

The original and authentic practice value index

Take the reins in your practice

Frank Taylor & Associates discusses the merits of taking control of your business

As the summer starts to fade away and the excitement of Brexit dies down, many of the principals we work with continue with their plans on succession and exit. Initially when the results of the referendum were announced there was a whisper of fear as many business owners wondered what the impact will be.

And, whilst we have no real idea as to the impact, we are reassured to see the banks who work in the dental sector (and that is currently 14 banks) continue to provide funding and are very robust in their attitude of maintaining this position. The number of associates looking to buy practices continues to increase and we are just shy of having 5,000 dentists registered with us.

The key to success

It's our business to deal with principals who are often at a very stressful time in their life – either considering their options as they approach retirement age, or having to consider selling due to ill health, alongside the principals who want to realise their assets as they want to move onto other new exciting areas of their lives.

Some of our meetings can be stressful so it was a delight when I recently met with a principal who has a three-surgery private practice – he has been a practice owner for many years and certainly felt the pinch

during and after the recession. He told me that the past two years had been his most successful; he was planning to add a fourth surgery to his practice, was taking on a new associate and bringing in a specialist one day a week to absorb his referrals for period work in-house.

His turnover had increased and for the first time ever he was seeing a real increase in his profitability. He had finally dealt with tricky staffing issues and his lab and material suppliers, who had invoked hefty price increases over the past years. But after finding an alternative provider he managed to renegotiate his rates, and as a result found himself in a position where he was saving £5,000 a month on these bills.

I asked him what was the secret to his success and he said it was simple: finally, he had stopped procrastinating and had taken full responsibility for his practice. Like most principals he is the significant fee earner and spent most of his time chairside; he had a good loyal team around him, all experienced in dentistry (his practice manager had worked with him since she was 17 so a true expert on his practice and ran it really well), but no one had expertise in business management, and as we always say – you don't know what you don't know.

He had decided not to go down the traditional route of appointing a consultant as he had tried this once before, spent a considerable amount of money but changed nothing – so this time he attended a couple of seminars on business management, which highlighted areas he should really focus on and the biggest revelation to him was he had to take time out to run his business or employ a true practice manager who could do this for him. He took the plunge and reduced his time chair-side (a big leap), at the same time he increased his fees to a point that some of his patients agreed they would be happy to be referred to the senior associate within the practice.

Focus your energy

Interestingly, his turnover remained consistent as the core patients he continued to see were happy to pay a premium and, as he was seeing fewer patients, he was able to spend better quality time with these patients and offered a wider range of cosmetic services alongside his clinical treatments. Most importantly, he was able to dedicate more of his time to actually working on his practice; he has met with other suppliers to agree more favourable terms, he reviewed his bank facility, changed his credit card company and dealt with a host of small issues, which had been wearing him down for so long.

Auto-enrolment has now been dealt with and he has even reviewed his own mortgage!

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The benefits were more than financial – the morale of his team improved as he was more available and actively making decisions and moving issues forward, he was happier in himself, which his patients, staff and his family really appreciated.

For most principals, getting the time to focus on the business and not just on dentistry is a challenge and change is most effective when it is in small steps – so maybe you need to start thinking about how you can change and how you can find out what it is that you don't know. Here at Frank Taylor & Associates we don't claim to have all of the answers, and if we can't help we will always put you in contact with the right people who can. As the saying goes, change is to focus all of your energy, not on fighting the old but building the new – Socrates. **D**

Practice one – Yorkshire

Practice location – this practice occupies a two-storey, prominent corner residential style property. There is parking on site and additional free street parking in surrounding roads. The practice is based in a suburb of a thriving city.

Practice type – this is a three-surgery, mainly NHS practice with an option to extend and create an additional two surgeries (subject to planning permission). The practice is being sold to enable the principal to concentrate on private work at a different practice. The practice is being sold as a leasehold.

Practice financials – the gross fee income is shown to be in the region of £650,000 and comprises of 90% NHS-GDS contract and 10% fee per item. The GDS contract has a UDA rate of £36.95. The practice is associate run and the gross has been generated by three full-time associates, a part-time therapist and is complemented by three full-time nurses, an apprentice nurse, a full-time receptionist and a full-time practice manager.

Price achieved – a price of £1,555,000 was achieved, which was in excess of the asking price and the funding was secured by FTA Finance.

Agent's comments – with 740 dentists registered looking to buy a practice in this area, this practice generated a huge amount of interest. It is located in a very busy suburb and has an unusually high UDA rate, coupled with the opportunity to extend the practice and the potential to increase the private income. The sale went to the sealed bid process and the principal was in a position to choose from several well placed purchasers.

Practice two – London

Practice location – this practice is situated in what was once a residential home in a busy high street with a mix of shops and residential housing.

Practice type – this is a fully private, three-surgery practice established for over 60 years and is being sold to facilitate the retirement of the principal. This is leasehold with nine years' unexpired.

Practice financials – the gross fee income is in the region of £250,000 and is generated by the principal working three days a week, an associate working three days a week and a hygienist working two days a week. The team is complemented by two full-time nurses and a full-time receptionist.

Price achieved – a price of £310,000 was achieved, which was slightly under the asking price. The funding for this practice was sourced by FTA Finance.

Agent's comments – with 1,463 dentists registered looking to buy a private practice in this area there was no shortage of requests for viewings. The lease, with only nine years remaining, was a challenge for some of our interested parties as banks will only lend against the term remaining on a lease, which can make loan repayments untenable for some potential purchasers. The successful purchaser can see the opportunity to develop this practice as there is ample opportunity to fill white spaces in the diary.

Practice three – Essex

Practice location – this practice occupies a two-storey, semi-detached residential style property, which has the opportunity to add extra surgeries on the first floor. The property is situated in a residential area with a short walk to the local shops.

Practice type – this is a two-surgery, mainly private practice being sold to facilitate the retirement of the principal. The principal is retaining the freehold and offering a 15-year lease with a tenant-only break clause at five years.

Practice financials – the gross fee income is shown to be in the region of £280,000 and comprises of 86% private fees and 14% NHS-GDS contract. It is generated by the principal working 4.5 days a week and a hygienist working one day a week, and another hygienist working one day a fortnight. The team is complemented by a full-time receptionist and a full-time nurse.

Price achieved – the full asking price of £342,418 was achieved and funding was sourced by FTA Finance.

Agent's comments – in this region we currently have 1,729 dentists registered looking to buy a mixed practice and the principal was able to meet with a number of potential purchasers. The purchaser is a first-time buyer who can see the potential of developing the practice, initially by increasing the surgery hours and then potentially by expanding.

Practice four – Greater London

Practice location – this practice occupies the ground floor of a shop fronted building, amidst a parade of shops. There are great transport links and ample free street parking.

Practice type – this is a two-surgery, mainly private practice being sold to allow the principal to focus on other interests. The practice is being sold as leasehold with eight years remaining on the lease, with verbal agreement from the landlord that the lease can be extended to 15 years.

Practice financials – the gross fee income is shown to be in the region of £300,000 and comprises of 85% private fees and 15% NHS-GDS contract. It is an associate run practice and the income is generated by two associates working a combined five-day week. They are supported by a full-time nurse and a part-time practice manager/senior nurse.

Price achieved – the full asking price of £585,000 was achieved and funding was sourced by FTA Finance.

Agent's comments – despite the practice being fully associate run, the principal has decided to sell. Interestingly we see many well organised and profitable associate-run practices where the principal still feels the burden of being a practice owner. This practice is ripe for some TLC; not only is it only open four days a week, the new owner will be working full-time in the practice, which will immediately improve the already profitable bottom line.

