



Simon Turton

CEO & Co-Founder,
Gensmile Dental Care

[gensmiledental](#)

UK dentistry continues to attract huge PE interest as the market continues to consolidate. Candesic's David Farbrother caught up with Simon Turton, founder and CEO of Gensmile, to find out more.

With revenue of over £100m this year, and 70 sites at the time of writing – and likely more at the time of going to print – Gensmile is well poised for continued growth. As well as UK dental practices, it has a presence in the Republic of Ireland, and four dental labs.

Turton says business is booming: "We're in a good place right now. We've stayed with High Street banks (Gensmile recently signed an enlarged acquisition facility from NatWest and Virgin Money) and they've scaled with us. They are very supportive and understand our business.

"That's not to say the debt funds can't be friendly but I think it's slightly different relationship when they are involved. The downsides with the High Street banks are that they can be less flexible and the quantum they make available can be less. But given recent interest rate hikes, depending on how much you had hedged, some of the debt fund money is currently very expensive.

"Obviously our overhead costs have gone up with inflation, and our interest costs have gone up as well, but it's still a manageable level."

Turton agrees that the M&A market was quiet 18 months ago, and many saw it as a good time to focus on organic growth and focus on the value proposition, but he thinks a corner has now been turned:

"The market quietened a little bit at the beginning of last year, as people got used to the new reality about valuations following the interest rate hikes. Recently, it's been a very good time for us in terms of M&A. The competitive dynamic is quite different from what it was." Buyer and seller price expectations, it seems, are now better aligned than then.

The trick to sustainable growth, he adds, is striking the right balance between organic and acquisitive growth, with the sweet spot around 50-50. Without naming anyone, he hints that some other groups may have taken M&A too far.

He adds: "I'd rather pay to build another couple of surgeries onto an existing practise, assuming patient demand is there, than go out and buy another practice".

Gensmile does very little NHS work – around 96% of revenue is private. When Covid hit, private pay focused practices struggled while NHS-focused received payment for work which couldn't be done. Post-Covid, it appears the tables have turned.

Turton explains: "There has been a post-Covid boom. People had saved money because they weren't going out. They were more aware of their health and spending more time staring at themselves on Zoom made them more conscious of their teeth. Having been denied access to dental treatment also made them value it more. These factors combined with longer-term trends, aging demographics, people wanting to look good into older age and growing patient knowledge of treatment options. On the flip side, NHS dentistry is harder to access, which is very different from what happened after the global financial crisis 15 years ago.

Has the cost of living crisis and higher interest rates not had a negative effect? "We've definitely seen an impact in the last year, but we're still seeing positive organic like-for-like growth."





Gensmile's revenue is growing in the high single digits, double that of the market according to Turton, while its long-term CAGR is 9-10%.

For a group which barely touches NHS work, Turton is far from disparaging, but he insists something must change soon: "There's no shortage of demand, but the current system is loved by the treasury because it caps what is spent on NHS dentistry. It's a system where you get paid for a course of treatment as opposed to exactly how much work you do. The uplift in what the government pays each year has been around 1.5%, which is less than costs increase, so it becomes less profitable each year.

"The main issue is that there are less dentists in the NHS while demand continues to grow. You can hit your NHS targets if you've got the dentists, but many dentists don't want to do NHS work"

Does NHS dentistry have a future?
"There needs to be change. I don't know what the answer is, but the current situation isn't sustainable."

There is a huge discrepancy in revenue generation. With the average NHS dentist doing, say, 7,000 units of dental activity (UDAs) and the average UDA worth around £29, that NHS dentist is generating around £200,000 a year from which they get around 43%, something like £86,000 in salary. If they do a little private work on top that might bring it to £100,000.

"A private chair might be working on the same percentage but bring in around £350,000 a year – so that's £150k a year to the dentist.

There is a similar shortage of dental nurses, many of whom left the profession in 2020. While Turton feels salary is far from the only factor in retention here, it clearly matters: "We have at the very least retained everybody's salary in real terms, which means from March 2022 to this month, people have had a minimum pay increase of 18%."

What does an attractive area look like?

"Generally we focus on the biggest and best practise in a market town with a wealthier than average demographic, where you may have generations of patients having gone to the same place. Loyal patients with the ability to pay because of where they are in their careers or they're retired with final salary pensions, that kind of thing."

Sadly, areas like Cornwall are harder to recruit for, and some groups paying up to £20k signing on bonuses for difficult-to-recruit areas.

Turning to brand, mydentist has been running a budget offering while overseas, groups like Donte Group have a specific brand (Moonz) for children with Playstations and homework areas on site. Does brand matter to Gensmile?

Turton confirms Gensmile is not seen as a brand on the street: "Our clinicians believe that people are put off by corporate healthcare. Our patients like to feel they're going to a practise which is clinician- run so our brand is purely a 'behind the counter' brand for our staff, but patients never see it.

"And they are clinician- led, after all. We keep our dentists for a very long time even after they've sold to us, and we put a lot of effort into keeping the practises operating and feeling like they always did.

"What I say to our team is go out, find the best possible practises to buy and, don't mess them up!"

Gensmile has four labs, and is looking to increase that number. Turton concedes there has been a "very chequered history for groups owning labs".

He adds: "Labs is one area where NHS dentists try and recoup some of that squeeze that they've had from the Chancellor in terms of how much their payment have gone up is. There is, therefore, a big focus on pricing for NHS lab work and we avoid doing this. As with our practices, we focus on private lab work where the focus is on quality and service. For private dentists, clinical freedom is key, and choice of labs is an important part of this. Dentist-lab technician client relationships can be very sticky which means that the business should be very stable, but we can't just tell our dentists that they need to use our labs now.

"The lab business can be a good cash generative business and if you choose the right assets then it can make sense. Currently labs is about 10% of our business."

