



# Integrated Dental Holdings

FY 2015 Q1 Results - Investor presentation

29 August 2014

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- EBITDA up 15.2% to £17.7m
- Turnover up 25.5% to £123.9m
- LFL private revenue up 15.0% on Q1 FY 2014
- The Dental Directory acquired 17 April 2014
- 9 practices acquired during the quarter, since the end of Q1 a further 26 acquired in July: Denticare Limited
- Total estate of 592 @ 30 June 2014
- Pro-forma LTM EBITDA of £83.8m
- Normalised cash conversion after maintenance capital expenditure of 78.6%
- Additional £100m raised through FRN issue completed on 9 May 2014

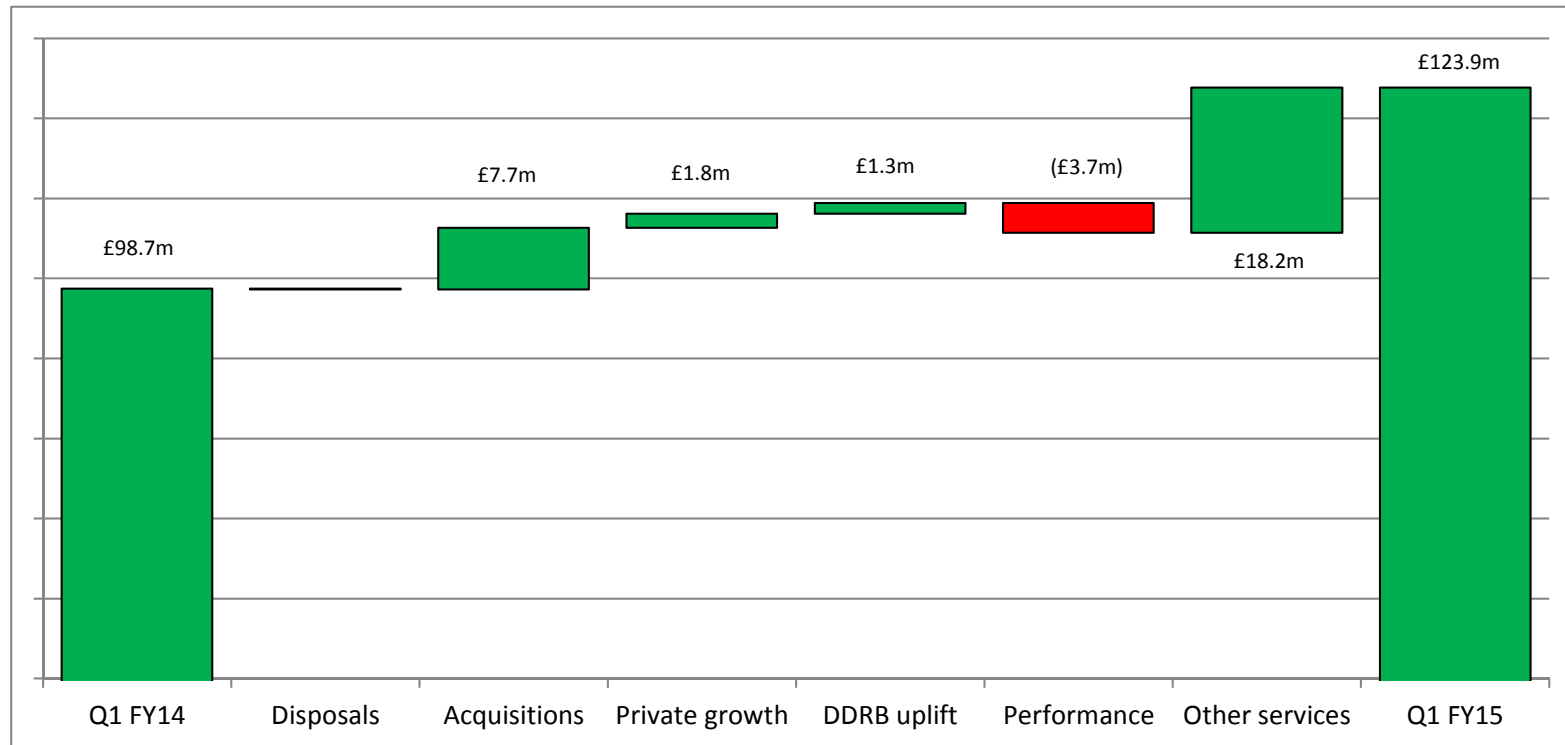
- Acquisition of the Dental Directory (“DD”) completed on 17 April 2014
  - Maximum consideration of up to £71m payable
  - Market leader in the supply of dental materials
  - Annual revenues of c.£100m
  - c.27,000 product lines
  - Successful transfer of majority of third party sourced materials purchases by IDH to DD at the beginning of Q2.
- Refinancing of SSRCF completed on 9 May 2014
  - £100m raised through issue of additional FRN’s
  - Underpins the continuation of our existing rollout / acquisition strategy
- Exploring potential strategic options
  - Announcement to investors on 11 June 2014
  - Rothschild appointed to advise shareholders and management
- Annette Spindler appointed as Chief Operating Officer: April 2014
  - Operational management team restructure implemented from 1 August 2014
  - Includes revamp of regional and area management structures & responsibilities



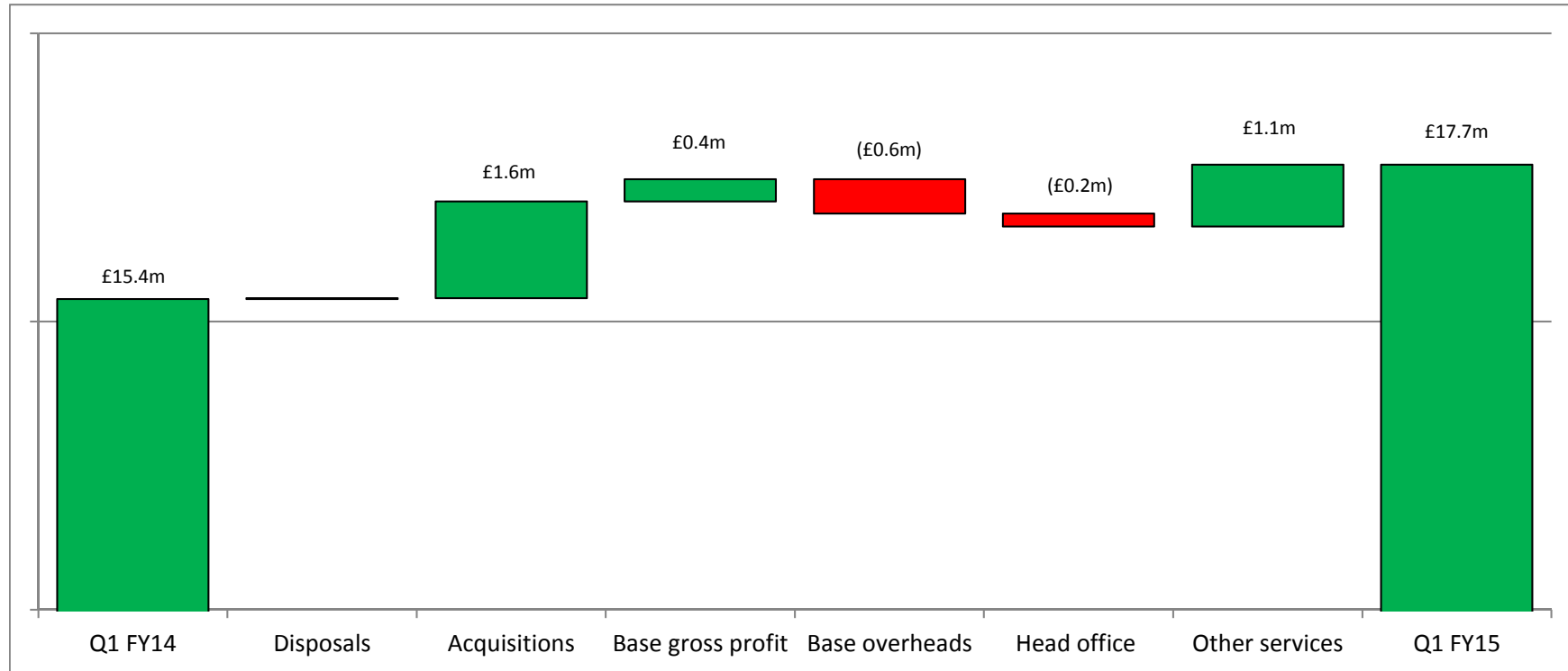
	Q1 2015 £m	% of revenue	Q1 2014 £m	% of revenue	% change
Turnover	123.9		98.7		25.5%
Gross profit	55.6	44.9%	47.2	47.8%	17.8%
Administrative expenses*	(38.3)	30.9%	(32.2)	32.7%	(18.8%)
Other operating income	0.5	0.4%	0.4	0.4%	4.8%
<b>EBITDA</b>	<b>17.7</b>	<b>14.3%</b>	<b>15.4</b>	<b>15.6%</b>	<b>15.2%</b>

\* Administrative expenses before depreciation, amortisation and exceptional items

- Turnover growth of 25.5% predominantly driven by acquisitions with 7.2% growth in dental services and £19.9m from practice services including DD from 17 April 2014.
- Like-for-like private sales growth of 15.0%.
- Gross margin percentage fall from 47.8% to 44.9% year-on-year:
  - change in mix due to Dental Directory acquisition;
  - Practice Services gross margin – 27.5%;
  - Dental Services gross margin – 48.2% (up from 47.8% in FY14).
- Dental services benefit from UDA rate uplift (1.6%) from beginning of Q1.
- Year-on-year EBITDA growth of 15.2% with margin % decrease of 1.3% due to the inclusion of DD post-acquisition results.



- Turnover from dental practices increased by £7.0m from £97.0m in Q1 FY 2014 to £104.0m for Q1 FY 2015.
- Practice Services increased by £18.2m to 16% of group turnover following the DD acquisition in April 2014.
- The main driver in Dental practice turnover was the continued acquisitions programme with an increase of £7.4m from the 61 practices acquired or opened in FY2014 and £0.3m from the 9 practices acquired in Q1 FY2015.
- Base practices were down £0.6m due to:
  - Like for Like private sales growth of 15.0% from price increases, additional services and increased volumes.
  - UDA rate price uplift of 1.6% per annum effective from 1 April 2014; offset by
  - A slow start to the NHS contract year and UDA deliveries – anticipated to be recovered over the balance of the NHS contract year to March 2015.



- EBITDA increased from £15.4m to £17.7m for the quarter.
- Q1 historically quieter than Q4.
- The primary driver was acquisitions in FY 2014 and FY2015 adding £1.6m to base EBITDA.
- Base practices were up £0.4m due to gross margin improvements.
- 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.

## Financial results for Q1 FY 2015 – Acquisitions

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- Total of 592 practices at 30 June 2014 (550: 30 June 2013).
- 9 practices acquired during Q1.
- 2 practices acquired in Q1 merged into our new 14 surgery Bristol hub including endodontic services.
- The annualised EBITDA expected from Q1 2015 dental practice acquisitions is £1.4m.
- Acquisitions during Q1 covered all areas of England and Wales:
  - Majority were standard practices providing a mixture of NHS and private dentistry services.
  - Practices in Edinburgh, Bristol, Brixton and Truro.
  - Small chain of four practices in the North East.
- Denticare Limited, a chain of 26 practices, predominantly in Wales, acquired in July (Q2).



	£m
LTM EBITDA before exceptional items at 30 June 2014	70.1
Estimated adjusted EBITDA of acquired dental practices at 30 June 2014	4.6
Adjusted EBITDA for dbg including annualised synergies	1.4
Adjusted EBITDA for The Dental Directory including annualised synergies	7.6
Estimated pro-forma adjusted EBITDA	83.8

- Pro-forma EBITDA calculated following the methodology set out in the IDH Finance plc Offering Memorandum.
- The estimated 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 dbg adjustment includes the annualised effect of the synergies resulting from the acquisition. The full synergy benefit remains on track for delivery by 31 March 2015.
- The estimated Dental Directory adjustment has been reduced for unexpected issues related to a small number of sales staff and the consequent short term reduction in turnover. Management have taken action to address these points. The synergies associated with the acquisition remain on track for delivery by 31 March 2016.

£m	Q1 FY15	Q1 FY14
Operating cash flow	17.5	8.2
Capital expenditure	(5.1)	(5.1)
Corporation tax	0.1	(0.1)
Cash flow before acquisitions and debt service	12.5	3.0
Interest	(3.2)	(5.1)
Acquisitions	(71.1)	(50.7)
Debt issue costs	(0.9)	(11.3)
Financing	79.2	46.0
Net cash flow	16.5	(18.1)
Opening cash	6.9	42.4
Closing cash	23.4	24.3
Net debt	465.1	360.9

- Net cash inflow of £16.5m for the quarter.
- Cash position at 31 March 2013 was inflated due to cash drawn down to finance acquisitions completed during April 2013.
- Capital expenditure includes “maintenance” capital expenditure of £4.7m, acquisition refurbishment costs of £0.4m.
- Acquisition costs include those incurred on Dental Directory in FY15 and dbg in FY14.
- Debt issue costs of £11.3m incurred from the initial bond offering in Q1 FY14. Debt issue costs in FY15 relate to the bond “tap” to refinance the SSRFC.
- Net debt increase due to debt drawdown to fund acquisitions.

£m	Q1 FY15	Q1 FY14
Operating cash flow	17.5	8.2
Exceptionals	0.4	0.1
Working capital adjustments	0.2	5.6
Adjusted operating cash flow	18.1	13.9
Maintenance capital expenditure	(4.7)	(4.6)
Adjustments	0.6	2.3
Adjusted cash flow	13.9	11.6
EBITDA	17.7	15.4
Adjusted cash conversion %	78.6%	75.5%

- Minimal operating cash flow one-off items in the quarter.
- Maintenance capital expenditure includes one-off infrastructure projects:
  - £0.6m in respect of practice relocations at Clacton and Bristol.

## Contact

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Further questions can be addressed to:

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Investor information is available from our dedicated investor website [www.idhgroup.co.uk/investors](http://www.idhgroup.co.uk/investors)