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ASX ANNOUNCEMENT

Pacific Smiles Group Limited – Half Year Results to 31 December 2020

Pacific Smiles Group Limited (ASX: PSQ) (“Pacific Smiles” or “the Company”) today announced its financial results for the half year ended 31 December 2020 (excluding the impacts of AASB 16 Leases).

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 \$121.7 million, up 15.5% on the prior period
- Revenue of \$78.4 million, up 14.9% on the prior period
- Same centre Patient Fees grew 13.2% for the period
- EBITDA (underlying) of \$21.2 million, up 64.7% on the prior period
- NPAT (underlying) of \$10.4 million, up 106.6% on the prior period
- 8 new Pacific Smiles Dental centres opened in H1 2021, bringing the total to 102 centres as at 31 December 2020
- Interim dividend of 2.4 cps (fully franked) declared (H1 2020: 2.4 cps)

Operational Update and Initiatives

In H1 2021 Pacific Smiles opened 8 new dental centres; Bondi, Glendale, Wollongong, Lane Cove, Raymond Terrace and Greenhills Ortho in New South Wales and Victoria Point and Cleveland in Queensland. All are located in shopping centres and results have been pleasing to date. The opening of Bondi marked a special milestone as our 100th centre. There is a healthy pipeline of development opportunities for the second half and beyond with 7 new Pacific Smiles Centres due to open in H2 2021.

Pacific Smiles remains committed to our True Purpose, to improve the oral health of ALL Australians to world's best. Our 'how' is governed by building trust with our patients, respect with our dentists, while focusing on what matters for our employees.

Pacific Smiles continues to grow with patients attending over 470,000 appointments and 620 dentists choosing to practice from dental centres owned and operated by Pacific Smiles in H1 2021. Once again, Pacific Smiles saw a record intake of 32 graduate dentists into our leading edge mentoring and training program, which provides graduates with a high-quality constructive start to their professional practice.

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With a focus on improved centre utilisation, an additional 9 chairs were commissioned in existing centres in the half.

On 8 August 2020, the Australian Health Protection Principle Committee (AHPPC) mandated Level 3 restrictions to dental services in metropolitan Melbourne. During this time, all centres remained operational to offer urgent and emergency care within their communities. In late September the AHPPC eased the restrictions in from Level 3 to Level 1, resulting in a return to normal dental services (with COVID-19 precautions) effective from 28 September 2020 at which time the organisation reconnected with patients who were unable to attend during restrictions.

In H2 2021, our operational focus is on further enabling our practitioners with the transition to digital platforms, offering new bespoke services and education; progressing the HBF partnership with the opening of 3 HBF Dental centres; and exploring an accelerated PSD new centre roll-out program.

On 28 January 2021, Dr. Scott Kalniz was appointed as a Non-Executive Director of the Company. Dr. Kalniz has over 20 years of dental industry experience in the United States. He currently serves as a Non-Executive Director of Signature Dental Partners, a Dental Services Organisation based in Phoenix, Arizona.

The long-term plan remains simple and is focused on growing the core business through our unique greenfields centre expansion program. The goal of more than 250 centres¹ and 800 chairs is unchanged.

We will continue to make decisions with a long-term view consistent with our known success factors and capitalising on technological innovations. The dedication and discipline of the entire team, focused equally on execution today and the long-term performance objectives of the business, is key to our future success.

Business Performance

Revenue for the period was \$78.4 million, up 14.9% on the prior period.

Total Patient Fees for the period were \$121.7 million, representing growth of 15.5% on prior period.

Same Centre Patient Fees growth of 13.2% for the period was higher than the 9.4% reported in H1 2020. Same Centre growth was driven by strong patient demand across all cohorts post COVID-19 restrictions.

EBITDA (underlying) increased by 64.7% to \$21.2 million (H1 2020: \$12.9 million) during the half year compared with the prior comparative period. EBITDA to Patient Fees margin increased to 17.4% from 12.2% in H1 2020. The solid EBITDA result was due to the combined effect of:

- Strong patient fee growth and efficiency gains in centres which were relatively unaffected by COVID-19 restrictions;
- Increased demand, in-part driven by patient visits deferred during the height of national COVID-19 restrictions;
- Carrying vacant corporate positions in the first half, which is expected to unwind in the second half; and
- JobKeeper benefits, offsetting the lower profitability at dental centres significantly impacted by COVID-19, particularly Victoria. The approximate benefit of JobKeeper, net of COVID-19 related EBITDA impacts is \$3.6 million.

Since 31 December 2020, the business has continued to experience some COVID-19 related impacts including disruption in the Queensland market in January and recent lockdowns in Victoria. JobKeeper support will continue to allow Pacific Smiles to effectively service patients across the community and support our employees in COVID-19 restricted centres. Pacific Smiles entitlement to the JobKeeper program ceased on 30 September 2020.

1. Targets exclude HBF (Western Australia) opportunity

Underlying NPAT increased by 106.6% to \$10.4 million compared to \$5.0 million for the prior year. Depreciation costs (excluding the impact of AASB 16) totalled \$5.7 million, an increase of \$0.3 million on the prior period.

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

Net capital expenditure for H1 2021 was \$11.1 million (H1 2020: \$6.9 million), consisting predominantly of new centres, the bulk purchase of dental chairs and scanners.

Dividend

The Board has declared an interim fully franked dividend of 2.4 cents per share to be paid on 9th April 2021. This is flat on the previous comparable period. The record date for this dividend is 25th March 2021.

Trading Outlook

Pacific Smiles provides the following update regarding the outlook for FY 2021: -

- Underlying EBITDA growth of approximately 40% - 50% on FY 2020 (previously 35% - 45%)
- Opening approximately 15 new dental centres in FY 2021 (previously 14), with 8 new centres opened in H1 2021 and 7 new sites already committed for H2 2021

The following elements of the outlook remain unchanged: -

- Patient Fee growth of approximately 25% - 30% on FY 2020
- Dividend pay-out ratio within the policy range of 70-100% of NPAT for FY 2021

Investor conference call

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

Date: 17 February 2021

Pre-Registration Link: <https://s1.c-conf.com/DiamondPass/10011635-yt688r.html>

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:

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