dentalcorp

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three and six months ended June 30, 2023

BEST MANAGED COMPANIES
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In this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), "we", "us", "our", "dentalcorp" and the "Company" mean, dentalcorp Holdings Ltd., 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 and six months ended June 30, 2023. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 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.sedarplus.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 August 4, 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 June 30, 2023, we own and operate a network of 537 dental practices delivering extraordinary patient experiences to over 2.0 million Canadians who visit our practices over 5.0 million times annually. Our nationwide network is supported by approximately 9,600 team members, including over 1,850 dentists, over 2,400 hygienists, and over 5,400 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 80% 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.

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 was accepted and endorsed by the Board and the Special Committee was 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 were able to commence on May 16, 2023 and may continue until May 15, 2024 or such earlier date as the Company completes its purchases pursuant to the NCIB.

During the three and six months ended June 30, 2023 the Company purchased 85,300 Subordinate Voting Shares for cancellation under the NCIB at a weighted average price of $7.00, for a total cost of $0.6 million.

OUTLOOK

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

	Q2, 2023	
	Outlook	**Actual**
Revenue growth	9.5% - 10.5%	**12.6%**
Revenue	$358.0-$361.0 million	**$368.3 million**
Same Practice Revenue Growth(1)	5.0%-6.0%	**5.5%**
PF Adjusted EBITDA after rent from practices acquired in the quarter(1)(2)	$4.0-$5.0 million	**$5.1 million**
Adjusted EBITDA Margin	18.3%	**18.2%**

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 including definitions and reconciliations to the relevant reported IFRS measure.

(2) Reflects PF Adjusted EBITDA attributable to practices acquired in the second quarter of 2023.

For the three months ended June 30, 2023, revenue of $368.3 million was higher than our outlook of $358.0 to $361.0 million, revenue growth of 12.6% compared to the three months ended June 30, 2022 was higher than our outlook of 9.5%-10.5% and Same Practice Revenue Growth of 5.5% compared to the three months ended June 30, 2022 was within our outlook of 5.0% to 6.0%. Revenue and revenue growth was higher than our Q2, 2023 outlook, primarily driven by Same Practice Revenue Growth of 5.5%, supported by the overall demand for our services and the Company's insourcing initiatives.

For the three months ended June 30, 2023, acquisition purchase multiples, being the price at which a practice is purchased by the Company compared to its expected performance were consistent with the first quarter of 2023, which was in line with our outlook. During the three months ended June 30, 2023, the Company also completed acquisitions reflecting $5.1 million in PF Adjusted EBITDA after rent, compared to an outlook of $4.0 to $5.0 million. Additionally, Adjusted EBITDA Margin for the three months ended June 30, 2023 was consistent with Adjusted EBITDA Margin for the three months ended June 30, 2022, in line with our outlook.

Third Quarter of 2023

The Company's third quarter 2023 revenues and Same Practice Revenue Growth are expected to increase by 9.5% to 10.5% and 5% to 6% respectively, over the same period last year. Adjusted EBITDA margins are expected to be consistent with the first half of 2023.

Remainder of Fiscal 2023

For the remainder of fiscal 2023, we expect to complete acquisitions representing PF Adjusted EBITDA after rent of approximately $10.0 million.

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 $20.0 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 third quarter and the above additional outlook metrics is based on 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" and 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", "Net debt / 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 operating performance 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 June 30, 2023

During the three months ended June 30, 2023, the following changes to the non-IFRS and other measures were made:

- changed the definition of "Adjusted EBITDA" and "Adjusted net income" to add change in fair value of preferred shares as this expense is not considered representative of the underlying performance of the business.
- "Other corporate costs" now include termination benefits and other restructuring charges. Refer to 'Reconciliation of Non-IFRS Measures', note (f) for additional information.

Changes during the last twelve months

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

- 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.

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

- 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 following changes to non-IFRS and other measures were made:

- 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.

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; (i) change in fair value of preferred shares; and (j) other 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) income and comprehensive (loss) income, 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 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) income and comprehensive (loss) income 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) change in fair value of preferred shares; and (j) other adjustments; and (k) 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) income and comprehensive (loss) income, for which a reconciliation is provided in "Reconciliation of Non-IFRS Measures".

EBITDA

"EBITDA" means, for the applicable period, net (loss) income and comprehensive (loss) income 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) income and comprehensive (loss) income, 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 management believes, given the highly acquisitive nature of our business, is more reflective of our operating performance. We also use PF Adjusted EBITDA to determine components of employee compensation. The most comparable IFRS measure to PF Adjusted EBITDA is Net (loss) income and comprehensive (loss) income, 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 management believes, given the highly acquisitive nature of our business, is more reflective of our operating performance. The most comparable IFRS measure to PF Adjusted EBITDA after rent is Net (loss) income and comprehensive (loss) income, 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, management believes PF Revenue is more reflective of our operating performance. 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".

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.

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 management believes, given the highly acquisitive nature of our business, is more reflective of our operating performance.

Practice-Level EBITDA Margin

"Practice-Level EBITDA Margin" means Practice-Level EBITDA divided by revenue. We use Practice-Level EBITDA Margin to facilitate an understanding of individual practices operating performance on a consistent basis from period to period.

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 that were 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.

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 June 30, 2023 was $368.3 million compared to $327.0 million for the three months ended June 30, 2022, an increase of $41.3 million or 12.6%. Revenue for the six months ended June 30, 2023 was $726.6 million compared to $607.2 million for the six months ended June 30, 2022, an increase of $119.4 million or 19.7%.

Net (loss) income and comprehensive (loss) income for the three months ended June 30, 2023 was $(7.3) million compared to $2.4 million for the three months ended June 30, 2022, a change of $9.7 million or 404.2%. Net (loss) income and comprehensive (loss) income for the six months ended June 30, 2023 was $(40.7) million compared to $(8.6) million for the six months ended June 30, 2022, an increase of $32.1 million or 373.3%.

Adjusted EBITDA for the three months ended June 30, 2023 was $67.0 million compared to $60.4 million for the three months ended June 30, 2022, an increase of $6.6 million or 10.9%. Adjusted EBITDA for the six months ended June 30, 2023 was $133.1 million compared to $110.6 million for the six months ended June 30, 2022, an increase of $22.5 million or 20.3%. See "Non-IFRS and Other Measures – Non-IFRS Measures".

PF Adjusted EBITDA for the three months ended June 30, 2023 was $68.2 million compared to $62.0 million for the three months ended June 30, 2022, an increase of $6.2 million or 10.0%. PF Adjusted EBITDA for the six months ended June 30, 2023 was $136.4 million compared to $121.8 million for the six months ended June 30, 2022, an increase of $14.6 million or 12.0%. See "Non-IFRS and Other Measures – Non-IFRS Measures".

PF Revenue for the three months ended June 30, 2023 was $372.8 million compared to $332.7 million for the three months ended June 30, 2022, an increase of $40.1 million or 12.1%. PF Revenue for the six months ended June 30, 2023 was $739.0 million compared to $649.1 million for the six months ended June 30, 2022, an increase of $89.9 million or 13.8%. See "Non-IFRS and Other Measures – Non-IFRS Measures".

Adjusted net income for the three months ended June 30, 2023 was $35.5 million compared to $24.2 million for the three months ended June 30, 2022, an increase of $11.3 million or 46.7%. Adjusted net income for the six months ended June 30, 2023 was $51.8 million compared to $52.8 million for the six months ended June 30, 2022, a decrease of $1.0 million or 1.9%. See "Non-IFRS and Other Measures – Non-IFRS Measures".

Adjusted free cash flow for the three months ended June 30, 2023 was $33.6 million compared to $35.7 million for the three months ended June 30, 2022, a decrease of $2.1 million or 5.9%. Adjusted free cash flow for the six months ended June 30, 2023 was $67.1 million compared to $66.4 million for the six months ended June 30, 2022, an increase of $0.7 million or 1.1%.

Same Practice Revenue Growth was approximately 5.5% and 7.0% for the three and six months ended June 30, 2023, driven by overall demand for services and pricing increases, with Same Practice EBITDA Growth for the last twelve months ended June 30, 2023 up 5.1%.

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 and six months ended June 30, 2023 compared to the three and six months ended June 30, 2022

The following table shows the condensed interim consolidated statements of (loss) income and comprehensive (loss) income and selected non-IFRS financial measures for the three and six months ended June 30, 2023 and 2022:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	$	$	$	$
	(expressed in millions of dollars)		(expressed in millions of dollars)	
Revenue	**368.3**	327.0	**726.6**	607.2
Cost of revenue	**193.1**	168.2	**372.4**	309.3
Gross profit	**175.2**	158.8	**354.2**	297.9
Selling, general and administrative expenses	**121.4**	100.4	**238.6**	194.8
Depreciation and amortization	**50.5**	48.0	**102.2**	89.5
Share-based compensation	**2.1**	0.9	**6.3**	6.4
Foreign exchange loss (gain)	**0.6**	(0.5)	**0.6**	(0.5)
Net finance costs	**23.0**	13.5	**46.3**	24.7
Change in fair value of derivative instruments	**(21.1)**	—	**(18.0)**	—
Change in fair value of contingent consideration	**1.3**	(0.8)	**0.4**	10.2
Change in fair value of preferred shares	**4.1**	—	**4.1**	—
Loss on disposal of businesses	**1.2**	—	**20.5**	—
Share of associate losses	**0.1**	0.1	**0.1**	0.1
Loss before income taxes	**(8.0)**	(2.8)	**(46.9)**	(27.3)
Income tax recovery	**(0.7)**	(5.2)	**(6.2)**	(18.7)
Net (loss) income and comprehensive (loss) income	**(7.3)**	2.4	**(40.7)**	(8.6)
Non-IFRS Financial Measures(i)				
Adjusted EBITDA	**67.0**	60.4	**133.1**	110.6
Adjusted EBITDA Margin	***18.2%***	*18.5%*	***18.3%***	*18.2%*
PF Adjusted EBITDA	**68.2**	62.0	**136.4**	121.8
PF Adjusted EBITDA Margin	***18.3%***	*18.6%*	***18.5%***	*18.8%*
PF Adjusted EBITDA after rent	**57.3**	52.0	**114.5**	101.8
PF Adjusted EBITDA after rent Margin	***15.4%***	*15.6%*	***15.5%***	*15.7%*
PF Revenue	**372.8**	332.7	**739.0**	649.1
Adjusted net income	**35.5**	24.2	**51.8**	52.8
Adjusted free cash flow	**33.6**	35.7	**67.1**	66.4
Adjusted free cash flow per share	**0.18**	0.20	**0.36**	0.37
Gross profit margin	**47.6%**	48.6%	**48.7%**	49.1%

Notes:

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

Revenue

Revenue for the three months ended June 30, 2023 was $368.3 million compared to $327.0 million for the three months ended June 30, 2022, an increase of $41.3 million or 12.6%. Revenue for the six months ended June 30, 2023 was $726.6 million compared to $607.2 million for the six months ended June 30, 2022, representing an increase of $119.4 million, or 19.7%.

The increase in revenue for the three and six months ended June 30, 2023 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 and six months ended June 30, 2022, and positive Same Practice Revenue Growth.

Cost of revenue

Cost of revenue for the three months ended June 30, 2023 was $193.1 million compared to $168.2 million for the three months ended June 30, 2022, an increase of $24.9 million or 14.8%. Cost of revenue as a percentage of revenue for the three months ended June 30, 2023 was 52.4% compared to 51.4% for the three months ended June 30, 2022, an increase of 1.0%.

Cost of revenue for the six months ended June 30, 2023 was $372.4 million compared to $309.3 million for the six months ended June 30, 2022, representing an increase of $63.1 million, or 20.4%. Cost of revenue as a percentage of revenue for the six months ended June 30, 2023 was 51.3% compared to 50.9% for the six months ended June 30, 2022, an increase of 0.4%.

The increase in cost of revenue as a percentage of revenue for the three and six months ended June 30, 2023 was primarily due to higher hygienist employment costs, offset by 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 June 30, 2023 was $121.4 million compared to $100.4 million for the three months ended June 30, 2022, representing an increase of $21.0 million or 20.9%. SG&A as a percentage of revenue for the three months ended June 30, 2023 was 33.0% compared to 30.7% for the three months ended June 30, 2022, an increase of 2.0%.

SG&A for the six months ended June 30, 2023 was $238.6 million compared to $194.8 million for the six months ended June 30, 2022, representing an increase of $43.8 million, or 22.5%. SG&A as a percentage of revenue for the six months ended June 30, 2023 was 32.8% compared to 32.1% for the six months ended June 30, 2022, an increase of 0.6%.

The increase in SG&A as a percentage of revenue for the three months ended June 30, 2023 was primarily due to an increase in employment costs, an increase in facility costs, and an increase in professional fees due to costs associated with the strategic review process.

The increase in SG&A as a percentage of revenue for the six months ended June 30, 2023 was primarily due to an increase in employment costs, an increase in facility costs, and an increase in professional fees due to costs associated with the strategic review process, offset by a decrease in professional fees due to a decrease in external acquisition costs due to the lower number of acquisitions completed during the six months ended June 30, 2023 compared to the six months ended June 30, 2022.

Depreciation and amortization

Depreciation and amortization for the three months ended June 30, 2023 was $50.5 million compared to $48.0 million for the three months ended June 30, 2022, representing an increase of $2.5 million or 5.2%. Depreciation and amortization for the six months ended June 30, 2023 was $102.2 million compared to $89.5 million for the six months ended June 30, 2022, representing an increase of $12.7 million, or 14.2%.

This increase was primarily driven by (i) capex additions to property and equipment, ROU assets and intangible assets of $38.2 million and (ii) additions to property and equipment, right-of-use (**"ROU"**) assets and intangible assets through acquisitions of $107.5 million which had a flow through effect on depreciation and amortization expense for the three and six months ended June 30, 2023.

Share-based compensation

Share-based compensation expense for the three months ended June 30, 2023 was $2.1 million compared to $0.9 million for the three months ended June 30, 2022, representing an increase of $1.2 million or 133.3%. Share-based compensation expense for the six months ended June 30, 2023 was $6.3 million compared to $6.4 million for the six months ended June 30, 2022, representing a decrease of $0.1 million or 1.6%.

The increase for the three months ended June 30, 2023 was primarily due to (i) a reduction in the revaluation of the options under the Legacy Option Plan of $1.9 million due to changes in the market price of the Company's Subordinate Voting Shares, (ii) an increase in share-based compensation expense of $0.7 million related to RSUs/PSUs under the Equity Incentive Plan due to the grant of RSUs/PSUs during the three months ended June 30, 2023, offset by forfeitures during the period and the impact of graded vesting arrangements, and (iii) a decrease in share-based compensation expense related to options under the Equity Incentive Plan of $0.7 million due to forfeitures during the period and the impact of graded vesting arrangements.

The decrease for the six months ended June 30, 2023 was primarily due to (i) a reduction in the devaluation of the options under the Legacy Option Plan of $1.8 million due to changes in the market price of the Company's Subordinate Voting Shares, (ii) an increase in share-based compensation expense of $2.9 million related to RSUs/PSUs under the Equity Incentive Plan due to the grant of RSUs/PSUs during the three months ended June 30, 2023, offset by forfeitures during the period and the impact of graded vesting arrangements, and (iii) a decrease in share-based compensation expense related to options under the Equity Incentive Plan of $0.9 million due to forfeitures during the period and the impact of graded vesting arrangements.

Foreign exchange loss (gain)

Foreign exchange loss for the three months ended June 30, 2023 was $0.6 million compared to a gain of $0.5 million for the three months ended June 30, 2022, representing a change of $1.1 million or 220.0%. Foreign exchange loss for the six months ended June 30, 2023 was $0.6 million compared to a gain of $0.5 million for the six months ended June 30, 2022, representing a change of $1.1 million or 220.0%.

The foreign exchange loss incurred by the Company for the three and six months ended June 30, 2023 was primarily due to a 2.0-2.5% strengthening of the Canadian dollar against the USD which reduced the Canadian dollar equivalent of USD cash held by the Company.

Net finance costs

Net finance costs for the three months ended June 30, 2023 were $23.0 million compared to $13.5 million for the three months ended June 30, 2022, representing an increase of $9.5 million or 70.4%. Net finance costs for the six months ended June 30, 2023 were $46.3 million compared to $24.7 million for the six months ended June 30, 2022, representing an increase of $21.6 million or 87.4%.

The increase for the three months ended June 30, 2023 was primarily due to (i) an increase in interest expense and stand-by charges of $9.6 million due to borrowings under the Delayed Draw Facility and rising interest rates, (ii) an increase in interest accretion on lease liabilities due to dental practice acquisitions of $0.5 million; offset by an increase in interest income of $0.6 million.

The increase for the six months ended June 30, 2023 was primarily due to (i) an increase in interest expense and stand-by charges of $21.4 million due to borrowings under the Delayed Draw Facility and rising interest rates, (ii) an increase in interest accretion on lease liabilities due to dental practice acquisitions of $1.4 million; offset by a decrease in interest income of $1.1 million.

Change in fair value of derivative instruments

Change in fair value of derivative instruments for the three months ended June 30, 2023 was a gain of $21.1 million compared to $nil for the three months ended June 30, 2022, representing an increase of $21.1 million, or 100%. Change in fair value of derivative instruments for the six months ended June 30, 2023 was a gain of $18.0 compared to $nil for the six months ended June 30, 2022, representing an increase of $18.0 million, or 100.0%.

During fiscal 2022 and the six months ended June 30, 2023, the Company entered into a number of interest rate swaps to hedge the Company's exposure to interest rate risk on $800.0 million of the Company's borrowings of $1,076.1 million. Based on the terms of the interest rate swaps, the Company pays a fixed rate and receives payments that match the floating rate attached to the underlying borrowings. During the three and six months ended June 30, 2023, as interest rates have continued to rise, the Company has recognized a gain on derivative of $21.1 million and $18.0 million, respectively. Refer to *"Hedging Arrangements"* below.

Change in fair value of contingent consideration

Change in fair value of contingent consideration for the three months ended June 30, 2023 was a loss of $1.3 million compared to a gain of $0.8 million for the three months ended June 30, 2022, representing a negative change of $2.1 million or 262.5%. Change in fair value of contingent consideration for the six months ended June 30, 2023 was a loss of $0.4 million compared to $10.2 million for the six months ended June 30, 2022, representing a positive change of $9.8 million or 96.1%.

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) income and comprehensive (loss) income.

Change in fair value of preferred shares

Change in fair value of preferred shares for the three and six months ended June 30, 2023 was a loss of $4.1 million compared to $nil for the three and six months ended June 30, 2022, representing an increase of $4.1 million or 100%.

During the six months ended June 30, 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 interest 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"). The Company classified the Management Preferred Shares as a financial asset at fair value through profit or loss.

At the end of each reporting period, the preferred shares are remeasured at fair value with the changes in fair value recognized in the condensed interim consolidated statements of (loss) income and comprehensive (loss) income. During the three and six months ended June 30, 2023, the Company recognized a loss on change in fair value of preferred shares of $nil and $4.1 million, respectively.

Loss on disposal of businesses

During the three and six months ended June 30, 2023, the Company disposed of its interest in 3 and 16 dental practices, respectively for consideration of $2.2 million and $9.1 million, respectively. The net assets of the dental practices at the date of disposal were $3.4 million and 29.6 million, respectively resulting in a loss on disposal of $1.2 million and $20.5 million, respectively. The loss on disposal arose primarily due to the allocation of goodwill to each dental practice disposed. 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 and six months ended June 30, 2023 was $0.7 million and $6.2 million, respectively compared to a recovery of $5.2 million and $18.7 million, respectively for the three and six months ended June 30, 2022, a decrease in the recovery of $4.5 million and $12.5 million, respectively or 86.5% and 66.8%, respectively.

The decrease in income tax recovery for the three and six months ended June 30, 2023 is primarily due to the lower number of acquisitions completed during the three and six months ended June 30, 2023 compared to the three and six months ended June 30, 2022 and movements in the origination and reversal of temporary differences.

Net (loss) income and comprehensive (loss) income

Net (loss) income and comprehensive (loss) income for the three months ended June 30, 2023 was $(7.3) million compared to $2.4 million for the three months ended June 30, 2022, a change of $9.7 million or 404.2%. Net (loss) income and comprehensive (loss) income for the six months ended June 30, 2023 was $(40.7) million compared to $(8.6) million for the six months ended June 30, 2022, an increase of $32.1 million or 373.3%.

The movement for the three months ended June 30, 2023 was primarily due to (i) an increase in revenue of $41.3 million, (ii) an increase in cost of revenue of $24.9 million, (iii) an increase in SG&A of $21.0 million, (iv) an increase in depreciation and amortization of $2.5 million, (v) an increase in share-based compensation expense of $1.2 million, (vi) the movement from a gain to a loss position on foreign exchange of $1.1 million, (vii) an increase in net finance costs of $9.5 million, (viii) a gain on change in fair value of derivatives of $21.1 million; (ix) the movement from a gain to a loss position on change in fair value of contingent consideration of $2.1 million, (x) an increase in loss on change in fair value of preferred shares of $4.1 million, (xi) an increase in loss on disposal of businesses of $1.2 million, and (xi) a decrease in income tax recovery of $4.5 million.

The movement for the six months ended June 30, 2023 was primarily due to (i) an increase in revenue of $119.4 million, (ii) an increase in cost of revenue of $63.1 million, (iii) an increase in SG&A of $43.8 million, (iv) an increase in depreciation and amortization of $12.7 million, (v) the movement from a gain to a loss position on foreign exchange of $1.1 million, (vi) an increase in net finance costs of $21.6 million, (vii) a gain in change in fair value of derivatives of $18.0 million; (viii) a decrease in the loss on change in fair value of contingent consideration of $9.8 million, (ix) an increase in loss on change in fair value of preferred shares of $4.1 million, (x) an increase in loss on disposal of businesses of $20.5 million, and (xi) a decrease in income tax recovery of $12.5 million.

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

Adjusted EBITDA for the three months ended June 30, 2023 was $67.0 million compared to $60.4 million for the three months ended June 30, 2022, an increase of $6.6 million or 10.9%. PF Adjusted EBITDA for the three months ended June 30, 2023 was $68.2 million compared to $62.0 million for the three months ended June 30, 2022, an increase of $6.2 million or 10.0%. PF Adjusted EBITDA after rent for the three months ended June 30, 2023 was $57.3 million compared to $52.0 million for the three months ended June 30, 2022, representing an increase of $5.3 million or 10.2%.

Adjusted EBITDA for the six months ended June 30, 2023 was $133.1 million compared to $110.6 million for the six months ended June 30, 2022, an increase of $22.5 million or 20.3%. PF Adjusted EBITDA for the six months ended June 30, 2023 was $136.4 million compared to $121.8 million for the six months ended June 30, 2022, an increase of $14.6 million or 12.0%. PF Adjusted EBITDA after rent for the six months ended June 30, 2023 was $114.5 million compared to $101.8 million for the six months ended June 30, 2022, representing an increase of $12.7 million or 12.5%.

The increase in Adjusted EBITDA, PF Adjusted EBITDA, and PF Adjusted EBITDA after rent for the three and six months ended June 30, 2023 was primarily 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.

Adjusted net income

Adjusted net income for the three months ended June 30, 2023 was $35.5 million compared to $24.2 million for the three months ended June 30, 2022, a decrease of $11.3 million or 46.7%. Adjusted net income for the six months ended June 30, 2023 was $51.8 million compared to $52.8 million for the six months ended June 30, 2022, a decrease of $1.0 million or 1.9%.

The increase in Adjusted net income for the three months ended June 30, 2023 was primarily due to the increase in net finance costs of $9.5 million, offset by the gain on fair value of derivatives of $21.1 million.

The decrease in Adjusted net income for the six months ended June 30, 2023 is primarily due to the increase in net finance costs of $21.6 million, offset by the gain on fair value of derivatives of $18.0 million.

Adjusted free cash flow

Adjusted free cash flow for the three months ended June 30, 2023 was $33.6 million compared to $35.7 million for the three months ended June 30, 2022, a decrease of $2.1 million or 5.9%. Adjusted free cash flow for the six months ended June 30, 2023 was $67.1 million compared to $66.4 million for the six months ended June 30, 2022, an increase of $0.7 million or 1.1%.

The movements in Adjusted free cash flow for the three and six months ended June 30, 2023 were primarily impacted by higher interest charges on borrowings, offset 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 June 30, 2023 was $372.8 million compared to $332.7 million for the three months ended June 30, 2022, an increase of $40.1 million or 12.1%. The increase was due to the increase in revenue period on period of $41.3 million, offset by a reduction in the proforma adjustment due to the reduced number of dental practices acquired during the three months ended June 30, 2023 compared to the three months ended June 30, 2022.

PF Revenue for the six months ended June 30, 2023 was $739.0 million compared to $649.1 million for the six months ended June 30, 2022, an increase of $89.9 million or 13.8%. The increase was due to the increase in revenue period on period of $119.4, offset by offset by a reduction in the proforma adjustment due to the reduced number of dental practices acquired during the six months ended June 30, 2023 compared to the six months ended June 30, 2022.

Reconciliation of Non-IFRS Measures

The following table shows the reconciliations of net (loss) income and comprehensive (loss) income 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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	$	$	$	$
	(expressed in millions of dollars)		(expressed in millions of dollars)	
Net (loss) income and comprehensive (loss) income	**(7.3)**	2.4	**(40.7)**	(8.6)
Adjustments:				
Net finance costs[(a)]	**23.0**	13.5	**46.3**	24.7
Income tax recovery	**(0.7)**	(5.2)	**(6.2)**	(18.7)
Depreciation and amortization	**50.5**	48.0	**102.2**	89.5
EBITDA[(k)]	**65.5**	58.7	**101.6**	86.9
Add:				
Net impact of unrealized foreign exchange on non-cash balances, change in fair value of derivatives, and share of associate losses[(b)]	**(21.0)**	0.2	**(17.9)**	0.2
Share-based compensation	**2.1**	0.9	**6.3**	6.4
External acquisition expenses[(c)]	**1.9**	4.2	**3.4**	8.4
Change in fair value of contingent consideration[(d)]	**1.3**	(0.8)	**0.4**	10.2
Change in fair value of preferred shares[(o)]	**4.1**	—	**4.1**	—
Strategic review costs[(e)]	**6.1**	—	**6.3**	—
Other corporate costs[(f)]	**5.8**	2.3	**8.4**	3.6
Other adjustments[(n)]	**—**	(5.1)	**—**	(5.1)
Loss on disposal of businesses[(g)]	**1.2**	—	**20.5**	—
Adjusted EBITDA[(k)]	**67.0**	60.4	**133.1**	110.6
Adjusted EBITDA Margin[(l)]	**18.2%**	18.5%	**18.3%**	18.2%
Adjusted EBITDA	**67.0**	60.4	**133.1**	110.6
Interest and principal repayments on leases[(a)]				
Acquisition adjustment[(h)]	**1.2**	1.6	**3.3**	11.2
PF Adjusted EBITDA[(k)]	**68.2**	62.0	**136.4**	121.8
PF Adjusted EBITDA Margin[(l)]	**18.3%**	18.6%	**18.5%**	18.8%
PF Adjusted EBITDA	**68.2**	62.0	**136.4**	121.8
Adjustments:				
Interest and principal repayments on leases[(a)]	**(10.8)**	(9.8)	**(21.5)**	(18.8)
Lease interest and principal repayments on acquisitions[(i)]	**(0.1)**	(0.2)	**(0.4)**	(1.2)
PF Adjusted EBITDA after rent[(k)]	**57.3**	52.0	**114.5**	101.8
PF Adjusted EBITDA after rent Margin[(l)]	**15.4%**	15.6%	**15.5%**	15.7%
Revenue	**368.3**	327.0	**726.6**	607.2
Add:				
Acquisition adjustment[(j)]	**4.5**	5.7	**12.4**	41.9
PF Revenue[(k)]	**372.8**	332.7	**739.0**	649.1

The following table shows the reconciliations of Adjusted net income[1]:

	Three months ended June 30, 2023 $	Three months ended June 30, 2022 $	Six months ended June 30, 2023 $	Six months ended June 30, 2022 $
	(expressed in millions of dollars)		(expressed in millions of dollars)	
Net (loss) income and comprehensive (loss) income	**(7.3)**	2.4	**(40.7)**	(8.6)
Adjustments:				
Amortization of intangible assets	**25.8**	23.8	**51.7**	44.3
Share-based compensation	**2.1**	0.9	**6.3**	6.4
Change in fair value of contingent consideration[d]	**1.3**	(0.8)	**0.4**	10.2
Change in fair value of preferred shares[o]	**4.1**	—	**4.1**	—
External acquisition expenses[c]	**1.9**	4.2	**3.4**	8.4
Strategic review costs[e]	**6.1**	—	**6.3**	—
Other corporate costs[f]	**5.8**	2.3	**8.4**	3.6
Other adjustments[n]	—	(5.1)	—	(5.1)
Loss on disposal of businesses[g]	**1.2**	—	**20.5**	—
	41.0	27.7	**60.4**	59.2
Tax impact of the above	**(5.5)**	(3.5)	**(8.6)**	(6.4)
Adjusted net income[k]	**35.5**	24.2	**51.8**	52.8

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

	Three months ended June 30, 2023 $	Three months ended June 30, 2022 $	Six months ended June 30, 2023 $	Six months ended June 30, 2022 $
	(expressed in millions of dollars)		(expressed in millions of dollars)	
Cash flow from operating activities	**40.5**	50.9	**86.7**	94.9
Adjustments:				
External acquisition expenses[c]	**1.9**	4.2	**3.4**	8.4
Strategic review costs[e]	**6.1**	—	**6.3**	—
Other adjustments[n]	—	(5.1)	—	(5.1)
Other corporate costs[f]	**5.8**	2.3	**8.4**	3.6
	54.3	52.3	**104.8**	101.8
Deduct:				
Repayment of principal on leases	**(6.5)**	(6.1)	**(13.1)**	(11.8)
Maintenance capex	**(5.0)**	(4.5)	**(7.8)**	(7.9)
Changes in working capital[m]	**(9.2)**	(6.0)	**(16.8)**	(15.7)
Adjusted Free Cash Flow	**33.6**	35.7	**67.1**	66.4
Adjusted free cash flow per share:				
Basic	**0.18**	0.20	**0.36**	0.37
Diluted	**0.17**	0.19	**0.34**	0.35
Weighted average number of shares outstanding:				
Basic	**187,437,973**	181,295,708	**187,149,577**	178,089,369
Diluted	**197,455,897**	191,145,376	**197,090,336**	187,869,487

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 and six months ended June 30, 2023, our finance costs included $10.8 million and $21.5 million cash rent expense, respectively (three and six months ended June 30, 2022 – $9.8 million and $18.8 million, respectively).

(b) Represents the sum of (i) unrealized foreign exchange gains or losses on non-cash balances (ii) change in fair value of derivatives, and (iii) 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) income and comprehensive (loss) income.

(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, the undertaking of vendor consolidations, and termination benefits and other costs of restructuring. The inclusion of termination benefits and other costs of restructuring was implemented during the three months ended June 30, 2023, but has been applied retrospectively to the six months ended June 30, 2023.

(g) Represents the loss on disposal of businesses that were disposed of during the three and six months ended June 30, 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 and six months ended June 30, 2023 and 2022 on the first day of the applicable fiscal period, it would have recorded additional Adjusted EBITDA of \$1.2 million and \$1.6 million for the three months ended June 30, 2023 and 2022, respectively and \$3.3 million and \$11.2 million for the six months ended June 30, 2023 and 2022, respectively. These estimates are based on the amount of Practice-Level EBITDA budgeted by us to be earned by the relevant practices at the time of their acquisition by us. There can be no assurance that if we had acquired these practices on the first day of the applicable fiscal period, they would have actually generated such budgeted Practice-Level EBITDA, nor is this estimate indicative of future results.

(i) The Company regularly acquires practices and estimates that if it had acquired each of the practices that it acquired during the three and six months ended June 30, 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 \$0.2 million for the three months ended June 30, 2023 and 2022, respectively and \$0.4 million and \$1.2 million for the six months ended June 30, 2023 and 2022, respectively. There can be no assurance that if we had acquired these practices on the first day of the applicable fiscal period, they would have actually generated such additional lease interest and principal repayments.

(j) The Company regularly acquires dental practices and estimates that if it had acquired each of the practices that it acquired during the three and six months ended June 30, 2023 and 2022 on the first day of the applicable fiscal period, it would have recorded additional revenue of \$4.5 million and \$5.7 million for the three months ended June 30, 2023 and 2022, respectively and \$12.4 million and \$41.9 million for the six months ended June 30, 2023 and 2022, respectively. These estimates are based on the amount of revenue budgeted by us to be earned by the relevant practices at the time of their acquisition by us. There can be no assurance that if we had acquired these practices on the first day of the applicable fiscal period, they would have actually generated such budgeted revenue, nor is this estimate indicative of future results.

(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.

(n) Represents adjustments 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.

(o) Represents adjustments for the change in fair value of preferred shares of \$4.1 million for the three and six months ended June 30, 2023.

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							
	30-Jun-23	**31-Mar-23**	**31-Dec-22**	**30-Sep-22**	**30-Jun-22**	**31-Mar-22**	**31-Dec-21**	**30-Sep-21**
	(expressed in millions of dollars, except per share amounts)							
Revenue	**368.3**	358.3	331.0	312.1	327.0	280.2	272.5	250.2
Net (loss) income and comprehensive (loss) income	**(7.3)**	(33.3)	6.6	(14.7)	2.4	(11.0)	(43.1)	(18.4)
(Loss) Earnings per share - basic and diluted	**(0.04)**	(0.18)	0.04	(0.08)	0.01	(0.06)	(0.26)	(0.11)

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 each year compared to the second and fourth quarters. Management believes this is generally attributable to patient preference during the winter months and school breaks for the first quarter and vacation timing for both patients and providers during 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 – Non-IFRS Ratios" and "About Forward-Looking Information."

As of June 30, 2023, we had $104.4 million in cash and working capital of $65.8 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 and six months ended June 30, 2023 and 2022

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

	Three months ended June 30,		Six months ended June 30,	
	2023 $	2022 $	2023 $	2022 $
	(expressed in millions of dollars)			
Total cash provided by (used in):				
Operating activities	**40.5**	50.9	**86.7**	94.9
Investing activities	**(37.3)**	(118.0)	**(86.9)**	(292.8)
Financing activities	**(9.1)**	55.0	**(5.2)**	208.3
Increase in cash	**(5.9)**	(12.1)	**(5.4)**	10.4
Net foreign exchange difference	**(0.6)**	—	**(0.7)**	—
Cash, beginning of period	**110.9**	164.3	**110.5**	141.8
Cash, end of period	**104.4**	152.2	**104.4**	152.2

Operating Activities

Cash flows provided by operating activities were $40.5 million for the three months ended June 30, 2023, compared to $50.9 million for the three months ended June 30, 2022, a decrease of $10.4 million or 20.4%. Cash flows provided by operating activities were $86.7 million for the six months ended June 30, 2023, compared to $94.9 million for the six months ended June 30, 2022, a decrease of $8.2 million or 8.6%.

The decrease in cash flows provided by operating activities is primarily due to an increase in interest paid on our borrowings, offset by the growth of the business.

Investing Activities

Cash flows used in investing activities were $37.3 million for the three months ended June 30, 2023, compared to $118.0 million for the three months ended June 30, 2022, a decrease of $80.7 million or 68.4%. The decrease in cash flows used in investing activities for the three months ended June 30, 2023 primarily resulted from (i) a decrease in acquisition related payments of $69.3 million, (ii) a decrease in the settlement of contingent consideration of $11.3 million, (iii) a decrease in payments for intangible assets (including development expenditures) of $1.3 million, offset by (iv) an increase in the proceeds on disposal of businesses of $2.0 million and (v) an increase in payments for property and equipment of $3.2 million.

Cash flows used in investing activities were $86.9 million for the six months ended June 30, 2023, compared to $292.8 million for the six months ended June 30, 2022 a decrease of $205.9 million or 70.3%. The decrease in cash flows used in investing activities for the six months ended June 30, 2023 is primarily due to (i) a decrease in acquisition related payments of $189.6 million, (ii) a decrease in the settlement of contingent consideration of $12.2 million, (iii) a decrease in payments for intangible assets (including development expenditures) of $2.0 million, offset by (iv) an increase in payments for property and equipment of $4.4 million, and (v) an increase in proceeds from disposal of business of $6.5 million.

Financing Activities

Cash flows provided by financing activities were $9.1 million for the three months ended June 30, 2023, compared to $55.0 million for the three months ended June 30, 2022, a decrease of $64.1 million or 116.5%. The decrease in cash flows provided by financing activities was primarily due to (i) a decrease in net proceeds from borrowings of $61.4 million, offset by (ii) an increase in share repurchases under NCIB of $0.6 million, (iii) an increase in the cash settlement of restricted share units of $2.0 million.

Cash flows provided by financing activities were $5.2 million for the six months ended June 30, 2023, compared to $208.3 million for the six months ended June 30, 2022, a decrease of $213.5 million or 102.5%.The decrease in cash flows provided by financing activities is primarily due to (i) a decrease in proceeds from borrowings of $100.0 million, (iii) a decrease in proceeds from issuance of shares of $108.7 million, (ii) an increase in the cash settlement of restricted share units of $2.9 million, (iv) and an increase in the repayment of principal on leases of $1.3 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 June 30, 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 six months ended June 30, 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 June 30, 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 June 30, 2023, no funds have been drawn down under the Revolving Facility. As at June 30, 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 June 30, 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 six months ended June 30, 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 June 30, 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 June 30, 2023, the Company is paying an effective interest rate of 6.89% 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 June 30, 2023 are shown in the following table (expressed in millions of dollars):

	Payments Due by Period					
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5 and over**	**Total**
			(expressed in millions of dollars)			
Trade and other payables	136.4	—	—	—	—	136.4
Lease liabilities	24.5	42.7	42.7	41.0	265.8	416.7
Contingent consideration	6.5	3.6	—	—	—	10.1
Borrowings	—	—	—	1,076.1	—	1,076.1
Total contractual obligations	**167.4**	**46.3**	**42.7**	**1,117.1**	**265.8**	**1,639.3**

Financial Condition

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

	As at June 30, 2023 $	As at December 31, 2022 $
	(expressed in millions of dollars)	
Consolidated Statements of Financial Position:		
Assets		
Current		
Cash	**104.4**	110.5
Trade and other receivables	**80.2**	96.3
Inventories	**39.9**	35.8
Prepaid and other assets	**16.9**	16.6
	241.4	259.2
Non-current		
Investment in associate	**—**	0.1
Trade and other receivables	**10.0**	8.8
Prepaid and other assets	**3.2**	3.9
Derivative financial asset	**19.7**	1.7
Deferred tax asset	**100.3**	97.3
Preferred shares	**2.8**	—
Property and equipment	**186.9**	200.1
Right-of-use assets	**277.7**	282.6
Intangible assets	**353.7**	384.9
Goodwill	**2,165.8**	2,137.5
	3,120.1	3,116.9
Total assets	**3,361.5**	3,376.1
Liabilities		
Current		
Trade and other payables	**136.4**	133.1
Contract liabilities	**4.1**	5.3
Lease liabilities	**26.9**	27.2
Contingent consideration	**8.2**	17.1
	175.6	182.7
Non-current liabilities		
Contract liabilities	**0.3**	0.4
Lease liabilities	**281.4**	283.7
Borrowings	**1,072.1**	1,060.0
Deferred tax liability	**42.6**	42.4
Contingent consideration	**14.1**	14.6
Share-based payment liability	**2.3**	4.6
	1,412.8	1,405.7
Total liabilities	**1,588.4**	1,588.4
Shareholders' equity		
Share capital	**2,253.2**	2,188.7
Contributed surplus	**89.4**	109.2
Accumulated deficit	**(569.5)**	(510.2)
Total shareholders' equity	**1,773.1**	1,787.7
Total liabilities and shareholders' equity	**3,361.5**	3,376.1

The following is a comparison of key financial position accounts:

Trade and other receivables

Trade and other receivables as at June 30, 2023 amounted to $90.2 million compared to $105.1 million as at December 31, 2022. The decrease of $14.9 million or 14.2% is primarily due the disposal of $11.3 million of trade and other receivables on disposal of businesses and settlement of partner receivables.

Inventories

Inventories as at June 30, 2023 amounted to $39.9 million compared to $35.8 million as at December 31, 2022. The increase of $4.1 million or 11.5% is primarily due increased purchase activity during the six months ended June 30, 2023.

Derivative financial asset

Derivative financial asset as at June 30, 2023 amounted to $19.7 compared to $1.7 million as at December 31, 2022. The increase is due to an increase in interest rate yield prices during the six months ended June 30, 2023.

Preferred shares

During the six months ended June 30, 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"). The Company classified the Management Preferred Shares as a financial asset at fair value through profit or loss.

As at June 30, 2023, the fair value of the Management Preferred Shares are remeasured at fair value with the changes in fair value recognized in the condensed interim consolidated statements of (loss) income and comprehensive (loss) income. During the six months ended June 30, 2023, the Company recognized a loss on change in fair value of preferred shares $4.1 million.

Property and equipment

Property and equipment as at June 30, 2023 amounted to $186.9 million compared to $200.1 million as at December 31, 2022. The decrease of $13.2 million or 6.6% was primarily due to depreciation expense of $34.5 million and the disposal of property and equipment of $1.7 million on disposal of businesses, which were offset by capex additions of $15.0 million and additions through acquisitions of $8.0 million.

Right-of-use-assets

Right-of-use assets as at June 30, 2023 amounted to $277.7 million compared to $282.6 million as at December 31, 2022. The decrease of $4.9 million or 1.7% was primarily due to depreciation expense of $16.0 million, the disposal of right-of-use assets of $6.1 million on disposal of businesses, cancellations of $0.9 million, offset by additions of $0.9 million, additions through acquisitions of $10.2 million and adjustments due to lease modifications of $7.0 million,

Intangible assets

Intangible assets as at June 30, 2023 amounted to $353.7 million compared to $384.9 million as at December 31, 2022. The decrease of $31.2 million or 8.1% was primarily due to amortization expense of $51.7 million, the disposal of intangible assets of $1.7 million on disposal of businesses, c offset by additions due to capitalized development expenses of $1.8 million and additions through acquisitions of $21.0 million.

Deferred tax asset

Deferred tax asset as at June 30, 2023 amounted to $100.3 million compared to $97.3 million as at December 31, 2022, an increase of $3.0 million or 3.1%. The increase is primarily due to the origination and reversal of temporary differences.

Goodwill

Goodwill as at June 30, 2023 amounted to $2,165.8 million compared to $2,137.5 million as at December 31, 2022. The increase of $28.3 million or 1.3% was due to additions through acquisitions of $44.7 million, which were offset by the disposal of goodwill of $16.4 million on disposal of businesses.

Trade and other payables

Trade and other payables as at June 30, 2023 were $136.4 million compared to $133.1 million as at December 31, 2022. The increase of $3.3 million or 2.5% was due primarily to (i) the timing of payments of trade payables and other general accruals of $6.4 million, (ii) an increase in payables to Partner Dentists of $5.6 million due to strong practice performance, and (iii) the timing of payments of salaries, bonuses and other benefits of $5.9 million, offset by (iv) a decrease in the holdback payable of 16.4 million.

Lease liabilities

Lease liabilities as at June 30, 2023 amounted to $308.3 million compared to $310.9 million as at December 31, 2022. The decrease of $2.6 million or 0.8% was primarily due to lease payments of $21.5 million, cancellations of $7.9 million, and the disposal of lease liabilities of $7.0 on disposal of businesses, which were offset by additions of $0.9 million, additions through acquisitions of $10.5 million, adjustments due to lease modifications of $7.2 million and interest accretion of $8.4 million.

Borrowings

Borrowings as at June 30, 2023 amounted to $ 1,072.1 million compared to $ 1,060.0 million as at December 31, 2022. The increase of $ 12.1 million or 1.1% was due to the $11.4 million drawn down under the Delayed Draw Facility and interest accretion of $1.1 million.

Deferred tax liability

The deferred tax liability as at June 30, 2023 amounted to $42.6 million compared to $42.4 million as at December 31, 2022, a increase of $0.2 million or 0.5%. The increase in deferred tax liability principally arose upon the acquisition of dental practices during the six months ended June 30, 2023 and was offset by the origination and reversal of temporary differences.

Contingent consideration

Contingent consideration as at June 30, 2023 amounted to $22.3 million compared to $31.7 million as at December 31, 2022. The decrease of $9.4 million or 29.7% was primarily due to the payment of $1.3 million as consideration for acquisitions, offset by settlements of $11.1 million and the change in fair value of $0.4 million.

Share-based payment liability

Share-based payment liability as at June 30, 2023 amounted to $2.3 million compared to $4.6 million as at December 31, 2022. The decrease of $2.3 million or 50.0% was due to a decrease in the Company's share price from $8.90 at December 31, 2022 to $7.34 at June 30, 2023, offset by an increase in the number of options vested.

Business Combinations

During the three and six months ended June 30, 2023, the Company completed 6 and 13 dental practice acquisitions, respectively (representing 6 and 12 dental practice locations, respectively) 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 and six months ended June 30, 2023 and 2022 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	$	$	$	$
Short-term employee benefits	**0.4**	0.4	**0.9**	0.8
Share-based payment transactions				
Equity incentive plan and RSA	**3.4**	3.7	**6.3**	8.0
	3.8	4.1	**7.2**	8.8

During the six months ended June 30, 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 (June 30, 2022: $77.8 million).

During the year ended December 31, 2022, the Company provided $1.9 million ($US1.5 million) to an Associate of the Company in the form of a secured convertible promissory note (the "Note"). The Note bore interest at 5% per annum, and was secured on a first-priority basis over substantially all of the Associate's assets. The terms of the Note specified that it would automatically convert 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 had 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 and six months ended June 30, 2023, the Note was modified, primarily to extend the maturity date from December 31, 2022 to May 1, 2023 and subsequently settled on May 3, 2023.

Off-Balance Sheet Arrangements

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

Contingencies

The Company does not have any material contingencies.

During the ordinary course of business, the Company may be involved in and potentially subject to legal actions and proceedings. The Company does not expect that any current claim against the Company, individually or in the aggregate, will have a material adverse effect on the Company's financial results. If circumstances change and it becomes probable that the Company will be held liable for claims against it and such claim is estimable, the Company will recognize a provision during the period in which the change in probability occurs, which could be material to the Company's condensed interim consolidated statements of (loss) income and comprehensive (loss) income 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 and six months ended June 30, 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 – Disclosure of Accounting Policies, 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,* and *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.

- *Amendment to IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments: Disclosures* – requires an entity to disclose qualitative and quantitative information about its supplier finance programs, such as terms and conditions – including, for example, extended payment terms and security or guarantees provided. 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 above amendments will have a material impact on the Company. All new standards and amendments to existing standards will be adopted by the Company as of their effective date.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, trade and other receivables, partner receivables, preferred shares, trade and other payables, borrowings, derivative financial liabilities and contingent consideration. A description of the Company's fair values of financial instruments is included in Note 11 to the Company's interim consolidated financial statements for the three and six months ended June 30, 2023.

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.sedarplus.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 178,841,481 Subordinate Voting Shares and 9,183,822 Multiple Voting Shares issued and outstanding.

As of the date of this MD&A, we have 2,923,632 and 6,236,048 share options issued and outstanding under the Company's Legacy Option Plan and Equity Incentive Plan, respectively, which are exercisable for 9,159,680 Subordinate Voting Shares. The Company also has 921,045 restricted share units and performance share units issued and outstanding under the Equity Incentive Plan and 103,961 deferred share units issued and outstanding under the Company's Deferred Share Unit Plan, which may be settled into 921,045 and 103,961 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	39.2%	27.5%
Graham Rosenberg	9,853,102	5.2%	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 third 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 third 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 third 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 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.sedarplus.com.