

Integrated Dental Holdings

Q2 FY 2015 Results - Investor presentation

11 November 2014



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Q2 FY 2015 Highlights



- EBITDA up 22.3% to £19.1m
- Turnover up 36.4% to £133.2m
- LFL private revenue up 13.8% on Q2 FY 2014
- 30 practices acquired during the quarter, including a 26 practice group operating mainly in Wales (Denticare Limited)
- Total estate of 621 @ 30 September 2014
- Pro-forma LTM EBITDA of £86.0m
- Normalised cash conversion after maintenance capital expenditure of 101.6%
- Launch of new brand for dental services - "My Dentist"
- Strategic options remain under discussion

Welcome to our new brand...



- IDH currently trades under different names across the group.
- This makes it difficult to communicate with our customers in a clear and consistent way.
- Introducing our new brand "My Dentist" will give our customers a clear message about what we offer them.
- Feedback from our teams and patient focus groups has been fantastic.



Welcome to our new brand...



My Dentist will bring our brand values to life

trusted

warm &
welcoming

loyal

honest

understands
me

innovative

A new brand, the roll out



- MyDentist is the new brand name for the IDH estate.
- 6 Pilot practices have been trialed.
- Brand was launched to the business in October, with a soft launch externally.
- After trials it is envisaged that c.90 practices will be fully converted to the new fascia by March 2015.
- If this branding in 15% of the estate is successful, the majority of the estate will then be converted with practice signage and branded reception areas by the end of FY16.
- Re-branding operating expenses for the whole project will be booked as an exceptional non-recurring item and are estimated to be c.£13.5k - £19k per site.
- Re-branding capital expenditure costs will form part of our existing maintenance capital cash flow which will continue to be c.4.75% of dental practices turnover in FY15 and FY16.



Financial results for Q2 FY 2015

Profit and loss account



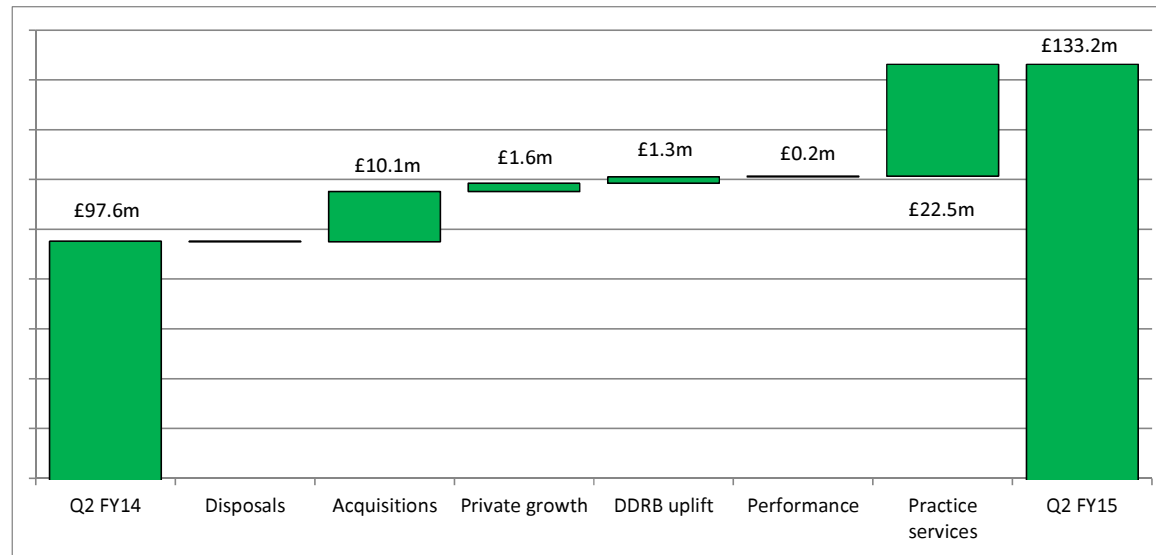
	Q2 2015 £m	% of revenue	Q2 2014 £m	% of revenue	% change
Turnover	133.2		97.6		36.4%
Gross profit	59.8	44.9%	47.7	48.9%	25.3%
Administrative expenses*	(41.1)	30.9%	(32.5)	33.3%	(26.3%)
Other operating income	0.4	0.3%	0.4	0.5%	(3.8%)
EBITDA	19.1	14.4%	15.6	16.0%	22.3%

* Administrative expenses before depreciation, amortisation and exceptional items

- Turnover growth of 36.4% from a £13.1m growth in dental services (including £10.1m from acquisitions) and an increase of £22.5m from practice services.
- Like-for-like private sales growth of 13.8%.
- Comparison to Q2 2014 affected by the impact of IT issues in late September 2013 on UDA delivery.
- Gross margin percentage fall from 48.9% to 44.9% year-on-year consistent with Q1 following the change in mix due to the Dental Directory acquisition:
 - Practice Services gross margin: 28.6%;
 - Dental Services gross margin: 48.5% (in line with 48.8% for Q2FY14).
- Year-on-year EBITDA growth of 22.3% with margin % decrease of 1.6% due to the inclusion of DD post-acquisition results.
- YTD turnover is up 30.9% to £257.0m with EBITDA of £36.8m, 18.8% up on FY2014.

Financial results for Q2 FY 2015

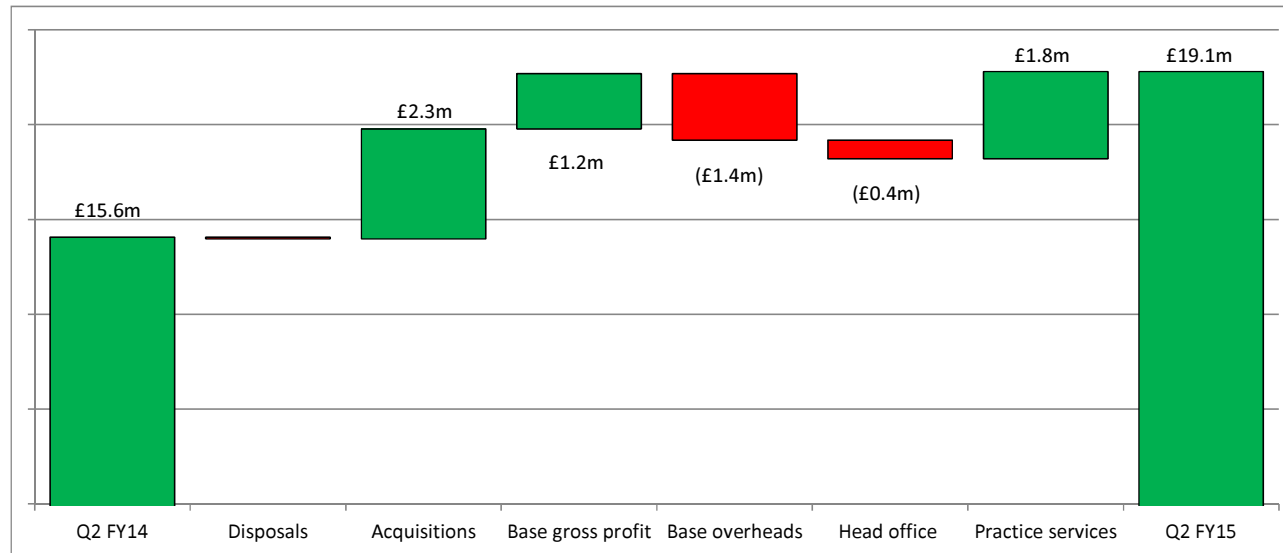
Turnover



- Turnover from dental practices increased by £13.1m from £96.0m in Q2 FY 2014 to £109.1m for Q2 FY 2015.
- Practice Services increased by £22.5m to 18.1% of group turnover.
- Dental practice turnover increased by £6.5m from the 61 practices acquired or opened in FY2014 and £3.6m from the 39 practices acquired so far in FY2015.
- Base practices were up £3.1m due to:
 - Like for Like private sales growth of 13.8% from price increases, additional services and increased volumes.
 - UDA rate price uplift of 1.6% per annum effective from 1 April 2014.

Financial results for Q2 FY 2015

EBITDA



- EBITDA increased from £15.6m to £19.1m for the quarter.
- First quarter with full contribution for three months from Dental Directory.
- The primary driver was acquisitions in FY2014 and FY2015 adding £2.3m to base EBITDA.
- Base practices gross profit was £1.2m up due to private growth and contract uplifts offset by the cost of delivery.
- Base overheads include higher staff costs from a 1.5% pay increase for nurses and practice staff from 1 April 2014.
- Head office overhead increases relate to costs associated with the acquisition roll-out and investment in new operational structure.

Financial results for Q2 FY 2015

Acquisitions



- Total of 621 practices at 30 September 2014 (561@30 September 2013).
- 30 practices acquired during the quarter, including;
- 26 practices acquired through the purchase of Denticare Limited at the end of July.
- Denticare practices predominantly located in mid-Wales and filled a geographical gap in our nationwide portfolio.
- The annualised EBITDA expected from Q2 2015 dental practice acquisitions is £3.9m, before central overheads.

Financial results for Q2 FY 2015

Pro-forma EBITDA



	£m
LTM EBITDA before exceptional items at 30 September 2014	73.6
Estimated adjusted EBITDA of acquired dental practices at 30 September 2014	6.5
Adjusted EBITDA for The Dental Directory including annualised synergies	5.9
Estimated pro-forma adjusted EBITDA	86.0

- Pro-forma EBITDA calculated following the methodology set out in the IDH Finance plc Offering Memorandum.
- The 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 estimated Dental Directory adjustment includes the annualised effect of the synergies resulting from the acquisition.

Financial results for Q2 FY 2015

Cash flow statement



£m	Q2 FY15	Q2 FY14
Operating cash flow	22.8	14.5
Capital expenditure	0.7	(5.0)
Corporation tax	-	0.3
Cash flow before acquisitions and debt service	23.5	9.8
Interest	(13.1)	(7.3)
Acquisitions	(23.4)	(9.1)
Debt issue costs	(0.4)	(2.0)
Financing	13.0	5.0
Net cash flow	(0.4)	(3.5)
Opening cash	23.4	24.3
Closing cash	23.0	20.8
Net debt	479.1	369.9

- Net cash outflow of £0.4m for the quarter.
- Capital expenditure includes “maintenance” capital expenditure of £4.6m and acquisition refurbishment costs of £1.1m offset by profits on the disposal of freehold property of £6.4m.
- Interest cost increase due to the increase in size of the FRN tranche and the settlement of a full 6 month period for the Senior and 2nd Lien notes in FY15 compared to the period from issue in FY14.
- Acquisition costs include those for Denticare Limited in July
- Net debt increase due to debt drawdown to fund acquisitions including Dental Directory but acquisitions now partially funded via cashflow.

Financial results for Q2 FY 2015

Cash conversion



£m	Q2 FY15	Q2 FY14
Operating cash flow	22.8	14.5
Exceptionals	1.0	0.4
Working capital adjustments	(0.2)	2.1
Adjusted operating cash flow	23.6	17.0
Maintenance capital expenditure	(4.6)	(4.4)
Adjustments	0.4	2.0
Adjusted cash flow	19.4	14.6
EBITDA	19.1	15.6
Adjusted cash conversion %	101.6%	93.8%

- Minimal operating cash flow one-off items incurred in the quarter
- Exceptional costs relate to professional fees for strategic review
- Maintenance capital expenditure is adjusted for one-off infrastructure projects:
 - £0.4m in respect of practice relocations at Leatherhead.

Contact

Further questions can be addressed to:

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Investor information is available from our dedicated investor website: www.idhgroup.co.uk/investors



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