



# **THE BASICS OF SUCCESSFUL PRACTICE TRANSITIONS**

JUSTIN BAUMANN – PRESIDENT DDSMATCH NY AND WESTERN PA

## OUR BACKGROUND (A LITTLE ABOUT US)

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- Justin: 5 years as a Former Naval Officer and 13 years in Dental Business Space: Dental Transition Broker and Director Special Markets (Ivoclar Vivadent and Air Techniques)
- Jessica: 12 years in Healthcare Law: Dental Transition Law, Defense of Complex Medical, Dental and other professional malpractice, Nursing Home and Long-Term-Care Negligence, Class Action Defense, Federal and New York State Statutory and Regulatory Violations and Compliance against Healthcare Entities.
- Our WHY: We're both passionate about deeper level connections with people - helping them find solutions and meet goals.



# OUR MISSION: SUCCESSFULLY PASS THE BATON WHILE PRESERVING YOUR LEGACY, PATIENTS, STAFF AND PROFITABILITY OF YOUR PRACTICE

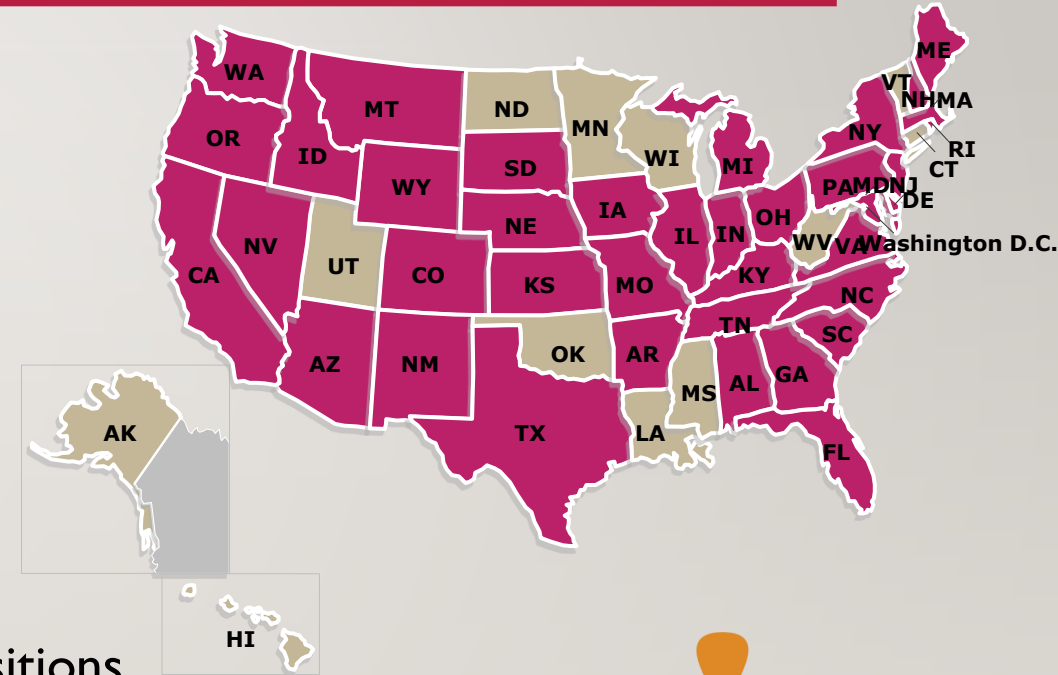
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- ✓ **Transparency** – No Dual Representation and Third-Party Valuations
- ✓ **Technology** – Robust Website with Global Reach
- ✓ **Professionalism** – Communication, Expertise and Thoroughness
- ✓ **Collaboration** – We Work Closely with Your Trusted Advisors
- ✓ **The transition, not just the transaction**
- ✓ **Finding the right fit for each situation**



# DDSMATCH – AT A GLANCE

- Represented by 32 owners
- 632 Years of Combined Dental Experience
- Covering 41 states and growing
- Guided over 500 practices through successful transitions





# Three Transition Phases

## Phase 1: Planning and Design

- Vision, Goals, Outcomes
- Valuation
- Business Readiness
- Ideal Candidate Profile

## Phase 2: Transition Management

- Marketing the Practice
- Finding Opportunities
- Qualifying Candidates
- Managing Offers

## Phase 3: Transaction/ Transfer of Ownership

- From LOI to Closing
- Real Estate
- Financing
- Staff/Patient Communication
- Clean Transfer



# START THINKING ABOUT TRANSITIONING

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- Ideally, start planning 3 – 5 years before your transition
- Financial considerations (sell & retire OR sell & work)
- Transition before your production/collections start to drop
- Assess your personal situation – ready to cut back, burned out, want to keep working?

A SUCCESSFUL TRANSITION IS A **PROCESS** NOT AN EVENT



# WHAT ARE CURRENT MARKET CONSIDERATIONS?

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- Private practice acquisitions are in high demand
- Currently inventories are on the rise
- More than 50% of dentists are 50 or older
- Financing is available for buying dentists



# WHAT ARE THE YOUNG DENTISTS LOOKING FOR?

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- Profitability/Cash flow
- Lifestyle
- Location
- Practice culture and personality match
- Well trained staff that are willing to stay
- Clinical alignment and/or opportunity - procedures you're doing and NOT doing





# HOW DO I GET STARTED?

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- Meet with a trusted transition specialist
  - Representing ONLY you, the seller
  - Confidentiality is key
  - Get to know you and your vision
  - Strategize and make an action plan
- Assemble your team
  - Attorney
  - CPA
  - Financial Planner



# HOW DO I KNOW HOW MUCH MY PRACTICE IS WORTH?

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- Appraisal vs Valuation
  - Appraisal can be done by anyone – simplified
  - A valuation is typically performed by a professional
    - Should be certified (CVA, ABV, etc.)
    - Should be independent, 3<sup>rd</sup> party
  - Income Approach (cash flow) – most common
  - Clinical Treatment Analysis – by Dental Intelligence



## DENTAL SCHOOL DEBT AT AN ALL TIME HIGH...AFFECTING EXPECTATIONS. IDEALLY, \$175,000 NET INCOME TO SELL. THE PRACTICE MUST “CASH FLOW”.

The table below represents an estimate of the projected annual cash flows before dentist compensation. The projection assumes the purchaser will obtain a loan to secure the purchase of all the acquired assets. The projection assumes the loan to be a ten-year note with an interest rate of 6.50%. As shown in the table below, a potential purchaser of the Practice can anticipate having positive cash flows after purchasing the Practice:

For the year ended:	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues	\$797,707	\$821,638	\$846,287	\$871,676	\$897,826	\$924,761	\$952,504	\$981,079	\$1,010,511	\$1,040,826
Total operating expenses	(538,885)	(550,963)	(566,807)	(583,128)	(599,870)	(617,866)	(636,402)	(655,494)	(675,159)	(695,413)
Operating income (loss)	258,822	270,675	279,480	288,548	297,956	306,895	316,102	325,585	335,353	345,413
Less: cash needed for capex / working capital	(24,048)	(24,096)	(24,143)	(24,193)	(24,243)	(24,295)	(24,349)	(24,405)	(24,462)	(24,521)
Add: depreciation	26,111	22,805	22,805	22,805	22,740	23,422	24,125	24,848	25,594	26,362
Cash Available for Distribution	260,885	269,384	278,142	287,160	296,453	306,022	315,877	326,029	336,485	347,254
Less: loan amortization										
Interest expense on loan	(40,217)	(37,070)	(33,712)	(30,129)	(26,307)	(22,229)	(17,877)	(13,234)	(8,280)	(2,994)
Principal payments on loan	(46,988)	(50,135)	(53,493)	(57,075)	(60,898)	(64,976)	(69,328)	(73,971)	(78,925)	(84,211)
Total loan amortization payment	(87,205)	(87,205)	(87,205)	(87,205)	(87,205)	(87,205)	(87,205)	(87,205)	(87,205)	(87,205)
<b>Cash Available before Taxes</b>	<b>\$173,680</b>	<b>\$182,179</b>	<b>\$190,937</b>	<b>\$199,955</b>	<b>\$209,248</b>	<b>\$218,817</b>	<b>\$228,673</b>	<b>\$238,824</b>	<b>\$249,280</b>	<b>\$260,049</b>



# WHAT CAN IMPACT YOUR PRACTICE VALUE & SELLABILITY?

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- Market conditions/Inventory
- Location
- Ideally, steady or growing production and collections
- Overhead (national average is 64%)
- Examine and evaluate your fees
- Does your office need a facelift?





# PARTING THOUGHTS...

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- Private practice dentistry is alive and well.
- You should be in the driver's seat during your transition - ask yourself what you want your transition to look like.
- It's been a long road – education, residency, associateship, practice purchase and years of growing your practice; expect to encounter some emotion during the process.
- You've come 98% of the way – make sure you cross the finish line well. Take the time to plan and have a confidential conversation with a professional who can guide you through the process.
- You have worked hard to build a lasting legacy for your patients and staff. We're here to help you transition it forward.



# INTEGRITY AND TRUST

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DDSmatch - Serving all NY State and Western PA

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