



Pacific Smiles Group Limited (ASX: **PSQ**)
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22 August 2019

ASX ANNOUNCEMENT

Pacific Smiles Group Limited – 2019 Full Year Results

Pacific Smiles Group Limited (ASX: PSQ) (“Pacific Smiles” or “the Company”) today announced its financial results for the full year ended 30 June 2019.

Key Financial Highlights

The key financial highlights from the result include:

- Patient Fees generated by the dentists working at dental centres owned and operated by Pacific Smiles were \$187.4m, up 13.9% on the prior period
- Same Centre Patient Fees grew 8.6% for the period
- Revenue of \$122.2m, up 16.9% on the prior period
- EBITDA (underlying) of \$22.8m¹, up 6.0% on the prior period
- NPAT (underlying) of \$8.9m¹, down 3.5% on the prior period
- 10 new dental centres opened, bringing the total to 89 centres as at 30 June 2019
- Final dividend of 3.5 cps (fully franked) declared bringing full year dividends to 5.8 cps (FY 2018 6.1 cps)

Business Initiatives

During FY 2019, significant business initiatives that were delivered include:

- Roll-out of 10 new dental centres. New centres were opened at Mt Hutton in the Hunter, Baulkham Hills in Sydney, Chirnside Park, Keysborough, Preston, Caroline Springs and Glen Iris in Victoria and Tweed Heads, Aspley and Birtinya in Queensland
- A total of 23 additional chairs commissioned in existing centres to meet patient demand, up from the 14 added in FY 2018
- Introduced automated sterilisation systems at all our centres to enhance clinical standards
- Developed the Pacific Smiles Culture Playbook - *‘Play the Pacific Smiles Way’*
- Reviewed and optimised our telecommunication and network infrastructure
- Established a Business Improvement Office to drive cost reviews and process and system improvements
- Undertook an accreditation program with National Safety & Quality Health Service standards

¹ Underlying results exclude a number of non-recurring costs. See the 2019 Results Presentation Appendix for a reconciliation of underlying to statutory results.

- Introduced Afterpay to support multi-channel finance options for patients

These initiatives, along with consistency in operational execution, further enhanced Pacific Smiles position as the leading dental service operator in Australia as we strive towards our long-term target of 250 centres, 800 dental chairs and more than 5% market share.

Business Performance

Total patient fees for FY 2019 were \$187.4m, representing growth of 13.9% for the period, compared to our guidance for FY 2019 of 10-15% growth.

Same centre patient fees growth improved to 8.6% compared to the prior year of 5.1%. The strong growth was driven by the less mature centres as utilisation ramps over time.

EBITDA for the year was \$22.8m (underlying), up by 6% on the prior year result of \$21.5m (underlying). EBITDA to Patient Fees margin decreased from 13.1% to 12.2%. The key drivers were:

- Telecommunication costs - impacted EBITDA margin by 0.4%, with offsetting cost savings achieved through the establishment of the Business Improvement Office
- Centre mix - increasing proportion of fees coming from centres opened in the last three years which generate lower margins than mature centres
- Corporate costs - investment in new roles and learning and development to support future growth
- "Same centre" margin improved due to efficiencies achieved through higher chair utilisation, and margin expansion as centres ramp to maturity and leverage the fixed cost base

New centres opened in FY 2018 contributed positively to EBITDA and are performing in line with other cohorts. As expected, EBITDA was impacted by start-up losses from 10 new centres opened in FY 2019 (FY 2018: 10), with 7 opening in the second half of the financial year, of which 3 were in June 19.

Higher depreciation costs associated with the rollout strategy of new centres, resulted in underlying NPAT decreasing by 3.5% to \$8.9m compared to \$9.3 million for the prior year.

Pacific Smiles continues to report high levels of patient satisfaction, with Net Promoter Score results above 80, a pleasing result and high by most benchmarks.

Net capital expenditure was \$16.5m for the year, including \$9.3m on 10 new centres, \$0.7m for centre upgrades at nib North Parramatta and \$1.1m to relocate Drysdale. The balance includes equipment replacements, commissioning of 23 additional surgeries in existing centres and IT infrastructure investments.

Dividend

The Board has declared a final fully franked dividend of 3.5 cents per share to be paid on 4th October 2019. The record date for this dividend is 19th September 2019.

Outlook

Pacific Smiles provides the following update regarding the outlook for FY 2020²:

- Same centre patient fees growth in the high single digits, (same centre patient fee growth is approximately 12.2% for the first 7 weeks of FY 2020)

² Excludes the impact of AASB 16 Leases

- Opening 7-10 new dental centres, with a strong pipeline, including 5 sites already committed for FY 2020
- EBITDA for FY2020 is expected to be between 6-12% up on prior year
- Dividend policy pay-out ratio in the range of 70-100% of NPAT for FY 2020

Investor Conference Call

Pacific Smiles will host a conference call for investors to discuss the results:

- Date 22 August 2019
- Time 11am AEST
- Dial-in number +61 2 8038 5221
- Password 4459412

Further information and enquiries

Complete full year results materials are released to the ASX and will be available on the Company website via the following link:

<http://investors.pacificsmilesgroup.com.au/Investors/>

or for further information, please contact:

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