

# Integrated Dental Holdings



Q3 FY 2017 Quarterly Results - Investor presentation  
7 February 2017

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## Agenda



- Business overview
- Q3 performance
- Patient Services developments
- NHS performance
- Practice Services developments
- Q3 2017 financial review

## The mydentist business



- mydentist is the UK's #1 dental chain
- 677 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 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

## Q3 FY2017 Group performance



- Revenue growth 3.5% YoY to £149.4m
- Q3 EBITDA decline by £5.2m YoY to £16.8m
- Continued private revenue LFL growth of 6.2%
- NHS revenues remain challenged but mitigating actions continue
- Private revenue growth and UDA contract rate uplifts help offset the decline in UDA delivery rates
- Management continues to focus on initiatives and procedures to recover UDA performance and control costs
- Impact of Brexit exchange rate movements on H1 practice services gross margins now largely mitigated through selective price increases & supplier support
- Cash conversion reduced to 36.1% due to contract repayments

## Q3 FY2017 highlights – Patient Services



### NHS market continues to face headwinds

- NHS revenue of £96.9m down £2.4m (-2.4%).
- After stripping out acquisitions over the last two financial years and the contract uplift of 0.7%, NHS revenue is down £5.4m
- UDA delivery down c.4% YTD
- Fall is a result of:
  - Demand outstripping supply of dentists
  - Dentist productivity (increased appointment times)
  - The influence of private revenue growth with patient choice
- As announced previously the business has put firm plans in place to increase UDA delivery via increased dentist hours, productivity, and additional recruitment, including locums in the short term

## Q3 FY2017 highlights – Patient Services



### NHS market continues to face headwinds

- Recruitment: Key area to recovery in UDA delivery
  - Net 104 extra clinicians in place YTD
  - Increased number of mentors in place for EU and ORE candidates, process however can take 9 months
  - 300+ locums in place across the practice estate
  - Clinical recruitment cycle can take at least 4+ months with notice periods and regulatory registrations
- Clinician turnover remains at low levels, less than 10% per annum
- Productivity: Smart diary & licence to claim training remains in place
- Availability (hours): Increased LFL hours in H2 in comparison to H1
- Unclaimed UDAs result in foregone revenue in a period, but not necessarily a loss of potential revenue for future periods

## Q3 FY2017 highlights – Patient Services



### Private patient services growing

- Continued execution of growth strategy in private, in line with corporate vision
- 9.5% Q3 YoY growth in total private revenue, 11.2% YTD
- 6.2% growth in Q3 LFL private revenue, 6.6% YTD
- Private treatment now 16.3% of group revenue (Q3 FY2016: 15.4%)
- Continued growth in fee per item and hygienists (11.1% YTD)

## Q3 FY2017 highlights – Practice Services



### Industry offering continues to develop

- Total revenue including from Patient Services up 19.5% (£5.6m) year-on-year
- Growth driven by acquired businesses – PDS Dental Laboratory and Dolby Medical
- Continued encouraging growth in high street and health authority sectors
- Some regional differences in market share growth, good recovery in Northern & Scottish regions
- Decline in gross margin % now reversing on the back of supplier support and price increases put in place

## Q3 FY2017 Financial review



## Q3 FY2017 Financial highlights



- Revenue up 3.5% YOY to £149.4m
- LFL private revenue up 6.2%, 6.6% for the YTD
- Private revenue now 16.3% of total revenue (Q3 FY2016: 15.4%)
  - NHS revenue 64.9% of total (Q3 FY2016: 68.7%)
  - Practice services revenue 18.8% of total (Q3 FY2016: 15.9%)
- EBITDA down on Q3 FY2016 to £16.8m

## Financial results for Q3 FY2017

### Income statement

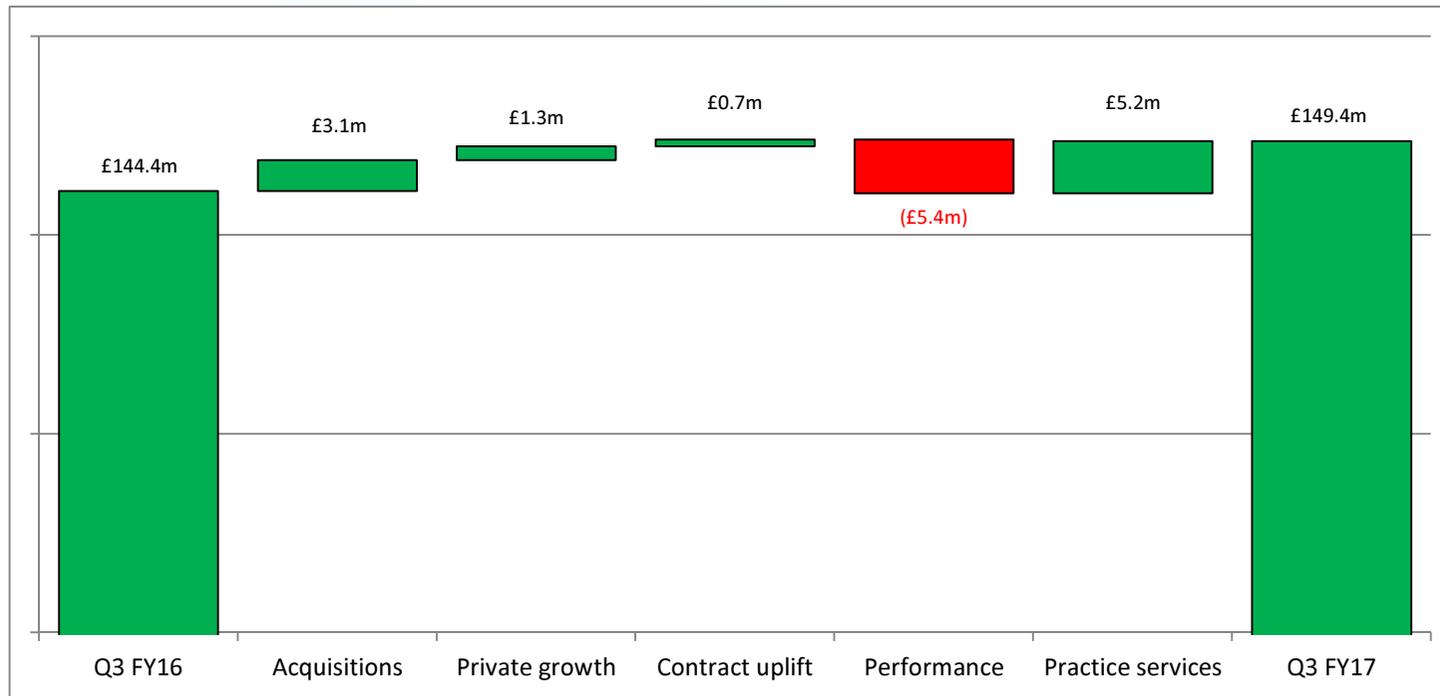


|                        | Q3 2017<br>£m | % of revenue | Q3 2016<br>£m | % of revenue  | % change       |
|------------------------|---------------|--------------|---------------|---------------|----------------|
| Revenue                | 149.4         |              | 144.4         |               | 3.5%           |
| Gross profit           | 65.2          | 43.7%        | 66.1          | 45.8%         | (1.3%)         |
| Overheads*             | (48.9)        | 32.8%        | (44.6)        | 30.9%         | (9.7%)         |
| Other operating income | 0.5           | 0.4%         | 0.5           | 0.3%          | 10.6%          |
| <b>EBITDA</b>          | <b>16.8</b>   | <b>11.3%</b> | <b>22.0</b>   | <b>15.2 %</b> | <b>(23.5%)</b> |

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

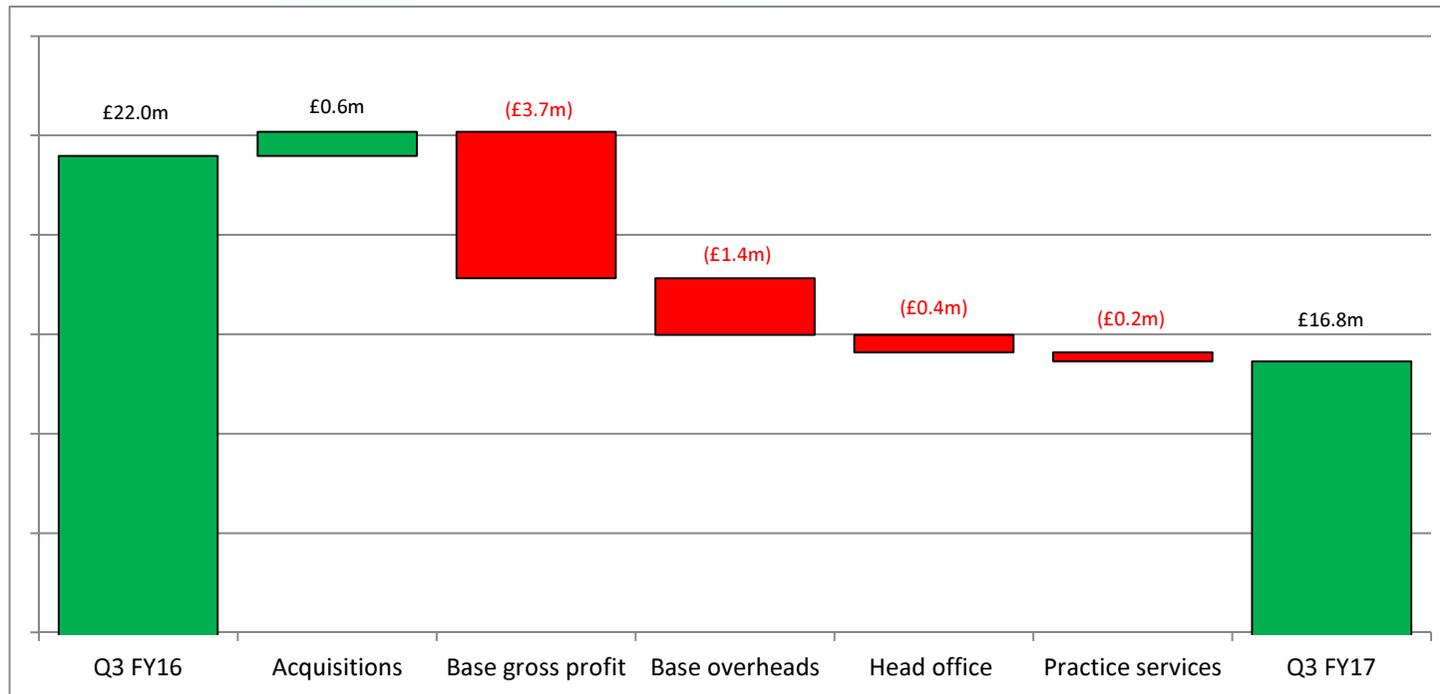
# Financial results for Q3 FY2017

## Revenue



# Financial results for Q3 FY2017

## EBITDA



## Financial results for Q3 FY2017

### Acquisitions



- Strategy to limit acquisition activity in FY2017 and FY2018 due to:
  - Continued high market valuations of practices
  - Group leverage
  - Focus on improving UDA delivery in existing practices
- Total of 677 practices at 31 December 2016 (669 at 31 December 2015)

## Financial results for Q3 FY2017

### Cash flow statement

| £m   | Q3 2017 | Q3 2016 |
|--|---------|---------|
| Cash generated from operations                 | 7.7     | 17.0    |
| Capital expenditure                            | (3.8)   | (6.4)   |
| Corporation tax                                | -       | -       |
| Cash flow before acquisitions and debt service | 3.9     | 10.6    |
| Interest                                       | (6.8)   | (4.3)   |
| Acquisitions*                                  | (3.5)   | (5.8)   |
| Debt issue costs                               | (1.7)   | -       |
| Financing                                      | -       | -       |
| Net cash flow                                  | (8.1)   | 0.5     |
| Opening cash                                   | 18.0    | 18.0    |
| Closing cash                                   | 9.9     | 18.5    |
| Net debt                                       | 529.7   | 512.7   |

\*Excluding fees  
SSRCF remains undrawn - £100m

## Financial results for Q3 FY2017

### Cash conversion



| £m                              | Q3 2017 | Q3 2016 |
|---------------------------------|---------|---------|
| Operating cash flow             | 7.7     | 17.0    |
| Exceptionals                    | 1.6     | 5.0     |
| Acquisition fees                | 0.2     | 0.4     |
| Working capital adjustments     | -       | (0.1)   |
| Adjusted operating cash flow    | 9.5     | 22.3    |
| Maintenance capital expenditure | (3.2)   | (5.9)   |
| Adjustments                     | -       | 0.5     |
| Adjusted cash flow              | 6.3     | 16.9    |
| EBITDA                          | 16.8    | 22.0    |
| Adjusted cash conversion %      | 37.6%   | 77.0%   |

## Summary

- Lower NHS UDA performance has continued as previously announced
- Firm plans in place but with dentist recruitment the key driver, it will take time to feed into results
- Private revenue growth continues in line with corporate strategy
- Practice services growth continues to be encouraging
- Limited practice acquisitions activity for the medium term until gearing levels and valuations reduce

## Contact details:

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Investor information is available from our dedicated investor website:

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