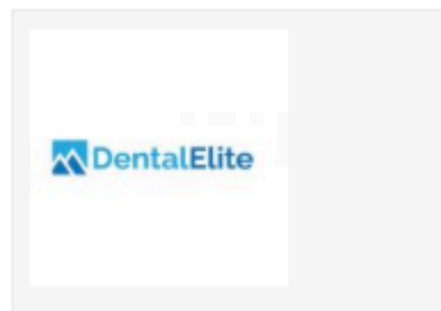


DENTAL ELITE RELEASES GOODWILL RESULTS FOR FINANCIAL YEAR-END – LUKE MOORE

FEATURED PRODUCTS PROMOTIONAL FEATURES

Posted by: probe-admin 2nd August 2018



According to Dental Elite's goodwill survey for the financial year-end, there is currently considerable interest from private equity buyers who feel that there is money to be

made in acquiring practices in a currently fragmented market. The results also show that there has been a considerable movement in the lower consolidator market as a result of a number of smaller mass operators, including Midland Smile Centres in the West Midlands, having cashed in their chips in the last year.

What is interesting about the Empire Builders– in other words the buyers acquiring 3-20 practices – is that they are quickly establishing themselves as the largest group of acquirers for the NHS and mixed practices that are heavily NHS focused. The most likely reason for this is that they see NHS as a safer investment, but they are also no doubt focused on EBITDA multiples (earnings before interest, taxes, depreciation and amortisation), as we've found that most tend to have one eye on an exit strategy to a larger operator. As there are a number of newer players coming to the fore in this sector in addition to the established names, this is unlikely to change over the coming financial year. What we will be anticipating instead is the possibility of increasing competition between these buyers.

On a more general note, the Multiple of Adjusted Net Profit rose to 3.79x up from 3.27x last year – though there have been more defined regional differences. London and the South East, for instance, achieved over 4x, while the South West only reached 3.06x – a difference of over 25%. Similarly, Percentage of Gross Fees is up from 149.78% of turnover last year to 159.96%. This demonstrates that there was significant competition in the market 9-12 months ago (we say that because that's on average how long it takes for market data to feed through into the comparable data).

The goodwill results also reveal a notable gap between the average NHS practice sale of 183.88% of turnover with 7.2x EBITDA, and typical private practice, which was 118.79% of turnover, though interestingly at an average of 8.37x EBITDA. Though it must be pointed out that the main reason for this is the difference in practice appraisal, as usually a private deal is much smaller at £822,069 compared to NHS practices in which the average deal value is £1,040,402.

Looking ahead, we expect to see a number of new buyers entering the market, especially as banks are still keen to lend money into the dental sector. Furthermore, we believe that some of the smaller operators will continue to flip to bigger operators over the next few years, though will likely be replaced by others who are establishing their field. Request the full report from Dental Elite today for more up-to-date information on current market trends, or for help with your sale or purchase, call the expert team.

For more information on Dental Elite visit www.dentalelite.co.uk, email info@dentalelite.co.uk or call 01788 545 900