



MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three months ended March 31, 2023



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 ended March 31, 2023. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2023 and 2022 (the "**Interim Financial Statements**"), which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") that are applicable to the preparation of interim financial statements, including International Accounting Standard ("**IAS**") 34, Interim Financial Reporting; our audited consolidated financial statements for the years ended December 31, 2022 and 2021 (the "**Annual Financial Statements**"); our MD&A for the year ended December 31, 2022 (the "**Annual MD&A**"); and our other recent filings on SEDAR at www.sedar.com, including our Annual Information Form dated March 23, 2023 (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 May 12, 2023.

*The Company's subordinated voting shares ("**Subordinate Voting Shares**") are traded on the Toronto Stock Exchange (the "TSX") 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 March 31, 2023, we own and operate a network of over 536 dental practices delivering extraordinary patient experiences to over 2.0 million Canadians who visit our practices over 5.0 million times annually. Our nation-wide network is supported by approximately 9,800 team members, including over 1,850 dentists, over 2,400 hygienists, and over 5,550 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 Partner Dentist (defined herein) 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 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 700 identified opportunities, of which approximately 180 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 89% 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; and (iii) driving operational efficiencies at our practices.

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 offerings 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, consolidating procurement and leveraging our network scale and plug-and-play technology platform to drive margin enhancement within our practices.

Recent Company Developments

Conclusion of strategic review process

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**"). The Special Committee conducted an extensive review and evaluation of several alternatives available to the Company. On May 12, 2023, the Company announced that the Special Committee provided its final report to the Board of Directors and, based on the Company's strong outlook and prospects for future growth, as well as the fact that none of the alternatives proposed by third parties reflected the fair value of the Company, recommended that it would be in the best interests of the Company, giving due regard to the interests of the Company's shareholders and other stakeholders, to continue to pursue its existing business strategy, which contemplates the achievement of balanced growth through organic, acquisitive and balance sheet deleveraging initiatives under the leadership of the Company's existing senior management team.

The Special Committee's recommendation has been accepted and endorsed by the Board. Accordingly, the work of the Special Committee has been completed and the Special Committee will be dissolved.

Normal-course issuer bid

On May 12, 2023, the Company announced the acceptance by the TSX of the Company's notice of intention to make a normal course issuer bid (the "NCIB"). Pursuant to the NCIB, the Company intends to purchase for cancellation up to 3,500,000 Subordinate Voting Shares, representing approximately 2% of the Company's 178,079,763 issued and outstanding Subordinate Voting Shares as at May 3, 2023, subject to such limitations as may be applicable from time to time under the Company's credit agreement.

Under the NCIB, the Company may purchase up to 51,779 of its Subordinate Voting Shares on the TSX during any trading day, which represents 25% of the average daily trading volume of 207,119 Subordinate Voting Shares on the TSX for the six months ended April 30, 2023, other than block purchase exemptions. Purchases under the NCIB may commence on May 16, 2023 and continue until May 15, 2024 or such earlier date as the Company completes its purchases pursuant to the NCIB.

OUTLOOK

The following outlines our actual performance against the key metrics provided in our outlook for the first quarter of 2023:

	Q1 2023	
	Outlook	Actual
Revenue growth	22.0-24.0%	27.9%
Same Practice Revenue Growth ⁽¹⁾	7.0-8.0%	8.5%
Acquired PF Adjusted EBITDA after rent ⁽¹⁾⁽²⁾	\$4.0-\$5.0 million	\$4.9 million

Notes:

- (1) See "Overall Performance – Key Indicators of Performance – Non-IFRS and Other Financial Measures" for further details concerning Same Practice Revenue Growth, PF Adjusted EBITDA after rent and PF Revenue including definitions and reconciliations to the relevant reported IFRS measure.
- (2) Reflects PF Adjusted EBITDA attributable to practices acquired in the first quarter of 2023.

For the three months ended March 31, 2023, revenue growth of 27.9% was higher than our outlook of 22.0-24.0% and Same Practice Revenue Growth of 8.5% was higher than our outlook of 7.0-8.0%. Acquired purchase multiples, being the price at which a practice is purchased by the Company, decreased by 27.0% compared to the first quarter of 2022 (as compared to an anticipated decrease of 15.0-20.0%). The Company also completed acquisitions reflecting \$4.9 million in PF Adjusted EBITDA after rent, compared to an outlook of \$4.0-\$5.0 million. Additionally, Adjusted EBITDA Margin for the three months ended March 31, 2023 was consistent with our outlook.

Second Quarter of 2023

The Company's second quarter revenues are expected to grow by 9.5% to 10.5% over the same period last year to \$358.0 million to \$361.0 million with Same Practice Revenue Growth for the second quarter anticipated to be 5.0% to 6.0%. During the second quarter, we also expect to acquire practices representing PF Adjusted EBITDA after rent of between \$4.0 million to \$5.0 million at purchase multiples consistent with the first quarter of 2023. We also expect Adjusted EBITDA Margin to be materially consistent with the same period last year, with solid practice-level performance offsetting the significant investments we have made in corporate infrastructure including in our marketing and talent teams, and the upgrades to our core information technology systems.

Additional Outlook Metrics

The Company is also anticipating the following with respect to the time periods referenced:

- *Acquisitive growth*: 2023 PF Adjusted EBITDA after rent attributable to practices acquired in 2023 of between \$20.0 million to \$25.0 million.
- *Organic growth*: medium-term target for Same Practice Revenue Growth of approximately 4%.
- *Leverage*: medium term target 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 future practice acquisitions), with deleveraging anticipated to be driven primarily by free cash flow.

The foregoing outlook with respect to the second quarter and Additional Outlook Metrics is 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". See "Overall Performance – Key Indicators of Performance – Non-IFRS and Other Financial Measures" for further details concerning Adjusted EBITDA Margin, Net Debt / PF Adjusted EBITDA after rent Ratio, PF Adjusted EBITDA after rent, and Same Practice Revenue Growth including definitions and reconciliations to the relevant reported IFRS measure.

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 healthcare 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 will 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.

Net finance costs

Net finance costs primarily relate to (i) interest expense and standby charges on borrowings, (ii) interest accretion on borrowings and lease liabilities; 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.

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 condensed interim 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 are identified 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", "Gross Profit Margin", "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", "Practice-Level EBITDA Margin", and "Same Practice EBITDA Growth" and "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 measures 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 highlighting 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 three months ended March 31, 2023

During the three months ended March 31, 2023, the Company made the following changes to its' non-IFRS and other measures:

- changed the definition of "Adjusted EBITDA" and "Adjusted net income" to add loss on disposal of businesses, and remove (i) change in fair value of conversion option and (ii) COVID-19 costs.

- changed the definition of “Adjusted free cash flow” to add changes in working capital and to remove COVID-19 costs.

Changes during prior periods

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.

During the three months ended September 30, 2022, the Company made the following changes to its non-IFRS and other measures:

- changed the definition of “Adjusted EBITDA” to replace the add-back related to foreign exchange with the net impact of unrealized foreign exchange on non-cash balances. Realized foreign exchange gains or losses on cash held in foreign currencies are not included.

During the three months ended June 30, 2022, the Company made the following changes to its non-IFRS and other measures:

- changed the composition of “Adjusted EBITDA”, “Adjusted net income”, and “Adjusted free cash flow” to adjust for the impact of the gain on legal settlement of \$14.5 million, offset by relief provided by the Company to Partner dentists and employees of \$9.4 million.

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, and share of associate losses; (b) share-based compensation; (c) external acquisition expenses; (d) change in fair value of contingent consideration; (e) Initial Public Offering (“**IPO**”) costs; (f) strategic review costs; (g) other corporate costs; (h) loss on disposal of businesses; and (h) 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 loss and comprehensive loss, for which a reconciliation is provided in “Reconciliation of Non-IFRS Measures”.

Adjusted free cash flow

“Adjusted free cash flow” is calculated by adding or subtracting from cash flow from operating activities: (a) external acquisition expenses; (b) IPO costs; (c) strategic review costs; (d) other corporate costs; (e) other one-time adjustments; (f) repayment of principal on leases; (g) maintenance capex; and (h) changes in working capital. 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) IPO costs; (f) strategic review costs; (g) other corporate costs; (h) loss on disposal of businesses; (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 loss and comprehensive loss, for which a reconciliation is provided in “Reconciliation of Non-IFRS Measures”.

EBITDA

“EBITDA” means, for the applicable period, net loss and comprehensive loss plus (a) net finance costs, (b) income tax 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 and Same Practice EBITDA Growth. The most comparable IFRS measure to EBITDA is Net loss and comprehensive loss, for which a reconciliation is provided in “Reconciliation of Non-IFRS Measures”.

PF Adjusted EBITDA

“PF Adjusted EBITDA” in respect of a period means Adjusted EBITDA for that period plus the 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 which 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 loss and comprehensive loss, for which a reconciliation is provided in “Reconciliation of Non-IFRS Measures”.

PF Adjusted EBITDA after rent

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

PF Revenue

“PF Revenue” in respect of a period means revenue for that period plus the 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 which given the highly acquisitive nature of our business is more reflective of our expected run-rate.

Certain Supplementary Financial Measures

Acquired purchase multiples

“*Acquired purchase multiples*” means the consideration paid in respect of an acquisition *divided by* PF Adjusted EBITDA after rent.

Adjusted EBITDA Growth from Acquisitions Completed in Prior Period

“*Adjusted EBITDA Growth from Acquisitions Completed in Prior Period*” in respect of a period is the percentage of Adjusted EBITDA for the period attributable to practices acquired in the corresponding period in the immediately prior year as compared to actual Adjusted EBITDA attributable to such practices plus management's estimate of Adjusted EBITDA attributable to such practices for any portion of the period they were not owned by the Company in such period in the corresponding period in the immediately prior year.

Gross Profit Margin

“Gross profit margin” means gross profit *divided by* revenue.

Practice-Level EBITDA

“Practice-Level EBITDA” in respect of a practice means the 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.

Practice-Level EBITDA Margin

“Practice-Level EBITDA Margin” means Practice-Level EBITDA *divided by* revenue.

Same Practice EBITDA Growth

“Same Practice EBITDA Growth” in respect of a period means the percentage change in EBITDA derived from Established Practices (other than Legacy Specialty Practices) in that period as compared to EBITDA 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.

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.

Financial highlights

Revenue for the three months ended March 31, 2023 was \$358.3 million compared to \$280.2 million for the three months ended March 31, 2022, an increase of \$78.1 million or 27.9%.

Net loss and comprehensive loss for the three months ended March 31, 2023 was \$33.3 million compared to \$11.0 million for the three months ended March 31, 2022, an increase of \$22.3 million or 202.7%.

Adjusted EBITDA for the three months ended March 31, 2023 was \$65.6 million compared to \$50.1 million for the three months ended March 31, 2022, an increase of \$15.5 million or 30.9%. See “Non-IFRS and Other Measures – Non-IFRS Measures”.

PF Adjusted EBITDA for the three months ended March 31, 2023 was \$66.3 million compared to \$55.7 million for the three months ended March 31, 2022, an increase of \$10.6 million or 19.0%. See “Non-IFRS and Other Measures – Non-IFRS Measures”.

PF Revenue for the three months ended March 31, 2023 was \$360.8 million compared to \$301.0 million for the three months ended March 31, 2022, an increase of \$59.8 million or 19.9%. See “Non-IFRS and Other Measures – Non-IFRS Measures”.

Adjusted net income for the three months ended March 31, 2023 was \$16.1 million compared to \$28.6 million for the three months ended March 31, 2022, a decrease of \$12.5 million or 43.7%. See “Non-IFRS and Other Measures – Non-IFRS Measures”.

Adjusted free cash flow for the three months ended March 31, 2023 was \$32.9 million compared to \$30.7 million for the three months ended March 31, 2022, an increase of \$2.2 million or 7.2%.

Same Practice Revenue Growth was approximately 8.5% for the three months ended March 31, 2023, driven by overall demand for services, pricing increases, and the Company's insourcing initiatives. Same Practice EBITDA Growth was 11.2% for the three months ended March 31, 2023.

Adjusted EBITDA Growth from Acquisitions Completed in Prior Period was 19.3%, driven by overall demand for services, pricing increases, the Company's insourcing initiatives, and the rigors of the Company's integration program.

Results of Operations

Results for the three months ended March 31, 2023 compared to the three months ended March 31, 2022

The following table shows the condensed interim consolidated statements of loss and comprehensive loss and selected non-IFRS financial measures for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,	
	2023	2022
	\$	\$
	(expressed in millions of dollars)	
Revenue	358.3	280.2
Cost of revenue	179.3	141.1
Gross profit	179.0	139.1
Selling, general and administrative expenses	117.2	94.4
Depreciation and amortization	51.8	41.5
Share-based compensation	4.2	5.6
Foreign exchange gain	(0.1)	—
Net finance costs	23.3	11.1
Change in fair value of derivative instruments	3.0	—
Change in fair value of contingent consideration	(0.9)	11.0
Loss on disposal of businesses	19.3	—
Loss before income taxes	(38.8)	(24.5)
Income tax recovery	(5.5)	(13.5)
Net loss and comprehensive loss	(33.3)	(11.0)
Non-IFRS Financial Measures⁽ⁱ⁾		
Adjusted EBITDA	65.6	50.1
<i>Adjusted EBITDA Margin</i>	18.3%	17.9%
PF Adjusted EBITDA	66.3	55.7
<i>PF Adjusted EBITDA Margin</i>	18.4%	18.5%
PF Adjusted EBITDA after rent	55.5	46.2
PF Revenue	360.8	301.0
Adjusted net income	16.1	28.6
Adjusted free cash flow	32.9	30.7
Adjusted free cash flow per share	0.18	0.18
Gross profit margin	50.0%	49.6%

Notes:

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

Revenue

Revenue for the three months ended March 31, 2023 was \$358.3 million compared to \$280.2 million for the three months ended March 31, 2022, an increase of \$78.1 million or 27.9%.

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 the three months ended March 31, 2022, and positive Same Practice Revenue Growth.

Cost of revenue

Cost of revenue for the three months ended March 31, 2023 was \$179.3 million compared to \$141.1 million for the three months ended March 31, 2022, an increase of \$38.2 million or 27.1%. Cost of revenue as a percentage of revenue for the three months ended March 31, 2023 was 50.0% compared to 50.4% for the three months ended March 31, 2022, a decrease of 0.4%.

The decrease in cost of revenue as a percentage of revenue for the three months ended March 31, 2023 was primarily due to a reduction in consumable costs following the relaxation of COVID-19 related mandates with respect to the use of personal protective equipment.

Selling, general and administrative expenses

SG&A for the three months ended March 31, 2023 was \$117.2 million compared to \$94.4 million for the three months ended March 31, 2022, representing an increase of \$22.8 million or 24.2%. SG&A as a percentage of revenue for the three months ended March 31, 2023 was 32.7% compared to 33.7% for the three months ended March 31, 2022, a decrease of 1.0%.

The decrease in SG&A as a percentage of revenue for the three months ended March 31, 2023 was primarily due to (i) a decrease in external acquisition costs due to the lower number of acquisitions completed during the three months ended March 31, 2023 compared to the three months ended March 31, 2022; (ii) a decrease in marketing costs in line with the Company's corporate cost management initiatives, both of which offset an increase in administrative expenses due to increased maintenance costs and office supplies.

Depreciation and amortization

Depreciation and amortization for the three months ended March 31, 2023 was \$51.8 million compared to \$41.5 million for the three months ended March 31, 2022, representing an increase of \$10.3 million or 24.8%.

This increase was primarily driven by changes between the periods, including (i) capex additions to property and equipment, ROU assets and intangible assets of \$41.0 million and (ii) additions to property and equipment, right-of-use ("ROU") assets and intangible assets through acquisitions of \$158.3 million which had a flow through effect on depreciation and amortization expense for the three months ended March 31, 2023.

Share-based compensation

Share-based compensation expense for the three months ended March 31, 2023 was \$4.2 million compared to \$5.6 million for the three months ended March 31, 2022, representing a decrease of \$1.4 million or 25.0%.

The decrease for the three months ended March 31, 2023 was primarily due to the higher share-based compensation expense that is incurred in the first year of vesting for share options and restricted share units that are amortized under a graded vesting arrangement.

Foreign exchange gain

Foreign exchange gain for the three months ended March 31, 2023 was \$0.1 million compared to \$nil for the three months ended March 31, 2022, representing an increase of \$0.1 million or 100.0%.

The increase for the three months ended March 31, 2023 was primarily due to a gain on (i) the USD cash held by the Company and (ii) the USD denominated secured convertible promissory note.

Net finance costs

Net finance costs for the three months ended March 31, 2023 were \$23.3 million compared to \$11.1 million for the three months ended March 31, 2022, representing an increase of \$12.2 million or 109.9%.

The increase for the three months ended March 31, 2023 was primarily due to (i) an increase in interest expense and stand-by charges of \$11.8 million due to borrowings under the Delayed Draw Facility over the last twelve months of \$176.1 million 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.

Change in fair value of derivative instruments

Change in fair value of derivative instruments for the three months ended March 31, 2023 was a loss of \$3.0 million compared to \$nil for the three months ended March 31, 2022, representing an increase of \$3.0 million, or 100%.

The loss for the three months ended March 31, 2023 arose from the interest rate swaps that the Company entered into during fiscal 2022 and the three months ended March 31, 2023. Refer to "Hedging Arrangements" below.

Change in fair value of contingent consideration

Change in fair value of contingent consideration for the three months ended March 31, 2023 was a gain of \$0.9 million compared to a loss of \$11.0 million for the three months ended March 31, 2022, representing a decrease of \$11.9 million or 108.2%.

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

Loss on disposal of businesses

On March 31, 2023, the Company disposed of its interest in 13 dental practices for consideration of \$6.9 million. The net assets of the dental practices at the date of disposal were \$26.2 million, resulting in a loss on disposal of \$19.3 million. The disposal was a part of the Company's program to rationalize certain non-core standalone specialty practices. The Company anticipates that the sale of these assets will have a positive impact on Adjusted EBITDA Margin, allowing it to re-allocate resources to higher growth areas of its business.

Income tax recovery

Income tax recovery for the three months ended March 31, 2023 was \$(5.5) million compared to a recovery of \$(13.5) million for the three months ended March 31, 2022, a decrease of \$8.0 million or 59.3%.

During fiscal 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, as at March 31, 2023, the Company recognized a deferred tax asset on the condensed interim consolidated statements of financial position of \$100.5 million (December 31, 2022: \$97.3 million) and a deferred tax liability of \$41.4 million (December 31, 2022: \$42.4 million). The decrease in income tax recovery of \$8.0 million for the three months ended March 31, 2023 is primarily due to the lower number of acquisitions completed during the three months ended March 31, 2023 compared to the three months ended March 31, 2022 and movements in the origination and reversal of temporary differences.

Net loss and comprehensive loss

Net loss and comprehensive loss for the three months ended March 31, 2023 was \$33.3 million compared to \$11.0 million for the three months ended March 31, 2022, an increase of \$22.3 million or 202.7%.

The increase in net loss and comprehensive loss for the three months ended March 31, 2023 was primarily due to (i) an increase in revenue of \$78.1 million, (ii) an increase in cost of revenue of \$38.2 million, (iii) an increase in SG&A of \$22.8 million, (iv) an increase in depreciation and amortization of \$10.3 million, (v) a decrease in share-based compensation expense of \$1.4 million, (vi) an increase in foreign exchange gain of \$0.1 million, (vii) an increase in net finance costs of \$12.2 million, (viii) an increase in the loss on change in fair value of derivatives of \$3.0 million; (ix) a decrease in change in fair value of contingent consideration of \$11.9 million, (x) an increase in loss on disposal of businesses of \$19.3 million, and (xi) a decrease in income tax recovery of \$8.0 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 March 31, 2023 was \$65.6 million compared to \$50.1 million for the three months ended March 31, 2022, an increase of \$15.5 million or 30.9%. PF Adjusted EBITDA for the three months ended March 31, 2023 was \$66.3 million compared to \$55.7 million for the three months ended March 31, 2022, an increase of \$10.6 million or 19.0%. PF Adjusted EBITDA after rent for the three months ended March 31, 2023 was \$55.5 million compared to \$46.2 million for the three months ended March 31, 2022, representing an increase of \$9.3 million or 20.1%.

Adjusted net income for the three months ended March 31, 2023 was \$16.1 million compared to \$28.6 million for the three months ended March 31, 2022, a decrease of \$12.5 million or 43.7%. The decrease in Adjusted net income is primarily due to the increase in (i) net finance costs of \$12.2 million, (ii) depreciation on property and equipment and ROU assets of \$4.9 million and (iii) loss on change in fair value of derivative instruments of \$3.0 million.

Adjusted free cash flow for the three months ended March 31, 2023 was \$32.9 million compared to \$30.7 million for the three months ended March 31, 2022, an increase of \$2.2 million or 7.2%. The increase in Adjusted free cash flow is primarily due to the increase in cash provided from operating activities which was driven by the growth of the business, offset by the increase in interest incurred under the Credit Facilities.

The increase in Adjusted EBITDA, PF Adjusted EBITDA, PF Adjusted EBITDA after rent and Adjusted free cash flow for the three months ended March 31, 2023 was 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 March 31, 2023 was \$360.8 million compared to \$301.0 million for the three months ended March 31, 2022, an increase of \$59.8 million or 19.9%. The increase was primarily due to the increase in revenue of \$78.1 million, offset by a reduction in the estimate of additional revenue from acquisitions of \$18.3 million due to the lower number of acquisitions that took place in the three months ended March 31, 2023 compared to the three months ended March 31, 2022.

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⁽¹⁾:

	Three months ended March 31,	
	2023	2022
	\$	\$
	(expressed in millions of dollars)	
Net loss and comprehensive loss	(33.3)	(11.0)
<i>Adjustments:</i>		
Net finance costs ^(a)	23.3	11.1
Income tax recovery	(5.5)	(13.5)
Depreciation and amortization	51.8	41.5
EBITDA^(k)	36.3	28.1
<i>Add:</i>		
Net impact of unrealized foreign exchange on non-cash balances, change in fair value of derivatives, and share of associate losses ^(b)	2.9	—
Share-based compensation	4.2	5.6
External acquisition expenses ^(c)	1.5	4.2
Change in fair value of contingent consideration ^(d)	(0.9)	11.0
Strategic review costs ^(e)	0.3	—
Other corporate costs ^(f)	2.0	1.2
Loss on disposal of businesses ^(g)	19.3	—
Adjusted EBITDA^(k)	65.6	50.1
Adjusted EBITDA Margin ^(l)	18.3%	17.9%
	—	—
Adjusted EBITDA	65.6	50.1
<i>Subtract:</i>		
Acquisition adjustment ^(h)	0.7	5.6
PF Adjusted EBITDA^(k)	66.3	55.7
PF Adjusted EBITDA Margin ^(l)	18.4%	18.5%
	—	—
PF Adjusted EBITDA	66.3	55.7
<i>Adjustments:</i>		
Interest and principal repayments on leases ^(a)	(10.7)	(9.0)
Lease interest and principal repayments on acquisitions ⁽ⁱ⁾	(0.1)	(0.5)
PF Adjusted EBITDA after rent^(k)	55.5	46.2
PF Adjusted EBITDA after rent Margin ^(l)	15.4%	15.3%
Revenue	358.3	280.2
<i>Add:</i>		
Acquisition adjustment ⁽ⁱ⁾	2.5	20.8
PF Revenue^(k)	360.8	301.0

The following table shows the reconciliations of Adjusted net income⁽¹⁾:

	Three months ended March 31,	
	2023	2022
	\$	\$
(expressed in millions of dollars)		
Net loss and comprehensive loss	(33.3)	(11.0)
<i>Adjustments:</i>		
Amortization of intangible assets	25.9	20.5
Share-based compensation	4.2	5.6
Change in fair value of contingent consideration ^(d)	(0.9)	11.0
External acquisition costs ^(c)	1.5	4.2
Strategic review costs ^(e)	0.3	—
Other corporate costs ^(f)	2.0	1.2
Loss on disposal of businesses ^(g)	19.3	—
	19.0	31.5
Tax impact of the above	(2.9)	(2.9)
Adjusted net income^(k)	16.1	28.6

The following table shows the reconciliation of cash flow from operations to Adjusted free cash flow⁽¹⁾:

	Three months ended March 31,	
	2023	2022
	\$	\$
(expressed in millions of dollars)		
Cash flow from operating activities	46.2	44.0
<i>Adjustments:</i>		
External acquisition costs ^(c)	1.5	4.2
Strategic review costs ⁽ⁿ⁾	0.3	—
Other corporate costs ^(f)	2.0	1.2
	50.0	49.4
<i>Deduct:</i>		
Repayment of principal on leases	(6.6)	(5.6)
Maintenance capex	(2.9)	(3.4)
Changes in working capital ^(m)	(7.6)	(9.7)
Adjusted free cash flow	32.9	30.7
<i>Adjusted free cash flow per share:</i>		
Basic	0.18	0.18
Diluted	0.17	0.17
<i>Weighted average number of shares outstanding:</i>		
Basic	186,861,165	174,883,030
Diluted	196,720,267	184,592,825

Notes:

- (1) Adjustments that are included in the definitions of the Non-IFRS Measures that are not applicable for the reported periods presented have been excluded from the table.
- (a) For the three months ended March 31, 2023, our finance costs included \$10.7 million cash rent expense three months ended March 31, 2022– \$9.0 million).
- (b) Represents the sum of (i) unrealized foreign exchange gain (ii) change in fair value of derivative instruments, (iii) change in fair value of contingent consideration 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) 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 condensed interim consolidated statements of loss and comprehensive loss
- (e) Represents costs related to the strategic review process and other costs incurred by the Company to evaluate strategic alternatives to unlock shareholder value.
- (f) Represents costs related to the implementation of new corporate technology systems and the undertaking of vendor consolidations.
- (g) Represents the loss on disposal of businesses that were disposed of on March 31, 2023.
- (h) The Company regularly acquires dental practices and estimates that if it had acquired each of the practices that it acquired during the three months ended March 31, 2023 and 2022 on the first day of the applicable fiscal period, it would have recorded additional Adjusted EBITDA of \$0.7 million and \$5.6 million, respectively for the three months ended March 31, 2023 and 2022. 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.
- (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 ended March 31, 2023 and 2022 on the first day of the applicable fiscal period, it would have recorded additional lease interest and principal repayments of \$0.1 million and \$0.5 million, respectively for the three months ended March 31, 2023 and 2022. 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.
- (j) The Company regularly acquires dental practices and estimates that if it had acquired each of the practices that it acquired during the three months ended March 31, 2023 and 2022 on the first day of the applicable fiscal period, it would have recorded additional revenue of \$2.5 million and \$20.8 million, respectively for the three months ended March 31, 2023 and 2022. 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.
- (k) See “Non-IFRS and Other Measures – Non-IFRS Measures”.
- (l) See “Non-IFRS and Other Measures – Non-IFRS Ratios”.
- (m) Represents the change in non-cash working capital items for the period.

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-Mar-23	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21
	(expressed in millions of dollars, except per share amounts)							
Revenue	358.3	331.0	312.1	327.0	280.2	272.5	250.2	261.1
Net (loss) income and comprehensive (loss) income	(33.3)	6.6	(14.7)	2.4	(11.0)	(43.1)	(18.4)	(90.0)
(Loss) Earnings per share - basic and diluted	(0.18)	0.04	(0.08)	0.01	(0.06)	(0.26)	(0.11)	(0.87)
Adjusted EBITDA ⁽ⁱ⁾	65.6	60.6	59.3	59.8	50.1	50.1	46.2	48.9

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 the 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 (defined herein) and capital-raising activities in the capital markets, which may include 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 future practice acquisitions, with deleveraging anticipated to be driven primarily by free cash flow. Notwithstanding the foregoing, we may fund any significant expansion through capital raising activities in the capital markets. See “Non-IFRS and Other Measures – Supplementary Financial Measures” and “About Forward-Looking Information.”

As of March 31, 2023, we had \$110.9 million in cash and working capital of \$79.8 million as compared to cash and working capital of \$110.5 million and \$76.5 million, respectively, as at December 31, 2022. Working capital is calculated as current assets less current liabilities.

Cash Flows for the three months ended March 31, 2023 and 2022

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

	Three months ended March 31,	
	2023	2022
	\$	\$
	(expressed in millions of dollars)	
Total cash provided by (used in):		
Operating activities	46.2	44.0
Investing activities	(49.6)	(174.8)
Financing activities	3.9	153.3
Increase in cash	0.5	22.5
Net foreign exchange difference	(0.1)	—
Cash, beginning of period	110.5	141.8
Cash, end of period	110.9	164.3

Operating Activities

Cash flows provided by operating activities were \$46.2 million for the three months ended March 31, 2023, compared to \$44.0 million for the three months ended March 31, 2022, an increase of \$2.2 million or 5.0%. The increase in cash flows provided by operating activities is primarily due to the growth of the business, offset by the increase in interest incurred under the Credit Facilities.

Investing Activities

Cash flows used in investing activities were \$49.6 million for the three months ended March 31, 2023, compared to \$174.8 million for the three months ended March 31, 2022, a decrease of \$125.2 million or 71.6%. The decrease in cash flows used in investing activities for the three months ended March 31, 2023 primarily resulted from (i) a decrease in dental practice acquisition related payments of \$120.3 million, (ii) a decrease in the settlement of contingent consideration of \$0.9 million, (iii) an increase in the proceeds on disposal of businesses of \$4.5 million; (iv) a decrease in payments for intangible assets (including development expenditures) of \$0.7 million, offset by (v) an increase in payments for property and equipment of \$1.2 million.

Financing Activities

Cash flows provided by financing activities were \$3.9 million for the three months ended March 31, 2023, compared to \$153.3 million for the three months ended March 31, 2022, a decrease of \$149.4 million or 97.5%. The decrease in cash flows provided by financing activities was primarily due to (i) a decrease in net proceeds from borrowings of \$38.6 million and (ii) a decrease in net proceeds from the issuance of shares of \$108.9 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 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 certain term facilities. 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 Canadian Dollar Offered Rate ("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 March 31, 2023, the applicable margin was 2.75% (December 31, 2022: 2.75%). 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 three months ended March 31, 2023, the Company drew down \$11.4 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 March 31, 2023, 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, 2022: 0.55%).

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 March 31, 2023, no funds have been drawn down under the Revolving Facility. As at March 31, 2023, the Revolving Facility is also subject to a stand-by fee on the unutilized amount of the Revolving Facility of 0.55% (December 31, 2022: 0.55%).

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 March 31, 2023.

Hedging Arrangements

Credit Facilities

During fiscal 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, which had an effective date of October 3, 2022 and has 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.

During the three months ended March 31, 2023, the Company entered into an additional interest rate swap agreement for a notional amount of \$300.0 million, which had an effective date of March 13, 2023 and has 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.

As at March 31, 2023, the unhedged borrowings of \$276.1 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.

The combined impact of the above hedging arrangements is that at March 31, 2023, the Company is paying an effective interest rate of 6.81% on its total borrowings of \$1,076.1 million.

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 March 31, 2023 are shown in the following table (expressed in millions of dollars):

	Payments Due by Period					Total
	Year 1	Year 2	Year 3	Year 4	Year 5 and over	
	(expressed in millions of dollars)					
Trade and other payables	130.9	—	—	—	—	130.9
Lease liabilities	34.2	41.5	41.4	39.7	250.2	407.1
Contingent consideration	7.9	4.2	—	—	—	12.1
Borrowings	—	—	—	1,076.1	—	1,076.1
Total contractual obligations	173.0	45.7	41.4	1,115.8	250.2	1,626.2

Financial Condition

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

	As at March 31, 2023 \$	As at December 31, 2022 \$
(expressed in millions of dollars)		
Consolidated Statements of Financial Position:		
Assets		
Current		
Cash	110.9	110.5
Trade and other receivables	81.7	96.3
Inventories	40.0	35.8
Prepaid and other assets	17.8	16.6
	<u>250.4</u>	<u>259.2</u>
Non-current		
Investment in associate	0.1	0.1
Trade and other receivables	11.9	8.8
Prepaid and other assets	3.6	3.9
Derivative financial asset	—	1.7
Deferred tax asset	100.5	97.3
Preferred shares	6.9	—
Property and equipment	190.7	200.1
Right-of-use assets	274.6	282.6
Intangible assets	369.0	384.9
Goodwill	2,146.1	2,137.5
	<u>3,103.4</u>	<u>3,116.9</u>
Total assets	<u>3,353.8</u>	<u>3,376.1</u>
Liabilities		
Current		
Trade and other payables	130.9	133.1
Contract liabilities	4.3	5.3
Lease liabilities	26.5	27.2
Contingent consideration payable	8.9	17.1
	<u>170.6</u>	<u>182.7</u>
Non-current		
Contract liabilities	0.3	0.4
Lease liabilities	277.5	283.7
Borrowings	1,071.7	1,060.0
Derivative financial liability	1.3	—
Deferred tax liability	41.4	42.4
Contingent consideration payable	13.7	14.6
Share-based payment liability	4.2	4.6
	<u>1,410.1</u>	<u>1,405.7</u>
Total liabilities	<u>1,580.7</u>	<u>1,588.4</u>
Shareholders' equity		
Share capital	2,247.3	2,188.7
Contributed surplus	87.9	109.2
Accumulated deficit	(562.1)	(510.2)
Total shareholders' equity	<u>1,773.1</u>	<u>1,787.7</u>
Total liabilities and shareholders' equity	<u>3,353.8</u>	<u>3,376.1</u>

The following is a comparison of key financial position accounts:

Trade and other receivables

Trade and other receivables as at March 31, 2023 amounted to \$93.6 million compared to \$105.1 million as at December 31, 2022. The decrease of \$11.5 million or 10.9% is primarily due the disposal of \$10.1 million of trade and other receivables on disposal of businesses, offset by the increase in revenue period on period.

Inventories

Inventories as at March 31, 2023 amounted to \$40.0 million compared to \$35.8 million as at December 31, 2022. The increase of \$4.2 million or 11.7% is primarily due increased purchase activity during the three months ended March 31, 2023.

Prepaid and other assets

Prepaid and other assets as at March 31, 2023 amounted to \$21.4 million compared to \$20.5 million as at December 31, 2022. The increase of \$0.9 million or 4.4% is primarily due to payments for retention bonuses, conferences and security deposits on leases of \$3.0 million, offset by vendor promotions received during the three months ended March 31, 2023 of \$0.8 million, and amortization of \$1.3 million.

Derivative financial asset

Derivative financial asset as at March 31, 2023 amounted to \$nil compared to \$1.7 million as at December 31, 2022. The decrease is because the interest rate swaps are in a liability position compared as at March 31, 2023 compared to an asset position as at December 31, 2022 (refer to 'Derivative financial liability' below).

Preferred shares

On March 31, 2023, the Company restructured the loans receivable under the Company's Management Loan Program ("MLP") held by certain of the key members of senior management (the "MLP Managers") in order to more appropriately incentivize the MLP Managers to advance the interests of the Company. Pursuant to the restructuring, the Company's full interests in the MLP Loans made to the MLP Managers were transferred to private holding companies wholly owned by the MLP Managers (each, a "HoldCo"). In consideration for the transfer of the MLP Loans, each HoldCo issued \$12.8 million face amount of preferred shares (the "Management Preferred Shares").

On March 31, 2023, the Company classified the Management Preferred Shares as a financial asset at fair value through profit or loss. As at March 31, 2023, the fair value of the Management Preferred Shares recognized in the condensed interim consolidated statements of financial position is \$6.9 million.

Property and equipment

Property and equipment as at March 31, 2023 amounted to \$190.7 million compared to \$200.1 million as at December 31, 2022. The decrease of \$9.4 million or 4.7% was primarily due to capex additions of \$6.2 million and additions through acquisitions of \$3.6 million, which were offset by depreciation expense of \$17.8 million and the disposal of property and equipment of \$1.4 million on disposal of businesses.

Right-of-use-assets

Right-of-use assets as at March 31, 2023 amounted to \$274.6 million compared to \$282.6 million as at December 31, 2022. The decrease of \$8.0 million or 2.8% was primarily due to additions of \$0.9 million, additions through acquisitions of \$2.7 million and adjustments due to lease modifications of \$2.4 million, which were offset by depreciation expense of \$8.0 million, termination of \$0.9 million and the disposal of right-of-use assets of \$5.0 million on disposal of businesses.

Intangible assets

Intangible assets as at March 31, 2023 amounted to \$369.0 million compared to \$384.9 million as at December 31, 2022. The decrease of \$15.9 million or 4.1% was primarily due to additions of \$1.0 million and additions through acquisitions of \$10.9 million, which were offset by amortization expense of \$25.9 million and the disposal of intangible assets of \$1.4 million on disposal of businesses.

Deferred tax asset

Deferred tax asset as at March 31, 2023 amounted to \$100.5 million compared to \$97.3 million as at December 31, 2022, an increase of \$3.2 million or 3.3%. The increase is primarily due to the origination and reversal of temporary differences.

Goodwill

Goodwill as at March 31, 2023 amounted to \$2,146.1 million compared to \$2,137.5 million as at December 31, 2022. The increase of \$8.6 million or 0.4% was due to additions through acquisitions of \$23.1 million, which were offset by the disposal of goodwill of \$14.5 million on disposal of businesses.

Trade and other payables

Trade and other payables as at March 31, 2023 were \$130.9 million compared to \$133.1 million as at December 31, 2022. The decrease of \$2.2 million or 1.7% was due primarily to (i) a decrease in holdback payable of \$14.3 million, offset by (ii) the timing of payments of trade payables and other accruals of \$3.5 million, (iv) an increase in payables to Partner Dentists of \$7.2 million due to an revenue growth, and (v) the timing of payments of salaries, bonuses, and other benefits of 1.4 million.

Lease liabilities

Lease liabilities as at March 31, 2023 amounted to \$304.0 million compared to \$310.9 million as at December 31, 2022. The decrease of \$6.9 million or 2.2% was primarily due to additions of \$0.9 million, additions through acquisitions of \$3.0 million, adjustments due to lease modifications of \$2.4 million and interest accretion of \$4.3 million, which were offset by lease payments of \$10.7 million, terminations of \$1.0 million, and the disposal of lease liabilities of \$5.7 on disposal of businesses.

Borrowings

Borrowings as at March 31, 2023 amounted to \$ 1,071.7 million compared to \$ 1,060.0 million as at December 31, 2022. The increase of \$11.7 million or 1.1% was due to the \$11.4 million drawn down under the Delayed Draw Facility.

Deferred tax liability

The deferred tax liability as at March 31, 2023 amounted to \$41.4 million compared to \$42.4 million as at December 31, 2022, a decrease of \$1.0 million or 2.4%. The decrease in deferred tax liability principally arose upon the acquisition of dental practices during the three months ended March 31, 2023 and was offset by the origination and reversal of temporary differences.

Contingent consideration payable

Contingent consideration payable as at March 31, 2023 amounted to \$22.6 million compared to \$31.7 million as at December 31, 2022. The decrease of \$9.1 million or 28.7% was primarily due to the payment of \$1.3 million as consideration for acquisitions, offset by settlements of \$9.5 million and the change in fair value of \$0.9 million.

Share-based payment liability

Share-based payment liability as at March 31, 2023 amounted to \$4.2 million compared to \$4.6 million as at December 31, 2022. The decrease of \$0.4 million or 8.7% was due to an increase in the Company's share price of from \$8.90 at December 31, 2022 to \$9.00 at March 31, 2023, offset by an increase in the number of options vested.

Derivative financial liability

Derivative financial liability as at March 31, 2023 amounted to \$1.3 compared to \$nil as at December 31, 2022. The increase was due to the interest rate swaps being in a liability position as at March 31, 2023 compared to an asset position as at December 31, 2022 (refer to '*Derivative financial asset*' above).

Business Combinations

During the three months ended March 31, 2023, the Company completed 7 practice acquisitions (representing 6 dental practice locations) by way of the acquisition of all of the issued and outstanding shares of such dental 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 three months ended March 31, 2023 and 2022 was as follows:

	Three months ended March 31,	
	2023	2022
	\$	\$
Short-term employee benefits	0.4	0.4
Share-based payment transactions		
Equity incentive plan and RSA	2.9	4.2
	<u>3.3</u>	<u>4.6</u>

On March 31, 2023, the Company restructured the MLP Loans receivable for certain MLP Managers. Following the MLP restructure, the Company has MLP Loans receivable of \$52.3 million which is included as a deduction from shareholders' equity (March 31, 2022: \$77.8 million).

During the year ended December 31, 2022, the Company provided \$1.9 million (US\$1.5 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. During the three months ended March 31, 2023, the Note was modified, primarily to extend the maturity date from December 31, 2022 to May 1, 2023. The Note (including accrued interest) of \$2.1 million is included in trade and other receivables in the consolidated statements of financial position.

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 condensed interim consolidated statements of loss and comprehensive loss or condensed interim consolidated statements of financial position.

Critical Accounting Estimates and Judgments

The preparation of the Interim Financial Statements requires management to make judgments and estimates that affect the reported amounts of revenue, expenses, assets, liabilities and accompanying disclosures. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

Significant judgments and estimates used in the preparation of the Interim Financial Statements are described in detail in the Annual Financial Statements. In preparing the Interim Financial Statements, there were no material changes to the significant accounting judgements and estimates used.

Internal Control Over Financial Reporting

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

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.

During the three months ended March 31, 2023, there were no changes in the Company's ICFR, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Significant New Accounting Standards Adopted

New Accounting pronouncements adopted

The significant accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Annual Financial Statements, except as described below.

The Company applied for the first time certain amendments to standards, which are effective for annual periods beginning on or after January 1, 2023, including *Amendments to IFRS 17, Insurance Contracts*, *Amendments to IAS 1, Presentation of Financial Statements – Non-current Liabilities with Covenants*, *Amendments to IAS 1, Presentation of Financial Statements – Disclosure of Accounting*, *Amendments to IAS 8, Accounting Policies – Changes in Accounting Estimates and Errors*, *Amendments to IAS 12, Deferred Tax Related to Assets and Liabilities from a Single Transaction*, *Amendments to IAS 12, International Tax Reform - Pillar Two Model Rules*. The amendments had no impact on the Interim 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).

New and amended IFRS standards in issue but not yet effective

The following 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 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 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 amendments to IFRS 16, and IAS 1 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, 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 herein. The risk factors are included in the "Risk Factors" section of the AIF, and the Annual MD&A, copies of which are available on SEDAR at www.sedar.com.

Outstanding Share Information

Our current authorized share capital consists of (i) an unlimited number of Subordinate Voting Shares, (ii) an unlimited number of Multiple Voting Shares (together with the Subordinate Voting Shares, the "Shares"), (iii) an unlimited number of Preferred Shares, issuable in series. As of the date of this MD&A, we had 178,074,163 Subordinate Voting Shares and 9,183,822 Multiple Voting Shares issued and outstanding.

As of the date of this MD&A, we have 2,967,316 and 6,335,269 share options issued and outstanding under the Company’s Legacy Option Plan and Equity Incentive Plan, respectively, which are exercisable for 9,302,585 Subordinate Voting Shares. The Company also has 514,997 restricted share units and performance share units issued and outstanding under the Equity Incentive Plan and 87,203 deferred share units issued and outstanding under the Company’s Deferred Share Unit Plan, which may be settled into 514,997 and 87,203 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	39.4%	27.5%
Graham Rosenberg	9,853,102	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 second 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 second quarter of 2023, 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 re-deployment of capital of the Company, the Company’s ability to realize pricing increases, an increase in patient visit volumes in the second 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, expand service offerings and generate cash flow, 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, and no further COVID-19 related 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, and 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; the Company's inability to integrate acquired dental practices; 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 and the Annual MD&A. 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 relating to dentalcorp, including our other recent filings with Canadian securities regulatory authorities, is available on SEDAR at www.sedar.com.