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Almost every business owner dreams of selling their company for a fortune

And moving comfortably into retirement or their next investment

Yet, 80% of U.S. business owners fail when trying to sell their company
Key takeaways for today

- It’s Never Too Early for an Exit Strategy
- Think Objectively about Your Practice
- Understand Risk & Turnkey Practices
- Determine the Right Time to Sell
- How to Treat Your Practice like an Investment

Is Your Practice an Investment?

**Investment**
- n. An asset purchased with the idea that the asset will provide income in the future or appreciate and be sold at a higher price.
- Generates annual income and a long-term gain

**Career**
- n. An occupation or profession, especially one requiring special training, followed as one’s lifework
- Generates annual income only

You retire from a career, but you exit an investment
Key takeaways for today

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Growth & Exit – Investment v. Career

It’s Never Too Early for an Exit Strategy

![Graph showing Growth & Exit – Investment v. Career](image)

- **Value**
- **Time**
- **Investment**
- **Career**

continued
When to start thinking about exit strategy

Exit Planning: Risk/Reward Profile

- Waiting until you decide to retire (or need to sell for other reasons)
- 3-5 Years before targeted retirement date
- 3-5 Years before targeted sale date
- Very early in your ownership (e.g. before you have a sale or retirement date in mind)

Relative Risk

Relative Return

Key takeaways for today

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SELF-SERVING BIAS

n.
People’s tendency to attribute positive events to their own character but attribute negative events to external factors. It’s a common type of cognitive bias that has been extensively studied in social psychology.

Examples of Self-Serving Bias

- Most men rank themselves in the top half of male athletic ability.
- You get an A on a test and attribute it to your own awesomeness!
- You get a C on a test and you attribute it to your professor not having explained what they wanted well enough.
- When my business grows, it's because I am such a great business owner, but when it declines it must be due to the economy!
- Ask a married couple to each write down their individual contributions to household work, and the total almost always exceeds 100%.
Perceived Value – Seller v. Market

Think Objectively about Your Practice

How the market values your practice

How most owners value their practices

The #1 reason companies don’t sell:
Seller’s Unrealistic Expectations

INVESTMENT
Owner takes steps to better understand company value so that expectations are aligned with reality and business priced properly for sale

CAREER
Owner does not understand company’s value and bases valuation expectations on rumors, blue sky scenarios, or just wild guesses

CONTINUED
### Seller v. Buyer Perspectives

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<th>Seller</th>
<th>Buyer</th>
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### Think Objectively about Your Practice

**Seller**

1. **Owning a practice has done so much for my lifestyle.**
2. **My practice has so much growth potential. A new owner will easily…**
3. **I have a great reputation in the community.**
4. **My patients love me.**

**Buyer**

1. **Can I make money owning this?**
2. **How do I reduce the risk of owning this business?**

### Take a buyer's perspective

If you were expanding, your concerns would be…

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### Think Objectively about Your Practice

**Caber Hill Advisors**

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CONTINUED
Take a buyer’s perspective

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**INVESTMENT**
Owner understands buyer perspective and balances personal goals with buyer objectives (e.g. win-win scenario)

**CAREER**
Owner ignores buyer perspective and focuses only on personal goals

Key takeaways for today

**It’s Never Too Early for an Exit Strategy**

- Understand Risk & Turnkey Practices
- Determine the Right Time to Sell

**Think Objectively about Your Practice**
Primary risks of ownership

- Owner Risk
- Payor Risk
- Economic Risk
- Referral Risk
- Legal Risk
- Financial Risk
- Employee Risk

Understand Risk & Turnkey Practices

What are you selling?

Tangible Assets
- Equipment
- Inventory
- Furnished Office

Intangible Assets
- Files
- Name
- Contracts
- Goodwill

P&L
- Future revenue & cash flow

Does any of it have value without you?
**Owner Risk**

Owner Risk:
- Occurs when owner is key contributor to practice (i.e. patient care and revenue generation)
- Risk of losing patients/revenue when owner retires
- Two primary ways to reduce owner risk:
  1. Owner moves out of a direct patient care role prior to selling and therefore generates a very small percentage of total revenue
  2. Owner agrees to a very long transition period and/or a multi-year employment agreement to work for the buyer

**Payor Risk**

Payor Risk:
- Occurs when company is overly-reliant on third-party business
- Risk assessment includes both type of payor and payor concentration

<table>
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<tr>
<th>Type of Payor</th>
<th>Payor Concentration</th>
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</thead>
<tbody>
<tr>
<td>Medicaid</td>
<td>100% Third-Party</td>
</tr>
<tr>
<td>Other Government Agency</td>
<td>One Third-Party that generates more than 25% of revenue (on its own)</td>
</tr>
<tr>
<td>Private Insurance</td>
<td>Accepts private insurance but no Medicaid and individual payor &gt; 5% of sales</td>
</tr>
<tr>
<td>Private Pay</td>
<td>100% Private Pay</td>
</tr>
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</table>
## Referral Risk

**Referral Risk:**
- Occurs when company is overly-reliant on referral sources or has a referral relationship that is non-compliant or difficult to continue after transaction

<table>
<thead>
<tr>
<th>Type of Risk</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>RELIANCE ON REFERRAL SOURCE</td>
<td>Any referral source that makes up 20% of more of your revenue presents substantial risk to a buyer.</td>
</tr>
<tr>
<td>CONTRACT</td>
<td>Do you have a contract in place or is there just a handshake agreement?</td>
</tr>
<tr>
<td></td>
<td>Can contract be assigned to new owner if your business is sold?</td>
</tr>
<tr>
<td>COMPLIANCE</td>
<td>Is contract/relationship compliant with federal and state laws?</td>
</tr>
<tr>
<td></td>
<td>- Anti-kickback Statute</td>
</tr>
<tr>
<td></td>
<td>- Stark</td>
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## Turnkey Practice

**Turnkey Practice**

- Low Payor Risk
- Low Owner Risk
- Low Referral Risk

**Attractive Investment**
### Turnkey Practice

Once you reduce risk, focus on building a turnkey practice

<table>
<thead>
<tr>
<th>What they are</th>
<th>How to build one</th>
</tr>
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<tr>
<td>- New owner can begin operating on day one – only needs to “turn the key” in order to be up and running&lt;br&gt;- Strategies and processes in place</td>
<td>- Accounting System&lt;br&gt;- Practice Management System&lt;br&gt;- HR Systems&lt;br&gt;- Business profitable and growing</td>
</tr>
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Think “Franchise”

**INVESTMENT**
Owner takes measures to make practice turnkey and understands both short-term and long-term benefits

**CAREER**
Owner is most likely aware they he/she should implement turnkey elements but is in denial of value and keeps putting them off

### Key takeaways for today

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Timing the Sale of Your Practice

Why People Buy & Sell Practices

Company Timing
- Is your company growing and profitable?
- Risk Management
- Turnkey

Market Timing
- Hot Industry
- Presence of Buyers
- Tax Rates
- Interest Rates

Company Timing and Market Timing drive company value.

Personal Timing
Most people target a sale date based on Personal Timing. It is the LEAST important factor in deciding when to sell.

INVESTMENT
Focus on Company & Market Timing

CAREER
Primary focus on Personal Timing

continued
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THANK YOU
How to contact me

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