

Integrated Dental Holdings



Q4 FY2017 Year-end and Quarterly Results - Investor presentation
1 June 2017

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Agenda



- Introducing new IDH leadership
- Business overview
- FY2017 performance & business update
 - Patient services – (**mydentist**) developments
 - Practice services – (**Dental Directory**) developments
- FY2017 financial review
- Outlook
- Summary

Introducing new IDH leadership



Tom Riall – Chief Executive

- Joined Integrated Dental Holdings (IDH) as Group Chief Executive Officer (“CEO”) in May 2017
- Previously CEO of the Priory Group (also bond financed) from April 2013 to December 2016. Following successful sale to Acadia Healthcare Services exited at year-end
- Before Priory, 9 years with Serco, latterly as CEO of their Global Services division
- Currently undertaking an in-depth review of IDH business performance and will present next steps at the half-year investor presentation in November 2017



Business overview



Business overview



- IDH is Europe's largest vertically integrated dental services business
- We believe in high clinical standards, the best possible patient care and offering a comprehensive choice of treatment (NHS or private pay) through our extensive network of practices across the UK
- Within the IDH group there are two principal businesses:
 - **mydentist** (c.80% of group sales)
 - **Dental Directory** (including a number of sub-brands)

Business overview



- Patient services, branded as **mydentist** is the UK's #1 network of dental practices
 - 674 practices nationwide
 - 1.5x the size of the next largest group
 - Serves over 5 million patients (NHS and private pay)
- Practice services, branded as **Dental Directory** is a leading provider of dental supplies and laboratory services
 - Includes a number of sub-brands; dbg, Mi-Tec, TAG, PDS, Dolby Medical
 - Facilities in Witham (Essex), Blackpool, Bradford and Stirling
- Together these two businesses (mydentist and Dental Directory) make up IDH Group

Business overview



- IDH - clear market leader with scale and extensive geographic reach. It is both a trusted partner to the NHS and a growing private pay business
- Core is stable and cash generative
- Focus is on high quality patient care and offering choice. All 674 practices in mydentist are 100% CQC compliant
- New, fresh brand in “mydentist” and well invested estate
- Solid platform for the future to increase % completion of UDAs and further grow private, but a number of issues to address
- New Board and new leadership in place to take the group forward



FY2017 performance & business update



FY2017 financial performance



Group

- Revenue growth 3.5% YoY to £585.8m
- EBITDA down 14.2% YoY to £68.8m
- Normalised cash conversion remains strong at 91.9%



mydentist

- Private revenue LFL growth of 7.0%
- Overall LFL NHS revenues have reduced offset by private revenue growth
- Gross margin impacted through increased resourcing costs

Dental
Directory

Dental Directory

- Revenue growth 14.8% YoY to £135.0m (before intergroup eliminations)
- Gross margins recovering post-FX volatility resulting from Brexit

FY2017 highlights – mydentist



- 674 practices with 602 NHS contracts representing c.15% of NHS dental services in England & Wales
- “Evergreen” contracts enhance defensive qualities of the business and ongoing revenue streams
- FY2017 UDA delivery rate @ 90.4% (FY2016 – 92.4%)*
- Before contract handbacks delivery rate equates to 88.0% of UDAs/overall contract value (FY2016 – 92.4%)
- Continuing to increase share of £3.4bn private market (currently only c.2%)
- Continued progress – private revenue LFL growth:
 - YoY LFL – 7.0%;
 - 2 year LFL – 19.8%

* Post in-year temporary and permanent handbacks.

NHS market continues to be challenging

- NHS revenue of £385.1m down £1.3m (0.3%) due to decline in UDA delivery of 4.4%, offset by the contract price uplift of 0.7% and annualisation of acquisitions
- Following the impact of NHS scrutiny through FY2015 and FY2016, fall is due to a combination of:
 - Reduced number of UDAs per dentist and therefore the requirement to increase the overall number of dentists (this is underway)
 - Dentist productivity (increased NHS appointment times)
 - The influence of private revenue growth with patient choice
- Plans in place to increase UDA delivery by increasing the number of dentists, holding dentists to deliver on their committed UDAs and increasing productivity where possible

FY2017 highlights – mydentist



Dedicated recruitment drive

- Recruitment: important to recovery in UDA delivery
 - YoY net 154 extra clinicians in place at March 2017
 - Recruitment from contract acceptance can take up to 6 months for UK GDC registered dentists with notice periods and regulatory registrations and 12 months for EU and ORE* candidates
- Different recruitment channels being developed further
 - EU recruitment in parallel with UK sourcing
 - Developing therapist model to support overseas recruitment
 - Continual focus on developing pipeline
 - Local attraction/ambassador initiatives around groups of practices
 - Targeted programme for passive candidates, including call centre
 - Encouraging more of our own dentists to become “mentors” to UK registered dentists coming out of dental colleges and/or other overseas dentists looking to practice in the UK
- Clinician turnover remains at low levels, c.10% for FY2017

* Overseas Registered Exam – required for overseas registered dentists wishing to practice in the UK

FY2017 highlights – mydentist



Focus on productivity

- Productivity:
 - R4+ practice management system upgrade rolled out,
 - Smart diary and patient note templates all now in place
 - Have committed to 100% rollout of digital x-rays over next 18 months
- Much of the above (improved resourcing pipeline, improvements to productivity) will take some time to impact performance
- Undelivered UDAs result in foregone revenue in a period, but not necessarily a loss of potential revenue for future periods

FY2017 highlights – mydentist



Continued YoY LFL growth in private revenues

- Private revenue of £95.8m up £9.5m (11.0%) driven primarily by LFL growth
- Encouraging growth seen in all segments:

Fee per item ("FPI"):

- Consistent minimum pricing model in place across all practices
- "Smilechecker" & free assessment days have all supported FPI growth
- Denture Excellence, 34% LFL revenue growth, FY2017 £4.1m revenue
- Growing number of specialists and internal referrals across our practice network

Hygiene:

- 11.0% LFL revenue growth, FY2017 £15.3m revenue
- 505 hygienists contracted across 562 practices
- Growth opportunities both in number of increasing hygienists & sessions
- Underpinned by hygiene plan operating successfully across 239 practices

FY2017 highlights – Dental Directory



Development of dental services (supplies, wholesale, laboratories) making good progress

- Total revenue including intragroup to mydentist up 14.8% (£17.4m) YoY
- Growth also driven by acquired businesses

Dental Directory

- Sales up 11.0% with encouraging volume growth in H2
- Both England & Scotland Health authority contracts performing well
- 5.7% sales growth in own label product lines providing future sales & margin opportunities
- Disciplined category and pricing structures in place backed by marketing activity programmes, including “Pink Thursdays”
- Web based sales increased by 17% to 65% of orders placed online.
- CRM platform allows visibility of all customer activity to tailor offers
- FX volatility post-Brexit vote mitigated through supplier support and selective price increases, gross margin % returning to normalised/long term levels

FY2017 highlights – Dental Directory



- Equipment maintenance volumes impacted by new field engineering system rollout
- Rollout substantially completed Q1 FY2018
- Productivity and job volumes already increasing



- Med-FX is a single-source supplier for all Facial Aesthetics and Skin Rejuvenation product needs.
- FY2017: 27% LFL growth YoY to £12.3m.
- e-script introduction improved supply chain and customer efficiencies and further growth opportunities to individual practitioners, including mydentist clinicians



- Dolby Medical is Scotland's leading supplier of dental equipment and services to both NHS and private practitioners
- FY2017 trading ahead of management expectations
- Already providing platform to support & build on NHS Scotland and DenPro consumables contracts with other services

FY2017 highlights – Dental Directory



- State of the art dental laboratory provides dentists with assistance in all aspects of Crown and Bridge, Dentures and implant work
- Restructuring of operational model and cost base carried out over FY2017
- Key customer contracts secured plus new wins
- Supporting the successful mydentist Denture Excellence programme with volume growth potential through FY2018
- Winner of The Dental Awards “Dental Laboratory of the Year 2017”



FY2017 Financial review



FY2017 Financial highlights



- Revenue up 3.5% to £585.8m
- LFL mydentist private revenue up 7.0%
- Private revenue now 16.4% of total revenue (FY2016: 15.3%)
 - NHS revenue 65.7% of total (FY2016: 68.3%)
 - Dental Directory revenue 17.9% of total (FY2016: 16.4%)
- EBITDA down 14.2% on FY2016 to £68.8m
- Estimated pro-forma LTM EBITDA of £70.3m following six practice acquisitions
- Normalised cash conversion after maintenance capital expenditure remains stable at 91.9% (FY2016: 97.1%)
- Refinancing completed in August 2016 extending maturity of debt facilities to 2022/23

Financial results for FY2017

Income statement

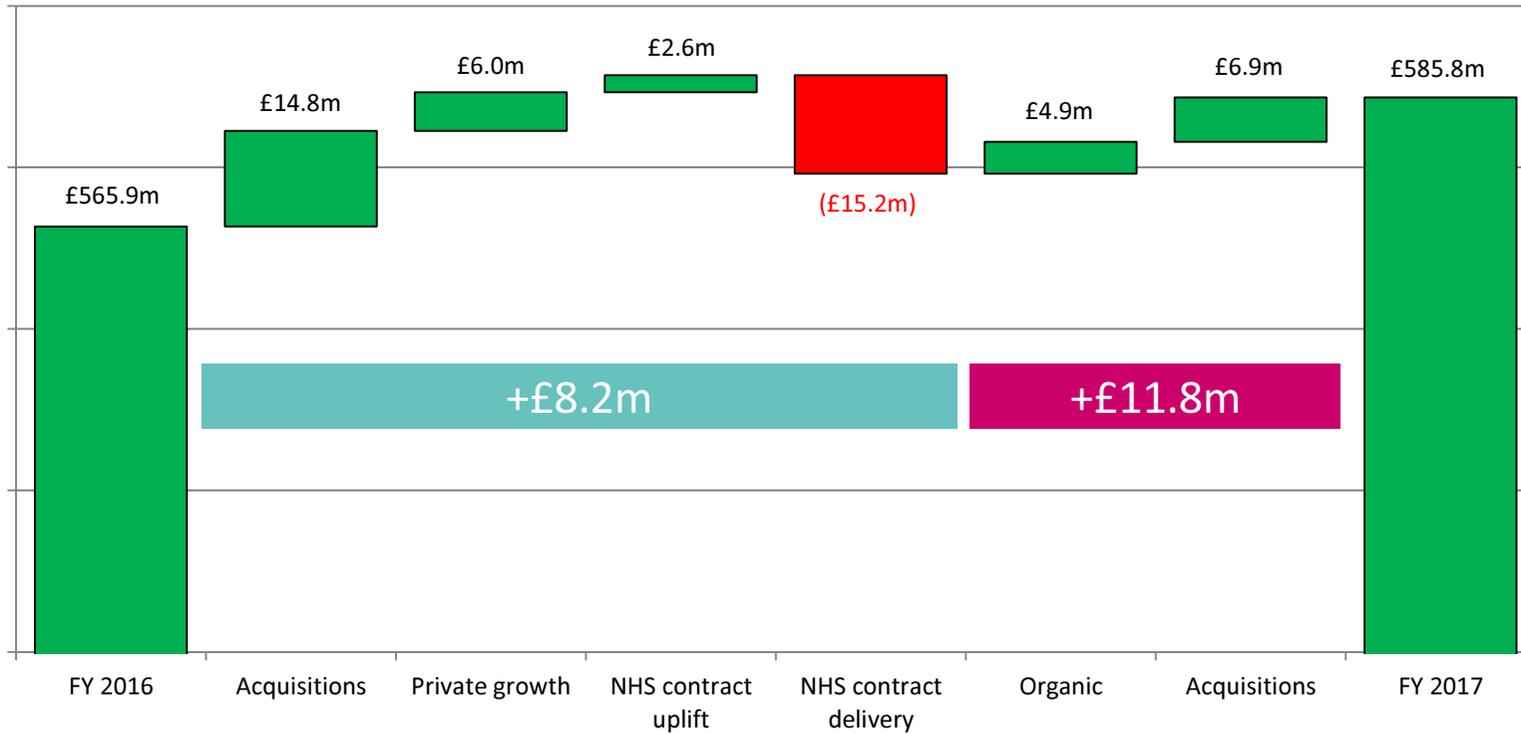


	2017 £m	% of revenue	2016 £m	% of revenue	% change
Revenue	585.8		565.9		3.5%
Gross profit	261.0	44.6%	258.4	45.7%	1.0%
Overheads*	(194.2)	33.1%	(180.1)	31.8%	(7.8%)
Other operating income	2.0	0.3%	1.9	0.3%	2.4%
EBITDA	68.8	11.7%	80.2	14.2 %	(14.2%)

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

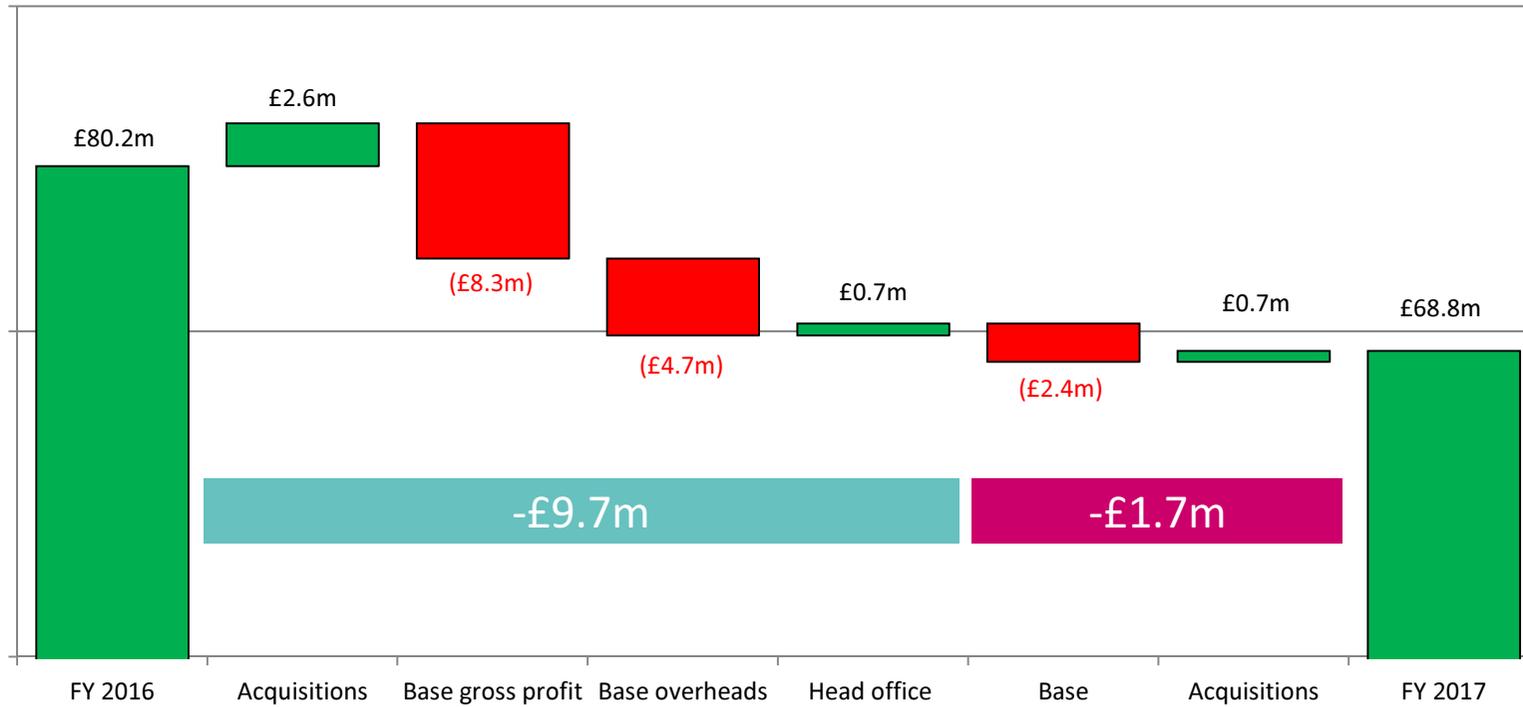
Financial results for FY2017

Group revenue bridge



Financial results for FY2017

Group EBITDA bridge



Financial results for FY2017

Acquisitions & Disposals



- Total of 674 practices at 31 March 2017 (672 at 31 March 2016)
- Six practices acquired this year, with two closures and two practices merged into existing practices
- Strategy to limit acquisition activity for mydentist in FY2017 and FY2018 due to:
 - Continued high market valuations of practices
 - Group leverage
 - Focus on improving UDA delivery in existing practices
- Portfolio review underway
- Anticipated small number of practice disposals or closures
 - Three to date with two completed in FY2017
- Acquisitions of bolt-on companies to Dental Directory will continue dependent on the opportunities available and price

Financial results for FY2017

Cash flow statement

£m	2017	2016
Cash generated from operations	72.9	80.0
Capital expenditure	(19.7)	(24.2)
Corporation tax	-	0.5
Cash flow before acquisitions and debt service	53.2	56.3
Interest	(38.5)	(35.2)
Cash flow before acquisitions and financing	14.7	21.1
Acquisitions*	(10.4)	(43.8)
Debt issue costs	(11.1)	-
Financing	4.5	8.5
Net cash flow	(2.3)	(14.2)
Opening cash	14.9	29.1
Closing cash	12.6	14.9
Net debt	527.6	516.9

*Excluding fees

SSRCF remains undrawn - £100m (£98.2m available after Letter of Credit)

Financial results for FY2017

Cash conversion



£m	2017	2016
Operating cash flow	72.9	80.0
Exceptionals	6.7	15.0
Acquisition fees	0.7	1.9
Working capital adjustments	(0.1)	0.2
Adjusted operating cash flow	80.2	97.1
Maintenance capital expenditure	(17.8)	(22.2)
Adjustments	0.9	3.0
Adjusted cash flow	63.3	77.9
EBITDA	68.8	80.2
Adjusted cash conversion %	91.9%	97.1%

Financial results for Q4 FY2017

Income statement



	Q4 2017 £m	% of revenue	Q4 2016 £m	% of revenue	% change
Revenue	150.9		146.7		2.9%
Gross profit	66.1	43.8%	66.7	45.4%	(0.9%)
Overheads*	(49.4)	32.7%	(46.4)	31.6%	(6.5%)
Other operating income	0.4	0.3%	0.5	0.3%	(18.0%)
EBITDA	17.1	11.3%	20.8	14.2 %	(17.9%)

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

Financial results for Q4 FY2017

Cash flow statement



£m	Q4 2017	Q4 2016
Cash generated from operations	22.2	23.7
Capital expenditure	(3.6)	(6.5)
Corporation tax	-	-
Cash flow before acquisitions and debt service	18.6	17.2
Interest	(15.2)	(13.2)
Cash flow before acquisitions and financing	3.4	4.0
Acquisitions*	(0.7)	(7.7)
Debt issue costs	-	-
Financing	-	-
Net cash flow	2.7	(3.7)
Opening cash	9.9	18.6
Closing cash	12.6	14.9
Net debt	527.6	516.9

*Excluding fees
SSRCF remains undrawn - £100m (£98.2m available after Letter of Credit)

Outlook



Summary



- FY2017 - a challenging year for both mydentist and Dental Directory
- Decline in UDA% completion must be corrected; pick up in resourcing and productivity should impact H2 FY2018
- Solid platform now in place to deliver longer term growth
- Private revenue growth in mydentist is encouraging and continues
- Dental Directory margins have recovered; acquisitions performing well and range of service offerings continues to expand
- Cash generative at operating levels
- New leadership in place

Contact details:

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Investor information is available from our dedicated investor website:

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

