

## ASX ANNOUNCEMENT

2 August 2024

### Supplementary disclosure regarding NDC Counterproposal at \$2.05 per share

Following receipt of a revised proposal by Genesis Capital Manager I Pty Ltd (**Genesis Capital**) for \$1.90 cash per share (with shareholders able to elect to receive shares in Beam Dental Holdings Ltd), NDC BidCo Pty Ltd (**NDC**) has increased its all cash offer from \$1.91 per share to \$2.05 per share<sup>1</sup> (**NDC Counterproposal**). Pacific Smiles Group Limited (ASX:PSQ) (**Pacific Smiles**) and NDC have varied the Scheme Implementation Deed to give effect to the NDC Counterproposal (**NDC Scheme**).

The Pacific Smiles Board **unanimously recommend that all Pacific Smiles Shareholders vote in favour of the Scheme Resolution to approve the NDC Scheme**, subject only to no Superior Proposal emerging and the Independent Expert not withdrawing or adversely changing its conclusion. The NDC Scheme now represents an:

- **113.8% premium to the 1-month Undisturbed VWAP<sup>2</sup> to 15 December 2023 of \$0.96;**
- **Implied EV / EBITDA multiple of 12x<sup>3</sup> based on the midpoint of FY24 guidance, higher than all adjusted comparable dental and Australian health services transactions referenced by the Independent Expert; and**
- **Certainty of value through the all cash offer that, subject to the NDC Scheme becoming Effective, will be paid to Scheme Shareholders on 27 August 2024.**

The Scheme Meeting for the NDC Scheme has been adjourned to 11:30am (AEST) on Thursday, 8 August 2024.

This announcement provides supplementary disclosure to the Scheme Booklet released to ASX on 26 June 2024 (including supplementary disclosure to that Scheme Booklet) in respect of the above matters. Capitalised terms used in this announcement have the meaning given in the Scheme Booklet, unless context otherwise requires.

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<sup>1</sup> The NDC Counterproposal also removed the Ticking Fee applicable and added a corresponding increase to the Break Fee payable

<sup>2</sup> The last trading day prior to the announcement of the initial Genesis Capital indicative proposal of \$1.40

<sup>3</sup> Based on 159,581,938 shares outstanding, 1,972,051 performance rights and \$13.3m net cash at 31 Dec 2024

# YOUR VOTE MATTERS!

Your vote is important in determining whether the Scheme Resolution is passed and the Pacific Smiles Directors strongly encourage you to vote.

If you have already voted on the Scheme Resolution, your vote remains valid.

If you do not wish to change your vote, you do not need to take any action.

If you wish to change your vote, then you can do so by following any of the below steps to lodge a new proxy form or vote in person (or online) at the Scheme Meeting (noting your updated vote will supersede your previous proxy vote).

To submit your vote:

- lodge a proxy form online by no later than 11:30am (AEST) on Tuesday 6 August 2024 at: <https://investor.automic.com.au/#/loginsah>; or
- attend the Scheme Meeting in person or online on Thursday 8 August 2024 (or by proxy, attorney, or corporate representative).

## Shareholder Helpline

If you have any questions or difficulty lodging your vote 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).

## Scheme Meeting Details

<b>Date</b>	Thursday, 8 August 2024 at 11.30am (AEST)
<b>In Person</b>	Automic Group, Level 5, 126 Phillip St Sydney
<b>Online</b>	<a href="https://us02web.zoom.us/webinar/register/WN_as3PWCsxRgmuv7SchTU3bQ">https://us02web.zoom.us/webinar/register/WN_as3PWCsxRgmuv7SchTU3bQ</a>

## Updated indicative timetable

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

Event	Date and Time
Scheme Meeting	11:30am (AEST) on 8 August 2024
Second Court Hearing	3:00pm (AEST) on 12 August 2024
Effective Date	13 August 2024
Permitted Dividend Record Date	7:00pm (AEST) on 16 August 2024
Scheme Record Date	7:00pm (AEST) on 20 August 2024
Implementation Date Payment of Scheme Consideration and Permitted Dividend	27 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.

## **1. Updates on Genesis Revised Proposal and NDC Counterproposal**

### **(a) Board assessment of the Genesis Revised Proposal**

As announced by Pacific Smiles on 29 July 2024, Pacific Smiles received the Genesis Revised Proposal, the terms of which were outlined to the market in that announcement, and which are set out in the appendix to this supplementary disclosure.

On 31 July 2024, the Board determined that the Genesis Revised Proposal was a Superior Proposal to the NDC Scheme at that time of \$1.91 cash per share under the Scheme Implementation Deed because it:

- was reasonably capable of being completed in accordance with its terms in a reasonable time; and
- was reasonably likely to be more favourable to Pacific Smiles shareholders than the proposed scheme with NDC (**NDC Scheme**),

taking into account all aspects of the Genesis Revised Proposal.

Matters considered by the Board in reaching this conclusion included **without limitation**:

- shareholder feedback that there was value in making available to shareholders the option of a scrip alternative (in full or part), which was further supported by the expectation noted in the Genesis Revised Proposal that CGT rollover relief would be available;
- otherwise finely balanced cash proposals, with only 1c greater cash offered under the NDC Scheme (representing less than a 1% difference in cash consideration available); and
- the likelihood of success of the Genesis Revised Proposal relative to the NDC Scheme, particularly considering Genesis' stake and its voting intentions regarding the NDC Scheme and indications of other shareholders' views received at that time.

### **(b) Matching rights process and NDC Counterproposal**

As summarised in Section 9.1(f) of the Scheme Booklet, under the Scheme Implementation Deed, NDC has a matching right whereby, if the Board determines a

Competing Proposal (such as the Genesis Revised Proposal) is a Superior Proposal (or would be reasonably expected to lead to a Superior Proposal):

- Pacific Smiles must provide notice to NDC of this fact; and
- NDC has the opportunity to submit a counterproposal which would produce an equivalent or superior outcome for Pacific Smiles Shareholders (as a whole) when compared to the outcome that would be produced by the Genesis Revised Proposal.

After determining that the Genesis Revised Proposal was a Superior Proposal, Pacific Smiles provided NDC with notice under the matching rights regime. As announced on 1 August 2024, NDC submitted a counterproposal at \$2.05 per Pacific Smiles Share with **no** Ticking Fee applicable and a corresponding increase to the break fee payable (and on terms otherwise consistent with the Scheme Implementation Deed).

Having regard to all of the terms of the NDC Counterproposal and the Genesis Revised Proposal, the Board determined that the NDC Counterproposal would produce a superior outcome for Pacific Smiles Shareholders (as a whole) when compared to the Genesis Revised Proposal.

In reaching this conclusion, the Board took into account all respective terms and conditions of the NDC Counterproposal and Genesis Revised Proposal, including **without limitation:**

- while the NDC Counterproposal does not include any scrip component, it represents a significantly higher value cash proposal of \$2.05 relative to \$1.90 cash under the Genesis Revised Proposal; and
- the NDC Counterproposal provides greater transaction certainty and lower execution risk given:
  - the Scheme Implementation Deed has been previously agreed, and limited conditions precedent remain outstanding (whereas the Genesis Revised Proposal was subject to negotiation of a scheme implementation deed, including the terms and governance arrangements of the scrip alternative); and
  - the time to transaction completion would be materially less than the Competing Proposal, reducing disruption to PSQ's operations and reducing execution risk associated with material adverse change provisions.

Pacific Smiles and NDC have varied the Scheme Implementation Deed to give effect to the price increase under the NDC Counterproposal, which is otherwise substantially in the form released to ASX on 13 May 2024 other than:

- removing the Ticking Fee concept, which would have increased the Scheme Consideration in limited circumstances where the NDC Scheme was not implemented by 28 September 2024 due to certain factors;<sup>4</sup> and
- increasing the Break Fee payable to \$3,300,000, so that it represents approximately 1% of the Aggregate Scheme Consideration on the basis of the \$2.05 Scheme Consideration per share under the NDC Counterproposal.

### **(c) Board recommendation and Independent Expert's conclusion**

Noting that the consideration under the NDC Counterproposal is \$2.05 cash per share, the Independent Expert has confirmed it continues to conclude that the NDC Scheme is fair and reasonable and therefore in the best interests of Pacific Smiles Shareholders.

**The Pacific Smiles Directors also continue to recommend 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.<sup>5</sup>

## **2. Scheme Meeting**

As announced on 31 July 2024, in order to ensure Pacific Smiles Shareholders have sufficient time to consider all relevant information regarding the NDC Scheme, the Scheme Meeting has been adjourned by the Chairperson of the Scheme Meeting to **Thursday, 8 August 2024 at 11:30am (AEST)**.

The adjourned Scheme Meeting will be held in person at Automic Group, Level 5, 126 Phillip Street, Sydney NSW 2000 and online via Zoom at [https://us02web.zoom.us/webinar/register/WN\\_as3PWCsxRgmuv7SchTU3bQ](https://us02web.zoom.us/webinar/register/WN_as3PWCsxRgmuv7SchTU3bQ).

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<sup>4</sup> As set out in Section 4.5(a) of the Scheme Booklet.

<sup>5</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.

Further details regarding how to vote at or prior to the Scheme Meeting and the implications of the matters set out in this announcement on any votes already submitted are set out in section 5 below.

### **3. Scheme Consideration and Total Cash Value**

#### **(a) Total Cash Value**

If the NDC Scheme becomes Effective, Pacific Smiles Shareholders will be entitled to receive Total Cash Value of \$2.05 for each Pacific Smiles Share held, comprising:

- the Permitted Dividend of \$0.07 for each Pacific Smiles Share held on the Permitted Dividend Record Date (currently expected to be 7:00pm (AEST) on 16 August 2024), to be paid by Pacific Smiles;<sup>6</sup> and
- the Scheme Consideration of \$1.98 for each Pacific Smiles Share held on the Scheme Record Date (currently expected to be 7:00pm (AEST) on 20 August 2024), to be paid by NDC.

#### **(b) Funding of the Aggregate Scheme Consideration**

If the Scheme becomes Effective, the Aggregate Scheme Consideration (at \$2.05 per Pacific Smiles Share,<sup>7</sup> less a Permitted Dividend of \$0.07 per Pacific Smiles Share) is expected to be approximately \$319.9 million.

The amounts available under NDC'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.

### **4. Key considerations relevant to your vote**

In light of the NDC Counterproposal, Pacific Smiles provides the following update on the reasons Pacific Smiles Shareholders may wish to vote in favour or against the Scheme Resolution. Shareholders are encouraged to read the Scheme Booklet in its entirety, and in light of this new information.

#### ***Summary of reasons why you might vote in favour of the Scheme Resolution***

- **The Pacific Smiles Directors unanimously recommend that you vote in favour of the Scheme Resolution, subject only to no Superior Proposal emerging and the**

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<sup>6</sup> Refer to announcement dated 19 July 2024 for further details regarding the Pacific Smiles Board's resolution to pay the Permitted Dividend, subject to the Scheme becoming Effective.

<sup>7</sup> Based on the proposed treatment of the Pacific Smiles Incentives announced on 18 July 2024.

Independent Expert not withdrawing or adversely changing its conclusion that the Scheme is in the best interests of Pacific Smiles Shareholders.

- The Independent Expert has concluded that the Scheme is fair and reasonable and therefore is in the best interests of Pacific Smiles Shareholders in the absence of a superior proposal.

As noted above, the Independent Expert has confirmed its conclusion has not changed in light of the NDC Counterproposal (including as a result of the Genesis Revised Proposal received).

As at the date of this announcement, **no superior proposal to the NDC Scheme (as amended as a result of the NDC Counterproposal) has emerged.** The Pacific Smiles Board has determined that the NDC Counterproposal (which provides Pacific Smiles Shareholders with \$2.05 cash consideration<sup>8</sup>) would produce a superior outcome to the Genesis Revised Proposal, and Genesis Capital has not improved its Genesis Revised Proposal as at the date of this announcement.

- The Total Cash Value represents a material premium relative to recent historical trading of Pacific Smiles Shares on ASX.

The NDC Scheme represents a significant premium of:

- 71.5% to the closing price of \$1.20 per Pacific Smiles Share on 15 December 2023, being the last trading day prior to the announcement that Pacific Smiles had received the Initial Genesis Capital Indicative Proposal of \$1.40 per Pacific Smiles Share;
- 113.8% to the 1-month Undisturbed VWAP to 15 December 2023 of \$0.96 per Pacific Smiles Share;
- 106.6% to the 3-month Undisturbed VWAP to 15 December 2023 of \$0.99 per Pacific Smiles Share; and
- 91.7% to the 6-month Undisturbed VWAP to 15 December 2023 of \$1.07 per Pacific Smiles Share.

Additionally, the NDC Scheme represents an implied EV / EBITDA multiple of 12x based on the midpoint of FY24 guidance, higher than all adjusted comparable dental and Australian health services transactions referenced by the Independent Expert.

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<sup>8</sup> Less any Permitted Dividend and plus any Ticking Fee.



- The all-cash nature of the Scheme Consideration provides Shareholders with certainty of value.

If the Scheme becomes Effective, **all Pacific Smiles Shareholders** on the Scheme Record Date (currently expected to be 7:00pm (AEST) on 20 August 2024) will be paid \$2.05 in cash consideration for each Pacific Smiles Share they hold on that date.

- If the NDC Scheme does not proceed, Shareholders will continue to be exposed to risks associated with Pacific Smiles' business.

Pacific Smiles Shareholders should consider the risks set out in Section 7.2 which may apply if the Scheme does not proceed, and Pacific Smiles continues to operate as a standalone entity.

- Pacific Smiles' share price may fall if the NDC Scheme is not implemented.

The Independent Expert has indicated in its Independent Expert's Report that the Pacific Smiles Share price may decline to levels observed prior to announcement of the Scheme if the Scheme is not implemented and no superior proposal emerges. The Independent Expert's Report is contained at Attachment B to the Scheme Booklet, and Shareholders are encouraged to read it in its entirety.

- No Superior Proposal to the NDC Counterproposal has emerged.

There is no guarantee that Genesis Capital (or any other third party) will make a further revised proposal for Pacific Smiles Shares before the Scheme Meeting, or after the Scheme Meeting if the NDC Scheme is not approved by the Requisite Majorities. Even if any such proposal is received, there is no guarantee that it will be a Superior Proposal to the NDC Scheme.

- No brokerage will be payable by you for the transfer of your Pacific Smiles Shares under the Scheme.
- Eligible Pacific Smiles Shareholders may receive an additional benefit from the value of franking credits attached to the Permitted Dividend of \$0.07 per Pacific Smiles Share which the Pacific Smiles Board has resolved to pay, subject to the Scheme becoming Effective.

### ***Summary of reasons why you might vote against the Scheme Resolution***

- You may disagree with the Pacific Smiles Directors' recommendation and/or the conclusion in the Independent Expert's Report.

The reasons for the Pacific Smiles Directors' recommendation are summarised above. You may disagree with these reasons.

In particular, you may consider that, notwithstanding the Board's decision described at section 1(b) above, the Genesis Revised Proposal had the potential to deliver more favourable outcomes to you as a Pacific Smiles Shareholder when compared to the NDC Scheme, for example, due to the potential scrip consideration.

As noted above however, there is no guarantee that Genesis Capital (or any other third party) will make a further revised proposal for Pacific Smiles Shares before the Scheme Meeting, or after the Scheme Meeting if the NDC Scheme is not approved by the Requisite Majorities.

- You may prefer to retain your investment in Pacific Smiles and the opportunity to participate in its business in the future.
- You may consider that there is the potential for a Superior Proposal to emerge.

While the adjourned Scheme Meeting is scheduled to be held next Thursday, 8 August 2024 (or such later date advised), you may believe that there remains the potential for a Superior Proposal to emerge.

While Genesis Capital has submitted the Genesis Revised Proposal, the Board has determined the NDC Counterproposal is would produce a superior outcome for shareholders. There is no guarantee that Genesis Capital (or any other third party) will make a further revised proposal for Pacific Smiles Shares before the Scheme Meeting. Even if any such proposal is received, there is no guarantee that it will be a Superior Proposal to the NDC Scheme.

- The tax implications of the Scheme may not be suitable to your financial circumstances or position.

## **5. Voting implications**

**Your vote is important in determining whether the Scheme proceeds and the Pacific Smiles Directors strongly encourage you to vote.**

### **(a) Entitlement to vote and proxy cut-off**

All Pacific Smiles shareholders who were entered on the Share Register at 7:00pm (AEST) on 30 July 2024 will be entitled to vote at the adjourned Scheme Meeting.

The cut-off time for receipt of proxy forms for the adjourned Scheme Meeting is 11:30am (AEST) on Tuesday, 6 August 2024.

**(b) How to vote**

The adjourned Scheme Meeting is scheduled to be held at 11:30am (AEST) on Thursday, 8 August 2024. Shareholders may vote on the Scheme Resolution by:

- lodging a proxy form by no later than 11:30am (AEST) on Tuesday, 6 August 2024 by following the instructions on your proxy form;
- attending the Scheme Meeting in person or online on 8 August 2024; or
- attending the Scheme Meeting by proxy, attorney or corporate representative.

Further details as to how to vote on the Scheme Resolution are set out in section 3 of the Scheme Booklet and in the proxy form dispatched to shareholders on or around 1 July 2024.

**(c) If you have already voted on the Scheme Resolution**

If you have already voted on the Scheme Resolution, if the Scheme becomes Effective, you will still be entitled to receive the Scheme Consideration under the NDC Scheme (provided you hold Pacific Smiles Shares on the Scheme Record Date, which is currently expected to be 7:00pm (AEST) on 20 August 2024).

Additionally, if you have already voted on the Scheme Resolution, your vote remains valid. If you:

- do not wish to change your vote, you do not need to take any action; or
- wish to change your vote, then you can do so by following any of the above steps to lodge a new proxy form or vote in person (or online) at the Scheme Meeting (noting your updated vote will supersede your previous proxy vote).

**6. 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.

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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Managing Director and Chief Executive Officer  
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Phone: 02 4930 2000

**Forward-looking statements**

This announcement contains certain forward-looking statements. Forward looking statements should not be relied on as an indication or guarantee of future events. Forward looking statements involve inherent known and unknown risks and may involve significant elements of subjective judgment and assumptions as to future events which may or may not prove to be correct, which can cause actual results to differ materially. As such, undue reliance should not be placed on any forward-looking statement. No representation or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward-looking statements. Pacific Smiles does not undertake any obligation to update or review any forward looking statements (other than to the extent required by applicable law).

## Appendix – Key terms of Genesis Revised Proposal

- The Genesis Revised Proposal contemplated that Beam Dental BidCo Pty Ltd (**Genesis BidCo**) would acquire all shares in Pacific Smiles by way of scheme of arrangement.
- Shareholders would have opportunity to elect:
  - \$1.90 cash per Pacific Smiles share (**Cash Consideration**); or
  - A number of ordinary shares in the capital of Beam Dental Holdings Ltd, the ultimate holding company of Genesis BidCo, that is intended to provide equivalent value to the Cash Consideration per Pacific Smiles share (**Scrip Consideration**); or
  - A combination of Cash Consideration and Scrip Consideration per Pacific Smiles share as determined in accordance with the election made by that Pacific Smiles shareholder (**Mixed Consideration**).
- Scrip Consideration would be subject to governance agreements on customary terms for an election of this kind and is expected to qualify for CGT rollover relief.
- Pacific Smiles would be permitted to maintain its discretion to pay its shareholders a fully franked dividend, with Cash Consideration of \$1.90 per share to be reduced by the amount of any such permitted dividend.
- Conditional on, and subject to, Pacific Smiles and Genesis BidCo negotiating and entering into a scheme implementation deed on terms materially consistent with the Scheme Implementation Deed between Pacific Smiles and NDC.
- Fully funded via binding commitments to provide the debt and equity funding required to facilitate Proposed Transaction.
- Genesis Capital would be open to discussing the possibility of implementing a 'Practitioner Incentive Scheme' to provide practitioners with access to equity exposure to the business.
- If the Pacific Smiles Board determined that the Genesis Revised Proposal was not superior to the NDC Scheme and shareholders did not approve the NDC Scheme by the requisite majorities at the Scheme meeting, then the Genesis Revised Proposal would remain available to the Pacific Smiles Board after the Scheme Meeting.