BECOMING A DENTAL PRACTICE OWNER IN 2025

panacea FINANCIAL

ADA C·E·R·P® Continuing Education Recognition Program

LEARNING **OBJECTIVES**

Analyze the costs of starting or acquiring a dental practice

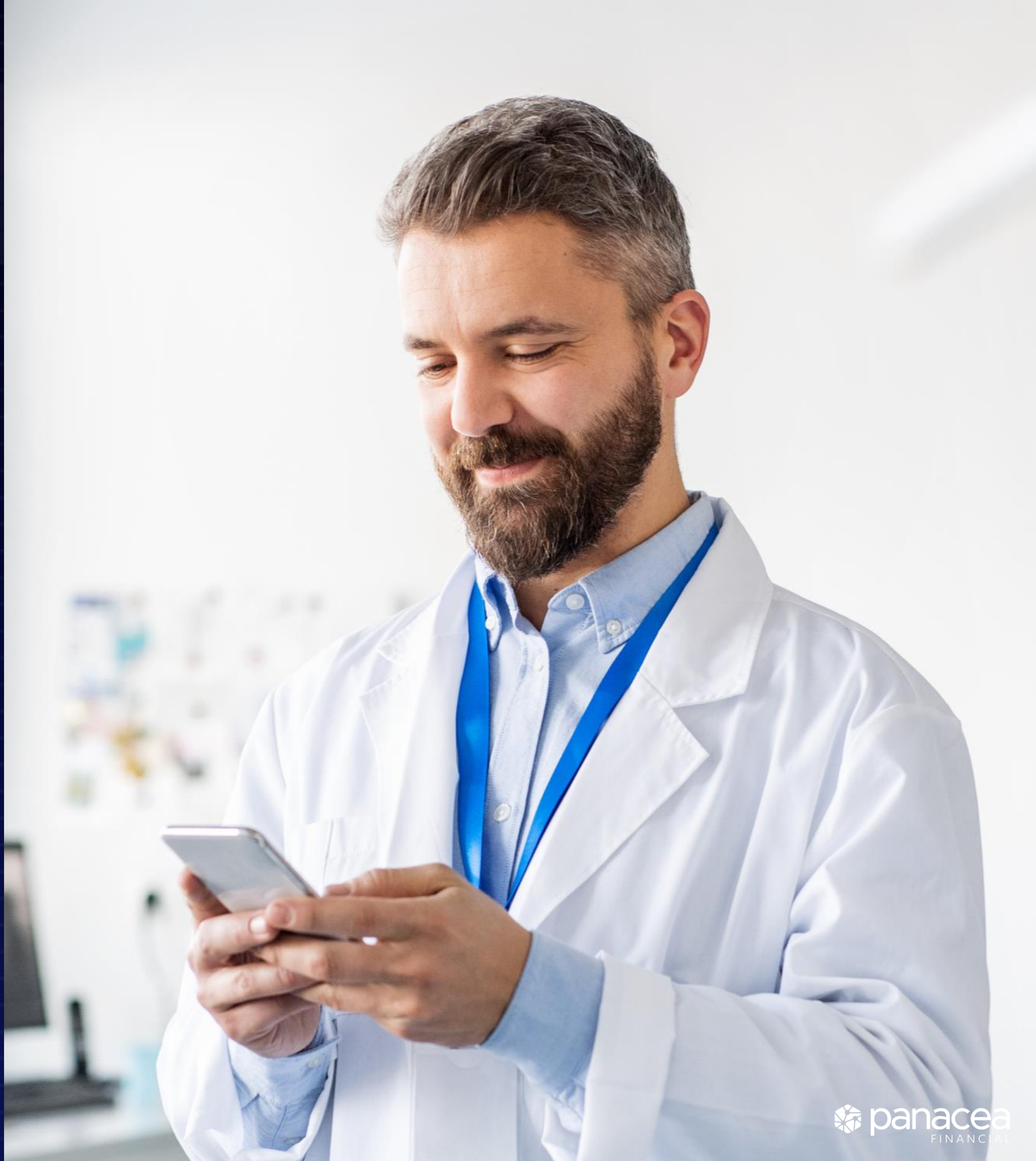
Learn how to develop a realistic budget

Identify financing options for practice ownership

Evaluate the financing options for your unique needs

AGENDA

- PRACTICE OWNERSHIP PATHS
- BUY-IN: PRIVATE VS. CORPORATE
- PREPARING FINANCIALLY
- UNDERSTANDING FINANCING OPTIONS
- QUESTIONS



PRACTICE OWNERSHIP PATHS

STARTING A PRACTICE

PROS

Cost/Loan Amounts

- Practice prices are higher due to demand and corp. pressure

Equipment/Technology

- New equipment

Staff

- Hire who you would like

Deprecation

- New equipment you can depreciate and lower your taxable income.

Space Availability

CONS

Cost

- Construction in different markets $175-250/sq ft

Patient Base

- No base

Referral Network

- Build referral network from scratch

Cash Flow

- Breakeven point ~18+ months

Associating Income

- Practice cannot support you & your family alone initially – continue to earn wages outside practice

STARTING A PRACTICE **PITFALLS**

BUSINESS PLANNING

Market Research/Demographics

Referral Networks

General Marketing

Branding

Ramping Up – Consults vs. New Starts

PROJECT MGMT

Size of Space/Cost of Construction

Clinical Equipment

FF&E

Start-Up Soft Costs

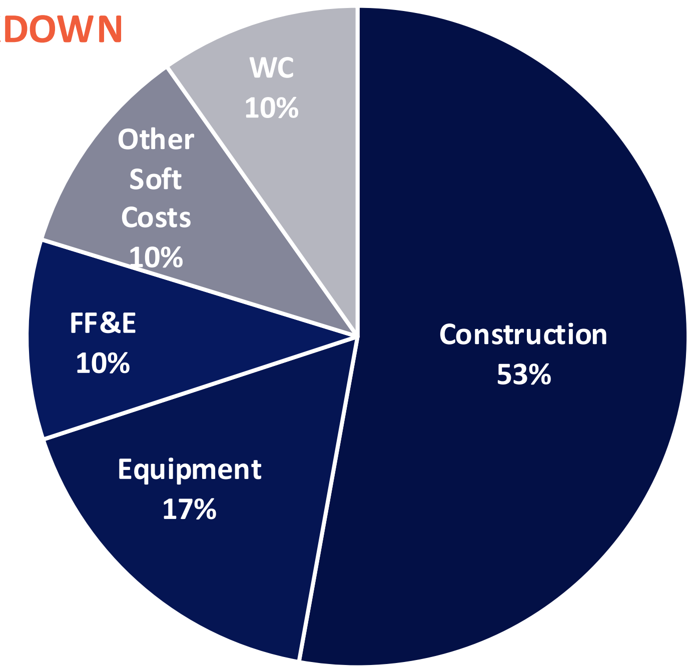
Working Capital

START-UP **SAMPLE BUDGET**

HARD COSTS

Equipment	
Project Cost Breakdown	**Estimate ($)**
Equipment- Clinical	$130,000.00
Office Furniture & Equipment	$30,000.00
Cabinetry & Installation - Modular	$0.00
Computers	$45,000.00
Total Equipment	$205,000.00

BREAKDOWN



SOFT COSTS

Leasehold Improvement & Disposables*	
Project Cost Breakdown	**Estimate ($)**
Construction Costs	$375,000.00
Cabinetry & Installation - Custom	$0.00
Construction Contingency	$30,000.00
Attorney/Consulting Fees	$7,500.00
Design Fees	$15,000.00
Engineering Fees	$0.00
Office Lease Acquisition Costs	$11,000.00
Signage	$3,750.00
Software	$3,750.00
Permit Fees	$1,500.00
Retail Inventory*	$0.00
Initial Supplies*	$15,000.00
Initial Marketing/Advertising Costs*	$22,500.00
Total Leasehold	$485,000.00
Working Capital	
Initial Operating Capital	$75,000.00
Miscellaneous (Insurance, Security Deposit, etc.)	$0.00
Total Working Capital	$75,000.00
Total Project	**$765,000.00**

panacea FINANCIAL

ACQUIRING A PRACTICE

PROS

Immediate Cash Flow

- SDE / economic benefit is defined

Facility & Real Estate

- Lease / location already in place & built out

Equipment/Technology

- Existing

Staff

- Existing staff

Patient Base

- Existing base

Branding/Marketing/Referral Network

- Established and working

CONS

Cost

- Practice prices are higher due to demand and corporate pressure

Equipment/Technology

- Old + upgrades

Staff

- Overpaid, personality clash, old habits

Inherited Issues

- Patient base, referral networks, reputation, clinical treatment

ACQUIRING A PRACTICE **CASE STUDY & PITFALLS**

PRACTICE OVERVIEW

$1.4mm Annual Collections

$550k – SDE / Buyer Economic Benefit

Practice Price: **$1.2mm**

Real Estate Price: **$1.2mm**

LOAN DETAILS

$1.35mm Loan w/**$150k** WC

~$140,000/year debt service

$1.02mm Loan for Real Estate

~$87,000/year debt service

- **85%** LTV
- **15%** Down Payment

PITFALLS

- Contracts Receivable/AR
- Referral Sources
- Transition Plan w/Seller
- Continued Marketing/New Starts

Dig into Due Diligence Details

Form your team & review appropriately

PARTNERING IN **A PRACTICE**

PROS

- Gain revenue from ownership of all practice revenues
- Shared management duties/Spend more time with patient care
- Have mentors to guide you through practice ownership challenges
- Systems and processes already in place—credentialing, HR, compliance, etc
- If you're already an associate—have intimate knowledge of the staff and operations
- Tax benefits – practice owner discretionary expenses can now be reviewed for reduced tax liabilities

CONS

- Lack of control in the practice with diluted ownership.
- In a legal marriage with partners
- Inheriting any legacy issues from previous management decisions
- Could be at risk if big producers leave or contracts with dentists change
- Share the profit/cash flow

BUYING INTO A PRACTICE **CASE STUDY & PITFALLS**

PRACTICE OVERVIEW

$7mm Annual Collections

$1.1mm – EBITA

Valuation: **$6.5mm**

Offer: 10% for **$650,000**

LOAN DETAILS

$650,000 Amount

~$88,000/year debt service – 10-year loan

PITFALLS

Economic Benefit

Buy-In Agreement Terms

Expanded Duties

Voting/Membership Interest

Transition or Retention?

Form your team & review appropriately

PRIVATE VS. CORPORATE

PARTNERING IN A **CORPORATE PRACTICE**

PROS

- Most passive way in ownership model to gain revenue from clinic operations
- Minimal management duties/Spend more time with patient care
- Systems and processes already in place—credentialing, HR, compliance, etc
- Typically offered to associates who already know the practice
- Tax benefits – practice owner discretionary expenses can now be reviewed for reduced tax liabilities

CONS

- Minimal ownership (<5%)/No real control
- In a legal marriage with ownership model – VC vs. doctor-owned
- Partnership at the clinic level or corp. Level
- Inheriting any legacy issues from previous management decisions
- Share the profit/cash flow
- Transitioning/Selling shares in the future

PREPARING FINANCIALLY

TYPES OF PRACTICE LOANS

SBA LOANS

- Possible Down Payment
- Higher Rates/Fees
- $100,000-$5MM
- Most Paperwork
- Longest Approval Time
- Easiest to Qualify For
- Up to 15-year Terms
- Potential Lien on Personal Residence (depends on available equity)

and

BUSINESS LOANS

- 15-25% Down
- Lower rates versus SBA
- $50,000-$10MM
- Traditional Bank Application
- Average Approval Time
- Up to 7-10-year Terms
- Need Collateral – Personal or Business
- Covenants

and

SPECIALTY LOANS

- Up to 100% Financing
- Lowest Rates
- $100,000-$5MM
- Easiest Route for Approval
- Fastest Approval Time
- Easy to Qualify For
- Up to 15-year Terms
- Collateral Options – Unsecured or Secured on Business

panacea FINANCIAL

MANY DOCTORS MAKE **COMMON MISTAKES**

Lack of Financial Preparation

Poor Understanding of Purchase Terms

YOU NEED A TEAM

Financial Advisor

- Understanding returns and potential financial gain
- Manage future wealth & how to be financially supported as an owner

CPA

- Personal and tax benefits
- Projections and proper accounting

Attorney

- Review contract for strings attached

LOAN PREPARATION

PFS + Credit

Personal Debt-to-Income Ratios

Liquidity – Personal Reserves

- Bank account balances
- Non-retirement balances

Retirement Accounts

What you've purchased:

- Home(s)
- Automobiles
- Luxury Items – 2nd homes/boats/yachts/recreational vehicles

Credit Score & History

and

Experience

How long have you been practicing?

Management experience?

Able to get reports to show production abilities?

and

The Situation

Purchase/Buy-In

- Financial condition
- Profitability
- Price
- Transition
- Clinical make-up

Start Up

- Space
- Project budget
- Business plan
- Demographics

SUMMARY

PATHS TO OWN

	Pro's	Cons
Start-Up	Most Control	Risk. Construction $
Acquire	Easier. Patient base.	Inherited Issue. Sales $
Partner	Easiest	Legal Marriage

HOW TO OWN

Specialty Lender- Up to 100% financing, faster approval, expertise in dental

SBA- High burden of paperwork and fees. Highest rate.

Business- Lower rates than SBA. Down payment required. Limited dental expertise

PREPARE TO OWN

- Limit unnecessary debt
- Optimize credit score
- Gain clinical experience
- Build liquidity
- Understand your "why"
- Be prepared for the long haul

Claim Your Credit

ADA C·E·R·P®
Continuing Education Recognition Program

Steps to Claiming Credit

- Visit
  - dentalcemasters.com/ce-completion-form
- Enter your
  - Name
  - Email
  - Date/course title:
    - "4/22/2025 - Becoming A Dental Practice Owner in 2025 – Panacea."

Thank You!

Any Questions?

Contactus@panaceafinancial.com | panaceafinancial.com/contact-us-practice-solutions/