

Integrated Dental Holdings



Q3 FY2020 - Investor presentation
26 February 2020

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Agenda

- Introduction - Chief Executive overview
- Performance & business update
 - **{my}dentist** developments
 - General dentistry
 - Orthodontics
 - **DD** developments
- Financial review
- Outlook
- Summary
- Q&A

- Adjusted EBITDA for Q3 in line with guidance
- {my}dentist continues to move forward
 - Continued strong growth in {my}options revenue
 - Advanced Oral Health Centres making good progress
 - Positive like-for-like dentist hours in December
- DD ahead of the full year FY19 by the end of Q3
 - Revenue growth still strong in aesthetic products
 - Development of business in Ireland due to contract wins
- No change to the outlook for the financial year
 - Both {my}dentist and DD to deliver in line with expectation
 - NHS revenue performance consistent with prior quarters

Q3 FY2020 Performance & business update



Q3 FY2020 group performance



Group

- Organic revenue growth of 6.9% year-on-year to £155.5m for the quarter
- Q3 Adjusted EBITDA up £0.4m (2.8%) on FY2019 to £15.8m
- YTD Adjusted EBITDA up £2.0m (4.9%) on FY2019 to £43.2m



{my}dentist

- Private revenue LFL growth of 19.4% per working day for Q3 (YTD: 19.0% - FY19 YTD: 4.9%)
- EBITDA from general dental practices up 1.6%
- Adjusted EBITDA of £15.4m in line with the prior year for the quarter and at £42.8m YTD, £1.4m up on FY2019.



DD

- Revenue up £10.1m (30.5%) at £43.1m (before intergroup eliminations) for the quarter
- Adjusted EBITDA of £1.6m is £1.0m up on Q3 FY2019
- YTD EBITDA of £4.3m, 10.3% up on the full year FY2019

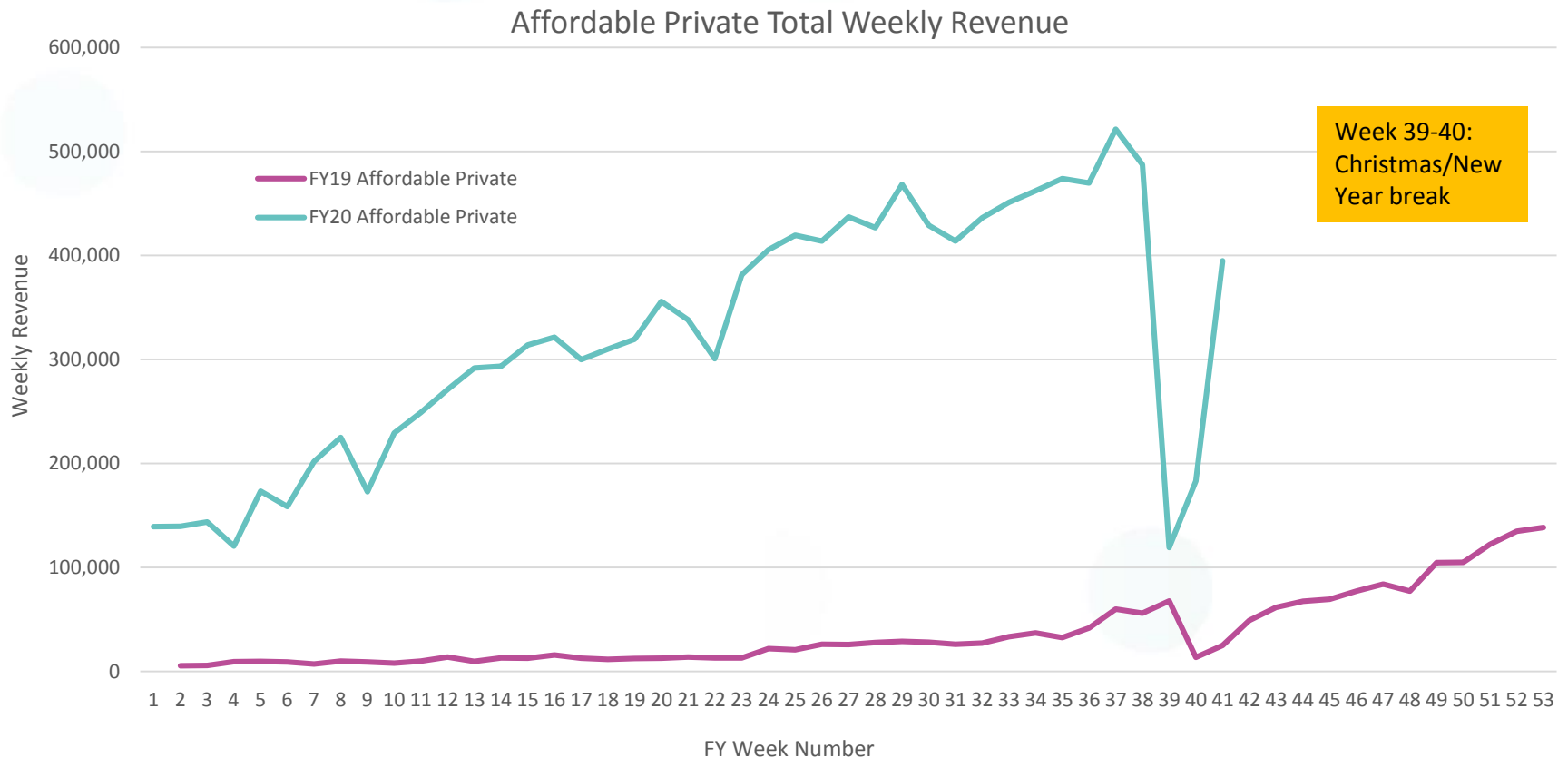
Private revenue

- Q3 like-for-like private growth, adjusted for the number of working days, was 19.4%, slightly lower than Q2 (21.5%)
- Private revenue growth for Q3 of £5.3m (excluding ortho) to £29.0m (22.4%)
- Year to date like-for-like total private growth per working day of 19.0%
- In sites offering affordable private, total private LFL growth of 26.9% for the year to date
- Revenue growth strong in the 14 Advanced Oral Health Centres* (+33.5% LFL private revenue YTD)
- Putney AOHC +89.4%, Formby +94.0% year-on-year
- Plans in place for 3 new AOHCs to launch 1 April 2020

* Advanced Oral Health Centres are larger practices acting as a hub for specialist treatments such as implants. Spoke practices refer patients to the hub for more complicated treatments where necessary.

Q3 FY2020 summary – {my}dentist

- Total affordable private now at run rate of +£500k+ per week during Q3.

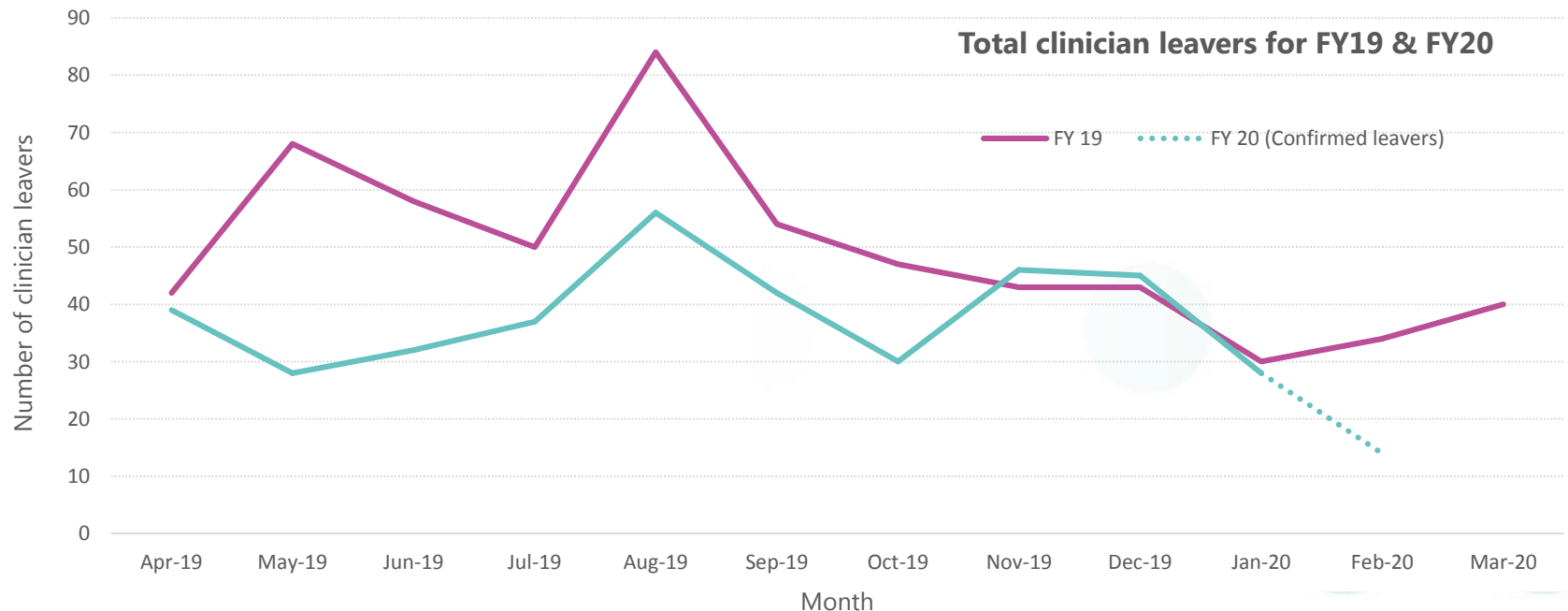


NHS revenue

- NHS revenue in Q3 of £79.8m, excluding disposal sites and Orthodontic practices, down £2.8m on the prior year (£1.4m excluding contract rate catch up adjustments in Q3 FY2019)
- Like-for-like NHS revenue per working day is down 3.2% for the quarter
- UDA delivery per working day is down 6.5% for Q3
- Fall in UDA volume partially offset by the annual contract rate uplift (2.42% for England)
- Total dentist hours down 0.8% in Q3 however, December hours were +0.8% on last year.
- NHS dentist availability remains a challenge across the industry

Workforce challenge

- Resourcing and retention remains a key priority to the future development of the business
- 126 new clinicians started with the business in Q3
- 121 net new clinicians year to date



Q3 FY2020 summary – {my}dentist

- There continues to be a significant challenge to provide access for NHS patients.
- After the transition period ends in December 2020 a new immigration system will come into force that could open up new opportunities
- Current challenges:

Right to work	<ul style="list-style-type: none">• Visa restrictions• Resident market test
Recognised qualification	<ul style="list-style-type: none">• ORE expensive, places limited• Mutual recognition of qualifications with EEA not guaranteed long term
NHS performer number	<ul style="list-style-type: none">• Dentists can practise privately while building up experience required for a performer number

Q3 FY2020 summary – {my}dentist

{my}orthodontist

- For FY2020, we have separated out our specialist orthodontic practices from general practices to create a standalone division: {my}orthodontist
- Q3 total revenue of £10.5m, £0.8m down on FY2019 due to NHS contract changes
- Gross margin lower at 45.8% (Q3 FY2019: 49.3%) due to higher dentist fees on wind-down contracts.
- Adjusted EBITDA in Q3 of £2.4m, £0.8m down on FY2019
- New contract award process has been suspended in the Midlands and East with contracts extended for 2 years
- The North process remains suspended due to legal challenges
- Adjusted EBITDA expected to continue behind historic rates due to the uncertainty in the tender process.

Q3 FY2020 summary – DD

- Total revenue, excluding sales to {my}dentist, up 33.7% to £36.1m from £27.0m in Q3 FY2019
- Adjusted EBITDA for Q3 up £1.0m year-on-year to £1.6m and 81.4% for the year to date to £4.3m
- Continued increase in MedFX volumes through sales of toxin and fillers following the Galderma contract win
- Multiple contract wins in Ireland for BF Mulholland to provide services and consumables to corporate customers across Northern Ireland and the Republic of Ireland.
- Overall gross margin down due to lower margin toxin sales but gross profit up by £1.7m (20.0%) in Q3

Financial review



Q3 FY2020 Financial highlights

- Group revenue up £10.0m (6.9%) in Q3 to £155.5m from £145.5m. YTD revenue up 4.5% to £446.3m
- {my}dentist LFL total revenue up 1.9% per working day in Q3
- Private revenue mix increasing as a proportion of dental practice revenue year-on year

Dental practice revenue	Q3 FY2020	Q3 FY2019
NHS	73.8%	77.8%
Private	26.2%	22.2%

- Adjusted group EBITDA up 2.8% on Q3 FY2019 to £15.8m
- {my}dentist Adjusted EBITDA 1.1% down year-on-year to £15.4m with DD up 162.1% at £1.6m
- LTM Adjusted EBITDA of £60.1m and pro-forma Adjusted EBITDA of £60.3m

Financial results for Q3 FY2020

Income statement

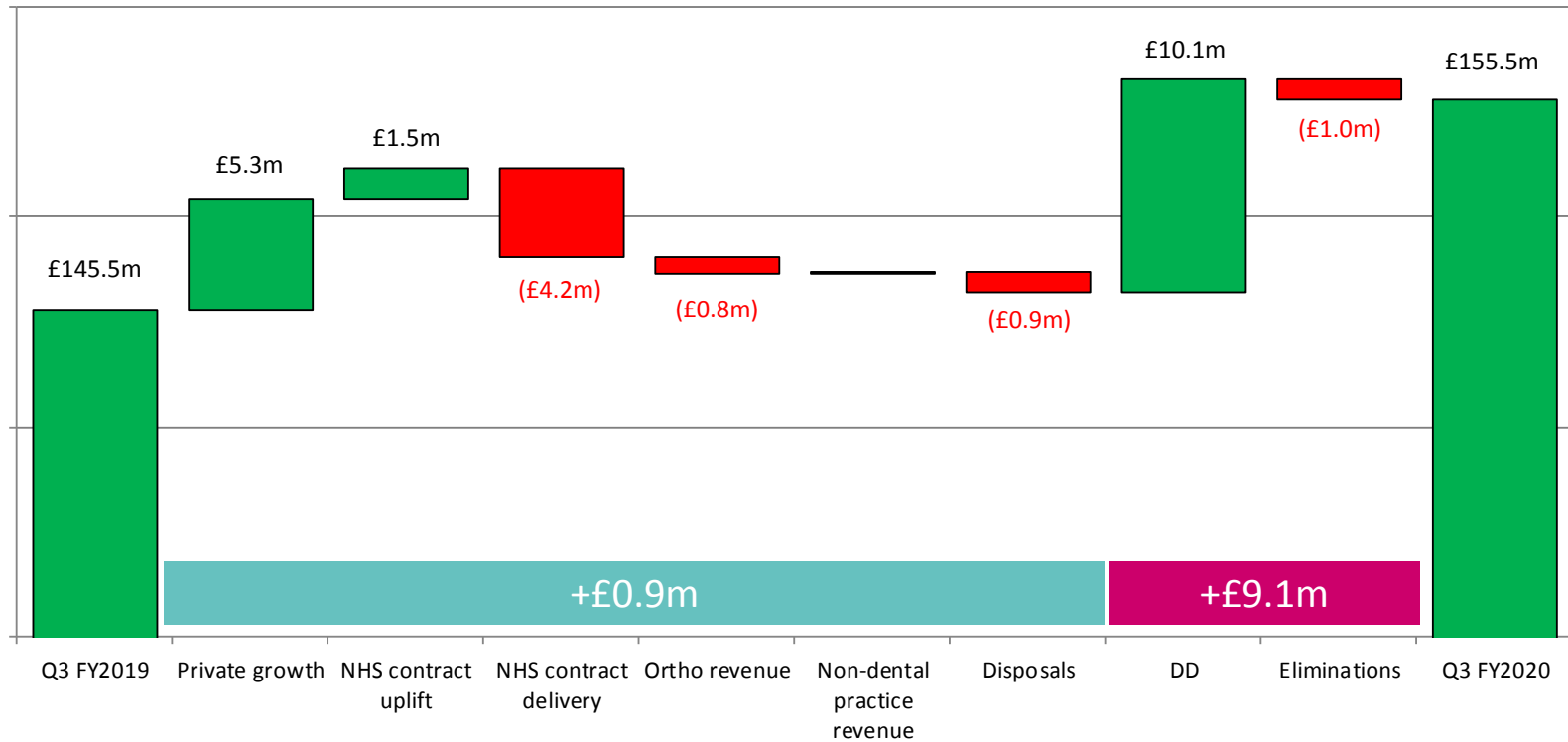
	Q3 FY2020 £m	% of revenue	Q3 FY2019 £m	% of revenue	% change
Revenue	155.5		145.5		6.9%
Gross profit	65.7	42.2%	64.1	44.1%	2.5%
Overheads*	(46.7)	30.0%	(49.3)	33.9%	
Other operating income	0.5		0.5		
EBITDA	19.4	12.5%	15.4	10.6%	
Rental charges	(3.7)		–**		
Adjusted EBITDA	15.8	10.2%	15.4	10.6%	2.8%

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

** FY19 overheads include rent charges.

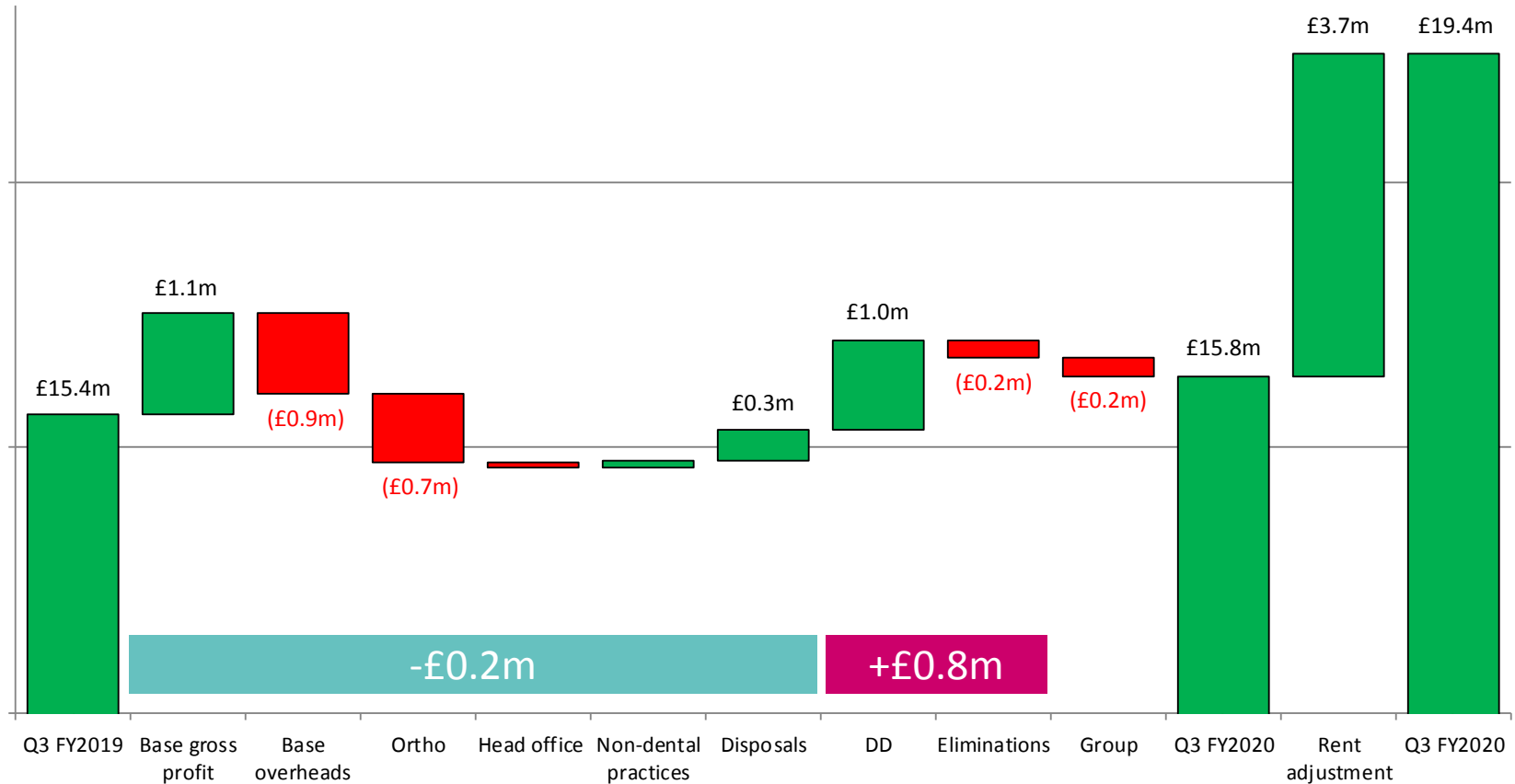
Financial results for Q3 FY2020

Group revenue bridge



Financial results for Q3 FY2020

Group EBITDA bridge



Financial results for Q3 FY2020

Acquisitions & Disposals



- Total of 601 practices at 31 December 2019 (609 at 31 December 2018)
- Merger and relocations of practices in Halifax (merger of 3 practices into 1) and Shipley (relocation) opened in October
- Review of market opportunities ongoing across DD and {my}dentist
- All capital expenditure including acquisitions now subject to revised internal process to ensure return on investment over three year timeline is greater than 20%
- Process applied to all project capital including mergers and relocations, additional surgeries and acquisitions

Financial results for Q3 FY2020

Cash flow statement

£m	Q3 FY2020	Q3 FY2019
Cash generated from operations before working capital	18.2	14.4
Working capital	(4.7)	(16.2)
Cash generated from operations	13.5	(1.8)
Net capital expenditure	(7.1)	(6.3)
Corporation tax	-	-
Cash flow before acquisitions and debt service	6.4	(8.1)
Interest	(6.0)	(5.9)
Cash flow before acquisitions and financing	0.4	(14.0)
Acquisitions	-	(0.2)
Principal elements of lease payments	(3.7)	-
Financing	-	10.0
Net cash flow	(3.3)	(4.2)
Opening cash	14.1	11.3
Closing cash	10.8	7.1
Net debt	561.4	552.5

Outlook



FY2020 Outlook – in line with Q2

- {my}dentist Adjusted EBITDA forecast at £58m-£60m
- DD forecast at £5m-£6m of EBITDA
- Group overhead including inter-group profit eliminations forecast at -£4.0m
- Group Adjusted EBITDA expected to be between £60m-£62m
- Increased number and scope of capex investment in practices and DD facilities leads to higher than forecast cash investment of c£27m for the year
- Cash outflow likely in Q4 – SSRCF likely to be £30m drawn at 31 March 2020

- Both {my}dentist and DD remain on track at the end of Q3
- {my}dentist
 - Change in revenue mix being delivered through strong {my}options and AOHC growth – profitability now to be optimised
 - Resourcing and retention challenges continue for NHS dentists in the more remote geographies
 - Working hours trend improving
- DD
 - EBITDA at Q3 already exceeds the full year FY2019
 - Supply of Galderma products increasing revenue but at a shifting margin
 - Encouraging contract wins with corporate groups particularly in Ireland
- No change in guidance for the financial year

Appendix – IFRS 16 impact

- IFRS 16 "Leases" effective for financial year 2020
- Requires recognition of a right of use asset and financial liability for future payments for all leases
- Transition point 1 April 2019, asset and liability of £94.1m recognised
- No prior year restatement - reported GAAP figures for FY2019 not adjusted
- Income statement changes
 - No rent charge through the income statement
 - Depreciation charge on the right of use asset
 - Interest charge to recognise discount on the liability
 - Rent payments reduce the liability on the balance sheet
- In order to provide comparability, details of historic rent charges and Adjusted EBITDA (EBITDA adjusted for rent) have been included in Q3 reporting

Basis of preparation

		Q1	Q2	Q3	Q4	Full year
FY2018	Reported EBITDA	12,108	13,507	14,698	14,802	55,115
	Lease adjustment	3,864	3,762	3,698	3,620	14,944
	EBITDA under IFRS 16	15,972	17,269	18,396	18,422	70,059
FY2019	Reported EBITDA	12,220	13,616	15,369	16,900	58,105
	Lease adjustment	3,700	3,757	3,749	3,610	14,816
	EBITDA under IFRS 16	15,920	17,373	19,118	20,510	72,921
FY2020	Adjusted EBITDA	11,490	15,939	15,792		
	Lease adjustment	3,497	3,497	3,656		
	Reported EBITDA IFRS 16	14,987	19,436	19,448		

- This presentation compares the reported EBITDA in Q3 FY2019 £15.4m with Adjusted EBITDA of £15.8m for Q3 FY2020

Contact details:

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Investor information is available from our dedicated investor website:

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