

Integrated Dental Holdings



Q2 FY2019 - Investor presentation
27 November 2018

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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
- New leadership is embedded and working well
- Encouraging early signs of improvement in both mydentist and now, Dental Directory
- Pick up in mydentist NHS revenue is taking longer than expected
- Strong support from clinicians to accelerate growth in private revenue
- Discipline and initiatives regarding cost control supporting EBITDA progression
- Remain on track for full year guidance

Q2 FY2019 Performance & business update



Q2 FY2019 group performance



Group

- Revenue down 0.4% in H1 and down 2.2% YoY to £139.3m for the quarter
- Gross profit down 1.1% YoY to £62.1m for the quarter
- Q2 EBITDA up £0.1m on FY2018 to £13.6m. EBITDA YTD up £0.2m on FY2018.



mydentist

- Private revenue LFL growth of 5.2% per working day for H1 (Q2: 4.7%)
- NHS revenue, excluding disposal sites, down £2.4m compared to Q2 FY2018
- EBITDA up £2.5m (11.5%) year-on-year for H1 (Q2: £0.9m)



Dental Directory

- Revenue flat YoY at £33.2m (before intergroup eliminations) for the quarter
- EBITDA up £0.8m from Q1 at £1.3m but still behind Q2 last year.

NHS revenue

- NHS revenue, excluding closed, disposal and held for sale sites, is down £2.4m compared to Q2 FY18
- Like-for-like NHS revenue per working day is down 0.4% YTD (Q2: down 1.8%)
- Like-for-like UDA delivery per working day was down 2.3% for H1 (Q2: down 3.3%)
- Operational productivity measures continue to be encouraging – diary utilisation is up, Did Not Attend appointments are down and clinician contract delivery per hour is up
- However, increases still required in chair occupancy and diary hours

Q2 FY2019 summary – mydentist

Private revenue

- Year-to-date like-for-like private growth per working day is 5.2%
- Q2 like-for-like private growth, adjusted for the number of working days, increased to 4.7%.
- Growth continues to be strong in hygiene (+12.2% LFL)
- The roll-out of our first 8 Advanced Oral Healthcare Centres providing specialist services such as implants and endodontics continues to provide encouraging early results
- Opportunities for further growth identified

Strategic partnership with leading oral health providers

- Proud to announce a new three year strategic partnership with Philips and GSK to provide a range of oral health products in practice
- Live from 1 October 2018



PHILIPS



- Partnership covers a wide range of products from Sonicare toothbrushes to Sensodyne, Pronamel, Corsodyl and Aquafresh pastes, floss and mouthwash
- Also offering Philips Zoom in-surgery and take-home whitening kits
- Continue to work with TePe for interdental brushes
- Industry-leading partnership based on feedback from clinicians, hygienists and therapists to suit patient needs

Q2 FY2019 summary – mydentist

Clinical conference & dentist engagement

- In September we held our fourth mydentist Clinical Conference
- Over 650 delegates from our clinical, leadership, and key support teams
- Opportunity for management to engage with large numbers of clinicians and discuss trends in the industry



Clinician engagement

- Expanded scope to carry out an external survey to identify market trends
- mydentist trends are consistent with national market trends
- More than 80% of clinicians were keen to increase the private work undertaken particularly as they gain experience
- Survey identified that clinicians were willing to increase hours and flexibility of hours to increase private treatment opportunities
- Clinicians keen to spend more time with each patient
- Patients are progressively paying more for dentistry costs as the NHS patient charge increases
- Market gap emerging between NHS and high cost private treatments
- Existing “Access mydentist” programme being used to pilot options

Q2 FY2019 summary – mydentist

Resourcing & on-boarding

- Resourcing remains a key priority for the business
- Continuing to build up the pipeline of new dentists
- Looking at options to bring in clinicians to develop affordable private options rather than wait for NHS performer numbers
- Make on-boarding as efficient and rapid as possible
- Additional net 38 clinicians started in practice during the quarter
- Increase in leavers as performance management improves of dentists not delivering NHS targets or appropriate clinical standards
- Catch-up in net Q1 clinicians due to late reporting of leavers within operational systems
- YTD net 52 clinicians started in practice

Q2 FY2019 summary – mydentist

Awards

- Practices, clinicians and support teams shortlisted for 27 awards across 5 different award ceremonies
- Scottish Dentistry Awards
 - Clinical Director: “Most Invaluable Team Member”
- Oral Health Awards
 - Hygienist of the Year
 - Best Leader in Prevention
- Dental Industry Awards
 - Best Website
 - Best Dental brand
 - Best Service & Repair Company: Dental Directory/Mi-Tec

Q2 FY2019 summary – Dental Directory



- Paul Adams, the new MD, has moved quickly to improve performance from Q1
- Total revenue, excluding sales to mydentist, up 2.6% to £26.1m from £25.5m in Q2 FY2018
- Like-for-like revenue down 2.0% YTD with shortfalls in High Street sales partially offset by growth in equipment
- Gross margin down from 27.6% to 26.8%, but up 1.0% on Q1
- Cost reduction in overheads is progressing with streamlining of management complete at the end of Q2
- Improvements in customer service from call handling to delivery
- Further opportunities identified to improve run rate through Q3 and Q4

Financial review



Q2 FY2019 Financial highlights

- Group revenue down 0.4% YTD (Q2: down 2.2% to £139.3m)
- LFL mydentist private revenue up 5.2% per working day for the year (Q2: up 4.7%)
- Private revenue increasing proportion of dental practice revenue

Dental practice revenue	Q2 FY2019	Q2 FY2018
NHS	77.2%	78.4%
Private	22.8%	21.6%

- As expected EBITDA in line with Q2 FY2018 and with guidance
- mydentist EBITDA up £0.9m offset by Dental Directory down £0.8m
- LTM EBITDA of £55.3m and pro-forma adjusted EBITDA of £57.3m
- No difference in trading days in Q2 (64 days) YTD FY2019 – 126; FY2018 – 125)

Financial results for Q2 FY2019

Income statement

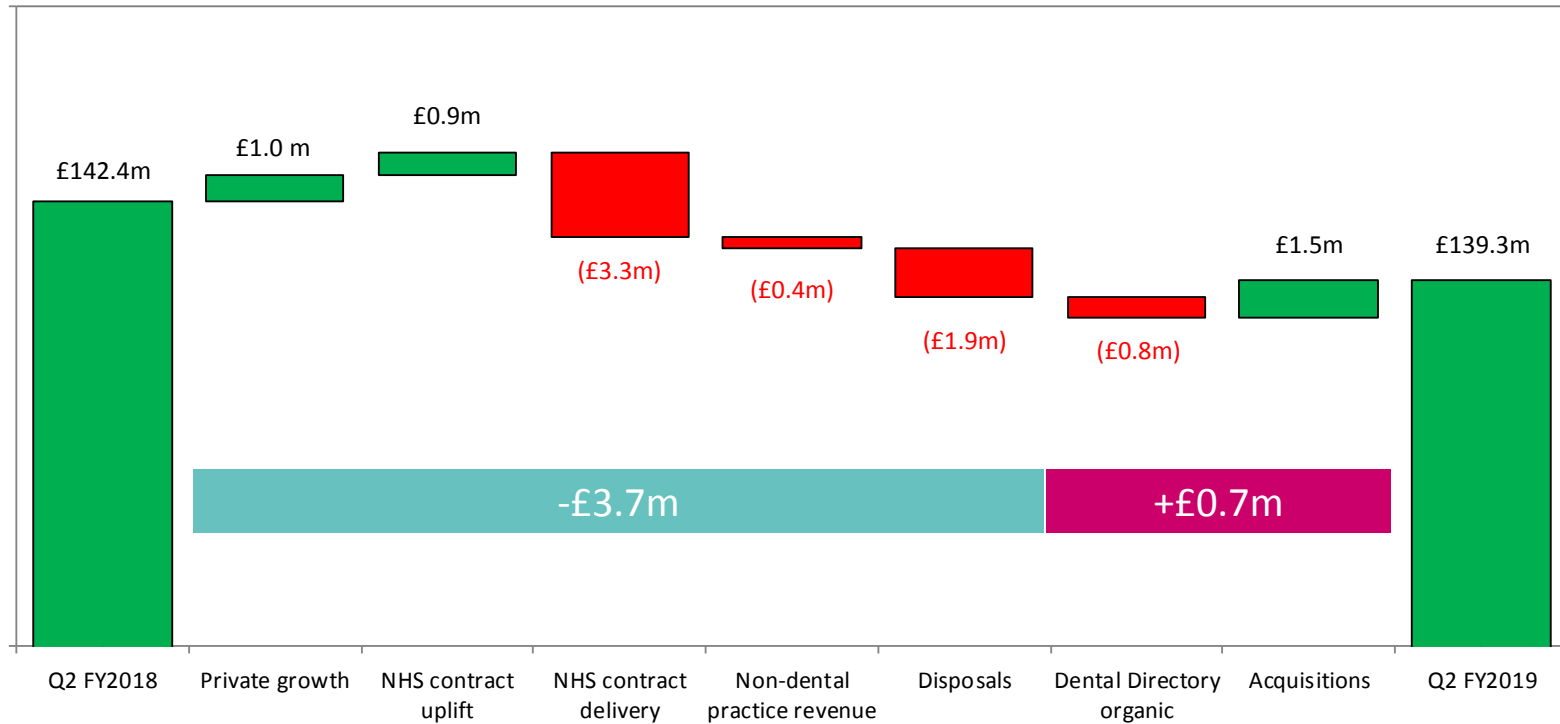
	Q2 FY2019 £m	% of revenue	Q2 FY2018* £m	% of revenue	% change
Revenue	139.3		142.4		(2.2)%
Gross profit	62.1	44.6%	62.8	44.1%	(1.1)%
Overheads**	(48.9)	35.1%	(49.8)	35.0%	1.7%
Other operating income	0.5	0.3%	0.5	0.4%	(7.4)%
EBITDA	13.6	9.8%	13.5	9.5%	0.8%

* 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

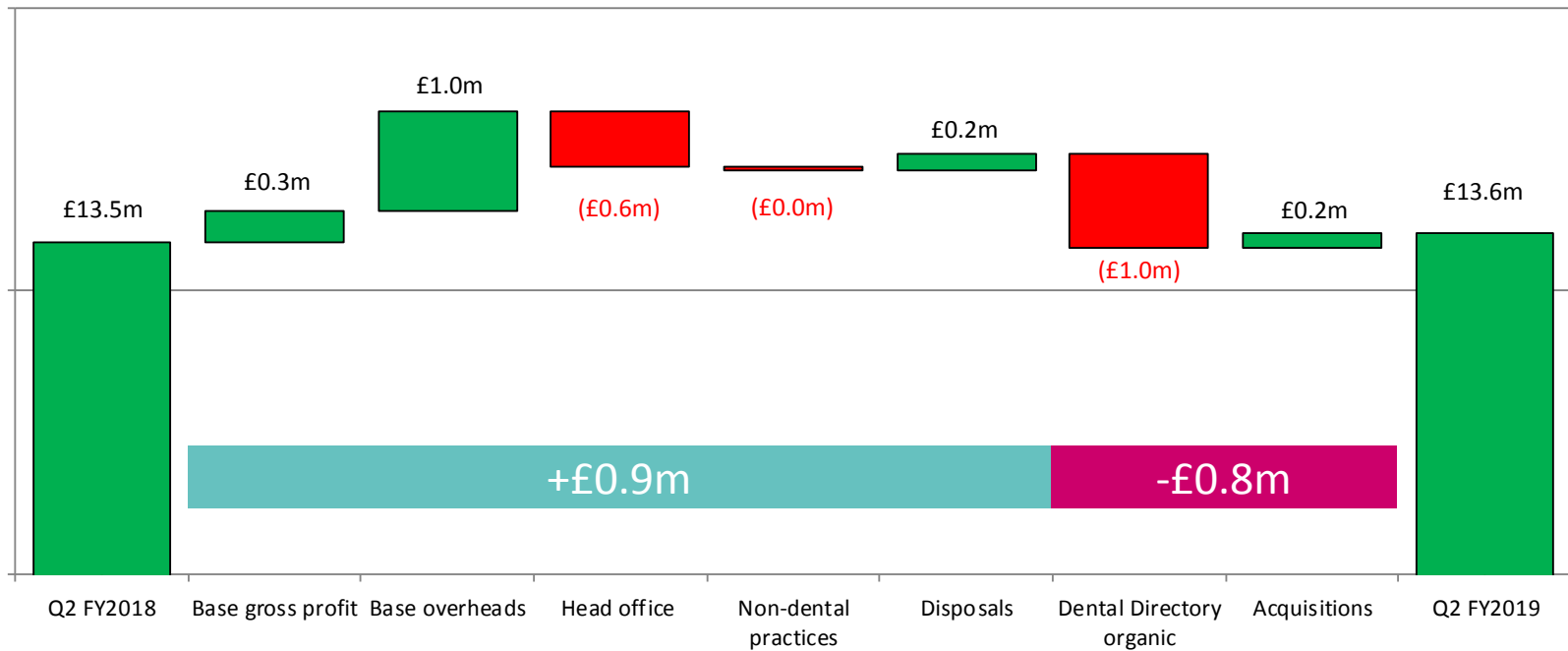
Financial results for Q2 FY2019

Group revenue bridge



Financial results for Q2 FY2019

Group EBITDA bridge



Financial results for Q2 FY2019

Acquisitions & Disposals



- Total of 625 practices at 30 September 2018 (661 at 30 September 2017)
- The actions from the portfolio review during the quarter led to:
 - Closure of 4 practices in Q2 (YTD – 9 practices)
 - Sale of 6 practices (YTD – 9 practices)
 - 19 practices now classified as held for sale on the balance sheet
- Remaining practices will mainly be sold or closed during Q3
- Delays due to constraints placed on contract transfers by the NHS
- No plans for any further acquisitions in either division
- PDS Dental Laboratory sold in October
- Early results from the orthodontic tenders have led to some reductions in contract size as smaller overall lots have been allocated

Financial results for Q2 FY2019

Cash flow statement

£m	Q2 FY2019	Q2 FY2018
Cash generated from operations	16.6	21.5
Net capital expenditure*	(5.9)	(3.5)
Corporation tax	-	-
Cash flow before acquisitions and debt service	10.7	18.0
Interest	(14.4)	(14.2)
Cash flow before acquisitions and financing	(3.7)	3.8
Acquisitions**	(0.1)	(1.5)
Debt issue costs	-	-
Financing	-	-
Net cash flow	(3.8)	2.3
Opening cash	15.1	12.8
Closing cash	11.3	15.1
Net debt	537.6	526.3

* Net capital expenditure includes £0.4m proceeds from the sale of practices (Q2 FY2018 includes £0.3m from disposals)

** Excluding fees



Outlook



- H1 has seen Dental Directory down on last year offset by some encouraging signs in mydentist; overall results in line with expectations
- mydentist:
 - EBITDA growth in H1 of 11.5% and improvement in EBITDA margin of 1.2%
 - Improvement driven by tighter cost control
 - Q3 expected to benefit from a further increase in UDA rates (+1.34% from October) and continued cost control
- Dental Directory
 - Turnaround in gross margin with new leadership
 - Significant overhead savings underway
 - EBITDA will be down on prior year but improving in H2
- Group EBITDA for Q3 FY2019 likely to be up on prior year by c£1m at £15.0m-£15.8m (FY18 restated: £14.7m)

FY2019 Outlook – no change

- Expect to see growth year-on-year in H2 in mydentist
- mydentist EBITDA forecast at £53m-£55m
- Dental Directory forecast at c£5m
- Outturn for the year unchanged between £58m-£60m
- Capex investment in practices increase of £3m-£4m over the year
- Cash outflow likely in H2 – small drawdown from the SSRCF
- Continue to keep acquisitions on hold until confident of sustained turnaround in performance

- Encouraging progress in mydentist but EBITDA growth coming from cost control rather than revenue improvements
 - Overall NHS revenue in line with prior year per working day for the year
 - Private revenue growth over 5% per working day YTD
 - EBITDA up by £2.5m over H1 FY2018
 - Continued forward momentum depends on the ability to increase overall productive capacity
- New management in Dental Directory have now started to make progress
 - Expect turnaround to accelerate in Q3
 - Strong focus on margin and cost control continues

Contact details:

Further questions can be addressed to:

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Investor information is available from our dedicated investor website:

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