dentalcorp

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three months and year ended December 31, 2021

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*In this Management's Discussion and Analysis of Financial Condition and Results of Operations ("**MD&A**"), "we", "us", "our", "dentalcorp" and the "Company" mean, dentalcorp Holdings Ltd. (formerly Dentalcorp Overbite Ltd.), its wholly-owned subsidiaries, dentalcorp Health Services Ltd. and DCC Health Services (Québec) Inc., as well as 100% of the accounts of certain other entities (the "**Professional Corporations**") in which the Company does not hold an equity interest but which are consolidated by the Company as a result of such other entities' contractual relationships with the Company.*

*This MD&A contains important information about our business and our performance for the year ended December 31, 2021. This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2021 and 2020 (the **"Annual Financial Statements"**) which have been prepared in accordance with International Financial Reporting Standards (**"IFRS"**) and our other filings on SEDAR at www.sedar.com, including the 2021 Annual Information Form (the **"AIF"**) and the Company's Long-form Prospectus (the **"Prospectus"**).*

All dollar amounts in this MD&A are in millions of Canadian dollars unless otherwise stated. All percentage changes have been calculated using the rounded numbers as they appear in the tables. This MD&A is dated March 25, 2022.

*This MD&A contains 'forward-looking information' and 'forward-looking statements', within the meaning of applicable securities laws (collectively, **"forward-looking information"**) which is based on management's reasonable assumptions and beliefs in light of the information currently available to us and is made as of the date of this MD&A. This forward-looking information includes, but is not limited to, statements about the Company's objectives and strategies to achieve those objectives, and about the Company's beliefs, plans, expectations, anticipations, estimates, or intentions. Forward looking information typically includes words like could, expect, may, anticipate, assume, believe, intend, estimate, plan, project, guidance, outlook, target, and similar expressions, or similar expressions suggesting future outcomes or events.*

Actual results and the timing of events may differ materially from those anticipated in the forward-looking information as a result of various factors, including those described in "Risk Factors" in the Prospectus and in the AIF. Accordingly, we warn readers to exercise caution when considering statements containing forward-looking information and caution them that it would be unreasonable to rely on such statements as creating legal rights regarding the Company's future results or plans. We are under no obligation (and we expressly disclaim any such obligation) to update or alter any statements containing forward-looking information or the factors or assumptions underlying them, whether as a result of new information, future events, or otherwise, except as required by applicable securities laws. All of the forward-looking information in this MD&A is qualified by the cautionary statements herein.

*The Company's subordinated voting shares (**"Subordinate Voting Shares"**) are traded on the Toronto Stock Exchange under the symbol "DNTL".*

COMPANY OVERVIEW

dentalcorp was founded in 2011 and has grown into one of North America's leading and fastest growing essential, consumer healthcare services companies. We are the largest and only national provider in Canada and as at December 31, 2021 owned and operated a network of over 458 dental practices delivering extraordinary patient experiences to over 1.7 million Canadians who visit our practices over 4 million times per year. Our nationwide network is supported by approximately 7,400 team members, including over 1,400 dentists, over 1,700 hygienists, and over 4,100 auxiliary dental health professionals. Leveraging our industry-leading technology, know-how and scale, we offer professionals the unique opportunity to retain their clinical autonomy while unlocking their potential for future growth. Every year since inception, we have achieved double-digit growth in our number of practices and our practices are conveniently located and readily accessible to approximately 75% of the Canadian population, and there is significant white space for continued expansion and growth in every geographic market. Our mission is to deliver the best patient experience and clinical outcomes through our network of leading professionals, empowered by our unique technology, know-how and scale.

Our patient-centric culture is anchored in our corporate values, which underpin the success of our organization and also support the realization of our vision to be Canada's most trusted healthcare network. Our values are embedded into everything we do and act as a behaviour code relevant to all of our teams:

- *We make a difference:* caring for our patients and each other is the most important thing we do. We deliver extraordinary experiences every time. We change lives by giving back to our communities. We are passionate about advancing our profession.
- *We are one:* we act as one network to succeed. We earn each other's trust by doing the right things right. We respect each other's contribution and always assume positive intent. We are a team.
- *We are accountable:* we are accountable for each other. We are empowered to do what needs to be done. We are responsible beyond our roles. We don't blame, we take initiative. If we see it, we do it.

- *We innovate:* we are creating something that has never been done before. We set the standard and then we raise it. We are always looking for the better way. We move at pace and we execute with excellence. We don't accept status quo.
- *We are courageous:* we bring heart to our work. We are bold. We anticipate future needs and we take action now. We pivot and recover fast. We inspire each other to perform at our best. We say what needs to be said in order to achieve the best outcomes.

Summary of Key Factors Affecting Performance

We believe that our performance and future success depends on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which are discussed in the *"Risk Factors"* section in the Prospectus and the AIF.

Our ability to continue to grow our business and generate improvements in our financial performance depends on our ability to execute on our strategy of: (i) continuing our differentiated, repeatable acquisition program; (ii) growing organically through patient additions, increased patient demand for services and expanded high-value service offerings; (iii) driving operational efficiencies at our practices; and (iv) leveraging our platform to expand into other geographic regions and private consumer healthcare businesses in the medium to long term.

Continuing our differentiated, repeatable acquisition program

Our ability to pursue our differentiated, repeatable acquisition program depends on our ability to continue our acquisition program and build on our strong brand and leading value proposition to dental professionals, in order to further penetrate the highly fragmented dental market in Canada.

Growing organically through patient additions, increased patient demand for services and expanded high-value service offerings

Our ability to grow organically through patient additions, increased patient demand for services and expanded high-value service offering depends on our ability to attract new patients at existing and newly acquired practices; our ability to promote regular dental care; and our ability to expand dental services and capabilities at more practices to satisfy the full spectrum of patient needs.

Driving operational efficiencies at our practices

Our ability to drive operational efficiencies at our practices depends on our ability to achieve savings through reducing administrative burdens, consolidation of procurement and leveraging our network scale and plug-and-play technology platform to drive margin enhancement within our practices.

Leveraging our platform to expand into other geographic regions and private consumer healthcare businesses in the medium to long term

Leveraging our platform to expand into other geographic regions and other private consumer healthcare businesses in the medium to long term will depend on our ability to successfully leverage our proven acquisition model, support services, proprietary plug-and-play technology and data-driven insights from our patient base to replicate our success in other regions and verticals which advance the health, well-being and vitality of North Americans. Other verticals may include a range of essential private consumer healthcare services, such as optical, veterinary care and medical aesthetics markets, which like the dental industry are in the early stages of consolidation.

Recent Company Developments

Completion of bought deal prospectus offering

On January 19, 2022, the Company completed a "bought deal" prospectus offering (the **"Offering"**) of 7,055,250 Subordinate Voting Shares of the Company, including 920,250 Subordinate Voting Shares issued pursuant to the exercise in full of the over-allotment option granted by the Company to the underwriters, at a price of $16.30 per Subordinate Voting Share, for total gross proceeds to the Company of $115.0 million.

Completion of initial public offering

On May 27, 2021, the Company completed its initial public offering (**"IPO"**) of 50.0 million Subordinate Voting Shares at a price of $14.00 per Subordinate Voting Share for total gross proceeds of $700.0 million.

In connection with the IPO, the Company also granted the underwriters an over-allotment option to purchase up to an additional 7.5 million Subordinate Voting Shares at a price of $14.00 per Subordinate Voting Share for gross proceeds of up to $105.0 million if the over-allotment option was exercised in full (the **"Over-Allotment Option"**).

Concurrent with the IPO, the Company also closed a private placement to certain institutional shareholders of an aggregate of approximately 10.7 million Subordinate Voting Shares at a price of $14.00 per Subordinate Voting Share and issued approximately 7.1 million subscription receipts (**"Subscription Receipts"**), at a price of $14.00 per subscription receipt, for aggregate gross proceeds of approximately $250.0 million. The Subscription Receipts entitled the holder thereof to receive such number of additional Subordinate Voting Shares as is equal to the value of the net proceeds which would have otherwise been received by the Company if the Over-Allotment Option was exercised in full by the underwriters.

On June 18, 2021, the underwriters exercised their Over-Allotment Option to purchase approximately 1.3 million additional Subordinate Voting Shares at a price of $14.00 per Subordinate Voting Share. Commensurate with the exercise of the Over-Allotment Option, an aggregate of approximately 5.9 million Subscription Receipts converted into approximately 5.9 Subordinate Voting Shares and proceeds of $82.1 million were released to the Company. The remaining approximately 1.3 million Subscription Receipts were cancelled.

The gross proceeds to the Company as a result of the IPO ($700.0 million), the related private placements ($150.0 million), the exercise of the Over-Allotment Option ($18.6 million) and the conversions of subscription receipts ($82.1 million) were approximately $950.7 million.

Financing

Concurrently with the closing of the IPO, the Company entered into a Credit Agreement with a syndicate of lenders (the **"Lenders"**). Under the Credit Agreement, the Lenders have made available to the Company (i) a $100.0 million senior secured revolving credit facility (the **"Revolving Facility"**), (ii) a $300.0 million senior secured non-amortizing delayed draw acquisition term loan (the **"Delayed Draw Facility"**) and (iii) a $900.0 million senior secured non-amortizing term loan (the **"Term Facility"**) (and collectively with the Revolving Facility and the Delayed Draw Facility, the **"Credit Facilities"**). The Credit Facilities mature on May 26, 2026, and are secured on a first-priority basis, subject to permitted liens, on substantially all of the Company's present and after-acquired assets.

We used the net proceeds from the IPO, as well as funds drawn under the Term Facility, to settle our first lien term loan facility due June 5, 2025 (**"First Lien Facility"**), our second lien term facility due June 5, 2026 (**"Second Lien Facility"** and together with the First Lien Facility, the **"Pre-IPO Borrowings"**) and the derivative liability related to the interest and cross currency swaps on the related borrowings under the Pre-IPO Borrowings.

See 'Credit Facilities' below for additional information.

McGill University

In March 2022, dentalcorp donated $1 million over 10 years to McGill University's Faculty of Dental Medicine and Oral Health Sciences to create a first-of-its-kind digital dentistry program in Canada. The gift will go towards establishing: the dentalcorp Professorship in Digital Dentistry; the dentalcorp Fellowship in Digital Dentistry; and the dentalcorp Research Award in Business Practice Management. McGill University will also recognize dentalcorp's gift by designating a new dentalcorp Active Learning Classroom which will provide a bright, modern training space featuring technologically sophisticated tools and resources for dental students to hone their clinical skills and techniques prior to working with real patients.

Align Technology

In March 2022, dentalcorp and Align Technology announced an expanded partnership to bolster dentalcorp's offering of Invisalign® clear aligners to Canadians nationwide through its Ortho Acceleration Program ("**OAP**"). dentalcorp's proprietary OAP takes an integrated approach to learning, providing entire practice teams with the confidence to incorporate innovative digital technology into treatment planning. The program also has a strong focus on how to effectively communicate with patients to engage them in their oral health journey, empowering them to make more informed treatment decisions. This expanded partnership with Align Technology also provides dentalcorp's network of doctors with access to dedicated learning opportunities and treatment planning support.

OVERALL PERFORMANCE

Key Indicators of Performance

To evaluate our performance, we monitor a number of key indicators. The key indicators that we monitor are described below.

IFRS Measures

Revenue

The Company recognizes revenue from the provision of dental and health care services (**"services"**). Revenue from services is primarily affected by the number of practice locations, the number of Partner dentists, Associate dentists and hygienists, the number of dental and health care patients ("**patients**"), and the type of services being provided to patients.

For services provided at a point in time, revenue is recognized when the services are provided. For services provided over a period of time, revenue is recognized over the period the performance obligation is satisfied i.e., over the course of the specific dental or health care treatment. The Company uses the input method, specifically labour hours expended and raw material costs incurred, to measure the Company's progress towards complete satisfaction of a performance obligation.

For services provided over a period of time, the Company adjusts the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised service to a patient and when the patient pays for that service is determined to be significant.

Cost of revenue

Cost of revenue primarily consists of revenue and incentive allocations to dentists, wages to hygienists, and laboratory fees and consumables used in the provision of services and is primarily affected by revenue allocation rates within the Company's service agreements with Partner and Associate dentists and the type and volume of dental and health care services being provided by dentists and health care practitioners. Other costs of revenue include credit card and payment processing fees.

Selling, general and administrative

Selling, general and administrative ("**SG&A**") expenses are primarily comprised of employee benefits, including salaries, wages, health/welfare benefits, contract labour, and payroll taxes for administrative and support staff at practices and support centre and incentive compensation for support centre teams. Incentive compensation is primarily affected by the Company's operating results, management's assessment of an individuals' performance, and board of director approval.

Other expenses in SG&A include (i) professional services, including practice acquisition and integration costs (ii) sales and marketing, including brand investment activities, (iii) occupancy costs for our head office and practices which are not otherwise included in depreciation and finance costs, including infrastructure and facilities costs required to support our practices, and (iv) administrative costs, including the cost of management information systems, the allowance for expected credit losses, and other general and administrative costs of operating the business.

Depreciation and amortization

Depreciation consists of depreciation of property and equipment and right-of-use ("**ROU**") assets. Depreciation is primarily affected by (i) the Company's estimate of the useful lives of property and equipment and ROU assets; (ii) the magnitude of additions to property and equipment and ROU assets for the period; and (iii) the acquisition of practices giving rise to acquired property and equipment and ROU assets during the period.

On acquisition of a practice, the acquired property and equipment and ROU assets are measured at fair value. For the years ended December 31, 2021 and 2020, the weighted average contribution of property and equipment and ROU assets to the total fair value of assets acquired was 29% and 43% respectively, and are being depreciated over the following useful lives: equipment – 5 years, furniture and fittings – 5 years, and leasehold improvements and ROU assets – lessor of useful life (10-15 years) and lease term.

Amortization consists of amortization of intangible assets. Amortization is primarily affected by (i) the Company's estimate of the useful lives of intangible assets; (ii) the magnitude of additions to intangible assets for the period; and (iii) the acquisition of practices giving rise to acquired intangible assets during the period.

On acquisition of a practice, the acquired intangible assets consist of customer relationships, brands, and non-compete agreements and each are measured at their fair value. For each of the years ended December 31, 2021 and 2020, the weighted average contribution of intangible assets to the total fair value of assets acquired was 29%, and are being amortized over their useful lives of 7 years.

Share-based compensation

Share-based compensation consists of expenses derived from the Company's (i) legacy option plan; (ii) equity incentive plan; (ii) management loan program (the **"Management Loan Program"**); and (iv) deferred share unit plan. Share-based compensation expense is primarily affected by (i) the number of equity instruments granted during the period; (ii) the number of equity instruments that have vested or are expected to vest at the end of the period; and (iii) various assumptions used to value the equity instruments both at grant date and reporting date, including the Company's share price, the expected life or remaining life of the options, volatility and the risk-free rate.

Foreign exchange gain

The Company is impacted by changes in the U.S. dollar **("USD")** to Canadian dollar (**"CDN"**) in relation to cash held in USD, payments to suppliers that are denominated in USD, and prior to completion of the Company's IPO, on the pre-IPO Borrowings that were denominated in USD.

Net finance costs

Net finance costs primarily relate to (i) interest expense and standby charges on borrowings, (ii) interest accretion on borrowings, lease liabilities, and the preferred share liability; and (iii) loss on modification of the Company's borrowings, offset by interest earned on cash held. Net finance costs are primarily affected by the amount of borrowings, the Company's actual and effective interest rates, additions to and acquisitions of property leases, and the Company's incremental borrowing rate.

Change in fair value of derivative instruments

Change in fair value of derivative instruments arises primarily from the revaluation of the Company's cross currency and interest rate swaps that were in place prior to completion of the IPO and is primarily affected by movements in the USD/CDN and quoted interest rates, such hedging arrangements are described below.

Change in fair value of contingent consideration

Change in fair value of contingent consideration consists of changes in the fair value of contingent consideration arising from the Company's acquisition of practices and is primarily affected by a change in the present value of cash flows of the acquired practices over the applicable valuation period.

Change in fair value of conversion option

Change in fair value of conversion option arises from the conversion option on the Preferred Shares (as described below) and is primarily affected by the assessed probability of an IPO event. The conversion option was exercised on closing of the IPO.

Share of associate losses

Under the equity method, an investment in an associate is recognized initially at cost. The carrying amount of the investment is subsequently adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date.

Income tax

Current tax is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted, in the jurisdictions in which the Company operates and generates taxable income.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

Non-IFRS and Other Financial Measures

This MD&A makes reference to certain non-IFRS and other financial measures. Terms by which non-IFRS and other financial measures include, but are not limited to, "Adjusted EBITDA", "Adjusted EBITDA Margin", "Adjusted free cash flow", "Adjusted net income (loss)", "Adjusted free cash flow per Share", "EBITDA", "PF Adjusted EBITDA", "PF Adjusted EBITDA after rent", "PF Adjusted EBITDA Margin", "PF Revenue", and "Same Practice Sales Growth". These non-IFRS and other financial 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 and 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.

We believe these non-IFRS and other financial measures 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, including the run-rate of the business after taking into consideration the acquisitions of practices, and to determine components of employee compensation. 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 and other measures and industry metrics in the evaluation of issuers.

Changes during the Fourth Quarter

During the three months ended December 31, 2021, the Company changed the composition of "Adjusted free cash flow" to (i) replace 'maintenance capex, net of one-time enterprise resource planning (**"ERP"**) capital costs' with 'maintenance capex' to reflect that ERP capital costs are now presented in investing activities in the consolidated statements of cash flows; and (ii) replace 'Working capital impact of IPO costs' with 'IPO costs' to reflect that the adjustment to working capital cash flows arising from the IPO was only applicable for the three and nine months ended September 30, 2021 and not for the three months and year ended December 31, 2021. The Company also changed the composition of "Adjusted net income (loss)" and "Adjusted free cash flow" to include "Adjustment for legacy debt, net of tax impact" related to (i) a reduction of cash interest due to lower interest rates on the Credit Facilities and lower overall level of borrowings, (ii) non-cash losses related to the refinancing of the Company's borrowings (which is applicable to the Company for the year-end December 31, 2021, but not for the three months ended December 31, 2021); and (iii) the realized foreign exchange impact on the Company's draw-downs and repayments under the Pre-IPO Borrowings.

Non-IFRS Financial Measures

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, change in fair value of derivatives, change in fair value of conversion option, and share of associate losses; (b) share-based compensation; (c) external acquisition expenses; (d) COVID-19 costs; (e) Canada Emergency Wage Subsidy (the **"CEWS"**); (f) change in fair value of contingent consideration; (g) one-time costs related to the IPO; (h) other one-time corporate costs (consisting primarily of consulting costs related to our recent ERP implementation) and (i) loss on disposal of property and equipment. Adjusted EBITDA is a supplemental measure used by management and other users of our financial statements 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. The most comparable IFRS measure to Adjusted EBITDA is Net loss and comprehensive loss, for which a reconciliation is provided in "Reconciliation of Non-IFRS Measures".

Adjusted free cash flow

"Adjusted free cash flow" is calculated by adding or subtracting from cash flow from operating activities: (a) external acquisition expenses; (b) COVID-19 costs; (c) CEWS; (d) IPO costs; (e) other corporate costs (consisting primarily of consulting costs related to our recent ERP implementation); (f) repayment of principal on leases; (g) maintenance capex and (h) adjustment for legacy debt, net of tax impact. "Adjustment for legacy debt" relates to (i) a reduction of cash interest due to lower interest rates on the Credit Facilities and lower overall level of borrowings, (ii) non-cash losses related to the refinancing of the Company's borrowings; and (iii) the realized foreign exchange impact on the Company's draw-downs and repayments under the Pre-IPO Borrowings. We use Adjusted free cash flow to facilitate a comparison of our operating performance on a consistent basis from period to period, to provide for a more complete understanding of factors and trends affecting our business, and to determine components of employee compensation. The most comparable IFRS measure to Adjusted free cash flow is Cash flow from operating activities, for which a reconciliation is provided in "Reconciliation of Non-IFRS Measures".

Adjusted net income (loss)

"Adjusted net income (loss)" is calculated by adding to net loss and comprehensive loss 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) amortization of intangible assets; (b) share-based compensation; (c) change in fair value of contingent consideration; (d) external acquisition expenses; (e) COVID-19 costs; (f) CEWS; (g) IPO costs; (h) other one-time corporate costs (consisting primarily of consulting costs related to our recent ERP implementation); (i) the tax impact of the above and (j) adjustment for legacy debt, net of tax impact. "Adjustment for legacy debt" relates to (i) a reduction of cash interest due to lower interest rates on the Credit Facilities and lower overall level of borrowings, (ii) non-cash losses related to the refinancing of the Company's borrowings; and (iii) the realized foreign exchange impact on the Company's draw-downs and repayments under the Pre-IPO Borrowings. We use Adjusted net income (loss) 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. The most comparable IFRS measure to Adjusted net income (loss) is Net loss and comprehensive loss, for which a reconciliation is provided in "Reconciliation of Non-IFRS Measures".

EBITDA

"EBITDA" means, for the applicable period, net loss and comprehensive loss plus (a) net finance costs, (b) income tax expense (recoveries), and (c) depreciation and amortization. We present EBITDA to assist investors in understanding the mathematical development of Adjusted EBITDA. Management does not use EBITDA as a financial performance metric but we present Practice-Level EBITDA to assist investors in understanding the mathematical development of Adjusted EBITDA. The most comparable IFRS measure to EBITDA is Net loss and comprehensive loss, for which a reconciliation is provided in "Reconciliation of Non-IFRS Measures".

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 in "Reconciliation of Non-IFRS Measures". Both creditors and the Company use PF Adjusted EBITDA to assess our borrowing capacity and given the highly acquisitive nature of our business is more reflective of our expected run-rate. We also use PF Adjusted EBITDA to determine components of employee compensation. The most comparable IFRS measure to EBITDA is Net loss and comprehensive loss, for which a reconciliation is provided in "Reconciliation of Non-IFRS Measures".

PF Adjusted EBITDA after rent

"PF Adjusted EBITDA after rent" in respect of a period means PF Adjusted EBITDA less interest and principal repayments on leases. Both creditors and the Company use PF Adjusted EBITDA after rent to assess our borrowing capacity and given the highly acquisitive nature of our business is more reflective of our expected run-rate. The most comparable IFRS measure to PF Adjusted EBITDA after rent is Net loss and comprehensive loss, for which a reconciliation is provided in "Reconciliation of Non-IFRS Measures".

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 in "Reconciliation of Non-IFRS Measures". Given the highly acquisitive nature of our business, PF Revenue is more reflective of our expected run-rate. We use PF Revenue to determine components of employee compensation. The most comparable IFRS measure to PF Revenue is Revenue, for which a reconciliation is provided in "Reconciliation of Non-IFRS Measures".

Non-IFRS Ratios

Adjusted EBITDA Margin

"Adjusted EBITDA Margin" means Adjusted EBITDA *divided by* revenue. We use Adjusted EBITDA Margin 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.

Adjusted free cash flow per Share

"Adjusted free cash flow per Share" means Adjusted free cash flow divided by the total number of Shares (as defined below) on a fully diluted basis. Adjusted free cash flow per Share is utilized to determine components of employee compensation.

PF Adjusted EBITDA Margin

"PF Adjusted EBITDA Margin" means PF Adjusted EBITDA *divided by* PF Revenue. Both creditors and the Company use PF Adjusted EBITDA Margin to assess our borrowing capacity and given the highly acquisitive nature of our business is more reflective of our expected run-rate.

Supplementary Financial Measures

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. 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.

Selected Annual Information

The following table sets out selected annual information of the Company, for the years ended December 31, 2021, 2020 and 2019:

	Year ended December 31,		
	2021	**2020**	**2019**
	(expressed in millions of dollars, except per share amounts)		
Revenue	**1,030.8**	666.2	767.5
Net loss and comprehensive loss	**(160.4)**	(157.1)	(63.9)
Loss per share - basic and diluted	**(1.22)**	(1.76)	(0.73)

	As at December 31,		
	2021	**2020**	**2019**
	(expressed in millions of dollars)		
Total assets	**2,837.8**	2,570.1	2,476.9
Total non-current financial liabilities	**902.5**	1,613.5	1,402.1

During the year ended December 31, 2021 the Company continued to execute on its growth strategy of accretive acquisitions. Despite the adverse impact from ongoing COVID-19 restrictions and variant outbreaks in many of the Company's key markets, revenue and net loss for the year ending December 31, 2021, were $1,030.8 million and $160.4 million, respectively, compared to $666.2 million and $157.1 million, respectively for the year ending December 31, 2020, an increase of $364.6 million and $3.3 million, respectively, or 54.7% and 2.1%, respectively.

The increase in revenue during the year ended December 31, 2021 was primarily driven by the strength of the Company's acquisitive growth program, positive Same Practice Sales Growth of 36.1%, underpinned by the Company's orthodontic insourcing agenda, and strong performance from the Company's recent practice acquisitions. The Company's practices were also closed from mid-March to mid-June 2020 due to COVID-19, with services limited to emergency care.

Total assets at December 31, 2021 was $2,837.8 million compared to $2,570.1 million at December 31, 2020, an increase of $267.7 million or 10.4%. The increase was primarily driven by the Company's acquisitions of practices during the year ended December 31, 2021 which contributed $287.9 million to total net assets as at the date of their acquisition.

Total non-current financial liabilities at December 31, 2021 was $902.5 million compared to $1,613.5 million at December 31, 2020, a decrease of $711.0 million or 44.1%. The decrease was primarily due to the Company's IPO and refinancing of its Pre-IPO borrowings. Refer above per *'Recent Company Developments'* for additional information.

Financial highlights

Revenue and net loss for the three months ended December 31, 2021, were $272.5 million and $43.1 million, respectively, compared to $225.9 million and $32.0 million, respectively for the three months ending December 31, 2020, an increase of $46.6 million and $11.1 million, respectively, or 20.6% and 34.7%, respectively. The movement in revenue and net loss for the year ended December 31, 2021 has been discussed above per *'Selected Annual Information'*.

Adjusted EBITDA for the three months and year ending December 31, 2021, were $50.1 million and $191.8 million, respectively, compared to $32.7 million and $59.9 million, respectively for the three months and year ending December 31, 2020, an increase of $17.4 million and $131.9 million, respectively, or 53.2% and 220.2%, respectively. See "Non-IFRS and Other Measures – Non-IFRS Measures".

PF Adjusted EBITDA for the three months and year ending December 31, 2021 were $52.4 million and $215.5 million, respectively, compared to $48.0 million and $138.4 million, respectively for the three months and year ending December 31, 2020, an increase of $4.4 million and $77.1 million, respectively, or 9.2% and 55.7%, respectively. See "Non-IFRS and Other Measures – Non-IFRS Measures".

PF Adjusted EBITDA after rent for the three months and year ending December 31, 2021 were $43.5 million and $179.2 million, respectively, compared to $39.8 million and $108.9 million, respectively for the three months and year ending December 31, 2020, an increase of $3.7 million and $70.3 million, respectively, or 9.3% and 64.6%, respectively. See "Non-IFRS and Other Measures – Non-IFRS Measures".

PF Revenue for the three months and year ending December 31, 2021 were $279.6 million and $1,113.5 million, respectively, compared to $236.5 million and $947.7 million, respectively for the three months and year ending December 31, 2020, an increase of $43.1 million and $165.8 million, respectively or 18.2% and 17.5%, respectively. See "Non-IFRS and Other Measures – Non-IFRS Measures".

Adjusted net income for the three months and year ending December 31, 2021, were $9.3 million and $59.6 million, respectively, compared to a loss of $5.7 million and $126.8 million, respectively for the three months and year ending December 31, 2020, an increase of $15.0 million and $186.4 million, respectively, or 263.2% and 147.0%, respectively. See "Non-IFRS and Other Measures – Non-IFRS Measures".

Adjusted free cash flow for the three months and year ending December 31, 2021 were $24.3 million and $90.4 million, compared to ($6.8) million and ($92.0) million for the three months and year ending December 31, 2020, an increase of $31.1 million and $182.4 million, respectively, or 457.4% and 198.3%, respectively. See "Non-IFRS and Other Measures – Non-IFRS Measures".

Same Practice Sales Growth was 4.9% and 36.1% for the three months and year ended December 31, 2021. See "Non-IFRS and Other Measures – Supplementary Financial Measures".

Results of Operations

Results for the three months ended December 31, 2021 compared to the three months ended December 31, 2020

The following table shows the consolidated statements of income and comprehensive income and selected non-IFRS financial measures for the three months ended December 31, 2021 and 2020:

	Three months ended	
	December 31, 2021	**December 31, 2020**
	(expressed in millions of dollars)	
Statement of Loss and Comprehensive Loss		
Revenue	**272.5**	225.9
Cost of revenue	**148.1**	120.6
Gross profit	**124.4**	105.3
Selling, general and administrative expenses	**90.5**	84.9
Depreciation and amortization	**42.6**	37.6
Share-based compensation	**7.7**	0.9
Foreign exchange gain	**—**	(68.7)
Net finance costs	**12.1**	36.2
Change in fair value of derivative instruments	**—**	57.0
Change in fair value of contingent consideration	**13.4**	1.1
Change in fair value of conversion option	**—**	(3.7)
Share of associate losses	**0.1**	—
Loss before income taxes	**(42.0)**	(40.0)
Income tax expense (recovery)	**1.1**	(8.0)
Net loss and comprehensive loss	**(43.1)**	(32.0)
Non-IFRS Financial Measures[(i)]		
Adjusted EBITDA	**50.1**	32.7
Adjusted EBITDA Margin	**18.4%**	14.5%
PF Adjusted EBITDA	**52.4**	48.0
PF Adjusted EBITDA after rent	**43.5**	39.8
PF Revenue	**279.6**	236.5
Adjusted net income (loss)	**9.3**	(5.7)
Adjusted free cash flow	**24.3**	(6.8)

Notes:

(i) See "Non-IFRS and Other Measures – Non-IFRS Measures".

Revenue

Revenue for the three months ended December 31, 2021 was $272.5 million compared to $225.9 million for the three months ended December 31, 2020, representing an increase of $46.6 million, or 20.6%. The increase in revenue was primarily driven by incremental revenue from acquired practices over the last twelve months to December 31, 2021, positive Same Practice Sales Growth of 4.9%, a positive contribution from the Company's orthodontics in-sourcing agenda, and forgone practice revenue for the period ended December 31, 2020 due to the COVID-19 pandemic, where restrictions were put in place mid-March 2020 and practices were restricted to providing only emergency care. Following the easing of COVID-19 restrictions across Canada in mid-June 2020, the Company's practices began to re-open based on provincial guidelines, providing a range of dental services following stricter infection control guidelines from the dental and health regulators to ensure the health and safety of patients and staff.

Cost of revenue

Cost of revenue for the three months ended December 31, 2021 was $148.1 million compared to $120.6 million for three months ended December 31, 2020, representing an increase of $27.5 million, or 22.8%. The increase in cost of revenue is largely consistent with the period over period increase in revenue of 20.6%.

Selling, general and administrative

SG&A for the three months ended December 31, 2021 was $90.5 million compared to $84.9 million for the three months ended December 31, 2020, representing an increase of $5.6 million, or 6.6%. SG&A as a percentage of revenue for the three months ended December 31, 2021 was 33.2% compared to 37.6% for the three months ended December 31, 2020. The decrease in percentage from 2020 to 2021 is largely driven by employee benefit costs that continued to be paid during the three months ended December 31, 2020 on a lower COVID-19 2020 revenue base, with no offset from CEWS as the Company's eligibility for the subsidy ended at the end of September 30, 2020. SG&A for the three months ended December 31, 2021 is more in line with pre-COVID-19 metrics as described below in the full year variance analysis.

Depreciation and amortization

Depreciation and amortization for the three months ended December 31, 2021 was $42.6 million compared to $37.6 million for the three months ended December 31, 2020, representing an increase of $5.0 million, or 13.3%. This increase was primarily driven by (i) capex additions to property and equipment, ROU assets and intangible assets of $20.3 million, and (ii) additions to property and equipment, ROU assets and intangible assets through acquisitions of $166.4 million; over the year ended December 31, 2021, which had a flow through effect on depreciation and amortization expense for the three months ended December 31, 2021.

Share-based compensation

Share-based compensation expense for the three months ended December 31, 2021 was $7.7 million compared to $0.9 million for the three months ended December 31, 2020, representing an increase of $6.8 million or 755.6%. The increase was primarily a result of (i) an increase in share-based compensation expense related to the Company's legacy option plan primarily due to the movement in the fair value of options expected to vest from $6.53 at December 31, 2020 to $7.25 at December 31, 2021 and increase in the number of share options expected to vest from 1.3 million at December 31, 2020 to 1.7 million at December 31, 2021, and an increase due to the passage of time; (ii) adoption of the equity incentive plan on closing of the IPO which resulted in additional share-based compensation expense of $4.4 million for the three months ended December 31, 2021 and (iii) additional share-based compensation expense of $0.3 million related to the Company's restricted share awards and deferred share unit plan.

Foreign exchange gain

Foreign exchange gain for the three months ended December 31, 2021 was $nil compared to $68.7 million for the three months ended December 31, 2020, representing a decrease in the gain of $68.7 million or 100%. The decrease was primarily driven by the recapitalization of the Company's U.S dollar denominated borrowings on completion of the IPO (see "Recent Developments" above).

Net finance costs

Net finance costs for the three months ended December 31, 2021 were $12.1 million compared to $36.2 million for the three months ended December 31, 2020, representing a decrease of $24.1 million or 66.6%. The decrease was primarily due to a decrease in interest expense and stand-by charges on the Company's borrowings of $22.2 million resulting from the recapitalization of the Company's borrowings on completion of the IPO (see "Recent Developments" above) and a decrease in interest accretion on the preferred share liability of $3.4 million due to the conversion of the Company's issued redeemable and convertible preferred shares (the **"Preferred Shares"**) on completion of the IPO.

Change in fair value of derivative instruments

Change in fair value of derivative instruments for the three months ended December 31, 2021 was a gain of $nil compared to a loss of $57.0 million for the three months ended December 31, 2020, representing a decrease in the loss of $57.0 million, or 100.0%. The decrease was primarily driven by the recapitalization of the Company's U.S dollar denominated borrowings on completion of the IPO (see "Recent Developments" above) and the settlement of all related outstanding interest and cross currency swaps. No new derivative contracts have been entered into in relation to the Company's Credit Facilities.

Change in fair value of conversion option

Change in fair value of conversion option for the three months ended December 31, 2021 was $nil compared to a gain of $3.7 million for the three months ended December 31, 2020, representing a decrease in the gain of $3.7 million or 100.0%. The decrease was driven by the conversion of the Preferred Shares to Subordinate Voting Shares on closing of the IPO.

Income tax expense (recovery)

Income tax expense for the three months ended December 31, 2021 was $1.1 million compared to a recovery of $8.0 million for the three months ended December 31, 2020, a decrease of $9.1 million or 113.8%. The decrease was primarily the result of adjustments relating to tax losses not recognized.

Adjusted EBITDA, PF Adjusted EBITDA and PF Adjusted EBITDA after rent

Adjusted EBITDA for the three months ended December 31, 2021 was $50.1 million compared to $32.7 million for the three months ended December 31, 2020, representing an increase of $17.4 million or 53.2%. PF Adjusted EBITDA for the three months ended December 31, 2021 was $52.4 million compared to $48.0 million for the three months ended December 31, 2020, representing an increase of $4.4 million or 9.2%. PF Adjusted EBITDA after rent for the three months ended December 31, 2021 was $43.5 million compared to $39.8 million for the three months ended December 31, 2020, representing an increase of $3.7 million or 9.3%. These increases period over period highlight the efficacy of the Company's repeatable acquisition program, underpinned by our leadership and scale.

PF Revenue

PF Revenue for the three months ended December 31, 2021 was $279.6 million compared to $236.5 million for the three months ended December 31, 2020, representing an increase of $43.1 million or 18.2%. The increase was due to the increase in revenue period on period and the acquisition of 13 practices that are forecast to generate $7.1 million in PF Revenue.

Adjusted net income (loss)

Adjusted net income for the three months ended December 31, 2021 was $9.3 million compared to a loss of $5.7 million for the three months ended December 31, 2020, representing an increase of $15.0 million or 263.2%. The increase is attributable to the acceleration of our acquisitive growth program, strong Same Practice Sales growth, driven by our insourcing agenda, the performance of practices we acquired during 2020, as well as the realization of operating efficiencies across our business.

Adjusted free cash flow

Adjusted free cash flow for the three months ended December 31, 2021 was $24.3 million compared to ($6.8) million for the three months ended December 31, 2020, representing an increase in free cash flow of $31.1 million or 457.4%. The increase was primarily due to an increase in cash flow from operations of $34.3 million.

Results for the year ended December 31, 2021 compared to the year ended December 31, 2020

The following table shows the consolidated statements of income and comprehensive income and select non-IFRS financial measures for the years ended December 31, 2021 and 2020:

	Year ended December 31, 2021	Year ended December 31, 2020
	(expressed in millions of dollars)	
Statement of Loss and Comprehensive Loss		
Revenue	**1,030.8**	666.2
Cost of revenue	**535.4**	344.6
Gross profit	**495.4**	321.6
Selling, general and administrative expenses	**343.2**	229.4
Depreciation and amortization	**158.5**	138.6
Share-based compensation	**75.2**	5.8
Foreign exchange gain	**(76.2)**	(31.6)
Net finance costs	**115.0**	138.7
Change in fair value of derivative instruments	**65.9**	42.0
Change in fair value of contingent consideration	**15.6**	(12.5)
Change in fair value of conversion option	**(30.8)**	(10.2)
Share of associate losses	**0.2**	—
Loss before income taxes	**(171.2)**	(178.6)
Income tax recovery	**(10.8)**	(21.5)
Net loss and comprehensive loss	**(160.4)**	(157.1)
Non-IFRS Financial Measures(i)		
Adjusted EBITDA	**191.8**	59.9
Adjusted EBITDA Margin	**18.6%**	9.0%
PF Adjusted EBITDA	**215.5**	138.4
PF Adjusted EBITDA after rent	**179.2**	108.9
PF Revenue	**1,113.5**	947.7
Adjusted net income (loss)	**59.6**	(126.8)
Adjusted free cash flow	**90.4**	(92.0)

Notes:

(i) See “Non-IFRS and Other Measures – Non-IFRS Measures”.

Revenue

Revenue for the year ended December 31, 2021 was $1,030.8 million compared to $666.2 million for the year ended December 31, 2020, representing an increase of $364.6 million, or 54.7%. The increase in revenue was primarily driven by incremental revenue from acquired practices over the last twelve months to December 31, 2021, positive Same Practice Sales Growth of 36.1%, a positive contribution from the Company’s orthodontics in-sourcing agenda, and forgone practice revenue for the year ended December 31, 2020 due to the COVID-19 pandemic, where restrictions were put in place mid-March 2020 and practices were restricted to providing only emergency care.

Cost of revenue

Cost of revenue for the year ended December 31, 2021 was $535.4 million compared to $344.6 million for year ended December 31, 2020, representing an increase of $190.8 million, or 55.4%. The increase in cost of revenue is consistent with the period over period increase in revenue of 54.7%, the decrease in CEWS received period over period of $18.6 million that was recognized as a credit against cost of revenue during the year ended December 31, 2020, offset by a decrease in the cost of consumables during 2021 which were higher during the year ended December 31, 2020 due to COVID-19.

Selling, general and administrative expenses

SG&A for the year ended December 31, 2021 was $343.2 million compared to $229.4 million for the year ended December 31, 2020, representing an increase of $113.8 million, or 49.6%. Excluding the non-recurring IPO costs recognized in SG&A of $15.7 million for the year ended December 31, 2021, SG&A as a percentage of revenue was 31.8%. SG&A for the year ended December 31, 2021 is more in line with pre-COVID-19 metrics, with SG&A as a percentage of revenue being 32.7% for the full year ended December 31, 2019.

Depreciation and amortization

Depreciation and amortization for the year ended December 31, 2021 was $158.5 million compared to $138.6 million for the year ended December 31, 2020, representing an increase of $19.9 million, or 14.4%. This increase was primarily driven by (i) capex additions to property and equipment, ROU assets and intangible assets of $20.3 million, and (ii) additions to property and equipment, ROU assets and intangible assets through acquisitions of $166.4 million; over the year ended December 31, 2021, which had a flow through effect on depreciation and amortization expense for the year ended December 31, 2021.

Share-based compensation

Share-based compensation expense for the year ended December 31, 2021 was $75.2 million compared to $5.8 million for the year ended December 31, 2020, representing an increase of $69.4 million or 1196.6%. The increase was primarily a result of (i) an increase in share-based compensation expense related to the Company's legacy option plan primarily due to the movement in the fair value of options expected to vest from $6.53 at December 31, 2020 to $7.25 at December 31, 2021, the increase in the number of share options expected to vest from 1.3 million at December 31, 2020 to 1.7 million at December 31, 2021, and an increase due to the passage of time; (ii) adoption of the equity incentive plan on closing of the IPO which resulted in additional share-based compensation expense of $9.9 million for the year ended December 31, 2021; (iii) additional share-based compensation expense recognized under the Management Loan Program of $51.9 million due to the closing of the IPO, the removal of all vesting conditions, as well as other amendments to the terms and conditions; and (iv) additional share-based compensation expense of $1.0 million related to the Company's restricted stock awards and deferred share unit plan.

Foreign exchange gain

Foreign exchange gain for the year ended December 31, 2021 was $76.2 million compared to a loss of $31.6 million for the year ended December 31, 2020, representing a change of $44.6 million or 141.1%. The large movement in foreign exchange during the years arose from the Company's Pre-IPO Borrowings which were denominated in USD and resulted from an approximately 10% strengthening of the Canadian dollar relative to the U.S. dollar year over year.

Net finance costs

Net finance costs for the year ended December 31, 2021 were $115.0 million compared to $138.7 million for the year ended December 31, 2020, representing a decrease of $23.7 million or 17.1%. The decrease was primarily driven by a decrease in interest expense and stand-by charges on the Company's borrowings of $46.3 million due to the recapitalization of the Company's borrowings on IPO (see "Recent Developments - Financing" above), a decrease in interest accretion on the Preferred Shares of $5.2 million due to conversion of the Preferred Shares on the IPO, offset by the loss on settlement of the Pre-IPO Borrowings of $26.7 million (see "Credit Facilities" below), an increase in loss on modification of the Pre-IPO Borrowings of $1.1 million, and an increase in interest accretion on lease liabilities of $0.6 million.

Change in fair value of derivative instruments

Change in fair value of derivative instruments for the year ended December 31, 2021 was a loss of $65.9 million compared to a loss of $42.0 million for the year ended December 31, 2020, representing an increase in the loss of $23.9 million, or 56.9%. This increase in the loss was driven by the movement in the fair value of the Company's derivative instruments, primarily the Company's interest and cross currency swaps which were directly related to the movement in the foreign exchange (noted above) and LIBOR rate.

On May 27, 2021, in conjunction with settlement of the Company's Pre-IPO Borrowings, all outstanding interest and cross currency swaps were settled. No new derivative contracts have been entered into in relation to the Company's Credit Facilities.

Change in fair value of conversion option

Change in fair value of conversion option for the year ended December 31, 2021 was a gain of $30.8 million compared to a gain of $10.2 million for the year ended December 31, 2020, representing an increase of $20.6 million or 202.0%. On closing of the IPO, the conversion option had a fair value of $nil.

Income tax recovery

Income tax recovery for the year ended December 31, 2021 was $10.8 million compared to $21.5 million for the year ended December 31, 2020, a decrease of $10.7 million or 49.8%. The decrease was primarily the result of adjustments relating to tax losses not recognized.

Adjusted EBITDA, PF Adjusted EBITDA and PF Adjusted EBITDA after rent

Adjusted EBITDA for the year ended December 31, 2021 was $191.8 million compared to $59.9 million for the year ended December 31, 2020, representing an increase of $131.9 million or 220.2%. PF Adjusted EBITDA for the year ended December 31, 2021 was $215.5 million compared to $138.4 million for the year ended December 31, 2020, representing an increase of $77.1 million or 55.7%. PF Adjusted EBITDA after rent for the year ended December 31, 2021 was $179.2 million compared to $108.9 million for the year ended December 31, 2020, representing an increase of $70.3 million or 64.6%. These increases period over period highlight the efficacy of the Company's repeatable acquisition program, underpinned by our leadership and scale.

PF Revenue

PF Revenue for the year ended December 31, 2021 was $1,113.5 million compared to $947.7 million for the year ended December 31, 2020, representing an increase of $165.8 million or 17.5%. The increase was due to the increase in revenue period on period and the acquisition of 61 practices that are forecast to generate $157.3 million in PF Revenue.

Adjusted net income (loss)

Adjusted net income for the year ended December 31, 2021 was $59.6 million compared to a loss of $126.8 million for the year ended December 31, 2020, representing an increase of $186.6 million or 147.0%. The increase, achieved in a market under significant pressure from Omicron, are attributable to dentistry's resilience as a non-discretionary healthcare service, the acceleration of the Company's acquisitive growth program, which continues to surpass expectations, strong Same Practice Sales growth, driven by our insourcing agenda, the performance of practices we acquired during 2020, as well as the realization of operating efficiencies across our business.

Adjusted free cash flow

Adjusted free cash flow for the year ended December 31, 2021 was $90.4 million compared to ($92.0) million for the three months ended December 31, 2020, representing an increase in free cash flow of $182.4 million or 198.3%. The increase was primarily due to (i) an increase in cash flow from operations of $90.3 million, (ii) an increase of $33.8 million related to a reduction of cash interest due to lower interest rates on the Credit Facilities and lower overall level of borrowings and non-cash losses related to the refinancing of the Company's borrowings, and (iii) and increase of $54.9 million related to CEWS received in 2020.

Reconciliation of Non-IFRS Measures

The following table shows the reconciliations of net loss and comprehensive loss to EBITDA, Adjusted EBITDA, EBITDA Margin, PF Adjusted EBITDA, PF Adjusted EBITDA after rent, and the reconciliation of revenue to PF Revenue:

	Three months ended,		Year ended,	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(expressed in millions of dollars)			
Net loss and comprehensive loss	$ **(43.1)**	$ (32.0)	$ **(160.4)**	$ (157.1)
Adjustments:				
Net finance costs	**12.1**	36.2	**115.0**	138.7
Income tax recovery	**1.1**	(8.0)	**(10.8)**	(21.5)
Depreciation and amortization	**42.6**	37.6	**158.5**	138.6
EBITDA[n]	$ **12.7**	$ 33.8	$ **102.3**	$ 98.7
Adjustments:				
Net impact of foreign exchange, change in fair value of derivative instruments, change in fair value of conversion option, and share of associate losses[b]	**0.1**	(15.4)	**(40.9)**	0.2
Share-based compensation	**7.7**	0.9	**75.2**	5.8
External acquisition expenses[c]	**3.1**	4.9	**7.6**	9.9
COVID-19 costs[d]	**8.7**	5.6	**11.2**	10.0
Canada Emergency Wage Subsidy[e]	**—**	—	**—**	(54.9)
Change in fair value of contingent consideration[f]	**13.4**	1.1	**15.6**	(12.5)
IPO costs[g]	**0.8**	—	**15.7**	—
Loss on disposal of property and equipment	**—**	0.7	**—**	0.7
Other corporate costs[h]	**3.6**	1.1	**5.1**	2.0
Adjusted EBITDA[n]	$ **50.1**	$ 32.7	$ **191.8**	$ 59.9
Adjusted EBITDA Margin[o]	**18.4** %	14.5 %	**18.6** %	9.0 %
Adjusted EBITDA	**50.1**	32.7	**191.8**	59.9
Adjustments:				
COVID-19 adjustment[i]	**—**	13.7	**—**	62.9
Acquisition adjustment[j]	**2.3**	1.6	**23.7**	15.6
PF Adjusted EBITDA	$ **52.4**	$ 48.0	$ **215.5**	$ 138.4
PF Adjusted EBITDA Margin[o]	**18.7** %	20.3 %	**19.4** %	14.6 %
PF Adjusted EBITDA	**52.4**	48.0	**215.5**	138.4
Adjustments:				
Interest and principal repayments on leases	**(8.7)**	(8.0)	**(34.0)**	(27.4)
Lease interest and principal repayments on acquisitions[k]	**(0.2)**	(0.2)	**(2.3)**	(2.1)
PF Adjusted EBITDA after rent[n]	$ **43.5**	$ 39.8	$ **179.2**	$ 108.9
Revenue	**272.5**	225.9	**1,030.8**	666.2
Adjustments:				
COVID-19 adjustment[l]	**—**	4.0	**—**	215.0
Acquisition adjustment[m]	**7.1**	6.6	**82.7**	66.5
PF Revenue	$ **279.6**	$ 236.5	$ **1,113.5**	$ 947.7

The following table shows the reconciliations of adjusted net income (loss):

	Three months ended, December 31, 2021	Three months ended, December 31, 2020	Year ended, December 31, 2021	Year ended, December 31, 2020
	(expressed in millions of dollars)			
Net loss and comprehensive loss	**(43.1)**	(32.0)	**(160.4)**	(157.1)
Adjustments:				
Amortization of intangible assets	**20.9**	17.0	**75.9**	66.1
Share-based compensation	**7.7**	0.9	**75.2**	5.8
Change in fair value of contingent consideration	**13.4**	1.1	**15.6**	(12.5)
External acquisition costs(c)	**3.1**	4.9	**7.6**	9.9
COVID-19 costs(d)	**8.7**	5.6	**11.2**	10.0
Canada Emergency Wage Subsidy(e)	**—**	—	**—**	(54.9)
IPO costs(g)	**0.8**	—	**15.7**	—
Other corporate costs(h)	**3.6**	1.1	**5.1**	2.0
	15.1	(1.4)	**45.9**	(130.7)
Tax impact of the above	**(5.8)**	(4.3)	**(16.0)**	3.9
Adjustment for legacy debt, net of tax impact	**—**	—	**29.7**	—
Adjusted net income (loss)	**9.3**	(5.7)	**59.6**	(126.8)

The following table shows the reconciliation of cash flow from operations to adjusted free cash flow:

	Three months ended, December 31, 2021	Three months ended, December 31, 2020	Year ended, December 31, 2021	Year ended, December 31, 2020
	(expressed in millions of dollars)			
Cash flow from operating activities	**23.6**	(10.7)	**55.1**	(35.2)
Adjustments:				
External acquisition costs(c)	**3.1**	4.9	**7.6**	9.9
COVID-19 costs(d)	**1.5**	5.6	**4.0**	10.0
Canada Emergency Wage Subsidy(e)	**—**	—	**—**	(54.9)
IPO costs(g)	**0.8**	—	**15.7**	—
Other corporate costs(h)	**3.6**	1.1	**5.1**	2.0
	32.6	0.9	**87.5**	(68.2)
Adjustments:				
Repayment of principal on leases	**(5.4)**	(4.8)	**(21.2)**	(15.2)
Maintenance capex	**(2.9)**	(2.9)	**(9.7)**	(8.6)
	24.3	(6.8)	**56.6**	(92.0)
Adjustment for legacy debt, net of tax impact	**—**	—	**33.8**	—
Adjusted free cash flow(n)	**24.3**	(6.8)	**90.4**	(92.0)
Adjusted free cash flow per share:				
Basic	**0.15**	(0.08)	**0.69**	(1.03)
Diluted	**0.14**	(0.08)	**0.65**	(1.03)
Weighted average number of shares outstanding:				
Basic	**167,173,557**	89,906,793	**131,790,084**	89,420,101
Diluted	**175,913,542**	89,906,793	**138,030,184**	89,420,101

Notes:

(a) For the three months and year ended December 31, 2021, our finance costs included $3.3 million and $12.8 million of cash rent expense, respectively (three months and year ended December 31, 2020 – $3.2 million and $12.2 million of cash rent expense, respectively) and a loss on settlement of Pre-IPO Borrowings of $nil and $26.7 million, respectively (three months and year ended December 31, 2020 - $nil and $nil, respectively).

(b) Represents the sum of (i) foreign exchange (ii) change in fair value of derivative instruments, (iii) change in fair value of conversion option and (iv) share of associate losses.

(c) Represents advisory fees and other expenses paid to third parties related to practice acquisitions. These costs are excluded as they are incurred in connection with each practice acquisition and are not related to underlying business operations of the Company.

(d) Represents costs incurred as a result of the COVID-19 pandemic that are not expected to recur, including additional employee benefits and retention payments to staff, retrofitting expenses at practices, and payments to safety consultants. The Company's cost of revenue was impacted in 2021 due to the normalization of the cost of consumable inventories from previously inflated rates as a result of COVID-19.

(e) The Company received subsidies from the Government of Canada under the CEWS for the three months and year ended December 31, 2020, of $nil and $54.9 million, respectively.

(f) On acquisition, and at each subsequent reporting date, obligations under earn-out arrangements are measured at fair value with the changes in fair value recognized in the consolidated statements of loss or comprehensive loss.

(g) Represents costs that are not expected to recur related to the Company's IPO.

(h) Represents costs related to the implementation of new corporate systems and the undertaking of vendor consolidations.

(i) Adjusted EBITDA for the three months and year ended December 31, 2020 was heavily impacted by the global COVID-19 pandemic.

The Company estimates that the impact of the COVID-19 related closures on its Adjusted EBITDA for the year ended December 31, 2020 was $62.9 million. The impact on Adjusted EBITDA was estimated as follows: (i) the ratio of (a) the Company's revenue for the period between August 1, 2020 (being the first full month following the government mandated practice closures stemming from the COVID-19 pandemic) and December 31, 2020 and (b) the revenue for the period between August 1, 2019 and December 31, 2019 was calculated; (ii) this ratio was applied to the Company's revenue for the period between March 1, 2019 and December 31, 2019 in order to obtain an estimated unimpacted revenue figure for the corresponding period in 2020; (iii) the Company's Adjusted EBITDA Margin for the period between August 1, 2020 and December 31, 2020 was applied to the figure calculated in (ii) in order to obtain an estimated unimpacted Adjusted EBITDA figure for the period between March 1, 2020 and December 31, 2020; and (iv) the Company's reported Adjusted EBITDA for the period between March 1, 2020 and December 31, 2020 was deducted from the amount calculated in (iii) in order to arrive at an estimated impact of $62.9 million. There can be no assurance that if the COVID-19 pandemic had not occurred, we would have actually generated such estimated additional Adjusted EBITDA, nor is this estimate indicative of future results.

A numerical illustration of the foregoing discussion is as follows:

(i) Revenue for the five months ended December 31, 2020 (a period essentially unimpacted by government mandate practice closures stemming from the COVID-19 pandemic) was $358.2 million;

(ii) Revenue for the five months ended December 31, 2019 (a period unimpacted by COVID-19) was $364.5 million;

(iii) Because the ratio of (i) to (ii) was 0.983, this means that revenue declined by 1.7% from 2019 to 2020 (for the five-month period in each year); applying this same rate of decline to the Company's revenue for the ten months ended December 31, 2019 implies that revenue for the ten months ended December 31, 2020 would have been $738.4 million, if unimpacted by COVID-19;

(iv) The Company's ratio of (i) Adjusted EBITDA to (ii) revenue for the five months ended December 31, 2020 was 20.4%, representing the Company's estimate of its 2020 Adjusted EBITDA margin if unimpacted by COVID-19;

(v) Applying the ratio in (iv) to the estimated $738.4 million of revenue for the ten months ended December 31, 2020 (if unimpacted by COVID-19) implies that Adjusted EBITDA for the ten months ended December 31, 2020 (if unimpacted by COVID-19) would have been $150.6 million;

(vi) Actual reported Adjusted EBITDA for the ten months ended December 31, 2020 was $87.9 million; and

(vii) The amount set out in (v) minus the amount set out in (vi) was $62.9 million, representing our estimate of the impact of COVID-19 on our Adjusted EBITDA during 2020.

The Company estimates that the impact of the COVID-19 related closures on its Adjusted EBITDA for the three months ended December 31, 2020 was $13.7 million. The impact on Adjusted EBITDA was estimated as follows: (i) a ratio of 0.983, being the revenue for the five months ended December 31, 2020 (a period essentially unimpacted by government mandated practice closures stemming from the COVID-19 pandemic) compared to the revenue for the five months ended December 31, 2019 (a period unimpacted by COVID-19) was applied to the Company's revenue for the three months ended December 31, 2019 of $234.0 million in order to obtain an estimated unimpacted revenue figure for the equivalent three months ended December 31, 2020 of $229.9 million; (ii) the Company's Adjusted EBITDA Margin of 20.4% (being the Company's ratio of (i) Adjusted EBITDA to (ii) revenue for the five months ended December 31, 2020, representing the Company's estimate of its 2020 Adjusted EBITDA Margin if unimpacted by COVID-19) was applied to the figure calculated in (i) in order to obtain an estimated unimpacted Adjusted EBITDA figure for the three months ended December 2020 of $34.3 million; and (iii) the Company's reported Adjusted EBITDA for the three months ended December 31, 2020 of $48.0 million was deducted from the amount calculated in (ii) in order to arrive at an estimated impact of $13.7 million. There can be no assurance that if the COVID-19 pandemic had not occurred, we would have actually generated such estimated additional Adjusted EBITDA, nor is this estimate indicative of future results.

A numerical illustration of the foregoing discussion is as follows:

(i) Because the ratio described above was 0.983, this means that revenue declined by 1.7% from 2019 to 2020 (for the five-month period in each year that was unimpacted by COVID-19); applying this same rate of decline to the Company's revenue for the three months ended December 31, 2019 of $234.0 million implies that revenue for the three months ended December 31, 2020 would have been $229.9 million, if unimpacted by COVID-19;

(ii) Applying the Adjusted EBITDA Margin described above to the estimated $229.9 million of revenue for the three months ended December 31, 2020 (if unimpacted by COVID-19) implies that Adjusted EBITDA for the three months ended December 31, 2020 (if unimpacted by COVID-19) would have been $48.0 million;

(iii) Actual reported Adjusted EBITDA for the three months ended December 31, 2020 was $34.3 million; and

(iv) The amount set out in (ii) minus the amount set out in (iii) was $13.7 million, representing our estimate of the impact of COVID-19 on our Adjusted EBITDA for the three months ended December 31, 2020.

Management considers the assumptions used in the foregoing estimates to be reasonable given the highly recurring and predictable nature of our revenue streams (for the reasons disclosed in the Prospectus).

(j) The Company regularly acquires dental practices and estimates that if it had acquired each of the practices that it acquired during the three months and years ended December 31, 2021 and 2020 on the first day of the applicable fiscal period, it would have recorded additional Adjusted EBITDA of $2.3 million and $1.6 million for the three months ended December 31, 2021 and 2020, respectively, and $ 23.7 million and $15.6 million for the years ended December 31, 2021 and 2020, respectively. 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 Practice-Level EBITDA, nor is this estimate indicative of future results. "Practice-Level EBITDA" in respect of a practice means EBITDA estimated by management to be attributable to that practice and excludes costs classified by management as corporate-level costs.

(k) The Company regularly acquires practices and estimates that if it had acquired each of the practices that it acquired during the three months and years ended December 31, 2021 and 2020 on the first day of the applicable fiscal period, it would have recorded additional lease interest and principal repayments of $0.2 million and $0.2 million for the three month periods ended December 31, 2021 and 2020, respectively, and $2.3 million and $2.1 million for the years ended December 31, 2021 and 2020, respectively. 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 additional lease interest and principal repayments.

(l) Revenue for the three months and year ending December 31, 2020 was heavily impacted by the global COVID-19 pandemic.

The Company estimates that the impact of the COVID-19 related closures on its revenue for the year ended December 31, 2020 was $215.0 million. The impact on revenue was estimated as follows: (i) the ratio of (a) the Company's revenue for the period between August 1, 2020 (being the first full month following the government mandated practice closures stemming from the COVID-19 pandemic) and December 31, 2020 and (b) the revenue for the period between August 1, 2019 and December 31, 2019 was calculated; and (ii) this ratio was applied to the company's revenue for the period between March 1, 2019 and December 31, 2019 in order to obtain an estimated unimpacted revenue figure for the corresponding period in 2020 and arrive at an estimated impact of $215.0 million. There can be no assurance that if the COVID-19 pandemic had not occurred, we would have actually generated such estimated additional revenue, nor is this estimate indicative of future results.

A numerical illustration of the foregoing discussion is as follows.

(i) Revenue for the five months ended December 31, 2020 (a period essentially unimpacted by government mandated practice closures stemming from the COVID-19 pandemic) was $358.2 million;

(ii) Revenue for the five months ended December 31, 2019 (a period unimpacted by COVID-19) was $364.5 million;

(iii) Because the ratio of (i) to (ii) was 0.983, this means that revenue declined by 1.7% from 2019 to 2020 (for the five-month period in each year that was unimpacted by COVID-19); applying this same rate of decline to the Company's revenue for the ten months ended December 31, 2019 implies that revenue for the ten months ended December 31, 2020 would have been $738.4 million, if unimpacted by COVID-19;

(iv) Actual reported revenue for the ten months ended December 31, 2020 was $523.4 million; and

(v) The amount set out in (iii) minus the amount set out in (iv) was $215 million, representing our estimate of the impact of COVID-19 on our revenue during the year ended December 31, 2020.

The Company estimates that the impact of the COVID-19 related closures on its revenue for the three months ended December 31, 2020 was $4.0 million and was estimated as follows: (i) the ratio of 0.983 described above in note (l)(i) was applied to the Company's revenue for the three months ended December 31, 2019 of $234.0 million in order to obtain an estimated unimpacted revenue figure for the three months ended December 31, 2020 of $229.9 million. Actual reported revenue for the three months ended December 31, 2020 of $225.9 million was then subtracted from this estimate to arrive at a COVID-19 adjustment of $4.0 million.

A numerical illustration of the foregoing discussion is as follows.

(i) Because the ratio described above in (l)(i) was 0.983, this means that revenue declined by 1.7% from 2019 to 2020 (for the five-month period in each year that was unimpacted by COVID-19); applying this same rate of decline to the Company's revenue for the three months ended December 31, 2019 of $234.0 million implies that revenue for the three months ended December 31, 2020 would have been $229.9 million, if unimpacted by COVID-19;

(ii) Actual reported revenue for the three months ended December 31, 2020 was $225.9 million; and

(iii) The amount set out in (i) minus the amount set out in (ii) was $4.0 million, representing our estimate of the impact of COVID-19 on our revenue during the three months ended December 31, 2020.

Management considers the assumptions used in the foregoing estimates to be reasonable given the highly recurring and predictable nature of our revenue streams (for the reasons disclosed elsewhere in the Prospectus).

(m) The Company regularly acquires dental practices and estimates that if it had acquired each of the practices that it acquired during the three months and years ended December 31, 2021 and 2020 on the first day of the applicable fiscal period, it would have recorded additional revenue of $7.1 million and $6.6 million for the three month periods ended December 31, 2021 and 2020, respectively, and $82.7 million and $67.0 million for the years ended December 31, 2021 and 2020, respectively. 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.

(n) See "Non-IFRS and Other Measures – Non-IFRS Measures".

(o) See "Non-IFRS and Other Measures – Non-IFRS Ratios".

Selected quarterly summary of financial results

The following table provides historical information and other data of the Company which should be read in conjunction with the Annual Financial Statements.

	Three months ended							
	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20
	(expressed in millions of dollars, except per share amounts)							
Revenue	**272.5**	250.2	261.1	247.1	225.9	204.8	53.3	182.2
Net loss and comprehensive loss	**(43.1)**	(18.4)	(90.0)	(9.0)	(32.0)	(25.2)	(48.0)	(51.9)
Loss per share - basic and diluted	**(0.26)**	(0.11)	(0.87)	(0.10)	(1.75)	(0.28)	(0.54)	(0.58)
Adjusted EBITDA(i)	**50.1**	46.2	48.9	47.4	32.7	33.0	(0.1)	31.9

Notes:

(i) See “Non-IFRS and Other Measures – Non-IFRS Measures”.

Liquidity and Capital Resources

Our primary sources of liquidity include cash-on-hand, cash provided by our operations and amounts available for borrowing under our credit facilities and capital-raising activities in the capital markets. As of December 31, 2021, we had $141.8 million in cash and working capital of $92.6 million as compared to cash and working capital of $101.5 million and $44.8 million, respectively, as at December 31, 2020. Working capital is calculated as current assets less current liabilities.

Cash Flows for the three months and years ended December 31, 2021 and 2020

Our cash flows in the applicable periods are summarized in the following table.

	Three months ended December 31, 2021	Three months ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020
	(expressed in millions of dollars)			
Total cash provided by (used in):				
Operating activities	23.6	(10.7)	55.1	(35.2)
Investing activities	(67.7)	(67.3)	(262.9)	(151.3)
Financing activities	(6.5)	(7.5)	248.1	202.6
Increase in cash	(50.6)	(85.5)	40.3	16.1
Cash, beginning of period	192.4	187.0	101.5	85.4
Cash, end of period	141.8	101.5	141.8	101.5

Operating Activities

Cash flows provided by operating activities were $23.6 million for the three months ended December 31, 2021, compared to cash flows used in operating activities of $10.7 million for the three months ended December 31, 2020. The increase in cash flows provided by operating activities is primarily due to impact of COVID-19 on the operations of the Company during 2020 (see full year below) and the recapitalization of the Company’s borrowings following the IPO.

Cash flows provided by operating activities were $55.1 million for the year ended December 31, 2021, compared to cash flows used in operating activities of $35.2 million for the year ended December 31, 2020. The increase in cash flows provided by operating activities is primarily due to the negative impact of mandated closures related to the COVID-19 pandemic during the year ended December 31, 2020, COVID-19 related expenditures that were not subsidized through the CEWS, and the recapitalization of the Company’s borrowings following the IPO.

Maintenance capital expenditures were $2.9 million and $9.7 million for the three and year ended December 31, 2021, respectively compared to $2.9 million and $8.6 million for the three and year ended December 31, 2020, respectively.

Investing Activities

Cash flows used in investing activities were $67.7 million for the three months ended December 31, 2021, compared to cash flows used in investing activities of $67.3 million for the three months ended December 31, 2020.

Cash flows used in investing activities were $262.9 million for the year ended December 31, 2021, compared to cash flows used in investing activities of $151.3 million for the year ended December 31, 2020. The increase in cash flows used in investing activities for the year ended December 31, 2021 primarily resulted from an increase in acquisition related payments of $111.8 million, an increase in payments for intangibles (software and patient lists) of $3.6 million, offset by a reduction in payments for property and equipment of $2.5 million.

Financing Activities

Cash flows used in financing activities were $6.5 million for the three months ended December 31, 2021, compared to cash used in financing activities of $7.5 million for the three months ended December 31, 2020. The decrease in cash flows used in financing activities is primarily due to a reduction in principal repayments under the Company's borrowings of $2.6 million, offset by an increase in principal repayments under the Company's leases of $0.6 million and an increase in fees paid related to the closing of IPO and conversion of preferred shared of $1.3 million.

Cash flows provided by financing activities were $248.1 million for the year ended December 31, 2021, compared to $202.6 million for the year ended December 31, 2020. The increase in cash flows provided by financing activities for the year ended December 31, 2021 primarily resulted from (i) an increase in net proceeds from borrowings of $945.9 million which includes an increase of $890.3 million under the Credit Facilities and $55.6 million under the Pre-IPO Borrowings; (ii) an increase in net proceeds from the issuance of shares of $904.3 million, offset by; (iii) an increase in the repayment of borrowings of $1,537.7 million which includes $1,546.9 million paid on settlement of the Pre-IPO Borrowings; (iv) an increase in settlement of derivative liability of $160.2 million; (v) a reduction of proceeds from issuance of Preferred Shares of $100.0 million; and (vi) an increase in repayment of principal on leases of $6.0 million.

Credit Facilities

Pre-IPO Borrowings

Prior to the IPO, the Company had a First Lien Facility which was fully utilized and bore interest at LIBOR (subject to a floor of 1%) plus an applicable margin of 3.75%. The First Lien Facility was repayable in quarterly instalments of 0.25% of the outstanding loan balance at the date of the repayment date, with the remaining balance to be repayable on June 5, 2025.

The Company also had a Second Lien Facility which was fully utilized and bore interest at LIBOR (subject to a floor of 1%) plus an applicable margin of 7.5%. The Second Lien Facility was repayable on June 5, 2026.

The Company also had access to a Revolving Credit Facility which was unutilized. The Revolving Credit Facility bore interest at LIBOR plus an applicable margin of 3.75% per annum and had a commitment fee of 0.5% per annum on the unutilized facility. The Revolving Credit Facility was repayable on June 5, 2023.

Under the terms of the Pre-IPO Borrowings, the Company was required to satisfy certain financial covenants if the Company had drawn down funds under the Revolving Credit Facility. No funds were drawn down under the Revolving Credit Facility.

During the year ended December 31, 2021, the Company amended the terms of the First Lien Facility and the Second Lien Facility with the effect being to increase the aggregate principal amount of borrowings under the First and Second Lien Facilities by U.S.$100.0 million and U.S.$50.0 million.

Following closing of the IPO, the Company used the full amount of the net proceeds from the IPO, as well as funds drawn under the Term Facility, to settle all amounts outstanding under the Pre-IPO Borrowings, including all accrued interest and standby fees, of $1,546.9 million. On derecognition of the Pre-IPO Borrowings, the Company recognized a loss on settlement of $26.7 million within Finance costs in the consolidated statements of loss and comprehensive loss.

Post-IPO Borrowings

Concurrently with the closing of the IPO, the Company entered into the Credit Facilities (see "Recent Developments—Financing" above).

On closing of the IPO, the Company drew down the full $900 million Term Facility as Prime Rate Advances, Bankers' Acceptances ("**BA**") or BA Equivalent Notes and, in conjunction with the proceeds of the IPO, repaid the Pre-IPO Borrowings. The BA or BA Equivalent Notes have a maturity of one, two or three months, subject to availability, and bear interest at a rate equal to CDOR plus an applicable margin, which is based on the Company's total funded debt to EBITDA ratio as of the end of the most recently completed fiscal quarter or fiscal year. On closing of the IPO and December 31, 2021, the applicable margin was 2.5%. No scheduled payments of principal are required under the Term Facility prior to maturity. Interest is payable, one month in advance on the first day of each month.

As at December 31, 2021, no funds have been drawn down under the Revolving Facility or the Delayed Draw Facility.

A standby fee of 0.5% is payable on the unutilized amount of the Revolving Facility and the Delayed Draw Facility.

The Credit Agreement is subject to financial covenants including the maintenance of a maximum total funded debt to EBITDA ratio and minimum interest rate coverage ratio. The Company was in compliance with all financial covenants as at December 31, 2021.

Hedging Arrangements

Prior to the IPO, the Company entered into cross-currency swap agreements with financial institutions to manage its foreign exchange and interest rate exposures relating to the First Lien Facility and the Second Lien Facility. These swap agreements covered the interest expense of the Company's borrowings based on U.S.$ LIBOR plus a margin of 3.75% for the First Lien Facility and a margin of 7.50% for the Second Lien Facility.

As of December 31, 2020, U.S.$739.4 million of our First Lien Facility was hedged at an average CAD:USD exchange rate of $1.3237 with the remaining U.S.$93.8 million of drawn principal left unhedged. The entire outstanding balance of U.S.$300 million Second Lien Facility was hedged at an average CAD:USD exchange rate of $1.3229.

On closing of the IPO and in conjunction with settlement of the Company's Pre-IPO Borrowings, all outstanding derivative contracts were settled with the counterparty. The fair value of the interest and cross-currency swaps on settlement was a liability of $160.2 million. For the three months and year ended December 31, 2021, the Company recognized a realized loss of $nil and $66.1 million, respectively (for the three months and year ended December 31, 2020, an unrealized loss of $56.8 million and $41.8 million, respectively).

Contractual Obligations and Commitments

Our contractual obligations and commitments primarily consist of trade and other payables, lease liabilities, contingent consideration for acquired practices, and borrowings. Our contractual obligations and commitments as of December 31, 2021 are shown in the following table (expressed in millions of dollars):

	Payments Due by Period					
	Year 1	Year 2	Year 3	Year 4	Year 5 and over	Total
	(expressed in millions of dollars)					
Trade and other payables	108.5	—	—	—	—	108.5
Lease liabilities	34.0	33.7	33.3	31.3	170.3	302.6
Contingent consideration	38.1	0.5	0.1	0.1	0.1	38.9
Borrowings	—	—	—	—	900.0	900.0
Total contractual obligations	180.6	34.2	33.4	31.4	1,070.4	1,350.0

Financial Condition

Our financial position in the applicable periods is summarized in the following table.

	As at December 31, 2021	As at December 31, 2020
	(expressed in millions of dollars)	
Consolidated Statements of Financial Position:		
Assets		
Current		
Cash	**141.8**	101.5
Trade and other receivables	**73.3**	52.6
Inventories	**35.5**	37.8
Prepaid and other assets	**13.2**	7.7
Income taxes receivable	**—**	1.8
	263.8	201.4
Non-current		
Investment in associate	**0.3**	0.5
Trade and other receivables	**10.0**	11.4
Prepaid and other assets	**2.6**	—
Property and equipment	**167.4**	170.9
Right-of-use assets	**238.3**	214.3
Intangible assets	**345.3**	333.5
Goodwill	**1,810.1**	1,638.1
	2,574.0	2,368.7
Total assets	**2,837.8**	2,570.1
Liabilities		
Current		
Trade and other payables	**108.5**	97.0
Contract liabilities	**2.4**	2.4
Lease liabilities	**23.1**	20.0
Borrowings	**—**	10.9
Contingent consideration payable	**37.2**	26.3
	171.2	156.6
Non-current		
Contract liabilities	**0.1**	0.1
Lease liabilities	**236.6**	210.6
Borrowings	**894.1**	1,407.7
Contingent consideration payable	**8.4**	9.9
Preferred Share liability	**—**	70.8
Conversion option	**—**	30.8
Share-based payment liability	**13.4**	5.3
Derivative financial liabilities	**—**	94.3
	1,152.6	1,829.5
Total liabilities	**1,323.8**	1,986.1
Shareholders' equity		
Share capital	**1,918.4**	891.9
Contributed surplus	**89.2**	25.3
Accumulated deficit	**(493.6)**	(333.2)
	1,514.0	584.0
	2,837.8	2,570.1

The following is a comparison of key financial position accounts:

Trade and other receivables

Trade and other receivables as at December 31, 2021 amounted to $83.3 million compared to $64.0 million as at December 31, 2020. The increase of $19.3 million is primarily due to the growth of the Company through the acquisition of practices and the recovery of operations post-COVID shutdown.

Inventories

Inventories as at December 31, 2021 amounted to $35.5 million compared to $37.8 million as at December 31, 2020. The decrease of $2.3 million is primarily due to (i) the Company holding a higher value of inventory per operatory at the end of 2020 due to COVID-19, offset by (ii) the growth of the Company during 2021 through the acquisition of practices and a 54.7% increase in revenue for the year ended December 31, 2021, compared to the year ended December 31, 2020.

Prepaid and other assets

Prepaid and other assets as at December 31, 2021 amounted to $15.8 million compared to $7.7 million as at December 31, 2020. The increase of $8.1 million is primarily due to deferred financing fees incurred in relation to the Revolving Facility and Delayed Draw Facility of $2.6 million, payments for future events and rent deposit of $1.1 million, prepaids under service arrangements of $1.3 million, increase in prepaid software licenses of $1.0 million, increase in other prepaids and assets of $2.1 million.

Property and equipment

Property and equipment as at December 31, 2021 amounted to $167.4 million compared to $170.9 million as at December 31, 2020. The decrease of $3.5 million was primarily due to additions of $14.6 million, additions through acquisitions of $38.4 million, offset by depreciation expense of $56.5 million.

Right-of-use-assets

Right-of-use assets as at December 31, 2021 amounted to $238.3 million compared to $214.3 million as at December 31, 2020. The increase of $24.0 million was primarily due to additions of $2.0 million, additions through acquisitions of $44.0 million, and adjustments due to lease modifications of $4.4 million, offset by depreciation expense of $26.1 million and derecognition of sub-lease of $0.3 million.

Intangible assets

Intangible assets as at December 31, 2021 amounted to $345.3 million compared to $333.5 million as at December 31, 2020. The increase of $11.8 million was primarily due to additions of $3.7 million (comprised of $0.3 million of patient lists and $3.4 million of capitalized internally developed software), additions through acquisitions of $84.0 million, offset by amortization expense of $75.9 million.

Goodwill

Goodwill as at December 31, 2021 amounted to $1,810.1 million compared to $1,638.1 million as at December 31, 2020. The increase of $172.0 million was due to additions through acquisitions.

Trade and other payables

Trade and other payables as at December 31, 2021 were $108.5 million compared to $97.0 million as at December 31, 2020. The increase of $11.5 million was due primarily to (i) the timing of payment of trade and other accruals of $5.6 million, (ii) an increase in holdback and working capital payables on completed practice acquisitions of $3.8 million; and (iii) consideration payable to a Partner dentist on a completed acquisition of $1.7 million.

Lease liabilities

Lease liabilities as at December 31, 2021 amounted to $259.7 million compared to $230.6 million as at December 31, 2020. The increase of $29.1 million was primarily due to additions of $1.9 million, additions through acquisitions of $44.0 million, adjustments due to lease modifications of $4.4 million and interest accretion of $12.8 million, offset by lease payments of $34.0 million.

Borrowings

Borrowings as at December 31, 2021 amounted to $894.1 million compared to $1,418.6 million as at December 31, 2020. The decrease of $524.5 million was primarily due to (i) borrowings under the Pre-IPO Borrowings and Credit Facilities of $190.3 million and $900.0 million, respectively; (ii) interest expense under the Pre-IPO Borrowings and Credit Facilities of $48.8 million and $17.5 million, respectively; (iii) loss on modification of Pre-IPO Borrowings of $1.9 million; (iv) loss on settlement of the Pre-IPO Borrowings of $26.7 million, offset by (v) repayments under the Pre-IPO Borrowings and Credit Facilities of $1,596.9 million and $16.7 million, respectively; (vi) financing costs incurred on draw-down of Pre-IPO Borrowings and Term Facility of $5.4 million and $6.7 million, respectively; and foreign exchange gain of $84.0 million on the Pre-IPO Borrowings which were denominated in USD.

Contingent consideration payable

Contingent consideration payable as at December 31, 2021 amounted to $45.6 million compared to $36.2 million as at December 31, 2020. The increase of $9.4 million was primarily due to settlements of $9.4 million, offset by change in fair value of $15.6 million and additions through practice acquisitions of $3.2 million.

Preferred share liability

Preferred share liability as at December 31, 2021 amounted to $nil compared to $70.8 million as at December 31, 2020. The decrease of $70.8 million was primarily due to the conversion of the Preferred Shares into Subordinate Voting Shares on closing of the IPO.

Conversion option

Conversion option as at December 31, 2021 amounted to $nil compared to $30.8 million as at December 31, 2020. Prior to conversion of the Preferred Shares into Subordinate Voting Shares on closing of the IPO, the conversion option was deemed to have a fair value of $nil.

Share-based payment liability

Share-based payment liability as at December 31, 2021 amounted to $13.4 million compared to $5.3 million as at December 31, 2020. The increase of $8.1 million was due to an increase in the fair value of Company's share price of $14.25 at December 31, 2020 compared to $16.27 at December 31, 2021, the modification of certain executive employee performance conditions ($3.5 million), and an increase in the number of Legacy Options expected to vest from 1.3 million at December 31, 2020 to 1.7 million at December 31, 2021.

Derivative financial liability

Derivative financial liability as at December 31, 2021 amounted to $nil compared to $94.3 million as at December 31, 2020. The decrease of $94.3 million was primarily due to the settlement of the cross-currency and interest rate swaps on settlement of the Pre-IPO Borrowings on closing of the IPO.

Business Combinations

During the three months and year ended December 31, 2021, the Company completed 13 and 61 practice acquisitions, respectively (13 and 60 of which were, respectively, completed by way of the acquisition of all of the issued and outstanding shares of such dental practice business). For the three months and year ended December 31, 2020, the Company completed 23 and 42 dental practice acquisitions, respectively (23 and 40 of which were, respectively, completed by way of the acquisition of all of the issued and outstanding shares of such practice business). Each of the acquisitions complements the Company's acquisition and growth strategies.

The Company recognizes, separately from goodwill, the identifiable assets acquired and liabilities assumed at their estimated acquisition date fair values. Goodwill is measured and recognized as of the acquisition date as the excess of: (a) the aggregate of the fair value of consideration transferred, over (b) the fair value of net assets acquired and liabilities assumed. At the acquisition date, the Company measures the fair values of all assets acquired and liabilities assumed that arise from contractual contingencies. The Company measures the fair values of all non-contractual contingencies if, as of the acquisition date, it is more likely than not that the contingency will give rise to an asset or liability.

Related Party Transactions

The remuneration to key management personnel during the years ended December 31, 2021 and 2020 are as follows:

	Year ended	
	December 31, 2021	December 31, 2020
	(expressed in millions of dollars)	
Short-term employee benefits	**1.5**	1.9
Share-based payment transactions		
Equity Incentive Plan	**9.1**	-
Management Loan Program[(i)]	**52.9**	2.6
	63.5	4.5

Notes:

(i) During the year ended December 31, 2021, the Company amended the terms and conditions of the Management Loan Program. This resulted in an additional $51.9 million being recognized in share based payment transactions.

During the year ended December 31, 2020, the Company issued 1,014,880 shares under the Management Loan Program for consideration of $10.8 million. The Company also repurchased 446,471 shares under the Management Loan Program at a cost of $5.8 million, the proceeds of which were then used to settle the Management Loan Program receivable with the Company.

Off-Balance Sheet Arrangements

The Company does not have any material off-balance sheet arrangements.

Contingencies

The Company does not have any material contingencies.

During the ordinary course of business, the Company may be involved in and potentially subject to legal actions and proceedings. The Company does not expect that any current claim against the Company, individually or in the aggregate, will have a material adverse effect on the Company's financial results. If circumstances change and it becomes probable that the Company will be held liable for claims against it and such claim is estimable, the Company will recognize a provision during the period in which the change in probability occurs, which could be material to the Company's consolidated statements of loss and comprehensive loss or consolidated statements of financial position.

Critical Accounting Estimates and Judgements

The preparation of the Company's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Consolidation of the Professional Corporations

The Company has certain rights that are established through its contractual arrangements with the Professional Corporations. As the Company does not hold an equity interest in the Professional Corporations, the Company uses judgement when assessing those contractual rights to determine whether consolidation is appropriate.

Determining the lease term of contracts with renewal options

In order to provide the Company with operational flexibility, certain property leases contain extension options that are exercisable by the Company prior to the end of the non-cancellable lease term. At the commencement date of the lease, the Company determines the lease term as the non-cancellable lease term, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised by the Company.

The Company applies judgement in evaluating whether it is reasonably certain to exercise the renewal option by considering all relevant factors that create an economic incentive for the Company to renew. After the commencement date of the lease, the Company reassesses whether it is reasonably certain to exercise the renewal options if there is a significant event or significant changes in circumstances within its control.

The Company will generally exercise a renewal option because there is often a significant cost to relocate a dental practice. The number of renewal periods included in the lease term is assessed on a lease by lease basis but typically includes one to two renewal periods. Renewal periods that extend the lease term beyond 15 years are generally not included because renewal options beyond this period are not reasonably certain to be exercised.

*Determining the grouping of assets into cash generating units (**"CGUs"**)*

The Company uses judgement when determining its CGUs for purposes of testing for impairment of long-lived assets. For testing of property and equipment, intangible assets, and right-of-use assets, the Company has determined that its CGUs comprise individual dental practices or groups of practices. In testing of goodwill, the Company assesses impairment at the level of the Company's operating segment which is the lowest level within the Company at which goodwill is monitored for internal management purposes.

Calculation of current and deferred taxes

In calculating current and deferred taxes, the Company uses judgement when interpreting the tax rules in jurisdictions where the Company operates. The Company also uses judgement in classifying transactions and assessing probable outcomes of claimed deductions, which considers expectations of future operating results, the timing and reversal of temporary differences and possible audits of income tax filings by tax authorities.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The impact of COVID-19 on the consolidated financial statements

On March 11, 2020, the World Health Organization declared a global pandemic as a result of the outbreak and spread of COVID-19. The Company's dental operations were significantly affected by government restrictions in Canada, particularly during the period from mid-March to mid-June 2020 during which the majority of the Company's dental practices were limited to emergency-only services. Following the easing of COVID-19 restrictions across Canada, the Company's dental practices re-opened, providing a range of dental services following stricter infection control guidelines from the dental and health regulators to ensure the health and safety of patients and staff. Continuing challenges and impacts of the COVID-19 pandemic include: reduced numbers of patients seen per day to address safety protocols; increased costs and capital expenditures, including addressing stricter safety requirements and purchases of personal protective equipment; and challenges related to staffing.

In preparing the Consolidated Financial Statements, the Company considered the impact of COVID-19 on various balances in the consolidated statements of financial position, including the carrying amounts of trade and other receivables, inventories, right-of-use assets, intangible assets, and goodwill. In addition, the Company also incurred additional expenses as a result of COVID-19 related to professional fees incurred to navigate COVID-19 regulatory and provincial guidelines, as well as insurance and acquisition related matters which have been recognized in selling, general and administrative expenses in the consolidated statements of loss and comprehensive loss.

The fair value of the intangible assets acquired in a business combination

Acquisitions are accounted for by applying the acquisition method of accounting, where the fair value of consideration is allocated to the fair value of assets acquired and liabilities assumed at the date of acquisition. In determining the fair values of assets and liabilities assumed various assumptions are made. The most significant assumptions and those requiring the most judgement involve the estimated fair values of intangible assets.

Intangible assets recognized on the acquisition of the dental practices include customer relationships, brand and non-compete agreements. The fair values of the customer relationships are valued using the multi-period excess earnings method which measures fair value by discounting only the expected future cash flows attributable to a single intangible asset less a contributory asset charge. The fair value of brands are valued using the relief from royalty method which measures fair value based on hypothetical royalty payments that would be saved by owning the asset rather than licensing it. Non-compete agreements are valued using the Simplified Differential Valuation approach which measures fair value by discounting cash-flows with and without the key person(s) under the non-compete arrangement.

The fair value of contingent consideration

The Company measures the fair value of contingent consideration based on a discounted cash flow analysis. The estimated cash-flows are based on the growth adjusted, trailing twelve months actual results. The expected cash-flows are then discounted back to present values at a rate adjusted for counterparty or the Company's own credit risk.

Measurement of impairment of non-financial assets, including goodwill

For all impairment tests, the Company compares the carrying value of the asset, CGU or group of CGUs to their recoverable amount, which is the higher of fair value less costs to dispose and its value-in-use.

The Company's determination of recoverable amount based on fair value less cost to dispose ("FVLCD") is prepared on a discounted cash flow basis consistent with assumptions that a market participant would make. Those assumptions are compiled based on a review of historical data from both external and internal sources, including historical and forecast growth rates, available enterprise multiples, and an assessment of future trends in the dental industry. The future cash flow estimates are then discounted to their present value using an appropriate post-tax discount rate.

The Company's determination of recoverable amount based on value-in-use ("VIU") is based on a discounted cash flow model. Future cash flows are estimated based on a multi-year extrapolation of the most recent historical actual results or forecasts and a terminal value calculated by discounting the final year in perpetuity. The growth rate applied to the terminal value is based on the Company's estimate of the growth rate specific to the asset, CGU or group of CGUs. The future cash flow estimates are then discounted to their present value using an appropriate pre-tax discount rate.

The key assumptions used to determine the recoverable amount of Goodwill, including a sensitivity analysis, are disclosed in Note 11.

Measurement of depreciation and amortization for long-lived assets

The Company employs significant estimates to determine the estimated useful lives of property and equipment, intangible assets and right-of-use assets, considering the nature of the asset, contractual rights and expected use. The Company reviews depreciation and amortization methods and useful lives annually or whenever circumstances change and adjusts its methods and assumptions on a prospective basis.

Measurement of the fair value of share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share instrument, volatility and dividend yield and making assumptions about them. The Company initially measures the cost of cash-settled transactions with employees using a black-scholes model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognized in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Company uses the black-scholes model.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 18.

*Measurement of the expected credit loss (**"ECL"**) allowance for trade and other receivables*

The Company uses a provision matrix to calculate ECLs for trade and other receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company then calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of Patient's actual default in the future. Further information regarding the determination of the ECL for trade and other receivables is disclosed in Note 17.

Estimation of the consumption and valuation of consumable inventories

The Company performs certain verification procedures on a periodic basis and at December 31, to verify the consumption of inventories and applies the results of those procedures to estimate the quantity of inventories that are held across different geographic regions and numerous dental operatories at each reporting date.

Determination of the incremental borrowing rate for property leases

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The Company determines the incremental borrowing rate as the rate of interest that the Company would pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment. To determine the incremental borrowing rate, the Company uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk specific to the Company and the health-care industry.

Internal Control Over Financial Reporting

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate disclosure controls and procedures (**"DCP"**) and internal controls over financial reporting (**"ICFR"**), as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings (**"NI 52-109"**).

Disclosure Controls & Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure.

The Company's management, under the supervision of the CEO and the CFO, has designed and maintained a set of disclosure controls and procedures to ensure that information required to be disclosed by the Company in its interim filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Controls Over Financial Reporting

ICFR is a process designed under the supervision of the CEO and CFO, and effected by management and other personnel of the Company, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO and CFO are also responsible for disclosing any changes to the Company's internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. However, because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements on a timely basis.

The Company used the control framework set forth by the COSO Integrated Framework (2013) to design the Company's ICFR.

Senior management, including the CEO and CFO, have evaluated and concluded that the Company's DCP and ICFR were designed and operating effectively as at December 31, 2021.

Significant New Accounting Standards Adopted

New Accounting pronouncements adopted

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2 – the amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate ("IBOR") is replaced with an alternative nearly risk-free interest rate ("RFR"). The amendments include the following practical expedients: (i) a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest; (ii) permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and (iii) provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. These amendments had no impact on the consolidated financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

IFRS 16, Leases – COVID-19-Related Rent Concessions beyond June 30, 2021 – extends to June 30, 2022, the May 28, 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for the change under IFRS 16 if the change were not a lease modification. This amendment had no impact on the Company as the election was not taken and all COVID-19 related rent concessions have been treated as lease modifications in accordance with IFRS 16.

Recent pronouncements not yet adopted

The following new standard and amendments to existing standards have not yet been adopted by the Company:

IFRS 17, Insurance Contracts ("IFRS 17") and Amendments to IFRS 17 – IFRS 17 provides consistency in the application of accounting for insurance contracts. The Amendments to IFRS 17 address implementation challenges that were identified with IFRS 17. The amendments are effective for annual periods beginning on or after January 1, 2023.

Amendments to IAS 1, Presentation of Financial Statements – Disclosure of Accounting Policies – are intended to help entities in deciding which accounting policies to disclose in their financial statements (i.e., material versus significant). The amendments are effective for annual periods beginning on or after January 1, 2023.

Amendments to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current – provides a more general approach to the classification of liabilities based on contractual arrangements in place at the reporting date. The amendments are effective for annual periods beginning on or after January 1, 2023.

Amendments to IAS 8, Accounting Policies – Changes in Accounting Estimates and Errors – clarifies the definition of "accounting policies" and "accounting estimates" to help entities distinguish between them. The amendments are effective for annual periods beginning on or after January 1, 2023.

Amendments to IAS 12, Deferred Tax related to Assets and Liabilities from a Single Transaction – clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023.

Amendments to IAS 16, Property, Plant and Equipment – Proceeds before Intended Use – prohibits reducing the cost of property, plant and equipment by proceeds from sale while bringing an asset to capable operations. The amendments are effective for annual periods beginning on or after January 1, 2022.

IAS 37, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts, Costs of Fulfilling a Contract – specifies which costs an entity should include in determining the "cost of fulfilling" a potential onerous contract. The amendments are effective for annual periods beginning on or after January 1, 2022.

Amendments to IFRS 3, Business Combinations - Updating a Reference to the Conceptual Framework – updates a reference to the Conceptual Framework without significantly changing its requirements. The amendments are effective for annual periods beginning on or after January 1, 2022.

Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. The effective date of the amendments has yet to be set by the IASB.

The Company does not expect that the initial adoption of IFRS 17 and amendments to IFRS 17, IFRS 3, IAS 1, IAS 8, IAS 16, and IAS 37 will have a material impact on the consolidated financial statements. The Company has not yet completed its assessment of the impact of adoption of amendments to IFRS 10, IAS 12 and IAS 28. All new standards and amendments to existing standards will be adopted by the Company as of their effective date.

Risk Factors

The Company has identified a number of risk factors that could cause actual results to vary significantly from the results discussed in the "Risk Factors" section of the Prospectus and AIF, a copy of which are or will be available on SEDAR at www.sedar.com.

Outstanding Share Information

Our current authorized share capital consists of (i) an unlimited number of Subordinate Voting Shares, (ii) an unlimited number of Multiple Voting Shares (together with the Subordinate Voting Shares, the "**Shares**"), (iii) an unlimited number of preferred shares, issuable in series. As of the date of this MD&A, we had 167,019,952 Subordinate Voting Shares and 9,183,822 Multiple Voting Shares issued and outstanding.

As of the date of this MD&A, we have 2,999,118 and 6,394,711 share options issued and outstanding under the Legacy Option Planand Equity Incentive Plan, respectively, which are exercisable for 9,393,829 Subordinate Voting Shares. The Company also has 455,730 restricted share units and performance share units issued and outstanding under the Equity Incentive Plan and 16,966 deferred share units issued and outstanding under the Deferred Share Unit Plan, which may be settled into 455,730 and 16,966 Subordinate Voting Shares, respectively. The Company also has 100,694 restricted share awards issued and outstanding which may be settled into 100,694 Subordinate Voting Shares.

Principal Shareholders

The following table sets out the shareholders who beneficially own, control or direct, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of the Company's voting securities.

Name of Shareholder	Number of Shares Owned	Percentage of Outstanding Shares	Percentage of Total Voting Rights[(i)]
L Catterton Investor	73,742,046	41.9%	28.5%
Graham Rosenberg	9,770,162	5.5%	35.7%

Notes:

(i) Percentage of total voting power with respect to all of the Company's Subordinate Voting and Multiple Voting Shares, voting as a single class. The holders of the Company's Multiple Voting Shares are entitled to 10 votes per Share, and the holders of the Company's Subordinate Voting Shares are entitled to one vote per Share,

Additional Information

Additional information, including our other recent filings with Canadian securities regulatory authorities, are available on SEDAR at sedar.com.