

The original and authentic practice value index

Corporate affect on practice sales

One less corporate buying practices won't slow down the dental market, **Lis Hughes** says

As ever the rumour mill continues to grind and we have heard from several different sources that a certain corporate is no longer on the acquisition trail and the question from many dentists appears to be what impact will this have on the current dental market?

The honest answer is absolutely nothing! We have just under 5,000 dentists registered with Frank Taylor & Associates looking to buy dental practices, and if one corporate drops out of the acquisition market it simply reduces our number of buyers by one.

It is often said that corporates are taking over the dental sector, however, empirical evidence proves otherwise. We see less than 12% of the market share taken by corporates, and while we are seeing an increase in dentists buying more than one practice, or a number of associates grouping together to buy a practice, we believe 80% of practice ownership is still owned by sole principals – some of which are under the guise of a limited company.

Corporates (well some of them) are

active in the acquisition trail however, many existing principals have little appetite to sell to a corporate and the majority will always prefer to sell to another dentist. Interestingly, sellers often put the desire to achieve the highest price below the desire of finding a buyer who fits the ethos of the practice, and has personality, ability and an intention to continue to run a practice well and look after the existing staff and patients.

It continues to be a sellers' market and there is little evidence to indicate

that Brexit has influenced the dental sector. We see and understand caution from certain areas, bank valuers are challenging goodwill values and freehold values have remained conservative. However, dentistry remains an incredibly safe and reliable sector for banks to lend against and this is evidenced by the continued support of at least 14 banks as well as the bank of Mum and Dad. **D**

PRACTICE ONE - MIDLANDS

Practice location – this practice occupies the ground floor of an end of terrace; it is a residential style property, which has been extremely well maintained. There is ample free street parking and the practice is in a busy town with a mix of residential and commercial properties.

Practice type – this is a predominantly private practice that has two full kitted out surgeries, only one of which is fully utilised. The sale is to facilitate the retirement of the principal who set the practice up as a squat over 20 years ago. The practice is being sold as freehold.

Practice gross – the gross fee income is in the region of £300,000 and comprises of 91% private income, and 9% NHS-GDS income. The income is generated by the principal who works 4.5 days a week, a hygienist two days a week. They are complemented by two full-time nurses, a part-time practice manager and a part-time receptionist.

Price achieved – a price of £709,741 was achieved, which was in line with the asking price.

Agents comments – this practice ticked so many boxes, great location, a well-kept property, and the opportunity to increase the turnover by utilising the second surgery to its full capacity, and excellent reconstituted profits at just over 40%. Every new practice owner will be looking to seek ways to improve a practice, without making too many overt changes. We always recommend working in the practice for at least six months before taking any action.

PRACTICE THREE - WEST MIDLANDS

Practice location – this practice occupies a prominent detached property with space to expand and there is car parking facility for 10 cars. The practice is on a busy road with a good mix of residential and commercial properties.

Practice type – this is a two-surgery fully NHS practice, which is being sold as freehold. The practice has only been established for a few years and is being sold as the principal has ill health.

Practice gross – the gross fee income is in the region of £250,000 and has been generated through an NHS-GDS contract with less than 1% generated by fee per item. The income has been generated by the principal working three days a week, an associate working 2.5 days a week and they are supported by one full-time nurse and two part-time nurses.

Price achieved – a price of £751,000 was achieved, which was slightly more than the asking price and funding for this practice was sourced via FTA Finance.

Agents comments – this practice was being sold within four years of being established and unfortunately due to the ill health of the principal a breach notice was issued as the principal failed to achieve his UDA target in the previous year. If we are selling a practice with a breach notice, we always make sure all potential purchasers are aware so it does not become an issue during the legal transaction. A breach notice stays with the contract rather than with the principal, so the incoming principal is slightly more vulnerable should he/she fail to achieve UDA targets in the future.

IF YOU HAVE had your practice valued either by Frank Taylor & Associates or another agent and want an update, get in touch on 0330 088 11 56. Alternatively, email team@ft-associates.com or visit www.ft-associates.com.

PRACTICE TWO - SOUTH EAST

Practice location – this practice is situated within a three-storey property in a busy residential area with close proximity to local shops and a commercial centre. It is very well placed for three counties and east and south London.

Practice type – this is an associate-run, predominantly four-surgery NHS practice, which is being sold to facilitate the retirement of the principal due to ill health. The practice is being sold as leasehold with a 15-year lease.

Practice gross – the gross income is in the region of £650,000 and comprises of 79% NHS-GDS income and the balance private income. The income has been generated by two associates working four days a week and two associates working three days a week. A hygienist works two days a week and the team are supported by one full-time nurse and two nurses working four days a week. There is a full-time practice manager and two part-time receptionists.

Price achieved – a price of £1,500,000 was achieved, which was more than the asking price and funding was obtained using FTA Finance.

Agents comments – this practice proved to be so popular amongst so many of our members it went to our sealed bids process. We never divulge the level of offers made by individuals as we do not believe it is good practice to encourage bidders to 'compete' against each other, instead we ask them to put in an offer at a figure they personally believe the practice is worth to them – it's a subtle difference.

PRACTICE FOUR - NORTH EAST

Practice location – this practice occupies a two-storey terraced house situated within a predominantly residential area with a local shopping centre nearby. There is onsite parking for staff and ample free parking in surrounding roads.

Practice type – this is a four-surgery fully NHS practice, which is being sold as a freehold. It has been established for over 40 years and is being sold to facilitate a retirement.

Practice gross – the gross fee income is in the region of £380,000 and has been generated by the principal working full time at the practice, supported by a full-time nurse and a full-time receptionist. The NHS-GDS contract has a UDA value of £21.01. There is less than 1% of income generated by fee per item.

Price achieved – a price of £519,691 was achieved, which was slightly less than the asking price and reflects a suppressed freehold value.

Agents comments – this practice is ripe for expansion, with only two of the surgeries currently in use. The adjusted net profits are impressive at just over 50% and as only two of the four surgeries are currently in use there is certainly an opportunity to develop the practice, in particular the fee per item element.



Lis Hughes is managing director of Frank Taylor & Associates. Lis has worked in the dental sector for many years and offers a depth of understanding when buying or selling a dental practice.