

# PRACTICE VALUATION

## PROVISION VALUATION ESTIMATE

### **The Purpose of a Valuation Estimate**

Understanding the possible value of your practice can be of great benefit when planning for the future in regard to your business.

The purpose of a valuation estimate is for your personal use only, with the aim of being able to better plan for partnership discussions, retirement and succession planning.

Please note if you are selling your practice, an accredited valuation is required.

### **How the Valuation Estimate is Calculated**

There are several ways a business can be valued. We use a method widely used across the optometric industry based on a multiple of your adjusted net profit.

We arrive at this number by carefully considering the return on investment opportunity for a purchaser along with a number of industry specific factors such as;

- The growth trend and future earning potential of your practice
- The age of the practices fit out and equipment
- Comparisons of specific business performance in relation to industry benchmarks. Some examples are the percentage of your consult income to retail sales along with wage costs
- Location of your practice and surrounding competition
- Business systems and digital presence of your practice
- The ability of the owner to transition out of the practice over a period of time

### **What Information is Required for a Valuation Estimate**

1. Completion and return of the attached disclaimer document
2. Profit & Loss Statement for the last 3 financial years
3. Financial separation of your consultation and retail income for the last 3 financial years. This may be reflected in your Profit & Loss (if so please disregard)
4. A summary by employee of the practice wages and superannuation, including any optometry locums for the previous financial year
5. Management Summary Reports revealing your consultation numbers, consultation income and retail income for the last 3 financial years
6. A list of optometric equipment including age and summary of the age and condition of your practice fit out
7. A copy of your current lease

## **ACCREDITED VALUATION**

### **The Purpose of an Accredited Valuation**

When selling your practice or changing a partnership structure, an accredited valuation is essential.

An accredited valuation will provide you a report containing deeper analysis of practice performance to ensure all relevant factors are taken into account in the valuation and can therefore provide a narrower valuation range.

When selling all, or part of a practice, an accredited valuation will ensure all relative tax implications are taken into account.

It also provides comfort to buyers that the practice is fairly valued and assists them in obtaining credit for the purchase. If requested, an accredited valuer can also address the valuation report to the bank.

COVID-19 has had an impact on valuations, an accredited valuer takes a deeper dive into the impact and recovery of your practice.

### **How to Obtain and Accredited Valuation**

You can obtain an accredited valuation on your own accord either through your accountant or by sourcing an accredited business valuer.

At ProVision we work closely with our referral partner Synstrat who are both industry specialists and also offer competitive pricing for members in collaboration with ProVision to complete the accredited valuation process.

### **Who are Synstrat?**

Synstrat are one of ProVisions preferred referral partners in the accounting space. Their core objective is to guide and assist business owners and professionals through their financial life cycle.

Synstrat specialise in practice valuations and also provide additional targeted advice to ensure you are well versed around important financial aspects in regards to your sale, such as capital gains tax possibilities and advice on structuring your superannuation affairs for the tax and estate planning purposes.

### **What is the Cost of an Accredited Valuation?**

Working in conjunction with ProVision, Synstrat have a flat discounted fee of \$1,500 (ex GST) for an accredited valuation which includes the report and specific financial advice in relation to your sale.

ProVision assist with gathering all relevant financial documentation, along with providing the valuation estimate to Synstrat, reducing the cost of the service significantly.

**Contact:**

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Synstrat Accounting

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**What Information is Required for an Accredited Practice Valuation:**

1. Completion and return of the attached disclaimer document
2. Profit & Loss Statement for the last 3 financial years
3. Financial separation of your consultation and retail income for the last 3 financial years. *This may be reflected in your Profit & Loss (if so please disregard)*
4. A breakdown by employee of the practice wages and superannuation, including optometrists, practice managers, retail staff and any locums, for the last 3 financial years. Please mark on the summary the role of each employee and whether they are a family member or connected to any of the owners.
5. A breakdown of salaries paid to the owner partners and any family members (if applicable). If salaries were paid to anyone connected to the partners
6. Copies of the submitted BAS returns for the period from 1 July 2018 to the current date
7. Your asset depreciation schedule for the last financial year
8. A summary of details for the below points:
  - a. A list of all current optometric equipment including age and condition
  - b. A list and age and condition of any items of furniture, office equipment and amenities of perceived value that will be sold with the business
  - c. The age and condition of your practice fit out
9. Management Summary Reports revealing your consultation numbers, consultation income and retail income for the last 3 financial years along with any months in current financial year (e.g. July – November)
10. Stock stock/inventory report to reveal itemised product information including age, cost and total dollar value of your stock on hand
11. A copy of your current lease or the following information:
  - a. Lease term and expiry date
  - b. Any further renewal options
  - c. The current base rent (Please also include a copy of a recent rental invoice)
  - d. Size of premises
  - e. Outgoings
  - f. Annual reviews/rises in base rent
12. If the premises are owned, please provide an independent valuation of the practice premises by a commercial property valuer or experienced commercial agent including the fair market rental for the property in its current use.
13. A copy of a recent rent invoice/statement

14. Details of any debt linked to the practice such as goodwill loans, chattel mortgages, hire purchase or leases. Schedules showing repayments, duration and the amount borrowed should be provided.
15. Notification of any major item of equipment purchased or leased since 1 July 2019. Please include cost, date of purchase and the lease schedule if applicable. Items above \$3,000 only please.
16. A copy of your partnership agreement and any other relevant agreement between the partners such as a service agreement (if applicable).
17. When was the practice last refurbished/renovated? Please provide basic information.
18. Any other information which you feel is relevant that we should know when valuing the practice.

Additional information required for COVID-19 is:

1. Revenue by month from 1 July 2017 to the nearest month end to the valuation date. Please send in excel format
2. Financial impact of any rent relief obtained through COVID
3. Financial impact on wages and super of staff stand-downs and/or reduced hours including the pass through of Job-keeper if applicable
4. Any other impacts e.g. additional costs incurred not covered above