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HOW A RECESSION AFFECTS DENTAL PRACTICE SALES

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A recession can significantly impact the sale of dental practices. While dentistry is often considered recession-resistant due to the essential nature of dental care, economic downturns can still affect patient visits, spending and the overall value of businesses. During the Great Recession average patient visits dropped 38.5% depending on geographic area and average dentist net income fell 13%. Patient behavior changes in recessions as fewer patients choose elective procedures and/or delay treatment.

Potential impacts on dental practice sales during a recession

Decreased Practice Valuation

Economic downturns often lead to lower business valuations. This can directly affect the selling price of a dental practice, especially for practices that historically have a large base of patients for elective procedures.

Reduced Buyer Pools

Fewer buyers, especially those relying on financing, may enter the market during a recession. This can limit the number of potential offers.

Increased Negotiation Power for Buyers

With fewer buyers, existing buyers may have more leverage to negotiate lower prices or more favorable terms.

Slower Transaction Times

The overall deal-making process can be extended due to increased scrutiny from lenders and buyers.

Potential for Distressed Sales

Some dentists facing financial hardship might be forced to sell their practices quickly, which could lead to lower selling prices.

Factors that can mitigate these impacts

Essential Nature of Dental Care

People often prioritize dental care, even during economic downturns.

Aging Population

The increasing number of older adults, who typically have more disposable income, can support dental practice revenue.

Strong Practices with Established Patient Bases

DSOs often seek to retain existing staff when acquiring practices. This can help maintain continuity of care for patients and reduce the transition burden for dentists.

Conclusion

Ultimately, the impact of a recession on dental practice sales will depend on several factors, including the severity of the recession, the specific geographic location, and the overall health of the dental practice.

If you have any questions about this article or are interested in learning more about selling your practice, please contact Darren Sardoff at darren@kingsransomgroup.com.

ABOUT KING’S RANSOM GROUP

King’s Ransom Group (“KRG”) is a private investment firm and M&A advisor, working with companies across the business services, healthcare, and marketing industries. KRG’s healthcare group advises dental practices nationwide in all facets of their sales process to help practices find the best and right investors and partners. KRG’s team has decades of experience founding and operating businesses across various sectors as well as financial expertise having worked at some of the largest firms on Wall Street. For more information, please visit www.kingsransomgroup.com.

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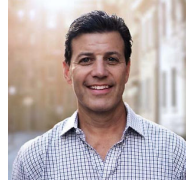
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Darren has 30+ years of investment experience across the media, technology, consumer, and communications sectors. His background includes senior roles in corporate M&A, investment banking, and principal investing.

Most recently, Darren was a Partner and Portfolio Manager at the investment firm, Act II Capital LLC, where he oversaw the investment process in over 100 companies throughout the firm’s eighteen-year existence. The firm invested its \$450 million portfolio in both public and private companies. In addition to his portfolio management responsibilities, Darren led investment research across the marketing, advertising, consumer, software and technology sectors.

Prior to Act II, Darren was a Vice President in the Media and Communications group at Lehman Brothers and Cowen & Company, and held a management role in the Corporate M&A group at Time Warner, Inc. Darren began his career at Ernst & Young and is a CPA.

Darren received his MBA from the Wharton School at the University of Pennsylvania and his BS with honors from the University of Buffalo.