

Thursday, 27 February 2014

Media Release

1300SMILES Ltd 2014 Half Year Result

1300SMILES Ltd, the only dental service provider listed on the Australian Stock Exchange, today announced its results for the first half of the 2014 financial year.

1300SMILES Managing Director Dr. Daryl Holmes said that the results were down, in line with expectations, as a result of the fact that the previous year's first half results were inflated as patients and dentists responded to the surprise closure of the federal government's Medicare Chronic Disease Dental Scheme (CDDS) in November 2012.

Dr. Holmes said, "The results for the first half of the 2014 year are the new baseline against which all future results will be measured."

He continued, "The first half of the 2014 year illustrates the strengths of 1300SMILES in the new industry environment. The company is delivering solid organic growth and enjoying success with its innovative \$1 a day Dental Care Plan."

Revenue declined by 29.5% to \$14.8 million, NPAT declined by 36.1% to \$2.5 million, and Profit before tax (NPBT) declined by 35.7% to \$3.6 million.

Dr. Holmes said that the company had performed well considering the reduction in revenue, and was pleased to post a strong profit. "A 29.5% decline in Revenue would in most businesses reduce NPAT by 100% or more. In real terms our underlying NPAT may have grown on a normalised basis, if you were to strip out the distortion of the CDDS", he said.

Dr. Holmes indicated that there was already evidence of growth from the new baseline through both existing and new initiatives and programs. Dr. Holmes commented particularly on the new Child Dental Benefits Schedule, growth in the company's \$1 a day Dental Care Plans, greatly improved opportunities to acquire dental practices at reasonable prices, the ongoing public private partnerships with Queensland hospital and health services, and an upturn in enquiries from dentists amid a tough job market.

1300SMILES announced a half year dividend of 6.5 cents per share, fully franked, down 35% on the previous half.

ENDS

Media enquiries: Dr. Daryl Holmes at 1300SMILES Ltd on 07 47 201 300 or md@1300smiles.com.au

ABOUT 1300SMILES LTD

OVERVIEW OF THE COMPANY'S BUSINESS

1300SMILES Ltd owns and operates full-service dental facilities at its sites in the ten major population centres in Queensland and also in Adelaide, South Australia. The company continually seeks to expand its presence into other geographical areas throughout Australia. It does so both by establishing its own new operations and by acquiring existing dental practices. The administrative and corporate offices are in Townsville.

1300SMILES enables the delivery of services to patients by providing the use of dental surgeries, practice management and other services to self employed dentists who carry on their own dental practices. The services provided by the company allow the dentists to focus on the delivery of dental services rather than on the administrative aspects of carrying on their businesses. The dentists pay fees to the company for the provision of these services under a Dental Service Agreement with the company. In some circumstances the company also employs qualified dentists.

The dentists who use the company's services range from new graduates to experienced dental professionals. Several dentists who use the company's services have special interests and experience in such areas as endodontics, oral surgery, implants and periodontics and cross-refer work to other dentists who use the company's services.

The company provides comprehensive services in the areas of marketing, administration, billing and collections, and facilities certification and licensing to all participating dentists. The company also provides all support staff, equipment and facilities, and sources all consumable goods using the buying power which derives from such a large group of dental businesses.

FUTURE DEVELOPMENTS

The company's core objective is to continue to increase profits and shareholder returns while providing a rewarding environment for our staff and the dentists using our facilities.

The company aims to achieve a combination of organic growth in its existing locations and the addition of new practice management facilities.

The key drivers for future growth of the company are:

- Increasing profits by attracting more dentists to our existing facilities and expanding those facilities which are already at full capacity;
- Assisting dentists who already practice within the 1300SMILES system to increase their turnover and income through benchmarking, training, and mentoring;
- Establishing new practices in existing and new regions (greenfield sites);
- Acquiring substantial existing practices where we can do so on favourable terms; and
- Managing dental facilities owned by others.