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ASX Announcement 23 August 2018

FY18 results ahead of Prospectus statutory forecast

Smiles Inclusive Limited (ASX: **SIL**) is pleased to confirm FY18 results in line with previous guidance and ahead of Prospectus statutory forecast, reporting EBITDA (excluding acquisition costs) of \$(1,000) compared with a Prospectus forecast of \$(161,000).

Integration of the initial portfolio of 52 practices is well ahead of the Company's 120-day target, with systems integration, personnel, clinical operations and financial management 100% complete. Brand and marketing integration of the practices under the national Totally Smiles banner is underway and 25% complete.

Net practice revenue of \$6.055 million was in line with expectations after accounting for timing of completion of the acquisitions of the initial portfolio, \$0.6 million recognised as deferred revenue as a result of timing of third party contracted dental services, and \$0.2 million impact from minor disruptions to consolidation of a small number of practices. Settlement of the initial portfolio was completed on 29 May 2018, compared with the prospectus assumption of completion on 1 April 2018.

Practice EBITDA of \$1.9 million was in line with pro forma and statutory expectations, with practice margins maintained at 31%.

A summary of the FY18 financial results is provided below.

	Prospectus statutory forecast	Change in pro forma based on revised settlement dates	Restated prospectus statutory forecast	Other variances	Year ended 30 June 2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Net practice revenue	10,340	(3,447)	6,893	(838)	6,055
Practice EBITDA	3,222	(1,089)	2,133	(266)	1,867
Corporate & Integration Costs	(3,383)	1,127	(2,256)	387	(1,868)
EBITDA	(161)	38	(123)	122	(1)

FY19 earnings guidance

The Board has reiterated FY19 guidance that the Company will deliver NPAT of at least \$6.0 million before the contribution of earnings accretive acquisitions in the current financial year.

Management will continue to focus on new sales channels including outbound call centre activity and corporate dentistry services, to drive revenue growth in the initial portfolio. The Company also expects to create cost efficiencies by finalising consumables supply and utilities bundling arrangements across the portfolio.

With the acquisition and integration of the initial portfolio of 52 practices now successfully completed, a platform is in place for the efficient integration of new acquisitions to contribute to revenue growth and scale benefits.

Smiles Inclusive has a current acquisition pipeline representing more than \$30 million in gross practice revenue and in the near term intends to commence a number of acquisitions with a view to maximising integration efficiencies.

The Company currently has \$19.3 million in undrawn acquisition facilities, cash on hand and cashflow from operations to assist in the funding of proposed acquisitions.

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