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**WE WARN ALL READERS - THIS DOCUMENT CONTAINS 'MORE OF THE SAME' VERY FAMILIAR TIRED WORDS**

**23 September 2020**

Dear Shareholder

You may have received or will shortly receive a Notice of Meeting from a group of former Totally Smiles dentists and their associated entities (**Requisitioning Shareholders**) for an extraordinary general meeting (**EGM**) of the Company to be held on Friday 23 October 2020. This letter explains the Company's response to the Notice of Meeting and introduces our 'Sustainable Improvement Strategy', which is explained in detail in the attachment.

**The Notice of Meeting and proxy form were NOT sent by Smiles Inclusive and do NOT reflect the views of the Smiles Inclusive Board. The instructions in the Notice of Meeting encourage you to send proxies to a company called Advanced Share Registry, which is not the Company's share registry. THE SMILES INCLUSIVE BOARD STRONGLY RECOMMENDS SHAREHOLDERS NOT TO SEND ANY PROXY FORMS TO ADVANCED SHARE REGISTRY.**

The Requisitioning Shareholders have proposed a number of resolutions to remove all of the current directors and appoint Dr John Camacho, Dr Philip Makepeace and Dr Arthur Walsh as directors (**Nominee Directors**).

**Your Directors unanimously recommend shareholders VOTE AGAINST all of the resolutions proposed by the Requisitioning Shareholders and that you **IGNORE THE PROXY FORM SENT BY THEM**. Only use the attached Proxy Forms authorised and sent by Smiles Inclusive.**

The Nominee Directors have a history of attempting to spill the Board, risking disruption of the Company's efforts to turn around the business. This latest call for an EGM is Dr Camacho's third attempt to remove the current directors and be appointed to the Board. It is an unnecessary and costly distraction for the Company when the performance of the business is beginning to improve.

It is clear from the Notice of Meeting that the Requisitioning Shareholders have not defined a strategy to **turn around the performance of the Company** for the benefit of all shareholders. They seek to remove the current Managing Director and CEO, Michelle Aquilina, but have not identified a replacement CEO to lead the business. The Nominee Directors have no listed public company experience. Your Board unanimously recommends shareholders **vote against** the resolutions they have proposed, for the following reasons.

**1. The Nominee Directors have no listed public company experience.**

Dr Camacho, Dr Makepeace and Dr Walsh do not have experience of managing a listed public company. They have never been directors of a publicly listed healthcare company or any listed company.

**2. The Requisitioning Shareholders have not defined a plan to improve the performance of the business or restore the Company's balance sheet.**

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The Requisitioning Shareholders have not proposed a new CEO and have not put forward a strategy to turn the performance of the business around to achieve sustainable growth, add value to the business or improve the Company's balance sheet.

Dr Camacho, Dr Makepeace and Dr Walsh terminated their facilities and services agreements with the Company in April 2020 and no longer work with the Company. They have not been involved in the work being carried out by the Board and management team with our dentists and staff to improve practice performance and turn around the business.

**3. This latest EGM comes less than 18 months after shareholders rejected Dr Camacho's last bid to join the Company's Board.**

Some of the Requisitioning Shareholders called an EGM in May 2019 seeking to remove the Directors and have Dr Camacho elected to the Board. Shareholders rejected Dr Camacho's bid to join the Board.

Later the same month, shareholders associated with Dr Camacho and others sought to requisition a second EGM to consider the same resolutions that failed at the first EGM. The second EGM ultimately did not have enough shareholder support to proceed.

This latest EGM is the third time that Dr Camacho has sought to remove the Directors and to be elected to the Board.

**4. This EGM is an unnecessary and costly distraction from efforts to improve business performance.**

Smiles Inclusive has had to incur costs, both in time spent by management and the Board and in legal and other fees, to respond to the repeated attempts to spill the Board. The Requisitioning Shareholders' repeated attempts to spill the board risk destabilising our staff and suppliers, as well as our capital raising efforts. They have certainly resulted in unnecessary cost for Smiles Inclusive and a distraction from the Board's drive to improve business performance. Your Board and management will continue to resist any effort to undermine their resolve to implement our strategy to maximise the value of the Company for the benefit of all shareholders.

**5. The Board, management, dentists and staff of Smiles Inclusive have improved the performance of the business and are dealing with the impacts of COVID-19 positively.**

The Board and management team of Smiles Inclusive are implementing a **Sustainable Improvement Strategy**, which is explained in detail in the attachment to this letter, at the same time as managing the response to COVID-19 which forced the temporary closure of all of our dental clinics.

Implementation of the plan is being led by Managing Director and CEO, Michelle Aquilina, who has 30 years' experience in the dental industry. In her previous role, she led the turnaround of Primary Dental Care (a division of ASX listed Healius Limited (ASX: **HLS**)) that resulted in it becoming one of the top dental service operators in Australia. The Board believes that Michelle's track record, operational skills, and her proven ability to engage practitioners and staff make her the best person in the Australian dental industry to lead the **turnaround** of Smiles Inclusive.

Our **new CEO** has been at the helm since April 2020 and **the business has already made significant gains in practice performance** and dentist engagement. Our JVPs have indicated their support for Michelle and acknowledged the changes that have already occurred under her leadership. Our new management team includes skilled and experienced regional operations managers to provide ongoing support and engage with our frontline dentists and staff. A **new COO** has been appointed and we are in the final stages of appointing a **new CFO**. This experienced team will support Michelle in implementing the necessary changes to the business.

The 'green shoots' of improvement are based on management actions including:

- an organisational re-design to empower dentists and staff at the frontline while support office leads strategic growth and innovation, and improves engagement with our people
- reduction of operating costs through consolidating business divisions, terminating 15 sub-optimal practice leases, and right-sizing practice staffing levels and cost bases
- investment in frontline services
- divestment of non-core practices to improve the balance sheet
- implementation of a new supply chain strategy to capitalise on scale and ensure consumables and equipment supplies are competitively priced.

**The Company has a cohesive and productive Board and management team** with a clear pathway forward and a strong commitment to **working through the turnaround of the business**. The Nominee Directors are asking shareholders to remove all of the directors, including Ms Aquilina, which would derail current efforts to improve the operational and financial performance of the business to ensure a sustainable future and enhance value for shareholders. The Board strongly believes that a change of directors at this time would be disruptive, if not disastrous for Smiles Inclusive and its shareholders.

While recent events have proved challenging for Smiles Inclusive, the current Board and management team have a well-defined strategic and operational plan in place, and a clear execution pathway. The Board is committed to acting in the best interest of all stakeholders, including its patients, dentists, staff and shareholders.

## How to VOTE AGAINST the EGM Resolutions

Shareholders are urged to ignore the proxy form sent by the Requisitioning Shareholders with their Notice of Meeting, and **vote against all resolutions using the proxy form attached to this letter.**

The instructions in the Notice of Meeting encourage you to send proxies to a company called Advanced Share Registry, which is not the Company's share registry. **If you have already sent a proxy form, the Smiles Inclusive Board recommends you re-vote using the attached proxy form, against all resolutions, and send the proxy form to the Company's share registry, Link Market Services. Any second or subsequent vote will replace a proxy vote already received.**

## Sustainable Improvement Strategy

The Board is pleased to introduce the Company's 'Sustainable Improvement Strategy' which provides the business with a pathway to sustainable growth in the short and longer term, and addresses a number of critical areas as a matter of urgency.

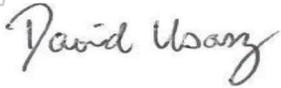
In the immediate term, the strategy focuses on improving engagement with dentists and staff, and driving revenue growth from our existing Totally Smiles centres. We are empowering dentists to grow their businesses, and providing support in operations and governance. Rigorous cost control and removing unnecessary expenses is an important focus, along with introducing more disciplined systems and processes. We are also reviewing our practice portfolio to identify and divest non-core assets.

Longer term, the strategy comprises a combination of actions for operational effectiveness and growth. It focuses on delivering improved business performance and as a result, better returns for shareholders. We are also working on some innovations that will open new markets for our practices and support growth.

The attached document explains the strategy in more detail and includes the actions that are being taken by the Board and management to **turn around** the operational and financial performance of the

business and recover from the temporary closure of our clinics because of COVID-19. We look forward to updating shareholders of our progress in implementing the strategy for the benefit of all shareholders.

Yours sincerely



**David Usasz**  
**Chairman**

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