D R A I

PRE-LISTING OPERATIONAL QOE

Atlantic Smiles Dental Group

Prepared for Atlantic Smiles Dental Group

ENGAGEMENT ID
ENG-2025-A006

ENGAGEMENT STAGE
Pre-Listing (18 months pre-listing)

PMS SYSTEM
Dentrix

DATA COVERAGE
Nov 1, 2023 to Oct 31, 2025 (T24)

DATE PREPARED
November 21, 2025

TARGET
6-Location Group (Southeast US)

SAMPLE · FICTIONAL ENGAGEMENT · ILLUSTRATIVE FIGURES

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This report is an operational diagnostic. It identifies and quantifies recoverable revenue and structural exposures evidenced in the practice's own practice management system (PMS) data and written intake responses. It does not constitute an audit, a financial quality of earnings review, a valuation, investment advice, legal advice, or a recommendation to pursue any transaction. DRAI Consulting does not opine on transaction valuation, deal structure, broker engagement, or clinical decisions.

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This sample document presents a fictional engagement. All practice data, personnel references, and figures are illustrative. In a live engagement, every figure is drawn from the client practice's own PMS exports and written intake, per the Basis of Estimates in Appendix C.

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Defined Terms (Short Form)

Full glossary in Appendix E.

T12 / T24	Trailing twelve / twenty-four months ending October 31, 2025.
Operational QoE	A forensic, PMS-level diagnostic quantifying recoverable revenue and structural exposures across five locked operational categories.
Recoverable Production (full fee)	Uncaptured production evidenced in the PMS at full fee (UCR), before contractual adjustments, across the four recoverable categories.
Contractual Adjustments	Insurance write-offs: the difference between full-fee production and the amounts allowable under payor contracts.
Net Production	Full-fee production less contractual adjustments. The basis on which collections are measured.
Net Collection Ratio	Collections divided by net production. Applied to net production only, never to full-fee production.
Gross-to-Cash Yield	Collections divided by full-fee production; equals (1 less the adjustment rate) times the net collection ratio. 78.4% for this practice.
Incremental EBITDA Margin	The share of incremental collections converting to EBITDA after the variable cost stack. 55.0%, a DRAI comparative estimate (Appendix C).
Structural Exposure	Revenue at risk from a structural condition (here, Provider Variance). Disclosed and offset in the model; never counted as recoverable.

AGGREGATE RECOVERABLE PRODUCTION · MODERATE

$1,143,000

Four recoverable categories, at full fee, per Section 3. Conservative: $682,000. Stated before contractual adjustments; see Section 5.1.

STEADY-STATE NET ANNUAL EBITDA UPLIFT

$421,000

After the contractual write-off step, the 98.0% net collection ratio, the 45.0% variable cost stack, and the $72,000 structural risk offset. Conservative: $246,000.

LISTING-DATE VALUATION PROTECTION

$2,947,000

Net annual uplift capitalised at the broker-stated 7.0x multiple (a broker expectation, not a DRAI valuation input). Conservative: $1,722,000.

Findings Summary

Atlantic Smiles Dental Group generates $13,280,000 in T12 full-fee production across six locations, converting to $10,412,000 in collections after $2,656,000 of contractual adjustments (20.0% blended) at a 98.0% net collection ratio. Against that baseline, this diagnostic identifies $1,143,000 of recoverable production (moderate scenario) across the four recoverable categories: Lapsed Recall ($410,000), Unscheduled Accepted Treatment ($289,000), No-Shows and Cancellations ($286,000), and New Patient Retention ($158,000). Provider Variance is disclosed separately as a structural exposure of $160,000 in production at risk tied to the Founder's stated retirement window; it is excluded from every recoverable total and enters the model once, as the structural risk offset in Section 5.1. Each figure derives from the practice's own PMS exports, with derivation math shown in Section 4 and the basis of every estimate disclosed in Appendix C.

The revenue leakage this report quantifies is uncaptured revenue already evidenced in the practice's systems: overdue recall patients, accepted but unscheduled treatment, unrecovered schedule losses, and unretained new patients. The Pre-Listing engagement exists to convert it into trailing EBITDA before the practice lists, and to place the documentation in the seller's hands before a buyer's diligence team scopes the same gaps at LOI.

METHODOLOGY NOTE · CONVERSION BASIS AND BASIS OF ESTIMATES

Recoverable production is stated at full fee and converted to cash through two visible steps: contractual adjustments at the practice's actual 20.0% blended T12 rate (payor mix approximately 60% in-network PPO, 35% fee-for-service and out-of-network, 5% other), then the practice's 98.0% net collection ratio applied to net production. The net collection ratio is never applied to full-fee production. EBITDA conversion applies an industry-blended variable cost stack (45.0% of incremental collections); no acquirer exists at Pre-Listing stage, so the stack cannot be anchored to a specific buyer's cost structure, and Appendix H discloses how it shifts under buyer-typical structures.

Every figure carries one of three bases, disclosed in Appendix C: Tier 1 (derived from this practice's PMS exports), Tier 2 (stated by management or the broker in the written intake and Clarification Register), or Tier 3 (DRAI comparative estimate). No figure in this report is sourced to a third-party study. Section 5 stress-tests the material assumptions, including the contractual adjustment rate.

Listing-Date Trajectory and Diligence-Discount Protection

Executed over the 18-month pre-listing window at a 60% Year-1 realisation rate, the moderate scenario carries trailing EBITDA from $2,450,000 today to $2,907,000 at the anticipated Q2 2027 listing (+$457,000), per the trajectory in Section 5.5. The second value stream is protective: gaps a buyer's diligence team surfaces first typically justify a 5% to 10% pricing concession at LOI. Documenting and quantifying them in the seller's own materials removes that lever; Section 5.8 sizes the protected amount at $875,000 to $1,750,000 on a $17,500,000 hypothetical listing price. The two streams are additive and are reconciled in Section 5.8.

Reconciling the three headline figures: $1,143,000 of full-fee recoverable production converts to $896,000 of collections (after the 20.0% contractual adjustment step and the 98.0% net collection ratio), to $493,000 of gross annual EBITDA at the 55.0% incremental margin, and to $421,000 net of the $72,000 structural risk offset; capitalised at the broker-stated 7.0x, $2,947,000. The three figures are three readings of the same analysis at different depths of conversion, not three separate opportunities.

Findings Classification Matrix

#	CATEGORY	ZONE	RECOVERABLE PROD. (MOD.)	INCR. EBITDA (MOD.)	OBSERVATION SUMMARY	ACTION WINDOW
4.1	Lapsed Recall	Opportunity	$410,000	$177,000	3,740 patients overdue 90+ days; concentration at Locations 4 to 6	Immediate
4.2	Unscheduled Accepted Treatment	Opportunity	$289,000	$125,000	$1,376,000 in accepted, unscheduled plan value; 62% aged over 90 days	6-Month
4.3	No-Shows and Cancellations	Operational Risk	$286,000	$123,000	14.6% combined rate vs 9.4% at the highest-performing location	Immediate
4.5	New Patient Retention	Opportunity	$158,000	$68,000	38.1% first-visit attrition on a 1,635-patient measurable cohort	6-Month / 12-Month
	Recoverable Total (Moderate)		**$1,143,000**	**$493,000**	**Conservative: $682,000 / $294,000**	
4.4	Provider Variance	Structural Risk	($160,000) at risk	($69,000) equivalent	Founder concentration; excluded from recoverable totals; enters once as the Section 5.1 offset ($72,000 including overlap)	12-Month+ (mitigation)

Provider Variance is a structural exposure, not recoverable revenue. Its production-at-risk and EBITDA-equivalent figures are shown in parentheses and never sum into recoverable totals. Section 7 shows the exposure derivation, the overlap netting, and the offset applied in Section 5.1.

Seller's Listing Thesis Implications

Trailing EBITDA at listing is the number the buyer prices. Every dollar of recoverable production converted before listing compounds through the multiple. The trajectory in Section 5.5 shows the moderate path adding $457,000 to trailing EBITDA by the anticipated listing date; at the broker-stated 7.0x, the capitalised value of the steady-state net uplift is $2,947,000. The 18-month runway is what makes conversion possible; this is the defining difference between the Pre-Listing engagement and a deal-room engagement at LOI.

Self-scoped gaps cannot be used against the seller. Buyer-side operational diligence justifies pricing concessions by surfacing what the seller has not scoped. Every category in this report arrives at LOI already quantified, sequenced, and either captured or visibly in progress, with the derivation math a diligence team can re-run from the same PMS exports. Section 5.8 sizes the concession lever this removes.

The structural exposure is disclosed on the seller's terms, not discovered on the buyer's. The Founder's retirement window will surface in any competent diligence process. Section 7 quantifies the exposure, nets the overlap with the recoverable categories so nothing is counted twice, and gives the seller a preparation framework so the timeline reads as a managed transition rather than an unscoped risk.

2.1 Engagement Scope and Methodology

This engagement analyses uncaptured revenue and structural exposures across the five locked Operational QoE categories, using twenty-four months of summary-level PMS data (November 1, 2023 to October 31, 2025) extracted from the practice's Dentrix environment on November 11, 2025. Six standard PMS exports per location were parsed and reconciled: the Recall / Continuing Care Statistics Report, the Treatment Plan Approval Report (accepted status only), the Schedule Summary Report, the Provider Production and Collections Report (including production-adjustment detail), the Patient Activity / Continuing Care List (counts only), and the New Patient Report. No individual patient names, identifiers, or identity-paired health data were received or reviewed at any point.

Operational context was captured through the written intake: one group-level questionnaire (Form 2A) completed by the practice's Director of Operations and six per-location questionnaires (Form 2B) completed by each location's office manager, received November 10 to 14, 2025. Four material clarification items were resolved in writing through the Clarification Register on November 17, 2025 (CR-1 through CR-4, cited where used). Where the report explains why a gap exists in this practice, it states a probable driver evidenced by the data and the written intake; it does not assert certainty about causation, and it does not rely on any third-party study (Appendix C, Basis of Estimates).

The output is diagnostic: what exists, where it sits, what it is worth under stated assumptions, and in which window it is addressable. DRAI Consulting does not execute the action plan, does not opine on transaction valuation or deal structure, and does not make hiring, vendor, compensation, or clinical recommendations.

2.2 Seller Profile and Exit Timeline

Years of ownership	16 years (founded by the current majority owner)
Ownership structure	Multi-partner; Founder holds majority; 3 associate dentists, non-equity
Stated exit timeline	18 to 24 months from engagement (Form 2A)
Anticipated listing	Q2 2027 (May 2027 used in the Section 5.5 trajectory)
Anticipated deal multiple	7.0x EBITDA, broker-stated expectation per written broker confirmation (November 16, 2025). Not a DRAI underwriting or valuation input.
Founder post-exit role	Transition period of 12 to 18 months post-close, clinical only (Form 2A)
Founder retirement timeline	Within 24 months post-close (Form 2A; see Sections 4.4 and 7)
Broker referral path	Engagement referred by the practice's listing broker; broker receives no portion of the engagement fee

Seller profile fields are Tier 2 (operator-stated or broker-stated) per the Basis of Estimates in Appendix C.

2.3 Operational Baseline (T12, November 2024 to October 2025)

Gross production (full fee, UCR)	$13,280,000
Contractual adjustments (insurance write-offs)	($2,656,000) · 20.0% of gross production
Net (adjusted) production	$10,624,000
Collections	$10,412,000
Net collection ratio (collections / net production)	98.0%
Gross-to-cash yield (collections / gross production)	78.4%
Payor mix (share of gross production)	approx. 60% in-network PPO · 35% fee-for-service and out-of-network · 5% other
Active patients	13,850
New patients (T12)	2,180
Providers	4 dentists (1 Founder + 3 Associates) · 8 hygienists
Reported EBITDA (T12, practice estimate)	$2,450,000 · 23.5% of collections
Data reliability status	No material discrepancies (Appendix F.2)

Production, adjustments, net production, collections, and patient counts are Tier 1 (PMS-derived, summary level, no PHI). Payor mix shares are Tier 1 for the adjustment dollars and Tier 2 for the mix classification (Form 2A). Reported EBITDA is a practice estimate (Tier 2), not audited and not normalised by DRAI; it serves as the trajectory baseline in Section 5.5 only. The distinction between gross production, net production, and collections is load-bearing for every conversion in this report; see Section 5.1 and Appendix D.3.

2.4 Sources of Information

PMS exports (Tier 1): the six standard summary-level exports listed in 2.1, per location, extracted November 11, 2025, covering T24. The Provider Production and Collections Report includes the production-adjustment detail from which the 20.0% blended contractual adjustment rate is computed.

Written intake (Tier 2): Form 2A (group-level, Director of Operations) and six Form 2B submissions (per-location office managers), received November 10 to 14, 2025.

Clarification Register (Tier 2): four material items resolved in writing November 17, 2025 (CR-1 scheduling handoff after acceptance; CR-2 recall automation coverage by location; CR-3 confirmation cascade and recovery-call protocol; CR-4 post-first-visit sequence ownership).

Broker confirmation (Tier 2): written confirmation of anticipated listing window and multiple expectation, November 16, 2025.

DRAI comparative estimates (Tier 3): recovery, conversion, attrition, redistribution, and ramp assumptions, and the variable cost stack. Identified as such wherever used; see Appendix C.

2.5 Limitations of Scope

This report does not opine on transaction valuation, deal structure, listing strategy, broker selection, financing, clinical care, or staffing decisions. It is not an audit and does not verify PMS data against bank records beyond the reliability review in Appendix F.2. Recoverable amounts are estimates under stated assumptions, carry the variance range in Appendix F.2, and depend on execution that is entirely within practice leadership's control and outside DRAI's. The anticipated deal multiple appears only to express EBITDA effects in valuation terms and is the broker's stated expectation, not DRAI's opinion of value. This document is seller-facing: it is not a deal-room artifact and contains no contingent-payment quantification; that documentation belongs to a Going to Market engagement at LOI.

The table below synthesises the five categories analysed in Section 4. The four recoverable categories sum to Aggregate Recoverable Production. Provider Variance is a structural exposure: it is disclosed beneath the total, in parentheses, and enters the financial model exactly once, as the structural risk offset in Section 5.1. Incremental EBITDA converts each category's recoverable production at the practice's 78.4% gross-to-cash yield and the 55.0% incremental margin (Section 5.1; factor 0.4312, rounded to the nearest $1,000).

#	CATEGORY	ZONE	OBSERVATION	RECOVERABLE PRODUCTION (CONS. / MOD.)	INCREMENTAL EBITDA (CONS. / MOD.)
4.1	Lapsed Recall	Opportunity	3,740 active patients overdue 90+ days (27.0% of base); per-location lapsed rates 18.9% to 36.9%; heaviest at Locations 4 to 6, where recall sequencing is manual (Form 2B, CR-2)	$248,000 / $410,000	$107,000 / $177,000
4.2	Unscheduled Accepted Treatment	Opportunity	$1,376,000 of accepted, unscheduled plan value across 1,265 plans (accepted status only, never presented); 62% aged over 90 days; scheduling handoff breaks after acceptance (CR-1)	$179,000 / $289,000	$77,000 / $125,000
4.3	No-Shows and Cancellations	Operational Risk	14.6% combined no-show and unrecovered cancellation rate vs 9.4% at the highest-performing location; $636,000 T12 lost production; no automated confirmation cascade at Locations 4 to 6 (CR-3)	$159,000 / $286,000	$69,000 / $123,000
4.5	New Patient Retention	Opportunity	38.1% first-visit attrition on the 1,635-patient measurable cohort; no structured post-first-visit sequence; second-appointment booking left to checkout (CR-4)	$96,000 / $158,000	$41,000 / $68,000
	Aggregate Recoverable Production and Gross EBITDA Uplift			**$682,000 / $1,143,000**	**$294,000 / $493,000**
4.4	Provider Variance (structural exposure, excluded from totals above)	Structural Risk	Founder generates $1,420,000 T12 production (32.6% of dentist production) at Locations 1 and 3 with a stated retirement window of 24 months post-close; production at risk shown at right; offset derivation in Section 7	($109,000) / ($160,000) at risk	($47,000) / ($69,000) equivalent

Scenario definitions: the conservative and moderate scenarios apply the recovery, conversion, and retention assumptions stated per category in Section 4, all Tier 3 DRAI comparative estimates disclosed in Appendix C. The structural risk offset applied in Section 5.1 ($48,000 conservative / $72,000 moderate) equals the Provider Variance EBITDA-equivalent exposure plus the founder-dependent overlap on recovered production, derived in Section 7. Figures rounded to the nearest $1,000; see Appendix D.7.

SECTION 4.1 · CATEGORY 1 OF 5 · RECOVERABLE

Lapsed Recall

ZONE: OPPORTUNITY · PRE-LISTING ACTION WINDOW: IMMEDIATE (0 TO 30 DAYS)

Source: Recall / Continuing Care Statistics Report and Patient Activity / Continuing Care List (counts only), extracted November 11, 2025, T24 coverage.

PATIENTS OVERDUE 90+ DAYS	SHARE OF ACTIVE PATIENTS	PER-LOCATION LAPSED RANGE	AVG PRODUCTION PER REACTIVATED PATIENT
3,740	27.0%	18.9% to 36.9%	$370

RECOVERABLE PRODUCTION · CONSERVATIVE	RECOVERABLE PRODUCTION · MODERATE
$248,000	$410,000

INCREMENTAL EBITDA · CONSERVATIVE	INCREMENTAL EBITDA · MODERATE
$107,000	$177,000

OBSERVATION

3,740 active patients are overdue for recall by 90 days or more, 27.0% of the active base. The distribution is uneven: Locations 4, 5, and 6 hold 2,110 of the overdue patients (lapsed rates 34.9%, 36.9%, and 31.0% respectively) against 18.9% to 25.0% at Locations 1 to 3 (per-location detail in Appendix A.1). The probable driver is the recall workflow split confirmed in the written intake: automated recall sequencing is active at Locations 1 to 3, while Locations 4 to 6 run manual call-list follow-up alongside front-desk staffing turnover in the trailing year (Form 2B; Clarification Register CR-2). The gap is uncaptured revenue sitting in the practice's own continuing-care data, not a demand problem: these are patients of record with recall intervals already assigned in the PMS.

RECOVERY MODELLING

Recoverable production = reactivated patients x average production per reactivated visit cycle ($370, Tier 1, from T12 recall-visit production values). Conservative: 670 reactivated patients x $370 = $248,000 (approximately an 18% reactivation rate). Moderate: 1,108 x $370 = $410,000 (approximately 30%). Both rates are Tier 3 DRAI comparative estimates within an 18% to 34% comparative range for structured reactivation programs in multi-location groups; counts anchor the dollars, and the sensitivity of every downstream figure to conversion assumptions is shown in Section 5. Incremental EBITDA converts at the 0.4312 factor (78.4% gross-to-cash yield x 55.0% incremental margin, Section 5.1): $107,000 conservative, $177,000 moderate.

Unscheduled Accepted Treatment

ZONE: OPPORTUNITY · PRE-LISTING ACTION WINDOW: 6-MONTH (MONTHS 2 TO 6)

Source: Treatment Plan Approval Report, accepted status only, extracted November 11, 2025, T24 coverage.

OPEN ACCEPTED PLAN VALUE UNSCHEDULED	ACCEPTED PLANS	AVG UNSCHEDULED PLAN VALUE	SHARE AGED OVER 90 DAYS
$1,376,000	1,265	$1,088	62%

RECOVERABLE PRODUCTION · CONSERVATIVE	RECOVERABLE PRODUCTION · MODERATE
$179,000	$289,000

INCREMENTAL EBITDA · CONSERVATIVE	INCREMENTAL EBITDA · MODERATE
$77,000	$125,000

OBSERVATION

$1,376,000 of treatment carrying accepted status in the PMS has no scheduled appointment, across 1,265 plans averaging $1,088. The count includes only plans the patient said yes to; presented-but-declined options are excluded by filter, so none of this figure is speculative case acceptance. 62% of the value is aged beyond 90 days, where scheduling probability decays. The probable driver is a handoff break confirmed in the Clarification Register: after clinical acceptance, scheduling passes to the front desk with no owned follow-up queue and no aging review, and no location has a dedicated treatment coordinator role (Form 2B; CR-1). Plan values here are full-fee production values; conversion to cash and EBITDA runs through the Section 5.1 bridge like every other figure in this report.

RECOVERY MODELLING

Recoverable production = open accepted plan value x scheduling conversion rate. Conservative: $1,376,000 x 13.0% = $179,000. Moderate: $1,376,000 x 21.0% = $289,000. Conversion rates are Tier 3 DRAI comparative estimates for practices deploying an owned follow-up workflow against an aged accepted-plan backlog; the aged share caps the modelled conversion well below the plan total, and both scenarios leave over three-quarters of the backlog unconverted. Incremental EBITDA at the 0.4312 factor: $77,000 conservative, $125,000 moderate.

No-Shows and Cancellations

ZONE: OPERATIONAL RISK · PRE-LISTING ACTION WINDOW: IMMEDIATE (0 TO 30 DAYS)

Source: Schedule Summary Report, extracted November 11, 2025, T24 coverage.

COMBINED NO-SHOW + UNRECOVERED CANCELLATION RATE	HIGHEST-PERFORMING LOCATION	LOWEST-PERFORMING LOCATION	T12 LOST PRODUCTION
14.6%	9.4%	19.8%	$636,000

RECOVERABLE PRODUCTION · CONSERVATIVE	RECOVERABLE PRODUCTION · MODERATE
$159,000	$286,000

INCREMENTAL EBITDA · CONSERVATIVE	INCREMENTAL EBITDA · MODERATE
$69,000	$123,000

OBSERVATION

The group's combined no-show and unrecovered cancellation rate is 14.6% of scheduled appointments, against 9.4% at the highest-performing location (Location 2) and 19.8% at the lowest (Location 5), a spread that indicates a workflow difference rather than a patient-demographic difference. T12 production lost to unfilled slots is $636,000 at full fee. The probable driver, per the written intake, is the absence of an automated confirmation cascade and of any standing same-week recovery-call protocol at Locations 4 to 6; Location 2 runs both (Form 2B; Clarification Register CR-3). The internal 9.4% reference point matters analytically: the recovery scenarios below are anchored to performance this group already achieves at one of its own locations, not to an external standard.

RECOVERY MODELLING

Recoverable production = T12 lost production x recovery fraction. Conservative: $636,000 x 25% = $159,000. Moderate: $636,000 x 45% = $286,000. Recovery fractions are Tier 3 DRAI comparative estimates for groups deploying confirmation cascades plus recovery-call protocols; the moderate scenario corresponds to closing roughly the gap between the group rate and its own best location. Incremental EBITDA at the 0.4312 factor: $69,000 conservative, $123,000 moderate.

Provider Variance

ZONE: STRUCTURAL RISK · PRE-LISTING ACTION WINDOW: 12-MONTH AND 12+ MONTH (MITIGATION, NOT CAPTURE)

Source: Provider Production and Collections Report, extracted November 11, 2025; retirement timeline per written intake (Form 2A).

FOUNDER T12 PRODUCTION	SHARE OF DENTIST PRODUCTION	FOUNDER LOCATIONS	STATED RETIREMENT WINDOW
$1,420,000	32.6%	1 and 3	24 mo post-close

PRODUCTION AT RISK · CONSERVATIVE	PRODUCTION AT RISK · MODERATE
($109,000)	($160,000)

EBITDA-EQUIVALENT EXPOSURE · CONSERVATIVE	EBITDA-EQUIVALENT EXPOSURE · MODERATE
($47,000)	($69,000)

OBSERVATION

The Founder generates $1,420,000 of T12 in-chair production, 32.6% of dentist production, concentrated at Locations 1 and 3, and has stated a retirement window within 24 months post-close with a 12-to-18-month clinical transition period (Form 2A). This category is classified as a structural exposure, not recoverable revenue: there is no uncaptured revenue to recover, only existing revenue whose continuity depends on a planned clinician transition. It is therefore excluded from Aggregate Recoverable Production and from the action-plan capture totals, and it enters the financial model exactly once, as the structural risk offset in Section 5.1. Any buyer's diligence team will read the same concentration from the same PMS report; Section 7 sets out what that team will surface and the seller's preparation framework.

RISK MODELLING

Production at risk = Founder T12 production x panel attrition rate x (1 less panel redistribution rate). Conservative: $1,420,000 x 38% x (1 less 79.8%) = $109,000. Moderate: $1,420,000 x 45% x (1 less 75.0%) = $160,000. Attrition and redistribution rates are Tier 3 DRAI comparative estimates for founder-to-associate transitions in multi-location groups; redistribution reflects the three-associate bench absorbing panel volume at Locations 1 and 3. EBITDA-equivalent exposure at the 0.4312 factor: ($47,000) conservative, ($69,000) moderate. The offset applied in Section 5.1 adds the founder-dependent share of newly recovered production at Locations 1 and 3 (the overlap, so no dollar is counted twice): ($48,000) conservative, ($72,000) moderate, derived line by line in Section 7.

LISTING IMPLICATION

The exposure is a pricing-lever risk, not a listing barrier. Disclosed on the seller's terms with the mitigation sequence in Sections 6.3 and 6.4 visibly underway, the retirement timeline reads as a managed transition. Left for the buyer to discover, the same numbers become a concession argument at LOI. The Section 5.1 net uplift already deducts the full annual offset, so the headline this report hands the seller survives that conversation.

New Patient Retention

ZONE: OPPORTUNITY · PRE-LISTING ACTION WINDOW: 6-MONTH LAUNCH · 12-MONTH CAPTURE

Source: New Patient Report and Patient Activity / Continuing Care List (counts only), extracted November 11, 2025, T24 coverage.

NEW PATIENTS (T12)	MEASURABLE FIRST-YEAR COHORT	FIRST-VISIT ATTRITION	AVG FIRST-YEAR PRODUCTION PER RETAINED NP
2,180	1,635	38.1%	$720

RECOVERABLE PRODUCTION · CONSERVATIVE	RECOVERABLE PRODUCTION · MODERATE
$96,000	$158,000

INCREMENTAL EBITDA · CONSERVATIVE	INCREMENTAL EBITDA · MODERATE
$41,000	$68,000

OBSERVATION

Of the 1,635 new patients whose first-recall window closed inside T12 (the measurable cohort within the 2,180 T12 new patients), 38.1% did not return for a second visit. The probable driver, per the written intake, is the absence of any structured post-first-visit sequence: second-appointment booking is left to the checkout desk in the moment, with no owned follow-up for patients who leave unbooked (Form 2B; Clarification Register CR-4). New patient acquisition is not the gap; the group adds 182 new patients per month on average. The revenue leakage is at the retention step, after acquisition cost has already been spent.

RECOVERY MODELLING

Recoverable production = additional retained patients x average FIRST-YEAR production per retained new patient ($720, Tier 1, from cohort production values). Conservative: 133 additional retained patients x $720 = $96,000 (attrition improving toward approximately 30%). Moderate: 220 x $720 = $158,000 (toward approximately 25%). Improvement targets are Tier 3 DRAI comparative estimates; counts anchor the dollars. The $2,840 average lifetime value observed for retained patients is context only and is never the recoverable basis, which keeps this category on the same T12 production footing as every other category. Incremental EBITDA at the 0.4312 factor: $41,000 conservative, $68,000 moderate.

5.1 Production-to-Collections-to-EBITDA Bridge

Recoverable production is stated at full fee (UCR), because that is how the PMS records it. An insurance-based practice does not collect full fee. The bridge below therefore shows the contractual write-off step as its own line before any collection ratio is applied: full fee, less contractual adjustments at the practice's actual blended rate, equals net production; the net collection ratio applies to net production only. Collapsing the write-off step into a single ratio applied to full-fee production would overstate cash conversion by more than a fifth for this payor mix.

BRIDGE STEP	MODERATE	CONSERVATIVE	SOURCE
Aggregate Recoverable Production (full fee, four recoverable categories)	$1,143,000	$682,000	Section 4
Less: Contractual adjustments at 20.0% blended T12 actual	($229,000)	($136,000)	Section 5.3; Tier 1
= Net recoverable production	$914,000	$546,000	
x Net collection ratio (T12 actual, collections / net production)	98.0%	98.0%	Section 2.3; Tier 1
= Recoverable collections (cash)	$896,000	$535,000	
Less: Variable cost stack at 45.0% of incremental collections	($403,000)	($241,000)	Section 5.2; Tier 3
= Steady-State Annual Gross EBITDA Uplift	$493,000	$294,000	
Less: Structural Risk Offset (Provider Variance exposure plus overlap)	($72,000)	($48,000)	Section 7; enters once
= Steady-State Net Annual EBITDA Uplift	**$421,000**	**$246,000**	
x Anticipated deal multiple (broker-stated)	7.0x	7.0x	Section 2.2; Tier 2
= Listing-Date Valuation Protection	**$2,947,000**	**$1,722,000**	

Memo: gross-to-cash yield 78.4%. Each $1.00 of full-fee recoverable production converts to $0.784 of cash before variable cost (80.0% of full fee survives contractual adjustment, and 98.0% of that is collected), and to approximately $0.431 of EBITDA at the 55.0% incremental margin. Per-category EBITDA figures in Sections 3 and 4 apply this same factor, so their sums tie to this bridge exactly as printed. Rounding convention in Appendix D.7.

5.2 Variable Cost Stack (Industry-Blended)

COMPONENT	% OF INCREMENTAL COLLECTIONS	BASIS	COMPARABLE BUYER RANGE
Hygienist labor (60% hygiene allocation of clinical wages, a DRAI assumption)	10.5%	Tier 3 · DRAI comparative estimate	9% to 14%
Lab fees	8.5%	Tier 3 · DRAI comparative estimate	7% to 10%
Clinical supplies	5.5%	Tier 3 · DRAI comparative estimate	4.5% to 6.5%
Associate provider compensation	16.0%	Tier 3 · DRAI comparative estimate	12% to 30%
Variable overhead	4.5%	Tier 3 · DRAI comparative estimate	3.5% to 5.5%
Total variable cost stack / Implied incremental EBITDA margin	**45.0% / 55.0%**		

The stack applies to incremental collections (cash), which in this report sit after the write-off step. Every line is a Tier 3 DRAI comparative estimate; none is sourced to a third-party study (Appendix C). At Pre-Listing stage no acquirer exists, so the stack cannot be anchored to a specific buyer's stated cost structure; Appendix H discloses the full ratio set and how the margin compresses under buyer-typical structures (a PE-backed DSO applying 25% to 30% associate compensation models a 35% to 40% margin against the 55.0% used here). The adjustment-rate sensitivity in Section 5.4 stresses the other side of the conversion.

5.3 Contractual Adjustment Basis

The 20.0% blended contractual adjustment rate is the practice's actual T12 figure, computed from the production-adjustment detail of the Provider Production and Collections Report (Tier 1): $2,656,000 of contractual write-offs against $13,280,000 of gross full-fee production. It is consistent with the practice's payor mix as classified in the written intake (Tier 2): approximately 60% of production is in-network PPO, where contracted allowables run materially below full fee; approximately 35% is fee-for-service and out-of-network, collected at or near full fee; approximately 5% is other coverage. Per-location blended rates range from 19.2% (Location 1, the heaviest fee-for-service mix) to 21.2% (Location 5); the full schedule is in Appendix A.1.

T12 CONVERSION CHAIN (GROUP)	AMOUNT	RATE
Gross production (full fee, UCR)	$13,280,000	
Less: Contractual adjustments	($2,656,000)	20.0% of gross
= Net (adjusted) production	$10,624,000	
Collections	$10,412,000	98.0% of net
Gross-to-cash yield		**78.4%**

The same chain governs recoverable production in Section 5.1. The recoverable categories are modelled at the blended rate rather than category-specific rates because recall, treatment, schedule, and retention recoveries draw from the same payor population as baseline production; a materially different payor skew in any recovered cohort would move the blended rate toward the stressed rates below.

5.4 Adjustment-Rate Sensitivity (Insurance-Heavy Stress)

The contractual adjustment rate is the single assumption a diligence reader will stress first, because insurance-heavy groups write off more of full fee. The table holds every other assumption fixed (moderate scenario) and re-runs the bridge at progressively insurance-heavier adjustment rates. The practice's actual T12 rate is 20.0%; rates of 30% to 35% correspond to heavily PPO- and government-weighted payor mixes.

ADJUSTMENT RATE	RECOVERABLE COLLECTIONS	GROSS EBITDA UPLIFT	STRUCTURAL RISK OFFSET	NET ANNUAL UPLIFT	VALUATION IMPACT AT 7.0X
20.0% (T12 actual, used)	**$896,000**	**$493,000**	**($72,000)**	**$421,000**	**$2,947,000**
25.0%	$840,000	$462,000	($68,000)	$394,000	$2,758,000
30.0%	$784,000	$431,000	($63,000)	$368,000	$2,576,000
35.0%	$728,000	$400,000	($59,000)	$341,000	$2,387,000

Each row recomputes recoverable collections ($1,143,000 x (1 less rate) x 98.0%), the gross uplift (collections x 55.0%), the offset ($168,000 full-fee exposure through the same factors), the net (gross less offset), and the valuation impact (net x 7.0x). The finding is stable in direction at every stressed rate: even at a 35% adjustment rate, the moderate scenario carries a net annual uplift of $341,000 and a valuation impact of $2,387,000. The practice's own rate is Tier 1 data, not an assumption; the stress exists because a buyer reading this document adversarially will run it.

5.5 Trailing EBITDA Trajectory to Listing Date

The figure a buyer evaluates at listing is trailing EBITDA at that date. The trajectory below executes the moderate scenario across the 18-month pre-listing window at a 60% Year-1 realisation rate (ramp fractions are Tier 3 DRAI comparative estimates: capture programs deploy over one to two quarters and mature over four to six).

REFERENCE POINT	DATE	TRAILING EBITDA	DELTA VS TODAY
Today (engagement reference)	Nov 2025	$2,450,000	$0
Q1 capture (initial deployment, 12% of steady-state)	Feb 2026	$2,509,000	+$59,000
Q2 capture (peak deployment, 34%)	May 2026	$2,618,000	+$168,000
Q3 capture (51.5%)	Aug 2026	$2,704,000	+$254,000
Q4 capture (Year-1 complete, 60% realisation)	Nov 2026	$2,746,000	+$296,000
Q5 capture (steady-state H1, 80%)	Feb 2027	$2,844,000	+$394,000
Listing Date (steady-state H2)	**May 2027**	**$2,907,000**	**+$457,000**

Reconciliation: $2,450,000 baseline (reported T12 EBITDA, practice estimate) + $493,000 steady-state gross uplift (the four recoverable categories) less $36,000 half-year apportionment of the structural risk offset, applied as listing-date conservatism even though the Founder has not retired at listing = $2,907,000. The terminal delta (+$457,000) is below the gross steady-state uplift ($493,000) by construction; a trajectory delta exceeding the steady-state uplift would be arithmetically impossible and is a build-failure check on every regeneration. The valuation-protection frame in Section 5.1 nets the FULL annual offset ($72,000) because a buyer capitalises steady state; the trajectory nets a half year because the offset accrues from the transition window, not from day one.

5.6 Multiple Sensitivity

The anticipated 7.0x multiple is the broker's stated expectation, not a DRAI valuation input. The capitalised value of the steady-state net annual uplift at nearby multiples:

MULTIPLE	NET ANNUAL UPLIFT (MODERATE)	VALUATION IMPACT	NET ANNUAL UPLIFT (CONSERVATIVE)	VALUATION IMPACT
6.0x	$421,000	$2,526,000	$246,000	$1,476,000
7.0x (broker-stated)	**$421,000**	**$2,947,000**	**$246,000**	**$1,722,000**
8.0x	$421,000	$3,368,000	$246,000	$1,968,000

5.7 Realisation Rate Sensitivity

Year-1 realisation depends on deployment speed, which is within practice leadership's control. The trajectory uses the 60% mid-range. Listing-date trailing EBITDA under each ramp (attained share of the gross steady-state uplift by month 18 in parentheses; slow-ramp attainment is a Tier 3 DRAI comparative estimate):

YEAR-1 REALISATION	YEAR-1 REALISED UPLIFT	TRAILING EBITDA AT LISTING	READING
40% (slow ramp)	$197,000	$2,833,000 (85% attained: $2,450,000 + $419,000 less $36,000)	Deployment delayed one to two quarters; steady state not fully reached by listing
60% (mid-range, used)	**$296,000**	**$2,907,000 (100% attained)**	**Deployment within the first quarter; steady state by month 15**
80% (fast ramp)	$394,000	$2,907,000 (100% attained by month 12)	Same listing-date terminal; larger cumulative capture banked before listing

5.8 Diligence-Discount Protection

Buyers commission operational diligence at LOI to scope risk. Gaps the buyer's team surfaces first are typically used to justify a 5% to 10% pricing concession against the asking price. Documenting and quantifying the same gaps in the seller's own materials, before the buyer's team scopes them, removes both the surprise and the concession lever. Against hypothetical listing prices consistent with the restated baseline (reported T12 EBITDA of $2,450,000 at the broker-stated 7.0x implies approximately $17,200,000):

HYPOTHETICAL LISTING PRICE	5% DISCOUNT AVOIDED	7.5% DISCOUNT AVOIDED	10% DISCOUNT AVOIDED
$15,000,000	$750,000	$1,125,000	$1,500,000
$17,500,000	**$875,000**	**$1,312,500**	**$1,750,000**
$20,000,000	$1,000,000	$1,500,000	$2,000,000

RECONCILING THE TWO VALUATION FRAMES

This document presents two distinct dollar frames that affect listing value. The first is the $2,947,000 listing-date valuation protection: the capitalised value, at the broker-stated 7.0x, of the $421,000 steady-state net annual EBITDA uplift captured through the action plan. The second is the $875,000 to $1,750,000 typical diligence-discount avoidance on a $17,500,000 listing price: value protected because the buyer cannot use unscoped operational risk as a pricing lever. They are additive; both result from the same diagnostic, and both represent value the seller retains rather than cedes at LOI.

Within the first frame, the trajectory terminal (+$457,000 by listing) and the capitalised net uplift ($421,000 annual) differ only in offset convention: the trajectory nets a half-year apportionment of the structural risk offset as listing-date conservatism, while the capitalised frame nets the full annual offset because a buyer capitalises steady state. Section 5.5 prints the reconciliation.

The action plan sequences the four recoverable categories into execution windows across the 18-month runway, so recoveries land in trailing EBITDA before listing. It is diagnostic, not consulting: it identifies which categories belong in which window, the sequencing dependencies, and the resource additions implied, without vendor, hiring, compensation, or clinical recommendations. Provider Variance runs on a parallel mitigation track; it is not capture and is excluded from the sequenced capture total.

ACTION WINDOW	MONTHS	CATEGORIES	TARGET CAPTURE (MODERATE)
Immediate	0 to 30 days	4.1 Lapsed Recall + 4.3 No-Shows and Cancellations	$696,000
6-Month	Months 2 to 6	4.2 Unscheduled Accepted Treatment (4.5 NPR launches here; its capture lands in the 12-Month window)	$289,000
12-Month	Months 6 to 12	4.5 New Patient Retention full cohort capture	$158,000
Total Recoverable Production Sequenced ($410,000 + $286,000 + $289,000 + $158,000)			**$1,143,000**
Structural mitigation	Months 12 to 18	4.4 Provider Variance transition mitigation (not capture; excluded from the total above)	($160,000) at risk under mitigation

The sequenced windows sum exactly to Aggregate Recoverable Production. No category appears in more than one capture window, and the structural exposure never enters the capture total.

6.1 Immediate Action Window (0 to 30 Days)

Categories deployable under existing operational leadership without hiring. **4.1 Lapsed Recall ($410,000 target):** extend the automated recall sequencing already live at Locations 1 to 3 across Locations 4 to 6, and run a structured reactivation pass against the 3,740-patient overdue list, oldest cohorts first. **4.3 No-Shows and Cancellations ($286,000 target):** deploy the confirmation cascade and same-week recovery-call protocol group-wide, replicating the workflow that already holds Location 2 at 9.4%. Sequencing rationale: both categories run on existing staff and existing systems, so they establish early capture velocity and fund credibility for the more resource-intensive 6-Month window; their recoveries also begin accruing to trailing EBITDA at the earliest possible date, which matters most in a listing-dated engagement.

6.2 6-Month Action Window (Months 2 to 6)

4.2 Unscheduled Accepted Treatment ($289,000 target): stand up an owned follow-up queue over the $1,376,000 accepted-plan backlog with aging review, working newest plans first (where conversion probability is highest) while the aged tail is contacted on a slower cadence. The written intake indicates no current owner for this queue; the resource requirement is identified in 6.5. **4.5 New Patient Retention (launches here):** deploy the structured post-first-visit sequence (booking-before-departure discipline plus owned follow-up for unbooked leavers). Its full-cohort capture matures over the following months and is counted once, in the 12-Month window, so this window's capture subtotal remains $289,000 with no double count.

6.3 12-Month Action Window (Months 6 to 12)

4.5 New Patient Retention ($158,000 target, counted in this window): the cohorts entering the post-first-visit sequence from month 2 onward complete their first-recall cycles here; the 220 additional retained patients (moderate) convert to measured production in this window. **4.4 Provider Variance (mitigation initiation):** begin the transition sequence at Locations 1 and 3: associate panel-introduction scheduling, founder-patient handoff protocol, and documented continuity planning. This is mitigation of the structural exposure quantified in Section 7, not capture, and contributes nothing to the sequenced capture total.

6.4 12+ Month Window (Months 12 to 18, Structural Mitigation)

4.4 Provider Variance: execute the warm-transition protocol across the Founder's panel at Locations 1 and 3. The $160,000 shown in the summary table is production at risk being actively mitigated, not new capture, and is excluded from the sequenced capture total; successful mitigation compresses the realised exposure toward the conservative end of the Section 7 range and produces the documented transition evidence that Section 7's narrative-preparation framework relies on. In parallel, this window carries capture refinement across all four recoverable categories: holding reactivation cadence, keeping the confirmation cascade tuned, and clearing residual accepted-plan aging ahead of the listing window.

6.5 Resource Requirements (Summary)

Two operational additions are implied by the plan and were identified through the written intake: a dedicated treatment coordinator role (owner of the accepted-plan follow-up queue, 6-Month window) and associate capacity planning at Locations 1 and 3 sufficient to absorb panel redistribution through the founder transition (12-Month and 12+ Month windows). Sizing, structure, and selection are operational decisions for practice leadership; they are not DRAI recommendations. DRAI does not opine on hiring, vendor selection, compensation structures, or clinical staffing decisions.

> **WHAT THE ACTION PLAN IS, AND IS NOT**
>
> The plan is the sequencing layer of a diagnostic: which recoverable category, in which window, with which dependencies, producing which target capture, so that recoveries land in trailing EBITDA before the practice lists. It deliberately stops short of execution design. The practice's operational leadership, its existing platforms, and its own advisors carry implementation; the diagnostic gives them the evidence base, the order of operations, and the arithmetic that survives buyer scrutiny at LOI.

This section identifies structural elements a buyer's diligence process will surface, quantifies the exposure, and prepares the seller's narrative. It is identification only: DRAI does not provide deal-structure advice. Common market responses appear in Appendix G as reference material, without recommendation.

IDENTIFIED STRUCTURAL ELEMENT · PROVIDER VARIANCE: FOUNDER RETIREMENT TIMELINE

The Founder generates $1,420,000 of T12 in-chair production (32.6% of dentist production) at Locations 1 and 3, and has stated a retirement window within 24 months post-close with a 12-to-18-month clinical transition (written intake, Form 2A). Production at risk: $1,420,000 x 38% panel attrition x (1 less 79.8% redistribution) = $109,000 conservative; $1,420,000 x 45% x (1 less 75.0%) = $160,000 moderate. Attrition and redistribution rates are Tier 3 DRAI comparative estimates for founder-to-associate transitions; redistribution reflects the three-associate bench at those locations. This exposure ties to the Structural Risk Offset in Section 5.1 and is excluded from every recoverable total in this report.

OVERLAP NETTING · FOUNDER-DEPENDENT SHARE OF RECOVERED PRODUCTION

A share of the recoverable production this report quantifies at Locations 1 and 3 would sit in the Founder's panel once captured, and carries the same post-close transition exposure. So that no dollar is counted on both sides of the model, that share is quantified and added to the offset rather than left inside the net uplift. Derivation (moderate): $277,000 of location-allocable recoverable production at Locations 1 and 3 (Appendix A.2) x 26.1% Founder share of those locations' production ($1,420,000 / $5,435,000) = $72,000 of Founder-dependent recovered production; x 45% attrition x (1 less 75.0% redistribution) = $8,000 of additional exposure ($3,000 conservative on the same chain at conservative rates). Total structural exposure at full fee: $168,000 moderate ($160,000 + $8,000); $112,000 conservative ($109,000 + $3,000).

OFFSET CONVERSION · TIES TO THE SECTION 5.1 BRIDGE

The full-fee exposure converts through the same bridge factors as every other figure: $168,000 less 20.0% contractual adjustments ($34,000) = $134,000 net; x 98.0% net collection ratio = $131,000 cash; x 55.0% incremental margin = $72,000 annual EBITDA-equivalent offset (moderate). Conservative: $112,000 to $90,000 to $88,000 to $48,000. The offset enters the model exactly once, in Section 5.1; the trajectory in Section 5.5 apportions half of it as listing-date conservatism.

What Buyer Diligence Will Surface

Any competent operational diligence process will read the concentration directly from the Provider Production and Collections Report, and will test the retirement timeline through the seller's and broker's written responses. The buyer's team will also model panel attrition against the associate bench, exactly as Section 4.4 does. The question at LOI is not whether this surfaces, but whose numbers frame the conversation when it does.

Seller's Narrative Response (Preparation Framework)

1. Documented mitigation in trailing records. The Section 6.3 and 6.4 transition sequence produces PMS-visible evidence (associate panel-introduction appointments, handoff continuity) that the transition is underway before listing. **2. Pre-listing disclosure of the timeline.** Disclosed on the seller's terms with the exposure already quantified and offset in the seller's own materials, the timeline reads as a managed transition under way, not a discovered risk. **3. Transition-period and contingent structures.** Transition-period arrangements and earn-out structures referencing documented operational assets are established market responses at the deal-room stage; they are described in Appendix G as reference material and quantified, if pursued, in a Going to Market engagement at LOI. DRAI does not recommend any specific response.

Other Structural Elements (Identified, Not Material)

Payer concentration (no single plan above a typical materiality share of collections), lease and real estate posture, PMS migration history (single platform, no trailing-24-month migration), and cross-location ownership history were scanned through the written intake and PMS data. None presents a material structural exposure at this engagement stage.

8. APPENDICES

The appendices carry the per-location schedules, provider concentration detail, sources and basis of estimates, methodology, definitions, limitations, market-response reference material, and the full conversion methodology disclosure.

Appendix A.	Per-Location Data Schedules: A.1 operational baseline with the contractual adjustment chain per location; A.2 moderate recoverable allocation by location.
Appendix B.	Provider Concentration Detail: per-dentist production and key-person risk indicators.
Appendix C.	Sources of Information and the three-tier Basis of Estimates, including the statement that no figure is sourced to a third-party study.
Appendix D.	Methodology and Assumptions: category scope, recoverable production, the corrected conversion, the cost stack, the improvement window, zone classification, and the rounding convention.
Appendix E.	Definitions and Abbreviations.
Appendix F.	Limitations, Caveats, and Data Reliability.
Appendix G.	Reference: Common Market Responses (no recommendations).
Appendix H.	Conversion Methodology Disclosure: why industry-blended, full ratio disclosure, what shifts at Going to Market stage, and the implication for the seller.

A.1 Per-Location Operational Baseline (T12)

LOCATION	GROSS PROD.	CONTR. ADJ. (RATE)	NET PROD.	COLLECTIONS	NCR	ACTIVE PTS	NO-SHOW	LAPSED 90+
Location 1 (Founder primary)	$2,915,000	$561,000 (19.2%)	$2,354,000	$2,313,000	98.3%	2,890	12.8%	580
Location 2 (highest-performing)	$2,120,000	$416,000 (19.6%)	$1,704,000	$1,672,000	98.1%	2,360	9.4%	590
Location 3 (Founder secondary)	$2,520,000	$499,000 (19.8%)	$2,021,000	$1,983,000	98.1%	2,440	13.5%	460
Location 4	$2,015,000	$411,000 (20.4%)	$1,604,000	$1,570,000	97.9%	2,180	15.2%	760
Location 5 (lowest-performing)	$1,725,000	$366,000 (21.2%)	$1,359,000	$1,327,000	97.6%	1,950	19.8%	720
Location 6	$1,985,000	$403,000 (20.3%)	$1,582,000	$1,547,000	97.8%	2,030	16.1%	630
Group Total	**$13,280,000**	**$2,656,000 (20.0%)**	**$10,624,000**	**$10,412,000**	**98.0%**	**13,850**	**14.6%**	**3,740**

All dollar columns tie to the group totals as printed. Per-location contractual adjustment rates (19.2% to 21.2%) reflect payor-mix differences by location; Location 1 carries the heaviest fee-for-service share and Location 5 the heaviest in-network PPO share. Net collection ratios are computed on net production per the Appendix D.3 convention. Lapsed 90+ is the count of active patients overdue for recall by 90 days or more. Source: Provider Production and Collections Report (including production-adjustment detail), Schedule Summary Report, Patient Activity / Continuing Care List; summary level, no PHI.

Per-location lapsed rates referenced in Section 4.1: Location 1, 20.1%; Location 2, 25.0%; Location 3, 18.9%; Location 4, 34.9%; Location 5, 36.9%; Location 6, 31.0%. Computed as lapsed count over active patients per location.

A.2 Per-Location Recoverable Production Allocation (Moderate Scenario)

The three location-allocable recoverable categories distribute as follows. New Patient Retention is modelled at group level (cohort behaviour spans locations) and is shown beneath the location-allocable subtotal.

LOCATION	LAPSED RECALL	UNSCHEDULED TREATMENT	NO-SHOWS	SUBTOTAL
Location 1 (Founder primary)	$64,000	$48,000	$28,000	$140,000
Location 2 (highest-performing)	$65,000	$42,000	$0	$107,000
Location 3 (Founder secondary)	$50,000	$56,000	$31,000	$137,000
Location 4	$83,000	$45,000	$54,000	$182,000
Location 5 (lowest-performing)	$79,000	$48,000	$96,000	$223,000
Location 6	$69,000	$50,000	$77,000	$196,000
Location-Allocable Total	**$410,000**	**$289,000**	**$286,000**	**$985,000**
+ Group-Level: New Patient Retention				$158,000
Group Total Recoverable Production (Moderate)				**$1,143,000**

Memo: structural exposure (Provider Variance): $160,000 production at risk, excluded from the recoverable totals above; see Sections 4.4, 5.1, and 7. Location 2 shows $0 recoverable for No-Shows because its 9.4% combined rate is the internal reference performance the recovery scenarios are anchored to. The Location 1 + Location 3 subtotal ($277,000) is the input to the Section 7 overlap netting. Column and row totals tie as printed.

B.1 Per-Dentist Production (T12, In-Chair Only)

PROVIDER	ROLE	PRIMARY LOCATION(S)	T12 PRODUCTION	% OF DENTIST PRODUCTION
Founder	Owner-dentist	Locations 1, 3 (periodic 2)	$1,420,000	32.6%
Associate A	Associate dentist	Locations 1, 4	$1,180,000	27.1%
Associate B	Associate dentist	Locations 2, 5	$1,055,000	24.2%
Associate C	Associate dentist	Locations 3, 6	$700,000	16.1%
Total Dentist Production (in-chair only)			**$4,355,000**	**100.0%**

Hygiene production ($8,925,000 T12) is excluded from dentist concentration. Gross production reconciles: $4,355,000 dentist + $8,925,000 hygiene = $13,280,000 (Appendix A.1). Source: Provider Production and Collections Report.

B.2 Key-Person Risk Indicators

Concentration	Founder holds 32.6% of dentist production, concentrated at Locations 1 and 3 (100% of Founder production at those two locations plus periodic coverage at Location 2)
Production intensity	Founder production per clinical day runs approximately 1.9x the associate average (Provider Production and Collections Report), a pattern consistent with a long-tenured, patient-loyalty-driven panel rather than a capacity difference
Stated timeline	Retirement within 24 months post-close; clinical-only transition period of 12 to 18 months post-close (written intake, Form 2A)
Absorption bench	Three associate dentists with existing presence at the Founder's locations (Associates A and C); redistribution assumptions in Sections 4.4 and 7 reflect this bench
Model treatment	Structural exposure, excluded from recoverable totals; enters the model once as the Section 5.1 offset; overlap with recovered production netted per Section 7

C.1 PMS Exports (Tier 1)

Recall / Continuing Care Statistics Report, per location, T24, extracted November 11, 2025
Treatment Plan Approval Report (accepted status only), per location, T24, extracted November 11, 2025
Schedule Summary Report, per location, T24, extracted November 11, 2025
Provider Production and Collections Report, including production-adjustment detail, per location, T24, extracted November 11, 2025
Patient Activity / Continuing Care List (counts only), per location, extracted November 11, 2025
New Patient Report, per location, T24, extracted November 11, 2025

All exports are summary level. No individual patient names, patient identifiers, dates of birth, or identity-paired health data were requested, received, or reviewed.

C.2 Written Intake and Clarification Register (Tier 2)

Form 2A, group-level operational questionnaire, completed by the Director of Operations, received November 10, 2025
Form 2B, per-location operational questionnaires (six), completed by each location's office manager, received November 10 to 14, 2025
Clarification Register, four material items resolved in writing November 17, 2025: CR-1 (scheduling handoff after treatment acceptance), CR-2 (recall automation coverage by location), CR-3 (confirmation cascade and recovery-call protocol coverage), CR-4 (post-first-visit sequence ownership)
Written broker confirmation of anticipated listing window and multiple expectation, November 16, 2025

C.3 Basis of Estimates (Three Tiers)

Tier 1, PMS-derived. Counts, production values, contractual adjustments, collections, and rates extracted directly from the exports above. Independently re-runnable by any party with access to the same PMS environment. Baseline figures, category counts, plan values, lost-production values, per-patient production values, the 20.0% blended adjustment rate, and the 98.0% net collection ratio are Tier 1.

Tier 2, Operator-stated. Facts stated by practice management or the broker in the written intake, the Clarification Register, and the written broker confirmation: workflow coverage, staffing transitions, ownership and exit timeline, the retirement window, and the anticipated multiple. Attributed at each point of use.

Tier 3, DRAI comparative estimate. Recovery, conversion, retention-improvement, attrition, and redistribution rates; the variable cost stack; trajectory ramp fractions; and the slow-ramp attainment share. These are DRAI analytical estimates informed by comparable dental operating patterns, and every use in this report is identified as such.

> **STATEMENT ON THIRD-PARTY SOURCES**
>
> No figure in this report is sourced to a third-party study, benchmark publication, or industry survey. Where a rate or range is applied that is not derived from this practice's own PMS data or stated by management or the broker, it is a DRAI comparative estimate and is identified as such. The sensitivity treatments in Section 5 show the effect of alternative assumptions on every headline figure.

APPENDIX D | METHODOLOGY AND ASSUMPTIONS

D.1 Five-Category Scope. The Operational QoE analyses five locked categories: Lapsed Recall, Unscheduled Accepted Treatment, No-Shows and Cancellations, Provider Variance, and New Patient Retention. Four are recoverable; Provider Variance is a structural exposure (D.6). The categories are fixed by methodology and do not expand or contract by engagement.

D.2 Recoverable Production. Uncaptured production evidenced in the practice's own PMS at full fee (UCR): patients of record overdue for assigned recall, treatment carrying accepted status without a scheduled appointment, production lost to unfilled slots net of refill, and first-year production of new patients lost to first-visit attrition. Counts anchor dollars; rates are stated as approximate context. Recoverable production is a production measure, not cash; conversion to cash and EBITDA runs exclusively through the D.3 chain.

D.3 The Conversion (Corrected Bridge). Full-fee production, LESS contractual adjustments at the practice's actual blended T12 rate (20.0%, Tier 1, payor mix stated in Section 5.3), equals net production; TIMES the net collection ratio (98.0%, collections over net production, Tier 1) equals cash; TIMES the incremental EBITDA margin (55.0%, Tier 3) equals EBITDA. The composite factor is 0.4312 per full-fee dollar (78.4% gross-to-cash yield x 55.0%). The net collection ratio is never applied to full-fee production: production, net production, and collections are three different quantities, and collapsing them silently assumes near-zero write-offs. The structural risk offset (Section 7) converts through the same chain and enters the model once.

D.4 Variable Cost Stack. Industry-blended, per Section 5.2: hygienist labor 10.5%, lab fees 8.5%, clinical supplies 5.5%, associate provider compensation 16.0%, variable overhead 4.5%; total 45.0%, implied margin 55.0%. All Tier 3 DRAI comparative estimates with comparable-buyer ranges disclosed. Applied to incremental collections only; fixed costs are unaffected by the recoverable volumes modelled here.

D.5 Improvement Window. The 18-month pre-listing window drives the Section 6 sequencing and the Section 5.5 trajectory. Year-1 realisation of 60% (mid-range) reflects deployment and maturation time; sensitivity at 40% and 80% in Section 5.7.

D.6 Zone Classification. Opportunity (recoverable, deployable workflow fix), Operational Risk (recoverable, but the underlying process failure compounds if unaddressed), Structural Risk (a structural exposure, not recoverable; disclosed and offset, never summed into recoverable totals). Zone assignment is analytical, not advisory.

D.7 Rounding Convention. Dollar figures are rounded to the nearest $1,000. Bridge lines are computed so the arithmetic ties as printed; where a multi-row table column is built from independently rounded cells, the total row is computed on unrounded values and may differ from the sum of the rounded cells by up to $1,000. Rates shown to one decimal are computed from unrounded dollars.

Accepted Treatment	Treatment carrying accepted status in the PMS: the patient said yes and the plan is active. Excludes presented-but-declined options.
Active Patient	A patient of record with activity or an assigned recall interval within the practice's PMS activity definition.
Aggregate Recoverable Production	The sum of recoverable production across the four recoverable categories, at full fee. Excludes Provider Variance.
Clarification Register	The written, batched clarification process between DRAI and the practice's group-level operations lead; items cited as CR-n.
Collections	Cash received, per the Provider Production and Collections Report.
Contractual Adjustments	Insurance write-offs: the difference between full-fee production and payor-contracted allowables. Tier 1, from the PMS adjustment detail.
DRAI Comparative Estimate (Tier 3)	A DRAI analytical estimate informed by comparable dental operating patterns; not sourced to any third-party study.
EBITDA	Earnings before interest, taxes, depreciation, and amortisation. Reported EBITDA here is the practice's estimate (Tier 2), used only as the trajectory baseline.
Full Fee (UCR)	The practice's usual, customary, and reasonable fee schedule, at which the PMS records production.
Gross-to-Cash Yield	Collections divided by full-fee production; (1 less adjustment rate) x net collection ratio. 78.4% for this practice.
Incremental EBITDA Margin	The share of incremental collections converting to EBITDA after variable costs. 55.0% here, Tier 3.
Lapsed Recall	An active patient overdue for their assigned recall interval by 90 days or more.
LOI	Letter of intent.
Measurable First-Year Cohort	New patients whose first-recall window closed inside the trailing twelve months, on whom first-visit attrition is measurable.
Net Collection Ratio	Collections divided by net production. The institutional-standard cash measure. Applied to net production only.
Net Production	Full-fee production less contractual adjustments.
Operational QoE	Operational quality of earnings: a forensic, PMS-level diagnostic quantifying recoverable revenue and structural exposures across the five locked categories.
PMS	Practice management system (here, Dentrix).
Probable Driver	The most likely operational explanation for a gap, evidenced by the PMS data and written intake; stated as probable, not certain.
Recoverable Production / Recoverable Revenue	Uncaptured revenue evidenced in the PMS and quantified as recoverable under stated assumptions. See D.2.
Structural Exposure / Structural Risk Offset	Revenue at risk from a structural condition, disclosed and subtracted once in the bridge; never counted as recoverable. See Sections 4.4, 5.1, 7.
T12 / T24	Trailing twelve / twenty-four months ending October 31, 2025.
Zone	The classification of a category as Opportunity, Operational Risk, or Structural Risk (D.6).

APPENDIX F | LIMITATIONS AND CAVEATS

F.1 Scope Limitations. This report is an operational diagnostic prepared from summary-level PMS data and written intake responses. It is not an audit, a financial quality of earnings review, a valuation, a fairness opinion, legal advice, or investment advice. DRAI Consulting expresses no view on transaction valuation, listing strategy, deal structure, financing, clinical care, or staffing, and the anticipated deal multiple used in Sections 5.1 and 5.6 is the broker's stated expectation, not DRAI's opinion of value.

F.2 Data Reliability. Recoverable revenue estimates are based on PMS-reported data for the trailing 24 months and 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 (Form 2B reliability question, answered by each location's office manager, November 2025); no material discrepancies were flagged by practice management between bank deposits and PMS-reported collections in the trailing 12 months. DRAI did not independently reconcile PMS data to bank records.

F.3 Forward-Looking Statements. Recovery scenarios, the trajectory, and all sensitivity treatments are forward-looking estimates under stated assumptions. Actual results depend on execution, staffing, market conditions, and patient behaviour, all outside DRAI's control. No figure is a projection of results, a guarantee, or a commitment.

F.4 Non-Advisory Basis. The action plan identifies windows, sequencing, dependencies, and resource implications. It does not recommend vendors, hires, compensation structures, or clinical decisions. Common market responses in Appendix G are reference material and are expressly not recommendations.

F.5 Engagement Stage. This is a Pre-Listing engagement: no acquirer exists, no transaction is pending, and this document is seller-facing. It is not a deal-room artifact, contains no contingent-payment quantification, and does not present the documentation standard a Going to Market engagement produces at LOI. The variable cost stack is industry-blended for the same reason (Appendix H).

F.6 No Reliance. This document is prepared for the practice leadership of Atlantic Smiles Dental Group under the engagement's confidentiality provisions. No other party may rely on it for any purpose. Any future buyer, lender, or investor conducts its own diligence; this report does not substitute for that diligence and creates no duty from DRAI to any third party.

APPENDIX G | REFERENCE: COMMON MARKET RESPONSES

Reference material describing responses observed in the market for the structural element identified in Section 7. DRAI does not recommend any specific response; selection and structuring are matters for the practice, its broker, and its counsel.

G.1 Clinician Transition Responses. Market responses to founder-concentration exposure include: pre-listing associate onboarding against the founder's panel (the mitigation track in Sections 6.3 and 6.4); post-close transition agreements retaining the founder clinically for a defined period; and staged handoff protocols that document panel continuity in the PMS. Each aims to convert an unscoped key-person risk into a documented, time-bound transition.

G.2 Operational Recovery Standing at LOI. Where recoveries are captured before listing, they appear directly in trailing EBITDA and price through the multiple. Where capture is underway but immature at LOI, market practice ranges from crediting run-rate evidence to excluding it; the determining factor observed is the quality of documentation connecting the recovery to PMS-visible cohorts.

G.3 Narrative Framing. Sellers who disclose structural elements on their own terms, quantified and offset in their own materials, are observed to retain framing control at LOI. The alternative, buyer-side discovery, converts the same facts into concession leverage. This report's Section 7 exists to support the former path.

G.4 Contingent and Transition-Period Structures. Earn-out provisions and transition-period arrangements are established market responses where buyer and seller price residual uncertainty differently. An earn-out referencing documented operational assets requires exactly that: documentation precise enough for the parties and their counsel to reference. That documentation standard is the product of a Going to Market engagement at LOI, not of this Pre-Listing diagnostic, and no earn-out quantification appears in this report. DRAI does not draft deal terms and does not provide legal advice.

G.5 What Pre-Listing Cannot Resolve. A Pre-Listing engagement cannot eliminate the structural exposure (the retirement is real), cannot bind a future buyer's diligence conclusions, and cannot substitute for deal-stage documentation. It can capture the recoverable categories into trailing EBITDA, quantify and offset the exposure on the seller's terms, and leave a documented trail that survives adversarial review.

H.1 Why Industry-Blended. At Pre-Listing stage there is no acquirer, so no buyer cost structure exists to anchor the variable cost stack. The stack is therefore industry-blended (Tier 3), fully disclosed, and stress-tested. This is the appropriate methodology for the stage, and it is a stated difference from a buy-side Acquisition Diligence engagement, where each component is anchored to the acquirer's own stated KPIs.

H.2 Full Disclosure of Conversion Inputs

INPUT	VALUE	BASIS	USED IN
Blended contractual adjustment rate	20.0%	Tier 1 · PMS adjustment detail, T12	5.1, 5.3, 5.4, 7
Payor mix (share of gross production)	60% PPO / 35% FFS and OON / 5% other	Tier 1 dollars, Tier 2 classification	2.3, 5.3
Net collection ratio (collections / net production)	98.0%	Tier 1 · T12 actual	5.1, 5.3, 7
Gross-to-cash yield	78.4%	Derived: (1 less 20.0%) x 98.0%	3, 4, 5.1
Variable cost stack / implied margin	45.0% / 55.0%	Tier 3 · DRAI comparative estimate	5.1, 5.2
Composite production-to-EBITDA factor	0.4312	Derived: 78.4% x 55.0%	3, 4, 5.1, 7
Year-1 realisation rate	60%	Tier 3 · mid-range; stressed in 5.7	5.5, 5.7
Anticipated deal multiple	7.0x	Tier 2 · broker-stated expectation	5.1, 5.6

H.3 What Shifts at Going to Market Stage. In a Going to Market engagement (at or near LOI), the recoverable production figures and the write-off step transfer unchanged: they are properties of the practice's data, not of the buyer. What shifts is the EBITDA lens: a PE-backed DSO applying 25% to 30% associate compensation and tighter overhead models a 35% to 40% incremental margin against the 55.0% used here, while strategic acquirers typically sit nearer the blended stack; and the anticipated multiple becomes a specific term-sheet figure rather than a broker expectation. The Going to Market deliverable also changes form: deal-room documentation of the recoverable assets precise enough for the parties and their counsel to reference in a contingent-payment provision.

H.4 Implication for the Seller. The seller should read the 55.0% margin as the practice-side view of conversion, and expect a buyer running its own cost structure to model a lower one. The figures that carry unchanged into any buyer's model are the recoverable production, the adjustment rate, and the collection ratio: all Tier 1 properties of the practice's own data, which is why this report anchors there and stress-tests the rest.

> **METHODOLOGY INTEGRITY NOTE**
>
> Every conversion input above is disclosed, tiered, and stress-tested in Section 5. The write-off step is shown as its own line wherever production converts to cash; the net collection ratio applies to net production only; the structural exposure is excluded from recoverable totals and enters the model once, with its overlap netted in Section 7. The arithmetic is designed to be re-run by an adversarial reader from the same exports, and to produce the same numbers when they do.

END OF DOCUMENT