



**DENTAL**



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*Demand remains strong across the value range and for all practice types.*

## MARKET OVERVIEW

2018 saw a noticeable shift in demand towards the private dental sector, driven by the challenges NHS operators face in recruiting and retaining associate dentists. While NHS dentistry is still considered highly attractive for many entering the sector, there is now greater sensitivity in relation to UDA performance.

The continued lack of supply of quality dental practices has underpinned prices, particularly in the higher price ranges, and the growth in the number of smaller dental companies has increased demand for larger practices, where greater economies of scale can be realised. Multiple practice owners are increasingly developing specialist treatments in house as a means of retaining 'referral' income.

## CORPORATE ACTIVITY AND MARKET CONSOLIDATION

The sector continues to consolidate, although, with only an estimated 12% of practices in corporate ownership, the market remains highly fragmented. There have been fewer 'marquee' transactions in 2018 compared to 2017, which was inevitable given that three of the five largest corporate dental companies were traded in 2017. Portman Dental, now the third largest national corporate with 102 practices, refinanced its operations in 2018 with new partner Core Equity Partners and looks set for further growth in 2019. We expect the next tier of corporates to continue to grow their portfolios, which will offer private investors larger scale opportunities in due course.

Multiple operators remain very active with several seeking private equity investment as a means of accelerating expansion over the coming years. We anticipate newly private equity-backed corporates, such as Rodericks and Colosseum, will focus on acquisitions as they reshape and grow their portfolios.

The sector enjoys huge interest from private equity investors, and as we move into 2019, there are likely to be further platform transactions in the lower and mid-markets. However, deal volumes are hampered by suitable 'platform' opportunities and a lack of quality management teams. To mitigate the lack of supply, we are seeing a number of smaller investment houses targeting large, single practices.

As the UK market matures, larger companies might begin to explore expansion opportunities in European countries with a sound economic landscape, population wealth and good oral health. Jacobs Holding is the first to own multiple portfolios on a pan-European basis and could encourage UK dental companies to do likewise.

## WORKFORCE CHALLENGES

Our recent market report, The Dental Industry 2018: Staffing Brexit and The Dentist Shortage, shows operators are increasingly concerned about the availability of specialist skilled workers. The private pay market will continue to attract new associates, especially for those with a few years' experience who are seeking to specialise. Evidence suggests this is happening sooner in the career path than previously. The growing market and subsequent lack of associates will continue to place upward pressure on pay scales. Urbanicity will increasingly contribute

**Banks continue to demonstrate good appetite for dentistry and consistently low levels of impairment confirm the industry is a relatively safe haven for investment.**

**Buyer profiles continued to evolve as the market saw a lull in appetite from larger multiple and corporate operators.**

to a surplus of dentists in urban settings, whilst worsening the shortage of dentists in rural areas, placing upward pressure on pay scales in NHS dentistry. Pay rates are likely to increase in rural settings throughout the next year in an attempt to draw more dentists to these areas. However, some recruitment issues are beginning to enter more urban settings. Most importantly, operators will need to accommodate emerging workforce trends to attract associates, for example through flexible working, while also maximising the skills of hygienists and therapists, allowing associates to perform more advanced dentistry, driving income.

However, there is a cost associated with the recruitment and training of therapists and hygienists, a proportion of the workforce which is also in short supply.

**BREXIT**

Brexit is inextricably linked to recruitment and retention in the dental workforce, presenting a real challenge for many operators. The number of EEA registered dentists fell for three consecutive years from 2014 to 2016, finally stabilising in 2017 with the total number of EEA dentists remaining flat around 6,800. Areas further away from main population centres will be most affected by the declining number of EEA and overseas qualified dentists. Whatever exit terms are agreed should stabilise the number of dentists leaving the UK but more importantly, the Government should aim to welcome skilled dentists and immigration barriers should be reduced for dentists who qualified outside of the EEA to attract more dentists to the UK workforce.

Gross income and UDA contract performance are directly influenced by every member of the clinical team. Maximising the skills of hygienists and therapists within a practice could allow for associates to focus on the performance of more advanced dentistry, driving income and improving yield. More training places for therapists, hygienists and undergraduate students should be prioritised.



**CASE STUDY  
Brookland Dental Clinic, Milton Keynes**

In July, Christie & Co sold Brooklands

Dental Clinic, a high quality, private general practice in Broughton, Milton Keynes. The practice was acquired by Enamel Dental, a newly formed dental company, marking the group's third practice.

**UK Dental Workforce 2017: Country Level Benchmarks**

Quantity of Dentists

Quantity of Dental Care Professionals (DCPs)

England

**32.4k**

Dentists  
1 dentist per 1.7k people

**54.6k**

DCPs  
1 DCP per c. 1k people

Scotland

**4.0k**

Dentists  
1 dentist per 1.4k people

**7.0k**

DCPs  
1 DCP per c. 800 people

Wales

**1.7k**

Dentists  
1 dentist per 1.9k people

**3.2k**

DCPs  
1 DCP per c. 1k people

Northern Ireland

**1.6k**

Dentists  
1 dentist per 1.2k people

**2.2k**

DCP  
1 DCP per c. 800 people

## MARKET PREDICTIONS

*The market will become increasingly quality driven.*

*Consolidation within the sector is expected to continue as private equity backed groups and mini corporates compete for larger practices.*

*Corporates will divest non core practices into the independent sector.*



### CASE STUDY Caledonian Dental Care, Perth

In November, Christie & Co brokered the sale of Caledonian Dental Care, Scotland's largest dental practice, comprising two large practices with a total of 19 surgeries.

Established in 1947, with the second practice purpose built in 2009, the practices are two of the busiest in Scotland, with approximately 40,000 registered patients. Sold in excess of the asking price following a confidential marketing process to key operators in the UK dental market, Caledonian Dental Care was acquired by Portman Dental Care, marking its sixth acquisition in Scotland.

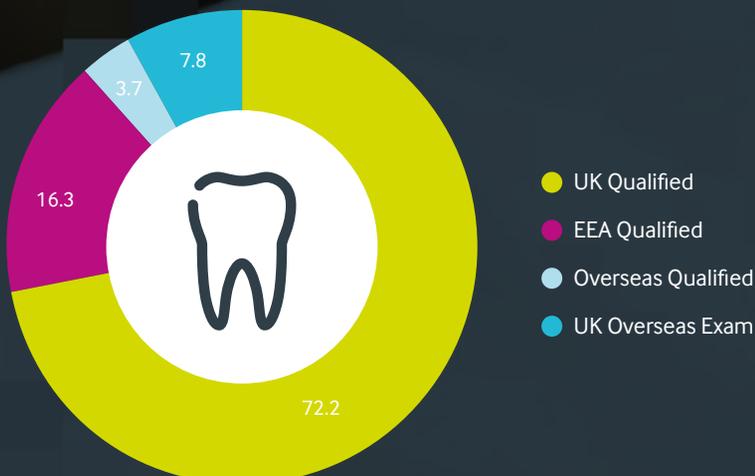


### CASE STUDY A One Dental, West Yorkshire

A One Dental, a highly profitable mixed income practice in Bradford, West

Yorkshire was sold to an expanding regional operator through Christie & Co in November, with funding secured through Christie Finance. The practice benefits from an NHS contract with an exceptionally high UDA rate and was sold off a guide price of £1,150,000 for the leasehold interest.

## UK DENTISTS REGION OF QUALIFICATION (%) AS AT THE END OF 2017



## MOVEMENT IN AVERAGE PRICES, YEAR ON YEAR

