

FRYE PRACTICE SALES | FREE GUIDE

Preparing Your Practice for Sale

A Guide for Arizona and California Dentists

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Why This Guide Exists

Selling your dental practice is one of the largest financial decisions of your career. Most dentists do it once. The buyers you'll meet, the lenders you'll deal with, the attorneys and CPAs you'll coordinate — they do this every week. The information asymmetry is real, and it's expensive when you're on the wrong side of it.

Frye Practice Sales has handled over 300 dental practice transactions across Arizona, ranging from solo general practices to multi-site DSO platforms valued above fourteen million dollars. This guide condenses the lessons from those deals into a practical preparation roadmap. Whether you're planning to sell in six months or three years, what you do today shapes the offers you'll see when the time comes.

Bottom line: The single largest determinant of sale price is not your asking price. It's the quality of the financials, the cleanliness of the operations, and the credibility of the practice you hand a buyer's lender. Everything in this guide ladders up to those three.

Section 1. Understanding What Your Practice Is Worth

Most dentists overestimate or underestimate their practice value — rarely do they land in the middle. The market doesn't care about what you paid to build the practice or how many years you've put in. Buyers and their lenders care about three things: collections, profitability, and risk.

The 3-Method Valuation

A defensible valuation uses three methods and averages them so neither buyer nor seller can argue the number was cherry-picked:

- **Percentage of Collections.** The simplest. Most general practices sell between 60% and 80% of trailing twelve-month collections. Specialty practices and high-margin practices command higher multiples; high-overhead practices land lower.
- **Income-Based (Capitalized Earnings).** Calculates the practice's normalized earnings (post doctor compensation) and divides by an expected return for the buyer. This is the method lenders rely on most heavily because it shows whether the practice can support the loan.

- **Comparable Sales.** What similar practices in your market actually sold for in the last twelve to twenty-four months. This is where a broker with deal flow earns their fee — the data isn't public.

If your collections-based and income-based numbers diverge by more than fifteen percent, something is off — usually overhead is too high. That's a problem to solve before listing, not after.

Section 2. Get Your Financials in Order

Lenders fund 80–90% of dental practice acquisitions through SBA loans. They underwrite the practice, not the buyer. If your books can't tell a clean story in under thirty minutes, the deal stalls or dies. Three years of clean financials is the price of entry.

Documents to Have Ready

- Three years of profit and loss statements, prepared on accrual basis where possible.
- Three years of business tax returns including all schedules.
- Year-to-date P&L through the most recent month-end.
- A current overhead breakdown by category (rent, payroll, supplies, lab, marketing, taxes, debt service).
- Production and collections reports by provider for the last twelve months.
- Aged accounts receivable summary.
- Active patient count using a defensible definition (visited within the last 18–24 months).
- Equipment list with approximate ages and any outstanding leases.
- Lease agreement and any renewal options.

If you run personal expenses through the practice, talk to your CPA about “adjusted” or “normalized” EBITDA. Buyers expect some level of owner perks; they need them itemized so they can be added back into the earnings calculation. Don't try to hide them — document them.

Section 3. Confidentiality Is Not Optional

Premature disclosure to staff, patients, or competitors is the single fastest way to lose value. Word travels. Anxious staff start interviewing elsewhere. Patients drift to other practices. Referring specialists wonder what's wrong. The result is collections drop right when you need them to look strong.

How Confidentiality Works in a Sale

Practices are marketed under blind summaries — identifying details are stripped from initial outreach. Only buyers who pre-qualify (proof of financing, valid license, signed mutual NDA) see the full prospectus with the practice name and location.

You decide when staff is informed. Karl recommends waiting until after the buyer is selected and the deal is in the final stretch. By then, you can introduce the new owner with a plan in hand — an overlap period, a clear retention package, answers to the questions staff will ask first.

Section 4. Choosing the Right Broker

Not all brokers are equal. Some list practices and wait. Others actively work the deal. The questions you ask before signing a representation agreement matter as much as the practice prep.

Questions to Ask Any Broker

- How many dental practice transactions have you personally closed in the last twenty-four months?
- Do you have a buyer database, or do you wait for inbound inquiries from listings?
- What is your average days-on-market for general practices? For specialty?
- Will I work with you, or with an associate?
- How do you handle DSO offers vs. private buyer offers?
- What's your commission structure, and are there any upfront fees?
- Can I talk to two or three sellers you closed for in the last twelve months?

A broker who can't or won't answer these directly is telling you something. Take them at their word.

Section 5. Realistic Timeline Expectations

Most dental practice sales close within three to nine months of being listed. The wide range is driven by how prepared you are when you start. A practice with clean financials, a defensible valuation, and a clear story can be on the market within thirty days of the initial broker call. A practice that needs financial cleanup, lease renewal, or equipment updates can take three to six months of prep before listing.

Typical Phase Breakdown

- **Weeks 1–4 — Preparation.** Valuation, financial review, prospectus drafting, photography, lease verification.
- **Weeks 4–12 — Active Marketing.** Buyer outreach, NDAs signed, prospectuses sent, initial buyer calls and tours.
- **Weeks 8–16 — LOI & Negotiation.** Letter of Intent received, terms negotiated, due diligence period begins.
- **Weeks 12–24 — Closing.** SBA loan underwriting, lease assignment, attorney coordination, final walkthrough, money moves, transition begins.

Section 6. The Most Common Pitfalls

After 300+ transactions, these are the mistakes Karl sees most often.

Waiting too long to start prep. Dentists call us six weeks before they want to retire. By then options are limited. The earlier you start, the more leverage you have.

Pricing on emotion, not data. The practice you spent twenty years building is worth what the market will pay, not what it cost to build. A high asking price isn't bold — it's a stall that costs you months and makes the eventual lower price look weak.

Hiding problems instead of solving them. Lenders find everything during underwriting. A missed payment from three years ago, a lease about to expire, a dropping insurance reimbursement trend — better to disclose and frame it than to be discovered.

Telling staff too early. Even the loyal ones get nervous. Some start interviewing. The ones who do leave often take patients with them.

Choosing the cheapest broker. A 1% lower commission on a \$1M practice saves \$10K. The wrong broker can cost you \$100K in price or six extra months of carrying costs. Pay for the person who closes deals.

Not planning the post-sale transition. Patients are loyal to people, not buildings. A 30 to 90 day overlap where you introduce the new owner protects collections and the goodwill the buyer paid for.

A Quick Note on California vs. Arizona

California practices typically command higher valuations than Arizona, driven by population density, fee schedules, and DSO competition for acquisition targets. The trade-off is more complexity: lease assignments take longer, real estate plays a larger role, and California regulatory requirements layer onto every transaction. The fundamentals are the same in both markets — clean books, defensible

valuation, qualified buyers — but the playbook adjusts.

Frye Practice Sales serves both markets with the same hands-on approach and the same banking-background discipline. If you're considering a sale in either state, the conversation costs nothing.

Ready to Talk?

Every Frye Practice Sales engagement starts with a confidential conversation. No commitment. No upfront fees. Just an honest discussion about what selling your practice could look like.

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