Money Matters

Transforming poor performance

If you're having a difficulty managing and financing your practice, Andy McDougall says there are options to consider before signing away your business

Transforming the worth of your practice

If it is a corporate, the purchase offer is most likely based on what we call EBITDA – Earnings Before Interest and Taxation, with depreciation and amortisation added back. The magic number is then grossed up by a multiple to give you your offer price (assuming that the subsequent process of due diligence does not chip away at the original offer). Be aware that selling the practice to not necessarily mean an immediate end to your responsibilities or your debts. The following scenarios can be reflective of a practice sale to a corporate:

- You may not get all your cash from the sale straight away. Some may follow at a point in the future and may even be dependent on you delivering specific targets (but at least you will be able to sleep without worrying about any further debt).

The same vision

Every stopped to think why someone would offer you good cash for a business that in the technical sense is broke? The answer of course is that the intended buyers can see a very different future to the one you envisaged. The question you have to ask yourself is would you accept their offer if you could see the same future as them?

If the future results of your business are attractive to others, why aren't they just as attractive to you? The difference of course is that while you are clinically superb, you may not be as adept commercially. The people acquiring your business will run it with you in it, and because of business knowhow, they will reap the rewards that you once believed would be yours. If only you had that business knowhow you could transform the performance of the practice and reap the profitable rewards yourself.

Transforming a vision

Yes every business must have a vision but having a vision is easy and fades quickly after the 'rah rah' away day. What so many of us fail to do is turn your vision into something tangible and profitable. There are no new truths. The way to deliver it is the way it has been done for many years, by every successful business under the sun – it is just new to dentists.

Regardless of whether you want to take your business to the next level; plan your exit to maximise your payday; rely on something more tangible than luck, or turn debt and uncertainty into a planned and profitable future, business planning offers the solution.

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Having sold the business you may not be able to simply walk out as in many cases it is you the investment is being made in. The investor may expect you to stay on for an agreed period to ensure your clients don't disappear with you.

Planning is the secret

Business planning requires a bit more thought than a budget spreadsheet based on last year plus 10 per cent and needs to be more specific than some generic business planning software from PC World. Your business plan is akin to corporate fingerprints because it is unique to you and your circumstances. It will help you to identify the key drivers that underpin your success and align your resources to focus on those things that will make the difference to you.

The results of sound business planning don't result from luck; it's a methodology that works. Why not consider business planning as a viable alternative to the offer you've just had on your practice – at the very least it will help you to clearly see what your intended purchasers can see and give you some scope for negotiation so that if you want to sell, at least you get the sales value you truly deserve!

Would you accept their offer if you could see the same future?