

Light at the end of the tunnel

In the sale and acquisition of practices, we're in for a busy year, says **Lis Hughes**

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Managing director of Frank Taylor & Associates



With a new decade comes renewed energy and a positive outlook for the year ahead.

The general election is behind us and the financial markets responded positively to the stability a majority government will bring to the country.

And while our exit from Europe may be some way off there is a belief that there is light at the end of the tunnel.

Stability is vital for markets to thrive – and it's no different in dentistry. With stability comes confidence, which impacts on the attitude of buyers and banks.

Buyers' confidence is starting to manifest itself with improved initial offers compared to the middle of 2019.

More recently, we are also seeing the banks improving their terms as there is clearly a message from the top to 'do business'. Both these factors indicate 2020 is going to be a busy year in the sale and acquisition of practices.

This positive outlook is backed up with 5,091 dentists registered with Frank Taylor & Associates looking to buy a dental practice, which is an all-time high, and 14 banks actively lending to the dental sector.

Luckily, this is balanced out by the number of valuations we are currently undertaking – early January is always so very busy with principals returning from the festive break with a desire to release themselves from the burden of practice ownership.

Now that the political environment is more stable, many practice owners who previously put on hold the plans to sell are reconsidering their position.

The demand for practices with a proportion of NHS income are still the most popular; however, many buyers are taking the long-term view that private

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income is likely to be the future of dentistry.

Given the average period of practice ownership is 12 years, it is probable that through their ownership the private element will become a significant part of the overall gross.

The status of the property, whether freehold or leasehold, is not a material factor that will affect the desirability of a practice. There is a mixture of buyers who like the idea of having the freehold as an investment compared to those who just want to invest in a dental practice.

Taking these factors into consideration, we are confident that outstanding goodwill values will continue to be achieved through 2020. **D**

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PRACTICE ONE - WALES

Practice type – this is a two-surgery, mixed practice, which has been established 15 years and being sold to release the owner from the burden of the administration. It is leasehold with a new 15-year lease in place.

Practice gross – the gross fee income from the management information for the past 12 months is in the region of £350,000, and derived from 60% NHS-GDS contract and 40% fee per item. The UDA rate is just over £30 per UDA. The gross has been generated from two associates both working three days a week and a therapist working two days a week. The team is supported by a part-time practice manager, one full-time dental nurse, a part-time nurse and a full-time receptionist.

Price achieved – a price of £420,000 was achieved, which was in line with the asking price.

Agent's comments – this practice has been under used as the principal has not worked for some time – when you look at the UDA rate and the opportunity to build the fee per item, the practice is a very attractive opportunity and was reflected in the interest generated. We have 376 dentists registered an interest in buying a practice in south Wales and it only takes the right one to buy the practice.

PRACTICE THREE - THE MIDLANDS

Practice type – this is a four-surgery, predominantly NHS, practice that has been established more than 40 years and is being sold to facilitate the retirement of the principal.

Practice gross – the gross fee income from the management information for the past 12 months is in the region of £650,000 and has been generated from the principal working three days a week, two full-time associates and a full-time therapist. The team is supported by a full-time practice manager, two full-time and two part-time nurses and two part-time receptionists.

Price achieved – a price of £1,500,000 was achieved, which included the freehold.

Agent's comments – this practice has little, or no marketing activity and the existing seller has identified a growing demand for facial aesthetics, which are not currently being met. The incoming principal has plans to add an additional surgery as the desire to grow this side of the practice was key to the purchase. The principal is staying on for at least a year to provide continuity.

PRACTICE TWO - HOME COUNTIES

Practice type – this is a three-surgery, predominantly private, practice established more than 80 years and is being sold to release the principal, who wants to enjoy clinical work. The practice is being sold as leasehold with a new 20-year lease in place.

Practice gross – the gross fee income from the management information for the past 12 months is in the region of £400,000 and is derived from 70% private, 30% NHS-GDS contract with a UDA rate of just over £26. The gross has been generated from the principal working three days a week and two associates working a combined eight days a week. The team is supported by three full-time and two part-time dental nurses/receptionists.

Price achieved – a price of £600,000 was achieved, in line with the asking price.

Agent's comments – this seller is not unusual to want to be released from practice ownership and to be able to focus on clinical work. And, with it being such a seller's market, was able to meet with several purchasers before deciding which person he felt would fit the practice, patients and staff. By staying on, the existing principal is able to ensure a smooth transition and with a desire to focus on private work will generate a revenue stream for the new principal as well.

PRACTICE FOUR - SOUTH WEST

Practice type – this is a three-surgery mixed practice that has been established more than 25 years and is being sold to facilitate retirement. The principal is happy to stay on post-sale. The practice is being sold as leasehold with a new 15-year lease in place and it is a share sale.

Practice gross – the gross fee income from the management information for the past 12 months is in the region of £410,000 and is derived from 35% NHS-GDS contract, and 65% fee per item. The UDA rate is £23. The gross has been generated from the principal working five days a week, a full-time associate and a hygienist working one day a week. The team is supported by a part-time practice manager, three full-time nurses/receptionists and two part-time nurses/receptionist.

Price achieved – a price of £375,000 was achieved, which was slightly less than the asking price.

Agent's comments – this practice sale was very straightforward as the NHS contract was already in the name of the company so no issues with a flawed incorporation. The existing owners are ready to reduce their working commitment and can see the practice would benefit from new owners with fresh ideas.

