Dental practice sales market strong – but chaotic

The sales market of NHS dental practices in England has been thrown into chaos following the changes to the administration of primary dental care services, according to NASDAL lawyers who continue to finalise difficult deals against the odds.

NHS England and its 27 Local Area Teams (LATs) have taken over responsibility for primary care services in place of Primary Care Trusts and in some cases lengthened the time it takes to sell a dental practice by months.

Louise Fegan of NASDAL law firm Morrisons Solicitors explained that in addition to the change in administration, further layers of bureaucracy had been added into the sales process.

She said: “Previously, a seller could just deregister his CQC registration to tie in with the buyer’s sole registration to take effect at completion. However due to a change in policy, it now appears that a buyer and seller have to make a joint application for CQC registration as a partnership before they can formally inform the NHS England team of the partnership.

“Some LATs will not issue a contract variation until they have had sight of the application to the CQC in the name of the buyer and the seller. Meanwhile, other LATs have not insisted upon this requirement making the whole process inconsistent and chaotic. Not surprisingly,” she added, “the lenders don’t understand the situation at all.”

Russell Abrahams of NASDAL law firm Abrahams Dresden said it felt as if LATs were working hard to slow down the sale process, especially when a
practice was incorporated and the permission of the commissioners was required to sell it. He said they were coming up with many different excuses, such as: “We are waiting for a new NHS England GDS Contract before we can make progress.”

Both agree it remains a seller’s market, particularly in the South, with Santander and RBS doing the lion’s share of the funding, while Lloyds TSB is busiest in the North. Russell reports that the new bank, Metro Bank is coming on stream and appears to be taking a slice of the dental market.

Alan Suggett, a partner in UNW LLP and the specialist dental accountant who carries out the quarterly survey of dental practice goodwill values for NASDAL, confirmed that in the quarter ending 30th April the dental practice sales market was strong.

The average goodwill value expressed as a percentage of fee income of a dental practice was 104%, compared to 106% in the quarter ending January 2013. Meanwhile the corresponding goodwill percentage for valuations prepared by professional valuers has crept up from 96% to 99%.

The differential between private and NHS practice values is still marked, said Alan, with the goodwill sale value of an NHS practice at an average of 121%, and a private practice at an average of 91%. He stressed however, that there were a number of transactions which varied significantly from the averages, so care should be taken when using the results of the survey.

In addition, continued Alan, it should always be borne in mind that, whilst the percentage of fee income valuation basis is interesting, in some cases a value based on a multiple of profits is more appropriate.

Note to editors
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