



# PRACTICE TRANSITIONS

## CLIENT CASE STUDY

# California Dentist Sells Practice to DSO Despite Covid Setbacks

## INTRODUCTION

Dr. B and his wife live outside Los Angeles in Moreno Valley, Southern California. When he connected with Practice Transitions Group (PTG) about selling his dental practice, the practice didn't have a ton of profit or EBITDA. Combining this with the state's heavy tax burdens and almost two years of strict COVID-19 lockdown restrictions, finding buyers would be a challenge.

## THE PROBLEM

PTG found a great buyer – someone who wanted to get into the Southern California market. However, the cash that Dr. B was going to get at the close was too little; he had a lot of loans.

After Dr. B reviewed the first offer, he became discouraged. His dreams began to seem farfetched, and he told PTG just to let it go. Dr. B didn't think selling his practice was possible.

But PTG saw everything Dr. B had worked for. PTG did not "let it go" and continued to walk Dr. B and his wife through the selling process and kept reaching out to potential buyers – both doctors and DSOs.

The PTG underwriting team also went back to work behind the scenes with Dr. B's front office to organize the practice's finances.

PTG approached the challenge as a team and was instrumental in educating Dr. B's front office. PTG knew Dr. B's accounts needed to be clean especially when working with a sophisticated buyer.

Through incredible diligence and persistence, PTG found a DSO whose business development representative was equally invested in making sure that Dr. B's sale was a "win-win." Not all dental service organizations (DSOs) are created equal and not all are interested in a win-win.

However, the representative openly communicated with the PTG team and was transparent about what reports and financial organization the DSO needed to move forward. The DSO requested call after call, but PTG took that as a commitment from the DSO to work together and an opportunity to educate his client.

## OUR APPROACH

PTG listened to these fears and heard them. The team cast a vision for Dr. B that connected back to his why. With this sale, Dr. B was going to get to travel, he was going to enjoy flexibility he hadn't had in 30 years, and he would no longer have to come in on weekends.

## ROADBLOCKS

PTG's Lead Sell Side Advisors began working with Dr. B to overcome these obstacles. While, on the surface, clients say they just want the most money for their practice – and the Practice Transitions Group team consistently gets clients the prices they want, if not much more – the PTG team has seen over the years that there needs to be a why behind the sale. If not, then there's often no relief, no joy, and no true celebration of what has been accomplished at the end of the process.

To find the why, PTG took a lot of late-night phone calls with Dr. B and his wife about their motivations for selling their practice. This is one of the key pieces of PTG's process.

Dr. B's why was quality of life: he wanted to retire within five years of the sale and he wanted to stay in California.

## THE SOLUTION

Dr. B and his wife, despite finding an amazing DSO buyer, continued to feel anxious. Initially, Dr. B was scared about his income dropping. Going from a business owner to an employee is almost guaranteed to be a drop in pay.

He was also worried about how much cash he would get at closing to pay off his debt. After the initial offer, he was scared that if anything changed with the current buyer, the payout might not be enough.

Together with his wife, Dr. B also worried about whether or not the sale combined with his wages would cover his expenses.

Dr. B only owned one office – this would be his only shot to capitalize on the years of work and service. His sale was his retirement plan.

## RESULTS

Dr. B ultimately decided to reinvest himself in the process and work with the DSO to go through with the sale. PTG negotiated a price eight times the value of Dr. B's practice. Now, Dr. B is walking into retirement with the cash and equity he needs to live life outside of practice ownership.

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