

The original and authentic practice value index

Happy New Year!

Frank Taylor & Associates offers some sound advice for those thinking of selling or buying a practice in 2017

As we start 2017 we are seeing an increase in activity, with more associates registering an interest in buying a dental practice. In fact, we expect to have 5,000 members registered with us by February – a figure that surprises many practice owners.

The interest in buying practices has steadily increased since 2008 and on average we register at least 20 new potential purchasers every month.

Be prepared

The majority of the associates we speak with aspire to become practice owners – possibly as a result of logical career progression or to protect their own position. How they must look enviously at their colleagues who purchased practices in the early to mid-2000s.

There then seemed to be a ready supply of practices at sensible prices

and it seemed banks would lend simply because they were a dentist; asking very few questions and making available the full asking purchase price by way of loan – quite often at rock bottom rates!

As we all know the financial world has changed somewhat and banks are now taking a much more critical approach to any finance requests and will review in depth all aspects of any proposal.

This is coupled with a marked increase in practice goodwill values and sizable competition (quite often from fellow associates) to acquire the practices that do come to the market. It is not uncommon to have 30 potential purchasers seeking to acquire the same practice.

To add to the fun and games, not only do you need to satisfy the bank, you also need to satisfy the Care Quality Commission (CQC) that you are a serious business prospect – the CQC will also want to see a business plan and interview you.

With so many potential purchasers to compete with, associates need to stand out

from the crowd, and take note: the seller may also be keeping notes on you.

The right buyer

Firstly, we know it sounds obvious but do turn up on time, and endeavour to establish a rapport with the seller. Evidence has shown that owners prefer to sell to someone they like and believe their patients and staff will be comfortable with.

It would be wise to prepare a verbal CV in advance, as very likely the seller will be asking you questions. Do demonstrate a level of understanding of the CQC registration and overall purchase process.

It is vital that would-be buyers work with a lawyer who has a true understanding of the dental sector and the buying and selling process. Let both seller and sales agents

know you are working with such an expert. Increasingly we are seeing law firms offering a fixed price tariff, which helps when it comes to budgeting for purchase costs.

It is also key to have an accountant who is used to working with practice owners – this is essential to ensure the most tax-efficient purchase structure is in place not just to facilitate the purchase but also on an ongoing basis.

Working with an independent business adviser will not only give you the peace of mind of a whole banking market overview, they will help you prepare your business plan and forecasts (which the banks will want to see). They should negotiate with the banks to ensure you secure best terms and then hold your hand to the very end. **D**

Practice one – Home Counties

Practice location – this practice occupies a grade II listed building located very close to a busy town centre surrounded by a mixture of shops, and commercial and residential properties. There is ample free parking in the surrounding streets and a public car park nearby.

Practice type – this is a three-surgery fully private practice being sold to facilitate the principal's retirement. It is being sold as a leasehold with a new 15-year lease.

Practice financials – the gross fee income is shown to be in the region of £350,000. The practice is run by the principal working three days a week, and two associates working four hours each a week. There are two hygienists who work a combined 10 hours per week and complemented by two nurses who work a combined 55-hour week. In addition, there is a full-time receptionist.

Price achieved – a price of £380,000 was achieved, which was the asking price.

Agent's comments – this is an incredibly well established private practice which is ready for some TLC. There has been a steady increase in turnover and more importantly profit over the past three years and the incoming principal has many plans to develop and grow the practice. None of the surgeries are fully utilised and there is definitely an opportunity to get more patients into the practice. We are continuing to see interest in private practices grow.

Practice two – Midlands

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

Practice type – this is a predominantly NHS two-surgery practice established for over 50 years and is being sold as the principal is relocating. It is being sold as a leasehold with 10 years remaining on a 15-year lease.

Practice financials – the gross fee income is in the region of £300,000 and comprises of 86% NHS-GDS contract and 14% fee per item. This is generated by the principal working three days a week, a nurse working the same days, and a full-time receptionist.

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

Agent's comments – with 945 associates looking for a mainly NHS practice in this area there was plenty of interest generated in this sale. The current principal has enjoyed working in the practice and having only ever worked three days a week had been able to manage a NHS-GDS contract of 7,500 UDAs; he had however, not developed the private side of the practice and there is a definite opportunity to do so. The UDA rate of £29.00 is also very attractive as it provides a very reasonable monthly income.

Practice three – south east England

Practice location – this practice is in a prominent property amidst residential and retail. It has allocated parking spaces and there is ample free on street parking.

Practice type – this is a predominantly NHS practice with four surgeries. It has been established for almost 60 years. The principal is hoping to stay on post-completion and wants to sell to be able to focus on clinical work rather than deal with the burden of administration. The practice is being sold with the freehold.

Practice financials – the gross fee income is in the region of £850,000 and comprises of 33% NHS dentistry; 58% of the turnover is derived from fee per item and 9% from Denplan. The income was generated by the principal working 4.5 days a week, three associates working a combined 7.5 days a week, and two hygienists working a combined three days a week. The team is complemented by a comprehensive team of dental nurses and therapists, a full-time practice manager and two full-time receptionists.

Price achieved – a price of £1,266,500 was achieved, which was more than the asking price.

Agent's comments – we have 1,607 dentists registered looking for a mixed practice in this region and with a price tag of just over a million it was not going to appeal to all our buyers. It did generate sufficient interest for a sealed bid process and one of the aims of the principal as he was staying on was to find a buyer who he could feel he could work with post-completion.

FOR MORE INFORMATION, contact Frank Taylor & Associates on 0330 088 1156 or email team@ft-associates.com. Alternatively, visit www.ft-associates.com.

Practice four – south west England

Practice location – this practice occupies two floors of a terraced property in a prominent site with easy access to the town centre.

Practice type – this is a mixed practice with two surgeries. It has been established for over 25 years and is being sold to facilitate the retirement of the current principal. It is being sold as a leasehold, with 12 years remaining on a 15-year lease.

Practice financials – the gross fee income is in the region of £300,000 and comprises of 16% Practice Plan, 54% fee per item and 30% NHS-GDS contract. The income was generated by the principal working three days a week, and an associate also working three days a week. There are two nurses working a combined six days a week and a part-time receptionist.

Price achieved – a price of £280,000 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 this region and have 593 registered looking for a mixed leasehold practice in this area. The principal is selling to facilitate retirement and having set the practice up from a squat the main driver was to find a buyer who would take over his practice and look after his patients and staff.