

# Integrated Dental Holdings



Q2 FY2020 - Investor presentation  
13 November 2019

# 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

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

- Adjusted EBITDA for Q2 in line with guidance
- {my}dentist continues to make progress
  - Affordable private continues to be a strong growth story
  - Good progress in attracting and retaining clinicians in particular newly qualified dentists
- DD recovery firmly underway
  - Strong revenue growth in aesthetic products
  - Expansion in engineering and Ireland at higher margins
- Remain “cautiously optimistic” for the full year
  - Both {my}dentist and DD on plan for the year
  - NHS revenue impacted by slower than expected working hours improvement
- No change to full financial year guidance



### **Nilesh Pandya, Chief Financial Officer**

- Over 18 years experience as CFO of private equity backed growth businesses
- Most recently CFO of International Car Wash Group Limited leading up to a successful sale from TDR Capital to Roark Capital Group
- Previously played a pivotal role in the growth and sale of Skrill Holdings to CVC
- Member of the Institute of Chartered Accountants in England and Wales
- Now undertaking an extensive induction and starts formally in role from 1 January 2020

# Q2 FY2020 Performance & business update



# Q2 FY2020 group performance



## **{my}dentist**

- Private revenue LFL growth of 21.5% per working day for Q2 (YTD: 18.8% - FY19: 5.2%)
- Total revenue, excluding disposal sites, up £7.3m (6.6%)
- Adjusted EBITDA up £2.3m (17.2%) year-on-year for the quarter



## **DD**

- Revenue up 23.3% at £40.9m (before intergroup eliminations) for the quarter
- Adjusted EBITDA of £1.7m is £0.5m (39.2%) up on Q2 FY2019



## **Group**

- Revenue up 8.9% year-on-year to £151.7m for the quarter
- Adjusted EBITDA margin of 10.5% for the quarter.
- Q2 Adjusted EBITDA up £2.3m (17.1%) on FY2019 to £15.9m
- YTD Adjusted EBITDA up £1.6m (6.2%) on FY2019 to £27.4m

### Private revenue

- Q2 like-for-like private growth, adjusted for the number of working days, was 21.5%
- Private revenue growth for Q2 excluding ortho up £5.8m for Q2 to £28.7m (25.2%)
- Year to date like-for-like total private growth per working day of 18.8%
- Revenue growth strong in the 14 Advanced Oral Health Centres\* (+34.9% LFL private revenue YTD)
- {my}options phase one roll-out now completed; over 400 sites now offering our new affordable private proposition
- In sites offering affordable private, total private LFL growth of 26.3% for the year to date

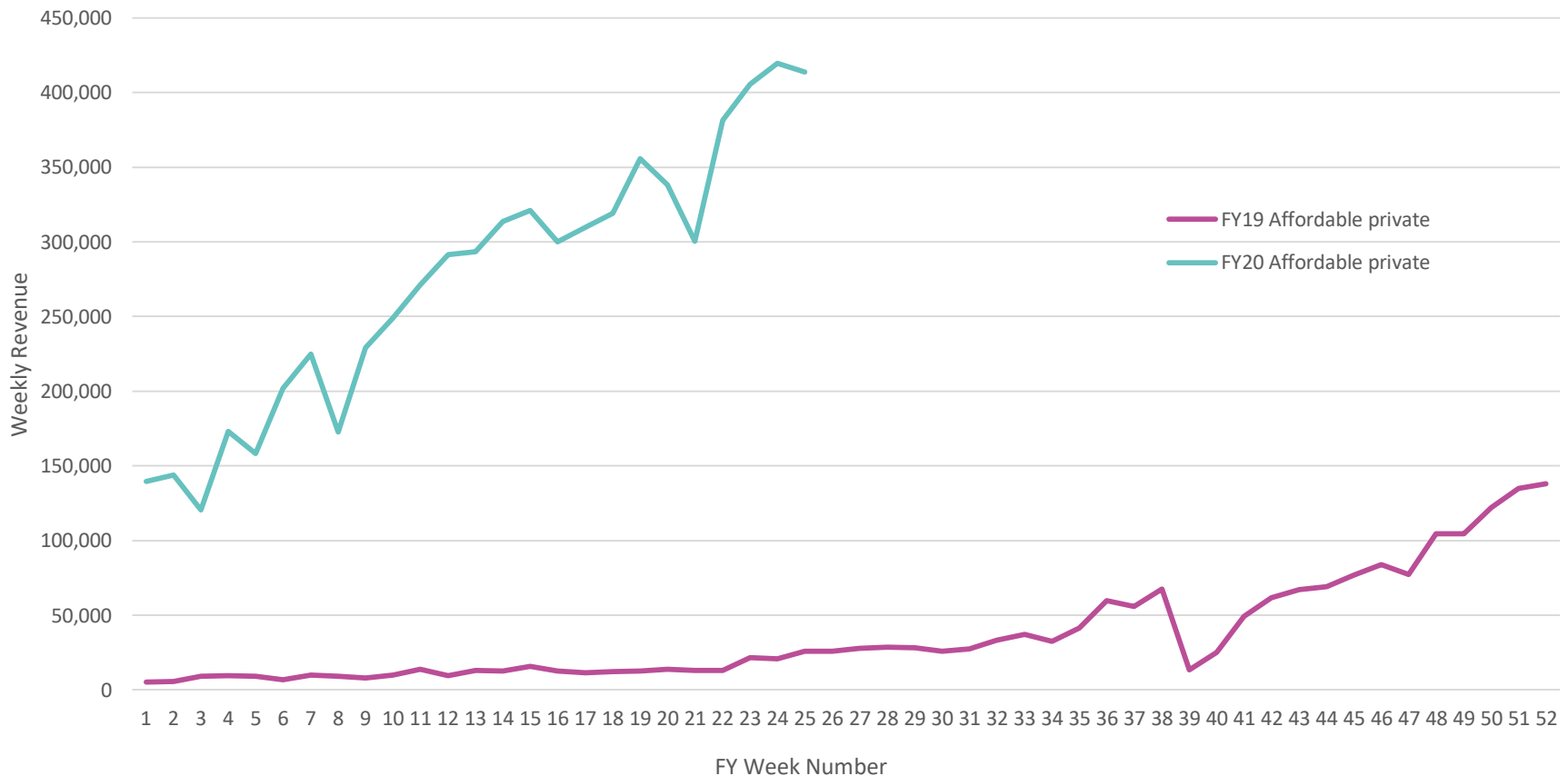
\* Advanced Oral Health Centres are larger practices acting as a hub for specialist treatments such as implants. Spoke practices refer patients to the hub for more complicated treatments where necessary.



# Q2 FY2020 summary – {my}dentist

- Total affordable private now at run rate of +£400k+ per week at end of Q2

Affordable Private Total Weekly Revenue



## Q2 FY2020 summary – {my}dentist

### Q3 private development

- Phase out of remaining “Access {my}dentist”\* in Q3
- Quality audits to be conducted for {my}options:
  - testing call response
  - appointment availability
  - quality of patient journey
- Revisit training for the whole practice team to ensure consistent messages provided to patients
- As sites mature we are seeing increased utilisation of finance options & low cost payment plans

\* “Access {my}dentist” was our original limited scope affordable private treatment proposition. It has now been replaced by the wider scope of {my}options.

### **NHS revenue**

- NHS revenue in Q2 of £79.2m, excluding disposal sites and Orthodontic practices, up £1.6m on the prior year
- Like-for-like NHS revenue per working day is down 2.9% for the quarter
- UDA delivery per working day is down 5.2% for Q2
- Fall in UDA volume offset by year to date adjustment for the DDRB uplift
- Contract value to be increased by 2.42% in England, 2.5% in Wales, and 2.5% in Scotland
- Practice productivity measures such as revenue per hour continue to improve but NHS dentist availability remains a challenge

# Q2 FY2020 summary – {my}dentist



## Halifax merger and relocation

- Merger of three practices into one state of the art, high street, fully accessible location
- Largest practice in the estate with capacity to support 40,000 patients
- 13 dental surgeries on one site
- Longer opening hours including evenings & weekends
- Offering both {my}options and NHS services
- Opportunity on site for further organic growth
- Opened 1 October 2019

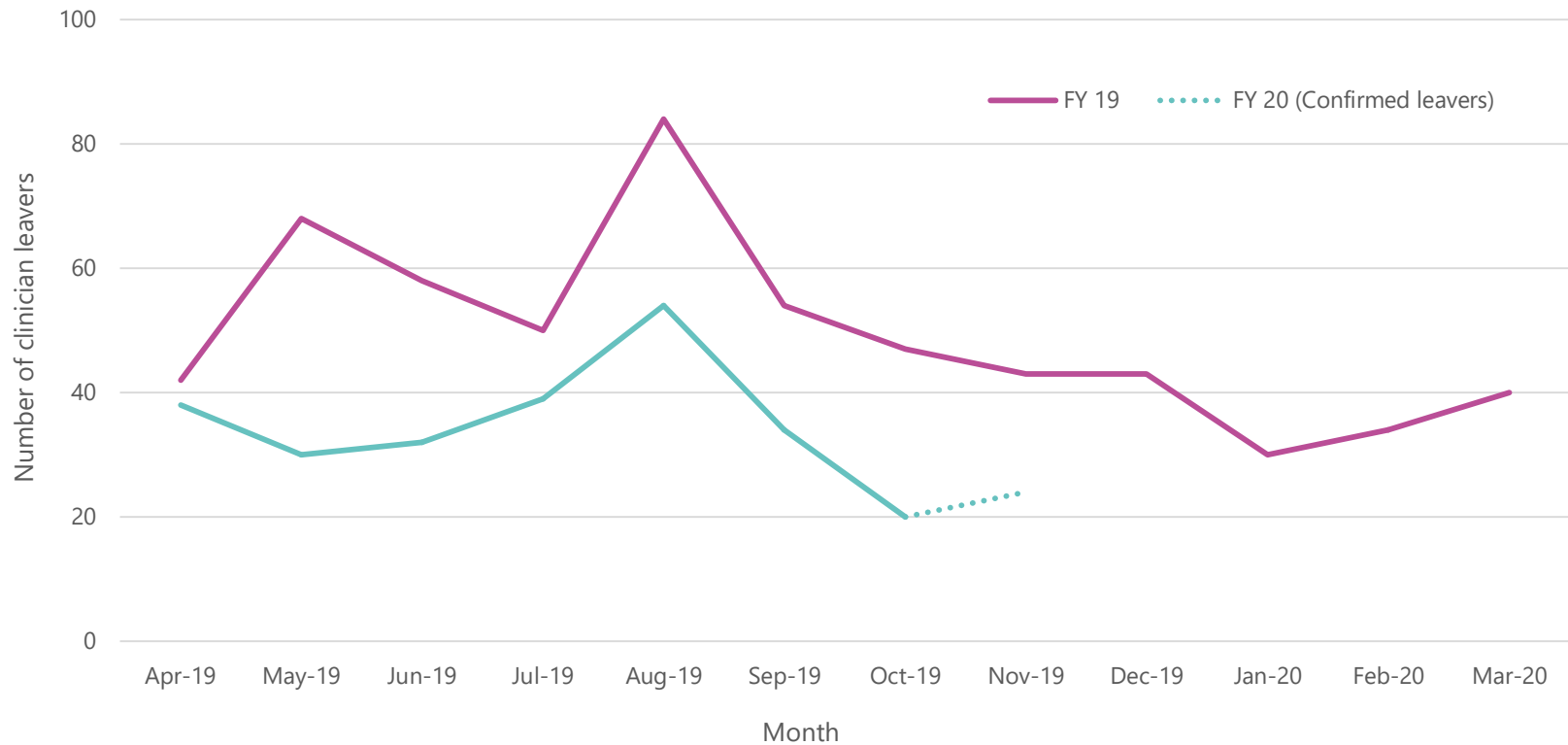
### Resourcing & retention

- Resourcing and retention remains a key priority
- Net new clinicians of 74 in Q2
- 129 net new clinicians year to date
- 100+ graduate dentists\* starting in September and October compared to 63 in FY2019
- Pipeline of dentists to join {my}dentist remains strong for Q3
- Availability of {my}options and the opportunity to do more private work is contributing to the sharp drop in leavers year-on-year
- The average dentist is completing 35% more private work now than a year ago

\* A new graduate dentist will have completed a one year period of Foundation (previously known as vocational) training before receiving a NHS performer number

# Q2 FY2020 summary – {my}dentist

### Total clinician leavers FY19 & FY20



### {my}orthodontist

- For FY2020, we have separated out our specialist orthodontic practices from general practices to create a standalone division: {my}orthodontist
- Q2 FY2020 total revenue of £10.2m, in line with FY2019
- Gross margin lower at 47.5% (Q2 FY2019: 49.6%) due to higher dentist fees on wind-down contracts.
- Adjusted EBITDA in Q2 FY2020 of £2.4m, £0.4m down on FY2019
- Further delays in new contract award process across the North and Midlands as a result of a number of legal challenges to the process
- No change in expected impact to EBITDA for this financial year
- New Director of Orthodontics, Michelle Shambrook in role

\* Wind-down contracts refer to the completion of treatment for existing patients in some circumstances where the previous PDS contract has been lost

## Q2 FY2020 summary – DD

- Total revenue, excluding sales to {my}dentist, up 28.8% to £33.7m from £26.1m in Q2 FY2019
- Adjusted EBITDA for Q2 up £0.5m year-on-year to £1.7m (39.2%) and 52.0% for H1 to £2.6m
- MedFX volumes significantly higher through increased sales of toxin and fillers following the Galderma contract win
- Good continued progress in Ireland with an expansion in higher margin engineering services
- Overall gross margin down due to lower margin toxin sales but gross profit up by £0.6m (6.4%) in Q2
- Limited currency loss year to date but foreign exchange risk remains in H2



## Q2 FY2020 – Other developments

- Largest ever annual clinical conference held in October with over 650 delegates including for the first time some from outside of the group
- Speakers included the Chief Executives of the BDA and the GDC on the future of dentistry
- Conference included the practice Excellence awards where we had over 4,500 nominations from staff and patients across all categories



## Q2 FY2020 – Other developments

- 18 {my}dentist teams and individuals shortlisted across various dental industry awards
  - Includes nominations for Dental Nurse of the Year, Best Young Dentist and Best Practice/Team
- {my}dentist careers website shortlisted for awards at the In-House Recruitment awards
- DD nominated for three awards at the Dental Industry Awards
  - Customer Service Provider of the Year (greater than 25 Employees)
  - Service and Repair Company of the Year
  - Outstanding Business of the Year (greater than 25 Employees)
- New management incentive scheme now agreed with Carlyle

## Financial review



## Q2 FY2020 Financial highlights

- Group revenue up 8.9% in Q2 to £151.7m from £139.3m. YTD revenue up 3.2% to £290.7m
- {my}dentist LFL total revenue up 2.7% per working day in Q2
- Private revenue mix improving as a proportion of dental practice revenue year-on year

Dental practice revenue	Q2 FY2020	Q2 FY2019
NHS	73.5%	77.2%
Private	26.5%	22.8%

- Adjusted group EBITDA up 17.1% on Q2 FY2019 to £15.9m
- {my}dentist Adjusted EBITDA up 17.2% to £15.5m with DD up 39.2% at £1.7m
- LTM Adjusted EBITDA of £59.7m and pro-forma Adjusted EBITDA of £60.2m

# Financial results for Q2 FY2020

## Income statement

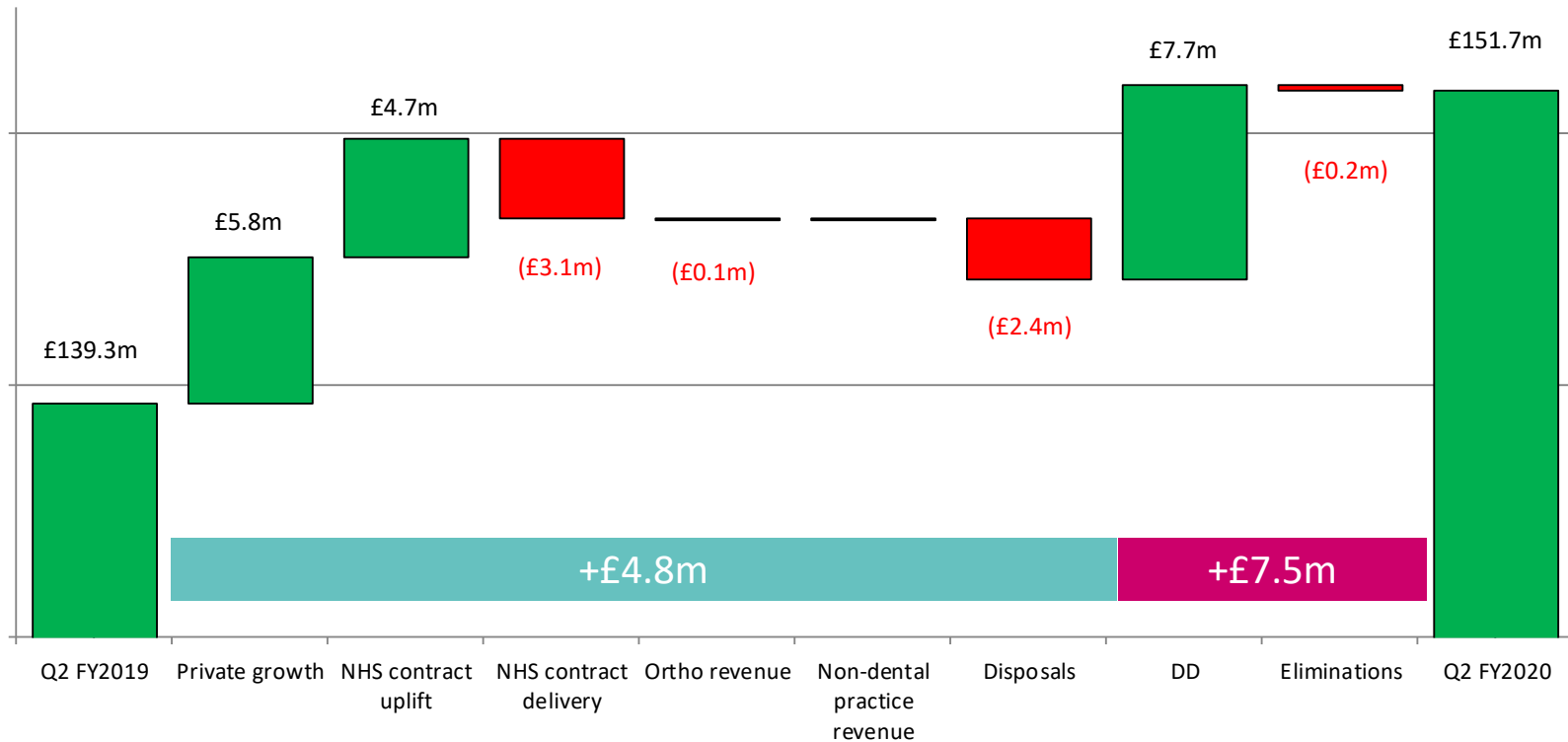
	Q2 FY2020 £m	% of revenue	Q2 FY2019 £m	% of revenue	% change
Revenue	151.7		139.3		8.9%
Gross profit	64.7	42.6%	62.1	44.6%	4.2%
Overheads*	(45.7)	30.1%	(48.9)	35.1%	
Other operating income	0.5		0.5		
<b>EBITDA</b>	<b>19.4</b>	<b>12.8%</b>	<b>13.6</b>	<b>9.8%</b>	
Rental charges	(3.5)		–**		
<b>Adjusted EBITDA</b>	<b>15.9</b>	<b>10.5%</b>	<b>13.6</b>	<b>9.8%</b>	<b>17.1%</b>

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

\*\* FY19 overheads include rent charges.

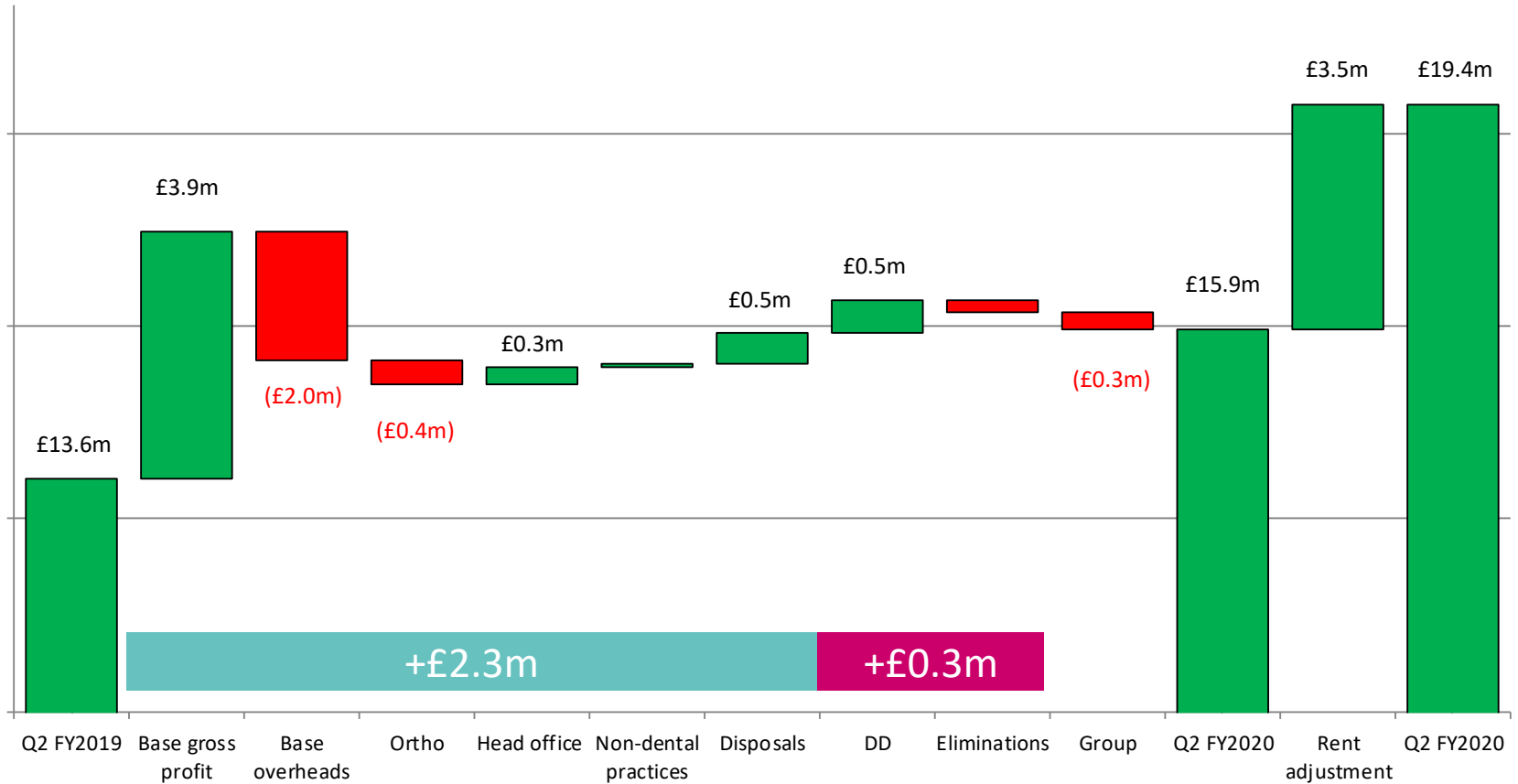
# Financial results for Q2 FY2020

## Group revenue bridge



# Financial results for Q2 FY2020

## Group EBITDA bridge



## Financial results for Q2 FY2020

### Acquisitions & Disposals



- Total of 604 practices at 30 September 2019 (625 at 30 September 2018)
- Merger and relocations of practices in Halifax (3 into 1) and Shipley (2 into 1) opened in October
- In-house acquisitions contact team continue to explore the market and look for value additive opportunities
- Projected multiples of many practices continue to be above the maximum rates willing to pay
- Opportunities also being considered for additional services to fit into the DD operating model



# Financial results for Q2 FY2020

## Cash flow statement

£m	Q2 FY2020	Q2 FY2019
Cash generated from operations before working capital	18.8	12.8
Working capital	8.6	3.8
Cash generated from operations	27.4	16.6
Net capital expenditure	(6.7)	(5.9)
Corporation tax	-	-
Cash flow before acquisitions and debt service	20.7	10.7
Interest	(14.6)	(14.4)
<b>Cash flow before acquisitions and financing</b>	<b>6.1</b>	<b>(3.7)</b>
Acquisitions	-	(0.1)
Principal elements of lease payments	(3.5)	-
Financing	-	-
<b>Net cash flow</b>	<b>2.5</b>	<b>(3.8)</b>
Opening cash	11.5	15.1
<b>Closing cash</b>	<b>14.1</b>	<b>11.3</b>
Net debt	557.4	537.6

## Outlook



## FY2020 Outlook – no change

- {my}dentist Adjusted EBITDA forecast at £58m-£60m
- DD forecast at £5m-£6m of EBITDA
- 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

- Key message remains that of “cautious optimism”
- Both {my}dentist and DD remain on track
- New CFO in role from 1 January 2020
- {my}dentist
  - Stronger than expected private growth
  - Improvement in revenue mix continues
  - Resourcing and retention going well
  - But continuing constraint of working hours has resulted in lower than expected UDA volumes
- DD
  - Benefits of the Galderma agreement flowing into revenue
  - Significant improvement in EBITDA on last year
- No change in guidance for the financial year

## Appendix – IFRS 16 impact



- 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 Q2 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	14,944
	EBITDA under IFRS 16	15,972	17,269	18,396	18,422	70,059
FY2019	Reported EBITDA	12,220	<b>13,616</b>	15,369	16,900	58,105
	Lease adjustment	3,700	3,757	3,749	3,610	14,816
	EBITDA under IFRS 16	15,920	17,373	19,118	20,510	72,921
FY2020	Adjusted EBITDA	11,490	15,939			
	Lease adjustment	3,497	3,497			
	Reported EBITDA IFRS 16	14,987	<b>19,436</b>			

- This presentation compares the reported EBITDA in Q2 FY2019 £13.6m with Adjusted EBITDA of £15.9m for Q2 FY2020

## Contact details:

Further questions can be addressed to:

- Email: [investorrelations@mydentist.co.uk](mailto:investorrelations@mydentist.co.uk)
- Telephone: 01204 799651

Investor information is available from our dedicated investor website:

[www.mydentist.co.uk/about-us/investors](http://www.mydentist.co.uk/about-us/investors)

