

The Investing Dentist Phenomenon



David Lind
Partner

Over the last several years many of our practice sales have been to Investing Dentists. This trend is growing and with the recent decline in global equities, we are seeing even stronger demand from Dental Practice Investors. This is not a solution for everyone but certainly provides a viable option for many. In this article I will answer the top ten questions we are asked about Dental Practice Investors.

1) Who are Dental Practice Investors?

There are a wide range of Investing Dentists that we work with but many share the following traits;

- They enjoy the business side of dentistry as much or more than the scientific side.
- They recognize the investment potential in dentistry and consider it as good or better than other places they can invest and feel their knowledge gives them an advantage.
- They have achieved a certain measure of success in their own practice and want to leverage that success.
- Many have joined together to form small investor groups (2-3 dentists) in order to further leverage their respective strengths. This also provides them with better access to capital.
- Large businesses have been created to buy practices and brand them under a corporate banner. This is a different strategy than the Investing Dentists discussed here.

2) What changes would they make to my practice?

Investing Dentists generally look for practices that are performing well and that do not need significant changes. They want you and your staff to continue to do what you have been doing for your patients. You will use the same materials, work the same way and generate the same or greater revenue. They may tweak some of the business processes to be more

efficient, implement programs to ensure maximum patient retention and centralize some administrative procedures.

3) How long do I stay?

You are the central element in their decision to purchase. They will want you to stay for as long as possible with 5 years being average.

4) What's in it for me?

Many dentists whose practices have been purchased by Investing Dentists over the last few years report the following benefits;

- More time to do things outside of the office.
- Less stress because the burden of owning and managing the day-to-day affairs of the office now falls to the owner.
- Higher level of enjoyment of dentistry because that is the entire focus of your day.
- Most investors will allow longer consecutive holidays (a month!) as they will arrange to fill in for you with an associate. This is not possible as an owner and can be very healthy and rewarding.

5) How will my staff be affected?

In most cases there will be no impact on staff provided your practice was run with reasonable staff levels and you were paying them reasonable wages. The investor will need one key contact person such as an office manager in order to facilitate communication. The office manager will generally feel a higher level of fulfillment as their role increases in responsibility with absentee owners.

6) How will this affect my patients?

Generally the patients will not even be made aware that there has been a change in ownership. The Investing Dentist will want the patient to receive the same level of quality care that you have been providing to them for many years.

7) Who hires new staff?

Investing Dentists recognize the need for good working relationships among the entire dental team. They will suggest it is most beneficial for you to have the final say on any new employees for your office.

8) Do I have to sell 100% of my practice?

Investing Dentists have different philosophies on this question. Some like you to retain a small piece, 10% for example, in order to make sure your interests and their interests are aligned. Others find it simpler to purchase the entire practice.

9) Will I have to take back a note from the purchaser?

Investors are generally well financed and have a good relationship with their financial institution. It would be highly unusual for you to be required to provide a vendor take-back note in order to complete the deal.

10) What are the pitfalls of selling to an Investing Dentist?

Factors to consider to ensure you avoid any drawbacks include;

- Can you actually see yourself giving up control? The idea of acting as an associate in your practice and focusing on patient care is very appealing, but can you really let go?
- Make sure there is alignment of practice philosophy with the Investing Dentist.
- Gain an understanding of the Investors long term goals.

Investing Dentists are here to stay. They represent a viable option for those dentists considering a sale, particularly if you want to keep practicing. Could it be the right answer for you?

David Lind is a Partner in Professional Practice Sales (Ontario) Ltd. (www.ppsales.com), which specializes in the valuation and sale of dental practices. He can be reached at (905) 472-6000 or 1-888-777-8825 or e-mail at: david.lind@ppsales.com