

## ABANO SPECIAL MEETING: SCHEME OF ARRANGEMENT CHAIR'S SPEECH

20 March 2020

This is a single purpose meeting for shareholders to consider and vote on the Scheme of Arrangement with Adams NZ Bidco Limited, which is a company that will be ultimately owned by the BGH Capital Fund and Ontario Teachers' Pension Plan.

### **BACKGROUND**

At our Annual Shareholder Meeting in November, we covered in detail the background to the Scheme and how the Board came to the conclusion the proposal from BidCo was the best option for shareholders and unanimously recommended the transaction to shareholders. I do not intend to repeat this but refer you to that speech should you wish to revisit the background. Our recommendation remains unanimous and unequivocal.

### **BOARD RECOMMENDATION**

Having completed a comprehensive competitive process and thorough assessment, the Board announced on 11 November 2019 that it recommended the scheme to shareholders in the absence of a superior proposal. No superior proposal has emerged prior to this meeting and, accordingly, the Board continues to unanimously recommend that you vote in favour of the Scheme today.

The reasons for this are that:

- The Scheme eliminates the risks for shareholders that would otherwise be involved in delivering the opportunities from executing Abano's strategic plan over time, and it accelerates a capital return to you.
- Recent events with COVID-19 are a stark reminder of the very real risks inherent in all businesses, and that not all risks can be predicted and fully mitigated.
- The Scheme is the result of a comprehensive competitive process;
- No Superior Proposal has emerged since the Scheme was announced and Abano's Directors do not believe that a Superior Proposal is likely to emerge;
- The Scheme price of \$5.70 per share is above the \$5.60 mid-point of the valuation range determined by the Independent Advisor; and
- The Scheme price represents a significant premium to Abano's share price prior to Abano announcing it had received various expressions of interest, and indeed to its current trading price.
- Abano's share price is likely to be substantially less than the Scheme Price if the Scheme is not implemented and no Superior Proposal emerges.

Having said that, I acknowledge that there are valid reasons why you may decide not to vote in favour of the Scheme. For example:

- You may consider that the long-term value of Abano is greater than the \$5.70 Scheme price or that the Independent Adviser's value range does not reflect the full value of Abano.
- You may also consider that a superior proposal may emerge after this meeting.
- In addition, it is possible that the Scheme may not align with your personal circumstances, due to the tax implications of the Scheme for you – or because you may wish to retain an investment in a publicly listed company with the specific characteristics of Abano.

I can say with confidence that each of the Directors has fully considered and assessed these factors as well as all the alternatives before satisfying ourselves that the Scheme proposal represents the most compelling value for shareholders.

## **NEXT STEPS**

Prior to today's meeting, Bidco obtained both necessary regulatory approvals to the Scheme, being the consents of the New Zealand Overseas Investment Office and the Australian Foreign Investment Review Board.

The outstanding approvals are shareholder approval which will be sought at today's meeting and, if shareholder approval is obtained, the final orders of the Court.

For shareholders to approve the Scheme, it is necessary that BOTH of the two voting thresholds are met, being:

- 75% or more of the votes cast must be voted in favour of the Scheme Resolution; and
- more than 50% of the total number of Abano Shares on issue must be voted in favour of the Scheme Resolution.

A number of shareholders, who are not attending the Meeting today, have cast their votes by proxy. We have received proxies for 20.8 million shares, representing approximately 79% of Abano's total shares on issue. Of these, 96% are in favour of the Scheme, 0.5% are against, and a further 3% are discretionary votes.

If shareholders approve the Scheme and the Court grants final orders, then the record date for implementation of the Scheme will be 5pm on 9 April and date for implementation itself will be a date between 16 April and 22 April.

Prior to the implementation date, the Scheme will remain subject to a number of normal conditions, being no Prescribed Occurrences, no Material Adverse Change and no regulatory intervention. Those conditions are described in the Scheme Booklet.

The Prescribed Occurrence condition relates to various matters, including restrictions on paying dividends, changes to Abano's capital structure and the outcome of the Moffet case.

The Material Adverse Change condition excludes general economic changes or falls in the stock market.

Rather, the Material Adverse Change condition relates to adverse changes in the financial position or financial performance of Abano by reference to specified financial materiality thresholds which are set out in the Scheme Booklet.

Given what we currently know, at this time there is no breach of the Material Adverse Change or Prescribed Occurrences conditions.

However, given the rapidly changing situation in the light of COVID-19, we cannot discount that there could be a condition breach in the period of up to four weeks before completion of the Scheme and that, as a result, the Scheme may not proceed. Our management team remain fully engaged in running the business and working with the BGH Capital and the Ontario Teachers teams to prepare for completion.

If the Scheme is implemented and you hold Abano Shares on the Scheme Record Date, you will be paid NZ\$5.70 in cash per share on the Scheme Implementation Date. The Scheme Record Date is expected to be 9 April 2020 and the Scheme Implementation Date is expected to be a date between 16 April and 22 April 2020.

## **TRADING UPDATE**

Given the rapidly evolving situation around COVID-19, we believe it is important to provide a trading update and how this is affecting our business.

Up until last weekend's Government announcements and travel restrictions, for March 2020, Lumino's performance was in line with management expectations, and Maven was slightly below. We have noted a decline in patient numbers this week in both New Zealand and Australia, following recent Government announcements and COVID-19 restrictions, and management are keeping this under daily review. However, at this stage, it is too early to assess whether this represents a trend or has specific financial implications for Abano's earnings.

Patient and staff wellbeing remains our priority. We have a Pandemic Response Plan in place, which follows best practice and advice from the World Health Organisation, Ministry of Health in New Zealand and the Australian Government Department of Health. The respective Dental Associations in New Zealand and Australia also follow this advice. This Plan is continually being reviewed and updated as the situation evolves.

We already had best-in-class infection control procedures at our practices in New Zealand and Australia. These were in place before the COVID-19 outbreak, and include the wearing of masks, gloves and glasses by clinical staff for all dental procedures. This assists with the health and safety for clinicians and patients and we are confident of supply arrangements for these and other hygiene items.

There are a number of additional measures we have put in place to ensure we continue providing our services in a safe way, including pre-screening of all patients at the time of booking and prior to appointments. Our teams remain committed to providing high quality dental care with clinical best practice during these more challenging times, and I would like to acknowledge them and thank them for their ongoing care to our customers.

## **CONCLUSION**

In closing, I would like to acknowledge our shareholders. Abano has been on a long journey from its original days as an aged care company generating revenues of around \$30 million, through to a multi-disciplinary healthcare provider and more recently, a sole focus on dental delivering annualised revenues of over \$350 million.

Shareholder value has been front of mind during Board considerations and we believe the Bidco transaction offers compelling value, providing certainty to shareholders now, compared to the risks that would otherwise be involved in the longer time frame required to execute Abano's strategic plan.

I would like to thank shareholders for your support over the years and for your attendance today.

I would also like to thank the management team and employees of Abano, the advisors Harnos Horton Lusk, Cameron Partners, Rothchilds, PWC and Computershare. Thank you also to my fellow directors for the time and commitment you have shown to the business.

I now call the special meeting of shareholders closed.

ENDS