

## Integrated Dental Holdings

Q2 FY 2017 Quarterly Results - Investor presentation  
8 November 2016



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## Agenda



- Business overview
- Q2 performance
- Patient Services developments
- NHS performance
- Practice Services developments
- Q2 2017 financial review

## The mydentist business



- mydentist is the UK's #1 dental chain
- 675 practices nationwide delivering c.15% of NHS contracts in England and Wales
- c.2x the size of the next largest group and c.4x larger by value of NHS contracts
- Over 5 million patients through extensive national network
- Practice Services division consolidating market position in dental supply and services through Dental Directory, dbg, MedFx and other brands
- Consequently we are the UK's largest vertically integrated dental company

## Q2 FY2017 Group performance



- Revenue growth 2.0% YoY to £142.1m
- EBITDA decline by £2.8m YoY to £16.8m
- Private revenue LFL growth of 3.8%
- NHS revenues remain challenged but mitigating actions continue
- Private revenue growth and contract uplifts help offset the decline in UDA delivery rates
- Focus on initiatives to recover UDA performance and control costs
- Impact of Brexit exchange rate movements on H1 practice services gross margins mitigated in part through selective price increases & supplier support
- Cash conversion remains strong at 116.7%

## Q2 FY2017 highlights – Patient Services



### NHS market continues to face headwinds

- NHS revenue of £94.7m up £0.1m (0.1%) driven by acquisitions
- After stripping out acquisitions over the last two financial years and the contract uplift of 0.7%, NHS revenue is down £3.6m
- UDA delivery down c.5% YOY YTD
- Fall is due to:
  - Dentist productivity (increased appointment times)
  - Dentist vacancies
  - The influence of private revenue growth as a result of patient choice
- Plans in place to increase UDA delivery via increased dentist hours, productivity, and additional recruitment, including locums in the short term

## Q2 FY2017 highlights – Patient Services



### NHS market continues to face headwinds

- Recruitment: Important to recovery in UDA delivery
  - Net 63 extra clinicians in place YTD
  - Increased number of mentors in place for EU and ORE candidates
  - 250+ locums in place across the practice estate
  - Clinical recruitment cycle can take at least 4+ months with notice periods and regulatory registrations
- Clinician turnover at lowest level, less than 10% per annum
- Productivity: Smart diary & licence to claim training in place
- Unclaimed UDAs result in foregone revenue in a period, but not necessarily a loss of potential revenue for future periods
- Availability (hours): Increased LFL hours expected in H2 in comparison to H1

## Q2 FY2017 highlights – Patient Services



### Private development

- Continued execution of growth strategy in private
- 8.0% Q2 YoY growth in total private revenue, 12.1% YTD
- 3.8% growth in Q2 LFL private revenue, 6.8% YTD
- Private treatment now 16.5% of group revenue (Q2 FY2016: 15.5%)
- Continued growth in fee per item and hygienists



## Q2 FY2017 highlights – Practice Services



### Industry offering continues to develop

- Total revenue including from Patient Services up 10.4% (£3.0m) year-on-year
- Growth driven in part by acquired businesses – Med-FX, PDS Dental Laboratory and Dolby Medical
- Encouraging growth in high street and health authority sectors
- Some regional differences in market share growth
- EU referendum resulted in foreign exchange volatility, with c.40% of COGS purchased in other currencies, mainly Euro
- H1 gross margin impacted, mainly as a result of FX
- Currency cash flow hedges have mitigated short term movements
- Supplier support, selective price increases and cost reductions put in place to recover majority of impact for H2 onwards



## Q2 FY2017 Financial review



## Q2 FY2017 Financial highlights



- Revenue up 2.0% YOY to £142.1m
- LFL private revenue up 3.8%, 6.8% for the YTD
- Private revenue now 16.5% of total revenue (Q2 FY2016: 15.5%)
  - NHS revenue 66.6% of total (Q2 FY2016: 68.0%)
  - Practice services revenue 16.9% of total (Q2 FY2016: 16.5%)
- EBITDA down on Q2 FY2016 to £16.8m
- NHS UDA delivery rates declined
- Debt capital structure refinanced with extension of maturities to 2022/2023

## Financial results for Q2 FY2017

### Income statement

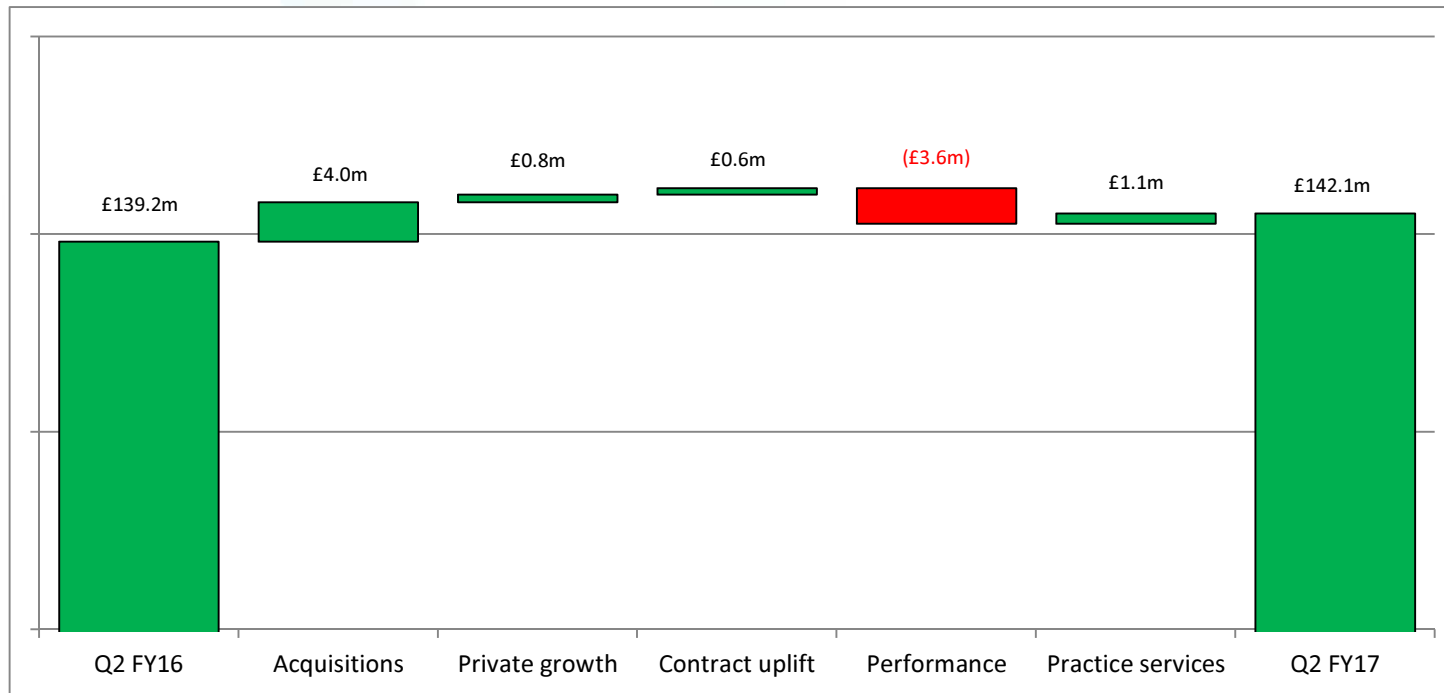


	Q2 2017 £m	% of revenue	Q2 2016 £m	% of revenue	% change
Revenue	142.1		139.2		2.0%
Gross profit	63.8	44.9%	63.7	45.8%	0.1%
Overheads*	(47.5)	33.4%	(44.6)	32.0%	6.5%
Other operating income	0.5	0.4%	0.5	0.3%	12.4%
<b>EBITDA</b>	<b>16.8</b>	<b>11.9%</b>	<b>19.6</b>	<b>14.1 %</b>	<b>(14.2%)</b>

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

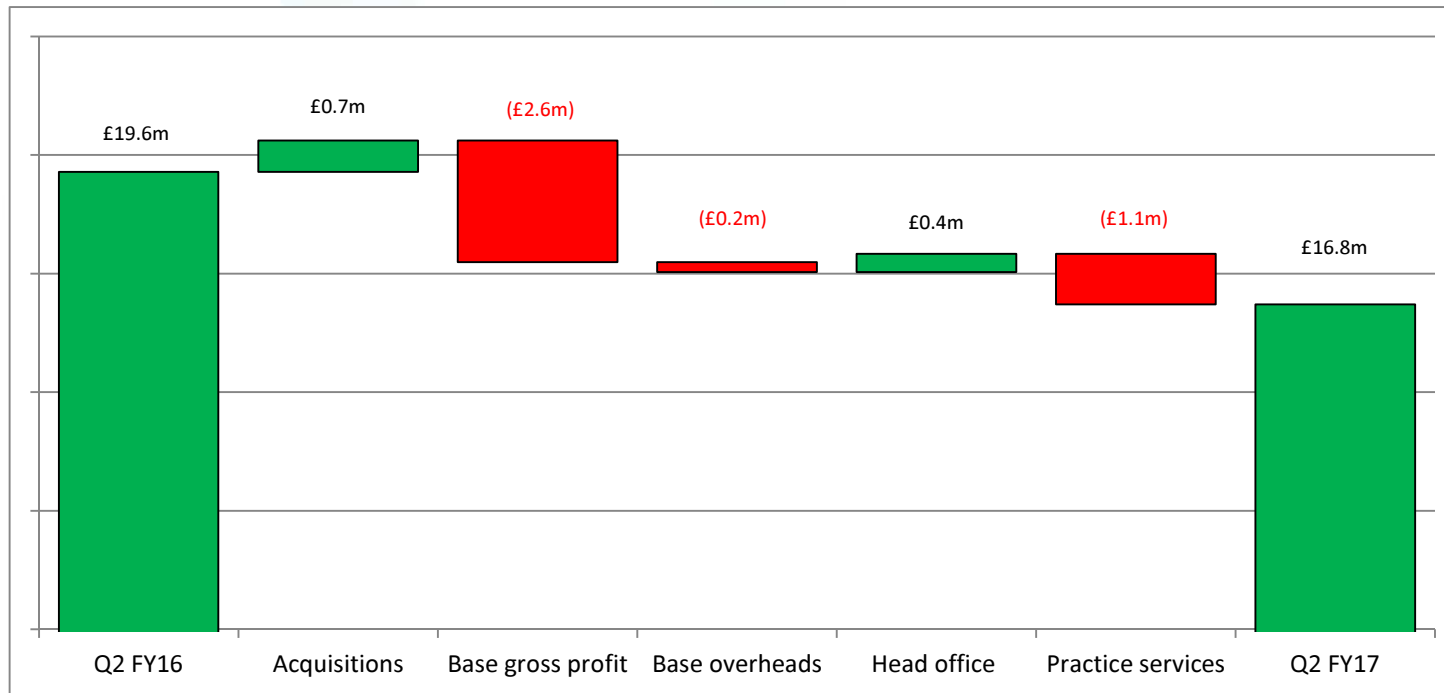
# Financial results for Q2 FY2017

## Revenue



# Financial results for Q2 FY2017

## EBITDA



## Financial results for Q2 FY2017

### Acquisitions



- Total of 675 practices at 30 September 2016 (666 at 30 September 2015)
- 4 practices acquired in H1, annualised EBITDA before central overheads of £0.8m
- High practice valuation multiple expectations have continued during H1
- Consequently, very limited practice acquisition activity likely in FY2017 & 2018 due to:
  - Market valuation of practices
  - Group leverage
  - Focus on improving UDA delivery in existing practices

## Financial results for Q2 FY2017

### Cash flow statement



£m	Q2 2017	Q2 2016
Cash generated from operations	23.3	18.6
Capital expenditure	(6.3)	(4.2)
Corporation tax	-	0.6
Cash flow before acquisitions and debt service	17.0	15.0
Interest	(12.2)	(13.6)
Acquisitions*	(3.7)	(18.4)
Debt issue costs	(15.6)	-
Financing	10.7	8.5
Net cash flow	(3.8)	(8.5)
Opening cash	21.8	26.5
Closing cash	18.0	18.0
Net debt	520.8	512.6

\*Excluding fees



## Financial results for Q2 FY2017

### Cash conversion



£m	Q2 2017	Q2 2016
Operating cash flow	23.3	18.6
Exceptionals	1.8	4.8
Acquisition fees	0.2	0.5
Working capital adjustments	(0.1)	-
Adjusted operating cash flow	25.2	23.9
Maintenance capital expenditure	(5.4)	(4.6)
Adjustments	0.1	0.3
Adjusted cash flow	19.9	19.6
EBITDA	16.8	19.6
Adjusted cash conversion %	117.8%	99.7%

## Financial results for Q2 FY2017

### Re-financing



- Notes outstanding at 30 June refinanced through new public senior issue and private placement of new second lien notes
- SSRCF prepaid from new finance and new £100m facility agreed
- New financing
  - £275m 6.25% Fixed rate notes, due 2022
  - £150m L+6% Floating rate notes, due 2022\*
  - £130m L+8% Second lien, due 2023\*\*
  - £100m Super Senior Revolving Credit Facility L+3.5%
- SSRCF undrawn at issue
- Cash usage £5.6m for fees, redemption costs

\* Floor for LIBOR of 0%

\*\* Floor for LIBOR of 1%

## Summary

- Lower NHS UDA performance has continued as expected
- Actions in place but with dentist recruitment the key driver, it will take time to feed into results
- Private revenue growth continues
- Practice services growth encouraging
- Limited practice acquisitions activity for the medium term until gearing levels and valuations reduce
- Business model well-positioned for continued growth

## Contact details:

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Investor information is available from our dedicated investor website:

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