

# Don't be a boiling frog

The plan to sell a dental practice should take place months before the decision to sell is made, advises **Lis Hughes**

## Lis Hughes

Managing director of  
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The boiling frog story is a widespread fable describing a frog slowly being boiled alive. The premise is that if a frog is placed in boiling water it will jump out – but if it is placed in cold water that is slowly heated it will not perceive the danger and will be cooked to death.

This story can be used as a metaphor for dental practice owners that don't prepare for the inevitable point where they want, or need to, sell their dental practice. They have been working along in their dental practice as the 'temperature' increases and all the while not noticing that day by day it is getting more uncomfortable.

It is the gradual change that goes unnoticed which creates the discomfort.

## Forward planning

Selling a dental practice takes several months and in a perfect world the

planning would take place months before the actual decision to sell is made. This forward planning can add significant value to the goodwill value of your dental practice.

Ideally you want to be selling your dental practice when you are performing well, the practice financials are showing an upwards trend and you still enjoy what you do. To put a tick in each of these boxes requires self-awareness and a longer-term view of your selling horizon.

It is quite common for practice owners to seek the help of Frank Taylor & Associates when the water is hot, not quite boiling, but months after the conversation should have started.

**Selling a dental practice takes several months and in a perfect world the planning would take place months before the actual decision to sell is made. This forward planning can add significant value**

When it comes to selling a dental practice, it is much easier to slow the process down than speed it up. Speeding up a sale is often as blunt as reducing the price – which with good planning might not be necessary.

Please plan in your practice sale and don't become a boiling frog. **D**

**FOR FURTHER INFORMATION** about selling your dental practice or to obtain an up to date valuation for your practice, call Frank Taylor & Associates on 0330 088 1156.

## PRACTICE ONE – HERTFORDSHIRE

**Practice type** – this practice is a shop-fronted property on a busy high street in a rural area of Hertfordshire. The high street has a busy, lively feel and the area is considered to be affluent. This is a four surgery, mainly private practice and is being sold to facilitate the retirement of the current principal from practice ownership. The principal is prepared to stay on post completion for several years. The practice is being sold as freehold.

**Practice financials** – the gross fee income from the management information for the past 12 months is in the region of £850,000 and is generated from private income of 92% and a small NHS contract with 2,700 UDAs at £25.53 per UDA. The income has been generated from the principal working four days a week, two associates working a combined five days a week, and hygienist working two and a half days a week. The team are supported by a full-time practice manager, five nurses working a combined 10 days a week, as well as a full-time and part-time receptionist.

**Price achieved** – a price of £1,500,000 plus the freehold was achieved, which was in excess the asking price.

## PRACTICE FOUR – SOUTH COAST

**Practice type** – this practice is a two-storey, shop-fronted property on a busy high street. The town has a massive housing development underway that includes two education facilities and a new medical centre. This is a three-surgery mixed practice and is being sold to facilitate the retirement of the current principal. The practice is being sold as leasehold with a 25-year lease in place.

**Practice financials** – the gross fee income from the management information for the past 12 months is in the region of £400,000 and is generated from private income of 28%, Denplan of 25%, and 47% NHS contract at £28.30 per UDA. The income has been generated from the principal working three and a half days a week, one associate working four days a week, and a hygienist working one and a half days a week. The team is supported by four nurses working a combined 13 days a week and all nurses cover the reception duties in addition to their nursing roles.

**Price achieved** – a price of £560,000 was achieved, which was in line with the asking price.

## PRACTICE TWO – ESSEX

**Practice type** – this practice occupies a two-storey detached property in a predominantly residential area with local shops in the vicinity. This is a three surgery, mixed practice, 53% NHS, 27% fee per item, and 20% Denplan which has been established over 20 years and is being sold to release the principal from the burden of practice ownership. A new lease is being created.

**Practice financials** – the gross fee income from the management information for the past 12 months is in the region of £800,000 and the NHS-GDS contract has a unit of dental activity (UDA) rate of £27.50. The gross has been generated from the principal working three and a half days a week, three associates working a combined six days a week, and hygienist working three days a week. The team is supported by two full-time nurse/receptionists and three nurses.

**Price achieved** – a price of £1,610,998 was achieved, which was the asking price.

## PRACTICE THREE – KENT

**Practice type** – this practice is a shop fronted property on a busy high street in a commuter town, it is close to all the central amenities and nearest station has links into London. This is a two-surgery mixed practice and is being sold to facilitate the retirement of the current principal. The practice is being sold as leasehold with a 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 £450,000 and is generated from private income of 63% and 37% NHS contract at £26.30 per UDA. The income has been generated from the principal working four days a week, one full time associate, and hygienist working one and a half days a week. The team is supported by four nurses working a combined 15 days a week and all nurses cover the reception duties in addition to their nursing roles.

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

