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PRACTICE SALES + APPRAISALS + TRANSITION CONSULTING + ASSOCIATE PLACEMENT

FAQ's on COVID's effect on Practice Values and Sales

Continued from page 3

Question #5 – What are the most important things to do if I'm thinking about selling my practice in the near term?

Answer #5 – As “they” say, Cash Flow is King. You need to get your collection numbers back to near where they were pre-COVID as quickly as reasonably possible. You should also evaluate the profitability of your practice and see where you stand compared to

where you should be. Ratio analysis will tell you if your payroll, supply, lab expense, etc., is too high, or where it should be. If you need help with the analysis, give us a call.

If you have any other questions related to selling your practice either now, or in the future, please feel free to call us anytime. We are always here to give you any guidance and advice that we can. Stay safe and be healthy.

A Member of



National Association
of Practice Brokers

Contact us TODAY to schedule a free consultation!

The Dental Transition

N E W S L E T T E R

In this issue

Page 1

The Importance of Sending Updated Practice Information

Page 3

FAQ's on COVID's effect on Practice Values and Sales

The Importance of Sending Updated Practice Information

Every January, Practice Impact starts making our yearly calls to request updated information from our current selling doctors. Although we make these calls throughout the year at various times, especially just after Tax Day to get updated tax returns for all of our practices, the year-end information we request is usually the most substantial. If we have your yearly tax returns and you have already filled out our practice questionnaire you may wonder why we are asking about much of this information again. The simple answer is that PI needs to stay informed in order to better represent your practice. More than ever, this information is important for 2021.

Below we have listed some of the typical information we request throughout each year, but especially at the beginning along with the reasons we need this information more than ever.

- Year-end financial statements, i.e., Profit and Loss or Income/Expense Statements: This information allows us to see how you did in the previous year, were your collections and expenses on pace with previous years? With this information we can update our marketing for your practice as well as the listing price and your average net if it has changed.
- We are currently asking our clients to provide both a P&L for 2019 and for 2020 (or a P&L comparison). While all of our partner banks who fund practice transitions understand that 2020 numbers will be off, they want to ensure that practices still did enough

business to make them a viable sale. By showing a comparison of 2019 vs 2020, we can show banks that the practice being sold was down due to the time the practice was closed due to COVID-19. The second half of 2020 is extremely important to show lending banks that the practice has returned to normal production & collection levels.

- Year-end Production by Procedure/Code or Category report: did you start referring out a lot of procedures you used to do or did you add some procedures to your practice? These added procedures may attract doctors who enjoy doing them and referred out procedures attract buyers because it's a way they can quickly grow the practice if they are willing to perform the work you currently refer out. Did one category (i.e., cosmetic procedures) have a significant change due to COVID-19? This can tell a lot about your patient base, their financial situation and trends in elective procedures they may request in the future.
- We are requesting production reports by MONTH for both 2019 and 2020. By showing both of these reports for each individual month, we can show banks that practices were obviously down during the shutdown, but we can also show how they bounced back and that production was back to normal or close to it during the months post-shutdown.

Continued on Page 2

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The Importance of Sending Updated Practice Information

Continued from page 1

- **Collection Summary/Analysis:** are your percentage of services paid by cash/insurance/PPO/Medicaid consistent with previous years? If not, then why? Did you change the number of PPO's you accept? Did you start marketing to a new sector? Any potential buyer will want to know what plans you participate with and what recent changes you have made concerning them.
 - **Updated Fee Schedule:** if you increased your fees especially because of the additional PPE costs, we will need an updated copy to include with your practice information booklet and also to see how they compare to similar practices since this is another factor buyers consider.
 - **Updated Employee Information:** did you increase wages or change benefits? Hire any new employees or did any leave the practice? Is your hygienist working more hours and how did this affect your production and collection for the year? Was more time allocated for hygiene procedures? These wages and figures affect the practice's profitability and stability. Buyers like to see a staff that has been with the practice for a significant time so they are well trained, dependable and know the patients, but they do not want to see a staff that is overpaid, unhappy or ready to leave the practice when the current doctor leaves.
 - Because there was a great deal of staff turnover after the COVID-19 shutdown, we especially need an update of this report in 2021. Many practices had staff that did not return, or had to pay new staff a higher salary just to get them in the door. This is information that potential buyers will need to know when considering a purchase.
 - **New equipment:** did you make any upgrades or new equipment purchases? A complete equipment list is part of the info book and will also be an exhibit to the purchase agreement so PI will need to know of any changes. Some new equipment and technology will also be something extra to attract a potential new buyer as most buyers prefer practices that don't need too much updating.
 - **Lease:** if you signed a new building lease, we will want a copy not only for the cost aspect of your practice but so we can relay some of the basic terms to prospective buyers.
 - **Tax Returns:** whenever your fiscal year ends and your taxes are due, we will need a copy. Since this is the information that you file, it is the most requested piece of information by buyers and their accountants. A buyer will not move forward without current tax returns.
 - **COVID-19 Shutdown Dates:** Although dental practices in Ohio were permitted to open to non-emergency cases on May 1st, many practices did not open on that date. Some did not have the staff to open backup full time, many needed to fill their schedules first, while others had to obtain extra PPE before reopening. Because this date varied for so many practices we need to know exactly when you reopened your doors. This date also affected the production and collection numbers for May and June and your year-end numbers.
- Although these may not be all of the reports and information we may request, it is an overview of the most common. All of this information includes various facts and figures that are included in our marketing for your practice and can also help PI answer questions about your practice for buyers. By sending this information on a timely basis after PI requests it, or even as soon as it's available before we request it, we can update the marketing of your practice and be proactive about talking to potential buyers about changes. We never want there to be a delay of a buyer showing interest in your practice until they receive the critical information. That delay allows their interest to cool and gives them time to look for other practices or change their mind about a practice.

What Our Clients Have To Say About Us Matters

"As a returning client of PI, I knew how my experience would be – AMAZING! PI is a well-organized group that truly has the Buyer & Seller's best interest at the heart of their operation. Paul & Mollie were attentive to all of my needs to get the deal done. They are professional, experienced, and personal."

– Dr. Joseph Papp Sunbury, Ohio

FAQ's on COVID's effect on Practice Values and Sales

Dentists are now fully back to work with some restrictions due to COVID-19. The COVID shutdown, the new requirements and other changes have caused dentists to have a lot of questions on their minds. The questions range from Human Resources related questions to questions on selling their dental practice. While we are not HR experts, we can answer the questions on practice values and sales. Or, at least, we can give our thoughts and opinions like everyone else. Below are some questions that we have received with the answers we provided. Disclaimer - the answers we provided are based on our opinion, the opinions of other "experts" and past history.

Question #1 – How is COVID and the mandatory shutdown going to affect the value of my practice?

Answer #1 – Good practices in good locations are going to sell for a good value in the short and long term. Practices that are in a good area with good cash flow and profitability, good patient base with a great staff will sell for a price similar to that of prices pre-COVID shutdown in most areas. Buyers' reps and consultants will argue that there should be a "COVID Discount" because of the shutdown and patients not coming back. We call bull on their argument. For these good practices, there is a reason they are good practices. The goodwill – location, staff, reputation, even the selling doctor are still there. Patients still need work done and the numbers have followed. We've spoken with several doctors recently who have nice practices and they reported that their schedules are booked out due to pent-up demand.

Now, for those practices performing below the average of \$450,000 per year with not great margins, older equipment, and transient patient base, they may need to take a discount to sell. They probably would pre-COVID as well, but it's even more firm now. That discount can be 10% to 20% depending on the practice.

Question #2 – Are Buyers still Buying Practices?

Answer #2 - In short, yes. The vaccine has given buyers more confidence that we are going to get through the pandemic. The number of cases and deaths due to COVID have also been improving. Coincidentally, demand has increased in rural areas recently and metro areas have been a little slower to pick up in sales but we're beginning to see an uptick.

Question #3 – Can Buyers get Bank Financing?

Answer #3 – The National Association of Practice Brokers as a group keeps in constant contact with many banks across the country. There are some banks that provide practice financing that completely stopped lending on practices during the COVID-19 shutdown and shortly thereafter. Most of them have started lending again. There has been a bit more scrutiny on the practices pre-COVID and more demands from the bank for monthly reporting to ensure the patients and numbers are coming back into the practice.

Question #4 – Are Banks changing the way they are approving and structuring the transaction?

Answer #4 - In some ways they have changed their approvals. As stated before, there seems to be more scrutiny on the practice. The banks ask for month to month production reports and sometimes monthly profit and loss statements. They want to see that the practice is back to within 85% or so of their pre-COVID numbers. They also have lowered their loan amounts in some cases. Pre-COVID they were lending at between 85% and 95% of collections. They are now closer to 75% to 85% of collections. Some banks are now requiring the seller to carry back a portion as well.

Continued on Page 4