



ADS Florida BuyLine

OPPORTUNITIES FOR DENTAL PRACTICE BUYERS & ASSOCIATES

MAY 2011

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ADS Florida
Congratulates

Jason Witonsky, DMD, MS
Pompano Beach

Bertram Chodorov, DDS
to Mark Kedzierski, DDS
Melbourne

George Yarko, DDS
to Karim Morales, DMD
Orlando

BUYER BEWARE



Last June, we brought to your attention some concerns and questions about Non-Disclosure Agreements (NDA), also known as Confidentiality Agreements. You can access this article at <http://articles.ADSflorida.com>. We discussed how some transition companies have been using the NDA document to overreach its actual intent by attempting to use it to establish an exclusive relationship with prospective purchasers or put unethical conditions on a purchaser as a requirement to learn more about potential practice opportunities. It is important for you as a practice purchaser, associate, or buy-in/partner candidate to understand a few things:

Confidentiality/Non-Disclosure Agreements are valid legal documents

NDA's are designed by attorneys and meant to protect the sensitive financial and private business documentation of practice owners and sellers. It is normally required that you sign the agreement prior to your review of practice-related documents and information in connection with entering into a purchase, association, or partnership. The agreement you sign is a valid legal document. You should read it closely and understand all it entails and requires of you. If something seems to be out of the ordinary, question it, as you may ultimately be responsible for complying with the contents of the agreement. You should be signing to agree that you will keep all information related to the inquiry (sensitive or not) confidential. This is reasonable. You should not be signing to anything else.

You must look out for yourself, and you are entitled to representation if you want it.

Unless you're hiring someone to specifically represent you, you must look out for yourself. While our entire team at ADS Florida takes pride in creating fair transactions with fair documentation, not all "transition specialists" operate in the same manner. With that, you must protect your interests.

Look closely at financial statements and documentation from the broker. Are you provided with a complete set of statements, a clean, reasonable pro forma (not projection) and a full set of statistics on the practice and how it runs? Or are you left guessing? Some NDAs also seek to limit your access to representation. You should never be required to relinquish your ability to engage competent advisors. While this may come at a cost to you, proper advice or representation can be invaluable.

Not all "specialists," "experts" or "brokers" are alike.

And this matters to you. Quality transition specialists and experts represent quality transition opportunities. Not only is the practice documentation clear, but it is consistent and professional. Further, documentation should be provided in a timely manner and be complete. True specialists will have collected and reviewed documentation up front to establish price or value, well before a practice is available for sale on the market. They are complete and thorough and do not compromise their work or integrity.

"Expert" is another term and should include specialists, as well. These are industry leaders who have proven their expertise in practice with successful transitions, and in reputation through hosted public speaking engagements and third-party published writings. Experts and true specialists are also involved in the communities they serve; they have built a reputation of trust amongst their peers and, most importantly, their clients; and they surround themselves with other top minds and resources.

We invite you to read and review our confidentiality agreement at any time on our website at ADSflorida.com under the "Forms" section. We feel it is a clear, straightforward document, specifically intent on protecting the disclosure of private information. If you are interested in representation for or review of any practice you are currently considering a purchase of or buy-in to, please do not hesitate to contact us at 800.262.4119 or transition@ADSflorida.com.

Practice Values in Decline?

R E V I S I T E D



Our entire team at ADS Florida is fortunate to have the opportunity to put a considerable number of practices through our rigorous review process on a consistent basis. Whether for outright sale or appraisal, our team reviews financial data for a large number of practices in Florida and nationwide, providing us the unique ability to see local, regional and national trends. That, combined with our exclusive partnerships with the best of the industry nationwide, enables us to bring the highest level of expertise and experience to you, our local doctors.

Just a few weeks ago, members of our team were able to spend considerable time with these industry leaders. One topic of particular interest focused on how the transitions market has changed due to the recent economic difficulties. While the discussion from our original article is still valid (visit <http://articles.ADSflorida.com> to read "Practice Values in Decline?"), we felt it would be beneficial to provide a few specific updates:

Declining Three-Year Revenues

In the interest of full disclosure, we have in the past written that you should seriously consider and evaluate the purchase of any practice that has experienced three years of declining revenues. The general sentiment and reasoning behind this is that a practice experiencing this sort of decline may have issues that are a true detriment to the practice. The revenue trend may be caused by a combination of any number of factors.

The foundations of this assertion remain unchanged. What **has** changed with the economy is that just because a practice has declining collections over three years does not automatically make it bad opportunity. Further, it may not even indicate a practice is truly out of its element or prime. At this point, answers to questions about patients and patient flow, treatment presentation and acceptance, and staff processes and procedures become extremely important to the viability of the opportunity. Ask the questions and get the answers. While a good transition specialist should have already asked these questions and have the answers, your in-office due diligence should focus on detailing answers to questions on those topics.

Another point: Generally speaking, purchasers will significantly discount a purchase offer or simply walk away from a practice that has shown a trend of decreasing revenues. This may be penny-wise and pound-foolish. For a practice where there are acceptable and logical answers backed not only by reason but fact and evidence, the "value" of a practice has already declined due to the decreased revenues. Assuming overhead has remained stable and collections have decreased, net income has, as well. A smaller practice supports a smaller asking price. So, just because a practice may be priced where price-to-gross is 67%, this does not mean that a decline in "value" has not already been accounted for.

Location, Location, Location

If you're out looking for a bargain, rural practices continue to represent the "Best Value" in the marketplace. While gross collections may be lower and the number of PPO plans a practice serves may be higher, overhead is generally lower and personnel need is also lower. Just as when the economy is good, your willingness to step outside of an urban area can prove to be a boon to you as a practitioner.

General Scarcity

You won't be surprised to hear there's a lack of quality 'inventory' on the market. If you're set on an urban locale, you've seen that sellers have been reluctant due to their loss of invested retirement funds over the last three years. This has caused them to hold practices, with new plans to sell one, two, even five years further out. Because of this, options to purchase are limited and options to associate or continue associating have also continued to be limited. What does all of this mean for you? When a practice becomes available and has "cash flows" with ample net income and a purchase price amortized over a **seven-year period**, act responsibly, but quickly.

These are just a few of many factors to consider. The market for practice sales is still strong, and financing is still readily available for purchasers with good credit history. Dental practices have been recession-proof over the long term, as dentists provide services that cover not only cosmetic needs, but health care needs, as well. Owning a practice not only provides job security, but a business that has inherent control, lifestyle and economic benefits that do not come with working for someone else.

It has been increasingly important to conduct proper 'due diligence' when purchasing a practice. The importance of really looking and asking questions cannot be understated. This is not only to find out basic information about practice history, patients and staff, but also to consider what it will take to maintain the inherent strength of the business itself. If you are looking at purchasing a practice with declining or stable practice revenue, it is reasonable to seriously question a purchase price predicated on projections showing consistent three, five or ten percent growth over several years, or a deal that requires longer financing terms to be reasonable profitable (10, 15 or more years). A practice that is an historic producer, on track or slightly dipping this year, may be that safe bet for stability, if not future growth, even if only from the pent-up need to complete accepted treatment. And isn't everybody looking for the safe bet?

Are you considering a purchase? ADS Florida experts are available to assist or represent you in transitions with other brokers, or if you're working directly with a seller. We provide a range of options that can even save you more money than the cost of our services. You also acquire peace of mind, which is invaluable. Contact us at 800.262.4119 or email us at transition@ADSflorida.com today.

General and Specialty Practice Purchase Opportunities

NORTH FLORIDA

Contact: Paul Rang, DMD, JD

		Gross	Buyer Net
Jacksonville	6 ops FFS/PPO Pano, Dig X-ray	\$683K	\$191K
Lake City Area	5 ops FFS Pano 3 days/wk RE Available	\$348K	\$107K
Lake City Area	3 ops FFS/PPO Pano, Dig X-ray RE Available	\$730K	\$212K
Pensacola	4 ops FFS/PPO Pano 3 days/wk RE Available	\$469K	\$128K

Specialty Practices

Jacksonville	Perio 3 ops FFS Pano Dig X-ray RE Avail	\$532K	\$177K
NE Florida	Pedo 7 ops RE Available	\$1.25M	\$485K
NE Florida	Ortho multiple locations 3 days/wk	\$462K	\$111K
NE Florida	Endo 2+2 ops	\$532K	\$250K
NW Florida	Endo 3 ops	\$648K	\$330K

Associate Opportunities

General	Lake City area
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WEST FLORIDA

Contact: Greg Auerbach, MBA or Paul Rang, DMD, JD

		Gross	Buyer Net
Bradenton	3 ops PPO/FFS Biolase, RE Available	\$300K	\$41K
Tampa (South)	4 ops FFS	\$320K	\$65K
Tarpon Springs Area	4+2 ops PPO/FFS Pan, RE Available	\$659K	\$174K

Specialty Practices

Brandon	Oral Surgery 3ops	\$385K	\$160K
St. Petersburg	Pediatric 6+1 ops FFS/PPO 3.5 days/week	\$944K	\$363K
Tampa	Perio & Implants 4 ops Mostly FFS	\$1.3MM	\$601K
West Coast-Central	Perio & Implants 8 ops FFS/PPO Pano	\$1.1MM	\$344K
West Florida	Pediatric 4 chairs FFS	\$250K	\$55K

SOUTHEAST FLORIDA

Contact: Stuart M. Auerbach, DDS

		Gross	Buyer Net
Atlantis	3+1 ops FFS/PPO Dig X-ray		Under Contract
Coral Springs	4 ops 2 days/week Shopping Center		Ask \$225K
Hialeah	5 ops FFS/PPO Dig X-ray	\$700K	\$200K
Miami (Cutler Bay)	4 ops FFS PPO		Ask \$150K
Miami (Kendall)	3 ops FFS PPO w/condo	\$340K	\$90K
W. Broward	6 ops ALL FFS Professional Bldg	\$1.6M	\$475K
West Palm Beach	3+2 ops PPO FFS *Ground Floor*	\$430K	\$135K

Specialty Practices

Broward County	Periodontics 6 ops FFS/PPO	\$1.6M	\$560K
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Practice Ready Facilities

Boca Raton	Office Share in Fully Equipped Office		Ask \$130K
Miami Lakes	3 ops equipped Busy Shopping Center		Ask \$195K
Miami (Sunset)	4+1 ops equipped Shopping Center		Under Contract
Miami (Sunset)	4 ops Professional Condominium RE only		

SOUTHWEST FLORIDA

Contact: Greg Auerbach, MBA or Hy Smith, MBA

		Gross	Buyer Net
Fort Myers (SW)	3 large ops FFS Paperless Laser	\$350K	\$100K

Practice Ready Facility

Naples	3 ops		Ask: \$200K
Naples	5+1 ops 1980sf Equipped Condo		Ask: \$675K

Associate Opportunities

Fort Myers	General - Large Ofc, Spanish a Plus
Naples	General - Large Ofc, Spanish a Plus

CENTRAL FLORIDA

Contact: Paul Rang, DMD, JD

		Gross	Buyer Net
Clermont	6 ops FFS/PPO Dig X-ray & Pano	\$902K	\$240K
Cocoa Beach	4 ops FFS/PPO 3 days/wk	\$374K	\$112K
Daytona Beach	8 ops FFS/PPO Pano	\$1.1M	\$258K
Gainesville	4 ops FFS/PPO Pano	\$809K	\$317K
Levy County	7 ops 3 days/wk	\$362K	\$145K
Melbourne	4 ops FFS/PPO 3 days/wk		SOLD
Orlando	8+1 ops FFS/PPO Pano, Dig X-ray		SOLD
Orlando	4+1 ops FFS/PPO Dig X-ray 1day/wk		Under Contract
The Villages	4+3 ops FFS/PPO Dig X-Ray	\$669K	\$203K

Specialty Practices

E. Coast - Central	Perio 4 ops FFS Pano 3 days/wk	\$380K	\$139K
W. Coast - Central	Perio & Implants 8 ops FFS/PPO Pano	\$1.1M	\$344K
East Coast - Central	Prosthodontics 3 ops FFS Pano	\$336K	\$101K

Practice Ready Facilities

Ormond Beach	2,000 SF condo, 5 ops, specialty prac.		Ask \$425K
Vero Beach	3 ops Equipped Condo		Ask \$375K



For the most recently updated listings visit **ADSflorida.com**

Q&A

Q: What is Dual Representation and why doesn't ADS Florida dual represent?

A: Dual Representation is the practice of representing both the seller and purchaser in a brokered transaction. In the State of Florida, this practice is illegal. ADS Florida has never represented both sides in a transaction as we, like the State, feel that it is a conflict of interest.

For answers to more Frequently Asked Questions, go to **ADSflorida.com**

What Our Clients Say



"The process was very low-stress. Greg was extremely helpful and pivotal in my ultimate decision to purchase the practice."

- **Angela M. Harney, DMD**
Purchased Practice October, 2009

Meet the ADS Florida Team



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Own the Ultimate Guide for Buyers & Sellers

- Accurate, up-to-date advice
- Leading authority, Hy Smith, shares successful strategies
- Avoid pitfalls and achieve success in dental practice transitions

Visit ADSflorida.com/book to order your copy today!

Inside This Issue

- **Non-Disclosure Agreements:** What you need to know before signing.
- When declining practice revenues could spell **OPPORTUNITY**.
- **FAQ:** Dual representation explained. (*It's illegal!*)
- **Location. Location. Location.** Listings from all around Florida



TAKING OFF!



“Associating, Buying or Start-Up”—FNDc, Gaylord Palms, Orlando

Join us in Orlando at FNDc, June 9, 2011, 8:30 – 11:30 am to learn about the beginning of a practice, whether it be purchase, startup, association or partnership. Invaluable for anyone transitioning into ownership within the next three years. For more information or to register, contact the Florida Dental Association at 800.877.9922 or hdc@floridadental.org.

FLORIDA 2011
insight series