

Dentalum Operations AB (publ.) Interim Report

First Quarter of 2021 – unaudited

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Management's comments:

The Dentalum Operations AB (publ) ("Dentalum"), founded in 2019, is a fast-growing full-service dental service organization ("DSO") performing general-, aesthetic-, cosmetic-, and specialist dentistry.

The interim report for the first quarter of 2021 of Dentalum Operations AB (publ.) includes consolidation of twelve dental clinics, operating in nine legal entities in five regions in Sweden: Halland, Dalarna, Stockholm, Västra Götaland and Jönköping. Eleven of the twelve clinics were acquired during 2020, of which five during November-December.

Dentalum has focused on integrating the recent acquisitions while continuing to explore growth opportunities and to further strengthen the M&A pipeline. To mitigate the effects from Covid-19 and keep margins intact, Dentalum's clinics continued to work proactively with cost control. Dentalum HQ hired an HR-manager responsible for key HR processes and administration as well as support in talent acquisitions and recruitments to the clinics. Although Covid-19 continued to have an impact on the dental market during the first quarter of 2021, patient inflow started to increase again towards the end of the first quarter as more patients received their vaccine. As a result, Dentalum's clinics have strengthened their care teams and recruited skilled dental care personnel in order to meet a pent-up demand.

Financial highlights for the first quarter of 2021

- Reported operating revenues during the first quarter amounted to SEK 49.7 million (1.4). The increase in quarterly revenues compared to the same quarter in 2020, is mainly due to acquisitions of eleven dental clinics during the second, third and fourth quarters of 2020.
- EBITDA reached SEK 9.7 million (-0.5) of which SEK 12.7 (0.6) million in the dental clinics and a loss of SEK 3 million (-1.1) in the Parent company, Dentalum Operations AB (publ.). Expenses in the Parent company consist of expenses for the head office of the Dentalum group, including transaction expenses related to M&A activities.
- Cash flows from operations amounted to SEK 6.6 million (-0.2)
Net cash flows after investing and financing activities, was SEK – 6.9 million (3.4)

Capital structure and financing

During the first quarter of 2021, there has not been any changes to the financing of the Group. Long-term financing of the Dentalum group, was ensured during the fourth quarter of 2020 by the issuance of a SEK 300 million Senior Secured Fixed Rate Bond, with a tenor of three years. Long term financial liabilities as per March 31, 2021 amounts to SEK 315 million (0.4) consisting of SEK 300 million of bond debt, accrued interest and SEK 9.4 million of lease liabilities, reclassified according to IFRS.

Total Equity as per March 31, 2021 amounts to SEK 84.3 million (9.4), including shareholder contributions of, in total, SEK 96.5 million, strengthening the capital structure to finance the growth of Dentalum.

Covid-19

The Covid-19 pandemic and the restrictions imposed by the Public Health Agency of Sweden to mitigate the spreading of Covid-19 have continued during the first quarter of 2021. As a consequence of these prolonged restrictions, Dentalum´s clinics have seen a continued negative impact on patient inflow during the quarter, compared to the first quarter of 2020. However, there has been regional and monthly variations. Following the roll-out of vaccination programs, patient inflows are increasing and as a consequence of a build-up of need for treatment during 2020, we expect an increase in demand for dental care.

In order to mitigate the decline in revenues, related to the Covid-19 pandemic, the clinics have been able to keep sustainable profitability by adjusting expenses to the decrease in patient inflow.

Significant Events during the first quarter

There were no significant events in the first quarter.

Significant Events after the reporting period

In April 2021, Dentalum signed Share purchase agreements to acquire additional three dental clinics, of which one was executed on May 18, 2021.

In May 2021, Dentalum has strengthened the management team by recruiting a Chief Dental Officer ("CDO") with extensive experience, both as practitioner and as founder and former CEO of the dental service organization Oral Care in Sweden. The CDO will start full-time employment on August 16, 2021.

The Covid-19 pandemic is still ongoing, as well as the mitigating restrictions imposed by the Public Health Agency. However, in April and May, the Covid-19 vaccination program was rolled out on a broader scale, which has had a positive impact on the patient inflow in the Dentalum clinics.

Financial statements

The first quarter of 2021 interim unaudited consolidated financial statements of the Group include consolidation of the legal entities below, of which all were consolidated at year end of 2020. In the first quarter of 2020, only one clinic, Moberg-Stenberg AB, was part of the Dentalum group and included in the financial statements.

Acquired in 2019

Moberg-Stenberg AB – one clinic

Acquired in 2020

Ludvikatandläkarna AB – two clinics
Dentalum Tandvårdsteam AB – one clinic
Kungsfors Tandvård AB – one clinic
Borås Tandvård AB – one clinic
Kinna Tandvård AB – one clinic
Sthlm Dental Clinics AB – three clinics
City Dental i Stockholm AB – one clinic
Vesalis Dental AB – one clinic

FINANCIAL OVERVIEW

This interim report is presented, based on the information available to management, to the best of knowledge at the time of issue. For further information, please see section significant estimates and assumptions.

CONSOLIDATED GROUP

Dentalum Operations AB (publ) Financial Overview - Consolidated Group

(kSEK)	2021 Q1	2020 Q1	FY 2020
Operating revenue	49,689	1,438	57,934
EBITDA	9,679	-532	5,452
% of revenues	19.5%	-37%	9%
Net financial expenses	-6,725	-1	-7,637
Earnings before tax / EBT	-4,351	-552	-9,210
% of revenues	-9%	-38%	-16%
Income tax expenses	933	0	-162
Net Earnings	-3,419	-552	-9,371
Net Cash flow	-6,907	3,359	177,411
Cash flow from operations	6,552	-185	5,349
Cash flow from investing activities	-11,488	-606	-173,931
Cash flow from financing activities	-1,971	4,150	345,993
Net Cash/-Debt	-131,569	7,344	-118,260
Cash & cash equivalents	174,489	7,344	181,396
Interest bearing debt	306,058	-	299,657
Total Assets	485,891	11,455	493,760
Equity	84,315	9,378	87,733

Earnings

Net operating revenues

Reported operating revenue during the first quarter 2021 amounts to SEK 49.7 million (1.4). The increase in quarterly revenues compared to the same quarter in 2020, is mainly due to acquisitions of eleven dental clinics during the second, third and fourth quarters of 2020.

Operating expenses

Operating expenses during the first quarter of 2021 amounts to SEK 40.0 million (2.0), of which SEK 8.6 million are direct expenses for material utilized in the dental care service, SEK 6.9 million other external expenses and SEK 24.6 million of personnel expenses. The increase in expenses compared to the same quarter in 2020, relates to acquisitions of eleven dental clinics during the second, third and fourth quarters of 2020.

Financial expenses

Net financial expense of SEK 6.7 million (-) consists of interest expense and financing fees.

Earnings for the period

EBITDA (earnings before interest, tax, depreciation and amortization) amounts to SEK 9.7 million for the first quarter of 2021 (-0.5).

Net earnings after financial items and tax were negative SEK 3.4 million (-0.5).

Cashflow and Balance Sheet

Cashflow generated from operations before change in working capital amounts to SEK 6.8 million (-0.8).

Cash flow from changes in working capital was SEK -0.2 million (0.6).

Net cash flow from operations was SEK 6.6 million (-0.2).

Net cash flow used for investing activities was SEK 11.5 million (0.6), which mainly consist of payment of deferred purchase price related to acquisitions executed during 2020.

Total cashflow for the first quarter of 2021, including investments, was SEK – 6.9 million (3.4).

Net working capital utilized in Dentalum´s operations is generally low, supported by efficient cash management cycles. Net operating working capital was negative SEK 4.4 million (-0.1) at the end of the first quarter.

As per March 31, 2021, the Group´s liquid assets amount to SEK 174.5 million (7.3) and interest-bearing debt to SEK 306.1 million (-). Including IFRS reclassification of lease contracts of 17.4 million (SEK 0.5), Net interest-bearing debt amounts to SEK 148.9 million (6.8).

Overview Dentalum Consolidated Net Debt

<i>(kSEK)</i>	31/03/2021	31/03/2020	31/12/2020
Interest bearing liabilities	306,058	-	299,657
Cash and cash equivalents	174,489	7,344	181,396
Net Cash/- Interest bearing debt	-131,569	7,344	-118,260
Incl. IFRS16			
Lease liabilities	17,361	531	19,320
IFRS Net interest bearing debt	-148,930	6,813	-137,580

PARENT COMPANY FINANCIAL OVERVIEW

Dentalum Operations AB (publ)

<i>(kSEK)</i>	2021 Q1	2020 Q1	FY 2020
Operating revenues	664	-	1,107
EBITDA	-2,997	-1,070	-7,418
% of revenues			
Net financial expenses	-6,441	-1	-7,353
Earnings before tax / EBT	-9,439	-1,074	-13,772
% of revenues			
Income tax expenses	-	-	1,286
Net Earnings	-9,439	-1,074	-12,486
Net Cash flow	-14,228	4,168	140,569
Cash flow from operations	-3,090	624	-7,292
Cash flow from investing activities	-11,138	-606	-200,689
Cash flow from financing activities	-	4,150	348,550
Net Cash/-Debt	-177,290	6,032	-156,649
Cash & cash equivalents	128,206	6,032	142,434
Interest bearing debt	305,496	-	299,083
Total Assets	423,241	10,629	432,553
Equity	75,957	9,633	85,396

Net revenues

Dentalum Operations AB, the Parent company, serves as head office and acquisition vehicle of Dentalum. The head office functions were established in the beginning of 2020. Functions for HR and Finance are centrally managed and the operating revenues of SEK 0.6 million in the first quarter of 2021, (-) consist of intercompany invoicing of part of these administrative services.

Operating expenses

Operating expenses for the first quarter 2021 amount to SEK 3.7 million (1.1), consisting of expenses for the head office of the Dentalum group, including transaction expenses related to M&A activities.

Financial expenses

Net financial expense of SEK 6.4 million (-) consists of interest expense on bond debt of 5.8 million and financing expenses related hereto of SEK 0.6 million.

Earnings for the period

The Parent company had a net loss after tax of SEK 9.4 million in the first quarter of 2021 (-1.1), consisting of the income and expense items described above.

Cashflow and Balance Sheet

Cash used in the operations of the Parent company was 3.1 million (0.6).

Net cash flow used in investing activities was SEK 11.1 million (-0.6), which consist of payment of deferred purchase price related to certain acquisitions closed during 2020.

There were no cash flow items related to financing activities in the first quarter of 2021 whereas in Q1 of 2020 shareholder contributions and new share issue of SEK 4.2 million were effectuated.

Total net cashflow in the Parent company, during the first quarter of 2021 was negative SEK 14.2 million, (4.2) of which 11.1 million refers to payment of deferred purchase price related to acquisitions.

Other current liabilities of SEK 15.1 million (0.1) include deferred purchase price liabilities related to acquisitions executed in 2020.

Other provisions of SEK 23.7 million consist of deferred contingent considerations for acquisitions.

As per March 31, 2021, cash and cash equivalents in the Parent company amounts to SEK 128.2 million (6.0) and interest-bearing debt to SEK 305.5 million (-) including accrued interest and amortized financing expenses.

FINANCIAL STATEMENTS
Dentalum Operations AB (publ) Consolidated Income Statement

<i>(kSEK)</i>	2021 Q1	2020 Q1	FY 2020
Operating revenues			
Net revenues	49,161	1,438	56,422
Other operating revenues	527	0	1,512
Total operating revenues	49,689	1,438	57,934
Operating expenses			
Direct expenses	-8,592	-113	-11,052
Other external operating expenses	-6,856	-378	-10,846
Personnel expenses	-24,561	-1,479	-30,584
EBITDA	9,679	-532	5,452
Depreciations and amortizations	-7,305	-20	-7,025
Earnings before financial items and tax / EBIT	2,374	-552	-1,573
Financial items			
Income/expenses from shares in Group companies	-	-	-
Interest income/expenses and similar items	-6,725	-1	-7,637
Profit after financial items	-4,351	-552	-9,210
Appropriations	0	-	-
Earnings before tax / EBT	-4,351	-552	-9,210
Income tax expenses	933	-	-162
Net Earnings	-3,419	-552	-9,371

Dentalum Operations AB (publ.) Statement of Other Comprehensive Income – Group

<i>(kSEK)</i>	2021 Q1	2020 Q1	FY 2020
Net Earnings	-3,419	-552	-9,371
Other comprehensive income	-	-	-
Total comprehensive income for the period	-3,419	-552	-9,371

Dentalum Operations AB (publ.) Balance Sheet – Consolidated

(kSEK)

	31/03/2021	31/03/2020	31/12/2020
ASSETS			
Intangible assets	201,417	2,281	198,682
Customer relationships	63,184	-	67,630
Improvements on leasehold	3,339	-	3,378
Equipment and tools	4,843	87	4,900
Other fixed assets	537	2	587
Right of use assets	17,152	531	19,176
Tenant owned apartments	538	-	538
Non-current receivables	627	-	627
Deferred tax assets	1,286	-	1,286
Total non-current assets	292,923	2,901	296,803
Inventories	8,209	89	8,350
Accounts receivables	3,699	41	2,452
Other current receivables	1,822	294	1,567
Current tax assets	2,723	-	1,818
Prepaid expenses and accrued income	2,026	786	1,374
Cash and cash equivalents	174,489	7,344	181,396
Total current assets	192,968	8,554	196,957
TOTAL ASSETS	485,891	11,455	493,760
EQUITY AND LIABILITIES			
Share capital	500	500	500
Shareholders contributions	96,517	9,342	96,517
Retained earnings	-9,284	88	88
Profit/loss for the period	-3,419	-552	-9,371
Total Equity	84,315	9,378	87,733
Deferred tax	15,011	95	15,943
Other provisions	23,700	-	23,700
Total provisions	38,711	95	39,643
Long term liabilities			
Non-current interest bearing liabilities	305,496	-	299,083
Long term (IFRS) lease liabilities	9,318	390	11,515
Total long term liabilities	314,814	390	310,598
Short term liabilities			
Prepayments from customer	1,597	-	1,597
Accounts payables	6,580	876	4,668
Current interest bearing liabilities	562	-	573
Current (IFRS) lease liabilities	8,043	141	7,805
Current liabilities group companies	1	-	1
Current tax liabilities	1,398	113	3,094
Other current liabilities	20,416	221	28,641
Accrued expenses and prepaid income	9,454	239	9,406
Total short term liabilities	48,051	1,591	55,785
TOTAL EQUITY AND LIABILITIES	485,891	11,455	493,760

Dentalum Operations AB (publ.) Consolidated Statement of changes in equity

(kSEK)

	Share capital	Shareholders contributions	Retained earnings	Profit/loss for the period	Total Equity
Opening balance as of January 1, 2021	500	96,517	88	-9,371	87,733
Transfer of profit from previous year	-	-	-9,371	9,371	-
New share issue	-	-	-	-	-
Shareholder contributions	-	-	-	-	-
Profit/loss for the period	-	-	-	-3,419	-3,419
Closing balance as of March 31, 2021	500	96,517	-9,284	-3,419	84,315

Dentalum Operations AB (publ.) Cash Flow Statement – Consolidated

<i>(kSEK)</i>	2021 Q1	2020 Q1	FY 2020
Cash flow from operating activities			
Income before financial items (EBIT)	2,374	-552	-1,573
<i>Adjustments for non cash affecting items</i>	7,305	20	7,025
Interest received	-	-	3
interest paid	-312	-1	-1,357
Income tax paid	-2,601	-284	-1,814
Cash flow from operations before changes in working capital	6,766	-817	2,285
Cash flow from changes in working capital			
Change in inventories	141	-	-676
Change in operating receivables	-2,154	-115	2,575
Change in operating liabilities	1,799	747	1,165
Cash flow from changes in working capital	-214	632	3,065
Net cash flow from operations	6,552	-185	5,349
Cash flow from investing activities			
Acquisition of tangible assets	-690	-	-525
Acquisition of companies and shares	-10,798	-606	-173,406
Cash flow from investing activities	-11,488	-606	-173,931
Cash flow after investing activities	-4,936	-791	-168,582
Cash flow from financing activities			
New share issue	-	450	450
Shareholders contributions received	-	3,700	55,300
Net change in interest-bearing debt	-1,971	-	292,800
Amortization, lease liabilities	-	-	-2,557
Cash flow from financing activities	-1,971	4,150	345,993
Total cash flow for the period	-6,907	3,359	177,411
<i>Changes in cash and cash equivalents</i>			
Cash and cash equivalents at the beginning of the period	181,396	3,985	3,985
Cash and cash equivalents at the end of the period	174,489	7,344	181,396
<i>Summary</i>			
Cash flow from operations	6,552	-185	5,349
Cash flow from investing activities	-11,488	-606	-173,931
Cash flow from financing activities	-1,971	4,150	345,993
Total cash flow	-6,907	3,359	177,411

PARENT Financial Statements

Dentalum Operations AB (publ) Income Statement - Parent

<i>(kSEK)</i>	2021 Q1	2020 Q1	FY 2020
Operating revenues			
Net revenues	664	-	1,107
Other operating revenues	-	-	-
Total operating revenues	664	-	1,107
Operating expenses			
Direct expenses	-	-	-
Other external operating expenses	-1,963	-197	-3,613
Personnel expenses	-1,698	-873	-4,913
EBITDA	-2,997	-1,070	-7,418
Depreciations and amortizations	-1	-3	-1
Earnings before financial items and tax / EBIT	-2,998	-1,073	-7,419
Financial items			
Income/expenses from shares in Associated companies	-	-	-
Interest income/expenses and similar items	-6,441	-1	-7,353
Profit after financial items	-9,439	-1,074	-14,772
Appropriations	-	-	1,000
Earnings before tax / EBT	-9,439	-1,074	-13,772
Income tax expense	-	-	1,286
Net Earnings	-9,439	-1,074	-12,486

Dentalum Operations AB (publ.) Balance Sheet – Parent

(kSEK)	31/03/2021	31/03/2020	31/12/2020
ASSETS			
Intangible assets	-	-	-
Equipment and tools	11	10	12
Shares in group companies	289,499	3,640	286,425
Deferred tax assets	1,286	-	1,286
Total non-current assets	290,795	3,650	287,722
Inventories	-	-	-
Accounts receivables	-	-	-
Receivables associated companies	2,998	-	1,800
Other current receivables	739	265	440
Prepaid expenses and accrued income	503	682	157
Cash and cash equivalents	128,206	6,032	142,434
Total current assets	132,445	6,979	144,830
TOTAL ASSETS	423,241	10,629	432,553
EQUITY AND LIABILITIES			
Share capital	500	500	500
Shareholders contributions	96,517	9,342	96,517
Retained earnings	-11,621	865	865
Profit/loss for the period	-9,438	-1,074	-12,487
Total Equity	75,957	9,633	85,396
Deferred tax	-	-	-
Other provisions	23,700	-	23,700
Total provisions	23,700	-	23,700
Long term liabilities			
Non-current interest-bearing liabilities	305,496	-	299,083
Total long term liabilities	305,496	-	299,083
Short term liabilities			
Accounts payables	1,541	778	3
Current liabilities group companies	824	-	642
Current tax liabilities	-	-	-
Other current liabilities	15,113	143	23,115
Accrued expenses and prepaid income	609	74	615
Total short term liabilities	18,087	995	24,374
TOTAL EQUITY AND LIABILITIES	423,241	10,629	432,553

Dentalum Operations AB (publ.) Cash Flow Statement – Parent

<i>(kSEK)</i>	2021 Q1	2020 Q1	FY 2020
Cash flow from operating activities			
Income before financial items (EBIT)	-2,998	-1,073	-7,419
<i>Adjustments for non cash affecting items</i>	1	3	1
Interest received	-	-	3
interest paid	-6	-1	-1,073
Income tax paid	-	-	-
Cash flow from operations before changes in working capital	-3,003	-1,071	-8,488
Cash flow from changes in working capital			
Change in inventories	-	-	-
Change in operating receivables	-1,864	892	-163
Change in operating liabilities	1,777	803	1,360
Cash flow from changes in working capital	-87	1,695	1,197
Net cash flow from operations	-3,090	624	-7,292
Cash flow from investing activities			
Acquisition of tangible assets	-	-	-
Acquisition of companies and shares	-11,138	-606	-200,689
Cash flow from investing activities	-11,138	-606	-200,689
Cash flow after investing activities	-14,228	18	-207,981
Cash flow from financing activities			
New share issue	-	450	450
Shareholders contributions received	-	3,700	55,300
Net change in interest-bearing debt	-	-	292,800
Amortization, lease liabilities	-	-	-
Cash flow from financing activities	-	4,150	348,550
Total cash flow for the period	-14,228	4,168	140,570
<i>Changes in cash and cash equivalents</i>			
Cash and cash equivalents at the beginning of the period	142,434	1,864	1,864
Cash and cash equivalents at the end of the period	128,206	6,032	142,434
<i>Summary</i>			
Cash flow from operations	-3,090	624	-7,292
Cash flow from investing activities	-11,138	-606	-200,689
Cash flow from financing activities	-	4,150	348,550
Total cash flow	-14,228	4,168	140,570

ACCOUNTING AND VALUATION PRINCIPLES

This interim report was prepared according to the Swedish Annual Accounts Act and IAS 34 Interim Financial Reporting. The same accounting principles and methods, as used in the annual report 2020, are valid for this interim report.

The interim financial information for the Group for the period has been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB) and the Swedish Annual Accounts Act, and for the parent company in accordance with the Swedish Annual Accounts Act and RFR 2 Reporting for legal entities and other statements issued by the Swedish Financial Reporting Board.

SIGNIFICANT ESTIMATES AND ASSUMPTIONS

When preparing interim reports, the Board and the Management must, in accordance with the applicable accounting and valuation principles, make certain estimates, assessments and assumptions that affect the recognition and valuation of assets, provisions, liabilities, income and expenses. The outcome may deviate from these estimates and assessments and will rarely amount to the same sum as the estimated outcome.