

Silent Partners are still investing in great endodontic practices

Chip Fichtner discusses how to create new opportunity in uncertain economic times

One of the unexpected benefits of COVID-19 is an increase in the value of larger endodontic practices to silent partners called Invisible Dental Support Organizations (IDSO). Doctors may have the opportunity to monetize a part of their practice for cash now at favorable 2020 tax rates. Diversifying a doctor's personal assets by selling a piece of their most valuable "investment" has become very popular in these uncertain economic times.

Cash now plus retained ownership

Doctors retain ownership and continue running their practice under their brand, team, and strategy for years or decades, but with the resources of a large, silent partner. Doctors can secure their financial future, and yet continue practicing with additional upside potential via their partial ownership in the practice. And doctors have a known buyer for the remaining ownership when they are ready to retire.

Endodontic practices have increased in value

Several dynamics are driving up the values of endodontic practices today. First, many performed better during the national shutdown of March, April, and May than did other specialists and general practice dentists. This resiliency is attractive to risk-averse investors. A second driver of new value levels is the belief that in a recession, patients will still seek pain relief, but opt for a root canal versus the higher cost of an implant procedure. Many investors that back the IDSOs are of the belief that we are only in the first inning of a depressed economy



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and that lower cost options will be attractive to patients.

A third driver of values and competitive bidding for great practices is that there are a number of newer IDSOs focused exclusively on investing in endodontic practices. These are in addition to the rekindled interest from a variety of multispecialty IDSOs that have historically been more infatuated with implants than root canals.

Attitudes change quickly in the IDSO space, and at the moment, doctors using the right advisor can attract multiple bidders, driving up values to and past 2019 bubble levels. We don't know how long this anomaly will continue, but at the moment, it is a golden opportunity for liquidity for growing endodontic practices with smart doctors of any age.

IDSOs goal is growth of your practice and its value

IDSOs can provide multiple benefits to endodontic practice owners besides millions of dollars in cash up front. The list of available resources and support varies widely by IDSO. Attractive support services provided by a larger partner may include purchasing discounts, better quality/lower-cost team benefits, leverage in payor negotiations, administrative burden reduction, and referral synergies with other owned practices in the area. Each IDSO partner has a different menu of support and growth opportunities.

In addition, a doctor's retained equity in either the practice and/or the IDSO parent potentially has significant upside potential. It has not been unusual for IDSOs to provide returns to their owner doctors of 2 times, 5 times, and even 20 times the value of their initial equity stake, over time. Certainly, these gains have been inflated due to a 10-year bull market, but dentistry continues to be very attractive to private equity groups, family offices, and SBICs, even during COVID-19.

Young doctors are most attractive

One of the interesting changes in these transactions is the average age of interested doctors. Younger doctors view IDSO partners as a mechanism to provide the capital and management to expand through acquisitions or new office starts. Practices can grow rapidly with the doctor benefiting from a risk-free, ongoing ownership stake.

Timing is critical

While the overall effects of the COVID-19 disaster are still an unknown, there are new opportunities for great endodontists to achieve liquidity and larger gains if they move quickly. Doctors can learn more about the potential value of their practice in an IDSO transaction through a confidential and no cost practice evaluation. Visit www.LargePracticeSales.com to learn more. **EP**



Chip Fichtner, is the founder of Large Practice Sales, which specializes in the transactions of Invisible Dental Service Organizations (IDSOs) for all practices. The company has completed more than \$100 million of transactions in the past 6 months. After careers at Merrill Lynch and Bear Stearns, he began buying and selling businesses of all types for his own portfolio. Mr. Fichtner has been the Chairman and/or CEO of multiple publicly traded companies and has presented at conferences on investing and marketing from Hong Kong to Monaco. Learn more at largepracticesales.com.