



Eclipse
Corporate Finance

Dental market M&A update

Headline Issues

Despite challenges around staffing and NHS provision, the UK dental market remains attractive to investors and acquirers

Private vs NHS

- There has been a significant rise in the number of NHS patients opting for private dentistry, principally driven by 90% of NHS practices currently not accepting new patients ¹
- Cosmetic and orthodontic services have seen strong growth in recent years, further boosting private provision across the country

Staffing concerns

- Recruitment remains a key challenge across the sector, with 65% of practices reporting unfilled vacancies for dentists ²
- Reduced international options due to Brexit and weak dental student intake, combined with the lack of growth in specialist registrations, is a concern for the long-term stability of the dental workforce

Market ownership structure

- Despite years of consolidation, the market remains highly fragmented, with nearly two thirds of practices still independently owned
- Corporate dentistry groups continue to increase their penetration through acquisition, with an ever growing list of private equity-backed operators seeking transactions
- The rising cost of debt and staffing/operational issues for some mixed practice corporates may cause a slight slowdown in transaction activity in 2023, with a softening of valuations from their recent highs

Key Stats

£8.3bn

UK dental
market size ³

64%

of dental practices still
independently owned

65%

of practices have unfilled
vacancies for dentists ²

244

corporate dental groups
operating in the UK ³

Active Acquirers



¹ BBC survey, 2022

² British Dental Association, May 2022

³ LaingBuisson: UK Dentistry Market Report (6th ed)

Private vs NHS Provision

A severe shortage of NHS provision continues to drive consumers towards the private market

- There has been a rise in 'dental deserts' – areas with extremely low NHS dentistry access rates due to staff shortages and practices being forced to close
- Data shows the most affected borough has 57x more population per dental practice than in the borough with best patient access,¹ while CCGs in Lincolnshire and Yorkshire are the most affected overall²
- A recently published report into NHS dentistry found a staggering 90% of NHS dental practices are not accepting new patients,³ and only 56% of dentists in England performed NHS dental activity in 2021/22⁴
- Private dentistry has benefited from stagnant NHS coverage, as patients are forced to seek private treatments or face long waits for NHS dental services
- Furthermore, the NHS only provides what are deemed as 'necessary' treatments, meaning private treatments are required for those seeking cosmetic and other specialist services, which continue to be growing segments of the market
- As a result, the private sector accounted for c.55% of total UK dentistry spend in 2020/21, increasing from c.51% in 2017/18⁶
- Supply of private dentistry is more concentrated in affluent areas, such as London and the South East, where there is higher demand

Key Stats

56%

of dentists performed NHS dental activity in 2021/22⁴

1 in 4

people have seen a private dentist in the last year⁵

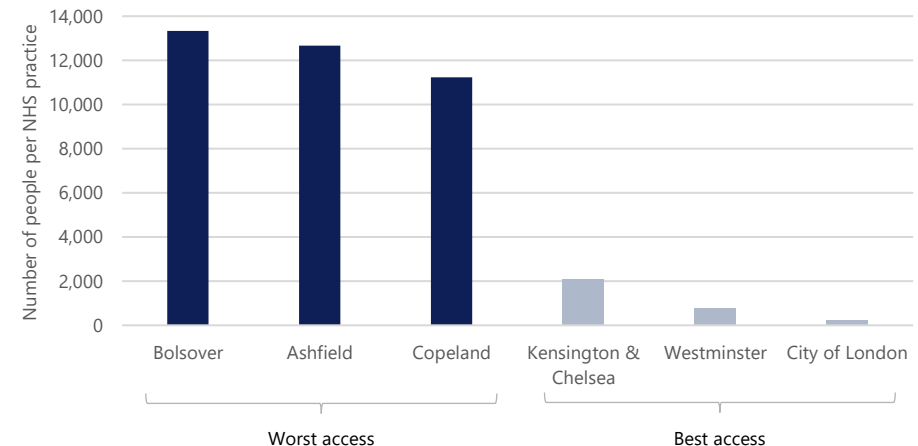
90%

of NHS dental practices are not accepting new patients³

55%

of UK dental spending was for private provision in 2020/21⁶

Number of people for every one NHS practice¹



¹ LG Inform

² Association of Dental Groups – England's Dental Deserts, 2022

³ BBC survey, 2022

⁴ NHS Dental Statistics for England, 2022

⁵ Mintel – UK Dentistry Market Report, 2022

⁶ LaingBuisson: UK Dentistry Market Report (6th ed)

Staffing & Retention

A number of factors are limiting the supply of dental professionals, which is a concern for many practices

- The dental market is experiencing recruitment difficulties, with increased reliance on locums alongside a drop in the number of dentists coming from the EU
- Regional disparities in dental supply mean recruitment difficulties are likely to be variable, with the North East and South West likely to have more challenges due to a low demand for private dentistry and high supply of NHS dentistry
- This is compounded by the fact that the private sector continues to attract staff looking to transition towards more lucrative private work
- In the latest PracticePlan confidence monitor survey, 77% of NHS dentists didn't see themselves working in the NHS in 5 years, with 46% indicating they would move to the private sector ¹
- Long term workforce stability may be vulnerable as training intake is fixed at a low level, and c.6% of registered dentists and Dental Care Professionals (DCPs) are being removed from the register each year ²
- Dental student intake levels are at the lowest level in three years, despite the expansion of courses ³
- These statistics are concerning for future NHS coverage – with the average NHS dentist servicing c.2,000 patients, every time a dentist leaves the NHS and isn't replaced it puts further stress on the already stretched system

Key Stats

114,595

registered dentists and
DCPs in January 2023 ²

77%

of dentists don't see themselves
working in the NHS in 5 years ¹

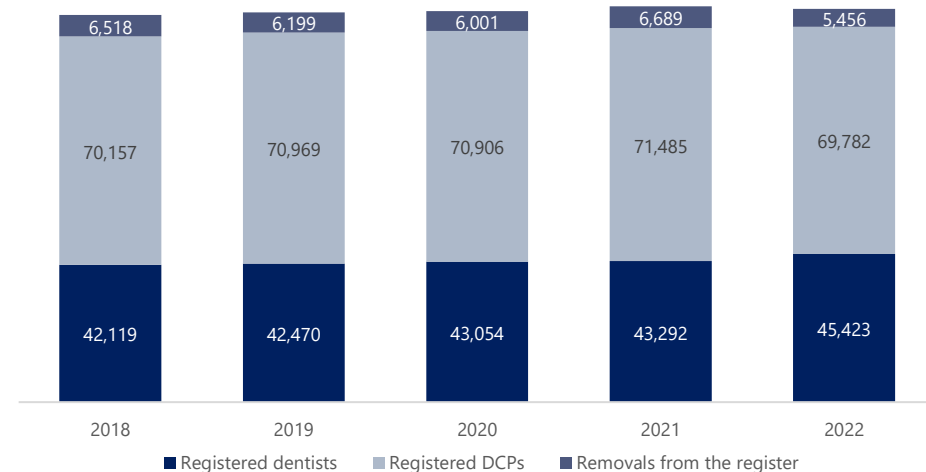
c.6%

of dental workforce removed
from the GDC register each year ²

>2,000

dentists left the NHS in
2021/22 ⁴

Registered dentists, DCPs and removals from the register ²



¹ PracticePlan Confidence Monitor Survey, 2019

² GDC Registration report

³ Mintel – UK Dentistry Market Report, 2022

⁴ Association of Dental Groups – England's Dental Deserts, 2022

M&A Overview

Consolidation of the sector continues, driven by a number of private-equity backed corporates

- Despite the UK dental market undergoing consolidation by corporate providers for a number of years, the market remains surprisingly fragmented, with almost two thirds of practices independently owned
- At a single practice/small group level, private dentistry continues to be most sought after by buyers, however certain acquirers have favoured mixed practices due to the benefit of contracted NHS revenues
- Private equity continues to play a central role in corporate dentistry expansion, with a number of PE-backed platforms growing significantly through acquisition in recent years, utilising cheap debt with the expectation of multiple arbitrage upon exit
- However, some acquisitive mixed practice corporates who have focused on top line growth are now experiencing staffing challenges and are struggling to deliver contracted NHS UDAs
- These staffing challenges, combined with increased debt costs, are likely to slow their M&A activity in the short to mid term, as mixed practice corporates look to resolve internal operational issues in order to boost their own valuations ahead of exit
- As a result, we expect to see a slight slowing of M&A volumes during 2023, with a “flight to quality” and a strong preference for private practices from acquirers. Overall valuations of single practices and small groups is also expected to soften slightly after recent highs, with premiums for high quality private practices

Key PE-Backed Acquirers

Company	PE-backer	No. of practices ¹	Geographical reach
 CLYDE MUNRO DENTAL GROUP	 SYNOVA	c.80	Scotland
 Colosseum Dental	 JACOBS HOLDING	c.80	England
 envisage REDEFINING GROUP DENTISTRY	 Phoenix Equity Partners	c.38	England
 {my}dentist™ helping the nation smile	 Palamon	c.600	National
 PORTMAN dental care	 Dentex	c.360	National
 Real Good Dental	 TRISPAN	c.50	England, Scotland, RoI
 riverdale healthcare	 APPOSITE CAPITAL LLP	c.60	North, Midlands, East
 rodericks dental	 dental partners	c.215	National
 SDC group	 BGF	c.15	Scotland
 TODAYS DENTAL	 Lonsdale Capital Partners	c.12	England
 Together DENTAL	 GSQUARE HEALTHCARE PRIVATE EQUITY	c.35	South East

¹ Based on publicly available information

Recent UK Dental Deal Activity (1 of 3)

The UK dental market continues to see significant levels of M&A activity

Date	Target	Acquirer/ Investor	Deal type
Jan 23	 st michael's dental practice <small>A smile for everyone</small>	 PORTMAN dental care	Acquisition
Jan 23	 southgate DENTAL CARE	 PORTMAN dental care	Acquisition
Dec 22	 HedonDentalPractice <small>DENTISTS TO MAKE YOU SMILE</small>	 Dentex.	Acquisition
Dec 22	Edward House Dental Studio	 Dentex.	Acquisition
Nov 22	 Halo Dental Laboratory Ltd <small>Crown and bridge specialists</small>	 ALS Dental	Acquisition
Nov 22	 HOGHTON STREET DENTAL PRACTICE	 THE DENTAL TEAM YOUR FAMILY DENTIST	Acquisition

Date	Target	Acquirer/ Investor	Deal type
Oct 22	 CITIDENT DENTAL PRACTICE <small>Part of the A&U family</small>	 A&U DENTAL	Acquisition
Oct 22	 ALEX JONES DENTISTRY	 Dentex.	Acquisition
Oct 22	 TRYST DENTAL PRACTICE	 CLYDE MUNRO DENTAL GROUP	Acquisition
Sept 22	Dawood&Tanner	 Dentex.	Acquisition
Aug 22	 COLINTON DENTAL & IMPLANT CENTRE	 CLYDE MUNRO DENTAL GROUP	Acquisition
Aug 22	 Sharoe Green Dental Practice <small>202 Sharoe Green Lane, Fulwood, Preston, Lancashire</small>	 PORTMAN dental care	Acquisition

Recent UK Dental Deal Activity (2 of 3)












The UK dental market continues to see significant levels of M&A activity

Date	Target	Acquirer/ Investor	Deal type
Aug 22			Acquisition
Aug 22			Acquisition
Jul 22			Acquisition
Jul 22			Acquisition
Jul 22			Acquisition
Jun 22			Acquisition

Date	Target	Acquirer/ Investor	Deal type
Jul 22			Acquisition
May 22	Matthewson Dental		Acquisition
May 22	Kingsmeadows Dental Practice		Acquisition
May 22			IBO
May 22			Acquisition
Apr 22			Acquisition

Recent UK Dental Deal Activity (3 of 3)

The UK dental market continues to see significant levels of M&A activity

Date	Target	Acquirer/ Investor	Deal type
Apr 22	Simplyhealth Partnerships		Acquisition
Apr 22			Acquisition
Mar 22			Acquisition
Mar 22			IBO
Feb 22			Acquisition
Feb 22			Acquisition

Date	Target	Acquirer/ Investor	Deal type
Feb 22			Minority Investment
Feb 22			Acquisition
Jan 22			Acquisition
Jan 22			Acquisition
Nov 21			Acquisition
Oct 21			Acquisition



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