



CBV INSIGHTS

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It's Not Personal

Building Transferable
Value in Medical and other
Professional Practices

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CBV INSIGHTS

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CBV Institute leads the Chartered Business Valuator (CBV) profession – Canada’s only designation dedicated to business valuation since 1971. With CBVs and Students across Canada and around the world, we uphold the highest standards of business valuation practice through education, accreditation and governance of the CBV, for the benefit of the public interest.

CBV Insights

CBV Insights is a thought leadership periodical published by CBV Institute with the aim of sharing the expertise of Chartered Business Valuators with our network and the broader public. While the insights shared by contributing authors in *CBV Insights* are designed to inform and inspire, they do not necessarily carry the endorsement of CBV Institute.



A Tale of Two Transitions

When Dr. Singh, a Calgary dentist, began planning her retirement, she faced a familiar challenge: patients came to the clinic because of her. Personal goodwill—the trust built over decades—was the heart of her practice. Three years before her exit, she set out to change that. By bringing on an associate dentist, standardizing care protocols, training staff, and rebranding under a practice-wide identity, she shifted the value away from her name and toward the business itself. When the time came to sell, the buyer acquired not just a patient list, but a scalable, sustainable enterprise, with the potential for stable doctor retention. The result: a smooth sale, a strong price, and continuity of care for her patients.

Contrast that with a small physiotherapy clinic in Vancouver. Its owner, known for his specialized treatment, assumed his reputation alone would carry the business forward. But the practice operated under his name, processes were informal, and staff lacked independence. When he sold, patients soon drifted away, unwilling to stay without “their” physiotherapist. Revenues fell, the buyer struggled, and much of the practice’s value disappeared with the seller.

Two professional practices, two very different outcomes. Why? One owner deliberately converted personal goodwill into commercial goodwill—the kind that endures, transfers, and maximizes value. The other left value on the table.

This contrast underscores a critical reality for Canadian professional practices: in an ownership transition, the continuing value of the business depends less on the professional’s personal reputation and more on how effectively that reputation is embedded in the systems, brand, and team that remain. The following pages explore how to recognize the distinction between personal and commercial goodwill, and—more importantly—how to transform one into the other to maximize the value of your practice.



HOW ATTRACTIVE IS YOUR PRACTICE TO POTENTIAL BUYERS?

TURN TO PAGE 6 FOR A SELF-ASSESSMENT MATRIX.



Personal vs. Commercial Goodwill: The Value Divide

In medical and other professional practices, goodwill usually represents a significant portion of the fair market value of the business. Well before ownership changes hands, it is critical to understand the nature of the goodwill, and to take deliberate steps to reduce the impact of personal goodwill while ensuring the successful transition of commercial goodwill.

Understanding the Difference:

PERSONAL GOODWILL

Personal goodwill accrues to a specific person by virtue of their persona and their personal efforts. It encompasses an individual's skills, reputation, network, and experience within a business.

Measured solely in economic terms, personal goodwill expires at the time the person who enjoys it leaves the business, whether by choice, retirement, disability, or death. It does not remain with the enterprise or automatically transfer to a new owner.

From a valuation perspective, transferability is key to capturing value. Because personal goodwill is generally considered to be difficult, if not impossible, to transfer, a prudent buyer would not pay for this type of asset. Therefore, it has no economic value.

COMMERCIAL GOODWILL

Commercial goodwill reflects the reputation and market presence the business has built over time. It encompasses product identity and customer acceptance, evidenced by factors such as an established client base, market share, and brand recognition. It may also arise from the quality and consistency of the services the business provides, as well as from a strategic or otherwise advantageous physical location.

Unlike personal goodwill, commercial goodwill is not dependent on any one individual and can be readily transferred upon the sale of the business.

TURN TO PAGE 7 FOR 11
WAYS TO MAXIMIZE THE
TRANSFERABILITY OF
YOUR GOODWILL, PRIOR
TO A SALE.





Buyer's Perspective: Capturing and Transitioning Personal Goodwill



– **Justin Newell**
Director, Corporate Development, FYidectors

Buyers may pay for personal goodwill to the extent that it can be captured or secured through contractual arrangements such as non-compete agreements, transition services, or employment contracts.

In health care transactions, this distinction is especially important. As **Justin Newell, Director of Corporate Development at FYidectors**, explains, much of a clinic's success is often tied to the personal goodwill of its doctors—the trust, patient relationships, and reputation they have built over years of care. When a transaction involves a high concentration of personal goodwill, it becomes essential to evaluate how that goodwill will transition to the purchaser post-closing.

To mitigate this risk, buyers often structure their transactions with mechanisms such as equity rollovers, holdbacks, and earnout components. Newell notes that these elements help align the interests of the seller with the long-term success of the business post-integration, ensuring continuity of patient relationships and reinforcing the transition from personal to commercial goodwill.

Over time, this approach helps embed value within the broader clinic network, supporting sustainable growth and a consistent patient experience across all locations. Thoughtfully structured transactions ensure that value is not lost in transition—it is transferred, developed, and strengthened in the hands of the next owner.





Conducting a Self-Assessment of Goodwill

A potential buyer will want to evaluate the risk associated with achieving your practice's future cash flows. As part of your succession planning, it's wise to assess the qualitative factors buyers typically consider when evaluating a practice. A self-assessment will help you identify and address any perceived weaknesses, making your practice more attractive and reducing potential concerns.

SELF-ASSESSMENT MATRIX

Team

- Does the key practitioner (e.g., doctor, dentist, veterinarian, etc.) plan to keep working or prefer an immediate exit?
- Does your team specialize in a particular area requiring unique expertise?
- The length of service of the associates and the reputation and goodwill they have established

Practice Management

- Strength of employee and associate base, including experience and time with the practice
- Practice culture
- Standard operating procedures utilized
- Level of training and delegation

Product

- Quality and variety of product; inventory turnover
- Perceived buyer product synergies

Practice & Location Factors

- Practice location
- Area demographics (growing or declining)
- Rural vs. urban
- Length of time at that location
- Ability to attract clinicians and qualified employees
- Nearby competition
- Google rating and Net Promoter Score
- Ease of access & parking
- Operating hours
- Quality and timing of improvements
- State of equipment and technology
- Owned or leased (if leased, what are the terms)

Patient Base & Loyalty

- Number of patients
- Average patient visits
- Key Performance Indicators such as:
 - Revenue per provider day
 - Revenue per full exam/visit
 - Conversion percentage



11 Steps

to Maximize Value upon the Transition of Your Practice

Preparing your practice for sale or succession takes time, planning and solid advice from trusted financial advisors, such as Chartered Business Valuators. Ideally, owners should begin preparing three to five years before transition¹ to strengthen operations, improve financial performance, demonstrate desirable trendlines, and reduce reliance on any single professional. Early preparation allows owners to identify value drivers, address weaknesses, and demonstrate to buyers that the business is well-positioned for sustainable success.

Steps that can assist in maximizing value include the following:

- 01 Standardize and document processes**
Develop and document clear procedures for all aspects of the practice, such as patient or client intake, billing, and appointment scheduling. This reduces reliance on the individual practitioner's memory and expertise.
- 02 Build and empower a strong team**
Invest in staff training, mentorship and leadership development ensure your team can operate effectively without constant owner oversight. Empowered employees foster stability and continuity, which buyers view as a sign of reduced risk.
- 03 Strengthen practice culture and client relationships**
Conduct employee engagement surveys to gauge staff morale and alignment with the practice's values. At the same time, ensure that patient and client relationships are shared across the team. Encourage multiple points of contact and use client feedback tools, such as Net Promoter Scores, to measure satisfaction and loyalty.
- 04 Develop a strong and transferable brand**
Build a recognizable brand identity that extends beyond the individual practitioner. Unified marketing, visual branding, and a strong online presence signal professionalism and continuity to buyers and clients alike.

**05 Review and enhance financial performance**

Conduct a detailed financial readiness review. Focus on enhancing and diversifying revenue and improving profit margins. Ensure expenses are normalized for discretionary and nonrecurring items. Ensure the balance sheet removes any nonbusiness related assets to allow for significant tax savings using the lifetime capital gains exemption on the sale of the shares of your practice. Tidy up old receivables of obsolete or slow-moving inventory, such as expired or out of date products.

06 Secure key contracts and agreements

Review employment, associate, and supplier agreements to confirm assignability and to reduce uncertainty during transition. If possible, secure non-compete or retention agreements with key employees to protect the client base after a sale.

07 Modernize technology and data systems

Ensure that practice management software, client databases, and electronic records are up to date, well-documented, transferable, and compliant with privacy and security requirements. Buyers place increasing value on practices with reliable and efficient systems that can scale under new ownership.

08 Assess premises and lease term

Evaluate your facility's location, condition, and accessibility. Review the lease agreement for assignment clauses, landlord consent requirements, and personal guarantees. Address any potential issues in advance to avoid delays during negotiations.

09 Review risk management and compliance

Review your insurance coverage, including professional liability, business interruption, and key person policies. Ensure regulatory and licensing compliance is current and documented. A "clean" practice with low compliance risk reduces uncertainty for buyers and can support stronger offers.

10 Consider a phased transition

If time allows, a phased approach where the individual practitioner gradually reduces their involvement while the new owner takes over can help facilitate a smooth transition of client relationships and business operations.

11 Seek professional advice early

Consult with financial professionals experienced in valuing and selling professional practices to ensure a smooth and successful transaction. Their expertise can help identify key value drivers, structure the transaction effectively, and support negotiations for an optimal outcome.



Conclusion

Selling a professional practice is about ensuring its value endures beyond the owner. The practices that sell best are those built on systems, teams, and brands that outlast their founders. By preparing early, structuring appropriately and engaging experienced valuation professionals, owners can turn years of goodwill into enduring enterprise value.

NOTES

- ¹ Buyers typically review a **three- to five-year historical** period to understand the business's financial trends and to develop cash flow projections that guide their valuation and pricing decisions – hence the recommended preparation timeline of three- to five years before transition.

Thank you to our contributing expert



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