



ASX Announcement

31 January 2019

Appendix 4C quarterly cashflow report and business update

Smiles Inclusive Limited (ASX: SIL) has released its Appendix 4C quarterly cashflow report and provides the following update on trading for the three months ending 31 December 2018.

Managing Director, Mike Timoney said, "The organic growth initiatives we outlined in our AGM presentation have achieved traction across our portfolio".

"We have also identified further operational improvements to undertake which, together with the progress achieved during the quarter, mean we are well positioned to achieve our 2019 goals."

Cashflow report

Cash inflows from Q2 operating activities of \$12.7 million were 9% up on Q1 inflows but \$0.5m below expectations primarily due to lower than expected trading over the Christmas - New Year period.

Net cash inflows for the quarter ended 31 December 2018 were \$0.6 million, with cash at bank increasing from \$0.4 million at 30 September to \$1.0 million at 31 December, with the following key one-off movements:

- stamp duty payments of circa \$0.5 million relating to the WA practices acquired as part of the initial portfolio were included in operating cash outflows; and
- integration and acquisition costs of \$0.3 million associated with the acquisition of four practices during the quarter were included in operating cash outflows.

Cash outflows from operating activities of \$13.5 million for the quarter included the following significant items:

- \$0.5 million being the final stamp duty costs associated with the acquisition of the initial portfolio;
- \$0.2 million in acquisition costs incurred in line with the acquisition of the three Gold Coast practices as announced at the AGM, and a further dentistry business acquired in December 2018;
- \$0.1 million in integration costs associated the four acquired practices; and
- \$0.4 million in costs as a result of remedial actions and legal costs associated with the disputed NSW practice.

At the end of December 2018, the Company held cash reserves of \$1.0 million with a further \$0.2 million on deposit. The Company had available undrawn debt capacity of \$17.8 million under its working capital and acquisition facilities.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Smiles Inclusive Limited

ABN

27 621 105 824

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		12,747	24,357
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		(7,755)	(15,832)
(c) advertising and marketing		(391)	(583)
(d) leased assets		-	-
(e) staff costs		(3,755)	(8,425)
(f) administration and corporate costs		(928)	(2,148)
1.3 Dividends received (see note 3)			-
1.4 Interest received		3	3
1.5 Interest and other costs of finance paid		(283)	(538)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other (stamp duty on acquisitions)		(445)	(1,498)
1.9 Net cash from / (used in) operating activities		(807)	(4,664)
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment		(556)	(817)
(b) businesses (see item 10)		-	-
(c) investments		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	(2,754)	(2,754)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	1,213	1,767
	(b) businesses (see item 10)		
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	(63)	(63)
2.6	Net cash from / (used in) investing activities	(2,160)	(1,867)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	3,800	5,750
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(172)	(214)
3.10	Net cash from / (used in) financing activities	3,628	5,536

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	353	2,009
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(807)	(4,664)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,160)	(1,867)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,628	5,536

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,014	1,014

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,014	353
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,014	353

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
307
-

6.1 includes salary & wages, superannuation, directors fees and payments to director related entities for event management and hosting services provided.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	34,000	16,225
8.2 Credit standby arrangements	-	-
8.3 Other	2,700	904
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

During the quarter a \$700,000 unsecured loan was obtained to fund the 100% acquisition of a dentistry business. The loan is included in section 8.3 above.

All other loan facilities remain with National Australia Bank and are broken down as follows:

Senior debt and acquisition facility – to provide funding for acquisitions

Working Capital Facility – to assist with day to day working capital requirements

Multi-Option Facility – corporate credit card and bank guarantee facilities

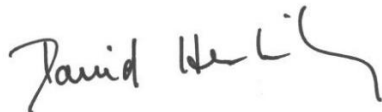
Interest rate at 31 December 2018 was 4.93%.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(7,000)
9.3 Advertising and marketing	(500)
9.4 Leased assets	-
9.5 Staff costs	(4,200)
9.6 Administration and corporate costs	(500)
9.7 Other	(300)
9.8 Total estimated cash outflows	(12,500)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	n/a	n/a
10.2 Place of incorporation or registration	n/a	n/a
10.3 Consideration for acquisition or disposal	n/a	n/a
10.4 Total net assets	n/a	n/a
10.5 Nature of business	n/a	n/a

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



31 January 2019

Sign here:
(Director/Company secretary)

Date:

David Herlihy

Print name:

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.