

# Why it pays to empathise with buyers

Abi Greenhough explores how a positive frame of mind can help a seller.



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Recent political and economic events have reminded us that change is the only constant. For some time, it has been a seller's market with multiple interested parties in each dental practice which comes to the market. In this type of market, it is the seller who has the upper hand and buyers will often be competing against each other for the choice practices. This competition can

drive up prices, which means better deals with better terms for sellers. We have spent years coaching buyers on how to separate themselves from the competition to secure the practice they really want.

Whilst there is still plenty of interest in practices from buyers we are seeing slightly less first time buyers enter the market and some corporate buyers renegotiating hard on deals they



had previously agreed. It remains a seller's market, but I believe the market is slowly starting to rebalance.

As the market starts to re-balance we can see a slight change in attitude from buyers. Having some empathy between the parties will help to get a deal to completion with everyone's objectives met. I strongly recommend to sellers that they consider the various types of buyers and their motivations. The Cambridge Dictionary defines empathy as "the ability to share someone else's feelings or experiences by imagining what it would be like to be in that person's situation".

Do not confuse this with underselling your business, accepting the unacceptable, accepting attempts to renegotiate without valid reason or conceding legal points which put the seller at risk or commercial disadvantage. Helping your buyer, usually means helping yourself.

At Lily Head, we act for seller's but are in the unique position of being able to speak directly with all the parties to facilitate negotiation and mutual understanding. We are perfectly placed to coach sellers through the discussions to get them the best deal without alienating the buyer.

Sometimes I talk to people and they have lost sight of the fact that there are two sides to a deal. If the deal does not work, the buyer will not buy and the seller will not sell.

It would be naïve to think that buyers are not considering the merits of their chosen dental practice from the moment they first see the details in a sales resume to the moment they complete. That said, buyers are often flexible, reasonable and keen

to develop a good lasting relationship with a seller.

The buyer is buying a business and will generally (although not always) consider the business aspects. It is not their life's work. The awards on the wall are not theirs. The key features buyers are looking for broadly fall into these categories.

- A sustainable business
- A sound business
- A return on investment
- To remunerate them
- Service loan repayments
- Realise business vision

Buyers must decide if the opportunity is a sound investment and satisfy their lender that the purchase is viable. It does not matter how much a buyer falls in love with a practice. If the bank will not support the business case then they will not lend on it. Sellers must be prepared to provide up to date and accurate financial reporting to support the buyer's business case.

The due diligence process provides the buyer and their legal team opportunities to identify anything within the business trading or structure which is a risk and if the business is 'worth it'.

It is rare for the buyer to want to pay more after concluding due diligence. But you must have a specialist dental lawyer on your side who can deal with queries and a dental broker who can protect you from 'buyer bad behaviour'. But a good broker will always advise you on what is a good outcome. That is why it is important to

work with a broker you can trust.

These are the kinds of areas where buyers and their legal teams push back and want to renegotiate during the due diligence period.

#### **An underperforming NHS contract:**

For a buyer to recognise the NHS contract as sustainable and pay full value for it they will want to see its performing and there is resource in place to fulfil the contract in the year they take over and beyond.

**Condition of the building:** For the buyer to pay the market value they will expect it to be in good repair. The buyer will not want to replace a roof/windows within the first few years of trading or take on full repairing and insuring lease when the building is in dis-repair.

**Security of Tenure:** Debt repayments will not be affordable if the lease term is short as the debt has to be amortised over the period of the lease. Relocating the practice can be an option but it has to be budgeted for. Typically, lenders will require a 15 year lease to be in place to agree lending.

**Care Plans:** There are two main considerations for buyers when reviewing care plan patient lists. Are all the patients in the right payment band for the treatment they require? What (if any) treatments have been deferred but paid for already? I advise sellers to review their banding on a regular basis and work with their local plan provider representative who will be happy to help.

As well as understanding the deal from a buyers perspective I recommend to my clients that they:

- Set a competitive price for their practice
- Do not set an inflated price which could mean a perfectly sellable practice is overlooked
- Maximise the exposure of their practice by taking it to the entire market and not a subsection
- Hire a broker they trust who is vested in getting the best outcome for them