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ASX ANNOUNCEMENT

3 October 2024

Letter to shareholders

Attached is a letter to be send to all Pacific Smiles shareholders from the Chairman of Pacific Smiles, Giselle Collins.

This announcement was authorised by the Board of Pacific Smiles.

ENDS

For further information, please contact:

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3 October 2024

Letter to Shareholders

Dear Shareholder,

I would like to provide you with an update on two recent announcements from the Board of Pacific Smiles.

Intention to REJECT off-market takeover offer from Genesis Capital

Firstly, as you may be aware, on 17th September 2024, Beam Dental Bidco Pty Ltd (**Bidco**), an associate of Genesis Capital Manager I Pty Ltd (**Genesis Capital**), announced an off-market takeover for Pacific Smiles shares (**Offer**).¹

The Board has been considering this Offer carefully. On Monday 30th September 2024, we announced to the ASX that we intend to recommend that you **REJECT** the Offer. The main reasons for this recommendation are set out below.

Firstly, we received intention statements from MA Financial Group Limited (with a 13.43% relevant interest in Pacific Smiles shares, being 21,427,932 shares) that it intends to reject the Offer, and from Dr Alison Hughes, co-founder of Pacific Smiles (a holder of a relevant interest in 9.94% of Pacific Smiles shares, being 15,860,190 shares), that she also intends to reject the Offer as contained in the Bidder's Statement (reserving the right to reconsider if there is any variation to any terms, a waiver of any Conditions or any announced alternative control proposal).

As such, the 90% Minimum Acceptance Condition under the Offer cannot be met in the current circumstances and therefore the Offer cannot be completed as formulated.

Secondly, the Board noted that the Offer is opportunistic for a range of reasons. These include the strong FY24 performance of Pacific Smiles which demonstrates the operating momentum in the business, including strong utilisation improvement in newer cohorts, continued cash flow generation and a healthy net cash position.

¹ Unless the context otherwise requires, capitalised terms used in this letter have the meaning given in Bidco's Replacement Bidder's Statement dated 1 October 2024, which replaces its original Bidder's Statement released to ASX on 17 September 2024.

Genesis Capital also voted against a Board recommended cash offer of \$2.05 per share via scheme of arrangement in August 2024. The scheme of arrangement would otherwise have been passed by the requisite majorities of Pacific Smiles shareholders, so this denied Pacific Smiles shareholders the \$2.05 per share in cash. Genesis Capital's Offer of \$1.90 is materially below \$2.05 per share. In addition, they have not improved upon their revised proposal received on 28th July 2024, despite the strong FY24 result and cash flow generated during this time, which should be to Pacific Smiles shareholders' benefit.

In addition, the Offer will be reduced by the value of any distributions which Pacific Smiles shareholders receive. As Pacific Smiles has declared a final dividend of 3.25c to be paid on 10th October 2024, the All Cash Consideration paid by Genesis Capital at completion would only equate to \$1.8675 per share. The cash component received under the Mixed Consideration would also be proportionally reduced to reflect payment of this dividend.

Thirdly, the Board noted that shareholders should pay careful attention to disclosures within the Bidder's Statement about the prospects for, and governance of Holdco. The Board noted that the scrip alternative being offered by Bidco to shareholders had a number of features which may be unattractive for shareholders. Genesis Capital has acknowledged in its Bidder's Statement that there is no assurance the present or future value of the All Scrip Consideration or Mixed Consideration will be equal or higher than the All Cash Consideration, and *may be materially lower than such value*. Shareholders should also review closely the governance and rights of the scrip alternative detailed in the Bidder's Statement, under which shareholders' rights would be significantly reduced compared to the current listed Pacific Smiles structure.

You may already have received your Bidder's Statement on behalf of Genesis Capital. To **REJECT** the offer, simply **TAKE NO ACTION**.

The next step is that your Board will provide you with a Target's Statement in response to the Offer by mid-October 2024. This will include further details of the Board's recommendation as summarised above.

Shareholders are advised to wait until they receive the Target's Statement and can consider it carefully before deciding whether to accept or reject the Offer. The Board intends to recommend shareholders **TAKE NO ACTION** in relation to the Offer.

If you have any questions about the Offer, then 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 (Sydney time) Monday to Friday (excluding public holidays).

Non-Executive Director Appointment and Management Update

Today we announced the appointment of Mr Brent Cubis as a Non-Executive Director, effective from 9th October 2024. Brent is a highly experienced Non-Executive Director who will bring a wealth of experience to our business. He will chair the Audit and Risk Committee. I'm delighted he will join the Board and we look forward to his contribution.

Our current CFO, Mr Matthew Cordingley, will remain in his role until 28th February 2025. The Company has put in place arrangements for Mr Martin White, Pacific Smiles' current Head of Finance, to become Acting Chief Financial Officer from that time. Martin joined Pacific Smiles in 2021 and has previously held various finance roles at companies including Life Without Barriers, General Electric, REMA Tip Top, Serco Sodexo Defence Services, Ausgrid and NSW Treasury.

Our search for a new CEO is well advanced and I am pleased to report that the Board has been encouraged by the calibre of candidates that have expressed an interest in the role. A further update will be provided in due course.

In closing

Your Board remains committed to delivering value for shareholders and will only recommend a transaction that is in the best interest of shareholders as a whole.

We believe there is long term value upside in the business and your Board is energised to achieve this for shareholders.

Thank you for your continued support.

Yours faithfully,



Giselle Collins

Non-Executive Chairman