



Integrated Dental Holdings

Q1 FY2018 Year-end and Quarterly Results - Investor presentation
9 August 2017

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Agenda

- Business overview
- Performance & business update
 - **mydentist** developments
 - **Dental Directory** developments
- Q1 FY2018 financial review
- Summary

Business overview



- IDH is Europe's largest vertically integrated dental services business
- We believe in high clinical standards, the best possible patient care and offering a comprehensive choice of treatment (NHS or private pay) through our extensive network of practices across the UK
- **mydentist** is the UK's #1 network of dental practices with 672 practices nationwide serving over 5 million patients
- **Dental Directory** is a leading provider of dental supplies, engineering support and laboratory services
- Management are continuing with the strategic review and a full update will be presented at the Q2 presentation in November as previously outlined

Q1 FY2018 Performance & business update



Q1 FY2018 group performance



Group

- Revenue fell 1.2% YoY to £141.6m
- Q1 EBITDA down £5.3m to £12.8m
- Free cash generation of £3.0m



mydentist

- Private revenue LFL growth of 3.8%
- Divisional revenue down 3.7% due to lower UDA delivery
- Gross margin down 1.4%



Dental Directory

- Revenue growth 5.9% YoY to £34.5m (before intergroup eliminations)
- Gross margins down 0.6% on Q1 FY2017 as currency effect mitigated by market based price increases

Q1 FY2018 highlights – mydentist

- Tough trading conditions continue in line with management expectations and as discussed at year-end
- NHS revenue of £90.0m, down £5.3m (5.5%) for the quarter.
- Like-for-like UDA delivery per working day down 4.6% compared to Q1 FY2017
- Factors for the fall remain:
 - Reduced number of UDAs performed per dentist and therefore the requirement to increase the overall number of dentists
 - Dentist productivity (increased NHS appointment times)
 - The influence of private revenue growth with patient choice

Q1 FY2018 highlights – mydentist

- Plans in place to improve UDA delivery by increasing the number of dentists, working with dentists to help deliver their contract and increasing productivity where possible, but actions will take time to feed into performance
- Underlying business platform in place with positives recognised in:
 - Good clinical outcomes
 - 100% CQC compliance
 - Turnover in clinicians below industry averages
- An additional net 55 clinicians were engaged during Q1

Q1 FY2018 highlights – mydentist

- Private revenue for Q1 was £24.5m, an increase of 4.0% on last year
- Like-for-like private growth was 3.8%; adjusted for the number of working days, the increase was 7.2%
- Continued strong growth in fee per item, +15.0% LFL over two years and hygiene +18.1% LFL over two years
- Increases due to:
 - Expanding the range of treatment options to patients
 - Increasing the number of hygienists available in our practices
 - Identifying and fulfilling patient demand

Q1 FY2018 highlights – Dental Directory



- Total revenue excluding sales to mydentist up 10.6% to £27.2m
- Growth in revenue driven by high street sector mainly through price inflation with some volume growth in services
- Facial aesthetics growth encouraging but has been at lower margins
- Pricing benchmarked against competitors in key categories
- Fluctuations in the currency markets have impacted purchase prices year-on-year although gross margin impact has been mitigated over time by price increases, sales mix and continued supplier support

Q1 FY2018 Financial review



Q1 FY2018 Financial highlights

- Revenue down 1.2% to £141.6m
- LFL mydentist private revenue up 3.8%, 7.2% per working day
- Private revenue now 17.3% of total revenue (Q1 FY2017: 16.4%)
 - NHS revenue 63.5% of total (Q1 FY2017: 66.4%)
 - Dental Directory revenue 19.2% of total (Q1 FY2017: 17.2%)
- EBITDA down 29.2% on FY2017 to £12.8m
- Normalised cash conversion after maintenance capital expenditure remains stable at 96.0% (FY2017: 102.3%)

Financial results for Q1 FY2018

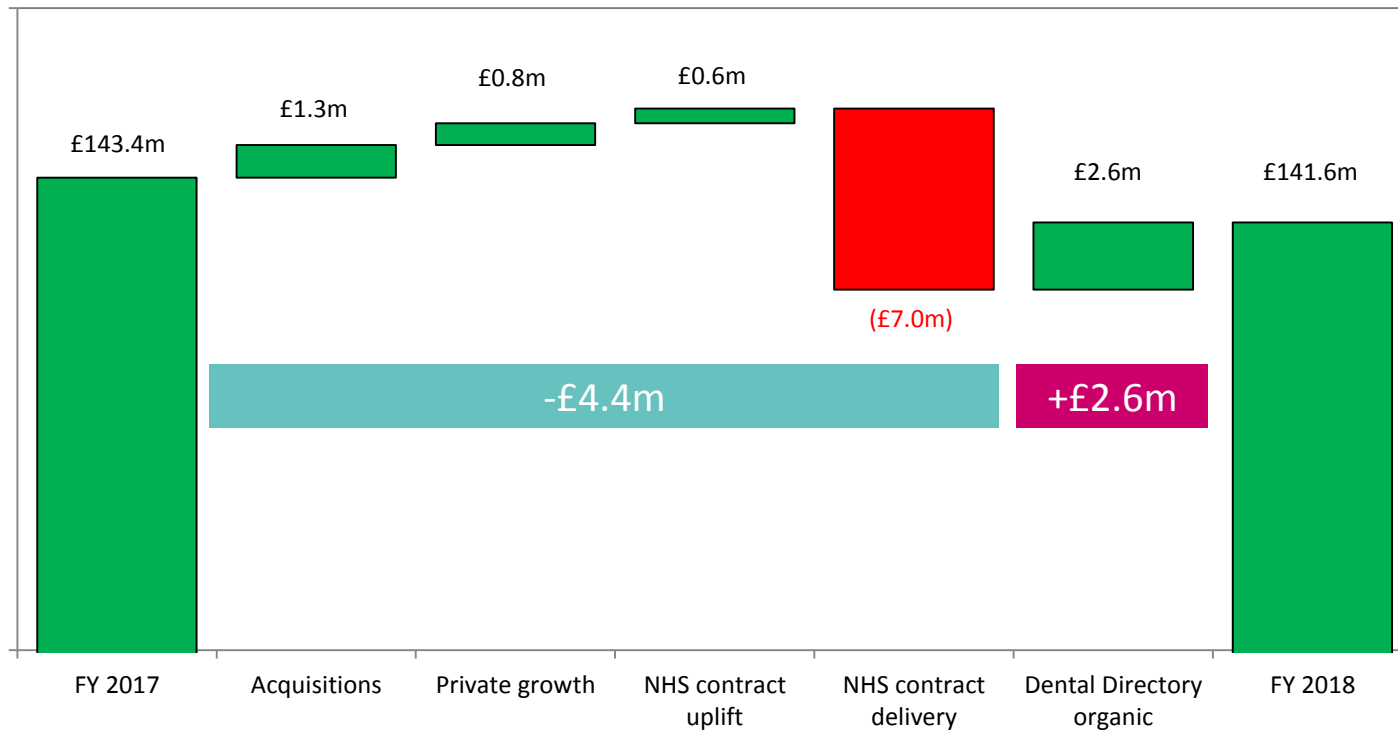
Income statement

	Q1 FY2018 £m	% of revenue	Q1 FY2017 £m	% of revenue	% change
Revenue	141.6		143.4		(1.2)%
Gross profit	62.5	44.1%	66.0	46.0%	(5.3)%
Overheads*	(50.2)	35.5%	(48.4)	33.7%	(3.8)%
Other operating income	0.5	0.4%	0.5	0.3%	9.6%
EBITDA	12.8	9.0%	18.1	12.6 %	(29.2)%

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

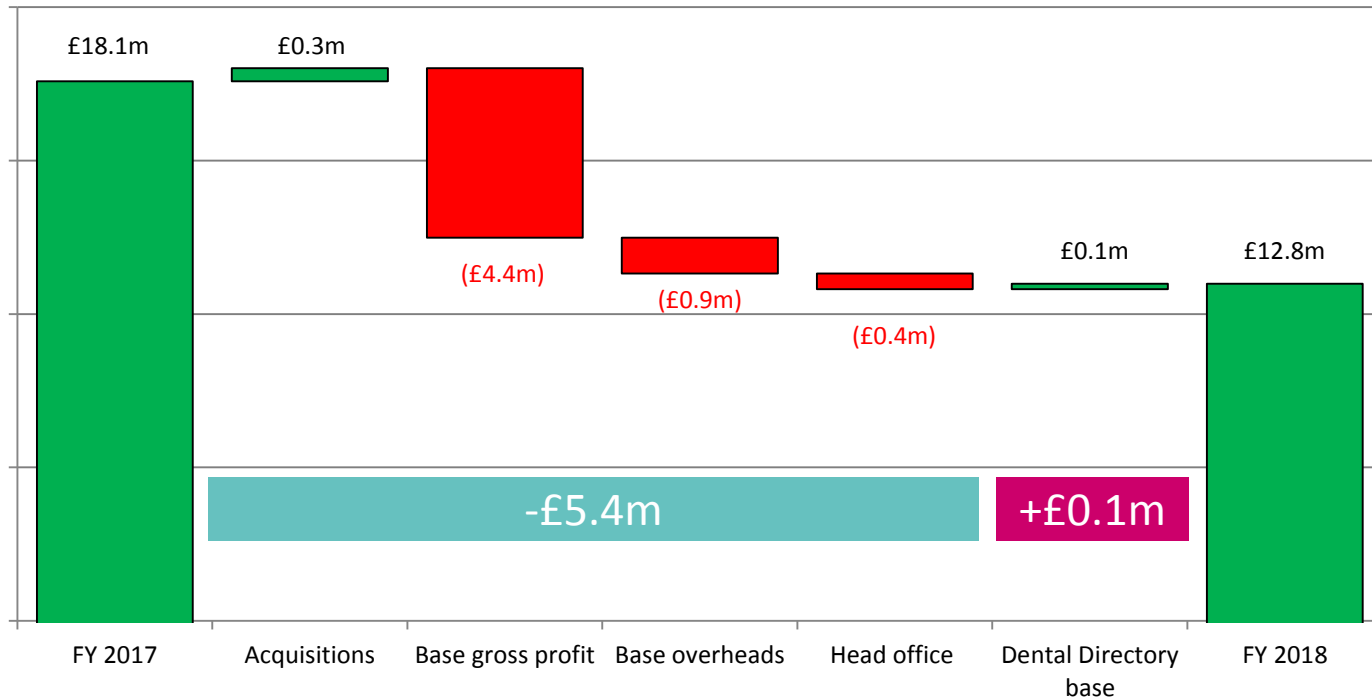
Financial results for Q1 FY2018

Group revenue bridge



Financial results for Q1 FY2018

Group EBITDA bridge



Financial results for Q1 FY2018

Acquisitions & Disposals



- Total of 672 practices at 30 June 2017 (674 at 30 June 2016)
- One practice acquired during the quarter due to historical commitment
- Other acquisition spend related to deferred consideration payments
- No further practice acquisitions in mydentist planned for FY2018
- One acquisition of an orthodontic supplier in the Dental Directory division
- Other limited acquisitions in line with our core Dental Directory offering may be considered dependent on price and offering



Financial results for Q1 FY2018

Acquisitions & Disposals

- On-going portfolio review has identified a number of practices where disposal or closure is being considered
 - 12 practices reclassified as “held for sale” on the balance sheet and the excess of book value compared to estimated realisable value written off during Q1
 - One closure completed in Q1
 - Four further practices where closure likely during the year
 - One practice where NHS contract returned and practice relaunched as a private only practice
- Further disposals and closures being considered as highlighted at the year-end and as part of the strategic review

Financial results for Q1 FY2018

Cash flow statement

£m	Q1 2018	Q1 2017
Cash generated from operations	13.2	19.8
Capital expenditure	(4.1)	(6.1)
Corporation tax	-	-
Cash flow before acquisitions and debt service	9.1	13.7
Interest	(6.1)	(4.3)
Cash flow before acquisitions and financing	3.0	9.4
Acquisitions*	(2.8)	(2.5)
Debt issue costs	-	-
Financing	-	-
Net cash flow	0.2	6.9
Opening cash	12.6	14.9
Closing cash	12.8	21.8
Net debt	528.0	510.6

*Excluding fees

SSRCF remains undrawn - £100m (£98.2m available after Letter of Credit)

Financial results for Q1 FY2018

Cash conversion

£m	Q1 2018	Q1 2017
Operating cash flow	13.2	19.8
Exceptionals	3.2	3.1
Acquisition fees	-	0.2
Working capital adjustments	-	-
Adjusted operating cash flow	16.4	23.1
Maintenance capital expenditure	(4.1)	(5.3)
Adjustments	-	0.7
Adjusted cash flow	12.3	18.5
EBITDA	12.8	18.1
Adjusted cash conversion %	96.0%	102.3%

- Trading headwinds remain - current expectation for the year remains in line with guidance provided at year-end
- Continued weakness in UDA delivery levels with encouraging signs taking time to filter through
- Work in resourcing and productivity still expected to impact H2 FY2018
- Strategic review continues with significant engagement across the business by management. Outputs to be announced in November
- Private revenue growth in mydentist is encouraging and continues
- Dental Directory margins have recovered and range of service offerings continues to expand
- Solid platform in place to deliver longer term growth
- The business remains cash generative

Contact details:

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Investor information is available from our dedicated investor website:

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