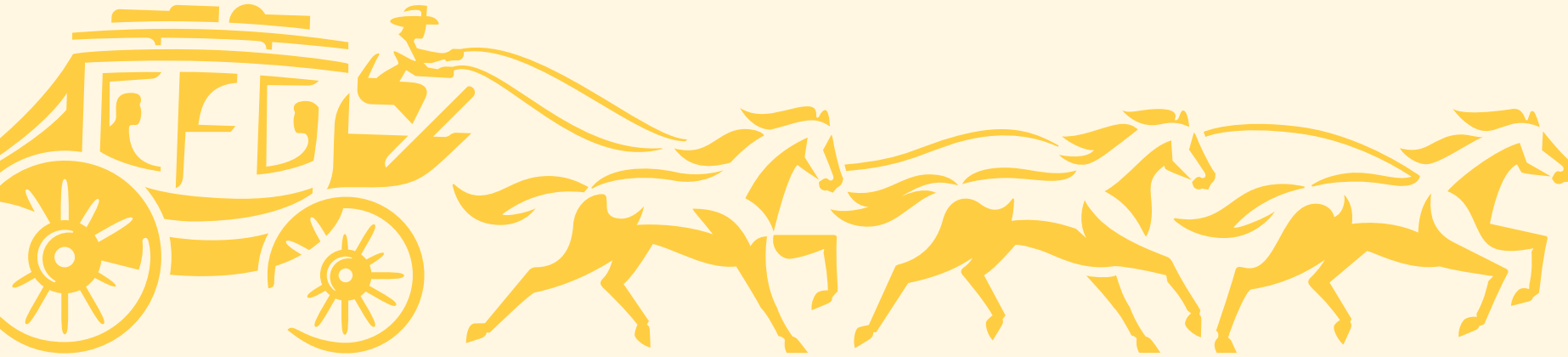


WELLS
FARGO



MDA Dental Entrepreneurial Boot Camp

Preparing for Practice Ownership & Growth

Starting from the ground-up

May 18, 2019

Rob Borcharding

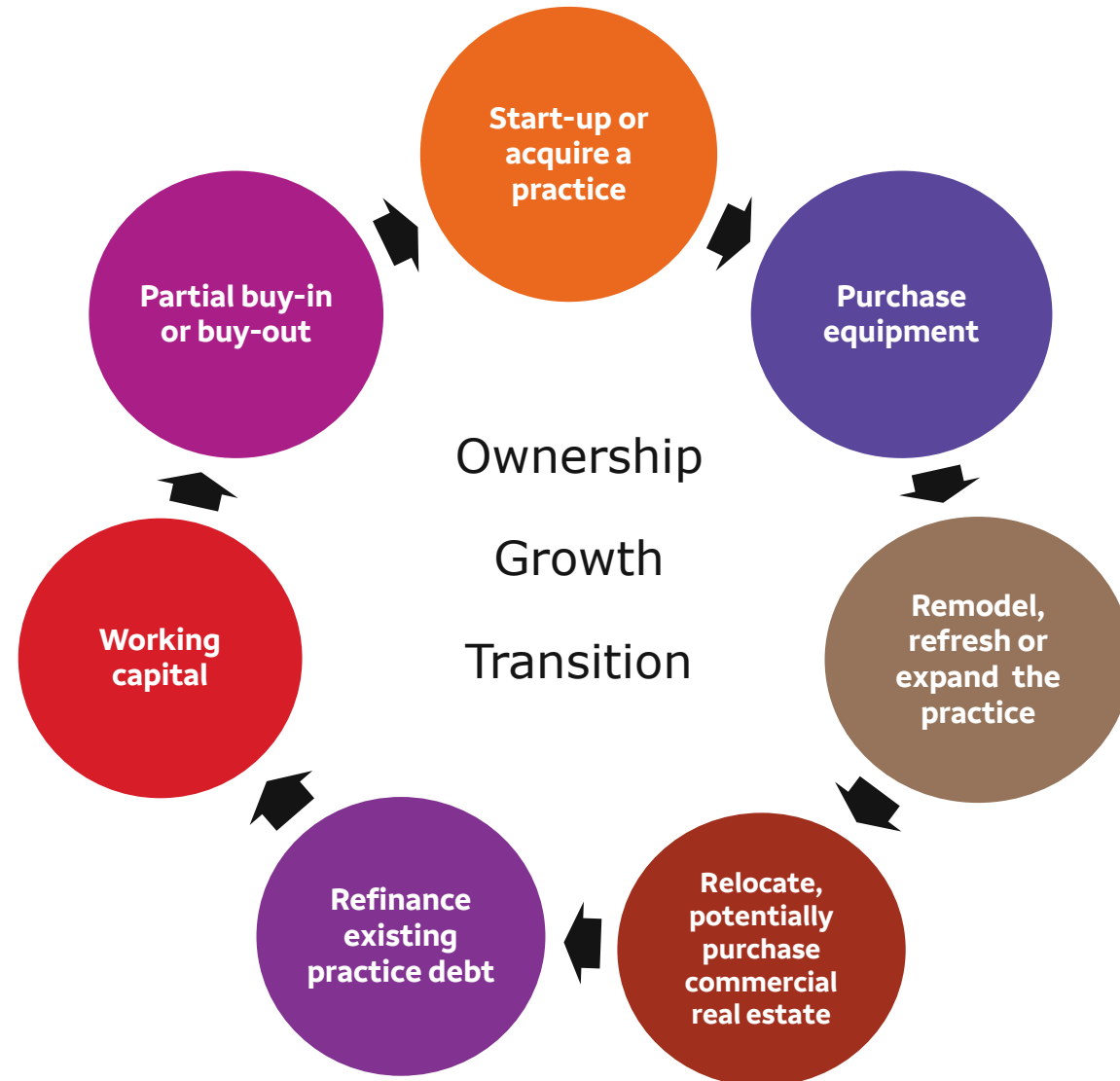
VP, Business Development Manager - Healthcare

Wells Fargo Practice Finance (WFPF)

WFPF helps doctors acquire, build, expand, equip and refinance their practices

- Financing, project guidance, and practice support
 - Exclusive focus on healthcare practitioners

Financing for every career stage



Customer characteristics

- Individual practice owner or two to six partner ownership structure
- New to practice ownership or existing practitioner

Developing your goals: Defining your career path

“The secret to getting ahead is getting started”

-Mark Twain

Top Five Myths

1. Too much debt – Student Loans!
2. No collateral
3. No money to put down
4. Not sure if you will qualify for a loan
5. Afraid to own or run a practice

Defining your career path

Developing your goals

I want to...

- Purchase an existing practice
- Buy into an existing practice
- Start my own practice
- I am not sure: I need help

Defining your career path

Developing your goals

Ask yourself...

- Community considerations
- Personal/lifestyle consideration
- Where do you want to be in
 - 3 years
 - 5 years
 - 10 years

Preparing for practice ownership

Transition pathways



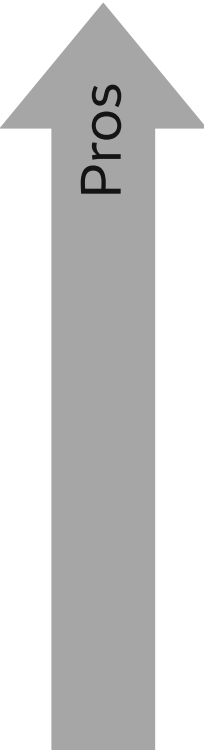
Start-up

Acquire or
Buy-In

Preparing for practice ownership

Transition pathways

Acquire or Buy-In



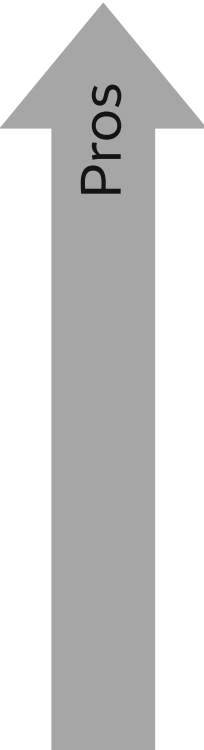
Immediate cash flow	Equipment or office may be out of date
Staff is familiar with the practice	May inherit sellers problems
Know the practice revenue and costs in advance	May have to transition clients to a new treatment philosophy



Preparing for practice ownership

Transition pathways

Start-up



You are fully in charge of all aspects	Must develop client base from scratch
Hire the staff you prefer	Significant start-up costs
Design an office to your specifications	Cash flow is not immediate



Once you understand your business personality it's
time to get started.

Assembling your Team

“Incredible things in the business world are never made by a single person, but by a team.”

– Steve Jobs

Assembling your team



Depending on the nature and scope of your project, you may want to add any of these professionals to your team:

- Architect
- Interior designer
- Local practitioner/mentor
- Marketing consultant
- Practice management consultant

“I’m not a businessman —
I’m a business, man.”

-Jay-Z

Financing

Financing a Practice Sale & Purchase

What is cash flow?

Gross Income of practice

-Operating Expenses

Net Cash Flow (from Operations)

+ Add backs (e.g. depreciation, salary)

- Loan Payment

- Tax expense

- Personal Expenses

Total Excess Cash

Financing options

- Different types of lenders have different lending philosophies
 - Collateral based
 - Lending based on value of personal assets
 - Use personal items as collateral
 - Homes, money market accounts, CDs, etc.
 - Cash flow
 - Lending based on historical and future strength of practice
 - Use practice as collateral



Dentists' Unique Financing Needs

- Require lenders with industry experience
 - Build-out costs tend to be higher than general use offices
 - Plumbing, electrical, HVAC
 - Cabinetry
 - High-tech equipment & integration



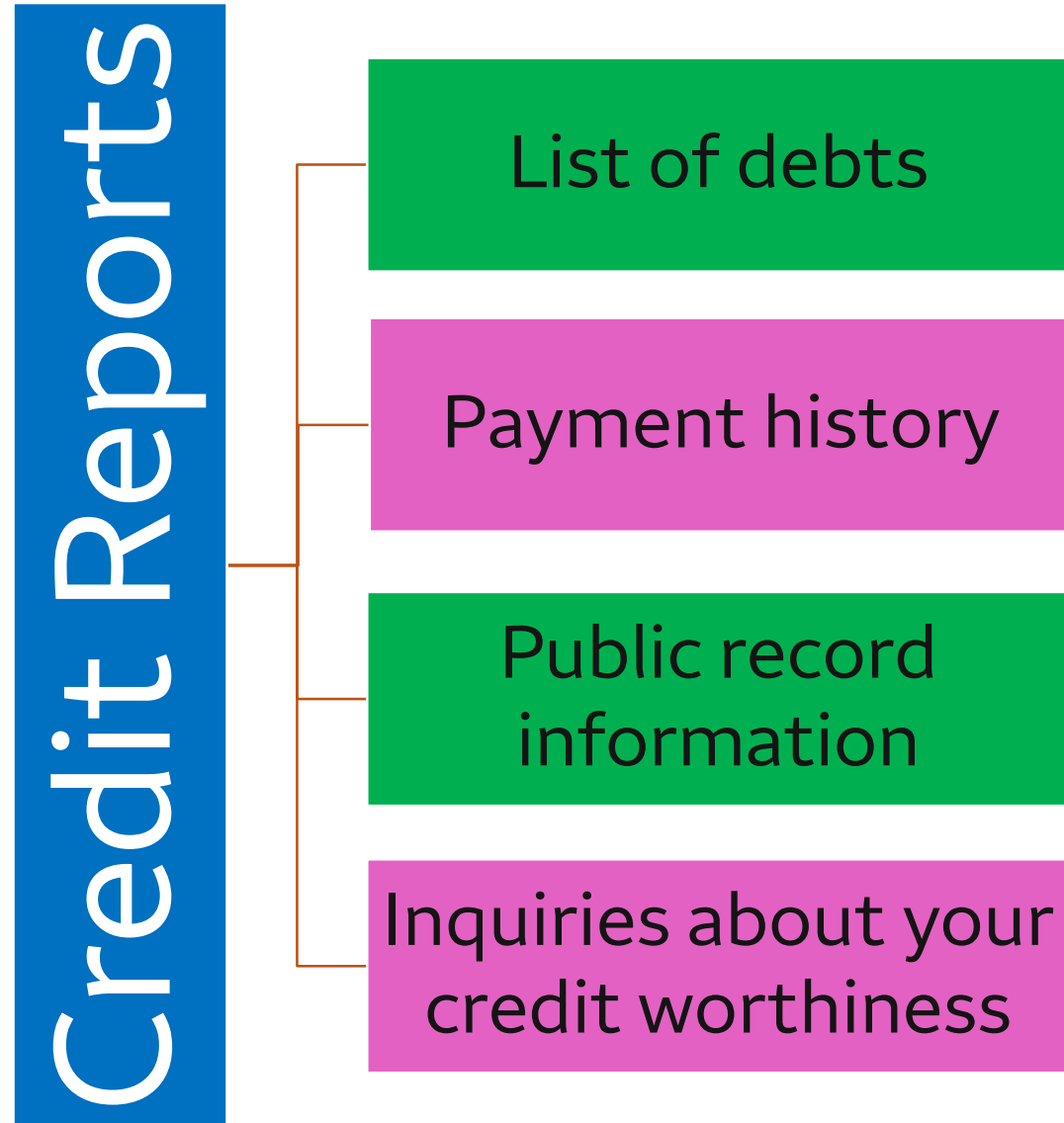
Importance of healthy credit

**Good credit is the basis of all your
financial investments**



Preparing for practice ownership

About credit



Practice Ownership Considerations

Preparing for practice ownership

Results of a prequalification

- Assumptive Cash Flow Analysis performed
 - Is my credit in good enough shape?
 - Could a start up support me?
 - What size practice should I look to buy?
 - Should I buy a home before transitioning to ownership?
 - Spectrum of opportunity identified, leading to focused market search.

Conducting due diligence

- Acquisition
 - Patients
 - Staff
 - Business and financial systems
 - Facility

Conducting due diligence

- Start up
 - Location
 - Marketplace
 - Practice type
 - Facility

Analyze the Practice

Acquisition or Buy-in

Does the practice provide the income you need to support your business and personal needs?



What is valuation?

The process of determining the current worth of an asset or a company
and is often determined by what a buyer is willing to pay

What is Goodwill?

Think of Goodwill as...

The difference between an established successful business and one that has yet to establish itself and achieve success

Higher risk = lower value

- Vintage equipment
- Turnstile staff
- Technology deficient
- Poor accounts receivable management
- Poor location
- Few new patients
- Poor hygiene recall system and/or high cancellation rate

High net income = greater value

- Lower overhead
- Salary controls
- Supply and equipment expense controls

The business plan

Developing a business plan

A "must have"



Developing Your Business Plan...more

- Use your vision and goals as the foundation for your business plan
- Consider “must haves” and “nice to haves”
- What type of dentistry will you practice?
- Who will be your ideal patients?
- Who will be working in your office?
- How much money do you need?

The executive summary

- Practice description
- Mission statement
- Financing requirements



The narrative

- Practice description
 - Personal history
 - Management team
 - Professional advisors and their roles
 - Business & legal structure
 - Business insurance
 - Insurance philosophy



Management and operations

- Location and premises
- Daily operations
- Staffing



Marketing for a Start-Up or Rebranding your Purchase

- Objective: Achieve positive cash flow by month 18
- Strategies: Attract 30 or more new patients | 75% case acceptance
- Tactics: Launch a web site | Educate patients | local advertising

Financials

- Capital and operating expense
- Project financing
- Cash flow projections



Growing Your Practice

Determining the right time

Patient capacity and flow

- Are the number of operatories in your practice limiting the number of appointments you or your hygiene staff can manage per week?
- How many more appointments could your current team incorporate if you had more operatories?

Determining the right time

Patient capacity and flow

- How long are patients waiting to book routine hygiene appointments?
- Are new patients waiting two weeks or longer to book a first appointment?
- Are patients waiting longer than four weeks for necessary treatments?

Determining the right time

Technology and aesthetics

- Have patients and team members expressed frustration with the level of technology in the practice?
- Do you have a list of technology you would like to add?
- Is older technology adding to chair time?
- Is your office appearance out-of-sync with your practice philosophy?
- When was the last time the facility was updated?

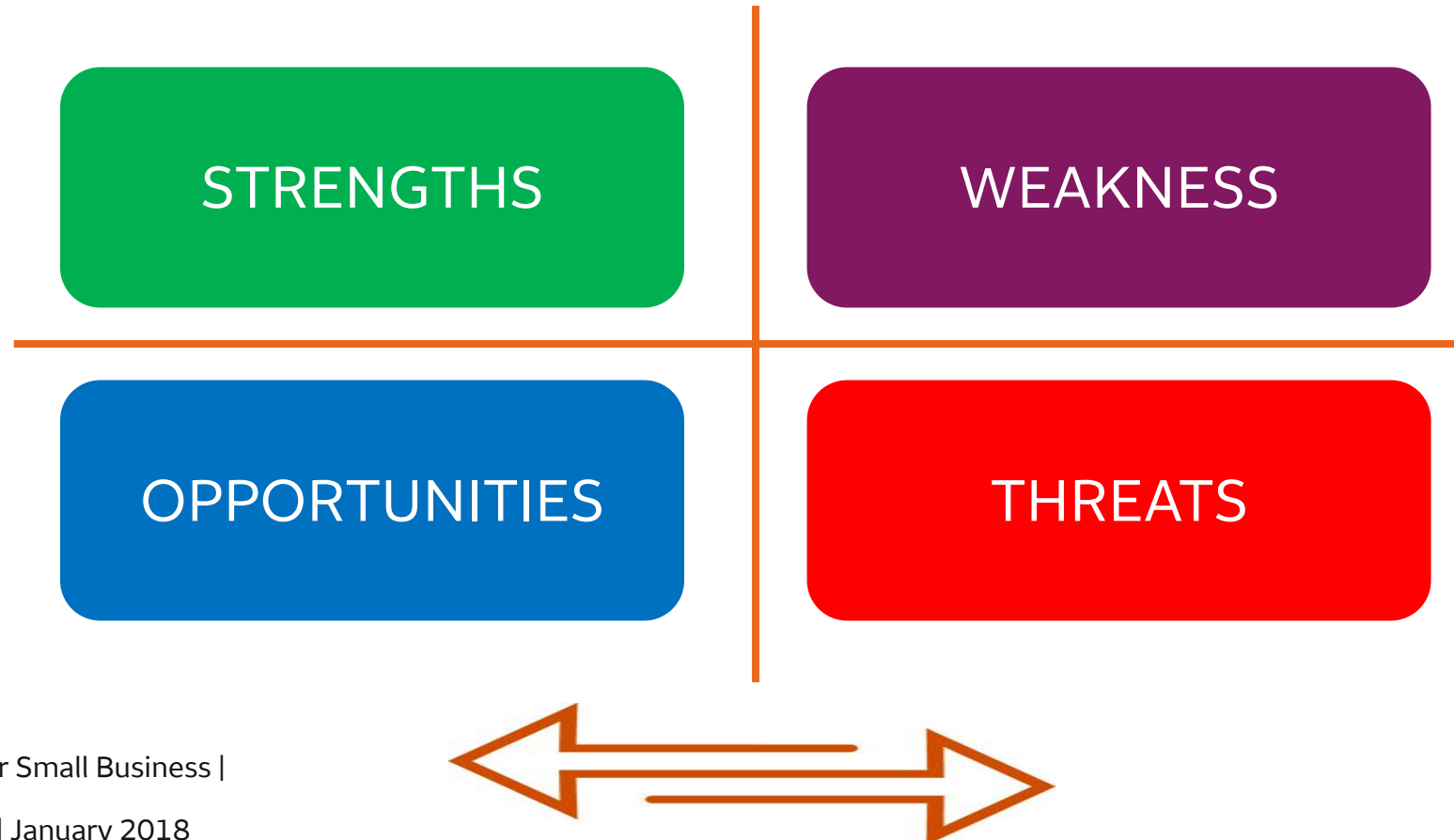
Defining your project plan

Objectives, expectations, strategies

- What are my project objectives?
- How do your objectives support your practice philosophy/mission
- What changes need to be made to achieve your objectives?
- How will the project effect your practice in the long term?

Analyzing the opportunities
Classic tools may help

SWOT ANALYSIS



Analyzing the opportunities

Classic tools may help

Pro	Con	Rank
No need for external lab		+ 5
Increased revenues		+ 8
	Expensive	- 6
	Training to integrate	- 2
	Total	+ 5

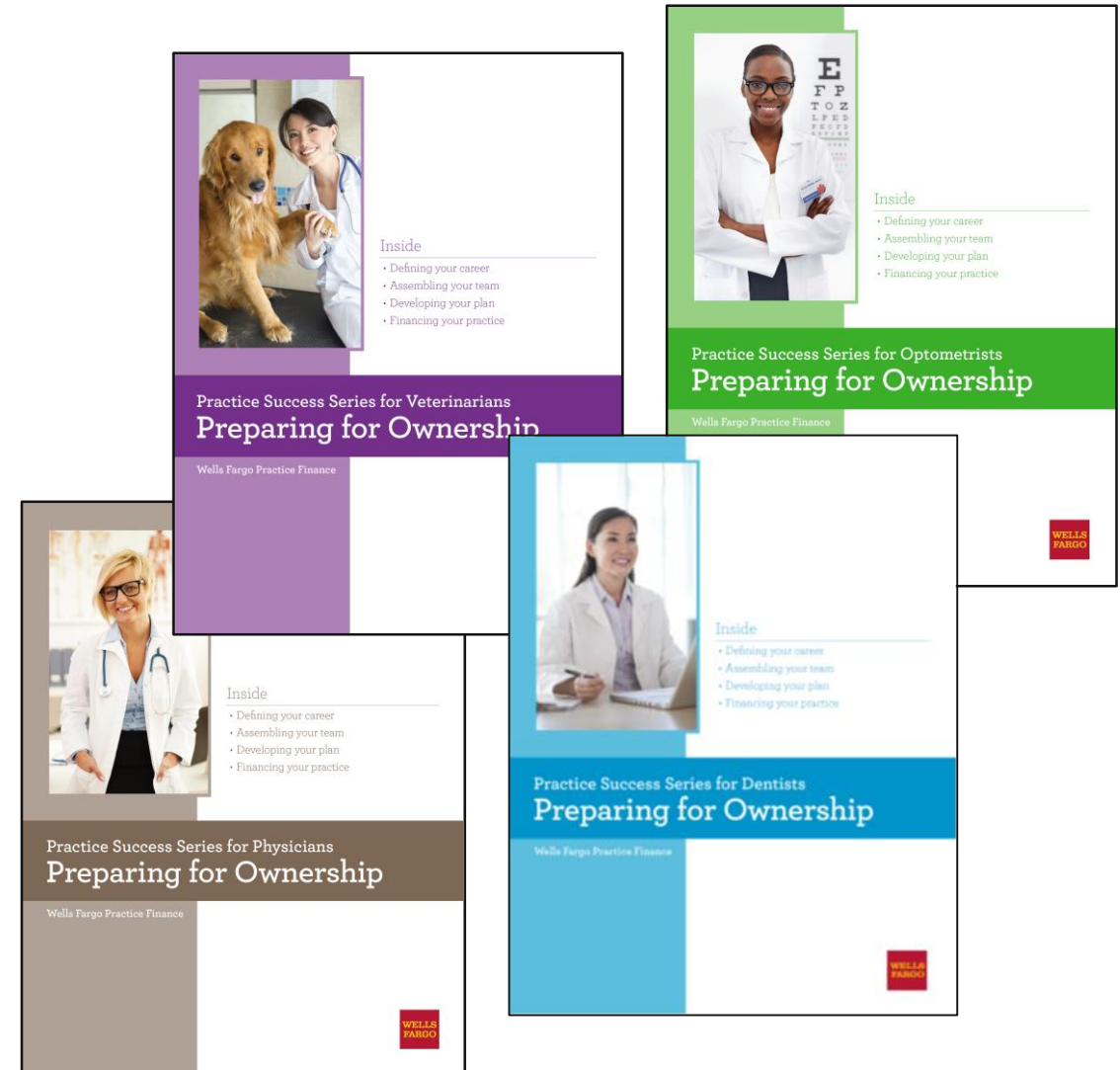
Questions?

Our commitment to success

Building a foundation for growth

- **Contact us for any of the below:**
- Practice Success Series – PDF Version
 - New doctor, growing/transitioning practitioner project planners
 - Start-up & acquisition workbooks
- Business plan templates
- Market Data reports
- Online planning calculators
- Online Marketplace

Planning tools



Additional Resources

[Practice Success Workbooks](#)

Checklists, worksheets, timelines and tips to help you navigate each step of your project. ***Preparing for Ownership:*** Defining your career, assembling your team, developing your plan, and financing your practice

[Business Credit Center](#) at Wells Fargo Works *for Small Business*[®]

Tips and tools to help you understand, manage, and apply for business credit

[Business Plan Center](#) at Wells Fargo Works *for Small Business*[®]

Online tool and learning resource for general small business planning

[Practicefinance.wellsfargo.com](https://practicefinance.wellsfargo.com)





Thank you

Rob Borcharding, VP Business Development
Manager

Wells Fargo Practice Finance
612-979-3119
robertborcharding@wellsfargo.com

Practicefinance.wellsfargo.com