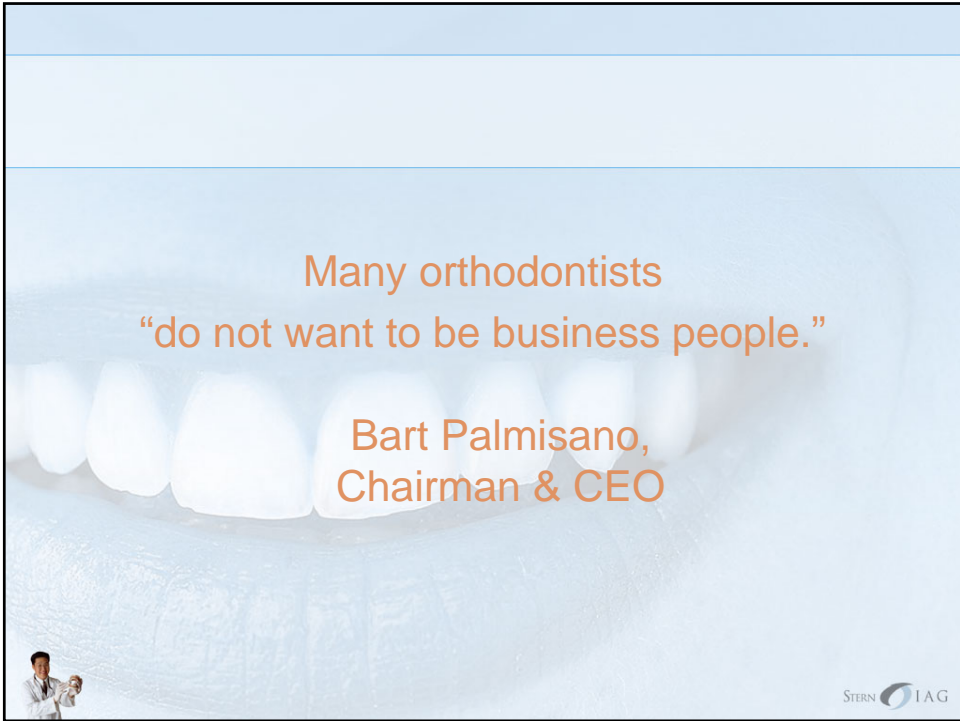


# Smile



- OCA: THE leading provider of business services, marketing & financial support to orthodontists & pediatric dentists
- OCA: Frees orthodontists from business aspects (dentists are typically very ill-equipped for this); allows them to focus on practicing medicine
- OCA: Makes boatloads of money





Many orthodontists  
“do not want to be business people.”

Bart Palmisano,  
Chairman & CEO



“Addictive”

- Marketing & advertising  
(numero uno)
- Management services include:  
accounting, billing, payroll,  
inventory management & logistics (IT)
- Real estate & practice design
- Growth capital & financing



## Proof

- 5% of all orthodontic practices in US are OCA-affiliates
- OCA does supply purchasing: cost to affiliates 50% lower on average than average
- Spend an average of 15x as much on marketing
- OCA Basic Training
- Average affiliate has practiced for 20 years
- Services priced at 25% of market



## Tailwinds

- Toll bridges, revisited
- Now, tailwinds
- Economics of the medical field
- Resembles an equity stake in a medical practices; in the future, resembles a low-capital medical consulting business
- The evolution



## Management

- Bart Palmisano, Sr.:  
Founder, Chairman & CEO  
(governance issues)
- Bart Palmisano, Jr.: COO
- Board & Executives virtually all licensed  
orthodontists with other Board Seats on  
Medical Associations & Reviews
- The greatest compliment... (more on this)



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## Earning process of existing

1. OCA provides growth capital to practice
2. OCA enters service agreement to be sole  
provider of business services
3. Portion of costs in obtaining agreement  
recorded as intangible asset
4. OCA approximately 17% of revenues or 40%  
of earnings of the practice
5. Each patient recorded as 26 month "Service  
Fee Receivable"

Advantages & Disadvantages



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## Earnings process of *de novo*

- *de novo* centers limit capital infusion
- Business model similar to consulting
- Higher expected ROIC, explicitly
- Advantages & Disadvantages,  
*implications on valuation*

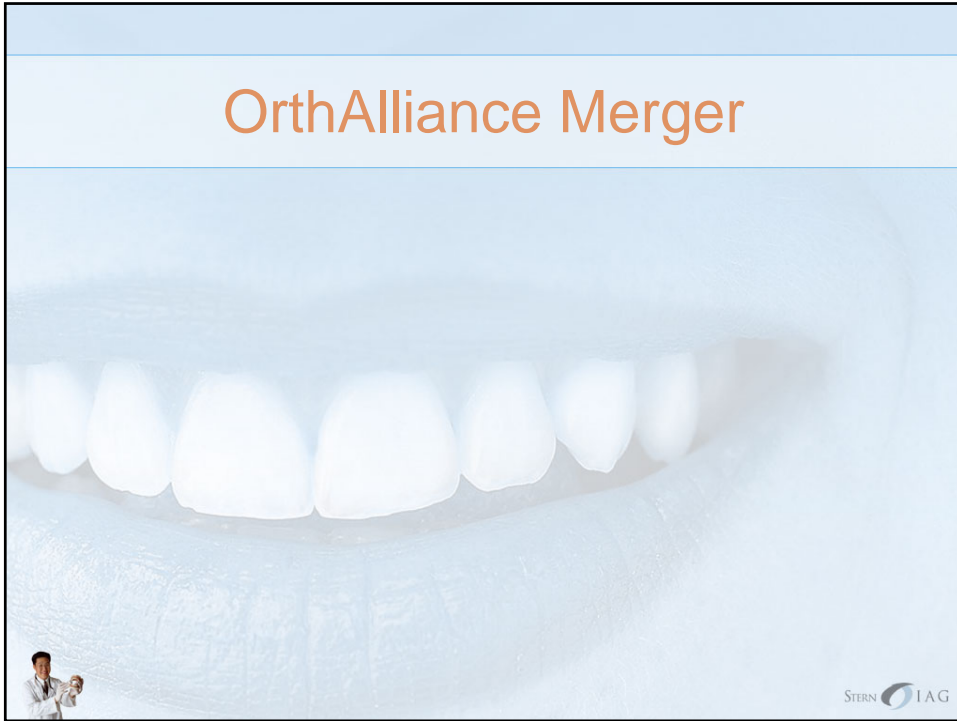


## Avenues of Growth

1. Existing practices (organic, historic)
2. International investment  
Successful in Japan, Mexico, Spain,  
Puerto Rico
3. OCA Outsource & Dentistry
4. New affiliations: *de novo* centers  
Intelligent bets & investments

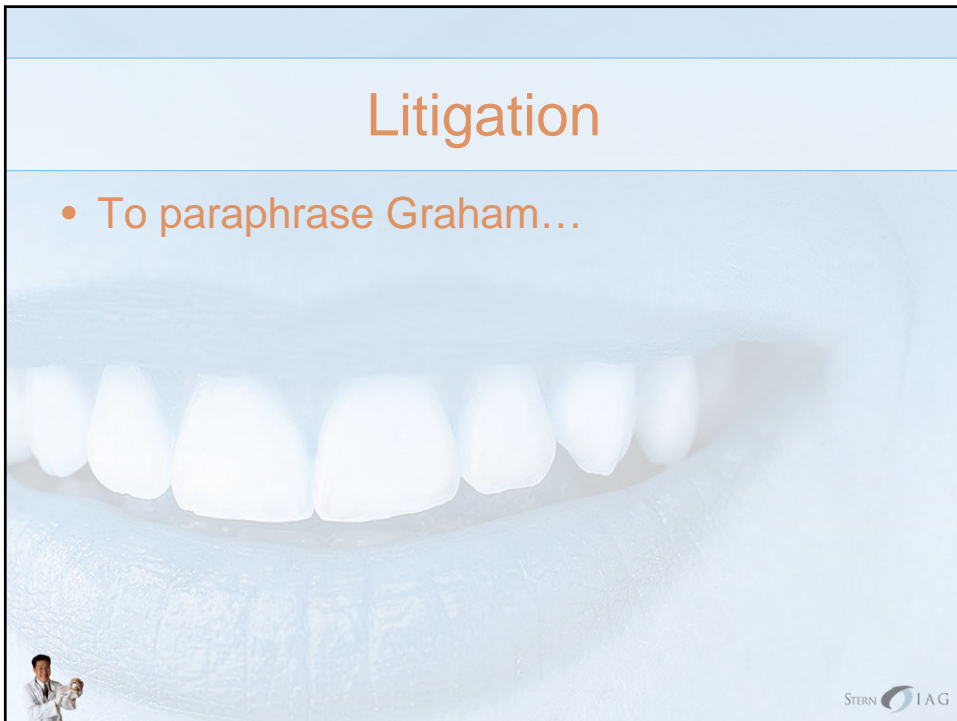


## OrthAlliance Merger



## Litigation

- To paraphrase Graham...



## OCA by numbers

a word on using historical data...

Annualized returns, 10 years

Fee revenue growth:	25-30%
Return on capital invested (recent):	13-15%
Comparable fee center growth:	17-22%
Number of affiliated practices growth:	33-35%
Total case start growth:	33-35%
Earnings growth:	NM -- a word here...



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## An unconventional valuation...

- Cash flows, earnings & economic reality
- The private owner analogy
- Rich off poor valuations...
- “baseball” Assumptions:  
The fat pitch & the .400 hitter analogy, both from Mr. Buffett



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## Valuation



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## Conclusions

- Unfortunately a rare opportunity today
- Margin-of-safety
- Doctors & Cocktail parties & premiums
- Recommendation: Buy @ 7.5
- Price: \$'Higher than it is now'



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THANK YOU / QUESTIONS?