



**SECTOR SCOPE:** The **Dental Equipment & Supplies** market is comprised of three primary segments: (1) consumables (63%); (2) equipment (24%); and (3) implants and pharmaceuticals (13%). The Dental Consumables market includes single-use (or frequently replaced/repaired) products such as composites, anesthetics, impression materials, burs, curing lights, crowns, bridges and adhesives. The Dental Equipment segment encompasses both low-tech and high-tech equipment, ranging from lights, chairs, and specialized cabinetry to digital radiography, CAD/CAM systems, intra-oral cameras, and lasers. The remaining market is comprised of implants, abutments, and dental pharmaceuticals.

**GROWTH OUTLOOK:**

- ▶ The global dental market is \$14 billion, with approximately 24% represented by the \$3.4 billion global dental equipment market, \$2 billion of which is in the U.S. dental market.
- ▶ According to Center for Medicare and Medicaid Services, U.S. Dental Expenditures are expected to grow from approximately \$78 billion in 2004 to \$109 billion in 2010, representing a compounded annual growth rate of 5.7%.
- ▶ The dental equipment market has exhibited annual growth rates of 15-20% since 2002, and will continue to grow at 9-11% in 2005 - well above historical rates of 4-6%.

**DEMAND DRIVERS:**

- ▶ **Dental Equipment Market Driving Growth** - The dental equipment market continues to drive growth in the overall dental market with growth rates in excess of 15% since 2002. Though growth is expected to decline slightly in 2005, demand for new technology, compounded by tax incentives, will continue to drive new equipment sales.
- ▶ **Positive Demographic Trends and Dynamics** - An expanding and aging population, combined with the declining number of dentists in the U.S., is driving dental equipment and supply demand. This dynamic is also spurring new product development as dentists look for ways to treat more patients more effectively and in less time.
- ▶ **Broadening Mix of Dental Services and Products** - Globally, the dental market will continue to evolve as more preventative and cosmetic (higher margin) procedures become more common in developed countries such as the U.S. and in Europe and as general dental care and restorative procedures are adopted in developing countries.
- ▶ **Significant Industry Consolidation** - Distributors and manufacturers alike have been acquisitive in the market, noting the strong market fundamentals and future growth opportunity. Acquisitions range from smaller regional distributors to large international manufacturers. See representative list on back.
- ▶ **Baby Boomers Driving New Growth** - The aging baby boomer generation's willingness to pay for premium treatment procedures is expected to act as a catalyst for the continued rapid growth and adoption of implants and cosmetic treatments.

**MARKET PERFORMANCE:**

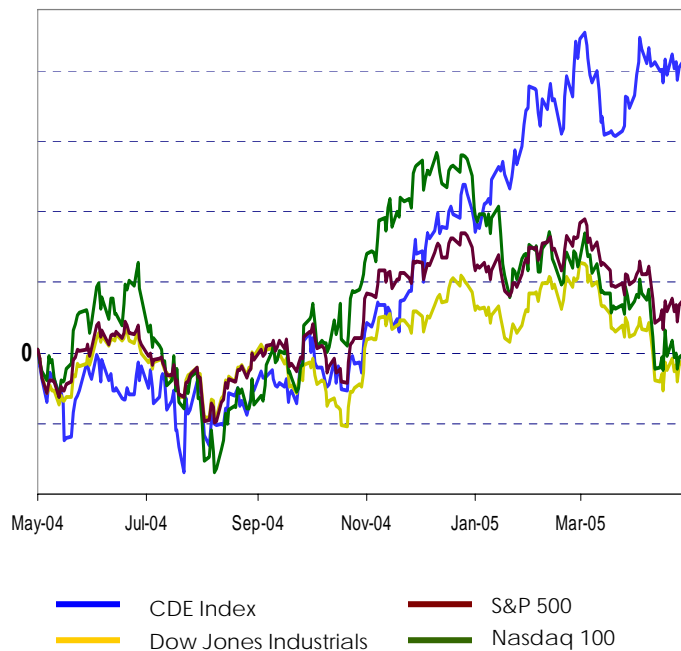
**Public Equity Markets**

Company Name	Ticker Symbol	Valuation Statistics		
		EV / Revenues	EV / EBITDA	EV / EBIT
Dentsply International, Inc.	XRAY	2.8x	13.5x	15.7x
Henry Schein Inc.	HSIC	0.9x	13.5x	16.7x
Patterson Companies Inc.	PDCO	3.0x	21.8x	23.7x
Schick Technologies Inc.	SCHK	5.1x	14.3x	15.0x
Sybron Dental Specialties Inc.	SYD	2.8x	12.2x	13.7x
Young Innovations Inc.	YDNT	4.3x	13.9x	16.0x

<b>Average</b>	<b>3.1x</b>	<b>14.9x</b>	<b>16.8x</b>
<b>Median</b>	<b>2.9x</b>	<b>13.7x</b>	<b>15.8x</b>
<b>Harmonic Mean</b>	<b>2.3x</b>	<b>14.4x</b>	<b>16.3x</b>

\* Not included in Average or Median calculations  
Enterprise Value = Market Capitalization + Debt - Cash.  
Source: MarketGuide, Multex, and company reports.

**Capstone Dental Equipment Index**



The Capstone Dental Equipment Index is a market capitalization weighted index that includes the following companies: BLTI, DHR, XRAY, EK, GE, HSIC, PDCO, SCHK, SYD, YDNT (April 26 2004 to April 22 2005).



Capstone Partners LLC is a leading national investment banking advisory firm dedicated to assisting middle market entrepreneurs through complex M&A and financing transactions.

#### Recent Related Transactions

**angioLINK**

Has been acquired by

**MEDTRONIC INC.**  
(NYSE: MDT)



Has divested assets to

**MEDTRONIC INC.**  
(NYSE: MDT)

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#### DEAL ACTIVITY:

#### M&A Transactions

Date	Target	Buyer	Summary	Deal Size	Revenue	EBITA	EV / Revenue	EV/ EBITA
05/02/2005	Sirona Group	Madison Dearborn Partners	Madison Dearborn Partners, a private equity investment firm based in Chicago, and the Sirona management team have jointly acquired the Sirona Group for an undisclosed amount.	N/A	\$400.0	\$88.8	N/A	N/A
04/14/2005	Ranir LLC	Linden LLC	Linden LLC acquired Ranir LLC, manufacturer and supplier of oral dental care products, for an undisclosed amount.	N/A	\$31.8	N/A	N/A	N/A
02/28/2005	Dexis	Danaher Corp.	Danaher Corp. acquired Dexis, a digital dental imaging manufacturer, for an undisclosed amount.	N/A	N/A	N/A	N/A	N/A
01/18/2005	OREX Computed Radiography Ltd.	Eastman Kodak Co.	Eastman Kodak Co. acquired Orex Computed Radiography Ltd., a developer of radiography solutions for general dental and orthodontist practices, for \$51.3 million.	\$51.3	\$28.0	N/A	1.8x	N/A
01/11/2005	Ash Temple Limited	Henry Schein Inc.	Henry Schein Inc. acquired Ash Temple Limited, a leading Canadian dental distributor, for an undisclosed amount.	N/A	\$100.0	N/A	N/A	N/A
11/18/2004	Barton-Cyker Dental Supply Inc.	Henry Schein Inc.	Henry Schein Inc. acquired Barton-Cyker Dental Supply Inc., a distributor of dental products primarily in the Northeast region of the United States, for an undisclosed amount.	N/A	\$20.0	N/A	N/A	N/A
10/15/2004	Innova Lifesciences Corp.	Sybron Dental Specialties	Sybron Dental Specialties, through its subsidiary, Sybron Canada Ltd., acquired Innova Lifesciences Corp., a dental implant and related equipment manufacturer, for \$55.5 million.	\$55.5	\$16.7	N/A	3.3x	N/A
09/11/2004	July-Owandy	Initiative & Finance Investissement	Initiative & Finance Investissement acquired July-Owandy, a developer of software solutions for the dental industry, for an undisclosed amount.	N/A	N/A	N/A	N/A	N/A
05/26/2004	Da Vinci Systems, CoolBlue Wand	Milestone Scientific Inc.	Milestone Scientific Inc. acquired Davinci Systems' CoolBlue Wand, a handheld teeth whitening system, for an undisclosed amount.	N/A	N/A	N/A	N/A	N/A
03/29/2004	Kaltenbach & Voigt GmbH (Kavo)	Danaher Corp.	Danaher Corp. announced the acquisition of Kavo, a dental equipment and supplies manufacturer, for \$437.2 million.	\$437.2	\$450.0	\$45.0	1.0x	9.7x
03/04/2004	Sinlab Biostructures	Capital Pro Egaux Inc.	Capital Pro Egaux Inc. acquired Sinlab Biostructures, a Canadian dental implants manufacturer, for \$5.62 million.	\$5.6	N/A	N/A	N/A	N/A
01/08/2004	Demedis Dental Deport GmbH	Henry Schein Inc.	Henry Schein Inc. acquired Demedis Dental Deport, a leading full-service European dental distributor, for \$324.9 million.	\$324.9	\$511.0	\$33.0	0.6x	9.8x

Mean	1.7x	9.8x
Median	1.4x	9.8x
Harmonic Mean	1.2x	9.8x

#### Private Placement Transactions

Date	Target	Investor	Summary	Deal Size	Revenue	EBITA
3/2/2005	Bio-Lok International	Radius Ventures, LLC	Bio-Lok International, manufacturer and distributor of precision dental implant systems, announced a private placement of \$3.75 million led by Radius Ventures with participation of other institutional and individual investors.	\$3.8	\$4.8	\$0.3
12/16/2004	BriteSmile Inc.	Several	BriteSmile, Inc., developer of teeth whitening technology and products, announced a private placement of \$12 million in senior convertible notes with Cranshire Capital L.P., Downsvie Capital, Inc., Highbridge Capital Management, Inc., Iroquois Capital, LP, Omicron Capital, L.P., Omicron Master Trust, Satellite Asset Management, Satellite Strategic Finance Associates, LLC, Smithfield Fiduciary LLC.	\$12.0	\$48.8	NM
12/14/2004	ReDent Nova	Maayan Ventures	Maayan Ventures invested \$0.5 million in first round funding in ReDent Nova, developer of dental products for root canal cleaning and treatments.	\$0.5	N/A	N/A
10/11/2004	Kasios	Banque de Vizille	Kasios, developer of synthetic bone substitutes used in orthopaedics, dentistry, and cranio-maxillofacial surgery, a combination of \$0.19 million in convertible debt and \$0.31 million in equity from Banque de Vizille.	\$0.5	N/A	N/A
9/20/2004	Atlantis Components, Inc.	American Bailey Corporation, Danaher Corp, VIMAC Ventures	Atlantis, manufacturer of dental abutments and implants, raised \$12.5 million in Series C funding involving new investor Danaher Corporation and existing investors VIMAC Ventures, LLC and American Bailey Ventures LLC.	\$12.5	N/A	N/A
8/3/2004	Henry Schein Inc.	Undisclosed	Henry Schein, Inc., manufacturer and distributor of healthcare products primarily to private practitioners in the North American and European markets, announced a private placement of \$200 million aggregate principal amount of Convertible Senior Notes. The initial purchasers will also have a 13-day option to purchase up to an additional \$40 million of such notes.	\$240.0	\$3,672.0	\$285.1

#### A CLOSER LOOK AT DENTAL RADIOGRAPHY:

Dental radiography and x-ray imaging systems are essential equipment to every dental practice and a key component to providing quality dental care. Traditional radiography uses an x-ray generator and conventional film cassettes resulting in a hardcopy print of the patient's x-ray. Image quality is reliable and the process is effective, but the limited ability to share and archive images and slow film processing time are driving the adoption of **digital radiography** technology.

#### Digital Radiography Demand Drivers

- ▶ Higher quality image resolution is enabling more accurate diagnosis of dental problems.
- ▶ Elimination of film and processing chemicals is lowering operating costs and reducing potential environmental liability exposure.
- ▶ Patient (and dental worker) exposure to radiation is materially limited.
- ▶ The elimination of idle film processing time increases patient throughput.
- ▶ The use of smaller intra-oral sensors and cameras improved patient care and comfort.

#### The Rapid Adoption of Digital Radiography

- ▶ Dentists Worldwide/U.S.: 800,000/150,000
- ▶ Dental Radiography Systems Installed Base: 1.1 million systems
- ▶ Estimated Digital Radiography Market Penetration: 15%
- ▶ Estimated Digital Radiography Sales Growth: 20%