



Integrated Dental Holdings

Q4 FY2019 & year-end results - Investor presentation
19 June 2019

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Agenda

- Introduction – Chief Executive overview
- Performance & business update
 - **mydentist** developments
 - **Dental Directory** developments
- Financial review
- Outlook
- Summary
- Q&A

Introduction

- EBITDA for the year at £58.1m in line with guidance
- Q4 EBITDA of £16.9m 14.2% up on Q4 FY2018
- mydentist strong end to the year
 - EBITDA up 19.5% for Q4
 - Clinical engagement improving
 - Encouraging progress with new affordable private proposition
- Dental Directory building momentum through end of quarter
- Encouraging start to the new financial year:
 - Several significant contract wins
 - Launch of new DD brand
 - Roll-out of {my}options

Q4 FY2019 Performance & business update



Q4 FY2019 group performance



mydentist

- Private revenue LFL growth of 7.9% per working day for Q4 (FY2019: 5.7%)
- Total revenue, excluding disposal sites, flat year-on-year compared to Q4 FY2018
- EBITDA up £2.6m (19.5%) year-on-year for Q4 (FY2019:£6.7m)

**Dental
Directory**

Dental Directory

- Revenue down 5.5% at £34.8m (before intergroup eliminations) for the quarter
- EBITDA of £1.5m is £0.2m lower than the same period last year



Group

- Revenue down 3.1% year-on-year in Q4 to £144.7m for the quarter
- Gross profit in line with Q4 FY2018 at £65.0m (margin of 45.0%)
- Q4 EBITDA up £2.1m (14.2%) on FY2018 to £16.9m

Q4 FY2019 summary – mydentist

NHS revenue

- NHS revenue, excluding closed and disposal sites, was down £1.7m at £90.4m
- Like-for-like NHS revenue per working day is down 0.5% for the year (Q4: down like-for-like 0.6%)
- UDA delivery per working day is down 3.3% for the full year (Q4: down 5.8%)
- UDA delivery for the year of 85.7% after temporary handbacks (FY2018: 86.1%)
- Fall in delivery offset by contract uplift effect of £1.6m for the quarter

Q4 FY2019 summary – mydentist

Private revenue

- Q4 like-for-like private growth, adjusted for the number of working days, was 7.9%.
- LFL growth in hygiene revenue of £2.0m (+13.1% for the year)
- Full year performance in the 8 Advanced Oral Healthcare Centres launched at the start of the year of +29.5% LFL private revenue
- Specialist centres based in towns – Barnsley, Wigan, Wimborne, where “spoke” practices can refer in from a reasonable travel distance
- Mainly concentrated on implants where UK significantly underweight compared to other European regions
- Oral hygiene products partnership with GSK and Philips encouraging

Affordable private

- As we discussed at Q3 we believe there is a significant gap in the market between NHS dentistry and full private treatment
- At 31 March 2019, access mydentist was operating in 269 practices
- {my}options offers a full range of private general and cosmetic treatments rather than the limited treatments available with access mydentist or on the NHS
- Key message “**get the dental care you have always dreamed of at a price you can afford**”
- 20 pilots in operation from January 2019
- Initial pilot results appear promising

Q4 FY2019 summary – mydentist

{my}options marketing materials



Q4 FY2019 summary – mydentist

- Total affordable private at run rate of £135k per week at end of March



Q4 FY2019 summary – mydentist

Next steps

- Further roll-out of Access mydentist to new sites stopped
- Current Access mydentist practices to transition to {my}options over the first 6 months of FY2020
- Transition clinically led but training for the whole practice team important to a successful implementation
- Finance options & low cost payment plans now added
- Short term orthodontic solutions such as clear aligners are being introduced

Resourcing & retention

- Resourcing and retention remain key priorities for the business
- Over the full year, net additional 102 clinicians in practice
- Leavers in H2 33% lower than in H1 – trend improving further in Q1 FY2020
- Clinical support team targeting and understanding reasons for wanting to leave
- Pipeline of dentists going through “on-boarding” now over 200

Orthodontic tenders

- Headwind within orthodontic practices due to retendering exercise across the country
- Contract results in the South have seen volume and rate cuts to contracts
- North, Midlands and East tenders ongoing through FY2020
- For FY2020, have separated out specialist orthodontic practices from general practices to create a standalone division: {my}orthodontist
- EBITDA in FY2019 for these 37 practices of £11.1m
- Potential to grow non-qualifying NHS cases and private adult orthodontics including “social” short term solutions such as clear aligners

Q4 FY2019 summary – Dental Directory



- Total revenue, excluding sales to mydentist, down 4.1% to £27.9m from £29.1m in Q4 FY2018
- Like-for-like revenue for the quarter was down 5.5% for FY2019 with shortfalls in High Street sales volume
- Gross margin for Q4 up 1.8% on FY2018
- Revenue for the full year was £108.5m, flat year-on-year with shortfalls in the High Street offset by better equipment sales
- Gross margin for the year at 26.4% in line with FY2018

Q4 FY2019 summary – Dental Directory



- New Managing Directory appointed May 2018 (Q1 FY19)
- Issues identified in:
 - Customer service
 - Operational stability
 - Integration of acquisitions
 - Margin weakness
 - Engineering efficiency
 - Investment in systems

Q4 FY2019 summary – Dental Directory



- Restructuring of management team has removed excess overhead
- Significant investment and systems development over the past year
 - Customer feedback now positive with market leading contact centre performance (calls answered <6 seconds)
 - New user friendly account creation via website
 - New pricing model launched to simplify customer buying
 - Daily hold-over of orders for delivery eliminated
 - Supplier relationships improved and rebate arrangements restructured
 - Engineering systems upgraded and efficiency up by 20%+

Q4 FY2019 summary – Dental Directory

- Mulholland in Ireland trading above expectation
- Encouraging new contract wins with
 - MoD (185 dental chairs + installation) - £5.0m contract
 - Leading private dentistry corporate (supply and maintenance agreement in Ireland)
 - Galderma (exclusive UK distributor for aesthetics portfolio c+£35m incremental revenue)
- Consolidation of legacy brands with new brand launched to customers from 1st June



- Rebrand ties together acquisitions to simplify for customers the services delivered across six core ranges: Supplies, Equipment, Servicing and Repairs, Specialist, and Services and Aesthetics

Financial review



Q4 FY2019 Financial highlights

- Group revenue down 3.1% in Q4 from £149.3m to £144.7m
- Revenue for the year down £8.6m to £571.9m
- Private revenue increasing proportion of dental practice revenue year-on year

Dental practice revenue	Q4 FY2019	Q4 FY2018
NHS	77.7%	79.3%
Private	22.3%	20.7%

- As expected EBITDA up on Q4 FY2018 and in line with guidance for the full year
- mydentist EBITDA up 19.5% to £15.7m offset by Dental Directory down £0.2m
- LTM EBITDA of £58.1m and pro-forma adjusted EBITDA of £59.4m

Financial results for Q4 FY2019

Income statement

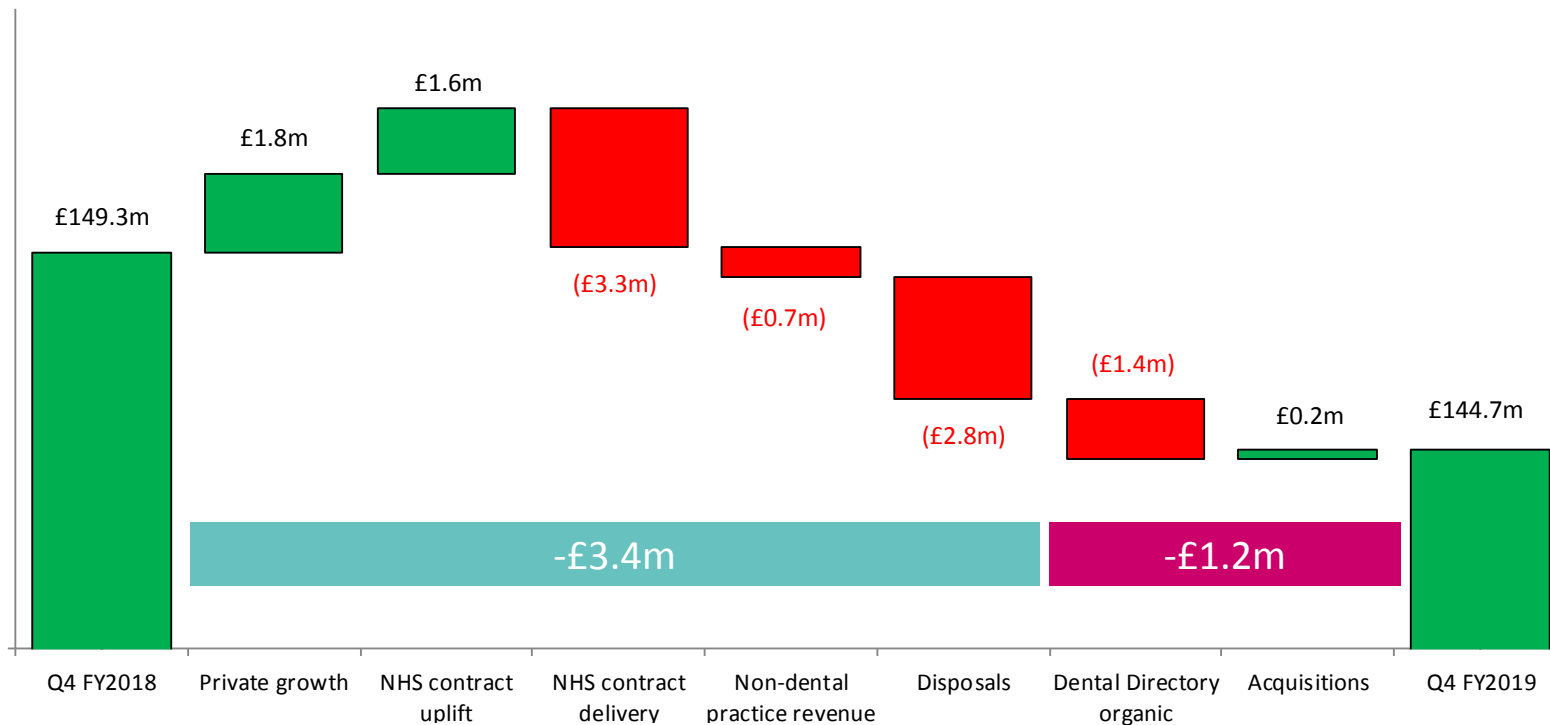
	Q4 FY2019 £m	% of revenue	Q4 FY2018* £m	% of revenue	% change
Revenue	144.7		149.3		(3.1)%
Gross profit	65.0	45.0%	65.3	43.7%	(0.4)%
Overheads**	(48.6)	33.6%	(51.0)	34.2%	4.6%
Other operating income	0.5	0.3%	0.5	0.3%	2.1%
EBITDA	16.9	11.7%	14.8	9.9%	14.2%

* Restated for implementation of IFRS 15 – Revenue from contracts with customers

** Administrative expenses plus distribution costs before depreciation, amortisation, impairment and other non-underlying items

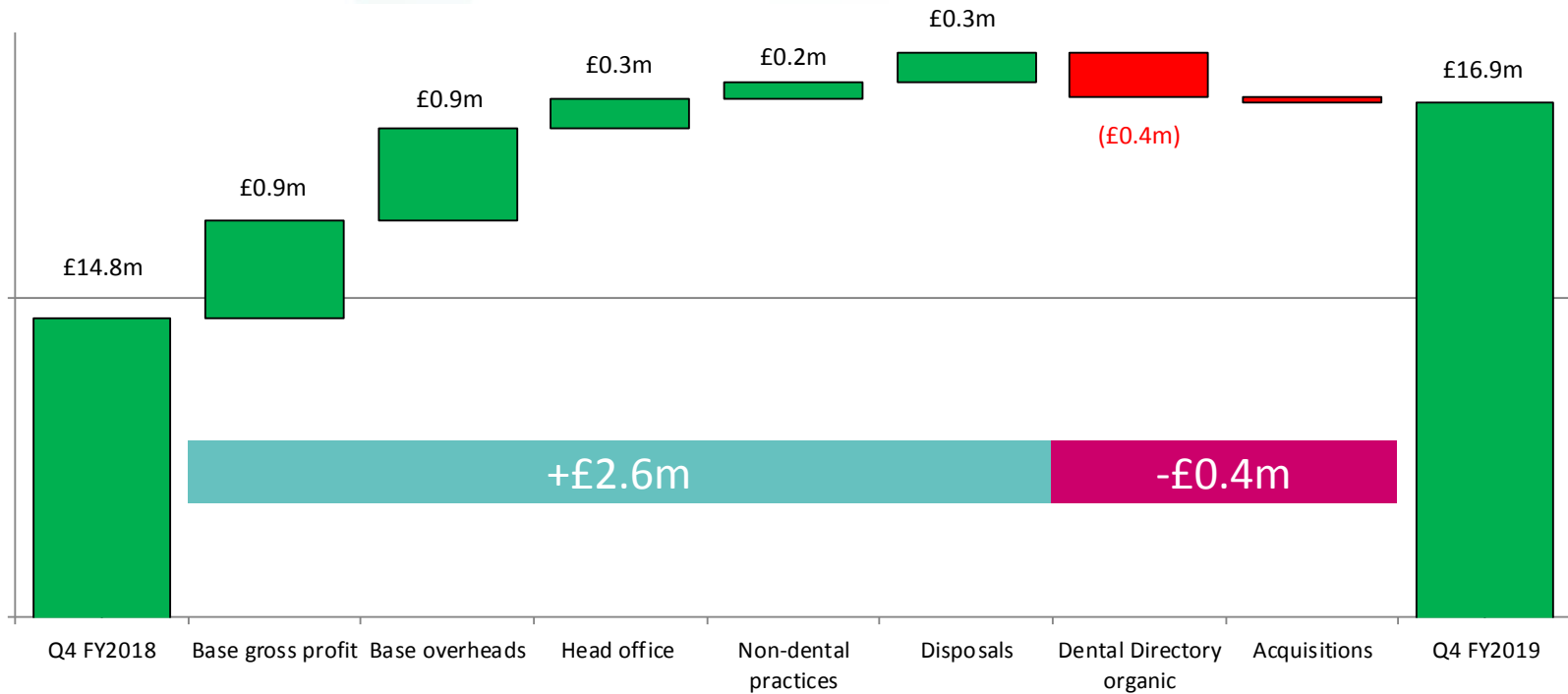
Financial results for Q4 FY2019

Group revenue bridge



Financial results for Q4 FY2019

Group EBITDA bridge



Financial results for Q4 FY2019

Acquisitions & Disposals



- Total of 603 practices at 31 March 2019 (643 at 31 March 2018)
- The actions from the portfolio review during the quarter led to:
 - Closure of 3 practices in Q4 (FY2019 – 21 practices)
 - Sale of 2 practices (FY2019 – 18 practices)
 - Merger of 2 practices into a new site
- Brings to an end this portfolio review
- Update on limited restart to M&A to be provided at Q1
- Continue to review the right size for individual practice NHS contracts
- Discussions with the NHS over additional services that could be provided in lieu of UDAs – juvenile and health education, domiciliary

Financial results for Q4 FY2019

Cash flow statement

£m	Q4 FY2019	Q4 FY2018
Cash generated from operations before working capital	15.3	14.9
Working capital	(1.3)	6.6
Cash generated from operations	14.0	21.5
Net capital expenditure*	(7.5)	(6.7)
Corporation tax	-	-
Cash flow before acquisitions and debt service	6.5	14.8
Interest	(14.6)	(14.4)
Cash flow before acquisitions and financing	(8.1)	0.4
Acquisitions	(0.1)	(0.3)
Financing	10.0	-
Net cash flow	1.8	0.1
Opening cash	7.1	16.1
Closing cash	8.9	16.2
Net debt	561.3	531.4

* Net capital expenditure includes £0.5m loss on the sale of practices (Q4 FY2018 includes £0.5m from disposals)

Financial results for FY2019

Income statement

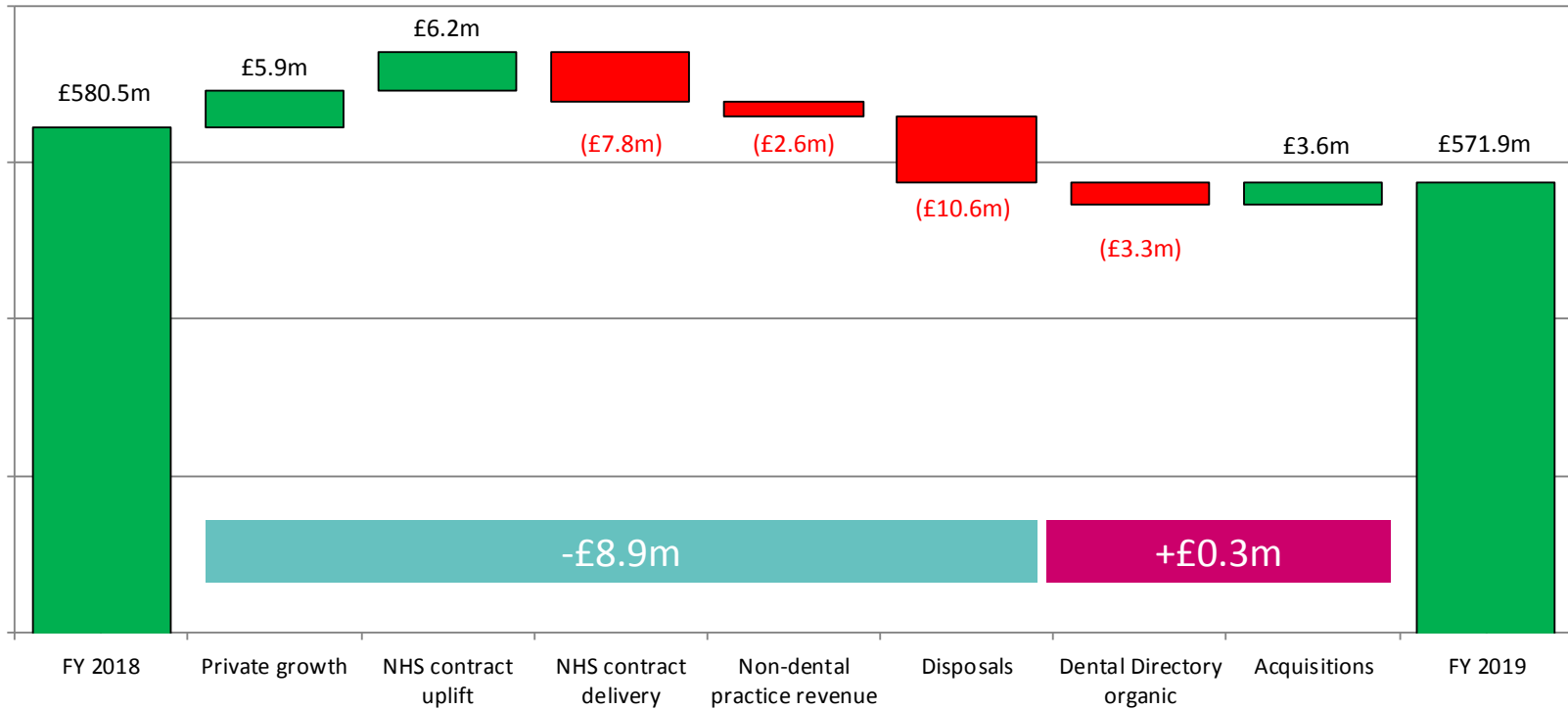
	FY2019 £m	% of revenue	FY2018* £m	% of revenue	% change
Revenue	571.9		580.5		(1.5)%
Gross profit	254.2	44.4%	252.7	43.5%	0.6%
Overheads**	(198.1)	34.6%	(199.6)	34.4%	0.8%
Other operating income	2.0	0.3%	2.0	0.3%	(0.8)%
EBITDA	58.1	10.2%	55.1	9.5%	5.4%

* Restated for implementation of IFRS 15 – Revenue from contracts with customers

** Administrative expenses plus distribution costs before depreciation, amortisation, impairment and other non-underlying items

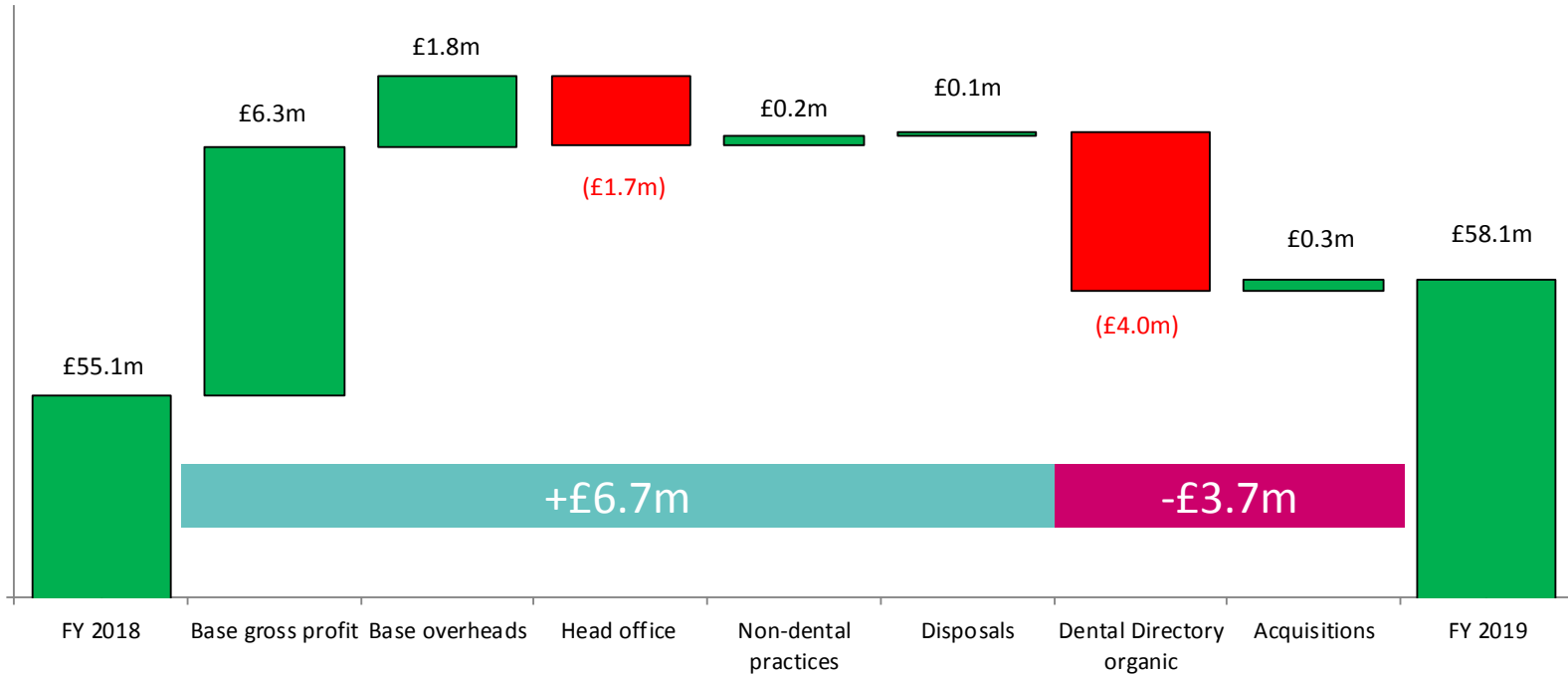
Financial results for FY2019

Group revenue bridge



Financial results for FY2019

Group EBITDA bridge



Financial results for FY2019

Cash flow statement

£m	FY2019	FY2018
Cash generated from operations before working capital	53.4	52.8
Working capital	(12.6)	13.1
Cash generated from operations	40.8	65.9
Net capital expenditure*	(23.8)	(17.9)
Corporation tax	-	-
Cash flow before acquisitions and debt service	17.0	48.0
Interest	(40.6)	(40.3)
Cash flow before acquisitions and financing	(23.6)	7.7
Acquisitions	(3.7)	(9.1)
Financing	20.0	5.0
Net cash flow	(7.3)	3.6
Opening cash	16.2	12.6
Closing cash	8.9	16.2
Net debt	561.3	531.4

* Net capital expenditure includes £0.4m from the sale of practices (FY2018 includes £1.2m from disposals)

Outlook



- Adjustment in segmental reporting for FY2020 to separate “group” costs from the mydentist overhead
- Costs include group management, professional fees associated with financing and group projects
- mydentist EBITDA forecast at £58m-£60m
- Dental Directory forecast at £5m-£6m
- Group overhead including inter-group profit eliminations forecast at -£4.0m
- Group EBITDA expected to be between £60m-£62m
- Capex investment in practices and Dental Directory capabilities of c£24m for the year
- Cash outflow likely in Q4 – SSRCF likely to be £30m drawn at 31 March 2020

Summary

FY2019 was a tale of two parts

mydentist:

- EBITDA growth of 13.8% and improvement in EBITDA margin of 1.6%
- Increase in EBITDA helped by cost control and productivity improvement

Dental Directory

- Turnaround year but now making progress
- EBITDA down by £3.0m on prior year

Group

- There remain a number of challenges
 - Headwinds in orthodontics
 - Positive LFL hours forecast at end of Q2
- FY2020 has started well
 - Affordable private roll-out currently ahead of schedule
 - Contract wins will underpin recovery of DD

Contact details:

Further questions can be addressed to:

- Email: investorrelations@mydentist.co.uk
- Telephone: 01204 799651

Investor information is available from our dedicated investor website:

www.mydentist.co.uk/about-us/investors