

Profit is sanity

Lis Hughes looks at positively impacting the goodwill value of your practice

Lis Hughes

Managing director of
Frank Taylor & Associates



Many have seen a surge in patient demand from June last year when dental practices could reopen. This surge has enabled practice owners to help recover losses sustained from earlier in 2020 and, for many, to reorganise their way of working to meet this new demand.

There are clearly some unanswered questions as to whether these new levels are a spike or going to continue. If a spike, then practices could return to pre-COVID levels of income, but it could be a new pattern of higher income and profit levels.

For those with one eye on selling their practice in the next couple of years, the underlying profitability matters. This is what your buyer will be taking over and feeds heavily into the goodwill valuation of your practice.

While you cannot control the market, you can control your own practice and ensure it is in the best financial shape possible. Whether you are looking to restore, maintain or grow your gross fees, doing so in a profitable way is the priority.

Here are five key steps to positively impact the goodwill value of your dental practice.

1. Pace of work

With new workflows, you may not get back to seeing the number of patients in a day that you did pre-COVID. If you typically saw 13 patients a day pre-COVID, this could drop to nine going forward – a drop of 30%.

Is there opportunity to review your opening hours? For example, a practice open 9am to 5pm Monday to Friday with an hour for lunch operates for 35 clinical hours in a week. A 30% gain in clinical hours would mean opening for 46 hours a week or opening from 8am until 5pm, introducing a rota to stay open through the lunch hour and opening 9-11am on a Saturday would be 47 clinical hours a week. By flexing your opening hours, you can mitigate the pace of work issue.

2. Engage your team

You are not going to build a sustainable recovery alone.

Your new patient experience must quickly become part of the new daily work pattern. Now could be a good time to restate

your practice vision and goals. Outstanding teams have excellent leaders; bring everyone back together with that common purpose. Regular team meetings will help achieve this.

3. Productivity

This is planning what you will do in each day. There are financial gains to be had by being much more structured in your approach to diary management. Scheduling patient appointments so that surgery time can be maximised will improve profitability. Treatment scheduling, triaging patients prior to appointments to minimise downtime and accepting online payments will all positively impact on the total practice productivity over the day.

4. Pricing

While a delicate subject, it is an economic reality that increasing prices will boost profitability. Prices should be reviewed, every year, and some slight adjustments made to treatment prices. It is not unusual for the fee guide to be left for five years or more without review.

Delivery costs have spiked due to the increased requirement for PPE and other related costs. To preserve profits, these additional costs need to be covered somehow.

Part of the consideration will be when you last increased prices and identifying treatments that are not so price sensitive.

5. Boost your marketing

Recruiting new patients will add revenue and (assuming you run a profitable practice) will add to the bottom-line profit. Call marketing an investment rather than a cost. If you don't invest in your marketing (social media, video marketing, local community initiatives) then you won't be visible to new and existing patients. **D**

FOR MORE INFORMATION, call 0330 088 1156.

PRACTICE ONE - GREATER LONDON

Practice type – this practice occupies the ground floor of a purpose-built building. It is shop-fronted and benefits from excellent footfall as it is centrally located in a busy area of south London.

This is a three-surgery, fully private practice that has been established for more than 50 years. Owned by the current principal for 30 years, it is being sold to facilitate his retirement. It is being sold as leasehold and a new 20-year lease is being created.

Practice financials – the gross fee income from the management information for the past 12 months is in the region of £400,000 and is 80% private income and 20% capitation scheme. The gross has been generated by three associates each working a four-day week, and a hygienist working half a day a week. The clinical team is supported by a full-time practice manager, and four full-time nurses who share reception duties in addition to their nursing commitments.

Price achieved – £890,000, in line with the full asking price.

Agent's comments – there is huge scope at the practice to develop the private element, particularly in view of its location. With a well thought out marketing strategy, supported by a website and efficient social media, there could be a significant impact in this area. There is also an opportunity for the incoming principal to work to reduce the hours of the current associates at the practice full-time, which will increase profitability.

PRACTICE TWO - SURREY

Practice type – this practice occupies a purpose-built, modern single-storey building on the outskirts of a large town, close to numerous housing developments and is very well presented.

This is a four-surgery, mixed practice that has been established for more than 20 years, and is being sold to allow the current principal to focus on other business interests. It is being sold as leasehold with 19 years remaining on a 25-year lease.

Practice financials – the gross fee income from the management information for the past 12 months is in the region of £475,000 and is 33% private income and 67% NHS-GDS with a UDA value of £26.50 per UDA. The gross has been generated by the principal working three days a week, three associates working full-time, and two hygienists working a combined three days a week. The clinical team is supported by a part-time practice manager, two part-time receptionists and six part-time dental nurses.

Price achieved – £1,100,000, slightly in excess of the full asking price.

Agent's comments – this practice ticked so many boxes with prospective buyers that the seller ran out of time to show all of them around, and most importantly was able to choose the right person for his practice. We see this so often when the seller wants the right person rather than the highest price. There is a healthy mix of private and NHS income and this practice has benefitted from people working from home and deciding to use their local dental practice rather than one near their work.

PRACTICE THREE - BERKSHIRE

Practice type – this practice occupies a prominent high street location in a busy commuter town, which is experiencing a high level of patient activity during lockdown. It is being sold as freehold with a RICS valuation of £350,000. This is a two-surgery mixed practice, which is being sold as a share sale (limited company sale) to facilitate the retirement of the current director. The practice has been established for more than 50 years, owned by the current director for 20 years, and as a limited company for more than 10 years. The NHS contract is in the company name.

Practice financials – the gross fee income from the management information for the past 12 months is in the region of £600,000 and is 70% private income and 30% NHS-GDS with a UDA value of £28.50 per UDA. The gross has been generated by the principal working two days a week, three associates working a combined six days a week, and a hygienist working one day a week. The clinical team is supported by a part-time practice manager, a full-time receptionist and two full-time dental nurses.

Price achieved – £980,000, for combined goodwill and freehold and this was above the asking price.

Agent's comments – the seller has managed to introduce efficient SOPs to ensure patients and staff are kept safe and well in the practice. He used the initial lockdown to improve the efficiencies within the practice and was able to swiftly deal with the onerous due diligence enquiries during the sale as a result of this.

PRACTICE FOUR - SUSSEX

Practice type – this practice occupies two floors of a semi-detached property, which was once a large family home in a beautiful garden but still within easy footfall of the local shops.

This is a two-surgery, predominantly NHS, practice that is being sold to release the current principal from the administrative burden of practice ownership. The practice has been established for more than 30 years and is an asset sale.

Practice financials – the gross fee income from the management information for the past 12 months is in the region of £350,000 and is 30% private income and 70% NHS-GDS with a UDA value of £24.50 per UDA. The gross has been generated by the principal working four days a week, one associate working four days a week, and a hygienist working one day a week. The clinical team is supported by a part-time receptionist and two part-time dental nurses.

Price achieved – £480,000, in line with the asking price.

Agent's comments – this practice was sold to a young couple who had made a lifestyle choice to move out of a city into the more peaceful environment of Sussex. They had been determined to wait for the right practice in the right location and, while it took them longer than expected, they were delighted with the end result. So, while we were not overwhelmed with offers, we had the right offer and the right outcome – what more could you ask for?

