totally smiles®

Together we smile.

Smiles Inclusive Limited
1 for 1 Rights Issue

September 2019

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Financial data

All dollar values are in Australian dollars ("A$") and references to financial year (FY) relate to Smiles' year end which is 30 June. The unaudited pro forma balance sheet of the company for FY2019 has been included in this Presentation.

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Past performance information given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

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This Presentation contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" "outlook", "guidance" and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, indications of, or guidance or outlook on, future earnings or financial position or performance of Smiles the outcome and effects of the Offer and the use of proceeds. The forward looking statements contained in this Presentation are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Smiles, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Refer to the risks section of this Presentation for a summary of certain general and Smiles specific risk factors that may affect Smiles.

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Underwriters

Morgans Corporate Limited (AFSL 23541)

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1. Overview

1. OVERVIEW

Smiles is raising $3.33 million through an accelerated non-renounceable entitlement offer to effect its turnaround plan and to realise the original vision for the business in a sustainable way

Transaction overview

Smiles will use the funds to reduce debt, stabilise cashflows and operations and fully implement the turnaround plan that has been adopted by the Board. It is envisaged that through the execution of the turnaround plan, the business will develop a stable, considered cost structure capable of delivering a sustainable return to profit.

The Smiles vision

Smiles has a vision which sets a clear path for the business to deliver shareholder value over time. It requires the Establishment and Implementation of standardised systems and operational processes, effective and complete Integration of the acquired practices into the business, Realising the benefits of Scale including increased efficiencies, purchasing power and enhanced patient management and experience, Increasing Practice Revenues by improving marketing capability, upskilling providers, improving chair utilisation and reviewing prices.

The turnaround plan is underway

The turnaround plan adopted by the Board in May 2019 consists of defined actions to improve revenues, reduce costs and undertake limited targeted investment. Implementation is the key focus of the new management team that are responsible for its development and execution. The plan is a significant step change from the former strategy and requires a new skill set and focus to be achieved. The key elements of the turnaround plan are focused around:

Revenue improvement

Revenue for the period June to August was 7% higher than the same period for 2018, despite a soft August.

Cost Reduction

Support office wage costs reduced by 14 staff with full benefit flowing through at end of Q1 FY20.

Targeted Investment

Systems and process improvement in capability. Minimal capital invested.

Proactive engagement with JVPs and Practice Lead Group

Clinical and Commercial Advisory Group structures.

1. OVERVIEW

After a disappointing start, Smiles is acting on a clear plan to realise the original vision for the business in a sustainable way

Recognise past mistakes

Turnaround was necessary due to:

- Poor past Board and Executive leadership and decision making.
- Past failure to effectively integrate the acquisition practices.
- Past failure to efficiently invest in the systems, process and capability required for efficiency and sustainably.
- Past failure to capitalise on scale such as increased purchasing power and resource and knowledge sharing.
- Adverse impact of unforeseen events – mobile business closure and practitioner death.
- Unsatisfactory operational and financial performance resulted in the need to reduce staffing which in turn adversely impacts on the speed of turnaround implementation.

Stabilise Operations

Stabilisation will occur through:

- **Reconstituted board and new leadership team** - the current board will be extended in the coming months. The new leadership team and staff are focused on executing the turnaround plan.
- **Revenue initiatives** - practitioner upskilling, increased practitioner and chair utilisation, practitioner availability, and teeth whitening.
- **Cost initiatives** - more focused, efficient and effective support office; removal of cost duplication; elimination of uncommercial agreements and contracts.
- **Investment initiatives** - necessary, targeted, limited practice fit out and upgrades, equipment upgrades, compliance upgrade and maintenance.
- **Engagement initiatives** - normalisation of cooperative business planning, analysis and performance management activities with JVPs and Practice Leaders.

Establish a platform for sustainable growth

- The focus of the business is on the creation of a sustainable platform to enable continued organic growth and return to acquisition growth when appropriate.
- The business needs several systems processes and controls with the immediate priorities being:
  - Revised marketing strategy and capability.
  - Revision and re-establishment of the Practice Management role in the business.
  - Confirm agreed and accepted minimum clinical standards.
  - Improve individual practice operations management and associated performance management systems.
  - Increased automation of some back office purchasing, processing, information management, analytical and reporting systems.
  - Implementation of improved internal practice engagement and communication, strategies to facilitate timely and efficient problem solving, opportunity identification and promote integrated teamwork.

Fully underwritten equity raising

- The turnaround strategy will be funded by a pro-rata accelerated non-renounceable entitlement offer to raise $3.33 million.
- This entitlement offer is to be fully underwritten by Morgans.

2. Our Business and The Opportunity

2. OUR BUSINESS

Smiles currently owns 56 dental practices operating from 82 sites throughout Australia, acquired between April 2018 and December 2018

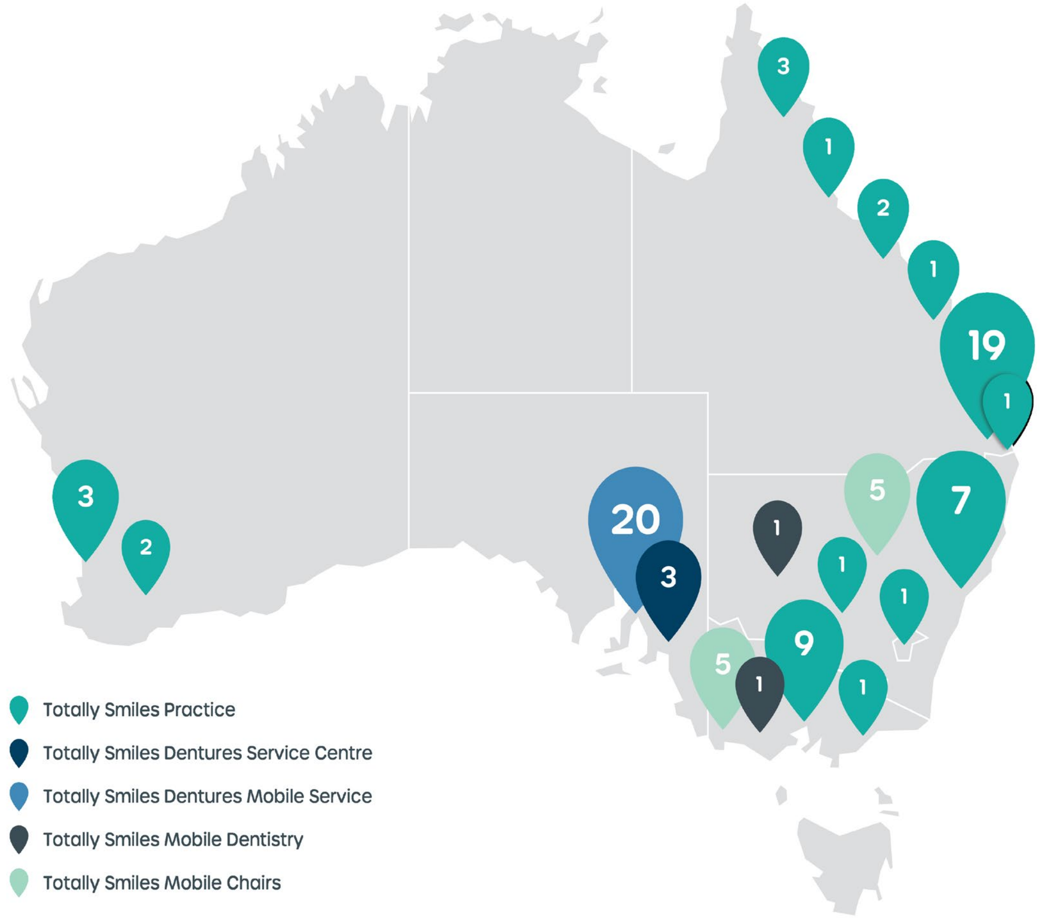
Operations are categorised as follows:

- **Fixed Location Practices:** 19 general dentistry practices, 23 special interest practices, seven specialist practices operating in all Australian states and territories except Tasmania and the Northern Territory.
- **Mobile Business:** operating in New South Wales and Victoria with a current focus on primary schools.
- **Dentures Business:** operating predominately in South Australia but also country New South Wales and Victoria with 3 primary and 19 visited clinics.
- **Our business currently engages 409 personnel:** including 98 FASA remunerated clinicians.

The business operates via combination of Joint Venture Partner Program although there are currently also 100% owned practices.

Notable features of the Smiles business model:

- **Ownership:** Totally Smiles Pty Ltd (the operating subsidiary of SIL) owns the dental practices.
- **Joint Venture Partner (JVP) Program:** a JVP (typically the original vendor of the practice or its nominee) acquires an entitlement under the JVP Program to share in the ongoing EBIT of the relevant practice.
- **Dental services:** contracted and employee dentists, hygienists and occupational health therapists provide dental services to members of the public.
- **Facilities and services:** the business provides dental practices, support staff, consumables, marketing and administrative services, to contracted dentists under the terms of the FASA. In return the business retains a receives a service fee, generally calculated as a percentage of money banked from dental services performed.



totally smiles DENTAL GROUP

2. OUR BUSINESS MODEL

The Board and Executive Management continue to believe in the appropriateness and value of the model. It was the absence of a specific and effective implementation strategy by former management which has led to the current position for the business.

The current structure for the business is shown diagrammatically below.

Patients

Purchase dental services
Purchase retail items.

FEES FOR DENTAL SERVICES

Dentists (under FASA)

Provides dental services to members of the public from the practice.

Dentist responsible for clinical decision making.

Selected 'lead' practitioners participate in management of some practices.

SERVICE FEE

Smiles Inclusive (and its subsidiaries)

Acquires or opens dental practice.

Practice is integrated to become a Totally Smiles practice.

Totally Smiles maintains full facilities and provides services required for dental practice, including:

- premises and equipment;
- staff;
- marketing;
- procurement; and
- back office functions.

SHARE OF PROFIT

JV Partner

Involved in the development of the future business plan for the practice. In most cases is the leader on the ground, in the practice.

Participates in Joint Venture Partner Program which provides entitlement to a percentage share of practice EBIT.

2. THE OPPORTUNITY REMAINS

The Smile Board believes the original vision is still achievable with improved execution

JVPs though disappointed with the implementation to date, are generally still positive about the model, committed to the model and encouraged by the turnaround plan adopted in May 2019. The business has a substantial number of general dentists keen to upskill, many under-utilised chairs, and +200,000 past patients that have not been seen in over eighteen months.

Notwithstanding past issues, the way forward is to consolidate a back to basics service model of being a capable, low-cost provider of consistent high-quality services.

Management are focused on finalising Phase One of the turnaround plan in Q2 FY20, with completion of the following:

- ***Full deployment of the Contact Centre (CC) to reactivate the large numbers of past patients not currently active, conversion of high value marketing leads and to provide patient contact and reception services to practices.*** While establishment has been more difficult than anticipated, it is progressing satisfactorily.
- ***Market appreciation:*** Industry and market engagement is critical for a sustainable competitive advantage and requires engagement with and understanding of the objectives and strategies of industry participants including patients, governments, health funds, industry organizations, suppliers and competitors. This will enable us, to properly determine and establish our brand identity.
- ***Redesign of the marketing strategy:*** Incorporating brand development, targeted, multi-channel national campaign capability development together with bespoke, local practice strategies and campaigns.
- ***Positive engagement with JVPs to foster a collaborative culture:*** Engagement of all stakeholders in the goals of the business is essential. Correction of the past failure to instill basics such as practice business plans, with agreed improvement actions and associated implementation plans with each JVP/Practice leader using their knowledge, experience and skills.
- ***Revised business plan for the Mobile business:*** Restructuring based on developing a holistic approach to oral health care promotion, education and service delivery for schools, retirement homes, aged care facilities, in-home care, remote and indigenous communities and large employer corporate businesses and commercial precincts.
- ***Revised business plan for the Dentures business:*** Considering the marginal contribution and effectiveness of each location of operation and optimizing these to maximize profits, while at the same time considering the best use of clinic locations and the internal and external lab facilities.
- ***Establishment of the Clinical and Commercial Advisory Group (CACAG) and associated committees:*** The Clinical Committee will be supported by a dentist and Clinical Coordinator.
- ***Resetting the support office and practice front office:*** To develop a sustainable model of effective, automated systems and processes, and people providing timely, direct, accountable service. The continuous engagement, training and development of the Practice Managers is a cornerstone initiative for sustainable success.
- ***Establishment of minimum clinical standards and the development and operation of programs for the education and development of clinicians:*** The business has established a relationship with a leading dental implant training and support organisation and currently have 30 practitioners we have approached interested to undertake the training.

3. The Turnaround Plan

3. TURNAROUND PLAN SUMMARY

The turnaround plan adopted by the board in May 2019 consists of defined actions to improve revenues, reduce costs and undertake limited targeted investment. Implementation is the key focus of the new management team that are responsible for its development and execution.

The plan is a significant step change from the former strategy and requires a new skill set and focus to be achieved.

Revenue Improvement

- Implementation of revised marketing strategies for all practices with appropriate, focused local area marketing.
- Reduction of whitespace and increase in revenue through reactivation of past patients, new patient acquisition and cross utilisation of skills between some practices resulting in improvement in:
  - under-utilised provider availability
  - increased current provider availability
  - under-utilised chairs
- Re-establishment of the mobile business.
- Re-structure of the Denture business.
- Practitioner upskill and higher value work. Some 30 JVPs and practitioners have expressed interest in our first upskilling initiative, with training commencing next month.

Cost Reduction

- Reduction in support office staffing, improved computerisation and communication.
- Review of all current supply agreements.
- Appointment of a procurement manager to realise purchasing power benefits.

Targeted Investment

- Previously committed fit out for a practice move to new premises.
- Targeted practice renovation, including signage.
- Necessary, but limited capital expenditure.

Proactive Engagement with JVPs and Practice Lead Group

- To date some JVPs and practice leads were not appropriately committed and engaged.
- Involves a reset of the relationship, based on transparency, collaboration and teamwork that is essential to the turnaround plan success.

3. TURNAROUND PLAN OUTCOMES

The turnaround plan focuses on increasing earnings utilising the existing assets, re-establishing the Smiles balance sheet by generating cash and creating a sustainable, scalable platform for growth

Utilisation of the Existing Assets

Past strategies did not recognise the importance of the small business nature of our model

- The turnaround plan acknowledges the importance of brand development, brand awareness, and digital marketing expertise and embraces the demographics and competitive environment of each business with dedicated local area based marketing, upskilling, internal referrals and service mix enhancement.

Improved Cash Control

The turnaround plan is based on effective cash flow control to underpin the required investment within the practices

- Detailed business plans of each practice, engaging the JVPs, with an emphasis on operations ensuring fixed cost recovery, while investment expenditure is tied to specific revenue generation initiatives.

Sustainable Business Model

The turnaround plan represents a back to basics approach

- Much of the remediation required within the business is focused on the basic, solid principals of good business – concentrated effort on planning, engagement, performance analytics, realistic revenue streams, upskilling of clinicians, and rigor in cost control and efficiency.

Highlights to date

- Cost savings associated with support office staff reductions. This has also necessarily lead to smaller focused teams, but delayed implementation.
- Focus on unprofitable businesses involved contact centre priority, staff training and other improvement strategies.
- Establishment of the Contact Centre and associated telecommunications capability to enable direct bookings.
- Review of the marketing strategy and identification of required strategic capabilities, performance management requirements and suitable service providers.
- Development of daily practice performance management strategies that requires practice accountability – implementation imminent.
- Development of practice staff training requirements, resources and delivery.
- Identification of the strategic focus required to improve the quality and sustainability of future revenue .
- Review of the Mobile business and strategic opportunities, associated relationship development and appointment of a General Manager.
- Review of the Dentures business and development of strategies to consolidate, computerise and improve efficiencies and profitability.

3. OUR EXECUTIVE MANAGEMENT TEAM

A key feature of the turnaround plan has been the reconstitution of the executive management team, who are solely focused on its success

Tony McCormack – Chief Executive Officer

- Previously Chief Operating Officer of ASX listed Australian Agricultural Company from April 2016 – April 2018 and has held a range of senior executive positions including Chief Operating Officer of Stanbroke Pty Ltd.
- Prior to his CEO appointment in February 2019, he consulted into the business from November 2018.
- Experienced senior executive with an extensive track record in general management, operations, business planning, systems development and change management.

Emma Corcoran – Chief Financial Officer

- Emma is an accomplished Chartered Accountant with over 23 years' experience in corporate finance, transaction services and commercial advisory.
- A former practice partner she has worked with a number of clients, private, listed and government, across a range of industries to review their commercial arrangements, agreements, systems and processes and structures to improve their financial and operating performance.
- Similarly, she has worked with a number of clients in the areas of M&A and the associated transaction services including due diligence and valuation.

Merryn Hawke – General Manager Operations

- Merryn has 22 years' experience in business management and sales and marketing in Australian and international healthcare markets.
- Merryn joined TSDG in September 2018 as a Business Development Manager supporting 13 practices in Queensland, implementing efficiencies through developing staff and use of business analytics.
- Merryn has demonstrated experience in strategic account development, diversification and new business acquisition and development.

The support office team, consisting largely of finance, HR, operations and contact centre have leaders with appropriate experience of the business and the issues that need to be addressed and are committed to working together to operate the business and implement the turnaround plan.

A cornerstone of the turnaround strategy is the ongoing engagement of the practice JVPs and their staff to utilise their experience and expertise and commitment in daily activity, develop strategy and solve problems, ensuring success.

4. Details of the Entitlement Offer

4. DETAILS OF THE ENTITLEMENT OFFER

Offer structure and size	▪ 1 for 1 pro-rata accelerated non-renounceable entitlement offer to eligible shareholders of Smiles to raise total proceeds of $3.33 million
Underwriting arrangements	▪ The Entitlement Offer will be fully underwritten by Morgans Corporate Limited
Pricing	▪ $0.05 per New Share representing: ▪ 9.1% discount to TERP of $0.055 ▪ 16.7% discount to last close of $0.06 on Monday, 23 September ▪ 12.5% discount to 1 month VWAP of $0.057
Capital Structure	▪ Current issued shares 66,622,835 ▪ Entitlement Offer Shares 66,622,835 ▪ Post Entitlement Offer Shares 133,245,670
Accelerated and retail components	▪ The Accelerated Entitlement Offer is proposed to be conducted on Wednesday, 25 September 2019 to Thursday, 26 September 2019 ▪ Entitlements not accelerated will form the Retail Entitlement Offer which is proposed to open on Wednesday, 2 October 2019 and will close on Friday, 11 October 2019
Participation by Directors and major shareholders	▪ Each of the Smiles directors have committed to take up their rights as part of the Accelerated Entitlement Offer. Directors have also committed to general sub-underwriting of the Retail Entitlement Offer (this is summarised below) ▪ A number of major shareholders have committed to take up their rights as part of the Accelerated Entitlement Offer
Ranking	▪ New Shares issued will rank equally in all respects with existing Smiles shares on issue
Record date	▪ Friday, 27 September 2019

The Theoretical Ex-Rights Price (TERP) is the theoretical price at which Smiles shares should trade immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which Smiles shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to Smiles' closing price of $0.06 on Monday, 23 September 2019.

Directors intend to take up their entitlements and will also undertake some additional general sub underwriting in support of the offer.

4. SOURCE AND USE OF FUNDS

SOURE OF FUNDS	
Net Proceeds of Rights Issue	$3.33 million
Total	**$3.33 million**
USE OF FUNDS	
Repayment of Temporary Banking Facilities[1]	$0.675 million
Retiring Debt associated with equipment purchases[2] approved prior to 28 February 2019	$0.89 million
CAPEX Requirement[3]	$0.75 million
Working Capital	$0.77 million
Cost of the Offer	$0.25 million
Total	**$3.33 million**

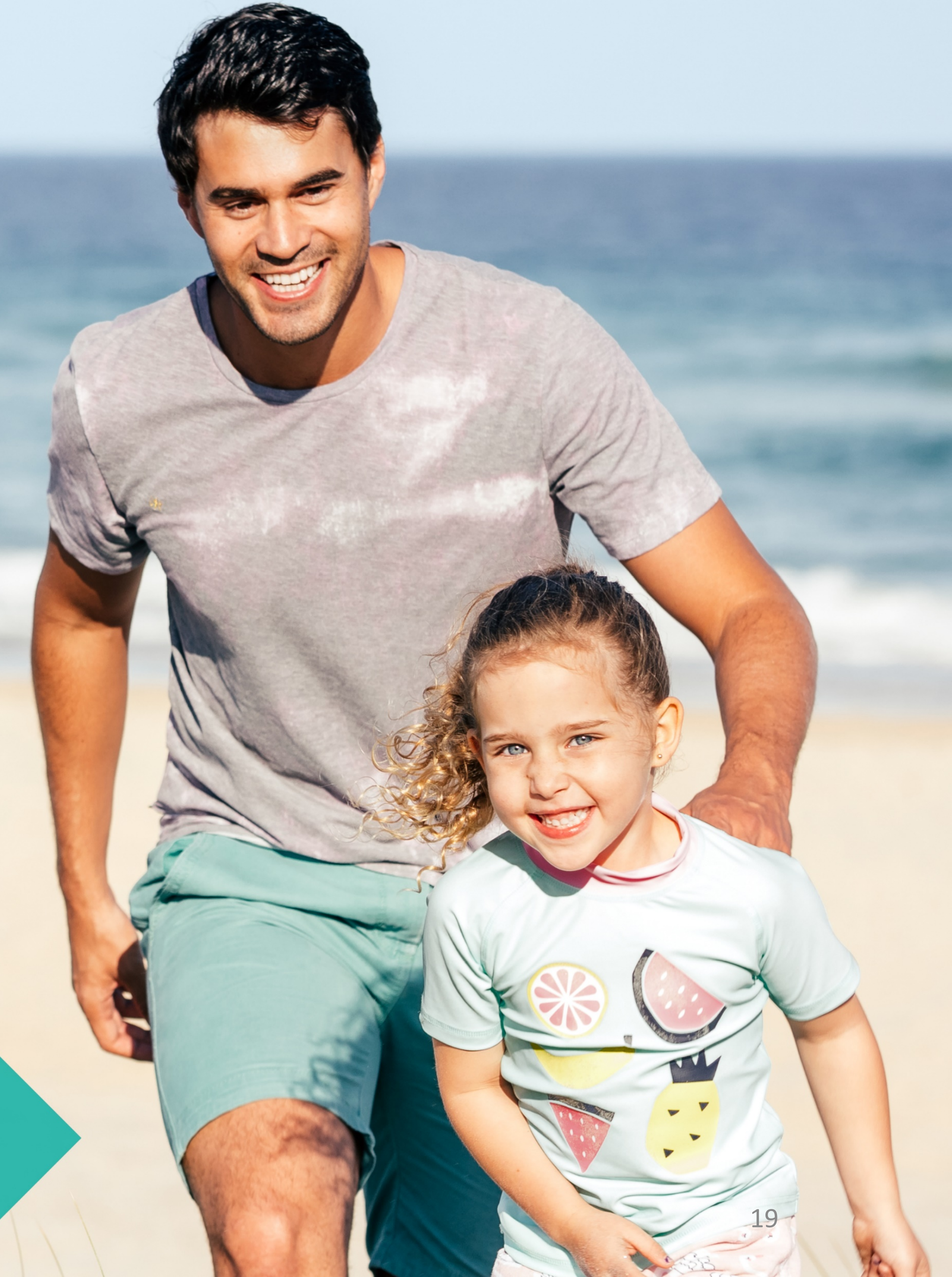
1. The bank repayment is with respect to a temporary facility.
2. Including IT Equipment of $290,000 and Dental Equipment of approximately $350,000.
3. Committed practice fit out, practice renovation and upgrade and branding expenses.

4. TIMETABLE

ACTIVITY	DATE
Trading halt announced	Monday, 23 September
Accelerated Entitlement Offer conducted	Wednesday, 25 September – Thursday, 26 September
Announcement of the completion of the Accelerated Entitlement Offer and trading resumes on an ex-entitlement basis	Friday, 27 September
Record date for Retail Entitlement Offer	Friday, 27 September
Information Booklet and Entitlement and Acceptance Forms despatched to Eligible Retail Shareholders	Wednesday, 2 October
Retail Entitlement Offer opens	Wednesday, 2 October
Settlement of Accelerated Entitlement Offer	Thursday, 3 October
Allotment and Quotation of New Shares under the Accelerated Entitlement Offer	Friday, 4 October
Last day to extend the date for the Retail Entitlement Offer	Tuesday, 8 October
Closing date for acceptances under the Retail Entitlement Offer (5pm AEDT)	Friday, 11 October
Announcement of the results of the Retail Entitlement Offer and notification of any shortfall	Wednesday, 16 October
Settlement of the Retail Entitlement Offer	Thursday, 17 October
Quotation of New Shares under the Retail Entitlement Offer	Monday, 21 October
Despatch of holding statements for New Shares issued under the Retail Entitlement Offer	Tuesday, 22 October

This timetable is indicative only and subject to change. The Directors may vary these dates, in consultation with the Underwriter, subject to the Listing Rules. An extension of the Closing Date will delay the anticipated date for issue of the New Shares. The Directors also reserve the right not to proceed with the whole or part of the Entitlement Offer any time prior to issue of the New Shares. In that event, the relevant Application Monies (without interest) will be returned in full to applicants.

5. Financial Results



5. FY 2019 FINANCIAL PERFORMANCE

The first 12 months of operations for Smiles Inclusive has been dominated by poor financial performance, the protracted attempt to regain control of the company by the former CEO and Chairman and the public disruption efforts by a few opportunistic individuals. The actions of these individuals continue to be addressed by the Board and Management, with the support of the majority of the JVP group.

The preliminary financial report, released to the market on 30 August 2019, declared an underlying loss after tax of $4.497 million.

Reconciliation from Statutory to Underlying Financial Results	30 Jun 19 $'000	30 Jun 18 $'000	Movement up/(down) $'000	%
Statutory loss after tax	**(18,878)**	**(4,955)**	**(13,923)**	(281.0)%
Integration costs	549	307	**242**	78.8%
Business acquisition costs: once-off costs	391	2,648	**(2,257)**	(85.2)%
Impairment of assets	13,700	-	**13,700**	N/A
Income tax effect of adjustments	(259)	(813)	**554**	68.2%
Underlying loss after tax	**(4,497)**	**(2,813)**	**(1,684)**	(59.9)%

The poor underlying financial result was driven by the following factors:

Revenue Losses

- The necessary temporary closure of the Smiles on Site mobile business and the unfortunate passing of the specialist JVP in Woollahra within Q1 of listing
- Underperformance of many practices compared to their pre-acquisition revenue levels.
- Breakdown of relationships with some Joint Venture Partners (JVP's), which has led to a low level of engagement.

Cost Overruns

- Poor execution of an unrealistic implementation strategy for the Smiles business establishment, practice integration and future business planning with JVPs/Practice Leaders.
- Failure to develop appropriate business systems processes and people to deliver the business model.
- Litigation issues which have and continue to distract management from the operations of the business and result in significant legal costs.

The Company's result for FY19 remain unaudited. The audit process could result in a materially adverse adjustment of these results, including an impairment of the value of the practices (which would be a non-cash adjustment on the balance sheet). The Company has not received any indications as to whether or not its audited accounts may be subject to a modified opinion, emphasis of matter, or other matter.

5. FY 2019 FINANCIAL PERFORMANCE

The results presented to the market on 30 August 2019, were unaudited.

At 25 September 2019 our auditor, KPMG, has advised that we need further impairment. Accordingly there is the risk that the final audited results may differ from those disclosed to date.

The risks are concerned with the following balances:

Risk Areas Impacting the Appendix 4E reported underlying result of ($4.479M)

Adjustments to date since the issue of our Appendix 4E total ($140,000). In addition, the auditors have not completed their work on Debtors at this time. There is a possibility that our provision for doubtful debts may increase up to $200,000, resulting in an underlying result of ($4.819M).

Risk Areas Impacting the Appendix 4E reported statutory result of ($18.878M)

Asset Impairment Under Australian accounting standards, SIL is required to test the carrying value of its assets to ensure they are not carried at more than their recoverable amount. This assessment is required to be done at least annually and is completed with reference to the expected future cashflows of this business.

Given the poor performance of the business for FY19, the assessment has resulted in an impairment of the Goodwill, Bartercard and Fixed Assets of the Company, that was estimated at 30 August 2019 to have a likely net impact of ($13.7 Million) on the Net Asset position of the Company.

Discussions with our auditors, KPMG, continue and as at 25 September 2019 the **value of this impact is expected to increase by $11.1 Million** with the following impacts:

Goodwill: The goodwill impairment discussions with our auditor, KPMG, is ongoing. Australian accounting standards require that the balance be tested annually with reference to each of the 56 practices of the business, and their current financial performance. At the time of writing the expected impact of an adjustment to these amounts is an increase of approximately $14 Million to the impairment of Goodwill.

JVP Liability: The JVP Liability balance is required to be revalued each year, with similar reference to the current financial performance of each practice. If additional impairment to goodwill is $14 Million, then we expect a further reduction of JVP liability of up to $5.6 Million.

At 30 August 2019, the net impact of goodwill impairment and JVP liability reduction was disclosed as $13.7 million. The above identified risks, associated with the audit completion could see this adjustment increase by $12.7 Million to $26.4 Million.

Fixed Assets: The assessment of the 56 practices of the business has resulted in the fixed assets of some practices to be impaired, in addition to their Goodwill. As at 25 September 2019, an additional adjustment of approximately ($2.5 Million) is expected. We note that this adjustment, unlike that for Goodwill, may be reversed in future periods as the performance of the business improves.

Bartercard: The Company's Bartercard Asset, has also been considered in light of Impairment. The carrying value of this amount, is likely to result in a further reduction in approximately $200,000 in the carrying value of the asset.

5. CURRENT FINANCIAL POSITION

	Unaudited	Impact of Rights Issue	Pro-forma
	30-Jun-18	30-Jun-19		Post Rights Issue
	$'000	$'000	$'000	$'000
Assets				
Cash and cash equivalents	2,009	1,595	765	2,360
Receivables	2,813	3,491		3,491
Inventories	-	558		558
Deferred tax assets	2,631	4,393		4,393
Property, plant & equipment	3,681	10,596	750	11,346
Intangible assets	62,208	49,272		49,272
Total Assets	**73,342**	**69,905**		**71,420**
Liabilities				
Payables	5,186	6,944	(890)	6,054
Deferred revenue	564	570		570
Provisions	2,087	2,405		2,405
Interest bearing liabilities	10,940	23,413	(675)	22,738
Joint Venture Partner Contribution	21,435	21,109		21,109
Total Liabilities	**40,212**	**54,441**		**52,876**
Net Assets	**33,130**	**15,464**		**18,544**
Contributed equity	38,085	39,297	3,080	42,377
Retained earnings	(4,955)	(23,833)		(23,833)
Total Equity	**33,130**	**15,464**		**18,544**

- Property Plant and Equipment: This balance comprises practice dental, IT and office equipment and fit-outs, the mobile business trailers and motor vehicles. The movement is predominately attributable to the capitalization of leased assets.
- Goodwill: Goodwill was taken up as the difference between the purchase price of the practices and the net tangible assets acquired. At balance date, its carrying value was compared, on a practice by practice basis, to the likely future cashflows of the practice and to the market capitalization of the company, in accordance with current accounting standards.
- While management believe practice performance is recoverable, assessment of the balance was required as at 30 June 2019. Consequently, the overall poor financial performance in FY19, together with the higher than expected costs involved in establishing the business to date, required impairment of the balance of goodwill as at 30 June 2019.
- Joint Venture Partner Contribution: The JVP program is an investment in the ongoing financial performance (EBIT) of a practice. Although divisible and transferable, it does not represent a share in the ownership of the underlying practice. Future sales of a JVP interest may or may not be more or less than the amount invested by the JVP, depending on the performance of the practice.
- Similar to goodwill, this balance is required to be revalued each financial year, using the likely future discounted cashflows of the practices. The carrying amount, is affected by the poor financial performance of the practices in FY19.
- In the release of the preliminary financial result, the net impact on the revaluation of the goodwill and JVP Contribution balances, has been quantified at $13.7 million, however this amount is subject to audit.
- Interest Bearing Liabilities: Included in this balance is approximately $19 million owing to the business' primary banker NAB. Subject to servicing exiting commitments, the next review date is the end of November 2019.

The Company's result for FY19 remain unaudited. The audit process could result in a materially adverse adjustment of these results, including an impairment of the value of the practices (which would be a non-cash adjustment on the balance sheet). The Company has not received any indications as to whether or not its audited accounts may be subject to a modified opinion, emphasis of matter, or other matter.

totally smiles DENTAL GROUP

5. TURNAROUND OF THE FINANCIAL PERFORMANCE

The Smiles Board, management team and JVP group remain committed to the original model and vision for the business.

The past failures of the business are readily identifiable, and the first phase of the turnaround is focused on the following discrete activities:

Revenue Improvement

- Increase in sales and marketing of services – improved patient and potential patient awareness through targeted product marketing, revenue improvement through upsell to higher margin work.
- Increased inter practice referrals.
- Increased third party patient finance availability.
- Increased Practitioner utilisation and availability and increased chair utilisation.

Revenue Enhancement

- Increased internal referrals and cross utilisation of practitioners between some practices.
- Upskilling of Practitioners – MoreDent implant training and development in the use of digital positioning of surgical guides & digital guided surgery provided with ongoing planning, technical support and assisted development of marketing patient benefit strategies. Also the development of focussed teeth alignment preferences and associated sales and marketing strategies.

Cost Reduction, Control and Efficiency

- Support office cost reduction – head count down 14, cost saving $1.6M
- Improved marketing spend – increased spend with a focussed local and national campaign.
- Practice OPEX reduction – improved staffing ratios in some practices and integrated use of contact centre.
- Improved overhead efficiency – skills development, use of scale to improve purchasing power.

Targeted Investment

- Investment in IT – purchasing and inventory systems, appointment of procurement officer
- Practice upgrade – targeted refurbishment, relocation and amalgamation

6. Key Risks

6. KEY RISKS

Investors should be aware that there are risks associated with an investment in Smiles. Some of the principal factors which may, either individually or in combination, affect the future operating performance of Smiles are set out below. Some are specific to an investment in Smiles and the New Shares and others are of a more general nature.

The summary of risks below is not exhaustive. This Presentation does not consider the personal circumstances, financial position or investment requirements of any person. Additional risks and uncertainties that Smiles is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect the future performance of Smiles and the New Shares.

The Entitlement Offer is being made pursuant to provisions of the Corporations Act which allow entitlement offers to be made without a prospectus. This presentation does not contain all of the information which may be required in order to make an informed decision regarding an application for New Shares offered under the Entitlement Offer. As a result, it is important for you to carefully read and understand the information on Smiles made publicly available, prior to deciding whether to take up all or part of your Entitlement. You should have regard to your own investment objectives and financial circumstances and should seek professional guidance from your stockbroker, solicitor, accountant or other professional adviser before deciding whether or not to invest.

FY19 results

The Company’s result for FY19 remain unaudited. The audit process could result in a materially adverse adjustment of these results, including an impairment of the value of the practices (which would be a non-cash adjustment on the balance sheet). The Company has not received any indications as to whether or not its audited accounts may be subject to a modified opinion, emphasis of matter, or other matter paragraph.

Claims, liability and litigation

Smiles has current disputes with counterparties in respect of commercial agreements and employment related matters. There is a risk that these matters will not be settled in the way envisaged by the Company, which could impact the performance of the Company. In addition, the Company may incur costs in defending or making payments to settle any such claims, which may not be adequately covered by insurance or at all. Such payments may have an adverse impact on the Company's profitability or financial position. Irrespective of the resolution to these matters the business will remain exposed to claims, liability and litigation which that the current time it is not aware of. There is also a risk that counterparties to disputes may publicly disparage the Company throughout the dispute process, which may have an adverse effect stakeholders and the Company’s financial performance.

Limited and Underperforming Trading History

While Directors and senior management have experience in business, management and the dental industry, Smiles has limited financial and operating history. Smiles’ ability to achieve its objectives depends on the ability of Smiles, the Board and senior management to successfully integrate the Practices, to implement the turnaround and to respond in a timely and appropriate manner to any unforeseen circumstances.

Turnaround plan

The turnaround plan comprises several major work-streams, each with several sub-work-streams, many of which are critical to the business’ ongoing performance and viability. Failure of Smiles, the Board and senior management to successfully implement the turnaround plan may negatively impact the Company.

Financing Risk

Smiles intends to rely on a combination of funding options including equity, contributions under the Joint Venture Partner Program and the existing financing facilities to fund its operations. An inability to attract funding or to drawdown or subsequently refinance the financing facilities, or any increase in the cost of such funding, may adversely impact the performance and financial position of the Group. At present the primary banker for the group, NAB, together with our major creditors have continued to work with the business as required to enable it to implement the turnaround plan. This continued support is essential.

Redevelopment of reputation and brand

As part of the turnaround, Smiles is looking to reestablish its brand in the marketplace, together with its corporate reputation. The Group’s reputation and brand may be affected by factors within and outside of the Group’s control, including actions of staff and dental practitioners, and the experience and actions of patients. Any issues or events in relation to individual practices could also have the potential to impact the reputation and brand of the Group, which may affect future growth and profitability.

6. KEY RISKS

Information systems risks

The Company relies on computer, information, and communications technology and related systems in order to properly operate the administrative and compliance aspects of its business. From time to time, the Company experiences occasional system interruptions and delays.

The Company has processes in place to respond to system interruptions and delays. However, in the event it is unable to regularly deploy software and hardware, effectively upgrade its systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of its systems, the operation of such systems could be interrupted or result in the loss or corruption of data. In addition, the Company's computer systems are subject to the risks of unauthorized access, computer hackers, computer viruses, malicious code, organized cyber-attacks and other security problems and system disruptions, including possible unauthorized access to the Company's and its customers' proprietary or classified information.

The Company relies on industry-accepted security measures and technology to securely maintain all confidential and proprietary information on its information systems. The Company has devoted, and will continue to devote, significant resources to the security of its computer systems, however they may still be vulnerable to these threats.

A user who circumvents security measures could misappropriate confidential or proprietary information or cause interruptions or malfunctions in operations. As a result, the Company may be required to expend significant resources to protect against the threat of these system disruptions and security breaches or to alleviate problems caused by these disruptions and breaches. Any of these events could damage the Company's reputation and have a generally material adverse effect on its operating and financial performance.

Loss of key management personnel and ability to attract and retain skilled workers

The Company's ability to be productive, profitable and competitive and to implement planned growth initiatives depends on the continued employment and performance of senior executives and other key members of management. The Company's performance also depends on its ability to attract and retain skilled workers with the relevant industry and technical experience.

The current Executive team are focused on the continued development and execution of the turnaround plan. If any one of these individuals resigns or becomes unable to continue in his or her present role and is not adequately replaced in a timely manner, business operations and the ability to implement the Company's strategies could be materially disrupted. The loss of a number of key personnel or inability to attract additional personnel may have an adverse impact on the financial and operating performance of the Company.

There can be no assurance that the Company will be able to attract and retain skilled and experienced employees and, should it lose any of its key management personnel or fail to attract qualified personnel, its business may be harmed and its operational and financial performance could be adversely affected.

Competition

The industry in which the Group will operate is highly competitive. The actions of existing and new competitors in the dental industry could, among other things, affect the establishment and growth of the Totally Smiles brand, result in a decline in the number of patients that visit the Practices and/or result in the Group experiencing lower than anticipated revenue and margins.

Regulatory and Policy Risk

There are a number of industry risk factors that may affect the future operation and performance of the Group that are outside its control, including regulation of the dental industry.

Regulatory change may adversely impact the financial performance of the Group where it leads to increased compliance costs, decreased demand for dental services or a decrease in per patient revenues.

Economic risk and external market factors

Various factors including political movements, stock market trends, changing customer preferences, interest rates, inflation levels, commodity prices, foreign exchange rates, industrial disruption, environmental impacts, international competition, taxation changes and legislative or regulatory changes, may have an adverse impact on the Company's operating costs, profit margins and Share price. These factors are beyond the control of the Company and it cannot, to any degree of certainty, predict how they will impact on the Company.

Prolonged deterioration in general economic conditions could potentially have an adverse impact on the Company and its operations and may adversely impact the trading price of Smiles shares.

6. KEY RISKS

Risks associated with an investment in Shares

There are general risks associated with investments in equity capital such as Smiles shares. The trading price of Smiles shares may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the New Shares being lessor more than the price under the Entitlement Offer. Generally applicable factors that may affect the market price of shares include: general movements in Australian and international stock markets; investor sentiment; Australian and international economic conditions and outlook; changes in in interest rate and the rate of inflation; changes in government legislation and policies, in particular taxation laws; announcement of new technologies; geo-political instability, including international hostilities and acts of terrorism; demand for and supply of Smiles securities; announcements and results of competitors; analyst reports; and future issues of Smiles securities.

No assurances can be given that the New Shares will trade at or above the Entitlement Offer price. None of Smiles, its directors or any other person guarantees the market performance of the New Shares.

The operational and financial performance and position of Smiles share price may be adversely affected by a worsening of general economic conditions in Australia, as well as international market conditions and related factors. It is also possible that new risks might emerge as a result of Australian or global markets experiencing extreme stress or existing risk, may manifest themselves in ways that are not currently foreseeable. The equity markets have in the past and may in the future be subject to significant volatility.

Change in accounting or financial reporting standards

Changes in accounting or financial reporting standards may adversely impact the reported financial performance of Smiles.

Negative Publicity

Smiles will be subject to the risk that negative publicity, whether true or not, may affect stakeholder perceptions and future prospects. This has been and remains an issue for the Company, with a select few (including counterparties to legal disputes and otherwise) attempting to disparage the Company publicly for reasons that are not always clear. The ongoing disruption from these few, could negatively impact the Company. If Smiles does not manage these expectations in an effective manner, it could give rise to loss of investor confidence in its business and management and may further adversely impact the trading price of Smiles.

Underwriting risk

The Underwriting Agreement relating to the Entitlement Offer sets out various events, the occurrence of which will entitle the Underwriters to terminate the Underwriting Agreement. Accordingly, there is a risk that the Underwriters may terminate their obligations under the Underwriting Agreement if any such events occur. These events include where:

- there is a significant decline in the ASX 200
- any of the offer documents (including this Investor Presentation and all ASX announcements made in connection with the Entitlement Offer) omit certain material required by the Corporations Act, contain a statement which is misleading or deceptive, or the cleansing notice lodged by Smiles in respect of the Entitlement Offer is “defective” within the meaning of the Corporations Act;
- there are certain delays in the timetable for the Entitlement Offer without the Underwriters’ consent;
- Smiles ceases to be admitted to the official list of ASX or its ordinary shares are suspended from trading or quotation;
- Smiles withdraws the Entitlement Offer;
- there is a material adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of Smiles;
- Smiles takes certain regulatory action in respect of the Company or the Offer.

Risks associated with not taking up your rights under the Entitlement Offer

If you do not take up all of your entitlements to acquire New Shares under the Entitlement Offer, your percentage shareholding in Smiles will be diluted by not participating to the full extent in the Entitlement Offer. As the Entitlement Offer is non-renounceable, you will not receive any value for entitlements you do not take up.


Thank you