



News from Canada's professional
practice appraisal & sales leader.

From Dr. Jeff Williams
Associate for
Atlantic Canada



THE PRIVATE SALE - Who Benefits?

By **Timothy A. Brown**, President & CEO ROI Corporation

Occasionally, after we have completed an appraisal, clients tell us that they are going to attempt to sell their dental practice to an associate, or to another colleague. While a broker would prefer to act as an agent, thus earning the usual commission, we do not insist that our appraisal clients also use our brokerage services. This is known as 'tied selling' and my regulator frowns upon it.

What are the benefits of the "private" or "Limited Market Exposure" (LME) sale? Are there any pitfalls?

The first perceived benefit, held by the seller, is that he or she will save the usual and customary commission paid to the broker. Sellers then conclude that this will increase the net proceeds of the sale. While this is entirely possible, my informal research on the topic reveals it may not actually be the case. The primary reason the net proceeds of a private sale are not as high as anticipated, when compared to the brokered sale, is that buyers are quick to suggest that the lack of a commission should entitle them to a reduced sale price. I asked several leading and reputable bankers, accountants, and lawyers who are active in the dental market what their clients were actually saving when a private sale occurs. The answer may surprise you - most of these market experts readily admit that the sale price was notably lower, when compared to similar 'brokered sales' and that their client's anticipated savings rarely materialize.

Another concern for the private seller is the accidental withholding of valuable information. Buyers are afraid to insult the owner by asking some of the more difficult questions about financial matters or clinical philosophy, but rarely have this same reservation when working with brokers. I have often heard a buyer say, "I wish I had known that before buying this practice" and I reply with, "Why didn't you ask?" The answer is invariably "I did not want to insult him." Similarly, sellers who have sold their practice privately, tell me they wish they knew more about the buyer before the sale was completed, but they conclude with a remark such as, "I didn't want to discourage him, so I never mentioned some of the aspects of my practice."

For the buyer, the obvious benefit is that he or she does not have to compete with the multitude of other buyers in the marketplace. This affords the buyer more time to investigate and reduces the pressure to increase the offer. One major shortcoming for the buyer is that they may not know all the relevant facts about a practice before proceeding, due to the desire to safeguard professional relations. Difficult questions must be asked when buying a practice.

Professional relations are important to dentists, since they genuinely want to trust each other, and in the large majority of sales that trust is earned. However, in today's ever-changing market, generational, gender and ethnic variables are now playing a large role in the buyer and seller interaction process.

I believe that dentists, who try to buy a practice privately, will undoubtedly offer a lower sale price in the absence of the broker. Further, if a buyer knows that he or she may be the only 'option' being explored by the seller, they may secretly feel a distinct advantage - perhaps to the extent of exploiting this at the seller's expense.

Buyers have remarked that they think private sellers are either cheap or naive. Is that how you would want to be perceived by the buyer of your practice?

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Please return this form to Dr. Williams - All information gathered remains CONFIDENTIAL
We will be pleased to quote our PRACTICE APPRAISAL FEE upon receipt of this information

name _____
 private (home) mailing address _____

 private (home/cell) phone number _____
 private fax number _____
 personal email address _____
 practice address _____

your year of graduation _____ Are you a General Dentist? *Y or N*
 from which school/faculty _____ Specialist? (specify) _____

Office: Total Square Footage _____
 Number of Operatories (equipped) _____
 Do you Own building? *Y or N* If so, what % _____
 Do you have an Accurate set of Floor Plans? *Y or N*

Personnel: # of Associates? Full-time? _____ Part-time? _____
 # of Hygienists? Full-time? _____ Part-time? _____

Partners: Do you have partners? *Y or N* How many? _____
 If so, are they: Cost Share? _____ or Equity? _____

Financial: Are you incorporated? *Y or N*
 Is there a Holding/Management company? *Y or N*
 How many sets (i.e. different entities, not years) of
 Financial Statements do you have? _____

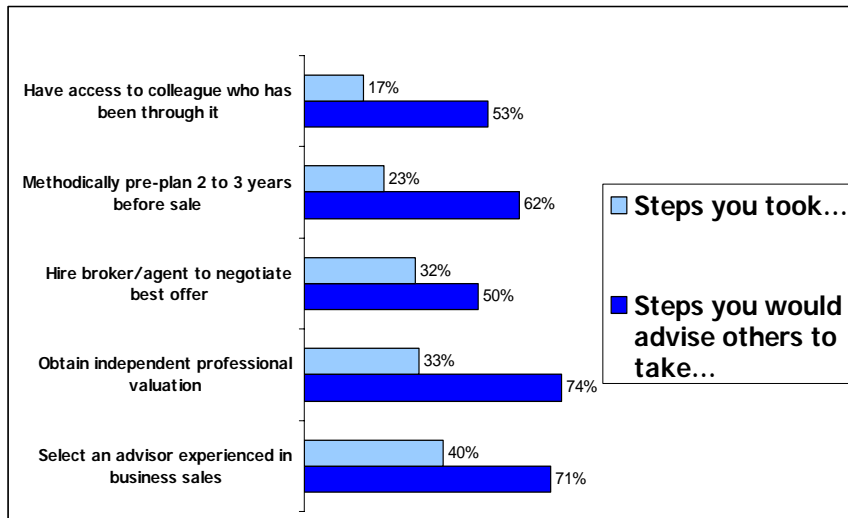
Gross: Most recent Annual Gross Revenue (of the entire practice).
 \$ _____

Scheduling: What would be the best day, when the practice is or can be
 closed, for us to visit the office? _____

Notes: Is there anything unique or particular that you'd like to tell us
 about your practice? _____

“Selling your business (*practice*) is an emotional roller coaster and life-changing event. Be prepared and do it right.”

In a recent survey report commissioned by Newport Partners¹, business owners offered their fellow entrepreneurs some unique perspectives and insights into the challenges and opportunities faced by them upon the sale of their businesses. Their caution - **“Do as I say, not as I did.”**



There is every reason to posit that the sale of a dental practice is no different. Have you made a plan for your exit from ownership? Have you had an independent professional appraisal completed? Do you have an experienced advisor/broker to assist you? Have you really thought about what you are going to do post-sale?

Jeff Williams and ROI Corporation have answers - we can help! We have successfully appraised and sold thousands of Canadian dental practices since 1974.

¹ http://www.newportpartners.ca/Theme/NewportPartners/files/NP_BS_01-31-08_final.pdf

ROI Corporation Appraisals contain descriptions and details of the following items:

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|--|---|
| <ul style="list-style-type: none"> <input type="checkbox"/> Summary of Valuation Concepts <input type="checkbox"/> Interpretation of Values <input type="checkbox"/> Complete Practice Description & History <input type="checkbox"/> Philosophy of Practice <input type="checkbox"/> Services & Treatment Mix, Services Referred <input type="checkbox"/> Appointment Procedures (times/protocols) <input type="checkbox"/> Office Hours / Vacations / Courses taken. <input type="checkbox"/> Personnel / Employee Contracts <input type="checkbox"/> Staff Benefits, Communication Protocols <input type="checkbox"/> New, Active & Inactive Patient Information <input type="checkbox"/> Patient Profile by Age and Draw Location <input type="checkbox"/> Recalls - Scheduled and Pending <input type="checkbox"/> Fees, Payment and Insurance Policies <input type="checkbox"/> Treatment Planning Regimes <input type="checkbox"/> Accounts Receivable Operations <input type="checkbox"/> Systems and Records (computer / charts) <input type="checkbox"/> Marketing Initiatives Undertaken <input type="checkbox"/> All Facility Parameters (pluses and minuses) <input type="checkbox"/> Value of the Premise Lease (includes Copy of) <input type="checkbox"/> Calculation of 'Real' Rent - if Building Owned <input type="checkbox"/> Practice Location Map (City/Town) <input type="checkbox"/> Community Demographics (Schools, Industry) <input type="checkbox"/> Dental / Population Ratios (GP and Specialist) <input type="checkbox"/> Accountant's Financial Statements (3 years) | <ul style="list-style-type: none"> <input type="checkbox"/> NORMALIZED Financial States. (by ROI Corp) <input type="checkbox"/> Year-to-Date Financial Info (Revs. by Provider) <input type="checkbox"/> Financial Analyses & Cash Flow pro forma <input type="checkbox"/> Descriptions (with Serial Numbers) of the following, with <u>Market & Replacement Values</u> <ul style="list-style-type: none"> <input type="checkbox"/> Leasehold Improvements & Fixtures <input type="checkbox"/> Clinical Equipment & Fixtures <input type="checkbox"/> Administrative Furniture & Fixtures <input type="checkbox"/> Computer Hardware & Software <input type="checkbox"/> Instruments and Materials (by formula) <input type="checkbox"/> Listing of Excluded Assets <input type="checkbox"/> Services Contracts (O₂, security, janitorial, etc) <input type="checkbox"/> Liabilities (e.g. Copies of Equipment leases) <input type="checkbox"/> Recent Practice Sales Comparisons <input type="checkbox"/> Goodwill Calculation based upon: <ul style="list-style-type: none"> <input type="checkbox"/> Local Market Factors <input type="checkbox"/> Weighted Gross Income <input type="checkbox"/> Weighted Cash Flow <input type="checkbox"/> + / - Adjustments <input type="checkbox"/> Associate / Partnership Agreements <input type="checkbox"/> Cost Share Agreements <input type="checkbox"/> Office Policy Statements <input type="checkbox"/> Floor Plans & Photographs <input type="checkbox"/> Demographic Data (Canada, Province, Town) |
|--|---|

Jeff's Practice Opportunities (as of March 1, 2008)

Visit roicorp.com for all of our opportunities

WESTERN PEI (Ref #1545) - TWO FOR ONE! A relaxing lifestyle AND an established 4 op practice for sale. While general dentistry & hygiene services remain fundamental to this practice; there is a significant opportunity to grow - as many cosmetic, major rest. & endo are referred out. At the buyer's discretion, owner is interested in a part-time associateship, post-sale.

HAMPTON, NB (Ref #1537) - this reputable denture clinic has operated in the area since 1977. Large base of loyal patients and referral sources. Computerized Denturist Office Manager system. Located within a healthcare building. A skilled workforce lives in the Kennebecasis River area; which has a blend of heritage & new development. **CONDITIONALLY SOLD**

SYDNEY, NS (Ref #1531) - immediate sale due to death of owner. An opportunity exists to either purchase the practice as is where is, and continue operations, OR purchase only the equipment and/or charts and move them to your existing practice, OR purchase everything and move to a new location (2 prime dental office suites available in close proximity to this practice). **SOLD**

CENTRAL NOVA SCOTIA (Ref #1481) - 3 op family practice; located in a busy mall plaza (next to a walk in Medical Clinic). Established 20+ years at this location and has always enjoyed a high flow of new patients. Although the owner is now unable to attend to patients, she is managing the practice, while locum dentists and the hygiene dept. keep things going. **SOLD**

NEW GLASGOW, NS (Ref #1475) - OMFS practitioner performs primarily exodontia, implants and oral pathology services; all performed in office under heavy sedation (or local anaesthesia). Hospital privileges available. Doctor concerned about ensuring the continuity of care for patients, and that area dentists have someone in their own 'community' to refer to.

NEAR BAIE des CHALEURS, NB (Ref #1466) - Billings of \$800,000 are only because of the lifestyle wishes of the practitioner - a new owner(s) could easily exceed this, as both patient demand and time in the schedule exist. Natural light in all 5 ops. All aspects of general dentistry are performed. Building is for sale or lease. Vendor to associate part-time if Purchaser wishes.

HALIFAX, NS (Ref #1411) - 3 op solo general practice develops strong partnerships with each of its 1,600 active recare patients. Is computerized, has full time hygiene services, an intraoral camera and provides a fair amount of prosthodontic treatment (both fixed and removable). About 15 NEW patients per month; local area experiencing significant growth. **SOLD**

SUMMERSIDE, PEI (Ref #1350) - Are you an Associate who is committed to excellence? This prevention oriented general practice needs you for 1 to 2 days/week immediately. Potential for fulltime hours (4 days/wk), as Owner wishes additional time off. Flexible arrangements available in this successful, long established 3-op facility. NEW GRADUATES WELCOME.

CHARLOTTETOWN AREA (Ref #1339) - Bright surroundings provide for exceptional patient comfort. Owner sees patients 26 hrs/wk (2 DH - 38). Continue operations as is in this 'closed' practice, or decide to grow. Ample room within the clinic space and the appointment day. Recent population increase 15 times the provincial average. Cash flow ~ \$200,000.

NEW GLASGOW, NS (Ref #1337) - Mid career owner wants to enjoy more time with family. 3 ops (1 is equipped) solo practice 60 min from Halifax Airport. Has grown from 0 to 400+ active recare patients in just 3 yrs - and with only part-time effort. Located in high-traffic plaza; premise lease assignable. Ample parking, tasteful leaseholds, and lots of sunlight. **SOLD**

UPPER ST. JOHN RIVER VALLEY, NB (Ref #1316) - Chairs are always full! Enjoy the rural lifestyle in this long-standing practice; only a short drive to Fredericton. Most major equip is between 5 - 10 yrs old. Well maintained, community owned suite is an attractive 4 op facility, available on very favourable terms. Most patients well insured. OVERHEAD < 50%.

roicorp.com

...For the most up-to-date information on all of our Canada wide practice listings: and vast resource materials - including over 100 published articles and appraisal & brokerage advice.