

# WHAT I LEARNED SELLING TO PRIVATE EQUITY

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JOHN ABBONDANZA



# FINACIAL DISCLOSURE

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- As a result of my selling to AEGVision, I now own a small amount of stock in that private equity firm, so I have a financial interest in AEG
- I am NOT an accountant or attorney. I do NOT give advice nor should any of my comments be considered advice.

# THREE REASONS TO OWN YOUR PRACTICE

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- Control - work environment, staffing, location, schedule, etc
- Income - established practitioners who own their own practice earn more money
  - most of your financial benefit 30+ yr career
- Build equity - sale of the practice
  - From Nathan Hayes

# MY STORY - OR HOW I ENDED UP IN PRIVATE PRACTICE

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- OMD in 'referral center' X 5 yrs
- Worked part time after daughter was born X 2 yrs
- Bounced around 6 mo till I settled in 2 private optical shops X 9 yrs
- Opened PP in 2004 with Paul Levine
- Sold to AEGVision Sept 2022

# MY REASONS FOR STARTING A PRACTICE

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- Can't stand other people telling me what to do
- I have worked for idiots
- I wanted space for the VT part of my practice
- I wanted more income
- I didn't want to pay rent to someone else (own real estate)



# REASONS TO SELL A PRACTICE

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- To retire or pursue other interests
- To realize financial gain
- To give up the responsibility of running a practice
- To ensure that your practice continues after you leave

# HOW ARE DEALS STRUCTURED

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- Sale price of practice (multiple of EBITDA)
- Contract to continue to work after sale, usually 3 yrs
- Typically 70% at closing, 10% each year for next 2 yrs to ensure you continue to work, and 10% withheld for 'clawbacks'
- Asset purchase vs stock purchase

# WHAT IS PRIVATE EQUITY LOOKING FOR?

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- High EBITDA (the more, the better)
- Many practices in an area
- Doctors to stay on for several years
- Up to date practices that are well run and have good reputations
- Their goal is to sell to a larger firm in 3-5 yrs



# WHAT IS EBITDA AND WHY IS IT IMPORTANT?

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- Earnings Before Interest Taxes Depreciation and Amortization
- A measure of 'cash flow'
- “The EBITDA margin is a performance metric that measures a company's profitability from operations.”
- “EBITDA is an earnings measure that focuses on the essentials of a business: its operating profitability and cash flows.”
  - From [Investopedia.com/terms/e/ebitda](https://www.investopedia.com/terms/e/ebitda)

# WHAT IS EBITDA AND WHY IS IT IMPORTANT?

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- Sales to PE are based on EBITDA
- The higher the EBITDA, the higher the sale price
- Most sales to PE are based on formula  $\text{EBITDA} \times \text{'multiple'}$

# HOW COULD I HAVE DONE BETTER FINANCIALLY?

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- Spent more time growing EBITDA
- Opened 2<sup>nd</sup> office
- Purchased other offices (think 'merger and acquisition')
- More time working 'on the practice' vs working 'in the practice' (manager role)

# “TO THINE OWN SELF BE TRUE...”

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- What was I looking for?
  - To sell the practice before age 70
  - To ensure that my patients will be well taken care of after I am gone
  - To provide for my family
  - To continue to work as long as my mind and my body are capable
  - To enjoy seeing patients and not worry about managing a practice

# WHO ARE SOME PLAYERS IN OPTOMETRIC PE?

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- Keplr
- AEG Vision
- MyEyeDr
- Team Vision (Essilor Luxottica)
- VSP Ventures
- Eye Care Partners



# WHO SHOULD BE ON YOUR TEAM

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- Your accountant - advise you on your numbers and suggestions of how to grow EBITDA
- Attorney experienced in PE sales
  - David Roth
- Business consultant
  - **Kavanagh Consulting LLC**
  - **Dallas, Texas**
  - **469-879-7656**

# REFERENCES

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- <https://www.investopedia.com/terms/e/ebitda>
- <https://www.aoa.org/news/practice-management/perfect-your-practice/selling-your-practice-to-a-private-equity-firm?sso=y>
- <https://eyesoneyecare.com/resources/make-your-optometry-practice-attractive-private-equity/>
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