

URGENT PRACTICE VALUE BULLETIN

Sometimes You Win for the Wrong Reason

Since October of 2018, I have published articles in multiple Dental publications, spoken at conferences, held dozens of Webinars and published multiple white papers on ONE TOPIC. The topic was that we (Large Practice Sales) was of the strong opinion that we were witnessing the top in practice values.

The \$200,000,000 of practice transactions we completed in the last 12 months now have some very appreciative, cash rich and happy doctors. They also have larger, deep pocketed partners helping them navigate the current storm. **IT IS NOT TOO LATE TO JOIN THEM, BUT IN 66 DAYS IT WILL BE.**

PLEASE, PLEASE TURN OFF THE TV, PUT DOWN THE PLIERS AND READ THIS

In hindsight, we were 100% accurate. WE HAVE SEEN THE TOP. WE TOLD YOU SO. However, we never predicted a pandemic and the onset of depression. Yes, I said depression and I am not alone in that forecast as people far smarter and richer than I am are now predicting that outcome, despite the multi-trillion-dollar bailout package.

WHAT DO WE PREDICT NOW?

Over the last two weeks we have been talking to the IDSO buyers of the \$200,000,000+ of practices of all specialties and GP that we currently have under Letter of Intent (LOI means a deal has been agreed to and is in the process of closing). These deals were negotiated at 2019 values and we believe most of them will resume the closing process after practices reopen. Many IDSOs are spending legal fees now to have these deals ready to close immediately after practices reopen. This is GOOD.

We actually closed a \$9.2 million-dollar OMFS single doctor practice last week and will close an orthodontic practice transaction this week. The buyers are still interested. Deals for the moment are still being negotiated at 2019 values, but with creative structures to ameliorate the immediate post crisis risk for the buyers. These structures also give doctors incentives to restart FAST. This is GOOD. Doctors will still achieve stunning values. **We completed a few transactions at 3X and 4X collections in 2019 and we will do so again in 2020, but NOT in 2021.**

Our Forecast in Summary

Practices that complete transactions in 2020 will achieve far higher net cash in doctor's pockets than doctors that close in 2021 and beyond. To close in 2020, you need to start the process by June 1, 2020. Pre-crash, it took about six months from engagement to cash in your pocket. We are adding a month to be safe and to ensure transactions close in 2020, not 2021.

Why the Rush?

The general emotion of buyers, doctors and the public is that we will exit the crash period and go back to normal. We don't agree as it pertains to dental practice values. The number of new clients we have signed in March is stunning. Over \$50,000,000 in great practice value will be added to the LPS "inventory" in March 2020 alone. This means that IDSO partners will have far more practices from which to choose. The supply of selling doctors will far exceed the demand in the coming months and quarters.

In addition, we believe the emotional conviction of an immediate return to normal will not hold long into 2021 as the real numbers start coming in. If you want cash and a strong partner to weather the storm of 2021, 2020 is the best time to monetize part of your practice. It is the safe and lower tax move.

Doctors who decided to wait in 2018 and 2019 are now grasping that their high ordinary income can be crushed as will their values in 2021. But for the next nine months, their values may be fine. Doctors are also understanding that liquidity is KING in times of turmoil.

The smart doctors will monetize a part of their largest asset NOW to create cash at 20% Long Term Capital Gains tax rates until the end of 2020. This cash can either replace the decimation in retirement accounts, or create "dry powder" to take advantage of coming opportunities that require cash in the bank. There will be many...

Taxes are going up! If Trump wins, we still have a little fiscal problem that the rich, like you, will ultimately have to pay for. If Biden wins, he has vowed to immediately double your taxes on the sale of your practice from 20% to 40% (Federal only). In our typical, average 2019 practice sale of \$11,000,000+, this is an **increase in your tax bill of \$2,200,000.** Or put another way, your net after taxes will be \$2,200,000 less in 2021 than in 2020.

Last Warning, The Time is NOW!

Many doctors who receive this memo will have ignored my advice in 2019 and 2020. The doctors who heeded our "THIS IS THE TOP" messages in 2018, 2019 and early 2020 are really happy at the moment. It is not too late to join them in peace of mind and liquidity at what are still very high values. DON'T WAIT AGAIN.

The buyers are still eager. Many IDSOs are actually moving faster than before the crash. They want to lock down great practices before other groups wake up. They are focused on the triage of their existing practices now. **This is GOOD for our clients who start NOW.**

Call or email us today to set up a confidential call. Let us provide you with the value of your practice today to an IDSO partner. You have 66 days...