



DENTAL NEWSLETTER

June/July 2017

A President of an ADA branch turned his practice into a Bupa preferred provider practice and Bupa started referring him patients from other dental practices in the city. This strikes me as somewhat of a conflict of interest. What do dentists think?

Hits Against Residential Rental Housing Investment

The debate about negative gearing obscures several hits against rental housing;

- The 50% restriction on foreign investors buying high rise apartments off the plan, which was rescinded by Labour, has been restored.
- Extra taxes/charges are levied on foreign buyers.
- There is a restriction on plant and equipment deductions made more onerous – essentially this limits retrospective valuation of the plant and equipment component of a property by a quantity surveyor therefore reducing the deductibility.
- Travel to inspect property no longer tax deductible.
- Interest rates are now increasing steadily a few basis points at a time, partially due to rising cost of overseas sourced wholesale money and partly due to a deliberate attempt by the regulatory authorities, The Reserve Bank of Australia and The Australian Prudential Regulation Authority, to take the heat out of the housing marketing in Sydney and Melbourne.
- There will be a charge on foreign owners of underutilised residential property.

As a result of all of the above changes we expect that housing prices will ease in Sydney in Melbourne over the next 18 months.

New Dental Schemes – Minority Equity?

Over many years we have pulled apart and identified weaknesses in many dental schemes as well as dealing with a variety of challenging dental partnership and associateship issue. Situations which require dentists to give up control of their practices whilst retaining a substantial minority shareholding are fraught with danger.

Dentists approached by Carl Burroughs or Mike Timoney with their Smiles Inc scheme need to:-

- Remind themselves when something appears to be too good it usually is. Carl Burroughs over the top comments has stretched creditability.

- Selling down a minority interest places too much faith in a business model unproven in Australia. It is high risk.
- Being paid or partially paid in share script for an unproven corporate with an unproven business plan is high risk.
- What happens if the company fails to achieve its target number of practices and fails to list on the stock exchange?
- How are minority interests protected?

Don't be Among the First

If the target is 62 practices or some other number, it makes no sense to be among the first practices to sign onto the scheme. Stand back, wait and see other information emerge and get a feel for what is happening.

References

If approached demand to know the contact details of others dentists who have signed on. Check with those dentists as to their experience.

Financials

Do not pass on your financials unless you are absolutely sure of the soundness of the scheme.

Business Advice

This scheme cries out for me to take well informed financials and business advice. It is too late to start taking business advice if you find yourself locked into a scheme as a minority interest and which on reflection you should have ignore. Prevention is better than cure.

Cost of Legal Advice

Dentists who get caught in bad situations can face horrendous legal costs in trying to rectify their situation. We have witnessed dentists get into legal disputes which cost the parties hundreds of thousands of dollars.

Negotiating Associate/Partnership Agreements

If you are preparing to purchase part of a dental practice and would like guidance on these matters, please contact Graham Middleton on 03 9843 7777.

Business Lessons for Dentists

This story is on page 112-121 of *Synstrat Dental Stories*. It is a must read for dentists. It details a series of good and bad practice experiences but names and some details

have been changed to preserve identities. It contains valuable insights for practice owners and intending buyers as to what works best and what doesn't. To obtain a copy of this publication, make a tax deductible donation of at least \$30 to the **Delany Foundation**, a charity which brings hope and opportunity into the lives of young people deprived of education in Australia, Papua New Guinea, Kenya and Ghana. Once you have made your donation, please email confirmation of your donation along with your postal address to natasha@synstrat.com.au and a copy will be sent to you. Donations can be made by mail to:

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PO Box 429
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Or via direct debit to the Delany Foundation Ancillary Trust, BSB 062 784 CBA account number 4050 5402. Should you have any difficulties, contact Matthew Mahoney on 0419 202 787 or 02 9600 8184.

Practice Accounting & Valuation Services

Synstrat is the only accounting group in Australia which maintains an active, continuously updating database of dental practice benchmarking performance. This is essential in assessing and advising performance of a practice and in valuing practices. Telephone David Collins or Graham Middleton on 03 9843 7777.

Independent Financial Planning and Life Insurance for Dentists

Synstrat is experienced at providing financial plans for dentists. These take into account dental practice profitability and benchmarks, as well as ownership of premises and other family assets and financial issues. Telephone Graham Middleton, Cameron Darnley or Roger Armitage, each of whom are experienced financial planners, on 03 9843 7777. Cameron can also assist with life insurance. Synstrat Management Pty Ltd holds its own licence. It is not obliged to recommend the products of a particular bank or insurance company.

How not to conduct a Staff Meeting

A dentist who talks about how much money we are not making in front of their staff is presenting the wrong message. Staff will not be impressed by the boss's greed.

Keep the focus on how to make the processes within the practice more client friendly and efficient. The staff are more enthusiastic about a positive message that they can assist in implementing. Making himself more money is a dumb way for the boss to talk to staff. Talk about your aspirations to make the practice one in which the staff can be proud to come to work in. Concentrate on the enablers rather than the pot of gold which is your objective.

Try not to have too many staff meetings. Opinion about this varies, but good leaders can get their message across with very few staff meetings.

Tooth Booth – Capital Raising

A 'blurb' seeking investor interest in a capital raising by The Tooth Booth Limited which offers walk in dental services in shopping centres may have reached some dentists. It refers to its centre's as Tooth Booth Dental Lounges. The company estimated that it would generate \$0.05 million EBITDA in financial year 2017, suggesting that it had not yet made a real profit.

Its financials would not attract hardnosed professional investors.

It was seeking to raise \$3.5 million from new shareholders who would own the minority stake of 45% - implying that this existing business, which was anticipated to turn over \$2.2 million in the 2017 financial year, was worth \$4.28 million! By all dental practice valuation standards that's a huge amount for such a microscopic business. Investors were asked to put money into a minority interest in a company which is unlisted and unlikely to have a ready market for their shares!

Basically, it is a recent start-up which is forecasting substantial revenue and EBITDA growth over the coming three years. This is commonly referred to in investor circles as a 'hockey stick'.

Best avoided.

Better Long Term Financial Outcomes for Dentists

It is apparent from actual financial outcomes of dentists and dental specialists who have followed strategic financial guidelines that they are much better off by the time that they are within a few years of likely retirement, or at retirement than those who have made random non-strategic business and investment choices. Thirty years of close involvement with dental businesses and personal financial decision making has demonstrated to me that typically the difference can be several million dollars. If you have an accountant, and/or financial adviser, who has not given you well informed advice concerning your dental practice and related aspects, you are probably damaging your future.

Graham Middleton

For an appointment with Graham Middleton, or if interstate a telephone conference, ring Jenny O'Brien 03 9843 7777. Charges apply. Jenny will explain charges and information required.

For more information on these topics visit
www.synstrat.com.au

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THE SYNSTRAT GROUP ARE AUSTRALIA'S MOST EXPERIENCED DENTAL PRACTICE BUSINESS ADVISERS, FINANCIAL ADVISERS, ACCOUNTANTS AND VALUERS
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