

# Need **expert help** to buy/sell a practice?

By Danny Chan

When undertaking a complex task, it is wiser to entrust it to the person who has performed the same task 100 times than give it to someone doing it for the first time. This straightforward principle can be applied to the buying and selling of a dental practice, says Simon Palmer, Managing Director of Practice Sale Search.

Simon is espousing the merits of accumulating trade-specific knowledge that comes with consistent industry exposure and hands-on experience, the kind of insight you won't find in textbooks or training courses. Perhaps, it's also the kind of expertise you would like to have on your side of the negotiation table when you're selling a dental practice.

With more than 15 years of experience in dental recruitment and dental practice sales, Simon is a practice sales broker with intimate knowledge of the Australian dental industry. Coming from what he calls a dental family – his father, uncle and cousins are all dentists – Simon's professional background is also intrinsically tied to the oral care profession.

Since graduating with an economics degree about 20 years ago, he has been involved in the business of dental recruitment and practice sales. Four years ago, Simon sold off the recruitment portion of the business to focus on the latter, hence renaming the company Practice Sale Search. The brokerage firm provides comprehensive, confidential practice sales/purchase services, for dental practices Australia-wide.



Simon Palmer



Business, Simon says, has been trending upwards: PSS sold 50 practices in 2015, followed by 65 in 2016. Simon's recognition as an expert in Australian practice sales circles – where his views are regularly sought and heard via dental publications and seminars – might have something to do with it.

"Buying or selling a practice is more complex than it looks. What we do may appear similar to what a real estate agent does, but it actually involves a lot more moving parts. Just think of the amount of paperwork that needs to be gathered for a practice sale: historical tax returns, financial statements, inventory of equipment, depreciation schedules, dental software reports, preferred provider insurance arrangements, council zoning permits, premises lease, photos, floorplan, etc.

While a real estate transaction involves one legal contract for the purchase or lease of the premises, in practice sales we are typically dealing with three. The premises agreement (lease or sale), a business sale contract and often a work contract for the vendor post-sale," Simon explains.

"For any given project, we are usually dealing with three lawyers: One for the business owner, one for the landlord and one for the buyer. We need to make sure all the moving parts work together – it's far more work than just the straight sale of an asset."

The work contract governs the working period that the dentist-seller

has agreed to carry out post-sale as a component of the purchase agreement – lasting anywhere from 6 months to several years, depending on the nature of the deal. Corporate acquisitions typically stipulate a longer work contract than private ones.

"While it goes without saying that we need to understand the business we are engaged to sell, we also need to know the post-sale commercial and lifestyle needs of both the vendor and buyer in order to make a successful sale, as the post-sale outlook for both parties will play an important part of the overall deal.

"Besides helping our clients save time dealing with the complexities with accountants, lawyers and contracts – we also help them secure the best possible result.

"From our ability to generate competitive tension, and based on our knowledge of the market and pricing benchmarks, we can easily beat the valuations of a private seller who is selling to his or her own buyers in isolation.

"Furthermore, the broker can also provide a level of objectivity absent from the buyer or seller's decision-making, perhaps blindsided by emotional attachments."

Simon's talk at the recent Dental Practice Owners Conference 2017 in Melbourne, titled "Exit Options: How To Make Your Practice More Saleable", provided useful tips to an appreciative audience – comprising practice owners from all across Australia – eager to learn how they can capitalise on a buoyant marketplace. If recent trends in corporate aggregation, low banking interest rates and growth in the number of dentists buying are anything to go by, 2017 already looks like a boom year in practice sales.

Where exit options are concerned, Simon opines: "It's horses for courses. I don't think that there's an exit option that suits everyone. It depends on where your practice is at and other influencing factors, ranging from commercial interests to the type of post-sale lifestyle you prefer.

"If the dentist wants to get a market appraisal for their practice, all I need from them is profit and loss documentation for the last couple of years. Based on their responses to a list of standard questions and my visual assessment of the practice, I am able to provide a verbal appraisal for free. ♦

# Patient disclosure in practice sales



Simon Palmer

By Simon Palmer

The first big, post-sale decision that buyers and sellers of a dental practice will need to make will revolve around patient disclosure. While no one wants to be dishonest with the patient base, there is a fear that, if the sale is communicated poorly, goodwill may not transfer effectively from seller to buyer, and patients may leave the practice. When faced with such dire consequences, some will prefer not to tell the patients anything about the transfer of ownership, and hope to manage the situation “on the fly” if patients ask.

With the stakes of poor communication high, it is important to think carefully about how, when and what (if anything) to tell the patients about the transaction and address this disclosure carefully.

## The argument against disclosure

Some argue that people usually don't know or care who owns equity in the businesses they frequent. Most consumers are blissfully unaware of who owns the café where they buy their coffee or their lunch. Most don't know or care who owns the medical centre that they see their doctor in, or the accountancy firm on the letterhead that their accountant uses. People argue that dental patients are equally ambivalent about issues surrounding the ownership of the practice.

Some new owners feel that if the patient base found out about the change of ownership, they might approach the practice with suspicion. While they may not care about ownership, they might assume changes in clinical quality, philosophy of diagnosis, range and services, and leave the practice before the new owner has a chance to prove him/herself.

These new owners feel that if they just stay quiet about the change, patients will come in as they always have, and the new owner will get a chance to win them over one at a time.

While these arguments may be valid, this doesn't mean that there isn't an argument for disclosure on the change of ownership.

### What needs to be said

### Example of how to say it

#### 1. The vendor should mention any significant changes to their availability.

If the old principal dentist is remaining post-sale, they will often cut down their hours in the practice for lifestyle reasons and to make way for and give patients to the buyer of the practice.

*“I am writing this in order to let you know about some exciting changes coming to the practice in the near future.*

*After decades of hard work and commitment to the practice, I have made the decision that I will soon be cutting down my days and hours in the practice, to spend more time with my family.”*

#### 2. Introduce the new dentist with an endorsement.

The vendor should introduce the new dentist and attempt to transfer the goodwill of the patients, by way of an endorsement and an affirmation of quality control.

*“For many months I have been holding off on making these life changes because I didn't want my reduced availability to mean that my patients would have a substandard service, clinical aptitude or long waiting periods. After a long, exhaustive search, I have found someone to join the practice as I take more time off, and I couldn't imagine finding a better candidate to be introducing to my patient base.”*

#### 3. Ownership (optional)

*“On the 31st of June Dr {name} and I came to an agreement to transfer ownership to him/her”*  
OR  
*“On the 31st of June Dr {name} joined the practice”*

#### 4. Qualify the new dentist for the patients.

Give the patients peace of mind that the new dentist has a solid clinical background.

*“Dr {name} qualified from highly regarded X University in 2001 at the top of his/her class and has done extensive further clinical training in {implants, pediatrics, etc.}. He/She has had 10 years of experience working in private practices in x and y where he/she was loved by his/her patients and team alike. Having had many clinical discussions with him/her over the last month I feel confident that we share a similar clinical philosophy and passion for the dental profession. Moreover, I know that he/she appreciates the special place that this practice is and will do whatever he/she can to preserve its essence.”*

**5. Include some personal details** to humanise the new dentist and make them relatable. This helps give the patient base something to talk to the new owner about when they meet and helps with rapport building.

*“On a personal level {name} grew up nearby in {X Suburb}, is married and has two kids at {school name} primary school. He/She loves golf, yoga, watching the swans and speaks X fluently.”*

#### 6. W.I.I.F.M.

W.I.I.F.M. is a well-known acronym that stands for “What's In It For Me”.

A communication to the patient base is an opportunity to tell them about any added services that the new dentist will bring – and there is always some value add that they bring.

*“We at X dental practice are excited about the new services we will be adding to the practice. Dr {name}'s experience in Pediatrics and Orthodontics will extend the range of treatments that we are able to offer you onsite and with his/her availability coupled with ours we are planning on extending the practice's hours in the near future, as many of you have requested.”*

*“Please join me in welcoming Dr {name} to our practice. I am absolutely certain that the practice will be a stronger place with Dr {name}'s inclusion, and I am sure that you will all show him/her the same welcome, support and trust that you have shown me over the years.*

*There is no need to say goodbye. I am not retiring, just cutting down my days. You will still see me in the practice going forward. Dr {name} and I look forward to seeing you soon at the practice”*

**The argument for disclosure...**

Often, in the sale of a practice, the vendor will stay on (at least in a part-time capacity). Many feel that without disclosure about the sale, the patient base will not look at the new owner as having any authority. Decisions made by the purchaser on whether discounts given or not, hours of availability, treatment options, etc., could be seen lacking weight and they may seek confirmation from the previous owner, not knowing that he/she is not the owner anymore.

Just because you don't tell the patients, doesn't mean that they don't find out. Once a few people in a community find out, it doesn't take long for the word to spread. In the absence of information from the practice, the patient base may assume possible negative changes (price increase, quality decrease, etc.). A letter from the practice gives the ownership a chance to put minds at ease.

Many patients are loyal to a practice because of the rapport and trust they have with their dentist. When these patients have an appointment to see their dentist, they don't want to come and find out that their longstanding dentist is unavailable to them and instead they are booked in with someone else entirely...someone younger...obviously less experienced ...who they have never heard of before.

When this happens to a patient, they report feeling animosity towards the practice because of the lack of transparency, and the new dentist will often feel that they are on the backfoot, trying to build trust and rapport with a patient base that feels that is has been duped. It's not an ideal dynamic for anyone involved, and it puts the patient's loyalty to the practice in jeopardy.

**Disclose or not Disclose**

A stable patient base (and loyal consumers of any service for that matter) will be naturally resistant to change. Regardless of whether you decide to disclose a change in ownership, it is clear that some level of finesse is needed in order to get a patient comfortable with seeing another dentist in the practice. It is much easier to facilitate this handover if the day you ask the patient to see the new dentist isn't the first time they have heard of him/her.

A loyal patient will be more open to having an appointment with the new clinician if they have previously been the recipient of a form of communication (letter, email, practice newsletter) that explained who the dentist is and their virtues, with an endorsement from their trusted dentist.

Patient disclosure in a practice sale is a topic that needs serious consideration. Done poorly, or ignored completely, and it could lead to compromises of goodwill...but, if done well, there should be minimum patient attrition and patients should transfer smoothly. A good practice broker should be able to help you draft a form of communication that works for your individual situation. ♦

If you'd like more information on practice sales, or want to have a confidential discussion about your practice's circumstances, email Simon Palmer at [info@practicesalesearch.com.au](mailto:info@practicesalesearch.com.au)

**About the author**

**Simon Palmer** is the Managing Director of Practice Sale Search, Australia's largest dental practice brokerage, selling over 60 practices a year.

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**PRACTICE SALE SEARCH**

# Is there life **after** dental practice ownership?

*Dentists often put off selling their practices because they are concerned about life after dentistry.*

*What will they do with all those extra hours, how will they cope with leaving behind the identity that has defined them for decades? This series of articles explores the very busy lives of some of Practice Sale Search's clients, former-practice owners who have embraced post-sale life.*

**Name:** Peter Bassin

**Age:** 61

**Graduated:** Univ Syd 1982 BDS

## **Brief career summary:**

I have worked in various practices, sometimes I think a few too many! I did a few months in England after graduation, and then came back to Australia. I bought a small practice in Bondi Junction in 1982 and worked there for five years, before selling and going to work at HCF for 9 years. I was their inaugural dentist and enjoyed working together with many fine people.

I purchased my practice in Double Bay, NSW, about 20 years ago, and was there for 18 years.

It was a two-chair practice, which was shared by a few dentists. I bought the practice from one of them, modernised it, built it up, and was very happy working there for four days a week. The person who owned the other side of the practice later moved his practice elsewhere, and I continued working by myself at the original location.



## **Why did you sell?**

I had been through a divorce, had some health problems, and felt drained. I was 59 and I thought I'd had enough, so I decided to sell.

The selling process went well. I was familiar with Simon, and was comfortable with how he ran things. It felt like a fairly quick process, and it went very smoothly. As agreed, I stayed working for the purchaser for a period of time, and then left.



## **What did you do after you sold your practice?**

A few years before I sold my practice I became involved in charity work with Karen refugees, through Effective Aid International in Thailand, after reading about it in the ADA journal. I decided to move to Thailand after I sold my dental practice. I have a house and a new wife there in a country town called Phetchabun, in central Thailand. It is very affordable to retire in Thailand at an early age.

I did some work in Thailand, teaching at the local university, having the unique talent of being a "native" English speaker.

## **Why did you come back to dentistry?**

I never thought I would do dentistry again, but, after taking a break from it, I began to miss it. My energy and enthusiasm for dentistry came back. While I was in Thailand, I saw a lucrative dental job advertised in Far North Queensland, so I thought I would try it out and have an adventure.

I got the position and it was the perfect job for me. I am now living on a country property, among the gum trees, (kangaroos – no, wallabies – yes) with a clothesline out the back and a veranda (and swimming pool) out the front, but no old rocking chair yet.

It's very different from my life in Sydney and Thailand.



There are a lot of great country people here. The Tablelands also has a significant immigrant background; there are a lot of Italians, Germans, Croatians and people from many parts of the world, some who came here after the war. Sometimes I hear second and third generation people conversing in Italian in Woolworths.

## **What's next?**

As far as I am concerned, this will be my last job as a dentist. I don't think I could ask for a better way to see out my career in dentistry. I am having a very rewarding adventure, by simply following up on a 'random' opportunity advertised on a dental website. ♦

**Practice Sale Search is the leading dental practice brokerage in Australia, with the region's largest database of registered buyers and practices for sale.**

**For more information, contact [info@practicesalesearch.com.au](mailto:info@practicesalesearch.com.au) or call 02 93284678.**

