



### **Equity Arbitrage in Dentistry**

*Are you Interested in benefiting from Equity Arbitrage as a dentist?*

Dentists spend extensive amounts of time on continuing education, enhancing their clinical skills & treating patients. Many spend additional time running their dental practice. As a dentist you deserve the benefits of Equity Arbitrage when you sell your dental practice. Now is the time to consider this opportunity during the current “consolidation wave” in dentistry.

What is Equity Arbitrage? This is just a financial concept that started being used in dentistry after Private Equity firms became involved. Because dentistry is very stable and profitable, DSOs (Dental Service Organizations) backed by Private Equity can purchase larger dental practices, combine them with other dental practices and increase their EBITDA (Earnings Before Interest Taxes Depreciation and Amortization). Increased earnings are achieved through revenue growth and reduced expenses (better deals with insurance companies, suppliers, and labs) and more efficient allocation of dentists and staff. As the DSO grows, they become worth more due to higher EBITDA and less overall risk to the DSO. \*In the past, dentists did not really participate in this growth when selling their practice. This has changed for doctors who wish to continue working for 2 to 5 years after their sale. Now they can take advantage of this growth or Equity Arbitrage.

Consider this example: A dental practice with \$2 million in annual revenue. After overhead (expenses), has an EBITDA of \$450,000. Assuming the buyer is willing to pay a multiple of 4 (The Enterprise Value) the practice sells for \$1,800,000 with 70% in cash and 30% in Stock.

After the sale to a DSO your EBITDA grows to \$600,000 (assuming the DSO does well). Because this higher EBITDA has increased value, your practice has an Enterprise value of 5 X's EBITDA or \$3,000,000. The 30% stock you obtained is worth \$900,000. The combined value you obtained for your practice after the first sale and the DSO recapitalization is \$2,700,000.

If you are considering a practice transition or selling your practice, please contact Dental Practice Sales LLC. We can help you locate the best fit DSO for your practice & make sure you get the benefit of Equity Arbitrage. The above article is courtesy of Dental Practice Sales LLC – [www.dentalpracticesalesllc.com](http://www.dentalpracticesalesllc.com).

\*Please contact [jg@dentalpracticesalesllc.com](mailto:jg@dentalpracticesalesllc.com) for assistance with your dental practice transition.