



INTEGRATED DENTAL HOLDINGS



Integrated Dental Holdings

FY 2014 Annual Results - Investor presentation

23 June 2014

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- Full year EBITDA up 20.3% to £67.8m (16.6% of turnover)
- Turnover up 16.8% on FY 2013 to £407.5m
- LFL private revenue up 8.6% on FY 2013
- 60 practices acquired during the financial year, 20 acquired in Q4
- Total estate of 585 @ 31 March 2014
- Pro-forma LTM EBITDA of £84.8m
- Normalised cash conversion after maintenance capital expenditure of 78.9%
- Annual contracted UDA delivery of 96.7%, up from 96.0% in FY 2013
- The Dental Directory acquired 17 April 2014
- Additional £100m raised through FRN issue completed on 9 May 2014

- Acquisition of the Dental Directory completed on 17 April 2014
 - Maximum consideration of up to £71m payable
 - Market leader in the supply of dental materials
 - Annual revenues of c.£100m
 - Expected EBITDA (including synergies) of c.£10.9m
 - c.27,000 product lines
- Refinancing of SSRCF completed on 9 May 2014
 - £100m raised through issue of additional FRN's
 - Underpins the continuation of our existing rollout / acquisition strategy
- Exploring potential strategic options
 - Announcement to investors on 11 June 2014
 - Rothschild appointed to advise shareholders and management
- Annette Spindler appointed as Chief Operating Officer: April 2014
 - Operational management team restructure announced
 - Revamp of regional and area management structures & responsibilities



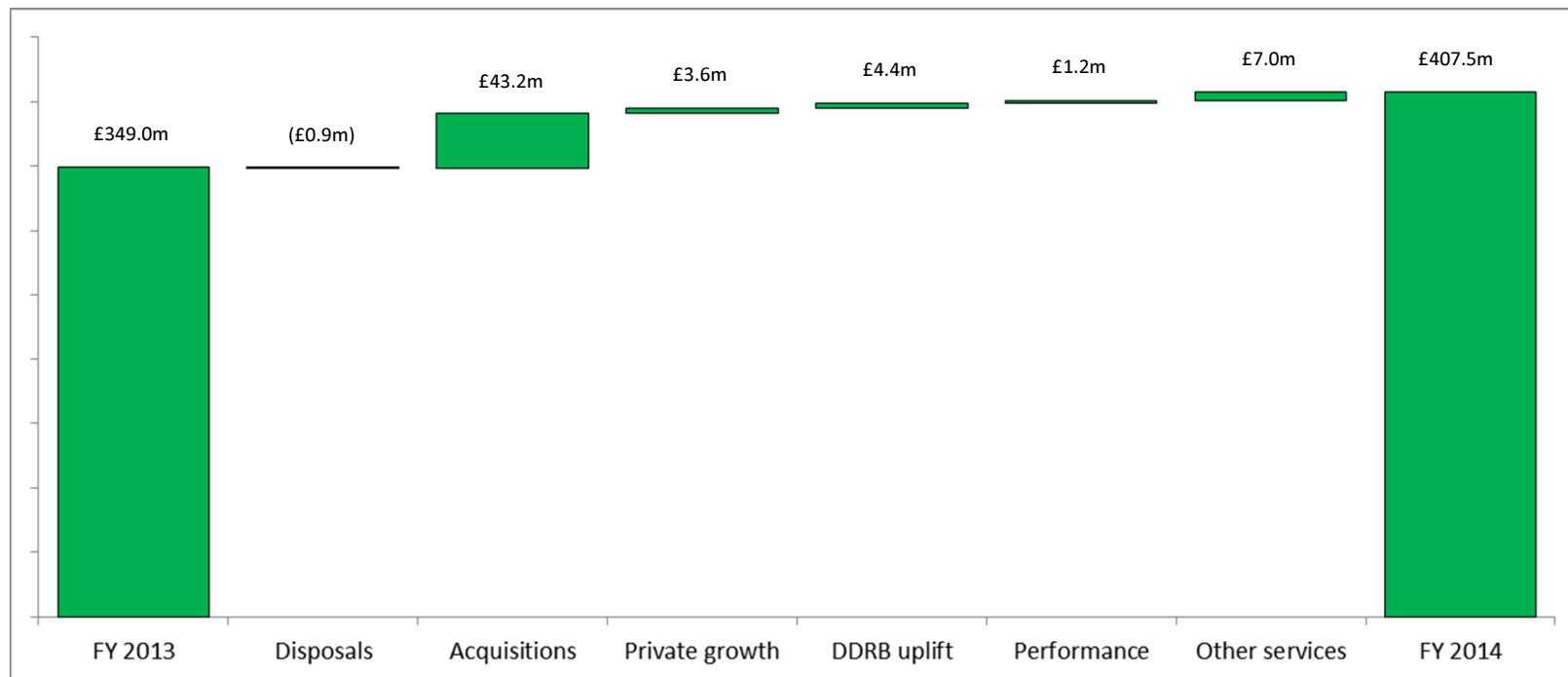
Financial results for FY 2014 – Profit and loss account

	FY 2014 £m	% of revenue	FY 2013 £m	% of revenue	% change
Turnover	407.5		349.0		16.8%
Gross profit	196.7	48.3%	165.4	47.4%	18.9%
Administrative expenses*	(130.6)	32.0%	(110.9)	31.8%	(17.7%)
Other operating income	1.7	0.4%	1.8	0.5%	(8.1%)
EBITDA	67.8	16.6%	56.3	16.1%	20.3%

* Administrative expenses before depreciation, amortisation and exceptional items

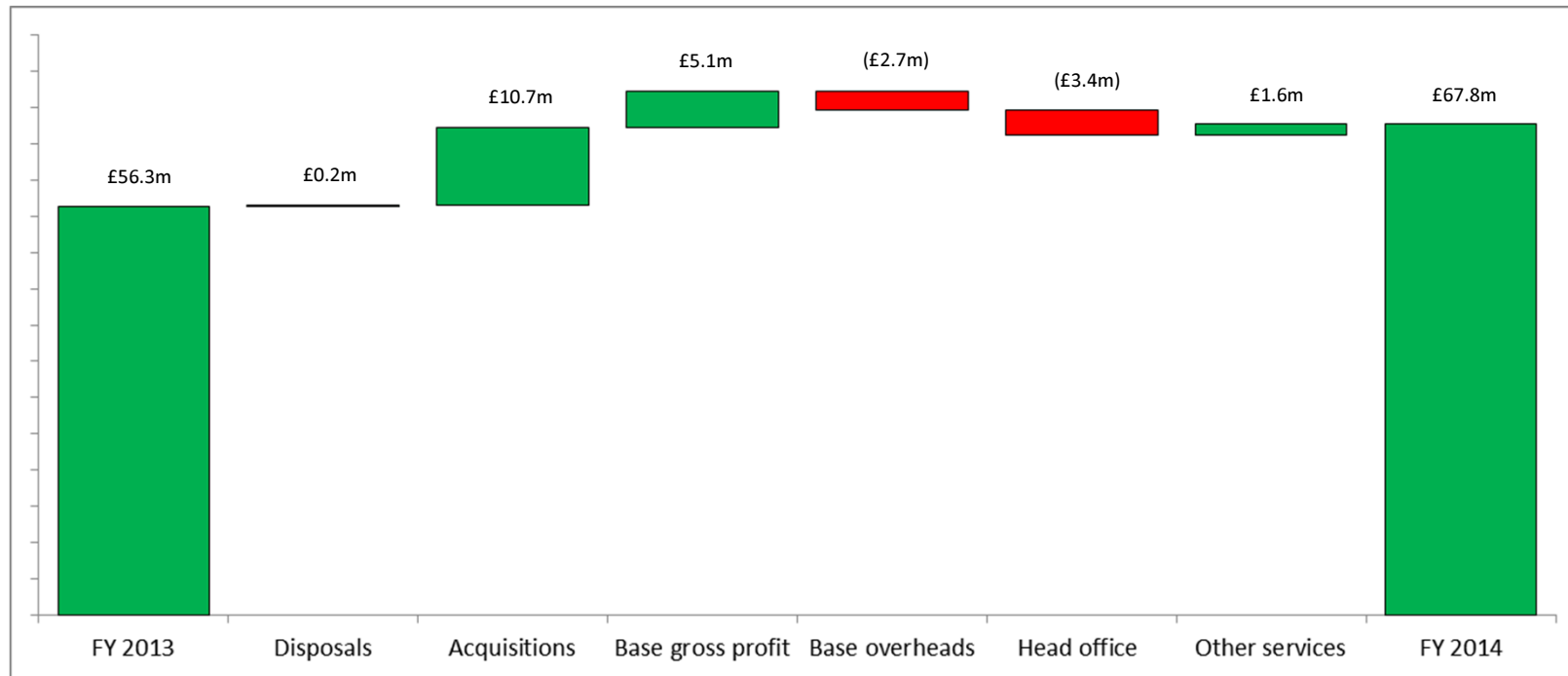
- Turnover growth of 16.8% predominantly driven by acquisitions.
- Full year like-for-like private sales growth of 8.6%.
- Gross margin percentage up from 47.4% to 48.3% year-on-year
 - benefit of UDA rate uplift (1.5%), offset by;
 - some cost pressure on dentist fees and materials, but;
 - savings from reduced locum usage and laboratory costs
- Administrative expenses increased mainly due to practice staff costs linked to acquisitions and April 2013 pay rise but remain in line with turnover growth.
- Year on Year EBITDA growth of £11.5m and 0.5% margin improvement
- Increase in pro-forma LTM EBITDA to £84.8m following the acquisition of The Dental Directory on 17 April 2014.

Financial results for FY 2014 – Turnover



- Turnover from dental practices increased by £51.5m from £349.0m in FY 2013 to £400.5m for FY 2014.
- The primary driver was FY2013 acquisitions (+£20.4m from full year effect of the 51 sites acquired or opened in the year) and FY2014 acquisitions (+£22.8m from the 61 sites acquired or opened).
- Base practices were up £9.2m due to:
 - UDA rate price uplift of 1.5% per annum effective from 1 April 2013. (Uplift of 1.6% announced for FY2015).
 - Like for Like private sales growth of 8.6% from price increases, additional services and increased volumes.
 - Improvement in year-on-year UDA delivery from 96.0% in FY 2013 to 96.7% in FY 2014.
- Other services include dbg and the IDH Academy.

Financial results for FY 2014 – EBITDA



- EBITDA increased from £56.3m to £67.8m for the year to 31 March 2014.
- The primary driver was acquisitions in FY2013 and FY2014 adding £10.7m to base EBITDA.
- Base practices were up £2.4m 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 to underpin future growth in practice numbers.

Financial results for FY 2014 – Acquisitions

- Total of 585 practices at 31 March 2014 (532: 31 March 2013).
- 60 practices have been acquired in FY2014 compared to 49 in FY2013.
- 1 greenfield site opened in North Wales.
- 7 practices merged into newly refurbished premises during the year.
- The annualised EBITDA expected from FY 2014 acquisitions (excluding dbg) is £9.5m after incremental central overheads.
- Acquisitions during the year covered all areas of England and Wales:
 - Majority were standard practices providing a mixture of NHS and private dentistry services
 - A chain of Orthodontic practices across the Bristol and South Wales areas
 - A domiciliary specialist providing services to care homes in the South East of England
 - A large Orthodontic practice in the North East of England

Financial results for FY 2014 – Pro-forma EBITDA



	£m
LTM EBITDA before exceptional items at 31 March 2014	67.8
Estimated adjusted EBITDA of acquired dental practices at 31 March 2014	4.7
Adjusted EBITDA for dbg including annualised synergies	1.4
Adjusted EBITDA for The Dental Directory including annualised synergies	10.9
Estimated pro-forma adjusted EBITDA	84.8

- Pro-forma EBITDA calculated following the methodology set out in the IDH Finance plc Offering Memorandum.
- 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.
- Includes estimated EBITDA from the Dental Directory (acquired 17 April 2014) including expected annualised synergies.

Financial results for FY 2014 – Cash flow

£m	FY 2014	FY 2013
Operating cash flow	54.8	53.9
Capital expenditure	(23.5)	(14.5)
Corporation tax	0.2	(0.3)
Cash flow before acquisitions and debt service	31.5	39.1
Interest	(26.0)	(19.5)
Acquisitions	(93.6)	(45.6)
Debt issue costs	(15.4)	-
Financing	68.0	49.6
Net cash flow	(35.5)	23.5
Opening cash	42.4	18.9
Closing cash	6.9	42.4

Net debt	401.2	698.3
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- Net cash outflow of £35.5m for the year.
- Cash position at 31 March 2013 was inflated due to cash drawn down to finance acquisitions completed during April 2013.
- Operating cash flow of £54.8m includes a number of one-off items relating to the utilisation of acquisition provisions.
- Capital expenditure includes “maintenance” capital expenditure of £17.9m, acquisition refurbishment costs of £3.2m and freehold properties of £2.4m, which will be sold during Q2 & Q3 FY2015.
- Acquisition costs include those incurred on dbg
- Debt issue costs of £15.4m incurred from the initial bond offering in Q1.
- Net debt decrease due to capitalisation of shareholder loans via the issue of share capital by Turnstone Midco 2 Limited, partially offset by debt drawdowns to fund acquisitions.

£m	FY 2014	FY 2013
Operating cash flow	54.8	53.9
Exceptionals	1.8	1.0
Working capital adjustments	6.1	-
Adjusted operating cash flow	62.7	54.9
Maintenance capital expenditure	(17.9)	(11.8)
Adjustments	8.7	-
Adjusted cash flow	53.5	43.1
EBITDA	67.8	56.3
Adjusted cash conversion %	78.9%	76.5%

- Operating cash flow reduced by one-off items.
- Working capital adjustments relate to:
 - Late receipt of UDA monies from acquired practices.
 - Utilisation of acquisition accruals for regulatory requirements and pre-acquisition obligations.
- Maintenance capital expenditure includes one-off infrastructure projects:
 - £3.7m in respect of practice relocations, one greenfield development and other major refurbishments.
 - £2.8m investment in IT infrastructure including MI systems, back-up storage and WAN and other hardware upgrades.
 - £1.7m project to accelerate equipment replacement – chairs & rotary endodontic.
 - £0.5m investment in the IDH Academy opened in May 2013.

	Q4 2014 £m	% of revenue	Q4 2013 £m	% of revenue	% change
Turnover	106.7		94.4		13.1%
Gross profit	51.6	48.4%	45.1	47.7%	14.6%
Administrative expenses*	(32.9)	30.9%	(29.5)	31.3%	(11.6%)
Other operating income	0.4	0.4%	0.5	0.5%	(28.2%)
EBITDA	19.1	17.9%	16.1	17.0%	18.7%
Operating cashflow	18.2		15.6		16.6%
Cash conversion**	87.6%		73.5%		

* Administrative expenses before depreciation, amortisation and exceptional items

** Operating cashflow adjusted for maintenance capital expenditure and one-off items divided by EBITDA

- Turnover growth of 13.1% predominantly driven by acquisitions.
- Q4 like-for-like private sales growth of 8.4%.
- Gross margin percentage up from 47.7% to 48.4% year-on-year
- Increase in administrative expenses in line with turnover growth.
- EBITDA growth of £3.0m and % margins improved.
- Operating cashflow growth in line with increase in EBITDA.

Contact

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Investor information is available from our dedicated investor website www.idhgroup.co.uk/investors