

The Value of a Beauty Parade

If you want to get some renovations done to your house. Or you want to invest in some new equipment at your dental practice it is usual to arrange a 'beauty parade' (not to be confused with a beauty contest). You do some due diligence and then invite 2 or 3 companies in to pitch for your business. Who can do what you need, when you want it, at a price which makes sense to you? Here we discuss the value of a beauty parade and why we think it is in every Principals best interests to hold one.

We are often invited to 'beauty parades' when dentists are considering which dental broker to trust with their dental practice sale.

It makes sense to me that when you decide you want to sell something. Particularly when it is something as valuable as your dental practice that you hold a 'beauty parade' of prospective buyers. You can then decide who you want to sell to, who has the most compelling offer with the most compelling terms? From a choice of people and organisations.

But, there is a but here. We know there are a bunch of people and organisations that continually canvas Principals about selling their dental practice. Their motivation is that they want to avoid being part of a beauty parade. Simply because they know 'beauty parades' work to the advantage of Principals.

What are some of the attractions of responding to a private approach.

- ✓ No fees to pay a dental broker.
- ✓ No need to invest time in selecting a dental broker.
- ✓ Quicker completion time if the prospective purchaser does not need to apply for bank lending.
- ✓ They will provide a valuation of your business.
- ✓ Only one prospective buyer to liaise with.
- ✓ You feel flattered that someone is interested in buying the dental practice you have developed.
- ✓ You may be reassured by speaking to other dentists who have previously sold to that person or organisation. Although you should always ask them if they agreed a deal in isolation or through a dental broker.
- ✓ Less risk that your staff will find out until a deal completes.

On the face of it. Lots to like.

We coach our clients to become 'savvy sellers'. The 'savvy seller' will spot the gaps in this offer.

The person you will be working with is a trained buyer. The Cambridge Dictionary defines buyer like this: In business contexts, a buyer is a person who buys things for a company as part of their job. Their success hinges on paying as little as they can for something.

For many buyers, sustainability of the product they are buying is vital. If you are buying a component for car manufacturing, then you need to make multiple purchases. You must be prepared to buy the item(s) you need at the best rate which must be commercially viable for the supplier. The worst case scenario is you drive your supplier out of business by negotiating too hard. If you are buying a unique product, like a dental practice then there is no sustainability aspect to consider in the negotiations. You are only ever going to buy that dental practice once.

Our experience is that vendors who sell privately are likely to agree to under sell their dental practice by 10%-30%.

Agreeing a deal to move forward on is only the start of the process. It is likely that during the Due Diligence your buyer will find reasons to renegotiate the package and the terms. It could be that revenue is falling. It could be they have found some extra costs in your business that were not identified at the time of agreeing a deal. It could be you have a vacancy which the new buyer would need to fill so they want to add in staff costs. When those discussions come you could be on your own negotiating with the buyers with little insight into what your negotiating position is.

Any changes made by the NHS once a deal has been agreed will be scrutinised by your buyer to make sure the deal still looks the same to them (£).

To keep the purchase price you agreed, you will have to be a skilled negotiator and have a forensic knowledge of the numbers which make up your business.

Fact is that the dental market is littered with practices where a private deal was agreed which never got to completion. The reason we know this is because we meet these dentists second time round when they have wasted a bunch of time on a sale which resulted in disappointment.

Something else 'savvy sellers' will have a complete understanding of is the motives of everyone involved in a deal. We, and other dental brokers have a simple billing methodology. Our fee is paid by the vendor on completion, and it is a reflection of the sale price. There are other methodologies, but this is the staple. All pretty straightforward and easy for all parties to understand.

We talk to Principals who were introduced by 'trusted advisors' to individual buyers for their dental practice. Often it was not immediately clear to the Principal that there 'trusted advisor' was earning an 'introducers fee' from the purchaser. This kind of arrangement is in the best interests of the 'trusted advisor' and not the principal. Our advice would be to always ask the question. You have the right to know who is doing what and why?

Now, the bit I know you have been waiting for. Why you should hire a dental broker.

You only sell your dental practice to who you want to for the price and terms you agree.

- ✓ If you are attracted to a particular organisation you can still do that. It is just that you will be selling to them more on your terms than theirs. Although of course all deals must work for both parties.
- ✓ Only a broker who can reach all the buyers can put together a 'Beauty Parade' for you.
- ✓ Brokers deliver an outstanding ROI. For every £1 you spend with them they will give you back that £1 and several more. We can quantify this for you.
- ✓ Brokers mostly work for the vendor and have a success-based fee structure.
- ✓ A broker will be able to create a competitive environment around your business and leverage that when negotiating on your behalf.
- ✓ A broker will know the buyer profile who will be most attracted to your dental practice and be able to reach them.
- ✓ Brokers are trained 'sellers' and will lead all the negotiations and attempts are renegotiation.
- ✓ They will not only represent you in negotiating the purchase price but also the terms of a deal.
 - ✓ Deferred payments.
 - ✓ Revenue targets
 - ✓ Handover period
 - ✓ Associate agreement
 - ✓ Clawback (£) opportunities
- ✓ A broker will know when a deal is a good deal. Knowing when and at what price to sell is a key business skill which dentists often only have one go at getting bang on.

- ✓ They will leverage their access to the entire market.
- ✓ Only work with a broker who has access to all the prospective buyers in the UK. **Those who specialise in selling to 'Corporates', or who operate in 'local geographic area', or who advertise a 'confidential selling process' do not.** Any established dental broker will conduct a confidential sale and be highly experienced at selling to all the corporates. These are false USP's.
- ✓ They will advise you on the choice of solicitor.
- ✓ They will help you with CQC registration.
- ✓ They will see the deal through to completion. All the while vested in ensuring you get the best deal possible.

But we understand that dentists like to hear it from a dentist. **Richard Howarth**, the ex Principal of 'Smile Style Dental Care' in Stafford considered all his options before deciding to sell to Gensmile.



If you would like to talk about anything to do with buying, selling or financing a dental practice anywhere in the UK then **Contact Us today.**