

ASX ANNOUNCEMENT

12 May 2014

ACQUISITION – BRISBANE CBD, QUEENSLAND

1300SMILES Ltd has today entered into a conditional contract to acquire one of the most highly respected general and specialist dental practices in Australia – the BOH Dental Group.

Founded in Brisbane's CBD 38 years ago by Drs Brain, O'Brien and Holzgreffe (all since retired), BOH Dental has grown into one of the largest practices in Queensland, with ten dentists and a team of hygienists, consulting dentists, laboratory and support staff.

All seven partners of BOH Dental have agreed to extended contracts with 1300SMILES.

Managing Director of 1300SMILES, Dr Daryl Holmes, commented, "I am delighted to welcome the BOH Dental team to 1300SMILES. BOH Dental is well known within our profession as a leading practice. The partners of BOH Dental are some of the industry's most respected dentists and specialists."

The acquisition provides 1300SMILES with a very strong base to grow in central Brisbane, and to grow revenue from both general and specialist dentistry.

"As I have said many times in the past, we are very selective about the practices we acquire", noted Dr Holmes. "The personnel, patient base, and reputation of BOH Dental are such that this is a great fit for our company. Our existing network of dentists in our practices will have access to a wealth of expertise and experience from BOH Dental, and the dentists at BOH Dental will in turn have access to a wider pool of referral sources. We believe this is a great win all around. A win for our company, a win for our shareholders, a win for our existing network of dentists, a win for the partners and staff of BOH Dental, and lastly but very importantly, a win for our patients."

Discussing the transaction, BOH Dental Chairman, Dr Stuart Garraway, said that "BOH Dental has a proud and successful history under private ownership. The decision to partner with 1300SMILES was not one we took lightly. We were convinced that 1300SMILES could bring much to our practice while still allowing us complete clinical control."

BOH Dental Partner and prosthodontist, Dr Brian Fitzpatrick, noted that “right throughout a lengthy process, we have been impressed with the 1300SMILES approach and willingness to partner with us. Our agreed model allows all parties to benefit from working together to provide great service and to grow our practice.”

Dr David Ashton paid tribute to the quality of BOH Dental’s staff. “The Partners recognise the critical role played by our wonderful team of staff across our service and laboratory businesses. We thank them for their contributions so far, and look forward to our staff enjoying even more opportunities in the future.”

Patients will see no change in the short term – the business will still be known as BOH Dental – with small changes occurring over the medium term aimed at further improving the quality of care to an increasing number of patients.

The acquisition is expected to make an immediate contribution to the company's profit and earnings per share. It is expected to contribute approximately \$1.2M EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) during the full 2015 financial year, as well as make contribution in the current financial year. The acquisition will be funded from a combination of cash reserves (\$7,750,000 on completion) and vendor finance (\$2M payable over five years).

The contract is due to complete later this month.

This announcement and further information about 1300SMILES Ltd can be found on the company’s web-site www.1300SMILES.com.au.



On behalf of the Board
Daryl Holmes
Managing Director

ABOUT 1300SMILES LTD

OVERVIEW OF THE COMPANY'S BUSINESS

1300SMILES Ltd owns and operates full-service dental facilities at its sites in New South Wales, South Australia, and in the ten major population centres in Queensland. 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.

DENTIST ENQUIRIES

Owners of dental practices who are interested in unlocking the goodwill value of their businesses (or freeing themselves from all the management hassles) are invited to contact Dr. Daryl Holmes, Managing Director, on +61 (7) 4720 1300 or md@1300SMILES.com.au.

Qualified dentists who wish to know more about joining one of our established facilities are encouraged to contact Dr. Holmes directly or email dentalcareers@1300smiles.com.au or visit our website www.dentalcareersaustralia.com.au.