

WHAT TO LOOK OUT FOR IF YOU'RE BUYING A PRACTICE

EXPERTISE & ADDITIONAL SUPPORT

If you're a prospective buyer of an ophthalmic practice, you should not be pushed into thinking that an asking price represents a fair or even realistic open market value.

Despite your expertise as a clinician, you possibly have little, if any, experience in acquiring businesses. However, by following some simple steps and taking appropriate advice, you should be able to make a sensible choice.

1. Ensure that you pay a fair value that reflects activity in the open market.

2. That the business will provide a sustainable return.

That is defined as enough 'super' profit (also known as 'surplus') to pay back the purchase fee within a reasonable period of time, after accounting for a wage at the going rate for the owner's working input.

3. The business has genuine growth potential.

Beware an inflated asking price due to the business being marketed with potential that's 'easy to exploit'. If it were that easy, the existing owner would likely have done it already. Don't pay a premium for potential – a practice's price should be based on its achievement and proven track record.

4. Internal considerations.

In addition to the financials, consideration should be made as to the prospective owner's personal knowledge or expertise to run the business. Will management or specialist skills (attributable to the outgoing owner) be required?



5. That external influences will not adversely affect ongoing sustainability.

This is largely outside the control of either party but requires due diligence of:

- The economic climate
- Market conditions within the sector
- Location/demographics/competition - both regional (e.g. local competition) and national (e.g. legislation)

Verify that you are paying a fair price for the business. Get it valued independently.

Buying a practice – no matter how large or small – is likely to be one of the biggest (if not the biggest) financial expenditures in life. And, statistically, it's unlikely to happen more than once. As 80% of transfers fail in the latter stages of contractual arrangements due to disagreements over the financials (leaving costly legal and accountancy charges still to pay on both sides), it's worth getting the 'true' value right in the early stages. The modest outlay of an independent valuation could save – at the very least – peace of mind but could well end up helping to save a small fortune.

By Mark Ridout, director of R A Valuation Services Ltd

For more information on R A Valuation Services

TELEPHONE: 01425 402 402

E-MAIL: info@ravaluationservices.com

www.ravaluationservices.com