

Business

What are you thinking?

Frank Taylor & Associates provides a 10-point to-do list if you're thinking of selling your dental practice

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

1. Plan in advance

It can be daunting when we speak to principals who have started to arrange before even getting the practice valued. Succession planning is vital and ideally you should start considering your options at least three years in advance.

2. Get a valuation

Always get a valuation. Even if you are approached privately (which is always flattering!) 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.

3. Use a specialist agent

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 a reduced commission fee, are worth it!

4. Choose the right agent

Some agents are contracted to work for the seller 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!

5. Go to the open market

Use the open market to your advantage and ensure your chosen agent will take your practice to the full open market, not just to a group of preferred purchasers.

6. Keep motivated!

Once you have a buyer, don't lose motivation. It is vital to keep the turnover up as any buyer (and his/her bank) will be looking at your figures all the way through the sale process, and if there is a significant drop in turnover, there could be a demand for a reduction in the sale price.

7. Know the market

It's currently a seller's market. Why? because we have just under 5,000 dentists looking to buy practices in England or Wales and we know they are not just looking, but have a genuine interest and access to funds, as apart from the 'bank of mum and dad', there are 14 banks currently lending to dentists.

8. Scrutinise corporate offers

Corporates and mini corporates are very active in the market place and approaching many principals directly.

It is always worth considering an offer, but please 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.

And 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.

9. Freehold or leasehold

Are the premises freehold or leasehold? Buyers are interested in both and if you do own the freehold you may want to talk to your financial adviser as to the benefits of keeping the freehold and creating a lease. If it is leasehold, make a note of how many years are left on the lease as it may impact on the value of your practice.

10. Plan for the long term

What are you going to do with the funds once you have sold? A tough problem to have, but with the current market, getting the right investment is crucial to your long-term planning. Talking to a specialist independent financial adviser who really understands dentistry may help. We can always signpost you in the right direction. **D**

FOR MORE INFORMATION, call Frank Taylor & Associates on 0330 088 1156 or visit www.ft-associates.com.

PRACTICE ONE - HOME COUNTIES

Practice location - this practice is located on a busy high street, close to local amenities with ample free street parking and a free car park opposite.

Practice type - this is a two-surgery mixed practice, which is predominantly private. It is a converted residential property and has been established for over 35 years and is being sold as the principal is relocating. The practice is being sold as leasehold with 12 years remaining on a 15-year lease.

Practice gross - the gross fee income for this practice is in the region of £300,000 per annum, of which 88% of the income is private and 12% is derived from a GDS-NHS contract, where the UDA rate is £21.02. The income has been generated by the principal working five days a week and is supported by two part-time nurses and a part-time receptionist.

Price achieved - a price of £410,000 was achieved, which was the asking price. The funding for this practice purchase was secured by FTA Finance.

Agent's comments - this practice has operated with no active marketing or advertising, so with the right campaign there is a real potential for growth, and should this be successful there is an opportunity to add two surgeries to the existing practice.

PRACTICE THREE - COTSWOLDS

Practice location - this practice is situated in a relatively rural location, with a number of sizeable communities nearby and a new, sizable housing development is currently under construction.

Practice type - this is a three-surgery mixed practice, which has been established for over 25 years. There is a UDA rate of £23.64 and the net profit is just over 27%. The practice is being sold as freehold.

Practice gross - the gross fee income is in the region of £520,000, of which 50% is generated from private income, 16% by Denplan and 34% from a NHS-GDS contract. The income has been generated by the principal working four days a week, two associates working a combined week, and two hygienists working a combined 30-hour week. They are supported by five full-time nurses and three part-time receptionists.

Price achieved - a price of £975,000 was achieved, which was in excess of the asking price.

Agent's comments - this practice was not an easy sell due to its rural location; however, we were confident that it would sell as it is such an outstanding practice. The buyer and his family had been looking to relocate into a more rural environment and were delighted to find this practice as it ticked every single box!

PRACTICE TWO - YORKSHIRE

Practice location - this practice is situated in a mix of residential and commercial properties, with local shops nearby. There is ample free street parking alongside two free car parks.

Practice type - this is a three-surgery mixed practice, which is being sold as leasehold and a new 15-year lease is being offered by the principal who will be retaining the freehold. There is a UDA rate of £24.55 and the net profit is just over 33%.

Practice gross - the gross fee income is in the region of £400,000, of which 10% is generated from private, 40% by Denplan, and 50% from a NHS-GDS contract. The income has been generated by the principal working four days a week alongside a full-time associate and a part-time therapist. They are supported by four full-time nurses and a full-time practice manager.

Price achieved - a price of £550,000 was achieved, which was slightly less than the asking price.

Agent's comments - the principal is selling the practice to facilitate retirement and was so pleased when he met the new principal as he was so sure it would be a perfect fit! We frequently see principals forfeiting the opportunity of making more money as they much prefer to sell knowing their staff and their patients will be well looked after in the future.

PRACTICE FOUR - MIDDLESEX

Practice location - this practice has a great location, very close to the railway station, which has easy access into London and therefore commuter traffic.

Practice type - this is a one-surgery, predominantly NHS practice, which has been established for over 50 years and owned by the current principal for 30 years, and is being sold to facilitate the retirement of the principal. The UDA rate is just under £28 per UDA, with an impressive net profit of just over 50%. The practice is being sold as leasehold with a new 15-year lease.

Practice gross - the gross fee income is in the region of £200,000, of which 89% is generated from a NHS-GDS contract. The income has been generated by the principal working two days a week, and an associate working two days a week, and are supported by a full-time nurse and a full-time receptionist.

Price achieved - a price of £505,000 was achieved, which was in excess of the asking price. The funding for this practice purchase was secured by FTA Finance.

Agent's comments - this is another practice that did not utilise marketing opportunities and despite this has proved to be a very profitable practice. The incoming principal has major plans to overhaul the practice and inject a new vitality. It will be interesting to revisit the practice in a couple of years to see the results.

