

What does COVID-19 mean for selling your practice?

While a downturn in income is unlikely to be avoided, we don't expect to see a reduction in practice values in the medium term but inevitably whilst this situation is ongoing and social distancing is being practiced we are in a situation where viewings and meeting are impossible, so it is going to be difficult for buyers and sellers to agree deals as a result of this. The appetite still remains for dental practices and this will return once this pandemic crisis is over but the practical ability to agree deals is impeded at this point in time. Whilst, as it stands, we are in 'lock-down' and it is likely to be extended further, no one at the moment is in a position to really know and understand how small or big the knock on effect will be as it all depends on how long the strict measures are in place and the long term impact is has on the operational and functionality of running a dental practice.

The general consensus from existing deals going through sales progression is that this is only a 'postponement' on acquisitions and not a change in acquisition strategy. Therefore as a broker we will be advising clients commercially what to expect depending on the stage a deal is at. The likely outcome for sales is that practices may be agreed based on assumed turnover pre-COVID levels, potentially with completion delayed for a short period beyond it to allow the business to pick back up again. The good news is that for most that can be a reality even in spite of the current climate as once everything calms down the consolidators' acquisition target will not have been eased and the demand for dental practices will no doubt remain high. There is lots of evidence to support this in that;

- ✓ NHS Practices are still being paid their full contract value (less a nominal deduction for Materials & Labs Fees) until the 30th June but it is anticipated by most that this will be extended further, potentially leading to a whole contract year without UDA Targets
- ✓ Nearly all of the Private Consolidators have not furloughed any of their acquisitions team who are still working and conducting meetings with potential acquisitions by ZOOM and Microsoft Teams

- ✓ Most acquirers are seeking to value on the basis of the former practice revenues but with a slightly increased deferment to allow the business time to return to its former revenue level
- ✓ In the last recession the value of dental practices (both Private & NHS) increased as private equity and traditional family investors divested their interests in Hospitality and high risk Real Estate in favour of the largely safer Healthcare Market
- ✓ Healthcare Lenders are in the main still allowing draw down of funds to enable those who wish to complete on their transactions to do so.

Is now the time to start thinking about revaluation or selling?

Depending on the type of practice depends on the strategy we would advise. We are still working very closely with buyers who are keen to continue expanding and are looking at prospects. Such arrangements have been made already with video meetings. So 'meet and greet' so to speak is still happening but albeit the long term deal structure or offer is conditional. This strategy doesn't work for every practice, particularly those that rely more on the whole market where our advice is likely to be against approaching the market at this time. We will always work on the instruction of our clients but that advice is on a case by case basis and we advise contacting us to discuss your particular situation.

Contact us to arrange a telephone or video call to discuss your situation in more detail.

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Download our COVID-19 Guidance Handbook at www.dentalelite.co.uk