

The Dental Transition

N E W S L E T T E R

In this issue

Page 1

Don't Wait Until Your Breaking Point to Sell Your Practice

Page 3

Why DSOs Pray You Don't Hire a Broker

Don't Wait Until Your Breaking Point to Sell Your Practice

Dentists often ask when they should sell their practice. This, of course, varies for everyone, but, if you are able, the best time to sell is when you are financially ready and still physically capable of enjoying working and managing your practice.

Why would you sell your practice when you are enjoying it you ask? So that you don't regret it. Each year we see dentists who wait to list their practice for sale until the very moment they are ready to retire, and then the next few months are horrible. The sale of your practice is not instantaneous, even for the best practices. Once you make the decision to sell, it can take a few months before you complete the sale—at least. You may need to make some minor updates to your office to make it more attractive (painting, cleaning, etc.). You need to interview and hire a reputable broker like (insert your brokerage name) to handle the sale for you. There needs to be a valuation of the practice so you can determine a Fair Market Value listing price. You'll also need to meet with your CPA to ensure you can indeed afford to sell and retire—all of this before the practice is shown to prospective buyers! Once you have a buyer, an

offer, and signed Letter of Intent, you still have to allow the buyer time to get through the financing process with banks which takes a few weeks. Then, your attorney and the buyer's attorney need to draft, review, and agree upon the purchase agreements. The buyer will also have to negotiate a lease with your landlord or, if they are purchasing the real estate, they have to appraise the property, complete surveys, and include an additional purchase agreement for the building. Needless to say, this is not a quick process.

Each year we see dentists who wait to list their practice for sale until the very moment they are ready to retire, and then the next few months are horrible.

During this time, you have to keep going to work, keep up your production and collections, keep a staff in place and not let on to your staff and patients that you are ready to be

Continued on Page 2

PRACTICE SALES + APPRAISALS + TRANSITION CONSULTING + ASSOCIATE PLACEMENT



HUDSON TRANSITION PARTNERS INC
Transitions are personal ... so are we!

Don't Wait Until Your Breaking Point to Sell Your Practice

Continued from page 1

DONE. If you wait until you are emotionally or physically finished being a practice owner, this is painful and a nearly impossible task. Imagine having to go to work, day after day, dealing with staff call offs, patients cancelling at the last minute, your back hurting, and spending all day wondering if today is the day that you will find a buyer for the practice. Doesn't sound like fun, does it? And as we mentioned before, the sale process is not quick, so this could last for several months. During this time, if you begin to resent your practice, it will reflect negatively on your office and will make the sale process even longer. By the time you do finally get to your Closing Day, it won't be a joyous occasion and you won't be able to celebrate your retirement or give the new doctor the welcome he or she deserves. You will just be ready to sign the papers and run!

If you aren't rushed to sell immediately, many of the pressures of selling your practice will be alleviated.

Now, imagine an alternative scenario... You make the decision to sell your practice while you are still happy at work. You complete all the necessary pre-listing tasks and you can now take your time and not feel overwhelmed during the process. You are able to go to work each day feeling like you have prepared yourself for the eventual sale and know that you have the luxury of time to find the right buyer. AND, when you do sell the practice, you may even have the desire to keep working part-time, either for the buyer of your practice or at another office. If you aren't rushed to sell immediately, many of the pressures of selling your practice will be alleviated.

Obviously not everyone has the luxury to sell this way. The urge to retire or the physical need to retire may come before you are able to plan for it. But for those who are able to prepare for a sale, the process is much better. If you want to prepare for the eventual sale of your practice, call (insert your brokerage name) today to discuss your options.

What Our Clients Have To Say About Us Matters

"Sean possesses an even mixture of personal and business skills. He is straightforward, personable, and professional, and possesses in-depth knowledge within multiple sectors of the dental profession as it relates to brokering. He was very approachable and was always available to address any questions and concerns I had." – Cheryl Reygers, DDS

"Hudson Transition Partners could not have been more helpful when I was selling my Dental Practice. Their excellent professional practice evaluation was extremely detailed and invaluable when presenting my practice to potential buyers." – Timothy Holloway, DMD

"I worked with Hudson Transition Partners when I was looking to relocate and purchase my first dental practice. From the initial phone call to the closing, they were there for me every step of the way. Their guidance and referrals to other professional sources were invaluable." – Matthew Whipple, DDS

Why DSOs Pray You Don't Hire a Broker

You have been approached by a DSO. They want to buy your practice. If you are the average general dentist, this happens to you several times a week. If you decide to respond and explore the idea, the DSO will likely try to convince you that you do not need to hire a broker to represent you in the process. "You will save a lot of money by not paying a broker fee," is their primary argument. That is partly true, but what they know—and what they hope you don't find out—is, on average, dentists who are represented by a broker in the sale of their practices to DSOs get a much higher price and better terms. They benefit by having an advocate on their side, representing their interests, and negotiating on their behalf. In fact, in most cases, the higher price a broker is able to negotiate will more than cover their fee.

...dentists who are represented by a broker in the sale of their practices to DSOs get a much higher price and better terms.

Let's look at this from the DSO's perspective. Among other things, they are seeking to leverage your practice to increase the equity value of their company with the least amount of hassle possible. They prefer to deal directly with the seller, without the interference of a practice broker, because, that way, they stay in the "driver's seat," i.e., they get what they want as easily as they can. Although they prefer a seller doesn't know this, DSOs generally have three different price points and terms to offer: "good," "better," and "best." Once a DSO decides your practice meets what they are looking for, they will submit a "good" offer. They hope you will just accept the "good" offer right out of the gate, but they are willing to make a "better" and even a "best" offer, if needed, and if you know how, where, and when to negotiate for it, you can get a "better," or even a "best," offer. Practice brokers with experience have seen many different offers from many different DSOs for many different practices and will know

how to negotiate for "better" and "best" offers. Accordingly, a competent practice broker will add value that often exceeds the price of their fee.

Practice brokers with experience have seen many different offers from many different DSOs for many different practices and will know how to negotiate for "better" and "best" offers.

In many cases, a broker will create a spreadsheet to help a seller compare offers and determine how the offers really pencil out, with the objective of deciding if they are complementary to the seller's financial, personal, and professional objectives. Many times, enthusiasm for what appears to be a great offer on the surface overrides objectivity. Oftentimes, the amount the seller thought they would be receiving over time doesn't match up to their expectations, especially when they realize later that there was a "best" option that was never discussed when it came to the price, terms, and the work-back arrangements.

Aside from all the numbers, each doctor pursues a practice transition for different reasons. When considering a transition of your practice to a DSO, it is helpful to ask the following questions, among others, before accepting an offer and entering into any agreement:

- Does the outcome of the arrangement fit my short and long-term career objectives?
- Can I uphold the obligations imposed on me with this arrangement?
- What are my expectations of the DSO after the sale? How will they measure up to those expectations?

Continued on Page 4



A Member of



ARTICLES INSIDE:

Don't Wait Until Your Breaking Point to Sell Your Practice

Why DSOs Pray You Don't Hire a Broker

WWW.HUDSONTRANSITIONS.COM

PRACTICE SALES + APPRAISALS + TRANSITION CONSULTING + ASSOCIATE PLACEMENT

Why DSOs Pray You Don't Hire a Broker

Continued from page 3

- Can I deal with the potential loss of income, decision-making, and autonomy after the sale, as well as the shift in practice culture/philosophy?

broker who is looking out for your best interests. Doing these things will increase your likelihood of a successful outcome.

In summary, make sure the numbers work in your favor. Do your due diligence on the DSO. See if your culture, expectations, and values are complementary to theirs. And finally, seek professional advice from a practice

We invite you to give us a call to discuss your options and schedule a FREE consultation.

Contact us TODAY to schedule a free consultation!
