

Pacific  
Smiles  
Dental



**Investor Day**

May 2023

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# Agenda

- 01** Introduction
- 02** The Pacific Smiles Value Proposition
- 03** Sector Tailwinds & Growth Strategy
- 04** Adding Value for Dentists
- 05** Q&A, Site Visit



# 1. Introduction

**Phil McKenzie**  
Chief Executive Officer /  
Managing Director



Prior to joining Pacific Smiles, Phil was Chief Executive Officer for Audiology Management Group (AMG), a leading audiology services business with a network of more than 200 clinic locations across the USA. Prior to his role as CEO of AMG, Phil was CEO of Widex Australia, New Zealand, Singapore, Hong Kong and India retail where he successfully turned around and grew those operations

**Matthew Cordingley**  
Chief Financial Officer



Prior to joining Pacific Smiles, Matthew was Head of Mergers and Acquisitions at Healius Limited, a leading ASX listed healthcare company, where he was responsible for the company's strategic business development, growth and capital raising activities

**Troy McGowan**  
Executive General Manager  
- Clinical Excellence



Dr. Troy McGowan is an Australian-trained periodontist with more than a decade of experience in clinical dentistry and health leadership. Troy spent 13 years in the RAAF and has also worked in the public sector both as a dentist and periodontist. He has spent the last year and a half in private specialist practice

## 2. The Pacific Smiles Value Proposition

# The Dentist

Pacific Smiles Group is the largest branded Dentist Service Organisation in Australia. With 131 dental centres across Australia and more to come, we are experienced in knowing what Dentists need to help them grow their dental practices within our centres.



**You are respected**



**No targets**



**Leading technology**



**Advance your career**



**Support**



**Clinical excellence**



**Strong patient demand from day one**



**131 locations to practice from**



**Connected and experienced field and support team**

**Strong culture**

# The Patient



**Available when  
you need a  
dentist**



**Accessible  
locations**



**Array of services**



**Patients  
trust us**



**Assurance of  
quality, compliance  
and safety**



**Affordability and  
value**



# Key Partnerships



- Own and operate 11 nib Dental Care centres
- No gap preventative offer for patients who are nib members at nib Dental Care centres
- All Pacific Smiles centres part of the nib First Choice network
- Provides our dentists with preferred provider status with nib



- In July 2020 Pacific Smiles agreed to a 10-year Managed Services Agreement with health fund HBF
- Under this agreement Pacific Smiles operates dental centres in Western Australia, on behalf of HBF, for a fee
- The agreement originally covered six centres, with this number having risen to eight with all continuing to grow patient volumes



# The Greenfield Model for Growth

## A PREDICTABLE & REPEATABLE FORMULA THAT DRIVES NETWORK EXPANSION

**Pacific Smiles is a highly experienced developer and operator of dental centres. Our model and framework has been built and refined over a long period of time, giving us unique industry intellectual property**

### **LOCATION AND COMMUNITY / CONVENIENCE PROPOSITION**

- Target regions under-serviced by dentists that suit our model
- Localised regions and clusters create scale and efficiency opportunities, with ability to grow market share in communities where convenience and proximity to the dentist is a key determinant in patient choice of dentist
- Shopping centre model builds brand awareness and sees repeat visits (especially within families) > high MAT in shopping centres > multiple visits per week to supermarket precincts in shopping centres

### **STANDARDISATION OF CENTRE LAYOUT, BRAND, CULTURE, PEOPLE AND SYSTEMS**

- Common Patient Management System and a “single patient record” across every Pacific Smiles centre
- Culture and values permeated throughout all our centres, creating unified focus and common KPIs
- No need to integrate different ways of delivering oral health care to patients – just the Pacific Smiles way, curated over 20 years
- SOPs across our entire operating ecosystem are rolled out consistently, creating high quality patient care, reducing wastage and inefficiencies

### **MOBILITY FOR STAFF, PATIENTS AND DENTISTS**

- Sharing of resources between centres in our “clusters” allows for increased efficiency, more streamlined labour management and greater practitioner and patient satisfaction

### **GROWTH FOCUS**

- Multiple growth channels, driven by i) building new centres, ii) adding capacity to existing centres (more chairs), and iii) uplifting utilisation through increased patient attendance via retention of existing patients and acquisition of new patients

# The Greenfield Model for Growth

## ADVANCED SITE SELECTION AND ASSESSMENT – A CAPITAL-LIGHT MODEL

### Region assessment

- Focused regional assessment aimed at highlighting the opportunities and risks specific to the region
- Consideration given to regional demographics and location of commercial, retail and transport hubs and residential development and growth corridors
- Benchmarking against other successful Pacific Smiles regions to apply learnings and approach

### Location assessment

- Analysis of specific city or suburbs within the region
- Consideration given to current infrastructure and to city planning and location demographics such as PHI penetration, SEIFA Index, average weekly earnings, etc
- Desktop, field and third-party research specific to the location such as GapMaps, ABS data, etc
- Assessment of current providers

### Site and premises assessment

- Identification and assessment of specific premises within the shopping centre –supermarket / services precinct with access to carpark
- Site location suitability is assessed in terms of several qualitative factors
- The physical site is assessed in terms of the suitability for a dental centre layout and services infrastructure
- Rental cost and lease terms and conditions are assessed and negotiated

### Investment Decision

- A detailed business proposal and rationale for the new centre is developed
- The proposal covers off on all details required for the Board to decide on whether to proceed
- The proposal includes a detailed financial assessment for the new centre

# 5Y Target Unit Economics (New 5 Chair Centre)

		Yr 1	Yr 5 Target
<b>Net Capex (Cumulative)</b>	(\$m)	0.7	0.9
<b>Dentist Patient Fees</b>	(\$m)	0.5	2.5
<b>EBITDA</b>	(\$m)	(0.1)	0.5
<b>EBITDA Margin<sup>1</sup></b>	(%)	-	20%
<b>D&amp;A</b>	(\$m)	(0.1)	(0.1)
<b>EBIT</b>	(\$m)	(0.2)	0.4
<b>ROIC</b> <i>EBIT/ (Cumulative Net Capex)</i>	(%)	-	45%
<b>ROIC</b> <i>EBIT/ (Cumulative Net Capex + PV of Centre Lease Liability)</i>	(%)	-	28%

## RAMP PROFILE

- Well-honed pre-marketing campaign targeting new patients, typically net 400+ appointments pre-opening, and then 1,500 appointments in the first six months of opening
- Centres open with 3 operational chairs and capacity for 5. 4<sup>th</sup> chair typically infilled in Years 2 to 4 (depending on utilisation and centre growth) and the 5<sup>th</sup> chair in Year 5
- Capacity for further growth beyond Year 5
- Profitability (positive EBITDA) achieved between 9 to 12 months of operation and capital payback after 5 years

## CURRENT PERFORMANCE VS 5Y TARGET

- 41 centres built between FY20 and FY23 are all within their 5-year ramp phase, the vast majority of which were impacted by the COVID pandemic. Consequently, they are experiencing a delay in achieving their ramp profile
- Post-pandemic, these centres are moving towards PSG's expected ramp profile and are seeing fee and margin growth on a trajectory towards PSGs 5Y targets
- More mature cohorts are also exhibiting top line and margin growth post-pandemic. Larger CBD-located centres are not back to pre-pandemic trading levels, but are showing signs of growth as general CBD activity lifts with return-to-office policies starting to come into effect

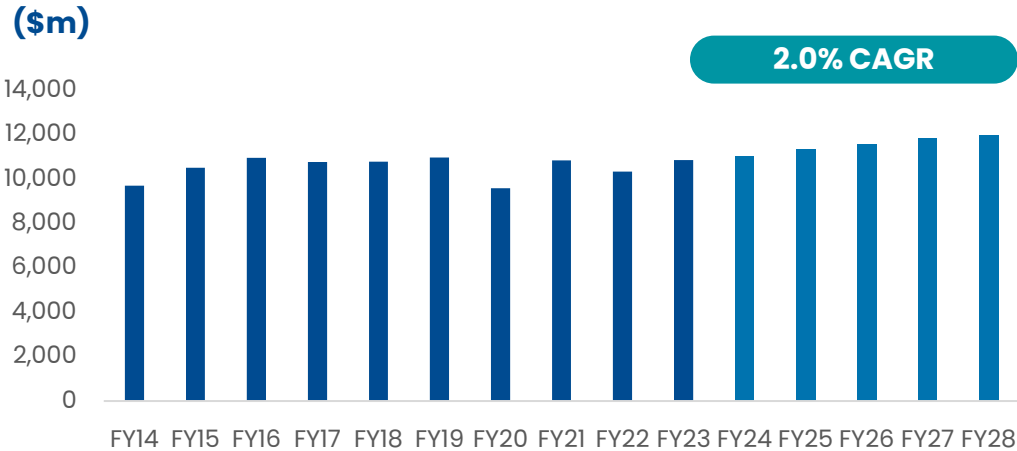
<sup>1</sup> Centre EBITDA Margin, pre corporate overheads



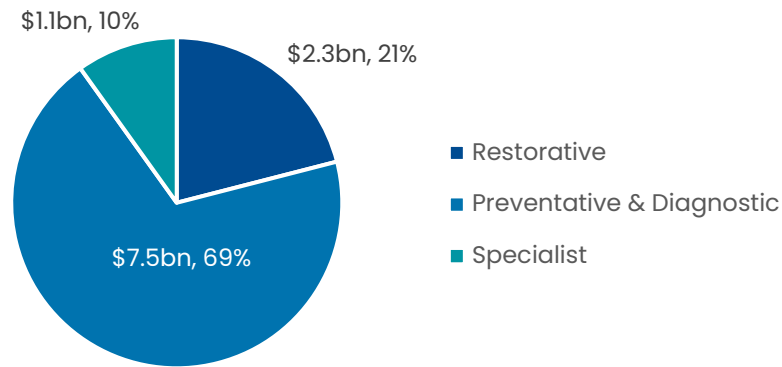
### **3. Sector Tailwinds & Growth Strategy**

# Outlook For The Australian Dental Sector

## Australia Dental Services Industry Revenue Forecasts



## Australia Dental Services Industry Revenue (2023)



Source: IBISWorld

## Recent Trends

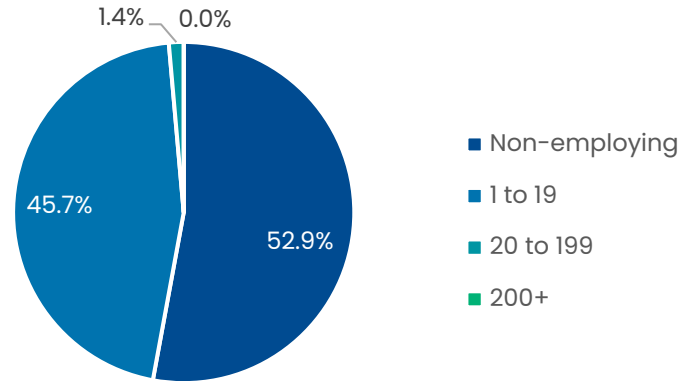
- Non-emergency dental work (in particular preventative & diagnostic) was delayed throughout the COVID-19 period due to lockdowns and patient & dentist health concerns, alongside cost-of-living pressures. This has resulted in a backlog of residual demand including more expensive restorative procedures due to delays in preventative visits
- PSG is seeing an increase in the number of restorative services (e.g. treating broken, damaged/decayed teeth, gums, and tissue) required post-pandemic

## Key demand factors

- **Ageing and population growth** > Dental problems are highest for people aged 75 and older, and is growing with Australia's ageing population
- **PHI participation rates** > Recent APRA data (Mar-23) revealed continued PHI policy growth of 2%, supporting continued growth dental and ancillary claiming. Dental and optical are the highest claimed services under policies with ancillary cover
- **Access to Preferred Provider Agreements (PPAs)** > PSG has access to a broad spectrum of PPAs from insurers, which underpins patient demand as insurers promote dentist locations within their PPA network
- **Child Dental Benefits Scheme (CDBS)** > Financial support funded by the Commonwealth Government for eligible children to receive access to dental care
- **Cosmetic dentistry** > Increasing demand for orthodontic procedures (aligners etc), teeth whitening, veneers and crowns

# Pacific Smiles Well Positioned in Market

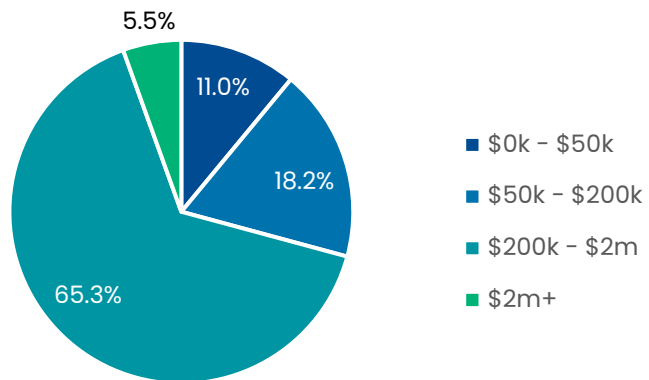
Share of enterprises by no. of employees (2021-22)



## Highly fragmented industry dominated by small firms

- The dental services industry is predominantly made up of independent sole proprietors that operate relatively small-scale dental practices
- New dentists either open their own business or join an existing dental practice
- Most enterprises in the industry are non-employing enterprises (53%), with 29% of these generating less than \$200k in annual revenue. The vast majority (95%) of dental services enterprises produce less than \$2.0m in annual revenue

Share of enterprises by revenue (2021-22)



## Corporate dentistry

- In recent years a number of ASX-listed companies have sought to build scale in this fragmented market, via both greenfield rollouts of new centres and acquisitions
- Corporate dental groups have attracted a number of new entrants to dentistry, as they allow dentists to focus on their core skill set and alleviate the need for dentists to focus on the more granular/day-to-day management typically required for a practice
- While this has resulted in a slight increase in industry concentration, overall, the highly fragmented nature of the sector leaves significant scope for growth

Source: IBISWorld

# Strategy Timeline for Growth

**Foundations for Future Growth:**

**>250 centres**  
(Feb 23: 129)

**>800 chairs**  
(Feb 23 : 539)

**>15% EBITDA margin<sup>1</sup>**  
(1H23 : 6.8%)

**5% Market share**  
(1H23 : 2.5%)

## Culture



- Investment in our dentist, patient and employee experience measured via our Engagement scores, will contribute positively to shareholder returns

## Operational Excellence



- New leadership structure singularly focused on capitalising on our investment in systems and infrastructure that will drive operational efficiency, productivity improvements and economies of scale within PSG's expanded network

## Same Centre Growth



- Deferral of dental visits by Australians during the pandemic presents a real new patient capture and existing patient recall opportunity for PSG
- Combined with latent low-cost growth upside embedded in our network via practitioner schedule stabilisation and chair uplifts to drive returns

## Innovation



- The final stage of our investment rollout of upgraded 3D scanners was completed in FY 2023 – keeping our promise to dentists
- Management focus on maximising returns on our core assets in FY23 will lend to more innovative activity in FY24 and beyond

## Network Growth



- Our long-term growth plans stated above are unchanged
- The rate of investment in new centres will be sensibly balanced against profitability expansion and prudent capital management

<sup>1</sup> Group EBITDA Margin, post corporate overheads



## 4. Adding Value for Dentists



# Why Do Dentists Become Dentists?



**“Providing health care is like building a house. The task requires experts, expensive equipment and materials, and a huge amount of coordination..”**

Atul Gawande

# Why Do Dentists Choose Pacific Smiles?





# Clinical Autonomy

## Can choose how to practice

### No clinical hierarchy

- No requirement to “hand off” treatment
- No lead/principal/owner dentist to dictate

### Can work to top of scope

- PSG able to facilitate all dental treatment types
- Able to refer work internally if outside of scope
- Practitioners are able to fill their books with ideal treatment (e.g. wisdom teeth and implants)

### Specialists are in centre (not external) – currently 21

- Less patient travel
- Familiar location for patients
- Practitioners can collaborate better
- Very limited risk of patient leakage

#### Prosthodontics

- Crowns
- Provisional Crowns and Bridges
- Bridges
- Crown and Bridge Repairs and Other Services
- Procedures for Implant Prostheses
- Implant Prostheses Repairs and Maintenance
- Dentures and Maxillofacial Prosthetics and Services
- Denture Maintenance
- Denture Repairs
- Other Prosthodontic Services
- Maxillofacial Prosthetics

#### Orthodontics

- Removable Appliances
- Fixed Appliances
- Extraoral Appliances
- Attachments
- Other Orthodontic Services
- Complete Courses of Orthodontic Treatment

#### General Services

- Emergencies
- Teledentistry
- Drug Therapy
- Anaesthesia, Sedation and Relaxation Therapy
- Occlusal Therapy

#### Miscellaneous

#### Diagnostic Services

- Examinations
- Radiological Examination, Analysis and Interpretation
- Other Diagnostic Services

#### Preventive, Prophylactic and Bleaching Services

- Dental Prophylaxis and Bleaching
- Remineralisation Agents
- Other Preventive Services

#### Periodontics

##### Oral Surgery

- Extractions
- Surgical Extractions
- Surgery for Prostheses
- Treatment of Maxillofacial Injuries
- Dislocations
- Osteotomies
- General Surgical
- Other Surgical Procedures

#### Endodontics

- Pulp and Root Canal Treatments
- Periradicular Surgery
- Other Endodontic Services

#### Restorative Services

##### Direct Restorations

- Metallic Restorations – Direct
- Adhesive Restorations – Anterior Teeth – Direct
- Adhesive Restorations – Posterior Teeth – Direct

##### Indirect Restorations

- Metallic Restorations – Indirect
- Tooth-Coloured Restorations – Indirect
- Other Restorative Services



# Business and Clinical Support

## People & Culture

- Staffing
- Training

## Marketing

- New Patient Acquisition
- Patient Retention

## Operations

- Centre management
- Appointment book management
- Account management

## Property

- Centre construction
- Leasing

## Finance

- Settlements

## Clinical Excellence

- Dental Advisory Committee
- 1:1 discussions with clinical advisors
- Onboarding
- Clinical notes audit

## IT

- Systems support
- Cyber security
- Patient management system

**131 centres, 1400 support staff and 950+ practitioners**





# Consistency and Standardisation

## Facilities

- Well presented
- Modern equipment (CBCT Machines, Intraoral scanners, rotary endodontics)
- Clean, accessible and well resourced
- Quality materials (Flexibility)
- No favouritism
- QIP accreditation (National Standards)

## Single patient record

- Significant clinical benefits
- Internal referrals are easier
- Patients have a single record nationally
- Data re oral health diseases

## Greenfield Growth

- Consistent culture
- No favouritism
- Standardisation of set-up and materials = reduction in complexity





# Flexibility

## Rest and recuperation

- Day off = cancelling patients
- 350 locums allows flexibility

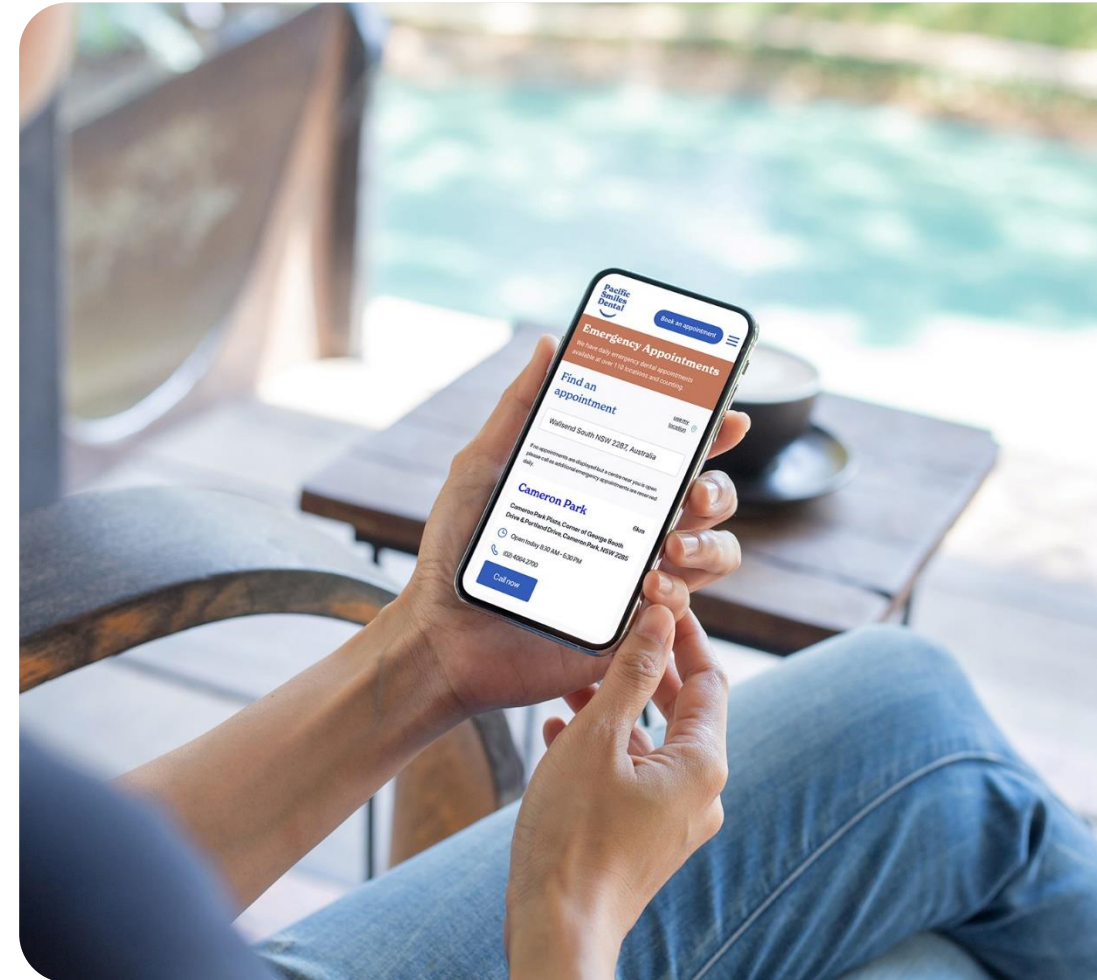
## Hours, days, locations

- Most successful practitioners work at multiple locations
- Increase internal referrals and capture of ideal treatment types
- Can accommodate working parents

## Length of appointments

## Referrals

## Lab





# Continuing Professional Development

## Online learning platform

- 60 hours of free content tailored to PSG based practitioners

## Free events

- Industry sponsored and practitioner requests

## Discounted events

- 20-60% discount for practicing from a PSG centre

## Practitioner led internal education

- SmartOne Implant course
  - Practitioners can learn a new clinical skill with 1:1 in-centre supervision
  - Mentors are remunerated and can build another area of their business

## DA to dental professional pathway

- Dentists that were assistants during training perform better on average
- Overseas dentists can work as DA during examinations
  - Learn Australian health system, communication styles, and oral health





# Infection Prevention and Control

## Number one organisational priority

### Risk management

- PSG processes are compliant with published National standards
- Continuous improvement process

### Accreditation

- Training, audits, and support
- Pursue top dental centre accreditation voluntarily







# Transparency / Equality

## Financial arrangements

- Clearly outlined

## Patient management

- Equitable distribution of patients

## Simple contract

- 5 pages, simple language, reduction of complexity



## Dental Advisory Committee

- Diversity across all levels
  - Male/Female
  - ADC graduates/Australian trained
  - Dentists, OHT, Prosthetist, Specialists
  - Representative of our practitioner population
  - Team based approach
  - Top of scope work

## Australian Dental Council (ADC) Graduates

- 50% of recent applications – shows confidence in culture
- BUT standards are applied – Have said no to 7 applicants in last month due to lack of experience

## Female/Male

- 60/40 split female to male

## Practitioners and Staff

## Dental Advisory Committee



**Anna Starostina**  
DENTIST



**Ben Chuang**  
DENTIST



**Josh Heit**  
PROSTHETIST



**Jan Ledvinka**  
ORTHODONTIST



**Sachita Shah**  
DENTIST



**Mohammed Al Saeed**  
DENTIST



**Lauren MacPherson**  
ORAL HEALTH THERAPIST



**Andrew Louey**  
DENTIST



**Catherine Alapat**  
DENTIST



# Clinical Governance

## Standards

- 9 practitioner contracts terminated last 12 months due to clinical and culture fit
- Preserves reputation of organisation, industry and contracted practitioners

## Credentialing/Clinical Privileges

- Complex work requires application
- Not inhibitory but supportive

## Note Audits

- Accreditation requirement
- Peer audit system = facilitates culture of excellence

## Dental Advisory Committee

## Clinical Safety Reports

- Continuous improvement



Standard 1 Governance for Safety and Quality in Health Service Organisations



Standard 2 Partnering with Consumers



Standard 3 Preventing and Controlling Healthcare Associated Infections



Standard 4 Medication Safety



Standard 5 Patient Identification and Procedure Matching



Standard 6 Clinical Handover



# Feedback

## Patient feedback

- NPS scores

## Note audits

- Provided during practitioner to practitioner 1:1's biannually

## Business metrics

- Quarterly business meetings with regional leaders

## Data



>85

Patient Net  
Promoter Score

# Power in Numbers



**450k**

Routine exams



**400k**

Cleans



**350k**

Fillings



**33k**

Root Canals



**70k**

Extractions



**20k**

Crowns





# Conversation with a PSG Dentist



**Dr Asif Khan**



# 5. Q&A, Site Visit





# Appendix

# ESG – How we make a difference

Through strategic initiatives in the field, at our Dental Centre Support office and in our new centre build schedules

## Environmental

- Confirmed 25% green power on all direct supply electricity contracts
- Updated SOP on barriers included in operating procedures reducing unnecessary plastic coverings
- Trailing reusable high speed evacuation tips (saves 100 disposable tips per 1 reusable)
- Commitment to change from plastic to paper patient water cups by end of calendar 2023

## Social

- Our inclusion and diversity program in 2022 included the introduction of AI technology to reduce bias from candidate screenings in our recruitment process
- In October 2022 PSG hosted our first Mindshop Excellence Program providing a work experience program for high school students

## Governance

- We build transparency and trust through strong governance, evidenced by our Board sub-committees and Dental Advisory Committee, which govern our operating and risk environment
- Our policies and procedures guide our people on how to make the right decisions and demonstrate ethical behaviours