

A-Z GUIDE TO ARRANGING FUNDING FOR A DENTAL PRACTICE PURCHASE

A

Always collaborate with an Independent Business Adviser who has access to a comprehensive network of banks. Each bank has unique lending criteria, and the competition can yield surprisingly competitive lending terms.

B

Business Plan: Creating a robust business plan is paramount. It serves as a testament to your experience, competence, and financial capability.

C

Cashflow: As the saying goes, "Turnover is vanity, Profit is sanity, but Cash is reality." It is essential to prepare a cashflow forecast to affirm the feasibility of your purchase. This highlights potential cashflow fluctuations, enabling you to make suitable provisions.

D

Delegate: Avoid attempting to manage everything on your own. While your strength lies in being a Dentist, recognise that expertise in other aspects of a Dental practice purchase requires experts who have navigated this journey before.

E

Equipment Financing: Whether it is existing equipment at the practice you are acquiring or new equipment post-purchase, explore flexible, competitive, and tax-efficient funding options, especially for new equipment.

F

Finance: often crucial for practice acquisitions. The dental profession is favourable to lenders, but each bank has distinct lending policies. Engaging an independent expert with a holistic market perspective is paramount.

G

Goodwill: In most cases, goodwill constitutes the largest component of a dental practice purchase, representing the amount paid for the business above property and equipment. High Street banks and smaller lenders typically understand and lend against goodwill, subject to their unique criteria.

H

Help: Don't hesitate to seek guidance from experts in the field. You are not expected to know everything, so engage with professionals who have encountered similar challenges and can provide valuable insights.

I

Independent: Many first-time buyers make the mistake of approaching their current bank, neglecting alternative opinions. Engaging an Independent Business Adviser ensures you consider all major banks, fostering competition for flexible and competitive terms.

J

Justify the Investment: Not all dental practices are worth their asking price. Prepare a Profit/Loss forecast based on your ownership to assess the financial benefit of the purchase.

K

Knowledge: Practice purchase can be a complex field, potentially costly if mismanaged. Collaborate with specialised Lawyers, Accountants, and Business Advisers to stay on the right path and save money in the long run.

L

Lawyers: Always work with a solicitor experienced in the dental market. Opt for a fixed fee and inquire about a zero-abort fee, which ensures you will not incur costs if the purchase falls through.

M

Manpower: Post-purchase, staff management can be a significant challenge. Ensure proper contracts for self-employed staff and engage an employment law specialist for salaried staff. Have a reliable dental specialist recruitment agency on standby for urgent cover needs.

N

NHS, Private, Mixed, or Specialist: Evaluate the pros and cons of these practice types to determine which aligns with your goals and preferences.

O

Orthodontic Opportunities: Orthodontic practices can be highly profitable, but their PDS contracts present unique funding challenges. Some banks recognise the value of these specialist practices and offer competitive funding terms.

P

(Financial) Pre-Assessment - How much can I borrow? A commonly asked question for which the answer is different depending on the applicants individual circumstances. By asking a few straightforward questions your business adviser should be able to provide you with a specific answer and point you in the direction of suitably sized practices. This will also demonstrate to both sales agent and the seller that you are a serious business prospect.

Q

Question - When assessing practice sales particulars do bear in mind these are prepared to reflect the practice in the best possible light. Be prepared to ask the seller and sales agents questions to cover any aspects you are unsure of or which appear to be missing. Also prepare your own adjusted profit figure (referred to often as EBITDA) to reflect what the practice would look like under your ownership rather than rely on the agents figure.

R

Research - Viewing the practice is essential (and your conduct and attitude during this visit will often make or break whether your offer is accepted - remember it is a seller's market and what you do or say during the viewing makes a huge difference). In advance of the viewing, ask the agent any questions you may have around the financials (rather than ask seller direct during the viewing) and also check out local competition. Spend some time looking around the area in advance or after your viewing to 'check out' the neighbourhood.

S

Savings - In most cases, first-time buyers are expected to contribute their funds toward the purchase. Contributing more upfront can reduce your loan commitment and monthly expenses.

T

Time Management: Dental sale/purchase typically takes 4 to 7 months on average. Challenge professionals involved to work within this timeframe.

U

Useful Contacts: Build a team of experts, including your accountant, solicitor, business adviser, bank manager, and recruitment company. Maintain regular communication with them throughout the purchase process.

V

Valuation: An independent bank valuation often verifies goodwill and freehold purchase prices. Negotiation may be necessary if these figures differ, and your Independent Business Adviser can assist in reaching a mutually agreeable price.

W

Wills and Future Planning: Review your will and consider trusts for tax-efficient structuring. Additionally, review life and protection coverage to ensure that any borrowing is repaid in the event of death or serious illness.

X

Explore: Compile a wish list of your perfect business to guide your search and ensure you find the right fit.

Y

Yay: Celebrating the moment of completing your practice purchase is cause for celebration. You have taken control of your destiny, a significant step for many dentists.

Z

Zealous: Success requires dedication and ongoing self-investment. Regularly attend business-related seminars and courses to stay informed and maintain your commitment to your business.