

# Welcome

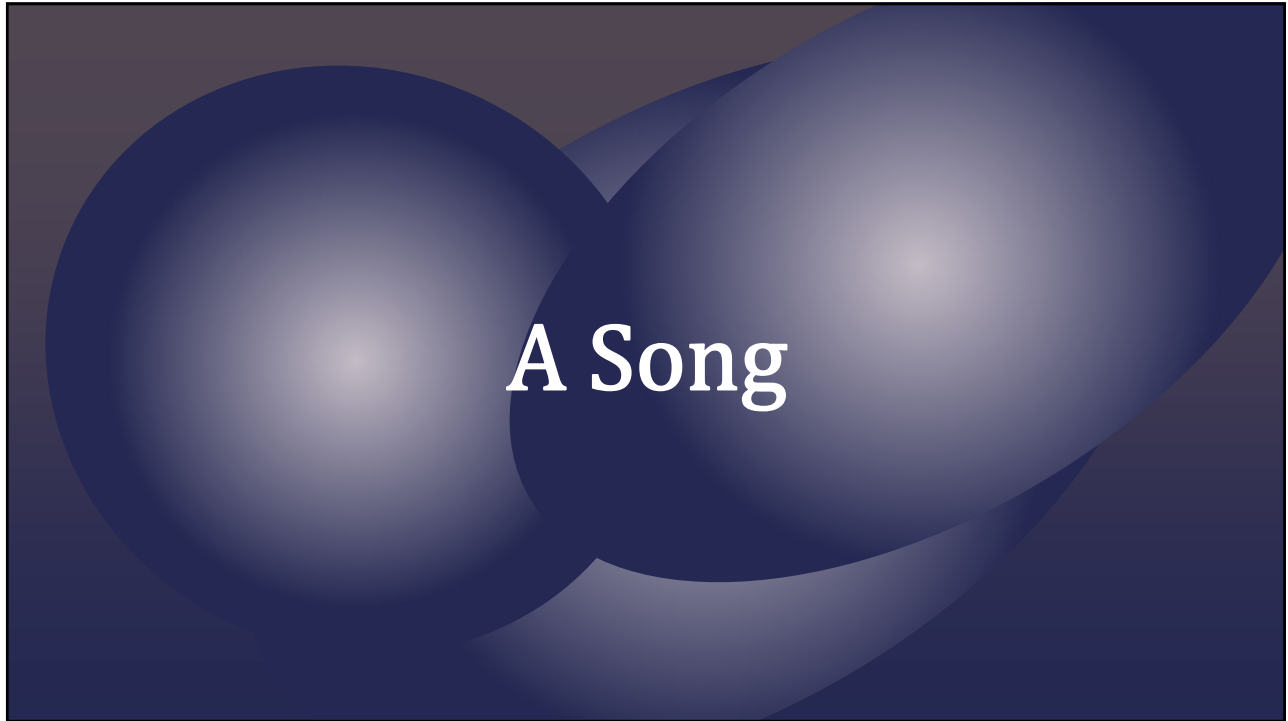
March 1, 2025

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*If you don't know  
where you are going,  
any road will get you  
there!!!!*

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## Your Broker Will Ask For:

- ▶ 2 years of tax returns
- ▶ 2 years of P+L Statements
- ▶ The DMSO will ask for:
- ▶ A balance Sheet

Assets		Liabilities	
<b>Current Assets</b>		<b>Current Liabilities</b>	
Cash and Cash Equivalents		Short-term loans Payable	
Short-term Investments		Current Portion of Long-Term Debt	
Accounts Receivable - net	101,929	Accounts Payable	
Other Receivables	0	Accrued Compensation and Benefits	
Inventory	3100	Income Taxes Payable	
Supplies	7800	Other Accrued Liabilities	
Pre-Paid Expenses	this would include CE	Deferred revenues	
<b>Total Current Assets</b>		<b>Total Current Liabilities</b>	
<b>Investments</b>		<b>Long-term Liabilities</b>	
<b>Property, Plant and Equipment</b>		Notes Payable	EIDL loan balance goes here, plus any other debt service on equipment
Land	.72 acres 185,000	Bonds Payable	
Land Improvements	385	Deferred Income Taxes	
Building(s)	339,900	Total Long-term Liabilities	
Equipment	215,000		
Less: Accumulated Depreciation	98,000		
<b>Property, Plant and Equipment</b>	<b>642,285</b>	<b>TOTAL LIABILITIES</b>	
<b>Intangible Assets</b>		<b>Stockholder's Equity</b>	
Goodwill	250,000	Common Stock	
Other Intangible Assets	2,000	Retained Earnings	
Total Intangible Assets	252,000	Accumulated Other Comprehensive Income	
Other Assets		Less: Treasury stock (-)	
<b>TOTAL ASSETS</b>		Total Stockholder's Equity	
		Total Liabilities and Stockholder's Equity	< This has to match total assets so it all balances

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## I Would Ask For:

- ▶ Payroll Summary
- ▶ Production By Procedure (Last Year)
- ▶ Credit Balance Reports
- ▶ Provider Credits
- ▶ A/R
- ▶ Outstanding Insurance Claims over 60 Days
- ▶ Patients with Offsetting Debits and Credits
- ▶ List of Insurance Carriers
- ▶ Outstanding Treatment Plans

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## Financial Data Your Buyer \*Will See\* Could Scramble Your Deal

Your P+L and tax returns only tell one part of the story

Be sure the prospective buyer only uncovers data that makes the sale look like a great idea



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## Payroll Summary = Staff Salaries and Benefits

- ▶ My whole career has been focused on getting staff salaries to 20%. Then along came Covid.
- ▶ I'm now focused on getting staff salaries to 25%, through collections growth.
- ▶ Staff salaries are up industry-wide 9%.
- ▶ Doctor salaries are NOT UP.
- ▶ Pay staff well over bonus if that environment doesn't exist for your practice at the moment. There's nothing wrong with that trade.

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## Staff Salaries and Benefits

- ▶ These Are Obviously Up After Covid.
- ▶ But What If they're So High, YOU CAN'T SELL?
- ▶ TRUE STORY
- ▶ Collections \$1,673,288
- ▶ Staff Salaries: \$647,744                      39.7%
- ▶ "Staff Appreciation": \$135,767              8%
- ▶ Salaries and Benefits - 47.7 % of collections.

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# Staff Salaries and Benefits



- ▶ Every single employee is paid 4 more hours than they work, per pay period
- ▶ 2036 PTO hours versus the normal 720 (13 employees)
- ▶ I suggested cutting 3 employees, keeping the wages the same, and cutting PTO by 1316 hours - 4 weeks paid to 2 weeks paid. This would take the staff salaries to 33%.
- ▶ They Declined This Option.
- ▶ The Practice Eventually Sold at FULL PRICE

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**SCHEDULE C (Form 1040) Profit or Loss From Business** (Sole Proprietorship) **2009**

OMB No. 1545-0047  
 Department of the Treasury Internal Revenue Service (999) Attach to Form 1040, 1040NR, or 1041. See instructions for Schedule C (Form 1040)

1 **Principal business or profession** (describe product or service) (see page C-2) **403-34-9489**  
 2 **Employer ID#** (see page C-9) **621210**  
 3 **Business name** (if different than the name on the return) **62-1769082**  
 4 **Business address** (including suite or room no.)  
 5 **City, town or post office, state, and ZIP code**  
 6 **Accounting method** (a)  **Cash** (b)  **Accrual** (c)  **Other** (if other, specify)  
 7 **Did you "materially participate" in the operation of this business during 2009?** If "No," see page C-8 for limit on losses  **Yes**  **No**  
 8 **If you started or acquired this business during 2009, check here**

**Part I - Income**

1	Gross receipts or sales. See page C-4 and check the box if: a This income was reported to you on Form W-2 and the "statutory employee" box on that form was checked, or b You are a member of a qualified joint venture reporting only rental real estate income not subject to self-employment tax. Also see page C-3 for limit on losses.	1	234,075.
2	Returns and allowances	2	250.
3	Subtract line 2 from line 1	3	233,825.
4	Cost of goods sold (from line 42 on page 2)	4	
5	Gross profit. Subtract line 4 from line 3	5	233,825.
6	Other income, including interest and state gasoline or fuel tax credit or refund (see page C-5)	6	
7	<b>Gross income. Add lines 5 and 6</b>	7	233,825.

**Part II - Expenses.** Enter expenses for business use of vehicle

8	Advertising	8	
9	Car and truck expenses (see page C-4)	9	
10	Commissions and fees	10	
11	Contract labor (see page C-4)	11	
12	Depreciation	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see page C-5)	13	
14	Employee benefit programs (other than on line 19)	14	17,277.
15	Insurance (other than health)	15	2,379.
16	Interest	16	
17	Interstate (paid to banks, etc.)	17	
18	Other	18	
19	Legal and professional services	19	
20	Office expense (see page C-6)	20	2,351.
21	Pension and profit-sharing plans (see page C-6)	21	
22	Repairs and maintenance	22	23,156.
23	Supplies (not included in Part III)	23	316.
24	Taxes and licenses	24	15,897.
25	Travel, meals, and entertainment	25	10,706.
26	Travel	26	861.
27	Deductible meals and entertainment (see page C-6)	27	461.
28	Utilities	28	2,579.
29	Wages (less employment credits)	29	132,074.
30	Other expenses (from line 48 on page 2)	30	30,351.
31	<b>Total expenses before expenses for business use of home. Add lines 8 through 27</b>	31	241,408.
32	Expenses for business use of your home. Attach Form 8829	32	
33	<b>Net profit or (loss). Subtract line 31 from line 7</b>	33	<7,583.>

32a  **Adjusted net profit**  
 32b  **Business net profit**

LHA For Paperwork Reduction Act Notice, see page C-9 of the instructions. Schedule C (Form 1040) 2009 032001 10-02-09

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Year	Loss
2009	-7,583
2010	-8,429
2011	-11,612
2012	-23,243
2013	-29,450
Total	-80,317

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What Is the #1 Reason to Buy?



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Cash Flow IS IMPORTANT. It  
Can Also Be Inflated.

Buyer Beware.

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### Here's an Example (Names Withheld)

	TOTAL
Income	
Refunds to customers	-3,131.22
Sales	1,613.68
Services	868,237.65
<b>Total Income</b>	<b>\$868,720.11</b>
GROSS PROFIT	<b>\$868,720.11</b>
Expenses	

At a Value of 65% of Last Year's Production, This practice is Worth \$562,900  
At 63% its Value Is \$546,033

**This Practice Produced \$1,387,924 = 62.4% NET**

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## Here's an Example (Names Withheld)

<b>Total Other Expenses</b>	<b>\$26,641.01</b>
NET OTHER INCOME	<b>\$ -26,641.01</b>
NET INCOME	<b>\$143,613.00</b>

This was the ACTUAL DENTIST SALARY

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### Valuation Type 1 - Seller's Discretionary Earnings (Income Approach)

2022	\$ 214,245.00	Weighted Average	\$ 256,619.29
TTM	\$ 265,094.15	Discount Rate	40%
		<b>Practice Value</b>	<b>\$ 649,669.09</b>

### Valuation Type 2 - Practice Revenue (Market Comparables)

2022	\$ 745,730.00	Weighted Average	\$ 846,555.09
TTM	\$ 866,720.11	Industry Average	77%
		<b>Practice Value</b>	<b>\$ 655,233.64</b>

### Valuation Type 3 - EBITDA (Investment Approach)

2022	\$ 57,641.70	Weighted Average	\$ 78,842.72
TTM	\$ 83,082.93	Capitalization Rate	0.175
		<b>Practice Value</b>	<b>\$ 450,529.84</b>

Value 1	\$ 649,669.09	3
Value 2	\$ 655,233.64	2.5
Value 3	\$ 450,529.84	0.5
Weighted Average	\$ 635,392.72	

**Practice Value (Rounded) \$635,000**

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## Buyer/Seller Assessment

- ▶ Credit Balances
- ▶ This is money YOU (The Seller) OWE PATIENTS
- ▶ Credit balances are not normal
  - ▶ Accounting Errors
  - ▶ Keystroke Errors - good example \$1,756,371
  - ▶ Patients with Offsetting
  - ▶ Signs of Embezzlement

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## How Do I Set the System to Prevent Embezzlement?

- ▶ Permissions
- ▶ Logins
- ▶ Signing Privileges

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## This is an Actual Credit Balance Report

Date: 02/17/2025

Page: 28

TOTAL CREDIT BALANCES:	-38016.39
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## Buyer/Seller Assessment

- ▶ **Provider Credits**
- ▶ If You Have a Zero Balance on Your Credit Balances, Check Your Provider Credits.

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## Same Office, Different Report

	CURRENT	31-60	61-90	OVER 90	INSR EST	GUAR PART	BALANCE
<b>TOTALS:</b>	40855.41	15714.11	19671.29	53877.85	75449.88	54668.78	130118.66
<b>PERCENT:</b>	31.40%	12.08%	15.12%	41.41%	57.99%	42.01%	100.00%

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As a Buyer, You Must Also Look at These Metrics. As a Seller, You MUST Hit These Numbers

- ▶ Accounts Receivable
- ▶ Should be less than 1.82 times average monthly production
- ▶ Fun fact: This has increased

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## Reports That Show a Lack of Training or Focus

- ▶ Outstanding Insurance Claims 60+
- ▶ List of Insurance Carriers
- ▶ Treatment Manager (Dentrix) or Outstanding Treatment Plans (all others)
- ▶ Continuing Care - How Many Patients are Overdue for a Prophy?
- ▶ Recare Effectiveness - How Many Patients Are Seen Twice per Year Out of All Patients?

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# Principles:

1. Transition is inevitable
2. Travel the pathway with a guide
3. You can't predict the future, but you can plan for it
4. Be on the same page
5. Hope is not a strategy
6. Timing is everything
7. Pigs get fat, hogs get slaughtered

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# Coach Dentists

Hiring • Training • Marketing • Coaching • Results