Seeking Solutions

ODs Explore New Options for Practice Ownership and Transition

MARK TOSH / SENIOR EDITOR

In the world of optical retailing and eyecare, the arrival of the year 2020 might be seen as the best of times for the profession. Demographics, especially an aging population, higher incidence of diseases that may impact eye health (such as diabetes), and new areas of practice focus—namely myopia and blue light protection—are opening up avenues of opportunity for eyecare professionals.

At the same time, advances in telehealth, industry consolidation, the digital revolution and broad changes across retail in general are creating tough challenges for independent practitioners who are battling to maintain success in the face of this adversity. Consolidation activity—involving both big corporate players and private equity-backed groups—continued apace in 2018 and 2019, following a trend that began in eyecare almost a decade ago.

For eyecare professionals who have practiced for many years, and even younger doctors still dealing with student debt and indecision about their career path, these challenges are great. Perhaps there has never been as many important career choices to make or options to consider in their professional planning.

This year already has seen a fair amount of transaction activity in eyecare by private-equity backed firms seeking additional growth.

One of the larger PE-driven deals in health care was announced in June as a Goldman Sachs fund acquired MyEyeDr./Capital Vision Services from Altas Partners and CDPQ, a Canadian pension fund. This deal is pending, but is "tracking toward a successful third-quarter closing," MyEyeDr. chief executive officer Sue Downes told *Vision Monday*. She noted that MyEyeDr. (which has about 510-515 locations as of late July) is working toward adding another 50 practices between August and the end of the year.

Another significant development in the industry came earlier this year when VSP Global announced its intention to become more actively involved with optical retailing with the launch of VSP Ventures, and the subsequent VSP Global planned acquisition of 725-store Visionworks. VSP Ventures already has acquired two former independent OD practices in a joint-venture type transaction. (See separate story beginning on Page 32.)

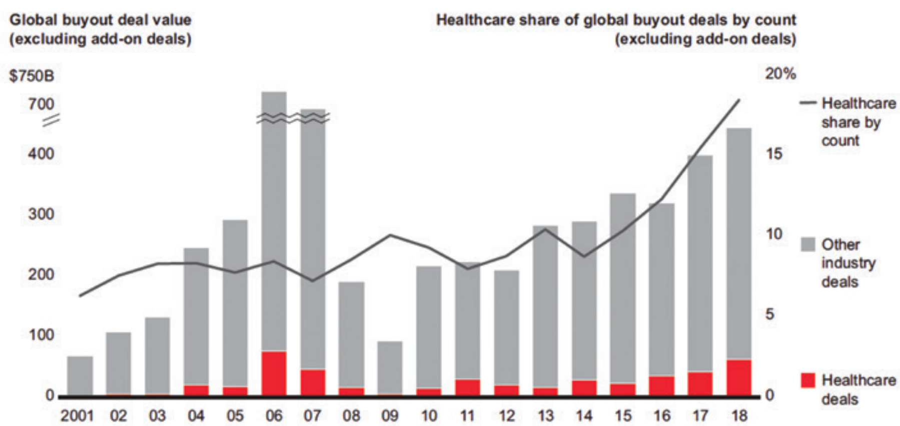
Richard Edlow, OD, a founding partner of the Catonsville Eye Group who has been tracking trends across eyecare for several years, said he believes that 2019 will turn out to be an active year for dealmakers in the optometry sector.

"I tend to think that it's going to equal or slightly exceed 2018 as far as the number of deals," he said. "The size of the deals may not be as big because a lot of the private equity players who want to get into the eyecare space have already gotten in with their big platform practices."

Edlow said many of the "big platform practices with 20 to 30 doctors and several locations," and with vertical integration already in place, have been acquired by consolidators. Most of 2019's deals will be "tuck-in deals," he said.

Still, only about 8 percent of the estimated

As private equity deal values continue to rise, healthcare assets have become increasingly popular with investors



Source: Bain & Company

44,000 optometrists in the U.S. are practicing with PE-affiliated groups as of mid-July. For ophthalmologists, the breakdown is about 6 percent of 16,000 doctors in practice, according to Eyeconomist research data developed by Edlow.

Jeff Fronterhouse, a managing partner of Riata Capital, said he believes ODs across all age groups are more closely considering their options with respect to joining alliances or buying groups, remaining independent or selling to private equity. (Riata launched Acuity Eyecare Group in 2017.) There probably is "a relatively large percentage of the market" of ODs who want to remain independent, Fronterhouse noted, but there's also an increasing percentage of practices and groups that want to sell their practices and be "paid well for their hard work and what they built."

He added, "They see some challenges in operating independently and maybe new pressures that are emerging in the market that they have some ambivalence about."

Still, Fronterhouse said he expects that with all of the different options that are on the table, there will continue to be a large segment of the market that chooses to remain independent because they like what they're doing. On the other hand, there is a segment of younger, progressive practice owners who look favorably at joining a PE-backed group because of the tools and resources that are provided and allow them to operate a more successful practice.

Chris Harris, a partner at the private equity firm FFL Partners (which owns EyeCare Partners and Eyemart Express) acknowledges there are "a large number of 'platforms' out there" seeking to consolidate eyecare, but the competition for deals is "still modest because the supply is so great." He added, "There are still over 10,000 independents and approximately ten-ish consolidators looking for opportunities. The competition is more pronounced for the larger opportunities with more than 10 locations," he said.

Harris sees other implications of the current PE trend. "I believe the pace of consolidation will accelerate over the next five years and continue to be a trend for 20-plus years," he said. "It is not easy to be a value-added partner to hundreds of doctors across the country and my guess is there will be consolidation among the PE-backed groups—where some of the smaller consolidators partner with larger ones that have built the infrastructure to operate at scale."

Against the backdrop—some would say threat—of PE further consolidating the optometry sector, a number of groups have stepped up to offer alternative career options for ODs who want to continue practicing on the independent side of the business.

One of these groups is Vision Source, the leading franchisor of independent eyecare practices in the nation, which has developed its Vision Source Next program to support ECPs who are committed to practicing as an independent and seeking new opportunities for growth.

"As a country, we need more time for [addressing] eye health," said Vision Source vice president of business development Gregg Groenenman. "We have 10,000 seniors each day aging into Medicare .... A giant section of the population needs care and hospital and health care systems can't handle it."

He noted that Vision Source believes that by strengthening the independent sector of eyecare, these ECPs will be better positioned to do more than just screen someone for eyeglasses. "Instead, you can do a true eye health exam and you [may discover] the person has hypertension and could be at risk of a heart attack. That's how you change the world," Groenenman said.

"That's why we believe so strongly that the doctor should own their own practice and be able to make the decisions that are in the best interest of the patient," he added.

Another option for practice owners is the Pearle Vision Ignite program, which allows practice owners to participate in a program that retains their independence, but with the backing of a comprehensive franchise infrastructure provided by Pearle. "We've had a positive response to the program across the industry," president Alex Wilkes said. (See related story, page 34.)

Mark Wright, OD, professional editor of *Review of Optometric Business*, said he believes the topsy-turvy nature of optical retailing and eyecare today is similar to the changes seen several years ago.

Wright said the new twist is that PE deals have become a three-stage process, moving from acquisition, to consolidation and finally stage three where a group of 1,000 to 1,500 acquired practices will be converted into a retail chain. "Honestly, my belief is that when all of this settles down, we're really talking about 15 percent of the market [being consolidated]," he added, noting that not all of the independent practices out there are attractive.

"Will we get a new retail chain out of this, or perhaps two or three?" Wright asked rhetorically. "Yes, we probably will. Will it dramatically change the marketplace? Not really."

VM checks in with the active players in the practice transition and PE space in vision care with more detailed interviews on the following pages. ■

Private Equity-Backed Firms Seek Bigger Slice of Health Care Pie

The practice of financial groups acquiring health care-focused businesses is not a recent development, as noted in a *JAMA Ophthalmology* note published in June. While this phenomenon began years ago with practice management companies often acting as the acquirers (a model that proved too expensive and unsustainable), today it's more likely private-equity backed management firms purchasing health care practices, including eyecare businesses.

As *VM* reported in the fall of 2017, private equity investment has crescendoed, particularly in the past five years, as mid-size and large investment groups—of different types, sizes and structures—have entered the space in a more visible way in North America, with acquisitions of both large and regional optical retail/ECP groups as well as hundreds of smaller independent offices.

Among the rationale for these deals, the article noted, is that investments in health care "are based on sound economic principles," notably an aging population with increasing prevalence of chronic diseases and the fact that "inherent inefficiencies in current delivery systems" make health care ripe for consolidation and modernization.

"The role of private equity in health care can be a big positive, especially in the instances where private equity partners with exceptional doctors. We can help grow practices and expand access to high-quality patient care," Alpine Investors vice president of investing Haley Beck told *Vision Monday* recently following her firm's June investment in Northeast Ohio Eye Surgeons. "It's a combination of high-quality clinicians and folks with business acumen who together can deliver better access and better quality patient care."

This is much the same philosophy of several PE-backed investment firms that have stepped up their activity in the optometry sector the past few years. One of the biggest deals in the optical/eyecare segment hit in early June, when a Goldman Sachs-managed merchant banking health care fund (West Street Capital Partners VII) reached a deal to acquire control of MyEyeDr. from Altas Partners and Caisse de dépôt et placement du Québec, a Canadian pension fund. The terms of the deal, which is expected to close in the third quarter, were not announced, but it was valued at about $2.7 billion by *The Wall Street Journal*.

Today, the groups heavily involved in the optometric space are continuing their expansion pace, and building up their own infrastructure of services to handle the various business management side of practices and present new career paths to optometrists and optometry groups. ■

MyEyeDr.: Valuing Doctor-Patient Loyalty

Among the factors behind MyEyeDr.'s success, according to chief executive officer Sue Downes, are the high level of support it provides to acquired practices and its overall efforts to "help grow and protect independent optometry, which will continue to be a core focus for us." MyEyeDr., which was founded in 2001, operated about 515 practice locations as of late July and ranked No. 7 on VM's list of Top 50 U.S. Optical Retailers for 2019.

Downes noted that MyEyeDr. also sees a continuation of the pipeline of acquisition candidates that will add to the company's growth. "The interest is as strong as ever, but we will continue to remain very selective based on clinical reputation, geography and fit," she added.

Downes told *VM* that MyEyeDr. expects to add another 50 practices between August and the end of 2019, with expansion in the Midwest states of Wisconsin, Ohio and Michigan this year. The group has a presence across much of the U.S., except the West Coast. "We are always looking at opportunities across the country and will strategize on the appropriate timeline to move to the West Coast with our new investor partners at Goldman Sachs," she added.

Sue Downes

David Sheffer

Another factor in the group's success is that it insists ODs of acquired practices remain active with the business and seeing patients, according to chief growth officer David Sheffer. "Two or three years ago when Sue or I would talk to a doctor about selling their practice to us, they assumed it would be an exit strategy and that they would no longer be involved or seeing patients," he said. "In fact, the reality is, we won't even buy a practice if the doctor isn't going to continue on."

MyEyeDr. also expects the practices that it adds are "healthy, best-in-class optometric practices," with annual revenue about double the average U.S. eyecare practice. "We're buying the larger, best-in-class practices where the doctor is doing well," Sheffer said.

"We're not buying distressed practices or practices that are broken and need some TLC," he said. And it is able to boost these practices further with an infrastructure that includes a home office with

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EyeCare Partners: A Doctor-First Approach

Right behind MyEyeDr. in terms of size and scope is EyeCare Partners of St. Louis. The group has almost 300 locations where doctors see patients and is now in 11 states following a move into Alabama in March. EyeCare Partners launched in April 2015, when the private equity firm FFL Partners invested in St. Louis-based Clarkson Eyecare group, which had 63 locations at that time.

Kelly McCrann, chief executive officer, said he believes the outlook for a continuation of PE investment in the eyecare sector is strong, in part because ODs and others are better-informed and more aware of the opportunities to align with larger management groups. "They are getting smarter about it," he noted. This increase in awareness of the PE environment also covers a wider range of experience levels, from ECPs approaching retirement to mid-career doctors and even new graduates, he said.


Kelly McCrann


James Wachter, OD

One of the ways EyeCare Partners attempts to differentiate itself is with a focus on full-scope optometry medical model. "It's a doctor-first approach," James Wachter, OD, chief professional officer, said. "A lot of companies are focused on the retail side of things. Our model is a little bit different in that we lead with the doctor." He noted that EyeCare Partners seeks to invest in the latest medical technology for the practice to enhance patient care, and that the group also has a vertically integrated model that helps to coordinate care with secondary and tertiary providers.

In addition, McCrann said EyeCare Partners takes "a very long-term view" on its business model, and that it views itself as having only two fundamental roles. "One, we're a business partner that helps practices grow, and that can apply to practices of any maturity. And, what we are more known for is exit capitalization opportunities, which we also can provide to the more senior practices."

While the "exit" process opportunity is relevant to some practices, McCann said, the role EyeCare Partners plays as a supportive business partner is relevant to all practices. "With that mission, we think the world is huge as we look forward," he added.

Also part of the group's "intentional strategies," according to McCrann, is the vertical integration of

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Acuity: Launched in 2017, but Growing Quickly

Perhaps one of the newer PE-backed management groups in the eyecare sector is Acuity Eyecare Group, which was formed in early 2017 when Riata Capital acquired Crown Vision Center, Eyetique and International Eye Center and combined the practices under the Acuity management services umbrella. The group has now expanded to almost 125 locations following a pair of late July acquisitions that added 11 locations and marked the group's entry into Texas. Acuity jumped four spots and ranked No. 17 in VM's recent list of Top 50 U.S. Optical Retailers.

"We're like the youngest kid on the block," said Acuity chief executive officer Eric Anderson. "But now we have the infrastructure in place and we have our executive team built." (Acuity also has partial ownership of an ophthalmology practice near St. Louis, and has set up a "hub and spoke referral model," Anderson said, and is intrigued with similar opportunities.)


Eric Anderson


Jeff Fronterhouse

Anderson said Acuity, which typically acquires 100 percent of a practice, finds itself distinct from other groups in terms of its approach to handling transactions and integrating new practices into the group. "We take a more personal approach and we try to keep the business model that [prospective deal partners] have built, but just help them to do it better," he said, noting that Acuity avoids any attempt to "create homogeneity across all of the businesses" in its holdings. He calls it "more of a bespoke model."

For example, there are significant differences in the practice models of Eyetique in Pittsburgh and International Eyecare Center in Missouri, with the former more of a boutique-type optical shop and the latter a medically focused practice. "We're able to leverage the synergies that you get by combining these businesses, but at the same time do it in a way that you preserve the DNA that made the businesses special," he added.

This is possible, he said, because Acuity has developed a common platform that each acquired practice can plug into, including a custom lab, EHR software and recall programs.

The First Look lab near St. Louis was supporting about 30 locations at the time Acuity acquired it, and now following investment supports about 125 practice locations with capacity for further growth,

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Keplr: A Change of Name, But Not Philosophy

Keplr, another private equity-backed firm, debuted in July as the management platform that rolled up two of the PE firm's portfolio companies: Total ECP and optical retail company Visionary Partners. Under the new name and combined businesses, Keplr currently has about 80 eyecare clinics across 19 states under its corporate umbrella. It seeks to provide "exceptional levels of clinical, operational and marketing support with its more than decade-old and highly successful business services platform," the company announced at its launch.

Toronto-based Imperial Capital backed the formation of Total ECP in late 2017, and its early practices included Gaddie Eye Center (Louisville, Ky., area), Shady Grove Eye & Vision Care (Rockville, Md.), Gailmard Eye Center (Munster, Ind.) and DW Nelson and Associates of Madison, Wis. (Keplr expects to reach about 100 practice locations by the end of August. Its Visionary Eye Partners unit ranked No. 23 in Vision Monday's Top 50 Optical Retailers Report with annual sales of $56 million.)

"There's too much confusion in the industry, with everyone's name sounding the same," Keplr chief executive officer Nick Williams said of the firm's new identity and structure, noting that Johannes Kepler was a leading 17th century scientist who did much


Nick Williams

of the foundational work on optics. Williams said by adopting the Keplr name the group can tie into its roots as a technology-driven group of practices.

The Keplr name is a "great metaphor for who we are," Williams said. "We are a best-in-class lens technology company, best-in-class in operations and we are also best-in-class medical. We think the name is a differentiator … and you are going to see us make a marked push to establish ourselves not as a private-equity backed group, but really as a collegial amalgamation of the best-in-class ODs."

Still, Williams noted that the current eyecare marketplace—with a handful of PE-backed firms buying up independent practices at a steady pace—is "by far the most competitive time for a private equity-backed group to acquire a practice." But over the past five years, ODs who are considering the sale of their practices have become better informed about the private equity option and are asking better questions of the firms, Williams said. (The leaders of the other PE-backed groups agreed that this is a notable change in the marketplace.) As a result, there is going to be greater emphasis by the PE-backed firms on establishing a strong company culture and improving practice settings for the ODs, Williams said.

One of the key attributes of Keplr, Williams said, is that it has set up a model that allows the OD owners of acquired practices to become owners in the overall group. "They still feel like owners and operators," he said. "But they get to see their patients and, after handling a couple administrative things, they get to go home. The benefit is being able to focus on the practice.... You don't have to go through the grueling work of running a business."

Keplr also offers business support services from its corporate offices in Bloomington, Ill., which has a staff of about 70 people across a variety of roles. Williams said the philosophy is to practice level staff to focus on "the real job they should be doing, whether it's selling or fitting glasses." He added, "We don't come in with an iron fist and say you are going to do X, Y and Z and you are going to do it today. It's immensely disruptive to the practice and it's not what the seller OD wants most of the time." ■

EyeCare Partners Continued

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optometry and ophthalmology. This begins with development of a "pyramid" structure in each operating area, with a broad base of optometry supporting general ophthalmology and topped off with specialty ophthalmology at the peak. EyeCare Partners has established this pyramid approach in varying levels of maturity across its operating areas, with ophthalmology contributing about 40 percent of overall group revenue. (The group also has a support infrastructure consisting of about 550 employees.)

Wachter noted that 92 percent of optometric practices operating today have not been consolidated, which sets up a robust marketplace. Wachter is one of five ODs who sit on the company's nine-member board of directors. ■

Acuity Continued

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Anderson said.

Acuity sees a clear advantage in owning its own lab by virtue of the impact on net promoter scores, one of "the most important things that we follow," Anderson said. With its own lab, Acuity has more control over service delivery, which is typically one of the biggest components of patient satisfaction, Anderson said.

In terms of merchandising frames, about 70 percent of an Acuity assortment might be standard across every location, with about 30 percent customized to the specific demographic. "We are professional buyers, allocators and planners so we know what bestsellers look like and we are able to populate a frame board in a way that's [successful]," he said. ■

Vision Source Next: Building a Community of Support for Independent ODs

Even as its member practices have compiled several successive years of above-average growth, Vision Source leadership has made it a priority to stay abreast of the fast-changing health care landscape, particularly as its relates to value-based care and even industry consolidation. The impact of the latter already has been felt across the independent pharmacy sector, and that experience has not gone unnoticed by the Vision Source management team.

In addition, even as Vision Source members—the group operates as a franchisor—continue to grow and look for new opportunities, there's a significant challenge to meet staffing demands across the group and to find successor eyecare professionals for members who are considering retirement or other exit-type strategies.

"We estimate that we need about 1,000 [new] associate doctors in our network," vice president of business development Gregg Groenenman told *Vision Monday*, noting that Vision Source members often show annual growth rates five to 10 times greater than non-members, which adds to staffing demands for new ODs.

Among the challenges faced by Vision Source, as well as other affiliated groups of independent practice owners, is that across the eyecare space many Baby-Boomer optometrists are looking to retire or are trying to find buyers for their practices, Groenenman noted. "At the same time, you have a lot of strong industry consolidation happening around us," he added. "And in the middle you have private equity groups leveraging the opportunities that are presented."

A Vision Source practice in Texas.

One attempt by Vision Source to answer the staffing and succession challenges came in the launch of Vision Source Next, which was designed to help ODs "start, acquire, sell, mentor or work in a private practice with guidance and programs to assist from start to success," according to the company.

"Part of Next is to go out and to tell the students about private practice, why it is a really great career choice, and why practice ownership allows you to practice at the high end of your licensure," Groenenman explained. The objective is to ultimately present private practice as a compelling and smart career choice for the new and younger ODs.

Reaching out to these students in optometry schools—and Vision Source has events scheduled at just about every optometry school in 2019-2020—and helping to connect them with Vision Source members is a key component of Vision Source Next. Thousands of students and members have registered on the dedicated Next website.

At the same time, Vision Source recognizes that independent optometry is at or near the same place in its market as independent pharmacy and local hardware dealers found themselves two decades ago. Independent pharmacy, which lacked a unifying force to bring the group together, has shrunk significantly, while independent hardware stores—pulled together by Ace and True Value co-operatives—have managed to weather the storm and survive, Groenenman said.

"This is just a really fascinating time," Groenenman said, noting that independent pharmacy was hit hard by big drugstore companies, in part "because they didn't have anyone fighting for them." He added, "We believe these are the same headwinds that optometry has [and] we are trying to galvanize and bring everybody together."

Groenenman noted that Vision Source may have "a strategic advantage" in its effort to unite and boost independent optometry by virtue of the ownership group behind the company, EssilorLuxottica. "They have a very vested interest in private practice," Groenenman said.

Another aspect of the Vision Source Next program, which executives noted for its success at the 2019 Exchange meeting, is the effort to facilitate the opening of new Vision Source locations,. Under the group's growth initiatives, 43 new private practices debuted in 2018, Vision Source chief operating officer Jeff Duncan said at The Exchange. Two-thirds of these practices were opened by new members. ■

MyEyeDr. Continued

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more than 500 support staff. "We've invested hundreds of millions of dollars at this point into that infrastructure," Sheffer said, noting that the main office includes full-time employee benefits, technology, marketing and insurance credentialing departments. "All of these things are there to support the practices such that the folks in the actual practices can solely focus on the patient," he added.

Sheffer said the MyEyeDr. philosophy is centered on the patient-doctor relationship, which is invaluable when it's a strong relationship. "This is what really matters in a low-frequency business such as getting your eyes examined and buying glasses," he said. Patients are willing to drive a little further to see a person they really trust and care about to get their eyes examined. "What we are spending our valuable purchase price on—and we really pay up for the best practices—is making sure that clinically the doctor, or doctors, are very well respected and have very strong patient loyalty," he said. ■

VSP Ventures: Care-Focused Alternative for ECPs in Transition

Dr. Greg Coley and Dr. Ginger Coley of Coley Family Eye Care.

VSP Ventures' Steve Baker.

As private equity-driven deals in the eyecare sector seem to occur with more frequency, options for eyecare professionals who are seeking other means to address their ownership or financial structure are increasing, also. Pearle Vision launched an "Ignite" franchise option last year, and VSP Global introduced VSP Ventures this past spring as a way to facilitate practice transitions for eyecare professionals—to name just two of the transition alternatives.

In March, VSP Global announced its intention to expand its retail strategy, which included the opening of three brick-and-mortar Eyeconic locations and the creation of the brand new VSP Ventures unit. (The Eyeconic stores and the separately announced plan to acquire the 725-location Visionworks are under the umbrella of VSP Global, and separate from VSP Ventures.)

VSP Global said the idea behind the new Ventures entity was to address the requests of benefits managers seeking "more substantial retail options" as well as doctors who asked VSP to create "a doctor-centric alternative to private equity."

"We launched VSP Ventures to be a care-centered, care-focused alternative in the market," VSP's Steve Baker told *Vision Monday* in a recent interview. Baker was named president of VSP Ventures shortly after its formation. "All of us have been watching private equity very carefully, and although no one has a crystal ball, we saw two very large dynamics [occurring]," Baker said.

"Depending on where the sale and re-sale of private equity assets goes, that could have possibly a concerning outcome for us at VSP. But probably more so, we had doctors coming to us to asking whether we would consider being a purchaser of their practices," he explained.

Another key factor in the formation of VSP Ventures ties to the demographic changes ahead for ECPs. Baker said VSP estimates that—using a "rough retirement age of 65 to 67"—almost 8,000 doctors in its network will enter that retirement window in the next three years. "That's a big number," Baker said. "And as we consider what used to be the traditional transition model—the young associate with cash and sweat equity works over the years and then takes over the practice business—that's just not sustainable for that number of doctors and even more so it doesn't really fit with the desires of the younger "millennial doctors."

In its first retail move, VSP Ventures established a joint venture with Rosin Eyecare of Chicago to acquire two practices in Nashville, Tenn., Shanks Family Eye Care and Coley and Coley Family Eye Care. Those deals, which closed in June, are going well, Baker said, and VSP Ventures will work with Rosin to continue to expand and take advantage of other opportunities throughout Nashville and Tennessee. The two groups share core beliefs about comprehensive care and full-scope optometry, he said.

He noted that the joint venture may have additional deals to announce in the near future and that any moves Ventures makes in Tennessee will be via its joint venture partnership with Rosin.

Baker said there are three important underlying factors in the mission of VSP Ventures. One, is the company's overall commitment to invest in the profession of optometry and being fully committed to its long-term success. "We're not going anywhere, so long- term [investing] is the key," he said. "We will not flip and sell in aggregate. When we invest in a practice, we are not going anywhere. We are the long-term partner of that doctor, and we are not seeking to operate the practice so it's financially attractive to someone else."

This kind of thinking is quite different than the philosophy of most PE-backed groups, he noted, and it also "sets the character and ideology of how we make investment decisions and how we choose to run the practice."

A second part of Ventures' mission, he said, is to preserve a practice's legacy. Ventures will not change the name on the door or the brand, "and we are committed to driving it into the future," Baker said. "That's very, very important for many doctors.... We are not going to turn practices into some sort of national brand."

A third key element of the Ventures' approach is to invest in patient care, which draws upon the "founding ideology of VSP," Baker said. He said the firm intends to partner with Ventures' doctors to ensure that the right tools, operational resources and capital investment are all available.

Of the acquisition opportunities that are under consideration, Baker said the breakdown is about 50-50 between doctors on the cusp of "the 24- to 36-month glide slope" to retirement and younger, perhaps millennial doctors "whose heart's love is patient care."

The terms of the program call for Ventures to acquire 100 percent of a practice, and then the selling ODs will work under a professional corporation, Baker said. He noted that there is "no second bite of the apple" for the sellers of the practice because VSP Ventures has no intention of reselling the business. ■

Pearle Vision's Ignite: Providing a 'Strategic Conversion' Program

Another option for ECPs seeking to transition practice ownership is Pearle Vision's Ignite program. Pearle launched "Ignite" as a way to offer "a strategic independent optometrist conversion program," which Pearle said was tied to its commitment to growing the Pearle brand in new communities. The announcement noted that the Ignite program would provide "an attractive opportunity for independent eyecare practice owners" looking for options to manage their own business.

It also explained that Pearle (a unit of EssilorLuxottica) was seeking to expand its business with optometrists "who embody contagious entrepreneurial spirit and have passion for providing genuine eyecare." The conversion program is an ideal opportunity for independent practices seeking greater structure, support and marketing expertise.

Alex Wilkes of Pearle Vision.

A before-and-after view of a new Pearle Vision Ignite practice.

Alex Wilkes, president of Pearle Vision, said the company has seen a positive response to the Ignite program across the industry. "Creating awareness of the opportunity has prompted a lot of great dialogue," he explained. "We have already begun to convert practices to franchise locations and are in discussions with several candidates."

The Ignite program comes at a time when consolidation is becoming a common occurrence in the eyecare sector. "I don't see the consolidation of the industry changing or slowing down," Wilkes said. "We've seen this happen across other industries and eyecare is in the midst of it right now. Franchising continues to provide an alternate path for ODs and practice owners in planning the trajectory of their business," he added.

Wilkes notes that it is important for ODs to understand that joining with a private equity group or trying to "stick it out on your own are not the only options."

He added, "Whether an independent is looking to exit the business completely, or looking long term at growth and an eventual exit, converting the practice to a Pearle Vision franchise location allows [the OD] to retain ownership while being affiliated with one of the leading optical retail brands. You get to be in business for yourself, but not by yourself," he explained.

When recruiting prospective owners for the Ignite program, Pearle Vision considers both the financial health and physical location of the business. In addition, the owner's alignment with the Pearle brand principle of providing genuine eyecare is critical. "Partnering with ODs and owners who share that commitment to care is important to our business and our patients today and in the future," Wilkes noted.

In its effort to differentiate itself from other "consolidator" groups, Pearle Vision highlights its position as a "heritage brand that was founded by an optometrist," Wilkes noted. "We've established ourselves as a premium eyecare retail brand that delivers genuine eyecare in your neighborhood," he added. "That national recognition provides value to our franchisees and is not something they could create on their own—in fact, Pearle Vision has 80 percent-plus brand recognition amongst consumers."

In the coming weeks, Pearle will be announcing a new program that deepens its relationship with the philanthropic organization OneSight, which Wilkes said he believes will be "another key differentiator for Pearle Vision within the category."

Separately, Pearle Vision has signed eight area development deals, most recently reaching agreements that cover parts of San Diego, Charlotte and Greater Chicago. (San Diego and Charlotte represent new markets for Pearle Vision.) The company continues to look at multi-store franchise deals as a key driver for growth, Wilkes said. "We will also be announcing a new alternative channel partnership in the coming weeks that we see as a potential driver of growth," he added.

While the area development deals are outside the Ignite program right now, Wilkes said the developers who have signed the agreements "are looking at Ignite as a potential way to fill their area commitments. As an example, the individual who is developing five stores in the Greater Chicago area is actively looking to acquire an independent who he could roll into the area development agreement and then take advantage of the Ignite offering. So the two programs actually coexist and fit together quite nicely," he said. ■

'Demystifying Private Equity' Seminars Launched by Review of Optometric Business

DALLAS—"Demystifying Private Equity and Its Role in Optometry," a seminar series for OD-owners, was launched with a premier event in Dallas on July 20, 2019. The event, which was attended by about 40 OD-owners as well as about 15 representatives from PE-backed companies, was developed by *Review of Optometric Business*. Sponsoring the event was Acuity Eyecare Group, EyeCare Partners, Kavanagh Consulting, MyEyeDr., Total ECP (now Keplr Vision) and VSP Ventures.

The seminar provided an overview of PE investment strategies and opportunities for OD-owners to maximize practice value in an ownership transfer. The seminar also featured a workshop on how to compute practice valuation and prepare business documents required for a sale.

"As of mid-July, about 8 percent of practicing optometrists and 6 percent of ophthalmologists are involved in some form of consolidation with PE backing," said presenter Richard Edlow, OD. "The opportunity to maximize the value of your payout is very real, and that's a good thing for our profession."

Presenter Ken Krivacic, OD, of Irving, Texas, advised OD-owners to establish a strong accounting basis and track the key indicators of profitability, two factors that he said are critical to maximizing practice value before any ownership transition.

"We spend our careers being the best clinicians we can be, but we also have to be CEOs of our practices," Krivacic said. "We've got to know our net revenue and compute our EBITDA because those are common objective measures that any buyer looks at before making an offer."

Drs. Edlow and Krivacic then walked participants through a workshop in how to compute practice valuation, followed by an application of multiples to determine potential sale price. Following that, participants met in one-on-one scheduled meetings with reps from the PE groups that are leaders in consolidating optometry practices.

Richard Edlow, OD, known as "The Eyeconomist," presenting an overview of growing eyecare needs in America—and optometry's special opportunity to serve those needs.

Ken Krivacic, OD, of Las Colinas Vision Care, in Irving, Texas, advises participants in how to maximize a practice valuation, an essential step in a successful ownership transition.

Participants at "Demystifying Private Equity" in a workshop on practice valuation.

Sponsoring the event was Acuity Eyecare Group, EyeCare Partners, Kavanagh Consulting, MyEyeDr., Total ECP (now Keplr Vision) and VSP Ventures.

Role of a Practice Broker

The role of the practice broker in facilitating a sale was presented by Jason Praeter, Managing Partner, Dallas, for Kavanaugh Consulting, LLC, which specializes in brokering practice sales.

"We're here to guide you through a process that, frankly, a buyer goes through every day and a seller once or maybe twice in a lifetime," Praeter said. "Having an advocate on the seller's side can ensure that you get a better deal."

"Demystifying Private Equity" grew out of an earlier series of seminars, "Private Equity Takes Root," held at Vision Expo East and West that were developed by *Vision Monday* and *Review of Optometric Business*. An in-depth report from those events can be downloaded at www.reviewob.com under the Reports Section.

"We saw an overwhelming interest in the PE investment opportunity at our first two events," said Al Greco, *ROB's* publisher. "This led us to develop a more intensive, workshop-based program that equips OD-owners to explore transition opportunities in a highly informed manner—and to meet one-on-one with representatives of the leading PE companies."

"Demystifying Private Equity" will next be held on Saturday, August 24, at the Hilton Rosemont O'Hare in Chicago. There is no charge to attend the event. Go to www.reviewob.com/pe to register for this event.

A post-seminar survey revealed a high level of satisfaction with the program, and registration is up for the Chicago event. Several other venues are being explored for Q4 of this year. ■