

2018 Annual General Meeting – Managing Director's Address

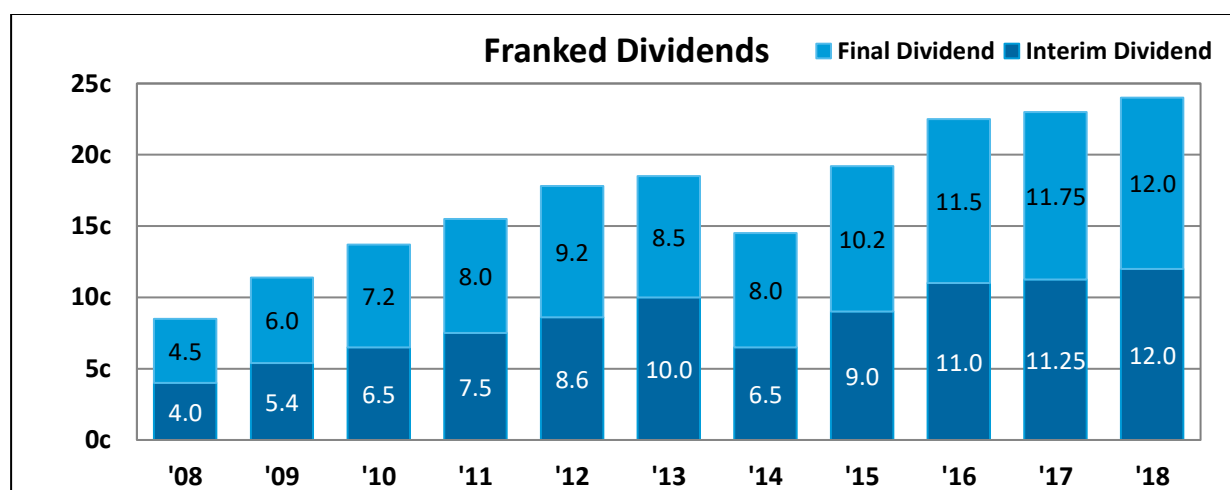
Thank you for joining us today at the fourteenth Annual General Meeting of 1300SMILES Limited. It's a pleasure to see you all. This is the fourteenth AGM I have attended, and I suspect that a few of us in the room today have been to almost as many AGMs as I have.

Some shareholders here today have been with us since the very beginning, acquiring their first shares in our initial offering at 80c each, back in 2005.

If you've been with us from the beginning you've now received twenty-eight consecutive franked dividends totaling \$2.06 plus franking credits of another 88c for every share you own.

I mention this right up front because protecting and increasing our dividend has always been one of our key commitments to shareholders. Increasing the dividend, of course, depends on increasing earnings per share.

Over the past fourteen years we have succeeded in growing our annual dividend in all but two years. As shown in the chart below we have delivered an increased dividend in nine of the past ten years, including the most recent full year to June 2018.



The objective of increasing earnings per share--to enable an increased dividend per share--has two parts. First, we have to increase our company's total profit. Second, and just as important, we have to keep the total number of issued shares under control.

Long term shareholders know that this is one of my favourite topics, but it is so important to the way we run 1300SMILES that I'll ask you to bear with me while I go over it one more time.

It is common in a number of industries including dentistry for corporate aggregators to acquire a number of small operators with the initial aim of building a large business. There are plenty of such aggregators operating in Australia, both listed and unlisted, covering a number of different businesses.

What's also common is for the promoters of these businesses to focus mainly on the top line: if total revenue is bigger than last year, then everything is fine. That's not how we look at it here at 1300SMILES.

It's easy to grow by endless acquisition if you're not careful about the quality of the businesses you buy, how much you pay, or how many additional shares you issue. We have always avoided this approach, instead imposing a strict rule: acquisitions must contribute to increased earnings per share, either instantly or very soon.

Guided by this rule, 1300SMILES has delivered satisfactory growth over its first fourteen years. I'll admit that our strict approach to acquisition has sometimes created a bit of frustration for shareholders and for our management team. After all, we've built a team of acquisition experts, and they naturally want to find and complete acquisitions.

In the 2015 and 2016 years we completed extremely few acquisitions. During those years there were other players in the market who were simply willing to pay way too much for existing dental practices, so we held back.

In the last two financial years conditions have changed, and you will have noticed that the rate at which we've been making profitable acquisitions has increased.



Buderim



Noosa



Ingham



Roma

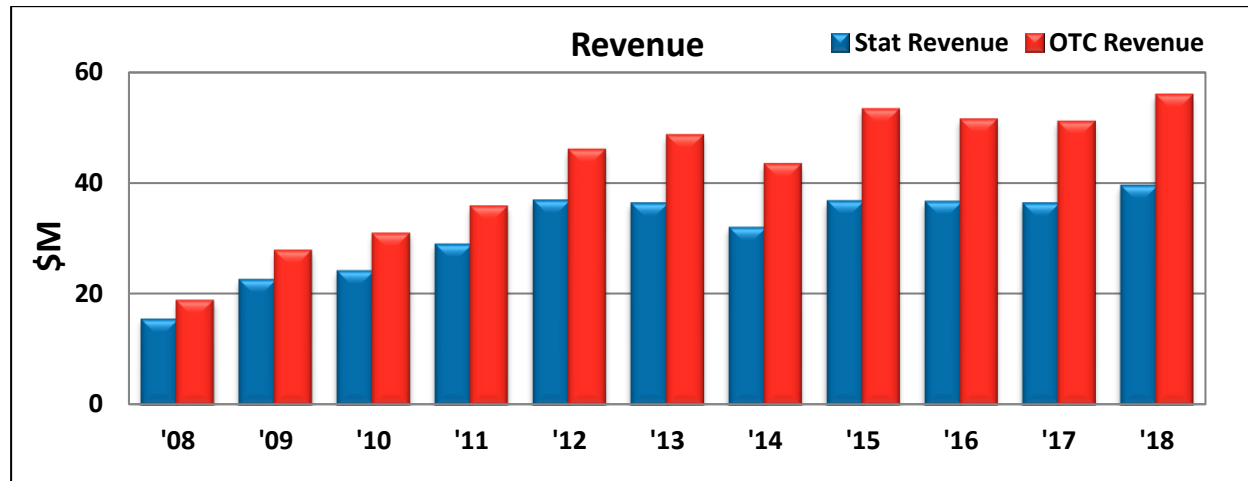


Year after year you've heard me tell you that we're always ready to make earnings-accretive acquisitions. Year after year you've heard me tell you that our company has cash reserves

and access to capital sufficient to enable just about any sensible opportunity which might arise. All of this remains true.

All of our hard work over many years led to the latest pleasing result for the year ended 30 June 2018. By now you've all had time to digest our results for the financial year, so I won't spend too long talking about these.

The 2018 year was marked by a number of new records for our company. Our annual revenue was up almost 10% to an all-time high of \$55.8 million. Net Profit After Tax was a record \$7.6 million.



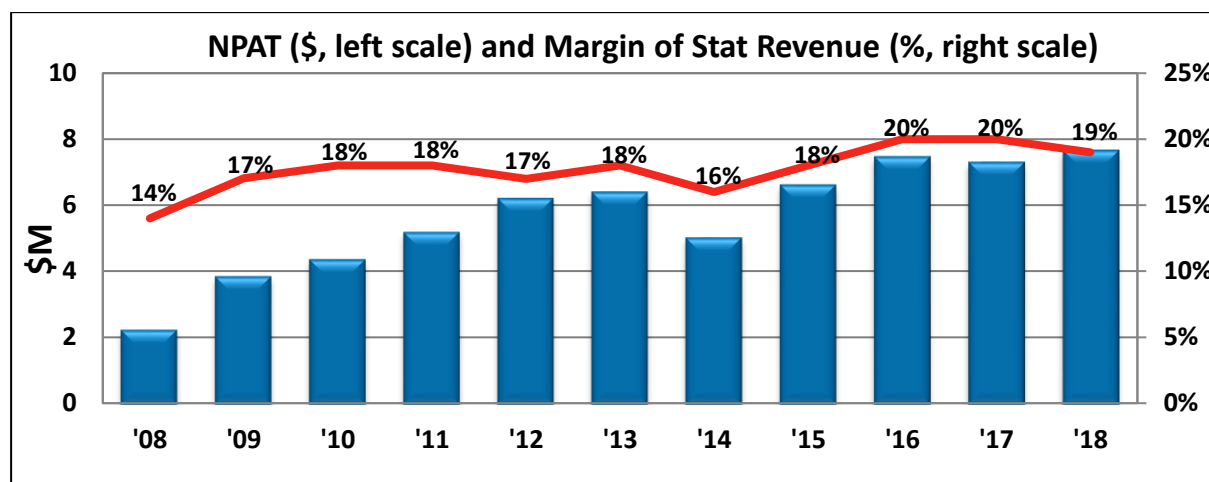
Reconciliation of OTC Revenue (non-IFRS) to Statutory Revenue per (Financial Statements)											
	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18
OTC Revenue (\$m)	18.6	27.6	30.7	35.7	45.9	48.5	43.3	53.2	51.4	51.0	55.8
Less amount retained by self-employed Dentists (\$m)	3.4	5.3	6.8	6.9	9.2	12.3	11.5	16.6	14.9	14.8	16.5
Statutory Revenue (\$m)	15.2	22.4	23.9	28.7	36.7	36.2	31.8	36.6	36.5	36.2	39.3

As the number of issued shares did not increase during the 2018 year (or in any of many previous years) this record NPAT delivered a record high Earnings Per Share of 32.2c. This in turn enabled our largest ever full-year dividend of 24c per share, fully franked.

Financial Snapshot			
	FY'18	FY'17	Change
Revenue (OTC)	\$55.8m	\$51.0m	9.6%
Revenue (Statutory)	\$39.3m	\$36.2m	8.8%
EBITDA	\$13.1m	\$12.5m	4.2%
EBIT	\$10.8m	\$10.3m	3.2%
NPBT	\$10.7m	\$10.3m	3.4%
EPS	32.2c	30.7c	4.8%
DPS	24.0c	23.0c	4.3%

All in all, 2018 was a good, solid financial year. Our business became stronger in many ways while continuing to deliver growth.

Subsequent to the end of the year, I am happy to report that the month of October 2018, just completed, set new performance records on all the measures that matter. Revenue for the month was well up on previous Octobers and the highest for any calendar month ever.

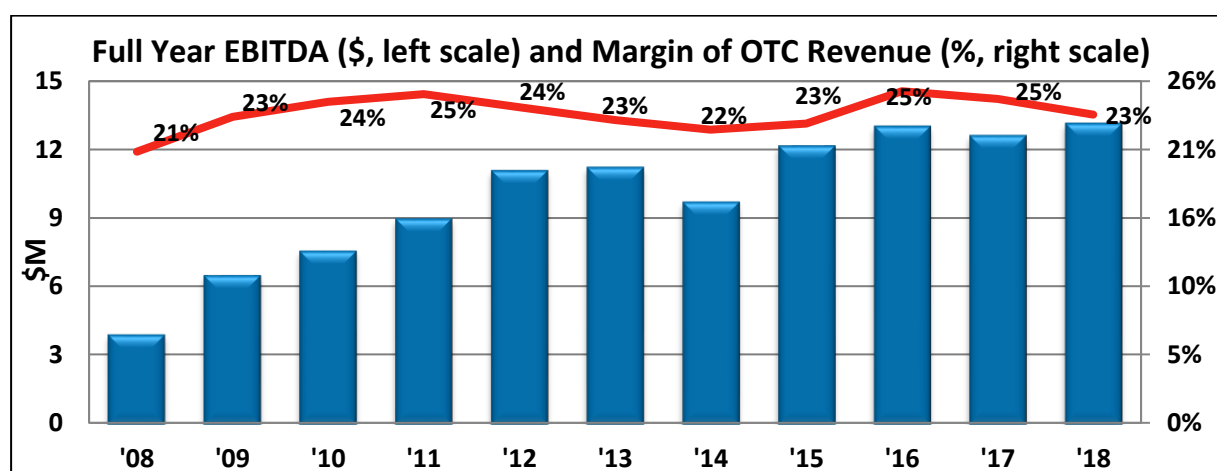


Meanwhile, expenses during the month were well-contained, ensuring that October 2018 made a bigger contribution to EBITDA and Profit than any previous month ever.

Let's take a moment to salute the performance of our practice managers, our group practice managers, and our head office staff. Great work!

My position often gives me access, on a confidential basis, to the financial performance of dental practices owned by others. One factor almost always stands out: facilities operated by 1300SMILES are generally way more efficient and profitable than those operated by others.

This means that for the same total revenue, 1300SMILES facilities usually deliver a greater contribution to EBITDA and profit than facilities operated by others. The difference, in both percentage terms and dollar terms, is substantial.



This is no coincidence, of course, as operating efficiency has been a key objective for all of our fourteen years as a listed company. Managers at every level focus on eliminating waste

while removing obstacles and assisting our dentists to deliver great care with as little administrative hassle as possible.

Because our company has always regarded the operation and improvement of dental practices as our single permanent business, I daresay we've just had more time and brought more energy to refining our operations than other companies in our industry.

Morayfield – Greenfield opened on 21 May '18

- Initially 4 chair set-up with potential to expand to 9 chair facility asap
- Part of a Health Hub which include:
 - GP Clinic
 - Urgent Care Clinic
 - Allied Health
 - Day Services
 - Preventative Health Services
 - Rehabilitation Services
 - Diagnostic & Medical Imaging



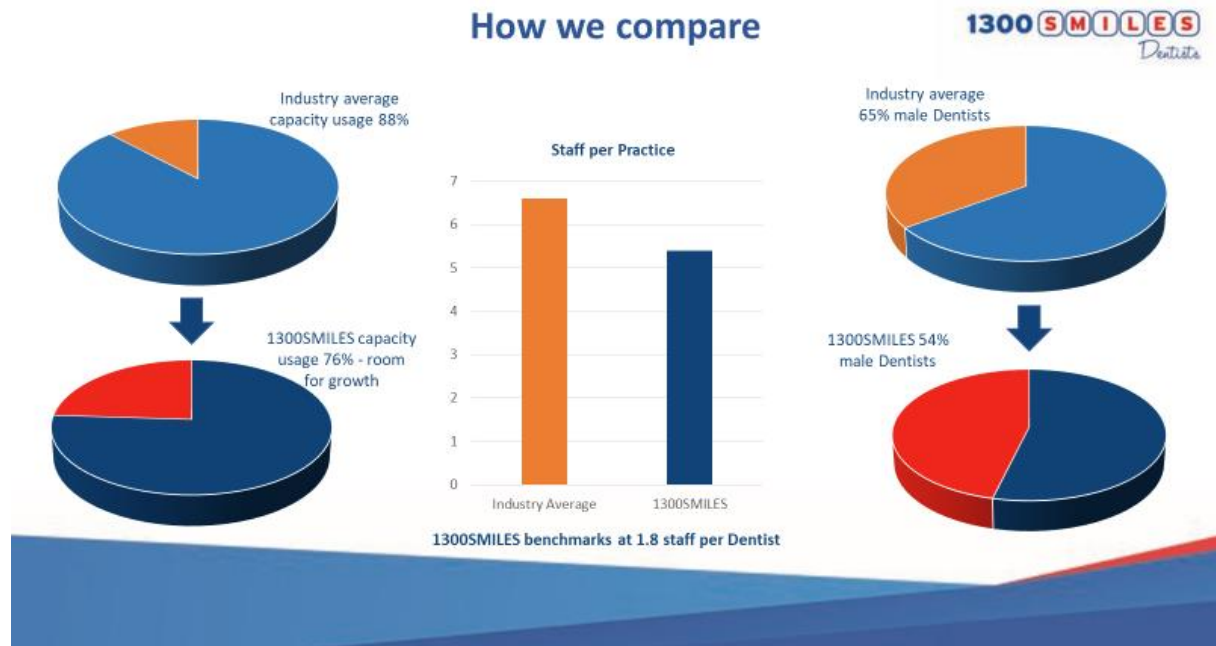
Townsville City Relocation opened on 3 September 2018

- Relocated 4 chair facility with potential to expand to a 7 chairs asap
- Establishing a health-hub by partnering with allied health professionals in prime Townsville CBD location



In our investor PowerPoint presentation, you will find the chart below comparing our operations to industry averages. Please note, in the middle of that page there's a bar chart comparing our average non-dentist staffing per practice. On average we provide all patient services and all dentist support required with one less support person per practice.

At the same time, we have plenty of headroom for growth. On the left side of that same page you'll see that our existing facilities--despite our industry leading financial efficiency--are operating at only 76% of their total capacity. This leaves us plenty of room for growth simply by in-filling. We always manage our facilities to ensure that there's plenty of headroom, as it's way cheaper to build in this extra space up front than to go too skimpy.



At last year's AGM I introduced our then-new directors Evonne Collier and Jason Smith. I acknowledge their assistance over the past year and especially over these past few months, during which demands on our board have been especially intense, along with our chairman Bob Jones. Ours is a compact and efficient board of which I'm extremely proud. Thanks to all my fellow directors.

Once in a while shareholders ask me about my personal energy and enthusiasm after fourteen years as managing director and many years before that as proprietor of the earlier unlisted business. I can assure you that I'm having a ball. This is the best job ever, and it's as rewarding today as it ever has been. Every day I get to see just how far we've come in all aspects of our management, marketing, and operations and it gives me great pride.

Thank you to our many patients, without whom we would have no business at all. Thanks to our dentists and dental staff, and to our admin staff at all levels. I'm so proud of your work and I'm sure that all shareholders in 1300SMILES join me in thanking you for the effort you put in and the results you deliver.

I thank you all for attending and I certainly hope you can stay with us for a chat after the formal part of the meeting.

Dr Daryl Holmes (OBE)
Managing Director

ABOUT 1300SMILES LTD

OVERVIEW OF THE COMPANY'S BUSINESS

1300SMILES Ltd owns and operates full-service dental facilities at its sites in New South Wales, South Australia, and in the ten major population centres in Queensland. The company continually seeks to expand its presence into other geographical areas throughout Australia. It does so both by establishing its own new operations and by acquiring existing dental practices. The administrative and corporate offices are in Townsville.

1300SMILES enables the delivery of services to patients by providing the use of dental surgeries, practice management and other services to self-employed dentists who carry on their own dental practices. The services provided by the company allow the dentists to focus on the delivery of dental services rather than on the administrative aspects of carrying on their businesses. The dentists pay fees to the company for the provision of these services under a Dental Service Agreement with the company. In some circumstances the company also employs qualified dentists.

The dentists who use the company's services range from new graduates to experienced dental professionals. Several dentists who use the company's services have special interests and experience in such areas as endodontics, oral surgery, implants and periodontics and cross-refer work to other dentists who use the company's services.

The company provides comprehensive services in the areas of marketing, administration, billing and collections, and facilities certification and licensing to all participating dentists. The company also provides all support staff, equipment and facilities, and sources all consumable goods using the buying power which derives from such a large group of dental businesses.

FUTURE DEVELOPMENTS

The company's core objective is to continue to increase profits and shareholder returns while providing a rewarding environment for our staff and the dentists using our facilities.

The company aims to achieve a combination of organic growth in its existing locations and the addition of new practice management facilities.

The key drivers for future growth of the company are:

- Increasing profits by attracting more dentists to our existing facilities and expanding those facilities which are already at full capacity;
- Assisting dentists who already practice within the 1300SMILES system to increase their turnover and income through benchmarking, training, and mentoring;
- Establishing new practices in existing and new regions (greenfield sites);
- Acquiring substantial existing practices where we can do so on favourable terms; and
- Managing dental facilities owned by others.

DENTIST ENQUIRIES

Owners of dental practices who are interested in unlocking the goodwill value of their businesses (or freeing themselves from all the management hassles) are invited to contact Dr. Daryl Holmes, Managing Director, on +61 (7) 4720 1300 or md@1300SMILES.com.au.

Qualified dentists who wish to know more about joining one of our established facilities are encouraged to contact Dr. Holmes directly or email dentalcareers@1300smiles.com.au or visit our website www.dentalcareersaustralia.com.au.