



## DENTAL NEWSLETTER

December 2007

*We thank all the dentists who sent us information on Dental Partners Pty Ltd activities. We note that not only are they trying to buy practices but, are approaching dentists to subscribe working capital prior to their intended IPO.*

### ABOUT DENTAL PARTNERS P/L

We say that the net profit after tax calculation shown by Dental Partners of 20 percent which equates to 28.57 percent prior to paying tax at the company rate, is unachievable in a large listed dental company.

We challenge Dental Partners to produce their calculations and prove us wrong.

We invite dentists to test their own financials by taking away a personal salary package of 40 percent (of own fees minus laboratory cost) taking off correct rent for personally owned premises and making a realistic provision for depreciation. Calculate the remainder as a percentage of gross fees.

Pre IPO it is the responsibility of Dental Partners' Directors to put their own capital at risk. Dentists should avoid overtures to subscribe pre IPO as it is possible that Dental Partners will not:

- A. Get to IPO.
- B. Successfully raise the amount of capital sought at IPO, or
- C. Succeed in its business plan.

### Re Information Circulated by Dental Partners Pty Ltd on Key Personnel CV's

**David Garofalo – Non Executive Director**

David Garofalo a Director and significant shareholder in Dental Partners Pty Ltd has indicated his success in building up UK financial services company Inter Alliance Group plc but, omits to tell dentists that under his management, the company ran into financial difficulties and had to be bailed out by another group. A condition of the financial rescue package was that he resign as CEO! It does put another spin on his CV!

### Johan Andersson - CFO

We note that Johan Andersson joined Bartercard in early 2007. We are puzzled why the Bartercard appointment doesn't appear as part of his details with respect to Dental Partners!

His CV boasts that he has been Chief Financial Officer **within** the group of Mannesmann AG, a German multinational company with revenue in **excess of \$AUD 50 billion**. The wording is interesting as a casual reader might get the impression he was CFO of Mannesmann AG rather than of a much smaller subsidiary!

### Mike Timoney - CEO

We note that Mike Timoney, who is CEO of Dental Partners, has indicated that he was the UK founder and Managing Director of a \$150 million turnover business services firm but, the company is not named. Please tell us Mike.

### Carl Burroughs – Senior Management

Since Carl is a substantial shareholder in Dental Partners, we wondered why he isn't a director of the company?

The recent information memorandum circulated by Dental Partners Pty Ltd to dentists said:

*“Carl is the founder and Managing Director of Integrated Dental Marketing (IDM), Australia’s leading specialist dental marketing company.”*

An ASIC search indicated that Integrated Dental Marketing Pty Ltd was deregistered on 20/08/2006!

Previous ASIC information shows that the directors of Integrated Dental Marketing Pty Ltd were Alison King and David Johnson. The company’s shares were held by Eclipse Pacific Pty Ltd. That company’s Director and shareholder was Stephen Cuthbertson who lives in Fiji!

Mr Burroughs has gone to some trouble to distance himself from the company of which it is claimed he is a Founder and Managing Director but which apparently no longer exists! Why is this misrepresented?

### **Doctor Derry Rogers working for Dental Partners**

Melbourne’s apostle of cosmetic dentistry, Derry Rogers has taken an executive appointment with Dental Partners and is a shareholder. We wonder whether those he invited to pay to hear his seminars comparing corporatisation options knew this?

### **Selling Your Practice**

If you sell your practice to a consolidator:

1. Insist on a very large upfront cash payment as there is no guarantee that the business will be able to make a substantial back end payment in four or five years time. Remember, other professional consolidators, including Stockford Accounting Limited, Harts Australasia Limited, Knights Insolvency Limited, Foundation Health Care Limited, and Pearl Healthcare failed outright, or performed disastrously.
2. Shorten the workout period in the contract. Some dentists have been offered contract employment periods of one to three years, rather than the five years that has been touted.
3. Don’t take any part of the payment in share scrip if the scrip is going to be placed in escrow. If the scrip is not going to be placed in escrow sell your shares immediately after IPO.

4. Don’t subscribe any shareholder capital prior to the issue of the proper IPO prospectus. It’s high risk.

### **The Big Question**

If Dental Partners is being run by people who have been so successful in business, why is it so short of capital that it’s approaching dentists to raise money to support its business plan prior to IPO? And why are there major errors in their CV’s?

We recommend that dentists give Dental Partners offers to subscribe capital a wide berth.

### **Graham Middleton**

Director  
Synstrat Management Pty Ltd

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