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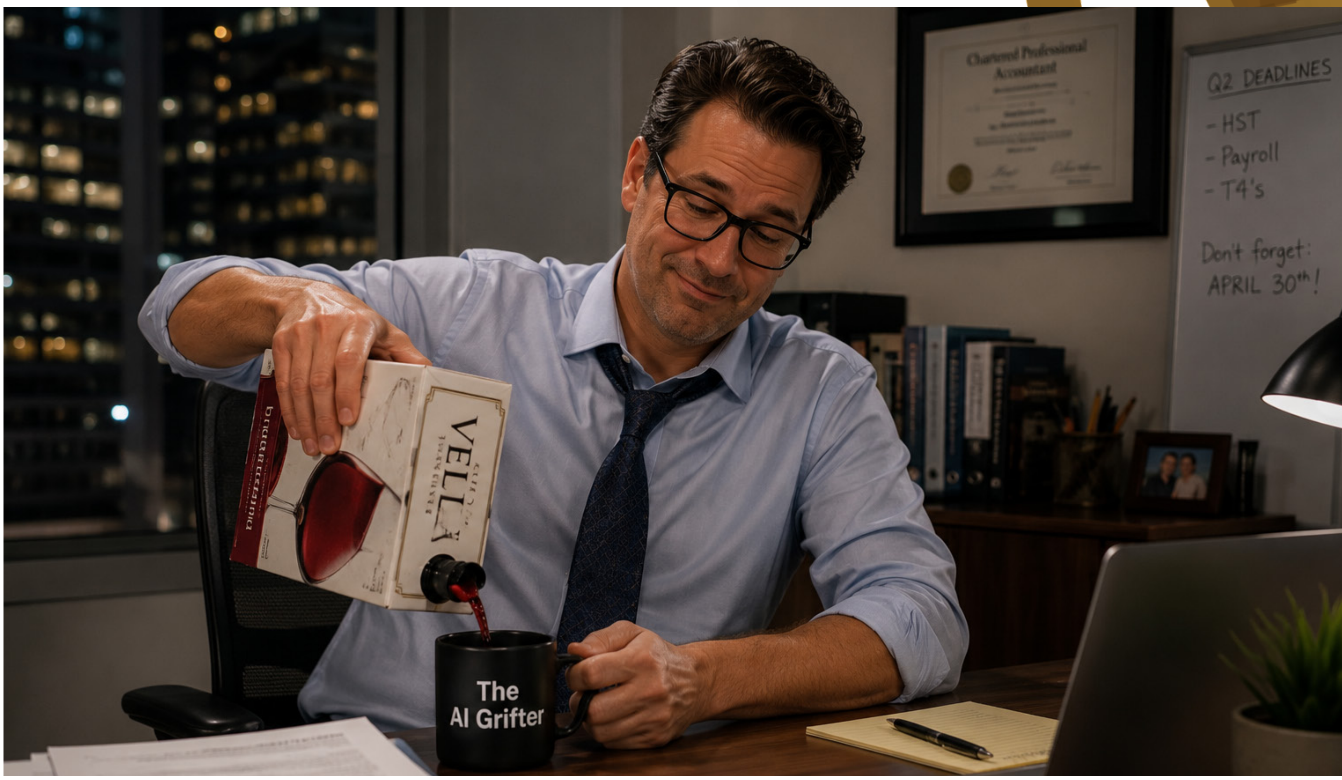
TO ASSIGN OR NOT TO ASSIGN



A client asked me a legitimate question the other day: Is my non-assignment practice worth more than an assignment practice?

My answer was immediate and consistent with what my father taught me.

A non-assignment practice is more valuable.

Reasons include better cash flow, fewer write-offs, lower administrative wages, and lower accounts receivable.

What else creates this value?

Start by putting yourself in the mindset of today's buyer.

1. Almost 90% of active purchasers are associates.
2. Not corporate accumulators – it's associates that you are likely to find making offers.

Canada has thousands of young and ambitious associates, all willing and ready to be an owner.

This is the buyer pool regardless of what you are told by the propogandists.

Most have worked in more than one practice in their early career.

They have worked in assignment practices and, if they are lucky, they have learned about the privileges of working in a non-assignment practice.

What they say to the brokers is blunt: they want to buy a non-assignment office.

Why? Because they have suffered from low collections (and pay sheets) in the poorly run offices.

So, if you are a dentist looking to buy a practice, you are no doubt seeking the non-assignment practice.

That is not to say that the assignment practice is undesirable, because there are varying levels of efficiency in assignment practices.

My system of appraisal has a multi-faceted methodology as to how they are rated and valued.

The empirical scoring that my father developed considers numerous variables that must be determined before a logical assignment of value is set.

A key determinant is accounts receivable and the aging, particularly amounts over 90 days.

The appraiser should consider whether the practice performs complex or large reconstructive cases that require down payments extended healing periods, and abutment placements, for example.

It is entirely possible that a large over 90-day receivable is perfectly healthy; it is just that the case has not finished yet.

Some offices enter the entire fee at the outset as part of their treatment acceptance protocol.

This increases the A/R, even though the case has not begun. A large A/R appears and begins to age.

And for those who perform orthodontics, you have accounts receivable that are fully collectable, but they appear as over 90 days only because the treatment has been entered in advance (at full fee) yet not completed and therefore, you cannot bill and collect the total fee – yet.

And yes, there are many other variables, but those two instances alone are paramount.

If you trust the dreaded EBITDA valuation method these factors are most certainly ignored and you may not be receiving, or paying the true, fair market value of a practice.

Avoid the methods employed by the Grifters who vomit AI backed, cloud-based data like cheap wine.

It flows quickly.

It can leave a nasty hangover.

Yes, you can accuse me of clinging to the appraisal traditions taught to me by my father.

So let the modern hustlers bring on the changes that old-fashioned relics like me rely upon.

I digress… notice how that happens every week lately?

As promised, I am becoming increasingly unfiltered and with NO AI writing my stuff. Still just me….

So, when you are looking at your practice and if you are an assignment practice, it does not mean it is not worth anything, it just means it is probably worth a little less but make sure you pick the appraisal company who understands how buyers, bankers and accountants view the various ways that assignment practices can and should be operated.

Yes, there are outliers, and yes, there are horrible assignment practices that have exceedingly high bad debts and copious amounts of A/R over 90 days.

A/R that is considered uncollectable by the ever-critical bankers and number crunchers.

Those that exhibit problematic A/R will be penalized by a time-tested, industry accepted appraisal system that understands how the asset is viewed by those who are thinking of paying for it.

If you are an assignment practice and you want to perform better in the eyes of the market without going fully non-assignment, I have suggestions.

If you are a non-assignment practice, it is still a good exercise to complete an accounts receivable review, just to make sure you are not missing some of the fine-tuning that can make your practice an even more attractive asset when viewed by the marketplace.

Not convinced? Ask your banker or your accountant.

Is this shameful marketing for the ROI Corporation appraisal method?

Yes. Yes, it is.

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Enjoy your summer! The hottest on record so far!

Written by:

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