FALL | 2026

The Dental Transition

NEWSLETTER

In this issue

We Asked Several Dentists Who Successfully Sold Their Practices:

What Kept Them Up at Night—And How it Turned Out

Selling your dental practice is one of the biggest decisions of your life; no wonder it can bring on a bit of stress and a few sleepless nights. Although each circumstance and sale is unique, dentists often experience similar worries as they make the decision—and move through the process—to sell their practice.

We asked several dentists who have successfully completed this transition, "What kept you up at night? And how did it turn out in the end?" Here are some of the common concerns that arose:

Can I get the financial results I'm expecting?

To determine fair market value, an expert valuation of a dental practice entails an assessment of factors including gross and net income, number of active patients, staff retention, equipment and furnishings, office lease terms, location, and transfer terms. All of these are taken into consideration with current market realities and industry trends.

Understandably, sellers awaiting the outcome can feel nervous and, not surprisingly, can overvalue their practice as it represents not only decades of hard work, but also their identity and legacy. But when done with precision and care, the valuation process arrives at a truly equitable fair market value. One seller of a $1.1 million grossing practice recalled:

"I had a figure in my head for the value of the practice and was expecting I'd be disappointed after the valuation. But I was pleasantly surprised that their figure almost perfectly matched my own, so that stress was not even a factor."

Another seller, who owns the office condominium in a major metropolitan city and is remaining the landlord for the new dentist, was worried that he might not find a buyer who could afford the rent that he was proposing. In the end, the broker was able to negotiate a higher monthly rent in good faith because of the high net income of the practice – the results of an accurate valuation.

Will I be able to find the right buyer?

- MATCHING THE ETHOS OF MY PRACTICE:
Often, sellers' top concern is attracting a buyer who aligns with the tone and expectations of the practice they spent decades building. As one seller shared:

"We prided ourselves on good quality dentistry, and most of our patients have been with us for 30 years. Our staff has been with us for 25 plus years as well. So our top concern was finding a buyer who matched our work ethic

Continued on Page 2

We Asked Several Dentists Who Successfully Sold Their Practices: What Kept Them Up at Night—And How it Turned Out

Continued from page 1

and ideals, who would do right by our patients and the best staff ever. Our broker set up a meeting with the very first candidate, and after he walked out the door, my partner and I just looked at each other and smiled. We could not believe how perfect the fit was – this person actually checked all the boxes!"

Of course, the first prospect you meet won't always be the perfect match. That's where access to a large buyer pool and a thorough vetting process can go a long way in the search for the best fit.

- **SECURING FINANCING:** In one situation, the buyer was only one year out of dental school. There was some concern about whether he could obtain financing for the purchase. But the dental practice broker connected the buyer with a dental loan broker who specialized in getting financing in difficult situations, and the deal went through without a hitch.

- **GAUGING EXPERIENCE LEVELS:** Finding a new owner who can step in and provide the necessary services requires casting a wide net and screening properly. And often, with a careful evaluation process, you can find a buyer who even enhances the practice with expertise in additional procedures or specialties such as endodontics, placing implants, and Invisalign.

- **ADDRESSING REMOTE GEOGRAPHIC LOCATIONS:** In another instance, the seller was concerned that she would not be able to find a buyer because her practice was located in a rural area two hours away from a large city. But her broker kept a substantial pool of potential buyers in his Customer Relationship Management (CRM) database. So when the time came, he knew exactly who would be interested in that location.

- **PREPARING WITH BACKUP BUYERS:** Having another prospect to step in if things go awry with initial buyers can save the transaction and avoid extensive time delays. As one seller explained:

"We had a buyer early on who seemed to be wavering and, indeed, did back out of the sale. That was a bit stressful, but it turned out to be a blessing because our broker had an excellent, serious buyer ready to purchase."

How will I break the news to my staff and patients?

When you've built a practice that has spanned decades, your staff and patients can feel like family. Will they be hurt, angry, or disappointed? And will they leave the practice before or soon after the new dentist takes over? As one seller, with a staff of thirteen, and approximately 1,200 long-term patients, described it:

"You feel like you're in this relationship with your staff and your patients, and now you're going to be breaking up with them."

The good news is that the sellers we spoke with experienced quite the opposite:

"With my broker's guidance, we worked out the best timing and wording to inform our staff that I was retiring. I made personal phone calls to each member of my team, and I was pleasantly surprised to find that most of their responses expressed concern for my welfare. They all wanted me to make the best decision for myself and my family.

Then, my broker helped me craft a letter informing our patients of the change. We went through several drafts to get the wording just right, and I trusted his expert guidance to get me through this part of the sale process with just the right timing. It really went much more smoothly than I had expected."

Since patient and staff retention are factors in the valuation process, part of a successful negotiation can include a transition period for the seller to stay on for a length of time to ease the changeover for everyone. This also benefitted the sellers we spoke with, as one noted:

"We agreed to six months, but it's working out so well for everyone, we might extend it to a year."

The path to a successful sale is paved with experience, expertise, and connection. A quality dental practice broker not only has the know-how and trusted professional relationships, but also helps you navigate through logistics, deadlines, and the inevitable bumps in the road on the way to a successful sale. As one seller shared:

"My broker helped give me that gentle push to get to the next phase of my life…it was like having a trusted sibling with a lot of knowledge and wisdom."

Every practice sale comes with stress and restless nights—it's the nature of a major life and financial transition. What made the difference was not avoiding those stressors but rather having the right guide through them. With an experienced broker managing the details, anticipating problems, and advocating at every turn, each of these dentists has traded sleepless nights for well-earned peace of mind, new adventures, and a confident start to their next chapter.

Contact us TODAY to schedule a free consultation!

"What's the best way to value a dental practice in today's market?"

Percentage of Collections: This is a method where the value is simply derived from taking a local/regional or national "average" percentage of past sale prices as they correlate to the last full fiscal year's gross collections.

For example, a national average of 70% of a $ 1 million-producing practice would net $700,000. A more advanced model would look at a "weighted average," whereas one would take into consideration an average of the past three years, with more importance or "weight" distributed toward the most recent year.

In the early days of dental transitions, this was the most widely used method for evaluating practices. Nowadays, we consider this a "Napkin Evaluation" because it is quite easy to calculate and can simply be done on a napkin.

However, there are several issues with this evaluation method. The most prominent of which emphasizes that it does not take into consideration the most valuable component of the financial picture…profit.

EBITDA or **Earnings** before **Interest, Taxes, Depreciation,** and **Amortization** gained prominence in the 1970's and 80's during the era of Leveraged buyouts. Private equity firms used the metrics to evaluate companies' ability to service debt. The valuation method gained popularity in the 2000s during the dot-com boom, but it also encountered issues when companies inflated EBITDA to appear cash-positive while net income was negative, leading to overvaluation. (see Enron)

As private equity and Dental Service Companies entered the dental world, they brought this evaluation method with them. The method, in theory, assesses total operating profitability, and then applies an enterprise valuation multiple to the EBITDA to derive the operation's value.

We find the real secret to understanding how to properly value a dental practice using this method is to make the correct adjustments that are added back as non-recurring expenses, or to understand the economies of a buyer with a larger-scale business.
For example, if the selling practice has an annual supply expansion of around 9% and the DSO has a contract with a supplier due to their economy of scale for 6%, on a $1,000,000 collecting practice, there is a 3% addback, or $30,000, to the adjusted EBITDA. At a 5x multiple, that simple adjustment can add $150k in value.

Far too often, these small nuances are lost when a seller deals directly with the DSO buyer…because why would the buyer want to tell them they have all these efficiencies that will increase the valuation price? Hence, hire a broker; the good ones, like us, will pay for themselves and more by creating a true adjusted EBITDA model.

The "Other Variables" listed below affect the actual multiple or X assigned to an evaluation, which can increase or decrease, depending on, first and foremost, the actual EBITDA number. The more profit, the higher the multiple. Locations/Stability/Growth Prospects and Transferability all can influence the actual multiple assigned to a valuation.

Once again, this is why it is imperative to have your business evaluated by a local/regional Dental Practice Evaluator, such as Commonwealth Transitions. Without the knowledge of all these factors, you will leave a ton of money/value on the table.

Asset values, while considered, are not, per se, a large part of an overall evaluation. The Assets of a dental practice are valued by the fair market value of all assets minus liabilities of the assets. The Book Value (accounting basis) can be found on the company's balance sheet at historical cost minus depreciation or amortization. This is the easiest method but rarely reflects the true "Market" value.

The Fair Market Value is derived from comparable sales or replacement costs. Understanding the secondary market for dental equipment is imperative to understanding true market costs.

In the larger picture, asset valuation is a very small component of the overall valuation, as the secondary market for used equipment does not yield straight-line depreciation value per se and is often sold for pennies on the dollar.

Other important variables to a valuation are the following:

Continued on Page 4

EPSTEIN
PRACTICE BROKERAGE LLC

96 Park Street • Montclair, NJ 07042
1159 2nd Avenue • New York, NY 10065

A Member of

NAPB
National Association of Practice Brokers

Scan this with your phone's camera for more information on EPB

ARTICLES INSIDE:

We Asked Several Dentists Who Successfully Sold Their Practices

"What's the best way to value a dental practice in today's market?"

WWW.PRACTICE-BROKER.COM

PRACTICE SALES + APPRAISALS + TRANSITION CONSULTING

"What's the best way to value a dental practice in today's market?"

Continued from page 3

1) **Location:** Urban or Rural and supply/demand of regions. All else being equal, the practice's location can inflate or deflate its value by 10+ percent. A valuator must have intimate knowledge of the region they are evaluating to correctly evaluate the practice.
2) **Practice Stability:** Evaluations are typically conducted on the assumption that the practice is relatively stable (i.e., with very little patient and staff turnover). If there is a constant shift/revolving door at the practice, this must be taken into consideration and can reduce the overall value by up to 5%.
3) **Growth prospects:** Similarly, if the practice has tremendous opportunity (i.e., all restorative and a high % of hygiene compared to operative collections), a valuation expert can slightly increase the overall value by highlighting the buyer's additional potential to increase collections from day one.
4) **Transferability:** There are specific ways to add glue to a transition. In the Dentist-to-Dentist world of transitions, it's ideal to have the seller remain post-sale and work in a limited capacity, or in whatever capacity is agreed by all parties. We at Epstein Practice Brokerage have instituted seller bonuses built into the sale price, post-sale, to be distributed to employees to stay during the transition period and to add glue to the transition, with great success.

Who completes the valuation makes all the difference. Having intimate knowledge of local/regional markets for practices/financing/equipment is necessary to receive an accurate top-tier valuation. In addition, many brokerage companies have a third party handle their evaluations. I believe this is the biggest mistake you can make when selecting a brokerage firm to represent you and your business.

I am a financial nerd, of sorts, and spent years studying under dental brokers. This allows me to educate buyers & lenders who are interested in the practice on WHY it is valued at the dollar amount it is. Otherwise, you are simply leaving it to the buyer to hire someone to conduct their own evaluation, which opens the door to negotiations. In addition, you are asking the lender to lend 100% of your total valuation, but you can't explain how or why.

Contact us for a valuation or to discuss the sale of your dental practice today!

Mark Epstein