

ASX ANNOUNCEMENT

Pacific Smiles Group Limited (ASX:PSQ)

21 December 2023

Response to Non-Binding Indicative Proposal

Pacific Smiles Group Limited (ASX:PSQ) (**Pacific Smiles**) refers to its announcement on 18 December 2023 in relation to the unsolicited, non-binding indicative proposal from Genesis Capital Manager I Pty Ltd (**Genesis Capital**) to acquire all of the shares of Pacific Smiles for \$1.40 in cash per share via a recommended scheme of arrangement (**Indicative Proposal**). The Indicative Proposal also stated that Genesis Capital is considering options to allow Pacific Smiles shareholders the opportunity to roll their shares into unlisted equity.

As previously noted, Genesis Capital has advised Pacific Smiles that it has acquired an economic interest in 29.9 million Pacific Smiles shares, representing 18.75% of the issued capital.

The Board of Pacific Smiles has now assessed the Indicative Proposal with advice from its financial and legal advisers and has spoken with several of its major shareholders.

The Board acknowledges the share price performance of Pacific Smiles has been disappointing. Notwithstanding this, the Board is confident in the prospects of Pacific Smiles, including having regard to the appointment of Mr Andrew Vidler as Managing Director as announced to the ASX on 19 December 2023.

In this context, the Board considers that the Indicative Proposal is opportunistic and materially undervalues Pacific Smiles and has therefore rejected the Indicative Proposal.

The Board of Pacific Smiles is focused on maximising shareholder value.

In order to determine if Genesis Capital is able to formulate a materially improved proposal, Pacific Smiles intends to offer 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.

In coming to its decision, the Board considers that the Indicative Proposal:

- does not adequately reflect the strategic value of the Pacific Smiles business including its single company owned brand model, best-in-class proprietary IT platform, market position as the third-largest dental service organisation in Australia and self-sustaining organic growth capability courtesy of its strong cash flows and capital base;
- does not adequately reflect the capital invested in Pacific Smiles' network during the pandemic, which has significant utilisation upside potential from the delayed earnings profile ramp up;
- does not reflect the value of the significant synergies that Genesis Capital or another industry participant may unlock;
- does not reflect the strong trading momentum in the business and outlook for FY24, as announced separately to the ASX today;



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- represents a forward EV / EBITDA multiple of 8.1x based on the mid-range of FY24 Underlying EBITDA guidance issued separately on the ASX today of \$27.0m; and
- is at a discount of 12% to the 52-week high of \$1.59.

The Board will continue to keep shareholders and the market informed in accordance with its continuous disclosure obligations. Pacific Smiles shareholders do not need to take any action at this time in response to the Indicative Proposal.

As referenced above, Pacific Smiles has separately released a trading update and FY24 guidance to the ASX today.

Pacific Smiles is being advised by Greenhill & Co and Gilbert + Tobin.

This announcement was authorised by the Pacific Smiles Board.

For further information, please contact:

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