

The pathway moving forward

Lis Hughes offers a number of key learnings that can be applied throughout 2021

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The style of work for dental practice owners has changed with the need to incorporate fallow time, enhanced standard operating procedures, more digital workflows and the complexities of managing a team in the current environment.

With so much unknown, it continues to be daunting, challenging and a smidge exciting, as we all have to think about how we run our businesses and lives.

Incredibly, the market for the sale of dental practices has broadly been unaffected by the pandemic. Deals started to complete again in November 2020 and there is a raft of delayed deals about to complete, hopefully in advance of the budget on the 3 March, which may bring about changes to capital gains tax and business asset disposal relief.

As we settle into 2021, there are a few things that stand out for me as being key learnings.

Focus on what you can control

As individuals, we lost a degree of control

in 2020, however, we can control our local environment and maintain good physical and mental wellbeing. We can communicate with those close and important to us. As a business owner, it is important to show true leadership and reinforce your vision, values, and a pathway for moving forward.

Dental practice owners also can control how they bounce back and financially recover. The conditions are challenging, but I have seen many dental practices delivering better financial performance in Q4 2020 than for the same period in 2019. Many practice owners have been creative in their working environment to create more capacity to see patients.

Quality not quantity

During times of uncertainty, there is a thirst for information. I have seen this with an increase in direct approaches from many sources who want to reach the dental sector.

Ensuring you source information from reputable, good quality sources is critical. This extends to direct approaches being made to practice owners where they are being told practice values are down. We are continuing to value and sell practices at pre-COVID-19 levels, and the support from the 14 banks lending to dental sector remains incredibly strong and, most importantly, bank valuations are supporting our valuations.

Trust is the most important currency

In times of crisis, we look to those we trust and those we have developed good relationships with; this includes your team, customers/patients and service providers. Now is the time to invest in those relationships so they get stronger. When an emergency hits you will be grateful to have a support system to carry you through.

As a business, we have expanded the ways to contact us to 19 – many of these new innovations are a direct result of the pandemic and our desire to stay visible and supportive.

We are seeing a sharp increase in the number of dental practice owners looking to sell and we are well placed to provide the support and guidance needed at this important time. **D**

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PRACTICE ONE – CHESHIRE

Practice type – this practice occupies a three-storey detached property in a predominantly residential area with local shops in the vicinity. This is a three-surgery, mixed practice, 71% NHS, 29% fee per item, which has been established over 70 years and is being sold to facilitate the retirement of the principal, who is happy to remain at the practice for a year post completion.

Practice financials – the gross fee income from the management information for the past 12 months is in the region of £475,000 and the NHS-GDS contract has a UDA rate of £27.50 the gross has been generated from the principal working four and a half days a week, two associates working a combined five days a week, hygienist working three days a week. The team is supported by a full-time practice manager, a part-time receptionist and five part-time nurses.

Price achieved – a price of £750,000 was achieved, which was slightly higher than the asking price.

Agent's comments – this practice has a reconstituted profit of 30.1% and was already in the legal process when the first lockdown took place. The buyer was committed to the purchase and it would have happened sooner, however the CQC has taken a while to get back up to speed as its workforce had been diverted to other roles during the pandemic.

PRACTICE TWO – SURREY

Practice type – this practice is on the ground floor of a shop fronted property in the centre of a beautiful village close to a busy market town. This is a three surgery fully private practice being sold with a 15-year lease within the Landlord & Tenants Act 1954. The sale is to facilitate the retirement of the principal. It is a share sale.

Practice financials – the gross fee income from the management information for the past 12 months is in the region of £480,000 and is generated from private income and generated from the principal working five days a week, an associate working a combined two days a week, and a hygienist working two days a week. The team are supported by a full-time practice manager and two nurses working full time..

Price achieved – a price of £650,000 was achieved, which was in line with the asking price.

Agent's comments – this practice appears to have enjoyed a financially rewarding period post-lockdown. The principal ensured as much management information was made available once the practice reopened and this meant the funding bank saw no reason to amend the terms of the loan and no deferred consideration was put in place.

PRACTICE THREE – MIDLANDS

Practice type – this practice is a shop fronted property, located in the market square in a busy high street close to all the central amenities and nearest station has links into London. This is a two-surgery mixed practice (predominantly private) and is being sold to facilitate the retirement of the current principal. The practice is being sold as leasehold with a 20-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 43%, 50% Denplan and 7% NHS contract at £26.30 per units of dental activity (UDA). The income has been generated from the principal working four days a week, one associate working two days and a hygienist working one day a week. The team are supported by four nurses, two working full time, two working part time and a full-time receptionist.

Price achieved – a price of £450,000 was achieved which was slightly less than the asking price.

Agent's comments – this practice showed its strength during lockdown as the income from the capitation scheme continued to be received and they did not lose one patient from the scheme. This theme was common across all practices which offered capitation schemes and post lockdown it has not been unusual for practices to insist all new patients enrol within such schemes.

PRACTICE FOUR – SOUTH EAST

Practice type – this practice is a four-storey terraced property, in a predominantly residential area and very close to a major town centre with all amenities. 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 freehold.

Practice financials – the gross fee income from the management information for the past 12 months is in the region of £440,000 and is generated from private income of 16% and 84% NHS contract at £26.30 per UDA. The income has been generated from the principal working four days a week, one associate working four days a week, one associate working two days a week, and a hygienist working one day a week. The team are supported by a part time practice manger, three nurses (two full-time and one part-time) with all nurses covering the reception duties in addition to their nursing roles.

Price achieved – a price of £800,000 was achieved which was in line with the asking price.

Agent's comments – again, on receipt of management information the funding was released by the bank to enable the sale to take place as swiftly as possible post lockdown. The support of the banks during the COVID-19 crisis has been very apparent and this was another example where no deferred consideration was expected.

