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# Pacific Smiles Dental



## FY23 Result

24 August 2023



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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.

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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.

See page 35 for a glossary of the key terms used in this presentation.

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Pacific Smiles Group pay our respect to Aboriginal and Torres Strait Islander cultures; and to Elders past, present, and emerging.

**Phil McKenzie**  
Chief Executive Officer /  
Managing Director



**Matthew Cordingley**  
Chief Financial Officer



# Agenda

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## 1. FY23 Result Overview

# FY23 Key Highlights

PACIFIC SMILES HAS EMERGED FROM A DIFFICULT PERIOD IN A POSITION OF STRENGTH



## Strong Top Line Growth

Patient Fees  
+19.5% YoY

Pacific Smiles is seeing **growth across all centre cohorts**

**16.1%** increase in appointment volumes on pcp



## Greater Operating Efficiency

Labour productivity

Material improvement in **labour productivity**

Cancellation rates have reduced and are now close to pre-pandemic levels



## Improving Utilisation

Centre maturation

All cohorts are now well **ahead of FY20 levels**

Key focus on **increasing utilisation** of our in-situ assets



## Expanded Profitability

EBITDA to patient fees margin 8.9%

Strong **revenue growth**, the return of in-centre **labour efficiency** to pre-pandemic levels, and continued **cohort performance improvement** have materially benefited earnings



## Significant Deleveraging

Net Cash  
\$9.6m

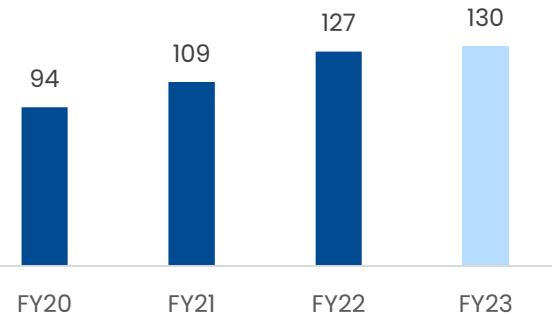
Strong financial performance has allowed for both the **resumption of dividend payments and significant debt repayment**, leaving Pacific Smiles in a Net Cash position

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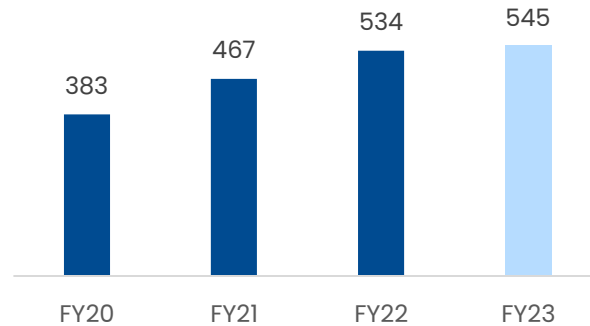
# FY23 Operational Highlights

KEY OPERATIONAL METRICS CONTINUE TO TREND POSITIVELY, POST PANDEMIC-AFFECTED PERIOD

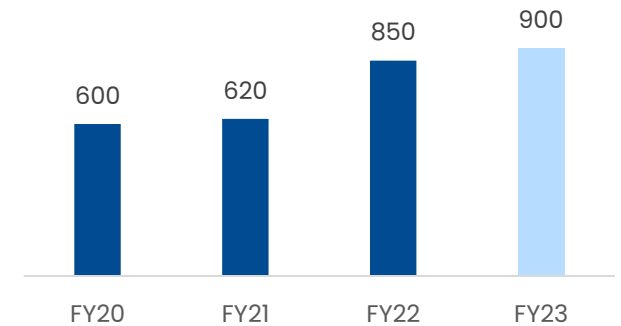
**Dental Centres<sup>1</sup> – up 2.4% YoY**



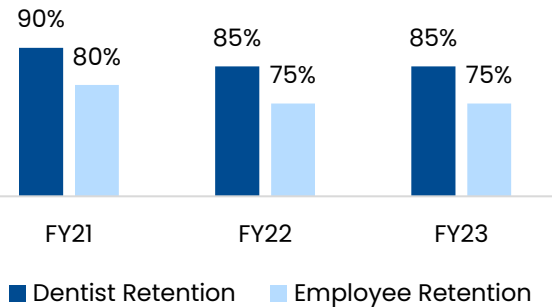
**Dental Chairs<sup>2</sup> – 11 new (net)**



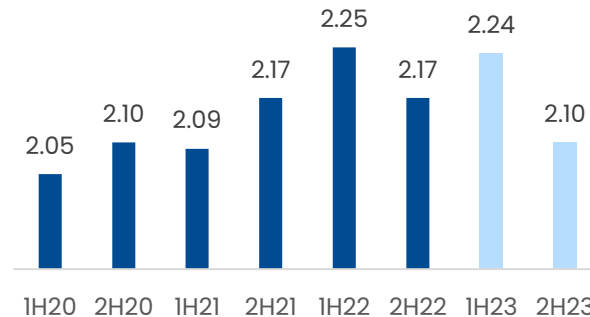
**Number of Dentists<sup>3</sup> (min)**



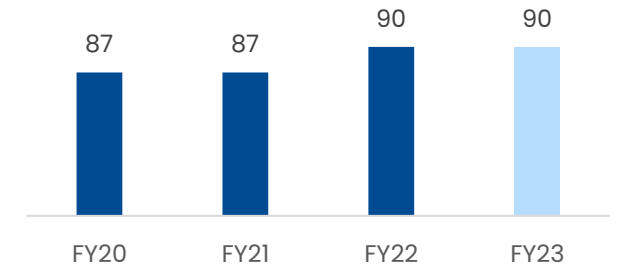
**Dentist & Employee Retention**



**Staff to Practitioner Ratio at pre-pandemic levels**



**Patient Net Promoter Score**

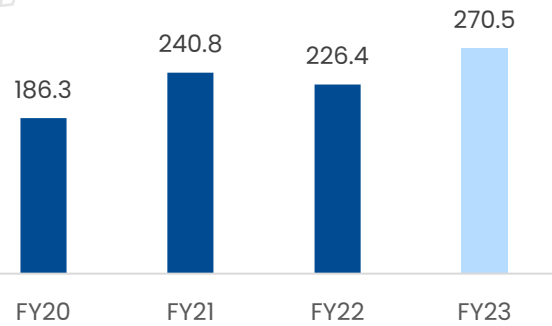


1. PSD and NIB Chatswood merged into one site in FY23, reducing the total increase in centres to 3  
 2. Excluding HBF Dental (and Parramatta Uni in FY23) and including a net chair reduction of 2 with the consolidation of Chatswood  
 3. Number of dentists as at 30 June 2023, includes 62 HBF Dental dentists

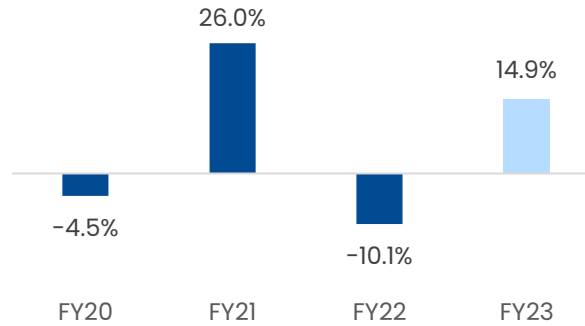
# FY23 Financial Highlights

PSQ HAS RETURNED TO STRONG GROWTH WITH A SOLID CAPITAL POSITION AND RESUMPTION OF DIVIDENDS

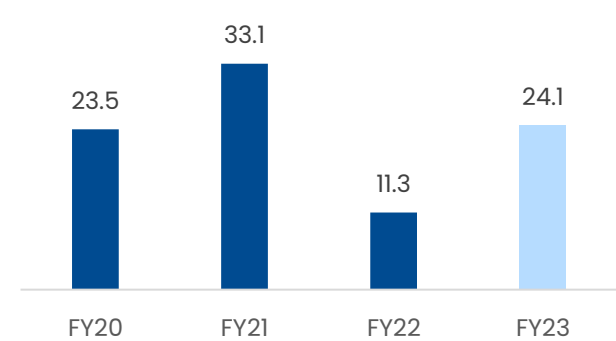
**Patient Fees (\$m) – up 19.5% YoY**



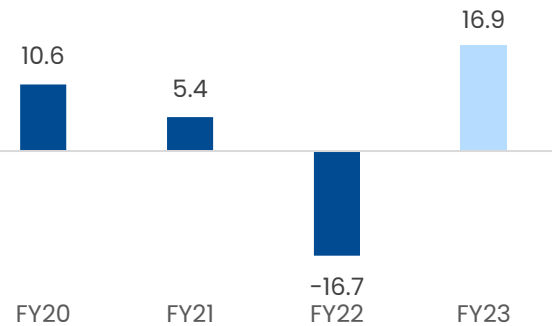
**Same Centre Patient Fee Growth – positive**



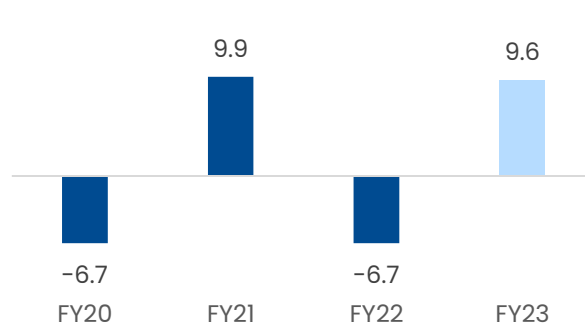
**Underlying EBITDA (\$m) – up 113.3% YoY**



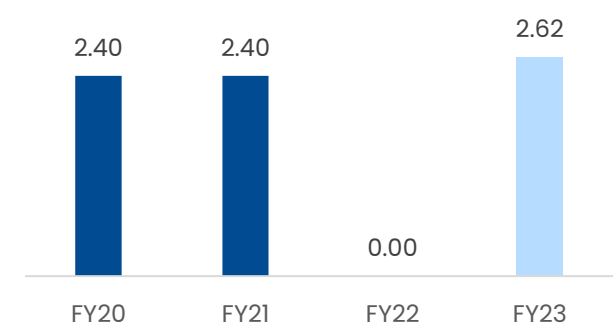
**Free Cash Flow (\$m) – return to positive**



**Net (Debt)/Cash (\$m) – strong balance sheet**



**Dividend (cps) – return to distributions**

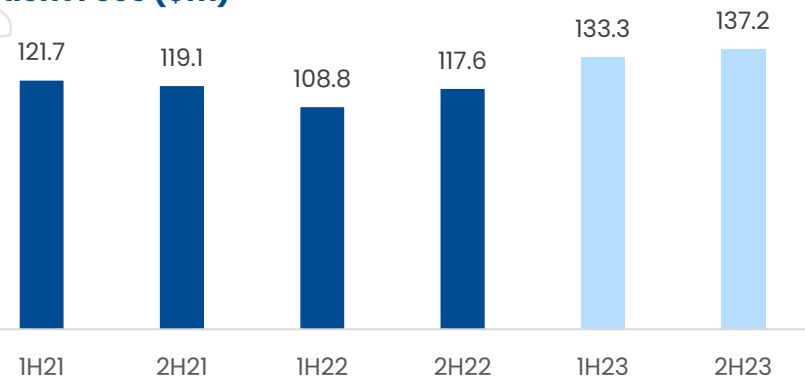




# Patient Fees and Earnings

EARNINGS DRIVEN HIGHER BY APPOINTMENT VOLUME GROWTH AND IMPROVED OPERATING EFFICIENCY

**Patient Fees (\$m)**



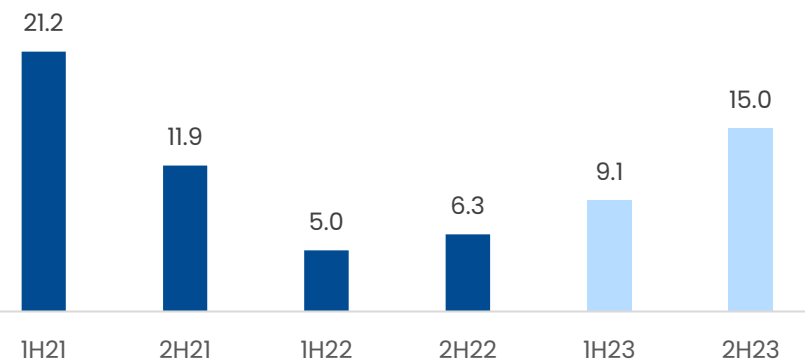
**Total patient fees increased 19.5% to \$270.5m** on:

- Strong appointment volume growth;
- Moderation in patient cancellation rates; and
- Improved practitioner average hourly rate.

**Trading conditions have materially improved**, and while patient cancellations remain just slightly above pre-pandemic levels, we have somewhat offset this via enhanced patient confirmation and rebooking processes.

**Total and same centre patient fee growth** continues to trend positively into FY24 across all cohorts.

**Underlying EBITDA (\$m)**



**Underlying EBITDA increased 113.3% to \$24.1m** on:

- Higher revenue; and
- Improved operational efficiency, per staff to practitioner ratio improvements.

**Labour efficiency is now broadly in line with pre-pandemic levels**, which has significantly improved margins.

**Staff turnover continues to decline**, improving financial outcomes, centre operating stability, and the dentist experience.

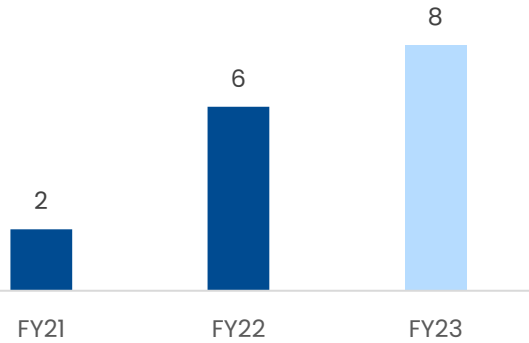
**Centres become significantly more efficient** as they grow their patient base, which should drive further improvement in financial performance.

# HBF Dental

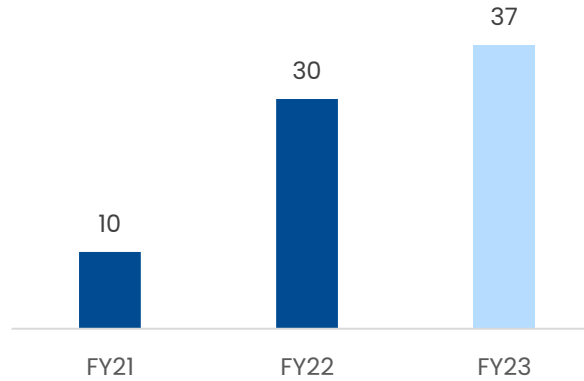
PARTNER PROGRAM CONTINUES TO GROW



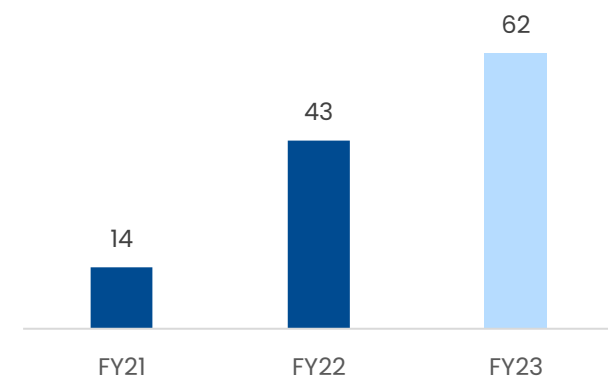
Dental Centres – up 33% YoY



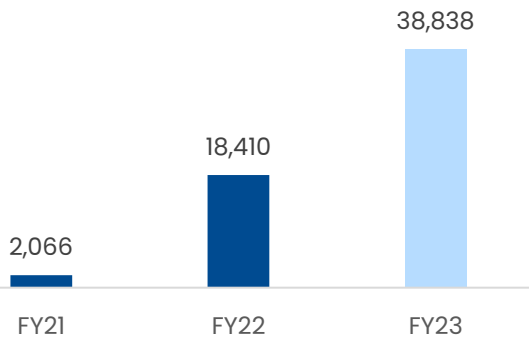
Dental Chairs – 7 new



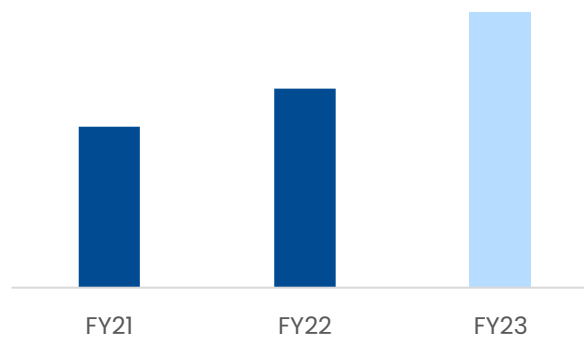
Number of Dentists



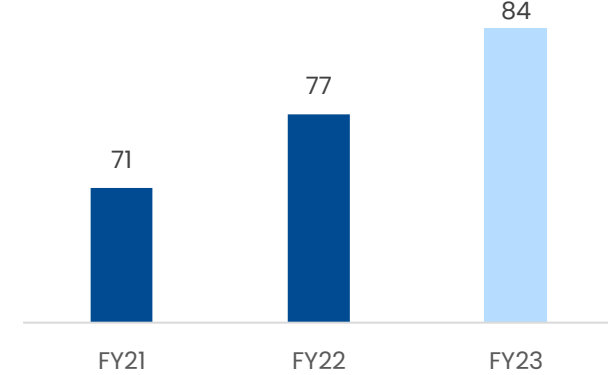
Attended appointments – up 111% YoY



Utilisation



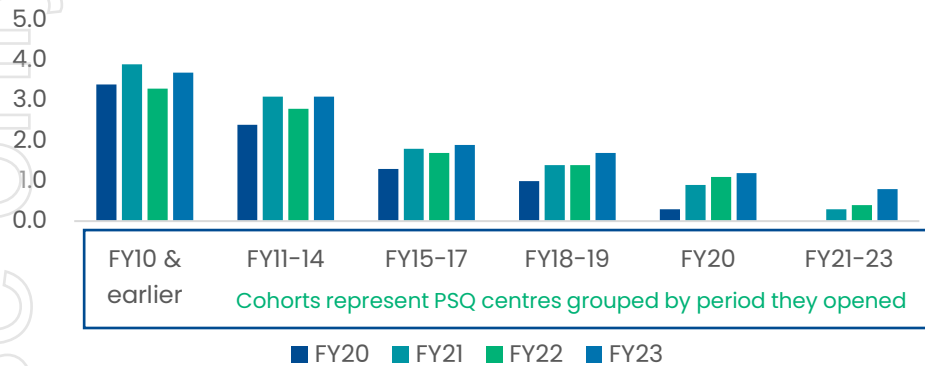
Patient Net Promoter Score



# Cohort Performance – Fees & Utilisation

PERFORMANCE CONTINUES TO IMPROVE ACROSS COHORTS WHILE UTILISATION REPRESENTS KEY OPPORTUNITY

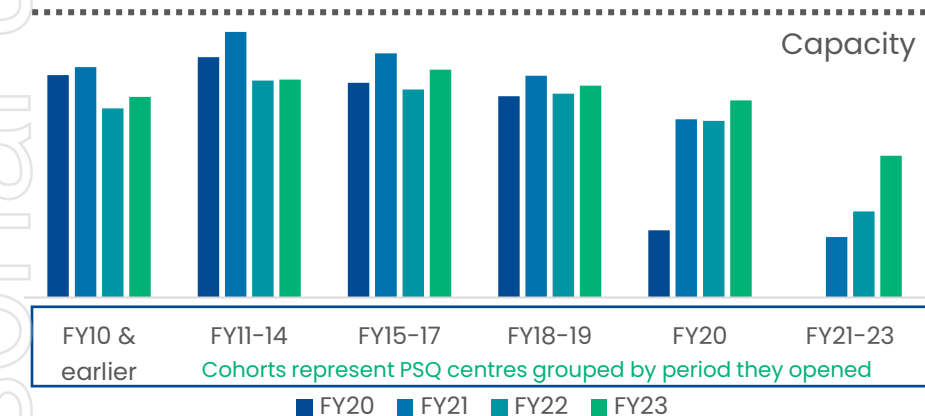
**Average patient fees per centre, by cohort (\$m)**



**Average patient fees rose across all cohorts in FY23**, largely in line with expectations, as we move past the impact of COVID-19.

**Further capacity for growth across key cohorts**, especially newer cohorts that are in ramp phase and whose growth trajectory was significantly interrupted in FY20-23.

**Average utilisation per centre, by cohort**



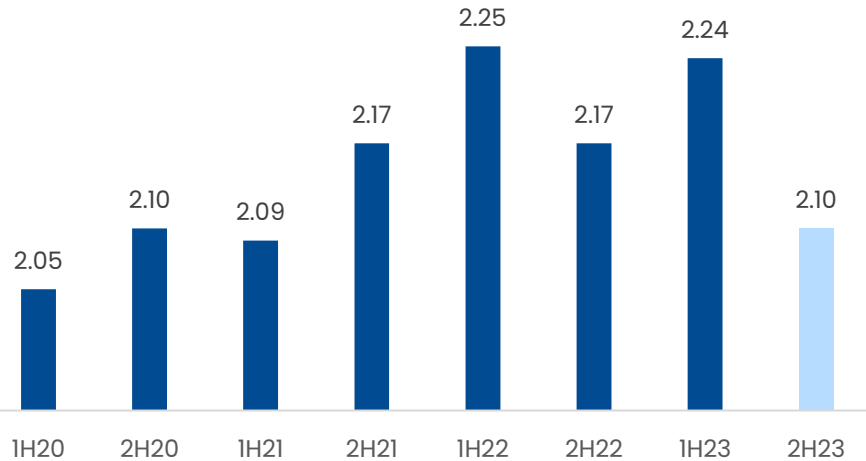
**Utilisation has improved across newer cohorts in particular**, while further utilising embedded capacity in more mature centres is a key focus and clear opportunity for Pacific Smiles.

**Mature cohorts generally have a greater CBD exposure**, and are being impacted by hybrid working arrangements. An additional 19 chairs were added to the two oldest cohorts during FY21 (strong rebound from initial pandemic lockdowns ending), and new patient growth and practitioner attraction to these centres is a priority.

# Cohort Performance – Efficiency

OPERATIONAL EFFICIENCY BACK TO PRE-PANDEMIC LEVELS, DRIVING INCREASED EARNINGS GROWTH

Staff to Practitioner Ratio



**The Staff to Practitioner ratio<sup>1</sup> continues to normalise** to pre-pandemic levels, with this metric a representation of Pacific Smiles' operating efficiency.

**The ratio rose during COVID-19** due to inefficiencies caused by high appointment cancellation rates and withdrawal of service by practitioners which could not be completely offset.

**New centre openings also impact this ratio**, as they typically operate at a higher ratio after opening.

**The ratio has been brought back down** by operating vigilance and normalised rostering to productive practitioner hours.

**Pacific Smiles always seeks to balance** operational efficiency with appropriate levels of support for dentists.

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## 2. FY23 Financial Summary

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# FY23 Income Statement

PACIFIC SMILES HAS RETURNED TO STRONG REVENUE AND EARNINGS GROWTH

| \$m                         | FY23  | FY22  | Change |
|-----------------------------|-------|-------|--------|
| Revenue                     | 165.3 | 139.5 | 18.5%  |
| Gross profit                | 157.4 | 132.8 | 18.5%  |
| Underlying EBITDA           | 24.1  | 11.3  | 113.3% |
| Depreciation & amortisation | -16.4 | -15.1 | 8.6%   |
| EBIT                        | 7.7   | -3.9  | nm     |
| Net interest expense        | -0.8  | -0.7  | 14.3%  |
| Profit before tax           | 6.9   | -4.6  | nm     |
| Tax                         | -2.4  | 1.4   | 271.4% |
| Net profit after tax        | 4.5   | -3.2  | nm     |

## Key financial metrics

|  |       |       |       |
|--|-------|-------|-------|
| Earnings per share (cents)               | 2.8   | -2.0  | nm    |
| Underlying EBITDA margin                 | 14.6% | 8.1%  | 650bp |
| Underlying EBITDA to Patient Fees margin | 8.9%  | 5.0%  | 390bp |
| EBIT margin                              | 4.7%  | -2.8% | 750bp |

Figures are Underlying and exclude the impact of AASB 16 (see reconciliation in appendix)

**Revenue increased 18.5% to \$165.3m** on improved patient and practitioner volumes following a COVID-19 interrupted prior year.

**The number of dental centres increased by 3**, with 4 opening during the year while PSD and nib Chatswood successfully consolidated into 1 centre.

**Same centre patient fees increased 14.9%**, reflecting a rebound in patient and practitioner volumes.

**Corporate overhead margin fell to 6.9%**, with strong management focus on prudent support cost levels and a moderation of new centre growth.

**Underlying EBITDA increased 113.3% to \$24.1m** on revenue growth and a return in centre labour efficiency to pre-pandemic levels.

**EBITDA generated by newer cohorts** (established during and since FY20) has continued to improve following a relatively weak earnings ramp due to COVID-19 lockdowns and related changes in patient behavior.

**EBITDA generated by older cohorts increased 30.9%** benefitting from improved volumes and more efficient use of labour.

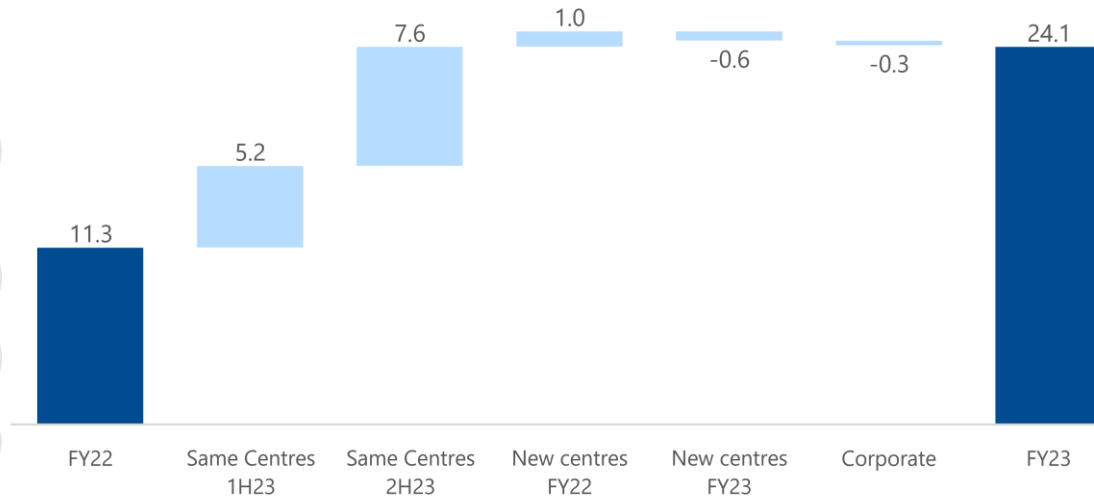
**D&A has increased 8.6% despite a reduction in capital expenditure** as new centre capex from FY23 has had a full year of depreciation.

**FY23 result includes \$0.3m related to payroll tax for dentists** operating under Service & Facilities Agreements in the current year.

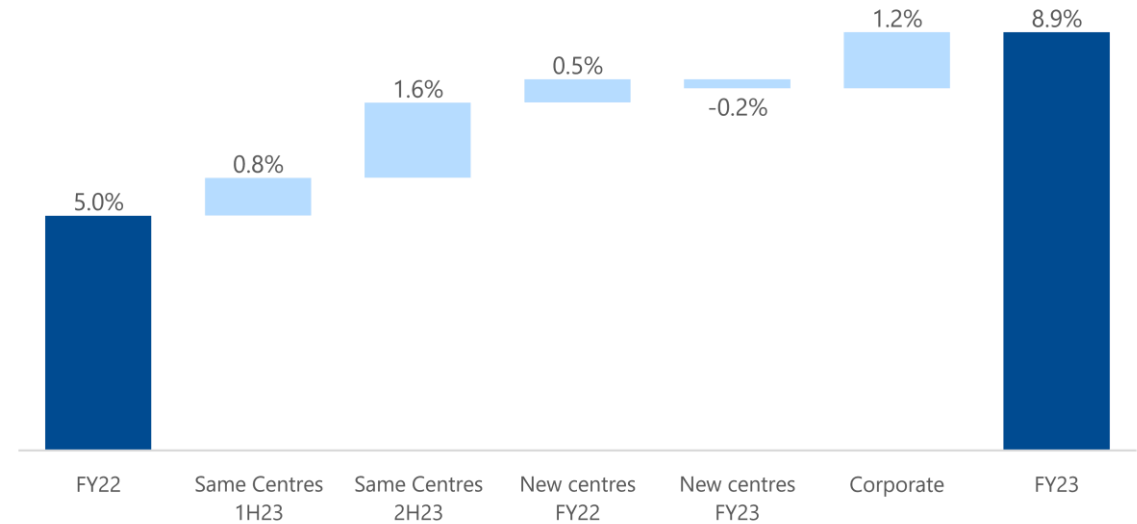
# FY23 Earnings Bridge

APPOINTMENT VOLUME AND IMPROVED OPERATING EFFICIENCY DRIVING EARNINGS GROWTH

Underlying EBITDA (\$m)



Underlying EBITDA (% of Patient Fees)



**Same Centre Underlying EBITDA margin expansion in 2H23** was driven by improvements in revenue and labour efficiency.

**The FY22 new-centre cohort saw continued Underlying EBITDA improvement** as centres mature and volumes increase in line with a return to their ramp profile.

**The FY23 new-centre cohort registered start-up Underlying EBITDA losses** from 4 new centres opened during the year as is customary.

**Corporate costs declined 1.2% as a proportion of patient fees**, driven by prudent management of general support office costs, despite material one-off costs associated with the GROW 22 Employee Conference (held for the first time in 3 years) and a reduction in capitalised support labour costs compared to prior years, due to a slower roll out of new centres.

# FY23 Cash Flow

SOLID COST CONTROL AND TARGETED CAPITAL DEPLOYMENT PROVIDE SIGNIFICANT OPTIONALITY

| \$m  | FY23 <sup>1</sup> | FY22 <sup>1</sup> | Change         |
|--|-------------------|-------------------|----------------|
| <b>Reported EBITDA (pre-AASB 16)</b>         | <b>21.9</b>       | <b>8.4</b>        | <b>160.7%</b>  |
| Other non-cash items                         | -3.6              | 3.0               | nm             |
| Changes in working capital (excl income tax) | 5.9               | -0.6              | nm             |
| Net interest paid                            | -1.1              | -0.7              | nm             |
| Income tax refund/(paid)                     | 4.8               | -4.0              | nm             |
| <b>Operating Cash Flow</b>                   | <b>27.9</b>       | <b>6.1</b>        | <b>357.4%</b>  |
| Net capital expenditure                      | -11.1             | -22.8             | -51.3%         |
| <b>Investing Cash Flow</b>                   | <b>-11.1</b>      | <b>-22.8</b>      | <b>-51.3%</b>  |
| Borrowings (net)                             | -9.5              | 17.5              | -154.3%        |
| Dividends paid                               | -0.6              | 0.0               | nm             |
| <b>Financing Cash Flow</b>                   | <b>-10.1</b>      | <b>17.5</b>       | <b>-157.7%</b> |
| <b>Net Cash Flow</b>                         | <b>6.8</b>        | <b>0.9</b>        | <b>655.6%</b>  |

<sup>1</sup> Reported amounts are statutory amounts adjusted for the impacts of AASB 16.

**Operating Cash Flow** improved significantly during FY23 (+\$21.8m) on:

- Increased patient and practitioner volumes;
- A return in centre labour efficiency to pre-pandemic levels;
- Minor price increases; and
- A \$5.8m tax refund for carry-back tax losses.

**Investing Cash Flow** more than halved during FY23 (-51.3%), with the key driver a \$9.8m reduction in new centre investment to \$3.9m (which includes prior-year carry over).

**Financing Cash Flow** of -\$10.1m largely reflects the repayment of \$9.5m in debt along with the resumption of dividend payments.

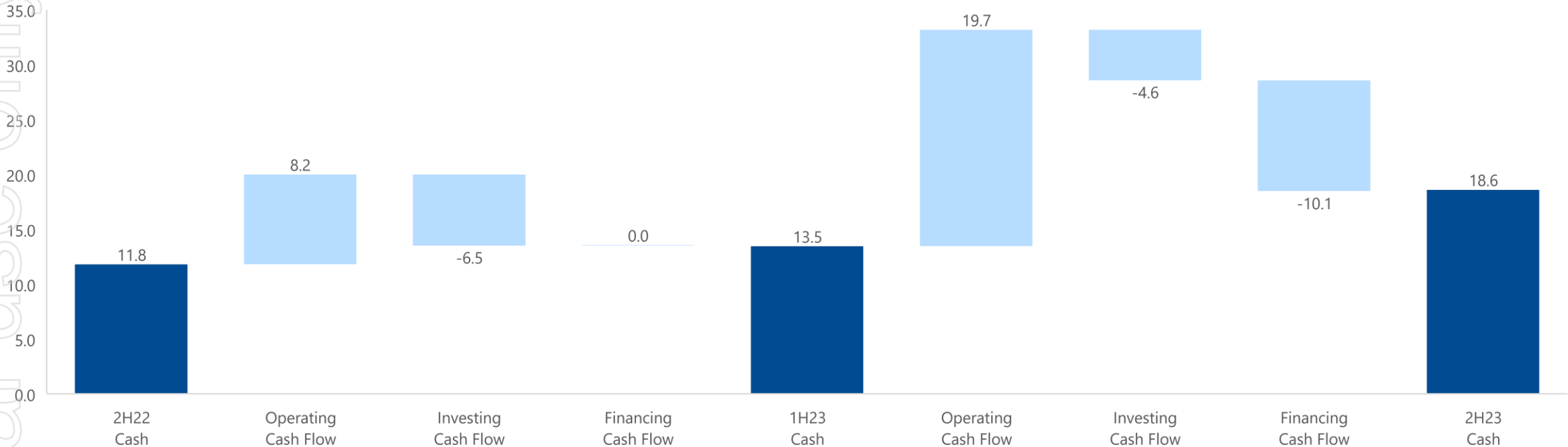
**Overall this resulted in a \$16.3m improvement in Net Cash**, from an end-FY22 Net Debt position of \$6.7m to an end-FY23 Net Cash position of \$9.6m.



# FY23 Cash Flow – Half on Half

CASH GENERATION IMPROVED THROUGHOUT FY23, WITH DEBT REPAYMENT RESULTING IN A RETURN TO NET CASH IN 2H23

Cash Flow<sup>1</sup> Waterfall (\$m)



**Operating Cash Flow** increased in 2H23 vs 1H23, noting the inclusion of a \$5.8m tax refund for carry-back tax losses. Excluding this benefit, 2H23 Operating Cash Flow grew 63% in HoH terms on the continued increase in volumes and strong cost control.

**Financing Cash Flow** of -\$10.1m in 2H23 largely reflected debt repayment.

# Capital Expenditure

CURRENT EMBEDDED NETWORK CAPACITY REDUCES NEAR-TERM DEPENDENCY ON NEW CENTRE CAPEX FOR GROWTH – A BALANCED APPROACH

| \$m   | FY22        | FY23        | Change        |
|---|-------------|-------------|---------------|
| New centres   | 13.7        | 3.9         | -71.5%        |
| Centre relocations, expansions, refurbishments and new chairs | 5.3         | 2.3         | -56.6%        |
| Technology upgrade  | 3.5         | 1.0         | -71.4%        |
| Replacement of in-centre equipment                            | 1.2         | 2.3         | 91.7%         |
| Dental scanning equipment                                     | -           | 1.6         | nm            |
| <b>Total capital expenditure<sup>1</sup></b>                  | <b>23.7</b> | <b>11.1</b> | <b>-53.2%</b> |

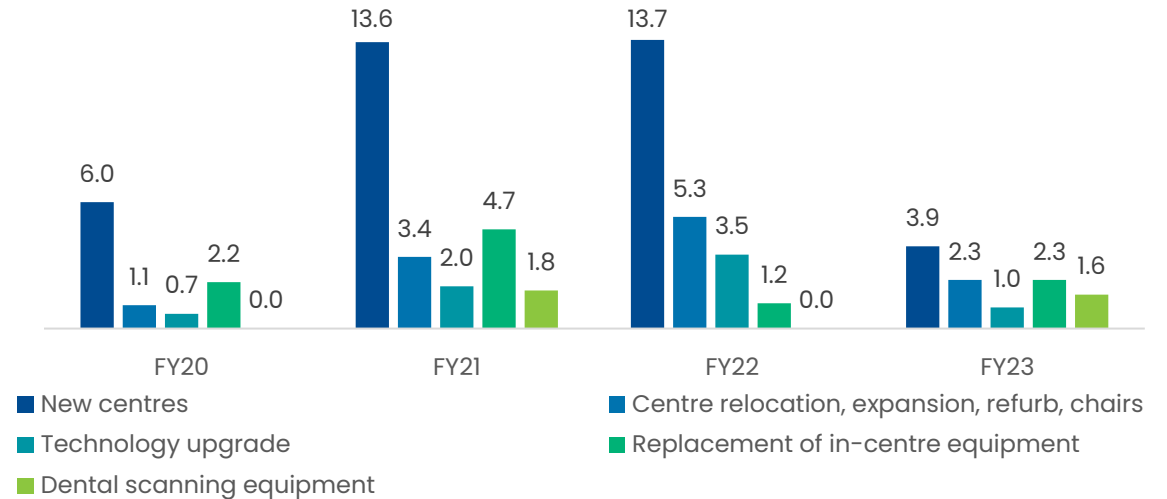
<sup>1</sup>Total capital expenditure excludes disposal cost

**New centre growth was deliberately moderated in FY23** following the strong expansion profile of recent years.

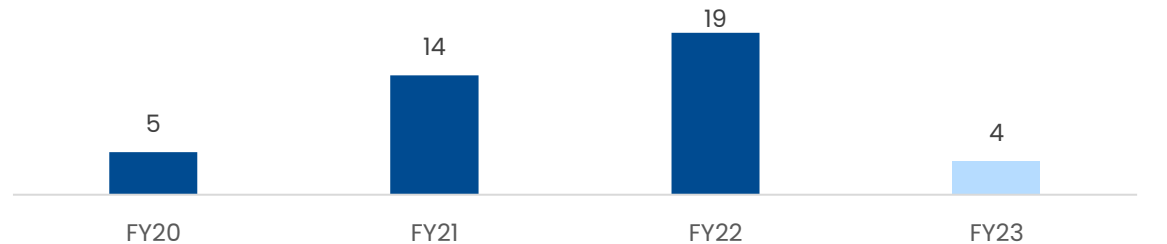
**New centres typically account for the largest proportion** of capex.

**Technology upgrades tapered in FY23**, with the substantial completion of our PMS upgrade and single patient record project in the prior year

Capital expenditure (\$m)



New Dental Centres opened



# FY23 Balance Sheet

STRONG CASH GENERATION THROUGHOUT THE YEAR PROVIDED FOR A RETURN TO NET CASH

| \$m                            | 30-Jun-23    | 30-Jun-22 <sup>1</sup> | Change       |
|--------------------------------|--------------|------------------------|--------------|
| Cash and cash equivalents      | 18.6         | 11.8                   | 57.6%        |
| Other current assets           | 10.5         | 12.2                   | -13.9%       |
| Property, plant and equipment  | 62.0         | 68.9                   | -10.0%       |
| Other assets                   | 21.2         | 21.3                   | 0.5%         |
| <b>Total Assets</b>            | <b>112.3</b> | <b>114.2</b>           | <b>-1.7%</b> |
| Payables and other liabilities | 20.7         | 17.5                   | 18.3%        |
| Provisions                     | 13.1         | 8.7                    | 50.6%        |
| Borrowings                     | 9.0          | 18.5                   | -51.4%       |
| <b>Total Liabilities</b>       | <b>42.8</b>  | <b>44.7</b>            | <b>-4.3%</b> |
| <b>Net Assets</b>              | <b>69.5</b>  | <b>69.4</b>            | <b>0.1%</b>  |

<sup>1</sup>Note: the end-FY22 figures have been restated for an error in indirect tax liabilities.

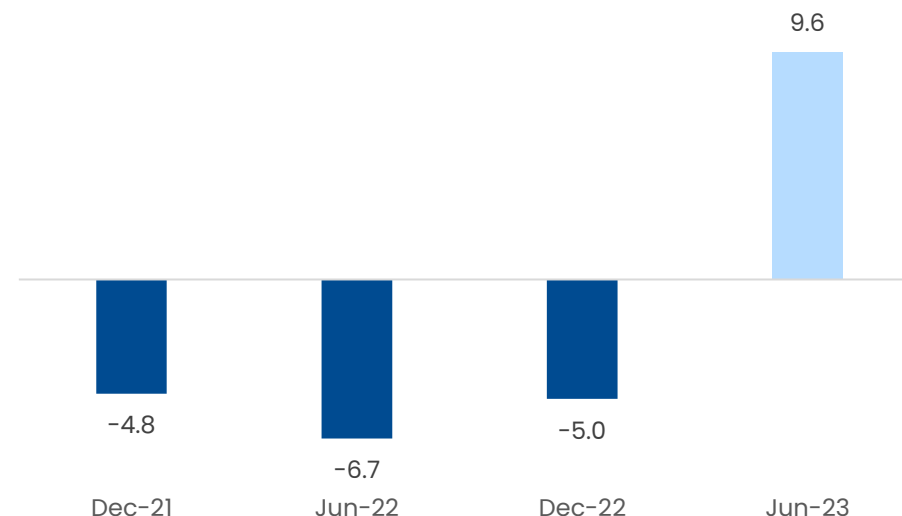
**Cash increased \$6.8m** on a significant improvement in Operating Cash Flow and prudent investment spend throughout FY23.

**PP&E declined \$6.9m** on the slower roll-out of new centres during 2H23, with Depreciation & Amortisation running much higher than maintenance capex.

**Provisions increased \$4.4m** on revised assumptions underpinning the make-good provisions required to be carried against our lease portfolio.

**Borrowings declined \$9.5m** as strong operating performance allowed for the retirement of debt and reinstatement of dividends.

## Net cash (\$m)



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### **3. Sector Tailwinds & Growth Strategy**



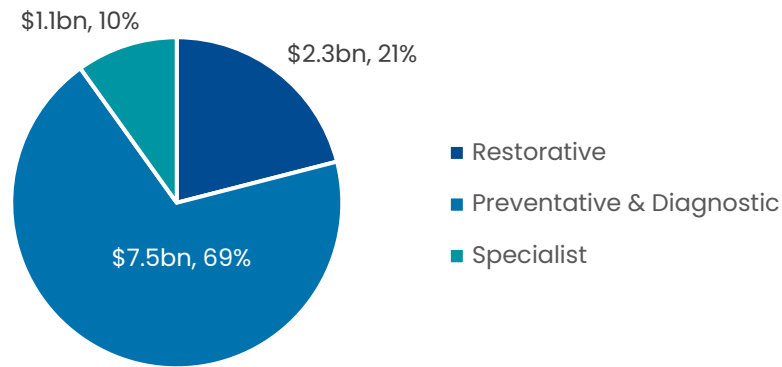
# Outlook For The Australian Dental Sector

## Australia Dental Services Industry Revenue Forecasts

(\$m)



## Australia Dental Services Industry Revenue (2023)



Source: IBISWorld

## Recent Trends

- Non-emergency dental work (in particular preventative & diagnostic) was delayed throughout the COVID-19 period. This has resulted in a backlog of residual demand including more expensive restorative procedures.
- PSG is seeing an increase in the number of restorative services (e.g. treating broken, damaged/decayed teeth, gums, and tissue) required post-pandemic.

## Key demand factors

- **Ageing and population growth** > Dental problems are highest for people aged 75 and older, and is growing with Australia's ageing population.
- **PHI participation rates** > Recent APRA data (Mar-23) revealed continued PHI policy growth of 2%, supporting continued dental growth and ancillary claiming.
- **Access to Preferred Provider Agreements (PPAs)** > PSG has access to a broad spectrum of PPAs from insurers, which underpins patient demand as insurers promote dentist locations within their PPA network.
- **Child Dental Benefits Scheme (CDBS)** > Financial support funded by the Commonwealth Government for eligible children to receive access to dental care.
- **Cosmetic dentistry** > Increasing demand for orthodontic procedures (aligners etc), teeth whitening, veneers and crowns.

## Highly fragmented industry dominated by small firms

- The dental services industry is predominantly made up of independent sole proprietors that operate relatively small-scale dental practices, with 95% of dental services enterprises producing less than \$2.0m in annual revenue.
- The highly fragmented nature of the sector leaves significant scope for growth, and PSG is well positioned to capitalise on this opportunity.

# Growth Thesis

## Embedded Capacity



Increase utilisation and same centre growth across existing centres.

Clear opportunity for profitable growth that does not require material capex.

## Cohort Maturation



Cohort mix maturation. As newer cohorts mature and more chairs are added and utilisation rates increase, revenue, and ultimately earnings increase.

## Network Growth



Long-term growth plans remain unchanged.

New centre investment balanced against profitability and capital management.

### Long Term Targets:

**>250 centres**  
(Jun 23: 130)

**>800 chairs**  
(Jun 23 : 545)

**>15% EBITDA margin<sup>1</sup>**  
(FY23 : 8.9%)

**5% Market share**  
(FY23 : 2.5%)

# Marketing Focus

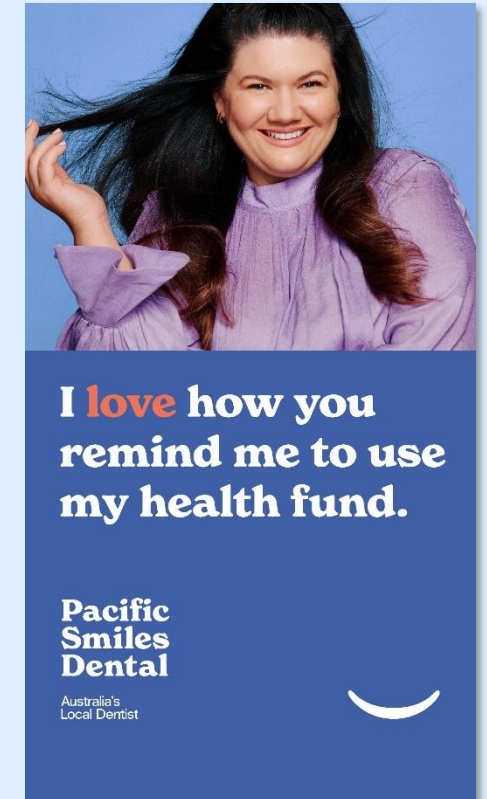
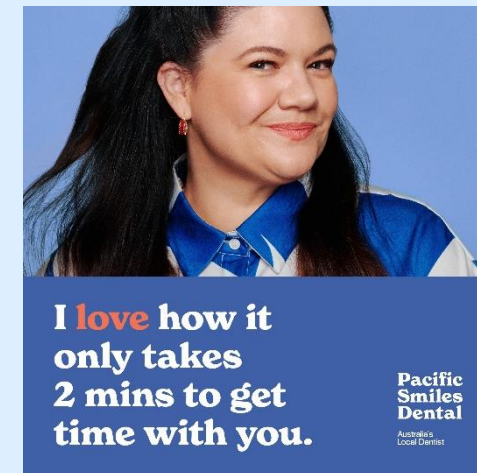
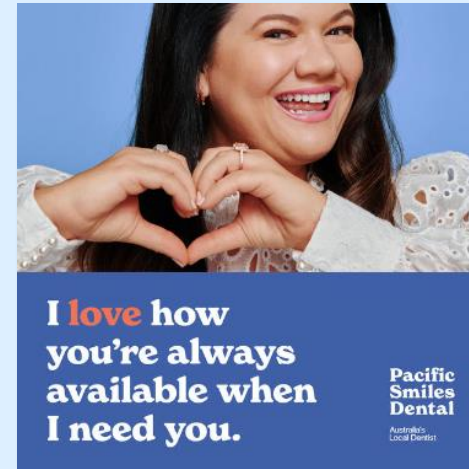
## MARKETING EFFORT FOCUSED ON DRIVING NEW PATIENT ACQUISITION

**Continuing FY23 momentum** by increasing opportunities for new patients to book appointments via expanded distribution channels and category entry points.

**Staying top-of-mind with potential new patients** for a service only used twice a year, noting over 30% of the population visits a dentist once every three years (ADA).

**July launch of “Love Letters: I love my Dentist” campaign**, a distinctive creative strategy to build mental availability with existing and prospective patients and reinforce the key proposition for dentists (making the inconvenient convenient).

**Campaign drove 4% month-on-month new patient growth** during July 2024.



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Pacific  
Smiles  
Dental



## 4. Outlook



# FY24 Outlook

## Trading Update & Outlook

- Performance to date for FY24, as of 23<sup>rd</sup> August 2023:
  - Patient Fees \$43.2m
  - Patient Fees +14.1% YoY
  - Same Centre Patient Fees +13.1% YoY
- The Fair Work Commission Wage Decision of a 5.75% increase to modern award rates has been applied across the majority of the Pacific Smiles dental centre workforce as of 1 July 2023.
- Pacific Smiles expects to open 5 new centres in the second half of FY24.
- While management is pleased with the current operating performance of the business, given the prevailing uncertainty in economic conditions, FY24 guidance is not being provided at this time.
- The present high cost-of-living environment and recent increases in interest rates may impact on future demand for dental services, albeit the vast majority of Pacific Smiles patients hold private health insurance.
- An update on 1Q24 trading will be provided at the Pacific Smiles 2023 Annual General Meeting in November.

## Experienced Leadership and Stability



- Paul Robertson appointed Interim Chief Executive Officer to facilitate an orderly handover and minimise disruption.
- Paul joined Pacific Smiles Group in 2008 as Chief Operating Officer and spent the following 13 years building a deep understanding of the Company's operations. In July 2022 he was appointed Chief Commercial Officer, enabling him to leverage his knowledge of the business and build on established relationships.
- Paul will remain Interim Chief Executive Officer while the search for a permanent Chief Executive Officer is ongoing.

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## 5. Q&A



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# Dental



## Appendix

# Centre Locations

## NSW

Ashfield  
Balgowlah  
Bateau Bay  
Ballina  
Bankstown\*  
Bass Hill  
Baulkham Hills  
Belmont  
Belrose  
Bondi Junction  
Blacktown  
Brookvale  
Cameron Park\*\*  
Campbelltown  
Charlestown  
nib Chatswood †  
Chullora\*\*

Corrimal\*\*  
Dapto\*\*  
Erina  
nib Erina  
Figtree  
Forster  
Gladesville  
Glendale  
nib Glendale  
Goulburn\*\*  
Greenhills  
Greenhills Ortho  
Hornsby\*\*  
Hurstville  
Jesmond  
Kotara  
Lake Haven

Lane Cove  
Maroubra\*\*  
Marrickville  
Merrylands\*\*  
Morisset  
Mount Hutton  
Narellan  
Newcastle\*\*  
nib Newcastle  
nib Nth  
Parramatta  
Nowra  
Parramatta  
Penrith  
Queanbeyan  
Raymond  
Terrace

Richmond\*\*  
Rockdale\*\*  
Rutherford  
Salamander Bay  
Shellharbour †  
Singleton  
Sylvania\*\*  
nib Sydney  
Toronto  
Town Hall  
Tuggerah  
Tweed Heads  
Wagga Wagga  
Wollongong  
nib Wollongong

## ACT

Belconnen  
Gungahlin  
Manuka  
Tuggeranong  
Woden  
nib Woden

## WA (HBFD)

Belmont\*  
Bull Creek  
Cannington  
Floreat\*  
Joondalup  
Karrinyup  
Mandurah  
Morley

## VIC

Bairnsdale  
Bendigo  
Caroline Springs  
Chirnside Park  
Craigieburn\*\*  
Cranbourne Park  
Doncaster East\*\*  
Drysdale  
Endeavour Hills\*  
Epping  
Frankston\*\*  
Glen Iris  
Glen Waverley  
Greensborough

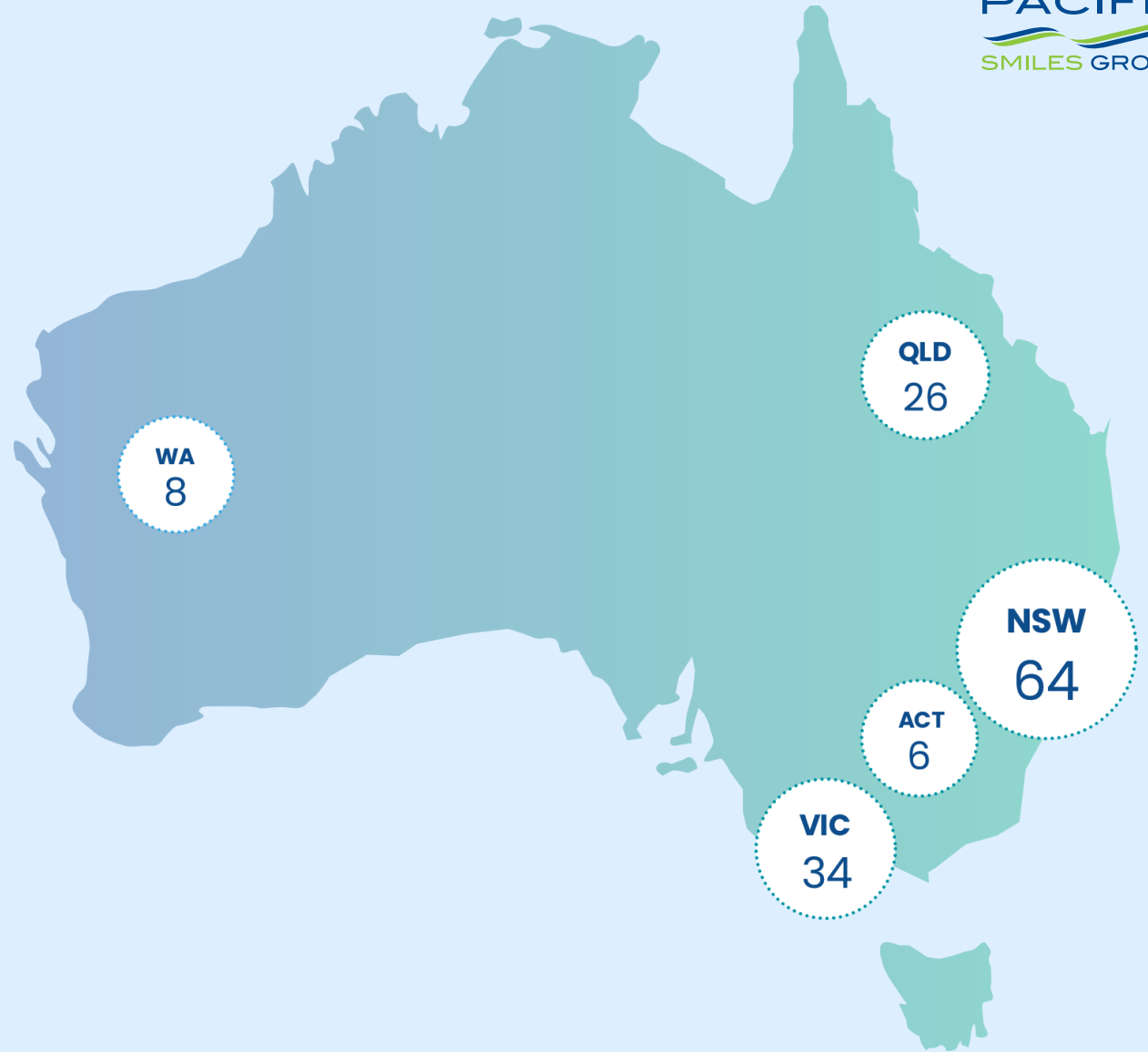
Keysborough  
Leopold  
Melbourne  
nib Melbourne  
Melton  
Mill Park  
Mulgrave  
Narre Warren  
Oakleigh\*\*  
Ocean Grove  
Point Cook  
Preston  
Ringwood  
Sale

Taylors Lake  
Torquay  
Traralgon  
Warragul  
Waurin Ponds  
Werribee

## QLD

Aspley  
Birtinya  
Bribie Island  
Brisbane CBD  
Browns Plains  
Buddina  
Burleigh Heads  
Capalaba  
Chermside\*  
Cleveland  
Coomera\*\*  
Deception Bay  
Helensvale  
Loganholme\*\*

Maroochydore\*  
Mitchelton  
Morayfield  
Mt Gravatt  
Mt Ommaney  
Newstead  
North Lakes  
Redbank Plains  
Robina  
Runaway Bay  
Strathpine  
Victoria Point



Notes:  
\* FY2023 New Centres  
\*\* FY2022 New Centres  
† PSD Chatswood merged with Chatswood

# Why Dentists Choose Pacific Smiles



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# ESG – How We Make a Difference

THROUGH STRATEGIC INITIATIVES IN THE FIELD, AT OUR DENTAL CENTRE SUPPORT OFFICE,  
AND IN OUR NEW CENTRE BUILD SCHEDULES

## Environmental

- Commitment to change from plastic to paper patient water cups by end of calendar year 2023
- Printer cartridge return and recycle program through Close the Loop has saved 560 printer cartridges (446kg) from Landfill
- Changed over to autoclavable mixing wells and cheek retractors reducing single use plastics

## Social

- Continued use of AI technology to reduce bias from candidate screenings in our recruitment process
- Donated dental items to a Central Coast and Hunter based charity “We Care Connect” which helps care for local children living in poverty

## Governance

- We build transparency and trust through strong governance, evidenced by our Board sub-committees and Dental Advisory Committee, which govern our operating and risk environment
- Our policies and procedures guide our people on how to make the right decisions and demonstrate ethical behaviours

# Cohort Performance Data

## Average patient fees per centre (\$m)

| Cohort         | # Centres  | # Surgeries | # Chairs   | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 |
|----------------|------------|-------------|------------|------|------|------|------|------|------|------|------|------|------|
| FY21-23        | 35         | 180         | 101        |      |      |      |      |      |      |      | 0.3  | 0.4  | 0.8  |
| FY20           | 5          | 23          | 15         |      |      |      |      |      |      | 0.3  | 0.9  | 1.1  | 1.2  |
| FY18-19        | 19         | 75          | 69         |      |      |      |      | 0.3  | 0.6  | 1.0  | 1.4  | 1.4  | 1.7  |
| FY15-17        | 28         | 112         | 104        |      | 0.3  | 0.5  | 0.7  | 1.0  | 1.3  | 1.3  | 1.8  | 1.7  | 1.9  |
| FY11-14        | 15         | 78          | 73         | 1.1  | 1.7  | 2.0  | 2.3  | 2.3  | 2.5  | 2.4  | 3.1  | 2.8  | 3.1  |
| FY10 & earlier | 28         | 190         | 183        | 3.2  | 3.5  | 3.6  | 3.5  | 3.5  | 3.7  | 3.4  | 3.9  | 3.3  | 3.7  |
| <b>Total</b>   | <b>130</b> | <b>658</b>  | <b>545</b> |      |      |      |      |      |      |      |      |      |      |

## Average EBITDA margin per centre (\$m)

| Cohort         | # Centres  | # Surgeries | # Chairs   | FY14         | FY15         | FY16         | FY17         | FY18         | FY19         | FY20         | FY21         | FY22         | FY23         |
|----------------|------------|-------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| FY21-23        | 35         | 180         | 101        |              |              |              |              |              |              |              | -39.7%       | -31.2%       | -8.9%        |
| FY20           | 5          | 23          | 15         |              |              |              |              |              |              | -29.7%       | -2.5%        | -0.8%        | 6.7%         |
| FY18-19        | 19         | 75          | 69         |              |              |              |              | -25.9%       | -7.0%        | 2.7%         | 9.0%         | 6.3%         | 13.5%        |
| FY15-17        | 28         | 112         | 104        |              | -23.3%       | -11.2%       | -2.2%        | 5.1%         | 11.3%        | 11.5%        | 15.8%        | 11.6%        | 15.5%        |
| FY11-14        | 15         | 78          | 73         | 14.8%        | 20.1%        | 23.2%        | 23.5%        | 22.5%        | 21.7%        | 20.9%        | 22.9%        | 20.6%        | 23.1%        |
| FY10 & earlier | 28         | 190         | 183        | 25.5%        | 23.8%        | 24.0%        | 24.5%        | 24.1%        | 21.7%        | 20.7%        | 22.5%        | 20.2%        | 20.5%        |
| <b>Total</b>   | <b>130</b> | <b>658</b>  | <b>545</b> | <b>23.8%</b> | <b>22.1%</b> | <b>21.4%</b> | <b>20.8%</b> | <b>19.4%</b> | <b>17.9%</b> | <b>16.7%</b> | <b>18.2%</b> | <b>13.2%</b> | <b>15.8%</b> |

|                                 |              |              |              |              |              |              |              |              |              |              |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>New Centres Opened</b>       | <b>6</b>     | <b>8</b>     | <b>9</b>     | <b>12</b>    | <b>10</b>    | <b>11</b>    | <b>5</b>     | <b>14</b>    | <b>19</b>    | <b>4</b>     |
| <b>Total Patient Fees (\$m)</b> | <b>95.9</b>  | <b>121.4</b> | <b>133.8</b> | <b>147.0</b> | <b>164.5</b> | <b>187.4</b> | <b>186.3</b> | <b>240.8</b> | <b>226.4</b> | <b>270.5</b> |
| <b>Total EBITDA (\$m)</b>       | <b>22.6</b>  | <b>25.0</b>  | <b>27.1</b>  | <b>29.2</b>  | <b>30.4</b>  | <b>33.3</b>  | <b>30.9</b>  | <b>43.6</b>  | <b>29.8</b>  | <b>42.7</b>  |
| <b>Total EBITDA margin (%)</b>  | <b>23.8%</b> | <b>22.1%</b> | <b>21.4%</b> | <b>20.8%</b> | <b>19.4%</b> | <b>17.9%</b> | <b>16.7%</b> | <b>18.2%</b> | <b>13.2%</b> | <b>15.8%</b> |

# Power in Numbers



**525k**

Routine exams



**515k**

Cleans



**335k**

Fillings



**29k**

Root Canals  
& related treatments



**73k**

Extractions



**15k**

Crowns



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# Reconciliation – Underlying to Statutory Income Statement

| \$m                         | FY23                       |             |             |              | FY22                       |             |             |               |
|-----------------------------|----------------------------|-------------|-------------|--------------|----------------------------|-------------|-------------|---------------|
|                             | Underlying<br>(ex AASB 16) | AASB 16     | Other       | Statutory    | Underlying<br>(ex AASB 16) | AASB 16     | Other       | Statutory     |
| Revenue                     | 165.3                      | -           | -           | 165.3        | 139.5                      | -           | -           | 139.5         |
| Direct expenses             | -7.9                       | -           | -1.0        | -9.0         | -6.6                       | -           | -           | -6.6          |
| <b>Gross profit</b>         | <b>157.4</b>               | -           | <b>-1.0</b> | <b>156.4</b> | <b>132.8</b>               | -           | -           | <b>132.8</b>  |
| Other income                | 2.3                        | -0.4        | 0.6         | 2.5          | 1.4                        | -0.6        | 0.5         | 1.3           |
| <b>Expenses</b>             |                            |             |             |              |                            |             |             |               |
| Employee                    | -78.9                      | -           | -1.2        | -80.1        | -70.3                      | -           | -2.5        | -72.8         |
| Consumable supplies         | -13.2                      | -           | -           | -13.2        | -12.2                      | -           | -0.1        | -12.3         |
| Occupancy                   | -20.9                      | 17.0        | -           | -3.9         | -19.5                      | 15.8        | -0.1        | -3.8          |
| Marketing                   | -3.6                       | -           | -           | -3.6         | -3.4                       | -           | -           | -3.4          |
| Admin & other               | -19.0                      | -           | -0.7        | -19.7        | -17.5                      | -           | -0.6        | -18.2         |
| <b>Total expenses</b>       | <b>-135.5</b>              | <b>17.0</b> | <b>-1.9</b> | <b>120.4</b> | <b>-123.0</b>              | <b>15.8</b> | <b>-3.4</b> | <b>-110.5</b> |
| <b>EBITDA</b>               | <b>24.1</b>                | <b>16.6</b> | <b>-2.2</b> | <b>38.5</b>  | <b>11.3</b>                | <b>15.2</b> | <b>-2.9</b> | <b>23.6</b>   |
| Depreciation & amortisation | -16.4                      | -13.8       | -           | -30.2        | -15.1                      | -11.2       | -           | -26.3         |
| <b>EBIT</b>                 | <b>7.7</b>                 | <b>2.8</b>  | <b>-2.2</b> | <b>8.3</b>   | <b>-3.9</b>                | <b>4.0</b>  | <b>-2.9</b> | <b>-2.7</b>   |
| Net finance costs           | -0.8                       | -3.2        | -0.3        | -4.3         | -0.7                       | -3.1        | -           | -3.8          |
| <b>PBT</b>                  | <b>6.9</b>                 | <b>-0.4</b> | <b>-2.5</b> | <b>3.9</b>   | <b>-4.6</b>                | <b>0.9</b>  | <b>-2.9</b> | <b>-6.5</b>   |
| Income tax expense          | -2.4                       | 0.1         | 0.8         | -1.5         | 1.4                        | -0.3        | 0.9         | 2.0           |
| <b>NPAT</b>                 | <b>4.5</b>                 | <b>-0.3</b> | <b>-1.8</b> | <b>2.4</b>   | <b>-3.2</b>                | <b>-0.6</b> | <b>2.0</b>  | <b>-4.5</b>   |

**FY23 Income Statement adjustments** remove the impact of:

- Once-off severance
- Executive LTI plan
- Finalisation of insurance recoveries associated with the closure of the flood-impacted Lismore centre;
- Legal & consulting costs related to the Dec 2022 EGM;
- Adjustments to workers compensation premiums for prior years; and
- Payroll tax on Service and Facilities Agreements with independent dentists.

**FY22 Income Statement adjustments** remove the impact of:

- Once-off severance;
- Executive LTI plan; and
- Costs associated with the closure of the flood-impacted Lismore centre (net of insurance recoveries).

# Reconciliation – Underlying to Statutory

## Balance Sheet & Cash Flow Statement

| \$m                                  | FY23                  |              |              | FY22                    |              |                        |
|--------------------------------------|-----------------------|--------------|--------------|-------------------------|--------------|------------------------|
|                                      | Reported <sup>1</sup> | Adj. AASB 16 | Statutory    | Reported <sup>1,2</sup> | Adj. AASB 16 | Statutory <sup>2</sup> |
| Cash                                 | 18.6                  | -            | 18.6         | 11.8                    | -            | 11.8                   |
| Receivables                          | 2.7                   | 0.2          | 2.9          | 3.1                     | 0.4          | 3.5                    |
| Current tax receivables              | -                     | -            | -            | 2.5                     | -            | 2.4                    |
| Inventories                          | 6.2                   | -            | 6.2          | 5.8                     | -            | 5.8                    |
| Other                                | 1.6                   | -            | 1.6          | 0.9                     | -            | 0.9                    |
| <b>Total Current Assets</b>          | <b>29.1</b>           | <b>0.2</b>   | <b>29.3</b>  | <b>24.0</b>             | <b>0.4</b>   | <b>24.4</b>            |
| Receivables                          | -                     | 0.5          | 0.5          | -                       | 0.5          | 0.5                    |
| Property, plant and equipment        | 62.0                  | 71.5         | 133.5        | 68.9                    | 71.0         | 139.9                  |
| Intangible assets                    | 14.6                  | -            | 14.6         | 13.5                    | -            | 13.4                   |
| Deferred tax assets                  | 6.6                   | 3.5          | 10.2         | 7.8                     | 4.7          | 12.4                   |
| <b>Total Non-Current Assets</b>      | <b>83.2</b>           | <b>75.7</b>  | <b>158.8</b> | <b>90.3</b>             | <b>76.1</b>  | <b>166.2</b>           |
| <b>Total Assets</b>                  | <b>112.3</b>          | <b>75.7</b>  | <b>188.1</b> | <b>114.2</b>            | <b>76.5</b>  | <b>190.6</b>           |
| Payables                             | 19.3                  | -            | 19.3         | 17.5                    | -            | 17.5                   |
| Lease liabilities                    | -                     | 13.7         | 13.7         | -                       | 12.9         | 12.9                   |
| Current tax liabilities              | 1.4                   | -            | 1.4          | -                       | -            | -                      |
| Borrowings                           | -                     | -            | -            | -                       | -            | -                      |
| Provisions                           | 4.8                   | -            | 4.8          | 5.1                     | -            | 5.0                    |
| <b>Total Current Liabilities</b>     | <b>25.4</b>           | <b>13.7</b>  | <b>39.2</b>  | <b>22.6</b>             | <b>12.9</b>  | <b>35.4</b>            |
| Payables                             | -                     | -            | -            | -                       | -            | -                      |
| Lease liabilities                    | -                     | 70.2         | 70.2         | -                       | 74.5         | 74.5                   |
| Borrowings                           | 9.0                   | -            | 9.0          | 18.5                    | -            | 18.5                   |
| Provisions                           | 8.4                   | -            | 8.4          | 3.7                     | -            | 3.7                    |
| <b>Total Non-Current Liabilities</b> | <b>17.4</b>           | <b>70.2</b>  | <b>87.6</b>  | <b>22.2</b>             | <b>74.5</b>  | <b>96.7</b>            |
| <b>Total Liabilities</b>             | <b>42.8</b>           | <b>84.0</b>  | <b>126.8</b> | <b>44.7</b>             | <b>87.4</b>  | <b>132.1</b>           |
| <b>Net Assets</b>                    | <b>69.5</b>           | <b>-8.3</b>  | <b>61.3</b>  | <b>69.4</b>             | <b>-10.9</b> | <b>58.5</b>            |
| Contributed Equity                   | 52.1                  | -            | 52.1         | 51.9                    | -            | 51.9                   |
| Reserves                             | 15.5                  | -            | 15.5         | 15.3                    | -            | 15.3                   |
| Retained profits                     | 1.9                   | -8.3         | -6.3         | 2.3                     | -10.9        | -8.7                   |
| <b>Total Equity</b>                  | <b>69.5</b>           | <b>-8.3</b>  | <b>61.3</b>  | <b>69.4</b>             | <b>-10.9</b> | <b>58.5</b>            |

| \$m  | FY23                  |              |              | FY22                  |              |              |
|--|-----------------------|--------------|--------------|-----------------------|--------------|--------------|
|  | Reported <sup>1</sup> | AASB 16      | Statutory    | Reported <sup>1</sup> | AASB 16      | Statutory    |
| Reported EBITDA                            | 21.9                  | 16.6         | 38.5         | 8.4                   | 15.2         | 23.6         |
| Other non-cash items                       | -3.6                  | -            | -3.6         | 3.0                   | -            | 3.0          |
| Changes in working capital (ex income tax) | 5.9                   | 0.3          | 5.5          | -0.6                  | 0.3          | -0.9         |
| Net interest paid                          | -1.1                  | -3.2         | -4.3         | -0.7                  | 3.1          | -3.8         |
| Net income taxes                           | 4.8                   | -            | 4.8          | -4.0                  | -            | -4.0         |
| <b>Operating Cash Flow</b>                 | <b>27.9</b>           | <b>13.0</b>  | <b>40.9</b>  | <b>6.1</b>            | <b>11.8</b>  | <b>17.9</b>  |
| Net capital expenditure                    | -11.1                 | -            | -11.1        | -22.8                 | -            | -22.8        |
| Finance lease payments                     | -                     | 0.5          | 0.5          | -                     | 0.6          | 0.6          |
| <b>Investing Cash Flow</b>                 | <b>-11.1</b>          | <b>13.5</b>  | <b>-10.5</b> | <b>-22.8</b>          | <b>0.6</b>   | <b>-22.1</b> |
| Borrowings (net)                           | -9.5                  | -            | -9.5         | 17.5                  | -            | 17.5         |
| Payments of lease liabilities              | -                     | -13.5        | -13.5        | -                     | -12.4        | -12.4        |
| Dividends paid                             | -0.6                  | -            | -0.6         | -                     | -            | -            |
| <b>Financing Cash Flow</b>                 | <b>-10.1</b>          | <b>-13.5</b> | <b>-23.6</b> | <b>17.5</b>           | <b>-12.4</b> | <b>5.1</b>   |
| <b>Net Cash Flow</b>                       | <b>6.8</b>            | <b>-</b>     | <b>6.8</b>   | <b>0.9</b>            | <b>-</b>     | <b>0.9</b>   |

# Glossary

|                                    |   |
|------------------------------------|---|
| <b>Statutory EBITDA</b>            | Earnings Before Interest, Tax, Depreciation, and Amortisation   |
| <b>Reported EBITDA</b>             | Statutory EBITDA excluding the impact of AASB 16 (lease accounting standard)  |
| <b>Underlying EBITDA</b>           | Statutory EBITDA excluding: the impact of AASB 16 (lease accounting standard); expenses not related to ongoing employee expenses; and expenses related to non-recurring or extraordinary events |
| <b>Centre Cohorts</b>              | Cohorts represent Pacific Smiles centres grouped by the financial year(s) in which they opened  |
| <b>HBF partnership</b>             | Pacific Smiles operates eight dental centres in Western Australia on behalf of HBF, for a fee   |
| <b>nib partnership</b>             | Pacific Smiles owns and operates 11 nib Dental Care centres, and all Pacific Smiles centres are part of the nib First Choice network  |
| <b>Free Cash Flow</b>              | Operating Cash Flow less Investing Cash Flow  |
| <b>Patient Fees vs Revenue</b>     | Total fees paid by patients (customers of dentists utilising the Pacific Smiles network) vs Pacific Smiles share  |
| <b>Staff to Practitioner Ratio</b> | The ratio of total staff hours worked in dental centres to dentist hours worked   |
| <b>Utilisation</b>                 | A measure of activity relative to the total effective productive capacity of each dentist chair   |