

The Dental Acquisition Protocol

The **DAP**

provides the **MAP**

to give you

**“a Swifter, Smoother, More Satisfying
Transaction”**

Welcome to the



Minford
CHARTERED ACCOUNTANTS



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Introduction

There are occasionally good reasons for a legally-based transaction such as a Dental Practice acquisition to last for a number of months. But not many.

However, there are a lot of very good reasons to try and make the period of the transaction as *short* as practicable. These generally revolve around:

- **RISK**
- **HUMAN FEELINGS**
- **MONEY**

Risk - The longer a transaction takes, the more chance there is of something external arising to scupper it. If one party has decided to sell and one party has decided to buy, let's get on with it.

Human Feelings - when a decision is made to sell or buy, unreasonable delay can ruin the experience for both parties. The sellers should have a feeling of satisfaction at realising the value of their business at the end of their careers; the buyers should be excited about their new challenge.

It might not be easy; but there is no reason why such a transaction shouldn't be a positive and exciting experience for both the seller and the buyer. That is ultimately the goal.

When it occurs, transactional fatigue leaves a very sour taste in the mouth and a spoiling feeling of disappointment and disillusionment.

Money - the longer a transaction lasts, generally the more it costs in professional fees. No need to say more.

BENEFITS

With the Dental Acquisition Protocol, we will ensure insofar as possible from the outset that:

- The Seller is serious about selling.,
- The Buyer is serious about buying.
- That a workable deal is put on the table at the beginning.
- Everything possible is put in place at the outset, to facilitate taking the process to a satisfactory conclusion.

What does the Seller want?

- To realise their capital as soon as practicable.
- To leave behind the feeling of responsibility for everything that goes on in the practice.

The Seller will realise that at sale time “the business” is in reality a bundle of paperwork and data, concerning the patients, the staff, the surgery premises, and the relationship with the authorities including NHSE, HMRC, etc. The necessary information needs to be made available to the Buyer as quickly and as easily as possible. If this can be organised at the start stress levels can be markedly reduced.

What does the Buyer want?

- To feel that they are safely buying what they think they are buying.
- To feel excited at their new challenge and purchase.
- To understand the timeline and timescales for each part of the transaction, so they can plan leaving their current position if required.
- To feel that their lender is as committed to the acquisition as they are.

Neither the Seller nor the Buyer wants to feel that the goal posts are going to unexpectedly shift or move into the distance at any time throughout the transaction process.

What do the solicitors want?

- Clear direction and instructions from their client as to the requirements of the transaction, ideally from the outset.
- The swift and complete responses to the enquiries which are raised by the other party.

They DO NOT want:

- To have to re-draw large sections of the Agreement half-way through because there has been a ‘second thought’ or because it wasn’t initially thought through.
- To have to chase information from the other side, as this incurs costs and delays the process.

What does the Lender want?

- A proposal for finance which directly addresses that bank's internal criteria.
- A proposal which answers their questions within the document.
- A proposal which is easily transferable into a document which they can forward to their Underwriters.
- A proposal which clearly and concisely sets out the required terms and risks.

The Lender DOES NOT want:

- to have to re-draft the facility letter half-way through because there has been a change in structure.
- to have to deal with a break down in relationships between the parties, due to misunderstandings.
- to have to renegotiate the terms because the life span of the offer has elapsed.

No one wants the blame game where the Buyer/Seller blames the solicitors for the delay, who blame the Lender, who blame another third party, and so on.

On Completion Day, EVERYONE wants to be able to shake hands, smile and say "That was a great transaction. We have a good deal."

That is the purpose of the DapMap, and in the hands of willing professionals, it will deliver.



What is the DapMap?

The Dental Acquisition Protocol is a fresh way to approach an acquisition or sale of a dental practice.

It is aimed at achieving the benefits and avoiding the pitfalls commonly found in dental sales/purchases, helping such transactions to feel more like Win-Win situations. This is to everyone's advantage, both seller and buyer.

The DapMap is designed to be used by any team with suitable specialism, experience and ability. A fundamental part of DapMap is that the professionals work together as a team, not as individuals in their own discipline.

The DapMap is written necessarily from the point of view of the buyer, but the reflection from the seller's perspective is clear.

Where does the DapMap start?

An acquisition generally starts with the evaluation of the Sale Particulars and accounting information. This might also include the comparison between a number of practices. Often the buyer will know exactly what they want, but just as often he or she will have concerns about the type of practice they want to buy, whether NHS, private or mixed, whether to choose an established surgery where they can 'fit in', or one where they feel they can put their own stamp on and develop a different way of doing things, or different clinical treatments.

The primary evaluation entails four main professional decisions:

- Is the target practice worth it?
- Can the funds be raised to buy it?
- Can it be sustainably run by the acquirer after the purchase?
- What structure should best be used to make the purchase?

To be done properly these require the involvement of specialist professionals in different disciplines who can successfully, advantageously and cost-effectively achieve the acquisition. **The DapMap's first proposition** is that this team is assembled at the outset, and works together throughout as a team.

The second proposition of the DapMap is that adequate preparation is done by the buyer before the time the offer is made, so that the purchase can progress immediately after an acceptance of the offer.

This also applies to the Seller, who clearly has a large part to play.

Because of the level of preparation, and because the team of advisors is in place at the point of offer, the buyer has the capability to formulate a mature, realistic, structurally sound proposal.

What preparation is required by the DapMap?

The goal pre-offer is:

- Evaluation of sale particulars.
- Initial evaluation of potential unseen problems.
- Consider the ability to raise the necessary funds and which financial institutions to approach.
- Consider the ability to fund the running of the practice after completion (working capital requirements).
- Agree the legal and financial structure of the transaction.
- Obtain in-principle or informal agreement of finance.
- Formulation of the offer to be made in the light of discussions with the seller and their Agent on the seller's requirements.
- Ensure all administration is in order from the buyer's perspective eg DBS checks are ready to go.

In broad terms, the essential objective of the preparation is to make all ready to progress as soon as an offer acceptable to the seller can be properly made.

The benefit to seller with this approach is that at the point of offer the buyer is seen to be SERIOUS and the purchase process is financially SUSTAINABLE. The buyer can therefore be relied on to complete the acquisition and is not a time or cost waster.

A round table meeting or virtual conference will then take place, with the goal an outline agreement regarding the process and details of the acquisition. Whilst every transaction is different, there is a pattern in the flow of activity. The Conference will formulate a Plan of Actions through to satisfactory Completion of the sale/purchase, setting out what everyone needs to do and at what point. It will include undertakings to deal with matters within set time frames, the scales of which will fit in the particular circumstances and requirements of the buyer and seller.

This Plan will enable a schedule of the expected activity by each party to be produced, with preliminary timescales, drawing together in an overall initial projected timetable. This timetabling of the entire transaction at the point of offer/acceptance is the **third leg of the DapMap**.

The presence and input of all involved in the decision-making of the transaction will ensure as full an understanding as possible, and as good a Plan of Actions as possible.

The Conference culminates in an **Agreed Joint Report** setting out the structure, scale, nature and timescale of the transaction, and incorporating the Plan of Actions. Like the familiar Heads of Terms, only parts such as the confidentiality will be legally binding, but unlike the Heads of Terms the Agreed Joint Report additionally provides a working framework and timetable which can be monitored and managed. Both teams will give their formal commitment to the contents of the Agreed Joint Report.

This Conference and Agreed Joint Report is the central tenet of the DapMap.

What happens then?

It is the nature of transactions to change as information and details about the target practice come to light, due to the changes arising through the "Due Diligence" enquiry process. The activity may therefore need to be 'flexed' and altered to cope and address changes in the transaction.

By its nature then, the Protocol timetable is always a working document, 'live' and dynamic. Parts of it come in and out of focus, open up and close down, are sorted and filed away, as the transaction progresses. Every change has the potential to cause delay, add cost, and cause stress.

Indeed a constant echo with the seller and buyer both is they are often unsure what is supposed to be happening, and who is supposed to be making it happen.

The **final proposition of the DapMap** is that the process as laid out in the AJR is fully monitored during the period of the transaction from the AJR through to Completion. The intention is that:

- Potential problems or delays are brought to attention
- The timetable kept on track insofar as possible
- Status information is always available

A Project Manager will be appointed to do this at the Agreed Joint Report Conference. They will be a person, independent or otherwise, who commands the respect of the parties and has the requisite abilities. In most cases the selling agent should be in the prime position to carry out this role, although there are always other options. The key is that they have the confidence and faith of both parties, and there is no feeling of conflict of interest.

The Project Manager facilitates the steps to be taken by all parties, as far as possible, and helps overcome problems or hurdles which may arise. They will monitor and guide all parties throughout the entirety of the process, ensuring any delay is kept to a minimum, and keeping to the agreed timetable or efficiently reworking it depending on the circumstance. They report regularly to all parties through Milestone Status Reports, and are the fulcrum and central point for information.

The Project Manager's role in the DapMap is designed to avoid losing the structure and allowing unnecessary drift, and always to ensure the transaction completes as efficiently as possible.

What help is available to make all this happen?

Templates are freely available to help the buyer and seller and their professionals plan for the Agreed Joint Report Conference. This will help compile the information needed at that time, as well as prompt the actions which need to be completed before entering the Conference.

There are also templates available to help, guide and support the Project Manager to maintain the framework and timetable week by week, process by process. These are designed to be easy to use, and on software universally available and understood.

For the buyer and the seller, there are flow charts available which set out the basics of what is happening in the "big picture". This will help them understand and appreciate the connections between all the activities which are being carried out by the professionals, and which all together form 'the transaction'.

All the documentation is designed to be prepared taking into consideration the specific project. There is no such thing as an "average" transaction, just as there are no "average" dentists, so there is no "set" documentation. One size does not fit all. The templates are is designed to be drawn up, added to, cut down and prepared for a particular situation, and to be altered and flexed with the acquisition process.

Events change things.....just one thing after another. It's how we cope with them that makes the difference.

