Lead Screening Report

Sample Internal Medicine Clinic (Illustrative) · Los Angeles, CA

Analysis run: 2026-07-14
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Assumptions as of: 2026-07-14

About the numbers in this report. The financial figures below are seller-provided and unverified - PracticeHound screens deals against your stated assumptions; it does not audit the seller's numbers. That is exactly why the next step on any deal you pursue is verification: an SBA-preferred lender to confirm financeability, a CPA to verify the financials, and a healthcare attorney to review the legal and regulatory picture. Treat this report as a structured starting point for that work, not a conclusion.

VERDICT

SKIP

This screen found disqualifying issues against your stated assumptions. This report is your durable record of what was screened and why.

THE MATH

DSCR	0.14x
Annual debt service	$454,677
Owner cash after debt service	$-189,677
Max supportable price	$343,101

FLAGS

Red

* R1_DSCR_BELOW_FLOOR - DSCR 0.14x is below the 1.00x hard floor - the practice cannot service the loan.
* R3_ASKING_OVER_MAX_PRICE - Asking $3,000,000 exceeds max supportable price $343,101 by more than 25%.

Amber

* A2_SDE_MULTIPLE_HIGH - Implied SDE multiple 8.57x is above your 2.5x upper band.

RATIONALE

Two hard RED flags make this deal non-viable at the asking price: the DSCR is 0.14x, meaning the practice generates roughly $65,000 toward debt service against an annual obligation of ~$455,000 - a catastrophic shortfall that leaves the physician approximately $190,000 in the hole each year after salary and debt. The asking price of $3,000,000 is nearly 9x the maximum price the cash flow can support (~$343,000), and it sits at an 8.57x SDE multiple against a sector ceiling of 2.5x. No amount of favorable lease terms, payer mix, or growth trend can bridge a gap of this magnitude. The deal does not pencil at this price under any reasonable SBA 7(a) structure.

DILIGENCE QUESTIONS TO ASK

1. What is the complete, itemized add-back schedule behind the $350,000 SDE figure - specifically, what one-time or non-recurring expenses were added back, and can each be documented with source records such as tax returns or

receipts?
2. Can the current lease be confirmed as extendable past the 10-year SBA loan term, and will the landlord consent to an assignment of the lease to a new owner at closing?
3. Given that the most recent complete fiscal year in the CIM is 2025 and we are now in mid-2026, can you provide full-year 2025 tax returns and year-to-date 2026 P&Ls to confirm the revenue and SDE trend is continuing?
4. Earlier marketing materials referenced a seller proforma that included projected ancillary revenue and anticipated staffing efficiencies - can the seller confirm that none of those projections are embedded in the $350,000 SDE figure or in the basis for the $3,000,000 asking price, and if so, what is the seller's rationale for a price that implies an 8.57x SDE multiple?

HOW THIS DEAL WORKS (PLAIN ENGLISH)

At a $3,000,000 purchase price with 10% down ($300,000), the SBA loan would be approximately $2.8 million, requiring monthly payments of roughly $37,900 - or about $455,000 per year. The practice currently generates only about $350,000 in seller's discretionary earnings, which is the total pot from which the physician must pay themselves, cover the loan, and handle any unexpected expenses; after a $200,000 physician draw and an $85,000 operator salary, only about $65,000 remains for debt service, leaving a shortfall of roughly $390,000 every year. In plain terms, the practice would need to generate approximately seven times more cash flow than it currently does just to break even on the loan at this price. The risk concentrates entirely in the price: the business itself appears stable and modestly growing, but it is being offered at a valuation that bears no relationship to what its cash flow can support under standard SBA financing.

ASSUMPTIONS USED (AS OF 2026-07-14)

Interest rate	10.5%
Loan term	120 months
Target DSCR	1.25x
Equity injection	10%
Seller note	0%
Closing cost	4%
Operator salary	$85,000
Physician draw	$200,000
SDE multiple band	1.5x - 2.5x
Revenue multiple band	0.4x - 0.8x