

No time like the present

The Frank Taylor & Associates team take a look at this year's benchmarking figures by NASDAL

Lis Hughes

Managing director of
Frank Taylor & Associates



If we think back around two years to the start of the pandemic, there was, not surprisingly, a lot of uncertainty and pessimism about how almost every sector of the economy would perform and how and when a recovery would begin.

The market for dental practices was no different, and that's why the results from the recent NASDAL (National Association of Specialist Dental Accountants and Lawyers) makes such interesting reading.

The survey statistics are gathered from the accountant members of NASDAL across the UK who, together, act for more than a quarter of self-employed dentists.

The statistics provide average 'state-of-the-nation' figures so NASDAL accountants can benchmark their clients' earnings

and expenditure and help them run their practices more profitably.

The figures cover the financial year 2020-2021, or, to be more specific, the tax year starting 6 April 2020.

Since the first nationwide lockdown began only a fortnight before this, it's reasonable to assume that the harshest impact of the uncertainty is largely reflected in the data in the survey.

It is encouraging to see that overall, the average profit per dental practice rose by around 17% (from £129k per annum to £152k). When split between practice type, NHS practices show a 25% rise (£116k to £145k) and private practices a more modest, but nevertheless healthy, upturn of 8% (£133k to £143k).

Ian Simpson, chartered accountant and a partner in Humphrey and Co, which conducts the statistical exercise commented, 'This year's benchmarking figures are the first to reflect the seismic change that was the Covid pandemic. The increase in profits seems to demonstrate that despite being closed from late March to early June, practices bounced-back to recover lost revenue in the latter part of the year when pent up demand was unleashed.'

Andy Acton of Frank Taylor & Associates, also observed, 'The figures are encouraging, of course, but we must remember that a 'high level' average across a large population doesn't reflect the practices that have struggled both during lockdown, and since.'

'What is also interesting', continues Andy, 'is that the average remuneration for an associate fell by around 10% in the survey period. With overall practice profitability on the increase, now may be an opportune moment for many associates to take the 'next step' to practice ownership. It may seem a big step, but if the gap in earnings between associate and principal continues to widen, then when it comes to buying a practice, there really is no time like the present.' **D**

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PRACTICE ONE - ESSEX

This practice is located in an idyllic market town, well serviced with local amenities and easily accessible, yet rural.

Practice type - this is a three surgery, fully private practice being sold to facilitate the retirement of the existing principal. There is a new lease in place which has 15 years remaining on a 20-year lease.

Practice financials - the gross fee income from management information for the past 12 months is in the region of £500k per annum and has been generated by the principal working one day a week, an associate working five days a week and a hygienist working two days a week. The team are supported by two full-time nurses and a full-time receptionist.

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

Agents comments - this practice is immaculate with a full refurbishment having been undertaken less than three years ago. The principal has really enjoyed practice ownership and has recognised he is not fulfilling the full potential of the practice, which is why he wants to sell so the new principal can make the changes. For the new buyer there is a great footprint to follow - what more could you ask for?

PRACTICE TWO - THE MIDLANDS

This practice is located in the heart of the Midlands, and benefits from being in a busy town, yet is close to a predominantly residential area.

Practice type - this is a very well established five surgery, mainly NHS practice with a healthy UDA rate of £26.93 per UDA. The practice is being sold to release the principal from the burden of practice ownership. It is being sold as freehold.

Practice financials - the gross fee income from management information for the past 12 months is in the region of £500,000 per annum and is 80% NHS and 20% private. The gross has been generated by the principal working 5 days a week, and an associate working 4 days a week. The clinical team are supported by a full-time practice manager, two full-time nurses, and a part-time receptionist.

Price achieved - a price of **£1,300,00** including the freehold was achieved which was in excess of the asking price.

Agents comments - this practice was set up as a squat over 20 years ago and the principal was prepared to hold out for the right person. Luckily, the practice proved to be incredibly popular, and we found the perfect match. One of our main aims is to provide the seller with a perfect outcome and, in this case, there was no question that we fulfilled his brief to the full.

PRACTICE THREE - CHESTER

The practice occupies a substantial commercial property which is of a very high standard. There is a good mixture of residential homes and local shops nearby and the practice benefits from car parking and ample free street parking.

Practice type - this is a seven surgery mixed practice established over 40 years with an excellent local reputation.

Practice financials - the gross fee income is in the region of £1,375,000 and is made up of 50% NHS and 50% private.

The income is generated by the two principals working a combined seven days a week, four associates working a combined 15 days a week, a hygienist two days a week, and three part-time therapists. They are supported by a part-time practice manager and nine full-time and part-time nurses/receptionists.

Price achieved - a price of **£1,826,000** was achieved.

Agents comments - this practice appeared to be right for a corporate and yet was purchased by a group of associates who combined their abilities and funding to make the purchase. We are seeing more and more of this kind of collaboration, and it is proving attractive to sellers for all of the obvious reasons.

PRACTICE FOUR - YORKSHIRE

This practice is based less than 20 miles from the dental school in Sheffield city centre and is in a busy town with only one other dental practice.

Practice type - this is a one surgery predominantly NHS practice and is being sold to facilitate the retirement of the principal. The practice is being sold as leasehold.

Practice financials - the gross fee income from management information for the past 12 months is in the region of £250,000 and there is a UDA rate of £30.75 per UDA. The income has been generated by the principal working three and a half days a week, an associate also working three and a half days a week, and a therapist working one day a week. The team are supported by a full-time nurse/receptionist.

Price achieved - a price of **£337,463** was achieved which was in line with the asking price.

Agents comments - this is a single surgery practice which is never the most attractive, however it has ample room to expand and put in a second surgery. The high value UDA rate is of course attractive, and this is an absolute dream for an associate moving into practice ownership.

