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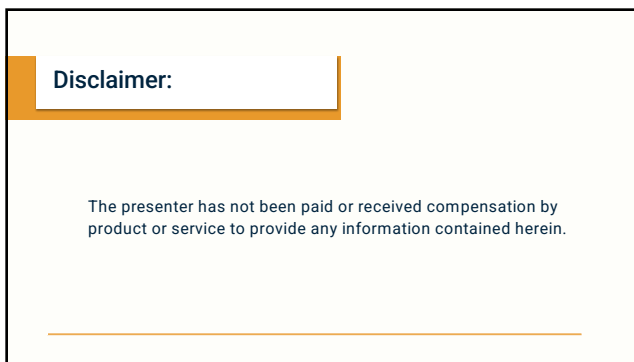
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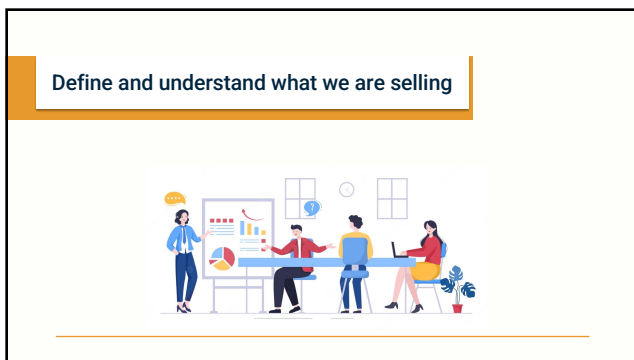
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#### What's the function of a business?

- ❖ Two business functions
- ❖ Produce Cash Flow
- ❖ Build value
- ❖ Buy different values of the practice

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#### Common ways to sell a practice



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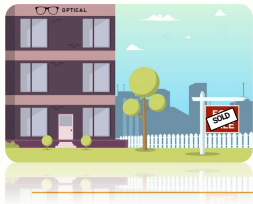
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- ❖ Sell to outside OD
- ❖ Internal succession plan
- ❖ Sale to a third-party buyer



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### ❖ Selling to outside OD

- A. Finding a buyer
- B. Executing a buy/sell or PCA

#### Considerations:

- i. Merging
- ii. Staffing
- iii. Patient base continuity
  - a. Can have additional specialty?



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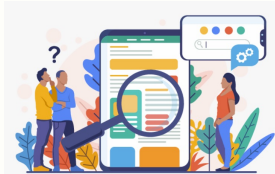
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### ❖ Selling to internal OD



#### A. Due diligence on current value

- i. Use outside resources!

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### ❖ Selling to internal OD

#### B. Negotiations

- i. Goodwill
  - a) This is the predictability of cash flow!
- ii. Most valuable part
- iii. For buyer: don't buy your own equity back at a future point!
  - a) Buy earlier than later



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### ❖ Selling to internal OD

#### C. Funding must be secured.

- i. Traditional financing (bank) – 100%
  - ii. Seller-financed
    - a) Fixed payments
    - b) Most flexible but seller bears the risk
- Important considerations:
- 1) Control over income
  - 2) Business risk for new buyer



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### ❖ Selling to internal OD

#### D. Communicating the bigger picture

- i. Buyer focused on loan costs
- ii. Buyer's participation on the profit of business
  - a) Returns
  - b) Rewards



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### ❖ External sale to third party buyer

- A. Quicker turnaround
- B. Heavily capitalized



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❖ External sale to third party buyer

C. Sees your practice through a different lens

- i. Margins
- ii. Centralized resources
- iii. Economies of scale



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❖ External sale to third party buyer



D. Importance of team buy-in

- i. Signing of new employment contracts

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The basics:  
Asset vs Stock



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**Asset sale:**  
Tied to practice's assets

**A. Total sale is split**

- i. Goodwill (intangible assets—cannot be depreciated)
- ii. Assets remain in business
  - a) Buyer: valuation on asset
  - b) Seller: valuation on goodwill



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**Stock sale:**  
Buyer purchases selling shareholder's stock



- A. Buyer loses ability to depreciate
- B. Buyer assumes previous legal liabilities of the company

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**Financing and Appraisal**



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1. Conversation timeline >3yrs
2. Same as buying/selling a house
3. Understand your value!
4. Financial statements accuracy
5. Patient load agreement
6. Get it in writing

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Conclusion



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It's important to understand the exit strategy you want.



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You will leave your practice at some point.

Will it be on your terms or on someone else's terms?

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