

The original and authentic practice value index

Preparation is key

Frank Taylor and Associates answers some common legal questions asked by buyers and sellers of dental practices

One of the biggest challenges when selling or buying a dental practice can be the legal process. Here are a few key issues you should be aware of.

Question: I want my practice to be sold within the next nine months. When should I put it on the market?

Answer: If that is the case you need to get the practice to the market as quickly as possible. Once a buyer has been found and the initial terms agreed, we would expect it to take a minimum of four months to complete, and in reality, most agents see a timescale of six to nine months for a practice sale to complete.

Question: Why should it take so long? When I bought my practice it only took a couple of weeks

Answer: There are definitely far more hoops to jump through these days, and sellers

can be frustrated by what appears to be red tape. The biggest challenge to most sellers is gathering the due diligence information, particularly if your staff are not aware of the sale, as often the information you need to gather is in the practice, which means out of hours and weekends spent collating it. The sooner you start the better; you don't need to wait for a buyer to get this aspect sorted.

Question: What about my accounts?

Answer: You need to make sure you have the last three years of accounts and if your financial year end is more than nine months ago, then it is important that you have that year too. You will need to have up-to-date management information as well.

Question: What else should I worry about?

Answer: If your practice has an element of NHS dentistry you will have to engage in the CQC process by obtaining a new DBS certificate and by completing a joint registration CQC application with the buyer. This all takes time – some DBS certificates can take up to 16 weeks to be issued. And, once the CQC application form is submitted it can take up to 10 weeks for the buyer to be taken through the process and be accepted.

Question: What impact does CQC have if I am selling a fully private practice?

Answer: The good news is you as the seller need to do very little in respect of the CQC; however, the buyer has to go through the same registration process as above. The key thing is to apply for the DBS as soon as your sale has gone into the legal process.

Question: Can I use the solicitor I used to buy my house?

Answer: No, we strongly recommend you use a specialist dental lawyer. It may appear more expensive but in the long run it never is. A dental specialist lawyer understands what you need, to protect you now and in the future. And, most importantly will keep your sale on track.

Even if you are not ready to sell yet, you should contact us because we can provide you with so much information to help you prepare for your sale, all of which will help you speed up the process when you are ready to go. **D**

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PRACTICE ONE – MIDLANDS

Practice location – this practice in the Midlands is located on a busy main road within a mix of residential and commercial properties. There is parking outside the practice and it occupies a large detached property with room for expansion.

Practice type – this is a two-surgery predominantly NHS practice, which has been established less than 10 years. It is being sold to release the principal from the burden of practice ownership. It is a freehold sale.

Practice gross – the gross fee income is in the region of £250,000 and is 98% NHS income and 2% fee per item. The UDA rate is £28.85 and the income has been generated by the principal working three days a week, and an associate working 2.5 days a week. They are supported by a full-time manager and two part-time nurses. The associate is paid 50% for private work, and £11 per UDA.

Price achieved – a price of £755,000 was achieved, which was higher than the asking price.

Agent's comments – we currently have 1,911 dentists registered looking for an NHS practice in this region and with a very good UDA rate this practice proved to be popular. The principal left as soon as completion took place and the existing associate is to remain, which is key in ensuring a smooth transition for both patients and staff. There is evidence that the turnover can be increased substantially by attracting more private clients and the incoming principal has a well thought-out business plan to ensure a maximum return on his investment.

PRACTICE THREE – GREATER LONDON

Practice location – this practice is located within a predominantly residential area with excellent transport links in Greater London. It occupies a large, two-story residential style property with parking for up to 12 cars.

Practice type – this is a four-surgery, fully-private practice established over 40 years. The practice regularly attracts 300+ new patients every year and has impressively low patient attrition rates. It is fully computerised. The principal is to retain the freehold and is creating a 15-year lease.

Practice gross – the gross fee income is in the region of £800,000 and has been generated by the principal and one associate both working full time, one full-time hygienist and one part-time hygienist. They are supported by a full-time practice manager and two part-time receptionists and three full-time nurses.

Price achieved – a price of £925,000 was achieved, which was in line with the asking price.

Agent's comments – we currently have 2,250 dentists registered looking for a private practice in this region and we were able to provide the seller with a wide selection to choose from. The principal is to remain at the practice as an associate and this was a key driver when making his decision as he wanted to ensure he would enjoy his future working career. Interestingly this practice attracted interest from two or three corporates who were looking for a fully-private practice, but in this instance the principal preferred working with an individual rather than a corporate body.

PRACTICE TWO – NORTH WEST ENGLAND

Practice location – this practice is located in a grade II listed building in Cheshire on a very prestigious road within a busy city centre. There is parking space for five cars and ample free street parking nearby.

Practice type – this is a fully-private, four-surgery practice being sold to facilitate the retirement of the principal. It has been established more than 25 years and it is being sold as leasehold.

Practice gross – the gross fee income is in the region of £450,000, of which 24% is Denplan and the balance fee per item and has been generated by the principal working four days a week, an associate working two days a week, and a hygienist working four days a week. They are supported by a full-time practice manager and two full-time nurses/receptionists.

Price achieved – a price of £400,000 was achieved, which was in line with the asking price.

Agent's comments – we currently have 449 dentists registered looking for a private practice in this region, and with almost 25% of the turnover coming from a well-established capitation scheme this provided an element of security that some buyers are looking for. We are seeing more demand for private practices and in this case the incoming principal was already established in the area, and was very confident he could increase the turnover of the practice, particularly as it is currently under utilised.

PRACTICE FOUR – HOME COUNTIES

Practice location – this Home Counties practice is located on a busy main road within a large residential style house in a residential area. There is a self-contained flat on the first floor, which provides a rental income of £850 per month. There is free parking outside the practice.

Practice type – this is a two-surgery predominantly private practice, with a small NHS-GDS contract and has been established for 15 years. It is being sold to facilitate the retirement of the principal. The practice is being sold as freehold.

Practice gross – the gross fee income is in the region of £500,000, 90% private and 10% NHS income with a UDA rate of £32.00. The income has been generated by the principal working full time, an associate working one day a week, and a hygienist working two days a week. They are supported by a full-time receptionist and three part-time nurses. The associate is paid 50% for private and NHS work.

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

Agent's comments – we currently have 1,873 dentists registered looking for a mixed practice in this region. This practice did not offer a sufficient mix of private and NHS for many of them, despite such a high UDA rate. The practice did appeal to several practitioners who were looking to move away from NHS dentistry and the successful offer came from an existing principal who wanted to retain his mainly NHS practice, which was nearby, and increase his associate activity at that practice to release himself to undertake more private work.

