

## 2022 Annual Consolidator Update

Dear Member,

It has been 12 months since we reached out to the membership, providing guidance and perspective around consolidator activity within the industry.

Last years message focused on 3 important points you should carefully consider when placed in the unenviable position of having to decide whether to accept an offer that might seem too good to be true, or to stay independent.

1. Your overall Financial Return will be better
2. You will retain your Freedom to Choose
3. You will be proud of your ultimate Legacy

The communication was timely and sparked a lot of interest amongst the membership. We went into further detail with a series of webinars in conjunction with our referral partner David Collins from Synstrat Accounting. The webinars provided members with more specific answers to the questions they were asking. The link below will take you to the first webinar, which outlines the key considerations to selling your practice successfully in the independent market, as well as how consolidators will approach you if they know you're selling.

### **What Really Happens When You Sell Your Practice - Webinar 1**

<https://www.youtube.com/watch?v=51D1fHeT7Rw>

In the second webinar, David goes into greater detail around the particulars of a consolidator transaction and outlines several key areas of consideration in relation to consolidator transactions. Something we see time and time again is how the urgency of time that a consolidator places on members often both places an enormous amount of stress on practice owners, while also reducing the opportunity to clearly understand if the opportunity is the right one for them and allows the time for due diligence (as well as negotiation power).

The link below provides in depth information about both consolidator transactions and the risks to be aware of.

### **What Really Happens When You Sell Your Practice - Webinar 2**

<https://www.youtube.com/watch?v=LSfD25jJpew>

It is no surprise that the last two and a half years have placed enormous duress on members, and we are seeing consolidators use this to their advantage.

As business begins to return to a sense of normality, and many of us have had time to reflect and consider 'what is next?', we thought the below 3 areas would be of value to the membership as many consider the future of their business.

1. The current state of the market and what buyers are looking for
2. The critical importance of succession planning
3. Your key resources throughout the sale process

### **1. The current state of the market and what buyers are looking for**

National Optical Care, The Optical Company and George & Matilda remain active in the consolidation space. Each of them have acquisition targets, and their focus remains on achieving critical mass over patient care. There will be an exit strategy, whether that is a public listing, or a trade sale and this will depend on which option delivers the greatest return to the investors – every other consideration is secondary. Once that happens, the real fun will begin. The corporatisation of practices will step up a gear because the new owners now need to get a return on *their* investment and will have to turn the proverbial screws to do so.

Each of these consolidators have a list of practice prerequisites, including conditions such as a minimum turnover of around \$800k per annum (anything less than this they generally don't pursue), a 3 year period where the owner is required to stay on and achieve a challenging list of KPI's, competitive lease terms in place and adjusted employment contracts for staff, often below what practices currently pay that provide challenges within the practice moving forward, as you could imagine.

The independent market is seeing some uplift, particularly in major cities and regional areas that have experienced growth. We are seeing a mix of current practice owners looking to expand their network as well as younger optometrists looking to either jump into ownership, or partnership which brings us to the next point, succession planning.

While each practice sale is unique, the below list of questions will be top of mind for most buyers and should be taken into consideration when planning a sale or partnership.

- Is your practice growing year on year? Buyers typically look for 3 years consistent growth. This will also have a positive impact on your sale price.
- Does your practice comfortably cover wages – this includes front of house staff and benchmarked Optometrist salaries of \$120,000?
- Are you leveraging modern systems to ensure your practice is as efficient as possible?
- Have you got skilled and capable staff that would continue to work and support a new owner?

- Do you have a sound marketing plan to ensure your practice is growing and attracting new patients?
- Is your practice located in an area that would attract multiple buyers? Typically, some regional locations can be challenging, the key is to be realistic about the potential of your sale when you plan for your lead time.
- Do you have a current lease in place with security of tenure for potential buyers? Have you had your lease reviewed?

## **2. The critical importance of succession planning**

When planning your exit from your practice, you should never leave it to chance. Looking within your practice for a successor is the ideal way to ensure you can exit your business on your terms, while retaining your legacy and ensuring your patients have the best of care moving forward.

Bringing on a partner can be achieved a number of ways depending on the size of your practice and your time frame. It also dependent on the structure of your company. Selling your practice outright to either someone within the practice, or an external party also has its advantages and requires careful planning. Often owners decide to remain in the practice in an employee capacity which helps them as they've been released of most of the business responsibilities, they get to see out their working life in the business they created, and it is also of enormous benefit to the new owner.

Succession planning is very much like business planning when you first started your practice, the only difference is it is focused on the exit rather than the entrance. A well-considered succession plan often brings with it a new lease of life and energy for owners and often we've seen values of these practices grow with the renewed focus.

Your Business Coach will be your biggest asset here as they can provide guidance in key areas within your practice so you can realise its true value when you exit.

## **3. Your key resources throughout the sale process**

Last year, we launched *Successionpro* to assist members in their succession planning. This online platform has assisted many members weigh up their options and decide which option best suits them to exit their business. It is full of information, examples, tools and templates to help you on your journey. The link below will take you straight there.

<https://optom.provision.com.au/successionpro/>

If you are approached by a consolidator, do not sign anything without consulting your trusted professional advisors first.

The consolidators know that you will be instantly attracted by the size of their initial cheque, especially if you were not even considering the sale of your practice before they came knocking on your door.

For such a life-changing decision, do not allow them to push you into their often-unreasonable timeframes. Push back and demand the opportunity to consult. At the very least you should be talking to an accountant who is experienced in business transactions and knows how to help you with your valuation to ensure that your price is optimised. This applies equally whether you are selling to a consolidator or in the independent market.

You should also consult your solicitor to ensure that the contract terms reflect your best interests as well as theirs.

ProVision can be one of those trusted professional advisors. We do not deny for one minute that we have a vested interest in keeping your practice independent, however we also have an obligation to help you achieve your personal goals. We will just be doing our best to show you the other side of their story.

As always, we are here to support you and provide confidential guidance and innovative ways to help make running your business easier.

If you would like to explore your options or discuss what future planning could look like for your business, please contact your Business Coach, or reach out to me directly.

Kind regards

Mark Corduff

**Business Services Manager**

Mob: 0437 080 111

Tel: (03) 8544 3914

Email: [mcorduff@provision.com.au](mailto:mcorduff@provision.com.au)