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## ASX ANNOUNCEMENT

### Pacific Smiles Group announces first-half FY22 results

**Result affected by Covid lockdowns and onset of omicron; growth in dental centres positions group for post-Covid rebound**

#### First-half highlights:

- Patient fees \$108.8m, down 10.6% on prior corresponding period
- Group revenue \$66.9m, down 14.6%
- Underlying<sup>1</sup> EBITDA \$5.0m, down 76.6%
- 10 new centres opened during half-year, 119 dental centres at period end (up 16.7%)
- 41 new dental chairs added, 508 chairs in total
- Underlying net loss of \$1.5m for the period
- No interim dividend declared for H1 2022 (H1 2021:2.4cps)

Dental service organisation Pacific Smiles Group Limited (Pacific Smiles) (ASX: PSQ) today released its financial results for the six months to 31 December 2021. The company reports that extended Covid-related lockdowns in key parts of the country contributed to a decline in fee revenue and underlying EBITDA for the half-year compared to the prior corresponding period.

First-half patient fees of \$108.8m were down 10.6% on the prior corresponding period, group revenue was down 14.6% to \$66.9m, and underlying EBITDA declined 76.6% to \$5.0m. The company reported an underlying net loss of \$1.5m for the first-half compared to an underlying first-half net profit of \$10.4m in FY21.

On a statutory basis the company reported a net loss of \$2.2m for the period.

Covid effects aside, the company's expansion strategy remained on track, with 10 new dental centres and three HBF centres (not included in total centre numbers) added during the period. The total number of dental centres was 119 as at 31 December 2021, up 16.7% on the year prior.

Pacific Smiles also added 41 new dental chairs to its national network, including 11 in existing centres.

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<sup>1</sup> Underlying results excludes the impact of the Australian accounting standard (AASB 16) relating to the recognition of operating leases on the balance sheet.

Expansion of the network positions Pacific Smiles to capture significant uplift in patient fees amid signs of improvement in patient attendance at dental centres as key markets emerge from Covid-related constraints.

Conditions in the first half had been challenging, with Covid restrictions in NSW and Victoria that extended through to October and the emergence of omicron cases in December limiting practitioner hours and driving appointment cancellations.

On Monday 7th February Pacific Smiles Group announced the appointment of Mr Andrew Knott. Andrew has joined the Board as Non-Executive Director. Up until January 2022, Andrew held the role of President – Verizon within the Advertising Agency, the Publicis Groupe based out of the United States. Leading over 850 staff delivering across media, customer experience, data and analytics, marketing optimization and creative for Verizon Consumer, Business, and Media Groups, Andrew oversaw \$1.5bn in client spend and delivered over \$200m in group revenue.

On the operating business side, Andrew has held Chief Marketing roles at JPMorgan Chase & Co, National Australia Bank (NAB) and as Vice President Digital Transformation and Marketing at McDonald's. Andrew has extensive experience as a senior executive in Australia, Asia Pacific and the United States. We extend a warm welcome to Andrew and PSQ looks forward to benefiting from his many years as a marketing and customer strategy leader.

### **Operating overview**

The 14.6% decline in group revenue is attributed primarily to the 14.0% decline in same-centre patient fees driven by Covid restrictions.

New dental centres opened during the half were in Cameron Park, Chullora, Corrimal, Goulburn, Hornsby and Merrylands (NSW); Doncaster East and Oakleigh (Victoria); and Coomera and Loganholme (Queensland). Forward bookings for new centres opened were strong, with Coomera generating close to 700 appointments, and Cameron Park, Hornsby, and Oakley each booking more than 500 appointments.

Three new HBF centres were also opened in WA, taking the number of HBF dental centres operated by Pacific Smiles to five by period end. Being largely unaffected by Covid restrictions, the HBF centres in WA performed strongly and were fully booked out for six weeks in advance.

The underlying EBITDA result – \$5.0m compared to \$21.2m in the prior period – reflected not only reduced patient fees in the half but also corporate costs associated with technology and other investments, start-up losses from new centres opened, and the benefit of JobKeeper payments in the first half of FY21.

Net capex of \$14.2m during the period was directed mainly at new centres (\$6.7m) and relocations and expansions (\$3.0m), as well as technology upgrades, dental chair upgrades and refurbishments. As at period end Pacific Smiles' borrowings were \$14.5m with \$25.5m of available headroom in its debt facilities, cash at hand was \$9.7m and net assets stood at \$60.4m on a statutory basis.

More than 800 dentists were working in the Pacific Smiles network by the end of the half and the retention rate of more than 90% for dentists showed the focus placed on supporting this group. Other key metrics were also positive, with staff retention at more than 80% and patient satisfaction levels high, as measured by a net promoter score of more than 85%.

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## Outlook

As advised in our ASX announcement on 25 January 2022 Pacific Smiles Group will not be providing full-year guidance for patient fees and EBITDA owing to the uncertain trading conditions.

Performance to date for FY 2022, as at 14<sup>th</sup> February 2022, has been:

- Patient Fees YTD \$135.1 m
- Patient Fees decline YOY (9.8%)
- Same centre patient fee decline YOY (13.9%)

While performance year to date is down on the same period last year, the business is starting to see an uplift in performance in February and increasing patient attendance in-centre.

Pacific Smiles remains on track to open between 15 and 20 new centres (including those opened in the December half) in FY22.

Pacific Smiles' next trading update will be in March 2022.

## Investor presentation

Pacific Smiles will host a conference call for investors to discuss the half-year results at 11.00am on 16 February. Pre-Registration Link: <https://s1.c-conf.com/diamondpass/10019497-t333t4.html>

Complete half-year results materials have been released to the ASX and are available on the company website via the following link: <http://investors.pacificsmilesgroup.com.au/Investors/>.

Authorised for release by the Board of Directors.

## For further information, please contact:

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