

ASX ANNOUNCEMENT

27 February 2024

1H24 Result

Increased utilisation and volume growth driving a step change in profitability

Dentist service organisation Pacific Smiles Group (ASX: PSQ) today released its financial results for the 6 months ended 31 December 2023. The Group's focus on increasing utilisation within existing centres and improving operational efficiency has delivered strong patient fee growth and improved profitability. The Group maintained growth throughout the period and strengthened its capital position. This allowed for an interim dividend of 2.1 cents per share (cps), reflecting the Board's ongoing confidence in the Company's strategy and growth prospects.

1H24 Results Summary:

- **Patient Fees of \$147.1m**, up 10.4% vs pcp
- **Same Centre Patient Fee growth of 9.6%**, vs 17.3% in the pcp
- **Group Revenue of \$90.0m**, up 10.3% vs pcp
- **Underlying¹ EBITDA of \$13.9m**, up 51.7% vs pcp
- **Underlying¹ NPAT of \$4.4m**, compared with \$0.5m in the pcp
- **Net Cash of \$13.3m at end-December 2023**, vs Net Debt of \$5.0m in the pcp
- **Interim Dividend (fully franked) of 2.1cps** declared subsequent to the reporting period, representing a payout ratio of 100% of Underlying NPAT
- **Total Pacific Smiles centres of 128**, with two mergers in 1H24 of PSD & nib Newcastle and PSD & nib Woden
- **2H FY24 YTD performance indicates continued growth** in patient fees and key operating and financial metrics

The strong financial performance of the Group in 1H24 is attributed to its strategic approach of maximising value in its existing centres, in addition to effective cost management and continued improvement in labour productivity. Leveraging the capacity present in current centres is driving strong volume and profit growth for the Group.

During 1H24 patient fees increased by 10.4% YoY to \$147.1 million, with the Company experiencing activity growth across all centre cohorts. Total practitioner hours rose

¹ Underlying results exclude the impact of the Australian accounting standard (AASB 16) and other one-off related items. A reconciliation of underlying to statutory results is disclosed in the Appendix of the 1H24 Investor Presentation, and Appendix 4D.

4.8% YoY to 362k hours, while total appointments attended increased 5.4% YoY to ~0.5 million.

Underlying EBITDA rose 51.7% vs pcp to \$13.9m, reflecting the uplift in revenue and improved operational efficiency. EBITDA performance in comparison to 2H23 was impacted by inflationary cost pressures, in particular the Fair Work Commission Wage Decision of a 5.75% increase to modern award rates, which was applied across the majority of the Pacific Smiles dental centre workforce as of 1 July 2023. Despite these inflationary headwinds, Pacific Smiles continued to manage growth and profitability effectively.

EBITDA margins, both at a centre level and group level, improved materially on the pcp, reflecting revenue growth and leverage.

Underlying NPAT of \$4.4m represented a step change improvement on the pcp (1H23: 0.5m), with a dividend of 2.1 cps (fully franked).

Pacific Smiles' corporate overhead margin improved to 6.7% (1H23: 7.3%), with strong management focus on support cost levels, a moderation of new centre openings, and higher patient fees.

Capital expenditure for the period of \$1.8m was significantly lower than the \$7.0m reported in 1H23. Pacific Smiles' embedded network capacity, following a period of significant investment, reduces near-term dependency on new centre capex for growth. Technology upgrades have also tapered since FY23, with the substantial completion of the PMS upgrade, scanner roll-out and single patient record project in the prior year.

This improved financial performance resulted in a material deleveraging of the Company's balance sheet, with \$13.3m net cash at 31 December 2023. Debt levels continue to be reduced and the Group's debt facility was reduced from \$40m to \$20m during the half. This reflects a right-sizing of the company's funding requirements, given the ability to self-fund growth going forward.

The Pacific Smiles management team remain focused on maintaining the company's positive culture, for both dentists and employees. As such it is pleasing to report that dentist turnover and employee turnover both continue to improve. Meanwhile, patient satisfaction remains very high with patient net promoter score remaining at 90 for the period.

Update on Proposal from Genesis Capital

On 18 December 2023, Pacific Smiles advised the ASX it received an unsolicited, non-binding proposal from Genesis Capital Manager I Pty Ltd in relation to the proposed acquisition of Pacific Smiles for \$1.40 per share via a recommended Scheme of Arrangement (Indicative Proposal).

On 21 December 2023, Pacific Smiles advised that it considered that the Indicative Proposal was opportunistic and materially undervalued Pacific Smiles and therefore rejected the Indicative Proposal. Pacific Smiles also announced that in order to determine if Genesis Capital is able to formulate a materially improved proposal, Pacific Smiles intended to offer limited access to certain non-public information on a

non-exclusive basis, subject to certain conditions, including the signing of an appropriate confidentiality and standstill agreement.

The Board of Pacific Smiles remains focused on maximising shareholder value and is engaging constructively to determine if a recommended control transaction can be developed. There is no guarantee that any new or revised proposal will be forthcoming, that any proposal would be recommended by the Board of Pacific Smiles or that a transaction will eventuate. The Board will continue to keep shareholders informed in accordance with its continuous disclosure obligations.

Payroll Tax Update

In the ACT, a Reassessment has been received for the financial year 2023, of \$270,514. This has been paid. However, an objection has been lodged with the ACT Revenue Office in relation to the 2019 to 2022 Reassessment (\$884,003) and an objection has also been lodged in relation to the Reassessment for the 2023 financial year. The Company is currently self-assessing payroll tax in line with its position in the objection to the ACT reassessment. In 1H FY24, Pacific Smiles has self-assessed and paid payroll tax on SFAs of \$247,370 across all relevant States and Territories.

Trading Update & Outlook

Performance to date for FY24, as of 26 February 2024:

- Patient Fees \$190.6m
- Patient Fees +9.9% YoY
- Same Centre Patient Fees +9.2% YoY

Full year guidance provided on 21 December 2023 is re-affirmed, being

- Patient Fees in the range of \$293m to \$297m
- Underlying EBITDA in the range of \$26m to \$28m

Pacific Smiles Managing Director & Chief Executive Officer, Andrew Vidler, said: " I have joined Pacific Smiles in a period of transformational change. What I see is a company well positioned for growth as it continues to reap the benefits of a significant investment program over the past three years. This is clearly reflected in the result today, with the company in a position of strong revenue growth and a very healthy bottom line. This result, combined with strong cash flows and a net cash position, supports the dividend payment announced today. We are in a position of strength to set the strategic growth path for the company."

ENDS

Result Conference Call

Pacific Smiles will host a conference call for investors to discuss the half-year results at 11:00 am AEDT, Tuesday 27 February.

Pre-Registration Link: <https://registrations.events/direct/OCP9795812>

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/>.

Authorised for release by the Board of Directors.

For further information, please contact:

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