

## ASX ANNOUNCEMENT

18 July 2024

### Update on treatment of Pacific Smiles Incentives in connection with NDC Scheme

Pacific Smiles Group Limited (ASX:PSQ) (**Pacific Smiles**) refers to the proposed scheme of arrangement under which it is proposed that NDC BidCo Pty Ltd (**NDC BidCo**) will acquire 100% of the shares in Pacific Smiles (**Scheme**), subject to all applicable conditions being satisfied or waived (as applicable).

This announcement provides important supplementary disclosure to the explanatory statement regarding the Scheme and the Notice of Scheme Meeting released to ASX on 26 June 2024 (**Scheme Booklet**). Capitalised terms used in this announcement have the meaning given in the Scheme Booklet released to ASX on 26 June 2024, unless the context otherwise requires.

#### **FY24 short-term incentives**

As disclosed in the Scheme Booklet, Pacific Smiles operated a short-term incentive (**STI**) plan for FY24 under which participants would receive an award (67% in cash and 33% in Pacific Smiles Performance Rights, or in the case of Mr Andrew Vidler, in Pacific Smiles Cash Rights) dependent on testing against performance hurdles being met.

The Pacific Smiles Board has tested the performance hurdles for the members of its Executive Leadership Team (**ELT**) as at 30 June 2024, with the effect that:

- based on the unaudited accounts, only one short term performance hurdle has been met (representing 10% of the total FY24 STI payable);
- a total of \$48,244 will be paid to ELT following Pacific Smiles Board approval of the 30 June 2024 audit in satisfaction of the cash component of the FY24 STI award;

- a total of 9,881 Pacific Smiles Performance Rights will be issued on or around 30 July 2024 (**STI Performance Rights**)<sup>1</sup> in satisfaction of the equity component of the STI award for all participants other than Mr Vidler;<sup>2</sup> and
- Mr Vidler is entitled to be paid a total of \$5,483 in cash under 5,483 new Pacific Smiles Cash Rights (each entitling Mr Vidler to payment of \$1.00) (**STI Cash Rights**)<sup>3</sup> in satisfaction of the equity component of his STI award.

Following the issue of the STI Performance Rights on or around 30 July 2024, the capital structure of Pacific Smiles will be as follows.

Type of security	Number on issue
Pacific Smiles Shares	159,581,938
Pacific Smiles Performance Rights	2,804,102

If, after finalisation of Pacific Smiles' audit for the 30 June 2024 accounts, any further short term performance hurdles under the FY24 STI are satisfied, the Pacific Smiles Board may resolve to pay members of the ELT an additional cash payment reflecting the proportion of the FY24 STI for the applicable performance hurdle/s. For the avoidance of doubt, no further STI Performance Rights will be issued following finalisation of the audit.

### Treatment of Pacific Smiles Incentives

Section 9.2 of the Scheme Booklet provided Pacific Smiles Shareholders with an overview of the Pacific Smiles Performance Rights and Pacific Smiles Cash Rights (together, the **Pacific Smiles Incentives**) on issue, and their proposed treatment in connection with the Scheme.

Consistent with its intentions as outlined in section 9.2(d) of the Scheme Booklet, the Pacific Smiles Board has now exercised its discretion regarding the Pacific Smiles Incentives as follows.

<sup>1</sup> The STI Performance Rights have no additional performance hurdles, and will automatically vest one-year after grant, subject to the relevant holder remaining employed, unless vesting earlier upon the Scheme becoming Effective.

<sup>2</sup> Ordinarily, Pacific Smiles Performance Rights issued in satisfaction of the equity component of the STI award would be calculated based on the 60-day VWAP following release of the accounts for the relevant financial year. However, given the proposed Scheme timing, the Pacific Smiles Board has calculated the STI Performance Rights based on the 60-day VWAP to 30 June 2024, being \$1.85.

<sup>3</sup> The STI Cash Rights have no performance hurdles, and will automatically vest one-year after grant, subject to Mr Vidler remaining employed, unless vesting earlier upon the Scheme becoming Effective.

- **Tranche 7 and 8 Pacific Smiles Performance Rights:**

91.8% of tranche 7 Pacific Smiles Performance Rights and 66.8% tranche 8 Pacific Smiles Performance Rights will, upon the terms of their issue, automatically vest and convert into Pacific Smiles Shares upon the Scheme becoming Effective as Pro-rata Performance Rights (reflecting a pro-rata proportion of those tranches on a time basis up to 2 August 2024, being the proposed date of the Second Court Hearing).

The tranche 7 and 8 Pacific Smiles Performance Rights other than those Pro-rata Performance Rights will lapse upon the Scheme becoming Effective.

- **Tranche 9 Pacific Smiles Performance Rights and Pacific Smiles Cash Rights:**

The Pacific Smiles Board has tested the Pacific Smiles Cash Rights on issue as at the date of the Scheme Booklet (**LTI Cash Rights**) and the tranche 9 Pacific Smiles Performance Rights against their performance hurdles (Absolute EPS (40%), Absolute ROE (40%) and Total Shareholder Return (20%), as described in section 9.2(a) of the Scheme Booklet).<sup>4</sup>

Only the Total Shareholder Return hurdle has been achieved, and therefore:

- 20% of the tranche 9 Pacific Smiles Performance Rights will vest and automatically convert into a total of 101,919 Pacific Smiles Shares upon the Scheme becoming Effective;
- 20% of the LTI Cash Rights will vest and Mr Vidler will be paid \$45,120 in cash upon the Scheme becoming Effective; and
- the balance of the tranche 9 Pacific Smiles Performance Rights and the LTI Cash Rights will lapse upon the Scheme becoming Effective.

- **Tranche 10 and 11 Pacific Smiles Performance Rights:**

100% of the tranche 10 and 11 Pacific Smiles Performance Rights will vest and automatically convert into a total of 136,091 Pacific Smiles Shares upon the Scheme becoming Effective.

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<sup>4</sup> As described in section 9.2(d) of the Scheme Booklet, the tranche 9, 10 and 11 Pacific Smiles Performance Rights were awarded under revised terms and conditions with respect to treatment upon a 'change of control when compared to earlier awards of Pacific Smiles Performance Rights. These changes were introduced following shareholder feedback in FY23 and a consequent extensive review of Pacific Smiles' remuneration framework.

- **STI Performance Rights and STI Cash Rights:**

100% of the STI Performance Rights will vest and automatically convert into a total of 9,881 Pacific Smiles Shares upon the Scheme becoming Effective.

100% of the STI Cash Rights will vest and Mr Vidler will be paid \$5,483 in cash upon the Scheme becoming Effective.

Based on the Scheme becoming Effective on 5 August 2024, the above treatment of Pacific Smiles Incentives in connection with the Scheme is summarised in the table below.

Incentive class	Vesting	Lapsing	Total
<b>Pacific Smiles Performance Rights</b>			
Tranche 7	1,060,986	94,772	<b>1,155,758<sup>5</sup></b>
Tranche 8	663,174	329,601	<b>992,775<sup>6</sup></b>
Tranche 9	101,919	407,678	<b>509,597</b>
Tranche 10	57,143	Nil	<b>57,143</b>
Tranche 11	78,948	Nil	<b>78,948</b>
STI Performance Rights	9,881	Nil	<b>9,881</b>
<b>Total Pacific Smiles Performance Rights</b>	<b>1,972,051</b>	<b>832,051</b>	<b>2,804,102</b>
<b>Pacific Smiles Cash Rights</b>			
LTI Cash Rights	45,120	180,480	<b>225,600</b>
STI Cash Rights	5,483	Nil	<b>5,483</b>
<b>Total Pacific Smiles Cash Rights</b>	<b>50,603</b>	<b>180,480</b>	<b>231,083</b>

Accordingly, the capital structure of Pacific Smiles immediately following the Effective Date is expected to comprise the following securities:

Type of security	Number on issue
Pacific Smiles shares	161,553,989

<sup>5</sup> Since the date of the Scheme Booklet, 26,199 tranche 7 Performance Rights have lapsed – see Appendix 3H lodged on 15 July 2024.

<sup>6</sup> Since the date of the Scheme Booklet, 80,546 tranche 8 Performance Rights have lapsed – see Appendix 3H lodged on 15 July 2024.

If the Scheme does not become Effective, the Pacific Smiles Incentives will remain on foot and the relevant performance hurdles for each of the Pacific Smiles Incentives will be tested at the end of the applicable performance period to determine whether they will vest or lapse.

### **Funding of the Scheme Consideration**

If the Scheme becomes Effective, the Aggregate Scheme Consideration (at \$1.90 per Pacific Smiles Share) will be approximately \$307 million.<sup>7</sup> This will be reduced by the cash amount of any Permitted Dividend declared.

The maximum amount of Aggregate Scheme Consideration that NDC BidCo may be required to pay to Scheme Shareholders under the Scheme (based on the above treatment of the Pacific Smiles Incentives and the consequent number of Pacific Smiles Shares expected to be on issue on the Scheme Record Date, not including the payment of any Permitted Dividend and including any Ticking Fee<sup>8</sup> which may accrue prior to the End Date) is approximately \$313. million.

The amounts available under NDC BidCo's commitment letters detailed in section 6.4 of the Scheme Booklet are in aggregate sufficient to fund the maximum Aggregate Scheme Consideration, and associated costs and expenses.

### **Indicative timetable**

The key dates expected for the Scheme are set out below.

<b>Event</b>	<b>Date and Time</b>
Scheme Meeting	11:30am (AEST) on 1 August 2024
Second Court Hearing	3:00pm (AEST) on 2 August 2024
Effective Date	5 August 2024
Permitted Dividend Record Date	7:00pm (AEST) on 8 August 2024

<sup>7</sup> This does not include any Ticking Fee which may accrue.

<sup>8</sup> As set out in further detail in section 4.5(a) of the Scheme Booklet, if the Scheme is not implemented by 28 September 2024 due to certain factors, the Ticking Fee of \$0.01 per Pacific Smiles Share will accrue from that date, and will increase by an additional \$0.01 per Pacific Smiles Shares on the 28<sup>th</sup> of each month thereafter if those factors subsist at that time. The proposed treatment of the Pacific Smiles Incentives, as well as the proposed capital structure of Pacific Smiles at the time of implementation, assumes the Scheme becomes Effective on 5 August 2024. If this timing is delayed, including due to a Relevant Restraint which may attract a Ticking Fee, the Pacific Smiles Board will reconsider the proposed treatment of the Pacific Smiles Incentives and provide supplementary disclosure, as appropriate.

Event	Date and Time
Scheme Record Date	7:00pm (AEST) on 12 August 2024
Implementation Date	19 August 2024

Please note that all of the above times and dates are indicative only and subject to change. Any changes will be announced by Pacific Smiles to the ASX.

### **Pacific Smiles Directors' recommendation**

The Pacific Smiles Directors reiterate their unanimous recommendation that all Pacific Smiles Shareholders vote in favour of the Scheme Resolution, subject only to no Superior Proposal emerging and the Independent Expert not withdrawing or adversely changing its conclusion that the Scheme is in the best interests of Pacific Smiles Shareholders.<sup>9</sup>

In making this recommendation, the Pacific Smiles Directors have considered the advantages and disadvantages of the Scheme, including the information set out in section 1 of the Scheme Booklet.

If, after reading this announcement and the Scheme Booklet, you have any questions about the Scheme or the Scheme Booklet, please contact the Pacific Smiles Shareholder Information Line on 1300 367 804 (within Australia) or +61 2 9066 6162 (outside Australia) between 8:30am and 5:30pm (AEST), Monday to Friday (excluding public holidays).

### **Important notice**

A copy of this announcement has been provided to ASIC, and a copy has been released to the ASX. Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this announcement.

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<sup>9</sup> The Pacific Smiles Directors' interests are set out in section 5.11 of the Scheme Booklet. Mr Andrew Vidler holds Pacific Smiles Cash Rights which entitle him to be paid a total amount of \$50,603 in cash subject to the Scheme becoming Effective. The Pacific Smiles Board considers that, despite these arrangements, it is appropriate for Mr Vidler to make a recommendation on the Scheme Resolution given his role in the operation and management of Pacific Smiles, and that Pacific Smiles Shareholders would wish to know Mr Vidler's views in relation to the Scheme Resolution. Mr Vidler also considers that it is appropriate for him to make a recommendation on the Scheme Resolution.

The fact that the Court has reviewed this announcement (which forms part of the Scheme Booklet) does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how Pacific Smiles Shareholders should vote in respect of the Scheme Resolution (which Pacific Smiles Shareholders must make their own decisions on); or
- has prepared, or is responsible for the content of, this announcement; or
- has approved or will approve the terms of the Scheme.

This announcement was authorised by the Pacific Smiles Board.

**ENDS**

**For further information, please contact:**

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