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17 FEBRUARY 2017

PACIFIC SMILES GROUP

FY2017 INTERIM RESULTS PRESENTATION

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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. 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.

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation.

AGENDA

1. PERFORMANCE HIGHLIGHTS
2. BUSINESS OVERVIEW AND UPDATE
3. RESULTS DETAIL
4. GROWTH AND OUTLOOK

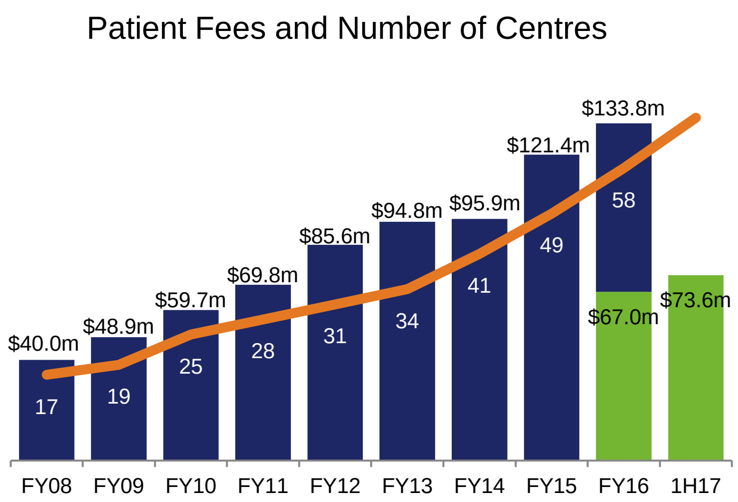
SECTION 1

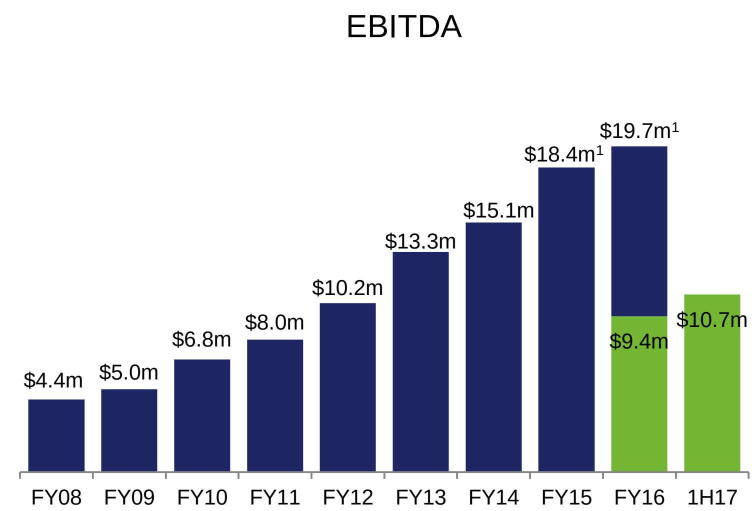
PERFORMANCE HIGHLIGHTS

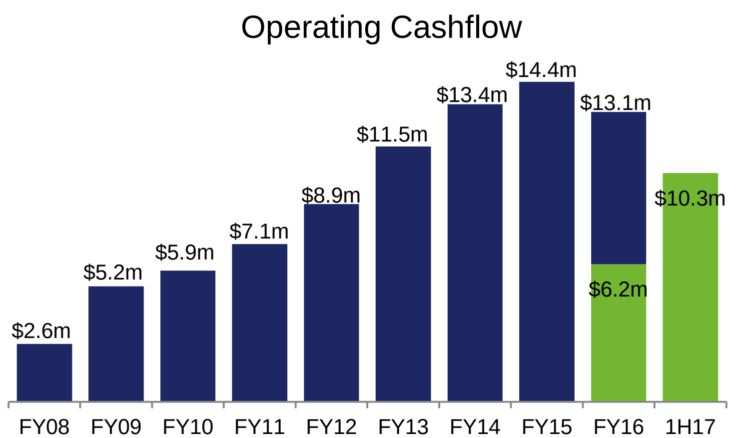
1H17 PERFORMANCE HIGHLIGHTS

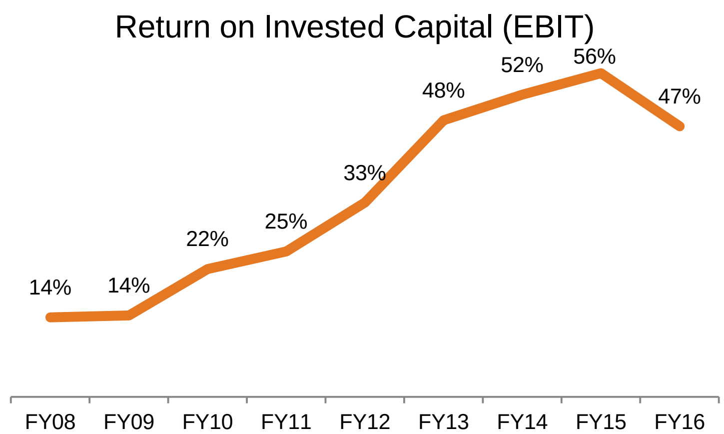
- Patient fees $73.6 million, up 9.9% (1H16: $67.0 million)
- Revenue $45.6 million, up 9.4% (1H16: $41.6 million)
- Same centre patient fees growth +4.4% (1H16: +4.9%)
- EBITDA $10.7 million, up 13.8% (1H16: $9.4 million)
- EBITDA to patient fees margin of 14.6% (1H16: 14.1%)
- NPAT $5.4 million, up 10.0% (1H16: $4.9 million)
- Interim dividend of 2.2 cps (fully franked) declared
- Net cash of $5.3 million
- Network expansion with 4 new Pacific Smiles Dental centres opened

HISTORY OF STRONG FINANCIAL PERFORMANCE









Note 1. Underlying EBITDA excluding once-off costs

SECTION 2

BUSINESS OVERVIEW AND UPDATE

BUSINESS OVERVIEW

- Founded in 2003, Pacific Smiles is a leading Australian branded dental group, operating 62 dental centres containing more than 250 active dental chairs at 31 December 2016
- Achieves 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 including dental implants and a range of specialist services such as orthodontics
- Over 350 dentists and approximately 800 staff servicing nearly 600,000 patient appointments each year

FOUNDATIONS FOR LONG TERM GROWTH

PACIFIC SMILES GROUP

Large market opportunity	• $9 billion Australian dental market which is highly fragmented • Identified network potential of at least 250 dental centres
Focus on organic growth	• Focus on organic roll out of centres, rather than acquisitions • Facilitates consistency of branding, operations, patient experience, dentist engagement and dental centre design
Successful dentist and patient engagement	• Highly consistent dentist engagement model, not based on long term contracts or "lock ins" • Excellent post visit survey results (Net Promoter Score of >70) • Strong focus on clinical governance and safety
Strong financial performance	• Long term EBITDA[1] compound annual growth of 21% per annum • High Return on Invested Capital
Accomplished leadership team	• Long term core senior leadership team • Founding dentists continue to be directly engaged with the business

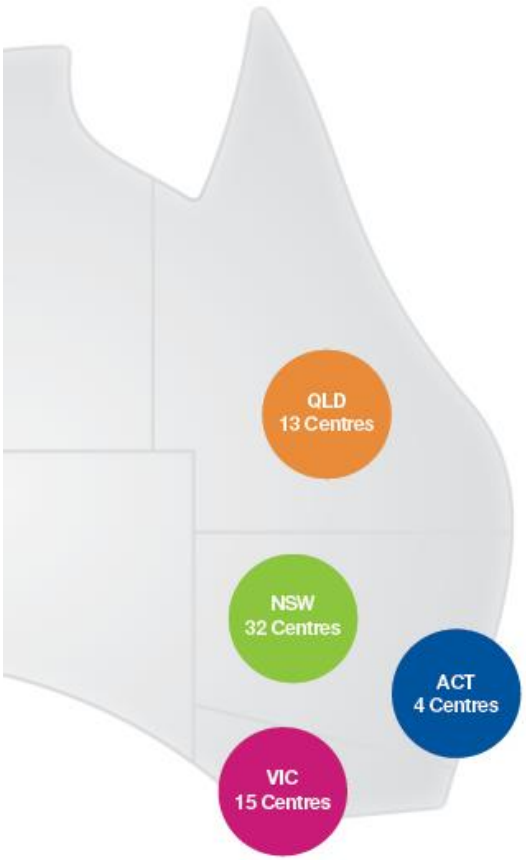
Note:
1. EBITDA expressed on an underlying basis for FY08 to FY16

DENTAL CENTRE NETWORK

PACIFIC SMILES GROUP

Currently 64 dental centres in total, of which 57 are branded Pacific Smiles Dental and 7 are branded nib Dental Care Centre

Opened 4 new Pacific Smiles Dental centres in 1H17



Queensland	
Bribie Island	Morayfield
Brisbane CBD	Mt Ommaney
Browns Plains	**Mt Gravatt (Feb 17)**
Burleigh Heads	North Lakes
Capalaba	**Redbank Plains (Dec 16)**
Deception Bay	**Strathpine (Aug 16)**
Helensvale	

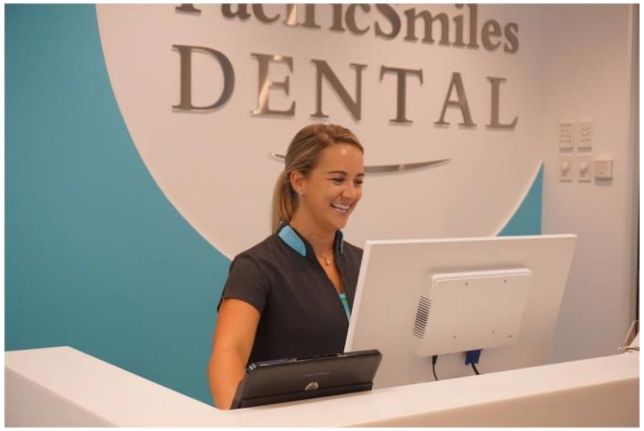
New South Wales	
Belmont	nib North Parramatta
Bateau Bay	Parramatta
Blacktown	Penrith
Brookvale (Feb 17)	Queanbeyan
Charlestown	Nowra
nib Chatswood	nib Newcastle
Erina	Rutherford
Forster	Salamander Bay
Gladesville	Singleton
Greenhills	nib Sydney
nib Glendale	Toronto
Jesmond	Town Hall
Kotara	Tuggerah
Lake Haven	Wagga Wagga
Morisset	Warilla
Narellan	nib Wollongong

Australian Capital Territory	
Belconnen	Tuggeranong
Manuka	Woden

Victoria	
Bairnsdale	Point Cook
Bendigo	**Ringwood (Dec 16)**
Cranbourne Park	Sale
Drysdale	Torquay
Melbourne	Traralgon
nib Melbourne	Warragul
Melton	Waurn Ponds
Mill Park (Oct 16)	

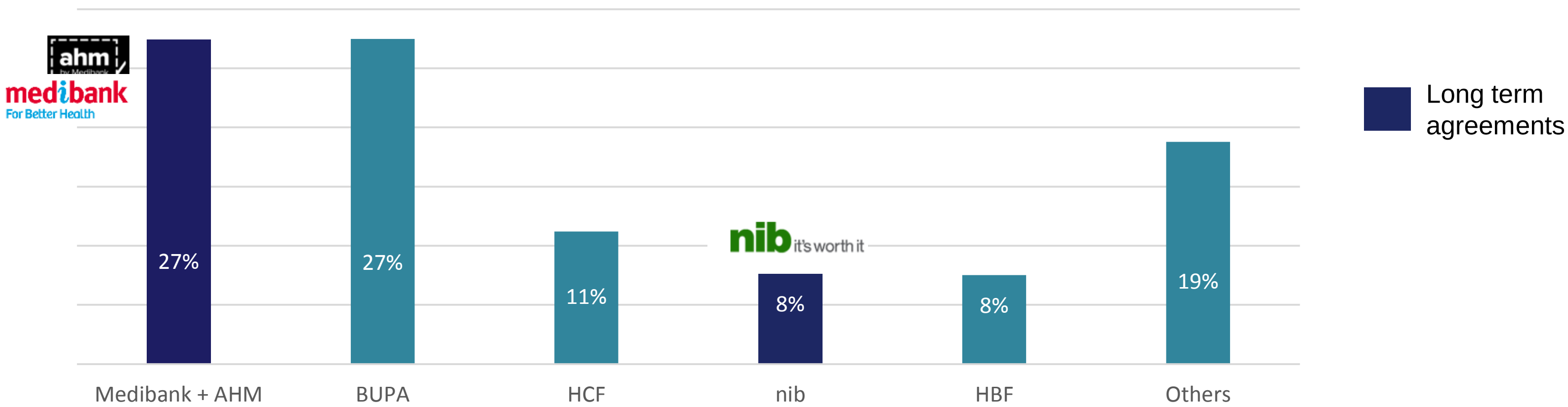
OPERATIONAL UPDATE

- 4 new Pacific Smiles Dental centres opened in 1H 17 in retail locations:
  - Strathpine and Redbank Plains, QLD
  - Mill Park and Ringwood, VIC
- 2 new Pacific Smiles Dental centres opened in February 2017:
  - Brookvale, NSW
  - Mount Gravatt, QLD
- Premises leases committed and construction underway for a further three centres (NSW and VIC) and negotiations on several others well advanced
- Relocation of Pacific Smiles Dental Narellan from temporary location to new tenancy in redeveloped and expanded shopping centre
- Net Promoter Score remains extremely strong, at over 70 for FY17 YTD
- The two large Sydney dental centres acquired from Medibank in 2014 continue to perform below expectations
- Convenience of online appointment booking option is being embraced by patients, with approximately 10% of bookings now made online
- dentalwise is an internally developed dental plan package to be launched on a pilot basis at two Pacific Smiles Dental centres in March 2017. The offering will be targeted at new and existing patients without private health insurance



UPDATE ON STRATEGIC PHI RELATIONSHIPS

Private health insurers by national market share



- Approximately 70% of the patient fees generated across the Pacific Smiles network are from patients who present with some level of ancillary private health insurance
- Most dentists practising from Pacific Smiles centres currently have Preferred Provider Agreements in place with PHIs representing approximately 75% of the industry by market share
- Pacific Smiles has long term strategic collaboration agreements in place with nib, Medibank and ahm, being approximately 35% market share nationally
- With effect from 1 April 2017, nib has updated its arrangements with providers, creating the First Choice provider network. Dentists practising from our centres will transition to the First Choice network in April and we expect to benefit from greater exposure via nib marketing of this network. The official nib “no gap” benefits will be exclusively available at nib Dental Care Centres (owned and operated by Pacific Smiles)

SECTION 3

RESULTS DETAIL

SUMMARY INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

PACIFIC SMILES GROUP

$ MILLIONS	STATUTORY 1H 17	STATUTORY 1H 16	CHANGE
Revenue	45.6	41.6	9.4%
Gross profit	43.0	39.1	10.0%
EBITDA	10.7	9.4	13.8%
Depreciation & amortisation	(2.9)	(2.4)	21.3%
EBIT	7.8	7.0	11.3%
Net interest expense	(0.1)	0.0	nm
Profit before tax	7.8	7.1	10.0%
Tax	(2.4)	(2.2)	10.0%
Net profit after tax	5.4	4.9	10.0%

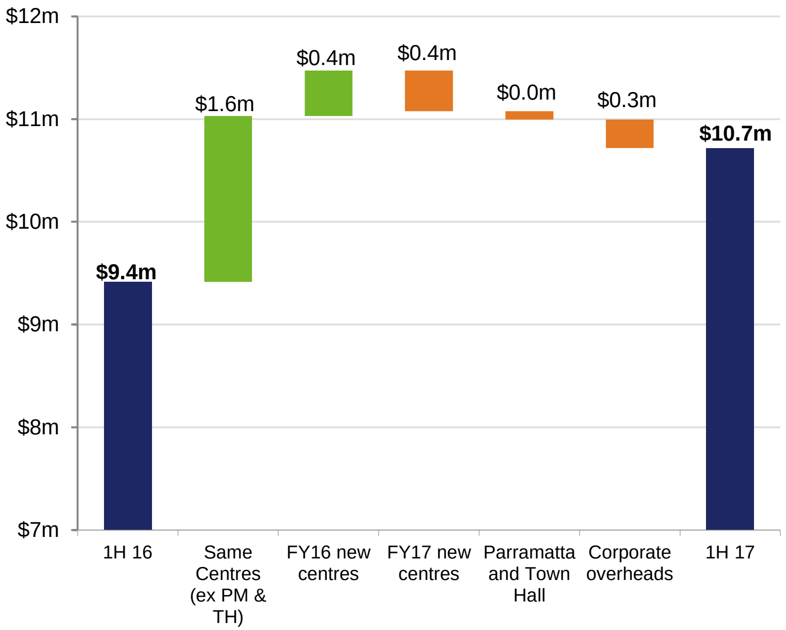
Operating metrics			
Number of Dental Centres	62	54	14.8%
Commissioned Dental Chairs	253	236	7.2%
Patient Fees ($m)	73.6	67.0	9.9%
Same Centre Patient Fees growth	4.4%	4.9%	
Financial metrics			
Earnings per share (cents)	3.5	3.2	10.0%
EBITDA margin	23.5%	22.6%	
EBITDA to Patient Fees margin	14.6%	14.1%	
EBIT margin	17.2%	16.9%	

Note:
1. Amounts in the table have been rounded to the nearest $100,000. Any discrepancies between totals and sums of components or in calculations are due to rounding

- Revenue up 9.4% to $45.6 million, and EBITDA up 13.8% to $10.7 million
- Patient fees up 10.0% to $73.6 million
- Same centre patient fees growth +4.4% (1H 16: 4.9%:
  - The former DEP centres in Parramatta and Town Hall (formerly Haymarket) had a substantial impact on same centre patient fees, with fees declining at these two locations
  - Excluding these two centres, same centre patient fees grew 6.1%
- EBITDA to Patient Fees margin up on comparative half by 0.5% to 14.6%, and maintained at similar level to FY16 full year result of 14.7% (underlying)
- D&A stepped up by $0.5 million, reflecting the acceleration of new centre developments in recent years and full period impact of major relocations in FY16

DRIVERS OF 1H17 MARGIN

Composition of EBITDA Change



- EBITDA increased by $1.3 million from 1H 16 to 1H 17
- EBITDA to Patient Fees margin improved to 14.6% (1H 16: 14.1%)
- The key drivers of the margin growth are summarised in the adjacent chart:
  - Same centres, excluding Parramatta and Town Hall (formerly Haymarket) performed strongly, improving contribution by $1.6 million, underpinned by same centre patient fees growth of 6.1% excluding those two acquired centres
  - FY16 cohort of new centre openings performing to expectations
  - FY17 new centre results impacted by the skew in timing towards latter part of the half year, with openings in August, October and 2 in mid December.
  - Parramatta and Town Hall continue to perform below expectations. Patient fees declined and margin contracted despite resetting elements of the cost bases following relocations of both sites. Remains a work in progress.
  - Corporate overheads grew modestly
- Pacific Smiles remains committed to building a platform for long term sustainable growth

BALANCE SHEET

AS AT 31 DECEMBER 2016

$ MILLIONS	STATUTORY 31 DEC 2016	STATUTORY 31 DEC 2015
Current assets		
Cash and cash equivalents	5.3	9.4
Receivables	1.1	1.6
Inventories	2.6	2.4
Other	0.3	0.3
Total current assets	**9.3**	**13.7**
Non-current assets		
Property, plant and equipment	37.1	29.7
Intangible assets	11.4	11.5
Deferred tax assets	4.5	4.1
Total non-current assets	**53.0**	**45.3**
Total assets	**62.3**	**59.0**
Current liabilities		
Payables	10.2	9.0
Borrowings	0.0	0.3
Current tax liabilities	0.4	1.0
Provisions	3.1	3.1
Total current liabilities	**13.7**	**13.4**
Non-current liabilities		
Deferred tax liabilities	0.2	0.3
Provisions	5.3	4.5
Total non-current liabilities	**5.5**	**4.7**
Total liabilities	**19.2**	**18.1**
Net assets	**43.1**	**40.9**
Equity		
Contributed equity	35.1	35.1
Reserves	0.3	0.1
Retained profits	7.8	5.7
Total equity	**43.1**	**40.9**

- Net cash of $5.3 million at 31 December 2016
- Increases in property, plant and equipment reflect the investment in 4 new centre openings and 3 more new centres under construction
- Payables increased $1.2 million broadly in line with business growth
- Provisions have increased $0.8 million, primarily due to the required straight line accounting for premises leases, under which the accounting expenses currently exceed cash rental payments under Group's portfolio of leases
- ROIC (EBIT) has increased steadily over a number of years, reaching over 50% in FY15. The decreases in FY16 (actual) and FY17 (estimated) largely reflect the acceleration in the rate of new centre openings over the past three years (which typically incur start-up losses)

Note:
1. Amounts in the table have been rounded to the nearest $100,000. Any discrepancies between totals and sums of components are due to rounding

SUMMARY CASH FLOW

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

PACIFIC SMILES GROUP

$ MILLIONS	STATUTORY 1H 17	STATUTORY 1H 16
EBITDA	10.7	9.4
Other non-cash items	0.1	0.1
Changes in working capital (excluding income tax)	1.8	(1.1)
Net interest paid	(0.1)	0.0
Income tax paid	(2.2)	(2.2)
Net cash flow from operating activities	**10.3**	**6.2**
Capital expenditure	(5.7)	(7.2)
Other	0.0	0.0
Net cash flow from investing activities	**(5.7)**	**(7.2)**
Borrowings (net)	(0.1)	(0.1)
Dividends	(5.3)	(5.1)
Net cash flow from financing activities	**(5.4)**	**(5.2)**
Net cash flow	**(0.8)**	**(6.1)**

Notes:
1. Amounts in the table have been rounded to the nearest $100,000. Any discrepancies between totals and sums of components are due to rounding

- Operating cash flow of $10.3 million (1H 16: $6.2 million)
- Favourable movement in working capital reflects growth in the monthly balance payable to dentists (noting Pacific Smiles collects patient receipts on behalf of dentists and remits balances to dentists following each month end), an additional payroll fortnight in the prior comparative period and an increase in straight line lease liabilities due to straight line accounting charges currently higher than rental payments
- Total capital expenditure of $5.7 million, including:
  - $4.4 million for the opening of 4 centres, relocation of 1 centre at Narellan from temporary premises, and expenditure towards 3 further centres under construction
  - Balance includes commissioning of 2 additional surgeries in existing centres
- Capital expenditure reduced on prior comparative period due to the major relocation of the Parramatta centre in 1H 16
- FY16 final dividend of 3.5 cps paid in December 2016. Interim dividend of 2.2 cps for FY17 declared and will be paid in April 2017

SECTION 4

GROWTH AND OUTLOOK

DRIVERS OF EARNINGS GROWTH

1. GROWTH OF EXISTING CENTRES

- >40% of centres less than 3 years old

2. ROLLOUT OF NEW CENTRES

- Targeting at least 10 new centres per annum
- Future locations identified which support dental centres

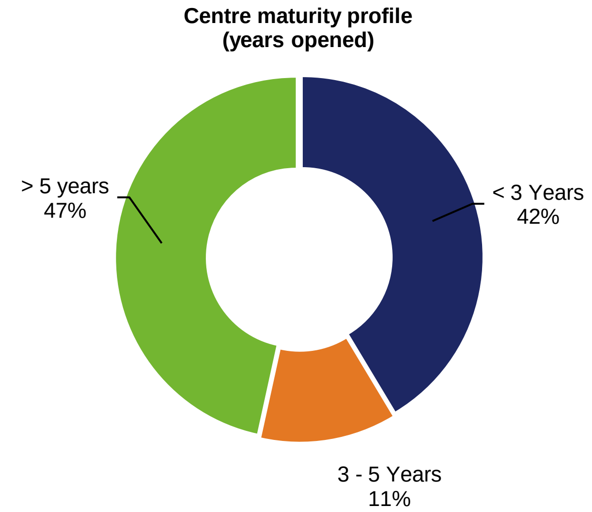
3. MARGIN EXPANSION

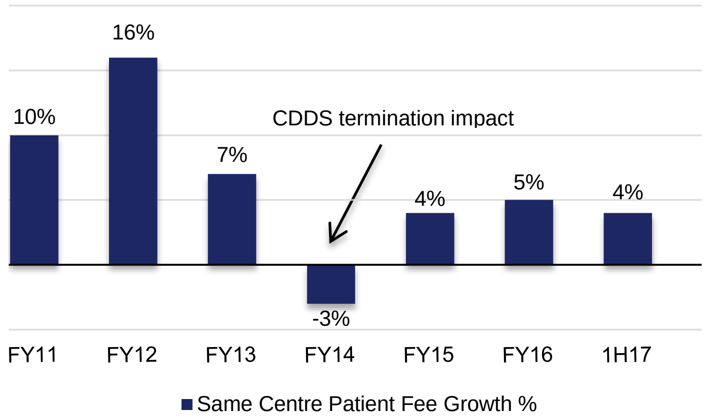
- Increased scale, new centre ramp-up and operational improvements

GROWTH FROM EXISTING CENTRES

History of strong "same centre" patient fees growth as centres mature

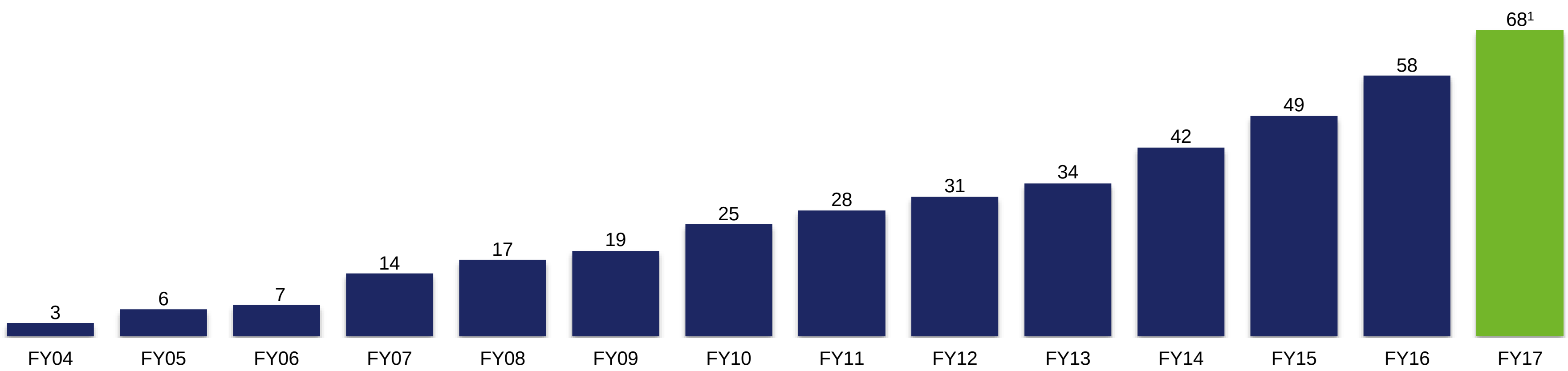
- As a result of rapid growth, Pacific Smiles' centre network includes a significant proportion of "immature" centres
- Over 40% of centres are less than 3 years old
- Average same centre patient fees growth of 5.8% pa over the five years to 30 June 2016
- Network at 31 December 2016 included 253 active dental chairs, and a capacity for a further 86 surgeries which can be commissioned to meet future demand
- Strategies to increase same centre patient fees growth include:
  - Marketing initiatives to build brand awareness to attract new patients
  - Improve patient engagement and loyalty, and promote regular attendances
  - Increase range of services





GROWTH FROM NEW CENTRE ROLLOUT

Significant organic rollout opportunity



- Pacific Smiles has grown strongly from 3 centres in 2003 to 64 centres currently
- New centre rollout rate has been accelerating, with 8 new centres in FY15 and 9 in FY16
- Targeting at least 10 new centres in FY17
- Executing national network plan
- Future locations have been identified based on demographic, location and competition parameters, supporting a national network potential of at least 250 dental centres

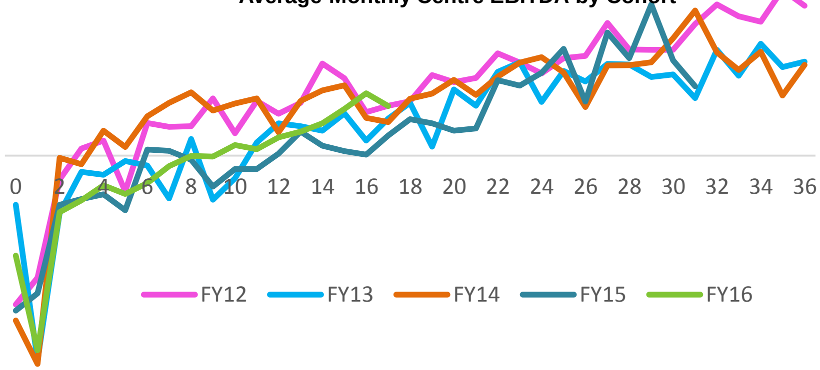
Note:
1. FY17 based on target of 10 new centres

MARGIN EXPANSION

Margin expansion from same centre patient fees growth, new centre ramp and leveraging fixed overheads

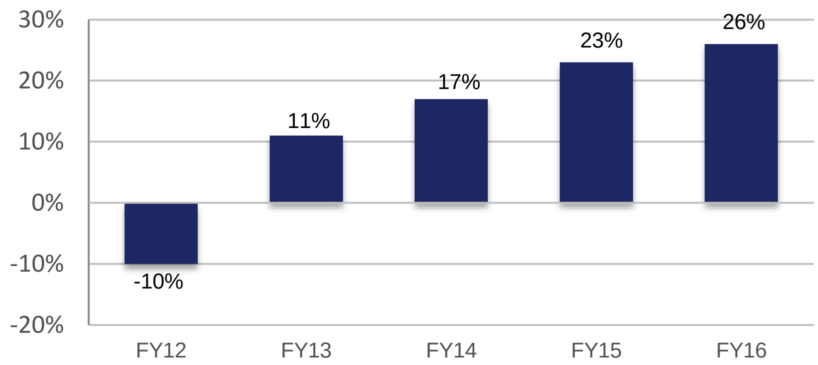
- Group EBITDA to patient fees margin has expanded from 10% in FY09 to approximately 15% in FY16
- The Pacific Smiles model supports long-term margin expansion from three key sources:
  - Same centre patient fees growth
  - New centre ramp-up
  - Patient fees growth leveraging fixed overhead costs
- Established centres take many years to achieve maturity and continue to show margin expansion over this time
- The past five cohorts have followed a consistent path of EBITDA ramp-up over the first 36 months of operation
- The FY15 and FY16 cohorts achieved profitability after 12 and 8 months respectively.
  - The improved performance of the FY16 cohort is attributed to being more selective on location and enhanced marketing

Average Monthly Centre EBITDA by Cohort[1]



Note: 1. Represents the average EBITDA for the centres opened during the relevant financial year from month zero (pre-opening) to month 36 (where applicable). Centre EBITDA has been scaled to align opening months by cohort. For example month 1 for the FY12 cohort reflects the average EBITDA for the first month for all centres opened in FY12.

EBITDA to Patient Fees Margin (FY12 Cohort)[2]



Note: 2. Represents the total EBITDA margin for the 4 centres opened in FY12

DENTAL INDUSTRY UPDATE

Industry Size	• **Expenditure on dental services** amounted to $8.9bn in 2013-14 • **Opportunity for step change in attendance patterns** via driving education and affordability • **Historically resilient sector** including throughout periods of change in the funding environment, such as in 2012 when the Chronic Diseases Dental Scheme was removed
Funding	• **Private health insurance** benefits represent 17% of total dental expenditure. This is net of private health rebates of ~$600 million, or 6% of total dental expenditure • **Federal Government funding** of the dental sector is low compared to other areas of primary care – only 7% of dental expenditure comes from this source compared to 82% for general medical[1] • **Child Dental Benefits Schedule** funding to remain in place. Following a period of uncertainty, the means-tested program will continue to provide Federal Government funding of up to $1,000 every two years for approximately 3 million children in Family Tax Benefit Part A households
Dentist Workforce	• There are approximately **16,000 registered dentists** in Australia today, up from 14,000 four years ago[2] • **Demographic shifts in the dental workforce** as the proportion of female dentists continues to increase and now represents approximately 50% of the total. This trend is expected to continue with females accounting for approximately 60% of dental graduates today • This has coincided with a **higher proportion of dentists working part-time** and increased demand for more flexible working conditions, both supportive of the Pacific Smiles service model

Notes:
1. AIHW 2013-14 Health Expenditure
2. Dental Board of Australia Statistics as of September 2016

OUTLOOK

- No change to EBITDA guidance. EBITDA for FY17 expected to be in the range of $21.7 million to $23.2 million, representing growth of between 10% to 18% compared with FY16 EBITDA (underlying)
- Same centre patient fees growth at least 5% for FY17 (year to date[1] actual 4.6%)
- Opening at least 10 new dental centres in FY17
- Strong pipeline of new centre opportunities, with 6 new sites opened during the year to date and three currently under construction
- Management continues to execute on the roll-out strategy and estimates the long term network potential is at least 250 dental centres
- Dividend policy unchanged, with a pay-out ratio in the range of 80-90% of NPAT expected for FY17

Notes:
1. Year to date refers to management information on trading to 14 February 2017


THANK YOU