

THE ORIGINAL AND AUTHENTIC PRACTICE VALUE INDEX

Because details are important

Lis Hughes, managing director at Frank Taylor & Associates, highlights the importance of attention to detail when it comes to really getting to the core of a business

You can argue that valuing dental practices is art or science – the reality is it's a bit of both. If you just follow science and base a goodwill valuation around financial measures (gross, profit, EBITDA (earnings before interest, taxes, depreciation, and amortisation) etc) alone without taking into account factors such as location and demand, then you will come up with a distorted value. Equally, you cannot disregard the real financial performance and just base a goodwill valuation on the lovely leafy location and great demographics of the area. There is a need for balance and a broad range of experience to assess the elements and really get to the core of the business.

This attention to detail also filters through to how equipment is assessed. Most dentists are passionate about delivering the best dentistry they can, and to do this requires good equipment. The range and quality of the equipment can vary widely practice by practice. To apply



a set amount per surgery (or worse still per practice) is unacceptable, which is why it is important to appoint a valuer that has the skills and expertise to assess this aspect of your practice. You may think this is an odd point to highlight, but the majority of valuers do not have the knowledge and experience to value dental equipment.

A practice that has a comprehensive digital X-ray system, high specification decontamination room and microscope

would, quite rightly, expect a premium for this equipment over and above a practice that is well equipped, but fit for purpose.

Having the necessary expertise in this area matters, a lot. It is not uncommon for an amount of £7,500 per surgery to be applied as a blanket figure. However, if you had purchased a Sirona C8+ chair package six months ago along with a Carestream CS 8100 3D X-ray system, you would quite rightly expect this to be

factored in to your valuation.

It is this detail that not only means you get a more accurate valuation, but also gives you the confidence that you have engaged with a true specialist. **DT**

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Practice one – Middlesex

Practice location – This well presented practice occupies the ground floor in an attractive semi-detached property and benefits from having limited staff parking with pay and display street parking and a municipal car park five minutes walk from the practice.

Practice type – This is a five surgery, mixed practice, which is associate run and is being sold as leasehold with seven years unexpired.

Practice financials – The gross fee income is shown to be in the region of £850,000, with 56% being generated by fee per item, 30% by NHS contract which has a UDA rate of £25.44, 14% from oral surgery. The gross has been generated from four associates working three days a week, a hygienist working three days a week, oral surgeon three days per month, implant surgeon two days a week, and three full-time and one part-time dental nurse.

Price achieved – A price of £1,005,000 was achieved that was in line of the asking price.

Agent's comments – The Home Counties are still in huge demand with in excess of 1,000 buyers routinely looking in this area for all types of practices. The broad range of dentistry delivered did not appeal to all buyers, but the benefit of a stable team of clinicians still made for an excellent purchase opportunity. The incoming principal can immediately add to the net profit by not being so reliant on the associates and generating their own fees.

Practice two – Hampshire

Practice location – The practice encompasses three floors of a prominent, retail fronted property and is conveniently located with a mix of local shops and residential homes in close proximity.

Practice type – This is an eight-surgery private practice that is being sold leasehold to facilitate the owner's retirement.

Practice financials – The gross fee income is shown to be in the region of £1,150,000 and has been generated by three full-time and three part-time associates. There are seven hygienists who work a combined 12 days per week, five full-time dental nurses, a full-time practice manager, two full-time receptionists and two part-time receptionists.

Price achieved – A price of £1,200,000 was achieved, which was significantly in excess of the asking price.

Agent's comments – This was a large practice, which was superbly well set up with excellent management systems in place (which impressed the Care Quality Commission inspector). This practice was ready-made for the incoming principal to move in and build on great foundations. This is a great example of the building demand for private practices.

Practice three – Wiltshire and Berkshire

Practice location – There are two locations – one practice is located on the ground and first floor of a well presented terraced property in the town centre and the second practice is located on the ground floor in shop fronted premises and has one surgery.

Practice type – This is an expense share of two practices, mainly private practices, both being sold as leasehold to facilitate retirement of one of the principals.

Practice financials – The annual combined gross fees for both practices is in the region of £450,000 and both practices have small elements of NHS with units of dental activity (UDA) rates of £22 and £19. The gross has been generated by the principal working across both sites no more than 30 clinical hours a week.

Price achieved – A price of £405,000 was achieved, which was slightly less than the asking price.

Agent's comments – Two location practices are often difficult to sell as it requires a particular buyer who has the confidence to take on such a project. These two practices were both well presented and with one principal staying on it offered a degree of continuity. The NHS contracts were an important part of the purchase as these enabled the practice to support the local community and in particular children.

Practice four – Suffolk

Practice location – The practice occupies a two storey, terrace property, situated on the high street with residential homes in close proximity.

Practice type – This is a three-surgery predominantly NHS practice, being sold as leasehold with a new 15-year lease in place.

Practice financials – The gross fee income is in the region of £400,000 and comprises of 85% income from NHS-GDS contract with a UDA rate of £23.18. The gross is generated from an associate working full-time, and two part-time associates working four days a week, two hygienists each working one day a week and three full-time nurses.

Price achieved – A price of £573,000 was achieved, which was the asking price. The funding for this purchase was arranged by FT&A Finance.

Agent's comments – It was the decent size NHS contract that grabbed buyers attention along with the good lease. Both of these factors offered good long-term security for the buyer and with three surgeries still lots of scope to expand. FT&A Finance were able to fund this purchase and Browns Locumlink assisted with sourcing a new team member.