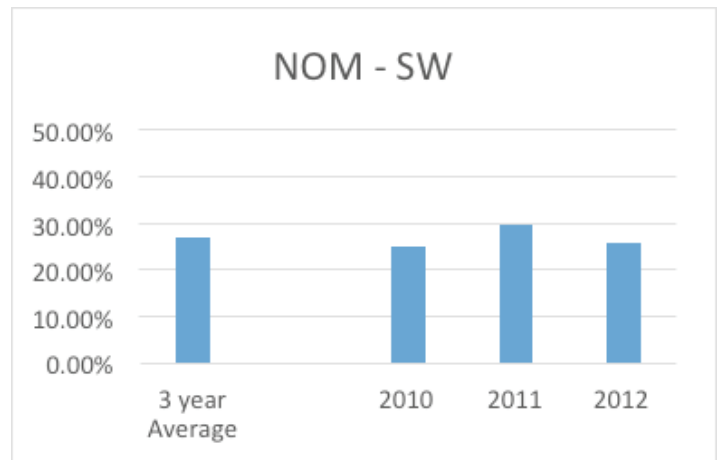
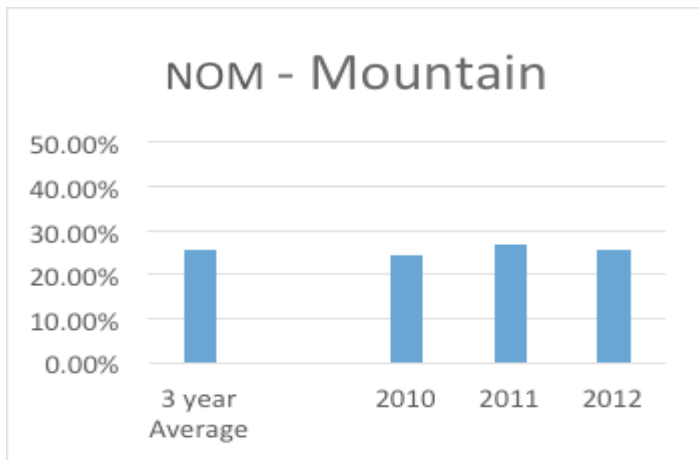
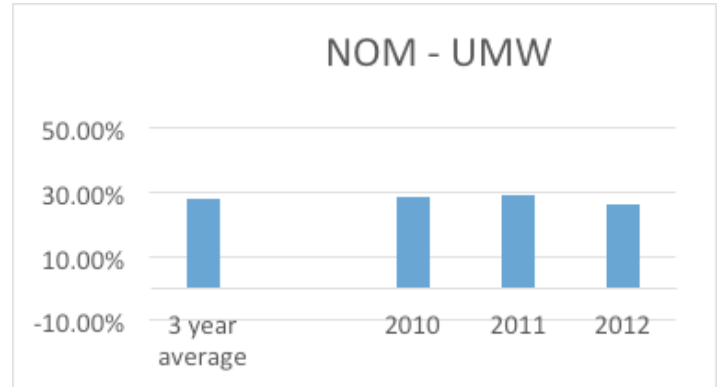
To calculate net operating margin, cost of goods sold is subtracted from gross revenue. From that figure, all remaining expenses, with the exception of debt service and owner compensation, also are subtracted. The remainder is divided by gross revenue to obtain the net operating margin.

Between 2010 and 2012, our practices nationwide averaged a net operating margin of 27.09%. With the exception of practices in the Southeastern and Northeastern regions, our practices nationwide saw the highest net operating margins in 2011.

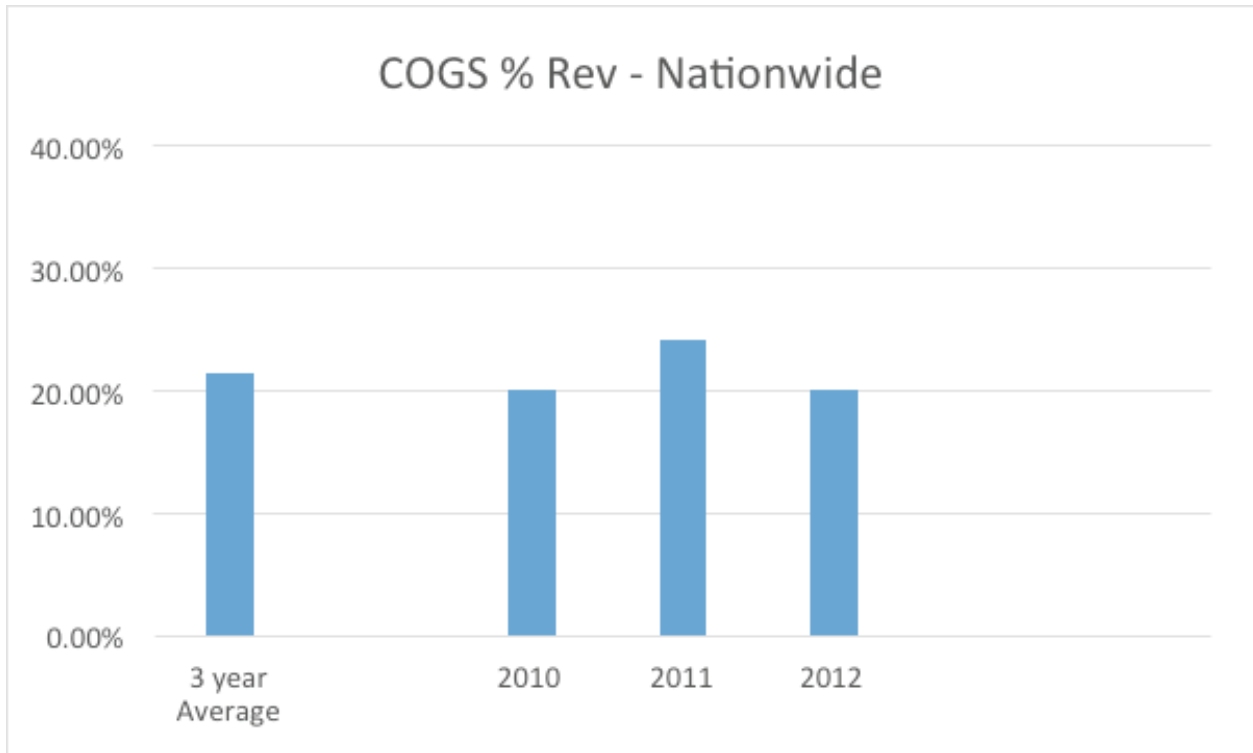


# Net Operating Margin

Practices in the Southeastern region averaged the highest net operating margin (33.04%) between 2010 and 2012 when compared with all other regions.

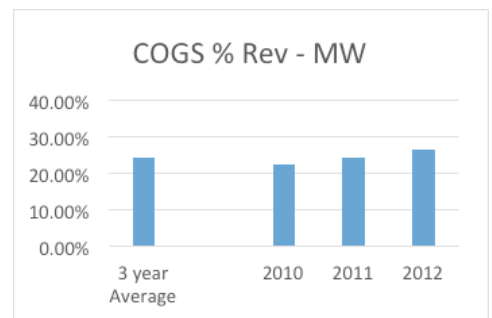
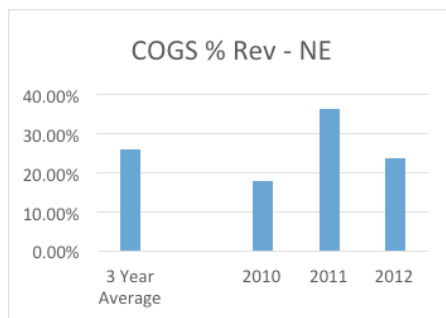
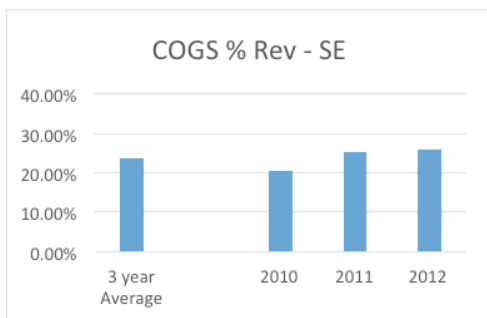


# Cost of Goods Sold as a Percentage of Revenue



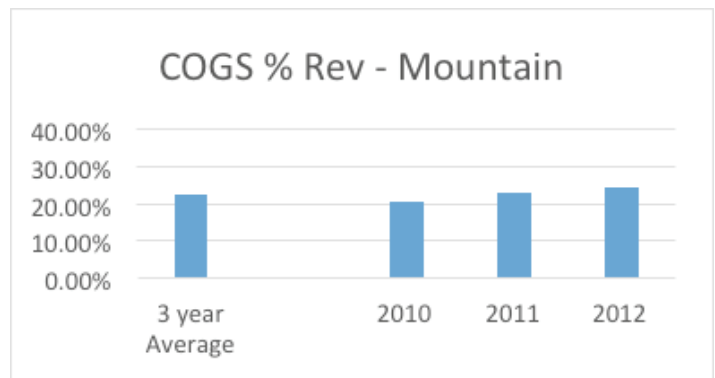
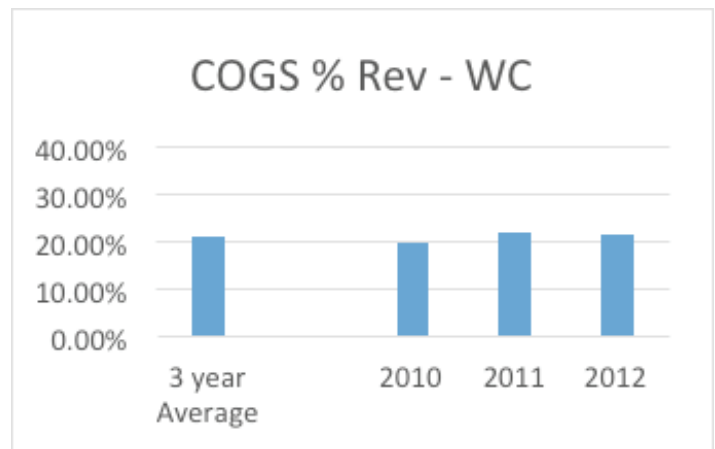
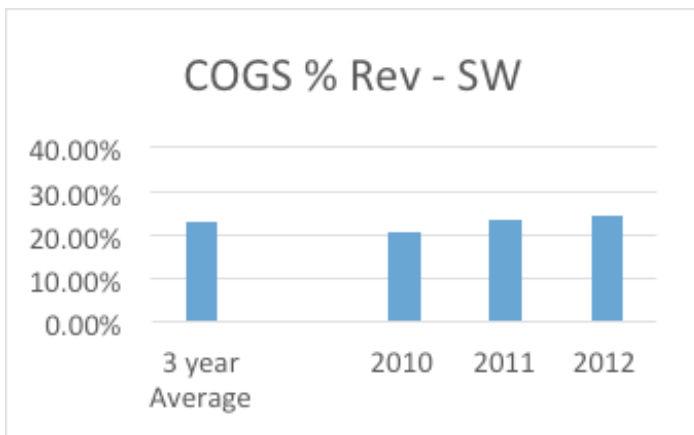
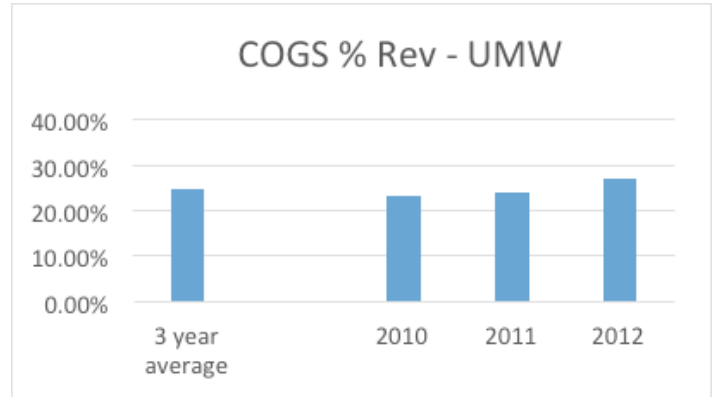
Cost of goods sold includes the following: pharmaceutical and medical/surgical supply costs; in-house and outside laboratory costs; preventive care product costs; pet diet costs; costs for over-the-counter items such as pet treats and toys; pet cremation costs; radiology expenses; and medical waste disposal costs.

Between 2010 and 2012, our practices nationwide had an average cost of goods sold as a percentage of gross revenue of 21.41%.

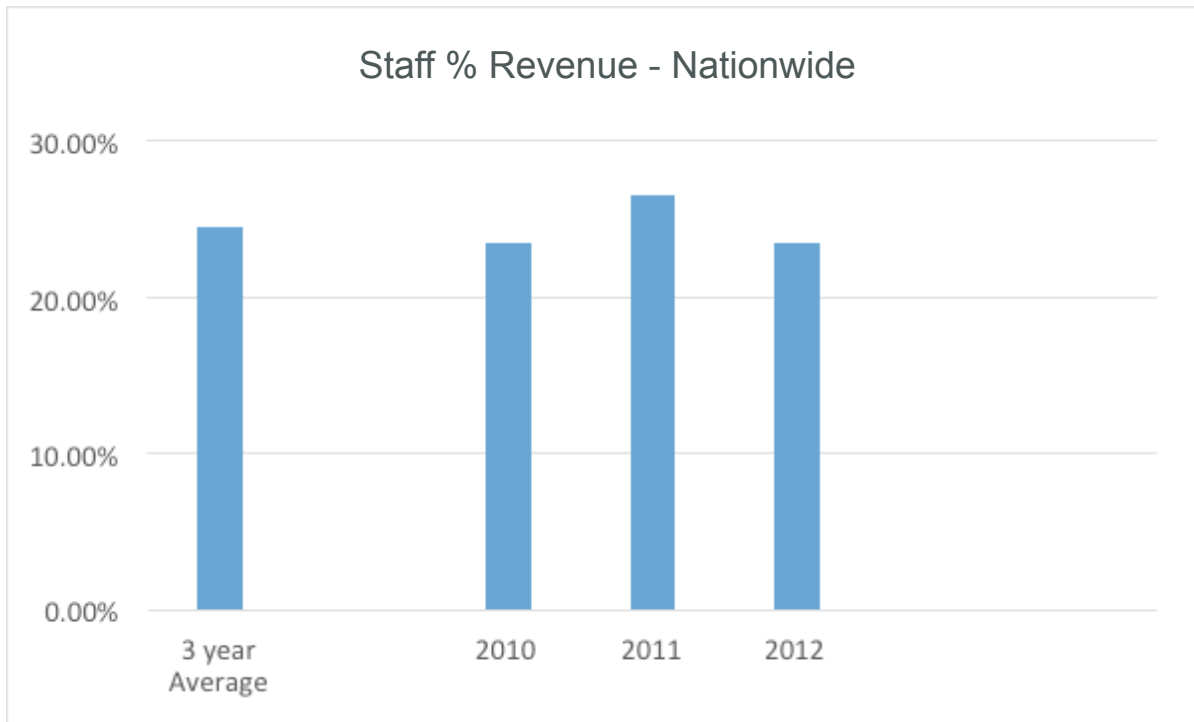


# Cost of Goods Sold as a Percentage of Revenue

The highest average cost of goods sold percentage was found in the Northeastern region at 25.99%. The Mountain, Southwestern and West Coast regions averaged a cost of goods sold percentage of less than 23%.

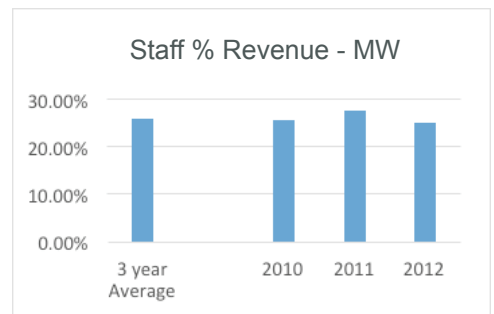
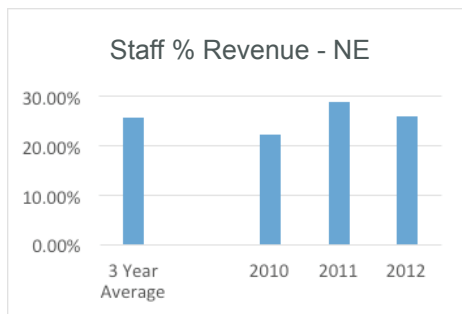
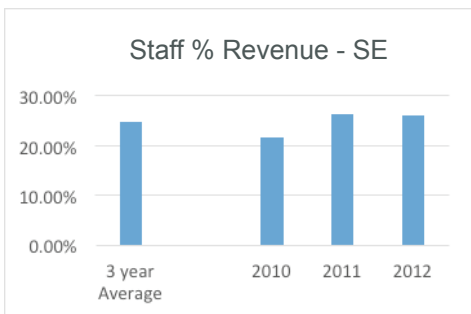


# Staff Expense as a Percentage of Revenue



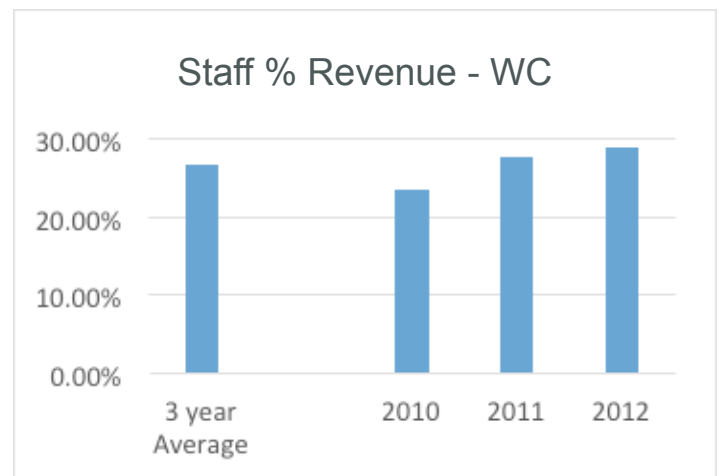
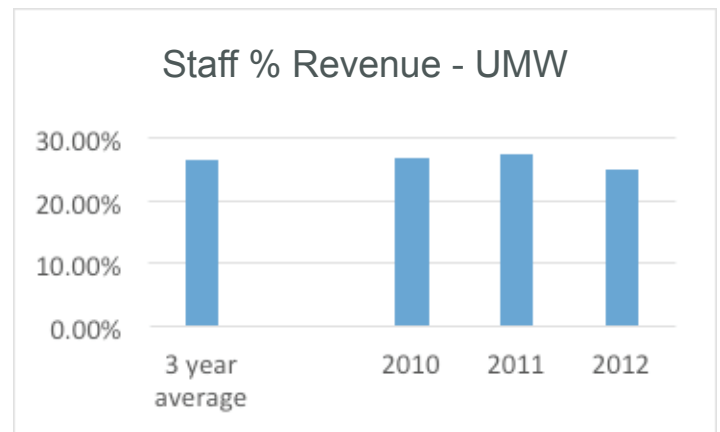
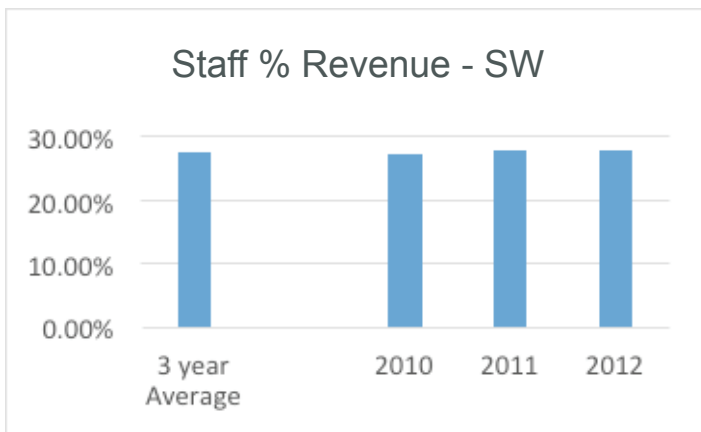
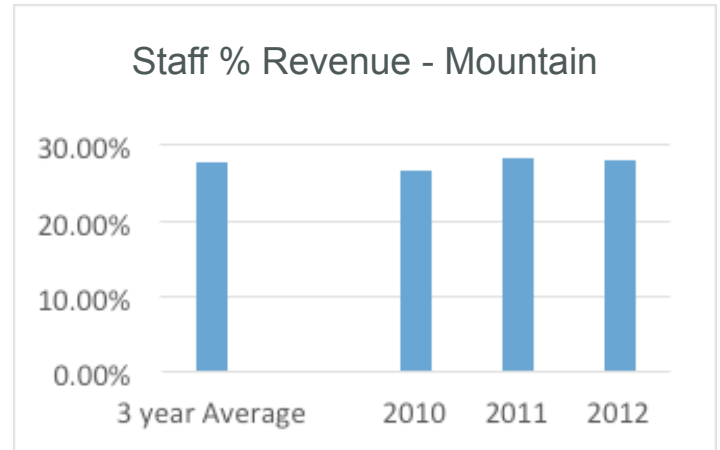
This figure represents all non-owner staff wages and salaries (excluding payroll taxes and employee benefits) as a percentage of gross revenue.

Between 2010 and 2012, our practices nationally had an average staff expense as a percentage of gross revenue of 24.5%.

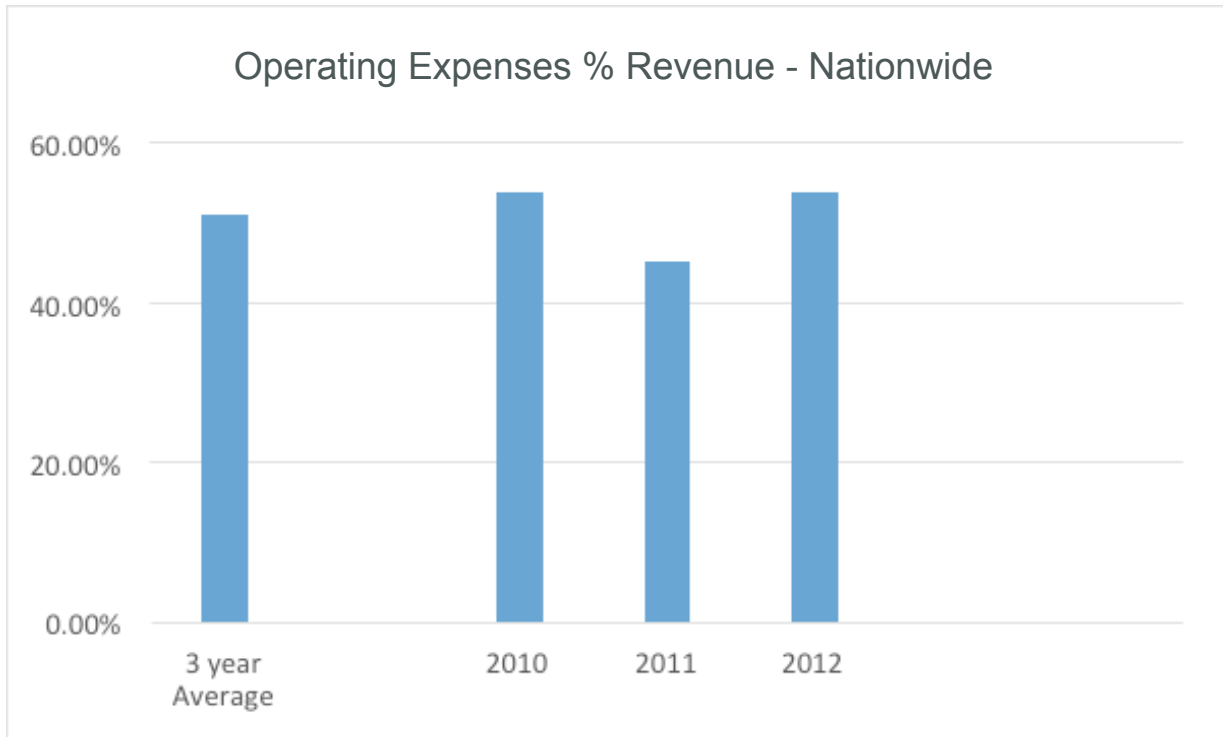


# Staff Expense as a Percentage of Revenue

The Southeastern region had the lowest average staff expense percentage at 24.72%, while the Southwestern and Mountain regions had the highest percentage at 27.67%.

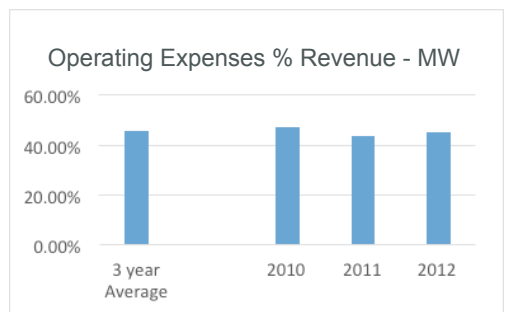
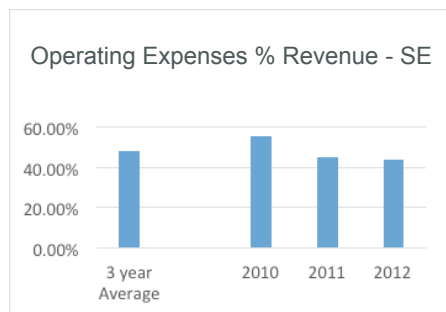
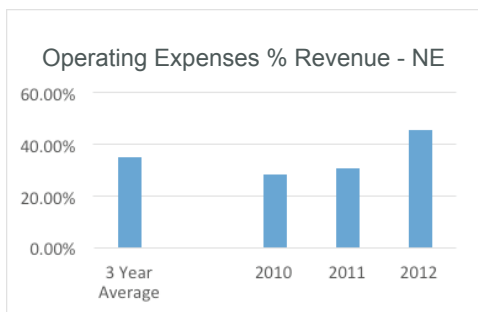


# Operating Expenses as a Percentage of Revenue



Operating expenses include all costs to operate the practice exclusive of debt service, owner compensation and income taxes.

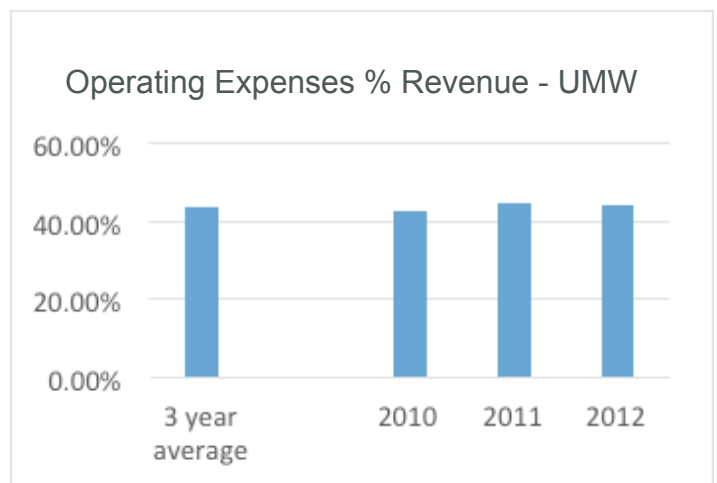
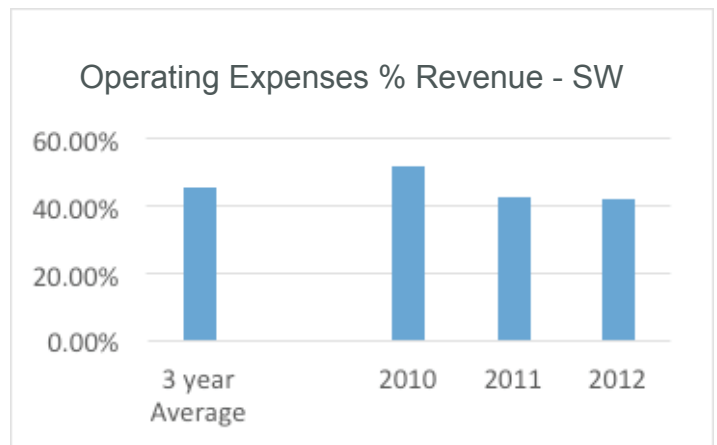
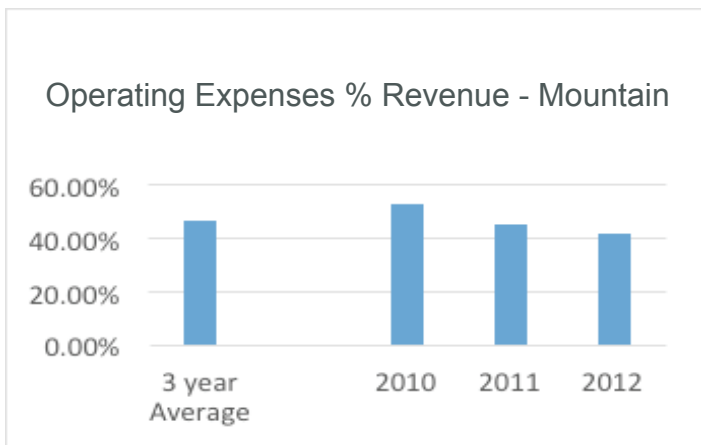
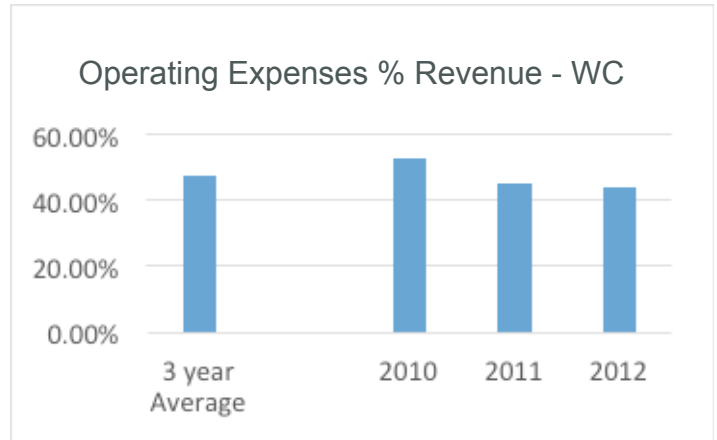
Between 2010 and 2012, average operating expenses as a percentage of gross revenue was 50.94% nationwide.



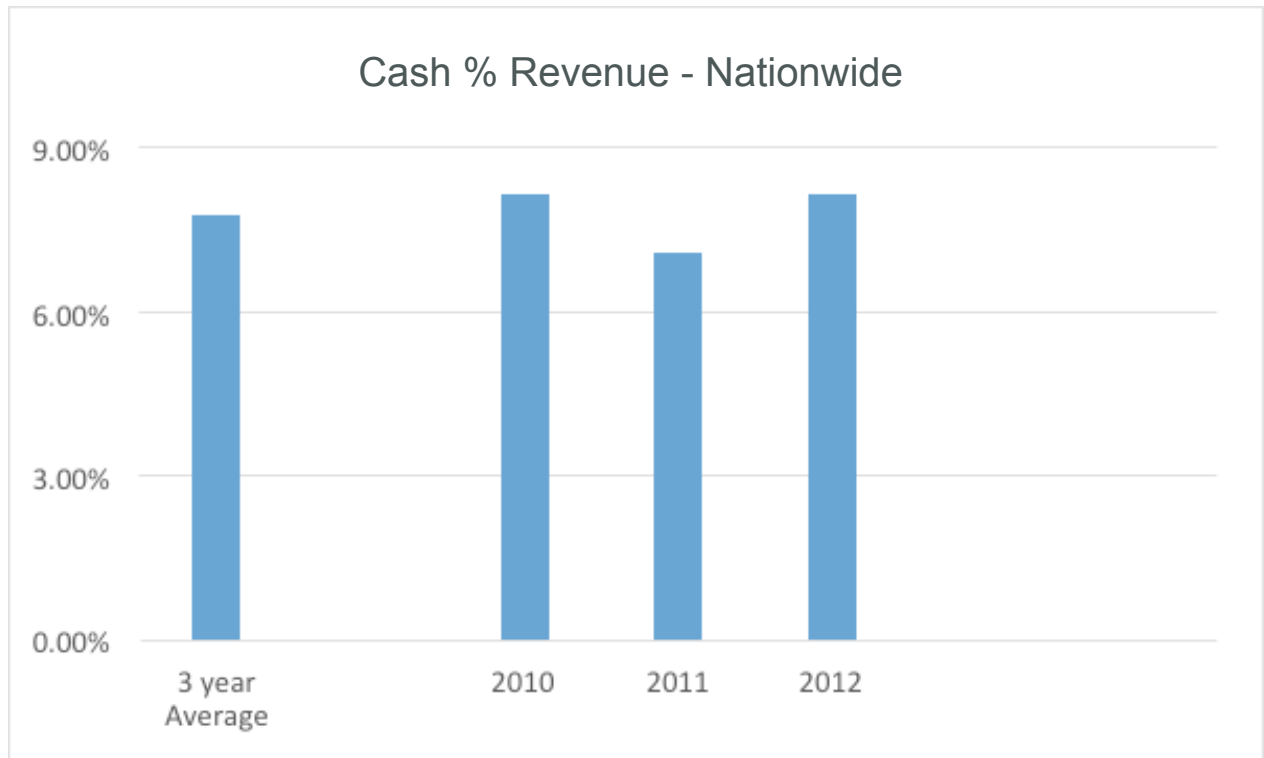


# Operating Expense as a Percentage of Revenue

Average operating expenses as a percentage of gross revenue was lowest in the Northeast at 34.94% and highest in the Southeast at 48.15%.

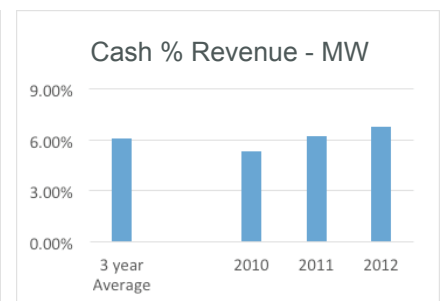
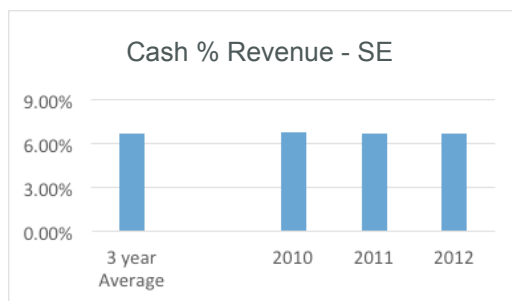
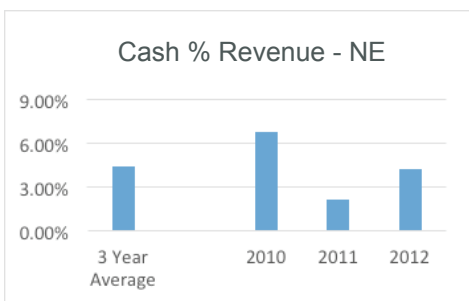


# Cash as a Percentage of Revenue



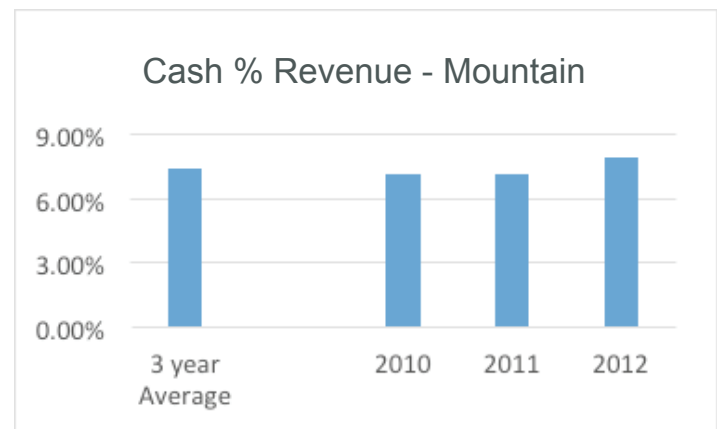
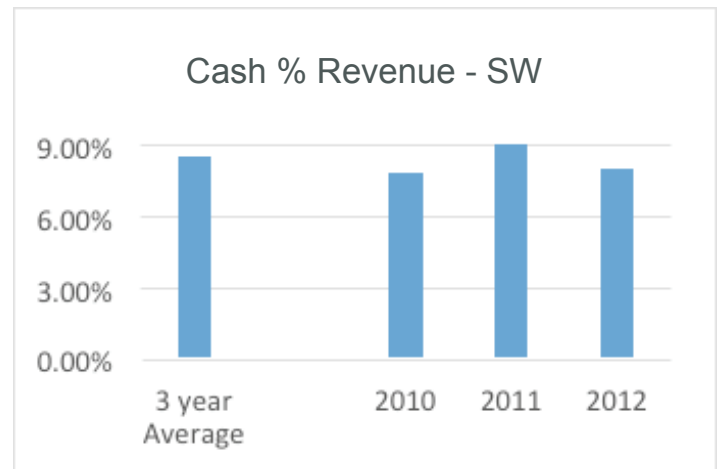
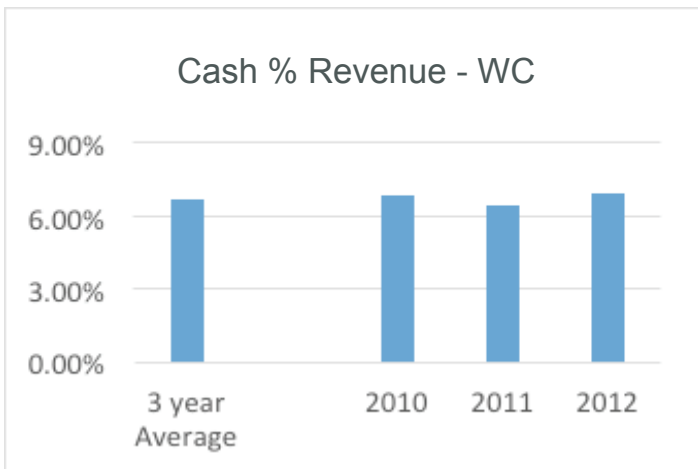
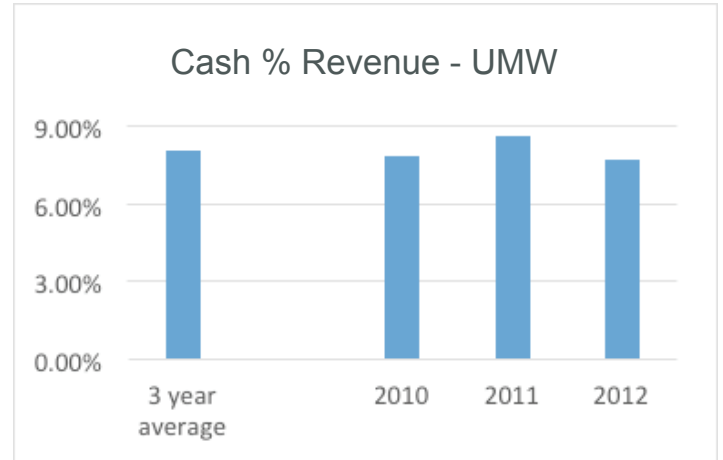
This figure represents cash on hand in business checking and savings accounts as a percentage of gross revenue.

Between 2010 and 2012, our practices carried an average of 7.79% of revenue as cash on hand. That figure was lowest nationwide in 2011 at an average of 7.10% of revenue.



# Cash as a Percentage of Revenue

Practices in the Southwestern region carried the highest average percentage of cash on hand at 8.55%, while practices in the Northeast had the lowest average percentage at 4.38%.





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