

ABANO ANNOUNCES SCHEME OF ARRANGEMENT AT \$5.70 CASH PER SHARE

- Abano has entered into a Scheme Implementation Agreement under which Adams NZ Bidco Limited (“Bidco”) will acquire 100% of the fully paid shares in Abano Healthcare Group Limited for \$5.70 per share, by way of a scheme of arrangement.
- Bidco is an entity that will be owned by BGH Capital¹ (“BGH Capital”) and Ontario Teachers’ Pension Plan Board (“OTPP”).
- Following a comprehensive competitive process and a thorough consideration of all alternatives, the Abano Board has assessed the Bidco scheme of arrangement as providing the most compelling value for shareholders.
- Abano’s Directors unanimously recommend shareholders vote in favour of the Scheme, in the absence of a superior proposal and provided that the price is within the Independent Advisor’s valuation range for Abano shares.
- The Scheme is subject to the approval of Abano shareholders, the New Zealand High Court, Overseas Investment Office, Australian Foreign Investment Review Board and other customary conditions as referred to in the appendix to this announcement.
- Abano shareholder approval will be sought at a special meeting of shareholders to be held in the first quarter of 2020.
- The Abano Board advises that the company is currently trading in line with market expectations, with unaudited underlying EBITDA of \$14.4m for the five months to end-October 2019, slightly ahead of the prior comparative period.

Listed dental group, Abano Healthcare Group Limited (NZX: ABA) announces that Bidco has agreed to acquire 100% of the fully paid shares in Abano for \$5.70 in cash per share under a Scheme Implementation Agreement between Abano and Bidco. The acquisition will be implemented by way of a Court-approved scheme of arrangement (the “Scheme”) and is subject to Abano shareholder approval and other customary conditions.

The all-cash price represents:

- An equity value for Abano of \$150m and an estimated enterprise value of \$300m².
- A premium of 63% to Abano’s closing price on the NZX of \$3.50 per share on Friday 28 June 2019, being the last trading day prior to Abano announcing that it had received various expressions of interest on Monday 1 July 2019.
- A premium of 49% to Abano’s volume weighted average share price (VWAP) over the 30-day period prior to 1 July 2019.
- An implied EV/EBITDA multiple of 8.9x, based on FY19 underlying EBITDA of \$33.7m.

Transaction Process

Chair of Abano, Pip Dunphy, said: “Following receipt of various expressions of interest, the Board appointed external advisers and, over a nearly six-month period, undertook a comprehensive competitive process, to ensure we achieved the best outcome for shareholders. This process identified and attracted interest from numerous parties, a number of which undertook due diligence on the businesses. This enabled the Board to satisfy itself that all relevant options had been identified, risk-assessed, valued and considered. In considering the options, the Abano Board adopted a long-term view of the risks and rewards of various alternatives.

¹ The constituent entities of BGH Capital Fund I managed or advised by BGH Capital Pty Ltd

² Estimated enterprise value based on a net debt estimate at the end of October 2019 of \$150m which includes net bank debt, deferred acquisition consideration and derivatives.

“After a thorough assessment of the options, including the divestment of individual businesses or the group under different transaction alternatives, and the status quo, the Abano Board has concluded that Bidco’s Scheme proposal represents the most compelling value for shareholders.

“The transaction accelerates a capital return to shareholders and mitigates the risks that would otherwise be involved in delivering the opportunities from executing Abano’s strategic plan over time. The competitive nature of the process adopted enables us to proceed by way of a Scheme which has benefits in terms of time to implement and certainty for all parties and no negative impact to pricing for shareholders.

“The Board believes that approval of the Scheme will be of benefit to shareholders and unanimously recommends the transaction to shareholders, in the absence of a superior proposal.”

BGH Capital and OTPP

Bidco’s shareholders are experienced and committed investors. BGH Capital is an Australian and New Zealand focused private equity firm. Its principals have extensive experience investing in Australia and New Zealand, including in healthcare and healthcare services. OTPP has been a major shareholder in Heartland Dental, one of the largest dental support organisations in the United States, for many years. BGH Capital and OTPP see opportunities to invest in and continue growing Abano’s dental networks in Australia and New Zealand. Their intention is to support Abano’s people to continue delivering the best possible dental care and experience to patients.

BGH Founder, Simon Harle, said: “BGH Capital, along with our partners at OTPP, are excited about the opportunity to invest in the Abano business. We consider Abano to be the pre-eminent dental business in the region. We are confident that with our continued investment in the business and ongoing support it will further grow and prosper.”

Independent Report

Abano has, with the approval of the Takeovers Panel, appointed KordaMentha to prepare an Independent Advisor’s Report to assist shareholders to assess the merits of the Scheme. This will form part of the Scheme Booklet that will be sent to shareholders along with details of the shareholders’ special meeting at which shareholders will consider the Scheme.

Subject to the KordaMentha report concluding that the price of \$5.70 per share is within or above KordaMentha’s value range for Abano shares, and there being no superior proposal, Abano’s Directors unanimously recommend that shareholders support the transaction. Subject to the same qualifications, each Director intends to vote all of the Abano shares that he or she holds (directly or through associated interests) in favour of the Scheme.

Interim Dividend

The interim dividend which Abano usually pays in the new year will be suspended and will not be paid if the Scheme is completed. Directors took this factor into account when assessing the value of Bidco’s Scheme proposal and in making their unanimous recommendation in favour of the Scheme.

Transaction Conditions and Termination Rights

The transaction is subject to a number of conditions precedent and termination rights including no material adverse change impacting the Abano business in the period prior to completion. A specific termination right has been included at the request of Bidco following a recent Australian Federal Court judgment impacting

superannuation deduction and other obligations. The judgment is under appeal. Potential implications, and their quantification, for companies operating in a number of sectors across Australia, including the dental sector (and the Maven business), cannot be assessed at this time.

A summary of key transaction terms is attached in the Appendix to this announcement.

The Board encourages shareholders to carefully consider the materials that will be sent to them and to exercise their right to vote at the special meeting that will be called to consider the Scheme. If shareholders have questions, they are encouraged to seek their own professional advice.

Trading Update

Abano's Annual Meeting is being held in Auckland on 25 November 2019 and will provide an opportunity for shareholders to hear more about the Scheme and the company's performance. The Board advises that Abano is currently trading in line with market expectations, with unaudited underlying EBITDA of \$14.4m for the five months to end-October 2019, slightly ahead of the prior comparative period.

ENDS

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Abano Healthcare Group is listed on the NZX and owns and operates one of the largest dental networks in Australasia, comprising Lumino The Dentists in New Zealand and Maven Dental Group in Australia.

About BGH Capital

BGH Capital was established in 2017 by Robin Bishop, Ben Gray and Simon Harle with the objective of creating the pre-eminent private equity firm in Australia and New Zealand. BGH Capital is headquartered in Melbourne, Australia and is an independent firm, owned and managed by its founding partners. BGH Capital Fund I had a final close of approximately A\$2.6 billion in May 2018. This represents the largest private equity fund focused on Australia and New Zealand that is actively deploying capital. BGH Capital aims to provide its portfolio companies with the capital they need to grow, as well as analytical, strategic and operational resources to help them realise their full potential. For more information, visit www.bghcapital.com

About Ontario Teachers' Pension Plan Board

Ontario Teachers' is Canada's largest single-profession pension plan with CAD\$201.4 billion in net assets as at 30 June 2019. It pays pensions and invest plan assets on behalf of 327,000 working and retired teachers. Since its establishment as an independent organisation in 1990, it has built an international reputation for innovation and leadership in investment management and member services. Ontario Teachers' Pension Plan has been a major shareholder in Heartland Dental, one of the largest dental organisations in the United States, for many years.

APPENDIX: SUMMARY OF SCHEME OF ARRANGEMENT AND KEY TRANSACTION TERMS

Process for implementation of the Scheme:

- A scheme of arrangement is a Court supervised process. The first step in this process is for Abano to seek initial Court orders, after which the Board will call a special meeting of shareholders to vote on the Scheme.
- The Board anticipates that the special meeting will be held in the first quarter of 2020.
- Prior to the special meeting, Abano will send shareholders a Scheme Booklet containing information about the Scheme, including details of the special meeting and a copy of the Independent Advisor's Report.
- In addition to shareholder and Court approvals, the Scheme is also subject to Overseas Investment Office and Australian Foreign Investment Review Board approval, there being no material adverse change affecting Abano and other customary conditions.
- Subject to shareholder approval, and satisfaction of other conditions, the Scheme is currently expected to be implemented by the end of April 2020.

Key transaction terms:

The Scheme Implementation Agreement ("SIA") accompanies this announcement. Set out below is a brief, high level summary of certain key provisions of the SIA. This is a summary only.

Conditions

- Court approval
- Shareholder approval
- New Zealand Overseas Investment Office approval
- Australian Foreign Investment Review Board approval
- No restraining orders, etc
- No material adverse change
- No prescribed occurrences

Material adverse change

Matter, event or circumstance which has the effect of either:

- diminishing the Abano group's consolidated net assets by at least \$22.2 million
- diminishing the Abano group's consolidated earnings before interest, tax, depreciation and amortisation by \$10 million, in the case of matters, events or circumstances which have a non-recurring impact or, in all other cases, \$5.4 million.

Prescribed occurrences

The following matters or events are prescribed occurrences. If they occur Bidco is entitled to terminate the SIA:

- Payment of dividends by Abano
- Changes to Abano's capital structure (including share issues and share buybacks)
- Disposal of all or a substantial part of the Abano group's assets
- Insolvency events affecting members of the Abano group
- Certain related party transactions or payments to directors, officers or senior employees

- Certain changes to the terms of Abano’s arrangements with its financial advisers
- Regulatory inquiries, investigations, audit, rulings etc by a government agency or court against or in respect of a member of the Abano group which relates to a possible contravention of applicable law and which is reasonably likely to have an adverse financial impact of the Abano group of at least \$5 million
- The Australian Court of Appeal making a determination in the appeal of *Moffet v Dental Corporation Australia Pty Ltd* which is unfavourable to Dental Corporation Australia and such determination being reasonably likely to have an adverse financial impact on the Abano group of at least \$10 million.

Exclusivity

- Abano has granted Bidco exclusivity, and has agreed not to solicit, encourage or facilitate competing transactions
- Abano is able to deal with and respond to unsolicited competing transactions that are “Superior Proposals” (as defined in the SIA)
- Abano must notify Bidco if it receives a competing proposal
- Prior to proceeding with a Superior Proposal, Abano must provide Bidco an opportunity to match it.

Reimbursement amounts

Abano must pay Bidco a reimbursement amount of \$1,498,088 in certain circumstances, including if:

- an Abano director withdraws his or her recommendation of the Scheme or recommends a competing transaction
- Bidco terminates the SIA due to unremedied default by Abano or due to certain prescribed occurrences

Bidco must pay Abano a reimbursement amount of \$1,498,088 if Abano terminates the SIA due to unremedied default by Bidco.

Abano is being advised by Cameron Partners, Rothschild & Co, Harnos Horton Lusk and Allens.

The above dates are indicative and subject to change.