



Ask the Broker

I am looking for a practice to purchase. It seems like the process is tilted toward the sellers. Why?

While dental brokers do represent only the seller, the process is not really tilted towards the sellers. Good dental brokers are critical in obtaining and deciphering the necessary information so that buyers can make an educated decision. The argument then is why there are not brokers to represent buyers.

I would contend that a good broker who digs out the necessary practice financial information, computer reports and prepares the cash flow analysis does that for the benefit of the buyer and lender. Lenders essentially represent the buyer as they cannot afford to make a bad loan. Lenders definitely appreciate brokers in the transaction if the broker does his job on obtaining this information. I would also contend that most of the “dental” attorneys and CPA’s in the business are more biased to the buyer as they understand the debt load and demands on the newer dental graduates.

Ultimately, supply & demand as well as normal market forces dictate the price of the practice. Since scratch starts now cost \$300-400K to build out, take 9 months to complete and provide no patients or revenue upon opening the doors, it makes sense to buy a practice with cash flow. The issue then becomes what I call the “Million Dollar Question”: *How much will you generate once YOU take over the practice?* It should be obvious that the answer will be different for every dentist, as we could put a patient in the middle of 10 dentists and get 10 different treatment plans from watching a few fillings to a complete full mouth rehab! With that in mind, how could any dentist rely on the opinion of a broker, consultant, accountant or attorney to determine if a practice is the “right” practice? These professionals can certainly point out industry standards for expenses, profits and relevant legal issues, but only YOU know where you fit on that scale mentioned above. *Are you a dentist that will watch a few fillings or recommend a full mouth rehab?* Only you can answer this and all due diligence should be completed with this in mind.

All the professionals listed to help buyers will be making an assumption that the dentistry produced is “usual and customary”. None can know what is “usual and customary” for you. Brokers can provide you with all of the information to make an informed decision, and industry professionals can provide advice, but only YOU, the buyer, can determine if a practice is right for you!

Questions? E-mail wps@succeed.net



Timothy G. Giroux, DDS is the Owner & Broker at Western Practice Sales and member of the nationally recognized dental organization, ADS Transitions. A graduate of Creighton University School of Dentistry (1983), he and his wife, Mona Chang, DDS (LLUSD 1984) were in private practice together for 15 years in Scottsdale, AZ, before establishing their home in Northern California.

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