



ASX Announcement

31 July 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 30 June 2019.

Turnaround plan implementation is progressing and has involved revision of operational strategy, reduction in support office staffing levels and other costs, expansion of the Contact Centre to reactivate past patients and provide other practice support services and development of relationships to fast track upskilling of provider skills for some practices.

Cashflow report

Cash inflows from Q4 operating activities of \$12.247 million were \$0.927 million or 8% higher than Q3 inflows due to improved revenue and reduction in debtors.

Cash outflows from operating activities of \$12.784 million for the quarter were a \$0.446 million improvement on Q3 outflows mainly due to the timing of working capital movements. Cost reductions implemented at the end of Q4 will produce future benefits. These will be partially offset by the cost of revenue improvement initiatives.

As previously announced to the market on 20 June 2019, the Company raised \$1.2m through a share Placement in June 2019 which is shown in cash flows from financing activities in the Appendix 4C.

Net cash inflows for the quarter ended 30 June 2019 were \$0.954 million, with cash at bank increasing from \$0.641 million at 31 March 2019 to \$1.595 million at 30 June 2019.

Financing arrangements

The business is currently in a consolidation phase and as a result the agreed NAB acquisition facility of \$30 million was reduced to the current amount drawn of \$14,708,000.

- ends -

For further information, please contact:

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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")

30 June 2019

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	12,247	47,062
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(5,695)	(27,007)
(c) advertising and marketing	(100)	(790)
(d) leased assets		-
(e) staff costs	(5,839)	(19,588)
(f) administration and corporate costs	(785)	(4,078)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	3
1.5 Interest and other costs of finance paid	(365)	(1,215)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (stamp duty on acquisitions)	-	(1,498)
1.9 Net cash from / (used in) operating activities	(537)	(7,111)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(260)	(1,341)
(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	-	(2,749)
2.2	Proceeds from disposal of:	-	56
	(a) property, plant and equipment ¹	-	-
	(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)
2.6	Net cash from / (used in) investing activities	(260)	(4,097)

¹ Proceeds from Sale and Leasebacks totalling \$1,939,000 at 31 March 2019 have been reclassified from investing activities to financing activities in the current quarter

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,217	1,217
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	(6)	(6)
3.5	Proceeds from borrowings	874	8,433
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(6)	(6)
3.8	Dividends paid	-	-
3.9.1	Proceeds from sale & leaseback of PP&E ¹	-	1,939
3.9.2	Lease Payments	(328)	(783)
3.10	Net cash from / (used in) financing activities	1,751	10,794

¹ Proceeds from Sale and Leasebacks totalling \$1,939,000 from prior quarters have been reclassified from investing activities to financing activities in the current quarter.

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	641	2,009
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(537)	(7,111)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(260)	(4,097)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,751	10,794
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,595	1,595

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	1,595	1,595
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)	1,595	1,595

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

Current quarter
\$A'000

166

-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

6.1 includes salary & wages, superannuation and directors' fees

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

Current quarter
\$A'000

-

-

- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

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	19,608	19,608
8.2 Credit standby arrangements	-	-
8.3 Other	5,952	4,429
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.		

Loan facilities in 8.1 include the NAB senior debt and acquisition facility of \$14,708,000 (secured), and the working capital facility of \$4,000,000(secured) and 3rd party loans of \$900,000 (unsecured). The weighted average interest rate on financing facilities at 30 June 2019 was 4.92%.

The business is currently in a consolidation phase and as a result the NAB acquisition facility of \$30 million was reduced to the amount drawn of \$14,708,000.

Other facilities includes the following:

- Ancillary facilities of \$2,000,000 (secured) \$477,000 (drawn).
- Equipment lease facility of \$3,952,000 (secured and drawn).

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(6,500)
9.3 Advertising and marketing	(300)
9.4 Leased assets	-
9.5 Staff costs	(5,500)
9.6 Administration and corporate costs	(700)
9.7 Other	-
9.8 Total estimated cash outflows	(13,000)

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.

Sign here: 
(Director/Company secretary)

Date: 31 July 2019

Print name: David Usasz

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.