Financial QoE vs. Operational QoE™

Every dental transaction has one. Almost none have the other.

The financial QoE has been the standard in dental M&A for decades. It tells you what a practice collected, what margins look like, and whether the numbers are clean. **What it cannot tell you is why the numbers look the way they do, or what revenue is sitting dormant in the PMS that should already be flowing through.** That second layer is the Operational QoE, and it does not yet exist as a formal product in any dental transaction.

	Financial QoE	Operational QoE
What It Answers	What did the practice collect? Are the numbers clean and normalised?	Why do the numbers look this way? What revenue is uncaptured and recoverable right now?
Data Source	Tax returns, P&Ls, collections reports, W-2s, insurance mix summaries	Patient-level PMS records: recall history, treatment plans, appointment logs, provider data
Metrics Covered	EBITDA, revenue, overhead %, collections ratio, add-backs, payer mix, adjustments	Lapsed recall, unscheduled accepted treatment, no-shows and cancellations, provider variance, new patient retention. Dollar impact per location for each.
Output	A normalised financial number both sides use to negotiate the deal	A report quantifying recoverable revenue per location and category, with root-cause analysis and a recovery roadmap
Deal Impact	Confirms historical production. Does not explain operational variance or surface dormant assets.	Quantifies dormant assets. Pre-listing: recovers revenue into trailing EBITDA, meaning higher exit value. Going to market: becomes the basis for defensible earn-out terms. Post-LOI: validates pricing and arms the deal team with a day-one recovery plan.
Who Produces It	M&A advisory or transaction specialist firms. Standard in every deal.	DRAI. We pioneered the Operational QoE for dental M&A as the formal complement to financial diligence.

WHEN THE OPERATIONAL QOE GETS COMMISSIONED

SELLER-COMMISSIONED

Pre-Listing

Seller has 6 to 24 months of runway. Recoverable revenue is identified and captured into trailing EBITDA before listing. The multiple applies to a number that reflects real capability, not just historical collections.

SELLER-COMMISSIONED

Going to Market

Documented assets enter the data room on the seller's terms. Earn-out structures become defensible because they are tied to specific recoverable revenue. The seller controls the information rather than the buyer discovering it post-close.

BUYER-COMMISSIONED

Post-LOI

Buyer surfaces the operational gaps and recovery levers their financial and legal diligence will not show. Day-one recovery roadmap, structural risk surfaced for the deal team, and a sequenced integration plan rather than discovering the picture in year one.

WHY THE OPERATIONAL QOE BELONGS IN THE DEAL ROOM TOO

The financial QoE tells you what the practice produced. The operational QoE tells you what it is capable of producing once dormant revenue is recovered. **At 5x to 8x multiples, the spread between those two numbers is typically $1M to $3M in enterprise value**, scaling with deal size. Right now only one of these documents exists in any deal. Both should.

Sample reports available. Four full sample Operational QoE reports, buy-side and sell-side, can be downloaded at draiconsulting.io. Email andres@draiconsulting.io with any questions.

Add the Missing Diligence Layer to Your Deals

Currently accepting a limited number of engagements per quarter.

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