

## ABANO ANNOUNCES NEW SCHEME OF ARRANGEMENT

- Abano has entered into a new Scheme Implementation Agreement (SIA) with Adams NZ Bidco Limited (Bidco<sup>1</sup>).
- The revised Scheme price is at \$4.45 per Abano share and the SIA removes the right (contained in the previous SIA) for Bidco to terminate the Scheme if a 'material adverse change' occurs. Instead, the Scheme price is subject to specified price reductions, up to a maximum of 75 cents per share, if any one of a number of defined Adjustment Events occur.
- The Scheme price represent a 70% premium to Abano's share price of \$2.61 per share at the close of trading on Friday, 28 August 2020 (being the last trading day prior to announcement of the SIA).
- Abano's Directors unanimously recommend shareholders vote in favour of the Scheme, in the absence of a superior proposal and provided that the Scheme price is within the Independent Advisor's valuation range for Abano shares. Each Abano Director who holds or controls Abano shares intends to vote all of such shares in favour of the Scheme, subject to the same qualifications.

Abano Healthcare Group Limited (NZX: ABA) has today announced a new Scheme Implementation Agreement with Bidco, the party involved in the original Scheme which was terminated in March 2020 due to the advent of a 'material adverse change', resulting from the impact of COVID-19 on Abano's business.

Under the new SIA, Bidco has agreed to acquire 100% of the fully paid shares in Abano for \$4.45 in cash per share, subject to specified price reductions of up to a maximum of 75 cents per share if any one of a number of defined Adjustment Events occur. The revised SIA removes the right of Bidco to terminate the Scheme if a 'material adverse change' occurs, thereby reducing the uncertainty that the Scheme will complete.

The Board has concluded that, on balance, the Scheme price of \$4.45 per share provides shareholders with the ability to realise value for their shares and mitigates the risks of executing the company's strategy in such uncertain times.

The Board unanimously recommends the transaction to shareholders, in the absence of a superior proposal and provided that the Scheme price is within the Independent Adviser's valuation range for Abano shares.

With the information to be provided in the Scheme Booklet, shareholders will be able to form a view as to whether they are willing to accept the assessed value impacts of the Adjustment Events, should they occur, on the price they will receive for their shares. After carefully considering the adjustment regime, the Board believes that it is appropriate (including taking into account the increased certainty that it provides to shareholders that the Scheme will be completed and the risks that Bidco assumes under that regime).

Shareholders will also need to consider that, should the Scheme not proceed:

- shareholders will retain the risk of the actual value impacts should any of these events occur; and
- the company will likely undertake a capital raising to reduce its debt facilities and provide greater resilience to further impacts from COVID-19.

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<sup>1</sup> Bidco is an entity that will be owned by BGH Capital (BGH Capital) and Ontario Teachers' Pension Plan Board (OTPP).

Following termination of the previous Scheme, the Abano Board evaluated options to address the company's capital structure (which it has publicly stated it is committed to addressing during the course of the current calendar year) and to enhance value for shareholders. As part of this, and prior to entering into the SIA, the Board received and rejected a number of earlier Scheme proposals from Bidco at prices the Board was not prepared to recommend to shareholders.

Chair of Abano, Pip Dunphy, says: "The dental industry is highly sensitive to the COVID-19 environment, with only limited emergency care able to be provided during level 3 and 4 lockdowns, and the pandemic has had a material impact on Abano's business and cashflows this year. While Abano is expected to recover to pre-COVID trading levels, the timing of this remains uncertain and the risks of further impacts from COVID-19 can be expected in the near term."

"The new Scheme proposal removes the uncertainty of a 'material adverse change' impacting on the settlement of the Scheme, and instead, a series of pricing adjustments have been negotiated which contemplate a number of potential adverse events that could occur between today and settlement of the Scheme and quantifies those impacts on the company's value. The change in price offered by Bidco from \$5.70 in the original Scheme to \$4.45 reflects COVID-19 and other impacts on the business in both Abano's financial years ended 31 May 2020 and the current financial year, as well the risk of further impacts."

"The Board believes that the Scheme allows shareholders to realise value for their shares today, mitigates the risks of executing the company's strategy in such uncertain time, and unanimously recommends the transaction to shareholders."

The Scheme is subject to the approval of Abano shareholders, the New Zealand High Court and other customary conditions as referred to in the appendix to this announcement. Abano shareholder approval will be sought at a special meeting of shareholders likely to be held in November 2020.

Calibre Partners (previously KordaMentha) has been appointed to prepare an Independent Advisor's Report to assist shareholders to assess the merits of the Scheme. This will form part of the Scheme Booklet that will be sent to shareholders along with details of the special meeting.

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

### **Value of the Offer**

The all-cash price of \$4.45 per Abano share represents:

- An equity value for Abano of \$117m and an estimated enterprise value of \$256m.
- A premium of 70% to Abano's closing price on the NZX of \$2.61 per share on Friday, 28 August 2020 being the last trading day prior to Abano announcing the revised Scheme.
- A premium of 70% to Abano's volume weighted average share price (VWAP) over the 30-day period prior to Friday, 28 August 2020.
- An implied EV/EBITDA multiple of 14.8x (based on Abano's FY20 underlying EBITDA of \$17.4m pre-NZ IFRS 16).

### Adjustment Events

While there is no ability for Bidco to terminate the Scheme if a 'material adverse change' occurs, if any one or more of the following Adjustment Events occurs, then the Scheme Price will be reduced by the amount specified in the table below. Bidco has agreed to a maximum (capped) price adjustment of 75 cents per share.

An Adjustment Event could occur at any time prior to the morning of the implementation date. This means that the Scheme price could be reduced after shareholders have voted on the Scheme if an Adjustment Event occurs after the date of the shareholder meeting. The various Adjustment Events are summarised in the appendix.

Description of Adjustment Event (defined in the SIA and set out in the Appendix to this announcement)	Amount of price reduction (per share)
NZ Pandemic Adjustment Event	30 cents
Queensland Pandemic Adjustment Event	20 cents
NSW Pandemic Adjustment Event	15 cents
One-Off EBITDA MAC Adjustment Event or an Asset MAC Adjustment Event	30 cents
Recurring EBITDA MAC Adjustment	55 cents
Regulatory Adjustment Event	15 cents
<b>The maximum amount by which the Scheme Price may be reduced is capped at 75 cents per Abano Share (delivers a minimum Scheme Price of \$3.70 per Abano Share).</b>	

### Termination rights

In addition to the conditions referred to above, there are a limited number of termination rights which, if triggered, could result in the Scheme not proceeding. The conditions and termination rights are summarised in the appendix.

### ENDS

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

### About BGH Capital

BGH Capital was established in 2017 by Robin Bishop, Ben Gray and Simon Harle with the objective of creating the pre-eminent private equity firm in Australia and New Zealand. BGH Capital is headquartered in Melbourne, Australia and is an independent firm, owned and managed by its founding partners. BGH Capital Fund I had a final close of approximately A\$2.6 billion in May 2018. This represents the largest private equity fund focused on Australia and New Zealand that is actively deploying capital. BGH Capital aims to provide its portfolio companies with the capital they

need to grow, as well as analytical, strategic and operational resources to help them realise their full potential. For more information, visit [www.bghcapital.com](http://www.bghcapital.com)

**About Ontario Teachers' Pension Plan Board**

The Ontario Teachers' Pension Plan Board ("Ontario Teachers") is the administrator of Canada's largest single-profession pension plan, with \$204.7 billion in net assets (all figures at June 30, 2020 unless noted). It holds a diverse global portfolio of assets, approximately 80% of which is managed in-house, and has earned an annual total-fund net return of 9.5% since the plan's founding in 1990. Ontario Teachers is an independent organization headquartered in Toronto. Its Asia-Pacific region office is located in Hong Kong and its Europe, Middle East & Africa region office is in London. The defined-benefit plan, which is fully funded as at January 1, 2020, invests and administers the pensions of the province of Ontario's 329,000 active and retired teachers. Ontario Teachers' Pension Plan has been a major shareholder in Heartland Dental, one of the largest dental organisations in the United States, for many years.

**APPENDIX: SUMMARY OF SCHEME OF ARRANGEMENT AND KEY TRANSACTION TERMS**

**Process for implementation of the Scheme:**

- A scheme of arrangement is a Court supervised process. The first step in this process is for Abano to seek initial Court orders, after which the Board will call a special meeting of shareholders to vote on the Scheme.
- The Board anticipates that the special meeting will be held in November 2020.
- Prior to the special meeting, Abano will send shareholders a Scheme Booklet containing information about the Scheme, including details of the special meeting and a copy of the Independent Adviser’s Report.
- The voting thresholds for approval of the Scheme are:
  - 75% or more of the votes cast in each interest class<sup>2</sup> must be voted in favour of the Scheme; and
  - more than 50% of the total number of shares on issue must be voted in favour of the Scheme.
- If shareholder approval is obtained at the special meeting, Abano will seek final Court orders (being orders by the Court to approve implementation of the Scheme).
- Subject to shareholder approval, the granting of final Court orders and satisfaction of other conditions, the Scheme is currently expected to be implemented before the end of December 2020.

**Key transaction terms:**

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

<b>Scheme Price</b>	<ul style="list-style-type: none"> <li>• Subject to no Adjustment Event occurring, the Scheme Price is \$4.45 in cash per share.</li> </ul>
<b>Conditions</b>	<ul style="list-style-type: none"> <li>• Court approval</li> <li>• Shareholder approval</li> <li>• No restraining orders, etc</li> <li>• No Prescribed Occurrences</li> </ul>
<b>Other termination rights</b>	<ul style="list-style-type: none"> <li>• Either party may terminate the SIA:                     <ul style="list-style-type: none"> <li>○ if the other party agrees to terminate;</li> <li>○ for unremedied material breach by the other party;</li> <li>○ if the Scheme Price is not within the independent adviser’s value range for Abano shares (subject to a number of exceptions);</li> <li>○ if Abano provides Bidco with the opportunity to match a competing transaction, and Bidco does not do so; or</li> <li>○ if the Scheme has not become unconditional by 5.00pm on 11 February 2021.<sup>3</sup></li> </ul> </li> <li>• In addition, Bidco may terminate the SIA if:                     <ul style="list-style-type: none"> <li>○ The Abano directors fail to recommend the Scheme or change their recommendation; or</li> <li>○ Abano enters into an agreement to implement a competing transaction.</li> </ul> </li> </ul>

<sup>2</sup> At the date of this announcement, it is expected that all shareholders will comprise one interest class. The Scheme Booklet will set out information about what an interest class is.

<sup>3</sup> Under the SIA, Bidco is required to used reasonable endeavours to obtain an extension of the consent granted by the Australian Foreign Investment Review Board to the transaction, which expires on 12 February 2021. If that extension is obtained, then the ‘end date’ by which the Scheme must become effective will be automatically extended to 12 March 2021.

	<p>Importantly, Bidco is <b>not</b> entitled to terminate the SIA if an Adjustment Event occurs. Rather, as described below, Adjustment Events result in adjustments to the Scheme Price.</p>
<b>Adjustment Events</b>	<p>If any of the following Adjustment Events – each of which is described below - occurs before implementation, the Scheme Price will be reduced by the dollar amount next to it.</p> <ul style="list-style-type: none"> <li>• NZ Pandemic Adjustment Event: \$0.30;</li> <li>• Queensland Pandemic Adjustment Event: \$0.20;</li> <li>• NSW Pandemic Adjustment Event: \$0.15;</li> <li>• One-Off EBITDA MAC Adjustment Event \$0.30;</li> <li>• Recurring EBITDA MAC Adjustment Event \$0.55;</li> <li>• Asset MAC Adjustment Event: \$0.30; and</li> <li>• Regulatory Adjustment Event: \$0.15.</li> </ul> <p>The maximum price reduction – regardless of how many or which Adjustment Events occur – that may occur is \$0.75 per share. No single event or set of connected events can be more than one kind of Adjustment Event.</p>
<b>NZ Pandemic Adjustment Event</b>	<p>At any time before implementation, the New Zealand Government or the New Zealand Dental Council makes or announces a recommendation or imposes a requirement, due to Covid-19:</p> <ul style="list-style-type: none"> <li>• for all Abano group services other than urgent dental services or emergency dental services to be suspended;</li> <li>• throughout New Zealand or in areas that contributed at least 50% of the Abano group’s revenues in New Zealand during the financial year ended 31 May 2020;</li> <li>• for at least 10 business days in aggregate (counting business days before and after implementation, provided that any post-implementation restriction was announced prior to implementation).</li> </ul>
<b>Queensland Pandemic Adjustment Event</b>	<p>At any time before implementation, the Australian Federal Government, the Queensland State Government or any Australian governmental or semi-governmental department or committee makes or announces a recommendation or imposes a requirement, due to Covid-19:</p> <ul style="list-style-type: none"> <li>• for all Abano group services other than urgent dental services or emergency dental services to be suspended;</li> <li>• throughout Queensland or in areas that contributed at least 50% of the Abano group’s revenues in Queensland during the financial year ended 31 May 2020;</li> <li>• for at least 10 business days in aggregate (counting business days before and after implementation, provided that any post-implementation restriction was announced prior to implementation).</li> </ul>
<b>NSW Pandemic Adjustment Event</b>	<p>At any time before implementation, the Australian Federal Government, the New South Wales State Government or any Australian governmental or semi-governmental department or committee makes or announces a recommendation or imposes a requirement, due to Covid-19:</p> <ul style="list-style-type: none"> <li>• for all Abano group services other than urgent dental services or emergency dental services to be suspended;</li> <li>• throughout New South Wales or in areas that contributed at least 50% of the Abano group’s revenues in New South Wales during the financial year ended 31 May 2020;</li> </ul>

	<ul style="list-style-type: none"> <li>for at least 10 business days in aggregate (counting business days before and after the Scheme implementation, provided that any post-Scheme implementation restriction was announced prior to Scheme implementation).</li> </ul>
<b>One-Off EBITDA MAC Adjustment Event</b>	A matter, event or circumstance (or related matters, events or circumstances) that, subject to certain limited exceptions, including COVID 19 related issues if they give rise to a Pandemic Adjustment Event, has the effect of diminishing the Abano group's consolidated earnings before interest, tax, depreciation and amortisation (either for the financial year ending 31 May 2021 or the 12 month period starting on the date of the matter event or circumstance) by \$10 million, in the case of matters, events or circumstances which have a non-recurring impact.
<b>Recurring EBITDA MAC Adjustment Event</b>	A matter, event or circumstance (or related matters, events or circumstances) that, subject to certain limited exceptions, including COVID 19 related issues if they give rise to a Pandemic Adjustment Event, has the effect of diminishing the Abano group's consolidated earnings before interest, tax, depreciation and amortisation (either for the financial year ending 31 May 2021 or the 12 month period starting on the date of the matter event or circumstance) by \$5.4 million.
<b>Asset MAC Adjustment Event</b>	A matter, event or circumstance (or related matters, events or circumstances) that, subject to certain limited exceptions, including COVID 19 related issues if they give rise to a Pandemic Adjustment Event, has the effect of diminishing the Abano group's consolidated net assets by at least \$22.2 million.
<b>Regulatory Adjustment Event</b>	An enforcement action or inquiry, or a regulatory decision, by a government agency that relates to non-compliance by Abano with applicable laws and regulations and has the effect of reducing the Abano group's: <ul style="list-style-type: none"> <li>consolidated net tangible assets by \$5 million; or</li> <li>expected consolidated earnings before interest, tax, depreciation and amortisation (had the action or decision not been made) by \$5 million on a one-off basis or \$700,000 on an annual recurring basis.</li> </ul>
<b>Prescribed Occurrences</b>	Prescribed Occurrences include the following matters. If they occur Bidco is entitled to terminate the SIA: <ul style="list-style-type: none"> <li>Payment of dividends by Abano</li> <li>Changes to Abano's capital structure (including share issues and share buybacks)</li> <li>Disposal of all or a substantial part of the Abano group's assets</li> <li>Insolvency events affecting members of the Abano group</li> <li>Certain related party transactions or payments to directors, officers or senior employees</li> </ul>
<b>Dispute Resolution</b>	<p>All disputes will be resolved either through binding, non-appealable arbitration or, if the parties agree, through binding expert determination (by a "Big 4" accounting firm).</p> <p>Abano will appoint dispute resolution representatives (current directors of Abano) to represent Abano's and Abano shareholders' interests if any disputes regarding Consideration Adjustment Events continue beyond the Scheme implementation date.</p>

<b>Exclusivity</b>	The SIA contains market standard exclusivity provisions for a scheme of arrangement transaction, including prohibitions on soliciting and dealing with competing transactions (subject to limited exceptions) and matching rights (under which Bidco must be provided with an opportunity to match a competing transaction before Abano enters into binding arrangements to implement a competing transaction).
<b>Break fees</b>	<p>Abano must pay to Bidco a 'break fee' of \$1,169,559.59 in certain circumstances, including where:</p> <ul style="list-style-type: none"><li>• Abano directors fail to unanimously recommend the Scheme or change their recommendation (subject to limited exceptions)</li><li>• the Scheme does not proceed, and a competing transaction is implemented within a specified time period</li><li>• Bidco terminates the SIA for material breach by Abano or due to Prescribed Occurrence occurring</li><li>• Bidco terminates the SIA because Abano wishes to pursue a competing transaction and Bidco does not match that transaction</li></ul> <p>Bidco must pay to Abano a 'reverse break fee' of \$1,169,559.59 if Abano terminates the SIA for material breach by Bidco.</p>