

The original and authentic practice value index

The importance of planning

Selling your practice? Preparation is key, says Frank Taylor & Associates

Benjamin Franklin was way ahead of his time when back in the 1700s he said: 'By failing to prepare, you are preparing to fail'.

Planning is also essential for those serious about selling their dental practice. I use the word 'serious' deliberately as if you just embark on selling without it being planned then don't be surprised if the result is less than startling. As Richard Cushing said, always plan ahead. It wasn't raining when Noah built the ark.

Essential planning

Those most likely to be successful in this pursuit will be those best prepared – success can be measured by the value achieved, speed of transaction, reduced stress through the process and a whole host of other benefits. Preparation starts with establishing what you want to achieve from selling your practice and then putting in place the necessary stepping stones to ensure this dream becomes a reality.

Finding out early on what your practice is worth, for most, is the critical first step. It is likely that this will drive your timetable and future plans. It is also important to ensure that you get your practice valued by someone who is independent – you wouldn't want it valued by someone who may be interested in buying your practice or has another agenda being served. Simple and essential planning.

As a result of getting your practice

valued you could take a number of different paths: sell immediately (many do as goodwill values are so high at present); defer selling as the value didn't match the value expectation (if this is the case talk to a reputable agent who can provide you with guidance on what you how best to achieve your expectation); or develop your practice further. So long as you have planned in your sale with good time it is likely that you will have time to implement some changes and allow time for them to bed in and impact on the goodwill value.

A good plan is like a road map: it shows the final destination and usually the best way to get there.
– H Stanley Judd

Be in control

There is also some administration that will require some attention and planning. Selling your business requires you to provide a bundle of information to your solicitor as part of the due diligence process. This will include staff contracts, associate contracts, details of any equipment leases, property lease or freehold title deeds, etc. The list goes on and much of this is



required by the Care Quality Commission too so may be readily available, but to start assembling it early on in the process is definitely time well spent.

With good planning comes control; the more in control you feel the better decisions you are likely to make. Given

that selling your dental practice will be one of the biggest decisions in your life, it makes sense to give it the time and attention it deserves. **D**

Practice one – south east England

Practice location – this practice occupies a two-storey detached property located on a busy main road with a mix of shops and residential properties. There is free street parking around the practice and excellent transport links.

Practice type – this is a three-surgery mixed practice, which has been established for over 40 years. The principal is selling due to other family commitments and would be prepared to stay on for a period of time to facilitate a smooth transition. The practice is being sold as leasehold.

Practice financials – the gross fee income is shown to be in the region of £400,000 and comprises of 55% NHS-GDS contract and 45% fee per item. The gross has been generated by the principal working full time in the practice and supported by associate two days a week and a hygienist two days a month. This team is complimented by a part time receptionist and three part-time nurses.

Price achieved – a price of £645,000 was achieved, which was significantly in excess of the asking price.

Agent's comments – this practice generated a lot of interest, so much so we entered into a sealed bids process and with reconstituted profits of 47% you can understand why. The practice has 17 years remaining on the lease, which is a great help when the terms of a bank loan are set against the terms of the lease. We always advise principals thinking of selling to ensure their lease is in order and has as many years available as possible.

Practice two – Worcestershire/ Herefordshire

Practice Location – this practice is located within a prominent shop-fronted property located on a busy main road surrounded by a good mix of residential and commercial properties.

Practice type – this is a four-surgery, predominantly NHS practice, which has been established for over 20 years and is being sold to facilitate the retirement of the principal. The practice is being sold as leasehold with 20 years remaining on a 25-year lease.

Practice financials – the gross fee income is shown to be in the region of £700,000 and comprises of 69% NHS-GDS contract, 29% NHS-FD contract, and the remainder fee per item. The principal works in the practice 4.5 days a week and is supported by a full-time associate and two part-time foundation dentists. In addition, there is a part-time practice manager, a full-time receptionist, one full-time and four part-time nurses and an apprentice nurse.

Price achieved – a price of £855,000 was achieved as the practice sale only included the NHS-GDS contract and the fee per item, not the NHS-FD contract.

Agent's comments – when we value a practice with a NHS-FD contract we always attribute a value to the contract but make it very clear that not all purchasers may be interested (or able) to take this contract on. In this case where the principal was not staying on, the incoming principal was not in a position to inherit the contract so the price was dropped accordingly.

Practice three – Midlands

Practice location – this practice occupies a two-storey building in a busy main road. This is a predominantly residential area with shops and amenities in close proximity.

Practice type – this is a fully private two-surgery practice, which has been established for almost 20 years. The principal wants to sell to fulfil other business interests but is happy to stay on as an associate for a couple of days a week. The practice is being sold as freehold or a lease could be created.

Practice financials – the gross fee income is shown to be in the region of £350,000 and comprises of 73% fee per item and 27% Denplan. The principal works 2.5 days a week and is supported two part-time associates who work a combined 3.5 days a week, two full-time senior nurses and two part-time nurses/receptionists.

Price achieved – a price of £675,000 was achieved, which was the full asking price for the goodwill plus the purchase of the freehold.

Agent's comments – with 574 dentists registered with Frank Taylor & Associates looking to purchase a private practice in this region there was plenty of interest in this practice. By offering a choice of leasehold or freehold, the principal was able to extend the opportunity to more dentists and as the purchaser wanted the freehold this made the principal's decision on a purchaser more straightforward. By selling the business and the freehold at the same time the principal will qualify for entrepreneurs' relief.

Practice four – south west England

Practice location – this practice occupies a two-storey previous residential property close to local shops and amenities and has been established for almost 30 years.

Practice type – this is a mixed three-surgery practice being sold as the principal wants to develop other business interests. The practice is being sold as leasehold with 15 years left on the lease.

Practice financials – the gross income is shown to be in the region of £625,000 and comprises of 80% NHS-GDS contract and 20% fee per item. The principal works two days a week and is assisted by two full-time associates, a hygienist working three days a week and supported by a full-time practice manager, a senior nurse three days a week, three part-time nurses, and a full-time receptionist.

Price achieved – a price of £1,025,000 was achieved, which was higher than the asking price.

Agent's comments – the adjusted net profit for this practice is a very healthy 39% and the incoming principal has put together a very strong and well thought out business plan to develop specialist areas in the practice. Exiting principals are often delighted to see fresh ideas coming into their practice and can move on safe in the knowledge that their 'baby' is going to grow and prosper under new ownership.

FOR ADVICE AND INFORMATION on selling your practice, contact Frank Taylor & Associates by calling 0330 088 11 56 or emailing team@ft-associates.com. Alternatively, visit www.ft-associates.com.