



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

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ASX ANNOUNCEMENT

Pacific Smiles Group Limited – Half Year Results to 31 December 2016

Pacific Smiles Group Limited (ASX: PSQ) (“Pacific Smiles” or “the Company”) today announced its financial results for the half year ended 31 December 2016.

Key financial highlights

The key financial highlights from the result include:

- Patient Fees across the full Pacific Smiles dental centre network of \$73.6 million, up 9.9% on the prior period
- Revenue of \$45.6 million, up 9.4% on the prior period
- Same centre Patient Fees grew 4.4% for the period
- EBITDA of \$10.7 million, up 13.8% on the prior period
- NPAT of \$5.4 million, up 10.0% on the prior period
- Network expansion with 4 new Pacific Smiles Dental centres opened in 1H 2017, bringing the total to 62 centres as at 31 December 2016
- Interim dividend of 2.2 cents per share (fully franked) declared (1H 2016: 2.0 cents per share)
- Strong balance sheet maintained with net cash at 31 December 2016 of \$5.3 million

Operational Update and Initiatives

1H 2017 was another busy period for network expansion. During the period, 4 new dental centres were opened, bringing the total number of centres in the Pacific Smiles network to 62. New centres were opened in the following locations: Strathpine (QLD), Redbank Plains (QLD), Mill Park (VIC) and Ringwood (VIC). Construction was underway on a further 3 dental centres at period end, with 2 of these completed and opened in February 2017 at Brookvale (NSW) and Mount Gravatt (QLD). The new centres, which are in locations that complement our established and growing clusters in South-East Queensland, Victoria and New South Wales, are off to a solid start.

The Narellan centre was relocated from a temporary location during a major shopping centre redevelopment to a new tenancy within the expanded shopping centre and is trading well.

Following the launch of online appointment bookings in FY 2016, patients have continued to embrace the convenience of this booking channel, with approximately 10% of appointments now made online.

Pacific Smiles' mission is to improve the dental health of all Australians. As part of this mission we have developed dentalwise, a new dental plan package for patients who don't have private health insurance. It will be launched at two Pacific Smiles Dental centres in March 2017 initially on a pilot basis. It is our intention to roll this initiative out to the entire network from the end of FY 2017.

Business Performance

Revenue for the period was \$45.6 million, up 9.4% on the prior period.

Total Patient Fees for the period were \$73.6 million, representing growth of 9.9% on prior period.

Same Centre Patient Fees growth of 4.4% for the period is higher than the 4% reported on 17 November 2016 at the AGM, reflecting a stronger finish to the half. Seasonally the business has historically traded well during the month of December, and December 2016 produced record-high patient fees, underpinning a strong finish to the half. Excluding the Parramatta and Town Hall centres, same centre patient fees growth for the half was 6.1%.

EBITDA increased by \$1.3 million or 13.8% to \$10.7 million for the half. The same centre cohort (excluding Parramatta and Town Hall) performed strongly via both patient fees growth and expansion of the EBITDA to Patient Fees margin. New centres opened in FY 2016 increased EBITDA by \$0.4 million, and we continue to be encouraged by the patient fees and margin ramp of this cohort. Start-up losses associated with FY 2017 new centre openings were magnified due the opening of two of the four new centres at the end of the period, and preparatory costs for three new centres under construction and scheduled for opening in the third quarter.

The Parramatta and Town Hall centres continued to perform below expectations and their potential during the half. Relocations of both centres were completed in FY 2016, but each is yet to establish a growth momentum. Management continues to focus on performance improvement strategies and initiatives, whilst driving and managing the strong growth across the broader dental centre network.

Pacific Smiles again recorded an improvement in patient satisfaction, as measured by Net Promoter Score patient surveys. Across the Group, the Net Promoter Score was again over 70 in the period. This score remains very high relative to most industry benchmarks.

Capital expenditure for 1H 2017 was \$5.7 million (1H 2016: \$7.2 million), consisting predominantly of new centre openings and centres under construction and the new fitout and relocation of the Narellan centre from temporary premises. The higher capital expenditure in the prior period included the cost of relocating the Parramatta centre in September 2015.

Dividend

The Board has declared a final fully franked dividend of 2.2 cents per share to be paid on 4 April 2017. The record date for this dividend is 15 March 2017.

Trading Update and Outlook

Pacific Smiles provides the following update regarding the outlook for FY 2017:

- EBITDA guidance unchanged, with FY 2017 expected to be in the range of \$21.7 million to \$23.2 million, representing growth of between 10% and 18% compared with FY 2016 EBITDA (underlying)
- Same centre patient fees growth of at least 5% for FY 2017
- Same centre patient fees growth has accelerated from the 4% year to date communicated at the AGM in November. Year to date same centre growth as at 14 February 2017 was 4.6%
- Opening at least 10 new dental centres in FY 2017
- Management continues to execute on the roll-out strategy and estimates the long term network potential is at least 250 dental centres
- Strong balance sheet, with potential for modest draw down on finance facilities if the rate of new centre roll-out continues to accelerate.
- FY 2017 dividend payout ratio expected to be in the range of 80-90%

Commenting on the results John Gibbs, Pacific Smiles' Managing Director, said: "The 1H 2017 result was pleasing overall. Our roll-out continues to accelerate, new centres are performing well, same centre growth was 4.4% after a slow start to the period, patient satisfaction is high and it was a record half in terms of patient fees. The continued underperformance of the dental centres acquired from Medibank is a concern, but an isolated one that will be improved in time. Pacific Smiles is very well positioned for continued successful growth."

Investor conference call

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

Date: 17 February 2017

Time: 11.00am AEDT

Dial-in number: +61 2 8038 5221

Password: 5797 1534

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