

The original and authentic

Practice value index

Success is where preparation and opportunity meet

Frank Taylor & Associates discusses why it is important for the seller to choose the right sales agent

Preparation time is rarely time wasted. At a low level, I am sure we have all had situations where we have left the house ill-prepared to realise that a coat or gloves would have been a good idea through to a whole day spent on fine tuning a presentation – a world-class 60 minute presentation will take hours of preparation time.

Excellent preparation can make a small difference yet have staggering results. In the 2004 Olympics the men's 800m final was won by 0.71 seconds.

So, if you are contemplating selling your practice the gains to be had from being well prepared are significant. The preparation will be a combination of ensuring your practice is fit for sale (many aren't) and personal planning – eg, what will you do post sale?

A critical part of your preparation is choosing the right sales agent. The start



point for many when selecting an agent is to look for the agent with the lowest fee. With some agents offering to 'sell your practice for free' this would appear to be a great deal, or is it? This is based on a real-life example.

Agent A valued a practice for £1,100,000 and sold it for this price with no commission payable by the seller. So the seller (would have) received £1,100,000 in their bank account.

Agent B stepped in and valued the same practice for £1,250,000 and achieved a sale price of £1,400,000. For this remarkable

difference the seller paid £30,000. The seller actually received £1,370,000 in their bank account.

The difference is staggering; life changing. When choosing an agent you need to ensure that they are serving you, and solely you in the transaction. Where the buyer is paying the agent (which, by the way, is how you get it for free) there is a conflict of interest and based on the example above this nearly cost a seller £370,000.

Vendors are increasingly looking to pay agents directly so they are confident that they are solely working in their interest. Equally, buyers are becoming reluctant to pay agents fee and adding this amount to their offer price for the practice – this is now becoming common practice among

larger dental corporates.

There are other considerations too when choosing the right agent. Many agents have a lengthy lock-in period, which would prevent you from marketing your practice with another agent if they fail to find you a buyer. Some have a two-year lock-in period, which means you are due to pay a fee if you sell (to anyone) over the next two years.

You also want to choose an agent that is busy and regularly are marketing new practices for sale, this means they have a good feel for the market and will get you a good price.

An active agent should also have a healthy supply of enthusiastic buyers and ask how many they have looking for a practice like yours.

Also ask for relevant comparable sales to give you confidence that they have the experience needed to help you achieve your goal.

Spending time choosing your agent is a critical part of preparing for your sale and done in good time will provide you with access to a valuable resource to maximise your value. **D**

FOR MORE INFORMATION call Frank Taylor & Associates on 0845 612 3434 or the regional office on 061 638 0875, email team@ft-associates.com or visit www.ft-associates.com.

Practice 1 – Lancashire

Practice location – The practice is well presented and occupies a terraced property that includes a parking bay for the principal. The premises are occupied under a long leasehold/virtual freehold with 831 years of the lease term remaining with an annual ground rent of £2.

Practice type – This is a three surgery, mainly private practice that is being sold to facilitate retirement. The principal is willing to stay on for a limited period to ensure a smooth hand over.

Practice financials – The gross fee income from the management information for the 12-month period is shown to be in the region of £523,408 and comprises of 52% Denplan fees, 40% Fee Per Item and 8% from an NHS-GDS (children only) contract. The gross has been generated from one of the co-principals working 38 hours per week. There is also a full-time associate working between five and six days per week. The practice also has two self-employed hygienists working a combined one and a half days per week. Professionals complementary to the clinical team comprise of one full-time dental nurse, two part-time dental nurses, one part-time trainee nurse, one part-time practice manager and one part-time cleaner.

Price achieved – A price of £551,843 was achieved which was in line with the asking price.

Agent's comments – The current principal wanted to realise the value of his practice as he has retirement plans. However, as a mainly private practice has offered to continue working at the practice for a period of time to ensure a smooth transition for the incoming principal. A strategy most buyers of mainly private practices really appreciate.

Practice 2 – Midlands

Practice location – The practice occupies a prominent three-storey semi detached property, with a mix of residential homes and local shops in close proximity. There are three to four staff parking spaces at the practice, free street parking limited to 40 minutes and a municipal car park within five minutes walk of the practice.

Practice type – This is a three surgery mainly NHS practice being sold either as freehold or leasehold.

Practice financials – The gross fee income is shown to be in the region of £240,000 that is made up of 73% NHS income and 27% fee per item. The practice is associate run with two associates working a combined six-day week, a further associate works one day a month on implants. The hygienist works four days a week, and there is a full-time practice manager, a full-time receptionist, three full-time nurses.

Price achieved – A price of £670,000 was achieved that included the freehold. The funding for this purchase was arranged by FT&A Finance.

Agent's comments – As an associate run practice any incoming principal who wants to work at the practice can see an immediate opportunity to improve the profitability, and with underutilised surgery time there are further opportunities to increase the turnover. The purchaser wanted to buy the freehold and we are seeing more purchasers wanting to invest in the freehold rather than entering into leases.

Practice 3 – Outer London

Practice Location – This is a ground floor surgery in a three storey house where the first and second floor are utilised as a self contained flat that generates an additional income for the owner.

Practice type – A mainly NHS practice that is being sold as freehold, the practice sale is to facilitate the retirement plans of the current principal.

Practice financials – The gross income is said to be in the region of £120,000 with 75% of this being generated by NHS income, and the balance from fee per item.

Price achieved – A price of £465,000 was achieved that was in excess of the asking price. The funding was secured by using FT&A Finance.

Agent's comments – This practice was in a superb location with a real community feel and benefited from excellent links to London. With the principal only working three days a week the purchaser could see the benefit of increasing the turnover by building the business to demand dentistry five days a week. In the meantime the purchaser is able to continue working two days a week at another practice, which will ease the cash flow whilst investing in the new business.

Practice 4 – Cambs

Practice Location – The practice is ideally positioned in the vicinity of the centre of a busy market town. Conveniently situated close to residential properties with extensive public parking and excellent public transport links close by, it benefits from all the associated amenities that such an advantageous location offers.

Practice type – This is a mainly NHS practice in a sought after location and is being sold as leasehold with a newly created 15 year lease.

Practice financials – The gross income is shown to be in the region of £460,000 with 88% being NHS income and 12% fee per item. This has been generated by the principal working two days a week, a team of associates working a combined 10 days per week, two part-time hygienists, and a full time and two part time nurses.

Price achieved – A price of £785,000 was achieved that was well in excess of the asking price. The funding for this purchase was secured by FT&A Finance.

Agents comments – This practice proved to be very popular and ended up at our sealed bid process. In the end 11 sealed bids were submitted. Our sealed bid process is not in place to encourage a horse trade but to secure our principals the best price for their practice, and in this case the successful purchaser paid a significant premium of £200k to secure the practice.