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ASX ANNOUNCEMENT

Pacific Smiles Group Limited (ASX: PSQ)

7 August 2018

Pacific Smiles Group appoints Mr Philip McKenzie as Chief Executive Officer and Managing Director

Pacific Smiles Group (ASX: PSQ) is pleased to announce the appointment of Mr Philip McKenzie as Chief Executive and Managing Director, effective 29 October 2018.

Mr McKenzie will succeed Mr John Gibbs who has been in the leadership team at Pacific Smiles for the past 14 years, 11 of those in the capacity of CEO and Managing Director.

Mr McKenzie is currently Chief Executive Officer of Audiology Management Group (AMG), a leading audiology services business with a network of more than 200 clinic locations in the USA.

AMG is owned by Widex, one of the world's largest manufacturers of hearing aids, with more than 4,000 employees globally. During his time at AMG, Mr McKenzie balanced and transitioned the model from acquisition driven to greenfield expansion and delivered strong financial performance for the group.

Prior to his role as CEO of AMG, Mr McKenzie was CEO of Widex Australia, New Zealand, Singapore, Hong Kong and India retail where he successfully turned around and grew those operations.

Mr McKenzie has also held leadership positions at: Apple Retail (Australian Market Director and a driver of Apple's retail entry into the Australian market – 2008 to 2011), and Luxottica (Australian National Operations Manager – 2005 to 2007).

Mr McKenzie holds a Bachelor of Business from Auckland University of Technology.

The key terms of Mr McKenzie's executive contract are summarised as an attachment to this announcement.

Commenting on the appointment, Mr Bob Cameron AO, Chairman of Pacific Smiles said:

"We are excited about what Phil brings to our business. It is rare to find an executive with a pedigree of organic rollout allied healthcare experience and also a strong consumer background both in Australia and internationally. This mix lends itself well to what we are trying to achieve at Pacific Smiles. His passion for purposeful culture and driving results through people is an excellent fit for Pacific Smiles."

Phil will be located in the Hunter Valley region in close proximity to Pacific Smiles' Support Office in Greenhills. The Board and Phil agree this is an important factor in driving the business to its full potential.

On behalf of the Board, staff, dentists and all shareholders, we sincerely thank John Gibbs for his outstanding role in getting Pacific Smiles to where it is today as one of the most successful organic rollout dental models in the world. John's extreme integrity and hard work have been hallmarks of his time leading the business. We look forward to John's ongoing input as he facilitates the transition to a new leader."

Mr Gibbs said:

"It is with mixed emotions that I step down from my leadership role with Pacific Smiles. It has been an amazing journey to help build our dental network from three centres when I joined to more than 80 today. Personal circumstances have meant that I can no longer spend the time required working from the Company's corporate head office the Hunter Valley. I remain as passionate as ever about Pacific Smiles and look forward to seeing the business continue to succeed under Phil's leadership."

In accepting the appointment Mr McKenzie said:

"I am thrilled and honoured to have the role of CEO of such a unique Australian success story. There is a massive market opportunity in Australia and I believe Pacific Smiles' consistently branded and operated organic rollout model is a great way to address the market. I am excited about working with the practitioners, staff and board to lead Pacific Smiles through its next phase of growth."

Mr Gibbs will continue to lead the Company until Mr McKenzie's commencement date. Mr Gibbs has also agreed to make himself available to assist with the leadership transition for up to 6 months following Mr McKenzie's commencement.

Unaudited Results for FY2018

Pacific Smiles confirms that unaudited FY2018 results are in line with the Trading Update provided on 28 June 2018. The key financial metrics for FY2018 include:

- Patient Fees of \$164.5 million, up 12.0% on pcp
- EBITDA (underlying) of \$21.5 million, up 2.9% on pcp
- Same Centre Patient Fee growth of 5.1%
- 10 new centres opened

Trading for the first 5 weeks of FY2019 has been solid with same centre patient fee growth 9.7%.

Pacific Smiles will announce its annual results on 23 August 2018, followed by a teleconference the same day at 11.00am AEST.

About Pacific Smiles Group

Pacific Smiles is a leading Australian branded dental group, currently operating more than 80 dental centres under two brands – Pacific Smiles Dental and nib Dental.

Pacific Smiles provides dentists with fully serviced and equipped facilities including support staff, materials, marketing and administrative services.

Over 400 dentists, assisted by more than 800 support staff, attend to more than 600,000 patient appointments at Pacific Smiles centres each year.

The Company's growth model is focused on organic new centre rollout rather than acquisitions. This allows Pacific Smiles to steadily and strategically expand its geographic footprint and provide the benefits of the Pacific Smiles service model to an increasing number of Australia's dentists and patients.

For further information contact:

Mr John Gibbs

Managing Director and Chief Executive Officer

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Attachment 1: Executive Contract Terms

The key terms and conditions of Mr McKenzie’s employment contract are outlined below:

Terms	Details
Commencement date	29 October 2018
Total fixed remuneration	\$500,000 per annum including superannuation
Short term incentive (STI)	Up to 50% of fixed remuneration
Long term incentive (LTI)	<ul style="list-style-type: none"> • Initial tranche of 2.0 million performance rights to be issued (subject to shareholder approval) • Vesting to occur on the 4th anniversary of issuance • Vesting to depend on Earnings Per Share (“EPS”) growth over a four year period scaling (non-linear) as follows: <ul style="list-style-type: none"> - at 10% pa EPS growth, 5% of Performance Rights will vest - at 25% pa EPS growth, 100% of Performance Rights will vest • Nil vesting if Total Shareholder Return (“TSR”) is less than 10% pa, measured over a 4 year period (“Performance Gate”)
Notice period	6 months
Term of agreement	No fixed term
Restraint period	12 months