

ASX ANNOUNCEMENT

11 October 2024

Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Pacific Smiles Group Limited (ASX:PSQ) – Off-market takeover bid by Beam Dental Bidco Pty Ltd – Lodgement of Target’s Statement

We enclose, in accordance with item 14 of subsection 633(1) of the Corporations Act 2001 (Cth) (**Corporations Act**), a copy of the target’s statement issued by Pacific Smiles Group Limited (ACN 103 087 449) (**Pacific Smiles**) (**Target’s Statement**) in response to the off-market takeover bid made by Beam Dental Bidco Pty Ltd (ACN 676 303 254) (**Genesis Bidco**) (an entity associated with Genesis Capital Manager I Pty Ltd) for all of the fully paid ordinary shares in Pacific Smiles on the terms set out in its replacement bidder’s statement dated 1 October 2024 (**Offer**).

A copy of the Target’s Statement was today served on Genesis Bidco and lodged with the Australian Securities and Investments Commission.

The Target’s Statement sets out the Pacific Smiles Directors’ unanimous recommendation to **REJECT** the Offer from Genesis Bidco by **TAKING NO ACTION**.¹

The reasons for the Pacific Smiles Directors’ unanimous recommendation that shareholders **REJECT** the Offer include:

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.

¹ Defined terms used in this announcement have the meaning given in the Target’s Statement attached to this announcement.

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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 Target's Statement will be sent to Pacific Smiles shareholders as follows:

- (a) Pacific Smiles shareholders who have nominated an email address to receive communications from Pacific Smiles will receive an email to their nominated email address with a link to an electronic copy of the Target's Statement; and
- (b) all other Pacific Smiles shareholders will receive a hard copy of the Target's Statement to their registered postal address.

Pacific Smiles shareholders may also request a hard copy of the Target's Statement be sent to them by contacting 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).

This announcement was authorised by the Board of Pacific Smiles.

ENDS

For further information, please contact:

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Pacific Smiles Dental



Target's Statement

Pacific Smiles Group Limited (ABN 42 103 087 449)

This Target's Statement has been issued in response to the off-market takeover bid made by Beam Dental Bidco Pty Ltd (ACN 676 303 254) (**Genesis Bidco**) for all of the fully paid ordinary shares in Pacific Smiles for All Cash Consideration of \$1.90 each, All Scrip Consideration or Mixed Consideration.

THE PACIFIC SMILES DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU

REJECT

THE OFFER FROM GENESIS BIDCO BY TAKING NO ACTION

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about what to do, you should contact your broker or your legal, financial or other professional adviser as soon as possible.

Legal Adviser



Pacific Smiles Shareholders can 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).

Financial Adviser



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Important Information

To **REJECT** the Offer, you should **TAKE NO ACTION** in relation to all correspondence sent to you by Beam Dental Bidco Pty Ltd (ACN 676 303 254).

Nature of this document

This document is a Target's Statement issued by Pacific Smiles Group Limited (ABN 42 103 087 449) (**Pacific Smiles**) under Part 6.5 of the Corporations Act 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**) (a special purpose company incorporated by Genesis Capital) for all the fully paid ordinary shares in Pacific Smiles.

This 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 have sold all your Pacific Smiles Shares, please disregard this Target's Statement.

ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and released to ASX on 11 October 2024. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the content of this Target's Statement.

No account of personal circumstances

The information contained in this Target's Statement does not constitute personal or financial product advice. In preparing this Target's Statement, Pacific Smiles has not taken into account the investment objectives, financial situation or particular needs of individual Pacific Smiles Shareholders or any other person. It is important that you consider the information in this Target's Statement in light of your particular circumstances. This Target's Statement should not be relied on as the sole basis for any investment decision. You should seek advice from your financial, legal or other professional adviser before deciding whether to accept or reject the Offer.

Forward-looking statements

Some of the statements in this Target's Statement may be in the nature of forward-looking statements. Forward-looking statements are subject to known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performances or achievements of Pacific Smiles or Bidder Group to be materially different from future results, performances or achievements expressed or implied by such statements. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which Pacific Smiles or Bidder Group will operate in the future. Those risks, uncertainties, assumptions and other important factors include those specific to the industry in which Pacific Smiles and Bidder Group operate as well as general economic conditions, prevailing exchange rates, interest rates and conditions in the financial markets. Actual events, results or outcomes may differ materially from the events, results or outcomes expressed or implied in any forward-looking statement. None of Pacific Smiles, its Related Bodies Corporate or any of its officers or employees, nor any persons named in this Target's Statement or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law.

You are cautioned not to place undue reliance on any forward-looking statement. You should note that the historical performance of Pacific Smiles or the Bidder Group is no assurance of future financial performance. The forward-looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. Except as required by applicable law or the Listing Rules, Pacific Smiles does not undertake to update or revise these forward-looking statements nor any other statements (written or oral) that may be made from time to time by or on behalf of Pacific Smiles, whether as a result of new information, future events or otherwise.

Disclaimer as to information on Genesis Bidco

The information on Genesis Bidco, Holdco, Genesis Capital and the Bidder Group contained in this Target's Statement, including information regarding Genesis Bidco's intentions in respect of the Offer 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 this Target's Statement sets out further information regarding those risks.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement may be restricted by law or regulation in some jurisdictions outside Australia. Accordingly, persons outside Australia who come into possession of this Target's Statement should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. Pacific Smiles disclaims all liabilities to such persons.

Pacific Smiles Shareholders who are resident outside of Australia, or who are nominees, trustees or custodians for beneficial holders resident outside Australia, are encouraged to seek independent advice as to how they should proceed (including specific taxation advice in relation to the Australian and overseas tax implications of accepting or rejecting the Offer).

This Target's Statement has been prepared in accordance with Australian law in effect as at the Last Practicable Date and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with laws and regulations applicable in other jurisdictions.

The financial information included in this Target's Statement is based on financial statements that have been prepared in accordance with Australian equivalents to International Financial Reporting Standards, which may differ from generally accepted accounting principles in other jurisdictions. No action has been taken to register or qualify this Target's Statement in any jurisdiction outside Australia.

Taxation considerations

Section 9 of this Target's Statement provides a general summary of some Australian tax consequences for some Pacific Smiles Shareholders of transferring their Pacific Smiles Shares to Genesis Bidco under the Offer. The summary is based upon the Australian tax law and the ATO's publicly known administrative practices in effect as at the date of this Target's Statement.

This Target's Statement does not constitute tax advice and should not be relied upon as such. Given its general nature, it cannot address all possible tax consequences and cannot consider the circumstances of any or all Pacific Smiles Shareholders.

Pacific Smiles Shareholders should seek independent professional advice in relation to their own particular circumstances.

Presentation of financial information

Section 5.9 of this Target's Statement contains financial information relating to Pacific Smiles for the financial years ended 30 June 2024 and 30 June 2023.

The financial information in Section 5.9 of this Target's Statement is a summary only and has been prepared and extracted for the purposes of this Target's Statement only. The information has been extracted from the audited financial reports of Pacific Smiles for the financial years ended 30 June 2024 and 30 June 2023.

Privacy

Pacific Smiles has collected your information from its share register for the purpose of providing you with this Target's Statement. Such information may include the name, contact details and shareholdings of Pacific Smiles Shareholders and the names of persons appointed to act as proxy, attorney or corporate representative of Pacific Smiles Shareholders. Without this information, Pacific Smiles would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of shareholders to be held in a public register. Personal information of the type described above may be disclosed on a confidential basis to Pacific Smiles and its Related Bodies Corporate, Pacific Smiles Shareholders and external service providers, and may be required to be disclosed to regulators, such as ASIC. If you would like details of information about you held by Pacific Smiles, please contact the Pacific Smiles Shareholder Information Line as set out below.

External websites

Content on the website of Pacific Smiles does not form part of this Target's Statement. All references to websites in this Target's Statement are for information purposes only. Accordingly, Pacific Smiles Shareholders should not rely on any such content in making their decision as to whether to accept or reject the Offer.

Diagrams

Diagrams appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in charts, graphs and tables is based on information available at the Last Practicable Date.

Effect of rounding

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

Currencies

In this Target's Statement, references to "Australian dollars", "AUD", "\$", "A\$" or "cents" are to the lawful currency of Australia.

Time

All references to time in this Target's Statement are to time in Sydney, Australia, unless otherwise stated.

Defined terms

Capitalised terms used in this Target's Statement are defined in paragraph 1.1 of Schedule 1. The rules of interpretation that apply to this Target's Statement are also set out in paragraph 1.2 of Schedule 1.

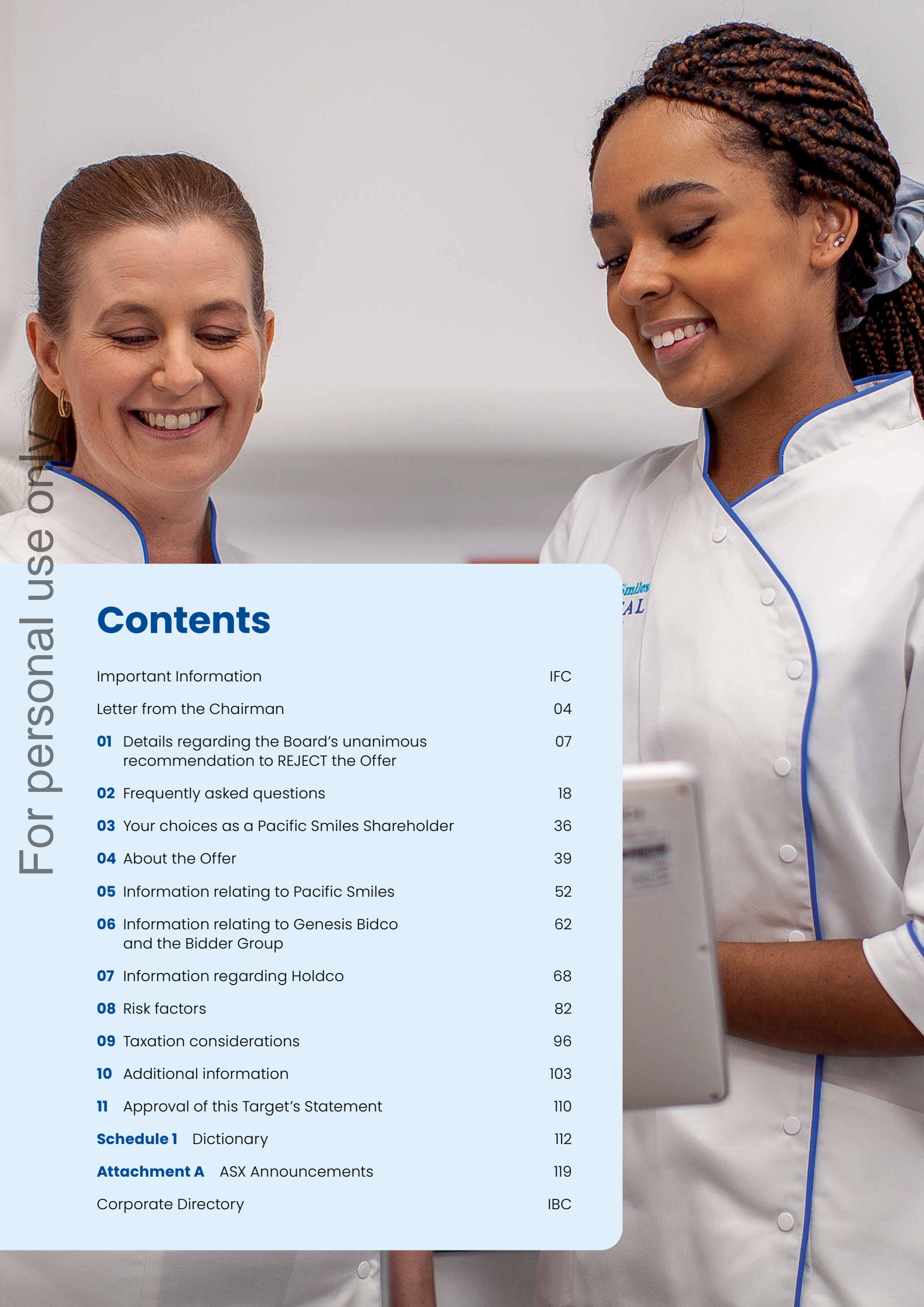
Pacific Smiles Shareholder Information Line

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).

Key Dates

Event	Date
Announcement Date	17 September 2024
Original Bidder's Statement lodged with ASIC, released to ASX and served on Pacific Smiles	17 September 2024
Bidder's Statement lodged with ASIC, released to ASX and served on Pacific Smiles	1 October 2024
Date of the Offer and commencement of Offer Period	1 October 2024
Last Practicable Date	7 October 2024
Date of this Target's Statement	11 October 2024
Close of the Offer (unless extended or withdrawn)	7:00pm (Sydney time), 1 November 2024

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Letter from the Chairman

Dear fellow Shareholders,

You should have recently received a Bidder's Statement from Beam Dental Bidco Pty Ltd (**Genesis Bidco**), an associate of Genesis Capital Manager I Pty Ltd (**Genesis Capital**), in relation to its unsolicited and conditional off-market takeover offer to acquire 100% of the fully paid ordinary shares (**Shares**) in Pacific Smiles Group Limited (**Pacific Smiles**) for All Cash Consideration of \$1.90 per Share, All Scrip Consideration or Mixed Consideration (**Offer**). Following payment of Pacific Smiles' declared 3.25 cents per Share dividend on 10 October 2024, the cash consideration payable by Genesis Bidco under the Cash Offer would be \$1.8675 for each Share currently on issue.¹

On 30 September 2024, your Board announced that we had considered the Offer carefully, and that we intended to recommend that Pacific Smiles Shareholders **REJECT** the Offer. This document (the **Target's Statement**) contains the Pacific Smiles Board's formal response to the Offer, including our unanimous recommendation that you **REJECT** the Offer and **TAKE NO ACTION** in relation to any correspondence from Genesis Bidco or Genesis Capital.

The Board's reasons for its recommendation are set out below.

1. The Offer is not currently capable of being completed

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% (by number) of Pacific Smiles Shares on issue at that time.

We have received intention statements from MA Financial Group Limited (who has a Relevant Interest in 13.43% of Pacific Smiles Shares, being 21,427,932 Shares) that it intends to reject the Offer and Dr Alison Hughes, co-founder of Pacific Smiles (who has 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). The Offer's 90% Minimum Acceptance Condition therefore cannot be satisfied in the current circumstances and the Offer is not currently capable of being completed.

The Offer is also subject to a Board Recommendation Condition which requires that, before the end of the Offer Period, a majority of the members of the Pacific Smiles Board publicly recommend that Shareholders accept the Offer (with customary qualifications). The Board unanimously recommends that Shareholders **REJECT** the Offer and therefore this Condition cannot be satisfied in the current circumstances, and the Offer is not currently capable of being completed.

If Genesis Bidco waives the Minimum Acceptance Condition, it is possible that it will acquire a Relevant Interest in more than 50% but less than 90% of Pacific Smiles Shares, and will have a majority shareholding in, and effectively control, Pacific Smiles. There are a number of implications and risks associated with this scenario, as set out in this Target's Statement.

1. The cash component of the Mixed Consideration will also be reduced by 4.75 cents as a result of the Declared Dividend.

2. 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

The Offer does not improve upon the cash consideration under Genesis Capital's proposal submitted to the Board on 28 July 2024, despite the strong FY24 results, year-to-date performance and cash generated in the business during the intervening period. In fact, taking into account the impact of the Declared Dividend to be paid by Pacific Smiles on 10 October 2024, Pacific Smiles Shareholders will only be paid \$1.8675 per Share currently on issue under the Cash Offer.²

Moreover, in August 2024, the Board recommended a cash offer of \$2.05 per Share under the NDC Scheme. Genesis Capital voted its Relevant Interest in 19.9% of Pacific Smiles Shares against the Scheme, which otherwise would have been approved by the requisite majorities of Pacific Smiles Shareholders. As a result, Genesis Capital denied Pacific Smiles Shareholders cash consideration of \$2.05 per Share. The All Cash Consideration (following payment of the Declared Dividend) of \$1.8675 per Share currently on issue is materially below \$2.05 per Share.

The Pacific Smiles Board has consistently sought to ensure that the best interests of its Shareholders have been prioritised, as demonstrated by the rejection of Genesis Capital's initial \$1.40 per Share proposal and by extracting multiple bid increases, resulting in the \$2.05 per Share offer under the NDC Scheme.

The Offer has clearly been put forward at a time when Pacific Smiles is undergoing a period of transition following the resignation of its Chief Executive Officer and Chief Financial Officer, and retirement of its Chair, Zita Peach.

The Board has acted promptly to appoint myself as Chairman and an additional Board member, Brent Cubis, a highly experienced director with deep healthcare and finance experience. The Board has also put in place arrangements for Martin White, Pacific Smiles' current Head of Finance, to be appointed as Acting Chief Financial Officer, when Matthew Cordingley leaves the Company, which is expected to be 28 February 2025.

The refreshed Board are excited by the potential of Pacific Smiles and considers that its heavily invested platform and strong balance sheet positions it well to continue to deliver value upside to Shareholders by focusing on delivering what dental practitioners want and addressing a full service offering for patients.

3. Pacific Smiles is a leading dental services organisation with attractive prospects

Pacific Smiles is one of Australia's leading dental service organisations and the only scale Australian platform with uniform branding across its Pacific Smiles, nib and HBF dental brands. The business has a homogenous operating and IT model, which enables consistent delivery of high-quality services to our dentists, employees and patients as well as efficiency of operation across the network. This makes Pacific Smiles an attractive and unique healthcare platform, as has been evidenced by the recent corporate interest from multiple private equity firms.

Pacific Smiles recently announced its FY24 results, disclosing an increase in Group revenue year-on-year of 8.7% and underlying EBITDA increase of 16.9% despite no new centre openings, demonstrating a strong improvement in business performance in our current footprint of 136 centres.³ As announced, Pacific Smiles has continued this momentum into FY25, with patient fees improving +10.9% year to date (+8.4% on like-for-like trading days) to 27 August 2024.

Further to this, we have a healthy net cash position that provides the opportunity to consider further investment in organic or inorganic growth and capital returns to Shareholders.

2. The cash component of the Mixed Consideration will also be reduced by 4.75 cents as a result of the Declared Dividend.

3. Including 11 nib branded centres which are owned and operated by Pacific Smiles, and 8 HBF dental centres which are operated by Pacific Smiles.

Letter from the Chairman

If you accept the Cash Offer, you also lose the potential upside of Pacific Smiles' scaling of its dental services organisation network and attractive growth opportunities of its operational platform. Additionally, you will receive an insufficient premium for control of Pacific Smiles and will not benefit from any superior proposal, if one is offered.

If the Offer is not successful, in the immediate aftermath the Share price could well fall, but the performance of our business in the last year, while working through competing control proposals, has demonstrated the real opportunities for improved returns to our Shareholders, and the Board will continue to pursue value-adding growth in the best interests of Shareholders as a whole.

Conclusion

As Chairman, I am enthusiastic about the future prospects of Pacific Smiles. We are well progressed in our process to appoint a new CEO and, together with a refreshed management team and Board, we are well positioned to use our strong capital position to achieve growth and enhanced returns for shareholders. Our business model is proven, and we see significant opportunities to drive utilisation in our existing centres and increase our centre footprint. Our current results are already reflective of our continuous improvement culture and investment in technology, which includes our single patient record database, IT tools for managing engagement with patients and dental practitioners, centre equipment, and improvements in cyber security and centralised marketing management. Additionally, with further insights and involvement from our dental practitioners, we are confident we can deliver growth that should translate into value for Shareholders and increased dividends in the future.

I would encourage you to read this Target's Statement carefully, including the detailed reasons for the Board's recommendation that you **REJECT** the Offer (see Section 1) and the risks associated with the Offer and remaining a Pacific Smiles Shareholder (see Section 8).

Should you need further assistance or if you are in any doubt as to what you should do, please contact your financial or professional adviser, or call 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).

Thank you for your ongoing support of, and investment in, Pacific Smiles.

Yours faithfully,



Giselle Collins
Non-Executive Chairman

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01

**Details regarding the Board's
unanimous recommendation
to REJECT the Offer**

01 Details regarding the Board's unanimous recommendation to REJECT the Offer

1.1 Directors' recommendation

Based on the information currently available to them, the Directors of Pacific Smiles unanimously recommend that Pacific Smiles Shareholders **REJECT** the Offer.

In considering whether to **REJECT** the Offer, the Directors of Pacific Smiles encourage you to read the whole of this Target's Statement and the Bidder's Statement, have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances and obtain financial advice from your broker or financial or taxation adviser in respect of the Offer.

The Directors' recommendation is given as at the date of this Target's Statement, and the Directors reserve the right to change their recommendation if circumstances change.

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1.2 Summary of reasons to REJECT the Offer

Your Board has carefully considered the Offer to assess whether it is in the best interests of Pacific Smiles Shareholders.

The Directors' reasons for recommending that Pacific Smiles Shareholders **REJECT** the Offer are:

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

Further information in relation to each of these reasons is set out below in Section 1.3 of this Target's Statement.

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01 Details regarding the Board's unanimous recommendation to REJECT the Offer

1.3 Further information on reasons to REJECT the Offer

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

- 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% (by number) of Pacific Smiles Shares on issue at that time. That Condition is **not currently capable** of being satisfied as a result of intention statements received from the following substantial shareholders:
 - MA Financial Group Limited, which has a Relevant Interest in 13.43% of Pacific Smiles Shares (being 21,427,932 Shares), intends to reject the Offer, seeing long term value in the business above the Offer price; and
 - Dr Alison Hughes, co-founder of Pacific Smiles and who has a Relevant Interest in 9.94% of Pacific Smiles Shares (being 15,860,190 Shares), 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).
- The Offer is also subject to a Board Recommendation Condition which requires that, before the end of the Offer Period, a majority of the members of the Pacific Smiles Board have publicly recommended that Shareholders accept the Offer (in the absence of a superior proposal and subject to any other customary qualification). The Board unanimously recommends that Shareholders **REJECT** the Offer.

Condition	Current Status?
#1 Minimum Acceptance Condition	X
#2 Board recommendation Condition	X

- Genesis Bidco's ability to draw the Debt Facility, which is required to fund the All Cash Consideration, is conditional on conditions which mirror the Minimum Acceptance Condition and the Board Recommendation Condition being satisfied by 17 December 2024. Genesis Bidco therefore cannot waive these Conditions to the Offer unless it is able to obtain alternate funding.

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

- Genesis Capital voted its Relevant Interest in 19.9% of Pacific Smiles Shares **against** the Board recommended cash offer of \$2.05 per share under the NDC Scheme which otherwise would have been passed by the requisite majorities of Shareholders. Genesis Capital therefore, in effect, prevented Shareholders from having the opportunity to sell their Shares at a higher price.
- Following payment of the 3.25 cents per Share Declared Dividend on 10 October 2024, Genesis Bidco (an entity associated with Genesis Capital) has only offered Pacific Smiles Shareholders \$1.8675 cash per Share under the Cash Offer, which is materially below the \$2.05 per Share that Genesis prevented Shareholders from accessing under the NDC Scheme.⁴

4. Under the NDC Scheme, the offer price of \$2.05 per share would have been reduced by any permitted dividend with a record date prior to the NDC Scheme Implementation Date (19 August 2024), which would include the 3.25c Declared Dividend had it met these conditions.

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

- Pacific Smiles received a revised proposal of \$1.90 per Share from Genesis Capital on 28 July 2024 (with a Holdco equity alternative). Since that time, Pacific Smiles has announced strong operating performance, including its:
 - FY24 results, delivering an increase in group revenue year-on-year of 8.7% and underlying EBITDA increase of 16.9% all through its existing footprint with no new centre openings in the period; and
 - FY25 year to date trading performance of an increase in patient fees of +10.9% year-on-year (or 8.4% on like-for-like trading days basis) as at 27 August 2024.
- The cash flow generated by the business since the prior proposal is meaningful and should be reflected in the value offered to Shareholders. Pacific Smiles generated \$15.0m in free cash flow in FY24, which equates to ~9c/Share per annum, or ~5c/Share every six months.
- This performance and cash flow generation has been delivered despite significant corporate distraction for the Board and management team.
- Pacific Smiles' major shareholder, MA Financial Group has noted it sees "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".
- The Offer does not improve upon the cash consideration under Genesis Capital's proposal submitted to the Board on 28 July 2024, despite the strong FY24 and year-to-date performance and cash generated in the business during the intervening period. In fact, taking into account the impact of the Declared Dividend, Pacific Smiles Shareholders will only be paid \$1.8675 per Share currently on issue under the Cash Offer.

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

- 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 Non-Executive Director from office.
- The Board has acted promptly to address these changes and establish a refreshed and experienced Board who will focus on a strategy to drive operational performance. This has been done by appointing an experienced Chairman, being Giselle Collins, a new Non-Executive Director and Chair of the Audit and Risk Committee, Brent Cubis, as well as putting arrangements in place for its current Head of Finance, Martin White, to be appointed as Acting CFO upon Matthew Cordingley's departure, which is expected to be 28 February 2025.
- The Board is also encouraged by the experience and calibre of potential CEOs currently being interviewed, and an announcement will be made in the coming weeks.
- With less corporate distraction and runway to execute on a strategy, the Board is confident it can deliver long-term Shareholder value, by focusing on listening to, and meeting, the needs of its customers and dental practitioners.

01 Details regarding the Board's unanimous recommendation to REJECT the Offer

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

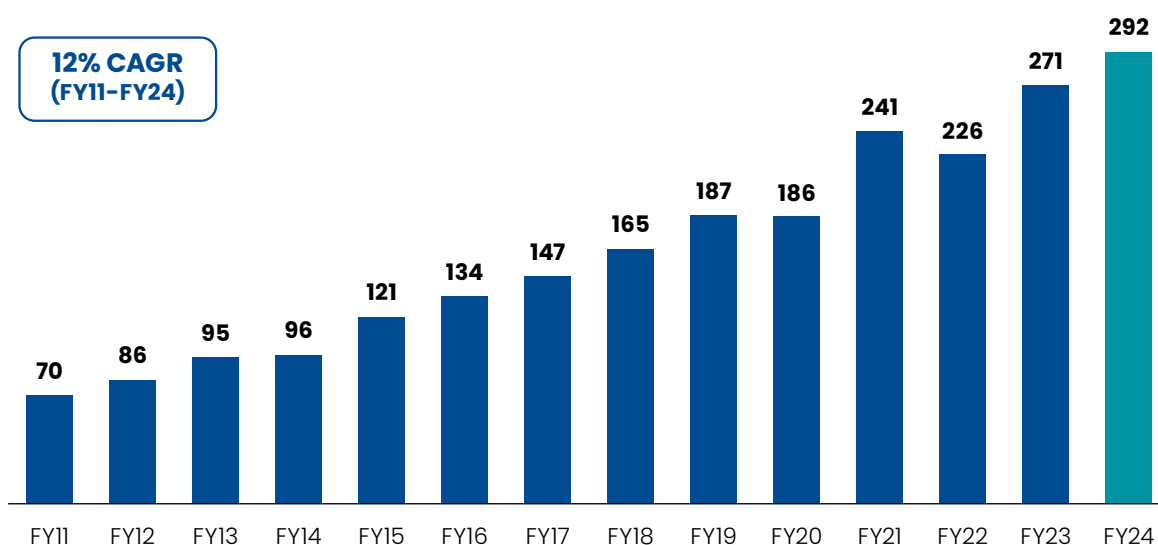
- Pacific Smiles is a highly unique dental services organisation platform in Australia given its greenfield expansion model and homogeneous operating and IT systems that drive consistency of service to its dentists, employees and patients. It is a scale platform (top three in Australia based on number of clinics), and its leading Pacific Smiles and nib brands have 20+ years in market.
- Since FY11, the business has delivered a patient fee compound annual growth rate of 12%, demonstrating the growth capability now embedded in the culture and 'know-how' of the business.
- While Pacific Smiles was disrupted during the pandemic by temporary centre closures (as were most businesses) as well as the cost of opening many new centres, the business delivered an 8% increase in patient fees in FY24 despite no new centre openings.

Patient Fees (\$m)







● YoY growth

**12% CAGR
(FY11-FY24)**



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

- As per the FY24 annual report, Pacific Smiles has a net cash position of approximately \$17.7 million, no drawn debt and \$20 million of committed bank loan capacity
- Going forward, this strong balance sheet position provides Pacific Smiles with a variety of investment and capital management options to drive value for Shareholders which could include a combination of:
 - increased dividends and/or share buybacks;
 - organic investment in the utilisation of its invested network;
 - further organic or inorganic network growth or potentially a combination of both – noting the dental services organisation sector in Australia remains fragmented; and
 - enhancing its range and value of services offered by investing in dental practitioners' training and support services in higher value dentistry.

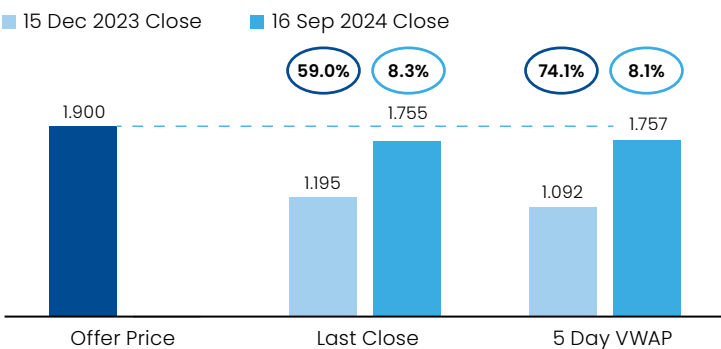
Available Growth Opportunity			
Embedded Capacity	Cohort Maturation	Network Growth	M&A (Optional)
			
<ul style="list-style-type: none"> • Filling existing spare appointments • Higher utilisation of existing chairs (via more dentist hours) 	<ul style="list-style-type: none"> • New chairs in available surgeries • Additional cohort maturation mix from improving offering, efficiency and pricing • Improving mix of higher value dentistry work 	<ul style="list-style-type: none"> • Self-funded network centre growth a key long-term opportunity • Cash flow generation and a strong business model supports continued scale 	<ul style="list-style-type: none"> • Significant opportunity for consolidation given fragmentation of the Australian dental market • Well-positioned for M&A with a strong balance sheet

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

- 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.
- Pacific Smiles Shareholders who accept the Offer would:
 - **be prevented from participating in any alternative proposal** that may be made by a third party and recommended by the Pacific Smiles Board, noting there is no guarantee of whether the Offer will ultimately complete, and if so, when that would occur;
 - **be prevented from selling their Pacific Smiles Shares on the ASX;** and
 - **only be able to withdraw your Acceptance in very limited circumstances** where the Offer remains conditional and Genesis Bidco varies the Offer in a way that postpones the time when Genesis Bidco needs to meet its obligations under the Offer for more than one month while it is still subject to any of the Conditions.

01 Details regarding the Board's unanimous recommendation to REJECT the Offer

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

Reason given by Genesis Bidco in the Bidder's Statement	Compelling for Shareholders?	Observations																
<p>1.</p> <p><i>"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"</i></p>	X	<ul style="list-style-type: none"> Prior to the Announcement Date, Pacific Smiles Shares had been trading without a live change of control proposal following the termination of the NDC Scheme Implementation Deed on 23 August 2024. Since this date, Pacific Smiles has also disclosed its FY24 results. The premia to the trading price prior to the Announcement Date are: <ul style="list-style-type: none"> – 8.3% to the closing price on the last trading day prior to the Announcement Date (being \$1.755); and – 8.1% to the 5-day VWAP up to and including the last trading day prior to the Announcement Date (being \$1.757), (reflecting like-for-like dividend treatment). This <u>does not</u> represent a typical or "material" control premium.  <table border="1"> <caption>Price Comparison Data</caption> <thead> <tr> <th>Category</th> <th>15 Dec 2023 Close</th> <th>16 Sep 2024 Close</th> <th>Change (%)</th> </tr> </thead> <tbody> <tr> <td>Offer Price</td> <td>1.900</td> <td>1.900</td> <td>-</td> </tr> <tr> <td>Last Close</td> <td>1.195</td> <td>1.755</td> <td>+8.3%</td> </tr> <tr> <td>5 Day VWAP</td> <td>1.092</td> <td>1.757</td> <td>+8.1%</td> </tr> </tbody> </table>	Category	15 Dec 2023 Close	16 Sep 2024 Close	Change (%)	Offer Price	1.900	1.900	-	Last Close	1.195	1.755	+8.3%	5 Day VWAP	1.092	1.757	+8.1%
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Offer Price	1.900	1.900	-															
Last Close	1.195	1.755	+8.3%															
5 Day VWAP	1.092	1.757	+8.1%															
<p>2.</p> <p><i>"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"</i></p>	X	<ul style="list-style-type: none"> The independent expert range referenced by Genesis Bidco relates to an opinion on the NDC Scheme, and was published over three months ago. The independent expert's opinion as to fairness and reasonableness <u>had not</u> been provided in the context of the Genesis Capital Offer. Additionally, 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. 																

5. Under the NDC Scheme, the offer price of \$2.05 per share would have been reduced by any permitted dividend with a record date prior to the Scheme Implementation Date (19 August 2024), which would include the 3.25c Declared Dividend had it met these conditions.

Reason given by Genesis Bidco in the Bidder's Statement	Compelling for Shareholders?	Observations
<p>3.</p> <p><i>"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..."</i></p>	<p>X</p>	<ul style="list-style-type: none"> • Significant time has passed since the Board recommended NDC's initial offer of \$1.90 cash per Share, during which time Pacific Smiles has received three further control proposals and reported strong FY24 results and cash generation for Shareholders. • The reason provided by Genesis Bidco <u>fails to reference the highly relevant NDC Scheme proposal at \$2.05 cash per Share.</u>⁶ This would have been passed had Genesis Capital not voted against it. • Further, the Cash Offer Price is <u>not "equivalent"</u> to the \$1.90 cash per Share previously recommended by the Board as Genesis Bidco suggests, given the consideration payable under the Cash Offer will only be \$1.8675 per Share that is currently on issue.
<p>4.</p> <p><i>"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"</i></p> <p><i>"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"</i></p>	<p>X</p>	<ul style="list-style-type: none"> • As announced on 19 August 2024, Pacific Smiles' Chair of the Audit and Risk Committee, Giselle Collins, was appointed Chairman. She is an experienced chairman and non-executive director on three other listed boards. • As announced on 3 October 2024, Pacific Smiles has appointed Brent Cubis as Non-Executive Director and has put in place arrangements for its current Head of Finance, Martin White to transition to Acting CFO following Matthew Cordingley's departure, which is expected to be 28 February 2025. • Pacific Smiles is also well advanced in its search for a new CEO and is pleased by the calibre of candidates that have expressed an interest. • Pacific Smiles has significant operating upside from improving utilisation in its existing footprint, and is well positioned to leverage its balance sheet to pursue responsible organic and inorganic growth. • For investors that want to maintain exposure to Pacific Smiles, 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 Section 1.4 below for further details.

6. Under the NDC Scheme, the offer price of \$2.05 per share would have been reduced by any permitted dividend with a record date prior to the NDC Scheme implementation date (19 August 2024), which would include the 3.25c Declared Dividend had it met these conditions.

01 Details regarding the Board's unanimous recommendation to REJECT the Offer

1.4 Matters to consider regarding the Scrip Offer

Notwithstanding the Board's unanimous recommendation to **REJECT** the Offer (which includes the All Cash Consideration, the Mixed Consideration and the All Scrip Consideration), the Board considers that the Scrip Offer appears to be highly unattractive based on Holdco's capital structure and governance arrangements.

The Board has not undertaken any valuation of the Scrip Offer, but refers to Genesis Bidco's disclosure in its Bidder's Statement 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 (which the Board unanimously recommends that you **REJECT** in any event), and may be materially lower than such value.

A further comparison of the rights of Pacific Smiles Shareholders and Pacific Smiles Holdco Shareholders is set out in Section 7.3 of this Target's Statement, and the key risks associated with becoming a Holdco Shareholder are set out in Section 8.3 of this Target's Statement. Pacific Smiles has assessed the Scrip Offer only on the information which has been provided by Genesis Bidco and therefore, further risks may become apparent.

Pacific Smiles wishes to draw Shareholders' attention to the following aspects of the Scrip Offer:

- **Holdco would be highly leveraged:** assuming 5% of Pacific Smiles Shareholders accept the Scrip Offer, Holdco would have ~\$153 million of debt equal to 5.4 turns of debt to FY24 EBITDA,⁷ which is equivalent to approximately 47% leverage, and significantly above typical private equity leverage in an Australian market context.⁸ This may impact Pacific Smiles' staff, dental practitioners and stakeholders (including its strategic partnerships), if Genesis Bidco requires Pacific Smiles cashflow to be directed to debt repayment rather than investing in the Pacific Smiles operational platform.
- **Holdco's interest costs are equivalent to the majority of FY24 free cash flow:** interest costs are estimated to be \$17.7 million to \$12.3 million per annum,⁹ relative to Pacific Smiles' free cash flow in FY24 of \$15.0 million, a period where limited growth investment was undertaken by Pacific Smiles.
- **Holdco capital structure will restrict payment of near-term dividends:** Holdco's leverage and associated interest costs will impact its ability to pay dividends, which would only be allowed when its net leverage ratio is below 3.25x.¹⁰ Genesis Bidco acknowledges in its Bidder's Statement that Holdco does not expect to be in a position to pay dividends to Holdco Shareholders in the short-term.
- **Holdco Shareholder approval may not be necessary for Genesis Capital to execute significant transactions or related party transactions:** no Holdco Shareholder vote would be required for a sale of the Pacific Smiles business, an acquisition of Impression Dental Group (which is also managed by Genesis Capital and would therefore require robust information barriers to protect the intellectual property of Pacific Smiles), the sale of 50% of Holdco Shares or the replacement of debt with Genesis Capital Fund II equity, if the Holdco Board determines the transaction is on "arm's length" terms. There is an absence of shareholder reserved matters which generally provide some fundamental protections and rights to minority shareholders, and would ordinarily be included in shareholder deeds of a similar nature to the Holdco Shareholders' Deed.
- **Genesis Capital would control the Holdco Board and, as a result, all strategic decisions:** at any point, Genesis Capital can appoint, remove and replace a majority of the Holdco board of directors. Pacific Smiles Holdco Shareholders can only appoint a director to the Holdco Board if they (alone or with their Associates) hold at least 10% of Holdco Shares. As noted above, there is an absence of shareholder reserved matters, and therefore, all strategic decisions are likely to be determined at the Holdco Board level (other than where Holdco Shareholder approval is required under the Corporations Act).
- **Lack of liquidity for Holdco Shares:** even in an emergency or dispute, Holdco Shareholders require Holdco Board approval for a sale of Holdco Shares and they will face a lack of liquidity given there will be no active market for Holdco Shares.

7. Equal to debt (A\$153 million) divided by Pacific Smiles FY24 EBITDA (A\$28.2 million).

8. Pacific Smiles' Board acknowledges the Holdco could have lower leverage if the rollover is greater than 5% or if Genesis Capital successfully raises further equity through its Fund II raise.

9. Section 4.3(f) of Bidder's Statement, based on rollover range of 0% to 15% of Pacific Smiles Shareholders.

10. Section 7.4(i) of the Bidder's Statement.

- **Limited information rights versus current ASX disclosure:** there are no continuous disclosure requirements for Holdco, and therefore, Holdco Shareholders without a representative on the Holdco Board would only have access to an annual report.
- **Compulsory acquisition of small holdings:** Holdco Shareholders with less than 125,000 Holdco Shares (i.e. approximately \$237,500 worth¹¹) can be compulsorily bought out from three months after the end of the Offer Period at market value to be determined by the Holdco Board in good faith (which may be lower than the Cash Offer price).
- **Potential for dilution:** Eligible Shareholders who accept the Scrip Offer will lose their direct interest in (and their right to any dividends paid by) Pacific Smiles, and will instead hold an indirect interest in Pacific Smiles through a small shareholding in Holdco. Holdco may issue additional Holdco Shares with a simple majority resolution of Holdco Shareholders, and therefore it is possible that Pacific Smiles Holdco Shareholders may be diluted by the passing of resolutions supported by the Genesis Shareholders.
- **Limited pre-emptive rights for any transfer of Holdco Shares:** while all Genesis Shareholders have a right of first refusal for any transfer of Holdco Shares, Pacific Smiles Holdco Shareholders will only have such rights if they hold at least 10% of the Holdco Shares. Therefore, there is very limited opportunity for Pacific Smiles Holdco Shareholders to increase their Holdco shareholding.
- **Unavailability of scrip-for-scrip tax rollover relief:** Shareholders may be liable to pay tax on capital gains from the exchange of some or all of their Pacific Smiles Shares for Holdco Shares if Genesis Bidco does not acquire 80% or more of the Pacific Smiles Shares on issue in one arrangement, even if Shareholders do not receive any cash for the disposal.
- **Transaction costs to be borne by Holdco Shareholders:** Genesis Bidco has disclosed that \$25 million will be required to fund the Bidder Group's transaction costs and provide starting balance sheet liquidity. Assuming 5% of Pacific Smiles Shareholders elect to receive the All Scrip Consideration, this would equate to a cost of 29c per Holdco Share (which does not factor in all Pacific Smiles transaction costs, which would also be assumed by Holdco).

11. Based on Holdco share price of \$1.90 per the Bidder's Statement.



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Frequently asked questions

02 Frequently asked questions

This Section answers some frequently asked questions about the Offer. It is not intended to address all relevant issues for Pacific Smiles Shareholders. This Section should be read together with all other parts of this Target's Statement.

Question	Answer	Reference
What is this Target's Statement?	This Target's Statement is Pacific Smiles' formal response to the Offer made by Beam Dental Bidco Pty Ltd (an entity associated with Genesis Capital Manager I Pty Ltd), including the unanimous recommendation of the Directors to REJECT the Offer.	N/A
What is the Bidder's Statement?	The Bidder's Statement is the document dated 1 October 2024 prepared by Genesis Bidco setting out the terms of the Offer, a copy of which was lodged with ASIC and released to ASX on 1 October 2024 (and which replaced the Original Bidder's Statement released to ASX on 17 September 2024). You should also have received a copy of the Bidder's Statement.	N/A
What is the Offer?	<p>Genesis Bidco is making an Offer to acquire all of your Pacific Smiles Shares by way of an off-market takeover bid.</p> <p>Subject to the terms of the Offer (including the Conditions to the Offer), Genesis Bidco will allow you to accept the Offer by making one of the following Elections:</p> <ul style="list-style-type: none"> (a) the All Cash Consideration of \$1.90 cash for each of your Pacific Smiles Shares (as adjusted for payment of the Declared Dividend, see below); (b) the All Scrip Consideration of 1 Holdco Share to be issued to the Nominee on your behalf for each of your Pacific Smiles Shares (if you are an Eligible Shareholder); or (c) the Mixed Consideration of 47.5 cents cash and 0.75 Holdco Shares to be issued to the Nominee on your behalf for each of your Pacific Smiles Shares (if you are an Eligible Shareholder) (as adjusted for payment of the Declared Dividend, see below). <p>In each case, the Offer Consideration to be paid by Genesis Bidco or issued by Holdco (as applicable) will be adjusted in accordance with the terms of the Offer, including the adjustment of the All Cash Consideration and cash component of the Mixed Consideration for the 3.25 cents per Share Declared Dividend and any other dividend paid by Pacific Smiles prior to your Acceptance.</p> <p>Refer to section 12.2 of the Bidder's Statement for further terms of the Offer.</p>	Section 12 of the Bidder's Statement

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Question	Answer	Reference
Who is making the Offer?	<p>The Offer is made by Genesis Bidco, which is associated with Genesis Capital, a substantial shareholder of Pacific Smiles as at the Last Practicable Date.</p> <p>Genesis Bidco is a special purpose Australian proprietary company limited by shares that was incorporated on 3 April 2024 by Genesis Capital and its Associates for the purpose of acquiring Pacific Smiles Shares.</p> <p>Genesis Capital is a private equity firm that manages portfolio companies, including the Impression Dental Group (which is a competitor to the Pacific Smiles business) and is the manager of entities comprising the Bidder Group.</p> <p>Information in relation to Genesis Bidco is set out in Section 6 of this Target's Statement and section 4 of the Bidder's Statement.</p>	<p>Section 6 of this Target's Statement</p> <p>Section 4 of the Bidder's Statement</p>
Are there conditions to the Offer?	<p>The Offer is conditional on the following Conditions, which are set out in full in section 12.3 of the Bidder's Statement</p> <p>Minimum Acceptance Condition</p> <p>The Offer is conditional on, at the end of the Offer Period, Genesis Bidco and its Associates having Relevant Interests in at least 90% (by number) of Pacific Smiles Shares on issue at that time.</p> <p>Board Recommendation Condition</p> <p>The Offer is conditional on, before the end of the Offer Period, a majority of the members of the Pacific Smiles Board recommending that Pacific Smiles Shareholders accept the Offer (in the absence of a superior proposal and subject to any other customary qualification).</p> <p>Notwithstanding this Condition, the Directors have unanimously recommended that you REJECT the Offer.</p> <p>No Prescribed Occurrences Condition</p> <p>Prescribed Occurrences are certain events set out in the Corporations Act which, if they occur during the Offer Period, will give Genesis Bidco the right to not proceed with the Offer. Some of these events include Pacific Smiles splitting or consolidating its Shares, Pacific Smiles issuing or agreeing to issue Pacific Smiles Shares (other than any issue of Pacific Smiles Shares in accordance with, or in connection with, the terms of the Pacific Smiles Performance Rights on issue on the Register Date), Pacific Smiles or a subsidiary of Pacific Smiles disposing of the whole or a substantial part of its business or property, or the occurrence of insolvency events in respect of Pacific Smiles or a subsidiary of Pacific Smiles.</p>	<p>Section 4.8 of this Target's Statement</p> <p>Section 12.3 of the Bidder's Statement</p>

Question	Answer	Reference
<p>What happens if a Condition to the Offer is not satisfied or waived?</p>	<p>If the Minimum Acceptance Condition or Board Recommendation Condition are not satisfied, or are not waived no less than seven days before the end of the Offer Period, the Offer will lapse.</p> <p>If the No Prescribed Occurrences Condition is not satisfied, or is not waived no less than the third Business Day after the end of the Offer Period, the Offer will lapse.</p> <p>If the Offer lapses, your Acceptance will be void, no Pacific Smiles Shares will be acquired by Genesis Bidco pursuant to Acceptances under the Offer, any transfer lock on your Pacific Smiles Shares will be released, and you will not be paid or issued any Offer Consideration.</p>	Section 4.9
<p>Does Genesis Bidco already have an interest in Pacific Smiles Shares?</p>	<p>As at the Last Practicable Date, Genesis Bidco has a disclosed Relevant Interest in 31,750,000 Pacific Smiles Shares, representing 19.9% of Pacific Smiles' total issued capital.</p> <p>The circumstances surrounding Genesis Capital's acquisition of this Relevant Interest in Pacific Smiles Shares is set out in further detail in Section 4.1 in this Target's Statement, including the Takeovers Panel's declaration that these circumstances were unacceptable.</p> <p>As at the Last Practicable Date, Genesis Bidco has not released any substantial holder notices or other disclosures to indicate that it has received Acceptances or instructions under the Institutional Acceptance Facility which in aggregate represent 1% or more of the Shares on issue since its Offer opened on 1 October 2024.</p> <p>Beam Investments (an Associate of Genesis Bidco) is the legal and beneficial owner of 31,750,000 Pacific Smiles Shares (representing 19.9% of the Pacific Smiles Shares on issue), which are subject to Put Options. Genesis Bidco has disclosed that Beam Investments has advised Genesis Bidco that it intends to exercise those Put Options over those Pacific Smiles Shares during the Offer Period, with the effect that those Pacific Smiles Shares will be transferred to the counterparties. Those counterparties will lodge Acceptance Instructions under the Institutional Acceptance Facility. Genesis Bidco will retain its Relevant Interest in those Pacific Smiles Shares following exercise of the Put Options.</p>	Section 6.2
<p>What do the Directors recommend?</p>	<p>The Board has carefully considered Genesis Bidco's Offer to assess whether it is in the best interests of Pacific Smiles Shareholders as a whole.</p> <p>The Directors unanimously recommend that you REJECT the Offer by TAKING NO ACTION.</p> <p>See Section 1 if this Target's Statement for more details, including the Directors' reasons for this recommendation.</p> <p>The Directors' recommendation is given as at the date of this Target's Statement, and the Directors reserve the right to change their recommendation if circumstances change.</p>	Section 1

02 Frequently asked questions

Question	Answer	Reference
<p>Have any Pacific Smiles Shareholders disclosed their intentions with respect to the Offer?</p>	<p>Pacific Smiles has received written statements from the following substantial shareholders regarding their intentions regarding the Offer:</p> <ul style="list-style-type: none"> • MA Financial, holder of a 13.43% Relevant Interest in Pacific Smiles Shares (being 21,427,932 Shares), intends to reject the Offer, seeing long term value in the business above the Offer price; and • Dr Alison Hughes, co-founder of Pacific Smiles and holder of a 9.94% Relevant Interest in Pacific Smiles Shares (being 15,860,190 Shares), 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). <p>Having regard to these intentions, the 90% Minimum Acceptance Condition to the Offer is not capable of being satisfied in the current circumstances.</p> <p>Pacific Smiles notes that Genesis Bidco's ability to draw the Debt Facility is subject to (amongst other things) conditions which mirror the Minimum Acceptance Condition and Board Recommendation Condition being met before 17 December 2024.</p>	Section 4.7
<p>What choices do I have as a Pacific Smiles Shareholder?</p>	<p>As a Pacific Smiles Shareholder, you have the choice to:</p> <ol style="list-style-type: none"> reject the Offer by doing nothing (this is the unanimous recommendation of the Board); seek to sell some or all of your Pacific Smiles Shares on market at any time (unless you have already accepted the Offer); if you are an Eligible Institutional Shareholder, lodge an Acceptance Instruction via the Institutional Acceptance Facility; or accept the Offer for all (and not just a part) of your Pacific Smiles Shares by making an Election to receive the All Cash Consideration or, if you are an Eligible Shareholder, to receive the All Scrip Consideration or Mixed Consideration. <p>There are several implications in relation to each of the above choices. A summary of these implications is set out in Section 3 of this Target's Statement.</p> <p>You should carefully consider the Directors' unanimous recommendation to REJECT the Offer.</p> <p>You should seek also independent financial and taxation advice from your professional adviser in relation to the Offer.</p>	Section 3

Question	Answer	Reference
<p>How is Genesis Bidco funding the Offer?</p>	<p>The Offer Consideration will be satisfied by the payment of cash (in Australian dollars) and/or the issue of Holdco Shares, depending on the Elections made by accepting Shareholders.</p> <p>The Bidder's Statement provides that Genesis Bidco is funding the cash component of the Offer Consideration pursuant to equity commitments from the Co-Investors and a highly conditional Debt Facility, as detailed in Section 6.5 of this Target's Statement.</p> <p>Amongst other things, Genesis Bidco's ability to draw the Debt Facility is conditional on (amongst other things) conditions which mirror the Minimum Acceptance Condition and Board Recommendation Condition being satisfied by 17 December 2024.</p> <p>Additionally, while the majority of the equity commitments are unconditional, the draw down of the \$20 million equity commitment provided by the Ares Investing Entities is conditional on Genesis Bidco utilising the Debt Facility.</p> <p>Therefore, Genesis Bidco will presently be unable to fund the maximum cash consideration under the Offer unless the Minimum Acceptance Condition and Board Recommendation Condition are satisfied by 17 December 2024. Given the intention statements received from certain Pacific Smiles substantial shareholders (as disclosed in Section 4.7 below) and the Board's unanimous recommendation that Shareholders REJECT the Offer, these Conditions are not capable of being met in the current circumstances.</p> <p>Genesis Bidco has disclosed that it may obtain alternate funding that permits it to waive the Conditions to the Offer.</p>	<p>Section 6.5 Section 7 of the Bidder's Statement</p>
<p>Why should I REJECT the Offer?</p>	<p>The Directors recommend that you REJECT the Offer because:</p> <ul style="list-style-type: none"> (a) the Offer is subject to Conditions that are not currently capable of being satisfied; (b) the Offer is materially below the previous \$2.05 NDC Scheme; (c) the Offer has not improved from Genesis Capital's proposal received in July 2024, despite Pacific Smiles' strong operating performance and cash generation; (d) the Offer is opportunistically timed; (e) Pacific Smiles is a leading and highly attractive dental service organisation that has delivered consistent double-digit growth over a long history; (f) Pacific Smiles' net cash position makes it well placed to invest in identified growth opportunities, and/or return capital to Shareholders; and (g) if you accept the Offer, you may be unable to accept an alternative proposal if one emerges. <p>Further detail regarding each of these reasons is provided in Section 1.3 above.</p>	<p>Section 1.2</p>

02 Frequently asked questions

Question	Answer	Reference
Will I still be paid the Declared Dividend?	<p>On 28 August 2024, Pacific Smiles declared a 3.25 cents dividend per Pacific Smiles Share to be paid to eligible Pacific Smiles Shareholders on 10 October 2024. Pacific Smiles Shares are currently trading ex-dividend.</p> <p>If you accept the Offer and make an Election to receive the All Cash Consideration or Mixed Consideration, and you (or any previous holder of your Pacific Smiles Shares) are paid the Declared Dividend, then Genesis Bidco has disclosed that the Offer Consideration payable to you will be adjusted as follows:</p> <p>(a) in the case of the All Cash Consideration, the full cash amount of the Declared Dividend (i.e. 3.25 cents) will be deducted with respect to each Pacific Smiles Share, such that you will only be paid \$1.8675 per Share; or</p> <p>(b) in the case of the Mixed Consideration, 25% of the cash amount of the Declared Dividend (i.e. 0.8125 cents) will be deducted from the cash component of 47.5 cents per Pacific Smiles Share, such that you will only be paid 46.6875 cents per Share pursuant to the cash component.</p> <p>Any Shareholders who are issued Shares on conversion of Pacific Smiles Performance Rights after the date for payment of the Declared Dividend will be paid the full amount of All Cash Consideration, Mixed Consideration or All Scrip Consideration (pursuant to their Election) with no adjustment for the Declared Dividend, unless Pacific Smiles declares any further dividend.</p> <p>If Pacific Smiles declares any other dividends prior to the end of the Offer Period, you (or any previous holder of your Pacific Smiles Shares) are paid that dividend and you accept the Offer and make an Election to receive the All Cash Consideration or Mixed Consideration, further adjustments to your Offer Consideration will apply, see sections 12.10(j) and 12.10(m) of the Bidder's Statement for further information.</p> <p>Genesis Bidco has disclosed that the number of Holdco Shares which will be issued if you accept the Scrip Offer will not be adjusted as a result of any dividend declared or paid by Pacific Smiles.</p>	

Question	Answer	Reference
<p>What previous proposals have been received by Pacific Smiles?</p>	<p>Recently, a proposed scheme of arrangement pursuant to which NDC Bidco Pty Ltd (a portfolio company managed by Crescent Capital Partners Management Pty Limited) would acquire all Pacific Smiles Shares for cash consideration of \$2.05 each was put to Pacific Smiles Shareholders for a vote at the scheme meeting held on 8 August 2024.</p> <p>On 2 August 2024, Genesis Capital advised Pacific Smiles that it would vote against the NDC Scheme as formulated at that time. Notwithstanding Shareholder support for the NDC Scheme (81.41% of Shareholders present and voting had voted in favour), Genesis Capital's vote against the NDC Scheme meant that the NDC Scheme was not approved by the requisite majorities of Pacific Smiles Shareholders and could not proceed.</p> <p>The NDC Scheme followed a period of counterbidding between, and various control proposals from, Genesis Capital and NDC Bidco, summarised as follows:</p> <ul style="list-style-type: none"> • Following extensive negotiation with, and a number of offer improvements from, NDC Bidco, on 29 April 2024, Pacific Smiles announced that it had entered into the NDC Scheme Implementation Deed under which NDC Bidco agreed to acquire all of the Pacific Smiles Shares for cash consideration of \$1.90 per Share by way of a scheme of arrangement. • On 23 July 2024, NDC Bidco increased the offer price under the NDC Scheme to \$1.91 per Share. • On 28 July 2024, Genesis Capital provided a counterproposal whereby Genesis Bidco offered to acquire all of the Shares by way of scheme of arrangement for \$1.90 per Share in cash, with a Holdco equity alternative (with lack of detail regarding the majority of terms). • On 31 July 2024, the Pacific Smiles Board determined the Genesis Capital \$1.90 counterproposal was a 'superior proposal' under the NDC Scheme Implementation Deed for the reasons set out in Pacific Smiles' announcement dated 2 August 2024. • On 1 August 2024, Pacific Smiles announced that NDC Bidco submitted a counterproposal for \$2.05 cash per Pacific Smiles Share pursuant to a matching rights process under the NDC Scheme Implementation Deed. The Pacific Smiles Board determined this counterproposal would produce a superior outcome to Pacific Smiles Shareholders as a whole when compared to the Genesis Capital \$1.90 counterproposal. <p>Genesis Bidco (an Associate of Genesis Capital) is now making an offer to Pacific Smiles Shareholders that does not improve upon the cash consideration under Genesis Capital's July 2024 offer, despite the strong FY24 result and cash flow generated during this time, which should be to Pacific Smiles Shareholders' benefit.</p> <p>Other than the Offer, no other control proposal with respect of Pacific Smiles remains on foot.</p> <p>Refer to Section 4.1 for further details regarding recent control proposals for Pacific Smiles.</p>	<p>Section 4.1</p>

02 Frequently asked questions

Question	Answer	Reference
What are the risks of rejecting the Offer?	<p>If you reject the Offer and do not otherwise dispose of your Shares, you will remain a Pacific Smiles Shareholder.</p> <p>If you wish to remain a Pacific Smiles Shareholder, you should be aware that:</p> <p>(a) if you choose not to accept the Offer and Genesis Bidco and its Associates acquire Relevant Interests in at least 90% of the Pacific Smiles Shares (by number), Genesis Bidco may become entitled to compulsorily acquire the balance of the Pacific Smiles Shares on issue, and Genesis Bidco has stated that it intends to exercise those rights if it becomes entitled to do so (see section 8.2 of the Bidder's Statement);</p> <p>(b) Genesis Bidco has disclosed that it reserves its right to declare the Offer free from the Minimum Acceptance Condition (or any other Condition). Accordingly, where Genesis Bidco receives sufficient Acceptances for Pacific Smiles to become a controlled entity of Genesis Bidco but not sufficient Acceptances to satisfy the Minimum Acceptance Condition, and Genesis Bidco declares the Offer unconditional, you will remain exposed to the risks associated with being a minority Shareholder in a Pacific Smiles that has a controlling Shareholder. The risks associated with this scenario are set out in Section 8.4; and</p> <p>(c) if the Offer is withdrawn or terminated then, in the immediate aftermath of this event, the Share price could well fall. Notwithstanding this, the Company has recently demonstrated strong cash flows and improvement in profitability driven by revenue growth and operating efficiency. The Pacific Smiles Board remains focused on providing opportunities for improved returns to Shareholders.</p> <p>During the Offer Period, Genesis Bidco may obtain alternate funding that permits it to waive the Conditions (including the Minimum Acceptance Condition) and declare the Offer free from the Conditions. If this occurs, all Acceptances received by Genesis Bidco up until then will be enlivened and Genesis Bidco will begin acquiring Pacific Smiles Shares that have been accepted into the Offer.</p> <p>In these circumstances, it is possible that, at the end of the Offer Period, Genesis Bidco could have a Relevant Interest in less than 90% of the Pacific Smiles Shares and you may be exposed to the risks associated with being a minority Pacific Smiles Shareholder. Some of these risks, as well as risks associated with remaining a Pacific Smiles Shareholder generally, are described in Section 8.3 of this Target's Statement.</p>	<p>Section 8.3 of this Target's Statement</p> <p>Sections 8.2, 8.3 and 9.5 of the Bidder's Statement</p>

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Question	Answer	Reference
How will Pacific Smiles Performance Rights be treated?	<p>The Offer extends to any Pacific Smiles Shares that are issued during the period from the Register Date to the end of the Offer Period in accordance with the terms of, or otherwise in connection with, the exercise or conversion of any Pacific Smiles Performance Rights on issue as at the Register Date.</p> <p>Genesis Bidco is not making a separate offer to holders of Pacific Smiles Performance Rights. However, the holders of Pacific Smiles Performance Rights that are converted into Pacific Smiles Shares prior to the end of the Offer Period will be able to accept the Offer in respect of the Pacific Smiles Shares they are issued as a result of the conversion.</p> <p>Details of the Pacific Smiles Performance Rights on issue as at the Register Date is set out in Section 4.4 of this Target's Statement and a summary of their treatment on a 'change of control' in accordance with their terms is included in Section 10.3 of this Target's Statement.</p>	<p>Section 10.3 of this Target's Statement</p> <p>Sections 4.3 and 10.2 of the Bidder's Statement</p>
How do I REJECT the Offer?	To REJECT the Offer, simply DO NOTHING and TAKE NO ACTION in relation to any documents sent to you by Genesis Bidco or Genesis Capital.	N/A
How do I accept the Offer?	<p>If you wish to accept the Offer, you should follow the instructions set out in the Bidder's Statement.</p> <p>You should be aware that the Pacific Smiles Directors have unanimously recommended that you REJECT the Offer.</p> <p>Before accepting the Offer, you should consider the risks associated with accepting the Offer set out in Section 8.2 of this Target's Statement.</p> <p>You should also note that brokerage, fees or other charges may be payable by you upon acceptance of the Offer.</p>	<p>Section 8.2 of this Target's Statement</p> <p>Section 12.5 of the Bidder's Statement</p>
What are the consequences of accepting the Offer now?	<p>If you accept the Offer, you will give up your right to:</p> <ul style="list-style-type: none"> (a) accept any alternative proposal in relation to Pacific Smiles, should one emerge; (b) seek to sell your Pacific Smiles Shares on market; or (c) otherwise deal with your Pacific Smiles Shares while the Offer remains open. <p>Additionally, if you accept the Offer, once the Offer becomes unconditional, Genesis Bidco will also be entitled to all Rights attaching to your Shares for as long as your Acceptance remains valid, including voting at Pacific Smiles general meetings and executing all documents in your capacity as a Shareholder.</p>	Section 3.3

02 Frequently asked questions

Question	Answer	Reference
Can I withdraw my acceptance of the Offer?	You will not be able to withdraw your Acceptance unless the Offer remains conditional and Genesis Bidco varies the Offer in a way that postpones the time by when Genesis Bidco is required to satisfy its obligations by more than one month while it is still subject any of to the Conditions.	Section 4.12 of this Target's Statement Section 12.12 of the Bidder's Statement
What happens if I accept the Offer now and the Offer Consideration increases?	<p>If Genesis Bidco increases the Offer Consideration, all Pacific Smiles Shareholders (whether or not they have accepted into the Offer before that increase) will be entitled to the benefit of that increased consideration.</p> <p>You will not be entitled to any increased Offer Consideration if you have sold your Pacific Smiles Shares on market.</p> <p>Conversely, if you have accepted the Offer, you will not be able to participate in any alternative proposal provided by a third party for your Shares.</p>	Section 4.6(b) of this Target's Statement
Is there an Institutional Acceptance Facility?	<p>Genesis Bidco has established an Institutional Acceptance Facility open to Pacific Smiles Shareholders that hold or beneficially own at least 265,000 Pacific Smiles Shares (approximately \$500,000 worth of Pacific Smiles Shares based on the value of the Cash Offer) in order to facilitate the receipt of acceptances of the Offer.</p> <p>The Institutional Acceptance Facility allows Eligible Institutional Shareholders to indicate their intention to accept the Offer without lodging a formal Acceptance. Any Acceptance Instructions lodged through the Institutional Acceptance Facility are revocable until the following triggers occur, in which case Genesis Bidco may provide a Confirmation Notice to the Institutional Acceptance Facility Operator with the effect that all Acceptance Instructions will proceed to a formal Acceptance:</p> <p>(a) Genesis Bidco has declared the Offer unconditional (or stated that it will declare the Offer unconditional, subject to the processing of Acceptance Instructions); and</p> <p>(b) the number of Pacific Smiles Shares that Genesis Bidco and its Associates have a Relevant Interest in, together with the Acceptance Instructions, has exceeded 80% of the number of Pacific Smiles Shares on issue.</p> <p>Any Acceptance Instructions lodged through the Institutional Acceptance Facility will be included in the level of Acceptances required for the Minimum Acceptance Condition.</p> <p>Until the Institutional Acceptance Facility Operator receives the Confirmation Notice from Genesis Bidco, Eligible Institutional Shareholders will retain all Rights in relation to their Pacific Smiles Shares.</p>	Section 3.3 of this Target's Statement Sections 11.7 and 12.7 of the Bidder's Statement

Question	Answer	Reference
Can I accept the Offer for only part of my shareholding?	No. You may accept the Offer only for all of your Pacific Smiles Shares in accordance with the three Elections made available by Genesis Bidco, being the All Cash Consideration, All Scrip Consideration or Mixed Consideration.	Section 2 of the Bidder's Statement
Can I be forced to sell my Pacific Smiles Shares?	<p>You cannot be forced to sell your Pacific Smiles Shares unless and until Genesis Bidco acquires a Relevant Interest in at least 90% of Pacific Smiles Shares (under the Offer or otherwise) and proceeds to compulsorily acquire Pacific Smiles Shares under Chapter 6A of the Corporations Act.</p> <p>In this event, you will receive the same consideration from Genesis Bidco that is provided under the Offer. You will have an opportunity to make an Election for All Cash Consideration, All Scrip Consideration or Mixed Consideration in respect of any Pacific Smiles Shares to be compulsorily acquired by Genesis Bidco. If you do not make an Election within the required timeframe, you will be deemed to have elected to be paid All Cash Consideration.</p>	Section 4.15
Can I seek to sell my Pacific Smiles Shares on market?	<p>Yes. You can seek to sell your Pacific Smiles Shares on market. If you sell your Pacific Smiles Shares on market, you will not receive any increase in the Offer Consideration, and you may pay brokerage.</p> <p>Additionally, the Bidder's Statement provides that Genesis Bidco reserves, and may at any time when the Offer becomes, or is declared, unconditional, exercise the right to acquire Pacific Smiles Shares on market in accordance with item 2 of section 611 of the Corporations Act. Genesis Bidco has appointed Jarden Australia Pty Ltd (ABN 33 608 611 687) (AFSL 485351) to stand in the market on behalf of Genesis Bidco to acquire Pacific Smiles Shares during the Offer Period.</p>	<p>Section 3.2 of this Target's Statement</p> <p>Section 11.5 of the Bidder's Statement</p>
When does the Offer close?	The Offer is currently scheduled to close at 7:00pm (Sydney time) on 1 November 2024, but the Offer Period can be extended (up to such date which is 12 months from the opening date) in certain circumstances. ¹²	Section 4.5
Can Genesis Bidco vary the Offer?	<p>Yes. While the Offer remains conditional, Genesis Bidco can extend the Offer Period, increase the Offer Consideration or waive any Conditions in accordance with the Corporations Act.</p> <p>If Genesis Bidco intends to waive either of the Minimum Acceptance Condition or the Board Recommendation Condition, it must notify the ASX of such waiver not less than 7 days before the end of the Offer Period.</p> <p>If Genesis Bidco increases the Offer Consideration during the last 7 days of the Offer Period, the Offer Period will be automatically extended so that it ends 14 days after that event.</p>	Section 12.18 of the Bidder's Statement

12. Genesis Bidco has noted in its Bidder's Statement that, given it intends to utilise its Debt Facility to partly satisfy its funding of the All Cash Amount under the Offer, if the conditions to the Debt Facility, which includes conditions which mirror the Minimum Acceptance Condition and Board Recommendation Condition, have not been satisfied or waived by 17 December 2024, the Offer will need to close by no later than that date.

02 Frequently asked questions

Question	Answer	Reference
Can Genesis Bidco withdraw its Offer?	Genesis Bidco may only withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.	Section 12.18 of the Bidder's Statement
What if there is a competing offer?	<p>If a competing offer for your Pacific Smiles Shares emerges, you will be informed through an announcement to ASX. The Directors will carefully consider the merits of any competing offer and advise Pacific Smiles Shareholders whether the competing offer affects their recommendation in this Target's Statement.</p> <p>If you have already accepted the Offer at the time any competing offer emerges, you will be unable to participate in the competing offer unless you are able to withdraw your acceptance in limited circumstances (refer to Section 4.12 of this Target's Statement for further details).</p> <p>As at the Last Practicable Date, the Directors are not aware of any competing offer that is available to be accepted by you.</p>	N/A
What are Genesis Bidco's intentions in relation to Pacific Smiles?	<p>Genesis Bidco has disclosed that, if it acquires a Relevant Interest in 90% or more of the Pacific Smiles Shares, it intends to undertake a general review of Pacific Smiles' operations covering strategic, financial and operating matters, including its current dividend policy.</p> <p>In circumstances where Genesis Bidco acquires a Relevant Interest in less than 90% but more than 50% of Pacific Smiles Shares, it has disclosed that it intends to seek to replace some of the members of the Pacific Smiles Board, and may procure that Pacific Smiles apply for de-listing from the ASX.</p> <p>In circumstances where Genesis Bidco acquires a Relevant Interest in less than 50% of Pacific Smiles Shares, it has disclosed that it will seek to obtain Pacific Smiles Board representation and gain a more detailed understanding of the business, assets and operations.</p>	<p>Section 4.15 and 4.16 of this Target's Statement</p> <p>Section 8 of the Bidder's Statement</p>
Who is Holdco?	<p>Holdco is an unlisted Australian public company limited by shares that was incorporated on 3 April 2024 and is the ultimate holding company of Genesis Bidco.</p> <p>Holdco will issue Holdco Shares to the Nominee on behalf of Eligible Shareholders who accept the Offer by making valid All Scrip Consideration or Mixed Consideration Elections under the Offer.</p>	Section 4 of the Bidder's Statement

Question	Answer	Reference
<p>What are the rights of Holdco Shareholders?</p>	<p>You should be aware that the Pacific Smiles Directors have unanimously recommended that you REJECT the Offer.</p> <p>For any Eligible Shareholder who accepts the Offer and makes an Election to receive the All Scrip Consideration or Mixed Consideration, Holdco Shares will be issued to the Nominee to be held on that Pacific Smiles Shareholder's behalf.</p> <p>The Pacific Smiles Shareholder will become a Holdco Shareholder (through the Nominee) and be bound by the terms of the Holdco Shareholders' Deed, Holdco Constitution and the Nominee Deed.</p> <p>The rights of Pacific Smiles Holdco Shareholders are significantly different to Pacific Smiles Shareholders' current rights, including by nature of the terms of the Holdco Shareholders' Deed and the regulatory regime which applies to Holdco as an unlisted public company with less than 50 members. A comparison of the rights of Pacific Smiles Shareholders and Pacific Smiles Holdco Shareholders is set out in Section 7.3 of this Target's Statement, and the key risks associated with becoming a Holdco Shareholder are set out in Section 8.3 of this Target's Statement. These Sections are important and should be read in full before accepting the Offer and making an Election to receive All Scrip Consideration or Mixed Consideration.</p> <p>Some key differences between the rights of Pacific Smiles Shareholders and Pacific Smiles Holdco Shareholders are as follows:</p> <p>(a) Holdco Board representation: Pacific Smiles Holdco Shareholders will only be entitled to appoint a director to the Holdco Board where they (individually or in aggregate with other Holdco Shareholders) hold at least 10% of Holdco Shares. By contrast, the Genesis Shareholders will always be entitled to appoint such number of directors to the Holdco Board to maintain a board majority;</p> <p>(b) limited Holdco Shareholder reserved matters: the rights of Holdco Shareholders to vote on matters relevant to Holdco (and, therefore the interest in Pacific Smiles) is limited to those rights at law (in addition to approving any amendments to the Holdco Shareholders' Deed which would adversely affect the rights of Pacific Smiles Holdco Shareholders). Conversely, as a listed entity, Pacific Smiles is currently required to seek Pacific Smiles Shareholder approval for a number of matters under the Listing Rules, including material issues of securities, a disposal of the main undertaking or a significant change to the nature or scale of the Pacific Smiles business;</p>	<p>Section 7.3 of this Target's Statement.</p> <p>Section 9.4 of the Bidder's Statement</p>

Question	Answer	Reference
<p>What are the rights of Holdco Shareholders? continued</p>	<p>(c) exits: Holdco Shareholders also have limited rights in relation to any Holdco 'exit' event, such as an initial public offering or sale of 50% of Holdco Shares. Where such an event is proposed by a Holdco director who has been appointed by a Genesis Shareholder, all Pacific Smiles Holdco Shareholders must cooperate regardless of their support for the transaction;</p> <p>(d) restrictions on disposal: a Holdco Shareholder cannot voluntarily dispose of their Holdco Shares other than to a permitted affiliate transferee unless (i) the Holdco Board approves such transfer and (ii) those Holdco Shares are first offered to each Genesis Shareholder and any other Holdco Shareholder with at least 10% of the Holdco Shares under a right of first refusal;</p> <p>(e) related party transactions: there are no rights of Pacific Smiles Holdco Shareholders in addition to those under the Corporations Act, which means that, where the Holdco Board (absent any conflicted directors) determines a related party transaction is on 'arm's length terms', it may proceed with such transaction without obtaining Holdco Shareholder approval;</p> <p>(f) compulsory buyout of small parcels: after the date which is three months after the end of the Offer Period, the Holdco Board may require that any Holdco Shareholder with 125,000 Holdco Shares or less dispose of all of their Holdco Shares at market value, to be determined by the Holdco Board in good faith (which may be lower than the Cash Offer price);</p> <p>(g) no pre-emptive rights for the issue of new Holdco Shares: the Holdco Board may issue new Holdco Shares where approved by simple majority of the Holdco Shareholders. Holdco Shareholders have no pre-emptive right with respect to such new issues and could therefore be significantly diluted;</p> <p>(h) limited pre-emptive rights for the transfer of Holdco Shares: as noted above, there is a right of first refusal in favour of Genesis Shareholders and any other Holdco Shareholders with at least 10% of the Holdco Shares with respect to any proposed disposal of Holdco Shares. If a Pacific Smiles Holdco Shareholder does not hold at least 10% of the Holdco Shares, it has no pre-emptive right under the right of first refusal regime; and</p> <p>(i) drag along: if any Genesis Shareholders propose to transfer at least 50% of the Holdco Shares held by the Genesis Shareholders to a third party, the Pacific Smiles Shareholders may be required to sell their Holdco Shares at the same price (which need not be fair market value).</p>	<p>Section 7.3 of this Target's Statement.</p> <p>Section 9.4 of the Bidder's Statement</p>

Question	Answer	Reference
What is the value of a Holdco Share?	<p>If Eligible Shareholders accept the Offer and elect to receive the All Scrip Consideration, they will receive 1 Holdco Share for every 1 Pacific Smiles Share.</p> <p>There is no public market for Holdco Shares. Genesis Bidco has disclosed that valuing securities is a complex process that needs to take into account many characteristics regarding that security, and that different methodologies may result in different outcomes.</p> <p>The value of Holdco Shares is uncertain. The value of the All Cash Consideration or Mixed Consideration may therefore be less than the value of the All Cash Consideration, and less than the value of a Pacific Smiles Share.</p> <p>Genesis Bidco has acknowledged in the 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 value of the Cash Offer, and may be <u>materially</u> lower than such value (emphasis added).</p>	N/A
What is the role of the Nominee?	<p>Pacific Smiles Holdco Shareholders (but not Genesis Shareholders) must hold their Holdco Shares through the Nominee, who will own the legal title to those Holdco Shares.</p> <p>Therefore, Pacific Smiles Holdco Shareholders will not hold their Holdco Shares directly, but will retain their beneficial interest in those Holdco Shares indirectly through the Nominee.</p>	Section 4.6 of the Bidder's Statement
What should I be aware of before accepting the Offer by making an Election to receive All Scrip Consideration or Mixed Consideration?	<p>You should be aware that the Pacific Smiles Directors have unanimously recommended that you REJECT the Offer.</p> <p>Before accepting the Offer by making an Election to receive All Scrip Consideration or Mixed Consideration, you should be aware that:</p> <ul style="list-style-type: none"> (a) you will face risks that apply to an investment in Holdco that are materially different from, and in addition to, those risks that apply to your existing investment in Pacific Smiles; (b) there will be no public market for the trading of shares in Holdco (an unlisted public company) nor is there expected to be any such market in the future; (c) there are restrictions on the disposal of Holdco Shares under the Holdco Shareholders' Deed that will restrict any prospective seller of Holdco Shares from trading in those shares; (d) Pacific Smiles Shareholders who receive Holdco Shares will become parties to the Holdco Shareholders' Deed which is intended to regulate the rights and obligations of Holdco Shareholders in relation to Holdco and its subsidiaries. Pacific Smiles Holdco Shareholders will have fewer rights as a Holdco Shareholder compared to their rights as a Pacific Smiles Shareholder; and (e) Pacific Smiles Shareholders who receive Holdco Shares will be subject to risks inherent in being a minority shareholder. 	N/A

02 Frequently asked questions

Question	Answer	Reference
What should I be aware of before accepting the Offer by making an Election to receive All Scrip Consideration or Mixed Consideration? continued	<p>You should also be aware that the value of the All Scrip Consideration and Mixed Consideration may be materially lower than the value of the Cash Offer, as Genesis Bidco has acknowledged in the Bidder's Statement. Pacific Smiles has assessed the Scrip Offer only on the information which has been provided by Genesis Bidco and therefore, further risks may become apparent.</p> <p>You should carefully read Sections 7.3 and 8.3 of this Target's Statement for additional details on the key risks associated with an investment in Holdco. The Directors also encourage Eligible Shareholders to obtain professional advice before making an Election for All Scrip Consideration or Mixed Consideration.</p>	N/A
When will you be paid or issued the Offer Consideration?	<p>Generally, Genesis Bidco will pay or issue (as applicable) the Offer Consideration on or before the earlier of:</p> <p>(a) one month after the later of: (i) your Acceptance; or (ii) the date on which the Offer becomes unconditional; and</p> <p>(b) 21 days after the end of the Offer Period.</p>	Section 4.18 of this Target's Statement Section 12.15 of the Bidder's Statement
What if I am a Foreign Shareholder?	<p>An Eligible Foreign Shareholder is any person whose address is shown in the Register as being in a jurisdiction other than Australia and its external territories who Genesis Bidco (in its absolute discretion) determines it can offer Holdco Shares to without complying with any registration, disclosure or other legal or process requirement under laws of the jurisdiction where that Pacific Smiles Shareholder is resident. All other Foreign Shareholders are Ineligible Foreign Shareholders.</p> <p>If you are an Ineligible Foreign Shareholder, if you elect the All Scrip Consideration or Mixed Consideration and Genesis Bidco determines you are an Ineligible Foreign Shareholder, no Holdco Shares will be issued to the Nominee on your behalf. Instead, the Holdco Shares to which you would otherwise become entitled will be issued to a sale agent which will deal with those Holdco Shares in accordance with the process set out in section 12.6 of the Bidder's Statement.</p>	Section 12.6 of the Bidder's Statement
What are the tax implications of accepting the Offer?	<p>A general outline of the tax implications of accepting the Offer is set out in Section 9 of this Target's Statement and section 10 of the Bidder's Statement.</p> <p>As those sections provide a general overview only, Pacific Smiles Shareholders are encouraged to seek their own personal advice on the taxation implications applicable to their circumstances.</p>	Section 9 of this Target's Statement Section 10 of the Bidder's Statement

Question	Answer	Reference
What are the brokerage or stamp duty implications of accepting the Offer?	<p>If your Pacific Smiles Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Genesis Bidco, you will not incur any brokerage fees or be obliged to pay stamp duty in connection with accepting the Offer.</p> <p>If your Pacific Smiles Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Pacific Smiles Shares are registered in the name of a broker, bank, custodian, or other nominee, you will not be obliged to pay stamp duty by accepting the Offer, but you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transactional fees or service charges in connection with accepting the Offer.</p> <p>As the applicable sections of this Target's Statement and the Bidder's Statement provide a general overview only, Pacific Smiles Shareholders are encouraged to seek their own personal advice on the taxation implications applicable to their circumstances.</p>	Section 10 of the Bidder's Statement
Will I receive further advice from Pacific Smiles Directors during the Offer Period?	<p>The Pacific Smiles Directors will be closely monitoring the progress of the Offer.</p> <p>If circumstances change, or if matters arise which should be drawn to the attention of Pacific Smiles Shareholders, or which cause any change or variation to the disclosures in this Target's Statement, the Directors will ensure that Pacific Smiles Shareholders are promptly and appropriately advised.</p>	N/A
Is there a number I can call if I have any questions?	<p>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).</p>	N/A

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Pacific Smiles Dental



03

Your choices as a Pacific Smiles Shareholder

03 Your choices as a Pacific Smiles Shareholder

Your Board has carefully considered the Offer to assess whether it is in the best interests of Pacific Smiles Shareholders.

The Directors unanimously recommend that you **REJECT** the Offer. The reasons for the Directors' recommendation are set out in Section 1.2 of this Target's Statement.

Pacific Smiles encourages you to consider your personal risk profile, investment objectives and tax and financial circumstances before making any decision in relation to your Pacific Smiles Shares.

As a Pacific Smiles Shareholder, you have the following four choices available to you in relation to the Offer:

3.1 Option 1 – REJECT the Offer by DOING NOTHING

If you do not wish to accept the Offer and want to retain your Pacific Smiles Shares, simply do nothing and take no action in relation to any documents sent to you by Genesis Bidco or Genesis Capital.

This is the unanimous recommendation of the Directors.

You should note that, notwithstanding your decision to reject the Offer, if Genesis Bidco and its Associates have a Relevant Interest in at least 90% of the Pacific Smiles Shares during or at the end of the Offer Period, Genesis Bidco will be entitled to compulsorily acquire the Pacific Smiles Shares that it does not already own (see Section 4.15 of this Target's Statement).

3.2 Option 2 – Seek to sell your Pacific Smiles Shares on market

You can still seek to sell your Pacific Smiles Shares on market at any time if you have not already accepted the Offer. If you sell your Pacific Smiles Shares on market, you:

- (a) will not receive the benefits of:
 - (i) the potential upside of Pacific Smiles' investment in scaling the organisation's dental services network and attractive growth opportunities;
 - (ii) any alternative proposal received from a third party, whether for the whole of the Company or in relation to any of its assets; or
 - (iii) any potential higher offer from Genesis Bidco, (although there is no certainty as to whether such events will occur);
- (b) may incur a brokerage charge; and
- (c) may be liable for tax on gains you make on the sale.

You should seek your own specific professional advice regarding the taxation consequences of selling your Pacific Smiles Shares on market.

3.3 Option 3 – If you are an Eligible Institutional Shareholder, lodge Acceptance Instructions under the Institutional Acceptance Facility

The Directors unanimously recommend that you **REJECT** the Offer.

However, for Pacific Smiles Shareholders that hold or beneficially own at least 265,000 Pacific Smiles Shares (approximately \$500,000 worth of Pacific Smiles Shares based on the value of the Cash Offer) (being **Eligible Institutional Shareholders**) Genesis Bidco has established an Institutional Acceptance Facility to facilitate the receipt of acceptances of the Offer.

The Institutional Acceptance Facility allows Eligible Institutional Shareholders to indicate their intention to accept the Offer without lodging a formal Acceptance.

03 Your choices as a Pacific Smiles Shareholder

You should be aware that Acceptance Instructions lodged through the Institutional Acceptance Facility are only revocable until the following triggers occur (the **IAF Triggering Conditions**), in which case Genesis Bidco may provide a Confirmation Notice to the Institutional Acceptance Facility Operator with the effect that all Acceptance Instructions will proceed to a formal Acceptance:

- (a) Genesis Bidco has declared the Offer unconditional (or stated that it will declare the Offer unconditional, subject to the processing of Acceptance Instructions); and
- (b) the number of Pacific Smiles Shares that Genesis Bidco and its Associates have a Relevant Interest in, together with the Acceptance Instructions, has exceeded 80% of the number of Pacific Smiles Shares on issue.

The IAF Triggering Conditions cannot be waived.

Any Acceptance Instructions lodged through the Institutional Acceptance Facility will be included in the level of Acceptances required for the Minimum Acceptance Condition.

3.4 Option 4 – Accept the Offer

The Directors unanimously recommend that you **REJECT** the Offer.

However, Pacific Smiles Shareholders may elect to accept the Offer. Subject to the terms of the Offer, you may accept the Offer by making an Election to receive:

- (a) the All Cash Consideration for all of your Pacific Smiles Shares;
- (b) the All Scrip Consideration for all of your Pacific Smiles Shares (if you are an Eligible Shareholder); or
- (c) the Mixed Consideration for all of your Pacific Smiles Shares (if you are an Eligible Shareholder).

You must specify your Election when accepting the Offer. If you accept the Offer but do not specify which form of Offer Consideration you wish to receive, or your Election is in Genesis Bidco's view "indistinct", Genesis Bidco will treat you as making an Election to receive the All Cash Consideration for all of your Pacific Smiles Shares.

Refer to Section 4.6 of this Target's Statement and section 12.2 of the Bidder's Statement for further details about the Offer Consideration.

If you accept the Offer, you:

- (a) will not be able to withdraw your acceptance (other than in limited circumstances where Genesis Bidco varies the Offer in a way that postpones the time by when Genesis Bidco needs to meet its obligations under the Offer for more than one month while it is still subject to any of the Conditions);
- (b) will lose the potential upside of Pacific Smiles' investment in scaling the organisation's dental services network and attractive growth opportunities;
- (c) will receive what the Board considers to be an insufficient premium for the control of Pacific Smiles;
- (d) will not be able to participate in any alternative proposal from a third party, whether for the whole of the Company or in relation to any of its assets;
- (e) will forgo all Rights attaching to your Shares if the Offer is declared unconditional, which includes the right to vote at Pacific Smiles general meetings and execute documents in your capacity as a Shareholder; and
- (f) may be liable to pay tax on the disposal of your Pacific Smiles Shares (refer to Section 9 of this Target's Statement and section 10 of the Bidder's Statement for further details of the tax consequences of the Offer).

Pacific Smiles Shareholders should note that, if Genesis Bidco and its Associates have a Relevant Interest in at least 90% of the Pacific Smiles Shares during or at the end of the Offer Period, Genesis Bidco will be entitled to compulsorily acquire the balance of the Pacific Smiles Shares (see Section 4.15 of this Target's Statement).

Pacific Smiles Shareholders who wish to accept the Offer should refer to section 12.5 of the Bidder's Statement for instructions on how to do so.



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04
**About
the Offer**

04 About the Offer

4.1 Background to the Offer and recent control proposals

Recently, a proposed scheme of arrangement pursuant to which NDC Bidco (a portfolio company managed by Crescent Capital Partners Management Pty Limited) would acquire all Pacific Smiles Shares for cash consideration of \$2.05 per Share was put to Pacific Smiles Shareholders for a vote at the scheme meeting held on 8 August 2024.

On 2 August 2024, Genesis Capital advised Pacific Smiles that it would vote against the NDC Scheme as formulated at that time. Notwithstanding Shareholder support for the NDC Scheme¹³ (81.41% of Shareholders present and voting had voted in favour), Genesis Capital's vote against the NDC Scheme meant that the NDC Scheme was not approved by the requisite majorities of Pacific Smiles Shareholders and could not proceed.

The NDC Scheme followed a period of counterbidding between, and various control proposals from, Genesis Capital and NDC Bidco, summarised as follows:

- As announced on 18 December 2023, Pacific Smiles received an unsolicited non-binding indicative proposal for the acquisition of all of the Pacific Smiles Shares at an offer price of \$1.40 in cash per Share from Genesis Capital by way of a scheme of arrangement (being the **Initial Genesis Capital Indicative Proposal**).
- Genesis Capital also advised Pacific Smiles on 18 December 2023 that it held an economic interest in 29,913,833 Pacific Smiles Shares pursuant to a cash settled total return swap, representing an 18.75% economic interest in the Shares on issue.
- On 21 December 2023, Pacific Smiles announced that it had rejected the Initial Genesis Capital Indicative Proposal, considering it opportunistic and materially undervaluing Pacific Smiles. However, the Board was mindful that the Share price had been underperforming and a change of control transaction could have scope to maximise Shareholder value on a risk adjusted basis, subject to the offer price that was received.
- As a result, in order to determine if Genesis Capital was able to formulate a materially improved proposal, Pacific Smiles granted Genesis Capital limited access to certain non-public information on a non-exclusive basis, subject to certain conditions, including the signing of an appropriate confidentiality and standstill agreement.
- On 24 January 2024, Genesis Capital advised Pacific Smiles that it had increased the number of Pacific Smiles Shares the subject of its cash settled total return swap, such that it held an economic interest in 19.9% of the Pacific Smiles Shares on issue. Genesis Capital disclosed on 7 May 2024 that it closed this swap and purchased the underlying Shares. **On 18 June 2024, the Takeovers Panel made a declaration that the circumstances regarding Genesis Capital's cash settled total return swap were unacceptable.**
- On 19 March 2024, Pacific Smiles announced that it had received a revised non-binding indicative proposal from Genesis Capital to acquire all of the Pacific Smiles Shares for \$1.75 in cash per Share by way of a scheme of arrangement (being the **Revised Genesis Capital Indicative Proposal**). Other than the increase in price, the Revised Genesis Capital Indicative Proposal was on largely similar terms to the Initial Genesis Capital Indicative Proposal and subject to further due diligence.
- The Board announced its intention to recommend (subject to entry into binding documentation) the Revised Genesis Capital Indicative Proposal, in the absence of a superior proposal and subject to an independent expert concluding that the Revised Genesis Capital Indicative Proposal was in the best interests of Pacific Smiles Shareholders. Pacific Smiles granted Genesis Capital further access to non-exclusive due diligence, and agreed to reimburse Genesis Capital's costs in progressing that due diligence in certain circumstances (and such costs in the amount of \$500,000 were paid by Pacific Smiles to Genesis Capital following execution of the NDC Scheme Implementation Deed).

13. Which included public statements in support of the NDC Scheme from 33.35% of Pacific Smiles Shareholders.

- In parallel, Pacific Smiles continued negotiations with, and the provision of non-exclusive due diligence access to, select parties with a view to maximising value for Pacific Smiles Shareholders. Following extensive negotiation with, and a number of offer improvements from, NDC Bidco, on 29 April 2024, Pacific Smiles announced that it had entered into the NDC Scheme Implementation Deed under which NDC Bidco agreed to acquire all of the Pacific Smiles Shares for cash consideration of \$1.90 per Share by way of a scheme of arrangement.
- On 23 July 2024, NDC Bidco increased the offer price under the NDC Scheme to \$1.91 per Share.
- On 28 July 2024, Genesis Capital provided a counterproposal whereby Genesis Bidco agreed to acquire all of the Pacific Smiles Shares by way of scheme of arrangement for \$1.90 per Share in cash, with a Holdco equity alternative (with lack of detail regarding the majority of terms).
- On 31 July 2024, the Pacific Smiles Board determined the Genesis Capital \$1.90 counterproposal was a 'superior proposal' under the NDC Scheme Implementation Deed for the reasons set out in Pacific Smiles' announcement dated 2 August 2024.
- On 1 August 2024, Pacific Smiles announced that NDC Bidco submitted a counterproposal for \$2.05 cash per Pacific Smiles Share pursuant to a matching rights process under the NDC Scheme Implementation Deed. The Pacific Smiles Board determined this counterproposal would produce a superior outcome to Pacific Smiles Shareholders as a whole when compared to the Genesis Capital \$1.90 counterproposal.

Other than the Offer, no other control proposal with respect of Pacific Smiles remains on foot.

The Pacific Smiles Board has consistently sought to ensure that the best interests of its Shareholders have been prioritised, as demonstrated by the rejection of Genesis Capital's initial \$1.40 per Share proposal and by extracting multiple bid increases, resulting in the \$2.05 per Share offer under the recommended NDC Scheme.

4.2 Summary of the Offer

Genesis Bidco announced its off-market takeover bid for all of the Pacific Smiles Shares on 17 September 2024. Genesis Bidco is offering three forms of Offer Consideration for your Pacific Smiles Shares under the Offer.

If you choose to accept the Offer, you must make an Election to receive one of the following forms of Offer Consideration for all of your Pacific Smiles Shares:

- \$1.90 cash for each of your Pacific Smiles Shares (as adjusted for payment of the Declared Dividend, see below) (the **All Cash Consideration**);
- 1 Holdco Share for each of your Pacific Smiles Shares (if you are an Eligible Shareholder) (the **All Scrip Consideration**); or
- 47.5 cents cash and 0.75 Holdco Shares for each of your Pacific Smiles Shares (if you are an Eligible Shareholder) (as adjusted for payment of the Declared Dividend, see below) (the **Mixed Consideration**).

Following payment of Pacific Smiles' 3.25 cents per Share Declared Dividend on 10 October 2024, the Offer Consideration payable for the Shares on issue at the time of payment of the Declared Dividend will be adjusted as follows:

- the All Cash Consideration will be reduced to \$1.8675 per Share; and
- the cash component of the Mixed Consideration will be reduced to 46.6875 cents per Share (being a reduction representing 25% of the cash amount of the Declared Dividend).

The full terms of the Offer are set out in section 12 of the Bidder's Statement.

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4.3 Date for determining holders of Shares

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of subsection 633(1) is the Register Date, being 7:00pm (Sydney time) on 18 September 2024.

4.4 Pacific Smiles Performance Rights

Pacific Smiles has 2,794,221 unquoted performance rights on issue as at the Last Practicable Date.

Each Pacific Smiles Performance Right entitles the holder to receive one Pacific Smiles Share for no cash consideration, subject to the relevant performance hurdles being met over the applicable performance period.

The treatment of the Pacific Smiles Performance Rights in connection with the Offer is set out in Section 10.3 of this Target's Statement.

The Offer extends to any Pacific Smiles Shares that are issued during the period from the Register Date to the end of the Offer Period in accordance with the terms of, or otherwise in connection with, the exercise or conversion of any Pacific Smiles Performance Rights on issue as at the Register Date. Any Shareholders who are issued Shares on conversion of Pacific Smiles Performance Rights after the date for payment of the Declared Dividend (i.e. 10 October 2024) will be paid the full amount of All Cash Consideration, Mixed Consideration or All Scrip Consideration (pursuant to their Election) with no adjustment for the Declared Dividend, unless Pacific Smiles declares any further dividend.

Genesis Bidco is not making a separate offer to holders of Pacific Smiles Performance Rights. However, the holders of Pacific Smiles Performance Rights that are converted into Pacific Smiles Shares prior to the end of the Offer Period will be able to accept the Offer in respect of the Pacific Smiles Shares which they are issued as a result of the conversion.

4.5 Offer Period

The Offer is open for acceptance from 1 October 2024 until 7:00pm (Sydney time) on 1 November 2024, unless extended or withdrawn.

Genesis Bidco has noted in its Bidder's Statement that, given it currently intends to utilise its Debt Facility to partly satisfy its funding of the All Cash Amount under the Offer, if the conditions to Bidco's ability to draw the Debt Facility (including conditions which mirror the Minimum Acceptance Condition and Board Recommendation Condition) have not been satisfied or waived by 17 December 2024, the Offer will need to close by no later than that date.

While the Offer is subject to the Conditions, Genesis Bidco may extend the Offer Period at any time:

- (a) before giving the notice of status of Conditions, which, as at the Last Practicable Date, must be given by 25 October 2024;¹⁴ and
- (b) after giving the notice of status of Conditions in the circumstances described in section 650C(2) of the Corporations Act.

However, if the Offer is unconditional (that is, the Conditions are satisfied or waived), Genesis Bidco may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last seven days of the Offer Period:

- (a) Genesis Bidco improves the consideration offered under the Offer; or
- (b) Genesis Bidco's Voting Power in Pacific Smiles increases to more than 50%.

If either of these two events occur, the Offer Period will be automatically extended so that it ends 14 days after the relevant event occurs.

14. If the Offer Period is extended, this date will be taken to be postponed for the same period.

4.6 Offer Consideration

(a) Overview of the Offer Consideration

Subject to the terms of the Offer, you may make an Election to receive:

- the All Cash Consideration for all of your Pacific Smiles Shares;
- the All Scrip Consideration for all of your Pacific Smiles Shares (if you are an Eligible Shareholder); or
- the Mixed Consideration for all of your Pacific Smiles Shares (if you are an Eligible Shareholder).

You must specify your Election when accepting the Offer. If you accept the Offer but do not specify which form of Offer Consideration you wish to receive, or your Election is in Genesis Bidco's view "indistinct", Genesis Bidco has disclosed that you will be treated as making an Election to receive the All Cash Consideration for all of your Pacific Smiles Shares.

If you are an Ineligible Foreign Shareholder and elect to receive Holdco Shares under your Election, then you will not be issued those Holdco Shares and will instead be paid a cash amount calculated in accordance with section 12.6 of the Bidder's Statement.

If you would otherwise become entitled to a fraction of a Holdco Share or of a cent as a result of your acceptance of the Offer and your Election, any such fractional entitlements will be rounded to the nearest whole number of Holdco Shares or cents, with an entitlement of 0.5 rounded down.

(b) Effect of any increase to the Offer Consideration

If Genesis Bidco increases the Offer Consideration, all Pacific Smiles Shareholders at the time of such increase (whether or not they have accepted into the Offer before that increase) will be entitled to the benefit of that increased consideration. If you have sold your Pacific Smiles Shares, you will not be entitled to any such increase.

4.7 Pacific Smiles Shareholder intentions

The Pacific Smiles Board has received written statements regarding the intentions of the following substantial Shareholders in respect of the Offer:

- **MA Financial**, who has a Relevant Interest in 13.43% of Pacific Smiles Shares (being 21,427,932 Shares), that it intends to reject the Offer, seeing long term value in the business above the Offer price as validated by the FY24 results and corporate interest from multiple private equity firms; and
- **Dr Alison Hughes**, co-founder of Pacific Smiles and who has a Relevant Interest in 9.94% of Pacific Smiles Shares (being 15,860,190 Shares), that she 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).

Having regard to these intentions, the 90% Minimum Acceptance Condition to the Offer is not capable of being satisfied in the current circumstances.

Genesis Bidco's current financing arrangements, as summarised in Section 6.5 of this Target's Statement and set out in section 7 of the Bidder's Statement, require the Minimum Acceptance Condition to be satisfied before 17 December 2024, and therefore the Offer is not capable of being completed in the current circumstances.

As at the Last Practicable Date, the Pacific Smiles Board is not aware of any changes to these intentions.

4.8 Conditions of the Offer

The Offer is subject to the following conditions:

(a) Minimum Acceptance Condition

It is a Condition to the Offer that, at the end of the Offer Period, Genesis Bidco and its Associates have Relevant Interests in at least 90% (by number) of Pacific Smiles Shares on issue at that time.

04 About the Offer

Noting the written intention statements regarding the Offer received from MA Financial and Dr Alison Hughes (see Section 4.7 of this Target's Statement), the Minimum Acceptance Condition is not currently capable of being satisfied and, accordingly, the Offer is not capable of being completed, in the current circumstances.

(b) Board Recommendation Condition

It is a Condition to the Offer that, before the end of the Offer Period, a majority of the members of the Pacific Smiles Board have publicly recommended that Pacific Smiles Shareholders accept the Offer (in the absence of a superior proposal and subject to any other customary qualification).

The Directors unanimously recommend that you **REJECT** the Offer for the reasons set out in Section 1.2 of this Target's Statement. Therefore, this Condition is not capable of being satisfied in the current circumstances.

(c) No Prescribed Occurrences Condition

It is a Condition to the Offer that, during the Offer Period, none of the following events occur:

- (i) Pacific Smiles converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
 - (ii) Pacific Smiles or a subsidiary of Pacific Smiles resolves to reduce its share capital in any way;
 - (iii) Pacific Smiles or a subsidiary of Pacific Smiles enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
 - (iv) Pacific Smiles or a subsidiary of Pacific Smiles issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option, other than any issue of Pacific Smiles Shares during the period from the Register Date to the end of the Offer Period in accordance with the terms of, or otherwise in connection with, Pacific Smile Performance Rights that are on issue on the Register Date;
 - (v) Pacific Smiles or a subsidiary of Pacific Smiles issues, or agrees to issue, convertible notes;
 - (vi) Pacific Smiles or a subsidiary of Pacific Smiles disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
 - (vii) Pacific Smiles or a subsidiary of Pacific Smiles grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property;
 - (viii) Pacific Smiles or a subsidiary of Pacific Smiles resolves to be wound up;
 - (ix) a liquidator or provisional liquidator of Pacific Smiles or a subsidiary of Pacific Smiles is appointed;
 - (x) a court makes an order for the winding up of Pacific Smiles or a subsidiary of Pacific Smiles;
 - (xi) an administrator of Pacific Smiles or a subsidiary of Pacific Smiles is appointed under section 436A, 436B or 436C of the Corporations Act;
 - (xii) Pacific Smiles or a subsidiary of Pacific Smiles executes a deed of company arrangement;
 - (xiii) a restructuring practitioner for Pacific Smiles, or for a subsidiary of Pacific Smiles, is appointed under section 453B of the Corporations Act;
 - (xiv) Pacific Smiles or a subsidiary of Pacific Smiles makes a restructuring plan under Division 3 of Part 5.3B of the Corporations Act; or
 - (xv) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Pacific Smiles or a subsidiary of Pacific Smiles,
- provided that a Prescribed Occurrence will not include any matter:
- (xvi) required to be done or procured by Pacific Smiles under the Offer or is otherwise contemplated by the Offer; or
 - (xvii) approved in writing by Genesis Bidco.

4.9 Effect of non-satisfaction of the Conditions

If the Minimum Acceptance Condition or Board Recommendation Condition are not satisfied, or are not waived no less than seven days before the end of the Offer Period, the Offer will lapse.

If the No Prescribed Occurrences Condition is not satisfied, or is not waived no less than the third Business Day after the end of the Offer Period, the Offer will lapse.

If the Offer lapses, all Acceptances will be void and have no effect and you will continue to hold Pacific Smiles Shares and be free to deal with them as if Genesis Bidco had not made the Offer.

4.10 How to accept the Offer

Although the Directors unanimously recommend that Shareholders **REJECT** the Offer, Shareholders should consider their individual circumstances in determining whether or not to accept the Offer, and have regard to the risks associated with remaining a Pacific Smiles Shareholder as set out in Section 8.4 of this Target's Statement.

If you wish to accept the Offer, you should follow the instructions set out in section 12.5 of the Bidder's Statement. Before accepting the Offer, you should consider the risks associated with accepting the Offer set out in Sections 8.2 and 8.3 of this Target's Statement. You should also note that brokerage, fees or other charges may be payable by you upon Acceptance.

4.11 Effect of an Acceptance

The effect of accepting the Offer is described in Section 3.4 of this Target's Statement and section 12.8 of the Bidder's Statement. Pacific Smiles Shareholders should read these sections in full to understand the effect that Acceptances will have on their ability to exercise the Rights attaching to their Pacific Smiles Shares and the representations and warranties which they give by accepting the Offer.

4.12 Your ability to withdraw your Acceptance

You only have limited rights to withdraw your Acceptance.

You may only withdraw your Acceptance if Genesis Bidco varies the Offer in a way that postpones the time by when Genesis Bidco needs to meet its obligations under the Offer for more than one month while the Offer is still subject to any of the Conditions.

Conversely, if you lodge Acceptance Instructions under the Institutional Acceptance Facility (which is only available for Eligible Institutional Shareholders), you may revoke those Acceptance Instructions prior to the IAF Triggering Conditions occurring.

4.13 Additional details regarding the All Scrip Consideration and Mixed Consideration

(a) Ineligible Foreign Shareholders

If you are an Ineligible Foreign Shareholder (that is, a Pacific Smiles Shareholder whose address as shown in the Register is in a jurisdiction other than Australia and its external territories, and Genesis Bidco (in its absolute discretion) does not determine it can offer Holdco Shares to you without complying with any registration, disclosure or other legal process requirement under applicable laws) and you accept the Offer and make an Election to receive the All Scrip Consideration or Mixed Consideration, Genesis Bidco has disclosed that no Holdco Shares will be issued to the Nominee on your behalf as consideration for your Pacific Smiles Shares.

Instead, Genesis Bidco will:

- (i) arrange for the issue to a sale agent approved by ASIC (**Sale Agent**) of the number of Holdco Shares which you and all other Ineligible Foreign Shareholders would otherwise have been entitled to receive;
- (ii) procure that any one or more of the Genesis Shareholders acquire the Holdco Shares that have been issued to the Sale Agent (as described above) from the Sale Agent in accordance with the terms set out in clause 17 of the Holdco Shareholders' Deed; and
- (iii) cause the amount ascertained in accordance with the formula in section 12.6(c) of the Bidder's Statement to be paid to you.

You will be paid by cheque in Australian currency. The cheque will be sent at your risk by pre-paid airmail to the address shown in the acceptance form enclosed with the Bidder's Statement (a copy of which you should have received).

(b) Identity verification

If you are an Eligible Shareholder and you accept the Offer and make an Election to receive All Scrip Consideration or Mixed Consideration, Genesis Bidco has stated that:

- (i) it will be unable to issue you (or the Nominee) Holdco Shares under the Offer until it has complied with the requirements set out under Australia's anti-money laundering laws, so if you elect to receive Holdco Shares you must satisfy certain identity verification requirements before any Holdco Shares can be issued to you or to the Nominee on your behalf;
- (ii) you also agree to provide any identity verification documents or other information required pursuant to Australia's anti-money laundering laws prior to the issue of Holdco Shares to you or to the Nominee on your behalf; and
- (iii) you must return an executed Scrip Election Deed Poll.

If you are an Eligible Shareholder and you accept the Offer and make an Election to receive All Scrip Consideration or Mixed Consideration, you will receive further instructions from Genesis Bidco relating to the identity verification requirements and the Scrip Election Deed Poll.

4.14 Variation of the Offer

Genesis Bidco may vary the Offer in accordance with the Corporations Act.

4.15 Genesis Bidco's intentions where it has a Relevant Interest in 90% or more of Pacific Smiles Shares

If Genesis Bidco has a Relevant Interest in at least 90% of the Pacific Smiles Shares (by number) during or at the end of the Offer Period, Genesis Bidco will be entitled to compulsorily acquire all outstanding Pacific Smiles Shares. Genesis Bidco's intentions with respect to compulsory acquisition are set out in section 11.5 of the Bidder's Statement. In summary, Genesis Bidco has stated that if it becomes entitled to do so under the Corporations Act, it intends to give notices to compulsorily acquire any outstanding Pacific Smiles Shares in accordance with Part 6A.1 of the Corporations Act.

In that circumstance, Genesis Bidco's current intentions are as follows:

(a) Corporate matters

Genesis Bidco intends to:

- (i) proceed with compulsory acquisition of the outstanding Pacific Smiles Shares in accordance with the provisions of Part 6A.1 of the Corporations Act, including any Pacific Smiles Shares which are issued after the close of the Offer as a result of the exercise, vesting or conversion of Pacific Smiles Performance Rights;
- (ii) procure Pacific Smiles to apply for termination of the official quotation of Pacific Smiles Shares on the ASX and arrange for Pacific Smiles to be removed from the official list of the ASX; and
- (iii) replace the members of the Pacific Smiles Board with nominees of Genesis Bidco. Replacement board members have not yet been identified by Genesis Bidco and their identity will depend on the circumstances at the relevant time.

In addition, if Genesis Bidco becomes entitled to exercise the general compulsory acquisition right under Part 6A.2 of the Corporations Act, it may exercise those rights to compulsorily acquire or cancel any outstanding Pacific Smiles Performance Rights then on issue in accordance with the provisions of Part 6A.2 of the Corporations Act.

(b) General operational overview

Genesis Bidco has not disclosed any formed intentions regarding strategic, financial and operating matters with respect to Pacific Smiles. Rather, Genesis Bidco has disclosed that, after the Offer Period, it intends to undertake a general review of Pacific Smiles' operations covering strategic, financial and operating matters, including the current dividend policy. As a part of this review, Genesis Bidco intends to evaluate the future operations of Pacific Smiles Group with a view to optimising and enhancing the performance of the Pacific Smiles Group. Genesis Bidco has not disclosed who would perform this operational review, or who the Pacific Smiles management team would be.

Genesis Bidco has disclosed that, without prejudicing the outcome of this operational review, it intends for Pacific Smiles to maintain its own management team and operate independently of each other portfolio company operated by Genesis Capital, including Impression Dental Group. **This however remains subject to Genesis Bidco's operational review following the end of the Offer Period, and therefore these intentions may change.**

In particular, the Board wishes to draw Pacific Smiles Shareholders' attention to the fact that any Pacific Smiles Holdco Shareholders will have limited rights to determine the direction of the Pacific Smiles business following close of the Offer, including whether Holdco take steps to merge Pacific Smiles with Impression Dental Group or divest the Pacific Smiles business. Both of these corporate transactions would, if determined by the Holdco Board to be on arm's length terms, be determined at the Holdco Board level without any Holdco Shareholder vote (and in this regard, the Board notes the limited Holdco Board representation rights of Pacific Smiles Holdco Shareholders, as noted in Section 7.3 of this Target's Statement).

With Genesis Capital managing a competitor business, Impression Dental Group, it will require robust information barriers to protect the intellectual property of Pacific Smiles from being lost to a competitor company.

(c) Impact on employees and practitioners

After the Offer Period, and as part of the general operational review noted above, Genesis Bidco has acknowledged in its Bidder's Statement that certain job losses may occur associated with redundant functions such as, but not limited to, the activities associated with maintenance of an ASX listing. Genesis Bidco states that it will seek to provide continued employment to Pacific Smiles' existing workforce, however there is a risk these intentions may change following the proposed operational review.

Genesis Bidco has not disclosed its intentions with respect to continued engagement with its practitioners (who are not employees of Pacific Smiles), but has noted that it will consider the possibility of implementing a 'Practitioner Incentive Scheme' on terms to be determined following engagement with practitioners. There is no guarantee that any such incentive scheme will be implemented.

(d) Ongoing Pacific Smiles funding arrangements

Pacific Smiles has external debt financing arrangements in place representing a total amount of approximately \$25.5 million. As at the Last Practicable Date, these are undrawn. As disclosed in Section 8.4(u) in this Target's Statement, Pacific Smiles' \$20 million debt facility may be terminated if its financier determines any change of control resulting from the Offer is 'unacceptable' or where Pacific Smiles is de-listed (which as noted in Section 4.15(a) above, Genesis Bidco has disclosed that it intends to procure).

Genesis Bidco recognises that, in these circumstances, it will need to negotiate with Pacific Smiles and its financiers to either ensure that the external financing remains available or that new replacement financing can be arranged.

Genesis Bidco has disclosed that it believes that it has reasonable grounds to expect to be able to organise replacement financing or utilise its existing cash resources while it puts in place replacement financing.

(e) Growth

Genesis Bidco has disclosed that its immediate intention following Completion is to focus on the operations and business of the Pacific Smiles Group as it is currently constituted and implementing the outcomes of the general operational review referred to above.

Genesis Bidco has noted that, while it has no present intention to pursue inorganic growth opportunities, it may choose to do so in the future. Any Pacific Smiles Holdco Shareholders will have limited rights to participate in the decision-making with respect to any such growth opportunities (regardless of size). Under the terms of the Holdco Shareholders' Deed, such matters would be determined at the Holdco Board level without any Holdco Shareholder vote, subject to matters reserved for Holdco Shareholder approval under the Corporations Act, such as related party transactions not on arm's length terms.

(f) Dividend policy

As noted above, as part of its general operational review, the Holdco Board intends to review Pacific Smiles' dividend policy.

Genesis Bidco acknowledges in its Bidder's Statement that Holdco does not expect to be in a position to pay dividends to Holdco Shareholders in the short-term.

To the extent dividends are paid, it is probable that they may be unfranked for a period of time as Holdco's interest costs may exceed the otherwise taxable profits of Pacific Smiles and any other business held by Holdco from time to time.

4.16 Genesis Bidco's intentions where it has a Relevant Interest in more than 50% and less than 90% of Pacific Smiles Shares

There is a possibility that Genesis Bidco waives the Minimum Acceptance Condition such that it may have a Relevant Interest in more than 50% but less than 90% of the Pacific Smiles Shares at the end of the Offer Period. In this scenario, Genesis Bidco will have a majority shareholding in Pacific Smiles and effectively control Pacific Smiles but will not be entitled to compulsorily acquire Pacific Smiles Shares.

In this event, Shareholders who do not accept the Offer will become minority shareholders in Pacific Smiles. This has a number of possible implications, including:

- (a) Genesis Bidco will be in a position to cast the majority of votes at a general meeting of Pacific Smiles Shareholders. This will enable it to control the composition of the Board and senior management, determine Pacific Smiles' dividend policy and control the strategic direction of the businesses of the Pacific Smiles Group;
- (b) the Share price may fall immediately following the end of the Offer Period, and it is unlikely that the Share price will reflect any control premium;
- (c) liquidity of Pacific Smiles Shares may be lower than at present;

- (d) if the number of Pacific Smiles Shareholders is less than that required by the Listing Rules to maintain an ASX listing, then Genesis Bidco may seek to procure that Pacific Smiles is removed from the official list of the ASX. If this occurs, Pacific Smiles Shares will not be able to be bought or sold on the ASX, and will only be able to be bought or sold privately; and
- (e) if Genesis Bidco acquires Voting Power of 75% or more in Pacific Smiles Shares, it will be able to vote on and pass a special resolution of Pacific Smiles Shareholders alone. This will enable Genesis Bidco to, among other things, change Pacific Smiles' constitution.

Moreover, depending on when Genesis Bidco acquires control of Pacific Smiles (assuming it does so), a break fee may become payable by Pacific Smiles to NDC Bidco under the terms of the NDC Scheme Implementation Deed (in the amount of \$3,300,000).

Alternatively, if Pacific Smiles Shareholders accept the Offer and elect to receive the All Scrip Consideration or Mixed Consideration, they will be exposed to a number of risks associated with being a Holdco Shareholder (as summarised in Section 8.3 of this Target's Statement), including in particular the limited range of matters which will require approval by Holdco Shareholders. Additionally, those Pacific Smiles Shareholders will lose their direct interest in (and right to any dividends paid by) Pacific Smiles, and will instead hold an indirect interest in Pacific Smiles through a small shareholding in Holdco, an unlisted public company, which in turn only holds a controlling but less than 90% interest in Pacific Smiles.

Genesis Bidco has indicated in section 8.3 of the Bidder's Statement that if it has a Relevant Interest in more than 50% and less than 90% of the Pacific Smiles Shares, its intentions are as follows:

(a) Corporate matters

After the end of the Offer Period, Genesis Bidco:

- (i) intends (subject to the Corporations Act and the constitution of Pacific Smiles) to seek to replace some of the members of the Pacific Smiles Board. Genesis Bidco has not yet identified proposed replacement board members; and
- (ii) may procure Pacific Smiles to apply for termination of the official quotation of Pacific Smiles Shares on the ASX and arrange for Pacific Smiles to be removed from the official list of the ASX.

In this regard, ASX guidance indicates that the usual conditions that the ASX would expect to be satisfied in order for it to approve the removal of Pacific Smiles from the official list in the context of a successful takeover bid include:

- (i) at the end of the Offer, Genesis Bidco owns or controls at least 75% of the Pacific Smiles Shares and the Offer has remained open for at least two weeks after Genesis Bidco has attained ownership or control of at least 75% of the Shares; and
- (ii) the number of Pacific Smiles Shareholders (other than Genesis Bidco and its Associates) having holdings with a value of least \$500 is fewer than 150,

and, in such case, the ASX will not usually require Genesis Bidco to obtain Pacific Smiles Shareholder approval for Pacific Smiles' removal from the official list of the ASX.

In addition, ASX may, even if the above conditions are not satisfied, approve an application for Pacific Smiles to be removed from the official list of the ASX with Pacific Smiles Shareholder approval and, where such removal is sought later than 12 months after the close of the Offer, subject to the ASX's discretion, Genesis Bidco may be entitled to vote on the resolution approving the removal.

If Pacific Smiles is removed from the official list of the ASX, the risks related to remaining as a minority shareholder in Pacific Smiles are heightened. These include reduced or non-existent liquidity if Pacific Smiles Shareholders wish to sell their Shares.

It is possible that, even if Genesis Bidco is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6A.2 of the Corporations Act, for example, as a result of acquisitions of Pacific Smiles Shares in reliance on the '3% creep' exception in item 9 of section 611 of the Corporations Act. If so, it intends to exercise those rights.

04 About the Offer

(b) General operational review

Genesis Bidco has also disclosed that, after the end of the Offer Period, it intends to propose to the Pacific Smiles Board that an immediate, broad based review of Pacific Smiles' operations be conducted on both a strategic and financial level (including the current dividend policy of Pacific Smiles).

Genesis Bidco intends, subject to the approval of the Board, to participate in this review. The Board wishes to draw Pacific Smiles Shareholders' attention to the fact that Genesis Capital (an Associate of Genesis Bidco) manages the Impression Dental Group, which is a competitor of Pacific Smiles.

(c) Funding

In circumstances where Genesis Bidco does not obtain 90% of Pacific Smiles Shares, it will not have direct access to Pacific Smiles cash flows, and, in the absence of obtaining further funding, is expected to rely on Pacific Smiles dividend proceeds to meet its financing obligations.

(d) Further acquisition of Pacific Smiles Shares

Genesis Bidco may, at some later time, acquire further Pacific Smiles Shares in a manner consistent with the Corporations Act and, if it becomes entitled at some time to exercise compulsory acquisition rights under the Corporations Act in respect of Pacific Smiles Shares, it may exercise those rights.

4.17 Genesis Bidco's intentions where it has a Relevant Interest in less than 50% of Pacific Smiles Shares

There is a possibility that Genesis Bidco waives the Minimum Acceptance Condition such that it may have a Relevant Interest in less than 50% of Pacific Smiles Shares. In this scenario, Genesis Bidco has stated that it does not expect to be in a position to give effect to the intentions set out above and in sections 8.3 and 8.4 of the Bidder's Statement.

Notwithstanding this, Genesis Bidco has disclosed that:

- (a) Genesis Bidco will seek to:
 - (i) obtain representation on the Pacific Smiles Board which is at least consistent with its proportionate shareholding; and
 - (ii) gain a more detailed understanding of the business' assets and operations in order to evaluate the performance, profitability and prospects of Pacific Smiles in light of the information then available to Genesis Bidco;
- (b) Genesis Bidco will, to the extent possible, procure the Pacific Smiles Board to follow the intentions set out above (and in sections 8.2 and 8.3 of the Bidder's Statement); and
- (c) Genesis Bidco would otherwise have regard to the circumstances at the time and consider the appropriate courses of action that are in the best interests of Genesis Bidco.

In these circumstances, if Eligible Shareholders have accepted the Offer and elected to receive the All Scrip Consideration or Mixed Consideration, they will be exposed to a number of risks associated with being a Holdco Shareholder (as summarised in Section 8.3 of this Target's Statement), including in particular the limited range of matters which will require approval by Holdco Shareholders. Additionally, those Pacific Smiles Shareholders will lose their direct interest in (and right to any dividends paid by) Pacific Smiles, and will instead retain an indirect interest in Pacific Smiles through a small shareholding in Holdco, an unlisted public company, which in turn holds only a minority interest in Pacific Smiles.

This could significantly impact the value of Holdco Shares.

4.18 When you will receive payment of the Offer Consideration

As stated in section 12.13 of the Bidder's Statement, subject to the Corporations Act, if you accept the Offer and the Conditions are satisfied or waived, Genesis Bidco will pay or Holdco will issue (as applicable) the Offer Consideration for your Pacific Smiles Shares as follows:

(a) Payment of cash component of the Offer Consideration

Genesis Bidco will pay you any applicable amount of the cash component of the Offer Consideration for your Pacific Smiles Shares on or before the earlier of:

- (i) one month after your Acceptance or, if the Offer is subject to a Condition when you accept the Offer, one month after the Offer has become unconditional; and
- (ii) 21 days after the end of the Offer Period.

Under no circumstances will any interest be paid on the Offer Consideration, regardless of any delay in making payment or extension of the Offer Period.

(b) Issue of Holdco Shares

If you are an Eligible Shareholder and you elect to receive the All Scrip Consideration or Mixed Consideration, Holdco will issue to the Nominee on your behalf the applicable number of Holdco Shares you have elected to receive for your Pacific Smiles Shares on or before the earlier of:

- (i) one month after your Acceptance or, if the Offer is subject to a Condition when you accept the Offer, one month after the Offer has become unconditional; and
- (ii) 21 days after the end of the Offer Period.

Subject to the Corporations Act and the Holdco Constitution, Genesis Bidco will send you a transaction confirmation statement for any Holdco Shares issued in connection with the Offer at your risk by pre-paid ordinary mail. Any Holdco Shares issued to the Nominee on your behalf will also be recorded in Holdco's share register.

Refer to section 12.15 of the Bidder's Statement for further details on when you will be paid or issued the Offer Consideration.

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05

**Information relating
to Pacific Smiles**

05 Information relating to Pacific Smiles

5.1 Overview of Pacific Smiles

Pacific Smiles is a leading Australian branded dental group, currently operating 136 dental centres containing more than 540 active dental chairs. These dental centres include 11 nib branded centres which are owned and operated by Pacific Smiles, and 8 HBF dental centres which are operated by Pacific Smiles.

Pacific Smiles provides dentists with fully serviced and equipped facilities including support staff, materials, marketing and administrative services. Pacific Smiles is largely engaged by dentists under services and facilities agreements (**SFAs**), pursuant to which the dentists are charged service fees for the provision of these fully serviced dental facilities. Pacific Smiles' revenue consists mostly of these service fees, however there are also revenues derived through direct patient fees incurred through dental services provided by dentists engaged or employed by Pacific Smiles.

As at 30 June 2024, Pacific Smiles was engaged by more than 750 dentists, assisted by more than 1,600 support staff and attended to approximately 1,000,000 patient appointments in the preceding 12 months.

As noted in Section 4.1 of this Target's Statement, Pacific Smiles has been subject to substantial corporate interest in the 12 months to the Last Practicable Date. The culmination of that corporate activity, prior to the announcement of the Offer, was a proposed scheme of arrangement pursuant to which NDC Bidco (a portfolio company managed by Crescent Capital Partners Management Pty Limited) would acquire all Pacific Smiles Shares for cash consideration of \$2.05 per Share.

That NDC Scheme was put to Pacific Smiles Shareholders for a vote at the NDC Scheme meeting held on 8 August 2024.

Prior to the NDC Scheme meeting, Genesis Capital (having a Relevant Interest in 19.9% of Pacific Smiles Shares) advised Pacific Smiles that it would vote against the NDC Scheme as formulated at that time. While 81.41% of Pacific Smiles Shareholders present and voting voted in favour of the NDC Scheme, only 63.31% of the total number of votes cast were in favour of the NDC Scheme and the NDC Scheme was therefore not approved by the requisite majorities of Pacific Smiles Shareholders.

Whilst this corporate activity was occurring in the background, the Company's central focus has been on the Company's core operating activities to maximise value for Shareholders. To that end, FY24 signified a period of strong cash flows and improvement in profitability driven by revenue growth and operating efficiency, demonstrating the strength of the Company's operating business.

On 28 August 2024, Pacific Smiles released its financial results for FY24. Highlights included:

- (a) **Top line growth:** patients fees increased by 7.9% over the previous year underpinned by growth across key centre cohorts, including a 3.5% increase in appointment volumes;
- (b) **Expanded profitability:** compared to the prior year, underlying EBITDA and NPAT rose by 16.9% and 98.3%, respectively. Revenue growth and ongoing efficiency improvements drove margin improvement of 110 basis points;
- (c) **Strong operating KPIs:** decline in cancellation rates, reflecting greater focus on appointment confirmations and patient communications. Labour efficiency was maintained from the prior year, buttressing margin growth; and
- (d) **Rising utilisation:** strong utilisation improvement in newer dental centre cohorts.

Similarly, the Company at 30 June 2024 had fully repaid the amount outstanding under its term debt facility, with borrowings declining to zero as strong operating performance allowed for the retirement of debt and a resumption of dividends. This left the Company with a strong net cash position of approximately \$17.7 million at 30 June 2024, providing opportunity and flexibility for capital allocation going forward.

As announced, Pacific Smiles has continued the momentum into FY25, with patient fees improving +10.9% year to date (+8.4% on like-for-like trading days) to 27 August 2024.

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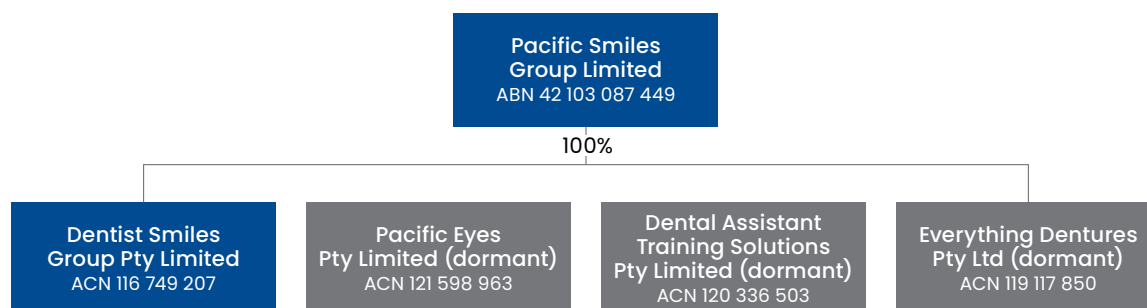
5.2 Pacific Smiles' key business model

Pacific Smiles is a highly experienced developer and operator of dental centres. The model and framework has been built and refined over a long period of time, positioning Pacific Smiles uniquely in the Australian dental industry.

Pacific Smiles is a highly unique dental services organisation platform in Australia given its growth model (which is focused on organic new centre rollout, predominately in or close to shopping centres, rather than acquisitions of existing dental practices). Its homogenous operating and IT system drives consistency of service to its dentists, employees and patients. This allows Pacific Smiles to steadily and strategically expand its geographic footprint and provide the benefits of the Pacific Smiles service model to an increasing number of Australia's dentists and patients.

5.3 Pacific Smiles' structure

A corporate structure diagram of Pacific Smiles and the wholly owned and/or controlled entities comprising the Pacific Smiles Group is set out below.



5.4 Pacific Smiles Board

As at the date of this Target's Statement, the Pacific Smiles Board comprises:

- (a) Giselle Collins – Non-Executive Chairman;
- (b) Andrew Vidler – Managing Director and Chief Executive Officer;
- (c) Scott Kalniz – Non-Executive Director;
- (d) Jodie Leonard – Non-Executive Director;
- (e) Steven Rubic – Non-Executive Director; and
- (f) Brent Cubis – Non-Executive Director.

As announced on 6 September 2024, Andrew Vidler has resigned as Managing Director and Chief Executive Officer. Mr Vidler has a six month notice period and the Board continues to work with him to agree on a final date. An update will be provided to the market in due course.

5.5 Pacific Smiles' management

As at the date of this Target's Statement, the senior management team of Pacific Smiles comprises:

- (a) Andrew Vidler – Managing Director and Chief Executive Officer;
- (b) Matthew Cordingley – Chief Financial Officer;
- (c) Paul Robertson – Chief Commercial Officer;
- (d) Troy McGowan – Executive General Manager – Clinical Excellence; and
- (e) Louise Hayes – Executive General Manager – People & Culture.

As noted in Section 5.4 above, Andrew Vidler has resigned as Managing Director and Chief Executive Officer.

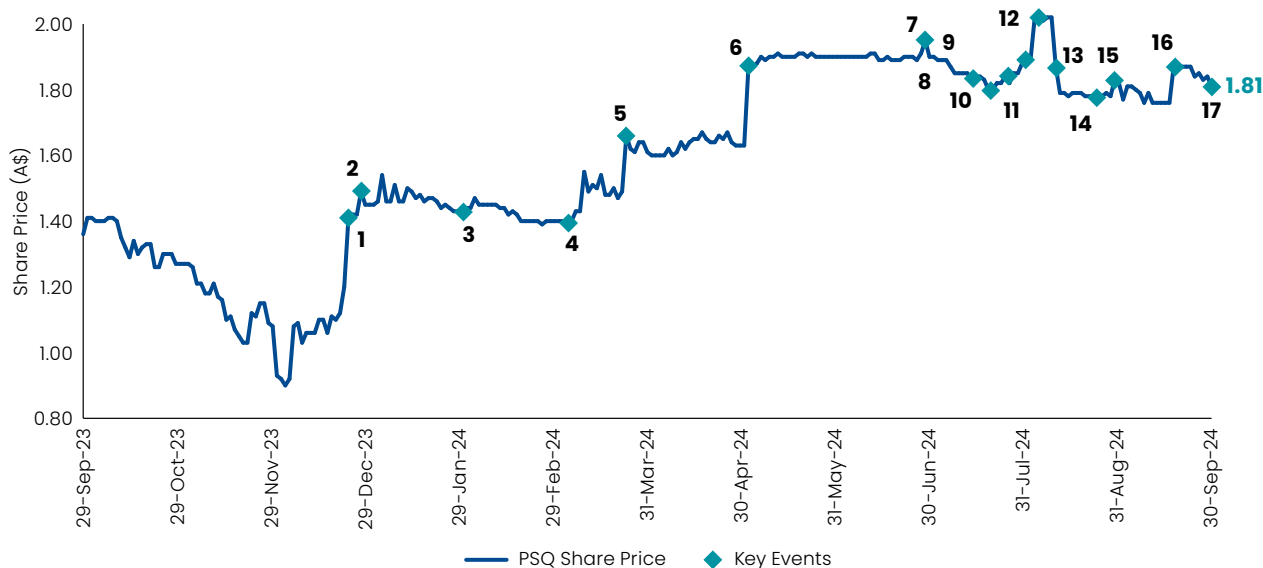
As announced on 30 August 2024, Matthew Cordingley has resigned as Chief Financial Officer. Mr Cordingley will remain in this role until 28 February 2025. The Company has put in place arrangements for Martin White, Pacific Smiles' current Head of Finance, to become Acting Chief Financial Officer from that time. Mr White 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.

5.6 Capital structure

As at the Last Practicable Date, the Pacific Smiles Securities on issue are:

Class	Number
Pacific Smiles Shares	159,581,938
Pacific Smiles Performance Rights	2,794,221

5.7 Pacific Smiles recent Share price performance



Key Events

(#)	Event	Date	SP
1	PSQ receives Non-Binding Indicative Proposal from Genesis Capital (\$1.40/share – all cash consideration)	18-Dec-23	\$1.41
2	PSQ rejects Genesis Capital \$1.40/share offer	21-Dec-23	\$1.49
3	Genesis Capital announce increase in economic interest in PSQ to 19.90%	24-Jan-24	\$1.43
4	HY24 Results announced	27-Feb-24	\$1.40
5	PSQ received revised Non-Binding Indicative Proposal from Genesis Capital (\$1.75/share – all cash consideration)	19-Mar-24	\$1.66
6	PSQ enters into Scheme Implementation Deed with NDC (\$1.90/share – all cash consideration)	29-Apr-24	\$1.87
7	NDC Scheme Booklet registered with ASIC	26-Jun-24	\$1.95
8	Update on Takeovers Panel proceedings	11-Jul-24	\$1.83
9	Update on Genesis Capitals Voting Intentions (announced intention to vote against NDC's Scheme)	15-Jul-24	\$1.84
10	NDC announce best and highest price to acquire 100% of Pacific Smiles (\$1.91/share – all cash consideration)	23-Jul-24	\$1.84
11	Genesis Capital proposal to acquire 100% of Pacific Smiles (\$1.90/share – mixed consideration)	29-Jul-24	\$1.88
12	NDC Counterproposal (\$2.05/share – all cash consideration)	01-Aug-24	\$2.02
13	Results of Scheme Meeting (NDC Scheme \$2.05/share not approved by shareholders)	08-Aug-24	\$1.87
14	Termination of Scheme Implementation Deed (NDC \$2.05/share)	23-Aug-24	\$1.78
15	FY24 Results Announcement	28-Aug-24	\$1.83
16	Genesis Capital announce intention to make Takeover Bid (\$1.90/share – mixed consideration)	17-Sep-24	\$1.87
17	PSQ Board intends to recommend rejection of Genesis Capital Takeover Bid (\$1.90/share)	30-Sep-24	\$1.81

5.8 Substantial holders

Based on substantial shareholder notices provided to Pacific Smiles, the substantial shareholders of Pacific Smiles as at the Last Practicable Date are as follows.

Name of Holder	Number of Pacific Smiles Shares as at the date of last substantial holder notice	Voting Power as at the date of last substantial holder notice (undiluted basis)
Beam Dental Bidco Pty Ltd; Beam Investments Co Pty Ltd; Genesis Capital Ultimate GP Pty Ltd in its personal capacity; Genesis Capital Ultimate GP Pty Ltd as general partner of Genesis Capital Management Partnership I, LP, the general partner of Genesis Capital Fund I, LP; GFT 2 Co Pty Ltd as trustee for GFT 2 Trust; Genesis Capital Manager I Pty Ltd; Lucolifia Pty Ltd as trustee for the Lucolifia Family Trust; Plum Willow Pty Ltd as trustee for The Plum Willow Family Trust; Genesis Healthcare Holdings Pty Ltd as trustee for Beam Co-investor Trust; Franklin Park Co-Invest GP VI, LLC, as general partner and Franklin Park Associates, LLC, as managing member of Franklin Park CoInvestment Fund VI, L.P.; LFPE Co-Invest II SLP; Asia Opportunities (Singapore) Pte. Limited; ADL ANZ Opportunities I Pte. Limited; A6J Ltd; ACF-2 Ltd; Axiom Asia 6-A SCSp, SICAV-RAIF; Genesis Capital Ultimate GP II Pty Ltd as general partner for Genesis Capital Management Partnership II, LP, the general partner of Genesis Capital Fund II, LP; Beam Dental Midco Pty Ltd and Beam Dental Subco Pty Ltd ¹	31,750,000	19.9%
MA Financial ²	20,917,737	13.11%
Spheria Asset Management Pty Ltd ³	18,197,442	11.40%
HBF Health Limited ⁴	16,000,000	10.03%
Dr Alison J Hughes ⁵	15,860,190	10.43%
Dr Alexander J Abrahams ⁶	15,404,646	9.65%

Notes:

1. Based on substantial shareholder notice dated 18 September 2024.
2. Based on substantial shareholder notice dated 4 March 2024.
3. Based on substantial shareholder notice dated 8 August 2024.
4. Based on substantial shareholder notice dated 13 December 2021.
5. Based on substantial shareholder notice dated 21 November 2014.
6. Based on substantial shareholder notice dated 5 August 2024.

05 Information relating to Pacific Smiles

As noted in Section 4.7 of this Target's Statement, the Pacific Smiles Board has received written intention statements from:

- **MA Financial**, that it intends to reject the Offer; and
- **Dr Alison Hughes**, that she intends to reject the Offer (reserving the right to reconsider if there is any variation to any terms, a waiver of any Conditions or any announced alternative control proposal).

Genesis Bidco's current financing arrangements, as disclosed in Section 6.5 of this Target's Statement and section 7 of the Bidder's Statement, require the Minimum Acceptance Condition to be satisfied, and therefore the Offer is not capable of being completed in the current circumstances.

As at the Last Practicable Date, the Pacific Smiles Board is not aware of any changes to these intentions.

5.9 Recent historical financial information

Pacific Smiles' 2024 Annual Report and other periodic reports are available on the Investors' section of its website at <https://investors.pacificsmilesgroup.com.au/Investors/>.

The selected income statement, balance sheet and statement of cash flows information contained below for Pacific Smiles is extracted from the audited consolidated financial statements for Pacific Smiles for the financial years ended 30 June 2024 and 30 June 2023.

The financial information presented in the tables below has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act. It also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board. It does not represent complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements.

Pacific Smiles Shareholders may view the full consolidated financial statements for the financial years ended 30 June 2024 and 30 June 2023, including notes to those financial statements, at Pacific Smiles' website at <https://investors.pacificsmilesgroup.com.au/Investors/> or at www2.asx.com.au.

(a) Income statement

Financial years ended 30 June 2024 and 30 June 2023

	2024 \$'000	2023 \$'000
Revenue	179,752	165,319
Other income	831	2,502
Expenses		
Employee expenses – direct	(1,338)	(617)
Other direct expenses	(8,864)	(8,333)
Consumable supplies expenses	(11,925)	(13,172)
Employee expenses	(81,974)	(80,095)
Occupancy expenses	(4,746)	(3,940)
Marketing expenses	(5,071)	(3,553)
Administration and other expenses	(21,940)	(19,653)
Depreciation and amortisation expense	(30,332)	(30,192)
Net finance costs	(3,668)	(4,343)
Profit before income tax expense	10,725	3,923
Income tax expense	(2,686)	(1,502)
Profit after income tax expense for the year	8,039	2,421
Other comprehensive income for the year, net of tax	–	–
Total comprehensive income for the year	8,039	2,421

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05 Information relating to Pacific Smiles

(b) Balance sheet

Financial years ended 30 June 2024 and 30 June 2023

	2024 \$'000	2023 \$'000
Assets		
Current assets		
Cash and cash equivalents	17,656	18,573
Receivables	4,656	2,946
Inventories	7,715	6,200
Other	1,177	1,637
Total current assets	31,204	29,356
Non-current assets		
Receivables	304	516
Property, plant and equipment	51,150	62,032
Right-of-use assets	62,427	71,455
Intangibles	12,914	14,579
Deferred tax	13,979	10,170
Total non-current assets	140,774	158,752
Total assets	171,978	188,108
Liabilities		
Current liabilities		
Payables	18,671	19,276
Lease liabilities	14,614	13,750
Income tax payable	4,359	1,442
Provisions	4,794	4,773
Total current liabilities	42,438	39,241
Non-current liabilities		
Borrowings	-	9,000
Lease liabilities	60,720	70,246
Provisions	8,262	8,354
Total non-current liabilities	68,982	87,600
Total liabilities	111,420	126,841
Net assets	60,558	61,267
Equity		
Contributed equity	52,104	52,104
Reserves	6,744	15,492
Retained profits/(accumulated losses)	1,710	(6,329)
Total equity	60,558	61,267

(c) Statement of cash flows

Financial years ended 30 June 2024 and 30 June 2023

	2024 \$'000	2023 \$'000
Cash flows from operating activities		
Receipts from customers	180,074	169,476
Payments to suppliers and employees	(140,365)	(129,010)
	39,709	40,466
Interest received	487	218
Interest and finance costs paid	(3,811)	(4,561)
Income taxes refunded	–	5,768
Income taxes paid	(3,579)	(1,017)
Net cash from operating activities	32,806	40,874
Cash flows from investing activities		
Payments for property, plant and equipment and intangibles	(3,839)	(11,071)
Proceeds from disposal of property, plant and equipment	56	15
Lease payments received from finance leases	422	509
Net cash used in investing activities	(3,361)	(10,547)
Cash flows from financing activities		
Dividends paid	(6,973)	(558)
Repayment of borrowings	(9,000)	(9,500)
Payment of lease liabilities	(14,389)	(13,501)
Net cash used in financing activities	(30,362)	(23,559)
Net (decrease)/increase in cash and cash equivalents	(917)	6,768
Cash and cash equivalents at the beginning of the financial year	18,573	11,805
Cash and cash equivalents at the end of the financial year	17,656	18,573

5.10 Publicly available information about Pacific Smiles

Pacific Smiles is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Pacific Smiles is subject to the Listing Rules which require continuous disclosure of any information Pacific Smiles has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities (subject to certain exceptions).

ASX maintains files containing publicly disclosed information about all listed companies. Pacific Smiles' file is available for inspection at ASX during normal business hours. Pacific Smiles' recent ASX announcements are available from the ASX website (www2.asx.com.au). Pacific Smiles' ASX announcements released between the announcement of the Offer on 17 September 2024 and the Last Practicable Date are listed at Attachment A.

In addition, Pacific Smiles is required to lodge various documents with ASIC, copies of which may be obtained from, or inspected at, an ASIC office.

A substantial amount of information about Pacific Smiles is also available in electronic form at <https://investors.pacificsmilesgroup.com.au/investors/>.

06

Information relating to Genesis Bidco and the Bidder Group



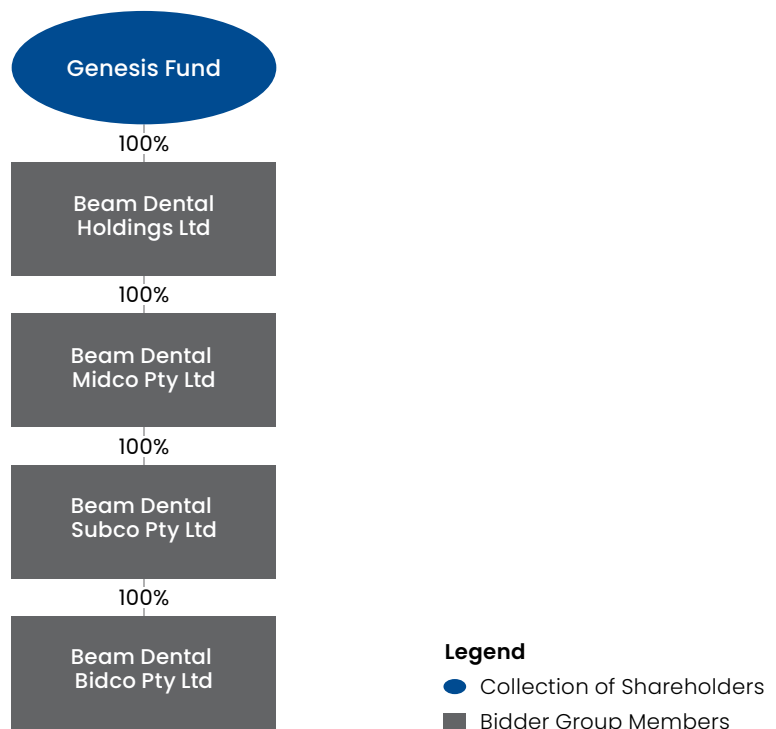
06 Information relating to Genesis Bidco and the Bidder Group

6.1 Disclaimer

The following information about Genesis Bidco is based on publicly available information, including information in the Bidder's Statement, and has not been independently verified by Pacific Smiles. Pacific Smiles does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information. The information on Genesis Bidco in this Target's Statement should not be considered comprehensive. Further information about Genesis Bidco is set out in the Bidder's Statement.

6.2 Bidder Group corporate structure

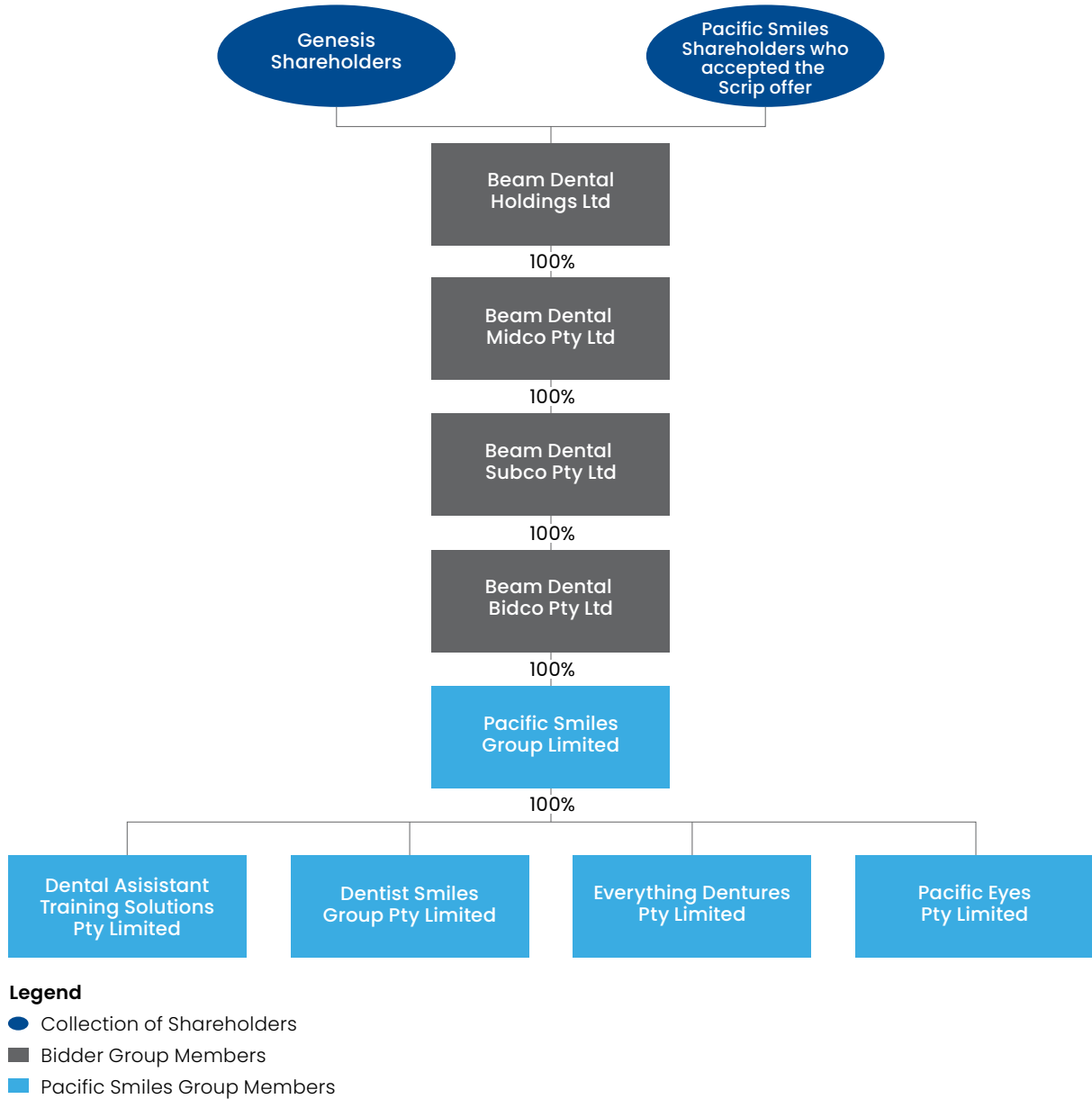
Provided below is a structure diagram of the Bidder Group as disclosed in the Bidder's Statement:



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06 Information relating to Genesis Bidco and the Bidder Group

Provided below is an illustrative structure chart of the Bidder Group and Pacific Smiles Group at completion of the Offer as disclosed in the Bidder's Statement, assuming that Genesis Bidco holds 100% of the Pacific Smiles Shares:



6.3 Overview of Bidder Group

(a) Genesis Capital

Genesis Capital is the manager of entities comprising the Bidder Group and is a member of the Genesis Capital group. Genesis Capital is an Australian private equity firm that was established in 2018. Refer to the Bidder's Statement for further details regarding the background and business of Genesis Capital.

Genesis Fund, a fund managed by Genesis Capital, alongside certain other co-investors, will be indirectly participating in the Offer through its investment in Holdco. For further details, refer to section 4.4(d) of the Bidder's Statement which concerns the capital structure of Holdco and section 7 of the Bidder's Statement which summarises the sources of Genesis Bidco's Offer Consideration.

Genesis Capital manages numerous portfolio companies, including Impression Dental Group, which is a competitor of Pacific Smiles. Genesis Bidco has disclosed that, as permitted under the Holdco Shareholders' Deed, Holdco may enter into a management services agreement with Genesis Capital (or its affiliate). Given such agreement would be a related party transaction, it must either be approved by the Holdco Board (absent any conflicted directors) on arm's length terms (on a cost pass through or cost reimbursement basis) or approved by Holdco Shareholders to the extent required under the Corporations Act.

More information about Genesis Capital is set out in section 4.1 of the Bidder's Statement.

(b) Genesis Bidco

Genesis Bidco is an Australian proprietary company limited by shares that was incorporated on 3 April 2024. Genesis Bidco is a wholly owned indirect subsidiary of Holdco.

To date, Genesis Bidco's activities have been limited to activities in connection with Genesis Capital's \$1.90 per share counterproposal to the NDC Scheme announced on 29 July 2024 (before the NDC Scheme offer price was increased to \$2.05 per Share), along with preparing this Bidder's Statement and associated documents and taking any steps contemplated by those documents.

At the date of the Bidder's Statement, Genesis Bidco had two directors, Michael Caristo and Christopher Yoo, whose profiles are set out in section 4.5 of the Bidder's Statement.

(c) Beam Investments

Beam Investments is a special purpose vehicle formed for the purpose of acquiring 31,750,000 Pacific Smiles Shares. The acquisition of these Pacific Smiles Shares was financed via two loan agreements entered into with Genesis Fund and GFT2 respectively.

Beam Investments is party to Put Options in respect of the 31,750,000 Pacific Smiles Shares, with each of Genesis Fund and GFT2.

Genesis Bidco has disclosed that Beam Investments will exercise the Put Options during the Offer Period, pursuant to which Genesis Fund will acquire 8,060,091 Pacific Smiles Shares and GFT2 will acquire 23,689,909 Pacific Smiles Shares from Beam Investments. The consideration to be paid by Genesis Fund and GFT2 for those Pacific Smiles Shares will be set off against the amounts owing under the respective loan agreements between Beam Investments and Genesis Fund and GFT2.

Further, Genesis Bidco has disclosed that each of Genesis Fund and GFT2 will lodge Acceptance Instructions under the Institutional Acceptance Facility and elect to receive the All Scrip Consideration.

Genesis Bidco will retain a Relevant Interest in the 31,750,000 Pacific Smiles Shares after exercise of the Put Options.

(d) Holdco

Holdco is an unlisted Australian public company limited by shares. The Scrip Offer involves the issue of Holdco Shares, and further information regarding Holdco and the Holdco Shares is set out in Section 7 of this Target's Statement.

(e) Other entities in the Bidder Group

Section 4.4 of the Bidder's Statement sets out further details regarding the other entities in the Bidder Group.

6.4 Genesis Bidco's interest in Pacific Smiles

As at the Last Practicable Date, Genesis Bidco has a Relevant Interest in approximately 19.9% of the Pacific Smiles Shares on issue (being 31,750,000 Pacific Smiles Shares).

The circumstances surrounding Genesis Capital's acquisition of this Relevant Interest in Pacific Smiles Shares is set out in further detail in Section 4.1 above, including the Takeovers Panel's declaration that these circumstances were unacceptable.

As at the Last Practicable Date, Genesis Bidco has not released any substantial holder notices or other disclosures to indicate that it has received Acceptances or instructions under the Institutional Acceptance Facility which in aggregate represent 1% or more of the Shares on issue since its Offer opened on 1 October 2024.

Genesis Bidco has disclosed that it reserves, and may at any time exercise, the right to acquire Pacific Smiles Shares on market at or below the Offer price during the bid period (as defined in the ASIC Market Integrity Rules) after the Offer becomes or is declared unconditional. Genesis Bidco has appointed Jarden Australia Pty Ltd (ABN 33 608 611 687) (AFSL 485351) as broker to acquire Pacific Smiles Shares on market during normal trading hours on the ASX during the bid period (as defined in the ASIC Market Integrity Rules) at prices equal to, below, or higher than, the Offer price. As the Offer is currently subject to the Minimum Acceptance Condition and the Board Recommendation Condition, Genesis Bidco is not currently permitted to acquire Pacific Smiles Shares on market in reliance on item 2 of section 611 of the Corporations Act.

6.5 Genesis Bidco's funding of the Cash Consideration

(a) Maximum cash consideration

As at the Last Practicable Date, there are 159,581,938 Pacific Smiles Shares and 2,794,221 Pacific Smiles Performance Rights on issue.

If Acceptances are received for all Pacific Smiles Shares on issue as at the Last Practicable Date and all Pacific Smiles Shareholders elect to receive All Cash Consideration, Genesis Bidco has disclosed that the aggregate amount of cash consideration that Genesis Bidco would be required to pay would be \$298.0 million.¹⁵

If all Pacific Smiles Performance Rights are exercised and the resulting Pacific Smiles Shares are accepted into the Offer and those Pacific Smiles Shareholders elect to receive All Cash Consideration, approximately \$5.3 million¹⁶ additional cash consideration would be payable by Genesis Bidco.

However, as detailed above, the 31,750,000 Pacific Smiles Shares currently held by Beam Investments will be acquired by Genesis Fund and GFT2 pursuant to the exercise of the Put Options and they will elect to receive All Scrip Consideration for those Shares, therefore lowering the amount of cash consideration Genesis Bidco would need to fund. The cash value of Beam Investments' holding (based on the Cash Offer) is approximately \$59.3 million.¹⁷

The aggregate of \$298 million and \$5.3 million less the cash consideration that would be attributable to the Beam Investments holding (i.e. \$59.3 million), being \$244 million, is the "**All Cash Offer Amount**".

15. Calculated by multiplying the total number of Pacific Smiles Shares on issue by \$1.8675, being the Cash Offer price net of the amount of the Declared Dividend.

16. Calculated by multiplying the total number of Pacific Smiles Performance Rights by the Cash Offer price, assuming that any new Pacific Smiles Shares that are issued following the exercise of Pacific Smiles Performance Rights will not be entitled to the Declared Dividend.

17. Calculated by multiplying the total number of Pacific Smiles Shares held by Beam Investments by \$1.8675, being the Cash Offer price less the value of the Declared Dividend.

(b) Funding of All Cash Offer Amount

Genesis Bidco has disclosed that the funds required for the All Cash Offer Amount will be made available to Genesis Bidco by way of:

- an aggregate amount of \$100.295 million in Equity Commitments from the Equity Investors (\$80.295 million of which is unconditional); and
- subject to satisfying the applicable drawdown conditions, an amount of \$175 million under the Debt Facility, which it will enter into with Ares Investing Entities, on behalf of certain entities noted in the Bidder's Statement.¹⁸

Based on Genesis Bidco's disclosure regarding its proposed split of equity and debt funding in connection with the Offer, it is expected that Holdco will be highly leveraged. For example, assuming that the holders of 5% of the Pacific Smiles Shares (in aggregate) accept the Offer and elect to receive All Scrip Consideration, it is estimated that Holdco would have approximately \$153 million in debt,¹⁹ which is equal to 5.4 turns of debt to Pacific Smiles' FY24 EBITDA.²⁰ This is equivalent to approximately 47% leverage, which is significantly higher than typical private equity leverage in an Australian market context.

(c) Debt Facility

Genesis Bidco's ability to draw the Debt Facility is conditional on conditions which mirror the Minimum Acceptance Condition and the Board Recommendation Condition being satisfied or waived by 17 December 2024.

Noting the written intention statements regarding the Offer received from MA Financial and Dr Alison Hughes (see Section 4.7 of this Target's Statement), the Minimum Acceptance Condition is not currently capable of being satisfied. Additionally, the Board unanimously recommends that Shareholders **REJECT** the Offer. Accordingly, the Offer is not capable of being completed in the current circumstances.

Genesis Bidco has noted in its Bidder's Statement that, given it intends to utilise its Debt Facility to partly satisfy its funding of the All Cash Amount under the Offer, if the conditions to the Debt Facility (being conditions which mirror the Minimum Acceptance Condition and Board Recommendation Condition) have not been satisfied or waived by 17 December 2024, the Offer will need to close by no later than that date. Section 7.5 of the Bidder's Statement sets out some illustrative scenarios of the sources of funding.

(d) Equity Commitments and Equity Investors

The Equity Commitments that each Equity Investor has agreed to provide are set out in section 7.3 of the Bidder's Statement. Upon providing those Equity Commitments, the Equity Investors will be the Genesis Shareholders in Holdco.

Pursuant to the terms of the Equity Commitments, the Equity Investors must provide to Holdco the amount of its called commitment in cash by procuring that those funds are paid to Holdco in immediately available funds for the purpose of enabling Genesis Bidco to pay the cash consideration under the Offer. Details regarding the Equity Commitments and the Equity Investors are set out in sections 4.4(e) and 7.3 of the Bidder's Statement. Genesis Bidco has confirmed that capital commitments for each Equity Investor's respective Equity Commitment may be drawn on an unconditional basis, other than the \$20 million Equity Commitment from Ares Investing Entities which is subject to the Debt Facility (which is provided by Ares Management Asia (Singapore) Pte. Ltd on behalf of certain entities noted in the Bidder's Statement) being utilised.

18. The material terms of the Debt Facility are set out in section 7.4 of the Bidder's Statement.

19. Refer to section 4.3(b) of the Bidder's Statement.

20. Equal to debt (approximately \$153 million) divided by Pacific Smiles' FY24 EBITDA (approximately \$28.2 million).

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07

**Information regarding
Holdco**

07 Information regarding Holdco

7.1 Holdco overview

Holdco is an unlisted Australian public company limited by shares that was incorporated on 3 April 2024. Holdco Shares will be issued to the Nominee on behalf of any Eligible Shareholders who have accepted the Offer and made valid All Scrip Consideration or Mixed Consideration Elections.

Other than entry into Co-investment Agreements and other documents ancillary to the Offer, Holdco has no trading history, assets (other than the shares of Midco) or liabilities.

At the date of the Bidder's Statement, Holdco has three directors, Michael Caristo, Christopher Yoo and Tara Hariharan, whose profiles are set out in section 4.5 of the Bidder's Statement. Additional directors may be appointed to the board of Holdco pursuant to the Shareholders' Deed. The Holdco Shareholders' Deed provides that:

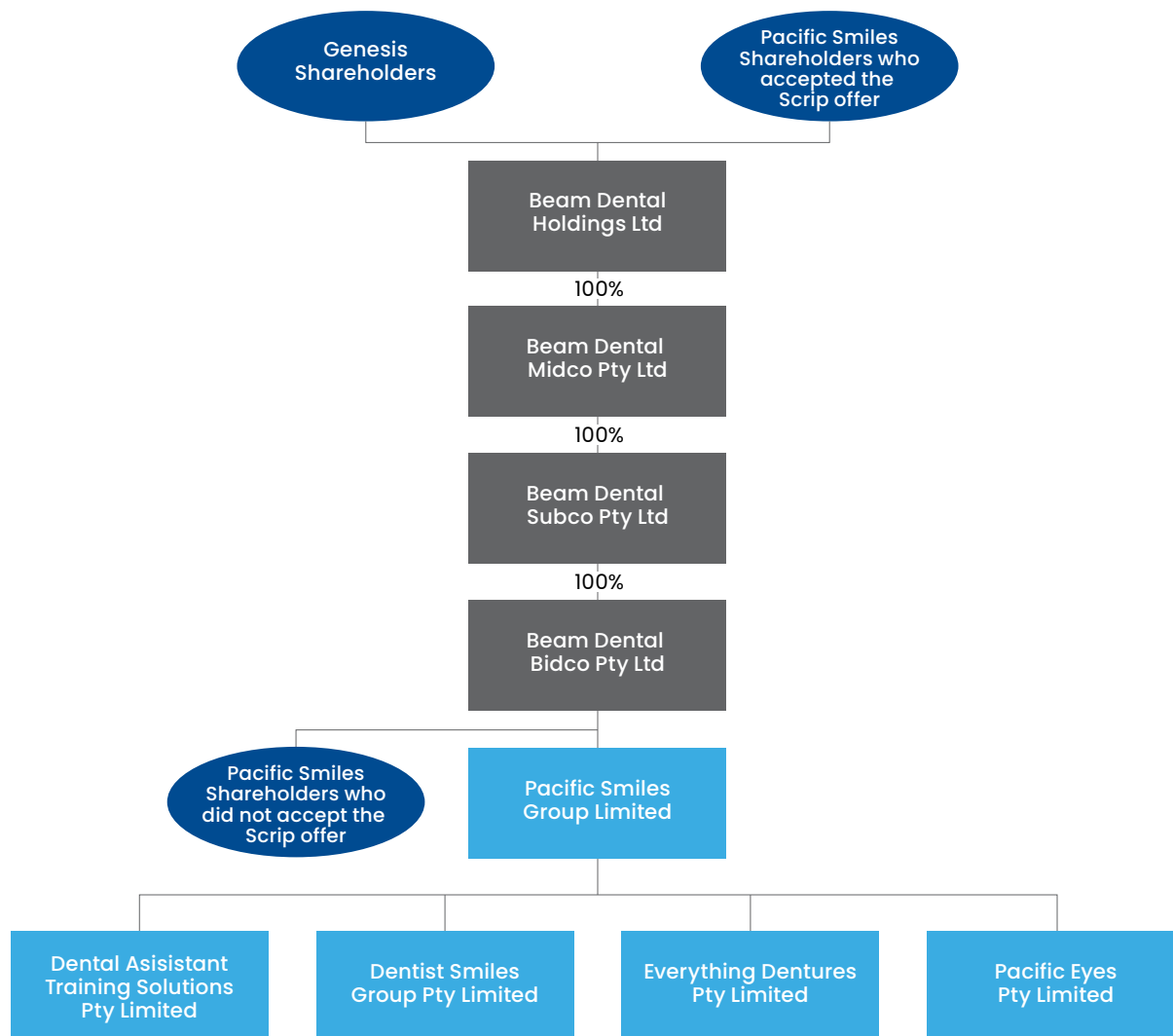
- (a) the Genesis Shareholders' Representative will, at all times, be entitled to appoint, remove and replace a majority of the Holdco Board; and
- (b) any individual or notified group of Holdco Shareholders (other than Genesis Shareholders) is entitled to appoint, remove and replace one director for every whole 10% shareholding in Holdco held by those shareholders.

The information in Sections 7.1 and 7.2 about Holdco is based on publicly available information, including information in the Bidder's Statement, and has not been independently verified by Pacific Smiles. Pacific Smiles does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information. The information on Holdco in this Target's Statement should not be considered comprehensive. Further information about Holdco is set out in the Bidder's Statement.

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7.2 Holdco capital structure

Provided below is an illustrative structure chart of the Bidder Group and Pacific Smiles Group at completion of the Offer as disclosed in the Bidder's Statement:



Legend

- Collection of Shareholders
- Bidder Group Members
- Pacific Smiles Group Members

7.3 Rights and obligations attaching to Holdco Shares

Pacific Smiles Shareholders who are entitled to receive Holdco Shares as a result of accepting the Scrip Offer will become parties to the Holdco Shareholders' Deed. Under the terms of the Holdco Shareholders' Deed, Holdco Shareholders (other than Genesis Shareholders) will be required to hold their Holdco Shares through a nominee/bare trust arrangement, where the legal title to their Holdco Shares is held by the Nominee, who is also party to the Holdco Shareholders' Deed. Further, Holdco Shareholders will be subject to the Holdco Constitution, which binds Holdco, its directors and its shareholders (including the Nominee).

The differences in the rights of Pacific Smiles Shareholders who accept the Scrip Offer and the current rights of Pacific Smiles Shareholders arise due to the differences between the Constitution and the Holdco Constitution when coupled with the Holdco Shareholders' Deed. A number of differences also arise due to the fact that Holdco is a public unlisted company with less than 50 shareholders to which a different regulatory regime applies given neither the Listing Rules nor the Australian takeover rules contained in Chapter 6 of the Corporations Act apply.

A summary of the rights of Pacific Smiles Shareholders who accept the Scrip Offer, as compared to the rights of Pacific Smiles Shareholders as at the date of this Target's Statement is set out in the table below. Pacific Smiles Shareholders who are considering making an Election to accept the Scrip Offer should read this summary carefully and in its entirety, together with the full text of each document annexed to the Bidder's Statement. Pacific Smiles has assessed the Scrip Offer only on the information which has been provided by Genesis Bidco and therefore, further risks may become apparent.

This summary is not exhaustive, and Pacific Smiles Shareholders should have regard to the key matters which the Board has noted regarding the Scrip Offer in Section 1.4 of this Target's Statement, and have regard to the other disclosures in this Target's Statement and the Bidder's Statement in full before making any decision as to whether to accept the Scrip Offer.

Item	Summary of rights of Eligible Shareholders who accept the Scrip Offer and become HoldCo Shareholders	Summary of the current rights of Pacific Smiles Shareholders
Issue and ranking	<p>Eligible Shareholders who accept the Scrip Offer will receive Holdco Shares, which are ordinary shares in Holdco.</p> <p>Holdco may issue "Class M" shares to certain officers or employees of any group company under a management equity plan. "Class M" shares, among other things, do not confer security issue participation rights, tag-along rights, general meeting notice or voting rights or dividend rights.</p> <p><i>For more information please see rule 3.3 of the Holdco Constitution.</i></p>	<p>Pacific Smiles currently has ordinary shares and Performance Rights on issue.</p> <p>Only certain officers or employees of Pacific Smiles have been issued or are eligible to hold Performance Rights.</p>
Board appointment rights	<p>The Genesis Shareholders' Representative will, at all times, be entitled to appoint, remove and replace a majority of the Holdco Board.</p> <p>Any other Holdco Shareholder or a group of Holdco Shareholders (who are Associates of one another and who have given Holdco notice), and, who together hold at least 10% of Holdco Shares are entitled to appoint one director to the Holdco Board per 10% shareholding.</p> <p><i>For further information refer to clause 4.2 of the Holdco Shareholders' Deed.</i></p>	<p>All Directors are currently appointed by a resolution approved by a simple majority of Pacific Smiles Shareholders at a general meeting of Shareholders.</p> <p>Under rule 6.1(d) of the Pacific Smiles constitution, Directors may appoint any natural person to be a Director, either as an addition to the existing Directors or to fill a casual vacancy. A Director appointed under rule 6.1(d) must retire from office at the next annual general meeting following his or her appointment.</p>

Item	Summary of rights of Eligible Shareholders who accept the Scrip Offer and become HoldCo Shareholders	Summary of the current rights of Pacific Smiles Shareholders
Quorum of Board meetings	<p>Quorum of the Holdco Board is two directors, one of whom must be a director appointed by the Genesis Shareholders' Representative.</p> <p><i>For further information refer to clause 5.2 of the Holdco Shareholders' Deed.</i></p>	<p>Unless otherwise fixed by the directors of the Pacific Smiles Board, quorum of the Pacific Smiles Board is three Directors.</p>
Voting by the Board	<p>Subject to laws regarding material personal interests and conflicts, all resolutions of the Holdco Board will be made by a simple majority.</p> <p>Each Holdco Director is entitled to one vote. The Chairperson does not have a casting vote.</p> <p>Voting at the Board level is by simple majority, and there are no 'reserved matters' which might impose a higher 75% or unanimous threshold for certain key decisions, which may often be included in shareholder arrangements of this nature.</p> <p><i>For further information please refer to clause 4.2(b) and 4.8 of the Holdco Shareholders' Deed.</i></p>	<p>Subject to laws regarding material personal interests and conflicts, matters arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter.</p> <p>In the case of a tied vote, the Chairperson has a second or casting vote, unless there are only two Directors present or qualified to vote, in which case the proposed resolution is taken as having been lost.</p>
Directors acting in the interests or direction of nominating shareholders	<p>As directors of an Australian public company, Holdco Directors will have a duty to act in the best interests of Holdco as whole.</p> <p>Subject to applicable law, Holdco Directors may:</p> <ul style="list-style-type: none"> • disclose information to any nominating shareholder(s) received in their capacity as director; • have regard to or represent or act in the interests of their nominating shareholder(s); and • act on the directions and in the interests of their nominating shareholder(s). <p><i>For further information please refer to clause 4.7 of the Holdco Shareholders' Deed.</i></p>	<p>All Pacific Smiles Directors may only act in the best interests of Pacific Smiles as a whole.</p> <p>Pacific Smiles Shareholders who accept the Scrip Offer may be comparatively disadvantaged, as some Holdco Directors may make decisions that are contrary to their interests as individual Shareholders.</p>
Quorum of shareholder meetings	<p>Quorum for Holdco Shareholder meetings is two Holdco Shareholders, one of whom must be a Holdco Shareholder represented by the Genesis Shareholders' Representative.</p> <p><i>For further information refer to clause 4.15 of the Holdco Shareholders' Deed.</i></p>	<p>Quorum of the Pacific Smiles Shareholders consists of</p> <ul style="list-style-type: none"> (i) where the number of members entitled to vote is two or more, two of those members; or (ii) if only one member is entitled to vote, that member.

Item	Summary of rights of Eligible Shareholders who accept the Scrip Offer and become HoldCo Shareholders	Summary of the current rights of Pacific Smiles Shareholders
Related party transactions	<p>Holdco must comply with the related party provisions in the Corporations Act.</p> <p>The Holdco Shareholders' Deed and Holdco Constitution do not contain any additional rules regarding related party transactions to what is required under the Corporations Act.</p> <p>Namely, the Holdco Shareholders' Deed and Holdco Constitution does not include shareholder reserved matters which would ordinarily be included in shareholder arrangements of this nature, particularly regarding related party transactions.</p> <p>Therefore, unless the Holdco Board determines that a related party transaction is not on arm's length terms (and no other exception under the Corporations Act applies), Holdco Shareholders will not have an opportunity to vote on the matter.</p> <p><i>For further information see clause 4.6(b) of the Holdco Shareholders' Deed</i></p>	<p>Pacific Smiles must comply with the related party provisions in the Corporations Act, as well as the Listing Rules. In particular, the Listing Rules impose restrictions on Pacific Smiles entering into agreements with persons in a position of influence, such as related parties, Directors, subsidiaries or substantial holders without Shareholder approval unless an exception applies.</p>
Acquisitions or disposals of substantial assets	<p>A significant change to the operations of Holdco will not require Holdco Shareholder approval.</p> <p>Any activities and/or disposals are made at the sole discretion of the Holdco Directors (subject to any Corporations Act approvals that may be required).</p>	<p>Chapter 11 of the Listing Rules requires Pacific Smiles to obtain Shareholder approval in certain circumstances (and where required by the ASX) if it proposes to make a significant change to the nature or scale of its activities.</p>
Issue of further shares	<p>The Holdco Board may issue additional Holdco Shares in certain circumstances, including where the issue has been approved by Holdco Shareholders by simple majority resolution.</p> <p>There is the potential for Pacific Smiles Holdco Shareholders to be diluted as a result of resolutions for the issue of additional shares as approved by the Genesis Shareholders who are Holdco Shareholders.</p> <p><i>For further information refer to clauses 8.2 and 8.3 of the Holdco Shareholders' Deed.</i></p>	<p>Pacific Smiles is presently required to comply with ASX Listing Rules in relation to the issuance of securities, including obtaining Pacific Smiles Shareholder approval for issuances in certain circumstances, including where a proposed new issue of equity securities exceeds 15% of Pacific Smiles' share capital subject to certain exceptions.</p>

Item	Summary of rights of Eligible Shareholders who accept the Scrip Offer and become HoldCo Shareholders	Summary of the current rights of Pacific Smiles Shareholders
<p>Restrictions on transfer and granting of security interests</p>	<p>A Holdco shareholder cannot dispose of their Holdco Shares (other than in the permitted scenarios noted below) other than where (1) the HoldCo Board approves such transfer and (2) the HoldCo Shares are offered to each Genesis Shareholder and any other >10% Holdco Shareholder under the right of first refusal.</p> <p>The above restrictions also apply to any Holdco Shareholder proposing to grant an encumbrance or security interest over those shares.</p> <p>Holdco Shareholders may dispose of their Holdco Shares in the following circumstances:</p> <ul style="list-style-type: none"> • (Small holdings) a Holdco Shareholder (including a person who has a beneficial holding through the Nominee) who has a “small holding” may dispose of all of its securities pursuant to the small holdings compulsory acquisition process detailed in clause 15.1 of the Holdco Shareholders’ Deed (see “Compulsory buyout of small holdings” below); and • (Permitted transferee) the Holdco Shares are transferred to a permitted transferee (as defined in the Holdco Shareholders’ Deed). <p><i>For further information refer to rule 5.2 of the Holdco Constitution and clause 10 of the Holdco Shareholders’ Deed.</i></p>	<p>Subject to insider trading laws, Pacific Smiles Shareholders are presently able to sell their Holdco Shares on market at any time and there is a liquid market for Pacific Smiles Shares.</p> <p>Pacific Smiles Shareholders can also grant any encumbrance or security interest over their Shares.</p>
<p>Compulsory buyout of small holdings</p>	<p>After the date that is three months from the end of the Offer Period, the Holdco Board may by written notice require a Holdco Shareholder (including a person who has a beneficial holding through the Nominee) to dispose all of its Holdco Shares if the total number of Holdco Shares held by that Holdco Shareholder (including a person who has a beneficial holding through the Nominee) is 125,000 Holdco Shares or less. The parcel will be purchased at market value, to be determined by the Holdco Board in good faith (which may be lower than the Cash Offer price).</p> <p><i>For further information please see clause 15 of the Holdco Shareholders’ Deed.</i></p>	<p>There is no equivalent provision currently affecting Pacific Smiles Shareholders, although Pacific Smiles may sell the Shares of a Shareholder who has less than a Marketable Parcel (as defined in the ASX Listing Rules as shareholdings of less than \$500) of those Shares, subject to the provisions of rule 2.7 of the Pacific Smiles constitution.</p>

Item	Summary of rights of Eligible Shareholders who accept the Scrip Offer and become HoldCo Shareholders	Summary of the current rights of Pacific Smiles Shareholders
<p>Drag along rights</p>	<p>If one or more Genesis Shareholders proposes to complete a sale of at least 50% of the Holdco Shares held by the Genesis Shareholders to a third party buyer, they may give each of the Holdco Shareholders a drag notice requiring each Holdco Shareholder to sell their Holdco Shares (in the same proportion) on the terms stipulated in the drag notice.</p> <p><i>For further information refer to clause 12 of the Holdco Shareholders’ Deed.</i></p>	<p>There is no equivalent provision currently affecting Pacific Smiles Shareholders.</p>
<p>Tag along rights</p>	<p>If one or more Genesis Shareholders propose to complete a sale of at least 50% of Holdco Shares to a third party, and have not given a drag notice or the drag notice has been revoked, the Genesis Shareholders’ Representative must give an invitation to the other Holdco Shareholders to tag with the Genesis Shareholders to dispose of their Holdco Shares to the third party on materially the same terms.</p> <p><i>For further information refer to clause 14 of the Holdco Shareholders’ Deed.</i></p>	<p>There is no equivalent provision currently affecting Pacific Smiles Shareholders.</p>
<p>Exit</p>	<p>The Genesis Shareholders’ Representative may at any time give notice of an intention to proceed with an exit (including initial public offering or a sale of at least 50% of the Holdco Shares held by the Genesis Shareholders to a third party).</p> <p>There will be no Holdco Shareholder vote on the matter.</p> <p>Each other Holdco Shareholder must cooperate and use their best endeavours to do all acts, matters and things within its power to effect the exit on the terms specified by the Genesis Shareholders’ Representative.</p> <p><i>For further information refer to clauses 11 and 13 of the Holdco Shareholders’ Deed.</i></p>	<p>There is no equivalent provision currently affecting Pacific Smiles Shareholders, however, Listing Rule 11.2 requires that Pacific Smiles obtain Shareholder approval if it proposes to dispose of its main undertaking.</p>

Item	Summary of rights of Eligible Shareholders who accept the Scrip Offer and become HoldCo Shareholders	Summary of the current rights of Pacific Smiles Shareholders
Dividends	<p>Subject to the Holdco Constitution, Holdco Shareholders' Deed and the Corporations Act, the directors may declare or determine to pay any dividend that, in their judgment, the financial position of Holdco justifies.</p> <p>Genesis Bidco acknowledges in its Bidder's Statement that Holdco does not expect to be in a position to pay dividends to Holdco Shareholders in the short-term.</p> <p>It is also probable that, to the extent dividends are in fact paid, they may be unfranked for a period of time as Holdco's interest costs may exceed the otherwise taxable profits of Pacific Smiles and other businesses held by Holdco.</p> <p><i>For more information please see rule 10.1 of the Holdco Constitution.</i></p>	<p>Subject to any special terms and conditions of issue, the amount which the Directors from time to time determine to distribute by way of dividend are divisible among the members in proportion to the amounts paid up on the Shares held by them.</p> <p>The Constitution contains a provision allowing Directors to implement a dividend reinvestment plan and a dividend selection plan.</p> <p>Pacific Smiles has sought in the past to pay fully franked dividends to the extent possible.</p>
Winding up	<p>Subject to the Holdco Constitution and Holdco Shareholders' Deed, if Holdco is wound up and there are excess funds after paying all debts and liabilities, the excess must be divided among the members in proportion to the number of Holdco Shares they hold.</p> <p><i>For further information refer to rule 11 of the Holdco Constitution.</i></p>	<p>Pacific Smiles Shareholders (subject to any special or preferential rights attaching to classes of shares from time to time) will be entitled in a winding up to share in any surplus assets of the Company in proportion to the shares held by them, less any amounts which remain unpaid on these shares at the time of distribution.</p>

Item	Summary of rights of Eligible Shareholders who accept the Scrip Offer and become HoldCo Shareholders	Summary of the current rights of Pacific Smiles Shareholders
Event of default	<p>The following matters are events of default under the Holdco Shareholders' Deed:</p> <ul style="list-style-type: none"> • a Holdco Shareholder becomes the subject of an "Insolvency Event"; • a Holdco Shareholder breaches a material provision of the Holdco Shareholders' Deed which cannot be remedied within applicable grace periods; or • either: <ul style="list-style-type: none"> – there is a change in control in relation to a Holdco Shareholder and a person who has control as a result of that change was not a permitted transferee (as defined in the Holdco Shareholders' Deed); or – that Holdco Shareholder ceases to be a "Permitted Transferee" and does not comply with the snap back provisions set out in clause 10.3 of the Holdco Shareholders' Deed. <p>If an event of default has occurred in relation to a Pacific Smiles Holdco Shareholder (but not a Genesis Shareholder), Holdco may give notice to the defaulting Holdco Shareholder requiring the defaulting Holdco Shareholder to dispose of any or all of their Holdco Shares to:</p> <ul style="list-style-type: none"> • Holdco by way of a purchase, buy-back, cancellation as part of a reduction of capital or redemption (or any combination thereof); or • the Genesis Shareholders in the proportions determined by the Genesis Shareholders' Representative, by way of a sale. <p>The sale price payable for each applicable Holdco Share will be an amount equal to the lower of:</p> <ul style="list-style-type: none"> • 80% of the market value as at the date the event of default first occurs; and • the aggregate issue price of the relevant Holdco Shares, <p>where market value is determined by the Holdco Board.</p> <p>A number of the rights of the defaulting Holdco Shareholder's rights, including to vote at a general meeting of Holdco Shareholders, are suspended if an event of default occurs or is occurring.</p> <p>There is no equivalent provision currently affecting Pacific Smiles Shareholders.</p> <p><i>For further information please see clause 16 of the Holdco Shareholders' Deed.</i></p>	

Item	Summary of rights of Eligible Shareholders who accept the Scrip Offer and become HoldCo Shareholders	Summary of the current rights of Pacific Smiles Shareholders
Nominee	<p>Each Pacific Smiles Holdco Shareholder (but not the Genesis Shareholders) will be required to hold its Holdco Shares through the Nominee.</p> <p>Holdco will appoint the Nominee to hold all of the Holdco Shares issued to a Pacific Smiles Holdco Shareholder on bare trust pursuant to the terms of the Nominee Deed.</p> <p><i>For further information refer to clause 18 of the Holdco Shareholders' Deed.</i></p>	<p>There is no equivalent provision currently affecting Pacific Smiles Shareholders.</p>
Powers of attorney	<p>Each Holdco Shareholder irrevocably appoints the Genesis Shareholders' Representative and Holdco as its attorney to complete and execute documents, attend meetings and vote on resolutions and take such other steps for and on its behalf as the attorney thinks necessary to give effect to certain transactions contemplated by the Holdco Shareholders' Deed (including in connection with the drag along, tag along, compulsory acquisition of small holdings, the disposal of shares, an event of default and exit provisions in the Holdco Shareholders' Deed).</p> <p>In addition, all Holdco Shareholders appoint the Genesis Shareholders' Representative as its attorney to exercise Holdco Shareholder's rights at a meeting of Holdco Shareholders or to sign a resolution of members for and on behalf of that shareholder to approve:</p> <ul style="list-style-type: none"> • any financial assistance by Holdco in connection with debt financing or acquisitions in respect of Holdco or any its subsidiaries; and • the acquisition and/or cancellation of any Holdco Shares (whether by way of buy-back, cancellation, redemption or capital reduction) by Holdco in connection with the compulsory acquisition of small holdings pursuant to clause 15 or a defaulting Holdco Shareholder's Holdco Shares under clause 16. <p><i>For further information refer to clauses 2.3 and 27 of the Holdco Shareholders' Deed.</i></p>	<p>There is no equivalent provision currently affecting Pacific Smiles Shareholders.</p>

Item	Summary of rights of Eligible Shareholders who accept the Scrip Offer and become HoldCo Shareholders	Summary of the current rights of Pacific Smiles Shareholders
<p>Amendment to constituent documents</p>	<p>The Holdco Shareholders' Deed can be varied with approval of a simple majority of Holdco Shareholders.</p> <p>Where a variation would materially and adversely affect the rights of the non-Genesis Shareholders in a manner that would be disproportionate to the effect of the variation on the rights of the Genesis Shareholders, the variation must be approved by non-Genesis Shareholders holding a majority of Holdco Shares that are held by non-Genesis Shareholders.</p> <p>Under the Corporations Act, any amendment to the Holdco Constitution will require a special majority of Holdco Shareholders.</p> <p><i>For more information please see clause 26.1 of the Holdco Shareholders' Deed.</i></p>	<p>Under the Corporations Act, any amendment to the Pacific Smiles Constitution will require a special majority of Pacific Smiles Shareholders.</p>
<p>Continuous disclosure</p>	<p>Given it is a requirement under the Holdco Shareholders' Deed that Holdco has no more than 50 shareholders, Holdco will not have an obligation to disclose material price sensitive information.</p> <p>For more information please see clause 18.3 of the Holdco Shareholders' Deed.</p>	<p>Pacific Smiles must, in addition to the continuous disclosure requirements under the Corporations Act, comply with Chapter 3 of the Listing Rules which requires immediate disclosure to the market of certain material price sensitive information.</p>
<p>Information rights</p>	<p>Holdco Shareholders may request a copy of the most recent available annual audited accounts and Holdco must provide the requested information within a reasonable time (but not later than 10 business days after such request).</p> <p>For more information please see clause 6.2 of the Holdco Shareholders' Deed.</p>	<p>Pacific Smiles Shareholders currently have additional information rights available to them, as Pacific Smiles is a public listed company (see "Continuous disclosure" above).</p>

Item	Summary of rights of Eligible Shareholders who accept the Scrip Offer and become HoldCo Shareholders	Summary of the current rights of Pacific Smiles Shareholders
Financial reporting	<p>Holdco, being a public company (but not a disclosing entity) must lodge with ASIC an annual financial report and directors' report. The financial report includes the audited financial statements for the year, and the directors' declaration about the statements.</p> <p>There is no requirement for Holdco's financial statements to include:</p> <ul style="list-style-type: none"> • a declaration by the CEO and CFO that they give a true and fair view; • an 'operating and financial review'; and • financial report and directors' report for each half year. 	<p>Chapter 2M of the Corporations Act requires public companies of every size to disclose their annual financial report and directors' report. The financial report includes the audited financial statements for the year, and the director's declaration about the statements.</p> <p>A listed public company's annual financial report and directors' report must include additional information specified by the Corporations Act.</p> <p>A listed public company's financial statements must include a declaration by the CEO and CFO regarding those financial statements, including that they give a true and fair view.</p>
ASX Corporate Governance Principles & Recommendations	<p>Holdco's corporate governance will be the subject of the Holdco Constitution and other general legal requirements.</p>	<p>Besides its constitution and other general legal requirements, Pacific Smiles is also subject to, and must disclose its compliance with, the ASX Corporate Governance Principles and Recommendations.</p>
Variation of rights	<p>Subject to the Holdco Constitution and Holdco Shareholders' Deed, the rights attached to the shares in any class may be altered at any time by resolution of the Holdco Board.</p> <p><i>For more information please see rule 3.4 of the Holdco Constitution.</i></p>	<p>The rights attached to any class of shares may, unless their terms of issue state otherwise, be varied:</p> <ul style="list-style-type: none"> • with the written consent of the holders of 75% of the shares of the class; or • by a special resolution passed at a separate meeting of the holders of shares of the class.

Item	Summary of rights of Eligible Shareholders who accept the Scrip Offer and become HoldCo Shareholders	Summary of the current rights of Pacific Smiles Shareholders
Takeovers	<p>Chapter 6 of the Corporations Act only applies if there are more than 50 members. Accordingly, a person may acquire control of Holdco in a manner that would have not been permitted had Chapter 6 of the Corporations Act applied, for example, without making a takeover bid or proposing a scheme of arrangement.</p> <p>A person may acquire control of Holdco in circumstances where less information was disclosed to Holdco Shareholders or where less time was given to them to assess the offer put to them about the control transaction, than would have been permitted had Chapter 6 of the Corporations Act applied.</p> <p>A person may acquire control of Holdco in a manner that does not give Holdco Shareholders equal opportunity to participate in the offer and any takeover premium offered by the bidder.</p>	<p>Chapter 6 of the Corporations Act prohibits a person from acquiring Relevant Interests in a listed company's shares where it would have the effect of causing the person's or someone else's voting power in the company to increase from 20% or below to above 20% or from a starting point of above 20% and below 90% unless an exception, such as a takeover bid or scheme of arrangement, applies.</p> <p>The takeover regime in Chapter 6 contains a range of rules designed to provide investors with sufficient time and detailed disclosure requirements relating to a takeover bid so that they may assess the offer put to them by the bidder.</p> <p>In addition, the takeover regime in Chapter 6 includes rules designed to provide for shareholders in a company which is the subject of a takeover to have an equal opportunity to participate in the offer and any takeover premium offered by the bidder.</p>

7.4 Foreign shareholders

An Eligible Foreign Shareholder is any person whose address as shown in the Register as being in a jurisdiction other than Australia and its external territories who Genesis Bidco (in its absolute discretion) determines it can offer Holdco Shares to without complying with any registration, disclosure or other legal or process requirement under laws of the jurisdiction where that Pacific Smiles Shareholder is resident. All other Foreign Shareholders are Ineligible Foreign Shareholders.

If you are an Ineligible Foreign Shareholder, if you elect the All Scrip Consideration or Mixed Consideration and Genesis Bidco determines you are an Ineligible Foreign Shareholder, no Holdco Shares will be issued to the Nominee on your behalf. Instead, the Holdco Shares to which you would otherwise become entitled will be issued to a sale agent which will deal with those Holdco Shares in accordance with the process set out in section 12.6 of the Bidder's Statement.

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08

Risk factors

08 Risk factors

8.1 Overview

There are various risks associated with either accepting the Offer or rejecting the Offer and continuing to hold Pacific Smiles Shares. Some of these risks are specific to Pacific Smiles, while others are risks of a more general nature that apply to any investment in a listed company. Some of these risks can be adequately mitigated by using safeguards and appropriate systems, but many are beyond the control of Pacific Smiles and its Directors and cannot be mitigated.

This Section also sets out risks associated with accepting the Scrip Offer and becoming a Holdco Shareholder, both in the scenario where Genesis Bidco acquires a Relevant Interest in 90% of the Pacific Smiles Shares and proceeds to compulsory acquisition, or where Genesis Bidco waives the Minimum Acceptance Condition and acquires a Relevant Interest in less than 90% of Pacific Smiles Shares.

The risks summarised below are not exhaustive and do not consider the personal circumstances of Pacific Smiles Shareholders. Prior to deciding whether to accept or reject the Offer, Pacific Smiles Shareholders should read this entire Target's Statement to gain an appreciation of Pacific Smiles, its activities, operations, financial position and prospects, including the risks set out in this Section 8, and should seek professional advice if they have any doubt about the risks associated with accepting or rejecting the Offer, having regard to their investment objectives and financial circumstances.

The options which you have in relation to the Offer are set out in Section 3 of this Target's Statement.

8.2 Risks associated with accepting the Cash Offer

If you accept the Offer, the following risks may apply to you.

(a) Conditions

If the Conditions are not satisfied or waived, and Genesis Bidco withdraws its Offer or you become entitled to withdraw your Acceptance and do so, you will continue to hold your Pacific Smiles Shares as if you had not accepted the Offer.

(b) Limited withdrawal rights

You may only withdraw your Acceptance in limited circumstances where the Offer is extended whilst it is still conditional, and the extension delays the right to receive the Offer Consideration by one month or more.

(c) Possibility of superior proposal emerging

A third party with a superior proposal may emerge. By accepting the Offer, you will not be able to accept any superior proposal that may be made, unless you become entitled to withdraw your acceptance in the limited circumstances noted above. The Directors note that there is no guarantee that any superior proposal, or alternative proposal from any third party, will arise.

(d) Taxation consequences of accepting the Offer

The taxation consequences of disposing of your Pacific Smiles Shares pursuant to the Offer, and accepting the All Cash Consideration or Mixed Consideration depend on a number of factors and your particular circumstances. A general outline of certain Australian tax considerations of such a disposal is set out in Section 9 of this Target's Statement. You should seek your own specific professional tax advice as to the taxation implications applicable to your circumstances.

(e) Possible appreciation of Pacific Smiles Shares in the future

You may be able to sell your Pacific Smiles Shares in the future for more valuable consideration than the Offer Consideration (though the Directors can give no assurances and make no forecast of whether this will occur).

(f) No right to further dividends

If you accept the Cash Offer, you will have no right to receive any further dividends from Pacific Smiles, or participate in any other capital returns to Shareholders.

8.3 Risks associated with accepting the Scrip Offer

If you accept the Scrip Offer, new Holdco Shares will be issued to the Nominee to be held on your behalf, and you will become a Holdco Shareholder. Set out below is a summary of the risks associated with becoming a Holdco Shareholder, both in the scenario where Genesis Bidco acquires a Relevant Interest in 90% of the Pacific Smiles Shares and proceeds to compulsory acquisition, or where Genesis Bidco waives the Minimum Acceptance Condition and acquires a Relevant Interest in less than 90% of Pacific Smiles Shares.

These risks are not exhaustive. Pacific Smiles has assessed the Scrip Offer only on the information which has been provided by Genesis Bidco and therefore, further risks may become apparent.

Prior to deciding whether to accept the Scrip Offer, Pacific Smiles Shareholders should read this Target's Statement and the Bidder's Statement in their entirety to understand the rights of Pacific Smiles Holdco Shareholders (and risks associated with holding Holdco Shares), when compared to the current rights of Pacific Smiles Shareholders (and risks associated with holding Pacific Smiles Shares) as set out in Section 8.4 below.

(a) Risks associated with accepting the Scrip Offer – Genesis Bidco acquires a Relevant Interest in 90% of Pacific Smiles Shares

(i) Indirect interest in Pacific Smiles

Pacific Smiles Shareholders who accept the Scrip Offer will lose their direct interest in (and right to any dividends paid by) Pacific Smiles, and will instead hold an indirect interest in Pacific Smiles through Holdco, an unlisted public company.

(ii) Unlisted public company regulatory regime

The rights of Pacific Smiles Holdco Shareholders are significantly different to Pacific Smiles Shareholders' current rights, including as a result of the regulatory regime which applies to Holdco as an unlisted public company with less than 50 members. A comparison of the rights of Pacific Smiles Shareholders and Pacific Smiles Holdco Shareholders is set out in Section 7.3 of this Target's Statement.

(iii) Restrictions on disposal and lack of liquidity

A Holdco Shareholder cannot voluntarily dispose of their Holdco Shares other than to a permitted affiliate transferee unless: (i) the Holdco Board approves such transfer; and (ii) those Holdco Shares are first offered to each Genesis Shareholder and any other Holdco Shareholder with at least 10% of the Holdco Shares under a right of first refusal.

Additionally, given Holdco is an unlisted public company, there will be no public market for the trading of Holdco Shares, nor is there expected to be any such market in the future. Genesis Bidco acknowledges in the Bidder's Statement that Holdco Shares will be substantially illiquid.

(iv) Dilution

In the Bidder's Statement, Genesis Bidco has identified that Holdco may need to raise additional capital through the issue of new Holdco Shares in the future in order to meet relevant operating and/or financing requirements. Other than limited "permitted" issues, the issue of new Holdco Shares (in any amount) requires approval from only a simple majority of Holdco Shareholders, and may therefore be approved without the support of any Pacific Smiles Holdco Shareholders. Additionally, Holdco Shareholders will have no pre-emptive rights with respect to any new Holdco Shares issued. Therefore, future capital raisings or equity funded acquisitions by the Bidder Group may dilute the holdings of a particular Pacific Smiles Holdco Shareholder relative to other Holdco Shareholders.

(v) Limited Holdco Board appointment rights

Pacific Smiles Holdco Shareholders will only be entitled to appoint a director to the Holdco Board where they (individually or in aggregate with other Holdco Shareholders) hold at least 10% of Holdco Shares. By contrast, the Genesis Shareholders will always be entitled to appoint such number of directors to the Holdco Board to maintain a board majority.

(vi) Absence of shareholder reserved matters

Ordinarily, in shareholder deeds for unlisted public companies, there will be certain matters which are reserved for either a special majority or unanimous decision of the company's shareholders to ensure minority shareholders have input on the most material decisions affecting the company. However, the rights of Holdco Shareholders to vote on matters relevant to Holdco (and, therefore the interest in Pacific Smiles) is limited to those rights at law (in addition to approving any amendments to the Holdco Shareholders' Deed which would adversely affect the rights of Pacific Smiles Holdco Shareholders).

This means that decisions relating to the disposal of the Pacific Smiles business, acquisition of Impression Dental Group or other material acquisitions, significant issues of further Holdco Shares or an 'exit' such as the sale of 50% of Holdco Shares held by Genesis Shareholders (as discussed further in Section 8.3(a)(vii) below) may be determined by the Holdco Board with no Holdco Shareholder input, other than where the transaction is with a related party and no exceptions to the matter being determined by the Holdco Board apply (for instance, where the Holdco Board determines it is not on arm's length terms).

(vii) Exit

The terms of the Holdco Shareholders' Deed permit any Holdco director who has been appointed by a Genesis Shareholder (but not a Pacific Smiles Holdco Shareholder) to propose an 'exit' event, such as an initial public offering of Holdco Shares or sale of 50% of Holdco Shares. In this event, all Holdco Shareholders must cooperate with respect to that proposed exit, regardless of their support for the transaction.

(viii) Limited minority shareholder rights

In addition to the matters noted above regarding Holdco Board appointment rights and lack of shareholder reserved matters, the Holdco Shareholders' Deed generally includes very limited minority shareholder rights, including:

- **no pre-emptive rights for the issue of new Holdco Shares:** the Holdco Board may issue new Holdco Shares where approved by simple majority of the Holdco Shareholders. Holdco Shareholders have no pre-emptive right with respect to such new issues and could therefore be significantly diluted;
- **limited pre-emptive rights for the transfer of Holdco Shares:** as noted above, there is a right of first refusal in favour of Genesis Shareholders and any other Holdco Shareholders with at least 10% of the Holdco Shares with respect to any proposed disposal of Holdco Shares. If a Pacific Smiles Holdco Shareholder does not hold at least 10% of the Holdco Shares, it has no pre-emptive right under the right of first refusal regime; and
- **drag along:** if any Genesis Shareholders propose to transfer at least 50% of the Holdco Shares held by the Genesis Shareholders to a third party, the Pacific Smiles Shareholders may be required to sell their Holdco Shares at the same price (which need not be fair market value).

A comparison of the Pacific Smiles Holdco Shareholders' rights against their current rights as Pacific Smiles Shareholders is set out in Section 7.3.

(ix) Leverage

Based on Genesis Bidco's disclosure regarding its proposed split of equity and debt funding in connection with the Offer, it is expected that Holdco will be highly leveraged. For example, assuming that the holders of 5% of the Pacific Smiles Shares (in aggregate) accept the Offer and elect to receive All Scrip Consideration, it is estimated that Holdco would have approximately \$153 million in debt,²¹ which is equal to 5.4 turns of debt to Pacific Smiles' FY24 EBITDA.²² This is significantly higher than typical private equity leverage in an Australian market context.

Holdco is also expected to have high interest costs under its debt commitments. Based on Genesis Bidco's disclosures, Holdco's interests costs are estimated to range from \$12.3 million to \$17.7 million per annum. These interests costs are almost equal to Pacific Smiles' free cash flow in FY24 (being approximately \$15.0 million).

21. Refer to section 4.3(b) of the Bidder's Statement.

22. Equal to debt (approximately \$153 million) divided by Pacific Smiles' FY24 EBITDA (approximately \$28.2 million).

08 Risk factors

A Holdco Shareholder will be exposed to the risks arising from Genesis Bidco's debt commitments and highly leveraged position. Specifically, a Holdco Shareholder may become exposed to greater risks than they currently face as a Pacific Smiles Shareholder in circumstances where Holdco and its subsidiaries (including, after Completion, Pacific Smiles) have debt facility commitments which lead it to have a gearing (debt to equity) ratio that is significantly greater than the gearing ratio of Pacific Smiles and other similar ASX-listed companies. Interest payment obligations owed by the Bidder Group may reduce the free cash flow of the consolidated group and lower the profits available for distribution to Holdco Shareholders.

(x) Lack of dividends

No decision has yet been made regarding Holdco's dividend policy. However, Genesis Bidco acknowledges in its Bidder's Statement that Holdco does not expect to be in a position to pay dividends to Holdco Shareholders in the short-term.

To the extent Holdco pays any dividends in the future, the level of franking on any such dividends will be affected by a number of factors, including the level of Holdco's available franking credits and distributable profits. The extent of leverage in the Bidder Group may adversely affect the extent to which fully franked dividends can be paid. The value and availability of franking credits to a Holdco Shareholder will depend on that Holdco Shareholder's particular circumstances.

(xi) Management fees

The Holdco Board may decide to enter into a management services agreement, pursuant to which fees for advisory or management services may be charged on arm's length terms (expected to be on a cost pass through or cost reimbursement basis). The amount of fees charged under such arrangements would reduce Holdco earnings which may otherwise be available for dividends or distributions, operational expenditure or capital expenditure or repayment of debt.

(xii) Loss of key contracts and leases

If Genesis Bidco acquires a Relevant Interest in 90% of Pacific Smiles Shares:

- the financier under Pacific Smiles' existing debt facility may be entitled to reduce or cancel the facility;
- HBF may be entitled to terminate its agreement with Pacific Smiles with respect to the management of the HBF Dental Centres; and
- the landlords under approximately 19.4% of Pacific Smiles' leases, including for the nib Sydney centre, may have a termination right if they do not consent to Genesis Bidco obtaining control of Pacific Smiles or proceeding to de-list Pacific Smiles.

If any of these events occurred, this could materially adversely impact the operations and financial performance of Pacific Smiles, and in turn, Holdco. In particular, if any of the leases are terminated, this could adversely impact Pacific Smiles' patient fees, revenue and cash flows in the period until, or after, Pacific Smiles identifies and establishes alternative premises (which may be on less favourable terms for Pacific Smiles compared to the current leases).

(xiii) Transaction costs

Pacific Smiles and Genesis Bidco will incur transaction costs in connection with the Offer, including as a result of any break fee which may become payable to NDC Bidco by Pacific Smiles under the terms of the NDC Scheme Implementation Deed (in the amount of \$3,300,000). Refer to Section 4.16 of this Target's Statement for further details regarding the break fee.

Additionally, Genesis Bidco has disclosed that \$25 million will be required to fund the Bidder Group's transaction costs and provide starting balance sheet liquidity. Assuming 5% of Pacific Smiles Shareholders elect to receive the All Scrip Consideration (with no Shareholders electing to receive the Mixed Consideration), this would equate to a cost of 29c per Holdco Share (which does not include all Pacific Smiles' transaction costs, which would also be assumed by Holdco).

(b) Risks associated with accepting the Scrip Offer – Genesis Bidco acquires a Relevant Interest in less than 90% of Pacific Smiles Shares

(i) Indirect minority interest in Pacific Smiles

If Genesis Bidco waives the Minimum Acceptance Condition, there is no guarantee that it will acquire a Relevant Interest in 90% of Pacific Smiles Shares which might enable it to proceed with compulsory acquisition of the balance of the Pacific Smiles Shares. In that scenario, Genesis Bidco may hold a controlling interest with less than 90% Voting Power, or a minority interest, in Pacific Smiles. Pacific Smiles Shareholders who made an Election to receive the All Scrip Consideration or Mixed Consideration would lose their direct interest in (and right to any dividends paid by) Pacific Smiles, and will instead hold an indirect interest in Pacific Smiles through a small shareholding in Holdco, an unlisted public company, which in turn may not have a controlling interest in Pacific Smiles.

Genesis Bidco has stated in its Bidder's Statement that, in circumstances where it waives the Minimum Acceptance Condition and has a Relevant Interest in less than 50% of Pacific Smiles Shares, it does not expect to be in a position to give effect to its intentions set out in sections 8.3 and 8.4 of the Bidder's Statement.

(ii) Availability of capital gains tax roll-over relief if Genesis Bidco obtains a Relevant Interest in less than 80% of Pacific Smiles Shares

If Genesis Bidco waives the Minimum Acceptance Condition and the Bidder Group does not obtain an interest in at least 80% of the Pacific Smiles Shares, scrip-for-scrip rollover relief (which defers the tax on capital gains made on the disposal of the Pacific Smiles Shares until a future disposal of Holdco Shares) will not be available for Pacific Smiles Shareholders who have accepted the Offer and elected to receive All Scrip Consideration or Mixed Consideration.

(iii) Loss of key contracts and leases

If Genesis Bidco acquires a Relevant Interest in 50% of Pacific Smiles Shares:

- the financier under Pacific Smiles' existing debt facility may be entitled to reduce or cancel the facility; and
- HBF may be entitled to terminate its agreement with Pacific Smiles with respect to the management of the HBF Dental Centres.

Further, numerous Pacific Smiles leases provide the landlord with termination rights in circumstances where Genesis Bidco acquires a Relevant Interest in 50% or more Pacific Smiles Shares. This includes:

- approximately 4.6% of Pacific Smiles' leases where Genesis Bidco obtains a Relevant Interest in 50% of Shares while the Offer remains subject to Conditions; and
- approximately 3.9% of Pacific Smiles' leases, including for the nib Sydney centre, where Genesis Bidco obtains a Relevant Interest in 50% of Shares and the Offer is declared unconditional.

If any of these events occurred, this could materially adversely impact the operations and financial performance of Pacific Smiles, and in turn, Holdco. In particular, if any of the leases are terminated, this could adversely impact Pacific Smiles' patient fees, revenue and cash flows in the period until, or after, Pacific Smiles identifies and establishes alternative premises (which may be on less favourable terms for Pacific Smiles compared to the current leases).

(iv) Other risks associated with holding Holdco Shares

All of the risks associated with holding Holdco Shares noted in Section 8.3(a) above will also apply where Genesis Bidco waives the Minimum Acceptance Condition and acquires a Relevant Interest in less than 90% of Pacific Smiles Shares.

8.4 Risks associated with rejecting the Offer and continuing as a Pacific Smiles Shareholder

(a) Minority ownership consequences

Genesis Bidco's intentions in relation to Pacific Smiles in various scenarios where Genesis Bidco acquires different levels of Relevant Interests in Pacific Smiles are set out in section 8 of the Bidder's Statement.

Depending on the number of Pacific Smiles Shareholders which accept the Offer (noting the Offer currently has a Minimum Acceptance Condition which requires that, at the end of the Offer Period, Genesis Bidco and its Associates have Relevant Interests in 90% (by number) of Pacific Smiles Shares on issue at that time), implications on the remaining Pacific Smiles Shareholders who do not accept the Offer may include the following:

- (i) depending on the size of Genesis Bidco's interest in Pacific Smiles Shares, it may be less likely that another party will seek to acquire all of the Pacific Smiles Shares in the future;
- (ii) Genesis Bidco may be in a position, either alone or together with other Pacific Smiles Shareholders, to cast the majority of votes at a general meeting of Pacific Smiles Shareholders, which will in turn enable it to control the composition of the Board and senior management, determine Pacific Smiles' dividend policy and control the strategic direction of the businesses of the Pacific Smiles Group as determined following its proposed operational review;
- (iii) the liquidity in Pacific Smiles Shares may be lower than at present;
- (iv) if the number of Pacific Smiles Shareholders is less than that required by the Listing Rules to maintain an ASX listing, Genesis Bidco has stated in section 8.2 of the Bidder's Statement that it may seek to procure that Pacific Smiles is removed from the official list of the ASX. If this occurs, Pacific Smiles Shareholders will not be able to sell their Pacific Smiles Shares on the ASX; and
- (v) if Genesis Bidco acquires Voting Power of 75% or more in Pacific Smiles, it will be able to pass a special resolution of Pacific Smiles Shareholders. This will enable Genesis Bidco to, among other things, change the Pacific Smiles constitution.

(b) No consideration and drop in Pacific Smiles Share price

Pacific Smiles Shareholders who do not accept the Offer will not receive the Offer Consideration.

Further, if the Offer is withdrawn or terminated then, in the immediate aftermath of this event, the Share price could well fall. In the absence of any other proposals for Pacific Smiles' business, the Pacific Smiles Shares will remain quoted on the ASX and will continue to be subject to market volatility, which may have a more pronounced impact on the Pacific Smiles Share price given the potential liquidity of the register. This market volatility may include general stock market movements and the impact of general economic conditions.

Notwithstanding this, even during a period of heightened corporate activity over the past 12 months, the Company's central focus has been on its core operating activities to maximise value for Shareholders. To that end, FY24 signified a period of strong cash flows and improvement in profitability driven by revenue growth and operating efficiency, demonstrating the strength of the Company's operating business. The Pacific Smiles Board remains focused on providing opportunities for improved returns to Shareholders.

(c) Changes in the market and patient trends

Pacific Smiles' continued success depends in part on its ability to anticipate, gauge and respond to industry trends and changes in patient preferences and attitudes towards different dental treatments. If Pacific Smiles is unable to anticipate and respond to trends in the dental industry and changing patient demands in a timely fashion, its financial results may deteriorate.

Patient behaviour and spending in the dental industry may also be affected by the state of the broader economy. If Australian economic conditions worsen, there is a risk that patients will delay or skip treatments, defer more expensive complex procedures or redirect their spending on dental services given the discretionary nature of some of these services, which may result in a reduction in Pacific Smiles' revenue and may have a material adverse effect on Pacific Smiles' financial performance and financial position. Additionally, a higher inflationary environment may drive up Pacific Smiles' costs that are unable to be fully passed on to consumers, creating pressure on operating margins.

(d) Personnel risk

The Pacific Smiles management team has encountered significant additional workload and pressure as a result of the corporate activity over the past year following announcement of the Genesis Initial Indicative Proposal in December 2023, including the subsequent proposals from NDC Bidco and Genesis Capital, the NDC Scheme and Takeovers Panel proceedings.

As set out in Sections 5.4 and 5.5 above, Mr Andrew Vidler (Managing Director and Chief Executive Officer) and Mr Matthew Cordingley (Chief Financial Officer) have recently tendered their notices of resignation. There is a risk that further members of management and key personnel may decide to depart the business.

As announced on 3 October 2023, the Company has put in place arrangements for Martin White, Pacific Smiles' current Head of Finance, to become Acting Chief Financial Officer from that time. Mr White 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.

Pacific Smiles is also well advanced in its search for a new CEO and is pleased by the experience and calibre of candidates that have expressed an interest in the role.

The successful operation of Pacific Smiles is reliant on its ability to attract and retain experienced, skilled and high performing personnel (including key management). Failure to attract and retain such personnel may adversely affect Pacific Smiles' operations and ability to execute its business strategy, which may, in turn, result in a material increase in the cost of obtaining appropriately qualified and experienced personnel and affect Pacific Smiles' financial performance and position. In light of this, Pacific Smiles has in place measures to incentivise and retain its key personnel.

(e) Loss of key contracts and leases

If you remain a Pacific Smiles Shareholder and Genesis Bidco obtains a Relevant Interest in 50% or more Pacific Smiles Shares, this may result in termination rights arising under certain of Pacific Smiles' key contracts, including its debt facility, agreement with HBF as to the management of HBF Dental Centres and various lease agreements (each as described in further detail in Sections 8.3(a)(xii) and 8.3(b)(iii) above).

(f) Changes to the dental and private health insurance industries

While the patients of dental practitioners who engage the services and facilities of Pacific Smiles are comprised of a mixture of privately insured and non-insured individuals, Pacific Smiles is indirectly susceptible to factors adversely affecting the membership and profitability of private health insurers. These private health insurers may, from time to time, seek to renegotiate the terms of their arrangements with Pacific Smiles to seek to improve the offering to their members.

Membership of private health insurance funds in Australia is supported by a number of Commonwealth Government policies, including the Private Health Insurance Rebate and Medicare Levy Surcharge. To the extent that these policies change, or new policies are enacted, this may reduce incentives to hold private health insurance and the level of private health insurance in Australia may fall. Patients without private health insurance wishing to visit dentists who practice at Pacific Smiles' centres may experience higher out-of-pocket expenses, which may adversely affect the affordability and demand for dental services and, therefore, the frequency of visits to Pacific Smiles dental centres. A decline in the profitability of private health insurance funds or the inability of private health insurance funds to obtain premium increases may result in Pacific Smiles' inability to achieve growth in the funding it receives from private health insurance funds or its inability to renew contracts with private health insurance funds on suitable terms.

(g) Payroll tax compliance in respect of SFAs with dentists

Most of the dentists who choose to practice at Pacific Smiles dental centres operate under an SFA. Pacific Smiles considers dentists who operate under SFAs to be principals who are operating their own dental practice; they are not considered to be employees or contractors. Consequently, these dentists' earnings were not considered to be subject to payroll tax (unlike the earnings of employees and contractors of Pacific Smiles which are subject to payroll tax).

Following a recent legal action pursued by Revenue NSW, known as the "Thomas and Naaz" case, the earnings of dentists who are a party to a SFA with Pacific Smiles are now potentially subject to payroll tax.

The Directors confirm that there has been no update to the status of this matter since the Scheme Booklet was released to the ASX, and confirms the status of Pacific Smiles' engagement with the state revenue offices as at the Last Practicable Date is as follows:

- **Revenue NSW:** as announced on 16 May 2023, Pacific Smiles received a determination from Revenue NSW which indicated it considered the SFAs for dentists in NSW were subject to payroll tax. Revenue NSW later issued a payroll tax assessment for the four financial years from 2019 to 2022 (inclusive) in the aggregate amount of \$966,320 (as announced on 14 June 2023), which Pacific Smiles has paid (notwithstanding it disagreed with that assessment and reserved its rights in relation to future periods).
- **ACT Revenue:** on 16 May 2023, Pacific Smiles wrote to ACT Revenue to advise it had received the Revenue NSW determination. ACT Revenue subsequently issued two payroll tax assessments in the aggregate amount of \$1,154,517 for the 2019 to 2023 financial years (notably using a different calculation methodology to Revenue NSW). Pacific Smiles has since paid the amount under both assessments, but has lodged objections with respect to those assessments. If the objections are allowed, Pacific Smiles expects it will receive a refund for some or all amounts paid, however there is no guarantee that the objections will be allowed or, if allowed, the quantum of any refund.
- **Victorian State Revenue Office and Queensland Revenue Office:** at the same time Pacific Smiles advised ACT Revenue of the NSW Revenue determination, it also advised the Victorian State Revenue Office and Queensland Revenue Office. As at the Last Practicable Date, Pacific Smiles has not received any requests for information, determinations or assessments from these revenue offices. Notwithstanding this, it is possible they may do so in the future and, therefore, a risk that payroll tax assessments for dentists in Victoria and Queensland may arise for historical periods.

The calculation of payroll tax under the SFAs is a complex issue, and the outcomes of any future determinations or assessments (including the outcome of the objections in respect of the ACT Revenue assessments) are difficult to forecast, but there is a risk that any future payroll tax determination to Pacific Smiles may negatively impact its future earnings beyond what has been disclosed to date.

Presently, and on a go-forward basis, Pacific Smiles is paying payroll tax on SFAs in all States and Territories where it owns dental centres. Pacific Smiles has received legal and tax advice regarding this payroll tax calculation method. Notwithstanding this, there is a risk that the calculation method being applied by Pacific Smiles results in less payroll tax being remitted than some or all of the State and Territory revenue offices consider to be payable (using a different calculation method). If one or more of those State and Territory revenue offices disputes the calculation method, there is a risk of further reassessments for payroll tax going forward.

(h) Brand or reputational damage

Pacific Smiles' ability to maintain its reputation is critical to the perception of its centres and offerings. A number of factors as set out in this Section 8.4 may adversely impact Pacific Smiles' brand name and general reputation, which may consequently adversely impact its financial performance, condition and future prospects.

These factors include serious or unexpected side effects experienced by patients from the provision of Pacific Smiles' dental services (which may or may not be the fault of Pacific Smiles or its dental practitioners), failure to maintain consistent and high standards across its network of dental centres, inadvertent breach of privacy obligations leading to the disclosure of patient personal or sensitive information, potential disputes or litigation with suppliers, private health funds, patients, dental practitioners, employees or other third parties and other risks to Pacific Smiles' brand and reputation that are beyond Pacific Smiles' control, including any adverse publicity in relation to the dental industry.

Damage to the reputation of Pacific Smiles' main third party equipment and product suppliers (which may be affected by matters outside of Pacific Smiles' control) could have an adverse effect on Pacific Smiles' operations and ability to execute its growth strategy. This could result in an adverse impact on Pacific Smiles' financial performance, condition and future prospects.

(i) Material contracts

Pacific Smiles has contracts in place regarding its relationship with HBF (including relating to the management of the HBF Dental Centres) and nib. These contracts are material to the continued success of Pacific Smiles, including its financial performance and position. Pacific Smiles also has in place a number of other contracts which are not considered to be individually material, but which support its business model and operations, including its leases for dental centres, agreements with other private health insurers and supply agreements.

In circumstances where Genesis Bidco obtains a Relevant Interest in 50% of Pacific Smiles Shares, HBF may be entitled to terminate its agreement with Pacific Smiles. Any such termination may have a material adverse effect on Pacific Smiles' operations (given the impact on Pacific Smiles' management of the HBF Dental Centres) and consequently on its financial performance and position.

Pacific Smiles' contracts may contain unfavourable provisions, be terminated, lost or impaired or renewed on less favourable terms. In certain circumstances, Pacific Smiles may be required to indemnify a counterparty for any loss, damage or claim suffered or incurred by that counterparty in connection with a breach of the relevant contract by Pacific Smiles or the operator of one of its dental centres. Termination of a key arrangement prior to the end of the contract term, or Pacific Smiles' inability to enforce its rights under a contract, could have adverse impacts on Pacific Smiles' business and operation costs and, consequently, Pacific Smiles' financial performance.

While Pacific Smiles' material contracts are generally agreed for a long term, there is the risk that these contracts will not be renewed on terms favourable to Pacific Smiles or at all. There is also the possibility that the counterparties under the material contracts approach Pacific Smiles to seek amendment to the commercial terms.

(j) Non-compliance with regulations and regulatory changes

There is a risk that Pacific Smiles may fail to comply with applicable laws and regulations in operating its business (including in relation to privacy and employment). A compliance framework is in place to ensure protocols are established and followed including through Pacific Smiles' Dental Advisory Committee and internal clinical governance committee, and that Pacific Smiles' dental practitioners are well credentialed. Notwithstanding this, Pacific Smiles may be liable for breaches of laws and regulations by dental practitioners where it has failed to take reasonable steps to ensure compliance by those practitioners with applicable laws and regulations. In addition, there are various federal, state and territory laws and regulations that govern the dental industry in Australia, which impact Pacific Smiles and the dental practitioners based at Pacific Smiles' dental centres.

Due to the nature of the services offered by Pacific Smiles, consumer confidence in Pacific Smiles and its dental centres is important to retaining and attracting new patients. Non-compliance with applicable laws and regulations and associated adverse publicity could damage Pacific Smiles' brand and reputation and result in loss of patients and reduced demand for Pacific Smiles' services. Other adverse consequences for Pacific Smiles include loss of regulatory licences, regulatory penalties or other litigation, as well as costs associated with dealing with such adverse consequences (such as legal costs), which could materially affect Pacific Smiles' financial performance and position.

Pacific Smiles has in place a robust risk management framework that considers the risks which may arise due to changes in laws and regulations. Notwithstanding this, Pacific Smiles is unable to predict the effect of any additional laws and regulations that may be adopted in the future, or any changes in current regulation or interpretation that apply to Pacific Smiles' operations or the dental industry generally, including in respect of climate change and greenhouse gas emissions. No assurance can be given as to the effect that any such laws or regulations or changes may have on Pacific Smiles' business operations, financial performance and financial position.

(k) Ability to attract and remain engaged by dentists

Dental practitioners are the main customer of Pacific Smiles. Pacific Smiles relies on their continuing engagement of its services. The success of the dentists drives patient attendances and thereby revenue for Pacific Smiles. The success of Pacific Smiles' business is heavily reliant on its ability to continue to provide facilities and services to appropriately qualified and experienced dental practitioners who want to conduct their practice from Pacific Smiles' various dental centres.

Dentist engagement, and dentists' ongoing retention of the Company to provide facilities and services, is a priority for Pacific Smiles. It is tracked and reported on regularly. However, there is a risk that dental practitioners may cease to practice at Pacific Smiles' centres due to a range of factors, including competition and the quality of Pacific Smiles' facilities and equipment (compared to those offered by competitors). Further, some dentists may prefer to move away from the SFA model and instead work as an employee dental practitioner or be a sole operator. Under Pacific Smiles' SFAs, the dental practitioners may terminate their service arrangements for convenience with varying notice periods.

Pacific Smiles' service fee revenues are determined based on the dental practitioner's patient revenues. The ability of the dental practitioners to continue to generate revenue from patients will be instrumental in the continued growth and profitability of Pacific Smiles. Given the personal and sensitive nature of certain services offered by dental practitioners from a Pacific Smiles dental centre, patients may tend to be loyal to a particular dental practitioner or dental centre location, rather than to Pacific Smiles and its business more generally. Pacific Smiles' ongoing success depends on its continued engagement by dentists who maintain a dedicated patient base and are capable of attracting new patients.

(l) Clinical conduct risks

Failure to recognise and manage risks in practice can result in disciplinary action against offending dental practitioners by regulatory and governing bodies, which could result in the suspension of registration of the dental practitioners, conditions on practising or even de-registration on grounds of unprofessional conduct. Any such disciplinary action may have an adverse impact on Pacific Smiles' reputation, financial performance and financial position. Pacific Smiles conducts regular audits on all of the practitioners that contract for its services as part of its accreditation process to ensure that a high standard of care is being delivered to patients that visit Pacific Smiles dental centres.

(m) Treatments and safety risks

Transfer of infection to individuals due to safety or sterilisation breaches in a dental centre may lead to harm to individuals and negative reputational impacts, as well negative economic consequences, on Pacific Smiles. Pacific Smiles has a clinical governance framework that governs infection control management procedures, including a training program. Treatment and safety risks are coordinated and managed by a dedicated clinical specialist team and monthly audits are undertaken. There is a close focus on internal procedures and clinical governance by management and the Board. This has been further enhanced by internal and external appointments to the Dental Advisory Committee and the clinical governance and infection prevention and control committees.

(n) Renewal of lease arrangements

Pacific Smiles' dental centres operate from leased premises. These leases have differing terms, expiry dates and renewal options. There is a risk that one or more of these leases may not be renewed on terms acceptable to Pacific Smiles, at the same premises currently leased by Pacific Smiles, or at all. If this were to occur, it may increase Pacific Smiles' operating costs and adversely affect its financial performance and position. Further, any failure by Pacific Smiles to comply with the terms of its leases, deterioration in relationships with its landlords or other actions taken by landlords may negatively impact the security of tenure of Pacific Smiles' dental centres.

As Pacific Smiles is listed on the ASX, any new leases, or renewals of existing leases in certain circumstances, will not be covered by retail leases legislation in certain states and territories, and landlords will be able to pass relevant costs on to Pacific Smiles which they may not otherwise be able to do to non-ASX listed lessees. This may lead to increased outgoings for Pacific Smiles and may have an adverse impact on its financial and operating performance.

(o) Cybersecurity and IT systems

Pacific Smiles retains personal information about its patients, dentists and employees in its systems, including relating to patients' health and sensitive information regarding treatments. If the data was to be illegally obtained and publicly disclosed, this would have a severe impact on Pacific Smiles' reputation and clients may seek compensation.

Pacific Smiles continues to implement cybersecurity controls aligned to the achievement of prescribed standards of the Australian Signals Directorate to minimise technology related business interruptions and to assure the privacy of patient information. However, adverse actors can be highly sophisticated and it is not possible to completely eliminate this risk.

Pacific Smiles relies on third party providers and it is possible that they could be impacted by unforeseen events such as power outages, hardware failures, computer viruses, attacks by hackers, telecommunication failures, user errors or other unforeseen events. If Pacific Smiles' information technology systems suffer severe damage, disruption or shutdown, Pacific Smiles' operations may be materially and adversely affected, and fines may be payable by Pacific Smiles which may have an adverse effect on its financial position.

(p) Increased competition

The market for the provision of dental services is subject to significant competition. Dental practitioners generally compete with one another on factors such as price, convenience of location, responsiveness, range of services available and quality of service. Existing competitors or new entrants to markets in which Pacific Smiles currently operates may be successful in taking market share from Pacific Smiles. Notwithstanding this, Pacific Smiles considers it provides an attractive option to dentists and patients based on convenience, value, access and overall experience.

(q) Inconsistency of patient experience between dental centres

Pacific Smiles' network of dental centres operates in different locations, and in connection with different private health insurers. The dental centres which Pacific Smiles operates comprise a mixture of dental centres owned by Pacific Smiles and HBF Dental Centres. Patients may have differing experiences of service and quality of care from centre to centre, which may impact Pacific Smiles' brand and reputation. Poor patient experience at any one dental centre may have adverse consequences for patient loyalty to the dentist and the potential for further appointment visitations.

(r) Reliance on third party suppliers

Pacific Smiles relies on third party suppliers for equipment, personal protective equipment and dental consumables. Pacific Smiles also relies on third party providers for various services including point of sale software, online training platforms, online accounting platforms and online marketing platforms. A disruption to the operations of any of Pacific Smiles' third party suppliers could restrict, interrupt or otherwise adversely affect Pacific Smiles' operations. These may be for reasons including a shortage of key medical consumables, a production or systems outage or significant disputes (including with Pacific Smiles), lack of availability of maintenance services, material damage or destruction of a supplier's facilities, a significant workplace safety incident or a compliance or cyber breach.

08 Risk factors

In respect of physical material supplies, Pacific Smiles has long-term relationships with national and international suppliers and has identified alternate suppliers where appropriate. Additionally, Pacific Smiles seeks to hold enough necessary supplies and diversify its suppliers for its key categories. However, there is a risk that Pacific Smiles may fail to manage its inventory appropriately or achieve such diversity in its supply relationships at all times. There is no guarantee that Pacific Smiles will be successful in securing an appropriate substitute for these third party suppliers at short notice. There is also a risk that Pacific Smiles may not be able to retain its existing arrangements with its third party suppliers and any new arrangements may not be as favourable to Pacific Smiles. This may have an adverse impact on Pacific Smiles' financial performance and future prospects.

Pacific Smiles maintains relationships with its equipment, maintenance and consumables suppliers in particular, which provides Pacific Smiles with opportunities to capitalise on purchasing benefits and gain access to a broad catalogue of supplies, services and other innovative opportunities that benefit its business. If there is a breakdown in Pacific Smiles' relationships with any of these suppliers, Pacific Smiles would need to seek alternative relationships and is not assured that these alternative relationships will be as advantageous to Pacific Smiles or enable Pacific Smiles to maintain its performance.

(s) Failure to implement business model and framework successfully

While Pacific Smiles has significant experience as a greenfield developer and operator of dental centres, there is no guarantee that it will be able to continue to implement its organic growth model as planned. For instance, Pacific Smiles may not be able to grow beyond its existing dental centres due to weaker than anticipated demand for Pacific Smiles' services by patients or dentists, adverse changes in the perception of Pacific Smiles' brand or due to other risks noted in this Section.

Additionally, Pacific Smiles' ability to open new centres may be affected by a number of factors, including availability of suitable sites which fit within its business model and framework, such as appropriate shopping centres. Pacific Smiles' growth model is also dependent on its ability to reach agreement with landlords in relation to lease terms, and continue to be engaged by dental practitioners. Any failure to successfully implement its business model and framework may have an adverse effect on Pacific Smiles' future financial performance and growth prospects.

(t) Insurance

Pacific Smiles currently has in place what it believes are adequate levels of insurance for property, industrial and special risks (including business interruption), public liability, directors' and officers' liability, medical malpractice and workers' compensation to protect Pacific Smiles from potential losses and liabilities. However, there is a possibility that events may arise which are not adequately covered by Pacific Smiles' existing insurance policies and Pacific Smiles cannot guarantee that its existing insurance will be available or offered in the future. An inability of Pacific Smiles to maintain such cover in the future could limit the ability of Pacific Smiles to conduct its business, which could have a negative impact on the financial results and prospects of Pacific Smiles. Further, there is a risk that insurance premiums may increase to a level where Pacific Smiles considers it is unreasonable or not in its interests to maintain insurance cover or not to a level of coverage which is in accordance with current industry practice.

(u) Access to funding and service of debt financing

There is a risk that Pacific Smiles may not be able to raise debt finance or new equity in the future to continue to pursue its business strategy and grow its business. Pacific Smiles' ability to raise additional funds on favourable terms, or at all, will be subject to, among other things, factors beyond the control of Pacific Smiles and the Directors, including cyclical factors affecting the economy and share markets generally.

Pacific Smiles has a term debt facility in place that provides it with funding for working capital requirements and business growth. The breach or termination of any debt facility may negatively impact Pacific Smiles' ability to obtain new or renew existing debt finance. If Genesis Bidco acquires a Relevant Interest in 50% of Pacific Smiles Shares, the financier may be entitled to reduce or cancel the facility, which may have a material adverse effect on Pacific Smiles' operations, financial performance and position.

(v) Litigation or other disputes

From time to time, Pacific Smiles may be involved in litigation, claims or other disputes relating to matters such as personal injury (for example, in relation to adverse reactions to services provided), privacy breaches, intellectual property, contractual matters, employee and workplace health and safety and other claims arising in the ordinary course of Pacific Smiles' business or otherwise.

Litigation may adversely impact upon the operational, reputational and financial performance of Pacific Smiles, and may also negatively impact on the price of Pacific Smiles Shares. Should Pacific Smiles pursue claims against a third party, such process may utilise significant management and financial resources, and a positive outcome for Pacific Smiles cannot be guaranteed. Even if Pacific Smiles is successful in obtaining a judgment against a third party, Pacific Smiles may be unable to recover any monies from that party (for example, if the relevant third party has inadequate financial resources to cover any damages judgment awarded in favour of Pacific Smiles).

Adverse litigation outcomes could negatively impact Pacific Smiles business, financial condition and reputation.

(w) Unique business intelligence

The value of Pacific Smiles' services is dependent on its ability to continue to capitalise on its unique operating model and business intelligence related to its greenfield roll-out model, including its business processes and know-how. While Pacific Smiles does not consider it has any material intellectual property, it has certain intellectual property rights which are used in its operations and marketing, including business names, copyrights and trademarks. There is a risk that Pacific Smiles may be unable to detect the unauthorised use of its intellectual property rights in all instances and, if it decides to enforce such rights, this may be challenging and expensive.

Additionally, Pacific Smiles' commercial success is dependent on its ability to operate without infringing, misappropriating or otherwise violating the intellectual property rights of others (either inadvertently or otherwise). Third parties may allege that Pacific Smiles has infringed, misappropriated or otherwise violated intellectual property rights in an attempt to gain a competitive advantage. Defending against allegations and litigation could be expensive, take significant time and divert management's attention. Pacific Smiles may also be required to pay substantial damages or be subject to court orders prohibiting Pacific Smiles and its dental practitioners from engaging in certain activities. This could have a material adverse effect on Pacific Smiles' business, financial condition and the results of its operations.

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09

Taxation considerations

09 Taxation considerations

9.1 Introduction

This Section 9 is a general summary of some Australian tax consequences for some Pacific Smiles Shareholders of transferring their Pacific Smiles Shares to Genesis Bidco under the Offer.

It does not constitute tax advice and should not be relied upon as such. Given its general nature, it cannot address all possible tax consequences and cannot consider the circumstances of any or all Pacific Smiles Shareholders.

The summary is based upon the Australian tax law and the ATO's publicly known administrative practices in effect as at the date of this Target's Statement.

Pacific Smiles Shareholders should seek independent professional advice in relation to their own particular circumstances.

Pacific Smiles Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes), or who hold their Pacific Smiles Shares in connection with a taxable presence in another country, should take into account the tax consequences under the laws of those other countries, as well as under Australian law.

9.2 Guide for certain Shareholders only

The summary below is relevant to Pacific Smiles Shareholders who currently hold their Pacific Smiles Shares and will hold any Holdco Shares directly in their own names and on "capital" account (but it may not apply to any particular Pacific Smiles Shareholder in that Shareholder's personal circumstances).

The summary is not relevant to and does not apply to Pacific Smiles Shareholders who:

- currently hold their Pacific Smiles Shares or will hold any Holdco Shares on "revenue" account. This includes for the purposes of a business of dealing in securities, including by making a gain on disposal;
- acquired their Pacific Smiles Shares pursuant to an employee share, option or rights plan;
- are financial institutions, insurance/life insurance companies, partnerships, superannuation funds, tax exempt organisations, temporary residents or other entities or persons to whom specific tax rules apply;
- are Australian residents who currently hold their Pacific Smiles Shares or will hold any Holdco Shares as part of an enterprise carried on at or through a permanent establishment in a foreign country; or
- change or changed their tax residence while holding Pacific Smiles Shares or any Holdco Shares.

This list of excluded Pacific Smiles Shareholders is not intended to be exhaustive. Pacific Smiles Shareholders should seek independent professional advice in relation to their own particular circumstances.

9.3 Australian resident Shareholders – disposal of Pacific Smiles Shares

The following is a general summary of some Australian income tax implications expected to arise for some Australian resident Pacific Smiles Shareholders on disposal of their Pacific Smiles Shares under the Offer.

(a) Disposal of Pacific Smiles Shares

The disposal of Pacific Smiles Shares by Pacific Smiles Shareholders to Genesis Bidco will constitute a disposal (or CGT event) for CGT purposes. The time of the disposal for CGT purposes is:

- in the case of a Pacific Smiles Shareholder who accepts the Offer, the date that the Pacific Smiles Shareholder accepts the Offer; and
- in the case of a Pacific Smiles Shareholder whose Pacific Smiles Shares are compulsorily acquired in accordance with Part 6A.1 of the Corporations Act, the date when Genesis Bidco becomes the owner of the shares.

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(b) Calculating a capital gain or loss where scrip-for-scrip rollover is not chosen or is not available

This Section applies where a Pacific Smiles Shareholder receives All Cash Consideration. This Section also applies where a Pacific Smiles Shareholder receives All Scrip Consideration or Mixed Consideration but does not, or cannot, choose to apply scrip-for-scrip rollover.

Making a capital gain or loss

A Pacific Smiles Shareholder will make:

- a capital gain if the “capital proceeds” from the disposal of their Pacific Smiles Shares are greater than the “cost base” of the Pacific Smiles Shares; or
- a capital loss if the “capital proceeds” from the disposal of their Pacific Smiles Shares are less than the “reduced cost base” of the Pacific Smiles Shares.

A Pacific Smiles Shareholder who acquired Pacific Smiles Shares at different times may make capital gains on some shares and capital losses on other shares. Capital gains and losses must be calculated separately for each tranche of Pacific Smiles Shares.

Capital proceeds

The capital proceeds received for the disposal of a Pacific Smiles Shareholder’s Pacific Smiles Shares is:

- the All Cash Consideration (\$1.90 reduced by any relevant dividend paid); or
- the value of the All Scrip Consideration (reduced by any relevant dividend paid); or
- the value of the Mixed Consideration (reduced by 25% of any relevant dividend paid).

The value of the All Scrip Consideration and the Mixed Consideration will be determined by the market value of the Holdco Shares received, calculated as at the date of the CGT event (as discussed in Section 9.3(a) above).

The capital proceeds should not include any dividend paid by Pacific Smiles as Genesis Bidco does not control or fund the payment of any such dividend.

Cost base and reduced cost base

The cost base (and reduced cost base) of the Pacific Smiles Shares should generally be their cost of acquisition and certain non-deductible incidental costs of acquisition, ownership and disposal. Certain costs are excluded from the calculation of the reduced cost base.

A Pacific Smiles Shareholder who acquired Pacific Smiles Shares at different times may have different cost bases (and reduced cost bases) for each tranche of Pacific Smiles Shares.

CGT discount

Individuals, complying superannuation entities or trustees (other than of complying superannuation entities) that have held the Pacific Smiles Shares for at least 12 months (excluding the days of acquisition and disposal) prior to the CGT event may be entitled to discount the amount of any capital gain (after application of capital losses, whether from Pacific Smiles Shares, other assets or brought forward from prior years).

The discount is half ($\frac{1}{2}$) in the case of individuals and trustees (other than of complying superannuation entities) and one-third ($\frac{1}{3}$) for complying superannuation entities.

Whether a beneficiary of a trust (other than of complying superannuation entities) will be entitled to retain the trustee’s CGT discount will depend on the particular circumstances of the beneficiaries.

Companies that hold Pacific Smiles Shares are not eligible for a CGT discount.

Capital gains subject to tax

As noted above, capital losses from the same and prior years are deducted from the capital gains before the application of the CGT discount.

If the capital gains exceed the capital losses, the discount (if any) is applied and the discounted net capital gains are included in the assessable income of the relevant Pacific Smiles Shareholder and is subject to income tax.

If the capital losses from the current year exceed the capital gains, the net capital losses cannot be deducted against other income for income tax purposes, but can be carried forward to offset future capital gains (subject to satisfaction of loss recoupment tests for certain taxpayers).

(c) Calculating a capital gain or loss where scrip-for-scrip rollover is chosen – All Scrip Consideration

This Section applies where a Pacific Smiles Shareholder receives the All Scrip Consideration, and is able to and chooses to apply scrip-for-scrip rollover.

A Pacific Smiles Shareholder can choose to apply scrip-for-scrip rollover to disregard a capital gain if certain conditions are met.

Eligibility for rollover – 80% threshold

The most important condition in the context of the Offer is that the relevant arrangement (here, the Offer) must result in the Bidder Group becoming the owner of 80% or more of the Pacific Smiles Shares.

The Offer is conditional on, at the end of the Offer Period, Bidco and its Associates having Relevant Interests in at least 90% (by number) of Pacific Smiles Shares on issue at that time. However, noting the written intention statements regarding the Offer received from MA Financial and Dr Alison Hughes (see Section 4.7 of this Target's Statement), the Minimum Acceptance Condition is not currently capable of being satisfied and, accordingly, the Offer is not capable of being completed in the current circumstances.

If Genesis Bidco waives this condition, it is possible that Pacific Smiles Shareholders may dispose of their Pacific Smiles Shares and receive the All Scrip Consideration in circumstances where the Bidder Group does not acquire 80% of Pacific Smiles Shares under the Offer. In such circumstances, scrip-for-scrip rollover will not be available to those Pacific Smiles Shareholders.

Eligibility for rollover – other conditions

Other conditions for scrip-for-scrip rollover include:

- The Pacific Smiles Shareholder must make a capital gain on the disposal of their Pacific Smiles Shares.
- The Pacific Smiles Shareholder must exchange a share in Pacific Smiles for a share in the ultimate holding company of the wholly owned group of which Genesis Bidco is a member. For this purpose, it should be possible to disregard the nominee or bare trust arrangement under which Holdco Shares will be held by Pacific Smile Shareholders.
- The Pacific Smiles Shareholder must not be notified that Holdco elects to cancel the ability of the Shareholder to obtain rollover. The Bidder's Statement indicates that Genesis Bidco will not make a choice to cancel scrip-for-scrip rollover.

Consequences of applying the rollover

A capital gain made by a Pacific Smiles Shareholder on their Pacific Smiles Shares is disregarded if the Shareholder is able to and chooses to apply scrip-for-scrip rollover. The gain is not included in the Shareholder's assessable income.

The Pacific Smiles Shareholder's cost base in their Pacific Smiles Shares becomes their cost base in their Holdco Shares.

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(d) Calculating a capital gain or loss where scrip-for-scrip rollover is chosen – Mixed Consideration

This Section applies where a Pacific Smiles Shareholder receives the Mixed Consideration, and is able to and chooses to apply scrip-for-scrip rollover.

A Pacific Smiles Shareholder can choose to apply scrip-for-scrip rollover to disregard a capital gain if certain conditions are met. The main conditions for rollover are set out above.

As the Mixed Consideration includes cash consideration as well as scrip consideration, rollover will apply only to the extent of the scrip consideration (approximately 75%). The cost base of the Pacific Smiles Shares must be reasonably apportioned between the scrip consideration and the cash consideration. The amount apportioned to the scrip consideration will become the cost base of the Pacific Smiles Shareholder's Holdco Shares.

An assessable capital gain or loss will arise in respect of the cash consideration (approximately 25%), and must be calculated as described above for the All Cash Consideration using the cost base apportioned to the cash consideration.

9.4 Non-resident Shareholders – disposal of Pacific Smiles Shares

Pacific Smiles Shareholders who are not residents of Australia for Australian tax purposes and do not hold their Pacific Smiles Shares in carrying on a business at or through a permanent establishment in Australia will generally not have to pay Australian tax on any capital gain when they dispose of their Pacific Smiles Shares as Pacific Smiles does not expect that the "principal asset test" will be met. The principal asset test requires that the market value of Pacific Smiles' direct and indirect interests in Australian land (including leases) is more than the market value of its other assets on the day that Genesis Bidco becomes the owner of the Pacific Smiles Shares.

Even if the principal asset test is met, non-resident Pacific Smiles Shareholders who do not hold their Pacific Smiles Shares in carrying on a business at or through a permanent establishment in Australia and who, together with their associates, do not hold at least a 10% interest in Pacific Smiles:

- on the day that Genesis Bidco becomes the owner of the Pacific Smiles Shares; or
- for a continuous period of 12 months in the two years ending on that date,

(the "non-portfolio interest test") will generally not have to pay Australian tax on any capital gain when they dispose of their Pacific Smiles Shares.

For completeness, there are restrictions on the ability of non-resident Pacific Smiles Shareholders to access scrip-for-scrip rollover and the CGT discount.

9.5 Withholding tax – disposal of Pacific Smiles Shares

Genesis Bidco may have an obligation to withhold an amount of up to 12.5% of the consideration (including any consideration in the form of Holdco Shares) payable to Pacific Smiles Shareholders and pay such amount to the ATO. The rate of withholding is proposed to increase to 15% from 1 January 2025.

Genesis Bidco should not have an obligation to withhold tax if either the principal asset test or the non-portfolio interest test is not met. The Bidder's Statement states that Genesis Bidco is not aware of any amounts that are or would be required to be withheld, but reserves Genesis Bidco's right to withhold.

9.6 GST

Pacific Smiles Shareholders should not be liable for GST in respect of a disposal of their Pacific Smiles Shares. However, Pacific Smiles Shareholders may be charged GST on costs relating to their participation in the Offer (such as adviser fees). Pacific Smiles Shareholders that are registered for GST may be entitled to input tax credits or reduced input tax credits for such costs.

9.7 Stamp duty

Pacific Smiles Shareholders should not be liable for any stamp duty in any Australian State or Territory in relation to the disposal of their Pacific Smiles Shares.

9.8 Holdco Shares

Pacific Smiles Shareholders who receive the All Scrip Consideration or the Mixed Consideration will receive Holdco Shares and become a shareholder of Holdco.

(a) Australian resident Shareholders – Acquiring Holdco Shares

An Australian resident Pacific Smiles Shareholder's cost base in their Pacific Smiles Shares will become the cost base of their Holdco Shares if they receive the All Scrip Consideration and chose scrip-for-scrip rollover. They will be taken to have acquired the Holdco Shares when they acquired their corresponding Pacific Smiles Shares.

If they receive the Mixed Consideration and chose scrip-for-scrip rollover, approximately 75% of their cost base in their Pacific Smiles Shares will become the cost base of their Holdco Shares. They will be taken to have acquired the Holdco Shares when they acquired their corresponding Pacific Smiles Shares.

If a Pacific Smiles Shareholder received Holdco Shares as consideration but did not choose or was not able to choose scrip-for-scrip rollover, the cost base of their Holdco Shares will be the market value of the Pacific Smiles Shares they exchanged for the Holdco Shares (or a proportionate part thereof, where they also receive cash consideration). They will be taken to have acquired the Holdco Shares when they accepted the Offer or (in the case of shares compulsorily acquired) when Holdco issues the Holdco Shares.

Pacific Smiles Shareholders should not be liable for any stamp duty in any Australian State or Territory or GST in relation to the acquisition of their Holdco Shares. However, Pacific Smiles Shareholders may be charged GST on costs relating to their participation in the Offer (such as adviser fees).

(b) Australian resident Shareholders – Dividends from Holdco

An Australian resident Pacific Smiles Shareholder who receives dividends from Holdco will be required to include the cash amount of the dividends in their assessable income for the year in which they receive the dividends.

If Holdco is neither an "exempting entity" nor a "former exempting entity" and pays a fully or partly franked dividend, the franking credits attached to the dividend may also be required to be included in a Pacific Smiles Shareholder's assessable income. The Pacific Smiles Shareholder may then also be entitled to an offset that reduces the amount of tax otherwise payable on the dividend and the franking credits, or to a refund of some or all of the franking credits.

The Bidder's Statement does not provide sufficient information as to whether Holdco is or will be an "exempting entity" or a "former exempting entity". This will need to be determined if and when a dividend is paid by Holdco.

(c) Australian resident Shareholders – Disposing Holdco Shares

Australian resident Pacific Smiles Shareholders who dispose of their Holdco Shares in the future may be liable to tax on any gains made on the disposal. Subject to any changes in law and the circumstances of the disposal, the tax should be determined in a similar way to the tax on disposal of their Pacific Smiles Shares (as described in Section 9.3 above).

(d) Foreign resident Shareholders – Acquiring Holdco Shares

The consequences of acquiring Holdco Shares should be similar for a non-resident Pacific Smiles Shareholder as an Australian resident Shareholder, as described in Section 9.8(a) above.

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(e) Foreign resident Shareholders – Dividends from Holdco

A non-resident Pacific Smiles Shareholder who receives dividends from Holdco is likely to have tax withheld (as a final tax impost in Australia) from the payment by Holdco unless the dividend is fully franked. The withholding rate can vary between 5% and 30% depending on the residence of the Shareholder and the extent of shareholding.

(f) Foreign resident Shareholders – Disposing Holdco Shares

A non-resident Pacific Smiles Shareholder who disposes of their Holdco Shares in the future may be exempt from or be liable to tax on any gains made on the disposal. Subject to any changes in law and the circumstances of the disposal, the exemption or tax should be determined in a similar way to the disposal of their Pacific Smiles Shares (as described in Section 9.4 above).

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10
Additional information

10 Additional information

10.1 Interests of Directors in Pacific Smiles Securities

As at the Last Practicable Date, the Directors had the following Relevant Interests in Pacific Smiles Securities.

Director	Shares	Performance Rights
Giselle Collins	10,000 ¹	Nil
Andrew Vidler ²³	43,032 ²	Nil
Scott Kalniz	10,000 ³	Nil
Jodie Leonard	38,500 ⁴	Nil
Steven Rubic	120,000	Nil
Brent Cubis	Nil	Nil

Notes:

1. Relevant interest in Pacific Smiles Shares held by Mr Luke Ashley Collins and Mrs Giselle Marie Collins.
2. Relevant interest in Pacific Smiles Shares held by Ms Caren Vidler (the spouse of Mr Andrew Vidler).
3. Relevant interest in Pacific Smiles Shares held by Julie Kalniz ATF Julie L Kalniz Trust.
4. Relevant interest in Pacific Smiles Shares held by Tranquillity Rose ATF J Leonard Super Fund as beneficiary.

All Pacific Smiles Directors intend to **REJECT** the Offer in respect of all Pacific Smiles Shares which they own or control.

None of the Directors have acquired or disposed interests in Pacific Smiles Securities in the four months ending on the date of this Target's Statement.

10.2 Directors' interests and dealings in Genesis Bidco

Neither Pacific Smiles nor any of its Directors have a Relevant Interest in the securities of Genesis Bidco or any Related Body Corporate of Genesis Bidco.

10.3 Pacific Smiles incentive arrangements

(a) Overview of long term incentive arrangements

Pacific Smiles currently operates the Long Term Incentive Plan Rules (LTI Plan Rules) pursuant to which all Pacific Smiles Performance Rights on issue as at the Last Practicable Date were issued.

The Pacific Smiles Performance Rights have been issued in the following tranches. Each Performance Right entitles the holder to receive one Pacific Smiles Share for no cash consideration, subject to the relevant performance hurdles being met over the applicable performance period.

23. Mr Andrew Vidler also holds Pacific Smiles Cash Rights which entitle him to be paid up to \$225,600 in cash subject to the long-term performance hurdles being met and those Cash Rights vesting. The Cash Rights do not provide any right to be issued Shares or any other Pacific Smiles Security.

Tranche	Number on issue as at Last Practicable Date	Performance period and performance hurdles
Tranche 7	1,155,758	<p>30 November 2020 – 30 November 2024</p> <p>Long term incentive performance hurdle:</p> <ul style="list-style-type: none"> Total Shareholder Return over the performance period, based on the 60-day VWAP at the beginning of the performance period against the 60-day VWAP at the end of the performance period. <p>Vesting will be impacted upon a 'change of control' under the terms of the LTI Plan Rules (see Section 10.3(b) below).</p>
Tranche 8	992,775	<p>30 November 2021 – 30 November 2025</p> <p>Long term incentive performance hurdle:</p> <ul style="list-style-type: none"> Total Shareholder Return over the performance period, based on the 60-day VWAP at the beginning of the performance period against the 60-day VWAP at the end of the performance period. <p>Vesting will be impacted upon a 'change of control' under the terms of the LTI Plan Rules (see Section 10.3(b) below).</p>
Tranche 9	509,597	<p>1 July 2023 – 30 June 2026</p> <p>Long term incentive performance hurdles:</p> <ul style="list-style-type: none"> Absolute EPS, being the reported underlying net profit after tax in FY26 divided by the weighted average number of Pacific Smiles Shares on issue at the time (as to 40% of the tranche); Average annual ROE, being an average of the reported underlying net profit after tax (divided by the weighted average number of Pacific Smiles Shares on issue) in each financial year in the performance period (as to 40% of the tranche); and Total Shareholder Return over the performance period, based on the 90-day VWAP at the beginning of the performance period (plus any dividends paid during the performance period) against the 90-day VWAP at the end of the performance period (as to 20% of the tranche). <p>Vesting will be impacted upon a 'change of control' under the terms of the LTI Plan Rules (see Section 10.3(b) below).</p>
Tranche 10	57,143	Tranche 10 will vest upon a 'change of control' occurring before 31 December 2024.
Tranche 11	78,948	Tranche 11 will vest upon a 'change of control' occurring before 31 December 2024.
Total	2,794,221	

Additionally, in connection with the appointment of Andrew Vidler as Chief Executive Officer and Managing Director in January 2024, Pacific Smiles granted Pacific Smiles Cash Rights to Mr Vidler as a long-term incentive alternative to issuing tranche 9 Performance Rights (which would require the approval of Pacific Smiles Shareholders under the Listing Rules). Given Mr Vidler was appointed after the Initial Genesis Capital Indicative Proposal, the Board considered the grant of a long-term incentive was required for security of employment given the risk that a change in control could eventuate prior to the Company having the opportunity to seek Shareholder approval for the issue of his proposed Performance Rights.

10 Additional information

The Pacific Smiles Cash Rights are a contractual right for Mr Vidler to be paid up to \$225,600 in cash, subject to the relevant long-term incentive performance hurdles (which are the same as the tranche 9 Performance Rights hurdles noted above) being met. These are also impacted by a 'change of control' (see Section 10.3(b) below). The Pacific Smiles Cash Rights do not entitle Mr Vidler to receive any Shares or other Pacific Smiles Securities.

While it was noted in the Scheme Booklet that Pacific Smiles would seek approval for the issue of Performance Rights to replace the Pacific Smiles Cash Rights if the NDC Scheme did not become effective, due to the Prescribed Occurrences Condition to the Offer imposed by Genesis Bidco, Pacific Smiles is unable to issue any Performance Rights at this time and will settle as cash in accordance with Section 10.3(b) below if Mr Vidler is still employed at the time of any change of control.

(b) Treatment of Pacific Smiles Performance Rights and Pacific Smiles Cash Rights in connection with the Offer

A 'change of control' under the LTI Plan Rules (as approved by Pacific Smiles Shareholders) and the terms of the Pacific Smiles Performance Rights and Pacific Smiles Cash Rights will occur in connection with the Offer if and when Genesis Bidco acquires Voting Power in more than 50% of Pacific Smiles Shares.

The LTI Plan Rules approved by Pacific Smiles Shareholders and the terms and conditions upon which they were offered stipulate the following treatment upon a 'change of control' which apply to the tranche 7 and 8 Performance Rights:

- a pro-rata proportion (on a time basis for the proportion of the performance period which has elapsed at the time of the change of control) will automatically vest (**Pro-rata Performance Rights**); and
- the Pacific Smiles Board has discretion as to how to treat the balance which do not automatically vest. The Board intends to lapse these remaining Performance Rights.

Following shareholder feedback in FY23, Pacific Smiles undertook an extensive review of its remuneration framework. As a result, all Pacific Smiles Performance Rights offered under the LTI Plan Rules from that point onwards were awarded under revised terms and conditions with respect to the treatment upon a 'change of control'. In particular, the updated terms and conditions replaced the concept of Pro-rata Performance Rights and instead:

- **tranche 9 Performance Rights** (and the Pacific Smiles Cash Rights): the Board has discretion as to treatment upon a change of control, having regard to the prevailing circumstances. The Board has determined that those rights will be tested against their respective performance hurdles as if the date of the change of control was the end of the performance period (which it expects will result in 20% of these Performance Rights vesting), and any which do not vest on that basis will lapse; and
- **tranche 10 and 11 Performance Rights**: fully vest upon a change of control.

For the avoidance of doubt, if Mr Vidler or Mr Cordingley cease work before any change of control as a result of the Offer, their Pacific Smiles Cash Rights or Pacific Smiles Performance Rights respectively will lapse upon them ceasing employment.

(c) Overview of short-term incentive arrangements

In FY24, Pacific Smiles has operated a short-term incentive plan pursuant to which eligible Pacific Smiles employees will receive an award subject to performance hurdles being met over this relevant financial year.

As previously disclosed, under the FY24 short-term incentive plan, any eligible award was proposed to be settled 67% in cash and 33% in Pacific Smiles Performance Rights. Due to the Prescribed Occurrences Condition to the Offer imposed by Genesis Bidco, Pacific Smiles is unable to issue any Performance Rights as per the company's contractual obligation to participants under the short-term incentive plan at this time, and has offered participants an equivalent cash amount. This includes an offer of \$14,256 in cash to Andrew Vidler. No other Directors have participated in the short-term incentive plan.

10.4 Impact of the Offer on Pacific Smiles' senior employee and Director arrangements

None of the contractual arrangements between Pacific Smiles, the Directors and key employees will be materially affected by the Offer, if it were to become unconditional, other than those matters described in Sections 10.3 or 10.4 of this Target's Statement. Any payments described below are subject to any limitations in the Corporations Act.

(a) Director arrangements

Benefits paid or to be paid to Directors or company secretary of Pacific Smiles or its Subsidiaries in connection with loss of, or resignation from, office as a result of the Offer

As a result of the Offer, no benefit (other than a benefit which can be given without member approval under the Corporations Act) has been paid or will be paid to any Director or secretary of Pacific Smiles or its Subsidiaries in connection with the loss of, or their resignation from, their office.

For completeness, Pacific Smiles notes that Andrew Vidler and/or Matthew Cordingley may be entitled to certain benefits as a result of their resignation from office pursuant to their respective short-term and long-term incentive arrangements which were on foot prior to their notice of resignation. However, given their notices were tendered before the Announcement Date, these benefits do not arise as a result of the Offer.

Benefits paid or to be paid to Directors conditional on, or related to, the Offer

Other than as disclosed in this Target's Statement, no Pacific Smiles Director has agreed with Genesis Bidco to receive, or is entitled to receive, any benefit which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Pacific Smiles Shares (see Section 10.1 above).

Agreements between Directors and any person in connection with, or conditional upon, the outcome of the Offer

No agreement has been made between any Director and any person in connection with, or conditional upon, the outcome of the Offer, other than in their capacity as a holder of Pacific Smiles Shares (see Section 10.1 of this Target's Statement).

Directors' interests in Pacific Smiles contracts

No Director has any interest in any contract entered into by Genesis Bidco.

(b) Executive and employee arrangements

Benefits paid or to be paid to executives of Pacific Smiles or its Subsidiaries in connection with loss of, or resignation from, office as a result of the Offer

Additionally, as noted in Section 5.5 above, the Company has entered into arrangements for Martin White to be appointed as Acting CFO upon Matthew Cordingley's departure in February 2025. Pursuant to those arrangements, Mr White is entitled to 12 months' notice upon the Company terminating his employment, unless and until one of the following events occur:

- the Offer closes; or
- the Offer is withdrawn before Genesis Bidco acquires 50% Voting Power in Pacific Smiles.

If either of the above events occur, whether or not there is a change of control or the Offer successfully completes (notwithstanding that it cannot complete in the current circumstances), then Mr White will be entitled to three months' notice unless a further proposal is announced for a change in the control of Pacific Smiles, in which case he will be entitled to a 12-month notice period unless and until that proposal is closed, withdrawn, terminated or completed.

10 Additional information

10.5 Material litigation

As at the Last Practicable Date, Pacific Smiles is not aware of any material disputes or litigation being undertaken, commenced or threatened against any member of the Pacific Smiles Group.

10.6 Consents

The following parties have given, and have not withdrawn before the lodgement of this Target's Statement with ASIC, their written consent to be named in this Target's Statement in the form and context in which they are so named and to the inclusion of statements attributable to them in the form and context in which they appear:

- (a) Gilbert + Tobin, to being named in this Target's Statement as Australian legal advisers to Pacific Smiles;
- (b) Greenhill & Co. Australia Pty Limited, to being named in this Target's Statement as financial adviser to Pacific Smiles;
- (c) Automic Pty Ltd (ACN 152 260 814), to be named in this Target's Statement as share registry to Pacific Smiles;
- (d) MA Financial Group Limited, to the references to its name in this Target's Statement; and
- (e) Dr Alison Hughes, to the references to her name in this Target's Statement.

None of these persons have caused or authorised the issue of this Target's Statement, nor makes or purports to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based or takes any responsibility for any part of this Target's Statement, other than any reference to its name.

Each of the Directors has given and not withdrawn their consent to:

- (a) be named in this Target's Statement in the form and context in which they are named; and
- (b) statements attributable to them being included in this Target's Statement in the form and context in which they appear.

As permitted by ASIC Corporations (Takeover Bids) Instrument 2023/683, this Target's Statement may include or be accompanied by statements which are made in documents lodged with ASIC or ASX. Provided this Target's Statement fairly represents such statements, the consent of the parties making those statements is not required for, and those parties have not consented to, the inclusion of such statements in this Target's Statement.

Pacific Smiles Shareholders may, during the Offer Period, obtain a copy of the documents (free of charge) in which the aforementioned statements appear (or in which statements based on those statements appear, as the case may be), or the relevant part(s) of any of those documents, by contacting 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).

In addition, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by statements fairly representing a statement by an official person, or statements from a public official document or a published book, journal or comparable publication.

10.7 ASIC modifications

ASIC has published various instruments which modify the Corporations Act, and provide exemptions to certain provisions of the Corporations Act, including those in Chapter 6. These instruments apply generally to all persons, including Pacific Smiles.

Amongst others, Pacific Smiles has relied on ASIC Corporations (Takeover Bids) Instrument 2023/683, which permits this Target's Statement to include or be accompanied by statements which are made in documents lodged with ASIC or ASX, without the consent of the parties making those statements, provided this Target's Statement fairly represents such statements.

10.8 No other material information

This Target's Statement is required to include all information that Pacific Smiles Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- (a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in this Target's Statement; and
- (b) only if the information is known to any of the Directors.

The Directors are of the opinion that the information that Pacific Smiles Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer is the information contained in:

- (a) the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- (b) Pacific Smiles' releases to ASX before the date of this Target's Statement;
- (c) documents lodged by Pacific Smiles with ASIC before the date of this Target's Statement; and
- (d) this Target's Statement.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- (a) the nature of the Pacific Smiles Shares (being fully paid ordinary shares);
- (b) the matters which Pacific Smiles Shareholders may reasonably be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to the professional advisers of Pacific Smiles Shareholders; and
- (d) the time available to Pacific Smiles to prepare this Target's Statement.

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Pacific Smiles

11

Approval of this
Target's Statement

11 Approval of this Target's Statement

This Target's Statement has been approved by a resolution passed by the Directors.

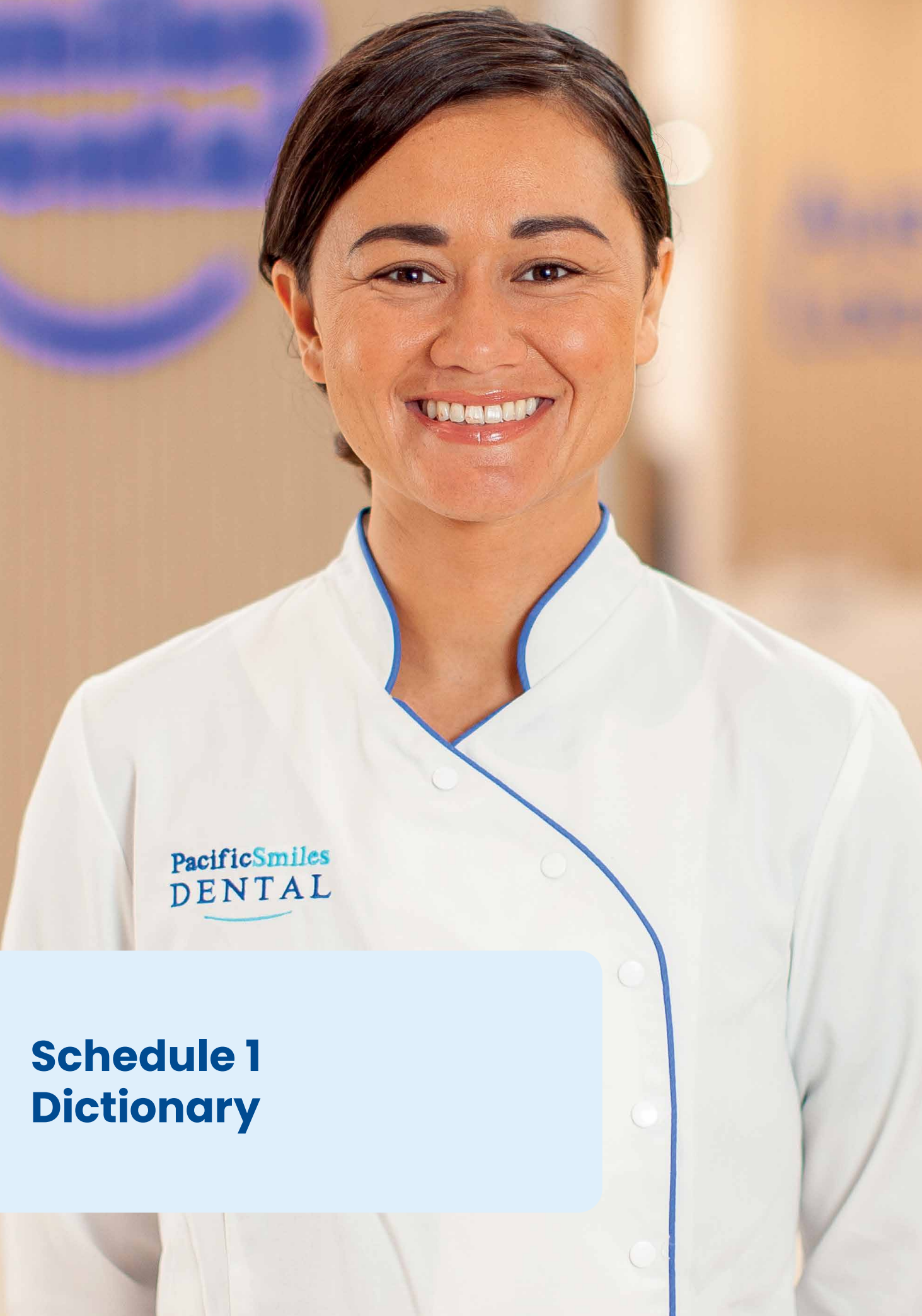
Signed for and on behalf of Pacific Smiles Group Limited by:



Giselle Collins
Non-Executive Chairman

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**Schedule 1
Dictionary**

Schedule 1 Dictionary

1 Definitions and interpretation

1.1 Definitions

The following defined terms in this Target's Statement have the meanings set out below.

Term	Meaning
Acceptance	means a Pacific Smiles Shareholder's acceptance of the Offer.
Acceptance Instructions	has the meaning given in section 12.7(c) of the Bidder's Statement.
All Cash Consideration	has the meaning set out in Section 4.2 of this Target's Statement.
All Cash Offer Amount	has the meaning given in Section 6.5(a) of this Target's Statement.
All Scrip Consideration	has the meaning given in Section 4.2 of this Target's Statement.
Announcement Date	means 17 September 2024.
Ares Investing Entities	has the meaning given in Section 4.4(e)(7) of the Bidder's Statement.
Associate	has the meaning given under section 9 of the Corporations Act.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited (ABN 98 008 624 691) or, as the financial market, the Australian Securities Exchange, where the context requires.
ATO	means the (Federal) Commissioner of Taxation or the Australian Taxation Office.
Attachment	means an attachment to this Target's Statement.
Beam Investments	means Beam Investments Co Pty Limited (ACN 673 355 658).
Bidder Group Member	means the applicable member of the Bidder Group.
Bidder Group	means Genesis Bidco and the entities wholly owned or Controlled by Holdco.
Bidder's Statement	means the replacement bidder's statement dated 1 October 2024 prepared by Genesis Bidco in respect of the Offer, which replaces the Original Bidder's Statement.
Board or Pacific Smiles Board	means the board of Directors of Pacific Smiles.
Board Recommendation Condition	means the Condition contained in Section 4.8(b) of this Target's Statement.
Business Day	means a day on which banks are open for general banking business in Sydney (not being a Saturday, Sunday or public holiday in that place).
Cash Offer	means the offer of \$1.90 per Share, reduced to \$1.8675 per Share for every Share on issue at the date of payment of the Declared Dividend, subject to the terms of the Offer.
Cash Offer Price	means the All Cash Consideration of \$1.90 cash per Pacific Smiles Share, which for each Share on issue as at the date of payment of the Declared Dividend comprises a cash payment of \$1.8675 from Genesis Bidco and retention of the full cash amount of 3.25 cents under the Declared Dividend, subject to the terms of the Offer.

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Schedule 1 Dictionary

Term	Meaning
CGT	means the Australian income tax regime that determines and imposes tax, commonly referred to as capital gains tax, on capital gains.
CHESS	means the Clearing House Electronic Subregister System operated by ASX Settlement, which provides for the electronic transfer, settlement and registration of securities.
CHESS Holding	means a holding of shares on the CHESS Subregister of Pacific Smiles.
CHESS Subregister	has the meaning given in the ASX Settlement Operating Rules.
Co-investors	means, as disclosed in the Bidder's Statement: <ul style="list-style-type: none"> (a) Genesis Healthcare Holdings Pty Ltd as trustee for Beam Co-investor Trust; (b) Franklin Park Co-Investment Fund VI, L.P.; (c) LFPE Co-Invest II SLP; (d) Asia Opportunities (Singapore) Pte. Limited; (e) ADL ANZ Opportunities I Pte. Limited; (f) Genesis Fund; (g) GFT 2; (h) A6J Ltd; (i) Axiom Asia 6-A SCSp, SICAV-RAIF; (j) ACF-2 Ltd; and (k) Genesis Fund II.
Completion	means the time at which Genesis Bidco has taken legal title to all Pacific Smiles Shares acquired in accordance with the terms of the Offer, together with any Pacific Smiles Shares acquired under the compulsory acquisitions process under the Corporations Act.
Conditions	means the conditions of the Offer as set out in Section 4.8 of this Target's Statement.
Confirmation Notice	has the meaning given in section 12.7(c)(5) of the Bidder's Statement.
Controlling Participant	has the meaning given in the ASX Settlement Operation Rules.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth) and any regulations made under, and modifications made in respect of, that Act.
Court	means a court of competent jurisdiction under the Corporations Act.
Debt Facility	has the meaning given in section 7.4(a) of the Bidder's Statement.
Declared Dividend	means the dividend of 3.25 cents per Pacific Smiles Share declared by Pacific Smiles on 28 August 2024, to be paid to Pacific Smiles Shareholders on 10 October 2024.
Directors or Pacific Smiles Directors	means the directors of Pacific Smiles.
EBITDA	means earnings before interest, taxes, depreciation, and amortization.
Eligible Foreign Shareholder	means a Foreign Shareholder that Genesis Bidco has determined (in its absolute discretion) as being an Eligible Foreign Shareholder after being satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to that Pacific Smiles Shareholder in the relevant jurisdiction and to issue Holdco Shares to such a Pacific Smiles Shareholder on Acceptance of the Offer, and that it is not unlawful for such a Pacific Smiles Shareholder to accept the Offer in such circumstances in the relevant jurisdiction.

Term	Meaning
Eligible Institutional Shareholders	has the meaning given in Section 3.3 of this Target's Statement.
Eligible Shareholder	means a person whose address is shown in the Register as being in Australia and its external territories or who is an Eligible Foreign Shareholder.
Election	means an election by an Eligible Shareholder to receive either the All Cash Consideration, All Scrip Consideration or Mixed Consideration.
Equity Commitment	has the meaning given in section 7.3 of the Bidder's Statement.
Equity Investors	means Co-investors listed at section 7.3 of the Bidder's Statement.
Foreign Shareholder	means a person whose address is shown in the Register as being in a jurisdiction other than Australia and its external territories.
FY	means a financial year ending 30 June.
Genesis Bidco	means Beam Dental Bidco Pty Limited (ACN 676 303 254).
Genesis Capital	means Genesis Capital Manager I Pty Limited (ACN 634 339 576).
Genesis Fund	means Genesis Capital Fund I, LP.
Genesis Shareholders	means the Co-investors and any other person named as an investor shareholder in the Holdco Shareholders' Deed.
Genesis Shareholders' Representative	means Genesis Capital.
GFT2	means GFT 2 Co Pty Ltd (ACN 658 670 627) as trustee for GFT 2 Trust.
GST	means the goods and services tax.
Holdco	means Beam Dental Holdings Ltd (ACN 676 301 456).
Holdco Board	means the board of directors of Holdco.
Holdco Constitution	means the constitution of Holdco on those terms set out in Appendix B to the Bidder's Statement.
Holdco Share	means an ordinary share in the capital of Holdco.
Holdco Shareholder	means a holder of a Holdco Share.
Holdco Shareholders' Deed	means the shareholders' deed in respect of the affairs of Holdco to be entered into by Holdco Shareholders on substantially those terms set out in Appendix A to the Bidder's Statement.
IAF Triggering Conditions	has the meaning given in Section 3.3 of this Target's Statement.
Ineligible Foreign Shareholder	means a Foreign Shareholder that is not an Eligible Foreign Shareholder.
Initial Genesis Capital Indicative Proposal	has the meaning given in Section 4.1 of this Target's Statement.
Institutional Acceptance Facility	means the institutional acceptance facility established by Genesis Bidco in relation to the Offer and open to Eligible Institutional Shareholders, as detailed in section 12.7 of the Bidder's Statement.
Issuer Sponsored Holding	means a holding of Pacific Smiles Shares on Pacific Smiles' issuer sponsored subregister.

Schedule 1 Dictionary

Term	Meaning
Last Practicable Date	means 7 October 2024, being the last practicable trading date on ASX prior to finalisation of this Target's Statement.
Listing Rules	means the official listing rules of ASX as amended or varied from time to time.
LTI Plan Rules	has the meaning given in Section 10.3 of this Target's Statement.
MA Financial	means MA Financial Group Limited (ACN 142 008 428).
Midco	means Beam Dental Midco Pty Limited (ACN 676 303 147).
Minimum Acceptance Condition	means the Condition contained in Section 4.8(a) of this Target's Statement.
Mixed Consideration	has the meaning set out in Section 4.2 of this Target's Statement.
NDC Bidco	means NDC Bidco Pty Ltd (ACN 676 877 802).
NDC Scheme	means the proposed scheme of arrangement pursuant to which it was proposed that NDC Bidco would acquire 100% of the Pacific Smiles Shares on issue by way of scheme of arrangement, as contemplated by the NDC Scheme Implementation Deed.
NDC Scheme Implementation Deed	means the scheme implementation deed entered into between Pacific Smiles and NDC Bidco dated 28 April 2024 (as amended from time to time) and terminated on 23 August 2024.
No Prescribed Occurrence Condition	means the Condition contained in Section 4.8(c) of this Target's Statement.
Nominee	means Perpetual Corporate Trust Limited (ABN 99 000 341 533), a nominee to be appointed by Holdco, at a future date under the terms of the Holdco Shareholders' Deed (or any other nominee appointed under the terms of the Holdco Shareholders' Deed).
Nominee Deed	means the nominee deed in substantially the same form as set out in Appendix C to the Bidder's Statement be entered into by the Nominee, Holdco and each other person who accedes to that deed from time to time.
NPAT	means net profit after tax.
Offer	means the off-market takeover offer by Genesis Bidco for Pacific Smiles Shares under the terms and conditions contained in section 12 of the Bidder's Statement.
Offer Consideration	means the forms of consideration offered under the terms of the Offer by Genesis Bidco, which is comprised of the All Cash Consideration, the All Scrip Consideration and the Mixed Consideration.
Offer Period	means the period during which the Offer will remain open for acceptance in accordance with the terms and conditions of the Bidder's Statement.
Original Bidder's Statement	means the bidder's statement released to ASX on 17 September 2024 prepared by Genesis Bidco in respect of the Offer, which was replaced by the Bidder's Statement.
Pacific Smiles or Company	means Pacific Smiles Group Limited (ABN 42 103 087 449).
Pacific Smiles Cash Rights	means the contractual rights to cash granted to Andrew Vidler as a long-term incentive as announced to ASX on 19 December 2023.
Pacific Smiles Group or Group	means Pacific Smiles and its Related Bodies Corporate.

Term	Meaning
Pacific Smiles Holdco Shareholders	means those Pacific Smiles Shareholders (other than Genesis Shareholders) who have accepted the Scrip Offer and Holdco Shares have been issued to the Nominee on their behalf.
Pacific Smiles Performance Rights or Performance Rights	means rights to acquire Pacific Smiles Shares, subject to the relevant performance hurdles being met over the applicable performance period.
Pacific Smiles Securities	means Pacific Smiles Shares or Performance Rights (as applicable) and Pacific Smiles Security means any of the foregoing (as applicable).
Pacific Smiles Shareholder Information Line	means the information line established by Pacific Smiles to answer questions from Pacific Smiles Shareholders about the Offer.
Pacific Smiles Shareholders or Shareholders	means the holders of Pacific Smiles Shares.
Pacific Smiles Shares or Shares	means fully paid ordinary shares in the capital of Pacific Smiles.
Prescribed Occurrences	means the occurrence of any of the matters set out in section 12.3(c) of the Bidder's Statement, being the prescribed occurrences listed in section 652C of the Corporations Act.
Pro-Rata Performance Rights	has the meaning given in Section 10.3 of this Target's Statement.
Put Options	has the meaning given in the Bidder's Statement.
Register	means the register of Pacific Smiles Shareholders maintained by Pacific Smiles in accordance with the Corporations Act.
Register Date	means 7:00pm (Sydney time) on 18 September 2024, being the date set by Genesis Bidco under section 633(2) of the Corporations Act.
Related Body Corporate	has the meaning given in section 50 of the Corporations Act.
Relevant Interest	has the meaning given in section 608 and 609 of the Corporations Act.
Revised Genesis Capital Indicative Proposal	has the meaning given in Section 4.1 of this Target's Statement.
Rights	means all accretions, rights or benefits of whatever kind attaching to or arising from or in respect of the Pacific Smiles Shares, whether directly or indirectly at or after the Announcement Date, including, without limitation all rights to receive dividends (but excluding the attaching franking credit), to receive or subscribe for shares, units, notes, options, or other securities and to receive all other distributions or entitlements declared, paid, made or issued by Pacific Smiles or any Pacific Smiles Group Member after the Announcement Date.
Sale Agent	has the meaning given in Section 4.13 of this Target's Statement.
Scrip Election Deed Poll	has the meaning given in the Bidder's Statement.

Term	Meaning
Scrip Offer	means: (a) the offer of 1 Holdco Share per Pacific Smiles Share pursuant to an Election to receive the All Scrip Consideration, subject to the terms of the Offer; and (b) the offer of 0.75 Holdco Shares per Pacific Smiles Share pursuant to an Election to receive the Mixed Consideration, subject to the terms of the Offer.
Section	means a section of this Target's Statement.
SFA	has the meaning given in Section 5.1 of this Target's Statement.
Subsidiary	has the meaning given in section 46 of the Corporations Act.
Target's Statement	means this document and includes the Attachments to it.
US\$	means United States dollars.
Voting Power	has the meaning given in section 610 of the Corporations Act.
VWAP	means the volume weighted average price of Pacific Smiles Shares sold on the ASX over the relevant period.
Your Pacific Smiles Shares	means, subject to sections 12.1(d) and 12.1(e) of the Bidder's Statement, the Pacific Smiles Shares: (a) of which you are registered or entitled to be registered as the holder in the Register on the Register Date; or (b) to which you are able to give good title at the time you accept the Offer during the Offer Period.

1.2 Interpretation

- (a) Unless otherwise specified, words and phrases have the meaning given in the Corporations Act.
- (b) Where a term is defined, its other grammatical forms have a corresponding meaning.
- (c) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (d) Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.
- (e) The singular includes the plural and vice versa.
- (f) Words importing any gender include all genders.
- (g) A reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate.
- (h) Unless otherwise specified, a reference to a section or paragraph are to a section of or paragraph in this Target's Statement.
- (i) Unless otherwise specified, a reference to time is a reference to the time in Perth, Australia.
- (j) Unless otherwise specified, a monetary amount is in Australian dollars.

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**Attachment A
ASX Announcements**

Attachment A

ASX Announcements

The following table lists the announcements made to ASX by Pacific Smiles over the period between 17 September 2024 (the date of announcement of the Offer by Genesis Bidco) and the Last Practicable Date.

Date	Title
17 September 2024	Intention to Make Takeover Bid
17 September 2024	Bidder's Statement
17 September 2024	Off-market Takeover Offer from Genesis Capital
18 September 2024	Change in substantial holding
30 September 2024	PSQ Board Intends to Recommend Rejection of Genesis Bid
1 October 2024	Replacement Bidder's Statement (marked up)
1 October 2024	Replacement Bidder's Statement
1 October 2024	Ceasing to be a substantial holder
2 October 2024	Completion of dispatch of Replacement Bidder's Statement
3 October 2024	Non-Executive Director Appointment and Management Update
3 October 2024	Letter to Shareholders

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Corporate Directory

Pacific Smiles Group Limited

Level 1, 6 Molly Morgan Drive
Green Hills NSW 2323

Telephone: +61 2 4930 2000
Facsimile: +61 2 4930 2099

Pacific Smiles Directors

Giselle Collins – Non-Executive Chairman

Andrew Vidler – Managing Director
and Chief Executive Officer

Scott Kalniz – Non-Executive Director

Steven Rubic – Non-Executive Director

Jodie Leonard – Non-Executive Director

Brent Cubis – Non-Executive Director

Company Secretary

Belinda Cleminson

Registry

Automic Pty Ltd (ACN 152 260 814)

Level 5, 126 Phillip Street
Sydney NSW 2000

1300 288 664 (within Australia)
+61 2 9698 5414 (outside Australia)

Financial Adviser

Greenhill & Co. Australia Pty Limited (ACN 086 678 346)

Level 43, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Legal Adviser

Gilbert + Tobin

Level 16, Brookfield Place Tower 2
123 St Georges Terrace
Perth WA 6000

Pacific Smiles Shareholder Information Line

1300 367 804 (within Australia)
+61 2 9066 6162 (outside Australia)
8:30am to 5:30pm (Sydney time), Monday to Friday
(excluding public holidays)

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