



## PRACTICE TRANSITIONS

### CLIENT CASE STUDY

# Uncovering Stock Valuation Discrepancies Before Dr. W's Practice Sale

## INTRODUCTION

In 2014, Dr. W, a prominent dentist in Austin, acquired a dental practice. When it came time to renew the lease on her practice space, she reached out to Practice Real Estate Group, founded by Thomas Allen, and PRG negotiated an entirely remodeled office. Dr. W finally made the practice hers and the experience cemented her trust in Thomas and his healthcare strategy and expertise.

In 2022, Dr. W began considering a practice sale to step out of ownership to spend more time with her family. She sought out Thomas' expertise once more for a practice valuation. After reviewing her financials, Thomas discovered associates were the primary drivers of her practice, and the practice boasted remarkably strong hygiene metrics.

Recognizing an opportunity, Thomas strategized options for Dr. W. The data indicated that Dr. W operated just one day per week. By integrating a Dental Service Organization (DSO), the practice could financially accommodate two full-time doctors, significantly boosting productivity.

## CHALLENGE

Dr. W shared her past negative experience when her previous employer underwent a DSO acquisition. This history added complexity to her decision-making process. She thought she had to choose between either selling to another doctor to preserve her practice's culture and values, or a DSO sale, promising substantial financial gains and administrative relief.

## OUR APPROACH

Thomas provided Dr. W with a comprehensive breakdown of her options:

- Sell to Another Doctor: Limit the sale price to 100% of collections
- Explore DSO Sale: Potential to sell and make \$1MM more and retain equity for potential growth.

Thomas wanted the best for Dr. W and clearly saw the financial advantages of a DSO sale. In their honest conversations, Thomas shared that DSO transitions can be considerably smoother and that he could negotiate ways to solidify practice culture in the agreement. Finally, he stressed that not all DSOs are the same; with PTG's marketing, she would likely get multiple offers and would then be able to select a DSO that she could trust.

Dr. W's decision to opt for the DSO partnership route was a pivotal moment in her practice transition. This choice was not made lightly; it was a testament to the trust and confidence she placed in Thomas's expertise and ability to see beyond the surface and uncover hidden opportunities. His knowledge of the dental industry and understanding of practice transitions were instrumental in guiding her through this step of the transitions process.

## ROADBLOCK

PTG secured multiple offers for Dr. W, one of which stood out as the ideal partner. Dr. W was interested in an out-of-state group entering the Texas market. She initially leaned toward this group because of her connections within the organization.

Both the out-of-state group and the Texas-based DSO extended similarly-priced offers, for over a million more than what she would earn selling to another doctor. However, Thomas, understanding the importance of due diligence, persistently questioned the stock options the out-of-state group offered. After much insistence, the group finally disclosed the options to Thomas.

The valuation of their stock at 12 times earnings was notably high, resulting in a significant reduction in the overall deal value. Acknowledging the limited growth potential, Dr. W was grateful for Thomas' attention to detail. Without his guidance, Dr. W would have never known the out-of-state group had overestimated the value of their stock.

## SOLUTION

After deliberating, Dr. W decided to go with the Texas group's offer. Their commitment to transparency and record with Practice Transitions Groups' past clients were the deciding factors for her, and she felt confident that they would be able to deliver on their promises to be good stewards of her practice.

The negotiation process was smooth, and the deal was finalized within a few weeks. Dr. W was excited about the outcome and felt that she had made the right decision.

## RESULTS

By trusting Thomas' expertise, Dr. W navigated the complexities of the sale process. Ultimately, she secured a deal that exceeded her financial expectations and gave her confidence that her practice was in good hands. Dr. W is grateful that Thomas carefully analyzes all aspects of a potential buyer's proposal, especially stock valuation, to ensure she got a deal that would grow in future years. Now, Dr. W is spending more time with her family and has the space she needs to decide what she will do next.

Beyond obtaining the best financial outcome, we are committed to ensuring the long-term success and legacy of each practice we work with. We approach every transaction with a genuine desire to understand our client's goals, crafting deals that align with their vision for the future. Then, we lead all aspects of the sale or partnership. With a team that combines expertise in financial analysis, marketing strategies, and sell-side negotiations, we execute successful, profitable transactions for our clients.

**Call us at (512) 761-7101 or send us an email at [info@PracticeTransitionsGroup.com](mailto:info@PracticeTransitionsGroup.com)**