

## Dentalum Financial Update for bond investors Pro forma basis as per September 30, 2021

Historic reference periods are restated on a pro forma basis, including 17 clinics, of which acquisitions of two clinics were completed during the third quarter of 2021

*Please see Dentalum Operations AB (publ) Interim report Q3 2021, for the statutory accounts.*

## Introduction - Q3 and last twelve months as per September 30, 2021

During the third quarter of 2021, Dentalum acquired two additional clinics. In total, acquisition of five clinics have been completed during 2021. Eleven clinics were acquired during 2020 and one clinic in 2019.

As per September 30, 2021, total 17 clinics, operating in thirteen legal entities, are consolidated in the statutory Balance sheet.

This financial update is prepared for Dentalum's bond investors, where financials are prepared on a pro forma ("PF") basis as if all 17 clinics, operating in the legal entities below, had been part of the Dentalum group during the historic reference periods.

### Consolidated clinics as per September 30, 2021

#### *Acquired in 2019*

Moberg-Stenberg AB

#### *Acquired in 2020*

Ludvikatandläkarna AB – two clinics

Dentalum Tandvårdsteam AB

Kungsfors Tandvård AB

Borås Tandvård AB

Kinna Tandvård AB

Sthlm Dental Clinics AB – three clinics

City Dental i Stockholm AB

Vesalis Dental AB

#### *Acquired in Q2 2021*

Tareqs klinik AB

Solna Dental AB

Solna Dental Arenatandläkarna AB

Stångå Tandklinik AB – two clinics

All amounts in this report are in MSEK, unless otherwise stated.

The pro forma financials are presented, based on the information available to management and, to the best of knowledge at the time of preparing the material.

Clinics PF LTM and quarterly historic development for periods prior to Dentalum's acquisitions, may differ from final statutory accounts, since dental clinics accounting, pre-Dentalum, was "cash based" and complete Income statement and Balance sheet were only established on an annual basis.

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## MANAGEMENT'S COMMENTS

### **Continued execution on our growth strategy through M&A**

Dentalum has had an active third quarter. We continued to execute on our growth strategy through M&A, and acquired five clinics, of which the acquisition of two clinics were completed during the quarter – the acquisition of Stångå Tandklinik AB, operating two clinics in Linköping and Mjölby, thereby expanding Dentalum's presence into a seventh region – Östra Götaland.

In addition to completed acquisitions, Dentalum signed SPAs with three additional clinics closed in November. One of the clinics is the well-renowned Dentalakademin located centrally in Stockholm. The founder and clinic head, Erik Lennartsson, is considered one of Northern Europe's leading dentists within implant and soft tissue surgery. The two other clinics, located in Stockholm and Gothenburg, form together Estetikcenter. Estetikcenter were founded by the experienced dentists Amir Pirhayati and Maziar Nekoui who are in the forefront of non-prep veneers that are applied without the need for grinding of the tooth enamel. The five clinics add great value to the group as they complement the existing knowledge base, geographical coverage and patient offering.

In less than two years Dentalum has grown from one clinic in region Halland to a total of 20 clinics, of which in total 17 clinics were completed by the end of the quarter.

Please see section "Dentalum M&A update" on page 11 for an update on the acquisitions for which we have signed SPAs and LOIs.

### **Strengthened capital structure and successfully issuing a bond tap issue**

We have strengthened our capital structure to further finance the upcoming acquisitions. Dentalum's shareholders contributed additional equity of SEK 46.2 million. In addition to equity contributions, Dentalum successfully issued a bond of SEK 100 million within our existing bond framework of SEK 600 million. We are very grateful for the investor confidence which is demonstrated in the oversubscribed tap issue by 2.5x.

### **Dentalum announced financial targets and plans for public listing**

We are approaching year-end with high M&A activity, and we are well positioned from both a financial and strategic standpoint. We are also confident that we can deliver a continued strong performance, which is reflected in Dentalum's financial targets announced on November 22nd. We have a target to reach SEK 280 million in adjusted proforma EBITDA before end of 2024 while maintaining a sustainable and high profitability with an EBITDA-margin exceeding 20%.

We are also pleased to share the news of our intention to list Dentalum Group AB's shares on a regulated market or multilateral trading platform (MTF) within 18 months. This will enable Dentalum to further execute on our acquisition strategy as well as to strengthen our organization.

## SIGNIFICANT EVENTS

### During the third quarter

- On August 17, Dentalum Operations AB (publ) published a Prospectus regarding admission to trading on the corporate bond list of Nasdaq Stockholm of the SEK 300 million Senior Secured Callable Fixed Rate Bonds, maximum SEK 600 million, (ISIN: SE0013914462), initially issued and listed on the Frankfurter Börse in October 2020. Nasdaq Stockholm AB has, pursuant to Chapter 13, Section 3 of the Securities Market Act (2007:528), approved the admission to trading of the Dentalum bonds.
- On September 27, Dentalum completed the acquisition of Stångå Tandvårds AB, operating two clinics in Linköping and Mjölby respectively, with total annual revenues of SEK 20.5 million (FY 2020) and eighteen employees.
- Dentalum signed share purchase agreements to acquire three additional clinics to be closed in November 2021.
- On September 29, Dentalum Operations AB (publ) successfully issued additional SEK 100 million of senior secured bonds – a “tap issue”, under the total framework of SEK 600 million. The tap issue attracted strong demand and was significantly oversubscribed, leading to issuance at a price of 104 per cent corresponding to an effective yield of 5.67 per cent until maturity (October 2023).
- The capital structure was further strengthened by shareholder´s contribution, amounting to SEK 46.2 million in total, which together with the bond issue, is intended to be used to finance additional acquisitions.

### After the third quarter

- *On October 6, settlement of the net proceeds from the bond issue was completed. (to be noted that the additional debt of SEK 100 million is consequently not included in the Q3 balance sheet.) The bonds were subsequently admitted to trading on Nasdaq Stockholm*
- *On October 7, Dentalum announced signing a Share Purchase Agreement to acquire Estetikcenter Göteborg AB, specializing in esthetic dental care. Estetikcenter operates two dental clinics, one founded in 2018 in Göteborg and the other clinic was established in Stockholm during 2021.*
- *On November 1, the acquisition of Erik Lennartsson AB (“Dentalakademin”) was completed. The company, located in Stockholm, operates one clinic, specializing in surgery, where the revenue streams mainly derive from referred surgery patients from other clinics. The clinic has nine employees and annual revenues was SEK 20.6 million FY 2020.*
- *On November 12, Dentalum announced signing a Share Purchase Agreement to acquire Tandläkarhuset Enköping, in the Uppsala region, thereby expanding to an eighth region.*
- *On November 22, Dentalum announced financial targets for the period 2022-2024 for the group and the considering of a new issue of share through a private placement in Dentalum Group AB to a limited group of investors. A number of existing shareholders, as well as members of Management and Board, have undertaken to subscribe for approx. 30% of the total offering size of approximately SEK 120 million.*  
 The financial targets reflect both the industry development and the groups projected organic and acquisition- based growth. Dentalum´s target is to reach SEK 280 million in proforma and adjusted EBITDA by the end of 2024, and to keep a sustainable and high profitability exceeding an average annual adjusted EBITDA-margin of 20%.

*In connection with this, the Board of Directors of Dentalum Operations AB (publ) stated its intention to list the shares of Dentalum Group AB on a regulated market or multilateral trading platform (MTF) within 18 months.*

## CAPITAL STRUCTURE AND CREDIT METRICS

### Net leverage decreased in Q3 2021, supported by continued acquisitions at sound valuation, as well as shareholder's contributions, of which SEK 30 million paid in cash during the quarter.

During the third quarter of 2021, Dentalum Operation AB (publ) strengthened its equity position as shareholder contributions of SEK 46.2 million was received in connection with the acquisition, completed during the period, as well as from the main ultimate owners. The acquisition of Stångå Tandvård AB, completed on September 27, was financed by cash on balance sheet.

- Interest-bearing liabilities, as per September 30, 2021, consolidated balance sheet, amounts to SEK 331.3 million (36.6) including accrued interest of 11.6 million and 19.1 million of lease liabilities (lease contracts reclassified as debt as per IFRS16).
- Total equity as per September 30, 2021, amounts to 144.9 million (73.0) which is an increase of 43.4 million during the third quarter. Since the start of Dentalum in 2019, shareholder contributions amounting to a total of 160.3 million have been injected, of which 63.8 million was contributed in 2021.
- Total cash position, as per September 30, 2021, financial statements, amounts to 108.3 million (34.0) of which the total amount is non-restricted cash. During the third quarter, the remaining SEK 21.4 million of the escrow funds, designated for add-on acquisitions and earn-out payments was utilized for financing of the recent acquisition.
- Pro forma net debt, calculated as per the definition in the Senior Secured Bond Terms & Conditions, amounts to 232.1 million, consisting of interest-bearing debt incl. accrued interest of 312.0 million, cash balance of 108.3 million, IFRS16 adjustments for lease liabilities amounting to 19.1 million, and a net of provisions for deferred purchase price, earn-outs and related shareholder contributions of 9.2 million.
- Net leverage, as per the balance sheet of September 30, 2021, including the pro forma LTM09/21 EBITDA of the two clinics acquired in Q3, is 3.72x EBITDA, where net debt is 232.1 million and consolidated pro forma Group adj. EBITDA is 62.4 million. The main reason for the improvement in net leverage in Q3 is the shareholders contribution of total SEK 46.2 million.

Credit metrics / Pro forma ("PF") components	Dec. 31, 2020 <sup>3,4)</sup>	March 31, 2021 <sup>4)</sup>	June 30, 2021 <sup>5)</sup>	Sept 30, 2021 <sup>6)</sup>
<b>Leverage ratios <sup>1)</sup></b>				
<b>Net Debt / EBITDA</b>	<b>4.45x</b>	<b>4.49x</b>	<b>3.98x</b>	<b>3.72x</b>
Gross Debt / EBITDA	9.61x	9.43x	6.26x	5.75x
<b>Cash &amp; cash equivalents</b>	<b>181.4</b>	<b>174.5</b>	<b>110.5</b>	<b>108.3</b>
of which on escrow	94.9	88.6	21.2	-
Gross Debt <sup>2)</sup>	372.1	368.0	354.2	358.8
<b>Net Debt</b>	<b>172.3</b>	<b>175.1</b>	<b>225.3</b>	<b>232.1</b>
<b>PF Group EBITDA</b>	<b>38.7</b>	<b>39.0</b>	<b>56.6</b>	<b>62.4</b>
Equity	87.7	84.3	101.5	144.9

1) Pro forma credit metrics as per definitions in Bond Terms & Conditions

2) Incl. IFRS lease liabilities, deferred purchase price, provisions for earn-outs

3) EBITDA LTM, incl 2.3m one-off write-down of accounts receivables recorded in one clinic, prior to Dentalum's acquisition

4) December 31, 2020, and March 31, 2021, credit metrics including PF EBITDA of 12 clinics.

5) June 30, 2021, including PF EBITDA of 15 clinics.

6) September 30, 2021, including PF EBITDA of 17 clinics.

## SUMMARY OF Q3 AND LTM09/21 – PRO FORMA 17 CLINICS

On a proforma basis, including the two clinics acquired in September 2021, there has been a stable recovery in net sales and EBITDA since the pandemic year 2020. Clinics profitability reached 23.2% in on an LTM09/21 basis.

### Clinics Pro forma revenues and profitability

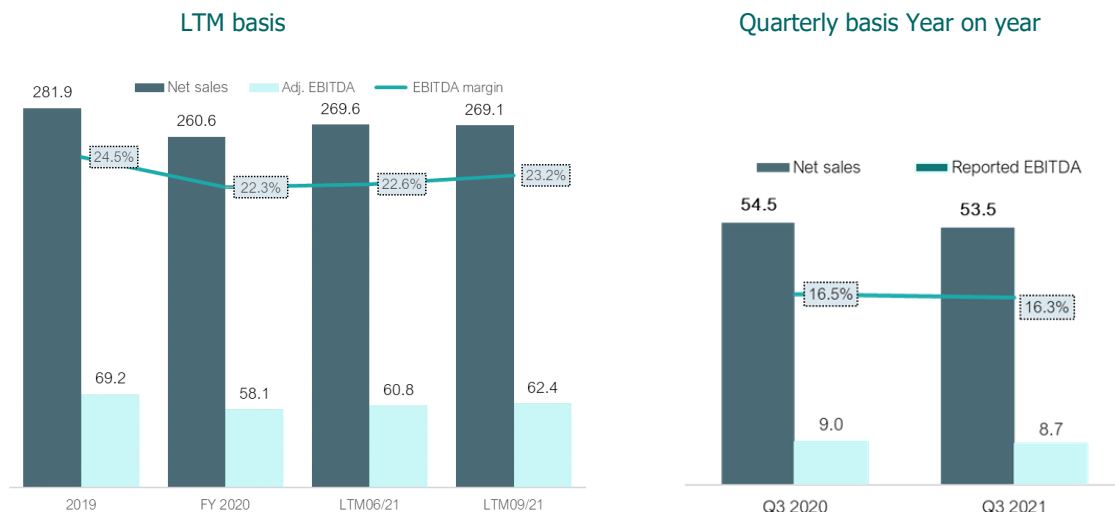
#### Q3 2021

- Net sales in the third quarter declined by SEK 1 million to SEK 53.5 million versus the same quarter previous year. (54.5), due to somewhat longer holidays.
- Reported EBITDA development was SEK 8.7, in line with the third quarter previous year (9.0)
- Due to summer holiday period, the third quarter profitability is normally lower than other periods. Q3 2021 EBITDA margin was 16.3%, which is in line with Q3 2020, of 16.5%.

#### Last twelve months – LTM09/21

- Net sales, on an LTM basis was stable at SEK 269.1 million LTM09/21 versus LTM06/21 but increased by 3.3% versus FY 2020 of SEK 260.6 million.
- Clinics pro forma adjusted EBITDA has demonstrated a steady recovery since the Covid-19 vaccination program was rolled out as from Q2 2021, increasing to SEK 62.4 million compared to SEK 58.1 million in 2020.
- Profitability in the clinics has been sustainable well above 20% of EBITDA margin, even during the pandemic periods and increased to 23.2% in LTM09/21 which demonstrates the resilience, considering that the last twelve months still include about six months of various restrictions due to the pandemic.

### Development of Clinics proforma net sales and profitability, 17 clinics incl. completed acquisitions in Q3 2021

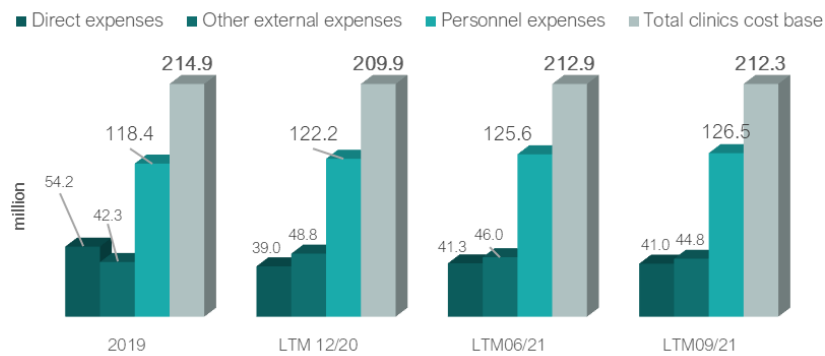


*Clinics PF LTM and quarterly historic development for periods before date of Dentalum's acquisitions, may differ from final statutory accounts, since dental clinics accounting, pre-Dentalum, are "cash based" and a complete set of statements established only on annual basis.*

### Development of costs - Clinic cost base pro forma

#### LTM09/2021

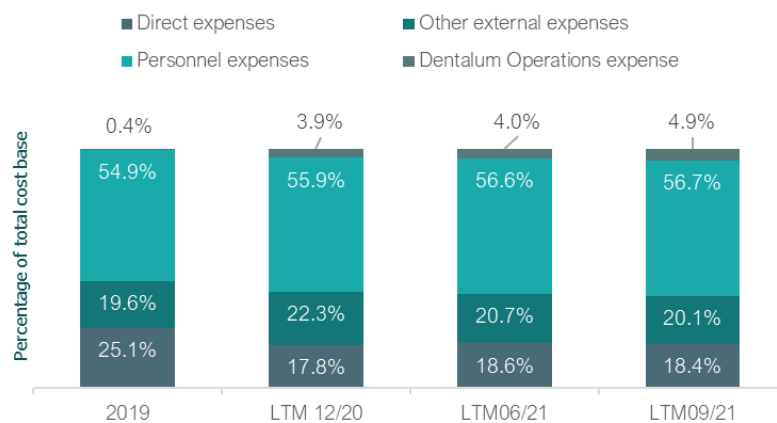
- Total expenses on an LTM basis were stable, reaching SEK 212.3 million LTM09/21 versus SEK 212.9 million LTM06/21.
  - Direct expenses are in line with the development of patient inflow and revenues in the clinics, reaching SEK 41 million compared to SEK 39 million in 2020 and SEK 54.2 million pre-pandemic in 2019. As a percentage of net sales, direct expenses have decreased to around 15% during 2020 and 2021, compared to 19.2% in 2019, due to negotiation of more favorable supplier terms.
  - Other external expenses, including fixed costs as rental of premises, insurances etc., corresponding to 16.7% of net sales, has been reduced compared to previous LTM periods, mainly due to lower costs for maintenance and services. LTM09/21 other external expenses amounted to SEK 44.8 million compared to SEK 48.8 million in 2020.
  - Personnel, being our most valuable resource, of which the expense is the largest part of our costs, reaching SEK 126.5 million on an LTM 09 basis, corresponding to 47% of net sales. Clinics personnel costs are increasing in line with the increase in patient inflow and revenues, as part of the remuneration is commission based. Furthermore, certain clinics have flexibility in employing dental consultants to adjust to variances in demand for treatments.



### Total cost break-down - % of total costs

- The cost break-down is in line with previous periods, with personnel costs representing the largest cost category. However, the relative cost break-down has improved where direct expenses and other external expenses has decreased, as a percentage of total costs.
  - Direct costs 18.4% of total cost base.
  - Other external expenses 20.1% of total cost base
  - Expenses for personnel 56.7% of total cost base.
  - Overhead costs for Dentalum Operations, correspond to 4.9% of the total operating cost base.

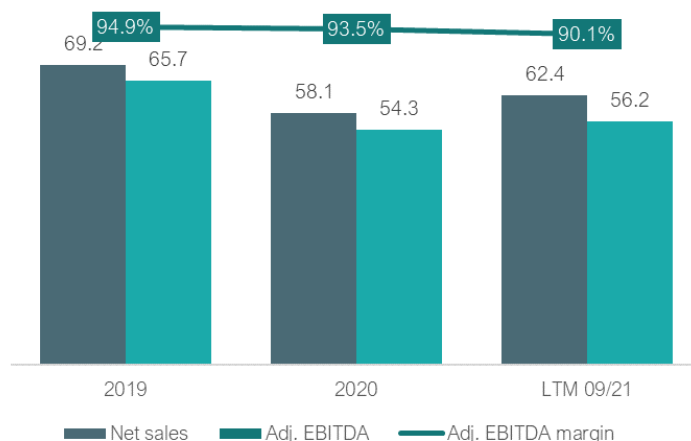
#### Cost profile 17 clinics and Group overhead costs



## Clinics operating cash flow

Cash conversion in the clinics continues to be at high levels above 90% in LTM09/2021

- Pro forma pre-tax cash flow from clinics operations increased to 56.2 million in LTM09/21 compared to 54.3 million FY 2020, in line with the increase in revenues and EBITDA.
- Clinics cash conversion is 90.1% in LTM09/21, slightly lower than previous periods, which is mainly related to increase in inventory to meet the increase in demand for certain treatments post pandemic periods, as well as capex and accounting accrual effects in the two clinics acquired in September 2021.



- Cash flow from change in net working capital is generally low and was negative 1.4 million of which the main impact was increase in inventory in 2021.
- Cashflow related to capital expenditures for the period LTM9/2021 amounted to 4.8 million, which relates to maintenance capex and improvements in leased premises in the most recent acquired clinics. However, compared to the periods before the pandemic, capex is still somewhat lower and is expected to increase in the next coming periods.
- Recurring capital expenditures in the dental sector is relatively low at about 1.5%-2% of revenues.

	Pro forma 17 clinics, incl. completed acquisitions		
SEKm	2019	2020	LTM 09/21
<i>Operating cash flow from:</i>			
<b>Adj. PF Clinic Cash EBITDA</b>	<b>69.2</b>	<b>58.1</b>	<b>62.4</b>
Δ Inventory	-1.7	-2.6	-4.5
Δ Accounts receivable	1.9	1.3	2.2
Δ Other receivables	-0.1	1.3	2.1
Δ Prepayments and accrued income	-0.4	0.4	1.3
<b>Δ Current assets</b>	<b>-0.3</b>	<b>0.5</b>	<b>1.1</b>
Δ Advance payments from customers	-0.4	-0.2	0.4
Δ Accounts payable	1.1	-0.6	-0.5
Δ Other payables	1.5	-0.8	-2.6
Δ Prepaid expenses and accrued liabilities	0.5	1.3	0.2
<b>Δ Current liabilities</b>	<b>2.7</b>	<b>-0.3</b>	<b>-2.5</b>
Δ Other cash flow items	0.3	0.0	0.0
<b>Δ Adj. working capital</b>	<b>2.7</b>	<b>0.2</b>	<b>-1.4</b>
Capex <sup>1)</sup>	-6.2	-4.0	-4.8
<b>Pre-tax operating cash flow</b>	<b>65.7</b>	<b>54.3</b>	<b>56.2</b>
<i>Cash conversion</i>	94.9%	93.5%	90.1%

1) Pro forma 17 clinics not incl. Parent company activities  
Capex computed as change in gross value of fixed assets



**Pro forma Group Income statement - including acquisitions completed as per September 30, 2021**
**Including 17 clinics, Dentalum Operations expenses and IFRS adjustments**

- Pro forma Group adjusted EBITDA LTM 09/21 amounted to 62.4 million, which relates to increase in net sales while keeping expenses stable. Adjustments are related to findings in the due diligence processes for items in the income statements that are not relevant to the dental services operations acquired by Dentalum, such as normalizations of salaries and non-recurring expenses.
- Reclassification of lease contracts, mainly for premises, (IFRS16) had a positive impact on EBITDA of 10.8 million.
- Dentalum Operation expenses, consisting of head office expenses and certain M&A transaction costs, amount to 10.9 million.
  - The increase, in line with plan, relate to the fast growth through M&A and the establishment of the head office functions, which during the full year of 2020 consisted of only four employees (the management team) and increased to eight employees as per September 2021.
  - Dentalum´s strategy is decentralized responsibility to the clinics, and the objective is to keep the central head office organization slim. The only functions that are centralized are Finance and payroll administration, for which certain costs are re-invoiced to the clinics.

**Last twelve months development – including LTM09/2021 – pro forma 17 clinics**

SEKm	2019	LTM 12/20	LTM06/21	LTM09/21
<b>Net sales</b>	<b>281.9</b>	<b>260.6</b>	<b>269.6</b>	<b>269.1</b>
Other operating income	1.1	7.3	3.2	1.6
<b>Total income</b>	<b>283.0</b>	<b>267.9</b>	<b>272.8</b>	<b>270.7</b>
<b>Operating Expenses</b>	<b>-214.9</b>	<b>-209.9</b>	<b>-212.9</b>	<b>-212.3</b>
Direct expenses	-54.2	-39.0	-41.3	-41.0
Other external expenses	-42.3	-48.8	-46.0	-44.8
Personnel expenses	-118.4	-122.2	-125.6	-126.5
<b>Reported EBITDA</b>	<b>68.1</b>	<b>58.0</b>	<b>59.9</b>	<b>58.4</b>
<i>DD and management adjustments</i>	1.1	0.1	0.9	4.0
<b>PF Adjusted Clinic EBITDA</b>	<b>69.2</b>	<b>58.1</b>	<b>60.8</b>	<b>62.4</b>
Dentalum Operations expenses	-0.9	-8.5	-8.9	-10.9
IFRS adjustments	7.1	8.1	10.8	10.8
<b>PF Group EBITDA</b>	<b>75.4</b>	<b>57.7</b>	<b>62.7</b>	<b>62.3</b>

KPIs	2019	LTM 12/20	LTM06/21	LTM09/21
<i>Change in net sales</i>		-7.5%	3.4%	-0.2%
<i>Change in Reported Clinic EBITDA</i>		-14.8%	3.3%	-2.5%
<i>Change in PF Mgmt Adj Clinic EBITDA</i>		-16.0%	4.6%	2.6%
<b>Reported EBITDA - margin</b>	<b>24.1%</b>	<b>22.2%</b>	<b>22.2%</b>	<b>21.7%</b>
<b>PF Clinic adjusted EBITDA-margin</b>	<b>24.5%</b>	<b>22.3%</b>	<b>22.6%</b>	<b>23.2%</b>
<i>PF expenses as a %-age of net sales</i>				
Direct expenses %	-19.2%	-15.0%	-15.3%	-15.2%
Other external expenses %	-15.0%	-18.7%	-17.1%	-16.7%
Personnel expenses %	-42.0%	-46.9%	-46.6%	-47.0%

1) Dentalum Operations expenses including HQ and M&A transaction costs  
2) IFRS 16 PF assessment of lease contracts

## Q3 2021 compared to Q3 2020

SEKm	Q3 2020	Q3 2021
<b>Net sales</b>	<b>54.5</b>	<b>53.5</b>
Other operating income	1.3	-0.3
<b>Total income</b>	<b>55.8</b>	<b>53.2</b>
<b>Operating Expenses</b>	<b>-46.8</b>	<b>-44.5</b>
Direct expenses	9.8	9.4
Other external expenses	9.7	7.1
Personnel expenses	27.3	28.0
<b>Clinics reported EBITDA</b>	<b>9.0</b>	<b>8.7</b>

KPIs	2019	LTM 12/20
<i>Change in net sales</i>		-1.9%
<i>Change in Reported Clinic EBITDA</i>		-3.8%
<b>PF Clinic EBITDA-margin</b>	<b>16.5%</b>	<b>16.2%</b>
PF Group EBITDA-margin		
Direct expenses %	17.9%	17.7%
Other external expenses %	17.8%	13.2%
Personnel expenses %	50.0%	52.4%

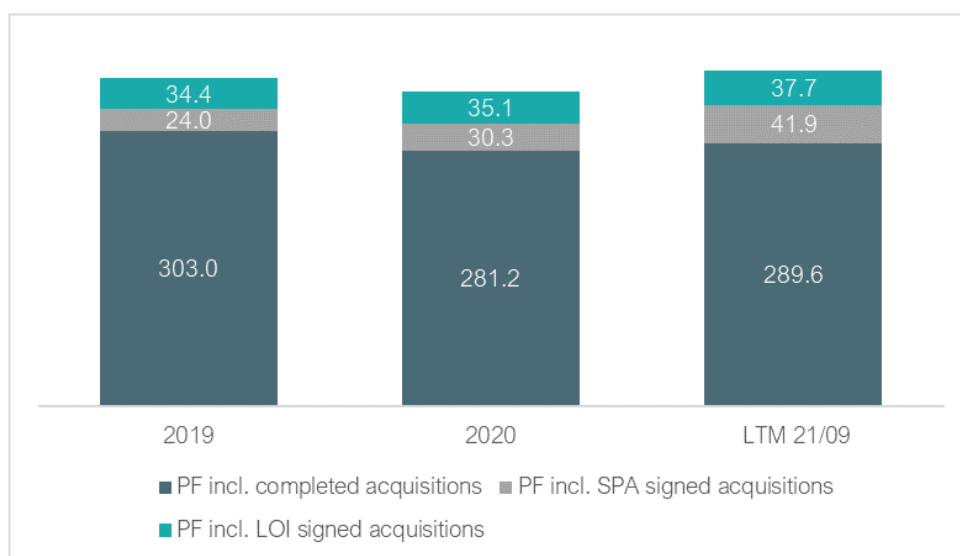
## Dentalum M&A Update as per November 29, 2021:

To strengthen the capital structure and finance upcoming acquisitions, as announced on November 22nd, Dentalum is currently contemplating a new share issue through a private placement in Dentalum Group AB to a limited group of investors.

As per November 29, Dentalum has completed acquisitions of 18 clinics, signed SPAs with three more clinics, two of which will be closed November 30 and one to be completed in February 2022, as well as signed LOIs to acquire three additional clinics.

Including signed SPAs and LOIs, the Group's 24 clinics generated annual combined net sales of SEK 369,2 million and EBITDA of SEK 98,1 million on a pro forma basis.

Pro forma Net sales, including completed acquisitions, SPA signed acquisitions and LOI signed acquisitions



Pro forma Adjusted EBITDA, incl. completed acquisitions, SPA signed acquisitions and LOI signed acquisitions

