

Market trending upwards

The **Frank Taylor & Associates** team shares its take on the latest NASDAL data and how it affects your financial decisions

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The latest set of quarterly data on goodwill from NASDAL (National Association of Specialist Dental Accountants and Lawyers) makes interesting reading.

Andy Acton of Frank Taylor & Associates comments: 'The data is always interesting and gives a really useful and timely indication of how the market is behaving.'

'Goodwill is important in the sale of practices, that's very evident in the numbers when we are looking at reconstituted net profit multiples up to 9.5 times.'

However, Andy also cautions: 'The devil is often in the detail though and these figures are national averages across all practices, so regional distortions and the make-up of the patients (NHS versus private) isn't always apparent either.'

'Of course, there may also be a lag between a valuation and a completed deal.'

'Overall, the stats are a good indication of the direction of travel in the market. But we can't treat it as a yardstick for every practice.'

'Nevertheless, the upward trend on goodwill in completed deals continues and this is the first time post pandemic that two consecutive quarters have shown upward trends', continues Andy.

'At 152% of fee income, we are approaching the levels we saw immediately pre-pandemic, which is very encouraging.'

The increase is driven by the mixed practice sector (145% to 179%), private practices were relatively flat (at 133%) with NHS goodwill figures falling (161% to 138%).

'The NHS sector is particularly interesting,' says Andy: 'Of course the guaranteed income stream

is very attractive to many buyers. But the certainty around the future value will put a few off.'

'NASDAL data suggests the practice sales market is holding up well with asking price sales achieved.'

'This may also contribute to the relative attractiveness of the mixed practices, which offer the best of both worlds and the ability to flex between guaranteed income NHS work and private treatments.'

'It's too early just on one quarter to draw too many conclusions, and of course the full impact of the pandemic probably has still to play out in the figures.'

'That's why we await the next set of data, for the period 1 November 2021 – 31 January 2022 with interest.'

'NHS or private, pandemic or not' says Andy, 'selling a practice will likely be one of – if not the biggest – financial decision you will make in your career.'

'And that's why expert advice is crucial.'

'At Frank Taylor we have many years of experience in helping sellers of practices maximise their sale price.'**D**

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PRACTICE ONE – HOME COUNTIES

This practice is situated just off a busy main road in a thriving town on the Surrey borders of Greater London. It loses nothing being off the main thoroughfare as it has a rare thing in this area...parking for four cars outside!

Practice type – this is a two-surgery, fully private practice being sold to facilitate the retirement of the existing principal. There is a new lease in place, which has 22 years remaining.

Practice financials – the gross fee income from management information for the past 12 months is in the region of £150,000 per annum. This has been generated by the principal working three days a week, a part-time nurse and part-time receptionist.

Price achieved – a price of **£190,000** was achieved, which was in excess of the asking price.

Agent's comments – this practice has two surgeries. However, only one has been used for many years and the principal has only worked three days for a significant period. The new owner has great plans for the practice and wants to develop on the well-established patient base by marketing and introducing a range of cosmetic dentistry.

PRACTICE TWO – GREATER LONDON

This practice is ideally located on a side road off a very busy main road in a London suburb. It benefits from being a 10-minute walk from an overground station and is also well served by bus routes.

Practice type – this is a three-surgery, mixed practice, being sold to release the existing principal from practice ownership. It is being sold as leasehold with an existing 25-year lease in place and is an asset sale. It was being sold to enable the principal to focus on other business interests.

Practice financials – the gross fee income from management information for the past 12 months is in the region of £950,000 per annum and is 32% NHS and 68% private. The gross has been generated by the principal working three days a week, three associates working a combined 11 days a week, and a hygienist working two days a week. The clinical team is supported by four full-time nurses/receptionists.

Price achieved – a price of **£1,900,000** was achieved, which was in line with the asking price.

Agent's comments – the incoming principal is an established practice owner and is actively adding to his portfolio. He has the intention of bringing some of his more experienced team over to this practice to replace the current principal who will not be staying on post completion.

PRACTICE THREE – MIDLANDS

The practice is located within a large market town and occupies the first floor of a prominent commercial property. The practice is situated on a busy road with a good mixture of residential homes and local shops nearby and the practice benefits from car parking at the practice with capacity for approximately five cars.

Practice type – this is a three-surgery mixed practice, established over 50 years with an excellent local reputation. It is being sold as leasehold with a 20-year lease in place.

Practice financials – the gross fee income is in the region of £370,000, 30% of NHS and 70% fee per item with the income generated by the principal working two days a week, three part-time associates working a combined nine days a week, and a hygienist working one day a week. The team is supported by one full-time nurse and five full-time and part-time nurse/receptionists.

Price achieved – a price of **£450,000** was achieved, which was in line with the asking price.

Agent's comments – this practice proved to be very popular with many associates and its location, coupled with the mix of services, didn't disappoint. The seller, who was hoping to retire, was delighted by the response. One of the buyers made him feel so comfortable he accepted a lower offer as he felt it was the right person to take on what had been his baby for so many years.

PRACTICE FOUR – HERTFORDSHIRE

This well-presented practice is situated in a very affluent town in Hertfordshire. It occupies two floors of a Victorian house on a prominent road.

Practice type – this is a three-surgery fully private practice and is being sold to release the principal from the challenges of practice ownership. The practice is being sold as leasehold with 10 years remaining on a 15-year lease.

Practice financials – the gross fee income from management information for the past 12 months is in the region of £275,000. The income has been generated by the principal working two days a week, and two associates working a combined five days a week and a hygienist one day a week. The team is supported by a full-time practice manager/receptionist and three part-time nurses.

Price achieved – a price of **£468,000** was achieved, which was in excess of the asking price.

Agent's comments – we continue to see the major banks committed to lending to the dental sector and their support enables so many dentists to achieve their dream of becoming practice owners. The desire for practice ownership has not diminished over the past 18 months and we continue to register new potential buyers every day.

