



DENTAL PRACTICE MANAGEMENT OVERVIEW

November 2014

Harris Williams & Co.
middle market®

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DENTAL CARE MARKET OVERVIEW

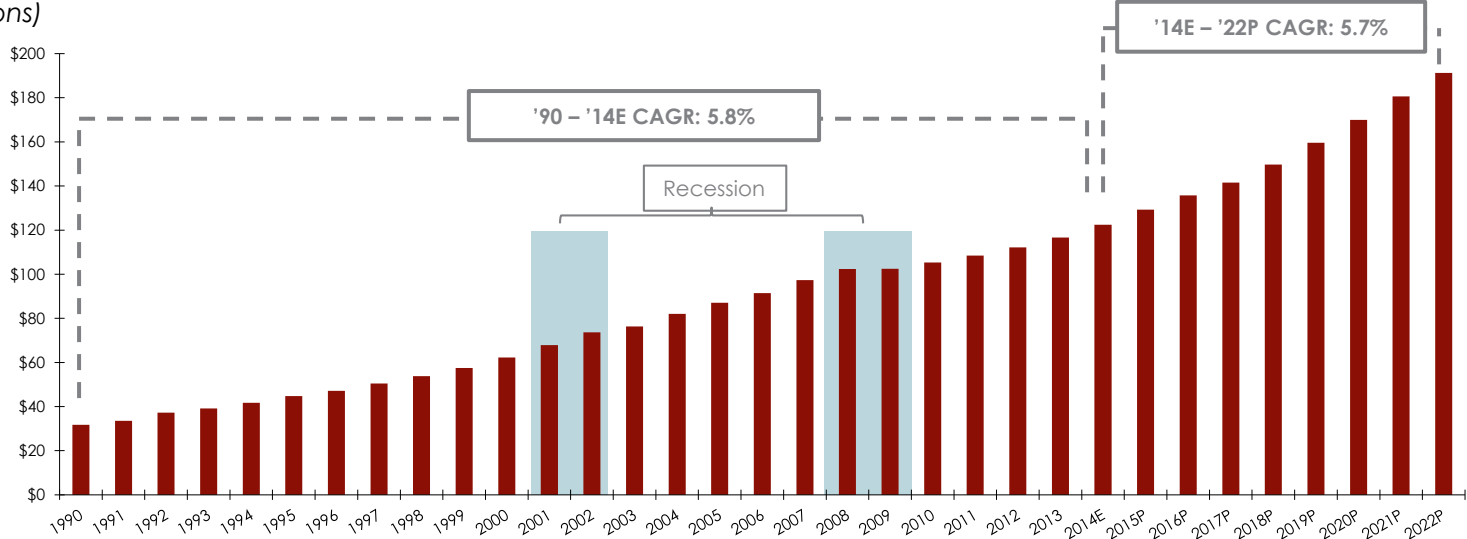
Dental care is a \$100+ billion, non-cyclical market, with strong underlying fundamentals driving continued robust growth.

- Dental care expenditures are expected to reach \$122 billion in 2014E, representing an annual average growth rate of 5.8% since 1990, despite the impact of two recessions during this time.
 - National dental care expenditures have only experienced one year of negative growth since 1990

- Expenditures are expected to expand by 5.7% annually through 2022P, reaching \$191 billion, as a result of:
 - Favorable demographic trends
 - Expansion of dental insurance coverage
 - Escalating demand for cosmetic and elective dentistry

U.S. DENTAL CARE EXPENDITURES

For the Years Ended and Ending December 31, 1990 to 2022P
 (\$ in billions)

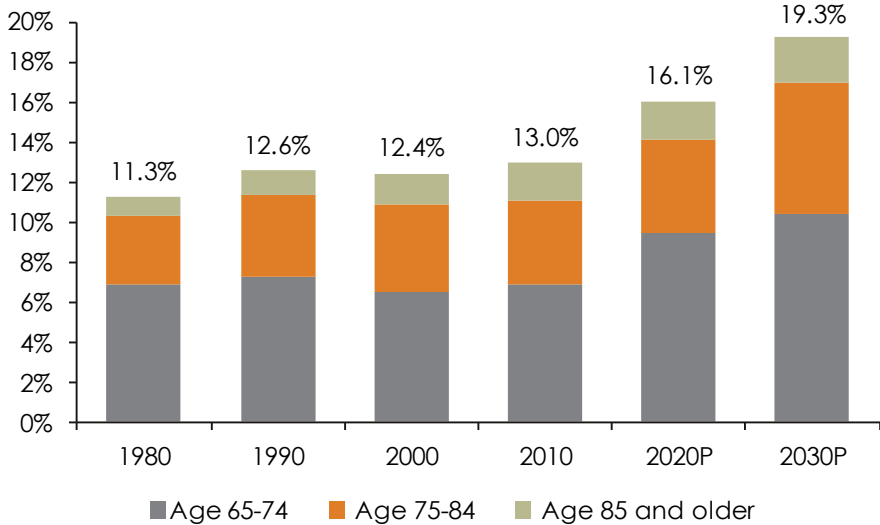


MARKET GROWTH DRIVER: FAVORABLE DEMOGRAPHIC TRENDS

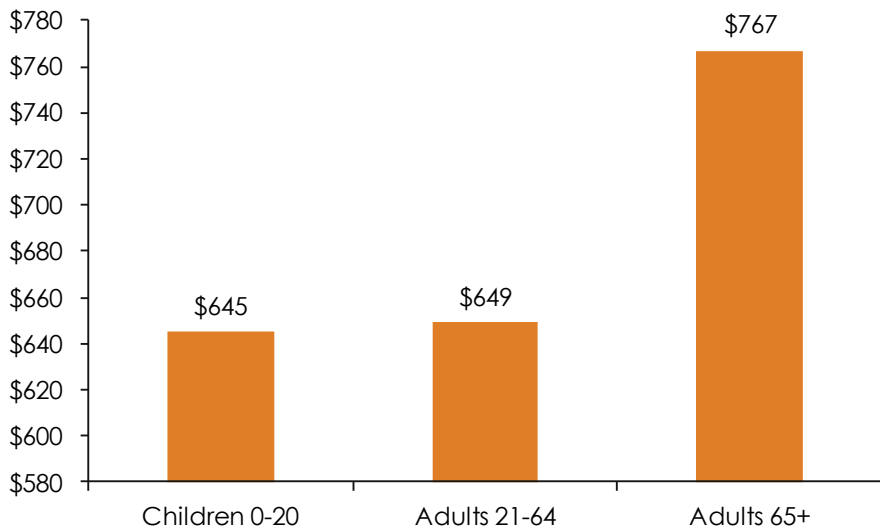
Growth in dental care expenditures will be supported by population and spending trends in key demographics.

- The aging of the U.S. population is a well-documented phenomenon, with seniors over 65 years of age expected to account for over 19% of the population by 2030P, compared with 13% in 2010.
- Seniors have the highest per-patient dental care expenditures of any age group:
 - As patients age, they tend to require more expensive dental services
 - Seniors are increasingly willing to undergo procedures to maintain oral health

SENIORS ARE A GROWING SEGMENT OF THE POPULATION



SENIORS LEAD PER-PATIENT DENTAL EXPENDITURES



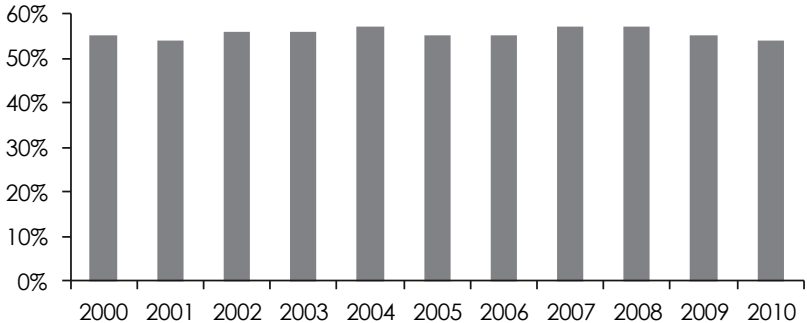
MARKET GROWTH DRIVER: EXPANSION OF DENTAL INSURANCE COVERAGE IN THE U.S.

The expansion of commercial insurance and Medicaid coverage in the U.S. represents a powerful tailwind for growth in the dental care market.

- Dental insurance coverage is the largest driver of dental care utilization, as nearly 80% of individuals with dental insurance visit the dentist each year, compared to 54% of those without.
- The Patient Protection and Affordable Care Act (“ACA”) of 2010 is expected to increase the number of individuals with dental benefits by 27 million by 2018P.
 - 9 million children and 18 million adults

STEADY PROPORTION OF INDIVIDUALS WITH DENTAL INSURANCE...

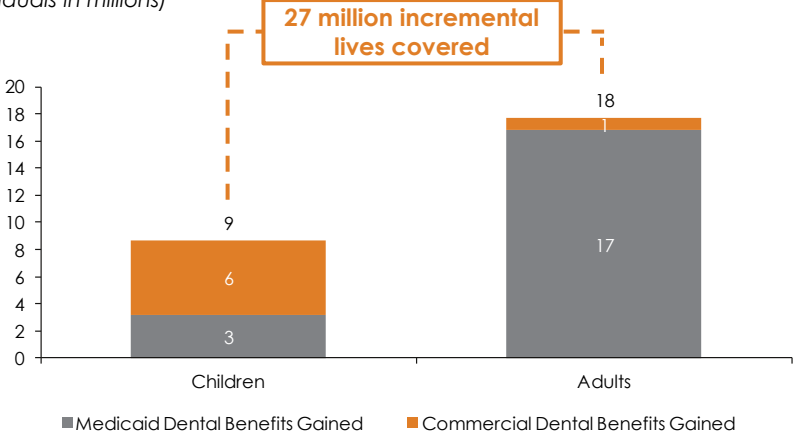
For the Years Ended December 31, 2000 to 2010



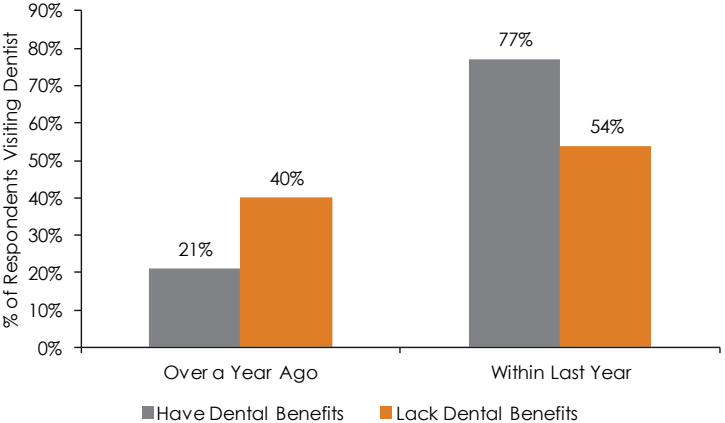
Source: Wall Street Research.

...FURTHER ACCELERATED BY ACA PROVISIONS...

(individuals in millions)



...DRIVES MORE FREQUENT DENTAL VISITS

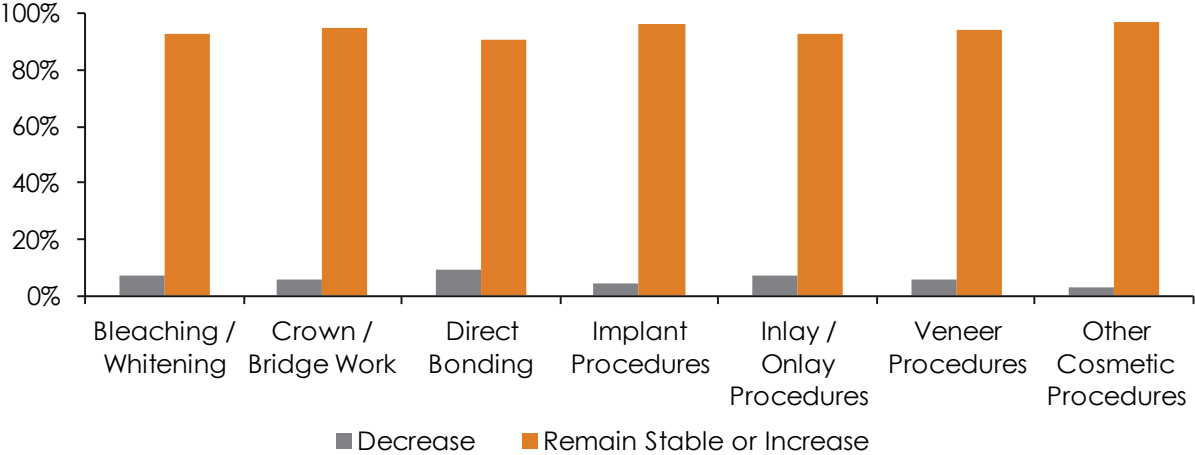


MARKET GROWTH DRIVER: ESCALATING DEMAND FOR COSMETIC AND ELECTIVE DENTISTRY

Increased focus on personal appearance and improvements in technology, materials, and methods are spurring demand for cosmetic and elective dental services.

- Improved procedures, technology, and greater availability are making cosmetic dentistry more appealing to patients:
 - Cosmetic dentistry equipment has followed the broader trend towards minimally invasive technologies
 - Availability of more advanced materials resulting in more life-like dental implants
- Over 90% of dentists expect 2014 procedure volume across all surveyed services to remain stable or increase.

POSITIVE DENTIST EXPECTATIONS FOR COSMETIC PROCEDURE GROWTH IN 2014



Source: American Academy of Cosmetic Dentistry ("AACD").

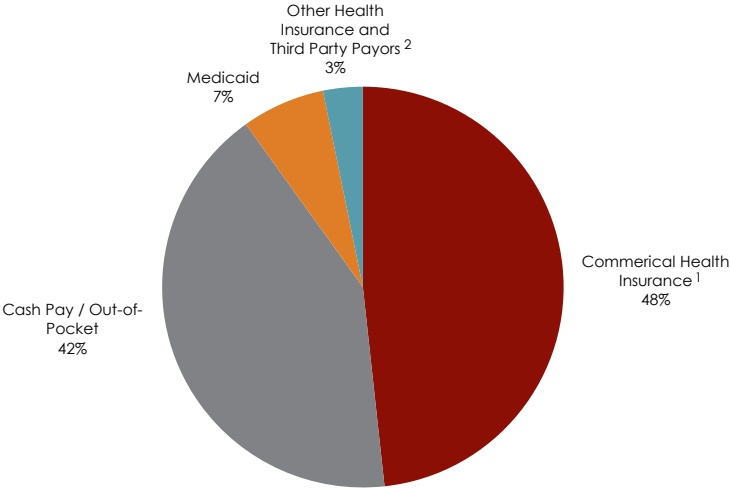
OVERVIEW OF DENTAL CARE REIMBURSEMENT

Dental care providers benefit from an attractive reimbursement mix comprised primarily of commercial and out-of-pocket payors.

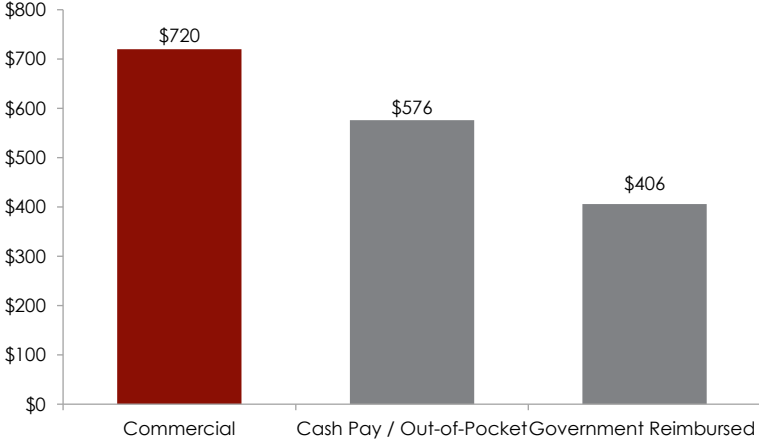
- About 90% of dental expenditures are paid by commercial dental insurance or by patients out-of-pocket.
- The annual per-patient dental expenditure is significantly higher for patients paying through commercial dental insurance or out-of-pocket, than it is from government sources.

DENTAL CARE PAYOR MIX

For the Year Ended December 31, 2013



ANNUAL SPEND BY PAY SOURCE PER PATIENT



Source: U.S. Census and the Centers for Medicare & Medicaid Services ("CMS"), the American Dental Association, and IBIS World.

1) Commercial and managed care dental insurance programs.
 2) Children's Health Insurance Program (Titles XIX and XXI), Department of Defense, and Department of Veterans' Affairs, worksite health care, other commercial insurance, Indian Health Service, workers' compensation, general assistance, maternal and child health, vocational rehabilitation, and other federal and local programs.

DENTAL PRACTICE MANAGEMENT MARKET OVERVIEW

DPM companies provide a wide range of administrative and support functions to affiliated and owned practices and present a highly attractive option to individual providers.

- Dental practice management companies combine the benefits of a traditional group dental practice management model with the advantages of a privately owned practice.

KEY VALUE PROPOSITION OF DPM COMPANIES

Administrative Support	Dedicated administrative staff handle non-clinical functions including HR, accounting, budgeting, and IT, allowing dentists to focus on core dental care.
Scale Advantages	Enhanced purchasing leverage with suppliers makes equipment and services available to dentists at lower cost.
Career Options	Provides dentists a choice of career options in various locations, along with formalized training and development.
Marketing Leverage	Centralized marketing function helps dentists attract more patients with a cohesive branding strategy and lower cost.
Multi-Specialty Offering	Provides general dentists with access to specialists that are trained to perform specific, advanced procedures, enabling the dentist to focus on general dentistry.
Robust Systems	Access to improved IT and reporting systems, enabling more data-driven management of operations.
Capital	Lower financing costs and better access to capital.

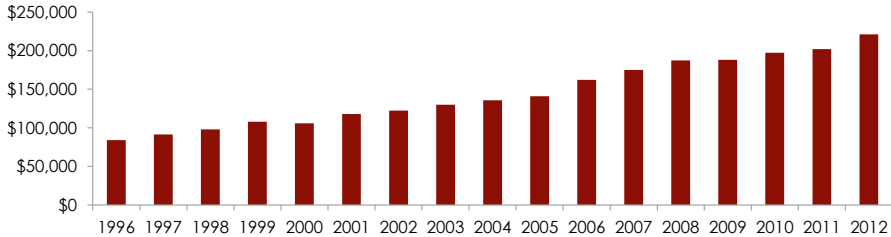
DPM DRIVER: STUDENT DEBT AND WORK-LIFE BALANCE

DPMs offer dentists the benefits of practice ownership together with improved work-life balance and lower start-up costs and risks.

- DPMs offer a 15-20% cost saving for dentists compared to sole practitioner managed offices.

HIGH LEVELS OF AVERAGE GRADUATING DENTAL STUDENT DEBT...

For the Year Ended December 31, 1996 to 2012
(actual \$)

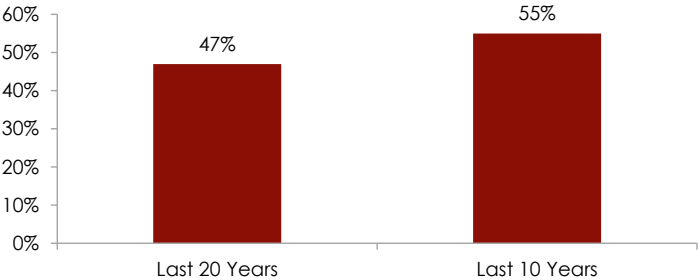


Source: American Dental Education Association.

...COUPLED WITH INCREASED DESIRE FOR WORK-LIFE BALANCE...

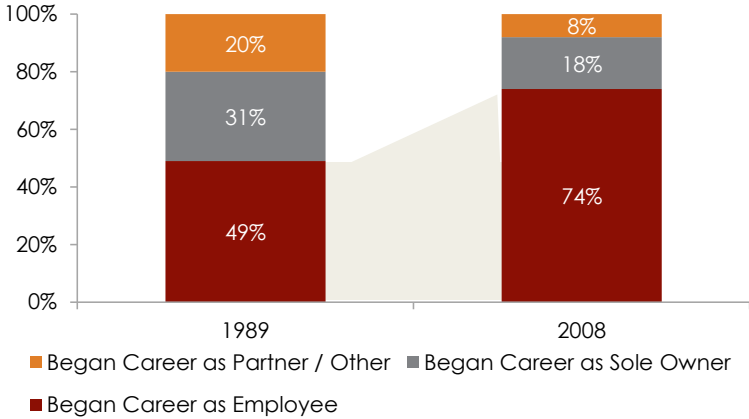
% of Women Entering the Dental Workforce

As the proportion of female dentists have grown, work-life balance has become an increasingly important consideration for new dentists entering the work force



...LEADS TO INCREASED PROPORTION OF DENTISTS AS EMPLOYEES

For the Years Ended December 31, 1989 and 2008

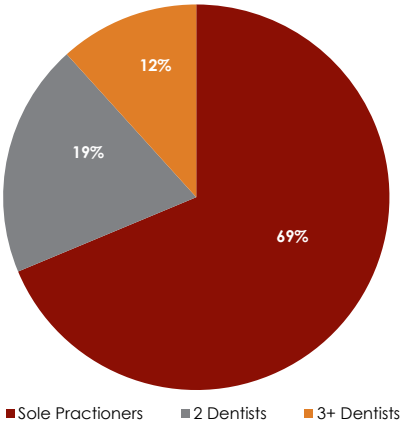


DPM DRIVER: HIGHLY FRAGMENTED MARKET

The universe of dental providers is highly fragmented, presenting attractive consolidation opportunities for DPMs of scale.

- Of the estimated more than 170,000 U.S. dental offices, the 50 largest only generate approximately 5% of total industry revenue.
- Large number of sole dental practitioners and older dentists offer a wealth of potential acquisition targets to players of scale.
 - 69% of dental providers are sole practitioners
 - 38% of active dentists are over 55 years old

HIGHLY FRAGMENTED DENTAL PROVIDERS



AGING POOL OF DENTISTS

