



## Integrated Dental Holdings



Q3 FY 2015 Results - Investor presentation

10 February 2015

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# Strategic Highlights



- Another quarter of solid progress as the group transitions Patient Services into a customer-led operation and develops our Practice Services offering
- Turnover and EBITDA up on Q3 FY 2014
- Investment in the customer offer and in acquisitions
- LFL private revenue up 9.4% on Q3 FY 2014
- 9 practices acquired during Q3 to take the total estate to 628
- Roll-out of new “My Dentist” brand for patient services creating a compelling consumer offer
- Mark Stephenson appointed COO for Practice Services division

# Financial Highlights



- EBITDA up 1.9% to £18.0m on Q3 FY 2014\*
  - Investment in clinical support and practice management
  - UDA underperformance
- Turnover up 29.7% to £135.5m following acquisition of Dental Directory and further practice acquisitions
- LFL private revenue up 9.4% on Q3 FY 2014
- Pro-forma LTM EBITDA of £83.2m
- Normalised cash conversion after maintenance capital expenditure of 59.5%
- Strategic options remain under consideration

\* Q3 2014 included some recovery from the IT issues experienced in Q2 2014

## Q3 overview



- IDH has developed significantly over the last 12 months with the expansion of the dental practice network, investment in people and processes, the creation of the My Dentist brand and the acquisition of Dental Directory to create our Practice Services division.
- Dentistry, especially with the NHS, is a stable industry, however our business is being positioned to drive and maximise growth opportunities.
- We have invested in people, infrastructure and processes. This is an investment for the future growth potential in the provision of Patient and Practice Services.
- We are positioning our business to be the dental brand of choice for our patients and the employer of choice for our clinicians and practice teams.
- We are also positioning our Practice Service brands of dbg and Dental Directory as the service and material supplier for independent practices across the UK.
- Oral health is a key pillar in primary healthcare and our investment in our people and a branded platform will enable us to provide greater choice and transparency for our patients.

## Q3 overview



- Revenue growth has been impacted with UDA performance behind expectations but in line with sector data
- Continued successful growth in private patient revenues: LFL +12.6% YTD
- 48 practices acquired by the end of Q3, 9 more in Q4 with a strong pipeline
- FY15 investment in operational platform
  - Area managers responsible for smaller number of practices
  - Private revenue development management team appointed
  - Investment in our dentists providing clinical support to their colleagues
  - Moving towards a practice manager in the majority of our sites
  - Investment in nurse pay structure to retain and incentivise nurses
  - Investment in equipment replacement programme
- Continuing integration of Dental Directory with some short term disruption while groundwork for synergies completed
- As a consequence, we have seen modest EBITDA growth, but we are investing for the future.
- My Dentist rebranding now commenced, target of c.90 practices by the end of March. Costs in line with expectation. Early signs are encouraging.

## Financial results for Q3 FY 2015

### Profit and loss account



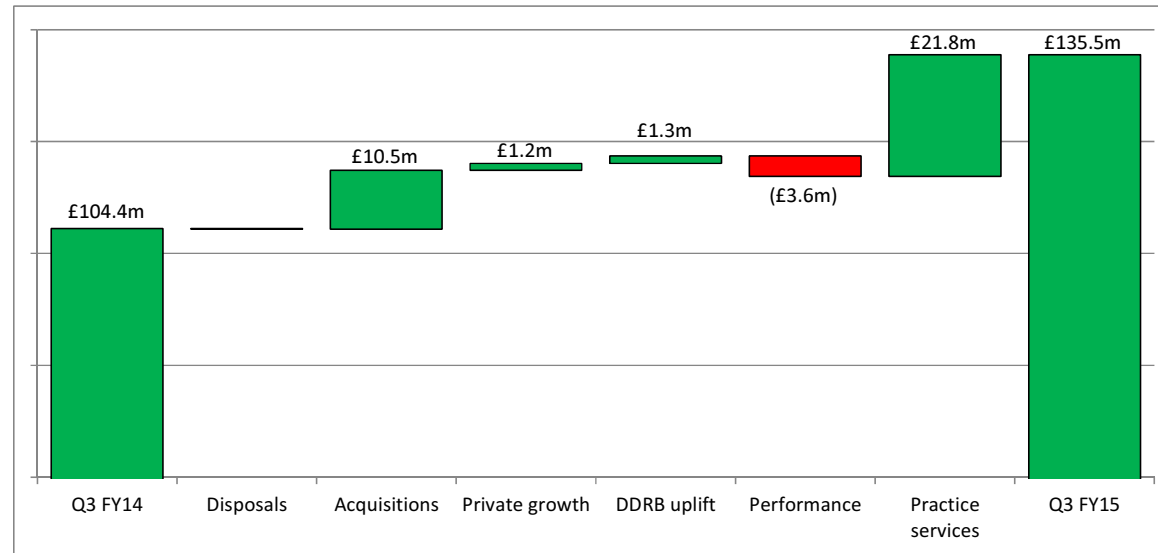
	Q3 FY15 £m	% of revenue	Q3 FY14 £m	% of revenue	% change
Turnover	135.5		104.4		29.7%
Gross profit	60.1	44.4%	50.1	48.0%	19.9%
Administrative expenses*	(42.5)	31.4%	(32.8)	31.4%	(29.5%)
Other operating income	0.5	0.3%	0.4	0.4%	13.3%
<b>EBITDA</b>	<b>18.0</b>	<b>13.3%</b>	<b>17.7</b>	<b>17.0%</b>	<b>1.9%</b>

\* Administrative expenses before depreciation, amortisation and exceptional items

- Turnover growth of 29.7% from a £9.3m growth in patient services (including £10.5m from acquisitions) and an increase of £21.8m from practice services following the acquisition of Dental Directory.
- Like-for-like private sales growth of 9.4%.
- Gross margin percentage fall from 48.0% to 44.4% year-on-year consistent with Q1 and Q2 following the change in mix due to the Dental Directory acquisition:
  - Practice Services gross margin: 30.0%;
  - Patient Services gross margin: 47.4% (48.0% for Q3 FY14).
- Year-on-year EBITDA growth of 1.9%. Comparison to Q3 FY14 affected by the partial recovery of UDA delivery in Q3 FY14 following IT issues in late September 2013.
- YTD turnover is up 30.5% to £392.5m with EBITDA of £54.9m, 12.6% up on FY14.

## Financial results for Q3 FY 2015

### Turnover

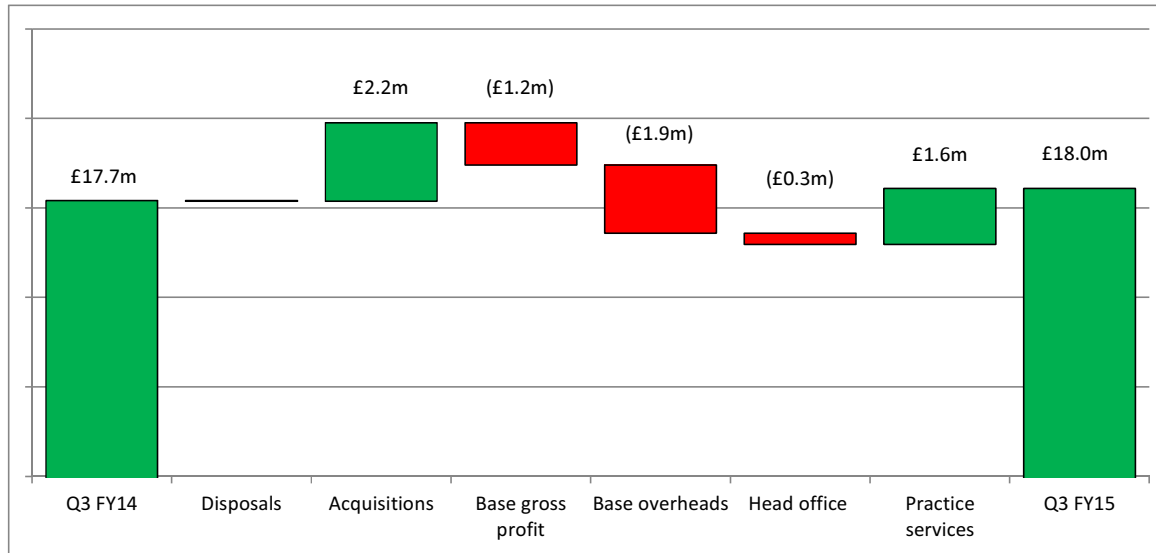


- Turnover from patient services increased by £9.3m from £102.7m in Q3 FY14 to £112.0m for Q3 FY15.
- Practice Services turnover increased by £21.8m to 17.4% of group turnover.
- Patient Services turnover increased by £5.0m from the 61 practices acquired or opened in FY14 and £5.5m from the 48 practices acquired so far in FY15.
- Base practices were down £1.1m due to:
  - Like for like private sales growth of 9.4% from price increases, additional services, increased volumes through patient choice.
  - Lower than expected levels of UDA delivery performance
  - UDA rate price uplift of 1.6% per annum effective from 1 April 2014.



# Financial results for Q3 FY 2015

## EBITDA



EBITDA (£m)	FY15	FY14	%
Q1	17.7	15.4	15.2%
Q2	19.1	15.6	22.3%
Q3	18.0	17.7	1.9%
YTD	54.9	48.7	12.6%

\* Q2 FY14 reduced through effect of IT issues with some recovery in Q3 FY14. Q2 FY15 and Q3 FY15 year-on-year growth combined is 11.5%.

- EBITDA increased from £17.7m to £18.0m for the quarter.
- Practice acquisitions in FY14 and FY15 added £2.2m to base EBITDA.
- Base practices gross profit was £1.2m down due to lower than expected UDA performance reduced by private growth and UDA rate contract uplifts. Margins in patient services slightly lower as some transitional material cost increases offset by dentist fee and laboratory savings.
- Base and head office overheads include increased dentist clinical support, private services operational management, additional practice managers and higher staff costs from a 1.5% pay increase for nurses and practice staff from 1 April 2014.
- The contribution from Dental Directory and dbg totalled £1.6m.

## Financial results for Q3 FY 2015

### Acquisitions



- Total of 628 practices at 31 December 2014 (570 at 31 December 2013).
- 9 practices acquired during the quarter located across England, Scotland and Wales including a specialist orthodontic centre in Manchester and an endodontic practice in Bristol.
- The annualised EBITDA expected from Q3 FY15 dental practice acquisitions is £0.8m, before central overheads.
- Further 9 practices acquired in Q4 so far with a strong pipeline for the remainder of the quarter.

## Financial results for Q3 FY 2015

### Pro-forma EBITDA



	£m
LTM EBITDA before exceptional items at 31 December 2014	73.9
Estimated adjusted EBITDA of acquired dental practices at 31 December 2014	4.6
Adjusted EBITDA for The Dental Directory including annualised synergies	4.6
Estimated pro-forma adjusted EBITDA	83.2

- Pro-forma EBITDA calculated following the methodology set out in the IDH Finance plc Offering Memorandum.
- The 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 estimated Dental Directory adjustment includes the annualised effect of the synergies resulting from the acquisition.

## Financial results for Q3 FY 2015

### Cash flow statement



£m	Q3 FY15	Q3 FY14
Operating cash flow	13.5	13.9
Capital expenditure	(3.9)	(5.0)
Corporation tax	(0.5)	-
Cash flow before acquisitions and debt service	9.1	8.9
Interest	(4.0)	(2.6)
Acquisitions	(5.1)	(8.4)
Debt issue costs	(0.3)	(1.4)
Financing	(6.0)	-
Net cash flow	(6.4)	(3.5)
Opening cash	23.0	20.8
Closing cash	16.7	17.3

Net debt	480.1	373.6
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- Net cash outflow of £6.4m for the quarter after £6.0m Super Senior Revolving Credit Facility repayment in October 2014.
- Capital expenditure includes “maintenance” capital expenditure of £5.4m and acquisition refurbishment costs of £2.1m offset by proceeds on the disposal of freehold property of £3.6m.
- Interest cost increase due to the increase in size of the FRN tranche compared to Q3 FY14.
- Acquisitions in Q3 FY15 funded from operating cash.
- Net debt increase over Q3 FY14 due to debt drawdown to fund acquisitions including Dental Directory.

## Financial results for Q3 FY 2015

### Cash conversion



£m	Q3 FY15	Q3 FY14
Operating cash flow	13.5	13.9
Exceptionals	2.1	0.7
Working capital adjustments	(0.2)	0.1
Adjusted operating cash flow	15.4	14.7
Maintenance capital expenditure	(5.4)	(3.8)
Adjustments	0.7	2.0
Adjusted cash flow	10.7	12.9
EBITDA	18.0	17.7
Adjusted cash conversion %	59.5%	72.7%

- Minimal operating cash flow one-off items incurred in the quarter
- Exceptional costs relate to professional fees for the strategic review and initial costs of 'My Dentist' rebranding.
- Maintenance capital expenditure is adjusted for one-off infrastructure projects:
  - £0.7m in respect of practice relocations in Glasgow and Leatherhead.
- Year to date adjusted cash conversion of 80.3%.

## Contact

Further questions can be addressed to:

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Investor information is available from our dedicated investor website: [www.idhgroup.co.uk/investors](http://www.idhgroup.co.uk/investors)

