

The original and authentic practice value index

Looking ahead

If you're thinking about the future of your practice, **Frank Taylor & Associates** urges you to take note of the following points



As we approach the end of the year, some principals will be considering their future options. If you are, then you should think about the following points:

- Always get an up-to-date evaluation of your practice. Whilst it is flattering to receive unsolicited approaches to sell your practice, never accept any offer without validating it first
- If you are selling your practice to a

friend, colleague or associate, consider using a reputable agent to act on your behalf – we see so many private sales that are just not moving forward without the assistance of a specialist third party

- Always maintain your turnover. It is so tempting to start thinking about reducing the number of sessions you work and to turn new patients away. However, buyers need to see static turnover and will be disturbed if they can see the turnover reducing
- Maintain your marketing presence and

keep your website up to date

- Don't share your plans with your staff or patients, as this could also have an adverse effect on your turnover. Key

Practice one – London

Practice location – this practice occupies a purpose-built property adjacent to a busy main high street. There are a few designated parking spots and ample free parking in the surrounding streets and a public car park nearby.

Practice type – this is a two-surgery predominantly private practice being sold to facilitate the principal's desire to continue working part time whilst developing other interests. It is being sold as a leasehold with a new 20-year lease, or there is an option to purchase the freehold.

Practice financials – the gross fee income is shown to be in the region of £350,000 and comprises 94% of fee per item and 6% NHS-GDS contract. The GDS contract has a UDA rate of £23.98. The practice is run by the principal working three days a week and is complemented by a nurse who also works three days a week and a practice manager working four days a week. In addition, there is a self-employed hygienist working 15 hours a week.

Price achieved – a price of £510,000 was achieved, which was the asking price and the funding was secured by FTA Finance.

Agent's comments – with 1,565 dentists registered looking to buy a practice in this area, this practice generated substantial interest. It is a mainly private practice and there are so many opportunities available to the incoming dentist, as the turnover to date has been achieved on only three days a week of trading and the practice currently shows excellent reconstituted profits of 52%. The outgoing principal will be staying on for two days a week, which is great for continuity of care of the patients and provides an element of protection of the goodwill.

Practice two – East Anglia

Practice location – this practice occupies an attractive three-storey property on a prominent main road situated within a busy town centre, with a mix of residential and retail properties.

Practice type – this is a mixed four-surgery practice established for over 40 years and is being sold to release the principal from the responsibilities of practice ownership. A new lease is created for 15 years.

Practice financials – the gross fee income is in the region of £400,000 and comprises of 74% fee per item and 16% NHS-PDS contract. This is generated by the principal working three days a week, five part-time associates and a part-time hygienist. The team is complemented by four full-time dental nurses, a full-time practice manager and two full-time receptionists.

Price achieved – a price of £400,000 was achieved, which was less than the asking price and funding for this purchase was sourced by FTA Finance.

Agent's comments – this was a share sale, which meant the new owner would be inheriting any liabilities for the practice that may come to light post-completion. This is always the case with a share sale, which means it is even more important that dental lawyers are instructed to ensure both the seller and buyer are protected post completion. A share sale also means dental specialist accountants need to be instructed, which can increase the cost of the sale and purchase, but without specialist advice the purchaser could be left in a vulnerable position.

Practice three – Home Counties

Practice location – this practice is in a prominent property amidst residential and retail properties. It benefits from a highly visible shop front, has allocated parking spaces and there is ample free on street parking.

Practice type – this is a predominantly NHS practice with four surgeries that has been established for almost 40 years. It is a limited company and is being sold as a share sale share. There are two directors, both of which will be remaining at the practice post sale. The practice is being sold with the freehold.

Practice financials – the gross fee income is in the region of £1,500,000 and comprises of 98% NHS dentistry, allocated in several different contracts ranging from GDS-PDS and a PDS-MOS contract. Four per cent of the turnover is derived from fee per item. The income was generated by two directors both working four days a week, a specialist dentist working three days a week, six associates working a combined 14 days a week and a hygienist working one day a week. The team is complemented by a comprehensive team of dental nurses and therapists.

Price achieved – a price of £2,500,000 was achieved, which was more than the asking price and funding for this purchase was sourced by FTA Finance.

Agent's comments – we have 1,830 dentists registered looking for a mixed practice in this region, and with a price tag of just under two million it was not going to appeal to all our buyers. It is not just the cost but also the responsibility of taking on such a practice, and the successful purchaser is an existing practice owner who is ready to make the next move to a larger and more complex practice. It is important to put the right candidate in front of the principals, and in this case our account managers were very thorough to ensure nobody's time was wasted.

staff may be concerned about their own future and start looking elsewhere. Likewise, patients may see an opportunity to move practices – both of these will affect the value of your business.

Be prepared

- Make plans sufficiently in advance of when you want to sell. We often work with principals two to three years in advance of when they want to sell. The minimum time you should allow is a year
- Always use a specialist business transfer agent – this will protect you from underselling your practice, it will cost you a commission fee but there will always be a return on your investment
- With a critical eye, look at your practice. Could it do with a refresh? Don't go overboard and refit your surgeries as you probably won't get that investment back, but a coat of paint and general tidy up will always help
- Make sure you are CQC compliant and deal with the 'little' things you always meant to do but haven't had time
- Carry out a HR review on all of your staff, including your self-employed associates and hygienists. Make sure contracts are up to date and in some cases actually in place. Don't overwhelm yourself; there are experts who can help you with this and most importantly ensure you are doing it right – the biggest area of concern amongst practice owners is employment and HR (you probably know that already!)
If you would like advice on any of this, please let us know. **D**

IF YOU'RE THINKING of selling your practice, contact Frank Taylor & Associates on 0330 088 1156 or team@ft-associates.com. Alternatively, visit www.ft-associates.com.

Practice four – south west England

Practice location – this practice occupies the ground floor of a purpose-built property in a city centre location.

Practice type – this is a predominantly NHS practice with five surgeries. It has been established for over 60 years and is being sold to facilitate the retirement of the current principal. It is being sold as a leasehold.

Practice financials – the gross fee income is in the region of £850,000 and comprises of 85% NHS-GDS contract, and the remaining 15% raised from fee per item. The income was generated by the principal working five days a week, four associates working a combined 14 days a week and a hygienist working two days a week. The team is complemented by eight full- and part-time nurses and a full-time receptionist.

Price achieved – a price of £900,000 was achieved, which was more than the asking price.

Agent's comments – we have seen a steady rise in the number of associates looking to buy in the south west and one of the factors is the now well established dental school in Plymouth, as often once students qualify they tend to settle in the same region. We have also noticed buyers having to consider moving to areas where they can afford a house as well as a practice. However, the more buyers move out of established popular areas the demand that drives market prices is affected!