

2019 Annual General Meeting – Managing Director’s Address

Good Morning Ladies & Gentlemen,

In preparing for today's address I was struck by the feeling that we're all in the middle of a complex story which is unfolding as we meet.

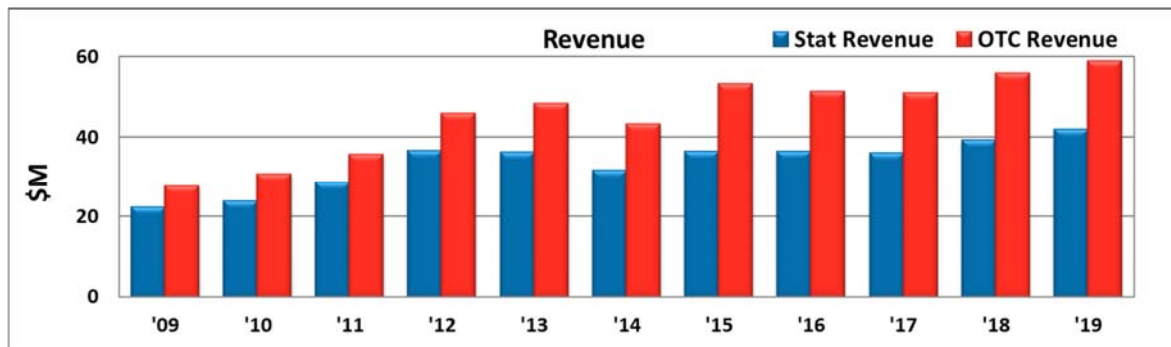
Several factors require me to be careful with my comments today. I'm happy to describe and explain recent events to the best of my ability, but I have to be sure to stop short of discussing specifics which have to be kept confidential for legal and business reasons.

By now you've had time to digest the results for the full year to 30 June 2019. I'd summarise these as solid results in a year marked by a few headwinds for the dental industry as a whole.

All of the important metrics show our 2019 results moving steadily in a positive direction.

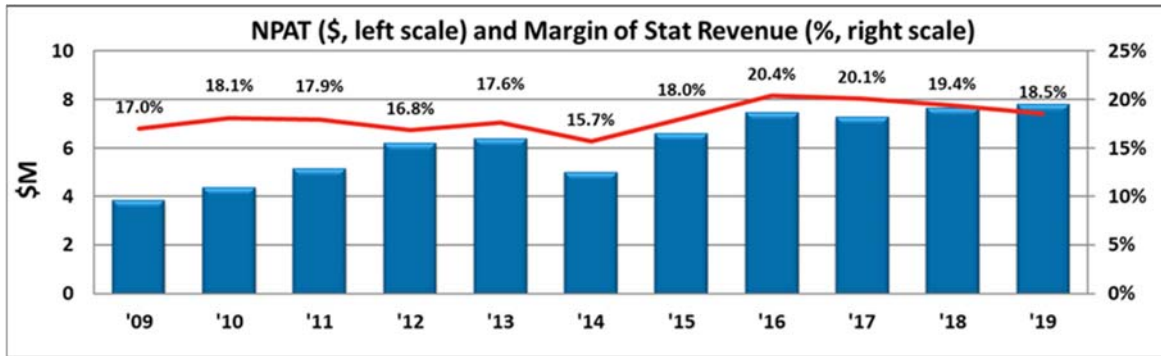
	FY'19	FY'18	Change
Revenue (OTC)	\$58.9m	\$55.8m	5.5%
Revenue (Statutory)	\$42.0m	\$39.3m	6.6%
EBITDA	\$13.3m	\$13.1m	1.4%
EBIT	\$11.0m	\$10.8m	1.9%
NPBT	\$10.8m	\$10.7m	0.9%
NPAT	\$7.8m	\$7.6m	1.8%
EPS	32.8c	32.2c	1.8%
DPS	25.0c	24.0c	4.2%

Over-the-Counter Revenue was up 5.5% and Statutory Revenue was up 6.6%.

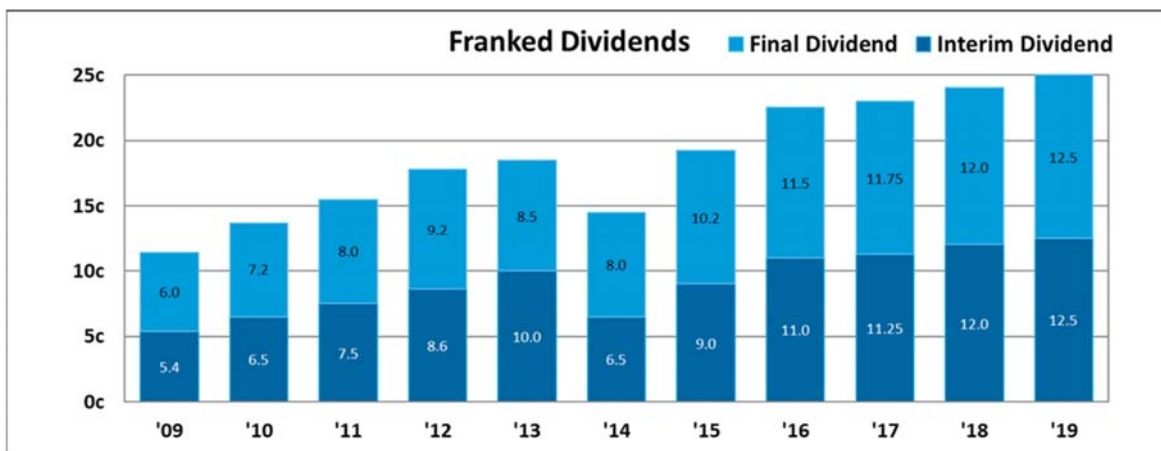


Reconciliation of OTC Revenue (non-IFRS) to Statutory Revenue per (Financial Statements)											
	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19
OTC Revenue (\$m)	27.6	30.7	35.7	45.9	48.5	43.3	53.2	51.4	51.0	55.8	58.9
Less amount retained by self-employed Dentists (\$m)	5.3	6.8	6.9	9.2	12.3	11.5	16.6	14.9	14.8	16.5	17.0
Statutory Revenue (\$m)	22.4	23.9	28.7	36.7	36.2	31.8	36.6	36.5	36.2	39.3	42.0

Net Profit After Tax and Earnings Per Share were both up 1.8%.



The full year dividend increased by 4.2% to 25c per share, fully franked.



In many ways this is what you've always paid us to do: create and gain from big opportunities when we can, but maintain the defences necessary to deliver continuing growth when circumstances are less helpful. The operational side of our business is sound and solid.

I'm sure most shareholders have read our reports to the Australian Stock Exchange and the many news articles about corporate activity in the dental sector. There has been some significant action here, and I predict there will be more.

I have previously discussed my view that there is benefit in consolidation within the Australian dental industry and that a well-managed business at a greater scale could be managed to deliver greater benefits to stakeholders.

That said, we should all take note that there are ways in which consolidation can proceed and be poorly implemented, damaging engagement with dentists and shareholder returns. Recent events involving other players in the industry have illustrated this all too well.

We've been around this block a few times before, and I remain confident that our careful approach in managing our growth and our shareholder capital is the right one.

On 25 September 2019, 1300SMILES announced to the Australian Stock Exchange that it was in discussions with the New Zealand-listed Abano Healthcare Group Ltd in respect of their Australian dental business, Maven Dental, which consists of 116 practices throughout Australia.

For some months around this date, we undertook due diligence investigations of the business. These investigations involved internal teams along with external specialist advice from lawyers, accountants and advisors.

We investigated the situation carefully. We focused on the impacts of Abano's aggressive acquisition strategy on the performance of the business, on engagement with dentists and performance measurement, and on the extent of integration and systems within the business.

I'm the first to admit that we wanted to follow through with this proposed acquisition. But at the right price, and no more.

A competing bidder saw fit to pay more, for the whole of Abano. Abano announced on 11 November 2019 that it would pursue a transaction with a private equity buyer to sell the entire company, including all of Lumino Dental in New Zealand and Maven Dental in Australia.

The ongoing consolidation and re-organisation of the dental industry is by no means over.

We continue to investigate acquisition and consolidation opportunities. There are still big benefits from consolidation if implemented well. But we will, as always, hold fast to our strict requirements for returns, risk and benefits to customers, dentists and shareholders.

So I can predict without compromising any confidences that there will be further change in the Australian dental landscape. With that I'll draw the curtain on further speculation and simply assure you that we will manage this stage of industry transformation with shareholder interests first and foremost.

None of this comes for free, of course. I note that abnormal costs associated with our due diligence and related processes during the current financial year will be of the order of \$600k to \$1m.

On a positive note to finish, our financial year-to-date Revenue is up about 10%, our Dentist recruitment and retention statistics are the best ever, as are our new patient numbers, along with our returning-existing-patients numbers, and treatment plan acceptance KPIs.

Finally, 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.