PACIFIC SMILES GROUP

FY 2019 RESULTS

Presented by:

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22 AUGUST 2019

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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.

PHIL MCKENZIE

Managing Director and Chief Executive Officer

ALLANNA RYAN

Chief Financial Officer

PERFORMANCE HIGHLIGHTS

2019 PERFORMANCE HIGHLIGHTS

$187.4m
Patient Fees –
Up 13.9%

89
Dental Centres –
Up 11.3%

8.6%
Same Centre Growth –
Up 350bps

$22.8m
Underlying EBITDA –
Up 6.0%

5.8cps
Ordinary Dividends –
Down 4.9%

$8.9m
Underlying NPAT –
Down 3.5%

Our True Purpose

To improve the oral health of ALL Australians to world's best.

2019 OPERATIONAL SNAPSHOT

10 new
Dental Centres

351
Commissioned chairs– **Up 13.6%**

545
Dentists

Dentist & Graduate Development Programs

89
Dental Centres[1] –
Up 11.3%

>80
Patient Net Promoter Score

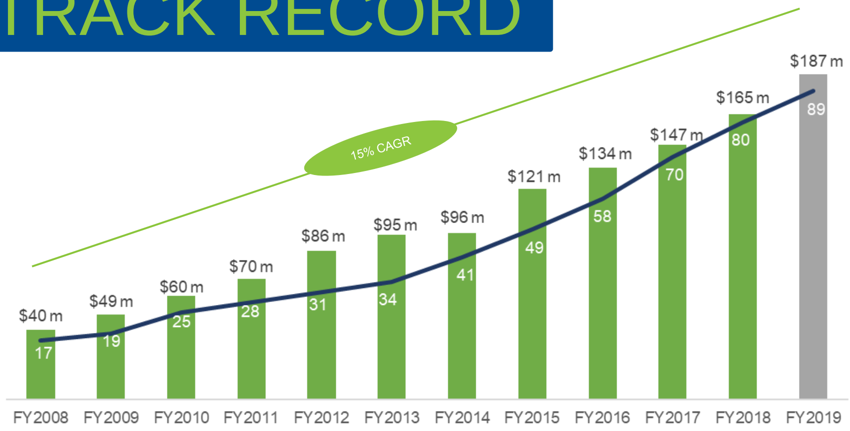
Pacific Smiles - founded by dentists for dentists

Notes:
1. Warilla merged with Shellharbour

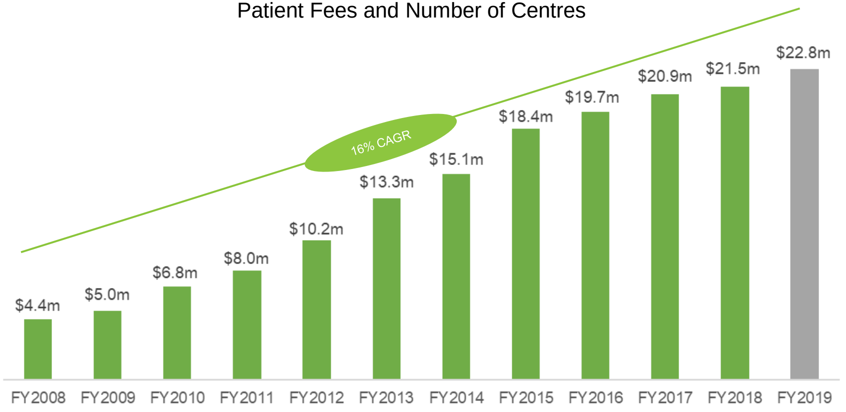
RESULTS DETAIL

STRONG GROWTH TRACK RECORD

PACIFIC SMILES GROUP



Patient Fees and Number of Centres



EBITDA (Underlying)

Continue to achieve market share growth

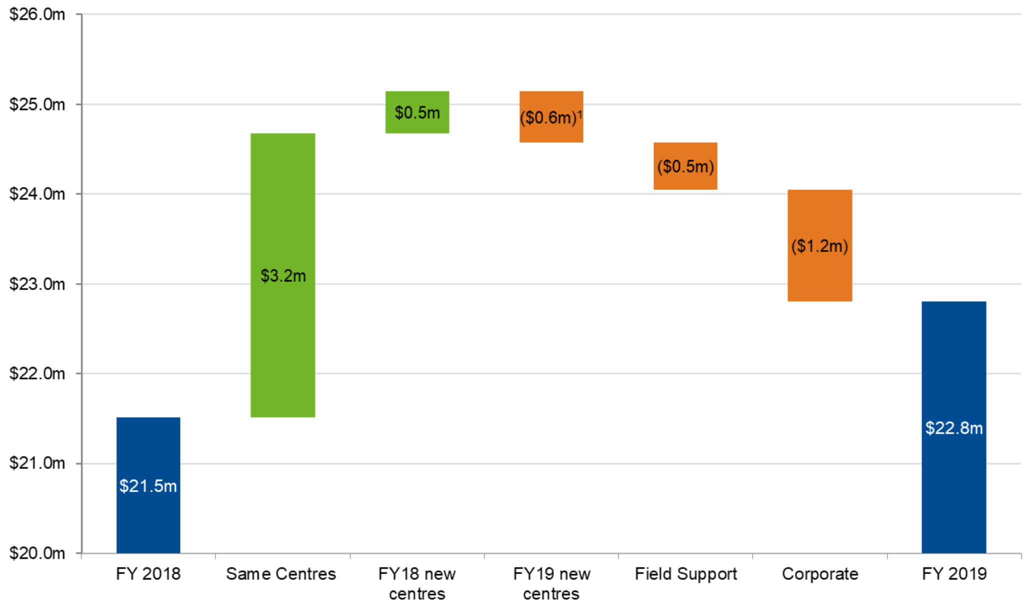
SUMMARY INCOME STATEMENT

FOR THE FULL YEAR ENDED 30 JUNE 2019

$ MILLIONS	UNDERLYING FY 2019	UNDERLYING FY 2018	CHANGE
Revenue	122.2	104.5	16.9%
Gross profit	110.3	96.5	14.4%
EBITDA	22.8	21.5	6.0%
Depreciation and amortisation	(9.4)	(7.8)	(20.0%)
EBIT	13.4	13.7	(2.2%)
Net interest expense	(0.7)	(0.4)	(68.4%)
Profit before tax	12.7	13.3	(4.1%)
Tax	(3.8)	(4.0)	5.5%
Net profit after tax	8.9	9.3	(3.5%)
Key operating metrics			
Number of Dental Centres	89	80	11.3%
Number of Commissioned Dental Chairs	351	308	14.0%
Patient Fees ($m)	187.4	164.5	13.9%
Same Centre Patient Fees growth	8.6%	5.1%	
Key financial metrics			
Earnings per share (cents)	5.9	6.1	
EBITDA margin	18.7%	20.6%	
EBITDA to Patient Fees margin	12.2%	13.1%	
EBIT margin	11.0%	13.1%	

- Revenue up 16.9% to $122.2 million reflecting growth from new centres opened in FY 2018 and FY 2019 and strong patient fee growth in same centres
- Same centre patient fee growth of 8.6% (2018: 5.1%), above our expectations of approximately 5%. Strong growth from less mature centres as utilisation ramps over time
- The EBITDA was impacted by the following adverse items:
  - Higher than expected telecommunication infrastructure costs of $0.7 million; and
  - Lower than expected fees per appointment of $0.4m
- Corporate costs represented 6.2% of patient fees in FY 2019 compared to 6.0% in FY 2018. The increase in corporate costs reflects the investment in new roles and learning and development to support future growth
- D&A increased by $1.6 million, reflecting the acceleration of new centre developments in recent years
- EBITDA performance in H2 2019 was strong, growing at 9.6% on H2 2018

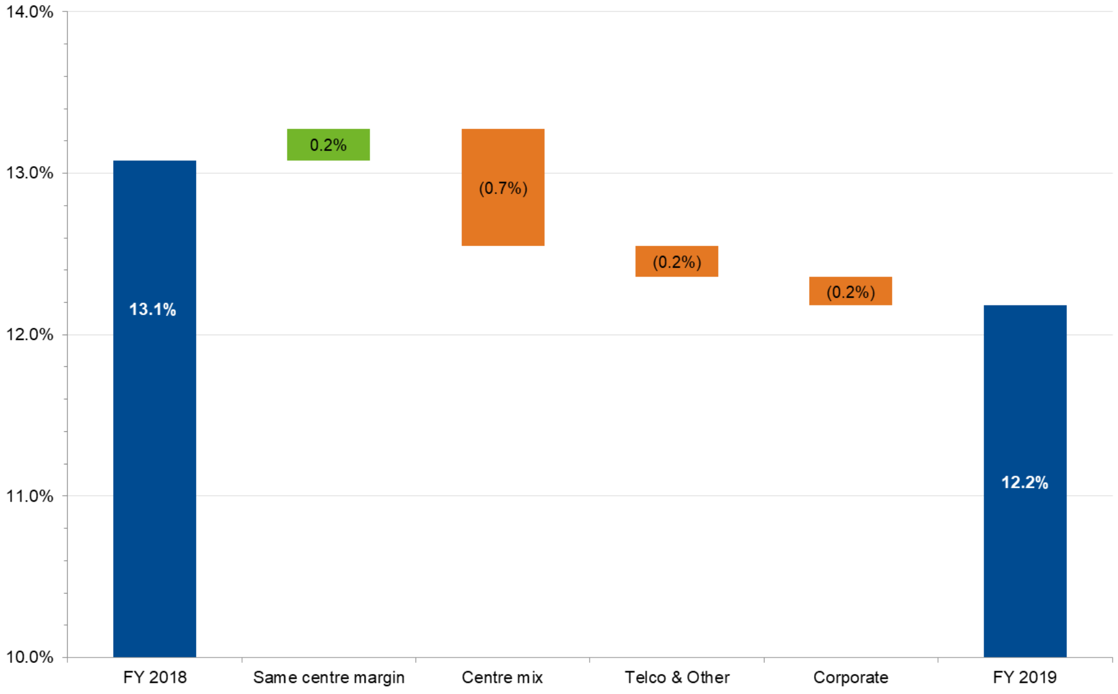
FY2019 EBITDA BRIDGE



- The key drivers of the movement are summarised in the adjacent chart:
  - Same centres performed strongly with patient fee growth of 8.6% (2018 5.1%) although flow through to EBITDA was reduced by lower fees per appointment
  - FY 2018 new centres performing in line with other cohorts
  - Start up losses from new centres opened in FY 2019 – 10 new centres were opened (2018 – 10), with 7 opened in the last 4 months
  - Field support increased due to additional positions to support the growth of the network and increased investment in learning and development
  - Corporate costs increased due to the investment in new roles and learning and development to support future growth

Notes:
1. EBITDA contribution impacted by the timing of new centre openings

FY2019 EBITDA MARGIN BRIDGE



- Same centre margin improved due to efficiencies achieved through high chair utilisation, and margin expansion as centres ramp to maturity and leverage the fixed cost base
- Centre mix impacted by increasing proportion of fees coming from centres opened in the last three years which generate lower margins than mature centres; and
- Higher telecommunication costs of $0.7m unfavourably impacted EBITDA margin by 0.4%, with offsetting savings achieved through the establishment of the Business Improvement Office

Efficiency gains offsetting centre mix effect

FY2019 CASH FLOW & BALANCE SHEET

$ MILLIONS	STATUTORY FY 2019	STATUTORY FY 2018
EBITDA	22.3	18.4
Other non-cash items	(0.1)	2.1
Changes in working capital (exc. Income tax)	2.1	2.2
Net interest paid	(0.7)	(0.4)
Income tax paid	(2.6)	(4.9)
Net cash flow from operating activities	**21.0**	**17.4**
Net capital expenditure	(16.5)	(13.7)
Business acquisitions	0.0	(0.8)
Net cash flow from investing activities	**(16.5)**	**(14.5)**
Borrowings (net)	5.0	7.0
Dividends	(9.3)	(9.1)
Net cash flow from financing activities	**(4.3)**	**(2.1)**
Net cash flow	**0.3**	**0.8**

$ MILLIONS	STATUTORY 30 JUN 2019	STATUTORY 30 JUN 2018
Cash and cash equivalents	7.0	6.7
Other current assets	5.3	5.4
Property, plant and equipment	54.6	47.3
Other assets	17.0	16.0
Total Assets	**83.9**	**75.3**
Payables	13.9	11.1
Provisions	11.9	10.3
Borrowings	17.0	12.0
Total Liabilities	**42.8**	**33.4**
Net Assets	**41.1**	**41.9**

- Strong EBITDA cash conversion[1] of 109%
- The non-cash item includes share based payments ($0.1m)
- Net capital expenditure of $16.5 million, including:
  - 10 new centres opened ($9.3m);
  - Upgrade of nib North Parramatta ($0.7m)
  - Relocation of Drysdale ($1.1m);
  - Commissioning of 23 additional new surgeries ($1.4m);
  - Balance includes equipment replacement, digital scanners and IT infrastructure
- FY 2019 final dividend of 3.5 cps declared, payable in October 2019
- Increases in property, plant and equipment reflect investment in new centres
- Borrowing increased due to the drawdown of debt to fund the new centre rollouts

Notes:
1. Cash conversion calculated as operating cash flow excluding tax and net finance cost as a ratio of EBITDA (Statutory)
2. Amounts in the table have been rounded to the nearest $100,000. Any discrepancies between the totals and sums of components are due to rounding

BUSINESS OVERVIEW & OUTLOOK

OUR TRUE PURPOSE FACTS

PACIFIC SMILES GROUP

How we've helped shape Australia's oral health in the last 12 months

AUSTRALIAN DENTAL HEALTH FOUNDATION
ADVANCING AUSTRALIA'S ORAL HEALTH

We are the major sponsor of the National Dental Foundation which facilitates free dental services to those members of society least able to access dental care.

10 convenient new locations opened

Approximately **770,000** appointments provided

We've seen over **135,000** new patient smiles

Over **3,000** patients helped through government dental vouchers

80% of patients surveyed scored us a **9 OR 10**

We've helped approx **40,000** kids smile with the Child Dental Benefits Schedule

OUR STRATEGY

LONG TERM TARGET OF 250 CENTRES (~800 CHAIRS) & >5% MARKET SHARE

NETWORK GROWTH

Existing centres

Commission existing surgeries

Greenfield new centres

Range of services

Extended opening hours

CULTURE 'PACIFIC SMILES WAY'

High functioning leadership

Employee capability building

Culture Playbook

OPERATIONAL EXCELLENCE

Patient supply/demand matching

IT fitness and capability

Cost review program

Process and system optimisation

Payment channels

First choice for quality dentists
Trusted local expert for patients

NETWORK GROWTH

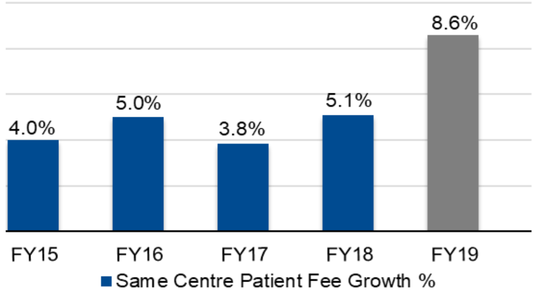
EXISTING CENTRE NETWORK

- 36% of centres are less than 3 years old
- Average same centre patient fees growth of 5.3% pa over the five years to 30 June 2019
- 80% of dental chairs commissioned, and a further 88 chairs available to meet future demand

Untapped capacity for strong future growth

Same Centre Patient Fee Growth	FY 2018 % Growth	FY 2018 % of Total	FY 2019 % Growth	FY 2019 % of Total
Centres opened 2010 and earlier	2.0%	59.4%	3.5%	54.1%
Centres Opened 2011 to 2017[1]	9.6%	40.6%	14.6%	45.9%
Group	5.1%		8.6%	

Strong 'same centre' patient fee growth as centres mature



Less mature centres continue to show strong positive growth over a number of years

Notes:
1. Centres opened in 2017 are not included in the FY 2018 same centre calculations

GROWTH FROM NEW CENTRES

SUCCESS FACTORS

Excellence in site selection

Simplicity

Engage with the community

Strong local marketing

Aligned and engaged dentists and employees

NETWORK GROWTH

NEW CENTRE NETWORK

- Group profitability is impacted by year one losses for new centres
- Centres take many years to achieve maturity and continue to show margin expansion over this time
- Consistent path of EBITDA ramp up as new centres continue to leverage fixed cost base

	New Centres (opened FY14-18)[1]			**All Centres**
	Year 1	**Year 2**	**Year 3**	**> 5 years old[3]**
Patient Fees per centre	$0.8m	$1.0m	$1.3m	+ $2.5m
EBITDA per centre[2]	($0.1m)	$0.1m	$0.2m	+ $0.5m
EBITDA / Patient Fees (centre level)	~(13%)	~10%	~15%	+20%

Notes:
1. Includes all centres opened from 1 July 2013 to 30 June 2018
2. Centre level EBITDA excludes any allocation of corporate overheads
3. Reflects the median last twelve month performance of the 43 centres that have been open for >5 years as at 30 June 2019

CULTURE IS OUR COMPETITIVE ADVANTAGE

PACIFIC SMILES GROUP

Introduction of the Pacific Smiles Culture Playbook

Learning And Development Academy

Leadership Conferences and Forums

High Achiever Awards

Play the Pacific Smiles Way

OPERATIONAL EXCELLENCE

What we have delivered in FY 2019

Reviewed and optimised telecommunication and network infrastructure

12%

Centre utilisation & efficiency gains

NSQHS STANDARDS

Accreditation with National Safety & Quality Health Service standards

afterpay

Multi-channel finance options

7

Centres opened in 4 months – performing strongly

lisa

Automated sterilisation systems

FIRST CHOICE FOR DENTISTS

PACIFIC SMILES GROUP

Clinical Sovereignty

Dental Advisory Committee

Specialised training and development

Quality facilities with state of the art sterilisation

Well trained staff

Accredited dental centres

Focus on affordability with various payment channels for patients

Strong patient demand

Mentoring

90%

Retention rate – **Up 5%**

>80

Patient net promoter score

40

Graduates in mentoring programs

Enabling wide access to CPD **accredited** learning

FY 2020 GUIDANCE

(Excludes the impact of AASB16 Leases)

SAME CENTRE PATIENT FEES[1]

High single digit growth YOY

NEW DENTAL CENTRES[2]

Opening 7 – 10 centres

EBITDA

6% - 12% growth YOY

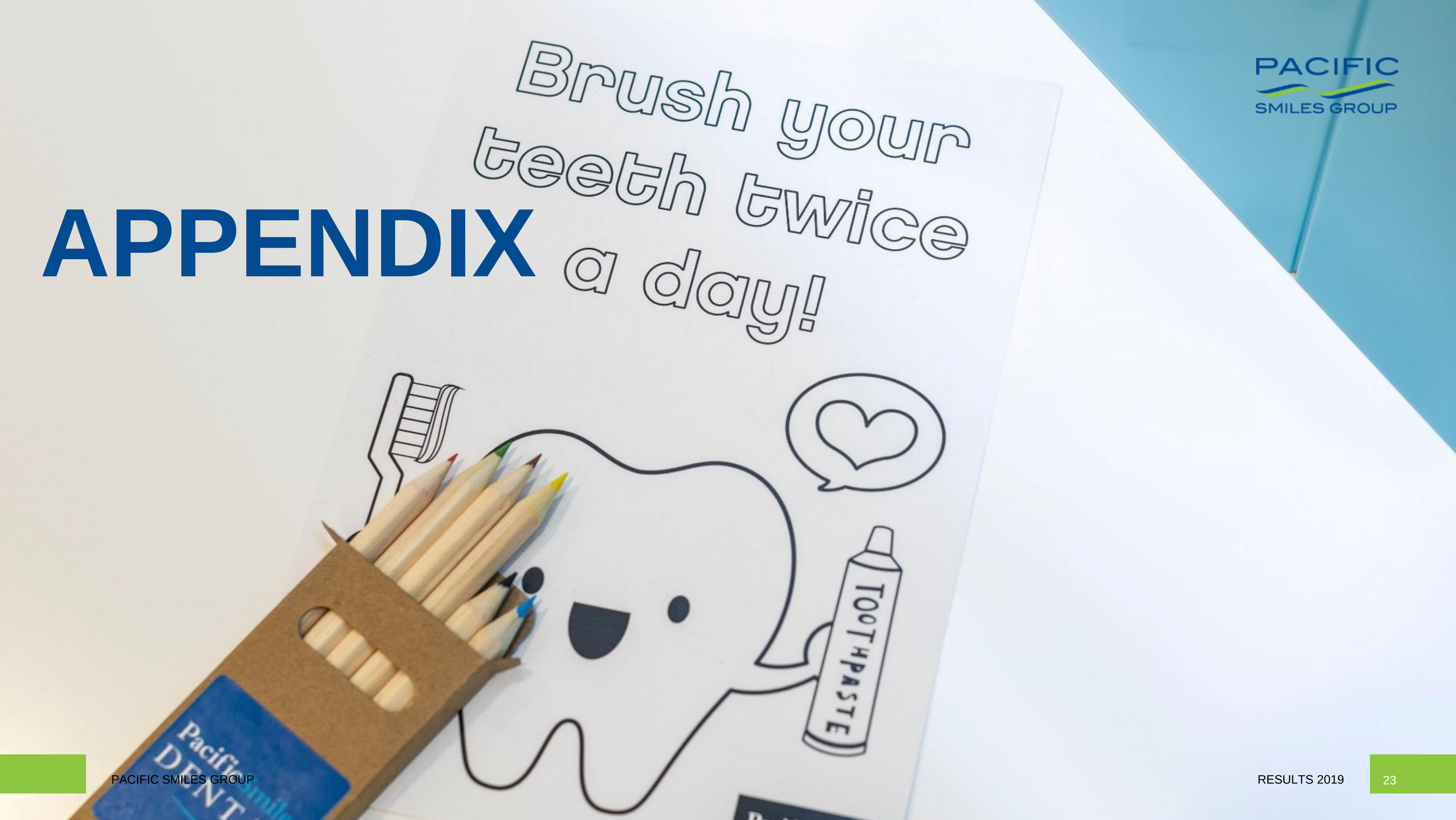
DIVIDEND PAYOUT RATIO

70% - 100% of NPAT

Building on a strong foundation

Notes:
1. Same centre patient fee growth is approximately 12.2% for the first 7 weeks of FY 2020
2. 5 new sites already committed for FY 2020

APPENDIX



DENTAL CENTRE LOCATIONS

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New South Wales

- Balgowlah
- Bateau Bay
- Baulkham Hills*
- Belmont
- Belrose
- Blacktown
- Brookvale
- Campbelltown
- Charlestown
- nib Chatswood
- Erina
- nib Erina
- Figtree
- Forster
- Gladesville
- nib Glendale
- Greenhills
- Jesmond
- Kotara
- Lake Haven
- Marrickville
- Morisset
- Mount Hutton*
- Narellan
- nib Newcastle
- nib North Parramatta
- Nowra
- Parramatta
- Penrith
- Queanbeyan
- Rutherford
- Salamander Bay
- Shellharbour‡
- Singleton
- nib Sydney
- Toronto
- Town Hall
- Tuggerah
- Tweed Heads*
- Wagga Wagga
- nib Wollongong

Queensland

- Aspley*
- Birtinya*
- Bribie Island
- Brisbane CBD
- Browns Plains
- Buddina
- Burleigh Heads
- Capalaba
- Deception Bay
- Helensvale
- Morayfield
- Mt Gravatt
- Mt Ommaney
- North Lakes
- Redbank Plains
- Runaway Bay
- Strathpine

Victoria

- Bairnsdale
- Bendigo
- Caroline Springs*
- Chirnside Park*
- Cranbourne Park
- Drysdale
- Glen Iris*
- Glen Waverley
- Greensborough
- Keysborough*
- Leopold
- Melbourne
- nib Melbourne
- Melton
- Mill Park
- Mulgrave
- Point Cook
- Preston*
- Ringwood
- Sale
- Torquay
- Traralgon
- Warragul
- Waurn Ponds
- Werribee

ACT

- Belconnen
- Gungahlin
- Manuka
- Tuggeranong
- Woden
- nib Woden

Notes:
* FY2019 New Centres
‡ Warilla merged with Shellharbour

STATUTORY UNDERLYING

Reconciliation

$ MILLIONS	STATUTORY FY 2019	*ADJ'S FY 2019*	UNDERLYING FY 2019	STATUTORY FY 2018	*ADJ'S FY 2018*	UNDERLYING FY 2018
Revenue	122.2	-	122.2	104.5	-	104.5
Direct expenses	(11.8)	-	(11.8)	(8.3)	*0.3*	(8.1)
Gross profit	110.3	-	110.3	96.2	*0.3*	96.5
Other income	1.2	-	1.2	1.2	*(0.4)*	1.6
Expenses						
Employee expenses	(52.0)	*0.5*	(51.5)	(44.2)	*0.7*	(43.4)
Consumable supplies expenses	(9.4)	-	(9.4)	(8.4)	-	(8.4)
Occupancy expenses	(13.4)	*(0.0)*	(13.4)	(12.0)	-	(12.0)
Marketing expenses	(2.0)	-	(2.0)	(1.8)	-	(1.8)
Administration and other expenses	(12.5)	-	(12.5)	(12.7)	*1.7*	(11.0)
EBITDA	22.3	*0.5*	22.8	18.4	*3.1*	21.5
Depreciation and amortisation	(9.4)	-	(9.4)	(7.8)	-	(7.8)
EBIT	12.9	*0.5*	13.4	10.6	*3.1*	13.7
Net finance costs	(0.7)	-	(0.7)	(0.4)	-	(0.4)
Profit before tax	12.2	*0.5*	12.7	10.2	*3.1*	13.3
Income tax expense	(3.7)	*(0.2)*	(3.8)	(3.6)	*(0.4)*	(4.0)
Net profit after tax	8.6	*0.4*	8.9	6.6	*2.6*	9.3

- Adjustments to the FY 2019 Income Statement remove the impacts of one-off lease adjustment, severance expense, and executive LTI plan expense
- Adjustments to the FY 2018 Income Statement remove the impacts of one-off major dental centre restructure, business acquisition costs, severance and HR consultancy expense, asset write-off, and executive LTI plan expense

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

BALANCE SHEET AS AT 30 JUNE 2019

$ MILLIONS	STATUTORY 30 JUN 2019	STATUTORY 30 JUN 2018
Current Assets		
Cash and cash equivalents	7.0	6.7
Receivables	1.1	0.9
Current Tax Receivable	-	0.8
Inventories	3.7	3.3
Other	0.6	0.5
Total Current Assets	12.3	12.0
Non-Current Assets		
Property, plant and equipment	54.7	47.3
Intangible assets	10.9	11.0
Deferred tax assets	6.0	5.0
Total Non-Current Assets	71.6	63.3
Total Assets	83.9	75.3
Current Liabilities		
Payables	12.5	11.0
Current Tax Liabilities	1.4	
Provisions	3.8	3.3
Total Current Liabilities	17.7	14.3
Non-Current Liabilities		
Payables	-	0.1
Borrowings	17.0	12.0
Provisions	8.1	7.0
Total Non-Current Liabilities	25.1	19.1
Total Liabilities	42.8	33.5
Net Assets	41.1	41.9
EQUITY		
Contributed equity	35.1	35.1
Reserves	0.2	0.3
Retained profits	5.9	6.5
Total Equity	41.1	41.9

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

AASB 16 LEASES

Impact of new lease accounting standard AASB 16 *Leases*

Profit and Loss

- EBITDA impact – increase of $11.6m
- NPAT impact – reduction of $0.1m

Balance Sheet

- Recognition of right of use asset and lease liability
- Total Assets – increase by $55.7m
- Total Liabilities - increase by $59.5m
- Net Asset impact – reduction of $3.8m
- Retained Earnings – reduction of $3.8m

Adoption date and comparatives

- AASB 16 will be adopted from 1 July 2019
- The new standards will be applied prospectively with no prior period restatement
- FY 2020 Investor Presentations will include an analysis of the results under the new and old accounting standards

PACIFIC SMILES GROUP