



Successful Dental Practice Transitions

CDPA Annual Meeting

Markham, Ontario

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David Lind



- 17 years CIT Financial
- Now Partner in Professional Practice Sales
- Co-Chair- U of T Faculty of Dentistry Awards of Distinction Gala
- TAD Winter Clinic Committee member for 10 years
- Past President- DIAC
- Married father of 3, from Burlington

Today's Goals



- Understand drivers of Dental Practice Values
- Discuss
 - the danger of “Rules of Thumb”
 - What to do before I sell
 - Associating back with the buyer
 - Investor Dentists
 - the sellers market we’re in
 - Practice sale process

Questions to ask yourself



- You probably know these answers;
 - What is my Gross?
 - How many ops do I have?
 - How many square feet is my office?
 - How many team members do I have?
- You should know these answers;
 - How many active patients do I have?
 - What is my adjusted net income?

Value Drivers



- Patients
- Profit

- Location
- Productivity
- Hygiene dept.
- Reproducibility
- Overhead
- Staff
- Assignment
- Competition
- Equipment
- LHI



***"Patients and Profit
make Value"***

Rules of Thumb



- Practices sell for 80-90% of Gross
- Patient attrition will be over 20%
- 2 to 3 times net is a fair price
- A patient chart is worth \$250

Practice Sale *Number 1*



Practice Sale

Number 2



Practice Examples



- \$1.3 MM Gross
- 1000 Patients
- 15% Lab
- \$200K Hygiene
- Professional Bldg-
Midtown Toronto
- \$816,000 Gross CF
- Non-assignment
- 3ops-\$90K assets
- **Value-\$680,000-
52% of Gross**

- \$1.1MM Gross
- 2800 Patients
- 6.4% Lab
- \$330K Hygiene
- Professional Bldg-
Mississauga
- \$645,000 Gross CF
- Non-assignment
- 6 ops-\$390K assets
- **Value-\$1.392MM,
125% of Gross**

Preparing to Sell



- Identify true team requirements
- Analyze location strengths/weaknesses
- Review Premises lease
- Physical plant - tired/contemporary
- Purge charts
- Stabilize revenue/earnings
- Refine hygiene production
- Accountant prepared F/S



**The most important
thing a buyer can
do is...**

Count the Charts!



Industry Averages



- Assets as a % of billings – 25%
- Goodwill as a % of value – 78%
- Average Hygiene Prod.- \$1,000/day
- Average Dentist Prod. - \$2,000/day
- Expense Percentages:
 - Staff - 25.2
 - Lab – 7.9
 - Rent – 6.5
 - Supplies- 6.8

It's a sellers market



- Supply/demand
- Too much competition
- Good locations hard to find
- Elevated risk in setting up
- Investor dentists snapping up good practices
- Lenders eager to fund 100%

Investor Dentists



- Reasonably new Phenomena
- Competition to Individual buyers
- Opportunity will be knocking when the principal DDS retires
- They need a good supply of associates

The Selling Process



- All starts with a Valuation
- Plan well ahead. 10 years is not too early to start.
- Surround yourself with experts
- Selling can take up to a year to complete
- A fair deal for both sides should be the goal

Associating Back



- Can you give up control
- Is there enough work
- Can be very rewarding
- Best way to ensure Goodwill transfer
- 45% is standard
- Have a good contract



Thank You...