MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three months and year ended December 31, 2022

BEST MANAGED COMPANIES CANADA | Platinum member

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., its wholly-owned subsidiaries, dentalcorp Health Services Ltd., DCC Health Services (Québec) Inc., 1348856 B.C. Ltd. and Dentalcorp Holdings (US) Ltd. 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 financial performance and financial condition for the three months and year ended December 31, 2022. This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2022 and 2021 (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 our Annual Information Form (the **"AIF"**).*

*This MD&A also 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. See "About Forward-Looking Information" for more information.*

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 23, 2022.

*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 Canada's leading and one of North America's fastest growing essential, consumer healthcare services companies. As the largest provider of dental services in Canada as at December 31, 2022, we own and operate a network of over 542 dental practices delivering extraordinary patient experiences to over 2.0 million Canadians who visit our practices over 4.7 million times annually. Our nation-wide network is supported by approximately 8,550 team members, including over 1,800 dentists, over 2,100 hygienists, and over 4,650 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, while aiming to deliver the best patient experience and clinical outcomes. Every year since inception, we have achieved double-digit growth in our number of practices, revenue and PF Adjusted EBITDA (defined below), our practices are conveniently located and readily accessible to approximately 78% of the Canadian population, and there is significant white space for continued expansion and growth across the broader North American dental market.

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 North America'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:* we care for our patients and each other, and this is at the centre of everything we do. We deliver extraordinary experiences every time. We change lives by giving back to our communities.
- *We are one:* we are one team. We trust and assume positive intent. We are diverse and inclusive. We always respect each other. We act as one network to succeed.
- *We innovate:* we always seek better ways of doing things. We set the standard and then we raise it. We move at pace and deliver with excellence. We embrace change as an opportunity for growth.
- *We are accountable:* we take initiative and are responsible beyond our roles. We aim to do the right thing, every time. We inspire and support each other to perform at our best.
- *We are courageous:* we are bold, authentic and bring heart to our work. We anticipate the future and take action now. We recover fast and are resilient. We respectfully say what needs to be said to achieve the best outcomes.

dentalcorp is the clear acquirer of choice for independent practice owners, with a proven track record of providing dentists with administrative support, clinical autonomy, operational excellence and unique professional development and career opportunities. Our selection criteria for a dental practice location includes: (i) $2.0 million to $2.3 million in revenue, (ii) $450 thousand to $500 thousand in EBITDA; (iii) multiple dentists and hygienists for a diverse pool of revenue producers; (iv) strong clinical reputation and practice standards; and (v) attractive location and facility types. The average age of a dentist at the time of acquisition of their practice is 41 and within our network the average age of dentists by trailing twelve-month weighted average revenue is 45.

There are approximately 15,000 dental practices in Canada which are independently owned, presenting ample white space for our continued pursuit of double-digit annual growth. Management estimates that in Canada approximately 8,000 to 10,000 practices meet the Company's Partner Dentist (as defined below) acquisitions selection criteria as described above. The remaining approximately 5,000 practices meet the Company's selection criteria for capacity utilization, patient chart acquisitions or supplementary locations for existing Partner Dentists. Our current pipeline of opportunities includes over 690 identified opportunities, of which approximately 170 are in more advanced stages of negotiation.

After joining the dentalcorp network, a practice's patient visits generally increase by 25%. Our practices develop long-standing and recurring relationships with existing patients resulting in approximately 85% of patients revisiting a practice within 12 months.

Immediately following the acquisition of a practice, our ability to drive operational efficiencies at an acquired practice is generally expected to result in a 20% to 25% cost reduction resulting in a 10% to 15% increase in Practice-Level EBITDA Margin. Approximately 75% to 80% of practice level expenses are variable including: (i) dentist and hygienist compensation; (ii) lab fees; (iii) employment expenses, such as administrative staff and dental assistants; (iv) consumables, which vary on volume; and (v) other expenses, including marketing.

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 below and in 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 North American 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 and enter into other North American geographic regions.

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 North American geographic regions and private consumer healthcare businesses in the medium to long term

Leveraging our platform to expand into other North American geographic regions, including regions outside of Canada 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. The dental services market in the United States is estimated to be $190 billion. 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 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.

McGill University

In March 2022, dentalcorp committed to donate $1.0 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.

Risio Institute for Digital Dental Education

In April 2022, dentalcorp formed an exclusive partnership with Risio Institute for Digital Dental Education to train Certified Dental Assistants across the dentalcorp network. This innovative partnership will allow students to continue working at a dentalcorp practice while learning on-demand through a high-quality curriculum designed specifically for online learning. Also, in an apprenticeship-style program, dentalcorp will recruit individuals interested in a career in the dental industry to obtain an employer-funded, recognized diploma while joining a dentalcorp practice.

University of Alberta

In April 2022, the Company formed a partnership with the University of Alberta School of Dentistry to support student well-being, and access to financial aid and education. The partnership will be recognized by naming facilities at the University of Alberta School of Dentistry as the dentalcorp Student Lab, and the dentalcorp Simulation Lab.

Canada's Best Managed Companies

In May 2022, the Company achieved Platinum Club status as one of Canada's Best Managed Companies per the Best Managed program, one of Canada's leading business awards program. The Platinum Club designation is awarded to organizations that have been named Canada's Best Managed Companies for seven consecutive years or more and dentalcorp is enjoying its eighth year of the prestigious Best Managed designation. This year dentalcorp was recognized for overall business performance and sustained growth.

Envista Holdings Corporation

In July 2022, the Company formed a partnership with Envista Holdings Corporation ("**Envista**") to expand implant services available to Canadians. This partnership further strengthens dentalcorp's existing relationship with Envista and its comprehensive portfolio of companies. Including dental implants and treatment options, Envista's offerings also cover digital imaging technologies and orthodontics which together covers an estimated 90% of dentists' clinical needs for diagnosing, treating, and preventing dental conditions as well as improving the human smile. As part of this new partnership, Nobel Biocare, part of the Envista portfolio, is providing the dentalcorp network with an extensive implant training program and suite of services that includes dedicated support, clinical education and mentorship, and operatory guidance at a level unmatched in the Canadian market.

Strategic review

In November 2022, the Company's Board of Directors formed a special committee of non-executive, independent directors (the "**Special Committee**") to undertake, in consultation with its financial and legal advisors, a review and evaluation of strategic alternatives that may be available to the Company to unlock shareholder value (the "**Strategic Review**"). There can be no assurance that this process will lead to the approval or completion of any transaction. The Company does not currently intend to provide any updates with respect to this process unless and until its Board of Directors approves a specific transaction or otherwise concludes its review of strategic alternatives.

OUTLOOK

First Quarter 2023

The Company's first quarter revenues are expected to grow by 22.0% to 24.0% over the same period last year with Same Practice Revenue Growth[1] of 7.0% to 8.0% driven by price increases, a rebound in patient visit volumes and reductions in previously imposed regulatory restrictions. During the first quarter, we expect to acquire practices representing PF Adjusted EBITDA after rent[1] of $4.0 million to $5.0 million with such acquisitions expected to be completed at purchase multiples 15.0% to 20.0% lower than the same period in fiscal 2022. We also expect Adjusted EBITDA Margin[1] to expand as compared to the same period last year, with solid practice-level performance offsetting the significant investments we have made in our marketing and talent teams, and the upgrades to our core information technology systems.

We also highlight that in March 2023, the Company entered into an interest rate swap agreement to manage its interest rate exposure related to $300.0 million of its borrowings under the Credit Facilities (as defined herein). See "Hedging Arrangements – Credit Facilities" below. Approximately 75.0% of our borrowings, or $800.0 million, now carry a fixed CDOR rate plus margin for an-all-in cost of approximately 6.4%, which adds significant certainty and benefit to our Adjusted free cash flow, as we continue to progress towards de-leveraging and self-funding our acquisition program.

(1) Non-IFRS Measure. See the sections below entitled "Overall Performance – Key Indicators of Performance – Non-IFRS and Other Financial Measures" for further details concerning Same Practice Revenue Growth and PF Adjusted EBITDA including definitions and reconciliations to the relevant reported IFRS measure.

The foregoing outlook with respect to the first quarter are based the Company's current strategies and may be considered forward-looking information under applicable securities laws. Such targets are based on estimates and assumptions made by the Company regarding, among other things, the assumptions set out under "About Forward-Looking Information". Readers are cautioned that actual results may vary materially from the above targets if the Company's assumptions are incorrect or as a result of the risks and uncertainties that may impact our business and that may cause actual results to vary. See "About Forward-Looking Information".

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 healthcare services ("**services**"). Revenue from services is primarily affected by the number of practice locations, the number of our partner dentists who, either directly or indirectly, through a professional corporation controlled by the dentist, are responsible for the operational oversight of, and provision of dental services at, one or more of the Company's practice locations pursuant to one or more service agreements with the Company ("**Partner Dentist**"), the number of all other dentists who provide services at our dental practices ("**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 Dentists 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 expenses

Selling, general and administrative expenses ("**SG&A**") 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 individual's 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, 2022 and 2021, the weighted average contribution of property and equipment and ROU assets to the total fair value of assets acquired was 22.5% and 24.2%, respectively, and are being depreciated over the following useful lives: equipment – 5 years, furniture and fittings – 5 years, buildings 35-60 years, and leasehold improvements and ROU assets – lesser 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 the years ended December 31, 2022 and 2021, the weighted average contribution of intangible assets to the total fair value of assets acquired was 21.3% and 24.7%, respectively, 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; (iii) management loan program (the "**MLP**"); 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 initial public offering ("**IPO**"), on certain term facilities (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 interest rate swaps and, prior to the IPO, cross currency swaps and is primarily affected by movements in quoted interest rates and, prior to the IPO, the movements in USD/CDN exchange rate.

During the year ended December 31, 2022, the Company entered into an interest rate swap agreement with a number of financial institutions to manage its interest rate exposure related to borrowings under the Credit Facilities (as defined herein).

See "Hedging Arrangements" for further information on the Company's hedging activities.

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 arose from the conversion option on the Preferred Shares and was 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 recovery

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", "Adjusted free cash flow per Share", "EBITDA", "Net debt / PF Adjusted EBITDA after rent Ratio", "PF Adjusted EBITDA", "PF Adjusted EBITDA after rent", "PF Adjusted EBITDA Margin", "PF Revenue", "Practice-Level EBITDA", "Same Practice Revenue Growth" and "Adjusted Same Practice Revenue 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 year ended December 31, 2022

During the year ended December 31, 2022, the Company made the following changes to its' non-IFRS and other measures:

- changed the definition of "Adjusted EBITDA", "Adjusted net income", and "Adjusted free cash flow" to include an adjustment for costs incurred in connection with the Strategic Review (see "Recent Company Developments"), and other costs incurred by the Company to evaluate strategic alternatives to unlock shareholder value;

- changed the definition of "Adjusted EBITDA" to replace the add-back related to foreign exchange with an add-back related to the net impact of unrealized foreign exchange gains on non-cash balances. Realized foreign exchange gains or losses on cash held in foreign currencies are now excluded from the definition of Adjusted EBITDA;

- changed the definition of “Adjusted EBITDA”, “Adjusted net income”, and “Adjusted free cash flow” to include in “other one-time adjustments” an adjustment for the impact of the gain on legal settlement of $14.7 million, offset by relief provided by the Company to Partner dentists and employees of $9.4 million;

- changed the definition of “Adjusted EBITDA”, Adjusted net income” and “Adjusted free cash flow” to remove adjustments related to (i) the Canada Emergency Wage Subsidy (**“CEWS”**); and (ii) the loss on disposal of property and equipment to reflect that the impact of these adjustments to EBITDA, net loss and comprehensive loss, and cash flows from operating activities, were not applicable for the years ended December 31, 2022 and 2021;

- changed the definition of “PF Adjusted EBITDA” and “PF Revenue” to remove the estimated impact of the COVID-19 related closures on the Company in financial year 2020 as the adjustment was not applicable for the years ended December 31, 2022 and 2021; and

- renamed “Same Practice Sales Growth” to “Same Practice Revenue Growth”. The Company also included the definition “Adjusted Same Practice Revenue Growth” to incorporate the impact of COVID-19 Omicron variant and Hurricane Fiona on Same Practice Revenue Growth.

Changes during the three months ended December 31, 2022

During the three months ended December 31, 2022, the Company made the following changes to its’ non-IFRS and other measures:

- changed the definition of “Adjusted EBITDA”, “Adjusted net income”, and “Adjusted free cash flow” to include an adjustment for costs incurred in connection with the Strategic Review (see “Recent Company Developments”), and other costs incurred by the Company to evaluate strategic alternatives to unlock shareholder value.

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 unrealized foreign exchange gains and losses on non-cash balances, change in fair value of derivative instruments, 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) change in fair value of contingent consideration; (f) IPO costs; (g) special process costs; (h) other one-time corporate costs (consisting primarily of consulting costs related to our recent ERP implementation; and (i) other one-time adjustments. 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 income (loss) and comprehensive income (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) IPO costs; (d) special process costs; (e) other corporate costs (consisting primarily of consulting costs related to our recent ERP implementation); (f) other one-time adjustments; (g) repayment of principal on leases; and (h) maintenance capex. 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

"Adjusted net income" 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) IPO costs; (g) special process costs; (h) other corporate costs (consisting primarily of consulting costs related to our recent ERP implementation); (i) other one-time adjustments; and (j) the tax impact of the above. We use Adjusted net income 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 is Net income (loss) and comprehensive income (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 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 EBITDA to assist investors in understanding the mathematical development of Adjusted EBITDA. The most comparable IFRS measure to EBITDA is Net income (loss) and comprehensive income (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 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, 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 PF Adjusted EBITDA is Net income (loss) and comprehensive income (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 income (loss) and comprehensive income (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 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, 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 herein) on a fully diluted basis. Adjusted free cash flow per Share is utilized to determine components of employee compensation.

Net debt / PF Adjusted EBITDA after rent Ratio

"Net debt / PF Adjusted EBITDA after rent Ratio" means non-current borrowings divided by PF Adjusted EBITDA after rent. We use Net debt / PF Adjusted EBITDA after rent Ratio to assess our borrowing capacity.

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.

Certain Supplementary Financial Measures

Adjusted Same Practice Revenue Growth

"Adjusted Same Practice Revenue Growth" in respect of a period means the percentage change in revenue derived from Established Practices (other than Legacy Specialty Practices) plus the Company's estimate of the impact on Same Practice Revenue Growth of the COVID-19 Omicron variant and Hurricane Fiona. For the three months and year ended December 31, 2022, the Company estimates that this impact was a reduction of approximately nil% and 1.6%, respectively which arose from practice closures, patient cancellations and lost provider days. 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.

Gross Profit Margin

"Gross profit margin" means gross profit *divided by* revenue.

Practice-Level EBITDA

"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. We present Practice-Level EBITDA to assist investors in understanding the mathematical development of PF Adjusted EBITDA.

Same Practice Revenue Growth

"Same Practice Revenue 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 as at and for the years ended December 31, 2022, 2021 and 2020:

	Year ended December 31,		
	2022	2021	2020
	$	$	$
	(expressed in millions of dollars)		
Revenue	**1,250.3**	1,030.8	666.2
Net loss and comprehensive loss	**(16.6)**	(160.4)	(157.1)
Loss per share - basic and diluted	**(0.09)**	(1.22)	(1.76)

	As at December 31,		
	2022	2021	2020
	$	$	$
	(expressed in millions of dollars)		
Total assets	**3,375.2**	2,837.8	2,570.1
Total non-current financial liabilities	**1,074.6**	902.5	1,613.5

During the year ended December 31, 2022, the Company continued to execute on its growth strategy of accretive acquisitions and to maximize value from acquired dental practices. Revenue for the year ended December 31, 2022 was $1,250.3 million compared to $1,030.8 million for the year ended December 31, 2021, an increase of $219.5 million or 21.3%. The increase in revenue was primarily driven by incremental revenue from practices that were acquired over the last twelve months, contribution of a full year of revenue from practices that were acquired during financial year 2021, positive same practice revenue growth, offset by a small decline in revenue contribution from our orthodontic practices.

Net loss and comprehensive loss for the year ended December 31, 2022 was $16.6 million compared to $160.4 million for the year ended December 31, 2021, a decrease of $143.8 million or 89.7%. The decrease in net loss and comprehensive loss for the year ended December 31, 2022 was primarily due to (i) an increase in revenue of $219.5 million; (ii) an increase in cost of revenue of $103.0 million, which included $(8.7) million related to a gain on litigation settlement (iii) an increase in SG&A of $60.3 million which included $(6.0) million related to a gain on litigation settlement, (iv) an increase in depreciation and amortization of $31.8 million, (v) a decrease in share-based compensation expense of $62.7 million, (vi) a decrease in foreign exchange gain of $73.7 million, (vii) a decrease in net finance costs of $47.0 million, (viii) a decrease in the loss on change in fair value of derivatives of $67.6 million; (ix) an increase in change in fair value of contingent consideration of $3.4 million, and (x) a decrease in the gain on change in fair value of conversion option of $30.8 million.

Total assets at December 31, 2022 was $3,375.2 million compared to $2,837.8 million at December 31, 2021, an increase of $537.4 million or 18.9%. The increase was primarily driven by (i) the Company's acquisitions of practices during the year ended December 31, 2022 which contributed $590.3 million to total assets as at the date of their acquisition, (ii) capex additions to property and equipment, intangibles and right-of-use assets of $45.2 million, (iii) recognition of a deferred tax asset of $97.3 million, (iv) an increase in trade and other receivables of $21.8 million, offset by (v) depreciation and amortization of $190.3 million, and (vi) a reduction in cash of $31.3 million.

Total non-current financial liabilities at December 31, 2022 were $1,074.6 million compared to $902.5 million at December 31, 2021, an increase of $172.1 million or 19.1%. The increase was primarily due to the draw down of $164.7 million under the Delayed Draw Facility (as defined herein). See *"Credit Facilities"*.

Financial highlights

Revenue for the three months ended December 31, 2022 was $331.0 million compared to $272.5 million for the three months ended December 31, 2021, an increase of $58.5 million or 21.5%. Revenue for the year ended December 31, 2022 was $1,250.3 million compared to $1,030.8 million for the year ended December 31, 2021, an increase of $219.5 million or 21.3%.

Net income and comprehensive income for the three months ended December 31, 2022 was $6.6 million compared to a net loss of $43.1 million for the three months ended December 31, 2021, a decrease in the net loss of $49.7 million or 115.3%. Net loss and comprehensive loss for the year ended December 31, 2022 was $16.6 million compared to $160.4 million for the year ended December 31, 2021, a decrease of $143.8 million or 89.7%.

Adjusted EBITDA for the three months ended December 31, 2022 was $60.6 million compared to $50.1 million for the three months ended December 31, 2021, an increase of $10.5 million or 21.0%. Adjusted EBITDA for the year ended December 31, 2022 was $230.6 million compared to $191.8 million for the year ended December 31, 2021, an increase of $38.8 million or 20.2%. See "Non-IFRS and Other Measures – Non-IFRS Measures".

PF Adjusted EBITDA for the three months ended December 31, 2022 was $61.5 million compared to $52.4 million for the three months ended December 31, 2021, an increase of $9.1 million or 17.4%. PF Adjusted EBITDA for the year ended December 31, 2022 was $254.2 million compared to $215.5 million for the year ended December 31, 2021, an increase of $38.7 million or 18.0%. See "Non-IFRS and Other Measures – Non-IFRS Measures".

PF Revenue for the three months ended December 31, 2022 was $334.8 million compared to $279.6 million for the three months ended December 31, 2021, an increase of $55.2 million or 19.7%. PF Revenue for the year ended December 31, 2022 was $1,338.7 million compared to $1,113.5 million for the year ended December 31, 2021, an increase of $225.2 million or 20.2%. See "Non-IFRS and Other Measures – Non-IFRS Measures".

Adjusted net income for the three months ended December 31, 2022 was $48.9 million compared to $9.3 million for the three months ended December 31, 2021, an increase of $39.6 million or 425.8%. Adjusted net income for the year ended December 31, 2022 was $117.3 million compared to $59.6 million for the year ended December 31, 2021, an increase of $57.7 million or 96.8%. See "Non-IFRS and Other Measures – Non-IFRS Measures".

Adjusted free cash flow for the three months ended December 31, 2022 was $7.6 million compared to $22.2 million for the three months ended December 31, 2021, a decrease of $14.6 million or 65.8%. Adjusted free cash flow for the year ended December 31, 2022 was $124.6 million compared to $90.4 million for the year ended December 31, 2021, an increase of $34.2 million or 37.8%.

Adjusted Same Practice Revenue Growth and Same Practice Revenue Growth were each approximately 2.0% for the three months ended December 31, 2022. Adjusted Same Practice Revenue Growth and Same Practice Revenue Growth was approximately 2.5% and 0.9% respectively, for the year ended December 31, 2022.

We believe we can continue to achieve similar and higher levels of Same Practice Revenue Growth compared to current Adjusted Same Practice Revenue Growth on a year-over-year basis through, including but not limited to, the expansion of service offerings and frequency of patient visits which contribute to optimal patient care. See "Non-IFRS and Other Measures – Supplementary Financial Measures" and "About Forward-Looking Information."

Results of Operations

Results for the three months and year ended December 31, 2022 compared to the three months and year ended December 31, 2021

The following table shows the consolidated statements of loss and comprehensive loss and selected non-IFRS financial measures for the three months and years ended December 31, 2022 and 2021:

	Three months ended		Year ended	
	December 31, 2022 $	December 31, 2021 $	December 31, 2022 $	December 31, 2021 $
	(expressed in millions of dollars)		(expressed in millions of dollars)	
Revenue	**331.0**	272.5	**1,250.3**	1,030.8
Cost of revenue	**171.6**	148.1	**638.4**	535.4
Gross profit	**159.4**	124.4	**611.9**	495.4
Selling, general and administrative expenses	**107.3**	90.5	**403.5**	343.2
Depreciation and amortization	**51.1**	42.6	**190.3**	158.5
Share-based compensation	**6.8**	7.7	**12.5**	75.2
Foreign exchange loss (gain)	**0.2**	—	**(2.5)**	(76.2)
Net finance costs	**24.1**	12.1	**68.0**	115.0
Change in fair value of derivative instruments	**(1.7)**	—	**(1.7)**	65.9
Change in fair value of contingent consideration	**4.9**	13.4	**19.0**	15.6
Change in fair value of conversion option	**—**	—	**—**	(30.8)
Share of associate losses	**—**	0.1	**0.2**	0.2
Loss before income taxes	**(33.3)**	(42.0)	**(77.4)**	(171.2)
Income tax expense (recovery)	**(39.9)**	1.1	**(60.8)**	(10.8)
Net income (loss) and comprehensive income (loss)	**6.6**	(43.1)	**(16.6)**	(160.4)
Non-IFRS Financial Measures[(i)]				
Adjusted EBITDA	**60.6**	50.1	**230.6**	191.8
Adjusted EBITDA Margin	***18.3%***	*18.4%*	***18.4%***	*18.6%*
PF Adjusted EBITDA	**61.5**	52.4	**254.2**	215.5
PF Adjusted EBITDA Margin	***18.4%***	*18.7%*	***19.0%***	*19.4%*
PF Adjusted EBITDA after rent	**50.9**	43.5	**211.9**	179.2
PF Revenue	**334.8**	279.6	**1,338.7**	1,113.5
Adjusted net income	**48.9**	9.3	**117.3**	59.6
Adjusted free cash flow	**7.6**	22.2	**124.6**	90.4
Gross profit margin	**48.2%**	45.7%	**48.9%**	48.1%

Notes:

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

Revenue

Revenue for the three months ended December 31, 2022 was $331.0 million compared to $272.5 million for the three months ended December 31, 2021, an increase of $58.5 million or 21.5%. Revenue for the year ended December 31, 2022 was $1,250.3 million compared to $1,030.8 million for the year ended December 31, 2021, an increase of $219.5 million or 21.3%.

The increase in revenue was primarily driven by incremental revenue from practices that were acquired over the last twelve months, contribution of a full year of revenue from practices that were acquired during financial year 2021, positive same practice revenue growth, offset by a small decline in revenue contribution from our orthodontic practices.

Cost of revenue

Cost of revenue for the three months ended December 31, 2022 was $171.6 million compared to $148.1 million for the three months ended December 31, 2021, an increase of $23.5 million or 15.9%. Cost of revenue as a percentage of revenue for the three months ended December 31, 2022 was 51.8% compared to 54.3% for the three months ended December 31, 2021, a decrease of 2.5%.

Cost of revenue for the year ended December 31, 2022 was $638.4 million compared to $535.4 million for the year ended December 31, 2021, an increase of $103.0 million or 19.2%. Cost of revenue as a percentage of revenue for the year ended December 31, 2022 was 51.1% compared to 51.9% for the year ended December 31, 2021, a decrease of 0.8%.

The decrease in cost of revenue as a percentage of revenue for the three months and year ended December 31, 2022 was primarily due to the reduction of consumable costs following the relaxation of COVID-19 related mandates throughout the year ended December 31, 2022 with respect to the use of personal protective equipment.

Selling, general and administrative expenses

SG&A for the three months ended December 31, 2022 was $107.3 million compared to $90.5 million for the three months ended December 31, 2021, representing an increase of $16.8 million or 18.6%. SG&A as a percentage of revenue for the three months ended December 31, 2022 was 32.4% compared to 33.2% for the three months ended December 31, 2021, a decrease of 0.8%.

SG&A for the year ended December 31, 2022 was $403.5 million compared to $343.2 million for the year ended December 31, 2021, representing an increase of $60.3 million or 17.6%. SG&A as a percentage of revenue for the year ended December 31, 2022 was 32.3% compared to 33.3% for the year ended December 31, 2021, a decrease of 1.0%.

The decrease in SG&A as a percentage of revenue for the three months ended December 31, 2022 was primarily due to (i) a reduction in COVID-19 and IPO related costs of approximately $3.8 million; (ii) a decrease in other corporate costs related to the ERP and other software implementation of $2.0 million, offset by increases related to (iii) software licenses and directors' and officers' insurance of $1.0 million, and (v) external acquisition costs of $2.1 million

The decrease in SG&A as a percentage of revenue for the year ended December 31, 2022 was primarily due to (i) a reduction in COVID-19 and IPO related costs of $19.2 million, (ii) $(5.8) million being recognized related to a portion of the gain on legal settlement of $14.5 million; offset by increases related to (iii) software licenses and directors' and officers' insurance of $3.8 million, (iv) other corporate costs of $3.0 million, and (v) external acquisition costs of $7.3 million.

Depreciation and amortization

Depreciation and amortization for the three months ended December 31, 2022 was $51.1 million compared to $42.6 million for the three months ended December 31, 2021, representing an increase of $8.5 million or 20.0%. Depreciation and amortization for the year ended December 31, 2022 was $190.3 million compared to $158.5 million for the year ended December 31, 2021, representing an increase of $31.8 million or 20.1%.

This increase was primarily driven by changes over the last twelve months including (i) capex additions to property and equipment, ROU assets and intangible assets of $39.8 million and (ii) additions to property and equipment, ROU assets and intangible assets through acquisitions of $258.5 million which had a flow through effect on depreciation and amortization expense for the three months and year ended December 31, 2022.

Share-based compensation

Share-based compensation expense for the three months ended December 31, 2022 was $6.8 million compared to $7.7 million for the three months ended December 31, 2021, representing a decrease of $0.9 million or 11.7%. Share-based compensation expense for the year ended December 31, 2022 was $12.5 million compared to $75.2 million for the year ended December 31, 2021, representing a decrease of $62.7 million or 83.4%.

The decrease for the three months ended December 31, 2022 was primarily due to higher share-based compensation expense incurred in the first year of vesting under a graded vesting arrangement for share options and restricted share units issued under the Company's equity incentive plan.

The decrease for the year ended December 31, 2022 was primarily due to (i) a decline in share-based compensation expense related to the MLP of $52.9 million as the MLP shares fully vested on completion of the IPO; (ii) a decline in the Company's share price from $16.27 at December 31, 2021 compared to $8.90 at December 31, 2022 which reduced the valuation of the cash-settled legacy option plan by $16.9 million, offset by an increase in share-compensation expense related to the equity incentive plan of $10.4 million.

Foreign exchange loss (gain)

Foreign exchange loss for the three months ended December 31, 2022 was $0.2 million compared to $nil for the three months ended December 31, 2021, representing an increase in the loss of $0.2 million. Foreign exchange gain for the year ended December 31, 2022 was $2.5 million compared to $76.2 million for the year ended December 31, 2021, representing a decrease in the gain of $73.7 million or 96.7%.

The increase in the loss for the three months ended December 31, 2022 was primarily due to a realized loss of $0.3 million on USD cash held by the Company due to the depreciation of the USD compared to the CDN during the three months to December 31, 2022, offset by a $0.1 million gain on USD accounts payable.

The decrease in the gain for the year ended December 31, 2022 was primarily due to the recapitalization of the Company's USD denominated borrowings to CDN denominated borrowings on completion of the IPO, offset by a realized gain of $1.8 million on USD cash held by the Company due to appreciation of the USD compared to CDN over the year ended December 31, 2022.

Net finance costs

Net finance costs for the three months ended December 31, 2022 were $24.1 million compared to $12.1 million for the three months ended December 31, 2021, representing an increase of $12.0 million or 99.2%. Net finance costs for the year ended December 31, 2022 were $68.0 million compared to $115.0 million for the year ended December 31, 2021, representing a decrease of $47.0 million or 40.9%.

The increase for the three months ended December 31, 2022 was primarily due to (i) an increase in interest expense and stand-by charges of $11.5 million on the Company's borrowings over the last twelve months which increased due to $164.7 million of drawdowns under the Delayed Draw Facility (as defined herein) and rising interest rates and (ii) an increase in interest accretion on lease liabilities of $0.9 million, offset by an increase in interest income of $0.5 million.

The decrease for the year ended December 31, 2022 was primarily due to (i) a decrease in interest expense and stand-by charges of $13.6 million on the Company's borrowings resulting from the recapitalization of the Company's borrowings on completion of the IPO, offset by additional borrowings under the Delayed Draw Facility and rising interest rates, (ii) a decrease in interest accretion on the Preferred Share liability of $6.5 million due to the conversion of the Preferred Shares on completion of the IPO, (iii) a decrease in loss on modification of borrowings of $1.9 million, (iv) a decrease in loss on settlement of Pre-IPO borrowings of $26.7 million, offset by (v) an increase in interest income of $1.1 million and (vi) an increase in interest accretion on lease liabilities of $2.8 million.

Change in fair value of derivative instruments

Change in fair value of derivative instruments for the three months ended December 31, 2022 was a gain of $1.7 million compared to $nil for the three months ended December 31, 2021, representing an increase of $1.7 million, or 100%. Change in fair value of derivative instruments for the year ended December 31, 2022 was $1.7 million compared to a loss of $65.9 million for the year ended December 31, 2021, representing a decrease in the gain of $67.6 million, or 102.6%.

The increase in the gain for the three months ended December 31, 2022 was due to the gain on the interest rate swap that the Company entered into during the year ended December 31, 2022 with respect to the Credit Facilities.

The decrease in the loss for the year ended December 31, 2022 was primarily driven by the recapitalization of the Company's USD denominated borrowings to CDN denominated borrowings on completion of the IPO and the settlement of all related outstanding interest and cross currency swaps, offset by the gain on the interest rate swap that the Company entered into during the year ended December 31, 2022, with respect to the Credit Facilities.

Change in fair value of contingent consideration

Change in fair value of contingent consideration for the three months ended December 31, 2022 was a loss of $4.9 million compared to a loss of $13.4 million for the three months ended December 31, 2021, representing a decrease of $8.5 million or 63.4%. Change in fair value of contingent consideration for the year ended December 31, 2022 was a loss of $19.0 million compared to a loss of $15.6 million for the year ended December 31, 2021, representing a decrease of $3.4 million or 21.8%.

At each reporting period end, the Company's earn-out arrangements are remeasured at fair value with the changes in fair value recognized in the consolidated statements of loss or comprehensive loss.

Change in fair value of conversion option

Change in fair value of conversion option for the three months ended December 31, 2022 and 2021 was $nil and $nil, respectively. Change in fair value of conversion option for the year ended December 31, 2022 was $nil compared to a gain of $30.8 million for the year ended December 31, 2021, representing a decrease in the gain of $30.8 million or 100.0%.

The decrease in the gain for the year ended December 31, 2022 arose from the conversion of the Preferred Shares to Subordinate Voting Shares on closing of the IPO.

Income tax expense (recovery)

Income tax recovery for the three months ended December 31, 2022 was $39.9 million compared to an expense of $1.1 million for the three months ended December 31, 2021, an increase of $41.0 million or 3727.3%. Income tax recovery for the year ended December 31, 2022 was $60.8 million compared to $10.8 million for the year ended December 31, 2021, an increase of $50.0 million or 463.0%.

During the three months ended December 31, 2022, the Company concluded that it was probable that sufficient taxable income would be available in future periods to allow all of the deferred tax asset to be utilized. On this basis, the Company recognized a deferred tax asset on the consolidated statement of financial position of $97.3 million, with a corresponding deferred tax recovery. The Company also recognized a deferred tax liability of $41.5 million during the year ended December 31, 2022, with a corresponding deferred tax expense. The net impact resulted in a $39.9 million and $60.8 million deferred tax recovery for the three months and year ended December 31, 2022, respectively.

Net loss and comprehensive loss

Net income and comprehensive income for the three months ended December 31, 2022 was $6.6 million compared to a net loss of $43.1 million for the three months ended December 31, 2021, a decrease of $49.7 million or 115.3%. Net loss for the year ended December 31, 2022 was $16.6 million compared to $160.4 million for the year ended December 31, 2022, a decrease of $143.8 million or 89.7%.

The decrease in net loss and comprehensive loss for the three months ended December 31, 2022 was primarily due to (i) an increase in revenue of $58.5 million; (ii) an increase in cost of revenue of $23.5 million, (iii) an increase in SG&A of $16.8 million, (iv) an increase in depreciation and amortization of $8.5 million, (v) a decrease in share-based compensation expense of $0.9 million, (vi) an increase in foreign exchange loss of $0.2 million, (vii) an increase in net finance costs of $12.0 million, (viii) an increase in the gain on change in fair value of derivatives of $1.7 million; and (ix) a decrease in change in fair value of contingent consideration of $8.5 million.

The decrease in net loss and comprehensive loss for the year ended December 31, 2022 was primarily due to (i) an increase in revenue of $219.5 million; (ii) an increase in cost of revenue of $103.0 million, which included $(8.7) million related to a gain on litigation settlement (iii) an increase in SG&A of $60.3 million which included $(6.0) million related to a gain on litigation settlement, (iv) an increase in depreciation and amortization of $31.8 million, (v) a decrease in share-based compensation expense of $62.7 million, (vi) a decrease in foreign exchange gain of $73.7 million, (vii) a decrease in net finance costs of $47.0 million, (viii) a decrease in the loss on change in fair value of derivatives of $67.6 million; (ix) an increase in change in fair value of contingent consideration of $3.4 million, and (x) a decrease in the gain on change in fair value of conversion option of $30.8 million.

Adjusted EBITDA, PF Adjusted EBITDA, PF Adjusted EBITDA after rent, Adjusted net income and Adjusted free cash flow

Adjusted EBITDA for the three months ended December 31, 2022 was $60.6 million compared to $50.1 million for the three months ended December 31, 2021, an increase of $10.5 million or 21.0%. PF Adjusted EBITDA for the three months ended December 31, 2022 was $61.5 million compared to $52.4 million for the three months ended December 31, 2021, an increase of $9.1 million or 17.4%. PF Adjusted EBITDA after rent for the three months ended December 31, 2022 was $50.9 million compared to $43.5 million for the three months ended December 31, 2021, representing an increase of $7.4 million or 17.0%.

Adjusted EBITDA for the year ended December 31, 2022 was $230.6 million compared to $191.8 million for the year ended December 31, 2021, an increase of $38.8 million or 20.2%. PF Adjusted EBITDA for the year ended December 31, 2022 was $254.2 million compared to $215.5 million for the year ended December 31, 2021, an increase of $38.7 million or 18.0%. PF Adjusted EBITDA after rent for the year ended December 31, 2022 was $211.9 million compared to $179.2 million for the year ended December 31, 2021, representing an increase of $32.7 million or 18.2%.

Adjusted net income for the three months ended December 31, 2022 was $48.9 million compared to $9.3 million for the tthree months ended December 31, 2021, an increase of $39.6 million or 425.8%. Adjusted net income for the year ended December 31, 2022 was $117.3 million compared to $59.6 million for the year ended December 31, 2021, representing an increase of $57.7 million or 96.8%.

Adjusted free cash flow for the three months ended December 31, 2022 was $7.6 million compared to $22.2 million for the three months ended December 31, 2021, a decrease of $14.6 million or 65.8%. Adjusted free cash flow for the year ended December 31, 2022 was $124.6 million compared to $90.4 million for the year ended December 31, 2021, an increase of $34.2 million or 37.8%.

The increase in Adjusted EBITDA, PF Adjusted EBITDA, PF Adjusted EBITDA after rent, Adjusted net income and Adjusted free cash flow for the three months and year ended December 31, 2022 is driven by the growth in revenue, underpinned by the strength of our practice acquisitions, investment in corporate infrastructure, as well as practice level and corporate cost management.

PF Revenue

PF Revenue for the three months ended December 31, 2022 was $334.8 million compared to $279.6 million for the three months ended December 31, 2021, an increase of $55.2 million or 19.7%. The increase was due to (i) the increase in revenue of $58.5 million; offset by (ii) the acquisition of 7 dental practices (representing 7 dental practice locations) during the three months ended December 31, 2022 that are estimated to generate $3.8 million in PF Revenue compared to 13 dental practices (representing 13 dental practice locations) during the three months ended December 31, 2021, that were estimated to generate $7.1 million in PF Revenue.

PF Revenue for the year ended December 31, 2022 was $1,338.7 million compared to $1,113.5 million for the year ended December 31, 2021, an increase of $225.2 million or 20.2%. The increase was due to (i) the increase in revenue period on period of $219.5 and (ii) the acquisition of 47 dental practices (representing 91 dental practice locations) during the year ended December 31, 2022 that are estimated to generate $88.4 million in PF revenue compared to 61 dental practices (representing 68 dental practice locations) during the year ended December 31, 2021 that were estimated to generate $82.7 million in PF revenue.

Reconciliation of Non-IFRS Measures

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

	Three months ended,		Year ended	
	December 31, 2022 $	December 31, 2021 $	December 31, 2022 $	December 31, 2021 $
	(expressed in millions of dollars)		(expressed in millions of dollars)	
Net income (loss) and comprehensive income (loss)	**6.6**	(43.1)	**(16.6)**	(160.4)
Adjustments:				
Net finance costs[a]	**24.1**	12.1	**68.0**	115.0
Income tax recovery	**(39.9)**	1.1	**(60.8)**	(10.8)
Depreciation and amortization	**51.1**	42.6	**190.3**	158.5
EBITDA[l]	**41.9**	12.7	**180.9**	102.3
Add:				
Net impact of foreign exchange, change in fair value of derivatives, change in fair value of conversion option, and share of associate losses[b]	**(1.8)**	0.1	**(1.6)**	(40.9)
Share-based compensation	**6.8**	7.7	**12.5**	75.2
External acquisition expenses[c]	**5.2**	3.1	**14.9**	7.6
COVID-19 costs[d]	**—**	8.7	**—**	11.2
Change in fair value of contingent consideration[e]	**4.9**	13.4	**19.0**	15.6
IPO costs[f]	**0.5**	0.8	**0.5**	15.7
Special process costs[n]	**1.5**	—	**1.5**	—
Other corporate costs[g]	**1.6**	3.6	**8.2**	5.1
Other one-time adjustments[h]	**—**	—	**(5.3)**	—
Adjusted EBITDA[l]	**60.6**	50.1	**230.6**	191.8
Adjusted EBITDA Margin[m]	**18.3%**	18.4%	**18.4%**	18.6%
Adjusted EBITDA	**60.6**	50.1	**230.6**	191.8
Acquisition adjustment[i]	**0.9**	2.3	**23.6**	23.7
PF Adjusted EBITDA[i][l]	**61.5**	52.4	**254.2**	215.5
PF Adjusted EBITDA Margin[m]	**18.4%**	18.7%	**19.0%**	19.4%
PF Adjusted EBITDA	**61.5**	52.4	**254.2**	215.5
Adjustments:				
Interest and principal repayments on leases[a]	**(10.5)**	(8.7)	**(39.6)**	(34.0)
Lease interest and principal repayments on acquisitions[j]	**(0.1)**	(0.2)	**(2.7)**	(2.3)
PF Adjusted EBITDA after rent[l]	**50.9**	43.5	**211.9**	179.2
PF Adjusted EBITDA after rent Margin[m]	**15.2%**	15.6%	**15.8%**	16.1%
Revenue	**331.0**	272.5	**1,250.3**	1,030.8
Add:				
Acquisition adjustment[k]	**3.8**	7.1	**88.4**	82.7
PF Revenue[l]	**334.8**	279.6	**1,338.7**	1,113.5

The following table shows the reconciliations of Adjusted net income:

	Three months ended		Year ended	
	December 31, 2022 $	December 31, 2021 $	December 31, 2022 $	December 31, 2021 $
	(expressed in millions of dollars)		(expressed in millions of dollars)	
Net income (loss) and comprehensive income (loss)	**6.6**	(43.1)	**(16.6)**	(160.4)
Adjustments:				
Amortization of intangible assets	**26.0**	20.9	**94.8**	75.9
Share-based compensation	**6.8**	7.7	**12.5**	75.2
Change in fair value of contingent consideration[e]	**4.9**	13.4	**19.0**	15.6
External acquisition costs[c]	**5.2**	3.1	**14.9**	7.6
COVID-19 costs[d]	—	8.7	—	11.2
IPO costs[f]	**0.5**	0.8	**0.5**	15.7
Special process costs[n]	**1.5**	—	**1.5**	—
Other corporate costs[g]	**1.6**	3.6	**8.2**	5.1
Other one-time adjustments[h]	—	—	**(5.3)**	—
	53.1	15.1	**129.5**	45.9
Tax impact of the above	**(4.2)**	(5.8)	**(12.2)**	(16.0)
Adjustment for legacy debt, net of tax impact	—	—	—	29.7
Adjusted net income[l]	**48.9**	9.3	**117.3**	59.6

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

	Three months ended,		Year ended,	
	December 31, 2022 $	December 31, 2021 $	December 31, 2022 $	December 31, 2021 $
	(expressed in millions of dollars)		(expressed in millions of dollars)	
Cash flow from operating activities	**7.8**	21.5	**138.6**	55.1
Adjustments:				
External acquisition costs[c]	**5.2**	3.1	**14.9**	7.6
COVID-19 costs[d]	**—**	1.5	**—**	4.0
IPO costs[f]	**0.5**	0.8	**0.5**	15.7
Special process costs[n]	**1.5**	—	**1.5**	—
Other corporate costs[g]	**1.6**	3.6	**8.2**	5.1
Other one-time adjustments[h]	**—**	—	**(5.3)**	—
	16.6	30.5	**158.4**	87.5
Adjustments:				
Repayment of principal on leases	**(6.4)**	(5.4)	**(24.3)**	(21.2)
Maintenance capex	**(2.6)**	(2.9)	**(9.5)**	(9.7)
	7.6	22.2	**124.6**	56.6
Adjustment for legacy debt, net of tax impact	**—**	—	**—**	33.8
Adjusted free cash flow[l]	**7.6**	22.2	**124.6**	90.4
Adjusted free cash flow per share[m]				
Basic	0.04	0.13	**0.69**	0.69
Diluted	0.04	0.13	**0.65**	0.65
Weighted average number of shares outstanding:				
Basic	185,662,496	167,173,557	181,583,471	131,790,084
Diluted	195,528,387	176,295,558	191,403,392	138,409,324

Notes:

(a) For the three months and year ended December 31, 2022, our finance costs included $10.5 million and $39.6 million cash rent expense, respectively (three months and year ended December 31, 2021– $8.5 million and $34.0 million, respectively).

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

(c) Represents professional 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) 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.

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

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

(h) Represents adjustments for the impact of the gain on legal settlement of $14.7 million, offset by relief provided by the Company to Partners and employees of $9.4 million.

(i) 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, 2022 and 2021 on the first day of the applicable fiscal period, it would have recorded additional Adjusted EBITDA of $0.9 million and $2.3 million for the three months ended December 31, 2022 and 2021, and $23.6 million and $23.7 million for the years ended December 31, 2022 and 2021, 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.

(j) 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, 2022 and 2021 on the first day of the applicable fiscal period, it would have recorded additional lease interest and principal repayments of $0.1 million and $0.2 million for the three months ended December 31, 2022 and 2021, respectively and $2.7 million and $2.3 million for the year ended December 31, 2022 and 2021, 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.

(k) The Company regularly acquires dental practices and estimates that if it had acquired each of the practices that it acquired during the years ended December 31, 2022 and 2021 on the first day of the applicable fiscal period, it would have recorded additional revenue of $3.8 million and $7.1 million for the three months ended December 31, 2022 and 2021, respectively and $88.4 million and $82.7 million for the year ended December 31, 2022 and 2021, 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.

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

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

(n) Represents costs related to the Strategic Review and other costs incurred by the Company to evaluate strategic alternatives to unlock shareholder value.

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-22	**30-Sep-22**	**30-Jun-22**	**31-Mar-22**	**31-Dec-21**	**30-Sep-21**	**30-Jun-21**	**31-Mar-21**
	(expressed in millions of dollars, except per share amounts)							
Revenue	**331.0**	312.1	327.0	280.2	272.5	250.2	261.1	247.0
Net income (loss) and comprehensive income (loss)	**6.6**	(14.7)	2.4	(11.0)	(43.1)	(18.4)	(90.0)	(9.0)
Earnings (loss) per share - basic and diluted	**0.04**	(0.08)	0.01	(0.06)	(0.26)	(0.11)	(0.87)	(0.10)
Adjusted EBITDA[(i)]	**60.6**	59.3	59.8	50.1	50.1	46.2	48.9	46.7

Notes:

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

Seasonality

The Company typically realizes slightly lower revenue in in the first and third quarters of a given year when compared to second and fourth quarters. This is generally attributable to patient preference during the winter months and spring break for the first quarter and vacation timing for both patients and providers over the summer months for the third quarter.

Liquidity and Capital Resources

Our primary sources of liquidity include cash-on-hand, cash provided by our operations, amounts available for borrowing under our Credit Facilities and capital-raising activities in the capital markets, which may include both the Canadian and the United States and other international capital markets, depending on market conditions. We believe that our capital structure provides us with significant financial flexibility to pursue our future growth strategies. Over the medium term, our goal is to achieve a Net Debt / PF Adjusted EBITDA after rent Ratio of under 3.0 or approximately 1.5 if excluding the estimated impact of increases in Net Debt to fund anticipated future practice acquisitions, with deleveraging anticipated to be driven primarily by free cash flow. Notwithstanding the foregoing, we may fund any significant expansion (including into other geographic regions) through capital raising activities in the capital markets, and any expansion into new geographic regions may require significant additional capital. See “Non-IFRS and Other Measures – Supplementary Financial Measures” and “About Forward-Looking Information.”

As of December 31, 2022, we had $110.5 million in cash and working capital of $76.5 million as compared to cash and working capital of $141.8 million and $92.6 million, respectively, as at December 31, 2021. Working capital is calculated as current assets less current liabilities.

Cash Flows for the three months and years ended December 31, 2022 and 2021

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

	Three months ended		Year ended	
	December 31, 2022 $	December 31, 2021 $	December 31, 2022 $	December 31, 2021 $
	(expressed in millions of dollars)			
Total cash provided by (used in):				
Operating activities	**7.8**	21.5	**138.6**	55.1
Investing activities	**(41.3)**	(65.5)	**(419.8)**	(262.9)
Financing activities	**11.3**	(6.6)	**247.5**	248.1
(Decrease) Increase in cash	**(22.2)**	(50.6)	**(33.7)**	40.3
Net foreign exchange difference	**(0.3)**	—	**2.4**	—
Cash, beginning of period	**133.0**	192.4	**141.8**	101.5
Cash, end of period	**110.5**	141.8	**110.5**	141.8

Operating Activities

Cash flows provided by operating activities were $7.8 million for the three months ended December 31, 2022, compared to $21.5 million for the three months ended December 31, 2021, a decrease of $13.7 million or 63.7%. Cash flows provided by operating activities were $138.6 million for the year ended December 31, 2022, compared to $55.1 million for the year ended December 31, 2021, an increase of $83.5 million or 151.5%.

The decrease for the three months ended December 31, 2022 is primarily due to (i) an increase in interest paid due to draw downs under the Delayed Draw Facility of $164.7 million and higher interest rates, (ii) the timing of payment of trade and other payables, offset by (iii) increased cash flows arising from the increase in the size of our business due to the dental practice acquisitions completed and decrease in net loss.

The increase for the year ended December 31, 2022 is primarily due to (i) the increase in the size of our business due to the dental practice acquisitions completed and decrease in net loss, (ii) the recapitalization of the Company's borrowings following the IPO and the subsequent reduction in interest paid of $8.4 million, (iii) legal settlements received of $14.7 million, and (iv) the timing of payment of trade and other payables.

Maintenance capital expenditures were $2.6 million and $9.5 million for the three months and year ended December 31, 2022, respectively, compared to $2.9 million and $9.7 million for the three months and year ended December 31, 2021, respectively.

Investing Activities

Cash flows used in investing activities were $41.3 million for the three months ended December 31, 2022, compared to $65.5 million for the three months ended December 31, 2021 a decrease of $24.2 million or 36.9%. The decrease in cash flows used in investing activities for the three months ended December 31, 2022 primarily resulted from (i) a decrease in practice acquisition related payments of $29.0 million, (ii) an increase in the settlement of contingent consideration of $1.4 million, (iii) an increase in payments for property and equipment of $5.4 million; (iv) an increase in payments for intangible assets of $0.3 million, and (v) an increase in development expenditures of $1.7 million.

Cash flows used in investing activities were $419.8 million for the year ended December 31, 2022, compared to $262.9 million for the year ended December 31, 2021 an increase of $156.9 or 59.7%. The increase in cash flows used in investing activities for the year ended December 31, 2022 primarily resulted from (i) an increase in acquisition related payments of $120.3 million, (ii) an increase in the settlement of contingent consideration of $22.3 million, (iii) an increase in payments for property and equipment of $9.3 million and (iv) an increase in payments for intangibles (software and patient lists) of $5.0 million.

Financing Activities

Cash flows provided by financing activities were $11.3 million for the three months ended December 31, 2022, compared to cash flows used in financing activities of $6.6 million for the three months ended December 31, 2021, an increase of $17.9 million or 271.2%. The increase in cash flows provided by financing activities was primarily due to (i) an increase in net proceeds from borrowings of $15.0 million, and (ii) an increase in net proceeds from the issuance of shares of $3.8 million.

Cash flows provided by financing activities were $247.4 million for the year ended December 31, 2022, compared to $248.1 million for the year ended December 31, 2021 a decrease of $0.7 million or 0.3%. The decrease in cash flows provided by financing activities for the year ended December 31, 2022 primarily resulted from (i) a decrease in net proceeds from borrowings of $912.6 million; (ii) a decrease in net proceeds from the issuance of shares of $795.1 million; (iii) a decrease in the settlement of derivative liability of $160.2 million, and (iv) a decrease in the repayment of borrowings of $1,549.2 million.

Current Credit Facilities

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 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") (collectively, the "Credit Facilities"). On July 20, 2022, the Company and Lenders entered into an Amended and Restated Credit Agreement (the "Amended Credit Agreement") to increase the amounts available to be drawn down under the Revolving Facility to $150.0 million and the Delayed Draw Facility to $700.0 million. The Credit Facilities mature on May 27, 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.

Term Facility

The Company may make drawdowns, conversions, and rollovers under the Term Facility in Canadian dollars, by way of Prime Rate Advances or Bankers' Acceptances ("BA") and BA Equivalent Notes. On closing of the IPO, the Company drew down the full $900.0 million Term Facility as BA or BA Equivalent Notes and, in conjunction with the proceeds of the IPO, repaid the Pre-IPO borrowings (defined below). 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. As at December 31, 2022, the applicable margin was 2.75% (December 31, 2021: 2.50%). 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.

Delayed Draw Facility

The Company may make drawdowns, conversions and rollovers under the Delayed Draw Facility in Canadian dollars, by way of Prime Rate Advances or BA and BA Equivalent Notes to finance acquisitions, capital expenditures and the payment of earn-out obligations. The rate of interest on any borrowing under the Delayed Draw Facility is dependent on the type of drawdown, conversion or rollover that is chosen. During the year ended December 31, 2022, the Company drew down $164.7 million under the Delayed Draw Facility at CDOR plus an applicable margin of 2.75%. The Delayed Draw Facility is a non-revolving facility and, accordingly, except for conversions and rollovers, no amounts repaid under the Delayed Draw Facility may be reborrowed and the limits of the Delayed Draw Facility are reduced by any repayment. Once drawn, no scheduled payments of principal are required prior to maturity. As at December 31, 2022, the Delayed Draw Facility is also subject to a stand-by fee on the unutilized amount of the Delayed Draw Facility of 0.55% (December 31, 2021: 0.50%).

Revolving Facility

The Company may make drawdowns, conversions and rollovers under the Revolving Facility (i) in Canadian dollars, by way of Prime Rate Advances, BA and/or BA Equivalent Notes, or Letters of Credit; and (ii) in USD, by way of US Base Rate Advances and LIBOR Advances for working capital and other general corporate purposes. The Company may increase or decrease advances, repayments and further drawdowns of the amounts that have been repaid. The rate of interest on any borrowing under the Revolving Facility is dependent on the type of drawdown, conversion or rollover that is chosen. As at December 31, 2022, no funds have been drawn down under the Revolving Facility. As at December 31, 2022, the Revolving Facility is also subject to a stand-by fee on the unutilized amount of the Revolving Facility of 0.55% (December 31, 2021: 0.50%).

The credit agreement requires the Company to satisfy certain 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, 2022 and 2021.

Pre-IPO Borrowings

Prior to the IPO, the Company had a lien term facility due June 5, 2025 (the "**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 term facility due June 5, 2026 (the "**Second Lien Facility**") which was fully utilized and bore interest at LIBOR (subject to a floor of 1%) plus an applicable margin of 7.50%. The Second Lien Facility was repayable on June 5, 2026.

The Company also had access to a revolving credit facility (the "**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.

During the three months ended March 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 (as defined herein), to settle all amounts outstanding under the Pre-IPO Borrowings, including all accrued interest and standby fees.

Hedging Arrangements

Credit Facilities

During the year ended December 31, 2022, the Company entered into an interest rate swap agreement with a number of financial institutions to manage its interest rate exposure related to borrowings under the Credit Facilities. The interest rate swap transaction was for a combined notional amount of $500.0 million, has an effective date of October 3, 2022 and a termination date of May 27, 2026. Per the terms of the interest rate swap, the Company pays a fixed rate of 3.84% plus margin, payable monthly.

As at December 31, 2022, the unhedged borrowings of $560.0 million are subject to a floating interest rate which exposes the Company to potential interest rate risk in an environment of increasing interest rates. The Company believes this interest rate risk is mitigated by forward yield curves that are expected to decrease over 12 to 24 months, allowing the Company to potentially benefit from the unhedged borrowings due to future and forecasted rate decreases.

During March 2023, the Company entered into an interest rate swap agreement to manage its interest rate exposure related to borrowings under the Credit Facilities. The interest rate swap transaction was for a notional amount of $300.0 million, has an effective date of March 13, 2023 and a termination date of May 27, 2026. Per the terms of the interest rate swap, the Company pays a fixed rate of 3.61% plus margin, payable monthly, commencing on March 31, 2023 up to and including the termination date.

Pre-IPO borrowings

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 margin of 3.75% for the First Lien Facility and margin of 7.50% for the Second Lien Facility.

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.

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, 2022 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	133.1	—	—	—	—	133.1
Lease liabilities	40.4	40.2	40.1	38.1	228.2	387.0
Contingent consideration	17.2	0.9	2.7	—	—	20.8
Borrowings	—	—	—	1,064.7	—	1,064.7
Total contractual obligations	**190.7**	**41.1**	**42.8**	**1,102.8**	**228.2**	**1,605.6**

Financial Condition

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

	As at December 31, 2022 $	As at December 31, 2021 $
	(expressed in millions of dollars)	
Consolidated Statements of Financial Position:		
Assets		
Current		
Cash	**110.5**	141.8
Trade and other receivables	**96.3**	73.3
Inventories	**35.8**	35.5
Prepaid and other assets	**16.6**	13.2
	259.2	263.8
Non-current		
Investment in associate	**0.1**	0.3
Trade and other receivables	**8.8**	10.0
Prepaid and other assets	**3.9**	2.6
Derivative financial asset	**1.7**	—
Deferred tax asset	**97.3**	—
Property and equipment	**196.3**	167.4
Right-of-use assets	**282.6**	238.3
Intangible assets	**385.5**	345.3
Goodwill	**2,139.8**	1,810.1
	3,116.0	2,574.0
Total assets	**3,375.2**	2,837.8
Liabilities		
Current		
Trade and other payables	**133.1**	108.5
Contract liabilities	**5.3**	2.4
Lease liabilities	**27.2**	23.1
Contingent consideration payable	**17.1**	37.2
	182.7	171.2
Non-current		
Contract liabilities	**0.4**	0.1
Lease liabilities	**283.7**	236.6
Borrowings	**1,060.0**	894.1
Deferred tax liability	**41.5**	—
Contingent consideration payable	**14.6**	8.4
Share-based payment liability	**4.6**	13.4
	1,404.8	1,152.6
Total liabilities	**1,587.5**	1,323.8
Shareholders' equity		
Share capital	**2,188.7**	1,918.4
Contributed surplus	**109.2**	89.2
Accumulated deficit	**(510.2)**	(493.6)
Total shareholders' equity	**1,787.7**	1,514.0
Total liabilities and shareholders' equity	**3,375.2**	2,837.8

The following is a comparison of key financial position accounts:

Trade and other receivables

Trade and other receivables as at December 31, 2022 amounted to $105.1 million compared to $83.3 million as at December 31, 2021. The increase of $21.8 million or 26.2% is primarily due the increase in revenue, the Company's secured convertible promissory note with an associate (see 'Related Party Transactions') of $1.9 million which is included in other receivables, offset by relief provided by the Company to Partners during the year ended December 31, 2022 of $7.4 million.

Inventories

Inventories as at December 31, 2022 amounted to $35.8 million compared to $35.5 million as at December 31, 2021. The increase of $0.3 million or 0.8% is primarily due to $2.1 million of inventory acquired on acquisition of practices, offset by increased consumption during the year ended December 31, 2022.

Prepaid and other assets

Prepaid and other assets as at December 31, 2022 amounted to $20.5 million compared to $15.8 million as at December 31, 2021. The increase of $4.7 million or 29.7% is primarily due to increased payments with respect to marketing expenses, insurance, licenses and subscriptions, as well as $2.1 million of costs incurred on the amendment of the Credit Facility Agreement which is being amortized over the term of the Credit Facilities.

Property and equipment

Property and equipment as at December 31, 2022 amounted to $196.3 million compared to $167.4 million as at December 31, 2021. The increase of $28.9 million or 17.3% was primarily due to capex additions of $23.9 million, additions through acquisitions of $70.4 million, offset by depreciation expense of $65.4 million.

Right-of-use-assets

Right-of-use assets as at December 31, 2022 amounted to $282.6 million compared to $238.3 million as at December 31, 2021. The increase of $44.3 million or 18.6% was primarily due to additions of $6.5 million, additions through acquisitions of $62.5 million, adjustments due to lease modifications of $5.4 million, offset by depreciation expense of $30.1 million.

Intangible assets

Intangible assets as at December 31, 2022 amounted to $385.5 million compared to $345.3 million as at December 31, 2021. The increase of $40.2 million or 11.6% was primarily due to additions of $9.4 million (comprised of $2.1 million of patient lists and $7.3 million of capitalized internally developed software), additions through acquisitions of $125.6 million, offset by amortization expense of $94.8 million.

Deferred tax asset

Deferred tax asset as at December 31, 2022 amount to $97.3 million compared to $nil as at December 31, 2021. During the three months ended December 31, 2022, the Company concluded that it was probable that sufficient taxable income would be available in future periods to allow all of the deferred tax asset to be utilized. On this basis, the Company recognized a deferred tax asset on the consolidated statement of financial position of $97.3 million, with a corresponding deferred tax recovery. The Company also recognized a deferred tax liability of $41.5 million during the year ended December 31, 2022, with a corresponding deferred tax expense (see *"Deferred tax liability"*).

Goodwill

Goodwill as at December 31, 2022 amounted to $2,139.8 million compared to $1,810.1 million as at December 31, 2021. The increase of $329.7 million or 18.2% was due to additions through acquisitions.

Trade and other payables

Trade and other payables as at December 31, 2022 were $133.1 million compared to $108.5 million as at December 31, 2021. The increase of $24.6 million or 22.7% was due primarily to (i) the timing of payment of trade payables and other accruals of $4.2 million, (ii) the timing of payment of payment of salaries and benefits of $11.8 million, (iii) an increase in payables to Partners of $9.7 million due to revenue growth and timing of payments and (iv) an increase in holdback and working capital payables on completed practice acquisitions of $10.3 million.

Lease liabilities

Lease liabilities as at December 31, 2022 amounted to $310.9 million compared to $259.7 million as at December 31, 2021. The increase of $51.2 million or 19.7% was primarily due to additions of $6.5 million, additions through acquisitions of $63.3 million, adjustments due to lease modifications of $5.4 million, interest accretion of $15.6 million, offset by lease payments of $39.6 million.

Borrowings

Borrowings as at December 31, 2022 amounted to $ 1,060.0 million compared to $894.1 million as at December 31, 2021. The increase of $165.9 million or 18.6% was primarily due to the $164.7 million drawn down under the Delayed Draw Facility.

Deferred tax liability

The deferred tax liability as at December 31, 2022 amount to $41.5 million compared to $nil as at December 31, 2021. The deferred tax liability principally arose on acquisition of dental practices during 2022 and in prior periods was net against the unrecognized deferred tax asset as at December 31, 2021.

Contingent consideration payable

Contingent consideration payable as at December 31, 2022 amounted to $31.7 million compared to $45.6 million as at December 31, 2021. The decrease of $13.9 million or 30.5% was primarily due to settlements of $35.3 million, offset by change in fair value of $19.0 million.

Share-based payment liability

Share-based payment liability as at December 31, 2022 amounted to $4.6 million compared to $13.4 million as at December 31, 2021. The decrease of $8.8 million or 65.7% was due to a decrease in the fair value of Company's share price of $16.72 at December 31, 2021 compared to $8.90 at December 31, 2022.

Derivative financial asset

Derivative financial asset as at December 31, 2022 amounted to $1.7 compared to $nil as at December 31, 2021. The increase of $1.7 million was primarily due to the Company recognizing a gain in fair value of derivative instruments of $1.7 million.

Business Combinations

During the three months and year ended December 31, 2022, the Company completed 7 and 47 practice acquisitions, respectively (representing 7 and 91 dental practice locations, respectively) by way of the acquisition of all of the issued and outstanding shares of such dental practice businesses). For the three months and year ended December 31, 2021: 7 and 61 dental practice acquisitions, respectively (representing 7 and 69 dental practice locations, respectively) by way of the acquisition of all of the issued and outstanding shares of such practice businesses). 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, 2022 and 2021 are as follows:

	Year ended December 31,	
	2022	**2021**
	$	**$**
Short-term employee benefits	**1.8**	1.5
Share-based payment transactions		
Equity incentive plan and RSA	**14.8**	9.1
MLP(i)	**-**	52.9
	16.6	63.5

Notes:

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

As at December 31, 2022, the Company has MLP Loans receivable of $77.8 million which is included as a deduction from shareholders' equity (December 31, 2021: $77.8 million).

During the year ended December 31, 2022, the Company provided $1.9 million ($US1.5 million) to an associate of the Company in the form of a secured convertible promissory note (the "Note"). The Note bears interest at 5% per annum, and is secured on a first-priority basis over substantially all of the associate's assets. The terms of the note specify that it automatically converts into shares of the associate upon completion of a qualified financing, or at the option of the Company, upon a liquidity event or at any time prior to the conversion or repayment of the Note in full. Upon a liquidity event, the Company also has the option to request repayment of the Note for an amount equal to 110% of the outstanding Principal amount plus all accrued and unpaid interest. The Note, which matured on December 31, 2022, remains outstanding at year-end and has been recognized in trade and other receivables in the consolidated statements of financial position. The Note, which is a financial asset, has been classified at fair value through profit or loss, with changes in fair value being recognized through the consolidated financial statements of loss and comprehensive loss.

Subsequent to year-end, the Company has entered into agreements with the Company's President, Guy Amini and Chief Financial Officer, Nate Tchaplia, as holders of MLP loans, to transfer the fair value of all outstanding MLP loans held by Messrs. Amini and Tchaplia to certain holding companies owned by Messrs. Amini and Tchaplia for an equivalent value of preferred shares in such holding companies. For more information regarding these transactions please see the Company's Annual Financial Statements and press release dated as of March 23, 2023.

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.

During the year ended December 31, 2022, the Company reached settlement of an outstanding legal claims to the favour of the Company for net proceeds of $14.7 million. The settlement gain of $14.7 million has been recognized in the consolidated statements of loss and comprehensive loss as $(8.7) million in cost of revenue and $(6.0) million in selling, general and administration expenses.

Critical Accounting Estimates and Judgments

The preparation of the Company's consolidated financial statements requires management to make judgments (other than those involving estimations) that have a significant impact on the amounts recognized, and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.

Judgments

Critical judgments in applying the Company's accounting policies

The following are the critical judgments, apart from those involving estimations (which are presented separately below), that management has made in the process of applying the Company's accounting policies and that 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 judgment when assessing those contractual rights to determine whether consolidation is appropriate.

Basis of preparation – going concern basis

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Determining the lease term for lease 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 judgment 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

The Company uses judgment when determining its cash generating units (**"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 the testing of goodwill, the Company assesses impairment at the level of the Company's operating segment that represents 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 judgment when interpreting the tax rules in jurisdictions where the Company operates. The Company also uses judgment 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.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which 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 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 judgment 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 is 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 12 months' actual results. The expected cash flows are then discounted back to present values at a rate adjusted for the 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 (**"FVLCD"**) and value-in-use (**"VIU"**).

The Company's determination of recoverable amount based on 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 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.

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.

Measurement of the expected credit loss allowance for trade and other receivables

The Company uses a provision matrix to calculate expected credit loss (**"ECLs"**) for trade and other receivables (excluding partner receivables and the secured convertible promissory note). 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 (excluding partner receivables and the secured convertible promissory note).

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 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

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 Chief Executive Officer (**"CEO"**) and Chief Financial Officer (**"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, 2022.

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, 202 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applied for the first time certain amendments to standards, which are effective for annual periods beginning on or after January 1, 2022, including *Amendments to IAS 16, Property, Plant and Equipment – Proceeds before Intended Use; IAS 37, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts, Costs of Fulfilling a Contract;* and *Amendments to IFRS 3, Business Combinations – Updating a Reference to the Conceptual Framework.* The amendments had no impact on the consolidated financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective (see below).

Recent pronouncements not yet adopted

New and amended IFRS standards in issue but not yet effective

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

Amendments to IFRS 16, Leases – Lease Liability in a Sale and Leaseback – requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after January 1, 2024.

Amendments to IFRS 17, Insurance Contracts – 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 – Non-current Liabilities with Covenants – clarifies how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

Amendments to IAS 1, Presentation of Financial Statements – Disclosure of Accounting Policies – 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, 2024.

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 IFRS 9, Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities – clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liabilities. 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 – deals 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 Board of Directors.

The Company does not expect that the initial adoption of IFRS 17 and amendments to IFRS 17, IFRS 9, IAS 1 and IAS 8 will have a material impact on the Company. 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 AIF, a copy of which is available on SEDAR at www.sedar.com.

We may face challenges in expanding into new geographic regions and continuing our growth within these markets.

We may in the future expand into geographic regions outside of Canada, including the U.S., and continue our expansion into such geographic regions in the future. We will face risks entering markets in which we may have limited or no experience and brand recognition. Expanding our network into new geographic regions, including the U.S., will require substantial expenditures and it will be costly to establish, develop and maintain operations, alongside promoting our brand. We may also find it difficult to attract and retain personnel when expanding into new geographic regions, including the U.S., which could also require us to spend significantly more money on employee related benefits, such as health insurance. Our efforts to expand into new geographic regions, including the U.S., may not be successful, which could limit our ability to grow our business. Our financial performance may be affected by rising interest rates

We are exposed to changes in interest rates on our cash, bank indebtedness and long-term debt.

Debt issued at variable rates exposes us to cash flow interest rate risk. Debt issued at fixed rates exposes us to fair value interest rate risk. Our borrowings, current and future, will require interest payments and need to be repaid or refinanced, could require us to divert funds identified for other purposes to debt service and could create additional cash demands or impair our liquidity position and add financial risk for us. Diverting funds identified for other purposes for debt service may adversely affect our business and growth prospects. If we cannot generate sufficient cash flow from operations to service our debt, we may need to refinance our debt, dispose of assets, reduce or delay expenditures or issue equity to obtain necessary funds. The Company has entered into an interest rate swap agreement with a number of financial institutions to manage its interest rate exposure. See "Credit Facilities – Hedging Arrangements – Current Credit Facilities".

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 177,904,484 Subordinate Voting Shares and 9,183,822 Multiple Voting Shares issued and outstanding.

As of the date of this MD&A, we have 2,977,316 and 6,348,498 share options issued and outstanding under the Legacy Option Plan and Equity Incentive Plan, respectively, which are exercisable for 9,325,814 Subordinate Voting Shares. The Company also has 608,565 restricted share units and performance share units issued and outstanding under the Equity Incentive Plan and 74,246 deferred share units issued and outstanding under the Deferred Share Unit Plan, which may be settled into 608,565 and 74,246 Subordinate Voting Shares, respectively.

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	39.6%	27.5%
Graham Rosenberg	9,825,562	5.3%	34.5%

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.

About Forward-Looking Information

Forward-looking information includes, but is not limited to, statements about the Company's objectives and strategies to achieve those objectives, our financial outlook, and about the Company's beliefs, plans, expectations, anticipations, estimates, or intentions. Forward-looking information includes words like could, expect, may, anticipate, assume, believe, intend, estimate, plan, project, guidance, outlook, target, and similar expressions suggesting future outcomes or events.

Our forward-looking information includes, but is not limited to, the information and statements under "Outlook" relating to our goals for the first quarter of 2023 for Revenue, Same Practice Revenue Growth, PF Adjusted EBITDA after rent, acquisition multiples realizable for practice acquisitions, Adjusted EBITDA Margin, as well as our medium-term expectations regarding Same Practice Revenue Growth and Net Debt / PF Adjusted EBITDA after rent Ratio. Such forward-looking information relating to these metrics are not projections; they are goals based on the Company's current strategies and may be considered forward-looking information under applicable securities laws and subject to significant business, economic, regulatory and competitive uncertainties and contingencies, many of which are beyond the control of the Company and its management.

The purpose of disclosing such forward-looking information is to provide investors with more information concerning the financial results that the Company currently believes are achievable based on the assumptions below. Readers are cautioned that the information may not be appropriate for other purposes. While these targets are based on underlying assumptions that management believes are reasonable in the circumstances, readers are cautioned that actual results may vary materially from those described above.

Forward-looking statements are necessarily based upon management's perceptions of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by management as of the date on which the statements are made, are inherently subject to significant business, economic and competitive uncertainties and contingencies which could result in actions, events, conditions, results, performance or achievements to be materially different from those projected in the forward-looking statements. Forward-looking information is based on many factors and assumptions including, but not limited to, the following assumptions for the remainder of fiscal 2023 and the medium-term, as applicable: the Company's business, operations and capital structure continuing as currently maintained, that the Company's acquisition program continues without any divestitures of non-core assets or re-deployment of capital of the Company, the Company's ability to realize pricing increases, an increase in patient visit volumes in the first quarter of 2023, reductions in previously imposed industry wide regulatory restrictions, the impact of the investments the Company has made in its marketing and talent teams and the upgrades to its core information technology systems; the Company's ability to continue to make and integrate acquisitions at attractive valuations including a reduction in acquisition Practices Level EBITDA Purchase multiples as compared to prior periods, the impact of corporate investments made in fiscal 2022 and 2023 on the Company's operations, including the Company's corporate infrastructure and technology stack, including its new Human Resource Information system and ERP system, the Company benefiting from its unhedged borrowings due to future and forecasted rate decreases, the expansion of service offerings and frequency of patient visits which contribute to optimal patient care, the Company's ability to mitigate anticipated supply chain disruptions, geopolitical risks, inflationary pressures and labour shortages, ability to expand service offerings, cash flow generation ability, no changes in the competitive environment or legal or regulatory developments affecting our business; visits by patients to our Practices at the same rate as current visits; a steady improvement in the general COVID-19 environment including, the continued reopening of the economy and no further significant restrictions.

Actual results and the timing of events may differ materially from those anticipated in the forward-looking information as a result of known and unknown risk factors, many of which are beyond the control of the Company, could cause actual results to differ materially from the forward-looking statements. Such risks include, but are not limited to, the Company's potential inability to successfully execute its growth strategy and complete additional acquisitions; its dependence on the integration and success of its acquired dental practices; the potential adverse effect of acquisitions on its operations; its dependence on the parties with which the Company has contractual arrangements and obligations; changes in relevant laws, governmental regulations and policy and the costs incurred in the course of complying with such changes; competition in the dental industry; increases in operating costs; the risk of difficulty complying with public company reporting obligations; and the risk of a failure in internal controls and other factors described herein under "Risk Factors" and in "Risk Factors" 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.

Additional Information

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