

Integrated Dental Holdings



Q1 FY2019 - Investor presentation
15 August 2018

DISCLAIMER

THIS PRESENTATION IS NOT AN OFFER OR SOLICITATION OF AN OFFER TO BUY OR SELL SECURITIES IN THE UNITED STATES OF AMERICA OR IN ANY OTHER JURISDICTION. IT IS PROVIDED AS INFORMATION ONLY.

This presentation is furnished only for the use of the intended recipient, and may not be relied upon for the purposes of entering into any transaction. By attending this presentation, you agree to be bound by these restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

Certain information herein (including market data and statistical information) has been obtained from various sources. We do not represent that it is complete or accurate. All projections, valuations and statistical analyses are provided to assist the recipient in the evaluation of the matters described herein. They may be based on subjective assessments and assumptions and may use one among alternative methodologies that produce different results and to the extent that they are based on historical information, they should not be relied upon as an accurate prediction of future performance.

This presentation may include forward-looking statements that reflect our intentions, beliefs or current expectations. Forward-looking statements involve all matters that are not historical by using the words “may”, “will”, “would”, “should”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, and similar expressions or their negatives. Such statements are made on the basis of assumptions and expectations that we currently believe are reasonable, but could prove to be wrong.

This presentation does not constitute an offer or an agreement, or a solicitation of an offer or an agreement, to enter into any transaction (including for the provision of any services) and does not constitute an offer or invitation to subscribe for or purchase any securities, and nothing contained herein shall form the basis of any contract or commitment whatsoever. Any decision to purchase securities in the context of a proposed offering, if any, should be made solely on the basis of information contained in the offering memorandum published in relation to such an offering.

The information contained herein does not constitute investment, legal, accounting, regulatory, taxation or other advice and the information does not take into account your investment objectives or legal, accounting, regulatory, taxation or financial situation or particular needs. You are solely responsible for forming your own opinions and conclusions on such matters and the market and for making your own independent assessment of the information herein. You are solely responsible for seeking independent professional advice in relation to the information and any action taken on the basis of the information. Investors and prospective investors in the securities of any issuer mentioned herein are required to make their own independent investigation and appraisal of the business and financial condition of such issuer and the nature of the securities.

This presentation includes certain financial data that are “non-IFRS financial measures”. These non-IFRS financial measures do not have a standardised meaning prescribed by International Financial Reporting Standards or UK Accounting Standards and therefore may not be directly comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with International Financial Reporting Standards or UK Accounting Standards. Although we believe these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition, of the business, you are cautioned not to place undue reliance on any non-IFRS financial measures included in this presentation. This presentation contains certain data and forward looking statements regarding the UK economy, the markets in which we operate and its position in the industry that were obtained from publicly available information, independent industry publications and other third party data. We have not independently verified such data and forward looking statements and cannot guarantee their accuracy or completeness.

Agenda

- Performance & business update
 - **mydentist** developments
 - **Dental Directory** developments
- Financial review
- Outlook
- Q&A

Q1 FY2019 Performance & business update



Q1 FY2019 group performance



mydentist

- Private revenue LFL growth of 5.5% per working day for Q1
- NHS revenue in line with Q1 FY2018
- EBITDA up £1.6m (15.4%) year-on-year

Dental Directory

Dental Directory

- Revenue growth of £1.5m YoY to £34.5m (before intergroup eliminations) for the quarter
- EBITDA down to £0.5m for the quarter



Group

- Revenue up 1.4% YoY to £142.4m for the quarter
- Gross profit up 1.9% YoY to £63.0m for the quarter
- Q1 EBITDA up £0.1m on FY2018 to £12.2m

Q1 FY2019 group performance

- Performance marginally ahead of the guidance provided in June for Q1
- Group has applied IFRS 15 “Revenue from contracts with customers” for the first time in this quarter with revenue recognition based on when the company transfers goods or services to a customer
- Adjustment required for mydentist based on timing of recognition of revenue from Orthodontic contracts
- No impact on annual revenue, however movement of revenue from Q1 to later quarters due to timing of orthodontic contract performance
- No impact on full year guidance provided on our last conference call

£000	Q1 FY2019	Q1 FY2018
EBITDA pre-IFRS 15 adjustment	12,864	12,791
IFRS 15 adjustment	(644)	(683)
EBITDA	12,220	12,108

NHS revenue

- NHS revenue of £88.6m, in line with the previous year
- Like-for-like UDA delivery per working day was down 1.3%
- NHS revenue like-for-like for same sites up 1.0% year on year
 - Encouraging early improvements in a number of operational KPIs
 - Average UDAs per hour, diary utilisation, did not attend (DNA) and average contract delivery by clinician all improving
 - Improvement needed in chair occupancy and diary hours
 - Some mix effect with higher proportion of band 1 treatments
- Revenue supported by initial NHS uplift of 1% of £0.7m

Q1 FY2019 summary – mydentist

NHS revenue – contract uplift for England

- Announcement made 24 July
- Increase from 1 April – 3% for expenses
- Increase from 1 October – 2% for dentist fees, 2% for staff costs
- The announced increases feed into a weighted formula which results in the increase in the UDA value in England
- We expect the effect to be 1.01% from 1 April and then 2.34% from October
- Blended effect for the year of 1.68%

Q1 FY2019 summary – mydentist

Private revenue

- Private revenue for Q1 was £25.7m, an increase of 4.9% on last year
- Q1 like-for-like private growth, adjusted for the number of working days, increased by 5.5%.
- Growth continues to be strong in general private in Q1 (+5.7% LFL) and in hygiene (+11.6% LFL) reflecting the choice and additional options being provided to patients
- Other initiatives starting to see results
- The roll-out of our first 8 Advanced Oral Healthcare Centres providing specialist services such as implants and endodontics has started well

Q1 FY2019 summary – mydentist

Resourcing & on-boarding

- Performance is in line with our strategic plan
 - Continue to build up the pipeline of new dentists
 - Current pipeline today is at record levels with over 320 dentists going through the on-boarding process
 - Make on-boarding as efficient and rapid as possible
- Additional net 95 clinicians started in practice during the quarter
- Clinician churn has increased as we address under-performing clinicians
- In line with the industry, there are challenging areas of low recruitment - struggling to fill vacancies in rural and coastal areas such as Cumbria, East Anglia and Cornwall

Q1 FY2019 summary – mydentist

Resourcing & on-boarding

- South West region started to incorporate mentors into resource planning first
 - UDAs now 91.8% contracted across region
 - NHS – up 3.70% year-on-year
 - Private – up 8.32%
 - Total revenue – up 4.89%
 - EBITDA – up 9.21% from Q1 FY2018

Q1 FY2019 summary – mydentist

Resourcing & on-boarding

- Starting to see the impact of resourcing in certain areas

Q1 FY2019 v Q1 FY2018

	Practice contract in place	Increase in NHS revenue	Increase in private revenue	Increase in Practice EBITDA
Area 1 (Midlands)	98.82%	+7.37%	+19.55%	+30.84%
Area 2 (Midlands)	97.02%	+5.07%	+10.47%	+16.00%
Area 3 (South)	96.23%	+9.61%	+18.36%	+29.54%
Area 4 (South)	96.20%	+0.61%	+13.75%	+5.34%
Area 5 (North)	95.89%	+13.54%	+12.17%	+19.07%

* Proportion of practice NHS contract allocated to a clinician, locum or regional dentists at 30 June 2018

Self-employed status

- We are aware that HMRC have contacted a small number of dentists to discuss their self-employed status
- Self-employment is the industry standard approach to engagement
- Contract format for self-employed status historically agreed between BDA and HMRC
- mydentist contracts follow this format
- HMRC reviewing self-employment across a number of sectors and have reviewed dentistry a number of times in the past
- mydentist approach to working with clinicians in line with the principles of self-employment and the standard contract

Q1 FY2019 summary – Dental Directory



- Total revenue after excluding sales to mydentist up 5.4% to £27.4m from £26.0m in Q1 FY2018
- Mulholland sales are in line with the investment case which has contributed to the growth in revenue
- Like-for-like revenue flat year on year
- Gross margin down from 28.2% to 25.8%.
- Year-on-year cost increases have driven overheads up £0.8m from Q1 FY2018.
- Paul Adams has identified opportunities through price increases; a reduced number of promotions to improve margin; and significant cost reduction opportunities.

Financial review



Q1 FY2019 Financial highlights

- Group revenue up 1.4% year-on-year to £142.4m
- LFL mydentist private revenue up 5.5% per working day
- Private revenue increasing proportion of dental practice revenue

Dental practice revenue	Q1 FY2019	Q1 FY2018
NHS	77.5%	78.4%
Private	22.5%	21.6%

- As expected EBITDA in line with Q1 FY2018 and ahead of guidance
- mydentist EBITDA up £1.6m offset by Dental Directory down £1.5m
- LTM EBITDA of £55.2m and pro-forma adjusted EBITDA of £57.6m
- Restated FY2018 EBITDA due to implementation of IFRS 15
- One additional trading day (FY2019 – 62; FY2018 – 61)

Financial results for Q1 FY2019

Income statement

	Q1 FY2019 £m	% of revenue	Q1 FY2018* £m	% of revenue	% change
Revenue	142.4		140.4		1.4%
Gross profit	63.0	44.2%	61.8	44.0%	1.9%
Overheads**	(51.3)	36.0%	(50.2)	35.8%	(2.1)%
Other operating income	0.5	0.4%	0.5	0.4%	(0.4)%
EBITDA	12.2	8.6%	12.1	8.6%	0.9%

* Restated for implementation of IFRS 15 – Revenue from contracts with customers

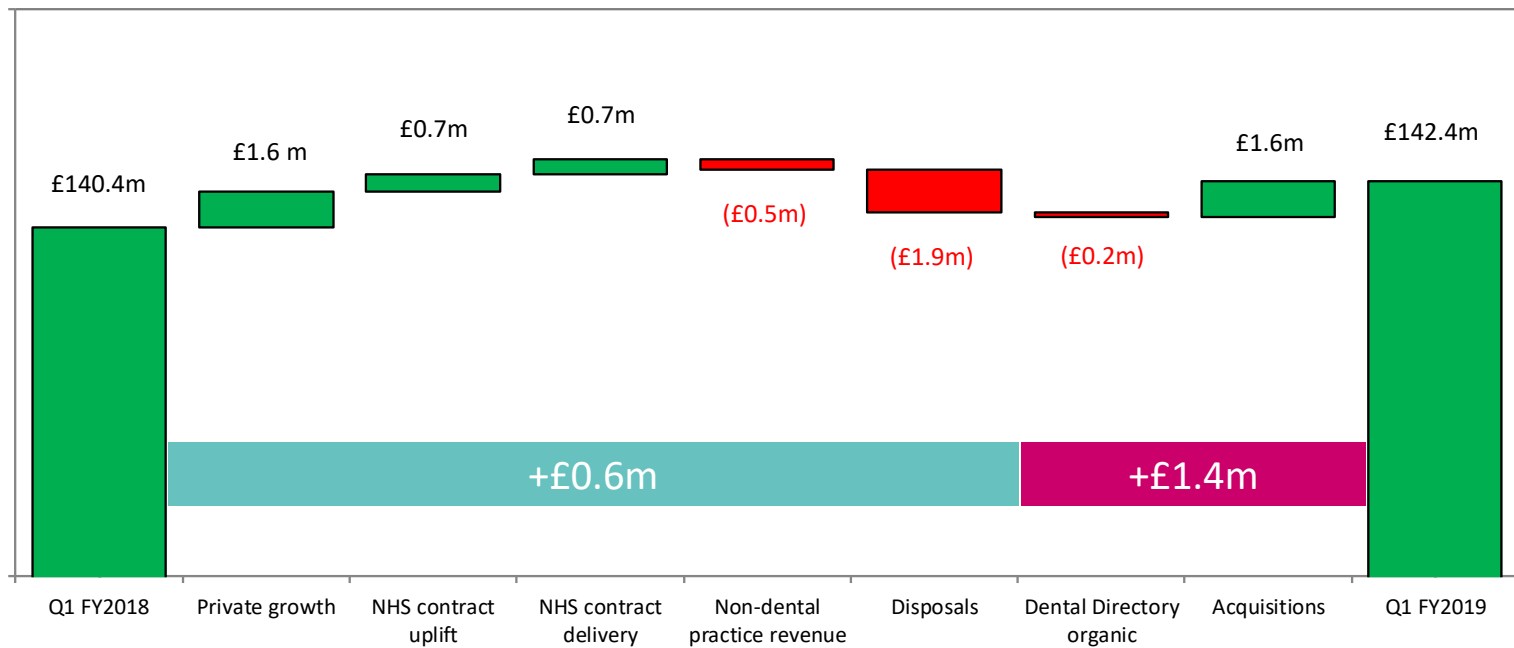
** Administrative expenses plus distribution costs before depreciation, amortisation, impairment and other non-underlying items

FY2018 restatement by quarter for adoption of IFRS 15 – no impact on full year FY2018

£000	Q1	Q2	Q3	Q4	FY18
EBITDA as previously reported	12,791	13,671	14,404	14,249	55,115
IFRS 15 net adjustment	(683)	(164)	294	553	0
Restated EBITDA	12,108	13,507	14,698	14,802	55,115

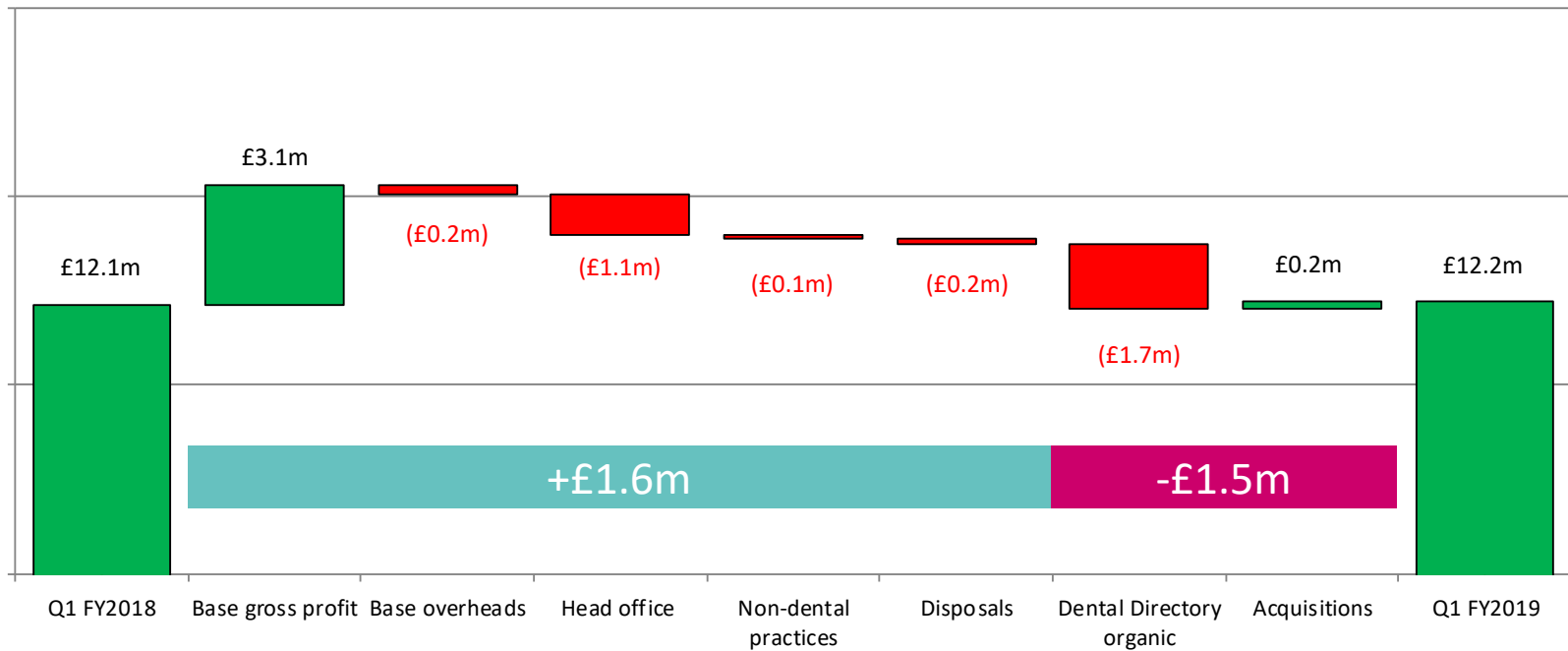
Financial results for Q1 FY2019

Group revenue bridge



Financial results for Q1 FY2019

Group EBITDA bridge



Financial results for Q1 FY2019

Acquisitions & Disposals



- Total of 635 practices at 30 June 2018 (672 at 30 June 2017)
- The actions from the portfolio review during the quarter led to
 - Closure of 5 practices in Q1
 - Sale of 3 practices
 - As set out at the year-end an additional 21 practices reclassified as “held for sale” on the balance sheet and the excess of book value compared to estimated realisable value written off during Q1
 - 30 practices now classified as held for sale
- Disposals and closures are expected to be completed by the end of Q2 FY2019 however some may fall into Q3 due to the legal process
- No plans for any further acquisitions in either division

Financial results for Q1 FY2019

Cash flow statement

£m	Q1 FY2019	Q1 FY2018
Cash generated from operations	12.2	13.2
Net capital expenditure*	(4.2)	(4.1)
Corporation tax	-	-
Cash flow before acquisitions and debt service	8.0	9.1
Interest	(5.6)	(6.1)
Cash flow before acquisitions and financing	2.4	3.0
Acquisitions**	(3.5)	(2.8)
Debt issue costs	-	-
Financing	-	-
Net cash flow	(1.1)	0.2
Opening cash	16.2	12.6
Closing cash	15.1	12.8
Net debt	533.2	528.0

* Net capital expenditure includes £0.6m proceeds from the sale of practices (Q1 FY2018 includes £0.1m from disposals)

** Excluding fees

Outlook



Q2 FY2019 Outlook

- Q1 tale of two parts, will continue into Q2
- mydentist:
 - Early signs of improvement
 - EBITDA growth likely
- Dental Directory
 - New management team need more time to deliver current changes
 - Continue to push sales to more margin generative activities
 - Overhead savings underway
 - EBITDA will be down on prior year
- Group EBITDA for Q2 FY2019 likely to be similar to prior year at £12.6m-£13.6m

FY2019 Outlook – no change

- Return to growth for mydentist with UDA delivery improvement of 2-3%, private LFL +5-7% growth
- EBITDA
 - Expect to see growth year-on-year in H2 in mydentist
 - mydentist EBITDA forecast at £53m-£55m
 - Dental Directory forecast at £5m-£6m
 - Outturn for the year between £58m-£60m
- Capex investment in practices increase of £3m-£4m over the year
- Cash outflow likely in H2 due to improvement in UDA delivery – small drawdown from the SSRCF
- Continue to keep acquisitions on hold until confident of sustained turnaround in performance

Summary

- Encouraging signs of improvement in mydentist
 - Overall NHS revenue up year-on-year excluding disposals
 - Private revenue growth over 5% per working day
 - EBITDA up by £1.6m over Q1 FY2018
- New management have made a good start with Dental Directory
 - Turnaround in performance under way
 - Focus on margin and cost control

Contact details:

Further questions can be addressed to:

- Email: investorrelations@mydentist.co.uk
- Telephone: 01204 799651

Investor information is available from our dedicated investor website:

www.mydentist.co.uk/about-us/investors

