

PRACTICE SNAPSHOT

Practice Overview

Established: 2019

Operatories: 4

Structure: S Corporation | Solo Owner

Specialty: General Dentistry

Services: Milling: Yes | Implants: Yes
| Aligners: Yes

Origin: Bought Existing Practice

FINANCIAL ANALYSIS

Collections Performance

Trend Analysis

Collections have shown steady growth, increasing from about \$905K in 2021 to over \$1.08M in 2023. This reflects an average annual growth rate of approximately 9.95%, suggesting consistent demand and effective case presentation, even without significant marketing investment.

Growth Assessment

OVERALL GROWTH (2021-2023)

19.90%

$(\$1,084,577 - \$904,582) / \$904,582 \times 100 = \$179,995 / \$904,582 \times 100 = 19.90\%$

Strategic Insights

As a solo practice, this organic growth is a strong foundation. However, it also highlights a potential dependency on the single owner's production. The growth appears to be driven by existing patient loyalty and internal referrals rather than new patient acquisition systems. This presents a significant opportunity to accelerate growth by formalizing a patient acquisition strategy.

Advisory Questions

"This 20% growth in collections over two years happened with almost no marketing spend. What specific internal systems or referral sources are driving this, and how can we build a predictable system around them?"

"With collections per operatory at \$271K, is the schedule consistently full, or are there gaps that a focused new patient strategy could fill to maximize capacity?"

Clinical Supplies & Lab Management

Trend Analysis

Total costs for supplies and labs have remained stable as a percentage of collections, moving from 8.29% in 2021 to 7.62% in 2023. This indicates effective cost management even as collections have grown.

Benchmark Comparison

CLINICAL SUPPLIES: CURRENT

5.19%

Well below benchmark, indicating strong purchasing discipline.

OPTIMUM

7.00%

LAB FEES: CURRENT

2.43%

Significantly below benchmark, which is expected given the in-house milling unit.

OPTIMUM

6.00%

Strategic Insights

The practice demonstrates excellent control over clinical costs. The low lab fee percentage confirms high utilization of the in-house milling unit, which is a key profitability driver. This frees up cash flow that could be redirected toward growth initiatives like marketing or team development. The focus should now be on ensuring this efficiency translates to maximum production, not just cost savings.

Advisory Questions

"With lab fees at just 2.43% due to your milling unit, what percentage of your total crown and bridge cases are you currently producing in-house, and what's the primary barrier to reaching 95-100% utilization?"

"Your clinical supply costs are well-managed at 5.19%. Are you leveraging your relationship with Patterson to secure bulk pricing, or is there an opportunity to further optimize inventory by analyzing procedure frequency?"

Marketing Investment

Trend Analysis

Marketing spend has been minimal, representing just 0.33% of collections in 2023, up from 0.09% in 2021. While the investment has increased, it remains far below a level that would systematically drive new patient growth.

Benchmark Comparison

MARKETING INVESTMENT: CURRENT

0.33%

Significantly below benchmark.

OPTIMUM

3.00%

Strategic Insights

The practice is growing organically without a formal marketing strategy, which points to a massive untapped opportunity. Achieving the industry standard of **25-30 new patients per month per FTE (Full-Time Equivalent) dentist** is critical for sustainable growth and reducing dependency on the existing patient base. A strategic investment in marketing could dramatically accelerate the practice's growth trajectory.

Advisory Questions

"Your collections are growing without a marketing engine. If you were to strategically invest the full 3% optimum (about \$32,500), what specific patient demographic or service like implants or aligners would you target first to generate the highest ROI (Return on Investment)?"

"Considering the goal is 25-30 new patients per month, what is the current average number of new patients you see, and which channels (e.g., Google, social media, community events) do you believe hold the most potential for your practice?"

Employee Cost Structure

Trend Analysis

Total employee costs have decreased significantly as a percentage of collections, from 37.87% in 2021 to 28.00% in 2023. This demonstrates remarkable leverage, where revenue is growing faster than payroll expenses. However, the composition of this spend warrants a closer look.

Benchmark Comparison

TOTAL EMPLOYEE COSTS: CURRENT

28.00%

At benchmark.

OPTIMUM

28.00%

Subcategory Breakdown (2023):

ASSISTANT WAGES: CURRENT

4.51%

Below benchmark

OPTIMUM

8.00%

PARAPROFESSIONAL WAGES: CURRENT

10.90%

Above benchmark by ~1.90%

OPTIMUM

9.00%

CLERICAL SALARIES: CURRENT

9.27%

Above benchmark by ~1.27%

OPTIMUM

8.00%

TAXES & BENEFITS: CURRENT

3.32%

At benchmark

OPTIMUM

3.00%

Strategic Insights

While the total spend is at the optimum level, the internal allocation is skewed. The practice is spending more than the optimum on clerical and paraprofessional staff while spending significantly less on clinical assistants. This could indicate a top-heavy administrative team or under-leveraged clinical support, potentially creating a bottleneck where the doctor is performing tasks that could be delegated.

Advisory Questions

"Your clerical salaries are over the 8% benchmark at 9.27%, while assistant wages are low at 4.51%. Does the front office team have the capacity to manage a higher volume of new patients, or could some of that budget be reallocated to another clinical assistant to improve doctor productivity?"

"With paraprofessional wages at 10.90% (above the 9% optimum), are your hygienists primarily focused on clinical production, or are they handling other tasks that could be delegated to optimize their time and revenue generation?"

Facility & Occupancy

Trend Analysis

Occupancy costs have remained stable, hovering around 7.24% of collections in 2023. The total dollar cost increased from \$69K to \$78K over three years, which is a normal inflationary adjustment.

Benchmark Comparison

FACILITY & OCCUPANCY: CURRENT

7.24%

Slightly above benchmark, but well within a healthy range.

OPTIMUM

7.00%

Strategic Insights

Occupancy costs are well-controlled and predictable. This stability provides a solid financial foundation for the practice. The current cost structure does not present a barrier to growth and appears appropriate for the facility.

Advisory Questions

"Your occupancy costs are stable and predictable. Does your current lease include any restrictions or opportunities for physical expansion if patient demand were to exceed the capacity of your four operatories?"

"With computer services and programs being the largest component of your occupancy costs after rent, what is the ROI on that technology, and are you fully leveraging its capabilities for patient communication and clinical efficiency?"

General & Administrative Expenses

Trend Analysis

G&A (General & Administrative) expenses have fluctuated but landed at 9.33% in 2023, slightly below the 2021 level of 10.32%. The increase from 2022 was driven by higher office expenses, credit card merchant fees, and continuing education.

Benchmark Comparison

G&A EXPENSES: CURRENT

9.33%

Below benchmark, indicating good expense control.

OPTIMUM

10.00%

Strategic Insights

The practice manages its G&A spending effectively. The rise in credit card fees is a direct result of higher collections and is not a concern. The increase in continuing education is a strategic investment in clinical skills. The key is to ensure these discretionary expenses are tied to specific growth or efficiency goals.

Advisory Questions

"Credit card fees have naturally risen with collections to 1.24%. Are you offering any incentives for prepayment or payment by cash/check to manage this fee, or is the convenience for patients worth the cost?"

"Your spending on office expenses nearly quadrupled from 2022 to 2023. What specific investments or changes in purchasing patterns drove this increase, and are they expected to be recurring?"

Net Operating Income & EBITDA Performance

Trend Analysis

Profitability has improved dramatically. NOI (Net Operating Income) grew from 35.77% in 2021 to an exceptional 47.48% in 2023. Similarly, EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) has climbed from 18.11% to 26.75% in the same period.

Benchmark Comparison

NET OPERATING INCOME: CURRENT

47.48%

Significantly above benchmark.

OPTIMUM

39.00%

EBITDA: CURRENT

26.75%

Significantly above benchmark.

OPTIMUM

19.00%

Strategic Insights

This level of profitability is outstanding and is a direct result of strong revenue growth combined with excellent expense control, particularly in staffing and lab costs. This high EBITDA margin makes the practice very attractive from a valuation standpoint and provides the owner with significant flexibility for lifestyle income, reinvestment, or debt reduction.

Advisory Questions

"Your practice is generating an NOI of 47.5%, well above the 39% optimum. How are you thinking about deploying this excess profit—is the priority to accelerate debt paydown, build cash reserves, or fund growth initiatives?"

"With an EBITDA margin of 26.75%, your practice's valuation is strong. Does this change your long-term transition timeline, or does it reinforce your strategy to continue growing the practice's value?"

Cash Position & Per Operatory Productivity

Cash Position Analysis

Cash on hand has fluctuated, falling from a strong 2.86 months in 2021 to 1.45 months in 2022 before recovering to 1.97 months in 2023.

CASH ON HAND: CURRENT

1.97 months

Just shy of the optimum safety net.

OPTIMUM

2.00 months

Per Operator Productivity

Productivity per operator has steadily increased from \$226K in 2021 to \$271K in 2023, demonstrating improved efficiency and throughput.

Strategic Insights

While the cash position has improved to a near-optimal level, the sharp drop in 2022 highlights a potential vulnerability. Maintaining at least 2 months of cash is crucial for operational stability and strategic flexibility. The strong and growing per-operator production indicates that existing capacity is being used more effectively year-over-year.

Advisory Questions

"Your cash on hand recovered to 1.97 months after dipping in 2022. What is your target cash reserve level, and is there a plan in place to ensure it remains consistently above the 2-month safety threshold?"

"With revenue per operator now at \$271K, what is the next operational step to increase this further—is it through optimizing the schedule, increasing case acceptance for higher-value procedures like implants, or something else?"

TOP 3 ADVISORY PRIORITIES

1. Implement a Strategic Patient Acquisition System

Growth

The practice's organic growth is a strength, but it's not a predictable system. To build long-term value and reduce owner dependency, the immediate priority is to develop and fund a formal marketing plan. Investing strategically toward the 3% optimum spend can unlock the next level of growth by targeting high-value services and ensuring a consistent flow of 25-30 new patients per month.

2. Realign Staffing Structure for Clinical Leverage

Growth/Lifestyle

While total staff costs are perfect, the allocation is imbalanced with an administrative-heavy structure. The priority is to analyze the roles and responsibilities of the clerical and clinical teams. The goal is to shift resources toward direct clinical support (assistants) to maximize the doctor's productive time, reduce burnout, and ensure the practice can handle future growth.

3. Fortify and Deploy Financial Strength

Transition/Lifestyle

The practice is exceptionally profitable, but its cash position has been volatile. The priority is to establish a formal policy to maintain cash reserves above the 2-month optimum. Once fortified, a strategic plan should be created to deploy excess profits toward goals like accelerating debt paydown, funding new technology, or maximizing owner distributions, turning high profitability into tangible financial security and strategic advantage.