

2020 Dental Services Update

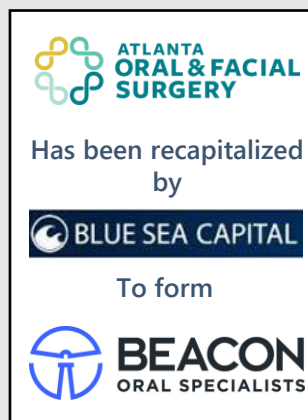


Market Update

The dental services market was materially affected by the COVID-19 pandemic. At the pandemic's onset, most dental practices were forced to close for all services apart from emergency procedures. Since then, almost all practices have reopened, however current volumes vary greatly by region and by specialty. Of note are specialty dentistry groups, such as endodontic and oral surgery providers, who saw a more rapid rebound from the pandemic due to their focus on acute dental needs. As a result, specialists saw high levels of interest from PE groups in 2020, including Provident's client, Atlanta Oral and Facial Surgery, which transacted with Blue Sea Capital to form a new oral surgery platform called Beacon Oral Specialists.

For many others however, post-COVID operations strained profitability due to higher sanitation and PPE costs, as well as mandates to limit capacity, limiting overall deal activity. Investors and Dental Service Organizations (DSOs) became more active in the second half of 2020 however, as they repositioned their own operations and saw opportunities to continue partnering with dentists wishing to utilize the support and stability offered by a larger group. This has highlighted the value-add of DSOs as a resource to mitigate future risk, gain operational support, and expand clinical collaboration with a larger base of dentists. As groups continue to rebound, Provident expects transaction activity to meaningfully increase in 2021.

Provident Deal Spotlight:



- Blue Sea Capital, a leading healthcare investor, has acquired Atlanta Oral and Facial Surgery, the largest independent provider of pure-play oral surgery services in the country, with 25 surgeons across 23 locations
- Beacon was formed as a management services organization to support AOFS and its future affiliations with leading oral surgery providers in existing and new geographies

Select Transactions:

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
February	42 North Dental	Allen Dental Associates	1	5	1
June	PG Dental Holdings, LLC	Allied Dental	37	Undisclosed	3
July	Fruition Partners	Divergent Partners Management Group	3	Undisclosed	1
July	MB2 Dental	Smart Dental Care - Dutchtown	1	3	1
August	MB2 Dental	Dowagiac Family Dentistry	1	2	1
September	Gentle Dental	The Dental Team	6	Undisclosed	1
October	DuneGlass Capital	Allied OMS	2	4	2
October	New Mountain Capital	Benevis	160+	Undisclosed	17
November	Foresight Medical / Bindley Capital	Dental Works USA	3	Undisclosed	1
December	42 North Dental	Wellesley Dental Group	1	8	1

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