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Professional Transitions

What is Your Practice Worth?

The value of any business is evaluated on the ability of that business to produce an income to the buyer. In owner operated businesses, like most dental practices, net income is determined after all of the normal operating expenses of the practice are subtracted from the gross income.

Taking a poll of your friends or applying a "normal" percentage of gross income without properly analyzing the costs of business will not usually produce a viable or rational purchase price.

For example, assume that you are evaluating two equivalent practices, each producing \$500,000 in gross revenues. By applying a "normal" percentage or "formula" rule to this example, both practices would be worth the same amount of money.

However, if one practice has a rent of \$2,000 per month and the other has a rent of \$5,000 per month, would both practices be worth the same amount of money? The obvious answer is NO. Since the rent is not the same, with all other expenses held constant, the practice with the lower rent would be worth more since it produces more net income to the owner.

For a buyer, the practice sale price should be based on the income the buyer can reasonably expect the practice to produce operating as it is when purchased.

Often, the buyer is told by a seller that the practice is a "gold mine". If the buyer wants to do more business, all that needs to be done is to advertise, join insurance plans, or change something else about the practice. Of course, the seller rarely has taken those measures, but is sure that the buyer could make a lot more money if he only makes those changes. All of these arguments are usually designed to justify a seller's purchase price.

So, how do you value a practice? Determine what income you need to reasonably make in the first year after the purchase. If the practice does not now or has not in the recent past produced the amount of money that you need, then it is unlikely to do so without making some changes. Your purchase price should be based on the income that you can reasonably expect the practice to produce operating as it is when you purchase it. In addition to the normal operating expenses of the practice, a buyer needs to add the cost of financing the acquisition.

If you would like to find out what your practice is worth, or are planning to buy and need help valuing (or evaluating), contact Professional Transitions at info@professionaltransitions.com.

H.M. Smith, MBA is Managing Partner of Professional Transitions.
Contact Hy Smith at (800) 262-4119 or hy@professionaltransitions.com.



The mission of Professional Transitions, Inc. is to assist our clients in realizing lifetime personal, professional and financial goals. Our overall goal is to provide a comprehensive service from graduation to retirement for dentists.

Paul Rang, DMD, JD VP for Sales - Central Florida

Paul lives in Orlando and is Professional Transitions, Inc. representative for Central and North Florida. Paul received his dental and law degrees from the University of Florida. He practiced dentistry in Orlando for 12 years.



Greg Auerbach, MBA

Greg lives in Sarasota and is the West Coast representative for Professional Transitions. Greg received his Bachelor's degree in Computer Engineering from the University of Central Florida and his MBA from Wake Forest University.



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How hard is your Broker working for you? IS your Broker working for you? After thoroughly evaluating your practice and determining a fair value, your Broker should diligently market your practice to prospective Buyers, identify a Buyer, arrange the financing, provide a Purchase Agreement and a Non Compete Agreement for your attorney's review, and assist in arranging for a new lease or a lease assignment. The following is a list of services that should be provided by your broker:

What
Your
Broker
SHOULD
Do For
YOU

Obtain a Ready, Willing and Able Buyer, Along with Financing for the Purchase of the Practice: Present a full loan package to lenders and work directly with the lender involved in the transaction in order to complete all requirements (including insurance, purchases and sales agreement, non-competition agreement, lease, landlord waiver, loan documents) and work with insurance companies in obtaining insurances for the Buyer. **Present the Purchase and Sales Agreement** and work directly with the Seller, Buyer and their attorneys to complete the Purchase Agreement, and accountants on purchase allocations. Present a full package to Landlord (financials of the Buyer) as well as work directly with the Landlord in obtaining a new lease or lease assignment for the Buyer. **Present Landlord with an Assignment Document:** Work with the Buyer in obtaining property insurance, process all documentation to Landlord/Buyer/Seller and obtain signatures of all necessary parties. **Books and Records:** Work directly with Buyer and Buyer's accountant in obtaining all financials from the Seller and closely with they Buyer in completing his/her review of due-diligence. **Liens:** Obtain a full release of payoff in writing from the debtor and assist in a clear title transfer. **Insurances:** Assist Buyer in obtaining necessary insurances for loan (life insurance, disability insurance, workman's compensation, property insures premises liability). **Closing:** Meet with Seller and Buyer to execute final documents and deliver funds to Seller.

Professionals at a Crossroad by Douglas Friend

How do I protect the largest amount of my earnings from taxes?
What type of retirement plans are available for a practice my size? What costs are involved?
What do I do with my retirement funds after the practice is sold?

An investment professional can personally assist you and your employees over the long term. You might want to consider not just using the services of any investment professional, but one who is affiliated with one of the fastest growing, privately owned, investemnt companies in the country - Sterling Financial Investment Group. We provide research, institutional brokerage, retirement plans, personal wealth management and investment banking services. The company is, today, a global financial services organization with more than 50 offices in seven countries.

For a personal conversation or meeting about your needs please call Douglas Friend at 561.394.4844 or toll-free 866.384.3048 or email dfriend@mysterling.com.



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Douglas Friend is a financial services professional with over 15 years experience. He is located in Boca Raton, Florida.

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Professional Practice Consultants

General and Specialty
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SOUTHEAST FLORIDA

Contact: Stuart M. Auerbach, DDS 954-431-3624
stuart@professionaltransitions.com

	Gross	Ask
Hollywood - 4 ops FFS/PPO 4 days/wk		PENDING
Marathon - 4+1 ops FFS RE Avail.		PENDING
Pompano Beach - 4+2 ops FFS	\$253K	\$175K
Stuart - 3 ops FFS	\$426K	\$295K
Tamarac - 3+1 ops FFS/PPO	\$481K	\$375K

OFFICE SPACE

Ft. Lauderdale - 2 ops Dental Facility		SOLD
Plantation - Equipped Oral Surgery Office w/ RE		\$279K

SOUTHWEST FLORIDA

Contact: Hy Smith, MBA 800-262-4119
hy@professionaltransitions.com

Greg Auerbach, MBA 800-262-4119
greg@professionaltransitions.com

	Gross	Ask
Cape Coral - 3 ops	\$350K	\$225K
Ft. Myers - 3 ops FFS	\$250K	\$150K
Ft. Myers - 3 ops FFS		PENDING
Ft. Myers - 9 ops FFS	\$550K	\$300K
Naples - 5 ops FFS		PENDING
Naples Area - 3 ops FFS	\$500K	
Port Charlotte - 3 ops RE Available	\$430K	\$345K

SPECIALTY PRACTICES

Hialeah - Orthodontics 1 day/week		SOLD
Orlando - Orthodontics 2-3 days		PENDING
Palm Beach County - Pedo 3 days/week	\$600K	\$350K
Sarasota - Oral Surgery	\$350K	\$200K
Southwest FL. - Oral Surgery		SOLD
Treasure Coast - Prosthodontics	\$635K	\$495K

CENTRAL FLORIDA

Contact: Paul Rang, DMD, JD 407-839-8422
paul@professionaltransitions.com

	Gross	Ask
Crystal River - Facility 3 ops Condo w/ Equip.		\$ 90K
Lakeland - 4+1 ops FFS/PPO RE Avail	\$402K	\$225K
Leesburg - 3+1 ops FFS Pano. RE Avail.	\$431K	\$250K
Melbourne - 4 ops FFS Pano.		SOLD
North Central FL. - 4ops FFS RE Avail.	\$287K	\$165K
Ocala - 3+1 ops FFS 2 days/week	\$343K	\$225K
Orlando - 3 ops 2 days/wk RE Avail.	\$207K	\$125K
Orlando - 3+2 ops FFS/PPO Pano.	\$527K	\$345K
Orlando - 3 ops FFS/HMO RE Avail.	\$630K	\$200K
Palm Coast -	\$556K	\$225K
South Central FL.		Associate/Buy-In

WEST COAST

Paul Rang, DMD, JD 407-839-8422
paul@professionaltransitions.com

Greg Auerbach, MBA 800-262-4119
greg@professionaltransitions.com

	Gross	Ask
Bradenton - 5 ops FFS RE Avail.	\$500K	\$325K
Brandon - 3 ops FFS Pano.Digital X-ray	\$342K	\$225K
Brandon - 4 ops FFS Pano. RE Avail.		SOLD
Brandon - 4 ops FFS/PPO Pano.		PENDING
Clearwater - 5 ops FFS/PPO Pano.		PENDING
New Pt Richey - 4+2 ops FFS Pan RE Av.	\$651K	\$495K
Sarasota - 3 ops FFS-PPO	\$175K	\$ 95K
Tampa - 3 ops FFS 3 days/week	\$248K	\$175K

Professional Transitions

Contact us for a free informational CD and book on buying or selling your practice.



3400 Tamiami Trail North, Suite 302, Naples, FL 34103

www.professionaltransitions.com or www.dentalsales.com • Email us at hy@professionaltransitions.com

Licensed Real Estate Broker