

TRANSITIONS

Fall Issue 2007

News & Information from

THE
SNYDER
GROUP
LLC

The Transition & Financial Experts for the Dental Profession.

What's My Practice Worth?

National publications often state that dental practices sell for 60% of last year's gross, but that's an inaccurate assessment. In reality, practice value is affected by a wide range of factors; some are within your control, and some are not. It pays to know what you're up against.

Area Demographics: Location is everything. Because large metropolitan areas are most attractive to current graduates, a Los Angeles practice could command 100% of last year's gross revenue. For a practice in rural mid-America, 50% is more likely. In the Northeast corridor, 60% to 67% range is typical.

Physical Plant: Today's purchasers want technology and room to grow. If you have not updated your office for years, have no room for expansion, or have a home office, expect a lower value. Consider upgrading if your transition is still years away.

Economic Variables: Fee-for-service practices (including indemnity insurance) command a higher value than those dependent on PPO's and HMO's. Also, since lower fee schedules (below the 50th percentile) show greater growth potential versus those in the 90th percentile, they are more desirable for younger dentists who may not command the same fees as an experienced prior owner.

Patient Base: Practices with a small patient base (500 to 700 patients) and low number of new patients (3-5) per month will command a lower market multiple than those with a strong patient base (1,200 to 1,700 patients) and higher new patient inflow (15-20). Strong recare programs also command higher values.

Age of Patient Base: If you have been in practice for 25 to 30 years, and your zip code analysis shows many people traveling great distances to visit you, expect a lower value. It's assumed that when you retire, your loyal patients will find another dentist closer to home, rather than traveling to see a new one.

Practice Overhead: Practices with a low overhead (e.g. 50%) will command a higher value than practices with high overhead (e.g. 70%). If a buyer or a partner comes into a high overhead practice, income potential is lessened, and the purchaser's practice acquisition debt is greater. Likewise, if you have a highly compensated staff (30-35% staff overhead) you will likely see lower value.

Welcome

What is your vision for your practice?

As we end another year, clients ask us for ideas and a plan to bring their visions to life. The sale of their practices, successful relocation, and enjoying retirement are important goals clients often have. Will this be the year you sell your practice? Plan your retirement or change your lifestyle?

If so, we're here for you. In addition to our New Jersey corporate office, we've opened a satellite office in Hilton Head, South Carolina to serve our growing base of clients in the South. With our reputation expanding from national engagements, such as the prestigious Hinman Meeting, TSG has received many referrals from Southern dentists, as well as those who are relocating to the southeast region – known for its attractive tax rates, and exceptional recreational activities.

Inside you'll find a few of their stories, as well as information on practice valuations, and performance management personality testing that helps you identify the right associate to match your practice's style. You'll also meet Cindy Silvan, one of TSG's experienced transition consultants who spearheads TSG's southeast division in Hilton Head.

So sit back and enjoy! We hope you take away some information that helps you move toward your perfect vision for 2008.



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When Opportunity Knocks... Answer.

Dr. John Good wasn't even considering selling his Reading, Pennsylvania practice when a young dentist approached him about buying it in 2005. "It was an opportunity I just couldn't pass up," said Dr. Good, who immediately contacted The Snyder Group (TSG) to perform a practice valuation to determine if the price was right.

It was destiny.

Six months after the purchase of his practice, Dr. Good and his wife were ready to move to Hilton Head, South Carolina, where he "retired" in his own style, volunteering at the Volunteers in Medicine Clinic in Hilton Head, where he cares for children of all ages. "Selling the practice at this time allowed me to do what I've always wanted to do, to move down south, enjoy my time, and to finally give back," he said.

Although sooner than he anticipated, Dr. Good's retirement was perfect timing. For 17 years, his solo general practice was part of an office and expense sharing arrangement with two other dentists. When they met the young dentist, they agreed that he was a perfect fit. The



rest of the transition was just as easy, he said.

After reviewing Dr. Good's practice and its records, Dr. Tom Snyder prepared an in-depth valuation that set the foundation for the deal. TSG's Charles Costa negotiated the terms which ensured the continued office and expense sharing arrangement for the buyer. The Snyder Group's contract templates also helped both parties reduce legal fees by specifying details, including a six-month transition of patients and Dr. Good's continued presence as an associate during that period.

"The Snyder Group was willing to work with me on any level. I needed a practice valuation and contracts, but not a broker since I had my own buyer. And they were very professional and happy to do those things for us," he said.

For Dr. Good, who used to work 36 hours a week in his practice, retirement means finally enjoying the lifestyle he worked hard to build. His home answering machine message says it best: "If we're not home, we're probably on the beach."

Weathering The Storm: One Doctor's Story

When his Lighthouse Point, Florida practice was pummeled by Hurricane Wilma, Dr. Ken Ross called on The Snyder Group to help him stay afloat.

Dr. Ross had a longstanding relationship with The Snyder Group team. TSG partner Dr. Tom Snyder had provided budgeting and business planning. TSG transition consultant Cindy Silvan had helped with staffing issues. And TSG partner, Bruce Bryen, CPA, had strengthened the practice's finances. But it was Mr. Bryen's hands-on financial skills which helped after the storm, when the office went from six-chairs and six-operators to one chair for production, and one for part-time hygiene, as the team shared office space.

"Bruce orchestrated anything and everything that had to do with my financial survival during that time," says Dr. Ross. Working as a team with Dr. Ross and his wife, Evelyn, Mr. Bryen reviewed and approved paperwork they had completed for FEMA small business loans and bank loans to keep them afloat. "Bruce was integral in all

that, and in dealing with insurances. He was behind the scenes and out in front helping me survive," says Dr. Ross. It worked. Although the storm closed the office for two to three weeks, the practice grossed within \$100K of its previous year. "I consider that a tremendous victory," Dr. Ross says.

Shortly after the practice moved into its rebuilt office 16 months after the storm, TSG consultant Cindy Silvan helped with logistical and organizational issues. "What I find best about The Snyder Group is they are truly comprehensive. Whatever I needed them for, they were there," he says.

Today, Dr. Ross and Mr. Bryen have monthly teleconferences to keep financial goals in focus for the \$1.2 million grossing practice. Mr. Bryen also serves as the doctor's personal CPA. "Bruce is one hundred percent quarterbacking what I do financially," says Dr. Ross. "I have total faith and trust in what he does."



A deferred sale is a smart solution for owners who want to preserve practice value, while easing into an exit strategy.

Role Reversal: The Success of a Deferred Sale

After 40 years as a dentist, Dr. Gary Goodear is finally an associate. But he likes it that way.

In 2003, when he wanted to find an exit strategy that would allow him to reduce his hours while maintaining his practice's value, Dr. Goodear contacted The Snyder Group's brokerage services to make it happen.

Since Dr. Goodear wanted to ease into an exit strategy, a deferred practice sale was the ideal solution. In this arrangement, a potential buyer becomes an associate for a specified time, and the value of the practice is frozen at the start of the relationship. When ownership changes hands, the seller becomes the associate, and the buyer becomes the boss, while patients get an invisible transition. Eventually, the former owner leaves the practice to ride off into the sunset.

It's a smart solution for both parties. Because the value of the practice is frozen at the outset, the future owner can help grow the practice without paying more for increased value at the settlement table. As the transition date nears, only minor adjustments to the original value are made for depreciation, inflation and the purchase of additional assets.

For Dr. Goodear, as with all brokerage clients, The Snyder Group prepared a highly detailed 30-page practice valuation as the first step. Using three different methods of determining value, Dr. Goodear's valuation included pricing for his prime real estate, as well as his fee-for-service practice which served 2,500 patients in Easton, Pennsylvania.

As fate would have it, Dr. Goodear and The Snyder Group had identified the same person, Dr. Evelyne Hanein, as a potential buyer. Dr. Hanein, who had been working with TSG to find a practice of her own, had left a nine-year associateship that never materialized into a partnership. She was considering all her options when she met Dr. Goodear.

"He had an excellent reputation and I knew this was an excellent opportunity," Dr. Hanein said. The Snyder Group drew up an associate agreement, and within weeks of working with Dr. Goodear it was apparent that Dr. Hanein would eventually buy his practice, along with its freestanding three-story building.

As the transfer approached, TSG's Charles Costa worked with both parties and their respective attorneys & accountants, to provide agreements, and negotiate terms and conditions of the final sale.

Today, Dr. Hanein owns the practice, while Dr. Goodear continues to work there. "I feel so fortunate to have a wonderful practice that continues to grow," Dr. Hanein says. "The entire process with the Snyder Group was excellent. They guided me and Dr. Goodear at the same time. They wanted us both to succeed," she says.

Dr. Goodear adds, "The main advantage is that I am not practicing any differently, I am just practicing less. It was truly a win-win situation."

Integrated Performance Management Testing: The Science of Personality

Today, the science of personality testing is helping owners find highly compatible, skilled, and like-minded individuals as associates.

TSG transition consultants Cindy Silvan and Catherine Etters are both certified to administer and interpret the Integrated Performance Management Assessment, which helps identify and screen associate candidates for dentists nationwide. Taken online, the test includes 75 questions that measure personality traits that are hard to see on an interview or resume. It takes 20 minutes to complete, and measures characteristics including assertiveness, patience, conformity, energy level, introversion and extroversion. It also identifies "flexing points" which may or may not be potential red flags.

In addition to identifying a candidate's strengths, IPM assessment gives insight into a candidate's overall compatibility with your practice. The science of personality testing can help owners make better decisions about hiring and structuring their practices to create harmony, and success," says Silvan. "It is a great team building tool."

For more information on IPM assessment, call us at 1-800-988-5674



Join us for "Transitions 2008" - A Free Webinar Series.

If hiring an associate or selling your practice is in your future, our "Transitions 2008" webinar series will help you get started. Learn what makes for successful transitions as Dr. Tom Snyder of The Snyder Group, with co-hosts Penny Reed Limoli and Angie Skinner of Dental Genius™, present three free one-hour webinars in January, February and March 2008. All you need is a phone and an Internet connection and you'll be able to hear and see Dr. Snyder's recommendations from the comfort of your home or office.

Are You Ready For An Associate?

January 8, 2008 8:00 PM (EST)

Associate Must-Haves:

Top Factors for Hiring Successful Associates

February 12, 2008 8 p.m. (EST)

What's My Practice Worth?

Valuating Your Practice to Ensure A Profitable Sale.

March 11, 2008 8 p.m. (EST)

**Pre-registration is required for each seminar,
as attendance is limited!**

Please contact Dental Genius at 866-332-6224
or info@dentalgenius.com to register. Webinar
links and dial-in details will be provided.

Introducing Cindy Silvan



We are pleased to announce that TSG transition consultant Cindy Silvan is now serving our southeastern U.S. clients from our new office in Hilton Head, South Carolina. Cindy has (25) years' front-line clinical, managerial and administrative experience in the business of dentistry, and has been consulting since 1998. Her extensive expertise as a transition specialist, along with her trademark Southern charm and high energy, have proven to be invaluable in helping practices of all sizes through even the most complex business transitions.

Cindy will spearhead delivery of all TSG transition services in this region from the Hilton Head office, including new practice start-ups, associate and partner recruitment, compensation and contract negotiations, practice valuations, and multi-faceted brokerage services for buyers and sellers. She also will work with lenders, attorneys, and real estate professionals to meet client goals. A skillful communicator, Cindy speaks fluent Spanish, is a licensed real estate agent, and is certified to administer and interpret Integrated Performance Management Assessments for potential associates or partners. We are thrilled to have Cindy represent TSG and expand our services to this growing region. **For more information, call us at 1-800-988-5674.**