

1300SMILES DENTISTS

Friday, 16 August 2013

Media Release

1300SMILES Ltd – A strong finish to an extraordinary year

"\$1 per day" Dental Care Plan off to a huge start

1300SMILES Ltd today delivered its full-year results for 2013, a year described by managing director Dr. Daryl Holmes as "astonishing."

Early in the year, 1300SMILES and the entire dental industry were rocked by the sudden termination of the federal government's Chronic Disease Dental Scheme in August 2012. Dentists and patients were given just three months to complete all treatments under the scheme, which ended on 30 November 2012.

CDDS was created by Tony Abbott when he was Health Minister in the Howard government. CDDS funding was available to chronically ill patients upon referral by their GP. Controversially, CDDS was not means-tested and was available to patients regardless of their ability to pay. CDDS quietly grew to represent about twenty percent of all dental fees paid in Australia.

For 1300SMILES, the termination of CDDS meant a period of "furious" activity and all-time record levels of monthly revenue, followed by a considerable slowdown in the middle of the year.

That slow spell was reversed when the company introduced its Dental Care Plan, a membership scheme under which patients pay either \$30 per month or \$14.95 per fortnight (either way about \$1 per day). Plan members receive all of their regular dental examinations and preventative care at no additional charge.

According to Dr. Holmes, "Membership growth has frankly exceeded even our most optimistic projections."

The last three months of the year showed renewed strong revenue growth, which has continued into the new financial year.

During the year 1300SMILES acquired the naming rights to the main stadium in Townsville, now known as 1300SMILES Stadium. Dr. Holmes said, "I'm surprised by how many times I now hear our name on radio and TV," and notes that this improved brand awareness has assisted the rapid growth of the Dental Care Plan.

1300SMILES took a big step out of its home market in Queensland with the acquisition of a large (six chair), long-established dental practice in Adelaide. This practice is run by Dr. Mark Earl, who has enjoyed a long association with the Adelaide Crows Football Club as consultant dental surgeon. Dr. Holmes described the expansion as "an important step toward our long term goal of establishing a

truly national presence," noting that the outlook for acquisitions over the next few years is particularly positive.

The company's annual report notes that after six consecutive years of strong growth, the relatively flat results for 2013 amount to "something of a triumph" in view of the extraordinary disruption to the entire dental industry. Net Profit After Tax was up 3.1% to \$6.4 million.

1300SMILES announced a full year dividend of 18.5 cents per share, fully franked, up 3.9% on the previous year.

ENDS

Media enquiries: Dr. Daryl Holmes at 1300SMILES Ltd on 07 47 201 300 or md@1300smiles.com.au

ABOUT 1300SMILES LTD

OVERVIEW OF THE COMPANY'S BUSINESS

1300SMILES Ltd owns and operates full-service dental facilities at its sites in the ten major population centres in Queensland and also in Adelaide, South Australia. The company continually seeks to expand its presence into other geographical areas throughout Australia. It does so both by establishing its own new operations and by acquiring existing dental practices. The administrative and corporate offices are in Townsville.

1300SMILES enables the delivery of services to patients by providing the use of dental surgeries, practice management and other services to self employed dentists who carry on their own dental practices. The services provided by the company allow the dentists to focus on the delivery of dental services rather than on the administrative aspects of carrying on their businesses. The dentists pay fees to the company for the provision of these services under a Dental Service Agreement with the company. In some circumstances the company also employs qualified dentists.

The dentists who use the company's services range from new graduates to experienced dental professionals. Several dentists who use the company's services have special interests and experience in such areas as endodontics, oral surgery, implants and periodontics and cross-refer work to other dentists who use the company's services.

The company provides comprehensive services in the areas of marketing, administration, billing and collections, and facilities certification and licensing to all participating dentists. The company also provides all support staff, equipment and facilities, and sources all consumable goods using the buying power which derives from such a large group of dental businesses.

FUTURE DEVELOPMENTS

The company's core objective is to continue to increase profits and shareholder returns while providing a rewarding environment for our staff and the dentists using our facilities.

The company aims to achieve a combination of organic growth in its existing locations and the addition of new practice management facilities.

The key drivers for future growth of the company are:

- Increasing profits by attracting more dentists to our existing facilities and expanding those facilities which are already at full capacity;
- Assisting dentists who already practice within the 1300SMILES system to increase their turnover and income through benchmarking, training, and mentoring;
- Establishing new practices in existing and new regions (greenfield sites);
- Acquiring substantial existing practices where we can do so on favourable terms; and
- Managing dental facilities owned by others.