

The original and authentic practice value index

Selling your practice? Get educated!

Make sure you're prepared for the business – and sentimental – aspects of selling your practice, says **Frank Taylor & Associates**

This is the time of year when we see a marked increase in the number of principals deciding to sell their practice. It is rarely a snap decision and it is normal for us to have been in conversations with these dentists for many months and occasionally years before such a decision is reached.

Over the years we have seen the average age of dentists considering their future options and succession planning drop from 58 to 52, and more principals are looking to sell their asset but want to continue working in a clinical role without all of the administrative burdens. The potential impact of 'Brexit' has also caused many principals to focus on the future.

Reasons to sell

Principals commence succession planning for a wide variety of reasons: we have a couple of dentists who have sold up and are now sailing around the world; several are also sailing around the world but as guests on a cruise!

We have one dentist who has moved to America to fulfil the dream of writing a screen play; several writing books; one training as a barrister; one training to be a GP; and quite a few enjoying the role of property developer. The flip side is the principals who are selling due to ill health, bereavement or divorce.



Whatever the reasons for selling, we encourage all principals to prepare and to spend time to consider all of the options.

In the past we have had the experience of a principal hacked off with dentistry, determined to sell.

A buyer was found and the legal process commenced, when he decided just before exchange that he didn't really want to sell his practice after all. The emotional and financial impact on the purchaser and his family was devastating and that principal still bears the guilt to this day.

Education, education, education

We run seminars – free of charge – every three or four months on a Saturday where we invite principals who are considering their options to spend the day with us.

We have a team of specialists who cover all the business issues to be considered and build time into the day to allow the emotional aspects of a sale – of what quite often has been the main source of focus for the principal and often his/her family for

many years – to be raised and discussed.

The seminars are limited to no more than 10 principals and of course their partners are welcome to attend, as we recognise the impact of succession planning is far reaching.

We have a couple of dentists who have sold up and are now sailing around the world; several are also sailing around the world but as guests on a cruise!

It is so reassuring for the dentists to hear others share their plans, dreams and concerns about selling a practice and the aim of the day is to allow the dentist time to think and reflect and most importantly start to plan for the future.

So even if your thoughts of the next step are a few years away you should consider attending one of our events so that you can start to make educated decisions. If you would like to know more about our educational programme, please let us know. **D**

Practice one - Avon and Somerset

Practice location – this practice occupies the first two stories of a terraced property, which is situated on a prominent corner site. There is ample free parking in the surrounding streets and a free car park nearby.

Practice type – this is a two-surgery mixed practice being sold due a change of career. It is a share sale as it is a limited company, with the NHS contract held with the company. It is being sold as a leasehold with six years remaining on the current lease, which is within the Landlords & Tenants Act 1954.

Practice financials – the gross fee income is shown to be in the region of £300,000 and comprises 30% NHS-GDS contract, 54% fee per item and 16% Denplan. The GDS contract has a UDA rate of £31.07. The practice is run by two dentists who both work three days a week and are complemented by two part-time nurses, an apprentice nurse and a part-time receptionist.

Price achieved – a price of £230,000 was achieved, which was the asking price and the funding was secured by FTA Finance.

Agent's comments – with 593 dentist registered looking to buy a practice in this area, this practice generated substantial interest; the mix of private and NHS income along with a very impressive UDA rate made it even more attractive. The practice shows excellent reconstituted profits of 57.8% and the incoming principal could see an opportunity to develop the practice, as the plan was for him to work full time in the practice and then bring in an associate.

Practice two - London

Practice location – this practice is situated in the heart of central London in an excellent location. The practice encompasses two rooms on the first floor of attractive and very well maintained premises amidst a mix of other healthcare professionals, shops and residential properties.

Practice type – this is a fully private one-surgery practice, established for over 25 years and is being sold to facilitate the retirement of the principal. This is leasehold with three years of a five-year lease unexpired.

Practice financials – the gross fee income is in the region of £150,000 and is generated by the principal working three days a week, and is complemented by a nurse who mirrors the principal's hours.

Price achieved – a price of £134,385 was achieved, which was the asking price and funding for this purchase was sourced by FTA Finance.

Agent's comments – central London dental practices are not always as popular as people may think; there is often a concern from the incoming principal that the patients may decide not to stay with the practice once the existing principal retires and in this case the incoming principal was reassured by the existing principal's desire to stay on. A lease of five years is not unusual in this location where the landlord, Howard de Walden, owns most of the area.

Practice three - south west England

Practice location – this practice is located in a three-storey property situated in the heart of a busy town with local shops nearby. There is ample parking at the practice and also close by.

Practice type – this is a predominantly NHS practice with five surgeries. It has been established for over 40 years. It is an expense share but is being sold as one entity, with one dentist wanting to stay on for at least two years. A new lease of 15 years has been created.

Practice financials – the gross fee income is in the region of £800,000 and comprises of 68% NHS-GDS contract, 15% NHS-FD contract (which is remaining *in situ*) and the balance a mix of fee per item and Denplan. The income was generated by one principal working four days a week, the other principal is retired, three associates working a combined 12 days a week, a foundation dentist working four days a week and a hygienist working two days a week. The team is complemented by five nurses working a combined 20 days per week, a full-time practice manager and a part-time receptionist.

Price achieved – a price of £1,325,000 was achieved, which was in excess of the asking price and funding for this purchase was sourced by FTA Finance.

Agent's comments – we always advise where possible for an expense share to be sold as one entity as the partners will always achieve more than if they were to sell his/her share independently. In this case it worked out really well as one principal wanted to remain working for at least two years and the incoming principal will be able to take on sessions currently worked by the associates. The UDA rate in this case was £21.43 and the FD contract is remaining as the principal who is staying on will continue to run that contract. This practice went to the sealed bids process and with 1,196 dentists registered looking for a mixed practice in this region, it is easy to see why.

Practice four - Home Counties

Practice Location – this practice occupies the ground floor of a property with a two-bedroom flat fully self-contained on the first floor in a busy location with a mix of retail, commercial and residential properties nearby. There is ample parking at the practice and also close by.

Practice type – this is a predominantly private practice with four surgeries. It has been established for over 30 years and is being sold to facilitate the retirement of the current principal. It is being sold as freehold and the first floor flat is included in the sale. There is an option to convert the flat into more dental surgeries in the future if planning permission can be obtained.

Practice gross – The gross fee income is in the region of £600,000 and comprises of 10% NHS-GDS contract, with the remaining 90% raised from fee per item. The income was generated by the principal working four days a week, two associates working a combined eight days a week and a hygienist working three days a week. The team is complemented by three full-time nurses and a part-time receptionist.

Price achieved – a price of £1,219,000 was achieved, which was the asking price and funding for this purchase was sourced by FTA Finance.

Agent's comments – the incoming principal has many plans for this practice, and plans to do little to change the practice for a few months until he feels established. Currently there are no capitation schemes in place and having come from a practice that has a substantial scheme, he is keen to develop the security of income by introducing such a scheme.

TO ENQUIRE ABOUT Frank Taylor & Associates' practice selling seminars, call 0330 088 1156, email team@ft-associates.com or visit www.ft-associates.com.