

## CASE STUDY

# Lessons We Learned

This true story is written with the kind permission of our clients. The story they have shared is intended to help other dentists do things differently to them, when planning their exit.

The process they embarked upon was ultimately successful. But, it was much longer, more stressful, and more expensive than it might otherwise have been.

All details of individuals and other organisations has been redacted.

Our story centres around two expense share partners who between them owned a five surgery private dental practice in an affluent coastal area of England.

### Here is their story

In the summer of 2018, they completed on the purchase of the third expense share partner. This was a process the expense share partners handled themselves. This had been a long and difficult process. Probably longer and more difficult than it should or could have been, but when you have not been through it before you never know quite what to expect.

What it did do was get them thinking about their own 'exit strategy' as they believed it was going to take longer than they had predicted based upon their recent experiences.

In November 2018 they had a number of valuations completed by specialist dental brokers.

In November 2018 we valued the practice at circa £1,600,000. Whilst the owners thought the valuation and overall proposition from Lily Head Dental Practice Sales was very good, they could not reconcile our fees. In effect, they did not think the fees represented good value for money and decided they could sell the practice themselves for free. They were prepared to represent themselves in the marketplace.

### In the following 12 months the owners undertook the following strategy with the following outcomes

- ♥ They made several direct approaches to corporates.
  - ♥ Several corporates advised they had no interest in purchasing their practice.
- ♥ Corporate A. Had a meeting with the owners. Corporate A seemed very interested and a good fit, but their interest 'fizzled out'.
- ♥ Corporate B. The owners never really understood the model and therefore did not think it was a good fit for them.
- ♥ Corporate C. All seemed positive. While the Due Diligence was being conducted Corporate C reduced their offer from £1,600,000 to £1,200,000. In addition, the upfront payment was reduced by 50% which was unacceptable to the owners. The owners concluded Corporate C did not 'understand their practice' and were not willing to pay the full market value.
- ♥ During the failed negotiations with Corporate C the owners engaged (£) their own accountant and 'another party' to negotiate with Corporate C on their behalf. The accountant and the practice owners did not see eye to eye on the strategy, so the accountant was stood down. The 'other party' was not able to get Corporate C to understand why the practice was worth more than the £1,200,000 they offered.
- ♥ During Lockdown #1 in 2020 Corporate A came back on the scene and put forward an offer which seemed very acceptable in term of top line figure. But the terms did not meet the financial expectations of the owners and were not aligned with their exit requirements.

FORGET THE MISTAKE  
REMEMBER THE LESSON

## CASE STUDY - LESSONS WE LEARNED



After spending two years of trying to sell their practice to a corporate the owners realised they had not progressed their exit strategy at all.

They had invested a good deal of their time, a good deal of emotion, some money and achieved nothing tangible.

The decided to ask for our advice. We were of course delighted to help them and appreciated their faith in us.

### Here's what happened next

- 🔊 In November 2020 (24 months after our initial valuation) we re-valued the practice.
- 🔊 We agreed with the practice owners what their objectives were.
- 🔊 We launched the practice on 3 December 2020.
  - 🔊 We received multiple and varying offers for the practice.
  - 🔊 We presented all the offers in a way in which the owners could compare one against another.
  - 🔊 We prepared a short list of three offers which we thought overall most closely matched the objectives of the practice owners.
  - 🔊 All the offers they received were better than they had received previously now we had created a competitive environment around the practice.
- 🔊 The practice owners agreed a deal on Christmas Eve 2020. The sale completed on 2 March 2021.
- 🔊 The final sale price was £1,572,000.
- 🔊 The owners received 80% of the sale price on completion.
- 🔊 The owners agreed a shorter exit plan than originally requested by the purchasers.

To the owners credit, once they had decided to engage us they were model clients.

They provided the information we needed to take them to market. They provided timely feedback to buyer queries. They trusted us and they took our advice. Ultimately, with all the information in front of them that they needed, they selected the buyer that was right for them on the right terms.

In a post completion 'de brief' we did with our clients they identified these items as the things they would differently if they had their time again.

1. Instructing people, who despite what they said, were not specialist dental brokers and therefore did not understand the market, buyer profiles or have experience of negotiating a sale.
2. Not appreciating the value of having an experienced dental broker represent their best interests in the market place.
3. Not engaging with prospective buyers in isolation.

### This is the feedback from the practice owners post completion

#### Owner 1

"I'd like to thank Abi Greenhough for managing to push through our sale in only two months despite Christmas period and Covid restrictions.

It's an incredible achievement for a process that I know can take years to complete even in less difficult times and I would add that at no time did we feel were we being pushed towards a particular buyer.

We were encouraged to keep our options open and completed with the buyer for us.

It suggests to me that your buyer network, your understanding of them, and the faith and trust they have in you is vital in securing the right deal especially in the times we find ourselves in."

#### Owner 2

"Having received multiple valuations, we decided to engage Lily Head Dental Practice Sales to help us in our Practice sale. The valuation we felt was very honest, and having met with Abi Greenhough, it was clear that she was definitely in tune with our needs and expectations. Abi was very professional in negotiations and despite being a stressful time, the deal went through simply, swiftly and without any problems. I would thoroughly recommend Abi and Lily Head Dental Practice Sales to colleagues."

"It suggests to me that your buyer network, your understanding of them, and the faith and trust they have in you is vital in securing the right deal especially in the times we find ourselves in."