D R A I

ACQUISITION DILIGENCE OPERATIONAL QOE

Atlantic Smiles Dental Group

Prepared for Meridian Dental Partners

ENGAGEMENT ID
ENG-2026-A012

PMS SYSTEM
Dentrix

DATE PREPARED
July 23, 2026

DEAL STAGE
Post-LOI / Pre-Close

ACQUIRER
Meridian Dental Partners

TARGET
6-Location Group (Southeast US)

SAMPLE · FICTIONAL ENGAGEMENT · ILLUSTRATIVE FIGURES

Confidentiality

This report is furnished solely to the named recipient under the mutual non-disclosure agreement between Meridian Dental Partners and DRAI Consulting LLC dated June 16, 2026. It may not be reproduced, distributed, or disclosed to any party other than the recipient's directors, officers, employees, and professional advisers who are bound by equivalent confidentiality obligations and who need the contents for the purpose of evaluating the referenced transaction. Each recipient copy is prepared for that recipient; distribution beyond the recipient is not authorised.

Basis of Preparation

This report presents an operational analysis of Atlantic Smiles Dental Group prepared from practice management system (PMS) exports covering the 24 months ended June 30, 2026, written intake responses from target management, and underwriting parameters supplied by the Acquirer. Its purpose is to identify and quantify uncaptured revenue and operational exposure at the target. It is an operational analysis prepared to sit alongside, not replace, a financial Quality of Earnings review.

This report identifies and quantifies. It does not recommend any course of action, does not opine on purchase price or deal terms, and does not constitute investment, legal, accounting, audit, or tax advice. Reference material on responses the market commonly applies to findings of this kind appears in Appendix G and is expressly not a recommendation. Scope limitations and data reliability conventions appear in Section 2.5 and Appendix F.

Non-Reliance

DRAI Consulting LLC has not audited, reviewed, or independently verified the financial statements of the target. PMS-reported figures are relied upon as described in Appendix F.2. Estimates in this report are forward-looking, depend on execution by the acquiring organisation, and are presented in conservative and moderate scenarios rather than as a single point of certainty. No representation or warranty, express or implied, is made as to the achievement of any estimate.

Sample document. This is a demonstration deliverable built on a fictional engagement. Atlantic Smiles Dental Group and Meridian Dental Partners are fictional parties constructed to demonstrate the deliverable format and methodology; all figures are illustrative. The structure, derivation discipline, and disclosure conventions are the deliverable. PHI-safe: no patient-identifiable data appears in this document.

TABLE OF CONTENTS

Defined Terms (Short Form) **4**

1. Executive Summary **5**

2. Engagement Scope, Profiles & Operational Baseline **6**

3. Findings Overview **8**

4. Category Detail **9**

4.1 Lapsed Recall 9

4.2 Unscheduled Accepted Treatment 10

4.3 No-Shows & Cancellations 11

4.4 Provider Variance (Structural Exposure) 12

4.5 New Patient Retention 13

5. EBITDA Conversion **14**

5.1 Conversion Bridge (Full Fee to Cash to EBITDA) 14

5.2 Variable Cost Stack & Capacity Check 15

5.3 Sensitivity Analysis & 5.4 Hold-Period Model 16

5.5 Year 1 Realisation & 5.6 Total Value Summary 17

6. Recovery Modelling **18**

7. Structural Risk Summary **19**

Appendix A. Per-Location Data Schedules **20**

Appendix B. Provider Concentration Detail **22**

Appendix C. Sources of Information & Basis of Estimates **23**

Appendix D. Methodology & Assumptions **24**

Appendix E. Definitions & Abbreviations **26**

Appendix F. Limitations, Caveats & Data Reliability **27**

Appendix G. Reference: Common Market Responses **28**

Appendix H. Model Inputs: Acquirer KPIs Applied **29**

Figure convention: estimate-level values (category recoverable production and underlying counts) are rounded to the nearest $1,000. Bridge, hold-period, and sensitivity values are computed in exact dollars on the rounded category totals and displayed to the dollar, so every derivation in Sections 5 and 6 re-computes exactly from the figures shown. Where a single multiplication is displayed rounded, the exact figure appears alongside it.

Short-form definitions for terms used throughout this report. The full glossary appears in Appendix E.

T12 / T24	The trailing 12 or 24 months ended June 30, 2026, per PMS exports.
Operational QoE	Operational Quality of Earnings: a PMS-level analysis quantifying uncaptured revenue and operational exposure, prepared to deal-room standard alongside financial QoE.
Gross (Full-Fee) Production	Clinical production valued at the practice's full fee schedule before any payor adjustment. The unit in which PMS reports record production and in which recoverable estimates are first stated.
Contractual Adjustments	Insurance write-offs: the difference between full fee and the contracted payor rate. The target's T24 blended adjustment ratio is 25.0% of gross production (Appendix D.3).
Net Production	Gross production less contractual adjustments; the amount the practice is entitled to collect.
Net Collection Ratio (NCR)	Collections as a percentage of net production. Target T12 actual: 96.0%. The institutional standard ratio used in financial QoE.
Gross Cash Yield	Collections as a percentage of gross (full-fee) production: (1 less adjustment ratio) times NCR. Target T12 actual: 72.0%.
Recoverable Production	Uncaptured revenue identified in categories 4.1, 4.2, 4.3, and 4.5, stated at full fee. Provider Variance (4.4) is a structural exposure and is excluded from recoverable totals.
Incremental EBITDA Margin	The share of recovered collections that reaches EBITDA after the variable cost stack: 37.1% under the Acquirer's KPIs (Section 5.2).
Acquirer KPI Baseline	The ten underwriting values supplied by the Acquirer on the Form 3 Acquirer Intake Questionnaire and applied in Section 5 (disclosed in full in Appendix H).
Zone Classification	The three-zone classification (Opportunity, Operational Risk, Structural) defined in Appendix D.1. Every category maps to exactly one zone.
Recovery Initiation Window	When execution of recovery begins (at close, within 30 days, within 90 days), not when capture completes.
Realisation Rate	The share of steady-state annual capture realised in a given year. Year 1 is modelled at 60% (quarterly ramp in Section 6); Years 2-5 at 100%.
Structural Risk Offset	The EBITDA exposure from Provider Variance deducted from Year 2 onward in the hold-period model (Sections 5.1 and 5.4).
Probable Driver	DRAI's prioritised starting hypothesis for why a measured gap exists. The gap itself is measured directly in the PMS data and is claimed as fact; the probable driver is offered for confirmation by the acquirer's integration team.
Clarification Register	The single batched set of written clarification items issued to the target's group-level operations lead after data review (Appendix C.2).

DRAI Consulting was engaged by Meridian Dental Partners to quantify uncaptured revenue and operational exposure at Atlantic Smiles Dental Group, a six-location group in the Southeast US, in support of post-LOI acquisition diligence. The analysis is built on 24 months of PMS exports (Dentrix, six standard reports per location), the Acquirer's own underwriting KPIs submitted on the Form 3 Acquirer Intake Questionnaire (July 8, 2026), and written operational intake from target management. This report identifies and quantifies; it does not opine on price or recommend deal terms.

YEAR 1 NET EBITDA UPLIFT	5-YEAR CUMULATIVE NET EBITDA	EXIT VALUE IMPACT AT 7.0X
$188K	$1.26M	$1.88M
$187,518 exact; 60% realisation, Section 5.4	$1,261,338 exact; Years 1-5, Section 5.4	$1,879,185 exact; Year 5 net EBITDA x 7.0, Section 5.1

Headline cards are rounded for display; the exact figure and its derivation reference appear beneath each card. All three derive from the moderate scenario.

Findings Summary

Of the five operational categories analysed (Lapsed Recall, Unscheduled Accepted Treatment, No-Shows and Cancellations, Provider Variance, New Patient Retention), four are quantified as recoverable revenue: Lapsed Recall $420,000, Unscheduled Accepted Treatment $295,000, No-Shows and Cancellations $297,000, and New Patient Retention $158,000 net of overlap, totalling $1,170,000 of recoverable production at full fee in the moderate scenario ($701,000 conservative). The fifth, Provider Variance, is a structural exposure, not an opportunity: $165,000 of production at risk on the Founder's stated 18-24 month transition (conservative $94,000), carried in the model as a deduction from Year 2 onward and excluded from every recoverable total. Each gap is measured directly in the PMS exports and cited to its source report; the probable driver named for each is a prioritised starting hypothesis for the integration team to confirm, not a settled claim of cause.

Methodology Note

Recoverable revenue is identified at full fee, then bridged to cash before any margin is applied: less contractual insurance adjustments at the target's T24 actual 25.0%, then collected at the target's T12 net collection ratio of 96.0%, for a gross cash yield of 72.0 cents per full-fee dollar. Recovered collections convert to EBITDA through the Acquirer's own variable cost stack (62.9% of recovered collections, per Form 3 KPIs, disclosed line by line in Appendix H), producing a 37.1% incremental margin. Fixed costs are already carried by the operating baseline; a capacity check in Section 5.2 confirms recovered volume is absorbed without adding fixed cost.

IRR & Hold-Period Implication

On the Acquirer's 5-year hold and 7.0x modelled exit multiple, the moderate scenario contributes $1,261,338 of cumulative net EBITDA during the hold and $1,879,185 of exit value at the multiple, on top of interim cash flows. Year 1 realises 60% of steady-state capture (integration rampup, Section 6); Years 2-5 realise full capture net of the ($44,075) annual structural offset. The conservative scenario, which the Acquirer may prefer for underwriting, carries $112,351 in Year 1, $760,919 cumulative, and $1,134,994 of exit value.

Reconciliation of the three headline frames: the three cards are two distinct value streams and one rate. Steady-state annual incremental EBITDA is $312,530 gross; net of the ($44,075) structural offset it is $268,455 per year from Year 2. Year 1 realises 60% of the gross figure ($187,518) with no offset, because the offset materialises with the Founder transition from Year 2 (Section 5.4). The 5-year cumulative ($1,261,338) sums Year 1 plus four years at $268,455. Exit value ($1,879,185) applies the 7.0x multiple to Year 5 net EBITDA and is incremental to, not additive with, the cumulative cash figure. All five figures re-compute exactly from Section 5's displayed values.

2.1 Engagement Scope

Scope: quantify uncaptured revenue and operational exposure at the target across five locked categories (Section 3) using 24 months of PMS data, written management intake, and the Acquirer's underwriting KPIs; convert recoverable revenue to EBITDA on the Acquirer's cost structure; and model the hold-period value implication. Out of scope: financial statement audit or review, fee schedule benchmarking, clinical chart audit, payor contract analysis, valuation opinion, and any recommendation on deal terms (Section 2.5 and Appendix F).

2.2 Acquirer & Target Profile

Acquirer. Meridian Dental Partners is a 28-location PE-backed DSO four years into a Southeast US platform build. This acquisition is a tuck-in adding six locations, a 21% increase to platform footprint. Underwriting parameters (hold period 5 years, modelled exit multiple 7.0x EBITDA, and the ten operating KPIs applied in Section 5) were supplied on the Form 3 Acquirer Intake Questionnaire, July 8, 2026, and are disclosed in Appendix H.

Target. Atlantic Smiles Dental Group operates six locations in a single Southeast US state on a centralised Dentrix instance: 15 providers (6 dentists, 9 hygienists), 14,200 active patients, 158 new patients per month (T12). Payor mix per the T24 PMS adjustment summary: 24% fee-for-service, 76% PPO by production, with no capitated or Medicaid volume. The founding owner-dentist practises at Locations 1 and 3 at 0.75 FTE and has a stated 18-24 month post-close transition window (Form 2A, confirmed in Clarification Register item CL-04, July 17, 2026). Section 4.4 and Appendix B treat the associated exposure.

2.3 Operational Baseline (T12: July 1, 2025 to June 30, 2026)

MEASURE	VALUE	SOURCE
Gross (full-fee) production	$13,640,000	Provider P&C Report, all locations, extracted July 10, 2026
Less: contractual adjustments (25.0% of gross)	($3,410,000)	PMS Adjustment Summary, T24 blended actual
Net production	$10,230,000	Computed: gross less adjustments
Collections	$9,821,000	Provider P&C Report
Net collection ratio (collections / net production)	96.0%	Computed; institutional standard ratio
Gross cash yield (collections / gross production)	72.0%	Computed; see Appendix D.3
Reported EBITDA (per management)	$2,070,000	Form 2A; 21.1% of collections; not independently verified (Appendix F)
Active patients	14,200	Patient Activity / Continuing Care List (counts only)
New patients per month (T12 average)	158	New Patient Report
Total providers	15 (6 DDS, 9 RDH)	Provider P&C Report; confirmed on Form 2B
Data reliability status	No Material Discrepancies	Form 2B reliability responses, July 9-13, 2026; Appendix F.2

The production-to-cash structure is stated in full here because every recoverable figure in this report is identified at full fee and bridged through the same two steps (adjustments, then collections) before any margin is applied. A reader who checks collections against gross production will find 72.0%, not 96.0%; the 96.0% figure is the net collection ratio, defined against net production. Appendix D.3 sets out the convention and the payor mix behind it.

2.4 Sources of Information

All quantitative findings derive from six standard PMS exports per location (36 exports), summary-level only, covering July 1, 2024 to June 30, 2026, extracted July 10, 2026, and received via the engagement's secure upload link, uploaded by the seller's transaction counsel on behalf of the target. All qualitative context derives from written intake: the Form 3 Acquirer Intake Questionnaire (Acquirer, July 8, 2026), the Form 2A Group Overview (target's Director of Operations, July 9, 2026), six Form 2B Per-Location Details responses (location office managers, July 9-13, 2026), and the batched Clarification Register (issued July 15; written responses July 17, 2026). No management interviews were conducted and none were required: the clarification stage is written and batched by design. The full source inventory, including per-export coverage, appears in Appendix C.

No patient-identifiable data was requested or received. Exports are summary-level counts and dollars; the engagement's standing instruction to the data provider is summary-level reports only, no patient names or identifiers.

2.5 Limitations of Scope

This analysis relies on PMS-reported data and written management responses. It is not an audit and provides no assurance. Specific conventions and their consequences:

LIMITATION	TREATMENT IN THIS REPORT
PMS data accuracy	Estimates carry a ±15% variance convention (Appendix F.2). Reliability was screened through the Form 2B reliability question at each location; no material discrepancies were flagged.
Reported EBITDA	Management-reported, used for context only. No recoverable figure in this report depends on it.
Cause attribution	Gaps are measured facts; drivers are hypotheses. Each category names a probable driver for the integration team to confirm. Dollar quantification does not depend on the driver being confirmed.
Execution dependency	Recovery estimates assume the integration workflows in Section 6 are deployed. Realisation risk is expressed through the conservative scenario, the Year 1 ramp, and the sensitivity tables in Section 5.
Forward-looking figures	Hold-period and exit-value figures are modelled on Acquirer inputs (Appendix H) and are not predictions. See Appendix F.

What this document does not opine on is governed by Section 2.5 and Appendix F.

Five categories were analysed. Four contain recoverable revenue and sum to the recoverable totals used in Section 5. The fifth, Provider Variance, is quantified with the same discipline but is an exposure: it never enters a recoverable total and appears in the value model only as the structural risk offset from Year 2 (Sections 4.4, 5.1, 7). Incremental EBITDA per category applies the full conversion chain of Section 5.1 (contractual adjustments, collections, variable costs); per-category EBITDA figures are exact-dollar allocations that sum to the bridge totals.

# CATEGORY	ZONE	RECOVERY INITIATION	RECOVERABLE PRODUCTION (CONS.)	RECOVERABLE PRODUCTION (MOD.)	INCREMENTAL EBITDA (CONS.)	INCREMENTAL EBITDA (MOD.)
4.1 Lapsed Recall	Opportunity	Within 30 Days	$264,000	$420,000	$70,520	$112,190
4.2 Unscheduled Accepted Treatment	Opportunity	Initiate at Close	$186,000	$295,000	$49,684	$78,800
4.3 No-Shows & Cancellations	Operational Risk	Within 30 Days	$153,000	$297,000	$40,869	$79,335
4.5 New Patient Retention (net of overlap)	Opportunity	Within 90 Days	$98,000	$158,000	$26,178	$42,205
Total recoverable (four categories)			**$701,000**	**$1,170,000**	**$187,251**	**$312,530**
4.4 Provider Variance	Structural	Mitigation within Year 1	($94,000) at risk	($165,000) at risk	($25,109) offset	($44,075) offset

Why 4.4 sits outside the total. Provider Variance quantifies production at risk on the Founder's stated transition, not revenue available for capture. Adding it to recoverable production would count downside exposure as upside. It is deducted, not added: the moderate-scenario EBITDA exposure of $44,075 enters Section 5 as the annual structural risk offset from Year 2. Overlap controls between 4.4 and the recoverable categories (including the New Patient Retention netting of $4,000) are set out in Appendix D.5.

Reading the estimates. Conservative and moderate scenarios are defined per category in Section 4 and Appendix D.2. Scenario anchors are internal wherever the target's own data supports them (highest-performing-location convergence, observed organic reactivation); anchors that are DRAI modelling estimates are flagged as such where used. Every gap is cited to the PMS export it is measured in; every probable driver is labelled as a hypothesis.

SECTION 4.1 · CATEGORY 1 OF 5

Lapsed Recall

ZONE: OPPORTUNITY · RECOVERY INITIATION: WITHIN 30 DAYS

Source Data: Recall / Continuing Care Statistics Report + Patient Activity List (counts only), all 6 locations, T24, extracted July 10, 2026.

RECALL-LAPSED PATIENTS (6-18 MO)	SHARE OF ACTIVE BASE	T24 ORGANIC REACTIVATION (FLOOR)	MODERATE RECOVERABLE (FULL FEE)
3,730	26.3%	11.3%	$420,000

RECOVERABLE PRODUCTION (FULL FEE) · CONSERVATIVE	RECOVERABLE PRODUCTION (FULL FEE) · MODERATE
$264,000	$420,000

INCREMENTAL EBITDA (AFTER FULL SECTION 5.1 CHAIN) · CONSERVATIVE	INCREMENTAL EBITDA (AFTER FULL SECTION 5.1 CHAIN) · MODERATE
$70,520	$112,190

Incremental EBITDA applies contractual adjustments (25.0%), the 96.0% net collection ratio, and the 62.9% variable cost stack to the production figure; per-category figures are exact-dollar allocations that sum to the Section 5.1 bridge totals.

OBSERVATION

3,730 active-charted patients have an elapsed recall interval of 6 to 18 months with no scheduled appointment (26.3% of the 14,200 active base). The per-location lapsed share ranges from 17.3% at Location 1 (highest-performing) to 35.0% at Location 4 (lowest-performing); the full per-location schedule is in Appendix A.2. Over the T24 window, 11.3% of patients who entered lapsed status returned without prompted outreach (Patient Activity List), which establishes the organic floor below both scenarios.

Probable driver (hypothesis for integration-team confirmation; the gap above is measured regardless): recall automation is active at Locations 1 and 3 only (Form 2B responses); hygiene schedules run at 93.2% utilisation, leaving no standing capacity for reactivated patients; and no outreach cadence exists for patients lapsed beyond 6 months.

RECOVERY MODELLING

Conservative: 660 reactivations (17.7% of the pool, approximately 1.6x the organic floor) at $400 average first-year production per reactivated patient equals $264,000, stated as $264,000. Moderate: 1,050 reactivations (28.2% of the pool, approximately 2.5x the organic floor) equals $420,000, stated as $420,000. The outreach multiples on the observed organic floor are DRAI modelling estimates and are flagged as such (Appendix C.3); the $400 per-patient figure is the target's own T12 average first-year production for returning recall patients. Capture requires added hygiene capacity, which is variable-funded and quantified in Section 5.2; the recall-lapsed pool excludes the Founder's active panel by construction (patients seen within 6 months are not in the pool), so no portion of this estimate double-counts the Section 4.4 exposure (Appendix D.5).

Unscheduled Accepted Treatment

ZONE: OPPORTUNITY · RECOVERY INITIATION: INITIATE AT CLOSE

Source Data: Treatment Plan Approval Report (accepted status only), all 6 locations, T24, extracted July 10, 2026.

ACCEPTED PLANS UNSCHEDULED 90+ DAYS	ACCEPTED BACKLOG AT FULL FEE	AVG ACCEPTED-PLAN VALUE	MODERATE RECOVERABLE (FULL FEE)
1,270	$1,403,000	$1,105	$295,000

RECOVERABLE PRODUCTION (FULL FEE) · CONSERVATIVE	RECOVERABLE PRODUCTION (FULL FEE) · MODERATE
$186,000	$295,000

INCREMENTAL EBITDA (AFTER FULL SECTION 5.1 CHAIN) · CONSERVATIVE	INCREMENTAL EBITDA (AFTER FULL SECTION 5.1 CHAIN) · MODERATE
$49,684	$78,800

Incremental EBITDA applies contractual adjustments (25.0%), the 96.0% net collection ratio, and the 62.9% variable cost stack to the production figure; per-category figures are exact-dollar allocations that sum to the Section 5.1 bridge totals.

OBSERVATION

1,270 treatment plans carrying accepted status have remained unscheduled for 90 days or longer, a backlog of $1,403,000 at full fee ($1,105 average). 58% of the backlog is aged beyond 180 days. The report is filtered to accepted status only: plans presented but not accepted are excluded by construction and are not treated as uncaptured revenue anywhere in this report.

Probable driver (hypothesis for integration-team confirmation): no standing workflow connects clinical acceptance to scheduling; the aged-plan report is not worked at any location (Form 2B); and financial-arrangement follow-up ends at the first declined appointment offer.

RECOVERY MODELLING

Conservative: 168 plans convert (13.2% of the backlog) at $1,105 average, $185,640, stated as $186,000. Moderate: 267 plans (21.0%), $295,035, stated as $295,000. Conversion rates on aged accepted backlogs are DRAI modelling estimates, flagged as such (Appendix C.3); as a feasibility check, the moderate scenario requires roughly 22 scheduled plans per month across six locations, between 3 and 4 per location per month. Capture initiates at close and is modelled as substantially complete within 9 months, inside the Founder's stated 18-24 month transition window, so this estimate does not overlap the Section 4.4 exposure (Appendix D.5). Dentist-side capacity for this volume is confirmed in Section 5.2 (7.8 hours per week required against 38.3 open).

No-Shows & Cancellations

ZONE: OPERATIONAL RISK · RECOVERY INITIATION: WITHIN 30 DAYS

Source Data: Schedule Summary Report, all 6 locations, T12, extracted July 10, 2026.

SCHEDULED APPOINTMENTS (T12)	NO-SHOW + SAME-DAY CANCEL RATE	HIGHEST-PERFORMING LOCATION (L1)	MODERATE RECOVERABLE (FULL FEE)
58,400	11.6%	8.1%	$297,000

RECOVERABLE PRODUCTION (FULL FEE) · CONSERVATIVE	RECOVERABLE PRODUCTION (FULL FEE) · MODERATE
$153,000	$297,000

INCREMENTAL EBITDA (AFTER FULL SECTION 5.1 CHAIN) · CONSERVATIVE	INCREMENTAL EBITDA (AFTER FULL SECTION 5.1 CHAIN) · MODERATE
$40,869	$79,335

Incremental EBITDA applies contractual adjustments (25.0%), the 96.0% net collection ratio, and the 62.9% variable cost stack to the production figure; per-category figures are exact-dollar allocations that sum to the Section 5.1 bridge totals.

OBSERVATION

Of 58,400 scheduled appointments in T12, 6,774 (11.6%) were lost to no-shows or same-day cancellations. Location 1 runs 8.1%; the widest location runs 14.9% (Appendix A.2). An estimated 40% of missed slots currently refill within the same week (Schedule Summary rebooking data), and only the unrefilled remainder is treated as recoverable, so the estimate counts net new kept volume only.

Probable driver (hypothesis for integration-team confirmation): confirmation cadence is two-touch at Location 1 and single-touch elsewhere (Form 2B); four locations keep no standing same-day refill list; and no location applies the group's stated broken-appointment policy consistently.

RECOVERY MODELLING

Conservative targets 9.8% (between the current 11.6% and the best location): 1,051 avoided misses, of which 60% are net new kept appointments (631) at $242 average production per kept appointment: $152,702, stated as $153,000. Moderate targets convergence to the best location's 8.1%: 2,044 avoided, 1,226 net new kept, $296,692, stated as $297,000. Both scenarios anchor to the target's own demonstrated performance. The Acquirer's stated no-show target of 8.0% (Form 3, KPI 7) sits below the moderate scenario; full convergence to it would add approximately $8,000 (to roughly $305,000) and is noted here, not carried in any headline. This category is classified Operational Risk because captured value decays without sustained confirmation discipline; recovered slots are process-attached, not provider-attached, so no portion depends on the Founder's panel (Appendix D.5).

Provider Variance (Structural Exposure)

ZONE: STRUCTURAL · RECOVERY INITIATION: MITIGATION WITHIN YEAR 1 (NOT CAPTURE)

Source Data: Provider Production & Collections Report, T12, extracted July 10, 2026 + Form 2A + Clarification Register CL-04 (July 17, 2026).

FOUNDER T12 GROSS PRODUCTION	SHARE OF GROUP PRODUCTION	STATED TRANSITION WINDOW	PRODUCTION AT RISK (MODERATE)
$1,420,000	10.4%	18-24 MO	($165,000)

PRODUCTION AT RISK (FULL FEE, ANNUAL) · CONSERVATIVE	PRODUCTION AT RISK (FULL FEE, ANNUAL) · MODERATE
($94,000)	($165,000)

EBITDA EXPOSURE (ANNUAL, FROM YEAR 2) · CONSERVATIVE	EBITDA EXPOSURE (ANNUAL, FROM YEAR 2) · MODERATE
($25,109)	($44,075)

EBITDA exposure applies the same conversion chain as recoveries (72.0% cash yield, 37.1% margin): lost production forgoes collections and avoids variable cost symmetrically. **This category is excluded from every recoverable total in this report.** It enters the value model once, as the structural risk offset deducted from Year 2 in Sections 5.1 and 5.4.

OBSERVATION

The founding owner-dentist produces $1,420,000 (T12, full fee): 10.4% of group production and 14.9% of dentist production on 13.0% of dentist chair time (0.75 FTE at Locations 1 and 3; per-provider schedule in Appendix B). The Founder's active panel is approximately 2,340 patients (16.5% of the active base). Management states an 18-24 month post-close transition (Form 2A, confirmed CL-04). Dentist B produces 15.5% of group production with no stated departure and is noted as a monitored concentration in Section 7, not modelled as an exposure.

Probable driver of the exposure's size (hypothesis): long-tenure panel attachment concentrated at Locations 1 and 3 ($840,000 and $580,000 of Founder production respectively).

RISK MODELLING (DERIVATION SHOWN)

Production at risk is the Founder's production times a panel attrition rate on departure, net of redistribution to remaining clinicians: Conservative: $1,420,000 x 38% attrition x (1 less 82.6% redistribution) = $93,890, stated as $94,000. Moderate: $1,420,000 x 45% attrition x (1 less 74.2% redistribution) = $164,862, stated as $165,000.

The attrition and redistribution rates are DRAI comparative estimates for owner-dentist transitions, flagged as such (Appendix C.3); they are not drawn from the target's data because the event has not occurred. Redistribution at these levels is supported by observable capacity: dentist schedules run 81.5% utilised (38.3 open hours per week, Section 5.2), Dentist F is in ramp-up at $850,000, and the Acquirer's transition plan (Form 3) includes a successor associate at the Founder's locations. Mitigation structures the market commonly applies (transition agreements, holdbacks, earn-out structures) are catalogued in Appendix G as reference material; DRAI does not recommend any specific response.

New Patient Retention

ZONE: OPPORTUNITY · RECOVERY INITIATION: WITHIN 90 DAYS

Source Data: New Patient Report + Patient Activity List (counts only), T12 cohorts, extracted July 10, 2026.

NEW PATIENTS PER YEAR (T12)	18-MONTH NON-RETURN RATE	AVG FIRST-YEAR PRODUCTION / RETAINED NP	MODERATE RECOVERABLE (NET)
1,896	38.1%	$652	$158,000

ESTIMATE	CONSERVATIVE	MODERATE
Recoverable production, before overlap adjustment	$100,000	$162,000
Less: Founder-panel overlap adjustment (Appendix D.5)	(2,000)	(4,000)
Recoverable production (net, used in all totals)	**$98,000**	**$158,000**
Incremental EBITDA (after full Section 5.1 chain)	$26,178	$42,205

Incremental EBITDA applies contractual adjustments (25.0%), the 96.0% net collection ratio, and the 62.9% variable cost stack to the production figure; per-category figures are exact-dollar allocations that sum to the Section 5.1 bridge totals.

OBSERVATION

Of the 1,896 new patients per year (158 per month, T12), 38.1% do not return for a second visit or hygiene appointment within 18 months. Retention ranges from 68.9% at Location 1 (highest-performing) to 53.8% at Location 4 (lowest-performing); the new-patient-weighted average of the location rates equals the group figure (Appendix A.2). Average first-year production per retained new patient is $652 (target's own T12 cohort data); no lifetime-value figure is used anywhere in this estimate.

Probable driver (hypothesis for integration-team confirmation): no location re-appoints new patients before checkout as standard practice (Form 2B); post-visit follow-up is a single automated message; and unscheduled-treatment follow-up (4.2) compounds first-visit drop-off.

RECOVERY MODELLING

Conservative reduces the non-return rate from 38.1% to 30.0%, effectively convergence to the best location's 31.1%: 154 additional retained patients x $652 = $100,408, stated as $100,000 before adjustment. Moderate targets 25.0%, beyond any current location's performance, and is therefore a DRAI modelling estimate, flagged as such (Appendix C.3): 248 additional retained x $652 = $161,696, stated as $162,000. Because retention is an ongoing annual flow, the share attributable to new patients assigned to the Founder (6.0% of new-patient volume, Appendix B) is assumed lost at the Founder's departure at the Section 4.4 attrition rates and is deducted permanently: $162,000 x 6.0% x 45% = $4,374, stated as (4,000) moderate; $100,000 x 6.0% x 38% = $2,280, stated as (2,000) conservative. This deduction overstates the true overlap in Years 3-5 (successor providers absorb new-patient flow after transition) and is retained for conservatism.

5.1 Conversion Bridge: Full Fee to Cash to EBITDA

The conversion, stated plainly. The cost structure applied is the Acquirer's own underwriting model: the ten KPI values submitted on Form 3, disclosed line by line in Appendix H, not industry-blended averages. Capacity is derived, not assumed: Section 5.2 shows recovered volume absorbed within existing schedules and operatories, with the only incremental clinical labor (added hygiene hours) funded inside the variable cost stack, so no fixed cost loads against recovered revenue and 37.1 cents of each recovered collections dollar reaches EBITDA. The bridge below shows both the gross opportunity ($312,530 steady-state) and the netted-down figure ($268,455 after the structural offset); Year 1 applies a 60% realisation rate, built from a 30/50/70/90 quarterly ramp that averages exactly 60% (Section 6).

Moderate Scenario

STEP	AMOUNT	SOURCE
Recoverable production (full fee, categories 4.1+4.2+4.3+4.5)	$1,170,000	Section 3
Less: contractual insurance adjustments (25.0%, target's T24 actual)	($292,500)	PMS Adjustment Summary; App. D.3
= Net recoverable production	$877,500	Computed
x Net collection ratio (target's T12 actual)	96.0%	Section 2.3
= Recoverable collections (cash)	$842,400	Computed
Less: variable cost stack (62.9% of recovered collections)	($529,870)	Acquirer KPIs; Section 5.2, App. H
= Steady-state annual incremental EBITDA (gross opportunity)	**$312,530**	**Implied margin 37.1%**
Less: annual structural risk offset (materialises from Year 2)	($44,075)	Section 4.4
= Steady-state net annual EBITDA uplift (Year 2 onward)	**$268,455**	**Computed**
x Modelled exit multiple	7.0x	Form 3
= Exit value impact (Year 5 net EBITDA x 7.0)	**$1,879,185**	**Computed**

Every line re-computes from the line above it as displayed. Of each full-fee dollar identified, 26.7 cents reaches steady-state EBITDA ($312,530 on $1,170,000): 25.0 cents is surrendered to contractual write-offs, 3.0 to uncollected balances, 45.3 to variable cost. The write-off step is shown as its own line because it is the largest single deduction in the chain.

Conservative Scenario

STEP	AMOUNT	SOURCE
Recoverable production (full fee, categories 4.1+4.2+4.3+4.5)	$701,000	Section 3
Less: contractual insurance adjustments (25.0%, target's T24 actual)	($175,250)	PMS Adjustment Summary; App. D.3
= Net recoverable production	$525,750	Computed
x Net collection ratio (target's T12 actual)	96.0%	Section 2.3
= Recoverable collections (cash)	$504,720	Computed
Less: variable cost stack (62.9% of recovered collections)	($317,469)	Acquirer KPIs; Section 5.2, App. H
= Steady-state annual incremental EBITDA (gross opportunity)	**$187,251**	**Implied margin 37.1%**
Less: annual structural risk offset (materialises from Year 2)	($25,109)	Section 4.4
= Steady-state net annual EBITDA uplift (Year 2 onward)	**$162,142**	**Computed**
x Modelled exit multiple	7.0x	Form 3
= Exit value impact (Year 5 net EBITDA x 7.0)	**$1,134,994**	**Computed**

Same chain, conservative category estimates and conservative offset. The Acquirer may prefer this scenario for underwriting; both are carried through Sections 5.4-5.6.

5.2 Variable Cost Stack (Acquirer KPI Baseline)

Variable cost ratios derive from the Acquirer's internal KPI underwriting model per the Form 3 Acquirer Intake Questionnaire (July 8, 2026). See Appendix H for full disclosure of the ten values applied and the material differences versus an industry-average build.

COMPONENT	% OF RECOVERED COLLECTIONS	SOURCE
Hygienist labor	14.4%	Derived: clinical wages target 24.0% (KPI 2) x 60% hygiene allocation (DRAI assumption, note 1)
Lab fees	8.5%	Comparable practice norm (note 5); no Acquirer KPI replaces
Clinical supplies	5.5%	Acquirer supply cost ratio target (KPI 3)
Associate provider compensation	30.0%	Acquirer associate comp structure (KPI 1; threshold note 3)
Variable overhead	4.5%	Variable component of Acquirer 58.0% overhead target (KPI 10; note 2)
Total variable cost	**62.9%**	**Implied incremental EBITDA margin: 37.1%**

Note 1. The 60% hygiene allocation of the clinical wages target is a DRAI assumption, not Acquirer-stated; it reflects the hygiene-heavy mix of recovered volume (recall and retention). **Note 2.** 4.5% is the variable component of the Acquirer's 58.0% overhead target (utilities on added hours, sterilisation, variable consumables); the remaining approximately 53.5% is fixed and already carried by the baseline. **Note 3.** The Acquirer's associate compensation is 30% of collections with a 50/50 profit split above $750,000 per clinician per year. Dentist-led recovery is 44.6% of recoverable production (4.2 in full, 55% of 4.3, 40% of 4.5), so modelled incremental dentist-side collections are approximately $376,000 at the 72.0% cash yield, roughly $75,000 per clinician across five non-Founder dentists; even concentrated two-to-one, no clinician's incremental volume approaches the threshold, so the flat 30% applies. **Note 4.** Owner-dentist compensation is excluded from the stack: the Founder is in transition (Section 4.4) and successor coverage is captured at the flat associate rate. **Note 5.** Lab fees are retained from comparable practice norms as defined in Appendix C.3.

5.2b Capacity Check (why fixed costs do not scale)

CAPACITY	STEADY-STATE HOURS NEEDED / WEEK	OPEN WITHIN CURRENT SCHEDULES	TREATMENT
Hygiene (4.1 + 60% of 4.5)	36.3	19.6 (at 93.2% utilisation)	16.7 incremental hours/week (about 2.1 hygiene days across 6 locations): variable-funded in the hygienist labor line; absorbed within the group's 34 operatories
Dentist (4.2 + 40% of 4.5)	7.8	38.3 (at 81.5% utilisation)	Fully absorbed; no incremental hours
No-shows (4.3)	0	n/a	Fills slots already scheduled and broken; no added capacity

Hourly denominators: hygiene $296 and dentist $961 gross production per scheduled hour, from the T12 Provider P&C and Schedule Summary reports. Conclusion: recovered volume requires no new operatories, no new locations, and no fixed hires; the only incremental clinical labor is hygiene hours already priced inside the 62.9% stack. This is the basis for applying an incremental margin rather than the blended practice margin.

5.3 Sensitivity Analysis

5.3a Incremental EBITDA margin (steady-state gross, on $842,400 recovered collections)

MARGIN SCENARIO	30.0%	37.1% (USED)	45.0%
Steady-state annual incremental EBITDA	$252,720	**$312,530**	$379,080

37.1% is the Acquirer's own stack (Section 5.2). 45.0% approximates an industry-blended build (Appendix H.2); 30.0% stresses the stack a further 7 points.

5.3b Contractual adjustment ratio (payor-mix stress on the moderate scenario)

BLENDED ADJUSTMENT RATIO	22.0%	25.0% (USED, T24 ACTUAL)	32.5%	42.5%
Gross cash yield (x 96.0% NCR)	74.9%	**72.0%**	64.8%	55.2%
Recovered collections	$876,096	**$842,400**	$758,160	$645,840
Steady-state gross EBITDA (37.1%)	$325,032	**$312,530**	$281,277	$239,607

This row exists because the write-off step is the largest deduction in the bridge and the first place a reviewer should stress it. The target's 25.0% reflects its 24/76 FFS/PPO mix (Appendix D.3). The 42.5% column (55.2% cash yield) approximates a heavily in-network group; recovered-volume estimates would re-derive from that group's own PMS data in a real engagement, and the bridge structure is unchanged.

5.4 Hold-Period Value Creation Model (moderate scenario, exact dollars)

Year 1 realises 60% of steady-state capture (integration rampup, quarterly build in Section 6); the structural risk offset materialises from Year 2 with the Founder transition (18-24 months, Section 4.4).

YEAR	REALISATION RATE	GROSS EBITDA UPLIFT	STRUCTURAL RISK OFFSET	NET EBITDA UPLIFT	CUMULATIVE NET
Year 1	60%	$187,518	$0	$187,518	$187,518
Year 2	100%	$312,530	($44,075)	$268,455	$455,973
Year 3	100%	$312,530	($44,075)	$268,455	$724,428
Year 4	100%	$312,530	($44,075)	$268,455	$992,883
Year 5 (exit)	100%	$312,530	($44,075)	$268,455	$1,261,338

Year 1 gross: $312,530 x 60% = $187,518. Years 2-5: $312,530 less $44,075 = $268,455 per year. Cumulative: $187,518 + 4 x $268,455 = $1,261,338. All figures re-compute exactly as displayed.

5.5 Year 1 Realisation Rate Sensitivity

YEAR 1 REALISATION	YEAR 1 NET EBITDA	5-YEAR CUMULATIVE NET	READING
40% (slow rampup)	$125,012	$1,198,832	Integration resourcing delayed; outreach workflows funded late
60% (mid-range, used)	**$187,518**	**$1,261,338**	**Funded integration team in place at close**
80% (fast; pre-close planning)	$250,024	$1,323,844	Workflows specified pre-close; deployment begins Day 1

Only Year 1 varies; Years 2-5 hold at $268,455 net in all three rows, so the cumulative spread equals the Year 1 spread. The realisation rate is an execution variable owned by the Acquirer, which is why it is sensitised rather than asserted.

5.6 Total Value Summary & Reconciliation

MEASURE	CONSERVATIVE	MODERATE	DERIVATION
Recoverable production (full fee)	$701,000	$1,170,000	Section 3
Recovered collections (cash)	$504,720	$842,400	x 75.0% x 96.0%
Steady-state annual incremental EBITDA (gross)	$187,251	$312,530	x 37.1% margin
Annual structural risk offset (Year 2+)	($25,109)	($44,075)	Section 4.4
Steady-state net annual EBITDA uplift (Year 2+)	$162,142	$268,455	Gross less offset
Year 1 net EBITDA uplift (60%, no offset)	$112,351	$187,518	Gross x 60%
5-year cumulative net EBITDA	$760,919	$1,261,338	Y1 + 4 x net
Exit value impact at 7.0x	**$1,134,994**	**$1,879,185**	**Y5 net x 7.0**

The three Executive Summary cards are the moderate column's Year 1, cumulative, and exit rows. The cumulative and exit figures are two distinct value streams (interim cash flow during the hold; capitalised value at exit) and are never summed in this report. Steady-state context: $312,530 gross and $268,455 net annually from Year 2. Every figure in this table re-computes from the Section 5.1 bridges as displayed.

6.1 Sequencing by Recovery Initiation Window

Windows mark when execution begins, not when capture completes. Each category appears in exactly one window; the column foots to the moderate recoverable total with no category counted twice.

RECOVERY INITIATION WINDOW	CATEGORIES	MODERATE RECOVERABLE PRODUCTION
Initiate at Close	4.2 Unscheduled Accepted Treatment	$295,000
Within 30 Days	4.1 Lapsed Recall + 4.3 No-Shows & Cancellations	$717,000
Within 90 Days	4.5 New Patient Retention	$158,000
Total (equals Section 3 and Section 5.1)		**$1,170,000**

Provider Variance (4.4) has no recovery initiation window: it is an exposure whose mitigation runs on the Founder's 18-24 month transition timeline, in parallel with recovery execution and outside this table.

6.2 Year 1 Quarterly Capture Curve (moderate scenario)

Year 1 realisation builds as integration workflows deploy: outreach cadence stands up in Q1, added hygiene days come online through Q2 (Section 5.2b), and list-working reaches steady rhythm in H2. The quarterly realisation rates average exactly 60%, which is the Year 1 rate used in Section 5.4.

QUARTER	REALISATION RATE (OF STEADY-STATE QUARTERLY CAPTURE)	NET EBITDA CAPTURED
Q1	30%	$23,440
Q2	50%	$39,066
Q3	70%	$54,693
Q4	90%	$70,319
Year 1 total	**(30 + 50 + 70 + 90) / 4 = 60%**	**$187,518**

Quarterly dollars are the steady-state quarterly capture ($312,530 / 4) times each quarter's rate, rounded to the dollar with the fourth quarter absorbing the residual so the column foots exactly to the Year 1 figure in Section 5.4. No structural offset applies in Year 1 (Section 5.4).

6.3 Years 2-5

From Year 2 the model holds realisation at 100% of steady-state capture, less the structural risk offset as the Founder transition completes: $312,530 gross, ($44,075) offset, $268,455 net per year. Durability of the No-Shows category (Operational Risk zone) depends on sustained confirmation discipline; the conservative scenario and Section 5.5 carry the execution risk expression.

This section identifies structural exposures. It does not recommend responses; reference material on structures the market commonly applies appears in Appendix G.

7.1 Provider Concentration (modelled: Section 4.4)

EXPOSURE MEASURE	CONSERVATIVE	MODERATE
Production at risk (annual, full fee)	($94,000)	($165,000)
EBITDA exposure (annual, from Year 2)	($25,109)	($44,075)
Exit value exposure at 7.0x (absent mitigation)	($175,763)	($308,525)

The exit value exposure is the annual EBITDA exposure capitalised at the modelled multiple and is the number the offset protects: the Section 5 model already deducts the annual exposure from Year 2, so headline figures in this report are net of this risk at the modelled attrition and redistribution rates.

7.2 Identified, Not Modelled

ITEM	STATUS
Dentist B concentration	15.5% of group production, no stated departure, no succession event indicated (Form 2A). Monitored concentration; not modelled as an exposure. A stated departure would add a second Section 4.4-type analysis.
Hygiene schedule saturation	93.2% utilisation is both the probable driver of part of the recall gap and an operational dependency for recovery. Treated in Section 5.2b through variable-funded added hygiene days; identified here because sustained saturation without added days would cap category 4.1 capture.
Payor concentration	76% of production is PPO across four carriers, with the largest carrier approximately 31% of collections (PMS Adjustment Summary). Fee-schedule and renegotiation exposure is identified but not quantified: payor contract analysis is outside scope (Section 2.5).

7.3 Framing

Structural items differ from the recoverable categories in kind, not just size: they are not capturable through workflow, they are addressed through transaction structure and integration planning, and they are therefore never added to recoverable totals anywhere in this report. The quantified exposure enters the value model once, as the Year 2+ offset, and its derivation and the DRAI-estimate status of its rates are stated in Section 4.4 and Appendix C.3.

A.1 Location Profiles (T12)

LOCATION	GROSS PRODUCTION	COLLECTIONS	CASH YIELD	ACTIVE PATIENTS	NEW PATIENTS / MO
Location 1 (Founder primary)	$2,915,000	$2,126,000	72.9%	3,010	34
Location 2	$2,540,000	$1,814,000	71.4%	2,690	30
Location 3 (Founder secondary)	$2,430,000	$1,764,000	72.6%	2,520	27
Location 4	$2,120,000	$1,504,000	70.9%	2,240	25
Location 5	$1,905,000	$1,366,000	71.7%	1,980	22
Location 6	$1,730,000	$1,247,000	72.1%	1,760	20
Group	**$13,640,000**	**$9,821,000**	**72.0%**	**14,200**	**158**

Cash yield is collections over gross production as displayed. Per-location blended contractual adjustment ratios range from 23.8% to 26.1% (PMS Adjustment Summary; group 25.0%); per-location net collection ratios vary by less than half a point around the group's 96.0%. Founder production concentration: $840,000 at Location 1 (28.8% of location production) and $580,000 at Location 3 (23.9%).

A.2 Operational Indicators by Location (T12)

LOCATION	RECALL-LAPSED PATIENTS	LAPSED SHARE OF ACTIVE	SCHEDULED APPOINTMENTS	MISSED (NS + SDC)	MISS RATE	18-MO NP RETENTION
Location 1	522	17.3%	12,480	1,011	8.1%	68.9%
Location 2	821	30.5%	10,880	1,436	13.2%	60.4%
Location 3	560	22.2%	10,400	1,061	10.2%	64.2%
Location 4	783	35.0%	9,080	1,353	14.9%	53.8%
Location 5	560	28.3%	8,160	1,028	12.6%	60.0%
Location 6	484	27.5%	7,400	885	12.0%	61.3%
Group	**3,730**	**26.3%**	**58,400**	**6,774**	**11.6%**	**61.9%**

Every count column foots to its group total exactly. Miss rate per location recomputes from the displayed counts. Group retention (61.9%) is the new-patient-weighted average of the location rates and equals 100% less the 38.1% non-return rate used in Section 4.5.

A.3 Recoverable Production by Location (full fee)

Rows are locations; columns are the four recoverable categories. Every column foots to the category total in Section 3 and every row total foots to the group figure used in Section 5.1. Provider Variance is excluded (structural exposure; allocation below).

A.3.1 Moderate scenario

LOCATION	4.1 LAPSED RECALL	4.2 UNSCHEDULED TREATMENT	4.3 NO-SHOWS & CANC.	4.5 NP RETENTION (NET)	TOTAL
Location 1	$59,000	$59,000	$0	$16,000	$134,000
Location 2	$92,000	$53,000	$80,000	$33,000	$258,000
Location 3	$63,000	$50,000	$32,000	$22,000	$167,000
Location 4	$88,000	$47,000	$90,000	$41,000	$266,000
Location 5	$63,000	$44,000	$53,000	$25,000	$185,000
Location 6	$55,000	$42,000	$42,000	$21,000	$160,000
Group	**$420,000**	**$295,000**	**$297,000**	**$158,000**	**$1,170,000**

A.3.2 Conservative scenario

LOCATION	4.1 LAPSED RECALL	4.2 UNSCHEDULED TREATMENT	4.3 NO-SHOWS & CANC.	4.5 NP RETENTION (NET)	TOTAL
Location 1	$37,000	$37,000	$0	$10,000	$84,000
Location 2	$58,000	$33,000	$42,000	$21,000	$154,000
Location 3	$40,000	$32,000	$16,000	$14,000	$102,000
Location 4	$55,000	$30,000	$46,000	$25,000	$156,000
Location 5	$40,000	$28,000	$27,000	$15,000	$110,000
Location 6	$34,000	$26,000	$22,000	$13,000	$95,000
Group	**$264,000**	**$186,000**	**$153,000**	**$98,000**	**$701,000**

A.4 Structural Exposure Allocation (4.4, production at risk)

LOCATION	CONSERVATIVE	MODERATE	BASIS
Location 1	($56,000)	($98,000)	Allocated by Founder production split ($840,000 / $580,000); Appendix B
Location 3	($38,000)	($67,000)	
Total (equals Section 4.4)	**($94,000)**	**($165,000)**	

B.1 Per-Provider Production (T12, gross full fee)

PROVIDER	FTE	CLINICAL DAYS	GROSS PRODUCTION	SHARE OF GROUP	AVG DAILY PRODUCTION
Dentist A (Founder)	0.75	143	$1,420,000	10.4%	$9,930
Dentist B	1.0	190	$2,120,000	15.5%	$11,158
Dentist C	1.0	190	$1,990,000	14.6%	$10,474
Dentist D	1.0	190	$1,760,000	12.9%	$9,263
Dentist E	1.0	190	$1,410,000	10.3%	$7,421
Dentist F	1.0	190	$850,000	6.2%	$4,474
Hygiene department (9 RDH)	9.0	n/a	$4,090,000	30.0%	n/a
Group			**$13,640,000**	**100.0%**	

Roles only; no personal names appear in this report. Shares are rounded to one decimal and sum to 99.9% due to rounding. Dentist F joined November 2025 and is in production ramp-up. Daily production is gross production over clinical days as displayed. All providers except Dentist F exceed the Acquirer's daily production floor (Appendix H, KPI 8) after the gross-to-net conversion of Appendix D.3.

B.2 Key-Person Indicators (Founder)

Tenure at group	18 years (original owner-dentist)
T12 gross production / share of group	$1,420,000 / 10.4%
Share of dentist production, on share of dentist chair time	14.9% on 13.0%
Active panel (approx.)	2,340 patients (16.5% of active base)
Share of new-patient volume	6.0% (approx. 9 of 158 per month)
Locations	1 and 3 only (0.75 FTE combined)
Stated transition window	18-24 months post-close (Form 2A; CL-04)

B.3 Redistribution Support

The Section 4.4 redistribution rates (82.6% conservative, 74.2% moderate; DRAI estimates, flagged) are supported by observable capacity rather than assumed goodwill: dentist schedules run 81.5% utilised group-wide (38.3 open hours per week, Section 5.2b), Dentist F is in ramp-up at $850,000 against a mature-provider run-rate roughly twice that, and the Acquirer's Form 3 transition plan includes a successor associate at Locations 1 and 3 inside the transition window. Panel attachment concentrated in a retiring 0.75 FTE provider with in-group succession capacity is a materially different exposure from a full-time departure into competition; the modelled rates reflect that distinction and remain estimates until the event occurs.

C.1 PMS Exports (quantitative source of record)

EXPORT (PER LOCATION; 6 LOCATIONS)	POPULATES
Recall / Continuing Care Statistics Report	Section 4.1 pool and recall indicators
Treatment Plan Approval Report (accepted status only)	Section 4.2 backlog, counts, values
Schedule Summary Report	Section 4.3 appointment, miss, and refill data; utilisation in 5.2b
Provider Production & Collections Report	Baseline production and collections; Appendix B; hourly denominators
Patient Activity / Continuing Care List (counts only)	Active base; organic reactivation floor; retention cohorts
New Patient Report	New patient volume and Section 4.5 cohorts

Coverage July 1, 2024 to June 30, 2026 (T24); all exports extracted July 10, 2026 from the group's centralised Dentrix instance and received via the engagement's secure upload link, uploaded by the seller's transaction counsel on behalf of the target. The PMS Adjustment Summary (same extraction) supplies the contractual adjustment data in Section 2.3 and Appendix D.3. Standing instruction to the data provider: summary-level reports only, no patient names or identifiers; received files were screened on receipt and none contained patient-identifiable data.

C.2 Written Intake & Clarification (qualitative sources)

INSTRUMENT	RESPONDENT AND DATE
Form 3: Acquirer Intake Questionnaire (10 underwriting KPIs + deal context)	Acquirer corporate development lead, July 8, 2026
Form 2A: Group Overview	Target Director of Operations, July 9, 2026
Form 2B: Per-Location Details (x6, incl. data reliability question)	Location office managers, July 9-13, 2026
Clarification Register (single batched written round)	Issued July 15 to the Director of Operations; written responses July 17, 2026. Nine items: seven resolved (including CL-04 Founder transition window and CL-07 same-week refill practice), two immaterial items shipped flagged (CL-08 Location 5 recall-interval configuration history; CL-09 pre-2025 new-patient source coding).

No management interviews were conducted; the intake process is written by design (forms plus one batched asynchronous clarification round), so every qualitative input cited in this report exists as a written response with a date. Material items were resolved in writing before issuance.

C.3 Basis of Estimates

Every modelling input in this report belongs to one of three tiers, and its tier is visible where it is used:

TIER	DEFINITION AND WHERE USED
1. Target-internal anchors	Rates and values measured in the target's own exports: best-location convergence targets (4.3 moderate, 4.5 conservative), the T24 organic reactivation floor (4.1), per-patient and per-plan values (all categories), utilisation and refill rates (4.3, 5.2b). These are facts about the target, not assumptions.
2. DRAI modelling estimates	Judgment inputs flagged as DRAI estimates wherever they appear: outreach multiples on the organic floor (4.1), aged-backlog conversion rates (4.2), the moderate retention target (4.5), and the Provider Variance attrition and redistribution rates (4.4). Each is stress-tested through the conservative scenario and Section 5.3.
3. Public reference context	Publicly available industry survey material (including the ADA Health Policy Institute survey series and PMS-vendor benchmark publications) is used only as reasonableness context for ranges such as PPO write-off spans and miss-rate norms.

Attribution statement. No figure in this report is sourced to a third-party study. All modelling assumptions are DRAI's own, are labelled where used, and are sensitised in Section 5.3. Specific third-party benchmark attribution is intentionally not made: DRAI has not licensed or independently verified those datasets, and this report does not borrow authority it cannot support. Where external validation of an estimate is required, the correct instrument is the conservative scenario, which leans hardest on target-internal anchors.

D.1 Zone Classification (mutually exclusive, collectively applied)

Every category maps to exactly one zone by a two-question test applied in order:

Q	TEST	IF YES
1	Does capture (or avoidance) require a change in provider structure, provider economics, or events outside workflow control?	**Structural.** Quantified as exposure; excluded from recoverable totals; enters the model only as an offset; addressed through transaction structure (Appendix G).
2	Once captured, does the value persist without ongoing behavioural enforcement (i.e., is it embedded in workflow and systems rather than daily discipline)?	**Opportunity** if yes; **Operational Risk** if no (recoverable, but subject to decay without sustained management attention; durability risk carried in the conservative scenario and Section 5.5).

CATEGORY	ZONE	WHY (ONE LINE)
4.1 Lapsed Recall	Opportunity	Captured by outreach workflow plus capacity; recall cadence persists once automated
4.2 Unscheduled Accepted Treatment	Opportunity	Captured by a standing acceptance-to-scheduling workflow on an existing backlog
4.3 No-Shows & Cancellations	Operational Risk	Recoverable, but reverts without sustained confirmation and refill discipline
4.4 Provider Variance	Structural	Fails question 1: driven by provider transition, not workflow
4.5 New Patient Retention	Opportunity	Captured by onboarding and re-appointment workflow embedded at checkout

D.2 Scenario Methodology (anchor per category)

CATEGORY	CONSERVATIVE ANCHOR	MODERATE ANCHOR
4.1 Lapsed Recall	About 1.6x observed organic floor (DRAI estimate, flagged)	About 2.5x organic floor (DRAI estimate, flagged)
4.2 Unscheduled Treatment	13.2% of aged backlog (DRAI estimate, flagged)	21.0% of aged backlog (DRAI estimate, flagged; feasibility-checked in 4.2)
4.3 No-Shows & Canc.	9.8% miss rate: between current 11.6% and best location (internal)	Convergence to best location's 8.1% (internal)
4.4 Provider Variance (exposure)	38% attrition, 82.6% redistribution (DRAI estimates, flagged)	45% attrition, 74.2% redistribution (DRAI estimates, flagged)
4.5 NP Retention	Convergence to best location's retention (internal)	25% non-return target beyond current best (DRAI estimate, flagged)

The scenario pair is a range, not a forecast. Internal anchors are preferred wherever the target's own data demonstrates the level (the strongest defence available); DRAI estimates are used where the event or workflow does not yet exist at the target, and every such estimate is flagged at point of use and listed in C.3 Tier 2. The Acquirer's own targets (Appendix H) are noted as context and never used as capture anchors, with the single exception disclosed in 4.3's footnote where the Acquirer target sits below the moderate scenario and is quantified but not carried.

D.3 Conversion Methodology & Gross-to-Net Convention

Units. PMS production is recorded at full fee (gross). Recoverable estimates are identified in that unit, so the bridge must remove what full fee never yields in cash: contractual insurance adjustments first, then uncollected balances.

Contractual adjustments: 25.0%. The target's T24 blended adjustment ratio from the PMS Adjustment Summary: payor mix 24% fee-for-service, 76% PPO by production, implying an average PPO contractual discount of approximately 32.9% off full fee. Per-location blended ratios range 23.8% to 26.1%. Recovered volume is assumed to mirror the T24 payor mix; if recovered patients skew toward either end, the yield moves per the 5.3b sensitivity. This ratio is a target-side fact taken from the target's data; it is never an Acquirer assumption.

Collections: 96.0% NCR. Applied to net production, per the institutional definition. The target's T12 actual; the Acquirer's 92.0% target (KPI 9) is a floor and is treated in Appendix H.2. Combined, $1,000,000 of identified full-fee production yields $720,000 of cash (72.0 cents per dollar) before any cost is applied.

Margin: 37.1%. The Acquirer's variable cost stack (Section 5.2) against recovered collections. Fixed costs are excluded because the capacity check (5.2b) shows recovered volume absorbed without fixed additions; the only incremental clinical labor is variable-funded hygiene hours already inside the stack.

D.4 Hold-Period Assumptions

ASSUMPTION	VALUE AND SOURCE
Hold period	5 years (Form 3)
Year 1 realisation	60%, from the 30/50/70/90 quarterly ramp (Section 6.2); sensitised 40-80% in Section 5.5
Years 2-5 realisation	100% of steady-state capture
Structural risk offset timing	From Year 2, per the Founder's stated 18-24 month transition (Form 2A; CL-04)
Exit multiple	7.0x EBITDA (Form 3); applied to Year 5 net uplift only
Growth and discounting	No growth applied to recovered volume; figures are undiscounted. The reader applies fund-level discounting; this report does not model IRR directly.

D.5 Overlap & Double-Count Controls

Four controls ensure no dollar appears twice across categories or between recoveries and the structural exposure:

CONTROL	MECHANISM
1. Pool construction (4.1 vs 4.4)	The recall-lapsed pool contains only patients unseen for 6+ months; the Founder's active panel is, by definition, active. The two populations cannot share a member at measurement date.
2. Timing (4.2 vs 4.4)	Backlog conversion is modelled substantially complete within 9 months of close; the Founder transition window opens at 18 months. Captured plans are collected before the exposure period begins.
3. Attachment (4.3 vs 4.4)	No-show recovery is process-attached (confirmation and refill workflow on scheduled slots), not provider-attached; departing-provider slots are refilled by successor coverage per the transition plan.
4. Explicit netting (4.5 vs 4.4)	Retention is an ongoing flow that does overlap the transition: the Founder-assigned share of new patients (6.0%) is assumed lost at the 4.4 attrition rates and deducted permanently from 4.5 (($4,000) moderate, ($2,000) conservative, derivation in 4.5). The deduction is deliberately overbroad in Years 3-5.

And the master control: Provider Variance itself is never a recoverable line. It appears once in the model, as a deduction (Sections 3, 5.1, 5.4). The recoverable totals ($1,170,000 moderate, $701,000 conservative) contain four categories only.

Active patient	Patient with a completed visit within 18 months of the measurement date (Patient Activity List definition).
Clarification Register	The single batched written clarification round issued to the target's Director of Operations after data review; items CL-01 through CL-09 (C.2).
Contractual adjustments	Insurance write-offs: full fee less contracted payor rate; the target's T24 blended ratio is 25.0% of gross production.
DSO	Dental support organisation.
EBITDA	Earnings before interest, taxes, depreciation, and amortisation.
FFS / PPO	Fee-for-service (unadjusted fees) / preferred provider organisation (contracted, discounted fees).
Form 2A / 2B / 3	Written intake instruments: group overview (2A), per-location details (2B), acquirer underwriting intake (3). See C.2.
Gross (full-fee) production	Clinical production valued at the practice's full fee schedule before payor adjustment; the PMS recording unit.
Gross cash yield	Collections as a percentage of gross production: (1 less adjustment ratio) x NCR; target T12 actual 72.0%.
Incremental EBITDA margin	Share of recovered collections reaching EBITDA after variable costs; 37.1% under the Acquirer's stack.
LOI	Letter of intent (executed June 12, 2026 in this engagement).
Net collection ratio (NCR)	Collections divided by net production; target T12 actual 96.0%.
Net production	Gross production less contractual adjustments.
Operational QoE	Operational Quality of Earnings: PMS-level quantification of uncaptured revenue and operational exposure to deal-room standard.
Probable driver	DRAI's prioritised, to-be-confirmed hypothesis for why a measured gap exists; never a settled claim of cause.
Realisation rate	Share of steady-state annual capture realised in a year; 60% Year 1, 100% Years 2-5.
Recoverable production	Uncaptured revenue identified in categories 4.1, 4.2, 4.3, 4.5, at full fee, net of the D.5 overlap adjustment.
Recovery initiation window	When recovery execution begins for a category; never a completion date.
RDH / DDS	Registered dental hygienist / doctor of dental surgery (dentist).
Structural risk offset	Annual EBITDA exposure from 4.4 deducted from Year 2 onward in the hold-period model.
T12 / T24	Trailing 12 / 24 months ended June 30, 2026.
Zone classification	The three-zone system of D.1: Opportunity, Operational Risk, Structural.

F.1 Limitations & Caveats

Not an audit. This analysis provides no assurance on financial statements. Reported EBITDA appears once, as context, and no recoverable figure depends on it. **Forward-looking figures.** Recovery, hold-period, and exit-value figures are modelled estimates dependent on execution by the acquiring organisation; actual results will differ, and the difference can be material. **No reliance.** This report does not constitute investment, legal, accounting, audit, or tax advice, and no party other than the named recipient may rely on it. **No valuation opinion.** Exit value impact is arithmetic at the Acquirer's own multiple, not an opinion of value. **Written-response reliance.** Qualitative statements are management's written responses, relied upon as described in C.2; DRAI did not independently verify them. **Cause attribution.** Probable drivers are hypotheses for confirmation; quantification of each gap stands independently of its driver. **Sample document.** This is a demonstration deliverable on a fictional engagement; figures are illustrative.

F.2 Data Reliability

This report's recoverable revenue estimates are based on PMS-reported data for the trailing 24 months. Estimates carry an inherent variance range of plus or minus 15% based on data entry accuracy at the practice level. A standard data reliability review was conducted during intake: the Form 2B reliability question was answered by practice management at each of the six locations between July 9 and July 13, 2026, and no material discrepancies were flagged by practice management between bank deposits and PMS-reported collections in the trailing 12 months. The corresponding status cell appears in the Section 2.3 baseline grid ("No Material Discrepancies").

Two immaterial clarification items were shipped flagged rather than resolved (CL-08, CL-09; Appendix C.2). Neither touches a headline figure: CL-08 concerns the recall-interval configuration history at Location 5 (affects the historical shape, not the current count, of the 4.1 pool) and CL-09 concerns source coding on pre-2025 new-patient records (Section 4.5 uses T12 cohorts only). Had either been material to a headline figure, it would have been pursued to resolution before issuance or the affected figure shipped as a range; that is the standing convention of this report series.

The plus-or-minus 15% convention is deliberately wider than the rounding and allocation conventions used in display, and it is the correct band to apply when quoting any single figure from this report in isolation.

Reference material only. This appendix catalogues responses the market commonly applies to findings of the kinds identified in this report. DRAI does not recommend any specific response, does not advise on deal terms, and includes this appendix solely so the reader can locate each finding within familiar transaction machinery.

STRUCTURE	COMMONLY APPLIED WHEN	WHAT IT ADDRESSES
Transition & associate agreements	A key provider has a stated departure or reduction timeline (Section 4.4)	Panel handover length, successor introduction, non-solicitation terms; directly shapes realised attrition and redistribution
Holdback / escrow	A quantified exposure is probable but unrealised at close	Prices the exposure into closing mechanics rather than the headline price
Earn-out structure	Buyer and seller price recoverable revenue differently	Ties consideration to documented, patient-level recoverable assets as they convert; the quantifications in Sections 3-5 are the kind of documentation such structures reference
Integration-plan commitment	Recovery depends on buyer-side execution (Sections 5.5, 6)	Resourcing the realisation rate: funded integration team, outreach workflows, added hygiene days
Price / risk acceptance	Exposure is small against deal size, or diligence time is constrained	Explicitly accepting the quantified range as-is; the conservative scenario exists to make that acceptance an informed one

Nothing in this appendix modifies the analysis: headline figures remain net of the structural offset whether or not any structure above is used. The choice among responses, and whether to respond at all, belongs to the parties and their advisers.

H.1 The Ten KPIs (Form 3 Acquirer Intake Questionnaire, July 8, 2026)

KPI	VALUE STATED BY ACQUIRER	WHERE APPLIED
1. Associate compensation structure	30% of collections; 50/50 profit split above $750,000 per clinician per year	Section 5.2 (flat rate applies; threshold check in note 3)
2. Clinical wages target	24.0% of collections	Section 5.2 (hygienist labor derivation, note 1)
3. Supply cost ratio target	5.5% of collections	Section 5.2 (applied directly)
4. Marketing spend ratio target	3.0% of collections	Not applied: recovered volume is existing-patient recovery requiring no incremental acquisition spend; noted here for completeness
5. Recall rate target	75% of active patients holding a future recall appointment	Context for Section 4.1 (target current: 58.6%; definitional note below)
6. Treatment acceptance rate target	65% of plans presented	Context for Section 4.2 (backlog conversion is post-acceptance, so the KPI does not anchor the estimate)
7. No-show rate target	8.0% of scheduled appointments	Section 4.3 footnote (below the moderate scenario; quantified, not carried)
8. Provider production floor	$5,200 net production per dentist clinical day	Context for Appendix B (all providers except ramping Dentist F exceed the floor)
9. Collection ratio target	92.0% of net production	Appendix H.2 note (target actual is 96.0%; maintenance modelled, upside not modelled)
10. Overhead ratio target	58.0% of collections	Section 5.2 (variable component 4.5%; remainder fixed, note 2)

Definitional note on KPI 5: the Acquirer's recall metric counts patients holding a future recall appointment; the Section 4.1 lapsed measure counts patients 6-18 months past due with no appointment. The two are related but not complements, which is why KPI 5 is context rather than an anchor.

H.2 Material Differences vs an Industry-Average Build

Margin. The single most material difference is associate provider compensation at 30.0% of collections (KPI 1), versus the low-teens owner-operator assumption embedded in industry-blended stacks. Under an industry-blended 45% incremental margin, steady-state gross EBITDA would display as $379,080; under the Acquirer's own stack it is $312,530, which is 17.6% lower. This report carries the lower figure, because the Acquirer will staff recovered volume with paid associates, not an owner-operator. The 5.3a sensitivity shows both.

What is deliberately not an Acquirer input. The contractual adjustment ratio (25.0%) and the net collection ratio (96.0%) are the target's own T24/T12 actuals from the PMS, not underwriting choices: the gross-to-net bridge describes the target as it operates. The Acquirer's 92.0% collection target (KPI 9) sits below the target's actual; the model assumes the actual is maintained, and if collections instead degraded to the 92.0% floor, steady-state gross EBITDA would reduce proportionally by 4.2% (to approximately $299,508). Improvement beyond 96.0% is not modelled.

This methodology aligns the operational analysis with the Acquirer's specific cost structure rather than generic industry-blended cost ratios; the intended effect is that every conversion step in Section 5 can be traced either to the target's PMS or to a value the Acquirer itself stated in writing.