

Dental Corporation

July 2008

Dentistry for the future

With over 18 years in dentistry, Dr Ray Khouri knows only too well the issues dentists in Australia face when it comes to having their practice acknowledged and valued for its true worth. Dr Khouri thus decided that it was time for a new and improved consolidation business model to be created and implemented to ensure high performing dentists would be rewarded and recognised for building and maintaining quality practices.

The dental industry represents a highly attractive market for consolidation. Being greatly fragmented, made up of approximately 10 000 dentists and dental specialists with in excess of \$4 billion in annual revenue, dentistry provides an ideal opportunity for consolidation and corporatisation. Dentistry also offers an attractive economic structure with high gross margins and strong cash flow.

The potential benefits to be gained for both practices and dentists who participate in a corporate model are significant, these will also overflow into the industry as a whole as one or a number of consolidators achieve a scale increasing their investment in their business and the growth of the industry.

These benefits include:

1. Increased value of dental practices
2. Improved and streamlined administrative functions
3. Improved training and professional development for dentists and support staff
4. Defined career paths for young dentists
5. Defined succession planning

Dental Corporation (DC) was founded in 2007 to partner with and acquire high quality general and specialist dental practices, run by the best practitioners. Dental Corporation's aim is to be the premier dental services organisation in Australia. Dr Ray Khouri believes Dental Corporation's 'primary intention is to build the best dental business in Australasia focusing on delivering the highest quality clinical services'.

The core group of initial practices acquired by Dental Corporation have been to an extent hand-picked and are made up of an elite group of highly experienced and reputable dentists who are not only considered leaders in their field but have also achieved and operated well run practices. Practice Principals (head dentists) are able to gain leverage from being involved with a group such as Dental Corporation who are able to facilitate sharing of knowledge, increased referrals and value added incentives which can be achieved by using economies of scale to capitalise on marketing power for attaining supplier discounts and group advertising benefits. Dr Moses is 'incredibly happy with the discounts' he now enjoys from the 'power of the group', and the Dental Corporation team are continually identifying and securing further value from suppliers for their dental practices.

Where Dental Corporation differs from others in the marketplace is due to the fact that the business model has been especially designed to incentivise performance, provide support to the practice while allowing them to maintain their independence. The group only comprises of high quality practices that are running their businesses effectively. According to Dr Nick Hocking, 'joining Dental Corporation was the best thing I ever did, I can now focus entirely on what I do best-Dentistry'.

Dental Corporation recognises and respects this achievement and thus instead of coming and taking over the business, they offer added value and support to ensure the practice principal is able to concentrate on what they do best-dentistry, and continue to do so and in return be rewarded for their efforts.

Dental Corporation has to date acquired over 40 practices in Australia, within NSW, QLD, SA and VIC and intend to double this in the next few months, and double this number again before the end of 2009. Dental Corporation is set to expand its breadth across Australia and potentially NZ and beyond. According to Dr Khouri, the success of Dental Corporation to date has resulted due to fact that they are 'partnering with the best practices in the country effectively building a critical foundation for sustainable growth'.

Business succession is another draw card for dentists entering the group. The security that comes with knowing that your business is taken care of for the future can be considered priceless. Up and coming Associate Dentists are also being rewarded with share options, mentoring, and professional development training for being involved in the group.

Depending on the economic environment, Dental Corporation aims to float on the stock exchange in 2009.

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