H1 2021 RESULTS

PACIFIC SMILES GROUP

Presented by:

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Managing Director &
Chief Executive Officer

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17 FEBRUARY 2021

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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

Our True Purpose

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

Our Patients *Trust* us

Our Dentists are *Respected* by us

Our Employees *Matter* to us

Performance Highlights

H1 2021 Highlights

$121.7m

PATIENT FEES – UP 15.5%

102

DENTAL CENTRES – UP 9.7%

13.2%

SAME CENTRE GROWTH - UP 380 bps

$21.2m

UNDERLYING EBITDA – UP 64.7%

$10.4m

UNDERLYING NPAT – UP 106.6%

2.4cps

ORDINARY DIVIDENDS – UNCHANGED

Operational snapshot

8 new
DENTAL CENTRES

620
DENTISTS

102
DENTAL CENTRES

>80%
EMPLOYEE RETENTION

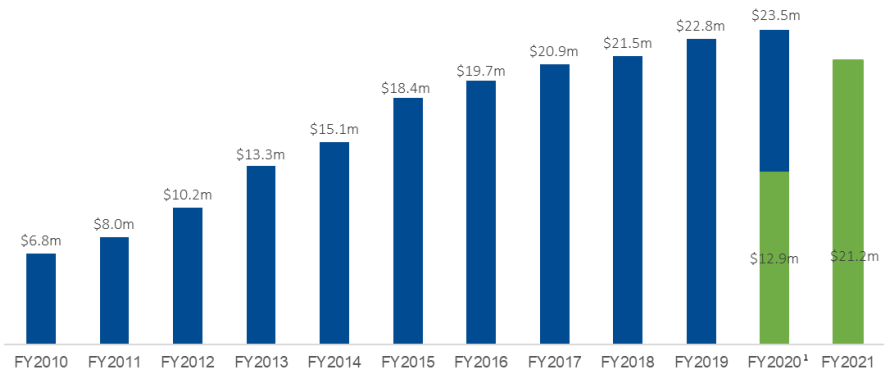
32
NEW GRADUATES

>80
PATIENT NET PROMOTER SCORE

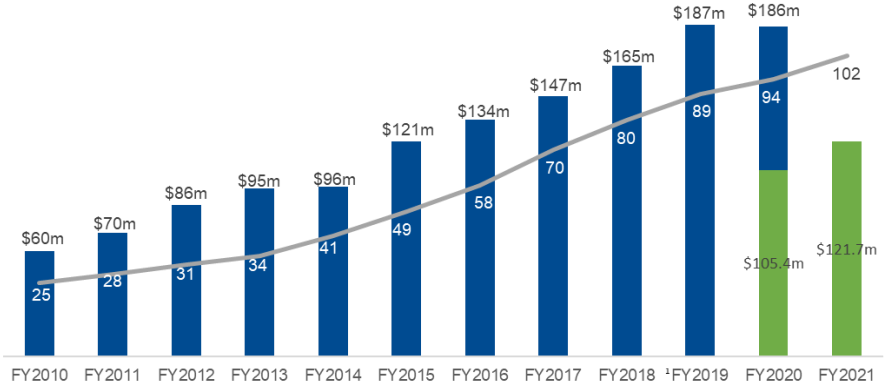
28 new
DENTAL CHAIRS

>470,000
NUMBER OF APPOINTMENTS

Strong Growth Track Record



Patient Fees and Number of Centres



EBITDA (Underlying)

Notes:
1. FY2020 impacted by government mandated dental restrictions due to COVID-19

COVID-19 Update

Trend of patients moving from CBD centres to suburban centres due to many working from home

Centres in Victoria were impacted by restrictions imposed during the 2nd wave. All centres remained open during this time

Training sessions and focused appreciation for employees

Increased debt facility to provide protection against future waves

Targeted marketing in states outside VIC during 2nd wave

Sustained extra COVID-19 measures above already stringent standards

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Results Detail

Summary Income Statement

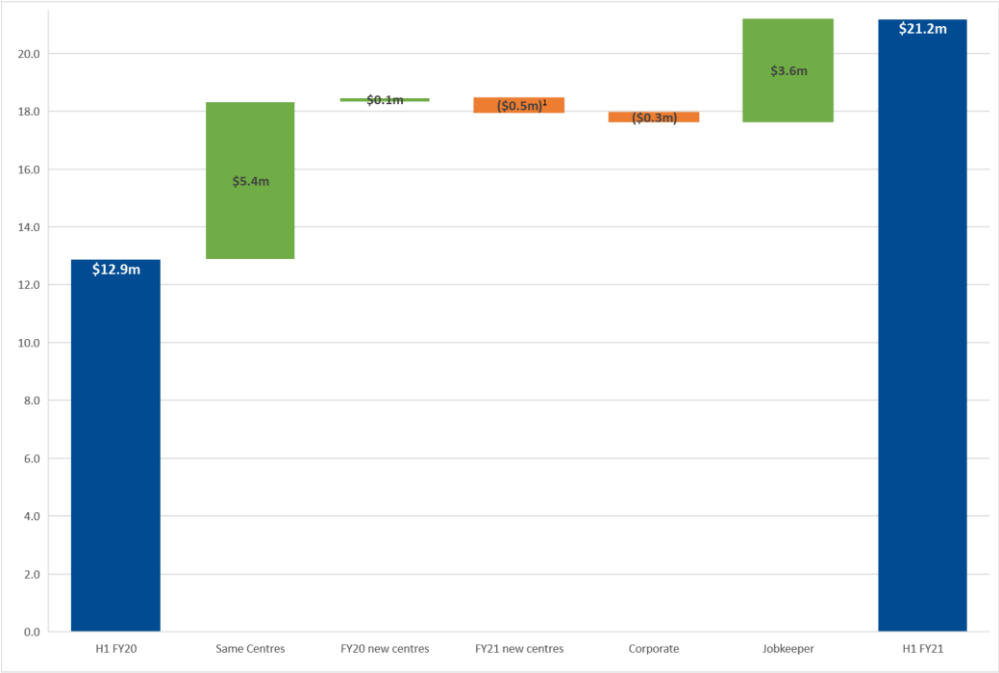
For the half year ended 31 December 2020

$ MILLIONS	UNDERLYING [1] H1 2021	UNDERLYING[1] H1 2020	CHANGE
Revenue	78.4	68.3	14.9%
Gross profit	72.6	62.2	16.7%
EBITDA	21.2	12.9	64.7%
Depreciation and amortisation	(5.7)	(5.4)	(6.2%)
EBIT	15.5	7.5	106.4%
Net interest expense	(0.3)	(0.4)	17.8%
Profit before tax	15.2	7.2	112.7%
Tax	(4.8)	(2.1)	(127.1%)
Net profit after tax	10.4	5.0	106.6%
Key operating metrics			
Number of Dental Centres	102	93	9.7%
Number of Commissioned Dental Chairs	411	373	10.2%
Patient Fees ($m)	121.7	105.4	15.5%
Same Centre Patient Fees growth	13.2%	9.4%	
Key financial metrics			
Earnings per share (cents)	6.8	3.3	
EBITDA margin	27.1%	18.9%	
EBITDA to Patient Fees margin	17.4%	12.2%	
EBIT margin	19.8%	11.0%	

- Patient fees up 15.5% with Same Centre Patient Fee growth of 13.2% (H1 2020: 9.4%) due to strong growth in average fees per appointment and number of appointments attended in majority of cohorts
- Underlying EBITDA up 64.7% to $21.2 million (H1 2020: $12.9m) due to strong patient fee growth, efficiency gains in labour utilisation and JobKeeper scheme
- The JobKeeper scheme provided $8.0m in gross benefits. The approximate benefit, net of COVID-19 related EBITDA impacts is $3.6m. JobKeeper benefit allowed us to service patients across communities and support employees in COVID-19 restricted centres
- D&A increased by $0.3 million reflecting the reduced number of new centre developments in FY 2020

Notes:
1. Underlying excluding the impact of AASB 16 with reconciliation provided in the appendix

H1 2021 EBITDA Bridge



- The key drivers of the movements are summarised in the adjacent chart:
  - Same centres performed strongly with patient fee growth of 13.2% (H1 2020 9.4%) and strong EBITDA margin growth given an increase in average fees per appointment and efficiencies gained through improved labour utilisation
  - FY 2020 new centres performed inline with expectations, achieving profit in H1 2021
  - Start up losses from new centres opened in H1 2021 - 8 new centres were opened (H1 2020: 4)
  - Jobkeeper provided an estimated benefit of $3.6m, net of COVID-19 related EBITDA impacts. Pacific Smiles entitlement to the JobKeeper program ceased on 30 September 2020

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

H1 2021 EBITDA Margin Bridge

- Same centre margin expansion driven by an increase in average fees per appointment, improved labour utilisation, and margin expansion as centres ramp to maturity and leverage fixed cost base
- Centre mix impacted by increasing proportion of fees coming from new centres opened in the last 2 years which generate lower margins than mature centres
- Corporate costs improved as a percentage of patient fees, moving from 6.8% H1 2020 to 6.1% H1 2021. This is due to carrying vacant positions in H1 2021, which is expected to unwind in H2 2021

H1 2021 Cashflow & Balance Sheet

$ MILLIONS	REPORTED[3] H1 2021	REPORTED[3] H1 2020
EBITDA	20.3	12.1
Other non-cash items	0.9	0.2
Changes in working capital (exc. Income tax)	6.0	2.7
Net interest paid	(0.3)	(0.4)
Income tax paid	(4.0)	(2.5)
Net cash flow from operating activities	**22.9**	**12.0**
Net capital expenditure	(11.1)	(6.9)
Business acquisitions	-	-
Lease payments received from finance leases	-	-
Net cash flow from investing activities	**(11.1)**	**(6.9)**
Borrowings (net)	(19.0)	3.5
Payment of lease liabilities	-	-
Dividends	-	(5.3)
Net cash flow from financing activities	**(19.0)**	**(1.8)**
Net cash flow	**(7.2)**	**3.3**

$ MILLIONS	REPORTED[3] 31 DEC 2020	REPORTED[3] 31 DEC 2019
Cash and cash equivalents	8.0	10.3
Other current assets	6.7	6.1
Property, plant and equipment	56.3	55.5
Other assets	18.0	16.9
Total Assets	**89.0**	**88.7**
Payables	21.7	15.8
Provisions	13.6	12.7
Borrowings	3.0	20.5
Total Liabilities	**38.3**	**49.0**
Net Assets	**50.7**	**39.7**

- Strong EBITDA cash conversion[1] of 134%
- The non-cash item includes impairment of assets and share based payments
- Change in working capital includes the receipt of outstanding JobKeeper at June 2020
- Net capital expenditure of $11.1m, including:
  - New centres ($6.4m);
  - Bulk purchase of dental chairs ($1.1m);
  - Scanners ($1.1m)
- H1 2021 interim dividend of 2.4cps, unchanged from H1 2020
- Increases in property, plant and equipment reflects a greater number of new centres in H1 2021
- Borrowings decreased due to pay down of debt from free cashflow in H1 2021

Notes:
1. Cash conversion calculated as operating cash flow excluding tax and net finance cost as a ratio of EBITDA (Statutory excluding AASB16)
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
3. Reported is Statutory excluding the impact of AASB 16

PACIFIC SMILES GROUP

Business Overview & Outlook

Our Long Term Strategy

Stretch our advantage as the leading Dentist Service Organisation in Australia

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NETWORK GROWTH

- Existing Centres
- Commission chairs in existing surgeries
- Greenfields New Centres
- Range of Services
- Explore accelerated New Centre roll out

CULTURE 'PACIFIC SMILES WAY'

- High functioning leadership
- Employee capability building
- Culture Playbook
- LIFT mentoring program and leadership development

OPERATIONAL EXCELLENCE

- New patient engagement and retention
- Technology centric
- Cost and contract review program
- Process and system optimisation

NEW OPPORTUNITIES

- Smiles Care Kiosks
- HBF Partnership
- Digital Scanners
- New geographies
- New dentist services

DENTAL CENTRES
GROW TO >250

DENTAL CHAIRS
GROW TO >800

EBITDA TO PATIENT FEES MARGIN
GROW TO +15%

MARKET SHARE
GROW TO >5%

Notes
Targets exclude HBF (Western Australia) opportunity

Network Growth

Existing Centres

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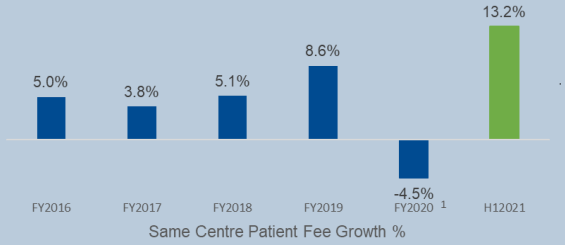
Same Centre Patient Fee Growth %



* Impacted by Government mandated restrictions to dental services due to COVID-19

COVID-19 restrictions impacted same centre patient fee growth in FY 2020

27% centres <3 years old

89 available

82% commissioned

Same Centre Patient Fee Growth

Same Centre Patient Fee Growth	H1 2020		H1 2021	
	% Growth	% Of Total	% Growth	% Of Total
Centres opened 2010 and earlier	4.8%	50.3%	7.4%	45.9%
Centres opened 2011 to 2019[1]	14.1%	49.7%	18.1%	54.1%
Group	9.4%		13.2%	

Industry leading operations positioned centres to capitalise on strong patient demand

Notes
1. Centres opened in H1 2019 are not included in the H1 2020 same centre calculations

H2 2021 Focus

Further enabling practitioners with the transition to a digital platform

Progressing the HBF partnership with the opening of 3 HBFD centres

Exploring an accelerated new centre roll-out program

Engaging with practitioners through new bespoke services and education

FY 2021 Guidance - Revised

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(Excludes the impact of AASB16 Leases)

PATIENT FEES[1]

Approximately 25 -30% growth YOY

REVISED

NEW DENTAL CENTRES[2]

Approximately 15 centres

REVISED

EBITDA[3]
(Underlying)

Approximately 40 - 50% growth YOY

DIVIDEND PAYOUT RATIO

70% - 100% of NPAT

Same centre YTD patient fee growth approximately 13.1%

Notes:
1. Same centre patient fee growth is approximately 13.1% as at 12th February 2021
2. 8 new centres open this first half FY21 and 7 committed for H2 FY21. New dental centres is revised from approximately 14 centres. Target excludes HBFD centres.
3. Underlying EBITDA is revised from 35 – 45% growth YOY

Appendix

Dental centre locations

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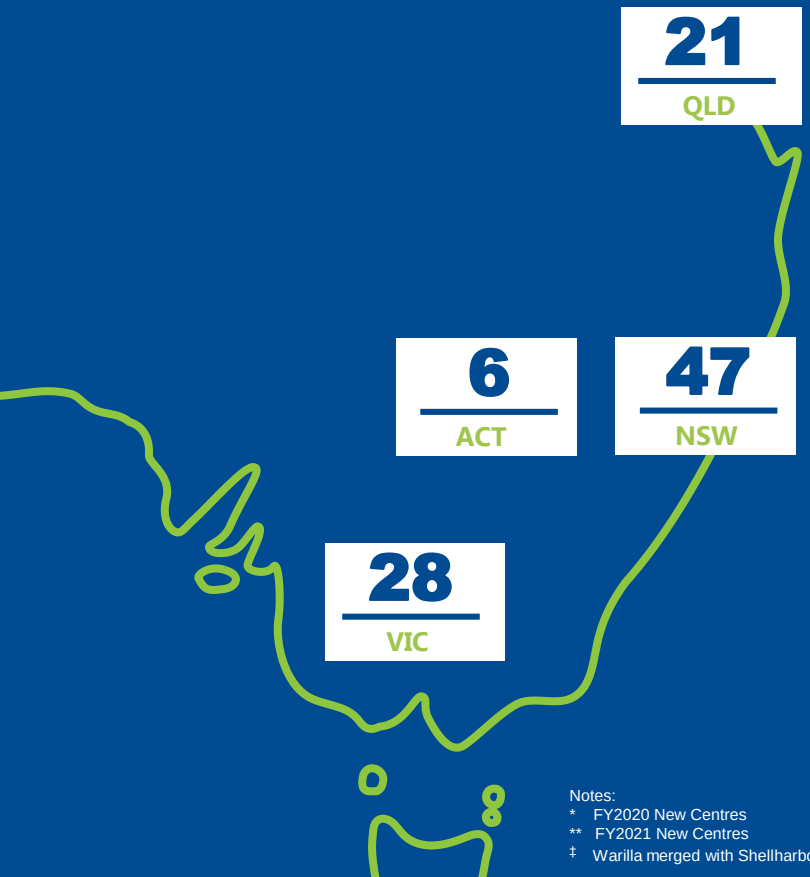

NSW

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

QLD

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

VIC

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

ACT

Belconnen
Gungahlin
Manuka
Tuggeranong
Woden
nib Woden

Notes:
* FY2020 New Centres
** FY2021 New Centres
‡ Warilla merged with Shellharbour

AASB 16 Leases

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Impact of AASB 16 Leases at 31 December 2020

Profit and Loss

- EBITDA impact – increase of $6.3m
- NPAT impact – reduction of $0.1m

Balance Sheet

- Recognition of right of use asset and lease liability
- Total Assets – increase by $58.3m
- Total Liabilities - increase by $62.2m
- Net Asset impact – reduction of $3.8m
- Retained Earnings – reduction of $3.8m

Adoption date and comparatives

- AASB 16 was adopted from 1 July 2019
- H1 2021 Investor Presentation is presented excluding the impacts of AASB16, with reconciliations to the new accounting standards

Underlying Results Reported With AASB16

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Reconciliation

$ MILLIONS	UNDERLYING EXC. AASB16 H1 2021	*AASB16 ADJ H1 2021*	UNDERLYING H1 2021	UNDERLYING EXC. AASB16 H1 2020	*AASB16 ADJ H1 2020*	UNDERLYING H1 2020	UNDERLYING EXC. AASB16 FY 2020	*AASB16 ADJ FY 2020*	UNDERLYING FY 2020
Revenue	78.4	-	*78.4*	68.3	-	*68.3*	120.6	-	*120.6*
Direct expenses	(5.8)	-	*(5.8)*	(6.1)	-	*(6.1)*	(10.6)	-	*(10.6)*
Gross profit	72.6	-	*72.6*	62.2	-	*62.2*	109.9	-	*109.9*
Other income	8.4	*0.2*	*8.2*	0.6	*0.2*	*0.5*	2.6	*0.4*	*2.3*
Expenses									
Employee expenses	(36.0)	-	*(36.0)*	(29.8)	-	*(29.8)*	(48.9)	-	*(48.9)*
Consumable supplies expenses	(7.0)	-	*(7.0)*	(5.2)	-	*(5.2)*	(9.2)	-	*(9.2)*
Occupancy expenses	(7.9)	*(6.4)*	*(1.4)*	(7.1)	*(5.9)*	*(1.3)*	(14.8)	*(11.9)*	*(2.8)*
Marketing expenses	(1.5)	-	*(1.5)*	(1.1)	-	*(1.1)*	(1.9)	-	*(1.9)*
Administration and other expenses	(7.4)	*0.0*	*(7.4)*	(6.7)	*(0.1)*	*(6.6)*	(14.2)	*(0.1)*	*(14.1)*
EBITDA	21.2	*(6.3)*	*27.5*	12.9	*(5.8)*	*18.6*	23.5	*(11.7)*	*35.1*
Depreciation and amortisation	(5.7)	*4.9*	*(10.5)*	(5.4)	*4.5*	*(9.8)*	(11.0)	*9.0*	*(20.0)*
EBIT	15.5	*(1.5)*	*17.0*	7.5	*(1.3)*	*8.8*	12.5	*(2.6)*	*15.1*
Net finance costs	(0.3)	*1.4*	*1.7*	(0.4)	*1.4*	*(1.7)*	(0.7)	*2.8*	*(3.5)*
Profit before tax	15.2	*(0.1)*	*15.3*	7.2	*0.1*	*7.1*	11.8	*0.1*	*11.6*
Income tax expense	(4.8)	*0.0*	*4.9*	(2.1)	*0.3*	*(2.4)*	(3.7)	*(0.0)*	*(3.7)*
Net profit after tax	10.4	*(0.1)*	*10.4*	5.0	*0.4*	*4.6*	8.1	*0.1*	*8.0*
Key financial metrics									
Earnings per share (cents)	6.8			3.3			5.3		
EBITDA margin	27.1%			18.9%			19.5%		
EBITDA to Patient Fees margin	17.4%			12.2%			12.6%		
EBIT margin	19.8%			11.0%			10.3%		

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

Underlying to Statutory Reconciliation

PACIFIC SMILES GROUP

Profit and Loss

$ MILLIONS	UNDERLYING H1 2021	*ADJ'S H1 2021*	STATUTORY H1 2021	UNDERLYING H1 2020	*ADJ'S H1 2020*	STATUTORY H1 2020
Revenue	78.4	-	78.4	68.3	*(0.4)*	67.9
Direct expenses	(5.8)	-	(5.8)	(6.1)	-	(6.1)
Gross profit	72.6	-	72.6	62.2	*(0.4)*	61.8
Other income	8.4	*(0.2)*	8.2	0.6	*(0.2)*	0.5
Expenses						
Employee expenses	(36.0)	*(0.2)*	(36.2)	(29.8)	*(0.2)*	(30.0)
Consumable supplies expenses	(7.0)	-	(7.0)	(5.2)	-	(5.2)
Occupancy expenses	(7.9)	*6.4*	(1.4)	(7.1)	*5.8*	(1.4)
Marketing expenses	(1.5)	-	(1.5)	(1.1)	-	(1.1)
Administration and other expenses	(7.4)	*(0.8)*	(8.2)	(6.7)	*(0.0)*	(6.7)
EBITDA	21.2	*5.3*	26.6	12.9	*5.0*	17.9
Depreciation and amortisation	(5.7)	*(4.9)*	(10.5)	(5.4)	*(4.5)*	(9.8)
EBIT	15.5	*0.5*	16.1	7.5	*0.5*	8.0
Net finance costs	(0.3)	*(1.4)*	(1.7)	(0.4)	*(1.4)*	(1.7)
Profit before tax	15.2	*(0.8)*	14.4	7.2	*(0.9)*	6.3
Income tax expense	(4.8)	*0.3*	(4.6)	(2.1)	*(0.1)*	(2.2)
Net profit after tax	10.4	*(0.6)*	9.8	5.0	*(1.0)*	4.1
Key financial metrics						
Earnings per share (cents)	6.8			3.3		
EBITDA margin	27.1%			18.9%		
EBITDA to Patient Fees margin	17.4%			12.2%		
EBIT margin	19.8%			11.0%		

- Adjustments to the H1 2021 Income Statement remove the impacts of once-off Everything Denture asset impairment, executive LTI plan, and reallocation of JobKeeper from other income to employee expenses. In addition, underlying excludes the impact of AASB 16
- Adjustments to the H1 2020 Income Statement remove the impacts of once-off IT network outage, severance expense, centre relocation, 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

Reported to Statutory Reconciliation

Balance Sheet as at 31 December 2020

$ MILLIONS	REPORTED[2] 31 DEC 2020	AASB 16 31 DEC 2020	STATUTORY 31 DEC2020	REPORTED[2] 31 DEC 2019	AASB 16 31 DEC 2019	STATUTORY 31 DEC 2019
Current Assets						
Cash and cash equivalents	8.0	-	8.0	10.3	-	10.3
Receivables	1.5	0.3	1.8	1.4	0.4	1.7
Current Tax Receivable	-	-	-	-	-	-
Inventories	4.4	-	4.4	3.8	-	3.8
Other	0.8	-	0.8	0.9	-	0.9
Total Current Assets	14.7	0.3	15.0	16.4	0.4	16.7
Non-Current Assets						
Receivables	-	0.1	0.1	0.0	0.4	0.4
Property, plant and equipment	56.3	56.3	112.5	55.5	53.0	108.5
Intangible assets	10.2	-	10.2	10.9	-	10.9
Deferred tax assets	7.8	1.6	9.5	6.0	2.0	8.0
Total Non-Current Assets	74.3	58.0	132.3	72.4	55.4	127.8
Total Assets	89.0	58.3	147.3	88.7	55.8	144.5
Current Liabilities						
Payables	19.1	(0.0)	19.1	14.5	-	14.5
Lease Liabilities	-	11.0	11.0	-	9.5	9.5
Current Tax Liabilities	2.6	-	2.6	1.3	-	1.3
Provisions	5.3	(0.6)	4.7	4.4	(0.3)	4.1
Total Current Liabilities	27.0	10.3	37.3	20.2	9.3	29.5
Non-Current Liabilities						
Payables	-	-	-	-	-	-
Lease Liabilities	-	56.8	56.8	-	55.2	55.2
Borrowings	3.0	-	3.0	20.5	-	20.5
Provisions	8.3	(5.0)	3.4	8.3	(5.2)	3.2
Total Non-Current Liabilities	11.3	51.9	63.2	28.8	50.1	78.9
Total Liabilities	38.3	62.2	100.5	49.0	59.3	108.4
Net Assets	50.7	3.8	46.8	39.7	(3.6)	36.1
EQUITY						
Contributed equity	36.8	-	36.8	35.1	-	35.1
Reserves	7.9	(3.8)	4.1	3.8	(3.6)	0.3
Retained profits	6.0	(0.0)	6.0	0.8	-	0.8
Total Equity	50.7	(3.8)	46.8	39.7	(3.6)	36.1

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
2. Reported is Statutory excluding the impact of AASB 16

Reported to Statutory Reconciliation

PACIFIC SMILES GROUP

Cashflow as at 31 December 2020

$ MILLIONS	REPORTED[2] H1 2021	AASB 16 H1 2021	STATUTORY H1 2021	REPORTED[2] H1 2020	AASB 16 H1 2020	STATUTORY H1 2020
EBITDA	20.3	6.3	26.6	12.1	5.8	17.9
Other non-cash items	0.9	-	0.9	0.2	-	0.2
Changes in working capital (exc. Income tax)	6.0	(1.0)	5.0	2.7	(0.7)	2.0
Net interest paid	(0.3)	(1.4)	(1.7)	(0.4)	(1.4)	(1.7)
Income tax paid	(4.0)	-	(4.0)	(2.5)	0.1	(2.5)
Net cash flow from operating activities	**22.9**	**3.9**	**26.8**	**12.0**	**3.7**	**15.7**
Net capital expenditure	(11.1)	-	(11.1)	(6.9)	-	(6.9)
Business acquisitions	-	-	-	-	-	-
Lease payments received from finance leases	-	0.2	0.2	-	0.2	0.2
Net cash flow from investing activities	**(11.1)**	**0.2**	**(11.0)**	**(6.9)**	**0.2**	**(6.7)**
Borrowings (net)	(19.0)	-	(19.0)	3.5	-	3.5
Payment of lease liabilities	-	(4.1)	(4.1)	-	(3.9)	(3.9)
Dividends	-	-	-	(5.3)	-	(5.3)
Net cash flow from financing activities	**(19.0)**	**(4.1)**	**(23.1)**	**(1.8)**	**(3.9)**	**(5.7)**
Net cash flow	**(7.2)**	**0.0**	**(7.2)**	**3.3**	**0.0**	**3.3**

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
2. Reported is Statutory excluding the impact of AASB 16

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