IDH

INTEGRATED DENTAL HOLDINGS

Integrated Dental Holdings

Q2 2014 Investor presentation

21 November 2013

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Appointment of new Chief Executive Officer, Terry Scicluna

- On 31 October 2013, the group announced the appointment of Terry Scicluna as Chief Executive Officer
- 35 years of UK healthcare and retail experience.
- 9 years with Alliance Boots and working with pharmacies
- Most recently, International Managing Director responsible for all Boots stores and Brands outside of the UK with a turnover of over £2 billion.
- Prior to that, Managing Director of Unichem and Alliance Pharmacy, which at the time had a turnover of £1.2 billion and 1,000 outlets.

Quarter 2 highlights

- Terry Scicluna appointed as Chief Executive Officer
- EBITDA up 18.9% to £15.6m (16.0% of turnover)
- Turnover up 15.7% on 2012 to £97.6m
- Year to date EBITDA up 19.9% on FY13, turnover up 18.1%
- LFL private revenue up 7.6%
- 10 practices acquired during the quarter and one new practice opened - total estate of 561 @ 30 September 2013
- LTM EBITDA £61.5m and pro-forma LTM EBITDA £71.6m
- Normalised cash conversion of 93.8%

Financial results for Q2 FY14 – Profit and loss account

	Q2 2014 £m	% of revenue	Q2 2013 £m	% of revenue	% change
Turnover	97.6		84.4		15.7%
Gross profit	47.7	48.9%	39.9	47.3%	19.5%
Administrative expenses*	(32.5)	33.3%	(27.2)	32.2%	(19.5%)
Other operating income	0.4	0.5%	0.4	0.5%	4.9%
EBITDA	**15.6**	**16.0%**	**13.1**	**15.6%**	**18.9%**

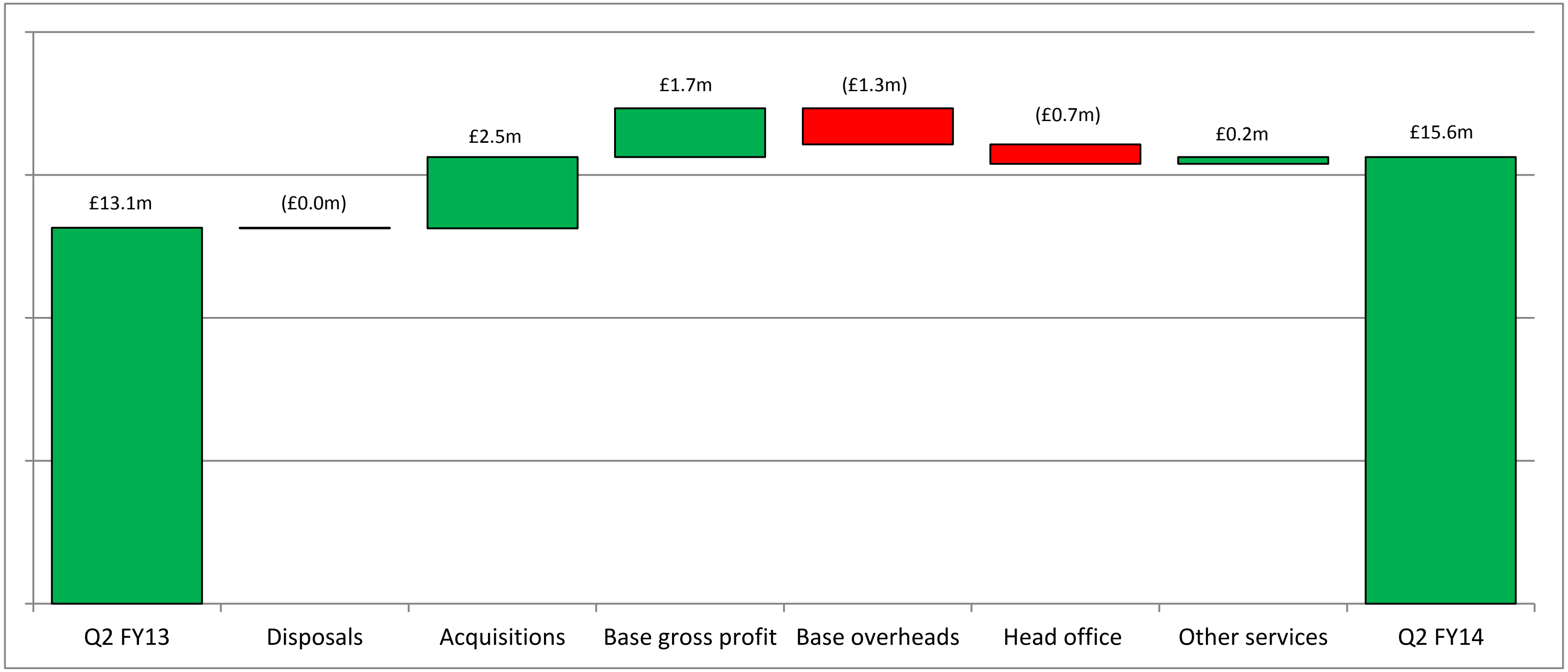
* Administrative expenses before depreciation, amortisation and exceptional items

- Turnover growth of 15.7% predominantly driven by acquisitions.
- Like-for-like private sales growth of 7.6%.
- Gross margin percentage up year-on-year but continuing cost pressure from dentist fees and materials with savings from reduced locum usage and laboratory costs.
- Administrative expenses higher as a percentage of turnover with prior periods due to practice staff costs.
- EBITDA growth of £2.5m and % margins maintained.
- Increase in LTM EBITDA to £61.5m and pro-forma LTM EBITDA to £71.6m.

Financial results for Q2 2014 – Turnover

- Turnover from dental practices increased by £11.6m from £84.4m for the three months to September 2012 to £96.0m for Q2 FY14.
- The primary driver was acquisitions in FY13 (+£5.9m) from the 51 sites acquired or opened over the year, with only 16 added in the period to September 2012, and FY14 acquisitions (+£4.8m) from the 30 sites added year to date.
- Base practices were up £1.2m due to:
  - DDRB contract uplift of 1.5% per annum effective from 1 April 2013.
  - Private sales growth from additional services and volumes.
  - Offset by weaker year-on-year UDA delivery due to IT issues in late September.
- Other services include dbg and the IDH Academy.

Financial results for Q2 2014 – EBITDA



- EBITDA increased from £13.1m to £15.6m for the three months to 30 September 2013.
- The primary driver was acquisitions in FY13 and FY14 adding £2.5m to base EBITDA.
- Base practices were up £0.4m due to revenue and gross margin improvements.
- Overheads include higher staff costs from pay rate increases for nurses and practice staff.
- Head office overhead increases relate to investment in systems and headcount for Acquisitions, IT, Human Resources, Legal and Finance teams as part of the growth in the number of practices.

Financial results for Q2 2014 – Acquisitions

- Total of 561 practices at 30 September 2013 (507: 30 June 2012).
- 10 practices have been acquired in Q2 compared to 9 acquisitions in the equivalent period in FY13.
- One “greenfield” site opened in Q2 FY14 and Q2 FY13.
- The annualised EBITDA expected from these practices is £1.5m after incremental central overheads.
- Acquisitions in the period were focussed on standard IDH-type practices providing mostly NHS general dentistry services. Acquisitions were made in Bristol and the North East and North West of England plus a private practice in Kent.
- Year to date the annualised EBITDA expected from acquisitions after incremental central overheads is £5.5m.

Financial results for Q2 2014 – Pro-forma EBITDA

	£m
LTM EBITDA before exceptional items at 30 September 2013	61.5
Trading days adjustment	-
IT conversion adjustment	0.5
Estimated adjusted EBITDA of acquired dental practices at 30 September 2013	6.6
Adjusted EBITDA for dbg including annualised synergies	3.0
Estimated pro-forma adjusted EBITDA	71.6

- Pro-forma EBITDA calculated following the methodology set out in the IDH Finance plc Offering Memorandum.
- The trading day adjustment has been removed due to the number of trading days included in the base LTM.
- The IT conversion adjustment: time lost due to the system changes during Q3 and Q4 of year ended March 2013.
- The estimated adjusted EBITDA of acquired practices are management estimates for the annual EBITDA of an acquired practice less the actual results consolidated in LTM EBITDA.
- The dbg adjustment includes the annualised effect of the synergies resulting from the acquisition. During Q2 management have continued to develop the plans for deliver of these synergies. The full synergy benefit remains on track for delivery by 31 March 2015.

Financial results for Q2 2014 – Cash flow

£m	Q2 2014	Q2 2013
Operating cash flow	14.5	15.6
Capital expenditure	(5.0)	(4.5)
Corporation tax	0.3	-
Cash flow before acquisitions and debt service	9.8	11.1
Interest	(7.3)	(4.8)
Acquisitions	(9.1)	(11.4)
Debt issue costs	(2.0)	-
Financing	5.0	6.0
Net cash flow	(3.5)	0.9
Opening cash	24.3	14.5
Closing cash	20.8	15.4
Net debt	369.9	650.9

- Net cash outflow of £3.5m for the quarter.
- Financing includes additional funds of £5.0m drawn during Q2 from the Super Senior RCF.
- Operating cash flow includes a number of one-off items relating to the utilisation of acquisition provisions.
- Capital expenditure includes acquisition refurbishment costs of £0.6m and "maintenance" capital expenditure of £4.4m.
- Net debt decrease due to capitalisation of shareholder loans via the issue of share capital by Turnstone Midco 2 Limited.

Financial results for Q2 2014 – Cash conversion

£m	Q2 2014	Q2 2013
Operating cash flow	14.5	15.6
Exceptionals	0.4	0.4
Working capital adjustments	2.1	-
Adjusted operating cash flow	17.0	16.0
Maintenance capital expenditure	(4.4)	(3.3)
Adjustments	2.0	-
Adjusted cash flow	14.6	12.7
EBITDA	15.4	13.2
Adjusted cash conversion %	93.8%	96.4%

- Operating cash flow reduced by one-off items.
- Working capital adjustments relate to the utilisation of acquisition accruals for regulatory requirements and pre-acquisition obligations.
- Maintenance capital expenditure includes one-off infrastructure projects:
    - £1.1m for business continuity IT projects including back-up storage, and projects for online and central booking.
    - £0.7m for the relocation or refurbishment of practices in Bedford, Tooting, Morden, Yeovil and Northwich.
    - £0.2m for the development of the “greenfield” site in Bangor, North Wales.
- LTM adjusted cash conversion is 70.6%

Contact

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