

Moment for reflection

Lis Hughes assesses the lay of the land concerning dental practice sales

Lis Hughes

Managing director of Frank Taylor & Associates



The uncertainty of Brexit and the general political unrest proved to be challenging for many; however, the dental sector managed to maintain a balanced equilibrium. Having said that, the relief for the election to be over was palpable and the delight that we can move forward into 2020 with it behind us and only the challenges of Brexit remain.

For sellers, the great news is associates continue to want to buy practices and we have seen a consistent increase in registrations over the year. Since 2017, over 5,000 associates are actively looking for practices.

We have continued to see the impact of some practice owners suffering from the lack of associates available to work and continue to hear from many principals who are struggling to appoint

good quality associates.

Sellers are approaching us to discuss an exit strategy at a much younger age – with the average age being 52, compared to 58 five years ago. Most principals want to release themselves from the burden of practice ownership and continue their career where they can focus on the clinical work.

Banks are continuing to lend to associates and, aside from the 14 banks currently actively lending to dentists, we are hearing other banks that moved away from the healthcare sector are back with a vengeance and offering very competitive rates. For buyers, the temptation is to stay with their existing bank; however, working with an independent business advisor can really save money as banks,

once they notice competition, will often provide a far more competitive rate.

Banks appear to require even more due diligence and sellers really have to be able to provide substantial information to any buyer. This is often the biggest delay in any sales transaction. Our advice is to start collating the due diligence as soon as you are ready to put your practice to the market, that way you can spread the pain of collating the information.

More choice for sellers

Practice goodwill values continue to be strong and there is little evidence of a downturn in the market.

Care Quality Commission (CQC) regulation is now firmly established and can be very challenging. As a result, we now provide a CQC service for buyers and sellers and, even if you are not using our services, we are

happy to provide information about this process.

We have continued to see new corporate bodies enter the marketplace, some with considerable capital to spend. The established corporate entities are being challenged by the competition of new entrants and, in addition, there has been a significant increase in the number of associates forming small groups to buy practices. The more interest there is in practice ownership, the more choice sellers have as to who to sell to.

We have seen a surge in interest in private practices, not only are the aspiration of many associates to move away from NHS dentistry, but a well-run private practice can be incredibly profitable, and banks appreciate the value of a regular income from a capitation scheme. **D**

FOR MORE INFORMATION, call 0330 088 1156 or visit www.ft-associates.com.

PRACTICE ONE – GREATER LONDON

Practice type – this is a three-surgery, mainly NHS practice, which has been established over 20 years and is 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 £850,000, derived from 70% NHS-GDS contract and 30% fee per item. The UDA rate is just over £28 per UDA. The gross has been generated from the principal working two days a week, five associates working a combined 12 days a week, and a hygienist working two days a week. The team is supported by a full-time practice manager, three full-time dental nurses/receptionists and two part-time nurses.

Price achieved – a price of £1,900,000 was achieved, in excess of the asking price.

Agent's comments – this practice ticked so many boxes when it was launched to the market. The mix of NHS and private, the attractive UDA and the location made it fly off the shelves. Offers were made by both corporates and individuals, and as the seller was planning on staying on, the decision was made on personal preference for the incoming principal.

PRACTICE THREE – LONDON

Practice type – this is a two-surgery fully private practice, which has been established over 30 years and 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 £180,000 and has been generated from the principal working three days a week and a hygienist working two days a week. The team is supported by a full-time nurse and two part-time receptionists.

Price achieved – a price of £860,000 was achieved, which included the freehold.

Agent's comments – this practice is situated in a great area of London, and currently opens reduced hours, so the incoming principal can see a great opportunity to provide longer opening hours, which will appeal to the many commuters who walk past the practice every day. There has been little, or no, marketing activity and the existing seller is happy to stay on for a year to provide continuity.

PRACTICE TWO – HOME COUNTIES

Practice type – this is a two-surgery (with the scope for a third surgery) predominantly private practice established over 40 years and is being sold due to facilitate the retirement of the principal. The practice is being sold as freehold.

Practice gross – the gross fee income from the management information for the past 12 months is in the region of £345,000, and derived from 70% private, 25% capitation scheme and 5% NHS-GDS contract with a UDA rate of just over £28 per UDA. The gross has been generated from the principal working five days a week and a hygienist working 1.5 days a week. The team is supported by a full-time dental nurse/receptionist.

Price achieved – a price of £560,000 was achieved, in excess of the asking price.

Agent's comments – this seller has enjoyed his career in dentistry, but feels demotivated from the burden of administration that can, on occasions, overwhelm principals. He readily admits there has been minimal marketing and general promotion of the practice for several years. The incoming principal has many great ideas to enliven the practice and sees this as a great opportunity, not a threat.

PRACTICE FOUR – THE MIDLANDS

Practice type – this is a three-surgery mixed practice established over 40 years and is being sold to release the principal from the responsibilities of ownership. The principal is happy to stay on indefinitely post-sale. The practice is being sold as 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 £450,000 and is derived from 50% NHS-GDS contract, and 50% fee per item. The UDA rate is £25 per UDA. The gross has been generated from the principal working three days a week, a full-time associate and three part-time associates working a combined six days 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 £480,000 was achieved, slightly less than the asking price.

Agent's comments – this practice is situated in a very affluent market town with great transport links. There are a number of extensive housing developments in the area and little competition for the dental practice. The incoming principal has worked in the surrounding area for some time and, with established family connections in the area, is delighted with the opportunity to develop the practice.

