

Dave's Top Ten List for Buyers (Vendors should read this too!)



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In Issue number 60 of *The Professional Advisory*, I provided my Top Ten List for Vendors. As a follow up this issue will have a similar theme, but this time I will focus on the Buyers. As a dental practice appraiser and broker I see what strategies work and what approaches do not work for buyers wishing to purchase a practice. This article will take a page from Late Show Host David Letterman's monologue and enlighten you about my "Top Ten List" for Dental Practice Buyers.

- 10. Be Patient** – It takes a long time and is a lot of work to find the right practice. Create a list of "nice to haves" and "need to haves" in order to make your journey easier. Don't compromise on your needs but be prepared to be flexible on the nice to haves. When you find the right practice, act swiftly.
- 9. Know the Market** – Take the time to understand practice values. Visit as many practices that are for sale as you can. This will help you learn what you want and also what you cannot live with. The patient charts are a clear indicator of what takes place in the practice. Spend time looking at the charts and read between the lines.
- 8. Think Long Term** – Buying a practice may be the longest term investment you make in your life. There are things you can change and things you can't change. If the practice is located in an area of town that you are not comfortable in, then you should not buy it. However, if the colour of the paint on the walls or the look of the front desk doesn't appeal to you, then proceed; knowing you can easily change those things over time.
- 7. Consider Locating Outside the Big Cities** – Life is good for dentists outside the big cities. They enjoy larger patient bases, are well respected by their patients, work fewer hours, and have a better work/life balance. If your personal circumstances will allow it, you could enjoy all of the above and pay less (sometimes much less depending on location) for the practice too!
- 6. Pay a Fair Price** – There are no great deals out there. This is a seller's market so you should be prepared to pay full market value for what you buy. You should not however pay for what the practice could or should be if you made it better. This is potential, and the potential value creation should accrue to the person who realizes it.

5. **Get Exposed** – In order to find the right practice, the brokerage community needs to know you are out there. Get to know us all, visit us at trade shows, and come to our showings. Quite often, we will see a fit with people that we meet in various ways and we will try to match them up with a practice that we have for sale.
4. **Pick a Good Fit for You** – There is no one size fits all in dental practices. Be honest about what kind of practice will work for you and what kind will not. For instance, if you really enjoy the higher end cosmetic types of procedures, a practice with a patient base of middle to low income patients and 20 per cent social service patients would be a bad fit. Ideally you should learn about the practice philosophy of the Vendor and buy a practice where the philosophy aligns with yours.
3. **Hire a Team of Experts** – Buying a dental practice is a complex undertaking. You will likely need to incorporate, buy shares of a Dentistry Professional Corporation (DPC), have debt structuring to consider, staff and a landlord to deal with, and have diligence to undertake. It is extremely important to consult with professionals that know what they are doing. Your accountant, lawyer, financial advisor, banker and broker all play an integral role in a successful outcome.
2. **Buy the Practice You Work in** – This can be a very smooth way of acquiring a practice. You already know the practice well. The staff and patients know you too. The key to making this work is to understand that you should pay what the market would pay for the practice. This is a business deal for your principal dentist. You as the associate, do not own anything. The patients you treat are the principal's patients, not yours. You should pay full value for the goodwill of the practice. This may feel like you are buying your own goodwill but you are not.
1. **Patients and Profit Come First** – Patients and profit are the two biggest value drivers in a dental practice. Gross production is important but not in isolation. Take the time to understand the relationship between patients and gross and net incomes in order to know when you have found a practice that is worth pursuing.

The purchase of a practice, while a complex undertaking, can and should be a very rewarding process. It will allow you to acquire a practice that matches your unique ability, where you can practice your profession and continue the legacy that is left for you by the vendor. Most importantly, you will have patients to treat, to whom you can provide the highest level of care.

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