



**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](mailto:investor.relations@pacificsmiles.com.au)  
[www.pacificsmilesgroup.com.au](http://www.pacificsmilesgroup.com.au)  
ABN 42 103 087 449 / ACN 103 087 449

20 February 2020

## **ASX ANNOUNCEMENT**

### **Pacific Smiles Group Limited – Half Year Results to 31 December 2019**

Pacific Smiles Group Limited (ASX: PSQ) (“Pacific Smiles” or “the Company”) today announced its financial results for the half year ended 31 December 2019.

#### **Key financial highlights**

The key financial highlights from the results include: -

- Patient Fees generated by the dental practitioners working at dental centres owned and operated by Pacific Smiles were \$105.4m, up 14.5% on the prior period
- Revenue (underlying) of \$68.3 million<sup>1</sup>, up 14.2% on the prior period
- Same centre Patient Fees grew 9.4% for the period
- EBITDA (underlying) of \$12.9 million<sup>1</sup>, up 15.0% on the prior period
- NPAT (underlying) of \$5.0 million<sup>1</sup>, up 11.2% on the prior period
- 4 new Pacific Smiles Dental centres opened in H1 2020, bringing the total to 93 centres as at 31 December 2019
- Interim dividend of 2.4 cps (fully franked) declared (H1 2019: 2.3 cps)

#### **Operational Update and Initiatives**

In line with our True Purpose, to improve the oral health of ALL Australians to world’s best, Pacific Smiles continues the roll out of quality dental centres in convenient locations for patients. In H1 2020 4 new dental centres were opened in Robina and Mitchelton in Queensland and Epping and Ocean Grove in Victoria. All are in shopping centres and results have been pleasing to date. There is a healthy pipeline of development opportunities for the second half with at least 3 new Pacific Smiles Centres due to open in H2 2020.

Dentists are choosing to practice from dental centres owned and operated by Pacific Smiles in ever increasing numbers. Our business model is appealing to dentists from both a lifestyle and professional perspective and we constantly seek ways to add value and further enhance the opportunities for dentists. Dentist training and development helps to attract and retain the best dentists, which in turn, positively impacts upon patient experience and retention and most importantly, patient care. This year again saw a

<sup>1</sup> Underlying results exclude \$0.6m for the impacts of once-off severance expenses, non-scheduled IT outage, executive LTIP and centre relocations, and are reported excluding the impact of AASB 16 Leases

record intake for the graduate dentist mentoring and training program, which provides graduates with a head start compared to their peers.

Pacific Smiles is proud to announce an alliance with the University of Sydney whereby final year dental students will provide dental services to private patients as part of an 8 week clinical placement for dental students at the PSD Parramatta centre. Dental students will provide care under direct supervision from qualified dental practitioners who are clinical educators at The University of Sydney. It has a strong link to our true purpose – to enhance the capabilities of the next generation of dental practitioners serving the oral health needs of Australians.

With a focus on improved centre utilisation, an additional 13 chairs were commissioned in existing centres (compared to 7 in H1 2019). Also contributing to this growth, is a number of new centres moving to profitability sooner and requiring an uplift in chairs to meet patient demand.

In H2 2020 our operational focus remains on improving efficiencies across the group and continuing to accelerate new centres to profitability inside 12 months. Our Smiles Care Centre trial locations will be commissioned in H2 2020.

With the change in the scope of practice for oral health therapists (OHT), Pacific Smiles will review opportunities to utilise OHTs in our centres to further support the dentist and to increase our ability to engage more patients in our local communities.

## **Business Performance**

Revenue (underlying)<sup>1</sup> for the period was \$68.3 million, up 14.2% on the prior period.

Total Patient Fees for the period were \$105.4 million, representing growth of 14.5% on prior period.

Same Centre Patient Fees growth of 9.4% for the period was higher than the 9.0% reported in H1 2019. Same Centre growth was driven by strong growth across all cohorts as centres commission new surgeries and maximise utilisation.

EBITDA (underlying)<sup>1</sup> increased by 15.0% to \$12.9 million (H1 2019: \$11.2 million) during the half year compared with the prior comparative period. EBITDA to Patient Fees margin remained unchanged at 12.2%. The solid EBITDA result was driven by strong patient fee growth and efficiency initiatives.

Corporate costs represented 6.8% of patient fees in H1 2020 as compared to 6.3% in H1 2019. Forty basis points of this decline was due to a year-on-year increase in performance-based bonus accruals. The H1 2019 executive bonus accruals were nil due to underperformance against internal targets.

Underlying NPAT<sup>1</sup> increased by 11.2% to \$5.0 million compared to \$4.5 million for the prior year due to the strong patient fee growth in the half, offset by depreciation cost increases associated with the rollout strategy of new centres. Depreciation costs (excluding the impact of AASB 16) totalled \$5.4 million an increase of \$1.0 million on the prior period.

Pacific Smiles continues to report very high levels of patient satisfaction, with Net Promoter Score results above 80, a pleasing result and high by most benchmarks.

Capital expenditure for H1 2020 was \$6.9 million (H1 2019: \$7.1 million), consisting predominantly of new centres, rollout of an automated sterilisation system, the relocation of Salamander Bay dental centre and the bulk purchase of dental chairs.

<sup>1</sup> Underlying results exclude \$0.6m for the impacts of once-off severance expenses, non-scheduled IT outage, executive LTIP and centre relocation, and are reported excluding the impact of AASB 16 Leases

## **Impacts of AASB 16 Leases**

AASB 16 is the new accounting standard which changes the treatment of leases and impacts businesses with a large leased property portfolio, such as Pacific Smiles. It brings property leases on-balance sheet with a lease liability representing the lease payment obligations. The new standard resulted in the Group recognising depreciation and interest costs, instead of operating lease expenses. This increased EBITDA by \$5.8 million and reduced NPAT by \$0.4 million due to increased depreciation, interest and tax expense, offset by a reduction in operating lease expense. Given the application of the standard is not retrospective, the half year results presentation has been prepared excluding the impacts of AASB 16 to assist with comparability to the prior reporting period. A reconciliation to the statutory results is included in the appendix to the results presentation.

## **Dividend**

The Board has declared an interim fully franked dividend of 2.4 cents per share to be paid on 3 April 2020. The record date for this dividend is 19 March 2020.

## **Trading Update and Outlook**

Pacific Smiles provides the following update regarding the outlook for FY 2020: -

- Underlying EBITDA<sup>1</sup> growth for FY 2020 of 11% - 15% on FY 2019 (previously 8% - 14%)

The following elements of the outlook remain unchanged: -

- Same Centre Patient Fee growth in the high single digits (tracking at 9.1% YTD up until 15 February 2020)
- Opening 7 - 10 new dental centres in FY 2020, with 4 new centres opened in H1 2020 and 2 new sites already committed for H2 2020
- Dividend pay-out ratio within the policy range of 70-100% of NPAT for FY 2020

## **Investor conference call**

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

Date: 20 February 2020

Time: 11.00am AEDT

Dial-in number: +61 2 8038 5221

Password: 1189083

<sup>1</sup> Underlying results exclude \$0.6m for the impacts of once-off severance expenses, non-scheduled IT outage, executive LTIP and centre relocation, and are reported excluding the impact of AASB 16 Leases

## **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**

Phil McKenzie

Chief Executive Officer

Email: [investor.relations@pacificsmiles.com.au](mailto:investor.relations@pacificsmiles.com.au)

Phone: 02 4930 2000

<sup>1</sup> Underlying results exclude \$0.6m for the impacts of once-off severance expenses, non-scheduled IT outage, executive LTIP and centre relocation, and are reported excluding the impact of AASB 16 Leases