

The original and authentic practice value index

What to do when thinking about selling your dental practice

Frank Taylor & Associates lists a few points to consider if you're thinking of selling your practice

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

1. Plan in advance – 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
3. 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
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 over 5,000 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 14 banks lending to dentists, the funds are available

7. Corporates and mini corporates are active in the market place and approaching many principals directly, and whilst it is flattering to have been contacted, never say yes until an agent is involved, as you may be underselling and tying yourself into earnings 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 – we deal with a high percentage of private sales and at a reduced commission fee

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 will you want to charge? **D**

PRACTICE ONE – HOME COUNTIES

Practice location – this practice is located within a predominantly residential area with local shops and a medical centre nearby. There is no parking at the practice; however, there is a free car park within easy walking distance.

Practice type – this is a two-surgery, predominantly private practice established over 50 years. The principal wants to sell to focus on other interests and be able to enjoy the clinical work without the pressure of practice ownership. The practice is leasehold with a 15-year lease.

Practice gross – the gross fee income is in the region of £850,000. Ninety-one per cent of the income is generated from private fees, with 9% generated from an NHS-GDS contract with a UDA rate of £21.71. The income has been generated by the principal working five days and several associate working a combined five days a week. A specialist endodontist works once a fortnight and two hygienists work a combined three and a half days a week. They are supported by five nurses working a combined week, a full-time practice manager and a full- and part-time receptionist.

Price achieved – a price of £1,400,000 was achieved, which was in excess of the asking price.

Agent's comments – this practice shows a net adjusted profit of 41% and at the time of marketing we had 1,825 registered dentists looking in this area. We secured offers from more than 10 interested parties and as the principal wanted to continue working at the practice. This enabled him to choose the person he thought he would have a good working relationship with.

PRACTICE THREE – SOUTH EAST

Practice location – this practice is located on the ground floor of a well presented three-storey property and has ample car parking available.

Practice type – this is a three-surgery private practice, which has been established since the 1990s. It is being sold as a share sale to facilitate the retirement of the directors. The practice is being sold as freehold.

Practice gross – the gross fee income is in the region of £450,000 and is 100% private income. The income has been generated by one director working three days a week, with an associate working four days a week and a hygienist working 21 hours a week. They are supported by two part-time receptionists, and two part-time nurses.

Price achieved – a price of £590,000 was achieved, which was above the asking price.

Agent's comments – this practice was very popular and with reconstituted profit of just over 40%, coupled with under utilisation, means the incoming principal has a real opportunity to grow and develop the practice comforted by the profits reached in the past.

PRACTICE TWO – SOUTH WEST

Practice location – this practice is located in a commercial style property on a busy road, with a mix of commercial and residential properties. There are excellent transport links and a mix of shops and amenities close by.

Practice type – this is a five-surgery, predominantly NHS practice being sold as an asset sale. The practice has been established for over 50 years and the sale is to secure a lifestyle change for the principal. It is leasehold with a 10-year lease in place.

Practice gross – the gross fee income is in the region of £840,000, of which 86% is generated from an NHS-GDS contract and has been generated by the principal working full time, four associates working a combined 14 days a week, two hygienists working a combined three days a week and supported by eight full- and part-time nurses/receptionists.

Price achieved – a price of £900,000 was achieved, which was in excess of the asking price.

Agent's comments – this practice proved to be very popular, with a number of corporate entities expressing an interest and making offers. The principal was selling the practice to facilitate retirement and had no desire to continue working post-sale, and in view of this decided to go with a private buyer rather than a corporate.

PRACTICE FOUR – MIDLANDS

Practice location – this practice is located in a detached property on a busy road in a predominantly residential area. There is ample parking at the practice. The sale is due to relocation of the principal.

Practice type – this is a two-surgery, associate-led and predominantly NHS practice, which has been established over 50 years. This is a leasehold sale with a new 15-year lease being created for the incoming principal.

Practice gross – the gross fee income is in the region of £250,000 and the income has been generated by an associate working five days and supported by a full-time nurse.

Price achieved – a price of £320,000 was achieved, which was in line with the asking price.

Agent's comments – this practice has been associate-led for two years and when we add back the associate fees as the incoming principal will be working full time in the practice, it shows a net adjusted profit of 61%. There are so many opportunities to develop this practice and the incoming principal plans on taking full advantage of these.

FOR MORE INFORMATION, call Frank Taylor & Associates on 0330 088 156.