



Financial Management
for the Eyecare Team

Phernell Walker, MBA, ABOM, NCLEC, LDO
International Speaker & Author
Chair-elect American Board of Opticianry


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On behalf of Vision Expo, we sincerely thank you for being with us this year.

Vision Expo Has Gone Green!

We have eliminated all paper session evaluation forms. Please be sure to complete your electronic session evaluations online when you login to request your CE Letter for each course you attended! Your feedback is important to us as our Education Planning Committee considers content and speakers for future meetings to provide you with the best education possible.

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Financial Disclosure


- **Phernell Walker, MBA, ABOM, LDO, NCLEC:**
 - VP of Optometric Relations, Eyefinity
 - Chair-elect of the American Board of Opticianry (ABO-NCLE)
 - Executive Board of Directors, United Opticians Association (UOA)
 - Chair Education Advisory Board, Vision Expo, Opticon (VEE & VEW)
- Mr. Walker has received honorarium from:
 - Pure Optics LLC
 - Pacific University College of Optometry
 - Silmo (France)
 - Silmo (Singapore)
 - Mitsui Chemicals (Japan)
 - 49 state opticianry and optometric associations (examples: Professional Opticians of Florida, Arkansas Optometric Association, Opticians Association of Kentucky, American Optometric Association, etc....)
 - Walman University
 - Vision Expo

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- ❖ Principle | Pure Optics LLC
- ❖ Author | Pure Optics
- ❖ Chair-elect American Board of Opticianry Board of Directors
- ❖ Pacific University College of Optometry | Former Adjunct Professor
- ❖ Master in Business Administration (MBA)
- ❖ Master in Ophthalmic Optics (ABOM)
- ❖ Licensed Dispensing Optician (WA-LDO)
- ❖ National Contact Lens Examiners Certified (NCLEC)


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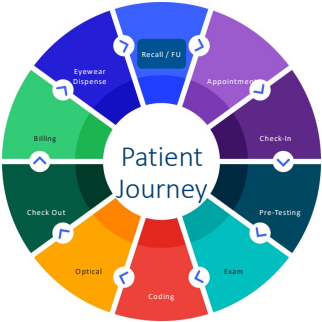
Anything Measured Improves!



Peter F. Drucker

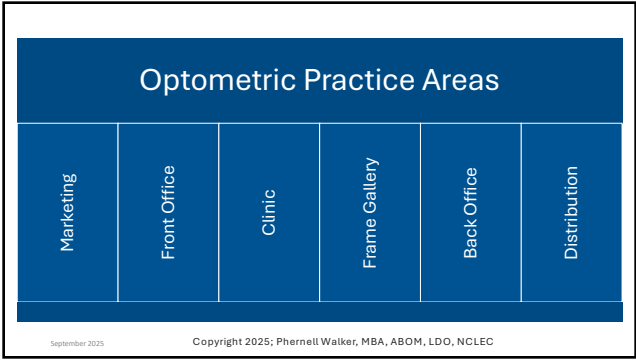
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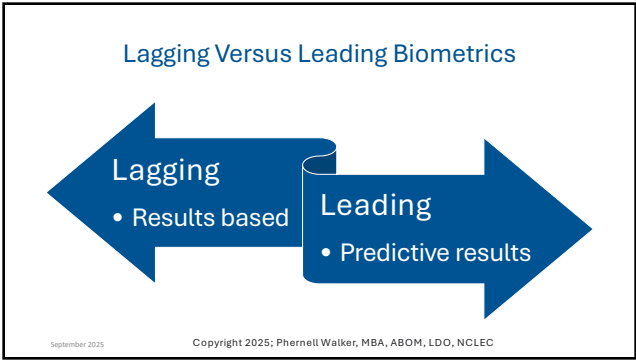


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Metrics that Matter Most




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Biometrics




GROSS
REVENUE




COGS




INVENTORY




WAGES




PATIENT
COUNT




ESTABLISHED VS.
NEW PATIENTS




AVG. REVENUE




CAPTURE RATE




ITEMS PER
TRANSACTION




REVENUE PER
WORK HR.




REVENUE PER
PATIENT



EBITDA



APPOINTMENT
UTILIZATION



PATIENT SATISFACTION

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Biometric	Benchmarks
Gross Revenue	> 10% over prior comp year
COGS	< 26%
Inventory	T.O.V. => 4 (What does this mean?)
GMROI	> 3
Wages	< 23%
Avg. Sale	\$256.41 (per patient) per \$1M Practice Revenue
Sales Per Wk. Hr.	Dr. = \$ Optician = \$ (Practice Specific)
Capture Rate	> 60%
NPS (scale 0 to 10)	+7 (detractors vs. promoters)
EBITDA	> 20%

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Biometric	Benchmarks
Wages	21%
New Patient Growth	25%
Appointment Capacity	75% (max)

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Biometrics Monitoring

Daily	Weekly	Monthly	Quarterly	Annually
Gross Revenue	Gross Revenue	Gross Revenue	Gross Revenue	Gross Revenue
Appointments	Appointments	Appointments	Appointments	
Capture Rate	Capture Rate	Capture Rate	Capture Rate	
Average Sale	Average Sale	Net Profit	Net Profit	Net Profit
		Inventory	Inventory	Inventory
	Sales Per Work hr.	Sales Per Work hr.	Sales Per Work hr.	
	Items Per Sale	Items Per Sale	Items Per Sale	
		Accounts Receivables	Accounts Receivables	Accounts Receivables
		Wages	Wages	Wages
		EP vs. NP	EP vs. NP	EP vs. NP
		COGS	COGS	COGS
		Patient Satisfaction	Patient Satisfaction	Patient Satisfaction
			EBITDA	EBITDA

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Financial Terminology

Financial Statements use specific terms to identify performance.


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Revenue



First line on the P&L statement represents the company's total revenue or sales.




It includes all the income generated from the sale of goods or services during the specified period.

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Accrual vs. Cash Revenue



Accrual – recognizing revenue based on time.



Cash – revenue recognized when money is received.

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Pros and Cons of Accrual vs. Cash

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Cost of Goods Sold (COGS)



DIRECT
PRODUCT COSTS




INCLUDES RAW
MATERIALS COSTS


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Gross Profit



Difference between revenue and the cost of goods sold.




Money left after deducting the direct costs of producing or purchasing the goods or services.


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Operating Expenses



Expenses incurred in running the day-to-day operations




Salaries and wages, rent, utilities, marketing expenses, insurance, and office supplies.


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Operating Income



Difference between gross profit and operating expenses.




Profit from core operations before non-operating items.

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Non-Operating Income and Expenses



Income or expenses that are not directly related to the core operations of the business.




Includes interest income, gains or losses from the sale of assets, or any other non-operating income or expenses.

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Net Income



Bottom line or profit



Final amount of income earned by the company after considering all revenues, expenses, gains, and losses.



Represents the overall profitability of the business.

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Budget for Debt Obligations



Short-term debt < 1 year



Long-term debt > 1 year




Percentage of Revenue

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Debt or Investment



Debt - amount of money borrowed from another party.




Financial obligation repaid over a specific period, usually with interest.

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Investment Debt



Borrowing money to invest in assets or ventures with the expectation of generating a return on investment.




Debt is leveraged to earn a higher return on the investment (ROI) than the cost of borrowing.

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Decisions as an Owner



How much debt should you incur?



Should you depreciate assets?




What are the Financial vs. Tax implications

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Debt as a Financial Tool



Investment debt can be considered as a strategic financial tool



Allows businesses to access capital for investment



Carefully evaluate the potential risks and returns associated with the investment before taking on investment debt.

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Depreciation

Decrease in the value of an asset over time due to wear and tear, obsolescence, or other factors.

It is a concept commonly used in accounting and finance to allocate the cost of an asset over its useful life.

Assets are expected to gradually lose value as they are used or become outdated. Depreciation allows businesses to spread the cost of acquiring these assets over their estimated useful lives.

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What Are Your
Top Five Key Performance Indicators?



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KPI Cadence

How often are KPIs reviewed and analyzed in your business?

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Are Your KPI's:

- Measurable?
- Actionable?
- Relevant?
- Leading Indicators?
- Lagging Indicators?

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Team Buy-In

How do you communicate KPIs and performance data to your team?


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KPI Drivers

Stack rank your KPIs

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KPI Relevance

Are there any KPIs that need to be retired or replaced?

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Setting Targets

How do you set targets and benchmarks for your KPIs?

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Team Involvement

Do you involve employees in setting and tracking KPIs?

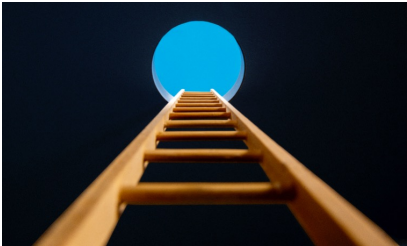
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Do Your KPIs align with the business strategy?



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KPI External Factors

Are there any external factors that impact your KPI performance?

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Optimize KPIs



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KPI Validation and Evolution



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KPI Deviations

How do you address deviations in KPI performance?

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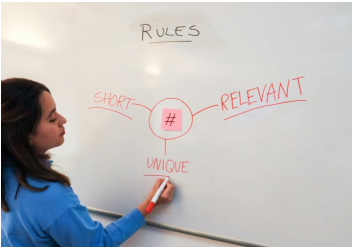
Forecast the Future Using Leading Indicators

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Evolving Business Conditions



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New Performance KPI's

What metrics or KPIs do you plan to introduce or explore to enhance performance tracking.

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Income Statements

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Pure Optics Eye Care		
Camas, WA		
Profit and Loss		
January - June 2023		
Accrual Basis		Total
Income		
Billing Adjustments		(335,930.15)
Gross Receipts		3.00
Contact Lens		86,522.94
Exams		418,069.80
Frames		174,775.93
Lab/Lens		370,629.93
Other Fees		2,786.51
Total Gross Receipts		1,062,718.11
Returns & Allowances		(15,910.94)
Total Income		1046,807.17
Cost of Goods Sold		
Accessories		1,225.63
Billing Services		334.15
CL Contact Lens		34,370.54
Clinic Supplies		2,071.67
Equipment Lease		14,964.00
Frames		75,319.83
Lab Costs		69,872.33
Total Cost of Goods Sold		198,868.15
Gross Profit		847,939.02

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Expenses	
Advertising	5,049.35
Bank Fees	10,786.05
Dues & Subscriptions	7,071.39
Employee Benefits	0.00
Health Insurance	11,928.37
Pension	4,375.33
Total Employee Benefits	16,303.70
Janitorial	3,025.00
Licenses & Permits	60.00
Office Expense	5,180.04
Payroll Expenses	0.00
Payroll Taxes	21,559.67
(Camas only) Wages	41,250.00
Staff Wages	213,850.21
Total Payroll Expenses	276,660.08
Rent	30,107.00
Repairs & Maint.	1,836.50
Taxes	0.00
Personal Property	951.84

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Pure Optics Eye Care		
Camas, WA		
Profit and Loss		
January - June 2023		
Accrual Basis		Total
Total Taxes		951.84
Telephone		5,094.17
Utilities		2,392.77
Administrative Exp		50,536.61
Allocation		415,014.50
Total Expenses		107,534.77
Net Operating Income		
Other Expenses		
Contributions		612.50
Total Other Expenses		612.50
Net Other Income		(612.50)
Net Income		106,922.27

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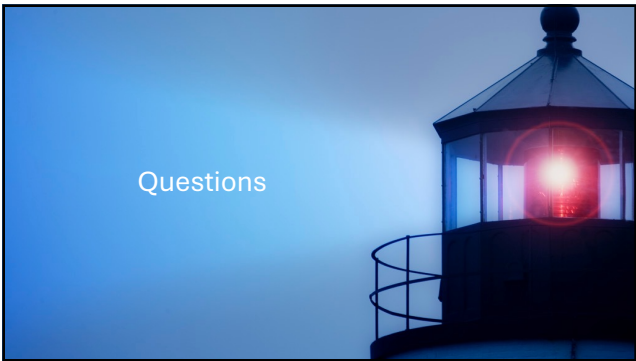
Calculations: $A / B = \%$

Category	(A) Category COGS \$	(B) Revenue	Percentage
Frames	\$	\$	%
Lab	\$	\$	%
Contact Lenses	\$	\$	%
Wages	\$	\$	%

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