

Dental Services

Q3 2023

Market Update

Following an active Q2 with four platform-level transactions, Q3-23 produced fewer notable partnerships. Large, well-capitalized players such as DCA and Heartland continued normal acquisition activity, while mid-sized DSOs executed on strategic initiatives including expansion into new states, rebranding initiatives, and de novo clinic openings.

In the last 18 months, the dental sector has experienced pressure from increasing labor costs and interest rates, which primarily impacted groups with significant debt utilization operating in competitive labor markets. Despite these factors, investor interest remains strong due to core tailwinds such as fragmentation and increasing patient demand. In Q2, most large transactions were led by new investors, in comparison to recent years in which existing DSOs with strong balance sheets were consistently competitive bidders for premium assets. Given the market momentum established in Q2, Provident's expects many mid-sized DSOs to transact in the near term, primarily with new investors.

Notable Transaction

In Q2-23, The Thurston Group, an investment firm with significant dental experience, formed Modis Dental Partners. The new DSO partnered with Coastal Jaw Surgery and plans to support additional practices focused on implant cases.

This transaction highlights private equity's continued interest in dental consolidation, across all care delivery models including specialty. Modis has strategically chosen to focus on a single specialty at a time where some single-specialty DSOs are diversifying.



COASTAL JAW[®] SURGERY SAME DAY TEETH

Has partnered with



modis
DENTAL PARTNERS

A portfolio company of



TG
THURSTON GROUP

September 2023

Select Transactions

Month	Acquirer	Target	Locations	Geography
September	Various Investors	Dentologie	8	Midwest
September	 		14	Southeast
September	 		6	Southeast
September		Group Practice in PA	6	Mid-Atlantic
August	 		5	Southeast
August	 		1	Southeast

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