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- Circulation
- Lists
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Company sinks teeth into promising business

Dental practice resale firm predicts huge growth in Canadian market

By **Eli Schuster - Business Edge**
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Timothy Brown is a man with a lot on his mind. The fast-talking, 42-year-old president and owner of ROI Corp. - a firm that specializes in appraising and selling Canadian dental practices - thinks the demographics of an aging Baby Boomer population will produce profound changes to the country's business landscape.

"There's a tsunami of businesses for sale," said Brown. "We're talking about a huge, burgeoning market in businesses that will be sold (in Canada) over the next 10 years."

A 2005 survey conducted by the Canadian Federation of Independent Businesses (CFIB) suggests that 71 per cent of entrepreneurs plan on selling their businesses over the next five to 10 years, meaning nearly 300,000 companies worth more than \$1 trillion could wind up on the market.

Doug Bruce, director of research at CFIB, says that 45 per cent of the Canadian economy is based upon small to medium-sized businesses, and that nearly 60 per cent of Canadians are employed by such firms.

"If there isn't proper succession planning, what is the downside to that?" asks Bruce, adding that up to two million jobs could be at risk over the next decade and that any large-scale selling of enterprises could potentially affect economic growth.

While ROI Corp. is currently limited to appraising and selling dental practices, Brown is tempted by what he sees as a golden opportunity to apply his skills to a larger market.

"There are only so many dentists who are going to retire or sell their practices each year, and we already enjoy a dominant market share of those sales," he says. "My father pioneered this industry in the early 1970s, and I see the same thing happening again."

Peter Arison, director of advisory services with the Ontario Dental Association (ODA), says the ODA expects there to be more buying and selling of practices in the future because of the Baby Boomers, but suspects this transition will be "very orderly," as "many younger dentists are working as associates in existing practices with a view to taking over the practice when the owner retires."

Brown discovered the potential market for small firms around the time of a recent health scare. He asked his wife Sandy if she would manage ROI Corp. in the event of his death, and she declined.

"At that point we started thinking about who we could sell it to," said Brown, who is childless. "I mean, we're business brokers and we don't know who to call to sell our own business. It's absurd."

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Entrepreneurs often find themselves in a bind when they reach retirement age.

"Who do you call?" asks Brown. "If you've got a kid who wants to inherit the business - great. If your employees are going to buy you out - great. If your competitor is knocking on your door - great. If none of that happens, who do you call?" A typical dental practice is valued between \$400,000 and \$600,000, and can take anywhere from one to two years to sell.

Brown's father, dental equipment salesman Roy Brown, recognized that problem among Canadian dentists when he founded ROI Management (later ROI Corp.) in 1974. Previously, retiring dentists often faced difficulties selling their practices, and were forced to store expensive equipment for years.

Since then, ROI Corp. has grown by leaps and bounds. In the past decade alone, total revenue has grown by 500 per cent.

The company has its headquarters in Mississauga, Ont., and has satellite offices in Nepean, Ont., British Columbia, Alberta, Quebec, and Nova Scotia.

Overall, ROI employs more than 30 people, including two former deans of dentistry from the universities of Alberta and British Columbia.

According to Brown, ROI Corp. controls between 50 and 60 per cent of the dental resale market across Canada, albeit not uniformly so. The company says it is top dog in Ontario and Alberta, strong in British Columbia and relatively small in Quebec.

Across Canada, about 10 companies provide similar services, yet Brown sees only three "meaningful" competitors to his company.

He noted that ROI Corp. is the only national firm, and it charges somewhat higher fees than its competitors.

Dentists turn to ROI because dental practices are not easy businesses to sell. In the early stages of a sale, confidentiality must be maintained in order to prevent word from leaking to customers, employees, suppliers and competitors.

Dentistry is a high-status job, and Brown points out that sellers have to prepare themselves for the next stage in life.

"Many know they want to quit practising, but some don't have a plan to keep active. Dentists are very systematic in their day-to-day routines, and when that stops, they often find that their professional identity has diminished and a loss of 'worth' is a common phenomenon."

The ROI website suggests retiring dentists give semi-retirement a try.

The company also offers its services to individuals wishing to purchase a practice. ROI can assist in structuring offers, obtaining proper financing and analysing the terms of financial proposals. The website offers five things a dentist ought to do when buying a practice:

- * Call all of the brokers who advertise in Oral Health magazine.
- * Write or call each of the "for sale by owner" (FSBO) advertisements shown in the magazine. (These are private sales, and it might take some time for the seller to return messages).
- * Find an accountant you can trust.
- * Establish a relationship with a financial institution (banks and lending companies are usually reluctant to go through the entire credit-application process until the buyer can show an accepted offer to purchase).
- * See a lawyer once you have identified the "right" purchase.

Arison says that "if a dentist is looking to buy a practice, the dentist needs to recognize that professionals hired by the seller, such as a broker, a lawyer or a practice consultant, are working on behalf of the seller" and that the "buyer needs to level the playing field by being equally prepared with research and a plan."

Asked why a dentist might choose to purchase an existing firm instead of simply starting his or her own from scratch, Brown says that the market for dental services in Canada is cut-throat.

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"In the major cities there is an over-supply of dentists already," he said. "Competition for patients is fierce, thus the purchase of an established practice with a client list is preferred."

Moreover, banks prefer lending to dentists looking to buy rather than starting from scratch, he says.

So, with an abundance of Baby Boomers set to retire and looking to enjoy the good life away from the office, will ROI branch out from its strictly dental focus?

"Not yet, but we are expanding into other types of business," says Brown. "Due to my father's very long career in the dental industry, it's what we know best. I, on the other hand, have more general knowledge. Thus, we will be actively appraising and brokering small companies in the future."

By small he means companies with sales of \$1 million to \$10 million.

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