dentalcorp Reports Strong Second Quarter 2021 Results

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dentalcorp.ca (CNW Group/dentalcorp)

- Revenue of $261 million for the quarter
- Adjusted EBITDA[1] of $48.9 million, resulting in an Adjusted EBITDA margin of 19% for the quarter
- Acquired 20 dental practices in the quarter, budgeted to generate a total of $12 million in annual Adjusted EBITDA[1]
- Same Practice Sales Growth[1] of 345% compared with the second quarter of 2020, and up over the second quarter of 2019
- Last-twelve-months PF Revenue[1] and PF Adjusted EBITDA[1] of $1,037 million and $207 million, respectively, resulting in a PF Adjusted EBITDA[1] margin of 20%
- Adjusted Free Cash Flow[1] of $26.0 million for the quarter
- Adjusted Net Income[1] of $13.6 million for the quarter

TORONTO, Aug. 10, 2021 /CNW/ - dentalcorp Holdings Ltd. ("dentalcorp" or the "Company") (TSX: DNTL), Canada's largest and fastest growing network of dental practices, announced today its three and six month financial and operating results for the period ended June 30, 2021. All references to dollar values in this press release are in Canadian dollars, unless otherwise indicated.

"Our second quarter results came in higher than our expectations, driven by our strong acquisition program, which has surpassed our targets so far this year," said Graham Rosenberg, Chief Executive Officer of dentalcorp. "Despite ongoing provincial and regulatory pandemic restrictions, we continued to execute on our core strategies to drive shareholder value, including accretive acquisitions, organic growth - augmented by our insourcing agenda - and the realization of ongoing operating efficiencies. We also continued to evaluate opportunities to leverage our existing infrastructure in order to deliver more value-added services to our 1.6 million active patients nationwide."

Second Quarter Financial and Operating Results For the Three Months Ended June 30, 2021

- Revenues for the second quarter of 2021 increased to $261.1 million, up 390% over the second quarter of 2020, and up 6% over the first quarter of 2021. Second quarter 2021 revenues were higher compared to the same period in 2020 due to more stringent pandemic restrictions in 2020, plus strong second quarter 2021 acquisitive and organic growth including a positive contribution from the Company's orthodontics insourcing agenda. Same Practice Sales Growth was 345% compared with the second quarter of 2020, and up over the second quarter of 2019.
- Second quarter Adjusted EBITDA increased to $48.9 million, up from ($0.1) million in the second quarter of 2020, and up 3% over the first quarter of 2021 resulting in a second quarter Adjusted EBITDA margin increase to 18.7% from (0.2%) in the second quarter of 2020.
- Adjusted Free Cash Flow[1] was $26.0 million for the second quarter compared to ($33.9) million for the second quarter of 2020, and $27.8 million in the first quarter of 2021.
- Adjusted Net Income for the second quarter of 2021 was $13.6 million, compared to ($24.6) million for the second quarter of 2020, and $11.4 million in the first quarter of 2021.
- The Company acquired 20 dental practices during the quarter, which are budgeted to generate a total of $12 million in annual Adjusted EBITDA, for a total consideration of $77.6 million. As at June 30, 2021, the Company owned 431 dental practices in Canada compared to 374 practices at June 30, 2020.
- In the second quarter, the Company completed its initial public offering, raising gross proceeds of $718 million (including proceeds from the underwriter's exercise of the over-allotment option). The Company also closed a concurrent private placement of $232 million, which resulted in the Company raising total gross proceeds of $950 million.
- The Company ended the second quarter of 2021 with liquidity of $661.6 million, comprised of $261.6 million in cash, and $400 million in debt capacity under its $1.3 billion Senior Debt facility (of which $900 million was drawn at quarter end).

[1] A Non-IFRS measure; see "Non IFRS Measures" below

Subsequent to Quarter End:

- The Company announced a strategic partnership with Loblaw Companies Limited (TSX: L) to be the exclusive provider of dental health services and oral care education for users of the *PC Health* app. The strategic partnership will connect *PC Health* app users with best-in-class oral health content from some of the nation's top clinicians, while affording access to dentalcorp's growing network of more than 430 dental practices nationwide, including the opportunity to earn *PC Optimum*™ points through digital oral health programs.
- The Company acquired three dental practices, for a total consideration of $12.4 million.

Consolidated Financial Results

Consolidated Statements of Loss and Comprehensive Loss	Three month period ended June 30		Six month period ended June 30	
	2021	2020	2021	2020
	$ millions	$ millions	$ millions	$ millions
Revenue	261.1	53.3	508.1	235.5
Cost of revenue	135.1	27.5	260.6	120.5
Gross Profit	**126.0**	**25.8**	**247.5**	**115.1**
Selling, general and administrative expenses	87.9	27.1	171.2	91.0
Depreciation of property and equipment	14.0	11.8	28.3	24.8
Depreciation of right-of-use assets	6.3	5.2	12.1	10.2
Amortization of intangible assets	18.3	16.4	36.1	32.6
Share-based compensation	55.5	1.1	58.1	1.5
Operating loss	**(56.0)**	**(35.7)**	**(58.3)**	**(45.2)**
Finance costs	52.9	35.2	92.7	67.6
Finance income	(0.2)	(0.4)	(0.4)	(1.1)
Foreign exchange (gain) loss	(58.2)	(62.7)	(76.1)	69.7
Change in fair value of derivative instruments	53.0	54.7	66.4	(39.5)
Change in fair value of conversion option	(11.0)	(3.8)	(30.8)	(19.7)
Change in fair value of contingent consideration	0.2	(1.3)	(3.8)	(11.2)
Share of associate losses	0.1	–	0.1	–
Loss before income taxes	(92.7)	(57.4)	(106.5)	(111.0)
Income tax recovery	(2.7)	(9.4)	(7.5)	(11.0)
Net loss and comprehensive loss	(90.0)	(48.0)	(99.0)	(99.9)
Other Metrics				
Adjusted Net Income[a]	**13.6**	**(24.6)**	**25.0**	**(26.8)**
Adjusted EBITDA[b]	**48.9**	**(0.1)**	**95.4**	**31.6**
Total Practices (at period end)	**431**	**374**	**431**	**374**

(a) For the definition of Adjusted Net Income and a reconciliation to Net Income, see Non-IFRS measures below.

(b) For the definition of Adjusted EBITDA and a reconciliation to Net Income, see Non-IFRS measures below.

Outlook

Due to the anticipated easing of pandemic restrictions at provincial and dental regulatory levels, and the Company's continued focus on its core growth strategies, the Company anticipates continued strong performance of its business moving forward. The Company further anticipates ongoing growth from accretive acquisitions, and same-store sales momentum due to the execution of its strategic initiatives, including the insourcing of new services such as orthodontics care.

Conference Call Notification The Company will hold a conference call to provide a corporate update on Wednesday, August 11, 2021 at 8:30 a.m. ET. A question-and-answer session will follow the corporate update.

LIVE CONFERENCE CALL DETAILS	
DATE:	Wednesday, August 11, 2021
TIME:	8:30 a.m. ET
WEBCAST:	https://produceredition.webcasts.com/starthere.jsp?ei=1481343&tp_key=6b486ac00d
DIAL-IN NUMBER:	416-764-8650 or 1-888-664-6383
REFERENCE NUMBER:	08308297

REPLAY	
DIAL-IN NUMBER:	416-764-8677 or 1-888-390-0541
REFERENCE NUMBER:	308297#
WEBCAST:	https://produceredition.webcasts.com/starthere.jsp?ei=1481343&tp_key=6b486ac00d (available for two weeks after the call)

Non-IFRS Measures

As appropriate, we supplement our results of operations determined in accordance with IFRS with certain Non-IFRS financial measures that we believe are useful to investors, lenders and others in assessing our performance and which highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. Our management also uses Non-IFRS measures for purposes of comparison to prior periods, to prepare annual operating budgets, for the development of future projections and earnings growth prospects, to measure

the profitability of ongoing operations and in analyzing our financial condition, business performance and trends. As such, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective, including how we evaluate our financial performance and how we manage our capital structure. We also believe that securities analysts, investors and other interested parties frequently use these Non-IFRS measures and industry metrics in the evaluation of issuers. These Non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and may include or exclude certain items as compared to similar IFRS measures, and such measures may not be comparable to similarly titled measures reported by other companies. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

EBITDA

"EBITDA" means, for the applicable period, net loss and comprehensive loss plus (a) finance costs, (b) income tax expense (recoveries), (c) depreciation of property and equipment, (d) depreciation of right-of-use assets, and (e) amortization of intangible assets. We present EBITDA to assist investors in understanding the mathematical development of Adjusted EBITDA. Management does not use EBITDA as a financial performance metric. For more information on how EBITDA is calculated, see below.

	Three month period ended June 30		Six month period ended June 30	
	2021	**2020**	**2021**	**2020**
	$ millions	**$ millions**	**$ millions**	**$ millions**
Net loss and comprehensive loss	(90.0)	(48.0)	(99.0)	(99.9)
Finance costs, net	52.7	34.8	92.3	66.5
Income tax expense (recoveries)	(2.7)	(9.4)	(7.5)	(11.0)
Depreciation of property and equipment	14.0	11.8	28.3	24.8
Depreciation of right-of-use assets	6.3	5.2	12.1	10.2
Amortization of intangible assets	18.3	16.4	36.1	32.6
EBITDA	**(1.4)**	**10.8**	**62.3**	**23.2**

Adjusted EBITDA

"Adjusted EBITDA" is calculated by adding to EBITDA certain expenses, costs, charges or benefits incurred in such period which in management's view are either not indicative of underlying business performance or impact the ability to assess the operating performance of our business, including: (a) net impact of foreign exchange and change in fair value of derivatives, and in fair value of conversion option; (b) share based compensation; (c) external acquisition expenses; (d) COVID-19 costs; (e) change in fair value of contingent consideration; (f) legacy transaction costs related to the sale of the Company and concurrent recapitalization; and (g) other corporate costs (consisting primarily of consulting costs related to our recent enterprise resource planning implementation). Adjusted EBITDA is a supplemental measure used by management and other users of our financial statements, including the Specified Shareholders, to assess the financial performance of our business without regard to the effects of interest, depreciation and amortization costs, expenses that are not considered reflective of underlying business performance, and other expenses that are expected to be one-time or non-recurring. We use Adjusted EBITDA to facilitate a comparison of our operating performance on a consistent basis from period to period and to provide for a more complete understanding of factors and trends affecting our business. In addition, Adjusted EBITDA is utilized by certain financial institutions to measure borrowing capacity. Adjusted EBITDA is not an IFRS measure. For more information on how Adjusted EBITDA is calculated, see below.

	Three month period ended June 30		**Six month period ended June 30**	
	2021	**2020**	**2021**	**2020**
	$ millions	**$ millions**	**$ millions**	**$ millions**
EBITDA	**(1.4)**	**10.8**	**62.3**	**23.2**
Add:				
Net impact of foreign exchange, change in fair value of derivatives, change in fair value of conversion option, and share of associate losses	(16.1)	(11.8)	(40.4)	10.5
Share based compensation	55.5	1.1	58.1	1.5
External acquisition expenses[1]	1.7	1.2	2.7	2.8
COVID-19 costs[2]	1.0	(0.8)	1.9	4.0
Change in fair value of contingent consideration[3]	0.2	(1.3)	(3.8)	(11.2)
IPO costs	7.7	-	13.7	-
Other corporate costs[4]	0.3	0.7	0.9	0.8
Adjusted EBITDA	**48.9**	**(0.1)**	**95.4**	**31.6**
Adjusted EBITDA Margin	*18.7%*	*(0.2%)*	*18.8%*	*13.4%*

1. Represents advisory fees, as well as other expenses paid to third parties, related to acquisition activities which are excluded as these costs are incurred only once in connection with each acquisition by the Company and are not related to underlying business operations of the Company.

2. Represents costs incurred as a result of the COVID-19 pandemic that are not expected to recur, including enhanced employee benefits, retrofitting expenses, payments to safety consultants and retention payments to staff, net of subsidies received under the Canada Emergency Wage Subsidy.

3. Represents the reversal of income (expense) recorded during the period, where such income (expense) resulted from a difference between the actual payment by us during such period under an earn-out and the originally estimated amount of such payment.

4. Represents costs that are not expected to recur related, as applicable, to the implementation of new corporate systems and vendor consolidations.

Adjusted EBITDA Margin

"Adjusted EBITDA Margin" means Adjusted EBITDA *divided by* revenue. Adjusted EBITDA Margin is not an IFRS measure.

PF Revenue

"PF Revenue" in respect of a period means revenue for that period plus the estimated impact of the COVID-19 related closures on the Company's revenue for that period plus the Company's estimate of the additional revenue that it would have recorded if it had acquired each of the practices that it acquired during that period on the first day of that period, in each case calculated in accordance with the methodology described in the reconciliation table below.

	LTM, June 30, 2021
	(expressed in millions of dollars)
Revenue	938.8
Add:	
COVID-19 adjustment[5]	8.5
Acquisition adjustment[6]	89.9
PF Revenue	1,037.2

5. Revenue for the LTM ended June 30, 2021 was impacted by the global COVID-19 pandemic. Beginning on March 15, 2020, most practices within the Company's network were limited to emergency-only services. The Company estimates that the impact of the COVID-19 related closures on its revenue for LTM ended June 30, 2021 was $8.5 million. For more information on the methodology used by the Company to estimate this impact, see the Company's MD&A for the three and six-month periods ended June 30, 2021 filed on SEDAR.

6. The Company regularly acquires dental practices and estimates that if it had acquired each of the practices that it acquired during the LTM period ended June 30, 2021, it would have recorded additional revenue of $89.9 million. These estimates are based on the amount of revenue budgeted by us to be earned by the relevant practices at the time of their acquisition by us. There can be no assurance that if we had acquired these practices on the first day of the applicable fiscal period, they would have actually generated such budgeted revenue, nor is this estimate indicative of future results.

PF Adjusted EBITDA

"PF Adjusted EBITDA" in respect of a period means Adjusted EBITDA for that period plus the estimated impact of the COVID-19 related closures on the Company's Adjusted EBITDA for that period plus the Company's estimate of the additional Adjusted EBITDA that it would have recorded if it had acquired each of the practices that it acquired during that period on the first day of that period, in each case calculated in accordance with the methodology described in the reconciliation table below. PF Adjusted EBITDA is utilized by certain financial institutions to measure borrowing capacity.

	LTM, June 30, 2021
	(expressed in millions of dollars)
Adjusted EBITDA	178.7
Add:	
COVID-19 adjustment[7]	5.0
Acquisition adjustment[8]	23.0
PF Adjusted EBITDA	206.7

7. Adjusted EBITDA for the LTM ended June 30, 2021 was impacted by the global COVID-19 pandemic. Beginning on March 15, 2020, most practices within the Company's network were limited to emergency-only services. The Company estimates that the impact of the COVID-19 related closures on its Adjusted EBITDA for LTM ended June 30, 2021 was $5.0 million. For more information on the methodology used by the Company to estimate this impact, see the Company's MD&A for the three and six-month periods ended June 30, 2021 filed on SEDAR.

8. The Company regularly acquires dental practices and estimates that if it had acquired each of the practices that it acquired during the LTM period ended June 30, 2021, it would have recorded additional Adjusted EBITDA of $23.0 million. These estimates are based on the amount of Practice-Level EBITDA budgeted by us to be earned by the relevant practices at the time of their acquisition by us. There can be no assurance that if we had acquired these practices on the first day of the applicable fiscal period, they would have actually generated such budgeted revenue, nor is this estimate indicative of future results.

Same Practice Sales Growth

"Same Practice Sales Growth" in respect of a period means the percentage change in revenue derived from Established Practices (other than Legacy Specialty Practices) in that period as compared to revenue from the same practices in the corresponding period in the immediately prior year (or, where indicated, the corresponding period in an earlier year). A practice will be deemed to be an "Established Practice" in a period if it was operating as part of dentalcorp for the entirety of the relevant period and for the entirety of the corresponding period in the immediately prior year. A "Legacy Specialty Practice" means a practice acquired prior to mid-2014 using a legacy deal structure that is no longer utilized today

Forward Looking Statements

This news release includes forward-looking information and forward-looking statements within the meaning of applicable Canadian securities legislation, including the *Securities Act* (Ontario) (collectively, "forward-looking statements"), which reflect management's expectations regarding the Company's future growth, results from operations (including, without limitation, future expansion and capital expenditures), performance (both operational and financial) and business prospects, future business plans and opportunities. Wherever possible, words such as "plans", "expects", "scheduled", "budgeted", "projected", "estimated", "timeline", "forecasts", "anticipates", "suggests", "indicative", "intend", "guidance", "outlook", "potential", "prospects", "seek", "strategy", "targets" or "believes", or variations of such words and phrases or statements that certain future conditions, actions, events or results "will", "may", "could", "would", "should", "might" or "can", or negative or grammatical versions thereof, "be taken", "occur", "continue" or "be achieved", and other similar expressions, have been used to identify forward looking statements. Such forward-looking information includes, but is not limited to, the forward-looking information related to the Canadian dental industry; addressable markets for our services; expectations regarding our revenue and our revenue generation potential; our business plans and strategies; and our competitive position in our industry.

Forward-looking statements are necessarily based upon management's perceptions of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by management as of the date on which the statements are made, are inherently subject to significant business, economic and competitive uncertainties and contingencies which could result in actions, events, conditions, results, performance or achievements to be materially different from those

projected in the forward-looking statements. Such factors and assumptions include, but are not limited to, the Canadian dental industry; our ability to retain key personnel, our ability to maintain and expand geographic scope; our ability to execute on our business plans and strategies; our ability to obtain and maintain existing financing on acceptable terms; changes in laws, rules, regulations and global standards; the extent of the impact of COVID-19 on our operations and overall financial performance and other factors listing under the heading Risk Factors in the Company's supplemented PREP Prospectus dated May 27, 2021. While we consider these assumptions to be reasonable, many assumptions are based on factors and events that are not within our control and there is no assurance that they will prove to be correct.

By their nature, forward-looking statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. Known and unknown risk factors, many of which are beyond the control of the Company, could cause actual results to differ materially from the forward-looking statements. Such risks include, but are not limited to, our potential inability to successfully execute our growth strategy and complete additional acquisitions; our dependence on the integration and success of our acquired dental practices; the potential adverse effect of acquisitions on our operations; our dependence on the parties with which we have contractual arrangements and obligations; changes in relevant laws, governmental regulations and policy and the costs incurred in the course of complying with such changes; competition in the dental industry; increases in operating costs; the risk of difficulty complying with public company reporting obligations; and the risk of a failure in internal controls.

Although we have attempted to identify important factors that could cause actual actions, events, conditions, results, performance or achievements to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events, conditions, results, performance or achievements to differ from those anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future, as at the date they are

provided. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law. Accordingly, investors should not place undue reliance on forward-looking statements. All of the forward-looking statements are expressly qualified by the foregoing cautionary statements.

About dentalcorp

dentalcorp is Canada's largest and fastest growing network of dental practices, committed to advancing the overall well-being of Canadians by delivering the best clinical outcomes and unforgettable experiences. dentalcorp acquires leading dental practices, uniting its network in a common goal: to be Canada's most trusted healthcare network. Leveraging its industry-leading technology, know-how and scale, dentalcorp offers professionals the unique opportunity to retain their clinical autonomy while unlocking their potential for future growth. Learn more http://www.dentalcorp.ca

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For further information: For investor inquiries, please contact: 416.558.8338 x 116, investors@dentalcorp.ca

Related Links

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