



Optometry Practices

NAICS: 621320

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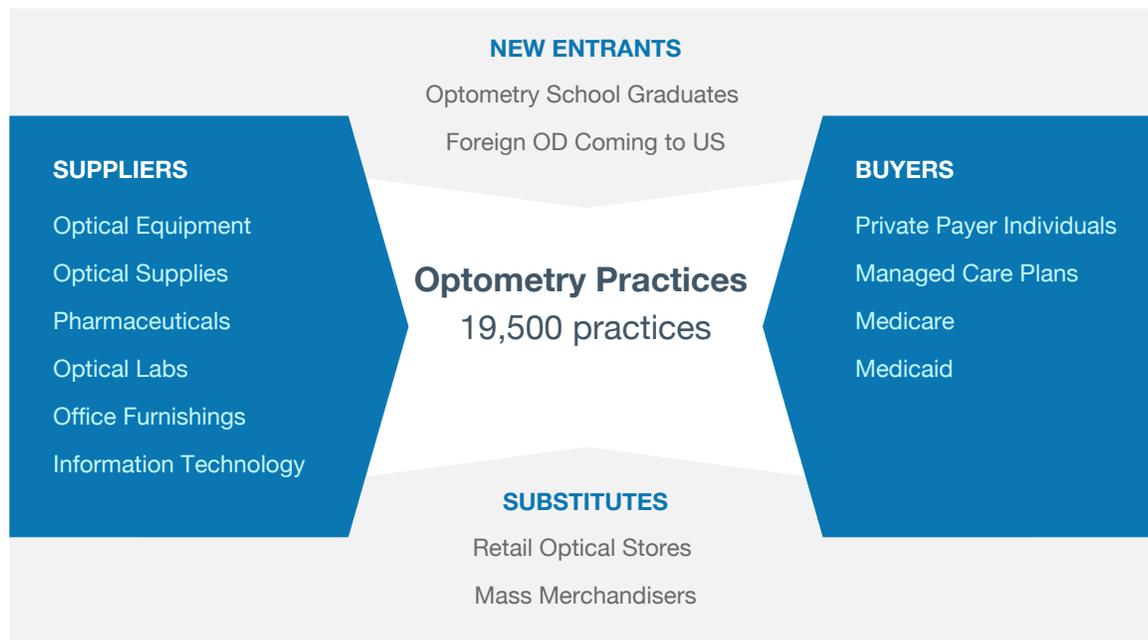
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Coronavirus Update

Feb 14, 2022 -- New COVID-19 Cases Decrease

- Demand recovery in the optometry sector may accelerate if the number of new COVID-19 cases continues decreasing. The US was averaging roughly 240,000 new cases per day on February 10, a 61% drop over the prior two weeks. Deaths were still rising in early February, but those increases are slowing down considerably, a sign that they may soon begin to decline. Experts note that the American population has different vaccination rates, levels of previous exposure to the virus, and degrees of underlying health conditions, so the trajectory of new cases could vary.
- Home confinement during the coronavirus pandemic appears to be associated with an increase in myopia prevalence in younger school-aged children, according to data published in JAMA Ophthalmology magazine. School closures and a shift to more online courses meant that millions of children spent large portions of their days working at computers instead of being outside. These are considered to be contributing factors to the increase. Children ages 6 years to 8 years had the highest prevalence of myopia, with only minimal shifts in the 9- to 13-year-olds.
- A 2021 research review details how lockdown strategies may have led to an increase in what the authors call “quarantine dry eye.” The authors point to more screen time, disruption of nutritious eating habits, and irregular sleep patterns as reasons for more cases of dry eye disease. They cite previous research which found that indoor air quality contributes to dry eye. Air conditioning increases airflow over your eyes. When combined with work in front of screens, it adds to tear evaporation. Chronic dry eye is a potentially serious condition that can result in eye discomfort and vision problems, according to the National Eye Institute.
- Small-business owners who received taxpayer-subsidized Paycheck Protection Program (PPP) loans of \$150,000 or less during the coronavirus pandemic can seek forgiveness directly with the government through an online portal that was opened on August 4, allowing them to sidestep the private financial institutions that ran most aspects of the program for 14 months.
- Many health experts are concerned that increasing use of computers and similar devices during the coronavirus pandemic is leading to more cases of what has been called computer vision syndrome. Computer vision syndrome, also referred to as digital eye strain, describes a group of eye- and vision-related problems that result from prolonged computer, tablet, e-reader and cell phone use. The average American worker spends seven hours a day on the computer either in the office or working from home, according to the American Optometric Association. Although there are no in-depth studies on this subject, an article in BMJ Journals quotes a survey of 10,000 people which found that nearly 65% of the population that uses computers or other screens suffer from digital eye strain, and that it affects women, in particular.
- Many optometry practices turned to telehealth after the American Optometric Association advised optometrists to postpone all routine eye care visits on March 19, 2020. Policymakers and insurers across the country say that they are eliminating copayments, deductibles, and other barriers to telemedicine, but the process hasn't always been smooth. Industry experts say that many insurers have waived copays and other telehealth cost sharing for in-network doctors only.
- Experts note that carriers promoting telehealth have little power to change telemedicine benefits for self-insured employers whose claims they process. Blue Cross Blue Shield, Aetna, Cigna, and UnitedHealthcare, four of the largest insurance companies, say that improved telehealth benefits don't necessarily apply to self-insured employers. Neither governors nor state insurance regulators can force self-insurance plans, which are regulated federally, to upgrade telehealth coverage.

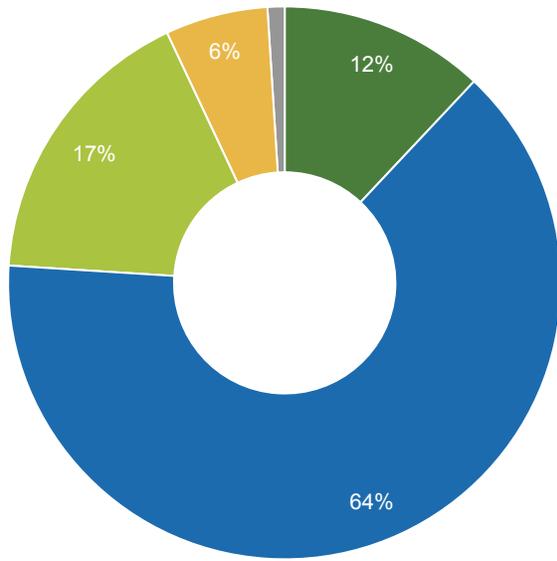
Industry Structure



The average optometry practice has a single location, 6-7 employees, and about \$866,000 in annual revenue.

- On an annual basis, the typical optometry practice logs 2,500-3,500 patient visits per optometrist.
- There are about 19,500 optometry practices in the US with \$17 billion in revenue.
- About 81% of optometry practices have less than 10 employees.
- There are about 36,690 optometrists in the US - a majority work in private optometry practices. The rest work for ophthalmologists, retail optical chains, hospitals, HMOs, or the military.

Industry Demographics



- Corporations (12.0%)
- S-Corporations (64.0%)
- Individual Proprietorships (17.0%)
- Partnerships (6.0%)
- Non-profit/Other (1.0%)

Source: US Census Bureau



Female Owned

30.0%



Minority Owned

21.0%



Veteran Owned

9.8%

Source: Census Bureau

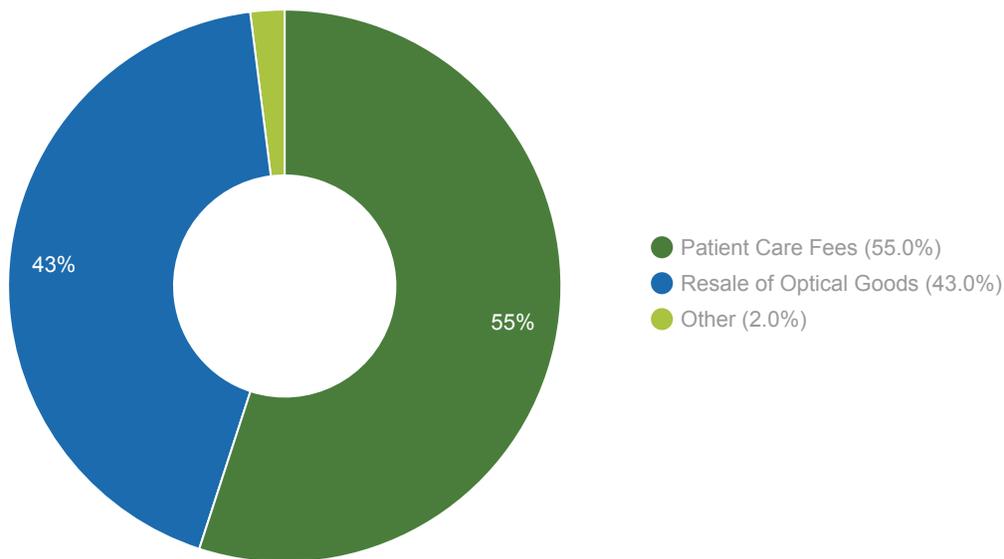
How Firms Operate

Products and Operations

Optometrists are the main providers of vision care. They examine patients' eyes to diagnose vision problems, prescribe eyeglasses or contact lenses, provide vision therapy treatments, prescribe medications, and test for glaucoma and other eye diseases.

- About 55% of optometrist revenue comes from professional fees for patient care, which includes exams and treatment for problems and illnesses.
- The sale of eyeglasses and contact lenses, known as “dispensing revenue,” accounts for over 40% of overall revenue by optometry practices. According to the American Optometric Association (AOA), about half of optometrists' dispensing revenue comes from frames and lenses, and a quarter comes from contact lenses. The remainder includes add-ons, such as anti-reflective lens treatments and polarized lenses.
- Optometrists may be part of an “eye care practice” that includes ophthalmologists and opticians. Ophthalmologists are medical doctors who can perform eye surgeries, including LASIK procedures. Opticians are professionals trained in making and dispensing eyeglasses – they are not medical doctors and do not perform medical tests or treatments.

Optometry Practices Revenue



Source: US Census Bureau

A typical optometry practice will have a patient reception and waiting area, 3-4 patient exam rooms (also called “refraction rooms”), 1-2 data collection rooms, an optical dispensing area, an office area for billing and administration, storage areas, and restrooms. Practices may also have a contact lens training area, a lab, offices for the optometrist and technicians, and a break room for staff. The combination of a data collection room for preliminary tests and a patient exam room is also referred to as an “exam lane.”

An average patient visit, consisting of a complete eye exam and purchase of eyeglasses with new frames or fitting for new contacts, lasts 60-75 minutes, with about a third of the time spent with the OD. The remaining time is spent with an optometric technician or assistant (who runs preliminary tests on the patient or teaches them to use contact lenses), or with an optical assistant (who helps them with eyeglasses). Practices strive to keep waiting and exam times under 45 minutes so patients will have time to purchase eyeglasses or lenses.

The optical dispensing area contains the display for eyeglass frames, usually referred to as the “frame board.” Determining how much frame inventory to carry is a challenge for optometry practices, since frames are a fashion item and come in a wide variety of styles designed for men, women, and children. Offering a wide selection of frames is critical to capturing dispensing sales, but must be

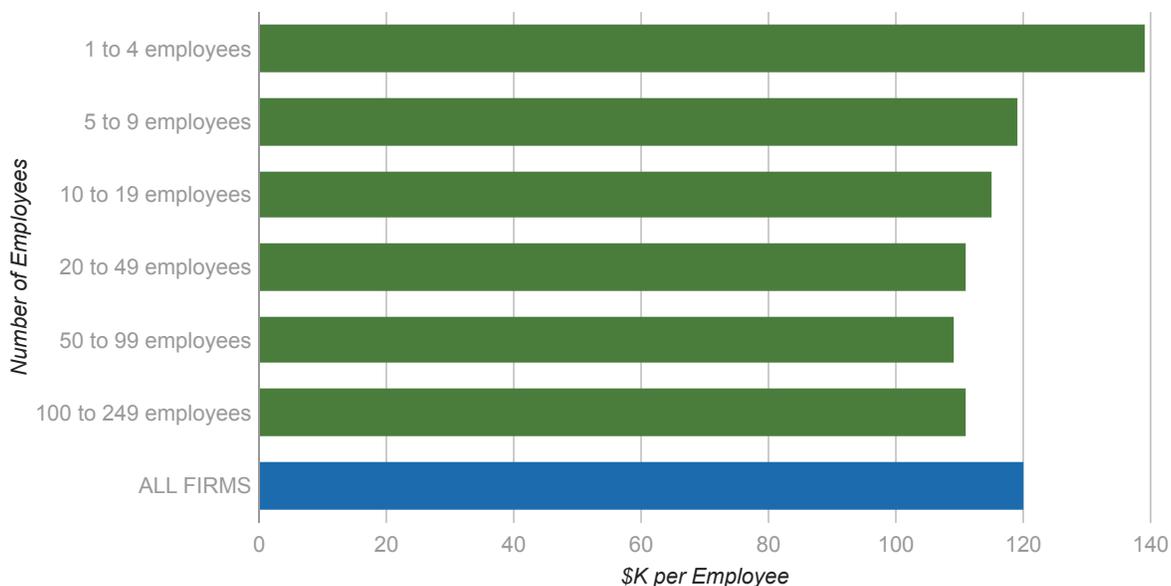
balanced against the cost of carrying higher inventory levels. On average, inventory turn about 28 times per year.

Optometrists usually work with an outside optical lab to create lenses matching the patient's prescription. Lens creation involves finishing and edging to match the lens with the shape of the frame. About a third of optometry practices perform some finishing and edging in-house and new equipment is making it more cost-effective to do so. Optometry practices can typically save 40% of the cost of lenses by finishing in-house. Full reimbursement from managed care plans for in-house finishing may cause more practices to adopt it.

Salaries for ophthalmic medical technicians average \$33,700. Other staff in an optometry office can include receptionists, billing and insurance specialists, and business managers. In small practices, these roles are often combined. Larger practices may also have one or more opticians on staff to run the optical dispensing area.

On an annual basis, the typical optometry practice logs 2,500-3,500 patient visits per optometrist. Traditionally, optometry practices have relied on word-of-mouth referrals from patients, Yellow Pages advertising, and referrals from other doctors as the primary sources for new patients. With increased competition, these methods are now being supplemented with online advertising, email marketing, direct mail, and advertising in local newspapers, magazines, movie theaters, and TV.

Revenue per Employee by Firm Size



Source: US Census Bureau

Profit Drivers

Increasing Patient Exams Per OD Hour

Making effective use of the OD's time is the key to seeing more patients, so practices delegate patient prep and education to optometric technicians and assistants. Average exams per OD hour ranges from 0.78 for solo practices with less than \$750,000 in revenue to 1.48 for solo practices with over \$750,000 in revenue. Best practices achieve 2 or higher exams per OD hour.

Increasing Revenue Per Patient Exam

Average revenue per patient exam ranges from \$200 to \$500. The most successful practices have adopted a "medical model" focused on treating eye problems and diseases, such as glaucoma, dry eye, low vision and other problems, rather than just prescribing spectacles. By providing treatments for these problems as well as vision therapy, practices can increase their revenue per exam.

Increasing Spectacle Prescriptions Per Patient Exam

Optical dispensing accounts for 40% of practice revenues, so it's important that patient exams yield prescriptions for eyeglasses or

contact lenses. On average, about 60% of patient exams result in a spectacle prescription.

Increasing Exams Per Active Patient

Practices can only be efficient if they have sufficient demand to fully use their staff and facility to capacity. By increasing the average number of exams per active patient, they can increase both demand and their revenue per patient. Averages for exams per active patient range from 0.22 to 0.76 and practices can increase the average by expanding treatments offered, effective marketing, and proactive scheduling of annual eye exams. Start-up optometry practices usually generate negative cash flow for 1-3 years and can cost between \$250,000 and \$400,000 to launch. As a result, only about 15% of new practices are formed by new OD graduates. Most new ODs work for several years to pay off student debt, either as an associate OD for an optometrist or ophthalmologist, or as an affiliate with a retail optical chain.

Industry Trends

Trends are affected by the COVID-19 pandemic.

Changes in revenue, employment, business practices, trade and forecasts are occurring rapidly and data reporting by the government lags the changes. We are tracking changes in the “Coronavirus Update” chapter.

Growth In Eye Care Demand

As the US population ages, demand for eye care services should see steady growth. The onset of vision problems that occur at older ages, such as cataracts, glaucoma, and macular degeneration, will require additional services from optometrists and ophthalmologists. In addition, rising rates of diabetes and hypertension among the general population will create eyesight problems that require treatment. Employment of optometrists is expected to grow 4.3% between 2019 and 2029, comparable to the average for all occupations.

Greater Use Of Optometric Assistants

To meet rising demand, optometry practices are expected to increase the use of optometric assistants, also known as paraoptometrics, to perform routine clinical duties and allow optometrists to see more patients per day. Optometric assistants instruct patients on contact lens use and care, conduct preliminary tests on patients, and provide chair-side assistance to the optometrist. Employment of ophthalmic medical assistants is expected to increase 14.2% from 2019 to 2029, making it one of the fastest growing US occupations.

Expanded Role For Optometrists

Another response to rising eye care demand is allowing optometrists to perform treatments previously restricted to ophthalmologists. Since there are over twice as many optometrists as ophthalmologists in the US, some states are expanding the services that optometrists can deliver. These services include minor surgical procedures on eyes and eyelids and some treatments for glaucoma. Ophthalmologists are fighting such changes to the role of optometrists, citing concerns over patient safety.

Comprehensive Eye Care Practices

Optometry practices and ophthalmology practices have long had referral relationships with each other, but are increasingly combining to form a comprehensive eye care practice. Combined practices gain leverage in marketing and administrative functions, such as billing and coding insurance claims. Patients like the convenience of “one-stop shopping” for all their eye care needs. However, optometrists may feel like “second class citizens” when working with ophthalmologists, since they are restricted from providing certain treatments.

More Female Optometrists

The demographics of optometry are changing rapidly as more women enter the profession. Optometry has traditionally been dominated by men – over 60% of optometrists practicing in 2012 were men. However, about half of new practices are being formed by women. In 2020-2021, women accounted for 68.5% of the graduates from US schools of optometry. More male optometrists are retiring, and now about 45% of practicing optometrists are female, according to Women in Optometry.

Marketing Via The Internet

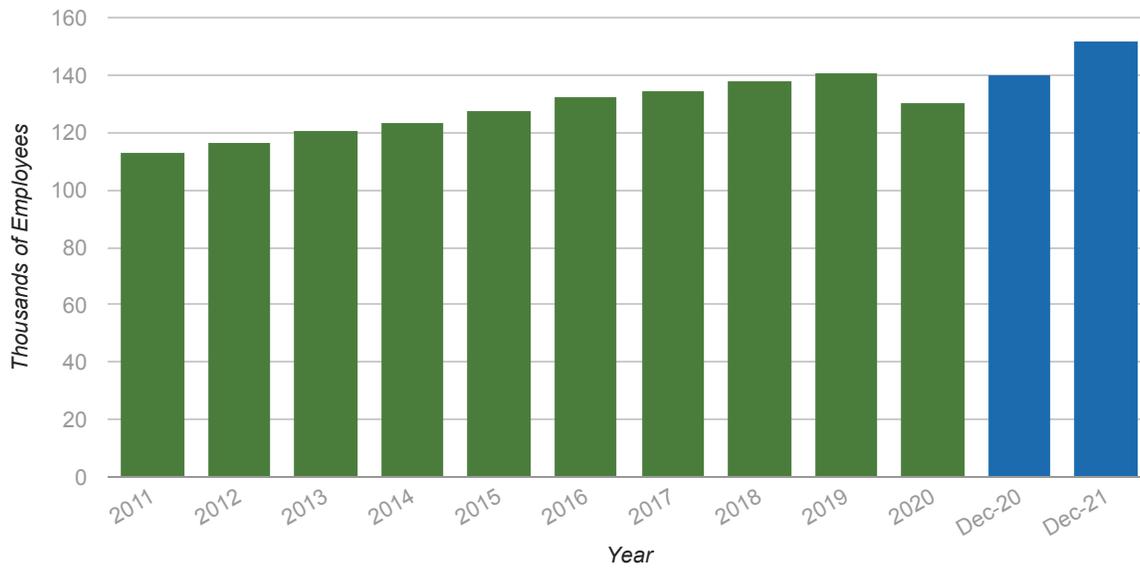
Optometrists are using the Internet in their marketing activities. Most optometrists have a web site for their practice and are taking steps to assure search optimization for their site. Optometrists are also using social media, such as Facebook, LinkedIn, and Twitter, to communicate with their patients.

Employment and Wage Trends

Employment by optometry practices increases

Overall employment by optometry practices changed 8.2% in December compared to a year ago, according to the latest data from the

Optometry Practices Employment

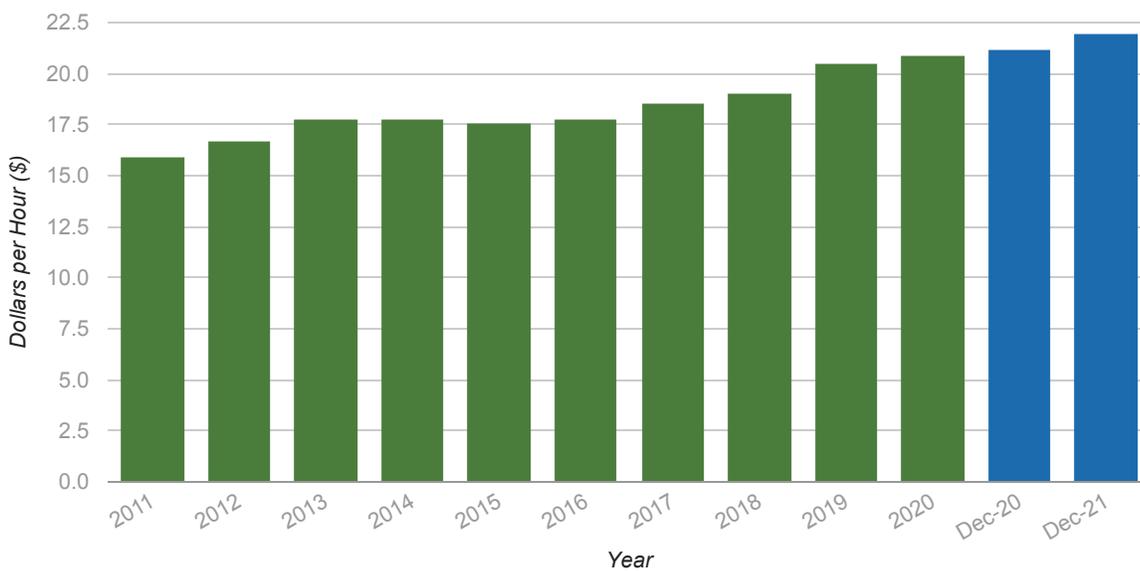


Source: Bureau of Labor Statistics

Wages at optometry practices rise

Average wages for nonsupervisory employees at optometry practices were \$21.90 per hour in December, a 3.6% change compared to a year ago.

Average Wages for Nonsupervisory Employees



Source: Bureau of Labor Statistics

Credit Underwriting and Risks



Business Exit Rates:	4.0	Lower than US average for all businesses
Cyclical Sensitivity:	4.0	Low sensitivity
Barriers to Entry:	3.3	Moderate initial capital; high regulatory/technical barriers; very low concentration
External Risk:	3.5	Low external risk
Industry Outlook:	3.4	Higher than GDP; low cyclical risk
Financial Summary:	4.6	High margins; moderate liquidity; moderate leverage

Key Metrics

METRIC	VALUE	COMPARISON
Performance During 2007–2009 Recession	10.1%	0.0% GDP
Business Exit Rate 2019–2020	7.52%	9.0% All Industries
Compound Annual Growth Forecast (2020–2025)	7.79%	6.1% GDP
SBA 7(a) Default Rate by Number of Loans (2010–2019)	1.36%	3.82% All Industries
SBA 7(a) Default Rate by Gross Loan Amount (2010–2019)	0.31%	1.21% All Industries

Underwriting Considerations

- Lines of Credit to support working capital and equipment notes are typical. How does the company typically finance new equipment?
- Any plans for office improvements that require financing?
- How much of revenues comes from coverage plans and how much from individuals? Does the company have insurance reimbursement issues?

Industry Risks

Staffing Shortage Persists

Demand for optometrists and optometric techs is expected to exceed the available supply in the coming years. The 20 schools of optometry in the US produce only about 1,500 to 1,700 graduates each year - not enough to keep pace with demand growth. In addition, the American Optometric Association estimates that nearly one-quarter of practicing optometrists are approaching retirement age. Optometric technicians are already in short supply and competition for qualified staff has increased. Average wages for non-supervisory employees in optometrist offices rose 39% between 2010 and 2020.

Reimbursement Issues Affect Profit

Since about 55% of their revenue comes from managed care and vision plans, changing reimbursement rates and rules creates challenges for optometry practices. Some plans require optometrists to provide goods and services at fees that severely reduce or eliminate their potential profit. Billing and coding for reimbursements from multiple managed care plans is complex and can require a dedicated insurance expert on staff, which small practices may not be able to afford. As practices expand into provision of additional medical treatments, they must also be prepared to navigate reimbursement rules for medical insurance plans.

Competition From Retail Chains

Independent optometry practices face competition from large retail optical chains, as well as mass merchandisers offering optical services. Retail optical chains, such as Lenscrafters, focus on selling eyeglasses and contact lenses, but also offer vision care services. They franchise or sublease the vision care side of their store to optometrists, which can be an attractive way for recent graduates to start out. Mass merchandisers, such as Walmart, also offer vision care services through contracts with independent optometrists. Independent optometry practices have difficulty matching the marketing spending and low prices of these large chains.

Competition From Online Suppliers

Consumers now have the option of purchasing prescription eyeglasses and contact lenses online from multiple sources. Since dispensing glasses and contacts accounts for over 40% of overall revenue for optometrists, online competition puts a large portion of optometric businesses at risk. Competition comes from Internet-only suppliers with low overhead, as well as online sales by large retail optical chains.

Company Risks

Management Skills

Optometrists usually lack formal business training and may face challenges managing the financial and people aspects of their practices. Surveys show that a majority of ODs do an inadequate job of budgeting and monitoring practice performance. As revenues increase and staff is added, practices may outgrow the management skills of the owner. An inability to delegate responsibility to others can limit the growth potential of the practice.

High Turnover

Increasing competition for qualified staff can lead to high turnover at poorly managed optometry practices. Dissatisfied staff can easily find jobs elsewhere, particularly during good economic periods. Besides hurting morale and patient satisfaction, high turnover costs the practice due to additional recruiting and hiring fees.

Outdated Technology

Optometry practices that cut costs by skimping on technology investments may fall behind competitors who have obtained the latest equipment and information systems. Optometric equipment continues to evolve and additional equipment may be needed to take advantage of new treatment opportunities.

Unclear Exit Strategy

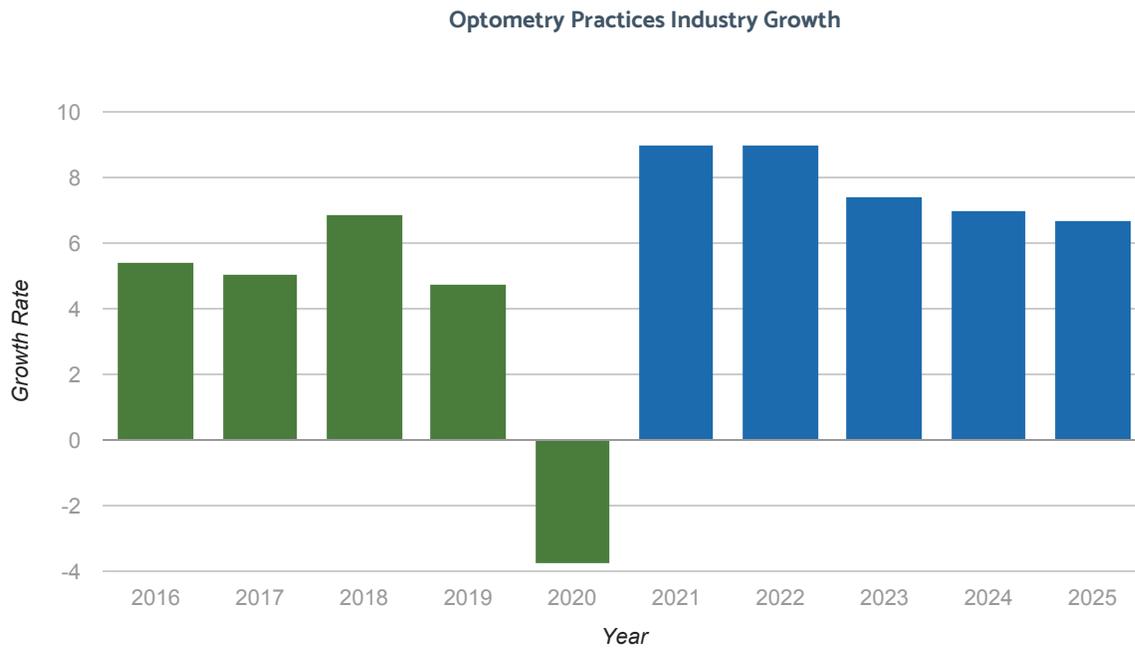
With nearly one-quarter of practicing optometrists approaching retirement age, many practices will begin transitioning to new owners. However, many practices lack a clear transition strategy, and owners may have unrealistic expectations for the value of the practice. The old valuation rule was "100% of gross revenue," but competition from retail optical chains and uncertainty about the impacts of healthcare reform have reduced valuations for optometry practices to 50-70% of gross revenue. Sale of a practice can create opportunities to sell retirement planning services and provide financing for the acquisition to the new owner. Financing a practice purchase requires review of several years of revenue to determine a proper valuation and assess any decline in revenue or patients.

Industry Forecast

Sales for the US optometry practices industry are forecast to grow at a 7.79% compounded annual rate from 2020 to 2025, greater than the growth of the overall economy.

Vertical IQ forecasts are based on the Inforum inter-industry economic model of the US economy. Inforum forecasts were prepared by the Interindustry Economic Research Fund, Inc.

Last Update: August 2021



Source: Interindustry Economic Research Fund, Inc.

Working Capital

Sell and invoice

Traditionally, optometrists relied primarily on sales of eyeglasses and contact lenses to generate revenue, and this "dispensing revenue" accounts for over 40% of practice revenue. With increased competition for eyeglasses and contacts, many practices have adopted a "medical model" focused on treating eye diseases and problems. Some are developing specialties in areas such as low vision, sports vision, and vision therapy.

About 35% of billing revenue comes from private or government insurance and 33% is from managed care plans for vision services, such as EyeMed or VSP, which pays for an annual vision exam and prescription lenses and an allowance for frames and contact lenses. The remainder of billing revenue is direct patient payments. Patients are responsible for any co-pays and for costs above the allowance and asked to pay at the time of treatment. Treatments for eye disease may be covered under the patient's medical insurance. Practices are usually a member of the managed care plan's "panel" (network) and submit claims to the plan(s) for reimbursement.

48% of other health practitioners said they go to their accountant or bookkeeper for cash flow advice, while 9% turn to their banker, 11% turn to an industry partner, and 52% do not seek advice, according to a survey of small businesses by Barlow Research Associates.

Source: Barlow Research Associates.

Collect

Since patients are asked to pay at the time of treatment, collection periods average about 11 to 15 days. For a typical practice, patient responsibilities for co-pays and deductibles can total as much as \$1,000 per day. Patients usually pay by check or credit card; many practices offer financing through a third-party financing company for patients who have difficulty paying their out-of-pocket costs. Reimbursement rules from multiple insurance companies are complex and can result in disputes that delay payment.

Manage Cash

An average optometry practice will generate about \$72,000 per month in revenue. Established optometry practices typically generate sufficient cash flow to meet monthly expenses. Start-up practices take 1-3 years to become profitable, so significant equity is needed and new practices may rely on financing to meet cash needs. Start-up lending can be risky due to a lack of sufficient collateral and banks often require a guarantee from the Small Business Administration for loans.

Pay

Salaries for doctors and staff are the biggest expense and averages about 20-22% of revenue. Rent averages about 4%. Other costs include inventories of frames and contact lenses, optical lab fees, and lease payments for instruments and information systems.

Report

Most practices have practice management software that provides reports on operations and finances. Common metrics include the number of active patients, patient exams per OD hour, revenue per exam, revenue per active patient, spectacle prescriptions per exam, and dispensing revenue. After-tax net profit averages about 11-12% of revenue.

Cash Management Challenges

Insurance Claims

Optometry practices gain additional patients by joining insurance plans, but delays in reimbursements can create cash flow problems. Billing codes and rules vary from plan to plan and incorrect coding can delay or reduce the size of reimbursements. Small practices may not be able to afford a billing specialist and may outsource the entire billing process.

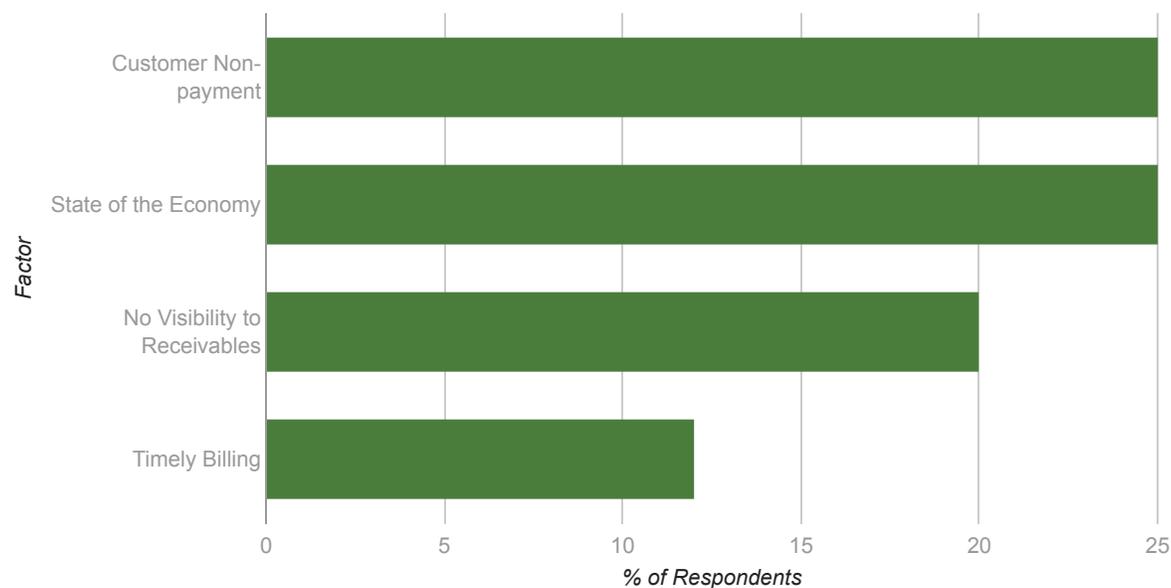
Start-up Funding

Starting a new optometry practice costs \$250,000 to \$400,000 (assuming leasing the facility); it takes 1-3 years to achieve profitability. Start-up practices require significant equity and a solid business plan to obtain financing to carry them until they achieve positive cash flow.

Frame Inventory Costs

To capture dispensing revenue, practices must offer a wide selection of eyeglass frames, but this inventory can be expensive. A typical frame with a retail value of \$200 will cost the practice about \$40, so an inventory of 500 to 1,000 frames will cost \$20,000 to \$40,000. Since patients consider frames to be a fashion item, style preferences can change quickly. Practices must carefully track frame sales to determine optimum inventory levels and regularly replace unsold styles.

Factors Causing Cash Flow Stress: Other Health Practitioners



Source: Barlow Research Associates

Capital Financing

Optometry practices require specialized equipment to diagnose and treat patients, making it expensive to start a new practice. Besides equipment, practices also make capital investments in office fixtures and furniture, information systems, and may choose to own, rather than lease, their office space.

Start-up costs for an optometry practice run from \$250,000 to \$400,000. Much of this expense is for optical instruments and outfitting the office space, including exam rooms, reception and waiting area, and optical dispensary. Basic optical instruments required to diagnose and correct vision problems include lensometers, phoropters, and slit lamps. Other instruments help in diagnosing and treating eye diseases, such as tonometers which are used for glaucoma detection.

Creating an inviting office environment and attractive optical dispensary is important for patient retention and dispensary sales, so practices invest in furnishings and fixtures upfront and may invest in remodeling older offices. Studies have shown that remodeling an optometry office can increase revenue by up to 15%.

Office rent averages about 4% of revenue for optometry practices. Practices in strip malls or other high traffic locations are typically able to only lease their space, while practices in medical office complexes or their own building may choose to own. Owning real estate generally requires a 15-20 year time frame to pay back through debt reduction and potential appreciation.

Most practices use practice management software for patient scheduling, billing, and accounting. More practices are implementing electronic medical records (EMR) systems to capture and track patient test data and treatments. Optical instruments are networkable and allow direct capture of digital images in EMR systems.

Practices lease or finance purchases of optical instruments, allowing them to match the monthly cost with the additional revenue generated by the instrument. Loans of 5-7 years from banks, third-party lenders, or instrument suppliers are typically used to finance instrument purchases. Computer hardware and software is typically leased, since it has a shorter useful life and requires regular upgrades.

Examples of Equipment Purchases



Lensometer

\$1,000 - 2,000

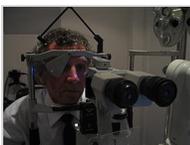
Instrument that reads a prescription directly from a pair of glasses.



Phoropter

\$4,000

Mask-like instrument that determines the refractive state of the eye (amount of vision correction needed).



Tonometer and Slit Lamp (Biomicroscope)

\$1,200 - 6,000

Instrument that measures the interior (intraocular) pressure of the eye (glaucoma detection). Attaches to slit lamp used to examine the external eye for abnormalities.



Patient Exam Chair and Stand

\$7,000 - 8,000

Reclining chair for patient exams with full power controls.



Autorefractor

\$6,000

Instrument that determines nearsightedness, farsightedness, and astigmatism.



Automated Visual Fields

\$18,000

Instrument that assesses peripheral and central vision disorders.



Digital Retinal Fundus Camera

\$20,000

Low-power microscope with an attached digital camera that takes digital images of the fundus (interior surface of the eye).



OCT (Optical Coherence Tomography)

\$55,000

“Optical ultrasound” that creates cross-sectional images of the fundus.



Finishing System

\$35,000

Instrument that cuts (edges) eyeglass lenses to fit frames.

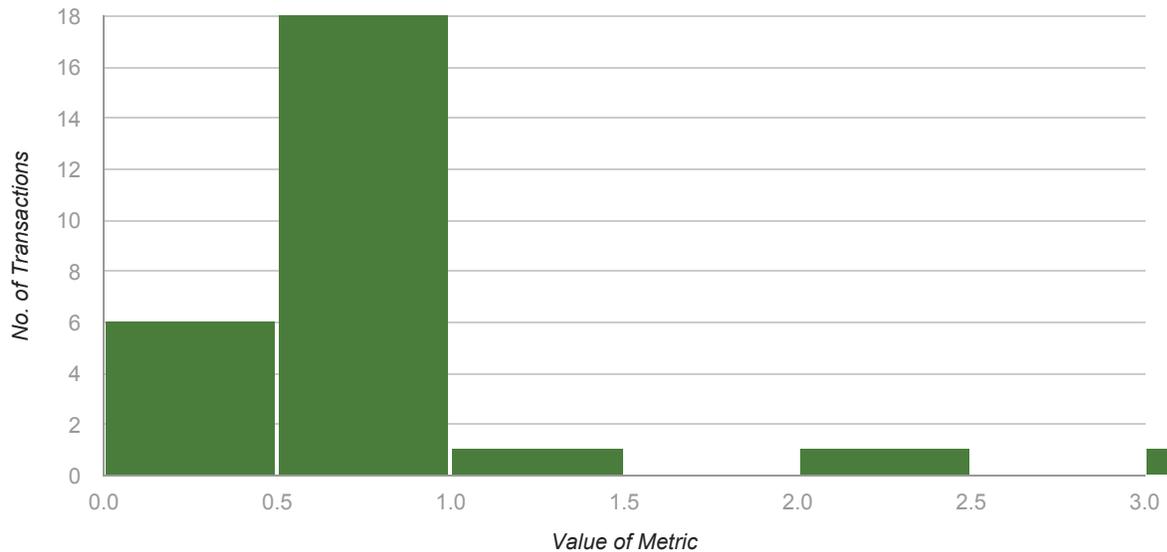
Business Valuation

This data on business valuations is supplied by DealStats, an online database with the most complete financial details on nearly 36,000 acquired companies. These companies are mostly small and medium-sized private firms.

Summary Valuation Data for Optometry Practices

	MEDIAN	MEAN	# TRANSACTIONS	DATES
Price to Net Sales	0.6	1.05	27	03/15/1992–07/31/2020
Price to Gross Profits	0.84	1.07	26	03/15/1992–07/31/2020
Price to EBITDA	4.75	8.92	21	03/15/1992–07/31/2020
Price to EBIT	4.57	6.57	22	03/15/1992–07/31/2020

Click on the metric below to see a distribution of transactions for the industry:



Source: DealStats

Count: 27

Min: 0.19

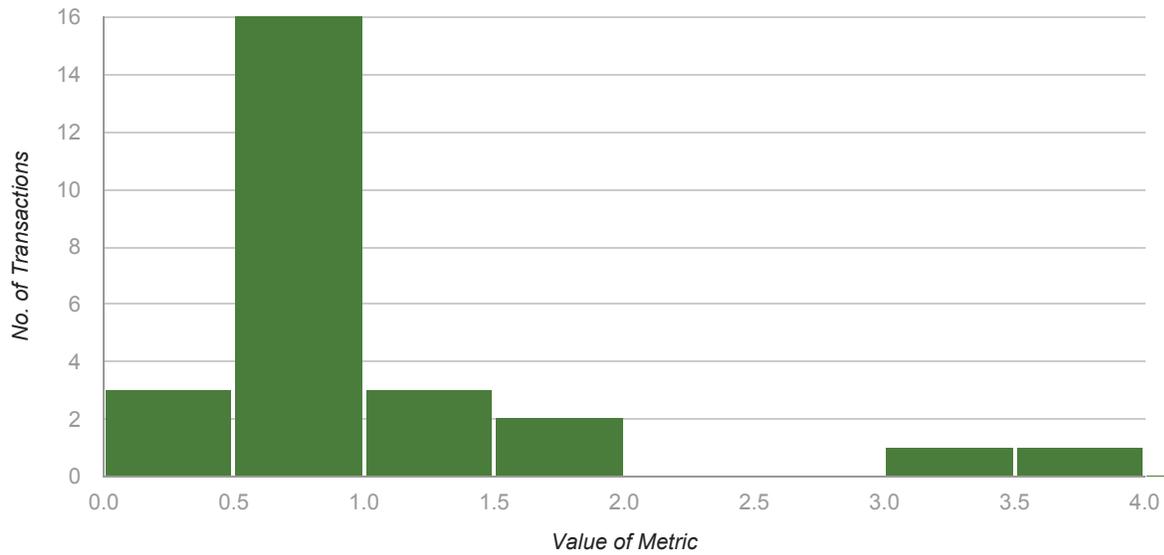
Max: 10.86

Mean: 1.05

Median: 0.6

Price to Sales = Selling Price/Net Sales

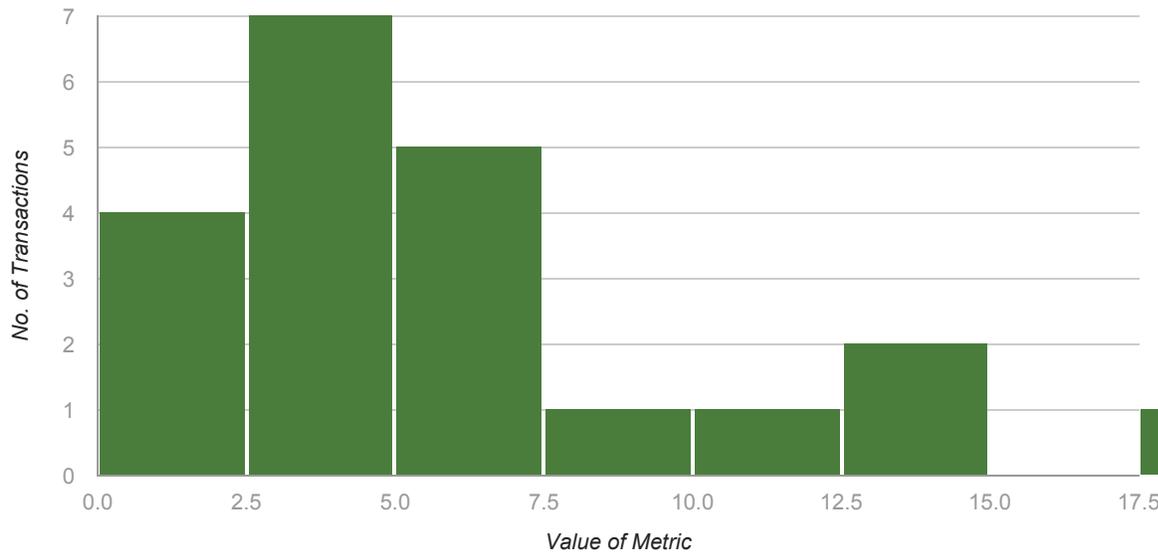
Date range: 03/15/1992 - 07/31/2020



Source: DealStats

Count: 26 **Min:** 0.28 **Max:** 3.86 **Mean:** 1.07 **Median:** 0.84

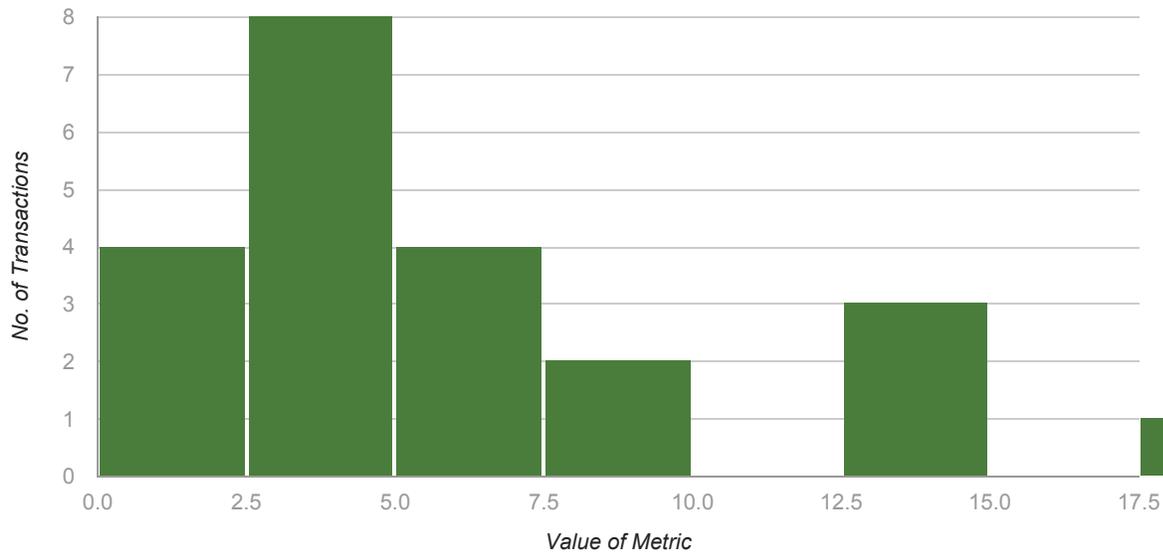
Price to Gross Profit = Selling Price/Gross Profit
Date range: 03/15/1992 - 07/31/2020



Source: DealStats

Count: 21 **Min:** 1.01 **Max:** 79.72 **Mean:** 8.92 **Median:** 4.75

Price to EBITDA = Selling Price/Operating Profit + Depreciation & Amortization
Date range: 03/15/1992 - 07/31/2020



Source: DealStats

Count: 22

Min: 1.04

Max: 28.89

Mean: 6.57

Median: 4.57

Price to EBIT = Selling Price/Operating Profit

Date range: 03/15/1992 - 07/31/2020

Selling Price, also known as MVIC (Market Value of Invested Capital) is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer. The MVIC price includes the noncomplete value and the assumption of interest-bearing liabilities and excludes (1) the real estate value and (2) any earnouts (because they have not yet been earned, and they may not be earned) and (3) the employment/consulting agreement values. In an Asset Sale, the assumption is that all or substantially all operating assets are transferred in the sale. In an Asset Sale, the MVIC may or may not include all current assets, non-current assets and current liabilities (liabilities are typically not transferred in an asset sale).

Source: DealStats 2019 (Portland, OR; Business Valuation Resources LLC). Used with permission. DealStats is available at <https://www.bvresources.com/learn/dealstats>

Financial Benchmarks

The following financial benchmark data is based on annual financial statements submitted by member institutions of the Risk Management Association from Q2 of the first year listed through Q1 of the following year.

Financial Ratios (Optometry Practices, Industry-wide)

MEASURE	2018-19	2019-20	2020-21
Current Ratio [?]	1.10	.91	1.43
Quick Ratio [?]	.86	.69	1.23
Days Inventory [?]	20.85	34.2	28.68
Days Receivables [?]	13	15	17
Days Payables [?]	41.42	66.83	73.44
Pre-tax Return on Revenue [?]	4.50%	3.39%	4.20%
Pre-tax Return on Assets [?]	9.66%	8.34%	6.55%
Pre-tax Return on Net Worth [?]	26.30%	31.80%	22.72%
Interest Coverage [?]	6.23	6.62	4.30
Current Liabilities to Net Worth [?]	.61	1.09	.83
Long Term Liabilities to Net Worth [?]	1.11	1.72	1.64
Total Liabilities to Net Worth [?]	1.72	2.81	2.47
<i>Number of Firms Analyzed</i>	265	218	171

Income Statement (Optometry Practices, Industry-wide)

ITEM	2018-19	2019-20	2020-21
Revenue	100.0%	100.0%	100.0%
Cost of Sales	27.09%	24.67%	26.3%
Gross Margin	72.91%	75.33%	73.7%
Officers Compensation	7.43%	7.2%	7.24%
Salaries-Wages	19.31%	20.49%	24.51%
Rent	3.86%	4.15%	3.53%
Taxes Paid	2.34%	2.42%	2.76%
Advertising	0.94%	0.99%	0.55%
Benefits-Pensions	1.68%	1.78%	3.05%
<i>Number of Firms Analyzed</i>	265	218	171

ITEM	2018-19	2019-20	2020-21
Repairs	0.5%	0.54%	0.82%
Bad Debt	6.45%	6.4%	1.77%
Other SG&A Expenses	13.85%	14.7%	16.59%
EBITDA	16.55%	16.67%	12.88%
Amortization-Depreciation	2.93%	2.82%	3.12%
Operating Expenses	59.29%	61.49%	63.94%
Operating Income	13.62%	13.84%	9.76%
Interest Expense	1.75%	1.53%	1.39%
Other Income	-0.2%	0.14%	-3.18%
Pre-tax Net Profit	12.06%	12.17%	11.55%
Income Tax	0.24%	0.28%	0.1%
After Tax Net Profit	11.82%	11.89%	11.45%
<i>Number of Firms Analyzed</i>	265	218	171

Balance Sheet (Optometry Practices, Industry-wide)

ASSETS	2018-19	2019-20	2020-21
Cash	23.94%	26.0%	39.7%
Receivables	5.98%	6.01%	5.49%
Inventory	12.06%	10.83%	7.83%
Other Current Assets	2.12%	1.97%	2.01%
Total Current Assets	44.09%	44.82%	55.03%
Net Fixed Assets	34.41%	35.56%	25.59%
Net Intangible Assets	13.92%	9.97%	12.71%
Other Non-Current Assets	7.58%	9.64%	6.66%
<i>Total Assets</i>	100.0%	100.0%	100.0%
LIABILITIES			
Accounts Payable	3.79%	3.11%	3.94%
Loans/Notes Payable	18.98%	16.43%	18.46%
Other Current Liabilities	14.03%	17.07%	15.47%
<i>Number of Firms Analyzed</i>	265	218	171

LIABILITIES

Total Current Liabilities	36.8%	36.61%	37.86%
Total Long Term Liabilities	48.49%	41.1%	44.61%
Total Liabilities	85.29%	77.71%	82.47%
Net Worth	14.72%	22.28%	17.53%
Total Liabilities & Net Worth	100.0%	100.0%	100.0%
<i>Number of Firms Analyzed</i>	265	218	171

Vertical IQ financial benchmark data is based on data provided by the Risk Management Association (RMA) and Powerlytics, Inc. RMA's Annual Statement Studies provide comparative industry financial benchmarks based on financial statements of small and medium business clients of RMA's member institutions. Additional detail on income statement line items is provided using Powerlytics financial benchmarks, which are based on reporting submitted to the IRS. Additional detail on these data sources can be found at [RMA](#) and [Powerlytics](#).

Bank Product Usage

Top Bank Products Used by Optometry Practices

The following table provides the frequency of bank product usage by Optometry Practices with less than \$10 million in annual revenue. It is provided by Barlow Research Associates, Inc., the premier market research firm in the financial services industry.

BANK PRODUCT	% OF FIRMS
Business checking account services	100.0
Automated clearing house services (ACH)	78.0
Electronic payments initiated through the Internet (Bill Payment)	77.0
Point-of-sale credit card processing	73.0
Overdraft protection for business checking	69.0
Business savings or money market account	66.0
Business debit card or business check card	59.0
Business credit card issued in your company's name (Visa, MasterCard, Amex, etc.)	53.0
Remote deposit capture (scanning checks at your office or by mobile device for electronic deposit)	44.0
Payroll processing	44.0
SBA loans	41.0
Wire transfer services	40.0
Money market mutual funds or short-term investments	38.0
Term loans or equipment financing (one year +)	35.0
Credit lines secured by receivables, inventory, property or other assets	33.0
Equipment leasing	32.0
Certificates of deposit	31.0
Company sponsored 401(k), SEP, pension or profit sharing plan	21.0
Account reconciliation processing (ARP)	20.0
Accounts receivable collection (lockbox)	17.0
Commercial real estate mortgage	17.0
Unsecured short-term loans or working capital line of credit (less than one year)	16.0
Commercial real estate mortgage (company occupied building)	16.0
Commercial real estate mortgage (investment property)	13.0
Overnight investment or sweep accounts	4.0
International (foreign exchange, import/export letters of credit)	3.0

Barlow's Small Business Banking program is a multi-client research program sponsored by leading banks. Each quarter, a stratified random sample of businesses throughout the United States with sales between \$100,000 to \$10 million compiled from an independent list provider are invited to participate in a comprehensive banking survey of over 100 questions. The results measure channel adoption, bank satisfaction, brand power, account management, service quality, business product usage and the selling abilities of leading providers. The results in this chapter are calculated directly from the business product usage section and represent usage for the average small business (\$100K-\$10MM).

For more information on Barlow's banking research, go to <http://www.barlowresearch.com/>

Quarterly Insight

1st Quarter 2022

Eyewear Sales Growth Will Be Significant

Global sales of eyewear and other vision products will top \$209 billion over the next five years, up from \$140 billion in 2021, according to market researcher Imarc Group. Expected growth reflects in part “the increasing usage of electronic devices or gadgets” that may be affecting vision. About 165.6 million US adults wear glasses, according to trade group The Vision Council.

4th Quarter 2021

Online Appointment Scheduling Could Differentiate A Practice

About 80% of respondents to a Healthgrades survey said that they would prefer to make their health-care appointments online. Some 35% of respondents said that scheduling appointments online with their health-care providers is a major factor when choosing between seemingly comparable options. The study by Healthgrades found that doctors who offer both online scheduling and a call center scheduled 24% more appointments than practices that only book by phone.

3rd Quarter 2021

Proposal Would Reform Contact Lens Sales Processes

The Contact Lens Prescription Verification Modernization Act introduced in the US Congress is intended to make purchasing contact lenses online easier and safer, ban the use of robocalls to verify patient information, and ensure that protected medical information sent over email is encrypted. The bills will contribute to increasing patient safety by prohibiting prescription verification via robocall and instead requiring email, live phone call, or fax confirmation of prescriptions. The bill also requires that online sellers develop HIPAA-compliant methods by which patients can electronically transmit their contact lens prescriptions. Optometry practices may benefit if the legislation helps ensure that only firms which provide quality service are industry participants.

2nd Quarter 2021

Practice Hit by Ransomware Attack

A cyber-attack on an Arizona optometry practice has affected up to 100,000 patients. The ransomware attack on Cochise Eye and Laser encrypted the office’s patient scheduling and billing software. While the attack prevented staff from accessing certain data, a spokesperson for the office said that no signs had been found to indicate that any data theft or exfiltration had occurred. Although no evidence has been found that data was taken, the incident is still considered a breach of protected health information and has been reported to the US Department of Health and Human Services’ Office for Civil Rights as affecting up to 100,000 patients.

1st Quarter 2021

Public Health Emergency Declaration Renewed Again

The US Department of Health & Human Services (HHS) has renewed the Public Health Emergency (PHE) declaration for COVID-19 for another 90 days, beginning on January 21 (the date the PHE was previously scheduled to expire) and extending through April 20, 2021. The emergency measure linked to the PHE that may be of most interest to optometry practices is coverage of telehealth services. Medicare and Medicaid coverage of telehealth services was extended immediately. Industry experts say that waiver of cost-sharing for medical and behavioral telehealth services by health insurers is likely to be extended again by insurers who have done so for earlier PHE renewals.

4th Quarter 2020

Public Health Emergency Declaration Renewed

The US Department of Health & Human Services (HHS) announced on October 2 that the Public Health Emergency (PHE) declaration for COVID-19 will be renewed for another 90 days, beginning on October 23 (the date the PHE was previously scheduled to expire) and extending through January 20, 2021. The emergency measure linked to the PHE that may be of most interest to optometry practices is coverage of telehealth services. Medicare and Medicaid coverage of telehealth services was extended immediately. Industry experts say that waiver of cost-sharing for medical and behavioral telehealth services by health insurers is likely to be extended again by insurers who have done so for earlier PHE renewals. Industry stakeholders should remember that HHS retains the discretion to terminate the PHE at any time.

3rd Quarter 2020

Federal Telehealth Funding Has Broad Support But Hasn't Been Approved

Nearly 20 telemedicine bills have been introduced in the US Congress, according to the Holland & Knight law firm, but lawmakers are reluctant to pass legislation that would add significantly to Medicare's estimated annual budget of \$750 billion. Over 9 million Medicare beneficiaries used telemedicine services in the early months of COVID-19, according to Health Affairs magazine. Medicare's coverage for many telehealth services is scheduled to end when the COVID-19 epidemic is no longer a public health emergency. The health emergency declaration was extended for another 90 days on July 23. Congress would have to pass specific legislation to make some of Medicare's changes permanent.

2nd Quarter 2020

Practices Begin Reopening

Optometry practices are beginning to reopen as states start to reverse lockdown orders. Forty-eight states had begun easing social distancing restrictions by May 26. Dr. Mark Hagee, an optometrist with Ritter and Hagee Optometrists in Ohio, said that the office reopened on May 4 under Phase I of Governor Mike DeWine's plan to reopen the state. Office staff began rescheduling around 1,000 appointments, and the practice will expand operating hours to six days a week to fit them all in. Many states that have allowed optometry practices and other healthcare services to reopen recommend that providers implement a system in which patients can wait in their vehicles prior to being called into offices for appointments. States also typically recommend pre-scheduled and spaced out appointments to minimize interaction between people.

Industry Terms

Dispensing Revenue

Sale of eyeglasses and contact lenses by optometry practices.

ECP

Eye care professional, a general term that includes all eye care personnel, from optometric techs to ophthalmologists

Frame Board

Display area for eyeglass frames.

Medical Model

Optometry practice that is focused on treating eye diseases such as glaucoma in addition to prescribing eyeglasses and contact lenses.

OD

A Doctor of Optometry, or optometrist. They examine patients' eyes to diagnose vision problems, prescribe eyeglasses or contact lenses, provide vision therapy treatments, prescribe medications, and test for glaucoma and other eye diseases, but do not perform eye surgeries.

Ophthalmologist

A medical doctor who can perform eye surgeries.

Optician

Trained professional who makes and dispenses eyeglasses, but does not perform medical tests or treatments.

Refraction Room

Room for patient exams with instruments for assessing vision correction needs.

Web Links

[American Optometric Association](#)

News and education from a trade association for optometrists.

[Optometric Management](#)

Management articles and tips for optometric practices.

[Optometry Times](#)

News source for the optometric community in US and Canada.

[Review of Optometric Business](#)

Weekly online publication on running an optometry practice.

[Vision Source](#)

Network of private practice optometrists.

Related Profiles

Ambulatory Surgery Centers

NAICS: 621493 SIC: 8011

Nursing Homes & Assisted Living

NAICS: 623110, 623312 SIC: 8051, 8361

Pharmaceutical Manufacturers

NAICS: 3254 SIC: 2833, 2834, 2835, 2836

Physician Practices

NAICS: 621111 SIC: 8011

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