dentalcorp

Condensed interim consolidated financial statements of

dentalcorp Holdings Ltd.

For the three and nine months ended September 30, 2022 and 2021

DENTALCORP HOLDINGS LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(In millions of Canadian dollars, except per share amounts)

		Three months ended		Nine months ended	
		September 30, 2022 $	September 30, 2021 $	September 30, 2022 $	September 30, 2021 $
	Note				
Revenue	4	**312.1**	250.2	**919.3**	758.3
Cost of revenue	13	**157.5**	126.6	**466.8**	387.4
Gross profit		**154.6**	123.6	**452.5**	370.9
Selling, general and administrative expenses	12,13	**101.4**	81.5	**296.2**	252.7
Depreciation and amortization		**49.7**	39.5	**139.2**	116.0
Share-based compensation	10	**(0.7)**	9.4	**5.7**	67.5
Foreign exchange gain		**(2.2)**	(0.1)	**(2.7)**	(76.2)
Net finance costs	11	**19.3**	10.5	**43.9**	102.8
Change in fair value of derivative instruments		**—**	(0.5)	**—**	65.9
Change in fair value of contingent consideration	9	**3.9**	6.0	**14.1**	2.2
Change in fair value of conversion option		**—**	—	**—**	(30.8)
Share of associate losses		**0.1**	—	**0.2**	0.1
Loss before income taxes		**(16.9)**	(22.7)	**(44.1)**	(129.3)
Income tax recovery	8	**(2.2)**	(4.3)	**(20.9)**	(11.9)
Net loss and comprehensive loss		**(14.7)**	(18.4)	**(23.2)**	(117.4)
Loss per share					
Basic	14	**(0.08)**	(0.11)	**(0.13)**	(0.98)
Diluted	14	**(0.08)**	(0.11)	**(0.13)**	(0.98)

The accompanying notes are an integral part of the condensed interim consolidated financial statements

DENTALCORP HOLDINGS LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Canadian dollars)

	Note	At September 30, 2022 $	At December 31, 2021 $
Assets			
Current assets			
Cash		**133.0**	141.8
Trade and other receivables		**82.3**	73.3
Inventories		**38.8**	35.5
Prepaid and other assets		**17.4**	13.2
		271.5	263.8
Non-current assets			
Investment in associate		**0.1**	0.3
Trade and other receivables		**15.3**	10.0
Prepaid and other assets		**4.0**	2.6
Property and equipment		**200.9**	167.4
Right-of-use assets		**282.8**	238.3
Intangible assets		**400.8**	345.3
Goodwill	6	**2,124.7**	1,810.1
		3,028.6	2,574.0
Total assets		**3,300.1**	2,837.8
Liabilities			
Current liabilities			
Trade and other payables		**156.4**	108.5
Contract liabilities		**5.2**	2.4
Lease liabilities		**26.5**	23.1
Contingent consideration	9	**19.1**	37.2
		207.2	171.2
Non-current liabilities			
Contract liabilities		**0.4**	0.1
Lease liabilities		**282.7**	236.6
Borrowings	7	**1,044.6**	894.1
Contingent consideration	9	**11.6**	8.4
Share-based payment liability	10	**3.8**	13.4
		1,343.1	1,152.6
Total liabilities		**1,550.3**	1,323.8
Shareholders' equity			
Share capital	10	**2,162.8**	1,918.4
Contributed surplus		**103.8**	89.2
Accumulated deficit		**(516.8)**	(493.6)
		1,749.8	1,514.0
Total liabilities and shareholders' equity		**3,300.1**	2,837.8

The accompanying notes are an integral part of the condensed interim consolidated financial statements

DENTALCORP HOLDINGS LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In millions of Canadian dollars, except number of shares)

	Note	Outstanding Shares[i] Number of Shares #	Class A Common Shares Amount $	Class B Common Shares Amount $	Subordinated Voting Shares Amount $	Multiple Voting Shares Amount $	Contributed Surplus $	Accumulated Deficit $	Total Shareholders' Equity $
Balance, December 31, 2021		168,140,326	—	—	1,790.5	127.9	89.2	(493.6)	1,514.0
Consideration issued for acquisitions	5,10	9,897,346	—	—	135.3	—	—	—	135.3
Settlement of contingent consideration	5,9,10	222,377	—	—	3.1	—	—	—	3.1
Share subscriptions	10	20,067	—	—	0.3	—	—	—	0.3
Share cancellations	10	(88,650)	—	—	(1.1)	—	—	—	(1.1)
Vesting of restricted share awards	10	—	—	—	0.7	—	(0.7)	—	—
Net proceeds from bought deal prospectus	10	7,055,250	—	—	106.1	—	—	—	106.1
Share-based compensation	10	—	—	—	—	—	15.3	—	15.3
Net loss and comprehensive loss		—	—	—	—	—	—	(23.2)	(23.2)
Balance, September 30, 2022		**185,246,716**	**—**	**—**	**2,034.9**	**127.9**	**103.8**	**(516.8)**	**1,749.8**
Balance, December 31, 2020		90,128,065	587.7	304.2	—	—	25.3	(333.2)	584.0
Consideration issued for acquisitions		1,569,702	—	10.5	14.4	—	—	—	24.9
Share subscriptions (including restricted share awards)		129,753	—	1.7	0.1	—	—	—	1.8
Issuance of restricted share awards		—	—	(1.5)	(0.1)	—	—	—	(1.6)
Cancellation of share subscriptions		(4,495)	—	—	0.1	—	—	—	0.1
Share repurchases		(46,850)	—	(0.3)	—	—	—	—	(0.3)
Conversion of Class A and Class B common shares		—	(587.7)	(314.6)	902.3	—	—	—	—
Conversion of preferred shares		7,267,442	—	—	77.3	—	—	—	77.3
Cost of converting preferred shares		—	—	—	(2.7)	—	—	—	(2.7)
Exchange of Subordinate Voting Shares for Multiple Voting Shares		—	—	—	(113.6)	113.6	—	—	—
Shares issued on initial public offering ("IPO")		67,905,686	—	—	935.7	15.0	—	—	950.7
Share issuance costs on IPO		—	—	—	(41.7)	(0.7)	—	—	(42.4)
Share-based compensation		—	—	—	—	—	59.2	—	59.2
Net loss and comprehensive loss		—	—	—	—	—	—	(117.4)	(117.4)
Balance, September 30, 2021		166,949,303	—	—	1,771.8	127.9	84.5	(450.6)	1,533.6

(i) Prior to closing of the IPO, the Outstanding Shares of the Company consisted of Class A and Class B common shares. Post closing of the IPO, the Outstanding Shares of the Company consist of Subordinate Voting Shares and Multiple Voting Shares. Refer to Note 10.

The accompanying notes are an integral part of the condensed interim consolidated financial statements

DENTALCORP HOLDINGS LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Canadian dollars)

	Note	Nine months ended September 30, 2022 $	Nine months ended September 30, 2021 $
Operating activities			
Net loss		**(23.2)**	(117.4)
Items not affecting cash			
Depreciation and amortization		**139.2**	116.0
Net finance costs	11	**43.9**	102.8
Change in fair value of derivative instruments	9	**—**	65.9
Change in fair value of contingent consideration	9	**14.1**	2.2
Change in fair value of conversion option		**—**	(30.8)
Share-based compensation	10	**5.7**	67.5
Deferred tax recovery		**(21.0)**	(12.2)
Net foreign exchange gain		**(2.1)**	(84.0)
Share of associate losses		**0.2**	0.1
Gain on legal settlement		**(0.1)**	—
Changes in non-cash working capital items			
Trade and other receivables		**(14.8)**	(13.9)
Inventories		**(1.5)**	(4.1)
Prepaid and other assets		**(4.2)**	(4.7)
Current income taxes recoverable		**—**	1.8
Trade and other payables		**35.5**	9.1
Contract liabilities		**3.1**	0.3
Interest paid		**(44.8)**	(65.8)
Interest received		**1.4**	0.8
		131.4	33.6
Investing activities			
Acquisition of dental practices	5	**(326.9)**	(177.6)
Payment of contingent consideration	9	**(27.3)**	(6.4)
Purchase of property and equipment		**(17.3)**	(13.4)
Purchase of intangible assets		**(1.4)**	—
Development expenditures		**(5.6)**	—
		(378.5)	(197.4)
Financing activities			
Proceeds from borrowings	7	**149.6**	1,090.3
Transaction costs related to borrowings	7	**(1.9)**	(15.0)
Repayment of borrowings		**—**	(1,549.1)
Fees paid on settlement of borrowings		**—**	(0.8)
Settlement of derivative instruments		**—**	(160.2)
Proceeds from issuance of shares	10	**106.4**	950.7
Repurchase of shares		**—**	(0.3)
Fees paid related to closing of IPO and conversion of preferred shares		**—**	(45.1)
Repayment of principal on leases		**(17.9)**	(15.8)
		236.2	254.7
(Decrease) increase in cash for the period		**(10.9)**	90.9
Net foreign exchange difference		**2.1**	—
Cash, beginning of period		**141.8**	101.5
Cash, end of period		**133.0**	192.4

The accompanying notes are an integral part of the condensed interim consolidated financial statements

1. General information

dentalcorp Holdings Ltd. (formerly Dentalcorp Overbite Ltd.) (the "Company") was incorporated on April 20, 2018 under the provisions of the *Business Corporations Act* (British Columbia). The Company's head office is located at 181 Bay Street, Suite 2600, Toronto, Ontario, Canada, M5J 2T3, and its registered office is located at 595 Burrard Street, Suite 2600, Three Bentall Centre, Vancouver, British Columbia, Canada, V7X 1L3. The principal activity of the Company, through its subsidiaries, is to acquire dental practices and provide health care services in Canada.

The Company did not have any assets or operations until the acquisition of 100% of the issued and outstanding share capital of Dental Corporation of Canada Holdings Inc. ("DCCH") on April 30, 2018. On January 1, 2019, DCCH was amalgamated with several other subsidiaries of the Company to form Dentalcorp Health Services ULC ("ULC"), a wholly owned subsidiary of the Company.

On May 27, 2021, the Company completed an initial public offering (the "IPO") and its Subordinate Voting Shares began trading on the Toronto Stock Exchange ("TSX") under the symbol "DNTL". Immediately prior to closing of the IPO, the Company completed a number of pre-closing capital changes (the "pre-closing capital changes") as described below:

- The Company and its subsidiaries, Dentalcorp Underbite Ltd., 1173990 B.C. Ltd., Dentalcorp Incisor Ltd., Dentalcorp Canine Ltd. and DCC Palate Expander Holdings ULC were amalgamated to form a new company, dentalcorp Holdings Ltd. In addition, ULC was converted from an unlimited liability company under the *Business Corporations Act* (British Columbia) to a limited liability company, Dentalcorp Health Services Ltd;
- The Company's authorized share capital was amended to comprise an unlimited number of Multiple Voting Shares, an unlimited number of Subordinate Voting Shares, and an unlimited number of preferred shares;
- The Company exchanged each of the Class A and Class B common shares for a Subordinate Voting Share;
- The Company converted all of the outstanding preferred shares into Subordinate Voting Shares;
- Each option outstanding under the Company's 2018 Stock Option Plan and each restricted share award that was initially exercisable for a common share became exercisable for a Subordinate Voting Share; and
- Each issued and outstanding Subordinate Voting Share held by the current Chief Executive Officer ("CEO") and an entity controlled by the current CEO, was exchanged for a Multiple Voting Share.

2. Significant accounting policies

Basis of presentation

The condensed interim consolidated financial statements for the three and nine months ended September 30, 2022 and 2021 (the "Interim Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting* and were approved and authorized for issuance by the Board of Directors on November 9, 2022.

The Interim Financial Statements do not include all disclosures required in the annual consolidated financial statements and accordingly, should be read in conjunction with the Company's consolidated financial statements as at and for the years ended December 31, 2021 and 2020 (the "Annual Financial Statements").

The Interim Financial Statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value at the end of the reporting period as detailed in the Annual Financial Statements.

The Interim Financial Statements are presented in Canadian dollars, the Company's functional currency. All values presented are rounded to the nearest million, except where otherwise indicated.

In preparing the Interim Financial Statements, certain comparative figures have been reclassified to conform to current period financial statement presentation.

Basis of consolidation

The Interim Financial Statements include the accounts of the Company and its wholly owned subsidiaries: Dentalcorp Health Services Ltd., DCC Health Services (Quebec) Inc., 1348856 B.C. Ltd. and Dentalcorp Holdings (US) Ltd.

The Interim Financial Statements also include 100% of the accounts of Dr. Larry Podolsky Dentistry Professional Corporation, Cliniques Dentaires Dr. Sam N. Sgro Inc., Larry G. Podolsky Dentistry Professional Corporation, Dr. Podolsky Dental Professional (NS) Inc., Dr. Larry Podolsky Dental Corporation, Dr. Podolsky (NB) Professional Corporation, Dr. Larry Podolsky (YK) Professional Corporation, Dr. Larry Podolsky Dental Clinic Inc., Dr. Podolsky (PEI) Professional Corporation, Dr. Larry Podolsky Dental Professional Corporation, Mel McManus (Manitoba) Dental Corporation and C.W.A. Young Professional Corporation (collectively, the "Professional Corporations"). The Company does not hold an equity interest in the Professional Corporations but has consolidated these entities on the basis of contractual relationships with the Company.

All intercompany assets and liabilities, equity, income, expenses and cash flows related to transactions between the Company, its wholly owned subsidiaries, and the Professional Corporations are eliminated in full on consolidation.

Accounting policies

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

Amended IFRS standards that are effective for the current period

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

New and amended IFRS standards in issue but not yet effective

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

IFRS 17, Insurance Contracts 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 IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. The effective date of the amendments has yet to be set by the Board of Directors.

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

3. Use of judgements and key estimates

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

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

4. Operating segment and revenue

The Company is organized into one reportable operating segment, being the provision of health care services within Canada. Operating segments are reported in a manner consistent with internal reports provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Company's CEO.

All of the Company's revenue and non-current assets are derived from and located within Canada. The Company does not derive revenue from any single customer that exceeds 10% or more of the Company's revenue.

The Company has recognized the following amounts relating to revenue in the condensed interim consolidated statements of loss and comprehensive loss:

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	$	$	$	$
Revenue recognized at a point-in-time	**296.4**	232.2	**866.7**	704.7
Revenue recognized from transfer of services over time	**15.7**	18.0	**52.6**	53.6
	312.1	250.2	**919.3**	758.3

5. Business combinations

Acquisition of dental practices

During the three and nine months ended September 30, 2022, the Company completed 13 and 40 dental practice acquisitions, respectively (representing 14 and 84 dental practice locations, respectively) by way of the acquisition of all of the issued and outstanding shares of such dental practice business (three and nine months ended September 30, 2021: 14 and 48 dental practice acquisitions, respectively (representing 14 and 48 dental practice locations, respectively) 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 following table summarizes the fair value of assets acquired and liabilities assumed at the dates of acquisition:

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	$	$	$	$
Assets				
Inventories	**0.4**	1.2	**1.9**	3.9
Property and equipment(i)	**9.6**	8.8	**64.4**	29.5
Right-of-use assets(ii)	**12.4**	8.1	**57.1**	26.2
Intangible assets(iii)	**26.0**	20.7	**116.7**	63.3
Liabilities				
Lease liabilities(ii)	**(12.6)**	(8.1)	**(57.8)**	(26.2)
Deferred tax liabilities	**(2.2)**	(4.3)	**(21.0)**	(12.2)
Total identifiable net assets at fair value	**33.6**	26.4	**161.3**	84.5
Goodwill arising on acquisition(iv)	**70.5**	46.4	**314.6**	124.8
Total consideration transferred	**104.1**	72.8	**475.9**	209.3

(i) Except for land and buildings, the Company measured the fair value of property and equipment using the replacement cost new method, which involves estimating the cost of replacing an item of property and equipment and reducing that cost to reflect the applicable decline in value of the property and equipment from physical deterioration. For land and buildings, the Company obtained independent valuations that measured the fair value of land and buildings using three accepted methods for valuing real estate property, including the cost approach, the direct comparison approach, and the income approach.

(ii) The Company measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

(iii) For the three and nine months ended September 30, 2022, intangible assets comprise customer relationships of \$24.1 million and \$105.4 million, respectively (three and nine months ended September 30, 2021: \$19.0 million and \$58.5 million, respectively), brands of \$1.3 million and \$8.9 million, respectively (three and nine months ended September 30, 2021: \$1.3 million and \$3.4 million, respectively) and non-compete agreements of \$0.6 million and \$2.4 million, respectively (three and nine months ended September 30, 2021: \$0.4 million and \$1.4 million, respectively).

(iv) Goodwill recognized is primarily attributable to the anticipated improvement in the operations of the acquired dental practices and synergies with existing operations as a result of implementation of the Company's business strategies. None of the goodwill recognized on acquisition is expected to be deductible for income tax purposes.

The following table summarizes the acquisition date fair value of each major class of consideration transferred:

	Three months ended		**Nine months ended**	
	September 30, 2022	**September 30, 2021**	**September 30, 2022**	**September 30, 2021**
	$	**$**	**$**	**$**
Purchase consideration				
Cash	**72.6**	59.8	**339.2**	181.1
Equity instruments[(i)]	**30.1**	13.0	**135.3**	25.0
Contingent consideration[(ii)]	**1.4**	—	**1.4**	3.2
Total purchase consideration	**104.1**	72.8	**475.9**	209.3

(i) For the three and nine months ended September 30, 2022, the weighted average estimated fair value of the Company's equity instruments were \$11.65 and \$13.67, respectively (three and nine months ended September 30, 2021: \$16.72 and \$15.68, respectively). Prior to the IPO, the fair value of the Company's common shares was determined using a multiple of earnings before interest, tax, depreciation and amortization ("EBITDA") and then adjusted for the Company's outstanding borrowings, preferred share liability and proceeds from loans issued to MLP Managers (defined in Note 10) under the Company's Management Loan Program. Following the IPO, the fair value of the Company's Subordinate Voting Shares is determined based on the volume weighted average price per share of the Subordinate Voting Shares on the TSX for a certain number of trading days prior to the acquisition date.

(ii) The Company has certain earn-out arrangements in place whereby it has agreed to pay Partner dentists additional consideration based on an agreed-upon multiple of the EBITDA of the acquired practice (being the revenue of the practice, less expenses of the practice), subject to certain adjustments, over an agreed-upon period. During the three and nine months ended September 30, 2022, the Company included contingent consideration of \$1.4 million and \$1.4 million, respectively in total purchase consideration (three and nine months ended September 30, 2021: \$nil and \$3.2 million, respectively), which represents its fair value at the date of acquisition and is based on the expected discounted cash flows of the dental practice post acquisition. Refer to Note 9 for additional information.

For the three and nine months ended September 30, 2022, the Company incurred acquisition-related costs of \$1.1 million and \$9.5 million, respectively (three and nine months ended September 30, 2021: \$1.8 million and \$4.5 million, respectively) which have been included in selling, general and administrative expenses in the condensed interim consolidated statements of loss and comprehensive loss.

For all acquisitions that occurred during the period from November 1, 2021 to September 30, 2022, the purchase price allocation is considered to be provisional and subsequent adjustments during the measurement period (i.e., within one year) may occur as the Company completes its estimation of the fair value of assets acquired and liabilities assumed, including the valuation of property and equipment, leases, intangible assets, contingent consideration, net working capital items and deferred tax balances.

The acquired dental practices have contributed revenue and net income for the three and nine months ended September 30, 2022 of $43.0 million and $0.5 million, respectively, and $77.3 million and $3.0 million, respectively (three and nine months ended September 30, 2021: $21.7 million and $(0.5) million, respectively, and $42.3 million and $4.8 million, respectively).

Pro forma results of operations

If the acquisitions for the three and nine months ended September 30, 2022 had occurred at the beginning of 2022, the Company estimates that consolidated revenue and net loss would have been $315.4 million and $12.3 million, respectively and $987.7 million and $3.0 million, respectively.

The pro forma results do not purport to be indicative of the results of operations that would have resulted had the acquisitions occurred at the beginning of the respective periods in which the acquisitions took place, nor are they necessarily indicative of future operating results.

Bridge from fair value of cash consideration to acquisition cash outflow

	Nine months ended	
	September 30, 2022	**September 30, 2021**
	$	**$**
Fair value of cash consideration[(i)]	**340.9**	181.1
Holdback on current period deals[(ii)]	**(21.5)**	(8.1)
Holdback payment prior period deals[(ii)]	**7.5**	4.6
	326.9	177.6

(i) For the nine months ended September 30, 2022, the fair value of cash consideration is reconciled as cash consideration for 2022 acquisitions of $339.2 million, plus $1.7 million consideration payable as at December 31, 2021 that was settled during the three months ended March 31, 2022.

(ii) For certain acquisitions, the Company will hold back a percentage of the total consideration payable and recognize a holdback payable to the acquiree. As at September 30, 2022, $26.1 million of the cash consideration remained payable to the vendors and is recorded in trade and other payables (December 31, 2021: $12.0 million).

6. Goodwill

	Total
	$
At January 1, 2021	1,638.1
Acquisitions	172.0
At December 31, 2021	1,810.1
Acquisitions (Note 5)	314.6
At September 30, 2022	**2,124.7**

7. Borrowings

	At September 30, 2022	**At December 31, 2021**
	$	**$**
Credit Facilities		
Term facility[(i)]	**895.0**	894.1
Delayed draw facility[(iii)]	**149.6**	—
Total borrowings	**1,044.6**	894.1
Current	**—**	—
Non-current	**1,044.6**	894.1

Credit Facilities

Concurrently with the closing of the IPO, the Company entered into a Credit Agreement with a syndicate of lenders (the "Lenders"). Under the Credit Agreement, the Lenders made available to the Company (i) a $100.0 million senior secured revolving credit facility (the "Revolving Facility"); (ii) a $300.0 million senior secured non-amortizing delayed draw acquisition term loan (the "Delayed Draw Facility"); and (iii) a $900.0 million senior secured non-amortizing term loan (the "Term Facility") (collectively, the "Credit Facilities"). On July 20, 2022, the Company and Lenders entered into an Amended and Restated Credit Agreement (the "Amended Credit Agreement") to increase the amounts available to be drawn down under the Revolving Facility to $150.0 million and the Delayed Draw Facility to $700.0 million. The Credit Facilities mature on May 27, 2026 and are secured on a first-priority basis, subject to permitted liens, on substantially all of the Company's present and after-acquired assets.

(i) Term Facility

The Company may make drawdowns, conversions, and rollovers under the Term Facility in Canadian dollars, by way of Prime Rate Advances or Bankers' Acceptances ("BA") and BA Equivalent Notes. On closing of the IPO, the Company drew down the full $900.0 million Term Facility as BA or BA Equivalent Notes and, in conjunction with the proceeds of the IPO, repaid the Pre-IPO borrowings. The BA or BA Equivalent Notes have a maturity of one, two or three months, subject to availability, and bear interest at a rate equal to CDOR plus an applicable margin, which is based on the Company's total funded debt to EBITDA ratio as of the end of the most recently completed fiscal quarter or fiscal year. As at September 30, 2022, the applicable margin was 2.75% (December 31, 2021: 2.50%). No scheduled payments of principal are required under the Term Facility prior to maturity. Interest is payable, one month in advance on the first day of each month.

The following is a continuity schedule of borrowings under the Term Facility:

	Total **$**
Initial drawdown on May 27, 2021	900.0
Financing costs[(a)]	(6.7)
Interest expense	16.5
Repayments	(15.7)
At December 31, 2021	894.1
Interest expense[(b)]	29.9
Repayments[(b)]	(29.0)
At September 30, 2022	**895.0**

(a) The Company incurred transaction costs of $9.7 million and $1.9 million to enter into the Credit Agreement and Amended Credit Agreement, respectively. The Company has allocated the total to each of the Revolving Facility ($0.9 million), the Delayed Draw Facility ($4.0 million) and the Term Facility ($6.7 million) based on the size of each credit facility relative to the size of all available funds under the Credit Facilities.

(b) Interest expense for the three and nine months ended September 30, 2022 consists of cash interest of $12.7 million and $29.0 million, respectively, and interest accretion of $0.3 million and $0.9 million, respectively.

(ii) Revolving Facility

The Company may make drawdowns, conversions and rollovers under the Revolving Facility (i) in Canadian dollars, by way of Prime Rate Advances, BA and/or BA Equivalent Notes, or Letters of Credit; and (ii) in USD, by way of US Base Rate Advances and LIBOR Advances for working capital and other general corporate purposes. The Company may increase or decrease advances, repayments and further drawdowns of the amounts that have been repaid. The rate of interest on any borrowing under the Revolving Facility is dependent on the type of drawdown, conversion or rollover that is chosen. As at September 30, 2022, the Revolving Facility is also subject to a stand-by fee on the unutilized amount of the Revolving Facility of 0.55% (December 31, 2021: 0.50%).

As at September 30, 2022, no funds have been drawn down under the Revolving Facility. The Company has treated the transaction costs allocated to the Revolving Facility (see Note (a) per Term Facility above) as a prepaid asset representing the right to borrow in the future on pre-specified terms, which may be favourable to the Company. In addition, as both the amounts and the timing of any drawdown and/or repayment of the Revolving Facility can vary at the discretion of the Company, the transaction costs are not considered specific to any borrowing and, on this basis, are being systematically released to finance costs in the condensed interim consolidated statements of loss and comprehensive loss over the term of the Revolving Facility, with $nil and $0.1 million, respectively, being recognized during the three and nine months ended September 30, 2022.

(iii) Delayed Draw Facility

The Company may make drawdowns, conversions and rollovers under the Delayed Draw Facility in Canadian dollars, by way of Prime Rate Advances or BA and BA Equivalent Notes to finance acquisitions, capital expenditures and the payment of earn-out obligations. The rate of interest on any borrowing under the Delayed Draw Facility is dependent on the type of drawdown, conversion or rollover that is chosen. During the nine months ended September 30, 2022, the Company drew down $149.6 million under the Delayed Draw Facility at CDOR plus an applicable margin of 2.75%.

The Delayed Draw Facility is a non-revolving facility and, accordingly, except for conversions and rollovers, no amounts repaid under the Delayed Draw Facility may be reborrowed and the limits of the Delayed Draw Facility are reduced by any repayment. Once drawn, no scheduled payments of principal are required prior to maturity. As at September 30, 2022, the Delayed Draw Facility is also subject to a stand-by fee on the unutilized amount of the Delayed Draw Facility of 0.55% (December 31, 2021: 0.50%).

The Company has treated the transaction costs allocated to the Delayed Draw Facility (see Note (i) per Term Facility above) as a prepaid asset representing the right to borrow in the future on pre-specified terms, which may be favourable to the Company. In addition, as the Delayed Draw Facility allows the Company to draw down on the facility at any time over the term of the Credit Agreement, but the borrowing must be repaid by a fixed date regardless of when the borrowing is made, the prepaid asset is released to finance costs in the condensed interim consolidated statements of loss and comprehensive loss on a systematic basis over the period which the Company has the right to draw down upon the facility, with $0.2 million and $0.4 million, respectively, being recognized during the three and nine months ended September 30, 2022. If and when the Delayed Draw Facility is fully drawn by the Company, the Company will recognize the remaining unamortized prepaid asset net against the carrying amount of the borrowing.

Financial Covenants

Per the Credit Agreement, the Company is subject to financial covenants including the maintenance of (i) a maximum total funded debt to EBITDA ratio; and (ii) a minimum interest rate coverage ratio. As at September 30, 2022, the Company was in compliance with all financial covenants.

Pre-IPO Borrowings

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

During the nine months ended September 30, 2021, the Company amended the terms of the Pre-IPO borrowings with the effect being to increase the aggregate principal amount of borrowings under the Pre-IPO borrowings by $190.3 million (USD $150.0 million). The amendments did not result in a substantial modification under IFRS 9, *Financial Instruments* and as a result, the carrying amount of the Pre-IPO borrowings were restated to reflect the net present value of the revised cash flows discounted at the original effective interest rate. The difference between the original carrying amount and the revised carrying amount as of the date of modification has been recognized as a loss on modification of $1.9 million for the nine months ended September 30, 2021, within net finance costs in the condensed interim consolidated statements of loss and comprehensive loss.

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. On derecognition of the Pre-IPO borrowings, the Company recognized a loss on settlement of $26.7 million for the nine months ended September 30, 2021 within net finance costs in the condensed interim consolidated statements of loss and comprehensive loss.

8. Income tax recovery

The following are the major components of income tax recovery:

	Three months ended		Nine months ended	
	September 30, 2022	**September 30, 2021**	**September 30, 2022**	**September 30, 2021**
	$	**$**	**$**	**$**
Current tax expense				
Current period adjustments with respect to the previous period	**—**	—	**—**	0.3
Deferred tax recovery				
Relating to origination and reversal of temporary differences	**(3.6)**	(1.6)	**(6.4)**	(22.0)
Non-recognition of deferred tax assets	**3.6**	1.6	**6.4**	22.0
Recognition of deferred tax asset related to acquired deferred tax liabilities	**(2.2)**	(4.3)	**(20.9)**	(12.2)
	(2.2)	(4.3)	**(20.9)**	(11.9)

The following is a reconciliation of income tax recovery and accounting loss:

	Three months ended		Nine months ended	
	September 30, 2022	**September 30, 2021**	**September 30, 2022**	**September 30, 2021**
	$	**$**	**$**	**$**
Loss before income taxes	**(16.9)**	(22.7)	**(44.1)**	(129.3)
Income tax based on the applicable statutory tax rate of 26.6% (2021: 26.6%)	**(4.5)**	(6.1)	**(11.8)**	(34.4)
Non-deductible (non-taxable) expenses	**0.9**	4.5	**5.4**	12.7
Non-recognition of deferred tax assets	**3.6**	1.6	**6.4**	22.0
Recognition of deferred tax asset related to acquired deferred tax liabilities	**(2.2)**	(4.3)	**(20.9)**	(12.2)
Income tax recovery	**(2.2)**	(4.3)	**(20.9)**	(11.9)

9. Financial instruments

Fair values of financial instruments

Fair value hierarchy Levels 1 to 3 are based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments as at September 30, 2022 are as follows:

	Classification and measures	Total carrying amount $	Fair value $	Fair value hierarchy
Cash	Amortized cost	133.0	133.0	Level 1
Trade and other receivables (excluding Partner receivables and the Secured convertible promissory note)	Amortized cost	78.7	78.7	Level 1
Partner receivables	Amortized cost	17.0	17.0	Level 2
Secured convertible promissory note	FVTPL	1.9	1.9	Level 3
Trade and other payables	Amortized cost	(156.4)	(156.4)	Level 1
Borrowings	Amortized cost	(1,044.6)	(1,044.6)	Level 1
Contingent consideration	FVTPL	(30.7)	(30.7)	Level 3
		(1,001.1)	**(1,001.1)**	

The Company's financial instruments as at December 31, 2021 are as follows:

	Classification and measures	Total carrying amount $	Fair value $	Fair value hierarchy
Cash	Amortized cost	141.8	141.8	Level 1
Trade and other receivables (excluding Partner receivables)	Amortized cost	60.4	60.4	Level 1
Partner receivables	Amortized cost	22.9	22.9	Level 2
Trade and other payables	FVTPL	(108.5)	(108.5)	Level 3
Borrowings	Amortized cost	(894.1)	(894.1)	Level 1
Contingent consideration	Amortized cost	(45.6)	(45.6)	Level 1
		(823.1)	(823.1)	

The Company has assessed that the fair values of cash, trade and other receivables (excluding Partner receivables), the Secured convertible promissory note (refer Note 15), and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of Partner receivables with maturities less than 12 months approximates their carrying amounts. The carrying value of Partner receivables with maturities greater than 12 months have been discounted to present value at a rate which the Partner could otherwise borrow on similar terms. On this basis, the Company has assessed that the fair values of these receivables would approximate their carrying values. During the nine months ended September 30, 2022, the Company provided for an expected credit loss of $8.8 million due to relief provided by the Company to Partner dentists.

The fair values of the Company's borrowings are considered to be the same as their fair values as the interest payable on those borrowings is based on floating rates (refer to Note 7).

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Valuation of technique(s) and key inputs	Significant unobservable inputs	Relationship and sensitivity of unobservable inputs to fair value
Contingent consideration	Discounted cash flow method was used to capture the present value of the expected cash flow of the dental practice acquired by the Company, for the applicable valuation period after acquisition	• Range of expected cash flows by acquisition: $17,671 to $1,935,915 (December 31, 2021: $17,671 to $1,978,458) • Risk-adjusted discount rate of 9% (December 31, 2021: 10%)	The estimated fair value would increase (decrease) if: (i) the expected cash flows were higher (lower); or (ii) the risk-adjusted discount rate was lower (higher)

There were no transfers between Levels 1, 2 and 3 during the three and nine months ended September 30, 2022.

Reconciliation of Level 3 fair value measurements of financial instruments

The following is a reconciliation of Level 3 fair value measurements of financial liabilities:

	Conversion option $	Contingent consideration $	Total $
At January 1, 2021	30.8	36.2	67.0
Acquisitions	—	3.2	3.2
Settlements	—	(9.4)	(9.4)
Changes in fair value recognized in net loss	(30.8)	15.6	(15.2)
At December 31, 2021	—	45.6	45.6
Acquisitions (Note 5)	—	1.4	1.4
Settlements[(i)]	—	(30.4)	(30.4)
Changes in fair value recognized in net loss	—	14.1	14.1
At September 30, 2022	**—**	**30.7**	**30.7**

(i) During the nine months ended September 30, 2022, the Company settled contingent consideration related to prior-period acquisitions in the amount of $27.3 million in cash and $3.1 million in shares (nine months ended September 30, 2021: $4.0 million in cash and $nil in shares).

There was no change in the fair value of the Secured convertible promissory note during the three and nine months ended September 30, 2022.

Derivatives

During the three months ended September 30, 2022, the Company entered into an interest rate swap agreement with a number of financial institutions to manage its interest rate exposure related to borrowings under the Credit Facilities. The interest rate swap transaction was for a combined notional amount of $500.0 million, has an effective date of October 3, 2022 and a termination date of May 27, 2026. Per the terms of the interest rate swap, the Company receives a fixed rate of 3.84%, payable monthly, commencing on October 31, 2022 up to and including the termination date. As the interest rate swap commenced after September 30, 2022, there was no impact on the Interim Financial Statements.

10. Share capital

Authorized capital

Prior to the pre-closing capital changes

Prior to the pre-closing capital changes, the Company's authorized share capital consisted of (i) an unlimited number of common shares; and (ii) an unlimited number of preferred shares. Immediately prior to the pre-closing capital changes (i) 90,893,186 common shares; and (ii) 7,267,442 preferred shares were issued and outstanding.

Pre-closing capital changes

The pre-closing capital changes have been outlined in Note 1.

After closing of the IPO

Following closing of the IPO, the Company's authorized share capital consists of (i) an unlimited number of Subordinate Voting Shares; (ii) an unlimited number of Multiple Voting Shares; and (iii) an unlimited number of preferred shares, issuable in series. All of the Multiple Voting Shares are held by the CEO and an affiliate entity of the CEO.

Subordinate and Multiple Voting Shares

The rights of the holders of the Subordinate Voting Shares and the Multiple Voting Shares are substantially identical, except for voting and conversion. The holders of the outstanding Subordinate Voting Shares are entitled to 1 vote per Subordinate Voting Share and the holders of the Multiple Voting Shares are entitled to 10 votes per Multiple Voting Share. The Subordinate Voting Shares are not convertible into any other classes of shares. Each outstanding Multiple Voting Share may at any time, at the option of the holder, be converted into one Subordinate Voting Share.

In addition, all Multiple Voting Shares will convert automatically into Subordinate Voting Shares at such time that is the earlier of the following: (i) the CEO and/or his affiliates no longer beneficially own, directly or indirectly, at least 2.5% of the aggregate of the issued and outstanding (on a non-diluted basis) Subordinate Voting Shares and Multiple Voting Shares provided that any Subordinate Voting Shares or Multiple Voting Shares issued after the IPO in connection with any acquisition of the securities, business, property, or other assets of another person (including any roll-up acquisition), or in connection with the entry into any joint venture, commercial relationship or other strategic transaction, shall not be considered to be "issued and outstanding"; (ii) the CEO is no longer serving as a director or in a senior management position of the Company; or (iii) the 20th anniversary of the closing of the IPO.

The Subordinate Voting Shares and Multiple Voting Shares rank equally with respect to the payment of dividends, return of capital and distribution of assets in the event of liquidation, dissolution or winding-up of the Company.

Preferred shares

The preferred shares are issuable at any time and from time to time in series. Each series of preferred shares shall consist of such number of preferred shares and having such rights, privileges, restrictions and conditions as determined by the Board of Directors prior to the issuance thereof. Holders of preferred shares, except as otherwise provided in the terms specific to a series of preferred shares or as required by law, will not be entitled to vote at meetings of holders of the Company's Subordinate Voting Shares or Multiple Voting Shares, and will not be entitled to vote separately as a class upon a proposal to amend the Company's Articles in the case of certain amendments related to the Subordinate Voting Shares and the Multiple Voting Shares. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the preferred shares are entitled to preference over the Subordinate Voting Shares, Multiple Voting Shares and any other shares ranking junior to the preferred shares from time to time with respect to the payment of paid-up capital remaining after the payment of all outstanding debts on a pro-rata basis and the payment of any or all declared but unpaid cumulative dividends or any or all declared but unpaid dividends on the preferred shares, and may also be given such other preferences over the Subordinate Voting Shares, Multiple Voting Shares and any other shares ranking junior to the preferred shares as may be determined at the time of creation of such series.

Issued and outstanding

	Total number of shares outstanding	Dentalcorp Overbite Ltd. Class A and Class B common shares	dentalcorp Holdings Ltd. Subordinated Voting Shares	dentalcorp Holdings Ltd. Multiple Voting Shares
At January 1, 2021	90,097,625	90,097,625	—	—
Consideration issued for acquisitions	2,772,473	717,685	2,054,788	—
Share subscriptions, including RSAs	149,534	124,726	24,808	—
Cancellations of share subscriptions	(5,584)	—	(5,584)	—
Share repurchases	(46,850)	(46,850)	—	—
Conversion of Class A and Class B common shares	—	(90,893,186)	90,893,186	—
Conversion of preferred shares	7,267,442	—	7,267,442	—
Exchange of Subordinated Voting Shares for Multiple Voting Shares	—	—	(8,112,393)	8,112,393
Shares issued on IPO	67,905,686	—	66,834,257	1,071,429
At December 31, 2021	168,140,326	—	158,956,504	9,183,822
Consideration issued for acquisitions(i)	9,897,346	—	9,897,346	—
Settlement of contingent consideration(ii)	222,377	—	222,377	—
Share subscriptions(iii)	20,067	—	20,067	—
Net proceeds from bought deal prospectus(iv)	7,055,250	—	7,055,250	—
Share repurchases(v)	(88,650)	—	(88,650)	—
At September 30, 2022	**185,246,716**	**—**	**176,062,894**	**9,183,822**

(i) During the nine months ended September 30, 2022, the Company issued 9,897,346 shares as consideration for the acquisition of dental practices at a cost of $135.3 million (refer to Note 5).

(ii) During the nine months ended September 30, 2022, the Company issued 222,377 shares as settlement for contingent consideration of $3.1 million (refer to Note 9).

(iii) During the nine months ended September 30, 2022, the Company issued 20,067 shares to Partner and Associate dentists for $0.3 million.

(iv) During the nine months ended September 30, 2022, the Company completed a "bought deal" prospectus offering (the "Offering") of 7,055,250 Subordinate Voting Shares of the Company, including 920,250 Subordinate Voting Shares issued pursuant to the exercise in full of the over-allotment option granted by the Company to the underwriters, at a price of $16.30 per Subordinate Voting Share, for total gross proceeds to the Company of $115.0 million. In connection with the Offering, the Company incurred transaction costs of $8.9 million.

(v) During the nine months ended September 30, 2022, the Company cancelled 88,650 shares held by Partner dentists in connection with the settlement of $1.1 million of outstanding Partner receivables.

Share-based payment arrangements

Legacy Option Plan

On April 30, 2018, the Company established a share option plan for directors, officers and employees of the Company. The plan was further amended in 2020 to remove the performance vesting condition for options granted to non-executive employees and further amended on closing of the IPO to give effect to: (i) the changes contemplated by the pre-closing capital changes outlined in Note 1; (ii) the addition of provisions that permit the extension of share options during black-out periods; and (iii) the inclusion of terms and conditions required by the TSX, such as provisions and restrictions relating to the amendment of the share option plan or outstanding share options (the "Legacy Option Plan"). The maximum number of subordinate voting shares reserved for issuance under the Legacy Option Plan is 2,977,316.

Each share option under the Legacy Option Plan (the "Legacy Option") has a contractual term of 10 years and is exercisable at a price equal to the fair value of the Subordinate Voting Shares on the date of grant. 100% of the Legacy Options granted to non-executive employees and 50% of the Legacy Options granted to executive employees are subject to a five-year service vesting condition, vesting 20% on each anniversary of the grant date. 50% of the Legacy Options granted to executive employees (subject to the modifications outlined below) are also subject to a performance vesting condition and vest upon the occurrence of a change in control where the market price of the Subordinate Voting Shares is equal to or greater than a Hurdle Price. The Legacy Options may be exercised at any time from the date of vesting to the date of their expiry and are settled at the option of the employee in either cash or Subordinate Voting Shares.

During the year ended December 31, 2021, the Company modified the performance vesting condition related to Legacy Options granted to select executive employees. The Company accounted for the modifications as a cancellation of the original Legacy Options and the issuance of new Legacy Options on the following terms:

- 503,173 Legacy Options now vest in equal monthly instalments over a two-year period following the modification date (the "First Modified Options"). The First Modified Options are only exercisable after all First Modified Options have vested, except if employment is terminated for any reason other than for cause or voluntary resignation, in which case, if the date of termination is prior to the first anniversary of the modification date, 50% of the First Modified Options shall fully vest with the unvested First Modified Options then being forfeited for no consideration. If the executive employee voluntarily resigns, or employment is terminated for cause, all of the First Modified Options are forfeited by the employee for no consideration.

- 148,368 Legacy Options now vest on the first anniversary of the modification date if certain performance vesting conditions related to continued employment are met (the "Second Modified Options"). If all of the vesting criteria are not met, the Second Modified Options are forfeited by for no consideration.

The Legacy Option Plan has been classified as a cash-settled share-based payment arrangement. The table below summarizes the activity related to the Legacy Option Plan for the nine months ended September 30, 2022 and 2021:

	Nine months ended			
	September 30, 2022		September 30, 2021	
	Number of Legacy Options	Weighted average exercise price $	Number of Legacy Options	Weighted average exercise price $
Legacy Options outstanding, at beginning of period	**2,999,118**	**12.20**	2,872,934	12.07
Legacy Options granted	—	—	316,384	14.25
Legacy Options forfeited and cancelled	**(21,802)**	**13.76**	(190,200)	14.16
Legacy Options outstanding, at end of period	**2,977,316**	**12.19**	2,999,118	12.20
Legacy Options exercisable, at end of period	**1,718,407**	**11.97**	876,431	11.85

The fair values of the Legacy Options were calculated using the Black-Scholes Option Pricing Model as at September 30, 2022 and 2021. Key inputs into the fair value of the Legacy Options and select other information has been included in the table below:

	As at	
	September 30, 2022	**September 30, 2021**
Share price at period end	**$7.95**	$16.57
Expected volatility	**41.4%-48.0%**	49.3%–63.8%
Option expected life	**1.08-5.75 years**	2.1-6.8 years
Dividend yield	**- %**	- %
Risk-free rates	**3.13%-3.75%**	0.53%-1.24%
Other information		
Weighted average remaining contractual life of outstanding options	**6.7 years**	7.8 years
Weighted average fair value of options expected to vest	**$1.52**	$8.53
Intrinsic value of options vested	**$Nil**	$3.7 million

The expected volatility is based on the historic volatility of comparable public companies (based on the remaining life of the Legacy Options at the end of the reporting period), adjusted for any expected changes to future volatility due to publicly available information. The expected volatility reflects the assumption that the historical volatility over a period similar to the remaining life of the options is indicative of future trends, which may not necessarily be the actual outcome.

For the three and nine months ended September 30, 2022, share-based compensation expense related to the Legacy Option Plan was a credit of $5.4 million and $9.6 million, respectively (three and nine months ended September 30, 2021: debit of $4.8 million and $8.4 million, respectively) with a corresponding change to the share-based payment liability. The carrying value of the share-based payment liability in the condensed interim consolidated statements of financial position as at September 30, 2022 is $3.8 million (December 31, 2021: $13.4 million).

Equity Incentive Plan

Immediately following the IPO, the Company's Board of Directors approved the adoption of the Equity Incentive Plan, which allows the Company to grant long-term equity-based incentives, including options, share appreciation rights ("SARs"), performance share units ("PSUs") and restricted share units ("RSUs") to eligible participants. Each award of (i) an Option, represents the right to receive Subordinate Voting Shares; (ii) a SAR, represents the right to receive cash; and (iii) a PSU or RSU, represents the right to receive cash, Subordinate Voting Shares, or a combination of cash and Subordinate Voting Shares, as determined by the Board of Directors or as specified in the grant agreement. The maximum number of Subordinate Voting Shares reserved for issuance under the Equity Incentive Plan and Deferred Share Unit Plan (described below) is 13,607,829.

Options

Options issued under the Equity Incentive Plan have a contractual life of 10 years and are exercisable at the volume weighted average trading price per Subordinate Voting Share on the TSX during the five trading days immediately preceding the date of grant. Unless otherwise designated by the Board of Directors, the Options vest in five equal instalments over a five-year period with 20% of the Options vesting on each anniversary of the grant date. Options may be exercised at any time from the day of vesting to the date of expiry and are to be settled in Subordinate Voting Shares.

The Equity Incentive Plan has been classified as an equity-settled share-based payment arrangement. The table below summarizes the activity related to the Options for the nine months ended September 30, 2022 and 2021:

	Nine months ended			
	September 30, 2022		September 30, 2021	
	Number of options	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)
Options outstanding, at beginning of period	**6,302,307**	**17.48**	—	—
Options granted	**124,651**	**16.04**	5,938,885	17.46
Options forfeited and cancelled	**(78,460)**	**17.03**	—	—
Options outstanding, at end of period	**6,348,498**	**17.45**	5,938,885	17.46

The fair values of the Options were calculated using the Black-Scholes Option Pricing Model as at the date of grant. Key inputs into the fair value of the Options and select other information has been included in the table below:

	Nine months ended	
	September 30, 2022	September 30, 2021
Share price at grant date	**$15.51-$16.23**	$14.00-$15.12
Expected volatility	**41.4%-42.6%**	52.1%-55.5%
Option expected life	**5.5-7.5 years**	5.5-7.5 years
Dividend yield	**- %**	- %
Risk-free rates	**1.68%-2.79%**	0.8%-1.3%
Other information		
Weighted average remaining contractual life of outstanding options	**8.7 years**	9.7 years

Select options that were granted during 2021 were granted under different vesting terms than per the Equity Incentive Plan. For Options granted to the CEO of the Company, the Options vest 25% on the first anniversary of the grant date, 20% on the 2nd, 3rd, 4th anniversary dates, and 15% on the 5th anniversary date. For Options granted to the President and Chief Financial Officer of the Company, the Options vest 45% on the 2nd anniversary of the grant date, 20% on the 3rd and 4th anniversary dates, and 15% on the 5th anniversary date.

For the three and nine months ended September 30, 2022, share-based compensation expense related to the Options was $3.3 million and $11.4 million, respectively (three and nine months ended September 30, 2021: $4.3 million and $5.6 million, respectively) with a corresponding credit to contributed surplus.

SARs, PSUs and RSUs

SARs are issued at the volume weighted average trading price per Subordinate Voting Share on the TSX during the five trading days immediately preceding the date of grant and are settled in cash. All other terms and conditions are determined by the Board of Directors and set forth in the grant agreement at the time of grant.

PSUs and RSUs are issued at the volume weighted average trading price per Subordinate Voting Share on the TSX during the five trading days immediately preceding the date of grant and may be settled in cash, Subordinate Voting Shares, or a combination of cash and Subordinate Voting Shares, as determined by the Board of Directors. All other terms and conditions are determined by the Board of Directors and set forth in the grant agreement at the time of grant.

During the nine months ended September 30, 2022, the Company issued 491,896 RSUs to employees at a weighted average fair value of $15.33 and recognized the forfeiture of 2,277 RSUs with a weighted average fair value of $15.91. As at September 30, 2022, the Company has 517,903 RSUs outstanding to employees of which (i) 301,102 vest on the first anniversary of the grant date, (ii) 7,700 vest on the second anniversary of the grant date; and (iii) 209,101 vest equally on the first, second and third anniversaries of the grant date.

During the nine months ended September 30, 2022, the Company issued 9,674 RSUs to Associates at a weighted average fair value of $15.51 that vest 50% on the first anniversary, and 25% on the second and third anniversaries of the grant date. As at September 30, 2022, the Company has 30,885 PSUs and RSUs outstanding to Associates.

For the three and nine months ended September 30, 2022, share-based compensation expense related to the PSUs and RSUs were $1.3 million and $3.4 million, respectively (three and nine months ended September 30, 2021: $0.2 million and $0.5 million, respectively) with a corresponding credit to contributed surplus.

No SARs have been granted by the Company.

Deferred Share Unit Plan

The Board of Directors also adopted the Deferred Share Unit Plan (the "DSU Plan") in order to provide eligible directors with the opportunity to receive a portion of their compensation in the form of deferred share units ("DSUs"). Each DSU represents a unit equivalent in value to a Subordinate Voting Share based on the volume weighted average trading price per Subordinate Voting Share on the TSX during the five trading days immediately preceding the grant date. The DSU may not be redeemed prior to the eligible director's retirement or later than December 15 of the calendar year following the year in which the retirement occurs. Each award represents the right to receive cash, Subordinate Voting Shares, or a combination of cash and Subordinate Voting Shares, as determined by the Board of Directors.

During the nine months ended September 30, 2022, the Company issued 32,426 DSUs at a weighted average price of $10.96. As at September 30, 2022, the Company has 49,392 DSUs outstanding.

For the three and nine months ended September 30, 2022, share-based compensation expense related to the DSUs were $0.1 million and $0.4 million, respectively (three and nine months ended September 30, 2021: $0.1 million and $0.2 million, respectively) with a corresponding credit to contributed surplus.

Restricted Share Awards

During the nine months ended September 30, 2022, the Company recognized a debit to contributed surplus and a credit to contra-equity of $0.7 million to recognize that 46,310 RSAs fully vested during the period.

During the nine months ended September 30, 2022, the Company recognized $0.1 million of share-based compensation expense related to RSAs issued to employees and Associate dentists.

Management Loan Program ("MLP")

Pre-IPO

On August 30, 2017 (and amended on April 30, 2018), November 1, 2018 and July 7, 2020, predecessors to the Company or certain affiliates thereof made certain loans to key members of senior management (the "MLP Managers") to appropriately incentivize the MLP Managers to advance the interests of the Company.

Under the MLP, the MLP Managers subscribed for common shares of the Company (the "MLP Shares"). To satisfy the subscription price for such MLP Shares, each MLP Manager delivered a promissory note, in a principal amount equal to the subscription price for the MLP Shares being subscribed for, in favour of a wholly owned subsidiary of the Company (each an "MLP Note 1"), and such subsidiary, in turn, delivered a promissory note in the same principal amount to the Company (each an "MLP Note 2") (together, the "MLP Loans").

The MLP Loans were interest free and matured within five years, with the exception of the August 30, 2017 MLP Loan to the CEO (the "CEO MLP Loan"), which was repayable on the date the CEO disposed the last MLP Share under the MLP.

The Company classified the MLP Loans as limited recourse loan arrangements and presented the MLP Loans receivable as a deduction from shareholders' equity.

In addition, the Company classified the MLP as an equity-settled share-based payment arrangement, measured the value of the MLP Share at fair value on the grant date using the Black-Scholes Option Pricing Model, and amortized the share-based compensation expense over the applicable vesting period.

The MLP Shares issued on August 30, 2017 (and amended on April 30, 2018) vested immediately. The MLP Shares issued on November 1, 2018 and July 7, 2020 were subject to the following market and non-market vesting conditions:

- 25% of the MLP Shares issued to the CEO on November 1, 2018 were unrestricted and vested on the date of grant. The remaining 75% of MLP Shares issued were restricted and vested (i) 50% in five equal instalments over a five-year period on each anniversary of the grant date (the "Service Condition"); and (ii) 50%, conditional upon completion of a Liquidity Event (the "Non-Market Performance Condition") where the fair market value of the Company's common shares on the date of the Liquidity Event was equal to or greater than the Hurdle Price (the "Market Performance Condition") (together, the "Performance Conditions").
- 100% of the MLP Shares issued to all other MLP Managers on November 1, 2018 were restricted and vested per the Service Condition and Performance Conditions.

- 100% of MLP Shares issued to all MLP Managers on July 7, 2020 were restricted and vested per the Service Condition and Performance Conditions.

The Market Performance Condition was incorporated into the fair value of the MLP Shares at the date of grant. However, as the Non-Market Performance condition was not probable at the date of grant or at any point prior to the IPO, no share-based compensation expense was recognized in relation to the MLP Shares subject to the Performance Conditions.

Post-IPO

Following completion of the pre-closing capital changes and closing of the IPO, the following key amendments were made to the MLP:

- The MLP Shares held by the CEO were exchanged for Multiple Voting Shares. The MLP Shares held by all other MLP Managers were exchanged for Subordinate Voting Shares (together, the "New MLP Shares").
- For each MLP Manager, the MLP Loans were amalgamated into one loan with the Company (the "New MLP Loan") with a revised maturity date of five years following the closing of the IPO.
- All of the New MLP Shares were released from any and all remaining vesting restrictions.
- In the event that the 45-trading day volume weighted average price of the Subordinate Voting Shares of the Company exceeds $28.00 per Subordinate Voting Share (subject to customary anti-dilution adjustments) (the "VWAP Threshold") at any time on or before the maturity date of the New MLP Loan or the date that is 365 days after an event of default, the Company will forgive an amount equal to 50% of each New MLP Loan, provided that, in the event the applicable MLP Manager's employment is terminated for cause or such MLP Manager resigns from his/her employment other than for a good reason on a date prior to the date the Company satisfies the VWAP Threshold, the applicable MLP Manager will not be eligible for such loan forgiveness (the "loan forgiveness").
- At the time of any mandatory repayment occurring prior to the loan forgiveness, the MLP Manager is required to repay 50% of the portion of the New MLP Loan that is proportionate to the number of New MLP Shares transferred by the MLP Manager relative to the total number of New MLP Shares originally issued to such MLP Manager.
- At the time of any mandatory repayment occurring following the loan forgiveness, the MLP Manager is required to repay the portion of the unpaid loan amount that is proportionate to the number of New MLP Shares held by the applicable MLP Manager as of the time of such loan forgiveness (together, the "Modifications").

The table below summarizes the activity related to the MLP Shares for the nine months ended September 30, 2022 and 2021:

	Nine months ended			
	September 30, 2022		**September 30, 2021**	
	Number of MLP Shares	**Weighted average exercise price $**	**Number of MLP Shares**	**Weighted average exercise price $**
MLP Shares outstanding, at beginning of period	**7,955,325**	**9.83**	7,955,325	9.83
MLP Shares granted	**—**	**—**	—	—
MLP Shares forfeited and cancelled	**—**	**—**	—	—
MLP Shares outstanding, at end of period	**7,955,325**	**9.83**	7,955,325	9.83
MLP Shares exercisable, at end of period	**7,955,325**	**9.83**	7,955,325	9.83

For the three and nine months ended September 30, 2022, share-based compensation expense related to the MLP were $nil and $nil, respectively (three and nine months ended September 30, 2021: $nil and $52.9 million, respectively) with a corresponding credit to contributed surplus.

11. Net finance costs

The major components of net finance costs are as follows:

	Three months ended		Nine months ended	
	September 30, 2022 $	September 30, 2021 $	September 30, 2022 $	September 30, 2021 $
Interest and standby charges on borrowings	**15.1**	7.1	**32.3**	56.4
Accretion on borrowings (Note 7)	**0.6**	0.5	**1.6**	2.5
Accretion on lease liabilities	**4.2**	3.3	**11.4**	9.6
Accretion on preferred share liability	**—**	—	**—**	6.5
Loss on modification of borrowings (Note 7)	**—**	—	**—**	1.9
Loss on settlement of Pre-IPO borrowings (Note 7)	**—**	—	**—**	26.7
Interest income	**(0.6)**	(0.4)	**(1.4)**	(0.8)
	19.3	10.5	**43.9**	102.8

12. Selling, general and administrative expenses

The major components of selling, general and administrative expenses are as follows:

	Three months ended		Nine months ended	
	September 30, 2022 $	September 30, 2021 $	September 30, 2022 $	September 30, 2021 $
Employee benefits expense	**67.3**	53.7	**197.2**	160.5
Professional services	**7.3**	5.0	**19.1**	13.8
Sales and marketing	**9.8**	7.9	**21.3**	23.4
Occupancy	**14.6**	10.2	**32.4**	29.7
Administrative	**2.4**	4.7	**26.2**	25.3
	101.4	81.5	**296.2**	252.7

13. Commitments and contingencies

As at September 30, 2022, the Company had entered into leases that had not yet commenced, amounting to $4.5 million in future cash outflows (December 31, 2021: $10.3 million).

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

During the nine months ended September 30, 2022, the Company reached settlement of an outstanding legal claim in the favour of the Company for net proceeds of $14.5 million. The settlement gain of $14.5 million has been recognized in the condensed interim consolidated statements of loss and comprehensive loss as a credit to cost of sales of $8.7 million and a credit to selling, general and administration expenses of $5.8 million.

14. Loss per share

Loss per share is calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares on issue during the period. The Company's ordinary shares consist of Subordinate Voting Shares and Multiple Voting Shares.

Diluted loss per share is calculated by adjusting the income attributable to the equity holders of the Company and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: stock options, PSUs/RSUs, and DSUs.

For those periods in which the Company is in a net loss position, all potentially dilutive ordinary shares have been excluded from the calculation of diluted loss per share as their effect would be anti-dilutive.

The following table reflects the loss and share data used in the basic and diluted EPS calculations:

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net loss for the period	**($14.7)**	($18.4)	**($23.2)**	($117.4)
Weighted average number of ordinary shares - basic loss per share	**184,492,729**	166,365,933	**180,223,812**	119,995,593
Effects of dilution from dilutive potential ordinary shares	**—**	—	**—**	—
Weighted average number of ordinary shares - diluted loss per share	**184,492,729**	166,365,933	**180,223,812**	119,995,593
Loss per share - basic	**($0.08)**	($0.11)	**($0.13)**	($0.98)
Loss per share - diluted	**($0.08)**	($0.11)	**($0.13)**	($0.98)

There have been no other transactions involving ordinary shares or dilutive potential ordinary shares between the reporting date of the Company and the date of issuance of these Interim Financial Statements that would have significantly changed the number of ordinary shares or dilutive potential ordinary shares outstanding as at September 30, 2022, if those transactions had occurred before the end of September 30, 2022.

15. Related party transactions

The remuneration to key management personnel during the three and nine months ended September 30, 2022 and 2021 are as follows:

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	$	$	$	$
Short-term employee benefits	**0.4**	0.4	**1.2**	1.2
Share-based payment transactions				
Equity incentive plan and RSA	**3.2**	4.0	**11.1**	5.3
MLP(i)	—	—	—	52.9
	3.6	4.4	**12.3**	59.4

(i). During the nine months ended September 30, 2021, the Company amended the terms and conditions of the MLP (refer to Note 10). This resulted in an additional $51.9 million being recognized in share-based payment transactions.

As at September 30, 2022, the Company has MLP Loans receivable of $77.8 million which is included as a deduction from shareholders' equity (December 31, 2021: $77.8 million).

During the nine months ended September 30, 2022, the Company provided $1.9 million ($US1.5 million) to an Associate of the Company in the form of a secured convertible promissory note (the "Note"). The Note bears interest at 5% per annum, matures on December 31, 2022, and is secured on a first-priority basis over substantially all of the Associate's assets. The Note also automatically converts into shares of the Associate upon completion of a qualified financing, or at the option of the Company, upon a liquidity event or at any time prior to the conversion or repayment of the Note in full. Upon a liquidity event, the Company also has the option to request repayment of the Note for an amount equal to 110% of the outstanding Principal amount plus all accrued and unpaid interest. The Note, which is recognized in trade and other receivables in the condensed interim consolidated statements of financial position, is classified at fair value through profit or loss (refer to Note 9), with changes in fair value being recognized through the condensed interim consolidated financial statements of loss and comprehensive loss. There was no change in fair value for the three and nine month ended September 30, 2022.

16. Capital management

Capital is regarded as shareholders' equity, as recognized in the condensed interim consolidated statements of financial position, plus net debt. Net debt is calculated as total borrowings less cash.

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, maintain sufficient financial flexibility to pursue its growth objectives, and maintain an optimum capital structure to reduce the cost of capital. The Company monitors its working capital continually and manages it within a Board-approved credit facility.

As disclosed in Note 7, the Company's borrowings are subject to financial covenants, which are calculated and reported to the Lenders on a quarterly basis. There have been no breaches of these covenants or events of review for the current period.

There has been no change in the Company's capital risk management policies or objectives since the prior period.

17. Subsequent events

Subsequent to September 30, 2022, the Company completed 3 dental practice acquisitions (representing 3 practice locations) by way of the acquisition of all of the issued and outstanding shares of such dental practice. The fair value of the consideration transferred was $8.9 million. The acquisitions complement the Company's existing acquisition and growth strategy and have been accounted for on a provisional basis.