

Presented by:
Robert Cameron AO, Chairman
John Gibbs, Managing Director & Chief Executive Officer

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ANNUAL GENERAL MEETING



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CHAIRMAN'S ADDRESS

ROBERT CAMERON AO





**OUR TRUE
PURPOSE**

To improve the oral health
of **ALL**
Australians to world's best

How we've helped shape Australia's oral health in FY 2017



12 convenient new locations opened



Approximately **600,000** appointments provided



We've seen over **100,000** new patient smiles



We are the major sponsor of the National Dental Foundation which facilitates free dental services to those members of society least able to access dental care.



Over **2,000** patients helped through government dental vouchers



75% of patients surveyed scored us a **9 OR 10**



We've helped approx **27,000** kids smile with the Child Dental Benefits Schedule

OUR COMPETITIVE ADVANTAGE

1. Multi-State Branded Network

- 62 of 70 dental centres are branded Pacific Smiles Dental
- Branding consistency to grow awareness, preference and trust

2. Organic Rollout

- 10+ years of executing greenfield rollout model – driven by constantly improving site selection, dentist and patient engagement
- Proven unit economics in a variety of location types
- Cluster approach for operational efficiencies

3. Scale Operations

- Leverage group buying power
- Group marketing benefits and partnership programs such as Velocity partnership

4. Patient Satisfaction

- Net Promoter Score continues to be above 70
- Focus on strong patient rebooking and retention

5. Dentist Clinical Sovereignty

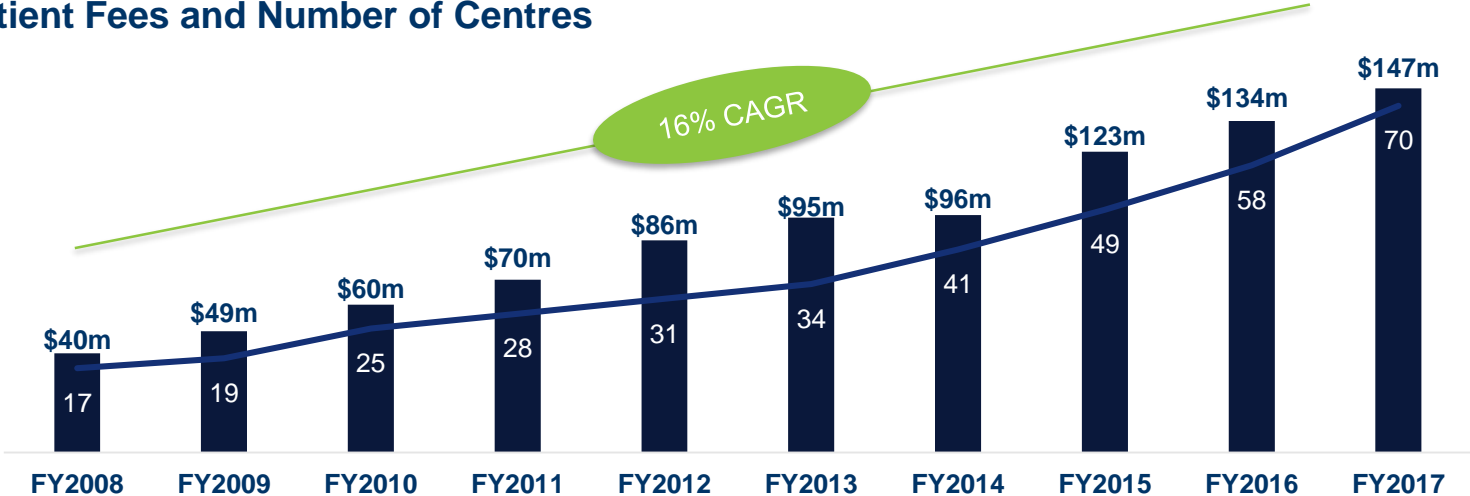
- Practitioner sovereignty over clinical decision making
- Dental Advisory Committee provides input to decisions in relation to clinical and professional matters, quality systems, treatments and services, products and equipment

6. Private Health Insurance Partners

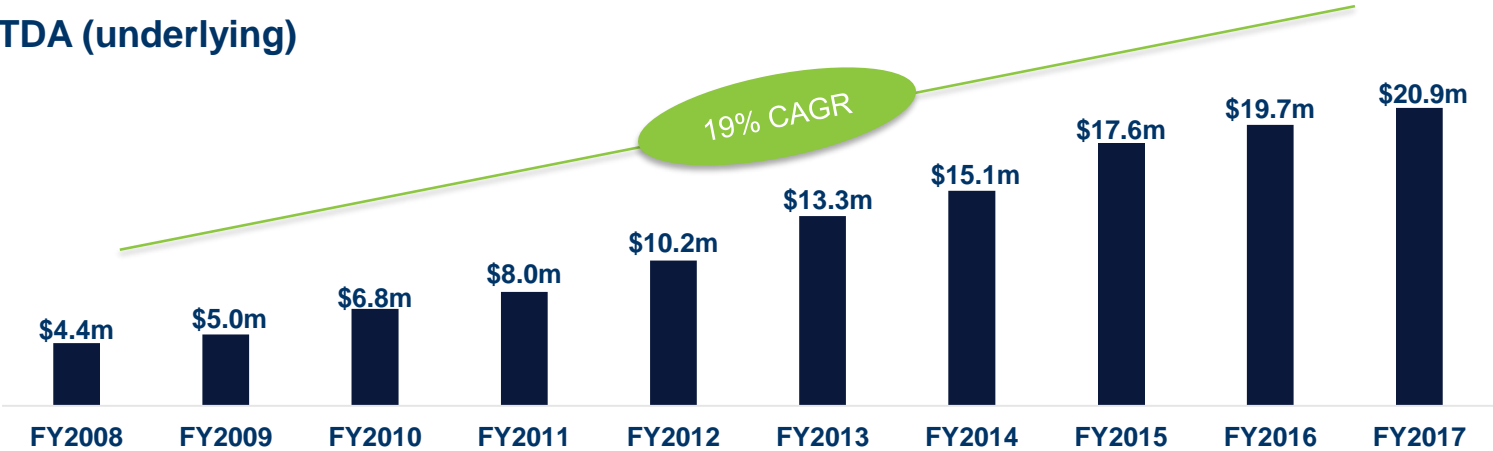
- Collaborative marketing arrangements
- Preferential patient benefits
- 8 nib Dental Care Centres

TRACK RECORD OF SUCCESS

Patient Fees and Number of Centres



EBITDA (underlying)



MANAGING DIRECTOR'S ADDRESS

JOHN GIBBS



FY 2017 RESULTS SUMMARY

	PATIENT FEES	SAME CENTRE GROWTH	EBITDA Underlying	EBITDA / PATIENT FEES Underlying	NPAT Underlying	EPS Underlying	DPS	DENTAL CENTRES
	\$147.0m	+3.8%	\$20.9m	14.2%	\$10.3m	6.8 cents	5.9 cents	70
▲ YOY	+9.8%	-120bps*	+6.3%	-50bps*	+1.3%	+1.3%	+0.4 cents	+12

* 100 bps is equivalent to 1%

FY 2017 OPERATIONAL HIGHLIGHTS

Dental Centres

70

21% Growth

Inaugural annual conference
'Inspire' for Pacific Smiles Dentists

NET PROMOTER SCORE

>70

Dental Advisory Committee comprising internal & external dentists



NEW CENTRES

12



Commissioned Chairs

276

14% Growth

343

DENTISTS
16% Growth

Dentist and Patient engagement database

890
EMPLOYEES



We continued to invest in the following key areas to grow our competitive advantage:

Technology

- Investments in proven technology and best practice quality systems to advance patient care
- Next generation database to enhance dentist and patient engagement
- Business process automation
- Mobile-first technology, including introduction of a comprehensive patient communication application

Branded Network Growth

- Cluster-oriented organic rollout of new centres in established areas
- Continued improvements in site selection, shopfront appeal and pre-opening marketing
- Structure and systems in place to continue to scale up

People & Culture

- Investment in frontline training and talent building including Inspire Conference for dentists and leadership training for managers
- Implemented new talent acquisition and management software platform
- In-house mentor programme for recent graduate dentists
- Education support for dentists via in-house and external training

DRIVERS OF EARNINGS GROWTH

1. GROWTH OF EXISTING CENTRES

- >40% of centres less than 3 years old

2. ROLLOUT OF NEW CENTRES

- Targeting at least 10 new centres per annum
- Long term network potential of at least 250 dental centres

3. MARGIN EXPANSION

- Increased scale, new centre ramp-up and operational improvements



1

Board & Executive appointments

- New non-executive Director – Zita Peach, accomplished former healthcare executive and current non-executive Director, bringing significant operational experience to the Board
- Dr Alex Abrahams, Founder, moves to non-executive Director position and remains actively involved in the business with a focus on clinical leadership, industry advocacy, and Company culture
- Appointment of Allanna Ryan as Chief Financial Officer (previously Financial Controller for Pacific Smiles)

2

Network Expansion and Optimisation

- Evaluating opportunities to expand the nib dental centre footprint
- Two new centres already opened in FY18 - PSD Leopold & PSD Greensborough
- Three more new centres to open in Q2 at Glen Waverley (VIC) , Buddina (QLD) and Gungahlin (ACT)
- Healthy pipeline of opportunities

3

Dentist & Patient Engagement

- Practitioner and patient database and business intelligence projects underway with expected benefits for dentist engagement and retention, patient care across multiple locations, and business process improvement
- Mobile-first technology including introduction of a patient communication application. Targeting improved patient rebooking and retention
- SMS based clinical follow up system with patients after surgery

4

Broadening of service offering

- Initiatives underway to expand service offerings within existing centres via dentist training and mentoring systems
- Updating of dentist resourcing function and systems to reach more prospective dentists and deepen the talent pipeline
- Acquisition of 100% of Everything Dentures, a provider of prosthetic denture services and dental laboratory services

PACIFIC SMILES GROUP NETWORK EXPANSION

FY 18 geographic cluster focus

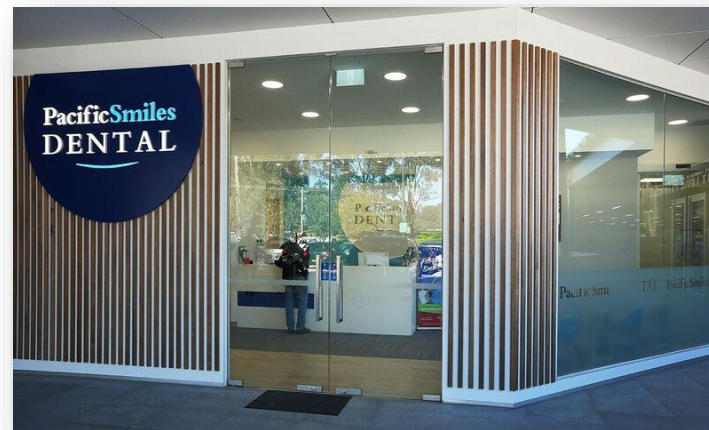
VIC	NSW	QLD
Leopold Greensborough Glen Waverley*	Gungahlin*	Buddina*

*Opening Soon

Rollout of successful formula

- 3-4 chair centres
- High foot traffic shopping centre locations
- Open shopfronts
- 7 days per week and extended operating hours
- Private health insurer and government programs
- Velocity program
- Strong local marketing
- Aligned, engaged dentists and staff

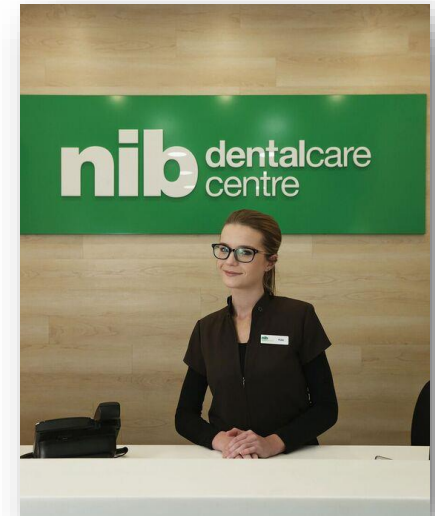
Shopping centre format



Performance

- Strong patient booking at opening
- Patient fees and EBITDA ramp up tracking to Pacific Smiles' historical experience
- Cluster efficiencies from regional marketing and staffing
- Scale benefits as centres mature

- Restriction of no-gap check-ups to nib Dental Care Centres from April 2017
- New nib Dental Care Centre at Erina opened June 2017
- An nib/Pacific Smiles co-brand arrangement established at Greenhills
- Opportunities for nib Dental Care Centres in Brisbane and Canberra being scoped
- Recently opened nib centres in Erina and Greenhills are driving incremental patient flow to the Pacific Smiles network



EVERYTHING DENTURES ACQUISITION

- Strategic rationale to further develop Pacific Smiles as a full-service provider of dental treatments and services to the patient catchments addressed by our growing network of dental centres
- Additional strategic benefits with stand-alone denture clinics and vertical integration via Sculpt Dental Laboratories where the custom dentures are manufactured
- Everything Dentures consists of 3 Denture Clinics and 2 Dental Laboratories in Sydney and Canberra and has Prosthetists placed in 8 dental centres operated by Pacific Smiles
- Immediate opportunity to integrate more Prosthetists into dental centres operated by Pacific Smiles to uplift denture volumes and enhance patient care
- Acquisition of Everything Dentures and Sculpt Dental Lab for upfront cash consideration of approximately \$0.7 million plus an earn-out component over two years
- The 3 vendors will be employed by Pacific Smiles under a five year employment agreement, with a vendor incentive payment at end of 5th year



EverythingDentures



- Centre has continued to perform below management expectations leading to the restructure of PSD - Parramatta
- Staffing reduction to match operational size of 7 surgeries, down from 12
- Hygienist services discontinued and patients being transferred to dentists
- The proposed changes resulted in a one-off EBITDA impact of \$2.3m in FY 2018 - \$0.7 million in redundancy costs and a \$1.6 million non-cash impairment cost
- Pacific Smiles expects the centre to continue to be EBITDA positive in FY 2018 excluding the one-off restructuring and impairment costs
- Expectation that these changes will deliver a more profitable and sustainable performance in the long term
- Focus is on patient retention and strong teamwork culture
- The restructure is proceeding positively and to plan

RECAP OF FY 2018 GUIDANCE

- **EBITDA** growth for FY 2018 of approximately **10%**
- **Total Patient Fee** growth of **10-15%**
- **Same centre patient fee** growth of **>5%** (currently 3.5% as at 16 November)
- **Corporate overhead expenses** to grow in line with patient fees, with increased investment in training, IT and other enablers of network rollout
- Opening at least **10** new dental centres in **FY 2018**
- **Dividend policy unchanged**, with a **pay-out ratio** in the range of **80-90%** of NPAT for **FY 2018**