

Integrated Dental Holdings

Q2 FY 2017 Quarterly Results - Investor presentation
8 November 2016



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Agenda



- Business overview
- Q2 performance
- Patient Services developments
- NHS performance
- Practice Services developments
- Q2 2017 financial review

The mydentist business



- mydentist is the UK's #1 dental chain
- 675 practices nationwide delivering c.15% of NHS contracts in England and Wales
- c.2x the size of the next largest group and c.4x larger by value of NHS contracts
- Over 5 million patients through extensive national network
- Practice Services division consolidating market position in dental supply and services through Dental Directory, dbg, MedFx and other brands
- Consequently we are the UK's largest vertically integrated dental company

Q2 FY2017 Group performance



- Revenue growth 2.0% YoY to £142.1m
- EBITDA decline by £2.8m YoY to £16.8m
- Private revenue LFL growth of 3.8%
- NHS revenues remain challenged but mitigating actions continue
- Private revenue growth and contract uplifts help offset the decline in UDA delivery rates
- Focus on initiatives to recover UDA performance and control costs
- Impact of Brexit exchange rate movements on H1 practice services gross margins mitigated in part through selective price increases & supplier support
- Cash conversion remains strong at 116.7%

Q2 FY2017 highlights – Patient Services



NHS market continues to face headwinds

- NHS revenue of £94.7m up £0.1m (0.1%) driven by acquisitions
- After stripping out acquisitions over the last two financial years and the contract uplift of 0.7%, NHS revenue is down £3.6m
- UDA delivery down c.5% YOY YTD
- Fall is due to:
 - Dentist productivity (increased appointment times)
 - Dentist vacancies
 - The influence of private revenue growth as a result of patient choice
- Plans in place to increase UDA delivery via increased dentist hours, productivity, and additional recruitment, including locums in the short term

Q2 FY2017 highlights – Patient Services



NHS market continues to face headwinds

- Recruitment: Important to recovery in UDA delivery
 - Net 63 extra clinicians in place YTD
 - Increased number of mentors in place for EU and ORE candidates
 - 250+ locums in place across the practice estate
 - Clinical recruitment cycle can take at least 4+ months with notice periods and regulatory registrations
- Clinician turnover at lowest level, less than 10% per annum
- Productivity: Smart diary & licence to claim training in place
- Unclaimed UDAs result in foregone revenue in a period, but not necessarily a loss of potential revenue for future periods
- Availability (hours): Increased LFL hours expected in H2 in comparison to H1

Q2 FY2017 highlights – Patient Services



Private development

- Continued execution of growth strategy in private
- 8.0% Q2 YoY growth in total private revenue, 12.1% YTD
- 3.8% growth in Q2 LFL private revenue, 6.8% YTD
- Private treatment now 16.5% of group revenue (Q2 FY2016: 15.5%)
- Continued growth in fee per item and hygienists

Q2 FY2017 highlights – Practice Services



Industry offering continues to develop

- Total revenue including from Patient Services up 10.4% (£3.0m) year-on-year
- Growth driven in part by acquired businesses – Med-FX, PDS Dental Laboratory and Dolby Medical
- Encouraging growth in high street and health authority sectors
- Some regional differences in market share growth
- EU referendum resulted in foreign exchange volatility, with c.40% of COGS purchased in other currencies, mainly Euro
- H1 gross margin impacted, mainly as a result of FX
- Currency cash flow hedges have mitigated short term movements
- Supplier support, selective price increases and cost reductions put in place to recover majority of impact for H2 onwards

Q2 FY2017 Financial review



Q2 FY2017 Financial highlights



- Revenue up 2.0% YOY to £142.1m
- LFL private revenue up 3.8%, 6.8% for the YTD
- Private revenue now 16.5% of total revenue (Q2 FY2016: 15.5%)
 - NHS revenue 66.6% of total (Q2 FY2016: 68.0%)
 - Practice services revenue 16.9% of total (Q2 FY2016: 16.5%)
- EBITDA down on Q2 FY2016 to £16.8m
- NHS UDA delivery rates declined
- Debt capital structure refinanced with extension of maturities to 2022/2023

Financial results for Q2 FY2017

Income statement

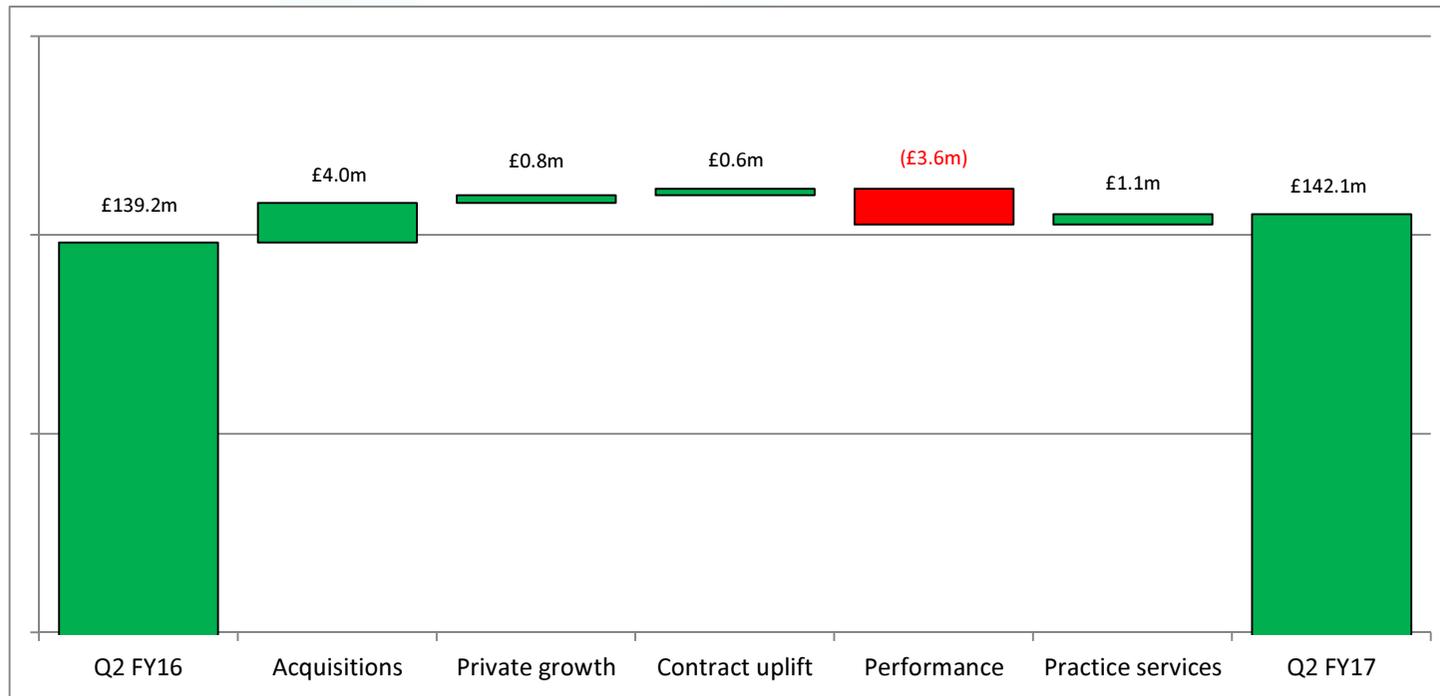


	Q2 2017 £m	% of revenue	Q2 2016 £m	% of revenue	% change
Revenue	142.1		139.2		2.0%
Gross profit	63.8	44.9%	63.7	45.8%	0.1%
Overheads*	(47.5)	33.4%	(44.6)	32.0%	6.5%
Other operating income	0.5	0.4%	0.5	0.3%	12.4%
EBITDA	16.8	11.9%	19.6	14.1 %	(14.2%)

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

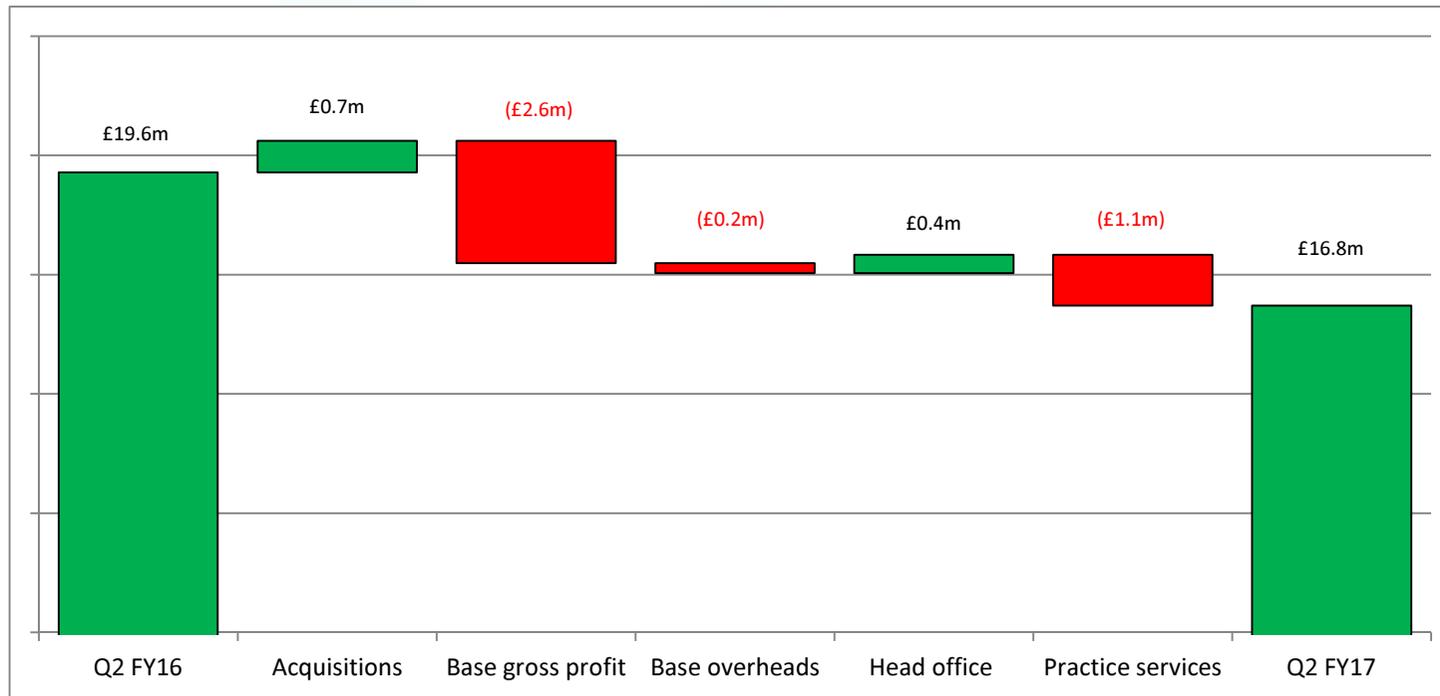
Financial results for Q2 FY2017

Revenue



Financial results for Q2 FY2017

EBITDA



Financial results for Q2 FY2017

Acquisitions



- Total of 675 practices at 30 September 2016 (666 at 30 September 2015)
- 4 practices acquired in H1, annualised EBITDA before central overheads of £0.8m
- High practice valuation multiple expectations have continued during H1
- Consequently, very limited practice acquisition activity likely in FY2017 & 2018 due to:
 - Market valuation of practices
 - Group leverage
 - Focus on improving UDA delivery in existing practices

Financial results for Q2 FY2017

Cash flow statement

£m	Q2 2017	Q2 2016
Cash generated from operations	23.3	18.6
Capital expenditure	(6.3)	(4.2)
Corporation tax	-	0.6
Cash flow before acquisitions and debt service	17.0	15.0
Interest	(12.2)	(13.6)
Acquisitions*	(3.7)	(18.4)
Debt issue costs	(15.6)	-
Financing	10.7	8.5
Net cash flow	(3.8)	(8.5)
Opening cash	21.8	26.5
Closing cash	18.0	18.0
Net debt	520.8	512.6

*Excluding fees

Financial results for Q2 FY2017

Cash conversion



£m	Q2 2017	Q2 2016
Operating cash flow	23.3	18.6
Exceptionals	1.8	4.8
Acquisition fees	0.2	0.5
Working capital adjustments	(0.1)	-
Adjusted operating cash flow	25.2	23.9
Maintenance capital expenditure	(5.4)	(4.6)
Adjustments	0.1	0.3
Adjusted cash flow	19.9	19.6
EBITDA	16.8	19.6
Adjusted cash conversion %	117.8%	99.7%

Financial results for Q2 FY2017

Re-financing



- Notes outstanding at 30 June refinanced through new public senior issue and private placement of new second lien notes
- SSRCF prepaid from new finance and new £100m facility agreed
- New financing
 - £275m 6.25% Fixed rate notes, due 2022
 - £150m L+6% Floating rate notes, due 2022*
 - £130m L+8% Second lien, due 2023**
 - £100m Super Senior Revolving Credit Facility L+3.5%
- SSRCF undrawn at issue
- Cash usage £5.6m for fees, redemption costs

* Floor for LIBOR of 0%

** Floor for LIBOR of 1%

Summary

- Lower NHS UDA performance has continued as expected
- Actions in place but with dentist recruitment the key driver, it will take time to feed into results
- Private revenue growth continues
- Practice services growth encouraging
- Limited practice acquisitions activity for the medium term until gearing levels and valuations reduce
- Business model well-positioned for continued growth

Contact details:

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Investor information is available from our dedicated investor website:

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