



S Y N S T R A T

Valuing Dental Practices for Dispute Resolution, Family Law Property Settlements and Associateship/Partnership Change

The above are all situations which require delicate handling and impartial valuation if settlement is to be achieved quickly and harmoniously.

A practice valuer must have a huge amount of experience in valuing dental practices and have current data on practice performance close at hand.

Having a substantial active dental client list, some of whom have purchased or sold practices recently as well as practice benchmarking performance data are critical databanks to rely upon.

Graham Middleton and David Collins meet this criteria and at all times have a pipeline of practice valuations in progress or about to be commenced. We are supported by our team of accountants and administrative staff.

Family Law Dental Valuations

Family Court procedure is to require the parties to agree on a single expert valuer. The choice of valuer is critical. It is our experience that when they appoint Synstrat as joint expert valuers our valuations are rarely challenged and when they are we satisfy the challenge. We are widely recognised as being the most experienced and authoritative valuers of dental practices available in Australia.

By contrast, when a valuer of very little experience (or sometimes no experience) valuing dental practices is appointed, they rely upon their experience gathered in valuing dissimilar types of businesses and often make seriously wrong assumptions. Periodically we are asked to review these valuations and sometimes find serious errors amounting to significantly incorrect values, sometimes amounting to hundreds of thousands of dollars. It is then normal for the party which engaged us to challenge the wrong valuation. This delays settlement and compounds legal costs.

Since it is often the dental practice value which is most likely to cause delays and disagreements in getting to an agreed property settlement an authoritative value from a jointly appointed dental practice valuation expert is a huge step towards speedy settlement.

Contrary to some opinions the average accountant is not an expert business valuer. What is required to be an expert is years of experience working with the particular profession or industry concerned.

Periodically we have been asked to value businesses as diverse as rock bands and restaurants and we've always refused as we know that somewhere there is a true expert on the value of that particular type of business. We stick to that which we know being dental and veterinary practices because we can demonstrate true expertise.

The knowledge and experience of the type of professional business is the primary requirement of a valuer.

Only about 2% of marital property settlements are actually decided by a judge or judge's ruling and those which have proceeded to that point have had long delays and significant costs.

An expert valuation is the smoothest way to resolve conflict concerning the value of a dental practice including specialist dental practices.

Partnership/Associateship conflict

While most dental practices with multiple owners co-exist long term sometimes the chemistry is wrong and conflict breaks out.

If conflict rises to a point at which there is significant mutual distrust then sometimes the only solution is that of partner/associate buyout or where circumstances permit, practice separation.

It can be a serious mistake to instruct a lawyer to write a letter of complaint to the other party as the allegations tend to be denied, but invite similar responses.

A far better approach is to invite Synstrat to value the practice/associate partnership and then engage us to work with each of the parties towards a resolution, which may involve either a buyout of one or other of the partners or a practice separation.

This approach is most likely to resolve the matter with greater harmony, less delay and less cost than getting into a prolonged legal dispute.

Simple buy/sell arrangements

A vendor has a right to ask a price but a valuation gives them a clear idea as to what price to ask.

In some cases an older dentist selling their practice to a much younger employed dentist jointly agrees with that dentist to have the practice valued and abide by the resulting value. In such situations they may jointly appoint us. In other situations the vendor uses us as a guide to negotiation but the final price may differ slightly.

Alternatively a buyer may seek our assistance because the asking price appears to be significantly out of line with the market. Obviously we can only advise both parties with their mutual consent.

Practice brokers

Be wary of opinions of value offered by practice brokers.

Many of us have experienced the real estate agent who hints at a higher price to get our listing but then hints to potential buyers that they can get the house for a price well below what the vendor expects. This is followed by much to and fro arm twisting by the real estate agent hustling to achieve a signed contract and earn a commission. To the agent, the important thing is getting a sale including a commission rather than the feelings of the two parties neither of whom the agent may deal with again.

That process often leaves each of the vendor and buyer unhappy with the performance of the agent.

Similarly some practice brokers have elastic tongues.

Synstrat valuations

Synstrat valuations are based on our knowledge of the market for dental practices.

Selling Practices

Distribution of Vendors ad on Synstrat's dental email list

Where we have valued a practice and the dentist concerned is prepared to deal with the buyer enquiries themselves, Synstrat is able to distribute basic information to our Australia-wide dental email list along the lines of:-

Practice for sale

Example practice in Sydney's northern suburbs – 3 chairs with 1.5 dentists Full Time Equivalent plus hygienist. The premises are available for long lease or sale.

It is a traditional family dental practice. Reply to email.....

The practice owner will deal direct with enquiries.

Note Synstrat is not a practice broker and distributes this information as a service to a client. All contact must be to the client's email address as specified. Synstrat will not reply to enquiries on practices advertised in this manner. The response is the responsibility of the Dental Practice owner.

Naturally we will charge a modest fee for distributing the listing plus any time that we have spent in advising the client on the matter prior to listing. The listing will reach an Australia-wide dental audience but will not be placed on Synstrat's website.

Practice valuation enquiries

Please speak to Graham Middleton or David Collins by calling 03 9843 7777. In their absence please speak to Jenny O'Brien who will arrange a time to discuss.

Best wishes to all dentists.

By GRAHAM MIDDLETON, BA, MBA

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