

A Review Lesson



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Some things beg repetition.

The ROI Corporation News

Issue # **7** ...of a Series

...but don't worry, there is no exam to follow!

TOPIC 1

Why Do You Need an Appraisal?

As a planning tool, knowing the value of your practice will assist in the determination of:

1. A fair market value selling price.
2. The approximate number of years until retirement (or exit from practice ownership).
3. The amount of life insurance coverage one should have (& Business Partner).
4. The level of financing that creditors would be willing to advance.
5. The directions your Estate would take in the event of your death.
6. The feasibility of incorporating your practice (Goodwill calculation).
7. The structure of a partnership agreement or similar group practice (cost share) arrangement.
8. Whether or not to sell in the event of a long-term disability.
9. The amount of insurance coverage for practice interruption and the assets.
10. Dissolution values - in the event of business partnership or marriage breakdown.
11. For simple curiosity!

TOPIC 2

Whom Does an Agent Represent?

Agency is defined as: the relationship that exists between two parties - the PRINCIPLE, who consents that the other should represent them or act on their behalf, and the AGENT, who similarly consents to represent the former or so to act. The existence of a fiduciary duty on the part of the agent to the principle implies no conflict of interest - it is not possible to represent the best interests of both parties to a transaction.

ROI Corporation's Duty is to the Vendor:

- We act as the exclusive agent of the selling dentist.
- We represent the vendor in all aspects of the practice sale process.
- We are paid by the vendor.

ROI Corp's Relationship with the Buyer:

- Our goal is to educate the buyers of dental practices.
- We will answer all questions and disclose all information.
- Buyers should never pay a vendor's agent.

TOPIC 3

Not all Appraisals 'Created' Equal

ROI Corporation's Appraisal contains descriptions and details of the following:

- Summary of Valuation Concepts
- Interpretation of Values
- Complete Practice Description & History
- Philosophy of Practice
- Services & Treatment Mix, Services Referred
- Appointment Procedures (times/protocols)
- Office Hours / Vacations / Courses Taken.
- Personnel / Employee Contracts
- Staff Benefits, Communication Protocols
- New, Active & Inactive Patient Information
- Patient Profile by Age and Draw Location
- Recalls - Scheduled and Pending
- Fees, Payment and Insurance Policies
- Treatment Planning Regimes
- Accounts Receivable Operations
- Systems and Records (computer / charts)
- Marketing Initiatives Undertaken
- All Facility Parameters (pluses and minuses)
- Value of the Premise Lease (includes Copy of)
- Calculation of 'Real' Rent - if Building Owned
- Practice Location Map (City/Town)
- Community Demographics (Schools, Industry)
- Dental / Population Ratios (GP and Specialist)
- Accountant's Financial Statements (3 years)
- NORMALIZED Financial States (by ROI Corp)
- Year-to-Date Financial Info (Revs. by Provider)
- Financial Analyses & Cash Flow pro forma
- Descriptions (with Serial Numbers) of the following, with Market & Replacement Values
 - Leasehold Improvements & Fixtures
 - Clinical Equipment & Fixtures
 - Administrative Furniture & Fixtures
 - Computer Hardware & Software
- Instruments and Materials (by formula)
- Listing of Excluded Assets
- Services Contracts (O₂, security, janitorial, etc)
- Liabilities (e.g. Copies of Equipment leases)
- Recent Practice Sales Comparisons
- Goodwill Calculation based upon:
 - Local Market Factors
 - Weighted Gross Income
 - Weighted Cash Flow
 - + / - Adjustments
- Associate / Partnership Agreements
- Cost Share Agreements
- Office Policy Statements
- Floor Plans & Photographs
- Demographic Data (Canada, Province, Town)

TOPIC 4

ROI Corporation's Services

We Appraise Professional Practices

Our fees are dependant upon the practice size (revenues, # operatories, staff, associates, etc.) and practice complexity (# sets of financial statements, existence of partnership agreements, etc) and on travel expenses. Our fees for a comprehensive 60+ page Appraisal start at \$2,400.00

We Act as Your Exclusive Broker in a Sale

We market your practice using our national network of associates (4 of whom are dentists). We educate buyers and ensure confidentiality in all matters. We do all the showings, representation, negotiations, assisting with financing arrangements, drafting of offers and act as trustee of the sale. Our fee is only paid upon the successful sale of your practice - typically 6-10 % of the price you accept.

We Provide Letters of Opinion

This could be our examination of another firm's appraisal of a practice you are looking to purchase. Other tasks might include analysis and commentary on local market conditions. Fees start at \$550.00

We Offer Common-Sense Consulting

Drawing on our 29 years of first hand dental industry experience, and based upon discussions with thousands of your colleagues, we will act as devil's advocates and sober second thinkers. ROI Corporation's fees range from \$150.⁰⁰ to \$300.⁰⁰ / hour.

We Offer Practice Management Advice

Please check our website www.roicorp.com under the "Articles" Icon for a listing of nearly 60 articles by Timothy A. Brown, President and CEO of ROI Corporation. These can be read online or downloaded in PDF format free of charge.

Dr. Jeff Williams was recently named to the Canadian Dental Services Plans Incorporated Board of Directors for a 3-year term. CDSPI administers The Canadian Dentists' Insurance Programme and the Canadian Dentists' Investment Program.