

Nine steps to selling your dental practice

Lis Hughes discusses how to get the most from selling your practice.

If you have ever sold a property, you'll appreciate how complex, time consuming and stressful it can be. You need to make sure that both the exterior and interior are presentable and attractive, and then there's the endless library of necessary legal paperwork.

Selling your dental practice requires careful planning, patience and a degree of flexibility. The sales process can be demanding, and a better sale price can be achieved by being prepared. Here are my nine suggestions for selling your dental practice and getting the best result possible.

1) Know why you are selling your dental practice

Being crystal clear on your motivation to sell is a great starting point, if only so that it gives you the time to plan in the next phase of your life.

Buyers are going to want to know why you're selling too. There are right and wrong answers to this question – it can raise issues with a buyer if, for example, you had a failing practice which was not profitable. Equally, if you are selling to enjoy a well-earned retirement then this will make perfect sense to a buyer.

2) Timing the sale

The perfect time to start planning the sale of your practice is a couple of



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years before your target end date. It is highly likely there will be issues to deal with in order to ready your practice for sale – for example, ensuring that your property lease is fit for purpose with a sufficient term remaining.

Good planning will also allow time to address any areas of improvement. It is important to consider the necessary resources to make the improvements as they may not add value to your dental practice but could improve its desirability.

3) Type of buyer

There are different types of buyers, each one will have its own pros and cons. An existing partner is a convenient option – if you have a partner then you most likely have the provision in your partnership or shareholders agreement

to make an offer in the first instance.

This route can minimise the need for negotiation as the dental practice is well known to the buyer, however, it does not mean it will be plain sailing. The price is often a point of contention between partners in a practice.

A motivated associate can represent another good option. They know the team, patients and have a reputation in the practice that can be built on. It's important that the associate is actively looking to buy a practice when you start the process, or the danger is the associate is only showing interest to protect their position. These deals rarely complete as the associate isn't prepared to step into practice ownership.

Selling to an individual is the most common route to a sale.

Most associates are not able to set

up a squat, so they favour acquiring an established practice. Buying an established practice provides immediate cash flow, and with it being unlikely that any new NHS contracts are available it can be the only way to own a practice and deliver NHS services.

Dental corporates are also active in the market and whilst some are looking for strategic acquisitions, most are purely for financial reasons. It's important to appreciate that any sale to a corporate will probably require you to stay on post-sale for two to five years.

Unlike the other sale options, you should also factor in that part of the purchase price will be deferred and paid out over the period that you are retained for.

4) Prepare your documentation

As part of the sale process you will need the services of a lawyer, and it is strongly recommended to use one with experience of selling dental practices. A lawyer will be able to provide a list of the documentation required which will form part of the legal due diligence.

5) Practice sales agents

A specialist sales agent should more than cover their fee with added value through the transaction by negotiating a higher final sale price and managing the deal while you continue running your dental practice.

6) Get your dental practice valued

There are a variety of factors that will influence the value of your practice including location, income type, profitability, type of dentistry delivered, property tenure, and stability of the team.

A specialist valuer will provide an accurate valuation which should be based on up to date comparables, so their values have been tested in the market.

7) Finding potential buyers

The right buyer needs to have access to the necessary funding to back up their offer, be free from any restrictions of purchasing your practice and be able to take on your practice and run it in a style that leaves you feeling comfortable that your patient and team

are in good hands.

If you choose to sell your practice without the help of a sales agent here are some key things to do to help get the deal moving:

- Only provide limited financial information to the buyer until you know there is serious interest.
- If the interest is serious then establish if the buyer has been pre-qualified for finance. For example, FTA Finance provide clients with a Pre-Assessment Certificate which confirms how much they could borrow when purchasing a dental practice.
- Be comfortable negotiating the price and terms of the deal and working out what is non-negotiable for you.
- Record whatever is agreed so you have a record to refer to.

A specialist sales agent will have a portfolio of pre-qualified buyers and deal with the marketing of your practice to selected potential purchasers on a confidential basis. They will also take care of the above plus manage the deal, in conjunction with your lawyer, through to completion.

8) Due diligence

The buyer (or their lawyer) will be researching your dental practice and you will also need to check that the buyer has the necessary credentials to purchase your practice. If you work with a sales agent, they will undertake a significant portion of this on your behalf.

Quite fairly, the buyer is going to want to know all about the dental practice they are buying and swift exchanging of information means this process should be completed in a just a couple of weeks (but it can take months if not taken seriously).

Importantly, you need to ensure the practice continues to run in an efficient style through the sales process as any deterioration in performance may lead to the buyer's offer being amended.

9) Completion and next steps

It is important to honour any post-completion obligations, as these are likely to be legally binding, but more than that there is a moral obligation to pass over your practice in the best condition possible.