

THE ORIGINAL AND AUTHENTIC

**PRACTICE VALUE INDEX**

# What to do when thinking about selling your dental practice

**Frank Taylor & Associates** explains why you should consider a reputable agent when selling your practice, and give a few examples of the practices it has sold recently

With the value of goodwill at a consistently healthy level, you may as a practice owner be considering your future options. Here are a number of points you should consider:

- 1 Plan in advance** – it can be daunting when we speak to principals who have booked their round-the-world cruise before even getting the practice valued. Succession planning is vital and ideally you should be considering your options at least three-years in advance
- 2 Always get a valuation** – even if you are approached privately – do not accept any offers until you know what your practice is really worth by having an independent valuation. Many principals are amazed how much their practice would attract on the open market. Likewise, if you have agreed to sell to an associate, don't underestimate the time and skill it takes and employ a

reputable agent to act on your behalf

- 3 Choose the right agent** – some agents are contracted to work for the seller but are paid by the purchaser. We believe this can only produce a conflict, and remember there is no such thing as a free lunch!
- 4 Use the open market to your advantage** – and ensure the agent you have chosen will take your practice to the full open market, not just to a group of preferred purchasers
- 5 Once you have a buyer, don't lose motivation** – it is vital to keep the turnover up as any buyer will be looking at your figures all the way through the sale process, and in some cases have demanded a reduction in the sale price to reflect the drop in turnover
- 6 It's currently a seller's market, why?** – because we have just under

4,000 dentists looking to buy practices in England or Wales and we know they are not just looking, but have a genuine interest and sufficient access to funds. And with 12 banks lending to dentists, the funds are definitely available

- 7 Corporates and mini corporates are active in the market place** – and approaching many principals directly. Whilst it is flattering to have been contacted and it is always worth considering an offer, never say yes until an agent is involved, as you may be underselling and tying yourself into earn outs and targets that could be avoided. And, remember corporates do this for a living and frequently the original offer does not resemble the final offer on the table. So if you do go for a private sale, protect yourself by employing a dental agent – Frank

Taylor & Associates deal with a high percentage of private sales and, at a reduced commission fee, are worth it!

- 8 Are the premises freehold or leasehold?** – if they are leasehold make sure there are at least 10 years left to run. If not, then renegotiate the lease and aim for at least 15 years. If you want to sell the freehold arrange for a commercial valuation
- 9 If you own the freehold you need to talk to us** – about the capital allowances – you may be pleasantly surprised by what we have to say!
- 10 We are seeing many principals wanting to stay on** – and work as an associate. Consider your future options – if you want to stay on at the practice, how many days will you want to work? What fee you will want to charge? **IT**

**Practice one**

**Practice location:** London.

**Practice type:** This is a two-surgery, predominantly NHS practice. The premises are leasehold and are occupied under a 25-year lease, with 16 years remaining.

**Practice financials:** The gross fee income is shown to be in the region of £210,000 and comprises of an NHS-GDS contract with a UDA (units of dental activity) rate of just under £28 per UDA and nominal private-fee-per-item. The gross has been generated from the principal working full time.

Professionals complementary to the clinical team comprise of one part-time dental nurse, one part-time dental nurse/receptionist and one full-time receptionist.

**Price achieved:** A price of £455,000 was achieved, which was in excess of the asking price. Funding for this purchase was obtained via Frank Taylor & Associates (FT&A) Finance.

**Agent's comments:** The practice has been established for over 30 years and was sold to facilitate the retirement of the principal. In a popular area and with a very healthy UDA rate it proved to be very popular and went to the sealed bid process. The purchaser was able to secure the loan over the length of the term left on the lease, which means the repayment terms fit comfortably within the cash flow forecasts.

**Practice two**

**Practice location:** The practice occupies a two-storey semi-detached property in Essex, conveniently close to shops and residential properties.

**Practice type:** This is predominantly an NHS practice with 12 surgeries, the practice was sold as freehold.

**Practice financials:** The gross fee income from the management figures for the 12-month period to January 2013 is shown to be in the region of £2,000,000 and 81% comprises of an NHS-GDS contract with the remaining 19% of income comprising of fee-per-item income and Denplan. The gross has been generated from 10 full-time associates, two part-time associates and a part-time vocational trainee, and one full-time hygienist.

Professionals complementary to the clinical team comprise of seven full-time dental nurses, 12 part-time dental nurses, five full-time receptionists, one full-time administration manager, one part-time clinical manager and four part-time non-clinical staff.

**Price achieved:** A price of £3,400,000 for the goodwill and equipment, fixtures and fittings was achieved, which was significantly in excess of the asking price.

**Agent's comments:** The retiring principal wanted to sell the practice to an individual despite having been approached on numerous occasions by a number of corporates. We deal with many principals who prefer to put their practice to the open market, and we were overwhelmed with interested parties. We always put our practices to the whole of the market and not to a select group of preferred purchasers and the results are always in the best interest of the principal.

**Practice three**

**Practice location:** The practice occupies a two-storey terraced property in Sussex, with a mix of residential homes and local shops in close proximity.

**Practice type:** Mainly private, with a small NHS-GDS contract, this associate-run three-surgery practice sold to facilitate retirement sale. The practice has been established over 70 years and sold as a share sale (Ltd company).

**Practice financials:** The annual gross fees in 2013 were in the region of £465,000, of which 52% is fee-per-item, 46% capitation scheme and 2% an NHS-GDS contract. The gross has been generated by two associates working a combined six-and-a-half days per week, three hygienists working a combined three-day week, one full-time and one part-time dental nurse, a full-time decontamination room nurse and a practice manager working three days a week.

**Price achieved:** A price of £430,000 was achieved, which was in line with the asking price. The funding for this purchase was arranged by FT&A Finance.

**Agent's comments:** Being an associate run practice there is a massive opportunity for the incoming principal to increase the practice profits should he wish to work in the practice. And, with 46% of the fees generated by a capitation scheme, the lending bank were more than satisfied with the serviceability of its loan.

**Practice four**

**Practice location:** This well presented practice in Essex occupies a terrace property, with a mix of residential homes and local shops in close proximity.

**Practice type:** This is a mainly NHS practice being sold to facilitate the principal relocating.

**Practice financials:** The annual gross income is shown to be in the region of £180,000 and comprises 90% of an NHS-GDS contract with the balance being fee-per-item income. The gross has been generated from the principal working four days-per-week, with the support of a locum associate to cover holidays. Professionals complementary to the clinical team comprise of one part-time dental nurse working four days a week and one part-time receptionist working four days a week.

**Price achieved:** A price of £590,000 was achieved, which included the freehold at £300,000. The funding for this purchase was arranged through FT&A Finance.

**Agent's comments:** Since installing the second surgery, there has been very little practise undertaken in there, which demonstrates an opportunity to expand and grow the current gross fees. The NHS contract only requires the practice to be open for NHS patients on Tuesdays, Wednesdays and Thursdays, which potentially leaves Mondays and Fridays available for private dentistry.

**FOR MORE INFORMATION** please call the head office on 0845 612 3434 or the regional office on 0161 638 0875, email [team@ft-associates.com](mailto:team@ft-associates.com) or visit [www.ft-associates.com](http://www.ft-associates.com).