



Integrated Dental Holdings



Q3 FY2019 - Investor presentation
26 February 2019

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Agenda

- Introduction
- Performance & business update
 - **mydentist** developments
 - **Dental Directory** developments
- Financial review
- Outlook
- Q&A

Introduction

- The group remains in a turnaround phase with group results for the quarter in line with guidance
- mydentist continuing to improve and organic growth opportunities are encouraging
 - Regional improvement in hours
 - Growth of access mydentist
 - Clinical excellence
 - EBITDA up 11.9%
- Dental Directory outturn expected to be lower with slower recovery in High Street sales and engineering
- Remain on track for year-end guidance of £58m-£60m EBITDA
- Strong divisional management teams in place
- Search for replacement CFO in progress

Q3 FY2019 Performance & business update



Q3 FY2019 group performance



Group

- Revenue down 2.0% year-on-year in Q3 to £145.5m for the quarter
- Gross profit up 2.1% YoY to £64.1m at a margin of 44.1%
- Q3 EBITDA up £0.7m (4.6%) on FY2018 to £15.4m. EBITDA YTD up £0.9m on FY2018 to £41.2m



mydentist

- Private revenue LFL growth of 4.4% per working day for Q3 (YTD: 4.9%)
- Total revenue, excluding disposal sites, up 1.2% (£1.4m) compared to Q3 FY2018
- EBITDA up £1.6m (11.9%) year-on-year for Q3 (YTD: £4.1m)



Dental Directory

- Revenue down 4.9% at £33.0m (before intergroup eliminations) for the quarter
- EBITDA of £0.6m is £0.8m lower than the same period last year

NHS revenue

- NHS revenue, excluding closed, disposal and held for sale sites, was up £0.1m at £91.8m
- Like-for-like NHS revenue per working day is down 0.6% YTD (Q3: down 1.0%)
- Like-for-like UDA delivery per working day is down 2.5% for YTD (Q3: down 3.3%)
- Fall in delivery offset by contract uplift effect of £2.9m for the quarter
- Operational productivity measures continue at better levels than the last financial year
- Key to focus on diary hours – encouraging developments in some regions

North East region case study

- Diary hours key to improvement in revenue delivery
- North East region ahead in slowing decline in dentist hours and in Q3 reversed the trend to be positive year-on-year – expect to continue to be LFL positive in Q4.
- Diary hours in the NE region – year-on-year, LFL sites, per working day:

	Q1	Q2	Q3	Q4 Forecast
Diary hours	-6.2%	-3.5%	1.6%	2.5%

- Impact is 0.7% LFL per working day UDA delivery improvement in Q3
- Private growth of 11.2% per working day
- North East region consists of 132 practices and is around £4.6m of mydentist EBITDA for Q3

Private revenue

- Year-to-date like-for-like private growth per working day is 4.9%
- Q3 like-for-like private growth, adjusted for the number of working days, was 4.4%.
- Growth continues to be strong in hygiene (+11.5% LFL YTD)
- Partnership with GSK and Philips started well with 11.8% growth in Oral Hygiene Products sales.
- Following the successful roll-out of our first 8 Advanced Oral Healthcare Centres at the start of the year (+25.8% LFL private revenue), 6 more will be launched in the new financial year, providing specialist services such as implants and endodontics

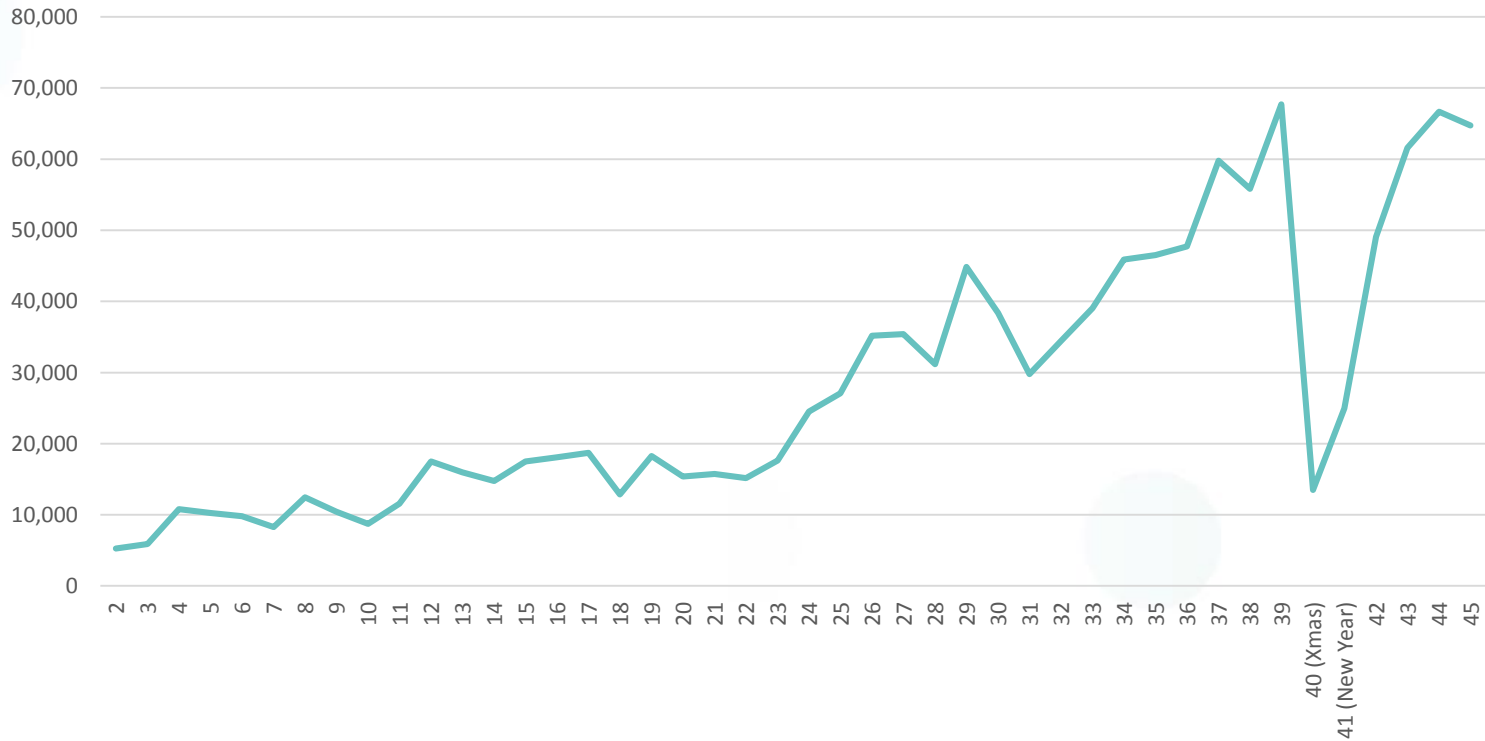
Private initiatives

- There is a significant gap between NHS dentistry and high cost private dentistry
- Over 50% of practices in England are closed to new NHS patients and “high-end” private is beyond general affordability
- Exciting opportunity in developing lower cost, affordable private treatment
- Our initial proposition “Access mydentist” offers patients choice and helps provide access to affordable dental care quickly where access to NHS dentistry is difficult
- More than 6,500 patients treated so far

Q3 FY2019 summary – mydentist

Private initiatives

- Access mydentist has grown from £5k of revenue per week across 15 practices to £50k a week in 130 practices in December



Q3 FY2019 summary – mydentist

myOptions

- Options offers an affordable alternative to full private but with transparent pricing
- Full range of general and cosmetic treatment rather than limited access mydentist or NHS range
- Key drivers of patient interest:
 - Priority, convenient and flexible bookings
 - Longer appointment times
 - Affordability and the ability to spread the cost of treatment
- Scheme built based on discussions with clinician population
- Very positive feedback from additional clinician engagement events
- Trials in progress from January in 20 sites across the UK – encouraging progress to date



Q3 FY2019 summary – mydentist

Resourcing & on-boarding

- Resourcing, building a pipeline and on-boarding all remain key priorities for the business
- Additional 152 clinicians started in practice during the quarter
- YTD net additional 88 clinicians in practice
- First cohort of 12 dentists on our new “Private Development Scheme” started in January with a further 12 booked on to induction in February
- Targets new overseas qualified dentists who would not qualify immediately for an NHS performer number but can provide services under Access mydentist
- Uncertainty around impact of Brexit

Orthodontic tenders

- Orthodontic services generally provided under the PDS time limited contract (as opposed to the general dentistry GDS “evergreen” contract”
- National retendering exercise in progress in England
- Results from tenders in the South are a general reduction in contract volume and value per UOA across all performers
- Our contract volume for the South will be cut by 19% and value by 15% - likely revenue reduction of £1.8m from 1 April 2019
- Revenue loss to be offset in FY20 through “wind-down” contract to finish in-progress cases and by development of private adult orthodontics
- North and Midlands tenders have been delayed – likely impact of any changes in FY21
- New specialist management team to add focus to this area – practices to be grouped as “myorthodontist”

Q3 FY2019 summary – Dental Directory



- Total revenue, excluding sales to mydentist, down 2.2% to £27.0m from £27.6m in Q3 FY2018
- Like-for-like revenue down 3.3% YTD with shortfalls in High Street sales volume
- Gross margin in line with last year at 25.7% but down 1.1% on Q2
- Trading over the last two weeks of December slower than expected which had an impact on the quarter results
- Large contract win with the Ministry of Defence in February 2019 for the supply of 185 dental chairs
- Customer service feedback has turned around and is now among the best in the industry

Financial review



Q3 FY2019 Financial highlights

- Group revenue down 0.9% YTD (Q3: down 2.0% to £145.5m)
- LFL mydentist private revenue up 4.9% per working day for the year (Q3: up 4.4%)
- Private revenue increasing proportion of dental practice revenue year-on year

Dental practice revenue	Q3 FY2019	Q3 FY2018
NHS	77.8%	78.7%
Private	22.2%	21.3%

- As expected EBITDA up on Q3 FY2018 and in line with guidance
- mydentist EBITDA up 11.9% to £14.9m offset by Dental Directory down £0.9m
- LTM EBITDA of £56.0m and pro-forma adjusted EBITDA of £57.8m

Financial results for Q3 FY2019

Income statement

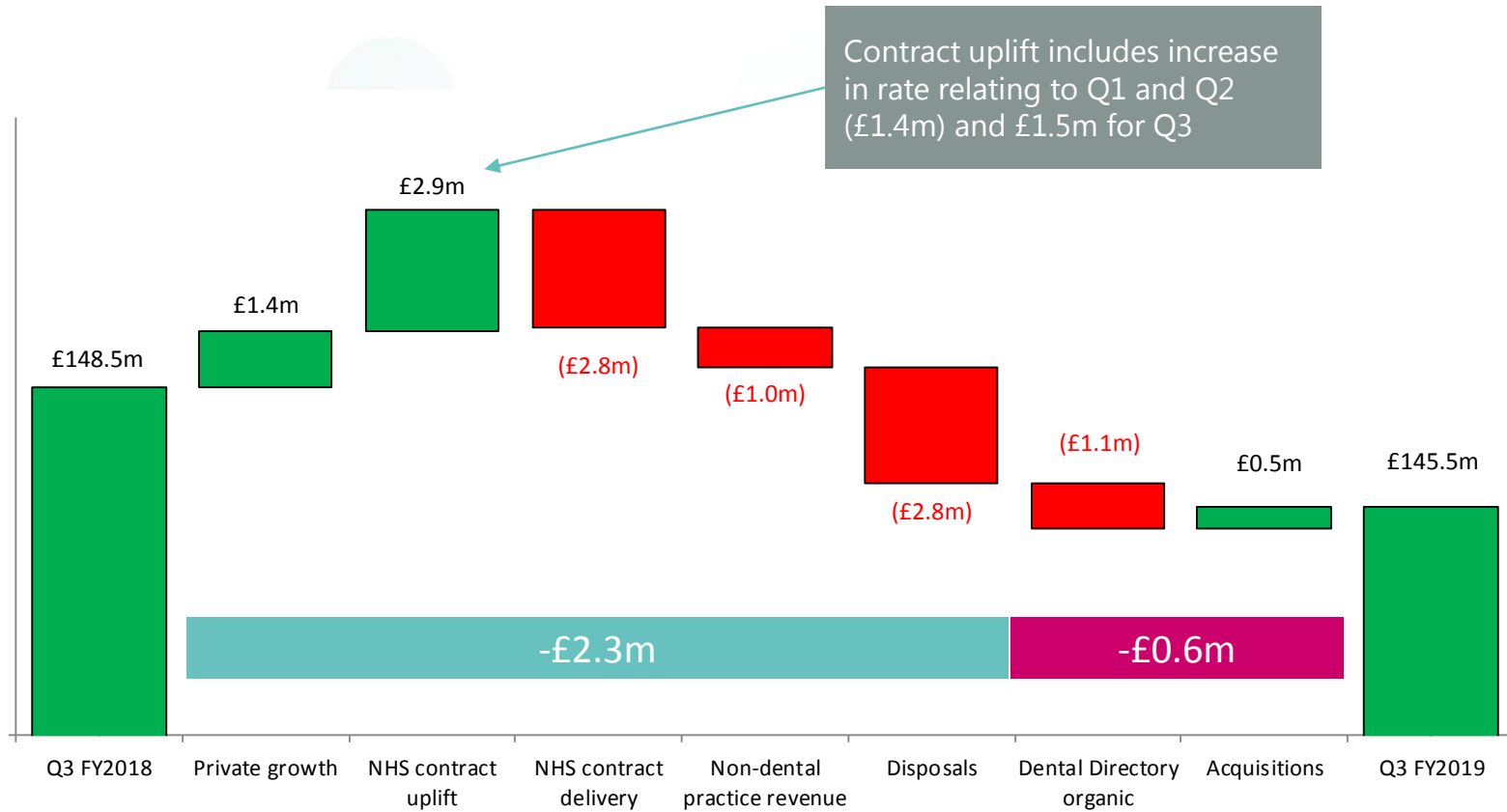
	Q3 FY2019 £m	% of revenue	Q3 FY2018* £m	% of revenue	% change
Revenue	145.5		148.5		(2.0)%
Gross profit	64.1	44.1%	62.8	42.3%	2.1%
Overheads**	(49.3)	33.9%	(48.6)	32.8%	1.3%
Other operating income	0.5	0.3%	0.5	0.3%	2.6%
EBITDA	15.4	10.6%	14.7	9.9%	4.6%

* Restated for implementation of IFRS 15 – Revenue from contracts with customers

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

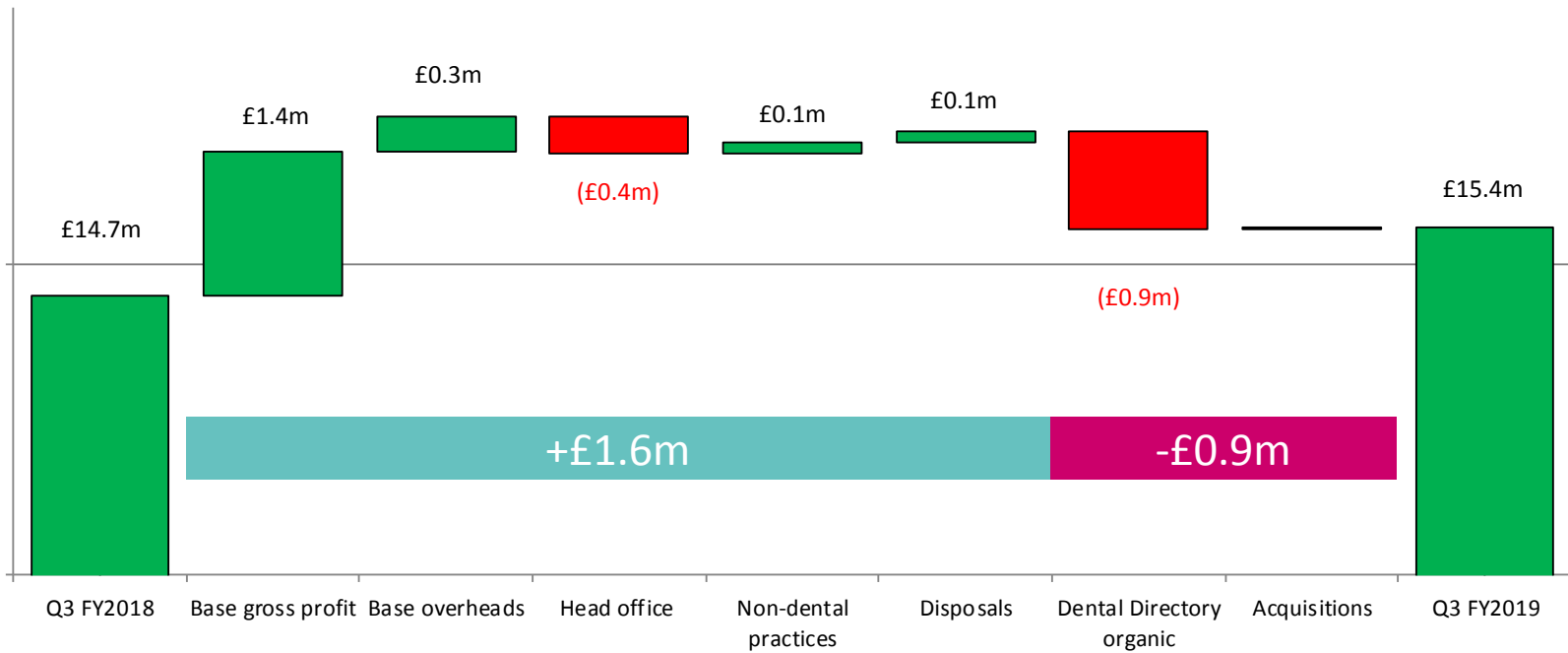
Financial results for Q3 FY2019

Group revenue bridge



Financial results for Q3 FY2019

Group EBITDA bridge



Financial results for Q3 FY2019

Acquisitions & Disposals



- Total of 609 practices at 31 December 2018 (654 at 31 December 2017)
- The actions from the portfolio review during the quarter led to:
 - Closure of 9 practices in Q3 (YTD – 18 practices)
 - Sale of 7 practices (YTD – 16 practices)
 - 4 practices now classified as held for sale on the balance sheet
- Two practices closed or sold in January, remaining contracts to end at year-end.
- PDS Dental Laboratory sold in October
- Brings to an end this portfolio review
- While mindful of our liquidity, we will watch the market to identify opportunities that could add value

Financial results for Q3 FY2019

Cash flow statement

£m	Q3 FY2019	Q3 FY2018
Cash generated from operations before working capital	14.4	13.2
Working capital	(16.2)	(3.5)
Cash generated from operations	(1.8)	9.7
Net capital expenditure*	(6.3)	(3.6)
Corporation tax	-	-
Cash flow before acquisitions and debt service	(8.1)	6.1
Interest	(5.9)	(5.6)
Cash flow before acquisitions and financing	(14.0)	0.5
Acquisitions	(0.2)	(4.5)
Financing	10.0	5.0
Net cash flow	(4.2)	1.0
Opening cash	11.3	15.1
Closing cash	7.1	16.1
Net debt	552.5	531.0

* Net capital expenditure includes £0.1m loss on the sale of practices (Q3 FY2018 includes £0.2m from disposals)

Outlook



- Results for the 9 months to 31 December show Dental Directory down from last year offset by some growth in EBITDA in mydentist; overall group results are in line with previous guidance
- mydentist:
 - EBITDA growth YTD of 11.7% and improvement in EBITDA margin of 1.3%
 - Q4 will benefit from the increase in UDA rates and continued margin and cost control
- Dental Directory
 - Turnaround project in progress
 - Sales disappointing in last two weeks of December
 - EBITDA will be down on prior year and at the low end of guidance
- Group EBITDA for Q4 FY2019 likely to be up on prior year by c£2.5m at £17.0m-£18.0m (FY18 restated: £14.8m)

FY2019 Outlook

- mydentist EBITDA forecast at £54m-£55m
- Dental Directory forecast likely lower than previously expected at c£4m
- Outturn for the year unchanged between £58m-£60m
- Capex investment in practices of c£24m for the year
- Cash outflow likely in Q4 – SSRCF likely to be £25m drawn at 31 March 2019

- mydentist growth continues quarter in quarter
 - Fall in NHS volumes offset by increases in rates
 - Private revenue growth at 4.9% per working day YTD
 - EBITDA up by £4.1m over nine months
 - Access mydentist and launch of myoptions exciting developments
 - Resourcing pipeline still strong
 - North East region moving into positive LFL hours shows the route for other regions to follow
- Dental Directory progress slowed in the quarter
 - Q4 stronger historical quarter for demand
 - With weaker sales, increased focus on margin and cost control
 - Encouraging post-quarter end margin development in engineering and large contract win

Contact details:

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Investor information is available from our dedicated investor website:

www.mydentist.co.uk/about-us/investors