



ABN 27 621 105 824  
ACN 621 105 824

## **ASX Announcement**

### **Letter from the Chairman**

20 August 2020

Dear fellow shareholders

I am pleased to provide an update on the current status of our business and the significant progress that has been made in our turnaround plan.

Implementation of the plan is being led by our Managing Director and CEO, Michelle Aquilina. She is a highly experienced healthcare industry executive, with 30 years' experience in the dental industry. In her previous role, she led the turnaround of Primary Dental Care (a division of ASX listed Healius Limited, formerly Primary Health Care) to become one of the top three dental service operators in Australia. The Board believes that Michelle's track record in complex strategic design, execution and operational skills, and her proven ability to engage practitioners and staff make her the best person in the Australian dental industry to lead the turnaround of Smiles Inclusive.

Ms Aquilina is working as part of a cohesive and productive Board to drive both our 'Sustainable Improvement Strategy' and our response to COVID-19. Since she has been at the helm, we have already seen some positive gains in improved performance and dentist engagement. Our JVPs have indicated their support for Michelle and acknowledged the changes that have already occurred under her leadership. Our new management team includes a skilled and experienced COO and regional operation managers to provide ongoing support and engagement with our frontline dentists and staff and we are in the final stages of appointing a new CFO. This experienced team of professionals will support Michelle in implementing the necessary changes to the business.

The 'green shoots' of improvement are based on management actions including:

- An organisational re-design to create a more agile structure and enable a local empowerment model with the support office providing improved engagement and support to our frontline teams.
- reduction of operating costs through the consolidation of dentures and mobile business divisions, facilitating improved operational efficiencies, consolidation of practice leases and, right-sizing staffing levels and cost bases
- investment in frontline services and divestment of non-core practices.
- implementation of a new supply chain strategy to capitalise on scale and ensure competitive pricing.

I am also pleased to announce the Company has also finalised the banking relationship with our primary financier, NAB as part of our broader recapitalisation plan. This is a positive development and we expect to update shareholders with further details of the plan in due course.

These positive changes have been professionally managed by Michelle and the team and there is now a clear pathway forward, and your Board remains committed to working our way through the turnaround of the business.

A group of former Totally Smiles dentists and their associated entities (**Requisitioning Shareholders**) has notified Smiles Inclusive Limited (the **Company**) of their intention to call an extraordinary general meeting (**EGM**) seeking to replace all of the existing Directors.

This EGM would be an unnecessary distraction and cost for the Company. A change of directors at this time would be disruptive, if not disastrous. The call comes at a time when the Directors and management are leading a major turnaround in the operational and financial performance of the Company to ensure a sustainable future and enhance shareholder value.

The Requisitioning Shareholders have nominated Dr Joao Camacho, Dr Philip Makepeace and Dr Arthur Walsh as their proposed replacement directors of the Company.

This latest call for an EGM comes only 14 months after the last EGM requisitioned by some of the Requisitioning Shareholders. At that EGM, Dr Camacho failed in his bid to be elected to the Board. Subsequently, Dr Camacho and others sought to requisition a second EGM to consider the same resolutions that failed at the first EGM.

In effect, this latest call for an EGM is the third time that Dr Camacho has sought to remove the Directors and to be elected to the Board.

Dr Camacho, Dr Makepeace and Dr Walsh have never been directors of a publicly listed healthcare company. They and the Requisitioning Shareholders have not put forward any plan to improve the Company's balance sheet or any plan for turning around the performance of the business to create sustainable growth. Dr Camacho, Dr Makepeace and Dr Walsh terminated their facilities and services engagement with the Company some months ago and no longer work with the Company. They have not been involved in the work being carried out with our dentists and staff to improve practice performance and the turnaround of the business.

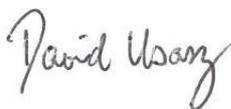
The Requisitioning Shareholders propose to remove Michelle Aquilina from her role as CEO and Managing Director and have not nominated a replacement with the appropriate skills and experience to continue the turnaround of the business.

We are asking for your support to enable us to continue our strategy in turning around the performance of the business to achieve sustainable improvement and growth into the future.

We also seek your ongoing support of the present Board to continue to act in the best interests of all shareholders.

In the meantime, should you have any questions, please contact [shareholders@smilesinc.com.au](mailto:shareholders@smilesinc.com.au).

Yours sincerely



David Usasz  
Chairman

## **Managing Director and CEO update**

I am pleased to have this opportunity to introduce myself to you our valued shareholders for the first time as Managing Director and CEO, and to provide you with an update on a number of important developments in relation to the Company.

Since starting in this role on 17 March 2020, it has always been my view the dental industry remains an attractive sector for investment. However, there were many critical areas the Company needed to address as a matter of urgency.

That is why the Board and management team have implemented a Sustainable Improvement Strategy, which is a combination of actions to achieve operational effectiveness and growth. I have also continued to work with our dentists and support office team to improve the service levels to our existing clinicians and staff to empower frontline teams, with support office's objective to innovate and lead the strategic growth of the Company.

This new strategy will enable us to focus on areas we can improve and allow us to respond more effectively to our current operating environment, including dealing with the impacts of the COVID-19 pandemic.

This new strategy will also focus us on delivering improved performance and better returns for shareholders over both the short and long term. We have already seen some early improvements in spite of the disruption from COVID-19 which forced the closure of all of our clinics during March and April 2020.

While COVID-19 has been a serious disruption and a significant impact on our financial performance, it has provided me the opportunity to reset the business. I am also pleased to be working with our Chairman David Usasz. He has worked extremely hard and played an important role in the turnaround of the business and we continue to be focused and committed to our recovery plan. I am confident the initial positive change that has been achieved in this short space of time is a sign of the potential to also drive improving value for shareholders.

I look forward to updating shareholders on the Sustainable Improvement Strategy in more detail in the coming weeks.

Yours sincerely



Michelle Aquilina  
Chief Executive Officer

***The announcement is approved for release by the Board.***

For further information please contact

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