

Please note, this address should be read in conjunction with viewing the 2017 Annual General Meeting Presentation

**1300SMILES Ltd
Annual General Meeting 10 November 2016
Managing Director's Address**

Our thirteenth Annual General Meeting today is attended by shareholders, directors, dentists and staff of 1300SMILES Ltd, industry analysts, and members of the press. I welcome you all.

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Slide 2

I have commented on previous occasions that 1300SMILES competes not so much with other dentists but rather with all other companies which seek to capture a share of consumer spending.

Urgent dental care is one thing, and people will always make that a priority. Elective treatments and even basic ongoing care, on the other hand, compete with all of the other things on which people might choose to spend their money.

In the past I have suggested that Harvey Norman is as much a competitor to 1300SMILES as any other dental organisation is. With the arrival of Amazon in Australia, however, I might have to change this comparison.

After all, Amazon poses a big and possibly existential threat to Harvey Norman and the other retailers. Happily for 1300SMILES and our shareholders, I cannot foresee any way for Amazon or anyone else to deliver dental care in a box left by your front door.

That said, the Amazon phenomenon drives home the fact that we must continue to innovate in the way we deliver our services and keep our practices aligned with evolving consumer behaviour.

In the way that Amazon has made it easy for people to do make instant single-click purchases, we continue to focus on making it easy and practical to ensure their ongoing dental health.

We constantly tune our financial approaches, including our \$1-a-day dental health program and our treatment finance packages, in an attempt to keep these aligned

with the changing ways in which consumers manage their money.

Slide 4

Since listing on the ASX in 2005, the dividend paid by 1300SMILES has always served the same essential functions.

First, the dividend fulfils our promise to shareholders that owning shares in our company truly reflects the experience of owning part of a profitable, stable business.

Second, the dividend gives shareholders a clear indication of the state of our business, reflecting both our most recent trading results and the outlook for the future. I'm very happy to note that our dividend has increased in nine of the past ten years.

Slide 5

Our revenue was flat in the 2017 financial year. This reflects two related factors: limited growth in the dental industry overall and consumer distress at the abysmal state of governments at the state and commonwealth levels.

I do not apologise for a year of flat revenue growth. There was always an alternative open to us, as we could have made more acquisitions merely for the sake of inflating the revenue line. But that's not how we do things here.

We make acquisitions when and only when those acquisitions clear our strict hurdles. Among other things, every acquisition must deliver an immediate positive increment to earnings and earnings per share.

For a spell there were simply too few potential acquisitions which met our standards.

More recently, starting late in the 2017 financial year and continuing to the present, circumstances have delivered a range of far better opportunities.

Slides 6-15

Over the past several months we have completed a number of excellent acquisitions and we're in the process of completing several more.

But let me make this perfectly clear: We do NOT measure our success by the number of acquisitions we complete.

We measure our success by the QUALITY of the businesses we acquire, build, and expand.

Quality businesses deliver steadily growing profit and earnings per share. Many of you will notice that the total number of shares on issue has not increased for many years.

This is a key part of our commitment to shareholders. Protecting and enhancing earnings per share is our top priority. As we succeed in expanding our business without issuing additional shares we deliver on that commitment.

That doesn't mean we will NEVER have occasion to issue further equity. Faced with an exceptional opportunity we would have the option of doing so. But the metric would be the same: we will seek to ensure that any step we take works to increase earnings per share.

We have a pretty long track record on this front and I don't propose to change our approach.

- **Slide 7** shows most recent acquisition, Bella Dental, which is due for settlement in late November 2017 subject to Due Diligence and other usual conditions precedent.
- **Slide 8** shows Dental Centre Gladstone – settled 12 October 2017
- **Slide 9** shows Dental Centre Roma – settled 12 October 2017
- **Slide 10** shows Dental Centre Maleny – settled 12 October 2017
- **Slide 12** shows Family Care Orthodontics Bathurst – settled 30 June 2017
- **Slide 13** shows Family Care Orthodontics Chatswood – settled 30 June 2017
- **Slide 14** shows future Projects / Greenfield Projects Morayfield – due for completion February 2018
- **Slides 15 & 16** show before and after the 1300SMILES Caloundra refurbishment which was completed last week

Slide 17

A statistic that continues to worry the dental industry and ADAQ recently confirmed, 65% of the population do not visit the dentist for their 2-yearly check-ups.

On a positive note, female involvement in the dental industry continues to grow with 55% of dentists aged between 20 and 34 being female.

Slide 18

I would like to take this opportunity to welcome two new Non-Executive Directors to the Board of 1300SMILES. The first being Evonne Collier who brings exceptional skills, background and expertise to the 1300SMILES Board. Her membership bolsters the gender and geographic diversity of the Board and we look forward to and welcome Evonne's contribution.

Slide 19

The second new Non-Executive Director is Jason Smith. Jason not only brings exceptional skills and expertise to the 1300SMILES Board, but his commitment to community and humanitarian work aligns with the work of 1300SMILES. We look forward to and welcome his contribution.

Slide 20

In June this year, I was awarded a Most Excellent Order of the British Empire (OBE) in recognition of my leadership and personal commitment to my work with the YWAM Medical Ships in remote areas of Papua New Guinea. I am privileged to share this award with YWAM's Managing Director Ken Mulligan. As you would know, YWAM is something 1300SMILES is very involve in.

Slide 21 – Photos of work being undertaken by YWAM in Papua New Guinea.

ABOUT 1300SMILES LTD

OVERVIEW OF THE COMPANY'S BUSINESS

1300SMILES Ltd owns and operates full-service dental facilities at its sites in New South Wales, South Australia, and in the ten major population centres in Queensland. The company continually seeks to expand its presence into other geographical areas throughout Australia. It does so both by establishing its own new operations and by acquiring existing dental practices. The administrative and corporate offices are in Townsville.

1300SMILES enables the delivery of services to patients by providing the use of dental surgeries, practice management and other services to self-employed dentists who carry on their own dental practices. The services provided by the company allow the dentists to focus on the delivery of dental services rather than on the administrative aspects of carrying on their businesses. The dentists pay fees to the company for the provision of these services under a Dental Service Agreement with the company. In some circumstances the company also employs qualified dentists.

The dentists who use the company's services range from new graduates to experienced dental professionals. Several dentists who use the company's services have special interests and experience in such areas as endodontics, oral surgery, implants and periodontics and cross-refer work to other dentists who use the company's services.

The company provides comprehensive services in the areas of marketing, administration, billing and collections, and facilities certification and licensing to all participating dentists. The company also provides all support staff, equipment and facilities, and sources all consumable goods using the buying power which derives from such a large group of dental businesses.

FUTURE DEVELOPMENTS

The company's core objective is to continue to increase profits and shareholder returns while providing a rewarding environment for our staff and the dentists using our facilities.

The company aims to achieve a combination of organic growth in its existing locations and the addition of new practice management facilities.

The key drivers for future growth of the company are:

- Increasing profits by attracting more dentists to our existing facilities and expanding those facilities which are already at full capacity;
- Assisting dentists who already practice within the 1300SMILES system to increase their turnover and income through benchmarking, training, and mentoring;
- Establishing new practices in existing and new regions (greenfield sites);
- Acquiring substantial existing practices where we can do so on favourable terms; and
- Managing dental facilities owned by others.

DENTIST ENQUIRIES

Owners of dental practices who are interested in unlocking the goodwill value of their businesses (or freeing themselves from all the management hassles) are invited to contact Dr. Daryl Holmes, Managing Director, on +61 (7) 4720 1300 or md@1300SMILES.com.au.

Qualified dentists who wish to know more about joining one of our established facilities are encouraged to contact Dr. Holmes directly or email dentalcareers@1300smiles.com.au or visit our website www.dentalcareersaustralia.com.au.