

The original and authentic Practice value index

Thinking about selling your practice?

Frank Taylor & Associates offers 10 things to consider if you're thinking of selling your practice



With goodwill values at a consistently healthy level you may, as a practice owner, be considering your future options. We have listed a number of points to consider:

1. Plan in advance – it can be daunting when we speak to principals who have booked their round-the-world cruise before even getting the practice valued. Succession planning is vital and ideally you should be considering your options at least three years in advance
2. Always get a valuation – even if you are approached privately, do not accept any offers until you know what your practice is really worth, by having an independent valuation. Many principals are amazed how much their practice would attract on the open market. Likewise if you have agreed to sell to an associate, don't underestimate the time and skill it takes and employ a reputable agent to act on your behalf
3. Choose the right agent – some agents are contracted to work for the seller

Practice one – Middlesex

Practice location – this practice is located in a single-storey building, situated in a predominantly residential area with ample free street parking in the vicinity.

Practice type – this is a one-surgery, fully NHS practice. The premises are freehold.

Practice financials – the gross fee income is shown to be in the region of £130,000 and comprises of an NHS-GDS contract with a UDA rate of just under £24.25 per UDA.

The gross has been generated from the principal working full time. Professionals complementary to the clinical team comprise of one full-time dental nurse/receptionist and two-part time dental nurses/receptionists. Adjusted net profit for the last accounting year is 52%.

Price achieved – a price of £372,000 was achieved, which was in excess of the asking price. Funding for this purchase was obtained via FTA Finance.

Agent's comments – the practice has been established for over 40 years and was being sold as the principal wanted to move away from clinical work. The limitations to the practice are its size as it only has capacity for one surgery. However, with 1,481 dentists registered looking to buy a practice in this region, it was still very popular and an ideal practice for a first time buyer.

but are paid by the purchaser. We believe this can only produce a conflict, and remember there is no such thing as a free lunch

4. Use the open market to your advantage and ensure the agent you have chosen will take your practice to the full open market, not just to a group of preferred purchasers
5. Once you have a buyer, don't lose motivation – it is vital to keep the

Practice two – Hampshire

Practice location – the practice occupies a two-storey property, conveniently close to shops and residential properties and a few minutes from the town centre. The practice benefits from its own car park and there is additional free street parking close by.

Practice type – this is a predominantly private practice, which has been established for more than 50 years. It has three surgeries and the practice was sold as freehold.

Practice financials – the gross fee income is shown to be in the region of £400,000, of which 39% is private, 54% is Denplan, and 7% a NHS-GDS contract. The principal works 4.5 days a week and is assisted by an associate working 3.5 days a week and a hygienist working three days a week. Professionals complementary to the clinical team comprise of four part-time dental nurses/receptionists and a full-time practice manager. Adjusted net profit for the last accounting years is 35%.

Price achieved – a price of £625,000 was achieved, which was slightly less than the asking price – this was due to a reduce figure being agreed on the freehold value.

Agent's comments – the principal wanted to sell the practice to fulfil his retirement plans and it was very important to him that the incoming principal would fit well with the patients and staff. As we have 1,257 dentists registered looking to buy a mixed freehold practice in this region, the practice attracted substantial interest and the principal was comfortable with the opportunity to decide from a few offers. Going forward there would be an option to develop the practice by adding another surgery and there are a number of substantial housing developments taking place, which will only increase the number of residents within the area.

turnover up as any buyer (and his/her bank) will be looking at your figures all the way through the sale process. If there is a significant drop in turnover there could be a demand for a reduction in the sale price

6. It's currently a seller's market – why? Because we have just under 4,500 dentists looking to buy practices in England or Wales and we know they are not just looking, but have a genuine interest and sufficient access to funds; and with 14 banks lending to dentists, funds are available
7. Corporates and mini corporates are very active in the marketplace and approaching many principals directly. Whilst it is flattering to be approached with an unsolicited offer (and it is always worth considering an offer), never say yes until you have had an independent valuation, as you may not only be underselling but you could be tying yourself into earn outs and targets that could be avoided. Remember, corporates do this for a living and without an agent involved and acting on your behalf, the original offer may not resemble the final offer on the table. If you do go for a private sale, be it to an associate/friend or a corporate, protect yourself by employing a reputable dental agent – we deal with a high percentage of private sales, and at

8. Are the premises freehold or leasehold? If they are leasehold make sure there are at least 10 years left to run. If not then renegotiate the lease and aim for at least 15 years. If you want to sell the freehold, arrange for a commercial valuation – remember your dental practice freehold will not be valued as if it was a residential property. If you own the freehold you need to talk to us about the capital allowances – you may be pleasantly surprised by what we have to say
9. We are seeing many principals wanting to stay on and work as an associate, so consider your future options. If you want to stay on at the practice, how many days will you want to work? What fee you will want to charge?
10. Auto-enrolment – there is nothing automatic about it and unlike the stakeholder pension some of us remember, it is not going to go away! If you have any questions about this and not already staged then you should call us – we can help. **D**

FOR ADVICE AND information on selling your practice, contact Frank Taylor & Associates by calling 0330 088 1156 or emailing team@ft-associates.com. Alternatively, visit www.ft-associates.com.

Practice three – Greater London

Practice location – the practice is located on the ground and lower ground floors of a shop-fronted property in a small parade of shops.

Practice type – this is a fully private two-surgery practice, which operates as a profit share partnership and it is being sold to release the principals to follow other work commitments. The practice has been established for six years and is being sold as leasehold.

Practice financials – the annual gross fees were in the region of £210,000. The gross has been generated by the two principals working a combined 4.5 days a week, an associate working five days a week, an associate working one day a month, two hygienists working a combined one day week, one full-time and one part-time dental nurse, and an administrator/receptionist working three days a week.

Price achieved – a price of £306,805 was achieved, which was in line with the asking price. The funding for this purchase was arranged by FTA Finance.

Agent's comments – this practice is in a very desirable location and one room is currently rented out to another professional (non dental) – the rental income is minimal when compared to what income a third surgery could generate. The practice could also extend its current opening hours and with effective marketing there is a real opportunity to grow and develop the practice.

Practice four – Surrey

Practice location – this well presented practice occupies the first floor of a two-storey property, located on a main road in a residential area with many shops close by. There is free parking outside and a staff car park for up to six cars.

Practice type – this is a mainly private five-surgery practice, which is an expense share of four partners but is being sold as one entity. The practice is leasehold and there are nine years left on the current lease.

Practice financials – the annual gross income is shown to be in the region of £650,000 and comprises of 53% of private income, 40% of Denplan and 7% NHS-GDS contract. The gross has been generated from the four principals all working four days per week, with the support of two hygienists who both work three days a week. Professionals complementary to the clinical team comprise of four receptionists working a combined 80 hours per week, four nurses working a combined 145 hours a week and an administrator working 20 hours per week.

Price achieved – a price of £615,000 was achieved, which was slightly less than the asking price.

Agent's comments – an expense share of a practice will never realise its full value, therefore in this case all four partners agreed to sell the practice, which meant they would each attract a higher price than if they sold their share individually. Of the four partners, two are retiring and two are staying on as associates.