

Clearview

Dental market

The UK dental services market has returned to pre-pandemic levels, demonstrating the resilience of the sector through a period of political uncertainty and inflationary pressure.

Inside:

- Market overview
- Market dynamics
- Private equity interest
- Notable UK M&A activity
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- Looking ahead





Market overview

Market fragmentation

The dental services market encompasses the diagnosis, prevention, and treatment of dental disorders provided by dentists and dental professionals. Through 2022 and into the first half of 2023, the UK dental market has remained ripe for consolidation, reinforced by positive trading conditions following the conclusion of the COVID-19 pandemic and strong demand from the associated backlog for dental services.

In September 2022, there were 14,465 dental practices across 12,220 dental businesses, which stipulates a ratio of 1.18 dental practices per company. This figure has remained unchanged for more than 12 months, despite increased consolidation efforts by mid-large corporates,¹ with just 15% of the total number of practices in the UK being

owned by larger groups.² The number of dentists in the UK which performed NHS activity during 2021-22 stood at 24,272, nearly double that of the private sector constituting 13,999 dentists.³ The greatest regional concentration of dentists is in London, boasting an 18% share, followed by Manchester (5%) and Kent (2%).

Market size

Despite the growing political uncertainty and inflationary pressure on consumers and businesses, the increased level of market activity in the dental sector in 2021 has continued through 2022 and into 2023, demonstrating the resilience of the sector where others have struggled.

By the end of 2022, the market reached an estimated value of £9.6bn, up c.40% from the £7bn low in 2020, during the worst of the pandemic.⁴

Market Size

Figure 1: Market composition of UK dental businesses by number of sites²

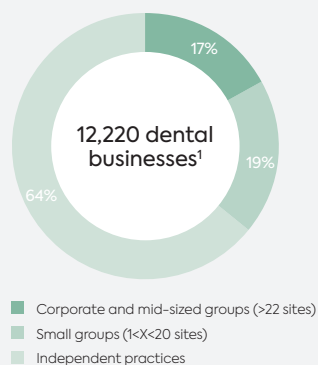
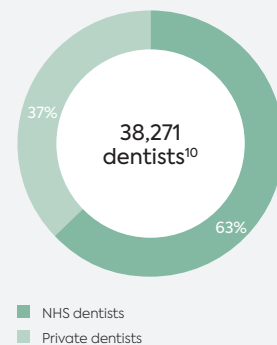


Figure 2: Market composition of UK dental practices by number of dentists³



Today, the market is expected to be valued close to the pre-COVID. 2019 levels of £10.1bn, relative to an anticipated global dental services market size of around £370bn,⁵ reflecting the 'U-shaped recovery' which Clearwater International anticipated in its dental market report published in 2021.

By the end of 2022, the market reached an estimated value of £9.6bn, up c.40% from the £7bn low in 2020, during the worst of the pandemic.

In 2023, the UK dental practices market size is expected to continue to grow by 7.9%,⁶ faster than the global CAGR of 4.5%.⁷ Transaction volumes have returned to pre-pandemic levels, with over 500 dental transactions occurring in the UK in the last 12 months.² The increase in market size over the previous two years is closely linked to an increase in consumer spending on dental services, which has more than doubled from £1.6bn in 2020 to £3.2bn in 2022.¹

By the end of 2022, the market reached an estimated value of
£9.6bn

Figure 3: Number of dental businesses by revenue, 2021 to 2022¹

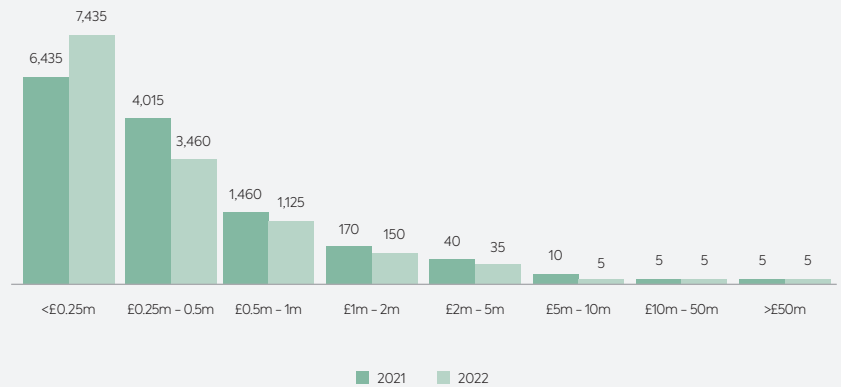
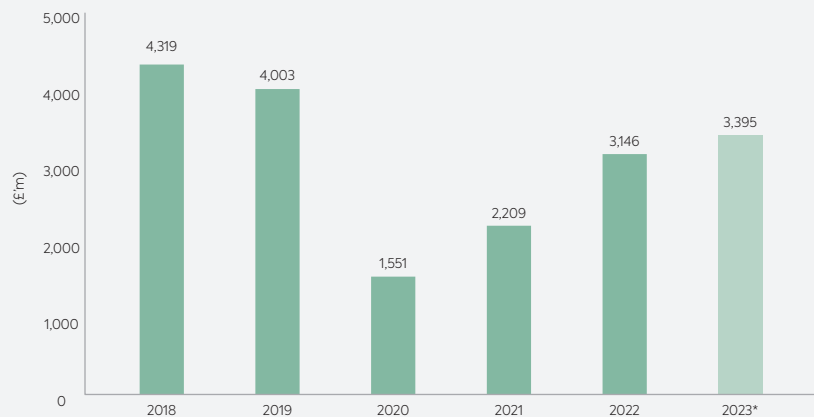


Figure 4: Consumer spending on dental services (£'m)¹



* 2023 forecast growth in consumer spending assumed at dental practices market growth rate of 7.9%

Market dynamics

The 'access crisis'

The 'access crisis' reflects a structural change in the UK dental market, whereby, a higher proportion of patients are electing for private dental care to access treatment. Following the pandemic, the NHS dental sector has struggled to cope with high levels of pent-up demand caused by a backlog of dental treatments, particularly non-emergency treatments including oral examinations, routine cleaning, radiographs, cosmetic procedures, and orthodontics. The British Dental Association (BDA) estimates the figure at 40 million appointments.⁸

Concurrently, from 2021 to 2022, the proportion of residents in England who tried to get an NHS dental appointment in the prior 12 months increased from 36% to 42%.⁹ This reflects an increase in demand from individuals that have not seen a dentist since before the pandemic, apace with rising societal awareness of oral health.

Despite an increase in the number of patients successfully obtaining an NHS appointment in 2022 (79% versus 74% in 2021), this figure remains significantly below the pre-pandemic level of 95%.⁹ Additionally, BBC research in August 2022

found that 90% of practices in England were unable to take on new adult NHS patients,¹⁰ with a lower success rate reported among younger adults and ethnic minorities. A regional breakdown of the proportion of dental practices not taking on new NHS patients is provided in *Figure 5* below.

Furthermore, the 2022 GP patient survey highlighted the increasing discontent patients experience when receiving NHS dental treatment from their current practice. This is exacerbated when analysing a patient cohort that have experienced a new NHS dental practice

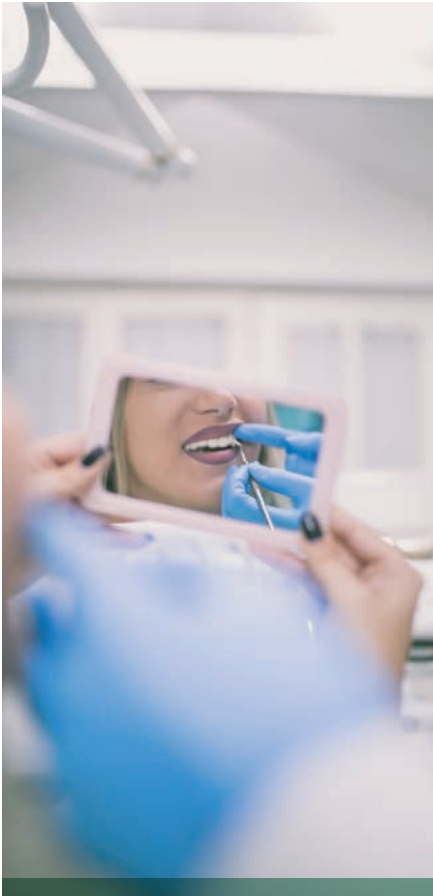
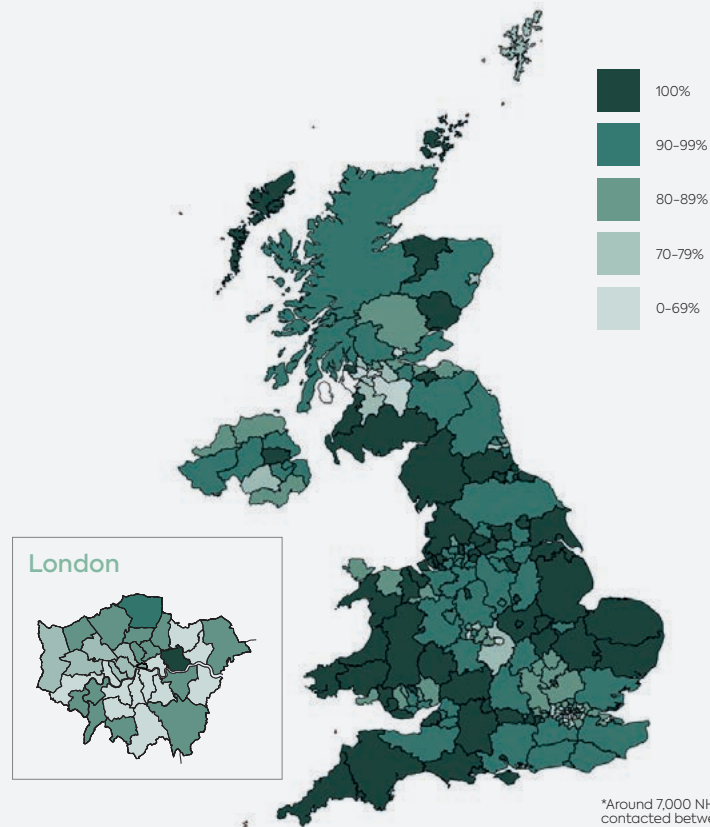


Figure 5: Proportion of dental practices contacted by the BBC for not taking new adult NHS patients¹⁰



*Around 7,000 NHS dental practices were contacted between May and July 2022

for the first time. Figure 6 opposite, shows that from 2019 to 2022, the proportion of patients who rated their experience as “very good” halved from 34% to 17%, whilst the proportion that rated “very poor”, nearly tripled from 11% to 31% across the same period.⁹

The NHS dental sector has struggled to cope with high levels of pent-up demand caused by a backlog of dental treatments.

Additionally, when analysing the patient cohort who did not try to get an NHS appointment, 28% responded stating that they “prefer to go to a private dentist”, see Figure 7 opposite. Although this statistic cannot be compared to prior years due to a change in question methodology, the reasons provided support the notion that there remains a core group of UK patients that opt for private dental care in a market characterised by poor access and worsening NHS patient experience.

On the supply side, over 1,000 dentists quit their NHS contracts in England and Wales in the 2021/22 financial year, attributable to mounting workload pressures in their current roles.⁷ With many private practices experiencing excess demand, associates are often not required to build patient lists of their own and risk a reduction in earnings in the short-term, which incentivises ‘leakage’ into the private sector.

The shortage of NHS dentists has been compounded by Brexit, which has reduced the supply of dentists, particularly from Eastern Europe.

Figure 6: Overall experience of NHS Dental Services with a dental practice not visited before⁹

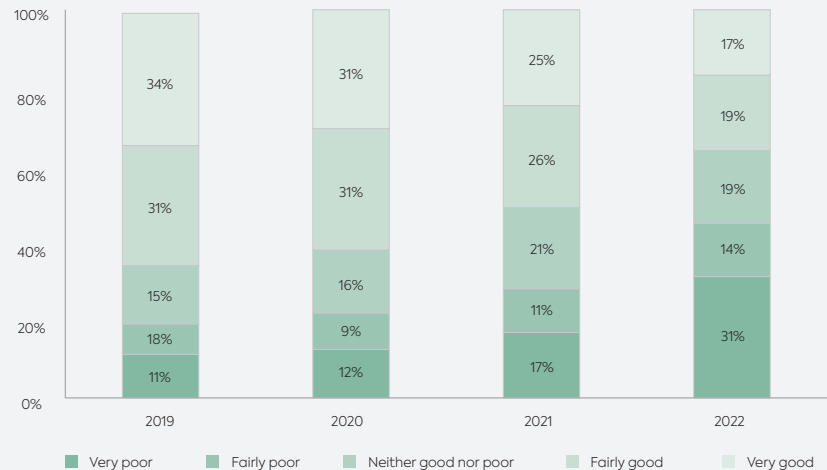
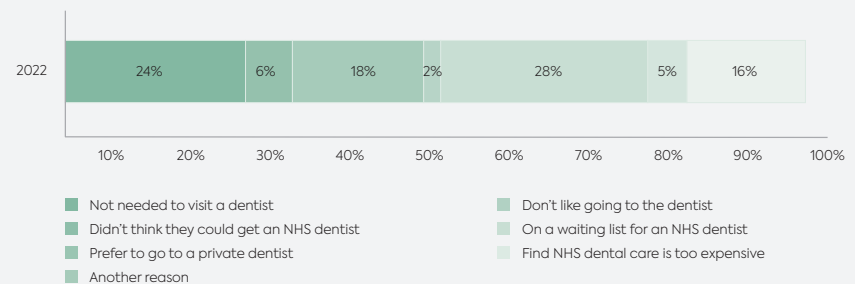


Figure 7: Of patients who did not try to get an NHS dental appointment, what were the reasons given⁹



Data produced by the BDA has shown that up to January 2023, Units of Dental Activity (UDAs) stood at just three-quarters of pre-COVID levels. Similarly, around 15% of NHS dentists are carrying out just one course of NHS treatment per month.⁸ Consequently, activity is becoming increasingly focussed on the most common and emergency treatment providing favourable conditions for private sector provision, particularly in non-essential dental treatments, such as cosmetics, and regions of low NHS dental accessibility.

15%
of NHS dentists are carrying out just one course of NHS treatment per month



Inflationary pressures

With the Consumer Price Index (CPI) up 10.1% in the 12 months to March 2023,¹ and the BDA estimating a 'dental inflation' rate of 11% for 2022,⁸ dental practices across the UK have experienced mounting costs of delivering dental care. Rising utilities costs, which represent 2.5% of practice costs, contributed the greatest proportional increase, with nearly 20% of dentists facing a 50% increase in their utility bills.

Lab costs increased by 15%, as the providers of lab services sought to pass on their own cost increases to dental practices. However, as dental practices in the UK are heavily labour intensive, wages constitute the greatest cost base for practices (68.1%), representing the most material nominal cost increase. Both clinical and non-clinical wage demands increased, including nursing pay, which was granted a 4.75% increase, with a further 14% demanded by nursing and health unions for 2023/24.

Where employee earnings are aligned to a percentage of revenue, as is often the case for associates and hygienists, there was less pressure on wages, however in

NHS practices where these employees receive a fixed income per UDA, there was increasing cost pressure in practices with low UDA rates and those in areas of low population density.² In response, private practices have been able to operate more flexible pricing and pass a proportion of this cost increase onto the end consumer. Concurrently, the NHS was forced to increase the band fees by 8.5% in April 2023.

Cosmetics

The cosmetic dental segment in the UK is fast growing and highly competitive, with a number of established market players offering cosmetic treatments; popular procedures include whitening, veneers, crowns and bridges, dental implants and orthodontic treatment.

As the NHS does not provide funding for non-essential treatment, the private cosmetic market is largely driven by social media, which encourages and normalises aesthetically pleasing smiles. In the UK, more than half (53%) of under 35s have undergone cosmetic treatment, however this falls to less than one in ten (9%) for adults over 35.¹¹ There is an opportunity here for private providers to continue to

invest in the growing cosmetic market and capture the patient demand for more complex procedures which is driving an increase in average spend per patient.

Attractive demographics

The UK has an aging population requiring an ever-increasing level of dental work. Currently, 47% of the UK population are over 45, forecast to be 50%+ by 2050. As individuals are able to retain their natural teeth longer into old age, the underlying shift increases dental spend per capita among older demographics which experience an increased incidence of dental diseases, making the segment a key target market for the industry.

Dental laboratories market

The dental laboratories market plays a crucial role in supporting dental practices in the UK through the production of custom-made dental appliances, prosthetics, and restorations based on dentists' prescriptions and patient specifications, including crowns, bridges, dentures, orthodontic appliances, and dental implants. The total number of dental laboratories in the UK is 2,540, with the greatest regional concentration in London (24%), Cambridgeshire (5%) and Manchester (4%).¹³

The dental laboratories segment has witnessed steady growth over the past 12 months, driven by factors including an aging population, increased awareness of oral health, and the rising demand for cosmetic dentistry and restorative treatments. In addition, significant technological advancements, such as computer-aided design and computer-aided manufacturing (CAD/CAM) systems, 3D printing, and digital imaging, have improved efficiency and accuracy in the production of dental prosthetics.

Figure 8: Cost increases for NHS dental practices⁸

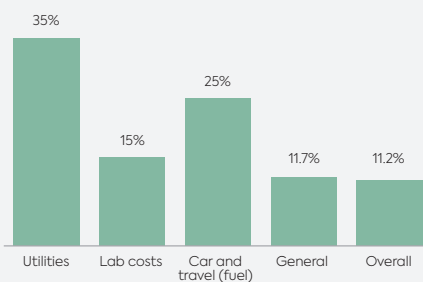
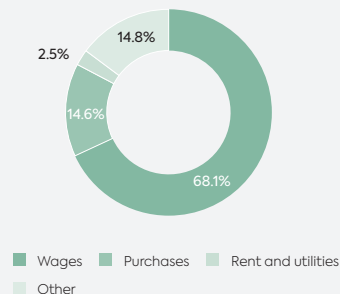


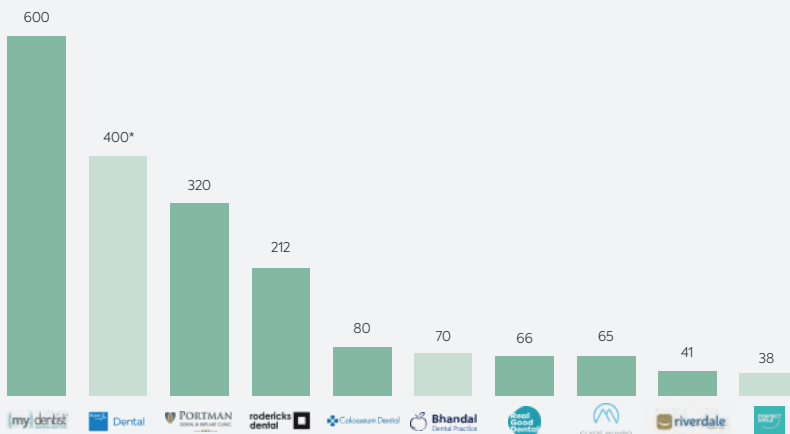
Figure 9: Cost base for dental practices⁸





Private equity interest

Figure 10: Corporate dental groups ranked by number of practices²



*Bupa announced intention to consolidate and close 85 clinics in March 2023

Dark green indicates corporate dental groups with current private equity sponsor investment

Dental practices with a strong mix of both public and private funding provide diversified revenue streams, whilst the fragmented market offers great opportunity for private equity-backed dental groups to implement buy-and-build strategies.



The majority of the top-10 corporate dental groups in the UK by number of practices, as shown in Figure 10 opposite, remain under private equity sponsorship.

Over the past 18 months, dental care has demonstrated strong resilience against the political and economic uncertainty, resulting in high levels of investment and increasing multiples as investors compete for the best assets.

Dental practices with a strong mix of both public and private funding provide diversified revenue streams, whilst the fragmented market offers great opportunity for PE-backed dental groups to implement buy-and-build strategies. The most active of the top 10 corporate groups in the market over the past 18

months have been Portman Dental, Rodericks Dental, Clyde Munro and Riverdale Health Care, all of which are PE backed. The two largest dental companies in the UK, MyDentist and BUPA Dental Care, have both refrained from making acquisitions, with BUPA announcing in March 2023 their intention to close, sell or merge 85 dental practices. This is reflective of a broader market trend, whereby corporates have been moving away from larger NHS practices due to the national shortage of dentists and increased inflationary pressures, discussed previously.

Instead, corporates are increasingly focussing on predominantly private practices over those with NHS contracts to drive value, whilst the quicker

transaction times make private practices more attractive to private equity. Jacobs Holdings-owned Colosseum Dental, for example, begun specifically targeting the private sector for the first time in 2022.²

Over the past 18 months, dental care has demonstrated strong resilience against the political and economic uncertainty, resulting in high levels of investment and increasing multiples as investors compete for the best assets.

Notable UK M&A activity

- **Portman Dental Care**, which is backed by **Core Equity Holdings**, has been highly active in the UK dental services market over the past 18 months. Most notably, Portman has merged with **Dentex Healthcare**, which successfully completed in April 2023, following conditional approval by the Competition and Markets Authority (CMA), bringing their total combined number of practices to around 320. Portman has made several other recent acquisitions throughout the year:

- **St Michaels Family Dental Practice** and **Southgate Dental Care** in January 2023
- **Sharoe Green Dental Practice** in August 2022
- **Ocean Dental Group** in April 2022

Prior to being successfully acquired by Portman, as discussed above, **Dentex Healthcare** made several acquisitions in the past 18 months:

- **Hedon Dental Practice** and **Edward House Dental Studio** in December 2022
- **Dawood & Tanner Dental Practice** in October 2022
- **Shawland Dental Practice** in July 2022
- **Meadowbank Dental Practice** in January 2022
- In March 2022, **CBPE** successfully completed the sale of **Rodericks Dental** to **CapVest Partners**, having grown the number of dental practices from 71 to 143, supporting 1.4 million patients across the UK and employing over 1,600

people. Under continued PE ownership, **Rodericks Dental** remains a buy-and build platform, acquiring Birmingham headquartered, **Dental Partners** in May 2022, which currently operates around 65 clinics. The deal represented an exit by **August Equity** from a five-year long investment. In addition, **Rodericks** has recently acquired:

- **NAMTA Limited**, for a consideration of £10m in September 2022
- **Eastgate Dental Care** and **Eastgate Orthodontics** in August 2022

- Recently, Scotland-based **Clyde Munro**, announced it has secured its 80th acquisition within just eight years since establishment in 2015. Backed by **Synova**, the company is the largest and fastest growing dental practices platform in Scotland, having continued to make a number of milestone acquisitions over the past 18 months. **Synova** began examining exit options for **Clyde Munro** in November 2022, however a sale has recently been put on hold, according to a number of sources.

- **Tryst Dental Practice, Colinton Dental Practice** and **Riccarton Dental Practice** in October 2022
- **Artis Dental** and **Implant Studio** in April 2022
- **Maybole Dental Practice** in March 2022
- **KF Dental Practice** in February 2022
- **Alloway Place Dental Practice** in January 2022

• In February 2022, **Scottish Dental Care Group** received a multi-million-pound minority investment from PE firm **BGF** to support their ambitious growth strategy of consolidating high quality dental practices across Scotland. The Group has since made several acquisitions:

- **Edinburgh-based St John's Road Dental Practice** and **East Craigs Dental Practice** in June 2022
 - **Matthewson Dental Practice** in May 2022
 - **Castle House Dental Practice** and **Granite City Clinic** in February 2022
 - **Glasgow-based Barrhead Dental Practice** and **Gorbals Dental Practice** in June 2023
- **Colosseum Dental**, the Zurich-based pan-European consolidator and backed by **Jacobs Holdings** since 2017, acquired selectively in the UK since the start of 2022
- West London-based **The Care Dental Practice** and **Care Dental Platinum** in March 2022
 - Exeter based **Pinhoe Dental Practice** in February 2022
- **Apposite Capital**-backed, **Riverdale Health Care**, has remained highly ambitious with its strategy to buy and build in the fragmented UK dentistry sector. Most notably, the company acquired **Hanji Dental Group**, which offers both NHS and private dental treatment throughout its 18 practices located across the Midlands and North of England, in August 2022. **Riverdale** also made further acquisitions including:

- **Prettygate Dental Practice** in June 2022
- **Windmill Orthodontics** and **Lion House Dental Practice** in January 2022

Dental lab deals

• **ALS Dental**, which is wholly owned by London based PE firm, **Ansor**, holds the number one market position in the dental laboratories market and is the fastest growing laboratory consolidator in the UK. The company has been highly active over the past 18 months:

- **Densign Laboratory** in May 2023
- **IW Dental Laboratory** in December 2022
- **Waterside Laboratory** in November 2022
- **Halo Dental Laboratory** in November 2022
- **Veus Dental Laboratory** in September 2022
- **Ken Poland Dental Studio** in September 2022
- **Precedental Laboratory** in July 2022
- **Romak Denture Centre** in May 2022
- **Woodlands Dental Laboratory** in March 2022
- **CBC Dental Laboratory** in March 2022
- **Norwich Ortho** in January 2022
- **Oakview restorations Dental Laboratory** in March 2023



Notable European M&A activity

- Pan-European consolidator, **European Dental Group**, is a leading dental care and services consolidator in Europe, which has been backed by **Nordic Capital** since 2018. The company boasted revenues of €690m in 2022 and has 5,455 employees. In January 2022, the Group acquired **Medident**, the France-based dentist clinic network for an undisclosed consideration, providing a foothold in the French dental market
 - Pan-European consolidator, **Colosseum Dental Group**, has acquired selectively during the year, following their major acquisition of **Curaeos**, the Netherlands-based dental care provider from **EQT Partners** in August 2021 for an estimated consideration of €600m. **Colosseum Dental** acquired **Kliniek voor Tandheelkunde Sneek**, the Netherlands-based dental clinic in June 2022, whilst **Curaeos** itself acquired a hospital and various dental practices in Germany in May 2022
 - In February 2023, **Innova Capital** acquired **United Clinics**, a leading dental consolidator in Central and Eastern Europe. The Group initially comprised 19 dental clinics located in Poland (6), Lithuania (12) and the United Kingdom (1) and has continued to operate as a platform for consolidating European dental clinics, making several further acquisitions within Poland
 - **KSE Stomatologia** in February 2023
 - **Platinum Klinika** and **DentalScan** in December 2022
 - **Dentx Centrum Zdrowego Usmiechu** in September 2022
 - **Pro Ortodont** in August 2022
 - **iDentical** in July 2022
 - Sweden-based **Dentalum Group**, which acquires, develops and operates dental clinics in the Nordic region, has made several acquisitions throughout Sweden and is currently considering raising capital to continue consolidating dental clinics in the Nordics
 - **ABCARE Tandvard** in March 2023.
 - **TandCity** in January 2023
 - **Tandcenter Umea** and **Tandcenter Lovanger** in July 2022
 - **Novo Dental** in July 2022
 - **Skelleftea Tandvard** in July 2022
 - **Swedish Dental Shanavaz** in March 2022
 - **Karlatandlakarna** and **Malarkliniken** in January 2022
 - Backed by one of the largest private equity funds in the Baltic region, **INVL Baltic Sea Growth Fund**, **InMedica Group**, which completed a €100m merger with **MediCA Group** in March 2023, and is the largest private healthcare company in Lithuania. **InMedica Group** has made several acquisitions of dental clinics in the region.
 - **Vilnius Implantology Centre Clinic** in March 2023
 - **RVL Clinic** in February 2023
 - **Danta Dental Clinic** in November 2022
 - **Kaunas Implantology Centre** in January 2022
- Dental lab deals**
- Düsseldorf-headquartered **Delabo Group** was acquired by **Avedon Capital Partners** in 2019 and has become one of the largest dental laboratory groups in Germany. The buy-and-build platform has continued to make a large number of domestic acquisitions throughout the year with international expansion beyond the DACH region outlined in its growth strategy.
 - **Biemadent Zahntechnisches Laboratory** in April 2023
 - **Reitt & Meyer Laboratory** in January 2023
 - **Hesse Dentallabor Laboratory** in September 2022
 - **Walsdorff Zahntechnik Laboratory** in August 2022
 - **Hans Plewe Laboratory** in April 2022
 - **Keller Dental-Labor Laboratory** in March 2022
 - **Schiewe Dental-Labor, Gerling Dental-Labor, Huiss Dental-Labor** and **Dental Labor Kanzler** and **Trompeter Laboratories** in January 2022
 - **Ketterling Dental-Technik Laboratory** in June 2023
 - The pan-European Group, **Corus Dental**, which is a portfolio company of **Careventures** and **Quadrum Capital**, holds a market-leading position in digital dental prostheses and consists of 74 labs across Europe. The Group recently expanded into the UK in February 2023 by joining forces with **Byrnes Dental Laboratory**. Additionally, the Group acquired Sweden-based **Nordentic** in August 2022, and Netherlands-based **Signadens Europe** in March 2022, continuing to further expand its market position in the European dental laboratories market through an active buy-and-build strategy
 - **Minlay Group**, which is the undisputed French leader and a major European dental laboratories platform, was acquired by **Adagia Partners** from **Motion Equity Partners** in July 2022

Leading pan-European consolidators

• A number of further notable PE transactions across Europe are outlined below:

- UK-based PE firm **Transition Capital Partners** and Austria-based PE firm **Yana Investment Partners** acquired **Dental Feel Group**, the Italy-based dentist chain in February 2023
- France-based PE firm, **Siparex Groupe** acquired **Odontolia Group**, the Belgium-based dental clinic operator in October 2022
- Poland-based PE firm, **Tar Heel Capital** acquired **Stomatologia Borowski**, the Poland-based dental care provider in August 2022
- Netherlands-based PE firm, **Quadrum Capital** acquired **Opera Signadens**, the Luxembourg-based dental laboratory in July 2022
- Denmark-based PE firm, **Axcel Management** acquired **Oral Care**, the Sweden-based dental care services provider in July 2022
- Netherlands-based PE firm, **Bencis Capital Partners** acquired 100% stake in **Europe Medicare**, the Netherlands-based company engaged in providing dental care services in April 2022
- France-based PE firm, **Abenex Capital** acquired **Denteka**, the France-based local dental centres for a consideration of £120m in March 2022

Dental lab deals

- Netherlands-based PE firm, **Bencis Capital Partners** acquired **Clinias**, the Netherlands-based dental health care company in May 2022.

- **BUPA** – Australia, Brazil, Chile, Hong Kong, Ireland, Mexico, New Zealand, Poland, Spain, Turkey, and United Kingdom
- **Colosseum Dental** – Belgium, Denmark, Finland, France, Germany, Italy, Norway, Sweden, Switzerland, The Netherlands, and United Kingdom
- **European Dental Group** – Belgium, France, Germany, Norway, Switzerland, The Netherlands, and United Kingdom



Dental

Colosseum Dental



EUROPEAN DENTAL GROUP

Significant Pan-European consolidators with current dental practice locations
Source: Clearwater International research



Looking ahead

Looking ahead into the second half of 2023, the government is set to “clawback” over 10% of the £3.0bn NHS dental budget, which the BDA stress “does not reflect a lack of demand for dentistry, but the reality of a recruitment crisis across the frontline, leaving practices unable to fulfil their contractual commitments”.⁸

Clearly, there remains some key challenges in the UK dental market regarding staffing, recruitment and retention of dentists that can deliver NHS funded contracts. As a result, the private dental market, which can leverage investment in digital workflows, increase marketing efforts, and offer more flexible pricing to patients, is expected to experience continued growth over the coming years to fill the void.

In addition, inflationary pressures that have been impacting the dental market over the past 18 months are expected to begin to ease, with the Bank of England forecasting CPI inflation to fall to around 5% by the end of this year and return to the 2% target rate by late 2024.¹²

Strong underlying macro trends including ageing demographics, shift to private pay dental services so patients can access

dentists, and growth in cosmetic dentistry will likely support overall demand for dental services in coming years. The high level of recent transaction activity reflects confidence investors have in the resilience of the dental market to periods of political and economic uncertainty, and the continued opportunity for consolidation activities in a fragmented market. Recent deals in the dental sector have continued to demand high multiples in the region of 10–15x EBITDA, attracting investors who see a clear equity story in a fragmented market requiring consolidation and the greater efficiency that can be achieved from growing scale.

Recently, a trend has been observed of a number of dental laboratory companies consolidating in the European market, with the likes of Corus Dental, Delabo Group, Minlay, and European Dental Group. Investors are also expressing greater interest in dental market adjacencies and view dental laboratories as a segment that needs consolidating. In the current climate, high quality dental laboratories of scale are demanding mid to high double-digit multiples.

There is an opportunity over the next 12 months for a ‘land grab’ exercise to help take the number one position in the market, which remains fragmented with only a handful of consolidators. As the European dental lab groups consolidate, it will be interesting to see if the market receives greater interest from US consolidators, which have previously shown little interest.

The immediate future of the dental market will be characterised by further consolidation in the UK and across Europe, with PE interest expected to remain strong, driving transactions either as standalone platforms, or a bolt on to their existing dental platform. Dental laboratories will also look to consolidate their respective positions both locally and as pan-European players.

Sources

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Healthcare team

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