

H1 2020 RESULTS

Presented by:

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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.



PHIL MCKENZIE

Managing Director and Chief Executive Officer



ALLANNA RYAN

Chief Financial Officer

PERFORMANCE HIGHLIGHTS

H1 2020 PERFORMANCE HIGHLIGHTS

\$105.4m

Patient Fees –
Up 14.5%

12.2%

EBITDA % of Patient Fees –
Unchanged

9.4%

Same Centre Growth –
Up 40bps

\$12.9m

Underlying EBITDA –
Up 15.0%

2.4cps

Ordinary Dividends –
Up 4.3%

\$5.0m

Underlying NPAT –
Up 11.2%

Our True Purpose

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

H1 2020 OPERATIONAL SNAPSHOT



93

Dental Centres **up 13.4%**
with **4 new centres**



>80%

Staff Retention



569

Dentists



University
of Sydney
Alliance Program



20

New Graduates

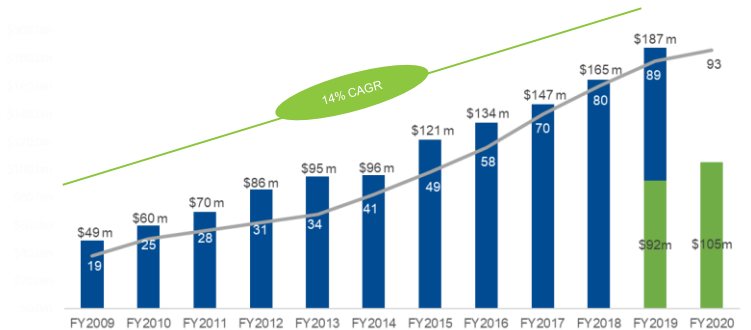
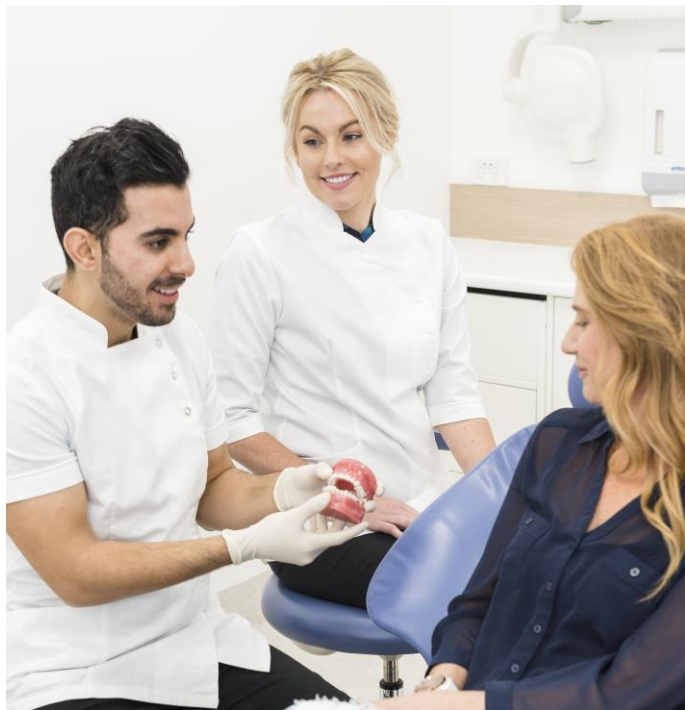


>80

Net Promoter Score

*Pacific Smiles -
founded by dentists
for dentists*

STRONG GROWTH TRACK RECORD



Patient Fees and Number of Centres



EBITDA (Underlying)

*Continue to
achieve market
share growth*

RESULTS DETAIL

SUMMARY INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

\$ MILLIONS	UNDERLYING ¹ H1 2020	UNDERLYING H1 2019	CHANGE
Revenue	68.3	59.8	14.2%
Gross profit	62.2	54.1	14.9%
EBITDA	12.9	11.2	15.0%
Depreciation and amortisation	(5.4)	(4.4)	(21.1%)
EBIT	7.5	6.8	10.9%
Net interest expense	(0.4)	(0.3)	(14.3%)
Profit before tax	7.2	6.5	10.8%
Tax	(2.1)	(1.9)	(10.0%)
Net profit after tax	5.0	4.5	11.2%
Key operating metrics			
Number of Dental Centres	93	82	13.4%
Number of Commissioned Dental Chairs	373	320	16.6%
Patient Fees (\$m)	105.4	92.0	14.5%
Same Centre Patient Fees growth	9.4%	9.0%	
Key financial metrics			
Earnings per share (cents)	3.3	3.0	
EBITDA margin	18.9%	18.7%	
EBITDA to Patient Fees margin	12.2%	12.2%	
EBIT margin	11.0%	11.3%	

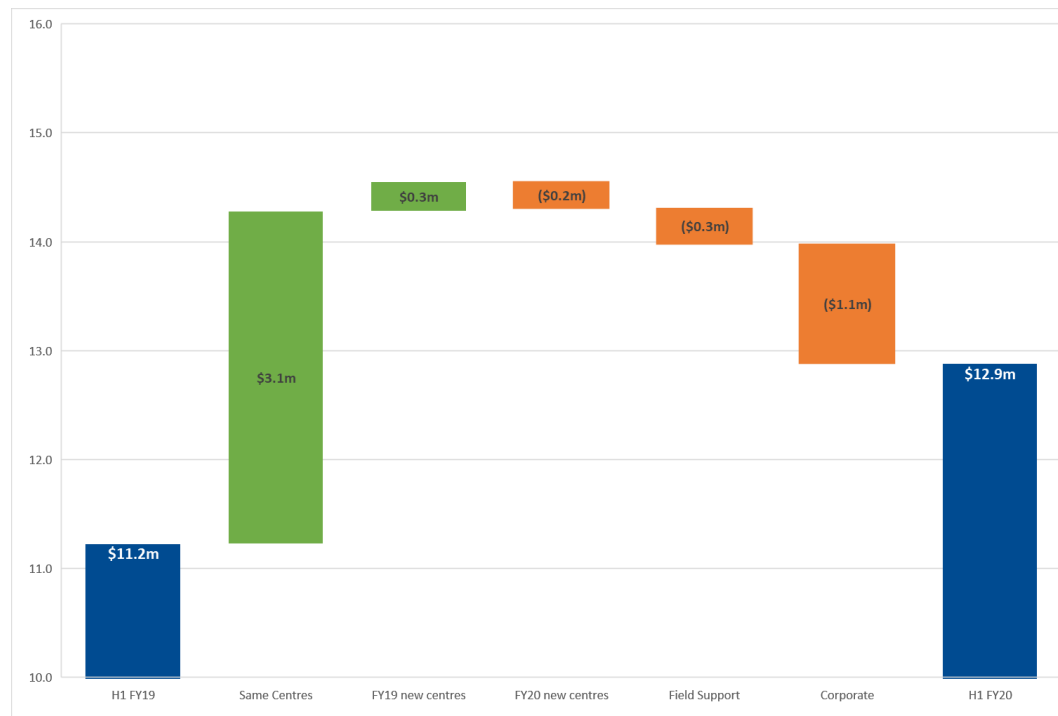
- Patient fees up 14.5%, with Same Centre Patient Fee growth of 9.4% (H1 2019: 9.0%) due to strong growth across all cohorts as centres commission new surgeries and maximise utilisation
- Underlying EBITDA up 15.0% to \$12.9 million (H1 2019: \$11.2m) driven by strong patient fee growth, and efficiency initiatives
- D&A increased by \$1.0 million, reflecting the acceleration of new centre developments in recent years

Notes:

1. Underlying excluding the impact of AASB 16 at the 31 December 2019 with reconciliation provided in appendix

EBITDA BRIDGE

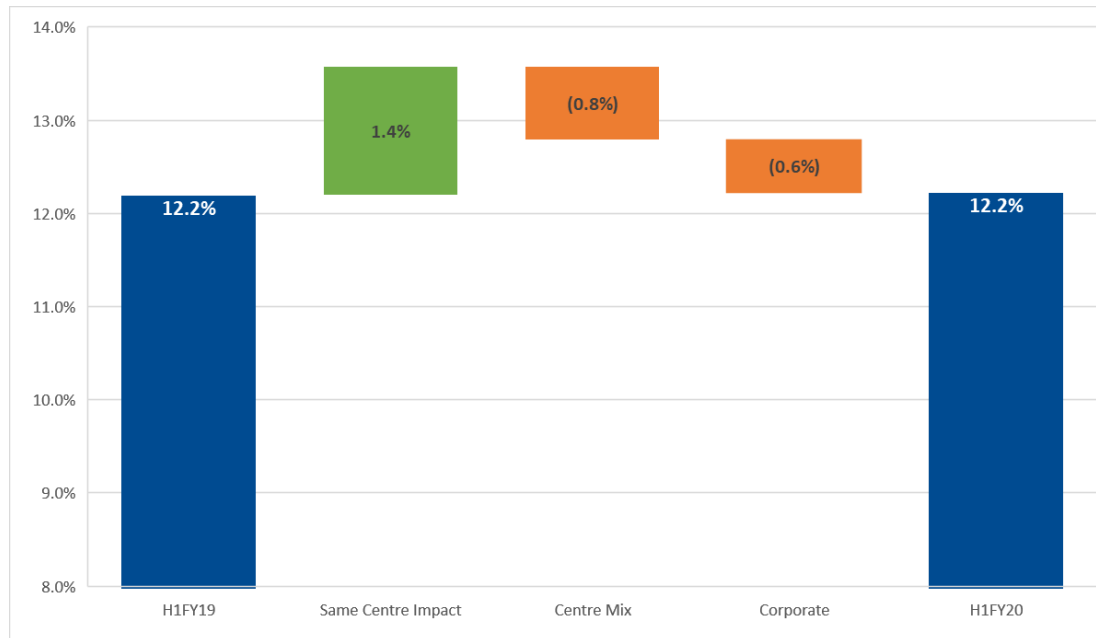
H1 2019 v H1 2020



- The key drivers of the movement are summarised in the adjacent chart:
 - Same centres performed strongly with patient fee growth of 9.4% (H1 2019 9.0%) and strong EBITDA margin growth given an increase in average fees per appointment and efficiency initiatives
 - FY 2019 new centres performed above expectations, achieving profit in H1 2020
 - Start up losses from new centres opened in H1 2020 – 4 new centres were opened (H1 2019 – 3)
 - Field support increased due to additional positions to support the growth of the network
 - Corporate cost increase includes a step-up in performance bonus provision (see following slide)

EBITDA MARGIN BRIDGE

H1 2019 v H1 2020



- Same centre margin improved due to an increase in average fees per appointment, implementation of cost efficiency initiatives, and margin expansion as centres ramp to maturity and leverage the fixed cost base
- Centre mix impacted by increasing proportion of fees coming from centres opened in the last three years which generate lower margins than mature centres
- Corporate costs are 6.8% of patient fees (H1 2019: 6.3%). Forty basis points of this decline was due to a year-on-year increase in performance based bonus accruals¹.

Strong same centre margin growth

H1 2020 CASH FLOW & BALANCE SHEET

\$ MILLIONS	REPORTED ³	STATUTORY
	H1 2020	H1 2019
EBITDA	12.1	10.7
Other non-cash items	0.2	0.0
Changes in working capital (exc. Income tax)	2.7	0.7
Net interest paid	(0.4)	(0.3)
Income tax paid	(2.6)	(2.9)
Net cash flow from operating activities	12.0	8.2
Net capital expenditure	(6.9)	(7.1)
Business acquisitions	0.0	0.0
Lease payments received from finance leases	(0.0)	0.0
Net cash flow from investing activities	(6.9)	(7.1)
Borrowings (net)	3.5	4.0
Payment of lease liabilities	(0.0)	0.0
Dividends	(5.3)	(5.8)
Net cash flow from financing activities	(1.8)	(1.8)
Net cash flow	3.3	(0.7)

\$ MILLIONS	REPORTED ³	STATUTORY
	31 DEC 2019	31 DEC 2018
Cash and cash equivalents	10.3	6.0
Other current assets	6.1	7.2
Property, plant and equipment	55.5	50.1
Other assets	16.9	15.7
Total Assets	88.7	79.0
Payables	15.8	11.7
Provisions	12.7	11.0
Borrowings	20.5	16.0
Total Liabilities	49.0	38.7
Net Assets	39.7	40.3

- Strong EBITDA cash conversion¹ of 124%
- Total capital expenditure of \$6.9m, including:
 - New centres (\$3.7m);
 - Automated sterilisation system (\$0.7m);
 - Commission of 13 additional surgeries (\$0.6m)
 - Salamander Bay relocation (\$0.6m)
 - Bulk purchase of dental chairs;
 - Balance includes equipment replacements, and IT network upgrade
- FY 2019 final dividend of 3.5 cps paid in October 2019
- Increases in property, plant and equipment reflect investment in new centres
- Borrowings increased due to drawdown on debt to fund new centre rollouts

Notes:

1. Cash conversion calculated as operating cash flow excluding tax and net finance cost as a ratio of EBITDA (Statutory excluding AASB16)
2. Amounts in the table have been rounded to the nearest \$100,000. Any discrepancies between the totals and sums of components are due to rounding
3. Reported is Statutory excluding the impact of AASB 16 at the 31 December 2019



PacificSmiles
DENTAL



PacificSmiles
DENTAL

BUSINESS OVERVIEW & OUTLOOK

PACIFIC SMILES GROUP

OUR TRUE PURPOSE FACTS



We are the major sponsor of three key programs of the Australian Dental Health Foundation which facilitates free dental services to those members of society least able to access dental care.



4 convenient new locations opened



Approximately
420,000
appointments provided



We've seen over
75,000 new patients
and made them smile



Over **1,400**
patients
helped through
government
dental vouchers



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



We've helped approx **22,000**
kids smile with the Child
Dental Benefits Schedule

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

OUR STRATEGY

LONG TERM TARGET OF 250 CENTRES (~800 CHAIRS) & >5% MARKET SHARE

NETWORK GROWTH

- Existing Centres
 - Commission existing surgeries
- Greenfields New Centres
 - Range of Services
- Extended Operating Hours

CULTURE 'PACIFIC SMILES WAY'

- High functioning leadership
- Employee capability building
- Culture Playbook

OPERATIONAL EXCELLENCE

- Patient Supply/Demand Matching
- IT fitness and capability
- Cost review program
- Process and system optimisation
- Payment channels

First choice for quality dentists
Trusted local expert for patients

STRATEGIC ADVANTAGE

People are our strategic competitive advantage.
We are clear about **Our Why**, **Our Way** and **Our How**

OUR WHY

Our True Purpose

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

OUR WAY



OUR HOW

Our Patients TRUST us

Our Dentists are RESPECTED by us

Our Employees MATTER to us

NETWORK GROWTH

EXISTING CENTRE NETWORK



31% of centres are less than 3 years old



Average same centre patient fees growth of 5.3% pa over the five years to 30 June 2019



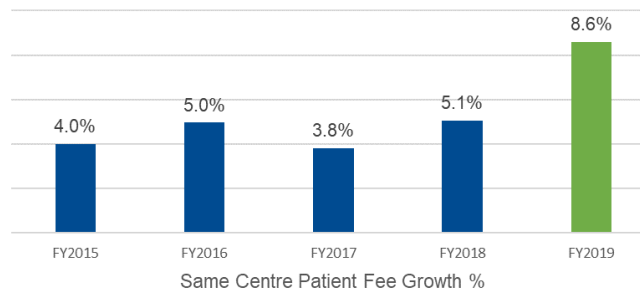
373 dental chairs commissioned, denoting 83% of capacity commissioned, with a further 75 chairs available to meet future demand

Untapped capacity for strong future growth

Same Centre Patient Fee Growth

	H1 2019		H1 2020	
	% Growth	% Of Total	% Growth	% Of Total
Centres opened 2010 and earlier	3.4%	55.3%	4.8%	50.3%
Centres opened 2011 to 2018 ¹	16.0%	44.7%	14.1%	49.7%
Group	9.0%		9.4%	

Strong 'same centre' patient fee growth as centres mature



Less mature centres continue to show strong positive growth over a number of years

GROWTH FROM NEW CENTRES

SUCCESS FACTORS



Rollout model

Shopping centre locations

Consistency & simplicity

Engagement in local community

Local area marketing

Engaged dentists

NETWORK GROWTH

NEW CENTRE NETWORK

- 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
- Consistent path of EBITDA ramp up as new centres continue to leverage fixed cost base

	New Centres (opened FY14-18) ¹			All Centres
	Year 1	Year 2	Year 3	> 5 years old ³
Patient Fees per centre	\$0.8m	\$1.0m	\$1.3m	+ \$2.5m
EBITDA per centre ²	(\$0.1m)	\$0.1m	\$0.2m	+ \$0.5m
EBITDA / Patient Fees (centre level)	~(13%)	~10%	~15%	+20%



Notes:

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 43 centres that have been open for >5 years as at 30 June 2019

TACTICAL ACTIVITY

What we will deliver in H2 2020

Excellence in execution to
minimise time to breakeven
for our new centres

Driving roll-out of chairs in
non-commissioned
surgeries

Same centre operational
efficiencies

Intake of new graduates
and university partners

Rollout of
digital scanners and
trial of Smile Care Centre

SMILE CARE CENTRES INNOVATION

PacificSmilesDENTAL



2 locations to bring the new concept to market - opening in July

Supports dentists in the nearby PSD centres enabling a hub and spoke model

Appeals to key market segments
– **families, millennials & Over 50s**

Innovative design - open layout, inviting and educational

Leveraging new technology

UNIVERSITY ALLIANCE PARTNERSHIP

Enhance the capabilities of the next generation of dental practitioners



Provides 8 week **clinical placement** for dental students at the **PSD Parramatta centre**

Offers an **enhanced student learning experience** and preparedness for **private practice**

Students are **supervised by clinical educators** from the University

First choice for quality dentists

FY 2020 GUIDANCE REVISED

(Excludes the impact of AASB16 Leases)

REVISED

**SAME CENTRE
PATIENT FEES¹**

*High single digit
growth YOY*

**NEW DENTAL
CENTRES²**

*Opening 7 – 10
centres*

EBITDA³
(Underlying)

*11% - 15%
growth YOY*

**DIVIDEND
PAYOUT
RATIO**

*70% - 100% of
NPAT*

*Building on a
strong foundation*

Notes:

1. Same centre patient fee growth is approximately 9.1% at 15th February 2020
2. 4 new centres open this first half, a further 2 already committed for H2 2020.
3. Underlying EBITDA is revised from 8-14% growth YOY.

APPENDIX

DENTAL CENTRE LOCATIONS



New South Wales

Balgowlah	Morisset
Bateau Bay	Mount Hutton*
Baulkham Hills*	Narellan
Belmont	nib Newcastle
Belrose	nib North Parramatta
Blacktown	Nowra
Brookvale	Parramatta
Campbelltown	Penrith
Charlestown	Queanbeyan
nib Chatswood	Rutherford
Erina	Salamander Bay
nib Erina	Shellharbour†
Figtree	Singleton
Forster	nib Sydney
Gladesville	Toronto
nib Glendale	Town Hall
Greenhills	Tuggerah
Jesmond	Tweed Heads*
Kotara	Wagga Wagga
Lake Haven	nib Wollongong
Marrickville	

Queensland

Aspley*
Birtinya*
Bribie Island
Brisbane CBD
Browns Plains
Buddina
Burleigh Heads
Capalaba
Deception Bay
Helensvale
Mitchelton **
Morayfield
Mt Gravatt
Mt Ommaney
North Lakes
Redbank Plains
Robina **
Runaway Bay
Strathpine

Victoria

Bairnsdale	Preston*
Bendigo	Ringwood
Caroline Springs*	Sale
Chirnside Park*	Torquay
Cranbourne Park	Traralgon
Drysdale	Warragul
Epping **	Warrnambool
Glen Iris*	Werribee
Glen Waverley	
Greensborough	
Keysborough*	
Leopold	
Melbourne	
nib Melbourne	
Melton	
Mill Park	
Mulgrave	
Ocean Grove **	
Point Cook	

ACT

Belconnen
Gungahlin
Manuka
Tuggeranong
Woden
nib Woden

Notes:

* FY2019 New Centres

** FY2020 New Centres

† Warilla merged with Shellharbour

AASB 16 LEASES

Impact of AASB 16 Leases at 31 December 2019

Profit and Loss

- EBITDA impact – increase of \$5.8m
- NPAT impact – reduction of \$0.4m

Balance Sheet

- Recognition of right of use asset and lease liability
- Total Assets – increase by \$55.8m
- Total Liabilities - increase by \$59.3m
- Net Asset impact – reduction of \$3.6m
- Retained Earnings – reduction of \$3.6m

Adoption date and comparatives

- AASB 16 was adopted from 1 July 2019
- The new standards is applied prospectively with no prior period restatement
- H1 2020 Investor Presentation is presented excluding the impacts of AASB16, with reconciliations to the new accounting standards

STATUTORY UNDERLYING & AASB 16

Reconciliation

\$ MILLIONS	UNDERLYING H1 2020	ADJ'S H1 2020	AASB 16 H1 2020	STATUTORY H1 2020	UNDERLYING H1 2019	ADJ'S H1 2019	STATUTORY H1 2019
Revenue	68.3	(0.4)	-	67.9	59.8	-	59.8
Direct expenses	(6.1)	-	-	(6.1)	(5.7)	-	(5.7)
Gross profit	62.2	(0.4)	-	61.8	54.1	-	54.1
Other income	0.6	-	(0.2)	0.5	0.6	-	0.6
Expenses	-						
Employee expenses	(29.8)	(0.2)	-	(30.0)	(25.0)	(0.5)	(25.5)
Consumable supplies expenses	(5.2)	-	-	(5.2)	(4.7)	-	(4.7)
Occupancy expenses	(7.1)	(0.1)	5.9	(1.4)	(6.5)	0.0	(6.5)
Marketing expenses	(1.1)	-	-	(1.1)	(1.1)	-	(1.1)
Administration and other expenses	(6.7)	(0.1)	0.1	(6.7)	(6.1)	-	(6.1)
EBITDA	12.9	(0.8)	5.8	17.9	11.2	(0.5)	10.7
Depreciation and amortisation	(5.4)	-	(4.5)	(9.8)	(4.4)	-	(4.4)
EBIT	7.5	(0.8)	1.3	8.0	6.8	(0.5)	6.3
Net finance costs	(0.4)	-	(1.4)	(1.7)	(0.3)	-	(0.3)
Profit before tax	7.2	(0.8)	(0.1)	6.3	6.5	(0.5)	6.0
Income tax expense	(2.1)	0.2	(0.3)	(2.2)	(1.9)	0.1	(1.8)
Net profit after tax	5.0	(0.6)	(0.4)	4.1	4.5	(0)	4.2

- Adjustments to the H1 2020 Income Statement remove the impacts of once-off severance expense, non-scheduled IT outage, executive LTI plan and centre relocation costs. In addition, underlying excludes the impact of AASB 16.

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

BALANCE SHEET

AS AT 31 DECEMBER 2019

\$ MILLIONS	REPORTED ² 31 DEC 2019	AASB 16 31 DEC 2019	STATUTORY 31 DEC 2019	STATUTORY 31 DEC 2018
Current Assets				
Cash and cash equivalents	10.3	-	10.3	6.0
Receivables	1.4	0.4	1.7	3.1
Current Tax Receivable	-	-	-	-
Inventories	3.8	-	3.8	3.4
Other	0.9	-	0.9	0.7
Total Current Assets	16.4	0.4	16.7	13.2
Non-Current Assets				
Receivables	0.0	0.4	0.4	-
Property, plant and equipment	55.5	53.0	108.5	50.1
Intangible assets	10.9	-	10.9	11.0
Deferred tax assets	6.0	2.0	8.0	4.8
Total Non-Current Assets	72.4	55.4	127.8	65.8
Total Assets	88.7	55.8	144.5	79.0
Current Liabilities				
Payables	14.5	-	14.5	11.8
Lease Liabilities		9.5	9.5	
Current Tax Liabilities	1.3	-	1.3	
Provisions	4.4	(0.3)	4.1	3.6
Total Current Liabilities	20.3	9.3	29.5	15.4
Non-Current Liabilities				
Payables	-	-	-	-
Lease Liabilities	-	55.2	55.2	
Borrowings	20.5	-	20.5	16.0
Provisions	8.3	(5.2)	3.2	7.4
Total Non-Current Liabilities	28.8	50.1	78.9	23.4
Total Liabilities	49.0	59.3	108.4	38.7
Net Assets	39.7	3.6	36.1	40.3
EQUITY				
Contributed equity	35.1	-	35.1	35.1
Reserves	0.3	-	0.3	0.3
Retained profits	4.3	(3.6)	0.8	4.9
Total Equity	39.7	(3.6)	36.1	40.3

CASHFLOW

\$ MILLIONS	REPORTED ² H1 2020	AASB 16 H1 2020	STATUTORY H1 2020	STATUTORY H1 2019
EBITDA	12.1	5.8	17.9	10.7
Other non-cash items	0.2	0.0	0.2	0.0
Changes in working capital (exc. Income tax)	2.7	(0.7)	2.0	0.7
Net interest paid	(0.4)	(1.4)	(1.7)	(0.3)
Income tax paid	(2.6)	0.0	(2.6)	(2.9)
Net cash flow from operating activities	12.0	3.7	15.7	8.2
Net capital expenditure	(6.9)	0.0	(6.9)	(7.1)
Business acquisitions	0.0	0.0	0.0	0.0
Lease payments received from finance leases	0.0	0.2	0.2	0.0
Net cash flow from investing activities	(6.9)	0.2	(6.7)	(7.1)
Borrowings (net)	3.5	0.0	3.5	4.0
Payment of lease liabilities	0.0	(3.9)	(3.9)	0.0
Dividends	(5.3)	0.0	(5.3)	(5.8)
Net cash flow from financing activities	(1.8)	(3.9)	(5.7)	(1.8)
Net cash flow	3.3	0.0	3.3	(0.7)

Notes:

1. Amounts in the table have been rounded to the nearest \$100,000. Any discrepancies between the totals and sums of components are due to rounding
2. Reported is Statutory excluding the impact of AASB 16 at 31 December 2019

