

## Women's health

PHIN examines the increasing number of women going private

## Transformations

Dr Sayani Sainudeen, new CEO at Transform Healthcare, on growth plans

## European dentistry

Which group is likely to become pan-European first?

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# HM Healthcare Markets

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Indepth

## Self-pay

Is demand changing and should we be concerned?

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INTELLIGENCE + INSIGHT

Candesic managing partner **Dr Leonid Shapiro** and associate **Dr Marco Mazevet** take a whistlestop trip around the biggest dental markets in Europe and ask which group is likely to go truly pan European first



# The **runners and riders** in the race to consolidate Europe's dental sector

**D**ental markets across Europe have increasingly attracted substantial interest from PE and institutional family offices, with the promise of the kind of rapid consolidation seen in the veterinary sector. Covid, the cost-of-living crisis and rocketing interest rates dampened enthusiasm, but with the pandemic an increasingly distant memory and promise of better financial stability ahead, there is strong sector consensus that a corner has been turned and there are deals to be done.

In part, this is also because – much like ophthalmology – even in countries with a strong and well-defined national health system, dentistry is seen as one of the areas where it is acceptable – and potentially essential – to pare off a material portion of the public sector work to private providers.

There is also a growing pan-European acceptance of DSOs (Dental Service Organisations). Some see this as a legacy from the pandemic, making the DSO option more appealing (there is safety,

and bulk purchasing power, in numbers) but it is far more down to an increasing reluctance to do administrative work, a preference for working in teams, and a desire to achieve a better work/life balance.

The growth of the largest players continues apace. Figure One shows the largest players in Europe have been growing significantly, Covid notwithstanding.

## Analysis – by company

### Colosseum Dental

Eleven European countries, not including Spain

Colosseum Dental sits at the head of the pack by revenue and breadth. It has 620+ clinics, and over 50 labs across eleven European markets, generating over €1.1bn in revenue. It covers all specialities, and of the big EU5, is absent only in Spain.

But what makes Colosseum Dental truly interesting beyond its size is its non-

PE owner, Jacobs Holding. The Switzerland-based investment firm has but one economic beneficiary, the Jacobs Foundation, a charitable foundation. Freed from the usual PE pressure of keeping an eye on an ever-approaching exit window, Jacobs allows Colosseum to take a longer-term view of the market, and it has benefitted accordingly allowing it to make longer term plans for expansion.

### European Dental Group

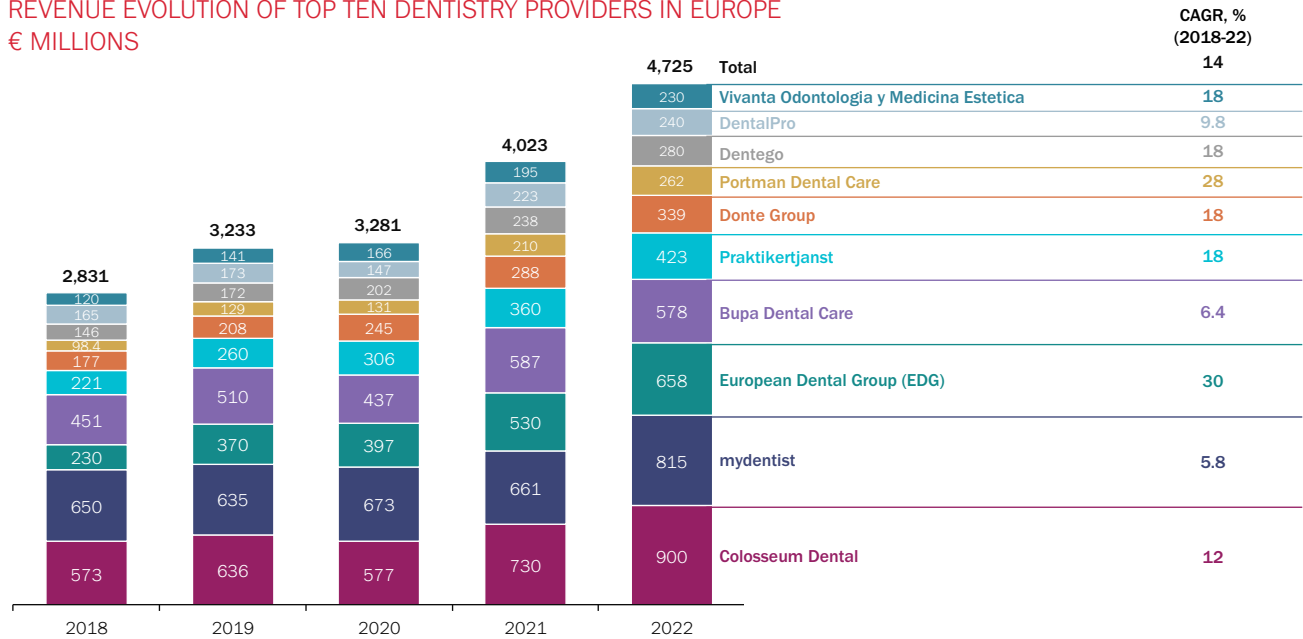
UK, Belgium, France, Germany, Switzerland, Netherlands

Near the front of the pack by revenue is multinational European Dental Group, created in 2018 by combining fast-growing chains and continuing to expand, buying Dental Beauty Partners in the UK in 2021, and joining forces with Mond in Belgium in 2021. Owned by Nordic Capital, it is present in six European countries.

It has been streamlining and doubling down on its core business recently. In

**FIGURE ONE**  
**MARKET GROWTH OF THE TOP TEN EUROPEAN DENTAL PLAYERS**

**REVENUE EVOLUTION OF TOP TEN DENTISTRY PROVIDERS IN EUROPE**  
 € MILLIONS



**NOTE** WHERE HISTORICAL REVENUE DATA WAS NOT AVAILABLE, FORECASTS WERE MADE BASED ON THE GROWTH TREND FROM 2018 TO 2022 OF COMPANIES WITH AVAILABLE DATA  
**SOURCE** PITCHBOOK; ANNUAL REPORTS; CANDESCIC RESEARCH AND ANALYSIS

August last year, European Dental Group sold off its dental labs businesses to Oakley Capital to focus on its oral care clinics. Talk of resumption of a previously deferred sale persists.

**Mydentist**



By revenue alone, UK-based mydentist deserves a place on this list – but that does not tell the full story. After a period of expansion, mydentist experienced a notable lull in M&A activity.

It has recently been concentrating on its core offering, refining it and slimming it down. In May 2022, it sold its DD brand (formerly Dental Directory), a UK and Ireland focused medical aesthetics distributor and service provider. Latterly, the focus has been on organic growth and the development of its affordable private offering. There has also been a huge shift to private work. A ‘merge and relocate’ programme has also seen it combining practices.

Could this UK powerhouse push into Europe? In principle, yes, but it likely won’t be under the current owners. Palamon has hired Morgan Stanley to put the company up for sale. MyDentist might be an opportunity for a new investor to buy a sizeable platform with

which to expand into Europe. However, they will need to carefully consider both the outlook for the UK business as well as the extent of synergies with European dental players to ensure their investment thesis materialises.

**Praktikerjanst**



Praktikerjanst, the Sweden-based chain of primary care and dental clinics is in a similarly strong position domestically to mydentist, with a revenue to rival some of the biggest players in Europe, but its shareholder/cooperative nature (it is owned and operated by its doctors, dentists, dental technicians etc) makes expansion abroad unlikely.

**Donte Group and Primo Caredent**



Spain-based Advent-owned Donte Group and Italy-based Primo Caredent also make the list of ones to watch and are an interesting pair worth considering together. Both are ambitious.

Donte, the larger of the two by reve-

nue, carries a variety of brands tailored to different kinds of clientele (one for children specifically, for example). It has undergone rapid expansion in Spain, which is a largely unconsolidated market.

In contrast, Primo Caredent (created by the 2020 merger of Aksi-backed Primo Group and fellow Italian dental chain CareDent) has been keen to expand its scope under one brand, looking beyond dental.

These complimentary groups are on friendly terms. Could a collaboration follow?

**Portman Dental**



The final group in our ‘ones to watch’ is rapid riser Portman Dental. Owned by Core Equity Holdings since 2018, Portman is expanding rapidly and has clear overseas ambitions. The group ‘merged’ with rival Dentex last year, and with a presence in the UK, Ireland and Benelux, further expansion seems likely.

All of the groups here held by PE have been with their present majority owners for six years or more suggesting as the deal climate turns and buyer and seller expectations coalesce post Covid, significant M&A might be expected soon (see Figure Two).

## Analysis by country

### Germany

*The one to watch with the chance of regulatory risk lifting*

Europe's largest dental market is predominantly funded by statutory insurance. There has been some low-level consolidation, but many single dentist practices remain. M&A, seen as the main route to growth, hit something of a speed bump recently, but that is now changing.

Controversial German Minister of Health Karl Lauterbach spoke widely about his planned outpatient reforms/crackdown on PE, branding 'locust investors' a problem - but recent signs from Germany, including draft legislation, suggest this may no longer be the case and in any event legal experts think Lauterbach's plans look increasingly unworkable.

### UK

*Private business is booming with new hope for NHS rework*

Lately, the large UK market has had clear demarcation. Post pandemic, demand for private work has soared and there is consensus business is booming - while NHS work is seen as increasingly

unviable. 'Dental deserts' have emerged and groups wanting to recruit in these sometimes resort to paying thousands in golden handshakes.

the dental contract and shift the focus to prevention and retention of NHS dentists, thousands of whom have left the NHS since the pandemic.

## ARE WE HEADED TOWARDS PRIVATISATION BY THE BACK DOOR? THE NEWLY ELECTED LABOUR GOVERNMENT HAS PROMISED A RESCUE PLAN

Are we heading towards privatisation by the back door? The newly elected Labour government has promised a rescue plan to provide 700,000 more urgent dental appointments and recruit new dentists. It also promises to reform

### Spain

*Largely unconsolidated mostly out of pocket*










The Spanish market has huge opportunities for consolidation, but there are few large assets to buy.

Despite having a national health service, dentistry is largely the purview of private practitioners and the budget is such that this is unlikely to change significantly. Like the UK, Spain faces patchy workforce coverage with rural areas especially hard to recruit for but unlike the UK, there appear to be sufficient practitioners. A largely reactive market, the Spanish are more likely to seek treatment when there is a problem than pursue preventative treatment.

Attempts to build low-cost dental offerings along the lines pioneered by mydentist in the UK have proved unsuccessful in Spain with both Funnydent and iDental struggling, but there is clear scope for differentiated offerings and consolidators willing to make the most of a lot of small pickings.

## FIGURE TWO LARGEST EUROPEAN DENTAL GROUPS

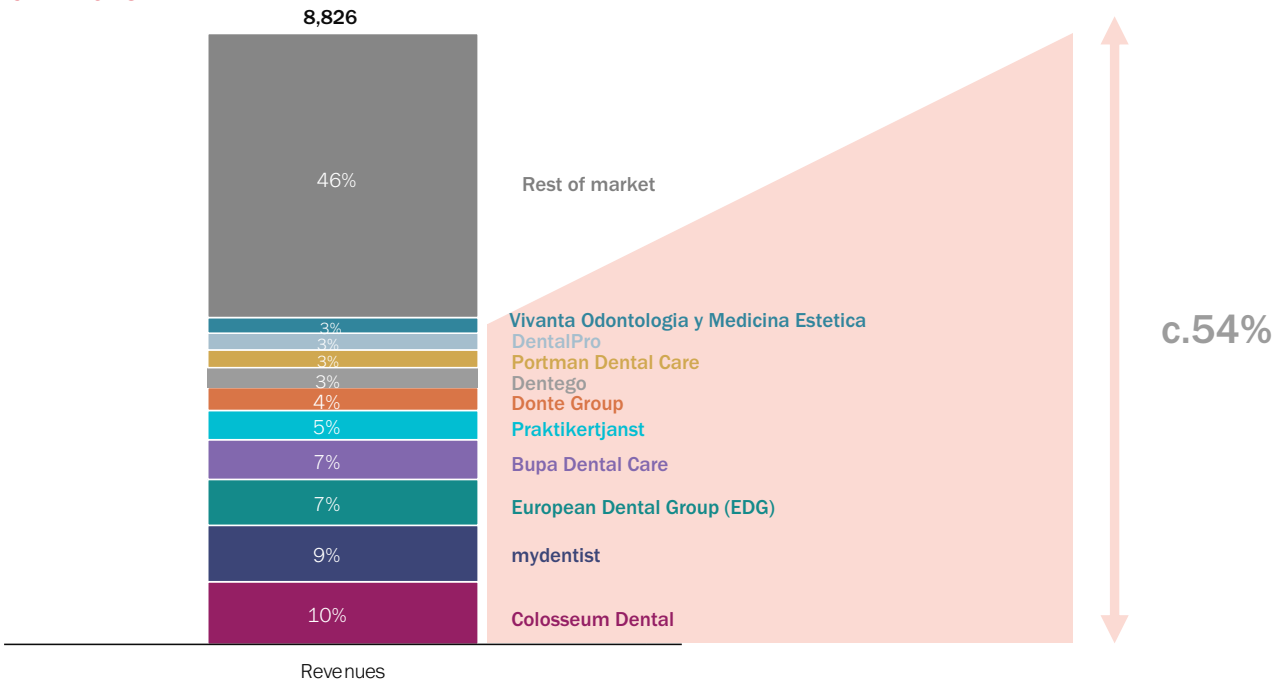
### OVERVIEW OF LARGEST DENTISTRY GROUPS

Company	Latest Revenue (€m)	Revenue CAGR,% (2018-22)	Ownership	Year of investment	Asset holding period (years)
 Colosseum Dental	1,100	12	Jacobs Holding	2017	7
 mydentist	661	5.8	Palamon Capital Partners	2009	15
 EUROPEAN DENTAL GROUP	660	30	Nordic Capital	2018	6
 Bupa Dental Care	578	6.4	BUPA Group	-	-
 PRAKTIKERTJÄNST	402	18	Privately held (no backing)	-	-
 DONTÉ GROUP	362	18	JB Capital Markets, Advent International	2016	8
 dentego	280	18	GSquare	2017	7
 PORTMAN dental care	262	28	Core Equity Holdings	2018	6
 DENTALPRO	240	9.8	BC Partners	2017	7
 vivanta	230	18	Portobello Capital, BNP Paribas SA, Ares Management	2017	7

SOURCE PITCHBOOK; ANNUAL REPORTS; CANDESIC RESEARCH AND ANALYSIS

**FIGURE THREE**  
**EUROPEAN DENTAL MARKET FRAGMENTATION**

MARKET SHARE OF DENTISTRY IN EUROPE BY REVENUE, 2022  
 € MILLIONS



SOURCE CANDESIC RESEARCH AND ANALYSIS

**France**

*Huge scope for consolidation hampered by regulation*

While on the face of it there is huge scope for consolidation, in practice, this has proved impossible due to regulations effectively forbidding anyone from investing in more than one or two dental practices.

Though loopholes have been exploited to effectively turn a profit, this is scant basis for a successful, widespread business.

**Italy**

*Volumes matter in a lower priced market that is attracting attention*

The historically slow growing, largely unconsolidated Italian market is something of a poor relation to its EU5 peers in financial terms, but still attracting increasing interest. What makes it attractive is that it's largely an out-of-pocket (80% plus) market with some insurance, and very little public payment.

A comparatively low price point sees many operators considering Italy as a 'stack them high, sell them cheap' market where volumes supersede price. So

much so, that a tradition of going abroad for treatment has sprung up. There are exceptions including Primo Caredent (above) which services a more affluent clientele.

Regulation is handled by the regions, making some regions easier to do business in than others, and making building a countrywide network more difficult.

**THERE ARE  
 SIGNIFICANT  
 CONSOLIDATION  
 OPPORTUNITIES  
 ACROSS EUROPE...  
 WE EXPECT TO  
 SEE SOME HIGH  
 PROFILE DEALS IN  
 THE NEXT 12-24  
 MONTHS**

**Consolidation**

There are significant consolidation opportunities across Europe. Figure Three shows the fragmentation of the European market as a whole.

While some of these players are only in one country, even the largest pan-European player has only 10% of the market. There has been much debate about the benefits of cross-border consolidation, which sometimes has not borne as much fruit as investors expected, however, this may change as dentistry becomes more digital, requiring centralised investment in digital tools/equipment, software, and manufacturing. These may be stronger drivers of pan-European consolidation than sharing of best practices relied on previously.

Given the length of time major players have been held by their majority shareholders, combined with improving economic conditions, growing underlying clinical demand, and increased benefits of consolidation from digital, Candesic expects to see some high-profile deals in this sector in the next 12-24 months.