

Are you referring work out?

Lis Hughes explains how delivering treatments in-house can increase the goodwill value of your practice

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We are regularly asked by sellers for tips on the best ways to increase the goodwill value of their dental practice. So, here's one tip that should be relatively straightforward to implement... where possible, always deliver treatments (such as orthodontics, endodontics, periodontics or implants etc) in-house at your practice. If you are referring work out, our advice would be to stop.

For example, let's take a quick look at implants and how this could work in your favour if you were to deliver the treatments in-house. If you refer out two treatments per month at £2,500 per implant (the average across UK is £2,415), that works out at £5,000 per month (or £60,000 per year).

If this generates a 30% profit, that would be an additional £18,000 a year in your accounts.

For any valuation of a dental practice, we use a model that is based

on a multiple of profit. So, if we use the figures in the example above, a profit of £18,000 multiplied by a multiple of five, equates to £90,000 added to the goodwill value of your practice!

This is just one example, but if you're keen to increase your goodwill value, think about your own practice. What services are you currently referring elsewhere and could they be delivered in-house?

Operational success

My advice would be to use this simple principle and see what you could achieve with just a few changes to the way in which your practice operates.

And remember, by delivering more treatments in-

house you:

- Become a centre of excellence (which in turn will attract new patients to your practice)
- Drive up your turnover and profit
- Add value to your dental practice
- Develop deeper and more meaningful relationships with patients, as they will spend more time at your practice.

I appreciate in some parts of the country finding clinicians can be challenging, but it's worth the hard work and you could easily add £100,000 to the goodwill value of your dental practice.

As the saying goes, if it was easy everyone would be doing it! **D**

FOR MORE INFORMATION, call 0330 088 1156.

PRACTICE THREE - GREATER LONDON

Practice type: this practice occupies a very visible position in a busy high street location in an affable and cosmopolitan part of Greater London, there is a lively mix of residential and commercial properties. It is a three-surgery mixed practice, which is being sold to facilitate the retirement of the current principal. The practice has been established for more than 15 years and owned by the current principal for 10 years. The principal will create a lease that will be 15 years and inside the Landlord & Tenants Act 1954.

Practice financials: the gross fee income from the management information for the past 12 months is in the region of £750,000 and is 38% NHS-GDS with a UDA value of £29.50 per UDA and 62% private income. The gross has been generated by the principal working five days a week, one associate working three days a week, and a hygienist working three days a week. The clinical team is supported by three full-time dental nurses/receptionists.

Price achieved: £1,400,000, in excess of the asking price.

Agent's comments: the outgoing principal had invested heavily in this practice and had within the last five years undertaken a refurbishment, which really pleased the incoming principal. We forget how important it is for enjoyable working conditions as this had been such a big driver for the new principal who had avoided buying practices that had the look and feel of being slightly neglected over the years - an interesting reminder for the principals who no longer 'see' what others 'see'.

PRACTICE FOUR - ESSEX

Practice type: this practice occupies a prominent corner site of a three-storey building, situated on a busy high street in a market town. It is a four-surgery, mixed practice, which is being sold to release the seller from the burden of practice ownership as he wants to work as an associate and enjoy clinical work. The practice has been established for more than 50 years and is being sold as leasehold.

Practice financials: the gross fee income from the management information for the past 12 months is in the region of £600,000 and is 36% private income and 64% NHS-GDS with a UDA value of £26.50 per UDA. The gross has been generated by the principal working five days a week, three associates working a combined nine days a week, and a hygienist working three days a week. The clinical team is supported by three part-time receptionists, and five part-time nurses.

Price achieved: £1,200,000, in line with the asking price.

Agent's comments: the reconstituted profit on this practice was 44% and was certainly located in a town very popular with our buyers. The prominent position coupled with planning permission already in place for two additional surgeries made it more attractive to one of the many mini corporates on the acquisition trail at the moment, the fact the principal wants to stay on for at least five years proved to be an added bonus!

PRACTICE ONE - SURREY

Practice type: this practice occupies a prominent shop-fronted purpose-built property, very well presented with excellent foot fall and great transport links. It is a two surgery, mainly NHS practice that has been established for more than 20 years. Owned by the current principal for 16 years, it is being sold to facilitate his retirement. It is being sold as leasehold and a new 15-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 £240,000 and is derived from 76% of NHS income with a UDA value of £31.50 per UDA and 24% fee per item. The gross has been generated by the principal working two days a week, and an associate working three days. The clinical team is supported by a full-time nurse and two part-time receptionists.

Price achieved: £675,000, in line with the asking price.

Agent's comments: this practice has a great future with a motivated practice owner who wants to build a significant private practice alongside a very stable NHS income. Not only is there room for at least two more surgeries, but the surrounding area has grown rapidly over the past 10 years and there is little dental competition in the area. Regional practices are seeing an uplift in patient numbers due to post-COVID working environments and this practice is a typical commuter town with a significant change in commuter activity.

PRACTICE TWO - HERTFORDSHIRE

Practice type: this practice occupies a shop-fronted practice, in a popular town within the M25 corridor. It is a three surgery, predominantly mixed practice that has been established for more than 50 years and is being sold to facilitate the retirement of the current principal. It is leasehold with a new 20-year lease 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 12% private income and 88% NHS-GDS with a UDA value of £29.60 per UDA. The gross has been generated by the principal working two days a week, two associates working a combined five-day week, equivalent of 10 days a week, and a hygienist working one day a week. The clinical team is supported by one full-time receptionist and three part-time dental nurses.

Price achieved: £1,075,000, slightly in excess of the full asking price.

Agent's comments: this practice shows a healthy reconstituted profit of 54% and, to date, all specialist work has been referred out. The current principal wanted a buyer who would seize this opportunity and develop the practice as even he could see the missed opportunities. Luckily, the incoming principal comes from a specialist background and is keen for the associates to take on all of the NHS activity so he can focus on building this area.

