dentalcorp

Condensed interim consolidated financial statements of
dentalcorp Holdings Ltd. (formerly Dentalcorp Overbite Ltd.)

For the three and six month periods ended June 30, 2021 and 2020

Condensed interim consolidated statements of loss and comprehensive loss	F-2
Condensed interim consolidated statements of financial position	F-3
Condensed interim consolidated statements of changes in equity	F-4
Condensed interim consolidated statements of cash flows	F-5
Notes to the condensed interim consolidated financial statements	F-6–F-28

DENTALCORP HOLDINGS LTD. (FORMERLY DENTALCORP OVERBITE LTD.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Three and six month periods ended June 30, 2021 and 2020
(Unaudited, in Canadian dollars)

		Three months ended June 30		Six months ended June 30	
	Notes	2021 $	2020 $	2021 $	2020 $
Revenue	3	**261,060,456**	53,339,549	**508,107,051**	235,536,940
Cost of revenue		**135,061,315**	27,506,571	**260,648,516**	120,459,012
		125,999,141	25,832,978	**247,458,535**	115,077,928
Selling, general and administrative expenses	10	**87,886,699**	27,083,173	**171,198,215**	91,010,722
Depreciation of property and equipment		**14,031,227**	11,778,440	**28,279,191**	24,839,093
Depreciation of right-of-use assets		**6,255,027**	5,152,084	**12,119,805**	10,236,505
Amortization of intangible assets		**18,283,548**	16,431,484	**36,100,147**	32,633,175
Share based compensation	8	**55,494,060**	1,107,576	**58,103,914**	1,547,566
Operating loss		**(55,951,420)**	(35,719,779)	**(58,342,737)**	(45,189,133)
Finance costs	9	**52,924,109**	35,229,421	**92,732,743**	67,556,645
Finance income		**(226,406)**	(403,443)	**(404,830)**	(1,071,293)
Foreign exchange (gain) loss		**(58,183,538)**	(62,717,190)	**(76,075,518)**	69,682,568
Change in fair value of derivative instruments	7	**52,980,065**	54,744,007	**66,350,397**	(39,464,774)
Change in fair value of conversion option	6,7	**(10,984,739)**	(3,840,843)	**(30,763,081)**	(19,687,500)
Change in fair value of contingent consideration	7	**159,694**	(1,301,346)	**(3,782,225)**	(11,224,109)
Share of associate losses		**122,418**	—	**122,418**	—
Loss before income taxes		**(92,743,023)**	(57,430,385)	**(106,522,641)**	(110,980,670)
Income tax recovery	11	**(2,720,298)**	(9,428,608)	**(7,538,950)**	(11,035,560)
Net loss and comprehensive loss		**(90,022,725)**	(48,001,777)	**(98,983,691)**	(99,945,110)
Loss per share					
Basic and diluted	13	**(0.87)**	(0.54)	**(1.02)**	(1.12)
Weighted average number of shares outstanding – Basic and diluted	13	**103,284,466**	89,047,612	**96,810,423**	88,970,304

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

DENTALCORP HOLDINGS LTD. (FORMERLY DENTALCORP OVERBITE LTD.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2021 and 2020

(Unaudited, in Canadian dollars)

	Notes	June 30, 2021 $	December 31, 2020 $
Assets			
Current assets			
Cash		**261,571,826**	101,542,061
Trade and other receivables		**57,571,362**	53,147,333
Inventories		**44,435,870**	37,819,745
Prepaid and other assets		**9,389,252**	7,558,988
Income taxes receivable		**—**	1,763,800
		372,968,310	201,831,927
Non-current assets			
Investment in associate		**377,582**	500,000
Trade and other receivables		**15,552,922**	11,436,007
Prepaid and other assets	5	**2,917,380**	—
Property and equipment		**172,503,494**	170,902,410
Right-of-use assets		**224,003,226**	214,264,595
Intangible assets		**340,074,375**	333,540,664
Goodwill	4	**1,713,820,555**	1,632,791,986
		2,469,249,534	2,363,435,662
Total assets		**2,842,217,844**	2,565,267,589
Liabilities			
Current liabilities			
Trade and other payables		**128,462,958**	94,989,698
Contract liabilities		**2,509,329**	2,441,182
Lease liabilities		**21,622,264**	20,032,966
Borrowings	5	**—**	10,880,986
Contingent consideration payable	7	**22,105,912**	26,338,368
		174,700,463	154,683,200
Non-current liabilities			
Contract liabilities		**150,184**	133,953
Lease liabilities		**220,403,060**	210,514,053
Borrowings	5	**893,425,515**	1,407,660,873
Contingent consideration payable	7	**9,591,991**	7,118,383
Preferred share liability	6	**—**	70,765,132
Conversion option	6	**—**	30,763,081
Share-based payment liability	8	**8,876,953**	5,327,971
Derivative financial liabilities	7	**456,581**	94,326,455
		1,132,904,284	1,826,609,901
		1,307,604,747	1,981,293,101
Shareholders' equity			
Share capital	8	**1,886,929,557**	891,862,189
Contributed surplus		**79,882,309**	25,327,377
Accumulated deficit		**(432,198,769)**	(333,215,078)
		1,534,613,097	583,974,488
		2,842,217,844	2,565,267,589

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

DENTALCORP HOLDINGS LTD. (FORMERLY DENTALCORP OVERBITE LTD.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Six month periods ended June 30, 2021 and 2020

(Unaudited, in Canadian dollars)

	Notes	Outstanding Shares(i) Number of shares #	Class A Common shares Amount $	Class B Common shares Amount $	Subordinate Voting Shares Amount $	Multiple Voting Shares Amount $	Contributed Surplus $	Accumulated Deficit $	Total Shareholders' equity $
Balance, December 31, 2020		90,097,625	587,708,002	304,154,187	—	—	25,327,377	(333,215,078)	583,974,488
Consideration issued for acquisitions	4 and 8	804,396	—	10,482,892	1,316,353	—	—	—	11,799,245
Share subscriptions (including restricted share awards)	8	124,726	—	1,683,955	—	—	—	—	1,683,955
Issuance of restricted share awards	8	—	—	(1,439,473)	—	—	—	—	(1,439,473)
Cancellations of share subscriptions	8	(4,006)	—	—	(57,394)	—	—	—	(57,394)
Cancellations of restricted share awards	8	—	—	—	57,394	—	—	—	57,394
Share repurchases	8	(46,850)	—	(311,692)	—	—	—	—	(311,692)
Conversion of Class A and Class B common shares	1 and 8		(587,708,002)	(314,569,869)	902,277,871	—	—	—	—
Conversion of preferred shares	1 and 6	7,267,442	—	—	77,269,585	—	—	—	77,269,585
Cost of converting preferred shares	6				(2,722,181)	—	—	—	(2,722,181)
Exchange of Subordinate Voting Shares for Multiple Voting Shares	1	—	—	—	(113,573,502)	113,573,502	—	—	—
Shares issued on initial public offering (“IPO”)	8	67,905,686	—	—	935,679,598	15,000,006	—	—	950,679,604
Share issuance costs on IPO	8	—	—	—	(41,230,700)	(660,975)	—	—	(41,891,675)
Share based compensation	8	—	—	—	—	—	54,554,932	—	54,554,932
Net loss and comprehensive loss		—	—	—	—	—	—	(98,983,691)	(98,983,691)
Balance, June 30, 2021		**166,149,019**	**—**	**—**	**1,759,017,024**	**127,912,533**	**79,882,309**	**(432,198,769)**	**1,534,613,097**
Balance, December 31, 2019		88,736,722	587,708,002	292,515,716	—	—	22,988,377	(176,064,474)	727,147,621
Consideration issued for acquisitions	4	300,518	—	4,194,615	—	—	—	—	4,194,615
Settlement of contingent consideration	4	17,850	—	249,053	—	—	—	—	249,053
Share repurchase – MLP	8	(446,791)	—	(5,808,283)	—	—	—	—	(5,808,283)
Repayment of MLP Loans	8	—	—	5,808,283	—	—	—	—	5,808,283
Share based compensation	8	—	—	—	—	—	808,614	—	808,614
Net loss and comprehensive loss		—	—	—	—	—	—	(99,945,110)	(99,945,110)
Balance, June 30, 2020		88,608,299	587,708,002	296,959,384	—	—	23,796,991	(276,009,584)	632,454,793

(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 8(b).

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

DENTALCORP HOLDINGS LTD. (FORMERLY DENTALCORP OVERBITE LTD.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Six month periods ended June 30, 2021 and 2020

(Unaudited, in Canadian dollars)

	Notes	Six month period ended June 30, 2021	
		2021 $	**2020** $
Operating activities			
Net loss		**(98,983,691)**	(99,945,110)
Items not affecting cash			
Depreciation of property, plant and equipment		**28,279,191**	24,839,093
Depreciation of right-of-use assets		**12,119,804**	10,236,505
Amortization of intangible assets		**36,100,147**	32,633,175
Finance costs	9	**92,732,743**	67,556,645
Change in fair value of contingent consideration payable	7	**(3,782,225)**	(11,224,109)
Change in fair value of derivative instruments	7	**66,350,397**	(39,464,774)
Change in fair value of conversion option	6	**(30,763,081)**	(19,687,500)
Share-based compensation expense	8	**58,103,914**	1,547,566
Deferred tax recoveries	11	**(7,866,214)**	(11,041,352)
Unrealized foreign exchange gain	5	**(84,010,205)**	70,549,377
Share of associate losses		**122,418**	—
Changes in non-cash operating working capital items			
Trade and other receivables		**(8,540,944)**	77,523
Inventories		**(3,846,125)**	(2,385,996)
Prepaid and other assets		**(1,829,806)**	(1,870,476)
Current tax receivable		**1,763,800**	437,679
Trade and other payables		**27,509,728**	(11,968,561)
Contract liabilities		**84,378**	(1,311,182)
Interest paid on leases		**(6,310,739)**	(6,009,336)
Interest paid on borrowings	5,9	**(49,181,855)**	(53,716,740)
		28,051,635	(50,747,573)
Investing activities			
Acquisition of dental practices	4	**(115,249,206)**	(41,937,397)
Payment for practice intangibles		**(23,000)**	—
Payment of contingent consideration	7	**(4,003,340)**	(1,423,315)
Purchase of property and equipment		**(9,163,213)**	(11,394,247)
Investment in associate		**—**	(500,000)
		(128,438,759)	(55,254,959)
Financing activities			
Proceeds from borrowings	5	**1,090,282,887**	132,524,931
Repayment of borrowings	5	**(1,549,128,825)**	(5,942,602)
Fees paid on settlement of borrowings	5	**(815,231)**	—
Transaction costs related to borrowings	5	**(15,027,077)**	(3,159,732)
Settlement of derivative liability	7	**(160,220,271)**	—
Proceeds from issuance of common shares	8	**950,703,601**	—
Repurchase of common shares	8	**(311,692)**	—
Fees paid related to closing of IPO and conversion of preferred shares	8	**(44,613,857)**	—
Proceeds from issuance of preferred shares		**—**	100,000,000
Repayment of principal on leases		**(10,452,646)**	(6,351,510)
		260,416,889	217,071,087
Net change in cash		**160,029,765**	111,068,555
Cash, beginning of period		**101,542,061**	85,420,795
Cash, end of period		**261,571,826**	196,489,350

The accompanying notes are 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 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, the Company's wholly owned subsidiary, 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 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 Chief Executive Officer ("CEO") and an entity controlled by the Company's 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 six month periods ended June 30, 2021 and 2020 (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting following the same accounting policies and methods of application as those disclosed in the Company's consolidated financial statements for the years ended December 31, 2020 and 2019 and periods from April 30, 2018 to December 31, 2018 and January 1, to April 29, 2018 (the "Annual Financial Statements") with the exception of new accounting policies adopted on January 1, 2021 (refer to 'New Accounting Pronouncements adopted in 2021') and changes arising from the adoption of the Company's Equity Incentive Plan on May 27, 2021 (the "Equity Incentive Plan").

Equity Incentive Plan

The Company has classified the Equity Incentive Plan as an equity-settled share-based payment arrangement under IFRS 2 Share-based Payments which is measured at the fair value of the equity instrument issued at the grant date.

2. Significant accounting policies (continued)

Basis of presentation (continued)

Equity Incentive Plan (continued)

The fair value of equity instruments issued under the Equity Incentive Plan is determined at the grant date of the share-based payment arrangement and expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognized in share-based compensation expense such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus within equity.

Details regarding the Equity Incentive Plan and the determination of fair values are set out in Note 8.

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

The Interim Financial Statements were approved and authorized for issuance by the Board of Directors on August 10, 2021.

The Interim Financial Statements include only significant transactions and changes that occurred during the three and six month periods ended June 30, 2021 and do not include all disclosures required in the Annual Financial Statements.

The Interim Financial Statements are presented in Canadian dollars which is the Company's functional currency.

Use of estimates and judgments

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.

2. Significant accounting policies (continued)

Use of estimates and judgments (continued)

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: $3,642,924). In addition, during the three and six month periods ended June 30, 2021, the Company incurred $944,170 and $1,920,676, respectively of additional expenses as a result of COVID-19 (three and six month periods ended June 30, 2020: $(855,383) and $3,998,470, respectively) primarily related to professional fees incurred to navigate COVID-19 regulatory and provincial guidelines, insurance and acquisition matters which have been recognized in selling, general and administrative expenses in the condensed interim consolidated statements of loss and comprehensive loss.

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.

2. Significant accounting policies (continued)

Recent pronouncements not yet adopted (continued)

- *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.

3. Operating segments and revenues

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 Chief Executive Officer.

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

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

	Three months ended		Six months ended	
	June 30, 2021 $	June 30, 2020 $	June 30, 2021 $	June 30, 2020 $
Revenue recognized at a point-in-time	**240,630,898**	46,764,319	**468,394,058**	216,617,757
Revenue recognized from transfer of services over time	**20,429,557**	6,575,230	**39,712,993**	18,919,183
	261,060,456	53,339,549	**508,107,051**	235,536,940

4. Business combinations

Acquisition of dental practices

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.

4. Business combinations (continued)

Acquisition of dental practices (continued)

The following table summarizes the fair value of assets acquired and liabilities assumed at the dates of acquisition:

	Three months ended		Six months ended	
	June 30, 2021 $	**June 30, 2020 $**	**June 30, 2021 $**	**June 30, 2020 $**
Assets				
Inventories	**1,350,000**	—	**2,770,000**	360,000
Prepaids and other assets	**—**	—	**—**	53,366
Property and equipment(i)	**10,060,829**	—	**20,717,064**	9,178,963
Right-of-use assets(ii)	**7,089,378**	—	**17,092,286**	7,931,187
Intangible assets(iii)	**23,149,255**	—	**42,610,859**	13,741,773
Liabilities				
Trade and other payables	**—**	—	**—**	(621,151)
Contract liabilities	**—**	—	**—**	(86,567)
Lease liabilities(ii)	**(7,089,378)**	—	**(17,092,286)**	(7,931,187)
Deferred tax liabilities	**(2,978,823)**	—	**(7,866,217)**	(634,269)
Total identifiable net assets at fair value	**31,581,261**	—	**58,231,706**	21,992,115
Goodwill arising on acquisition(iv)	**46,049,694**	—	**78,247,446**	27,490,855
Total consideration transferred	**77,630,955**	—	**136,479,152**	49,482,970

(i) The Company measured the fair value of property and equipment using the replacement cost new ("RCN") method which involved 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.

(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) The intangible assets for the three and six months ended June 30, 2021 comprise customer relationships of $21,438,905 and $39,511,781, respectively (three and six months ended June 30, 2020: $nil and $12,825,089, respectively), brands of $1,185,030 and $2,138,845, respectively (three and six months ended June 30, 2020: $nil and $548,669, respectively) and non-compete agreements of $525,320 and $960,233, respectively (three and six months ended June 30, 2020: $nil and $368,015, respectively).

(iv) The goodwill recognized in connection with the above acquisitions is primarily attributable to the anticipated improvement in the operations of the dental practices acquired and synergies with existing operations as a result of implementation of the Company's business strategies and methodologies. 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		Six months ended	
	June 30, 2021 $	**June 30, 2020 $**	**June 30, 2021 $**	**June 30, 2020 $**
Purchase consideration				
Cash	**69,662,458**	—	**121,334,236**	42,035,995
Equity instruments(i)	**7,106,291**	—	**11,899,322**	4,194,615
Contingent consideration(ii)	**862,206**	—	**3,245,594**	3,252,360
Total purchase consideration	**77,630,955**	—	**136,479,152**	49,482,970

4. Business combinations (continued)

Acquisition of dental practices (continued)

(i) For the three and six month periods ended June 30, 2021, the weighted average estimated fair value of the Company's equity instruments were $14.89 and $14.68, respectively (three and six month period ended June 30, 2020: $nil and $10.65, respectively). Prior to the IPO, the fair value of the Company's Common Shares was determined using a multiple of EBITDA and then adjusted for the Company's outstanding borrowings, preferred share liability and proceeds from loans issued to Employees under the Company's management loan program. Following the IPO, the fair value of the Company's Subordinate Voting Shares was 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. Of the $11,899,322 equity consideration issued during the six month periods ended June 30, 2021, respectively, $100,077 of the Company's equity instruments will be issued upon settlement of the holdback payable (refer to (iii) below) (six month periods ended June 30, 2020 – $nil).

(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 cash flow 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 six month periods ended June 30, 2021, the Company has included $862,206 and $3,245,594, respectively as contingent consideration related to the additional consideration (three and six months ended June 30, 2020: $nil and $3,252,360, respectively), which represents its fair value at the date of acquisition of the dental practice and is based on the expected discounted cash flows of the dental practice post acquisition.

For acquisitions that occurred during the three and six month periods ended June 30, 2021, the purchase price allocation is considered to be preliminary and subsequent adjustments during the measurement period 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, intangibles, contingent consideration, and net working capital items.

During the six month period ended June 30, 2021, the Company revised the preliminary purchase price allocations for acquisitions that closed during the period July 1, 2020 to December 31, 2020. This adjustment resulted in an increase of goodwill of $2,781,123 and an increase in contingent consideration of $2,781,123.

During the six month period ended June 30, 2020, the Company revised the preliminary purchase price allocations for acquisitions that closed during the period July 1, 2019 to December 31, 2019. This adjustment resulted in a decrease of goodwill of $487,235, an increase in property and equipment of $690,769, and a decrease in intangible assets of $203,534. The Company also settled other working capital adjustments for additional consideration of $626,568.

Bridge from fair value of cash consideration to acquisition cash outflow

	Three months ended		Six months ended	
	June 30, 2021 $	June 30, 2020 $	June 30, 2021 $	June 30, 2020 $
Fair value of cash consideration	**69,662,458**	—	**121,334,236**	42,035,995
Contingent consideration paid(ii)	**—**	253,579	**4,003,340**	1,423,315
Holdback and working capital outstanding current year deals(iii)	**(4,445,368)**	—	**(7,519,509)**	(2,470,612)
Holdback payment prior year deals(iii)	**—**	—	**1,434,479**	2,372,014
Business acquisitions, net of cash acquired	**65,217,090**	253,579	**119,252,546**	43,360,712

(i) For the three and six month periods ended June 30, 2021, the Company incurred acquisition-related costs of $1,674,583 and $2,669,213, respectively (three and six month periods ended June 30, 2020, $1,228,132 and $2,797,066, respectively) which have been included in selling, general and administrative expenses in the interim condensed consolidated statements of loss and comprehensive loss.

(ii) During the three and six month periods ended June 30, 2021, the Company settled contingent consideration related to prior period acquisitions in the amount of $nil and $4,003,340 in cash, respectively (three and six month periods ended June 30, 2020: $253,579 and $1,423,315 in cash, respectively and $nil and $249,053 in shares, respectively).

4. Business combinations (continued)

Acquisition of dental practices (continued)

(iii) For certain acquisitions, the Company will hold back a percentage of the total consideration payable and recognize a hold-back payable to the acquiree. As at June 30, 2021, $11,853,636 of the cash consideration remained payable (holdback payable) to the vendors and is recorded in trade and other payables (December 31, 2020: $8,041,609).

5. Borrowings

	As at June 30, 2021 $	As at December 31, 2020 $
Pre-IPO borrowings		
First lien term loan	—	1,045,858,013
Second lien term loan	—	372,683,846
	—	1,418,541,859
Credit Facilities		
Term facility(iii)	**893,425,515**	—
Total borrowings	**893,425,515**	
Current	—	10,880,986
Non-current	**893,425,515**	1,407,660,873

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.

The following is a continuity schedule of Pre-IPO borrowings for the six month period ended June 30, 2021:

	$
Balance at December 31, 2020	1,418,541,859
Financing costs	(5,358,471)
Borrowings(i)	190,282,886
Repayments(ii)	(1,599,125,911)
Interest expense(iii)	51,060,129
Modification loss(i)	1,872,870
Foreign exchange gain	(84,010,205)
Loss on settlement(iv)	26,736,843
Balance at June 30, 2021	—

(i) During the six month period ended June 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 USD $150,000,000. The amendments did not result in a substantial modification under IFRS 9 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 revised carrying amount as at the date of modification has been recognized as a loss on modification of $1,872,870 and has been recognized within Finance costs in the condensed interim consolidated statements of loss and comprehensive loss.

(ii) Repayments consist of principal repayments of $1,549,128,825, which includes the $1,546,119,578 paid on settlement of the Pre-IPO borrowings (see note (iv)), interest paid of $49,181,855, and legal fees on settlement of $815,231.

5. Borrowings (continued)

Pre-IPO borrowings (continued)

(iii) Interest expense consists of cash interest of $49,181,856 and interest accretion of $1,878,273.

(iv) Following closing of the IPO, the Company used the full amount of the net proceeds from the IPO (refer to Note 8), as well as funds drawn under the Term Facility (defined below), to settle all amounts outstanding under the Pre-IPO borrowings, including all accrued interest and standby fees, of $1,546,119,578. On derecognition of the Pre-IPO borrowings, the Company recognized a loss on settlement of $26,736,843 within Finance costs in the condensed interim consolidated statements of loss and comprehensive loss.

Prior to the IPO, the Company also had access to a Revolving Credit Facility with a face value of $42,015,000 (USD $33,000,000) 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 also 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.

As security against the Pre-IPO borrowings, the Lender had a security interest in all of the Company's personal property, rights and assets of every nature and kind, now owned or subsequently acquired, by way of amalgamation or otherwise.

Credit Facilities

Concurrently with the closing of the IPO, the Company entered into a Credit Agreement with a syndicate of lenders (the "Lenders") for whom CIBC will act as administrative agent. 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") (collectively the "Credit Facilities"). The Credit Facilities mature on May 27, 2026 and are secured on a first-priority basis, subject to permitted liens, on substantially all of the Company's present and after-acquired assets.

Term Facility

The Company may make drawdowns, conversions, and rollovers under the Term Facility in Canadian Dollars, by way of Prime Rate Advances or Bankers' Acceptances ("BA") and BA Equivalent Notes. On closing of the IPO, the Company drew down the full $900,000,000 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 the 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.

The following is a continuity schedule of borrowings under the Term Facility for the six month period ended June 30, 2021:

	$
Initial drawdown on May 27, 2021	900,000,000
Financing costs(i)	(6,693,650)
Interest expense(ii)	2,384,983
Repayments	(2,265,818)
Balance at June 30, 2021	**893,425,515**

(i) The Company incurred transaction costs of $9,668,606 to enter into the Credit Agreement. The Company has allocated the total to each of the Revolving Facility ($743,739), the Delayed Draw Facility ($2,231,217) and the Term Facility ($6,693,650) based on the size of each credit facility relative to the size of all available funds under the Credit Facilities.

5. Borrowings (continued)

Credit Facilities (continued)

Term Facility (continued)

(ii) Interest expense consists of cash interest of $2,265,818 and interest accretion of $119,165.

Revolving Facility

The Company may make drawdowns, conversions, and rollovers under the Revolving Facility (i) in Canadian Dollars, by way of Prime Rate Advances, Bankers' Acceptances ("BA") and/or BA Equivalent Notes, or Letters of Credit, and (ii) in United States Dollars, 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. The Revolving Facility is also subject to a stand-by fee on the unutilized amount of the Revolving Facility of 0.5%.

As at June 30, 2021, no funds have been drawn down under the Revolving Facility. The Company has treated the transaction costs allocated to the Revolving 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 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 consolidated statements of loss and comprehensive loss over the term of the Revolving Facility.

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 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. 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. The Delayed Draw Facility is also subject to a stand-by fee on the unutilized amount of the Revolving Facility of 0.5%.

As at June 30, 2021, no funds have been drawn down under the Delayed Draw Facility. 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 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. 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 June 30, 2021, the Company was in compliance with all financial covenants.

6. Preferred share liability and conversion option

	$
Balance, at December 31, 2020	70,765,132
Accretion of interest (Note 9)	6,504,452
Conversion on IPO (Note 1) – transferred to share capital (Note 8)	(77,269,584)
Balance, June 30, 2021	—

6. Preferred share liability and conversion option (continued)

During the six month period ended June 30, 2020, the Company issued 7,267,442 Class X Preferred Shares (the "preferred shares") at a price of $13.76 per preferred share for gross proceeds of $100,000,000. The preferred shares had the following features:

- Non-voting;
- Rank senior to the common shares and other shares of the Company and bear a fixed and cumulative dividend equal to 14% of the redemption price, compounded annually;
- Redeemable at the option of the Company on (i) the seventh anniversary of the Issue Date, or any date thereafter; or (ii) immediately prior to an Initial Public Offering; at the discretion of the Holder in (a) cash, being the issuance price of $13.76 plus all accrued and unpaid cumulative dividends up to the date of redemption; or (b) in common shares of the Company at the agreed-upon conversion price;
- Retractable at the option of the Holder on (i) the seventh anniversary of the Issue Date, or any date thereafter; or (ii) immediately prior to an Initial Public Offering; at the discretion of the Holder in (a) cash, being the issuance price of $13.76 plus all accrued and unpaid cumulative dividends up to the date of redemption; or (b) in common shares of the Company at the agreed-upon conversion price; and
- Convertible, as noted above, into such number of common shares that is equal to the greater of (i) the number of preferred shares the Holder elects to convert on a 1:1 basis; or (ii) such number of common shares as have, as of the conversion date, a fair market value (based on the fair market value attributed to the most recent issuance of common shares made by the Company) equal to the aggregate redemption Price of the preferred shares such Preferred Shareholder elects to convert.

On initial recognition, the preferred shares were classified as a financial liability on the consolidated statements of financial position as they gave the Holder the right to require the Company to redeem the preferred shares at or after a particular date for a fixed or determinable amount.

The Company accounted for the conversion option separately from the preferred share liability as the fair value of the conversion option was affected by changes in the fair value of the Company's common shares whereas the fair value of the preferred share liability was not.

On initial recognition, the Company allocated $40,941,134 of the $100,000,000 face value of the preferred shares to the conversion option based on its fair value which was determined by applying the partial differential equation method. The difference between the face value of the preferred shares and the fair value of the conversion option of $59,058,866 was then allocated to preferred share liability.

Subsequent to initial recognition, the Company measured the preferred share liability at amortized cost and the conversion option at fair value with any changes in the fair value of the conversion option being recognized through profit and loss.

As part of the pre-closing capital changes, the holders of the preferred shares elected to convert the preferred shares into Subordinate Voting Shares (refer to Note 1 and Note 8). The Company derecognized the carrying amount of the preferred share liability on May 27, 2021 of $77,269,584 and recognized a corresponding amount within share capital in Shareholders' equity. The Company also incurred $2,722,181 in transaction costs associated with the converting the preferred shares which have been net against the value of the Subordinate Voting Shares recognized within share capital.

For the three and six month periods ended June 30, 2021, the Company recognized interest accretion on the preferred share liability of $2,522,134 and $6,504,452, respectively in finance costs in the condensed interim consolidated statements of loss and comprehensive loss (three and six month periods ended June 30, 2020 – $3,360,474 and $4,911,462, respectively).

For the three and six month periods ended June 30, 2021, the Company recognized a gain on change in fair value of the conversion option of $10,984,739 and $30,763,081, respectively in the condensed interim consolidated statements of loss and comprehensive loss (three and six month periods ended June 30, 2020 – gain of $3,840,843 and $19,687,500, respectively).

7. 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 June 30, 2021 are as follows:

	Classification and measurement	Total Carrying amount $	Fair value $	Fair value hierarchy
Cash	Amortized cost	261,571,826	261,571,826	Level 1
Trade and other receivables	Amortized cost	73,124,284	73,124,284	Level 1
Trade and other payables	Amortized cost	128,462,958	128,462,958	Level 1
Borrowings (Note 5)	Amortized cost	893,425,515	893,425,515	Level 1
Derivative financial liabilities (Note 7)	FVTPL	456,581	456,581	Level 2
Contingent consideration payable (Note 7)	FVTPL	31,697,903	31,697,903	Level 3
	—	**1,388,739,067**	**1,388,739,067**	**—**

The Company's financial instruments as at December 31, 2020 are as follows:

	Classification and measurement	Total Carrying amount $	Fair value $	Fair value hierarchy
Cash	Amortized cost	101,542,061	101,542,061	Level 1
Trade and other receivables	Amortized cost	64,583,340	64,583,340	Level 1
Trade and other payables	Amortized cost	(94,989,698)	(94,989,698)	Level 1
Borrowings (Note 5)	Amortized cost	(1,418,541,859)	(1,418,541,859)	Level 1
Preferred share liabilities (Note 6)	Amortized cost	(70,765,132)	(70,765,132)	Level 1
Derivative financial liabilities (Notes 6 and 7)	FVTPL	(94,326,455)	(94,326,455)	Level 2
Conversion option (Notes 6 and 7)	FVTPL	(30,763,081)	(30,763,081)	Level 3
Contingent consideration payable (Notes 4 and 7)	FVTPL	(33,456,751)	(33,456,751)	Level 3
	—	(1,576,717,575)	(1,576,717,575)	—

The Company has assessed that the fair values of cash, trade and other receivables (excluding Partner receivables) 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 twelve months approximates their carrying amounts. The carrying value of Partner receivables with maturities greater than twelve 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.

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 5).

The fair value of the preferred share liability is considered to approximate its carrying amount as the Company expects that a preferred share entered into on similar terms and conditions but with no conversion option would likely yield a market rate of interest that is comparable to the effective rate used when determining amortized cost of the preferred share liability.

7. Financial instruments (continued)

Fair values of financial instruments (continued)

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 technique(s) and key inputs	Significant unobservable inputs	Relationship and sensitivity of unobservable inputs to fair value
Interest and cross currency swaps	The present value of the estimated future cash flows based on observable yield curves	N/A	N/A
Contingent consideration payable	Discounted cash flow method was used to capture the present value of the expected cash flows of the Dental Practice acquired by the Company, for the applicable valuation period after acquisition.	• Range of expected cash flows by acquisition – $140,841 – $1,210,695 • Risk-adjusted discount rate of 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).
Conversion option on preferred shares	Partial differential equation method	• Range of share price – $14.00 – 14.85; volatility – 55%; and range of credit spread – 28-85 – 29.23%	The estimated fair value would increase (decrease) if: (i) the common share price were higher (lower); or (ii) the credit spread were lower (higher).

There were no transfers between Level 1, 2 and 3 during the three and six month periods ended June 30, 2021.

Reconciliation of Level 3 fair value measurements of financial instruments

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

	Conversion option $	Contingent consideration payable $	Total $
At December 31, 2020	30,763,081	33,456,751	64,219,832
Acquisitons (Note 4)	—	6,026,717	6,026,717
Settlements	—	(4,003,340)	(4,003,340)
Changes in fair value recognized in net loss	(30,763,081)	(3,782,225)	(34,545,306)
At June 30, 2021	**—**	**31,697,903**	**31,697,903**
At December 31, 2019	—	43,738,013	43,738,013
Acquisitons (Note 4)	—	3,252,360	3,252,360
Settlements	—	(1,676,895)	(1,676,895)
Issuance of Preferred Shares (Note 6)	40,941,134	—	40,941,134
Changes in fair value recognized in net loss	(19,687,500)	(11,224,109)	(30,911,609)
At June 30, 2020	21,253,634	34,089,369	55,343,003

For the three and six month periods ended June 30, 2021, the Company recognized a gain on the conversion option of $10,984,739 and $30,763,081, respectively which was recognized in change in fair value of derivative instruments in the condensed interim consolidated statements of loss and comprehensive loss (three and six month periods ended June 30, 2020 – gain of $3,840,843 and $19,687,500, respectively).

For the three and six month periods ended June 30, 2021, the Company recognized a change in fair value of contingent consideration of a loss of $159,694 and a gain of $3,782,225, respectively (three and six month periods ended June 30, 2020 – gain of $1,301,346 and $11,224,109, respectively).

7. Financial instruments (continued)

Derivatives

The Company has the following derivative financial instruments:

	As at June 30, 2021 $	As at December 31, 2020 $
Derivative financial liabilities		
Derivatives measured at fair value		
Interest and cross currency swaps[(i)]	**—**	94,084,134
Variable rate collar[(ii)]	**456,581**	242,321
Conversion option on preferred shares (Note 6)	**—**	30,763,081
	456,581	125,089,536

(i) Prior to closing the IPO, the Company entered into interest and cross-currency swap agreements with US financial institutions to manage its foreign exchange rate and interest rate exposures relating to the Pre-IPO borrowings. Under the cross-currency swap agreements, the Company received interest in USD based on LIBOR plus an applicable margin of 3.75% and 7.5% for the First Lien and Second Facilities, respectively, and paid interest based on fixed and floating interest rates and fixed USD foreign exchange rates. The interest and cross-currency swaps did not meet the requirements for hedge accounting and accordingly, the Company recognized the change in fair value of the interest and cross-currency swaps in change in fair value of derivative instruments in the condensed interim consolidated statements of loss and comprehensive loss and as a derivative financial asset or liability in the condensed interim consolidated statements of financial position.

On May 27, 2021, in conjunction with settlement of the Company's pre-IPO borrowings, all outstanding derivate contracts were settled. The fair value of the interest and cross-currency swaps on May 27, 2021 was a liability of $160,220,271. For the three and six month periods ended June 30, 2021, the Company recognized a realized loss of $52,945,771 and $66,136,137, respectively (three and six month periods ended June 30, 2020, an unrealized loss and gain of $54,744,007 and $39,464,774, respectively).

(ii) On December 18, 2020, the Company entered into an At Maturity Variable Rate Collar (the "Variable Rate Collar") for USD $1,750,000 at a strike rate of 1.2899 CDN/USD and a participation rate of 1.2655 CDN/USD. The Variable Rate Collar provides the Company with USD/CDN exchange protection at a pre-determined strike rate while also providing the Company with the ability to participate in a favourable movement in spot USD/CDN down to a Participation Rate.

The Variable Rate Collar does not meet the requirements for hedge accounting and accordingly, the unrealized loss has been recognized in change in fair value of derivative instruments in the condensed interim consolidated statements of loss and comprehensive loss and as a derivative financial liability in the condensed interim consolidated statements of financial position. At June 30, 2021, the fair value of the Variable Rate Collar was a liability of $456,581 (December 31, 2020: liability of $242,321). For the three and six month periods ended June 30, 2021, the Company recognized an unrealized loss of $34,294 and $214,260, respectively (three and six month periods ended June 30, 2021 – $Nil).

8. Share capital

(a) 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) 90,890,220 Common Shares; and (ii) 7,267,441 preferred shares were issued and outstanding.

Pre-closing capital changes

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

8. Share capital (continued)

(a) Authorized capital (continued)

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 outstanding Subordinate Voting Shares are entitled to one vote per Subordinate Voting Share and the holders of Multiple Voting Shares are entitled to ten 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 twentieth 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.

8. Share capital (continued)

(b) Share issuances and cancellations

	Total Number of Shares Outstanding	Dentalcorp Overbite Ltd Class A and Class B Common Shares	dentalcorp Holdings Ltd. Subordinate Voting Shares	dentalcorp Holdings Ltd. Multiple Voting Shares
Balance, December 31, 2020	**90,097,625**	90,097,625	—	—
Consideration issued for acquisitions(i)	**804,396**	717,685	86,711	—
Share subscriptions, including RSAs(ii)	**124,726**	124,726	—	—
Cancellations of share subscriptions(ii)	**(4,006)**	—	(4,006)	—
Share repurchases(iii)	**(46,850)**	(46,850)	—	—
Conversion of Class A and Class B common shares(iv)	**—**	(90,893,186)	90,893,186	—
Conversion of preferred shares(v)	**7,267,442**	—	7,267,442	—
Exchange of Subordinate Voting Shares for Multiple Voting Shares(vi)	**—**	—	(8,112,393)	8,112,393
Shares issued on IPO(vii)	**67,905,686**	—	66,834,257	1,071,429
Balance, June 30, 2021	**166,149,019**	—	156,965,197	9,183,822

(i) During the six month period ended June 30, 2021, the Company issued 804,396 shares as consideration for the acquisition of dental practices at a cost of $11,799,245 (refer to Note 4).

(ii) During the six month period ended June 30, 2021, the Company issued 124,726 shares for proceeds of $1,683,955.

Included in the share subscriptions are 106,278 restricted shares which were issued to both employees and Associate Dentists for proceeds of $1,439,473. The Company has an option to repurchase the restricted shares at a nominal amount if the employee ceases to be an employee within one year of the issue date of the restricted shares, or the Associate Dentist terminates their services agreement with the Company within the term of their services agreement.

On grant of the restricted shares, the Company has recognized the cost of the restricted shares within share capital with an offsetting amount in share capital to reflect that the restricted shares have not yet been released. For the three and six month period ended June 30, 2021, the Company has also recognized share-based compensation expense of $187,917 and $283,140, respectively, with an offset to contributed surplus, based on a grant date fair value per restricted share of $14.25 and $14.85 for the restricted shares issued to employees and Associate Dentists, respectively, and a vesting period of one year and five years, for the restricted shares issued to employees and Associate Dentists, respectively. During the three and six month period ended June 30, 2021, the Company also cancelled 4,006 restricted shares for employees that ceased to be an employee during the period and reversed the corresponding amounts in share capital.

(iii) During the six month period ended June 30, 2021, the Company repurchased 46,850 shares from Partner Dentists for consideration of $311,692, the shares of which were immediately cancelled by the Company.

(iv) As part of the pre-closing capital changes described in Note 1, the Company exchanged 55,161,371 Class A Common Shares and 35,731,815 Class B Common Shares for 90,893,186 Subordinate Voting Shares.

(v) As part of the pre-closing capital changes described in Note 1, the Company converted 7,267,442 preferred shares into 7,267,442 Subordinate Voting Shares (refer to Note 6).

(vi) As part of the pre-closing capital changes described in Note 1, 8,112,393 Subordinate Voting Shares held by the CEO and an entity controlled by the Company's CEO, were exchanged for 8,112,393 Multiple Voting Shares.

(vii) On May 27, 2021, the Company completed its IPO of 50,000,000 Subordinate Voting Shares at a price of $14.00 per Subordinate Voting Share for total gross proceeds of $700,000,000. In connection with the IPO, the Company also granted the Underwriters an over-allotment option to purchase up to an additional 7,500,000 Subordinate Voting Shares at a price of $14.00 per Subordinate Voting Share for gross proceeds of up to $105,000,000 million if the over-allotment option was exercised in full (the "Over-Allotment Option").

8. Share capital (continued)

(b) Share issuances and cancellations (continued)

Concurrent with the IPO, the Company also closed a private placement to certain institutional shareholders of an aggregate of 10,714,285 Subordinate Voting Shares at a price of $14.00 per Subordinate Voting Share and issued 7,142,857 subscription receipts, at a price of $14.00 per subscription receipt, for aggregate gross proceeds of $250,000,000. 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 1,328,000 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 5,863,401 subscription receipts converted into 5,863,401 Subordinate Voting Shares and proceeds of $82,087,614 were released to the Company. The remaining 1,279,456 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 was $950,679,604.

The Company incurred transaction fees related to the IPO of $55,622,318, consisting of $41,891,675 of incremental fees that were directly attributable to issuing the Subordinate Voting Shares and Multiple Voting Shares that have been deducted from the cost of share capital and $13,730,643 of fees that have been recognized within selling, general and administrative expenses in the condensed interim consolidated statements of loss and comprehensive loss.

(c) Share-based payment arrangements

Legacy Option Plan

In 2018, the Company established a share option plan (the "Legacy Option Plan") that 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 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 Legacy Option Plan or outstanding share options. Following the IPO, each share option (the "Legacy Option") is exercisable, at any time after vesting, at the option of the Participant, in either cash or Subordinate Voting Shares.

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 six month period ended June 30, 2021 and 2020:

	Six months ended			
	June 30, 2021		June 30, 2020	
	Number of Legacy Options	Weighted average exercise price $	Number of Legacy Options	Weighted average exercise price $
Legacy Options outstanding, at beginning of period	**2,872,934**	**12.36**	2,307,679	12.46
Legacy Options granted	**316,384**	**14.25**	—	—
Legacy Options forfeited and cancelled	**(149,393)**	**13.31**	—	—
Legacy Options outstanding, at end of period	**3,039,925**	**12.51**	2,307,679	12.46
Legacy Options exercisable, end of period	**594,388**	**12.50**	271,320	12.31

8. Share capital (continued)

(c) Share-based payment arrangements (continued)

The fair values of the Legacy Options were calculated using the Black-Scholes Option Pricing Model as at June 30, 2021 and 2020. Key inputs into the fair values of the Legacy Options include the following:

	Six months ended	
	June 30, 2021 **$**	**June 30, 2020** **$**
Share price at balance date	**16.46**	10.65
Expected volatility	**54.4%–63.6%**	54.2%–60.1%
Option expected life	**1.8-4.5 years**	2.8-4.5 years
Dividend yield	**0%**	0%
Risk free rates	**0.44%–0.87%**	0.32%-0.33%

The expected volatility is based on the historic volatility (based on the remaining life of the Legacy Options) of comparable public companies, adjusted for any expected changes to future volatility due to publicly available information.

The weighted average fair value of the Legacy Options expected to vest at June 30, 2021 is $7.94 (December 31, 2020 – $3.94).

For the three and six month periods ended June 30, 2021 share-based compensation expense related to the Legacy Options was $1,672,654 and $3,548,982 respectively (three and six month periods ended June 30, 2020 – $991,181 and $738,952, respectively) with a corresponding change to the share-based payment liability. The carrying value of the share-based payment liability in the consolidated statements of financial position as at June 30, 2021 is $8,876,953 (December 31, 2020 – $5,327,971).

The total intrinsic value of Legacy options vested as at June 30, 2021 and December 31, 2020 is $nil.

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.

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.

8. Share capital (continued)

(c) Share-based payment arrangements (continued)

Equity Incentive Plan (continued)

Options (continued)

The Equity Incentive Plan has been classified as an equity-settled share-based payment arrangement. The table below summarizes the activity related to the Company's Options for the six month periods ended June 30, 2021 and 2020:

	Six months ended			
	June 30, 2021		June 30, 2020	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Options outstanding, at beginning of period	**—**	**—**	—	—
Options granted	**5,500,000**	**17.65**	—	—
Options forfeited and cancelled	**—**	**—**	—	—
Options outstanding, at end of period	**5,500,000**	**17.65**	—	—
Options exercisable, end of period	**—**	**—**	—	—

The fair value 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 include the following:

	Six months ended	
	June 30, 2021 $	June 30, 2020 $
Share price at grant date	**14.00**	—
Expected volatility	**54.6%**	—
Option expected life	**5 years**	—
Dividend yield	**0%**	—
Risk free rates	**0.90%**	—

Options issued during the three and six month periods ended June 30, 2021 were granted under different vesting terms than per the Equity Incentive Plan. For Options granted to the CEO, the Options vest 20% 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 issued to other Officers of the Company, the Options vest 45% on the second anniversary of the grant date, 20% on the 3rd and 4th anniversary dates, and 15% on the 5th anniversary date.

For the three and six month periods ended June 30, 2021, share-based compensation expense related to the Options was $1,283,760 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.

8. Share capital (continued)

(c) Share-based payment arrangements (continued)

SARs, PSUs and RSUs (continued)

As at June 30, 2021, the Company has issued RSUs to both employees and Associate Dentists which have been described in Note 8b(ii). For the three and six month periods ended June 30, 2021, share-based compensation expense related to the RSUs was $187,917 and $283,140, respectively with a corresponding credit to contributed surplus. No SARs and PSUs 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 termination or later than December 15 of the calendar year following the year in which the termination 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.

The maximum number of Subordinate Voting Shares reserved for issuance under the Legacy Option Plan, the Equity Incentive Plan, the Deferred Share Unit Plan, and any other share-based compensation arrangement is equal to 16,637,195.

As at June 30, 2021, the Company has issued 2,761 DSUs at a weighted average price of $16.50. For the three and six month periods ended June 30, 2021, share-based compensation expense related to the DSUs was $45,548 with a corresponding credit to contributed surplus.

Management Loan Program

Pre-IPO

On August 30, 2017 (and amended on April 30, 2018), November 1, 2018 and July 7, 2020, the Company and certain of its subsidiaries 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 (the "Management Loan Program" or "MLP").

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 GR 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.

8. Share capital (continued)

(c) Share-based payment arrangements (continued)

Pre-IPO (continued)

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 Share 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.

During the three and six month periods ended June 30, 2021, but prior to closing of the IPO, the Company recognized share-based compensation expense of $399,114 and $1,037,417, respectively (three and six months ended June 30, 2020—$116,395 and $808,614 respectively).

During the three and six month periods ended June 30, 2020, the Company also repurchased 446,471 MLP Shares at a cost of $5,808,283. The proceeds were then used by the MLP Manager to settle the MLP Loans with the Company.

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").

8. Share capital (continued)

(c) Share-based payment arrangements (continued)

Post-IPO (continued)

- 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 summarize the activity related to the MLP Shares for the six month periods ended June 30, 2021 and 2020:

	Six months ended			
	June 30, 2021		June 30, 2020	
	Number of MLP Shares	Weighted average exercise price $	Number of MLP Shares	Weighted average exercise price $
MLP Shares outstanding, at beginning of period	**7,929,576**	**9.83**	7,386,916	9.91
MLP Shares granted	**—**	**—**	—	—
MLP Shares forfeited and cancelled	**—**	**—**	(446,471)	13.00
MLP Shares outstanding, at end of period	**7,929,576**	**9.83**	6,940,445	9.71
MLP Shares exercisable, end of period	**7,929,576**	**9.83**	3,195,165	8.58

On the date of the IPO, as all MLP Shares have now vested, the Company has recognized share-based compensation expense of $3,263,613, representing the unvested grant date fair value of the MLP Shares subject to the Service Condition.

In addition, on the date of the IPO, as the Non-Market Performance Condition has now been met, and as all MLP Shares have vested, the Company has recognized share-based compensation expense of $9,205,609, representing the fair value of the MLP Options subject to the Performance Conditions, based on the grant-date fair value of the MLP Options, adjusted for any incremental fair value arising from modification of the hurdle price on July 7, 2020.

In addition, on the date of the IPO, the Company has recognized the incremental fair value of $39,435,845, being the difference between the fair value of the MLP Shares and the fair value of the MLP Shares after Modifications (the "Modified MLP Shares"), both estimated at the date of the IPO, as share-based compensation expense.

9. Finance costs

The major components of finance costs are as follows:

	Three months ended		Six months ended	
	June 30, 2021 $	June 30, 2020 $	June 30, 2021 $	June 30, 2020 $
Interest expense and standby charges on borrowings	**19,603,899**	27,735,878	**49,248,144**	53,716,739
Interest accretion on borrowings (Note 5)	**859,536**	1,078,712	**1,997,438**	2,107,983
Interest accretion on lease liabilities	**3,201,697**	3,054,357	**6,372,996**	6,069,193
Interest accretion on preferred share liability (Note 6)	**2,522,134**	3,360,474	**6,504,452**	4,911,462
Loss on modification of borrowings (Note 5)	**—**	—	**1,872,870**	751,268
Loss on settlement of Pre-IPO borrowings (Note 5)	**26,736,843**	—	**26,736,843**	—
	52,924,109	35,229,421	**92,732,743**	67,556,645

10. Selling, general and administrative

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

	Three months ended		Six months ended	
	June 30, 2021 $	June 30, 2020 $	June 30, 2021 $	June 30, 2020 $
Employee benefits expense	**53,566,416**	10,012,841	**103,108,813**	47,045,607
Professional services	**12,644,176**	5,397,538	**23,654,709**	4,992,302
Sales and marketing	**4,371,370**	1,669,427	**8,146,445**	11,895,288
Occupancy	**7,426,860**	5,431,443	**15,435,857**	15,584,011
Administrative	**9,877,877**	4,571,924	**20,852,391**	11,493,514
	87,886,699	27,083,173	**171,198,215**	91,010,722

11. Income tax recovery

The following are the major components of income tax recovery:

	Three months ended		Six months ended	
	June 30 2021 $	June 30 2020 $	June 30 2021 $	June 30 2020 $
Current tax expense				
Current period	**327,262**	—	**327,262**	5,792
Deferred tax expense				
Relating to origination and reversal of temporary differences	**(11,587,834)**	(22,620,042)	**(20,466,594)**	(24,232,786)
Non-recognition of deferred tax assets	**11,587,834**	13,191,434	**20,466,594**	13,191,434
Recognition of deferred tax assets related to acquired deferred tax liabilities	**(2,978,818)**	—	**(7,866,212)**	—
Other sundry items	**(68,742)**	—	**—**	—
Income tax recovery	**(2,720,298)**	(9,428,608)	**(7,538,950)**	(11,035,560)

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

	Three months ended		Six months ended	
	June 30 2021 $	June 30 2020 $	June 30 2021 $	June 30 2020 $
Loss before income taxes	**(92,743,023)**	(57,430,385)	**(106,522,641)**	(110,980,670)
Income tax based on the applicable statutory tax rate of 26.6% (2020: 26.6%)	**(24,669,439)**	(15,276,482)	**(28,335,023)**	(29,520,858)
Non-deductible (non-taxable) items	**13,408,867**	(7,343,561)	**8,195,691**	5,293,864
Adjustments relating to tax losses not recognized	**11,587,834**	13,191,435	**20,466,594**	13,191,434
Recognition of deferred tax asset related to acquired deferred tax liabilities	**(2,978,818)**	—	**(7,866,212)**	—
Other sundry items	**(68,742)**	—	**—**	—
Income tax recovery	**(2,720,298)**	(9,428,608)	**(7,538,950)**	(11,035,560)

12. Commitments and contingencies

During the six months ended June 30, 2020, the Company entered into an agreement with the lender of the Pre-IPO borrowings, to guarantee the Company’s credit card debt with another lender up to $5,000,000. The guarantee remains outstanding at June 30, 2021.

12. Commitments and contingencies (continued)

The Company has future retention commitments for professional services which are conditional upon the professional services agreement remaining in effect and services continuing to be provided on the dates of the commitments. As at June 30, 2021, the commitments amount to $200,000 for the remainder of 2021.

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

13. Loss per share

Basic loss per share is calculated by dividing net loss and comprehensive loss by the weighted average number of common shares outstanding during the period. The determination of the weighted average number of shares outstanding for the calculation of diluted loss per share does not include the effect of outstanding share options since they are anti-dilutive. The basic weighted average number of shares has been calculated as follows:

	Three months ended		Six months ended	
	June 30 2021 $	June 30 2020 $	June 30 2021 $	June 30 2020 $
Weighted average number of common shares, basic	**103,284,466**	89,047,612	**96,810,423**	88,970,304

14. 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 (refer to Note 8(c)). In addition, during the three and six month periods ended June 30, 2020, the Company repurchased 446,471 shares under the Share Purchase Loan Program at a cost of $5,808,283, the proceeds of which were then used to settle the MLP Loan receivable with the Company (refer to Note 8(c)).

14. Subsequent events

Subsequent to June 30, 2021, the Company completed three dental practice acquisitions, comprising 3 dental practice locations (3 of which were completed by way of the acquisition of all of the issued and outstanding shares of such dental practice business). The fair value of consideration consisted of cash of $10,290,039 and common shares of the Company of $2,05,961. Each of the acquisitions complements the Company's existing acquisition and growth strategy and have been accounted for on a provisional basis.

Subsequent to June 30, 2021, the Board of Directors amended the vesting conditions of outstanding performance options granted to certain officers of the Company under the Legacy Option Plan removing the performance conditions and replacing them with a service condition tied to the continued employment of the Officer for an agreed upon period of time. The Company is in the process of assessing the accounting impact of and financial disclosure requirements of the above amendment.

No : 7454-003

ARBITRAGE
(DEVANT MEMARIE-CLADE MARTEL, ARBITRE)

SERVICES DE SANTÉ DCC (QUÉBEC) INC.

et

DENTALCORP HOLDINGS LTD.

Demanderesses

c.

CÉDRIC LEBOEUF

et

VIVIAN RAHAUSEN

et

FIDUCIE FAMILIALE CÉDRIC LEBOEUF

et

FIDUCIE FAMILIALE VIVIAN RAHAUSEN

Défendeurs

PIÈCE P-1
(Demande pour ordonnance de confidentialité et de mise sous scellés)

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Code : BG 2013