

The original and authentic practice value index

Why do I need help if I am selling my practice privately?

Frank Taylor & Associates gives food for thought if you're considering selling your practice off-market

As a principal, you may be considering selling your practice to an associate or colleague, or even as a result of a direct approach from a dentist or a corporate body.

And, it would on the surface appear to be very straightforward, so the need to work with a third party and potentially incur additional costs will not be attractive or necessary. However, this is often not the case.

Points to consider

If you are selling your practice privately, here are five key points you should be aware of:

1. Get your practice independently valued – you may be flattered by a direct offer

but in reality, this may be much lower than its real market value. Of course, you may wish to sell it at a lower price, but to do so in ignorance would be a shame

2. The value of the goodwill belongs to the principal (or the limited company if it is a share sale). Often if an associate

is buying the practice, he/she will believe that as they have provided the service this should be reflected in the price – the answer is they have been paid to provide the service, so this is not the case

3. Time is precious. If an in-house associate is buying the practice, very often they do not share the same timeline as a principal and can actually drag out the transaction whilst they buy a house/go on holiday etc
4. Frequently with private sales, the buyers

feel they are in control as there is no competition – as a broker we can provide evidence of other potential buyers, which often helps the buyer focus

5. If you are selling to your associate they will be aware of every nuance of the practice, and as your sale progresses they may use this to negotiate a price reduction. Using a third party ensures your personal goodwill between you remains untarnished and more importantly a third party will not let your practice value be eroded.

So, if you are contemplating a private sale or are in the middle of selling your practice privately, give us a call and we can give you some good, solid advice as to how to move your transaction forward – we are happy to help and our advice is always free! **D**

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

PRACTICE ONE – HOME COUNTIES

Practice location – this practice is located within a predominantly residential area with local shops and a medical centre nearby. There is no parking at the practice, however there is a free car park within easy walking distance.

Practice type – this is a two-surgery, predominantly NHS practice established over 50 years. The principal has to retire due to health reasons. The practice is leasehold with a 15-year lease.

Practice gross – the gross fee income is in the region of £300,000; 86% of the income is generated via an NHS-GDS contract with a UDA rate of £23.99, and 14% of the turnover is received from fee per item. The income has been generated by the principal working four days and an associate working two days a week. They are supported by a nurse working 32 hours a week and a receptionist working part time.

Price achieved – a price of £630,000 was achieved, which was in excess of the asking price.

Agent's comments – this region is incredibly popular and we currently have 1,909 dentists who have registered an interest in a mixed practice. The seller is retiring due to health issues but is able to stay on for a limited period to ensure a smooth transition.

PRACTICE THREE – GREATER LONDON

Practice Location – this practice is located on the ground floor of a well presented commercial property and has ample car parking available.

Practice type – this is a two-surgery predominantly private practice, which has been established since the 1960s. It is being sold to release the principal to focus on the clinical aspects of dentistry. The practice is being sold as leasehold with 10 years remaining on a 20-year lease.

Practice gross – the gross fee income is in the region of £850,000 and is 89% private income, 3% capitation scheme, and 8% NHS-GDS contract. The income has been generated by the principal working full time, a specialist in endo and perio working two days a week, five part-time associates working a combined five-day week, and a hygienist working three days a week. They are supported by a full-time practice manager, two full-time receptionists, and two full-time and two part-time nurses.

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

Agent's comments – we are seeing more and more principals looking to release themselves from practice ownership so they can focus on clinical work and in this case the principal is remaining at the practice post completion to do so. This buyer is delighted the principal is remaining as this will provide the staff and patients with great continuity.

PRACTICE TWO – NORTH LONDON

Practice location – this practice is located in a terraced property on a busy high street. There are excellent transport links and a mix of shops and amenities close by.

Practice type – This is a one-surgery, fully private practice with two additional rooms plumbed and wired. The sale is to enable to principal to focus on other practices within his stable. There is a virtual freehold, which is also being sold.

Practice gross – the gross fee income is in the region of £125,000 and has been generated by the principal working two days a week and is supported by a nurse/receptionist working two days a week, and a practice manager working three days a week.

Price achieved – a price of £439,213 was achieved, which was in line with the asking price.

Agent's comments – this practice is ripe for development as it has been under-utilised by the existing principal, who has other practices he has been involved in. There is a real bonus in the two rooms that have been wired and plumbed. The incoming principal has a strategic marketing plan, which should see a fully utilised three-surgery practice over the next few years.

PRACTICE FOUR – SOUTH COAST

Practice location – this practice is located in the ground floor of a detached property on a busy road close to the town centre. There is access to a garden with this practice and parking for four cars.

Practice type – this is a three-surgery fully private practice and has been established since 1990. This is a share sale and a leasehold sale with a new 15-year lease being created for the incoming principal.

Practice gross – the gross fee income is in the region £450,000 and the income has been generated by the director working two days a week, an associate working four days a week, and a hygienist working three days a week. They are supported by two part-time receptionists, and one full-time and one part-time nurse.

Price achieved – a price of £590,000 was achieved, which was in line with the asking price.

Agent's comments – this practice was very popular and with reconstituted profit of just over 40%, coupled with underutilisation, the incoming principal has a real opportunity to grow and develop the practice comforted by the profits reached in the past.

