



**Pacific Smiles Group Limited** (ASX: **PSQ**)  
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18 August 2017

## **ASX ANNOUNCEMENT**

### **Pacific Smiles Group Limited – 2017 Full Year Results**

Pacific Smiles Group Limited (ASX: PSQ) (“Pacific Smiles” or “the Company”) today announced its financial results for the full year ended 30 June 2017.

#### **Key Financial Highlights**

The key financial highlights from the result include:

- Patient Fees generated by the dentists working at dental centres owned and operated by Pacific Smiles were \$147.0m, up 9.8% on the prior period
- Same Centre Patient Fees grew 3.8% for the period
- Revenue of \$91.5m, up 9.8% on the prior period
- EBITDA (underlying) of \$20.9m<sup>1</sup>, up 6.3% on the prior period
- NPAT (underlying) of \$10.3m<sup>1</sup>, up 1.3% on the prior period
- 12 new dental centres opened, comprising 11 Pacific Smiles Dental Centres and 1 nib Dental Care Centre, bringing the total to 70 centres as at 30 June 2017
- Final dividend of 3.7 cps (fully franked) declared bringing full year dividends to 5.9 cps (FY 2016 5.5 cps)
- Strong balance sheet with net cash of \$0.9m at 30 June 2017

#### **Business Initiatives**

A number of important business initiatives were launched during 2017 to bolster our competitive advantage in serving patients and dentists at our expanding network of dental centres. Key initiatives include:

- Inaugural Inspire Conference for dentists practicing from dental centres operated by Pacific Smiles
- Dental Advisory Committee comprising internal and external dentists to provide clinical and professional advice to the management and Board of Pacific Smiles
- Next generation business database to enhance internal efficiencies and dentist/patient engagement processes
- Pilot of dental payment plans as a precursor to wider launch

<sup>1</sup> Underlying results exclude non-recurring severance costs of \$0.4m. See the 2017 Results Presentation Appendix for a reconciliation of underlying to statutory results.

- A total of 8 additional chairs commissioned in existing centres to meet patient demand
- An additional 12 new dental centres opened in Mill Park, Ringwood, Werribee and Mulgrave in Victoria, Belrose, Brookvale, Marrickville, Campbelltown and Erina (nib) in NSW and Mount Gravatt, Redbank Plains and Strathpine in Queensland

## **Business Performance**

Business performance was solid during FY2017. Total patient fees for 2017 were \$147.0m, representing growth of 9.8% for the period. Same centre patient fees growth declined from 4.4% in H1 2017 to 3.2% in H2 2017. However, excluding the centres acquired in June 2014 from Medibank Private (ex-DEP centres), patient fees growth would have been 5.3% in H2 2017 and 6.1% in H1 2017.

EBITDA for the year was \$20.9m (underlying), up by 6.3% on prior year result of \$19.7m (underlying). EBITDA was impacted by start-up losses from 12 new centres opened in FY 2017 (FY 2016: 9), of which 8 were opened in the second half of the financial year.

The ex-DEP centres performed below expectation, although Town Hall is showing sustained improvement.

The losses from the accelerated new centre openings and the underperformance of the ex-DEP Centres impacted the EBITDA to Patient Fees margin which decreased from 14.7% in FY 2016 to 14.2% in FY 2017.

Capital expenditure was \$13.6m for the year, including \$10.3m on 12 new centres, \$0.7m on the relocation of Narellan from temporary premises to a site within the expanded shopping centre, and the remainder on centre upgrades, including the commissioning 8 new chairs in existing centres and other improvements.

Pacific Smiles continues to report high levels of patient satisfaction, with Net Promoter Score results above 70, a very pleasing result and high by most benchmarks.

## **Dividend**

The Board has declared a final fully franked dividend of 3.7 cents per share to be paid on 3 October 2017. The record date for this dividend is 15 September 2017.

## **Outlook**

Pacific Smiles provides the following update regarding the outlook for FY 2018, which is consistent with the update provided in May:

- EBITDA for FY 2018 is expected to be approximately 10% up on prior year
- Total patient fee growth of 10% to 15%
- Same centre patient fee growth of >5% (same centre patient fee growth is tracking 5.1% YTD up until 15 August 2017)
- Corporate overhead expenses to grow in line with patient fees, with increased investment in training, IT and other enablers for network rollout
- Opening at least 10 new dental centres, with a strong pipeline, including 3 sites already committed for FY 2018
- Dividend policy unchanged, with pay-out ratio in the range of 80%-90% of NPAT for FY 2018

## **Investor Conference Call**

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

- Date 18 August 2017
- Time 11am AEST
- Dial-in number +61 2 8038 5221 / 1800 123 296
- Password 6260 2260

## **Further information and enquiries**

Complete full 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**

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