For immediate release: Wednesday 5th October

Brexit Bounce - Practice sales benefit

This week saw the results of the latest NASDAL (The National Association of Specialist Dental Accountants and Lawyers) goodwill survey announced. There had been a certain amount of debate concerning what effect the EU referendum, uncertainty and the vote for Brexit might have had on the goodwill value of practices.
The answer seems to be that they have added even greater impetus and growth to an already strong market. Valuations over the period saw a substantial rise of over 11% on the previous quarter to goodwill of 138% of gross fees. The biggest jump was in the value of deals done on private practices. One West Country practice achieved goodwill in excess of 206% of gross fees, and the average of 107% has seen a 51% surge in the last three months.

Alan Suggett, specialist dental accountant and partner in UNW LLP who compiles the goodwill survey, commented, “Whilst it must be stressed that the EU referendum vote happened midway through the quarter, it does appear that the vote had at worse, no effect, or arguably a positive effect on the value of UK dental practices.”

However, caution should still be advised. There may be darker clouds on the horizon – particularly in London and the South East. London based NASDAL accountant, Ajay Patel of Ajay Associates explained, “Goodwill values in the London and South East region in my view have now reached levels that mean many potential acquirers can no longer pass the affordability test. Only those with substantial personal capital, private equity backed dental companies or individuals with the help of ‘Bank of Mum and Dad’ can afford to acquire in many instances. I have recently seen more and more potential acquirers, although meeting the banks serviceability test, fail the remuneration test, i.e. level of take home pay for the acquirer. Projections in many instances demonstrate the acquirer would earn less after loan servicing cost than they do currently as associates.”

The goodwill figures are collated from accountant and lawyer members of NASDAL on a quarterly basis in order to give a useful guide to the practice sales market. These figures relate to the quarter ending 31st July 2016.

NASDAL reminds all that as with any averages, these statistics should be treated as a guideline only.

ENDS

Note to editors:

NASDAL, the National Association of Specialist Dental Accountants and Lawyers, was set up in 1998. It is an association of accountants and lawyers who specialise in acting for and looking after the accounting, tax and legal affairs of dentists. It is the pre-eminent centre of excellence for accounting, tax and legal matters concerning dentists. Its members are required to pass strict admission criteria, and it regulates the performance of its members to ensure high standards of technical knowledge and service.

Alan Suggett, who compiles the NASDAL Survey, is available for interview. To organise to speak to him or any other members of NASDAL for more information please contact Chris Baker.

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