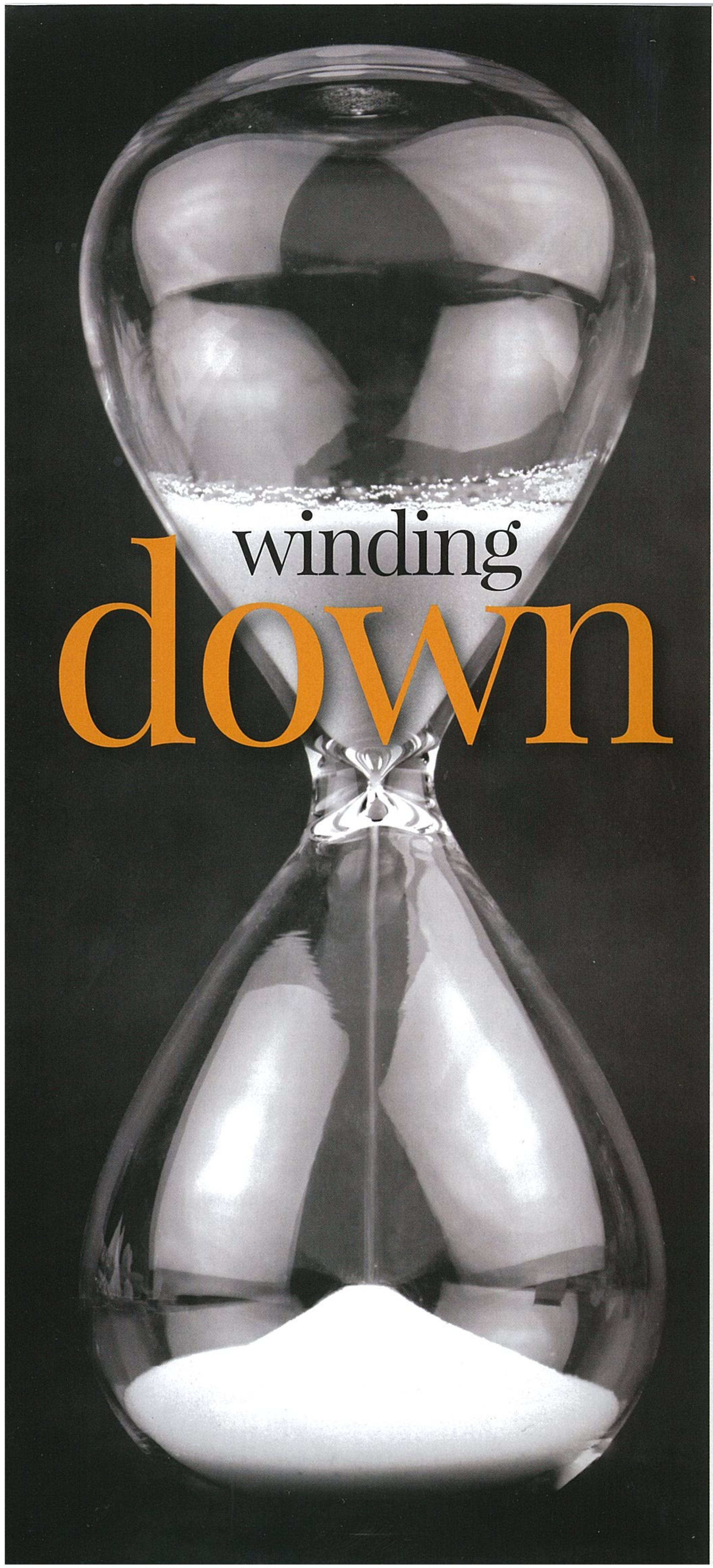

winding down

Running a business can take its toll and that's why some practice owners start to rethink their commitment. So, what options do they have—sell up, scale down or maybe combine the two? Chris Sheedy reports

From a professional point of view Dr Tom Feehely was on top of the world when he decided to sell his business, but his personal life was a different story. He had grown his practice in Hastings, Victoria, tenfold in a decade but it had begun to consume his life. His marriage had broken down, he was always highly stressed and then he was diagnosed with prostate cancer.

"It was a very dark time and it nearly broke me," Dr Feehely admits. "I can tell you exactly what changed my life. My daughter, who lives with me, said, 'Dad, if I don't have you, I have no-one'."

In his late forties, Dr Feehely visited Simon Palmer, manager of Practice Sale Search, and organised a successful sale of the business. He took four months off, travelled with all four of his children to Europe and returned refreshed, happy to work 18 hours per week as an employee in the business.

Dr Maura Devereux, also a client of Practice Sale Search, sold her business (on Hope Island on Queensland's Gold Coast) when she was 57, after developing an autoimmune disease. Since the sale, her health has returned and, she says, she regularly wakes up happy "for no reason". For two years, she worked for the dentist who purchased her business, then she retired permanently.

Dental practice owners decide to sell up, scale down or shift sideways for a number of reasons. Some simply retire. Others burn out. Some have health issues and others plan their exit from the very beginning. In the cases of Drs Feehely and Devereux, they both managed to sell up and scale down at the same time, removing stress from their lives while rediscovering their passion for dentistry.

But if a dentist scales down before a sale, or without a sale strategy, they risk losing value in their business as the practice scales down with them, says Palmer.

"One of the main mistakes I see practice owners make is that they let a career worth of fatigue come into the practice a year or two before they sell," he says. "So, even though their practice has been a fantastic business, none of that history matters because a business is judged most harshly on its most recent year or two."

What are the telltale signs of that 'fatigue' setting into a business? Palmer says there are several. "The first is the owner takes off more time per week," he says. "They've made enough money along the way to be comfortable, so pushing themselves hard when they're getting to the end of their career is hard to justify. They're not as hungry. It becomes more important to be out the door at 5pm and to have that mid-week game of golf.

"Then some people start to clinically restrict themselves later in their career. They don't do procedures they used to do because those procedures are more taxing. Others, if they find their passion for dentistry is gone, they will buy a very expensive piece of equipment, hoping it will reinvigorate their passion. They buy it and it gathers dust in the corner, and all of a sudden they've got more capital tied up in the practice when they sell."

But of course, it is possible to scale down successfully without selling the business, Palmer adds. This involves ensuring you have found someone to replace you in the practice, both clinically and managerially, and that you have put standards, systems, processes and controls in place.

However, the high level of recruitment, delegation, management and leadership that's required by a dental practice owner who wants to extract him or herself from the business doesn't always come easy to them, Palmer believes.

> "One of the main mistakes I see practice owners make is that they let a career worth of fatigue come into the practice a year or two before they sell. So, even though their practise has been a fantastic business, none of that history matters."
>
> **Simon Palmer, manager, Practice Sale Search**

"You can't just abdicate the throne and let the business run itself because, in the absence of leadership, a lot of bad things happen," he says. "There's over-ordering, staff absences and lots more."

If a sale is decided upon, there are numerous options to consider, including a sale made internally to a partner, a corporate sale, a phased sale where the business is sold in increments over time or a delayed sale, which is typically an internal sale where the price that's agreed on isn't required to be paid until a later date.

Palmer recommends selling 100 per cent of the business at once. "Partnerships are fantastic when everything is working, but they don't always work," he says. "And a sale is always more complicated and less secure if you are selling a bit at a time.

"I also recommend that the seller stays on for a period of time to ensure a smooth transition for the staff and for the patients. That makes it a less risky proposition for a buyer. If the vendor is able to make introductions and hand over patients, it provides great continuity and a far greater chance for the selling dentist's legacy to live on." **Bite**

How do you maximise your dental business's sale potential and earn the best price?

Here are the five top tips by Dr Phillip Palmer, chairman of Prime Practice.

1. Plan ahead by making your exit strategy a part of your business plan. If you've decided to sell in two weeks, or even two months, then there is little you can do to greatly influence the outcome. But if you plan to sell at age 65, then it allows you to begin shaping the business for a sale once you turn 60 or above.

2. Get your books in order so they show a clear profit and loss for the business you're selling. If you have mixed various businesses into one set of books, they must be separated for several years before the sale to show clear and accurate historical data.

3. Make sure you're not overpaying people. It's easy over time to bump up the incomes of loyal staff to a level that is well above market rate. This may seem good for you right now, but it is not a pleasant surprise for potential buyers and could negatively affect your sale price.

4. Cash doesn't count. If you're taking cash out of the business for any reason, then it is not considered business income. A buyer will not take your word for earnings that are off the books.

5. Don't expect a buyer to be dazzled by high-tech equipment. Expensive equipment only makes business sense if it makes the business more profitable. A buyer won't pay more just because a business has an expensive piece of technology.