Practice Expansion and Financing for Growth

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Vice President & General Manager

Speaker Disclosure

Keith Drayer is an employee of Henry Schein.
Agenda

- Tool of Success / Keith Drayer / Henry Schein Financial Services
- Debt / Joseph Persichetti / Bank of America
- Equity / Philip Toh / The Smilist
- Panel Discussion
- Q & A
Henry Schein Financial Services

- Henry Schein, Inc. subsidiary
- Offers financial services to health care practitioners to help them run better businesses
- Goal – to help your practice be fiscally successful
Henry Schein Professional Practice Transitions

• Largest, global dental broker
• Successfully closed $1 billion in transactions
• National coverage and local knowledge
• 700+ available practices

www.henryscheinppt.com

Henry Schein Professional Practice Transitions

• Valuations – American Certified Valuation Standards compliant
• Practice sales and brokerage
• Buyer representation
• Associateships, partnerships and mergers

www.henryscheinppt.com
Henry Schein Nationwide Dental Opportunities

Experts in Dental Associate recruitment and placement
- We deliver results
- Placed Associates in 50 states
- Compliment your efforts
- Permanent placement in practices
- Placement guarantee

www.dentalopportunities.com

Henry Schein Financial Services

Services that lead to increased revenue &/or decreased costs
- Acquisition and Project Financing
- Equipment Financing/Leasing
- Payment Processing
- Employee Student Loan Pay Down
- Henry Schein Credit Card
- Patient Financing
- Demographic Site Analysis Report
- Patient Collections
- Student Loan Refinancing

www.henryscheinfinancial.com
Why are you here?

- You have a shared vision
- You have a common Goal

Growth Oriented!
Different points, but want to get to the next level!

Today’s Objectives

- Fine-tune how to get to next level
- Learn from those who’ve done it
- Hear best practices
- Avoid missteps
- Address biggest questions/unknowns
Financing – You Have Options!

Debt vs. Equity

<table>
<thead>
<tr>
<th></th>
<th>Debt</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>What</td>
<td>Borrow funds from institutions/investors</td>
<td>Selling ownership rights in the company to investors</td>
</tr>
<tr>
<td>Factors</td>
<td>Retain ownership and control</td>
<td>Best for start-ups with high business potential</td>
</tr>
<tr>
<td></td>
<td>Beneficial when smaller amount of capital is needed</td>
<td>Not suitable for short-term needs</td>
</tr>
<tr>
<td></td>
<td>Better solution for short-term financial need</td>
<td>Dilutes ownership and some control</td>
</tr>
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Henry Schein Financial Services

We offer services to meet a broad range of needs:

- Work with multiple partners. Match to your specific needs
- Financing types – acquisition, start-up, expansion, working capital, equipment, technology
- Have “equity firm” relationships
- Our partners understand the dental industry. They lend to:
  - New/young dentists with dental school debt!
  - Multiple practices

“O.K., folks, let’s move along. I’m sure you’ve all seen someone qualify for a loan before.”
We’ve decided to invest! We’ll get documents to you tomorrow.

Great! But we haven’t talked about valuation.

We’ll do a multiple of your last investment round.

But this is our first round.

Ok, we’ll price it as a multiple of sales.

We don’t have any yet.

No problem. We have a sophisticated econometric model. We’ll run your numbers and get back to you.

Venture Capital Firm

Dentalpreneur

Later at the VC’s office.....

Yes!! $5 million!

Thank you

We look forward to the opportunity to partner with you!
Top Things Conventional Lenders Look for In Multi Practice Ownership

Joseph Persichetti

Joseph Persichetti
• SVP, Regional Sales Director
• Bank of America Practice Solutions
• 15 Year Team Member
• Joseph.Persichetti@bankofamerica.com
The skill set for owning a dental practice can be different depending on how many practices you own and your personal strengths.

What Does 2 vs 10 mean?

The skill set for owning a dental practice can be different depending on how many practices you own and your personal strengths.

Growth Strategy and Business Plan

- Written plan
- Growth strategy
  - De Novo
  - Acquisition
  - Revenue per treatment room
  - Growth strategy
- Scalability
- Projections
- Organizational Chart
- Corp structure
Understanding Types of Financial Statements

<table>
<thead>
<tr>
<th>Type</th>
<th>CPA Compiled</th>
<th>CPA Reviewed</th>
<th>CPA Audited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope of Work</td>
<td>No Assurance is given to the data provided to the CPA</td>
<td>Limited Assurance is given to the data provided to the CPA</td>
<td>Positive Assurance is given to the data provided to the CPA</td>
</tr>
<tr>
<td>When Required</td>
<td>Up to $3MM</td>
<td>$3MM - $5MM</td>
<td>$5MM - $10MM +</td>
</tr>
<tr>
<td>Cost</td>
<td>$</td>
<td>$$</td>
<td>$$$</td>
</tr>
</tbody>
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Entity and Structure

- Avoid spider web of ownership
- Have a clear and defined model
- Personal guarantee of officers with 20% or greater ownership
- Must include licensed dentist on the loan
- Associate buy-in model
Collateral and Lien Position

- Avoid spider web of ownership
- Understand collateralization and cross collateralization
- UCC Filings
- Corporate guarantees
- Outside business ventures

Loan Covenants

- Maintaining loan to gross collections ratio
- Maintaining business cash requirements
- Financial reporting
- Outside additional debt
- Maintaining personal debt and liquidity
Journey from 1 to 25 practices
How the Smilist Got there

Philip Toh

Philip Toh

- CEO of the Smilist Management
- 10 years with Henry Schein
- Prior experience - biotech, venture capital, healthcare start-up and consulting
- BS from UC Berkeley / MBA from University of Pennsylvania, Wharton
- phil@thesmilist.com
About the Smilist

- Founded in 2014 with a vision of being the Starbucks of dentistry
- A trusted brand in dentistry in the NY Metro area
- 25 locations across NY and NJ

Our Journey

- Focused on affiliating with high quality GP practices
- Growth via affiliations and organic growth
  - We have affiliated with over 35 dental practices
  - Help practices grow organically with more patients and services
Why We Exist

• Make dentist lives easier by supporting the administrative functions of the office
• We provide a glide path to retirement
• We provide a community of like-minded people to achieve professional goals

What Do We Do

• Practice operations (scheduling, staffing)
• Insurance, billing and collections (verifications, revenue cycle, credentialing)
• Marketing (digital, print, community events)
• Finance and accounting (accounts payable, payroll)
• Human resources (recruiting, training and career development)
• IT (hardware, software, clinical)
How We Got Here

- Initially self-financed by co-founders
- Need more capital to fuel affiliation growth
- Weighed various equity and debt options
- Building for the long term
- Raised capital through high net worth individuals / patient capital
- Traditional bank financing as a start-up challenging
- Obtained debt financing in 2017

Panel Discussion

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