

ASX/MEDIA RELEASE

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Smiles Inclusive trading update

National dental network, Smiles Inclusive Limited (ASX: **SIL**) has successfully completed its \$35m IPO and ASX listing to acquire a portfolio of 52 practices under a unique partnership model with dental practitioners, with shares to commence trading on ASX today.

Integration of the initial portfolio of dental practices under the national brand, Totally Smiles is well advanced, and the company provides the following trading update.

Highlights

- SIL has received strong institutional and retail investor support for its \$35 million Initial Public Offer
- 49 of the 52 acquisitions in the initial portfolio completed prior to listing with the remainder expected to complete imminently
- More than 30% of practices in the initial portfolio already integrated onto centralised practice management platform and Totally Smiles re-branding underway
- SIL has signed binding agreements to acquire its first practice post-listing, Indooroopilly Dental Centre

Managing Director, Mike Timoney, said, “We share the same interest as our JV partners in growing the business, so we have hit the ground running by integrating practices into our network before the sales were completed.

“Dental practitioners have embraced the concept that they can sell their practice to Smiles Inclusive and keep a continuing economic interest and profit share as JV partners, which is a unique business model.”

Indooroopilly Dental Centre acquisition

Totally Smiles has entered into binding agreements to acquire Indooroopilly Dental Centre in Brisbane, Queensland, a large practice consistent with the group’s acquisition profile. The practice is being acquired from an entity associated with the lead practitioner for consideration of between \$3.0 million and \$3.5 million.

The acquisition structure, including JV Partner investment, is consistent with the initial portfolio acquisitions described in the prospectus. The net cash consideration will be funded from the Group’s cash balance and acquisition finance facility.

The acquisition remains subject to confirmatory due diligence, entry into satisfactory lease arrangements and a number of procedural conditions consistent with the initial portfolio acquisitions. Completion is expected to occur within two weeks of listing.

Mr Timoney said, “The Indooroopilly practice fits the services and growth profile for the Totally Smiles network, and we are progressing discussions for a pipeline of similar acquisitions.”

Initial portfolio and IPO

Totally Smiles is acquiring the 52 practices for a total of approximately \$66 million, with vendors re-investing approximately \$21 million to become JV Partners, sharing in the profits of a particular practice and retaining exposure to the capital value.

The company has practices in Queensland, New South Wales, Victoria, Western Australia, South Australia and the ACT, and aims to build Totally Smiles into a leading national dental brand.

The Smiles Inclusive offer was underwritten by Morgans Corporate Limited.

Morgans Executive Director, Philip Lee said, “Smiles Inclusive attracted significant interest from institutional and retail investors based on the joint venture business model and growth prospects in a highly fragmented market.”

Totally Smiles will own the practices and provide dental facilities, management and support including cyber security, technology support and marketing services. This will reduce practice management demands and allow dental practitioners to deliver a better value proposition for their patients and accelerate the growth of their businesses.

Future growth will be based on Totally Smiles working with partners to optimise practice operations and invest in new technology, equipment and services, and generating cost efficiencies through the purchasing power of the network and a targeted marketing sales force. The company will also seek further dental practice acquisitions that fit with the existing network and strategy.

Smiles Inclusive will have a market capitalisation of \$57.9 million at the \$1 per share Offer Price, and a price earnings ratio of 9.9 times forecast FY18 pro forma net profit after tax of \$5.8 million.

Mr Timoney said, "The Totally Smiles business model offers value for patients, dental practitioners, JV partners and investors.

"Our aim is to create one of Australia's leading dental groups by aligning the interests of dental practitioners with the company, and providing the highest standard of dental care for patients.

"We have had a high level of interest from investors and dentists who see the potential value creation in the Totally Smiles business model and growth strategy."

The Australian dental services market is expected to generate revenue of more than \$10 billion in FY18 and has grown at an average of more than 3% per annum over the past five years. With more than 7,000 practices in Australia and no enterprise holding over 5% market share, there are opportunities for further industry consolidation.

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