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NHS practices holding their value in NASDA goodwill survey

The average dental practice value has decreased in the NASDA goodwill survey for the quarter ending 31 October 2010. The average goodwill sale value has fallen from 99% of turnover in the quarter ending July 2010 to 91%. But analysis of the figures shows that private practices are at the forefront of the decline, showing an average goodwill sale value of 84% of turnover. (NASDA define a private practice as one with an income of 80% or more from private fees).

Meanwhile NHS practices and mixed practices appear to be holding their value with mixed practices being the most resilient in the last quarter. These practices are attracting more interest and selling more quickly when they come onto the market. There is less interest in private practices.

Alan Suggett, a partner in unw LLP in Newcastle who carries out the NASDA goodwill survey, commented: "There is evidence of some private practice deals simply not coming to fruition due to lack of buyers in the market. However, by way of contrast, there is also evidence of "good" private practices holding their value. There is still an active market for NHS practices of all sizes with acquirers of all sorts - associates, experienced principals, and corporate bodies."

He added: "My best guess is that NHS practices will hold value pending details of the new contract, whilst private practices will remain in the doldrums until consumers are more confident about the overall personal financial climate."

Talking about private practices in the South East, Ajay Patel, a NASDA member in North London, commented: "They are selling but taking much longer to do so. Vendors are still expecting high pre 2008 Goodwill values despite shrinking practices. I have recently had two acquisitions fall through because the vendors were not prepared to accept a lower offer in line with their falling turnover."

"I am also advising first time buyers to steer clear of private practices for the time being because I am not confident of resilience of private practice in the current economic conditions."

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Note to editors

The quarterly survey of dental practice goodwill values is carried out by Alan Suggett of specialist dental accountants unw LLP It uses figures collected from members of NASDA and NASDA's Lawyers'Group. The aim of the survey is to extrapolate average values and pick up underlying trends to assist everyone in the dental profession involved in dental practice sales or purchases. The figures should not be used as evidence of an individual practice's value.

For more information on NASDA, call Caroline Holland on 020 8679 9595 or go to the website at: www.nasda.org.uk

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