PERSPECTIVE

Perspective on health

Building a pathway to prosperity

Effective business models for sustainable growth and scale

MACQUARIE BANK

Contents

Foreword

Economic transition, advances in technology, and impacts of the pandemic have altered the trajectory of healthcare transformation. In parallel, structural changes have raised the expectations of patients, broadening the parameters of healthcare service delivery.

Within this environment, costs associated with operating or building a business are significant, and it's challenging to work alone. One way to solve for this is to rationalise the cost of wages, equipment and technology, by collaborating with peers to form a business. However, this requires skills that aren't part of a traditional medical education.

It is possible to build a medical business that delivers owners commercial success and personal prosperity, their staff with opportunities to participate in ways that they feel motivated by (and proud of), while providing patients and their caregivers exceptional experiences.

We believe that bringing specialists together with a trusted network, and providing them with the capital they need to accelerate scale or growth, is key.

It's imperative to plan your trajectory early, and select a business model that aligns with your aspirations. You will need to understand the fundamental drivers of business value, and how to optimise these at different times. And you'll need to be ready to recognise and harness the potential catalysts of growth – from patients, people, structure and operations, to funding.

In this report, we focus on the business models and strategies that you can consider, to build a patient-centred business and realise value in a shifting environment. Being clear on goals and strategy – how patients' needs will be met, caregiver expectations supported, the role of people, and accessing capital – is part of delivering successful outcomes.

We will also address challenges that business owners face in building, growing, or scaling a business. These include:

1. **Aligning personal and professional aspirations with effective business models**
2. **Finding and retaining talented people**
3. **Attaining the appropriate funding mix to support growth, and**
4. **Realising value at different stages.**

If you have any questions, we're here to help; ready to assist, putting the insights you'll gather in this report into action with you.

Adele Creighton
Head of Healthcare
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What kind of specialist are you? And who do you want to be in the future? Who do you want to work with to help you get there? When do you want to retire? Have you considered where your personal goals fit with your career?

Medical businesses are diverse, their variations reflecting the needs of specialisation, patients, the populations serviced, and the goals of their owners.

Building a scalable business

An exploration of business models

A considered choice of business model plays a critical role in providing a foundation for growth opportunities, value creation, investment, and enhanced patient care. For some there is creation of goodwill value; in finance terms, ***goodwill*** relates to a business' profitability, which may be leveraged when owners are looking to borrow against or sell their business asset.

Within Macquarie, we have seen some medical businesses transition from consulting (practicing on your own, in your own or other premises) to larger businesses, where economies of scale can lead to more profitable business outcomes, and enhanced patient experiences. This has a broader benefit to the patient in health and wellbeing and in turn leads to more business via word of mouth from that patient, or the referring doctor and the networks they are part of.

A desire for scale and innovation has steered some medical business owners to generate value when one or all decide to sell. The way that value, and borrowing capacity, is assessed by a bank is based on a multiple of the adjusted profit of a business, discussed in greater detail in the *How is your business valued?* section of this paper.

If this is of interest, it's important to align your goals and strategy to an appropriate business model. Being clear on this will help to deliver great outcomes, both in patient and business terms.

Choosing your business model

It's important to evaluate several factors when considering an appropriate business model, including skill base, confidence level, career and life stage, personal and professional goals, competition, current economic environment, appetite for risk, and network.

Here are four common business models we see in healthcare, increasing in complexity and there is no "better" business model; all can deliver successful outcomes.

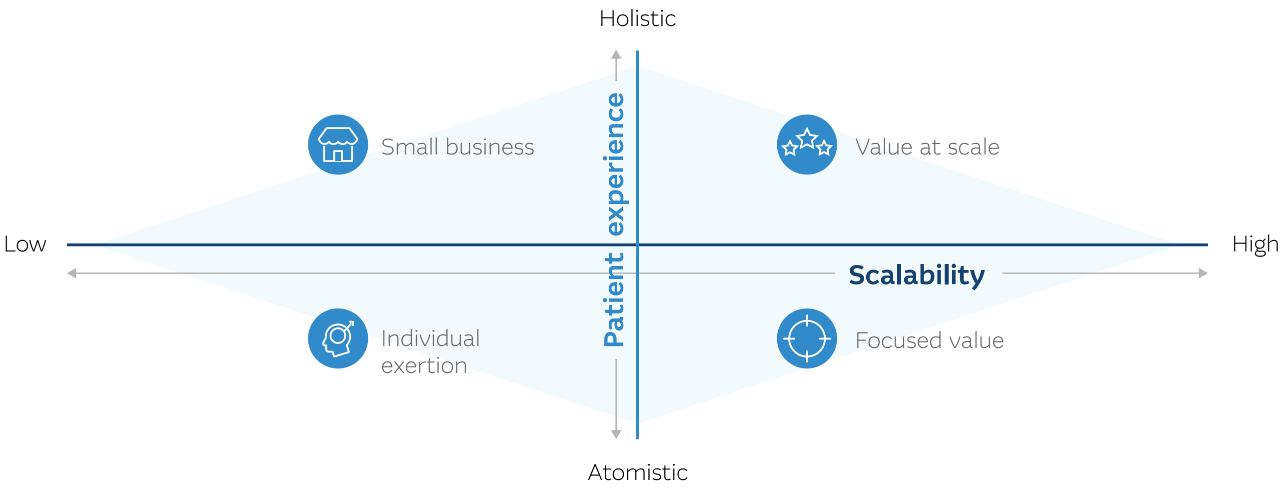


Figure 1: Pathways to prosperity: a choice of business models

Individual exertion

Medical professionals tend to embark on their careers as individual, consulting practitioners, in either a business or hospital. What they earn is both determined and constrained by how many hours they work, how many, and what type of patients they see. Because the asset of the business is the individual's skills, there is no asset of value for sale beyond individual effort. However, autonomy is high, and leverage or progression into other pursuits is relatively simple.

Example: Public or private consulting specialist or practitioner

Considerations:

- Advantages
  - Autonomy is high
  - Leverage into other pathways is dynamic and flexible
- Limitations
  - No asset to sell
  - Income is capped by individual effort

Funding options:

Property-backed lending, individual income via exertion loans, personal lending

Small business

A practitioner builds or buys a practice, often partnering with one or more specialists to increase revenues and spread risk. As the business develops, they may introduce more services to enhance the patient experience, while seeking referrals to grow their network of influence, and create sustainable and predictable revenue streams. As with individual exertion, income is constrained by patient billing, with limited opportunities to scale and grow.

Example: Single site practitioner group

Considerations:

- Advantages
  - Shares and spreads risk across a small cohort of specialists
  - Higher number of specialists broadens referral and patient pool
  - Streamlined decision-making, with limited number of stakeholders to consult with
- Limitations
  - Growth constrained by the capacity of individual specialists within practice

Funding options:

Individual income via exertion loans, property-backed lending, equipment finance, personal property lending, cashflow lending

Focused value

Common among practices focused on a single specialisation, this model accelerates scale through shared investment in physical space, technology, equipment, people, assets, and other aspects such as marketing, to build a business that extends beyond individual exertion. Founders can focus on their specialisation, and collaborate with peers on patients, or expertise.

This model also enables the business to establish a reputation and brand that is less reliant on the founder and any goodwill they have personally created. It also provides the potential to expand across multiple sites, which increases patient and demographic scope.

In some instances, founders may choose to partner with a non-medical investor with business and managerial experience. This can add valuable expertise, particularly in non-clinical areas such as finance, human resources, and other aspects of business operations.

This type of business may scale, or be sold, and founders' roles may change over time.

Example: Radiology diagnostic group

Considerations:

- Advantages
  - Ability to expand and serve more patients
  - Shared facilities, equipment and scaled supplier contracts reduce unit costs
  - Shared workload and collaboration with colleagues
  - Community and professional network benefits
  - Business may be scaled beyond single site with branding, people, processes, and systems
- Limitations
  - Focus within specialty limits holistic patient experience

Funding options:

Individual income via exertion loans, property-backed lending, equipment finance, cashflow lending

Value at scale

At the upper limits of scale and holistic patient experience, medical businesses create revenue streams from multiple activities and modalities, potentially including partner businesses.

These medical hubs are often centred on an anchor tenant, such as a large general practice within a medical centre, employing or sub-leasing to related businesses such as allied health, pathologists, radiologists and other specialists. This creates a more streamlined patient experience and enables diverse specialties to provide multiple services to the same cohort of patients. This in turn can create a data pool better able to identify emergent needs than standalone practices, which silo patient data.

As the business grows, patients are increasingly likely to attach value to the experience offered, not just to individual practitioners. As a result, owners of this type of business can see their earning potential scaled above their capacity to see patients, which creates passive income, and an asset of value.

Example: Day hospital group or multi-site, multi-clinic network or hub

Considerations:

- Advantages
  - More holistic patient experience
  - Access to a network of specialists and allied health services
  - Value beyond individual exertion (passive income potential)
  - Business asset value may be sold or leveraged
  - Economies of scale in training and education and buying power (consumables, software etc)
- Limitations
  - Autonomy and independence limited
  - Individual equity may be diluted

Funding options:

Individual income via exertion loans for buy-in by an individual specialist, property-backed lending, business equipment finance, cashflow lending.

No matter the business model you choose, you'll need a network of advisers and support structures (such as solicitors and accountants) to plan and manage it, as well as mitigate risk.

Business models and valuation

The business model you implement may influence your business' valuation - increasing both your earnings and the multiple of profitability that a potential investor will apply to calculate business value in a sale or merge scenario. While every business valuation is different, our experience suggests that more scalable models typically realise greater value when borrowing or selling, particularly in specialties with predictable and sustainable revenues.

Creating a path for growth

Moving between business models is a step change. While it's possible to achieve change through gradual evolution and organic growth, that process can be time and energy consuming, and is less certain than a planned strategy which harnesses growth catalysts to business transformation.

What are those growth catalysts?

Growth capital

Finance can help you acquire sites or related businesses, open new clinics or expand into supplementary fields, as well as keep your business running while investments generate revenue. The funding source you choose will determine the shape of your business and the speed at which you grow, particularly if organised in alignment with strategy.

People

Recruiting talented and capable people can be transformative, but success will depend on a clear business plan that enables you to attract and retain talented individuals and establish a safe and supportive workplace culture.

Equity owners

Sharing equity with partners may enable you to build a larger business more rapidly, while also creating a robust succession plan. It can also help you spread risk across owners, build greater business value by enlisting a wider pool of revenue earners, and introduce a diverse range of thinking.

Robust systems and processes

Scalable systems are a prerequisite for growth. As we discuss in our Perspective on Health report, increasingly accessible and affordable technology solutions have made it simpler to build a robust platform for growth at relatively little cost.

Figure 2: Business growth catalysts

Creating enduring value

Your first venture into medical business ownership may be as a sole practitioner and individual specialist consulting at an agreed rate. Over time, this can grow into running a larger, more complex organisation.

As your business grows, it becomes core to the prosperity of numerous stakeholders, including specialists, staff and patients. Your business can also provide a path to personal enrichment, professional fulfilment, financial wealth, an asset of value at sale or exit, and a professional legacy.

If it's your ambition to build a business of value that extends beyond you, your skills and your time, there's a choice of paths to take.

It's important to define and align your personal and professional goals when considering how to move forward with your business.

Some questions to ask yourself when considering business ownership include:

- What are your personal goals and aspirations for personal finances and lifestyle? What are your professional and business goals? How do they align with your personal goals?
- Have you considered the time required to develop networks: professional, community, referral, and allied health? Are you motivated by this, and willing to invest time and effort?
- Does your business currently have value beyond your personal earning capacity? Would others see value in it and be willing to invest in it, or lend you money to help it grow?
- How important is independence? Have you considered options that provide a favourable balance between autonomy, community, collaboration, and scale? When the time comes for you to move on to the next stage of your life, will you have built an asset with a saleable value? How will you realise that value? Have you built this into your goals and plan?

Planning your business evolution

By planning and putting a business model and the appropriate structures in place early, you can accelerate growth, and achieve goals sooner. The choices you make will determine how you can:

- Grow or scale your business
- Find more space, considering larger premises or additional sites
- Borrow money from lenders, and borrow on more advantageous terms
- Share equity, or create profit share models, attracting investors or practitioners
- Attract and retain talented staff
- Deliver quality of care
- Cope with changes in healthcare, and the wider business and economic landscape
- Reduce your time in your business without having to dismantle the business structure, or effect some other radical change
- Leave a legacy for the profession and broader community.

We find that medical professionals have no shortage of opportunities. The question is, ***how do you prioritise them?***

How is your business valued?

At Macquarie, we are not valuers, but we have significant experience in evaluating businesses and their value as it pertains to the lending process. Our starting point is to assess a business in the same way you would as a buyer; as an asset.

From a banking and lending perspective, the most common approach used to assess business valuation and borrowing capacity, if not using physical assets as security, is to take an adjusted profit measure of the business, typically EBITDA (earnings before interest, taxes, depreciation and amortisation).

Once calculated, a multiple of this adjusted profit measure (determined by various factors) is then applied to assess how lenders can provide funding to support aspirations.

The assessment of value and borrowing capacity combines two factors:

- **EBITDA:** derived from your business' profit and loss statement. Importantly, EBITDA is a measure of profit, not revenue. Maintaining a balance between investment in the business' ongoing sustainability and competitiveness, and controlling costs, is important for buyers, lenders, or equity investors.
- **Price/earnings multiple:** this involves assessment of how sustainable the business' earnings are, and how much they are likely to maintain or grow. Multiples vary by speciality, and can change depending on a range of factors.

The actions you take, and choices you make, influence both EBITDA and price/earnings multiple.

Potential enterprise value =

adjusted EBITDA
X
agreed multiple

e.g. a business has annual profits (EBITDA) of

$800,000 and is valued using a multiple of 5

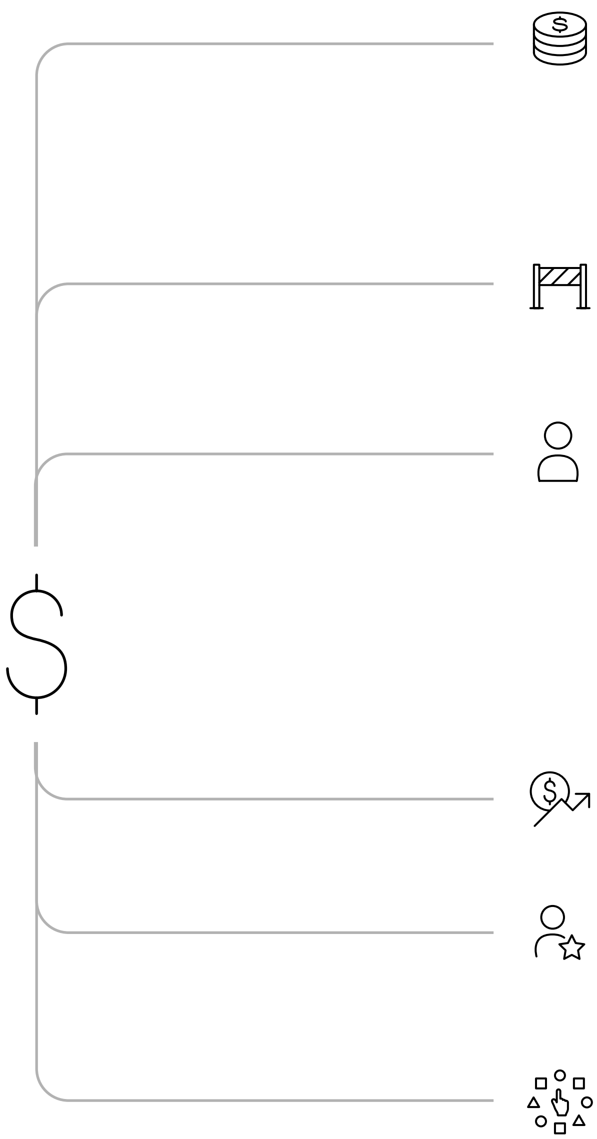
Its "potential value" would be

$800,000 x 5 = $4,000,000

Figure 3: Assessing a business' potential enterprise value

What drives business value?

Understanding what drives business value can help you attract a higher valuation when you borrow money to grow, or choose to sell all or part of the equity in your business. It can also enable you to borrow on more advantageous terms.



Diversity of earnings: How many clinicians are involved in your business? How varied are the services your deliver? Do you earn additional income from adjacent or ancillary businesses – for example, a general practice that sublets space to a pathology business?

Barriers to entry: How difficult would it be for a competitor to open a new practice nearby?

Patient profile: Who are your patients and how strong is your relationship with them? How are they referred to you? What is the strength of these referral relationships?

Quality of earnings: Are your earnings reliable and consistent?

Quality of staff: How many have been with you for multiple years? Are you nurturing a new generation of practice owners or leaders?

Macro factors: What is the business outlook? Are there factors driving activity in your specialisation or geographical area? For example, are you benefitting from population growth, demographic factors that influence chronic illness, or an ageing population?

Figure 4: Core business value drivers

People: the link between patient experience and business value

The expertise and service your people offer to patients, caregivers, referral partners, suppliers and colleagues is fundamental to the value of your business. In an extremely competitive and historically tight labour market, with a shortage of skilled specialists and support staff, your recruitment and retention strategies are critical to immediate and enduring success.

Recent Macquarie research found that 60% of healthcare business owners see attracting and retaining people as a significant challenge[1]. 24% of respondents reported that staff were exiting the healthcare industry entirely. In response:

66%
had provided more flexible working arrangements

46%
offered wellbeing support

37%
created feedback mechanisms

30%
increased development opportunities

But **83%** recognised that workplace culture is as important as salary when attracting staff.

1 Macquarie Bank Business Barometer, 2022

The link between employee and patient experience, and business value

In a people-focused sector like healthcare, positive patient experience plays a key role in success. However, employee engagement is equally important. Better employee experiences lead to higher employee engagement, which can bring multiple benefits for medical businesses, including:

Higher work performance and productivity	Greater discretionary (voluntary) effort	Higher employee retention (lower turnover)	Improved patient experience, loyalty, and likelihood of advocacy and referral

Figure 5: The benefits of highly engaged staff

Strategies for higher employee engagement

Remuneration is not the sole, or even the most important, reason that employees join and remain with an employer. People want to be proud of the organisation they work for, and they want to know that their leaders have a clear strategy and genuinely care for their staff.

Research suggests that there are five core drivers of employee engagement that are consistently more important to employees than remuneration, including

Belief in leadership, with behaviour aligned to organisational values, trust and confidence in leaders' judgment, and leaders who exhibit genuine interest in employee wellbeing

Alignment with strategy, with clearly understood objectives, and clarity around how individual performance contributes to these

Balance between professional and personal objectives, including flexible working arrangements, and sufficient resources, including people, systems, and tools

Image, where employees have pride in the organisation, and believe that it is highly regarded in the community

Empowerment, with management involving employees in decisions that affect them, seeking input and feedback, and acting upon that.

Figure 6: Factors that determine employee engagement

7 ways to drive higher engagement among employees

1. Leadership

Leaders have an outsized impact on the engagement of the people who work for them because employees observe and echo their sentiments and behaviours. What leaders say, how they act and what they prioritise must indicate a supportive, safe business

2. Alignment

Make sure people know how their own performance contributes to the organisation's goals and business strategy

3. Flexibility

Consider what flexibility and autonomy your business can offer staff, as this is an increasingly competitive advantage for attracting and keeping talent.

4. Employment value proposition

Understand what makes your business a great place to work and use that to engage and retain talented people

5. Deliberate and genuine interactions

Empower staff to speak up, and seriously consider the issues they raise. Being heard and responded to makes people feel valued

6. Support health and wellbeing

Offer resources to support the physical and mental wellbeing of your staff; healthcare workers can be intensely empathetic, sometimes to the detriment of their own wellbeing

7. Create development pathways

Nurture the talent you have – systematically assess skills, identify gaps, and invest in professional development.

Figure 7: Driving employee engagement

Financing growth

Access to finance at key moments can help you achieve your business and personal aspirations sooner. As your business grows in scale and sophistication, your finance options also grow, enabling you to access more capital, more flexibly, and on more favourable terms.

The mix of finance you select will affect not only your cost of capital, but also the degree of risk you accept, the amount of control you surrender, and the overall future value of the business.

Financing models

Type	Debt	
Sources	**Bank lender**	**Non-bank lender**
Advantages	• Potentially less expensive than non-bank lenders • Broad suite of financial products to choose from • You retain ownership and decision-making control of your business • A broader relationship, across personal banking, wealth management, business banking, investments, and perspectives from experts beyond banking	• Lender adopts higher risk tolerance • May be faster loan application turnarounds
Limitations	• Adds debt to the balance sheet of your business. Implications will be a mortgage or personal property security register over company asset, director guarantees, and interest costs, which may place stress on cashflow	• May be more expensive • Adds debt to the balance sheet • Risk threshold may put business owners under increased pressure

Type	Equity	
Sources	**Internal**	**External**
Advantages	• Retention of key staff may be built into model • Alignment of incentives	• No debt on the balance sheet • Potential access to outside expertise
Limitations	• Typically sell equity at a lower valuation • You share control and decisions	• Dilutive to shareholders (benefits will be shared) • Potential loss of control

Figure 8: The advantages and limitations of commonly used financing models

Debt finance

Borrowing to grow your business is an opportunity to make the most of the assets you've accumulated – including the business itself and its ability to generate earnings. Broadly, debt finance can be:

- **Secured:** finance underpinned by assets such as property (either residential or commercial) offered as security to the business loan, together with personal guarantees. Most often used by small to medium businesses, secured debt may be both less expensive and more limited than unsecured alternatives. Limitations include choices that can be made with the assets secured against the loan, which may be unsatisfactory to other parties, particularly if the asset is the family home.
- **Unsecured, or non-recourse:** lending against the historical performance and profits of a business, which imply the ability of the business to operate profitably in the future. Assets such as the family home are not required to grow or scale the business. For medical business owners, who generally have reliable income, borrowing this way can simplify the lending process if sufficiently planned and considered. This may be particularly attractive to growing medical business owners, with higher capital needs, as they may have few commercial asset-light (with some exceptions, such as diagnostic businesses).

Bank debt

Borrowing from a bank is the most frequently used financing model – for good reason. Banks typically have a wider range of options to choose from, each designed for a specific purpose, and they may often be able to lend at lower rates than non-bank lenders.

A banking partner can do more than simply lend you money to power your growth plan. They can support you as part of a holistic relationship that addresses both your business and personal needs, which can include structured lending across both personal and business entities to help deliver favourable cash flow and tax outcomes for you and your business.

Non-bank debt

Several non-bank lenders are active in the healthcare sector, including private credit funds and sometimes even individuals. Non-bank lenders can potentially offer greater flexibility and higher risk tolerance than a bank, however, that flexibility may come at the cost of higher rates and a narrower relationship, without the benefits of a broader product range and advice.

Equity finance

Alternatively, you can sell some of the equity in your business – either internally, to one or more colleagues, or externally to a new partner or investor. This may be an attractive option if you if you wish to leverage the business knowledge of more experienced investors.

The obvious benefit of this model is that there is no loan to be repaid, and no liability on the balance sheet. However, it also means you need to share future profits and, potentially, control of the business, perhaps with an investor whose goals and timelines are different from your own.

We'll consider some of these advantages and limitations in more detail in the next section, 'Realising value'.

Finance as a growth catalyst

There are three main ways we see medical businesses using finance as a catalyst for growth:

Mergers and acquisitions

Using finance to purchase existing practices and incorporate them into the business. The aim is to add scale, bring new skills and expertise to the acquisition target, and/or to add value to the existing business by accessing new skills, specialities, or geographical areas.

Greenfield growth

Opening a new clinic at a new site, while offsetting what is sometimes called trade-up risk – covering leasing, staffing, and operating costs until the new site generates enough revenue to support itself and makes a positive contribution to the larger whole.

Replenish capital and reward investors

Using finance to capitalise the business and enable the current owners to 'take money off the table', by returning capital to investors or buying out of significant shareholders.

Bear in mind that it's possible to achieve more than one growth objective at once.

Appealing to lenders and investors

Unless you borrow against security, lenders and investors typically approach your business in a similar way – by valuing it as an enterprise, based on your current earnings and an appropriate multiple of earnings. That means you can maximise your finance opportunities and make your business more attractive to lenders and potential investors by focusing on key value drivers.

Here are some key strategies for structuring your business to attract funding and facilitate growth:

- **Demonstrate sound financial and corporate governance:** start by ensuring your accounts and financial reports are complete, compliant and well-substantiated, then make strategic decisions in line with the information they provide.
- **Focus on key performance metrics: increase your business valuation and lending capacity by maximising these key indicators of financial importance:**
  - The predictability and stability of business earnings
  - Profit margins – careful management of expenses
  - Revenue and profit trends – are the business earnings and margins increasing?
  - Capital intensity – the amount you need to invest to continue running your business compared to other businesses of the same type
- **Have a clearly articulated plan:** show how you'll harness the extra capital to add value. For example, if you're planning to grow by acquisition, show how you will integrate the target business into your existing business and increase its value, rather than just adding scale.
- **Focus on diversity of referral sources:** this is key to maintaining and increasing value. Referral sources may include patients and their caregivers, general practitioners, other specialists, allied health practitioners, and the broader community.
- **Build a strong culture with good staffing practices:** incentivise clinical and non-clinical staff to stay with the business by having a supportive workplace culture that encourages communication and productivity.
- **Create equity alignment:** as we'll discuss in the next section, offering equity to key practitioners may help reduce risk and increase the value of your business – providing their interests are aligned with your business goals.

Realising value

Having built a business with value beyond your own exertions, the next step is to realise that value – to receive an appropriate financial reward for your investment of time, expertise, and capital.

You have multiple options, including extracting funds while the business continues to operate. That means you don't need to wait until you're ready to exit the business before you progress towards personal financial goals. The solution you choose will depend on your business and your individual aspirations. In this section, we've outlined some of the most used options and the key considerations for success.

Whichever option you choose, it's important to begin planning early – even if you are preparing for an exit that may be years in the future. Aligning business and personal goals from the beginning can maximise value and help build a resilient and sustainable business. And if fellow specialists and associates are brought in early, their contribution to the business may broaden, particularly if equity or profit share is offered.

External sale

Internal sale

Leverage business

Figure 9: Options to realise business value

Option 1

External sale

Selling all or part of your business to an external buyer can help maximise the value you receive – especially when there is significant demand from buyers for established healthcare practices.

Larger businesses with 10 or more clinicians and the potential to add further scale can be attractive to corporate buyers who may offer higher multiples for attractive opportunities. However, these buyers are also likely to require a larger ongoing commitment from you, including an extended period of involvement after the sale (often called an earn-out), during which both you and the business may need to meet agreed performance milestones.

Key considerations for an external sale

- Are you selling all your equity and exiting the business, or selling part of your equity to raise capital for growth?
- If selling part of your equity, what does the new owner bring? Business, clinical or technical skills, people, property or equipment, or something else? Will they be a good cultural fit?
- If selling all of the business, but a handover period is negotiated, what will your role be? Will you be required to guarantee revenue to complete the sale?

Option 2

Internal sale

Offering your colleagues an equity share can help increase their effort and loyalty, ensure your goals are aligned (since they will be motivated to grow the profits they share in), and retain the skills and goodwill they bring. It also helps you create a succession plan by selecting and preparing future leaders ahead of your eventual exit, while increasing the attractiveness of the business to external buyers, since a large portion of the value of your business can lie in your fellow clinicians and their commitment to the business.

For business founders pursuing growth, a common strategy is to welcome junior colleagues into the business as partners in newly opened clinics, giving them a strong vested interest in making those growth plans succeed. However, these transactions may take place at a more modest valuation than an external sale, partly as a recognition of the hard work those new partners will put into securing the business' success (sometimes referred to as sweat equity) and partly as a further incentive for participation.

You also need to consider how your new equity partners will fund the purchase. Bank finance can allow practitioners to buy in now and be rewarded for their effort over time, while still paying you a fair price for their share in the business. Depending on their situation, they may be able to take out an unsecured loan against their future exertion, avoiding the use of assets such as the family home as security.

Key considerations for an internal sale

- How will you agree on a fair valuation and profit calculation, factoring in a fair salary to you as the principal, as well as any add-backs for expenses you currently charge to the business?
- Have you created a shareholders' agreement or partnership agreement that sets out the rights of each party, including their role in ongoing decision-making?
- Does your agreement include buy-sell provisions setting out the conditions of the sale, and what will happen should an owner become incapacitated or decide to leave the business? If that happens, will the other equity owners have the first right to buy the departing owner's holdings?

Option 3

Leverage the business

A third option is to leverage the equity in your existing business by borrowing against it to extract value, finance future growth, or both.

A typical scenario might involve borrowing against an established practice to build a new practice on a dedicated greenfield site with attractive growth prospects. An alternative is to take out what is sometimes called a hunting line – a line of credit secured against your existing business that enables you to seek out and act rapidly on promising opportunities as they arise.

Depending on your situation, you may also use be able to use this as an opportunity to take money 'off the table' by repaying director's loans or otherwise extracting value, without depleting working capital or detracting from your ongoing growth strategy.

Key considerations for leveraging your business

- Do you need to change or streamline your capital structure?
- How much can you afford to extract, and how much do you need to reserve for capital expenditure and future growth?

Optimising value

The steps you take now will help determine the value of your business in the future, as well as making it more efficient and resilient in the present.

People

- Identify future leaders, expose them to operations of the business, and consider allowing them to invest
- Put appropriate development and incentive measures in place
- Consider diversity of specialists and support staff
- Recruit adequate and appropriate support staff to maximise the quality of the patient experience and allow your practitioners to focus on clinical issues

Premises

- Ensure your practice is in a stable location
- Consider opportunities to create additional revenue streams by leasing space to allied businesses, such as pathology and radiology, or aligned healthcare businesses that may be attractive to patients
- Regularly assess the fit-out of the clinic, ensuring that equipment meets the needs of patients and staff

Financials

- Ensure you have sound financial and corporate governance, and make decisions in line with that information
- Separate personal and business finances, and minimise any adjustments during the valuation process (such as add-backs for personal expenses)
- Aim to generate momentum before you sell. A business with growing revenue and profitability will be more attractive

Figure 10: Optimising business value

Taking the next step on your growth journey

1

Determine where you're headed

- Identify your personal and business goals, ensuring that they're aligned
- Identify the optimal model for your business, and the steps required to put it into effect
- Identify the advisers and external expertise you need to execute your plan

2

Evaluate where you are

- Calculate the current value of your business
- Evaluate your current business model, advantages and limitations, and how it will serve your goals
- Identify possible growth pathways

3

Plan and identify catalysts

- Create a detailed business growth plan and validate it with your advisers
- Identify catalysts for moving between stages, including finance, people, investors, and potential acquisitions

4

Maximise value

- Identify how you will extract and maximise value for yourself, your staff, your patients and future investors
- Put a plan in place for your business evolution and succession
- Act now to make your business attractive to potential investors, partners and lenders.

How Macquarie can help

Wherever you are on your business growth pathway, the Macquarie healthcare team can help you to take the next step. Here are some of the ways we can support you and your business:

- Guidance on growth strategies and options, drawing on our deep healthcare experience and our extensive dataset of business performance benchmarks and past transactions.
- Flexible funding for growth that fully recognises the value of your business and helps you balance both business and personal commitments.
- Connections to a community of experts, both within Macquarie and from the broader healthcare and advisory community.
- Support for your broader financial and lifestyle goals, including personal banking, investments and advice.

To find out more:

Contact your Macquarie Relationship Manager, call **1800 442 370** or visit **macquarie.com.au/health**