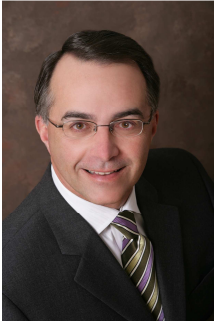


Dave's Top Ten List for Vendor's



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As a dental practice appraiser and broker I am fortunate to be in a position where my daily activity is a window into what works and what does not work in terms of value creation in a dental practice. As practice values continue to soar, buyers are being very careful (as they should be); therefore it is more important now than ever that you and your practice are ready when the time comes to sell. 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 Vendor's.

- 10. Location/Premises** - Dental offices are located in a multitude of different kinds of locations. Buyers want visibility and new patient flow. This means that the walk-up over a bank will be a tough sell. It also means a practice in a professional building with strong new patient flow due to excellent internal marketing is appealing. The inside should be attractive and well maintained but does not have to have all the latest hi-tech gadgets. There is no one size fits all.
- 9. Be Educated** - Most often, selling a dental practice will be a once in a lifetime experience. Take the time to understand the market and where your practice fits into it. Learn how to make it appealing to buyers. Be realistic in your expectations and have a plan for how the transition will go and what you're going to do after you sell.
- 8. Have balanced financial metrics** – Many dentists only look at their financial performance once a year at tax time when they see their accountant. As you prepare to sell be aware of how the revenue comes in and where the expenses go out. Look at hygiene revenue – is it over 30 per cent? Is the rent expense 6.5 per cent or less? Are staff costs around 26 per cent of gross? All of these factors are very important as are many other financial metrics.
- 7. Surround yourself with experts** – Selling a dental practice is a complex undertaking. You will likely have shares of a Dentistry Professional Corporation (DPC) to sell, capital gains to consider, staff and a landlord to deal with, diligence to comply with. It is extremely important to consult with professionals that know what they are doing. Your accountant, lawyer, financial advisor and broker all play an integral role in a successful outcome.

- 6. Time it Right** – I do not mean to say that you should try and pick the top of the market. I mean you should be mentally prepared for the life change that selling a dental practice means and you should not wait until it is too late. Once your practice starts to decline, the new patient flow starts to dry up, and you start feeling tired, it is a slippery slope that is hard to reverse.
- 5. Staff Considerations** – Once you are gone, your staff becomes a very important link to the patients for the buyer. Have good people and deal with any bad apples before you sell. It is important that you have the right number of staff for your practice size (no “floaters”) and that they are paid market rates. If they are overpaid, you will have to deal with that before a sale is concluded.
- 4. Have Contracts** – The days of handshake deals with people are sadly over. It is imperative that if you have an associate, you have a good contract drafted by a dental lawyer. If you do not, the value that your associate brings to your practice will not only evaporate, it may actually be an impediment to you concluding a sale. Deal with this right away. Additionally, your practice value will be enhanced if you have written employment contracts with your hygienists and your other staff members.
- 3. Focus on Hygiene** – The hygiene revenue produced in your practice is a key value driver and a real focus for buyers. You should strive to keep it at 30 per cent of your gross or more. Hygienists should be paid at the market rate for your area and should be able to produce three times what they are paid per hour.
- 2. Have a good Premises Lease** – Landlords have become increasingly difficult to deal with during transition periods. Your lease should have a term, including renewal options of 10 years or more, should not have a demolition or relocation clause, and should be assignable with the landlord’s consent which should not be unreasonably withheld for a fixed fee.
- 1. Plan Ahead** – As the previous nine bullets indicate, there is a lot to do in order to be prepared to sell your practice. Your goal should be to obtain a fair price and provide the buyer with an excellent opportunity for a successful transition. This will take time to orchestrate so I recommend you begin discussions with the experts about five years prior to your ideal sale date.

The sale of your practice, while a complex undertaking, can and should be a very rewarding process. It will allow you to receive value for what you have created and leave a legacy that has benefits for your staff, your patients, and the buyer.

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