

Integrated Dental Holdings



Q1 FY2020 - Investor presentation
28 August 2019

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Agenda

- Introduction – Chief Executive overview
- Performance & business update
 - **{my}dentist** developments
 - General dentistry
 - Orthodontics
 - **DD** developments
- Financial review
- Outlook
- Summary
- Q&A

Introduction

- Adjusted EBITDA for Q1 marginally ahead of guidance
- {my}dentist good start to the year
 - Roll-out of affordable private ahead of schedule
 - Good start to second wave of Advanced Oral Health Centres
 - Like-for-like hours improving
- DD momentum continues from Q4
 - Galderma contract implementation on schedule
 - New simplified brand, systems integration and e-commerce platform rolled out successfully
- Cautiously optimistic on the year
 - Both {my}dentist and DD ahead of plan for the year
 - Foreign exchange risk increasing re “no-deal” Brexit
 - Orthodontic contract re-tender
- No change to full financial year guidance

Q1 FY2020 Performance & business update



Q1 FY2020 group performance



{my}dentist

- Private revenue LFL growth of 16.0% per working day for Q1 (FY2019: 5.5%)
- Total revenue, excluding disposal sites, down £0.6m (0.5%) year-on-year but up 1.2% per working day
- Adjusted EBITDA down £0.7m year-on-year for the quarter



DD

- Revenue up 1.4% at £35.0m (before intergroup eliminations) for the quarter
- Adjusted EBITDA of £0.9m is £0.4m up on Q1 last year



Group

- Revenue down 2.4% year-on-year to £139.0m for the quarter due to disposals
- Adjusted EBITDA margin of 8.3% for the quarter.
- Q1 Adjusted EBITDA down £0.7m (6.0%) on FY2019 to £11.5m

Q1 FY2020 summary – {my}dentist

NHS revenue

- NHS revenue of £76.0, excluding disposal sites and Orthodontic practices, down £4.1m on the prior year
- Like-for-like NHS revenue per working day is down 3.0% for the quarter
- UDA delivery per working day is down 4.8% for Q1
- Practice productivity measures have improved however continuing decline in NHS hours
- Fall in delivery offset by contract uplift effect of £1.2m for the quarter

Q1 FY2020 summary – {my}dentist

NHS contract value increases

- Annual contract value increase not yet announced
- Revenue recognised in Q1 based on an assumption of a total 1.5% contract uplift
- DDRB “pay” element recommendation of 2.5% accepted
- Contract expenses element outstanding
- Contract uplift will be a blended increase across cost and expenses
- Pay element will be back dated to 1 April 2019

Q1 FY2020 summary – {my}dentist



Private revenue

- Q1 like-for-like private growth, adjusted for the number of working days, was 16.0%
- Private revenue excluding orthodontic practices and disposals up £3.7m for Q1 to £26.5m
- Revenue growth strong in the 8 Advanced Oral Healthcare Centres launched at the start of the last financial year (+33.0% LFL private revenue) and 6 new sites opened at 1 April (+51.1% LFL private revenue).
- {my}options roll-out commenced following success of pilot scheme
- At 30 June, 162 sites providing {my}options treatments
- Plan to roll-out to 300+ sites by the end of Q2

Q1 FY2020 summary – {my}dentist

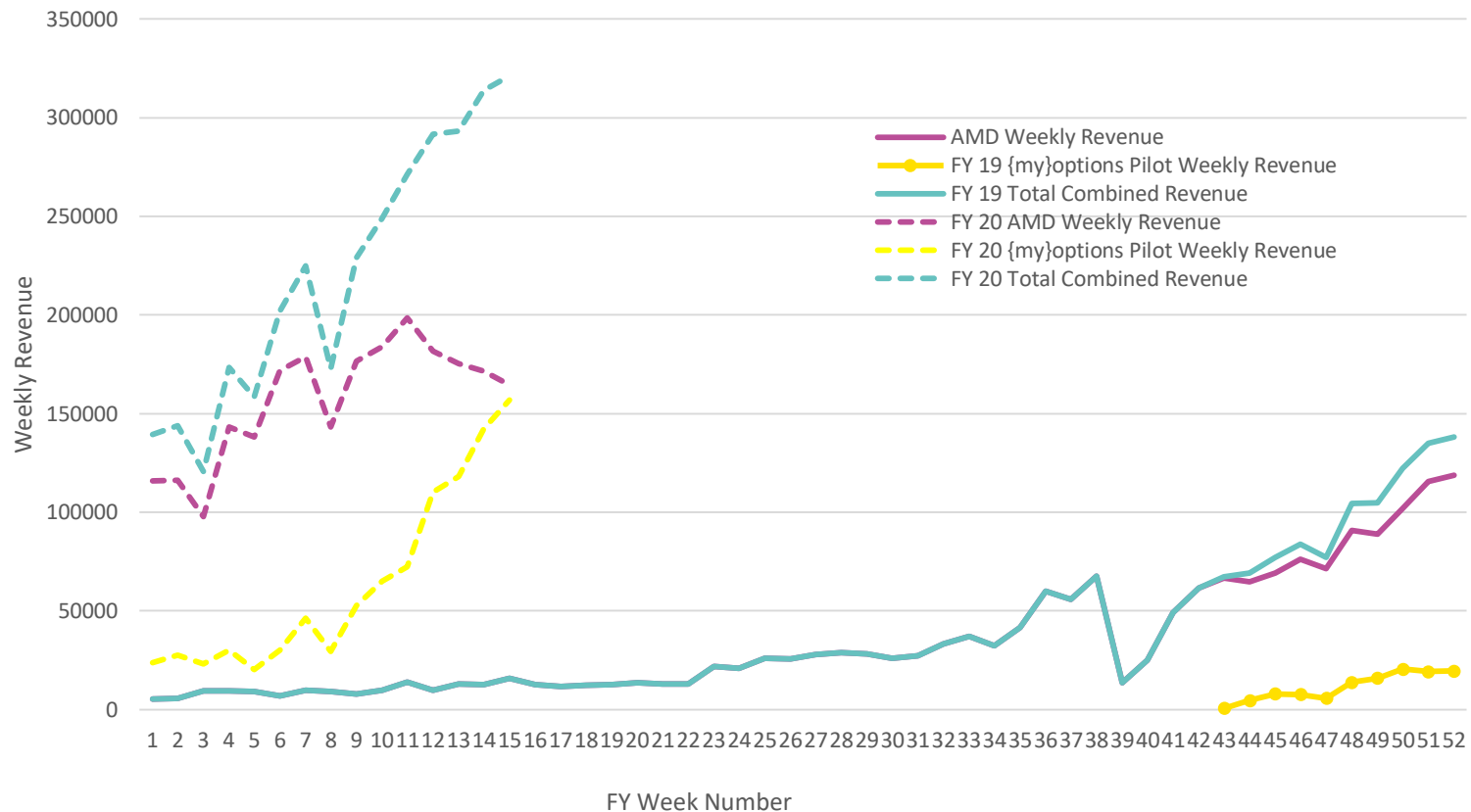
{my}options

- Positive response from patients and clinicians to enhanced choice
- LFL private revenue growth in sites offering “affordable private” +23.0% v +16.0% per working day across the total estate
- Additional hours provided by clinicians – hours up c1.0%
- Revenue development as more complex treatment plans feed into results

Q1 FY2020 summary – {my}dentist

- Total affordable private at run rate of £300k+ per week at end of Q1

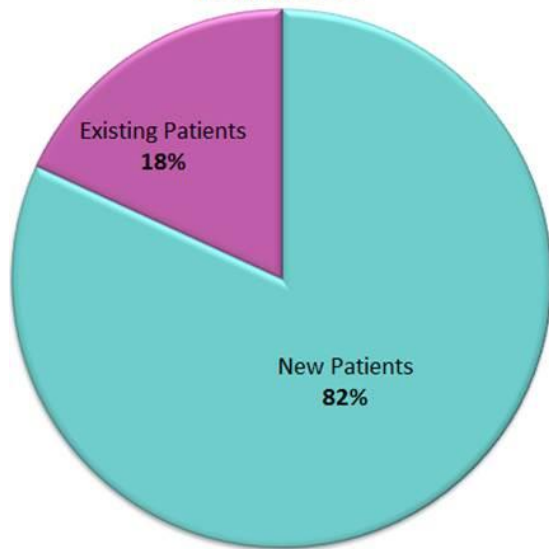
Affordable Private Total Weekly Revenue



Q1 FY2020 summary – {my}dentist

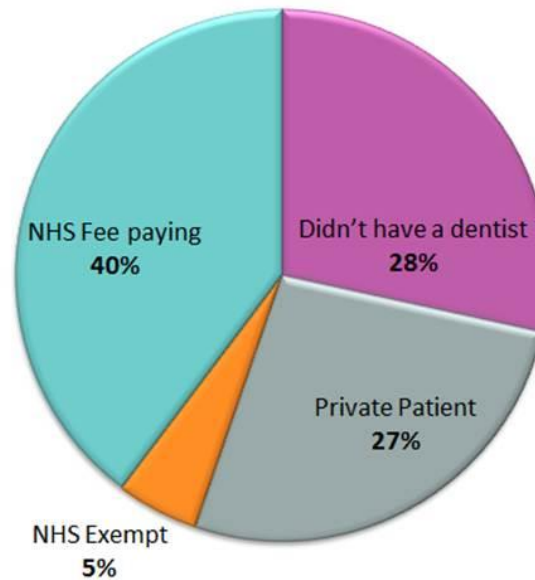
{my}options patients

{my}options



82% of {my}options patients are new to {my}dentist.

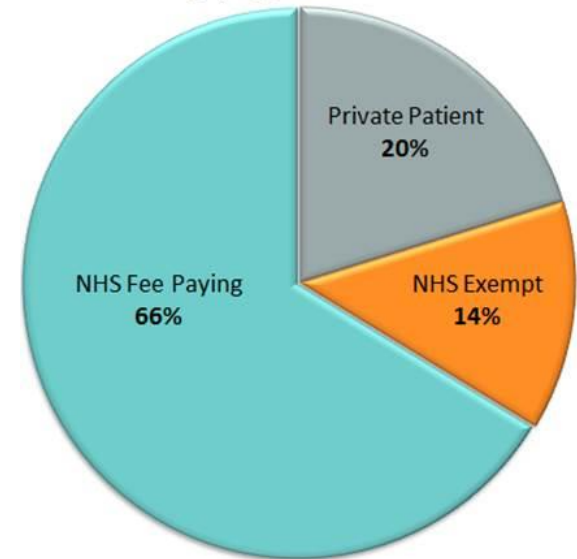
New {my}options Patients



Of these 82% we see that

- 28% of patients didn't previously have a dentist.
- 27% were a private patient elsewhere.
- 45% were NHS (exempt and fee paying)

Existing {my}dentist Patients



And 80% of the existing patients taking up {my}options are upgrading from NHS care

Q1 FY2020 summary – {my}dentist

Next steps

- Transitioning access {my}dentist sites to {my}options – to be completed in Q3
- Clinically-led implementation but training for the whole practice team critical to generate appointments
- Finance options & low cost payment plans live
- Short term affordable orthodontic solutions such as clear aligners introduced
- Quality audits to be conducted:
 - testing call response
 - appointment availability
 - quality of patient journey

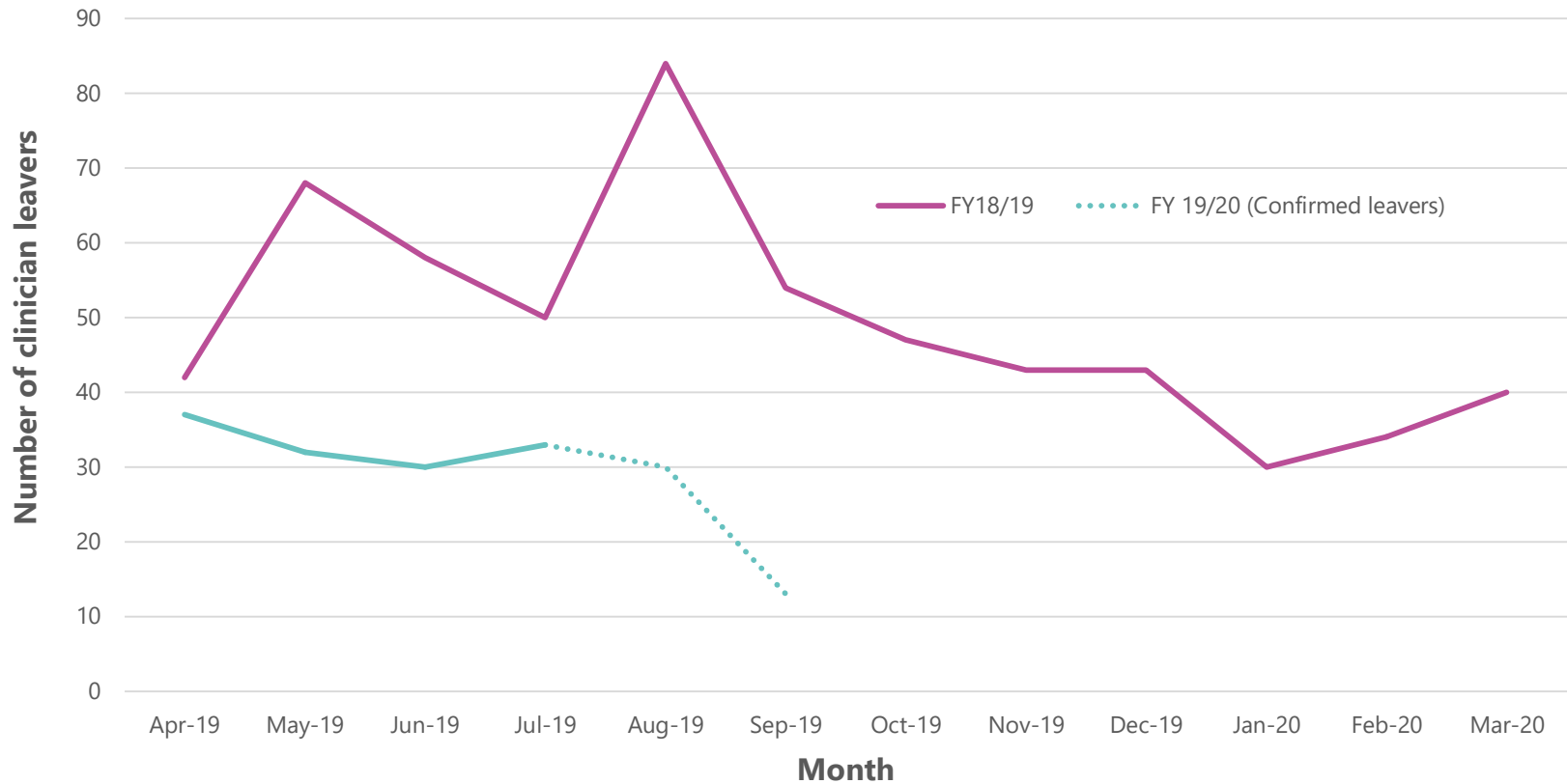
Q1 FY2020 summary – {my}dentist

Resourcing & retention

- Resourcing and retention remain key priorities for the business
- Net new clinicians of 55 in Q1
- Typical contract for a new starter c24 hours per week
- Average hours for existing clinician base c28 hours per week
- Availability of {my}options providing opportunity to develop private practice
- Pipeline of dentists going through “on-boarding” now at around 200
- Newly qualified dentists to start in September
- Significant improvement in reducing leavers

Q1 FY2020 summary – {my}dentist

Total clinician leavers for FY19 & FY20



Q1 FY2020 summary – {my}dentist

{my}orthodontist

- For FY2020, we have separated out our specialist orthodontic practices from general practices to create a standalone division: {my}orthodontist
- Revenue in FY2019 was £41.2m for these 37 practice
- Q1 FY2020 revenue of £8.8m, 2.2% down on FY2019
- EBITDA in FY2019 for these 37 practices before central {my}dentist overheads: £11.1m
- Adjusted EBITDA in Q1 FY2020 of £1.5m, £0.5m down on FY2019
- EBITDA expected to be c£1.5m down in FY2020 with some mitigation from the timing of contract changes and run-off contracts for continuing care of existing patients
- Impact of retenders will hit EBITDA but there is potential to grow non-qualifying NHS cases and private adult orthodontics including “social” short term solutions such as clear aligners

Q1 FY2020 summary – DD

- Total revenue, excluding sales to {my}dentist, up 1.0% to £27.7m from £27.4m in Q1 FY2019
- Increasing revenue in engineering and equipment channels but with shortfalls in High Street consumables sales volume
- MedFX volumes increasing in toxins and fillers following the Galderma contract win – live to end customers from end of September
- Gross margin for Q1 flat on FY2019
- New DD brand launch and engineering integration successfully delivered in June
- Investment in IT and Operations continues to build on industry leading customer service levels
- Foreign exchange risk in H2 due to falling £:Euro rates

Financial review



Q1 FY2020 Financial highlights

- Group revenue down 2.4% in Q1 from £142.4m to £139.0m
- {my}dentist LFL total revenue up 1.2% per working day and private up 16.0% like-for-like per working day
- Private revenue increasing proportion of dental practice revenue year-on year

| Dental practice revenue | Q1 FY2020 | Q1 FY2019 |
|-------------------------|-----------|-----------|
| NHS | 74.1% | 77.5% |
| Private | 25.9% | 22.5% |

- As expected Adjusted EBITDA down on Q1 FY2019 but slightly up on guidance for the quarter
- {my}dentist Adjusted EBITDA down 5.9% to £11.9m offset by DD up 86.5% at £0.9m
- LTM Adjusted EBITDA of £57.4m and pro-forma Adjusted EBITDA of £58.4m

- IFRS 16 "Leases" effective for financial year 2020
- Requires recognition of a right of use asset and financial liability for future payments for all leases
- Transition point 1 April 2019, asset and liability of £94.1m recognised
- No prior year restatement - reported GAAP figures for FY2019 not adjusted
- Income statement changes
 - No rent charge through the income statement
 - Depreciation charge on the right of use asset
 - Interest charge to recognise discount on the liability
 - Rent payments reduce the liability on the balance sheet
- In order to provide comparability, details of historic rent charges and Adjusted EBITDA (EBITDA adjusted for rent) have been included in Q1 reporting

Basis of preparation

| | Q1 | Q2 | Q3 | Q4 | Full year | |
|--------|-------------------------|---------------|--------|--------|-----------|--------|
| FY2018 | Reported EBITDA | 12,108 | 13,507 | 14,698 | 14,802 | 55,115 |
| | Lease adjustment | 3,864 | 3,762 | 3,698 | 3,620 | 14,943 |
| | EBITDA under IFRS 16 | 15,972 | 17,269 | 18,396 | 18,422 | 70,058 |
| FY2019 | Reported EBITDA | 12,220 | 13,616 | 15,369 | 16,900 | 58,105 |
| | Lease adjustment | 3,700 | 3,757 | 3,749 | 3,610 | 14,815 |
| | EBITDA under IFRS 16 | 15,920 | 17,373 | 19,118 | 20,510 | 72,920 |
| FY2020 | Adjusted EBITDA | 11,490 | | | | |
| | Lease adjustment | 3,497 | | | | |
| | Reported EBITDA IFRS 16 | 14,987 | | | | |

- This presentation will compare the reported EBITDA in Q1 FY2019 £12.2m with Adjusted EBITDA of £11.5m for Q1 FY2020

Financial results for Q1 FY2020

Income statement

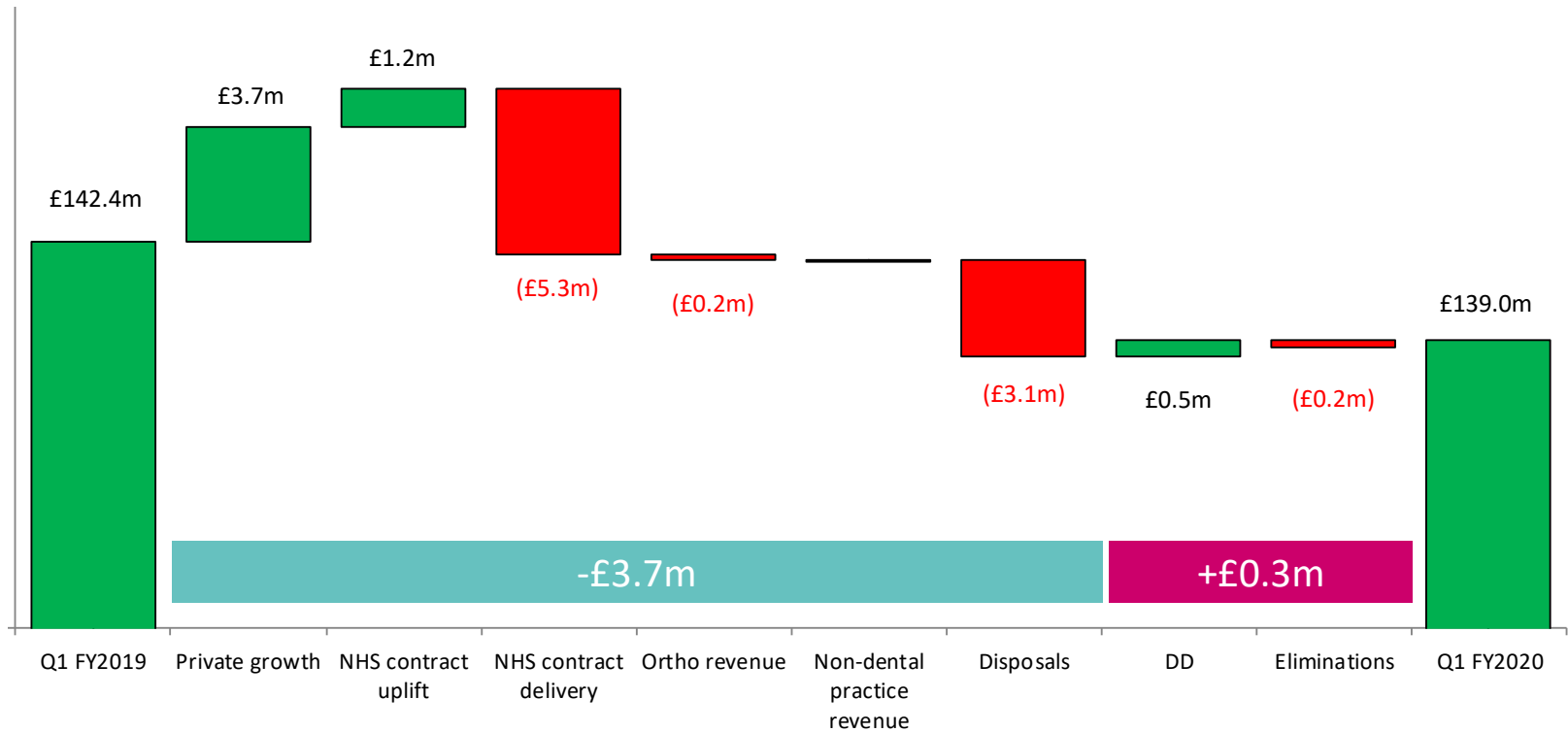
| | Q1 FY2020 £m | % of revenue | Q1 FY2019 £m | % of revenue | % change |
|------------------------|-----------------|--------------|-----------------|--------------|---------------|
| Revenue | 139.0 | | 142.4 | | (2.4)% |
| Gross profit | 60.4 | 43.4% | 63.0 | 44.2% | (4.1)% |
| Overheads* | (45.8) | 33.0% | (51.3) | 36.0% | |
| Other operating income | 0.4 | 0.3% | 0.5 | 0.4% | (19.7)% |
| EBITDA | 15.0 | 10.8% | 12.2 | 8.6% | |
| Rental charges | (3.5) | | –** | | |
| Adjusted EBITDA | 11.5 | 8.3% | 12.2 | 8.6% | (6.0)% |

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

** FY19 overheads include rent charges.

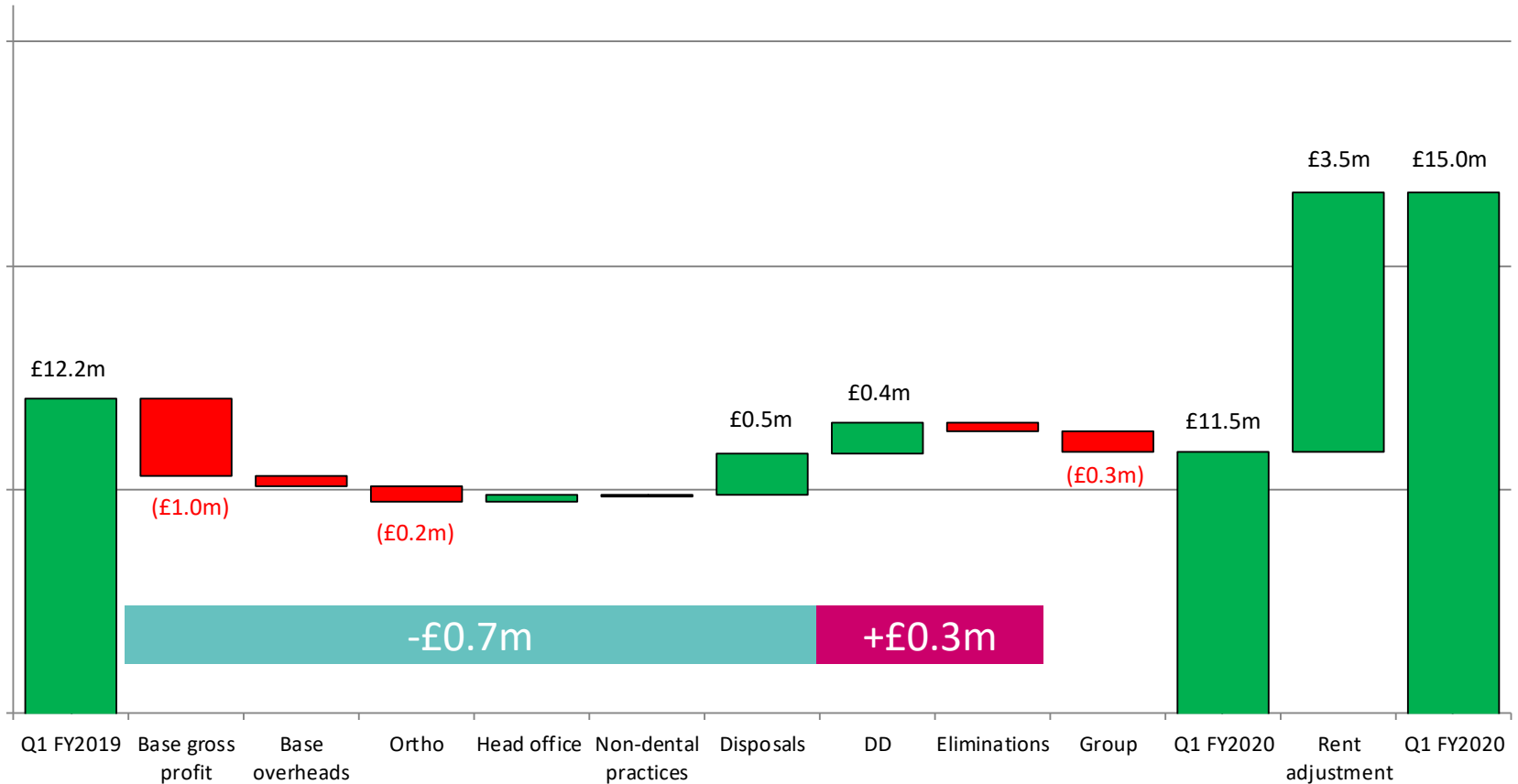
Financial results for Q1 FY2020

Group revenue bridge



Financial results for Q1 FY2020

Group EBITDA bridge



Financial results for Q1 FY2020

Acquisitions & Disposals



- Total of 604 practices at 30 June 2019 (635 at 30 June 2018)
- Greenfield opening during Q1
- Limited restart to M&A agreed with shareholders
- Review of market identified some potential opportunities
- Asking prices and projected multiples for many practices above the rate which we are willing to meet
- Selective approach to be taken

Financial results for Q1 FY2020

Cash flow statement

| £m | Q1 FY2020 | Q1 FY2019 |
|---|-------------|--------------|
| Cash generated from operations before working capital | 13.6 | 11.2 |
| Working capital | 7.2 | 1.1 |
| Cash generated from operations | 20.8 | 12.3 |
| Net capital expenditure | (8.4) | (4.8) |
| Corporation tax | - | - |
| Cash flow before acquisitions and debt service | 12.4 | 7.5 |
| Interest | (6.0) | (5.6) |
| Cash flow before acquisitions and financing | 6.4 | 1.9 |
| Acquisitions | (0.3) | (3.0) |
| Principal elements of lease payments | (3.5) | - |
| Financing | - | - |
| Net cash flow | 2.6 | (1.1) |
| Opening cash | 8.9 | 16.2 |
| Closing cash | 11.5 | 15.1 |
| Net debt | 559.3 | 533.2 |

Outlook



FY2020 Outlook – no change

- {my}dentist Adjusted EBITDA forecast at £58m-£60m
- DD forecast at £5m-£6m
- Group overhead including inter-group profit eliminations forecast at -£4.0m
- Group Adjusted EBITDA expected to be between £60m-£62m
- Capex investment in practices and DD capabilities of c£24m for the year
- Cash outflow likely in Q4 – SSRCF likely to be £30m drawn at 31 March 2020

Summary

- Cautious optimism for the financial year ahead
- Signs of encouragement in:
 - Both {my}dentist and DD in line with guidance
 - Benefits of the Galderma agreement will flow through in Q2
 - Systems changes and rebranding in DD went well
 - Strong private growth including in AOHCs
 - {my}options roll-out ahead of plan, well received by patients and clinicians
 - Resourcing and retention strategies moving ahead
 - Looking towards positive like-for-like hours from September

Contact details:

Further questions can be addressed to:

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Investor information is available from our dedicated investor website:

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

