



SPRING 2014

ADS Florida Insider

BUYING, SELLING AND TRANSITIONS MADE PERFECT

MATCHMADE

Mitchell Strumpf, DDS – Sarasota
Practice Sold 7/5/13

“I had spoken with many colleagues, and every seller had been 100% satisfied with ADS Florida.”



As Dr. Mitchell Strumpf thought about the transition of his Sarasota practice, he knew only knew one thing for certain, and that was that Greg Auerbach at ADS Florida would be his partner and broker. “I had spoken with many colleagues, and every seller had been 100% satisfied with ADS Florida.”

After meeting with Dr. Strumpf, Greg began the process of searching for a buyer who could project to patients the confidence that their level of service would not waiver, as well as provide staff the comfort and security necessary for a successful transition. In addition, Dr. Strumpf intended to continue practicing alongside his new buyer in a limited capacity, so finding the absolute perfect person was of the utmost importance, and he anticipated an exhaustive search. What Dr. Strumpf didn't expect was that 24 hours after meeting Dr. Adam Still, they would have a contract in place. “Greg brought a very qualified buyer who had the personality and integrity to succeed.”

Nine months after the transition, the practice continues to thrive, and both doctors credit Greg and ADS Florida with finding a match that has surpassed their expectations. Dr. Strumpf is able to witness the satisfaction in the faces of his patients and staff every week, and can confidently say, “There was not one negative in the entire process of working with Greg.”

WHAT OTHER CLIENTS SAY

“What stands out is the professionalism. Once we agreed on a price, I was never pressured to lower it even when activity was slow. Phil LoGrippe is a true gentleman and showed great knowledge of the process. He was unflappable even at difficult points of the process.”

– David Isaac Greenberg, DMD



Corporate Purchase: What You Need to Know to Make the Right Decision for You

Several times a week we are approached by either a doctor who has been contacted by a corporation that says it is interested in acquiring their practice or by an investor group that is looking to purchase practices in Florida. Corporate dentistry is growing here and throughout most of the country and will continue to do so unless the dental community resists – especially since the growth of many of these corporations is through practice purchase, not start-up. Considering how these deals “work” (or don't work) though, perhaps resisting should be a bit easier.

The Role of Corporate Dentistry

Let's be clear, there is a place for corporate dentistry or clinic type operations. They provide a training ground for new dentists and they may be a good fit for dentists with no interest in owning a practice of their own. They also provide vital care to many patients who may not have insurance plans that are conducive to private practice (many PPOs are a detriment to the private practice simply because the economies of the plans are dependent on extreme efficiencies that can only be found in larger corporate storefronts).

Private vs. Corporate

The corporate dental purchase, though, is an entirely different situation. Simply put, in nearly every case, there is no reason for a private practitioner to sell to a corporation or dental management service organization (DMSO). Why? For several reasons:

1. Corporations want desirable practices - meaning those practices that are 6-8+ operatories and collecting in the one million dollar (plus) range. Further, they are not interested in non (or barely) profitable businesses - they require overhead to be in line with range norms, if not lower. There may be a feeling, or you may be told that your practice is “too large” to transition. Essentially, this is what a majority of corporation purchasers want but...
2. Corporations generally will not pay “full” price. They generally look to take some discount and require a management fee of up to 20% that is added on to the practice overhead before any “profit sharing” is calculated. Additionally, as a Seller, you will nearly never receive the entire purchase price at time of closing. Most often 15-20% (or more) is held back to ensure that you comply with this...
3. Corporations nearly always require the Seller to stay and work. Usually, if the Seller doesn't stay for at least two years the offered price will be severely discounted or there will be no offer at all. Should the Seller leave early, the money held back will not be paid. Further, expect to only make somewhere around 25% of the Seller's collections (not production and not including hygiene collections) and know that corporation required continuing education as well as other expenses will be deducted from your pay.

Guidance

If you have been approached by a corporation or are considering this as a transition route, contact your local ADS Florida representative before taking the next step. We are a resource regarding this option and have developed models to give doctors a good idea of how a potential sale may work out. Find your local representative on the inside of this newsletter or give us a call at 800.262.4119.



Corporate Purchase:
Right for You?



Staff Smart:
Controlling Overhead



New Feature!

Match Made:
Transition Tales from
ADS Florida Clients

ADS Florida
Congratulates

Alvaro Betancur, DDS to Tatiana
Santiago Herzog, DDS
Boca Raton

Richard Plummer, DMD to
Spaska Malaric, DMD
Fort Myers

W. Theodore Schwartz, DDS to
Sang Y. Shin, DMD
Winter Park

ADS FLORIDA



[PROFile]

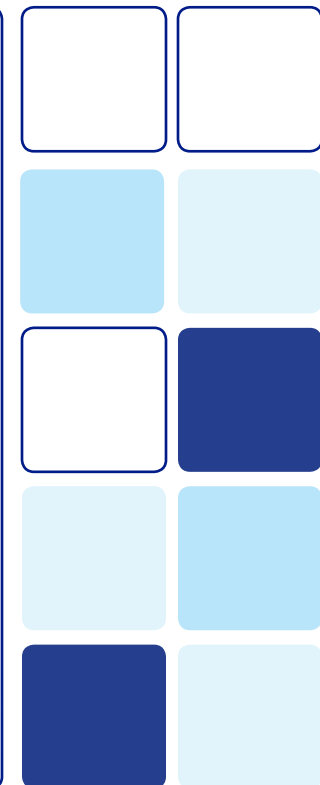
Phil LoGrippe, DMD
Naples/Fort Myers

Phil LoGrippe, DMD, maintained a private practice in general dentistry in Naples, Florida, for 22 years, selling it in 2010. A two-time past president of the Collier County Dental Association, he has also served as a member of the Executive Committee for eight years, on the House of Delegates of the Florida Dental Association for four years, and is a member of the ADA, FDA and WCDDA. Phil is a big Florida Gators fan and also enjoys exploring the Everglades by foot, bicycle and car.

[Contact Phil]

239.682.4339 or phil@ADSflorida.com

HOW STAFFING CHOICES Affect Your Bottom Line



Overhead costs in dental practices have been on the rise for decades and are affecting the majority of dentists at every stage of their practice life. If you are early in practice ownership or are in the middle of your career, this may result in cash flow problems. Perhaps you can't afford to sufficiently fund retirement, take enough (or any) vacation time, establish any sort of savings or prepare (be adequately prepared) for your children's educational expenses. If you are an older dentist ready to retire, you may find you don't have enough saved to live off of or be disheartened to find there isn't a market for your practice because the practice income cannot support the income needs of a new purchaser.

Therefore, no matter what stage of practice ownership you currently are in, it is essential that you examine the true cash flow of your practice. If staff (or any other) costs are out of line, make the necessary changes to correct this, in order to realize your full earning potential.

What are the necessary changes that will bring staff costs in control, without sacrificing the level of care and service provided?

Hire Right, Train Right

First and foremost, be sure to hire for excellence in order to prevent the need for overstaffing. You cannot compensate for a lack of qualified personnel by increasing the quantity of unqualified personnel. Although you will need to pay highly qualified personnel more than inadequately qualified personnel, they will more than make up for it in what they are able to accomplish. The most highly competent employees will earn higher wages, but often accomplish the same as two less competent employees. Having one higher paid, highly competent employee is certainly more fiscally efficient than having two lower paid, incompetent employees.

Second, invest in training, cross training, and educating your staff, so that they are able to maximize their full potential. Qualified personnel can and want to work at peak performance, and are excited about learning as well as being challenged.

Third, invest in leadership training for yourself. As an effective leader, you will be able to create a great work environment for your staff. Truly excellent staff members value an exceptional work environment as much as monetary compensation.

Where do you start?

The most essential place to start, at any stage of practice, is a practice valuation that includes a true cash flow analysis of your practice. Every practice owner should have a current practice valuation and it should be updated annually. Armed with this essential information, we can help you evaluate what changes would best be made to increase the profit of your practice to its peak potential. Your local ADS Florida transition specialist is experienced at performing practice valuations, and will personally work with you in accomplishing this. Contact us today at 800.262.4119 or at inforequest@adsflorida.com.

Q&A

Q. How is ADS Florida different from other brokers in the state?

A. Experience counts. ADS Florida has been operating in the state longer than any other broker and is the only one that has met the stringent standards placed upon members of ADS, nationally. ADS Florida also serves as the exclusive transition specialists for the Pride Institute.

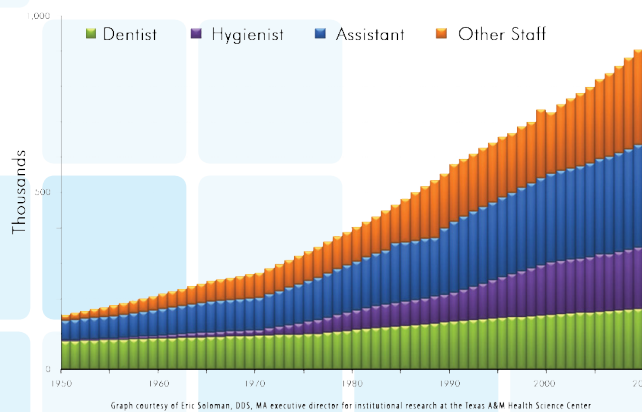
Our **six member team** provides personalized, experienced, professional service that cannot be found in any other dental practice transitions firm operating in the state. We subscribe to the highest of ethical standards and focus on finding the right transition strategy for each doctor and practice. Our transitions methodology and documentation is among the best in the country - creating win-win-win deals for purchaser, seller and patients alike.
howdowrate.ADSflorida.com

This last scenario is very common and can occur because income needs of the retiring dentist are less than those of a prospective younger purchaser – the retiring dentist has already eliminated his educational debt, funded his retirement plan, finished raising children and paid for their educations as well. Not only will the younger purchaser probably be facing most if not all of these expenses, they also will have acquired debt service to purchase the practice, leaving the anticipated practice profit after the sale to be inadequate.

Where does the overhead problem lie?

Upon performing a true cash analysis as part of a practice valuation, we often discover one of the most significant contributing factors is staff costs that are excessively high, resulting in reduced profit. In 1980, there were approximately 1.3 dental assistants per dentist in the US labor force. In 2010, that number skyrocketed to over three dental assistants per dentist. Staggering increases also have been noted in the ratio of other (non-hygienist) personnel per dentist. See the graph below:

Dental Personnel in US Labor Force



General and Specialty Practice Purchase Opportunities

CENTRAL FLORIDA

Contact: Paul Rang, DMD, JD

		Gross	Buyer Net*
Apopka - Mt Dora	3 ops FFS/PPO	\$350K	-
Cocoa - Rockledge	4 ops FFS/PPO	\$580K	\$257K
Daytona/Ormond Bch	3 ops FFS/PPO Dig X-Ray + Dig Pano	\$631K	\$266K
Gainesville area	5 ops FFS Dig X-Ray + Pano RE Avail	\$688K	\$188K
Ocala	4 ops FFS/PPO Dig X-Ray + Dig Pano	\$400K	\$105K
Orlando	3+1 ops FFS/PPO	\$425K	\$98K
Orlando	3 ops FFS Pano	\$445K	\$160K
Orlando	4 ops FFS Pano	\$677K	\$184K
Orlando	6 ops FFS Laser	\$1M	\$225K
Orlando - Dr. Phillips	4+4 ops FFS/PPO	\$1.1M	\$561K
Mt Dora	7+2 ops FFS	\$657K	\$192K
North Orlando	3 ops FFS Pano RE Avail	\$549K	\$192K
North Orlando	4 ops FFS/PPO Pano Dig X-Ray	\$420K	\$106K
Winter Park	5 ops FFS Pano	UNDER CONTRACT	

Specialty Practices

Central FL	Endo 2 locations w/ 3 ops	\$505K	\$193K
Central FL	Endo 5 ops Laser		SOLD

Practice Ready Facilities

Ormond Beach	2,000 sf condo, 5 ops, specialty prac	Ask \$307K	
Orlando - Lake Mary	2,000 sf condo, 2+3 ops w/ equip	LEASE OR BUY	

WEST FLORIDA

Contact: Greg Auerbach, MBA

		Gross	Buyer Net*
Bradenton	3 ops FFS Shopping Center	Ask \$100K	
Bradenton	3 ops (large) PPO/FFS RE Avail	Ask \$115K	
Clearwater	6 ops FFS/PPO Strong Practice		SOLD
New Port Richey	11 ops FFS/PPO	\$1.87M	\$641K
Punta Gorda	4 ops FFE RE Avail	\$550K	\$212K
Punta Gorda	4 ops FFS	\$568K	\$182K
Punta Gorda	4 ops FFS RE Avail	\$1.1M	\$443K
Venice	4ops FFS/PPO Paperless Main Road	\$550K	\$181K
Venice	6ops FFS/PPO Paperless 3D Real estate	\$1.2M	\$382K

Practice for Merger

Tampa	FFS/PPO C&B Dale Mabry/North 275	UNDER CONTRACT	
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Specialty Practices

Punta Gorda/Port Charlotte	Orthodontic	\$350K	\$50K
West Coast	Perio 8 ops FFS/PPO Pano	\$792K	\$293K

NORTH FLORIDA

Contact: Paul Rang, DMD, JD

		Gross	Buyer Net*
Panama City	5 ops FFS Pano, RE Avail	\$756K	\$292K

Specialty Practices

NE Florida	Pediatric: 7ops, RE Avail	\$1.25M	\$486K
NE Florida	Ortho 5+1 ops, 3 days/wk, RE Avail		
NW Florida	Endo 3 ops Dig X-Ray microscopes, RE Avail	\$694K	\$385K
NW Florida	Endo 3 ops Dig X-Ray microscope RE Avail	\$706K	\$424K
NW Florida	Perio 5 ops FFS/PPO Dig X-Ray	Ask \$475K	

SOUTHWEST FLORIDA

Contact: Greg Auerbach, MBA or Philip LoGrippe, DMD

		Gross	Buyer Net*
Fort Myers	5 ops FFS Paperless RE Avail		SOLD
Punta Gorda	4 ops FFE RE Avail	\$550K	\$212K
Punta Gorda	4 ops FFS RE Avail	\$568K	\$182K
Punta Gorda	4 ops FFS RE Avail	\$1.1M	\$443K

Specialty Practices

Punta Gorda/Port Charlotte	Orthodontic	\$350K	\$50K
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SOUTHEAST FLORIDA

Contact: Stuart M. Auerbach, DDS

		Gross	Buyer Net*
Boca Raton	6 ops FFS/PPO Dig X-Ray		SOLD
Coral Gables	3+1 ops FFS/PPO All New Midmark & Digital	Ask \$400K	
Coral Springs	5 ops FFS/PPO DXray and Digital Pan	Ask \$130K	
Lauderhill	5 ops PPO/HMO	\$933K	\$231K
Miami Gardens	3 ops PPO/HMO	\$430K	\$100K
N Miami	4 ops FFS/PPO/HMO	\$435K	\$114K

Specialty Practices

Miami	Orthodontic, 2 ops busy shopping ctr	Ask \$65K	
Miami Shores	Orthodontic, 1,700 sf condo, dig pan/ceph	Ask \$385K	
W. Broward County	Oral Surgery, dental alveolar/implant	FOR SALE	
W. Broward County	Perio, 6 ops w/CT scan, all digital, condo	SOLD	

Practice Ready Facilities

Miami Shores	1,700 sf condo w/dig pan/ceph	Ask \$350K	
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*Buyer net includes the debt service on 100% financing of the asking price



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Thinking **TRANSITION?**

Call 888.445.8041 or Visit ADSflorida.com Today



SO YOU WANT TO BUY A PRACTICE? TOP TEN TO DO'S

Considering many only go through the purchase process once, read our list of the ten things to think about as you dive in.

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- I Purchase for the Patients:** Clarity is key to keeping it fair.
- I Location, Location, Location:** Practices for sale.

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