

Goodwill value: sitting pretty

Increasing chair occupancy will increase goodwill value, says **Lis Hughes**

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A relatively new phenomenon in the restaurant industry is the two-hour table limit. As a diner, we see a table with beautiful linen, polished cutlery and crystal glassware – or, depending on where you are, a paper bag and cup with a straw!

The point is the restaurateur sees it differently. They work on covers: a table for four people represents four covers. If the restaurant is open from 5pm through to 11pm, with a two-hour table limit, each table of four can deliver 12 covers. Meaning the table can be flipped three times in an evening. Without the two-hour limit, a table may only get used twice in an evening. Increasing this to three is a 50% increase in revenue per table.

This change in how the space is managed can delay the need for an expansion programme, by adding on extension with additional seating or even opening a second restaurant.

This same logic can be applied to chair occupancy in your dental practice.

Over the years, I've visited many dental practices that are not maximising the space they have. Let's say the practice has three surgeries and is open Monday to Friday. The principal works four clinical days; two associates work three days and two days; and a hygienist just one day per week. So, in total, there are 10 clinical days worked per week.

The current capacity is 15 days, so chair occupancy is running at 67%. If we extended it to a six-day week by opening on Saturdays, the occupancy rate drops to 55%. By further tweaking the opening hours, it may be well be the rate drops to 50% or even below.

Keep focus

Driving up chair occupancy should be the focus before considering an additional surgery. An extra

surgery does not add to the goodwill value, it actually will cost you money. Let's say it costs £60k to create and fit out a new surgery, this investment is immediately discounted or depreciated. Until this space is generating dental fees, it does not add to the goodwill value.

Increasing chair occupancy requires no further investment and increases the value of your dental practice immediately.

Ideally, you should be operating at 80% plus capacity for a sustainable period, say a few months, before seriously planning in an extra surgery. While it might be tight on capacity for those few months, you can then be sure the investment being made is to meet an ongoing patient need.

Efficiency is all about doing more of what you currently do, but doing it better. **D**

FOR MORE INFORMATION, call 0330 088 1156.

PRACTICE ONE – OXFORDSHIRE

Practice type: this practice occupies a shop-fronted two-storey property and is very well presented, having recently undergone a refurbishment. It is situated in a busy market town with great access to rail and road. This is a one surgery fully private practice being sold to facilitate the retirement of the existing principal. There is an option to purchase the freehold, or a new lease will be created with a pre-emption right to enable the buyer to purchase the property in the future if so desired.

Practice financials: the gross fee income from management information for the past 12 months is in the region of £330,000 per annum and has been generated by the principal working three days a week assisted by a part-time receptionist, and two part-time nurses.

Price achieved: £560,000, and a 15-year lease put in place.

Agent's comments: this practice was absolutely perfect for a first-time buyer, and, in fact, a husband and wife have made the purchase. Between them they will extend the practice opening hours to five days a week, as there has been an increase in demand. Also, there is an opportunity to put in a second surgery that will not only open up the chair space available but also make the practice even more attractive when they come to sell as a one surgery practice can have its challenges when placed on the market.

PRACTICE TWO – SURREY

Practice type: this practice occupies the ground floor and basement of a semi-detached property, based in a residential area of a popular urban area in Surrey. It is a two surgery, predominantly NHS practice, being sold to release the existing principal from practice ownership and to enable him to focus on a hospital-based career. It is being sold as leasehold with 10 years remaining on a 15-year lease.

Practice financials: the gross fee income from management information for the past 12 months is in the region of £350,000 per annum and is 70% NHS with a GDS contract with UDA value of £25.65. The gross has been generated by the principal working four days a week, an associate working three days a week and a hygienist working one day a week. The clinical team is supported by a full-time receptionist and one full-time and one part-time nurse.

Price achieved: £485,000, in line with the asking price.

Agent's comments: this practice has been established for more than 40 years and the current principal had originally wanted to reduce his hours at the practice to explore clinical opportunities of working within a hospital. However, the burden of running a practice and finding the right associates proved too much and this prompted his reason for sale. We are seeing many practices challenged by staffing issues at the moment, not only associates but also nurses and new owners are having to factor this into their decision-making process when buying a practice.

PRACTICE THREE – GREATER LONDON

Practice type: this practice occupies the ground floor of a terraced, shop-fronted property situated on a busy main road, which has a mix of residential and commercial properties. Despite being based in London, there is an almost village feel to the area with many small cafes, bakeries, and independent shops. This is a four surgery, predominantly NHS practice, being sold to facilitate the retirement of the existing principal. It is being sold as leasehold with a new 15-year lease being created.

Practice financials: the gross fee income from management information for the past 12 months is in the region of £850,000 and is generated by an NHS-GDS contract with a UDA rate in the region of £27 per UDA. The balance of the income is fee per item. The income has been generated by the principal working four days a week, two associates working a combined eight days a week, and a hygienist working two days a week. The team is supported by a full-time practice manager, a full-time receptionist and three full-time nurses, and one part-time nurse/receptionist.

Price achieved: £1,600,000, in excess of the asking price.

Agent's comments: the location of this practice, alongside the number of surgeries and healthy UDA rate, raised a significant level of interest from our clients. The seller, who intends to stay working post completion, was afforded the luxury of being able to decide who he wanted to sell the practice to and his post completion plans certainly influenced his choice.

PRACTICE FOUR – AVON AND SOMERSET

Practice type: this practice occupies a substantial three-storey building, which has incredibly impressive facilities, including a two-bedroom luxury flat on the top floor. This is a three surgery, fully private practice being sold to allow the existing principal to focus on another practice he has recently purchased in another region.

Practice financials: the gross fee income from management information for the past 12 months is in the region of £350,000 and is income that has been generated by the principal working five days a week, and a hygienist working three days a week. The team is supported by a part-time practice manager, a part-time receptionist and three part-time nurses.

Price achieved: £495,000, in line of the asking price.

Agent's comments: this practice has a very loyal patient base and post-COVID the principal has seen many new patients who are now working from home and looking for local professionals to take care of their dental needs. The practice has three surgeries but only two are utilised and the principal knows there are many opportunities to increase chair activity. Something the incoming principal is keen to explore.

