



Pacific Smiles Group Limited (ASX: **PSQ**)
Level 1, 6 Molly Morgan Drive, Greenhills NSW 2323
PO Box 2246 Greenhills NSW 2323
P: 02 4930 2000 • **F:** 02 4930 2099
E: investor.relations@pacificsmiles.com.au
www.pacificsmilesgroup.com.au
ABN 42 103 087 449 / ACN 103 087 449

19 February 2016

Pacific Smiles Group Limited - Half year results to 31 December 2015

Pacific Smiles Group Limited (ASX: PSQ) ("Pacific Smiles" or "the Company") today announced its financial results for the half year ended 31 December 2015.

Key financial highlights

The key financial highlights from the result include:

- Revenue of \$41.6 million, up 10.8% on the prior period
- Patient Fees across the Pacific Smiles dental centre network of \$67.0 million, up 9.3% on the prior period
- Same centre Patient Fees grew 4.9% for the period
- EBITDA of \$9.4 million, up 2% on the prior period¹
- NPAT of \$4.9 million, down 2% on the prior period¹
- Network expansion with 5 new Pacific Smiles Dental centres opened in 1H 2016, bringing the total to 54 centres as at 31 December 2015
- Interim dividend of 2.0 cents per share (fully franked) declared (1H15: 1.67 cents per share)
- Strong balance sheet maintained with net cash at 31 December 2015 of \$9.1 million

Business Initiatives

Pacific Smiles Group launched several key initiatives during 1H 2016, aimed at continuing to build the Pacific Smiles brand and improve the patient experience. These initiatives included:

- Launched Pacific Smiles' first ever brand advertising campaign across television, radio and cinema. The campaign was launched in the ACT, Hunter Valley and Gippsland Regions.
- Launched real time online patient appointment bookings across the Pacific Smiles Dental and nib Dental Care Centres networks, resulting in positive patient feedback and improved business efficiency
- Launched APPEX ("A Perfect Patient Experience") online staff training

¹ 1H 2015 pro forma basis

Pacific Smiles is also pleased to announce that from March 2016 it is entering into an exclusive partnership with Velocity Frequent Flyer to reward our patients with Velocity Frequent Flyer Points when they attend for their regularly scheduled check-ups. The program is the first strategic relationship of its kind in the Australian dental sector and reflects Pacific Smiles' ongoing commitment to improving dental health.

1H 2016 was also an active period for network expansion. During the period, 5 new dental centres were opened, bringing the total number of centres in the Pacific Smiles network to 54. New centres were opened in the following locations: Cranbourne Park (VIC), Queanbeyan (NSW), Morayfield (QLD), Browns Plains (QLD) and Burleigh Heads (QLD). These new centres are in locations that complement our established and growing clusters in South-East Queensland, Victoria and the ACT.

Business Performance

Revenue for the period was \$41.6 million, up 10.8% on the prior period.

Total Patient Fees growth was 9.3% for the period. As reported at the time of our AGM, the two larger centres acquired from Medibank Private in 2014, Parramatta and Haymarket, are trading below plan in FY 2016. Group year to date Patient Fees growth as at 31 December 2015 is 12.6% excluding these two centres.

Same Centre Patient Fees growth of 4.9% for the period is higher than the 3.8% reported on 19 November 2015 at the AGM, reflecting a stronger finish to the half. Excluding the Parramatta and Haymarket centres Same Centre Patient Fees growth for the half was 7.6%.

The Hunter Valley dental centres have been dilutive to Same Centre Patient Fees growth in 1H 2016, however performance of these centres has improved since we provided our AGM commentary.

EBITDA to Patient Fees margin decreased from 15.0% in 1H 2015 (pro forma) to 14.1% in 1H 2016 driven by a higher level of new centre start-up losses due to the quantity and timing of new centre openings and additional investments in brand marketing initiatives undertaken in the half. In addition, Pacific Smiles has invested in a number of senior appointments in the areas of People and Culture, Information Technology and Business Development. These appointments are consistent with Pacific Smiles' strategy of building a scalable organic growth platform which will allow the rollout of new, consistently branded dental centres over the long term.

EBITDA margins on a Same Centre basis expanded in 1H 2016.

Pacific Smiles again recorded an improvement in its preferred measure of patient satisfaction, with the Net Promoter Score across the Group increasing to above 65 in the period. This score remains very high compared to most industry benchmarks.

Capital expenditure for 1H 2016 was \$7.2 million (1H 2015: \$3.0 million), consisting predominantly of new centre openings and the relocation of the Parramatta centre which occurred in September 2015.

Dividend

The Board has declared an interim fully franked dividend of 2.0 cents per share to be paid on 1 April 2016. The record date for this dividend is 16 March 2016.

Outlook

Pacific Smiles provides the following update regarding the outlook for FY 2016:

- Consistent with the update provided at the AGM, EBITDA is expected to be at the lower end of the previously issued guidance range (\$20.3 million to \$22.3 million)
- Same Centre Patient Fees growth greater than 5% for FY 2016 (YTD actual as at 17 February 2016 of 4.6%)
- 8-10 new centre openings expected for FY 2016 and continuing to target approximately 10 per annum from FY 2017 onwards
- Over 200 potential future trade areas identified based on demographic, location and competition parameters and current pipeline of new centre opportunities is at a record high
- Committed to relocate the Haymarket centre, expected to occur prior to 30 June 2016. Depending on timing, expect one off relocation costs of \$0.4 million which are not factored into EBITDA guidance
- Strong balance sheet, with an expectation that future growth can be funded while maintaining a net cash position. FY 2016 dividend payout ratio expected to be in the range of 80-90%

Commenting on the results John Gibbs, Pacific Smiles' Managing Director & Chief Executive Officer, said:

"We were pleased with the operational initiatives executed during the period, including real time online patient appointment bookings and the launch of our first ever combined television, radio and cinema brand marketing campaign, as well as the successful opening of 5 new dental centres. We look forward to improved Patient Fees and earnings growth in 2H 2016 as our newer centres continue to ramp up and we realise benefits of incremental marketing and personnel expenditure in 1H 2016. I extend a big thanks to all our staff and dentists who are delivering outstanding patient care every day."

Investor conference call

Pacific Smiles will host a conference call for investors to discuss the results.

- Date: 19 February 2016
- Time: 10.30am AEDT
- Dial-in number: +61 2 8038 5221
- Password: 4342 1109

Further information and enquiries

Complete half year results materials will be released to the ASX and will be available on the Company website via the following link:

<http://investors.pacificsmilesgroup.com.au/Investors/>

or for further information, please contact Investor Relations:

Jane Coleman
Chief Financial Officer & Company Secretary
Email: jane.coleman@pacificsmiles.com.au
Phone: 02 4930 2000