

Ask the Broker

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What are the biggest impediments to a practice sale?

Richard C , DDS

The answer is easy...**BAD INFORMATION!**

I am amazed how many dentists provide information on their practices that simply does not make sense! Accurate financials and specific responses to a buyer's questions are important. We all understand that there are certain tax perks to owning our own businesses compared to being employees. However, if the seller's accountant is "unusually adept" at creative accounting, buyers and their lenders will have trouble seeing the value of the practice. It may be difficult to get full market price or financing if the financials are not clearly understood.

As the old computer saying goes, "Garbage in...Garbage out". Tax returns that don't match the P&L's, that don't match the computer reports, that don't match the bank statements, create problems that persist beyond the obvious complications. The completed questionnaire also needs to correspond to your computer generated office reports.

Sometimes, perfectly honest sellers slightly exaggerate their responses on new patients or active patients, resulting in skepticism about all other aspects of the practice. This created doubt often leads to a chain of events which may "spook" the buyer and result in the buyer's decision to back out of the practice purchase even in the final stages of escrow.

In this economy, buyers are concerned with being successful in their new practice and are savvy when looking at the practice' financials and bottom line. From our experience, if some information is mistakenly misreported or a discrepancy is found, the damage to the credibility of the practice can be irreparable, even when all the discrepancies are eventually sorted out. In this litigious society, my advice is this: Be clear, be honest and when in doubt, understate your practice. Buyers will be pleasantly surprised if their research reveals a more positive result!

Questions? E-mail wps@succeed.net

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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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