



## Value is a derivative of what you take – not what you make Stop focusing on the top line – start focusing on the bottom line!

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Dozens of macro and micro economic levers will impact your bottom line.

Your ability to significantly improve the free cash flow of your dental practices is extremely limited, regardless of how you attempt to influence these powerful levers. That's where the experts focus and they promote financial solutions, for a fee of course!

The experts have a bag of tools to "increase profitability," and they rely exclusively on increased gross income for their "proven techniques" to be effective.

- 1) Increased cost of materials/supplies/equipment;
- 2) Increased staff wages/ staff shortages;
- 3) Increased interest rates;
- 4) Increased inflation;
- 5) Increased corporate and taxes;

As you can see, none of these drivers are gross income specific and these influences create a toxic mix that drives down your bottom line. There are very few who will overcome these immediate, recessionary pressures.

Historically, the dental services industry (sales and marketing consultants et al) has always asked practice owners to generate more revenue. It is called "Production Based Profitability" and invariably, it requires more effort from the dentist and staff. This is easy for consultants to preach, but extremely difficult for you to implement. It is also the opposite of the adage; 'work smarter, not harder!'

Despite staff incentives, motivational meetings, technology advances and increased marketing expenditures, the average dental practice continues to retain less cash each year. Semi-fixed and variable expenses can consume the majority, if not all the increased revenues. I call it 'income-creep,' referring to the fact that while we may achieve higher gross income numbers, we often spend even more to generate it!

### What is the answer?

In late 2021, I met a dentist who had found a predictable, sustainable, and reproducible way to improve his corporate free cash flow - without increasing production!

For the past 5 years this dentist has been using a long-standing Canadian Tax R&D Program and a novel nanotechnology platform he developed into hundreds of dental-specific clinical protocols. Similar programs exist in the United States. These novel nanotechnology-based treatments are both antimicrobial and wound healing, so they have not only helped improve thousands of patient clinical outcomes, but they also qualified for Tax R&D credits which have helped dramatically improve the incremental free cash flow of his dental practice.

The results are hugely impressive.

Other dentists, including specialists, are now doing the same. With access to the right systems, protocols and Nanotechnology, the good news is that ANY dental practice can implement these same strategies. I refer to this dentist as "The Profit Taker" because he is quite possibly the most profitable solo dentist that my team has ever examined. Even after deducting a personal salary of \$260,000 CDN from his dental corporation his 2021 corporate free cash flow was 37% of gross revenues. An after-tax profit of \$874,796. The industry average corporate profit for a solo general practitioner in 2021 was in the range of 10% of gross income or about \$80,000 to \$90,000. This general dentist's corporate profit was over 10 times the industry average due mostly to the use of these novel nanotechnology-based R&D activities.

In fact, his free cash flow is so exceptional, it is still 2.5 times greater than the corporate profit of the average 4-dentist practice! When we combined this solo dentist's corporate and personal net income (after all taxes) it was a whopping \$1,119,796 or a 47.61% net profit margin. Because of the incremental income from this Tax Credit Program, his amended free cash flow number routinely exceeds his pre-tax adjusted EBITDA numbers. In fact, his free cash flow position exceeds his EBITDA numbers!

My financial team and I have never seen this before - another reason why EBITDA is a flawed method of calculating practice value! This dentist has termed this phenomenon (where he is making more money after tax than before tax) as an "Inverted Free Cash Flow" because his net profit numbers are inverted relative to his adjusted EBITDA – and not by just a little - by a lot.

The impact this has had on his income statements over the past 5 years, and the additional value it has placed on his practice, is nothing short of astounding! If you are not already looking into this program, now is a suitable time to start. To learn more please visit [www.verasil.com](http://www.verasil.com). If you would like to verify the above claims/figures, you are more than welcome to call me directly so we can discuss his just released 2022 P&L statement which is equally astounding.

Note to Readers: At the time of writing the author has no direct financial interest in the products or companies involved in this program. The author may invest later this year.

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