

Business

2017: a reflection

Frank Taylor & Associates reflects on some of the changes it has seen in practice sales over the past 12 months

Associates continue to want to buy practices and we have seen a consistent increase in registrations over the year, at any one time during 2017 we have had over 5,000 associates actively looking for practices.

However, we have also seen the impact of practice owners suffering from the lack of associates available to work. This appears to be a national concern and we are hearing from many principals who are struggling to appoint good quality associates.

Interestingly, some associates we speak with are considering their options on buying practices as they see the opportunity to earn more as associates.

Sellers are approaching us to discuss an exit strategy at a much younger age with the average age being 52, compared to 58 five years ago. Most principals want to release themselves from the burden of practice ownership and continue their career where they can focus on the clinical work.

Banks are continuing to lend to associates and aside from the 14 banks currently actively lending to dentists we are hearing other banks that moved away from the health care sector are back with vengeance and offering very competitive rates. For buyers the temptation is to stay with their existing bank, however, working with an independent business advisor can really save money as banks once they realise they have competition will often provide a far more competitive rate.

Banks appear to require even more due diligence and sellers really have to be able to provide substantial information to any buyer and this is often the biggest delay in any sales transaction – our advice is to start collating the due diligence as soon as you are ready to put your practice to the market, that way you can spread the pain of collating the information.

Goodwill values

Practice goodwill values continue to be

strong and there is little evidence of a down turn in the market.

CQC regulation is now firmly established and CQC no longer accept any paper based application for CQC registrations. We provide a totally free CQC service for both buyer and seller and even if you are not using our services we are happy to provide you with information about this process.

There has been a number of new corporate bodies enter into the market place, some with considerable capital to spend! The established corporate entities are being challenged by the new entrants, and in addition there is a significant increase in the number of associates who are forming their own small groups to buy practices. The more interest there is in practice ownership the more choice our sellers have as to who to sell their practices too.

We have seen a surge in interest in private practices, not only are the aspiration of many associates to move away from NHS dentistry but a well-run private practice can be incredibly profitable and banks appreciate the value of a regular income from a capitation scheme. **D**

FOR MORE INFORMATION, call Frank Taylor & Associates on 0330 088 1156.

PRACTICE ONE - LONDON

Practice location – this practice is located close to local amenities with ample free street parking and a free car park opposite. It is very much a commuter location with the nearest underground within half a mile.

Practice type – this is a two surgery, mixed practice which is predominantly NHS. It is a converted residential property and has been established for over 20 years and is being sold as the principal wants to focus on other work commitments. The practice is being sold as leasehold with 14 years remaining on a 15 year lease.

Practice gross – the gross fee income for this practice is in the region of £150,000 per annum of which 76% of the income is derived from a GDS-NHS contract where the UDA rate is £27.75, private income is 8% and referral work of 14%. The income has been generated by the principal working two days a week and is supported by a part time nurse/receptionist.

Price achieved – a price of £375,000 was achieved which was in excess of the asking price – the funding for this practice purchase was secured by FTA Finance.

Agents comments – this practice is ripe for development as the current principal has been working only to fulfil the NHS contract and limited referral work. The practice has never operated full time and the new owner can see solid opportunities for growth

PRACTICE THREE - SOUTH EAST

Practice location – this practice is shop fronted and situated in the heart of a busy and vibrant town centre.

Practice type – this is a four surgery, fully private practice which provides multi specialist dentistry. The practice is being sold as leasehold with a 15-year lease being created.

Practice gross – the gross fee income is in the region of £1,250,000 and the income is derived from 50% general and 50% cosmetic dentistry. The income has been generated by the principal working eight days a week, two associates working a combined six days per week. They are supported by two full time nurses and three part time receptionists.

Price achieved – a price of £1,500,000 was achieved which was in excess of the asking price.

Agents comments – this principal has a real desire to continue working as he has enjoyed the clinical aspect but has lost his enthusiasm for running and managing a business. This is somewhat of a trend at the moment, and the buyer is very happy to have the ongoing support and goodwill of the principal over the next 12 months so it is a win win situation.

PRACTICE TWO - MIDDLESEX

Practice location – this practice has a great location, very close to the centre of a busy, vibrant town centre which has easy access into London and therefore commuter traffic.

Practice type – this is a three surgery, evenly mixed practice which has been established for over 50 years and owned by and is being sold to facilitate the retirement of the principal. The UDA rate is just under £26 per UDA, with an impressive net profit of just under 50%. The practice is being sold as leasehold with a new 10 year lease.

Practice gross – the gross fee income is in the region of £550,000 of which 42% is generated from a NHS-GDS contract and 52% from private. The income has been generated by the principal working four days a week, and an associate working three days a week and are supported by a full time nurse, and a full time receptionist.

Price achieved – a price of £1,118,219 was achieved which was the asking price.

Agents comments – this practice was very popular, it happened to be in the right area, with the right mix of dentistry and a healthy profits – the seller was committed to getting the transaction through as swiftly as possible so produced comprehensive due diligence as soon as the heads of terms were issued, it made a significant difference and reduced the timeline by at least three months.

PRACTICE FOUR - MIDLANDS

This practice is situated in an impressive detached property within a very active market town. There is ample free street parking alongside two free car parks.

Practice type – this is a four surgery, mixed practice which is being sold as freehold. There is a UDA rate of £26.75 and the net profit is just over 29%.

Practice gross – the gross fee income is in the region of £525,000 of which 56% is generated from private, 44% from a NHS-GDS contract. The income has been generated by the principal working four days a week alongside an associate working two days a week and a part time therapist working two days a week. They are supported by four full time nurses, a full-time practice manager, and a business manager.

Price achieved – a price of £950,000 was achieved which was the asking price.

Agents comments – this practice was popular but it took some time to find a buyer who could afford the freehold as well as the goodwill and EFF. We see many principals retaining the freehold and creating a lease as the cost of freehold is often beyond the funding capability of new buyers. The exiting principal is retiring and has agreed to stay on for three months to ensure a smooth transition.

