A GUIDE FOR PT BUSINESS OWNERS

The 7-Question Readiness Check

For PT business owners wondering if they can handle a transition on their own

MARTIN
HEALTHCARE ADVISORS

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A NOTE BEFORE YOU START

Can you do this on your own?

Some owners do. I've said for 27 years that most shouldn't, and I still believe that. Not because they aren't smart enough. One owner talking to one acquirer can't create a market, and without a market you never really know if you got the best price or the right partner.

I've watched a lot of PT business owners handle a transition themselves. Some did well. Many left real money on the table and never knew it, because no one ever showed them the number they didn't get.

The difference was rarely intelligence or effort. It was whether they could answer a handful of questions honestly *before* the first acquirer called. These are the seven I'd ask you if we sat down today.

How to use this guide

Read each question and mark yourself **Ready** or **Not yet** on the scorecard at the end. Be hard on yourself. An acquirer's team will be. When you're done, you'll know where you stand, and what to prepare either way.

Paul Martin
Founder & President, Martin Healthcare Advisors

QUESTION 1 OF 7

What is your practice worth, and how would you defend that number to an acquirer?

Acquirers don't buy revenue. They buy earnings, and they have a strict methodology that determines what is included in those earnings.

Why it matters

Acquirers price a PT practice as a multiple of **adjusted EBITDA**: your earnings after the owner's pay is set to market rate and one-time or personal costs are added back. Every add-back you can document raises the base the multiple is applied to. Every one you can't, the acquirer takes out.

What it looks like in dollars

Take an illustrative practice with $1.2M of adjusted EBITDA. At 5x it is worth $6.0M. At 7x it is worth $8.4M. That $2.4M gap is decided by how well you build and defend the number, not by how hard you worked for it.

What doing it yourself involves

Three years of normalized financials, every add-back supported by paper, and a clear view of what multiple a practice of your size, payer mix and market actually earns today. The first offer you receive will anchor every conversation after it.

YOU'RE READY IF

- You can state your adjusted EBITDA and walk an outsider through each add-back, with documents.
- You know the realistic multiple range for your practice, and why.

GET HELP IF

- Your number is based on what a colleague got, or on a multiple of revenue.
- No one outside the practice has ever reviewed your financials the way an acquirer will.

QUESTION 2 OF 7

Is more than one acquirer at the table, or just one?

One offer is not a market price. It is an opening position.

Why it matters

When one acquirer is at the table, that acquirer sets the price, the structure and the timeline. When several qualified acquirers see the same information at the same time, the market sets them. Competition moves more than the headline number. It moves your role, your non-compete, and how much of the price you get at closing.

Who is actually buying

Private equity backed platforms, strategic partners, and health systems all value a PT practice differently. The one who called you is not always the one who will pay the most, or the one whose plan fits yours.

What doing it yourself involves

Identifying every realistic acquirer, checking that each can actually fund a transaction, getting them to the same starting line with the same package, and keeping the process confidential while you still run your clinics.

YOU'RE READY IF

- You have direct relationships with several qualified acquirers.
- You can run parallel conversations under NDA, on your timeline, without word getting out.

GET HELP IF

- The only acquirer you are talking to is the one who called you.
- You don’t know which acquirer types fit your practice, or why.

QUESTION 3 OF 7

Which transaction terms are you prepared to negotiate on your own?

Price is one line in the letter of intent. The rest of the page decides what the price is really worth.

Why it matters

The letter of intent sets the terms that follow you for years: your employment agreement, the length and radius of your non-compete, any equity you roll into the acquirer's company, escrow and holdbacks, and your personal liability after closing through representations, warranties and indemnification. Once it is signed, most of that is very hard to reopen.

Where owners get caught

Owners focus on the number and sign the letter of intent planning to "let the lawyers handle the details." By then the business details are already agreed upon. Your leverage is highest before you sign, and it drops dramatically once it is signed.

What doing it yourself involves

Knowing what is standard and what is negotiable with each type of acquirer, and having a healthcare M&A attorney on your side, not a general business attorney.

YOU'RE READY IF

- You know which terms each acquirer type will move on, and which they won't.
- A healthcare M&A attorney will review the letter of intent before you sign it.

GET HELP IF

- You plan to agree on price first and work out the rest later.
- Your attorney has never closed a healthcare practice transaction.

QUESTION 4 OF 7

Will your financials survive diligence?

Surprises found late in a process rarely cost you the transaction. They cost you the price and terms.

Why it matters

After the letter of intent, the acquirer will test everything: a quality of earnings review of your financials, revenue by payer and by clinic, collections against what was billed, provider productivity, and your documentation and billing compliance. Anything that doesn't tie out becomes a reason to lower the price, at the exact moment you have the least leverage to say no.

What doing it yourself involves

Running your own diligence before you go to market. That means clean accrual-basis books, personal expenses out of the business, a recent billing and documentation audit, and the data an acquirer will ask for, organized and ready.

YOU'RE READY IF

- Your financials are accrual-basis, reconciled, and free of personal expenses.
- You've had a billing and compliance review in the last 12 to 24 months.
- You could open a complete data room within a few weeks.

GET HELP IF

- Your books are built for taxes, not for an acquirer.
- You don't know your payer mix and visits per provider by clinic.
- You've never had an outside compliance review.

QUESTION 5 OF 7

How much of the practice runs without you?

Acquirers are paying for future cash flow. If the cash flow depends on you, they will price in the risk.

Why it matters

If the referral relationships follow you, the heaviest caseload is yours, and every decision routes through your office, an acquirer sees a practice that could shrink the day you step back. They protect themselves with a lower multiple, a bigger share of the price tied to future results, or a longer commitment from you than you wanted to give.

What doing it yourself involves

Building a leadership layer that runs the clinics, spreading key referral relationships across your team, and stepping back from treating well before you go to market, so the numbers prove the practice holds without you.

YOU'RE READY IF

- You could take four weeks off and visits and referrals would hold.
- Clinic directors own their numbers and make day-to-day decisions.
- Your top referral sources know more than one person on your team.

GET HELP IF

- You are still your practice's top-producing clinician.
- You are the only one who knows the numbers.
- Key physicians refer to you, not to the practice.

QUESTION 6 OF 7

Do you know how the price actually gets paid?

Two offers with the same headline number can put very different amounts in your account.

Why it matters

The headline price is rarely what you receive at closing. It is usually split into cash at closing, **rollover equity** (a stake in the acquirer's company you get paid for later, if their plan works), an **earnout** tied to future performance, an escrow or holdback, and a working capital adjustment. Each part carries its own risk and its own timeline.

Taxes change the answer again

Whether the transaction is structured as an asset or a stock purchase, and how the price is allocated, can change what you keep after taxes by a meaningful amount. Your CPA should model every offer before you choose one.

What doing it yourself involves

Modeling each offer on after-tax cash at closing, then weighing the risk of every piece that is paid later.

YOU'RE READY IF

- You can compare two offers on after-tax cash at closing, not headline price.
- You understand what has to happen for your rollover equity and earnout to pay out.
- Your CPA has transaction experience and is already involved.

GET HELP IF

- You're comparing offers by the biggest number on the first page.
- You haven't asked what happens to your equity if the acquirer's plan stalls.

QUESTION 7 OF 7

What do you want your life to look like three years after closing?

The transaction is the means. This answer is the point.

Why it matters

The owners I've seen happiest after a transition decided first what they wanted, and then chose the acquirer and the structure to fit. Stay on and grow with a larger platform? Step back to treating patients? Leave entirely? What happens to your team, your culture, and your name on the door? Those answers should shape the transaction, not the other way around.

Where owners get caught

Owners who skip this question often sign up for a role they didn't want, for longer than they expected, under a culture they don't recognize. That is the part of a transition that no price makes up for.

What doing it yourself involves

Getting clear with yourself and your family first, then testing every acquirer's plan against that picture, and negotiating your role, your people and your name as hard as you negotiate the price.

YOU'RE READY IF

- You can describe your role, your team and your name on the door three years from now.
- Your spouse or partners want the same outcome you do.

GET HELP IF

- You haven't thought much past the closing date.
- You're assuming the acquirer's plan for your people matches yours.

YOUR SCORECARD

Count your Ready answers.

Honest answers only. This page is for you, not for us.

	Question	Ready	Not yet
1	What is your practice worth, and can you defend it?	☐	☐
2	Is more than one acquirer at the table?	☐	☐
3	Which terms can you negotiate on your own?	☐	☐
4	Will your financials survive diligence?	☐	☐
5	How much of the practice runs without you?	☐	☐
6	Do you know how the price gets paid?	☐	☐
7	What do you want life to look like in three years?	☐	☐

6 or 7 Ready. You're better prepared than most owners we meet. You could run this yourself with a strong healthcare M&A attorney and a CPA who has closed transactions before. Just know that with only one acquirer at the table (Question 2), you won't know what the market would have paid.

3 to 5 Ready. You have gaps that usually cost owners money. Close them before you talk to an acquirer, whoever helps you do it.

0 to 2 Ready. Don't take the first call yet. Get an outside view of where you stand first.

THE HONEST ANSWER

Going it alone: when it can work, and what it costs.

Going it alone can work if:

- You already have an acquirer you know and trust, and the fit is right.
- Your practice is a single clinic with a simple structure.
- You've been through a transaction before, and you have a healthcare M&A attorney and an experienced CPA.
- You scored 6 or 7 on this check, and you were honest about it.

If that's you, take these seven questions to your attorney and use them. Just remember that one acquirer isn't a market. You'll get a transaction done, but you won't know if it was the best one. Before you sign a letter of intent, get an outside set of eyes on the offer. That's what the Outside-In Assessment is for.

For everyone else

Most owners we meet score in the middle. The gaps are fixable, and the time to fix them is before an acquirer is in the room. The last prepared owner we worked with moved from a 5x to an 8x multiple.

We carry the acquirer outreach, the data requests and the diligence load, so you keep running your practice. Our fees are published, and the Outside-In Assessment and up to twelve months of preparation fees credit back against the success fee.

Start with the Outside-In Assessment

An outside view of your practice the way an acquirer sees it: what the market says it is worth today, which numbers help you and which hurt you, and your realistic options, whether or not a transition is ever one of them. No obligation, and completely confidential.

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