

Dental Services

Q2 2024

Market Update

While M&A activity in the dental services market remained at below-average levels for large transactions, well-capitalized DSOs continued to be extremely active partnering with small group and single-office practices. The most notable M&A transactions in Q2-2024 included The Smilist Dental's acquisition of Simply Beautiful Smiles, a 23 location DSO with a history of private equity ownership, and multiple regional general and specialty DSO acquisitions of <10 location group practices. Large DSOs such as Heartland Dental and MB2 Dental continue to average 10+ monthly add-on affiliations.

Despite reduced deal volume in the dental M&A market, the credit market for established dental platforms performed well in Q2. More than five PE sponsor-backed DSOs raised or expanded debt facilities, including Allied OMS, Endodontic Practice Partners, Gen4 Dental Partners, Guardian Dentistry Partners, Oral Surgery Partners, and Smilist. As operating margins normalize, many direct and commercial lenders are increasing their focus on dental services and becoming more accommodating on leverage ratios. Scrutiny remains however, on significant maturity-related pro forma EBITDA adjustments.

Outside of the M&A and credit markets, DSOs have widely focused on improving operations and organic growth. Some DSOs, including Heartland Dental and Sage Dental, have continued investing heavily in de novo office openings. Many others have dedicated resources to same-clinic revenue and margin initiatives. Provident has also seen more DSOs rebrand and expand their service offering, including both specialized DSOs adding additional specialties, such as Spark Dental (now Chord Specialty Dental Partners), and traditional DSOs expanding into primary medical care, such as Pacific Dental Services (now PDS Health).

Provident expects a resurgence of transaction activity in the second half of 2024, driven by the increase in available debt financing, integration at DSOs that shifted their focus to operations, and improving macroeconomic conditions.

Select Transactions

Month	Investor	Target	Location(s)	State(s)
April			7	Northwest
April		9 Individual Practices	9	Midwest & Mid-Atlantic
April			4	Midwest
May		3 Practices in CT	3	Northeast
May			2	Northwest
June			23	Mid-Atlantic

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