

Dental practice acquisitions

Expansion in a recession

As growth in our economy grinds to a halt – some would argue is already going backwards – there is one sector that is still expanding rapidly and investing millions of dollars in the process: the dental corporate.

By Mike Timoney, Dental Partners CEO



Mike Timoney

A few months ago the banks had all but stopped lending and even after the Rudd government's stimulus packages and guarantees, lending criteria has stiffened tremendously and investments in new ventures are rare. This is with the exception of the dental sector where not only have the banks honoured their previous commitments to fund the growth of some of the dental groups, but also vastly increased their investment in the sector. This is an unprecedented move by the banks and should be viewed positively by all involved in the profession, whether in private practice or in my case, running one of the groups.

Even in a recession, money needs to move. Banks need to lend, business need to borrow and expand and we all need to stay focused on staying optimistic and positive. What does change however, is the way money flows as the banks will only invest in areas they believe to be tremendously secure. A flight to the health-care sector by the banks and corporate investors is a clear indication how secure our profession is currently viewed. So amidst a sea of depression, one area of the economy is still looking strong: ours.

Saying all of this, we need to be as vigilant as every other sector. Dentistry is not totally recession proof and I am sure you have all noticed some change within your practice over the past year. This may be a reluctance to comply with regular recall visits, or a more conservative take up of treatment plans and I am sure you have all had at least one patient not go ahead with work, blaming the current economic situation.

At Dental Partners, we are confronting these challenges head on with the full knowledge that improving efficiencies at this time, will not only safeguard us now, but as the economy eventually improves we will be more effective and profitable than our competitors. As one of the largest dental groups in Australasia, one of the ways we can improve the profitability of every practice within our group is with economies of scale.

There is strength in numbers and although all the dentists within Dental Partners are totally free to choose their choice of lab, equipment, consumables etc. we are able to provide these services at reduced rates, which drops directly to the bottom line. This is an important factor right now as these savings can easily offset a small downturn caused by the current economic situation.

Economies of scales are only one of the benefits of joining Dental Partners at this time. A few commentators predicted that our group and others would not be able to continue to expand at such a rapid rate. Well as previously stated, the support of banks only gets stronger and with the additional support of our major shareholder, Abano Healthcare Ltd, in New Zealand we are continuing to look for successful practices to become part of Dental Partners throughout the country. The current economic outlook has not changed the way we value a practice and practitioner and one of the unforeseen benefits of joining Dental Partners at this time is how you can use the equity released to you from the transaction. Property prices are dropping rapidly, there are great deals to be done on items such as prestige cars and other luxuries and as the year progresses this will become even more acute. Doctors joining Dental Partners this year are going to be highly liquid at a time when they can really benefit for this liquidity.

Releasing the equity trapped within your business is certainly a major benefit of the Dental Partners model, but we truly believe so is the collegiate. Running a business, in particular a professional business, where you are providing both the actual service as well as managing the business can be a lonely job. Running a dental practice in my opinion is a full time job, but currently you do this as well as eight hours or more of dentistry per day. As part of the Dental Partners model, we can help remove some of the more mundane tasks you currently have to do allowing you to concentrate on the more rewarding aspect of running a vibrant practice.

Dr Gavin Clarke joined Dental Partners

in 2008 and has this to say about his involvement:

"I would like you to know how pleased I am with the transition which has been totally seamless. From a daily clinical view, all continues as before – for both staff and patients. The Dental Partners team has at all times been extremely helpful, courteous and efficient. I look forward to the continuing working relationship

between myself and Dental Partners."

Dr Gavin Clarke (Tweed Dental Centre)

Whether the Dental Partners model is the correct opportunity for you and your goals, and indeed if your practice is the right fit for Dental Partners, can only be truly assessed through private and confidential discussions. Should you wish to organise a preliminary discussion, simply contact us on the

details below and we will be delighted to arrange a time to visit you.

As for this year, we intend to be diligent but remain optimistic in the knowledge we are possibly better placed than any other sector in society to not only maintain our businesses, but expand them. I wish you well with the challenges 2009 may hold, and if appropriate I look forward to helping you with these. ◆