



Market and Media release

2nd March 2021

PACIFIC SMILES ANNOUNCES CAPITAL RAISING TO PROVIDE FUNDING TO ACCELERATE GROWTH OPPORTUNITIES AND INCREASE LIQUIDITY

Pacific Smiles (ASX:PSQ) (**PSQ, the Company**) today announces a Capital Raising to accelerate growth opportunities and broaden its investor base and increase liquidity.

The Capital Raising includes:

- An underwritten \$15.0 million Placement of new shares in PSQ (Placement), subject to the terms of a placement agreement entered into between the Company and the joint underwriters (as summarised below and in Appendix A); and
- A non-underwritten Share Purchase Plan (SPP) of up to \$5.0 million.

RATIONALE AND USE OF PROCEEDS

As announced at the Company's 1H FY2021 results, Pacific Smiles is achieving strong growth, with patient fees and EBITDA increasing by 15.5% and 64.7% respectively year-on-year. Year to date same centre fee growth of 13.1% was reported as at 12 February 2021.

While the Company reduced its new centre openings during the height of COVID-19, there is now a strong opportunity to grow the network and the Company wishes to have maximum financial flexibility to execute on these opportunities over the next 12-24 months.

In FY2021 the Company intends opening 15 new dental centres. As flagged in the recent 1H2021 results update, Pacific Smiles is making operational and organisational preparations to accelerate the rate of rollout to greater than 20 centres per annum. The number of centres opened in the next 12-24 months will depend on a number of factors including the specific locations that become available, the leasing terms achievable and the availability of dental practitioners which meet Pacific Smiles' standards.

With approximately \$237.5¹ million of forecast patient fees for FY2021 and a \$10 billion addressable market in Australia, Pacific Smiles has a long runway for growth and the Company wishes to capture more than 5% of this market in the longer term, predominantly via organic new centre rollout.

Following the Capital Raising, on a pro forma basis, Pacific Smiles will have approximately \$18 million of net cash (before costs)² and \$37m of available debt facilities. It is the Company's intention to continue to pay dividends in the 70-100% of NPAT range for FY2021. The Board

¹ Estimate based on the midpoint of patient fee guidance for FY2021

² Excluding the non-underwritten SPP and assuming that the conditional component of the Placement receives all requisite shareholder approvals.

will provide guidance on a targeted FY2022 dividend payout ratio no later than the FY2021 results in August 2021.

In addition to strengthening the balance sheet, Pacific Smiles is aiming to broaden its share register by bringing on new institutional and sophisticated shareholders to facilitate an increase in the market liquidity of Pacific Smiles shares.

Commenting on the Capital Raise, Pacific Smiles CEO, Phil McKenzie said: *“We believe this is the right time to strengthen our balance sheet as the Company prepares for the next phase of its growth. We see plenty of opportunity in the market, and while we will continue to be very disciplined with capital allocation, we believe positioning the Company to accelerate our rollout is a logical move. It’s also great to be able to offer shares to a wider group of investors and work towards improving our market liquidity.”*

UNDERWRITTEN INSTITUTIONAL PLACEMENT

The Placement is jointly underwritten by Bell Potter Securities Limited and Wilsons Corporate Finance Limited at the offer price of \$2.60, which represents a 3.7% discount to the last closing price of \$2.70 on 1 March 2021 and a 9.4% discount to the 5 day VWAP to that date.

The underwriters have agreed to underwrite the Placement on the terms of a placement agreement entered between the company and the underwriters (Placement Agreement), with the exception of any amounts allocated to parties that require shareholder approval to participate (which will be non-underwritten and subject to shareholder approval). The key terms of the Placement Agreement are summarised in the Appendix to this announcement.

New Shares to be issued under the Placement (other than any New Shares the issue of which is conditional upon shareholder approval) will rank equally with existing fully paid ordinary shares of Pacific Smiles, including being eligible for the Company’s recently declared 2.4c fully franked dividend. The Company will utilise a portion of its existing placement capacity under ASX Listing Rule 7.1 (but will seek shareholder approval for any allocations made to parties that require shareholder approval under Listing Rule 10.11 to participate). Pacific Smiles shares will remain in a trading halt today while the Placement is conducted. Normal trading in Pacific Smiles shares is expected to resume on Wednesday, 3 March or such other time as the completion of the Placement is announced to the market.

SHARE PURCHASE PLAN

The Share Purchase Plan (SPP) will follow the Placement with eligible Pacific Smiles shareholders in Australia and New Zealand offered the opportunity to acquire additional shares in Pacific Smiles.

The SPP will not be underwritten.

Shareholders on the Pacific Smiles register at 7:00pm (Sydney time) on 1 March 2021 (Record Date), with a registered address in Australia or New Zealand will be entitled to subscribe for up to \$30,000 worth of shares through the SPP, subject to eligibility criteria and other terms and conditions of the SPP which will be set out in the SPP booklet and dispatched to eligible shareholders in due course. Shares issued under the SPP will rank equally with existing shares of Pacific Smiles including being eligible for the Company’s recently declared 2.4c fully franked dividend. The SPP aims to raise up to approximately \$5 million. Pacific Smiles may decide to accept applications (in whole or in part) that result in the SPP raising more or less than this amount in its absolute discretion.

New Shares under the SPP are to be issued at the same price paid by investors under the Placement.

Further information in relation to the SPP, including the SPP terms and conditions, will be outlined in a separate SPP Booklet which will be despatched to eligible shareholders.

INDICATIVE TIMELINE

Placement	Date
Announcement, trading halt and bookbuild	Tuesday 2 March
Announcement of completion of the Placement Trading halt lifted	(pre market open) Wednesday, 3 March
Settlement of placement (other than any shares allocated to parties who require shareholder approval)	Monday, 8 March
Allotment of new shares (other than any shares allocated to parties who require shareholder approval)	Tuesday, 9 March
Share Purchase Plan	
Record date for determining eligibility for the SPP	7pm, 1 March
Dispatch of offer documents and application forms	Monday, 8 March
SPP opens	Monday, 8 March
SPP closes	Thursday, 18 March
SPP allotment date	Tuesday, 23 March
Normal trading of New Shares issued under the SPP	Wednesday, 24 March
Dispatch of holding statements	Friday, 26 March

The above timetable is indicative only. Pacific Smiles and the Joint Lead Managers reserve the right to amend any or all of these dates at their absolute discretion; subject to the *Corporations Act 2001*(Cth), the ASX Listing Rules and any other applicable laws. The quotation of new shares is subject to confirmation from the ASX. All references to time in this announcement are to Sydney time.

Further details of the timing of obtaining shareholder approval for any New Shares allocated to parties who require shareholder approval will be provided with the announcement of the results of the Placement.

- Authorised for release by the Board of Directors.

For more information

Investors

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IMPORTANT NOTICES

This notice may not be released or distributed in the United States. This notice does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The new shares to be offered and sold in the Placement and SPP have not been, and will not be, registered under the US Securities Act of 1933 (the "US Securities Act") or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States unless they are offered and sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

This announcement contains certain forward looking statements and comments about future events, including about the plans, objectives and strategies of Pacific Smiles' management, the industry and the markets in which Pacific Smiles operates, Pacific Smiles' expectations about the financial and operating performance of its businesses, the future size of markets, the timetable and outcome of the Placement and SPP and the use of proceeds thereof. Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. A number of important factors could cause Pacific Smiles' actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements and many of these factors are beyond Pacific Smiles' control. Pacific Smiles is subject to various risk factors, both business specific and of a general nature. Pacific Smiles has established policies and structures for oversight and management of material business risks. Further information regarding how Pacific Smiles recognises and manages risks can be sourced from our Corporate Governance Statement and related governance policies on our website. The key risk factors that Pacific Smiles focusses on are disclosed on page 15 of the FY2020 Annual Report. Forward looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance and involve known and unknown risks, uncertainty and other factors, many of which are outside the control of Pacific Smiles. As such, undue reliance should not be placed on any forward looking statement. Past performance information given in this announcement is given for illustrative purposes only and is not necessarily a guide to future performance and no representation or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward looking statements, forecast financial information or other forecast. Nothing contained in this announcement is to be relied upon as, a promise, representation, warranty or guarantee as to the past, present or the future performance of Pacific Smiles.

The information contained in this announcement does not constitute investment or financial product advice (nor taxation, accounting or legal advice), is not a recommendation to acquire Pacific Smiles shares and is not intended to be used or relied upon as the basis for making an investment decision. This announcement has been prepared without taking into account the investment objectives, financial position or needs of any individuals. Before making any investment decisions, prospective investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and should seek legal, accounting and taxation advice appropriate to their jurisdiction. Pacific Smiles is not licensed to provide investment or financial product advice in respect of Pacific Smiles shares. Cooling off rights do not apply to the acquisition of Pacific Smiles shares pursuant to the Placement or SPP.

Determination of eligibility of investors for the purposes of the Placement and SPP is determined by reference to a number of matters, including legal requirements and the discretion of the Pacific Smiles and the Joint Lead Managers. To the maximum extent permitted by law, Pacific Smiles and the Joint Lead Managers each disclaim any liability in respect of the exercise of that discretion or otherwise. The Joint Lead Managers may rely on information provided by or on behalf of institutional and sophisticated investors in connection with managing, conducting or underwriting the Placement without having independently verified that information and the Joint Lead Managers does not assume responsibility for the accuracy or completeness of the information.

FOREIGN SELLING DISCLAIMERS

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571)

of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Appendix: Key terms of Placement Agreement

Bell Potter Securities Limited and Wilsons Corporate Finance Limited (together, the “Underwriters”) have entered into a placement agreement with the Company, pursuant to which the Underwriters agree to partially underwrite and act as joint lead managers to the placement (“Placement Agreement”).

The underwriters have agreed to underwrite the Placement on the terms of a placement agreement entered into between the company and the underwriters (Placement Agreement), with the exception of any amounts allocated to parties that require shareholder approval to participate (which will be non-underwritten and subject to shareholder approval).

The Underwriters’ obligations to manage and underwrite the placement is conditional on certain customary matters, and the Placement Agreement contains representations and warranties and indemnities in favour of the Underwriters.

The Underwriters may terminate its obligations under the Placement Agreement on the occurrence of certain events (some of which are beyond the control of The Company) before 3.00pm on the settlement date (expected to be Monday, 8 March 2021).

These termination events include (among others) (a) where the conditions precedent in the Placement Agreement are not satisfied or waived, (b) the offer documents are false, misleading or deceptive in a material respect, (c) the Company is unable to issue those new shares not subject to shareholder approval or ASX fails to grant quotation of those shares, (d) between the date of the Placement Agreement and 10.00am on the settlement date (expected to be Monday, 8 March 2021), the ASX/S&P300 index falls by an amount that is 10% or more below the level of that index at the closing of trading on 1 March 2021, (e) there is a delay to the timetable of more than 1 business day without the prior approval of the Underwriters, or (f) certain other events occur which have a material adverse effect on the success or settlement of the placement.