

Q2-2017 Dental Services Update



Market Overview

Consolidation activity within the dental services sector continued to be strong during the second quarter of 2017. Private equity firms were largely responsible for catalyzing consolidation activity within the sector, not only by acquiring initial platforms such as Affinity Dental Management and Pediatric Dental Providers, but also in funding add-on acquisitions on behalf of their portfolio companies to expand into new geographies or augment their current footprints. For example, Gentle Dental Partners, a portfolio company of Audax Group, strengthened its presence in Massachusetts by acquiring Great Hill Dental Partners. As dental expenditures continue to rise amidst a fragmented sector, we expect private equity firms to continue executing on buy-and-build investment strategies and creating efficiencies through back office infrastructure in order to generate significant returns for all shareholders involved. Demand for platform caliber organizations continues to outpace supply with such a high level of private equity interest in the sector. As a result, Provident expects valuations for groups of size and scale to be compelling for operators and shareholders to consider potential M&A strategies in the near future.

SELECT TRANSACTIONS:

Month	Acquirer	Target Company	Details
June 2017	Smile Brands	Johnson Family Dental	Smile Brands, a portfolio company of Gryphon Investors and Triangle Capital, acquired Johnson Family Dental. Founded in 1963, Johnson Family Dental has 11 dentists and four specialists providing dental care at four locations across California's Central Coast.
June 2017	MidOcean Partners	Affinity Dental Management	Affinity Dental Management was recapitalized by MidOcean Partners. Affinity provides comprehensive practice management and administrative support services to 10 dental facilities across Western Massachusetts, Connecticut, and Vermont.
June 2017	Western Dental	Choice Family Dentistry Center	A portfolio company of New Mountain Capital, Western Dental Services acquired Choice Family Dentistry Center. Located in Perris, California, Choice Family Dentistry Center has two dentists, two specialists, and three hygienists.
June 2017	Sun Life Financial	The Premier Dental Group	Sun Life Financial entered into an agreement to acquire The Premier Dental Group (PDG). PDG is a Minnesota-based dental network offering one of the strongest preferred provider networks in the state, as well as network offerings in Florida, Wisconsin, Missouri, and other states throughout the Midwest.
April 2017	Gauge Capital	Pediatric Dental Providers	Gauge Capital recapitalized Pediatric Dental Providers alongside a co-investment from the company's founding management. Pediatric Dental Providers is an operator of dental and orthodontic clinics for kids and Medicaid patients in the western United States.
April 2017	Brentwood Associates	Jefferson Dental Clinics	Brentwood Associates has acquired Jefferson Dental Clinics (JDC) from Black Canyon Capital in JDC's second private equity recapitalization. Since establishing a partnership with Black Canyon in 2009 JDC has grown from 23 clinics to 53 throughout the state of Texas.
April 2017	Gentle Dental Partners	Great Hill Dental Partners	Gentle Dental Partners, a portfolio company of Audax Group, acquired Great Hill Dental Partners. With five multi-specialty practices spread throughout the Greater Boston area, this transaction solidifies Gentle Dental as a leading dental service provider in New England. Great Hill and its patients stand to benefit from the additional resources and support of Gentle Dental.
April 2017	Mid-Atlantic Dental Partners	Eighth Mid-Atlantic Practice	One year after forming, Mid-Atlantic Dental Partners has closed on its eighth Mid-Atlantic dental practice. Mid-Atlantic Dental Partners' partnership model offers its affiliated practices support services in addition to the ability to share in the monthly earnings of the practice via retained ownership.