

# To buy or not to buy

As a result of dentistry's strong performance during COVID, there's enthusiasm for practitioners to start up or expand their practice. But is now really the right time to take such a risk?

By **John Burfitt**

**D**espite the predictions of financial meltdown throughout 2020, most Australian dental practices emerged out of the chaotic year reporting robust growth, and at a time when many other sectors struggled for survival.

"Many practices have come out of the chaos over the past year in an extremely strong place, and as a business sector, dentistry is considered more sound than many others," Simon Palmer, managing director of Practice Sale Search brokerage, says.

"The business of dentistry has proven to be extremely resilient in the face of maximum uncertainty, a place the public sees as worthy of their discretionary money. For that reason, practitioners are recognising that a dental clinic is a fantastic business to own."

That boost in confidence in the dental profession has seen a rise in interest in dentists opening up new practices and buying existing ones.

A number of key factors have

resulted in this buoyant state. In addition to strong patient demand and negotiable rental leases, there's also been government stimulus, like JobKeeper and the instant asset write-off tax scheme. Then there's the record-low lending interest rates.

"A lot of people have come out of the woodwork in recent months, looking to start up or expand their business, and we're expecting that to continue throughout the year," Julian Muldoon, director of iGroup Property Advisory, says. "There's a distinct sense of optimism right now in dentistry."

Brett Dunn of Marsh Tincknell Chartered Accountants says the robust state of dentistry through 2020 has resulted in many dental practitioners gaining new faith in their profession.

"Times of uncertainty and volatility can often lead to opportunities which may not have been available otherwise," Dunn says. "If you've done all your homework, practitioners should definitely make the most of the current conditions."

In the robust current market, Simon Palmer reports values have remained steady, though not all prospective buyers behave the same.

"Valuations are about where they've always been, but some buyers have been holding back due to the uncertainty all around them, which means other buyers have been able to move with much less competition," he says.

"A good deal is a good deal, and a good practice will sell if it's a good business. Buyers who are holding back I don't think are doing themselves any favours and will find that they miss out on some great opportunities."

There are other potential buyers who upon learning the strength of valuations for existing practices are instead deciding to start from scratch. Julian Muldoon notes this kind of optimism marks a dramatic shift in confidence from even a decade ago.

"Back then, practitioners just wanted

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stability, whereas today we are seeing much more of an entrepreneurial spirit in the dental landscape," he says. "Confidence is high among dentists to get out on their own, and there's a vast array of ready resources to help guide them."

With interest rates at record lows, and some lenders offering deals at under two per cent, financial backing for a new enterprise can be had at bargain-basement prices.

"When you consider the cost to set up a dental practice is huge, it's possibly never been cheaper to take out a loan for the equipment, fit-out and everything else that is involved in opening the doors," Muldoon adds.

"Even buying a site instead of leasing is, in many cases, cheaper right now. And if you can find an area where there's also a real opportunity to grow a new business, then that makes right now a compelling time to make the move."

Even though so many factors make for a persuasive case to make the leap

into ownership, Brett Dunn advises a cautious approach still needs to be taken.

"It can seem that money is cheap right now, but proceed carefully and do not necessarily go for the lowest interest rate you find," he says. "Loans should be viewed as a product, and you need to find one with a package and the support that's right for you and your business goals.

"Sometimes, it's worth sacrificing a percentage point or two to instead establish a solid relationship with a financial institution that understands your business and the dental profession, and will help facilitate your plans into the future.

"For the first-time buyer taking on their first practice, being in the financial hands of a company that understands the profession can make each step easier."

While the dental landscape in 2021 has remained strong so far, the full impact of the end of JobKeeper is yet to be felt in all sectors. Throughout the rest of the year, Dunn advises

potential buyers need to remain vigilant about any changes in the state of the market.

"The real pain (of the end of JobKeeper) will be felt in the coming months," he says. "Anyone looking to start up or purchase a new business needs to be well aware of any changes that could be ahead, plan for them, as well as make the most of opportunities that arise."

Establishing a comprehensive, flexible and realistic business plan from the outset with a new practice remains a fundamental essential for success. Adopting a thorough approach to setting up a business in its initial stages should place the buyer in the position to make the most of the good opportunities in the current landscape.

Simon Palmer adds, "If a buyer waits until absolute confidence has been restored, then they're going to be coming back into a market at a point where there's the maximum number of people bidding." **Bite**