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DSO & Group Practice Fundamentals

Overview

Agenda: TUSK + Endodontic Associates - *An Opportunity to Learn and Grow Together*

I. Dental Industry Trends: Why Dentistry is so HOT right now?

II. Why do you Want to Build a Group Practice or DSO?

III. DSO Fundamentals: Private Equity + Valuation Drivers

IV. Maximizing the Value of Your Group Practice

V. Lunch

VI. Debt Funding your Growth Strategy: How Banks make Lending Decisions

VII. Wrap up & Closing

If you'd like a copy of the full deck, please send me an email at:

Perrin@TUSK-Partners.com

Industry Trends in the Dental Market

One Market – Different Segments through 2016

Private Practice (1 location)	Mid-Market (2 – 25 locations)	Elite Groups (25+ locations)
75% of the Market	13% of the Market	12% of the Market

Next 5 Years

60% of the Market* +1% CAGR	25% of the Market +12-15% CAGR	15% of the Market +10-12% CAGR

EBITDA – the metric on which you are measured

What is EBITDA and Why Does Matter?

EBITDA is a proxy for **Operating Cash Flow** irrespective of Capital Structure, Tangible and Intangible Assets, and State Taxes.

Earnings
Before
Interest
Taxes
Depreciation
Amortization

- **EBITDA** is the metric that all transactions are based upon.

EBITDA – the metric on which you are measured

Now let's buy a business – a dental practice!

I'm going to buy a dental practice, but I can't decide which one…

% of Rev	Practice 1	Consideration	Practice 2	% of Rev
	$ 1,250,000	Revenue	$ 1,100,000	
68%	*$ 850,000*	*Selling Price*	*$ 900,000*	***82%***
		Expenses		
26%	$ 320,000	Staff Wages	$ 250,000	23%
22%	$ 270,000	DR Compensation	$ 240,000	22%
30%		*DR Comp (%:Prod)*		*32%*
4%	$ 50,000	Benefits	$ 50,000	5%
6%	$ 75,000	Rent	$ 40,000	4%
5%	$ 60,000	Supplies	$ 66,000	6%
10%	$ 120,000	Lab	$ 50,000	5%
5%	$ 60,000	Other	$ 20,000	2%
		Other "Business" Deductions		
2%	$ 30,000	Continuing Education	$ 12,000	1%
0%	$ -	Staff Retreats	$ 20,000	2%
0%	$ -	Personal Auto	$ 24,000	2%
	$ 985,000	***Operating Expenses***	***$ 772,000***	
0%	$ -	Depreciation	$ 130,000	12%
0%	$ -	Amortization	$ 50,000	5%
	$ -	***Non-Cash Expenses***	***$ 180,000***	
	$ 985,000	**Total Expenses**	**$ 952,000**	
21%	**$ 265,000**	**Operating Income**	**$ 148,000**	**13%**
0%	$ -	Interest	$ 20,000	2%
0%	$ -	Taxes	$ -	0%
21%	**$ 265,000**	**Net Income ($)**	**$ 128,000**	**12%**

- Valued by a traditional dental practice broker…
- Are these expenses *truly necessary* to run the business?
  - Or are they "one-time" expenses?
- Did we have to pay cash for these expenses?

Start. Grow. Sell.

TUSK

EBITDA – the metric on which you are measured

Now let's buy a business – a dental practice!

I'm primarily interested in the CASH the business produces – *not the revenue or net income.*

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0%	$ -	Taxes	$ -	0%
21%	**$ 265,000**	**Net Income ($)**	**$ 128,000**	**12%**
		EBITDA		
	$ -	Interest (add back)	$ 20,000	
	$ -	Taxes (add back)	$ -	
	$ -	Depreciation (add back)	$ 130,000	
	$ -	Amortization (add back)	$ 50,000	
		EBITDA Adjustments		
	$ 15,000	Continuing Education	$ 6,000	
	$ -	Staff Retreats	$ 10,000	
	$ -	Personal Auto	$ -	
22%	**$ 280,000**	**Adjusted EBITDA**	**$ 344,000**	**31%**

- These expenses aren't *truly necessary* to run the business
- We did not pay cash for these expenses, but we got to deduct them from our taxable income
- After Add Backs and Adjustments, which practice generates more cash?

Start. Grow. Sell.

TUSK

EBITDA – the metric on which you are measured

Now let's buy a business – a dental practice!

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	$ -	Taxes (add back)	$ -	
	$ -	Depreciation (add back)	$ 130,000	
	$ -	Amortization (add back)	$ 50,000	
		EBITDA Adjustments		
	$ 15,000	Continuing Education	$ 6,000	
	$ -	Staff Retreats	$ 10,000	
	$ -	Personal Auto	$ -	
22%	**$ 280,000**	**Adjusted EBITDA**	**$ 344,000**	**31%**
		Objective Metrics		
	240	New Patients (yr)	600	
	25%	Medicaid (%)	0%	
72%	$ 900,000	Clinical	$ 750,000	68%
28%	$ 350,000	Hygiene	$ 350,000	32%
		Bank Loan		
	$ 50,000	Working Capital	$ 50,000	
	$ 850,000	Purchase	$ 900,000	
	$ 900,000	**Total**	**$ 950,000**	
	3.21	**Debt:EBITDA**	**2.76**	
	3.0	**EBITDA Valuation**	**2.6**	

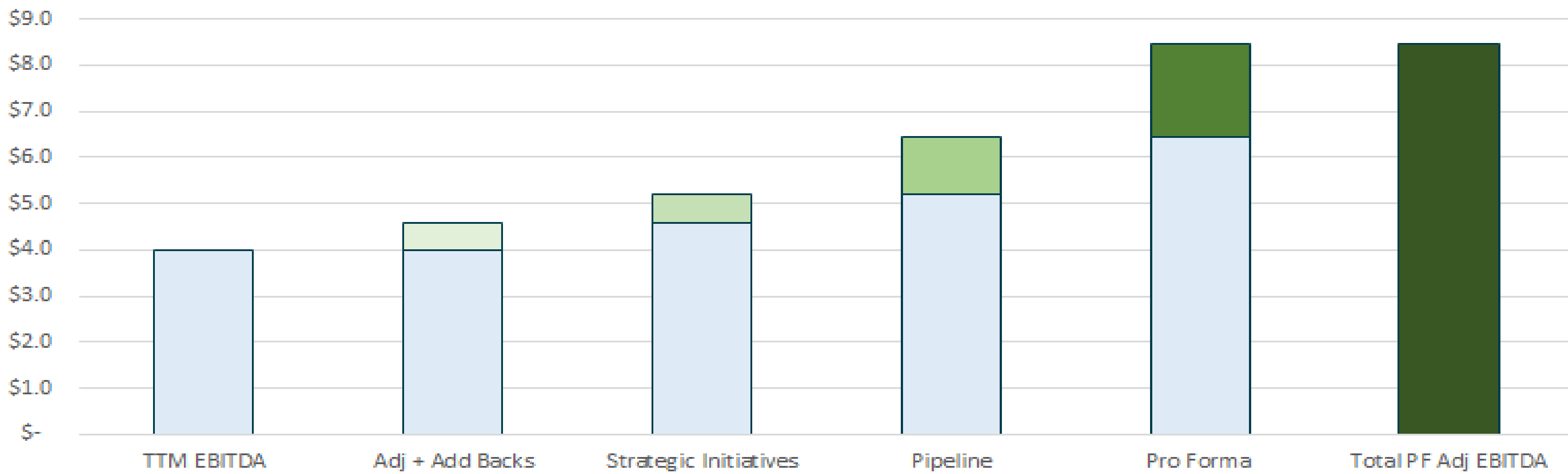
- Don't forget about other Objective Metrics that give you a sense for ***where the business could be going…***
- And how are you going to pay for the practice you acquire?
- **Banks typically won't lend above**
  - 3X Debt:EBITDA ratio
  - ~4-6X EBITDA Valuation

Start. Grow. Sell.

TUSK

EBITDA – the metric on which you are measured

CONGRATS on your 12.0x multiple! (what does that REALLY mean?)

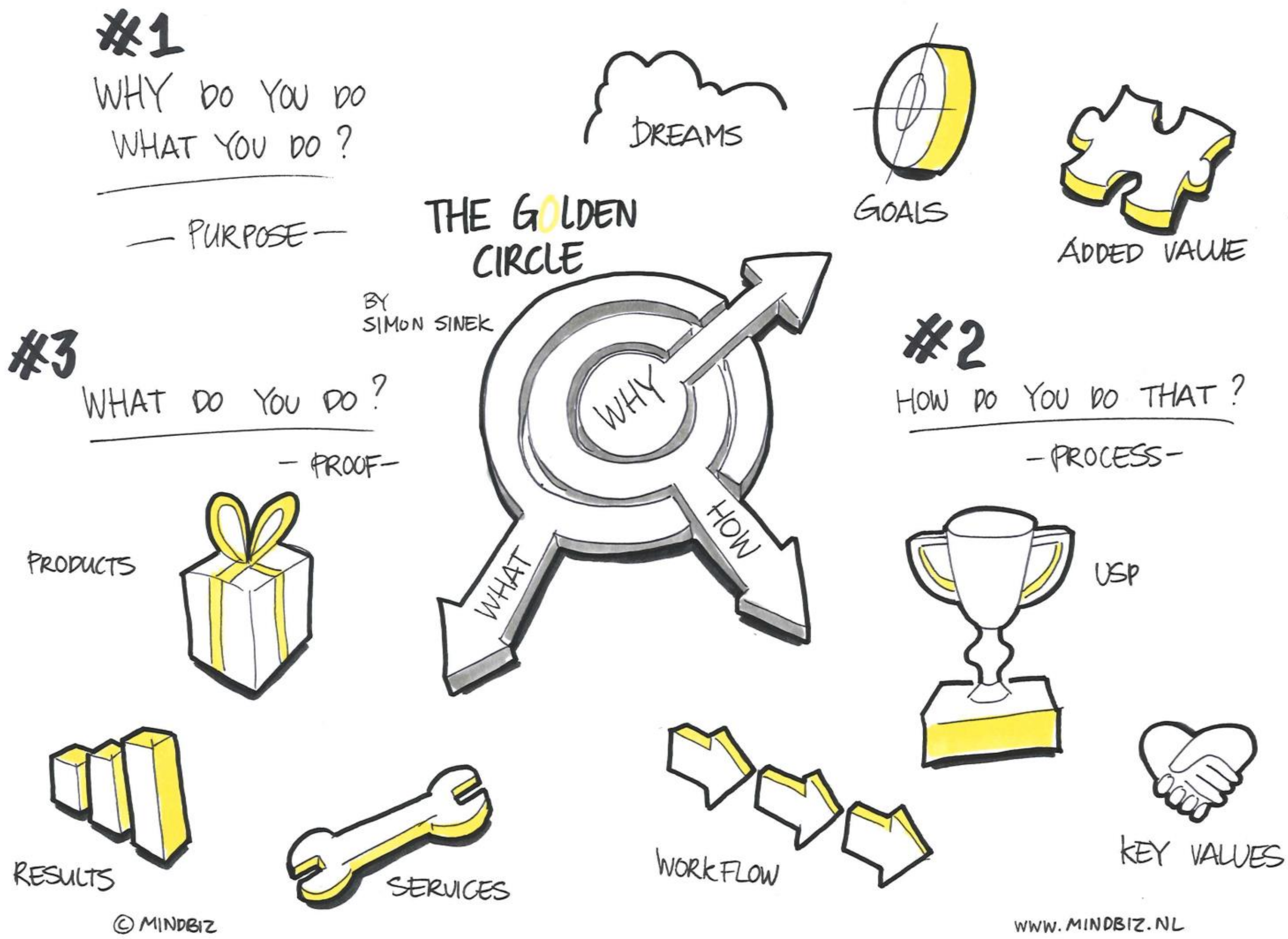


	TTM EBITDA	Adj + Add Backs	Strategic Initiatives	Pipeline	Pro Forma	**Total PF Adj EBITDA**
Impact		$575,000	$620,000	$1,250,000	$2,000,000	
Net EBITDA	$4,000,000	$4,575,000	$5,195,000	$6,445,000	$8,445,000	**$8,445,000**
Enterprise Vaue	**$48,000,000**	**$48,000,000**	**$48,000,000**	**$48,000,000**	**$48,000,000**	**$48,000,000**
EV / EBITDA	**12.0x**	**10.5x**	**9.2x**	**7.4x**	**5.7x**	**5.7x**

Start. Grow. Sell.

TUSK

Simon Sinek: Start with WHY and the Golden Circle.



Start with WHY

Some DSOs we know and work with could be described as the following:

- We empower our dentists to enjoy the financial benefits of ownership and autonomy in clinical care.
- Everyone deserves a beautiful smile.

But all too often they start with WHAT and are focused exclusively on what is in it for them.

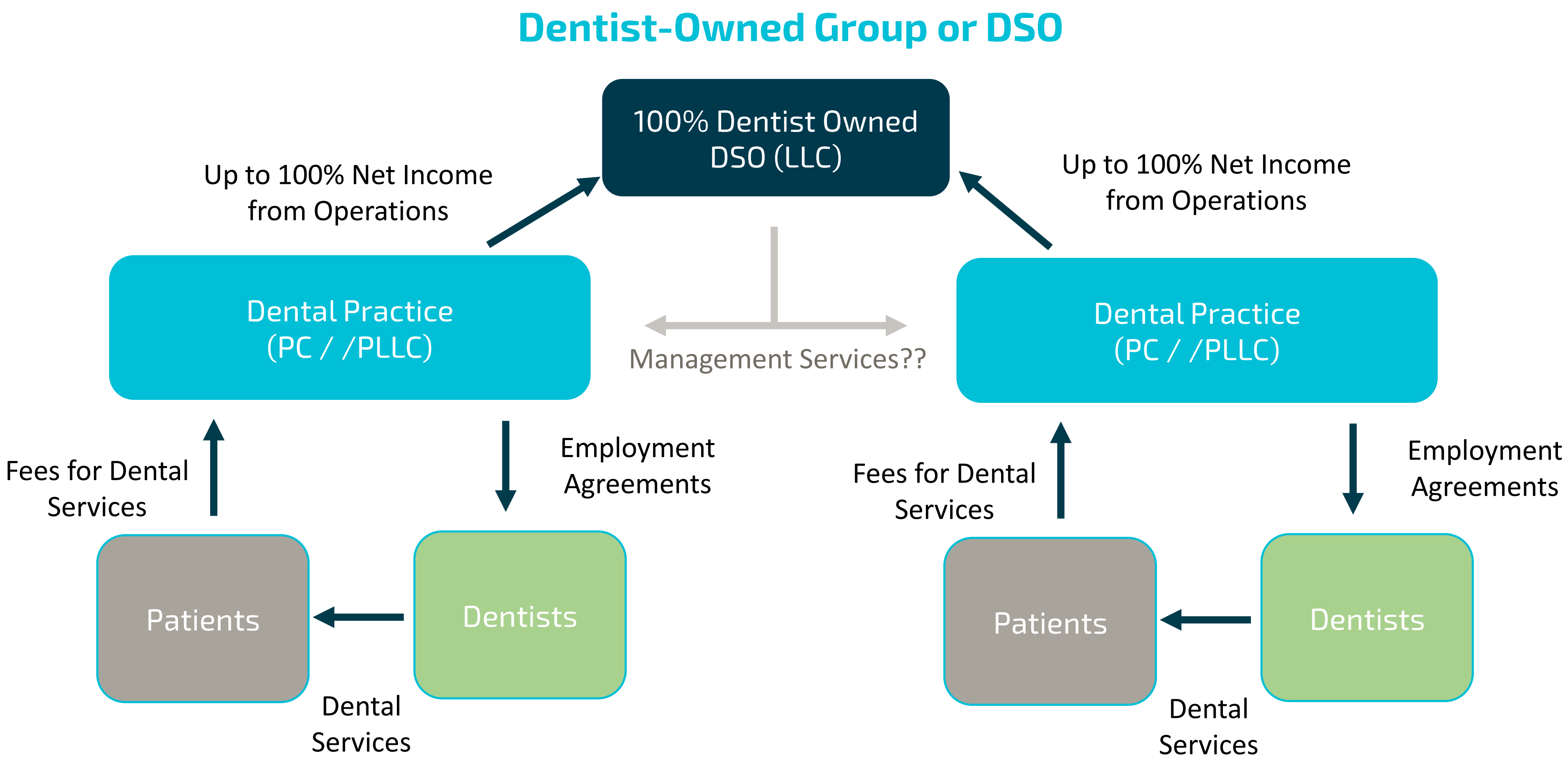
- We have the highest / chair revenue in the state.
- We have the highest doctor turn over in the state

We are agnostic on WHAT you want to build but we would like to know WHY you want to build it.

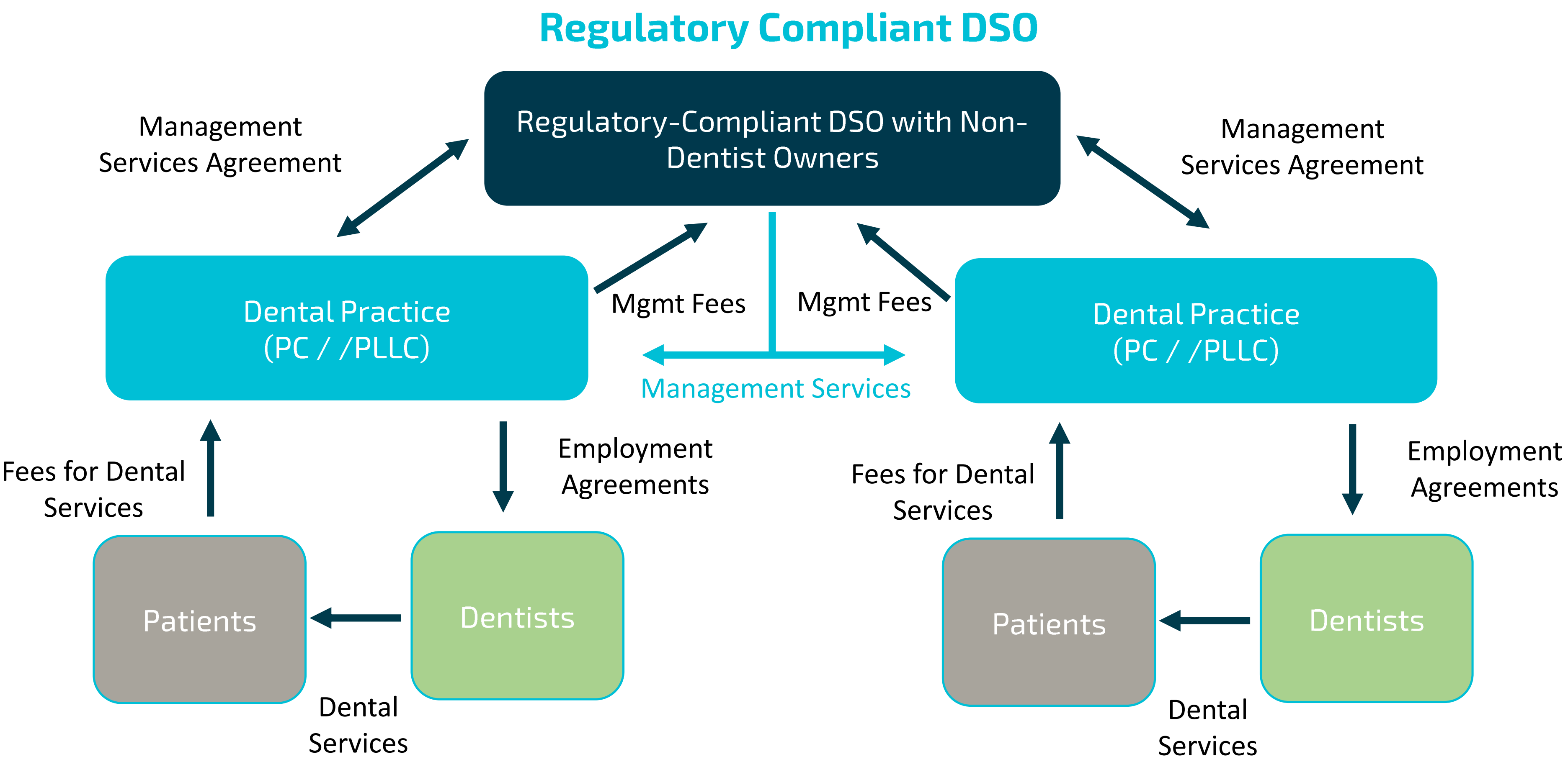
Your WHY will dictate:

- **Legal Strategy**
- **Ownership Opportunities**
- **Growth Strategy (Build vs. Buy)**
- **Recruiting Strategy**
- **Marketing Spend**

DENTIST-OWNED GROUP or DSO



REGULATOR COMPLIANT DENTAL SERVICE ORGANIZATION (DSO)



Legal Structures

Regulatory Compliant DSO Cash Flows

Assumptions		Practice 1	Practice 2	Practice 3
	Collections			
75%	Clinical	750,000	937,500	637,500
25%	Hygiene	250,000	312,500	212,500
	Total	**1,000,000**	**1,250,000**	**850,000**
	Expenses			
60%	Business Overhead	(600,000)	(750,000)	(510,000)
32%	Clinical Comp	(240,000)	(300,000)	(204,000)
	Practice Net Income	**160,000**	**200,000**	**136,000**
	Clinic Level Profit Margin	*16%*	*16%*	*16%*
10%	DSO Management Fee	(100,000)	(125,000)	(85,000)
	Total Net Income	60,000	75,000	51,000
	Profit Splits			
20%	PC Owner	12,000	15,000	10,200
80%	DSO	48,000	60,000	40,800
	DSO Income			
	Management Fee	100,000	125,000	85,000
	Split	48,000	60,000	40,800
	Total DSO Income	148,000	185,000	125,800

Total DSO Income	**458,800**

Start. Grow. Sell.

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Owner / Founder Now Buys 6 Additional Locations

- All purchases were @ 80% of Collections
- Spent **$5,760,000** to Acquire:
  - $7,200,000 of Collections
  - **$1,368,000 of EBITDA**

Year	1	2	3	4	5	6	7	
Practice Number	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**Total**
Total Collections	**$1,000,000**	**$1,200,000**	**$900,000**	**$1,000,000**	**$1,200,000**	**$900,000**	**$1,000,000**	**$7,200,000**
Allocation of Collections								
Clinical	$700,000	$840,000	$630,000	$700,000	$840,000	$630,000	$700,000	$5,040,000
Hygiene	$300,000	$360,000	$270,000	$300,000	$360,000	$270,000	$300,000	$2,160,000
Sum	$1,000,000	$1,200,000	$900,000	$1,000,000	$1,200,000	$900,000	$1,000,000	$7,200,000
Overhead %	**60%**	**60%**	**60%**	**60%**	**60%**	**60%**	**60%**	
Overhead ($)	-$600,000	-$720,000	-$540,000	-$600,000	-$720,000	-$540,000	-$600,000	-$4,320,000
Operating Income	$400,000	$480,001	$360,001	$400,001	$480,001	$360,001	$400,001	$2,880,004
Clinical Comp	-$210,000	-$252,000	-$189,000	-$210,000	-$252,000	-$189,000	-$210,000	-$1,512,000
Entrepreneurial Profit (EBITDA)	**$190,000**	**$228,001**	**$171,001**	**$190,001**	**$228,001**	**$171,001**	**$190,001**	**$1,368,004**
Cost / Valuation	$800,000	$960,000	$720,000	$800,000	$960,000	$720,000	$800,000	$5,760,000
Revenue Multiple	**80.0%**	**80.0%**	**80.0%**	**80.0%**	**80.0%**	**80.0%**	**80.0%**	
EBITDA Multiple	*4.2x*	*4.2x*	*4.2x*	*4.2x*	*4.2x*	*4.2x*	*4.2x*	
Funding								
Debt	$800,000	$960,000	$720,000	$800,000	$960,000	$720,000	$800,000	$5,760,000
Equity	$0	$0	$0	$0	$0	$0	$0	$0
Principal Balance on Debt at 7 Years	$240,000	$384,000	$360,000	$480,000	$672,000	$576,000	$720,000	**$3,432,000**

Start. Grow. Sell.

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Define the Buyers of DSOs and Groups

Strategic vs. Financial Buyers

Financial Buyers will pay a PREMIUM for a PLATFORM Business.

What is a PLATFORM BUSINESS?

- A **SCALABLE BUSINESS** and **INFASTRUCTURE** that can accommodate growth with relative ease.
- Shown an ability to grow through **ACQUISITIONS** or a **DE NOVO** strategy while maintaining strong **SAME STORE SALES** at existing locations.
- Has **CENTRALIZED** some services from which all practices benefit:
  - Call Center
  - Centralized Accounting Services for Payroll, AR, AP, Etc.
  - Centralized Insurance Services
- Has a **STRONG MANAGEMENT TEAM** and **OPERATORS** that are in need of cash to facilitate additional growth.

What is NOT a platform business?

- A newly formed collection of dental practices with little to no centralized services running disparate systems.

The Math Behind DSO Value Creation

Group Practice Valuation

Drivers	Practices	7
	Base Collections	$7,200,000
5%	Additional Rev	$360,000
	Total Collections	$7,560,000
	Allocation of Collections	
70%	Clinical	$5,292,000
30%	Hygiene	$2,268,000
	Sum	$7,560,000
55%	Overhead ($)	-$3,960,000
30%	Clinical Comp	-$1,587,600
	Practice EBITDA	$2,012,400
	DSO Expenses	
	CEO	-$200,000
	Other	-$150,000
	DSO Expenses	-$350,000
	Enterprise Net EBITDA	**$1,662,400**
	Assumed Debt	**$3,432,000**

Owner Increases Collections and Cuts Costs:

- Collections are increased by 5.0%
  - Renegotiated Insurance Reimbursement Rates
  - Raised Fees
  - Expanded Services
  - Expanded Insurance Business
- Overhead is cut by 5.0% (from 60% to 55%)
  - Removed Redundancies and Overlap in Team
  - Centralized Services
  - Negotiated lower Labs and Dental Supplies
- Added DSO Overhead
  - Added a CEO and Other expenses for a total of $350,000.

Results in over a 21% ($294,396) Increase in EBITDA!

From $1.36MM to $1.66MM

The Math Behind DSO Value Creation

Group Practice Valuation

	EBITDA X	EBITDA	EV	Debt	EV - Debt	Cash-At-Close	Equity in DSO
Valuation Ranges	4.0x	$1,662,400	$6,649,600	-$3,432,000	$3,217,600	$1,887,680	$1,329,920
	5.0x	$1,662,400	$8,312,000	-$3,432,000	$4,880,000	$3,217,600	$1,662,400
	6.0x	**$1,662,400**	**$9,974,400**	**-$3,432,000**	**$6,542,400**	**$4,547,520**	**$1,994,880**
	7.0x	$1,662,400	$11,636,800	-$3,432,000	$8,204,800	$5,877,440	$2,327,360
	8.0x	$1,662,400	$13,299,200	-$3,432,000	$9,867,200	$7,207,360	$2,659,840

Owner Sells the Business for 6.0x EBITDA to a Private Equity Group

- This would result in an **Enterprise Value of $9,974,400.**
- Less the cost to acquire the 7 locations, the owner would have net proceeds of **$6,542,400.**
  - Assumes debt is paid down on 10 year term, fixed rate @ 5.0%.

Owner Sells the Business for 8.0x EBITDA to a Private Equity Group

- This would result in an **Enterprise Value of $12,628,400**
- Net of the cost to acquire the 7 locations, the owner would have net proceeds of **$7,108,400!**
  - An additional 2x (turns) on the multiple results in an **80% increase in the Net Proceeds!**

The EBITDA MULTIPLE MATTERS!

The Math Behind DSO Value Creation

How Does Private Equity Make Money?

Acquisitions				Capital Strucutre			
	EBITDA X	EBITDA	Cost to Acquire	Less: Debt (4x EBITDA)	Founder's Equity	Required Equity	Total Capital
Buy the Platform	6.0x	$1,662,400	$9,974,400	$6,649,600	$1,994,880	$1,329,920	$9,974,400
Add'l Acquisitions							
Total Platform							

EBITDA Growth over 5 Years @ 3.5%

Initial EBITDA	Year 1	Year 2	Year 3	Year 4	Year 5
$1,662,400					
$1,662,400					
$3,324,800	$3,441,168	$3,561,609	$3,686,265	$3,815,284	**$3,948,819**

Impact of Dollar Cost Averaging Down on Acquisitions + Growth of EBITDA

Cost to Acquire	$16,973,957
EBITDA @ Year 5	$3,948,819
Resulting Dollar Cost Average EBITDA x	4.3x

PEG doubles the size of the business through acquisitions

- Purchased another $1.6MM in EBITDA for an average of 4.2x EBITDA.
- By growing the business's EBITDA 5% / year the effective "Cost" of the platform decreases to 4.3x EBITDA.

In 3 – 6 Years the PEG sells the business to another PEG at a HIGHER multiple

- At a 9.0x EBITDA Multiple on ~$4MM of EBITDA, it would result in a $35.5MM Enterprise Value.
- **Shareholders would make over $22MM in Net Proceeds (Cash-At-Close).**

	EBITDA X	EBITDA	EV	Debt	Cash-At-Close	Cash In	Cash-On-Cash
Valuation Ranges	7.0x	$3,948,819	$27,641,736	-$13,299,200	$14,342,536	$3,674,757	3.90x
	8.0x	$3,948,819	$31,590,555	-$13,299,200	$18,291,355	$3,674,757	4.98x
	9.0x	**$3,948,819**	**$35,539,375**	**-$13,299,200**	**$22,240,175**	**$3,674,757**	**6.05x**
	10.0x	$3,948,819	$39,488,194	-$13,299,200	$26,188,994	$3,674,757	7.13x
	11.0x	$3,948,819	$43,437,014	-$13,299,200	$30,137,814	$3,674,757	8.20x

Original Equity Investment	$1,994,880
Cash-On-Cash Return	6.05x
Pre-Tax Benefit	$12,073,310
Less: Basis	-$1,994,880
Captial Gains	$10,078,430
LT Capital Gains Tax	-$2,398,666
AT Net Income	**$14,471,977**

- **The "SECOND BITE OF THE APPLE" would turn a ~$2MM equity roll into about a $14MM After Tax Benefit to the Original Seller.**

This is WHY Private Equity is so interested in the Dental Economy!

Start. Grow. Sell.

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Maximizing the Value of Your Group Practice

Group Practice Valuation

Drivers	Practices	7
	Base Collections	$7,200,000
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	Enterprise Net EBITDA	**$1,662,400**
	Assumed Debt	**$3,432,000**
	Clinical EBITDA	**$2,012,400**

Start. Grow. Sell.

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Financial Buyers will pay a PREMIUM for a PLATFORM business...

Valuation Based off of Total Enterprise Level EBITDA

	EBITDA X	EBITDA	EV	Debt	EV - Debt	Cash-At-Close	Equity in DSO
Valuation Ranges	4.0x	$1,662,400	$6,649,600	-$3,432,000	$3,217,600	$1,887,680	$1,329,920
	5.0x	$1,662,400	$8,312,000	-$3,432,000	$4,880,000	$3,217,600	$1,662,400
	6.0x	**$1,662,400**	**$9,974,400**	**-$3,432,000**	**$6,542,400**	**$4,547,520**	**$1,994,880**
	7.0x	$1,662,400	$11,636,800	-$3,432,000	$8,204,800	$5,877,440	$2,327,360
	8.0x	$1,662,400	$13,299,200	-$3,432,000	$9,867,200	$7,207,360	$2,659,840

But sometimes STRATEGICS will pay the same multiple the clinical EBITDA exclusively.

Valuation Based off of Clinical EBTIDA

	EBITDA X	EBITDA	EV	Debt	EV - Debt	Cash-At-Close	Equity in DSO
Valuation Ranges	4.0x	$2,012,400	$8,049,600	-$3,432,000	$4,617,600	$3,007,680	$1,609,920
	5.0x	$2,012,400	$10,062,000	-$3,432,000	$6,630,000	$4,617,600	$2,012,400
	6.0x	**$2,012,400**	**$12,074,400**	**-$3,432,000**	**$8,642,400**	**$6,227,520**	**$2,414,880**
	7.0x	$2,012,400	$14,086,800	-$3,432,000	$10,654,800	$7,837,440	$2,817,360
	8.0x	$2,012,400	$16,099,200	-$3,432,000	$12,667,200	$9,447,360	$3,219,840

The Difference can be HUGE!

	EBITDA X	Cash At Close	Equity Roll
Difference in Clinical vs. Enterprise Level EBITDA	4.0x	$1,120,000	$280,000
	5.0x	$1,400,000	$350,000
	6.0x	**$1,680,000**	**$420,000**
	7.0x	$1,960,000	$490,000
	8.0x	$2,240,000	$560,000

Start. Grow. Sell.

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WHICH SOUNDS LIKE YOU?

- **I want to continue to grow my business**
- **I want to play a KEY and MEANINGFUL role in the business going forward.**
- **I am only ¼ complete in my journey and the banks have stopped lending me money.**

OR

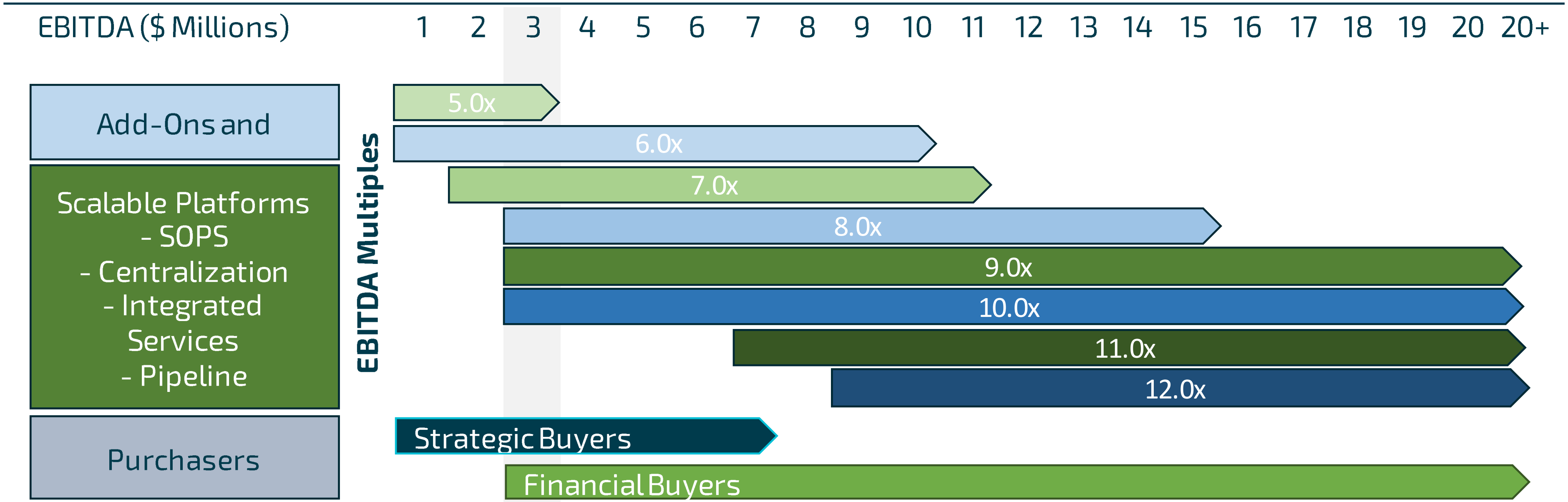
- **I have loved the journey but am at the end of my rope.**
- **I am happy to provide clinical care post-sale but management is out of the question for me in the years to come.**
- **I am proud of the culture and group I have built and am ready to let someone else take the reigns**

OR

- **I want the HIGHEST EXIT MULTIPLE with the BEST CHANCE to get a MEANINGFUL second bite of the APPLE on my Equity Roll.**

Where do the Buyers Live?

Strategic vs. Financial Buyers



Your Story

Your story matters and we work hard to ensure that the buyers know it. **You** matter as well as they are not just looking to buy your business, they are looking to partner with you.

Forecasted & Adjusted EBITDA

Your business is not stuck in neutral. It is always moving forward. Your growth plans through de novos, acquisitions and same-store sales must be considered when valuing your business.

Scalable Platform

There is a tremendous difference between a collection of “dots on a map” and a scalable platform business. Platforms have infrastructure, Standard Operating Procedures (SOPs), Centralization and the ability pull quality and accurate financial and operational data along with a Management Team equipped to react to and build strategies around this information.

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Impact per Practice

Risks and Incrementally Lower Rewards

	Practice 1	Practice 2	Practice 3	Practice 4	Practice 5	Practice 6	Practice 7	Practice 8
Acquired	1/1/2014	6/30/2014	1/1/2015	6/30/2015	9/30/2015	1/1/2017	6/30/2017	1/1/2018
Revenues	$ 1,250,000	$ 1,250,000	$ 1,250,000	$ 1,250,000	$ 1,150,000	$ 1,100,000	$ 1,050,000	$ 1,000,000
EBITDA	$ 187,500	$ 187,500	$ 187,500	$ 187,500	$ 172,500	$ 165,000	$ 157,500	$ 150,000
Sales Price (6X)	**$ 1,125,000**	**$ 1,125,000**	**$ 1,125,000**	**$ 1,125,000**	**$ 1,035,000**	**$ 990,000**	**$ 945,000**	**$ 900,000**
Equity Roll (20%)	$ 225,000	$ 225,000	$ 225,000	$ 225,000	$ 207,000	$ 198,000	$ 189,000	$ 180,000
Gross Proceeds	**$ 900,000**	**$ 900,000**	**$ 900,000**	**$ 900,000**	**$ 828,000**	**$ 792,000**	**$ 756,000**	**$ 720,000**
Less: Debt	$ 482,124	$ 511,487	$ 551,582	$ 579,515	$ 595,998	$ 680,519	$ 705,799	$ 740,320
Less: Prepay	$ 7,500	$ 15,000	$ 15,000	$ 22,500	$ 37,500	$ 37,500	$ 37,500	$ 37,500
(Original Balance)								
Less: Taxes (20%)	$ 83,575	$ 77,703	$ 69,684	$ 64,097	$ 46,400	$ 22,296	$ 10,040	$ -
Net Proceeds	**$ 326,800**	**$ 310,811**	**$ 278,735**	**$ 256,388**	**$ 185,601**	**$ 89,185**	**$ 40,161**	**$ (20,320)**

Considerations:

- Those Pre-Payment Penalties are pretty steep as a % of the Sale Price for the last 4 practices…
- The last 2 basically net 1%...
- ***Was this worth your risk, effort, headaches, etc.?...***

The Number to Know…

Before we put it all into play

Fundamental Metrics

- Debt-to-EBITDA Ratio
    - 2.0 to 2.5X
    - Banks typically won't go >3.0X
- Liquidity Ratio
    - One month's operating cash reserves
    - Lend at 5X
- DSCR (Debt Service Coverage Ratio)
    - 1.25 to 1.5X
    - Typically includes personal expenses
- Rate
    - 6.0 to 9.0%
- Term
    - 7 to 10 Year
- Amortization Schedule
    - Longer schedule means lower monthly payments…
    - But a Balloon Payment at end of the term of the loan

Mastering Your Game

Calling the Right Play at the Right Time

Current Business Overview

- Established group with 5 locations
- Healthy EBITDA as % of Revenue
- Strong Debt Service Coverage Ratio (DSCR)
- Debt/EBITDA ratio is high

	Location	Growth %	Revenue	Adj. EBITDA	EBITDA %	Total Debt	Debt Payment	DSCR	Debt / EBITDA
Current	Location 1	NA	$ 1,250,000	$ 187,500	15.00%	$ 803,088	$ 122,925	1.53x	4.28x
	Location 2	NA	$ 1,400,000	$ 224,000	16.00%	$ 935,319	$ 138,399	1.62x	4.18x
	Location 3	NA	$ 1,500,000	$ 300,000	20.00%	$ 755,232	$ 133,644	2.24x	2.52x
	Location 4	NA	$ 750,000	$ 90,000	12.00%	$ 700,000	$ 87,056	1.03x	7.78x
	Location 5	NA	$ 1,125,000	$ 191,250	17.00%	$ 919,955	$ 125,817	1.52x	4.81x
	Total		**$ 6,025,000**	**$ 992,750**	**16.48%**	**$ 4,113,594**	**$ 607,841**	**1.63x**	**4.14x**

Know your limiting factors before seeking more debt

- Debt to EBITDA will restrict lending options
    - >3X increases bank's costs, so be mindful
- Debt is 68% of revenues
    - Target Loan to Gross Revenue ratio is 65-75%
- Significant excess cash flow should yield significant liquidity
    - Is it sitting in your commercial bank account?
    - Or did you spend it on another beach house?...

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Mastering Your Game

Calling the Right Play at the Right Time

Let's go buy some dental practices.

But which one(s)?...

Purchase Details		
Revenues	$	1,250,000
EBITDA	$	250,000
Purchase Price	$	1,250,000
Working Capital	$	75,000
Loan Amount	$	1,325,000
Debt / EBITDA		5.30x
DSCR		1.48x

Purchase Details		
Revenues	$	2,000,000
EBITDA	$	400,000
Purchase Price	$	2,000,000
Working Capital	$	100,000
Loan Amount	$	2,100,000
Debt / EBITDA		5.25x
DSCR		1.50x

Purchase Details		
Revenues	$	750,000
EBITDA	$	135,000
Purchase Price	$	472,500
Working Capital	$	50,000
Loan Amount	$	522,500
Debt / EBITDA		3.87x
DSCR		2.03x

Purchase Details		
Revenues	$	750,000
EBITDA	$	97,500
Purchase Price	$	562,500
Working Capital	$	50,000
Loan Amount	$	612,500
Debt / EBITDA		6.28x
DSCR		1.25x

Your goal is to acquire the most EBITDA possible at the lowest price possible

Create your growth plan and map it out

Year ONE:

- Grow your 5 locations by 3% annually
- Buy TWO generating $750K in Revenue & $135K in EBITDA
  - …and drop your Debt-to-EBITDA ratio by 50 basis points

	Location	Growth %	Revenue	Adj. EBITDA	EBITDA %	Total Debt	Debt Payment	DSCR	Debt / EBITDA
Year One	Location 1	3.00%	$ 1,287,500	$ 193,125	15.00%	$ 712,544	$ 122,925	1.57x	3.69x
	Location 2	3.00%	$ 1,442,000	$ 230,720	16.00%	$ 839,275	$ 138,399	1.67x	3.64x
	Location 3	3.00%	$ 1,545,000	$ 309,000	20.00%	$ 649,880	$ 133,644	2.31x	2.10x
	Location 4	3.00%	$ 772,500	$ 92,700	12.00%	$ 643,283	$ 87,056	1.06x	6.94x
	Location 5	3.00%	$ 1,158,750	$ 196,988	17.00%	$ 836,024	$ 125,817	1.57x	4.24x
	Purchase 1	NA	$ 750,000	$ 135,000	18.00%	$ 481,184	$ 66,503	2.03x	3.56x
	Purchase 2	NA	$ 750,000	$ 135,000	18.00%	$ 481,184	$ 66,503	2.03x	3.56x
	Total		**$ 7,705,750**	**$ 1,292,533**	**16.77%**	**$ 4,643,373**	**$ 740,847**	**1.74x**	**3.59x**

Execute on your plan

Year THREE:

- Continue to grow your original 5 locations by 3% annually
- Continue to grow locations 5 & 6 by 7.5%
- Grow locations 7 & 8 by 15%
- Buy TWO more generating $750K in Revenue & $135K in EBITDA
    - …and drop your Debt-to-EBITDA ratio by another 50 basis points

	Location	Growth %	Revenue	Adj. EBITDA	EBITDA %	Total Debt	Debt Payment	DSCR	Debt / EBITDA
Year Three	Location 1	3.00%	$ 1,365,909	$ 204,886	15.00%	$ 519,513	$ 122,925	1.67x	2.54x
	Location 2	3.00%	$ 1,529,818	$ 244,771	16.00%	$ 632,971	$ 138,399	1.77x	2.59x
	Location 3	3.00%	$ 1,639,091	$ 327,818	20.00%	$ 426,125	$ 133,644	2.45x	1.30x
	Location 4	3.00%	$ 819,545	$ 98,345	12.00%	$ 521,914	$ 87,056	1.13x	5.31x
	Location 5	3.00%	$ 1,229,318	$ 208,984	17.00%	$ 655,740	$ 125,817	1.66x	3.14x
	Purchase 1	7.50%	$ 927,188	$ 166,894	18.00%	$ 392,101	$ 66,503	2.51x	2.35x
	Purchase 2	7.50%	$ 927,188	$ 166,894	18.00%	$ 392,101	$ 66,503	2.51x	2.35x
	Purchase 3	15.00%	$ 862,500	$ 155,250	18.00%	$ 437,753	$ 66,503	2.33x	2.82x
	Purchase 4	15.00%	$ 862,500	$ 155,250	18.00%	$ 437,753	$ 66,503	2.33x	2.82x
	Purchase 5	NA	$ 750,000	$ 135,000	18.00%	$ 481,184	$ 66,503	2.03x	3.56x
	Purchase 6	NA	$ 750,000	$ 135,000	18.00%	$ 481,184	$ 66,503	2.03x	3.56x
	Total		**$ 11,663,055**	**$ 1,999,092**	**17.14%**	**$ 5,378,341**	**$ 1,006,860**	**1.99x**	**2.69x**

In 3 years, you made ***sensible acquisitions***; protected your ***source of growth capital***; and ***doubled your EBITDA*** to $2MM.

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