

Buying Dental Practices at Scale

A professional presentation on the challenges of acquiring dental practices at scale



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Risk Compounds, Not Averages

As you buy more practices, the compounding risk can quickly get out of control.



Early Shortcuts Become Systemic Problems

Quick fixes and informal practices during the early stages of growth often lead to larger issues down the line.



Volume Exposes Weaknesses

Scaling up your operations will uncover flaws in your systems and processes that were previously hidden.

As you grow your dental practice acquisition platform, it's critical to address these compounding risks and systemic issues before they spiral out of control.

Why Buying at Scale Is Different



Risk compounds, not averages

As you add more practices, the risks don't average out - they compound and multiply.



Early shortcuts become systemic problems

Informal practices and quick fixes put in place during early acquisitions become deeply entrenched issues across the platform.



Volume exposes weaknesses

Expanding quickly reveals flaws in processes, compliance, and management that were easily hidden in a smaller operation.

Buying and integrating multiple dental practices requires a fundamentally different approach than one-off acquisitions. The risks and challenges scale in a nonlinear way, exposing systemic problems.

The Transition From Deal-Making to Platform Risk



One-off deals vs repeat acquisitions

Moving from individual transactions to a continuous acquisition platform requires a shift in focus and process.



Informal practices don't scale

Acquisition processes and deal structures that worked for a few deals will break down as volume increases, requiring more formal and standardized systems.



Legal risk multiplies

With more deals and locations, legal exposure compounds, creating systemic risks that need to be proactively managed.

The transition from a deal-making mindset to a platform-focused approach requires establishing robust systems, processes, and legal protections to mitigate the growing complexity and risk.

Where Platforms Fail First



Integration Breakdowns

Poorly planned and executed integration processes can lead to disruptions in operations and customer experience.



Compliance Drift

Lack of consistent compliance standards and oversight across acquired locations can expose the platform to legal and regulatory risks.



Management Overload

Rapid growth and expansion can overwhelm the management team, leading to operational issues and strategic missteps.

Effective integration, compliance, and management are critical for successful platform-scale growth in the dental industry.

Integration Is Not Just Operational



Employment enforcement

Ensuring compliance with employment laws and regulations across multiple locations



Policy standardization

Establishing consistent policies, procedures, and protocols across the acquired practices

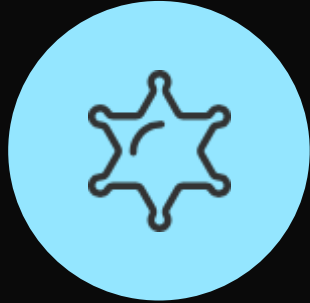


Cultural alignment

Integrating and aligning the cultures of the acquired practices with the platform's culture

Successful integration of acquired dental practices requires attention to not just operational aspects, but also employment, policy, and cultural considerations to ensure a cohesive and scalable platform.

Compliance Drift Across Locations



Corporate practice exposure

Improper corporate ownership or control of dental practices leads to regulatory violations and penalties



Supervision inconsistencies

Varying standards of clinical oversight and decision-making across acquired locations create liability risks



Documentation gaps

Incomplete or inconsistent patient records, treatment plans, and medical history documentation compromise patient care and compliance

Maintaining consistent compliance across a growing multi-location dental platform requires proactive oversight, standardized policies, and rigorous documentation practices.

Staffing and Associate Retention at Scale



Non-compete Enforceability

Ensuring non-compete clauses are legally enforceable across multiple locations to protect the dental platform's investment in employees



Compensation Misalignment

Aligning compensation and benefits packages across practices to maintain parity and fairness for associates



Churn Risk

Mitigating high turnover rates of associates and dental staff as the dental platform scales across more locations

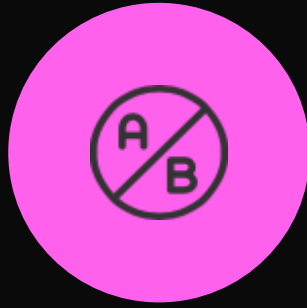
Effectively managing staffing and associate retention is critical as a dental platform scales to ensure consistency, stability, and protection of the business's human capital investments.

EBITDA Quality Degrades Without Discipline



Add-back creep

Inconsistent application of EBITDA add-backs across acquired locations leading to inflated earnings



Inconsistent reporting

Varying financial reporting practices and metrics making it difficult to compare performance across the platform



Overreliance on seller data

Failure to independently verify financial information provided by sellers, leading to inaccurate valuations

Without strong financial discipline and centralized reporting processes, the quality of EBITDA across a growing platform can quickly degrade, leading to inaccurate valuations and financial performance visibility.

Diligence Fatigue in Repeat Acquisitions



Shortcutting review

Cutting corners during due diligence process to save time and resources



Missed red flags

Overlooking potential issues and risks during the review of acquired practices



"Looks good enough" decisions

Settling for an acquisition target that meets the minimum requirements instead of the optimal fit

Diligence fatigue can lead to missed risks and suboptimal acquisition decisions, undermining the platform's long-term growth and value.

Why Standard Forms Stop Working



One-size APAs fail

Acquisition purchase agreements (APAs) that are not customized to each location's unique risks will not adequately protect the buyer as the portfolio scales.



Location-specific risk ignored

Differences in local laws, regulations, and market conditions across practice locations are often overlooked when using a standardized APA template.



Local law variation

Variations in state and municipal laws governing dental practices require tailored contractual provisions to ensure compliance across a multi-location platform.

As dental groups scale through acquisitions, one-size-fits-all legal forms quickly become inadequate. Buyers must structure deals with a focus on repeatability and location-specific risk to build a scalable, compliant platform.

Integration Timelines That Fail



Too fast to absorb

Rapid integration without proper training and systems leads to breakdowns and errors



Too slow to standardize

Gradual, piecemeal integration allows inconsistencies to persist across locations



Unclear accountability

Lack of defined roles and responsibilities results in integration tasks falling through the cracks

Effective integration requires a careful balance - not too fast, not too slow, with clear ownership and accountability to drive standardization across the platform.

Legal Risk Hiding in Operations



Employment Misclassification

Improper worker classification (e.g., independent contractors) leading to legal exposure



Improper Delegation

Lack of proper oversight and supervision of delegated responsibilities



HIPAA Exposure

Inadequate data privacy and security practices across locations

Platform buyers must diligently review operational practices to identify and address hidden legal risks that can compound across a growing network of dental practices.

Private Equity vs Operator Risk Tolerance



Different time horizons

Private equity firms often have a shorter investment horizon, focused on quick returns, while operators prioritize long-term stability and growth.



Different enforcement priorities

Private equity places emphasis on financial performance, while operators are more concerned with operational compliance and employee retention.



Different exit pressure

Private equity deals with external pressure to achieve a successful exit, while operators are more focused on sustainable growth and value creation.

The differing risk tolerances and priorities between private equity and operator buyers can create challenges in aligning strategies and executing successful dental practice acquisitions at scale.

Structuring Deals for Repeatability



Standardized diligence checklists

Develop a comprehensive, repeatable process for reviewing new acquisition targets to ensure consistent risk evaluation.



Risk-weighted pricing

Implement a structured framework to quantify and price acquisition risks, ensuring that the cost basis reflects the true value and challenges of each practice.



Scalable protections

Craft deal terms and legal structures that can be efficiently replicated across multiple acquisitions, providing consistent safeguards and allowing for efficient integration.

By establishing standardized diligence processes, risk-based pricing models, and scalable legal protections, buyers can streamline their acquisition strategy and build a platform that is primed for sustainable, repeatable growth.

Why Speed Eventually Costs More



Deferred compliance costs

Rushing integration leads to overlooked compliance issues that accumulate and become more expensive to fix later



Litigation risk

Cutting corners on diligence and integration opens the door to lawsuits and regulatory enforcement actions down the line



Valuation haircuts at recap

Acquirers scrutinize a platform's legal and operational history, leading to lower valuations if issues are found

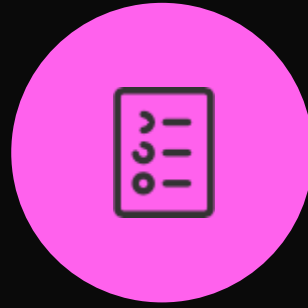
Rapid growth through acquisitions may seem advantageous in the short term, but the long-term costs of deferred compliance, increased litigation risk, and lower valuations at recapitalization often outweigh the benefits.

Preparing for Recap or Exit



Buyer-of-the-buyer diligence

Thorough review of the platform by the potential new buyer to understand the risks and liabilities



Platform scrutiny

Comprehensive assessment of the operational, financial, and legal aspects of the dental platform



Historical risk surfaces

Issues and problems that were previously overlooked or deferred can come to light during the exit process

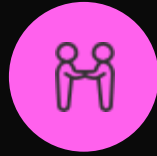
Preparing for a recapitalization or exit requires a detailed review of the dental platform's history, operations, and compliance to ensure a successful transaction and maximize value.

Role of Buyer-Side Counsel at Scale



Systematizing risk review

Develop standardized diligence checklists and processes to consistently identify and mitigate legal, operational, and compliance risks across multiple acquisitions.



Maintaining deal discipline

Ensure that the buyer adheres to rigorous due diligence protocols and does not compromise on key protections, even as the pace of acquisitions increases.



Protecting platform value

Structure transactions and integration plans to safeguard the long-term value and stability of the buyer's dental platform, mitigating risks that could undermine the platform's performance or exit potential.

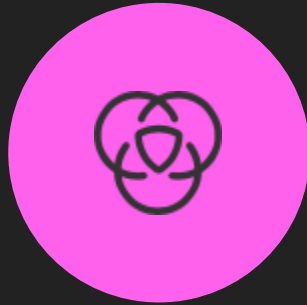
By systematically reviewing risks, maintaining disciplined deal-making, and proactively protecting the buyer's platform, buyer-side counsel plays a crucial role in helping dental groups and DSOs scale their operations successfully and defensibly.

What a Scalable, Buyer-Protective Platform Looks Like



Consistent compliance

Standardized policies, documentation, and monitoring across locations to ensure regulatory and contractual obligations are met



Predictable integration

Streamlined, repeatable processes for onboarding new acquisitions and aligning operations, culture, and systems



Defensible valuation

Robust financial reporting, clearly documented value drivers, and a clean compliance history to support a premium exit price

By building a scalable, buyer-protective platform, you can position your dental group for sustainable growth, mitigate legal and operational risks, and maximize the value of your business when it's time to recapitalize or exit.



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In conclusion, buyers seeking to acquire dental practices at scale must prioritize protecting value over rapid growth. By first fixing internal systems and treating legal risk as a strategic asset, they can build a scalable and defensible platform primed for long-term success.



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