



IDH Finance plc

Q2 FY2021 - Investor presentation
25 November 2020

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Agenda

- Introduction – Chief Executive overview
- Performance & business update
 - **{my}dentist**
 - **DD**
- Financial review
- Summary
- Q&A

- In Q2, dentistry in the UK has started to re-open, albeit with significant restrictions in place
- {my}dentist restarted routine treatments from 15 June 2020, and aerosol generating procedures (“AGP”) from 1 July 2020
- Patient demand for appointments at record levels
- Clinician productivity was limited in Q2 due to the requirements for one hour fallow periods between AGP
- NHS contract payments continued through Q2 in full, subject to achievement of 20% activity threshold
- Approach expected to continue until the end of November, when a new activity threshold is likely to be introduced
- Results for Q2 continue to be based on a prudent interpretation of NHS contract management terms

- Investment of £1.25m made in air filtration equipment to allow reduced fallow time from the start of Q3 – now at 10 minutes from 1 November
- All dental practices remain open during the current “circuit breaker” UK lockdown in November
- Activity levels increasing each week due to reductions in fallow time and significant pent up demand
- Business focus is on returning to pre-Covid activity levels no later than the end of the financial year
- M&A restart with 2 acquisitions in Northern Ireland in progress
- DD performing well and up on FY20 YTD – despite the impact of Covid on dental volumes
- Announcement made 5 October that advisors had been engaged to explore and evaluate strategic alternatives including a potential sale process in respect of some or all of the ownership interests in IDH

Q2 FY2021 Performance & business update



Q2 FY2021 group performance



Group

- Q2 adjusted EBITDA of £18.1m (Q2 FY2020: £15.9m)
- YTD adjusted EBITDA of £17.7m (Q2 YTD FY2020: £27.4m)
- Repayment of Covid-19 SSRCF drawdown of £73.2m plus a further £5.0m taking drawdown to £20.0m at the end of H1



{my}dentist

- NHS revenue recognition based on prudent assessment of contract management terms
- Q2 adjusted EBITDA of £17.3m (Q2 FY2020: £15.5m) includes c£4.1m relating to Q1 including DDRB uplift of 2.5% for the FY2021 year



DD

- Revenue of £48.0m, up 17.6% on Q2 last year (before intergroup eliminations)
- Adjusted EBITDA of £1.6m for the quarter (Q2 FY2020: £1.7m)
- YTD adjusted EBITDA of £3.3m, 25.0% up on FY20

Q2 FY2021 summary – {my}dentist

- Total revenue for {my}dentist of £102.7m compared to £118.0m in Q2 FY2020 (down 13.0%).
- Activity levels restricted by SOPs including pre-appointment triage and 60 minute fallow time resulting in suspension of normal UDA activity measurement
- NHS England contract revenue paid as normal for Q2 FY2021 subject to achievement of a 20% hurdle of normal activity levels given fallow periods
- {my}dentist activity levels including telephone triage increased throughout Q2 to c60% of normal levels
- No abatement in place for Q2 as practices restarted routine procedures but incurred higher personal protective equipment costs – both increased usage and higher unit costs.
- NHS revenue recognition based on a prudent view of contract terms
- Scotland & Northern Ireland NHS revenue paid at 80% of normal activity and Wales at 90% of contract value

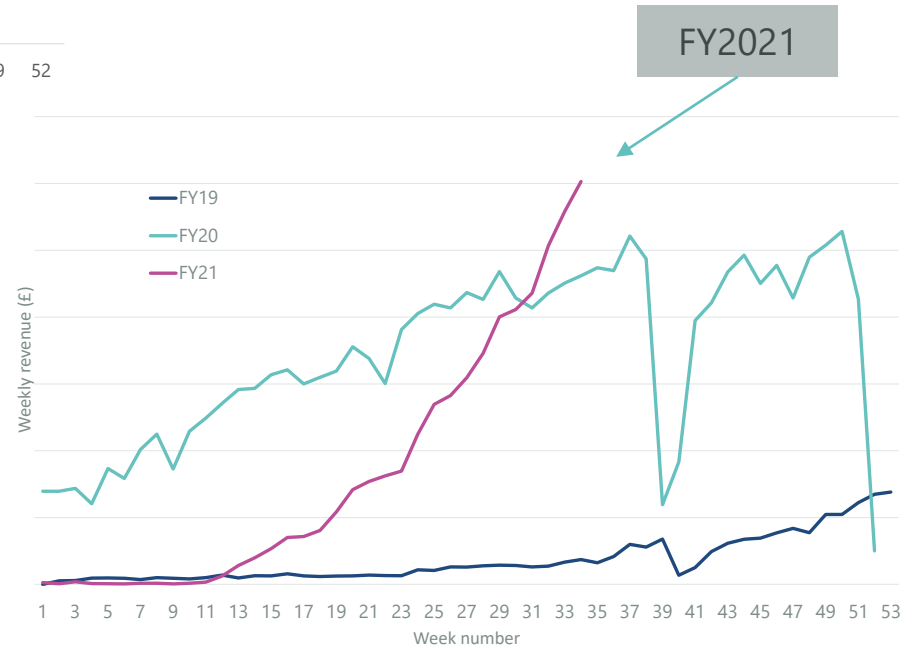
Q2 FY2021 summary – {my}dentist

- Patient demand strong with significant pent up demand after three months with only emergency access to dentistry
- BDA estimates 19m patient appointments were deferred due to the pandemic
- Private dentistry, particularly {my}options in high demand, but delivery limited due to 60 minute fallow time throughout Q2
- Private revenue was £14.3m for Q2, 45% of the levels in Q2 FY20
- Extended opening hours in many practices to allow private clinicians to recover lost earnings and increase patient access
- Investment in air filtration has led to reductions in fallow time in Q3 and increased capacity for face-to-face appointments
- Plan in place to recover activity to pre-Covid levels no later than March-21

Q2 FY2021 summary – {my}dentist



Weekly total private revenue



Affordable private total weekly revenue

Resourcing & retention

- Strong progress continues to be made in resourcing across multiple channels
- In September, we achieved our highest ever number of starters with 167 new clinicians joining in the month
- New record number of newly qualified dentists – 137, tells us that {my}dentist is now seen as a highly attractive destination to start a dental career
- Surveys of new recruits highlighted the increased attractiveness of corporate dentistry in light of the pandemic, citing availability of support (administrative and clinical) and career development opportunities
- Net new starters year to date of +132
- Clinician churn also at a record low

Merge & relocate programme – Halifax update

- Merger of three practices (8 chairs) and relocation to one site (17 chairs) – new site opened October 2019
- Larger, new state of the art practice is more attractive to clinicians
 - 15 clinician hires (to 27 total)
 - Specialists keen to access internal referrals
 - 100% UDA allocation to clinicians (v 45% pre merger)
- High street location increasing footfall
- Extended opening hours maximises opportunities for {my}options
- Approval for 4 additional surgeries to be added to the practice

Other developments

- In November, {my}dentist was named “**Best Dental Practice Corporate or Group**” at the 2020 Dental Industry Awards.
- {my}dentist teams and colleagues have either won, or been “highly commended”, in a **further seven awards this year**, including in the categories of:
 - Business Leader of the Year
 - Best Team
 - Dental Brand of the Year
 - Best Practice Manager
 - Best Young Dentist
 - And Receptionist of the Year
- {my}dentist also won a **RoSPA Gold Award** for the sixth consecutive year and won **Gold in the European Employer Brand Management Awards 2020**.

Q2 FY2021 summary – DD

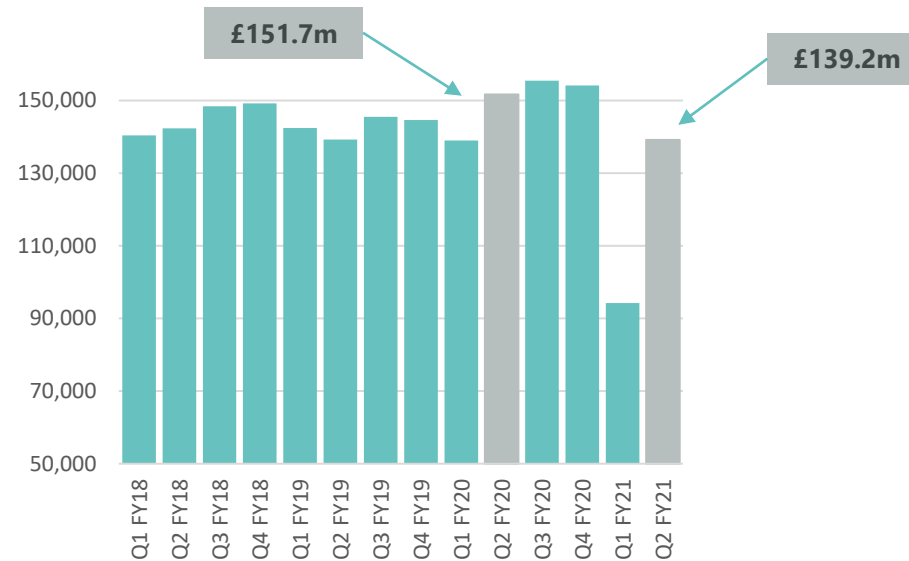
- DD forward momentum maintained in Q2
- Total revenue, excluding sales to {my}dentist, up 8.4% from £33.7m to £36.5m for Q2 FY2021
- Bulk PPE sales reduced due to release of government surplus stocks to healthcare providers
- High street dentistry customers buying at c70% of normal activity levels due to restrictions in place on routine dentistry
- Strong demand for beauty products as we emerged from lockdown with YTD revenue up 40% on last year
- BUPA Dental contract commenced in October, displacing Henry Schein
- Gross margin down on Q2 FY2020 at 17.4% due to mix and high PPE purchase costs
- Adjusted EBITDA for Q2 of £1.6m, slightly down on Q2 FY20
- Year to date adjusted EBITDA of £3.3m is 25.0% up on prior year.

Financial review



Q2 FY2021 Financial highlights

Group revenue



Adjusted EBITDA

By division	Q2 FY2021	Q2 FY2020	H1 FY2021	H1 FY2020
{my}dentist	17,329*	15,518	16,180	27,416
DD	1,589	1,744	3,263	2,611
Group	(785)	(884)	(1,512)	(1,774)
Eliminations	(13)	(439)	(277)	(824)
Adjusted EBITDA	18,120	15,939	17,654	27,429

* Q2 FY21 includes c£4.1m relating to Q1 FY21

Financial results for Q2 FY2021

Income statement – Q2

	Q2 FY2021 £m	% of revenue	Q2 FY2020 £m	% of revenue	% change
Revenue	139.2		151.7		(8.3)%
Gross profit	60.4	43.4%	64.7	42.6%	
Overheads*	(39.6)	28.4%	(45.7)	30.1%	
Other operating income	0.5		0.5		
EBITDA	21.4	15.4%	19.4	12.8%	10.0%
Rental charges	(3.3)		(3.5)		
Adjusted EBITDA	18.1	13.0%	15.9	10.5%	13.7%

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

** Q2 FY2021 includes c£4.1m relating to Q1 FY21

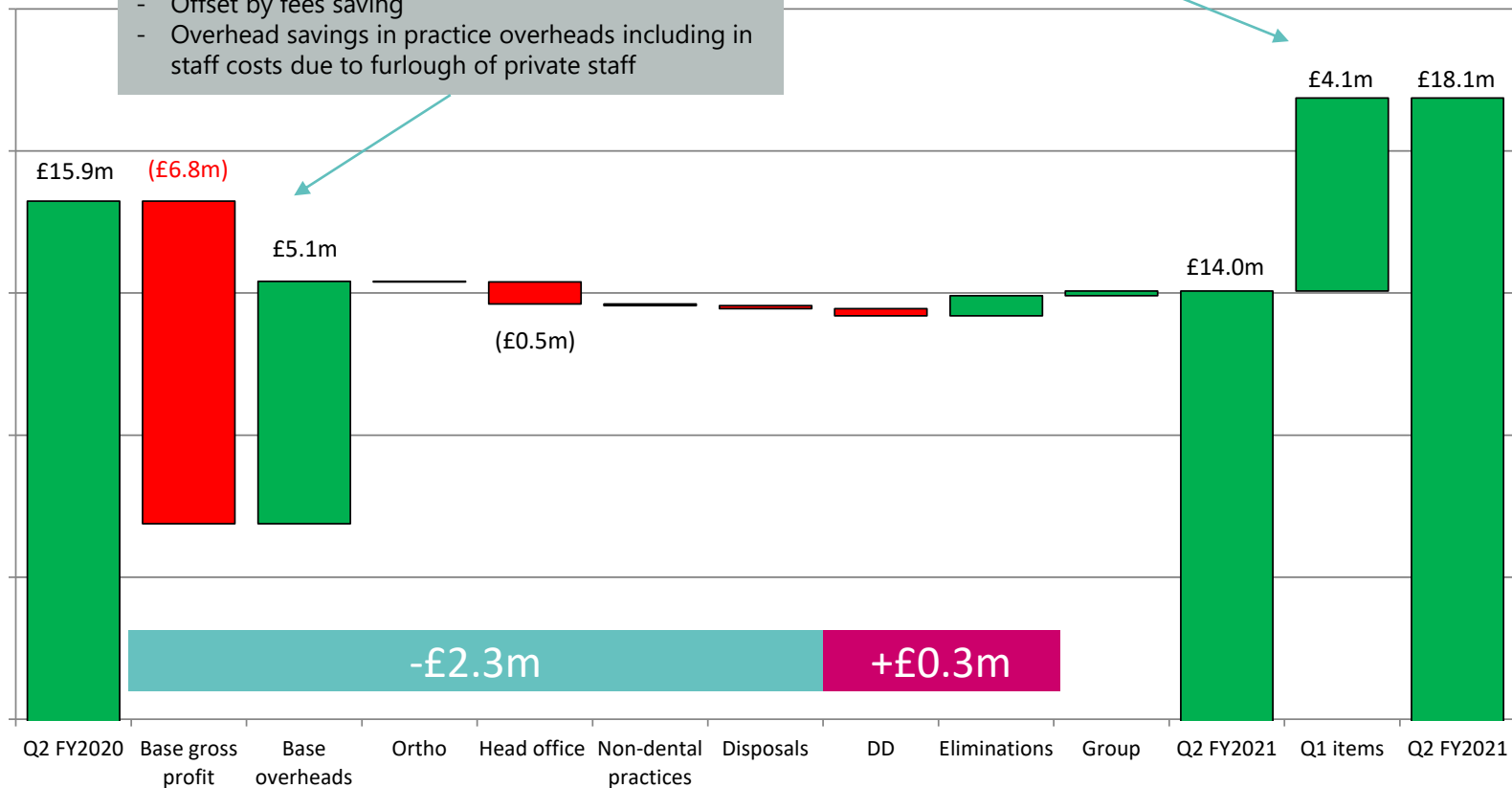
Financial results for Q2 FY2021

Group adjusted EBITDA bridge – Q2

Covid impact on {my}dentist

- Private revenue down £15.5m in general dental practices
- Offset by fees saving
- Overhead savings in practice overheads including in staff costs due to furlough of private staff

Adjustments relating to Q1



Financial results for Q2 FY2021

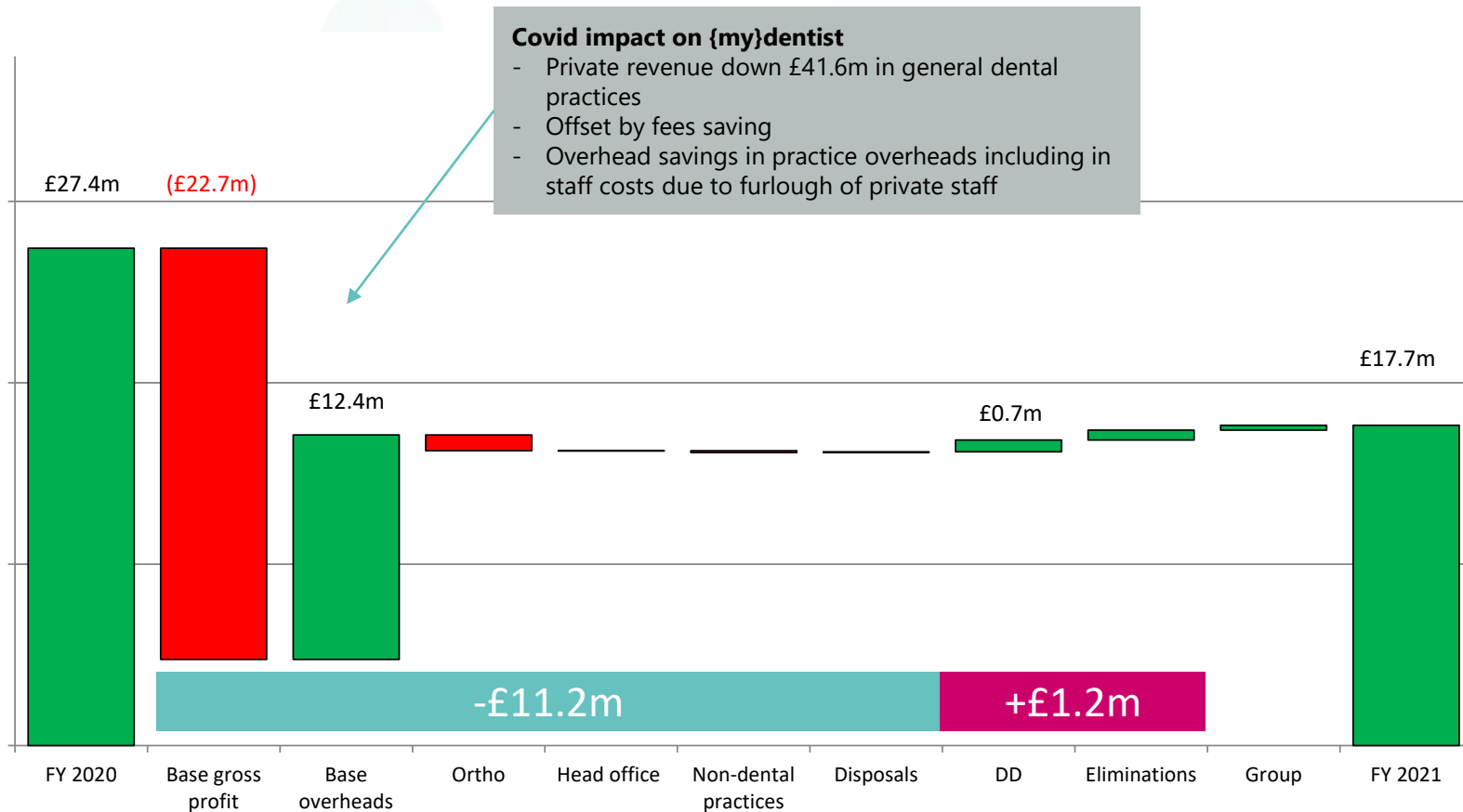
Income statement – H1

Year to date – 6 months to 30/09	FY2021 £m	% of revenue	FY2020 £m	% of revenue	% change
Revenue	233.3		290.7		(19.7)%
Gross profit	98.5	42.2%	125.1	43.0%	
Overheads*	(75.3)	32.3%	(91.5)	31.5%	
Other operating income	1.0		0.9		
EBITDA	24.2	10.4%	34.4	11.8%	(29.8)%
Rental charges	(6.5)		(7.0)		
Adjusted EBITDA	17.7	7.6%	27.4	9.4%	(35.6)%

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

Financial results for Q2 FY2021

Group adjusted EBITDA bridge – H1



Financial results for Q2 FY2021

Cash flow statement

£m	Q2 FY2021	Q2 FY2020	H1 FY2021	H1 FY2020
Cash generated from operations before working capital	19.5	18.8	21.8	32.4
Working capital	29.0	8.6	36.2	15.8
Cash generated from operations	48.5	27.4	58.0	48.2
Net capital expenditure	(3.7)	(6.7)	(9.3)	(15.0)
Corporation tax	-	-	-	-
Cash flow before acquisitions and debt service	44.8	20.7	48.7	33.2
Interest	(15.0)	(14.6)	(21.3)	(20.6)
Cash flow before acquisitions and financing	29.8	6.1	27.4	12.6
Acquisitions	(-)	(-)	(0.1)	(0.4)
Lease cash payments	(4.4)	(3.5)	(6.3)	(7.0)
Financing	(78.2)	-	(78.2)	-
Net cash flow	(52.8)	2.6	(57.2)	5.2
Opening cash	71.7	11.5	76.1	8.9
Closing cash	18.9	14.1	18.9	14.1
Net debt	550.2	557.4		

At the end of Q2, the business is in good shape, and the focus of management is getting back to pre-Covid activity levels as soon as possible

{my}dentist:

- Patient demand for appointments is high
- Recruitment of new clinicians was at record levels in September and the benefits of both NHS and corporate dentistry are increasingly recognised
- {my}options run rate per week exceeding pre-Covid levels in November
- Q2 restart slow due to restrictions, however investment in air filtration equipment and reduction of fallow period to 10 minutes from 1 November will result in a significant increase in activity
- NHS funding throughout the pandemic highlight the resilient nature of the business

DD

- Continued strong progress, exemplified by the win of the BUPA contract
- Results for Q2 include strong recovery in Beauty
- Dentistry revenue expected to improve in line with activity level increases in the sector

At the end of Q2, the business is in good shape, and the focus of management is getting back to pre-Covid activity levels as soon as possible

Group

- Strong cash flows and liquidity allowed repayment of the SSRCF to £20m drawn at the end of September
- Encouraging signs of recovery including affordable private and DD beauty – now above pre-Covid volumes
- Good restart of M&A – pipeline of deals building
- Business strategy based on strong core of NHS, fast growing affordable private segment, the development of our network of AOHCs and increasing opportunity to relocate dentistry on to the High Street, appears to be very sound
- Management remain focused on driving activity back up to normal levels across NHS and private revenue during Q3 and Q4

Contact details:

Further questions can be addressed to:

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- Telephone: 01204 799651

Investor information is available from our dedicated investor website:

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