Important Steps for a Successful Dental Practice Sale

When planning to sell your dental practice, it is important to follow a few important steps to realize the most value from your practice. Implementing these steps from the beginning will make your practice sale significantly easier and more profitable.

1. Continue to generate and maximize your gross collections. It is easy to fall into the trap of declining revenues when you know that you are planning on selling your dental practice. Unfortunately, that will also decrease the sales price of your practice. A prospective buyer wants to see a steady and growing practice when looking to purchase. If it is declining then they become much more reticent and that will show in their offer and may even put them off to presenting an offer. In addition, banks will use the down year in their calculations when determining whether they will approve a loan.

2. If you are planning on selling in the next 2-3 years, continue to invest in modern dental equipment, or at least keep the equipment as up-to-date as possible. A prospective buyer will offer less for the practice if they see that they will need to invest in new equipment early on in the process. Buyers like to see that the dental practice they are purchasing is a practice that has kept up with the times. It also lets them know that the patient base is used to a more modern and current practice, which is the practice philosophy of most buyers today.

3. Your overhead numbers should be true and accurate. If your overhead numbers include a lot of discretionary expenses, the buyer will see an inflated overhead and may be frightened off by the overhead percentage. While a buyer will need to perform their own due diligence, you want that process to be as smooth and accurate as possible. A buyer may not even get to the point of due diligence if they are frightened off by high overhead numbers. The sooner a buyer can have their due diligence performed, and not be impeded by removal of discretionary overhead numbers, the sooner you will be able to move on to a successful transition.

4. If you are in a lease situation for your practice, it is important to have all the lease information available for the prospective buyer at the time they are engaging in the process. A seller should be sure that their lease is transferable or assignable prior to selling the practice. If a buyer needs to negotiate a new lease with the landlord vs a transferrable lease with lease options they may be discouraged to buy the practice. Having to negotiate a new lease will be more expensive for the buyer and they may not want to get involved in that situation. It would be
beneficial to have all that information ready for a prospective buyer when they are first showing interest in your practice.

5. It goes without saying that the appearance of the office is of the utmost importance. The first impression the buyer has is of the appearance of the practice. Just like buying a house, maintaining “curb appeal” is critical. Most buyers are willing to paint and make the practice “their own”, but they want to start with a good, clean canvas. Keeping the practice clean, well-organized and in top shape will bring a more positive offer from the buyer.

6. Having data that is verifiable is crucial for a young buyer. They will want to see practice management reports for demographics, fee schedules, participating insurance reports, A/R, and P & L statements. Presenting this information in the beginning will keep the process moving in a positive direction and will keep the due diligence process moving along.

For more information, contact Ellen Dorner (410) 616-2042. www.NLTransitions.com