

## OVERVIEW

# 10 Ways to Prepare Your Healthcare Business for Sale

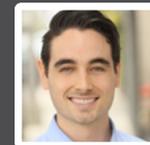
- 1. Clean and Accurate financials.** Have year-to-date (YTD) Income Statements (P&L) and current Balance Sheets ready. Buyers will typically request previous three years financial statements while assessing your business. If you need outside help, get it now. A good CPA can be helpful before and throughout a sale process.
- 2. Outline the best parts and least favorable parts of your company.** Along with all the strengths that have made your company a viable operation, sophisticated buyers know that there are challenges, as well. What are yours? Are you able to list them out if requested? Better to disclose both your strengths and weaknesses early in the process.
- 3. Understand your cash position (Adjusted EBITDA).** What is the cash flow of the business if you add your personal and non-recurring expenses on top of your Net Profit? We use a metric called EBITDA (Earnings Before Interest Taxes Depreciation and Amortization) to measure the true cashflow and profitability of a business. The core valuation of your business will be derived from your TTM (Trailing Twelve Month) Adj. EBITDA.
- 4. Review referral source, patient, and provider relationships to ensure they are in good shape.** Most transactions are conducted as an Asset Purchase. This requires that contracts, employees, referral sources, lease, and other assets of the business are assigned to the buyer. Be sure that the relationships behind these contracts are solid. At some point, you may be introducing them to your successor. Review the transferability provision of all contracts, especially those with major payers. Contract requirements are critical to buyers. You want to eliminate any possible factor that could delay or hinder a sale.
- 5. Assess your organizational structure.** What is your organizational structure? Who will transition to the new entity under the new ownership? Knowledge of organization style itself will assist in a transference of responsibilities upon the purchase of your business.
- 6. Be conscious of long-term obligations,** including leases and other contracts that may pose an adverse encumbrance to the buyer. Monitoring and minimizing these will assist in a seamless sale process.
- 7. Understand your working capital.** In a sale, you should keep your working capital, which is current assets (including Inventory) less current liabilities. The less debt you have, the better your working capital position. You will also get paid on sealed inventory.
- 8. Organize your records** so you have handy copies of all contracts, leases, insurance policies, tax returns, corporate documents, titles and licenses. This will be a help during due diligence and will speed up the process considerably.
- 9. Understand the value of your company.** What is your healthcare business worth? How is it valued in the market? Understanding your true cashflow (EBITDA) and current market trends of your industry will help to gauge the value of your company in the current market.
- 10. Find the right M&A advisor.** You may decide that we are not the right fit, but you need an experienced, third-party representative in the sale process. From properly marketing your business to the buyer universe to getting the deal closed at the right price, it can be overwhelming without a good advisor by your side.

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