

Brave new world

Lis Hughes explores some of the highs and lows of practice sales amid the pandemic

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At the time of writing, dental practices have just been told they may reopen from 8 June.

Everyone has been settling into a new normal way of life and most practice owners have been their usual innovative selves and exploring the theories of new patient journeys that will hopefully ensure the wellbeing of the patient and team.

It is not all gloom and doom for practice owners who want to sell their practice, as during the lockdown period we have seen a steady increase in the numbers of associates registering with

us looking to buy a practice – often as they have realised how vulnerable their position is as an associate and the only real security is to be a practice owner.

The biggest question being asked at the moment is what impact COVID-19 will have on practice values, and with all honesty, we don't have sufficient empirical evidence to provide a rock-solid view on practice values.

Banks have been vocal on their continuing support for dental purchases, but as yet are unable to

comment on what the demands of the credit terms will be.

Ease the burden

Flexible working within dental practices is another option we are

hearing about, with many owners considering extending opening hours to 12-14 hours a day and weekend working.

This may ease the burden on moving patients through the practice, however, extended hours will mean increasing fixed costs.

Another reason why we are seeing associates driven to practice ownership is some feel they have not been looked after during this time, and many realise that they may not be provided with the same level of work post-COVID.

The rumour mill is hot with associate fees reducing.

Transactions are moving very slowly through the legal process, banks are currently unable to undertake physical valuations, CQC staff are deployed elsewhere and lawyers in some cases are furloughed – however, the great news is there is a steady trickle of completions and offers are being made and accepted on dental sales.

Honest advice

Our aim throughout lockdown and as we move into the new world is to provide reliable, realistic and honest advice to both sellers and buyers.

As we receive information, we are passing this on as efficiently as possible. We have introduced virtual viewings and virtual valuations and our team is actually enjoying working out new ways of going about our business.

It is refreshing for us to stop and look at established methods, pulling them to pieces and recreating a better service for our clients. **D**

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It is not all gloom and doom for practice owners who want to sell

PRACTICE ONE - GREATER MANCHESTER

Practice type: this practice occupies the first floor of a purpose-built shop-fronted building, in a mix of residential and commercial properties. It is a two-surgery, predominantly NHS practice that has been established for more than 40 years. It is being sold to release the principal from the burden of practice ownership. It is leasehold with a new 15-year lease in place.

Practice financials: the gross fee income from the management information for the past 12 months is in the region of £280,000 and is derived from 95% NHS-GDS contract with a UDA rate of £27.50 and 5% capitation scheme, the gross has been generated from the principal working five days a week, and two full-time nurse/receptionists.

Price achieved: a price of £590,000 was achieved, which was slightly less than the asking price.

Agent's comments: this practice has a reconstituted profit of £58.4% and proved to be very popular with 895 dentists registered looking for this type of practice in that region. The transaction was well underway pre-COVID and the buyer was keen to reach completion as soon as possible so he had already given his notice in at his existing practice, which left him somewhat vulnerable.

PRACTICE TWO - HOME COUNTIES

Practice type: this practice is based in a very active market town and has been established for more than 30 years. It is a three-surgery, fully NHS practice and is being sold to facilitate the retirement of the current principal – he is prepared to stay on for a short period to ensure a smooth hand over. It is leasehold with nine years left on a 15-year lease.

Practice financial: the gross fee income from the management information for the past 12 months is in the region of £480,000 and has been generated from the principal working four days a week, alongside two full-time associates. The team is supported by a full-time and a part-time receptionist, and two full-time nurses.

Price achieved: a price of £945,000 was achieved, which was in line with the asking price.

Agent's comments: this was another practice that had moved through the legal process to reach exchange just after practices were closed after the funding bank agreed to proceed to completion as scheduled.

