



Team

Gregg Blake
Managing Partner
gblake@brocair.com
917.374.4533

Daniel Fagan, Ph.D.
Managing Director
dfagan@brocair.com
314.954.6554

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.

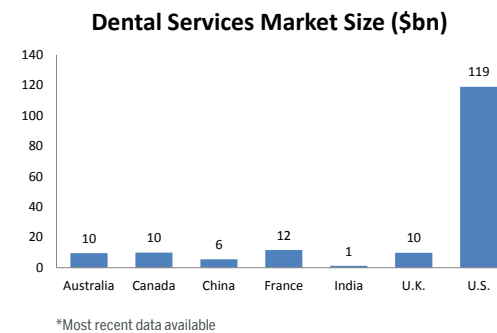
Brocair Partners LLC
Healthcare Investment Banking
757 Third Avenue
20th Floor
New York, NY 10017
Main: 212.500.5015
Fax: 917.591.3200

Dental Services Industry Perspective

Dental practices are seeking consolidation to manage costs, expand their service offerings, and spur higher growth rates.

Dental Services Industry Overview

Arriving at a global market size of the dental services industry is hazardous, but information for certain countries is available, and the U.S. is the largest single market world-wide.

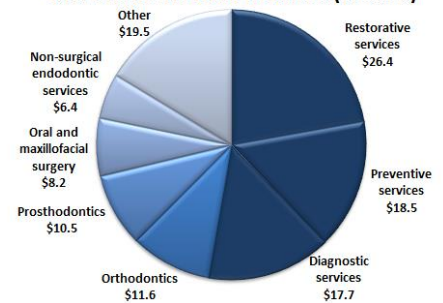


Brazil has over 250,000 dentists, representing the greatest number of dentists per capita of any large economy.¹ By comparison, the U.S. has around 186,000 and Japan has over 97,000.^{2,3}

Dental services consist of all procedures and treatments, both medical and cosmetic, related to the oral cavity and the teeth, and business management solutions targeted towards dental service operations.

The largest segment of the industry is general dentistry, representing over 50% of the global market. This sector includes restorative services, such as dental fillings to restore structure to teeth, dental crowns to protect damaged or decaying teeth, and procedures treating damaged teeth and gums. It also comprises preventive services, from routine dental exams and cleanings, to fluoride and sealant applications, and more commonly, cavity treatments, especially among children. Finally, it includes diagnostics, such as digital radiography and x-rays.

U.S. Dental Services Revenue (billions)



Source: IBISWorld Industry Report: Dentists in the US

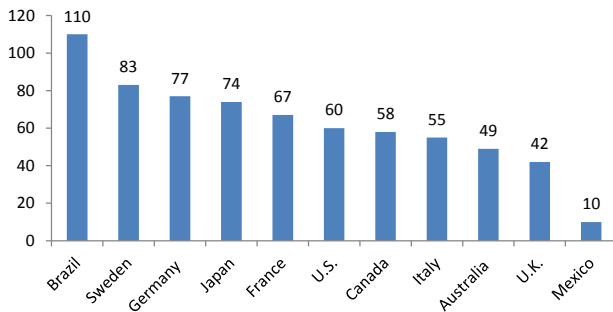
Dental services also consist of orthodontic specialists, who treat improper bites and misaligned teeth. Treatments include braces, plates, headgears, and other devices that align teeth and bite. Orthodontists represent one of the largest specialty groups in dental services worldwide, and the largest in the US, estimated to have 9,700 orthodontists by 2020.⁴

Prosthodontics is another major specialty, accounting for 8.8% of the United States' dental services market, and 14.1% of Australia's. Focusing on artificial teeth and supplements, prosthodontists provide partial and full dentures, bridges that permanently join artificial teeth to authentic teeth and implants, and the artificial teeth used in implants. They also provide veneers, a thin layer of material placed over a tooth for aesthetic and protective purposes, and inlays and onlays, partial restorations to a tooth both internally and externally. This sizeable specialty is experiencing the fastest growth due to increased disposable income, a higher value on cosmetic appearance, and an increasing elderly population needing prosthetics.^{4,5}

Oral surgery constitutes a variety of services, including reconstructive surgery, jaw alignment, dental extractions, implants, and both wisdom teeth and tonsil removals. This segment also includes cosmetic

surgeries to the oral cavity and jaw. These practices constitute 7% of the US dental services market.⁴

Dentists per 100,000 people



Source: Business Insider: Which Countries Have The Most Dentists Per Capita

The rest of the medical side of the dental services industry is rounded out by several smaller specialties. Non-surgical endodontics includes any services related to the pulp, or connected tissue in the center of the tooth, most commonly the root canal procedure. Periodontics focuses on the diagnosis and treatment of gum diseases, with services such as gum tissue grafts. Children's dental services, though not a formal specialty, are offered by slightly over half of the global dental service providers.

A unique segment of dental services is dental practice management services. This sector provides a wide variety of business services and software solutions to dental practices, including organizational and strategic planning, administrative and operational services, and assistance for HR, marketing, financial planning, and other miscellaneous support services.

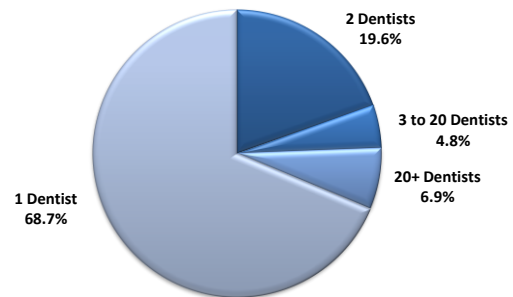
Industry Leaders

The dental services industry is highly fragmented. Low market share concentration can be attributed to the fact that it is a service-based industry, one that is highly localized with relatively few multinational operators. Multinational dental services chains such as Clinicas Vital Dent, with operations in Spain, Portugal, Italy, and a very small number of US clinics; Q & M Dental Group with clinics in Singapore, China, and Malaysia; Colosseum Dental AS with clinics in Denmark, Sweden, and Norway; and Abano Healthcare with operations in Asia, Australia, and New Zealand.

The top four dental service firms in the US account for less than 2% of domestic market share.⁴ Two of the largest US firms, Western-focused Comfort Dental, and Southeast-focused Coast Dental, operate as full-service multi-state dental chains. Over 88% of US dental service companies operate with less than three dentists, contributing to fragmentation.⁴

The same situation applies internationally, with market leaders like Norway's Colosseum Dental and Singapore's Q & M Dental Group possessing very little market share. The slight exception is Integrated Dental Holdings plc, which holds 6.9% of the UK dental services market with its 560 practices.⁶ The only geographical region with relative market concentration is China, where 350 dental practices out of 50,000 control over 50% of the Chinese dental services market.⁷

Dentists per Dental Clinic in US



Source: IBISWorld Industry Report in the US

Dental practice management service companies also command very little market share, but relative leaders include Australia's 1300SMILES, Finland's PlusTerveys, and US-based Smile Brands Group.

Growth Drivers

Increases in government funding to dental programs will drive growth internationally. US federal funding for Medicare and Medicaid, coupled with an increase in insured Americans, will increase demand for dental services, as patients will have to pay less out-of-pocket dental expenses.⁴ Similarly in 2012, Australia pledged to allocate \$4.1 billion over six years to provide subsidized and free dental care to children and lower income citizens, again fueling demand for dental services due to lower patient costs.⁵

With disposable income increasing after the global recession, people are willing to spend more on dental services, both medical and cosmetic. In the US, dental cosmetic services are becoming increasingly popular, with over 80% of dentists offering cosmetic treatments and citizens spending more than \$1 billion on professional teeth whitening annually.⁴

Increasing age and a higher awareness of the importance of health will also catalyze stable growth in the near future. US baby boomers are now becoming senior citizens, increasing the number of American elderly, and both Australian and European median ages are increasing.^{4,5,6} This factor has already increased demand for restorative dental services, along with dental implants and prosthodontic dentures. In addition, increased health conscientiousness has led populations to retain their natural teeth for longer periods of time, increasing demand for dental services.^{4,5,6}

Though people becoming more health-conscious have driven dental services growth, it has also led to an increase in the quality of oral care products, such as toothbrushes, toothpaste, and mouthwash. As a result, citizens have healthier oral cavities, reducing the need and demand for dental services to address oral health issues.⁴

Recent Trends

The largest trend within the fragmented dental services industry is a move towards consolidation, which is being accomplished through two different

methods. The first method of consolidation is through M&A activity. Dental service firms tend to expand through acquisitions within the same geographical area. Such examples include Q & M Dental Group's multiple acquisitions throughout Northeast China, and Axiss Dental's acquisition of Narayana Hrudayalaya Dental Clinic to make it the largest Indian dental chain.

The second way consolidation is being accomplished is through the formation of Dental Practice Management Companies (DPMC), or shared practices. Burdened with student debt, many dentists turn towards DPMCs to share the fixed costs of equipment and operations, lower their own capital investment in a dental practice, and reduce their own risk in stable income. DPMCs are also more competitive, as multiple dentists mean a wider range of in-house services, reducing the need to refer clients to other dental specialists and lose out on that potential revenue.⁴

Tightly linked to dental services, the dental equipment industry has seen significant technological innovations, directly benefitting dental practices. The dental laser is the fastest growing dental-equipment device. Used for gingivitis, ulcers, pulp therapy, excision of soft-tissue tumors, and various other procedures, the laser is practically painless and more comfortable for the patient, requiring topical anesthesia rather than injected. These lasers also increase the operational efficiency of dental clinics. The global medical laser market is expected to reach \$815 million in 2015.⁸

¹INFODENT International: Focus on Brazil

²INFODENT International: The US

³INFODENT International: Japan

⁴IBISWorld Industry Report: Dentists in the US

⁵IBISWorld Industry Report: Dental Services in Australia

⁶IBISWorld Industry Report: Dental Practices in the UK

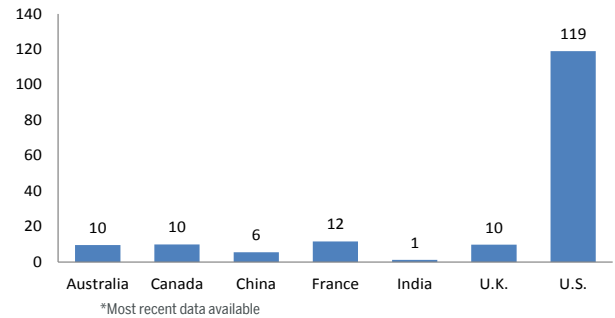
⁷Huidian Research: Research and Forecast of China Oral Care (Dental) Industry, 2014

⁸Laser Marketplace 2015: Lasers surround us in the Year of Light

⁹Business Insider: Which Countries Have The Most Dentists Per Capita

¹⁰Indian Business Reports; Indian Dental Services Market

Dental Services Market Size (\$bn)









Competitive Matrix

Below is a matrix of selected Dental Service firms by service type and geographical operations.

Company	Services Provided							Geographical Operations		
	Practice Management	General Dentistry	Children's Dentistry	Orthodontics	Prosthodontics	Oral Surgeries	Specialties	The Americas	EMEA	Asia-Pacific
1300SMILES Limited (ASX:ONT)										
Abano Healthcare Group Ltd. (NZSE:ABA)										
American Dental Partners, Inc.										
Aspen Dental Management										
Birner Dental Management Services, Inc. (NASDAQ:BDMS)										
The British United Provident Association Limited										
Coast Dental Services, Inc.										
Colosseum Dental AS										
Dental Health Resources, Inc. (d/b/Heartland Dental Care, Inc.)										
Enel-Med S.A. (WSE:ENE)										
Folktandvården Stockholms län AB										
FutureDentics, Inc. (d/b/a 1-800-DENTIST)										
Healthway Medical Corporation Limited (Catalist:5NG)										
Integrated Dental Holdings PLC										
InterDent, Inc.										
JHS Svendgaard Laboratories Ltd.										
Laboratorio Lucas Nicolas S.L. (d/b/a Clinicas Vital Dent)										
Northwestern Management Services LLC (d/b/a Gentle Dental Group)										
Oral Care AB										
Oral Hammaslääkärin Pte										
Orasolv AB (OM:OS)										
OrthoSynetics										
Pacific Dental Services, Inc.										
PlusTerveys Oy										
Praktikertjänst AB										
Q & M Dental Group (Singapore) Limited (SGX:QC7)										
ReachOut Healthcare America, Inc.										
Smile Brands Group Inc.										
Supurva Healthcare Group, Inc.										
Top Ortho Tilburg B.V.										
Western Dental Services, Inc.										

Profiles of Publicly-Traded Companies

Company	Brief Description	LTM* (US\$)	
		Sales	EBITDA
	<p>1300SMILES is a provider of management and dental services in Australia. The company provides business services to dental practices such as billing, marketing, and administrative services. In addition, the company operates full service dental facilities.</p>	28.9	8.5
	<p>Abano Healthcare Group maintains dental groups and practices in New Zealand, Asia, and Australia.</p>	122.1	15.9
	<p>Birner Dental Management Services provides business services to dental groups in Arizona, Colorado, and New Mexico. They also offer services in the general dentistry, prosthodontics, pediatrics, orthodontics, oral surgery, and specialty dentistry areas.</p>	64.4	3.6
	<p>Healthway Medical Corporation operates family dentistry practices in Singapore.</p>	63.7	4.4
	<p>Orasolv AB operates a chain of six dental clinics in Sweden. The company offers services in the Prosthodontics, general dentistry, cosmetic dentistry, oral surgery, and dental hygiene spaces.</p>	10.4	0.4
	<p>Q & M Dental Group is the operator of private dental outlets. The company is a supply manufacturer, dental supply and equipment distributor for primary healthcare. Currently, the company operates in Singapore, China, and Malaysia.</p>	89.1	16.1