



ABN 27 621 105 824
ACN 621 105 824

ASX announcement 24 April 2019

Smiles Inclusive Limited: Withdrawal of FY19 guidance

Smiles Inclusive Limited (ASX:**SIL**) has reviewed its FY19 earnings guidance with reference to its management accounts for February and March 2019 and other matters that have been announced to ASX.

The Company expects to incur a statutory loss of at least \$4 million for FY19.

The factors relevant to the Company's financial performance include:

- shareholders associated with Mr Mike Timoney and Mr David Herlihy have today sent a further notice (**Third Requisition**) under section 249D of the Corporations Act 2001 (Cth) requisitioning a meeting to remove Mr David Usasz as a director, remove Mr Peter Evans as a director, remove Ms Tracy Penn as a director and remove any person appointed between 23 April 2019 and the meeting as a director, and appoint as directors Mr Joao Camacho, Mr Mark Ward, Mr Hugues Amoyal and Mr Vincent Fayad. The Company is considering the request and will arrange a further meeting if the Third Requisition is not withdrawn and found to be for a proper purpose. The successive shareholder requisitions impact ongoing management structure, financial performance and the Company's relationship with stakeholders;
- the turnaround plan is being implemented as a consultative process with the Company's joint venture partners, financiers and other stakeholders to maximise prospects of a long term solution. While no current director has proposed an alternative strategy to the board, a new board following the general meeting on 22 May 2019 (or a subsequent meeting in response to the Third Requisition) may take a different approach and implement further management changes;
- recommencement of operations of the Smiles Onsite business acquired as part of the Company's IPO has been slower than expected, and a number of the mobile trailers remain inoperative. There is also a number of ongoing litigations with the vendor of the business;
- reconciliation and collection of debtors by the Company and its dental practices;
- reliance on external financiers. The Company's leadership team is continuing to work cooperatively with its senior lender and facilitate an independent review as announced on 5 March 2019. The current circumstances including the upcoming general meeting are being considered. The Company is expecting to receive a further indication regarding its senior lender's ongoing position in advance of the general meeting on 22 May 2019;

- the Company has received a number of less material claims, including a claim by a former employee. The Company does not consider these to be individually material however they are a distraction for management and an expense; and
- any additional matters that might be raised by the Company's auditors.

Given the ongoing uncertainty in relation to these matters, the Company withdraws all previous guidance and does not consider it is appropriate to provide earnings guidance at this time.

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