

# Q3-2016 Dental Services Update



## M&A Update

The third quarter of 2016 demonstrated the private equity community's continued bullish sentiment towards investment opportunities in the dental services sector. Headline transactions included the private equity recapitalizations of Smile Brands and Great Expressions Dental Centers, both of which were previously private equity backed. While private equity firms in other sectors typically exit their investments to larger strategic acquirers or by initial public offering, the sheer level of private equity interest in dental practices has allowed dentists and management teams to continue retaining equity ownership and brand independence by going through multiple iterations of private equity backing. This also provides a multi-year payout structure for equity holders with longer career horizons, allowing for liquidity events upon the culmination of a first, second, or third private equity holding period. Since value drivers that have attracted investment interest such as the growing population, increased dental health awareness, and stable reimbursement are expected to remain into the future, Provident believes that there will be no shortage of interest from private equity firms providing capital to management teams to grow market share and expand into new geographies.

## Select Transactions

Month	Acquirer	Target Company	Details
Sept 2016	Roark Capital Group	Great Expressions Dental Centers	Roark Capital Group, a private equity firm based in Atlanta that focuses on consumer brands and multi-unit businesses, acquired American Dental Group, a company that provides comprehensive affordable dental services through its network of practices. American Dental Group is one of the largest dental support organizations in the United States, and it cares for over 600,000 patients per year through its network of 269 affiliated practices. Terms of the transaction were not disclosed.
Sept 2016	Marquee Dental Partners	DDS General Dentistry	Marquee Dental Partners, a dental support organization that provides dentists with operational support and clinical autonomy, completed three tuck in acquisitions this quarter, marking the 10 <sup>th</sup> acquisition made since Chicago Growth Equity invested \$35 million in the Company in October 2015. The Company acquired DDS General Dentistry, Mid Tennessee Dentistry, and Westen Dental Group. Tom P. Carter, DDS General Dentistry, is a practice based in Bowling Green, KY. Mid Tennessee Dentistry, is an operation including seven family and cosmetic dentistry locations, as well as one that focuses on specialty care. Westen Dental Group, is a general dentistry practice in Bowling Green, KY. The acquisitions will enable the practices to focus on providing the best oral healthcare services by receiving support and clinical autonomy from Marquee Dental Partners. Financial terms of the transactions were not disclosed.
Sept 2016		Mid Tennessee Dentistry	
Aug 2016		Westen Dental Group	
Aug 2016	Gryphon Investors	Smile Brands Group	Gryphon Investors, a middle market private equity firm based in San Francisco, acquired Smile Brands Group, a national provider of support services to approximately 350 dental practices, from private equity firm Welsh, Carson, Anderson & Stowe. Gryphon previously owned the predecessor to Smile Brands until 2005, and then formed a partnership with the former CEO and CFO to build a comprehensive dental services organization platform to acquire existing dental practices. Terms of the deal were not disclosed.
Aug 2016	Undisclosed	STX Healthcare Management Services	Harbert Management Corporation has exited its position in STX Healthcare Management Services to an undisclosed buyer. STX Healthcare Management Services is a pediatric dental clinic operator based in Bellaire, Texas. The Company operates 37 offices in Texas as South Texas Dental and 6 offices in Alabama as Vital Smiles.
July 2016	Marquee Dental Partners	Bryant Dental	Marquee Dental Partners announced the entrance into an affiliation agreement with Bryant Dental, a multi-specialty dental practice with 3 locations in Northern Alabama. This acquisition allows Marquee Dental Partners to expand its presence in the Southeast United States to 19 practices. Terms of the deal were not disclosed.