



Ask the Broker

Why do Brokers only represent Sellers?

This is a question I asked when I decided to become a “dental broker”. The basic answer is that this business is a very finite market as compared to real estate, and therefore there is no “multiple listing service”. Another reason is that buying a practice is NOT like buying a house. Houses are very easy to get “comparable values” by looking at similar houses in the neighborhood which have recently sold. Dental practices are as unique and varied as the personalities and skill sets of the dentists that run the practice.

While it is true that the pricing of practices might be similar to finding “comparable” practices in a specific market, the values of practices in the same market depend on the types of dentistry being performed on a particular patient base. For instance, the typical price of a practice in a specific location might be 70% of the year’s collections. Most of the dental practices in that neighborhood will probably sell within 5 to 10% variance (at most) of that multiple. However, the percentage of cash flow that hits the bottom line will be different for practices that accept all PPO’s and HMO’s as compared to a strict fee-for-service practice.

From a legal aspect, buyers must realize that it is the broker’s job to represent the Seller’s best interests. However, a good dental broker spends a great deal of time compiling important documents which help the buyer decide if the particular practice is a good value *IN THAT BUYER’S HANDS*. Only the BUYER can determine if his/her own skill sets will be successful in a particular type of practice. A good broker will also provide the accurate cash flow before taxes, computer reports that show the percentages of procedures being performed in the practice, schedules of employee pay and benefits, tax returns, office lease, and any other documents that are pertinent to the practice. A good broker often helps his own client, the Seller, navigate through what is considered normal and customary for the local market and sometimes needs to “re-educate” the Seller on what is expected in a normal transition of a dental practice.

Brokers have every good intention on producing a smooth and successful transition of a practice. A successful transition is the best protection a seller can have, post-sale. Only the attorneys win if a transition does not go well and litigation becomes necessary. Brokers cannot prevent a buyer from making a *poor* decision, but hopefully they’ve provided the information necessary to help the buyer make an *educated* decision.

Questions? E-mail wps@succeed.net



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