

ASX ANNOUNCEMENT

6 April 2020

COVID-19 Update

1300SMILES had been trading well for most of the March 2020 quarter.

However, since late-March 2020, the COVID-19 pandemic has had a major impact on operations and trading.

1300SMILES currently has about 50% of its practices open throughout its network, at least on a part-time basis, depending on patient demand, along with dentist and staff availability.

In accordance with the recommendations of the Australian Dental Association, Dental Board of Australia and Australian Health Protection Principle Committee, 1300SMILES is currently, and has been observing Level 3 restrictions, which recommend only urgent and emergency treatment using standard precautions for people who do not meet the epidemiological or clinical criteria.

Liquidity is being provided by current cash reserves and debt funding from 1300SMILES' senior lender, CBA. 1300SMILES has approximately \$10 million in undrawn facilities and greatly appreciates the support & relationship with its bankers.

1300SMILES is also exploring the availability of Federal and State Government assistance, in particular the Federal Government's JobKeeper program to assist in subsidising wages.

Cash conservation measures have been implemented. Non-executive directors have waived their fees for 6 months.¹ Most health practitioners and support staff have been stood down or are taking leave. Negotiations with suppliers and lessors of leased premises have commenced to restructure payments.

Non-executive director Ms Evonne Collier also resigned from the Board. Ms Collier was appointed in November 2017 and the Board wishes her well with her future endeavours.

Managing Director, Dr Daryl Holmes said: "Our immediate priority is to protect the health of our patients and team members, while we continue to serve the communities where we live and work and play our part to help reduce the spread of the virus".

"Prior to the unexpected, dramatic impact of COVID-19 nationally and globally, the business was performing better than expected, with strong same store sales growth in the March 2020 quarter. We are well placed to see through this public health emergency and to commence the recovery process when it passes, and are strategising daily on how that looks and will occur."

¹ From April to September 2020 inclusive.

This market announcement has been authorised for release to ASX by the Board. This announcement and further information about 1300SMILES Limited can be found on the company's website at www.1300SMILES.com.au.

For further information, please contact:

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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 OBE, 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.1300smiles.com.au/careers.