In whose interests?

Andy Acton warns about an offer that’s too good to be true

One fine, sunny afternoon, there I was relaxing on the sofa at home when a complete stranger knocked on my door and told me he had someone who would love to buy my house. He had looked at my property and, as a result of his research, he believed that the price he was quoted was too good to be true. He wanted to buy my house and told me he had someone who would pay me a price that was too good to be true because the buyer was going to pay this stranger. Surely this is all too good to be true?

Of course this story isn’t true because my Mum always told me to never answer the door to strangers! You may be surprised to learn however, that many, many principals have sold dental practices on this basis. It might be a cold call from another dentist, corporate player or a dental broker but whatever way the initial contact is made, it is a recipe for disaster.

Whilst it is very flattering to get a direct approach, this is never the way to get best value for your business. How do you know the ‘real market value’ other than what you have been told? How many other good quality buyers are really out there? How much is the person who made the approach being paid by the buyer? Who else could fund the purchase?

A knock on the door could well spark your interest, but from here on in you need to be looking after your own interest and not be guided by someone who may purport to be looking after you, but is actually being paid by another party. In this scenario – who are they actually looking after? In business, the person paying the bill will get looked after first. Anyone who claims to be acting for the seller of a practice yet is being paid by the buyer, has a clear conflict of interest – and in my opinion there is no doubt on this. If you sign an Authority with a client to sell their practice you have a duty of care to act on your behalf – will ensure proposal is packaged for best chance of a positive response and also to negotiate best terms. On your behalf – will ensure proposal is packaged for best chance of a positive response and also to negotiate best terms.

DO engage the services of an independent firm to liaise with the Banks on your behalf – will ensure proposal is packaged for best chance of a positive response and also to negotiate best terms.

DO ensure you provide an accurate summary of your current position including all savings and existing borrowing.

DO ensure your CV is up to date with particular focus on any past Managing experience.

DO expect the Bank to want you to put down a contribution towards the purchase.

DO undertake your own research of the local area and find out why the current owner is selling.

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Frankly Speaking

A direct approach can sound very convincing and to seek a second opinion may well cost you nothing – so why wouldn’t you? You have worked hard all your life to build value into your business - you owe it to yourself to sell it for what it is worth.

The only real loser from selling as a result of a direct approach is the seller. The buyer pays you £35,000 - if there is an agent of any sort involved they may get between £5,000 and £25,000 so the true cost to buyer is £40,000 to £60,000 (which is still below the market value). The buyer and agent are delighted and you are left feeling hard done by and slightly embarrassed; you are left feeling hard done by and slightly embarrassed; but only if you know about it.

Whilst this may read like a piece of fiction, in my experience so many dentists do sell for tens of thousands of pounds less than they could have.

The true market for the sale of practices is far from the stories being spread by the ‘direct approachers’. Last year FTA Finance, the leading arranger of finance for dentists in the UK, arranged £109 million worth of finance for dentists – this blows away the myth that there is no one out there with any money. Last year a practice in Essex had 12 offers of which some were above the asking price – and no one is buying dental practices? This particular practice was initially marketed to 975 dentists who were actively looking for a practice that matched the profile of this one.

I would also strongly advise that you pay for selling your practice too. In this way there is no doubt you are the client, you are receiving the service and if you work with a reputable firm you should also end up with more in your pocket. If we go back to my house which I was offered £35,000 for, if I had checked the true value I would have found out it was worth £65,000. A good agent would also have found me a buyer at that price, but charged me a fee – say 2.5 per cent. End result is I get £65,575.

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About the author

Andy Acton is a director and co-founder of Frank Taylor and Associates – the leading independent valuers and sales agent to the dental profession. Its sister company, Loan Hunter, provides financial solutions to the dental industry. Andy is a regular contributor to the dental media and has also hosted many lectures across the UK.

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