

**Pacific Smiles' Board
unanimously
recommends that Pacific
Smiles Shareholders
REJECT the Genesis
Capital Offer**

11 October 2024



Important Notice and Disclaimer

Important Information

This presentation dated 11 October 2024 was prepared by Pacific Smiles Group Limited (ABN 42 103 087 449) (**Pacific Smiles**) in relation to the Target's Statement dated 11 October 2024 that was issued by Pacific Smiles under Part 6.5 of the Corporations Act 2001 (Cth) in response to the off-market takeover bid announced on 17 September 2024 by Beam Dental Bidco Pty Ltd (ACN 676 303 254) (**Genesis Bidco**) for all the fully paid ordinary shares in Pacific Smiles (**Target's Statement**). Terms capitalised but otherwise not defined in this presentation have the meaning given in the Target's Statement.

This presentation is for information purposes only, is in a summary form and does not purport to be all inclusive or to contain all the information which its recipients may require in order to make an informed assessment of Pacific Smiles, Bidder Group or the Offer; those recipients should carefully review the Target's Statement in full before deciding whether to accept or reject the Offer. You should conduct your own investigations and perform your own analysis in order to satisfy yourself as to the accuracy and completeness of the information, statements and opinions contained in this presentation. The information in this presentation is current as at the Last Practicable Date of 7 October 2024, unless otherwise stated.

The Target's Statement is important and requires your immediate attention. You should read it carefully and in its entirety before deciding whether to accept or reject the Offer. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

If you wish to follow the Pacific Smiles Directors' unanimous recommendation to **REJECT** the Offer, you should **TAKE NO ACTION** in relation to all correspondence sent to you by Genesis Bidco or Genesis Capital.

No account of personal circumstances

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The information on Genesis Bidco, Holdco, Genesis Capital and the Bidder Group contained in this presentation has been prepared by Pacific Smiles using publicly available information (including information contained in the Bidder's Statement) and has not been independently verified by Pacific Smiles. Accordingly, subject to the Corporations Act, Pacific Smiles does not make any representation or warranty (express or implied) as to the accuracy or completeness of such information.

Risk factors

Pacific Smiles Shareholders should note that there are a number of risk factors attached to their investment in Pacific Smiles and other risks which apply in the event the Offer is accepted. Section 8 of the Target's Statement sets out information regarding those risks, and Shareholders should review this Section before making any decision with respect of the Offer.

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Effect of rounding

Figures, amounts, percentages, prices, estimates, calculations of value and fractions in this presentation may be subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation.

Time

All references to time in this presentation are to time in Sydney, Australia, unless otherwise stated.

Pacific Smiles Shareholder Information Line

If you have any questions about the Offer, 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).

Introduction

- Pacific Smiles is a leading dental service organisation with a unique organic growth model that has delivered consistent double-digit patient fee growth
- Beam Dental Bidco Pty Ltd, an associate of Genesis Capital, has made an off-market takeover bid to acquire 100% of the ordinary shares in Pacific Smiles (in cash, scrip or a mix of cash and scrip)
 - Genesis Capital (and Genesis Bidco) has a 19.9%¹ Relevant Interest in Pacific Smiles
 - The Offer was unsolicited and opportunistic
- **The Board of Pacific Smiles has carefully considered the Offer and unanimously recommends that Shareholders REJECT the Offer by **TAKING NO ACTION****
 - The Board has today released its Target's Statement setting out its reasons in detail
- **The Pacific Smiles Board is excited by the future potential of Pacific Smiles**
- The Board encourages Shareholders to review the accompanying Target's Statement in detail in their consideration of the Offer

Definitions capitalised in this announcement but not defined have the meaning given to them in the Pacific Smiles Target's Statement dated 11 October 2024

Reasons to Reject

THE DIRECTORS' REASONS FOR RECOMMENDING THAT PACIFIC SMILES SHAREHOLDERS **REJECT** THE OFFER ARE:



Directors' reasons to **REJECT** the Offer

- 1 The Offer is subject to Conditions that are not currently capable of being satisfied
- 2 The Offer is materially below the previous \$2.05 NDC Scheme
- 3 The Offer has not improved upon Genesis Capital's prior proposal received in July 2024, despite Pacific Smiles' strong operating performance and cash generation
- 4 The Offer is opportunistically timed, when changes to the Board and management were underway
- 5 Pacific Smiles is a leading dental service organisation that has delivered consistent double-digit growth
- 6 Pacific Smiles' net cash position makes it well placed to invest in identified growth opportunities, and/or return capital to Shareholders, including via enhanced dividends
- 7 If you accept the Offer, you may be unable to accept an alternative proposal if one emerges
- 8 The reasons given by Genesis Bidco to accept the Offer are not compelling and omit key information the Board considers relevant to Shareholders' assessment of the Offer

The Offer is subject to Conditions that are not currently capable of being satisfied

Summary

- The Offer is **subject to a 90% Minimum Acceptance Condition**, whereby, at the end of the Offer Period, Genesis Bidco and its Associates are required to have Relevant Interests in at least 90%¹ of Pacific Smiles Shares on issue
- That Condition is not currently capable of being satisfied following **intention to REJECT statements** being received from:
 - **MA Financial Group Limited**, who has a Relevant Interest in 13.43%² of Pacific Smiles Shares; and
 - **Dr Alison Hughes**, co-founder of Pacific Smiles and who has a Relevant Interest in 9.94%³ of Pacific Smiles Shares⁴
- The Offer is also **subject to a Board Recommendation Condition** requiring that, before the end of the Offer Period, a majority of the Pacific Smiles Board have publicly recommended Shareholders accept the Offer
 - The **Board unanimously recommends that Shareholders REJECT** the Offer

Genesis Bidco Offer Condition

Current Status?

#1

Minimum Acceptance Condition



#2

Board Recommendation Condition



The Offer is materially below the previous \$2.05 NDC Scheme

Summary

01

Genesis Capital **voted its Relevant Interest in 19.9% of Pacific Smiles Shares against the Board recommended NDC Scheme with a cash offer of \$2.05 per share**

This otherwise would have been passed

02

Following payment of the 3.25 cents per Share Declared Dividend on 10 October 2024, **Genesis Bidco would only pay Pacific Smiles Shareholders \$1.8675 cash per Share** under the Cash Offer, if it completes

03

The **Offer is materially below the \$2.05 per Share that Genesis Capital prevented Shareholders from accessing** under the NDC Scheme¹

The Offer has not improved upon Genesis Capital's prior proposal received in July 2024, despite Pacific Smiles' strong operating performance and cash generation

Summary

- Since Genesis Capital's prior offer of \$1.90 per Share, Pacific Smiles has announced:
 - **FY24 group revenue +8.7% y-o-y**
 - **FY24 underlying EBITDA +16.9% y-o-y**
 - **FY25 YTD patient fees of +10.9% y-o-y (to 27-Aug-24)¹**
 - **All delivered from the existing network with no new centre openings**
- The cash flow generated by the business since the prior proposal is also meaningful and should be reflected in the value offered to Shareholders
- This performance and cash flow generation has been delivered despite significant corporate distraction for the Board and management team, demonstrating the strength of the underlying business model



We see long-term value in the business above the Offer Price which has been validated by the FY24 results and corporate interest from multiple private equity firms.



MA Financial
Group

The Offer is opportunistically timed, when changes to the Board and management were underway

Summary

- The Offer timing **appears to be attempting to capitalise on the recent resignations of the Pacific Smiles' CEO and CFO**, as well as the **retirement of the previous Chair and a Non-Executive Director**
- The **Board has acted promptly to address these changes** and establish a refreshed and experienced Board and management team
- The Board is **encouraged by the experience and calibre of potential CEOs currently being interviewed**
- With less corporate distraction and runway to execute on strategy, the **Board is confident it can deliver long-term Shareholder value**

The Board has acted promptly in appointing key roles...



Giselle Collins
Non-Executive Director
Chairman



Brent Cubis
Non-Executive Director and
Chair of the Audit & Risk
Committee



Martin White
Acting Chief Financial Officer¹



Pacific Smiles is a leading dental service organisation that has delivered consistent double-digit growth

Summary



136 centres¹



**Leading
Dental Brands²**

**Proprietary
organic
growth
model**



540 active
dental chairs

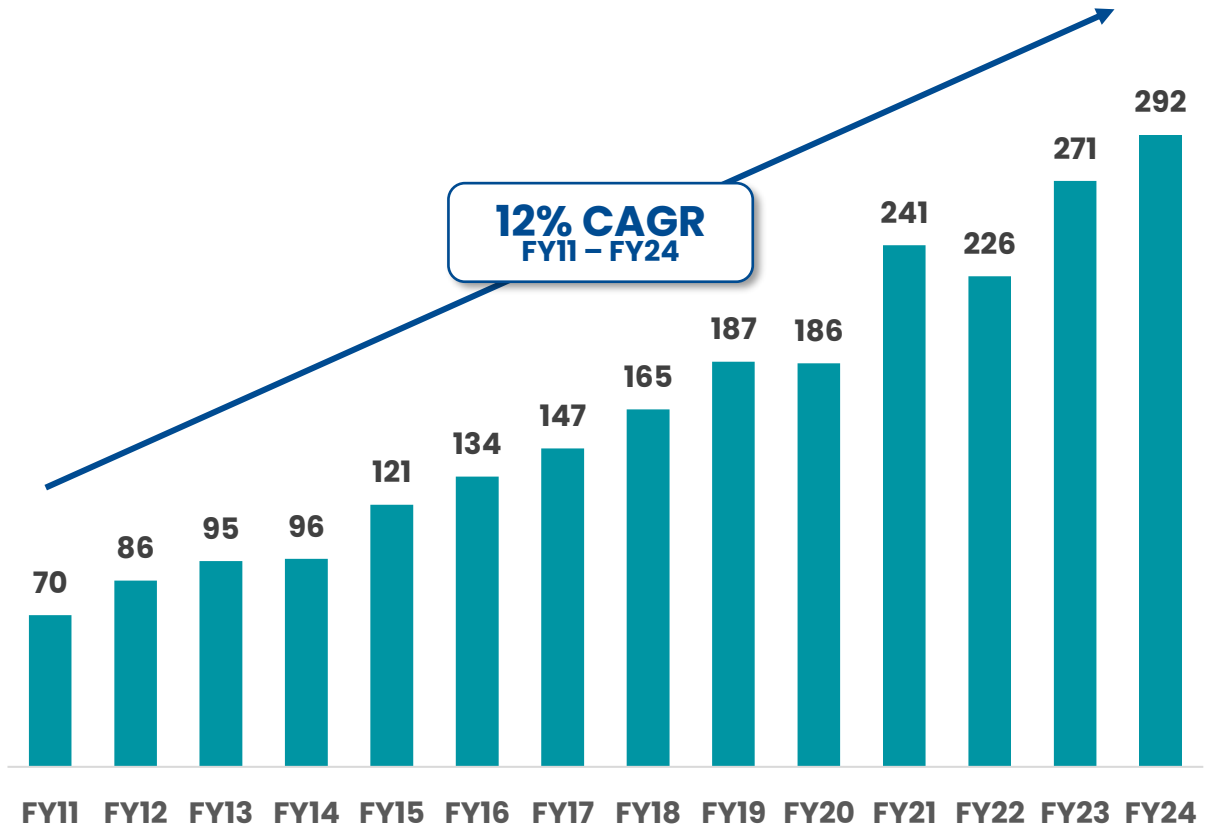


~1m
appointments in
FY24

750+
Active dentists

1,600+
Support staff

Patient fees (\$m)



Pacific Smiles' net cash position makes it well placed to invest in identified growth opportunities, and/or return capital to Shareholders, including via enhanced dividends

Summary

- Pacific Smiles has (at 30 June 2024):
 - Net cash position of ~\$17.7 million
 - No drawn debt
 - \$20 million of committed bank loan capacity
- Options for Pacific Smiles include:
 - Increased dividends and/or share buybacks**
 - Organic investment in its invested network**
 - Further organic and/or inorganic network growth**
 - Enhancing its range and value of services**

Growth opportunities

Embedded Capacity



- Filling existing spare appointments**
- Higher utilisation of existing chairs** (via more dentist hours)

Cohort Maturation



- New chairs in available surgeries**
- Additional cohort maturation mix** from improving offering, efficiency and pricing
- Improving mix of higher value dentistry work**

Network Growth



- Self-funded network centre growth** remains a key long-term opportunity
- Cash flow generation** and a strong business model supports continued scale

M&A (Optional)



- Significant opportunity for consolidation** given fragmentation of the Australian dental market
- Well-positioned for M&A with a strong balance sheet**

If you accept the Offer, you may be unable to accept an alternative proposal if one emerges

Pacific Smiles' Shareholders who accept the Offer would:

Be prevented from participating in any alternative proposal

Be prevented from selling their Pacific Smiles Shares on the ASX

Only be able to withdraw their acceptances in very limited circumstances

If there is an alternative proposal received prior to the end of the Offer Period, then it will be announced to the ASX and the Board will carefully consider the proposal and advise Shareholders of their recommendation

The reasons given by Genesis Capital to accept the Offer are not compelling and omit key information the Board considers relevant to Shareholders' assessment of the Offer



"The Cash Offer Price represents a material premium relative to the historical trading of Pacific Smiles shares up to 15 December 2023, being the last trading day before the announcement of Genesis Capital's initial proposal of \$1.40 per Pacific Smiles share" – Genesis Bidco Bidder's Statement

- ✗ Prior to announcement of the Genesis Bidco Offer, Pacific Smiles Shares had been trading without a live change of control proposal following the termination of the NDC Scheme on 23 August 2024
- ✗ **The Offer premium is 8.1%** to the 5-day VWAP up to and including the last trading day prior to the Announcement Date
- ✗ **This does not represent a typical or "material" control premium**
- ✗ **Genesis Bidco's Offer represents a material discount to NDC's \$2.05 per Share, which Genesis Capital voted against**



"The Cash Offer Price falls within the range of values determined to be "fair" by the independent expert appointed by Pacific Smiles to opine on the NDC Scheme" – Genesis Bidco Bidder's Statement

- ✗ The independent expert range referenced by Genesis Capital **relates to an opinion on the NDC Scheme, and was published over three months ago**
- ✗ Between the NDC Scheme and the Offer, Pacific Smiles reported its FY24 results and an FY25 year to date trading update, which **demonstrated strong underlying performance and cash flow generation**

The reasons given by Genesis Capital to accept the Offer are not compelling and omit key information the Board considers relevant to Shareholders' assessment of the Offer (Cont'd)



"The Cash Offer Price provides an equivalent cash amount to the offer under the NDC Scheme as at the time it was initially agreed to by Pacific Smiles in April 2024..." – Genesis Bidco Bidder's Statement

- ✗ Since the Board recommended NDC's initial offer of \$1.90 per Share, Pacific Smiles has received three further control proposals
- ✗ **The reason provided by Genesis Bidco fails to reference the highly relevant NDC Scheme proposal at \$2.05 cash per Share**
- ✗ This would have been passed had Genesis Capital not voted against it



"The All Cash Consideration provides you certainty of value and removes the risks inherent in your ... investment, including the uncertainty associated with ... securing a new CEO and a new CFO and recent changes to the composition of the Pacific Smiles Board. The option to elect to receive the All Scrip Consideration or the Mixed Consideration each provide Eligible Pacific Smiles Shareholders an opportunity to retain an indirect investment in Pacific Smiles alongside an experienced healthcare investor" – Genesis Bidco Bidder's Statement

- ✗ Pacific Smiles is well advanced in its refresh of its Board and management team (refer slide 8)
- ✗ For investors that want to maintain exposure to Pacific Smiles by accepting the Scrip Offer, **the capital structure and shareholder rights of Holdco are considered by the Board to be highly unattractive relative to Pacific Smiles as an ASX-listed entity today** (refer to summary on following slide)

The Board Considers that the Scrip Offer appears to be highly unattractive

Notwithstanding the Board's unanimous recommendation to **REJECT** the Offer, the Board wishes to draw Shareholders' attention to the following features of the Scrip Offer, in particular:



Holdco's highly levered capital structure will restrict payment of near-term dividends



Holdco's interest costs are equivalent to the majority of Pacific Smiles' FY24 free cash flow



Genesis Capital would control the Holdco Board and, as a result, all strategic decisions



No active market for Holdco shares and Holdco Board approval required for any share sales



Limited information rights versus current ASX disclosure



\$27.5m¹ of transaction costs to be borne by Holdco Shareholders

The Board has not undertaken any valuation of the Scrip Offer, but refers to Genesis Bidco's disclosure that there is no assurance that the present or future value of Holdco Shares will be equal or higher than the value of the Cash Offer, and may be materially lower than such value

Pacific Smiles' Board unanimously recommend that shareholders **REJECT** the Offer

- The Board has considered the Offer carefully and unanimously recommend that Pacific Smiles Shareholders **REJECT** the Offer
- The accompanying Target's Statement contains the Pacific Smiles Board's detailed formal response to the Offer, including its unanimous recommendation that you **REJECT** the Offer and **TAKE NO ACTION** in relation to any correspondence from Genesis Bidco or Genesis Capital
- To recap, the Board's reasons for its recommendation include:
 - The Offer is subject to Conditions that are not currently capable of being satisfied
 - The Offer is opportunistic, materially below the previous \$2.05 NDC Scheme and has not improved upon the cash consideration under Genesis Capital's July 2024 offer
 - Pacific Smiles is a leading dental services organisation
- Pacific Smiles' Shareholders are encouraged to review the Board's detailed assessment of the Offer contained in the Target's Statement and read the Target's Statement in full
- **Closing message from Pacific Smiles Chairman:**

"We have listened to our major Shareholders who have engaged with the Board and provided helpful feedback on the business and the Genesis Bidco Offer. The refreshed management team, with the support of an experienced Board will reinvigorate Pacific Smiles' strategy and focus on the operational levers necessary to continue to grow. We will do that in deep consultation with the dental practitioners, patients and staff. We look forward to you experiencing the benefits of this approach."



www.pacificsmilesgroup.com.au

