



## IDH Finance plc



Q4 FY2020 & year-end results - Investor presentation  
5 August 2020

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# Agenda

- Introduction – Chief Executive overview
- Performance & business update
  - **{my}dentist** developments
  - **DD** developments
- Financial review
- Impact of Covid-19 pandemic
- Summary
- Q&A

# Chief Executive overview – FY2020

- Adjusted EBITDA for the year at £62.1m at top end of guidance
- Q4 adjusted EBITDA of £18.9m, 11.8% up on Q4 FY2019
- Strong Q4 for both businesses until impact of Covid-19
- {my}dentist continuing to make good progress
  - Adjusted EBITDA up 8.2% for Q4
  - Successful launch of {my}options in FY2020
- Turnaround of DD performance firmly established
  - Adjusted EBITDA up 42.3% for Q4 and 66.1% for the year
  - Exciting opportunities for growth in new market segments
- Q1 FY2021 affected by the coronavirus outbreak
  - NHS contracts support cash flow and highlight resilient nature of the business
  - Speed of restart dependent on lifting of IPC<sup>1</sup> restrictions

1) IPC: Infection Prevention & Control

# Q4 FY2020 Performance & business update



# Q4 FY2020 group performance



## Group

- Strong organic revenue growth of 6.6% year-on-year to £154.2m for the quarter
- Q4 Adjusted EBITDA up £2.0m (11.8%) on FY2019 to £18.9m
- FY2020 Adjusted EBITDA up £4.0m (6.9%) on FY2019 to £62.1m



## {my}dentist

- Private revenue LFL growth of 7.1% per working day for Q4 (FY2020: 15.6% - FY2019: 5.7%)
- Adjusted EBITDA from general dental practices up 9.2%
- Adjusted EBITDA of £17.7m, £1.3m ahead of the prior year for the quarter and at £60.4m for the year, £2.7m up on FY2019.



## DD

- Revenue up £7.1m (20.3%) at £41.8m (before intergroup eliminations) for the quarter
- Adjusted EBITDA of £2.2m is £0.6m up on Q4 FY2019
- FY2020 EBITDA of £6.4m, 66.1% up on FY2019

## Q4 FY2020 summary – {my}dentist

- Total revenue for {my}dentist up £1.1m (0.9%) on FY2019 for Q4 FY2020
- We continue to actively manage our NHS/Private mix.
  - NHS revenue moved from 77.7% to 76.2%
  - Private revenue increased to 23.8% from 22.3%
- NHS revenue, excluding disposal and Orthodontic sites, was down £1.2m at £80.7m
- Like-for-like NHS revenue per working day is down 2.5% for the year (Q4: 1.4%)

## Q4 FY2020 summary – {my}dentist

### Private revenue

- Q4 like-for-like private growth, adjusted for the number of working days, was 7.1%.
- FY2020 LFL private growth per working day of 15.6% (FY2019: 5.7%)
- At the end of February this was 19.4%.
- In practices providing affordable private treatments, total private LFL growth was 26.4% at the end of February.
- Full year performance in the 14 Advanced Oral Healthcare Centres launched over the last two years of +28.0% LFL private revenue
- Benefitting from strong demand for affordable implants where UK significantly underweight compared to other European regions
- 4 additional AOHCs still planned to be launched in H2 FY2021



## Affordable private

- As we have discussed over the last 18 months we believe there is a significant gap in the market between NHS dentistry and full private treatment
- Key message of {my}options is to **“get the dental care you have always dreamed of at a price you can afford”**
- {my}options is now available in 490 of our practices
- {my}options offers a full range of private general treatments including clear aligners and implants rather than the restricted treatments available on the NHS
- Starts the conversation with patients over what they want leading to referrals for implants (AOHC) or orthodontic work
- Offer includes finance options and low cost payment plans

## Orthodontics

- For FY2020, we separated out our specialist orthodontic practices from general practices to create a standalone division: {my}orthodontist
- New specialist management team in place
- Practice EBITDA (before central costs) in FY2020 for these 36 practices of £9.4m
- NHS contract re-tender process currently suspended or cancelled<sup>1</sup>
- Potential to significantly grow private orthodontics including solutions such as clear aligners in addition to the NHS contract base

1) It is not known when the NHS contract re-tender process will re-start, if at all.

## Resourcing & retention

- Resourcing and retention continue to be a significant success
- Over the full year, net additional 163 clinicians in practice, adding 3,900 hours of clinical time
- Leaver rates continue to improve on prior years
- Pipeline of dentists going through “on-boarding” continues to improve at over 200
- In the last five weeks, emerging from lockdown, 130 offers made to clinicians
- Significant effort put into communications with clinicians during lockdown to keep them informed and up to date on general advice from the regional NHS and public health bodies

## Q4 FY2020 summary – DD

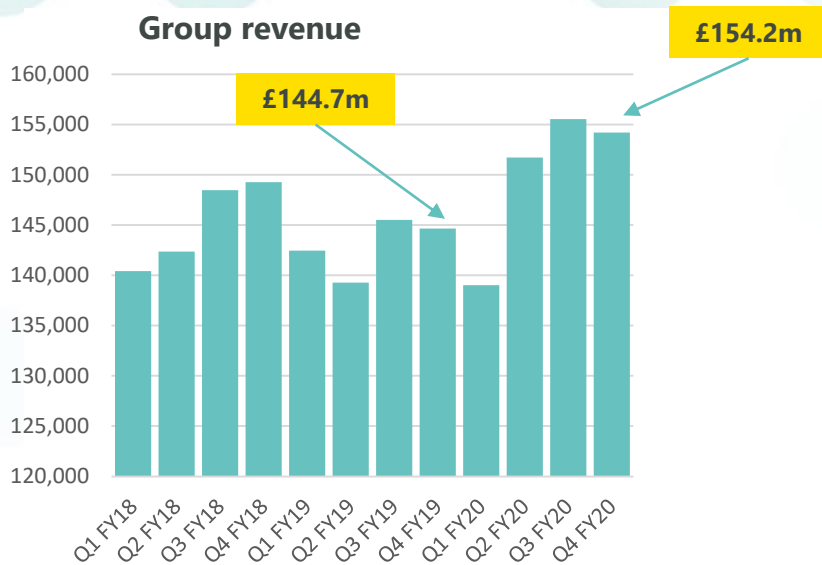
- Significant forward momentum in DD with EBITDA growth of 66.1% for the full year.
- Exciting growth opportunities available in aesthetics and corporate dentistry
- Total revenue, excluding sales to {my}dentist, up 23.3% to £133.8m from £108.5m for FY2020.
- Q4 FY2020 revenue was up 20.3% to £41.8m
- Like-for-like revenue for the quarter was up 20.3% for FY2020 with growth in aesthetics revenue partly offset by reductions in High Street sales in March due to Covid-19
- Gross margin for Q4 down 2.8% on FY2019 at 24.7% due to lower margin toxin sales in line with the full year (24.3%)
- Adjusted EBITDA for Q4 of £2.2m, up 42.3% on Q4 FY2019

## Financial review



# Q4 FY2020 Financial highlights

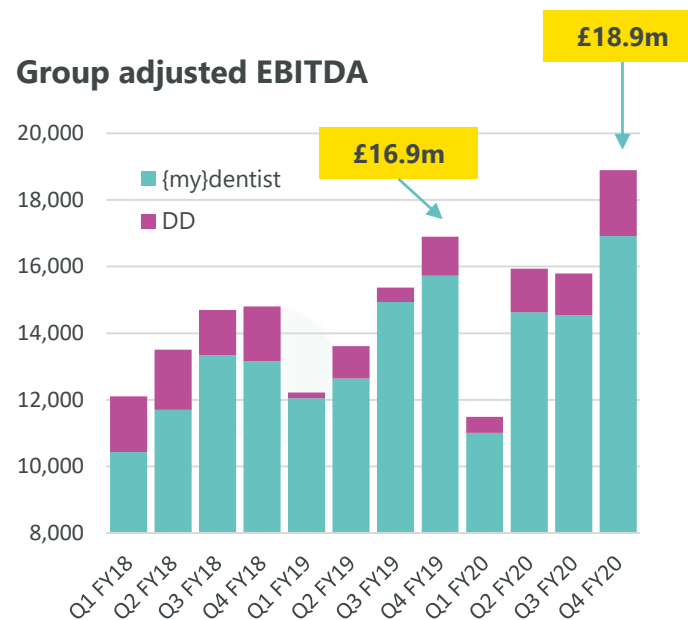
**Group revenue**



Dental practice revenue	Q4 FY2020	Q4 FY2019
NHS	76.2%	77.7%
Private	23.8%	22.3%

EBITDA by division	Q4 FY2020	Q4 FY2019	FY2020	FY2019
{my}dentist	17,657	16,324	60,428	57,731
DD	2,152	1,512	6,404	3,855
Group	(746)	(597)	(3,330)	(2,388)
Eliminations	(165)	(339)	(1,381)	(1,093)
<b>Adjusted EBITDA</b>	<b>18,900</b>	<b>16,900</b>	<b>62,121</b>	<b>58,105</b>

**Group adjusted EBITDA**



# Financial results for Q4 FY2020

## Income statement

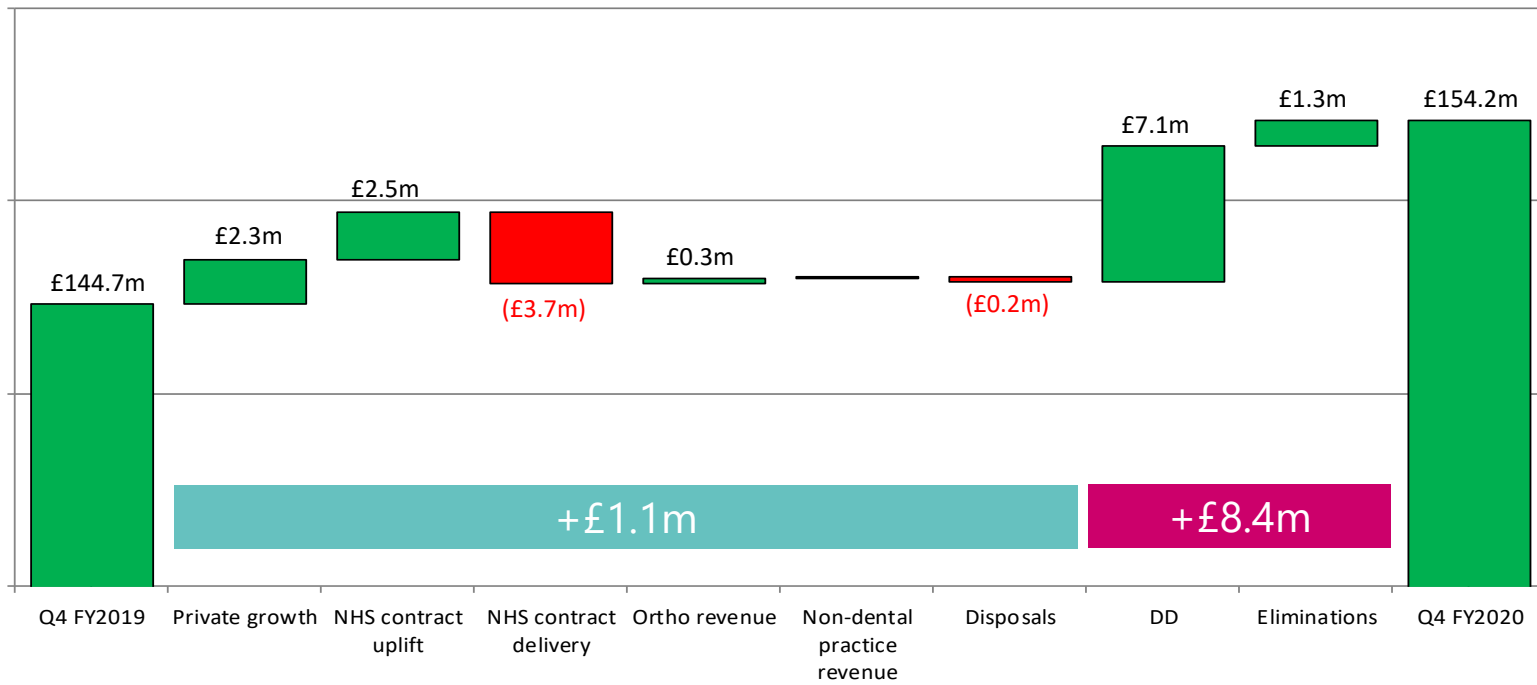
	Q4 FY2020 £m	% of revenue	Q4 FY2019 £m	% of revenue	% change
Revenue	154.2		144.7		6.6%
Gross profit	66.8	43.3%	65.0	45.0%	2.8%
Overheads*	(44.7)	29.0%	(48.6)	33.6%	
Other operating income	0.2		0.5		
<b>EBITDA</b>	<b>22.4</b>	<b>14.5%</b>	<b>16.9</b>	<b>11.7%</b>	
Rental charges	(3.5)		_**		
<b>Adjusted EBITDA</b>	<b>18.9</b>	<b>12.3%</b>	<b>16.9</b>	<b>11.7%</b>	<b>11.8%</b>

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

\*\* FY19 overheads include rent charges. FY20 overheads including rent - £48.2m (-£0.4m)

# Financial results for Q4 FY2020

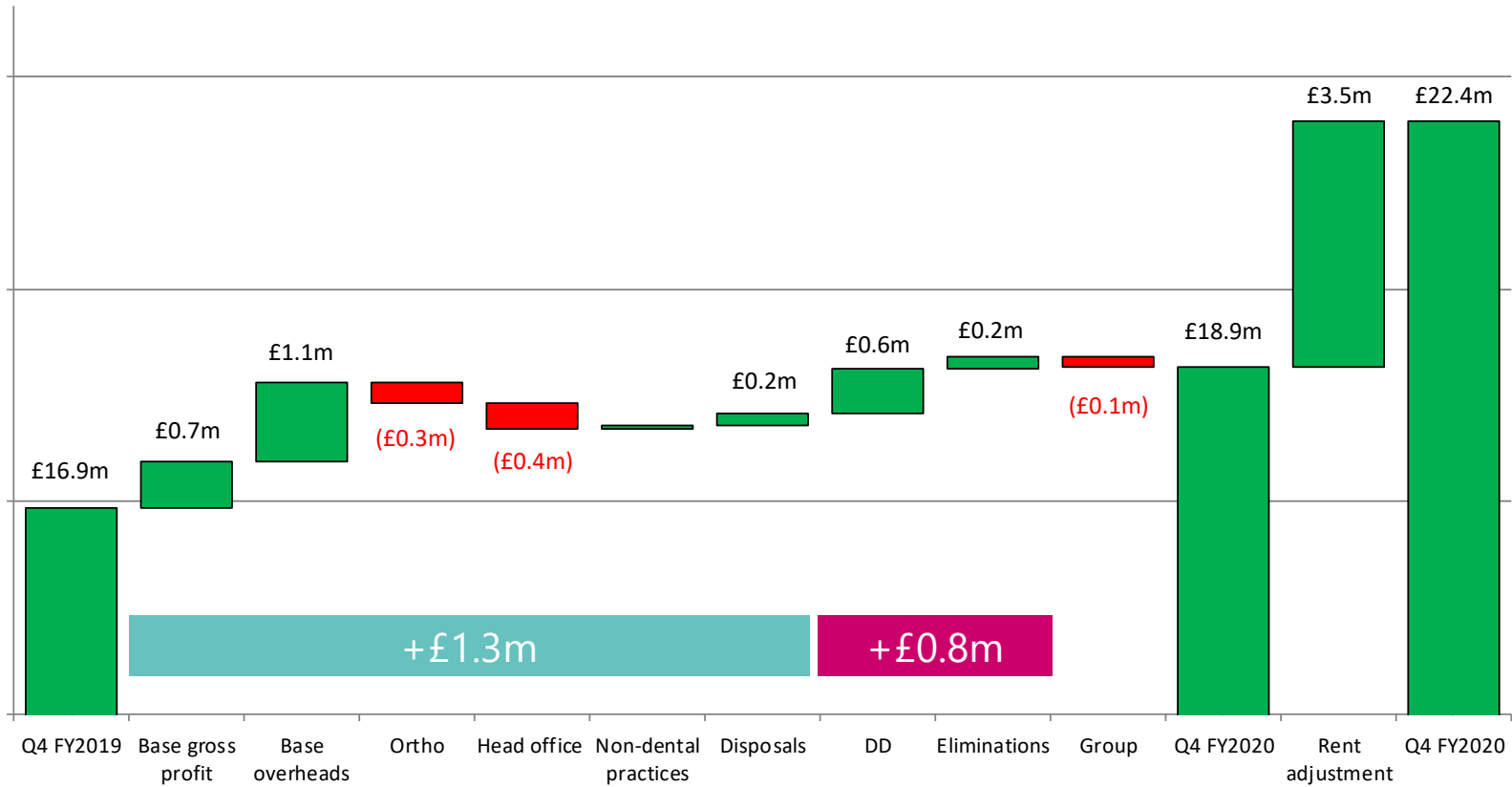
## Group revenue bridge





# Financial results for Q4 FY2020

## Group EBITDA bridge



# Financial results for Q4 FY2020

## Cash flow statement

£m	Q4 FY2020	Q4 FY2019
Cash generated from operations before working capital	19.8	15.3
Working capital	(3.3)	(1.3)
Cash generated from operations	16.5	14.0
Net capital expenditure	(5.1)	(7.5)
Corporation tax	-	-
Cash flow before acquisitions and debt service	11.4	6.5
Interest	(14.8)	(14.6)
<b>Cash flow before acquisitions and financing</b>	<b>(3.4)</b>	<b>(8.1)</b>
Acquisitions	(0.1)	(0.1)
Lease cash payments	(4.4)	-
Financing	73.2	10.0
<b>Net cash flow</b>	<b>65.3</b>	<b>1.8</b>
Opening cash	10.8	7.1
<b>Closing cash</b>	<b>76.1</b>	<b>8.9</b>
Net debt	569.9	561.3

# Financial results for FY2020

## Income statement

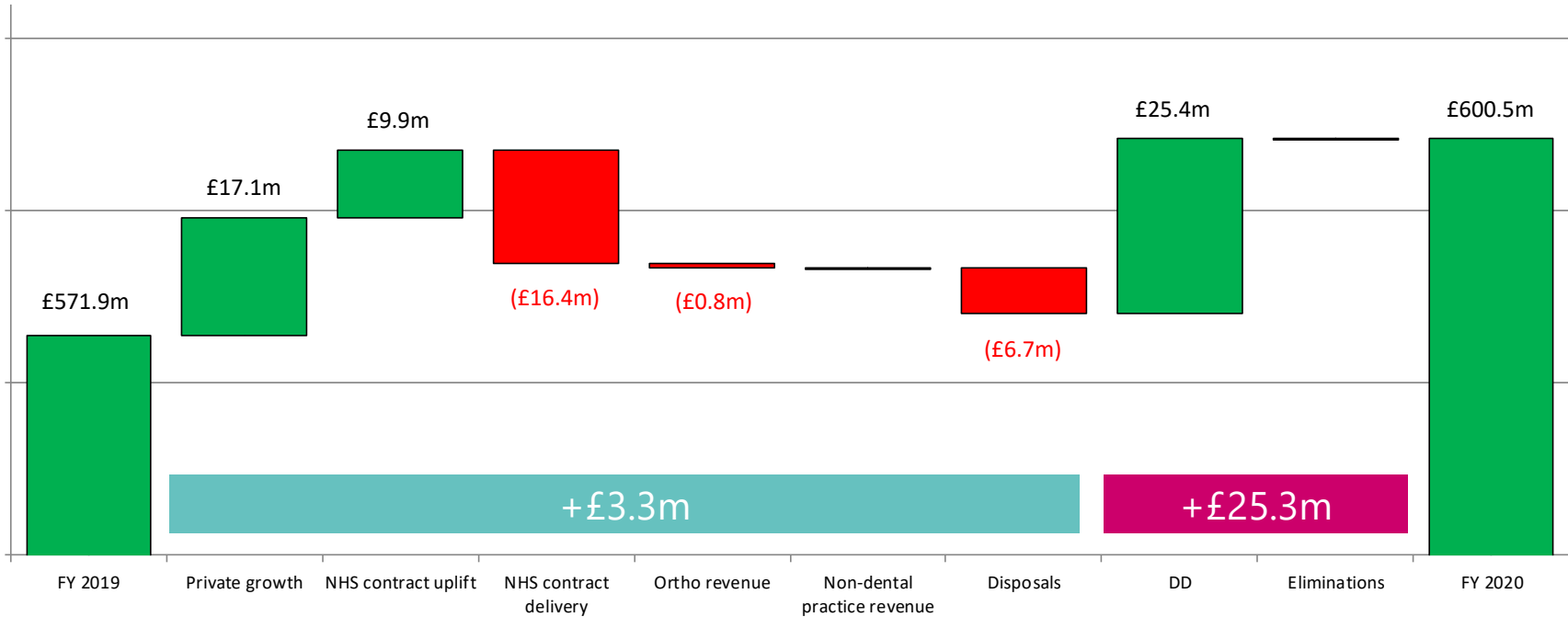
	FY2020 £m	% of revenue	FY2019 £m	% of revenue	% change
Revenue	600.5		571.9		5.0%
Gross profit	257.6	42.9%	254.2	44.4%	1.4%
Overheads*	(182.9)	30.5%	(198.1)	34.6%	
Other operating income	1.5		2.0		
<b>EBITDA</b>	<b>76.2</b>	<b>12.7%</b>	<b>58.1</b>	<b>10.2%</b>	
Rental charges	(14.1)		_**		
<b>Adjusted EBITDA</b>	<b>62.1</b>	<b>10.3%</b>	<b>58.1</b>	<b>10.2%</b>	<b>6.9%</b>

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

\*\* FY19 overheads include rent charges. FY20 overheads including rent - £197.0m (-£1.1m)

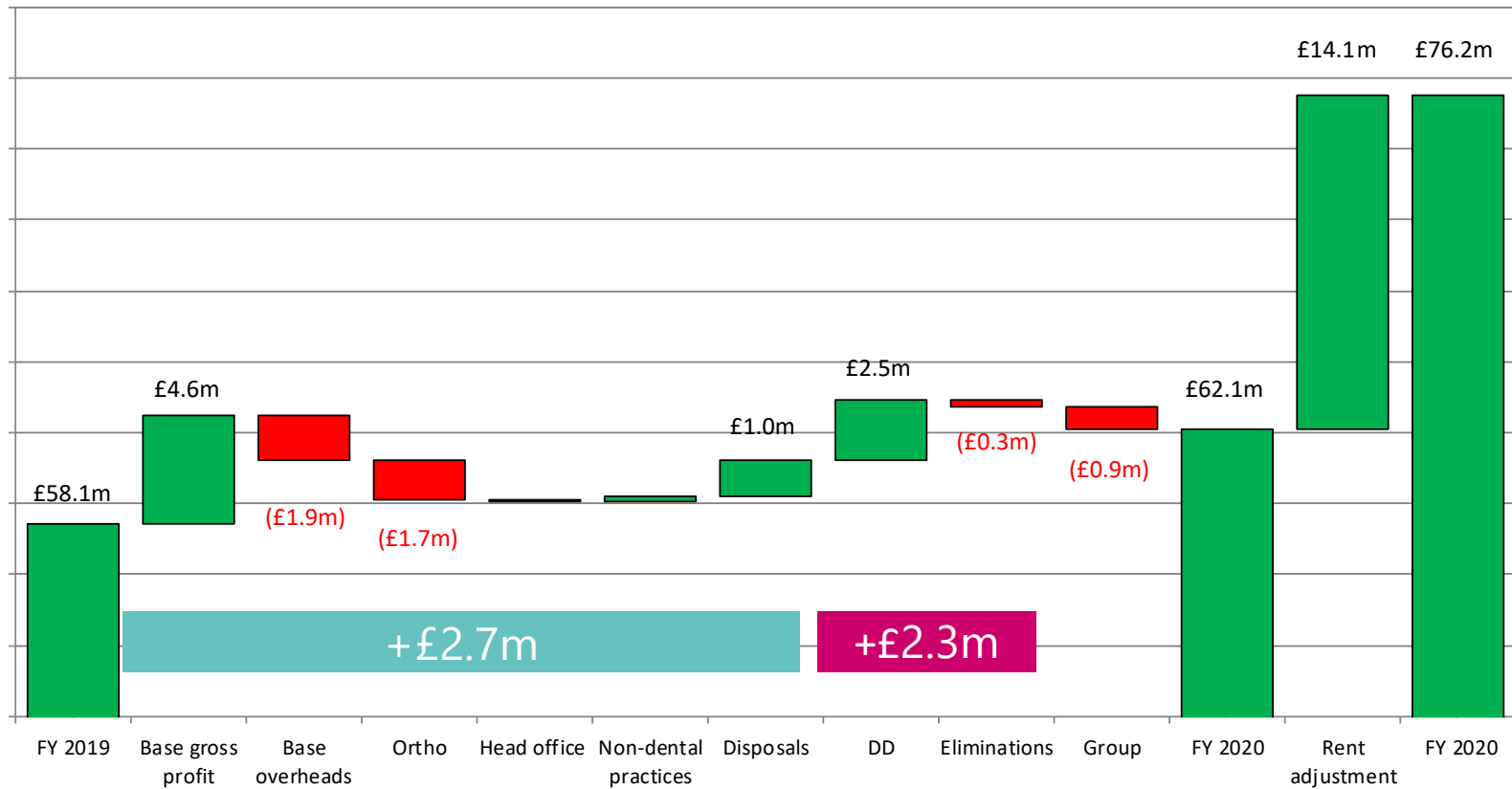
# Financial results for FY2020

## Group revenue bridge



# Financial results for FY2020

## Group EBITDA bridge



## Financial results for FY2020

### Acquisitions & disposals, capital expenditure





- Total of 597 practices at 31 March 2020 (603 at 31 March 2019)
- 4 practice closures during Q4
  - 3 due to the loss of an orthodontic contract
  - 1 due to recruitment/TBC
- LTM EBITDA for practices of £0.9m

### Capital expenditure

- Historically reported “maintenance” capital expenditure included project capital expenditure for growth such as
  - Merge & relocates
  - Greenfield & semi-greenfield new sites
  - New IT systems and equipment – intra-oral scanners, digital OPG
  - Chair replacements – life span of 10-15 years

## Financial results for FY2020

### Capital expenditure cash flows

	FY2020	FY2019
Growth & projects capex	9,194	5,953
IT projects	4,055	3,295
<b>Maintenance capex</b>		
Chair replacements	2,764	4,317
Reactive & planned work	11,292*	10,686*
<b>Net capex</b>	<b>27,305</b>	<b>24,251</b>
	<b>24,345*</b>	<b>21,824*</b>
	<b>2,960</b>	<b>2,427</b>

Projects include the rollout of digital x-ray, handpiece and scaler tip changes and upgrades to suction capacity in practice.

\* Net of intra-group profit elimination of £1.4m (FY19: £1.1m)

# Financial results for FY2020

## Cash flow statement

£m	FY2020	FY2019 Restated
Cash generated from operations before working capital	70.4	50.2
Working capital	7.9	(12.6)
Cash generated from operations	78.3	37.6
Net capital expenditure	(27.4)	(23.8)
Corporation tax	-	-
Cash flow before acquisitions and debt service	50.9	13.8
Interest	(41.4)	(40.6)
<b>Cash flow before acquisitions and financing</b>	<b>9.5</b>	<b>(26.8)</b>
Acquisitions	(0.5)	(0.5)
Lease cash payments	(15.0)	-
Financing	73.2	20.0
<b>Net cash flow</b>	<b>67.2</b>	<b>(7.3)</b>
Opening cash	8.9	16.2
<b>Closing cash</b>	<b>76.1</b>	<b>8.9</b>
Net debt	569.9	561.3



## FY21

- With the uncertainty surrounding Covid-19 it is not possible to accurately forecast for FY21
- Key focus is liquidity management and covenant compliance
- All scenarios, including down cases, demonstrate adequate liquidity and covenant compliance
- NHS support helping liquidity in H1 FY2021
- A full update on Q1 will be provided on the results call in early September

## Re-start

- 8 June announcement to allow dental practices to return to routine treatments – {my}dentist practices restarted from 15 June.
- Currently at Phase 3 in England with all practices re-starting routine dentistry
- New Standard Operating Procedures in place – aerosol generating procedures now allowed but currently 1 hour fallow period
- PPE supply chain in place to ensure continued supply of key items
- Fit testing for masks key activity
- Safety of patients and practice teams is the priority
- Progressive return to “normal” trading levels as quickly as possible
- Wales, Scotland and Northern Ireland on slightly slower timelines

FY2020 was another big step forward in improving EBITDA

## **{my}dentist:**

- Day-to-day trading improvement in clinician productivity
- Launch of {my}options drives private growth
- Improvement in recruitment and retention
- Progress in growth initiatives

## **DD**

- Significant contract wins particularly in aesthetics
- Opportunities available in corporate dentistry and beauty market

## **Group**

- Strong finish to FY20 – EBITDA at top-end of guidance
- Challenges through H1 FY2021 to recover from Covid-19
- Strong cash position and liquidity position
- Step up in recruitment and retention
- Combination of resilient evergreen NHS contracts and higher growth affordable private mean well positioned for the post-Covid world

## 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, opening asset of £96.4m and liability of £100.3m 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 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	13,616	15,369	<b>16,900</b>	<b>58,105</b>
	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	15,792	<b>18,900</b>	<b>62,121</b>
	Lease adjustment	3,497	3,497	3,656	3,468	14,118
	Reported EBITDA IFRS 16	14,987	19,436	19,448	22,368	76,239

- This presentation compares the reported EBITDA in Q4 FY2019 £16.9m with Adjusted EBITDA of £18.9m for Q4 FY2020

## Contact details:

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