

BUYERS CHECKLIST

PRACTICE OWNERSHIP

A CAREER MILESTONE

Buying a dental practice is a significant decision and an exciting and proactive step in your career. With a lot at stake and a range of emotions on the line, it's important to be aware of the various pieces that go into this process.

Addressing every aspect of a practice purchase, the Buyers Checklist is designed to give you confidence as you prepare for this career milestone. Leveraging over 15 years of dental transition expertise, NDP has compiled a list of 95 factors to consider as you move through the buying journey.

The Buyers Checklist focuses on the following areas:

- » Initial Diligence
- » Patient & Staff Diligence
- » Partnership Diligence
- » Letter of Intent Process
- » Legal Documents
- » Lending Considerations
- » Real Estate Considerations
- » Orthodontic-Specific Diligence

GAIN INSIGHT FOR THE ROAD AHEAD

As you pursue the best practice opportunity for you, equip yourself with the insight and tools needed to help you select the right practice at the right time.

INITIAL DILIGENCE

To better understand the overall health of the practice, here's what to consider:

- The practice's most recent annual collections
- Practice overhead and operational profitability
- Overall production
- Production by provider (doctor/hygiene)
- Doctor/hygiene split of production
- Collection ratio
- Practice performance in recent years: growth, stability, decline
- Local economy reliance on any cyclical business or industry
- Current fee schedule and date of last increase
- Whether the practice is fee-for-service or insurance-based
- Whether the practice accepts managed care or Medicaid
- If the practice is a participant in a premium insurance provider network (i.e., Delta Dental Premier)
- If there's been a recent valuation of the practice (within 1-3 years)
- Market price and how it was calculated
- Procedures the practice is referring out that you can currently do
- Procedures the practice performs that you cannot do
- Types of advertising and marketing the practice utilizes
- State of the practice's website
- Number of operatories and room for expansion, if any
- Age and status of practice technology and equipment
- Details on the practice's referral network (referrers' age, the number, concentration, etc.)
- Changes or anticipated changes in the competitive environment
- Practice location (i.e., curb appeal, signage, parking, visibility)
- Any equipment leases or financial obligations that you will be required to take over
- Any excluded assets in the sale
- Type of sale: asset or stock
- Timeframe to closing date



TAKE NOTE

Although it may seem overwhelming, understanding the financial history of the practice is essential. You can engage a dental transition advisor to help you not only obtain these documents, but to also interpret them.



PATIENT & STAFF DILIGENCE

What to know about the current patient base and team of staff members:

- Active patient count
- Average patient age
- Average number of new patients over the last 12 months
- Dentist-to-population ratio in the city and surrounding area
- Any major employers in the area in which the practice is dependent
- Number of staff members and their roles
- Any key staff who are close to retirement age
- Benefits offered to the existing staff (i.e., six weeks paid vacation, fully covered medical, pension, etc.)
- Spouse involvement, if any, in the practice and if that's been incorporated into the analysis of profitability
- Staff awareness of sale



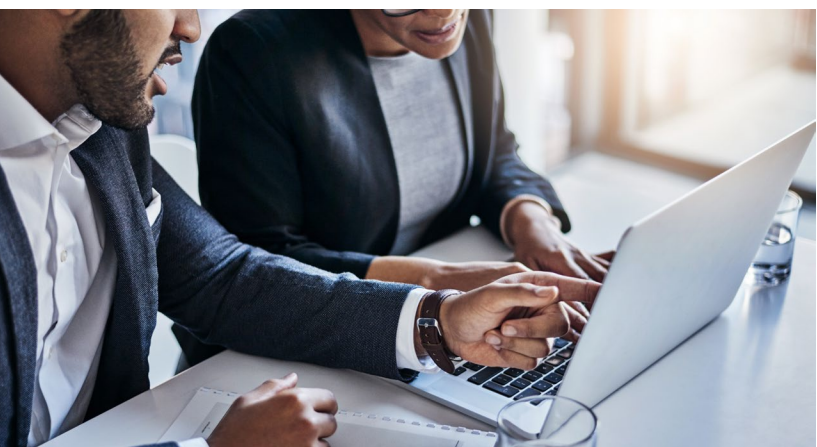
TAKE NOTE:

The key benefit to buying an existing practice is the opportunity to transition the business, patients and staff, utilizing these elements as the groundwork while you grow the practice in your own way.

PARTNERSHIP DILIGENCE

If you're buying into a practice, as opposed to an outright sale, understand the following:

- Percentage you are buying
- Legal structure and how that impacts you financially during the sale and in the future
- How you will split the money (revenues and expenses) as partners
- How you will pay yourself
- How the schedule is shared and how new patients are assigned
- How the future buyout is calculated
- How death, disability, retirement and disagreements are handled
- How decisions are made





WHAT IS A LETTER OF INTENT (LOI)?

A letter of intent is a formal offer to buy the practice and details the material terms of the dental transition and negotiation. The LOI is the framework for the legal documents and serves as a good faith agreement by both the buyer and seller.

LETTER OF INTENT (LOI) PROCESS

Ensure the LOI includes the following:

- Details on the purchase price and how it's paid
- Details on the closing, lending and legal document timelines
- Details of the seller's work-back period (i.e., compensation, schedule, independent contractors versus W-2, etc.)
- Details for your associateship before close (if applicable)
- Details for the non-compete and non-solicitation agreements
- Details on an allocation of the sales price
- Details on how retreatment will be handled post-close
- Details on how the building will be addressed (leased or purchased)
- Value of accounts receivable if purchased, or how it will be collected post-sale if not
- How credits and pre-paid patient balances will be handled after closing
- Contingencies incorporated into lending, licensing, etc.
- Details on additional time for diligence (chart audits, office visits, etc.)
- How works in progress will be handled
- A binding exclusivity clause regarding the seller and other negotiations



LEGAL DOCUMENTS

When the time comes to work on the legal aspects and bring in an attorney, understand these items:

- What legal documents to expect for a walkaway sale or a partnership
- Attorneys' (for each party) specific experience with dental partnerships, acquisitions, etc.
- Consistency of the terms in the draft legal documents compared to the letter of intent
- Who pays for the initial drafting of the legal documents
- Associateship structure: independent contractor or employee
- Amount of time you get to use the seller's name/brand/website post-close
- Introductions required by the seller to patients and referrals

LENDING CONSIDERATIONS

What to know before selecting a lender and financing the sale:

- Number of dental practice acquisitions your lender has closed in the last 12 months
- Term and structure of your loan
- Whether the loan is SBA or conventional
- Amortization term of your loan
- Loan rate (i.e., fixed, variable, attached to an index, etc.)
- If there's a balloon payment required
- Conditions required to close
- Any seller financing requirements
- If the lender requires you to utilize their merchant services or banking to achieve rates
- Fees for the lender or loan
- Amount of working capital you should receive
- Difference between a line of credit and working capital
- Pre-payment penalties

NEED MORE?

The advisors at NDP make the buying process seamless by not only guiding you through each step of the diligence process, but also engaging dental-specific attorneys and lenders when and where needed.



REAL ESTATE CONSIDERATIONS

What to know about leasing or purchasing the practice building:

- Ability to purchase the space or building if desired
- Confirmation of the building appraisal value
- Fair market rent for dental/medical office space in the area
- Whether the lease is triple net or gross
- If the lease is assignable
- Responsible party for repairs and maintenance
- If the building lease terms are sufficient to meet the lending requirements
- Lease renewal options
- If you have a right of first refusal
- If the lease includes tenant improvements
- Options for termination

ORTHODONTIC-SPECIFIC DILIGENCE

For orthodontic practices, here are a few additional considerations:

- Contracts receivable balance
- Conversion rate from new exam to starts
- Breakdown of case start types (Phase 1, Phase 2, Observations, Debands, etc.)
- Patient financing options and if the patient payment terms have changed recently
- Ratio of invisalign to traditional bracket and wire patients



YOUR FULL-SERVICE DENTAL TRANSITION PARTNER

Whether you're a recent dental school graduate or a current practice owner, NDP offers the level of detailed consulting you need when purchasing a practice. Our experienced advisors work in your corner and provide guidance in the following areas:

- Analysis of practice collections and overhead
- Financial review and explanation of the completed financial analysis
- Examination of practice tax returns and financials to verify cash flow
- Comprehensive practice procedure review to identify any discrepancies in current and future treatment planning
- Assistance in determining how the lease and building considerations impact the sale
- Scenario analysis of how the selling doctor will work in the practice after the sale and the potential impact on cash flow
- Introductions to lenders and other service providers to assist in getting the best rates and support for the practice
- Assessment of practice growth potential based on location, procedures and marketing

OUR SERVICES



BUYER CONSULTING



VALUATION SERVICES



SELLER CONSULTING



PRACTICE LISTINGS

BEGIN YOUR JOURNEY TO OWNERSHIP WITH NDP

01

Identify your
ideal location

02

Market yourself to
that area

03

Identify the practice
(start-up, partnership,
acquisition)

04

Request financials
and materials
from the practice

05

Let NDP guide
you with a
complimentary call

06

Red flags?
Continue
searching!

Right opportunity?
Engage NDP!

07

Complete the
due diligence
process

08

Consider the
building to
purchase or lease

09

Submit offer on
practice/building

10

Review and finalize
lending and legal
elements

11

Close the deal and
become a practice
owner. Congratulations!


12

Consider Cain
Watters & Associates
to get started on
a solid financial
foundation

NDP guides and empowers dentists who are exploring potential ownership as well as established practice owners who are looking to sell a portion or all of their practice when the time is right. Founded in 2005, NDP is a full-scope transition firm offering transition diligence, practice valuations, listing services and buyer and seller consulting. We work with dentists across the nation, ensuring they are equipped with the insights and tools needed to successfully navigate the buying or selling journey.



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