

# The devil is in the detail

The Frank Taylor & Associates team take a look at how a practice gets valued, and the level of detail that is needed

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We're all familiar with sweeping statements in the press such as 'house prices to rise by x %' or 'energy bills set for y % increase', not surprisingly these can engender either excitement or fear in equal measure.

Such headlines are usually very broad averages, and the reality of our own experiences may be different, causing frustration if our individual liabilities (e.g., bills) rise, or assets (e.g. property values) fall, by more than the headline rate.

Of course, it's also possible to be on the 'right side' of this law of averages and see assets rise and liabilities drop by more than the quoted figure. For individual cases the devil really is in the detail.

Frank Taylor & Associates' monthly Practice Value Index focuses on exactly the level of detail required to arrive at an accurate value for

individual practices.

Published monthly in Dentistry magazine, there is commentary on a small selection of practices recently sold in the UK, to give unique and detailed insight into current market conditions.

There are so many factors to consider whilst valuing a practice, and their relative importance in both the overall valuation and, crucially, to a potential buyer will help drive the final sale price.

Of course, location is important. Proximity to a large town, for example, means a large potential source of patients, though, even this is being disrupted by changing residential patterns because of the pandemic and the increase in remote or hybrid working.

The tenure rights can also influence valuations and generally it's good to have a lease with a decent term of

years remaining as short leases can mean short term loans which reduces the price.

Patient type (NHS or private), nature of work done, and the overall financial health of the practice will also drive the valuation; a practice that is struggling won't be performing well and generating profits will normally be reflected in the price, however not always a large part of any business' cost base is wages and salaries, so it is crucial to understand how many staff are in the practice and what hours they work.

Naturally the layout of the practice will play a part in the valuation, particularly if it contains multiple surgeries and with the potential to add more.

Externally, the availability of parking (adjacent, nearby, and free) can also be an attractive feature for both staff and patients.

Ultimately the valuation of a practice, and the price it achieves, isn't formulaic, but it will be driven to some degree by the factors mentioned above, in different measure. The details are important, but they needn't be devilish. **D**

FOR MORE INFORMATION, call 0330 088 1156.

## PRACTICE ONE - SOUTH LONDON

This practice is located within the M25 corridor where the demand for practices is so great we have over 2,500 associates looking within this area. It is based in a predominantly residential area with a mix of local shops and community activities.

**Practice type** - this is a two surgery, mixed practice being sold to facilitate the retirement of the existing principal. There is a new lease in place which has 14 years remaining.

**Practice financials** - the gross fee income from management information for the past 12 months is in the region of £180,000 per annum of which 60% is generated from a NHS-GDS contract with a UDA rate of £33.50 per UDA that has been generated by a full-time associate supported by two full-time nurse/receptionists.

**Price achieved** - price of **£460,000** was achieved which was in excess of the asking price.

**Agents comments** - The location of this practice generated significant interest and a mixed practice with a healthy UDA rate did nothing to deter the audience. The principal was delighted by the level of interest and was able to choose a buyer who he felt fitted with the core values and ethos of the practice.

## PRACTICE TWO - GREATER LONDON

This practice is ideally located in a thriving cosmopolitan area of North London. It is surrounded by niche cafes and independent shops and being shop fronted attracts walk in along with regular patients.

**Practice type** - this is a very well established two surgery mixed practice with a healthy UDA rate of £30.50 per UDA. The practice is being sold to release the principal from the burden of practice ownership. It is being sold as leasehold.

**Practice financials** - the gross fee income from management information for the past 12 months is in the region of £225,000 per annum and is 70% NHS and 30% private. The gross has been generated by the principal working 3 days a week, and an associate working 2 days a week. The clinical team are supported by two part time nurses/receptionists.

**Price achieved** - a price of **£625,000** was achieved which was in excess of the asking price.

**Agents comments** - The location of this practice generated significant interest and a mixed practice with a healthy UDA rate did nothing to deter the audience. The principal was delighted by the level of interest and was able to choose a buyer who he felt fitted with the core values and ethos of the practice.

## PRACTICE THREE - MIDLANDS

The practice is located within a large market town in an affluent area and occupies a substantial commercial property. There is a good mixture of residential homes and local shops nearby and the practice benefits from car parking at the practice with capacity for approximately three car spaces.

**Practice type** - this is a two surgery fully private practice established over 40 years with an excellent local reputation. It is being sold as freehold.

**Practice financials** - the gross fee income is in the region of £270,000, 30% and 70% of the income is part of a capitation scheme. The income is generated by the principal working five days a week, a hygienist two days a week and are supported by two full time and part time nurse/receptionists.

**Price achieved** - a price of **£1,200,000** was achieved which included the freehold.

**Agents comments** - this principal wanted to relieve himself from the freehold as well as the practice so it was only to be sold to a buyer who could afford both. This narrowed the field of buyers, however, we strive to obtain the best for our clients and found a buyer who had the financial ability to make such a purchase and we ended up with a very happy client!

## PRACTICE FOUR - HEREFORDSHIRE

Yet another practice in an affluent market town, blessed with lovely architecture. Not only does it look nice, but it is thriving and generates an air of prosperity supported by the types of shops and facilities you would expect.

**Practice type** - this is a three surgery mixed practice and being sold to facilitate the retirement of the principal. The practice is being sold as leasehold with a new 15 year lease.

**Practice financials** - the gross fee income from management information for the past 12 months is in the region of £400,000 and is almost a 50/50 split between NHS and FPI. The income has been generated by the principal working three days a week, and two associates working a combined six days a week and a hygienist two day a week. The team are supported by a full time receptionist and four part time nurses.

**Price achieved** - a price of **£725,000** was achieved which was in line with the asking price.

**Agents comments** - there are several large housing estates being built along with new schools and a medical clinic which is adding to the bustle of this town. The buyer has moved from city living, with a young family and was determined to own a practice in this town. Sometimes serendipity plays a large part in practice purchase!

