

Future dental practice ownership

Lis Hughes discusses living and working in uncertain times

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Future ownership is a strange heading bearing in mind the unprecedented situation we all find ourselves in.

But interestingly, we are continuing to receive a stream of new enquiries from associates who have fully set their sights on future dental practice purchase more than ever.

The current crisis appears to have increased the awareness among many associates that the only way they can ever be in control of their own destiny is by owning their own business and the experiences over the past few weeks have brought this to a head.

Currently, salaried employees are eligible to receive government support if furloughed up to £2,500p/m.

It's self-employed associates who have fallen through the cracks, as most earn £50K+, which means they are currently not eligible for the government support package.

Those we have spoken to have vowed to do all they can to move away from being a vulnerable associate (income/job wise) to the greater certainty of owning their own practice. And associates can see that practice owners, while acknowledging the next few months will not be easy,

will have access to both conventional bank loan/overdraft support or if needs be the CBILS.

In most cases, existing business owners can have loan repayments deferred and outgoings reduced as staff furloughed.

Once lockdown has been eased and dental practices are open for business, associates also recognise the quickest way for a principal to recoup lost earnings is to undertake the work themselves and reduce the work carried out by associates, or renegotiate the terms for an associate – neither a very palatable option for any associate.

The current crisis is making existing principals review their exit strategy

A virtual service

We are continuing to work during this time and, working with our sellers, we are providing a virtual viewing service and continue to receive offers, particularly on practices that have an element of NHS dentistry.

We are also undertaking virtual valuations and the current crisis is definitely making existing principals review their exit strategy and, in some cases, bring it forward.

Likewise, one of our principals who was planning to sell his practice in the autumn has realised after a few weeks of lockdown he is not ready for retirement and now wants to continue working for several more years! **D**

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PRACTICE ONE – THE MIDLANDS

Practice type – this is a four-surgery, fully private practice, occupying a two-storey purpose-built shop-fronted building, in a mix of residential and commercial properties. It has been established more than 40 years and is being sold to facilitate the retirement of the principal. It is 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 £450,000 and is derived from 85% fee per item and 15% capitation scheme. The gross has been generated from the principal working two days a week, three part-time associates working a combined 44 hour week, a hygienist working two days a week, supported by a full-time practice manager, a full-time receptionist and four nurses working a combination of full- and part-time.

Price achieved – a price of £750,000 was achieved, which was in excess of the asking price.

Agent's comments – this principal wanted to sell to enjoy retirement, however, was prepared to wait for the right buyer – having run the practice for more than 40 years, the continuing wellbeing of the staff and patients was of paramount importance to them. Luckily, we managed to find the perfect fit and both parties were delighted with the outcome.

PRACTICE THREE – HOME COUNTIES

Practice type – based in a busy market and having been established for more than 30 years, this is a three-surgery, fully NHS practice and is being sold to facilitate the retirement of the principal (who is prepared to stay on for a 12-month period). It is a limited company with the NHS contract in the name of the limited company and will be a share sale and being sold as leasehold with a new 20-year lease being created by the seller.

Practice gross – the gross fee income from the management information for the past 12 months is in the region of £535,000 and has been generated from the principal working four days a week, alongside three part-time associates working a combined 11 days a week. The team is supported by a full-time and a part-time receptionist, two full-time nurses and two trainee nurses.

Price achieved – a price of £975,000 was achieved which was in line with the asking price.

Agent's comments – this practice is fully NHS and the demand for NHS dentistry in the area is high so there is always a waiting list. The price achieved was a surprise to the outgoing principal who had not registered the value of NHS dental practices has increased substantially over the years.

PRACTICE TWO – WEST YORKSHIRE

Practice type – based in a very busy market town, with excellent transport links from the surrounding areas, this is a two-surgery (with the opportunity to increase to four) fully NHS practice, which has been established more than 20 years and is being sold to facilitate the retirement of the principal. The practice is being sold as leasehold with a 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 £400,000 and is derived fully from a NHS-GDS contract, with a UDA rate of £27.52. The income is generated from the principal working full-time alongside a full-time associate and supported by a full-time manager, and three full-time nurses/receptionists.

Price achieved – a price of £675,000 was achieved, which was in excess of the asking price.

Agent's comments – the incoming principal had waited a long time to secure a fully NHS practice and was prepared to pay a premium for this. The real icing on the cake is the opportunity to put in two additional surgeries where a private income stream could be developed with the demographics of the surrounding area showing a business opportunity to do just that.

PRACTICE FOUR – ESSEX

Practice type – this practice occupies a shop fronted position on the ground floor of a two-storey property. There is ample street parking and a large car park nearby. The practice is being sold as leasehold with a 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 £300,000 and is derived from 92% NHS-GDS contract, and 8% fee per item. The principal works one day a week and there are two part-time associates. The team is supported by a part-time practice manager, one full-time nurse and three part-time nurses/receptionist.

Price achieved – a price of £520,000 was achieved, which was in line with the asking price.

Agent's comments – this practice is in an area that is always in high demand and there is ample scope to grow and develop the practice, as the current principal has another practice that has taken his focus for a number of years. The incoming principal has seen an opportunity to work full-time at the practice, which will reduce his associate costs. His long-term plan is to develop a private fee income stream.

