

# THE PROBE

## What you need to know about selling to an associate

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As a principal you always need to have one eye on the end goal. That's why experts recommend that you begin your exit strategy at least five years in advance. This will give you time to make the necessary preparations and determine who you might wish to sell to. It may be that there's an associate in your practice who has expressed interest in taking the reins and who you know would make a suitable buyer, in which case you would need to consider the impact such a move would have on the overall outcome. There are, after all, pros and cons to selling to an associate, so it's not a decision to be taken lightly.



What you have to remember with an associate is that because they already work in the practice, they might not have the same level of urgency to complete the sale as an outside buyer would. So, if you're looking to make a quick exit it might be that selling internally isn't for you. It's also worth bearing in mind that if an associate were to take their foot off the gas during the transaction and their performance started to drop, it could have a direct impact on the value of the practice. Not only would that spell bad news for you, but they could use it as leverage to re-negotiate the sale price. It's therefore essential that revenue is maintained in the lead up to sale completion. Just be just aware that some associates may query whether they should pay for the goodwill on their own patient list.

The other aspect to consider is what would happen if the sale went wrong – not only from a confidentiality point of view but financial too. When an associate sale falls through for whatever reason more often than not the associate leaves, which could impair the overall goodwill of the practice. All you can do is ensure measures are in place should such an event occur.

Of course, you could sell to an associate and experience none of these things, because every sale and buyer is different. With the right approach and mindfulness, selling to an associate can actually be extremely advantageous. This mainly because the associate is already familiar with the practice, staff and patients – and vice versa. They tend to be less unnerved by the legal aspects of the sale such as due diligence. Plus, because the associate is in practice and you see each other every day, you have a direct line of communication and means of dealing with problems straight away. That can help to save a lot of time, stress and fall outs. Perhaps one of the biggest pros of selling to an associate, though, is that if you wanted to stay on as an associate yourself after the sale, you would most likely be given the opportunity to retain your patient base. They already have their own patient list, after all, so would have less need than an outside buyer to change yours.

When you take all of these things into consideration it is clear that selling to an associate is a very attractive option, you just need a plan to mitigate the potential risks. For instance, make sure the associate has a signed associate agreement with restrictive covenants that are enforceable before you enter into any kind of negotiation. It can also help to maintain a strict negotiation style and set clear heads of terms at the beginning of the sale to help ensure that you stay in control and minimise the risk of a fall out – which can happen if you leave everything until the 11th hour.

As for money, you can protect yourself (and the value of the practice) by asking for a deposit up front like you would with an external buyer. Any buyer is much less likely to try and re-negotiate the price if there's a financial consequence. Better still, market your practice to external buyers before holding discussions with your associate. This will help to support the valuation – not to mention that it will help to manage their expectations early on. Other than that, just make sure that there's a non-disclosure agreement in place to prevent any leakage of information, and if your associate doesn't do NHS work but you provide NHS services, get them on the performer list as soon as possible. Without a performer number the lending bank won't release the funds.

It seems like a lot to think about, but with the help of an experienced adviser from a specialist sales, valuations and brokerage agency, selling to an associate can be a straightforward process. Especially when you use a reputable company such as Dental Elite that is renowned for achieving first-class results. So, if you're thinking of selling to an associate be sure to seek advice before beginning your journey.

**For more information on Dental Elite visit [www.dentalelite.co.uk](http://www.dentalelite.co.uk), email [info@dentalelite.co.uk](mailto:info@dentalelite.co.uk), or call 01788 545900**