



105 Denham Street Townsville Qld 4810  
PO Box 5021 Townsville Qld 4810  
tel 07 4720 1300 | fax 07 4771 5217  
email admin@1300Smiles.com.au

[www.1300Smiles.com.au](http://www.1300Smiles.com.au)

13 October 2021

## **Scheme booklet registered with ASIC**

1300Smiles Limited (ASX:ONT) (**1300Smiles**) refers to its announcement on Tuesday, 12 October 2021 in relation to the proposed Scheme of Arrangement with Adams Aus Bidco Pty Limited, a member of the Abano Healthcare Group (the **Scheme**), and the orders made by the Federal Court approving the convening of the Scheme Meetings and the despatch of an explanatory statement providing information about the Scheme and notices of the Scheme Meetings (**Scheme Booklet**) to 1300Smiles Shareholders.

### **Scheme Booklet**

1300Smiles confirms that the Scheme Booklet has today been registered with the Australian Securities and Investments Commission. A copy of the Scheme Booklet, including the Independent Expert's Report and the notices of the Scheme Meetings, is attached to this announcement.

1300Smiles Shareholders who have nominated an email address for the purposes of receiving communications will receive an email which contains a link to where they can view or download the Scheme Booklet and Scheme Meeting Online Guide, and a personalised proxy form. 1300Smiles Shareholders who have not made such an election will receive a letter (sent by post) containing details of where they can view and download the Scheme Booklet and Scheme Meeting Online Guide, and enclosing a personalised proxy form.

Despatch of the Scheme Booklet, as described above, is expected to occur on Thursday, 14 October 2021.

### **Independent Expert's Report and Independent Board Committee recommendation**

The Scheme Booklet includes an Independent Expert's Report from Grant Thornton Corporate Finance Pty Ltd, which concludes that the Scheme is in the best interests of all 1300Smiles Shareholders and fair and reasonable to the Non-Founder Shareholders, in the absence of a superior proposal. The Independent Expert's conclusion should be read in context with the full Independent Expert's Report and the Scheme Booklet.

The 1300Smiles Independent Board Committee unanimously recommends that 1300Smiles Shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of all 1300Smiles Shareholders and fair and reasonable to the Non-Founder Shareholders. Subject to the same qualifications, each independent director comprising the 1300Smiles Independent Board Committee, intends to vote all of the 1300Smiles Shares that they hold (directly or through associated interests) in favour of the Scheme at the General Scheme Meeting.

### **Further Information**

1300Smiles encourages you to read the Scheme Booklet in its entirety before deciding whether or not to vote in favour of the Scheme at the Scheme Meetings.

If, after reading the Scheme Booklet, you have any further questions in relation to the Scheme or the Scheme Booklet, please contact the ONT Shareholder Information Line on 1300 153 448 (within Australia) or +61 3 9415 4227 (outside Australia).

This announcement is authorised for release to ASX by the Board.

For further information contact:

**Institutional Investors**

Kent Greig  
Managing Director  
Flagstaff Partners  
[kent.greig@flagstaffpartners.com](mailto:kent.greig@flagstaffpartners.com)  
+ 61 3 9664 4559

**Retail and Other Investors**

Toni Faint  
Corporate Services  
1300Smiles  
[BSUadmin@1300smiles.com.au](mailto:BSUadmin@1300smiles.com.au)  
+61 7 4720 1300

**ENDS**

**About 1300Smiles**

1300Smiles Limited owns and operates full-service dental facilities at its sites in Queensland and New South Wales, with its corporate and administrative offices located in Townsville. 1300Smiles enables the delivery of services to patients by providing the use of dental surgeries, practice management and other services to self-employed dentists who carry on their own dental practices. Further details about 1300Smiles are available at [www.1300Smiles.com.au](http://www.1300Smiles.com.au).

## Scheme Booklet

For a recommended scheme of arrangement in relation to the proposed acquisition of approximately 84% of 1300 SMILES Limited by Adams Aus Bidco Pty Limited

### Vote in favour

Your ONT Independent Board Committee recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of ONT Shareholders and fair and reasonable to the Non-Founder Shareholders.

The Independent Expert has concluded that the Scheme is in the best interests of all ONT Shareholders and fair and reasonable to the Non-Founder Shareholders, in the absence of a Superior Proposal.

The Scheme Meetings are scheduled to be held virtually as follows:

- General Scheme Meeting – 9.00am (Brisbane time) on Friday, 12 November 2021 at <https://web.lumiagm.com/311537388> (Meeting ID: 311-537-388); and
- Founder Scheme Meeting – 9.30am (Brisbane time) on Friday, 12 November 2021 at <https://web.lumiagm.com/393604033> (Meeting ID: 393-604-033).

**This Scheme Booklet is important and requires your prompt attention. You should read it in its entirety, and consider its contents carefully, before deciding whether or not to vote in favour of the Scheme Resolution to approve the Scheme. If you are in any doubt about what you should do, you should consult with a financial, legal, taxation or other professional adviser.**

If you have any questions in relation to this Scheme Booklet or the Scheme, please contact ONT's Shareholder Information Line on 1300 153 448 (within Australia) or +61 3 9415 4227 (from outside Australia).

This Scheme Booklet has been sent to you because you are shown in the ONT Share Register as holding ONT Shares. If you have sold all of your ONT Shares, please disregard this Scheme Booklet.

**Financial Adviser**

**FLAGSTAFF**

**Legal Adviser**

---

**THOMSON GEER**  
LAWYERS

## Important information

### Nature of this document

This Scheme Booklet provides ONT Shareholders with information about the proposed acquisition of approximately 84% of ONT by BidCo. It includes the explanatory statement required by Part 5.1 of the Corporations Act in relation to the Scheme.

You should review all of the information in this Scheme Booklet carefully. Section 1.2 sets out the reasons why you should vote in favour of the Scheme and Section 1.3 sets out reasons why you may wish to vote against the Scheme.

This Scheme Booklet also sets out the manner in which the Scheme will be considered and implemented (if all of the conditions to the Scheme are satisfied or waived) and provides such information as prescribed by law or is otherwise material to the decision of ONT Shareholders whether to vote in favour of the Scheme.

If you have sold all of your ONT Shares, please disregard this Scheme Booklet.

### Defined terms

A number of defined terms are used in this document. Unless expressly specified otherwise, defined terms have the meaning given in Section 9. Section 9 also includes certain rules of interpretation which apply to this Scheme Booklet.

### Responsibility for information

ONT is solely responsible for the ONT Information. None of BGH Capital, OTPP, the BidCo Group and its or their directors, officers or advisers assume any responsibility for the accuracy or completeness of any information contained in this Scheme Booklet other than the BidCo Information.

BidCo is solely responsible for the BidCo Information. ONT, the ONT Directors and ONT's officers and advisers do not assume any responsibility for the accuracy or completeness of the BidCo Information.

The Independent Expert has prepared the Independent Expert's Report in relation to the Scheme and is solely responsible for that report. The Independent Expert's Report is set out in Annexure A.

### Forward-looking statements

This Scheme Booklet contains both historical and forward looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements. All forward looking statements in this Scheme Booklet reflect views only as at the date of this Scheme Booklet, and generally may be identified by the use of forward looking words such as 'believe', 'aim', 'future', 'expect', 'anticipate', 'intend', 'foresee', 'likely', 'should', 'planned', 'may', 'estimate', 'potential' or other similar words. Similarly, statements that describe ONT's or BidCo's objectives, plans, goals or expectations are or may be forward looking statements.

Any statements contained in this Scheme Booklet about the impact that the Scheme may have on the results of ONT's operations, and the advantages and disadvantages anticipated to result from the Scheme, are also forward looking statements. All forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by those forward looking statements.

The operations and financial performance of ONT are subject to various risks, including those summarised in this Scheme Booklet, which may be beyond the control of ONT and/or BidCo. ONT Shareholders should note that the historical financial performance of ONT provides no assurance of the future financial performance of ONT (whether the Scheme is implemented or not). Those risks and uncertainties include factors and risks specific to the industry in which ONT operates and general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. As a result, the actual results of operations and earnings of ONT following implementation of the Scheme, as well as the actual advantages of the Scheme, may differ significantly from those that are anticipated and may never be achieved.

The forward looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet. Although ONT believes that the views reflected in any forward looking statements included in the ONT Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

None of the ONT Group, the BidCo Group, the ONT Group's officers, the BidCo Group's directors and officers, any persons named in this Scheme Booklet with their consent or any person involved in the preparation of this Scheme Booklet makes any representation or warranty (express or implied) as to the 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. All subsequent written and oral forward looking statements attributable to any member of the ONT Group or BidCo Group or any person acting on their behalf are qualified by this cautionary statement.

Subject to any continuing obligations under relevant laws or the listing rules of a relevant exchange (including, without limitation, the ASX Listing Rules), the ONT Group and BidCo Group do not give any undertaking to update or revise any such statements after the date of this Scheme Booklet, to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

## No investment advice

The information contained in this Scheme Booklet does not constitute financial product advice and has been prepared without reference to your own investment objectives, financial situation, taxation position or particular needs. It is important that you read this Scheme Booklet in its entirety before making any investment decision and any decision regarding the Scheme. If you are in any doubt in relation to these matters, you should consult with a financial, legal, taxation or other professional adviser.

## Not an offer

This Scheme Booklet does not constitute or contain an offer to ONT Shareholders, or a solicitation of an offer from ONT Shareholders, in any jurisdiction.

## Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with laws and regulations outside Australia.

## Regulatory information

This document is the explanatory statement for the proposed scheme of arrangement between ONT and Scheme Shareholders for the purposes of section 412(1) of the Corporations Act. A copy of the proposed Scheme is included in this Scheme Booklet as Annexure B.

A copy of this Scheme Booklet was provided to ASIC for examination in accordance with section 411(2)(b) of the Corporations Act and was lodged with ASIC for registration under section 412(6) of the Corporations Act. It was then registered by ASIC under section 412(6) of the Corporations Act before being sent to ONT Shareholders.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, then it will be produced to the Court at the time of the Court hearing to approve the Scheme. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

## Notice of Scheme Meetings

The Notice of General Scheme Meeting is set out in Annexure D and the Notice of Founder Scheme Meeting is set out in Annexure E.

## Notice of Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the votes at the Scheme Meetings. Any ONT Shareholder may appear at the Second Court Hearing, expected to be held on Wednesday, 17 November 2021 at the Federal Court of Australia, Sydney Registry.

Any ONT Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on ONT a notice of appearance in the prescribed form together with any affidavit on which the ONT Shareholder proposes to rely.

## Important notice associated with the Court order under section 411(1) of the Corporations Act

The fact that under section 411(1) of the Corporations Act the Court has ordered that the Scheme Meetings be convened and has directed that an explanatory statement accompany the Notices of General Scheme Meeting and Founder Scheme Meeting does not in any way indicate that the Court has approved or will approve the terms of the Scheme and does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how ONT Shareholders should vote (on this matter ONT Shareholders must each reach their own decision); or
- has prepared, or is responsible for, the content of this Scheme Booklet.

## Privacy

ONT and BidCo may collect personal information in the process of implementing the Scheme. Such information may include the name, address, contact details and shareholdings of ONT Shareholders and the names of persons appointed by those persons to act as a proxy, attorney or corporate representative at the Scheme Meetings.

The collection of some of this personal information is required or authorised by the Corporations Act. The primary purpose of the collection of personal information is to assist ONT to conduct the Scheme Meetings and to assist ONT and BidCo to implement the Scheme. Personal information of the type described above may be disclosed to the ONT Share Registry, print and mail service providers, authorised securities brokers, Related Bodies Corporate of ONT and BidCo and ONT's and the BidCo Group's advisers and service providers. If the information outlined above is not collected, ONT may be hindered in, or prevented from, conducting the Scheme Meeting and implementing the Scheme.

ONT Shareholders have certain rights to access personal information that has been collected. ONT Shareholders should contact the ONT Share Registry in the first instance if they wish to access their personal information. ONT Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

### **External website**

ONT maintains a website at [www.1300SMILES.com.au](http://www.1300SMILES.com.au). Information contained in or otherwise accessible through this website is not a part of this document and ONT Shareholders should not rely on its content. All references in this document to these internet sites are for your information only.

### **Effect of rounding**

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this document are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this document.

### **Electronic communications**

ONT Shareholders who have elected to receive communications electronically will receive an email which contains instructions about how to view or download a copy of the Scheme Booklet and how to lodge their proxy vote online.

### **Times**

Unless otherwise stated, all times referred to in this Scheme Booklet are times in Brisbane, Australia. Any obligation to do an act by a specified time in an Australian time zone must be done at the corresponding time in any other jurisdiction.

### **Currency and exchange**

Unless otherwise stated, all dollar amounts in this Scheme Booklet are in Australian dollars and all share prices and trading volumes refer to ONT Shares trading on ASX.

### **Date of this Scheme Booklet**

This Scheme Booklet is dated Tuesday, 12 October 2021.



## Indicative Key Dates

Event	Date
<b>Scheme Booklet</b> Date of this Scheme Booklet	Tuesday, 12 October 2021
<b>Founder Election Time</b> Latest time and date by which the Founder Shareholders can make the Election	Monday, 8 November 2021
<b>Scheme Meeting Proxy Forms</b> Latest time and date by which the Scheme Meeting Proxy Forms must be received by the ONT Share Registry	9.00am (Brisbane time) Wednesday, 10 November 2021
<b>Scheme Meeting record dates</b> Time and date for determining eligibility to vote at the Scheme Meetings	7.00pm (Sydney time) Wednesday, 10 November 2021
<b>General Scheme Meeting</b> To be held virtually at <a href="https://web.lumiagm.com/311537388">https://web.lumiagm.com/311537388</a> (Meeting ID: 311-537-388)	9.00am (Brisbane time) Friday, 12 November 2021
<b>Founder Scheme Meeting*</b> To be held virtually at <a href="https://web.lumiagm.com/393604033">https://web.lumiagm.com/393604033</a> (Meeting ID: 393-604-033)	9.30am (Brisbane time) Friday, 12 November 2021
<b>If the Scheme is approved by ONT Shareholders at the Scheme Meetings</b>	
<b>Second Court Date</b> For approval of the Scheme	Wednesday, 17 November 2021
<b>Effective Date</b> The date on which the Scheme becomes Effective and is binding on ONT Shareholders The date on which Court orders will be lodged with ASIC (at which point the Scheme becomes Effective) and announced to ASX Expected last day of trading in ONT Shares – ONT suspended from close of trading	Thursday, 18 November 2021
<b>Special Dividend Record Date**</b> All ONT Shareholders who hold ONT Shares on the Special Dividend Record Date will be entitled to receive the Special Dividend	Friday, 19 November 2021
<b>Scheme Record Date</b> All ONT Shareholders who hold ONT Shares on the Scheme Record Date will be entitled to receive the Scheme Consideration	Wednesday, 24 November 2021
<b>Special Dividend Payment Date**</b> Date on which the Special Dividend will be paid to ONT Shareholders who hold ONT Shares on the Special Dividend Record Date	Friday, 26 November 2021
<b>Implementation Date</b> Date on which BidCo becomes the holder of the Scheme Shares (except the Retained ONT Shares) and Scheme Consideration will be sent to Scheme Shareholders	Wednesday, 1 December 2021

All dates following the date of the Scheme Meetings are indicative only and, among other things, are subject to all necessary approvals from the Court and other conditions of the Scheme having been satisfied or, if applicable, waived. In particular, the date of the Scheme Meetings may be postponed or adjourned if satisfaction of the FIRB condition precedent is delayed. ONT reserves the right to vary the times and dates set out above. Any changes to the above timetable will be announced on ASX and notified on ONT's website at [www.1300SMILES.com.au](http://www.1300SMILES.com.au).

\* If the General Scheme Meeting concludes after 9.30am on Friday, 12 November 2021, the Founder Scheme Meeting will begin as soon as practicable after the conclusion of the General Scheme Meeting.

\*\* If the ONT Directors determine to pay a Special Dividend, it remains at the discretion of the ONT Board whether the Special Dividend is ultimately declared and paid and the amount of any Special Dividend.





## Letter from the Chairman of the Independent Board Committee

12 October 2021

Dear ONT Shareholders

On behalf of the ONT Independent Board Committee (**ONT IBC**), I am pleased to provide you with this Scheme Booklet, which contains important information for you to consider about the proposed acquisition of 1300 Smiles Limited (**ONT**) by Adams Aus BidCo Pty Limited (**BidCo**), a member of the Abano Group, which is ultimately majority owned by a consortium of the BGH Capital Fund and OTPP.

### Overview of the Scheme

On 24 August 2021, ONT announced that it had entered into a Scheme Implementation Agreement with BidCo, under which BidCo will acquire approximately 84% of ONT by way of scheme of arrangement.<sup>1</sup>

The Scheme Consideration comprises:

- **(Non-Founder Scheme Consideration)** for ONT Shareholders (other than the Founder Shareholders<sup>2</sup>) – cash consideration of \$8.00 per share, less any Special Dividend; and
- **(Founder Scheme Consideration)** for Founder Shareholders who together hold approximately 59.8% of ONT – cash consideration of up to \$6.33 per share (of which up to \$0.81 per share is contingent on certain events occurring<sup>3</sup>) less any Special Dividend. It is a condition of the Scheme that the Founder Shareholders elect to retain 26.227% of their ONT shares on the terms contained in a Retention and Co-Investment Deed. The Founder Shareholders have confirmed to ONT that they intend to make this election and satisfy the condition.

The Scheme Consideration when taken overall implies:

- an equity value of \$166 million<sup>4</sup> for ONT and an estimated enterprise value of \$165 million<sup>5</sup>; and
- an EV / EBITDA multiple of 13.5x, based on FY21 underlying EBITDA pre AASB 16 of \$12.2 million.

The differential consideration to be provided to the Founder Shareholders unlocks additional value for the Non-Founder Shareholders. This is because the Scheme Consideration when taken overall implies a valuation of \$7.00 per ONT Share. But by adopting the differential pricing structure, BidCo is able to make an \$8.00 cash offer to the Non-Founder Shareholders.

<sup>1</sup> Scheme implementation is conditional on the Founder Shareholders electing to retain 26.227% of their ONT Shares (being the Retained ONT Shares) and entering into a Retention and Co-Investment Deed in respect of those Retained ONT Shares. The Founder Shareholders have confirmed to ONT that they intend to make this election.

<sup>2</sup> Founder Shareholders are Daryl Holmes as trustee for the TFD Hybrid Fixed Trust and Golden Arch (Qld) Pty Ltd as trustee for the Whistler Discretionary Trust.

<sup>3</sup> Up to \$0.81 per ONT Share is payable under the Contingent Notes to be issued to the Founder Shareholders under the Scheme on the basis of 1 Contingent Note for each ONT Share transferred by the Founder Shareholders under the Scheme. See Section 8.3(b)(v) for details of the Contingent Events and the Contingent Note terms and conditions.

<sup>4</sup> Based on a blended consideration for Founder and Non-Founder Shareholders of \$7.00 per ONT Share and 23,678,384 issued ONT Shares.

<sup>5</sup> Enterprise value implied by the Scheme Consideration when taken overall of \$165 million includes net cash of \$1 million as at 30 June 2021. Cash includes cash and equivalents of \$4.2 million, loans receivable of \$8.3 million, investments of \$0.4 million and investment property of \$1.6 million. Debt includes loans payable of \$13.3 million and contingent consideration of \$0.4 million.

The Non-Founder Scheme Consideration represents:

- A 14% premium to ONT's closing share price on the ASX of \$7.02 per share on Friday, 20 August 2021, being the last trading day prior to the announcement of the Scheme;
- A 14% premium to ONT's VWAP over the last 30-day period (\$6.99 per share) prior to Friday, 20 August 2021;
- An 18% premium to ONT's VWAP over the last 12 months (\$6.79 per share) prior to Friday, 20 August 2021; and
- An implied EV / EBITDA multiple of 15.5x<sup>6</sup> for Non-Founder Shareholders, based on FY21 underlying EBITDA pre AASB 16 of \$12.2 million.

The 100% cash consideration available under the Non-Founder Scheme Consideration provides Non-Founder Shareholders with certainty of value and the opportunity to realise their investment for cash, in full.

### Special Dividend

ONT intends to declare and pay to all ONT Shareholders before the Scheme Implementation Date a special dividend of up to \$0.80 per share (reserving the right to increase this to up to \$1.10 per ONT Share) fully franked (**Special Dividend**).<sup>7</sup>

### Independent Board Committee unanimously recommends the Scheme

ONT formed the ONT IBC comprising Independent Chairman, Robert Jones and Independent Non-Executive Director, Jason Smith to consider the proposal from BidCo. The ONT IBC has diligently considered ONT's current position, as well as its medium and longer term potential, and believe that the Scheme is in the best interests of ONT Shareholders.

The ONT IBC unanimously recommends that all ONT Shareholders **vote in favour of the Scheme**, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of all ONT Shareholders and fair and reasonable to the Non-Founder Shareholders.

Subject to the same qualifications, each ONT Independent Director comprising the IBC, intends to vote all of the ONT Shares that they hold (directly or through associated interests) in favour of the Scheme at the General Scheme Meeting and Dr Daryl Holmes intends to vote all of the ONT Shares that the Founder Shareholders hold in favour of the Scheme at the Founder Scheme Meeting.

In recommending the Scheme to you, the ONT IBC has evaluated a range of factors, including the following aspects of the Scheme:

- the Independent Expert has concluded that the Scheme is in the best interests of all ONT Shareholders and fair and reasonable to the Non-Founder Shareholders, in the absence of a Superior Proposal;
- the Scheme Consideration for ONT Shareholders (other than the Founder Shareholders) represents an implied EV / EBITDA multiple of 15.5x<sup>8</sup>, based on FY21 underlying EBITDA pre AASB 16 of \$12.2 million. This represents an attractive valuation having reference to comparable transactions.
- the Scheme Consideration provides ONT Shareholders (other than the Founder Shareholders) with certainty of value and the opportunity to realise their investment for cash, in full; and

<sup>6</sup> Enterprise value implied by the Non-Founder Scheme Consideration of \$188 million includes net cash of \$1 million as at 30 June 2021. Cash includes cash and equivalents of \$4.2 million, loans receivable of \$8.3 million, investments of \$0.4 million and investment property of \$1.6 million. Debt includes loans payable of \$13.3 million and contingent consideration of \$0.4 million.

<sup>7</sup> It remains at the discretion of the ONT Board whether the Special Dividend is ultimately declared and paid and the amount of any Special Dividend. Whether ONT Shareholders will be able to realise the full benefit of the franking credits which may arise will depend on individual tax circumstances.

<sup>8</sup> See footnote 6.

- the ONT IBC believes that the Abano Group will be excellent custodians of ONT's business going forward, in terms of continuing strong dentist and patient outcomes and growing the business.

As a result, the ONT IBC is of the view that the Scheme is compelling in the current circumstances and appropriate to be put to ONT Shareholders for their consideration. The ONT IBC does not make any recommendation in relation to the Scheme Consideration for the Founder Shareholders.

### **Voting intention of Ellerston Capital**

Ellerston Capital Limited (**Ellerston**) and its associates have a Relevant Interest in approximately 1,680,628 ONT Shares representing approximately 7.1% of ONT. Ellerston intends to vote the ONT Shares that it holds and recommend that its associates vote the ONT Shares that they hold in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of ONT Shareholders and fair and reasonable to Non-Founder Shareholders.

### **Independent Expert**

ONT appointed Grant Thornton Corporate Finance Pty Ltd as the Independent Expert to assess the merits of the Scheme and to provide an opinion as to whether the Scheme is in the best interests of ONT Shareholders and fair and reasonable to the Non-Founder Shareholders.

Based on the Scheme Consideration, the Independent Expert has concluded that the Scheme is in the best interests of all ONT Shareholders and fair and reasonable to the Non-Founder Shareholders, in the absence of a Superior Proposal.

The Independent Expert has assessed the fair market value per ONT Share (control basis) to be in the range of \$6.65 to \$7.75 per share. Accordingly:

- the Scheme Consideration for Non-Founder Shareholders of \$8.00, less any Special Dividend, per Scheme Share exceeds the high end of the valuation range determined by the Independent Expert; and
- the Scheme Consideration for Founder Shareholders and Non-Founder Shareholders when taken overall of \$7.00, per Scheme Share<sup>9</sup> is within the valuation range determined by the Independent Expert.

In addition, the Independent Expert is of the view that the value of the Scheme Consideration for the Founder Shareholders, together with the right to make an Election, the Retained ONT Shares, and interests under the Retention and Co-Investment Deed, is below the value of the Scheme Consideration for the Non-Founder Shareholders and accordingly, that no net benefit is being provided to the Founder Shareholders as a result of the structure of the Scheme. However, Founder Shareholders should note that the Independent Expert has not made any assessment, based on the Scheme Consideration for the Founder Shareholders, of whether the Scheme is fair and reasonable to Founder Shareholders in the absence of a Superior Proposal.

A complete copy of the Independent Expert's Report is included in Annexure A. The ONT IBC encourages you to read the Independent Expert's Report in its entirety before making a decision as to whether or not to vote in favour of the Scheme.

### **How to vote**

Your vote is important and will determine the future ownership of ONT. I encourage you to vote on the Scheme Resolution applicable to you by completing the relevant proxy form enclosed with this Scheme Booklet, or alternatively by attending the applicable Scheme Meeting.

The General Scheme Meeting is to be held virtually at 9.00am (Brisbane time) on Friday, 12 November 2021. The Founder Scheme Meeting will be held virtually at 9.30am (Brisbane time) on Friday, 12 November 2021.

---

<sup>9</sup> See footnote 4.

As the Founder Shareholders will receive Scheme Consideration under the Scheme that is different from the Scheme Consideration to be received by all other ONT Shareholders, they will vote on the Scheme in a separate class, at a separate Scheme Meeting, to all other ONT Shareholders. Importantly, this means that the Scheme will not proceed unless the Requisite Majorities of all ONT Shareholders (excluding the Founder Shareholders) agree to it at the General Scheme Meeting, as well as the Requisite Majorities of the Founder Shareholders agreeing to it at the Founder Scheme Meeting.

If you wish the Scheme to proceed, it is important that you vote in favour of the applicable Scheme Resolution.

#### **Further information**

If you have any questions in relation to the Scheme Booklet or the Scheme, please contact the ONT Shareholder Information Line on 1300 153 448 (within Australia) or +61 3 9415 4227 (from outside Australia).

ONT Shareholders should also consider seeking independent financial, legal and taxation advice, as appropriate, before making any decision in relation to their ONT Shares.

On behalf of the ONT IBC, I would like to take this opportunity to thank you for your ongoing support of and commitment to ONT and its business, and I look forward to your participation at the Scheme Meetings.

Yours sincerely



**Robert Jones**  
Chairman  
1300SMILES Limited

## Table of contents

<b>Important information .....</b>	<b>1</b>
<b>Indicative Key Dates .....</b>	<b>4</b>
<b>Letter from the Chairman of the Independent Board Committee.....</b>	<b>6</b>
<b>1 Key considerations relevant to your vote.....</b>	<b>12</b>
1.1 Summary .....	12
1.2 Reasons for Non-Founder Shareholders to vote in favour of the Scheme .....	13
1.3 Reasons why you may choose to vote against the Scheme .....	17
1.4 Other relevant considerations.....	18
1.5 No recommendation made in respect of the Scheme Consideration for Founder Shareholders .....	19
<b>2 Frequently asked questions.....</b>	<b>20</b>
<b>3 Overview of the Scheme and Scheme Implementation Agreement .....</b>	<b>31</b>
3.1 Scheme.....	31
3.2 Scheme Consideration .....	31
3.3 Special Dividend .....	32
3.4 Key steps in the Scheme .....	33
3.5 Warranties by Scheme Shareholders.....	35
3.6 Delisting from ASX.....	35
3.7 Summary of Scheme Implementation Agreement.....	36
3.8 How ONT will respond to Competing Proposals .....	41
<b>4 Information about ONT .....</b>	<b>42</b>
4.1 Overview of ONT .....	42
4.2 Board and senior management .....	42
4.3 Securities and capital structure .....	43
4.4 Recent ONT Share price performance .....	44
4.5 Financial information.....	44
4.6 Material changes to ONT's financial position .....	48
4.7 Intentions regarding the continuation of ONT's business.....	48
4.8 Publicly available information .....	48
<b>5 Information about BidCo and HoldCo .....</b>	<b>49</b>
5.1 Introduction .....	49
5.2 Overview of BidCo and HoldCo .....	49
5.3 Overview of the Abano Group .....	49
5.4 Overview of BGH Capital .....	50
5.5 Overview of OTPP .....	50
5.6 Rationale for BidCo's proposed acquisition of ONT .....	50
5.7 Directors of BidCo and HoldCo .....	50
5.8 BidCo's intentions following implementation of the Scheme .....	51
5.9 Funding the Scheme Consideration .....	53
5.10 No interests in ONT Shares.....	53
5.11 No dealing in ONT Shares in previous four months .....	54
5.12 Benefits to holders of ONT Shares .....	54
5.13 No other material information .....	54
<b>6 Risks.....</b>	<b>55</b>
6.1 Introduction .....	55
6.2 General risk factors.....	55
6.3 Specific risk factors for the ONT business.....	56
<b>7 Taxation implications .....</b>	<b>60</b>
7.1 Introduction .....	60
7.2 Taxation Consequences of Disposal of ONT Shares.....	61
7.3 Australian income tax treatment of the Special Dividend .....	63
7.4 GST.....	64
7.5 Stamp Duty .....	64

<b>8</b>	<b>Additional information.....</b>	<b>65</b>
8.1	Interests of ONT Directors in ONT securities .....	65
8.2	ONT Loan Shares .....	65
8.3	Other benefits and agreements .....	66
8.4	Suspension of trading of ONT Shares .....	69
8.5	Deed Poll .....	69
8.6	Consents and disclosures .....	69
8.7	No unacceptable circumstances .....	70
8.8	Transaction costs .....	70
8.9	No other material information .....	70
8.10	Supplementary information .....	70
<b>9</b>	<b>Definitions and interpretation .....</b>	<b>71</b>
9.1	Definitions .....	71
9.2	Interpretation .....	82

**Annexure A** – Independent Expert's Report

**Annexure B** – Scheme of Arrangement

**Annexure C** – Deed Poll

**Annexure D** – Notice of General Scheme Meeting

**Annexure E** – Notice of Founder Scheme Meeting

**Corporate Directory**

For personal use only



## 1 Key considerations relevant to your vote

---

### 1.1 Summary

The Scheme has a number of advantages and disadvantages which may affect ONT Shareholders in different ways depending on their individual circumstances. ONT Shareholders should seek professional advice on their particular circumstances, as appropriate.

Section 1.2 provides a summary of some of the reasons why the ONT IBC recommends that ONT Shareholders (excluding the Founder Shareholders) vote in favour of the Scheme, including:

- (a) The ONT IBC has assessed the merits of the Scheme and recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of all ONT Shareholders and fair and reasonable to the Non-Founder Shareholders
- (b) The Independent Expert has concluded that the Scheme is in the best interests of all ONT Shareholders and fair and reasonable to the Non-Founder Shareholders, in the absence of a Superior Proposal
- (c) The Scheme Consideration for Non-Founder Shareholders of \$8.00 per ONT Share, less any Special Dividend, represents an attractive premium to recent historical trading levels of ONT Shares on ASX prior to the announcement of the proposed Scheme
- (d) The Scheme Consideration for Non-Founder Shareholders of \$8.00 per ONT Share, less any Special Dividend, represents an implied EV / EBITDA multiple of 15.5x<sup>10</sup>, based on FY21 underlying EBITDA pre AASB 16 of \$12.2 million
- (e) If a Special Dividend of up to \$0.80 is paid, those ONT Shareholders who can realise the full benefit of franking credits could receive additional value of up to \$0.27 per ONT Share
- (f) You will receive all cash consideration which provides certainty of value for your investment in ONT
- (g) Since the announcement of the Scheme, no Superior Proposal has emerged
- (h) In the absence of a Superior Proposal, the price of ONT Shares is likely to fall in the near term if the Scheme is not implemented
- (i) If the Scheme does not proceed, you will continue to be exposed to risks associated with ONT's business, rather than realising certain value for your ONT Shares in a certain time frame
- (j) No brokerage will be payable by you for the transfer of your ONT Shares under the Scheme

Section 1.2 should be read in conjunction with Section 1.3, which sets out some of the reasons why ONT Shareholders (excluding the Founder Shareholders) may wish to vote against the Scheme, including:

- (a) You may disagree with the unanimous recommendation of the ONT IBC and the Independent Expert's conclusion and consider that the Scheme is not in your best interests
- (b) You may prefer to realise the potential value in ONT Shares over the long term, and may consider that the Scheme does not capture ONT's long-term potential

---

<sup>10</sup> See footnote 6.

- (c) You may believe that it is in your interests to maintain your current investment and risk profile
- (d) The tax consequences of the Scheme may not suit your current financial position
- (e) You may consider that there is potential for a Superior Proposal to emerge

You should read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote at the Scheme Meeting. While the ONT IBC acknowledges the reasons to vote against the Scheme, they believe that the advantages of the Scheme significantly outweigh the disadvantages and unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of all ONT Shareholders and fair and reasonable to the Non-Founder Shareholders.

## 1.2 Reasons for Non-Founder Shareholders to vote in favour of the Scheme

- (a) **The ONT IBC have assessed the merits of the Scheme and recommend that Non-Founder Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of all ONT Shareholders and fair and reasonable to the Non-Founder Shareholders**

In reaching its recommendation, the ONT IBC have diligently assessed the Scheme having regards to the reasons to vote in favour of, or against, the Scheme as set out in this Scheme Booklet.

The ONT IBC consider that the Scheme Consideration of \$8.00, less any Special Dividend, fully recognises the value and future growth potential of ONT, as well as providing the certainty of all cash consideration to Non-Founder Shareholders for their ONT Shares.

In the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of all ONT Shareholders and fair and reasonable to the Non-Founder Shareholders, each of the ONT Independent Directors comprising the IBC intends to vote all ONT Shares that they hold or control in favour of the Scheme at the General Scheme Meeting. Subject to the same qualifications, Dr Daryl Holmes intends to vote all of the ONT Shares that the Founder Shareholders hold in favour of the Scheme at the Founder Scheme Meeting.

Details regarding the interests of the ONT Directors in ONT are contained in Section 8.

- (b) **The Independent Expert has concluded that the Scheme is in the best interests of all ONT Shareholders and fair and reasonable to the Non-Founder Shareholders, in the absence of a Superior Proposal**

ONT appointed Grant Thornton Corporate Finance Pty Ltd as the Independent Expert to assess the merits of the Scheme and to provide an opinion as to whether the Scheme is in the best interests of ONT Shareholders.

Based on the Scheme Consideration, the Independent Expert has concluded that the Scheme is in the best interests of all ONT Shareholders and fair and reasonable to the Non-Founder Shareholders, in the absence of a Superior Proposal.

The Independent Expert has assessed the fair market value per ONT Share (control basis) to be in the range of \$6.65 to \$7.75 per share. Accordingly:

- (i) the Scheme Consideration for Non-Founder Shareholders of \$8.00, less any Special Dividend, per Scheme Share exceeds the high end of the valuation range determined by the Independent Expert; and

- (ii) the Scheme Consideration for Founder Shareholders and Non-Founder Shareholders when taken overall of \$7.00, per Scheme Share<sup>11</sup> is within the valuation range determined by the Independent Expert.

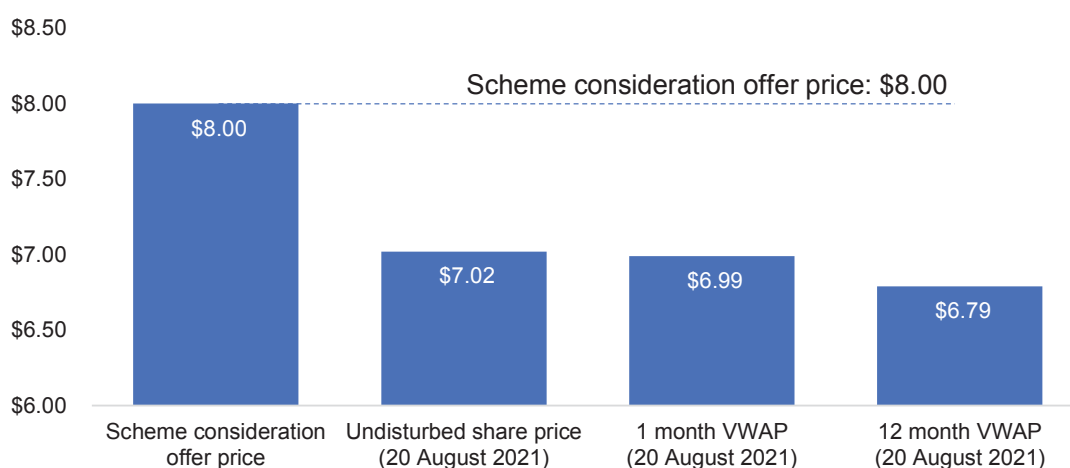
In addition, the Independent Expert is of the view that the value of the Scheme Consideration for the Founder Shareholders, together with the right to make an Election, the Retained ONT Shares, and interests under the Retention and Co-Investment Deed, is below the value of the Scheme Consideration for the Non-Founder Shareholders and accordingly, that no net benefit is being provided to the Founder Shareholders as a result of the structure of the Scheme. However, Founder Shareholders should note that the Independent Expert has not made any assessment, based on the Scheme Consideration for the Founder Shareholders, of whether the Scheme is fair and reasonable to Founder Shareholders in the absence of a Superior Proposal.

A complete copy of the Independent Expert's Report is included in Annexure A. The ONT IBC encourage you to read the Independent Expert's Report in its entirety before making a decision as to whether or not to vote in favour of the Scheme.

- (c) **The Scheme Consideration to be received by Non-Founder Shareholders of \$8.00 per ONT Share, less any Special Dividend, represents an attractive premium to recent historical trading levels of ONT Shares on ASX prior to the announcement of the proposed Scheme**

The Scheme Consideration of \$8.00 per ONT Share, less any Special Dividend, represents:

- (i) a 14% premium to ONT's closing share price on the ASX of \$7.02 per share on Friday, 20 August 2021, being the last trading day prior to the announcement of the Scheme;
- (ii) a 14% premium to ONT's VWAP over the last 30-day period (\$6.99 per share) prior to Friday, 20 August 2021; and
- (iii) an 18% premium to ONT's VWAP over the last 12 months (\$6.79 per share) prior to Friday, 20 August 2021.

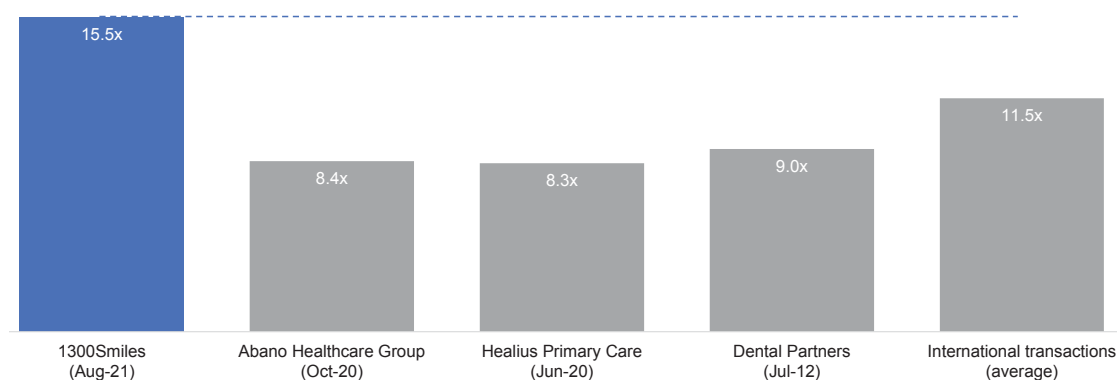


<sup>11</sup> See footnote 4.

- (d) **The Scheme Consideration to be received by Non-Founder Shareholders of \$8.00 per ONT Share, less any Special Dividend, equates to an attractive acquisition multiple that compares favourably to relevant healthcare transactions in Australia and New Zealand**

The Scheme Consideration for ONT Shareholders (other than the Founder Shareholders) represents an implied EV / EBITDA multiple of 15.5x<sup>12</sup>, based on FY21 underlying EBITDA pre AASB 16 of \$12.2 million.

This multiple is considered by the ONT IBC to compare favourably to the multiples realised in comparable healthcare transactions in Australia and New Zealand. This is shown in the chart below which compares the EV / EBITDA multiple implied by the Scheme Consideration for ONT Shareholders (other than the Founder Shareholders), based on FY21 underlying EBITDA against the historical EV / EBITDA multiples realised in comparable healthcare transactions in Australia and New Zealand as set out in the Independent Expert's analysis in Annexure A.



- (e) **If a Special Dividend of up to \$0.80 is paid, those ONT Shareholders who can realise the full benefit of franking credits could receive additional value of up to \$0.27 per ONT Share**

The ONT Board currently intends to pay a fully franked Special Dividend of up to \$0.80 per ONT Share (reserving the right to increase this to up to \$1.10 per ONT Share), subject to the Scheme being approved by ONT Shareholders and the Court. A determination of whether or not to pay a Special Dividend will be made by the ONT Directors and depends upon a number of factors. A determination of the ONT Directors will be communicated to ONT Shareholders by way of an ASX announcement before the Second Court Hearing.

If ONT pays a Special Dividend of \$0.80 per ONT Share, those ONT Shareholders who are entitled to the franking credits attached to the Special Dividend may be entitled to an Australian tax offset of up to approximately \$0.27 of additional value per ONT Share.

In assessing the value to them of any Special Dividend, ONT Shareholders should seek independent professional taxation advice as to whether the receipt of any Special Dividend and any entitlement to franking credits attached to it is beneficial to them based on their own circumstances. In particular, ONT Shareholders should note that, depending on the timing of and price at which they acquired their ONT Shares, there may be differences in the tax consequences for them. Refer to Section 7 for further details.

<sup>12</sup> See footnote 6.

(f) **Non-Founder Shareholders will receive all cash consideration which provides certainty of value for their investment in ONT**

The proposal from BidCo to Non-Founder Shareholders is a 100% cash proposal. The Scheme Consideration of \$8.00 per ONT Share, less any Special Dividend, provides Non-Founder Shareholders with certainty of value for their ONT Shares (subject to the Scheme becoming Effective) and the opportunity for Non-Founder Shareholders to realise certain cash value in the near term which may not be achieved if the Scheme does not proceed.

If the Scheme is implemented, Scheme Shareholders will receive the Scheme Consideration for each ONT Share that they own at the Scheme Record Date, and that is to be transferred under the Scheme, to be paid on the Implementation Date.

In contrast, if the Scheme does not proceed, the amount which Non-Founder Shareholders will be able to realise for their investment in ONT Shares will be uncertain. The Scheme removes this uncertainty for Non-Founder Shareholders. For further details on the risks relating to remaining an ONT Shareholder, see Section 6.

(g) **Since the announcement of the Scheme, no Superior Proposal has emerged**

Since the initial announcement of the Scheme on 24 August 2021 and up to the date of this Scheme Booklet, no Superior Proposal has emerged and the ONT Directors are not aware of any Superior Proposal that is likely to emerge.

(h) **In the absence of a Superior Proposal, the price of ONT Shares is likely to fall in the near term if the Scheme is not implemented**

If the Scheme is not implemented, and in the absence of a Superior Proposal, the price at which ONT Shares trade is likely to fall in the near term, including to a price which may be significantly below both the Scheme Consideration and the price at which ONT Shares have traded since the announcement of the proposed Scheme on 24 August 2021.

(i) **If the Scheme does not proceed, you will continue to be exposed to risks associated with ONT's business, rather than realising certain value for your ONT Shares in a certain time frame**

If the Scheme does not proceed, the value that you will be able to realise from your ONT Shares (in terms of the price of those ONT Shares and any future dividends paid in respect of them) will be uncertain and subject to a number of risks outlined in Section 6.

In addition to the general investment risks outlined in Section 6.2 faced by investors in an ASX listed company, you will also be exposed to the range of business specific risks associated with your current investment in ONT Shares outlined in Section 6.3.

The Scheme removes these risks for Non-Founder Shareholders and allows them to exit their investment in ONT at a price that the ONT IBC considers compelling. If the Scheme is approved and implemented, these risks and uncertainties will be assumed by BidCo and the Founder Shareholders,<sup>13</sup> as the remaining shareholders of ONT following implementation of the Scheme.

(j) **No brokerage will be payable by you for the transfer of your ONT Shares under the Scheme**

You will not incur any brokerage on the transfer of your ONT Shares to BidCo under the Scheme. It is possible that such charges may be incurred if you dispose of or transfer your ONT Shares in circumstances other than under the Scheme.

<sup>13</sup> Assuming that the Founder Shareholders make an Election.

### 1.3 Reasons why you may choose to vote against the Scheme

Although the Scheme is recommended by the ONT IBC and the Independent Expert has concluded that the Scheme is in the best interests of all ONT Shareholders and fair and reasonable to the Non-Founder Shareholders, in each case in the absence of a Superior Proposal, factors which may lead you to consider voting against the Scheme include the following:

- (a) **You may disagree with the unanimous recommendation of your ONT IBC and the Independent Expert's conclusion and consider that the Scheme is not in your best interests**

In concluding that the Scheme is in the best interests of ONT Shareholders, absent a Superior Proposal, your ONT IBC and the Independent Expert are making judgements based on future trading conditions and events which cannot be predicted with any certainty and which may prove to be inaccurate (positively or negatively). You may hold a different view from, and are not obliged to follow the recommendation of, your ONT IBC, and you may not agree with the Independent Expert's conclusion.

- (b) **You may prefer to realise the potential value in ONT Shares over the long term, and may consider that the Scheme does not capture ONT's long-term potential**

If the Scheme is approved and implemented, Non-Founder Shareholders will cease to be an ONT Shareholder. As such, you will no longer be able to participate in ONT's future financial performance, including by benefitting from the payment of any future dividends or the future prospects of its ongoing business. However, as with all investments in securities, there can be no guarantee as to the payment of any future dividends nor the future operational or financial performance of ONT or its business.

- (c) **You may believe that it is in your interests to maintain your current investment and risk profile**

You may wish to maintain your investment in ONT in order to have an investment in a publicly listed company with the specific characteristics of ONT in terms of industry, operational profile, size, capital structure and potential future dividend stream.

Implementation of the Scheme may result in a disadvantage to those who wish to maintain their investment profile. ONT Shareholders who wish to maintain their investment profile may find it difficult to find an investment with a similar profile to that of ONT and they may incur transaction costs in undertaking any new investment.

- (d) **The tax consequences of the Scheme may not suit your current financial position**

Implementation of the Scheme may trigger taxation consequences for ONT Shareholders, such as the realisation of a capital gain or a capital loss. A general guide to the Australian taxation implications of the Scheme is set out in Section 7. This guide is expressed in general terms only and ONT Shareholders should seek professional advice regarding the taxation consequences of the implementation of the Scheme which are applicable to their own circumstances.

- (e) **You may consider that there is potential for a Superior Proposal to emerge**

It is possible that, if ONT were to continue as a listed entity, a different corporate control proposal for ONT could materialise in the future, such as a takeover bid with a higher offer. Implementation of the Scheme will mean that ONT Shareholders will, from the Implementation Date, no longer enjoy the prospect of receiving any such proposal.

Since the announcement of the entry into the Scheme Implementation Agreement by ONT on 24 August 2021 and up to the date of this Scheme Booklet, no Superior Proposal has emerged and the ONT Directors are not aware of any Superior Proposal that is likely to emerge.



The Scheme Implementation Agreement prohibits ONT from soliciting a Competing Proposal. However, ONT is permitted to respond to any Competing Proposal which is, or could reasonably be expected to lead to, a Superior Proposal if the ONT Board determines, in good faith and after receiving advice from its legal and financial advisers, that failing to respond or refusing to take action would be reasonably likely to constitute a breach of the ONT Board's fiduciary or statutory obligations. Further details on the key terms of the Scheme Implementation Agreement (including a summary of ONT's rights and obligations in relation to responding to a Competing Proposal) are provided in Section 3.7.

#### 1.4 Other relevant considerations

You should also take into account the following additional considerations in deciding whether to vote in favour of, or against, the Scheme.

(a) **The Scheme may proceed even if you vote against it**

The Scheme will be implemented if each of the Scheme Resolutions are passed by the Requisite Majorities and the Scheme is approved by the Court, irrespective of whether you do not vote or you vote against the Scheme Resolution at the applicable Scheme Meeting.

If this occurs, any ONT Shares that you hold on the Scheme Record Date, other than Retained ONT Shares, will be transferred to BidCo and you will receive the Scheme Consideration.

(b) **If the Scheme does not proceed, ONT Shareholders will not receive the Scheme Consideration**

If the Scheme is not approved or all outstanding Scheme Conditions are not satisfied or waived (if capable of waiver), the Scheme will not proceed. In that case, ONT Shareholders will not receive the Scheme Consideration and ONT will continue to operate as it does currently, with ONT Shares remaining listed on ASX.

If the Scheme is not implemented, the advantages of the Scheme described in Section 1.2 will not be realised.

(c) **Exclusivity**

The Scheme Implementation Agreement provides that ONT is subject to exclusivity obligations and restrictions, including no shop, no talk and no due diligence restrictions, and notification obligations, and also provides that BidCo has a matching right in respect of Competing Proposals. Refer to Section 3.7(c) for further information on these arrangements.

(d) **Break Fee**

If the Scheme does not become Effective, ONT may be required to pay the Break Fee (\$1.7 million) to BidCo. The failure to pass either Scheme Resolution by the Requisite Majority alone will not trigger the payment of the Break Fee by ONT. Refer to Section 3.7(d) for a summary of when the Break Fee may become payable.

(e) **Warranties by Scheme Shareholders**

If the Scheme becomes Effective, each Scheme Shareholder will be deemed to have given certain warranties to BidCo, including that all of their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the time of the transfer of them to BidCo in accordance with the Scheme, be fully paid and free from various encumbrances and interests of third parties, and that they have full power and capacity to transfer their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) to BidCo under the Scheme. See Section 3.5 for more details.

**1.5 No recommendation made in respect of the Scheme Consideration for Founder Shareholders**

In considering the Scheme and reaching their recommendation, the ONT IBC have considered only the Scheme Consideration payable to ONT Shareholders who are not Founder Shareholders. The ONT IBC make no recommendation to the Founder Shareholders in relation to how they should vote on the Scheme at the Founder Scheme Meeting or whether to make an Election.

## 2 Frequently asked questions

The information in this section answers some questions you may have about the Scheme. It is not intended to address all relevant issues for ONT Shareholders. This section should be read in conjunction with all other parts of this Scheme Booklet.

Question	Answer	Further detail
<b>Overview of the Scheme</b>		
<b>What is the Scheme?</b>	<p>The Scheme is a scheme of arrangement, which is a statutory procedure under the Corporations Act that is commonly used to enable one company to acquire shares in another company.</p> <p>The Scheme is between ONT and the Scheme Shareholders and will effect the acquisition of approximately 84% of ONT by BidCo.<sup>14</sup></p> <p>If the Scheme is approved and implemented, the Scheme Shareholders will receive the Scheme Consideration for each Scheme Share held on the Scheme Record Date (other than any Retained ONT Shares held by the Founder Shareholders) and ONT will become a Subsidiary of BidCo.</p> <p>A copy of the Scheme is set out in Annexure B.</p>	Section 3
<b>Who are BidCo, BGH Capital and OTPP?</b>	<p>BidCo is the company that is offering the Scheme Consideration for your ONT Shares. BidCo is a proprietary company incorporated in Australia under the Corporations Act. BidCo is part of the Abano Group, which is ultimately majority owned by a consortium of the BGH Capital Fund and OTPP.</p> <p>The Abano Group is the operator of one of the largest trans-Tasman dental groups, comprising Lumino The Dentists in New Zealand and Maven Dental Group in Australia. The Abano Group is a highly complementary partner for ONT with a strong Australian footprint of practices situated in over 100 locations, to which ONT's high quality portfolio of 34 practices will be added if the Scheme is successful.</p> <p>BGH Capital was established in 2017 as an independent private investment firm, owned and managed by its founding partners – Robin Bishop, Ben Gray and Simon Harle. In May 2018, BGH Capital had a final close on the BGH Capital Fund of approximately A\$2.6 billion, making it the largest domestic private equity fund in Australia and New Zealand. The objective of the BGH Capital Fund is to provide investors with returns through a diversified portfolio of growth investments in companies in Australia and New Zealand.</p> <p>OTPP is Canada's largest single-profession pension plan with CAD\$227.7 billion in net assets as at 30 June 2021. It pays pensions and invests plan assets on behalf of 331,000 working and retired teachers. OTPP was incorporated by the Teachers' Pension Act (Ontario) in the province of Ontario, Canada. It is a corporation without share capital. Accordingly, it does not have any shareholders or owners. Under the Teachers' Pension Act (Ontario), OTPP is jointly sponsored by the Ontario Teachers' Federation, a professional organisation which represents teachers in publicly-funded schools in the Province of Ontario, and the Ontario Government.</p>	Section 5

<sup>14</sup> See footnote 1.

Question	Answer	Further detail
<b>Who are the Founder Shareholders?</b>	<p>The Founder Shareholders are:</p> <ul style="list-style-type: none"> <li>• Dr Daryl Holmes (ONT Managing Director);</li> <li>• Dr Daryl Holmes as trustee for the TFD Hybrid Fixed Trust; and</li> <li>• Golden Arch (Qld) Pty Ltd as trustee for the Whistler Discretionary Trust.</li> </ul>	Section 9
<b>Who are the Non-Founder Shareholders</b>	<p>The Non-Founder Shareholders are each ONT Shareholder, that is not a Founder Shareholder and who is registered on the ONT Share Register at 7.00pm (Sydney time) on the Scheme Record Date (expected to be Wednesday, 24 November 2021).</p>	Section 9
<b>What approvals of ONT Shareholders are required?</b>	<p>As the Founder Shareholders will receive a different form of consideration under the Scheme to the Non-Founder Shareholders, their rights under the Scheme differ from those of the Non-Founder Shareholder, such that they constitute a separate class of members for the purposes of voting on the Scheme.</p> <p>This means that two Scheme Meetings are required to be held – a Founder Scheme Meeting for the Founder Shareholders, and a General Scheme Meeting for the Non-Founder Shareholders.</p> <p>The Scheme can only proceed if, at each of the two Scheme Meetings, the relevant Scheme Resolution is passed by:</p> <ul style="list-style-type: none"> <li>• a majority in number (more than 50%) of Founder Shareholders/ Non-Founder Shareholders (respectively) who vote on the respective Scheme Resolution; and</li> <li>• at least 75% of the votes cast by Founder Shareholders/ Non-Founder Shareholders (respectively) on the respective Scheme Resolution.</li> </ul> <p>The Court has the discretion to waive the first of these two requirements if it considers it appropriate to do so.</p>	Section 3.4, Annexure D and Annexure E

Question	Answer	Further detail
<b>Scheme Consideration</b>		
<b>What payment will I receive if the Scheme is implemented?</b>	<p><b>Non-Founder Shareholders</b></p> <p>If the Scheme becomes Effective and is implemented, Non-Founder Shareholders will receive a cash payment of \$8.00 per ONT Share, less any Special Dividend, if they are registered as an ONT Shareholder on the Scheme Record Date.</p> <p><b>Founder Shareholders</b></p> <p>The Founder Shareholders, who together hold 59.8% of ONT, will receive cash consideration of up to \$6.33 per ONT Share (other than any Retained ONT Shares) (of which up to \$0.81 per ONT Share is contingent on certain events occurring)<sup>15</sup> less any Special Dividend. It is a condition of the Scheme that the Founder Shareholders make an election to retain 26.227% of their ONT Shares on the terms contained in a Retention and Co-Investment Deed. The Founder Shareholders have confirmed to ONT that they intend to make this election and satisfy the condition.</p> <p>The differential consideration to be provided to the Founder Shareholders unlocks additional value for the Non-Founder Shareholders. This is because the Scheme Consideration when taken overall implies a valuation of \$7.00 per ONT Share. But by adopting the differential pricing structure, BidCo is able to make an \$8.00 cash offer to the Non-Founder Shareholders.</p>	Sections 3.2 and 3.3
<b>What premium is being offered to ONT's Non-Founder Shareholders?</b>	<p>The Scheme Consideration being offered to the Non-Founder Shareholders of \$8.00 cash per ONT Share, less any Special Dividend, represents:</p> <ul style="list-style-type: none"> <li>• a 14% premium to ONT's closing share price on the ASX of \$7.02 per share on Friday, 20 August 2021, being the last trading day prior to the announcement of the Scheme;</li> <li>• a 14% premium to ONT's VWAP over the last 30-day period (\$6.99 per share) prior to Friday, 20 August 2021;</li> <li>• an 18% premium to ONT's VWAP over the last 12 months (\$6.79 per share) prior to Friday, 20 August 2021; and</li> <li>• An implied EV / EBITDA multiple of 15.5x<sup>16</sup> for Non-Founder Shareholders, based on FY21 underlying EBITDA pre AASB 16 of \$12.2 million.</li> </ul>	Section 1.2
<b>How is BidCo funding the Scheme Consideration?</b>	BidCo intends to source funding for the Scheme Consideration through a combination of existing cash reserves of the Abano Group, new equity funding to be provided to the Abano Group from BGH Capital Fund and OTPP (of at least \$33.65 million in aggregate) and from existing and new committed debt financing.	Section 5.9

<sup>15</sup> See footnote 3.

<sup>16</sup> See footnote 6.

Question	Answer	Further detail
<b>What is the Founder Shareholders' Election?</b>	<p>It is a condition of the Scheme that the Founder Shareholders elect to retain 26.227% of their ONT Shares (<b>Retained ONT Shares</b>) held as at the Scheme Record Date and must enter into a Retention and Co-Investment Deed which governs the holding of those Retained ONT Shares on and from the Implementation Date. The Founder Shareholders have confirmed to ONT that they intend to make this election and satisfy the condition.</p> <p>Under the Retention and Co-investment Deed, HoldCo may (but is not obliged), at any time within the 24 months after the Implementation Date, acquire the Retained ONT Shares from the Founder Shareholders valued at \$6.33 per ONT Share (of which up to \$0.81 per ONT Share is contingent on certain events occurring<sup>17</sup>) (less the Special Dividend) in consideration for the issue of HoldCo Shares at an issue price of \$1.30 per HoldCo Share.</p> <p>There is no assurance that the future value of Retained ONT Shares (including any value realised on exercise by HoldCo of their right to acquire the Retained ONT Shares) or any HoldCo Shares issued upon exercise of that right will be equal to or higher than the value of the Scheme Consideration.</p> <p>Further details on the Retention and Co-investment Deed are set out in Section 8.3(b)(i), and a full copy will be made available to any ONT Shareholder free of charge following a request in writing to ONT at any time before the Scheme Meetings.</p> <p>The Non-Founder Shareholders are not eligible to make an Election or to retain any of their ONT Shares.</p>	Letter from the Chairman of the ONT IBC, Sections 3.2 and 8.3(b), and Election Form
<b>What happens if the Founder Shareholders do not make a valid Election?</b>	The Scheme is conditional on the Founder Shareholders making a valid Election before the Election Time (which is expected to be 5.00pm (Brisbane time) on Monday, 8 November 2021). As at the date of this Scheme Booklet, the Directors are not aware of any reason why this condition should not be satisfied.	Section 3
<b>Special Dividend</b>		
<b>What is the Special Dividend?</b>	<p>The ONT Board currently intends to pay a fully franked Special Dividend of up to \$0.80 per ONT Share (reserving the right to increase this to up to \$1.10 per ONT Share) prior to implementation of the Scheme, if the Scheme is approved by ONT Shareholders and the Court.</p> <p>A determination of whether or not to pay a Special Dividend will be made by the ONT Directors and will depend upon a number of factors.</p> <p>A determination of the ONT Directors will be communicated to ONT Shareholders by way of an ASX announcement before the Second Court Hearing.</p>	Section 3.3

<sup>17</sup> See footnote 3.



Question	Answer	Further detail
<b>Will any Special Dividend be franked?</b>	<p>The ONT Directors currently intend that, if any Special Dividend is to be paid, it will be fully franked.</p> <p>This means that, depending on the individual circumstances of the ONT Shareholder, each ONT Shareholder may also receive a franking credit of up to approximately \$0.27 per ONT Share.</p> <p>In assessing the value to you of any Special Dividend or franking credits, you should seek independent professional taxation advice as to whether the receipt of any Special Dividend and any entitlement to franking credits attached thereto is beneficial to you based on your own circumstances. In particular, you should note that, depending on the timing of and price at which you acquired your ONT Shares, there may be differences in the tax consequences for you.</p>	Section 3.3
<b>What is the Class Ruling?</b>	<p>ONT has entered into the ATO's Early Engagement process which is expected to result in a Class Ruling from the ATO to confirm the key taxation implications of the Scheme, the availability of franking credits attaching to the Special Dividend and whether the Special Dividend forms part of the capital proceeds under the Scheme. The ATO has not issued the Class Ruling as at the date of this Scheme Booklet. ONT will make an announcement if the Class Ruling is published either on ASX or, if ONT is no longer listed at that time, on its website - the Class Ruling would also be available on the ATO website at <a href="http://www.ato.gov.au">www.ato.gov.au</a>.</p>	Section 3.3 and 7
<b>Meetings, voting and approvals</b>		
<b>When and where will the Scheme Meetings be held?</b>	<p>The General Scheme Meeting will be held virtually at 9.00am (Brisbane time) on Friday, 12 November 2021.</p> <p>The Founder Scheme Meeting will be held virtually at 9.30am (Brisbane time) on Friday, 12 November 2021.</p> <p>If the General Scheme Meeting concludes after 9.30am (Brisbane time) on Friday, 12 November the Founder Scheme Meeting will begin as soon as practicable after the conclusion of the General Scheme Meeting.</p>	Section 3.4, Annexure D and Annexure E
<b>Why are there two meetings in relation to the Scheme?</b>	<p>As the Founder Shareholders are being offered and will receive a different form of consideration under the Scheme to Non-Founder Shareholders, their rights under the Scheme differ from those of Non-Founder Shareholders, such that they constitute a separate class of members for the purposes of voting on the Scheme.</p> <p>This means that the Founder Shareholders will not be permitted to vote at the General Scheme Meeting and will instead vote at the Founder Scheme Meeting.</p>	Letter from the Chairman of the ONT IBC
<b>What am I being asked to vote on?</b>	<p>You are being asked to vote on whether or not to approve the Scheme by voting on the relevant Scheme Resolution.</p> <p>The text of the General Scheme Resolution (which the Non-Founder Shareholders are asked to vote on) is set out in the Notice of General Scheme Meeting in Annexure D.</p> <p>The text of the Founder Shareholders Scheme Resolution (which the Founder Shareholders are asked to vote on) is set out in the Notice of Founder Scheme Meeting in Annexure E.</p>	Annexure D and Annexure E

For personal use only

Question	Answer	Further detail
<b>What vote is required to approve the Scheme?</b>	<p>The Scheme can only proceed if, at each of the Scheme Meetings, the relevant Scheme Resolution is passed by:</p> <ul style="list-style-type: none"> <li>a majority in number (more than 50%) of ONT Shareholders who vote on the respective Scheme Resolution; and</li> <li>at least 75% of the votes cast by ONT Shareholders on the respective Scheme Resolution.</li> </ul> <p>The Court has the discretion to waive the first of these two requirements if it considers it appropriate to do so.</p>	Section 3.4, Annexure D and Annexure E
<b>Who is entitled to vote at the Scheme Meetings?</b>	<p>Each ONT Shareholder who is registered on the ONT Share Register at 7.00pm (Sydney time) on Wednesday, 10 November 2021 is entitled to vote at:</p> <ul style="list-style-type: none"> <li>the General Scheme Meeting, if you are a General Shareholder; and</li> <li>the Founder Scheme Meeting, if you are a Founder Shareholder.</li> </ul>	Annexure D and Annexure E
<b>How do I vote?</b>	<p>You can vote on the relevant Scheme Resolution by appointing a proxy, representative or attorney to attend the relevant Scheme Meeting and vote on your behalf or by attending the relevant Scheme Meeting virtually.</p> <p>Voting is not compulsory. However, the Scheme will only be successful if it is approved by the Requisite Majorities of ONT Shareholders, so voting is important and ONT Directors encourage you to vote.</p>	Letter from the Chairman of the ONT IBC, Annexure D and Annexure E
<b>How will voting at the Scheme Meetings be conducted?</b>	<p>Voting at each of the Scheme Meetings will be conducted by way of a poll.</p> <p>Every ONT Shareholder who is virtually present at or by proxy, representation or attorney at the relevant Scheme Meeting will have one vote for each ONT Share held by them.</p>	Annexure D and Annexure E
<b>What will happen to my ONT Shares if I do not vote, or vote against the Scheme, and the Scheme becomes effective?</b>	<p>If you do not vote on, or you vote against, the Scheme, and the Scheme becomes Effective:</p> <ul style="list-style-type: none"> <li>any ONT Shares held by you on the Scheme Record Date (expected to be 7.00pm (Sydney time) on Wednesday, 24 November 2021) will be Scheme Shares and (other than any Retained ONT Shares) will be transferred to BidCo on the Implementation Date; and</li> <li>you will receive the Scheme Consideration (provided you are registered as an ONT Shareholder on the Scheme Record Date) for Scheme Shares transferred to BidCo under the Scheme.</li> </ul>	Section 3.4
<b>When will the result of the Scheme Meetings be available?</b>	<p>The results of the Scheme Meetings will be announced to ASX shortly after their conclusion (and will be available on ONT's website at <a href="http://www.1300smiles.com.au">www.1300smiles.com.au</a>).</p>	Section 3.4

For personal use only

Question	Answer	Further detail
<b>Voting considerations</b>		
<b>How does the ONT IBC recommend that Non-Founder Shareholders vote and how do the ONT Directors intend to vote?</b>	<p>Your ONT IBC unanimously recommends that ONT Shareholders (excluding the Founder Shareholders) vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of all ONT Shareholders and fair and reasonable to the Non-Founder Shareholders.</p> <p>A summary of their reasons for doing so is set out in Section 1.2.</p> <p>Subject to the same qualifications, each ONT Independent Director intends to vote all ONT Shares held or controlled by them in favour of the Scheme at the General Scheme Meeting and Dr Daryl Holmes intends to vote all of the ONT Shares that the Founder Shareholders hold in favour of the Scheme at the Founder Scheme Meeting. Your ONT IBC have also provided a summary of reasons why you may wish to vote against the Scheme in Section 1.3.</p>	Section 1.2
<b>Does the ONT IBC make any recommendation in respect of the Founder Shareholders?</b>	<p>No.</p> <p>The ONT IBC makes no recommendation to the Founder Shareholders in relation to how they should vote on the Scheme at the Founder Scheme Meeting or whether to make an Election.</p>	Section 1.5
<b>What is the opinion of the Independent Expert</b>	<p>The Independent Expert has concluded that the Scheme is in the best interests of all ONT Shareholders and fair and reasonable to the Non-Founder Shareholders, in the absence of a Superior Proposal.</p> <p>The Independent Expert has assessed the fair market value per ONT Share (control basis) to be in the range of \$6.65 to \$7.75 per share.</p> <p>You should read the Independent Expert's Report in Annexure A in full before making a decision on how to vote on the Scheme.</p>	Annexure A
<b>What is the role of the ONT IBC?</b>	<p>The ONT IBC comprises Robert Jones (Chairman) and Jason Smith (independent, non-executive Director). The ONT Board approved the formation of the Independent Board Committee as a sub-committee of the ONT Board, following receipt of an indicative proposal from BGH Capital and OTPP, which contemplated offering differential consideration to the Founder Shareholders and the other ONT Shareholders.</p> <p>The ONT IBC was delegated responsibility for, among other things, overseeing discussions and negotiations relating to the Scheme and overseeing ONT's evaluation of the Scheme Consideration. The ONT IBC considered the Scheme and, if applicable, will consider any Competing Proposal, subject to the exclusivity restrictions applicable to ONT under the Scheme Implementation Agreement.</p>	Letter from the Chairman of the ONT IBC

For personal use only

Question	Answer	Further detail
<b>How does Ellerston Capital intend to vote?</b>	Ellerston Capital Limited, who together with its associates, holds a Relevant Interest in approximately 7.1% of ONT Shares, has stated that it intends to vote the ONT Shares that it holds and recommend that its associates vote the ONT Shares that they hold in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of ONT Shareholders and fair and reasonable to Non-Founder Shareholders.	N/A
<b>Is the ONT Board aware of any Superior Proposal?</b>	No. As at the date of this Scheme Booklet, no Superior Proposal has emerged and the ONT Board is not aware of any Superior Proposal that may emerge.	Sections 1.2(g) and 1.3(e)
<b>What happens if a competing proposal emerges?</b>	Until the Scheme is approved by the Court, other parties may make unsolicited acquisition proposals for ONT. If, during the Exclusivity Period, ONT is approached in relation to an actual or potential Competing Proposal it must notify BidCo of the approach. If the Competing Proposal is a Superior Proposal, BidCo will be given at least 5 Business Days to provide a matching or superior counterproposal ( <b>BidCo Counterproposal</b> ). If BidCo makes a BidCo Counterproposal, then BidCo and ONT must use their best endeavours to agree to give effect to the BidCo Counterproposal. These (and other) provisions of the Scheme Implementation Agreement are summarised in greater detail in Section 3.7. If a Competing Proposal for ONT emerges prior to the Second Court Hearing, the ONT IBC will carefully consider the proposal and determine whether it is a Superior Proposal. ONT will keep you informed of any material developments, including by making announcements via ASX.	Sections 3.7 and 3.8
<b>Why might I consider not voting in favour of the Scheme?</b>	Reasons why you might consider not voting in favour of the Scheme are set out in Section 1.3.	Section 1.3
<b>Conditions and implementation of the Scheme</b>		
<b>Are there any conditions to be satisfied?</b>	There are certain conditions that will need to be satisfied or waived (where capable of waiver) before the Scheme can become Effective. In summary, as at the date of this Scheme Booklet, the outstanding conditions include: <ul style="list-style-type: none"> <li>the Scheme being approved by FIRB;</li> <li>the Scheme being approved at each Scheme Meeting by the Requisite Majority of ONT Shareholders in accordance with the Corporations Act;</li> <li>the Scheme being approved by the Court at the Second Court Hearing;</li> <li>no legal or regulatory restraints on or orders preventing the implementation of the Scheme;</li> </ul>	Section 3.7

Question	Answer	Further detail
	<ul style="list-style-type: none"> <li>the Founder Shareholders making a valid Election before the Election Time (which is 5.00pm (Brisbane time) on Monday, 8 November 2021);</li> <li>certain ancillary document having been entered into by the parties to those documents (including the Retention and Co-Investment Deed to be entered into by the Founder Shareholders);</li> <li>the Independent Expert not publicly withdrawing, qualifying or changing its opinion that the Scheme is in the best interests of the ONT Shareholders and fair and reasonable to the Non-Founder Shareholders at any time prior to 8.00am on the date of the Second Court Hearing;</li> <li>no ONT Prescribed Event occurring between the date of the Scheme Implementation Agreement and 8.00am on the date of the Second Court Hearing;</li> <li>no Material Adverse Effect occurring between the date of the Scheme Implementation Agreement and 8.00am on the date of the Second Court Hearing;</li> <li>ONT Warranties being true as at 8.00am on the date of the Second Court Hearing (except where expressed to be operative at another date); and</li> <li>each Participant under the ONT Loan Share Plan entering into a payment direction to cause the full amount owed to ONT to be repaid from the Scheme Consideration.</li> </ul> <p>As at the date of this Scheme Booklet, the ONT Directors are not aware of any reason why these conditions should not be satisfied or waived (where capable of waiver).</p>	
<b>What is the status of the FIRB condition precedent?</b>	<p>As at the date of this Scheme Booklet, the FIRB condition precedent remains outstanding. While ONT is not aware of any circumstances which would cause the FIRB condition precedent not to be satisfied as at the date of this Scheme Booklet, it is possible that the requirement for approval from FIRB for the Scheme to proceed may be delayed and that this may result in a delay to the date of the Scheme Meetings.</p> <p>ONT Shareholders should note that the FIRB condition precedent will need to be satisfied in order for the Scheme to proceed. The Scheme is not conditional on any other regulatory approvals.</p>	Section 3.7
<b>When will the Scheme become effective?</b>	<p>Subject to the satisfaction or (if permitted) waiver of the conditions to the Scheme, the Scheme will become Effective on the date on which the Court order approving the Scheme is lodged with ASIC (this is the Effective Date).</p> <p>This is expected to occur on Thursday, 18 November 2021.</p>	Section 3.4

For personal use only

Question	Answer	Further detail
<b>What happens on the Implementation Date?</b>	<p>On the Implementation Date:</p> <ul style="list-style-type: none"> <li>BidCo will acquire all the Scheme Shares (other than Retained ONT Shares held by Founder Shareholders); and</li> <li>Scheme Shareholders will be paid or provided the Scheme Consideration (other than in connection with Retained ONT Shares).</li> </ul> <p>Pursuant to the Scheme Implementation Agreement, the Implementation Date is the fifth Business Day after the Scheme Record Date and is currently expected to be Wednesday, 1 December 2021.</p>	Section 3.4(e)
<b>How will I receive the Scheme Consideration?</b>	<p>All payments of Scheme Consideration will be made to you by direct deposit into your nominated bank account, as advised to the Share Registry as at the Scheme Record Date.</p> <p>If you have not nominated a bank account, payment will be made by cheque for the relevant amount in Australian currency, despatched by prepaid post to your registered address as shown on the ONT Share Register.</p> <p>Subject to the Scheme becoming Effective, the cash Scheme Consideration will be paid on the Implementation Date.</p>	Section 3.2
<b>What happens if the Scheme is not implemented</b>	<p>If the Scheme is not implemented:</p> <ul style="list-style-type: none"> <li>you will not receive the Scheme Consideration; and</li> <li>you will retain your ONT Shares and continue to have exposure to the benefits and risks associated with an investment in ONT,</li> </ul> <p>and, in the absence of a Competing Proposal:</p> <ul style="list-style-type: none"> <li>ONT will continue to operate as a stand-alone entity and remain listed on ASX; and</li> <li>the price of ONT Shares traded on ASX is likely to fall in the near term.</li> </ul>	Section 3.4
<b>Can the Scheme Implementation Agreement be terminated?</b>	<p>The Scheme Implementation Agreement may be terminated in certain circumstances. These are summarised in Section 3.7(e). If the Scheme Implementation Agreement is terminated, the Scheme will not proceed.</p>	Section 3.7
<b>Is there a break fee payable?</b>	<p>Under the Scheme Implementation Agreement, a Break Fee of approximately \$1.7 million may become payable by ONT to BidCo if certain events occur.</p> <p>The failure to pass either Scheme Resolution by the Requisite Majorities will not trigger the payment of the Break Fee by ONT.</p> <p>The circumstances in which the Break Fee is payable by ONT are summarised in Section 3.7(d).</p>	Section 3.7



Question	Answer	Further detail
<b>Additional information</b>		
<b>Can I transfer my ONT Shares now?</b>	<p>You can transfer your ONT Shares on market at any time before close of trading on ASX on the Effective Date. The price you obtain on ASX may vary from the Scheme Consideration.</p> <p>ONT intends to apply to ASX for ONT Shares to be suspended from official quotation on ASX from close of trading on the Effective Date (which is currently expected to be Thursday, 18 November 2021). You will not be able to transfer your ONT Shares on market after this time.</p> <p>If you transfer your ONT Shares before the relevant Scheme Meeting, you will not be entitled to vote at that Scheme Meeting.</p> <p>If you transfer your ONT Shares before the Scheme Record Date, you will not receive the Scheme Consideration.</p>	Section 3.4(d)
<b>Do I have to give any warranties in relation to my ONT Shares?</b>	<p>Yes. Each Scheme Shareholder will be deemed to have warranted to ONT and BidCo that all of their ONT Shares will, on the Implementation Date, be fully paid and free from various encumbrances and interests of third parties of any kind, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their ONT Shares to BidCo (together with all rights and entitlements attaching to such shares) and that they have no existing right to be issued any ONT Shares, or any other ONT securities.</p>	Section 3.5
<b>What are the tax implications of the Scheme?</b>	<p>The taxation implications of the Scheme will depend on your personal circumstances.</p> <p>A general outline of the main Australian taxation implications of the Scheme and Special Dividend for certain ONT Shareholders is set out in Section 7 of this Scheme Booklet.</p> <p>As this outline is general in nature, you should consult with your own taxation advisers for detailed tax advice regarding the Australian and, if applicable, foreign taxation implications for participating in the Scheme in light of the particular circumstances which apply to you before making a decision as to how to vote on the Scheme.</p>	Section 7
<b>Will I need to pay brokerage or stamp duty?</b>	<p>Scheme Shareholders will not incur any brokerage or stamp duty on the transfer of their Scheme Shares under the Scheme.</p>	Section 7
<b>Where can I get further information about the Scheme?</b>	<p>If you have any questions in relation to this Scheme Booklet or the Scheme, please contact ONT's Shareholder Information Line 1300 153 448 (within Australia) or +61 3 9415 4227 (from outside Australia).</p>	Corporate Directory

### 3 Overview of the Scheme and Scheme Implementation Agreement

---

#### 3.1 Scheme

On 24 August 2021, ONT announced that it had entered into the Scheme Implementation Agreement with BidCo, under which the parties have agreed to implement the Scheme between ONT and the Scheme Shareholders.

If the Scheme is approved by ONT Shareholders at both of the Scheme Meetings and by the Court, and if all other necessary approvals and Scheme Conditions are satisfied or (if permitted) waived and the Scheme becomes Effective and is implemented, ONT will become a Subsidiary of BidCo and will be delisted from the ASX. If the Scheme is approved and becomes Effective, you will be bound by the Scheme irrespective of whether you voted in favour of it at a Scheme Meeting or not.

If the Scheme is not approved, the Scheme will not proceed, you will not be bound by it and ONT will continue as a company listed on the ASX.

#### 3.2 Scheme Consideration

If the Scheme becomes Effective and is implemented:

- (a) Non-Founder Shareholders will receive a cash payment of \$8.00 per ONT Share, less any Special Dividend, if they are registered as an ONT Shareholder on the Scheme Record Date; and
- (b) the Founder Shareholders, who together hold 59.8% of ONT, will receive consideration of up to \$6.33 per ONT Share (of which up to \$0.81 per ONT Share is contingent on certain events occurring)<sup>18</sup> less any Special Dividend. It is a condition of the Scheme that the Founder Shareholders make an election to retain 26.227% of their ONT Shares on the terms contained in a Retention and Co-Investment Deed. The Founder Shareholders have confirmed to ONT that they intend to make this election and satisfy this condition. The Founder Shareholders will not receive any consideration under the Scheme in respect of the Retained ONT Shares.

A full copy of the Retention and Co-investment Deed will be made available to any ONT Shareholder free of charge following a request in writing to ONT at any time before the Scheme Meetings.

Payments will be made by direct deposit into Scheme Shareholders' nominated bank account, as advised to the Share Registry as at the Scheme Record Date. If a Scheme Shareholder has not nominated a bank account, payment will be made by Australian dollar cheque posted to the Scheme Shareholder's registered address as shown on the ONT Share Register.

If you wish to receive the Scheme Consideration payment electronically in your local currency using Computershare's Global Wire Payment service, you can elect Global Wire Payment by visiting [www.computershare.com.au/easyupdate/ONT](http://www.computershare.com.au/easyupdate/ONT) and following the prompts.

If you do not have a direct credit authority to an Australian bank account or Global Wire Payment instructions recorded on the ONT Share Register at 7.00pm on the Record Date, your Scheme Consideration payment will be sent to you by cheque in Australian dollars. Cheques, direct credit payment advices and Global Wire Payment advices will be mailed, at your risk, to your address as shown on the ONT Share Register at 7.00pm on the Record Date.

If a Scheme Shareholder does not have a registered address, or ONT considers the Scheme Shareholder is not known at its registered address and no bank account has been nominated, payments due to the Scheme Shareholder will be held by ONT until claimed or applied under the relevant laws dealing with unclaimed money.

---

<sup>18</sup> See footnote 3.

### 3.3 Special Dividend

#### (a) Background

The ONT Board currently intends to declare a fully franked Special Dividend of up to \$0.80 per ONT Share (reserving the right to increase this to up to \$1.10 per ONT Share) prior to the Implementation Date if the Scheme is approved by ONT Shareholders and the Court. A determination of whether or not to pay a Special Dividend will be made by the ONT Directors and will depend upon a number of factors.

#### (b) Corporations Act requirements

Under section 254T of the Corporations Act, dividends may only be paid by a company if:

- (i) the company's assets exceed its liabilities immediately before the dividend is determined and the excess is sufficient for the payment of the dividend;
- (ii) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- (iii) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

In addition, section 260A of the Corporations Act enables a company to financially assist a person to acquire shares in the company or a holding company only if certain conditions are satisfied. Financial assistance of this kind would be permitted if the giving of assistance does not materially prejudice:

- (i) the interests of the company;
- (ii) the interests of its shareholders; or
- (iii) the company's ability to pay its creditors.

The Corporations Act specifically contemplates that financial assistance (of the kind that is regulated under section 260A of the Corporations Act) may take the form of paying a dividend which may be given before the acquisition of shares. ONT only intends to pay a Special Dividend if it considers that section 260A does not apply or it can do so in compliance with section 260A.

The ONT Directors will determine (in their absolute discretion) whether to pay any Special Dividends after assessing the financial position of ONT and the expected impact on creditors. However, based on the information currently available, the ONT Directors expect to be able to determine that paying a Special Dividend of up to \$0.80 per ONT Share (reserving the right to increase this to up to \$1.10 per ONT Share) is in the best interests of ONT and does not materially prejudice the interests of ONT or ONT Shareholders and does not materially prejudice ONT's ability to pay its creditors.

#### (c) Announcement of Special Dividend

A determination of the ONT Directors regarding the payment of any Special Dividend will be communicated to ONT Shareholders by way of an ASX announcement before the Second Court Hearing.

#### (d) Impact of any Special Dividend on Scheme Consideration

##### **Non-Founder Shareholders**

If the ONT Directors determine to pay a Special Dividend and the Scheme is approved by ONT Shareholders and the Court, the Scheme Consideration payable by BidCo to the Non-Founder Shareholders will be \$8.00 per ONT Share less any Special Dividend.

The Scheme Consideration is structured so that, if the Scheme is implemented, Non-Founder Shareholders who are recorded on the ONT Share Register as at both the Scheme Record Date and the Special Dividend Record Date will receive the same cash amount per ONT Share regardless of whether the Special Dividend is paid, or the amount of any Special Dividend.

By way of example, if the ONT Directors determine to pay a Special Dividend of \$0.80 per ONT Share, Non-Founder Shareholders who are recorded on the ONT Share Register as at both the Scheme Record Date and the Special Dividend Record Date will receive the Scheme Consideration of \$8.00 cash per ONT Share, comprising:

- (i) a fully franked Special Dividend of \$0.80 per ONT Share held by them on the Special Dividend Record Date (payable by ONT); and
- (ii) an amount of \$7.20 in cash per ONT Share held by them on the Scheme Record Date (payable by BidCo).

If the ONT Directors determine not to pay any Special Dividend, Non-Founder Shareholders who are recorded in the ONT Share Register as at the Scheme Record Date will still be paid a cash payment of \$8.00 for each ONT Share held on the Scheme Record Date (payable entirely by BidCo).

#### ***Founder Shareholders***

If the ONT Directors determine to pay a Special Dividend and the Scheme is approved by ONT Shareholders and the Court, the Scheme Consideration payable by BidCo to the Founder Shareholders will be up to \$6.33 per ONT Share (of which up to \$0.81 per ONT Share is contingent on certain events occurring<sup>19</sup>) (other than the Retained ONT Shares) less the Special Dividend.

### **3.4 Key steps in the Scheme**

#### **(a) Step 1 – Scheme Meeting approval requirements**

In accordance with an order of the Court dated Tuesday, 12 October 2021, ONT has convened the General Scheme Meeting to be held virtually at 9.00am (Brisbane time) on Friday, 12 November 2021 and the Founder Scheme Meeting will be held virtually at 9.30am (Brisbane time) on Friday, 12 November 2021. The Notice of General Scheme Meeting is set out in Annexure D and the Notice of Founder Scheme Meeting is set out in Annexure E.

At the Scheme Meetings, the applicable Requisite Majorities must approve the Scheme Resolutions. For this to occur, each Scheme Resolution must be approved by:

- (i) **(headcount test)** a majority in number (more than 50%) of the ONT Shareholders present and voting on the Scheme Resolution at the relevant Scheme Meeting (either virtually, or by proxy, representative or attorney); and
- (ii) **(voting test)** holders of at least 75% of the votes cast on the Scheme Resolution at the relevant Scheme Meeting (either virtually or by proxy, representative or attorney).

The Court has the discretion to waive the first of these two requirements if it considers it appropriate to do so.

Instructions on how to vote at the Scheme Meetings are set out in the Letter from the Chairman of the ONT IBC and the Notices of Scheme Meetings in Annexure D and Annexure E.

Steps 2 to 5 described below will only occur if the Scheme Resolutions are passed by the applicable Requisite Majorities at the Scheme Meetings.

<sup>19</sup> See footnote 3.

**(b) Step 2 – Second Court Hearing**

In the event that:

- (i) the Scheme Resolutions are approved by the Requisite Majorities; and
- (ii) all other Scheme Conditions (other than Court approval) have been satisfied or (if permitted) waived,

then ONT will apply to the Court for orders approving the Scheme.

The Second Court Hearing is expected to take place on Wednesday, 17 November 2021. Each ONT Shareholder has the right to appear at the Second Court Hearing.

**(c) Step 3 – Effective Date**

If the Court approves the Scheme and all other Scheme Conditions have been satisfied or (if permitted) waived, the Scheme will become Effective on the date when a copy of the Court order approving the Scheme is lodged with ASIC. ONT will, on the Scheme becoming Effective, give notice of that event on ASX.

Trading in ONT Shares on ASX will be suspended from close of trading on the Effective Date. If the Court approves the Scheme (and the Second Court Hearing occurs on the expected date), the Effective Date is expected to be Thursday, 18 November 2021.

**(d) Step 4 – Scheme Record Date**

The Scheme Shareholders will be entitled to receive the Scheme Consideration in respect of the ONT Shares they hold as at the Scheme Record Date (which is currently expected to be Wednesday, 24 November 2021).

**(i) Dealings on or prior to the Scheme Record Date**

You can transfer your ONT Shares on market at any time before close of trading on ASX on the Effective Date (which is currently expected to be Thursday, 18 November 2021). The price you obtain on ASX may vary from the Scheme Consideration. ONT intends to apply to ASX for ONT Shares to be suspended from official quotation on ASX from close of trading on the Effective Date. You will not be able to transfer your ONT Shares on market after this time.

You can transfer your ONT Shares off-market at any time on or before the Scheme Record Date, provided that the registrable transfer or transmission application is received at the Share Registry on or before the Scheme Record Date.

For the purpose of determining which ONT Shareholders are eligible to participate in the Scheme, dealings in ONT Shares will be recognised only if:

- (A) in the case of dealings of the type to be effected using CHESS, the transferee is registered on the ONT Share Register as the holder of the relevant ONT Shares at or before the Scheme Record Date; and
- (B) in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the Share Registry on or before the Scheme Record Date.

For the purposes of determining entitlements under the Scheme, ONT will not accept for registration or recognise any transfer or transmission applications in respect of ONT Shares received after the Scheme Record Date or received prior to the Scheme Record Date but not in registrable or actionable form.

(ii) **Dealings after the Scheme Record Date**

For the purposes of determining entitlements to the Scheme Consideration, ONT must maintain the ONT Share Register in its form as at the Scheme Record Date until the Scheme Consideration has been paid to the Scheme Shareholders. The ONT Share Register in this form will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date:

- (A) all statements of holding for Scheme Shares will cease to have effect as documents relating to title in respect of such Scheme Shares; and
- (B) each entry on the ONT Share Register relating to the Scheme Shares will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of such Scheme Shares.

(e) **Step 5 – Implementation Date**

The Implementation Date is, subject to certain conditions set out in the Scheme, the fifth Business Day after the Scheme Record Date. Accordingly, the Implementation Date is currently expected to be Wednesday, 1 December 2021.

Prior to implementation of the Scheme, and by the Business Day prior to the Implementation Date, BidCo must pay or procure the payment into a trust account nominated by ONT, an amount equal to the aggregate of the cash Scheme Consideration payable to Scheme Shareholders.

On the Implementation Date:

- (i) ONT will pay the cash Scheme Consideration received from BidCo to Scheme Shareholders; and
- (ii) the Scheme Shares (other than the Retained ONT Shares) will be transferred to BidCo without Scheme Shareholders needing to take any further action.

Details about the funding of the Scheme Consideration are set out in Section 5.9.

**3.5 Warranties by Scheme Shareholders**

The Scheme provides that each Scheme Shareholder is taken to have warranted to BidCo, and appointed and authorised ONT as its attorney and agent to warrant to BidCo on its behalf, that:

- (a) all their Scheme Shares (including any rights and entitlements attaching to their Scheme Shares) which are transferred under this Scheme will, at the time of transfer of them to BidCo, be fully paid and free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and
- (b) they have full power and capacity to sell and to transfer their Scheme Shares to BidCo together with any rights and entitlements attaching to those Scheme Shares.

**3.6 Delisting from ASX**

ONT will apply to ASX to suspend trading in ONT Shares with effect from the close of trading on the Effective Date. ONT will apply for cessation of the official quotation of ONT Shares on the ASX and to have itself removed from the official list of the ASX, with effect on and from the close of trading on the trading day immediately following, or shortly after, the Implementation Date.



### 3.7 Summary of Scheme Implementation Agreement

On 23 August 2021, ONT and BidCo entered into the Scheme Implementation Agreement, which governs the conduct of the Scheme.

A summary of the key terms of the Scheme Implementation Agreement is set out below. A full copy of the Scheme Implementation Agreement was lodged with ASX on 24 August 2021 and can be obtained from [www.asx.com.au](http://www.asx.com.au) or from <https://www.1300smiles.com.au/investors/asx-releases/>.

#### (a) Conditions

Implementation of the Scheme is subject to the following remaining Scheme Conditions which must be satisfied or (if permitted) waived before the Scheme can be implemented:

- (i) **(FIRB approval)** before 5.00pm on the Business Day before the Second Court Date either:
  - (A) the Treasurer (or the Treasurer's delegate) has provided a written no objections notification to the Scheme either without conditions or with conditions acceptable to Abano (acting reasonably); or
  - (B) following notice of the proposed Scheme having been given by BidCo to the Treasurer under the FIRB Act, the Treasurer has ceased to be empowered to make any order under Part 3 of the FIRB Act because the applicable time limit on making orders and decisions under the FIRB Act has expired;
- (ii) **(Shareholder approval)** ONT Shareholders approve the Scheme by the Requisite Majorities in accordance with the Corporations Act;
- (iii) **(Court approval)** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- (iv) **(No regulatory intervention)** no Court or regulatory authority has issued an order, temporary restraining order, preliminary or permanent injunction, decree or ruling or taken any action enjoining, restraining or otherwise imposing a legal obligation, restraint or prohibition preventing or impacting the Scheme and no such order, decree, ruling, other action or refusal is in effect as at 8.00am on the Second Court Date;
- (v) **(Founder Election)** the Founder Shareholders make a valid Election by the Election Time (which is 5.00pm (Brisbane time) on Monday, 8 November 2021);
- (vi) **(Independent Expert)** the Independent Expert continuing to conclude that the Scheme is in the best interests of all ONT Shareholders and fair and reasonable to the Non-Founder Shareholders and not publicly withdrawing, qualifying or changing that opinion at any time prior to 8.00am on the Second Court Date;
- (vii) **(Ancillary Documents)** certain ancillary documents having been entered into by the parties (including the Retention and Co-Investment Deed to be entered into by the Founder Shareholders) and remaining in force as at 8.00am on the Second Court Date;
- (viii) **(No ONT Prescribed Event)** no ONT Prescribed Event occurs between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Date;
- (ix) **(No Material Adverse Effect)** no Material Adverse Effect occurs between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Date;



- (x) **(ONT Warranties)** the ONT Warranties being true as at 8.00am on the date of the Second Court Hearing (except where expressed to be operative at another date); and
- (xi) **(Shareholder loans)** before 8.00am on the Second Court Date, ONT and each Participant must enter into a payment direction to cause the full amount owed by each Participant under each shareholder loan to be repaid from Scheme Consideration and for each relevant shareholder loan to be terminated.

The Scheme will not proceed unless all of the Scheme Conditions are satisfied or waived (if capable of waiver) in accordance with the Scheme Implementation Agreement. As at the date of this Scheme Booklet, none of the ONT Directors are aware of any circumstances which would cause any Scheme Condition not to be satisfied.

(b) **Conduct of business**

Until the Implementation Date, ONT must (and must ensure that each member of the ONT Group does the same):

- (i) ensure that the business of ONT is conducted in the ordinary course, in substantially the same manner as previously conducted, and in accordance with all applicable laws;
- (ii) promptly notify BidCo of events, facts, matters or circumstances which may reasonably be expected to constitute a Material Adverse Effect, an ONT Prescribed Event, a breach of the ONT Warranties, or which may have a material adverse effect on the financial or operational performance of more than \$100,000, or the reputation of ONT, or its relationships with regulatory authorities; and
- (iii) promptly notify BidCo of any breach of, or default under, any Material Contract, Material Lease or material commitment, laws, licences or consents applicable to the ONT Group and which is reasonably likely to result in a material liability of more than \$100,000 for the ONT Group;
- (iv) ensure that ONT does not take or fail to take any action that constitutes, or that could reasonably be expected to result in or otherwise give rise to an ONT Prescribed Event, or authorise, commit or agree to do any such thing;
- (v) maintain the condition of its business and assets, including maintaining at least its current level of insurance;
- (vi) keep available the services of its officers and key employees;
- (vii) use reasonable endeavours to preserve its relationships with customers, suppliers, licensors, licensees, regulators, dentists and others with whom it has business dealings;
- (viii) perform and comply, in all material respects, with the Material Contracts and Material Leases;
- (ix) comply in all material respects with all laws, licences and consents applicable to any member of the ONT Group or its business and ensure that it continues to hold each Material Licence or, if a Material Licence expires that Material Licence is promptly renewed;
- (x) pay to the ATO or other relevant tax authority where due all taxes which become due and payable before the Implementation Date;

- (xi) with respect to premises leases, to use reasonable endeavours to:
  - (A) register each premises lease which is not registered under applicable legislation; and
  - (B) enter into new premises leases or exercise any relevant options in respect of the each of the premises leases which has expired or which expire before the Implementation Date and in particular exercises the option in favour of ONT in respect of the property at 6/34 Sydney Street, Mackay Queensland 4740;

(xii) use reasonable endeavours to obtain duly executed releases and discharges of each Material Encumbrance (as defined in the Scheme Implementation Agreement), before 8.00am on the Second Court Date; and

(xiii) use reasonable endeavours to transfer of all domain names used by the ONT Group but not registered to a member of the ONT Group.

Until the Implementation Date, ONT must not (and must ensure that each member of the ONT Group does not):

- (i) incur any additional, or financial indebtedness above the credit limit available to the ONT Group under its banking facilities in place as at 23 August 2021;
- (ii) in relation to Tax, make, change or revoke any material Tax election, file any amended Tax return, settle any Tax claim, audit or action, surrender any right to claim a material Tax refund, offset or other reduction in Tax liability, or change its method of Tax accounting, in each case, if such action would have the effect of increasing the Tax liabilities of the ONT Group by an amount that exceeds \$100,000;
- (iii) undertake or commit to capital expenditure where the cost of the item (or series of related items) exceeds \$100,000 or where the aggregate value of all capital expenditure exceeds \$500,000 per month;
- (iv) engage a new employee or independent contractor for personal services of which the total engagement costs in respect of that individual is in excess of \$150,000 per annum, excluding the engagement of dentists in the ordinary course of business within the market remuneration of a dentist with similar experience and expertise;
- (v) enter into, or vary, any collective bargaining agreement or other agreement with a union or other organisation representing employees;
- (vi) guarantee, provide an indemnity for, provide security in respect of, or otherwise accept liability in respect of, the obligations or liabilities of any person who is not a member of the ONT Group, except for the provision of indemnities to directors and employees of the ONT Group (to the extent permitted by the Corporations Act or other applicable law);
- (vii) enter into any restraint of trade, non-competition undertaking or similar agreement which places a material restriction on any member of the ONT Group's ability to carry on business activities in the ordinary course of business or vary any existing restraint of trade, non-competition undertaking or similar agreement where such variation increases the term, nature or scope of the restriction; and
- (viii) settle any legal proceeding or claim where the ONT Group would be required to settle an amount that exceeds \$250,000 or where settlement would involve an imposition of any restriction which would have a material impact on the business.

(c) **Exclusivity**

The Scheme Implementation Agreement contains certain exclusivity arrangements in favour of BidCo. These arrangements are in line with market practice and may be summarised as follows:

- (i) **(no shop)** during the Exclusivity Period, ONT must not directly or indirectly solicit any enquiries, proposals, or discussions with any person or with a view to, or that may be reasonably expected to encourage or lead to a Competing Proposal (or communicate any intention to do those things);
- (ii) **(no talk)** during the Exclusivity Period, ONT must not negotiate or enter into, participate in negotiations or discussions with any other person regarding, a Competing Proposal or any agreement, understanding or arrangement that may be reasonably expected to lead to a Competing Proposal, even if that person's Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by ONT or the person has publicly announced the Competing Proposal;
- (iii) **(no due diligence)** during the Exclusivity Period, ONT must not enable any other person other than BidCo to undertake due diligence investigations on ONT or make available any non-public information about ONT, or access to any ONT personnel or premises, for the purpose of any other person making, formulating, developing or finalising a Competing Proposal;
- (iv) **(notice of Competing Proposal)** during the Exclusivity Period, ONT must promptly notify BidCo if ONT receives any unsolicited approach or any request for information from a third party with respect to, or which may relate to, any Competing Proposal, and that notice must include all material details of the Competing Proposal, including details of the proposed bidder or acquirer;
- (v) **(matching right)** during the Exclusivity Period, ONT must not enter into any legally binding agreement, arrangement or understanding in relation to a Competing Proposal and must direct each ONT Director not to withdraw or change their recommendation or voting intention to publicly recommend a Competing Proposal (or recommend against the Scheme), unless:
  - (A) the ONT IBC acting in good faith determines that the Competing Proposal would be or would be likely to be a Superior Proposal;
  - (B) ONT has provided BidCo with the material terms and conditions of the Competing Proposal (including the identity of the person making the Competing Proposal);
  - (C) ONT has given BidCo at least 5 Business Days to provide a matching or superior proposal to the Competing Proposal (**BidCo Counterproposal**); and
  - (D) BidCo has not announced a BidCo Counterproposal by the expiry of 5 Business Days.

If BidCo makes a BidCo Counterproposal within the 5 Business Day period, the ONT IBC must consider it and, if the ONT IBC determines that the BidCo Counterproposal would provide an equivalent or superior outcome for ONT Shareholders as a whole compared with the Competing Proposal, then:

- (E) ONT and BidCo must use their best endeavours to agree the amendments to the Scheme Implementation Agreement and other ancillary documents as are necessary to give effect to the BidCo Counterproposal; and

- (F) ONT must use its best endeavours to procure that each of the ONT Directors maintains their recommendation and voting intention to the ONT Shareholders; and
- (vi) **(fiduciary exceptions)** ONT is not required to comply with its 'no talk' and 'no due diligence' obligations if there is a genuine Competing Proposal that is, or could reasonably become a Superior Proposal, and ONT's external legal advisors determine that complying with those provisions would be reasonably likely to constitute a breach of the fiduciary or statutory duties owed by the ONT Board.

(d) **Break Fee**

ONT has agreed to pay BidCo a break fee of \$1.7 million excluding GST (**Break Fee**) without withholding or set off if:

- (i) **(Competing Proposal)** on or before the End Date, a Competing Proposal is announced and within 12 months of the End Date the third party who announced or made the Competing Proposal completes a Competing Proposal or otherwise acquires more than 50% of ONT;
- (ii) **(change in recommendation)** any ONT Independent Director fails to recommend the Scheme or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating that he or she no longer supports the Scheme, except:
  - (A) where the change of recommendation or statement is made after the Independent Expert concludes that the Scheme is not in the best interests of ONT Shareholders or that it is not fair and reasonable to the Non-Founder Shareholders (other than where that conclusion is due to the existence, announcement or publication of a Competing Proposal which the Independent Expert may reasonably regard to be on more favourable terms than the Scheme); or
  - (B) ONT validly terminates the Scheme Implementation Agreement due to a material breach by BidCo; or
- (iii) **(termination)** BidCo validly terminates the Scheme Implementation Agreement due to a material breach by ONT or due to a Founder Shareholder dealing in ONT Shares.

For full details of the Break Fee, see clause 10 of the Scheme Implementation Agreement.

(e) **Termination**

ONT and BidCo are entitled to terminate the Scheme Implementation Agreement in circumstances, as set out below:

- (i) either ONT or BidCo can terminate:
  - (A) if the Scheme does not become effective on or before the End Date;
  - (B) at any time prior to 8.00am on the Second Court Date, if the other party is in breach of a term of the Scheme Implementation Agreement which is material taken in the context of the Scheme as a whole, provided that the terminating party has given notice to the other party setting out the relevant circumstances and the relevant circumstances continue to exist 5 Business Days (or any shorter period ending at 8.00am on the Second Court Date) after the time such notice is given;
  - (C) if agreed in writing by BidCo and ONT;

- (D) if the Court refuses to make the relevant orders to convene or approve the Scheme and it is agreed between the parties not to appeal the Court's decision or an independent senior counsel advises that an appeal would have no reasonable prospect of success; or
  - (E) where a Scheme Condition, which is for the benefit of the terminating party, has not been waived or satisfied by the time or date specified in the Scheme Implementation Agreement;
- (ii) BidCo can terminate the Scheme Implementation Agreement at any time prior to 8.00am on the Second Court Date:
- (A) if any member of the ONT IBC changes their recommendation to ONT Shareholders to vote in favour of the Scheme or otherwise makes a public statement indicating that it no longer supports the Scheme;
  - (B) if there is any dealing with an ONT Share held by a Founder Shareholder, including a sale, transfer, grant of or creation of an encumbrance over, or any other disposal, or agreeing to do any of the foregoing;
  - (C) if a person (other than BidCo or its Related Bodies Corporate or the Founder Shareholders) whether alone or together with its associates would, directly or indirectly, have a Relevant Interest in 8% or more of ONT Shares (other than as custodian, nominee or bare trustee); or
  - (D) on the commencement, or notification of ONT of, an audit, examination, investigation or similar review by an agreed regulatory authority, of any matter or liability in connection with the business of ONT or any part of it; and
- (iii) ONT can terminate the Scheme Implementation Agreement if at any time prior to 8.00am on the Second Court Date if the ONT IBC determines that a Competing Proposal that was not solicited, invited, encouraged or initiated in breach of the Scheme Implementation Agreement is a Superior Proposal.

### 3.8 How ONT will respond to Competing Proposals

Until the Scheme is approved by the Court, other parties may make unsolicited acquisition proposals for ONT.

If a Competing Proposal emerges prior to the Second Court Hearing, the ONT IBC will consider the Competing Proposal and ensure that ONT complies with the Scheme Implementation Agreement in relation to the Competing Proposal, including providing BidCo with notice of, and an opportunity to match, the Competing Proposal (see Section 3.7 above for a summary of those arrangements).

The ONT IBC will carefully consider the Competing Proposal and determine whether it is a Superior Proposal. An exception to the exclusivity arrangements in the Scheme Implementation Agreement allows them to do so.

ONT will keep you informed of any material developments, including by making announcements on ASX. ONT Shareholders are encouraged to continue to monitor ASX announcements until the Scheme is implemented.

## 4 Information about ONT

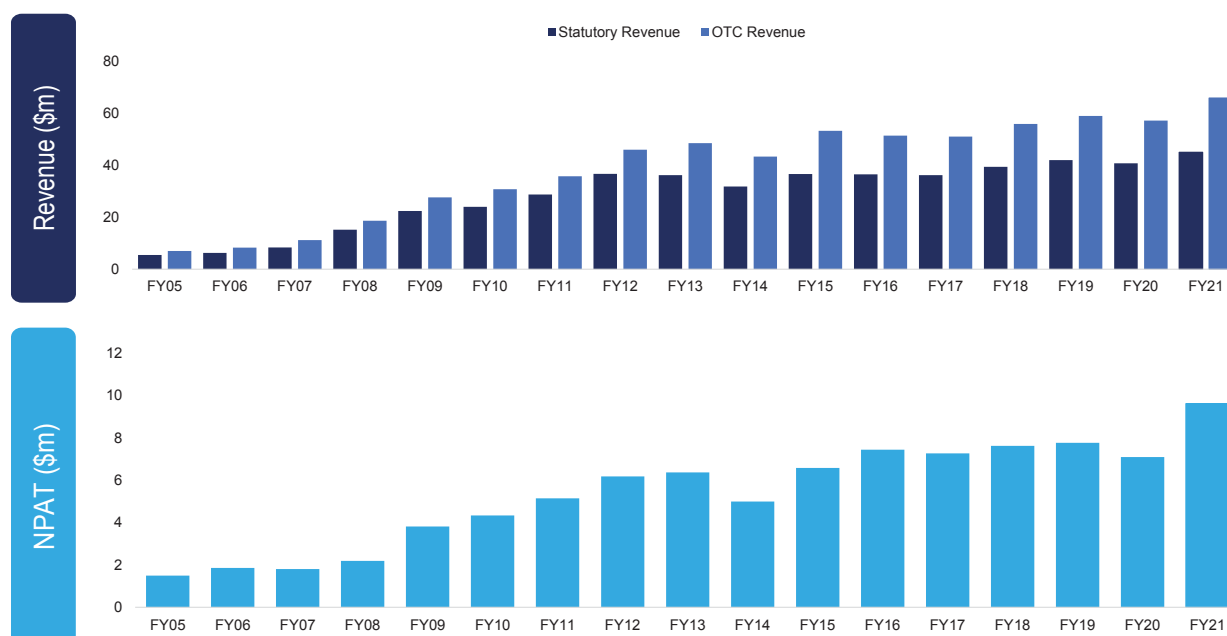
### 4.1 Overview of ONT

ONT is a public company, incorporated in Queensland, which listed on the ASX in 2005. ONT owns and operates full-service dental facilities across Australia, with its corporate and administrative offices located in Townsville, Queensland.

ONT enables the delivery of services to patients by offering the use of dental surgeries, practice management and other services to self-employed dentists who carry on their own dental practices. ONT currently operates 34 dental practices<sup>20</sup> providing over 600,000 items of care to over 180,000 patients each year.

ONT's core objective is to continue to increase profits and shareholder returns while providing a rewarding environment for its staff and the dentists using its facilities. Since listing in 2005, ONT has consistently achieved this objective through a combination of organic growth in its existing locations and the addition of new dental practices by acquisition.

ONT reported statutory revenue of \$44.3 million (up 11.3% against prior corresponding period) and net profit after tax of \$9.6 million (up 34.7% against prior corresponding period) for the financial year ended 30 June 2021.



### 4.2 Board and senior management

#### (a) ONT Board

As at the date of this Scheme Booklet, the ONT Board comprised:

Name	Position
Mr Robert Jones	Non-Executive Chairman
Dr Daryl Holmes	Managing Director
Mr Jason Smith	Non-Executive Director

Details of the interests of the ONT Board in ONT Shares are set out in Section 8.1.

<sup>20</sup> Current as at the date of this Scheme Booklet. Since announcing the Scheme on 24 August 2021, ONT completed the acquisition of a dental practice in Bundaberg, Queensland.



(b) **ONT senior management**

As at the date of this Scheme Booklet, ONT's senior management comprised:

Name	Position
<b>Dr Daryl Holmes</b>	Managing Director
<b>Ms Natalie Duve</b>	Operations Manager
<b>Mr Roman Chideme</b>	Financial Controller

4.3 **Securities and capital structure**(a) **ONT securities on issue**

As at the date of this Scheme Booklet, ONT had 23,678,384 ONT Shares on issue. No other securities in ONT were on issue.

(b) **Substantial ONT Shareholders**

Based on filings to ASX, as at the date of this Scheme Booklet, ONT has received notifications from the following substantial holders in accordance with section 671B of the Corporations Act:<sup>21</sup>

Name <sup>22</sup>	Number of ONT Shares	Percentage holding
Dr Daryl Holmes*	14,711,729	62.13%
Ellerston Capital Limited	1,680,628	7.1%

\* The 550,702 ONT Shares (approximately 2.3% of ONT) held by Ashbourne Park Pty Limited have been included in the above table, because they are an associate of Dr Daryl Holmes for the purposes of section 671B of the Corporations Act. However, this shareholding is not a Founder Shareholder for the purposes of the Scheme. The Founder Shareholders are Daryl Holmes as trustee for the TFD Hybrid Fixed Trust and Golden Arch (Qld) Pty Ltd as trustee for the Whistler Discretionary Trust, who together hold 14,161,027 ONT Shares (approximately 59.8% of ONT).

(c) **Group structure**

The following entities are Subsidiaries of ONT:

Name of entity	Country of incorporation	Equity holding	
		FY21	FY20
1300SMILES (BOH Dental) Pty Ltd	Australia	100%	100%
1300SMILES (Springfield Lakes) Pty Ltd	Australia	100%	100%
Plaza Central Dentists Pty Ltd	Australia	100%	100%

<sup>21</sup> The percentage shareholding is based on the number of ONT Shares on issue as at the date of this Scheme Booklet, rounding errors may exist.

<sup>22</sup> Shareholdings are held by primary person below or their associated entities as listed in the substantial holder notices filed with ASX.

#### 4.4 Recent ONT Share price performance

ONT Shares are listed on the ASX under the ASX code 'ONT'. On Friday, 20 August 2021, being the last trading day prior to the announcement of the Scheme, the closing ONT Share price on ASX was \$7.02. In the three months up to Friday, 20 August 2021:

- (a) the highest recorded daily closing price for ONT Shares on ASX was \$7.29 on 21 June 2021; and
- (b) the lowest recorded daily closing price for ONT Shares on ASX was \$6.85 on 26 May 2021.

#### 4.5 Financial information

This Section 4.5 contains financial information relating to ONT for the financial years ended 30 June 2021, 30 June 2020 and 30 June 2019.

The financial information in this Section 4.5 is a summary only and has been prepared and extracted for the purposes of this Scheme Booklet only. The information has been extracted from the audited financial reports of ONT ended 30 June 2021, 30 June 2020 and 30 June 2019.

##### (a) Basis of preparation

The financial information of ONT is presented in abbreviated form and does not contain all the disclosures, presentation, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act. Accordingly, ONT recommends that ONT Shareholders read the following in conjunction with the financial statements of ONT for the respective periods including the description of the significant accounting policies contained in those financial statements and the notes to those financial statements (copies of which are available on ONT's website at [www.1300smiles.com.au](http://www.1300smiles.com.au) and on ASX's website as [www.asx.com.au](http://www.asx.com.au)).

The financial information of ONT has been prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards. The financial information in this Scheme Booklet is presented on a standalone basis and accordingly does not reflect any impact of the Scheme.

(b) **Consolidated statement of profit or loss**

The following table presents the historical consolidated statement of profit or loss for the financial years ended 30 June 2021, 30 June 2020 and 30 June 2019.

	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
Services revenue	44,281	39,802	40,313
Other income	664	897	1,639
<b>Total revenue</b>	<b>44,945</b>	<b>40,699</b>	<b>41,952</b>
Consumables, lab fees and other supplies	(5,922)	(5,153)	(4,082)
Employee benefits expense	(15,426)	(14,203)	(15,909)
Depreciation and amortisation expense	(5,236)	(5,507)	(2,268)
Property expenses	(583)	(522)	(3,304)
Operating expenses	(3,571)	(4,063)	(4,565)
Corporate and administrative expenses	(562)	(581)	(808)
Finance costs	(532)	(884)	(229)
<b>Total expenses</b>	<b>(31,832)</b>	<b>(30,913)</b>	<b>(31,165)</b>
<b>Profit before income tax expense</b>	<b>13,113</b>	<b>9,786</b>	<b>10,787</b>
Income tax expense	(3,487)	(2,641)	(3,015)
<b>Profit for the year</b>	<b>9,626</b>	<b>7,145</b>	<b>7,772</b>
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>9,626</b>	<b>7,145</b>	<b>7,772</b>
<b>Earnings per share</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	<b>40.7</b>	30.2	32.8
Diluted earnings per share	<b>40.7</b>	30.2	32.8
<b>Reconciliation of statutory EBITDA to underlying EBITDA pre AASB 16</b>			
<b>Reported EBITDA</b>	<b>18,881</b>	<b>16,177</b>	<b>13,284</b>
(-) JobKeeper receipts	(2,185)	(1,805)	-
(-) Other one-off or non-operating revenue included in EBITDA	(788)	(1,823)	(1,133)
(-) Other one-off or non-operating income included in EBITDA	(664)	(897)	(1,639)
<b>Underlying Operating EBITDA</b>	<b>15,244</b>	<b>11,652</b>	<b>10,512</b>
(-) Rent not reflected in EBITDA because of AASB 16	(3,060)	(2,906)	-
<b>Underlying Operating EBITDA pre AASB 16</b>	<b>12,184</b>	<b>8,746</b>	<b>10,512</b>

(c) **Consolidated statement of financial position**

The following table presents the historical consolidated statement of financial position as at 30 June 2021, 30 June 2020 and 30 June 2019.

	2021 \$'000	2020 \$'000	2019 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4,247	6,681	634
Trade receivables	1,573	2,197	1,839
Inventories	385	257	20
Other assets	1,570	1,792	1,033
Current tax assets	-	-	71
Loans receivable	500	271	1,655
Financial assets - investments	445	259	-
<b>Total current assets</b>	<b>8,720</b>	<b>11,457</b>	<b>5,252</b>
<b>Non-current Assets</b>			
Loans receivable	7,810	5,551	3,538
Financial assets - investments	-	-	208
Property, plant and equipment	12,550	12,767	13,264
Right-of-use assets	8,139	8,447	-
Investment property	1,625	1,625	1,625
Intangible assets	33,926	34,308	33,482
<b>Total non-current assets</b>	<b>64,050</b>	<b>62,698</b>	<b>52,117</b>
<b>Total Assets</b>	<b>72,770</b>	<b>74,155</b>	<b>57,369</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	3,729	4,300	3,803
Provisions	878	838	630
Current tax liabilities	421	1,222	-
Other liabilities	174	1,315	634
Lease liabilities	2,885	2,865	-
<b>Total current liabilities</b>	<b>8,087</b>	<b>10,540</b>	<b>5,067</b>
<b>Non-current Liabilities</b>			
Trade and other payables	-	401	458
Deferred tax liabilities	712	360	541
Provisions	449	444	427
Other liabilities	186	260	1,591
Loans payable	13,300	15,000	9,200
Lease liabilities	5,670	6,017	-
<b>Total non-current liabilities</b>	<b>20,317</b>	<b>22,482</b>	<b>12,217</b>
<b>Total Liabilities</b>	<b>28,404</b>	<b>33,022</b>	<b>17,284</b>
<b>Net Assets</b>	<b>44,366</b>	<b>41,133</b>	<b>40,085</b>

	2021 \$'000	2020 \$'000	2019 \$'000
<b>EQUITY</b>			
Contributed equity	15,501	15,501	15,501
Retained profits	28,865	25,632	24,584
<b>Total Equity</b>	<b>44,366</b>	<b>41,133</b>	<b>40,085</b>

(d) **Consolidated statement of cash flows**

The following table presents the historical consolidated statement of cash flows for the financial years ended 30 June 2021, 30 June 2020 and 30 June 2019.

	2021 \$'000	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)	46,980	41,513	43,791
Payments to suppliers and employees (inclusive of GST)	(31,824)	(29,114)	(34,167)
	<b>15,156</b>	<b>12,399</b>	<b>9,624</b>
Job Keeper receipts	2,185	1,805	-
Interest received	379	370	358
Interest and other finance costs paid	(291)	(513)	(229)
Income taxes paid	(4,054)	(1,477)	(2,848)
<b>Net cash inflow from operating activities</b>	<b>13,375</b>	<b>12,584</b>	<b>6,905</b>
<b>Cash flows from investing activities</b>			
Advances for other loans receivable	219	80	346
Advances (payments) of share loans provided	124	(250)	(1,276)
Investments (payments) of loans established	-	-	(500)
Advances for loans receivables	(3,500)	(375)	(207)
Proceeds from sale of property, plant and equipment	681	521	25
Payments of property, plant and equipment	(1,284)	(1,720)	(1,968)
Payments of intangible assets	(11)	(30)	(488)
Payments for deferred consideration	(417)	(100)	(1,030)
Payments for purchase of businesses, net of cash acquired	(468)	(1,886)	(4,917)
<b>Net cash outflow from investing activities</b>	<b>(4,656)</b>	<b>(3,760)</b>	<b>(10,015)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	(15,900)	(15,500)	(6,999)
Drawdown of borrowings	14,200	21,300	14,248
Dividends paid	(6,393)	(6,097)	(5,801)
Repayment of lease liabilities	(3,060)	(2,480)	-
<b>Net outflow from financing activities</b>	<b>(11,153)</b>	<b>(2,777)</b>	<b>1,448</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,434)</b>	<b>6,047</b>	<b>(1,662)</b>
Cash and cash equivalents at the beginning of the financial year	6,681	634	2,296
<b>Cash and cash equivalents at the end of the financial year</b>	<b>4,247</b>	<b>6,681</b>	<b>634</b>

#### 4.6 **Material changes to ONT's financial position**

As disclosed in the subsequent events section of ONT's financial report for the year ended 30 June 2021:

- (a) on 1 July 2021, ONT completed the acquisition of a dental practice in Chinchilla, Queensland; and
- (b) on 26 August 2021, ONT completed the acquisition of a dental practice in Bundaberg, Queensland.

Within the knowledge of ONT's Directors and other than as disclosed in the Scheme Booklet or announced on the ASX, the financial position of ONT has not materially changed since 30 June 2021, being the date of ONT's financial report for the year ended 30 June 2021.

#### 4.7 **Intentions regarding the continuation of ONT's business**

The Corporations Regulations require a statement by the ONT Directors of their intentions regarding ONT's business. If the Scheme is implemented, the existing ONT Directors will resign and the ONT Board will be reconstituted in accordance with the instructions of BidCo after the Implementation Date.

Accordingly, it is not possible for the ONT Directors to provide a statement of their intentions after the Scheme is implemented regarding:

- (a) the continuation of the business of ONT or how ONT's existing business will be conducted;
- (b) any major changes, if any, to be made to the business of ONT; or
- (c) any future employment of the present employees of ONT.

If the Scheme is implemented, BidCo will own and control approximately 84% of ONT's securities. The ONT Directors have been advised that the intentions of BidCo with respect to these matters are set out in Section 5.

If the Scheme is not implemented, the ONT Directors intend to continue to operate in the ordinary course of the business of ONT.

#### 4.8 **Publicly available information**

ONT is a disclosing entity as defined in the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Broadly, these require ONT to announce price sensitive information as soon as it becomes aware of the information, subject to exceptions for certain confidential information. ONT is also required to prepare and lodge with ASIC and ASX both annual and half-year financial statements.

Further announcements concerning ONT will continue to be made available on ASX's website after the date of this Scheme Booklet.

Copies of the documents filed with ASX may be obtained from ONT's website at [www.1300smiles.com.au](http://www.1300smiles.com.au) and on ASX's website as [www.asx.com.au](http://www.asx.com.au). Copies of the documents lodged with ASIC in relation to ONT may be obtained from an ASIC office. Copies of these documents will also be made available free of charge following a request in writing to ONT at any time before the Scheme Meetings.



## 5 Information about BidCo and HoldCo

### 5.1 Introduction

This Section 5 has been prepared by, and is the responsibility of, BidCo. This Section 5 contains information relating to BidCo, HoldCo, the Abano Group, BGH Capital, OTPP and the Founder Shareholders, and outlines how BidCo is funding the Scheme Consideration and its intentions in relation to ONT.

### 5.2 Overview of BidCo and HoldCo

#### (a) BidCo

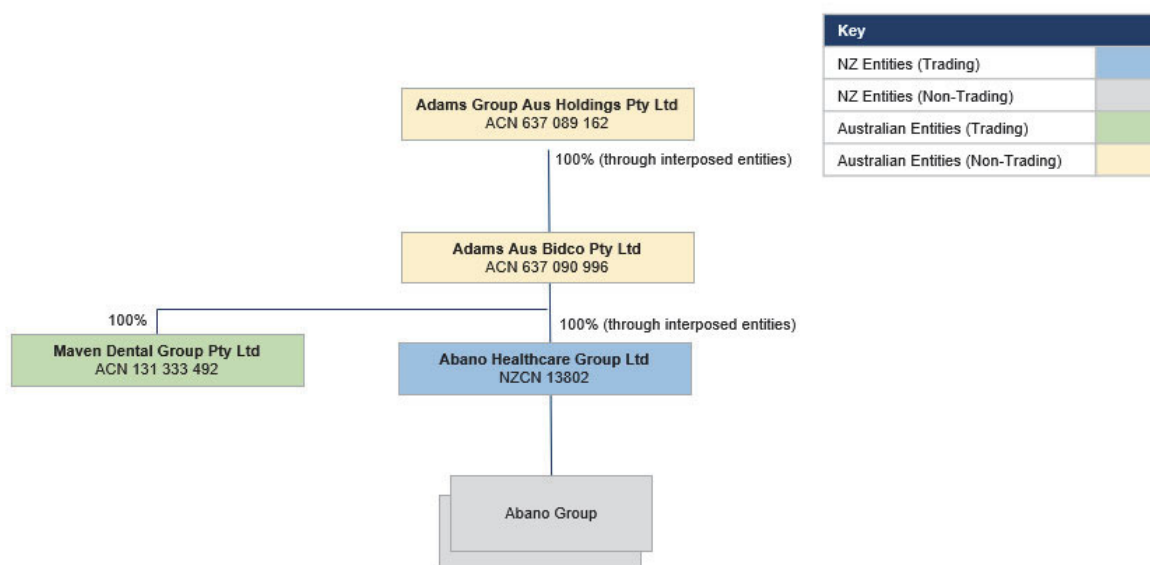
BidCo is an Australian limited liability company that was incorporated on 28 October 2019.

#### (b) HoldCo

The ultimate holding company of BidCo is HoldCo. BidCo is indirectly 100% owned by HoldCo. HoldCo is an Australian limited liability company that was established as the investment vehicle to aggregate the BGH Capital Fund's and OTPP's interest in the Abano Group.

#### (c) Ownership structure chart

A structure chart showing BidCo, HoldCo and the Abano Group is set out below:



### 5.3 Overview of the Abano Group

The Abano Group is one of the largest dental support groups across Australia and New Zealand, with over 200 practice locations. The Abano Group contracts more than 900 dentists, specialists and clinicians. The Abano Group operates under the 'Lumino' brand in New Zealand and 'Maven' in Australia. The Abano Group's dental practices are located throughout Australia and New Zealand. The majority of the Australian sites are located in Queensland and New South Wales, and the majority of the New Zealand sites are in the North Island. Practices are more concentrated in areas with higher populations.

#### 5.4 Overview of BGH Capital

BGH Capital was established in 2017 as an independent private investment firm, owned and managed by its founding partners – Robin Bishop, Ben Gray and Simon Harle. In May 2018, BGH Capital had a final close on the BGH Capital Fund of approximately A\$2.6 billion, making it the largest domestic private equity fund in Australia and New Zealand. The objective of the BGH Capital Fund is to provide investors with returns through a diversified portfolio of growth investments in companies in Australia and New Zealand.

#### 5.5 Overview of OTPP

OTPP is Canada's largest single-profession pension plan with CAD\$227.7 billion in net assets as at 30 June 2021. It pays pensions and invests plan assets on behalf of 331,000 working and retired teachers. Since its establishment as an independent organisation in 1990, it has built an international reputation for innovation and leadership in investment management and member services. OTPP was incorporated by the Teachers' Pension Act (Ontario) in the province of Ontario, Canada. It is a corporation without share capital. Accordingly, it does not have any shareholders or owners. Under the Teachers' Pension Act (Ontario), OTPP is jointly sponsored by the Ontario Teachers' Federation, a professional organisation which represents teachers in publicly-funded schools in the Province of Ontario, and the Ontario Government.

#### 5.6 Rationale for BidCo's proposed acquisition of ONT

BidCo's acquisition of the Company is driven by the aim of becoming the leading, multi-brand dental support group in Australasia. BidCo intends to achieve this aim by investing in and growing its network of supported practices and dentists throughout Australia and New Zealand. ONT and the 1300 Smiles brand is highly complementary to BidCo's existing network, and represents an important milestone in achieving BidCo's strategic objectives.

#### 5.7 Directors of BidCo and HoldCo

The following persons are directors of BidCo and HoldCo as at the date of this Scheme Booklet:

Director	Profile
<b>BidCo</b>	
<b>Simon Edward Harle</b>	<p>Simon Harle is a Founding Partner of BGH Capital. Previously, Simon was a Partner at TPG Capital, based in Melbourne. Simon spent over ten years at TPG and jointly led investments in Asciano, Petbarn, Healthscope, Inghams and Cushman &amp; Wakefield, including DTZ and Cassidy Turley. Simon was also heavily involved in managing the investment in Alinta by funds advised by TPG.</p> <p>Prior to joining TPG in 2006, Simon worked in the investment banking division of Credit Suisse for four years and spent almost ten years with Arthur Andersen, working primarily in the corporate finance division across Melbourne and London.</p>
<b>Rajeev Ruparelia</b>	<p>Rajeev Ruparelia leads OTPP's direct private equity investing activities across Asia-Pacific. Rajeev joined OTPP in 2008, was a senior founding member of its Hong Kong office in 2013 and has nearly two decades of combined experience in private equity and corporate finance. He has worked in both Toronto and London for the organization and has been involved in a number of its direct investments, including the acquisitions of Spandana Sphoorty Financial Ltd., INC Research, Coway, DTZ and Cushman &amp; Wakefield.</p> <p>Prior to joining OTPP, Rajeev worked in investment banking at Credit Suisse in New York, in investments at Cadillac Fairview (Ontario Teachers' wholly owned real estate subsidiary) and in the corporate finance group at Deloitte.</p>

Director	Profile
<b>Sinead Ryan</b>	Sinead Ryan has over 25 years' experience with roles including company director and CEO. Sinead has held several strategic executive roles leading and driving sustainable business growth and has in-depth experience in the childcare, retail and energy sectors. Sinead has extensive experience in leading large transformational programs, specialising in M&A from due diligence through to integration. Sinead previously led large global transformation programs with EY and Deloitte.
<b>Stephen Davies</b>	Stephen Davies is the Chief Financial Officer of the BidCo Group. Stephen is a member of the Institute of Chartered Accountants of Scotland and has 20 years of experience in senior financial roles in both listed and privately held operations.
<b>HoldCo</b>	
<b>Simon Edward Harle</b>	As above.
<b>Rajeev Ruparelia</b>	As above.
<b>Amit Sobti</b>	<p>Amit Sobti joined the Private Capital division of OTPP in 2016 and is part of the senior team responsible for direct and co-investing activities across the Asia-Pacific region. Amit sits on the board of Spandana Sphoorty and Asia Pacific Healthcare Group.</p> <p>Prior to joining OTPP, Amit had more than 15 years of experience in private equity and investment banking, most recently as a principal at Unitas Capital in Hong Kong. He was previously a principal in the healthcare group at Warburg Pincus in New York, prior to which he worked at Rhone Capital and in the M&amp;A group at Merrill Lynch.</p>
<b>David Brooks</b>	<p>David Brooks is a Deal Partner at BGH Capital. Previously, David was a Principal at TPG Capital, based in Melbourne. David spent nine years at TPG and was heavily involved in the investments in Healthscope and Inghams, and also worked across the Myer and Asciano portfolio companies.</p> <p>Prior to joining TPG in 2008, David worked in the investment banking division of Credit Suisse for more than three years and spent over two years at BHP Billiton.</p>

## 5.8

**BidCo's intentions following implementation of the Scheme****(a) Introduction**

This section sets out BidCo's present intentions in relation to the continuation of the business of ONT, any major changes to be made to the business of ONT, including any redeployment of the fixed assets of ONT and the future employment of the present employees of ONT, if the Scheme is implemented.

HoldCo has the same intentions as BidCo in relation to these matters.

The statements set out in this section are statements of present intention only and have been formed on the basis of facts and information concerning ONT (including certain non-public information made available by ONT to BidCo prior to the entry into the Scheme Implementation Agreement) and the general business environment which is known to BidCo at the time of preparing this Scheme Booklet. Final decisions on these matters will only be made by BidCo in light of all material facts and circumstances at the relevant time. Accordingly, statements set out in this section may change as new information becomes available or as circumstances change, and the statements in this section should be read in that context.

(b) **Holder of ONT Shares**

If the Scheme is implemented, BidCo will become the holder of ONT Shares (other than Retained ONT Shares) with HoldCo having the right to acquire the Retained ONT Shares from the Founder Shareholders within 2 years pursuant to the HoldCo Call Option. HoldCo has not yet formed an intention as to whether, and if so, when, it might exercise the HoldCo Call Option.

(c) **Board of Directors**

If the Scheme is Implemented, BidCo intends to appoint its nominees to the ONT Board on the Implementation Date.

(d) **Removal from ASX**

If the Scheme is Implemented, BidCo will apply for ONT to be removed from the official list of the ASX.

(e) **Business Integration**

If the Scheme is Implemented, BidCo intends for ONT to be integrated with Abano. This will comprise a period of careful integration, whereby objectives will include:

- (i) minimising disturbance to clinics across the group, ensuring seamless ongoing operating conditions and the ability for dentists to continue to focus on patient deliverables and outcomes;
- (ii) the consolidation of corporate functions, including support offices, procurement, marketing and other support functions; and
- (iii) the sharing of best practice operational efficiencies.

(f) **Employees**

If the Scheme is Implemented, BidCo will work with the management team to ensure that all ONT practices are appropriately staffed and supported. The consolidation of back-office functions which are centrally located such as marketing, finance and procurement will be reviewed which may result in the current ONT Head Office organisational structures and roles being impacted, where possible any impacted roles will be offered redeployment.

(g) **General**

Except for the changes and intentions set out in this section, following implementation of the Scheme BidCo intends, based on the information presently known to it:

- (i) to continue the business of ONT under the 1300 Smiles brand;
- (ii) not to make any major changes to the business of ONT or the deployment of ONT's assets; and
- (iii) to continue the employment of ONT's employees in the clinic network.

## 5.9 Funding the Scheme Consideration

### (a) Maximum cash consideration

Based on the number of ONT Shares on issue as at the date of this Scheme Booklet the maximum amount of cash payable by BidCo in connection with the Scheme will be approximately \$142.3 million.<sup>23</sup>

On the basis of the arrangements described in this Section 5.9, BidCo is of the opinion that it has a reasonable basis for forming the view, and it holds the view, that it will have sufficient funds available to meet its payment obligations under the Scheme.

### (b) Overview of funding arrangements

BidCo intends to source funding for the Scheme Consideration through a combination of funding sources which include:

- (i) existing cash reserves of the Abano Group;
- (ii) new equity funding to be provided to the Abano Group from BGH Capital Fund and OTTP of at least \$33.65 million (in aggregate) pursuant to binding equity commitment letters under which BGH Capital Fund commits to provide AUD\$25,574,000, and OTTP commits to provide AUD\$8,076,000, by equity contribution to Holdco in connection with implementation of the Scheme; and
- (iii) existing and new committed debt funding arrangements of the Abano Group. In particular, Abano Finco, a member of the Abano Group, has entered into a legally binding commitment letter (**Debt Commitment Letter**) under which its existing financiers have agreed to provide additional secured debt facilities in an aggregate amount of A\$85 million together with working capital facilities (**Facilities**) towards funding the Scheme Consideration, the refinancing of certain existing debt facilities of the ONT Group and related transaction costs and expenses (**Debt Funding**). The Debt Commitment Letter attaches already agreed long form facility documentation which the parties will sign before the Second Court Date. The availability of the Facilities is subject to a number of conditions precedent, which are customary for facilities of this kind and include:
  - (A) implementation of the Scheme will occur;
  - (B) all material authorisations required for the Implementation Date have been obtained and all conditions precedent to implementation of the Scheme have been, or will on the date of the first drawdown under the Facilities, be satisfied or waived; and
  - (C) there has been no termination of, amendment to, or waiver under the Scheme Implementation Agreement which is materially prejudicial to the interests of the financiers without the prior consent of the financiers (not to be unreasonably withheld).

It is expected that these conditions will be satisfied before the Second Court Date (other than certain conditions which are intended to be satisfied concurrently with, or prior to, the first drawdown under the Facilities including the payment of fees and expenses).

## 5.10 No interests in ONT Shares

As at the date of this Scheme Booklet, BidCo does not have any interest in ONT Shares.

<sup>23</sup> Maximum cash consideration assumes no changes in holdings of the Founder Shareholders before the Record Date.

**5.11 No dealing in ONT Shares in previous four months**

Except for the consideration to be provided under the Scheme, during the period of 4 months before the date of this Scheme Booklet, neither BidCo nor any of its associates have provided or agreed to provide consideration for any ONT Shares under a purchase or agreement.

**5.12 Benefits to holders of ONT Shares**

Other than as set out in Section 8.3(b), neither BidCo nor any of its associates has given or offered to give or agreed to give a benefit to another person that was likely to induce the other person, or an associate of that person to:

- (a) vote in favour of the Scheme; or
- (b) dispose of ONT Shares,

during the period of 4 months ending on the date of this Scheme Booklet and which was not offered to all other ONT Shareholders.

**5.13 No other material information**

Except as disclosed elsewhere in this Scheme Booklet, there is no other information that is material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any director of BidCo, at the date of this Scheme Booklet, which has not previously been disclosed to the ONT Shareholders.



## 6 Risks

### 6.1 Introduction

The ONT Board considers that it is appropriate for ONT Shareholders, in considering the Scheme, to be aware that there are a number of risk factors associated with the Scheme, as well as with respect to ONT, general and specific, which could materially adversely affect the future operating and financial performance of ONT and the value of ONT Shares.

This Section 6 outlines:

- (a) general risk factors (refer to Section 6.2); and
- (b) specific risk factors for the ONT business (refer to Section 6.3).

If the Scheme proceeds, Scheme Shareholders will receive the Scheme Consideration and, from implementation of the Scheme, will cease to be ONT Shareholders and (except for Founder Shareholders who will retain a portion of their ONT Shares as set out in the Election) will no longer be exposed to the risks set out in this Section 6.

If the Scheme does not proceed (and in the absence of a Competing Proposal that is ultimately implemented), in which case ONT will continue to operate as a stand-alone entity, and you will retain your investment in ONT, then these risks will continue to be relevant to you as the risk factors in this Section 6 are existing risks that relate to ONT's business and the industry in which it operates, or that are generally associated with an investment in listed securities. You should carefully consider the risks discussed in this Section 6, as well as the other information contained in this Scheme Booklet generally, before voting on the relevant Scheme Resolution. The risks identified in this Section 6 do not take into account the investment objectives, financial circumstances or particular needs of individual ONT Shareholders and are not exhaustive. You should consult your legal, financial, taxation or other professional adviser if you are unclear or uncertain about any matter mentioned in this Section 6 or elsewhere in this Scheme Booklet.

### 6.2 General risk factors

In addition to the specific business risks below, there are a number of general risks associated with holding ONT Shares. These risks may include:

As with any entity with listed securities on ASX, the future prospects and operating and financial performance of ONT and the value of ONT Shares may be affected by a variety of factors. These factors may include:

- (a) changes in investor sentiment and overall performance of the Australian and overseas stock markets;
- (b) changes in general business, industry cycles, and economic conditions including inflation, interest rates, exchange rates, commodity prices, employment levels and consumer demand;
- (c) economic and political factors in Australia and overseas, including economic growth;
- (d) changes in legislation and government, fiscal, monetary and regulatory policies including public and private healthcare insurance coverage and funding;
- (e) uncertainty around the likelihood, timing, franking or quantum of future dividends;
- (f) failure to make or integrate any future acquisitions or business combinations (including the realisation of synergies), significant one-time write-offs or restructuring charges, and unanticipated costs and liabilities;
- (g) changes in accounting or financial reporting standards; and
- (h) changes in taxation laws (or their interpretation).

Deterioration of the general economic conditions, the Australian and overseas stock markets, and catastrophic events may also affect ONT's operating and financial position.

### 6.3 **Specific risk factors for the ONT business**

There are a range of business-specific risks associated with your current investment in ONT Shares, as set out below. You will only continue to be exposed to these risks if the Scheme does not proceed, in which case ONT will continue to operate as a stand-alone entity.

#### (a) **Recruitment and retention of dental practitioners**

Dental practitioners are the main source of patient attendances and revenue to ONT. The success of ONT's business is heavily reliant on its ability to recruit and retain quality and experienced dental practitioners. There is a risk that dental practitioners may cease to practice at ONT's practices due to a range of factors including competition, the quality of ONT's facilities and equipment, or wanting to be sole operators.

ONT provides services and facilities to dental practitioners, however, it relies on those dental practitioners to provide dental services to their patients in order to generate revenue. The ability of these dental practitioners to continue to generate revenue from patients will be instrumental in the continued growth and profitability of ONT. Employee remuneration costs represent the largest single component of ONT's overall cost base. Any material increase in headcount or salary levels without a corresponding increase in revenue may adversely affect ONT's cash flows, margins and profitability.

#### (b) **Acquisition and integration risk**

Acquisitions have been a source of growth for ONT. ONT may not be successful in identifying, evaluating and finalising future acquisitions on acceptable terms. There is also a risk that increased competition for acquisitions could increase vendors' price expectations, lower returns on capital and affect ONT's ability to make acquisitions.

If ONT does succeed in identifying, evaluating and finalising acquisitions, there can be no guarantee that ONT will successfully integrate new businesses that it acquires or that those acquisitions will perform as expected. There is a risk that the process of integration may take longer or be more expensive than anticipated and this could have a materially adverse impact on ONT's financial performance and position.

There is also a risk that due diligence associated with the acquisitions that ONT has made to date, and acquisitions which it makes in the future, may not identify all issues that would be material to its decision to acquire the relevant businesses. Further, there is a risk that information provided by vendors of practices during due diligence may not be accurate.

#### (c) **Loss of key management personnel**

ONT's future success is strongly dependent upon the expertise and experience of its key personnel and senior management, who are listed in Section 4.2(b). ONT may not be able to retain these staff members in the future, or be able to find equivalent replacements, either at all, or in a timely manner. The loss of key management personnel could adversely affect ONT's business, results of operations or financial performance and position.

#### (d) **Private healthcare insurance coverage and membership**

A decrease in the levels of private health insurance coverage or reduction in general membership rates (for example, as a result of economic downturn or increasing policy costs) could impact total expenditure in the dental industry. This has the potential to put downward pressure on patient fees and adversely impact ONT's revenue and financial performance.

(e) **Change in government policy/ regulation or decline in government funding**

ONT operates within the dental industry which is subject to a range of laws, regulations and government policies relating to, among other things, government funding, operations conduct and facilities licensing. Changes in government policies and regulations or their interpretation by regulatory authorities (including in respect of the manner in which ONT contracts with its dental practitioners and collects fees on their behalf) could have a general impact on the economic environment, general market conditions or the dental health industry, or specifically impact on ONT's current business model, its compliance costs or capital expenditure requirements. Depending on the nature of such changes, it may adversely impact the operations or future financial performance of ONT.

If the government changes the funding it provides for dental services (including the levels funding, conditions or eligibility requirements), patients may face higher out-of-pocket expenses and be less likely to obtain dental treatment as regularly or to the same extent. This may cause the dental industry as a whole, and ONT in particular, to experience reduced demand for its services and reduced revenues and profitability.

(f) **COVID-19**

Pandemic risks, such as the ongoing COVID-19 pandemic, pose business continuity risk to ONT. There is the risk from lockdowns across communities in response to a pandemic that the ONT's operations may be adversely impacted. During March 2020 to May 2020, ONT was required to close or materially reduce its operations at all of its dental practices, as a result of government mandated restrictions and social distancing measures and patient reluctance to visit dental practitioners. These measures materially affected ONT's revenue and profitability over the period.

There is a risk that staff, dentists and ONT practices are adversely impacted by a pandemic, such as COVID-19, which limits ONT's ability to provide dental services and facilities. ONT staff and dentists are front line personnel providing services to customers potentially infected by COVID-19. Notwithstanding policies and procedures in place to mitigate such risks, there is a risk that staff or dentists are infected or otherwise impacted by COVID-19, affecting ONT's operations. In addition, should ONT be unable to secure equipment or supplies for its operations or personal protective equipment for its staff during a pandemic, the operations and financial performance of ONT's businesses would be adversely impacted.

A pandemic, including COVID-19, could impact ONT's ability to provide core services, which would have a material adverse impact of the financial performance of ONT. Whilst ONT's response to the COVID-19 pandemic to date has demonstrated its ability to adapt and respond to changing circumstances, this may not be the case in every pandemic circumstance.

(g) **Competition**

The market for the provision of dental services is subject to vigorous competition. Dental practitioners generally compete with one another on factors such as price, responsiveness, range of services available and quality of service. Existing competitors or new entrants to markets in which ONT currently operates may be successful in taking market share from ONT.

(h) **Renewal and transfer of lease agreements**

ONT's dental practitioners operate from leased premises. The various ONT leases have differing legal 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 ONT. If this were to occur it may adversely affect ONT's operations and financial performance in the short term whilst ONT seeks alternative premises for that part of its business.

**(i) Disciplinary 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.

**(j) Brand and reputation risk**

The ability of ONT and each of its dental practitioners to maintain their respective reputations is critical to the ongoing financial performance of ONT. ONT's reputation may be adversely affected if it fails to maintain high standards for service quality or by a number of factors beyond its control, including equipment failure or the conduct of its dental practitioners and staff. Damage to ONT's reputation could adversely affect customer loyalty, relationships with dental practitioners, employee retention rates and demand for services at ONT's dental practices.

**(k) Data protection and cyber-security**

ONT's core business requires it to collect, store and process patient data, including personal and medical information. Like many organisations across all industries, ONT is not immune to the threat of a cyber-security attack. Such attacks are generally malicious in nature and have the potential to compromise the confidentiality, integrity and availability of the target's data.

While ONT has processes in place designed to identify and reduce the information security risks to its business and other stakeholders, there is a risk that such processes may not be effective. A failure to adequately secure such data could see ONT face significant fines or penalties and incur reputational and other damage, which could have a material adverse effect on ONT's financial and operational performance. In addition, a security or data breach could disrupt ONT's information systems and business more generally.

**(l) Impairment of intangibles**

ONT has recognised a significant amount of intangible assets in its statement of financial position, principally relating to goodwill. If impaired, ONT would need to write down the value of these intangible assets and this could have a material adverse impact on ONT's financial performance and position.

**(m) Intellectual property rights**

The value of ONT's services is dependent on its ability to protect its intellectual property, including business processes and know-how, copyrights and trademarks. There is a risk that ONT may be unable to detect the unauthorised use of its intellectual property rights in all instances, and the enforcement of such rights may be challenging and costly.

**(n) Litigation risk**

Like any business, disputes or litigation may arise from time to time in the course of the business activities of ONT. There is a risk that any material or costly dispute or litigation could adversely affect the reputation or financial performance of ONT or the price of ONT Shares.

**(o) Interest rate fluctuations**

ONT is subject to variability in interest rate movements on its debt facility. Adverse fluctuations in interest rates may impact ONT's profitability.

(p) **Insurance**

ONT seeks to maintain appropriate insurances for its business given its industry and operations. Insurances need to be renewed on a periodic basis and those renewals may result in insurance premiums increasing with an adverse effect on the expenses and therefore the profitability of ONT. Alternatively, those insurances may not be available on terms which are economic in light of the risks they protect against, resulting in ONT having to self-insure such risks. If such risks ultimately arise they would have an adverse effect on the financial position and performance of ONT.

(q) **Future payment of dividends**

The payment of dividends on ONT Shares is dependent on a range of factors, including the availability of profits, the availability of franking credits and the capital requirements of ONT's business. Any future dividend and franking levels will be determined by the ONT Board having regard to ONT's financial performance and position at the relevant time. There is no guarantee that any dividends will be paid in the future by ONT or, if paid, that such dividends will be franked at any particular level.

## 7 Taxation implications

### 7.1 Introduction

This Section 7 provides a general overview of the Australian income tax, GST and stamp duty consequences of the Scheme and the receipt of the Special Dividend (to the extent it is paid) for Non-Founder Shareholders.

This overview is general in nature and does not attempt to be a complete analysis of the taxation consequences that may arise from the Scheme or payment of any Special Dividend. Non-Founder Shareholders are advised to seek professional taxation advice to confirm their particular circumstances and outcomes.

This summary is based upon the provisions of the *Income Tax Assessment Act 1936* (Cth) (**ITAA 1936**), the *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**) and the *Taxation Administration Act 1953* (Cth) (**TAA 53**) as at the date of this Scheme Booklet. We note that the taxation laws are complex in nature and often change, both prospectively and, on some occasions, retrospectively. Further, the application of taxation laws is subject to interpretation by the courts and tax authorities which can change over time.

This overview applies to Non-Founder Shareholders who:

- (a) participate in the Scheme and dispose of their ONT Shares through the Scheme;
- (b) are either:
  - (i) residents of Australia for Australian income tax purposes; or
  - (ii) non-residents for Australian income tax purposes and do not hold their ONT Shares in carrying on a business at or through a permanent establishment in Australia; and
- (c) hold their ONT Shares on capital account for Australian income tax purposes.

This overview will not apply to ONT Shareholders who:

- (a) hold their ONT Shares on revenue account or for the purposes of short term profit, for speculation, or as part of a business of dealing in securities (eg as trading stock);
- (b) may be subject to special taxation rules, such as partnerships, tax exempt organisations, insurance companies, dealers in securities or shareholders who change their tax residency while holding their ONT Shares;
- (c) are subject to the taxation of financial arrangements provisions contained in Division 230 of the ITAA 1997 in relation to the gains and losses on their ONT Shares;
- (d) are subject to the Investment Manager Regime under Subdivision 842-I of the ITAA 97 in relation to their ONT Shares; or
- (e) are under a legal disability.

ONT has entered into the ATO's Early Engagement process which is expected to result in a Class Ruling from the ATO, which is anticipated to outline in further detail the ATO's views as to:

- (a) the capital gains tax implications associated with the disposal of ONT Shares under the Scheme;
- (b) the assessment of the Special Dividend (if paid) and franking credits attached to that dividend;
- (c) the circumstances in which an ONT Shareholder will satisfy the 'qualified person' rule with respect to the fully franked Special Dividend (if paid); and



- (d) the application of certain franking integrity measures.

The ATO has not issued the Class Ruling as at the date of this Scheme Booklet. If the ATO issues the Class Ruling, ONT will make an announcement when the Class Ruling is published either on ASX or, if ONT is no longer listed at that time, on its website. The Class Ruling would also be available on the ATO website at [www.ato.gov.au](http://www.ato.gov.au). ONT Shareholders should review the final Class Ruling if it issued by the ATO. The income tax comments provided below are consistent with the positions taken by ONT in its engagement with the ATO. For completeness, the Class Ruling may not cover all ONT Shareholders.

## 7.2 Taxation Consequences of Disposal of ONT Shares

### (a) Overview

The disposal of the ONT Shares by ONT Shareholders under the Scheme will constitute a CGT event (CGT Event A1) for Australian income tax purposes. The time of the CGT event will be the time when the ONT Shares are transferred by the ONT Shareholders to Bidco under the Scheme (ie on the Implementation Date).

### (b) Australian resident shareholders

#### (i) Overview

Broadly, an ONT Shareholder will make a capital gain where the capital proceeds they receive from the disposal of their ONT Shares exceeds the cost base of their ONT Shares. Conversely, an ONT Shareholder will make a capital loss where the capital proceeds they receive from the disposal of their ONT Shares is less than the reduced cost base of their ONT Shares.

ONT Shareholders who make a capital gain from the disposal of their ONT Shares will be required (subject to the next sentence and any available CGT discount) to include that capital gain in their assessable income for the relevant income year. To the extent the ONT Shareholders have capital losses from other CGT events or a prior year net capital loss, they may be able to offset these against the capital gains made on the disposal of their ONT Shares resulting in no amount, or a lesser amount, being included in their assessable income for the relevant income year.

ONT Shareholders who make a capital loss from the disposal of their ONT Shares may be able to use this capital loss to offset other capital gains made in the income year in which the capital loss is realised, or may be able to carry forward the capital loss to offset capital gains derived by the shareholder in future income years.

#### (ii) Capital Proceeds

The capital proceeds for the CGT event arising from the disposal of ONT Shares under the Scheme will consist of the money received, or entitled to be received, by an ONT Shareholder. Accordingly, in the case of the Non-Founder Shareholders, the capital proceeds will consist of the Non-Founder Scheme Consideration (being \$8.00 per ONT Share less any Special Dividend paid by ONT before the Implementation Date) received under the Scheme. It is noted that the Scheme provides for two classes of shareholders and a differential in the amount of the Scheme Consideration for each class. These outcomes are considered to be the result of arm's length dealings in relation to the CGT event in question and, therefore, the capital proceeds for the ONT Shares held by Non-Founder Shareholders are as stated above and not affected by the market value substitution rule which in some cases is applied to determine the capital proceeds.

As the payment of the Special Dividend will occur independently of the Scheme, the Special Dividend should not form part of the capital proceeds that an ONT Shareholder receives in respect of the disposal of their ONT

Shares. Confirmation will be sought in the Class Ruling which is expected to be issued by the ATO. The Scheme is not conditional on the receipt of the Class Ruling.

(iii) **Cost Base**

The cost base and reduced cost base of ONT Shares will generally include the amount paid by the ONT Shareholder, or the market value of any property given by the ONT Shareholder, to acquire the ONT Shares, plus any incidental costs of acquisition, such as brokerage. The cost base and reduced cost base of each ONT Share will depend on the particular facts and circumstances of each ONT Shareholder.

(iv) **CGT discount**

Australian tax resident ONT Shareholders who are individuals, trusts and complying superannuation funds that have held their ONT Shares for at least 12 months at the time of disposal should be entitled to a CGT discount in calculating the amount of any capital gain they make on disposal of their ONT Shares.

The CGT discount is applied after any available capital losses have been offset to reduce the capital gain.

The applicable CGT discount which would reduce a capital gain arising from the disposal of ONT Shares is 50% for individual shareholders and trusts, or 33.3% for complying superannuation fund shareholders. The CGT discount is not available for ONT Shareholders that are companies.

ONT recommends that ONT Shareholders seek their own independent advice to confirm how the CGT discount provisions will apply to their particular facts and circumstances as the rules are quite complex.

(c) **Non-resident shareholders**

For an ONT Shareholder who:

- (i) is a non-resident for Australian income tax purposes, or the trustee of a foreign trust for CGT purposes; and
- (ii) has not used their ONT Shares at any time in carrying on a business at or through an Australian permanent establishment,

the disposal of their ONT Shares will generally only result in Australian CGT implications if, broadly:

- (iii) that ONT Shareholder, together with their associates, held an interest of 10% or more of the issued share capital of ONT at the time of disposal or for a 12 month period within the two years preceding the disposal (a 'non-portfolio interest'); and
- (iv) more than 50% of the market value of the assets of ONT is attributable to taxable Australian property, including both taxable Australian real property (**TARP**) (ie land and a lease of land) or a CGT asset that is an indirect Australian real property interest, such as shares in a land rich company.

It is not expected that the ONT Shares held by an ONT Shareholder that is a non-resident for Australian income tax purposes should constitute an indirect TARP interest.

The foreign resident capital gains withholding regime may impose a 12.5% withholding obligation on transactions involving the acquisition of an asset that is an indirect Australian real property interest. This withholding regime will only apply where the ONT Shareholder is non-resident for Australian income tax purposes.

This withholding regime is not expected to apply given ONT Shares should not constitute an indirect TARP interest.

ONT recommends that ONT Shareholders who are non-Australian tax residents also seek independent professional advice as to the tax implications of the Scheme, including the tax implications in their country of residence.

### 7.3 Australian income tax treatment of the Special Dividend

#### (a) Entitlement to tax offset for franking credits

##### (i) Overview

ONT Shareholders should include the Special Dividend, if declared and paid, and the attached franking credits in their assessable income. Generally, a tax offset should be available for franking credits received.

ONT Shareholders will not, however, be entitled to obtain a tax offset, for the franking credits (and will not be required to include this amount in their assessable income) unless the ONT Shareholders are 'qualified persons' in relation to the Special Dividend and certain franking integrity measures do not apply.

##### (ii) 'Qualified Person' rule

For an ONT Shareholder to be considered a 'qualified person' in relation to the Special Dividend, the ONT Shareholder must have held their ONT Shares 'at risk' for a continuous period (excluding the day of acquisition and the day of disposal) of at least 45 days during a 90-day period (beginning on the 45th day before, and ending on the 45th day after, the day on which shares become ex-dividend).

An ONT Shareholder will not be considered to have held their ONT Shares 'at risk' where the ONT Shareholder has materially diminished risks of loss or opportunities for gain in respect of the ONT Shares (ie the ONT Shareholder's net position in relation to the ONT Shares has less than 30% of those risks and opportunities). Under the Scheme, ONT Shareholders should cease to hold the ONT Shares 'at risk' from the Scheme Record Date onwards.

ONT Shareholders should seek independent professional advice regard the application of the 'qualified person' rule to their particular circumstances.

##### (iii) Franking integrity rules

The franking integrity rules are intended to prevent abuse of the imputation system (eg by 'streaming' franking credits). The rules are complex and it is expected that the Class Ruling from the ATO will confirm that certain franking integrity rules should not apply.

ONT Shareholders should seek independent professional advice regarding the application of the franking integrity rules to their particular circumstances.

#### (b) Entitlement to franking credits in excess of tax liability

Provided that ONT Shareholders are 'qualified persons' in relation to the Special Dividend and none of the franking integrity measures apply, to the extent that the ONT Shareholders' entitlement to franking credits exceeds their tax liability for the income year:

- (i) ONT Shareholders who are Australian resident individuals or are complying superannuation funds should be entitled to receive a refund of the excess franking credits;

- (ii) ONT Shareholders that are Australian resident companies may be able to convert excess franking credits into tax losses and credit their franking account by the relevant amount; and
- (iii) ONT Shareholders who are non-Australian tax residents should seek independent professional advice as to the tax implications of the Scheme, including the tax implications in their country of residence.

Any Special Dividend that may be determined and paid to an ONT Shareholder who is a non-resident of Australia should not be subject to Australian dividend withholding tax to the extent that the Special Dividend has been franked. To the extent that the Special Dividend is unfranked, Australian dividend withholding tax will be required to be withheld by ONT on behalf of that non-resident ONT Shareholder at a rate not exceeding 30%. Dividend withholding tax may be reduced under an applicable double taxation agreement which Australia has with certain treaty countries.

#### 7.4 **GST**

There should be no GST payable in respect of the sale of ONT Shares under the Scheme. Where an ONT Shareholder is not registered or required to be registered for GST, the sale should be outside the scope of GST. Otherwise, the sale of the ONT Shares will be an input taxed financial supply. Where this is the case, ONT Shareholders should obtain independent advice to confirm whether there is any ability to claim any input tax credits for any costs (such as professional advisor fees) incurred in relation to the disposal of their ONT Shares.

#### 7.5 **Stamp Duty**

No stamp duty should be payable by ONT Shareholders on the disposal of their ONT Shares in connection with the Scheme.

## 8 Additional information

### 8.1 Interests of ONT Directors in ONT securities

The table below lists the Relevant Interests of ONT Directors in ONT securities as at the date of this Scheme Booklet.

Name	Position	Relevant Interest in ONT securities
<b>Mr Robert Jones</b>	Non-Executive Chairman	37,521 ONT Shares
<b>Dr Daryl Holmes*</b>	Managing Director	14,711,729 ONT Shares
<b>Mr Jason Smith</b>	Non-Executive Director	2,068 ONT Shares

\* The 550,702 ONT Shares (approximately 2.3% of ONT) held by Ashbourne Park Pty Limited have been included in the above table, because they are an associate of Dr Daryl Holmes for the purposes of section 671B of the Corporations Act. However, this shareholding is not a Founder Shareholder for the purposes of the Scheme. The Founder Shareholders are Daryl Holmes as trustee for the TFD Hybrid Fixed Trust and Golden Arch (Qld) Pty Ltd as trustee for the Whistler Discretionary Trust, who together hold 14,161,027 ONT Shares (approximately 59.8% of ONT).

No ONT Director acquired or disposed of a Relevant Interest in any ONT Share or other security in the four month period ending on the date immediately before the date of this Scheme Booklet.

ONT Directors (other than Daryl Holmes and the Founder Shareholders), and entities who are controlled by them, who hold ONT Shares, will be entitled to vote at the General Scheme Meeting. The Founder Shareholders, who are controlled by Daryl Holmes, will be entitled to vote at the Founder Scheme Meeting. ONT Directors, or the entities controlled by them, who hold ONT Shares on the Scheme Record Date will receive the Scheme Consideration along with the other Scheme Shareholders.

Each ONT Independent Director comprising the IBC intends to vote, or cause to be voted, all ONT Shares held or controlled by them in favour of the Scheme at the General Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of ONT Shareholders and is fair and reasonable to the Non-Founder Shareholders. Subject to the same qualifications, Dr Daryl Holmes intends to vote all of the ONT Shares that the Founder Shareholders hold in favour of the Scheme at the Founder Scheme Meeting.

### 8.2 ONT Loan Shares

#### (a) Overview of ONT Loan Shares

Loan Shares are ONT Shares which have been acquired by Participants with funds loaned by ONT under a loan agreement supported by a lien over the shares (and with recourse limited to the loan shares). The Loan Shares have been issued directly to the Participant subject to a holding lock to prevent transfer until all conditions relating to the Loan Shares are satisfied. The Loan Shares are held subject to satisfaction of applicable vesting conditions with disposal restrictions operating until the loan is satisfied. Until fully vested, Loan Shares are at risk of forfeiture.

#### (b) ONT Loan Shares on issue

As at the date of this Scheme Booklet, there are 245,895 Loan Shares on issue, all of which are subject only to repayment of the outstanding loan amount.

(c) **Intended treatment of ONT Loan Shares in connection with the Scheme**

The ONT Board intends to waive all disposal restrictions on the Loan Shares held by or on behalf of the Participants subject to the Scheme becoming Effective provided that each Participant:

- (i) makes an irrevocable appointment as proxy and, where the Participant is a body corporate, representative, of the chairperson of the General Meeting to exercise the voting rights attached to the Loan Shares in favour of the General Scheme Resolution, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of ONT Shareholders and is fair and reasonable to the Non-Founder Shareholders; and
- (ii) authorises ONT to receive any Scheme Consideration payable under the Scheme in respect of the Loan Shares and apply it first towards repayment of the loan attached to those Loan Shares and as to any balance to the Participant.

In respect of each Participant that does not permit this treatment of their Loan Shares, ONT will exercise its right to require repayment of any loan amount outstanding within the timeframe permitted by the respective loan agreement, failing which ONT will exercise its right to sell the Loan Shares and apply the proceeds to the repayment of the loan with any balance paid to the Participant.

8.3 **Other benefits and agreements**

(a) **Interests of ONT Directors in BidCo**

No marketable securities of a BidCo Group Member are held by, or on behalf of, ONT Directors as at the date of this Scheme Booklet. No ONT Director acquired or disposed of a Relevant Interest in any marketable securities of a BidCo Group Member in the four month period ending on the date immediately before the date of this Scheme Booklet.

(b) **Interests of ONT Directors in contracts of BidCo**

No ONT Director has an interest in any contract with a member of the BidCo Group, other than Dr Daryl Holmes. Dr Daryl Holmes and the other Founder Shareholders have an interest in the following contracts of BidCo Group Members.

(i) **Retention and Co-investment Deed**

It is a condition of the Scheme that Dr Daryl Holmes and the other Founder Shareholders enter into a Retention and Co-Investment Deed with HoldCo.

The Retention and Co-Investment Deed sets out, amongst other matters, the framework and terms governing the relationship between the Founder Shareholders and HoldCo in connection with the Retained ONT Shares.

Under the Retention and Co-investment Deed, HoldCo may (but is not obliged), at any time within the 24 months after the Implementation Date, acquire the Retained ONT Shares from the Founder Shareholders valued at \$6.33 per share (less the Special Dividend) in consideration for the issue of HoldCo Shares at an issue price of \$1.30 per HoldCo Share (**HoldCo Call Option**).

Until the HoldCo Call Option is exercised, each Founder Shareholder will generally have the benefit of, and be bound by, the provisions of the Retention and Co-investment Deed so that the Founder Shareholder has the same rights and obligations (and the provisions of the Retention and Co-investment Deed apply to the Founder Shareholder) in an economically and contractually equivalent manner to that which would have been the case if the Founder



Shareholder were a HoldCo Shareholder and its Retained ONT Shares were HoldCo Shares.

The Retention and Co-investment Deed otherwise contains terms and conditions which are customary for investments of a comparable size, nature and type, including provisions as to the issue of new securities; representations and warranties; restrictions on disposal of Retained ONT Shares; compulsory disposal of Retained ONT Shares for an exit event, drag along, tag along or default event; information and access rights; and non-compete.

A full copy of the Retention and Co-investment Deed will be made available free of charge following a request in writing by any ONT Shareholder to ONT at any time before the Scheme Meetings.

(ii) **Consulting Agreement**

It is a condition of the Scheme that Dr Daryl Holmes enter into a Consultancy Agreement with Maven Dental Group Pty Ltd (**Maven**), an entity controlled by BidCo, under which he has agreed to provide senior advisory services to the Maven CEO and leadership team in a non-executive role. The Consultancy Agreement will commence on the Implementation Date and operate for an initial term of 12 months. Dr Holmes will be paid a service fee of \$5,000 per month plus GST for the duration of the Consultancy Agreement.

(iii) **Founder Entity Lease Amendments**

It is a condition of the Scheme that ONT enters an agreed form amendment document in respect of each of the Founder Entity Leases, under which:

- (A) the term of each Founder Entity Lease is extended by 5 years to expire on 30 June 2026, with 2 further options of 3 years each;
- (B) ONT has the option of electing for a CPI or market review on the commencement of each further term; and
- (C) any market review is capped at not more than a 5% increase on the previous rent.

ONT is also party to a side letter in respect of the lease of 105 Denham Street, Townsville (**Head Office**) with Golden Arch (Qld) Pty Ltd and Dr Daryl Shane Holmes, under which the parties agree that from 30 June 2022 onwards, ONT would endeavour to sublease the Head Office to a third party. To the extent the sublease revenues do not offset the Head Office lease cost, Daryl Holmes will be responsible for the shortfall. To the extent a subtenant cannot be found, Daryl Holmes will be responsible for the Head Office lease cost.

(iv) **Facilities and Services Agreement**

Dr Daryl Holmes has agreed to enter into a Facilities and Services Agreement with Maven, to enable Dr Holmes to practice dentistry at a practice operated by the BidCo Group following implementation of the Scheme. Under the Facilities and Services Agreement, Maven will provide use of dental surgeries, practice management and other services to Dr Holmes, who will carry on his own dental practice. The Facilities and Services Agreement will otherwise be on customary terms and conditions, which are no less favourable to Dr Holmes on the whole than his existing Dental Services Agreement with ONT.

**(v) Contingent Note Deed Poll**

BidCo has executed the Contingent Note Deed Poll pursuant to which they have undertaken in favour of each Founder Shareholder to procure that each Founder Shareholder is provided the Contingent Scheme Consideration to which they are entitled under the Scheme, in accordance with the terms of the Scheme and subject to the Scheme becoming Effective.

On the Implementation Date, the Founder Shareholders will each receive 1 Contingent Note for each ONT Share transferred by the Founder Shareholders under the Scheme. The Founder Shareholders will receive up to \$0.81 cash for each Contingent Note (**Contingent Scheme Consideration**), subject to ONT completing the sale of its investments in Investors Central Limited ACN 143 097 385<sup>24</sup> and its real property located at 361 Flinders Street, Townsville (**Contingent Events**).

The actual cash amount to be received by the Founder Shareholders for each Contingent Note depends on the aggregate proceeds (after-Tax and transaction costs) received by ONT in relation to the Contingent Events. As at the date of this Scheme Booklet, the sale of the Flinders Street real property has occurred. The sale of the investments in Investors Central Limited has not occurred but is expected to occur and the Contingent Scheme Consideration to be received by the Founder Shareholders is expected to be \$0.81, and, on that basis, the Founder Shareholders are expected to receive in aggregate cash proceeds of \$6.33 for each ONT Share transferred under the Scheme.

A full copy of the Contingent Note Deed Poll will be made available free of charge following a request in writing to ONT at any time before the Scheme Meetings.

**(vi) Other**

The ONT IBC reserves the right to sell ONT's redeemable preference shares in Investors Central Limited to, and borrow funds on an unsecured basis from, entities associated with Dr Daryl Holmes on reasonable commercial arm's length terms and to use the funds raised to pay the Special Dividend. The ONT IBC considers that a sale of the Investor Central Limited shares for their face value would be reasonable in the circumstances if ONT and Dr Holmes were dealing at arm's length or would be less favourable to Dr Holmes than such terms and conditions.

**(c) Deeds of indemnity, insurance and access**

ONT has entered into deeds of indemnity, insurance and access with the ONT Directors on customary terms (**Director Deeds**). The Director Deeds include terms that provide for ONT to indemnify each of its directors against any liability incurred by such persons in their capacity as a director of ONT to any person other than an ONT Group Member.

ONT also pays premiums in respect of a directors' and officers' insurance policy for the benefit of the ONT Directors. ONT may enter into an arrangement to provide insurance coverage for all current ONT Directors for this policy and other specified insurance policies for a period of up to seven years from the Implementation Date. As at the date of this Scheme Booklet, ONT expects that the premium for entry into such run-off arrangements to be approximately \$338,400. The entry into such arrangements by ONT is permitted by clauses 7.6 and 7.7 of the Scheme Implementation Agreement. In addition, under clause 7.6(c) of the Scheme Implementation Agreement, BidCo must ensure that the directors' and officers' run-off insurance cover (and the run-off insurance cover for any other specified insurance

<sup>24</sup> Comprising redeemable preference shares having a face value of \$6.25 million.

policies) for such ONT Directors is maintained for a period of seven years from the retirement date of each director and executive officer.

(d) **Benefits in connection with retirement or loss of office**

There is no payment or other benefit that is proposed to be made or given to any director, secretary or executive officer of ONT (or any of its Related Bodies Corporate) as compensation for the loss of, or consideration for or in connection with his or her retirement from, office in ONT (or any of its Related Bodies Corporate) in connection with, or that is materially affected by the implementation of, the Scheme.

(e) **Other agreements or arrangements with ONT Directors connected with or conditional on the Scheme**

Other than the matters described in Section 8.3(b) relating to the Founder Shareholders, there are no agreements or arrangements made between any ONT Director and any other person, including BidCo, in connection with, or conditional on the outcome of, the Scheme.

**8.4 Suspension of trading of ONT Shares**

If the Court approves the Scheme, ONT will notify ASX. It is expected that suspension of trading on ASX in ONT Shares will occur from close of trading on the Effective Date. This is expected to occur on Thursday, 18 November 2021.

**8.5 Deed Poll**

BidCo has executed the Deed Poll pursuant to which they have undertaken in favour of each Scheme Shareholder to procure that each Scheme Shareholder is provided the Scheme Consideration to which they are entitled under the Scheme, in accordance with the terms of the Scheme and subject to the Scheme becoming Effective. A copy of the Deed Poll is contained in Annexure C.

**8.6 Consents and disclosures**

The following parties have given, and have not withdrawn before the date of this Scheme Booklet, their consent to be named in this Scheme Booklet in the form and context in which they are named:

Name	Position
<b>Flagstaff Partners</b>	Financial adviser to ONT
<b>Thomson Geer</b>	Legal adviser to ONT
<b>Grant Thornton</b>	Independent Expert
<b>Computershare Investor Services Pty Limited</b>	Share Registry

The Independent Expert has given and has not withdrawn its consent to be named in this Scheme Booklet and to the inclusion of the Independent Expert's Report in Annexure A to this Scheme Booklet and to the references to the Independent Expert's Report in this Scheme Booklet being made in the form and context in which each such reference is included.

BidCo has given, and has not withdrawn, its consent to be named in this Scheme Booklet and in relation to the inclusion of the BidCo Information in this Scheme Booklet in the form and context in which that information is included.

Each person named in this Section 8.6:

- (a) has not authorised or caused the issue of this Scheme Booklet;

- (b) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than as specified in this Section 8.6; and
- (c) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet, other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this Section 8.6.

#### 8.7 **No unacceptable circumstances**

The ONT Directors believe that the Scheme does not involve any circumstances in relation to the affairs of ONT that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

#### 8.8 **Transaction costs**

ONT estimates that it will incur approximately \$3,000,000 (excluding GST) in external transaction costs related to the Scheme, which includes advisory fees, legal fees, valuation fees, Court fees and registry, printing and mailing costs. Of this, approximately \$1,550,000 (excluding GST) will be incurred regardless of whether the Scheme becomes Effective or not, including Independent Expert's fees of \$140,000 plus GST.

#### 8.9 **No other material information**

Otherwise than as contained or referred to in this Scheme Booklet, including the Independent Expert's Report and the information that is contained in the Annexures to this Scheme Booklet, there is no other information that is material to the making of a decision by an ONT Shareholder (excluding the Founder Shareholders) whether or not to vote in favour of the Scheme Resolution to approve the Scheme, being information that is known to any ONT Director and which has not previously been disclosed to ONT Shareholders.

#### 8.10 **Supplementary information**

If ONT becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration with ASIC and the Second Court Date:

- (a) a material statement in this Scheme Booklet is false or misleading;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter in this Scheme Booklet; or
- (d) a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if known about at the date of lodgement with ASIC,

depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, ONT may circulate and publish any supplementary document, by:

- (e) making an announcement to ASX;
- (f) placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- (g) posting the supplementary document to ONT Shareholders at their registered address as shown in the ONT Share Register; and/or
- (h) posting a statement on ONT's website at <https://www.1300smiles.com.au/investors/asx-releases/>,

as ONT in its absolute discretion considers appropriate.

## 9 Definitions and interpretation

### 9.1 Definitions

In this Scheme Booklet, unless the context otherwise requires, the following terms have the meanings set out below.

Term	Meaning
<b>Abano</b>	Abano Healthcare Group Ltd (NZCN 13802), or where, the context requires, the Abano Group.
<b>Abano Finco</b>	Adams Aus Finco Pty Ltd.
<b>Abano Group</b>	Abano and each of its Related Bodies Corporate, and a reference to an Abano Group Member or a member of the Abano Group is to Abano or any of its Related Bodies Corporate.
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited ABN 98 008 624 691 or the market operated by it, as the context requires.
<b>ASX Listing Rules</b>	the official listing rules, from time to time, of the ASX.
<b>ATO</b>	the Australian Taxation Office.
<b>BGH Capital</b>	BGH Capital Pty Ltd (ABN 59 617 386 982) in its capacity as manager or adviser of the constituent entities of the BGH Capital Fund I.
<b>BGH Capital Fund</b>	the constituent entities of the BGH Capital Fund I.
<b>BidCo</b>	Adams Aus Bidco Pty Limited ACN 637 090 996.
<b>BidCo FAQs</b>	the answers to the following questions in Section 2 (Frequently asked questions): (a) 'Who are BidCo, BGH Capital and OTPP?' (b) 'How is BidCo funding the Scheme Consideration?'
<b>BidCo Group</b>	BidCo and each of its Related Bodies Corporate, and a reference to a <b>BidCo Group Member</b> is a reference to BidCo or any of its Related Bodies Corporate.
<b>BidCo Information</b>	the information about the BidCo Group, BGH Capital and OTPP contained in: (a) BidCo FAQs; (b) Section 5 (Information about BidCo and HoldCo); and (c) Section 8.6 (Consents and disclosures) to the extent it relates to BidCo.
<b>Break Fee</b>	\$1.7 million. The circumstances in which the Break Fee may become payable are summarised in Section 3.7(d).
<b>Business Day</b>	any day (other than a Saturday, Sunday or a public holiday) on which trading banks are generally open for over-the-counter banking business in Auckland, New Zealand; Brisbane, Melbourne and Sydney, Australia; and Toronto, Canada.

Term	Meaning
<b>CHESS</b>	the clearing house electronic subregister system for the electronic transfer of securities operated by ASX settlement Pty Limited ABN 49 008 04 532.
<b>Class Ruling</b>	the ATO Class Ruling to be requested by ONT to confirm the key taxation implications of the Scheme, the availability of franking credits attaching to the Special Dividend and whether the Special Dividend forms part of the capital proceeds under the Scheme.
<b>Competing Proposal</b>	<p>any proposal, transaction or arrangement which, if completed, would mean:</p> <ul style="list-style-type: none"> <li>(a) a person (other than HoldCo or its Related Bodies Corporate or the Founder Shareholders) whether alone or together with its associates would: <ul style="list-style-type: none"> <li>(i) directly or indirectly, acquire an interest or Relevant Interest in or become the holder of 8% or more of ONT Shares (other than as custodian, nominee or bare trustee);</li> <li>(ii) acquire control of ONT, within the meaning of section 50AA of the Corporations Act;</li> <li>(iii) directly or indirectly acquire, obtain a right to acquire, or otherwise obtain an economic interest in all or a substantial part or a material part of the assets of or business conducted by the ONT Group;</li> <li>(iv) otherwise acquire or merge (including by a reverse takeover bid or dual listed company structure) with ONT; or</li> </ul> </li> <li>(b) ONT would be required to abandon or otherwise fail to proceed with the Scheme.</li> </ul>
<b>Consultancy Agreement</b>	the Consultancy Agreement between Dr Daryl Holmes (or an entity under his control) and Maven.
<b>Contingent Events</b>	has the meaning given in Section 8.3(b)(v).
<b>Contingent Note</b>	an unsecured note on terms and conditions agreed by ONT and BidCo and to be issued by BidCo to the Founder Shareholders, providing for a contingent cash payment to the Founder Shareholders of up to \$0.81 per note.
<b>Contingent Note Deed Poll</b>	the Contingent Note Deed Poll executed by BidCo under which BidCo covenants in favour of each Founder Shareholder to procure that each Founder Shareholder is provided the Contingent Scheme Consideration to which they are entitled under the Scheme, in accordance with the terms of the Scheme and subject to the Scheme becoming Effective.
<b>Contingent Scheme Consideration</b>	has the meaning given in Section 8.3(b)(v).
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Corporations Regulations</b>	the <i>Corporations Regulations 2001</i> (Cth).
<b>Court</b>	the Federal Court of Australia, Sydney Registry, or such other court of competent jurisdiction under the Corporations Act agreed in writing by BidCo and ONT.

For personal use only



Term	Meaning
<b>Debt Commitment Letter</b>	has the meaning given in Section 5.9.
<b>Debt Funding</b>	has the meaning given in Section 5.9.
<b>Deed Poll</b>	the deed poll executed by BidCo under which BidCo covenants in favour of Scheme Shareholders to perform its obligations under the Scheme, as set out in Annexure C.
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation determined in accordance with the historical accounting policies and principles applied by ONT.
<b>Effective</b>	when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.
<b>Effective Date</b>	the date on which the Scheme becomes Effective, currently expected to be Thursday, 18 November 2021.
<b>Election</b>	the election by the Founder Shareholders to retain, in aggregate, 26.227% of their Scheme Shares (rounded up or down to the nearest whole number of Scheme Shares), in accordance with clause 5.9 of the Scheme.
<b>Election Form</b>	a form issued by ONT for the purposes of the Founder Shareholders making the Election.
<b>Election Time</b>	5.00pm on the date that is three clear Business Days before the date of the Scheme Meetings or such other date as is agreed in writing by BidCo and ONT, currently expected to be Monday, 8 November 2021.
<b>End Date</b>	31 March 2022 or such other date as agreed by BidCo and ONT.
<b>Exclusivity Period</b>	<p>the period from and including the date that the Scheme Implementation Agreement was executed (23 August 2021) to the earlier of:</p> <ul style="list-style-type: none"> <li>(a) termination of the Scheme Implementation Agreement in accordance with its terms; and</li> <li>(b) the End Date.</li> </ul>
<b>Facilities</b>	has the meaning given in Section 5.9(b).
<b>FIRB</b>	Foreign Investment Review Board.
<b>FIRB Act</b>	<i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth).
<b>Founder Entity Leases</b>	<ul style="list-style-type: none"> <li>(a) lease of 1199 Riverway, Rasmussen, QLD between ONT and Ashbourne Park Pty Ltd; and</li> <li>(b) lease of 85-89 Bundock Street, Belgian Gardens, QLD between ONT and Golden Arch (Qld) Pty Ltd.</li> </ul>
<b>Founder Scheme Consideration</b>	<p>means:</p> <ul style="list-style-type: none"> <li>(a) an amount of \$5.52 cash per Scheme Share, less the cash amount of the Special Dividend; and</li> <li>(b) one Contingent Note per Scheme Share.</li> </ul>

Term	Meaning
<b>Founder Scheme Meeting</b>	the meeting of Founder Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.
<b>Founder Scheme Resolution</b>	the resolution to approve the Scheme to be voted on at the Founder Scheme Meeting, as set out in the Notice of Founder Scheme Meeting.
<b>Founder Shareholders</b>	<ul style="list-style-type: none"> <li>(a) Dr Daryl Holmes;</li> <li>(b) Daryl Holmes as trustee for the TFD Hybrid Fixed Trust; and</li> <li>(c) Golden Arch (Qld) Pty Ltd as trustee for the Whistler Discretionary Trust.</li> </ul>
<b>General Scheme Meeting</b>	meeting of the Non-Founder Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.
<b>General Scheme Resolution</b>	the resolution to approve the Scheme to be voted on at the General Scheme Meeting, as set out in the Notice of General Scheme Meeting.
<b>Head Office</b>	the premises leased by ONT located at 105 Denham Street, Townsville, QLD 4810.
<b>HoldCo</b>	Adams Group Aus Holdings Pty Limited ACN 637 089 162.
<b>HoldCo Board</b>	the board of directors of HoldCo as constituted from time to time.
<b>HoldCo Call Option</b>	has the meaning given in Section 8.3(b)(i).
<b>HoldCo Constitution</b>	the constitution of HoldCo as amended and re-stated as at 7 July 2021.
<b>HoldCo Share</b>	<p>a Class M share in the capital of HoldCo, having the rights set out in Schedule 3 of the HoldCo Constitution, including (but not limited to):</p> <ul style="list-style-type: none"> <li>(a) <b>Voting rights:</b> a HoldCo Share does not confer on its holder any right to vote, to receive notice of any general meeting of HoldCo or to attend any general meeting of HoldCo, until the earlier of the completion of an exit, the time the HoldCo Share is transferred to HoldCo or such other time as determined by the HoldCo Board;</li> <li>(b) <b>Conversion:</b> on the “conversion date” (being 5 Business Days’ prior to an exit or such other date determined by the HoldCo Board to facilitate an exit), the HoldCo Shares will automatically convert into ordinary shares in the capital of HoldCo which shall rank pari passu with the fully paid ordinary shares in the capital of HoldCo;</li> <li>(c) <b>Dividends:</b> subject to the Corporations Act, the HoldCo Constitution and the shareholders’ deed with respect to HoldCo, the directors of HoldCo may declare or determine that a dividend is payable to the HoldCo shareholders, fix the amount and the time for payment of that dividend; and</li> <li>(d) <b>Transfer of Shares:</b> a HoldCo Share may only be transferred to an affiliate of the HoldCo shareholder, or any other person consented to by the HoldCo Board.</li> </ul>
<b>HoldCo Shareholder</b>	a holder of shares in HoldCo.

For personal use only

Term	Meaning
<b>Implementation Date</b>	the fifth Business Day following the Record Date, or such other date after the Scheme Record Date as ONT and BidCo agree in writing or is ordered by the Court or required by ASX, currently expected to be Wednesday, 1 December 2021.
<b>Independent Expert</b>	Grant Thornton Corporate Finance Pty Ltd ACN 003 265 987.
<b>Independent Expert's Report</b>	the report by the Independent Expert set out in Annexure A
<b>Loan Shares</b>	ONT Shares which have been acquired by Participants using funds loaned by ONT under a loan agreement supported by a lien over the shares (and with recourse limited to the loan shares) pursuant to the ONT Loan Share Plan.
<b>Mandated Lead Arrangers</b>	ASB Bank Limited, Sumitomo Mitsui Banking Corporation, Perpetual Corporate Trust Limited as custodian for the Metrics Credit Partners Diversified Australian Senior Loan Fund and Export Development Canada.
<b>Material Adverse Effect</b>	<p>an event, occurrence or matter being reasonably likely to occur: (i) after 23 August 2021; or (ii) on or before 23 August 2021 but which had not been fairly disclosed to BidCo, or is only announced or publicly disclosed, after 23 August 2021 (each a <b>Specified Event</b>), which has, has had, or is reasonably likely to have, either individually or when aggregated with any other Specified Events, the effect of:</p> <ul style="list-style-type: none"> <li>(a) diminishing the consolidated net assets of the ONT Group by at least \$11,000,000; or</li> <li>(b) diminishing the consolidated maintainable EBITDA of the ONT Group for: <ul style="list-style-type: none"> <li>(i) the financial year ending 30 June 2022; or</li> <li>(ii) the 12-month period commencing on the date of the Specified Event,</li> </ul> <p>by at least:</p> <ul style="list-style-type: none"> <li>(iii) in the case of Specified Events which have a one-off or non-recurring impact, \$3,050,000; or</li> <li>(iv) in all other cases, \$1,220,000,</li> </ul> <p>against what EBITDA would reasonably have been expected to have been but for such Specified Event(s) (with such expected EBITDA in the case of the financial year ending 30 June 2022 only),</p> <p>but does not include any matter, event or circumstance:</p> <ul style="list-style-type: none"> <li>(c) which has been fairly disclosed to BidCo;</li> <li>(d) occurring with the written consent of BidCo; or</li> <li>(e) which arises from: <ul style="list-style-type: none"> <li>(i) in relation to the COVID-19 pandemic or natural disaster, any change in general economic or political conditions;</li> <li>(ii) any other change in general economic or political conditions, excluding paragraph (i), including any changes or major disruptions to, or fluctuations in, domestic or international securities markets in general or change in law, and changes arising from acts of terrorism, or war;</li> </ul> </li> </ul> </li></ul>

For personal use only

Term	Meaning
	<p>(iii) any change in taxation rates, interest rates, exchange rates or general economic conditions;</p> <p>(iv) any actual change in law or regulations or generally accepted accounting principles or the interpretation of them; or</p> <p>except, in the case of paragraphs (ii), (iii) and (iv), to the extent that the ONT Group, taken as a whole, is materially and disproportionately affected as compared with other participants in the industry in which the ONT Group operates.</p>
<b>Material Contract</b>	<p>any contract or commitment (or any series of related contracts or commitments):</p> <p>(a) having an annual income contribution to the ONT Group (determined in accordance with the historical accounting policies and principles applied by ONT) of more than \$750,000;</p> <p>(b) having an annual cost to the ONT Group of more than \$250,000;</p> <p>(c) for the employment of any person whose base compensation (including superannuation benefits) is in excess of \$150,000;</p> <p>(d) concerning the use and sale of the ONT Group's software or with respect to the intellectual property of the ONT Group or any third party including any reseller or distribution agreements;</p> <p>(e) containing a covenant not to compete granted by any member of the ONT Group in favour of a third party that materially prohibits or restricts any member of the ONT Group from engaging in business anywhere in the world; or</p> <p>(f) which is entered into other than in the ordinary course of business and which may otherwise be expected to be contracts or commitments to which paragraphs (a) – (e) above apply.</p>
<b>Material Lease</b>	any lease agreed by ONT and BidCo to constitute a 'Material Lease'.
<b>Material Licence</b>	<p>each of the following:</p> <p>(a) each of ONT's accreditations under the Quality Innovation Performance's Practice Dental Practice Accreditation;</p> <p>(b) each of ONT's trade waste approvals for its practices in Cairns City, Smithfield, Mackay, Gladstone Central, Gladstone, Belgian Gardens, Bundaberg, Bundaberg Central and Bundaberg PO;</p> <p>(c) ONT's possession licence under the <i>Radiation Safety Act 1999</i> (Qld); and</p> <p>(d) ONT's radiation management licence under the <i>Radiation Control Act 1990</i> (NSW).</p>
<b>Maven</b>	Maven Dental Group Pty Ltd ACN 131 333 492.
<b>Non-Founder Scheme Consideration</b>	an amount of \$8.00 cash per Scheme Share, less the cash amount of any Special Dividend.
<b>Non-Founder Shareholder</b>	an ONT Shareholder that is not a Founder Shareholder.

Term	Meaning
<b>Notice of Founder Scheme Meeting</b>	the notice in relation to the Founder Scheme Meeting set out in Annexure E.
<b>Notice of General Scheme Meeting</b>	the notice in relation to the General Scheme Meeting set out in Annexure D.
<b>ONT</b>	1300 SMILES Limited ACN 094 508 166 (ASX: ONT).
<b>ONT Board</b>	the board of directors of ONT.
<b>ONT Directors</b>	any current director of ONT comprising part of the ONT Board.
<b>ONT Group</b>	ONT and each of its subsidiaries and a reference to an <b>ONT Group Member</b> is to ONT or any of its subsidiaries.
<b>ONT IBC</b>	the Independent Board Committee of the ONT Board established for the purposes of (among other things) evaluating and overseeing the Scheme, comprising Robert Jones (Chairman) and Jason Smith (Non-Executive Director) and <b>ONT IBC Member</b> means any one of them.
<b>ONT Independent Director</b>	each of the ONT directors other than Dr Daryl Holmes.
<b>ONT Information</b>	all information contained in the Scheme Booklet other than the BidCo Information and the Independent Expert's Report.
<b>ONT Prescribed Event</b>	<p>any of the following events, except to the extent contemplated by the Scheme Implementation Agreement or the Scheme:</p> <ul style="list-style-type: none"> <li>(a) ONT converts all or any of its shares into a larger or smaller number of shares;</li> <li>(b) an ONT Group Member resolves to reduce its share capital in any way or resolves to reclassify, combine, split or redeem or repurchase directly or indirectly any of its shares;</li> <li>(c) an ONT Group Member enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under the Corporations Act;</li> <li>(d) ONT makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie), other than the Special Dividend;</li> <li>(e) an ONT Group Member: <ul style="list-style-type: none"> <li>(i) issues shares;</li> <li>(ii) grants an option over its shares; or</li> <li>(iii) agrees to make such an issue or grant such an option, in each case to a person outside the ONT Group;</li> </ul> </li> <li>(f) an ONT Group Member issues or agrees to issue securities or other instruments convertible into shares or debt securities in each case to a person outside the ONT Group;</li> <li>(g) ONT adopts a new constitution or modifies or repeals its constitution or a provision of it;</li> <li>(h) an ONT Group Member disposes, or agrees to dispose of the whole or a substantial part of its business or property;</li> <li>(i) an ONT Group Member: <ul style="list-style-type: none"> <li>(i) acquires or disposes of;</li> </ul> </li> </ul>

For personal use only

Term	Meaning
	(ii) agrees to acquire or dispose of; or
	(iii) offers, proposes, announces a bid or tenders for, any business, assets, entity or undertaking the value of which exceeds \$100,000;
(j)	an ONT Group Member applies to make, or makes, an investment in, or advances funds in any way to or for the benefit of, Investors Central Limited (ACN 143 097 385) or any product offered by or on behalf of Investors Central Limited;
(k)	an ONT Group Member creates, or agrees to create, any encumbrance over or declares itself the trustee of the whole or a substantial part of its business or property;
(l)	an ONT Group Member: <ul style="list-style-type: none"> <li>(i) increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors, officers or employees with a base salary of greater than \$150,000 (otherwise than as required under an existing contract in place as at 23 August 2021);</li> <li>(ii) accelerates the rights of any of its directors, officers, employees or independent contractors to compensation or benefits of any kind (including under any ONT bonus plans) (otherwise than in accordance with an existing contract in place as at 23 August 2021);</li> <li>(iii) offers to pay, pays or agree to pay any of its directors, officers, employees or independent contractors an incentive, a termination or a retention payment (otherwise than in accordance with an existing contract in place as at 23 August 2021); or</li> <li>(iv) offers to pay, pays or agrees to pay any of its directors, officers, employees or independent contractors any discretionary short term incentive and which in aggregate to all directors, officers, employees or independent contractors of the ONT Group exceeds \$150,000;</li> </ul>
(m)	an ONT Group Member: <ul style="list-style-type: none"> <li>(i) amends, terminates or is in material breach of a Material Contract, except where the Material Contract that has been terminated is a dental services agreement; or</li> <li>(ii) enters into a new contract which is reasonably likely to be a Material Contract, other than any dental services agreement on ONT's standard terms entered into by ONT in the ordinary course of business;</li> </ul>
(n)	the following has occurred in relation to such dental services agreement(s) and/or dental employment agreements(s) from which ONT derives in aggregate 15% or more of the ONT 'Average Net Production' for the 6 month period ended 31 July 2021 as specified in the disclosure letter: <ul style="list-style-type: none"> <li>(i) such agreement(s) have been terminated;</li> <li>(ii) notice of termination of such agreement(s) have been given to an ONT Group Member; or</li> </ul>



Term	Meaning
	<p>(iii) there has been a material breach of such agreement(s) which entitles the counterparty to such agreement(s) to terminate the agreement.</p> <p>(o) an ONT Group Member amends, terminates or is in material breach of a Material Lease which is not remedied within the shorter of 10 Business Days of the occurrence of the material breach or the Second Court Date, or enters into a new lease which is likely to be material to the business of the ONT Group taken as a whole;</p> <p>(p) an ONT Group Member enters into or resolves to enter into a transaction with any related party of ONT (other than an ONT Group Member) as defined in section 228 of the Corporations Act which would require shareholder approval under Chapter 2E or under Chapter 10 of the ASX Listing Rules;</p> <p>(q) after 23 August 2021, pay, incur or agree to pay or incur any amount of Transaction Costs based on the assumptions contained in the disclosure letter which in aggregate exceed \$3,500,000;</p> <p>(r) ONT Shares are delisted or are subject to suspension from quotation for 5 or more trading days, other than due to, or as a result of, the Scheme or any action taken by the BidCo Group;</p> <p>(s) an ONT Group Member becomes Insolvent;</p> <p>(t) an ONT Group Member ceases, or threatens to cease, to carry on business;</p> <p>(u) an ONT Group Member deliberately takes or omits to take action which that member knows would result in a material breach of law (resulting in costs, charges, interests, penalties, fines or expenses in excess of \$100,000); or</p> <p>(v) an ONT Group Member changes any accounting policy applied by them to report their financial position other than any change in accounting policy which is required by a change in accounting standards,</p> <p>provided that a ONT Prescribed Event listed in items (a) to (v) will not occur where such event, occurrence or matter:</p> <p>(w) is fairly disclosed by ONT to BidCo in the disclosure letter;</p> <p>(x) is required to be done or procured by ONT pursuant to the Scheme Implementation Agreement or the Scheme; or</p> <p>(y) has been previously approved by BidCo in writing.</p>
<b>ONT Share Register</b>	the register of members of ONT maintained in accordance with the Corporations Act.
<b>ONT Shareholders</b>	each person registered in the ONT Share Register as a holder of ONT Shares.
<b>ONT Share</b>	an ordinary fully paid share in the capital of ONT.
<b>ONT Warranties</b>	the representations and warranties of ONT set out in clauses 9.1 and 11.1 of the Scheme Implementation Agreement.
<b>OTPP</b>	Ontario Teachers' Pension Plan Board, a corporation continued and existing under the <i>Teachers' Pension Act</i> (Ontario).
<b>Participants</b>	each person holding Loan Shares.

For personal use only

Term	Meaning
<b>Proxy Form</b>	the proxy form for the Scheme Meetings which accompanies this Scheme Booklet, or, as the context requires, any replacement or substitute proxy form provided by or on behalf of ONT.
<b>Related Body Corporate</b>	has the meaning given in section 50 of the Corporations Act.
<b>Relevant Interest</b>	has the meaning given in sections 608 and 609 of the Corporations Act.
<b>Requisite Majorities</b>	in relation to a Scheme Resolution, approval of that resolution by: <ul style="list-style-type: none"> <li>(a) unless the Court orders otherwise, a majority in number (more than 50%) of the ONT Shareholders present and voting on the Scheme Resolution at the relevant Scheme Meeting (either virtually, or by proxy, representative or attorney); and</li> <li>(b) holders of at least 75% of the votes cast on the Scheme Resolution at the relevant Scheme Meeting (either virtually or by proxy, representative or attorney).</li> </ul>
<b>Retained ONT Share</b>	a Scheme Share to be retained by the Founder Shareholder pursuant to the Election.
<b>Retention and Co-investment Deed</b>	the Retention and Co-Investment Deed between Holdco and the Founder Shareholders.
<b>Scheme</b>	the scheme of arrangement under Part 5.1 of the Corporations Act under which all the approximately 84% of the Scheme Shares will be transferred to BidCo substantially in the form of Annexure B together with any amendment or modification made pursuant to section 411(6) of the Corporations Act.
<b>Scheme Booklet</b>	this document, including the Annexures to it.
<b>Scheme Conditions</b>	each of the conditions set out in clause 3.1 of the Scheme Implementation Agreement and described in Section 3.7(a) of this Scheme Booklet.
<b>Scheme Consideration</b>	means: <ul style="list-style-type: none"> <li>(a) in respect of the Founder Shareholders, the Founder Scheme Consideration; and</li> <li>(b) in respect of the Non-Founder Shareholders, the Non-Founder Scheme Consideration.</li> </ul>
<b>Scheme Implementation Agreement</b>	the Scheme Implementation Deed between BidCo and ONT dated 23 August 2021. A summary is set out in Section 3.7, and a full copy is available on ASX's website at <a href="http://www.asx.com.au">www.asx.com.au</a> and on ONT's website at <a href="https://www.1300smiles.com.au/investors/asx-releases/">https://www.1300smiles.com.au/investors/asx-releases/</a> .
<b>Scheme Meetings</b>	both of the General Scheme Meeting and the Founder Scheme Meeting, and <b>Scheme Meeting</b> means either or both of them (as the context requires).
<b>Scheme Record Date</b>	5.00pm on Wednesday, 24 November 2021, or such other Business Day as BidCo and ONT agree in writing.
<b>Scheme Resolutions</b>	both of the General Scheme Resolution and the Founder Scheme Resolution and <b>Scheme Resolution</b> means either of them (as the context requires).

For personal use only

Term	Meaning
<b>Scheme Shareholder</b>	a holder of ONT Shares recorded in the ONT Share Register as at the Scheme Record Date.
<b>Scheme Share</b>	an ONT Share held by a Scheme Shareholder as at the Scheme Record Date.
<b>Second Court Hearing</b>	the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.
<b>Share Registry</b>	Computershare Investor Services Pty Limited ABN 48 078 279 277.
<b>Special Dividend</b>	a fully franked special dividend of an amount up to \$0.80 per ONT Share (reserving the right to increase this to up to \$1.10 per ONT Share) held by an ONT Shareholder as at the Special Dividend Record Date, which ONT may in its discretion determine to declare and pay.
<b>Special Dividend Payment Date</b>	the date of payment of the Special Dividend (if any), as determined by the ONT Directors in their sole discretion, currently expected to be Friday, 26 November 2021.
<b>Special Dividend Record Date</b>	the record date for the Special Dividend (if any), as determined by the ONT Directors in their sole discretion, currently expected to be 7.00pm (Sydney time) on Friday, 19 November 2021.
<b>Subsidiary</b>	has the meaning given under the Corporations Act.
<b>Superior Proposal</b>	<p>a genuine Competing Proposal which the ONT IBC, acting in good faith, and after taking advice from its legal and financial advisers (who must be reputable advisers experienced in transactions of this nature), determines:</p> <ul style="list-style-type: none"> <li>(a) would, if completed substantially in accordance with its terms, results in the acquisition of control of ONT or all or substantially all of the ONT Group;</li> <li>(b) is reasonably capable of being completed in accordance with the its terms taking into account all aspects of the Competing Proposal, including its conditions and all relevant legal, regulatory and finance matters; and</li> <li>(c) is of an equal or higher financial value and is more favourable to ONT Shareholders as a whole than the Scheme, taking into account all aspects of the Competing Proposal, including (without limitation) the consideration and terms and conditions of the Competing Proposal, the identity, reputation and financial condition of the person making such proposal, legal, regulatory and financial matters, certainty and any other matters affecting the probability of the Competing Proposal being completed in accordance with its terms.</li> </ul>
<b>Transaction Costs</b>	investment banking, financial adviser, legal, accounting, Share Registry and other costs payable to other advisers or third party service providers, and retention payments, incurred by ONT in respect of the Scheme, in each case inclusive of GST.
<b>Treasurer</b>	the Treasurer of Australia.
<b>VWAP</b>	volume weighted average price.

For personal use only

## 9.2 Interpretation

The following rules of interpretation apply unless intention appears or the context requires otherwise:

- (a) a reference to a time is a reference to Brisbane (Queensland) time;
- (b) headings are for convenience only and do not affect interpretation;
- (c) the singular includes the plural and conversely;
- (d) a reference to a section is to a section of this Scheme Booklet;
- (e) a gender includes all genders;
- (f) where a word or phrase is defined, the other grammatical forms have a corresponding meaning;
- (g) dollars, \$, A\$, or cents is a reference to the lawful currency in Australia, unless otherwise stated;
- (h) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely;
- (i) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (j) a reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it;
- (k) a reference to any instrument or document includes any variation or replacement of it; and
- (l) the words 'include', 'including', 'for example' or 'such as' are not used as, nor are they to be interpreted as, words of limitation, and, when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

**Annexure A**  
**Independent Expert's Report**

See over page.



Grant Thornton

An instinct for growth™

# 1300 Smiles Limited

Independent Expert's Report and Financial Services Guide

8 October 2021

For personal use only



The Directors  
1300 SMILES Limited  
Ground Floor, 105 Denham St  
TOWNSVILLE QLD 4810

---

**Grant Thornton Corporate Finance  
Pty Ltd**  
Level 17  
383 Kent Street  
Sydney NSW 2000  
Locked Bag Q800  
Queen Victoria Building NSW 1230  
T +61 2 8297 2400

8 October 2021

Dear Directors

## Introduction

1300Smiles Limited ("ONT" or "the Company") owns and operates 34 full service dental practices in Queensland and New South Wales where it enables the delivery of services to patients by providing the use of dental surgeries, practice management and other services to self-employed and employed dentists whilst the Company provides all the administrative functions. ONT is listed on the Australian Securities Exchange ("ASX") and had a market capitalisation of c. A\$166.2 million<sup>1</sup> as at 19 August 2021. Dr Daryl Holmes as trustee for the TFD Hybrid Fixed Trust and Golden Arch (Qld) Pty Ltd for the Whistler Discretionary Trust ("Founder Shareholders") holds approximately 59.8% of the issued capital of ONT.

Abano Healthcare Group Ltd ("Abano") is one of Australasia's largest dental corporate groups, providing a wide range of dental services under the 'Lumino' brand in New Zealand and 'Maven' in Australia where it has a footprint of 94 dental practices. BGH Capital Fund ("BGH" or "BGH Capital") and Ontario Teachers' Pension Plan Board ("OTPP") acquired via interposed entities 100% of the issued capital of Abano at the end of 2020.

On 24 August 2021, ONT announced that it had entered into a binding Scheme Implementation Agreement ("SIA") under which Adams Aus BidCo Pty Ltd ("Abano BidCo"), a holding company of Abano, has agreed to acquire up to 84% of ONT ("ONT Shares") by way of a scheme of

---

<sup>1</sup> Based on a closing share price of A\$7.02 on 20 August 2021 before the announcement of the Scheme.

ABN-59 003 265 987 ACN-003 265 987 AFSL-247140

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987 (holder of Australian Financial Services Licence No. 247140), a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127556 389. 'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Limited is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. Liability limited by a scheme approved under Professional Standards Legislation.

[www.grantthornton.com.au](http://www.grantthornton.com.au)

#6169792v1

arrangement ("Scheme"). It also announced its intention to declare and pay before the Scheme implementation date a fully franked special dividend of up to A\$0.80 per share (with the right to increase this to up to A\$1.10 per share) ("Special Dividend").

The consideration is structured as outlined below:

- *Non-Founder Shareholders* – Non-Founder Shareholders, comprising all shareholders other than the Founder Shareholders, who collectively hold approximately 40.2% of ONT Shares, will receive a cash consideration of A\$8.00 per share less any Special Dividend distributed by the Company before the implementation of the Scheme ("Non-Founder Consideration").
- *Founder Shareholders* – They will receive a cash consideration of up to A\$6.33 per share (of which c. A\$0.81 per share is contingent on certain events occurring as outlined in Section 1.1), less any Special Dividend ("Founder Cash Consideration"). It is a condition of the Scheme that the Founder Shareholders elect to retain ("Retention Election") c. 26.2% of their ONT Shares ("Retained ONT Shares") on the terms contained in a Retention and Co-Investment Deed. The Founder Shareholders have confirmed that they intend to make this election. Effectively, the Founder Shareholders will receive a cash consideration for 10,447,012 ONT Shares at A\$6.33 per share equivalent to a total of c. A\$66.2 million with the remaining balance of 3,714,015 ONT Shares to be retained in ONT which will be an entity controlled by Abano BidCo post implementation of the Scheme. The Retained ONT Shares are also valued at A\$6.33 per share. Under the Retention and Co-Investment Deed, the ultimate parent of Abano may, but it is not obliged, at any time within 24 months after the Scheme is implemented, swap the Retained ONT Shares valued at A\$6.33 per share (less any Special Dividend) in consideration for the issue of shares in the ultimate parent Abano entity ("Enlarged Entity" or "Abano HoldCo") at an issue price of A\$1.30 per share (such right the "Abano Call Option" and such shares the "Founder Replacement Shares"). Together, the Founder Cash Consideration and the Founder Replacement Shares are herein referred to as the "Total Founder Consideration").

As set out in the announcement of the Scheme and in the Scheme Booklet, the differential consideration has been agreed by the Founder Shareholders to unlock additional value for the Non-Founder Shareholders. The Total Founder Consideration is A\$6.33 per share (less any Special Dividend and any contingent amount not paid), as long as the value per share of the Enlarged Entity is A\$1.30 per share<sup>2</sup>. The blended consideration paid to the Founder and Non-Founder Shareholders is A\$7.00 per share<sup>3</sup> ("Blended Consideration").

In addition to the Founder Shareholders making the Retention Election, the Scheme is subject to customary conditions precedent as set out in Section 1 of this Independent Expert's Report ("IER") including approval by ONT shareholders ("ONT Shareholders"), approval by the Court, and no material adverse change or prescribed events occurring.

The SIA contains customary exclusivity provisions including no shop, no talk restrictions (subject to an exception in respect of the ONT Directors' fiduciary obligations), and a matching right in favour of Abano BidCo in case the Directors receive a superior proposal. The SIA also details circumstances under which ONT may be required to pay Abano BidCo a break-fee of A\$1.7 million depending on

<sup>2</sup> A\$1.30 per share is the value per share to be used to swap the value of the Retained Shares valued at A\$6.33 per share by the Abano Shares based on the following calculation  $[(\text{Retained ONT Shares} \times \text{A\$6.33}) / \text{A\$1.30}]$

<sup>3</sup> Blended Consideration of A\$7.00 calculated as  $[(\text{Non-Founder shares} \times \text{A\$8.00}) + (\text{Founder shares} \times \text{A\$6.33})] / 23,678,384$

the circumstances (refer to Section 1 for more details).

The Company has established an Independent Board Committee (“IBC”), comprising all the Directors other than Dr Daryl Holmes (“Independent Directors”) to consider the merits of the Scheme. Subject to no Superior Proposal emerging and an independent expert concluding and continuing to conclude that the Scheme is in the best interests of ONT Shareholders, and fair and reasonable to the Non-Founder Shareholders, the IBC unanimously recommends that ONT Shareholders vote in favour of the Scheme. Subject to the same qualifications, all Independent Directors and the Founding Shareholders intend to vote, or procure the voting of, all ONT Shares held or controlled by them in favour of the Scheme.

## Purpose of the report

While there is no legal requirement for the preparation of an IER in conjunction with the Scheme, the Directors of ONT have commissioned this IER to assist ONT Shareholders in assessing the merits of the transaction.

When preparing this IER, Grant Thornton Corporate Finance has had regard to the Australian Securities Investment Commission (“ASIC”) Regulatory Guide 111 *Contents of expert reports* (“RG 111”) and Regulatory Guide 112 *Independence of experts* (“RG 112”). The IER also includes other information and disclosures as required by ASIC.

## Summary of opinion

**Grant Thornton Corporate Finance has concluded that the Scheme is FAIR AND REASONABLE and hence in the BEST INTERESTS of ONT Shareholders.**

In forming our opinion, Grant Thornton Corporate Finance has considered the following:

- Whether the Non-Founder Consideration is fair and reasonable to the Non-Founder Shareholders.
- Whether the Blended Consideration is fair and reasonable to ONT Shareholders.
- Whether the Total Founder Consideration provides the Founders Shareholders with a net benefit compared with the Non-Founder Consideration.
- Other quantitative and qualitative considerations.

We note that we have not formed an opinion on the fairness and reasonableness of the Total Founder Consideration.

## ***Fairness Assessment***

In forming our opinion in relation to the fairness of the Scheme for the Non-Founder Shareholders, Grant Thornton Corporate Finance has compared the fair market value per ONT Share before the Scheme on a control basis to the Non-Founder Consideration of A\$8.00 per ONT Share and the Blended Consideration of A\$7.00 per ONT Share.

We note that if ONT decides to pay the Special Dividend, the consideration will be reduced on a A\$ for A\$ basis as regulated in the SIA. Given that the Board is yet to make a final decision on the Special Dividend, we have assessed the fairness of the Scheme assuming no Special Dividend payment. However, the outcome for ONT Shareholders and our opinion will not change if the Board of ONT decides to pay before implementation of the Scheme the Special Dividend.

We note that in our valuation assessment, we have not grossed up the value of the consideration for the potential value of the franking credits attached to the Special Dividend nor have we considered in our valuation assessment of ONT the value of the accumulated franking credits.

In our opinion, the value of the franking credits does not accrue to ONT per se but they may be valuable under certain circumstances to Australian resident shareholders who can claim an income tax offset. We have considered the potential value of the franking credits attached to the Special Dividend in our reasonableness considerations. A summary of our fairness assessment is set out in the tables below.

Fairness assessment	Section		
A\$ per share	Reference	Low	High
Fair market value per share (control basis)	6.1	6.65	7.75
Non-Founder Consideration	1.0	8.00	8.00
<b>Premium/(discount)</b>		<b>1.35</b>	<b>0.25</b>
<b>Premium/(discount) (%)</b>		<b>20.3%</b>	<b>3.2%</b>
<b>FAIRNESS ASSESSMENT</b>		<b>FAIR</b>	
Fair market value per share (control basis)	6.1	6.65	7.75
Blended Consideration	1.0	7.00	7.00
<b>Premium/(discount)</b>		<b>0.35</b>	<b>(0.75)</b>
<b>Premium/(discount) (%)</b>		<b>5.2%</b>	<b>(9.7%)</b>
<b>FAIRNESS ASSESSMENT</b>		<b>FAIR</b>	

Source: GTCF analysis.

The Non-Founder Scheme Consideration is just above the high-end of our assessed valuation range and the Blended Consideration falls within our assessed valuation range of ONT on a control basis. Accordingly, we conclude that the Scheme is **FAIR** to Non-Founder Shareholders and ONT Shareholders as a whole.

ONT Shareholders should be aware that our assessment of the value of an ONT Share should not be considered to reflect the price at which ONT Shares will trade if the Scheme is not implemented. The price at which ONT Shares will ultimately trade depends on a range of factors, including: the liquidity of ONT Shares, macro-economic conditions, interest rates and the performance of ONT's business.

We have assessed the fair market value of ONT Shares on a control basis adopting the Future Maintainable Earnings approach, namely the EBITDA<sup>4</sup> Multiple Method and we have cross checked our valuation assessment using the Capitalisation of Cash Flows Method. We have also analysed the Quoted Security Price, however due to the limited liquidity of ONT Shares, we have not relied on this methodology for the purpose of our valuation assessment.

<sup>4</sup> Earnings before interest, tax, depreciation and amortisation

### EBITDA Multiple Method

In our valuation assessment, we have relied on a Normalised FY21 EBITDA before the adoption of AASB 16<sup>5</sup> which is consistent with the trading multiples of listed companies<sup>6</sup> and comparable transaction multiples<sup>7</sup>. Below is a summary of the EBITDA Multiple Method calculation.

FME Method - valuation summary	Section		
A\$ '000 (except where stated otherwise)	Reference	Low	High
Assessed Normalised EBITDA	6.1.1	12,000	13,000
Assessed Normalised EBITDA Multiple (on a control basis)	6.1.2	13.0x	14.0x
<b>Enterprise value (control basis)</b>		<b>156,000</b>	<b>182,000</b>
Add: Surplus assets	6.1.2	10,566	10,566
Less: Net debt	6.1.2	(9,073)	(9,073)
<b>Equity value (control basis)</b>		<b>157,493</b>	<b>183,493</b>
Number of outstanding shares ('000s) (fully diluted)	4.6.1	23,678	23,678
<b>Value per share (control basis) (A\$ per Share)</b>		<b>6.65</b>	<b>7.75</b>

Sources: S&P Global, Management, GTCF analysis

Note: Underlying EBITDA and EBITDA multiple is prepared on a pre-AASB 16 basis

We have set out below the key assumptions adopted in our valuation assessment:

- Maintainable EBITDA** – We have mainly relied on the normalised FY21 EBITDA on a pre-AASB 16 basis for the purpose of forming our opinion on the normalised EBITDA. This is due to ONT's stability of earnings as well as the FY21 period remaining relatively untainted by the impact of COVID-19. We have not relied on the FY22 broker forecast EBITDA as ONT has limited broker coverage with only one firm covering the Company and FY22 is expected to be less representative of a normalised performance given COVID-19 lockdowns and restrictions. We have normalised the FY21 reported EBITDA to remove the Federal Government's Jobkeeper wage subsidy and other one-off income and expenses.
- EBITDA Multiple** – We have analysed a group of listed comparable companies and comparable transactions to determine an appropriate EBITDA multiple. In our assessment, we have mainly relied on Pacific Smiles Group Limited ("PSQ"). PSQ is larger and has higher revenue growth than ONT, however the Company is more profitable with significantly higher historic and current EBITDA margins. In our opinion this is due to a greater focus of ONT on maximising current performance via a lean corporate structure and an active management of underperforming practices rather than growing the top-line which instead is a greater focus for PSQ. PSQ is currently trading at a FY21 underlying EBITDA<sup>8</sup> multiple of 13.1x on a pre-AASB 16 basis. However, the EBITDA of PSQ is adversely affected by investment in future growth<sup>9</sup>, 15 new centres opened in FY21 which contributed a loss<sup>10</sup> and 75% of the practices being located in lockdown affected NSW and VIC. If these factors are normalised on a consistent basis with ONT, the EBITDA multiple of PSQ reduces materially. Accordingly, we have selected an FY21

<sup>5</sup> Australian Accountings Standards Board 16 – Leases ("AASB 16"). The FY20 financial statements of ONT was the first one prepared under the new accounting standard which generated an increase in EBITDA of c. A\$2.9 million.

<sup>6</sup> This includes the capitalisation of lease liabilities and right-of-use assets onto the balance sheet which is reflected in our enterprise values for ONT and the listed companies, due to the inclusion of interest-bearing lease liabilities in net debt. EBITDA is also impacted due to lease expenses now reflected in depreciation and interest expense.

<sup>7</sup> We note that given the lack of particularly comparable transactions, we have primarily relied on the trading multiples and we have adopted the transaction multiples to confirm the directional evidence of the selected multiple.

<sup>8</sup> Adjusted for net Jobkeeper benefits of A\$3 million as disclosed by PSQ in the annual report to ensure a like-for-like comparison with ONT.

<sup>9</sup> A\$3.4m invested in business technology for future growth as set out in the FY21 full year presentation.

<sup>10</sup> Versus average EBITDA on full run rate that we have estimated at c. A\$0.37 per centre.

EBITDA multiple between 13.0x and 14.0x on a control basis. Among the comparable transactions, the only relevant one is the acquisition of Abano Healthcare Group Ltd in November 2020. However, through our analysis, we noted that this transaction was completed at a time when Abano had a material debt overhang and the financial performance was significantly affected by COVID-19. Accordingly, we have not relied on it.

- *Other adjustments* – The surplus assets relate to an investment property, loans receivables and holdings in the preference shares of an unlisted company, both of which must be disposed before implementation of the Scheme<sup>11</sup>. The net debt has been estimated as at 30 June 2021.

#### *Capitalisation of Cash Flows Approach*

As a means to cross-check our valuation from the EBITDA Multiple Method, we have adopted the Capitalisation of Cash Flows Approach which is based on a single period of maintainable free cash flow capitalised in perpetuity at the weighted average cost of capital ("WACC") discount rate. This approach was selected given the stability of earnings and cash flows generation of the Company which is expected to continue into the future.

Using the Underlying normalised EBITDA between A\$12.0 million and A\$13.0 million, we then adjusted for additional factors such as synergies expected to be realised as well as other cash flow items such as tax, capital expenditure and working capital movements.

The normalised free cash flows have been capitalised in perpetuity using a WACC between 8.0% and 8.5% and a perpetual growth rate of between 2.5% and 3.0%. A summary of our valuation assessment is set out below.

Capitalisation of Cash Flow		
A\$ '000 (except where stated otherwise)	Low	High
Assessed Normalised EBIT (Including Synergies of A\$2.5m million)	12,118	13,118
Effective tax payable	(3,151)	(3,411)
<b>Assessed Net Operating Profit After Tax</b>	<b>8,967</b>	<b>9,707</b>
Cash flow adjustments	(224)	(224)
<b>Assessed Free Cash Flow</b>	<b>8,743</b>	<b>9,483</b>
WACC	8.5%	8.0%
Growth rate	2.5%	3.0%
<b>Enterprise value (Control basis)</b>	<b>145,722</b>	<b>189,666</b>
Add: Surplus Assets	10,566	10,566
Less: Net debt	(9,073)	(9,073)
<b>Equity value (Control basis)</b>	<b>147,215</b>	<b>191,159</b>
Number of outstanding shares ('000s) (fully diluted)	23,678	23,678
<b>Value per share (control basis) (A\$ per Share)</b>	<b>6.22</b>	<b>8.07</b>

Sources: S&P Global, Management, GTCF analysis

The cross-check based on the capitalised free cash flows support our assessment based on the EBITDA Multiple.

<sup>11</sup> Management has confirmed that the property has been sold for c. A\$2.32 million on 27 August 2021 and that ONT has already disposed of c. A\$0.25 million of the preference shares as at the date of this report.

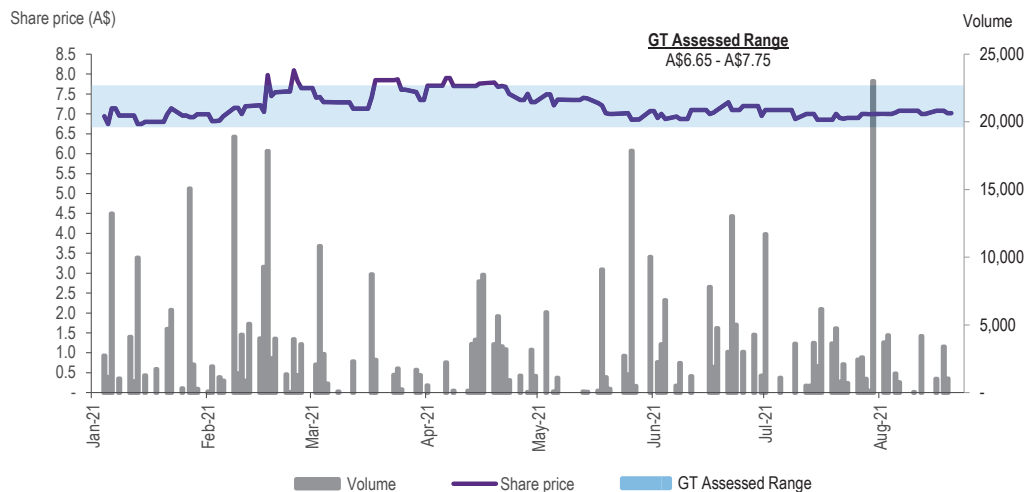


### Quoted Security Price Method

We note that ONT is a relatively illiquid stock, with a below average free float and limited trading volume over the last twelve months. These liquidity concerns are largely borne through the majority of ONT's outstanding shares being held by the Founder Shareholder and not traded. Therefore, due to these considerable liquidity constraints we have not relied on the trading prices for the purpose of our valuation assessment.

Whilst, we have not relied on the trading prices, we note that our assessed valuation range on a control basis mostly overlap and it only incorporates a small premium (mid-point and high-end of the range) compared with the trading prices before the announcement of the Scheme. It is also at a discount to the peak of ONT Shares between February and April 2021 as outlined in the graph below.

### Assessed valuation range compared with trading prices



Sources: S&P Global, Management, GTCF analysis

The low-premium for control seems reasonable if the following is taken into account:

- Immediately before the announcement of the Scheme, ONT was trading around A\$7.00 per share and between February and April 2021 between A\$7.50 and A\$8.00 per share. These trading prices imply an FY21 underlying EBITDA Multiple of 13.5x<sup>12</sup> at A\$7.00 share price, 14.4x<sup>13</sup> at A\$7.50 share price and of 15.4x<sup>14</sup> at A\$8.00 share price, all on a minority basis. Based on our analysis of the listed peers, comparable transactions and the market in general, these multiples appear to be excessive on a minority basis.
- Over the last few years, the number of practices has remained substantially flat whilst the profitability and the dividend distributions of the Company have been growing. Given the Company is focussed on maximising profits and distributions to Shareholders, we have also considered the dividend yield implied in the trading prices to gather some insights. In the table

<sup>12</sup> Based on Normalised FY21 EBITDA of A\$12.2 million.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

below, we have compared the dividend yield of the Company with the ASX200 Index and the ASX200 REIT Index which includes large companies, established and mature businesses with a focus on dividend distributions, in particular the ASX200 REIT Index.

Historical Dividend Yield Comparison	ONT	ASX 200	ASX 200 REIT Index
	Dividend Yield	Dividend Yield	Dividend Yield
Date	(%)	(%)	(%)
30-Jun-17	3.40%	4.19%	4.94%
31-Dec-17	3.41%	4.15%	4.73%
30-Jun-18	3.71%	4.05%	4.54%
31-Dec-18	3.71%	4.57%	4.94%
30-Jun-19	3.86%	3.88%	4.31%
31-Dec-19	4.09%	3.81%	4.44%
30-Jun-20	4.99%	3.32%	4.32%
31-Dec-20	3.68%	2.44%	2.53%
30-Jun-21	3.88%	2.69%	3.41%
24-Feb-21 - ONT All time high 24-Feb-21 (A\$8.09)	3.34%	n/a	n/a
<b>Average</b>	<b>3.86%</b>	<b>3.68%</b>	<b>4.24%</b>
<b>Median</b>	<b>3.71%</b>	<b>3.88%</b>	<b>4.44%</b>

Whilst the distributions in FY20 and FY21 may have been affected by COVID-19, looking over a longer period of time, the average distribution yield of the Company is below the average distribution yield of the ASX200 (median) and ASX200 REIT Index. This implies that the risk/return of ONT implied in the trading prices is lower than the average risk return of the ASX200 and ASX200 REITs Index. Considering the size of these businesses and their market positioning, this is difficult to substantiate and it is caused by the low level of liquidity in the trading prices which impact the underlying prices.

We are of the opinion that the above analysis provides support to our conclusion that the low-premium for control implied in our mid-point valuation assessment compared with the trading prices before the announcement of the Scheme is not unreasonable.

#### *Value of the Total Founder Consideration*

As part of our assessment of the Scheme, we have also undertaken a high level and desk-top assessment of the Founder Replacement Shares that Founder Shareholders will receive if the Abano Call Option is exercised. ("Desktop Valuation"). We have aggregated these with the Founder Cash Consideration to ensure that the Total Founder Consideration (net of the Special Dividend) is not, in all material respects, in excess of the Non-Founder Consideration (net of the Special Dividend).

Based on the terms of the Co-Investment Deed, immediately following implementation of the Scheme, the Founder Shareholders will hold c. 16% of the issued capital and Abano BidCo will own the balance. In our assessment of the Founder Replacement Shares, we have considered that Abano HoldCo has the right but not the obligation to replace the Retained ONT Shares with the Founder Replacement Shares and accordingly the Founder Shareholders run the risk that they could remain as minority shareholders in the unlisted ONT. However, we have assumed that in order for Abano HoldCo's Shareholders to maximise the value of their investment, it is reasonable to assume that the Abano Call Option would be exercised.

The valuation of the Enlarged Entity has not been disclosed in the IER as it contains commercially sensitive information which may harm the ability of the shareholders of the Enlarged Entity to maximise the value of their investment on exit. We have outlined in Section 6 the procedures undertaken and the high level assumptions adopted in our valuation assessment of the Enlarged Entity.

Even if Abano HoldCo elects to swap the Retained ONT Shares into shares in the Enlarged Entity, shares of an unlisted entity would normally have a lower value as they are not readily marketable. When two investments are substantially comparable, investors tend to place more value on a security that is more liquid.

Accordingly in our Desk-Top Valuation of Founder Replacement Shares, we have applied a marketability and minority discount to our assessment of the Founder Shareholders' interest in the Enlarged Entity. The marketability and liquidity discount depends on the following factors:

- *The prospect for liquidity within a known timeframe.* The shorter is the expected holding period for an investment and more certain is the potential prospective transaction or IPO, the lower is the discount. In this regard, we note that private equity investors such as BGH Capital and OTPP, the controlling shareholder of Abano, typically hold their investments for 3 to 5 years and during this period they aim to materially grow the business and streamline the operations in order to maximise their returns on exit. Accordingly, it is likely that a liquidity event will eventuate for the Founder Shareholders in the medium term.
- *The dividend policy of the company.* A company will usually attract a lower marketability discount if it has a sustainable and consistent dividend policy as the shareholders receive their returns along the way as opposed to at the end when they dispose of their investment. We note, based on a review of the Retention and Co-Investment Deed and discussions with Abano, it is not expected that dividends will be distributed in the foreseeable future.
- *The pool of potential buyers.* The greater is the pool of potential buyers the lower is the level of marketability discount.
- *The level of risk in the industry and in the Company.* Typically, a higher level of risk is associated with higher level of marketability discount. The underlying principle is that the potential adverse impact of risk factors is enhanced by the inability to dispose of the investments in a liquid market. The dental industry is quite defensive and considered a low-risk industry.
- *Terms of the Shareholders Agreement* – Whilst we have not reviewed the terms of the Shareholders Agreement, we have been instructed that the Founder Shareholders have no ability to transfer the Retained ONT Shares or the Enlarged Entity shares if the Abano Call Option is exercised and their shares have no voting rights.

Based on the above, we have applied a marketability and liquidity discount between 20% and 30%. The discount is at the low-end of the discount that we would normally apply based on the above conditions as it is reasonable to assume that Abano HoldCo's shareholders will seek to maximise the value of the investment in the short/medium term via a liquidity event which reduces the magnitude of the discount applicable.

**We have concluded that the value of the Total Founder Consideration is below the value of the Non-Founder Consideration and accordingly no net benefit is provided to the Founder Shareholders as a result of the structure of the Scheme.**

### ***Reasonableness Assessment***

In considering the reasonableness of the Scheme, we have assessed the following advantages, disadvantages and other factors for Non-Founder and Founder Shareholders.

#### **Advantages**

##### ***Premium for control (Non-Founder Shareholders)***

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as the ability to realise synergies, access cash flows, access tax benefits and control of the board of Directors of the company.

The Non-Founder Scheme Consideration of A\$8.00 per ONT share represents a premium of:

- 14.0% to the undisturbed closing price of ONT up to and including 20 August 2021, being the last close price prior to the Scheme announcement.
- 13.8% to the 1-week VWAP of ONT shares up to and including 20 August 2021.
- 14.3% to the 1-month VWAP of ONT shares up to and including 20 August 2021.
- 14.2% to the 3-month VWAP of ONT shares up to and including 20 August 2021.

This premium for control is unlikely to be available to ONT Non-Founder Shareholders in the absence of the Scheme or a superior proposal.

##### ***Certainty of the cash consideration (Non-Founder Shareholders)***

The Non-Founder Shareholders will have the opportunity to receive a certain cash amount for their full holdings at a premium to ONT's trading price prior to the announcement of the SIA. If the Scheme is implemented, the Non-Founder Shareholders will no longer be exposed to any ongoing risk associated with an investment in ONT. The Founder Shareholder will also receive a certain cash amount pertaining to a portion of their ONT holdings and as such, will be able to reduce their exposure to ONT. We note the following risks to ONT for both the Non-Founder and Founder Shareholders.

- ***Impact of the pandemic*** – The outbreak of COVID-19 has caused considerable economic turmoil over the last 18 months and, whilst the effects cannot be fully quantified, the future impact of the virus and potential new variants can have a materially adverse effect on ONT. Most notably, future lockdowns and varying levels of mandated restrictions have the capacity to impede ONT's revenue generating capacity through the cancellation of non-crucial surgeries and practices. We do note however that Australia's current level of vaccine rollout is likely to result in the diminishment of future restrictions, yet current projections see the 80% target of adult population being fully vaccinated not being hit until late November 2021.

- *Industry competition* – ONT's key competition within the market, Pacific Smiles Dental and Abano Healthcare, are both driving an inorganic growth business model that is increasing the competition faced by ONT for dental services within Australia. Both aforementioned companies are considerably larger than ONT and as a result, may have larger buying power and increased ability to realise profits through superior economies of scale. They also potentially have an enhanced ability to execute dental practice acquisitions and greenfield developments due to greater access to capital and a larger national footprint.
- *Shortage of dentists and increased labour costs* - The number of dental practitioners per 100,000 people is expected to increase in FY22 which should bring additional competition and potential labour shortages which may inflict pressure on the margins in the medium term.
- *Key person risk* – We note that much of ONT's success and strong financial performance can be attributed to management under the current Managing Director and founder of the business. Some of the potential value drivers attributable to the Managing Director could include leadership, relationships with Health Funds and suppliers, employee loyalty, ONT's practice management and KPI driven approach and the implementation of the ONT business strategy. There is a risk that if the Managing Director leaves or became unable to work, it may be difficult for the Company to find a suitable replacement. This is also demonstrated by the structure of the Scheme which ensure that Dr Daryl Holmes remains engaged in the Enlarged Entity via the Retained ONT Shares.

#### *Structure of the Scheme (Non-Founder Shareholders)*

Non-Founder Shareholders benefit from the structure of the Scheme agreed by the Founder Shareholders which unlocks significant additional value for the Non-Founder Shareholders who receive a higher offer price relative to the Founder Shareholders.

#### *Franking credits attached to the Special Dividend (Non-Founder and Founder Shareholders)*

In accordance with the terms of the SIA, ONT may pay a fully franked Special Dividend of up to A\$0.80 per share, with the right to increase this up to A\$1.10 per share. Australia resident Shareholders on a lower tax rate can claim an income tax offset and accordingly realise greater value compared with the cash consideration offered. Those ONT Shareholders are better off on a post-tax basis if the Special Dividend is paid compared with the scenario that 100% of the cash consideration is paid as capital gain (i.e. nil Special Dividend). The following table summarises the after-tax cash amount from the Special Dividend, at the current disclosed amount of A\$0.80 per share as well as the scenario of this increasing to A\$1.10 per share, that certain Shareholders could realise depending on their tax position:

Special Dividend - Franking Credits Benefit	Australian resident						Corporate	
	45%		30%		0%			
A\$	Tax rate		Tax rate		Tax rate			
Special dividend	0.80	1.10	0.80	1.10	0.80	1.10	0.80	1.10
Franking credits	0.28	0.39	0.28	0.39	0.28	0.39	0.28	0.39
Gross taxable income	1.08	1.49	1.08	1.49	1.08	1.49	1.08	1.49
Tax payable <sup>1</sup>	(0.49)	(0.67)	(0.32)	(0.45)	-	-	(0.32)	(0.45)
Tax credit	0.28	0.39	0.28	0.39	0.28	0.39	0.28	0.39
<b>Net after tax special dividend</b>	<b>0.59</b>	<b>0.82</b>	<b>0.76</b>	<b>1.04</b>	<b>1.08</b>	<b>1.49</b>	<b>0.76</b>	<b>1.04</b>

Sources: GTCF analysis Note (1): Ignoring Medicare levy and other surcharges.

*No brokerage costs (Non-Founder and Founder Shareholders)*

ONT Shareholders will be able to realise their investment in ONT without incurring any brokerage or stamp duty costs.

*Other potential benefits of ownership in the Enlarged Entity (Founder Shareholders)*

We note there are other potential benefits that could be realised by the Founder Shareholders once the Enlarged Entity has been formed which we may find difficult to quantify in our Desk-Top Valuation. These include possible additional synergies, market repositioning, new acquisition opportunities, and favourable changes in market dynamics. Whilst we have factored in what we perceive the potential benefits to be, this may not necessarily be able to capture all the potential benefits. Abano has also been recently acquired by BGH and OTPP and accordingly some of the potential benefits may yet to be realised or crystallised. By retaining ownership in ONT, the Founder Shareholder may be the recipient of these potential benefits.

## Disadvantages

*Non-Founder Shareholders will not be able to participate in the future upside of ONT (Non-Founder Shareholders)*

If the Scheme is implemented, ONT Non-Founder Shareholders will forego the opportunity to participate in the future upside potential of the Company.

ONT business model allows additional practices to be acquired and developed providing they fit within ONT business strategy. The Company also has substantial debt drawdown availability and cash resources to be deployed for this purpose. ONT business model is scalable and has a well-articulated strategy and an efficient service delivery model. Realisation of this strategy could result in substantial benefits relating to the number and type of service offerings, cross-referrals between dentists and practices, the realisation of company overhead efficiencies, technology and software enhancements and new partnership agreements with health funds.

*Limited listed, pure-play dental service providers (Non-Founder and Founder Shareholders)*

We note that ONT is one of only two listed, pure play, operational dental service providers on the ASX. Investors seek exposure to dental service providers for their unique industry return and correlation characteristics. If the Scheme is implemented, only PSQ will remain, decreasing the investment opportunity landscape available to Non-Founder and Founder Shareholders.

*Founder Shareholders are receiving lower consideration for their ONT holdings (Founder Shareholders)*

We note the Founder Shareholders are receiving a lower consideration of A\$6.33 per share compared with the Non-Founder Shareholder Cash Consideration of A\$8.00 per share. We have also opined that the Total Founder Consideration is lower than the Non-Founder Consideration of A\$8.00 per share and the Blended Consideration.

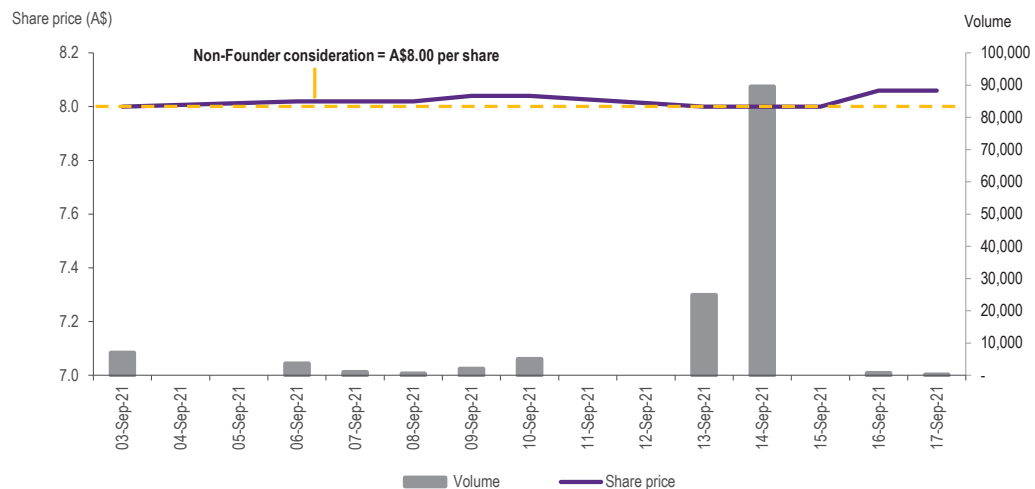


## Other factors

### *Share price after the announcement (Non-Founder and Founder Shareholders)*

As set out below, following the announcement of the Scheme, ONT has traded substantially in line with the Scheme Consideration which seems to indicate good support from investors for the Scheme Consideration and perceived low risk of the Scheme not being implemented.

### Trading price after the announcement date



Sources: S&P Global, GTCF analysis.  
Note: Trading prices as at 17 August 2020.

### *Value of ONT for Abano BidCo (Non-Founder and Founder Shareholders)*

If the Scheme is implemented ONT will apply to be delisted from the ASX and, assuming delisting occurs, Abano BidCo will realise cost savings on listing fees, ASX compliance costs, Directors' fees and other cost duplication functions, which have been included in our valuation assessment.

Given that Abano already has a presence in the dentist market in Australia, the acquisition of ONT will allow the Enlarged Entity to further cement itself as a leading dental service provider in the Australian market.

We also note that BGH, the ultimate major shareholder of Abano, also purchased Healius' Primary healthcare business in November 2020 that included several dentist practices which are co-located within the Healius Medical Centres.

### *Prospects of a superior offer (Non-Founder and Founder Shareholders)*

Whilst ONT has agreed not to solicit any competing proposals or, subject to a fiduciary exception, to participate in discussions or negotiations in relation to any competing proposals, there are no material impediments to an alternative proposal being submitted by potentially interested parties. The transaction process may act as a catalyst for other interested parties and it will provide significant additional information in the Scheme Booklet and Independent Expert's Report to enable such potential acquirers to assess the merits of potential alternative transactions. If a Superior Proposal emerges before ONT Non-Founder and Founder Shareholders cast their vote on the

Scheme, the Scheme meeting may be adjourned or ONT Non-Founder and Founder Shareholders may vote against it.

*Implications if the Scheme is not implemented (ONT Shareholders)*

As disclosed in the Scheme Booklet, if the Scheme is not implemented, it would be the current Directors' intention to continue operating ONT as a stand-alone entity listed on the ASX in line with its stated strategy and objectives. However, in the absence of the Scheme or an alternative transaction, all other things being equal, it is likely that ONT shares will trade at prices below the Scheme Consideration, at least in the short-term.

*Break fee (ONT Shareholders)*

In the event that a competing Superior Proposal is announced and completed or the Independent Directors withdraw their recommendation of the Scheme, ONT will pay, subject to certain exceptions, to Abano BidCo a break fee of c. A\$1.7 million. The break fee may also become payable under other circumstances as set out in the SIA.

*Industry roll-up and consolidation*

We note that historically the dental service industry has been subject to a range of corporate consolidations and private equity roll-ups which have been executed with a varying degree of success, including:

- Smiles Inclusive Limited, a listed operator with 56 practices across Australia, entered voluntary administration in November 2020 as a result of debt overhang, unsuccessful integrations of acquisitions and operational issues.
- Abano Healthcare Group was transacted as part of a private equity backed roll up at the end of 2020 and it was affected by high level of debt and operational challenges.

Whilst the aforementioned are not indicative or reflective of the Scheme or future prospects of ONT or the Enlarged entity, they are important to consider with respect to potential risks affecting the industry.

*Directors' recommendations and intentions (Non-Founder and Founder Shareholders)*

As set out in the Scheme Booklet, as at the date of this Report and subject to no superior proposal emerging and an independent expert concluding and continuing to conclude that the Scheme is in the best interests of ONT Non-Founder Shareholders, the Independent Directors have unanimously recommended that ONT Shareholders vote in favour of the Scheme and have advised that, subject to the same qualifications, all Directors intend to vote, or procure the voting of, all ONT Shares held or controlled by them in favour of the Scheme.

## Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Scheme is **REASONABLE** to Non-Founder Shareholders.

### **Overall conclusion**

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Scheme is **FAIR AND REASONABLE and hence in the BEST INTERESTS** of the ONT Shareholders in the absence of a superior alternative proposal emerging.

### **Other matters**

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to vote in favour of the Scheme is a matter for each ONT Shareholder to decide based on his or her own views of value of ONT and expectations about future market conditions, ONT' performance, risk profile and investment strategy. If ONT Shareholders are in doubt about the action they should take in relation to the Scheme, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



ANDREA DE CIAN  
Director



JANNAYA JAMES  
Authorised Representative

8 October 2021

## Financial Services Guide

### 1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by ONT to provide general financial product advice in the form of an independent expert's report in relation to the Scheme. This report is included in ONT's Scheme Booklet.

### 2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

### 3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

### 4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from ONT a fee of A\$140,000 (plus GST) which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

### 5 Independence

Grant Thornton Corporate Finance is required to be independent of ONT in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out

in RG 112 *Independence of expert* issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

*“Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with ONT (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Scheme.*

*Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Scheme, other than the preparation of this report.*

*Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Scheme. Grant Thornton Corporate Finance’s out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.*

*Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 “Independence of expert” issued by the ASIC.”*

## **6 Complaints process**

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority who can be contacted at:

Australian Financial Complaints Authority Limited  
GPO Box 3  
Melbourne, VIC 3001  
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the Scheme Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

## **7 Compensation arrangements**

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of Section 912B of the Corporations Act, 2001.

# Contents

	Page
<b>1 Outline of the Scheme</b>	19
<b>2 Purpose and scope of the report</b>	22
<b>3 Industry overview</b>	25
<b>4 Profile of ONT</b>	31
<b>5 Valuation methodologies</b>	46
<b>6 Valuation assessment of ONT shares</b>	48
<b>7 Review of the Founder Scrip Consideration and Total Founder Consideration</b>	65
<b>8 Sources of information, disclaimer and consents</b>	67
<b>Appendix A – Valuation methodologies</b>	69
<b>Appendix B – Discount rate</b>	70
<b>Appendix C – Comparable companies</b>	75
<b>Appendix D – Comparable transaction target company descriptions</b>	76
<b>Appendix E – Abano Trading Price 18 months prior to transaction</b>	77
<b>Appendix F – Premium for control study</b>	79
<b>Appendix G – Glossary</b>	81



## 1 Outline of the Scheme

### 1.1 Overview of Consideration Structure

As outlined in the executive summary and detailed within the SIA, the Scheme provides differential consideration between Founder Shareholders and Non-Founder Shareholders which will be treated as two separate classes. As such, there will be separate scheme meetings of each class of shareholder to vote on the Scheme.

The following provides an overview of the differences between each class of shareholder as well as other tertiary rights attached to each class:

- *Non-Founder Shareholders* – The Non-Founder Shareholders will receive a total cash consideration of A\$8.00 per share less any Special Dividend announced by ONT.
- *Founder Shareholders* – The Founder Shareholders, who collectively hold c. 59.8% of ONT Shares, will receive a Founder Cash Consideration of up to A\$6.33 per share (of which up to A\$0.81 per share is contingent on certain events occurring) less any Special Dividend. With relation to this amount of A\$0.81, the two events contingent are:
  - The sale of ONT's investment property at 361 Flinders Street, Townsville that is owned by ONT. We note, Management has confirmed that the property was sold for c. A\$2.32 million on 27 August 2021.
  - The sale of c. A\$6.25 million in redeemable preference shares owned by ONT held in an unlisted public company. We note that as at 30 June 2021, ONT's balance sheet reflected the redeemable preference shares valued at c. A\$6.5 million, however ONT has already disposed of c. A\$0.25 million as at the date of this report.

It is a condition of the Scheme that the Founder Shareholders elect to retain 26.2% of their ONT Shares, therefore the total Founder Cash Consideration will only be applicable to the remaining c. 73.8% of their ONT Shares. We note that the Founder Shareholders have confirmed to ONT that they intend to make this election.

Under the Retention and Co-Investment Deed, Abano HoldCo is granted a call option with the right but not obligation to swap the Retained Shares into equity in the parent company. Abano HoldCo may exercise this call option at any time during the period from implementation of this transaction to 24 months following the date of implementation.

### 1.2 Other terms of the SIA

The Scheme is subject to a number of conditions, including:

- *Conditions precedent* – the SIA includes, among others, the following conditions precedent:
  - The Founder Shareholders electing to retain 26.2% of their ONT shares via a Retention and Co-Investment Deed.
  - Foreign Investment Review Board ("FIRB") approval.

- Approval of the Scheme by ONT Shareholders.
  - Approval of the Scheme by the Court in accordance with Section 411 of the Corporations Act.
  - The Independent Expert issues a report which concludes and continues to conclude that the Scheme is in the best interests of ONT Non-Founder Shareholders.
  - No ONT prescribed events and no material adverse change in respect of ONT.
  - Other conditions precedent typical for a transaction of this nature.
- *Break fee* – a break fee of c. A\$1.7million may become payable by ONT to Abano BidCo if during the exclusivity period:
    - Any of the ONT Directors withdraws or adversely changes, revises or qualifies their recommendation to vote in favour of the Scheme, except in limited circumstances set out in the SIA.
    - A competing transaction is announced by a third party and within twelve months from its announcement, the third party completes a competing transaction or acquires a relevant interest in more than 50% of ONT Shares under a transaction that is or has become wholly unconditional or otherwise comes to control ONT or acquires all, or a substantial part, of the business or assets of ONT.
    - Abano BidCo terminates the SIA due to a material breach of the terms of the SIA by ONT or due to any dealing in ONT Shares held by a Founder Shareholder.
  - *Special Dividend* – Based on the terms of the SIA, ONT has the discretion to pay a fully franked Special Dividend amounting to A\$0.80 per share, with the right to increase this to up to A\$1.10 per share. This will be deducted from the cash consideration offered to both Founder and Non-Founder Shareholders.
  - *Voting intention statement* – Ellerston Capital Limited and its associates have a relevant interest in c. 7.1% of ONT's outstanding shares on issue and have indicated that they intend to vote in favour of the Scheme in the absence of a superior proposal and is subject to an independent expert concluding and continuing to conclude that the Scheme is in the best interests of ONT's Non-Founder Shareholders.
  - *Others* – Other terms common for a transaction of this nature, including customary exclusivity arrangements such as “no shop” and “no talk” and a right for Abano BidCo to be notified of and to match any competing transactions.

### 1.3 Retention and Co-Investment Deed

Under the Retention and Co-Investment Deed, the Founder Replacement Shares that the Founder Shareholder will receive if Abano HoldCo exercises the call option are subject to numerous conditions that give rise to some additional factors to consider, most notably being:

- *Lack of Marketability* – Under the prescribed agreement, The Founder Shareholders will be unable to dispose of their shares unless an exit event arises. These exit events include but are not limited to

scenarios such as receiving consent from the parent entity to dispose of shares, any reorganisation of the Enlarged Entity's structure or an Initial Public Offering ("IPO"). As a result of these limited exit events, the Founder Replacement Shares is non-transferable and illiquid.

- *No Voting Rights* – Should the implementation of the Scheme go forth and the Abano Call Option is triggered, the Founder Shareholders will own a minority stake in the Enlarged Entity. As a result of this minority stake, the Founder Shareholders will have no ability to exercise any managerial decision making or participate in discussions regarding the Enlarged Entity's growth prospects and strategy.
- *Scenario where call option is not exercised* – If the Abano Call Option is not exercised within the 24 month timeframe from date of Scheme implementation, the ONT Retained Shares will remain confined in ONT which will be controlled by Abano BidCo with a 84% shareholding. In our opinion, this is unlikely to occur.

## 2 Purpose and scope of the report

### 2.1 Purpose

#### *Section 411 of the Corporations Act*

Section 411 of the Corporations Act 2001 regulates schemes of arrangement between companies and their members. Part 3 of Schedule 8 of the Corporations Regulations 2001 (the “Corporations Regulations”) prescribes information to be sent to shareholders and creditors in relation to members’ and creditors’ schemes of arrangement pursuant to Section 411 of the Corporations Act.

Part 3 of Schedule 8 (s640) of the Corporations Regulations requires an independent expert’s report in relation to a scheme to be prepared when a party to that scheme has a shareholding greater than 30% in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert’s report must state whether a scheme is in the best interests of shareholders and state reasons for that opinion. Even where there is no requirement for an independent expert’s report, documentation for a scheme of arrangement typically includes an independent expert’s report.

While there is no legal requirement for an independent expert’s report to be prepared in respect of the Scheme, the Directors of ONT have requested that Grant Thornton Corporate Finance prepare an independent expert’s report to express an opinion as to whether the Scheme is in the best interests of ONT Shareholders.

### 2.2 Basis of assessment

In determining whether the Scheme is in the best interests of the Company’s members, Grant Thornton Corporate Finance has had regard to relevant Regulatory Guides issued by ASIC, including RG 111, Regulatory Guide 60 Schemes of arrangement (“RG60”) and RG 112. The IER will also include other information and disclosures as required by ASIC. We note that neither the Corporations Act nor the Corporations Regulations define the term “in the best interests of members”.

RG 111 establishes certain guidelines in respect of independent expert’s reports prepared for the purposes of the Corporations Act. RG111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of “fair and reasonable” in the context of a takeover offer. RG111 requires an independent expert report prepared for a change of control transaction implemented by way of scheme of arrangement to undertake an analysis substantially the same as for a takeover bid. However, the opinion of the expert should be whether or not the Scheme is “in the best interests of the members of the company”. If an expert were to conclude that a proposal was “fair and reasonable” if it was in the form of a takeover bid, it will also conclude that the Scheme is “in the best interests of the members of the company”.

Pursuant to RG111, an offer is “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject of the offer. A comparison must be made assuming 100% ownership of the target company.

RG111 considers an offer to be “reasonable” if it is fair. An offer may also be reasonable if, despite not being “fair” but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

In our opinion, the most appropriate way to evaluate the fairness of the Scheme is to assess:

- Whether the Non-Founder Consideration is fair and reasonable to the Non-Founder Shareholders.
- Whether the Total Founder Consideration provides the Founders Shareholders with a net benefit compared with the Non-Founder Consideration.

In considering whether the Scheme is in the best interests of ONT Shareholders, we have considered a number of factors, including:

- Whether the Scheme is fair.
- The terms and conditions relating to the Scheme.
- The implications to ONT Shareholders if the Scheme is not approved.
- The advantages and disadvantages for the Founder Shareholders and Non-Founder Shareholders.
- Other likely advantages and disadvantages associated with the Scheme.
- Other costs and risks associated with the Scheme that could potentially affect ONT Shareholders.

## 2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Scheme with reference to RG 112.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Scheme other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Scheme.

In our opinion, Grant Thornton Corporate Finance is independent of ONT and its Directors and all other relevant parties of the Scheme.

## 2.4 Consent and other matters

Our report is to be read in conjunction with the Scheme Booklet dated on or around 12 October 2021 in which this report is included, and is prepared for the exclusive purpose of assisting ONT Shareholders in their consideration of the Scheme. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Scheme Booklet.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Scheme on ONT Shareholders as a whole. We have not considered the potential impact of the Scheme on individual ONT Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Scheme on individual shareholders.

The decision of whether or not to approve the Scheme is a matter for each ONT Shareholder based on his or her views on the value of ONT and expectations about future market conditions, together with ONT's performance, risk profile and investment strategy. If ONT Shareholders are in doubt about the action they should take in relation to the Scheme, they should seek their own professional advice.

## 2.5 Compliance with APES 225 Valuation Services

This report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

*"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."*

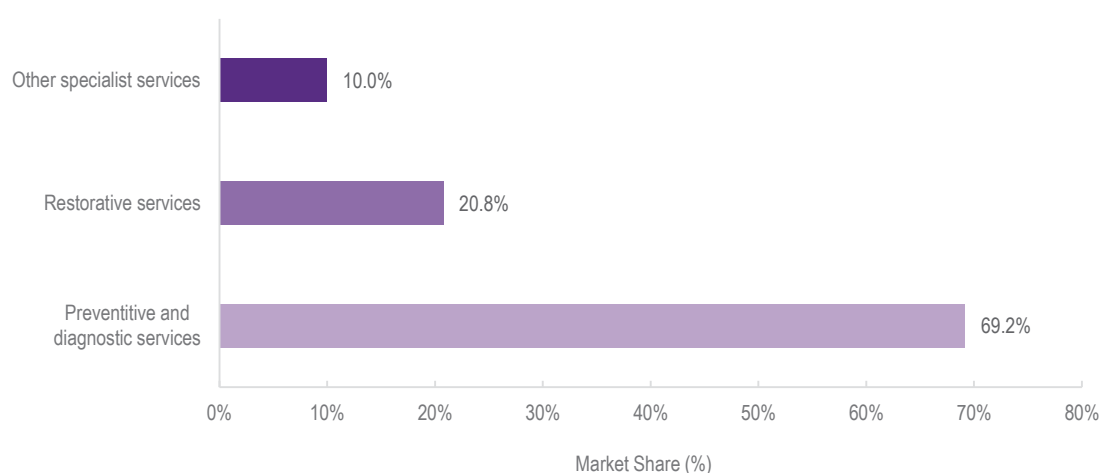


### 3 Industry overview

#### 3.1 Introduction

The dental services industry (“the Industry”) involves treating and assisting patients with a number of oral related services across numerous avenues. The Industry is highly fragmented with most enterprises operating as small-scale sole proprietorships. We note however that despite this fragmentation, the Industry itself is prone to consolidation with new dentists more inclined to join existing operators to save on the upfront investment required to open new facilities. Nonetheless, patients tend to visit dentists in close proximity to their homes or place of work and accordingly, competition is typically highly localised. A breakdown of the Industry’s revenue by service types is as followed:

#### Dental Services Industry breakdown by Revenue



Sources: IBIS World

As illustrated, preventative and diagnostic services such as routine oral exams, X-rays, cleanings, sealants and fluoride treatments represent the vast majority of the Industry’s revenue at c. 69.2%. We note however that this number has reduced over the last 18 months, largely due to many Australians deferring non-emergency dental work due to the COVID-19 outbreak. Restorative services make up the second largest market share and refer to a range of services including but not limited to the provision of fillings, dentures, crowns, bridges and other cosmetic implants. Finally, other specialist services represents the smallest market share and refers to nuanced services such as orthodontics, periodontics, endodontics and oral surgery.

Subsidies and assistance is limited to the sector due to the Federal Government not covering the costs of dental services the same way it does for other health services, with most dental costs being paid for by patients themselves. Medicare does however pay for some essential dental services for individuals and children eligible under the following criteria:

- *Child Dental Benefits Schedule (“CDBS”)*: A\$1,000 over 2 calendar years for children aged 2 to 17 for basic dental services, including but not limited to dental examinations, x-rays, cleaning, sealing cracked teeth, fillings, root canals and extractions. It does not cover orthodontic or cosmetic dental work or any dental care provided in hospital. The payments are means tested and only available to families who aren’t already receiving other government benefits.

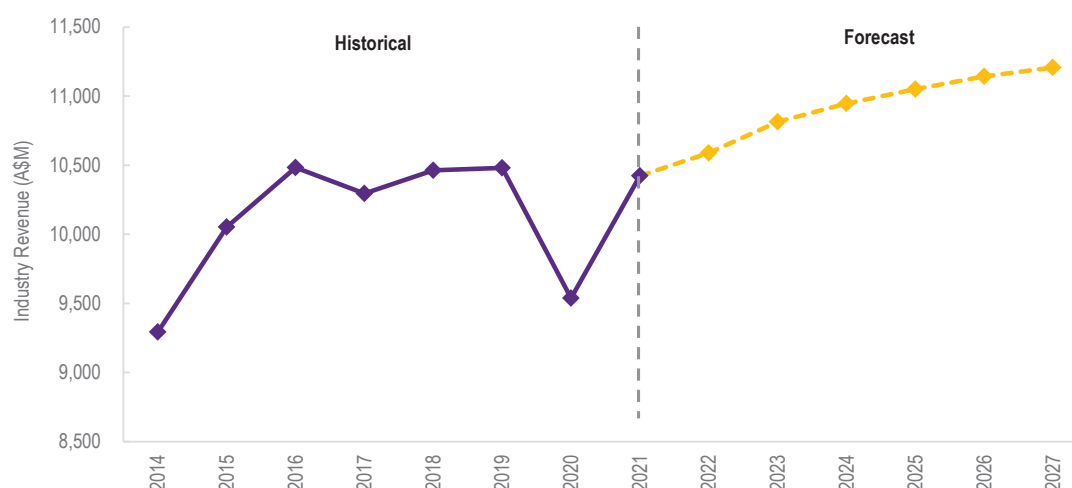
- **Public dental services:** The states and territories provide public dental services both for children and adults. These may include emergency dental services or referrals to specialist services like orthodontics or oral surgery in hospital. Adults must generally have a Health Care Card or Centrelink Pensioner Concession Card to be eligible, although the rules vary amongst the various states and territories.

According to Medicare data, c. 4.7 million dental services were provided in 2019-20 as part of the MBS<sup>15</sup> Dental Benefits Schedule, down from the c. 5.4 million services provided in the previous year. Similarly, individuals claimed c. 39.9 million dental services under private health insurance in the same year, down from the 42.9 million services claimed in 2018-19. As evidenced, the COVID-19 outbreak was a clear contributor to lower services offered and the total number of claims made throughout 2019-20.

### 3.2 Industry revenue

We have set out the historical and forecast revenue for the Industry below:

#### Dental Services Industry Revenue – Historical and Forecast



Sources: IBIS World

The Industry's revenue has been relatively stagnant over the last five years due to a substantial number of challenges faced including weak growth in household disposable income, a slight fall in the number of individuals with private health insurance and more recently the impact of COVID-19. The pandemic affected the Industry in FY20 and FY21 through Government-mandated level three lockdown restrictions, under which dentists were only allowed to perform emergency surgeries. Resultantly, dental practices nation-wide had to temporarily close until the government eased restrictions in May 2020. Most dental practices have since reopened, with pent-up demand experienced by many practitioners in the months following. Notably however, the current protracted lockdown in NSW as well as recent snap lockdowns in other states is expected to have a material impact on the Industry.

Whilst growth rates are forecast to be relatively stronger going forward, the outlook for the industry remains volatile due to the following:

- The need for improved oral care over the longer term is projected to increase demand for industry services over the period. According to the Australian Dental Association's ("ADA") Australia's Adult

<sup>15</sup> Medicare Benefits Schedule ("MBS") is a listing of the Medicare services subsidised by the Australian Government.

Oral Health Tracker 2020, the prevalence of tooth decay and gum disease among adult Australians has increased since c. 2005. The ADA is also warning of a future spike in tooth decay and other oral health issues due to the disruption in dental services as a result of the COVID-19 pandemic.

- Growth in the range of available cosmetic and restorative procedures is anticipated to boost demand for industry services over the next five years.
- The industry is forecast to remain highly fragmented over the next five years due to the presence of many independent sole proprietors who are expected to place downward price pressures on operators over the period. We note that higher wage costs are also likely to increase margin pressures and resultantly constrain profit margin growth. This is also expected to accelerate practitioner consolidation as a way for operators to achieve enhanced economies of scale through a centralised administrative and marketing platform. Many industry players will likely also offer more services such as higher margin specialist dental offerings over the next five years.
- Increased technological advances are likely to have a positive impact on the Industry's future operations, in turn increasing efficiency and thus driving profit growth into the future. New and emerging digital platforms will allow dentists to increase communications and share increased information with the patient through visually showing them areas of diagnosis as well as proposed treatment. Files will also be able to be shared amongst dental labs and other staff members, further increasing efficiency through the real-time flow of information resulting in higher productivity. Moving forward, 3D printing technologies will likely be used to produce physical models for orthodontic and prosthodontic work as well as dental and orthopaedic implants.

### 3.3 Key industry drivers

The performance of the Industry is significantly influenced by the following key factors:

#### *Private insurance*

Most dental funding in Australia is from private sources (insurance and direct payments by individuals), with only a small fraction funded from public Government spending. Private health insurance policies with ancillary cover generally only provide minimal benefits associated with dental expenses. Some health funds tend to enter into preferred provider agreements with dentists that help negotiate more favourable rates, usually with a cap, that limits the out of pocket expenses and the amount to be covered.

Accordingly, the proportion of the population with private health insurance extras cover influences demand for dental services as it reduces, sometimes significantly, the out of pocket expenses for individuals and families. Consequently, increased demand from Australians with private health insurance cover for dental work provides an opportunity for revenue growth.

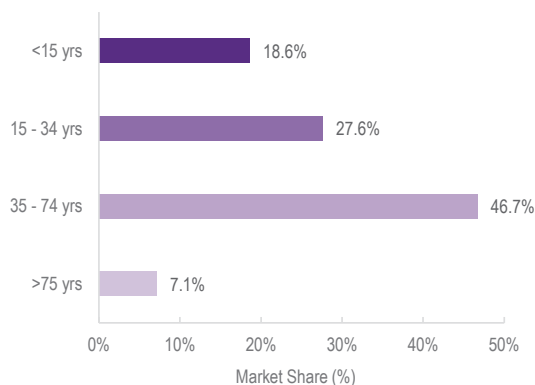
In Australia, private health insurance is a voluntary form of insurance that provides financial assistance for the cost of specified health services. Depending on the type of cover, private health insurance can fully or partly cover the costs of hospital services and or the costs of other general treatment health services, such as dental treatment. General treatment health insurance cover is generally for non-hospital medical services that are not covered by Medicare, such as dental, optical, physiotherapy, other therapies and ambulances. It is also known as 'ancillary' or 'extras' insurance. At 31 March 2021, c.11.4 million Australians (c. 44% of the population) had some form of private patient hospital cover, and c.13.9 million (c. 54%) had some form of general treatment cover.

Dental service affordability affects demand, with some people deferring dental services when incomes are low, economic conditions are uncertain or they lack dental insurance coverage. Emergency and other repair dental work can be expensive for the average consumer, forcing them to delay repair work or cut down on preventative visits. Consumers with private health insurance extras cover are more likely to visit their dentist as their coverage fully or partially subsidises check-ups and repair work.

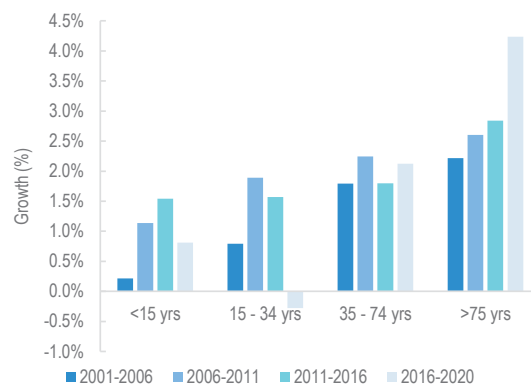
#### *Aging population*

Individuals aged 50 and over are more likely than people in other age cohorts to require expensive dental work. Growth in this population cohort therefore tends to support industry revenue, as older individuals spend more per capita on dentists compared with younger demographics. The following graph details the market breakdown by age:

**Dental Services Demographic Breakdown**



**Historical Australian Population growth**



Sources: IBIS World and the Australian Bureau of Statistics - National, State and Territory Population (December 2020).

As illustrated above on the left hand side, the vast majority of Australia's dental market is consumed by individuals who fall in the 35 to 74 years old age bracket, largely due to previously lower dental health standards and a lack of preventative care. As shown on the right hand side, Australia's population is steadily ageing. Over the last 20 years, the proportion of Australia's population aged 65 and older has increased from 12.3% to 15.9%, a result of increasing baby boomers cohorts reaching 65 years old<sup>16</sup>. This increase in the pool of elderly Australians has been largely driven by increasing life expectancies as a result of technological and medical advancements alike. As a result of this, there is likely to be heightened demand for restorative and other specialist services going forward, in turn supporting sustained investment into the Industry and likely driving growth in overall dental services usage.

#### *Real household income*

Household disposable income is a key determinant of the availability of funds for the payment of dental expenses. An increase in real household disposable income is likely to result in increased uptake of private health insurance, in turn lowering overall dental treatment costs. Growth in Australian household disposable income in real terms was 1.7% per annum from FY15 to FY20. We note that the Federal Government's JobKeeper assistance package ended in March 2021, a phenomena that had a materially positive impact on the level of disposable income nationwide during the pandemic. As a result of the

<sup>16</sup> Australia Bureau of Statistics – Australia demographic statistics, December 2020. Twenty year of population growth.

scheme ending, disposable incomes are expected to decrease in the short-run, before increasing from FY22 onwards as a result of the post-pandemic economic recovery.

#### *Number of dentists*

A growing number of dentistry courses at universities has led to a rise in new graduates entering the industry over the past five years. This development has boosted both industry enterprise and employment numbers over the period, expanding the industry's base and lifting revenue. The number of dental practitioners per 100,000 people is expected to increase in 2021-22.

### 3.4 Market structure and competition

Over the past five years, the number of dentists has expanded and increased price pressure. Competition is mainly based on the following:

- Localisation of the practice with patients preferring places close to their home or place of work as usually pricing differences are minor.
- Links with private health insurance and whether or not the practice can be badged as a preferred provider, for which the private health insurer can usually subsidise the full fee for check-ups.
- Level of digitisation of the dentist practices with patients' ability to claim benefits immediately, rather than paying upfront and claiming benefits later.
- The reputation of dental practitioners within the local community and particularly with referrers. Furthermore, dental practices co-located with other health service providers or those providing a wider variety of dental services can benefit from cross referrals.

Industry consolidation is expected to continue over the years with more dentists joining corporate dental groups. Larger corporate groups are forecast to continue actively building scalable businesses by both acquiring existing dental practices and establishing new practices. Often, new dentists prefer to join corporate dental groups as the corporate entity tends to look after all the administrative, marketing and commercial tasks such that the dentists can uniquely focus on the delivery of dental services to their patients. Dentists usually can opt to retain an ownership in the practice or receive a corresponding share of the practice's revenue.

We have set out below the key corporate groups in the sector in Australia in addition to ONT:

- **Bupa Dental ("Bupa")** – A subsidiary of the international Bupa health insurance and health care group based in the United Kingdom. In Australia, Bupa operates across all states and territories with over 200 dental clinics of which at least 120 are Bupa owned.
- **Maven Dental Group ("Maven")** – Maven was established as Dental Partners in 2008. The group includes c. 94 Australian dental practices as at June 2021 and is primarily located in Queensland and northern New South Wales. Maven Dental is owned by New Zealand-based Abano Healthcare Group Ltd which is controlled by BGH Capital.

- *NDC Australia Pty Ltd ("NDC")* – NDC currently operates a network of over 60 corporate dental practices located Australia wide. NDC was founded in 2013 and is headquartered in Brisbane. Australia-based private equity firm Crescent Capital Partners controls the company
- *Pacific Smiles Group Limited ("Pacific Smiles")* – Pacific Smiles is listed on the ASX and operates 109 dental centres, including 85 Pacific Smiles Dental Care Centres and nine nib Dental Care Centres as at 30 June 2021. Over 40% of the company's practices are located in New South Wales.
- *Primary Dental* – Primary Dental operates a network of 61 dental clinics across Australia. Primary Dental has recently changed owner after Healius Limited sold its primary care business (including Primary Dental) to BGH Capital in November 2020 for c. A\$500 million.



## 4 Profile of ONT

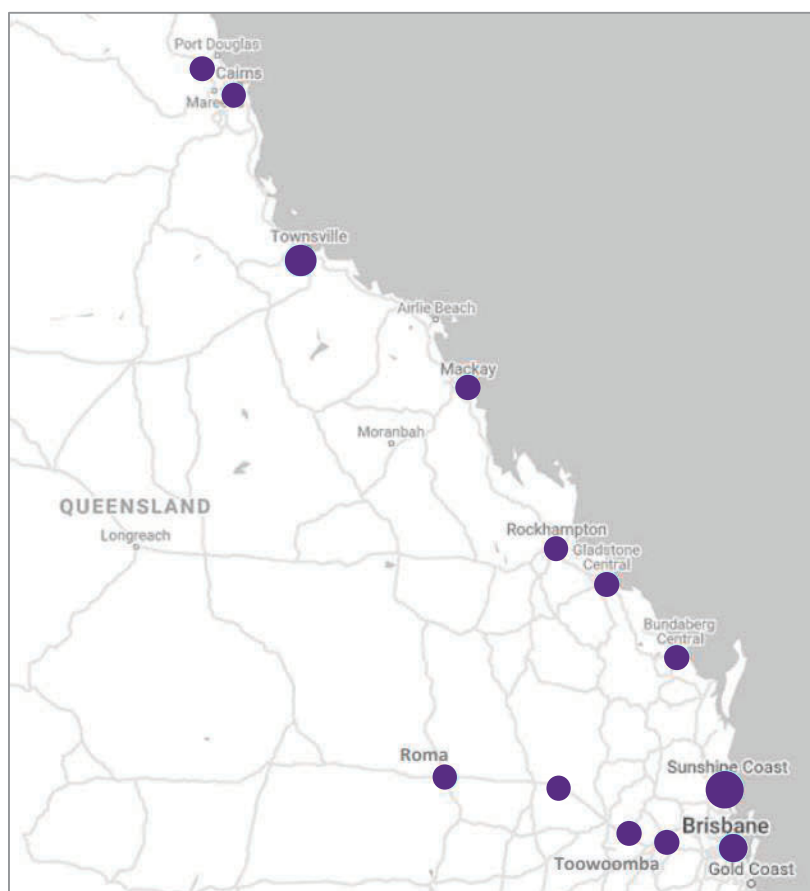
### 4.1 Introduction

ONT owns and operates 34 full-service dental practices across Queensland and New South Wales. The Company was started in 1999 by Dr Daryl Holmes as Townsville Family Dental before expanding to 7 practices and listing on the ASX in 2005.

The Company provides a range of dental offerings that include the likes of general, cosmetic, preventive, restorative and orthodontic services. Restorative services make up the largest portion of ONT's revenue and are broadly constituted by offerings such as fillings, crowns, bridges and implants. Alongside restorative services, preventive and diagnostic services constitute to the next two largest revenue streams.

Since listing, ONT has expanded by organic means through establishing its own new operations as well as inorganic avenues through the acquisition of pre-established dental practices. ONT's Dental Practices are mainly located in Queensland (31 practices) with 3 additional in NSW. The Company's head office is located in Townsville, Queensland. We have set out below a map of ONT's geographic distribution in Queensland.

#### ONT Practice Geographic Distribution in Queensland



Sources: Management Information

ONT supports each of its dental practices through providing the use of dental surgeries, practice management and other services mainly to self-employed dentists<sup>17</sup>. This allows a degree of autonomy for each practice and enables the dentists to focus on delivering services to patients, whilst ONT manages the overhead and back office activities.

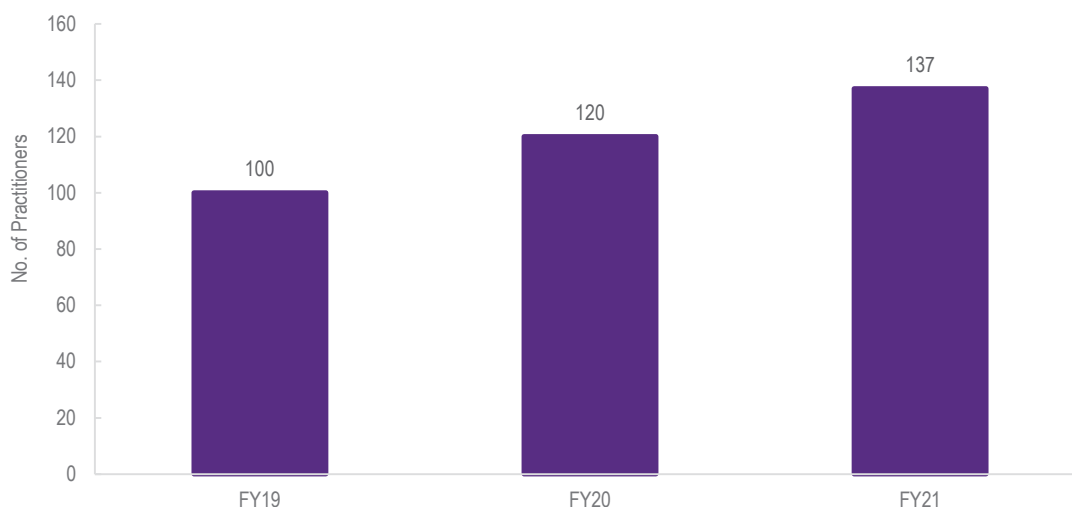
#### 4.2 Business Operations and Strategy

ONT has demonstrated resilience over the last 3 years including throughout the COVID-19 pandemic, this performance is underpinned by ONT's business strategy, which includes some of the key focus areas:

- *Recurring client base* – ONT is the beneficiary of a strong, reoccurring client base. We note that 80% are reoccurring and returning patients that come back as a part of routine check-ups or ongoing procedures, which provides ONT with stable, annuity like revenues. ONT's active and new patients have remained relatively stable over the last 20 months, albeit with a slight downturn in the March to May 2021 COVID-19 lockdown periods. Post COVID-19 lockdowns, ONT achieved a distinct uptick in patients through June and July of 2020, primarily due to latent demand existing from the previous lockdown months. ONT provides competitive pricing and discounts to its customers, staggered payment and repayment plans as well as other payment options including ZIP, Afterpay and Humm.
- *Health Fund Partnerships* - ONT has preferred health fund provider relationships with 8 health funds, including BUPA, CBHS, Defence Health, HCF, Medibank, NIB, TUH and West fund. The preferred provider agreements help negotiate more favourable rates, usually with a cap, that limits the out of pocket expenses for the client. This benefits ONT as a means to attract new clients that are recommended by the health funds, as well retaining existing clients that will continue to use ONT due to the out of pocket expenses being limited by the health fund agreement.
- *Dentist Practitioners* - ONT's dentists range from new graduates to experienced dental professionals and, whilst most dentists are self-employed, the Company also employs qualified dentists for some of its operations. The business model also allows for specialists and dentists with particular interests and experience to operate in areas such as endodontics, oral surgery, implants and periodontics and of cross-refer work to other dentists who use the company's services. Additionally and as part of the recruitment process, ONT offers various incentives as a way to increase both candidate acceptance and retention such as relocation allowances, sign-on bonuses, competitive remuneration and commission percentages. As a result and as illustrated below, ONT has been able to grow their foundational practitioner base in recent years:

<sup>17</sup> The Company also employs qualified dentists for some its operations

### ONT Employed Dentist Practitioners



Sources: Management Information

- **Streamlined overhead and centralised functions** – The ONT business model provides overhead support services to all dental practices, resulting in costs savings associated with improved bargaining power with suppliers, centralised procurement, a lean regional manager support structure and centralised Information and Communications Technology and payroll systems. In addition to the cost savings, ONT’s provision of overhead support services allow the dentists to focus on patients and revenue generation as opposed to the day-to-day running of the practice.
- **Stability of earnings and dividends** - We note that ONT has consistently paid dividends to its shareholders as a priority, which aligns with the stability of earnings and the resilient/defensive business model. ONT continued to pay dividends throughout the COVID-19 pandemic, where in FY20 the full year dividend was increased by 3% to 25.75 cents per share. See Section 4.5.3 for dividend payment profile of ONT.

#### 4.3 Dental Service Agreement

ONT has Dental Service Agreements (“DSA”) in place for dentists. Under the DSA, the dentist engages ONT to provide various administrative services to assist the dentist to conduct their dental practice from the ONT premises. The services provided by ONT to the dentist under the DSA include the provision of dental assistants and support staff; branding, marketing and promotion services; and other operational services required to run a dental practice. In return, ONT is paid a monthly fee in arrears from the dentist, which is based on a sliding scale of dental fees generated by the dentist. The DSA also contains other key terms and requirements including customary termination rights for agreements of this nature, including the right for ONT to terminate in various circumstances such as a breach of the DSA by the dentist.

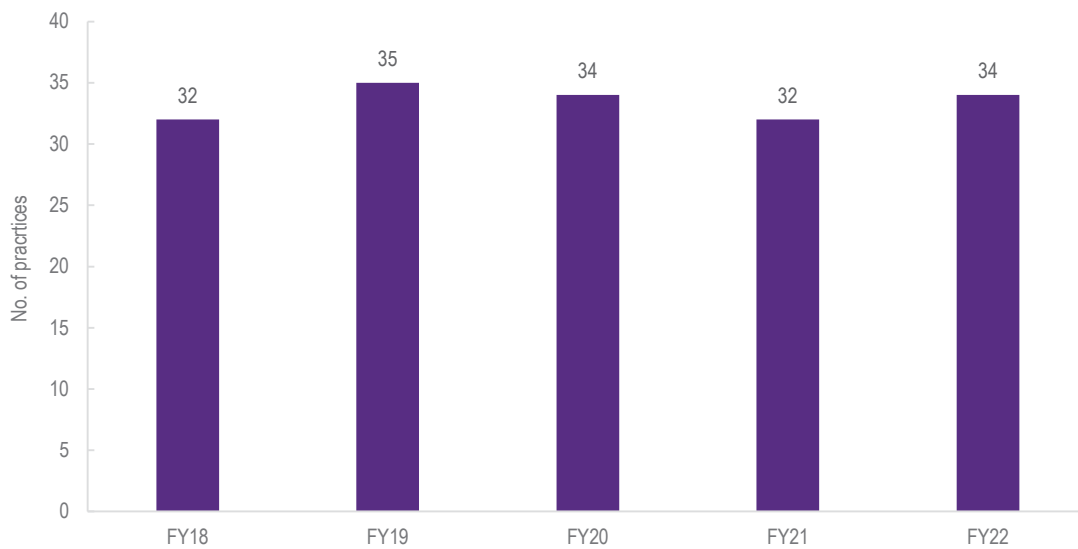
#### 4.4 Practice management

Over the last five years, ONT has set up 2 greenfield practices (both in Queensland), and made 14 acquisitions with the most recent procurements being the Chinchilla and Orange Moose practices in Queensland<sup>18</sup>. Under ONT ownership, acquired practices have seen improved operational and financial

<sup>18</sup> Having settled on 1 July 2021.

performance through the adoption of the business' internal processes and systems. Conversely however, ONT also disposes of practices when they underperform financially and do not meet their KPIs. Over the last five years, management has also simultaneously disposed of 7 practices, with recent notable divestments being the Ingham and Kirwan centres in Queensland and the Waterloo practice in NSW. As a result, the number of practices has remained substantially stable over the last 5 years as set out in the graph below.

#### No. of ONT's dental practices



Source: Management Information

In terms of ONT's future business outlook, ONT aims to achieve growth through operational improvements, the establishment of new practices or through acquisitions. Over the medium term, ONT is targeting the purchase of c. 3 new practices per annum in addition to the prosecution of selective greenfield developments. When considering whether to establish a new greenfield practice or to acquire an existing one, ONT considers the following:

- **Greenfield practices** – ONT focuses on strategic locations with collaboration opportunities, strong local demand, the ability to scale and increase the size of the property as well as the ability to leverage off existing network for dentists.
- **New acquisitions** – ONT focuses on paying appropriate upfront multiples with the vendor dentists remaining with the business via the DSA. ONT also pursues opportunities where the transaction includes some form of earn-out in the consideration to ensure the dentists remain incentivised to maintain productivity and performance over the integration period and beyond. Additionally and at any given time, ONT has a considerable acquisition pipeline that monitors and tracks potential practices for purchase. Currently, ONT is in discussions with three separate practices.

#### 4.5 Financial information

##### 4.5.1 Financial performance

The table below shows the Company's audited consolidated statements of financial performance for the periods ending 30 June 2019, 30 June 2020 and 30 June 2021:

Consolidated Statements of financial performance	FY19	FY20	FY21
A\$000's	Audited	Audited	Audited
Services revenue	39,180	37,979	43,493
Other revenue	1,133	1,823	788
Other income	1,639	897	664
<b>Total revenue</b>	<b>41,952</b>	<b>40,699</b>	<b>44,945</b>
Consumables, lab fees and other supplies	(4,082)	(5,153)	(5,922)
Employee benefit expenses	(15,909)	(14,203)	(15,426)
Property expenses	(3,304)	(522)	(583)
Operating expenses	(4,565)	(4,063)	(3,571)
Corporate and administrative expenses	(808)	(581)	(562)
<b>EBITDA</b>	<b>13,284</b>	<b>16,177</b>	<b>18,881</b>
Depreciation and amortisation	(2,268)	(5,507)	(5,236)
<b>EBIT</b>	<b>11,016</b>	<b>10,670</b>	<b>13,645</b>
Interest expense	(229)	(884)	(532)
Income tax expense	(3,015)	(2,641)	(3,487)
<b>Net profit after tax</b>	<b>7,772</b>	<b>7,145</b>	<b>9,626</b>
<i>Key Performance Indicators</i>			
<i>EBITDA Margin</i>	31.7%	39.7%	42.0%
<i>EBITDA Growth</i>	n/a	21.8%	16.7%
<i>EBIT Margin</i>	26.3%	26.2%	30.4%
<i>EBIT Growth</i>	n/a	(3.1)%	27.9%

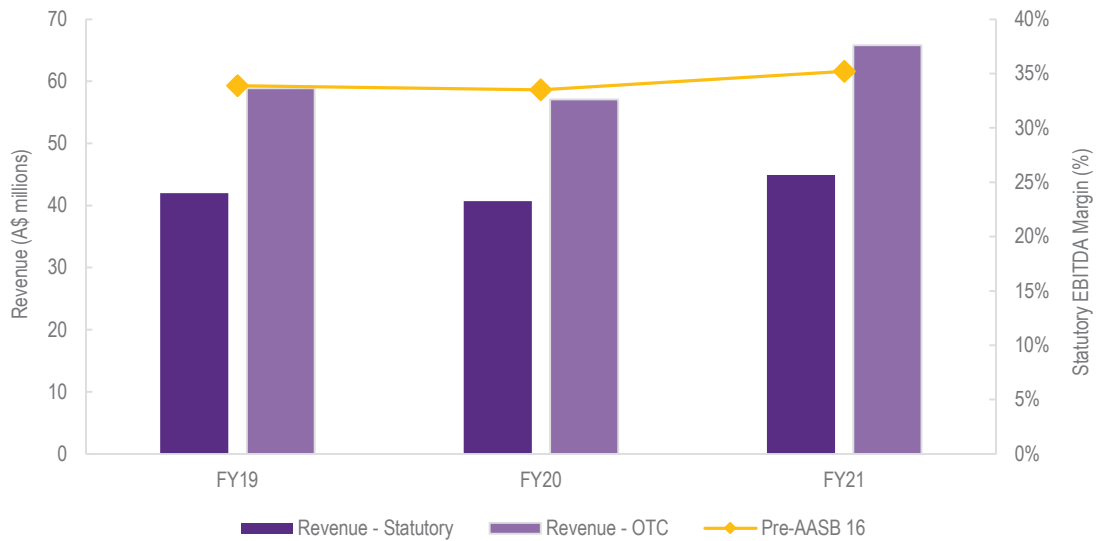
Sources: ONT annual reports; Management

Note: EBITDA is stated on an as Reported basis, see below for discussion on AASB 16

In relation to the above, we note the following:

- ONT reports revenue in two different ways; Statutory and Over-the-counter (“OTC”) revenue. Statutory revenue relates to the revenue reported in the statutory financial accounts (as illustrated above). OTC revenue however is different in that it captures the full value paid by patients for all services rendered by the practices. As such, statutory revenue excludes the portion of patient fees retained by self-employed dentists and other ancillary expenses. OTC revenue can provide a better indication of the scale of business operations, turnover and underlying performance. The chart below displays the last three years’ Statutory and OTC revenue, as well as the EBITDA margin for the period:

### ONT's Statutory vs. OTC Revenue Breakdown



Sources: ONT annual reports; Management

- Total Statutory services revenue in FY20 decreased slightly relative to FY19, predominately due to the closure of all practices for several weeks between March and May 2020 in accordance with the mandatory lockdowns associated with the initial COVID-19 outbreak. Since then, the pandemic has primarily affected high-density areas within Australia, of which ONT had very limited exposure to. Whilst there has been somewhat stunted growth Australia wide over the last 18 months due to ad-hoc secondary lockdowns as well as bumpy re-opening to state economies, the overwhelming majority of ONT's patients, dentists, staff and practices live in the suburban settings that so far have avoided the worst of the pandemic. As such, FY21 saw the company grow to above pre-pandemic levels and operate again at near full capacity throughout the year.
- Other revenue consists of a variety of different line items, namely being interest, consulting revenue, de-recognition of contingent consideration, de-recognition of other payables, fair value gains on financial assets (investments) and other revenue.
- Employee benefit expenses is the largest operating expense amounting to c. A\$13 million in FY21 and they also include various incentives such as relocation allowances for new dentists, sign-on bonuses and commission percentages. Additionally, due to the mandatory lockdowns and stay at home orders affecting Australia, ONT qualified for JobKeeper payments in both of FY20 and FY21, respectively A\$2.2 million and A\$1.8 million. These JobKeeper receipts are recognised within employee benefits expense. Additionally, ONT received c. A\$0.2 million in rent relief cumulatively in both of FY20 and FY21.
- ONT's centralised overhead functions varied between A\$3.7 million in FY20 and A\$3.9 million in FY21.
- We note that ONT adopted the AASB 16 lease changes in their FY20 financial statements (FY19 accounts were not restated on a post-AASB 16 basis). These changes had no impact on the overall cash flow of the business, however it did have a material impact on the way ONT's accounts were presented. The following table illustrates the impact of AASB 16 on ONT's EBITDA in both of FY20 and FY21:

AASB 16 Impact: EBITDA	FY19	FY20	FY21
A\$000's	Audited	Audited	Audited
<b>EBITDA</b>	<b>13,284</b>	<b>16,177</b>	<b>18,881</b>
AASB 16 - Rent expense	-	(2,906)	(3,060)
<b>EBITDA (Pre-AASB 16 leases)</b>	<b>13,284</b>	<b>13,271</b>	<b>15,821</b>

Sources: ONT annual reports; Management

Furthermore, the following table illustrates the impact of the adoption of AASB 16 on ONT's Net Profit Before Tax ("NPBT") in both of FY20 and FY21:

AASB 16 Impact: Net Profit Before Tax	FY19	FY20	FY21
A\$000's	Audited	Audited	Audited
<b>Net profit before tax</b>	<b>10,787</b>	<b>9,786</b>	<b>13,113</b>
AASB 16 - Right-of-use depreciation	-	2,867	2,854
AASB 16 - Interest expense	-	277	214
AASB 16 - Rent expense	-	(2,906)	(3,060)
<b>Net profit before tax (pre-AASB 16 leases)</b>	<b>10,787</b>	<b>10,024</b>	<b>13,121</b>

Sources: ONT annual reports; Management



#### 4.5.2 Financial position

The consolidated statements of financial position of ONT as at 30 June 2020 and 30 June 2021 are outlined in the table below:

Consolidated Statements of financial position A\$000's	30-Jun-20 Audited	30-Jun-21 Audited
<b>Current Assets</b>		
Cash and cash equivalents	6,681	4,247
Trade receivables	2,197	1,573
Inventories	257	385
Other assets	1,792	1,570
Current tax assets	-	-
Loans receivable	271	500
Financial assets - investments	259	445
<b>Total Current Assets</b>	<b>11,457</b>	<b>8,720</b>
<b>Non-Current Assets</b>		
Loans receivable	5,551	7,810
Financial assets - investments	-	-
Property, plant and equipment	12,767	12,550
Right-of-use assets	8,447	8,139
Investment property	1,625	1,625
Intangible assets	34,308	33,926
<b>Total non-current assets</b>	<b>62,698</b>	<b>64,050</b>
<b>Total Assets</b>	<b>74,155</b>	<b>72,770</b>
<b>Current Liabilities</b>		
Trade and other payables	4,300	3,729
Provisions	838	878
Current tax liabilities	1,222	421
Other liabilities	1,315	174
Lease liabilities	2,865	2,885
<b>Total Current Liabilities</b>	<b>10,540</b>	<b>8,087</b>
<b>Non-Current Liabilities</b>		
Trade and other payables	401	-
Deferred tax liabilities	360	712
Provisions	444	449
Other liabilities	260	186
Loans payable	15,000	13,300
Lease liabilities	6,017	5,670
<b>Total Non-Current Liabilities</b>	<b>22,482</b>	<b>20,317</b>
<b>Total Liabilities</b>	<b>33,022</b>	<b>28,404</b>
<b>Net Assets</b>	<b>41,133</b>	<b>44,366</b>

Sources: ONT annual reports; Management

In relation to the above we note the following:

- The Company has a negative net working capital cycle with the revenue being collected at the time of the services being provided whereas some of the costs payments are deferred between 30 and 60 days.
- Loans receivable, both current and non-current, accounting for c. A\$8.3 million of ONT's assets as at 30 June 2021 are separated into two distinct categories. Firstly, c. A\$1.8 million is made up of loans pursuant to the Company loan funded program to incentivise consultants, contractors and executive management. Within this program, shares are held in voluntary escrow and are progressively released over a six year period subject to tenure and the loan progressively repaid. The loans are secured by lien over the shares acquired from proceeds of the share loan. Secondly, the remaining c. A\$6.5 million are redeemable preference shares that were acquired during the year in an unlisted public company. Terms of fixed interest repayments vary between 3 months and 36 months, with fluctuating rates of returns from anywhere between 2.75% and 12%. No voting rights are attached to the shares held and management intends to hold the investments for cash flow purposes and not share trading purposes.
- The investment property of c. A\$1.6 million in FY21 refers to the property at 361 Flinders St, Townsville that is owned by ONT. The property is two stories, with the ground floor housing an ONT practice and the second floor an apartment that is leased out. Note, the rental income associated with the second floor apartment is captured within ONT's statement of financial performance. Management have noted that this investment property was sold on 27 August 2021 and that ONT has entered into a lease for the ground floor.
- Property, Plant and Equipment are comprised of three separate line items, these being Leasehold improvements (c. A\$1.6 million), Plant and Equipment (c. A\$9.6 million) and Land and Buildings (c. A\$1.3 million).
- Intangible assets includes the goodwill from the historical practice acquisitions.
- ONT's provisions, both current and non-current, are made up of two separate line items, these being provisions for employee benefits at c. A\$0.9 million and a make good provision for c. A\$0.4 million. Under ONT's licensing agreements, the Company is required to restore leased premises to their original condition at the end of the respective lease terms. This make good provision is recognised for the estimated expenditure required to remove any leasehold improvements, with the costs being capitalised as part of the cost of leasehold improvements.
- We note the existence of a total deferred consideration payable amount of c. A\$0.4 million relating to the previous acquisitions of Chatswood worth c. A\$0.2 million and Bathurst Bundaberg Central Point also worth c. A\$0.2 million. Note, these are captured within other current and non-current liabilities respectively.
- The loan payable amount of c. A\$13.3 million is a multi-option loan facility agreement ("Loan Facility") with the Commonwealth Bank of Australia that was settled on 2 August 2019. The details of the Loan Facility are as follows:
  - Total amount available of A\$25 million with an additional A\$25 million accordion facility.

- Interest terms vary according to the net leverage ratio.
- Security for the loan facility consists of first ranking general security interest over all assets and undertakings of ONT.
- Debt covenants of a net debt leverage ratio<sup>19</sup> no greater than 2.75x and a fixed interest charge cover ratio<sup>20</sup> that must remain above 1.80x. We note that for the period ending 30 June 2021, the net leverage ratio and the fixed cover ratio were 0.60x and 6.09x respectively.
- The loan facility expires on 2 August 2022.

#### 4.5.3 Cash flow statement

ONT's cash flow statements for the periods ending 30 June 2019, 30 June 2020 and 30 June 2021 are summarised below:

<sup>19</sup> Used to assess the borrowing capacity of the business. Calculated as net debt divided by reported EBITDA for the trailing twelve month period.  
<sup>20</sup> Used to measure the business' capacity to pay all of its fixed charges or expenses with its income before interest and tax. Calculated as (EBIT + fixed charges before taxes) / (interest + fixed charges before taxes).

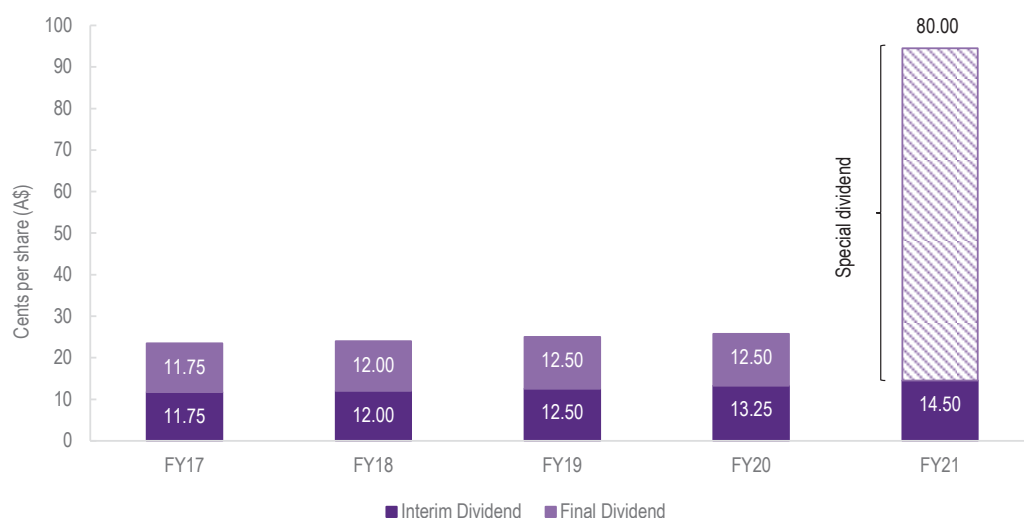
Consolidated Statements of cash flows	FY19	FY20	FY21
A\$000's	Audited	Audited	Audited
<b>Cash Flows from operating activities</b>			
Receipts from customers (inclusive of GST)	43,791	41,513	46,980
Payments to suppliers and employees (inclusive of GST)	(34,167)	(29,114)	(31,824)
JobKeeper receipts	-	1,805	2,185
Interest received	358	370	379
Interest and other finance costs paid	(229)	(513)	(291)
Income taxes paid	(2,848)	(1,477)	(4,054)
<b>Net cash inflow from operating activities</b>	<b>6,905</b>	<b>12,584</b>	<b>13,375</b>
<b>Cash Flows from investing activities</b>			
Advances (payments) of loans provided	346	80	219
Advances (payments) of share loans provided	(1,276)	(250)	124
Investments (payments) of loans established	(500)	-	-
Advances for loans receivables	(207)	(375)	(3,500)
Proceeds from sale of property, plant and equipment	25	521	681
Payments of property, plant and equipment	(1,968)	(1,720)	(1,284)
Payments of intangible assets	(488)	(30)	(11)
Payments for deferred consideration	(1,030)	(100)	(417)
Payments for purchase of business, net of cash acquired	(4,917)	(1,886)	(468)
<b>Net cash outflow from investing activities</b>	<b>(10,015)</b>	<b>(3,760)</b>	<b>(4,656)</b>
<b>Cash Flows from financing activities</b>			
Repayment of borrowings	(6,999)	(15,500)	(15,900)
Draw down of borrowings	14,248	21,300	14,200
Dividends paid	(5,801)	(6,097)	(6,393)
Repayment of lease liabilities	-	(2,480)	(3,060)
<b>Net cash (outflow) / inflow from financing activities</b>	<b>1,448</b>	<b>(2,777)</b>	<b>(11,153)</b>
Increase/(decrease) in cash and cash equivalents	(1,662)	6,047	(2,434)
Cash and cash equivalents at the beginning of the year	2,296	634	6,681
<b>Cash and cash equivalents at the end of the year</b>	<b>634</b>	<b>6,681</b>	<b>4,247</b>

Sources: ONT annual reports; Management

- The cash flows from operating activities was boosted in FY21 from the full run-rate of the previously acquired practices and by the receipt of Jobkeeper payments.
- The c. A\$(3.5) million expenditure with regard to advances for loan receivables pertains to an additional amount that ONT invested into an unlisted public company throughout the period via redeemable preference shares. This investment is captured within loans receivables on the balance sheet, as previously discussed in Section 4.5.2.
- Over the last three years, the Company invested c. A\$8.3 million for the acquisition of new practices and c.A\$1.5 million for deferred payments to vendors.
- Average capital expenditure in the three years for the purchase of practices equipment and technology improvements amounted to c. A\$1.6 million per annum.

- We note that in FY21 ONT intends to declare and pay all Shareholders before the Scheme implementation date a special dividend of up to A\$0.80 per share (reserving the right to increase this to up to A\$1.10 per share). We note that the Special Dividend is intended to be fully franked at a marginal tax rate of 26%. Assuming a A\$0.80 fully franked dividend per share is paid, aggregating this with the interim dividend paid of A\$0.145 per share would bring the full year dividend payout to A\$0.945 per share. The following graph illustrates ONT's historical dividend payout over the last 5 years based on this assumption:

#### ONT Historical Dividend Payout



Sources: ONT annual reports; Management

#### 4.6 Share Capital structure

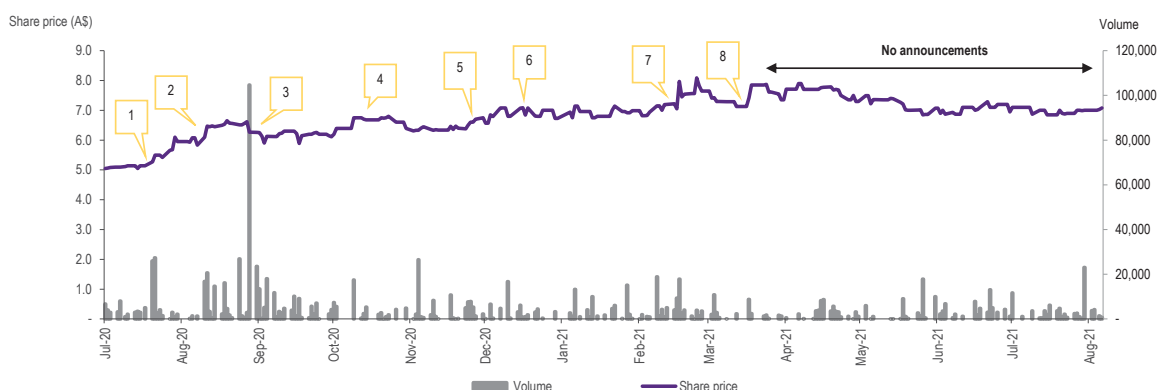
As at the date of this report, ONT has 23,678,384<sup>21</sup> ordinary shares on issue.

##### 4.6.1 Share price and market analysis

Our analysis of the daily movements in ONT's share price and volume for the period from 20 December 2018 to 7 August 2020 is set out below:

<sup>21</sup> S&P Global Capital IQ

## Historical share trading prices and volume for ONT



Sources: S&P Global and GTCF analysis

The table below illustrates the key events from December 2018 to July 2020, which had material impact on the share price and volume movements.

Share price event analysis		
Event	Date	Comments
1	Jul-20	ONT provided a trading update detailing their COVID-19 recovery efforts. The company advised that since the easing of restrictions on 11 May 2020, they had rescaled their operations to meet the sudden and growing influx of patient demand for dental services. The following June highlights were announced: <ul style="list-style-type: none"> <li>- Revenue was up 18% compared to June 2019;</li> <li>- Same-store sales ("SSS") revenue was up 20% compared to June 2019;</li> <li>- Increased utilisation of online booking platform was up 216% on June 2019;</li> <li>- Normalised EBITDA was up 65% compared to June 2019; and,</li> <li>- Net Debt of A\$8.3million as at 30 June 2020.</li> </ul>
2	Aug-20	ONT announced to the market their full year statutory accounts for the year ended 30 June 2020. The following highlights were detailed: <ul style="list-style-type: none"> <li>- Revenue from ordinary activities was A\$39.8 million, down c. 1.3% from the prior corresponding period ("pcp");</li> <li>- Normalised EBITDA was A\$16.2 million, up c. 22.0% from the pcp;</li> <li>- Net profit from ordinary activities after tax attributable to members was A\$7.1 million, down c. 8.1% from the pcp;</li> <li>- Final dividend per security was announced to be fully franked at A\$0.125 per security; and,</li> <li>- Net Tangible Assets ("NTA") backing per ordinary security was A\$0.288, up c. 3.2% from pcp.</li> </ul>
3	Aug-20	ONT released an update to their prior dividend distribution announcement. The update provided an adjustment to the applicable corporate tax rate for franking credit, decreasing it to 27.5% from the previous 30.0%.
4	Oct-20	ONT provided an update on its over OTC revenue growth for September 2020 and 1QFY21. The following highlights were detailed: <ul style="list-style-type: none"> <li>- For September 2020, same practice OTC growth across all practices was 21.5% compared to the pcp;</li> <li>- For the first quarter FY21, same practice OTC growth across all practices was 15.5% compared to the pcp;</li> </ul>
5	Nov-20	ONT announced that it had entered into an agreement to acquire another established dental practice in Bundaberg. The new practice complements ONT's two existing Bundaberg practices and offers a full range of dental services to the local community.
6	Dec-20	ONT announced that it had completed the acquisition of the established dental practice in Bundaberg announced to the market in late November 2020.
7	Feb-21	ONT announced to the market their half year statutory accounts for the period ended 31 December 2020. The following highlights were detailed: <ul style="list-style-type: none"> <li>- Revenue from ordinary activities was A\$23.8 million, up c. 1.2% from the prior corresponding period ("pcp");</li> <li>- Net profit from ordinary activities after tax attributable to members was A\$5.9 million, up c. 34.8% from the pcp;</li> <li>- Interim dividend per security was announced to be fully franked at A\$0.145 per security; and,</li> <li>- NTA backing per ordinary security was A\$0.406, up c. 37.6% from pcp.</li> </ul>

## Share price event analysis

Event	Date	Comments
8	Mar-21	It was announced to the market that following a March 2020 revaluation, ONT was removed from the all ordinaries index, effective from 22 March 2021.

Sources: ASX announcements; S&P Global Capital IQ

The monthly share price performance of ONT prior to the announcement of the Scheme is summarised below:

1300SMILES Limited	Share Price			Average weekly volume '000'
	High \$	Low \$	Close \$	
<b>Month ended</b>				
Jul 2020	6.140	5.000	5.950	24
Aug 2020	6.650	5.780	6.260	58
Sep 2020	6.490	5.860	6.110	24
Oct 2020	6.800	6.150	6.390	13
Nov 2020	6.750	6.240	6.750	20
Dec 2020	7.090	6.570	6.730	12
Jan 2021	7.150	6.670	6.990	16
Feb 2021	8.090	6.820	7.650	21
Mar 2021	7.870	7.080	7.350	8
Apr 2021	7.900	7.210	7.300	11
May 2021	7.490	6.850	7.070	12
Jun 2021	7.290	6.850	6.950	14
Jul 2021	7.200	6.850	7.000	16
<b>Week ended</b>				
16 Apr 2021	7.800	7.670	7.770	25
23 Apr 2021	7.790	7.500	7.500	17
30 Apr 2021	7.500	7.210	7.300	6
7 May 2021	7.490	7.200	7.360	7
14 May 2021	7.400	7.350	7.390	0
21 May 2021	7.280	7.000	7.000	11
28 May 2021	7.100	6.850	6.860	22
4 Jun 2021	7.070	6.870	6.870	23
11 Jun 2021	7.150	6.850	7.100	4
18 Jun 2021	7.100	6.850	7.100	14
25 Jun 2021	7.290	6.950	7.200	24
2 Jul 2021	7.200	6.950	7.100	17
9 Jul 2021	7.200	6.870	6.870	5
16 Jul 2021	7.010	6.850	6.850	13
23 Jul 2021	7.000	6.850	6.900	12
30 Jul 2021	7.000	6.880	7.000	29

Source: S&P Global and GTCF calculations

#### 4.6.2 Top shareholders

We have set out below the top 5 shareholders of ONT as at 15 September 2020:



ONT Top Shareholders		No. of	Ownership
Rank	Name	Shares	(%)
1	Founder Shareholders	14,161,027	59.8%
2	Ellerston Capital Ltd and its associates	1,681,165	7.1%
3	Evelin Investments Pty Ltd	980,000	4.1%
4	Ashbourne Park Pty Ltd	550,702	2.3%
5	Dr Russell Kay Hancock	500,000	2.1%
<b>Top 5 Shareholders Total</b>		<b>17,872,894</b>	<b>75.5%</b>
Remaining Shareholders		5,805,490	24.5%
<b>Total ONT Shareholders</b>		<b>23,678,384</b>	<b>100.0%</b>

Source: Management

## 5 Valuation methodologies

### 5.1 Introduction

Our fairness assessment involves comparing the Non-Founder Consideration and the Blended Consideration to the fair market value of ONT Shares on a control and fully diluted basis.

Grant Thornton Corporate Finance has assessed the value of ONT using the concept of fair market value. Fair market value is commonly defined as:

*“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”*

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

### 5.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow and the estimated realisable value of any surplus assets (“DCF Method”).
- Application of earnings multiples and or capitalisation rates to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets (“FME Method”).
- Amount available for distribution to security holders on an orderly realisation of assets (“NAV Method”).
- Quoted price for listed securities, when there is a liquid and active market (“Quoted Security Price Method”).
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe any above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

### 5.3 Selected valuation methods

In our assessment of the fair value of ONT, Grant Thornton Corporate Finance has relied on the valuation methodologies outlined below:

- *EBITDA Multiple Approach:* Grant Thornton Corporate Finance has selected the EBITDA Multiple Method as the primary approach to assess the fair market value of ONT due to the following key considerations:
  - EBITDA is a frequently used valuation metric to assess the value of a company irrespective of the differences in earnings caused by varying capital structures and depreciation and amortisation policies.
  - Investment analysts and other market commentators in the dentistry and medical sector typically adopt EBITDA metrics to assess the value of companies<sup>22</sup>.
  - The Company has a history of stable profitability at the EBITDA level, which is expected to continue over the long term.
  - Availability of trading data relevant to listed comparable companies and transactional evidence for the calculation and analysis of EBITDA multiples.

The EBITDA Multiple Method involves the following key processes:

- Selecting an appropriate level of EBITDA, having regard to the historical and budgeted operating results after adjusting for non-recurring items of income and expenditure, and other known factors likely to affect the future operating performance of the business. This provides maintainable earnings, which are the assessed sustainable profits and excludes any abnormal or “one off” profits or losses.
  - Determining appropriate EV/EBITDA multiples having regard to the trading multiples of comparable companies and comparable transaction evidence, and the specific circumstances of the company in question.
- *Capitalisation of Cash Flows Approach:* This is based on the capitalisation of normalised maintainable free cash flow to assess the fair market value of ONT. This utilises the following:
    - Normalised free cash flows derived using the EBITDA maintainable earnings from the EBITDA Multiple Approach. We have then applied depreciation, estimated tax expense and cash flow adjustments to derive a future, maintainable level of free cash flows into perpetuity.
    - This benefit stream has been capitalised using a cap rate consisting of the WACC.
  - *Quoted Security Price Method:* We have also considered the Quoted Security Price Method, however based on the limited liquidity, we have not relied on it.

<sup>22</sup> We note that ONT is covered by the broker.

## 6 Valuation assessment of ONT shares

### 6.1 EBITDA Multiple Approach

Under this method the EBITDA is capitalised at an appropriate EBITDA multiple to determine the enterprise value of the business. We have capitalised the EBITDA at a multiple that we consider reasonably reflects the business and growth prospects of the Company, as well as the potential synergistic benefits available to potential acquirers. Set out below is a summary of our valuation.

FME Method - valuation summary A\$ '000 (except where stated otherwise)	Section Reference	Low	High
Assessed Normalised EBITDA	6.1.1	12,000	13,000
Assessed Normalised EBITDA Multiple (on a control basis)	6.1.2	13.0x	14.0x
<b>Enterprise value (control basis)</b>		<b>156,000</b>	<b>182,000</b>
Add: Surplus assets	6.1.2	10,566	10,566
Less: Net debt	6.1.2	(9,073)	(9,073)
<b>Equity value (control basis)</b>		<b>157,493</b>	<b>183,493</b>
Number of outstanding shares ('000s) (fully diluted)	4.6.1	23,678	23,678
<b>Value per share (control basis) (A\$ per Share)</b>		<b>6.65</b>	<b>7.75</b>

Sources: S&P Global, Management, GTCF analysis

Note: Underlying EBITDA and EBITDA multiple is prepared on a pre-AASB 16 basis.

#### 6.1.1 EBITDA adopted for valuation purposes

We have undertaken our EBITDA Multiple analysis on a pre-AASB 16 due to the following:

- Key balance sheet line items reflect only external debt and better represent the true financial leverage of the entity.
- A reduction in the complexity of reporting, especially for companies like ONT and the listed peers with considerable leasing arrangements.
- The allowance for better comparison with the historic financial performance of ONT and the comparable transactions which were reported pre-AASB 16.

As set out below, we have presented the historical and forecast consensus estimate EBITDA for ONT on both a pre and post-AASB 16 basis. ONT adopted the accounting standard on 1 July 2019, resulting in increases in FY20 and FY21 EBITDA of c. A\$2.9 million and A\$3.1 million respectively.

EBITDA Assessment A\$ '000	Pre-AASB 16					Post-AASB 16		
	FY18	FY19	FY20	FY21	CE FY22	FY20	FY21	CE <sup>2</sup> FY22
<b>Total Statutory revenue</b>	<b>39,342</b>	<b>41,952</b>	<b>40,699</b>	<b>44,945</b>	<b>NA</b>	<b>40,699</b>	<b>44,945</b>	<b>48,303</b>
Revenue growth	8.8%	6.6%	-3.0%	10.4%	NA	-3.0%	10.4%	7.5%
<b>Reported EBITDA<sup>1</sup></b>	<b>13,096</b>	<b>13,284</b>	<b>13,271</b>	<b>15,821</b>	<b>NA</b>	<b>16,177</b>	<b>18,881</b>	<b>20,959</b>
EBITDA margin	33.3%	31.7%	32.6%	35.2%	NA	39.7%	42.0%	43.4%
<b>Number of practices at year end</b>	<b>32</b>	<b>35</b>	<b>34</b>	<b>32</b>	<b>34</b>	<b>34</b>	<b>32</b>	<b>34</b>

Sources: S&P Global, GTCF analysis

Note (1): Reported EBITDA from Financial Statements, this differs to Normalised EBITDA discussed below.

Note (2): Consensus estimates are prepared on a post-AASB 16 basis. Given the limited broker coverage, the consensus estimate represents the forecasts for one broker only.

As outlined above, we have normalised the FY17 and FY21 performance to take into account the following non-recurring or one-off items:

Reconciliation of Normalised EBITDA A\$ '000	Section Reference	FY17	FY18	FY19	FY20	FY21
<b>Reported / Maintainable EBITDA</b>		<b>12,563</b>	<b>13,096</b>	<b>13,284</b>	<b>13,271</b>	<b>15,821</b>
Net benefit from Jobkeeper	<i>Note 1</i>	-	-	-	(1,805)	(2,185)
Other revenue	<i>Note 2</i>	(529)	(589)	(1,133)	(1,823)	(788)
Other income	<i>Note 3</i>	(137)	(260)	(1,639)	(897)	(664)
Total non-recurring items		(666)	(849)	(2,772)	(4,525)	(3,637)
<b>Normalised EBITDA</b>		<b>11,897</b>	<b>12,247</b>	<b>10,512</b>	<b>8,746</b>	<b>12,184</b>
<i>Normalised EBITDA margin</i>		32.9%	31.1%	25.1%	21.5%	27.1%

Sources: S&P Global, GTCF analysis

- *Note 1* – ONT was a beneficiary of Jobkeeper payments of A\$1.8 million and A\$2.2 million in both FY20 and FY21 respectively. As such, we have removed the Jobkeeper payments as they subsidised performance, are non-reoccurring and not representative of normalised earnings for ONT<sup>23</sup>.
- *Note 2* – Other revenue relates to interest, de-recognition of contingent consideration payable and other revenue. This includes rental income received for the investment property held at 361 Flinders St in Townsville which we have considered separately as a surplus assets.
- *Note 3* – Other income in FY21 pertains to accounting adjustments and the fair value gain on listed investments held by ONT that we have considered separately.

In the selection of the EBITDA for our valuation assessment, we have considered the following:

#### *Historical financial performance*

- As illustrated in the table above, statutory revenue has gradually increased over the last 5 years with a compound annual growth rate ("CAGR") of c. 5.6%, however most of the growth was realised in FY21. Initial revenue growth was driven by a number of acquisitions (six acquisition of existing practices), however this was partially offset by managing out of the network a number non-performing practices which lead the total number of dental clinics to remain substantially flat.
- FY20 proved to be a challenging year for ONT, with a revenue contraction which was predominately driven by the COVID-19 restrictions that applied from 23 March to 11 May 2020, throughout which all of ONT's practices nationwide closed down. We do note however that June 2020 delivered ONT's highest monthly revenue ever, predominately due to pent up demand for dental services.
- FY21 saw a c. 10.4% increase in top line revenue, the result of the economy fully opening up again post lockdown to pre-pandemic levels. Throughout the year numerous ad-hoc lockdowns affected various states, however Queensland, where the vast majority of ONT's practices are held, largely avoided additional severe and prolonged restrictions. As a result of this, FY21's reported revenue was relatively untainted and the increase over the five year period was largely driven by streamlining operations.

<sup>23</sup> We note that removing Jobkeeper for FY20 is for display purposes only and may not be representative of maintainable, normalised EBITDA. As such, we have not relied on FY20 Normalised EBITDA in our valuation assessment.

- Normalised EBITDA has remained substantially stable throughout the entire 5 year period with Normalised EBITDA margins averaging 29.7% for the three years to FY19, 26.5% during the COVID-19 pandemic years of FY20 and FY21, and 28.4% for the entire 5 year period. ONT's practices in early FY21 saw a material catch-up as pent up demand led to the commencement of regular sales and a normalised EBITDA margin of 27.1%

#### *YTD financial performance*

As part of our procedures, we have reviewed the YTD financial performance and we note that the business is performing slightly below the same corresponding period of last year as a result of some disruption from the current lockdowns.

#### *Forecast financial performance*

We note the latest available broker forecast estimates for ONT are prepared by one broker only who estimates FY22 EBITDA on a post-AASB 16 basis only and there is limited disclosure on the underlying assumptions which accordingly prevents us to form an opinion on their reasonableness and consistency with FY21. Accordingly, we have placed greater weighting on the normalised FY21 performance for the purpose of our assessment.

#### *Conclusion on the normalised EBITDA*

We have assessed the maintainable and normalised FY21 EBITDA between A\$12.0 million and A\$13.0 million on a pre-AASB 16 basis. We note the following in relation to the selected Normalised FY21 EBITDA:

- Normalised FY21 captures the relative stability of earnings as well as the revenue and growth prospects illustrated within the most recent financial results.
- ONT's revenue generated throughout the FY21 period was relatively untainted by the impact of extensive lockdowns and COVID-19, therefore representing the most appropriate level of revenue generation moving forward.
- Normalised FY21 EBITDA margin of c. 27.1% is broadly in line with the five year average of 28.4%, after adjusting for Jobkeeper and other one off income and expenses.
- The high-end of the selected EBITDA range takes into account opportunity to streamline performance given the impact of COVID-19.

#### 6.1.2 Comparable Company multiples

In selecting the comparable companies, we have considered that ONT operates only in Australia in the dental services industry through the use of dental surgeries, practice management, and other services to self-employed dentists who carry on their own dental practices. In our view, Australian-based companies are considered more comparable as they are exposed to similar growth drivers and are subject to similar Government, health and regulatory requirements as ONT. Summarised below are the EV/EBITDA trading multiples of the selected companies.

Company Name <sup>1</sup>	Country	Market Capitalisation	Enterprise Value	Reported EBITDA (Pre - AASB 16)		Reported EBITDA (Post - AASB 16) (Note 2)	
				FY20	FY21	FY22	FY23
<b><u>Tier 1</u></b>							
Pacific Smiles Group Limited <sup>3</sup>	Australia	402,146	392,199	16.7x	13.1x	23.2x	10.0x
Smiles Inclusive Limited	Australia	NA	NA	NA	NA	NA	NA
<b><u>Tier 2</u></b>							
Healius Limited	Australia	3,073,269	3,267,669	23.7x	11.0x	5.8x	6.8x
Capitol Health Limited	Australia	383,887	391,430	17.6x	12.2x	9.1x	8.2x
Q & M Dental Group (Singapore) Limited	Singapore	596,071	609,704	42.1x	20.8x	9.7x	9.0x
Virtus Health Limited	Australia	545,537	655,683	12.6x	8.5x	7.5x	7.2x
<b>Mean</b>				<b>21.9x</b>	<b>13.1x</b>	<b>12.6x</b>	<b>8.6x</b>
<b>Median</b>				<b>17.6x</b>	<b>12.2x</b>	<b>9.4x</b>	<b>9.0x</b>

Sources: S&P Global, GTCF analysis

Note (1): The trading multiples are based on the share prices as at 3 September 2021.

Note (2): The forecasted EBITDA utilised in the FY22 and FY23 calculations is based on a post-AASB 16 basis only. Brokers' forecasts are only available on a post-AASB 16 basis, hence the above is displayed for presentation purposes only.

Note (3): The PSQ FY21 Multiple uses Normalised EBITDA, which excludes the net benefits of the Jobkeeper wage subsidy, as opposed to Reported EBITDA per the other displayed multiples. The PSQ FY21 Multiple is one of the primary reference points in our analysis and was calculated to ensure a like-for-like comparison with ONT

A brief description of the selected comparable companies is set out in Appendix C. We note the following in relation to the comparable companies:

- The EBITDA multiples presented above reflect the value of underlying companies on a minority basis and do not include a premium for control.
- Pacific Smiles owns and operates dental centres in Eastern Australia and as discussed in details below, it is considered highly comparable to ONT.
- Smiles Inclusive Limited ("SIL") also appears relatively comparable to ONT in that it operates 56 dental practices, however trading in the shares of the Company has been suspended since November 2020 as it entered into voluntary administration. Accordingly, we have not relied on SIL for the purpose of our valuation assessment.
- Healius Limited, Capitol Health Limited, Q & M Dental Group (Singapore) Limited and Virtus Health Limited offer a combination of health services throughout Australia and overseas. The companies are significantly larger and more diversified than ONT with operations in different sectors and business models. Whilst these companies may have segments or engaged in transactions in the dental industry, we do not consider them to be sufficiently comparable and we have not analysed or relied on them in our analysis.

We have set out below a detailed comparison between ONT and PSQ.

#### *Pacific Smiles Group Limited*

PSQ owns and operates under the Pacific Smiles Dental and nib Dental Care brand names in Eastern Australia. It operates under a similar business model to ONT, by providing support to each of its dental practices through the use of dental surgeries, practice management and other services mainly to self-employed dentists. As at 30 June 2021, PSQ owned and operated 109 dental practices. We have set out below a comparison between PSQ and ONT.



### Geographic footprint of PSQ and ONT as at 30 June 2021



Sources: FY21 Results Presentation, 18 August 2021

Similar to ONT, PSQ primarily derives revenue from fees charged to dentists for the provision and support of the dental facilities and equipment, staff, marketing and other support infrastructure. PSQ charges the dentists a percentage of patient receipts net of direct costs incurred by the dentists.

From an operational perspective, we note that PSQ differs to ONT through its strategic partnership with HBF, a health fund based in Perth, Western Australia. In July 2020, Pacific Smiles signed an initial 10 year Management Services Agreement ("MSA") in which HBF will build a minimum of 5 HBF Dental practices across Western Australia over 18 months. Under the agreement, PSQ is contracted to be the exclusive operator, and will therefore receive a percentage of revenue from the operations in return for providing operational support for the design, construction, and all aspects of the clinics' day to day operations. We also note that HBF will be responsible for funding capital expenditure and in-clinic operating costs.

As set out in the table below, PSQ is significantly larger than ONT in terms of both revenue<sup>24</sup> and number practices and it has been growing more rapidly as a result of an aggressive acquisition campaign targeting 10 to 15 new centres in FY22 and 20+ once current market conditions normalise<sup>25</sup>.

Revenue comparison						
A\$ '000	FY17	FY18	FY19	FY20	FY21	CAGR
ONT Reported Revenue	36,157	39,342	41,952	40,699	44,945	
ONT revenue growth rate	-0.9%	8.8%	6.6%	-3.0%	10.4%	5.6%
Number of practices	26	32	35	34	32	NA
PSQ Reported Revenue	92,652	105,745	123,405	129,875	162,560	
PSQ revenue growth rate	9.0%	14.1%	16.7%	5.2%	25.2%	15.1%
Number of practices	70	80	89	94	109	NA

Source: Financial accounts

Note: Reported revenue for both ONT and PSQ includes both revenue from operations and other income

The size/scale and historical and future growth prospects of listed companies tends to be reflected into the EBITDA multiple. It is important to note that much of this increase in revenue is attributable to acquisitions

<sup>24</sup> Both PSQ and ONT report revenue on a statutory basis, such that it excludes the portion of patient fees retained by the dentists.

<sup>25</sup> FY21 results presentation

with PSQ having purchased 39 practices over the last 5 years. The EBITDA margin has remained relatively stable. This implies that the newly acquired and established practices have a relative stable contribution and ramp-up to a normalised EBITDA. When compared to ONT on a like-for-like basis<sup>26</sup>, we note that ONT has a significantly higher EBITDA margin than PSQ as displayed in the table below:

Reported EBITDA (pre-AASB 16) comparison						
A\$ '000	FY17	FY18	FY19	FY20	FY21	Average
ONT Reported EBITDA	12,563	13,096	13,284	13,271	15,821	
ONT Reported EBITDA margin	34.7%	33.3%	31.7%	32.6%	35.2%	33.5%
PSQ Reported EBITDA	20,900	21,500	22,800	23,500	33,100	
PSQ Reported EBITDA margin	22.6%	20.3%	18.5%	18.1%	20.4%	20.0%

Source: Financial accounts

Note: EBITDA and EBITDA margin are on a pre-AASB 16 basis before normalisation adjustments. As such, the figures above include the Jobkeeper wage subsidy and are displayed for comparative purposes only.

When the EBITDA margins of the two companies outline a similar pattern and they have remained in a narrow band. However the margins achieved by ONT are significantly higher. In our opinion this is due to a greater focus on maximising performance via a lean corporate structure and an active management of underperforming practices rather than growing the top-line which instead is a greater focus for PSQ. To further support this, we note the following in relation to the FY21 underlying EBITDA of PSQ:

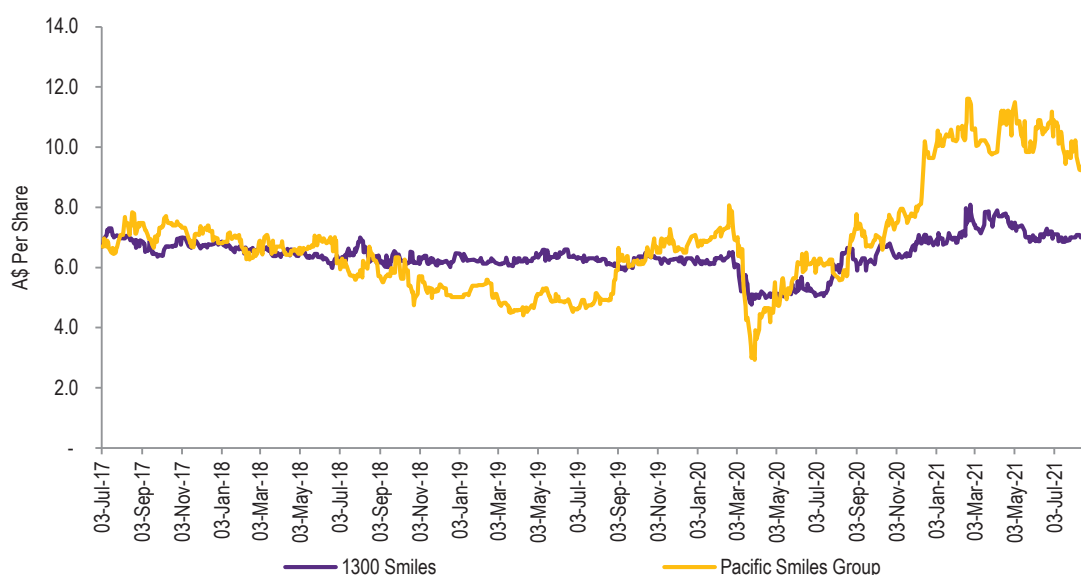
- It includes an increase in corporate costs of A\$3.4 million as investment in business technology to support scalability and expansion of the business.
- PSQ recorded a start-up losses from new centres totalling A\$1.7 million. PSQ completed 15 acquisitions in FY21, of which 7 in H2. We have estimated that both ONT and PSQ generate between A\$0.3 and A\$0.4 average EBITDA per practice on a normalised basis and accordingly the EBITDA of PSQ is expected to increase substantially, all other things the same, when the newly acquired/established practices achieved the average EBITDA.
- C. 75% of PSQ practices are located in NSW and VIC whereas c. 91% of ONT practices are in QLD. The number and length of COVID-19 lockdowns in NSW and VIC has been materially greater than in QLD which accordingly has impacted PSQ's EBITDA. We note that PSQ has indicated in the FY21 financial results presentation that 77 centres are currently under lockdown restrictions and those centres are, on average, trading at 40% of normal volumes.

We have estimated that if the above factors are normalised in the financial performance of PSQ, the EBITDA will increase materially and the EBITDA margin will converge in line with ONT.

In order to gain further insights into the EBITDA multiple of ONT and PSQ, we have analysed the changes in ONT and PSQ share prices and rolling LTM EBITDA multiples since FY18.

<sup>26</sup> Reported EBITDA, normalised to remove the JobKeeper payments in FY20 and FY21

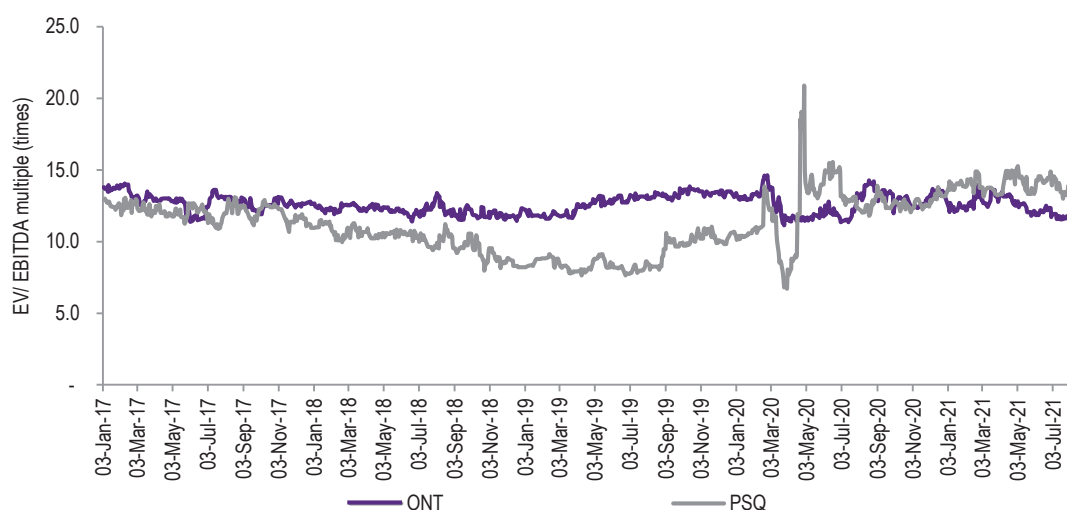
### ONT vs rebased PSQ Share price



Sources: S&P Global, GTCF analysis

Note: As at 27 August 2020

### Rolling LTM EBITDA Multiple over last 3 year



Sources: S&P Global, GTCF analysis

Note: Data as at 27 August 2020. Multiples displayed before 1 July 2020 are presented on a pre-AASB 16 basis, multiples presented after 1 July 2020 are presented on a post-AASB 16 basis.

Based on the above, we note that:

- Whilst ONT and PSQ's trading prices and multiples have fluctuated over the period, ONT's have remained significantly more stable compared to PSQ. This aligns to our understanding of the business strategy of ONT in providing, strong, stable and consistent earnings to its investors and being less focussed on growing via acquisition but it is also driven by the limited liquidity in ONT trading prices.
- Since the beginning of the COVID-19 at the start of 2020, PSQ has experienced a significant uplift and positive trend in prices and EBITDA multiples. In our opinion, this is driven by the fact that the underlying EBITDA of PSQ is relatively more affected by COVID-19 compared with ONT and

accordingly the market has started trading on a more normalised/through the cycle performance rather than the actual performance.

- The multiples of the two businesses have remained substantially consistent until the outbreak of COVID-19. From that point onwards the performance and multiples of PSQ have been more volatile to reflect the greater risk and potential rewards attached to the growth via acquisition of the business.
- On the announcement of the Proposed Transaction, prices and multiples have converged.

PSQ is currently trading at a multiple of 13.1x on a minority basis based on the FY21 Underlying EBITDA of A\$30 million on a pre-AASB 16 and minority basis and excluding the net benefits of Jobkeeper. However, as discussed above, FY21 EBITDA of PSQ is adversely affected by the cost of growing the business, the impact of COVID-19 and recent acquisition which if normalised will materially increase the EBITDA and reduce the multiple, all other things being the same.

Based on the above, we have applied a control EBITDA multiple between 13.0x and 14.0x.

#### 6.1.3 Comparable Transaction multiples

We have also considered EV/EBITDA multiples of comparable transactions in our analysis:

Date	Target Company	Country	Bidder Company	Stake (%)	Enterprise value (m)	EBITDA Multiple
Oct-20	Abano Healthcare Group Ltd	New Zealand	Adams NZ Bidco Ltd <sup>1</sup>	100%	A\$249	8.4x
Jun-20	Healius Primary Care	Australia	BGH Capital	100%	A\$500	8.3x
Nov-16	Oasis Dental Care	UK	Bupa Finance	100%	£835	13.2x
Mar-13	Oasis Dental Care	UK	Bridgepoint	100%	£185	10.8x
Dec-12	Heartland Dental	USA	Teacher's Capital	100%	US\$120	10.5x
Jul-12	Dental Partners	Australia	Abano Healthcare	100%	A\$88	9.0x
<b>Low</b>						<b>8.3x</b>
<b>Average</b>						<b>10.2x</b>
<b>Median</b>						<b>10.5x</b>
<b>High</b>						<b>13.2x</b>

Sources: S&P Global, GTCF Analysis, Management

Note (1) – Adams NZ BidCo Ltd refers to the consortium of bidding parties, these being BGH Capital and Ontario Teachers' Pension Plan Board.

Note (2) – The Abano Healthcare Group Ltd EBITDA multiple is based off of a normalised EBITDA as per FY19 pre-COVID 19 figures and FY21 forecasts disclosed within the November 2020 Notice of Meeting and Scheme Booklet.

In relation to the multiples implied by the comparable transactions, we note that:

- The implied transaction multiples may incorporate various levels of control premiums and special values paid for by the acquirers. In particular, the multiples may reflect synergies paid which are unique to the acquirers.
- The transactions observed took place during the period between July 2012 and October 2020. As such, economic and market factors like competition dynamics and commodity prices may be materially different to those currently as at the date of valuation. These factors may influence the amounts paid by the acquirers for these businesses.
- The transaction multiples are calculated based on the historical EBITDA of the acquired companies (unless otherwise stated) which were before the introduction of the AASB 16 / IFRS 16 accounting standard. For the two transactions occurring in FY20, these being Abano Healthcare Group Ltd and

Healius Primary Care, we have calculated the transaction multiple on a preAASB-16 / IFRS 16 basis. Some of the transactions involved unlisted companies and as such, the level of public information is limited.

- A number of transactions occurred outside of Australia under different regulatory and economic environment, and industry growth prospects. Accordingly, we have placed limited reliance on these comparable transactions.

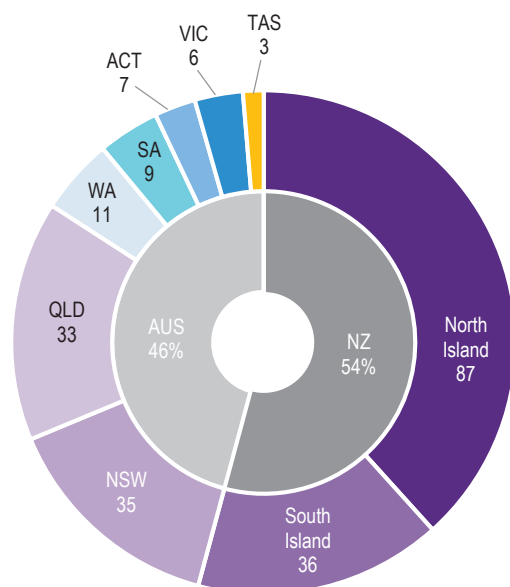
Amongst the transactions, we have mainly analysed the acquisition of Abano which is discussed below.

#### *Abano Healthcare Group Limited*

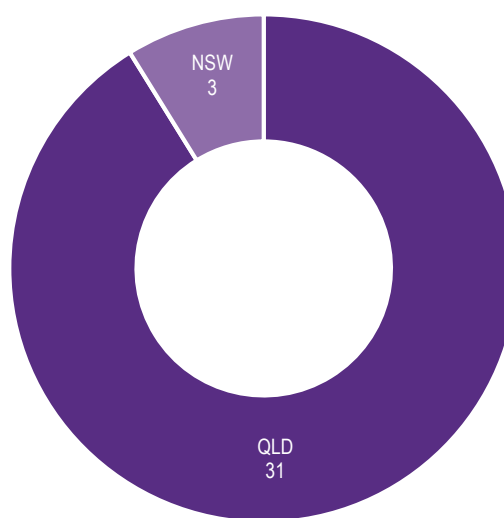
Abano Healthcare Group Limited is a New Zealand listed company that owns and operates one of the largest Australasian dental corporate groups with the Lumino brand operating in New Zealand and the Maven brand operating in Australia. BGH Capital and OTPP acquired via interposed entities<sup>27</sup> 100% of the issued capital of Abano at the end of 2020. The below information is sourced from the public disclosure when Abano was a listed entity on the NZ Stock Exchange before the acquisition.

Across the whole group, Abano contracted more than 900 dentists, specialists and clinicians and received more than 1 million patient visits in FY20. As at the date of the acquisition, Abano held 227 practices diversified across both Australia and New Zealand. The following graph illustrates the geographical breakdown of Abano's dental practices as at the date of transaction compared to ONT's current practice distribution:

**Abano Dental Practice Distribution**



**Current ONT Dental Practice Distribution**



Sources: Company Management reports; Other publicly available information.

Throughout the 18 months prior to the implementation of the acquisition, Abano's trading prices displayed significant volatility due to the following:

<sup>27</sup> At the time of acquisition of Abano, BGH Capital Fund holds shares which gives it a 60% indirect economic interest in Abano and the right to control approximately 74% of the rights relating to director appointments and removals.

- **Initial SIA** – In mid-2019, Abano announced that it had received a number of unsolicited approaches and towards the end of the year it entered into an initial SIA with the bidder for a cash consideration of NZ\$5.70 per share. This offer price represented a significant c. 63% premium to the undisturbed trading prices. We note that as at the time of the Initial SIA, Abano was pursuing an aggressive inorganic growth strategy with 16 practices purchased through FY19. As a result, net debt increased to an all-time high of NZ\$134.6 million as at 31 May 2019 with a Net Debt / EBITDA multiple of 4.2x and c. 59% gearing.
- **COVID-19** – In late February and early March, global markets contracted sharply due to the COVID-19 outbreak. This event was felt at all levels of the economy and widespread mandatory isolation in Australia and New Zealand led to a considerable degradation in Abano's revenue generating capacity as practices were closed during lockdown. Further, Abano announced that the pandemic had triggered a Materially Adverse Change ("MAC") clause leading to the termination of the previously agreed NZ\$5.70 per share acquisition, further driving the trading prices down to an all-time low of NZ\$1.21.
- **Supplementary Bids** – Abano announced in late 2020 that it had entered into a revised SIA for a final price of NZ\$5.20 per share (after a number of rounds of price increases).
- **Abnormal Debt Levels** – In the company's trading update and outlook statement post the outbreak of COVID-19, Abano noted that approximate net debt was at c. NZ\$130 million (pre-AASB16), c. 63% of the business' enterprise value as at March 2020<sup>28</sup>. Furthermore, the company anticipated that this would be likely to increase over the short term given the considerable forecasted cash burn as a result of the imposed restrictions.

For further information on the price movements in Abano in the 18 months prior to the date of transaction refer to Appendix E. The following table details key operational metrics and other KPIs between both ONT and Abano:

Comparison of ONT and Abano		ONT			Abano <sup>5</sup>		
	Units	FY19	FY20	FY21	FY18	FY19	FY20
<b>Operational Metrics</b>							
Net Revenue <sup>1</sup>	A\$ Millions	42.0	40.7	45.0	192.3	218.5	190.7
Normalised EBITDA <sup>2</sup>	A\$ Millions	10.5	10.6	12.2	31.6	33.0	8.5
Net Debt <sup>3</sup>	A\$ Millions	8.6	8.1	8.6	95.7	140.1	114.5
<b>KPIs</b>							
Revenue Growth	(%)	6.9%	-3.1%	10.6%	13.9%	13.6%	-12.7%
Underlying EBITDA margin	(%)	25.1%	25.9%	27.1%	16.4%	15.1%	4.5%
Net Debt / EBITDA	(x)	0.8x	0.8x	0.7x	3.0x	4.2x	13.5x
Net Debt / Market Cap <sup>4</sup>	(%)	6%	7%	5%	29%	59%	39%

Sources: Company Management reports; other publicly available information.

Note (1): Net revenue for both companies is calculated as gross revenue/patient fees plus other income less the fees received by the individual dentists.

Note (2): Underlying EBITDA was calculated on a pre-AASB 16 / IFRS 16 basis. Additionally, EBITDA in each of FY20 and FY21 for both companies was adjusted to remove the effect of wage subsidies.

Note (3): Net debt was calculated on a pre-AASB 16 / IFRS 16 basis, excluding current and non-current lease liabilities.

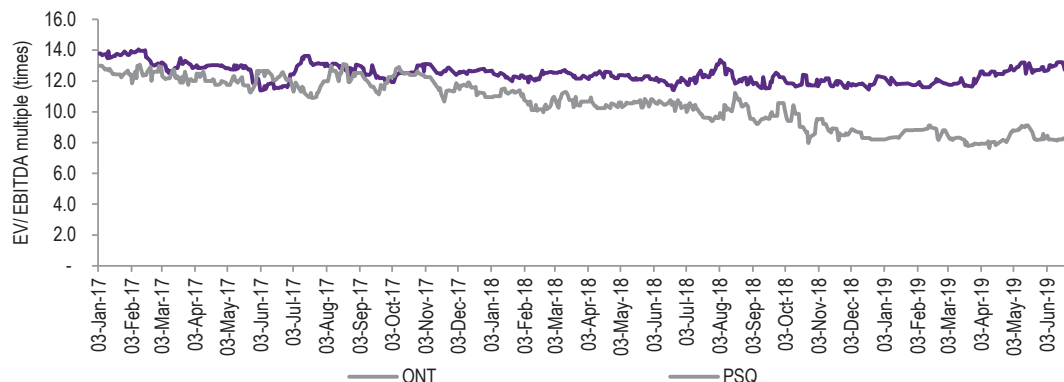
Note (4): Net Debt / Market Cap is calculated as a ratio based on the net debt reported in the year end accounts and the market capitalisation of the company at its year end, being 30 June and 31 May for ONT and Abano respectively

Note (5): Abano's operational metrics were converted from NZ\$ to A\$ at an exchange ratio of NZ\$1:A\$0.98 as at the date of transaction.

<sup>28</sup> Announced by the Company on the NZSE on 20 April 2020.

In addition to the above KPI comparison, the following graph shows the LTM rolling EBITDA multiple for Abano and ONT for the period between 1 July 2017 to 28 June 2019 which was the last trading day prior to Abano announcing that it had received various expressions of interests.

#### Rolling LTM EBITDA Multiple over last 3 year



Sources: S&P Global, GTCF analysis

As illustrated, Abano has consistently traded at an EBITDA multiple at a discount to ONT which in our opinion is due to the lower EBITDA margin and the higher debt level. Abano had a significant debt overhang diminishing the company's ability to further expand and free up cash whereas ONT has modest debt. Additionally, COVID-19 impacted not just Abano's revenue generating capacity but also their ability to pay down/service the outstanding debt, leading to the company amending its financing terms. In our opinion, Abano's Net Debt / EBITDA ratio increased to a level that it was difficult to sustain in the absence of the transaction.

Having considered all of the aforementioned, we are of the opinion that there are some specific factors that explain the significantly lower transacted EV/EBITDA multiple of Abano of 8.4x relative to our adopted EBITDA multiple range and accordingly we have not relied on it for the purpose of our valuation.

#### Healius Primary Care / BGH Capital

Healius Ltd ("Healius") is an ASX listed company that provides facilities and support services to general practitioners, radiologists and other healthcare professionals in Australia. Healius operates under three broad segments, these being pathology, imaging and day hospitals. Healius' Primary Care Business, previously operating within their day hospitals segment, comprised of 69 large scale medical centres, 13 health clinics and 62 dental practices. In June of 2020, BGH entered into an agreement to acquire the Primary Care Business from Healius for a consideration of c. A\$500 million.

The EV/EBITDA multiple reflects the diversified nature of the business relative to other comparable transactions. Whilst Healius' Primary Care Business comprised of 62 dental practices, the vast majority of its revenue was derived from alternative medical fields including medical centres and health clinics. Accordingly, we have placed no reliance on this transaction for the purpose of our valuation assessment of ONT.

#### Other comparable transactions

We have considered but not relied on the other comparable transactions due to variety reasons, namely being the extended period of time since completion, country specific industry factors, evolving supply and



demand dynamics and quantum of information available. Additionally, these transactions occurred prior to the outbreak of COVID-19 and its associated impact on the dental services industry, therefore omitting a material event that affected ONT.

#### 6.1.4 Net Debt and Other Surplus Assets

As at 30 June 2021, ONT had a cash balance of A\$4.2 million and outstanding loans payable of c. A\$13.3 million. In addition, ONT holds shares in PSQ worth c. A\$0.3 million<sup>29</sup> and an outstanding contingent consideration of c. A\$0.4 million that arose from the acquisition of an orthodontic dental practices in NSW and more recently Bundaberg, both of which are included within the net debt calculation. Net debt as at 30 June 2021 is as follows:

ONT Net Debt Position	
A\$000's	FY21
Non-current loans payable	13,300
Add: Contingent consideration	360
Less: Cash and cash equivalents	(4,247)
Less: Financial assets - investments (Post capital gains tax)	(340)
<b>Total Net Debt</b>	<b>9,073</b>

Sources: ONT annual reports; Management

In addition, the Company has the following surplus assets which we have considered in our valuation assessment.

ONT Surplus Assets	
A\$000's	FY21
Investment Property (Post capital gains tax)	2,256
Loans Receivables	8,310
<b>Total Surplus Assets</b>	<b>10,566</b>

Sources: ONT annual reports; Management

With regard to the above table, we note the following:

- *Investment Property* – The investment property refers to the sale of 361 Flinders Street, Townsville for c. A\$2.25 million on a post-tax basis on 27 August 2021.
- *Loans receivable* – Loans receivable refers to two separate distinct categories, these being c. A\$1.8 million in relation to loans pursuant to the company loan funded program to incentivise consultants, contractors and executive management and c. A\$6.5 million referring to ONT's investment in an unlisted private company. We note that as at the date of this report, c. A\$0.25 million of the preference shares have already been sold, however this isn't reflected in the balance sheet as at 30 June 2021. Importantly, management and advisors have noted that the sale of the remaining A\$6.25 million redeemable preference shares are likely to occur in line with the carrying value.

<sup>29</sup> Management have advised as at 31 August 2021 the shares in PSQ were valued at A\$394k. We have also removed Management's estimated capital gains tax liability of A\$54k from the balance.

### 6.1.5 Shares on issue

The total number of shares outstanding included in our valuation assessment are set out below:

Number of ordinary shares on issue as at 30 June 2021	
'000	Number of Shares
Founder Shares	14,161,027
Non-Founder Shares	9,517,357
<b>Total number of ordinary shares on issue</b>	<b>23,678,384</b>

Sources: ONT Annual report, Scheme Implementation Agreement Announcement

## 6.2 Capitalisation of Cash Flows Approach

As a means to cross-check our valuation from Section 6.1 we have adopted the Capitalisation of Cash Flows Approach. In this approach, we have calculated a normalised and maintainable level of free cash flows which we have capitalised in perpetuity based on the assessed discount rate. Our analysis is displayed in the table below.

Capitalisation of Cash Flow	Section		
A\$ '000 (except where stated otherwise)	Reference	Low	High
Assessed Normalised EBITDA	6.1.1	12,000	13,000
Corporate cost savings	Note 1	2,500	2,500
Less: Depreciation and amortisation	Note 2	(2,382)	(2,382)
<b>Assessed Normalised EBIT (Including Synergies)</b>		<b>12,118</b>	<b>13,118</b>
Effective tax payable	Note 3	(3,151)	(3,411)
<b>Assessed Net Operating Profit After Tax</b>		<b>8,967</b>	<b>9,707</b>
Cash flow adjustments	Note 4	(224)	(224)
<b>Assessed Free Cash Flow</b>		<b>8,743</b>	<b>9,483</b>
WACC	Note 5	8.5%	8.0%
Growth rate	Note 5	2.5%	3.0%
<b>Enterprise value (Control basis)</b>		<b>145,722</b>	<b>189,666</b>
Add: Surplus Assets	Note 6	10,566	10,566
Less: Net debt	Note 7	(9,073)	(9,073)
<b>Equity value (Control basis)</b>		<b>147,215</b>	<b>191,159</b>
Number of outstanding shares ('000s) (fully diluted)	4.6.1	23,678	23,678
<b>Value per share (control basis) (A\$ per Share)</b>		<b>6.22</b>	<b>8.07</b>

Sources: GTCF analysis

Note: This is presented on a pre-AASB 16 basis

As a starting point, we have relied on the Underlying maintainable EBITDA between A\$12.0 million and A\$13.0 million from Section 6.1.1, and then applied the following adjustments and assumptions:

- **Note 1: Corporate cost savings** – We have considered the potential cost synergies that would be available to a potential purchaser of ONT. These cost synergies are mainly associated with corporate costs, such as the gradual elimination of duplicate functions and other costs associated with the

Company being publicly listed<sup>30</sup> (i.e. audit fees, share registry, ASX fees and investor relations costs). We estimate these savings to be c. A\$2.5 million per year

- *Note 2: Depreciation and Amortisation* – We have utilised the reported FY21 depreciation and amortisation per ONT's FY21 financial statements. We have also excluded depreciation relating to right of use assets, as a means to remain consistent with our analysis on a pre-AASB 16 basis.
- *Note 3: Taxation* – As per ONT's FY21 financial statements, we have assumed a nominal corporate tax rate of 26% over the single capitalisation period.
- *Note 4: Cash Flow Adjustments* – We have applied cash flow adjustments for changes in working capital, depreciation, and capital expenditure. Changes in working capital was calculated using the average over the last 3 years. We have utilised the FY21 depreciation as the maintainable level of capital expenditure to approximate the normalised level going into perpetuity. We note that both depreciation (on a pre-AASB 16 basis) and capital expenditure have remained relatively constant over the last 5 years.
- *Note 5: Capitalisation rate* - We have capitalised the maintainable free cash flows having regard to an assessed discount rate based on the WACC in the range of 8.0% and 8.5% and an assumed long term growth rate of 2.5% and 3.0%. Refer to Appendix B for details.
- *Note 6: Surplus assets* – We have aggregated the balances for the preference shares and investment property as at 30 June 2021. As non-operating assets, these will be disposed of as part of the Scheme. The income generated from each has been removed from our maintainable earnings to prevent double counting.
- *Note 7: Net Debt* – We have calculated net debt using the FY21 balances for loans payable, then subtracting the balances of cash, cash equivalents and other financial investments per Section 6.1.2.

The cross-check based on the capitalised free cash flows support our assessment based on the EBITDA Multiple.

### 6.3 Quoted Security Pricing Method

The assessed value per share based on the trading price is an exercise in professional judgement that takes into consideration the depth of the market for listed securities, the volatility of the trading price, and whether or not the trading price is likely to represent the underlying value of ONT. The following sections detail the analysis undertaken in selecting the share price range.

#### 6.3.1 Liquidity analysis

In accordance with the requirements of RG 111, we have analysed the liquidity of ONT Shares before relying on them for the purpose of our valuation assessment. We set out below the monthly trading volume of ONT shares since September 2020 as a percentage of the total shares outstanding as well as free float shares outstanding<sup>31</sup>.

<sup>30</sup> These include expense reductions relating to accounting and audit fees, ASX listings, board meetings and operations, business development, company secretarial and consulting.

<sup>31</sup> Free float shares excludes those owned by company employees, individual insiders, related parties and/or other strategic investors.

Month end	Volume traded ('000)	Monthly VWAP (\$)	Total value of shares traded (\$'000)	Volume traded as % of total shares	Cumulative Volume traded as % of total shares	Volume traded as % of free float shares	Cumulative Volume traded as % of free float shares
Sep 2020	107	6.1803	663	0.5%	0.5%	1.9%	1.9%
Oct 2020	56	6.5013	361	0.2%	0.7%	1.0%	2.8%
Nov 2020	83	6.4039	529	0.3%	1.0%	1.4%	4.3%
Dec 2020	53	6.9196	366	0.2%	1.3%	0.9%	5.2%
Jan 2021	64	6.9729	449	0.3%	1.5%	1.1%	6.3%
Feb 2021	82	7.2827	599	0.3%	1.9%	1.4%	7.7%
Mar 2021	36	7.4564	270	0.2%	2.0%	0.6%	8.4%
Apr 2021	50	7.6756	382	0.2%	2.2%	0.9%	9.2%
May 2021	50	7.0889	356	0.2%	2.5%	0.9%	10.1%
Jun 2021	60	7.0383	426	0.3%	2.7%	1.1%	11.2%
Jul 2021	70	6.9819	491	0.3%	3.0%	1.2%	12.4%
<b>Min</b>				<b>0.15%</b>		<b>0.63%</b>	
<b>Average</b>				<b>0.34%</b>		<b>1.39%</b>	
<b>Median</b>				<b>0.26%</b>		<b>1.09%</b>	
<b>Max</b>				<b>1.03%</b>		<b>4.24%</b>	

Source: S&P Global, GTCF analysis

With regard to the above analysis, we note that:

- The level of free float of ONT is 24.27%<sup>32</sup>. During the 12-month period from September 2020 to July 2021, c. 12.4% of the free float shares were traded with an average monthly volume of 0.34% of the total free float shares. This indicates that the relative level of liquidity is potentially low.
- In the absence of a takeover or other share offers, the trading price represents the value at which minority shareholders could realise their portfolio investment.
- ONT complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of the Company. ONT provides updates to the market on a regular basis with information regarding its investment strategy and performance. As a result, there is extensive analysis provided to the market not only about ONT's performance and market standing, but also regarding industry trends.

As set out below, the level of free float of ONT shares is significantly lower than that of its listed peers. Similarly, the average monthly volume traded as a percentage of free float shares is also materially lower, further illustrating ONT's relative illiquidity. We note however and as discussed in section 6.1.2, Pacific Smiles is ONT's most relative listed peer. Upon further comparison, it's evident that ONT trades substantially more in line with Pacific Smiles than the other peers, albeit slightly lower.

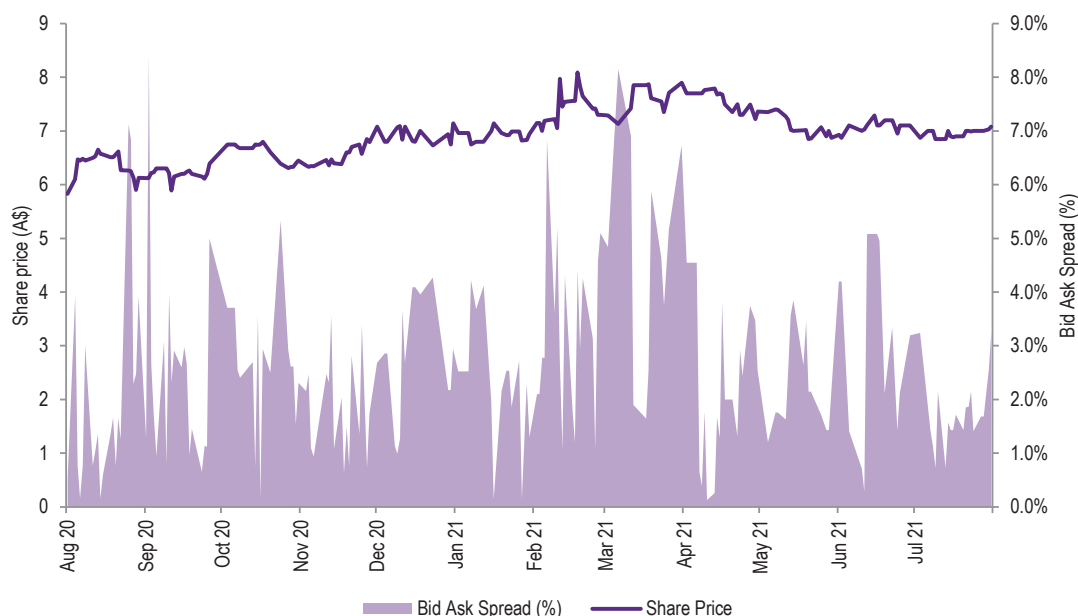
<sup>32</sup> This comprises of the total shares outstanding 23,678,384 less institutional holdings of 310,908, private corporation holdings of 1,549,310 and individuals / insiders holdings 16,381,478.

Liquidity analysis			Average volume traded as a % of total shares	Average volume traded as a % of free float shares	Cumulative volume traded as a % of total shares	Cumulative volume traded as a % of free float shares
Company	Country	Free float (%)				
1300SMILES Limited	Australia	24.3%	0.3%	1.4%	3.0%	12.4%
Pacific Smiles Group Limited	Australia	38.3%	1.7%	4.4%	19.4%	50.6%
Healius Limited	Australia	97.9%	7.1%	7.3%	77.6%	79.3%
Capitol Health Limited	Australia	92.4%	2.0%	2.2%	21.6%	23.4%
Q & M Dental Group (Singapore) Limited	Singapore	31.9%	7.0%	22.0%	82.9%	259.9%
Virtus Health Limited	Australia	97.4%	8.0%	8.3%	82.4%	84.7%
<b>Low</b>		<b>24.3%</b>	<b>0.3%</b>	<b>1.4%</b>	<b>3.0%</b>	<b>12.4%</b>
<b>Average</b>		<b>63.7%</b>	<b>4.4%</b>	<b>7.6%</b>	<b>47.8%</b>	<b>85.0%</b>
<b>Median</b>		<b>65.4%</b>	<b>4.5%</b>	<b>5.8%</b>	<b>49.6%</b>	<b>64.9%</b>
<b>High</b>		<b>97.9%</b>	<b>8.0%</b>	<b>22.0%</b>	<b>82.9%</b>	<b>259.9%</b>

Sources: S&P Global, GTCF analysis

In addition to the above, where a company's shares are relatively illiquid and not heavily traded, the market typically observes a difference between the 'bid' and 'ask' price for the shares as there may be a difference in opinion between the buyer and seller on the value of the stock. As set out in the following graph, we note that the bid-ask spread have ranged between 1% and spikes of 6%/7%.

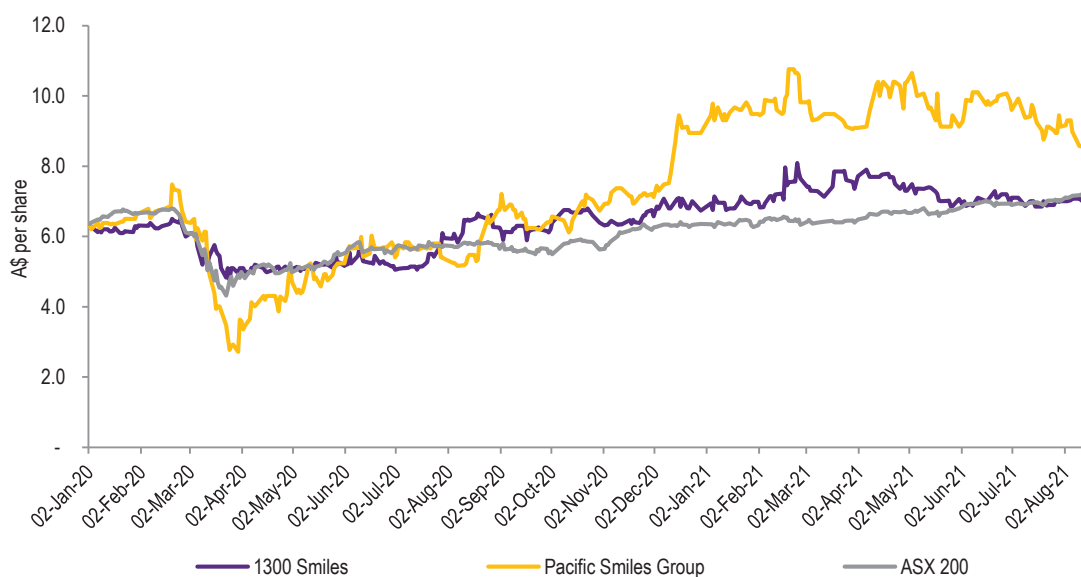
#### ONT Spread between Bid and Ask Price



Sources: S&P Global, GTCF analysis

We have also benchmarked below the performance of ONT's trading price against Pacific Smiles Group and the ASX 200.

**Share price performance (rebased to the Company's share price)**



Sources: Capital IQ & GTCF analysis  
Note: Trading prices as at 23 August 2021.

As set out above, the fluctuations of ONT trading prices have been significantly lower than PSQ and more in line with the ASX200 notwithstanding the volatile and uncertain market conditions over the last 18 months which again seems to be driven by the low liquidity.

Based on the analysis above, we have concluded that there is limited liquidity in the trading prices of ONT and accordingly we have not relied on them for the purpose of our valuation assessment. Refer to the executive summary for further details.

## 7 Review of the Founder Scrip Consideration and Total Founder Consideration

The Total Founder Consideration is a mix of both cash and scrip in the Enlarged Entity (assuming Abano HoldCo triggers the conversion of the Retained ONT Shares into shares in the Enlarged Entity). Whilst there is no legal requirement to form an opinion in relation to the Total Founder Consideration, as part of forming our opinion on the Scheme, we have tested whether the Total Founder Consideration provides the Founders Shareholders with a net benefit compared with the Non-Founder Consideration.

Grant Thornton Corporate Finance has performed a high level desk-top valuation using the sum of the parts approach to assess the value of the Enlarged Entity. This is based on the aggregation of our valuation of the existing ONT business from Section 6 as well as our desktop valuation of Abano HoldCo.

Consistent with our valuation assessment of ONT in Section 6.1, we have utilised the FY21 normalised EBITDA Multiples to undertake the Desk-top Valuation.

The following table illustrates an abstract of Abano's historical financial performance and position based on information available in the public domain before the privatisation:

Abano Healthcare	Units	FY17	FY18	FY19	FY20
<b>Operational Metrics</b>					
Gross Revenue	A\$ Millions	248.5	281.2	317.5	282.9
Underlying EBITDA <sup>1</sup>	A\$ Millions	27.0	31.6	33.0	8.5
Net Debt	A\$ Millions	n/a	95.7	140.1	114.5
<b>KPIs</b>					
Revenue Growth	(%)	n/a	13.2%	12.9%	-10.9%
Underlying EBITDA margin	(%)	10.9%	11.2%	10.4%	3.0%

Sources: S&P Global, GTCF Analysis, Management

Note (1): Underlying EBITDA was calculated on a pre-AASB 16 / IFRS 16 basis. Additionally, EBITDA in each of FY20 and FY21 for both companies was adjusted to remove the effect of wage subsidies.

In relation to the above table, we note the following:

- Abano's top line revenue fell considerably in FY20 relative to prior years, a result of the emergence of the pandemic and subsequent lockdowns.
- Abano has also been significantly debt burdened over the time period, with net debt peaking in FY19 at c. A\$140.1 million. This has been discussed extensively in Section 6.1.3.
- Excluding FY20, Abano's underlying EBITDA margin spread has remained relatively tight somewhere between 10% - 11% per annum despite growing revenue throughout the period.

Grant Thornton Corporate Finance has assessed an appropriate maintainable earnings for Abano mainly based on the historical performance excluding FY20 due to the impact of COVID-19.

In relation to the selection of the FY21 EBITDA multiple to apply to the Enlarged Entity, we have relied on the Comparable Company and Transaction analysis undertaken in Section 6.1. However, we have considered that Abano has been recapitalised since the acquisition, it is no longer subject to the considerable debt overhang and the financial performance in FY21 has normalised.



In our valuation assessment of the Enlarged Entity we have also considered the following:

- The Enlarged Entity will be able to achieve certain synergies and cost savings which we have included in our valuation assessment.
- We have relied on the net debt of the Enlarged Entity after completion and on the proportion of the issued capital held by the Founder Shareholders in the Enlarged Entity<sup>33</sup> provided by Abano without being able to verify this information.
- As discussed in the executive summary, we have applied a marketability and minority discount to our valuation assessment of the Enlarged Entity between 20% and 30% to assess the value of the Founder Replacement Shares.

---

<sup>33</sup> Assuming that Abano HoldCo triggers the conversion of the Retained ONT Shares into shares in the Enlarged Entity.

## 8 Sources of information, disclaimer and consents

### 8.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Scheme Implementation Agreement;
- Scheme Booklet;
- Annual reports/ consolidated accounts of ONT for FY19, 1H20 and FY20;
- Revenue and costs details obtained from Management;
- FY20 budget pack and minutes of Board meetings;
- FY21 budget and related information;
- Pipeline information and associated management projections;
- Press releases and announcements by ONT to the ASX;
- Management accounts from FY18 to YTD June 2020;
- Management and board reports for the last 6 months before the announcement of the Scheme;
- S&P Global;
- IBISWorld reports K6330, K6419A, and K6419D;
- Various industry and broker reports; and,
- Other publicly available information;

In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from, Management of ONT and its advisers.

### 8.2 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by the Company, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially

misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of the Company.

This report has been prepared to assist the Directors of ONT in advising the ONT Shareholders in relation to the Scheme. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Scheme is in the best interest of ONT Shareholders.

ONT has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

### 8.3 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Scheme Booklet to be sent to ONT Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and context in which it appears.

## Appendix A – Valuation methodologies

### Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

### Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

### Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

### Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

### Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

## Appendix B – Discount rate

### Introduction

The cash flow assumptions within the capitalisation of earnings approach are on a nominal, ungeared and post-tax basis. Accordingly, we have assessed a range of nominal post-tax discount rates for the purpose of calculating the net present value of the cash flows.

The discount rates were determined using the WACC formula. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the nominal WACC is calculated as follows:

$$\text{WACC} = R_d \times \frac{D}{D + E} \times (1 - t) + R_e \times \frac{E}{D + E}$$

Where:

- $R_e$  = the required rate of return on equity capital;
- $E$  = the market value of equity capital;
- $D$  = the market value of debt capital;
- $R_d$  = the required rate of return on debt capital; and
- $t$  = the statutory corporate tax rate.

### *Required rate of return on equity capital*

We have used the CAPM, which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion.

Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (Re) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f)$$

Where:

- $R_f$  = risk-free rate
- $\beta_e$  = expected equity beta of the investment
- $(R_m - R_f)$  = market risk premium

*Risk free rate – 3.00%*

In the absence of an official risk free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. Accordingly, we have observed the yields on the 10-year Australian Government bond from a period of 5 trading days to 10 trading years.

We note that the 10-year average yields are 2.61%. The table sets out the average yield of the different Australian Government debt.

Australia Government Debt - 10 Year as at 3 September 2021			Daily average (Nominal)	
		Range		
Previous 5 trading days	1.12%	-	1.21%	1.17%
Previous 10 trading days	1.07%	-	1.21%	1.15%
Previous 20 trading days	1.05%	-	1.21%	1.14%
Previous 30 trading days	1.05%	-	1.21%	1.14%
Previous 60 trading days	1.05%	-	1.60%	1.27%
Previous 1 year trading	0.73%	-	1.88%	1.25%
Previous 2 years trading	0.60%	-	1.88%	1.12%
Previous 3 years trading	0.60%	-	2.79%	1.41%
Previous 5 years trading	0.60%	-	2.99%	1.90%
Previous 10 years trading	0.60%	-	4.58%	2.61%

Sources: S&P Global, GTCF Analysis

Given the unprecedented, historically low Government Bond yields around the world as a result of the volatility in global equity markets, we believe utilising a long-term average yield is reasonable given the current economic climate. The current Australian cash rate is 0.10% as of September 2021. However,

given the significant volatility in the global financial markets, we have placed more emphasis on the average risk free rate observed over a longer period of time (e.g. 10 years).

Having regard to the above and based on our growth assumption range of c. 2.5% to 3.0%, we have determined the following a risk-free rate of 3.0% for ONT.

*Specific risk premium – 1.00%*

Specific risk premium (“SRP”) represents the additional return an investor expects to receive to compensate for country, size and project related risks not reflected in the beta of the observed comparable companies. We have assumed an SRP 1.0% given industry, operational and potential external risks not directly reflected in the Capitalisation of Cash Flows model.

*Market risk premium – 6.00%*

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned. However, given the inherent high volatility of realised rates of return, especially for equities, the market risk premium can only be meaningfully estimated over long periods of time. In this regard, Grant Thornton studies of the historical risk premium over periods of 20 to 80 years suggest the premium of 6.00% for the Australian markets.

Accordingly, for the purpose of the CAPM assessment, Grant Thornton Corporate Finance has adopted a market risk premium of **6.00%**.

*Beta – 1.1 to 1.2*

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity.

For the purpose of this report, we have had regard to the observed betas (asset betas) of comparable companies as set out below:



Beta analysis			
Company	Country	Market capitalisation	5-Year Monthly Asset Beta (Unlevered)
1300SMILES Limited	Australia	189,427	0.52
Pacific Smiles Group Limited	Australia	402,146	1.46
Healius Limited	Australia	3,073,269	0.94
Capitol Health Limited	Australia	383,887	1.12
Virtus Health Limited	Australia	545,537	1.62
Average			1.13
Median			1.12

Sources: S&P Global and GTCF calculations

Note: Based on data as at 3 September 2021. The betas are based on a five-year period with monthly observations based on the local country index. We have also removed outliers which have low R-squared values.

It should be noted that the above betas are drawn from the actual and observed historic relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations, it is important to assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for the pre-development assets, the selection of an unsystematic equity beta requires a level of judgement.

For the purpose of our valuation, we have selected an unlevered asset beta range of 0.8 to 0.9. We have then re-leveraged these betas with our selected ONT capital structure range and tax rate, resulting in an equity beta range of 1.1 to 1.2 for ONT excluding outliers.

#### **Cost of debt – 4.0% - 4.5%**

For the purpose of estimating the cost of debt applicable to ONT, Grant Thornton Corporate Finance has considered the following:

- The variable, fixed and weighted average interest rate paid by ONT from the F21 financial accounts.
- The historical and current cost of debt of the comparable companies.
- Expectations of the yield curve.

Based on the above, Grant Thornton Corporate Finance has adopted a cost of debt between 4.0% and 4.5% on a pre-tax basis.

#### **Capital Structure –30:70**

The appropriate level of gearing that is utilised in determining WACC for a particular company should be the “target” gearing ratio, rather than the actual level of gearing, which may fluctuate over the life of a company. The target or optimal gearing level can therefore be derived based on the trade-off theory which stipulates that the target level of gearing for a project is one at which the present value of the tax benefits from the deductibility of interest are offset by present value of costs of financial distress. In practice, the target level of gearing is evaluated based on the quality and variability of cash flows. These are determined by:

- The quality and life cycle of a company;
- The quality and variability of earnings and cash flows;
- Working capital;
- Level of capital expenditure; and,
- The risk profile of the assets.

For the purpose of the valuation, Grant Thornton Corporate Finance has adopted a capital structure based on 30% debt and 70% equity. In determining the appropriate capital structure, we have had regard to the current capital structure of ONT on a pre-AASB 16 basis as well as its listed peers.

#### *Tax rate – 26.0%*

For the purpose of our valuation assessment we have assumed the company tax rate of 26%.

#### *Discount rate summary*

Weighted Average Cost of Capital	Low	High
<b>Cost of Equity Calculation:</b>		
Risk-Free Rate (Rf)	3.0%	3.0%
Specific Risk Premium (SRP)	1.0%	1.0%
Equity Risk Premium (Rm-Rf)	6.00%	6.00%
Relevered Equity Beta (Be)	1.1	1.2
<b>Industry - Adjusted Equity Risk Premium</b>	<b>6.6%</b>	<b>7.1%</b>
<b>Cost of Equity (Re) Discount Rate</b>	<b>10.6%</b>	<b>11.1%</b>
<b>Cost of Debt Calculation:</b>		
Pre-Tax Weighted Cost of Debt	4.0%	4.5%
Estimated Tax Rate	26.0%	26.0%
<b>After-Tax Cost of Debt (Rd)</b>	<b>3.0%</b>	<b>3.3%</b>
<b>Weighted Average Cost Of Capital Calculation:</b>		
Debt % of Capital	30.0%	30.0%
Cost of Debt	3.0%	3.3%
<b>Weighted Cost of Debt</b>	<b>0.9%</b>	<b>1.0%</b>
Equity % of Capital	70.0%	70.0%
Cost of Equity	10.6%	11.1%
Weighted Cost of Equity	7.4%	7.8%
<b>Weighted Average Cost of Capital (Calculated)</b>	<b>8.3%</b>	<b>8.8%</b>
<b>Weighted Average Cost of Capital (Selected)</b>	<b>8.0%</b>	<b>8.5%</b>

Source: GTCF Analysis

Note: The Low WACC corresponds to the High cross-check range and the High WACC corresponds to the Low cross-check range

## Appendix C – Comparable companies

Company	Description
Pacific Smiles Group Ltd	Pacific Smiles Group Limited, together with its subsidiaries, owns and operates dental centers under the Pacific Smiles Dental Centres and the nib Dental Care Centres names in Australian Capital Territory, New South Wales, Victoria, and Queensland. The company provides services and equipped facilities to dentists, including support staff, materials, marketing, and administrative services. It also offers dental services, such as cosmetic dentistry, child dental care, dental check-ups, emergency dental, endodontics, gum disease treatment, Invisalign, orthodontics, periodontics, prosthodontics, root canal treatment, sleep dentistry, teeth cleaning, teeth whitening, tele dentistry, tooth extraction, and wisdom teeth removal, as well as offers dental crowns, dental implants, dentures, veneers, and SmileStyler clear aligners. The company operates 109 centers. Pacific Smiles Group Limited was incorporated in 2002 and is headquartered in East Maitland, Australia.
Smiles Inclusive Ltd	Smiles Inclusive Limited engages in the operation and acquisition of dental practices in Australia. The company offers various general, family, and specialist dental services. It operates a network of 56 dental practices under the Totally Smiles brand. The company was incorporated in 2017 and is based in West Burleigh, Australia.
Healius Ltd	Healius Limited provides facilities and support services to independent general practitioners, radiologists, and other healthcare professionals in Australia. The company operates through three segments: Pathology, Imaging, and Day Hospitals. It offers diagnostic imaging services, including X-ray, ultrasound, computerized tomography, mammography, magnetic resonance imaging, nuclear medicine, positron emission tomography, and interventional radiology; and private medical laboratory and pathology services. The company also provides cataract surgery, colonoscopy, gastroscopy, plastic and cosmetic surgery, skin, cancer removal, IVF egg collection, and gynaecological surgery services. It operates 2,234 pathology sites; 15 day hospital sites; and 146 imaging sites. The company was formerly known as Primary Health Care Limited and changed its name to Healius Limited in December 2018. Healius Limited was incorporated in 1994 and is based in St Leonards, Australia.
Capitol Health Ltd	Capitol Health Limited provides diagnostic imaging and related services to the healthcare market in Australia. The company owns and operates clinics in Victoria, Tasmania, and Western Australia. It offers a range of diagnostic imaging services, including general x-ray, magnetic resonance imaging, ultrasound, mammography, Doppler, orthopantomogram, echocardiography, computed tomography, CT angiography, cone beam CT, nuclear medicine, bone densitometry, and fluoroscopy. The company was founded in 2005 and is headquartered in East Melbourne, Australia.
Q & M Dental Group	Q & M Dental Group (Singapore) Limited, an investment holding company, provides private dental healthcare services. It operates through Primary Healthcare; Dental Equipment and Supplies Distribution; and Medical Laboratory segments. It offers various aesthetic/cosmetic, CAD CAM digital, children, general, geriatric, and implant dentistry services; consultation, gum disease and surgery, oral surgery, root canal treatment, scaling and polishing, teeth grinding and whitening, tooth-colored filling, and wisdom tooth surgery services; and crowns and bridges, dental X-rays, dentures, extractions, mouth guards, orthodontics, and sensitive teeth. The company also provides general health services comprising adult and children consultation, chronic disease management, men's health, and skin care services; and cervical PAP smear, family planning, general and pre-marital health screening, smoking cessation, and weight loss management services, as well as cervical cancer, chicken pox, childhood, hepatitis profiling, influenza, and travel advice vaccinations. In addition, it offers pre-education/extracurricular activity certifications, and pre-employment checks; and ear syringing, foreign materials and warts removal, suturing, and wound care and dressing services. Further, the company offers swabbing, pre-departure testing, and laboratory testing services, as well as sells test kits; and higher education programmes to dentists, as well as trades in dental surgery materials and equipment; and develops dental healthcare software and equipment. As of March 31, 2021, it operated 85 dental outlets, 5 medical outlets, and 1 dental college in Singapore; 36 dental outlets in Malaysia; and 1 dental outlet in People's Republic of China. The company was founded in 1996 and is headquartered in Singapore. Q & M Dental Group (Singapore) Limited is a subsidiary of Quan Min Holdings Pte.Ltd.
Virtus Health Ltd	Virtus Health Limited provides various healthcare services in Australia, Denmark, the United Kingdom, Ireland, and Singapore. The company operates through two segments, Healthcare Services Australia and Healthcare Services International. The company provides fertility clinics and diagnostics and pathology, as well as day hospital services. It offers in-vitro fertilization (IVF) services. In addition, it offers day hospital procedures, such as non-IVF elective surgery, laparoscopic gynecology procedure, endoscopy, and other surgery. As of August 12, 2020, the company operated through a network of 120 fertility specialists. Virtus Health Limited was founded in 2008 and is headquartered in Greenwich, Australia.

Sources: S&P Global.

## Appendix D – Comparable transaction target company descriptions

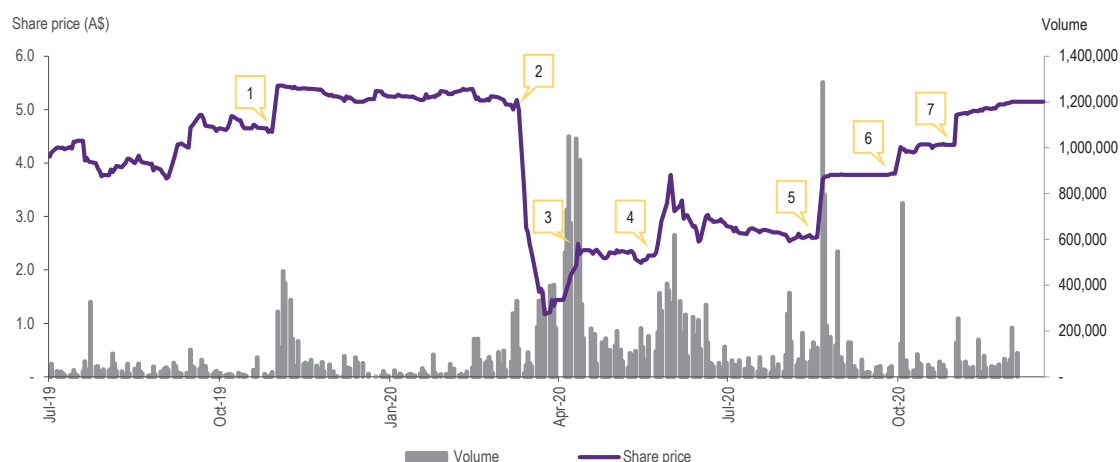
Target Company	Description
Abano Healthcare Group Ltd	Abano Healthcare Group Ltd provides oral healthcare services in New Zealand and Australia. It operates through Dental New Zealand and Dental Australia segments. The company offers a range of general and specialist services, including restorative and cosmetic dental work. As of May 31, 2020, it owned and operated 107 facilities. The company was formerly known as ElderCare New Zealand Ltd and changed its name to Abano Healthcare Group Ltd in August 2003. Abano Healthcare Group Ltd was incorporated in 1961 and is based in Auckland, New Zealand. As of December 22, 2020, Abano Healthcare Group Limited was taken private.
Healius Primary Care	Healius provides a range of services and facilities to general practitioners, specialists, dentists and other healthcare professionals. Healius Primary Care is a business segment of Healius that operates a number of medical and dental practices.
Oasis Dental Care	Oasis Dental Care Limited operates a network of dental practices in the United Kingdom. Its practices provide NHS and private dental care services, such as routine care, restoring teeth, whitening, and straightening; restorative treatments, dental implants, straightening treatments, and whitening and brightening treatments; and general, emergency dentistry, orthodontics, cosmetic, and specialist treatments. The company offers its services for various symptoms, such as gum disease, sensitive teeth, tooth ache, tooth decay, and tooth abscesses. It has private and NHS dental care practices in England, Wales, and Northern Ireland. The company was incorporated in 1950 and is based in Bristol, United Kingdom. Oasis Dental Care Limited operates as a subsidiary of Oasis Healthcare Limited.
Dental Corporation	Dental Corporation was founded in 2007. It acquires and collaborates with quality dental clinics and has a network of more than 220 clinics and over 800 dentists. Bupa agreed to acquire Dental Corporation Pty Ltd for approximately AUD 350 million on 16 December 2012.
Heartland Dental	Heartland Dental, LLC operates as a dental support organization in the United States. The company offers services in the areas of general dentistry, specialty, dental assisting, hygiene, and business for dentists. It also provides non-clinical and administrative assistance services, including human resources, marketing, information technology, education, payroll, supplies, accounting, and patient support center services. Heartland Dental, LLC was founded in 1980 and is based in Effingham, Illinois. It has a dental office in Washington; and a support office in Indianapolis, Indiana.
Dental Partners	Dental Partners, LLC provides routine, cosmetic, and specialized dental health services to patients in Tennessee and Kentucky. It offers services in the areas of preventative care, whitening, crowns, veneers, dental implants, oral surgery, periodontics, endodontics, conscious and intravenous sedation, children's dentistry, and orthodontics. The company also provides Management Services to private dental practices, such as people development, marketing, technology, dental office support, and accounting management services. Dental Partners, LLC was incorporated in 2010 and is based in Saint Petersburg, Florida. As of March 6, 2017, Dental Partners, LLC operates as a subsidiary of Dynamic Dental Partners Group.

Source: S&P Global.

## Appendix E – Abano Trading Price 18 months prior to transaction

Throughout the 18 months prior to the transaction, Abano's share price fluctuated materially due to range of different factors including the aborting of a transaction. The following table illustrates this volatility:

### Abano trading price in 18-months prior to transaction date



Sources: S&P Global, GTCF analysis

With regard to the above, we note the following key events:

- **Event 1** – Abano announced that it had entered into a SIA with Adams NZ BidCo with an offer price of NZ\$5.70 per share, a c. 63% premium to the prior days closing price of NZ\$3.50 per share. The board unanimously recommended shareholders to vote in favour of the scheme.
- **Event 2** – In late February and early March, global markets contracted sharply due to investor panic surrounding the COVID-19 outbreak. This event was felt at all levels of the economy and widespread mandatory isolation in Australia and New Zealand led to a considerable degradation in Abano's revenue generating capacity, largely due to the fact that all practices, both in Australia and New Zealand, fully closed for a minimum 4 week period. In addition to this material change in price, Abano correspondingly announced to the market that the pandemic had triggered a Materially Adverse Change ("MAC") clause leading to the termination of the previously agreed NZ\$5.70 per share SIA. Notably, there was no break fee payable by either party and due to the MAC, there were also no other outstanding liabilities owed to one another.
- **Event 3** – Abano announced a trading update and outlook of the business given the impacts of COVID-19, with notable points including:
  - All non-essential dental treatments had been suspended in both New Zealand and Australia, seeing Abano's monthly revenue drop from c. NZ\$29 million to almost zero.
  - Underlying EBITDA for FY20 was now expected to be approximately NZ\$17 million (pre-IFRS 16), down from the c. NZ\$31.7 million reported in FY19.
  - Approximate net debt of c. NZ\$130 million (pre-IFRS) and expected to increase given the company's considerable forecasted cash burn as a result of imposed restrictions.

- Notice that whilst there was no current change to the business' dividend policy, given the impact of COVID-19 on Abano's financial performance it was unlikely that a dividend would be paid in either FY20 or FY21.
- *Event 4* – Abano provided a market update that the dental network, across both Australia and New Zealand, has now re-opened and were back to offering their full range of dental services. Furthermore, the board disclosed that due to the businesses' capital structure requirements, Abano was still in talks surrounding potential transaction possibilities.
- *Event 5* – Abano announced that it had entered into a new SIA with Adams NZ BidCo for a revised price of NZ\$4.45 per share, a c. 70% premium to the prior days closing price of NZ\$2.61 per share. Within this new SIA, the price was subject to specified price reductions, up to a maximum of NZ\$0.75 per share if any of a number of different adjustments events occurred.
- *Event 6* – Abano provided an update to the market that the headline price for Abano's shares under the SIA had increased from NZ\$4.45 per share to NZ\$4.75 per share.
- *Event 7* – Abano provided an update to the market that the headline price for Abano's shares under the SIA had increased from NZ\$4.75 per share to NZ\$5.20 per share.



## Appendix F – Premium for control study

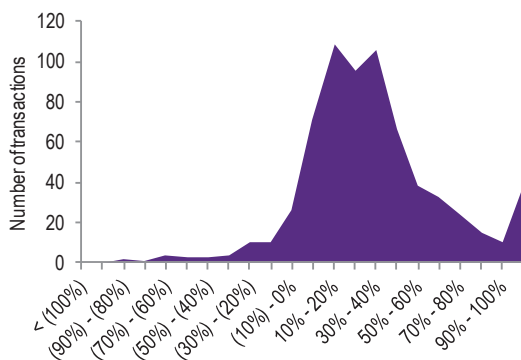
A control premium is defined as the additional consideration an investor would pay over a marketable minority equity value in order to own a controlling interest in the common stock of a company.

We have conducted a study of premiums paid in 667 Australian transactions completed between June 2000 and September 2019. We have sourced our transaction data from S&P Global and Mergermarket.

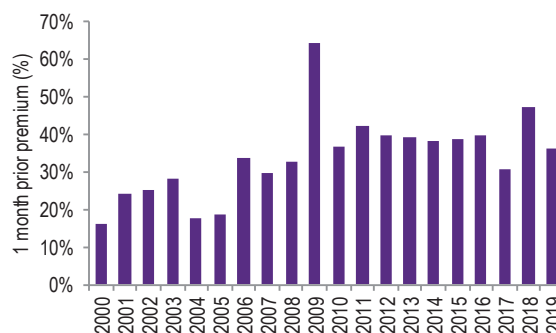
Our assessment of the premiums involve comparing the offer price of the closing price of the target company, one month prior to the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the day prior to the offer.

The following charts illustrates the premiums paid on transactions between June 2000 and September 2019.

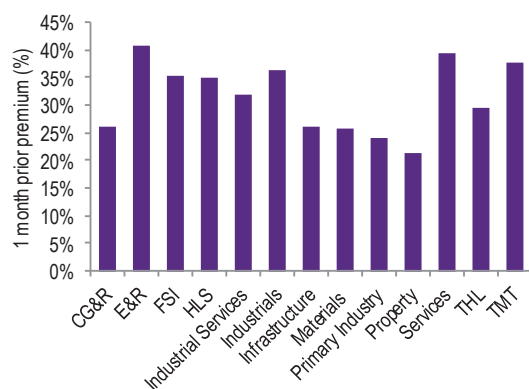
1 Month Prior Control Premium



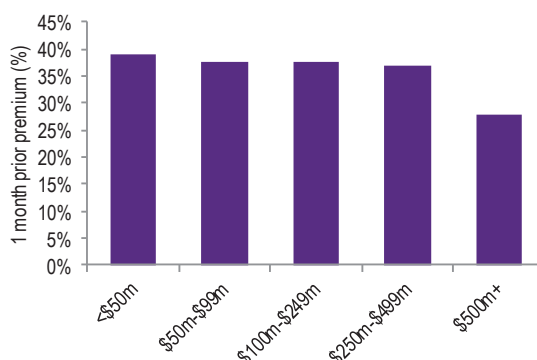
Control premium per completion date



Control premium per industry



Control premium and size



Control premium study	
	1 month prior control premium (%)
Average	35.13%
Median	29.87%

Sources: S&P Global, Merger Market, GTCF analysis

Given the distribution of the control premiums in our study, we have assessed a range of 10% to 30% to be a reasonable representation of the market.





Grant Thornton

An instinct for growth™

We note that control premiums can vary due to:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Cost of capital and ability to change capital structure;
- Perceived quality of existing management and the likelihood of management change;
- Nature and magnitude of business opportunities which are not being exploited; and
- Ability to integrate perceived synergies.

As observed from our study, there are a proportion of transactions that have control premiums below 20%. These transactions are likely impacted by factors such as market knowledge of the transaction, where the share price prior to announcement already reflects, to some extent, the anticipated transaction.

Transactions where we have observed premiums of above 40% are potentially affected by the following factors:

- High premiums associated with the acquisition of relatively small, illiquid companies. The share prices of these companies often do not reflect their fair market value and trade at a higher discount to their fair market value.
- The possibility to realise 'special value' available to some buyers will likely increase the value certain buyer will be willing to pay. This is attributed to the significant synergies and strategic benefits.
- In contested transactions, bidders are likely to pay a higher proportion of their synergies as opposed to a non-contested situation.
- The ability to transform a poorly performing company. Higher premiums are associated with firms that have performed poorly due to poor management decisions. The ability for the acquirer to influence or change the incumbent management team will likely lead to a higher willingness to pay.

Control premiums that fall outside of our assessed range of 15% to 40% are impacted by transaction specific factors and hence, not representative of general market conditions.

## Appendix G – Glossary

1Hxx	The first half (i.e. the period 1 July to 31 December) of the financial year ending 30 June 20xx
\$ or A\$	Australian Dollar
AASB 117	Australian Accounting Standards Board 117 – Leases ("AASB117"), the precursor to AASB 16
AASB 16	Australian Accounting Standards Board 16 – Leases
Abano Healthcare Group Ltd	One of Australasia's largest dental services corporate groups, a New Zealand company.
Abano Call Option	Abano HoldCo's right but not the obligation to swap the Retained ONT Shares within 24 months of transaction completion for shares in Abano HoldCo
Abano HoldCo	The Enlarged Entity
ADA	Australian Dental Association
Adams Aus BidCo Pty Ltd or Abano BidCo	One of Australasia's largest dental corporate groups
APES	Accounting Professional and Ethical Standards
APES225	Accounting Professional and Ethical Standard 225 "Valuation Services"
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Tax Office
BGH Capital	Private equity firm that together with OTPP owns Abano Healthcare Group Ltd
Blended Consideration	The blended amount paid to both Founder and Non-Founder Shareholders being A\$7.00 per share.
C.	Circa
CAGR	Compound annual growth rate
CDBS	Child Dental Benefits Schedule
Corporations Act	Corporations Act 2001
COVID-19	Coronavirus pandemic
DCF	Discounted Cash Flow
DCF Method	Discounted Cash Flow and the estimated realisable value of any surplus assets
DPS	Dividend paid out per share
DSAs	Dental Services Agreement
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITDA multiple	Enterprise Value divided by EBITDA
Effective Date	The date when a copy of the Court order approving the Scheme is lodged with ASIC
Enlarged Entity	The ultimate parent company of Abano, Adams Group Aus Holdings Pty Ltd ACN 637 089 162
EPS	Earnings per share
EV	Enterprise value
FIRB	Foreign Investment Review Board
FME Method	Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets
Founder Cash Consideration	A\$6.33 per share, less any special dividend (with c. A\$0.81 per share contingent on certain events occurring
Founder Shareholders	Dr Daryl Holmes as trustee for the TFD Hybrid Fixed Trust and Golden Arch (QID) Pty Ltd for the Whistler Discretionary Trust
Founder Replacement Shares	Shares in the Abano parent entity required to be issued on exercise of the Abano Call Option in exchange for the Retained ONT Shares held by a Founder Shareholder
FSG	Financial Service Guide
FYxx	12-month financial year ended 30 June 20xx
FY21 Budget	The ONT FY21 budget prepared by Management and approved by the Board of ONT
Gearing Ratio	Net Debt over Equity



GTCF, Grant Thornton, or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987)
IBC	Investment Board Committee of the Company
Independent Directors	The ONT directors other than Dr Daryl Holmes
IFRS 16	AASB 16 equivalent in new Zealand
Jobkeeper	Stimuli offered by the Australian Government in response to the COVID-19 outbreak
KPI	Key Performance Indicator
MAC Clause	Material Adverse Change Clause
Management	The management team of ONT
MSA	Management Service Agreement
Non-Founder Consideration	The A\$8.00 cash per share less the Special Dividend per share offered to Non-Founder Shareholders
Non-Founder Shareholders	All other shareholders not included within the Founder Shareholders
NTM	Next twelve months
NPBT	Net Profit Before Tax
NZ\$	New Zealand Dollar
ONT or the Company	1300 Smiles Limited
ONT Shares	the outstanding shares in ONT
ONT Founder Shareholders	Founder Shareholders, who collectively hold c. 59.8% of ONT's outstanding shares
ONT Non-Founder Shareholders	Refers to the ONT shareholders other than the ONT Founder Shareholders which collectively own c. 40.2% of ONT's outstanding shares
OTC	Over-The-Counter
OTPP	Ontario Teachers' Pension Plan Board
Pacific Smiles Group Limited	Comparable dental services company listed on the ASX
NDF	Net Dental Fees
Quoted Security Price Method	Quoted price for listed securities, when there is a liquid and active market
RBA	Reserve Bank of Australia
Retained ONT Shares	The c. 26.2% of ONT shares retained in ONT
Retention Election	The right of the Founder Shareholders to elect to retain c. 26.2% of their ONT shares
RG	Regulatory Guide
RG111	ASIC Regulatory Guide 111 "Contents of expert reports"
RG112	ASIC Regulatory Guide 112 "Independence of experts"
RG60	ASIC Regulatory Guide 60 "Scheme of arrangement"
S&P 500	A stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States
Scheme	Scheme of Arrangement whereby Abano BidCo will acquire up to c. 84% of the shares of ONT
Scheme Booklet	The Scheme Booklet, including each attachment
Scheme Implementation Agreement or SIA	Scheme Implementation Agreement entered into between ONT and Abano BidCo
Smiles Inclusive Limited	ASX listed peer (that is currently in administration)
Special Dividend	A special dividend of up to A\$0.80 per share (with the Company having reserved the right to determine and pay a special dividend amount of up to A\$1.10 per share)
Superior Proposal	For the definition of Superior Proposal, refer to clause 1.1 of the SIA
SSS	Same Store Sales
Total Founder Consideration	The Founder Cash Consideration plus the Founder Replacement Shares
WACC	Weighted Average Cost of Capital
VWAP	Volume Weighted Average Price



Grant Thornton

An instinct for growth™

For personal use only

**Annexure B**  
**Scheme of Arrangement**

See over page.

# Scheme of Arrangement

Dated

1300 Smiles Limited (ACN 094 508 166) ("**1300 Smiles**")

Scheme Participants

**King & Wood Mallesons**

Level 61  
Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
Australia  
**T** +61 2 9296 2000  
**F** +61 2 9296 3999  
DX 113 Sydney  
[www.kwm.com](http://www.kwm.com)

# Scheme of Arrangement

## Contents

<b>Details</b>	<b>1</b>
<b>General terms</b>	<b>2</b>
<b>1 Definitions and interpretation</b>	<b>2</b>
1.1 Definitions	2
1.2 General interpretation	5
<b>2 Preliminary</b>	<b>6</b>
2.1 1300 Smiles	6
2.2 Abano	6
2.3 If Scheme becomes Effective	6
2.4 Scheme Implementation Agreement	7
2.5 Deed Poll	7
<b>3 Conditions precedent</b>	<b>7</b>
3.1 Conditions precedent to Scheme	7
3.2 Conditions precedent and operation of clause 5	7
3.3 Certificate in relation to conditions precedent	7
<b>4 Scheme</b>	<b>8</b>
4.1 Effective Date	8
4.2 Termination and End Date	8
<b>5 Implementation of Scheme</b>	<b>8</b>
5.1 Lodgement of Court orders with ASIC	8
5.2 Transfer and registration of Transferring Shares	8
5.3 Entitlement to Scheme Consideration	9
5.4 Title and rights in 1300 Smiles Shares	9
5.5 Scheme Participants' agreements	9
5.6 Warranty by Scheme Participants	9
5.7 Transfer free of encumbrances	9
5.8 Appointment of Abano as sole proxy	9
5.9 Election procedure	10
<b>6 Scheme Consideration</b>	<b>10</b>
6.1 Consideration under the Scheme	10
6.2 Satisfaction of obligations	11
6.3 Payment of Non-Founder Consideration and the Founder Entity Cash Consideration	11
6.4 Unclaimed monies	11
6.5 Orders of a court	11
6.6 Provision of Founder Entity Contingent Notes	12
6.7 Joint holders	12
6.8 Fractional entitlements	12
6.9 Foreign resident capital gains withholding	13
<b>7 Dealings in Scheme Shares</b>	<b>14</b>
7.1 Determination of Scheme Participants	14



7.2	Register	14
7.3	No disposals after Effective Date	14
7.4	Maintenance of 1300 Smiles Register	14
7.5	Effect of certificates and holding statements	14
7.6	Details of Scheme Participants	15
7.7	Quotation of 1300 Smiles Shares	15
7.8	Termination of quotation of 1300 Smiles Shares	15
<b>8</b>	<b>Power of attorney</b>	<b>15</b>
<b>9</b>	<b>Notices</b>	<b>15</b>
9.1	No deemed receipt	15
9.2	Accidental omission	16
<b>10</b>	<b>General</b>	<b>16</b>
10.1	Variations, alterations and conditions	16
10.2	Further action by 1300 Smiles	16
10.3	Authority and acknowledgement	16
10.4	No liability when acting in good faith	16
10.5	Enforcement of Deed Poll	16
10.6	Stamp duty	16
<b>11</b>	<b>Governing law</b>	<b>17</b>
11.1	Governing law and jurisdiction	17
11.2	Serving documents	17

# Scheme of Arrangement

## Details

Parties		
1300 Smiles	Name	1300 Smiles Limited
	ABN/ACN/ARBN	094 508 166
	Formed in	Queensland, Australia
	Address	Level G, 105 Denham St Townsville QLD 4810
	Email	<a href="mailto:md@1300smiles.com.au">md@1300smiles.com.au</a>
	Attention	Daryl Holmes
Scheme Participants	Each person registered as a holder of fully paid ordinary shares in 1300 Smiles as at 5.00pm on the Record Date.	
Governing law	New South Wales	

# General terms

## 1 Definitions and interpretation

### 1.1 Definitions

Unless the contrary intention appears, these meanings apply:

**1300 Smiles Share** means an ordinary fully paid share in the capital of 1300 Smiles.

**1300 Smiles Shareholder** means each person registered in the Register as a holder of 1300 Smiles Shares.

**Abano** means Adams Aus Bidco Pty Limited (ACN 637 090 996).

**Abano Holdco** means Adams Group Aus Holdings Pty Limited (ACN 637 089 162).

**Abano Nominee** means any wholly-owned Subsidiary of Abano nominated by Abano in accordance with clause 2.2 of the Scheme Implementation Agreement.

**ACCC** means the Australian Competition and Consumer Commission.

**ATO** means the Australian Taxation Office.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited or the market operated by it, as the context requires.

**Business Day** means a day (other than a Saturday, Sunday or public holiday) in which banks are open for over-the-counter banking business in Auckland, New Zealand, Brisbane, Melbourne and Sydney, Australia and Toronto, Canada.

**Co-Investment Deed** means the Retention and Co-investment Deed in relation to Abano Holdco, in the form agreed between the Company and Abano Holdco.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Court** means Federal Court of Australia, Sydney Registry or such other court of competent jurisdiction under the Corporations Act agreed in writing by Abano and 1300 Smiles.

**Deed Poll** means the deed poll dated on or around the date of this Scheme executed by Abano substantially in the form of Annexure B of the Scheme Implementation Agreement or as otherwise agreed by Abano and 1300 Smiles under which Abano covenants in favour of each Scheme Participant to perform its obligations under this Scheme.

**Details** means the section of this document headed "Details".

**Effective** means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

**Effective Date** means the date on which the Scheme becomes Effective.

**Election** means the election by the Founder Entity Scheme Participants to retain, in aggregate, 26.227% of their Scheme Shares (rounded up or down to the nearest whole number of Scheme Shares), in accordance with clause 5.9.

**Election Date** means 5.00pm on the date that is three clear Business Days before the date of the Scheme Meetings or such other date as is agreed in writing by Abano and 1300 Smiles.

**Election Form** means a form issued by 1300 Smiles for the purposes of the Founder Entity Scheme Participants making an Election.

**Encumbrance** means any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any "security interest" as defined in sections 12(1) or (2) of the PPSA, or any agreement to create any of them or allow them to exist.

**End Date** means 31 March 2022 or such other date as is agreed by Abano and 1300 Smiles.

**Founder** means Daryl Shane Holmes of 42 Stanton Terrace Caste Hill Queensland 4810.

**Founder Entities** means each of:

- (a) the Founder;
- (b) Daryl Holmes as trustee for the TFD Hybrid Fixed Trust; and
- (c) Golden Arch (Qld) Pty Ltd as trustee for the Whistler Discretionary Trust.

**Founder Entity Consideration** means:

- (a) \$5.52 less the actual amount of any Special Dividend ("**Founder Entity Cash Consideration**"); and
- (b) one Founder Entity Contingent Note ("**Founder Entity Contingent Note Consideration**"),

in respect of each Transferring Share held by Founder Entity Scheme Participants, to be provided by Abano to the Founder Entity Scheme Participants under the terms of this Scheme for the transfer to Abano (or Abano Nominee) of his Transferring Shares.

**Founder Entity Contingent Note** means an unsecured note to be issued by Abano providing for a contingent cash payment to the Founder Entity Scheme Participants of up to \$0.81.

**Founder Entity Scheme Participant** means a Founder Entity that is a Scheme Participant.

**Immediately Available Funds** means a bank cheque or other form of cleared funds acceptable to 1300 Smiles.

**Implementation Date** means the 5<sup>th</sup> Business Day following the Record Date or such other date as is agreed by Abano and 1300 Smiles.

**Non-Founder Consideration** means \$8.00, less the actual amount of any Special Dividend, in respect of each Transferring Share held by a Non-Founder

Scheme Participant, to be provided by Abano to Non-Founder Scheme Participants under the terms of this Scheme for the transfer to Abano (or Abano Nominee) of their Transferring Shares.

**Non-Founder Scheme Participant** means a Scheme Participant other than a Founder Entity Scheme Participant.

**PPSA** means the *Personal Property Securities Act 2009* (Cth).

**Record Date** means the 2<sup>nd</sup> Business Day following the Second Court Date or such other date as 1300 Smiles and Abano agree.

**Register** means the share register of 1300 Smiles maintained by or on behalf of 1300 Smiles in accordance with section 168(1) of the Corporations Act.

**Registered Address** means, in relation to a 1300 Smiles Shareholder, the address shown in the Register.

**Regulatory Authority** includes:

- (a) ASX, ACCC, ASIC, ATO and the Takeovers Panel;
- (b) a government or governmental, semi-governmental or judicial entity or authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

**Retained Share** means a Scheme Share to be retained by the Founder Entity Scheme Participants in accordance with an Election made under clause 5.9.

**Scheme** means this scheme of arrangement between 1300 Smiles and Scheme Participants under which all of the Transferring Shares will be transferred to Abano (or an Abano Nominee) under Part 5.1 of the Corporations Act as described in clause 6 of this Scheme, in consideration for the Scheme Consideration, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act to the extent they are approved in writing by 1300 Smiles and Abano in accordance with clause 8 of this Scheme.

**Scheme Consideration** means, in respect of Transferring Shares held by:

- (a) Non-Founder Scheme Participants, the Non-Founder Consideration; and
- (b) Founder Entity Scheme Participants, the Founder Entity Consideration.

**Scheme Implementation Agreement** means the scheme implementation agreement dated 23 August 2021 between 1300 Smiles and Abano under which, amongst other things, 1300 Smiles has agreed to propose this Scheme to 1300 Smiles Shareholders, and each of Abano and 1300 Smiles has agreed to take certain steps to give effect to this Scheme.

**Scheme Meetings** means the meetings of 1300 Smiles Shareholders, ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act at which 1300 Smiles Shareholders will vote on this Scheme.

**Scheme Participant** means each person who is a 1300 Smiles Shareholder as at 5.00pm on the Record Date.

**Scheme Share** means a 1300 Smiles Share held by a Scheme Participant as at 5.00pm on the Record Date and, for the avoidance of doubt, includes any 1300 Smiles Shares issued on or before the Record Date.

**Second Court Date** means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

**Share Scheme Transfer** means, for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Transferring Shares held by that Scheme Participant for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Transferring Shares.

**Special Dividend** means a dividend to be declared and paid by 1300 Smiles of up to \$1.10 per 1300 Smiles Share.

**Subsidiary** has the meaning given to it in the Corporations Act.

**Transferring Share** means a Scheme Share that is not a Retained Share.

**Trust Account** means an Australian dollar denominated trust account operated by or on behalf of 1300 Smiles to hold the Scheme Consideration on trust for the purpose of paying the Scheme Consideration to the Scheme Participants in accordance with clause 6.2 of this Scheme.

## 1.2 General interpretation

Headings and labels used for definitions are for convenience only and do not affect interpretation. Unless the contrary intention appears, in this document:

- (a) the singular includes the plural and vice versa;
- (b) a reference to a document includes any agreement or other legally enforceable arrangement created by it (whether the document is in the form of an agreement, deed or otherwise);
- (c) a reference to a document also includes any variation, replacement or novation of it;
- (d) the meaning of general words is not limited by specific examples introduced by “including”, “for example”, “such as” or similar expressions;
- (e) a reference to “**person**” includes an individual, a body corporate, a partnership, a joint venture, an unincorporated association and an authority or any other entity or organisation;
- (f) a reference to a particular person includes the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (g) a reference to a time of day is a reference to Sydney time;
- (h) a reference to dollars, \$ or A\$ is a reference to the currency of Australia;
- (i) a reference to “law” includes common law, principles of equity and legislation (including regulations);
- (j) a reference to any legislation includes regulations under it and any consolidations, amendments, re-enactments or replacements of any of them;

- (k) a reference to “regulations” includes instruments of a legislative character under legislation (such as regulations, rules, by-laws, ordinances and proclamations);
- (l) a reference to a group of persons is a reference to any 2 or more of them jointly and to each of them individually;
- (m) a reference to any thing (including an amount) is a reference to the whole and each part of it;
- (n) a period of time starting from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (o) if a party must do something under this document on or by a given day and it is done after 5.00pm on that day, it is taken to be done on the next day; and
- (p) if the day on which a party must do something under this document is not a Business Day, the party must do it on the next Business Day.

---

## **2 Preliminary**

### **2.1 1300 Smiles**

1300 Smiles is:

- (a) a public company limited by shares;
- (b) incorporated in Australia and registered in Queensland, Australia; and
- (c) admitted to the official list of the ASX and 1300 Smiles Shares are officially quoted on the stock market conducted by ASX.

As at the date of the Scheme Implementation Agreement, 1300 Smiles' issued securities are 23,678,384 1300 Smiles Shares.

### **2.2 Abano**

Abano is:

- (a) a proprietary company limited by shares; and
- (b) incorporated in Australia and registered in Victoria, Australia.

### **2.3 If Scheme becomes Effective**

If this Scheme becomes Effective:

- (a) in consideration of the transfer of each Transferring Share to Abano (or Abano Nominee), 1300 Smiles will procure Abano to provide the Scheme Consideration to 1300 Smiles on behalf of each Scheme Participant in accordance with the terms of this Scheme;
- (b) all Transferring Shares, together with all rights and entitlements attaching to the Transferring Shares as at the Implementation Date, will be transferred to Abano (or Abano Nominee) on the Implementation Date; and



- (c) 1300 Smiles will enter the name of Abano (or Abano Nominee) in the Register in respect of all Transferring Shares transferred to Abano (or Abano Nominee) in accordance with the terms of this Scheme with the result that Abano (or Abano Nominee) will hold all 1300 Smiles Shares other than the Retained Shares.

## **2.4 Scheme Implementation Agreement**

1300 Smiles and Abano have agreed by executing the Scheme Implementation Agreement to implement the terms of this Scheme.

## **2.5 Deed Poll**

Abano has executed the Deed Poll for the purpose of covenanting in favour of the Scheme Participants to perform (or procure the performance of) its obligations as contemplated by this Scheme, including to provide the Scheme Consideration.

---

# **3 Conditions precedent**

## **3.1 Conditions precedent to Scheme**

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) as at 8.00am on the Second Court Date, the Deed Poll not having been terminated;
- (b) all of the conditions precedent in clause 3.1 of the Scheme Implementation Agreement having been satisfied or waived (other than the conditions precedent in items (a) (FIRB approval), (b) (Shareholder approval) and (c) (Court approval)) in accordance with the terms of the Scheme Implementation Agreement;
- (c) the Court having approved this Scheme, with or without any modification or condition, pursuant to section 411(4)(b) of the Corporations Act, and if applicable, 1300 Smiles and Abano having accepted in writing any modification or condition made or required by the Court under section 411(6) of the Corporations Act; and
- (d) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme.

## **3.2 Conditions precedent and operation of clause 5**

The satisfaction of each condition of clause 3.1 of this Scheme is a condition precedent to the operation of clause 5 of this Scheme.

## **3.3 Certificate in relation to conditions precedent**

1300 Smiles and Abano must provide to the Court on the Second Court Date a certificate executed as a deed poll confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent set out in clause 3.1 of this Scheme (other than the conditions precedent in clause 3.1(c) and clause 3.1(d) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

The certificate referred to in this clause 3.3 will constitute conclusive evidence of whether the conditions precedent referred to in clause 3.1 of this Scheme (other than the conditions precedent in clause 3.1(c) and 3.1(d) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

---

## **4 Scheme**

### **4.1 Effective Date**

Subject to clause 4.2 this Scheme will come into effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

### **4.2 Termination and End Date**

This Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Scheme Implementation Agreement or the Deed Poll is terminated in accordance with its terms,

unless 1300 Smiles and Abano otherwise agree in writing.

---

## **5 Implementation of Scheme**

### **5.1 Lodgement of Court orders with ASIC**

If the conditions precedent set out in clause 3.1 of this Scheme (other than the condition precedent in clause 3.1(d) of this Scheme) are satisfied, 1300 Smiles must lodge with ASIC, in accordance with section 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as reasonably practicable after the Court approves this Scheme, and in any event by no later than 5.00pm on the first Business Day after the day on which the Court approves this Scheme or such later time as Abano and 1300 Smiles agree in writing.

### **5.2 Transfer and registration of Transferring Shares**

On the Implementation Date, but subject to the provision of the Scheme Consideration for the Transferring Shares in accordance with clauses 6.1 to 6.3 of this Scheme and Abano having provided 1300 Smiles with written confirmation of the provision of the Scheme Consideration:

- (a) the Transferring Shares, together with all rights and entitlements attaching to the Transferring Shares as at the Implementation Date, will be transferred to Abano (or Abano Nominee) without the need for any further act by any Scheme Participant (other than acts performed by 1300 Smiles as attorney and agent for Scheme Participants under clause 8 of this Scheme) by:
  - (i) 1300 Smiles delivering to Abano (or Abano Nominee) a duly completed and executed Share Scheme Transfer executed on behalf of the Scheme Participants; and
  - (ii) Abano (or Abano Nominee) duly executing the Share Scheme Transfer and delivering it to 1300 Smiles for registration; and

- (b) as soon as practicable after receipt of the duly executed Share Scheme Transfer, 1300 Smiles must enter the name of Abano (or Abano Nominee) in the Register in respect of all Transferring Shares transferred to Abano (or Abano Nominee) in accordance with the terms of this Scheme.

### **5.3 Entitlement to Scheme Consideration**

On the Implementation Date, in consideration for the transfer to Abano (or Abano Nominee) of the Transferring Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Transferring Shares in accordance with clause 6 of this Scheme.

### **5.4 Title and rights in 1300 Smiles Shares**

Subject to the provision of the Scheme Consideration for the Transferring Shares as contemplated by clause 6 of this Scheme, on and from the Implementation Date, Abano (or Abano Nominee) will be beneficially entitled to the Transferring Shares transferred to it under the Scheme, pending registration by 1300 Smiles of Abano (or Abano Nominee) in the Register as the holder of the Transferring Shares.

### **5.5 Scheme Participants' agreements**

Under this Scheme, each Scheme Participant agrees to the transfer of their Transferring Shares, together with all rights and entitlements attaching to those Transferring Shares, in accordance with the terms of this Scheme.

### **5.6 Warranty by Scheme Participants**

Each Scheme Participant warrants to Abano and is deemed to have authorised 1300 Smiles to warrant to Abano as agent and attorney for the Scheme Participant by virtue of this clause 5.6, that:

- (a) all their Transferring Shares (including any rights and entitlements attaching to those shares) transferred to Abano (or Abano Nominee) under the Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and
- (b) they have full power and capacity to sell and to transfer their Transferring Shares (including any rights and entitlements attaching to those shares) to Abano (or Abano Nominee) under the Scheme.

### **5.7 Transfer free of encumbrances**

To the extent permitted by law, all Transferring Shares (including any rights and entitlements attaching to those shares) which are transferred to Abano (or Abano Nominee) under this Scheme will, at the date of the transfer of them to Abano (or Abano Nominee), vest in Abano (or Abano Nominee) free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in this Scheme.

### **5.8 Appointment of Abano as sole proxy**

- (a) Immediately upon provision of the Scheme Consideration to each Scheme Participant in the manner contemplated by clauses 5.2, 6.3 and 6.6 of this Scheme until 1300 Smiles registers Abano (or Abano Nominee) as the holder of all of the Transferring Shares in the Register, each Scheme Participant:

- (i) irrevocably appoints 1300 Smiles as attorney and agent (and directs 1300 Smiles in such capacity) to appoint Abano and each of its directors from time to time (jointly and each of them individually) as its sole proxy, and where applicable corporate representative, to attend shareholders' meetings, exercise the votes attaching to Transferring Shares registered in its name and sign any shareholders resolution, and no Scheme Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 5.8(a)(i));
  - (ii) must take all other actions in the capacity of the registered holder of Transferring Shares as Abano directs; and
  - (iii) acknowledges and agrees that in exercising the powers referred to in clause 5.8(a)(i), Abano and any director from time to time may act in the best interests of Abano as the intended registered holder of the Transferring Shares.
- (b) 1300 Smiles undertakes in favour of each Scheme Participant that it will appoint Abano and each of its directors from time to time (jointly and each of them individually) as that Scheme Participant's proxy or, where applicable, corporate representative in accordance with clause 5.8(a)(i) of this Scheme.

## 5.9 Election procedure

- (a) Subject to clause 5.9(b) and 5.9(c), each Founder Entity Scheme Participant will be entitled to make an Election. An Election will take effect in accordance with this Scheme to the extent that a Founder Entity Scheme Participant makes an Election and qualifies as a Scheme Participant.
- (b) If a Founder Entity Scheme Participant makes an Election, they may vary, withdraw or revoke that Election by lodging a replacement Election Form so that it is received on or before the Election Date. An Election cannot be varied, withdrawn or revoked after the Election Date.
- (c) An Election must be made in accordance with the terms and conditions on the Election Form and this clause 5.9, and an Election not so made will not be a valid election for the purpose of this Scheme and will not be recognised by Abano or 1300 Smiles for any purpose (provided that Abano may, with the agreement of 1300 Smiles, waive this requirement and settle as it thinks fit, any difficulty, matter of interpretation or dispute which may arise in connection with determining the validity of any Election, and any such decision will be conclusive and binding on Abano, 1300 Smiles and the relevant Founder Entity Scheme Participant).

---

## 6 Scheme Consideration

### 6.1 Consideration under the Scheme

On the Implementation Date, 1300 Smiles must procure Abano to provide (or procure the provision of):

- (a) the Non-Founder Consideration to the Non-Founder Scheme Participants;

- (b) the Founder Entity Consideration to the Founder Entity Scheme Participants,

in accordance with clauses 6.2, 6.3, 6.4 and 6.6 of this Scheme.

## **6.2 Satisfaction of obligations**

The obligation of 1300 Smiles to procure provision of the Non-Founder Consideration and the Founder Entity Cash Consideration pursuant to clause 6.1 of this Scheme will be satisfied by 1300 Smiles procuring Abano no later than the Business Day before the Implementation Date to deposit (or procure the deposit) in Immediately Available Funds the aggregate amount of the Non-Founder Consideration payable to the Non-Founder Scheme Participants and the Founder Entity Cash Consideration payable to the Founder Entity Scheme Participants into the Trust Account (except that the amount of any interest on the amount deposited will be to Abano's account).

## **6.3 Payment of Non-Founder Consideration and the Founder Entity Cash Consideration**

On the Implementation Date, subject to receipt of the Non-Founder Consideration and the Founder Entity Cash Consideration from Abano in accordance with clause 6.2 of this Scheme, 1300 Smiles must pay:

- (a) to each Non-Founder Scheme Participant an amount equal to the Non-Founder Consideration for each Transferring Share transferred to Abano (or Abano Nominee) on the Implementation Date by that Non-Founder Scheme Participant; and
- (b) to the Founder Entity Scheme Participants an amount equal to the Founder Entity Cash Consideration for each Transferring Share transferred to Abano (or Abano Nominee) on the Implementation Date by the Founder Entity Scheme Participants.

Unless otherwise directed by the Scheme Participants before the Record Date, the amounts referred to in this clause 6.3 of this Scheme must be paid by direct credit or sending a cheque drawn on an Australian bank in Australian currency on the Implementation Date to each Scheme Participant by pre-paid ordinary post (or, if the address of the Scheme Participant in the Register is outside Australia, by pre-paid airmail post) to their address recorded in the Register at 5.00pm on the Record Date.

## **6.4 Unclaimed monies**

1300 Smiles may cancel a cheque issued under clause 6.3 of this Scheme if the cheque:

- (a) is returned to 1300 Smiles; or
- (b) has not been presented for payment within 6 months after the date on which the cheque was sent.

During the period of 1 year commencing on the Implementation Date, on request from a Scheme Participant, 1300 Smiles must reissue a cheque that was previously cancelled under this clause 6.4.

## **6.5 Orders of a court**

In the case of notice having been given to 1300 Smiles (or the Registry) of an order made by a court of competent jurisdiction:

- (a) which requires payment to a third party of a sum in respect of Transferring Shares held by a particular Scheme Participant, which would otherwise be payable to that Scheme Participant in accordance with clause 6.3 of this Scheme, then 1300 Smiles must procure that payment is made in accordance with that order; or
- (b) which would prevent 1300 Smiles from dispatching payment to any particular Scheme Participant in accordance with clause 6.3 of this Scheme, 1300 Smiles will retain an amount, in Australian dollars, equal to the number of Transferring Shares held by that Scheme Participant multiplied by the Scheme Consideration until such time as payment in accordance with clause 6.3 of this Scheme is permitted by law.

## **6.6 Provision of Founder Entity Contingent Notes**

The:

- (a) obligations of Abano to issue Founder Entity Contingent Notes to the Founder Entity Scheme Participants under the Scheme will be satisfied by Abano:
  - (i) on the Implementation Date, causing the name and Registered Address (as at the Record Date) of the Founder Entity Scheme Participant to be entered in the register for the Founder Entity Contingent Notes as the holder of the Founder Entity Contingent Notes issued to the Founder Entity Scheme Participants and provide an extract of the register evidencing the entry into the register of the Founder Entity Scheme Participants certified as true and correct by an officer of Abano; and
  - (ii) on or before the date that is five Business Days after the Implementation Date, sending or procuring the sending of certificates to the Founder Entity Scheme Participants reflecting the issue of the Founder Entity Contingent Notes.
- (b) Founder Entity Scheme Participants agree pursuant to the Scheme to:
  - (i) have their name and address entered in the register for the Founder Entity Contingent Notes; and
  - (ii) be bound by the terms of the Founder Entity Contingent Notes.

## **6.7 Joint holders**

In the case of Transferring Shares held in joint names:

- (a) any cheque required to be sent under this Scheme must be payable to the joint holders and sent to the holder whose name appears first in the Register as at 5.00pm on the Record Date; and
- (b) any other document required to be sent under this Scheme must be sent to the holder whose name appears first in the Register as at 5.00pm on the Record Date.

## **6.8 Fractional entitlements**

- (a) Where the calculation of the Non-Founder Consideration to be provided to a Non-Founder Scheme Participant would result in the Non-Founder Scheme Participant becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up or down to the nearest cent and,



for the avoidance of doubt, fractional entitlements of 0.5 of a cent will be rounded up.

- (b) Where the calculation of the Founder Entity Cash Consideration to be provided to a Founder Entity Scheme Participant would result in a Founder Entity Scheme Participant becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up or down to the nearest cent and, for the avoidance of doubt, fractional entitlements of 0.5 of a cent will be rounded up.
- (c) Where the calculation of the Founder Entity Contingent Note Consideration to be provided to a Founder Entity Scheme Participant would result in the issue of a fraction of a Founder Entity Contingent Note, the number of Founder Entity Contingent Notes to be issued to a Founder Entity Scheme Participant will be rounded up or down to the nearest whole number of Founder Entity Contingent Notes and, for the avoidance of doubt, fractional entitlements of 0.5 of a Founder Entity Contingent Notes will be rounded up.

## 6.9 Foreign resident capital gains withholding

- (a) If Abano determines, having regard to legal advice, that Abano is:

- (i) required by law to withhold any amount from a payment or an issue of Founder Entity Contingent Notes to a Founder Entity Scheme Participant; or
- (ii) liable to pay an amount to the Commissioner of Taxation under Subdivision 14-D of Schedule 1 to the *Taxation Administration Act 1953* (Cth) in respect of the acquisition of Transferring Shares from a Scheme Participant,

(either of the above being the **Relevant Amount**),

then Abano is entitled to

- (iii) withhold the Relevant Amount before making the payment to the Scheme Participant or issuing the Founder Entity Contingent Notes to the Founder Entity Scheme Participant (as applicable);
- (iv) reduce the number of Founder Entity Contingent Notes issued by a number calculated by the following factor, RA/VS, rounded to the nearest whole number of Founder Entity Contingent Notes, where:
  - (A) RA means the Relevant Amount or the amount of the Relevant Amount not satisfied after the application of clause 6.9(a)(iii); and
  - (B) VS means the value (as reasonably assessed by Abano) of one Founder Entity Contingent Note; and
- (v) where the Scheme Consideration is a combination of cash and Founder Entity Contingent Notes, first withhold the Relevant Amount from any cash element,

and payment of the reduced amount or issue of the reduced number of Founder Entity Contingent Notes (or a combination) and payment of the Relevant Amount to the relevant taxation authority pursuant to this clause 6.9 will be taken to be full payment of the Relevant Amount



for the purpose of this Scheme, including clause 6.3 and 6.6

- (b) Abano must pay the Relevant Amount so withheld to the relevant taxation authority within the time permitted by law, and, if requested in writing by the relevant Scheme Participant, provide a receipt or other appropriate evidence (or procure the provision of such receipt or other evidence) of such payment to the relevant Scheme Participant.

---

## **7 Dealings in Scheme Shares**

### **7.1 Determination of Scheme Participants**

To establish the identity of the Scheme Participants, dealings in Scheme Shares will only be recognised by 1300 Smiles if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Scheme Shares on or before 5.00pm on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 5.00pm on the Record Date at the place where the Register is kept.

### **7.2 Register**

1300 Smiles must register any registrable transmission applications or transfers of the Scheme Shares received in accordance with clause 7.1(b) of this Scheme on or before 5.00pm on the Record Date.

### **7.3 No disposals after Effective Date**

If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Effective Date in any way except as set out in this Scheme and any such disposal will be void and of no legal effect whatsoever.

1300 Smiles will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Scheme Shares received after 5.00pm on the Record Date (except a transfer to Abano (or Abano Nominee) pursuant to this Scheme and any subsequent transfer by Abano (or Abano Nominee) or its successors in title).

### **7.4 Maintenance of 1300 Smiles Register**

For the purpose of determining entitlements to the Scheme Consideration, 1300 Smiles will maintain the Register in accordance with the provisions of clauses 7.1 to 7.3 until the Scheme Consideration has been provided to the Scheme Participants and Abano (or Abano Nominee) has been entered in the Register as the holder of all the Transferring Shares. The Register in this form will solely determine entitlements to the Scheme Consideration.

### **7.5 Effect of certificates and holding statements**

Subject to provision of the Scheme Consideration and registration of the transfer to Abano (or Abano Nominee) contemplated in clauses 5.2 and 7.4 of this Scheme, any statements of holding in respect of Transferring Shares will cease to have effect after 5.00pm on the Record Date as documents of title in respect

For personal use only

of those shares (other than statements of holding in favour of Abano (or Abano Nominee) and its successors in title). After 5.00pm on the Record Date, each entry current on the Register as at 5.00pm on the Record Date in respect of Transferring Shares (other than entries in respect of Abano (or Abano Nominee) or its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Transferring Shares relating to that entry.

## **7.6 Details of Scheme Participants**

Within 3 Business Days after the Record Date 1300 Smiles will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Participant, as shown in the Register at 5.00pm on the Record Date are available to Abano in such form as Abano reasonably requires.

## **7.7 Quotation of 1300 Smiles Shares**

Suspension of trading on ASX in 1300 Smiles Shares will occur from the close of trading on ASX on the Effective Date.

## **7.8 Termination of quotation of 1300 Smiles Shares**

After the Scheme has been fully implemented, 1300 Smiles will apply:

- (a) for termination of the official quotation of 1300 Smiles Shares on ASX; and
- (b) to have itself removed from the official list of the ASX.

---

## **8 Power of attorney**

Each Scheme Participant, without the need for any further act by any Scheme Participant, irrevocably appoints 1300 Smiles and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of:

- (a) executing any deed or document necessary or expedient to give effect to this Scheme including the Share Scheme Transfer;
- (b) enforcing the Deed Poll against Abano; or
- (c) any deed or document required by Abano or Abano Holdco that causes each Founder Entity Scheme Participant to be bound by the Co-Investment Deed or to be bound by the constituent documents of Abano Holdco,

and 1300 Smiles accepts such appointment.

---

## **9 Notices**

### **9.1 No deemed receipt**

If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to 1300 Smiles, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at 1300 Smiles' registered office or at the office of the registrar of 1300 Smiles Shares.

## **9.2 Accidental omission**

The accidental omission to give notice of either of the Scheme Meetings or the non-receipt of such a notice by any Shareholder will not, unless so ordered by the Court, invalidate either of the Scheme Meetings or the proceedings of either of the Scheme Meetings.

---

# **10 General**

## **10.1 Variations, alterations and conditions**

1300 Smiles may, with the consent of Abano (which cannot be unreasonably withheld), by its counsel or solicitor consent on behalf of all persons concerned to any variations, alterations or conditions to this Scheme which the Court thinks fit to impose.

## **10.2 Further action by 1300 Smiles**

1300 Smiles will execute all documents and do all things (on its own behalf and on behalf of each Scheme Participant) necessary or expedient to implement, and perform its obligations under, this Scheme.

## **10.3 Authority and acknowledgement**

Each of the Scheme Participants:

- (a) irrevocably consents to 1300 Smiles and Abano doing all things necessary or expedient for or incidental to the implementation of this Scheme; and
- (b) acknowledges that this Scheme binds 1300 Smiles and all Scheme Participants (including those who do not attend the relevant Scheme Meeting or do not vote at that meeting or vote against the Scheme at that Meeting) and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of 1300 Smiles.

## **10.4 No liability when acting in good faith**

Neither 1300 Smiles nor Abano, nor any of their respective officers, will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

## **10.5 Enforcement of Deed Poll**

1300 Smiles undertakes in favour of each Scheme Participant to enforce the Deed Poll against Abano on behalf of and as agent and attorney for the Scheme Participants.

## **10.6 Stamp duty**

Abano will pay all stamp duty (including any fines, penalties and interest) payable in connection with this Scheme or the Deed Poll.

---

## **11 Governing law**

### **11.1 Governing law and jurisdiction**

The law in force in the place specified in the Details governs this document. The parties submit to the non-exclusive jurisdiction of the courts of that place.

### **11.2 Serving documents**

Without preventing any other method of service, any document in an action in connection with this document may be served on a party by being delivered or left at that party's address set out in the Details.

**Annexure C**

**Deed Poll**

See over page.

# Deed Poll

Dated 7 October 2021

Given by Adams Aus Bidco Pty Limited (ACN 637 090 996) ("**Abano**")

In favour of each registered holder of fully paid ordinary shares in 1300 Smiles Limited (ACN 094 508 166) ("**1300 Smiles**") as at 5.00 pm on the Record Date ("**Scheme Participants**")

**King & Wood Mallesons**

Level 61  
Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
Australia  
T +61 2 9296 2000  
F +61 2 9296 3999  
DX 113 Sydney  
www.kwm.com

# Deed Poll

## Contents

<b>Details</b>	<b>1</b>
<b>General terms</b>	<b>2</b>
<b>1 Definitions and interpretation</b>	<b>2</b>
1.1 Definitions	2
1.2 General interpretation	2
1.3 Nature of deed poll	2
<b>2 Conditions precedent and termination</b>	<b>2</b>
2.1 Conditions precedent	2
2.2 Termination	2
2.3 Consequences of termination	3
<b>3 Performance of obligations generally</b>	<b>3</b>
<b>4 Scheme Consideration</b>	<b>3</b>
4.1 Scheme Consideration	3
4.2 Manner of payment	3
4.3 Joint holders	4
<b>5 Representations and warranties</b>	<b>4</b>
<b>6 Continuing obligations</b>	<b>4</b>
<b>7 Costs</b>	<b>5</b>
7.1 Costs	5
7.2 Stamp duty and registration fees	5
<b>8 Notices</b>	<b>5</b>
<b>9 General</b>	<b>5</b>
9.1 Variation	5
9.2 Partial exercising of rights	5
9.3 Remedies cumulative	6
9.4 Assignment or other dealings	6
9.5 Further steps	6
<b>10 Governing law and jurisdiction</b>	<b>6</b>
10.1 Governing law and jurisdiction	6
10.2 Serving documents	6
<b>Signing page</b>	<b>7</b>
<b>Annexure A - Scheme</b>	<b>8</b>



# Deed Poll

## Details

### Parties

<b>Abano</b>	Name	<b>Adams Aus Bidco Pty Limited</b>
	ACN	637 090 996
	Formed in	Victoria, Australia
	Address	Level 26, 101 Collins Street Melbourne VIC 3000
	Email	Hmorfis@bghcapital.com
	Attention	Hari Morfis

<b>In favour of</b>	Each registered holder of fully paid ordinary shares in 1300 Smiles as at 5.00 pm on the Record Date.
---------------------	---

<b>Governing law</b>	New South Wales
----------------------	-----------------

<b>Recitals</b>	<b>A</b>	The directors of 1300 Smiles have resolved that 1300 Smiles should propose the Scheme.
	<b>B</b>	The effect of the Scheme will be that all Transferring Shares will be transferred to Abano (or Abano Nominee).
	<b>C</b>	1300 Smiles and Abano have entered into the Scheme Implementation Agreement.
	<b>D</b>	In the Scheme Implementation Agreement, Abano agreed (amongst other things) to provide the Scheme Consideration to 1300 Smiles on behalf of the Scheme Participants, subject to the satisfaction of certain conditions.
	<b>E</b>	Abano is entering into this deed poll for the purpose of covenanting in favour of Scheme Participants to perform its obligations in relation to the Scheme.

# Deed Poll

## General terms

---

### 1 Definitions and interpretation

#### 1.1 Definitions

Unless the contrary intention appears, these meanings apply:

**Authorised Officer** means a director or secretary of a party or any other person nominated by a party to act as an Authorised Officer for the purposes of this document.

**Scheme** means the proposed scheme of arrangement between 1300 Smiles and Scheme Participants under which all the Transferring Shares will be transferred to Abano (or Abano Nominee) under Part 5.1 of the Corporations Act, substantially in the form of Annexure A to this deed poll, or as otherwise agreed by Abano and 1300 Smiles, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act, to the extent they are approved in writing by 1300 Smiles and Abano in accordance with clause 10.1 of the Scheme.

All other words and phrases used in this document have the same meaning as given to them in the Scheme.

#### 1.2 General interpretation

Clause 1.2 of the Scheme applies to this document.

#### 1.3 Nature of deed poll

Abano acknowledges and agrees that this document may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not a party to it.

---

### 2 Conditions precedent and termination

#### 2.1 Conditions precedent

Abano's obligations under clause 4 are subject to the Scheme becoming Effective.

#### 2.2 Termination

Abano's obligations under this document will automatically terminate and the terms of this document will be of no further force or effect if:

- (a) the Scheme has not become Effective on or before the End Date; or
- (b) the Scheme Implementation Agreement is terminated in accordance with its terms.

## 2.3 Consequences of termination

If this document is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

- (a) Abano is released from its obligations to further perform this document except those obligations contained in clause 7.2 and any other obligations which by their nature survive termination; and
- (b) each Scheme Participant retains the rights, powers or remedies they have against Abano in respect of any breach of this document which occurs before it is terminated.

---

## 3 Performance of obligations generally

Abano must comply with its obligations under the Scheme Implementation Agreement and do all acts and things necessary or desirable on its part to give full effect to the Scheme.

---

## 4 Scheme Consideration

### 4.1 Scheme Consideration

Subject to clause 2, Abano undertakes in favour of each Scheme Participant to:

- (a) pay or procure the payment of the Non-Founder Consideration to the Trust Account on behalf of each Non-Founder Scheme Participant in accordance with the Scheme;
- (b) pay or procure the payment of the Founder Entity Cash Consideration to the Trust Account on behalf of each Founder Entity Scheme Participant in accordance with the Scheme; and
- (c) issue Founder Entity Contingent Notes to each Founder Entity Scheme Participant in accordance with the Scheme.

### 4.2 Manner of payment

The obligations of Abano under clause 4.1 will be satisfied if, in respect of the Scheme Consideration:

- (a) Abano deposits or procures the deposit, no later than the Business Day before the Implementation Date in Immediately Available Funds the aggregate amount of the Non-Founder Consideration payable to the Non-Founder Scheme Participants and the Founder Entity Cash Consideration payable to the Founder Entity Scheme Participants into the Trust Account (except that the amount of any interest on the amount deposited will be to Abano's account);
- (b) on the Implementation Date, Abano issues all of the Founder Entity Contingent Notes it is obligated to issue to the Founder Entity Scheme Participants under the Scheme and Abano provides 1300 Smiles with written confirmation that Abano has done so;
- (c) on the Implementation Date, Abano enters the name of the Founder Entity Scheme Participants into Abano's register of Founder Entity Contingent Notes as the holder of those Founder Entity Contingent Notes and provide an extract of the register evidencing the entry into the

register of the Founder Entity Scheme Participants certified as true and correct by an officer of Abano; and

- (d) on or before the date that is five Business Days after the Implementation Date, Abano sends or procures the sending of a certificate to the Founder Entity Scheme Participants reflecting the issue of the Founder Entity Contingent Notes, in each case, in accordance with and subject to the Scheme.

#### 4.3 Joint holders

In the case of Transferring Shares held in joint names:

- (a) any bank cheque required to be sent under the Scheme must be payable to the joint holders and sent to the holder whose name appears first in the Register as at 5.00pm on the Record Date; and
- (b) any other document required to be sent under this Scheme must be sent to the holder whose name appears first in the Register as at 5.00pm on the Record Date.

---

## 5 Representations and warranties

Abano represents and warrants to each Scheme Participant that:

- (a) **(status)** it has been incorporated or formed in accordance with the laws of its place of incorporation or formation, is validly existing under those laws and has power and authority to own its assets and carry on its business as it is now being conducted;
- (b) **(power)** it has power to enter into this document, to comply with its obligations under it and exercise its rights under it;
- (c) **(no contravention)** the entry by it into, its compliance with its obligations and the exercise of its rights under, this document do not and will not conflict with:
  - (i) its constituent documents or cause a limitation on its powers or the powers of its directors to be exceeded;
  - (ii) any law binding on or applicable to it or its assets; or
  - (iii) any Encumbrance or document binding on or applicable to it;
- (d) **(authorisations)** it has in full force and effect each authorisation necessary for it to enter into this document, to comply with its obligations and exercise its rights under it, and to allow them to be enforced;
- (e) **(validity of obligations)** its obligations under this document are valid and binding and are enforceable against it in accordance with its terms; and
- (f) **(solvency)** is not Insolvent.

---

## 6 Continuing obligations

This document is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Abano has fully performed each of its obligations under this document;  
or
- (b) the earlier termination of this document under clause 2.2.

---

## **7 Costs**

### **7.1 Costs**

Abano agrees to pay all costs in respect of the Scheme (including, in connection with the transfer of the Transferring Shares to Abano in accordance with the terms of the Scheme) except for amounts covered by clause 7.2.

### **7.2 Stamp duty and registration fees**

Abano:

- (a) agrees to pay or reimburse all stamp duty, registration fees and similar taxes payable or assessed as being payable in connection with this document or any other transaction contemplated by this document (including any fees, fines, penalties and interest in connection with any of these amounts); and
- (b) indemnifies each Scheme Participant against, and agrees to reimburse and compensate it, for any liability in respect of stamp duty under clause 7.2(a) on demand.

---

## **8 Notices**

Notices and other communications in connection with this document must be in writing. They must be sent to the address or email address referred to in the Details and (except in the case of email) marked for the attention of the person referred to in the Details. If the intended recipient has notified changed contact details, then communications must be sent to the changed contact details.

---

## **9 General**

### **9.1 Variation**

A provision of this document or any right created under it may not be varied, altered or otherwise amended unless:

- (a) if before the First Court Date, the variation, alteration or amendment is agreed to by 1300 Smiles and Abano in writing; and
- (b) if on or after First Court Date, the Court indicates that the variation, alteration or amendment would not itself preclude approval of the Scheme,

in which event Abano must enter into a further deed poll in favour of the Scheme Participants giving effect to the variation, alteration or amendment.

### **9.2 Partial exercising of rights**

Unless this document expressly states otherwise, if Abano does not exercise a right, power or remedy in connection with this document fully or at a given time, it may still exercise it later.

### **9.3 Remedies cumulative**

The rights, powers and remedies in connection with this document are in addition to other rights, powers and remedies given by law independently of this document.

### **9.4 Assignment or other dealings**

Abano and each Scheme Participant may not assign, encumber or otherwise deal with its rights under this document or allow any interest in them to arise or be varied without the consent of Abano and 1300 Smiles.

### **9.5 Further steps**

Abano agrees to do anything including executing all documents and do all things (on its own behalf or on behalf of each Scheme Participant) necessary or expedient to give full effect to this document and the transactions contemplated by it.

---

## **10 Governing law and jurisdiction**

### **10.1 Governing law and jurisdiction**

The law in force in the place specified in the Details governs this document. Abano submits to the non-exclusive jurisdiction of the courts of that place.

### **10.2 Serving documents**

Without preventing any other method of service, any document in an action in connection with this document may be served on Abano by being delivered or left at the address set out in the Details.

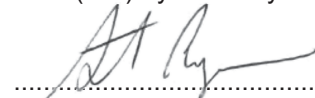
**EXECUTED** as a deed poll

# Deed Poll

## Signing page

DATED: 7 October 2021

EXECUTED by **ADAMS AUS BIDCO  
PTY LIMITED** in accordance with  
section 127(1) of the *Corporations Act  
2001* (Cth) by authority of its directors:

  
.....  
Signature of director

Sinéad Ryan  
.....  
Name of director (block letters)

  
.....

Signature of director/company  
secretary\*  
\*delete whichever is not applicable

Stephen Davies  
.....  
Name of director/company secretary\*  
(block letters)  
\*delete whichever is not applicable



# Deed Poll

## Annexure A - Scheme

For personal use only

# Scheme of Arrangement

Dated

1300 Smiles Limited (ACN 094 508 166) ("**1300 Smiles**")

Scheme Participants

**King & Wood Mallesons**

Level 61  
Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
Australia  
**T** +61 2 9296 2000  
**F** +61 2 9296 3999  
DX 113 Sydney  
[www.kwm.com](http://www.kwm.com)

# Scheme of Arrangement

## Contents

<b>Details</b>	<b>1</b>
<b>General terms</b>	<b>2</b>
<b>1 Definitions and interpretation</b>	<b>2</b>
1.1 Definitions	2
1.2 General interpretation	5
<b>2 Preliminary</b>	<b>6</b>
2.1 1300 Smiles	6
2.2 Abano	6
2.3 If Scheme becomes Effective	6
2.4 Scheme Implementation Agreement	7
2.5 Deed Poll	7
<b>3 Conditions precedent</b>	<b>7</b>
3.1 Conditions precedent to Scheme	7
3.2 Conditions precedent and operation of clause 5	7
3.3 Certificate in relation to conditions precedent	7
<b>4 Scheme</b>	<b>8</b>
4.1 Effective Date	8
4.2 Termination and End Date	8
<b>5 Implementation of Scheme</b>	<b>8</b>
5.1 Lodgement of Court orders with ASIC	8
5.2 Transfer and registration of Transferring Shares	8
5.3 Entitlement to Scheme Consideration	9
5.4 Title and rights in 1300 Smiles Shares	9
5.5 Scheme Participants' agreements	9
5.6 Warranty by Scheme Participants	9
5.7 Transfer free of encumbrances	9
5.8 Appointment of Abano as sole proxy	9
5.9 Election procedure	10
<b>6 Scheme Consideration</b>	<b>10</b>
6.1 Consideration under the Scheme	10
6.2 Satisfaction of obligations	11
6.3 Payment of Non-Founder Consideration and the Founder Entity Cash Consideration	11
6.4 Unclaimed monies	11
6.5 Orders of a court	11
6.6 Provision of Founder Entity Contingent Notes	12
6.7 Joint holders	12
6.8 Fractional entitlements	12
6.9 Foreign resident capital gains withholding	13
<b>7 Dealings in Scheme Shares</b>	<b>14</b>
7.1 Determination of Scheme Participants	14

7.2	Register	14
7.3	No disposals after Effective Date	14
7.4	Maintenance of 1300 Smiles Register	14
7.5	Effect of certificates and holding statements	14
7.6	Details of Scheme Participants	15
7.7	Quotation of 1300 Smiles Shares	15
7.8	Termination of quotation of 1300 Smiles Shares	15
<b>8</b>	<b>Power of attorney</b>	<b>15</b>
<b>9</b>	<b>Notices</b>	<b>15</b>
9.1	No deemed receipt	15
9.2	Accidental omission	16
<b>10</b>	<b>General</b>	<b>16</b>
10.1	Variations, alterations and conditions	16
10.2	Further action by 1300 Smiles	16
10.3	Authority and acknowledgement	16
10.4	No liability when acting in good faith	16
10.5	Enforcement of Deed Poll	16
10.6	Stamp duty	16
<b>11</b>	<b>Governing law</b>	<b>17</b>
11.1	Governing law and jurisdiction	17
11.2	Serving documents	17

# Scheme of Arrangement

## Details

### Parties

**1300 Smiles**

Name	1300 Smiles Limited
ABN/ACN/ARBN	094 508 166
Formed in	Queensland, Australia
Address	Level G, 105 Denham St Townsville QLD 4810
Email	<a href="mailto:md@1300smiles.com.au">md@1300smiles.com.au</a>
Attention	Daryl Holmes

**Scheme  
Participants**

Each person registered as a holder of fully paid ordinary shares in 1300 Smiles as at 5.00pm on the Record Date.

**Governing law**

New South Wales

# General terms

## 1 Definitions and interpretation

### 1.1 Definitions

Unless the contrary intention appears, these meanings apply:

**1300 Smiles Share** means an ordinary fully paid share in the capital of 1300 Smiles.

**1300 Smiles Shareholder** means each person registered in the Register as a holder of 1300 Smiles Shares.

**Abano** means Adams Aus Bidco Pty Limited (ACN 637 090 996).

**Abano Holdco** means Adams Group Aus Holdings Pty Limited (ACN 637 089 162).

**Abano Nominee** means any wholly-owned Subsidiary of Abano nominated by Abano in accordance with clause 2.2 of the Scheme Implementation Agreement.

**ACCC** means the Australian Competition and Consumer Commission.

**ATO** means the Australian Taxation Office.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited or the market operated by it, as the context requires.

**Business Day** means a day (other than a Saturday, Sunday or public holiday) in which banks are open for over-the-counter banking business in Auckland, New Zealand, Brisbane, Melbourne and Sydney, Australia and Toronto, Canada.

**Co-Investment Deed** means the Retention and Co-investment Deed in relation to Abano Holdco, in the form agreed between the Company and Abano Holdco.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Court** means Federal Court of Australia, Sydney Registry or such other court of competent jurisdiction under the Corporations Act agreed in writing by Abano and 1300 Smiles.

**Deed Poll** means the deed poll dated on or around the date of this Scheme executed by Abano substantially in the form of Annexure B of the Scheme Implementation Agreement or as otherwise agreed by Abano and 1300 Smiles under which Abano covenants in favour of each Scheme Participant to perform its obligations under this Scheme.

**Details** means the section of this document headed "Details".

**Effective** means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

**Effective Date** means the date on which the Scheme becomes Effective.

**Election** means the election by the Founder Entity Scheme Participants to retain, in aggregate, 26.227% of their Scheme Shares (rounded up or down to the nearest whole number of Scheme Shares), in accordance with clause 5.9.

**Election Date** means 5.00pm on the date that is three clear Business Days before the date of the Scheme Meetings or such other date as is agreed in writing by Abano and 1300 Smiles.

**Election Form** means a form issued by 1300 Smiles for the purposes of the Founder Entity Scheme Participants making an Election.

**Encumbrance** means any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any "security interest" as defined in sections 12(1) or (2) of the PPSA, or any agreement to create any of them or allow them to exist.

**End Date** means 31 March 2022 or such other date as is agreed by Abano and 1300 Smiles.

**Founder** means Daryl Shane Holmes of 42 Stanton Terrace Caste Hill Queensland 4810.

**Founder Entities** means each of:

- (a) the Founder;
- (b) Daryl Holmes as trustee for the TFD Hybrid Fixed Trust; and
- (c) Golden Arch (Qld) Pty Ltd as trustee for the Whistler Discretionary Trust.

**Founder Entity Consideration** means:

- (a) \$5.52 less the actual amount of any Special Dividend ("**Founder Entity Cash Consideration**"); and
- (b) one Founder Entity Contingent Note ("**Founder Entity Contingent Note Consideration**"),

in respect of each Transferring Share held by Founder Entity Scheme Participants, to be provided by Abano to the Founder Entity Scheme Participants under the terms of this Scheme for the transfer to Abano (or Abano Nominee) of his Transferring Shares.

**Founder Entity Contingent Note** means an unsecured note to be issued by Abano providing for a contingent cash payment to the Founder Entity Scheme Participants of up to \$0.81.

**Founder Entity Scheme Participant** means a Founder Entity that is a Scheme Participant.

**Immediately Available Funds** means a bank cheque or other form of cleared funds acceptable to 1300 Smiles.

**Implementation Date** means the 5<sup>th</sup> Business Day following the Record Date or such other date as is agreed by Abano and 1300 Smiles.

**Non-Founder Consideration** means \$8.00, less the actual amount of any Special Dividend, in respect of each Transferring Share held by a Non-Founder



Scheme Participant, to be provided by Abano to Non-Founder Scheme Participants under the terms of this Scheme for the transfer to Abano (or Abano Nominee) of their Transferring Shares.

**Non-Founder Scheme Participant** means a Scheme Participant other than a Founder Entity Scheme Participant.

**PPSA** means the *Personal Property Securities Act 2009* (Cth).

**Record Date** means the 2<sup>nd</sup> Business Day following the Second Court Date or such other date as 1300 Smiles and Abano agree.

**Register** means the share register of 1300 Smiles maintained by or on behalf of 1300 Smiles in accordance with section 168(1) of the Corporations Act.

**Registered Address** means, in relation to a 1300 Smiles Shareholder, the address shown in the Register.

**Regulatory Authority** includes:

- (a) ASX, ACCC, ASIC, ATO and the Takeovers Panel;
- (b) a government or governmental, semi-governmental or judicial entity or authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

**Retained Share** means a Scheme Share to be retained by the Founder Entity Scheme Participants in accordance with an Election made under clause 5.9.

**Scheme** means this scheme of arrangement between 1300 Smiles and Scheme Participants under which all of the Transferring Shares will be transferred to Abano (or an Abano Nominee) under Part 5.1 of the Corporations Act as described in clause 6 of this Scheme, in consideration for the Scheme Consideration, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act to the extent they are approved in writing by 1300 Smiles and Abano in accordance with clause 8 of this Scheme.

**Scheme Consideration** means, in respect of Transferring Shares held by:

- (a) Non-Founder Scheme Participants, the Non-Founder Consideration; and
- (b) Founder Entity Scheme Participants, the Founder Entity Consideration.

**Scheme Implementation Agreement** means the scheme implementation agreement dated 23 August 2021 between 1300 Smiles and Abano under which, amongst other things, 1300 Smiles has agreed to propose this Scheme to 1300 Smiles Shareholders, and each of Abano and 1300 Smiles has agreed to take certain steps to give effect to this Scheme.

**Scheme Meetings** means the meetings of 1300 Smiles Shareholders, ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act at which 1300 Smiles Shareholders will vote on this Scheme.

**Scheme Participant** means each person who is a 1300 Smiles Shareholder as at 5.00pm on the Record Date.

**Scheme Share** means a 1300 Smiles Share held by a Scheme Participant as at 5.00pm on the Record Date and, for the avoidance of doubt, includes any 1300 Smiles Shares issued on or before the Record Date.

**Second Court Date** means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

**Share Scheme Transfer** means, for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Transferring Shares held by that Scheme Participant for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Transferring Shares.

**Special Dividend** means a dividend to be declared and paid by 1300 Smiles of up to \$1.10 per 1300 Smiles Share.

**Subsidiary** has the meaning given to it in the Corporations Act.

**Transferring Share** means a Scheme Share that is not a Retained Share.

**Trust Account** means an Australian dollar denominated trust account operated by or on behalf of 1300 Smiles to hold the Scheme Consideration on trust for the purpose of paying the Scheme Consideration to the Scheme Participants in accordance with clause 6.2 of this Scheme.

## 1.2 General interpretation

Headings and labels used for definitions are for convenience only and do not affect interpretation. Unless the contrary intention appears, in this document:

- (a) the singular includes the plural and vice versa;
- (b) a reference to a document includes any agreement or other legally enforceable arrangement created by it (whether the document is in the form of an agreement, deed or otherwise);
- (c) a reference to a document also includes any variation, replacement or novation of it;
- (d) the meaning of general words is not limited by specific examples introduced by “including”, “for example”, “such as” or similar expressions;
- (e) a reference to “**person**” includes an individual, a body corporate, a partnership, a joint venture, an unincorporated association and an authority or any other entity or organisation;
- (f) a reference to a particular person includes the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (g) a reference to a time of day is a reference to Sydney time;
- (h) a reference to dollars, \$ or A\$ is a reference to the currency of Australia;
- (i) a reference to “law” includes common law, principles of equity and legislation (including regulations);
- (j) a reference to any legislation includes regulations under it and any consolidations, amendments, re-enactments or replacements of any of them;

- (k) a reference to “regulations” includes instruments of a legislative character under legislation (such as regulations, rules, by-laws, ordinances and proclamations);
- (l) a reference to a group of persons is a reference to any 2 or more of them jointly and to each of them individually;
- (m) a reference to any thing (including an amount) is a reference to the whole and each part of it;
- (n) a period of time starting from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (o) if a party must do something under this document on or by a given day and it is done after 5.00pm on that day, it is taken to be done on the next day; and
- (p) if the day on which a party must do something under this document is not a Business Day, the party must do it on the next Business Day.

---

## **2 Preliminary**

### **2.1 1300 Smiles**

1300 Smiles is:

- (a) a public company limited by shares;
- (b) incorporated in Australia and registered in Queensland, Australia; and
- (c) admitted to the official list of the ASX and 1300 Smiles Shares are officially quoted on the stock market conducted by ASX.

As at the date of the Scheme Implementation Agreement, 1300 Smiles' issued securities are 23,678,384 1300 Smiles Shares.

### **2.2 Abano**

Abano is:

- (a) a proprietary company limited by shares; and
- (b) incorporated in Australia and registered in Victoria, Australia.

### **2.3 If Scheme becomes Effective**

If this Scheme becomes Effective:

- (a) in consideration of the transfer of each Transferring Share to Abano (or Abano Nominee), 1300 Smiles will procure Abano to provide the Scheme Consideration to 1300 Smiles on behalf of each Scheme Participant in accordance with the terms of this Scheme;
- (b) all Transferring Shares, together with all rights and entitlements attaching to the Transferring Shares as at the Implementation Date, will be transferred to Abano (or Abano Nominee) on the Implementation Date; and

- (c) 1300 Smiles will enter the name of Abano (or Abano Nominee) in the Register in respect of all Transferring Shares transferred to Abano (or Abano Nominee) in accordance with the terms of this Scheme with the result that Abano (or Abano Nominee) will hold all 1300 Smiles Shares other than the Retained Shares.

## **2.4 Scheme Implementation Agreement**

1300 Smiles and Abano have agreed by executing the Scheme Implementation Agreement to implement the terms of this Scheme.

## **2.5 Deed Poll**

Abano has executed the Deed Poll for the purpose of covenanting in favour of the Scheme Participants to perform (or procure the performance of) its obligations as contemplated by this Scheme, including to provide the Scheme Consideration.

---

# **3 Conditions precedent**

## **3.1 Conditions precedent to Scheme**

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) as at 8.00am on the Second Court Date, the Deed Poll not having been terminated;
- (b) all of the conditions precedent in clause 3.1 of the Scheme Implementation Agreement having been satisfied or waived (other than the conditions precedent in items (a) (FIRB approval), (b) (Shareholder approval) and (c) (Court approval)) in accordance with the terms of the Scheme Implementation Agreement;
- (c) the Court having approved this Scheme, with or without any modification or condition, pursuant to section 411(4)(b) of the Corporations Act, and if applicable, 1300 Smiles and Abano having accepted in writing any modification or condition made or required by the Court under section 411(6) of the Corporations Act; and
- (d) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme.

## **3.2 Conditions precedent and operation of clause 5**

The satisfaction of each condition of clause 3.1 of this Scheme is a condition precedent to the operation of clause 5 of this Scheme.

## **3.3 Certificate in relation to conditions precedent**

1300 Smiles and Abano must provide to the Court on the Second Court Date a certificate executed as a deed poll confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent set out in clause 3.1 of this Scheme (other than the conditions precedent in clause 3.1(c) and clause 3.1(d) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

The certificate referred to in this clause 3.3 will constitute conclusive evidence of whether the conditions precedent referred to in clause 3.1 of this Scheme (other than the conditions precedent in clause 3.1(c) and 3.1(d) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

---

## **4 Scheme**

### **4.1 Effective Date**

Subject to clause 4.2 this Scheme will come into effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

### **4.2 Termination and End Date**

This Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Scheme Implementation Agreement or the Deed Poll is terminated in accordance with its terms,

unless 1300 Smiles and Abano otherwise agree in writing.

---

## **5 Implementation of Scheme**

### **5.1 Lodgement of Court orders with ASIC**

If the conditions precedent set out in clause 3.1 of this Scheme (other than the condition precedent in clause 3.1(d) of this Scheme) are satisfied, 1300 Smiles must lodge with ASIC, in accordance with section 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as reasonably practicable after the Court approves this Scheme, and in any event by no later than 5.00pm on the first Business Day after the day on which the Court approves this Scheme or such later time as Abano and 1300 Smiles agree in writing.

### **5.2 Transfer and registration of Transferring Shares**

On the Implementation Date, but subject to the provision of the Scheme Consideration for the Transferring Shares in accordance with clauses 6.1 to 6.3 of this Scheme and Abano having provided 1300 Smiles with written confirmation of the provision of the Scheme Consideration:

- (a) the Transferring Shares, together with all rights and entitlements attaching to the Transferring Shares as at the Implementation Date, will be transferred to Abano (or Abano Nominee) without the need for any further act by any Scheme Participant (other than acts performed by 1300 Smiles as attorney and agent for Scheme Participants under clause 8 of this Scheme) by:
  - (i) 1300 Smiles delivering to Abano (or Abano Nominee) a duly completed and executed Share Scheme Transfer executed on behalf of the Scheme Participants; and
  - (ii) Abano (or Abano Nominee) duly executing the Share Scheme Transfer and delivering it to 1300 Smiles for registration; and

- (b) as soon as practicable after receipt of the duly executed Share Scheme Transfer, 1300 Smiles must enter the name of Abano (or Abano Nominee) in the Register in respect of all Transferring Shares transferred to Abano (or Abano Nominee) in accordance with the terms of this Scheme.

### **5.3 Entitlement to Scheme Consideration**

On the Implementation Date, in consideration for the transfer to Abano (or Abano Nominee) of the Transferring Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Transferring Shares in accordance with clause 6 of this Scheme.

### **5.4 Title and rights in 1300 Smiles Shares**

Subject to the provision of the Scheme Consideration for the Transferring Shares as contemplated by clause 6 of this Scheme, on and from the Implementation Date, Abano (or Abano Nominee) will be beneficially entitled to the Transferring Shares transferred to it under the Scheme, pending registration by 1300 Smiles of Abano (or Abano Nominee) in the Register as the holder of the Transferring Shares.

### **5.5 Scheme Participants' agreements**

Under this Scheme, each Scheme Participant agrees to the transfer of their Transferring Shares, together with all rights and entitlements attaching to those Transferring Shares, in accordance with the terms of this Scheme.

### **5.6 Warranty by Scheme Participants**

Each Scheme Participant warrants to Abano and is deemed to have authorised 1300 Smiles to warrant to Abano as agent and attorney for the Scheme Participant by virtue of this clause 5.6, that:

- (a) all their Transferring Shares (including any rights and entitlements attaching to those shares) transferred to Abano (or Abano Nominee) under the Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and
- (b) they have full power and capacity to sell and to transfer their Transferring Shares (including any rights and entitlements attaching to those shares) to Abano (or Abano Nominee) under the Scheme.

### **5.7 Transfer free of encumbrances**

To the extent permitted by law, all Transferring Shares (including any rights and entitlements attaching to those shares) which are transferred to Abano (or Abano Nominee) under this Scheme will, at the date of the transfer of them to Abano (or Abano Nominee), vest in Abano (or Abano Nominee) free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in this Scheme.

### **5.8 Appointment of Abano as sole proxy**

- (a) Immediately upon provision of the Scheme Consideration to each Scheme Participant in the manner contemplated by clauses 5.2, 6.3 and 6.6 of this Scheme until 1300 Smiles registers Abano (or Abano Nominee) as the holder of all of the Transferring Shares in the Register, each Scheme Participant:



- (i) irrevocably appoints 1300 Smiles as attorney and agent (and directs 1300 Smiles in such capacity) to appoint Abano and each of its directors from time to time (jointly and each of them individually) as its sole proxy, and where applicable corporate representative, to attend shareholders' meetings, exercise the votes attaching to Transferring Shares registered in its name and sign any shareholders resolution, and no Scheme Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 5.8(a)(i));
  - (ii) must take all other actions in the capacity of the registered holder of Transferring Shares as Abano directs; and
  - (iii) acknowledges and agrees that in exercising the powers referred to in clause 5.8(a)(i), Abano and any director from time to time may act in the best interests of Abano as the intended registered holder of the Transferring Shares.
- (b) 1300 Smiles undertakes in favour of each Scheme Participant that it will appoint Abano and each of its directors from time to time (jointly and each of them individually) as that Scheme Participant's proxy or, where applicable, corporate representative in accordance with clause 5.8(a)(i) of this Scheme.

## 5.9 Election procedure

- (a) Subject to clause 5.9(b) and 5.9(c), each Founder Entity Scheme Participant will be entitled to make an Election. An Election will take effect in accordance with this Scheme to the extent that a Founder Entity Scheme Participant makes an Election and qualifies as a Scheme Participant.
- (b) If a Founder Entity Scheme Participant makes an Election, they may vary, withdraw or revoke that Election by lodging a replacement Election Form so that it is received on or before the Election Date. An Election cannot be varied, withdrawn or revoked after the Election Date.
- (c) An Election must be made in accordance with the terms and conditions on the Election Form and this clause 5.9, and an Election not so made will not be a valid election for the purpose of this Scheme and will not be recognised by Abano or 1300 Smiles for any purpose (provided that Abano may, with the agreement of 1300 Smiles, waive this requirement and settle as it thinks fit, any difficulty, matter of interpretation or dispute which may arise in connection with determining the validity of any Election, and any such decision will be conclusive and binding on Abano, 1300 Smiles and the relevant Founder Entity Scheme Participant).

---

## 6 Scheme Consideration

### 6.1 Consideration under the Scheme

On the Implementation Date, 1300 Smiles must procure Abano to provide (or procure the provision of):

- (a) the Non-Founder Consideration to the Non-Founder Scheme Participants;



- (b) the Founder Entity Consideration to the Founder Entity Scheme Participants,

in accordance with clauses 6.2, 6.3, 6.4 and 6.6 of this Scheme.

## **6.2 Satisfaction of obligations**

The obligation of 1300 Smiles to procure provision of the Non-Founder Consideration and the Founder Entity Cash Consideration pursuant to clause 6.1 of this Scheme will be satisfied by 1300 Smiles procuring Abano no later than the Business Day before the Implementation Date to deposit (or procure the deposit) in Immediately Available Funds the aggregate amount of the Non-Founder Consideration payable to the Non-Founder Scheme Participants and the Founder Entity Cash Consideration payable to the Founder Entity Scheme Participants into the Trust Account (except that the amount of any interest on the amount deposited will be to Abano's account).

## **6.3 Payment of Non-Founder Consideration and the Founder Entity Cash Consideration**

On the Implementation Date, subject to receipt of the Non-Founder Consideration and the Founder Entity Cash Consideration from Abano in accordance with clause 6.2 of this Scheme, 1300 Smiles must pay:

- (a) to each Non-Founder Scheme Participant an amount equal to the Non-Founder Consideration for each Transferring Share transferred to Abano (or Abano Nominee) on the Implementation Date by that Non-Founder Scheme Participant; and
- (b) to the Founder Entity Scheme Participants an amount equal to the Founder Entity Cash Consideration for each Transferring Share transferred to Abano (or Abano Nominee) on the Implementation Date by the Founder Entity Scheme Participants.

Unless otherwise directed by the Scheme Participants before the Record Date, the amounts referred to in this clause 6.3 of this Scheme must be paid by direct credit or sending a cheque drawn on an Australian bank in Australian currency on the Implementation Date to each Scheme Participant by pre-paid ordinary post (or, if the address of the Scheme Participant in the Register is outside Australia, by pre-paid airmail post) to their address recorded in the Register at 5.00pm on the Record Date.

## **6.4 Unclaimed monies**

1300 Smiles may cancel a cheque issued under clause 6.3 of this Scheme if the cheque:

- (a) is returned to 1300 Smiles; or
- (b) has not been presented for payment within 6 months after the date on which the cheque was sent.

During the period of 1 year commencing on the Implementation Date, on request from a Scheme Participant, 1300 Smiles must reissue a cheque that was previously cancelled under this clause 6.4.

## **6.5 Orders of a court**

In the case of notice having been given to 1300 Smiles (or the Registry) of an order made by a court of competent jurisdiction:

- (a) which requires payment to a third party of a sum in respect of Transferring Shares held by a particular Scheme Participant, which would otherwise be payable to that Scheme Participant in accordance with clause 6.3 of this Scheme, then 1300 Smiles must procure that payment is made in accordance with that order; or
- (b) which would prevent 1300 Smiles from dispatching payment to any particular Scheme Participant in accordance with clause 6.3 of this Scheme, 1300 Smiles will retain an amount, in Australian dollars, equal to the number of Transferring Shares held by that Scheme Participant multiplied by the Scheme Consideration until such time as payment in accordance with clause 6.3 of this Scheme is permitted by law.

## **6.6 Provision of Founder Entity Contingent Notes**

The:

- (a) obligations of Abano to issue Founder Entity Contingent Notes to the Founder Entity Scheme Participants under the Scheme will be satisfied by Abano:
  - (i) on the Implementation Date, causing the name and Registered Address (as at the Record Date) of the Founder Entity Scheme Participant to be entered in the register for the Founder Entity Contingent Notes as the holder of the Founder Entity Contingent Notes issued to the Founder Entity Scheme Participants and provide an extract of the register evidencing the entry into the register of the Founder Entity Scheme Participants certified as true and correct by an officer of Abano; and
  - (ii) on or before the date that is five Business Days after the Implementation Date, sending or procuring the sending of certificates to the Founder Entity Scheme Participants reflecting the issue of the Founder Entity Contingent Notes.
- (b) Founder Entity Scheme Participants agree pursuant to the Scheme to:
  - (i) have their name and address entered in the register for the Founder Entity Contingent Notes; and
  - (ii) be bound by the terms of the Founder Entity Contingent Notes.

## **6.7 Joint holders**

In the case of Transferring Shares held in joint names:

- (a) any cheque required to be sent under this Scheme must be payable to the joint holders and sent to the holder whose name appears first in the Register as at 5.00pm on the Record Date; and
- (b) any other document required to be sent under this Scheme must be sent to the holder whose name appears first in the Register as at 5.00pm on the Record Date.

## **6.8 Fractional entitlements**

- (a) Where the calculation of the Non-Founder Consideration to be provided to a Non-Founder Scheme Participant would result in the Non-Founder Scheme Participant becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up or down to the nearest cent and,

for the avoidance of doubt, fractional entitlements of 0.5 of a cent will be rounded up.

- (b) Where the calculation of the Founder Entity Cash Consideration to be provided to a Founder Entity Scheme Participant would result in a Founder Entity Scheme Participant becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up or down to the nearest cent and, for the avoidance of doubt, fractional entitlements of 0.5 of a cent will be rounded up.
- (c) Where the calculation of the Founder Entity Contingent Note Consideration to be provided to a Founder Entity Scheme Participant would result in the issue of a fraction of a Founder Entity Contingent Note, the number of Founder Entity Contingent Notes to be issued to a Founder Entity Scheme Participant will be rounded up or down to the nearest whole number of Founder Entity Contingent Notes and, for the avoidance of doubt, fractional entitlements of 0.5 of a Founder Entity Contingent Notes will be rounded up.

## 6.9 Foreign resident capital gains withholding

- (a) If Abano determines, having regard to legal advice, that Abano is:
  - (i) required by law to withhold any amount from a payment or an issue of Founder Entity Contingent Notes to a Founder Entity Scheme Participant; or
  - (ii) liable to pay an amount to the Commissioner of Taxation under Subdivision 14-D of Schedule 1 to the *Taxation Administration Act 1953* (Cth) in respect of the acquisition of Transferring Shares from a Scheme Participant,

(either of the above being the **Relevant Amount**),

then Abano is entitled to

- (iii) withhold the Relevant Amount before making the payment to the Scheme Participant or issuing the Founder Entity Contingent Notes to the Founder Entity Scheme Participant (as applicable);
- (iv) reduce the number of Founder Entity Contingent Notes issued by a number calculated by the following factor, RA/VS, rounded to the nearest whole number of Founder Entity Contingent Notes, where:
  - (A) RA means the Relevant Amount or the amount of the Relevant Amount not satisfied after the application of clause 6.9(a)(iii); and
  - (B) VS means the value (as reasonably assessed by Abano) of one Founder Entity Contingent Note; and
- (v) where the Scheme Consideration is a combination of cash and Founder Entity Contingent Notes, first withhold the Relevant Amount from any cash element,

and payment of the reduced amount or issue of the reduced number of Founder Entity Contingent Notes (or a combination) and payment of the Relevant Amount to the relevant taxation authority pursuant to clause **Error! Reference source not found.** will be taken to be full payment of

the Relevant Amount for the purpose of this Scheme, including clause 6.3 and 6.6.

- (b) Abano must pay the Relevant Amount so withheld to the relevant taxation authority within the time permitted by law, and, if requested in writing by the relevant Scheme Participant, provide a receipt or other appropriate evidence (or procure the provision of such receipt or other evidence) of such payment to the relevant Scheme Participant.

---

## **7 Dealings in Scheme Shares**

### **7.1 Determination of Scheme Participants**

To establish the identity of the Scheme Participants, dealings in Scheme Shares will only be recognised by 1300 Smiles if:

- (a) in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the Register as the holder of the relevant Scheme Shares on or before 5.00pm on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 5.00pm on the Record Date at the place where the Register is kept.

### **7.2 Register**

1300 Smiles must register any registrable transmission applications or transfers of the Scheme Shares received in accordance with clause 7.1(b) of this Scheme on or before 5.00pm on the Record Date.

### **7.3 No disposals after Effective Date**

If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Effective Date in any way except as set out in this Scheme and any such disposal will be void and of no legal effect whatsoever.

1300 Smiles will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Scheme Shares received after 5.00pm on the Record Date (except a transfer to Abano (or Abano Nominee) pursuant to this Scheme and any subsequent transfer by Abano (or Abano Nominee) or its successors in title).

### **7.4 Maintenance of 1300 Smiles Register**

For the purpose of determining entitlements to the Scheme Consideration, 1300 Smiles will maintain the Register in accordance with the provisions of clauses 7.1 to 7.3 until the Scheme Consideration has been provided to the Scheme Participants and Abano (or Abano Nominee) has been entered in the Register as the holder of all the Transferring Shares. The Register in this form will solely determine entitlements to the Scheme Consideration.

### **7.5 Effect of certificates and holding statements**

Subject to provision of the Scheme Consideration and registration of the transfer to Abano (or Abano Nominee) contemplated in clauses 5.2 and 7.4 of this Scheme, any statements of holding in respect of Transferring Shares will cease to have effect after 5.00pm on the Record Date as documents of title in respect

of those shares (other than statements of holding in favour of Abano (or Abano Nominee) and its successors in title). After 5.00pm on the Record Date, each entry current on the Register as at 5.00pm on the Record Date in respect of Transferring Shares (other than entries in respect of Abano (or Abano Nominee) or its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Transferring Shares relating to that entry.

## **7.6 Details of Scheme Participants**

Within 3 Business Days after the Record Date 1300 Smiles will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Participant, as shown in the Register at 5.00pm on the Record Date are available to Abano in such form as Abano reasonably requires.

## **7.7 Quotation of 1300 Smiles Shares**

Suspension of trading on ASX in 1300 Smiles Shares will occur from the close of trading on ASX on the Effective Date.

## **7.8 Termination of quotation of 1300 Smiles Shares**

After the Scheme has been fully implemented, 1300 Smiles will apply:

- (a) for termination of the official quotation of 1300 Smiles Shares on ASX; and
- (b) to have itself removed from the official list of the ASX.

---

# **8 Power of attorney**

Each Scheme Participant, without the need for any further act by any Scheme Participant, irrevocably appoints 1300 Smiles and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of:

- (a) executing any deed or document necessary or expedient to give effect to this Scheme including the Share Scheme Transfer;
- (b) enforcing the Deed Poll against Abano; or
- (c) any deed or document required by Abano or Abano Holdco that causes each Founder Entity Scheme Participant to be bound by the Co-Investment Deed or to be bound by the constituent documents of Abano Holdco,

and 1300 Smiles accepts such appointment.

---

# **9 Notices**

## **9.1 No deemed receipt**

If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to 1300 Smiles, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at 1300 Smiles' registered office or at the office of the registrar of 1300 Smiles Shares.

## **9.2 Accidental omission**

The accidental omission to give notice of either of the Scheme Meetings or the non-receipt of such a notice by any Shareholder will not, unless so ordered by the Court, invalidate either of the Scheme Meetings or the proceedings of either of the Scheme Meetings.

---

# **10 General**

## **10.1 Variations, alterations and conditions**

1300 Smiles may, with the consent of Abano (which cannot be unreasonably withheld), by its counsel or solicitor consent on behalf of all persons concerned to any variations, alterations or conditions to this Scheme which the Court thinks fit to impose.

## **10.2 Further action by 1300 Smiles**

1300 Smiles will execute all documents and do all things (on its own behalf and on behalf of each Scheme Participant) necessary or expedient to implement, and perform its obligations under, this Scheme.

## **10.3 Authority and acknowledgement**

Each of the Scheme Participants:

- (a) irrevocably consents to 1300 Smiles and Abano doing all things necessary or expedient for or incidental to the implementation of this Scheme; and
- (b) acknowledges that this Scheme binds 1300 Smiles and all Scheme Participants (including those who do not attend the relevant Scheme Meeting or do not vote at that meeting or vote against the Scheme at that Meeting) and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of 1300 Smiles.

## **10.4 No liability when acting in good faith**

Neither 1300 Smiles nor Abano, nor any of their respective officers, will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

## **10.5 Enforcement of Deed Poll**

1300 Smiles undertakes in favour of each Scheme Participant to enforce the Deed Poll against Abano on behalf of and as agent and attorney for the Scheme Participants.

## **10.6 Stamp duty**

Abano will pay all stamp duty (including any fines, penalties and interest) payable in connection with this Scheme or the Deed Poll.

---

## **11 Governing law**

### **11.1 Governing law and jurisdiction**

The law in force in the place specified in the Details governs this document. The parties submit to the non-exclusive jurisdiction of the courts of that place.

### **11.2 Serving documents**

Without preventing any other method of service, any document in an action in connection with this document may be served on a party by being delivered or left at that party's address set out in the Details.



## Annexure D

### Notice of General Scheme Meeting



**1300SMILES Limited**  
**ACN 094 508 166**

#### Notice of General Scheme Meeting

---

Notice is hereby given, that by order of the Court made on Tuesday, 12 October 2021 pursuant to section 411(1) of the Corporations Act, a meeting of ONT Shareholders (other than Founder Shareholders) will be held virtually at 9.00am (Brisbane Time), Friday, 12 November 2021 via the online platform at <https://web.lumiagm.com/311537388> (Meeting ID: 311-537-388) (this is the **General Scheme Meeting**).

Having regard to the uncertainty and potential health risks created by the COVID-19 pandemic, ONT Shareholders will not be able to attend the General Scheme Meeting in person. ONT Shareholders and their authorised proxies, attorneys and corporate representatives may participate in the Scheme Meeting online. ONT Shareholders who participate in the General Scheme Meeting via the online platform will be able to listen to the General Scheme Meeting, cast an online vote and ask questions both online and orally through the online platform at <https://web.lumiagm.com/311537388> (Meeting ID: 311-537-388).

#### Purpose of General Scheme Meeting

---

The purpose of the General Scheme Meeting is to consider and, if thought fit, to agree a scheme of arrangement (with or without any modifications or conditions agreed in writing between ONT and BidCo and approved by the Court or any modifications or conditions as are thought just by the Court to which ONT and BidCo agree in writing) to be made between ONT and ONT Shareholders and to consider and, if thought fit, to pass the General Scheme Resolution.

To enable you to make an informed voting decision, further information about the Scheme is set out in the accompanying explanatory statement (for the purposes of section 412(1) of the Corporations Act) which, together with this Notice of General Scheme Meeting, forms part of this Scheme Booklet. Capitalised terms used in this Notice of General Scheme Meeting but not defined in it have the same meaning as set out in the Glossary in Section 9 of the Scheme Booklet.

For the purposes of this Notice of General Scheme Meeting and the accompanying explanatory statement, the term 'ONT Shareholder' excludes the Founder Shareholders.

#### General Scheme Resolution

---

To consider and, if thought fit, to pass the following General Scheme Resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

*'That pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth) the Scheme, the terms of which are contained in and more particularly described in the Scheme Booklet (of which this Notice of General Scheme Meeting forms part) is agreed to (with or without any modifications or conditions as approved by the Court), and subject to approval of the Scheme by the Court, the directors of ONT are authorised to implement the Scheme with any such modifications or conditions.'*

## Chairman

---

The Court has directed that Mr Robert Jones is to act as Chairman of the General Scheme Meeting (and that, if he is unable or unwilling to attend, Mr Jason Smith is to act as Chairman) and has directed the Chairman to report the result of the General Scheme Resolution to the Court.

Dated 12 October 2021

**By Order of the ONT IBC**

A handwritten signature in black ink, appearing to read 'Robert Jones', followed by a small horizontal line.

Robert Jones  
Chairman

For personal use only

## **Explanatory Notes for the General Scheme Meeting**

---

This Notice of General Scheme Meeting relates to the Scheme and should be read in conjunction with the balance of the Scheme Booklet. The Scheme Booklet contains important information to assist you in determining how to vote on the General Scheme Resolution, including the information prescribed by the Corporations Act and the Corporations Regulations. A copy of the Scheme is set out in Annexure B.

### **1 Requisite Majorities**

---

The Scheme can only proceed if, at the General Scheme Meeting, the General Scheme Resolution is passed. For this to occur, the General Scheme Resolution must be approved by:

- (a) unless the Court orders otherwise, a majority in number of ONT Shareholders (other than Founder Shareholders) who are present at the General Scheme Meeting and vote on the General Scheme Resolution, either in person or by proxy, attorney or representative; and
- (b) holders of at least 75% of the votes cast at the General Scheme Meeting by ONT Shareholders (other than Founder Shareholders) on the General Scheme Resolution, either in person or by proxy, attorney or representative.

### **2 Court Approvals**

---

If the General Scheme Resolution (set out in this Notice of General Scheme Meeting) and the Founder Scheme Resolution (set out in the Notice of Founder Scheme Meeting) are approved at the relevant Scheme Meetings by the Requisite Majorities, the implementation of the Scheme will be subject, among other things, to the subsequent approval of the Court. If both of these Scheme Resolutions are passed by the Requisite Majorities, and the other conditions precedent to the Scheme (other than approval by the Court and lodgement of the Scheme Court order with ASIC) are satisfied or (if permitted) waived by the time required under the Scheme, ONT will apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

### **3 Entitlement to vote**

---

The Court has ordered that, for the purposes of the General Scheme Meeting, each ONT Shareholder (other than the Founder Shareholders) who is registered on the Register at 7.00 pm (Sydney time) on Wednesday, 10 November 2021 is entitled to virtually attend and vote at the General Scheme Meeting.

### **4 Participation in the General Scheme Meeting**

---

ONT Shareholders (other than Founder Shareholders) and their authorised proxies, attorneys and corporate representatives can participate in and vote at the General Scheme Meeting via the online platform at <https://web.lumiagm.com/311537388> (Meeting ID: 311-537-388).

The online platform may be accessed via a computer or mobile or tablet device with internet access. The online platform will allow ONT Shareholders (other than Founder Shareholders) and their authorised proxies, attorneys and corporate representatives to listen to the General Scheme Meeting, cast an online vote and ask questions both online and orally through the online platform at <https://web.lumiagm.com/311537388> (Meeting ID: 311-537-388).

To participate and vote online, ONT Shareholders (other than Founder Shareholders) will need their Shareholder Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of their holding statement or proxy form), and their postcode (or country code if outside Australia). Attorneys and corporate representatives can log in to the online platform using the SRN/HIN of the relevant ONT Shareholder.

It is recommended that ONT Shareholders (other than Founder Shareholders) login to the online platform at least 15 minutes prior to the scheduled start time for the General Scheme Meeting. The Scheme Meeting Online Guide provides details about how to ensure your browser is compatible with the online platform as well as a step-by-step guide to successfully log in and navigate the site. The Scheme Meeting Online Guide will be available at ONT's website at <https://www.1300smiles.com.au/investors/> or by logging into [www.investorvote.com.au](http://www.investorvote.com.au).

Please monitor ONT's website and ASX announcements, where updates will be provided if it becomes necessary or appropriate to make alternative arrangements for the holding or conduct of the General Scheme Meeting.

## **5 Voting at the General Scheme Meeting**

---

### **5.1 How to vote**

Voting will be conducted by a poll. ONT Shareholders (other than Founder Shareholders) who are entitled to vote at the General Scheme Meeting, may vote on the General Scheme Resolution:

- (a) online, by participating and voting via the online platform at <https://web.lumiagm.com/311537388> (Meeting ID: 311-537-388); or
- (b) by proxy, attorney or, in the case of a body corporate which is a ONT Shareholder, corporate representative appointed in accordance with the Corporations Act.

Details in respect of each of these methods is set out below

### **5.2 Voting online**

To vote online, you must participate in the General Scheme Meeting via the online platform at <https://web.lumiagm.com/311537388> (Meeting ID: 311-537-388).

Online voting will be open between the start of the General Scheme Meeting and the closing of voting as announced by the chairperson during the General Scheme Meeting.

### **5.3 Voting by proxy**

To vote by proxy, you must complete and return the personalised proxy form enclosed with this Scheme Booklet by no later than 48 hours before the General Scheme Meeting, in accordance with the instructions on the form. A proxy need not be an ONT Shareholder.

You may appoint an individual or body corporate as your proxy. If you appoint a body corporate as your proxy, that body corporate must ensure that it appoints a corporate representative to exercise its powers as proxy at the General Scheme Meeting (see below).

An ONT Shareholder entitled to cast two or more votes at the General Scheme Meeting may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but, where the proportion or number is not specified, each proxy may exercise half of the votes. The appointment may specify the proportion or number of votes that the proxy may exercise.

You can direct your proxy how to vote by following the instructions on the proxy form. If you do not direct your proxy how to vote, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the ONT Shares the subject of the proxy appointment will not be counted in computing the Requisite Majority.

If you return your proxy form:

- (a) without identifying a proxy on it, you will be taken to have appointed the Chairman of the meeting as your proxy to vote on your behalf; or
- (b) with a proxy identified on it but your proxy does not attend the meeting, the Chairman of the meeting will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

The Chairman of the meeting intends to vote all available proxies which appoint (or are taken to appoint) the Chairman in favour of the Scheme Resolution (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interest of ONT Shareholders).

#### 5.4 **Voting by attorney**

To vote by attorney, you must deliver to the Share Registry a duly executed power of attorney, specifying the ONT Shareholder's name, the attorney, the meetings at which the appointment may be used and that the power of attorney applies in relation to ONT, by no later than 48 hours before the General Scheme Meeting. The appointment may be a standing one and the attorney need not be an ONT Shareholder.

Persons attending the General Scheme Meeting as an attorney should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the General Scheme Meeting.

#### 5.5 **Voting by corporate representative**

For a body corporate to vote by corporate representative, the representative must have a duly executed appointment which complies with the requirements of the Corporations Act. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution. The representative must bring evidence of their appointment to the General Scheme Meeting, including any authority under which it is signed, unless it has previously been given to ONT.

#### 5.6 **Lodgement of proxies, authorities and powers of attorney**

To be effective, completed proxy forms, any authorities under which proxy forms are signed and powers of attorney must be received by the Share Registry at least 48 hours before the time for holding of the General Scheme Meeting (that is, by no later than 9.00am (Brisbane time) on Wednesday, 10 November 2021) or any adjourned meeting (or such lesser period as the ONT IBC may permit):

- (a) **by mail** to Computershare Investor Services, GPO Box 242, Melbourne, Victoria 3001;
- (b) **Online** by going to the Computershare website [www.investorvote.com.au](http://www.investorvote.com.au) and log in using the control number found on your proxy form, or scan the QR code on your proxy form with your mobile device and follow the instructions on the secure website to vote; or
- (c) **by facsimile** to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

### 6 **Jointly held securities**

---

In the case of jointly held ONT Shares, only one of the joint ONT Shareholders is entitled to vote. If more than one ONT Shareholder votes in respect of jointly held ONT Shares, only the vote of the ONT Shareholder whose name appears first in the ONT Share Register will be counted.

## Annexure E

### Notice of Founder Scheme Meeting



**1300SMILES Limited**  
**ACN 094 508 166**

#### Notice of Founder Scheme Meeting

---

Notice is hereby given, that by order of the Court made on Tuesday, 12 October 2021 pursuant to section 411(1) of the Corporations Act, a meeting of the Founder Shareholders will be held virtually at 9.30am (Brisbane Time), Friday, 12 November 2021 via the online platform at <https://web.lumiagm.com/393604033> (Meeting ID: 393-604-033) (this is the **Founder Scheme Meeting**).

Having regard to the uncertainty and potential health risks created by the COVID-19 pandemic, Founder Shareholders will not be able to attend the Founder Scheme Meeting in person. Founder Shareholders and their authorised proxies, attorneys and corporate representatives may participate in the Scheme Meeting online. Founder Shareholders who participate in the General Scheme Meeting via the online platform will be able to listen to Founder the Scheme Meeting, cast an online vote and ask questions both online and orally through the online platform at <https://web.lumiagm.com/393604033> (Meeting ID: 393-604-033).

#### Purpose of the Founder Scheme Meeting

---

The purpose of the Founder Scheme Meeting is to consider and, if thought fit, to agree a scheme of arrangement (with or without any modifications or conditions agreed in writing between ONT and BidCo and approved by the Court or any modifications or conditions as are thought just by the Court to which ONT and BidCo agree in writing) to be made between ONT and ONT Shareholders and to consider and, if thought fit, to pass the Founder Scheme Resolution.

To enable you to make an informed voting decision, further information about the Scheme is out in the accompanying explanatory statement (for the purposes of section 412(1) of the Corporations Act) which, together with this Notice of Founder Scheme Meeting, forms part of this Scheme Booklet. Capitalised terms used in this Notice of Founder Scheme Meeting but not defined in it have the same meaning as set out in the Glossary in Section 9 of the Scheme Booklet.

#### Founder Scheme Resolution

---

To consider and if thought fit, to pass the following Founder Scheme Resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

*'That pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth) the Scheme, the terms of which are contained in and more particularly described in the Scheme Booklet (of which this Notice of Founder Scheme Meeting forms part) is agreed to (with or without any modifications or conditions as approved by the Court), and subject to approval of the Scheme by the Court, the directors of ONT are authorised to implement the Scheme with any such modifications or conditions.'*

## Chairman

---

The Court has directed that Mr Robert Jones is to act as Chairman of the Founder Scheme Meeting (and that, if he is unable or unwilling to attend, Mr Jason Smith is to act as Chairman) and has directed the Chairman to report the result of the Founder Scheme Resolution to the Court.

Dated 12 October 2021

**By Order of the ONT IBC**

A handwritten signature in black ink, appearing to read 'Robert Jones', followed by a small horizontal line.

Robert Jones  
Chairman



## Explanatory Notes for the Founder Scheme Meeting

---

This Notice of Founder Scheme Meeting relates to the Scheme and should be read in conjunction with the balance of the Scheme Booklet. The Scheme Booklet contains important information to assist you in determining how to vote on the Founder Scheme Resolution, including the information prescribed by the Corporations Act and the Corporations Regulations. A copy of the Scheme is set out in Annexure B.

### 1 Requisite Majorities

---

The Scheme can only proceed if, at the Founder Scheme Meeting, the Founder Scheme Resolution is passed. For this to occur, the Founder Scheme Resolution must be approved by:

- (a) unless the Court orders otherwise, a majority in number of Founder Shareholders who are present at the Founder Scheme Meeting and vote on the Founder Scheme Resolution, either in person or by proxy, attorney or representative; and
- (b) holders of at least 75% of the votes cast at the Founder Scheme Meeting by Founder Shareholders on the Founder Scheme Resolution, either in person or by proxy, attorney or representative.

### 2 Court Approvals

---

If the Founder Scheme Resolution (set out in this Notice of Founder Scheme Meeting) and the General Scheme Resolution (set out in the Notice of General Scheme Meeting) are approved at the relevant Scheme Meetings by the Requisite Majorities, the implementation of the Scheme will be subject, among other things, to the subsequent approval of the Court. If both of these Scheme Resolutions are passed by the Requisite Majorities, and the other conditions precedent to the Scheme (other than approval by the Court and lodgement of the Scheme Court order with ASIC) are satisfied or (if permitted) waived by the time required under the Scheme, ONT will apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

### 3 Entitlement to vote

---

The Court has ordered that, for the purposes of the Founder Scheme Meeting, each Founder Shareholder who is registered on the Register at 7.00 pm (Sydney time) on Wednesday, 10 November 2021 is entitled to virtually attend and vote at the Founder Scheme Meeting.

### 4 Participation in the Founder Scheme Meeting

---

Founder Shareholders and their authorised proxies, attorneys and corporate representatives can participate in and vote at the Founder Scheme Meeting via the online platform at <https://web.lumiagm.com/393604033> (Meeting ID: 393-604-033).

The online platform may be accessed via a computer or mobile or tablet device with internet access. The online platform will allow Founder Shareholders and their authorised proxies, attorneys and corporate representatives to listen to the Founder Scheme Meeting, cast an online vote and ask questions both online and orally through the online platform at <https://web.lumiagm.com/393604033> (Meeting ID: 393-604-033).

To participate and vote online, Founder Shareholders will need their Shareholder Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of their holding statement or proxy form), and their postcode (or country code if outside Australia). Attorneys and corporate representatives can log in to the online platform using the SRN/HIN of the relevant Founder Shareholder.

It is recommended that Founder Shareholders login to the online platform at least 15 minutes prior to the scheduled start time for the Founder Scheme Meeting. The Scheme Meeting Online Guide provides details about how to ensure your browser is compatible with the online platform as well as a step-by-step guide to successfully log in and navigate the site. The Scheme Meeting Online Guide will be available at ONT's website at <https://www.1300smiles.com.au/investors/> or by logging into [www.investorvote.com.au](http://www.investorvote.com.au).

Please monitor ONT's website and ASX announcements, where updates will be provided if it becomes necessary or appropriate to make alternative arrangements for the holding or conduct of the Founder Scheme Meeting.

## **5 Voting at the Founder Scheme Meeting**

---

### **5.1 How to vote**

Voting will be conducted by a poll.

Founder Shareholders who are entitled to vote at the Founder Scheme Meeting, may vote on the Founder Scheme Resolution:

- (a) online, by participating and voting via the online platform at <https://web.lumiagm.com/393604033> (Meeting ID: 393-604-033); or
- (b) by proxy, attorney or, in the case of a body corporate which is a Founder Shareholder, corporate representative appointed in accordance with the Corporations Act.

Details in respect of each of these methods is set out below.

### **5.2 Voting online**

To vote online, you must participate in the Founder Scheme Meeting via the online platform at <https://web.lumiagm.com/393604033> (Meeting ID: 393-604-033).

Online voting will be open between the start of the Founder Scheme Meeting and the closing of voting as announced by the chairperson during the Founder Scheme Meeting.

### **5.3 Voting by proxy**

To vote by proxy, you must complete and return the personalised proxy form enclosed with this Scheme Booklet by no later than 48 hours before the Founder Scheme Meeting, in accordance with the instructions on the form. A proxy need not be a Founder Shareholder or an ONT Shareholder.

You may appoint an individual or body corporate as your proxy. If you appoint a body corporate as your proxy, that body corporate must ensure that it appoints a corporate representative to exercise its powers as proxy at the Founder Scheme Meeting (see below).

A Founder Shareholder entitled to cast two or more votes at the Founder Scheme Meeting may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but, where the proportion or number is not specified, each proxy may exercise half of the votes. The appointment may specify the proportion or number of votes that the proxy may exercise.

You can direct your proxy how to vote by following the instructions on the proxy form. If you do not direct your proxy how to vote, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the ONT Shares the subject of the proxy appointment will not be counted in computing the Requisite Majority.

If you return your proxy form:

- (a) without identifying a proxy on it, you will be taken to have appointed the Chairman of the meeting as your proxy to vote on your behalf; or

- (b) with a proxy identified on it but your proxy does not attend the meeting, the Chairman of the meeting will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

The Chairman of the meeting intends to vote all available proxies which appoint (or are taken to appoint) the Chairman in favour of the Founder Scheme Resolution (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interest of ONT Shareholders).

#### 5.4 **Voting by attorney**

To vote by attorney, you must deliver to the Share Registry a duly executed power of attorney, specifying the Founder Shareholder's name, the attorney, the meetings at which the appointment may be used and that the power of attorney applies in relation to ONT, by no later than 48 hours before the Founder Scheme Meeting. The appointment may be a standing one and the attorney need not be a Founder Shareholder or an ONT Shareholder.

Persons attending the Scheme Meeting as an attorney should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the Founder Scheme Meeting.

#### 5.5 **Voting by corporate representative**

For a body corporate to vote by corporate representative, the representative must have a duly executed appointment which complies with the requirements of the Corporations Act. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution. The representative must bring evidence of their appointment to the Founder Scheme Meeting, including any authority under which it is signed, unless it has previously been given to ONT.

#### 5.6 **Lodgement of proxies, authorities and powers of attorney**

To be effective, completed proxy forms, any authorities under which proxy forms are signed and powers of attorney must be received by the Share Registry at least 48 hours before the time for holding of the Founder Scheme Meeting (that is, by no later than 9.30am (Brisbane time) on Wednesday, 10 November 2021) or any adjourned meeting (or such lesser period as the ONT IBC may permit):

- (a) **by mail** to Computershare Investor Services, GPO Box 242, Melbourne, Victoria 3001;
- (b) **Online** by going to the Computershare website [www.investorvote.com.au](http://www.investorvote.com.au) and log in using the control number found on your proxy form, or scan the QR code on your proxy form with your mobile device and follow the instructions on the secure website to vote; or
- (c) **by facsimile** to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

### **6 Jointly held securities**

---

In the case of jointly held ONT Shares, only one of the joint Founder Shareholders is entitled to vote. If more than one Founder Shareholder votes in respect of jointly held ONT Shares, only the vote of the Founder Shareholder whose name appears first in the Register will be counted.

## Corporate Directory

### Directors

Mr Robert Jones – Non-Executive Chairman  
Dr Daryl Holmes OBE – Managing Director  
Mr Jason Smith – Non-Executive Director

### Registered office

1300 Smiles Limited  
Ground Floor  
105 Denham Street  
Townsville QLD 4810

### Financial adviser

Flagstaff Partners  
Level 20  
101 Collins Street  
Melbourne, Victoria 3000

### Share Registry

Computershare Investor Services Pty Limited  
Level 1  
200 Mary Street  
Brisbane QLD 4000

### Auditor

PKF Brisbane Audit  
Level 6  
10 Eagle Street  
Brisbane QLD 4000

### Website

<https://www.1300smiles.com.au/>

### Legal advisors

Thomson Geer  
Level 28, Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000

### Independent Expert

Grant Thornton  
Level 17  
383 Kent Street  
Sydney NSW 2000

### ONT Shareholder Information Line

1300 153 448 (within Australia)  
+61 3 9415 4227 (from outside Australia)