

Practice Growth HQ Interview

PRACTICEGR WTH HQ



How to Build a
Practice Worth Selling
(or Keeping!)

with
Kerry Boulton



TheExitStrategyGroup.com.au/Media

Angus Pryor:

You're listening to Practice Growth HQ, the podcast where thought leaders, industry experts, and thriving practice owners reveal their very best tips, tools, and strategies to help grow your healthcare practice faster. PracticeGrowthHQ.com, your thriving healthcare practice starts here. Now, here's your host, Angus Pryor.

Angus Pryor:

Hi, everyone, and welcome to Practice Growth HQ. Now, today we're going to talk about maximizing the value of your practice. We're on a podcast here to talk about growing it. But how do we actually maximize the value of our practice? And the perfect person to talk about this is my guest, Kerry Boulton. Kerry is an experienced entrepreneur with over 30 years of buying, starting, and selling businesses. She was the first woman—I love it. I love hearing firsts—she's a trailblazer, the first woman to own and manage an international freight company, which she sold after a successful, multi-million-dollar turnaround. She holds a master's degree in entrepreneurship and innovation and has taught MBA students all the way from what is effectively Grand Prix land, Albert Park in Melbourne. Welcome, Kerry.

Kerry Boulton:

Thank you so much, Angus. Delighted to be here.

Angus Pryor:

All right, Kerry, we like to start with the Fast Five—quicker questions, quicker answers to get to know you quickly.

Question 1:

Where did you grow up?

Kerry Boulton:

I actually grew up in Sydney, believe it or not, in the western suburbs of Sydney, and found myself... My grandparents actually raised me. My sister and I, and we lost our parents when we were very young. Anyway, at the ripe age of 25, I moved to Melbourne.

Angus Pryor:

Yes, go!

Question 2:

Favorite book besides your own?

Kerry Boulton:

Favorite book besides my own? It's probably got to be the one that's right in front of me right now. In fact, this is a new edition, *The New Psychology of Winning* by Dennis Whateley. You can see that, yeah. Okay, it's a new edition. I've just about read everything that Dennis wrote and published many years ago with cassettes and all the rest of it. His thought processes are amazing.

Angus Pryor:

Yeah, it's really interesting. I've never had anybody mention that book to me, and I'm a pretty prolific reader, so that one, I'll be ordering after the show.

Question 3:

What's one of your superpowers?

Kerry Boulton:

One of my superpowers is probably thinking ahead.

Angus Pryor:

Yeah, absolutely. That's helpful if we want to maximize the value of our practice.

Question 4:

Something you wish your 20-year-old self knew?

Kerry Boulton:

I wish my 20-year-old self knew just how, frankly, the challenges you need to overcome in terms of everything that life throws up at you.

Angus Pryor:

Yeah, okay, all right.

Question 5:

Something you're grateful for?

Kerry Boulton:

Oh, I'm grateful for absolutely everything. I think I've been so fortunate to lead such a blessed life. And I do say every day, I'm grateful that I'm here on this side... not on the underside, yeah.

Angus Pryor:

The other side, whichever one that might be, yes, indeed. I'll admit to you, I try to force myself every day to say 10 things I'm grateful for before I get out of bed, including one thing from me. It's something I learned from a member of my team. I used to talk about all these external things, and I started, and then she said, "You gotta be grateful for some stuff about yourself as well," because we can be our own worst critics.

Angus Pryor:

However, the topic for today is about maximizing value for your practice. Yes, we're here to grow, but we want to maximize the value. How do we even determine what the value of our practice is?

Kerry Boulton:

There's a lot of different factors that go into value, and the underlying part of value really is being able to transfer your business to a potential new owner or whoever that might be—whether it's someone even in your family—so that the degree to which you can guarantee future profits creates transferability. And that encompasses a whole range of different activities and processes inside your business.

Kerry Boulton:

I'll just quickly run through some value drivers, if you like, people could use as a basis to focus on. First of all, obviously, your financials. Now, clearly, it involves money—your financials. You've got to have really good, a really good set of books, and if you like, make sure that they're above board and accurate and not difficult to understand and read the way that you've put them together and have them for at least three years if you're ever thinking of actually selling your business.

Kerry Boulton:

The second thing would be to have a really good, strong database—a customer database. How systemized is it? Can you put your finger on it? How satisfied are your customers? Have you got some surveys and records that can stand behind what your customers think about you in terms of being a practitioner or for your own business?

Kerry Boulton:

Are you reliant on anybody in particular? We can think about reliance on particular team members, and maybe there's a supplier that you may be totally reliant on. You need to spread the load a little bit if you can.

Kerry Boulton:

The other thing is differentiation in marketing, I think, and the services that you're providing. How consistent is it? How systemized is it? How reliant is it, and how reliant are you on that process to make it happen?

Kerry Boulton:

You've got really good data that you can put your finger on, which leads you to the whole marketing aspect of your business. What is it that actually differentiates you? What makes a difference? What keeps your customers coming back, creating that whole recurring revenue cycle for you?

Kerry Boulton:

Because basically, particularly if you're in health and allied health industries, especially long-term clients, mean a great deal. So they keep coming back to you and keep your revenue ticking over, so you can rely on future revenue being there.

Kerry Boulton:

So those are some of the key areas, anyway, in terms of creating value.

Angus Pryor:

That's a great list. Look, perhaps, let's answer this question: why do we even care about value as a person? Kerry and I have both been business owners for years. There is a sense where it's quite satisfying every now and then to sit back and say, "What is this thing that I'm building?"

Angus Pryor:

And one of the great things about business, whether you're in healthcare or something else, is that you are, as it were, building it from nothing. If you set your business up from scratch, it didn't exist. And then fast forward one year, two years, five years, 10 years, suddenly you've got this thing that's worth something.

Angus Pryor:

And so I think, if I'm honest, many healthcare professionals are pretty high on the perfectionist scale. You know, that's one of their traits. That's one of the reasons they do a great job. But we can be very tough on ourselves, which is okay, it's not perfect, but just every now and then, it's a good idea to sit back and go, "Okay, what's this thing that I'm building? What's the value of this thing?"

Angus Pryor:

Now, there are some other advantages of that, apart from the psychological ones—potentially for borrowing, if that's the path that you want to go down. And at some point, I guess, all of us, whatever the business is, there's only a certain number of outcomes. We either shut it down, we give it away, or we sell it. And so, the higher the value is, the better.

Angus Pryor:

How do we find out what the value of our business is?

Kerry Boulton:

Yeah, so, I mean, I can give you a link to a little questionnaire that people can go to, and if they pop in their high-level numbers, it'll actually give you a bit of an evaluation based on a benchmark across the industry that you might happen to be in.

Kerry Boulton:

But at the same time, it's keeping your ear to the ground. There are specialists who focus on different industries, like healthcare, and they'll know what the general, sort of, multiple out there is being offered. And it might be worthwhile just explaining a little bit about what that means.

Kerry Boulton:

In most businesses, if you're going to sell a business or place a value on it, a multiple is applied to your net profit. And again, the net profit, sometimes called SDE (Seller's Discretionary Earnings), or EBIT (Earnings Before Interest and Tax), just depends on the type and size of the business, but they're all the same concept of your profitability.

Angus Pryor:

So, you apply a multiplier to it.

Kerry Boulton:

You apply a multiplier. So, for healthcare businesses, usually, you're looking at somewhere between 2 and 4 times multiple, depending on the quality of your practice or business and the risk that you're involved with.

Angus Pryor:

Yes, absolutely. Kerry, we're going to jump into a break, but just to finish on that last thought, you mentioned how satisfied customers are. For those healthcare business owners out there, your clients should not just be satisfied, they should be loyal. And there's a big difference between satisfaction and loyalty. You can be satisfied with something, but you're not necessarily loyal to it.

Angus Pryor:

Loyal customers stick with you through thick and thin. You want your patients and clients to be loyal to your practice, and that is a fantastic lever for increasing the value of your practice.

Kerry Boulton:

All your hard work that you've put in to grow that business and create it over X number of years, whatever it may have been, because they're effectively purchasing, as it were, future profits from you. Correct?

Angus Pryor:

That's exactly right. They don't have to go and start from scratch like they—we've already spoken about repeat patients and, dare I say, patients that you've got a long-term relationship with. It's not just good financial sense, it's—unless they're too painful—it's actually one of the enjoyable things about the business. I've had owners say to me, "Angus, I've been doing this for 20 or 30 years, or whatever. Not only have I seen—I remember that person when they were a child where they've now grown up, and they've got kids of their own, and it's that sort of multi-generational thing, which I've just got to believe has to make things more enjoyable, as well as increasing the value of your business."

Kerry Boulton:

Now, in fact, a mutual contact of Kerry and my, Joanna Okey, was on the podcast a few weeks back, and she said that you can have a healthcare practice sell for less than one times and believe me, that is—a without even knowing anything about it—that's a sickly business. And on the other end of the scale, you can be up as high as 10x because for a publicly listed company, many of them are trading at that 10 times multiple. So, 10 times whatever that profit is, look, for the listeners of Practice Growth HQ, not too many corporations amongst us. It tends to be small, small business owners. That sort of three to six range is pretty reasonable, and we want to be able to get that number up, because one day, hopefully we sell rather than shutting the business down.

Angus Pryor:

But I think the thing that really stuck with me from what you've said, Kerry, is—it's—you spoke about getting your financials, getting your customer database, not being too reliant on a supplier or a team member or whatever. It's that sense that someone else comes in and the business more or less continues to run the same way that it's been running, correct?

Kerry Boulton:

And it's all about risk at the end of the day. So, the more you can do to lower the risk of the next person that comes along to take over your business, to you, to buy your business, then the more valuable it becomes. So, it's about risk more than anything. So, what they're looking for—some sort of guarantee. They don't want to take over your business, and then all of a sudden, have all of the clients disappear and go somewhere else, because you haven't paved the way well enough, really, to be able to do that. And then again, that's a person who might be looking to buy a business. Put your—so put a hat on as if you are a buyer. Yeah, if you're going to buy that business, this is the best way for people to understand it. If you're going to buy that business, your business, what are you going to look for? What would you want? A guarantee, if you're going to hand over a substantial sum of money for this practice, what would you want to see in terms of your future guarantee of being able to maintain that level of income?

Angus Pryor:

Yeah, I think the short answer would be, I'd like lots of repeat patients that have got great loyalty, correct? And then what you aim for is a nice, smooth transition, where Dr. Angus goes from four days a week, and then he's peters out a bit.

Kerry Boulton:

I will say this. I know we're not here to talk about exiting, per se, but that transition period is quite an important part of the whole process.

Angus Pryor:

Sure is, absolutely, sure is, and even I can speak from personal experience with a family dentist, actually, who retired and passed—he did sell the practice—and there was absolutely no transition whatsoever to the new owner, which was quite staggering, really. We had a good relationship with the practice anyway, which I think is important. We certainly stayed there and continued to go, so it's very important that whole transition process, you do want your clients to feel nurtured and valued because they make up your business. That's who they are. That's who makes up your business despite all the other—everything else that goes on behind the scenes.

Kerry Boulton:

Of course. Let's face it, healthcare is a fairly intimate business.

Angus Pryor:

It is. You're exposing yourself in a manner to your dentist, doctor, physio. I don't want to leave the listeners with this mental image, but I've had to sit there in my jocks in front of the dermatologist while he stares all over my body, looking for cancer. Like, what an uplifting thing to do. And for the dermatologist, he would be like, "That's just business as usual." And yet, for us as patients, that's quite an intimate experience. For dentists, we lie in a position that, in nature, is the most vulnerable position you can be in, which is you lie on your back, facing up. If you ever look at two animals fighting, and then one animal gives in, that's the position they end up in. And that's what you're doing when you're at the dentist, physio, etc.

Kerry Boulton:

Let's just—let's go back to these value maximisers then. Three years of financials. What would this—and just be aware, even if you're not even thinking about selling your practice for 10 or 20 or 30 years, it's still good to keep an eye on the value. What would the future buyer be wanting to see with your financials over a three-year period?

Angus Pryor:

They want to see the—you might have your own management accounts, what you're doing in terms of your practice on an annual basis, but they'll also want to see your tax returns, just to verify that what they're looking at is kosher. Okay, they're saying the right information. There's a process called normalising, and I don't know whether anyone's ever come across that previously, but usually, what an accountant will do, what your accountants will do for you, is normalise the bottom line. There can be personal expenses that go through the books of the practice. There might be one-off expenses for capital purchases that are there, that are treated as expenses, as opposed to being capitalised. And there might be special events. For instance, during COVID, most health practitioners would

have suffered a bit in terms financially. Quite—during those COVID years, there's quarantined a little bit because they're not representative of normal business as usual. Yeah, so anything that might be a one-off expense or an abnormal expense that occurs is written back in or either added on or deducted, depending on which way it is. So, you balance the books, basically. And I was trying to explain it to someone the other day to get a better understanding. If you've ever bought property, you know that when you do a settlement, there's a vendor, allows purchaser, allows that sort of balancing off so that—that's basically what happens. You just—you normalise the figures, so you're getting to what, what essentially could be a better bottom line. Quite frankly, that's often the way it ends up. You end up having a better bottom line because you're adding back expenses that are not ongoing expenses necessarily to the business. The same thing, though, applies if there's revenue as well for some reason, if you've got some great big lump of revenue that comes in for whatever reason. But, you know, nine times out of ten, it all relates to expenses. Yeah.

Kerry Boulton:

Okay. And what about trends? Trends in three years of data?

Angus Pryor:

Absolutely, if you've got, like I mentioned, if, like with COVID, that just gets quarantined away, what we do want? We want to see the business trending upwards, preferably. If there's a spike, we want to know why. We want to know why there's a spike.

Kerry Boulton:

It says if, for some reason, the business is trending downward, then let's have the explanation. Don't hide it. Yeah, let's understand what it is. Why is it trending down? It could be that something external has occurred that has caused it. And look, that leads me to another consideration that people need to have, no matter what business you're in, and that is around what we've coined, the five disease things that actually happen. So, it's making sure that your business can survive if any of these things do happen. Now, obviously, death is one. Disability. What happens? It's all around contingencies. What about divorce? If something happens, some sort of distress might occur. You might—even be in business with partners who someone else says, "Hey, I've had enough. I want out of here." A disagreement. In that case, I can go on. In fact, in my book, this little one here, *The Uncensored Truth About Exit Strategies*, I think I've got about 11 in there that start with D, okay, it's funny when you said that, I had a few of those days popped into my head right away.

Angus Pryor:

However you can look at it as well, in terms of revenue generated per hour, that's what you're talking about, which is almost no different to any other—it's per employee, basically. So if, in fact, by leveraging the return per hour, which is about increasing productivity, if that means that you, the main practitioner, have to be there all the time, then that's a trade-off, isn't it? It's a lifestyle trade-off, sure, for the practice that you're in, or are there other ways that you could work differently to make that happen?

Kerry Boulton:

Yeah, okay, okay. And then I think customer database, and you mentioned about it, being systemized, having surveys, etc. What would be the things that, to maximize the value, one would want to see in the database?

Angus Pryor:

Obviously, really good records of what's been going on for your clients, how regularly do they visit you? Are you—have they given you referrals? Are you expanding your client base through other means, other than having to always direct market? The repeat business is really the Holy Grail. That's the lifetime value of your client that uses you, you can justify, or you have them there, and these days, Google reviews, absolutely.

Kerry Boulton:

Absolutely. I can make or break you. I've argued that—not argued, but I've put my case that really the Google reviews are one of the assets of the business, absolutely. If you're selling a business where you've got 500 Google reviews at an average of 4.8 or 4.9 or something, it's a great offensive strategy. The data shows that people generally—it's about 10 to 20 touch points before they do business with you, where they can read 10 reviews in a row and go, "Oh, these people sound really good." But it's quite good defensively, which is that you only need to get one vexatious individual to give you a one-star review, and then they slag you off through reviews. And if you've only got one or two of them, then suddenly things are going badly.

Angus Pryor:

Yeah, sometimes in practices, particularly in very small businesses, they have underestimated completely just how important those Google reviews are, and the need to keep them current as much as anything.

Kerry Boulton:

Yes, and you know, referrals, that's the other thing—you need to analyze your data and understand exactly where your clients are coming from. Clearly, referrals in that type of business are the best advocates. That's the best to have. And if you can prove, if you've got the data that actually says yes for 10% of—or whatever percentage it might be—of your practice hours has come through referrals, and that's how you can prove your growth and what your growth trajectory is, then you have an excellent foundation.

Angus Pryor:

Yeah, yeah. I like that. Look, I'd say many practices would, on the new patient form, ask people—I like to say, "Who do we thank for referring you to us?" But it's the same sort of thing. But I would have to say, many practices do not actively look at that data or indeed enter it into the system. It depends—some practices these days, you're entering your data on an iPad, and it goes straight into the software, which is great, yeah. But I would say, yeah, curating that is really helpful. Again, this is growing the value of your business. Who knows when you'll sell?

Kerry Boulton:

And I suppose the other thing is, even if you don't have plans to sell, yeah, for 10 or 20 or 30 years, I'd hate to say it, but Kerry's mentioned the five Ds. God forbid that one of those happens to you, and then suddenly it's, "Now I've got to move town, country, whatever, for whatever reason." Presumably, you're not doing that if it's D for death, but no, but for the... you know what?

Kerry Boulton:

Angus, this is something that I do get people to just do a little bit of a checklist about, especially because, as human beings, we're notoriously disorganized as far as these things go, and we don't really want to address the inevitable, but we are human. We are all going one day, yes, yes, definitely. We are going, yeah.

Angus Pryor:

So get your house in order sooner rather than later. And I talk to young people who are in their 30s, who might have just bought their first home, or something like that, and I said, "May have an asset. Do you have a will?" They don't get something going. But at a simple process of around, processes around estate planning, and look, particularly in health practices, there's some pretty—I think, well-to-do people, and I'm sure that they've taken advice around this already in this area, but it is really important to make sure that you have a will, that you... if you've got yourself set up in trusts, that you know exactly who the appointors are and who the successor appointors are. These are all technical things that most people have no clue about, and until such time as it hits you when you've had something go wrong, that's just not a huge checklist, but make sure that you have those things covered off. And you know where the documentation is for a start point than anything else.

Angus Pryor:

If I go through them again: death, we've got it—can happen, it does happen, that's the reality. Disability—you could be in perfect health and fall off a ladder on a weekend and then suddenly you're out of action for 12 months or whatever. Divorce, we're not going to pretend that never happens. Distress, disagreement—I've seen things like where someone close to someone dies, so it's not even the person themselves, and then they go, "You know what? I've been going through the motions in this job for the last 10 years, and I—life's too short. I've just—this person's died unexpectedly. I'm not going to keep doing this." And it's a little bit like that expression, like, "When was the best time to plant a tree? 10 years ago." And it's a bit like that for this. Even if you're not thinking of selling for a long time, maximizing your value now and protecting the value of the business is certainly worthwhile.

Kerry Boulton:

Look, Kerry, I think we will take you up on the offer of your valuation link, and we'll put that in the show notes. Yeah, Kerry's got a couple of terrific books that I have sitting in front of me here. She already alluded to the uncensored truth about exit strategies, and we like the sound of this \$1 million payday. How to get rich and get out. Great headlines on both of those. Kerry, for people who want to learn more or get in touch, what should they do?

Kerry Boulton:

Certainly, if you just Google my name, which, the last name is Bolton with you. So it's Kerry Boulton, B, O, U, L, T, O, N, you'll find me. My website is the exit strategy group.com.au, I'm on LinkedIn as Kerry Bolton Holdsworth, which is my very name, but if you just do a Google all of me, and you'll find me, you'll find lots of those links. I have a—it's not actually up as a web page yet, but I do have a contingency plan list. If anybody would like one, they can just email me, which is Kerry at the exit strategy group.com.au, I'd happily send it out complimentary and everything. Those are complimentary as well. And if anybody would like a copy of my books, I'm happy to provide those.

Angus Pryor:

Yeah, wow, wow. So much value. Look, we'll make sure we get that stuff in the show notes, but look. Kerry, thank you so much for sharing all your experience and wisdom with us. We really appreciate it.

Kerry Boulton:

It's my pleasure indeed.

Angus Pryor:

Alright, everyone, we've covered a lot there, haven't we? And hopefully we've got your mind thinking about things that perhaps you hadn't before when you're thinking about the value of your business. So, as I like to say every week, knowledge is not power. It's applied knowledge that's power. And it begs the question, what is the one thing you're going to do as a result of what you heard today? Make sure you go and do that before you go on to the next thing. Finally, if you got some value from our time today, then I'd really appreciate it if you'd head to where you heard this show. Leave us a lovely review, give us the encouragement to bring you more great content every week on practice growth.

Outro:

Thanks for listening to another info-packed episode of Practice Growth HQ with Angus Pryor. Any links mentioned, along with an entire transcript of the show, can be found at practicegrowthhq.com. And to make sure you never miss another episode, go now to Apple Podcasts or wherever you heard this show and hit subscribe. You.