



# Integrated Dental Holdings

Q3 2014 Investor presentation

13 February 2014

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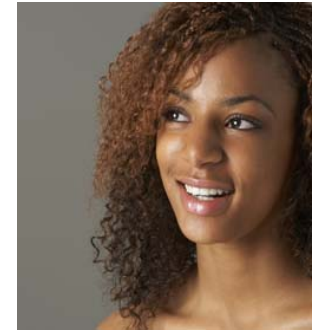
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- EBITDA up 22.8% to £17.7m (17.0% of turnover)
- Year to date EBITDA up 21.0% on FY13
- Turnover up 18.2% on Q3 2012 to £104.4m
- First quarter that turnover has exceeded £100m
- LFL private revenue up 12.6%
- 11 practices acquired during the quarter
- Total estate of 570 @ 31 December 2013
- LTM EBITDA £64.8m and pro-forma LTM EBITDA £73.0m
- Normalised cash conversion after maintenance capital expenditure of 72.7%

- Terry Scicluna joined IDH at the beginning of November 2013
- Outline of his plans / next steps and financial implications will be provided with year-end results
- 1<sup>st</sup> 100 days
- External and internal feedback assimilated via patient, dentist and colleague surveys and practice visits
- Clear messages coming through - a successful company with lots of opportunities to improve patient service and the environment for our dentists & colleagues
- dbg transition and synergies proceeding to plan
- Focus areas under these plans will be:
  - Patient / Customer
    - Patient centric focus
    - Multi-channel contact strategy
    - Feedback mechanisms
    - Brand & product development



- People
  - Clinical support
  - Incentivisation
  - Specialisms and Academy support
- Systems
  - Online booking
  - Central booking
- Estate
  - Focussed practice and equipment investment programme
- Acquisitions
  - Maintaining the momentum
  - Private

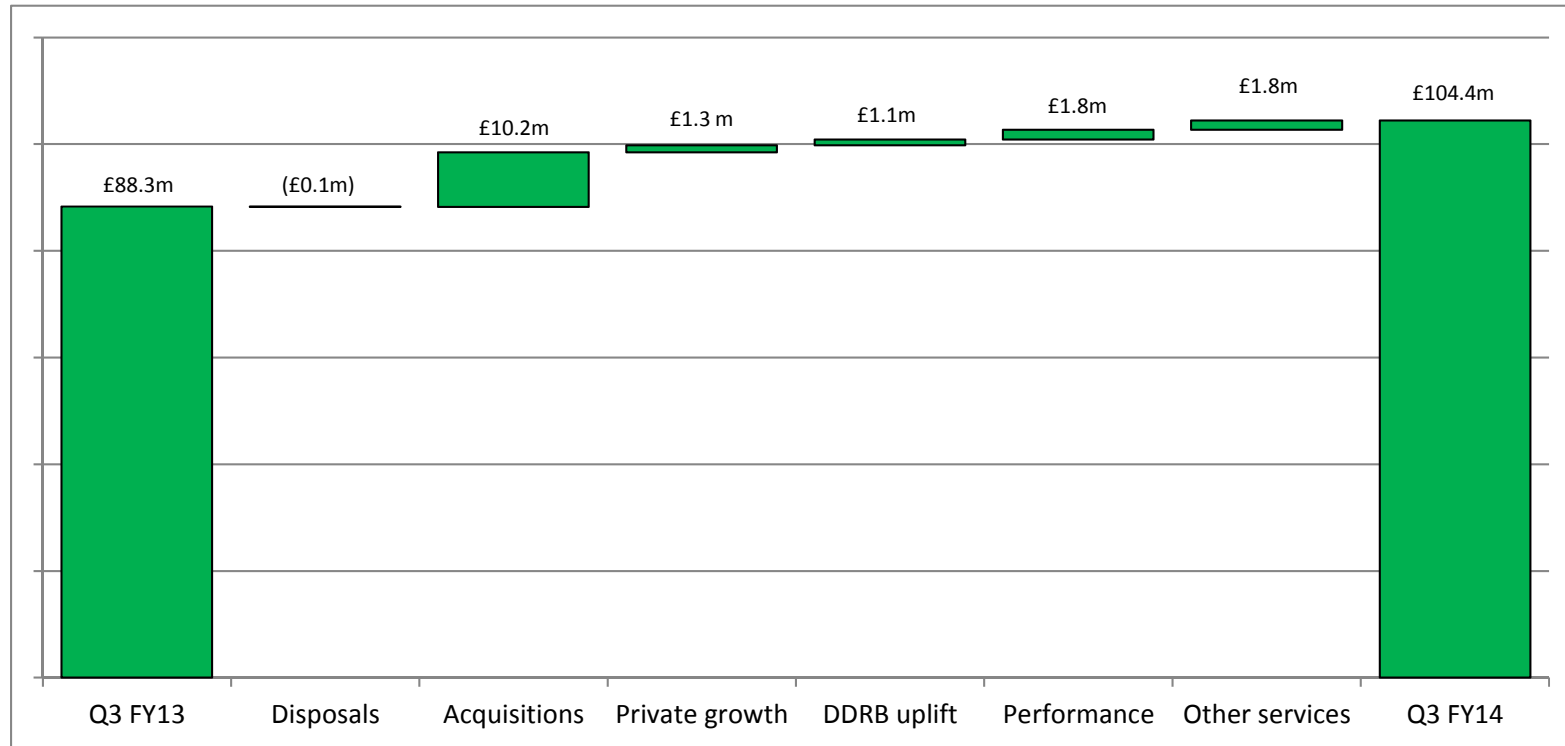




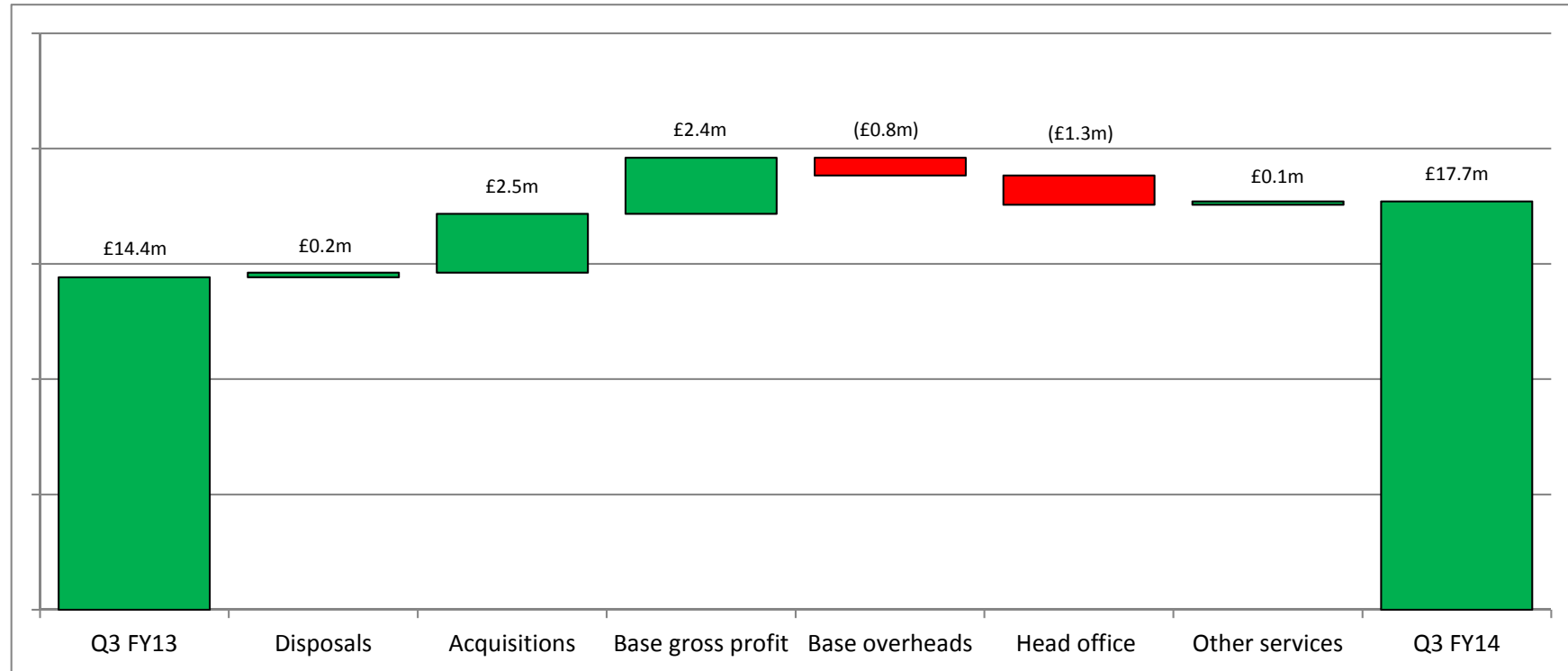
	Q3 2014 £m	% of revenue	Q3 2013 £m	% of revenue	% change
Turnover	104.4		88.3		18.2%
Gross profit	50.1	48.0%	41.6	47.1%	20.4%
Administrative expenses*	(32.8)	31.4%	(27.7)	31.3%	(18.7%)
Other operating income	0.4	0.4%	0.5	0.5%	(9.5%)
<b>EBITDA</b>	<b>17.7</b>	<b>17.0%</b>	<b>14.4</b>	<b>16.3%</b>	<b>22.8%</b>

\* Administrative expenses before depreciation, amortisation and exceptional items

- Turnover growth of 18.2% predominantly driven by acquisitions.
- Like-for-like private sales growth of 12.6%.
- Gross margin percentage up from 47.1% to 48.0% year-on-year but continuing cost pressure from dentist fees and materials with savings from reduced locum usage and laboratory costs.
- Administrative expenses increasing due to practice staff costs but remain in line with turnover growth.
- EBITDA growth of £3.3m and % margins improved.
- Increase in LTM EBITDA to £64.8m and pro-forma LTM EBITDA to £73.0m.



- Turnover from dental practices increased by £14.3m from £88.3m for the three months to December 2012 to £102.7m for Q3 FY14.
- The primary driver was acquisitions in FY13 (+£3.9m) from the 51 sites acquired or opened over the year, with only 26 added in the nine months to December 2012, and FY14 acquisitions (+£6.3m) from the 41 sites added year to date.
- Base practices were up £4.2m due to:
  - DDRB contract uplift of 1.5% per annum effective from 1 April 2013.
  - Private sales growth from additional services and volumes.
  - Improvement in year-on-year UDA delivery partially due to recovery from IT issues in late September.
- Other services include dbg and the IDH Academy.



- EBITDA increased from £14.4m to £17.7m for the three months to 31 December 2013.
- The primary driver was acquisitions in FY13 and FY14 adding £2.5m to base EBITDA.
- Base practices were up £1.6m due to revenue and gross margin improvements.
- Overheads include higher staff costs from pay rate increases for nurses and practice staff from 1 April 2013.
- Head office overhead increases relate to investment in systems and headcount for Acquisitions, IT, Human Resources, Legal and Finance teams as part of the growth in the number of practices.



- Total of 570 practices at 31 December 2013 (514: 31 December 2012).
- 11 practices have been acquired in Q3 compared to 10 acquisitions in the equivalent period in FY13.
- 2 practices merged into new refurbished premises.
- The annualised EBITDA expected from Q3 acquisitions is £1.2m after incremental central overheads.
- Acquisitions in the period were across all areas of England & focussed on standard IDH-type practices providing mostly NHS general dentistry services.
- Year to date the annualised EBITDA expected from acquisitions after incremental central overheads is £6.8m.

	£m
LTM EBITDA before exceptional items at 31 December 2013	64.8
IT conversion adjustment	0.2
Estimated adjusted EBITDA of acquired dental practices at 31 December 2013	5.1
Adjusted EBITDA for dbg including annualised synergies	2.9
<b>Estimated pro-forma adjusted EBITDA</b>	<b>73.0</b>

- Pro-forma EBITDA calculated following the methodology set out in the IDH Finance plc Offering Memorandum.
- The IT conversion adjustment: reduced for Q3 for time lost due to the system changes during Q4 only of year ended March 2013.
- The estimated adjusted EBITDA of acquired practices are management estimates for the annual EBITDA of an acquired practice less the actual results consolidated in LTM EBITDA.
- The dbg adjustment includes the annualised effect of the synergies resulting from the acquisition. The full synergy benefit remains on track for delivery by 31 March 2015.

£m	Q3 2014	Q3 2013
Operating cash flow	13.9	10.3
Capital expenditure	(5.0)	(3.1)
Corporation tax	-	(0.2)
Cash flow before acquisitions and debt service	8.9	7.0
Interest	(2.6)	(4.8)
Acquisitions	(8.4)	(9.8)
Debt issue costs	(1.4)	-
Financing	-	8.5
Net cash flow	(3.5)	0.9
Opening cash	20.8	15.4
Closing cash	17.3	16.3

Net debt	373.6	671.4
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- Net cash outflow of £3.5m for the quarter.
- Operating cash flow of £13.9m includes a number of one-off items relating to the utilisation of acquisition provisions.
- Capital expenditure includes acquisition refurbishment costs of £1.2m and “maintenance” capital expenditure of £3.8m.
- Net debt decrease due to capitalisation of shareholder loans via the issue of share capital by Turnstone Midco 2 Limited.

£m	Q3 2014	Q3 2013
Operating cash flow	13.9	10.3
Exceptionals	0.7	0.1
Working capital adjustments	0.1	-
Adjusted operating cash flow	14.7	10.4
Maintenance capital expenditure	(3.8)	(2.8)
Adjustments	2.0	-
Adjusted cash flow	12.9	7.6
EBITDA	17.7	14.4
Adjusted cash conversion %	72.7%	53.3%

- Operating cash flow reduced by one-off items.
- Working capital adjustments relate to the utilisation of acquisition accruals for regulatory requirements and pre-acquisition obligations offset by the recovery of outstanding acquisition debtors.
- Maintenance capital expenditure includes one-off infrastructure projects:
  - £1.5m for the relocation of 2 practices and the refurbishment of 9 practices.
  - £0.3m for the first stage of the project to accelerate the replacement of old dental chairs
  - £0.2m for rotary endodontic equipment.
- LTM adjusted cash conversion is 75.0%

## Contact

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Further questions can be addressed to:

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