



## Steps for Selling Successful Hearing Aid Practices

---

📅 November 18, 2014

👤 Holly Hosford-Dunn

---

*Grant Smith returns to finish his post series on selling practices.*

*Last post was focused on the psychological considerations that precede all sales, where owners must recognize and weigh the opportunity cost of the choice to sell. Without addressing those considerations early and thoroughly, owners run the real and literal risk of dying to sell, in which case they have run out of foregone opportunities.*



Grant Smith

*Today's post looks on the bright side, assuming owners are ready to sell and advising them on the steps ahead and the missteps to avoid. It's a valuable tour for anyone contemplating selling or buying in our field. And, as [Craig Castelli](#) pointed out in another post in the selling series, current expansionary monetary policy is an enabling factor for sales at present.*

## Appraising and Packaging the Practice

At this juncture, you need to honestly appraise whether your practice is:

*A: Prepared to Sell (ready for a clean transaction)*

*B: Needs some packaging (due for makeover)*

If we assume 'A', that your business is organized, well oiled and ready for sale, here is the list of steps and processes that you will need to package your practice for sale.

The first part is assembling your sale-package. This package will need to consist of the following:

- Your corporate legal paperwork
- Articles of Incorporation (that paperwork you filed so long ago)  
Applicable Leases (real estate, equipment, etc.)
- Financials  
3-years of income statements  
Current cash flow statement  
Current balance sheet  
Owner's cash-flow statement
- Employee Files and Documentation
- Inventory of Equipment & Supplies
- Marketing Plan and Marketing Collateral
- Non-Disclosure Form

After assembly, you will need to review the above information and prepare duplicates. Keep ALL copies under lock and key.

Remember to engage a Non-Disclosure Agreement for anyone who will examine and evaluate your

package.{{1}}[[1]]For FREE NDA please contact me at the email address below if you require a blank copy of a standard NDA. [[1]]

## Plan B Takes a Detour

If we assume 'B' (see above), that your practice needs a 'makeover' before selling, there are a few tasks you need to cover before compiling the package of information listed above.

You likely need to schedule time to catch up on the books that you have left sitting for a few months.

You may need to update your patient files and organize them.

Alternatively, you can hire a consulting firm to clean and organize, while you keep your business moving forward. If you decide to hire a firm, make sure they tread lightly around your staff and patients. Find consultants with whom you can speak openly and frankly and who give you direct and accurate information. You do not need cheerleaders or fans to sell your practice. You need professional objectivity, honesty and attention to details.

Having someone else step in and clean up the business and prepare it for a smooth transaction may seem awkward and invasive. However, it may reduce the time of the sale and stress in unforeseen hurdles that may make or break a sale, or even

reduce your purchase price. Remember, they are there to help you, not judge you.

It's my personal opinion that when a busy practice-owner takes time away from his/her patients to 'clean house' and prepare for a sale – he/she inevitably loses both money in the immediate as well as the future when they sell.

## Double-Check, Lock and Load

Now would be a good time for you to double-check your resolve and determination to sell your practice. Assembling this information should stir emotions.

If your resolve is intact, it's time to shop for a buyer. Luckily, unlike other industries, the hearing health industry is pre-disposed to consolidations and acquisitions. Finding an interested party could be as easy as having a confidential conversation with a trusted/related industry representative or contacting an industry consolidation group.<sup>[[2]]</sup> As examples, Starkey has All American, Sonova has the corporate development group, Widex has Helix, GN uses Beltone, Siemens has Hear USA. Then you have AHAA, AccuQuest. They all do it bit differently based upon their business model and strategy.<sup>[[2]]</sup>

Once you've prepared and packaged your practice to your satisfaction, you are ready to reach out to the

industry. If you are working with a broker or consultant you should expect to receive multiple bids for purchase or at least offers consistent with the valuation of your practice. If you are shopping on your own, call a consolidation group or a trusted factory representative to get some guidance.

## Bids and Promises

The old adage is true: your practice is only worth the amount someone will offer to pay for it. A bona fide bid is one that is in writing and on the company (purchaser's) letterhead.

Please don't get this far and confuse promises and off-hand remarks made at Starbucks or trade shows with offers you can count on. We have all heard the amazing and seemingly ridiculous purchase amounts bounced around in conversations and at trade shows. Talk is just talk, nothing more.

The numbers that matter are the numbers on your bona fide Offer to Purchase. Everything else is a distraction. But getting the offers is only a step in the right direction. You still have to finish the process.

## The Home Stretch Is Not the Time to Rest on Your Laurels

Although I shouldn't have to say this – you need to keep things private.

Regardless of whether or not you and your staff share everything, it is imperative that you prevent anyone other than your immediate family and parties involved from knowing your plans. If word gets to your staff or patients that you are exercising an exit strategy, any number of very bad things can and most likely will happen. You will either sabotage your practice or disenfranchise your staff, or both. Don't do it. Keep Quiet.

Here is where you will have to juggle both your time and your emotions. You need to get back to work and tend to your patients, staff and family. At the same time, you need to contemplate the following list. And by “contemplate,” I mean give this a great deal of thought.

- How much cash will you accept?
- Non-compete or restricted territory?
- How long will you assist/work in the transition?
- When will you sell or timeline?
- 

## A Note on Valuation

During the last business cycles we have seen a spike in valuations. A few years ago you would be

offered something close to your annual net income. Your practice TODAY will probably be valued using an average of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA).

Other factors that will add to your value directly will be the number of active patient files, length of time in your community, inventory and equipment as well as accurate and organized bookkeeping. If your practice is packaged nicely – you will be rewarded handsomely for the sale.

## CONCLUSION

When the time comes to accept or reject an offer to purchase your practice, hopefully you will feel this overview has helped you. Whether you decide to retire to play the back nine or begin a new career path, I am confident that the skills you used in your practice will build and enhance your future. The hearing healthcare industry provides opportunities in all areas of expertise and all corners of the globe.

I have many friends who have retired only to return again in another capacity or in another geographic location. Furthermore, our industry is well known for providing care to under-privileged communities worldwide. Maybe donating some of your time and experience to an industry foundation is time well spent in your next career.




Good Luck.

**Grant Smith** has served the Hearing HealthCare market for 27 years. He has been in senior management positions in sales, marketing, and product management for some of the industry's leading hearing aid manufactures, as well as co-founding some of today's buying groups and networks. He founded Elysium Fields, LLC, in 2004. He can be reached at [grantalexs@me.com](mailto:grantalexs@me.com).

feature image courtesy of [bizbuysell](#)

---

 [Accounts Payable](#) [Accounts Receivable](#) [Audiology](#)  
[Bookkeeping and Accounting](#) [Economic Cost](#) [Economics](#)  
[Grant Smith](#) [Hearing Aid Manufacturers](#) [interest rates](#)  
[M&A](#) [Mergers and Acquisitions](#) [Operating Cash Flow](#)  
[Price](#) [Selling a Practice](#)