**Pacific Smiles Group Limited**
**Appendix 4D**
**Half-year report**

## 1. Company details

| | |
|---|---|
| Name of entity: | Pacific Smiles Group Limited |
| ABN: | 42 103 087 449 |
| Reporting period: | For the half-year ended 31 December 2024 |
| Previous period: | For the half-year ended 31 December 2023 |

---

## 2. Results for announcement to the market

| | 31 Dec 2024 $'000 | 31 Dec 2023 $'000 | Change $'000 | Change % |
|---|---|---|---|---|
| **Statutory financial results** | | | | |
| Revenue from ordinary activities | 98,967 | 90,002 | 8,965 | 10% |
| Statutory (loss)/profit from ordinary activities after tax | (1,991) | 4,407 | (6,398) | (145%) |

| | 31 Dec 2024 $'000 | 31 Dec 2023[1] $'000 | Change $'000 | Change % |
|---|---|---|---|---|
| **Underlying financial results** | | | | |
| Revenue from ordinary activities | 98,967 | 90,002 | 8,965 | 10% |
| Underlying profit from ordinary activities after tax | 6,713 | 4,431 | 2,282 | 52% |

| | 31 Dec 2024 $'000 | 31 Dec 2023[1] $'000 | Change $'000 | Change % |
|---|---|---|---|---|
| **Reconciliation of statutory to underlying profit** | | | | |
| Statutory (loss)/profit from ordinary activities after tax | (1,991) | 4,407 | (6,398) | (145%) |
| Executive Long Term Incentive plan expense (Note 1) | 2,123 | (1,833) | 3,956 | (216%) |
| Impact from AASB 16 (Note 2) | (23) | 368 | (391) | (106%) |
| Workers compensation insurance premium adjustment for prior year (Note 3) | - | 208 | (208) | (100%) |
| Impact of prior year payroll tax determination (Note 4) | 9 | 1,013 | (1,004) | (99%) |
| Additional costs associated with change of ownership (Note 5) | 9,930 | - | 9,930 | - |
| Severance expenses removed (Note 6) | 38 | 210 | (172) | (82%) |
| Strategic technology initiatives (Note 7) | 357 | 68 | 289 | 425% |
| Income tax effect of adjustments | (3,730) | (10) | (3,720) | 37200% |
| **Underlying profit from ordinary activities after tax** | **6,713** | **4,431** | **2,282** | **52%** |

[1] *The prior period underlying profit from ordinary activities after tax has been restated to exclude strategic technology initiatives, in line with the updated approach to underlying adjustments applied in the current period.*

*Comments*
The loss for the Group after providing for income tax amounted to $1,991,000 (31 December 2023: profit of $4,407,000).

Note 1 – The long-term incentive costs for the Executive team have been removed as these expenses are tied to specific non-operating performance criteria and do not reflect regular salary and benefits. In the current period, the expense relates to all performance rights that either vested or lapsed during the half-year ended 31 December 2024, resulting from the off-market takeover bid. These costs have been excluded from the underlying financials as they do not represent ongoing operating expenses.

Note 2 – The Group has made several adjustments to align underlying EBITDA to the cash payments for leases and sub-leases. These adjustments aim to present a clearer picture of the operational performance of the Group by removing the non-cash effects introduced by the *AASB 16 Leases* standard.

Note 3 – During the prior half-year, the Group received premium adjustment notices regarding workers compensation premiums for prior financial years. As these are considered a change in estimate, they were paid and included in the statutory result, however, they have been excluded from the underlying result as they relate to prior years' expenditure.

Note 4 – The prior year payroll tax determination represents the total amount paid for payroll tax relating to the five financial years 2019 to 2023 in the Australian Capital Territory (ACT) and associated attendant legal costs incurred during the audits and PSG's objections. The current year amount relates to attendant legal costs associated with the ACT objection only.

Note 5 – The costs associated with the proposals from Genesis Capital Manager I Pty Ltd (Genesis) and NDC BidCo Pty Ltd (NDC) to acquire 100% of the shares in Pacific Smiles, as well as the Scheme Meeting held on 8 August 2024, have been excluded from the underlying financials. These costs included external consulting, financial and legal advice, break fees, and other associated expenses related to the Scheme and the Scheme Meeting, along with additional exertion payments to directors and management. Subsequently, an off-market takeover bid from Genesis was successful in acquiring circa 89% of the shares in Pacific Smiles. The associated costs of this transaction have also been excluded from the underlying financials.

Note 6 – All termination and redundancy severance expenses have been removed as non-underlying costs, as these are non-recurring and non-operational expenses that do not reflect regular payroll costs and including them would distort the true changes in ongoing employee expenditure.

Note 7 – In the calculation of underlying net profit, the company has excluded the costs associated with implementing two specific, non-recurring information technology strategic improvement initiatives. These costs are considered as capital expenditures in nature; however, under current accounting interpretations regarding SaaS arrangements, they are required to be expensed through the profit and loss. Given the one-off nature of these initiatives, their exclusion is intended to provide a more consistent and transparent view of the company's ongoing operating performance.

---

**3. Net tangible assets**

| | Reporting period Cents | Previous period Cents |
|---|---|---|
| Net tangible assets per ordinary security | (8.40) | (9.26) |

Following the implementation of *AASB 16 Leases*, right of use assets are excluded from the calculation of net tangible assets per ordinary security, however, the corresponding lease liabilities are included in the calculation shown above. Should the lease liabilities be excluded from the calculation, net tangible assets per ordinary security would be $34.71 (HY24: $37.94).

---

**4. Dividends**

*Current period*
No interim dividend was declared for the half-year of FY25 (HY24: $3,351,220).

*Previous period*

| | Amount per security Cents | Franked amount per security Cents |
|---|---|---|
| Final dividend for the year ended 30 June 2024, paid on 3 October 2024 | 3.25 | 3.25 |

---

**5. Dividend reinvestment plan**

The Company does not currently offer a dividend reinvestment plan.

---

**6. Audit qualification or review**

*Details of audit/review dispute or qualification (if any):*

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

## 7. Signed

Signed ______________________________ Date: 26 February 2025

Michael Caristo
Chairperson

# Pacific Smiles Group Limited

**ABN 42 103 087 449**

# Interim Report - 31 December 2024

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Pacific Smiles Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2024.

**Directors**

The following persons were Directors of Pacific Smiles Group Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr Gary Carroll (appointed 14 October 2024)
Dr Michael Caristo (appointed 16 December 2024)
Mr Christopher Yoo (appointed 16 December 2024)
Ms Tara Hariharan (appointed 16 December 2024)
Mr Steven Rubic
Mr Brent Cubis (appointed 9 October 2024)
Ms Giselle Collins (resigned 16 December 2024)
Ms Jodie Leonard (resigned 16 December 2024)
Dr Scott Kalniz (resigned 16 December 2024)
Mr Andrew Vidler (resigned 15 October 2024)
Ms Zita Peach (resigned 28 August 2024)
Mr Mark Bloom (resigned 9 August 2024)

**Principal activities**

The Group principally operates dental centres at which independent dentists practice and provide clinical treatments and services to patients. Revenues and profits are primarily derived from fees charged to dentists for the provision of these fully serviced dental facilities.

**Dividends**

No interim dividend was declared during the financial half-year.

**Review of operations**

The loss for the Group after providing for income tax amounted to $1,991,000 (31 December 2023: profit of $4,407,000).

During the period, the Group was subject to an off-market takeover bid, made by Beam Dental Bidco Pty Ltd (Bidco), an associate of Genesis Capital Manager I Pty Ltd (Genesis). The bid has successfully acquired circa 89% of the issued shares in the Group, resulting in a substantial change in the Company's shareholder base and a change of control.

The takeover bid reflected strong external interest in the Company's operations and growth potential. The Board oversaw the execution of necessary legal, financial, and operational activities to facilitate the takeover process. This significant transaction underscores the resilience of Pacific Smiles' business model and its attractiveness to investors while positioning the Company for its next phase of growth under the new ownership structure.

Pacific Smiles continues to provide dentists with fully serviced and equipped facilities providing support staff, materials, marketing and administrative services, that delivers them the benefit of more flexibility and time to focus on their patients and offer exceptional patient care.

While the financial result for the half-year was impacted by the large one-off expenses relating to the change in ownership process, the Company's underlying performance was pleasing, punctuated by strong top line growth, rising asset utilisation and ongoing improvements in operating efficiency.

Financial results for the first half of the 2025 financial year (HY25) are as follows (all comparisons are to first-half financial year 2024 results):

- Statutory net profit after tax ("NPAT") decreased from a profit of $4.4m to a loss of $2.0m, a decrease of 145%.
- Underlying earnings before interest, tax, depreciation and amortisation ("EBITDA") (excluding AASB 16) increased from $13.9m[1] to $16.3m an increase of 17%.
- Patient fees up 9% year on year to $160.3m.
- Group revenue up 10% year on year to $99.0m
- HBF Dental (HBFD) delivered 35,531 appointments, an increase of 23% over the prior year.
- Dividends of $5.2m paid to shareholders during the half-year.

[1]*The prior period underlying profit from ordinary activities after tax has been restated to exclude strategic technology initiatives, in line with the updated approach to underlying adjustments applied in the current period.*

The HY25 results reflect the Company's strategy of capitalising on the significant investments in prior periods to leverage operational efficiencies and growth in patient appointment and practitioner hours to drive profitability. There were no new centres built in HY25 and capital expenditure was moderated. The business did, however, undertake two centre closures, closing Pacific Smiles Singleton and Pacific Smiles Toronto in New South Wales (NSW). These closures were brought about by the expiry of their lease agreements and a financial decision not to continue investing in these centres as they were underperforming.

The operational overview and insights discussions will focus on the underlying results for HY25 and the comparative period, excluding the impacts of AASB 16. While AASB 16 provides an accurate representation of the Group's financial obligations and assets related to leases, removing the effects of the accounting standard provides a clearer picture of operational performance and helps with comparing the current financial results with historical data and similar companies. AASB 16 includes interest and depreciation expenses instead of lease expenses, thereby improving the earnings before interest and depreciation (EBITDA) result without a change to the operational performance of the Group. To exclude the impacts of AASB 16, the Group has replaced the depreciation and interest expenses associated with the lease assets and liabilities with the lease cash payments. This reduces the EBITDA result. Reporting on underlying EBITDA that removes these impacts focuses on the core performance of the Company.

### Statutory results

Statutory net loss after tax for the half-year was $2.0m, compared to HY24 statutory net profit after tax of $4.4m. The statutory results for the year were driven by expenses associated with the change of control proposals and off-market take-over bid that temporarily materially increased expenses and offset the growth in patient volumes and improved operational efficiency delivered by the Group.

### Underlying results

The reconciliation of statutory profit before tax to underlying EBITDA pre-AASB 16 is shown on the table below:

| | 31 Dec 2024 $'000 | 31 Dec 2023[1] $'000 |
|---|---|---|
| **Statutory (loss)/profit before tax** | (3,234) | 5,608 |
| Depreciation and amortisation expense | 14,339 | 15,311 |
| Net finance cost | 1,464 | 1,978 |
| **Statutory EBITDA** | 12,569 | 22,897 |
| Executive Long Term Incentive plan expense (Note 1) | 2,123 | (1,833) |
| Rental expense adjustment to pre-AASB16 (Note 2) | (8,732) | (8,614) |
| Workers compensation insurance premium adjustment for prior year (Note 3) | - | 208 |
| Impact of prior year payroll tax determination (Note 4) | 9 | 1,013 |
| Costs associated with the control transaction proposals and Scheme of Arrangement (Note 5) | 9,930 | - |
| Severance expenses removed (Note 6) | 38 | 210 |
| Strategic technology initiatives (Note 7) | 357 | 68 |
| **Underlying EBITDA pre-AASB 16** | 16,294 | 13,949 |

[1]*The prior period underlying EBITDA has been restated to exclude strategic technology initiatives, in line with the updated approach to underlying adjustments applied in the current period.*

Note 1 – The long-term incentive costs for the Executive team have been removed as these expenses are tied to specific non-operating performance criteria and do not reflect regular salary and benefits. In the current period, the expense relates to all performance rights that either vested or lapsed during the half-year ended 31 December 2024, resulting from the off-market takeover bid. These costs have been excluded from the underlying financials as they do not represent ongoing operating expenses.

Note 2 – The Group has made several adjustments to align underlying EBITDA to the cash payments for leases and sub-leases. These adjustments aim to present a clearer picture of the operational performance of the Group by removing the non-cash effects introduced by the *AASB 16 Leases* standard.

Note 3 – During the prior half-year, the Group received premium adjustment notices regarding workers compensation premiums for prior financial years. As these are considered a change in estimate, they were paid and included in the statutory result, however, they have been excluded from the underlying result as they relate to prior years' expenditure.

Note 4 – The prior year payroll tax determination represents the total amount paid for payroll tax relating to the five financial years 2019 to 2023 in the Australian Capital Territory and associated attendant legal costs incurred during the audits and PSG's objections. The current year amount relates to attendant legal costs associated with the ACT objection only.

Note 5 – The costs associated with the proposals from Genesis Capital Manager I Pty Ltd (Genesis) and NDC BidCo Pty Ltd (NDC) to acquire 100% of the shares in Pacific Smiles, as well as the Scheme Meeting held on 8 August 2024, have been excluded from the underlying financials. These costs included external consulting, financial and legal advice, break fees, and other associated expenses related to the Scheme and the Scheme Meeting, along with additional exertion payments to directors and management. Subsequently, an off-market takeover bid from Genesis was successful in acquiring 89% of the shares in Pacific Smiles. The associated costs of this transaction have also been excluded from the underlying financials.

Note 6 – All termination and redundancy severance expenses have been removed as non-underlying costs, as these are non-recurring and non-operational expenses that do not reflect regular payroll costs and including them would distort the true changes in ongoing employee expenditure.

Note 7 – In the calculation of underlying net profit, the company has excluded the costs associated with implementing two specific, non-recurring information technology strategic improvement initiatives. These costs are considered as capital expenditures in nature; however, under current accounting interpretations regarding SaaS arrangements, they are required to be expensed through the profit and loss. Given the one-off nature of these initiatives, their exclusion is intended to provide a more consistent and transparent view of the company's ongoing operating performance.

Underlying NPAT increased 52% to $6.7m compared to a $4.4m in the prior year.

Depreciation and amortisation costs (excluding the impact of AASB 16) totalled $7.3m, a decrease of $0.9m on the prior period.

Summary of key financial results and metrics are as follows:

| **Group Financial Performance<br>$ millions** | **Underlying[1]<br>31 Dec 2024** | **Underlying[1]<br>31 Dec 2023** | **Change<br>%** |
|---|---|---|---|
| Revenue | 99.0 | 90.0 | 10.0% |
| Gross profit[2] | 94.4 | 85.3 | 9.9% |
| EBITDA[3] | 16.3 | 13.9 | 16.8% |
| EBIT[3] | 9.0 | 5.8 | 55.6% |
| Net profit after tax[3] | 6.7 | 4.4 | 51.5% |
| **Operating metrics** | | | |
| Number of Dental Centres[4] | 126.0 | 128.0 | 1.6% |
| Commissioned Dental Chairs[5] | 540.0 | 542.0 | (0.4%) |
| Patient Fees ($m) | 160.3 | 147.1 | 9.0% |
| Same Centre Patient Fees growth (%) | 9.0 | 9.6 | (6.3%) |
| **Financial metrics** | | | |
| Underlying earnings per share (cents) | 4.2 | 2.8 | |
| EBITDA margin (%) | 16.5 | 15.5 | |
| EBITDA to Patient Fees margin (%) | 10.2 | 9.5 | |
| EBIT margin (%) | 9.1 | 6.4 | |

*[1] Underlying result includes the adjustments outlined in the table above.*
*[2] Prior period results has been restated to exclude investment in strategic technology initiatives from the underlying result.*
*[3] Gross profit is defined as revenue, plus other income less direct expenses as disclosed in the consolidated interim statement of profit and loss.*
*[4] The number of centres in HY25 has reduced with the closure of Singleton and Toronto.*
*[5]The reduction in chairs from the centre closures was offset by an additional chair added at each of the Belconnen, Lake Haven and Redbank Plains centres.*

**Revenue**

Group revenue is $99.0m, an increase of 10.0% over the previous financial half-year. Revenue consists mainly of service fees charged to the dentists who practice from centres. The increase in revenue was driven by both increased appointment volumes as the business continues to grow and scale, as well as modestly higher prices driven by small increases provided by health funds.

Patient fees increased 9.0% over the previous financial half-year to $160.3m. No new centres were opened in HY25, therefore total patient fee growth is equivalent to same centre patient fee growth. Utilisation rates and appointment volumes increased in all (based on age), with higher growth rates achieved in more immature centres, predominantly established in FY20 or later.

Total practitioner hours increased 5.3% in HY25 to approximately 380,634 hours, and the total number of appointments attended increased 4.8% to 556,786. Average patient visitation in HY25 remained consistent with HY24, driven by strong brand loyalty and high rebooking and appointment confirmation rates.

**Expenses**

EBITDA margins, both at a centre level and group level improved in HY25, despite the challenging cost environment driven by the Fair Work Commission’s determination of a 4.25% wage increase for FY25 and a 0.5% increase in the superannuation guarantee rate, which affected the cost base for the majority of the Company’s employees. Balancing the efficiency and productivity of the dental centre workforce against the need to provide practitioners and patients with high-quality support and care remained a priority. The staff-to-practitioner ratio (measured as the number of staff hours worked to dentist hours worked) was the lowest since HY20.

Consumable supply expenses increased only 0.1% to $6.9m compared to the prior period. These costs as a percentage of turnover reduced in comparison to HY24, from 4.7% to 4.3% due to continued improvement in centre purchasing processes and strong partnerships with suppliers.

Occupancy costs including lease payments increased 4.2% to $11.5m in HY25 versus $11.0m in the prior period. Approximately $0.3m of this increase is attributed to annual lease increases and $0.2m to utility price increases. There were no new centres built in HY25, however, the Group made the strategic decision to close two underperforming centres, closing Pacific Smiles Singleton and Pacific Smiles Toronto in New South Wales (NSW).

Repairs and maintenance expenditure on dental equipment in the network increased from $1.3m to $1.5m in HY25. The year-on-year rise was driven by the increased ageing of the dentist chair fleet and other equipment. To address this, asset management processes continue to be examined for potential improvements and vendor partnerships leveraged to proactively schedule routine maintenance. This will enable pre-emptive equipment replacement decisions, ensuring optimal equipment performance and reliability, while maintaining a focus on cost.

Pacific Smiles’ corporate overhead ratio improved 0.1% to 6.5% in HY25, improving as a proportion of patient fees on the prior year.

Net interest moved to net interest income of $0.2m from net interest cost of $0.2m in the prior year, with nil funds drawn in the period.

### Payroll Tax

As at the signing date, the Group has not received any further correspondence from the ACT Revenue Office in respect of the two objections lodged against the two reassessments for payroll tax issued in FY24 to the Group, pertaining to the treatment of its Service and Facility Agreements with dentists for payroll tax purposes. The reassessments cover a period from 2019 to 2023 and total $1.2m. The associated payments were made in full at the time of issuance. The Group has continued to pay all payroll tax liabilities while awaiting a decision.

### Capital Expenditure

Capital expenditure for the half-year is higher at $3.2m compared to HY24 at $1.8m, with increased capital investment in refurbishments and extension projects. Investment in equipment continued with $1.4m spent on various dental equipment and $0.7m on technology upgrades.

### Systems and Technology

Digital innovation across Pacific Smiles Group continues to be guided by the implementation of its technology roadmap. Dentist engagement has been strengthened through feature and function improvements in key digital systems, at the same time as patients and employees continue to benefit from Pacific Smiles' investment in cloud technologies. The adoption of unified cloud telephony platforms that have streamlined patient communications, enabled centralised appointment booking experiences, and unlocked staff efficiencies.

The resiliency inherent in the design of Pacific Smiles' digital ecosystem; a product of compounded technology investment, continues to ensure the avoidance of business interruption.

### Cash and Borrowings

Pacific Smiles continues its strong focus on cash management and fiscal discipline. During the half-year, no funds were drawn from the long-term debt facility.

### Centres

There were no new centres built in HY25. The Company did, however, undertake two centre closures, closing Pacific Smiles Singleton and Pacific Smiles Toronto in New South Wales (NSW). These closures were brought about by the expiry of their lease agreements and a financial decision not to continue investing in these centres as they were underperforming.

The Group took advantage of an expiring lease at the Pacific Smiles Lake Haven centre to relocate within the shopping centre to a new, more visible location with a larger footprint. This move represents a strategic investment in a successful centre, expanding its capacity from three surgeries to six, supporting future growth and enhancing patient access.

### Employees

Total underlying employee expenses[1] for HY25 of $46.1m equates to 28.7% of patient fees, compared to $42.0m or 28.6% of patient fees in the prior period.

The minor proportionate increase in employee expenses as a percentage of patient fees is driven by the increase in Fair Work Australia (FWA) award rates, increases to the superannuation guarantee charge, and the increase in patient volumes on the weekends increasing the rates paid to our employees. The proactive management of employee costs, facilitated by effective rostering in the centres, has helped reduce the impact of these cost increases.

Employee engagement remains a key priority and was actively managed during the half-year.

[1] *Underlying employee expenses excludes all severance expenses and the any impact from long-term incentive movements.*

**Patients of Pacific Smiles' Dentists**

In HY25, Pacific Smiles dentists delivered over 0.6m patient appointments with a patient net promoter score of 90 (HY24: 90). This is a very strong result and places Pacific Smiles in the top percentile.

Appointment volume growth is 4.8% higher than the previous half-year, reflecting an increase in the maturity of our centres. Marketing activity focused on driving new patient acquisition with messaging that reinforced Pacific Smiles Dental's competitive advantages, such as convenient Shopping Centre locations, ease of online booking, and providing early and late appointments on a 7-day basis.

**Practitioners**

The number of active practitioners practising with Pacific Smiles at the end of HY25 increased to 865, with a planned and unplanned turnover rate of approximately 13.1%.

**Significant changes in the state of affairs**
Other than the change in ownership outlined in the Review of Operations, there were no other significant changes in the state of affairs of the Group during the financial half-year.

**Matters subsequent to the end of the financial half-year**
No matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Rounding of amounts**
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Auditor's independence declaration**
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors

___________________________
Michael Caristo
Chairperson

26 February 2025

# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

## To the Directors of Pacific Smiles Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Pacific Smiles Group Limited for the half-year ended 31 December 2024 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Kevin Leighton
*Partner*
Newcastle
26 February 2025

## Pacific Smiles Group Limited
## Consolidated interim statement of profit or loss and other comprehensive income
## For the half-year ended 31 December 2024

| | Note | 31 Dec 2024 $'000 | 31 Dec 2023 $'000 |
|---|---|---|---|
| **Revenue** | 4 | 98,967 | 90,002 |
| Other income | 5 | 121 | 526 |
| **Expenses** | | | |
| Employee expenses - direct | | (1,000) | (482) |
| Other direct expenses | | (3,808) | (5,259) |
| Consumable supplies expenses | | (6,932) | (6,928) |
| Employee expenses | | (48,271) | (40,603) |
| Occupancy expenses | | (2,669) | (2,318) |
| Marketing expenses | | (2,869) | (2,479) |
| Administration and other expenses | | (20,970) | (9,562) |
| Depreciation and amortisation expense | | (14,339) | (15,311) |
| Net finance costs | 6 | (1,464) | (1,978) |
| **(Loss)/Profit before income tax benefit/(expense)** | | (3,234) | 5,608 |
| Income tax benefit/(expense) | | 1,243 | (1,201) |
| **(Loss)/Profit after income tax benefit/(expense) for the half-year** | | (1,991) | 4,407 |
| Other comprehensive income for the half-year, net of tax | | - | - |
| **Total comprehensive (loss) / income for the half-year** | | (1,991) | 4,407 |
| | | **Cents** | **Cents** |
| Basic (loss)/earnings per share | 12 | (1.2) | 2.8 |
| Diluted (loss)/earnings per share | 12 | (1.2) | 2.8 |

*The above consolidated interim statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

| | Note | 31 Dec 2024 $'000 | 30 Jun 2024 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 8,093 | 17,656 |
| Receivables | | 3,337 | 9,728 |
| Inventories | | 7,509 | 7,715 |
| Other | | 3,909 | 1,177 |
| Total current assets | | 22,848 | 36,276 |
| **Non-current assets** | | | |
| Receivables | | 201 | 304 |
| Property, plant and equipment | | 47,857 | 51,150 |
| Right-of-use assets | | 56,718 | 62,427 |
| Intangibles | | 12,217 | 12,914 |
| Deferred tax | | 17,869 | 13,979 |
| Total non-current assets | | 134,862 | 140,774 |
| **Total assets** | | 157,710 | 177,050 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Payables | | 18,733 | 23,743 |
| Lease liabilities | | 14,853 | 14,614 |
| Income tax payable | | 676 | 4,359 |
| Provisions | | 4,986 | 4,794 |
| Total current liabilities | | 39,248 | 47,510 |
| **Non-current liabilities** | | | |
| Lease liabilities | | 54,814 | 60,720 |
| Provisions | | 8,107 | 8,262 |
| Total non-current liabilities | | 62,921 | 68,982 |
| **Total liabilities** | | 102,169 | 116,492 |
| **Net assets** | | 55,541 | 60,558 |
| **Equity** | | | |
| Contributed equity | 8 | 56,153 | 52,104 |
| Reserves | | - | 6,744 |
| (Accumulated losses) / retained profits | | (612) | 1,710 |
| **Total equity** | | 55,541 | 60,558 |

*The above consolidated interim balance sheet should be read in conjunction with the accompanying notes*

**Pacific Smiles Group Limited**
**Consolidated interim statement of changes in equity**
**For the half-year ended 31 December 2024**

| | Contributed equity $'000 | Reserves $'000 | Retained profits/ (accumulated losses) $'000 | Total equity $'000 |
|---|---|---|---|---|
| Balance at 1 July 2023 | 52,104 | 15,492 | (6,329) | 61,267 |
| Profit after income tax expense for the half-year | - | - | 4,407 | 4,407 |
| Other comprehensive income for the half-year, net of tax | - | - | - | - |
| Total comprehensive income for the half-year | - | - | 4,407 | 4,407 |
| Share-based payments | - | (1,833) | - | (1,833) |
| Dividends paid or provided for (note 9) | - | (3,623) | - | (3,623) |
| Balance at 31 December 2023 | 52,104 | 10,036 | (1,922) | 60,218 |

| | Contributed equity $'000 | Reserves $'000 | Retained profits/ (accumulated losses) $'000 | Total equity $'000 |
|---|---|---|---|---|
| Balance at 1 July 2024 | 52,104 | 6,744 | 1,710 | 60,558 |
| Loss after income tax benefit for the half-year | - | - | (1,991) | (1,991) |
| Other comprehensive income for the half-year, net of tax | - | - | - | - |
| Total comprehensive loss for the half-year | - | - | (1,991) | (1,991) |
| Share-based payments | - | (1,889) | - | (1,889) |
| Equity issued upon vesting of performance rights | 4,049 | - | - | 4,049 |
| Dividends paid or provided for (note 9) | - | (4,855) | (331) | (5,186) |
| Balance at 31 December 2024 | 56,153 | - | (612) | 55,541 |

*The above consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes*

| | Note | 31 Dec 2024 $'000 | 31 Dec 2023 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 98,834 | 90,248 |
| Payments to suppliers and employees | | (85,173) | (71,192) |
| | | 13,661 | 19,056 |
| Interest received | | 287 | 250 |
| Interest paid | | (1,491) | (1,664) |
| Finance cost paid | | (100) | (392) |
| Income taxes paid | | (6,329) | (1,261) |
| Net cash from operating activities | | 6,028 | 15,989 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (3,191) | (1,798) |
| Proceeds from disposal of property, plant and equipment | | - | 30 |
| Lease payments received from finance leases | | 215 | 212 |
| Net cash used in investing activities | | (2,976) | (1,556) |
| **Cash flows from financing activities** | | | |
| Dividends paid | 9 | (5,186) | (3,623) |
| Repayment of borrowings | | - | (5,000) |
| Payment of lease liabilities | | (7,429) | (7,068) |
| Net cash used in financing activities | | (12,615) | (15,691) |
| Net decrease in cash and cash equivalents | | (9,563) | (1,258) |
| Cash and cash equivalents at the beginning of the financial half-year | | 17,656 | 18,573 |
| Cash and cash equivalents at the end of the financial half-year | | 8,093 | 17,315 |

*The above consolidated interim statement of cash flows should be read in conjunction with the accompanying notes*

**Note 1. Corporate information**

The consolidated interim financial statements cover Pacific Smiles Group Limited as a consolidated entity consisting of Pacific Smiles Group Limited (the "Company") and the entities it controlled as at and for the six months ended 31 December 2024. The financial statements are presented in Australian dollars, which is Pacific Smiles Group Limited's functional and presentation currency.

Pacific Smiles Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. On 21 November 2014 Pacific Smiles Group Limited was listed on the ASX. Its registered office and principal place of business is:

6 Molly Morgan Drive, Greenhills, New South Wales

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 26 February 2025.

**Note 2. Material accounting policy information**

**Basis of preparation**
The half-year consolidated financial statements is a condensed general purpose financial statements which has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These condensed general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2024 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

*Historical cost convention*
The interim consolidated financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities, and assets and liabilities held for sale.

*Critical accounting estimates*
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements include non-financial asset impairment testing.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

**New or amended Accounting Standards and Interpretations adopted**
The Group has adopted the amendments to IAS 1 *Classification of Liabilities as Current or Non-current* and *Non-current Liabilities with Covenants*, which apply from 1 January 2024. These amendments clarify how covenants affect the classification of liabilities as current or non-current.

The adoption of these amendments has not had a material impact on the Group's financial position or performance or disclosure requirements.

**Changes to material accounting policy**
There were no changes to the financial reporting requirements this year that affected the disclosures in the financial statements.

## Note 3. Operating segments

The Group is organised into one operating segment, being predominantly activities within the dental sector throughout Eastern Australia. This operating segment is based on the internal reports that are reviewed and used by the consolidated entity's Chief Executive Officer, who is identified as the chief operating decision maker, in assessing performance and in determining the allocation of resources. The consolidated entity's operation inherently has one profile and performance assessment criterion. The financial results from this segment are consistent with the financial statements for the consolidated entity as a whole.

The chief operating decision maker uses the Group's underlying earnings before interest, tax, depreciation and amortisation (EBITDA), excluding the impact of AASB 16, as the main measure of performance. This measure is defined as the statutory EBITDA result, adjusted for the effects of the AASB 16 Leases standard and excluding the impact of expenses not related to ongoing employee expenses and non-recurring or extraordinary events that would distort insights into the operational efficiency and profitability of the consolidated entity.

The reconciliation of statutory profit before tax to underlying EBITDA pre-AASB 16 is shown on the table below.

| | 31 Dec 2024<br>$'000 | 31 Dec 2023[1]<br>$'000 |
|---|---|---|
| **Statutory (loss)/profit before tax** | (3,234) | 5,608 |
| Depreciation and amortisation expense | 14,339 | 15,311 |
| Net finance cost | 1,464 | 1,978 |
| **Statutory EBITDA** | 12,569 | 22,897 |
| Executive Long Term Incentive plan expense (Note 1) | 2,123 | (1,833) |
| Rental expense adjustment to pre-AASB16 (Note 2) | (8,732) | (8,614) |
| Workers compensation insurance premium adjustment for prior year (Note 3) | - | 208 |
| Impact of prior year payroll tax determination (Note 4) | 9 | 1,013 |
| Costs associated with the control transaction proposals and Scheme of Arrangement (Note 5) | 9,930 | - |
| Severance expenses removed (Note 6) | 38 | 210 |
| Strategic technology initiatives (Note 7) | 357 | 68 |
| **Underlying EBITDA pre-AASB 16** | **16,294** | **13,949** |

*[1]The prior period underlying EBITDA has been restated to include severance costs of $210k, in line with the updated approach to underlying adjustments applied in the current period. Previously, termination and redundancy severance expenses were classified as non-underlying. However, to enhance consistency and transparency in the presentation of employee-related costs, the company no longer excludes these expenses from underlying profit*

**Note 3. Operating segments (continued)**

Note 1 – The long-term incentive costs for the Executive team have been removed as these expenses are tied to specific performance criteria and do not reflect regular salary and benefits. In the current period, the expense relates to all performance rights that either vested or lapsed during the half-year ended 31 December 2024, resulting from the off-market takeover bid. These costs have been excluded from the underlying financials as they do not represent ongoing operating expenses.

Note 2 – The Group has made several adjustments to align underlying EBITDA to the cash payments for leases and sub-leases. These adjustments aim to present a clearer picture of the operational performance of the Group by removing the non-cash effects introduced by the *AASB 16 Leases* standard.

Note 3 – During the prior half-year, the Group received premium adjustment notices regarding workers compensation premiums for prior financial years. As these are considered a change in estimate, they were paid and included in the statutory result, however, they have been excluded from the underlying result as they relate to prior years' expenditure.

Note 4 – The prior year payroll tax determination represents the total amount paid for payroll tax relating to the five financial years 2019 to 2023 in the Australian Capital Territory and associated attendant legal costs incurred during the audits and PSG's objections. The current year amount relates to attendant legal costs associated with the ACT objection only.

Note 5 – The costs associated with the proposals from Genesis Capital Manager I Pty Ltd (Genesis) and NDC BidCo Pty Ltd (NDC) to acquire 100% of the shares in Pacific Smiles, as well as the Scheme Meeting held on 8 August 2024, have been excluded from the underlying financials. These costs included external consulting, financial and legal advice, break fees, and other associated expenses related to the Scheme and the Scheme Meeting, along with additional exertion payments to directors and management. Subsequently, an off-market takeover bid from Genesis was successful in acquiring 89% of the shares in Pacific Smiles. The associated costs of this transaction have also been excluded from the underlying financials.

Note 6 – All termination and redundancy severance expenses have been removed as non-underlying costs, as these are non-recurring and non-operational expenses that do not reflect regular payroll costs and including them would distort the true changes in ongoing employee expenditure.

Note 7 – In the calculation of underlying net profit, the company has excluded the costs associated with implementing two specific, non-recurring information technology strategic improvement initiatives. These costs are considered as capital expenditures in nature; however, under current accounting interpretations regarding SaaS arrangements, they are required to be expensed through the profit and loss. Given the one-off nature of these initiatives, their exclusion is intended to provide a more consistent and transparent view of the company's ongoing operating performance.

**Note 4. Revenue**

| | 31 Dec 2024 $'000 | 31 Dec 2023 $'000 |
|---|---|---|
| *Revenue from contracts with customers* | | |
| Dental service fees | 97,561 | 88,865 |
| Dental product sales | 227 | 227 |
| | 97,788 | 89,092 |
| *Other revenue* | | |
| Management fees | 1,179 | 910 |
| Revenue | 98,967 | 90,002 |

## Note 5. Other income

| | 31 Dec 2024 $'000 | 31 Dec 2023 $'000 |
|---|---|---|
| Rent | 110 | 112 |
| Sundry income | 11 | 414 |
| Other income | 121 | 526 |

## Note 6. Net finance costs

| | 31 Dec 2024 $'000 | 31 Dec 2023 $'000 |
|---|---|---|
| Interest and finance charges on borrowings | 174 | 159 |
| Interest and finance charges on lease liabilities | 1,302 | 1,836 |
| Finance costs | 1,476 | 1,995 |
| Interest received | (12) | (17) |
| Net finance costs | 1,464 | 1,978 |

## Note 7. Non-current liabilities - borrowings

*Financing arrangements*
Unrestricted access was available at the reporting date to the following lines of credit:

| | 31 Dec 2024 $'000 | 30 Jun 2024 $'000 |
|---|---|---|
| Total facilities | | |
| Bank overdraft | 500 | 500 |
| Bank loans | 20,000 | 20,000 |
| Bank guarantees | 5,000 | 5,000 |
| | 25,500 | 25,500 |
| Used at the reporting date | | |
| Bank overdraft | - | - |
| Bank loans | - | - |
| Bank guarantees | 3,664 | 3,745 |
| | 3,664 | 3,745 |
| Unused at the reporting date | | |
| Bank overdraft | 500 | 500 |
| Bank loans | 20,000 | 20,000 |
| Bank guarantees | 1,336 | 1,255 |
| | 21,836 | 21,755 |

Covenants attached to bank borrowings were complied with during the half-year.

The non-current borrowings are part of an ongoing loan facility which will expire on 30 September 2025.

## Note 8. Equity - contributed equity

| | 31 Dec 2024 Shares | 30 Jun 2024 Shares | 31 Dec 2024 $'000 | 30 Jun 2024 $'000 |
|---|---|---|---|---|
| Ordinary shares - fully paid | 161,623,972 | 159,581,938 | 56,153 | 52,104 |

## Note 9. Equity - dividends

*Dividends declared after the end of the reporting period*
No interim dividend was declared during the financial half-year (HY24: $3,351,220).

*Previous period*
Dividend paid or declared by the Company to members since the end of the previous financial year were:

| Declared and paid during the half-year | Cents per share | Total amount $'000 | Date of payment |
|---|---|---|---|
| Final 2024 ordinary | 3.25 | 5,186 | 03/10/2024 |

## Note 10. Related party transactions

*Parent entity*
Pacific Smiles Group Limited is the parent entity.

*Transactions with related parties*
Other than remuneration for their positions as Directors and executives of the consolidated entity, there were no other transactions entered between key management personnel or entities related to them and the consolidated entity during the half-year ended 31 December 2024.

## Note 11. Events after the reporting period

No matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## Note 12. Earnings per share

| | 31 Dec 2024 $'000 | 31 Dec 2023 $'000 |
|---|---|---|
| (Loss)/profit after income tax | (1,991) | 4,407 |
| | **Cents** | **Cents** |
| Basic (loss)/earnings per share | (1.2) | 2.8 |
| Diluted (loss)/earnings per share | (1.2) | 2.8 |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 161,623,972 | 159,581,938 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 161,623,972 | 159,581,938 |

## Note 13. Share-based payments

*Long term incentive plan*
The consolidated entity has established a long-term incentive plan (LTI) to assist in the motivation, retention and reward of senior management. The LTI plan is designed to align the interests of senior management more closely with the interests of shareholders by providing an opportunity for senior management to receive an equity interest in consolidated entity through the granting of performance rights.

Performance rights were issued to the selected senior managers, at the absolute discretion of the Board, pursuant to the LTI plan in financial years 2021, 2022 and 2024.

The performance rights were to vest after a set term (the performance period) and were conditional on the achievement of relevant performance and service conditions.

### Note 13. Share-based payments (continued)

Performance rights that do not vest on the relevant vesting date will lapse. Performance rights will also lapse if total shareholder return does not reach a minimum threshold over the relevant performance period.

During the half-year ended 31 December, all outstanding share-based payment rights vested or lapsed. As a result, there is no remaining share-based payment expense, liability, or reserve as of 31 December 2024. No further costs are expected to be recognised under this plan.

Set out below are summaries of performance rights granted under the plan and their vesting/lapsing outcome:

| Tranche | Issue Date | Balance at the start of the half-year | Granted | Vested | Forfeited | Balance at the end of the half-year |
|---|---|---|---|---|---|---|
| Tranche 7 | 30/11/2020 | 1,155,758 | - | (1,154,602) | (1,156) | - |
| Tranche 8 | 30/11/2021 | 992,775 | - | (743,589) | (249,186) | - |
| Tranche 9 | 07/12/2023 | 509,597 | - | (88,956) | (420,641) | - |
| Tranche 10 | 19/04/2024 | 57,143 | - | (28,572) | (28,571) | - |
| Tranche 11 | 23/05/2024 | 76,248 | - | (26,316) | (49,932) | - |

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Michael Caristo
Chairperson

26 February 2025

# Independent Auditor's Review Report

## To the shareholders of Pacific Smiles Group Limited

### Conclusion

We have reviewed the accompanying ***Condensed Interim Financial Report*** of Pacific Smiles Group Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Interim Financial Report of Pacific Smiles Group Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2024 and of its performance for the six months ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Condensed Interim Financial Report*** comprises:

- Consolidated interim balance sheet as at 31 December 2024
- Consolidated interim statement of profit or loss and other comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the six months ended on that date
- Notes 1 to 13 including selected explanatory notes
- The Directors' Declaration.

The ***Group*** comprises Pacific Smiles Group Limited (the Company and the entities it controlled at the Half year's end or from time to time during the Half-year.

### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG

## Responsibilities of the Directors for the Condensed Interim Financial Report

The Directors of the Group are responsible for:

- the preparation of the Condensed Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Condensed Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibilities for the Review of the Condensed Interim Financial Report

Our responsibility is to express a conclusion on the Condensed Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Condensed Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2024 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Condensed Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

KPMG

Kevin Leighton

*Partner*

Newcastle

26 February 2025

| | |
|---|---|
| Directors | Dr Michael Caristo<br>Non-executive Chairperson<br>Mr Gary Carroll<br>Managing Director and Chief Executive Officer<br>Mr Christopher Yoo<br>Non-executive Director<br>Ms Tara Hariharan<br>Non-executive Director<br>Mr Steven Rubic<br>Independent non-executive Director<br>Mr Brent Cubis<br>Independent non-executive Director |
| Company secretary | Elizabeth Spooner<br>David Hwang |
| Registered office | Level 1, 6 Molly Morgan Drive<br>Greenhills NSW 2323<br>T: 02 4930 2000<br>F: 02 4930 2099<br>W: www.pacificsmiles.com.au |
| Share register | Automic<br>Level 5, 126 Phillip Street<br>Sydney NSW 2000<br>GPO Box 5193, Sydney NSW 2001<br>T: 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia)<br>E: hello@automicgroup.com.au |
| Auditor | KPMG<br>Level 6, 18 Honeysuckle Drive<br>Newcastle NSW 2300 |
| Stock exchange listing | Pacific Smiles Group Limited shares are listed on the Australian Securities Exchange (ASX code: PSQ) |