

Integrated Dental Holdings



Q3 FY 2017 Quarterly Results - Investor presentation
7 February 2017

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Agenda



- Business overview
- Q3 performance
- Patient Services developments
- NHS performance
- Practice Services developments
- Q3 2017 financial review

The mydentist business



- mydentist is the UK's #1 dental chain
- 677 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 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

Q3 FY2017 Group performance



- Revenue growth 3.5% YoY to £149.4m
- Q3 EBITDA decline by £5.2m YoY to £16.8m
- Continued private revenue LFL growth of 6.2%
- NHS revenues remain challenged but mitigating actions continue
- Private revenue growth and UDA contract rate uplifts help offset the decline in UDA delivery rates
- Management continues to focus on initiatives and procedures to recover UDA performance and control costs
- Impact of Brexit exchange rate movements on H1 practice services gross margins now largely mitigated through selective price increases & supplier support
- Cash conversion reduced to 36.1% due to contract repayments

Q3 FY2017 highlights – Patient Services



NHS market continues to face headwinds

- NHS revenue of £96.9m down £2.4m (-2.4%).
- After stripping out acquisitions over the last two financial years and the contract uplift of 0.7%, NHS revenue is down £5.4m
- UDA delivery down c.4% YTD
- Fall is a result of:
 - Demand outstripping supply of dentists
 - Dentist productivity (increased appointment times)
 - The influence of private revenue growth with patient choice
- As announced previously the business has put firm plans in place to increase UDA delivery via increased dentist hours, productivity, and additional recruitment, including locums in the short term

Q3 FY2017 highlights – Patient Services



NHS market continues to face headwinds

- Recruitment: Key area to recovery in UDA delivery
 - Net 104 extra clinicians in place YTD
 - Increased number of mentors in place for EU and ORE candidates, process however can take 9 months
 - 300+ locums in place across the practice estate
 - Clinical recruitment cycle can take at least 4+ months with notice periods and regulatory registrations
- Clinician turnover remains at low levels, less than 10% per annum
- Productivity: Smart diary & licence to claim training remains in place
- Availability (hours): Increased LFL hours in H2 in comparison to H1
- Unclaimed UDAs result in foregone revenue in a period, but not necessarily a loss of potential revenue for future periods

Q3 FY2017 highlights – Patient Services



Private patient services growing

- Continued execution of growth strategy in private, in line with corporate vision
- 9.5% Q3 YoY growth in total private revenue, 11.2% YTD
- 6.2% growth in Q3 LFL private revenue, 6.6% YTD
- Private treatment now 16.3% of group revenue (Q3 FY2016: 15.4%)
- Continued growth in fee per item and hygienists (11.1% YTD)

Q3 FY2017 highlights – Practice Services



Industry offering continues to develop

- Total revenue including from Patient Services up 19.5% (£5.6m) year-on-year
- Growth driven by acquired businesses – PDS Dental Laboratory and Dolby Medical
- Continued encouraging growth in high street and health authority sectors
- Some regional differences in market share growth, good recovery in Northern & Scottish regions
- Decline in gross margin % now reversing on the back of supplier support and price increases put in place

Q3 FY2017 Financial review



Q3 FY2017 Financial highlights



- Revenue up 3.5% YOY to £149.4m
- LFL private revenue up 6.2%, 6.6% for the YTD
- Private revenue now 16.3% of total revenue (Q3 FY2016: 15.4%)
 - NHS revenue 64.9% of total (Q3 FY2016: 68.7%)
 - Practice services revenue 18.8% of total (Q3 FY2016: 15.9%)
- EBITDA down on Q3 FY2016 to £16.8m

Financial results for Q3 FY2017

Income statement

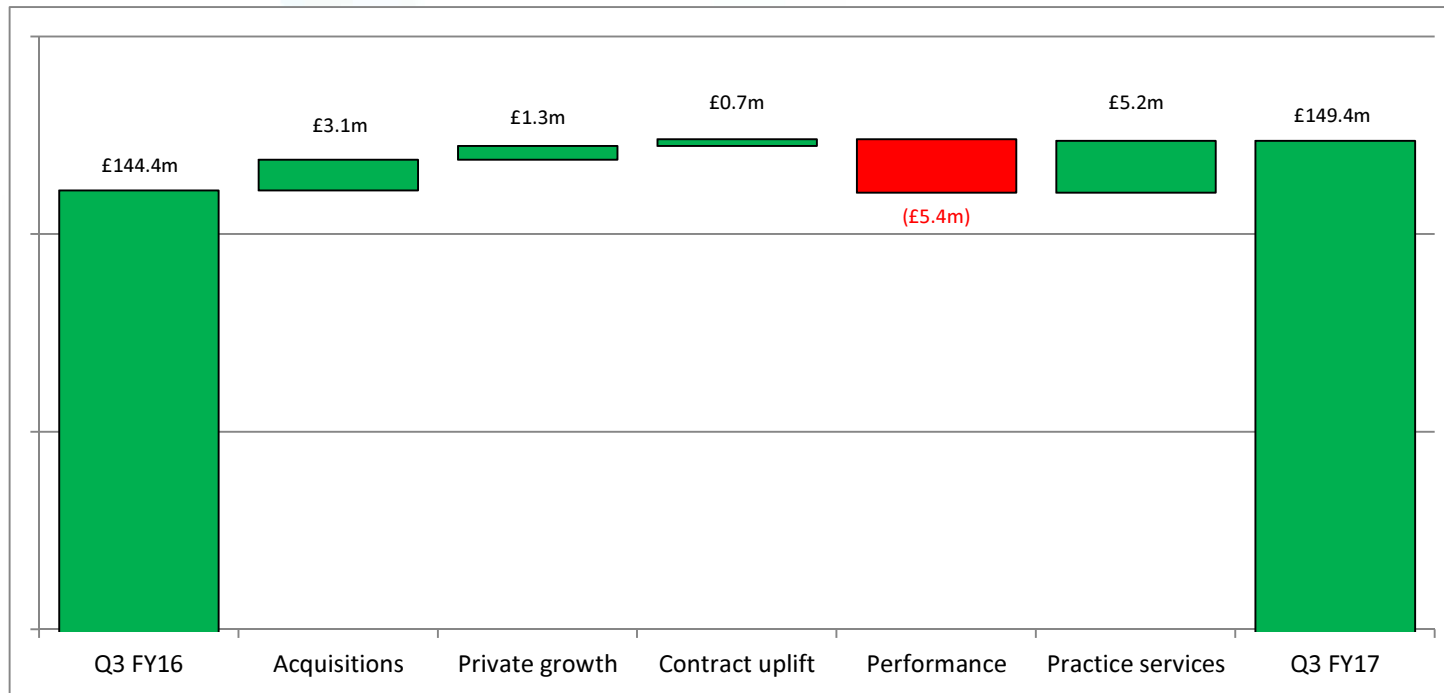


| | Q3 2017 £m | % of revenue | Q3 2016 £m | % of revenue | % change |
|------------------------|---------------|--------------|---------------|---------------|----------------|
| Revenue | 149.4 | | 144.4 | | 3.5% |
| Gross profit | 65.2 | 43.7% | 66.1 | 45.8% | (1.3%) |
| Overheads* | (48.9) | 32.8% | (44.6) | 30.9% | (9.7%) |
| Other operating income | 0.5 | 0.4% | 0.5 | 0.3% | 10.6% |
| EBITDA | 16.8 | 11.3% | 22.0 | 15.2 % | (23.5%) |

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

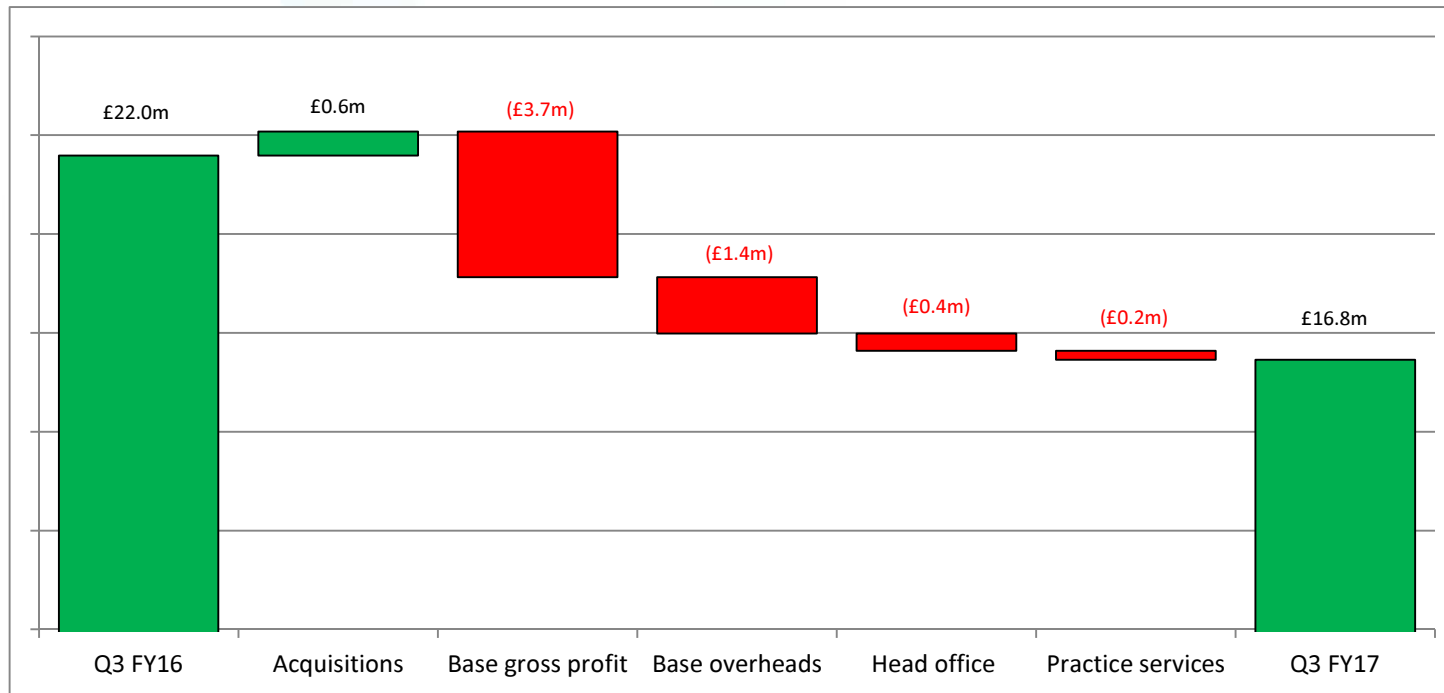
Financial results for Q3 FY2017

Revenue



Financial results for Q3 FY2017

EBITDA



Financial results for Q3 FY2017

Acquisitions



- Strategy to limit acquisition activity in FY2017 and FY2018 due to:
 - Continued high market valuations of practices
 - Group leverage
 - Focus on improving UDA delivery in existing practices
- Total of 677 practices at 31 December 2016 (669 at 31 December 2015)

Financial results for Q3 FY2017

Cash flow statement

| £m | Q3 2017 | Q3 2016 |
|--|---------|---------|
| Cash generated from operations | 7.7 | 17.0 |
| Capital expenditure | (3.8) | (6.4) |
| Corporation tax | - | - |
| Cash flow before acquisitions and debt service | 3.9 | 10.6 |
| Interest | (6.8) | (4.3) |
| Acquisitions* | (3.5) | (5.8) |
| Debt issue costs | (1.7) | - |
| Financing | - | - |
| Net cash flow | (8.1) | 0.5 |
| Opening cash | 18.0 | 18.0 |
| Closing cash | 9.9 | 18.5 |
| Net debt | 529.7 | 512.7 |

*Excluding fees
SSRCF remains undrawn - £100m

Financial results for Q3 FY2017

Cash conversion



| £m | Q3 2017 | Q3 2016 |
|---------------------------------|---------|---------|
| Operating cash flow | 7.7 | 17.0 |
| Exceptionals | 1.6 | 5.0 |
| Acquisition fees | 0.2 | 0.4 |
| Working capital adjustments | - | (0.1) |
| Adjusted operating cash flow | 9.5 | 22.3 |
| Maintenance capital expenditure | (3.2) | (5.9) |
| Adjustments | - | 0.5 |
| Adjusted cash flow | 6.3 | 16.9 |
| EBITDA | 16.8 | 22.0 |
| Adjusted cash conversion % | 37.6% | 77.0% |

Summary

- Lower NHS UDA performance has continued as previously announced
- Firm plans in place but with dentist recruitment the key driver, it will take time to feed into results
- Private revenue growth continues in line with corporate strategy
- Practice services growth continues to be encouraging
- Limited practice acquisitions activity for the medium term until gearing levels and valuations reduce

Contact details:

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Investor information is available from our dedicated investor website:

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