

# HOW HAS THE INDEPENDENT BUYER CHANGED?

Ted Johnston, Practice Consultant Scotland and Ireland of Dental Elite, considers how buyers have become more business savvy in recent years

**A**s you know, the dental practice sales and acquisitions market is constantly evolving, which can affect everything from dentists' ability to buy and sell to the practice asking price. But it's not just trends that change; so do the buyers. Independent buyers in particular have changed somewhat over the years, in that the overall knowledge of buyers on the purchasing process and market trends has improved drastically.

Whereas before dentists might have been unsure about what buying a practice entailed, it is now the case that more dentists are aware of what is involved, especially in regards to how to model a practice themselves and how aspects of the transaction – such as the valuation – theoretically work. This is due, in part, to the amount of information that is now available via different mediums and an increase in business savvy. But there's also an element of necessity, as expectations from banks are far greater than a decade ago. Buyers have to not only be able to prove that their chosen practice is viable, but that they're capable of running and growing a business. It's no longer enough to just have the clinical skills.

We've also noticed that an increasing number of dentists are less reliant on advisers; at least in regard to identifying whether a practice is a good business venture or not. This is a good thing, as it means that buyers are less likely to make bad investment decisions – not necessarily from a financial perspective, as banks don't tend to lend

against a failing or non-profitable business – but in regard to time and effort. This means that dentists are able to search more efficiently and find a more suitable practice fit for their needs.

In regard to the plans that buyers have, there's been a real resurgence over the last few years in private practice acquisitions. Of course, there's still strong interest in NHS practices and we are continuing to see dentists follow the pattern of: qualify, complete foundation training, and work for a couple of years as an associate before buying their first practice. A number of these dentists invariably go on to acquire additional practices and build what is essentially a small group, most likely with the intention of reducing their presence in the practice over the course of time.

But alongside this, there has been a notable rise in the number of dentists looking to enter into private practice, who tend to go down the route of further education after working for several years as an associate.

This has grown from the fact that because there are more and more dentists offering specialist treatments due to greater postgraduate training opportunities, not all specialists are able to feasibly offer their services as associates. These dentists are therefore seeking alternative options – that is, buying a private practice that they can work in and grow themselves.

Due to the time it takes to secure the right qualifications and financial wherewithal, these buyers tend to be a bit older. This is



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also the case where goodwill values are higher, though you do see younger buyers if they have the support of family money.

Where the buyer is younger or more entrepreneurial, we have seen a growing interest in buying under new structures that means they don't own 100 per cent of the practice. Not only can this be beneficial for the buyer in terms of easing some of the financial burden and providing business and clinical support, but it can also be extremely advantageous to the existing principal looking to decrease their involvement in the practice.

In light of all this, it is important to remember that trends (including those pertaining to lending) can change very quickly, meaning that the current pool of independent buyers could well be different in the future to what it is now. The market too can evolve rapidly, which can make it extremely difficult to navigate through the transaction – regardless of prior knowledge and understanding. Indeed, no matter how clued up you are, there are certain aspects of the process that are best dealt with by a specialist sales and acquisitions agency like Dental Elite. Plus, going at it alone, you can't guarantee that what you're getting is the best deal in the long-term.

As for the vendor, staying up to date with current market trends and having an awareness of what the buyer pool looks like is essential to ensuring a successful sale. Only by seeking professional help can one hope to stay ahead of the game.

