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ASX ANNOUNCEMENT

Pacific Smiles Group Limited – 2016 Full Year Results

Pacific Smiles Group Limited (ASX: PSQ) ("Pacific Smiles" or "the Company") today announced its financial results for the full year ended 30 June 2016.

Key financial highlights

The key financial highlights from the result include:

- Patient Fees across the Pacific Smiles dental centre network of \$133.8 million, up 10.2% on the prior period
- Revenue of \$83.3 million, up 11.3% on the prior period
- Same centre Patient Fees grew 5.0% for the period
- EBITDA (underlying) of \$19.7 million¹, up 8.1% on the prior period (pro forma basis)
- NPAT (underlying) of \$10.2 million¹, up 4.5% on the prior period (pro forma basis)
- Network expansion with 9 new Pacific Smiles Dental centres opened in FY 2016, bringing the total to 58 centres as at 30 June 2016
- Final dividend of 3.5 cps (fully franked) declared bringing full year dividends to 5.5 cps (FY 2015: 5.0 cps)
- Strong balance sheet maintained with net cash at 30 June 2016 of \$6.0 million

Business Initiatives

Pacific Smiles Group launched several key initiatives during FY 2016, aimed at continuing to build the Pacific Smiles brand and improve the patient experience. These initiatives included:

- Launched first ever brand advertising campaign across television, radio, cinema and social media. The campaign was launched in the ACT, Hunter Valley and Gippsland Regions. The learnings from the initial campaign have allowed Pacific Smiles to further refine its brand marketing approach to leverage the growing scale and coverage of the Pacific Smiles network

1. Underlying results exclude non-recurring costs associated with the relocation of two acquired centres of \$0.4m. See Appendix A of the FY 2016 results presentation for a reconciliation of underlying to statutory results.

- Launched real time online patient appointment bookings across the Pacific Smiles and nib Dental Care Centres network, resulting in positive patient feedback and improved business efficiency
- Entered into an exclusive partnership with Velocity Frequent Flyer in March 2016 to reward our patients with Velocity Frequent Flyer Points when they attend for their regularly scheduled check-ups. The program is the first strategic relationship of its kind in the Australian dental sector and reflects Pacific Smiles' ongoing commitment to providing innovative ways of encouraging and promoting improved dental health for all
- Successfully relocated the two large centres acquired from Medibank in June 2014 in Parramatta and Haymarket to modern and comfortable facilities in conveniently located sites

FY 2016 was also a record year for network expansion. During the period, 9 new dental centres were opened, bringing the total number of centres in the Pacific Smiles network to 58. New centres were opened in the following locations: Cranbourne Park (VIC), Queanbeyan (NSW), Morayfield (QLD), Browns Plains (QLD), Burleigh Heads (QLD), Mt Ommaney (QLD), Helensvale (QLD), Capalaba (QLD) and Point Cook (QLD). These new centres, which are in locations that complement our established and growing clusters in South-East Queensland, Victoria and the ACT, are off to a solid start.

Business Performance

Revenue for the period was \$83.3 million, up 11.3% on the prior period.

Total Patient Fees for the period were \$133.8 million, representing growth of 10.2% for the period. Patient fees growth in H2 2016 was 11.2%, an acceleration on the 9.3% growth in H1 2016.

Same Centre Patient Fees growth of 5.0% for the period was in-line with the guidance provided at the interim result and reflects a stronger finish to the year. Excluding the Parramatta and Haymarket centres, which continue to perform below their potential, same centre patient fee growth for the year was 7.3%. As highlighted above, both centres were relocated during FY 2016.

EBITDA to Patient Fees margin decreased from 15.0% in FY 2015 (pro forma) to 14.7% in FY 2016 (underlying) driven by a higher level of new centre start-up losses due to the quantity and timing of new centre openings and additional investments in brand marketing initiatives undertaken during the year. In addition, Pacific Smiles invested in a number of senior appointments in the areas of People and Culture, Information Technology and Business Development. These appointments align with Pacific Smiles' strategy of building a scalable, organic growth platform which will allow the rollout of new, consistently branded dental clinics over the long term.

EBITDA margins on a same centre basis expanded in FY 2016. We continue to be encouraged by the consistent patient fees and margin ramp up of each new cluster of dental centres we open.

Pacific Smiles again recorded an improvement in patient satisfaction, as measured by Net Promoter Score patient surveys. Across the group, the Net Promoter Score increased to over 70 in the period. This score remains very high across most industry benchmarks.

Capital expenditure for FY 2016 was \$14.2 million (FY 2015: \$6.7 million), consisting predominantly of new centre openings and the relocation of the Parramatta and Haymarket centres which occurred in September 2015 and June 2016 respectively.

Dividend

The Board has declared a final fully franked dividend of 3.5 cents per share to be paid on 4 October 2016. The record date for this dividend is 16 September 2016.

Outlook

Pacific Smiles provides the following update regarding the outlook for FY 2017:

- EBITDA for FY 2017 is expected to be in the range of \$21.7 million to \$23.2 million, representing growth of between 10% to 18% compared with FY 2016 EBITDA (underlying)
- Same centre patient fees growth of at least 5% for FY 2017
- Same centre patient fee growth has been flat in the first six weeks of FY 2017 driven by higher than usual dentist absences and an exceptionally strong prior period
- Opening at least 10 new dental centres in FY 2017
- Over 200 potential future trade areas identified based on demographic, location and competition parameters and current pipeline of new centre opportunities is at a record high
- Strong balance sheet, with an expectation that future growth can be funded while maintaining a net cash position. FY 2017 dividend payout ratio expected to be in the range of 80-90%

Commenting on the results John Gibbs, Pacific Smiles' Managing Director, said: "FY 2016 was another record year for Pacific Smiles. Almost 550,000 patient appointments were provided by dentists practicing from our growing network of dental centres, supporting our commitment to our Company purpose of improving the dental health of ALL Australians to worlds' best. With a record number of new centres opened plus investments in major initiatives and key hires during the year, we are confident that we are building a scalable platform for long term growth."

Investor conference call

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

- Date: 19 August 2016
- Time: 11.00am AEST
- Dial-in number: +61 2 9007 3187
- Password: 997 651

Further information and enquiries

Complete full 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:

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