



**H1 2019**  
**RESULTS**  
**PRESENTATION**

*Presented by:*

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Managing Director &  
Chief Executive Officer

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Chief Financial Officer

**21 FEBRUARY 2019**

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periods and to assess the operating performance of the business. For a reconciliation of the non-IFRS financial information contained in this presentation to IFRS-compliant comparative information, refer to the Appendices of this presentation.

All dollar values are in Australian dollars (A\$) unless otherwise stated.

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

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



## PHIL MCKENZIE

Managing Director and Chief Executive Officer



## ALLANNA RYAN

Chief Financial Officer



Performance  
Highlights



H1 2019 Results Summary	PATIENT FEES - UP 14.0%	SAME CENTRE GROWTH	EBITDA <sup>1</sup> - UP 2.5%	ORDINARY DIVIDENDS - DOWN 0.0%	EBITDA / PATIENT FEES <sup>1</sup> - DOWN 130 bps	NPAT <sup>1</sup> - DOWN 8.3%
	<b>\$92.0m</b>	<b>9.0%</b>	<b>\$11.2m</b>	<b>2.3cps</b>	<b>12.2%</b>	<b>\$4.5m</b>

Note 1 - Figures are presented on an underlying basis

# H1 2019 OPERATIONAL SNAPSHOT

## DENTAL CENTRES

82

9% GROWTH ON PCP



## NET PROMOTER SCORE

>80

RECORD INTAKE FOR  
GRADUATE DENTIST  
PROGRAM



## NEW CENTRES

3

DIGITAL SCANNER  
PILOT

## TOTAL COMMISSIONED CHAIRS

320

10% GROWTH ON PCP

512  
DENTISTS

NEW LEADER  
TRAINEESHIP  
PROGRAM

1,118  
EMPLOYEES





PacificSmiles  
DENTAL

Business  
Overview &  
Update



# STRONG GROWTH TRACK RECORD

Patient Fees and Number of Centres



EBITDA (underlying)



# OUR TRUE PURPOSE

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



AUSTRALIAN  
DENTAL HEALTH FOUNDATION  
ADVANCING AUSTRALIA'S ORAL HEALTH

We are the major sponsor of three key programs for the Australian Dental Health Foundation which facilitates free dental services for disadvantaged members of society



**3** convenient new locations opened



Approximately **375,000** appointments provided



We've seen over **70,000** new patients and made them smile



Over **1,000** patients helped through government dental vouchers



**80%** of patients surveyed scored us **9 OR 10**



We've helped approx **20,000** kids smile with the Child Dental Benefits Schedule

How we've helped shape Australia's oral health in the last 6 months



PacificSmiles DENTALS

Results  
Detail

# SUMMARY INCOME STATEMENT

## FOR THE HALF YEAR ENDED 31 DECEMBER 2018

\$ MILLIONS	UNDERLYING H1 2019	UNDERLYING H1 2018	CHANGE
<b>Revenue</b>	<b>59.8</b>	<b>50.5</b>	<b>18.5%</b>
<b>Gross profit</b>	<b>54.1</b>	<b>47.4</b>	<b>14.2%</b>
<b>EBITDA</b>	<b>11.2</b>	<b>10.9</b>	<b>2.5%</b>
Depreciation and amortisation	(4.4)	(3.7)	(19.7%)
<b>EBIT</b>	<b>6.8</b>	<b>7.2</b>	<b>(6.4%)</b>
Net interest expense	(0.3)	(0.1)	(158.9%)
<b>Profit before tax</b>	<b>6.5</b>	<b>7.1</b>	<b>(9.2%)</b>
Tax	(1.9)	(2.2)	11.1%
<b>Net profit after tax</b>	<b>4.5</b>	<b>4.9</b>	<b>(8.3%)</b>

### Key operating metrics

Number of Dental Centres	82	75	9.3%
Number of Commissioned Dental Chairs	320	290	10.3%
Patient Fees (\$m)	92.0	80.7	14.0%
Same Centre Patient Fees growth	9.0%	3.3%	

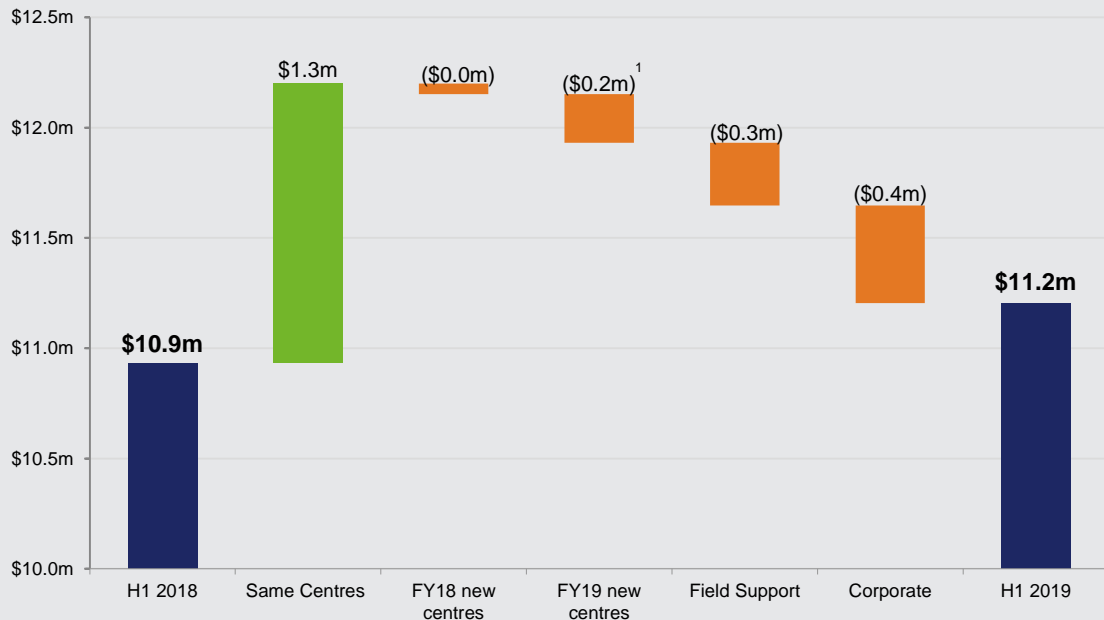
### Key financial metrics

Earnings per share (cents)	3.0	3.2	
EBITDA margin	18.7%	21.7%	
EBITDA to Patient Fees margin	12.2%	13.5%	
EBIT margin	11.3%	14.3%	

- Revenue up 18.5% to \$59.8 million reflecting growth from new centres opened in FY 2019 and FY 2018 and strong patient fee growth in same centres
- Same Centre Patient Fee growth of +9.0% (H1 2018: 3.3%), strong contribution from less mature centres as part of expected ramp up
- The EBITDA result was impacted by the following adverse items:
  - Impact of lower than expected fees per appointment in the half of \$0.3 million
  - Impact of higher than expected telecommunications infrastructure and connectivity expenditure of \$0.3 million
- EBITDA at the centre level, excluding the higher than expected IT and telco costs, grew by approximately 10% year on year
- Corporate costs represented 6.3% of patient fees in H1 2019 as compared to 6.1% in H1 2018. The increase in corporate costs reflects investment in field support, learning and development, strategic projects and marketing to support future growth
- D&A increased by \$0.7 million, reflecting the acceleration of new centre developments in recent years

# H1 2019 EBITDA BRIDGE

H1 2019 compared to H1 2018



- The key drivers of the movement are summarised in the adjacent chart:
  - Same centres performed strongly with patient fee growth of 9.0% (H1 2018: 3.3%) although flow through to EBITDA was reduced by lower fees per appointment
  - FY 2018 new centres performing in line with other cohorts
  - Start up losses from new centres opened in FY 2019 - 3 new centres were opened (2018 - 5)
  - Field support costs increased due to additional positions to support the growth of the network and increased investment in learning and development
  - Corporate costs increased due to additional costs associated with strategic projects and marketing

Notes:

1. EBITDA contribution impacted by the timing of new centre openings

# H1 2019 CASHFLOW AND BALANCE SHEET

\$ MILLIONS	STATUTORY	STATUTORY
	H1 2019	H1 2018
<b>EBITDA</b>	<b>10.7</b>	<b>8.5</b>
Other non-cash items	0.0	1.8
Changes in working capital (exc. Income tax)	0.7	1.1
Net interest paid	(0.3)	(0.1)
Income tax paid	(2.9)	(2.2)
<b>Net cash flow from operating activities</b>	<b>8.2</b>	<b>9.1</b>
Net capital expenditure	(7.1)	(6.4)
Business acquisitions	0.0	(0.8)
<b>Net cash flow from investing activities</b>	<b>(7.1)</b>	<b>(7.2)</b>
Borrowings (net)	4.0	4.5
Dividends	(5.8)	(5.6)
<b>Net cash flow from financing activities</b>	<b>(1.8)</b>	<b>(1.1)</b>
<b>Net cash flow</b>	<b>(0.7)</b>	<b>0.8</b>

\$ MILLIONS	STATUTORY	STATUTORY
	31 DEC 2018	30 JUN 2018
Cash and cash equivalents	6.0	6.7
Other current assets	7.2	5.4
Property, plant and equipment	50.1	47.3
Other assets	15.7	15.9
<b>Total Assets</b>	<b>79.0</b>	<b>75.3</b>
Payables	11.7	11.1
Provisions	11.0	10.3
Borrowings	16.0	12.0
<b>Total Liabilities</b>	<b>38.7</b>	<b>33.4</b>
<b>Net Assets</b>	<b>40.3</b>	<b>41.9</b>

- Strong EBITDA cash conversion<sup>1</sup> of 107%
- Total capital expenditure of \$7.1 million, including:
  - New centres (\$3.6m)
  - Upgrade of Drysdale (\$1.0m) and North Parramatta (\$0.7m) centres
  - Bulk purchase of dental chairs
  - Balance includes equipment replacements, commissioning of 7 additional surgeries in existing centres and automated infection control system
- FY 2018 final dividend of 3.8 cps paid 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

Note:

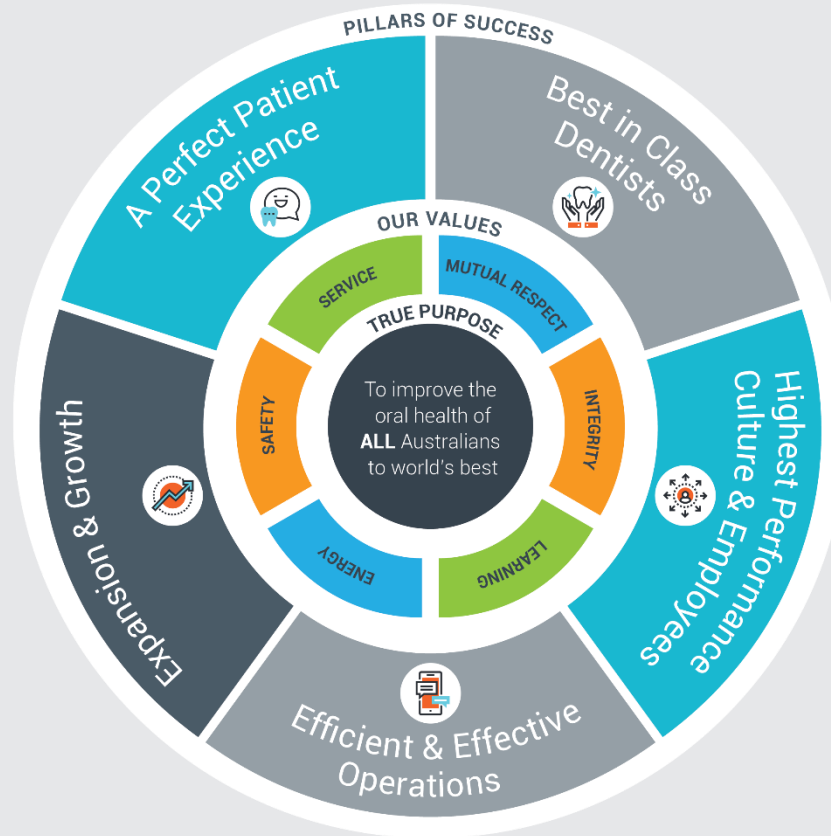
1. Cash conversion calculated as operating cash flow excluding tax and net finance cost as a ratio of EBITDA
2. Amounts in the table have been rounded to the nearest \$100,000. Any discrepancies between totals and sums of components are due to rounding

ficSmiles  
NTA



Growth and  
Outlook

# OUR STRATEGIC FRAMEWORK





# STRATEGIC FOCUS AREAS FY2019



## A PERFECT PATIENT EXPERIENCE

- Enhanced automated treatment plan follow up communication system
- Advanced Intra-oral scanner trial
- Fresh new website and information hub to enhance patient access and understanding



## BEST IN CLASS DENTISTS

- Expand the structured mentoring programs for graduates
- Mentors & Senior Clinicians
- Specialised training and development



## HIGH PERFORMANCE CULTURE & EMPLOYEES

- Business Excellence Manager training program
- Advanced Frontline customer care training program
- New Leadership Development program



## EFFICIENT & EFFECTIVE OPERATIONS

- Dedicated focus on appointment book management
- Operational cost reduction program
- New automated infection control safety protocols



## EXPANSION & GROWTH

- 7 new centres committed for opening in H2 2019, and 20 additional surgeries
- Network plan refresh completed – confirming potential for 250+ dental centres
- Targeting at least 10 new greenfield centres per annum

# GROWTH FROM NEW CENTRES


## Scaleable Formula



 3-4 chair centres

High foot traffic shopping  
centre locations

Welcoming staff & bright shopfronts

 7 days per week and  
extended operating hours

Private health insurer and  
government programs

Focus on patient care & safety

The trusted local experts

Aligned, engaged dentists  
and staff

# GROWTH FROM NEW CENTRES

## New centre economics

	New Centres (opened FY14-18) <sup>1</sup>			All Centres
	Year 1	Year 2	Year 3	> 5 years old <sup>3</sup>
Patient Fees per centre	\$0.8m	\$1.0m	\$1.3m	~\$2.5m
EBITDA per centre <sup>2</sup>	(\$0.1m)	\$0.1m	\$0.2m	~\$0.5m
EBITDA / Patient Fees (centre level)	~(13%)	~10%	~15%	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. Includes all centres opened from 1 July 2013 to 30 June 2018

2. Centre level EBITDA excludes any allocation of corporate overheads

3. Reflects the median last twelve month performance of the 36 centres that have been open for >5 years as at 31 December 2018

# GROWTH FROM EXISTING CENTRES

Maximising the opportunity within our existing network



35% 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



78% of dental chairs  
commissioned

Further 90 chairs available  
to meet future demand



Retain patients &  
winning market  
share

# GROWTH FROM EXISTING CENTRES

## Same Centres

Same Centre Patient Fees	1H 2018		1H 2019	
	% Growth	% of Total	% Growth	% of Total
Centres opened 2010 and earlier	2%	59%	3%	52%
Other Centres <sup>1</sup>	6%	41%	16%	48%
Group	3%		9%	

*Strong 'same centre' patient fee growth as centres mature*

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

Note:

1. All centres opened since 1 July 2010 that are same centres in the respective period

# PATH TO PERFORMANCE

Leveraging scale and driving margin expansion



**Increased scale** and leverage  
fixed cost base

**Expansion of services and  
hours of operation** to support  
patient demand

**Sustained margin growth** as  
centres move through maturity  
profile

**Developing existing talent** for  
future growth

# TACTICAL ACTIVITY

## Focus areas for H2



Same centre operational efficiencies



Information Technology Architecture  
right size and fit for purpose



Engagement of  
best in class dentists



Minimise time to breakeven  
for our 7 new centres



Learning & development  
needs of new centre employees



Succession planning  
in the field  
for growth in FY 2020



# FY 2019 OUTLOOK

- **FY 2019 guidance** has been **revised** assuming no improvement in the fees per appointment trend from 1H 2019:-
  - **EBITDA** growth for FY 2019 of approximately **5%** on FY 2018 (previously at least 10%)
  - **Patient Fee** growth of **12 – 15%** on FY 2018 (previously 10-15%)
- The following elements of the outlook remain unchanged:-
  - **Same Centre Patient Fee** growth of **> 5%** for FY 2019 (tracking at 8.4% YTD up until 16 February 2019)
  - Opening at least **10 new dental centres** in FY 2019, with **3** new centres opened in H1 2019 and **7** new sites already **committed for H2 2019**
  - **Dividend pay-out ratio** within the policy range of **70-100%** of NPAT for FY 2019





# Appendix

# STATUTORY UNDERLYING

## Reconciliation

\$ MILLIONS	STATUTORY H1 2019	ADJ'S H1 2019	UNDERLYING H1 2019	STATUTORY H1 2018	ADJ'S H1 2018	UNDERLYING H1 2018
<b>Revenue</b>	59.8	-	59.8	50.5	-	50.5
Direct expenses	(5.7)	-	(5.7)	(3.3)	0.3	(3.1)
<b>Gross profit</b>	54.1	-	54.1	47.1	0.3	47.4
Other income	0.6	-	0.6	0.6	-	0.6
<b>Expenses</b>						
Employee expenses	(25.5)	0.5	(25.0)	(21.8)	0.5	(21.3)
Consumable supplies expenses	(4.7)	-	(4.7)	(4.2)	-	(4.2)
Occupancy expenses	(6.5)	(0.0)	(6.5)	(5.8)	-	(5.8)
Marketing expenses	(1.1)	-	(1.1)	(0.8)	-	(0.8)
Administration and other expenses	(6.1)	-	(6.1)	(6.6)	1.7	(4.9)
<b>EBITDA</b>	10.7	0.5	11.2	8.5	2.4	10.9
Depreciation and amortisation	(4.4)	-	(4.4)	(3.7)	-	(3.7)
<b>EBIT</b>	6.3	0.5	6.8	4.8	2.4	7.2
Net finance costs	(0.3)	-	(0.3)	(0.1)	-	(0.1)
<b>Profit before tax</b>	6.0	0.5	6.5	4.7	2.4	7.1
Income tax expense	(1.8)	(0.1)	(1.9)	(1.9)	(0.2)	(2.2)
<b>Net profit after tax</b>	4.2	0.3	4.5	2.7	2.2	4.9

- Adjustments to the H1 2019 Income Statement remove the impacts of once-off severance expenses
- Adjustments to the H1 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

Note:

1. 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

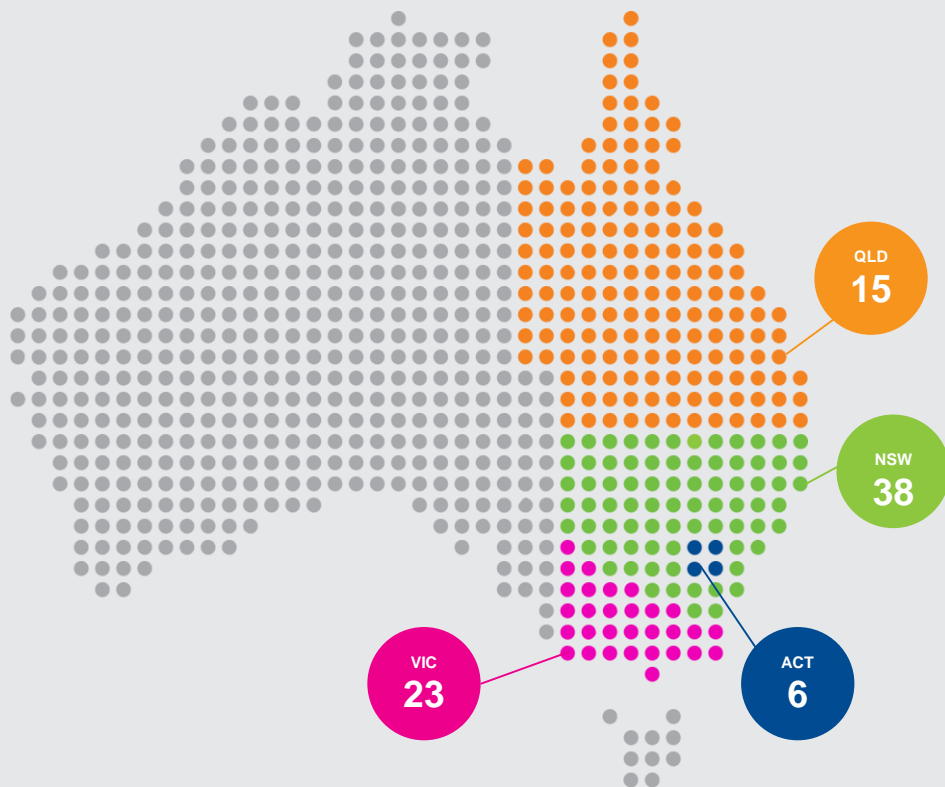
As at 31 December 2018

<b>\$ MILLIONS</b>	<b>STATUTORY 31 DEC 2018</b>	<b>STATUTORY 30 JUN 2018</b>
<b>Current Assets</b>		
Cash and cash equivalents	6.0	6.7
Receivables	1.0	0.9
Current Tax Receivable	2.1	0.8
Inventories	3.4	3.3
Other	0.7	0.5
<b>Total Current Assets</b>	<b>13.2</b>	<b>12.0</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	50.1	47.3
Intangible assets	11.0	11.0
Deferred tax assets	4.8	5.0
<b>Total Non-Current Assets</b>	<b>65.8</b>	<b>63.3</b>
<b>Total Assets</b>	<b>79.0</b>	<b>75.3</b>
<b>Current Liabilities</b>		
Payables	11.8	11.0
Provisions	3.6	3.3
<b>Total Current Liabilities</b>	<b>15.4</b>	<b>14.3</b>
<b>Non-Current Liabilities</b>		
Payables	-	0.1
Borrowings	16.0	12.0
Provisions	7.4	7.0
<b>Total Non-Current Liabilities</b>	<b>23.4</b>	<b>19.1</b>
<b>Total Liabilities</b>	<b>38.7</b>	<b>33.5</b>
<b>Net Assets</b>	<b>40.3</b>	<b>41.9</b>
<b>EQUITY</b>		
Contributed equity	35.1	35.1
Reserves	0.3	0.3
Retained profits	4.9	6.5
<b>Total Equity</b>	<b>40.3</b>	<b>41.9</b>

Note:

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

# 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  
 Chirnside Park\*\*  
 Cranbourne Park  
 Drysdale  
 Glen Iris\*\*  
 Glen Waverley\*  
 Greensborough\*  
 Keysborough\*\*  
 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  
 nib Wollongong

\* New centres in FY2018  
 \*\* New centres in FY2019

# Where Real SMILES BEGIN

PACIFIC  
SMILES GROUP

