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Shareholder Update

25 November 2019

Dear Sir/ Madam

The Board and Management team are pleased to share with you a copy of our most recent newsletter, outlining some of the recent operational changes and initiatives are underway at Totally Smiles.

We thank you for your continuing support and look forward to returning the company to profitability. For those of you who follow closely, we have had a complete change in personnel who are actively involved in turning the business around.

I am looking forward to continuing to share these updates with you in future periods.

Your sincerely,

A handwritten signature in dark ink that reads "David Usasz". The signature is written in a cursive, flowing style.

David Usasz



totally
smiles[®]
DENTAL GROUP



Totally Smiles Newsletter

November 2019
EDITION: 1

A note from our CEO

Welcome to our first newsletter to provide you with an update on some activities of the business.

Our Joint Venture Partner ("JVP") model involves the company providing leadership and business expertise and providing support to our practices. This support includes marketing, HR, payroll, training, operational and financial support to practices operate, grow and optimise profit. The model requires sufficient practice profit to enable payment of JVP profit share, support office costs, interest and dividends to the shareholders. That is, the model will only be successful and the shareholders only receive a return if the practices and JVPs proposer.

The initial approach was not a success and has left some enduring and debilitating legacies. Including the ongoing public and private activities of two individuals directly approaching stakeholders with the intention to see the business fail. This has adversely affected the relationships and support provided by financiers, suppliers, investors and JVP. The effect has been debilitating with a shortage of operating capital, resources and expertise and resulted in an extended survival phase and has delayed recovery phase, unnecessarily.

The period has involved the board and staff in maintaining the business, reviewing and fine tuning the business model and strategy for the future, assessing and changing suppliers, staff and some leaders, raising capital, maintaining, developing and extending relationships not to mention a swathe litigation and inappropriate contractual arrangements.

The overall realisation is the need for a support office function that is lean, efficient and firmly based on systems, processes, technology, expertise and relationships, involving working together as one team, including JVPs / practice leaders and Practice Managers and co-ordinators.

Practices have generally worked hard during this time, with many JVPs working more for less, although fortunately some JVPs have prospered from their hard work.

I would like to thank all staff, past and present for their efforts, support and perseverance, the JVPs, practice staff and providers for your efforts, endurance required to develop the business and in many cases encouragement.

My thanks also to the Finance Team for their exceptional efforts in difficult circumstances, with the audit, capital raise, budgeting and cash flow management model development and other matters. I would like to thank the board and particularly David Usasz for their work and resilience during this difficult time.

This newsletter provides an update of progress to date and some insights into the future.



Tony McCormack
Chief Executive Officer

JVP Working Group

We recently formed a JVP Working Group ("Group"). The purpose of this Group is to provide consideration, comments and discussion and advice on important issues and priorities involving the development and fine tuning of the business.

The intended approach is to provide written information to the Group members for initial review and feedback. Where appropriate it will be supplemented by phone and/or video conference discussions and face-to-face workshops..

Together with the non JVP practices, the Group comprising of sixteen volunteers represents half of our practices. The Group activity has not actively progressed as quickly as we would have liked due to my (Tony) availability. Anyone wishing to join the Group is welcome.

Some eleven members of the Group were able to attend the Marketing workshop in Brisbane on the 24th October 2019.

It's OK, we don't
like going to the
dentist either.





Brand position.

It is quite clear that the fear of going to the dentist is real. By being open about this human truth and taking a more lighthearted approach, we create a unique position for the brand. This can be articulated like this:

**When you find a dentist you trust and are comfortable with,
there's one less fear in the world.**



Brand Review

Attendees of the marketing branding workshop included JVPs, Board of Directors, support office management staff and the team from the marketing agency, Nick Did This (NDT). The purpose of the workshop was to collectively consider the future direction for the Totally Smiles brand. This includes, what Totally Smiles represents, what kind of patients Totally Smiles want to service and how Totally Smiles should communicate to these patients.

A “full day of straight talking, information sharing and solution seeking”.

From there, a “Brand Blueprint” has been created by NDT and will be circulated after review by the Group. This will then flow into Totally Smiles’ marketing and communication activities. The results to date have been very exciting and those involved are keenly looking forward to launch of the underlying strategy.

“I love everything that has been proposed by NDT”



Digital Marketing Review

Website Update

There is widespread agreement that the look, feel and functionality of the current website is unacceptable – and it will be replaced! However, replacing this site will take time and planning to ensure what is released reflects the story, vision and pillars of the Totally Smiles brand and the local practice functionality.

In the meantime, a temporary solution to overcome the shortcomings is included in the MyHealth1st project, which will immediately improve the user experience when a patient books an appointment online.

We have some new strategies associated with the website design aimed at providing a full service offering for each practice.

New Patient Acquisition Channels

We have been working with Health Engine and MyHealth1st to develop arrangements for opportunities to acquire new patients through their booking portals. The contract agreements of these two organisations are currently being negotiated. Further details will be circulated once finalised.

In addition to the new acquisition activity, there is a plan to reengage inactive patients through SMS, email and telephone contact strategies. The support office team and MyHealth1st will work together to kick-off this project in the coming weeks.

Lead Generation Campaigns

In some practices, where higher revenue generating treatments or popular niche's have been identified

(e.g. dental implants, Invisalign and facial injectables), we have been trialling lead generation campaigns using the Facebook and Instagram platforms. Using our marketing and contact centre staff, we have launched a small number of these campaigns with the focus to refine our offer, communications and improve the follow-up processes while identifying the best target segments for these treatment offerings.

Also, recently we have a practice engaged in a two-month trial with an external company to generate leads through their various channels and strategies. Results of these two efforts will be assessed and next steps will then be determined.

Social Media Update

Previously managed by an external agency, in July 2019, a decision was made to bring the management of our social media in-house.

A previous JVP survey, identified a number of practices who want to have direct control and management or editorial approval of their Facebook and Instagram page. Access to specific practice's Facebook and Instagram is available to keen practice staff and will be supported by the current support office marketing team for imagery, content, strategies and advice. A social media guideline document also goes along with this access. If your practice wishes to gain access to your Facebook and/or Instagram page, simple contact practicemarketing@totallysmiles.com.au and we'll help you out.

Local Area Marketing

Local area marketing is a crucial component of brand awareness, existing patient retention, new patient acquisition and the overall marketing mix for the Totally Smiles brand. As we move forward with our brand story, it is important that each practice has a voice for the community it services. It's been acknowledged that past local area marketing has been lacking and the current support office team wants to turn this around.

The remit of the marketing function is to acquire new patients and to increase returning patients through various strategies and communication channels appropriate to the local market. The process is to work closely with each practice and support the practice team in developing campaigns, communication assets and shared learnings. To work in a collaborative manner to seek the best outcome for the patient, the practice, the company and the brand.

This will include, signage, in reception service offer video and engagement collateral, billboards, leaflets, and eventually advertisements for radio, cinema and TV.

Let's chat! If you have any marketing ideas, concerns or queries – you can contact **practicemarketing@totallysmiles.com.au**

Dento-Facial Health & Rejuvenation Treatments

Dento-Facial Health & Rejuvenation Treatments may become a future point of difference for the business. Care of facial skin health and the provision of facial rejuvenation therapies is seen as an opportunity for interested dentists utilising their skills and experience in the facial region, dentists (and others in the practice) to offer their patients a broader service offering they often have done elsewhere.

Whilst this is not everyone's interest, we have identified many within the business that has expressed interest to become skilled in this area.

We are in discussions with some training academies who pioneered a new approach facial rejuvenation and health therapies including:

- Cosmetic injectables (Botox)
- Dermal filler injections
- Chemical peels
- Micro-needling
- Laser skin rejuvenation

Additional interested people should submit your interest at **operations@totallysmiles.com.au**

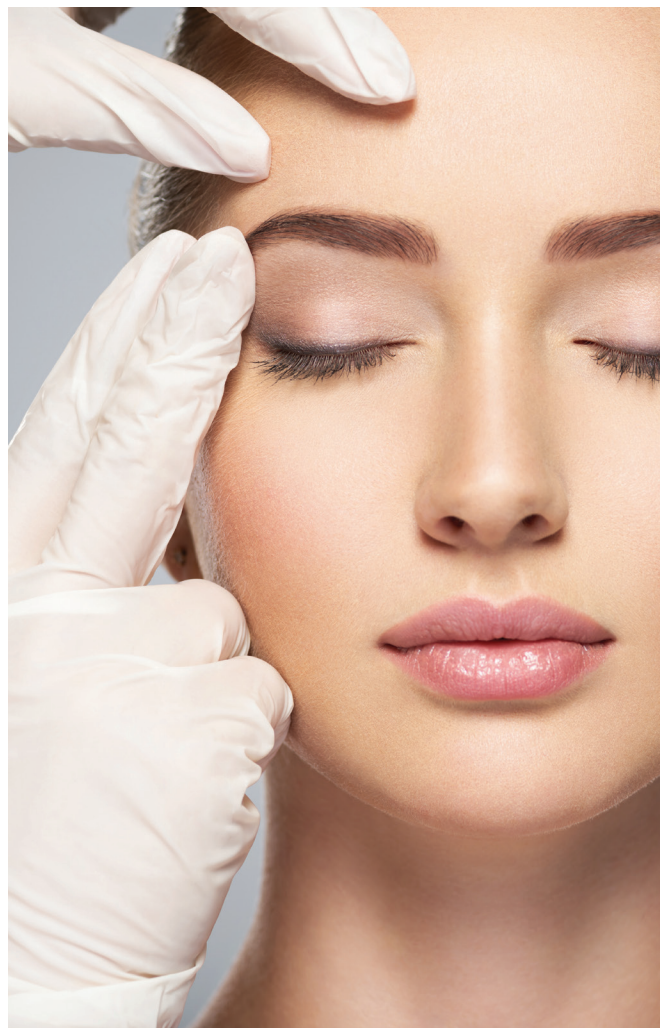
Implant training

An upskilling opportunity was recently provided in Brisbane with 15 practitioners from Queensland and Sydney undertaking the Moredent dental implantology course in Brisbane. A further six practitioners will be attending in Melbourne shortly.

The Moredent guided dental implant system offers initial development support and assistance, ongoing treatment planning support, precision surgical templates and assistance to all practitioners.

This training session was considered a great success by many attendees and cases have already started. We are looking forward to having more of the team enjoy a similar experience in the coming months.

We have set up a Microsoft Teams Channel for the participants to collaborate and discuss as they develop their skills. This will be rolled out shortly. Also, Philip Makepeace has volunteered to be a mentor for the group as required. Additional mentors welcome.





Totally Smiles Dental Group Administration and Practice Manager Training

Following a significant investment of time and funding our training activities suffered a set-back due to the abrupt departure of the Business System Support Manager.

Di Cottle then undertook a remote five week practice performance training assessment and support program covering: Care Manager, Recall Manager, Workflow Process, Whitespace management and affective diary management with 25 practices.

Following Di's program, it was identified we need to train all our practice coordinators and managers in a group classroom setting. This was recently completed and was facilitated by Software of Excellence (SOE)'s international trainer Kate Matharu.

The training focused on building the Practice Managers' skills by utilising the tools within the Exact Practice Management software and MPC reporting tool. The focus was on the importance of team engagement, rebooking, workflow, whitespace management, recalls and open treatment plans.

These training sessions were held in Sydney, Melbourne and Brisbane where team members travelled from all over Australia to attend these sessions.

Bringing these groups together with some support office staff provided the opportunity to network with their peers, exchange ideas and tips. It was important that past frustrations and mistakes were expressed and acknowledged in order to put them firmly in the past and to move forward.

The company's future vision was shared, as well as the role of the contact support centre and their ability to help and assist where possible.

All attendees have received an MPC login to help them focus on their practice planning and key priorities.

We've received some positive feedback that indicates they would all like more training to be

delivered on a variety of subjects which range from infection control to more Exact training and many topics in-between.

Comments received from the attendees include:

I wanted to express my appreciation to you for the PM training, it was extremely informative. Once again thank you for making the training successful.



Thanks so much! It was a great day and I've come out of it with a few things to focus on.



The training was awesome, Kate and Celina - you are both amazing!!



So glad to finally put a face to the name of someone from the support office. This training has been like a breath of fresh air. I'm excited for what's to come.



The next steps include establishment of a Microsoft Teams Channel for support office and practice staff to share, collaborate and communicate.

Big thanks to Henry Schein and Moredent for providing wonderful venues for the training and to everyone who attended and made the days a great success.

New Support Office Staff

We are pleased to advise that the following people have joined the Totally Smiles team:



Maurine Enderlin – Human Resources Manager

A pragmatic and commercially minded HR Manager who has strategically designed and delivered effective end-to-end HR programs within a large variety of complex businesses.

Maurine has 20 years' experience in human resource management and operations with a strong history of consistently driving efficiencies, culture and employee engagement.

She is very passionate about people and beagles



Vin Govindan – General Manager Mobile Dentistry (based in Sydney)

With over 20 years' experience within the healthcare industry, Vin has previously worked with numerous healthcare and real estate businesses. Her focus is on business growth, processes and systems improvement.

Vin's eternal optimist with a few shades of OCD, her guilty pleasure is daggy 80's music...don't tell anyone!



Samuel Douglas – Practice Finance Manager (Olivia's maternity leave cover)

Originally from Sydney, Samuel has over ten years' experience in various senior finance management positions in the construction and automotive industries. Recently returned from Papua New Guinea where he worked for a large hotel chain, shipping and logistics conglomerate.

In his spare time, Samuel enjoys game fishing, exploring new surroundings either by road or sea and the gym and meditation.



Kim Fong – Marketing Coordinator

Kim has over 15 years' experience in marketing related roles, primarily managing marketing campaigns with a focus on lead generation and direct marketing.

Second generation Fiji born, Kim recently moved to the Gold Coast from Sydney and enjoys travelling, cooking and photography.



Celina Claridge – Operations Coordinator

Celina joins the Totally Smiles team with over 15 years' sales, marketing and call centre management experience. She has completed a degree in psychology and finds this useful when dealing with her two adult sons who refuse to move out of home!

She is loving the challenge of learning the dental industry and getting to know all the practice staff.



Justin Reeves – Procurement & Equipment Manager

Justin has over 15 years' experience working as a procurement specialist in the mining and construction industry.

As the office Yoda, outside of work, Justin is a certified meditation facilitator and a passionate cook.



Natalie Johnson – Executive Assistant

Natalie Johnson has joined the team on a temporary basis as Executive Assistant to the support office management team.



Emma Corcoran – Chief Financial Officer

Chartered Accountant with over 20 years' experience in accounting and corporate finance roles, specialising in valuation, due diligence, transaction services and performance improvement.



Managers' Updates

Finance

Over the next six months the Finance team will be focused on improving our planning, budgeting, procedures, processes and management reporting. Monthly reporting and performance analysis will be revised and extended to provide meaningful improvement support.

In the short term, our procedure improvement focus will be on:

- End of Day and End of Month
- Practice credit policy and debtors review, monitoring and collection
- Practice discounting and EXACT financial adjustments

This will be followed by: Key Performance Indicator (KPI), Practice Benchmarking, Practice business plan development and budget.

Systems currently under review are:

- Payroll and Rostering – working closely with the HR team
- Accounts Payable; and
- Bank Account Structure

Human Resources

A critical function the HR team will be focusing on is recruitment. We will be partnering with Practices to find the optimal resourcing solution for the specific businesses. Recruiting new talent, sharing resources across practices as well as undertaking specific training to develop new skills will all be a part of the service mix coming from the team.

Commercial Operations

Our focus is to develop and streamline processes for practices, create and implement strategies for maximising existing patient visits and new patient acquisitions. Projects include: fee increase, bespoke local area marketing, skilling dentists for facial rejuvenation treatments, affiliations with membership-based organisations, purchasing and approval portal, revision of contract agreements, fixed priced dental services, develop a subscription model and corporate relationships with Afterpay, ZipPay, Private Health funds and fintech companies.

Procurement

To make our processes more efficient and cost effective, initiatives include:

- Implementing a Procure2Pay system through a single easy to use platform
- Consolidating our utilities and service providers

- Rectifying and improving our phone system
- Creating management systems for our equipment, servicing, licensing and compliance

Practice Operations

Immediate focus will be on the implementation and daily monitoring of the performance of MyHealth1st's new acquisitions portal. This will be followed by stage 2 – reactivation, subject to final approval.

Currently looking to improve Contact Centre (CC) reporting allowing real time updates. This will improve CC team productivity and service delivery to our patients. The CC team is assisting the Mobile school bookings.

Working closely with the Practice Managers on their recall and rebooking data and assisting them with any day to day issues that may arise.

Marketing

Kick off the MyHealth1st project. Firm up a new 'brand blueprint' with NDT and roll out this new brand through our communication activities and campaigns. Continue working with Practice Managers and Coordinators to generate leads through all available and appropriate channels, including social media, while refining these activities. Working with specific partner campaigns and assist with assets required for Mobile Dentistry. Help recruit and onboard two vacant positions within the marketing team to further expand our capabilities and support the above mentioned work.

Intranet

It is important that information can easily be shared and accessed by the practices and therefore, the use of an intranet will allow smooth accessibility to forms, policies, procedures and training materials.

With this in mind, we have reviewed available cost-effective intranet solutions and have settled on the Microsoft 365 SharePoint platform as a preferred option due to:

- cost efficiencies related to software licencing and support,
- the ability of this platform to deliver current key requirements and,
- the system integration options available to support future requirements of the business, particularly around process improvements and automation by enabling connection to other software platforms we use within our business

The implementation of a corporate intranet will be an exciting step towards consolidating information and streamlining communications across the group. It will also provide a platform for practice specific information such as local area marketing initiatives and materials, as well as a place where we can celebrate and share significant employee achievements and milestones like new starters, birthdays, new family additions, etc. We look forward to providing updates as we move forward with this project.

Purchasing Module

As part of our review of the opportunity to take full advantage of our economies of scale, and current purchasing procedures we have found several key areas opportunities to improve.

We have investigated various purchasing platforms to replace the current limited portal. We have shortlisted Unimarket and Coupa as the purchasing platforms. We are currently finalising our review of these options and look forward to consulting with the Group on this.

This project will simplify, streamline and automate the purchase, approval and payment of goods and supplies through a single platform. This in turn will reduce the number of suppliers, increase the volume of orders through fewer suppliers and reduce costs of consumables and other high-volume goods.

About Unimarket

Unimarket are a leading provider of Procure to Pay (P2P) solutions to the dental care industry in Australia and New Zealand, servicing several leading corporate dental groups.

About Coupa

Coupa is a global technology platform for Business Spend Management (BSM) and Procure to Pay (P2P) solutions.

This project includes moving the current Henry Shine Halas (HSH) relationship to the new portal. Agreement review discussions are currently scheduled with HSH.

We expect to complete our evaluation of these products in the next two weeks and will look to implement within a six to eight week period.

Payroll System

We are reviewing our payroll process to better streamline it. A core part of this is our Roster Portal tool's ability to meet our basic rostering needs, to accurately report around our rostering and workforce management.

In addition, we are currently considering ADP Payroll and HumanForce for payroll and workforce planning and management. Both these systems have ap-based technology for timesheets and roster viewing, payslip access, and a variety of employee engagement tools, as part of their standard offering.

Telephony System

A digital telephony system is being introduced where the NBN is available to the practice. This will reduce call costs and enable the support team to easily assist with calls when required.

Recent phone problems for some practices have been addressed with the migration of our 3CX servers onto the same system as our internal internet VPN system which was completed on the 12th November 2019.

We are aware that some areas are experiencing issues with the NBN and we are continuing to address these issues as they present.

We thank all our practices for their patience while we continue to resolve these issues.



Financial Technology Products

– Payment Plan Review

With an array of new fintech companies on the market we need a selection across the business that can complement the treatments we offer, be cost effective for the patient and support the financial needs of our business. The review identified that MiFund and SplitIt as front running options to be incorporated to offer a suite of payment plans to our patients.



Founded in 2015 and backed by Bank of Queensland, founders are health industry professionals and understand the needs of patients and providers. Offering three payment plan products for up to \$30,000 with zero or low deposit options. MiFund carry the risk by releasing the full invoiced treatment plan amount within 24 hours to the business. They are preferred finance provider for national organisations such as Bupa Dental Corp, Primary Dental, Attune & Greencross Vets.

Highly recommended in the review



A 'Buy Now Pay Later' product like Afterpay, a quick approval process for limits up to \$2,000, however they offer pre-approvals up to \$10,000 and bitesize your payments and pay 0% interest across two products. Humm is a BNPL product supported by large retailers such as MYER, IKEA, Michael Hill Jewelers and 1300 SMILES. Again, another Fintech product that carries the risk and releases 100% of the invoice to the business within 24 hours. A Combination of Flexigroup's legacy platforms of Certegy, EziPay and Oxipay.



Founded in 2012, this 'Buy Now Pay Later' product is like Afterpay however with longer terms and limits up to \$10,000 with zero interest. Marketed to the retail and eCommerce, however its industries include automotive, retail, home improvement and medical merchants.

Heavily backed by an advisory committee of executives from Google Asia Pacific, Target and Westfarmers and AOPEN. Large retailers such as Bunnings, Nike & Spotlight.



Founded in 2014 this Australia Fintech is the largest utilised 'Buy Now Pay Later' product in Australia with over 4.6 million users nationwide. It allows you to make a purchase up to \$1,000 without having to pay for it on the spot. With quick approvals you simply pay off the money in four interest free instalments. The business consists of the Touch System Platform, which includes services related to fraud protection, regulatory compliance, and data collection and analysis. Current corporate dental competitors Maven, National Dental Care, Primary Dental.

(Active in our Business)



A global instalment payment solution founded in New York in 2012. For only credit card customers, SplitIt requests authorisation from the consumer's card company, reserving the total purchase amount from the card's available line of credit. Each month, according to the shopper's payment plan, the instalment amount is collected and SplitIt requests authorisation for the remaining balance. In short SplitIt offers a large transaction into manageable pieces without paying any interest or having any credit checks, SplitIt releases the full invoiced amount to the business. Recently Kogan signed for SplitIt in July as its first major deal in Australia.

Highly recommended in the review



Zip offers two products of a 'Buy Now Pay Later' allowing patients to access lines of credit from \$250 to \$30,000 subject to lending checks, with the business paid total invoice amount with 24 hours. Zip is the "modern layby". Founded in Australia in 2013, Zip was launched as a digital wallet where consumers can purchase immediately and pay later. Currently, they have around 10,000 retail partners and over 1.2million customers. Supported by large national retailers such as catch.com.au, Kogan, Officeworks, Bunnings, Kmart, Big W & Target.

(Active in our Business)

Mobile Division

Some months ago, we engaged with the JVPs for the original "Smiles on Site" mobile to suspend their three court actions against the business to see if we could resolve and cooperate in the future of the business. While this has been protracted it has been useful and while not definitive we are close to a resolution.

In December 2018 a small additional mobile business was acquired and this has been operating in Sydney and Victoria.

More recently we have been focussed on the fuller operation of a combine mobile dentistry business. Currently, the combined mobile businesses consist of five three-chair dental clinics (semi-trailers), two single-chair dental clinics (truck) and fourteen portable devices.

The current activity includes:

- key regions for redeployment of the five semi-trailer clinics
- establishing collaborative relationships with critical stakeholders
- implementation of our business relationship development plan
- revising policies and procedures to achieve accreditation
- developing regionalised recruitment strategies to ensure a capable cost-efficient workforce
- develop comprehensive training program to ensure consistent and high quality service delivery

At present we are concentrating on the school market segment whilst planning to increase our diversification into other market segments including aged care, disabilities services, indigenous communities and industrial business parks and large employer locations. The three-chair clinics are expected to be operational in February 2020.

Capital raise

We have successfully completed two capital raising processes in the last six months.

The first was a \$1.2 million placement to a small group of existing shareholders and was completed on the 21st June 2019.

The second was a \$3.3 million 1:1 Rights Issue that was completed on the 18th October 2019.

These two processes have been used support the business's survival and undertake the required training and system improvements.

Not all of you are shareholders in our business, but for those that are and have participated in these recent raisings, we thank you for your support and commitment to a future for the business.

AGM

The second Annual General Meeting (AGM) for the company will be held on Thursday 28 November 2019.

One of the requirements of a publicly listed company, is to hold an AGM, assembling the company's interested shareholders.

At the upcoming AGM, our Chairman David Usasz, Non-Executive Directors' Peter Evans and Peter Fuller and CEO Tony McCormack will present the Annual Report containing information about the company's 2019 performance and go forward strategy. The meeting will also see us provide a summary of the specific activities that are in progress.

Shareholders with voting rights will have the ability to vote on current issues, such as appointments to the company's board of directors and executive compensation.

All materials prepared for this meeting, including our annual report, will be available on the corporate website at www.smilesinc.com.

Dentures

Two businesses in the Dentures Division are performing very well financially but one is struggling and is under review requiring improved strategies to be successful.



Here is a teaser of what's to come...

