



F

ARTICLE

# Breaking Down the FOCUS Sell-Side Process

Combining more than 40 years of M&A advisory experience, FOCUS Investment Banking drives results for middle market clients across eleven coverage groups. With over 50 professionals, FOCUS boasts a nationwide footprint and access to foreign markets through 36 global partnerships.



## OVERVIEW

# FOCUS Investment Banking is a leading sell-side advisor serving middle market companies.

Our clients are usually founder-owned businesses that work with us on their first sale transaction, often to a larger company or private equity-backed group. Our healthcare services clients (e.g., physician groups, dental practices, behavioral health) are highly sought after, and multiple buyers often bid competitively against one another to win the deal.

The healthcare team at FOCUS Investment Banking specializes in handling these competitive sell-side processes. Our extensive experience working opposite private equity acquirers tells us that a structured process is best. And we have refined our process over many repetitions to optimize the unique strengths of healthcare provider groups.

Here is a detailed look at our sell-side process, which typically takes 6 months to finish.

## Phase 1: In-depth Financial and Operational Prep

We begin the preparation phase with a deep dive into a practice's financial and operational components. On the financial side, we complete in-depth financial analysis (usually a full quality of earnings) that breaks down a practice's financial statements and rebuilds them on an adjusted accrual basis. This process allows us to present financial statements in the method nearly all buyers prefer, but more importantly, it allows us to capture the practice's maximum EBITDA (earnings before interest, taxes, depreciation and amortization), the key profitability metric used to value dental practices, physician practices, and behavioral health groups.

In calculating EBITDA, we search deeply for all the practice's profitability including non-recurring expenses, owner compensation and benefits, and important pro forma items (an example of which is a new provider who has not yet reached their full productivity. We present adjusted revenue and profitability at that provider's full potential when appropriate).

On the operational side, we dig deeply into the practice's history and growth potential. This allows us to tell a compelling story that shows durability along with concrete ways a buyer could continue to grow the practice post-acquisition. We also use this diligence to identify areas of potential buyer concern and formulate a plan to resolve or address them.

The result of our diligence is a financial databook and Confidential Information Memorandum ("CIM"), the marketing materials used with buyer groups during the next step in our process.



## Phase 2: Targeted Outreach to Strategic and Financial Buyers

Unlike many brokers, FOCUS Investment Banking markets sell-side opportunities only via direct outreach to pre-selected buyer groups. Rather than putting up a listing, we invest in expensive databases that, combined with our own tracking and buyer relationships, allow us to keep a very close eye on every investor group in the market. That allows us to ensure that the most qualified and aggressive buyers see our opportunities, and we follow up with them directly to gauge interest and answer their questions.

Confidential information, including our clients' identities, are only shared with buyers who sign non-disclosure agreements.

## Phase 3: Competitive Bidding Process to Drive Value

Once buyers have been engaged and receive our marketing materials, we move into Phase Three - our competitive bidding process. Each buyer must work along our timeline to review the opportunity and submit an offer by the deadline we set. Most processes have two rounds of offers. The first, called "Indications of Interest", is often in shorter form and used to narrow down the field of interested buyers. We invite top parties to submit a final offer or "Letter of Intent" during the second round.

Our team is constantly negotiating with the buyer pool throughout both offer rounds, while answering questions and providing buyers with supplemental information as needed. At the same time, we provide our clients with regular updates.

Once we receive final offers (Letters of Intent), we review them with our clients and often bring on an attorney to assist with negotiating a final letter of intent. Once signed, that chosen LOI becomes a non-binding engagement to get the deal closed. That means that while neither party is obligated to close the deal, they agree to work exclusively with one another toward getting it closed along a specified timeline (usually 90 days).

## Phase 4: Support through Diligence, Legal, and Close

The closing process begins with the buyer's diligence, where it confirms through data collection that what it believes about the seller is true. This diligence includes financial, legal, and operational components.

The FOCUS banking team supports the diligence process by answering questions, identifying appropriate parties to respond to information, coordinating communication, and resolving any issues that arise. The sellers' legal and accounting teams also play critical roles during this phase.

After the buyer's diligence is substantially complete, the deal moves to the legal phase. Here, the buyer provides transaction documents that are reviewed and negotiated by the seller's legal counsel. The FOCUS Investment Banking team works closely with legal counsel and the buyer to keep this process moving forward and resolve major issues.

Once the legal documents are complete and negotiated, it is time to close the deal. FOCUS supports and helps coordinate the many final steps to get a deal closed, including financial matters related to the transition.

## The Big Picture

Most clients are surprised at the complexity of sell-side transactions, and deals involving healthcare provider groups are particularly demanding. The key to a smooth process is working with experienced advisors who understand how to coordinate the many moving parts, keep things moving, and resolve core issues as they arise. The healthcare team at FOCUS takes pride in offering that level of service to all of our sell-side clients – including dental, physician, and other provider groups.

Whether you're just beginning to think about your options or you're ready to sell, the FOCUS healthcare team is here to help. Get in touch with [me](#) to start the conversation.

### ABOUT FOCUS INVESTMENT BANKING

FOCUS is a trusted middle market bank with a rich history, deep resources and proven results. We embrace a client-first philosophy centered on personalized service, deep industry expertise, and delivering results-driven solutions. Our integrated operations with [FOCUS Capital Partners](#) empower us to skillfully navigate the complexities of cross-border transactions, offering clients strategic advantages in an ever-evolving global marketplace.



**Eric Yetter**

Managing Director

[eric.yetter@focusbankers.com](mailto:eric.yetter@focusbankers.com)

615-477-4741

Eric Yetter is an investment banker focused on healthcare provider services. Mr. Yetter has completed a variety of healthcare transactions, many with private equity firms and PE-backed companies. His past clients include leading physician and dental groups, behavioral health companies, healthcare facilities, and institutional healthcare investors. Mr. Yetter also has healthcare operating and investing experience in physician services, ambulatory surgery centers, and behavioral health.