



Interim Results Presentation

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20 February 2015

Important disclaimer

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Pro forma financial information

Pacific Smiles uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are referred to as non-IFRS financial information.

Pacific Smiles considers that this non-IFRS financial information is important to assist in evaluating Pacific Smiles' performance. The information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. In particular, this information is important for comparative purposes with pro forma information contained in Pacific Smiles' IPO Prospectus lodged with ASIC on 3 November 2014.

For a reconciliation of the non-IFRS financial information contained in this presentation to IFRS-compliant comparative information, refer to the Appendices of this presentation.

All dollar values are in Australian dollars (A\$) unless otherwise stated.

Agenda

- 1 Results Highlights

- 2 Business Overview

- 3 Results Detail

- 4 Growth and Outlook

- 5 Appendix A - IPO and Corporate Overview
Appendix B - Statutory - Pro Forma Results Reconciliation

Section one
Results highlights

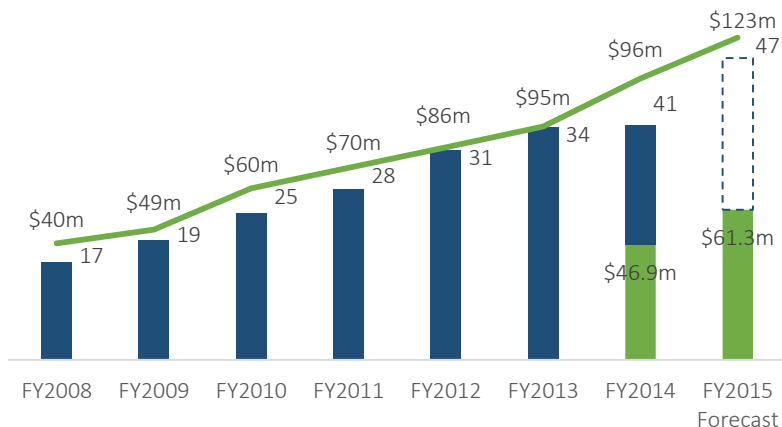
Results highlights

- ▶ **Patient Fees** \$61.3 million, up 30.7% (1H14: \$46.9 million)
- ▶ **Revenue** \$37.6 million, up 30.3% (1H14: \$28.8 million)
- ▶ **Same centre patient fees** growth +6.0%
- ▶ **EBITDA** (pro forma) \$9.2 million, up 24.7% (1H14: \$7.4 million)
- ▶ **NPAT** (pro forma) \$5.0 million, up 18.6% (1H14: \$4.2 million)
- ▶ **Operating cashflow** of \$7.0 million (1H14: \$4.6 million)
- ▶ **Interim dividend** of 1.67 cps (fully franked) declared
- ▶ **Network expansion** with 4 new centres opened
- ▶ **Net cash** of \$12.5 million
- ▶ **ASX listing** in November 2014
- ▶ **FY2015 outlook** – confident of achieving Prospectus forecast

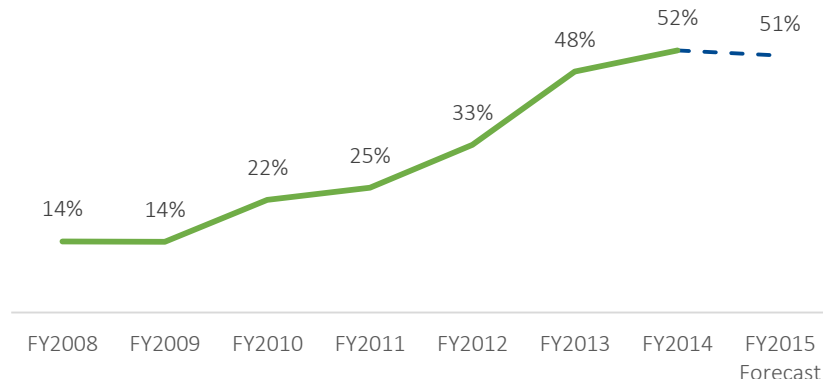


History of strong financial performance

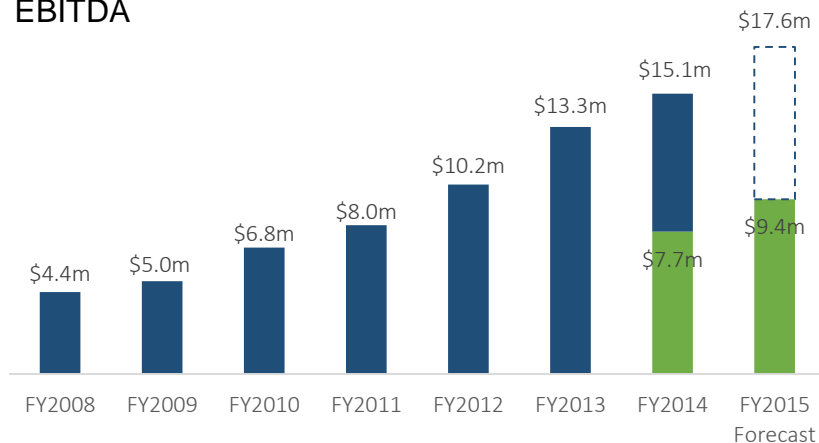
Patient Fees and Number of Centres



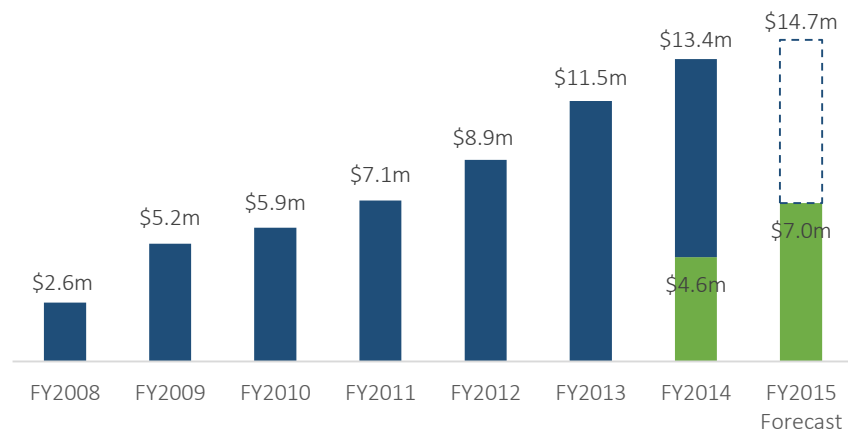
Return on Invested Capital (EBIT)



EBITDA



Operating Cashflow



Note 1. EBITDA and EBIT based on statutory results including impairment of non-current assets and IPO transaction costs expensed.

Note 2. FY2015 forecast represents statutory forecasts included in the Prospectus dated 3 November 2014, excluding IPO transaction costs expensed. The Prospectus included a forecast for FY2015 on a pro forma basis of \$17.4m.

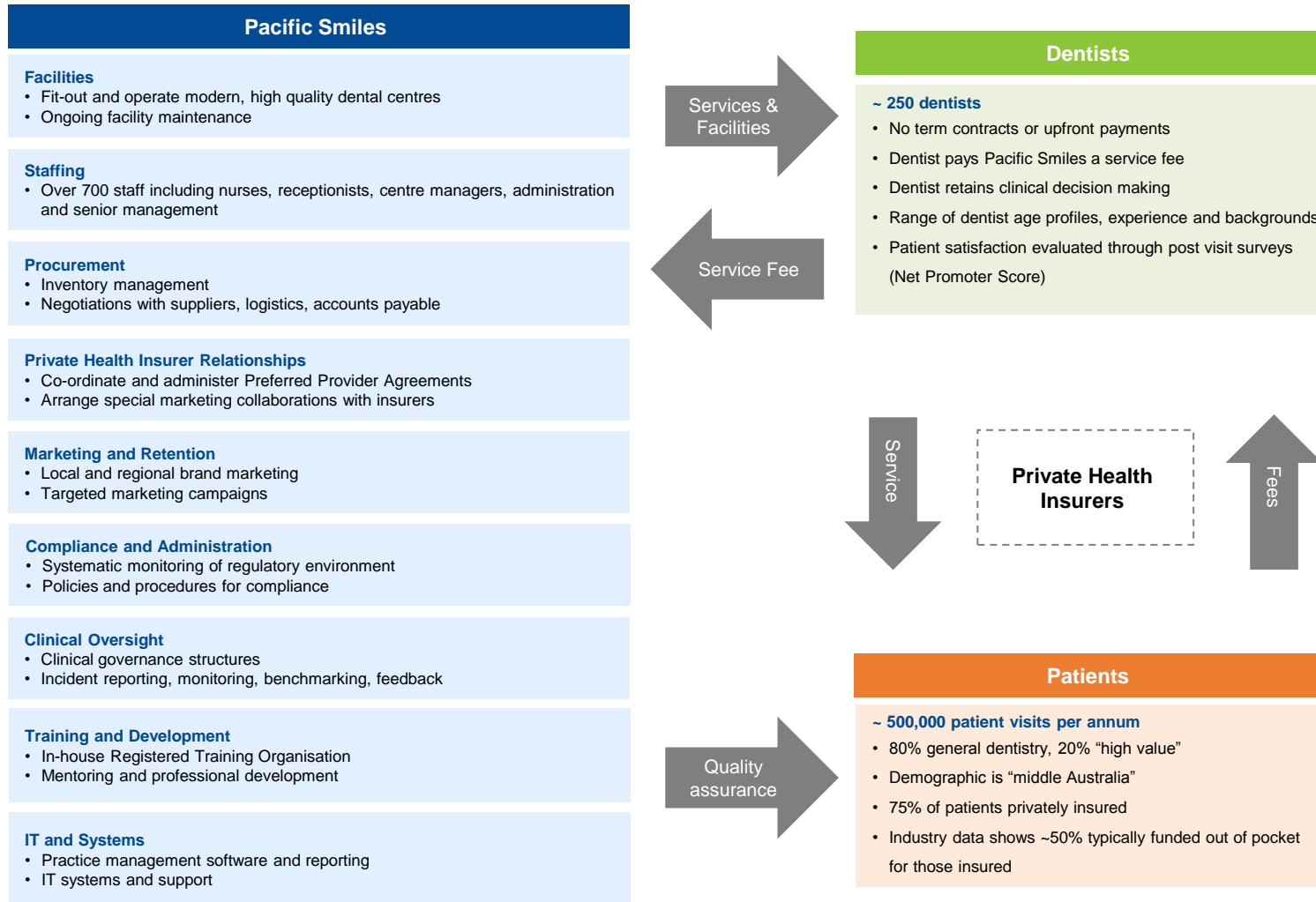
Section two
Business overview

Overview

- ❑ Founded in 2003, Pacific Smiles is a **leading Australian branded dental group**, operating **45 dental centres** containing more than 200 active dental chairs
- ❑ Strives for industry leading consistency across operations, facility design and dental centre positioning
- ❑ Pacific Smiles provides dentists with fully serviced and equipped facilities, including support staff, materials, marketing and administrative services – enabling dentists to maximise time treating patients
- ❑ Dentists offer a range of general, family and cosmetic dental treatments and a range of specialist services including orthodontics and dental implants
- ❑ **250 dentists** and over **700 staff** likely to provide services at approximately **500,000 patient appointments** this year
- ❑ The Group has experienced rapid growth and is forecast to achieve **\$123.2 million¹** in Patient Fees and **\$17.4 million¹** EBITDA¹ in FY2015



Key elements of the business model



Sources of competitive advantage

Patient satisfaction

Net Promoter Score > 60

- ✓ Convenient locations
- ✓ Highly available (6-7 days per wk)
- ✓ Modern, well equipped facilities
- ✓ Patient feedback (post visit surveys)
- ✓ Value and affordability
- ✓ Health fund relationships



Patient flow

Outstanding service

Dentist retention

Dentist retention 84%¹

- ✓ Clinical autonomy
- ✓ No capital outlay or fixed costs
- ✓ Lifestyle
- ✓ More clinical time, minimal administration
- ✓ Ability to practice in multiple locations
- ✓ Education & professional development



Consistency, quality & efficiency

- ✓ Standard operating model, systems, facility design, and agreements with dentists
- ✓ Consistent centre positioning and marketing
- ✓ Strive for best practice training and development
- ✓ Using the group's scale advantage to deliver better outcomes for dentists, patients and shareholders



Dental centre network

A multi-state network with success in regional and metropolitan markets...



- ❑ 45 dental centres in total of which 7 are branded “nib Dental Care Centre”
- ❑ Expansion into regional and metropolitan locations from the Hunter Valley region
- ❑ Focus on geographic “clusters” to leverage brand and operational synergies
- ❑ Pacific Smiles centres open for more than 3 years have an average market share of 14% in their trade area, with a number of centres achieving 30%+ market share ¹

Section three
Results detail

Summary pro forma income statement

	Pro Forma Actual 1H 2015	Pro Forma Actual 1H 2014	Change
\$ millions			
Revenue	37.6	28.8	30.3%
Direct expenses	(2.0)	(2.0)	
Gross profit	35.6	26.9	32.5%
Other income	0.7	0.5	
Expenses			
Employee expenses	(16.3)	(11.4)	
Consumable supplies expenses	(3.1)	(2.6)	
Occupancy expenses	(3.7)	(2.9)	
Marketing expenses	(0.6)	(0.4)	
Administration and other expenses	(3.5)	(2.7)	
EBITDA	9.2	7.4	24.7%
Depreciation and amortisation	(2.1)	(1.5)	
EBIT	7.2	5.9	22.0%
Net finance costs	0.0	0.2	
Profit before tax	7.2	6.0	18.5%
Income tax expense	(2.2)	(1.8)	
Net profit after tax	5.0	4.2	18.6%
Key operating metrics			
Number of Dental Centres	45	36	25.0%
Number of Commissioned Dental Chairs	215	164	31.1%
Patient Fees (\$m)	61.3	46.9	30.8%
Same Centre Patient Fees growth	6.0%	(4.3%)	
Key financial metrics			
EBITDA margin	24.5%	25.6%	
EBITDA to Patient Fees margin	15.0%	15.8%	
EBIT margin	19.0%	20.3%	

- Revenue up 30.3% to \$37.6 million, and NPAT (pro forma basis) up 18.6% to \$5.0 million
- Same centre Patient Fee growth +6.0% (1H14: negative 4.3% due to cessation of Government CDDS funding in November 2012)
- EBITDA margin declined due to the acquisition of 3 dental centres from Medibank Private in June 2014. Multi-year program to achieve Pacific Smiles' typical operating parameters
- 4 new centres opened, 1 relocated
- 12 additional dental chairs commissioned (10 in new centres and 2 in existing centres)

New centre openings

Jesmond (NSW)

July 2014

- Fitout commenced late FY2014, completed July 2014
- Shopping centre location in lower Hunter Valley



Blacktown (NSW)

December 2014

- Located within very large, recently expanded medical centre near commercial hub
- Capital outlay low due to Government grant to medical centre to fitout and equip dental facility



Toronto (NSW)

December 2014

- Located within new building in main retail and commercial street of Toronto on Lake Macquarie
- Another addition to the Hunter Valley cluster

Tuggeranong (ACT)

December 2014

- Further development of the ACT region, taking Pacific Smiles Dental presence to 3 centres
- Located in busy shopping complex



Summary cash flow

\$ millions	Statutory	Statutory
	1H 2015	1H 2014
EBITDA¹	9.4	7.7
Changes in working capital	0.5	(0.8)
Tax paid	(2.8)	(2.3)
Net finance costs paid	(0.2)	0.0
Operating cashflow	7.0	4.6
Capital expenditure (excluding new centres)	(0.8)	(0.4)
New centre capital expenditure ²	(2.2)	(1.7)
Capital expenditure	(3.0)	(2.1)
Borrowings (net)	(9.1)	(3.2)
Dividends paid	(5.6)	(2.3)
Proceeds from issue of shares, net of transaction costs	19.6	0.1
Other	0.2	0.0
Net cash flow	9.2	(2.9)

- ❑ Operating cashflow of \$7.0 million (1H14: \$4.6 million)
- ❑ EBITDA cash conversion³ of 106%
- ❑ Net IPO proceeds of \$19.6 million
- ❑ New centre capital expenditure includes the opening of 4 new centres
- ❑ Dividends paid relate to pre IPO dividends

Summary balance sheet

\$ millions	Statutory 31-Dec-14	Statutory 30-Jun-14
Current assets		
Cash and cash equivalents	13.0	3.8
Receivables	2.7	3.6
Inventories	2.1	2.0
Other	0.2	0.1
Total current assets	17.9	9.5
Non-current assets		
Property, plant and equipment	23.0	22.0
Intangible assets	11.6	11.6
Deferred tax assets	4.1	3.2
Total non-current assets	38.7	36.8
Total assets	56.6	46.3
Current liabilities		
Payables	(9.2)	(9.5)
Borrowings	(0.2)	(0.2)
Current tax liabilities	(1.2)	(1.6)
Provisions	(2.9)	(2.8)
Total current liabilities	(13.5)	(14.0)
Non-current liabilities		
Borrowings	(0.3)	(9.4)
Deferred tax liabilities	(0.3)	(0.4)
Provisions	(3.8)	(3.6)
Total non-current liabilities	(4.4)	(13.4)
Total liabilities	(17.9)	(27.4)
Net assets	38.8	18.8
Equity		
Contributed equity	35.1	13.2
Reserves	0.0	0.0
Retained profits	3.7	5.7
Total equity	38.8	18.8

- ❑ Net cash of \$12.5 million at 31 December, improved from net debt of \$5.8 million at 30 June as a result of strong operating cash flows and residual IPO proceeds
- ❑ ROIC (EBIT) has increased steadily over a number of years and is now above 50%, demonstrating the highly accretive nature of new centre openings
- ❑ Total IPO transaction expenses of \$2.8 million of which \$0.8 million were capitalised and \$2.0 million expensed before income tax
- ❑ Fully franked interim dividend of 1.67 cents per share declared, payable in April 2015

Section four
Growth and outlook

Summary of key earnings drivers

1

Growth of existing centres

- ~1/3 of centres less than 3 years old
- Commission additional dental chairs in existing centres

2

Rollout of new centres

- Target six to ten new centre openings per year
- More than 200 potential future trade areas identified

3

Margin expansion

- Increased scale, new centre ramp-up and operational improvements

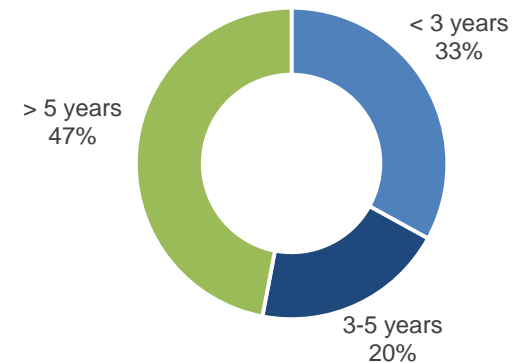


Growth from existing centres

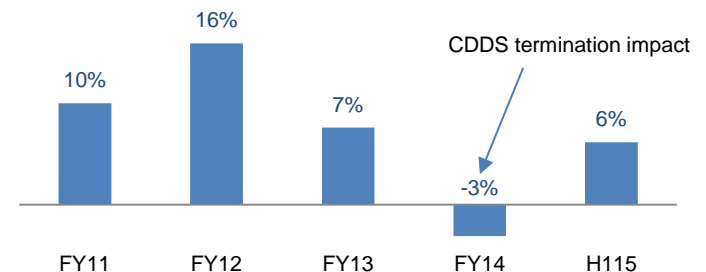
History of strong “same centre” patient fees growth as centres mature...

- ❑ As a result of rapid growth, PSG’s centre network includes a significant proportion of “immature” centres
- ❑ One third of centres are less than 3 years old
- ❑ Average same centre patient fees growth of 9.7% pa over the six years to 30 June 2014
- ❑ Network includes 215 active chairs, and 61 inactive dental chairs which can be commissioned to meet future demand
- ❑ Strategies to increase same centre patient fees growth include:
 - Marketing initiatives to build brand awareness and new patient attendances
 - Collaboration with private health insurers
 - Increase range of services (treatment mix, higher value services)
 - Improve patient engagement to promote regular dental visits and increase patient loyalty

Centre maturity profile (years opened)

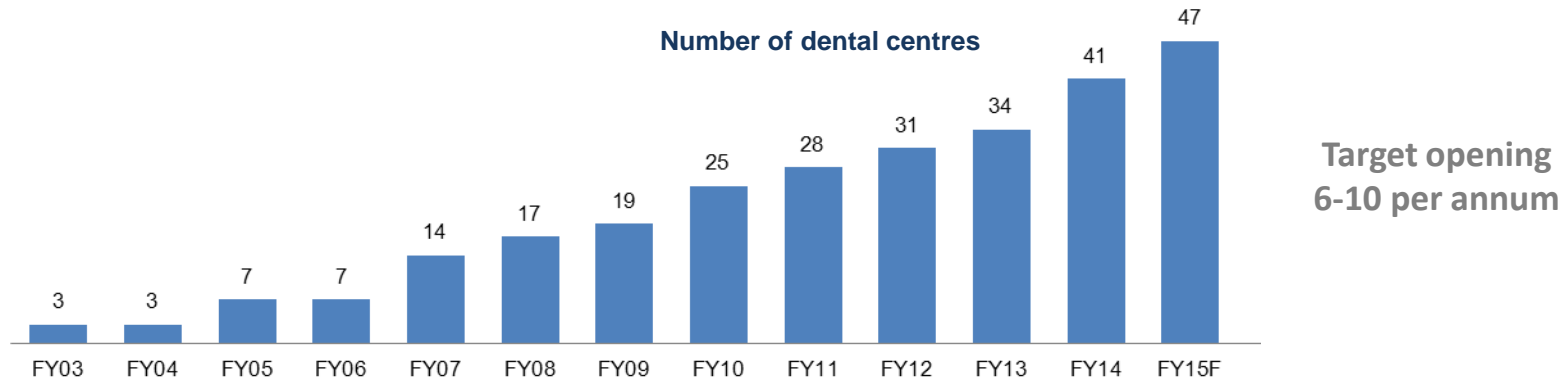


Same centre patient fees growth (%)



Growth from new centre rollout

Significant organic rollout opportunity...



- ❑ Pacific Smiles has grown strongly from 3 centres in 2003 to 45 currently
- ❑ Acquisitions have been highly selective - strategy continues to be focused on organic rollout
- ❑ Target of six to ten new centre openings each year
- ❑ Four new centres opened during 1H15
- ❑ A national network plan has been developed with the assistance of third party demographic experts
- ❑ Over 200 potential future trade areas identified based on demographic, location and competition parameters

Outlook

- ❑ Confident of achieving FY2015 Prospectus forecast
- ❑ FY2015 new centre openings target now 6 to 8 compared to prospectus forecast of 6 (additional centre openings are slightly dilutive to earnings in the short term)
- ❑ Plan for incremental corporate expenditure in 2H15 to support future growth
- ❑ Building a healthy pipeline of new centre opening opportunities for FY2016
- ❑ Same centre patient fees growth of 6.2% year-to-date January 2015
- ❑ Strong balance sheet, with an expectation that future growth can be funded while maintaining a net cash position and dividend pay-out ratio in the range of 70-100% of NPAT



Appendix A
IPO and Corporate
Overview

IPO and Corporate Overview

IPO Price	\$1.30 per Share
Total number of New Shares issued under the Offer	15.6 million
Total number of Existing Shares sold under the Offer	16.8 million
Total number of Shares offered under the Offer	32.4 million
Total number of Shares on issue at Completion of the Offer	152.0 million
Current Share Price ¹	\$2.01 per share
Current Market Capitalisation ¹	\$305.5 million
Net Cash (as at 31 December 2014)	\$12.5 million
Current Enterprise Value ²	\$293.0 million
Board and Executive-owned ordinary shares	94.8 million
Performance Rights - grant (vesting in FY2019 subject to hurdles)	2.1 million
Performance Rights - 4 year EPS CAGR required to achieve 100% vesting	25.0 %

Appendix B
Statutory – Pro Forma
Results Reconciliation

Statutory – Pro Forma Reconciliation

\$ millions	Statutory	Pro forma adjustments	Pro forma	Prospectus pro forma
	H1 FY2015	H1 FY2015	H1 FY2015	FY2015
Revenue	37.6		37.6	76.1
Direct expenses	(2.0)		(2.0)	(3.7)
Gross profit	35.6		35.6	72.4
Other income	0.7		0.7	1.2
Expenses				
Employee expenses	(16.1)	(0.2) A	(16.3)	(33.3)
Consumable supplies expenses	(3.1)		(3.1)	(7.1)
Occupancy expenses	(3.7)		(3.7)	(8.0)
Marketing expenses	(0.6)		(0.6)	(1.4)
Administration and other expenses	(3.5)	(0.0) A	(3.5)	(6.4)
IPO transaction costs expensed	(2.0)	2.0 B	0.0	0.0
EBITDA	7.4	1.8	9.2	17.4
Depreciation and amortisation	(2.1)		(2.1)	(4.5)
EBIT	5.4	1.8	7.2	12.9
Net finance costs	(0.2)	0.2 C	0.0	0.0
Profit before tax	5.2	1.9	7.2	12.9
Income tax expense	(1.6)	(0.6)	(2.2)	(4.0)
Net profit after tax	3.6	1.4	5.0	8.9

Pro forma adjustments presented on a consistent basis with the Prospectus pro forma adjustments:

- A Listed Public Company Costs** - estimate of the incremental half year costs Pacific Smiles would have incurred if it has operated as a listed company for the full period. Adjustment also applied to comparative half year period.
- B IPO Transaction Costs** – IPO costs charged as expenses excluded from pro forma results.
- C Net Interest** – adjustment for half year impact on interest income and interest expense as if the major IPO cash flows has taken effect at 1 July 2014. Adjustment also applied to comparative half year period.

Pro forma income statements

\$ millions	Pro Forma historical			Implied forecast		Pro forma forecast
	FY2012	FY2013	FY2014	H1 FY2015	H2 FY2015	FY2015
Revenue	55.6	60.1	59.1	37.6	38.5	76.1
Direct expenses	(7.2)	(6.3)	(3.7)	(2.0)	(1.7)	(3.7)
Gross profit	48.4	53.8	55.3	35.6	36.8	72.4
Other income	0.9	1.5	1.5	0.7	0.5	1.2
Expenses						
Employee expenses	(22.8)	(24.0)	(24.2)	(16.3)	(17.0)	(33.3)
Consumable supplies expenses	(5.4)	(5.5)	(5.3)	(3.1)	(4.0)	(7.1)
Occupancy expenses	(5.0)	(6.0)	(6.0)	(3.7)	(4.3)	(8.0)
Marketing expenses	(1.4)	(1.1)	(0.8)	(0.6)	(0.8)	(1.4)
Administration and other expenses	(5.0)	(6.3)	(6.0)	(3.5)	(2.9)	(6.4)
EBITDA	9.7	12.4	14.5	9.2	8.2	17.4
Depreciation and amortisation	(3.3)	(3.6)	(3.8)	(2.1)	(2.4)	(4.5)
EBIT	6.4	8.8	10.8	7.2	5.7	12.9
Net finance costs	(0.4)	(0.2)	(0.1)	0.0	(0.0)	0.0
Profit before tax	6.0	8.6	10.7	7.2	5.7	12.9
Income tax expense	(1.8)	(2.8)	(3.3)	(2.2)	(1.8)	(4.0)
Net profit after tax	4.2	5.8	7.4	5.0	3.9	8.9
Key operating metrics						
Number of Dental Centres	31	34	41	45	47	47
Number of Commissioned Dental Chairs	150	158	203	215	222	222
Patient Fees (\$m)	85.6	94.8	95.9	61.3	61.9	123.2
Same Centre Patient Fees growth	15.5%	7.4%	(3.0%)	6.0%	4.2%	5.1%
Key financial metrics						
EBITDA growth		28.2%	17.4%			20.1%
EBITDA margin	17.3%	20.6%	24.6%	24.5%	21.3%	22.9%
EBITDA to Patient Fees margin	11.3%	13.1%	15.1%	15.0%	13.2%	14.1%
EBIT growth		37.8%	22.6%			20.0%
EBIT margin	11.4%	14.6%	18.2%	19.0%	14.9%	16.9%

Thank you