*A Tailored M&A and Advisory Service to the Australian SME Medical Sector*

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| *Scancorp Medical offers a unique advisory service tailored to the needs of the small to medium Australian medical sector.*  **Scancorp Medical Scope of Service**  Scancorp Medical assists business owners to:   1. Sell their business or prepare their business for an optimal future sale, 2. Acquire new businesses, 3. Manage mergers and roll-ups, and 4. Improve the performance of their business. | Scancorp Medical has the expertise to project manage these activities to ensure the business owner remains in control of their chosen process and maximum value is derived from it. This is particularly important in a sales process when multiple prospects are expressing interest.  **Scope of Industries Serviced**  Scancorp Medical is 100% focused on the medical and aged care sectors including:   * General practice medical centres * Specialist medical centres * Allied health practices * Privately owned hospitals * Aged care centres |

**The Requirement for Tailored Support**

Small to medium business owners within the Australian medical sector require specialist advisory support. Using the dynamics of the General Practice Medical Centres as an example:

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| * *The industry enjoys stable fundamentals:* $11B industry with stable growth 2.3% p.a1 * *The industry is highly fragmented:* with more than 36,000 businesses across Australia employing almost 80,000 staff * *The industry is experiencing accelerating consolidation:*    + Resulting from the need to generate efficiencies in administration and compliance   + In response to price pressure (some GP centres service as “loss leaders” in larger integrated centres)   + To achieve a greater diversification of services   + To generate higher throughputs * *SME owners are ageing:* the first “baby boomer” doctors turn 69 in 2015 and need support to exit their businesses * *Limited M&A/Advisory support is available for SME owners:*   + Due to fragmentation, the businesses are generally too small for tier-1 advisory firms, however   + Due to their complexity and potential value, they are too sophisticated for “traditional” brokers |

**Note 1:** IBISWorld General Practice Medical Services in Australia

Medical businesses across the sector, including specialist medical centres, allied health practices, privately owned hospitals and aged care centres share similar industry dynamics as those outlined above.

*Scancorp Medical’s Unique Services*

**Scancorp Medical’s Unique Positioning**

In response to the demands from the SME medical sector, Scancorp Medical provides a unique offering to assist with practice improvement through to mergers and acquisitions:

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| **Feature** | **Uniqueness** |
| **Credibility from track record** | * Scancorp enjoys a 30 year history in M&A and business sales * Scancorp operates under an Australian Financial Services License which provides clients and their advisers with greater confidence |
| **Medical industry expertise** | * Led by an experienced team which includes more than 30 years’ “C” level medical sector experience |
| **M&A and advisory expertise** | * $10B in combined transaction experience * Tier-1 level M&A and advisory experience * Highly disciplined approach to business sales |
| **Tailored tools and methodologies** | * Scancorp Medical has a proprietary suite of tools and methodologies tailored to the medical industry, including:   + Divestment Readiness Assessment (Medical),   + Market Value Assessment (Medical), and   + Medical Sector M&A Methodology |
| **Diversified offering (“one-size fits one”)** | * Scancorp Medical offers a range of advisory and M&A services including:   + Preparation and optimisation for sale   + Practice sale   + Practice acquisition and roll-ups   + Practice improvement |

**Scope of Services**

Scancorp Medical’s scope of services include:

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| **Feature** | **Uniqueness** |
| **Preparation for sale** | * Practice/Business valuation * Divestment Readiness Assessment * Assistance with preparation for exit |
| **Business sale** | * Partial or complete sale * Discrete sale |
| **Business acquisition** | * Assessment of and acquisition of practices |
| **Mergers and roll-ups** | * Mergers of multiple practices * Packaging of multiple practices for sale at a higher multiple |
| **Practice Improvement** | * Profit improvement (for retention) * Support to fulfil any recruitment requirements |

*Scancorp Medical Leadership Team*

**Scancorp Medical Leadership**

Scancorp Medical is led by an experienced team of professionals:

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| **Marcus Salouk**  *B Eng, MAppFin, GAICD, Ffinsia, CPEng, RPEQ, CPBB* | Salouk photo 1 compressed and cropped.jpg | * Over 25 years’ experience in management consulting, advisory and mergers and acquisitions. * Large scale transaction experience exceeding $500M. * Served as a Consulting Partner with a tier 1 international management consulting firm. |
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| **Associate Professor Stuart Schneider**  *CEP, BSc, DipEd, BEd, MHP, DipCorpDir, FACHSM, CHE* | C:\Users\Stuart\Pictures\Stuart fir Skype and Linked In.jpg | * Over 30 years’ executive health service management experience in rural/regional/ metropolitan areas across 3 States * CEO in health services ranging in size from $40M-$800M (includes 3 LHD’s) * Awarded ACHSM 2009 gold medal |
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| **Ian Knight**  *BBus, FCA, CPA, MAICD, AFAIM* | Ian Knight - photo_edited.jpg | * Over 35 years’ experience in corporate advisory, mergers and acquisitions. * Served as KPMG’s national head of Mergers and Acquisitions. * Lead advisor on over 150 transactions across 30+ industries with a combined value of over $5B, including rollups and IPOs. |

*Case Studies*

**Case Study #1: Divestment**

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| *Scope*   * Scancorp was mandated to manage the sale of a GP medical centre valued circa $1.0m   *Background*   * While substantial interest was generated from medical professionals after launch, initial offers were below our client's expectations * Scancorp sought to expand the target market to include financial investors as the centre could effectively be run under management * To expand the distribution process, Scancorp developed a proposal and indicative modelling to demonstrate the potential return to an investment syndicate * Scancorp identified the potential for a syndicate to acquire the centre as the first of several similarly branded centres | |
| *Scancorp Medical’s Process*   1. *Preparation of Information Memorandum* 2. *Preparation of anonymous marketing collateral* 3. *Managing marketing channels including print and web advertising* 4. *Developed modelling to support an investment syndicate* 5. *Communicating with targets to articulate the potential strategic and/or financial opportunity presented by the acquisition* 6. *Managed offer and acceptance* 7. *Worked with client's advisors to project manage due diligence* 8. *Supported the buyer and seller with regards the earn-out process* |  |
| *Outcomes*   * *The transaction successfully completed* * *As a result of Scancorp's proposed investment syndicate, substantially increased interest was generated* * *Within a month of the re-launch of the campaign, an offer was received from an investor, which was attractive to our client* * *Scancorp assisted its client with the finalisation of the earn-out* * *Scancorp maintained absolute discretion protecting clients and staff* | |

**Case Study #2: Advisory**

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| *Scope*   * Medical Specialist required a comprehensive Exit Plan for his Specialist Medical Centre valued circa $4m   *Background*   * Accounting firm requested advisor to prepare a comprehensive Exit Plan for Medical Specialist Client with 3 to 5 year exit * Specialist owned and operated the high cost capital equipment centre: 4.00 FTE specialists employed + owner * The Centre is located in a very wealthy suburb of a major city in Australia * Owner’s clinical skills, reputation and energy (beginning to tire) drives the business with part time business advisor | |
| *Scancorp Medical’s Process*   1. *Undertaking of Divestment Readiness Assessment (DRA)* 2. *Option 1 move direct to sale –refer Case Study 1: divestment* 3. *Option 2 prepare comprehensive Exit Plan* 4. *6 Elements: corporate governance; services; facilities; business metrics; clinical governance and culture* 5. *Communicating with owners and other business advisors (accountant, financial advisor, banker and lawyer) to adopt the Exit Plan* 6. *Work with client’s advisors to project manage the comprehensive Exit Plan’s implementation* 7. *Divestment-work with client's advisors to project manage due diligence* 8. *Complete divestment process* | *Scancorp's 5 Pillars of Sellability* |
| *Outcomes*   * *Comprehensive Exit Plan with 57 recommendations successfully completed including:* * *increasing current facilities utilisation rate from 25% to 80% through; expansion of existing products and services, identification of new products and services, specialist medical recruitment and marketing* * *additional recommendations relating to corporate and clinical governance, facilities, business metrics and organisational culture* * *Owner, business advisor and accounting firm are implementing the Plan in its entirety* * *When all recommendations implemented Specialist Medical Centre value projected to exceed $8m i.e. 100% growth and 10x return on investment* * *Scancorp maintained absolute discretion through the process* | |

**Case Study #3: Acquisition/Roll-up**

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| *Scope*   * GP centre roll-up   *Background*   * Scancorp identified an entrepreneurial young practice that was struggling to fund growth and to establish a better work life balance. * Opportunity was identified for the aggregation of 3 additional mid-size GP Practices into a single Medical Centre. | |
| *Scancorp Medical’s Process*   1. *Scancorp undertook the assessment of the financial performance, the feasibility of the roll-up from both a financial perspective and an assessment of the culture mix of the parties.* 2. *Scancorp approached a number of other GP practices in the area to determine the level of interest.* 3. *Culture fit was very important in the determination of the best parties to bring together, albeit the age group and desired outcomes, whilst complementary were not identical.* 4. *Scancorp determined the ownership split between the parties and mediated between the group to achieve a positive outcome.* 5. *Scancorp assisted in negotiating a Shareholder's Agreement between the parties and a Practice Charter.* |  |
| *Outcomes*   * *Significant back office savings with single practice manager servicing 12 doctors.* * *Better spread of weekend work and locum services – less rostered after-hours.* * *Founding doctors of roll-up own the new purpose built Medical Centre building (which was built subsequently).* * *Introduction of a dedicated pathology suite within the Medical Centre.* * *Introduction of Dieticians, Diabetic Counsellors, Clinical Psychologists (MBS funded) etc. to supplement incomes.* * *Reduced focus of patient (over time) to individual doctors and increased clinical team focus allowing better leverage and allow doctors who can win new patients to focus on growing the practice.* * *Ability to introduce a planned succession program with new doctors.* * *Ability to introduce a leveraged model with employed doctors.* | |

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