

The original and authentic Practice value index

Seasonal delights

Lis Hughes reviews the market for current dental practice sales

The change in season always brings us additional flurries of telephone enquiries from principals who are starting to consider their future and I am delighted to report the market remains very buoyant and the demand for practices remains extremely high in certain parts of the country.

Overall we are seeing an ever-increasing demand for private practices, whilst the desire for a mixed practice remains very strong. I know by speaking to many practice owners that they are being approached by individuals and corporates to see if they would be interested in selling their practice. Of course it is always flattering to have someone express an interest in your business and at a price that may appear

to be generous, but I would always advise any practice owner to speak to us and get an independent valuation before accepting any offer.

Private sale assistance

Corporates are in funds and are aggressive in their marketing, and consider agents such as us as the enemy, as our job is to get the best price for a practice and the only way to do that is by going to the open market. Remember, if you have been approached with any offer, talk to us first!

If you are selling your practice privately, you may balk at the idea of paying a third party to manage the sale for you, but a word of caution. It is currently taking up to nine months for sales to reach completion

(particularly where there is a NHS element) and if you are managing the sale yourself, you have a huge amount of work to do on top of your day job.

We are frequently instructed to manage a private sale at the point when the principal is starting to sink under the pressure of it all, and whilst our services will cost 2% of the sale price, in most cases we can save the principal our costs by negotiating a good price on the practice sale and by keeping all of the parties actively involved, thus ensuring a prompt completion.

In many circumstances the existing principal plans to stay on at the practice and by using ourselves to manage the process, there is less danger that the two parties will fall out and will continue a good working relationship, as there is inevitable conflict as a sale goes through the legal process. Remember, goodwill is intangible and the last thing you want to do is to end

up working as an associate in your practice with a principal you no longer like!

If you are starting to think about your exit strategy or succession planning, or want some guidance on management training and development for your team, then give me a call. **D**



Lis Hughes is managing director of Frank Taylor & Associates, the UK's most successful sales agent. Lis has worked in the dental sector for many years and

offers a depth of understanding in what does and does not work and which pitfalls are best avoided when buying or selling a dental practice. Working with both vendors and purchasers during a transaction, Lis has a recognised knowledge and understanding of the business side of dentistry.

Practice one - London

Practice location - The practice is situated in a very popular area of south London. It is in a prime location in a mix of residential and commercial properties.

Practice type - This is a five-surgery mainly private practice based in a multi-storey building, situated in a busy and prosperous high street. It is a leasehold with 12 years left on the lease. The practice offers a wide range of services by bringing in specialists on a regular basis.

Practice financials - The gross fee income from the management information for the past 12 months is in the region of £556,000 and is derived from 93% private income, 6.5% NHS-GDS contract and 0.5% of Denplan. The gross has been generated from the principal working two days a week, two associates working a combined six days a week, and three hygienists working a combined nine days a week. In addition, a range of specialists work one day each a week; a periodontist, orthodontist, implant dentist and endodontist. The professionals complementary to the clinical team comprise of four full-time dental nurses, an implant nurse one day a fortnight, five full-time receptionists, and a finance manager part time.

Price achieved - A price of £625,000 was achieved, which was in excess of the asking price. Funding for this purchase was sourced by FT&A Finance.

Agent's comments - This practice is based in a region where we have 1,940 dentists registered wanting to buy a mainly private leasehold practice, and as a result it was a very popular practice. However, it was not just the location that drove the interest, but the general increase in interest we are seeing in private practices, particularly where referrals are being catered for internally. Also, as the existing principal only works two days a week there is an opportunity for the new principal to increase the profit by working more days and reducing the cost of associates.

Practice two - West Sussex

Practice location - The practice occupies a prominent corner site in a two-storey property with a mix of residential homes and local shops in close proximity. The practice has recently undergone a comprehensive refurbishment.

Practice type - This is an expense share, five-surgery predominantly private practice, which has been established for nearly 50 years and is being sold to release the principals to focus more on clinical work. A new lease of 15 years is in place with an annual rental of £30,000.

Practice financials - The gross fee income from the management information for the past 12 months is in the region of £700,000, of which 41% is derived from fee per item, 37% from Denplan, 21% from a combination of an NHS-GDS contract and FD contract and 1% from sundries. The two principals work a combined five-day week with a full-time foundation dentist, a part-time orthodontist and two hygienists who work a combined five days per week. Professionals complementary to the clinical team comprise of five part-time nurses, two part-time receptionists and a full-time practice manager.

Price achieved - A price of £695,000 was achieved, which was slightly less than the asking price.

Agent's comments - This practice is based in a region where there are 1,158 dentists registered wanting to buy a predominantly private leasehold practice. There will be continuity as one of the principals will remain at the practice to carry out clinical work. There are more and more principals choosing to release themselves from the burden of practice ownership so that he/she can focus on the clinical side of dentistry. Another advantage of the principal remaining is the ongoing foundation dentist opportunity.

Practice three - Oxfordshire

Practice location - This practice occupies the ground floor of a detached building located in a picturesque market town on a main commuter road.

Practice type - This is a two-surgery, fully private practice being sold with the freehold. It is a share sale, which means the legal entity is a limited company. It has been established for over 19 years.

Practice financials - The gross fee income from the management information for the past 12 months is in the region of £150,000 and the net adjusted profit is in the region of 53%. The principal does not work at the practice and clinical work is being undertaken by a long-term locum working three days a week. In addition there is a hygienist who works one day a week, a practice manager/nurse working 4.5 days a week and a dental nurse working 3.5 days a week.

Price achieved - A price of £227,500 was achieved, which was very slightly less than the asking price and the difference can be attributed to the freehold value. FT&A Finance worked with the purchaser to secure the funding for this practice.

Agent's comments - With the principal not working in the practice there is a great opportunity for a new principal to massively increase the profit by working in the practice full time. Likewise, with no marketing activity undertaken recently it is an ideal opportunity to grow and develop the practice.

Practice four - Isle of Wight

Practice location - This practice is located in an attractive three-storey terraced property and encompasses two floors. There is a stair lift in place to facilitate full disabled access. The practice is in a prominent high street location in a coastal town.

Practice type - This is a predominantly NHS practice and is being sold to facilitate the principal's retirement. It has been established for almost 40 years and is being sold with the freehold.

Financials - The gross income from the management information for the previous 12 months was in the region of £400,000 per annum and is derived 72% of NHS-GDS (the UDA rate is £21.80) and the balance of the income (28%) from fee per item. The principal works 4.5 days a week and is supported by an associate working two days a week and a hygienist working one session a week. In addition there is a part-time practice manager/receptionist, four part-time nurses and two part-time receptionists.

Price achieved - A price of £390,000 was achieved, which was within the region of the asking price.

Agent's comments - The Isle of Wight provides a great opportunity and we currently have 360 dentists looking to buy a freehold mixed practice in this region. There is white space in the diary and the new principal is keen to develop and grow the practice and can see a real opportunity particularly in the private element.

FOR MORE INFORMATION call Frank Taylor & Associates on 0330 088 1156 or call the regional office on 0161 393 7107. Alternatively, email team@ft-associates.com or visit www.ft-associates.com.