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# Choosing the Right Dental Practice Exit: DSO vs. Private Buyer

Explore the key differences between selling a dental practice to a Dental Service Organization (DSO) or a private buyer, and how to choose the right exit path for your long-term goals.

# DSO Deals vs. Private Buyer Sales



## Choosing the Right Exit Path

Whether to sell to a DSO (Dental Service Organization) or a private buyer has major implications for the next 5-10 years of your career and life.



## Avoiding Long-Term Regret

The structure of the deal, not just the price, is critical. Choosing the wrong exit can lead to significant long-term regret.



## Understanding Key Differences

DSO deals and private buyer sales have very different economics, control structures, and post-closing implications that must be carefully evaluated.

This webinar will equip you with the knowledge to make an informed decision and choose the right exit path for your dental practice.

# Who This Webinar Is For



Dental practice owners  
considering a sale

Owners looking to sell their  
practice in the next 6-36 months



Owners evaluating DSO  
offers

Owners assessing deals with  
Dental Service Organizations



Dentists choosing between  
cash-out vs. equity rollover

Dentists deciding between a full  
cash sale or partial equity  
investment



Practices concerned with  
post-closing control

Owners worried about losing  
autonomy and decision-making  
power after a sale

This webinar is designed to help dental practice owners navigate the complex decision of choosing the right exit strategy for their business, whether it's a sale to a DSO or a private buyer.

# Why Dentists Choose the Wrong Exit



Overweighting headline multiple

Ignoring employment and control changes

No post-closing life  
planning



## Where Regret Really Comes From

Dentists who sell their practices often find that the reality of their new situation doesn't match their expectations. Their income and autonomy tend to change dramatically within the first year after the sale, and the company culture often shifts quickly, leading to long-term regret. Understanding these common pitfalls is crucial for making the right exit choice.

# The Two Primary Exit Paths

Comparison of selling to a DSO and selling to a private buyer



Cash at Close



Long-Term Upside



Control

# Anatomy of a DSO Deal



## Partial cash at close

DSO deals typically involve a partial cash payment at the closing of the transaction, with the remaining portion deferred as mandatory rollover equity.



## Mandatory rollover equity

Dentists are required to reinvest a portion of their sale proceeds into the DSO's equity, tying their future financial returns to the DSO's performance.



## Multi-year employment

DSO transactions often include employment agreements that require the selling dentist to remain with the practice for a set number of years post-closing.



## Operational control shifts

As part of the DSO transaction, the selling dentist cedes a significant degree of operational control over their practice to the DSO.

In summary, DSO deals involve a partial cash payment, mandatory rollover equity, multi-year employment commitments, and a shift in operational control from the selling dentist to the DSO.

# DSO Economics That Matter

*Presented By*



Erik S. Newton

Esq.



Vanderbilt Law grad with 21 years' experience.  
More than 1000 transitions.  
Responsive. Quick. Call me, get me.

# Control and Restrictions in DSO Deals



## Clinical autonomy limits

Dentists may have reduced control over clinical decisions and treatment plans



## Non-competes and non-solicits

Restrictive covenants that limit a dentist's ability to work elsewhere or take patients with them



## Exit penalties

Financial penalties or other deterrents that make it difficult to leave the DSO arrangement

# Anatomy of a Private Buyer Sale



## Mostly cash at closing

The majority of the sale proceeds are paid out in cash at the time of closing, providing the seller with immediate liquidity.



## Shorter transition period

The seller's involvement and obligations after the sale are typically shorter, often lasting only a few months to ensure a smooth transition.



## Cleaner exit

The seller can usually achieve a more complete separation from the practice, with fewer ongoing ties or restrictions compared to a DSO deal.

In a private buyer sale, the seller can expect a mostly cash transaction, a shorter transitional period, and a cleaner overall exit from the practice.

# Private Buyer Risk Profile



## Indemnities and escrows

Buyers may require significant indemnity and escrow provisions to protect against post-closing liabilities



## Seller financing risk

Seller may need to provide financing or notes, exposing them to counterparty and default risk



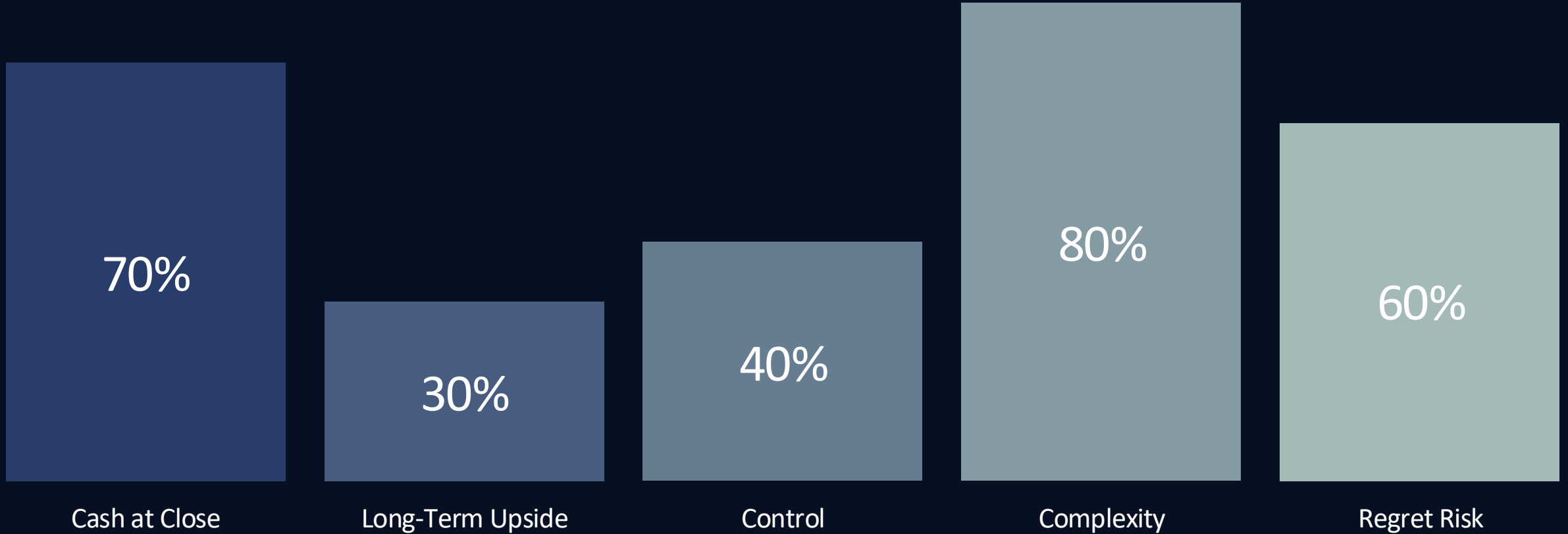
## Limited upside

Private buyers typically offer less potential for long-term equity upside compared to a DSO transaction

Private buyer transactions often carry more risks for the selling dentist, including legal indemnities, seller financing, and limited long-term upside potential.

# DSO vs. Private Buyer — Reality Check

Comparing cash at close, long-term upside, control, complexity, and regret risk between DSO and Private Buyer deals



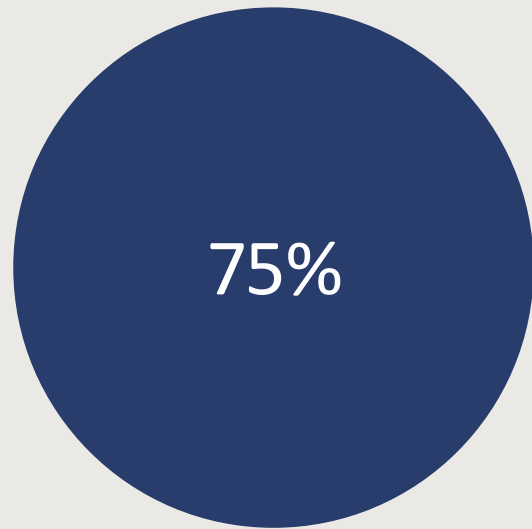


## The Multiple Myth

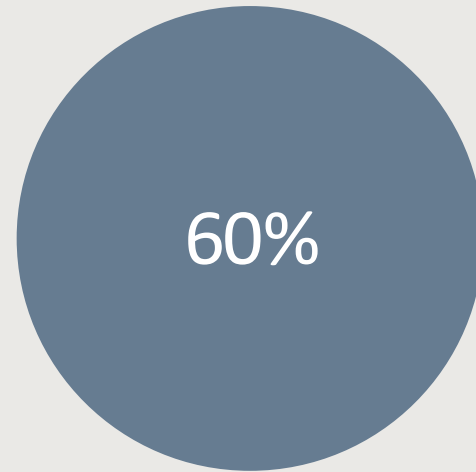
When it comes to choosing the right dental practice exit, the highest multiple does not always translate to the best outcome. outcome. Deferred risk, such as rollover equity and earn-outs, still carries significant weight. Additionally, the timing of liquidity can have a major impact on the long-term success of the transaction. Dentists must look beyond just the just the headline purchase price and carefully evaluate the overall structure and terms of the deal.

# Common Seller Regret Scenarios

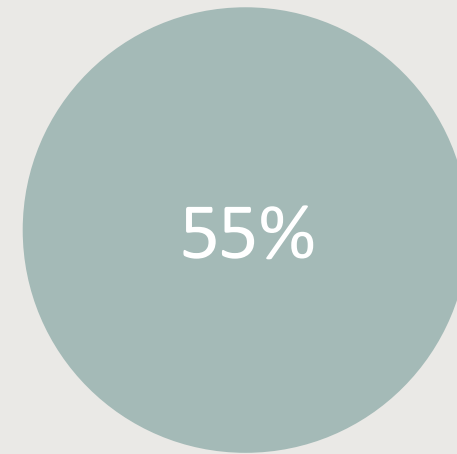
Income drops, non-competes block plans, culture mismatch



Income Drops Post-Guarantee



Non-Competes Block Future  
Plans



Culture Mismatch

# How to Choose the Right Exit

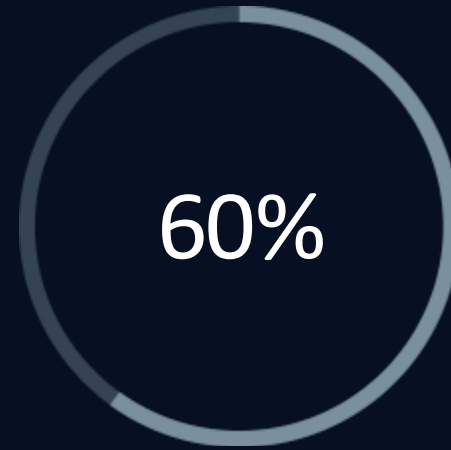
Evaluate your career horizon, burnout level, risk tolerance, and autonomy preference



Career Horizon



Burnout Level



Risk Tolerance



Autonomy Preference

# The 5-Year Test

● Year 1  
Fully exited from  
practice

● Year 2-3  
Pursuing new business  
ventures

● Year 4-5  
Enjoying retirement  
with flexibility





# Why Deal Counsel Matters

When it comes to dental practice mergers and acquisitions, having the right legal counsel can make all the difference. A skilled M&A attorney can help craft a strategic approach that aligns with your long-term goals, ensuring the legal terms of the deal shape the real-world outcomes you desire. Their expertise extends beyond just the headline numbers, recognizing that control and autonomy often matter as much as the price tag. With the right advisor on your side, you can navigate the complexities of an exit with confidence and avoid the common pitfalls that lead to seller's remorse.

# What Proper Exit Planning Involves

## Pre-LOI Strategy

Develop a comprehensive exit strategy before issuing a Letter of Intent (LOI), ensuring alignment with your long-term goals and risk tolerance.

## Offer Comparison Modeling

Analyze and model multiple offer scenarios, comparing the financial, operational, and control implications of each to identify the optimal path forward.

## Long-Term Risk Analysis

Thoroughly assess the long-term risks and consequences of each exit option, considering factors such as post-closing autonomy, income stability, and cultural fit.

# How Newton's Law PA Helps



## Exit Pathway Analysis

Analyze different exit paths and compare them to find the best fit for your goals and risk tolerance.



## LOI and Deal Comparison

Review and compare letters of intent from different buyers to negotiate the best terms.



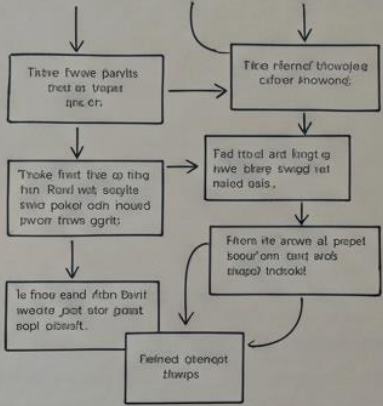
## Pre-Sale Planning (6–12 months)

Develop a comprehensive plan to prepare your practice for a successful sale 6 to 12 months in advance.



ERIK S. NEWTON  
NEWTON'SLAW

DENTAL THE PRACTICE  
EXIT STRATEGY



In conclusion, choosing the right exit strategy for your dental practice is a critical decision that will impact your future for years to come. By understanding the nuances of DSO deals versus private buyer sales, and working with experienced legal counsel, you can make an informed choice that aligns with your long-term goals and avoids costly regret. Take the next step by booking a confidential strategy call to explore your options and develop a personalized exit plan. Learn more at the Tactical Talk legal blog on [NewtonsLawUSA.com](http://NewtonsLawUSA.com).



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Thanks for joining. Scan here to book your FREE consultation today!

Or call 561-464-4529