

Summary: Dr. Bernie Dolansky - The Impact of Covid-19 on Dental Practice Sales

Dr. Bernie Dolansky talks to John O'Keefe about the impact Covid-19 is having on the sales of dental practices in Canada.

Given the current climate, what's happening with practice sales?

- At this point, very few sales are being completed. But purchasers and banks are still going ahead with the process.

Are buyers still interested?

- Yes. Buyers are still looking for practices to buy and, given the situation, a lot of fed up dentists are talking to them.
- Before Covid, there was a strong seller's market. We do not see that changing.

Are Dental Service Organizations (DSOs) interested in different types of practice or is it still the big, well-established, multi-operatory practice they are looking for?

- They are still looking for big practices, but they are also buying smaller practices to consolidate with the large practices they already own.

Are banks still financing deals?

- Yes, but they won't close the deal until the dentist is back to work.
- Banks still consider health professionals to be premier clients when it comes to credit.

Should I list my practice now or should I wait until the Covid crisis is over?

- Markets don't like uncertainty so if you can wait, then wait. But if for some reason you need to sell right now, you can start the process and get to the point of closing for when dental offices reopen.

When dental offices reopen, how long will it take for revenues to return to normal?

- Nobody knows. But in the past, dentistry has been resilient. We don't know when or how business will resume, but we do know that dentists will at some point get back to previous levels of earnings.

Will earnings need to return to previous levels in order for a practice to be sold?

- Buyers need reassurance. Large DSO buyers know the market. They will be less concerned that revenue levels have returned to normal, but they won't close the deal until revenues are at least flowing.
- Smaller buyers are more cautious and may need more reassurance.

What about the cost impact of new regulations around PPE, infection control etc.?

- Nobody knows. However, a rough cost-added estimate, based on a need for N95 mask, visors etc. is 2 to 4% cost increase to the average practice.
- Dentists may have to consider passing on this added cost to the patient.

What can I do now to protect the value of my practice?

- Think ahead. Other than rent, dentists can cancel most of their other expenses.
- Make arrangements with your landlord.
- Think about personnel going forward.
- How will you source additional PPE and pass on those costs?
- Be proactive.

How can you evaluate my practice when I've been closed for a couple of months?

- Any business evaluator will be able to remove the impact of one-time events such as Covid.
- Overall we don't see values going down. There is good precedent for that outlook.
- During 2008-2014 market crash/recession, the values of practices went up because the supply went down. We expect something similar this time.

What other risks should I worry about?

- There are reports of buyers trying to take advantage of the current situation.
- There is a lot of uncertainty. Do not make one of the most important financial decisions of your life under those circumstances.
- Get good advice.

Dr. Bernie Dolansky is available to respond to questions and concerns at bernie.dolansky@tierthree.ca