



FY2018
**RESULTS
PRESENTATION**

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A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation.

AGENDA

- 1. PERFORMANCE HIGHLIGHTS**
- 2. BUSINESS OVERVIEW AND UPDATE**
- 3. RESULTS DETAIL**
- 4. GROWTH AND OUTLOOK**
- 5. APPENDIX**



JOHN GIBBS

Managing Director and Chief Executive Officer



ALLANNA RYAN

Chief Financial Officer



*Performance
Highlights*



“Our true purpose is to improve the oral health of all Australians to world’s best”

**2018
Results
Summary**

PATIENT FEES
- UP 12.0%

\$164.5m

SAME CENTRE GROWTH
- UP 130bps

5.1%

EBITDA¹
- UP 2.9%

\$21.5m

ORDINARY DIVIDENDS
- UP 3.4%

6.1cps

EBITDA / PATIENT FEES¹
- DOWN 110 bps

13.1%

NPAT¹
- DOWN 9.7%

\$9.3m

Note 1 - Figures are presented on an underlying basis

FY 2018 OPERATIONAL SNAPSHOT

DENTAL CENTRES

80

14% GROWTH ON PCP

ACQUISITION OF
EVERYTHING
DENTURES AND
SCULPT DENTAL LAB

NET PROMOTER SCORE

>75

SUCCESSFUL RIGHT-
SIZING OF EX-DEP
CENTRE IN
PARRAMATTA



NEW CENTRES

10



COMMISSIONED CHAIRS

309

12% GROWTH ON PCP

376

DENTISTS

10% GROWTH PCP

DENTIST MENTOR
PROGRAMS

1,008
EMPLOYEES



GROWTH TRACK RECORD

Patient Fees and Number of Centres



EBITDA (underlying)



*Business
Overview and
Update*

OUR TRUE PURPOSE FACTS



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



10 convenient new locations opened



Approximately **670,000** appointments provided



We've seen over **120,000** new patient smiles



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

How we've helped shape Australia's oral health in the last 12 months



OUR STRATEGIC FRAMEWORK



STRATEGIC FRAMEWORK IN ACTION



A Perfect Patient Experience

Patient Satisfaction

- Net Promoter Score above 75
- Strong patient rebooking and retention

Private Health Insurance Partners

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



Best in Class Dentists

Dentist Clinical Autonomy

- Practitioner sovereignty in clinical decision making
- Dental Advisory Committee for input to clinical and professional matters, treatments, services, products, equipment and quality

Practitioner Development

- Graduate Mentoring Course
- Regional Dentist Mentors for ongoing dentist development



High Performance Culture & Employees

Leadership and Development

- LEADER professional development course for emerging managers
- Business Excellence course for Centre Managers



Efficient & Effective Operations

Scale Operations

- Group buying power
- Network marketing benefits and partnership programs
- Increased brand awareness

Leverage Business Data

- Business database for data analytics and business intelligence



Expansion & Growth

Multi-State Branded Network

- 70 are branded Pacific Smiles Dental, 10 are branded nib
- Branding consistency to grow awareness, preference and trust
- Everything Dentures acquisition

Organic Rollout

- 10+ years of executing greenfield rollout model
- Proven unit economics
- Cluster approach

EVERYTHING DENTURES

EverythingDentures



PACIFIC
SMILES GROUP



Acquisition
completed on
7 November
2017



28 locations -
stand-alone
denture clinics
and Pacific
Smiles Dental
centres



Three labs
located at
Canberra,
Glendale and
Parramatta



Expanding
presence at
Pacific Smiles
dental centres



Strong alignment
between
Everything
Dentures and
Pacific Smiles

NIB DENTAL CARE CENTRE UPDATE



FY 2017 2 new locations - nib Greenhills and nib Erina



FY 2018 2 new locations - nib Woden and nib Eagle St (rebranding)



A network of ten nib Dental Care Centre locations providing **official no-gap check-ups**

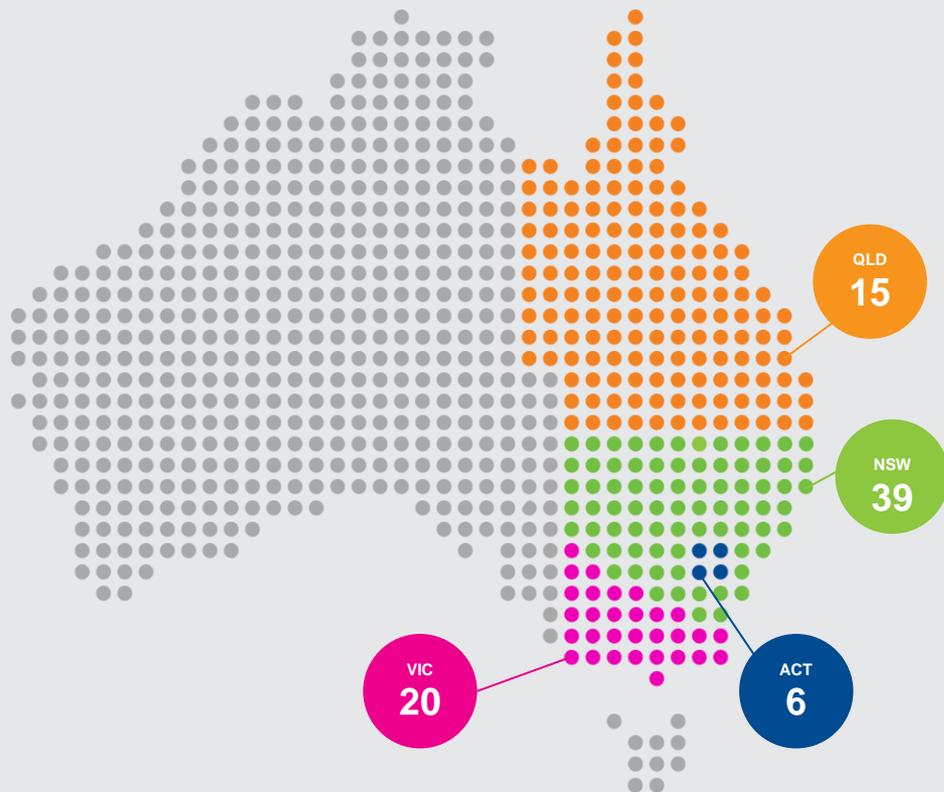


Growing market share in key catchments



Q4 YoY attendance and patient fee growth of over 40%

DENTAL CENTRE NETWORK



Queensland

Bribie Island
 nib Brisbane CBD
 Browns Plains
 Buddina*
 Burleigh Heads
 Capalaba
 Deception Bay
 Helensvale
 Morayfield
 Mt Gravatt
 Mt Ommaney
 North Lakes
 Redbank Plains
 Runaway Bay*
 Strathpine

Victoria

Bairnsdale
 Bendigo
 Cranbourne Park
 Drysdale
 Glen Waverley*
 Greensborough*
 Leopold*
 Melbourne
 nib Melbourne
 Melton
 Mill Park
 Mulgrave
 Point Cook

Ringwood
 Sale
 Torquay
 Traralgon
 Warragul
 Waurn Ponds
 Werribee

ACT

Belconnen
 Gungahlin*
 Manuka
 Tuggeranong
 Woden
 nib Woden*

New South Wales

Balgowlah*
 Bateau Bay
 Belmont
 Belrose
 Blacktown
 Brookvale
 Campbelltown
 Charlestown
 nib Chatswood
 Erina
 nib Erina
 Figtree*
 Forster
 Gladesville

nib Glendale
 Greenhills
 Jesmond
 Kotara
 Lake Haven
 Marrickville
 Morisset
 Narellan
 nib Newcastle
 nib North Parramatta
 Nowra
 Parramatta
 Penrith
 Queanbeyan
 Rutherford
 Salamander Bay
 Shellharbour*
 Singleton
 nib Sydney
 Toronto
 Town Hall
 Tuggerah
 Wagga Wagga
 Warilla
 nib Wollongong

* New centres in FY2018

*Results
Detail*

SUMMARY INCOME STATEMENT

FOR THE FULL YEAR ENDED 30 JUNE 2018

\$ MILLIONS	UNDERLYING FY 2018	UNDERLYING FY 2017	CHANGE
Revenue	104.5	91.5	14.3%
Gross profit	96.5	85.9	12.3%
EBITDA	21.5	20.9	2.9%
Depreciation and amortisation	(7.8)	(6.0)	(29.6%)
EBIT	13.7	14.9	(7.9%)
Net interest expense	(0.4)	(0.2)	-
Profit before tax	13.3	14.7	(9.5%)
Tax	(4.0)	(4.4)	8.4%
Net profit after tax	9.3	10.3	(9.7%)

Key operating metrics

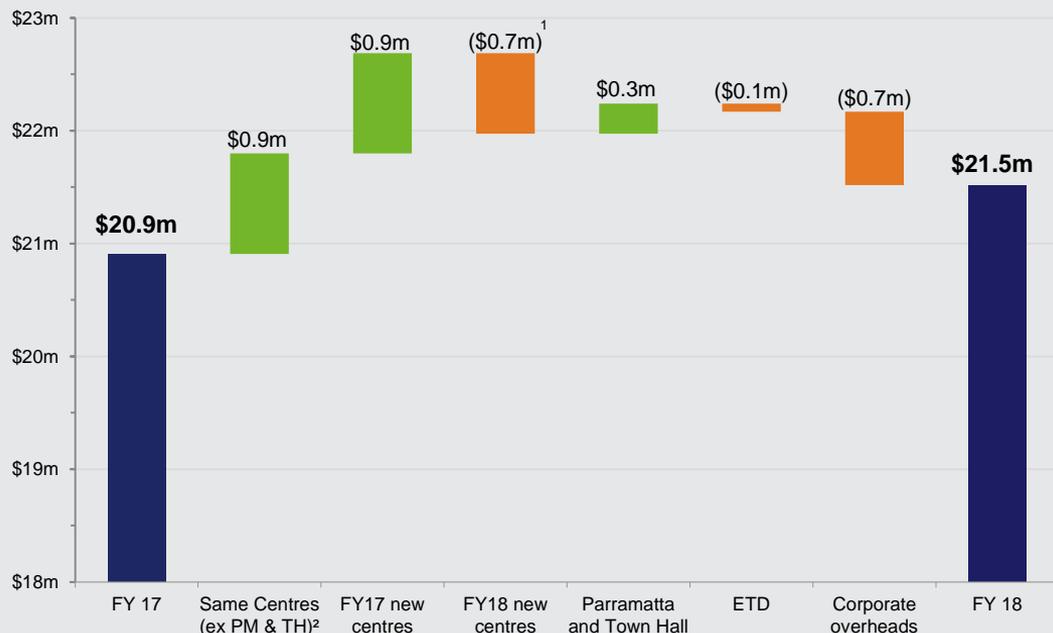
Number of Dental Centres	80	70	14.3%
Number of Commissioned Dental Chairs	309	276	12.0%
Patient Fees (\$m)	164.5	147.0	12.0%
Same Centre Patient Fees growth	5.1%	3.8%	

Key financial metrics

Earnings per share (cents)	6.1	6.7	
EBITDA margin	20.6%	22.9%	
EBITDA to Patient Fees margin	13.1%	14.2%	
EBIT margin	13.1%	16.3%	

- Revenue up 14.3% to \$104.5 million reflecting growth from new centres opened in FY 2018 and FY 2017 and patient fee growth in same centres
- Same Centre Patient Fee growth of +5.1% (2017: 3.8%), in line with our expectations of ~5%
- Trading was below expectations in May and June, with the softer trading weighted towards the more mature dental centres in the portfolio
- The decline in EBITDA to Patient Fees margin of 110bps can be explained by three key factors:
 - IT investment – ~\$600k of incremental IT expenditure for data connectivity and network infrastructure to support the "cloud first" IT roadmap
 - Cohort mix – the proportion of centres in ramp up phase (i.e. faster growing but lower margin) increased as a proportion of the total. In FY 2018 the cohort of centres opened FY 2011 to FY 2016 inclusive comprised 38% of the total compared to 32% in FY 2017
 - Labour efficiency – our mature centre cohort reported patient fee growth of 2.0%, with expenses growing at ~4%. In future we are aiming to improve labour matching to the level of patient activity, through various initiatives including improved business intelligence reporting
- D&A increased by \$1.8 million, reflecting the acceleration of new centre developments in recent years

FY 2018 EBITDA BRIDGE



Notes:

1. EBITDA contribution impacted by the timing of new centre openings
2. In the chart above, PM refers to Parramatta and TH refers to Town Hall

- The key drivers of the movement are summarised in the adjacent chart:
 - Same centres were impacted by softer trading in May and June, weighted towards the more mature dental centres in the portfolio
 - FY 2017 new centres performing in line with other cohorts, and the skew towards centres opening in the second half of each year
 - Start up losses from new centres opened in FY 2018 - 10 new centres were opened (2017- 12), with 3 opening in June 2018
 - Parramatta and Town Hall (ex-DEP centres) performance improved following the restructure of Parramatta
 - Corporate overheads were unfavourable due to additional positions to broaden expertise and support the growth plans

FY 2018 CASHFLOW AND BALANCE SHEET

\$ MILLIONS	STATUTORY	STATUTORY
	FY 2018	FY 2017
EBITDA	18.4	20.6
Other non-cash items	2.1	(0.1)
Changes in working capital (exc. Income tax)	2.2	1.5
Net interest paid	(0.4)	(0.2)
Income tax paid	(4.9)	(4.7)
Net cash flow from operating activities	17.4	17.1
Capital expenditure (net)	(13.7)	(13.5)
Business acquisitions	(0.8)	-
Net cash flow from investing activities	(14.5)	(13.5)
Borrowings (net)	7.0	4.9
Dividends	(9.1)	(8.7)
Net cash flow from financing activities	(2.1)	(3.8)
Net cash flow	0.8	(0.2)

\$ MILLIONS	STATUTORY	STATUTORY
	30 JUN 2018	30 JUN 2017
Cash and cash equivalents	6.7	5.9
Other current assets	5.4	4.6
Property, plant and equipment	47.3	41.9
Other assets	15.9	15.8
Total Assets	75.3	68.2
Payables	11.1	9.8
Provisions	10.3	9.1
Borrowings	12.0	5.0
Total Liabilities	33.4	23.9
Net Assets	41.9	44.3

Note:
1. Cash conversion calculated as operating cash flow excluding tax and net finance cost as a ratio of EBITDA

2. Amounts in the table have been rounded to the nearest \$100,000. Any discrepancies between totals and sums of components are due to rounding

- Strong EBITDA cash conversion¹ of 123%
- The non cash item includes the impairment of the Parramatta dental centre (\$1.6m) and write-down of assets (\$0.4m)
- Total capital expenditure of \$13.8 million, including:
 - 10 new centres opened (\$8.3m)
 - Upgrade of nib Greenhills (\$0.7m) and Bribie Island centre (\$0.4m)
 - Rebranding of nib Brisbane (\$0.5m)
 - Balance includes equipment replacements, commissioning of 14 additional surgeries in existing centres and IT infrastructure
- FY 2018 final dividend of 3.8 cps declared, payable in October 2018
- Increases in property, plant and equipment reflect the investment in new centres
- Borrowings increased due to the drawdown of debt to fund the new centre rollouts and Everything Dentures acquisition
- Right-sizing of Parramatta resulted in a \$1.6m write-down of assets and goodwill

Pacific Smiles
DENTAL

PACIFIC
SMILES GROUP

*Growth and
Outlook*

GROWTH STRATEGY



Existing Centres

- Strong 'same centre' patient fee growth as centres mature
- Significant proportion of immature centres
- Capability to commission further surgeries to meet future demand



New Centres

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



Range of Services

- Additional services to support patient demand
- Increase hours of operation



Margin Expansion

- Increased scale
- New centre ramp up
- Leverage fixed overheads

GROWTH FROM EXISTING CENTRES



39% of centres are **less than 3 years old**



Average same centre patient fees growth of **5.4% pa** over the seven years to 30 June 2018



77% of dental chairs **commissioned**

Further 92 chairs available to meet future demand



Winning **market share**

GROWTH FROM EXISTING CENTRES

Same Centres

Same Centre Patient Fee Growth	FY 2017	FY 2017 % of Total	FY 2018	FY 2018 % of Total
Centres opened 2010 and earlier	2.3%	68%	2.0%	62%
Centres Opened 2011 to 2016 ¹	14.6%	32%	12.7%	38%
Group (Ex- DEP)	5.7%	100%	5.9%	100%
Group	3.8%		5.1%	

Strong 'same centre' patient fee growth as centres mature

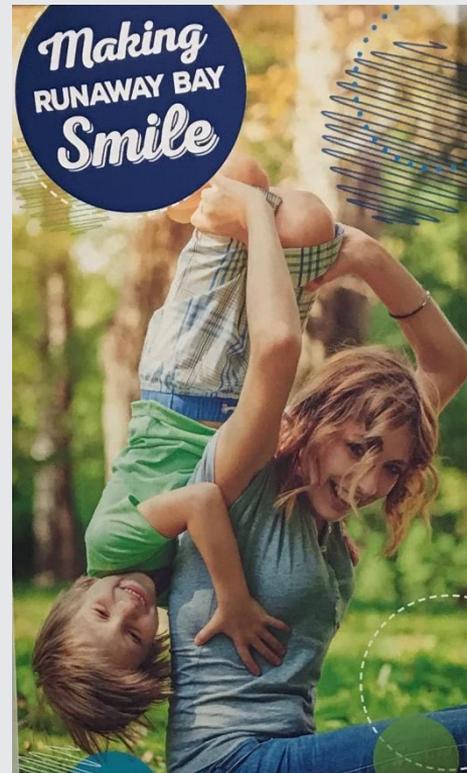
PSQ's less mature centres continue to show strong positive growth

Note:

1. Excludes ex-DEP centres Parramatta and Town Hall. Centres opened in 2016 are not included in the FY 2017 same centre calculation

GROWTH FROM NEW CENTRES

Successful Formula



 3-4 chair centre

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

GROWTH FROM NEW CENTRES

New Centre Economics

	New Pacific Smiles Dental Centres (opened Jul-11 to Jun-17) ²		Group Median (all centres opened > 2 Years)
	Year 1	Year 2	
Commissioned chairs per centre	2	2	4
Patient Fees per centre	\$0.8m	\$1.2m	\$2.3m
EBITDA per centre ¹	(\$0.1m)	\$0.1m	\$0.5m
EBITDA / Patient Fees (centre level)	(10%)	11%	more than 20%

Group profitability is impacted by year one losses for new centres

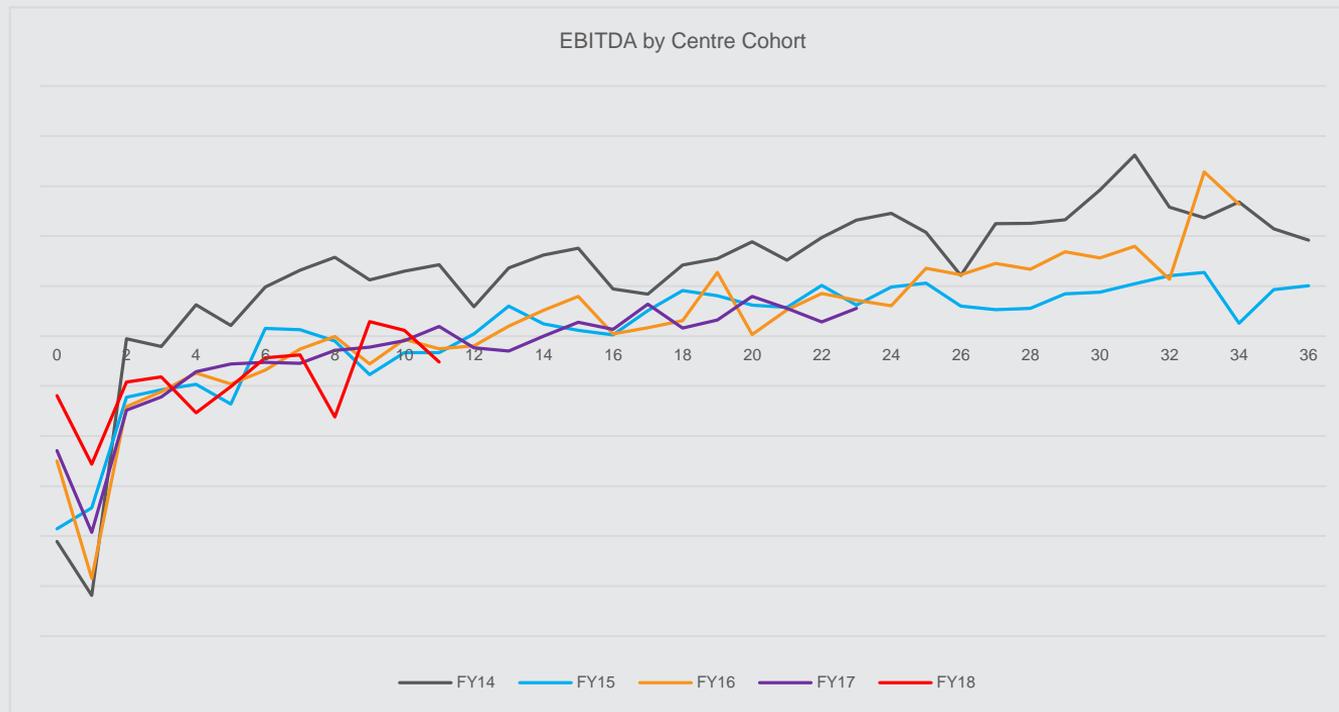
Centres take many years to achieve maturity and continue to show margin expansion over this time

Note:

1. Centre level EBITDA excludes any allocation of corporate overheads
2. 41 new Pacific Smiles Dental Centres opened Jul-11 to Jun-17

GROWTH FROM NEW CENTRES

New Centre Cohort Analysis



The centres opened in FY17 and FY18 achieved profitability within 12 months

Consistent path of EBITDA ramp up as new centres continue to leverage fixed cost base

Note: 1. Represents the average EBITDA for the centres opened during the relevant financial year from month 0 (pre-opening) to month 36. Centre EBITDA has been scaled to align opening months by cohort. For example month 1 for the FY 2014 cohort reflects the average EBITDA for the first month for all centres opened in FY 2014.

DENTAL INDUSTRY UPDATE



Industry Size

- The Australian dental services industry is a **\$9b-\$10b market**
- **CAGR of approx. 5%** over the five years to 30 June 2016¹
- **Opportunity for step change in attendance** patterns via driving education and affordability



Market Structure

- **Highly fragmented** and characterised mainly by cottage-level competition
- **10%-12%** comprise larger scale corporate entities



Funding

- **Federal Government funding** of the dental sector is low at **9%**¹
- **Private health insurance** benefits represent 18% of total dental expenditure. This is net of private health rebates of ~\$600 million, or 6% of total dental expenditure
- About **52% of all claims** paid out under extras insurance is for **dental treatments**³



Workforce

- **Over 17,000 registered dentists** in Australia today, up from 14,000 six years ago²
- **Demographic shifts in the dental workforce** – higher proportion of female dentists at 51%²
- **Females** accounting for approximately **56%** of student members of ADA Victorian branch⁴
- Increased demand for more **flexible working conditions**, supported by the Pacific Smiles service model

Notes:

1. AIHW 2015-16 Health Expenditure Australia
2. Dental Board of Australia Statistics as of 31 March 2018
3. AIHW Private health insurance expenditure 2015-16
4. Sydney Morning Herald – Women outnumber men in dental professions for first time 8 September 2017

STRATEGIC FOCUS AREAS FY 2019



A Perfect Patient Experience

- Enhanced automated treatment plan follow up communication system
- Intra-oral scanner trial
- New website and information hub



Best in Class Dentists

- Expand the structured mentoring programs for graduates
- Regional Clinical Mentors
- Third annual Inspire conference for dentists
- Specialised training and development



High Performance Culture & Employees

- Business Excellence Manager training program
- Frontline customer service training refresher program



Efficient & Effective Operations

- Systemised utilisation planning
- Further leveraging the business database for data analytics and enhanced reporting capability
- Dedicated focus on appointment book management



Expansion & Growth

- 4 new centres committed for opening in FY 2019
- Expansion of Everything Dentures and Sculpt Lab
- Dental plan for uninsured patients
- Refresh long term network plan

FY 2019 OUTLOOK

- **FY2019** guidance is **unchanged**
- **EBITDA** growth for FY 2019 of at least **10%** on FY 2018
- **Patient Fee** growth of **10 – 15%** on FY 2018
- **Same Centre Patient Fee** growth of **> 5%** for FY 2019 (tracking at 9.3% YTD up until 18th August 2018)
- Opening at least **10 new dental centres** in FY 2019, with **4** new sites already **committed for FY 2019**
- **Dividend policy pay-out ratio** in the range of **70-100%** of NPAT for FY 2019
- **CEO transition** 29th October 2018



Appendix

STATUTORY UNDERLYING

Reconciliation

\$ MILLIONS	STATUTORY 2018	ADJ'S 2018	UNDERLYING 2018	STATUTORY 2017	ADJ'S 2017	UNDERLYING 2017
Revenue	104.5	-	104.5	91.5	-	91.5
Direct expenses	(8.3)	0.3	(8.1)	(5.6)	-	(5.6)
Gross profit	96.2	0.3	96.5	85.9	-	85.9
Other income	1.2	0.4	1.6	1.2	-	1.2
Expenses						
Employee expenses	(44.2)	0.7	(43.4)	(38.4)	0.4	(38.0)
Consumable supplies expenses	(8.4)	-	(8.4)	(7.4)	-	(7.4)
Occupancy expenses	(12.0)	-	(12.0)	(10.2)	-	(10.2)
Marketing expenses	(1.8)	-	(1.8)	(1.8)	-	(1.8)
Administration and other expenses	(12.7)	1.7	(11.0)	(8.8)	-	(8.8)
EBITDA	18.4	3.1	21.5	20.6	0.4	20.9
Depreciation and amortisation	(7.8)	-	(7.8)	(6.0)	-	(6.0)
EBIT	10.6	3.1	13.7	14.5	0.4	14.9
Net finance costs	(0.4)	-	(0.4)	(0.2)	-	(0.2)
Profit before tax	10.2	3.1	13.3	14.3	0.4	14.7
Income tax expense	(3.6)	(0.4)	(4.0)	(4.3)	(0.1)	(4.4)
Net profit after tax	6.6	2.6	9.3	10.0	0.2	10.3

- Adjustments to the FY 2018 Income Statement remove the impacts of once-off major dental centre restructure, business acquisition costs, severance and HR consultancy expense, asset write off, and executive LTI plan expense
- Adjustments to the FY 2017 Income Statement remove the impacts of severance costs and executive LTI plan write back

Note:

- Amounts in the table have been rounded to the nearest \$100,000. Any discrepancies between totals and sums of components are due to rounding

BALANCE SHEET

As at 30 June 2018

\$ MILLIONS	STATUTORY 30 JUN 2018	STATUTORY 30 JUN 2017
Current Assets		
Cash and cash equivalents	6.7	5.9
Receivables	0.9	1.0
Current Tax Receivable	0.8	0.1
Inventories	3.3	2.9
Other	0.5	0.7
Total Current Assets	12.0	10.5
Non-Current Assets		
Property, plant and equipment	47.3	41.9
Intangible assets	11.0	11.4
Deferred tax assets	5.0	4.4
Total Non-Current Assets	63.3	57.7
Total Assets	75.3	68.2
Current Liabilities		
Payables	11.0	9.8
Provisions	3.3	3.0
Total Current Liabilities	14.3	12.9
Non-Current Liabilities		
Payables	0.1	-
Borrowings	12.0	5.0
Provisions	7.0	6.0
Total Non-Current Liabilities	19.1	11.0
Total Liabilities	33.5	23.9
Net Assets	41.9	44.3
EQUITY		
Contributed equity	35.1	35.1
Reserves	0.3	0.2
Retained profits	6.5	9.1
Total Equity	41.9	44.3

Note:

- Amounts in the table have been rounded to the nearest \$100,000. Any discrepancies between totals and sums of components are due to rounding

Thank you