Private Equity and Practice Transitions in 2023

As Deal-Making Pace Slows, Buyers and Sellers Prioritize Infrastructure

Image Credit: Getty Images/ Anastasia Usenko

BY MARGE AXELRAD / EDITORIAL DIRECTOR AND DANIEL BREEMAN / SENIOR EDITOR

NEW YORK—2023's vision care space will see a more measured pace of new deals and practice acquisitions. At the same time, in many cases, internal investments in infrastructure, systems and support will accelerate for both private equity-based groups and practice transition facilitators in the U.S. optical market this year.

Experts throughout the optometry and ophthalmology arenas, including a range of major practice brokers and experienced observers contacted by *VM*, concur: confronted with higher inflation, spiking interest rates, an uneven stock market, and a changing competitive landscape requiring top-notch clinical and practice management fundamentals, the business climate this year is realigning priorities for all investors and operators.

A combination of political tensions, climate challenges, social change in workforce dynamics and employee satisfaction gave a slightly different tone to what had been the robust PE deal activity and dynamics of 2021 and the first half of 2022.

The macroeconomic and geopolitical trends are having just as much impact broadly across all broad healthcare, retail and supply sectors, experts tell *VM*.

The result is an environment where acquisitions and deals are still happening, but not as robustly as they were in 2021, when the eyecare space saw a crescendo of them resuming after 2020, the initial year of the COVID-19 pandemic. From discussions that *VM* has had with executives this past month, activity that took place through the first half of 2022 subsided a bit towards the end of last year.

As 2023 unfolds, there is a new mood among buyers and sellers, too.

Chris Harris

Chris Harris, managing partner at FFL Partners, has been involved in the eyecare space for several years, including its prior investment EyeCare Partners, its current investments in optical retailer, Eyemart Express, and now with Quebec's CDPQ and others in New Look Vision Group. He told VM, "Integration varies and there are different levels out there. There is headwind for some groups. For prospective sellers today, it's important to do your own due diligence, speak to doctors who have partnered with particular groups. All groups are not the same. Eyecare is essential, it can be deferred but not forever, we've seen that. We're hopeful about the overall outlook by 2024."

Anne Kavanagh

Anne Kavanagh, CEO of Kavanagh Consulting LLC, one of the most experienced advisors in the vision care space who represents many sellers, observed, "There are three factors out there now. First, higher interest rates creating a higher cost of capital for buyers, who are not sure where rates are going to come down. Second, economic uncertainty including the troubles at Silicon Valley Bank, Signature Bank and others along with persistent inflation and prediction of a possible recession—the economy is in a slowdown. And, third, there have been operational issues at some key consolidators, so they are pausing or curbing buying, and competition drives value."

Added Kavanagh's Jason Preator, managing partner, "On balance, though, several buyers were aggressive in 2022 in entering new states and markets, which helped overall with competition and options for sellers."

Noted Kavanagh, "Private equity will continue to be aggressive and continue to tweak their model for creating alignment since having ODs and PE aligned creates success. The importance of having all practices on one integrated system is definitely being understood as a necessity to manage the practices more efficiently. Also, high margin private pay areas like dry dye and more medspa amenities are getting traction within groups."

Francois Hure

Added François Huré, partner at CapM Advisors, "Integration and infrastructure issues are becoming more important to MSO's. Sometimes this is not in just branding across a group or maintaining local brands to the consumer, but IT systems or revenue cycle management are emerging as critical functions and those require support and big investment." Huré also noted,

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Groups Pursue Investment Strategies for Long-Term Practice Growth

AEG Vision Invests in Practice Support and Metrics to Support Long Term Growth Under Individual ECP Brands

AEG Vision https://aegvision.com/ finished calendar year 2022 with 350 practices, and "we are on track to eclipse 400 practices this year," noted CEO Eric Anderson. "We have grown consistently over the past three years and expect to continue to do so in 2023 and the foreseeable future. We are confident in our approach and have not experienced any material challenges in how we operate."

Anderson pointed out, "The optical industry continues to exhibit resiliency during all economic environments, given our products and services are 'needs' vs 'wants.' Additionally, demographic trends provide a tailwind that will further build primary demand for optical. Our investors, board, and executive team remain confident that the industry will continue to experience long-term growth and expansion."

Eric Anderson

Riata Capital Group https://www.riatacapital.com/ has been the private equity firm behind AEG Vision and in October 2021 Riata closed a GP-led secondary transaction for the company which will enable further investment. Funds managed by Morgan Stanley's secondaries group led the transaction at that time, as *VM* reported.

Continued Anderson, "In this economic environment, we are being more selective in the practices that we partner with—focusing increasingly on the strongest practices with a strong, loyal patient base. AEG Vision continues to offer a strong proposition to independent optometrists who want to join a successful organization with a proven track record of making investments to advance the profession and allowing independent optometrists to thrive."

Once optometrists join AEG Vision, they continue to see patients. AEG Vision makes significant investments in each practice which includes a common technology platform, a common, but flexible, product assortment, and smart business practices that elevate outcomes for everyone, Anderson stated. "This means doctors, patients and associates. And we measure a great deal to keep us on track. This strong strong passion for patient service is reflected in our 2022 calendar year results which included an increase in comp sales of 5.4 percent, 86 percent Patient Net Promoter Scores (NPS) and record employee satisfaction scores."

Further, Anderson said practice EBITDA (profit) "continues to experience sustained double-digit rates of earnings growth each year.

Ascend Vision Partners and Sight Growth Partners Seek Opportunities

Established in 2022, Ascend Vision Partners https://www.ascendvision.com/ delivers custom business solutions for eyecare professionals, including operation and administrative functions. Sight Growth Partners https://www.sightgrowthpartners.com/ is a provider of administrative services to ophthalmology practices and ambulatory surgery centers throughout the Northeast and Mid-Atlantic regions. Both groups are backed by Chicago Pacific Founders https://www.cpfounders.com/, a leading middle market private equity firm that focuses on partnerships with growing companies in the health care services sector.

Shayan Masoudpour

Sight Growth Partners is a separate portfolio company of Chicago Pacific Founders. Ascend focuses on affiliations in the Southeastern region and remains separate and non-competitive with Sight Growth Partners, which remains focused in the Northeast.

Sight Growth Partners ended 2022 with 64 offices locations and ASCs (two new locations) while Ascend Vision Partners, established in August of 2022, ended the year with 20 office locations/ASCs.

"Acquisition activity was slower in 2022 compared to 2021 as SGP focused on integrating the eight practices that added three new states in 2021. SGP's pipeline activity did not slow down in the fall, but rather the rate of closure slowed down purposefully," said Shayan Masoudpour, principal, Chicago Pacific Founders. "Acquisition momentum picked

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Aligning Investment Priorities with Physician Priorities

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up for AVP through the fall as the company continued its outreach around differentiation relative to established platforms."

He continued, "The criteria for bringing practices into SGP and AVP has not changed over the last 12 to 18 months. Both platforms continue to seek partners who first and foremost want to grow their practices with full clinical autonomy, a focus on clinical excellence and compliance, and support of world class administrative services that enable doctors to focus on practicing medicine. Alignment around value creation is also core to both companies' criteria, where both provide partner doctors the opportunity to take some chips off the table while creating a valuable nest egg that will compound a return and provide periodic distributions for the duration of their careers."

Both platforms will be aggressive in 2023 in helping physicians find the administrative partner that is "going to take their practice to new heights," according to Masoudpour. "In an uncertain economic environment, the strongest platforms will stand out and be able to help more physicians. Our approach is first and foremost to build strong relationships with doctors who are seeking a new administrative partner. We pride ourselves on integrity, transparency and fairness. In any successful, long-term partnership, both parties must believe in a win-win approach with alignment and clinical autonomy. These three core tenets—integrity, transparency and fairness—is how we win together.

"Our internal investment priorities are always aligned with our physicians' priorities. Currently, that focus is on technology both operationally and clinically. We continue to make critical investments in technology on the operational side to allow our patients to have a better experience like online patient portals to check-in/register/schedule. We also continue to make significant investments for our physicians to help them practice more efficiently and effectively such as purchasing the latest devices and diagnostic testing technologies in our practices and surgery centers."

The current economic climate is one of the driving factors impacting opportunities for investment, including rising interest rates, according to Masoudpour. "The main impact of current economic conditions is around rising interest rates, where acquirors generally have less cash on hand for acquisitions. Lenders have also pulled back such that there is less capital available for acquisitions. At first glance, sellers' expectations have not come down, though there are fewer buyers chasing deals and more platforms pausing or slowing down acquisitions, such that there are fewer outlier bids and thus a small compression in purchase price."

As for the continued consolidation in the ophthalmology space, Masoudpour doesn't see that ending any time soon.

"Consolidation in health care is critical in all facets, not just ophthalmology. We have seen consolidation work with hospitals, medical device companies, pharmaceutical companies, insurance companies and many different physician specialties including anesthesia, dermatology, dentistry and even veterinary medicine," he said. "Consolidation is critical because scale is critical in an environment where payers, regulators, suppliers, and the labor market are becoming more burdensome to navigate. But as we said before, bigger isn't always better. For our companies, we will scale while simultaneously making sure that our culture and quality are always guiding us in the right direction."

EYECARE PARTNERS

David Clark

Nivine Woods

EyeCare Partners Is a Growing Integrated Partnership of ODs and MDs

Based in St. Louis, Missouri, EyeCare Partners https://www.eyecare-partners.com/ is a united and growing clinically integrated partnership of more than 700 optometrists, more than 300 ophthalmologists and thousands of clinical team members supported by a centralized infrastructure. In 2022, the group welcomed 18 new partner practice groups and added 25 new locations. "We have over 60 practices, and over 700 locations in 18 states," stated David Clark, CEO. "We are proud to have served more than 3.4 million patients in 2022."

Added Clark, "EyeCare Partners attracts practices which align with our mission to enhance vision, advance eyecare, and improve lives through a clinically integrated care model. Having a unified model allows us to work together to find new ways to advance how we care for patients and support our providers."

This year, he noted, "We will continue to pursue partnerships that strongly align with our clinically integrated model. Internally, we're investing in our

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Building Integrated Practices Including ODs and MDs

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teams—from those who greet our patients and customers at the front of an EyeCare Partners clinic, to those performing vision-saving surgery in one of our surgery centers. We want to equip our team with the support they need to focus on providing outstanding service to our patients.

"As an example, we have a career development committee of our medical executive board and we're investing in our current and future doctor leaders helping them with transition and navigate their careers. We offer opportunities to pursue research alongside clinical practice. We call this the 'third pathway.' Currently, we are participating in over 200 research studies so there are lots of opportunities to get involved."

In addition, Clark mentioned that EyeCare Partners is advancing the clinical development of its proprietary EMR system known as E360+ "which will be the first of its kind."

Nivine Woods, CMO of EyeCare Partners, told *VM*, "The unmet need in vision care is huge and dynamics are favorable. It is estimated that 12 million people in the U.S. over the age of 40 have vision impairment, and this number is expected to grow over the next 10 years as the population continues to age. By bringing primary and specialty care together, EyeCare Partners is uniquely prepared to support the evolving eyecare demands of current and future patients—today, tomorrow, and for years to come.

In assessing the climate of 2022, Clark observed, "2022 was a tough year across health care with COVID continuing, rising inflation, and recessionary pressures impacting our team members and patients. However, EyeCare Partners had a proactive plan with a focus on continuing to deliver the absolute best care and service to our patients. This forward-looking approach allowed us to grow as a company with 25 new locations in 2022 and has set us up well for the year ahead."

The EyeCare Partners' hybrid, or "third pathway" which enables doctors to experience the best of academic and clinical practice and get involved in clinical research is also being augmented by a new EyeCare Partners Innovation Center, where the group is using data and expertise to improve patient outcomes.

"With more than 1,000 providers across the country, we have an unmatched wealth of data and expertise to draw upon. Our goal is to put our data to work and leverage our collective expertise to improve patient outcomes, advance patient care, and drive sight-saving advances in research," Clark pointed out.

Woods noted, "As the demand for eyecare grows, so does the demand for eyecare providers, which is why we are committed to delivering a differentiated experience for our doctors. This starts from the top with our Medical Executive Board, which brings together doctors and business leaders to drive key decisions in various areas including advocacy, technology, practice operations, compliance, research, physician recruitment, and development for every ophthalmic and optometric specialty."

She added, "our medical executive board is unique. Nearly 100 ECP doctors currently participate on committees involving advocacy, technology, practice operations, compliance, research, recruitment and development."

EyeSouth Continues to Invest in Infrastructure, Operations and Education for Growing MD and Surgical Network

Headquartered in Atlanta, Ga., EyeSouth Partners https://www.eyesouthpartners.com/ is an eyecare management services organization which describes itself as a premier network of integrated eyecare practices located across the country, The group's affiliated ophthalmology practices benefit from operational expertise and investments in support staff, ongoing education and state-of-the-art technology, the company said. Its affiliate network consists of 35 practices with over 290 doctors providing medical and surgical eyecare services at over 160 locations including 19 surgery centers, of which 25 clinics and two surgery centers were added in 2022. They're located throughout Georgia, Texas, Louisiana, Florida Tennessee, Ohio, Kentucky, Pennsylvania, Alabama, Illinois and North Carolina.

Rex Adams

The group has been backed by private equity firm, Olympus Partners https://olympuspartners.com/ since October of 2022. Prior to that, the group was backed by Shore Capital Partners which had managed the company's growth since its founding in 2017. EyeSouth's physicians will remain investors alongside Olympus and management, the company said last fall.

EyeSouth Partners' Rex Adams, CEO, told *VM*, "Our acquisition activity was in-line with 2021, but we did feel a slowdown in the second-half of 2022, which we feel like is playing out more right now versus last year as most of the deals signed in calendar year 2022 were ones we had been in discussions with for quite a while before they actually closed. EyeSouth may have been unique in the 2H of 2022 as well given the close of our new partnership with Olympus, but overall our acquisition pace was maintained in 2022."

Adams also noted, "As for the driver of the slow-

Practices Learn How to Thrive After an Affiliation

down, you often read high-level headlines that healthcare is 'recession-resistant' or something similar and thus investors are always interested, which at a macro-level is true—healthcare will always be needed and it's a huge portion of our country's spend. However, we feel there's a bit of disconnect in thinking that some of the drivers of a broader recession don't also affect healthcare, and, in particular, independent physician practices. While as of today, I don't think we're technically in a 'recession,' but the macro dynamics of staffing shortages, rising interest rates, sequestration, and high inflation (particularly for wages) is certainly pressuring the margins of those groups who are less equipped to deal those challenges and even certain services offered in ophthalmology such as LASIK and premium lens upgrades.

"Fortunately for us, ophthalmology is one of the more stable specialties given its inherent diversification between anterior care, posterior care, medical and surgical care, premium services, retail optical, and so forth, but I wouldn't go as far as to suggest that the sector is completely immune to some of the macro challenges we've seen in the last six to nine months."

Adams noted, "EyeSouth has always been focused partnering with groups that have strong clinical reputations and can thrive post-affiliation as part of EyeSouth. Most of our affiliations have been introductions from our existing physician network, and we feel there's a very high correlation between the quality of our existing doctors and the groups that they choose to introduce us to as potential future partners. We want to see groups who have proven historical growth, see the value in truly integrating with the broader EyeSouth platform so we can ultimately execute on the goals that scale provides. We are excited about the potential of being an EyeSouth shareholder as a good portion of their proceeds will be in the form of EyeSouth equity.

"Integration is so critical to us and we've spent so much time perfecting and staging our processes so that we minimize disruption to our new partner practices and ultimately allow our partner to benefit from the scale and data needed to negotiate the best rates with payors and vendors, maximize the efficiency of the support staff at each local affiliate, and recruit new high quality physicians."

"We intend to be very active in 2023," Adams continued. "We value integration because we are 100 percent convinced it's the only way to achieve long-term, sustainable success for this model. We do not want to simply aggregate practices and then fail to support them post-affiliation because we are trying to manage multiple systems across various functional areas with support staff that continues

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Creating Opportunities for Practitioners at Every Career Stage

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to bounce back and forth between various systems – it's just not the way to successfully scale and it is not long-term sustainable. We want our partners to know this on the front-end, but also understand that we bring so many resources to this effort and honed our process so much, that it isn't anywhere close to a practice trying to do it on their own."

Keplr Vision, at 286 Locations, Prioritizes Investments in OD-Centric Infrastructure

Keplr Vision https://keplrvision.com/, with 286 practice locations currently, noted that the pace of acquisitions slowed down significantly in 2022, compared to an active year in 2021.

For the coming year, Keplr executives say "Our priority has shifted toward investments into doctor equipment, real estate, IT infrastructure, training, enabling our OD's to practice the full scope of optometry. Our new structure has become much more OD centric."

Said Tim Mayhew, who joined Keplr as CEO in August 2022, "Our 2023 focus is on maintaining and enhancing an OD lead practice culture, community involvement, scope of services. We strongly believe that continuing the legacy of our independent practices is the highest form of care."

As VM reported last month, Keplr Vision closed $80 million in additional funding from existing investors including Imperial Capital https://www.imperialcap.com/ and Golub https://golubcapital.com/. Details of the transaction were not disclosed. "We are extremely excited to announce this increased level of confidence and commitment from our investors," said Mayhew. "Despite an extremely challenging time for capital markets, they recognized Keplr Vision's amazing potential as a partner with many of the largest, most prestigious practices in the United States."

"With this stronger financial position," he added, "we will be able to accelerate our investments into new doctor equipment, real estate, and our IT infrastructure, furthering our mission to be the best place to work as an optometrist at any point in their career—from new graduate, to practicing at the full scope of their license, to seeking a transition of their practice."

Tim Mayhew

At that time, Keplr Vision also reorganized its field operations team, with David Cockrell, OD, being named as the new division president – East, Jon Christiansen, OD being named as the new division president – West, and Tim Westra being named as the new division president – Comprehensive.

Mayhew said, "Our new division presidents, in conjunction with new regional OD leaders and a new practice development group, will support lead optometrists at each practice in creating even better experiences for their patients." The company also added to its board in March.

Regarding today's business climate, Mayhew noted, "At this time capital markets are challenging and are impacting M&A initiatives in the entire economy." However, he added, "The need for quality eyecare will only increase and is also very resilient against economic cycles."

MyEyeDr. Advancing More Selectively, Building New Avenues to Growth Several Ways

MyEyeDr. https://www.myeyedr.com/ added 40 new locations in 2022, bringing its total location cound to 850 offices. The year, executives told *VM* was a "purposefully slower acquisition year, as we focused much of our time on integrating the record number of offices that joined MyEyeDr. in 2021. In 2021, we partnered with 165 locations, many of which joined us near the end of the year, so we focused our efforts in early 2022 on transitioning these offices onto our platform-wide systems and processes to maximize our support of each new office. Additionally, given our relationship with Goldman Sachs, (which invested in 2019 in Capital Vision Services, MyEyeDr.'s management services organization), in 2019, we anticipated the economic evolution to the current environment and decided to align our partnership expectations with the changing economy."

MyEyeDr. co-founder and CEO, Sue Downes, said, "We are continuing to expand in 2023 and are searching for the right partnership opportunities that align with our growth mindset. We have continued outreach to the doctor community, but are also taking a very measured approach in evaluating potential new offices to ensure it is a high quality fit for both the owner doctor and MyEyeDr."

Added Billy Murray, EVP, practice management, "We are focusing on practice alignment to ensure each partnership is a good fit for both the OD owner and MyEyeDr. This is such an important event in a doctor's life and we want to make sure they enjoy their experience after practice ownership. Additionally, we want the optometrist aligned (financially and culturally) on continuing to grow their practice with us after joining the MyEyeDr. family. Over the last 12 to 18 months, we have emphasized expanding within our existing markets to leverage our operational infrastructure, and are readying ourselves both for further in-market expansion via de novo locations and for new market entry to expand our

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Understanding How to Leverage the Operational Infrastructure

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geographic reach."

Downes pointed out that MyEyeDr. has a variety of expansion plans "beyond acquiring practices." These would include, per Downes, "Opening offices from scratch in markets we want to have a presence, but have yet to find the right partnership opportunities. We are investing in omni-channel capabilities to further our ability to meet patients when, where and how they prefer to purchase their vision care products."

Sue Downes

Billy Murray

"And," she continued, "Expanded services and supplementary products such as dry eye services and products, myopia management offerings, specialty contacts, readers, and more are a growth opportunity to serve patients in new ways, too. Moreover, we continually evolve our systems to automate tasks and processes and enable us to scale rapidly while maintaining and improving our patient, associate staff, and doctor experience. Examples include automating patient eligibility, claim RPA tools, and personalized recall to enhance our patient experience.

"Additionally, tracking back office metrics have allowed us to see areas of focus to ensure we can surprise and delight our patients through all aspects of the patient journey. We consistently adapt and tweak our teleoptometry strategy to meet the needs of our doctors and satisfy patient demand and see this solution as a way to help solve patient access issues."

Downes told *VM*, "Consolidation could be perceived as negative only if there is no clear benefit to the doctors, patients, or the profession in combining resources and developing stronger practices. As a practice management group, we focus every day on improving the patient, doctor and supporting associate experiences, as we believe them to be foundationally important for optometry and optometry practices.

"From investing in best-in-class business platforms and strong unified marketing, to playing a major role in doctor and patient advocacy, our priorities are to build and protect the profession. Bringing doctors and practices together in a recognizable and unified brand helps position us to increase public awareness on the importance of optometry and the breadth of the OD skillset. When you couple all of this with the work we do with professional organizations like the AOA and the affiliated state associations to reinforce and enhance optometry's role in healthcare ecosystem, the optical space and profession of optometry stand to be clear winners as practices become part of MyEyeDr."

Sight360 Expands Outreach in Greater Tampa Bay Region

Billed as West Central Florida's premier destination for fully-integrated ophthalmology, medical optometry, and optical retail services, Sight360 https://sight360.com/ ended 2022 with 16 clinical locations and one ambulatory service center, including three new locations through the acquisition of Prado Vision Center https://www.pradovision.com/ and Dr. Larry Goldberg's ophthalmology practice in St. Petersburg, Fla. With the addition of Prado Vision Center, Sight360, a portfolio company of SBJ Capital https://www.sbjcap.com/, expands to 18 total locations in the greater Tampa Bay region.

Brian Hauser

"Acquisition activity increased in 2022 (from the prior year) due to greater visibility and the reputation of our group attracting more interest," said Brian Hauser, CEO of Sight360.

Sight360 provides optometrists and physicians with operational support and resources to allow them to focus on delivering high quality patient care, with a trained, highly engaged staff to complement the patient's experience and create a positive workplace culture according to Hauser. Currently, the company has 14 optometric physicians, nine ophthalmologists, 17 vision care centers, and more than 180 team members who have served more than 100,000 patients.

"Sight360 practices have a strong and trusted reputation of serving the greater Tampa Bay market for more than 35 years," he said. "The combination

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PE Groups Provide Comprehensive Business Support Functions

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of the 17 offices as well as our surgery center gives the company better negotiating power with insurance payors and suppliers."

According to Hauser, Sight360's criteria for bringing in practices to the group has gone unchanged over the last 12 to 18 months. "We are interested in practices that fit our strategic and geographic criteria and which share similar philosophies regarding the delivery of high-quality integrated vision care with a superior patient experience."

As for current investment opportunities for the optical industry and vision care professionals and now and over the next two to three years, Hauser remains optimistic that Sight360 has the right demographic and is on the right path for continued growth.

"Florida had more population growth than any other state in 2022, with a large percentage being older in age. So, the demographic continues to be the right one for patients needing comprehensive vision care, from routine exams and eyewear to medical eyecare and surgical procedures," he said.

And despite an uncertain economy, Hauser stated, "The market appetite for vision care investment remains strong, though recent increases in debt costs have slightly softened it from last year."

"Sight360 has a robust pipeline of opportunities for 2023 in both the ophthalmology and optometric spaces. We continue to engage these target locations with a supportive partnership, reducing the ever-growing administrative burden placed on them, particularly regarding third-party payers and dynamic staffing demands," he said. "We also bring subject matter expertise with resources that they may not have currently, such as finance, referrals, marketing, capital support, new technology, and revenue cycle management.

"Our message continues to be one of support, resources, and collaboration. We are quick to connect interested physicians with our current physicians so they can discuss the entire path from interest, purchase, integration and how this has benefitted them and their staff. Plus, we feel that the smaller geographic concentration of our organization provides a better model to facilitate integration, efficient communication and accessibility to the centralized support and leadership teams."

Spectrum Vision Partners, Through OCLI Brand, To Expand Ophthalmology Reach

Spectrum Vision Partners (SVP) https://www.spectrumvisionpartners.com/ is a leading management services organization (MSO) serving the ophthalmology sector. With more than 1,400 employees providing practice management and administrative solutions to a network of multi-specialty ophthalmologists in New York, New Jersey, Connecticut, Pennsylvania and West Virginia, SVP supports more than 50 clinic locations, five state-licensed ambulatory surgery centers (ASCs), and over 130 surgeons, doctors and other medical professionals. Practices are co-branded under Ophthalmic Consultants of Long Island (OCLI) the patient-facing brand name of Spectrum with 19 locations.

Behind the leadership of Tom Burke, CEO, Amyn Andharia, COO, and Greg Wappett, chief development officer, SVP provides a comprehensive set of business support functions, including billing and collections, credential services, marketing, physician recruitment, ASC development, financial and accounting services, benefits and payroll management and information technology.

In 2022, SVP added eight office locations, a slower trend than in 2021, when the MSO added 19 office locations and two new ASCs. This was due to a number of factors, according to SVP's Wappett, who is also optimistic that things will pick up for the remainder of 2023.

"2022 was certainly a slower year than 2021, and this is likely due to a few factors," said Wappett. "The first being that 2021 saw a strong surge of M&A as perceived tax treatment on long-term capital gains were a motivator for sellers who were

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OCLI VISION

SPECTRUM VISION PARTNERS

Tom Burke

Amyn Andharia

Greg Wappett

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Investors Seek Balance Between Consolidation and Organic Growth

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"Many sellers have not adjusted their expectations yet, but volume of deals are down this year. Over time, with more expensive debt, multiples will come down a bit. I'd advise sellers to focus on running a good operation, make sure you have good people, invest in your practice, This creates value."

Hunter Puckett, managing director, HPC Puckett & Co., added, "2022 PE-backed activity was slower overall than 2021. A few of the platforms were more focused on organic growth. We have been fortunate to see valuations remain high in 2022. In 2021, PE buyers were much less afraid to miss and with fewer transactions in the pipeline now, they have become more selective. Factors such as geography and EBITDA margin have become more scrutinized."

Antoine Amiel

Antoine Amiel, CEO, New Look Vision Group https://www.newlookvision.ca/en/, which has augmented its presence in the U.S. and is now continuing to selectively acquire luxury optical retailers and practices, with the backing of FFL and others, commented. "While external growth has played a big role at New Look Vision Group, it's organic growth that is really our philosophy. Back in the days when we were public, we had a clear sense that fast expanding companies in the public markets are very much judged on the quality of their organic growth. and by extension on the quality of the integration of acquisitions. Today, we're in a similar dimension. Even when we multiply the number of doors, our comp store sales growth is always a consistent kpi (key performance indicator) for us."

At the end of 2022, New Look Vision Group's overall store/office count stood at 490, with 422 locations in Canada under a number of different banners and 68 in the U.S, since that initiative began a few years ago with the acquisition of Edward Beiner group in Miami and subsequent deals after that.

This year, the group in the U.S. has closed a few deals with independents. "The approach is unchanged. We look for an exceptional team. And we're not specific to a geography, but where we can find the best assets and exceptional businesses in the luxury segment. We remain very choosy."

Another group which has been involved in acquiring practices, although not backed by private equity, is EssilorLuxottica. Its TeamVision is a management services organization within EssilorLuxottica that supports practice owners in the next phase of their career, the company told VM, with priority given to supporting the practice in staying health-based and patient-centric with a consistent legacy in the community.

"TeamVision exists to provide an alternative choice when practice owners are considering a practice transition," said Luca Tait, senior vice president of TeamVision. "We are here to continue to meet an untapped need in the market by providing an option for practice owners who reach out with aligned practice transition goals. In 2023, we will continue to invest in medical services, brands and lens innovation for the practices we support." *Vision Monday* reported in September 2022 that there were approximately 100 TeamVision locations at that time.

Overall, the new economic business climate is having an impact, but not one that will stop the progress of acquisitions and transition, observers say.

With a perspective from the ophthalmology sector, Rex Adams, CEO, EyeSouth Partners, shared, "I think the primary challenge we'll face in the next six to 12 months will be the gap in valuation expectations between buyers and sellers. The reality of today's market is that valuations are not the same as they were 12 months ago at the peak prior to interest rate and inflation increases. While valuations remain very attractive, we expect seller expectations may still be rooted in what some of the rumored valuations were a year ago that may result in more challenges in forming partnerships. Our best partnerships are with those practices that recognize the longer-term value that can be created by partnering with an organization like EyeSouth that can help truly drive the benefits that come with scale, while also preserving local practice-level and market-specific culture."

MyEyeDr.'s CEO Sue Downes remarked, "The optical industry sits in a very unique space in comparison to other investment opportunities given it has the strength of healthcare—consistently performing well under a variety of economic pressures—and the very familiar retail component that attracts both consumers and patients into the space. As the population ages and visual challenges increase, the industry continues to grow to keep pace with eyewear and eyecare needs, but is also positioned to leverage technology to treat eye disease, improve and restore vision, and become more deeply embedded in the healthcare space as eyecare professionals become recognized as even stronger primary and secondary healthcare providers. Investors are looking for opportunities to partner in industries with high growth potential, with historically stable performance, and that have multiple ways to interact with consumers and/or patients over the short and long-terms. When you consider the space remains somewhat segmented, bringing the appropriate investment and the needed operational infrastructure to address the potential patient base creates a very attractive investment opportunity." ■

READER's NOTE: *Richard Edlow, OD of the Eyeconomist estimates that overall there are approximately 50 private-equity backed eyecare platforms in the U.S. optometric and MD arena. On the next several pages, VM provides a closer look at a select group of some of these, who shared their view of the current market, the pace of acquisitions, the role of PE-backed groups and other practice transition options.*

Navigating Complex Practice Transition Decisions

Innumerable objective and subjective factors can influence a practitioner or an independent optical owner's decision to pursue acquisition possibilities, or determine if other types of practice transition and practice exits are better for themselves, their associates, staff and practice. These are two groups which offer advice and options.

Acquios Advisors: Helping ODs Meet Their Transition Goals

Acquios Advisors https://acquios.com/ offers services for every stage of a practice's growth, including the opening of a new practice, growing a current practice, or securing the future through partnership development, exit and entry strategies, and valuation of a current practice.

The company is not a broker and does not give legal advice, explained Rick Guinotte, founder and advisor, Acquios Advisors.

In 2022, Acquios Advisors worked with 31 optometrists who were selling their locations and assisted another optometrist as they acquired a private practice. "It was a solid year for successful beginnings for the acquiring ODs and a great beginning of a new chapter for those that sold their practices," said Guinotte. "We're lucky to be able to help doctors during this exciting time in their lives. We had a 29 percent increase in acquisition transactions in 2022 which is amazing to see. There was not a decline in acquisitions in the fourth quarter, in fact the fourth quarter was actually more productive for us compared to the previous three quarters of 2022."

He continued, "With rising interest rates, lenders we work closely with kept their interest rates competitive for the borrowers. They have been there to support the independent private practices and make sure the seller's legacy will carry on for years to come. We only partner with groups who share these same values. We are excited for the future and are confident we will continue to assist more optometrists with their transactions in the coming months and years and see even more growth among both our organization and those we help to accomplish their goals."

Rick Guinotte

Acquios' criteria in practice transactions and acquisitions hasn't changed over the past year, according to Guinotte, instead focusing on the goals of the parties involved.

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Vision Source Next Helps Practices Find Transition Options with Other Doctors

Vision Source https://visionsource.com/ is a network of more than 3,000 locally owned U.S. optometric practices. Vision Source Next is designed "to help private practice optometrists plan their next move by providing resources and assistance at every stage of their private practice career or practice ownership journey," the organization said.

Vision Source NEXT helps practice owners avoid costly mistakes by providing support and insights into the practice acquisition process. NEXT works with members who are looking to transition to other private OD owners by helping them create ownership structures and plans for full ownership transition and exit.

Vision Source is a part of Essilor of America, which is a division of EssilorLuxottica.

"When we launched Vision Source NEXT at The Exchange in 2018, we shared that a key component was a commitment to planting new private practice optometry 'trees' in the face of accelerating industry consolidation. We are extremely proud to share that Vision Source members have added over 200 new private practice OD locations since the launch of NEXT. Most of those are next generation private practice OD owners realizing the dream of opening their first practice, said Amir Khoshnevis, OD, chief medical officer, Vision Source.

John Manard, OD and Whitney Territo, OD, Eyes on the Diamond in Boalsburg, Pa.

John Manard, OD and Whitney Territo, OD successfully leveraged the Vision Source Next program in 2021, purchasing an established practice from Dr. Harvey Hanlen. "We wanted to purchase a practice with ties to Vision Source because we knew the business model just made sense," said Dr. Territo, of Eyes on the Diamond in Boalsburg, Pa.

"With the benefits Vision Source provides and the programs available we are pleased to share that since purchasing the practice on June 30, 2021, we've seen the business grow by 14 percent. We are already looking forward

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Private Equity and Practice Transitions in 2023

Freeing Doctors to Focus on Eyecare, Not Business

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on the fence. This likely slowed things down in Q1 and Q2 of 2022.

"Also, in Q3 and Q4 of 2022 was when the general economy started to show cracks. Interest rates were rising, geopolitical forces were turbulent, and as people settled into a bit of a 'new normal' age of post-COVID life, the motivation of sellers seemed to decline. We did, however, start to see a loosening of these trends toward the end of the year and expect to see 2023 be a much more productive year, especially in the second half."

Over the past 12 to 18 months, SVP's criteria for bringing practices into the group have changed somewhat, with a renewed focus on the success and stability of the practice.

"We have become more and more focused on the success and stability of a practice, especially when determining valuation. Valuations are still strong, and top-notch practices will continue to demand strong premiums (albeit likely not to the extent that was seen in 2021), however, buyers are becoming much more sensitive to simply just being a succession plan/retirement strategy for physicians and inheriting those transition risks," said Wappett.

"With a large number of private-equity companies being closer to the tail-end of their initial investment cycle with their PE partners, the risk tolerance for groups to acquire aging provider bases or slightly-troubled assets that will take time to show performance has diminished."

For 2023, SVP is preparing an aggressive pursuit of new partnerships, always looking to add "top-quality" providers to its network of ophthalmology practices.

"We plan to be incredibly aggressive in pursuing new partnerships, however our approach is to view all opportunities on their own merits," said Wappett. "It should check the boxes of a top quality provider; reputation of the provider and practice as a leader in their market; a stable set of providers and supporting team at the practice location; and a true openness to partnership as opposed to looking for someone to see nothing change with their practice and maintain full control."

The ophthalmology space continues to be fragmented, according to Wappett, and is also much smaller in market size than other medical professions. "As regulatory changes continue to raise the bar on compliance and requirements, as financial concerns that come with inflation in things such as staffing costs and benefits, and the inability for independent practices to negotiate with much leverage for either better reimbursement rates or cheaper expenses, we feel the space is well primed for a continued growth both in terms of consolidation but also in groups such as ours growing organically," said Wappett.

Total Vision Continues to Invest in Team Members and Partnerships

Total Vision https://yourtotalvision.com/, a leading and expanding California-based network of vision care providers, employs more than 600 team members, including over 130 doctors. According to CEO Neil Collier, the group finished 2022 with 59 practices as it continues to pursue new partnerships in Southern California. Total Vision is backed by New York City-based private-equity group Bregal Partners https://bregalpartners.com/.

Total Vision provides support eyecare professionals need to establish and grow a successful optometry practice. Its in-house team works closely with optometrists and their teams to help facilitate a seamless transition into its family of vision care providers. Total Vision offers services and benefits that allows optometrists to be free to practice their profession without spending unnecessary time on paperwork, legal matters, collections, and other common business hassles. Benefits and services of joining Total Vision include:

- Human resources
- Financial benefits
- Recruitment
- Accounting
- Inventory
- Marketing
- IT support
- System updates
- HIPAA compliance
- Reduction of the stress that comes with managing a practice

TOTAL VISION™

Neil Collier

Total Vision's vendor relationships also help ECPs get the best prices on eyewear, contact lenses, and other products, according to the company. This access allows them to improve profit margins and pass savings down to customers.

"Our criteria for bringing practices onboard hasn't changed over the last year, we are still looking for healthy practices with great team members that would be outstanding partners for Total Vision," said Collier.

The four steps to becoming a Total Vision partner include practice valuation, where Total Vision undertakes a comprehensive review of the practice's financial information in order to understand exactly what kind of support is needed; and due diligence, where once the process is complete, employees and doctors become Total Vision employees.

Total Vision also takes on all administrative tasks. Then a transition plan is put into place, where a

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Private Equity and Practice Transitions in 2023

An Aging Population Fuels Continued Industry Growth

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support structure to streamline the practice's business model is introduced. And finally, a welcome meeting is undertaken in three months.

Another way Total Vision builds on its valued offerings while pursuing new partnerships is through continued employee training programs. "We will continue pursuing new partnerships this year and stay with our current approach which has proven successful for us," said Collier. "We will also continue investing in our team members through training programs."

A growing optical industry coupled with an aging population makes investment now and in the next few years an attractive one for the group, according to Collier.

"Even though our industry is highly competitive, we all know it has been growing due to various factors such as an aging population, increased awareness of eye health, and advancements in eyewear," said Collier. "Additionally, the global eyewear market is expected to continue growing in the coming years due to factors such as rising disposable incomes and changing lifestyles."

VSP Ventures Focuses on Long-Term Health of Practices

VSP Ventures https://www.vspventures.com/, a business unit of VSP Vision https://www.vspvision.com/ that provides care-focused choices for ODs looking for practice transitions options, added nine locations in 2022 and according to new president Kathleen Steele, continues to seek out practices with the primary goal of providing support for long-term success.

"We have grown to 84 locations and our growth continues to be very intentional, with nine locations added in 2022. We seek partnerships with practices that align to our footprint needs and post-acquisition operating approach, said Steele, who took over as president of VSP Ventures in late January 2023. "In 2022 and in the future, our growth is balanced to allow for a focus on existing practice health coming out of the pandemic and overall support and management of practices to ensure their long-term success."

She said, "Our goal is to build a care-focused, sustainable alternative to private equity and that means identifying partners that are willing to be part of the shift to network ownership and have a shared interest in business health. Our ideal partner prioritizes an exceptional patient experience and also has a desire to transition out of the day-to-day responsibilities of the practice."

The VSP partnership aims to protect practices by preserving the legacy of patient care ODs have built over the years. VSP's goal is to ensure ODs and their staff have a safe, secure work environment that allows them the opportunity to focus on patient care. Its team of experts partner with ODs and their staff to help with medical collaboration, training and education, as well as business performance. Areas of expertise include technology management, supply chain, and the patient experience.

"We are a purpose-driven, care-focused organization, and joining VSP Ventures means becoming a member of a network of centrally-managed practices that benefit from robust support and the ability to concentrate on patient care," said Steele. "That's where our focus remains through VSP's acquisition of these practices. We are building a successful business that can continue to scale and provide an exit option for doctors seeking a patient-centric alternative to private equity."

Steele noted that the organization will remain active in the acquisition space in 2023, identifying unique opportunities that best fit their goals for growth while continuing to focus on the long-term health of practices.

"We remain active in the acquisition space, and through partnership with our internal teams and long-term relationships VSP has in private practice, we have a unique ability to identify opportunities to grow our footprint," she said. "Our deal structure and acquisition process are the simplest in the industry. Doctors have a clear understanding of their practice valuation and can be certain they'll receive the full value of the transaction without the risk that comes with a rollover equity structure.

"Our focus on the long-term health of practices starts during the acquisition process. We set clear expectations for how we operate after acquisition so doctors and their staff know what is required for a successful future as a VSP Ventures practice."

And how has the uncertainty of the economy factored into opportunities for investment?

"We are seeing less competitive activity than in previous years, but we will continue to invest and provide transition options," Steele said. "We will continue to offer competitive terms to doctors seeking a shift away from private practice ownership and interested in the long-term value of a partnership with an organization whose purpose is rooted in access to quality care.

"Consolidation is not part of the VSP Ventures vocabulary. Our interest in these practices is because of the legacy of care built by private practice doctors and the commercial success they have achieved," Steele concluded. ■

Kathleen Steele

Acquios Advisors: Helping ODs Meet Their Transitions Goals

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"We are here to make certain all acquisitions are fair and balanced for the practice, the seller, and the buyer. In doing this, we don't look at certain criteria an office must meet but rather, what their goals and hopes are," he said. "We will continue to be here to help the prospective sellers plan well and guide them to make the best decision for themselves and their future. We have thorough conversations and listen to the optometrists' goals for themselves as they look forward to anywhere from three to five years out. We will discuss a plan of action to grow their current practice to increase the efficiency and profitability to make certain when the time is right, the owner is able to maximize the sale of their practice while ensuring it is a success for the new owner as well."

In 2023, Acquios is planning offerings that will assist practice owners' plans for the future with the goal of keeping the current practice thriving.

"In 2023, we will be offering more education to help jump start owner's planning for the future. More optometrists are graduating from the various optometric schools just as many are looking to sell and retire. Not only will we be working on the education and planning for exit strategies, but also entry strategies to help bring associates in to sustain growth and profitability for a successful acquisition," Guinotte said. "This will range from improved staff management, frame inventory management, appointment book productivity, to marketing to the community the practice is located in to enhance new patient growth."

He continued, "As we work with each one of our clients, we take time to listen to what they are looking for when they sell their business. We have seen many different goals each person is seeking. For some it is about money, others legacy, and still others a place to work for a time with reduced responsibility. Listening to and understanding each of their needs and being adaptable to each situation is key. There is no one size fits all method."

While Guinotte believes the current uncertain economy will fail to impact opportunities for investment, he offered another key potential factor that may impact a potential seller of a practice in today's environment.

"One factor that may impact a potential seller is concern with their planning for their retirement in advance of their plan to sell the practice. They need to look about three years in advance," Guinotte advised. "Question how their office has done in the past few years and what trajectory it is on. How is their investment portfolio performing? Don't be afraid to ask the tough questions, have conversations with financial advisors. Knowing where you are and where you need to be in three years will only make the plan better for you and your next chapter." ■

Vision Source Next Helps Practices Find Transition Options with Other Doctors

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to our next steps for building toward the future which includes hiring a new doctor and purchasing new equipment and potentially even the building the practice currently operates out of."

"Owners can choose to sell a majority to other private doctors while remaining in the practice as a non-majority owner or employee. Or they can implement a CEO model as full or majority owner and delegate some or all of the owner and patient care responsibilities as desired," said Dr. Khoshnevis.

Practices that are examining transition or sale options should be aware of the shift in the market in the past year, he noted. "Buy and sell activity has definitely slowed but things to know about preparing for a transition remain the same," said Dr. Khoshnevis.

"Owners must know their priorities and goals for their practice sale or transition specific to timing, their future role in the practice, decision-making governance for the practice, and financial considerations. Vision Source NEXT is our playbook to support private practice OD owners at every phase of their practice life cycle whether opening, expanding, or transitioning regardless of the current economic climate," he added.

Since its inception, NEXT has developed tools to help members save time on the research involved in the practice acquisition process. "Vision Source NEXT recently launched the new visionsourcenext.com website which allows our members the opportunity to review practice listings for sale, list a practice for sale and post an associate position, among other things," said Dr. Mick Kling.

The criteria for practices to join Vision Source remains the same. To be invited into Vision Source you must be a private OD who is the majority owner of the practice(s) and own a practice in an available Vision Source territory. "We find that OD owners who are motivated to collaborate with colleagues in the spirit of moving private practice optometry forward really thrive in Vision Source," said Dr. Khoshnevis.

Amir Khoshnevis, OD

Mick Kling, OD

"In 2023 we remain unwavering in the commitment to our mission of ensuring private practice optometry wins by helping each of our members reach their full potential. As we have for the past 30-plus years, we welcome all current and future private practice OD owners to consider joining Vision Source in our mission." ■