



The Annual ACES/SEE Caribbean Eye Meeting delves into hot topics for anterior segment surgeons and health care professionals.

From January 31 to February 3, 2020, the upcoming Caribbean Eye Meeting promises to be as engaging as in previous years. This one-of-a-kind meeting, held at Grand Fiesta Americana Coral Beach in Cancun, Mexico, will gather well-known leaders in ophthalmology to discuss important topics in eye care against the breathtaking backdrop of the Caribbean Sea. The American College of Eye Surgeons (ACES) and the American Board of Eye Surgery (ABES) were started in 1989, with ACES as the educational arm. ABES began to ensure quality surgery throughout the United States, and its efforts were taken internationally 13 years ago. ACES and ABES, along with the Society for Excellence in Eyecare (SEE), are proud to be entering the 30th annual meeting! Together, ACES, ABES, and SEE share a commitment to the belief that the primary focus for today's ophthalmologist must, and should, be to promote, encourage, and enhance quality ophthalmic surgical care for the benefit of all patients.



PEARLS FROM THE DEEP: REAL ESTATE, AN OVERLOOKED OPPORTUNITY

By Jack Chapman Jr, MD; and Collin Hart, MBA



As private equity consolidation in ophthalmology and interest in this trend

grow, a separate but often-overlooked opportunity exists in practice real estate. Because many new associates are not willing to shoulder the debt to buy into a practice's real estate, senior partners often must decide whether to hold onto the property or sell it to a third-party landlord. With the real estate cycle at a historic peak, some of these ophthalmologists may do well to consider selling their practices and ambulatory surgery center facilities to a real estate investment trust and simultaneously signing a new long-term lease.

Using a sale and leaseback to maximize real estate value ties in perfectly to a private equity sale: private equity investors typically do not want to own the real estate, but they will always need a location in which to operate. Although practice valuations from private equity can range from five to

	SCENARIO 1	SCENARIO 2
EBITDA	\$1,500,000	\$1,250,000
PRACTICE VALUE @ 7.5X MULTIPLE	\$11,250,000	\$9,375,000
RENT	\$250,000	\$500,000
RE VALUE @ 13.5X MULTIPLE	\$3,375,000	\$6,750,000
TOTAL VALUE	\$14,625,000	\$16,125,000

Figure. Positive effect of optimizing the rental rate.

nine times earnings before interest, taxes, depreciation, and amortization (EBITDA), real estate is valued as a multiple of rent, typically in the range of 13.5 to 14.5 times the annual rent. As a result, optimizing the rental rate to capitalize on a higher valuation multiple can net partners higher total proceeds when selling both their practices and their real estate (Figure).

Although private equity transactions frequently take center stage, exploring a real estate sale prior to or at the time of a practice transaction can maximize the opportunity for a positive real estate outcome without jeopardizing the practice deal. Reaching an attractive valuation depends on negotiating a marketable lease, which includes the following parameters:

- a 12- to 15-year term;
- annual rental increases (2% is common);
- an absolute NNN (also known as a triple net or bondable) structure; and
- a corporate guarantee.

Ophthalmologists who are considering entering into a partnership with private equity should address the topic of practice real estate early. Whether the decision is to hold or sell, having the right guidance to properly structure a new lease will maximize the security and saleability of their real estate investment. ■

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To learn more about the 2020 Caribbean Eye Meeting and register to attend, visit caribbeaneyemeeting.com