

## Sale & purchase of a dental practice - Is this your first time?

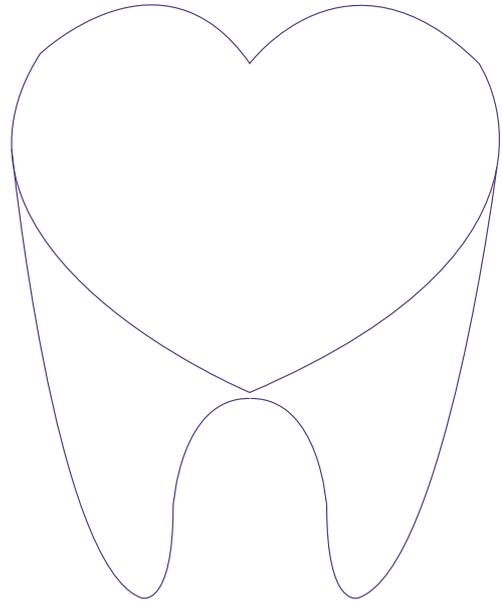
While buying or selling a dental practice might seem similar to buying or selling any small business, there are a number of additional factors that come into play for dental practices which cannot be avoided. Here, we highlight some of the considerations for a first-time buyer or seller of a dental practice, to help both parties prepare for the transaction well in advance.

### Due diligence when buying a dental practice

Due diligence is a major component when pursuing the sale or purchase of a business. In the case of dental practices, buyers must ensure that due diligence covers all of the areas mentioned below in order to get an accurate gauge of how much a practice is really worth, and how much scope it has for future growth.

- **The practice:** Sellers must provide proof of the practice's value, including its financial books, a redacted patient list, and copies of any NHS, insurance or commercial contracts. Any grievances, litigations or threatened action against the practice must be disclosed. A business appraiser can be called in to appraise the practice if desired. If the practice is registered with a body such as the Care Quality Commission (CQC), inspections reports should be made available to understand how the practice has scored against the CQC's inspection criteria.
- **Goodwill:** NHS Contracts, annual reviews, vital signs reports, and any other relevant documentation should be submitted as proof of a dental practice's goodwill.

To ensure the practice's continued goodwill after the



transaction, both parties should agree upon a designated geographical area within which the exiting dentist cannot practise or do locum work after completion.

- **Employees:** Documentation showing the employment terms of all staff must be provided to the buyer, along with any performance reviews, qualifications and records of professional training.
- **The property:** A professional valuer should be called in to assess the property from the outset. The seller must provide the buyer with: all tenancy or ownership documents; occupancy information; a plan of the property boundaries; proof of any easements or covenants; planning permissions for use of the property as a dental practice; health and safety reports; fire risk assessments and any other relevant supporting documentation.
- **Equipment:** The practice's equipment should be appraised and all details of the equipment should be provided, including records of repairs and maintenance work.

### Tips for sellers: boosting your practice's value

Along with preparing and submitting all of the necessary due diligence documentation in a timely manner, there are various steps that the seller can take to boost the value of a dental practice. Buyers should also be aware of the points below when assessing a practice's value. Simply put, similar to how one would make improvements on a home in

order to increase value before selling, a business requires similar treatment.

#### **Diversify your patient base**

Firstly, a large portion of a practice's valuation is based on revenue. From the moment they decide to sell, practice owners should therefore try to increase and diversify their patient base to fuel income generation; this means the practice will be at its peak market value, fetching a higher price for the seller and delivering better value for the buyer.

#### **Use modern marketing**

Marketing plays a key part in broadening a patient base, so the practice should build an online presence, with a beautifully designed website and content-rich social media pages. This will boost patient numbers and revenue, but importantly, it will also position the practice as modern and professional, making it more attractive to prospective buyers.

#### **Invest in improvements**

Sellers should also replace or repair any old or damaged equipment before putting the practice on the market. This applies not only to dental equipment, but to any IT equipment and systems used for the practice's operations. Similarly, the premises of the practice should be in pristine condition. Investing in repairs and aesthetics, particularly in the entrance and reception area of the practice, can reap major financial rewards when the property is valued.

#### **Keep your books clean**

Lastly, the seller should have all the practice's accounts receivables cleaned up by removing old collectibles and collecting all outstanding accounts. This will also facilitate due diligence.

#### **Get expert, experienced advisors**

Whether you are a buyer or seller, having experienced legal and financial advisors with in-depth knowledge of the dental industry will ensure that you are thoroughly prepared for either the sale or purchase, streamlining each phase of the transfer through to completion, and getting the best possible value for both parties.

For more information, or for expert advice on business or personal legal issues, call us on 020 3475 6751 or via email at [info@carterbond.co.uk](mailto:info@carterbond.co.uk)

“They managed to complete in 10 days what usually takes 2-3 months.”

Omer Mustafa, Director, PMD Ortho Ltd

#### HIGHLIGHTS

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In the last few years alone we assisted clients buy and sell dental practices with aggregate value exceeding £70m

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