

The Oral and Maxillofacial
Surgeon's Guide to
Private Equity



 **ALLIED OMS**
Power through Partnership™

Private equity investment in OMS is at an all-time high

Over the past two decades, Dental Support Organizations (DSOs) and Management Services Organizations (MSOs) have become increasingly popular, offering essential support to OMS doctors in managing their administrative and day-to-day business responsibilities.

DSOs handle nonclinical functions such as accounting, payroll, human resources, compliance, IT, marketing, and more – allowing doctors to focus on patient care.

Private equity firms have fueled the growth of DSOs, with over 100 private equity-backed MSOs and DSOs currently operating in the industry. These PE firms recognize the stability and profitability of the dental industry, which has seen consistent revenue growth.

Most DSOs explain the basic premise of their investment in your practice this way:

They will buy your practice for a great multiple.

They will help you run your business more efficiently and provide back-office support.

They will give you access to a nationwide network of surgeons for networking and collaboration.

While all of that may be true, there is more to understand about the immediate, mid-, and long-term benefits and potential challenges, for you and your practice.

At Allied OMS, we are here to help you, the surgeon, fully understand and navigate the private equity-backed DSO landscape when investors come calling, including defining important financial terms and metrics.



Private equity's approach to partnering with independent OMS practices: A primer

A private equity-backed DSO will acquire your practice and merge it into their platform. This consolidation helps achieve cost savings and operational efficiencies; individual practices benefit from the platform's resources and infrastructure, which can quickly help accelerate growth and improve profitability.

The offer to acquire your practice will be based on key performance and financial metrics, including **EBITDA**.

EBITDA is earnings before interest, taxes, depreciation, and amortization, and measures your practice's financial health and ability to generate cash.

Once the acquisition is complete, the private equity firm will typically take a hands-on approach to managing your practice. This may involve providing investment capital in new technologies or facilities, helping implement best practices to improve operational efficiency, and identifying opportunities for growth and expansion.

After a period spent **growing the value of each of the practices in the network**, the platform will then sell in its entirety to a larger group.

Benefits of partnering with private equity-backed DSOs



Business management expertise

Private equity firms have experienced management teams who provide guidance on managing your practice as a business. This, coupled with a network of like-minded surgeons can help your practice improve its operations, streamline its processes, and increase efficiency.



Increased bargaining power

Private equity firms can negotiate with vendors, suppliers, and insurance providers on behalf of your practice, potentially reducing costs and increasing profitability.



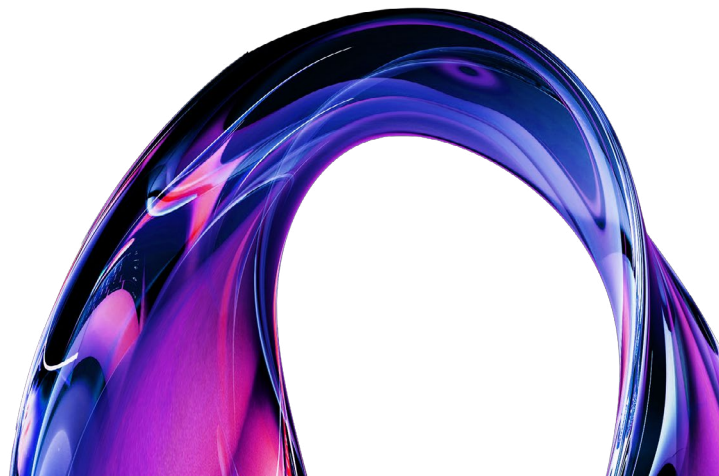
Growth opportunities

Private equity firms typically have a robust network of contacts and resources that can help your practice grow. This could include referrals from other practices within the firm's portfolio or access to new markets and patient populations.



Providing an exit strategy

Private equity firms typically invest in your practice with the goal of eventually selling their shares for a profit. This can provide an exit strategy for physicians who are looking to retire or move on to other opportunities.



Potential challenges



Increased pressure to meet financial targets

Private equity firms are focused on generating a return on their investment, which can create pressure on your practice to meet financial targets. This can lead to a focus on profitability over patient care, which can conflict with the values and goals of surgeons and staff.



Loss of clinical autonomy

Private equity firms may want to implement changes to the practice, such as standardizing patient interactions and procedures – i.e., replacing conversations with automated and impersonal data collection methods or making unilateral decisions about which implant provider to use. Both doctors and staff often end up feeling a loss of autonomy in caring for their patients, which can be demotivating, and lead to decreased job satisfaction.



Conflicts of interest

The private equity investors may also have different financial and efficiency goals than doctors and staff, which can lead to conflicting priorities. For example, the firm may want your practice to implement new technologies or procedures or use certain devices or medications that are more profitable – even if they are not the best choice for every patient.



Changes to your practice's culture

Private equity firms may implement a different management style than surgeons and staff are used to, creating an undesirable shift in the culture if opinions differ about how to manage, motivate, and retain high-performing teams.

The best of both worlds:

Allied OMS's distinctive approach to Private Equity for Oral and Maxillofacial Surgery practices

Allied OMS was founded by leading oral and maxillofacial surgeons and experienced healthcare private equity executives, with a shared vision for flipping the script on the traditional DSO.

Our mission was to create a different private equity model for oral and maxillofacial surgeons **who want a better future for their practices and a consistently high quality of care for their patients.** We offer all the benefits of a PE-backed DSO and eliminate the conflicts of interest that arise from misaligned expectations for clinical autonomy and the inevitable separation of doctors from the management of the network they have entrusted with their life's work.

The most important difference between Allied OMS and other DSOs lies in our distinctive governance model:

We do not manage our doctors; our doctors are actively involved in the management of the platform, including serving in board and executive leadership roles. In fact, Allied OMS is the nation's only DSO with a doctor-majority Board of Directors – 75% of the board directors are network doctors, and 100% of the management committees are chaired by network doctors. No other DSO can say that.



This doctor-led-and-governed approach combines the clinical expertise of leading physicians with the business acumen of healthcare and private equity veterans. Together, we deliver a comprehensive suite of management services and resources to increase operational efficiencies, optimize EBITDA, and help you benefit at every stage in the growth of your practice – all without setting unrealistic financial targets or giving up clinical control.

Contact us today to learn more about the industry's only doctor-owned, led, and governed DSO. We can answer all of your questions about private equity in OMS, and help you determine the best approach for your practice.

Email us at partner@alliedoms.com, call at 817-934-6525, or visit alliedoms.com/about/ to hear directly from the doctors on why Allied OMS was the right choice for them.

