



**Pacific Smiles Group Limited** (ASX: **PSQ**)  
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ABN 42 103 087 449 / ACN 103 087 449

19 November 2015

The Manager  
Company Announcements  
Australian Securities Exchange Limited  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam,

**2015 AGM Presentation and Address**

We attach a copy of the prepared presentation materials and the addresses to be delivered by the Chairman and Managing Director at the Company's Annual General Meeting today.

The Managing Director's address includes a trading update and review of the FY 2016 outlook and guidance.

Yours faithfully,

Jane Coleman  
Company Secretary  
Pacific Smiles Group Limited



**PACIFIC SMILES GROUP LIMITED  
2015 ANNUAL GENERAL MEETING**

**Level 1, 6 Molly Morgan Drive Greenhills, NSW  
4.00pm, 19<sup>th</sup> November 2015**

**CHAIRMAN'S ADDRESS  
*Robert Cameron AO***

It is with pleasure I address you as Chairman of Pacific Smiles Group – this is my 12<sup>th</sup> year as Chair, but my first address since the Company's listing on the ASX last November.

I will present a high level review of the results and highlights for FY2015 and then I will hand over to Pacific Smiles' CEO and Managing Director John Gibbs. John will provide further detail on the FY2015 performance as well as providing a trading update for the current financial year to date.

Pacific Smiles Group is leading the way in Australia with a branded network approach to the dental services industry. Commencing with three established dental centres in 2003, Pacific Smiles now has 51 dental centres throughout the eastern states and territories of mainland Australia. We provide fully serviced surgeries to independent dentists who choose to practice from one or more of our dental centres. Those dentists are able to devote their working days to clinical dentistry while employees of Pacific Smiles take care of everything else including all administration and management of the dental centres and the wider business.

The key strengths of our model are as follows:

1. We are addressing a very large market – in excess of \$8 billion and so far we have captured a small slice of that market with ample room to grow
2. We are a roll out, not an acquisition led model, which plays to our strength of running highly consistent, well equipped and conveniently located dental centres
3. We have a successful model for engaging with both dentists and patients, providing both with a high quality of service
4. We are very fortunate to have an accomplished and stable management team; and
5. We have a strong record of growth since inception in 2003

Our track record is highlighted on the following slide. We have increased EBITDA at a CAGR of 23% for the last 7 years. Our return on invested capital has grown and is above 50%. Our operating cash flow is strong and has allowed us to internally fund much of our growth, while increasing dividends.

This year was a very significant one for Pacific Smiles Group (Pacific Smiles) with our listing on the Australian Securities Exchange (ASX) in November 2014. On behalf of the Board, welcome to all of the new Shareholders, and thank you to all Shareholders for supporting Pacific Smiles to reach this important milestone.

It was also a successful year and I am pleased to report that our results for the financial year ended 30 June 2015 exceeded the pro forma earnings forecast provided in the Prospectus for our Initial Public Offering (IPO). John will speak in further detail on the results.

The financial year ended 30 June 2015 was a record year for Pacific Smiles in terms of patient fees, profits and dividends. Pro forma Net Profit After Tax was \$9.7 million, up 31.9% on prior year, and exceeded Prospectus forecast by 8.8%.

We paid a final fully franked dividend of 3.33 cents per share. Total ordinary dividends declared for the year totalled 5.0 cents per share fully franked, representing 78% of pro forma Net Profit After Tax which is a 25% increase on the previous year. In addition we paid a pre IPO special dividend of 1.6 cents per share.

It has been a busy start to FY16 with management executing on a number of exciting new initiatives including the launch of our first ever television commercials (which John will screen for you shortly) and the activation of "straight through" online bookings. In addition, we have added two new executives to the senior management team, as well as opened 2 new dental centres since 30 June 2015.

Notwithstanding these various initiatives and our strong FY2015 performance, we can always do better and during his address John will talk in more detail about the opportunities we see for improvement.

In conclusion, our strategy and long term growth opportunity remain as compelling as ever as we continue our dental centre rollout strategy. However we have set high standards – both clinically and in a business sense - and we will need to work tirelessly to meet and exceed those standards.

On behalf of Directors I would like to thank the dentists who choose to practice from our fully-serviced facilities. Our business is all about providing them with the resources and the patient flow to enable their practices to thrive. Our success is aligned to theirs. I would also like to thank our leadership team and all employees throughout the Group. A public listing places new demands upon an organisation and in particular, upon the leadership team. My fellow Directors and I believe that they have risen to the challenge and will continue to build and operate a successful Australian healthcare entity.

Finally, on behalf of the Board I would like to thank all of our Shareholders for their ongoing support.

I will now hand over to John Gibbs, Pacific Smiles' CEO and MD to discuss business performance in more detail.

## **MANAGING DIRECTOR'S ADDRESS**

***John Gibbs***

I will start by providing some more detail on the FY2015 results, re-cap the business model, our competitive advantages and growth drivers, then move onto key developments year to date and the outlook.

FY2015 was a successful year and I was pleased to report that our results for the financial year ended 30 June 2015 exceeded the pro-forma earnings forecast provided in the Prospectus for our Initial Public Offering (IPO). Key highlights for the year ending 30 June 2015 are as follows:

- Pro forma Net Profit After Tax was \$9.7 million, up 31.9% on prior year, and exceeded Prospectus forecast by 8.8%.
- Pro forma EBITDA was \$18.2 million, up 25% on prior year and exceeded Prospectus by 4.6%.
- Patient Fees across the Pacific Smiles dental centre network were \$121.4 million, up 26.6% on the prior corresponding period, and 1.5% below Prospectus forecast. Same centre Patient Fees grew 4.3% for the year.
- The balance sheet remained very strong, with \$15.2 million of net cash. This has allowed us to maintain a high dividend payout ratio while accelerating the new store rollout. We have paid a final fully franked dividend of 3.33 cents per share. Ordinary dividends declared for the year totalled 5.0 cents per share fully franked, which was a 25% increase on the previous year, and represented 78% of pro forma Net Profit After Tax.
- We continued to accelerate our network expansion by opening 8 new dental centres, compared to 4 in the prior year. We finished the year with 49 centres in total.

Overall we were pleased with the way the business has developed in FY2015.

During 2015, we grew from 41 to 49 dental centres with eight new Pacific Smiles Dental Centres opened at Jesmond, Toronto, Blacktown and Narellan in NSW, Tuggeranong and Manuka in ACT, and Deception Bay and Brisbane CBD in QLD.

Our roll-out involves the development of geographic clusters of dental centres, so as Pacific Smiles benefits from ongoing operational and marketing efficiencies and advantages.

I now want to reflect on the components of our competitive advantage and why we think our model will continue to gain market share.

Our competitive advantage is based on the interrelationship of three things: patient satisfaction, dentist satisfaction and retention and the consistency, quality and efficiency of the Pacific Smiles service platform. In particular, the higher our patient satisfaction, the better the patient flow which in turn improves the economics for the dentists and attracts more dentists to our model. We are proud of the levels of customer satisfaction we have

been able to achieve, as evidenced by our excellent net promoter score which is now greater than 65 for our business in total.

As discussed during our FY2015 results call, we have 4 key business priorities for FY2016:

- 1) Network expansion – so far this financial year we have opened two new dental centres – Queanbeyan (NSW) and Cranbourne Park (Victoria). We have a further 3 new centres under construction and opening soon
- 2) Patient engagement – we are aiming to encourage existing patients to attend the dentist more regularly and new patients to experience the Pacific Smiles service offering for the first time. Pacific Smiles launched a television advertising campaign in several of our markets and we have increased our marketing activity and spend across other channels too. Our scale has allowed us to launch the television initiative and we are happy with the early results. In addition, we launched online direct bookings, where our patients now have full visibility into available appointments which has enhanced the patient experience. We have also rolled out new on-line training courses for all our staff on the delivery of A Perfect Patient Experience or APPEX.
- 3) Employee capability – people are key to our success and future growth. We have added two people to our senior executive team. Emma McKenny as head of People and Culture and Peter McKinney as head of Business Development. They each bring a range of desirable qualities and skills to Pacific Smiles Group as we continue to expand our network and invest in the quality of our service delivery.
- 4) Further optimisation of the 3 dental centres we acquired last year – clearly this remains a work in progress. We relocated the Parramatta centre to a brand new location in September, fitted out according to Pacific Smiles' standards. We are confident that we can improve the performance of these centres over time.

I will now talk to the FY2016 trading update.

Although Pacific Smiles continues to grow solidly, trading has been softer than expected since our full year results announcement, with same centre Patient Fee growth of 3.8% compared to FY2016 guidance issued at the time of greater than 5%. In relation to this data we note:

- 2 of the 3 centres acquired from Medibank in 2014 are trading below plan. Excluding these centres the overall same centre Patient Fee growth is 6.5%. The acquired centres are generating a satisfactory return on invested capital however Patient Fees and EBITDA per chair are well below group average as we continue our multi-year optimisation of the operations
- Trading in the Newcastle / Hunter Valley region have been challenging, with same centre Patient Fee growth there of negative 1.4%
- Same centre patient fees growth for the aggregate of all other centres (excluding DEP and the Hunter / Newcastle) is 10.3% for the period

- Two new centre openings since 30 June 2015 (Queanbeyan and Cranbourne Park) and a further 3 sites under construction

Our overall strategy remains the same.

Our proposition for dentists centres on providing them with the ability to focus on dentistry rather than other business related and administrative tasks.

Our proposition for patients centres on making a visit to the dentist a better patient consumer experience – patients want convenient locations, long opening hours, and assurance that clinical standards are observed. The Pacific Smiles approach aims to deliver this improved experience.

We continue to put the dentist and the patient experience at the centre of everything we do.

Now turning to the outlook for the remainder of 1H2016 and FY2016, for the FY2016 financial year we expect the following:

- EBITDA expected to be at the lower end of our previous guidance, which was \$20.3 - \$22.3 million
- We are considering an option to relocate our large Haymarket centre in 2H2016. No binding commitments have been made, and so it remains a possibility rather than a certainty at this stage. If the move occurs we will incur some incremental expenses which are not factored into our guidance
- We continue to expect same centre patient fees growth of more than 5% for FY16 – we expect an improvement in 2H2016 same centre fee growth compared to 1H2016
- New centre openings in the range of 8 to 10 in FY2016 – consistent with previous guidance
- We are targeting approximately 10 per annum beyond FY2016. At the time of the IPO we had indicated a rate of 6-10 per annum.
- Healthy pipeline of new centre opening opportunities for FY16 and beyond
- We will continue to seek innovative ways of growing our competitive advantage and leverage the benefits of our increasing scale in what remains a competitive market

Finally I wish to thank my executive team and all the staff and dentists at Pacific Smiles for their efforts.

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**PACIFIC**  
SMILES GROUP

# Annual General Meeting

19 November 2015



# Agenda

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**1** Chairman's Address

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**2** Managing Director's Address

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**3** Annual General Meeting Resolutions

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**Chairman's Address**

**Robert Cameron AO**

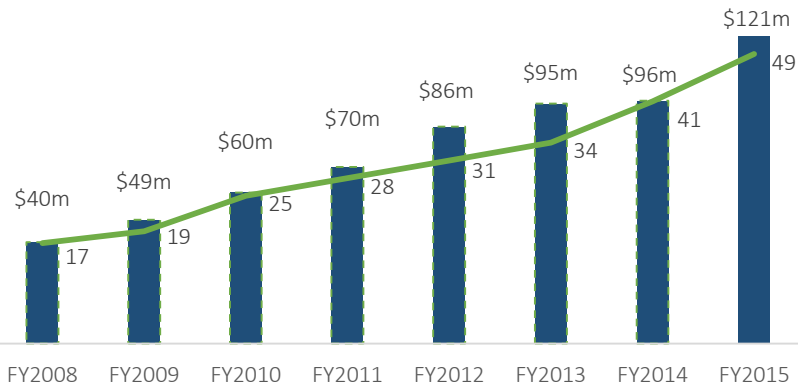
# Business and strategy overview

- ▶ Large market opportunity
- ▶ Organic rollout
- ▶ Successful dentist and patient engagement model
- ▶ Accomplished and stable management team
- ▶ Strong track record of growth

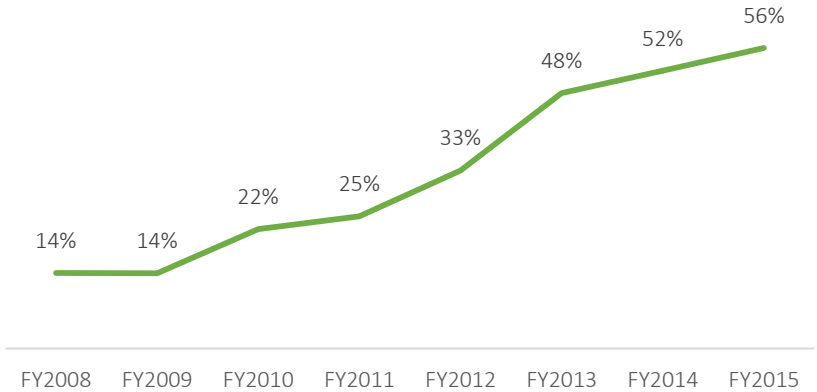


# History of strong financial performance

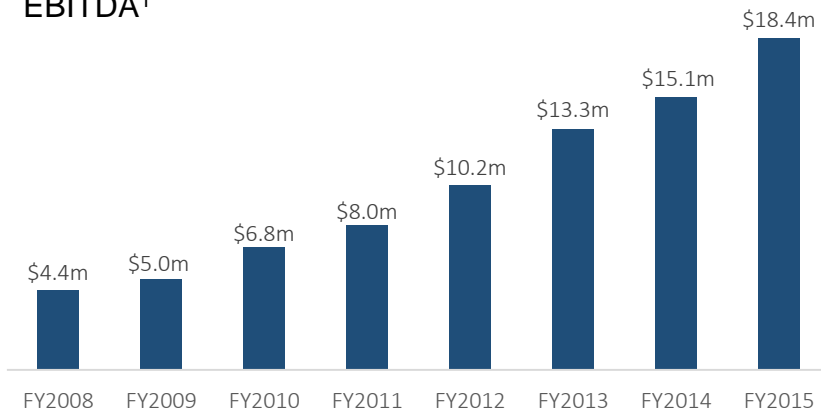
Patient Fees and Number of Centres



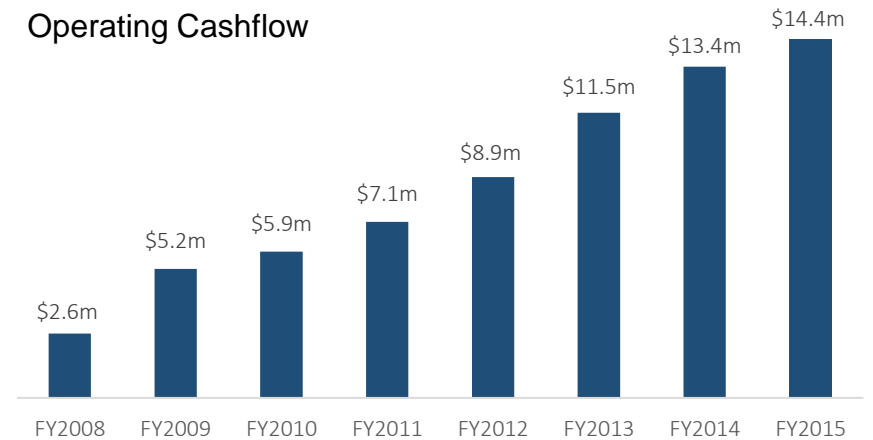
Return on Invested Capital (EBIT)



EBITDA<sup>1</sup>



Operating Cashflow



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

# Key achievements

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## FY2015 review

- ▶ ASX listing in November 2014
- ▶ Exceeded prospectus forecast NPAT (pro forma) by 8.8%, and up 31.9% on prior year
- ▶ Dividends of 6.6 cps (including IPO special dividend)

## FY2016 initiatives

- ▶ Building our brand
- ▶ Executive management appointments

**Managing Director's Address**

**John Gibbs**

# FY15 Performance highlights

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- ▶ NPAT (pro forma) \$9.7 million, up 31.9% on prior year and exceeded Prospectus forecast by 8.8%
- ▶ EBITDA (pro forma) \$18.2 million, up 25.3%
- ▶ Revenue \$74.9 million, up 26.8%
- ▶ Same centre patient fees growth +4.3%
- ▶ Operating cashflow of \$14.4 million
- ▶ Final dividend of 3.3 cps (fully franked) paid
- ▶ Net cash of \$15.2 million
- ▶ Network expansion with 8 new Pacific Smiles Dental centres opened
- ▶ Net Promoter Score above 60 for the year

# Dental centre rollout



☐ Opened 8 new Pacific Smiles Dental centres in FY15

- Jesmond, NSW
- Tuggeranong, ACT
- Toronto, NSW
- Blacktown, NSW
- Narellan, NSW
- Deception Bay, QLD
- Brisbane CBD, QLD
- Manuka, ACT

☐ 49 dental centres in total at the end of FY15

# Our competitive advantage

## Patient satisfaction

- ✓ 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 satisfaction

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



Net Promoter Score (> 65)<sup>1</sup>

## 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



Notes: 1. FY16 YTD



# FY16 Business priorities

*A selection of initiatives to be prioritised in FY16...*

<b>1</b> Network expansion	<ul style="list-style-type: none"><li>▪ Open 8 to 10 new dental centres</li></ul>
<b>2</b> Patient engagement	<ul style="list-style-type: none"><li>▪ Launch brand marketing initiatives over various channels to leverage scale</li></ul>
<b>3</b> Employee capability	<ul style="list-style-type: none"><li>▪ Launch and embed APPEX (“A Perfect Patient Experience”) on-line training</li></ul>
<b>4</b> Acquisition optimisation	<ul style="list-style-type: none"><li>▪ Transition acquired centres to Pacific Smiles operating parameters</li></ul>

# Trading update

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- ❑ YTD<sup>1</sup> same centre Patient Fees growth of 3.8% compared to FY2016 guidance of greater than 5%, with key drivers being:
  - ▶ 2 of the 3 centres acquired from Medibank in 2014 are trading below plan. Excluding these centres the overall same centre Patient Fee growth is 6.5%
  - ▶ Trading in the Newcastle / Hunter Valley region challenging, with same centre Patient Fee growth of negative 1.4%
  - ▶ Same centre patient fees growth for the aggregate of all other centres (excluding the 2 acquired centres and the Hunter/Newcastle) is 10.3%
  
- ❑ 2 new centre openings since 30 June 2015 (Queanbeyan and Cranbourne Park) and a further 3 sites under construction

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<sup>1</sup> YTD refers to management information on trading to 17 November 2015

# Outlook

- ❑ EBITDA likely to be at the lower end of previous guidance (\$20.3 - \$22.3 million)
- ❑ Potential relocation of Haymarket centre in 2H2016, which would result in a once-off transition cost (not included in guidance)
- ❑ Same centre patient fees growth of >5% for FY2016 – we expect an improvement in 2H2016 same centre fee growth compared to 1H2016
- ❑ New centre openings in the range of 8 to 10 in FY2016 – consistent with previous guidance
- ❑ Targeting approximately 10 new centres per annum beyond FY2016
- ❑ Focus on growing our competitive advantage and leveraging scale benefits



Formal AGM Business

Robert Cameron AO

# Formal AGM Agenda

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1 Minutes of 2014 Annual General Meeting

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2 Financial Statements and Reports

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3 Resolutions

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4 Other Business

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Thank you