

**DSO COMPARE**

# **12 Red Flags in a DSO Offer**

(and what to do about each)

Most dentists who sell to a DSO sign the first decent-looking offer. Most leave 10–25% on the table — not because they're foolish, but because they don't know what to push back on. This guide is the 12 most common ways DSO offers are quietly built to favor the buyer, and exactly what to say when you spot one.

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**Read this. Then send it to one other dentist you know is thinking about selling.**

### **FLAG 01 The multiple is below current market range for your size**

*If you're being offered less than ~5x EBITDA for a single-doc practice or <6x for a multi-doc, ask why. The cleanest 'no' is often the right answer.*

**What to do:** Ask the DSO for their justification. Compare to two other DSO conversations before signing.

### **FLAG 02 EBITDA includes aggressive doctor-comp normalization**

*The DSO may 'normalize' your doctor compensation down to associate-level pay to inflate EBITDA on paper, then pay you that lower comp post-close.*

**What to do:** Lock the post-close comp formula in the LOI. Insist on % of production or % of collections at a market rate, not a fixed salary at associate scale.

### **FLAG 03 Cash at close is below 70%**

*The lower the cash, the longer your money rides on the DSO's continued performance and your continued employment.*

**What to do:** Negotiate the cash percentage up. A 70/30 split is the modern floor for a healthy deal.

### **FLAG 04 Earnout is greater than 24 months or greater than 30%**

*Long earnouts give the buyer years to find reasons not to pay you the rest.*

**What to do:** Push for 12–18 months max. Define the earnout metric they control (production targets) tightly.

### **FLAG 05 Employment term locks you in for 5+ years**

*Five-year employment with a non-compete behind it is a long time to be unhappy in your own building.*

**What to do:** Negotiate to 3 years with mutual termination clauses. Keep an off-ramp.

### **FLAG 06 Non-compete is unreasonably broad**

*A 25-mile, 5-year, 'any dentistry' non-compete in your home market is functionally a permanent retirement clause.*

**What to do:** Tighten geography ( $\leq 10$  mi), shorten duration ( $\leq 2$  yr), limit scope (general dentistry only, or your specialty only).

### **FLAG 07 Real estate is bundled into the practice purchase**

*Bundling means you sell your building at the practice multiple — far below fair market.*

**What to do:** Insist on two transactions. Sell the practice on the EBITDA multiple. Lease the building back at fair market rent. Or sell the building separately at a real-estate appraisal.

## **FLAG 08 Equity rollover is in non-voting / illiquid shares**

*Rollover equity is only as valuable as the path to convert it back to cash. If the DSO has no clear liquidity event horizon, the equity is uncertain.*

**What to do:** Ask for a written liquidity-event timeline and historical multiple of MOIC their previous rollover sellers received.

## **FLAG 09 Clinical autonomy is described as 'advisory'**

*If the LOI describes future clinical autonomy as 'in consultation with corporate,' they intend to control materials, lab choices, and scheduling.*

**What to do:** Get written guarantees — choice of materials, choice of lab, control of schedule, doctor-led hiring of clinical staff.

## **FLAG 10 Your associate doctors lose protection**

*If your associates aren't named in the deal terms, they may be terminated post-close — and you'll be responsible to your patients without the team you built.*

**What to do:** Include associate retention as a condition. Negotiate signing bonuses for them, not just you.

## **FLAG 11 Reps & warranties / indemnity are uncapped or very high**

*Unbounded indemnity means the buyer can claw back from you indefinitely on any post-close claim.*

**What to do:** Cap reps & warranties to a percentage of purchase price (10–25% common). Get R&W; insurance if available. Time-bound the indemnity (12–24 months for general reps).

## **FLAG 12 They want a quick close**

*'We'd like to sign within 14 days' is a pressure tactic. Real deals close in 90–180 days.*

**What to do:** Slow it down. Engage your attorney, CPA, and broker. The first answer to 'can we close fast' is 'no, but we can close right.'

# Got an offer in hand?

Most dentists looking at a DSO offer for the first time can't tell what's normal and what's the DSO's standard opening posture. We help with that.

**Free first read.** Drop in your offer (PDF or paste). I'll personally send back a 5-point gut-check within 48 hours. No fee, no obligation. We're a dentist-owned site that helps other dentists.

→ [dsocompare.com/free-review](https://dsocompare.com/free-review)

**Full Scorecard (\$149).** A 6-page report grading your offer across all 12 dimensions in this guide, with the negotiable items prioritized and language to use.

→ [dsocompare.com/scorecard](https://dsocompare.com/scorecard)

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