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Brocair Partners, founded in 2004, is a financial advisor to businesses serving the healthcare, wellness, and pharmaceutical industries. We provide mergers & acquisitions, corporate finance, and strategic advisory services to companies worldwide.

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Dental Products Industry Perspective

The worldwide professional dental industry encompasses the diagnosis, treatment and prevention of disease and ailments of the teeth, gums and supporting bone.

Industry Overview

The principal categories of the dental products market are dental consumables and dental equipment.

Dental Consumables

Segments include: implants, crowns and bridges, biomaterials, adhesives, orthodontics, endodontics, periodontics, infection control, and retail products.

Dental Equipment

Segments include: radiology, lasers, laboratory, sterilization, CAD/CAM, electrosurgery, light cure, chairs, handpieces, and instrument delivery systems.

The global market for dental consumables is expected to grow at a 7.1% compound annual growth rate (CAGR) through 2018, reaching an estimated \$23.8 billion. The global dental equipment market is to grow at a 4.7% CAGR over the same period, reaching an estimated \$7.6 billion by 2018.¹

Industry Leaders

The largest geographical markets for dental products are in North America, Europe, and Japan, followed by the rest of Asia, Latin America, Africa, the Middle East, and Australia.

The U.S. and Europe represent the fastest growing markets for dental products, due to the generation of aging baby boomers who can afford higher quality dental procedures. Europe is expected to show exceptionally high growth due to the added element of dental tourism from patients migrating from Western Europe to Eastern Europe, seeking cheaper dental care. Consequently, Europe is forecasted to grow at a 5% CAGR from 2012 to 2018.²

While the top ten competitors used to account for only 60% of the overall market, consolidation of the largest players in the past few years have led to a changing dynamic in the market. In 2011 DENTSPLY acquired Astra, the third largest dental implants maker for \$1.8 billion. In 2012 Straumann acquired 49% of Neodent for \$275 million, positioning itself as a leader in the Brazilian market. Straumann has the option to acquire the remaining 51% within 6 years. In 2013 Mitsui Chemicals significantly increased its presence in the dental market through the acquisition of Heraeus for \$578 million.

More recently, Zimmer's anticipated acquisition of Biomet for \$13.4 billion will double Zimmer's spine and dental business. Danaher's anticipated acquisition of Nobel for \$2.2 billion, will help it become the world's biggest player in dental implants. As these deals complete and the these firms begin to integrate their operations, the dental implant market is likely to experience a transformation and look quite different in the coming years.

Growth Drivers

In recent years, a number of socio-economic and technological factors have driven growth in the dental products industry.

Key Drivers of Growth

Aging Population

Growing Focus on Aesthetics

Emerging Markets

Technological Advancements

Among developed nations, the greatest driver of growth has been an aging population with growing dental care needs. In the U.S., Europe, and Japan, the over-65 population is expected to nearly double by the year 2030. At the same time, natural teeth are being retained longer. Individuals with natural teeth are much more likely to visit a dentist in a given year than those without any natural teeth remaining. In addition to having significant needs for dental care and healthcare, the elderly in these regions are well positioned to pay for the required procedures due to the sizable amounts of discretionary income they possess.

The cosmetic dentistry industry, in particular, has seen high growth as a result of rising aesthetic standards across the globe. In a recent study, the American Dental Association reported that a person's smile outranked eyes, hair and body as the most important physical feature. While rising oral care standards have resulted in individuals retaining their natural teeth longer, tooth loss remains a major issue: the American Association of Oral and Maxillofacial Surgeons has estimated that 69% of adults between the ages of 35 and 44 have lost at least one permanent tooth. The increased focus on aesthetics has led to a growing number of adults seeking tooth replacement options such as dentures, crowns, bridges, and implants.

Growing dental tourism has been a contributing factor to growth among emerging markets. Attracted by lower prices, patients have been traveling to countries like India, Turkey, Hungary, and Mexico for dental treatment. Changing demographics in many emerging nations has further led to growth within the dental products industry. As per capita and discretionary income increases, healthcare, including dental care, is becoming a growing priority in areas such as the emerging nations of South Asia, the Pacific Rim, CIS and Latin America. For example, by the year 2017 the forecasted market volume for dental implants in India and China will reach nearly \$400 million.³ Strong double-digit growth rates are also predicted for Brazil, another potent emerging market.

Also spurring growth is emerging technology, which reduces the overall turnaround time for dental procedures while improving efficiency of the dental practitioner. For example, the introduction of CAD/CAM (computer-aided design and manufacturing) has increased precision and reduced designing time for dental crowns and bridges. Many market participants and industry experts are pointing to this area of the dental products market for the next wave of growth. Demand for customized prosthetics with better quality, higher precision of fit, and greater ease of fabrication is increasing rapidly. In 2010, the CAD/CAM dental prosthetics market was already a \$1 billion market, growing at a 5-year CAGR of 15%.⁴

Advanced dental technology has also taken the form of lasers that have demonstrated improvements in chair time, pain, and healing time while providing more precise treatment and diagnosis. These advantages have made dental lasers the fastest growing segment within the dental equipment market.⁵ Separately, the use of 3D imaging techniques has improved patient diagnosis and procedure planning. According to a recent Morgan Stanley survey, over 60% of North American dentists currently use some form of in-office digital imaging technology, a rate which has been steadily climbing for

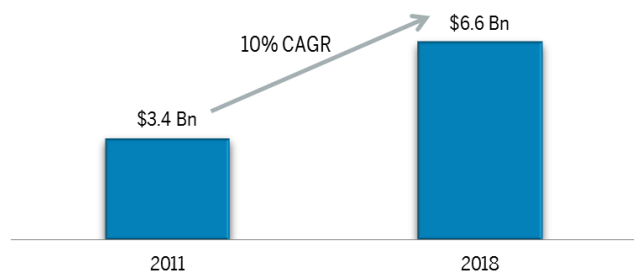
over 20 years and continues to trend positively.⁶

Recent Trends

Dentistry in North America and Western Europe has transformed from a profession primarily dealing with pain, infections, and tooth decay to one with increased emphasis on preventive care and cosmetic dentistry.

As aesthetically-driven patients seek an increasing number of tooth replacement procedures, dental implants have become more and more mainstream over the past few decades. Dentists are increasingly viewing implants as preferable, longer-term alternatives to traditional options. The dental implant market is expected to achieve a 5-year sales CAGR of 10%, growing from \$3.4 billion in 2011 to \$6.6 billion by 2018.⁷

Global Dental Implant Industry: Projected Growth



With a modest 15% penetration rate, there is still considerable scope for dental implant-supported tooth replacements to displace conventional solutions.

The rapid growth of dental implants will also drive the market for dental biomaterials and bone substitutes. At the same time, however, the complications that can arise from the use of implants has and will continue to show growth as the number of implant procedures being performed rises. These complications include peri-implantitis. Research has shown that among dental implant patients, one in five patients will develop peri-implantitis after ten years of implant use.⁸ The dental community has shown heightened awareness of this growing disease in recent years.

Over the past few years, the number of dental products companies has steadily decreased due to many of the industry's largest companies continually merging with or acquiring smaller firms in order to bolster product portfolios or to attain a company that is thriving in a niche segment. Consolidation has also helped boost profit margins as it allows companies to spread fixed costs across various products. Additionally, during the recession, many manufacturers closed less profitable locations and integrated production into more successful plants.

1 Transparency Market Research, 2013

2 Transparency Market Research, 2013

3 iData Research, 2011

4 Deutsche Bank Research, 2011

5 Transparency Market Research, 2013

6 Morgan Stanley Research, 2011

7 GBI Research

8 Renvert, Stefan and Jean-Louis Giovannoli. Peri-Implantitis.

Competitive Matrix








Below is a matrix of select dental products companies by product type. Companies in bold are profiled on the next page.

Company	Laboratory Products	Laboratory Services	Dental Office Equipment	Dental Office Consumables	Prosthetics / Implants	Materials	Preventative Supplies	Distribution
A-Dec								
3M (ESPE/Unitek)								
Air Techniques								
Align Technology								
Amann Girrbach								
Benco Dental Supply								
BIOLASE								
Biomet (3i) *								
Brasseler USA								
Cantel Medical								
Cendres+Métaux								
COLTENE								
Danaher								
Den-Mat								
DentalEZ								
DENTSPLY								
Dürr Dental								
EMS - Electro Medical Systems								
Glidewell Laboratories								
Henry Schein								
ImageWorks								
Ivoclar Vivadent								
Keystone Dental								
Koninklijke Philips								
Kyocera Medical								
Lisi								
Meta Biomed								
Millennium Dental Technologies								
MIS Implants								
Nakanishi								
Neoss								
Nobel Biocare *								
Ocumentia								
Osstem								
Patterson Companies								
Planmeca								
Premier Products								
Pro-Dex								
Ranir								
SAS Menix (Tekka)								
Schütz Dental								
SDI Ltd.								
Sentage (Dental Services Group)								
Septodont								
Shin Hung								
Shofu								
Sirona Dental Systems								
Sterngold								
Straumann								
Value Added Technologies								
Vita Zahnfabrik H. Rauter								
Young Innovations								
Zest Anchors								
Zimmer								

* Companies have announced sale process

Profiles of Selected Participants

Below are profiles of selected companies with over \$250 million in revenue.

Company	Brief Description	LTM* (US\$)	
		Sales	EBITDA
 ALIGN TECHNOLOGY, INC.	Align Technology designs, manufactures, and markets a clear aligner system (Invisalign), intra-oral scanners, and computer-aided design (CAD) and computer-aided manufacturing (CAM) restorative models.	739.2	212.7
 DENTSPLY INTERNATIONAL	DENTSPLY designs and produces dental consumable products, dental laboratory products, and dental specialty products worldwide. The company's customers include dentists, dental hygienists, dental assistants, dental laboratories, and dental schools.	2,957.2	583.6
 HENRY SCHEIN®	Henry Schein, Inc. distributes products and software to office-based dental practitioners, schools and other institutions. The company offers consumable dental products, dental laboratory products, and both small and large dental equipment.	10,195.7	843.7
 Nobel Biocare®	Nobel Biocare engages in the provision of restorative and esthetic dental solutions worldwide. It offers bone-level and tissue-level dental implants, individualized CAD/CAM abutments as well as treatment planning software. The company markets its products to oral surgeons, general practitioners, specialists, and laboratories.	714.6	125.5
 PATTERSON COMPANIES, INC.	Patterson Dental offers its customers a selection of dental products, including approximately 96,000 SKUs of which approximately 5,000 are private-label products sold under the Patterson brand. Patterson Dental also offers customers a range of related services, including dental equipment installation, maintenance and repair.	4,243.1	400.4
 The Dental Company	Sirona offers its dental products in four segments, including dental computer-aided design/computer-aided manufacturing (CAD/CAM) systems; imaging systems; treatment centers; and instruments. The company distributes its products globally to dental practices, clinics and laboratories.	1,159.7	287.5
 straumann	Straumann engages in the research, development, and manufacture of implants, instruments, CAD/CAM prosthetics, and tissue regeneration products for use in tooth replacement and restoration or to prevent tooth loss.	771.4	170.4

*Latest Twelve Months as of 11/30/2014