

A GUIDE TO SELLING AND BUYING A SOLO PRACTITIONER BUSINESS



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1. INTRODUCTION

This guide is aimed at Physio First members who are owners of Solo Practitioner Businesses (SPBs) and prospective associate buyers. We have defined an SPB as those with a turnover of less than £150,000, where 80% or more of revenue is directly attributed to the owner.

SPBs face unique challenges in valuing and finding buyers for their practice, given the practices high reliance on them. Unlike larger businesses, the target buyer will almost certainly be another solo practitioner and quite possibly one who is working as an associate, but with ambitions to become a practice principle.

While a DIY sale is not recommended for most businesses, it may be the only viable option for many SPBs. This guide and the Physio First SPB Register is not intended for larger practices, who should consider working with a sector specialist business broker to maximise sale prospects and exit value.

This guide is designed to help Physio First SPB owners in selling or transferring their practice when a fuller brokered solution is not a viable and provide guidance to a prospective associate buyer on the purchase and transition process.

Physio First strategic partner, Verilo, a specialist business broker in this sector, offers free consultations to all members, including SPBs. We recommend using this member benefit to help you formulate the right exit strategy for your business and better understand the sale process. Verilo can also provide an independent valuation to buyers or sellers.

Whether a Physio First seller or buyer, this guide will take you through all the steps needed. Each section is written from the seller's perspective with buyer's notes complimenting each section when required. Remember, part of the art of selling or buying, is putting yourself in the other's shoes!

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I am delighted to present this guide to help achieve a practice sale for Solo Practitioner member businesses.

As a member who worked in private practice for over 20 years, firstly as an Associate in other practices, then as a Solo Practitioner business, expanding to a multidisciplinary service with Associates of my own, and ultimately achieving a successful practice sale, a guide like this would have been invaluable to me.

From the mysteries of how to calculate value, to determining how much income is generated by a clinically active practice principal, and the advice about how to ensure that the practice is less 'principal-specific', this guide answers so many questions. When I was looking to sell my practice, I found that a lot of the available wisdom out there was not physiotherapy focused, and therefore of limited value to me.

With Physio First's partnership with Verilo, an experienced brokerage with in-depth, personal knowledge of our marketplace, this guide is a tool which is sorely needed to help members navigate these unfamiliar waters. I'm excited to see how this develops and helps Physio First members to achieve their goals for their practice in the future.

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Karen Lay DSA (CSP), MSc, MCSP
President | Physio First

2. VALUING YOUR PRACTICE

Valuing an SPB can be complex, with common methods often resulting in either under or over estimations. The value of your business ultimately depends on what a buyer is willing to pay, but here are some common methods to estimate fair value for SPB businesses.

Turnover: Calculate your average turnover (sales) for last three years and multiply by 0.4*.

Example: You are a sole trader with turnovers of £75,000 three years ago, £80,000 two years ago and £85,000 in the last year for which you have accounts i.e. $£75,000 + £80,000 + £85,000 =$ an average turnover of $£80,000 \times 0.4 =$ a valuation of £32,000.

Gross Profit: Gross profit is your total sales minus cost of sales. Cost of sales is your time spent treating and any products used. If you take a dividends / drawings rather than a salary, you will need to estimate a fair replacement cost for your hours. This is typically around 45-55% of sales. Once you have calculated your true gross profit for three years, take an average multiply by 0.8x*.

Example: You are a sole trader with average annual sales of £100,000. The going rate for an associate in your area is 50% and you use £3,000 worth of products as part of your treatments each year. Your gross profit is £47,000 and business valuation using this method is £37,600 i.e. $£100,000 - £50,000 - £3,000 \times 0.8 = £37,600$.

Adjusted Profit: Deduct your fixed costs (rent, rates, utilities, subscription etc) from your gross profit to give you pre-tax net or operational profit. If you don't pay rent because you own your premises, you should include a 'fair market' rent to reflect what a new owner would pay. If you pay yourself a pension or salary through PAYE and have already accounted for your replacement using the method above, you can add these to the profit. This method is often called a "EBITDA method" as it adjusts the value of the business based on adjusting the turnover figure to take into account interest, taxes, depreciation, and amortisation which is then adjusted by 2*.

2. VALUING YOUR PRACTICE

Example: Your average turnover is £120,000. Your gross profit is £55,000. Your fixed costs are £26,000 (rates, utilities, subscriptions, directors salary etc). You own the premises and don't pay rent but fair market rent is £18,000 per annum. You pay yourself £12,500 through payroll. Deduct all fixed cost and fair market rent from gross profit giving you £11,000. Now add your director salary back taking you to £23,500 adjusted profit. Multiply this by 2 to get a value of £47,000 i.e. $£55,000 - £26,000 - £18,000 = £11,000 + £12,500 = £23,500 \times 2 = £47,000$.

*The multipliers 0.4, 0.8 and then 2 above are generalisations based on experience. The actual value may be higher or lower depending on several factors like profitability, location, reputation, and future growth potential.

Valuing a business can be hard and is often best done with an accounting professional or broker. Verilo have a free business valuation and saleability tool which may be a good first step [link 1]. Verilo also provide a valuation service for £1,000 plus VAT and Physio First members get 20% discount.

If you choose to use this service, you will be asked to provide information on your practice's financials for the last 3 years, owner involvement and how remunerated, and premises arrangements. Verilo will analyse the data and provide you with a comprehensive report outlining expected fair market value and the valuation methodology use. This can be commissioned by the prospective buyer, seller or a joint instruction. Having an independent valuation can help kick start negotiations and lead to a smoother sale process.

The importance of your valuation calculation is that it will underpin the sales price that you ask for as well as any negotiations that might take place.

Verilo has some free business valuation and saleability tools:

- a) [Business Valuation Calculator](#)
- b) [Business Saleability Calculator](#)

3. PREPARING YOUR PRACTICE FOR SALE

Before putting your business up for sale, it is important to make sure you have the right information on hand. Ensure your financial records are up to date and comprehensive. If your latest statutory accounts are over six months old, consider having interim statements prepared or running management accounts from your accounting software.

Buyers will be put off if your lease is coming to an end soon. Try to extend or secure a new lease to make your business more attractive to potential buyers. If this isn't possible, a letter of intent from your landlord may suffice. For an example of a "letter of intent" see link 2 [here](#). Make sure you have contracts for all key client and supplier relationships. These might include intermediary referral and insurer contracts, or services that you use such as telephone, internet, and card machines.

Check you have the right insurance policy, and it is up to date – if you are a limited company, personal insurance is not sufficient, you will need a company policy. As a member of Physio First remember that you have access to Physio First's insurance relationships. Please see link 3 [here](#) for more information.

Tidy up your database. You should know how many records you have, what patient data you hold and what marketing permissions you have. Consider what proportion can legitimately be included in the sale if you are selling 'assets and goodwill only' – see patient transfer and GDPR section 15 below.

If you have equipment to include in the sale, draw up a list and include date of purchase, purchase price, and comment on servicing. This is known as an asset list – for an example of an asset list please see link 4 [here](#).

BUYERS NOTE

When considering the purchase of a practice, buyers should request the following information as a minimum to start:

- 5 years statutory accounts – full versions with expenditure breakdown
- Management accounts for the current year to date, especially if the last set of statutory accounts is more than 6 months out of date
- Details on the owner's role within the business and how they remunerate themselves. This is essential with a SPB as the profit reported may be under or overstated if the owners remuneration is not representative of fair market value in the expenditure section of their accounts

4. MARKETING YOUR BUSINESS FOR SALE

Create a concise business overview, often referred to as sales particulars or an information memorandum, to showcase what's for sale. If it's a confidential sale, create an anonymous 'teaser' advert to go with this.

For samples of Sales Particulars and a Teaser Ad see link 5 [here](#).

List your business on platforms frequented by your target buyers (in this case other practitioners), such as the Physio First SPB Register, and consider advertising in relevant industry publications like Frontline and In Touch.

Consider posting a 'Clinic owner' or 'Partner' job via industry specific job sites such as PhysioBob. While this may sound strange, it can be an effective way to reach practitioners open to taking over a practice.

Because of its size and nature, selling an SPB is closer to selling a 'Job' than a business. For an example ad for industry specific job sites such as PhysioBob that describes the size and nature of the Solo Practitioner's Business see link 6 [here](#).

5. KEEPING YOUR SALE CONFIDENTIAL

While confidentiality may not always be crucial for SPBs, maintaining it can be beneficial in certain circumstances. Consider using an anonymised teaser ad and a dedicated email address for initial enquiries. Implementing a Non-disclosure Agreement (NDA) can protect sensitive information but isn't always necessary.

All of that said, unless you are prepared to give information about the fact that you are selling your practice and then more detailed information to those who are interested, it will never result in a sale. So this is a fine balance that you need to assess every step of the way.

6. NON-DISCLOSURE AGREEMENT (NDA)

An NDA is a legal contract that keeps the sale confidential, protecting sensitive information from being disclosed. It's used to ensure that details about your business do not become public knowledge prematurely.

Like every legal agreement (e.g. from contracts with self-employed associates to terms and conditions for patients) if someone does not adhere to it, then one has to invest time, energy and possibly money in trying to enforce it. So, whilst NDAs represent good practice in this space do rely upon your highly honed intuition and only disclose information to someone you feel you can trust. Not an exact science, but a good guide.

For a template for an NDA – please see link 7 [here](#).

7. RESPONDING TO ENQUIRIES

Handle enquiries professionally, providing information as needed while safeguarding your business's confidentiality until you're comfortable revealing more.

Again, in relation to enquiries you will “never” achieve a sale without revealing information but do also rely upon your intuition and do make some enquiries before revealing sensitive information i.e. gain an idea of the type of person you are communicating with and do form a view as to whether you feel you can trust them.

Although enquiries may not be overwhelming, do try to keep track of interested parties using a spreadsheet i.e. keep a note of what has been shared with whom. For an example of a spreadsheet see link 8 [here](#).

8. INVITING AND REVIEWING OFFERS

Encourage interested parties to submit formal offers, specifying details like price, payment terms, and conditions of purchase.

Shortlist potential buyers, compare offers and negotiating terms respectfully to find a fair agreement for both parties.

Choosing the highest price isn't always the right decision. Consider if the person is the right buyer, has funding in place, and consider the overall deal structure, to include how you feel about them.

BUYERS NOTE

Don't underestimate the importance in writing a professional and sufficiently detailed offer letter. Offers that lack detail or come across as unconsidered often do not get proper consideration from sellers. Try to include the following as a starting point:

- Why you are interested in the business and why it is a good strategic fit
- Purchase price and how you have arrived at this number
- Payment structure – will you pay 100% upfront or do you intend to split across multiple payments? Are any payments contingent on future performance?
- Funding – how do you intend to fund the purchase, and can you provide proof of funding?
Buyers who can provide evidence of funds are much more likely to be taken seriously
- Conditions and assumptions – outline the core assumptions made when making your offer and any conditions that, if not met, may lead to your offer being withdrawn / changed. Being transparent on these details helps ensure a smooth sale process
- Timeframe – outline target timeframe. Be ambitious but realistic with your targets. It typically takes 2-3 months to complete a transaction of this size / nature

9. TYPES OF DEAL STRUCTURES AND DEAL TERMINOLOGY

Familiarise yourself with terms such as share purchase, asset and goodwill purchase, staged buyouts, earn-outs, and deferred payment arrangements to understand the implications of each deal structure.

Here are the main definitions and details on structure options:

- **Share Purchase:** In a share purchase, the buyer purchases the shares of the company directly from the existing owner(s). This means they acquire ownership of the entire business entity, including its assets and liabilities.
- **Asset and Goodwill Purchase:** In an asset and goodwill purchase, the buyer acquires specific assets and goodwill of the business, rather than purchasing the company itself. This allows the buyer to select which assets and liabilities they want to acquire, often for strategic or tax reasons.
- **Staged Buyouts:** Staged buyouts involve purchasing the business in multiple stages or phases over a period of time. This could involve buying a minority stake initially and gradually increasing ownership or purchasing the business in predetermined stages based on performance milestones.
- **Earn-outs:** Earn-outs are arrangements where a portion of the purchase price is contingent upon the future performance of the business. The seller may receive additional payments if certain agreed-upon targets or milestones are met post-acquisition.
- **Deferred Payment:** Deferred payment structures involve delaying a portion of the purchase price to be paid at a later date, typically subject to certain conditions or milestones. This allows the buyer to spread out the financial commitment and mitigate risks while providing the seller with continued financial incentive tied to the business's performance.

10. HEADS OF TERMS

This preliminary agreement outlines the key terms of the sale, serving as a foundation for the formal contract. It's essential for clarifying expectations and facilitating due diligence.

For a sample Heads of Terms – please see in section 11 below,

11. BUYER DUE DILIGENCE

Expect buyers to conduct a thorough investigation into your business. This process can vary in length but is typically 6-12 weeks. It is crucial for verifying the information you've provided. Don't be put off if you receive a lengthy questionnaire, however, these should be proportionate to the size of the business and offer made.

The questions asked during this phase can cover a broad range of topics, including financial, legal, operational, and strategic areas of the business. Here is a list of common due diligence questions that a seller might expect from a potential buyer.

1. Financial Due Diligence

- a. Can you provide detailed financial statements for the last three years?
 - This includes profit and loss statements, balance sheets, and cash flow statements
- b. What is the breakdown of your revenue streams?
 - Understanding the sources of income, such as different services offered or products sold
- c. Are there any outstanding debts or liabilities?
 - Information on any loans, leases, or other financial obligations
- d. What is the status of accounts receivable and payable?
 - Insight into the cash flow and financial health of the business
- e. Can you provide details of any recurring income?
 - For instance, long-term patient treatment plans or contracts

2. Legal Due Diligence

- a. Are there any ongoing or potential legal disputes?
 - Including disputes with clients, suppliers, or employees
- b. Can you provide copies of current contracts and agreements?
 - This includes leases, supplier agreements, employee contracts, and any other legal agreements the business is party to
- c. What is the regulatory compliance status of the business?
 - Ensuring the business meets all local, national, and professional regulatory requirements and standards
- d. Is the business's intellectual property properly protected?
 - For physiotherapy practices, this might include trademarks or branded methodologies.

3. Operational Due Diligence

- a. What is the current patient base, and how is it managed?
 - Information on patient demographics, retention rates, and management systems
- b. Can you detail the qualifications and experience of any staff?
 - Understanding the team's structure, roles, and contributions to the business
- c. What are the key operational challenges the business faces?
 - Insights into any operational inefficiencies or challenges that could impact the business
- d. How is the business's reputation managed?
 - This could include online reviews, patient feedback mechanisms, and any PR activities

4. Strategic Due Diligence

a. What differentiates this practice from competitors?

- Unique selling points or competitive advantages

b. Are there any partnerships or affiliations in place?

- Relationships with other healthcare providers, community organisations, or professional bodies

c. What is the growth potential of the business?

- Opportunities for expansion, new services, or market trends that could be capitalised on

d. What are the potential risks to the business?

- Understanding external threats or industry changes that could impact the business

12. LEGAL WORK

Legal proceedings will formalise the sale agreement. Most buyers and sellers of larger practices choose to engage a solicitor to do this on their behalf, but this can be costly, especially when selling a Solo Practitioner Business.

The starting point is that a written agreement is important to protect both sides interests. As part of the Solo Practitioner Business Registry Physio First, in conjunction with Verilo, have tried to produce cogent examples that can be shaped BUT neither can take any responsibility for their enforceability because, to guarantee this, separate, independent legal advice must be taken.

However, it is sensible to keep costs proportional to the deal size to avoid unnecessary expenditure.

The scope of work for a standard business sale may include the following:

Drafting and Reviewing Legal Documents

Heads of Terms (HoT): A preliminary agreement outlining the sale's key terms, providing clarity and direction for both parties. For a template Heads of Terms see link 9 [here](#).

Sale and Purchase Agreement (SPA): The core document detailing the sale terms, including what is being sold, the price, warranties, and indemnities to mitigate post-sale liabilities. For a template Sale and Purchase Agreement see link 10 [here](#).

Due Diligence Support

Preparing for Buyer's Due Diligence: Organising your legal, financial, and operational documents for the buyer's review. This may include contracts, leases, employee information, compliance records, and any intellectual property rights.

Advising on Transaction Structure

Choosing the Right Sale Structure: Guidance on whether an asset sale or share sale is more appropriate for your situation, considering tax implications and potential liabilities. Often the place to start is with your accountant.

Regulatory Compliance and Approvals

Ensuring Compliance: Making sure the sale adheres to all relevant laws, including healthcare regulations, employment laws, and data protection standards, particularly concerning patient records.

Post-sale Obligations

Navigating Post-sale Requirements: Advice on any continuing obligations you may have post-sale, such as restrictive covenants or the transfer of patient records in compliance with GDPR.

Here is a link to some information on restrictive covenants – see link 11 [here](#) and here is a link to information on compliance with GDPR on a sale – see link 12a [here](#).

Finalising the Sale

Completion and Post-completion Formalities: Assistance with the final steps of the sale, including the transfer of funds, and ensuring all legal and regulatory formalities are completed. Legal costs for the above scope of work can often vary from £5,000 plus VAT to £20,000 plus VAT). When dealing with low value sales, you may prefer to use the template sale agreement below.

However, this is a generic document and does not offer you the same level of protection. Seeking legal advice is recommend is most cases.

13. COMPLETION

This final stage formalises the transfer of ownership, culminating in the sale of your business (breathe a sigh of relief and grab a glass of champagne!)

14. HANDOVER

A well-planned handover ensures a smooth transition for both the buyer and your clients, maintaining continuity of care. Before the deal is completed, we suggest focussing on responding to due diligence enquiries and working on the legals. The handover should be led by the buyer and happens post completion. However, these are a few things to consider in preparation for handover:

This process ensures continuity of care and maintains the business's value. Here is an example hand over plan focusing on continuity, compliance, and clear communication to ensure a smooth – see link 13 [here](#).

BUYER NOTE

Buyers often make the mistake of assuming the seller will lead a handover. To ensure a successful transition, we strongly suggest the buyers prepare and communicate handover requirements in the lead up to completion. The handover should be led by the buyer.

Here are some guidelines when thinking about the handover process:

Handover Timeline:

- **Preparation and Planning:** Establish a clear timeline for the handover process, including specific milestones and completion dates.
- **Documentation:** Prepare comprehensive documentation of all business operations, including client care protocols, business processes, and administrative procedures.

Client Care and Confidentiality

- **Client Notification:** Develop a strategy for informing clients about the ownership change while ensuring their comfort and continuity of care. The approach should respect client confidentiality and comply with GDPR. Here is some advice and templates that will help
- **Transfer of Care:** Outline the process for transferring client care, including any ongoing treatment plans, to ensure seamless service continuity.

Operational Knowledge Transfer

- **Key Contacts and Suppliers:** Provide a list of key contacts, including suppliers, service providers, and any relevant healthcare networks or associations.
- **Operational Systems:** Train the new owner in the use of any specific software or operational systems used in the business, such as appointment scheduling or patient management systems.

Financial and Administrative Transition

- **Financial Records:** Transfer all relevant financial documentation, including accounts receivable/payable, tax records, and payroll information.
- **Lease and Contracts:** Ensure the transfer or assignment of the business lease and any other critical contracts, including service agreements and employment contracts, if applicable.

Regulatory Compliance

- **Professional Registration and Insurance:** Confirm that the new owner has the necessary professional registrations and insurance coverages to legally operate the business.
- **Data Protection:** Ensure the transfer of patient records and business data complies with GDPR and any other relevant data protection laws.
- **Staff Transition:** (If the business has employees or associates)

Introduction and Integration

- Facilitate introductions between any staff and the new owner, supporting a positive and collaborative transition.
- **Employment Terms:** Confirm the transfer of employment terms and conditions, respecting any existing agreements.

Post-Handover Support

- **Availability for Questions:** Agree on a period during which you will be available to answer questions and provide advice, helping to resolve any issues that arise as the new owner settles in.

Legal and Ethical Considerations

- **Confidentiality Agreements:** If sensitive information or trade secrets are being transferred, ensure these are protected through appropriate legal agreements.
- **Ethical Transfer:** Ensure that the transfer of the business is conducted ethically, respecting the rights and expectations of clients and staff.

A well-structured handover plan, focusing on continuity, compliance, and clear communication, can significantly contribute to the successful transition of a solo practitioner business in the physiotherapy sector. It reassures clients, maintains the business's operational integrity, and supports the new owner's successful start.

15. PATIENT TRANSFER & GDPR CONSIDERATIONS

Ensure the transfer of patient records complies with GDPR and other privacy regulations, safeguarding patient confidentiality throughout the transition – see link 12c [here](#) for information.

16. FINAL REMARKS

This guide aims to simplify the complex process of selling your SPB, providing a roadmap to navigate from valuation to completion. Remember, while this DIY approach is suited for smaller practices, larger entities should consider professional brokerage services to maximise their sale's success.