Dental Practice Buyside Pre-Sale Checklist

Buy-side due diligence preparation guide for DSO transactions

RED: *Highest scrutiny / deal-breaker territory*	***AMBER:*** *High priority / valuation impact*	***TEAL:*** *Organize, assign & strategic*

■ Financial documentation

- [ ] 3 years of tax returns (business and personal)
- [ ] 3 years of profit & loss statements, preferably CPA-prepared

■ *PE buyers will recast EBITDA — know your add-backs before they do*

- [ ] Current year-to-date P&L and balance sheet
- [ ] Accounts receivable aging report - segmented by payer type (payor vs. guarantor)

■ *AR > 90 days will be flagged as a collection quality concern*

- [ ] Fee schedule for all procedures - compare to peer and area UCR benchmarks
- [ ] Identify and document all owner personal expenses run through the practice
- [ ] Reconcile all outstanding equipment or facility loans
- [ ] Verify no outstanding IRS liens, payroll tax issues, or state tax delinquencies

■ Production & revenue quality

- [ ] Run a trailing 12-month production report by provider and procedure code
- [ ] Identify hygiene production as a % of total - buyers want 30%+ as a target benchmark Document
- [ ] your payer mix (PPO, HMO, Medicaid, fee-for-service)

■ *Heavy Medicaid or HMO exposure depresses valuation multiples*

- [ ] Calculate your new patient count per month (trailing 12 months)
- [ ] Review and understand your active patient count (seen in last 18 months)
- [ ] Identify any single-provider concentration risk - if you are the primary producer, expect a longer earnout
- [ ] Document recall/recare rate and hygiene reappointment percentage

■ Legal & compliance

- [ ] Confirm dental license is active, in good standing, and has no board actions or restrictions
- [ ] Verify DEA registration is current if applicable
- [ ] Pull and review any malpractice claims history - carriers will provide a loss run
- [ ] Review all outstanding litigation or threatened claims
- [ ] Confirm HIPAA compliance - policies, training records, BAAs with vendors

> ■ *PE buyers will run a HIPAA audit - gaps create indemnification exposure*

- [ ] Confirm OSHA compliance - safety manual, bloodborne pathogen training, hazard communication logs
- [ ] Review any state dental board investigations, even resolved ones
- [ ] Confirm corporate structure (PC vs. LLC) and understand your state's DSO ownership rules

■ Facility & lease

- [ ] Pull your lease - confirm remaining term, options to renew, and assignment clause

> ■ *PE buyers typically require 7-10 years of remaining lease term or options*

- [ ] Understand your landlord relationship and likelihood of lease assignment consent
- [ ] Document square footage, number of operatories, and current utilization rate
- [ ] Inventory all major equipment with age, condition, and maintenance records
- [ ] Note any deferred maintenance or capex needs - buyers will discount for these
- [ ] Confirm all equipment is owned outright or document any financing obligations

■ Human resources & staffing

- [ ] Create an org chart with tenure, compensation, and employment status (W-2 vs. 1099)
- [ ] Confirm associate dentists are properly classified - 1099 associates are a compliance red flag in many states Review
- [ ] employee handbook, all employment agreements, non-competes, and offer letters
- [ ] Document benefits - health insurance, retirement plan, PTO policy
- [ ] Assess key person risk: which staff would follow you out the door vs. stay?
- [ ] Confirm no open EEOC complaints, wage claims, or workers' comp litigation

■ Technology & systems

- [ ] Document your practice management software and confirm you own or have a transferable license
- [ ] Confirm digital radiography system - analog X-rays are a capital expenditure flag
- [ ] Document your imaging software (CBCT, Panoramic, intraoral camera)
- [ ] Confirm your online reviews profile - Google, Yelp, Healthgrades, etc. Buyers will benchmark you.
- [ ] Review website ownership and any marketing contracts with termination clauses

■ Contracts & third-party agreements

- [ ] List all insurance network participation contracts - confirm they are assignable
- [ ] Review all vendor contracts for assignment or termination provisions
- [ ] Document any specialist referral relationships or formal referral agreements
- [ ] List all software and subscription services. SaaS contracts often have change-of-control clauses
- [ ] Confirm no exclusivity or non-compete obligations owed to other parties

■ Deal structure & personal readiness

- [ ] Engage a dental-specific M&A; advisor or broker before approaching DSOs directly

> ■ *Unrepresented sellers routinely leave 20-40% on the table*

- [ ] Hire a dental CPA to recast your EBITDA with appropriate add-backs before the LOI stage
- [ ] Engage an attorney experienced in DSO transactions - general business counsel is not sufficient
- [ ] Determine your minimum acceptable earnout structure and post-close employment term
- [ ] Understand the rollover equity ask - most PE-backed DSOs require you to roll 10-30% into equity
- [ ] Clarify your clinical autonomy expectations post-close before negotiations begin
- [ ] Define your personal financial goal: full exit vs. recapitalization vs. partnership growth model

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