



MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three and six months ended June 30, 2021



*In this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), "we", "us", "our", "dentalcorp" and the "Company" mean, dentalcorp Holdings Ltd. (formerly Dentalcorp Overbite Ltd.), its wholly-owned subsidiaries, 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 should be read in conjunction with our unaudited condensed interim consolidated financial statements and related notes for the three and six month periods ended June 30, 2021 and 2020, which have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (the "**Interim Financial Statements**"); our audited consolidated financial statements and related notes as at and for the years ended December 31, 2020 and 2019, and for the periods from April 30, 2018 to December 31, 2018 and January 1, 2018 to April 29, 2018, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") (the "**Annual Financial Statements**") which are included in our final supplemented PREP prospectus dated May 20, 2021 (the "**Prospectus**"); and our other recent filings with Canadian securities regulatory authorities, including the Prospectus, which are available on SEDAR at www.sedar.com.*

All amounts in the MD&A are expressed in Canadian dollars unless otherwise noted. In preparing this MD&A, we have taken into account information available to us up to August 10, 2021, the date of this MD&A.

*This MD&A contains 'forward-looking information' and 'forward-looking statements', within the meaning of applicable securities laws (collectively, "**forward-looking information**") which is based on management's reasonable assumptions and beliefs in light of the information currently available to us and is made as of the date of this MD&A. This forward-looking information includes, but is not limited to, statements about the Company's objectives and strategies to achieve those objectives, and about the Company's beliefs, plans, expectations, anticipations, estimates, or intentions. Forward looking information typically includes words like could, expect, may, anticipate, assume, believe, intend, estimate, plan, project, guidance, outlook, target, and similar expressions, or similar expressions suggesting future outcomes or events. Actual results and the timing of events may differ materially from those anticipated in the forward-looking information as a result of various factors, including those described in "Risk Factors" in this MD&A and in the Prospectus. 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 law. All of the forward-looking information in this MD&A is qualified by the cautionary statements herein.*

*The Company is publicly listed with subordinated voting shares ("**Subordinate Voting Shares**") traded on the Toronto Stock Exchange.*

COMPANY OVERVIEW

dentalcorp is Canada's largest and fastest growing network of dental practices, committed to advancing the overall well-being of Canadians by delivering the best clinical outcomes and unforgettable experiences. Founded in 2011, dentalcorp acquires leading dental practices, uniting its network in a common goal: to be Canada's most trusted healthcare network. Leveraging its industry-leading technology, know-how and scale, dentalcorp offers professionals the unique opportunity to retain their clinical autonomy while unlocking their potential for future growth.

Currently, dentalcorp owns and operates a network of over 430 dental practices delivering extraordinary patient experiences to over 1.6 million Canadians who visit our practices over 4 million times per year. Our nationwide network is supported by approximately 7,100 team members, including over 1,300 dentists, over 1,600 hygienists, and over 4,200 auxiliary dental health professionals.

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

- **We make a difference:** We care for our patients and each other, and this is at the centre of everything we do. We aim to deliver extraordinary experiences every time. We change lives by giving back to our communities.

- **We are one:** 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.

Summary of Key Factors Affecting Results of Operations

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 of the Prospectus. See “*Risk Factors*” below.

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

Continuing our differentiated, repeatable acquisition program

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

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

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

Driving operational efficiencies at our practices

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

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

Leveraging our platform to expand into other Canadian private cash-pay consumer healthcare businesses in the medium to long term will depend on our ability to successfully utilize our acquisition platform, practice support systems, proprietary plug-and-play technology and data-driven insights from our patient base to replicate our success in dental healthcare across a range of essential private consumer healthcare services, which would include the optical, veterinary care and medical aesthetics markets, which like the dental industry are in the early stages of consolidation.

Recent Developments

Initial public offering

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

the IPO, the Company also granted the Underwriters an over-allotment option to purchase up to an additional 7.5 million Subordinate Voting Shares at a price of \$14.00 per Subordinate Voting Share for gross proceeds of up to \$105.0 million if the over-allotment option was exercised in full (the **“Over-Allotment Option”**). Concurrent with the IPO, the Company also closed a private placement to certain institutional shareholders of an aggregate of approximately 10.7 million Subordinate Voting Shares at a price of \$14.00 per Subordinate Voting Share and issued approximately 7.1 million subscription receipts (**“Subscription Receipts”**), at a price of \$14.00 per subscription receipt, for aggregate gross proceeds of approximately \$250.0 million. The Subscription Receipts entitled the holder thereof to receive such number of additional Subordinate Voting Shares as is equal to the value of the net proceeds which would be received by the Company of any unexercised portion of the Over-Allotment Option.

On June 18, 2021, the Underwriters exercised their Over-Allotment Option to purchase approximately 1.3 million additional Subordinate Voting Shares at a price of \$14.00 per Subordinate Voting Share. Commensurate with the exercise of the Over-Allotment Option, an aggregate of approximately 5.9 million Subscription Receipts converted into approximately 5.9 Subordinate Voting Shares and proceeds of \$82.0 million were released to the Company. The remaining approximately 1.3 million Subscription Receipts were cancelled.

The gross proceeds by the Company as a result of the IPO, the related private placements, the exercise of the Over-Allotment Option and the conversions of subscription receipts were approximately \$950.0 million.

Our Subordinate Voting Shares trade on the Toronto Stock Exchange under the symbol “DNTL”.

Financing

Concurrently with the closing of the IPO, the Company entered into a Credit Agreement with a syndicate of lenders (the **“Lenders”**). Under the Credit Agreement, the Lenders have made available to the Company (i) a \$100,000,000 senior secured revolving credit facility (the **“Revolving Facility”**), (ii) a \$300,000,000 senior secured non-amortizing delayed draw acquisition term loan (the **“Delayed Draw Facility”**) and (iii) a \$900,000,000 senior secured non-amortizing term loan (the **“Term Facility”**) (and collectively with the Revolving Facility and the Delayed Draw Facility, the **“Credit Facilities”**). The Credit Facilities mature on May 26, 2026 and are secured on a first-priority basis, subject to permitted liens, on substantially all of the Company’s present and after-acquired assets.

We used the net proceeds from the IPO, as well as funds drawn under the Term Facility, to settle our First Lien Term Loan Facility due June 5, 2025 (**“First Lien Facility”**), our Second Lien Term Facility due June 5, 2026 (**“Second Lien Facility”**) and the derivative liability related to the interest and cross currency swaps on the related borrowings under the First Lien Facility and Second Lien Facility.

See ‘Credit Facilities’ below.

COVID-19

On March 11, 2020, the World Health Organization declared a global pandemic as a result of the outbreak and spread of COVID-19. The COVID-19 pandemic has disrupted the economy and put unprecedented strains on governments, health care systems, businesses and individuals around the world. The Company’s dental operations were significantly affected by government restrictions in Canada, particularly during the period from mid-March to mid-June 2020 during which the majority of the Company’s dental practices were limited to emergency-only services. Following the easing of COVID-19 restrictions across Canada, the Company’s dental practices began to re-open, providing a range of dental services following stricter infection control guidelines from the dental and health regulators to ensure the health and safety of patients and staff. Continuing challenges and impacts of the COVID-19 pandemic include: reduced numbers of patients seen per day to address safety protocols; increased costs and capital expenditures, including addressing stricter safety requirements and purchases of personal protective equipment; and challenges related to staffing. Due to the anticipated continuation of easing of pandemic restrictions at provincial and dental regulatory levels, and the Company’s continued focus on its core growth strategies, the Company anticipates continued strong performance of its business going forward, although there can be no assurance that pandemic restrictions will ease on the timeline that we anticipate or that tightening of these restrictions will not occur. The Company further anticipates ongoing growth from accretive acquisitions, and strong same-store sales momentum due to the execution of its strategic initiatives, including the insourcing of new services such as orthodontics care.

Acquisitions

During the six month period ended June 30, 2021, the Company completed 34 dental practice acquisitions (33 of which were completed by way of the acquisition of all of the issued and outstanding shares of such dental practice business) for consideration equal to \$136,479,152. The fair value of consideration consisted of cash of \$121,334,236, equity of \$11,899,322, and contingent consideration of \$3,245,594. Each of the acquisitions complements the Company's acquisition and growth strategies.

PC Health

Subsequent to June 30, 2021, the Company has entered into a strategic partnership with Loblaw Companies Limited to be the exclusive provider of oral care education and dental health services for users of the *PC Health* app.

With 75 per cent of Canadians located within 20 kilometres of a dentalcorp clinic, *PC Health* app users will be able to have a seamless experience finding a dentist in their neighbourhood using *hellodent*. This exclusive partnership also provides dentalcorp patients and *PC Health* app users with the opportunity to collect *PC Optimum*[™] points for key oral care activities, such as participating in educational oral care health programs in the app.

In addition to booking appointments, app users will be able to access a database of oral care tips curated by dentalcorp's leading industry professionals, and a suite of technological tools designed to ensure a smooth and convenient dental care experience.

This partnership is the first step for Loblaw and dentalcorp with plans for *hellodent* to be fully integrated into the *PC Health* app in the coming months, allowing users to conveniently search dentists by location and schedule appointments at leading dental clinics across Canada.

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 services by Partner Dentists and dental associates contracted by the Professional Corporations and health care services rendered by employees or contractors of the Company. Revenue from dental and health care services is primarily affected by the number of practice locations, the number of dental and health care patients and the type of dental and health care services being provided to patients.

For services provided at a point in time, patient fees are recognized as revenue 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 provided). 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 that is recognized over time.

The Company does not adjust 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 customer and when the customer pays for that service will be one year or less.

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 dental and health care services and is primarily affected by revenue allocation rates within the Company's service agreements with dental associates and the type and volume of dental and health care services being provided by dental associates 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”) is comprised primarily of personnel costs, including salaries, wages and health and 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 generally based on our operating results and management’s assessment of individuals’ personal performance, with pay-out amounts subject to management discretion and board of director approval for Management on CEO recommendations.

Other costs in SG&A include selling and advertising, professional services, brand investment activities, infrastructure and facilities costs required to support our practices, allowance for doubtful accounts, management information systems, occupancy costs for our practices and our head office which are not otherwise included in depreciation and finance costs, practice acquisition and integration costs and other costs associated therewith.

Depreciation and amortization

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

On acquisition of dental practices, the acquired property and equipment is measured at fair value. Historically, property and equipment and ROU assets have contributed approximately 13-15% and 14-18%, respectively, to the total fair value of assets acquired and are being depreciated over the following useful lives: equipment – 5 years, furniture and fittings – 5 years, and leasehold improvements and ROU assets – lessor of useful life and lease term.

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

On acquisition of dental practices, the acquired intangible assets consist of customer relationships, brands, and non-compete agreements and each are measured at their fair value. Historically, intangible assets have contributed approximately 22-26% to the total fair value of assets acquired and are amortized over their useful lives of 7 years.

Impairment of right-of-use assets

Impairment of right-of-use assets consists of impairment charges on right-of-use assets where the cash-generating units (“CGUs”) recoverable amount has been assessed to be less than the carrying amount.

Share-based compensation

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

Finance costs

Finance costs primarily relate to (i) interest expense and standby charges on borrowings, (ii) interest accretion on borrowings, lease liabilities, and the Preferred Share liability (as defined below); and (iii) loss on modification of the Company’s borrowings. Finance costs are primarily affected by the amount of borrowings and the Company’s actual and effective interest rates, as well as additions to and acquisitions of property leases and the Company’s incremental borrowing rate.

Foreign exchange (gain) loss

Foreign exchange (gain) loss arises primarily from the revaluation of the First Lien Facility and Second Lien Facility into Canadian dollars and the settlement of the Company's derivative instruments. It is primarily affected by movements in the U.S. dollar to Canadian dollar exchange rate.

Change in fair value of derivative instruments

Change in fair value of derivative instruments arises primarily from the revaluation of the Company's derivatives to fair value including cross currency and interest rates swaps, forward foreign exchange contracts, the conversion option on the Preferred Shares, and a variable rate collar and is primarily affected by movements in the U.S. dollar to Canadian dollar exchange rate, quoted interest rates, and the assessed probability of a liquidity event. The Company's hedging arrangements are described below.

Change in fair value of contingent consideration

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

Share of associate losses

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

Income tax

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

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

Non-IFRS Measures

As appropriate, we supplement our results of operations determined in accordance with IFRS with certain non-IFRS financial measures that we believe are useful to investors, lenders and others in assessing our performance and which highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. Our management also uses non-IFRS measures for purposes of comparison to prior periods, to prepare annual operating budgets, for the development of future projections and earnings growth prospects, to measure the profitability of ongoing operations and in analyzing our financial condition, business performance and trends, including the run-rate of the business after taking into consideration the acquisitions of dental practices. 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 measures and industry metrics in the evaluation of issuers. These non-IFRS 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 such measures 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.

EBITDA

“EBITDA” means, for the applicable period, net loss and comprehensive loss plus (a) finance costs, (b) income tax expense (recoveries), (c) depreciation of property and equipment, (d) depreciation of right-of-use assets, and (e) amortization of intangible assets. We present EBITDA to assist investors in understanding the mathematical development of Adjusted EBITDA. Management does not use EBITDA as a financial performance metric. For more information on how EBITDA is calculated, see below.

Adjusted EBITDA

“Adjusted EBITDA” is calculated by adding to EBITDA certain expenses, costs, charges or benefits incurred in such period which in management’s view are either not indicative of underlying business performance or impact the ability to assess the operating performance of our business, including: (a) net impact of foreign exchange, change in fair value of derivatives, change in fair value of conversion option, and share of associate losses; (b) share-based compensation; (c) external acquisition expenses; (d) COVID-19 costs; (e) change in fair value of contingent consideration; (f) one-time costs related to the IPO; and (g) other one-time corporate costs (consisting primarily of consulting costs related to our recent enterprise resource planning implementation). 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. Adjusted EBITDA is not an IFRS measure. For more information on how Adjusted EBITDA is calculated, see below.

For greater certainty, for the three and six month period ended June 30, 2021, the estimated impact of the COVID-19 related closures on the Company’s Adjustment EBITDA is \$nil.

Adjusted EBITDA Margin

“Adjusted EBITDA Margin” means Adjusted EBITDA *divided by* revenue. Adjusted EBITDA Margin is not an IFRS measure.

PF Adjusted EBITDA

“PF Adjusted EBITDA” in respect of a period means Adjusted EBITDA for that period plus the estimated impact of the COVID-19 related closures on the Company’s Adjusted EBITDA for that period plus the Company’s estimate of the additional Adjusted EBITDA that it would have recorded if it had acquired each of the practices that it acquired during that period on the first day of that period, in each case calculated in accordance with the methodology described in the reconciliation table below. PF Adjusted EBITDA is utilized by certain financial institutions to measure borrowing capacity.

For greater certainty, for the three and six month period ended June 30, 2021, the estimated impact of the COVID-19 related closures on the Company’s Adjusted EBITDA is \$nil.

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.

Adjusted net income (loss)

“Adjusted net income (loss)” is calculated by adding to net loss and comprehensive loss certain expenses, costs, charges or benefits incurred in such period which in management’s view are either not indicative of underlying business performance or impact the ability to assess the operating performance of our business, including: (a) amortization of intangible assets (b) share-based compensation; (c) change in fair value of contingent consideration; (d) external acquisition expenses; (e) COVID-19 costs; (f) IPO costs; (g) other one-time corporate costs (consisting

primarily of consulting costs related to our recent enterprise resource planning implementation); (h) the tax impact of the above; and (i) an adjustment for legacy debt, net of tax impact. “Adjustment for legacy debt” relates to a reduction of cash interest due to lower interest rates on the Credit Facilities and lower overall level of borrowings and non-cash losses related to the refinancing of the Company’s borrowings. We use Adjusted net income (loss) to facilitate a comparison of our operating performance on a consistent basis from period to period and to provide for a more complete understanding of factors and trends affecting our business. Adjusted net income (loss) is not an IFRS measure.

Adjusted free cash flow

“Adjusted free cash flow” is calculated by adding or subtracting from cash flow from operating activities: (a) external acquisition expenses; (b) COVID-19 costs; (c) IPO costs; (d) other one-time corporate costs (consisting primarily of consulting costs related to our recent enterprise resource planning implementation); (d) repayment of principal on leases; (e) purchases of property and equipment and (f) an adjustment for legacy debt, net of tax impact. “Adjustment for legacy debt” relates to a reduction of cash interest due to lower interest rates on the Credit Facilities and lower overall level of borrowings and non-cash losses related to the refinancing of the Company’s borrowings. We use Adjusted free cash flow 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 is not an IFRS measure.

PF Revenue

“PF Revenue” in respect of a period means revenue for that period plus the estimated impact of the COVID-19 related closures on the Company’s revenue for that period plus the Company’s estimate of the additional revenue that it would have recorded if it had acquired each of the practices that it acquired during that period on the first day of that period, in each case calculated in accordance with the methodology described in the reconciliation table below.

For greater certainty, for the three and six month period ended June 30, 2021, the estimated impact of the COVID-19 related closures on the Company’s revenue is \$nil.

PF Adjusted EBITDA Margin

“PF Adjusted EBITDA Margin” means PF Adjusted EBITDA *divided by* PF Revenue.

Practice-Level EBITDA

“Practice-Level EBITDA” in respect of a practice means EBITDA estimated by management to be attributable to that practice and excludes costs classified by management as corporate-level costs. We present Practice-Level EBITDA to assist investors in understanding the mathematical development of Adjusted EBITDA. Management does not use Practice-Level as a financial performance metric.

Same Practice Sales Growth

“Same Practice Sales Growth” in respect of a period means the percentage change in revenue derived from Established Practices (other than Legacy Specialty Practices) in that period as compared to revenue from the same practices in the corresponding period in the immediately prior year. A practice will be deemed to be an “Established Practice” in a period if it was operating as part of dentalcorp for the entirety of the relevant period and for the entirety of the corresponding period in the immediately prior year. A “Legacy Specialty Practice” means a practice acquired prior to mid-2014 using a legacy deal structure that is no longer utilized today.

Selected Annual Information

The following table sets out selected annual information of the Company, in each case, for the periods ended and as of the dates indicated. The results included for the year ended December 31, 2018 consist of the eight months and one day of operations of the Company from April 30, 2018 to December 31, 2018 (the “**Successor 2018 Period**”) and the three months and 29 days of operations of the Predecessor, Dental Corporation of Canada Holdings Inc., from

January 1, 2018 to April 29, 2018 (the “**Predecessor 2018 Period**”); therefore, the results presented for the Successor 2018 Period and the Predecessor 2018 Period are not directly comparable to other periods.

	Successor			Predecessor
	Year ended December 31, 2020	Year ended December 31, 2019	Period from April 30, 2018 to December 31, 2018	Period from January 1, 2018 to April 29, 2018
	(expressed in millions of dollar)			
Revenue	\$ 666.2	\$767.5	\$ 417.5	\$183.3
Net loss and comprehensive loss	\$(157.2)	\$(63.9)	\$(112.2)	\$ (4.4)

	Successor		
	As at December 31,		
	2020	2019	2018
	(expressed in millions of dollars)		
Total assets	2,565.3	2,476.9	2,142.1
Total non-liabilities	1,826.6	1,608.1	1,278.2

See “Results of Operations” for a more detailed discussion of the year-over-year changes in revenue and items affecting net loss and comprehensive loss.

Financial highlights

Our revenue and net loss for the three and six month periods ended June 30, 2021 were \$261.1 million and \$90.0 million, respectively and \$508.1 million and \$99.0 million, respectively.

Every year since inception we have achieved double-digit growth in our number of practices, PF Revenue and PF Adjusted EBITDA. We believe that we are well positioned to continue our growth by leveraging our repeatable practice acquisition program and our proprietary digital assets and playbooks, to capitalize on the significant white space opportunity in the Canadian dental industry. We have generated PF Revenue and PF Adjusted EBITDA for the last twelve months (“**LTM**”) ended June 30, 2021 of \$1,037.2 million and \$206.7 million, respectively.

Same Practice Sales Growth increased by 345% during the three month period ended June 30, 2021 compared to the three month period ended June 30, 2020.

Reconciliation of Non-IFRS Measures

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

	Three month period ended,		Six month period ended,	
	June 30 2021	June 30, 2020	June 30 2021	June 30, 2020
	(expressed in millions of dollar)			
Net loss and comprehensive loss	\$ (90.0)	\$(48.0)	\$ (99.0)	\$(99.9)
Add:				
Finance costs, net ^(a)	52.7	34.8	92.3	66.5
Income tax recovery	(2.7)	(9.4)	(7.5)	(11.0)
Depreciation of property and equipment	14.0	11.8	28.3	24.8
Depreciation of right-of-use assets	6.3	5.2	12.1	10.2
Amortization of intangible assets	18.3	16.4	36.1	32.6
EBITDA	(1.4)	10.8	62.3	23.2
Add:				
Net impact of foreign exchange, change in fair value of derivatives, change in fair value of conversion option, and share of associate losses ^(b)	(16.1)	(11.8)	(40.4)	10.5
Share-based compensation	55.5	1.1	58.1	1.5
External acquisition expenses ^(c)	1.7	1.2	2.7	2.8
COVID-19 costs ^(d)	1.0	(0.8)	1.9	4.0
Change in fair value of contingent consideration ^(e)	0.2	(1.3)	(3.8)	(11.2)
IPO costs ^(f)	7.7	—	13.7	—
Other corporate costs ^(g)	0.3	0.7	0.9	0.8
Adjusted EBITDA	48.9	(0.1)	95.4	31.6
Adjusted EBITDA Margin	18.7%	(0.2)%	18.8%	13.4%
Net loss and comprehensive loss	\$ (90.0)	\$(48.0)	\$ (99.0)	\$(99.9)
Add:				
Amortization of intangible assets	18.3	16.4	36.1	32.6
Share based compensation	55.5	1.1	58.1	1.5
Change in fair value of contingent consideration	0.2	(1.3)	(3.8)	(11.2)
External acquisition costs ^(c)	1.7	1.2	2.7	2.8
COVID-19 costs ^(d)	1.0	(0.8)	1.9	4.0
IPO costs ^(f)	7.7	—	13.7	—
Other corporate costs ^(g)	0.3	0.7	0.9	0.8
	84.7	17.3	109.6	30.5
Tax impact of the above	(4.1)	(1.5)	(7.7)	(4.4)
Adjustment for legacy debt, net of tax impact	23.0	7.6	22.1	47.0
Adjusted net income (loss)	13.6	(24.6)	25.0	(26.8)
Weighted average number of shares outstanding - basic and diluted	103.3	89.0	96.8	89.0
Adjusted net income (loss) per share - basic and diluted	0.13	(0.28)	0.26	(0.30)

	LTM, June 30, 2021, (expressed in millions of dollars)
Adjusted EBITDA	\$ 178.7
<i>Add:</i>	
COVID-19 adjustment ^(h)	5.0
Acquisition adjustment ⁽ⁱ⁾	23.0
PF Adjusted EBITDA	206.7
PF Adjusted EBITDA Margin	19.9%
PF Adjusted EBITDA	206.7
<i>Subtract:</i>	
Interest and principal repayments on leases	(31.8)
Lease interest and principal repayments on acquisitions	(3.0)
PF Adjusted EBITDA after rent	171.9
Revenue	\$ 938.8
<i>Add:</i>	
COVID-19 adjustment ^(j)	8.5
Acquisition adjustment ^(k)	89.9
PF Revenue	1,037.2

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

	Three month period ended June 30		Six month period ended June 30	
	2021	2020	2021	2020
	(expressed in millions of dollars)			
Cash flow from operating activities	\$14.5	\$(45.3)	\$28.1	\$(50.7)
<i>Add/deduct:</i>				
External acquisition costs ^(c)	1.7	1.2	2.7	2.8
COVID-19 costs ^(d)	0.9	(0.8)	1.9	4.0
IPO costs ^(f)	7.8	—	13.7	—
Other corporate costs ^(g)	0.3	0.7	0.9	0.8
	25.2	(44.2)	47.3	(43.1)
<i>Deduct:</i>				
Repayment of principal on leases	5.3	2.5	10.5	6.4
Purchases of property and equipment	3.3	2.6	9.2	11.4
	16.6	(49.3)	27.6	(60.9)
Adjustment for legacy debt, net of tax impact	9.4	15.4	26.2	29.5
Adjusted Free Cash Flow	26.0	(33.9)	53.8	(31.4)

Notes:

- (a) For the three and six month periods ended June 30, 2021, our finance costs included \$3.2 million and \$6.4 million of cash rent expense, respectively (three and six month periods ended June 30, 2020 – \$3.1 million and \$6.1 million of cash rent expense, respectively) and a loss on settlement of the First and Second Lien Facilities of \$26.7 million (three and six months ended June 30, 2020 - \$nil).
- (b) Represents the sum of (i) foreign exchange gain, (ii) change in fair value of derivative instruments, (iii) change in fair value of conversion option and (iv) share of associate losses.
- (c) Represents advisory fees, as well as other expenses paid to third parties, related to acquisition activities which are excluded as these costs are incurred only once in connection with each acquisition by the Company and are not related to underlying business operations of the Company.
- (d) Represents costs incurred as a result of the COVID-19 pandemic that are not expected to recur, including enhanced employee benefits, retrofitting expenses, payments to safety consultants and retention payments to staff, net of subsidies received under the Canada Emergency Wage Subsidy.

- (e) Represents the reversal of income (expense) recorded during the period, where such income (expense) resulted from a difference between the actual payment by us during such period under an earn-out and the originally estimated amount of such payment.
- (f) Represents costs that are not expected to recur related to the Company's initial public offering.
- (g) Represents costs that are not expected to recur related, as applicable, to the implementation of new corporate systems and vendor consolidations.
- (h) Adjusted EBITDA for the last twelve months ("LTM") ended June 30, 2021 was impacted by the global COVID-19 pandemic. Beginning on March 15, 2020, most practices within the Company's network were limited to emergency-only services. The Company has estimated that the impact of the COVID-19 related closures on its Adjusted EBITDA for the LTM period ended June 30, 2021 was \$5.0 million and was estimated as follows:
 - (i) a ratio of 0.983, being the revenue for the five month period ended December 31, 2020 (a period essentially unimpacted by government mandated practice closures stemming from the COVID-19 pandemic) compared to the revenue for the five month period ended December 31, 2019 (a period unimpacted by COVID-19) was applied to the Company's revenue for the six month period ended December 31, 2019 of \$447.1 million in order to obtain an estimated unimpacted revenue figure for the equivalent six month period ended December 31, 2020 of \$439.3 million; (ii) the Company's Adjusted EBITDA Margin of 20.4% (being the Company's ratio of (i) Adjusted EBITDA to (ii) revenue for the five month period ended December 31, 2020, representing the Company's estimate of its 2020 Adjusted EBITDA Margin if unimpacted by COVID-19) was applied to the figure calculated in (i) in order to obtain an estimated unimpacted Adjusted EBITDA figure for the six month period ended December 2020 of \$89.4 million; and (iii) the Company's reported Adjusted EBITDA for the six month period ended December 31, 2020 of \$84.4 million was deducted from the amount calculated in (ii) in order to arrive at an estimated impact of \$5.0 million.

A numerical illustration of the foregoing discussion is as follows:

- (i) Because the ratio described above was 0.983, this means that revenue declined by 1.7% from 2019 to 2020 (for the five-month period in each year that was unimpacted by COVID-19); applying this same rate of decline to the Company's revenue for the six month period ended December 31, 2019 of \$447.1 implies that revenue for the six month period ended December 31, 2020 would have been \$439.3 million, if unimpacted by COVID-19;
- (ii) Applying the Adjusted EBITDA Margin described above to the estimated \$439.3 million of revenue for the six month period ended December 31, 2020 (if unimpacted by COVID-19) implies that Adjusted EBITDA for the six month period ended December 31, 2020 (if unimpacted by COVID-19) would have been \$89.4 million;
- (iii) Actual reported Adjusted EBITDA for the six months ended December 31, 2020 was \$84.4 million; and
- (iv) The amount set out in (ii) minus the amount set out in (iii) was \$5.0 million, representing our estimate of the impact of COVID-19 on our Adjusted EBITDA for the six months ended December 31, 2020.

There can be no assurance that if the COVID-19 pandemic had not occurred, we would have actually generated such estimated additional Adjusted EBITDA, nor is this estimate indicative of future results.

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

- (i) The Company regularly acquires dental practices and estimates that if it had acquired each of the practices that it acquired during the LTM period ended June 30, 2021 it would have recorded additional Adjusted EBITDA of \$23.0 million. 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.

- (j) Revenue for the LTM ended June 30, 2021 was impacted by the global COVID-19 pandemic. Beginning on March 15, 2020, most practices within the Company's network were limited to emergency-only services. The Company estimates that the impact of the COVID-19 related closures on its revenue for LTM ended June 30, 2021 was \$8.5 million and was estimated as follows.
- a) the ratio of 0.983 described above in note (h)(i) was applied to the Company's revenue for the six month period ended December 31, 2019 of \$447.1 million in order to obtain an estimated unimpacted revenue figure for the six month period ended December 31, 2020 of \$439.3 million. Actual reported revenue for the 6 month ended December 31, 2020 of \$430.7 million was then subtracted from this estimate to arrive at a COVID-19 adjustment of \$8.5 million.

A numerical illustration of the foregoing discussion is as follows.

- (i) Because the ratio described above in (h)(i) was 0.983, this means that revenue declined by 1.7% from 2019 to 2020 (for the five-month period in each year that was unimpacted by COVID-19); applying this same rate of decline to the Company's revenue for the six months ended December 31, 2019 of \$447.1 million implies that revenue for the six months ended December 31, 2020 would have been \$439.3 million, if unimpacted by COVID-19;
- (ii) Actual reported revenue for the six month period ended December 31, 2020 was \$430.7 million; and
- (iii) The amount set out in (i) minus the amount set out in (ii) was \$8.5 million, representing our estimate of the impact of COVID-19 on our revenue during the six months ended December 31, 2020.

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

- (k) The Company regularly acquires dental practices and estimates that if it had acquired each of the practices that it acquired during the LTM period ended June 30, 2021, it would have recorded additional revenue of \$89.9 million. These estimates are based on the amount of Revenue budgeted by us to be earned by the relevant practices at the time of their acquisition by us. There can be no assurance that if we had acquired these practices on the first day of the applicable fiscal period, they would have actually generated such budgeted revenue, nor is this estimate indicative of future results.
- (l) Represents Adjusted EBITDA for the six month period ended June 30, 2021 of \$95.4 million, plus Adjusted EBITDA for the year ended December 31, 2020 of \$114.9 million (refer to Prospectus), less Adjusted EBITDA for the six month period ended June 30, 2020 of \$31.6 million.

Results of Operations

Results for the Three month Period Ended June 30, 2021 compared to the Three month Period Ended June 30, 2020

The following tables summarize certain operating results and other financial data for the periods indicated.

	Three month period ended	
	June 30, 2021	June 30, 2020
	(expressed in millions of dollar)	
Consolidated Statements of Loss and Comprehensive loss:		
Revenue	261.1	53.3
Cost of revenue	135.1	27.5
	<u>126.0</u>	<u>25.8</u>
Selling, general and administrative expenses	87.9	27.1
Depreciation of property and equipment	14.0	11.8
Depreciation of right-of-use assets	6.3	5.2
Amortization of intangible assets	18.3	16.4
Share-based compensation	<u>55.5</u>	<u>1.1</u>
Operating loss	(56.0)	(35.7)
Finance costs	52.9	35.2
Finance income	(0.2)	(0.4)
Foreign exchange gain	(58.2)	(62.7)
Change in fair value of derivative instruments	53.0	54.7
Change in fair value of conversion option	(11.0)	(3.8)
Change in fair value of contingent consideration	0.2	(1.3)
Share of associate losses	<u>0.1</u>	<u>—</u>
Loss before income taxes	<u>(92.7)</u>	<u>(57.4)</u>
Income tax recovery	<u>(2.7)</u>	<u>(9.4)</u>
Net loss and comprehensive loss	<u>(90.0)</u>	<u>(48.0)</u>
Total Practices (at period end)	431	374
Adjusted EBITDA	48.9	(0.1)

Revenue

Revenue for the three month period ended June 30, 2021 was \$261.1 compared to \$53.3 million for the three month period ended June 30, 2020, representing an increase of \$207.8 million, or 389.9%. The increase in revenue was primarily driven by incremental revenue from acquired practices over the LTM to June 30, 2021, positive Same Practice Sales Growth, a positive contribution from the Company's orthodontics in-sourcing agenda, and forgone practice revenue for the period ended June 30, 2020 due to the COVID-19 pandemic, where restrictions were put in place mid-March 2020 and practices were restricted to providing only emergency care. Following the easing of COVID-19 restrictions across Canada in mid-June 2020, the Company's dental practices re-opened based on provincial guidelines, providing a range of dental services following stricter infection control guidelines from the dental and health regulators to ensure the health and safety of patients and staff.

Cost of revenue

Cost of revenue for the three month period ended June 30, 2021 was \$135.1 million compared to \$27.5 million for three month period ended June 30, 2020, representing an increase of \$107.6 million, or 391.3%. The increase in cost of revenue is consistent with the increase in revenue period over period, with cost of revenue as a percentage of revenue being 51.7% and 51.6% for the three month periods ended June 30, 2021 and 2020, respectively.

Selling, general and administrative expenses

SG&A for the three month period ended June 30, 2021 was \$87.9 million compared to \$27.1 million for the three month period ended June 30, 2020, representing an increase of \$60.8 million, or 224.4%. SG&A as a percentage of revenue decreased from 50.8% for the three month period ended June 30, 2020 to 33.7% for the three month period ended June 30, 2021, primarily due to \$6.9 million of employee benefits that continued to be paid to employees during the period when the Company's practices closed due to COVID-19 restrictions while only limited revenue was earned.

Depreciation and amortization

Depreciation for the three month period ended June 30, 2021 was \$20.3 million compared to \$17.0 million for the three month period ended June 30, 2020, representing an increase of \$3.3 million, or 19.4%. This increase was primarily driven by: (i) capex additions to property and equipment and ROU assets of \$16.1 million, and (ii) additions to property and equipment and ROU assets through acquisitions of \$83.0 million; over the LTM to June 30, 2021, which had a flow through effect on depreciation expense for the three month period ended June 30, 2021.

Amortization for the three month period ended June 30, 2021 was \$18.3 million compared to \$16.4 million for the three month period ended June 30, 2020, representing an increase of \$1.9 million or 11.6%. This increase was due to additions to intangible assets through acquisitions of \$71.1 million over the LTM to June 30, 2021, which had a flow through effect on amortization expense for the three month period ended June 30, 2021.

Share-based compensation

Share-based compensation expense for the three month period ended June 30, 2021 was \$55.5 million compared to \$1.1 million for the three month period ended June 30, 2020, representing an increase of \$54.4 million or 4945%. The increase was primarily a result of (i) an increase in share-based compensation expense related to the Company's legacy option plan due to the movement in the fair value of Company's share price from \$10.65 at June 30, 2020 to \$16.46 at June 30, 2021 and the increase in the number of share options expected to vest from 1.5 million at June 30, 2020 to 1.6 million at June 30, 2021; (ii) adoption of the equity incentive plan on closing of the IPO which resulted in additional share-based compensation expense of \$1.3 million for the three month period ended June 30, 2021; and (iii) additional share-based compensation expense recognized under the Management Loan Program of \$51.9 million due to the closing of the IPO, the removal of all vesting conditions, as well as other amendments to the terms and conditions.

Finance costs, net

Finance costs, net for the three month period ended June 30, 2021 were \$52.7 million compared to \$34.8 million for the three month period ended June 30, 2020, representing an increase of \$17.9 million or 51.4%. The increase was driven primarily by the loss on settlement of the Pre-IPO Borrowings of \$26.7 million (see "Credit Facilities" below), offset by a decrease in interest expense and stand-by charges on the Company's borrowings of \$8.3 million primarily due to the recapitalization of the Company's borrowings on completion of the IPO (see "Recent Developments" above), and a decrease in interest accretion on the Preferred Share liability of \$0.8 million due to conversion of the Preferred Shares on completion of the IPO.

In February 2020, the Company issued redeemable and convertible preferred shares (the "Preferred Shares") for gross proceeds of \$100.0 million. The Preferred Shares were classified as a financial liability and bore a fixed and cumulative dividend equal to 14% of the redemption price, compounded annually. On initial recognition, the Company allocated \$40.9 million of the \$100.0 million face value to the conversion option based on its fair value. The difference between the face value of the Preferred Shares and the fair value of the conversion option of \$59.1 million was then allocated to the Preferred Share liability. Subsequent to initial recognition and prior to conversion of the Preferred Shares into Subordinate Voting Shares on closing of the IPO, the Company measured the Preferred Share liability at amortized cost with effective interest of \$2.5 million and \$3.4 million being recorded in Finance costs for the three month periods ended June 30, 2021 and 2020, respectively.

Foreign exchange gain

Foreign exchange gain for the three month period ended June 30, 2021 was \$58.2 million compared to \$62.7 million for the three month period ended June 30, 2020, representing a decrease of \$4.5 million or 7.2%.

Foreign exchange gains or losses arose from the Company's Pre-IPO Borrowings which were denominated in U.S. Dollars. The decrease in foreign exchange gain resulted from an approximately 4% strengthening of the Canadian dollar relative to the U.S. dollar during the period April 1, 2021 to May 27, 2021, compared to a 13% strengthening of the Canadian dollar relative to the U.S. dollar during the three month period ended June 30, 2020.

Change in fair value of derivative instruments

Change in fair value of derivative instruments for the three month period ended June 30, 2021 was a loss of \$53.0 million compared to a loss of \$54.7 million for the three month period ended June 30, 2020, representing a decrease in the loss of \$1.7 million, or 3.1%. This decrease in the loss was driven by the movement in the fair value of the Company's derivative instruments, primarily the Company's interest and cross currency swaps which were directly related to the movement in the foreign exchange (which have been noted above) and the LIBOR rate.

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

Change in fair value of conversion option

Change in fair value of conversion option for the three month period ended June 30, 2021 was a gain of \$11.0 million compared to a gain of \$3.8 million for the three month period ended June 30, 2020, representing an increase of \$7.2 million or 189.5%. On closing of the IPO, the conversion option had a fair value of \$nil.

Income tax recoveries

Income tax recovery for the three month period ended June 30, 2021 was \$2.7 million compared to \$9.4 million for the three month period ended June 30, 2020, a decrease of \$6.7 million or 71.3%. The decrease was primarily the result of acquisitions giving rise to additional intangible assets during the period offset by adjustments relating to \$2.9 million of tax losses not recognized.

Results for the Six month Period Ended June 30, 2021 compared to the Six month Period Ended June 30, 2020

The following tables summarize certain operating results and other financial data for the periods indicated.

	Six month period ended June 30, 2021	Six month period ended June 30, 2020
(expressed in millions of dollars)		
Consolidated Statements of Loss and Comprehensive loss:		
Revenue	508.1	235.5
Cost of revenue	260.6	120.5
	247.5	115.1
Selling, general and administrative expenses	171.2	91.0
Depreciation of property and equipment	28.3	24.8
Depreciation of right-of-use assets	12.1	10.2
Amortization of intangible assets	36.1	32.6
Share-based compensation	58.1	1.5
Operating loss	(58.3)	(45.2)
Finance costs	92.7	67.6
Finance income	(0.4)	(1.1)
Foreign exchange (gain) loss	(76.1)	69.7
Change in fair value of derivative instruments	66.4	(39.5)
Change in fair value of conversion option	(30.8)	(19.7)
Change in fair value of contingent consideration	(3.8)	(11.2)
Share of associate losses	0.1	—
Loss before income taxes	(106.5)	(111.0)
Income tax recoveries	(7.5)	(11.0)
Net loss and comprehensive loss	(99.0)	(99.9)
Total Practices (at period end)	431	374
Adjusted EBITDA	95.4	31.6

Revenue

Revenue for the six month period ended June 30, 2021 was \$508.1 million compared to \$235.5 million for the six month period ended June 30, 2020, representing an increase of \$272.6 million, or 115.8%. The increase in revenue was primarily driven by incremental revenue from acquired practices over the LTM to June 30, 2021, Same Practice Sales Growth, a positive contribution from the Company's orthodontics in-sourcing agenda, and forgone practice revenue due to the COVID-19 pandemic, where restrictions were put in place mid-March 2020 and practices were restricted to providing only emergency care. Following the easing of COVID-19 restrictions across Canada in mid-June 2020, the Company's dental practices began to re-open based on provincial guidelines, providing a range of dental services following stricter infection control guidelines from the dental and health regulators to ensure the health and safety of patients and staff.

Cost of revenue

Cost of revenue for the six month period ended June 30, 2021 was \$260.6 million compared to \$120.5 million for six month period ended June 30, 2020, representing an increase of \$140.1 million, or 116.3%. The increase in cost of revenue is consistent with the increase in revenue period over period, with cost of revenue as a percentage of revenue being 51.3% and 51.1% for the six month periods ended June 30, 2021 and 2020, respectively.

Selling, general and administrative expenses

SG&A for the six month period ended June 30, 2021 was \$171.2 million compared to \$91.0 million for the six month period ended June 30, 2020, representing an increase of \$80.2 million, or 88.1%. SG&A as a percentage of revenue decreased from 38.6% for the six month period ended June 30, 2020 to 33.7% for the six month period ended June 30, 2021, primarily due to \$14.8 million of employee benefits that continued to be paid to employees during the period when the Company's practices closed due to COVID-19 and only limited revenue was earned.

Depreciation and amortization

Depreciation for the six month period ended June 30, 2021 was \$40.4 million compared to \$35.0 million for the six month period ended June 30, 2020, representing an increase of \$5.4 million, or 15.4%. This increase was primarily driven by both capex additions to property and equipment and ROU assets of \$16.1 million and additions to property and equipment and ROU assets through acquisitions of \$83.0 million over the LTM to June 30, 2021, which had a flow through effect on depreciation expense for the six month period ended June 30, 2021.

Amortization for the six month period ended June 30, 2021 was \$36.1 million compared to \$32.6 million for the six month period ended June 30, 2020, representing an increase of \$3.5 million or 10.7%. This increase was due to additions to intangible assets through acquisitions of \$71.1 million over the LTM to June 30, 2021, which had a flow through effect on amortization expense for the six month period ended June 30, 2021.

Share-based compensation

Share-based compensation expense for the six month period ended June 30, 2021 was \$58.1 million compared to \$1.5 million for the six month period ended June 30, 2020, representing an increase of \$56.6 million or 3773.3%. The increase was primarily a result of (i) an increase in share-based compensation expense related to the Company's legacy option plan due to the movement in the fair value of Company's share price from \$10.65 at June 30, 2020 to \$16.46 at June 30, 2021 and the increase in the number of share options expected to vest from 1.5 million at June 30, 2020 to 1.6 million at June 30, 2021; (ii) adoption of the equity incentive plan on closing of the IPO which resulted in additional share-based compensation expense of \$1.3 million for the six month period ended June 30, 2021; and (iii) additional share-based compensation expense recognized under the Management Loan Program of \$51.9 million due to the closing of the IPO, the removal of all vesting conditions, as well as other amendments to the terms and conditions.

Finance costs, net

Finance costs, net for the six month period ended June 30, 2021 were \$92.3 million compared to \$66.5 million for the six month period ended June 30, 2020, representing an increase of \$25.8 million or 38.8%. The increase was primarily driven by the loss on settlement of the Pre-IPO Borrowings of \$26.7 million (see "Credit Facilities" below), an increase in interest accretion on the Preferred Share liability of \$1.6 million, an increase in loss on modification of \$1.1 million, offset by a decrease of interest expense and stand-by charges on the Company's borrowings of \$4.5 million due to the recapitalization of the Company's borrowings on IPO (see "Recent Developments-Financing" above).

The decrease in interest expense and stand-by charges of \$4.5 million was due to a reduction in interest expense in June 2021 due to the recapitalization of the Company's borrowings on closing of the IPO (see "Recent Developments" above), offset by an increase in interest expense arising from \$190.3 million of additional borrowings made in early 2021 which was primarily used by the Company to fund future dental practice acquisitions.

In February 2020, the Company issued the Preferred Shares (see "Results for the Three Month Period Ended June 30, 2021 compared to the Three Month Period Ended June 30, 2020 – Finance Costs, net" above). Subsequent to initial recognition and prior to conversion of the preferred shares into Subordinate Voting Shares on closing of the IPO, the Company measured the preferred share liability at amortized cost with effective interest of \$6.5 million and \$4.9 million being recorded in Finance costs for the six month periods ended June 30, 2021 and 2020, respectively.

Foreign exchange (gain) loss

Foreign exchange gain for the six month period ended June 30, 2021 was \$76.1 million compared to a loss of \$69.7 million for the six month period ended June 30, 2020, representing a change of \$145.8 million or 209.2%. The large movement in foreign exchange during the periods arose from the Company's pre-IPO borrowings which were denominated in U.S. Dollars and resulted from an approximately 9% strengthening of the Canadian dollar relative to the U.S. dollar period over period.

Change in fair value of derivative instruments

Change in fair value of derivative instruments for the six month period ended June 30, 2021 was a loss of \$66.4 million compared to a gain of \$39.5 million for the six month period ended June 30, 2020, representing a decrease of \$105.9 million, or 268.1%. This decrease was driven by the movement in the fair value of the Company's derivative instruments, primarily the Company's interest and cross currency swaps which were directly related to the movement in the foreign exchange (noted above) and LIBOR rate.

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

Change in fair value of conversion option

Change in fair value of conversion option for the six month period ended June 30, 2021 was a gain of \$30.8 million compared to a gain of \$19.7 million for the six month period ended June 30, 2020, representing an increase of \$11.1 million or 56.3%. On closing of the IPO, the conversion option had a fair value of \$nil.

Income tax recoveries

Income tax recovery for the six month period ended June 30, 2021 was \$7.5 million compared to \$11.0 million for the six month period ended June 30, 2020, a decrease of \$3.5 million or 31.8%. The decrease was primarily the result of acquisitions giving rise to additional intangible assets during the period offset by adjustments relating to \$7.7 million of tax losses not recognized.

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 month periods ended			
	30-Jun-21	31-Mar-21	30-Jun-20	31-Mar-20
	(expressed in millions of dollars)			
Revenue	261.1	247.1	53.3	182.2
Net loss and comprehensive loss	(90.0)	(9.0)	(48.0)	(51.9)
Loss per share	(0.87)	(0.10)	(0.54)	(0.58)
Adjusted EBITDA	48.9	47.4	(0.1)	31.9

Liquidity and Capital Resources

Our primary sources of liquidity include cash-on-hand, cash provided by our operations and amounts available for borrowing under our credit facilities and capital-raising activities in the capital markets. As of June 30, 2021, we had \$261.6 million in cash and working capital of \$198.3 million as compared to cash and working capital of \$101.5 million and \$47.1 million, respectively, as at December 31, 2020. Working capital is calculated as current assets less current liabilities.

Cash Flows for the Three and Six month Periods Ended June 30, 2021 and 2020

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

	Three month period ended June 30, 2021	Three month period ended June 30, 2020	Six month period ended June 30, 2021	Six month period ended June 30, 2020
	(expressed in millions of dollars)			
Total cash provided by (used in):				
Operating activities	14.5	(45.9)	28.1	(50.7)
Investing activities	(68.6)	(3.3)	(128.4)	(55.3)
Financing activities	83.6	(6.4)	260.4	217.1
Increase in cash	29.6	(55.6)	160.0	111.1
Cash, beginning of period	232.0	252.1	101.5	85.4
Cash, end of period	261.6	196.5	261.6	196.5

Operating Activities

Cash flows provided by operating activities were \$14.5 and \$28.1 million for the three and six month periods ended June 30, 2021, respectively, compared to cash flows used in operating activities of \$45.9 and \$50.7 million for the three and six month periods ended June 30, 2020, respectively. For the three and six month periods ended June 30, 2020, operating cash flows were negatively impacted by mandated closures related to the COVID-19 pandemic that occurred began in mid-March 2020 as well as COVID-19 related expenditures.

Maintenance capital expenditures were \$4.0 million and \$6.2 million for the three and six month periods ended June 30, 2021, respectively compared to \$2.9 million and \$6.6 million for the three and six month periods ended June 30, 2020, respectively.

Investing Activities

Cash flows used in investing activities were \$68.6 million for the three month period ended June 30, 2021, compared to cash flows used in investing activities of \$3.3 million for the three month period ended June 30, 2020. The increase in cash flows used in investing activities is a direct result of the impact of COVID-19 on the number of acquisitions and contingent consideration settled during the three month period ended June 30, 2020.

Cash flows used in investing activities were \$128.4 million for the six month period ended June 30, 2021, compared to cash flows used in investing activities of \$55.3 million for the six month period ended June 30, 2020. The increase in cash flows used in investing activities for the six month period ended June 30, 2021 primarily resulted from an increase in acquisition related payments of \$73.9 million, an increase in the settlement of contingent consideration for acquired practices of \$2.6 million, offset by a reduction in additions to property and equipment of \$2.2 million.

Financing Activities

Cash flows provided by financing activities were \$83.6 million for the three month period ended June 30, 2021, compared to cash used by financing activities of \$6.4 million for the three month period ended June 30, 2020. The increase in cash flows provided by financing activities is a result of the impact of COVID-19 restrictions which led to no additional borrowings being made by the Company to fund acquisitions (see ‘Investing Activities’ above).

Cash flows provided by financing activities were \$260.4 million for the six month period ended June 30, 2021, compared to \$217.1 million for the six month period ended June 30, 2020. The increase in cash flows provided by financing activities for the six month period ended June 30, 2021 primarily resulted from (i) an increase in net proceeds from borrowings of \$945.9 million which includes an increase of \$890.0 million under the Credit Facilities and \$55.0 million under the Pre-IPO borrowings; (ii) an increase in net proceeds from the IPO of \$906.1 million, offset by (iii) an increase in the repayment of borrowings of \$1,544.0 million which includes \$1,546.9 million paid on settlement of the Pre-IPO borrowings; (iv) an increase in settlement of derivative liability of \$160.2 million; and a reduction of proceeds from issuance of Preferred Shares of \$100.0 million.

Credit Facilities

Pre-IPO Borrowings

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

The Company also had a Second Lien Facility (and together with the First Lien Facility, the “**Pre-IPO Borrowings**”) which was fully utilized and bore interest at LIBOR (subject to a floor of 1%) plus an applicable margin of 7.5%. The Second Lien Facility was repayable on June 5, 2026.

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

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

During the six month period ended June 30, 2021, the Company amended the terms of the First Lien Facility and the Second Lien Facility with the effect being to increase the aggregate principal amount of borrowings under the First and Second Lien Facilities by U.S.\$100.0 million and U.S.\$50.0 million.

Following closing of the IPO, the Company used the full amount of the net proceeds from the IPO, as well as funds drawn under the Term Facility, to settle all amounts outstanding under the Pre-IPO borrowings, including all accrued interest and standby fees, of \$1.55 billion. On derecognition of the Pre-IPO borrowings, the Company recognized a loss on settlement of \$26.7 million within Finance costs in the consolidated statements of loss and comprehensive loss.

Post-IPO Borrowings

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

On closing of the IPO, the Company drew down the full \$900 million Term Facility as Prime Rate Advances, Bankers’ Acceptances (“BA”) or BA Equivalent Notes and, in conjunction with the proceeds of the IPO, repaid the Pre-IPO borrowings. The BA or BA Equivalent Notes have a maturity of one, two or three months, subject to availability, and bear interest at a rate equal to CDOR plus an applicable margin, which is based on the Company’s total funded debt to EBITDA ratio as of the end of the most recently completed fiscal quarter or fiscal year. On closing of the IPO and June 30, 2021, the applicable margin was 2.5%. No scheduled payments of principal are required under the Term Facility prior to maturity. Interest is payable, one month in advance on the first day of each month.

As at June 30, 2021, no funds have been drawn down under the Revolving Facility or the Delayed Draw Facility. A standby fee of 0.5% is payable on the unutilized amount of the Revolving Facility and the Delayed Draw Facility.

The Credit Agreement is subject to financial covenants including the maintenance of a maximum total funded debt to EBITDA ratio and minimum interest rate coverage ratio. The Company was in compliance with all financial covenants as at June 30, 2021

Hedging Arrangements

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

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

On closing of the IPO and in conjunction with settlement of the Company’s pre-IPO borrowings, all outstanding derivative contracts were settled with the counterparty. The fair value of the interest and cross-currency swaps on settlement was a liability of \$160.2 million. For the three and six month periods ended June 30, 2021, the Company recognized a realized loss of \$52.9 million and \$66.1 million, respectively (three and six month periods ended June 30, 2020, an unrealized loss and gain of \$54.7 million and \$39.5 million, respectively).

Contractual Obligations and Commitments

Our contractual obligations and commitments primarily consist of trade and other payables, lease liabilities, contingent consideration for acquired practices, borrowings, Preferred Share liability and derivative financial liabilities. Our contractual obligations and commitments as of June 30, 2021 are shown in the following table (expressed in millions of dollars):

	Payments Due by Period					Total
	Year 1	Year 2	Year 3	Year 4	Year 5 and over	
<i>Trade and other payables</i>	128.5	—	—	—	—	128.5
<i>Lease liabilities</i>	20.8	20.9	21.6	22.5	156.4	242.2
<i>Contingent consideration</i>	22.8	1.9	0.1	0.1	7.9	32.8
<i>Borrowings</i>	—	—	—	—	900.0	900.0
<i>Derivative financial liabilities</i>	0.5	—	—	—	—	0.5
<i>Total contractual obligations</i>	172.6	22.8	21.7	22.6	1,064.3	1,304.0

Financial Condition

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

	As at June 30, 2021	As at December 31, 2020
(expressed in millions of dollars)		
Consolidated Statements of Financial Position:		
Assets		
Current		
Cash	261.6	101.5
Trade and other receivables	57.6	53.1
Inventories	44.4	37.8
Prepaid and other assets	9.4	7.6
Income taxes receivable	—	1.8
	<u>373.0</u>	<u>201.8</u>
Non-current		
Investment in associate	0.4	0.5
Trade and other receivables	15.6	11.4
Prepaid and other assets	2.9	—
Property and equipment	172.5	170.9
Right-of-use assets	224.0	214.3
Intangible assets	340.1	333.5
Goodwill	1,713.8	1,632.8
	<u>2,469.2</u>	<u>2,363.4</u>
Total assets	<u>2,842.2</u>	<u>2,565.3</u>
Liabilities		
Current		
Trade and other payables	128.5	95.0
Contract liabilities	2.5	2.4
Lease liabilities	21.6	20.0
Borrowings	—	10.9
Contingent consideration payable	22.2	26.3
	<u>174.7</u>	<u>154.7</u>
Non-current		
Contract liabilities	0.2	0.1
Lease liabilities	220.4	210.5
Borrowings	893.4	1,407.7
Contingent consideration payable	9.6	7.1
Preferred Share liability	—	70.8
Conversion option	—	30.8
Share-based payment liability	8.9	5.3
Derivative financial liabilities	0.5	94.3
	<u>1,132.9</u>	<u>1,826.6</u>
	<u>1,307.6</u>	<u>1,981.3</u>
Shareholders' equity		
Share capital	1,886.9	891.9
Contributed surplus	79.9	25.3
Accumulated deficit	(432.2)	(333.2)
	<u>1,534.6</u>	<u>584.0</u>
	<u>2,842.2</u>	<u>2,565.3</u>

The following is a comparison of key financial position accounts:

Trade and other receivables

Trade and other receivables as at June 30, 2021 amounted to \$73.1 million compared to \$64.6 million as at December 31, 2020. The increase of \$8.5 million is primarily due to the growth of the Company through the acquisition of dental practices and relief provided to Dental Partners through the suspension of certain financial obligations in 2020 due to COVID-19.

Inventories

Inventories as at June 30, 2021 amounted to \$44.4 million compared to \$37.8 million as at December 31, 2020. The increase of \$6.6 million is largely consistent with the growth of the Company through the acquisition of dental practices and a 18% increase in revenue for the six month period ended June 30, 2021 compared to the six month period ended December 31, 2020.

Prepaid and other assets

Prepaid and other assets as at June 30, 2021 amounted to \$12.3 million compared to \$7.6 million as at December 31, 2020. The increase of \$4.7 million is primarily due to deferred financing fees incurred in relation to the Revolving Facility and Delayed Draw Facility of \$2.9 million and increases in Directors and Officers insurance of \$2.4 million.

Property and equipment

Property and equipment as at June 30, 2021 amounted to \$172.5 million compared to \$170.9 million as at December 31, 2020. The increase of \$1.6 million was primarily due to additions of \$9.2 million, additions through acquisitions of \$20.7 million, offset by depreciation expense of \$28.3 million.

Right-of-use-assets

Right-of-use assets as at June 30, 2021 amounted to \$224.0 million compared to \$214.3 million as at December 31, 2020. The increase of \$9.7 million was primarily due to additions of \$1.8 million, additions through acquisitions of \$18.1 million, and adjustments due to lease modifications of \$2.0 million, offset by depreciation expense of \$12.1 million.

Intangible assets

Intangible assets as at June 30, 2021 amounted to \$340.1 million compared to \$333.5 million as at December 31, 2020. The increase of \$6.6 million was primarily due to additions through acquisitions of \$42.6 million, offset by amortization expense of \$36.1 million.

Goodwill

Goodwill as at June 30, 2021 amounted to \$1,713.8 million compared to \$1,632.8 million as at December 31, 2020. The increase of \$81.0 million from was due to additions through acquisitions during the six month period ended June 30, 2021 of \$78.2 million and a remeasurement adjustment of \$2.8 million related to acquisitions that were accounted for on a provisional basis at December 31, 2020.

Trade and other payables

Trade and other payables as at June 30, 2021 were \$128.5 million compared to \$95.0 million as at December 31, 2020. The increase of \$33.5 million was due primarily to (i) the timing of supplier and employee benefit payments of \$16.5 million, which also included payables related to the IPO, (ii) an increase in amounts owing to Partner dentists due to acquisitions of \$10.3 million, and (iv) an increase in holdbacks on completed practice acquisitions of \$6.0 million.

Lease liabilities

Lease liabilities as at June 30, 2021 amounted to \$242.0 million compared to \$230.5 million as at December 31, 2020. The increase of \$11.5 million was primarily due to additions of \$1.8 million, additions through acquisitions of \$18.1 million, adjustments due to lease modifications of \$2.0 million and interest accretion of \$6.4 million, offset by lease payments of \$16.8 million.

Borrowings

Borrowings as at June 30, 2021 amounted to \$893.4 million compared to \$1,418.5 million as at December 31, 2020. The decrease of \$525.1 million was primarily due to (i) borrowings under the Pre-IPO borrowings and Credit Facilities of \$190.3 million and \$900.0 million, respectively; (ii) interest expense under the Pre-IPO borrowings and Credit Facilities of \$51.1 million and \$2.4 million, respectively; (iii) loss on modification of pre-IPO borrowings of \$1.9 million; (iv) loss on settlement of the Pre-IPO borrowings of \$26.7 million, offset by (v) repayments under the Pre-IPO Borrowings and Credit Facilities of \$1.6 billion and \$2.3 million, respectively; (vi) financing costs incurred on draw-down of Pre-IPO borrowings and Term Facility of \$5.4 million and \$6.7 million, respectively; and foreign exchange gain of \$84.0 million on the Pre-IPO Borrowings which were denominated in U.S. dollars.

Contingent consideration payable

Contingent consideration payable as at June 30, 2021 amounted to \$31.7 million compared to \$33.5 million as at December 31, 2020. The decrease of \$1.8 million was primarily due to settlements of \$4.0 million and change in fair value of \$3.8 million, offset by additions through practice acquisitions of \$6.0 million.

Preferred share liability

Preferred share liability as at June 30, 2021 amounted to \$nil compared to \$70.8 million as at December 31, 2020. The decrease of \$70.8 million was primarily due to the conversion of the Preferred Shares into Subordinate Voting Shares on closing of the IPO.

Conversion option

Conversion option as at June 30, 2021 amounted to \$nil compared to \$30.8 million as at December 31, 2020. Prior to conversion of the Preferred Shares into Subordinate Voting Shares on closing of the IPO, the conversion option was deemed to have a fair value of \$nil.

Share-based payment liability

Share-based payment liability as at June 30, 2021 amounted to \$8.9 million compared to \$5.3 million as at December 31, 2020. The increase of \$3.6 million was due to an increase in the fair value of Company's share price of \$10.65 at June 30, 2020 compared to \$16.46 at June 30, 2021 and an increase in the number of Legacy Options expected to vest from 1.1 million at June 30, 2020 to 1.6 million at June 30, 2021.

Deferred tax liabilities

Deferred tax liabilities as at June 30, 2021 and December 31, 2020 amounted to \$nil.

Derivative financial liability

Derivative financial liability as at June 30, 2021 amounted to \$0.5 million compared to \$94.3 million as at December 31, 2020. The decrease of \$93.9 million was due to the settlement of the cross-currency and interest rate swaps on settlement of the Pre-IPO borrowings on closing of the IPO.

Business Combinations

During the three and six month periods ended June 30, 2021, the Company completed 18 and 34 dental practice acquisitions, respectively, (17 and 33 of which were, respectively, completed by way of the acquisition of all of the issued and outstanding shares of such dental practice business). For the three and six month periods ended June 30, 2020, the Company completed nil and 16 dental practice acquisitions, respectively, (nil and 15 of which were, respectively, completed by way of the acquisition of all of the issued and outstanding shares of such dental practice business). Each of the acquisitions complements the Company's acquisition and growth strategies.

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

Related Party Transactions

During the three and six month periods ended June 30, 2021, the Company amended the terms and conditions of the Management Loan Program. In addition, during the three and six month periods ended June 30, 2020, the Company repurchased 0.5 million shares under the Management Loan Program at a cost of \$5.8 million, the proceeds of which were then used to settle the purchase loan receivable with the Company.

Off-Balance Sheet Arrangements

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

Contingencies

The Company does not have any material contingencies.

Critical Accounting Estimates and Judgements

The preparation of the Interim Financial Statements requires the Company to make estimates and use judgment 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 estimates and judgments 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 estimates and judgments. An update on the impact of COVID-19 on the Company has been provided below:

- *The impact of COVID-19 on the operations of the Company*

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

Due to the uncertainty surrounding the duration and potential outcomes of COVID-19, and the unpredictable and continuously changing impacts and related government responses, there is more uncertainty associated with our assumptions, expectations, and estimates. In preparing the Interim Financial Statements, the Company considered the impact of COVID-19 on various balances in the condensed interim consolidated statements of financial position, including the carrying values of trade and other receivables, right-of-use assets, intangible assets, and goodwill. As a result, the Company recognized an additional loss allowance on trade and other receivables of \$nil as at June 30, 2021 (December 31, 2020: \$3.6 million). In addition, during the three and six month periods ended June 30, 2021, the Company incurred \$1.0 million and \$1.9 million, respectively of additional expenses, net of CEWS as a result of COVID-19 (three and six month periods ended June 30, 2020: \$(0.8) million and \$4.0 million, respectively) which have been recognized in selling,

general and administrative expenses in the condensed interim consolidated statements of loss and comprehensive loss.

Internal Control Over Financial Reporting

Internal Control Over Financial Reporting

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

Disclosure Controls & Procedures

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

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

Internal Controls Over Financial Reporting

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

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

As disclosed in the Prospectus, in connection with the audit of our Annual Financial Statements, we have identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

While management has taken important steps to address and remedy the deficiencies identified (discussed further below), the following remaining control deficiencies together amount to a material weakness relating to the design of ICFR: the lack of formally documented and evidenced control procedures with segregation of certain key controls, lack of IT systems supporting an integrated revenue reporting and automation system and IT controls associated with permissions monitoring, a lack of personnel with technical expertise and experience with public company reporting requirements, and improvements required in systems, processes and controls and to appropriately account for business combinations in accordance with IFRS.

Notwithstanding this material weakness, the Company has concluded that the Interim Financial Statements together with the other financial information included in this interim filing fairly present in all material respects its financial position, financial performance and cash flows for the periods presented in accordance with IFRS.

Management has taken steps to address and remedy the deficiencies identified including, hiring additional staff knowledgeable and experienced in regards to public company financial reporting requirements (beginning with the hiring of a Vice President, Financial Reporting and Accounting Policy in April 2021), implementing various processes and controls to reduce the risk of potential material misstatement of the company’s annual or interim consolidated

financial statements. The Company has also recently engaged external advisors to provide assistance in the areas of public company financial reporting, valuation expertise, implementation of a new enterprise risk management system, and internal controls over financial reporting.

Significant New Accounting Standards Adopted

New Accounting pronouncements adopted

The following amendments were effective for the Interim Financial Statements commencing on January 1, 2021:

- *Interest Rate Benchmark Reform – Phase 2* – In August 2020, upon completion of the IFRS amendments to facilitate the interbank offered rates (“**IBOR**”) reform, the International Accounting Standards Board (“**IASB**”) issued Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (“**Phase 2 Amendments**”). In relation to changes in financial instruments that are directly required by the IBOR reform, Phase 2 Amendments mainly provide (i) a practical expedient to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by the IBOR reform by updating the effective interest rate of the financial asset or financial liability; and (ii) certain additional disclosures on additional information about the Company’s exposure to risks arising from the IBOR reform and related risk management activities.

As at June 30, 2021, the Company has no borrowings which are subject to LIBOR. The Company will actively monitor the IBOR reform and consider its impact should any borrowings be made with LIBOR as the underlying interest rate.

- *IFRS 16, Leases – COVID-19-Related Rent Concessions beyond June 30, 2021* – extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. This has no had impact on the Company as all COVID-19 related rent concessions have been treated as lease modifications.

Recent pronouncements not yet adopted

The IASB has issued the following new standard and amendments to existing standards that have not yet been adopted:

- *IFRS 17, Insurance Contracts (“IFRS 17”) and Amendments to IFRS 17* – IFRS 17 provides consistency in the application of accounting for insurance contracts. The Amendments to IFRS 17 address implementation challenges that were identified with IFRS 17. The amendments are effective for annual periods beginning on or after January 1, 2023.
- *Amendments to IAS 1, Presentation of Financial Statements – Disclosure of Accounting Policies* – are intended to help entities in deciding which accounting policies to disclose in their financial statements (i.e., material versus significant). The amendments are effective for annual periods beginning on or after January 1, 2023.
- *Amendments to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* – provides a more general approach to the classification of liabilities based on contractual arrangements in place at the reporting date. The amendments are effective for annual periods beginning on or after January 1, 2023.
- *Amendments to IAS 8, Accounting Policies – Changes in Accounting Estimates and Errors* – clarifies the definition of ‘accounting policies’ and ‘accounting estimates’ to help entities distinguish between them. The amendments are effective for annual periods beginning on or after January 1, 2023.
- *Amendments to IAS 12, Deferred Tax related to Assets and Liabilities from a Single Transaction* – clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023.
- *Amendments to IAS 16, Property, Plant and Equipment – Proceeds before Intended Use* – prohibits reducing the cost of property, plant, and equipment by proceeds from sale while bringing an asset to capable operations. The amendments are effective for annual periods beginning on or after January 1, 2022.

- *IAS 37, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts, Costs of Fulfilling a Contract* – specifies which costs an entity should include in determining the ‘cost of fulfilling’ a potential onerous contract. The amendments are effective for annual periods beginning on or after January 1, 2022.
- *Amendments to IFRS 3, Business Combinations* – Updating a Reference to the Conceptual Framework – updates a reference to the Conceptual Framework without significantly changing its requirements. The amendments are effective for annual periods beginning on or after January 1, 2022.

The Company does not expect that the adoption of IFRS 17 and amendments to IFRS 17, IFRS 3 and IAS 16 will have a material impact. The Company has not yet completed its assessment of the impact of adoption of amendments to IAS 1, IAS 8, IAS 12, and IAS 37.

Risk Factors

The Company has identified a number of risk factors that could cause actual results to vary significantly from the results discussed in the “Risk Factors” section of the Prospectus. These risk factors have not materially changed since the date of the Prospectus.

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, (iii) an unlimited number of preferred shares, issuable in series. As of the date of this MD&A, we had 166,283,320 Subordinate Voting Shares and 9,183,822 Multiple Voting Shares issued and outstanding.

As of the date of this MD&A, we have 3,039,925 and 5,500,000 share options issued and outstanding under the Legacy Option Plan and equity incentive plan, respectively. The Company has also issued 102,272 restricted share awards issued and outstanding under the equity incentive plan and 2,761 deferred share units issued and outstanding under the Deferred Share Unit Plan.

Additional Information

Additional information, including the Prospectus, which includes our Annual Financial Statements, and our other recent filings with Canadian securities regulatory authorities, are available on SEDAR at sedar.com.