

ABANO HEALTHCARE GROUP LIMITED NOTICE OF MEETING AND SCHEME BOOKLET

For a scheme of arrangement between Abano Healthcare Group Limited and its Shareholders in relation to the proposed acquisition of all of the fully paid ordinary shares in Abano Healthcare Group Limited by Adams NZ Bidco Limited (a company that will be ultimately owned by the BGH Capital Fund and Ontario Teachers' Pension Plan Board).

VOTE IN FAVOUR

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEME, IN THE ABSENCE OF A SUPERIOR PROPOSAL.

MEETING DETAILS

The Scheme Meeting will be held at 10.00am (New Zealand time) on Friday 20 March 2020 at West Lounge, Level 3, Eden Park, Entry A, Walters Rd, Mt Eden, Auckland, New Zealand.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR URGENT ATTENTION. YOUR ACTION IS REQUIRED.

You should carefully read this Scheme Booklet (including the Independent Adviser's Report) in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in any doubt about what you should do, you should seek advice from your financial, taxation or legal adviser before you make a decision.

If you have sold all of your shares in Abano, please ignore this Scheme Booklet and deliver the Scheme Booklet and the Voting/Proxy Form accompanying this Scheme Booklet to the purchaser of your Abano Shares.



IMPORTANT INFORMATION

PURPOSES OF THIS SCHEME BOOKLET

The purposes of this Scheme Booklet are to:

- provide you with information about the proposed acquisition of Abano by Bidco;
- provide you with the material terms of the Scheme and explain their effect;
- explain the manner in which the Scheme will be considered by Shareholders and, if approved, implemented;
- provide you with information that could reasonably be expected to be material to your decision whether to vote in favour of, or against, the Scheme; and
- include the information required by the Takeovers Panel in relation to the Scheme.

This Scheme Booklet is not a product disclosure statement.

YOUR DECISION

This Scheme Booklet does not take into account your individual investment objectives, financial situation or needs. You must make your own decisions and seek your own advice in this regard.

The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as constituting, financial advice.

If you are in any doubt as to what you should do, you should seek advice from your financial, taxation or legal adviser before making any decision regarding the Scheme.

NOT AN OFFER

This Scheme Booklet does not constitute an offer to Shareholders (or any other person), or a solicitation of an offer from Shareholders (or any other person), in any jurisdiction.

LAWS OF NEW ZEALAND

This Scheme Booklet has been prepared in accordance with New Zealand law. Accordingly, the information contained in this Scheme Booklet may not be the same as that which would have been disclosed in this Scheme Booklet if it had been prepared in accordance with the laws and regulations of another jurisdiction.

FORWARD LOOKING STATEMENTS

This Scheme Booklet contains certain forward looking statements. You should be aware that there are risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of Abano to be materially different from the future conduct, market conditions, results, performance or achievements expressed or implied by such statements or that could cause future conduct to be materially different from historical conduct. Deviations as to future conduct, market conditions, results, performance and achievements are both normal and to be expected.

Forward looking statements generally may be identified by the use of forward looking words such as 'aim', 'anticipate', 'believe', 'estimate', 'expect', 'forecast', 'foresee', 'future', 'intend', 'likely', 'may', 'planned', 'potential', 'should', or other similar words.

None of Abano, its directors or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur. You are cautioned against relying on any such forward looking statements.

PRIVACY AND PERSONAL INFORMATION

Abano and Bidco may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of Shareholders and the name of persons appointed by those persons to act as their proxy or corporate representative at the Scheme Meeting. The primary purpose of the collection of personal information is to assist Abano and Bidco to conduct the Scheme Meeting and implement the Scheme.

Personal information of the type described above may be disclosed to Computershare, print and mail service providers, proxy solicitation firms, Related Companies of Abano and Bidco and Abano's and Bidco's service providers and advisers. Shareholders have certain rights to access personal information that has been collected. Shareholders should contact Computershare in the first instance, if they wish to access your personal information. Shareholders who appoint a named person to act as their proxy or corporate representative should make sure that person is aware of these matters.

NO INTERNET SITE FORMS PART OF THIS SCHEME BOOKLET

Any references in this Scheme Booklet to any website are for informational purposes only. No information contained on any website forms part of this Scheme Booklet.

To the maximum extent permitted by law, Abano and its Directors, officers, employees and advisers do not assume any responsibility for the contents of any website referenced in this Scheme Booklet.

TIME

All references to time in this Scheme Booklet are to New Zealand time, unless otherwise stated. Any obligation to do an act by a specified time in New Zealand time must be done in any other jurisdiction by the specified New Zealand time.

DIAGRAMS, CHARTS, MAPS, GRAPHS AND TABLES

Any diagrams, charts, maps, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be to scale.

EFFECT OF ROUNDING

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

RESPONSIBILITY FOR INFORMATION

Abano is responsible for this Scheme Booklet other than that, to the maximum extent permitted by law:

- The Bidco Information has been prepared by, and is the responsibility of, Bidco. Abano and its officers and employees do not assume any responsibility for the accuracy or completeness of the Bidco Information. Bidco and its respective officers and employees do not assume any responsibility for the accuracy or completeness of any information in the Scheme Booklet other than the Bidco Information.
- The Independent Adviser's Report contained in Annexure A has been prepared by, and is the responsibility of, the Independent Adviser. Abano and its officers and employees do not assume any responsibility for the accuracy or completeness of the Independent Adviser's Report.

NOTICE OF THE FINAL COURT HEARING

If you wish to oppose the Scheme at the Final Court Hearing, which will take place after the Scheme Meeting at the High Court, Parliament Street, Auckland, you must file in the High Court a notice of appearance or a notice of opposition together with supporting documents on which you wish to rely in the manner set out in section 6.7 by 5.00pm on 25 March 2020.

ROLE OF TAKEOVERS PANEL AND HIGH COURT

The fact that the Takeovers Panel has provided a letter of intention indicating that it does not intend to object to the Scheme (or subsequently issues a no objection statement in respect of the Scheme), or that the High Court has ordered that a meeting be convened, does not mean that the Panel or the Court:

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

DEFINED TERMS

Capitalised terms set out in this Scheme Booklet have the meanings given to them in the Glossary in section 11.

DATE OF THIS SCHEME BOOKLET

This Scheme Booklet is dated 14 February 2020.

1.	CHAIR'S LETTER	6
2.	KEY INDICATIVE DATES	8
3.	NOTICE OF MEETING	9
4.	ACTION REQUIRED OF SHAREHOLDERS	11
5.	KEY CONSIDERATIONS RELEVANT TO YOUR VOTE	12
6.	FURTHER INFORMATION ABOUT THE SCHEME	18
7.	INFORMATION ABOUT BIDCO	23
8.	INFORMATION EQUIVALENT TO SCHEDULE 1 OF THE TAKEOVERS CODE	24
9.	ABANO INFORMATION EQUIVALENT TO SCHEDULE 2 OF THE TAKEOVERS CODE	28
10.	SUMMARY OF THE SCHEME IMPLEMENTATION AGREEMENT	38
11.	GLOSSARY	41
	ANNEXURE A: INDEPENDENT ADVISER'S REPORT	47
	ANNEXURE B: SCHEME PLAN	96
	ANNEXURE C: DEED POLL	106
	DIRECTORY	BC

PART A: KEY INFORMATION ABOUT THE SCHEME

1. CHAIR'S LETTER

On behalf of the Abano Board, I am pleased to provide you with this Scheme Booklet, which contains important information regarding the proposed acquisition of your Abano Shares by Adams NZ Bidco Limited. Adams NZ Bidco Limited is a company that will, on or about the Implementation Date, be ultimately owned by the BGH Capital Fund and Ontario Teachers' Pension Plan Board.¹

The proposed acquisition is to be completed via a scheme of arrangement. If the proposed Scheme is approved by Shareholders and all Conditions are satisfied, registered Shareholders on the Scheme Record Date (which is estimated to be 5.00pm on 9 April 2020) will be entitled to receive NZ\$5.70 in cash for each Abano Share. This is expected to be paid to Shareholders between 16 April and 22 April 2020.

This Scheme Booklet has been prepared to help you assess the merits of the Scheme before you vote.

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEME

All of your Directors unanimously recommend that you **VOTE IN FAVOUR** of the Scheme of Arrangement.

Each of your Directors who holds or controls Abano Shares intends to **VOTE IN FAVOUR** of the Scheme of Arrangement for all of the Abano Shares that he or she holds or controls.

The Directors' unanimous recommendation, and the Directors' intention to vote in favour of the Scheme, are subject to there being no Superior Proposal.²

REASONS FOR YOUR DIRECTORS' RECOMMENDATION

Your Directors have carefully considered the advantages and disadvantages of Bidco's proposal. In recommending the Scheme, your Directors have taken into account the following:

- Shareholders are able to realise value for their Abano Shares at a significant premium to the market price prior to the proposal. The Scheme Price of NZ\$5.70 per Abano Share represents:
 - a premium of 63% to Abano's closing share price on the NZX Main Board of \$3.50 on Friday 28 June 2019, which was the last trading day before Abano announced that it had received various expressions of interest on Monday 1 July 2019;
 - a premium of 49% to Abano's volume weighted average share price of \$3.82 over the 30-day period prior to 1 July 2019;
 - an equity value for Abano of NZ\$150 million and an estimated enterprise value of NZ\$300 million; and
 - an implied EV/EBITDA³ multiple of 8.9x, based on FY19 underlying EBITDA of NZ\$33.7 million.

¹ As at the date of this Scheme Booklet, Bidco is ultimately 100% owned by the BGH Capital Fund. On or about the Implementation Date, the ultimate ownership of Bidco will change such that it will be ultimately owned by the BGH Capital Fund and Ontario Teachers' Pension Plan Board in the manner described in section 7.1 of this Scheme Booklet.

² Your Directors reserve the right to change their recommendation and/or vote against the Scheme if, prior to the Scheme Meeting, the Independent Adviser changes the Independent Adviser's valuation range for the Abano Shares and, after that change, the Scheme Price is below the valuation range.

³ Enterprise Value divided by EBITDA (earnings before interest, tax, depreciation and amortisation and significant items, associates and minority interest).

- The Scheme Price of NZ\$5.70 in cash per Abano Share is **above** the mid-point – which is \$5.60 per Abano Share – of the Independent Adviser’s value range of NZ\$5.29 to NZ\$5.92 per Abano Share.
- The Scheme accelerates a capital return to Shareholders and mitigates the risks that would otherwise be involved in delivering the opportunities from executing Abano’s strategic plan over time.
- The Scheme follows a comprehensive competitive process undertaken by the Board with the assistance of external advisers. The process enabled the Board to satisfy itself that all relevant options had been identified, risk-assessed, valued and considered. After a thorough assessment of those options, including the divestment of individual businesses or the group under different transaction alternatives, or continuing to own and operate one or both of the businesses, the Board concluded that the Scheme represented the most compelling value for Shareholders.
- Since the announcement of the Scheme Implementation Agreement on 11 November 2019, no Superior Proposal has emerged and the Board believes that a Superior Proposal is unlikely to emerge.
- You will not pay any brokerage on the transfer of your Abano Shares to Bidco under the Scheme.

Having said that, we acknowledge that there are valid reasons why you may decide not to vote in favour of the Scheme. For example, you may consider that the long-term value of Abano is greater than the Scheme Price or that the Independent Adviser’s value range does not reflect the full value of Abano. You may also consider that a Superior Proposal may emerge. In addition, it is possible that the Scheme may not align with your personal circumstances, due to the tax implications of the Scheme for you – or because you may wish to retain an investment in a publicly listed company with the specific characteristics of Abano. Further discussion of these factors is set out in section 5.6 of this Scheme Booklet.

You should note that if the Scheme proceeds you will not be paid an interim dividend. The Board took this factor into account when assessing the value of Bidco’s proposal and in making their unanimous recommendation in favour of the Scheme. The retention of the dividend is reflected in the Scheme Price offered by Bidco and has been taken into account by the Independent Adviser in its valuation of the Abano Shares.

YOUR ACTION IS REQUIRED

Your vote is important whether or not you support the Scheme and regardless of how many Abano Shares you own. I strongly encourage you to exercise your right to vote on this important transaction.

Please read this Scheme Booklet (including the Independent Adviser’s Report) carefully and in full as it contains important information that you should consider before you vote. If you have any questions about the Scheme Booklet, the Scheme or how to vote, I encourage you to seek independent financial, taxation or legal advice.

If you do not support the Scheme, you can vote against the Scheme. You can also file a notice of appearance or notice of opposition with the High Court. Please see section 6.7 for more information about how to do this.

If you are unable to attend the Scheme Meeting you can appoint a proxy to attend the meeting and vote on your behalf. A personalised Voting/Proxy Form accompanies this Scheme Booklet. For more information on how to appoint a proxy, see the Procedural Notes set out in section 3 of this Scheme Booklet.

On behalf of your Directors, I would like to reiterate our unanimous support for the Scheme. We encourage you to vote **IN FAVOUR** of the Scheme

I look forward to your participation at the Scheme Meeting on 20 March 2020.

Yours sincerely,



Pip Dunphy
Chair, Abano Healthcare Group Limited

2. KEY INDICATIVE DATES

INDICATIVE DATE AND TIME	EVENT
10.00am on 18 March 2020	Closing time and date - for Voting/Proxy Forms for the Scheme Meeting to be submitted
5.00pm on 18 March 2020	Voting Eligibility Date - for determining eligibility to vote at the Scheme Meeting
20 March 2020	Scheme Meeting - to be held at 10.00am
IF THE SCHEME IS APPROVED BY SHAREHOLDERS	
25 March 2020	Last day on which shareholders may file a notice of appearance or notice of opposition - to be filed at the High Court and served on Abano
2 April 2020	Final Court Hearing - to approve the Scheme
7 April 2020	Last day of trading in Abano Shares - Abano Shares will be suspended from trading on the NZX Main Board from close of trading on this date
5.00pm on 9 April 2020	Scheme Record Date - date for determining entitlements to the Scheme Price
Between 16 April 2020 and 22 April 2020	Implementation Date - payment of the Scheme Price to Scheme Shareholders
11 May 2020	End Date - the date by which the Conditions must be satisfied or waived (where capable of waiver) ⁴

All dates and times in the table above (and other references to such dates and times in this Scheme Booklet) are indicative only and, among other things, are subject to obtaining all necessary approvals from the High Court. If the condition relating to receipt of OIO Consent and the condition relating to receipt of FIRB Consent have not been satisfied by the Final Orders Date, then unless agreed otherwise by Abano and Bidco, the Scheme Record Date will be four Business Days after the date on which the last of those conditions is satisfied (with the Implementation Date then being seven to eleven Business Days after the satisfaction of the last of those conditions), delaying implementation of the Scheme and payment of the Scheme Price to Shareholders. The FIRB Consent condition was satisfied on 12 February 2020. The OIO Consent has not yet been received as of the date of this Scheme Booklet.

If the Conditions (see Sections 6.2 and 10.2 for further information) to the Scheme have not been satisfied or waived (if capable of waiver) by the End Date, the Scheme may not proceed unless Abano and Bidco agree to extend the End Date.

Any changes to the above indicative timetable will be announced to NZX (<https://www.nzx.com>).

⁴ Abano and Bidco have agreed that if it is reasonably likely the OIO and FIRB have not issued their consents to implementation of the Scheme before the End Date, but a party (acting reasonably) considers that both consents are likely to be issued by 11 August 2020, then that party may elect to extend the End Date for up to three successive one-month periods. As FIRB Consent was granted on 12 February 2020, the need for this extension will only arise if OIO Consent has not been issued by the End Date.

3. NOTICE OF MEETING

Notice is given that a Special Meeting of Shareholders of Abano Healthcare Group Limited will be held:

DATE: 20 March 2020

TIME: 10.00am

WHERE: West Lounge, Level 3, Eden Park, Entry A, Walters Rd, Mt Eden, Auckland, New Zealand

AGENDA

Scheme Resolution

To consider and, if thought fit, to pass the following resolution:

“That the Scheme (the terms of which are described in this Scheme Booklet) be and is hereby approved.”

The Scheme Resolution will be put as a single resolution for the purposes of confirming the approvals of each interest class (see Note 2 below). Voting will be by way of poll and PricewaterhouseCoopers, Abano’s auditors, will act as scrutineer to confirm whether or not each of the relevant voting thresholds have been met.

By order of the Board



Rhys Clark

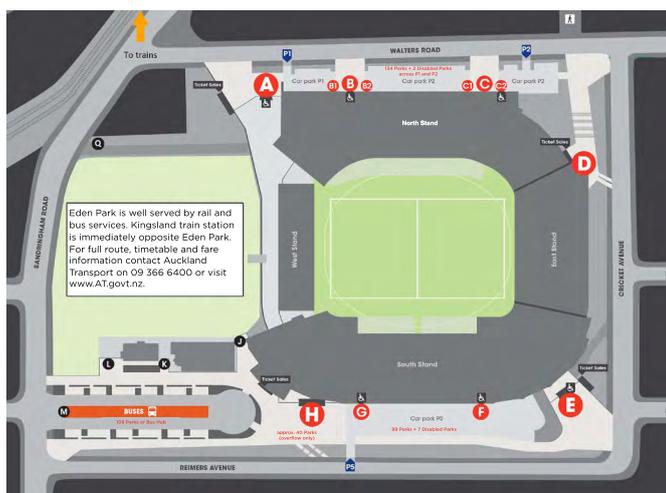
Chief Financial Officer, Abano Healthcare Group Limited

Procedural Notes:

1. The Scheme Booklet (which includes this Notice of Meeting) provides information in relation to the Scheme Resolution and the Scheme, how the Scheme will be implemented and the reasons for proposing the Scheme. In particular, section 4 of the Scheme Booklet contains details about the actions you can take in respect of the Scheme. A Voting/Proxy Form accompanies this Scheme Booklet.
2. The voting thresholds under the Companies Act for approval of the Scheme are:
 - (a) 75% or more of the votes cast in each interest class⁵ must be voted in favour of the Scheme Resolution; and
 - (b) more than 50% of the total number of Abano Shares on issue must be voted in favour of the Scheme Resolution.
3. Both of the voting thresholds set out in Note 2 above must be met for the Scheme Resolution to be approved.
4. As at the date of this Scheme Booklet, it is expected that all Shareholders will comprise a single interest class. See section 6.1(b) of the Scheme Booklet for more information about what an interest class is, including the impact of Bidco or its associates acquiring Abano Shares before the Voting Eligibility Date.
5. Further, as at the date of this Scheme Booklet, it is not expected that any Shareholders will be restricted from voting on the Scheme Resolution pursuant to the NZX Main Board Listing Rules.
6. **Whether or not you are in favour of the Scheme, it is very important that you cast your vote.**
7. You are entitled to vote at the Scheme Meeting (including by proxy or representative) if you hold Abano Shares (as recorded in Abano’s Share Register) on the Voting Eligibility Date.
8. If you are eligible to vote at the Scheme Meeting, you can vote:
 - (a) **in person** – by attending the Scheme Meeting and bringing your personalised admission card (which accompanies this Scheme Booklet);
 - (b) **by proxy** – see Note 9 below; or
 - (c) **by corporate representative** – a company which is a Shareholder may appoint a representative to vote on its behalf in the same manner as that in which it could appoint a proxy.

⁵At the date of this Scheme Booklet it is expected that all Shareholders will comprise one interest class. See section 6.1(b) for more information about what an interest class is.

9. If you wish to appoint a proxy, you must ensure that Computershare receives your completed Voting/Proxy Form by no later than 10.00am (New Zealand time) on 18 March 2020. You can submit your completed Voting/Proxy Forms:
 - (a) **online:** at Computershare’s website by following the instructions on the website (www.investorvote.co.nz). You will be required to enter your CSN/Shareholder Number and postcode or country of residence (if outside New Zealand) for security purposes
 - (b) **by mail:** Computershare Investor Services Limited, Private Bag 92119, Auckland 1142, New Zealand
 - (c) **in person:** Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, Auckland 0622, New Zealand during normal business hours
 - (d) **by email:** corporateactions@computershare.co.nz (please use “Abano Proxy Form” as the subject for easy identification)
10. A proxy need not be a Shareholder. You may, if you wish, appoint the Chairperson or any other Director as your proxy. The Chair and all other Directors of Abano intend to vote undirected proxies in favour of the Scheme unless the Directors have changed their recommendation prior to the Scheme Meeting.⁶
11. Once appointed, a proxy can be revoked or your voting directions to your proxy can be changed by giving written notice to the address details set out in Note 9 above if such notice is received before 10.00am (New Zealand time) on 18 March 2020.
12. You are invited to submit questions to be addressed at the Scheme Meeting. Abano has discretion as to which, and how, questions will be answered during the Scheme Meeting. If you wish to submit a question, you may do so:
 - (a) **online:** at Computershare’s website by following the instructions on the website (www.investorvote.co.nz). You will be required to enter your CSN/Shareholder Number and postcode or country of residence (if outside New Zealand) for security purposes
 - (b) **by email:** enquiries@abanohealthcare.co.nz (please use “Abano Question” as the subject for easy identification)
 - (c) **by mail:** PO Box 106514, Auckland 1143, Attention: CFO
13. There will also be an opportunity for Shareholders to raise questions during the Scheme Meeting.
14. **Parking and venue instructions:** Free parking is available in P1 and P2 off Walters Road (see map). Enter Eden Park via Entry A. Walk along the Level 3 Concourse. Take the stairs down to the West Lounge.



⁶ The Directors may change their recommendation if there is a Superior Proposal prior to the Scheme Meeting which Bidco has elected not to match in accordance with the matching rights set out in the Scheme Implementation Agreement or if, prior to the Scheme Meeting, the Independent Adviser changes the Independent Adviser’s valuation range for the Abano Shares and, after that change, the Scheme Price is below the valuation range.

4. ACTION REQUIRED OF SHAREHOLDERS

4.1 READ THIS SCHEME BOOKLET AND SEEK ADVICE IF YOU ARE IN DOUBT

Please read this Scheme Booklet carefully and in full. It will assist you in making an informed decision on how to vote on the Scheme Resolution.

If you are in doubt as to what you should do, you should seek advice from your financial, taxation or legal adviser.

4.2 VOTE ON THE SCHEME

It is very important that you vote.

Voting is how you have your say in determining the future of your investment in Abano.

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

- 75% or more of the votes cast in each interest class⁷ must be voted in favour of the Scheme Resolution; and
- more than 50% of the total number of Abano Shares on issue must be voted in favour of the Scheme Resolution.

The Scheme Meeting will be held at 10.00am (New Zealand time) on Friday 20 March 2020 at West Lounge, Level 3, Eden Park, Entry A, Walters Rd, Mt Eden, Auckland, New Zealand.

If you are a Shareholder on the Voting Eligibility Date (expected to be 5.00pm on 18 March 2020), you are entitled to vote on the Scheme.

You can vote at the Scheme Meeting in person, by proxy or, if you are a company, by a corporate representative. If your share broker or financial adviser holds Abano shares as custodian on your behalf, we encourage you to instruct your broker or adviser how to vote. The fastest way for you to vote is to complete your Voting/Proxy Form online. Alternatively, you may return your Voting/Proxy Form or attend and vote in person at the Scheme Meeting.

Information on how to appoint a proxy or corporate representative, and how to ask questions before the Scheme Meeting, is set out in the Procedural Notes part of the Notice of Meeting in section 3 of this Scheme Booklet.

4.3 IF YOU ARE IN FAVOUR OF THE SCHEME

If you are in favour of the Scheme, you should vote in favour of the Scheme Resolution at the Scheme Meeting, by proxy or in person.

4.4 IF YOU ARE NOT IN FAVOUR OF THE SCHEME

If you are not in favour of the Scheme, you can vote against the Scheme Resolution at the Scheme Meeting, by proxy or in person. As a Shareholder, you also have the right to appear and be heard at the Final Court Hearing. You will need to file a notice with the Court. Further details are set out in section 6.7.

If you do not want to participate in the Scheme, you are free to sell your Abano Shares at any time up to the close of trading on the date which is two Business Days before the Scheme Record Date (in order not to be registered as a Shareholder on the Scheme Record Date).

⁷At the date of this Scheme Booklet it is expected that all Shareholders will comprise one interest class. See section 6.1(b) for more information about what an interest class is.

PART B: DETAILED INFORMATION ABOUT THE SCHEME

5. KEY CONSIDERATIONS RELEVANT TO YOUR VOTE

5.1 SUMMARY OF THE SCHEME

The Scheme is the proposed transaction under which Bidco would acquire all of the shares in Abano for NZ\$5.70 in cash per share. Further information regarding the legal requirements and steps for implementation of the Scheme are set out in section 6.1.

Bidco will be ultimately owned by the consortium of the BGH Capital Fund and OTPP. Further information about BGH Capital, the BGH Capital Fund and OTPP is set out in section 7.

For the Scheme to be implemented, it needs to be approved by Shareholders, the High Court, the New Zealand Overseas Investment Office and the Australian Foreign Investment Review Board. FIRB Consent was granted on 12 February 2020. The Scheme is also subject to the satisfaction of certain other Conditions. For more information on the Conditions to the Scheme, see section 6.2.

The Scheme is the culmination of a process that began with the receipt of various expressions of interest for the acquisition of Abano or businesses owned by Abano. The Board appointed external advisors, Cameron Partners and Rothschild & Co, and over a nearly six-month period, the Board undertook a comprehensive competitive process to ensure that it achieved the best outcome for Shareholders. The process identified and attracted interest from numerous parties, a number of which undertook due diligence on Abano's businesses. This enabled the Board to satisfy itself that all relevant options had been identified, risk-assessed, valued and considered. In considering the options, the Board adopted a long-term view of the risks and rewards of various alternatives.

After assessing the options, the Board concluded that Bidco's proposal represented the most compelling value for Shareholders and Abano entered into the Scheme Implementation Agreement with Bidco setting out the terms on which Abano and Bidco would implement the Scheme.

A summary of the Scheme Implementation Agreement is set out in section 10.

5.2 RATIONALE FOR THE SCHEME

As part of the competitive process referred to in section 5.1, the Board thoroughly assessed various options, including divesting individual businesses of the group under different transaction alternatives, as well as continuing to own one or both of the businesses. The Board concluded that the Scheme provided the most compelling value for Shareholders. It provides Shareholders with an attractive opportunity to accelerate a capital return, while also mitigating the risks that are otherwise involved in delivering the opportunities from executing Abano's strategic plan over time.

5.3 SCHEME PRICE

If the Scheme is implemented and you hold Abano Shares on the Scheme Record Date, you will receive NZ\$5.70 in cash per share from Bidco.

5.4 YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEME

Your Directors unanimously recommend that you vote in favour of the Scheme Resolution required to implement the Scheme at the Scheme Meeting to be held on Friday 20 March 2020 in the absence of a Superior Proposal.⁸

In reaching their recommendation to vote in favour of the Scheme, your Directors have considered:

- (a) the merits of the Scheme, including the factors set out in sections 5.5, 5.6 and 5.7;
- (b) the Scheme Price in relation to the Independent Adviser's valuation range and the Directors' own views of the value of Abano; and
- (c) Abano's growth prospects and the additional time and capital it would require to achieve these, near term earnings expectations, the outlook for Abano's businesses and broader market conditions and the risk of continuing to own and operate the business compared to realising value for Shareholders now.

Your Directors who hold or control Abano Shares intend to vote all of the Abano Shares held or controlled by them in favour of the Scheme in the absence of a Superior Proposal.⁹ The interests of your Directors are set out in sections 9.5 and 9.13.

5.5 REASONS TO VOTE IN FAVOUR OF THE SCHEME

- (a) **The Scheme Price of NZ\$5.70 cash per share represents a significant premium to the 'undisturbed' share price**

The Scheme Price represents:

- A premium of 63% to Abano's closing share price on the NZX Main Board of \$3.50 on Friday 28 June 2019, which was the last trading day before Abano announced that it had received various expressions of interest on Monday 1 July 2019;
- A premium of 49% to Abano's volume weighted average share price of \$3.82 over the 30-day period prior to 1 July 2019; and
- An implied EV/EBITDA¹⁰ multiple of 8.9x, based on FY19 underlying EBITDA of \$33.7 million.

- (b) **NZ\$5.70 is above the mid-point – which is \$5.60 per Abano Share – of the Independent Adviser's valuation range of NZ\$5.29 to NZ\$5.92 per Abano Share**

KordaMentha has been appointed as the Independent Adviser to prepare an Independent Adviser's Report on the merits of the Scheme.

KordaMentha has assessed the value of Abano (including a premium for control) to be in the range of NZ\$5.29 to NZ\$5.92 per Abano Share. The Scheme Price of NZ\$5.70 cash per Abano Share is above the mid-point of this range, which is \$5.60 per Abano Share.

The Independent Adviser's Report is set out in Annexure A to this Scheme Booklet.

⁸Your Directors reserve the right to change their recommendation and/or vote against the Scheme if, prior to the Scheme Meeting, the Independent Adviser changes the Independent Adviser's valuation range for the Abano Shares and, after that change, the Scheme Price is below the valuation range.

⁹Your Directors reserve the right to change their recommendation and/or vote against the Scheme if, prior to the Scheme Meeting, the Independent Adviser changes the Independent Adviser's valuation range for the Abano Shares and, after that change, the Scheme Price is below the valuation range.

¹⁰ Enterprise Value divided by EBITDA (earnings before interest, tax, depreciation and amortisation and significant items, associates and minority interest).

- (c) **The Scheme accelerates a capital return to Shareholders and mitigates the risks that would otherwise be involved in delivering the opportunities from executing Abano's strategic plan over time**

Section 5.2 outlines the rationale for the Scheme. As noted in that section, your Directors believe that the Scheme, which allows all Shareholders to sell all of their Abano Shares for NZ\$5.70 per share in cash, provides an attractive opportunity for Shareholders to accelerate a capital return.

The Scheme Price of NZ\$5.70 per Share provides you with certainty of value for your Abano Shares (subject to the Scheme becoming Effective). You will not be subject to the business risks and investment risks that would apply if you continued to hold your Abano Shares. The Scheme will remove the uncertainty of future value for you by providing you with the ability to sell your shareholding in Abano at an attractive price and for cash.

If the Scheme does not proceed, the amount which you will be able to realise for your investment in Abano by selling Abano Shares on the market or by receiving dividends will be uncertain. You will continue to be subject to the benefits and risks associated with Abano's business and other general benefits and risks relating to any investment in a publicly listed company. Among other things, those benefits and risks include the performance of Abano's business, Abano's ability to execute its future growth strategy, general economic conditions, and movements in the share market.

- (d) **The Scheme is the result of a competitive process**

The Scheme Price is the consequence of a competitive process described in section 5.1. As a result of that process, the Board is satisfied that the Scheme represents the most compelling value for Shareholders.

- (e) **No Superior Proposal has emerged since the Scheme was announced and the Directors do not believe that a Superior Proposal is likely to emerge**

Since the announcement of the Scheme to NZX by Abano on 11 November 2019, and up to the date of this Scheme Booklet, no Superior Proposal has emerged. While the Board retains the discretion to consider any other proposal that could reasonably be expected to become a Superior Proposal (provided that it is necessary for the Board to respond to such a proposal to comply with their fiduciary or statutory duties and subject always to Bidco's right to match the Superior Proposal), there can be no expectation or assurance that any further proposals will emerge at any time. The Board would also need to take into account the reimbursement sum payable to Bidco, referred to in sections 5.7(c) and 10.7. For these reasons, the Directors do not believe that a Superior Proposal is likely to emerge.

- (f) **The price at which Abano Shares trade may be less than the Scheme Price if the Scheme is not implemented and no Superior Proposal emerges**

The Directors are unable to predict the price at which Abano Shares will trade in the future, but believe that if the Scheme is not implemented, and in the absence of a Superior Proposal, the price at which your Abano Shares trade is likely to be below the Scheme Price offered by Bidco. In addition, the future trading price of Abano Shares will continue to be subject to any market volatility. This contrasts with the certainty of value of the cash payment of the Scheme Price of NZ\$5.70 under the Scheme.

- (g) **No brokerage costs will be charged on the transfer of your Abano Shares to Bidco if the Scheme proceeds**

This is in contrast to selling your Abano Shares on NZX where you may incur brokerage charges.

5.6 REASONS YOU MAY CHOOSE NOT TO VOTE IN FAVOUR OF THE SCHEME

- (a) **You may consider that Abano has greater value over the longer term than you will receive under the Scheme**

If the Scheme is approved and implemented, it is expected to complete between 16 April and 22 April 2020.¹¹ This timeframe may not be consistent with your investment objectives and you may consider that your Abano Shares have greater value over the longer term.

You may consider that Abano has strong long-term growth potential and that the Scheme Price does not fully reflect your views on long term value. You may therefore prefer to retain your Abano Shares and realise the value of your Abano Shares over the longer term.

- (b) **You may consider that the Scheme is not in your best interests or you may believe that the Independent Adviser's valuation range does not reflect the full value of Abano**

You may disagree with the valuation range provided by the Independent Adviser or you may believe that the Scheme is not in the best interests of Shareholders or not in your individual interests.

- (c) **You may wish to maintain an investment in a publicly listed company with the specific characteristics of Abano in terms of industry, operations, profile, size, capital structure and potential dividend stream**

If the Scheme is approved and implemented, you will be paid the Scheme Price in cash for all of your Abano Shares, you will cease to be a Shareholder, Abano Shares will cease quotation on the NZX Main Board and Abano will be delisted by NZX. As a result, you will no longer be able to participate in the benefits (or be exposed to the risks) of Abano's future financial performance or the future prospects of its ongoing business. However, there is no guarantee as to Abano's future performance (including the timing and quantum of future dividends), as with all investments in listed securities.

If your concern is that you wish to retain an equity investment in the dental sector, you should also note that there are currently no other companies operating in this sector which are listed by NZX (although there are some dental corporates which are listed by ASX).

- (d) **You may consider that there is a possibility that a Superior Proposal could emerge**

As noted in section 5.5(e), since the announcement of the Scheme, and up to the date of this Scheme Booklet, no Superior Proposal (or other change of control transaction proposal) has emerged, and the Directors do not believe that a Superior Proposal is likely to emerge. However, you may disagree with the Directors, and you may believe that a Superior Proposal is possible prior to implementation of the Scheme.

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

If the Scheme is approved and implemented, it may potentially result in adverse tax implications for you, which may arise earlier than may otherwise have been the case. If you are in doubt about the potential tax implications of the Scheme, you should seek advice from your tax adviser.

- (f) **You may consider that the Scheme is subject to Conditions that you consider unacceptable**

All of the Conditions to the Scheme are summarised in sections 6.2 and 10.2. If those Conditions are not satisfied or waived (where capable of waiver) by the End Date or another date agreed by Abano and Bidco, the Scheme will not proceed (even if it has been approved by Shareholders) and you will not receive the Scheme Price.

¹¹ The Implementation Date is indicative only and timing will depend on the satisfaction or, where applicable, waiver of the Conditions. See Section 2 in relation to the impact of the OIO Consent and FIRB Consent (which was granted on 12 February 2020) on the timing of the Implementation Date.

5.7 ADDITIONAL MATTERS FOR YOU TO CONSIDER

(a) **You may sell your Abano Shares on the NZX Main Board at any time prior to suspension of Abano Shares from trading**

You may be able to sell your Abano Shares at any time prior to the close of trading on the date which is two Business Days before the Scheme Record Date if you do not wish to hold them or participate in the Scheme.

However, if you sell your Abano Shares the sale price may be less than the Scheme Price of NZ\$5.70 cash per share, and you may incur brokerage charges on the sale. You should seek your own independent professional advice to determine if your individual financial or taxation circumstances may make it preferable for you to do so.

(b) **The Scheme may be implemented even if you do not vote at the Scheme Meeting or if you vote against the Scheme**

Regardless of whether you vote for or against the Scheme, abstain or do not vote at all, the Scheme may still be implemented if it is approved by Shareholders by the requisite majorities and the High Court, and the other Conditions are satisfied or waived. If this occurs and you hold Abano Shares on the Scheme Record Date, your Abano Shares will be transferred to Bidco and you will receive the Scheme Price for those Abano Shares.

(c) **The Bidco Reimbursement Sum may be payable by Abano in some circumstances**

Abano may be required to pay the Bidco Reimbursement Sum to Bidco in certain circumstances if the Scheme does not proceed. Those circumstances include where:

- a Director withdraws or adversely revises, qualifies or modifies his or her recommendation to vote in favour of the Scheme or makes a public statement indicating that he or she no longer recommends the Scheme or to the effect that he or she supports, recommends or endorses a different transaction (including a Competing Transaction), unless any such event occurs:
 - (A) following a termination of the Scheme Implementation Agreement by Abano due to a material and uncured breach of that agreement by Bidco;
 - (B) as a result of the Independent Adviser concluding that the Scheme Price is below the Independent Adviser's valuation range for the Abano Shares; or
 - (C) as a result of the Scheme's failure to receive Court approval or shareholder approval or to satisfy the Condition relating to OIO consent (unless such failure occurs due to Abano's failure to use its reasonable endeavours to procure that the relevant Condition is satisfied) in respect of those Conditions;
- a Competing Transaction is publicly announced before the End Date and the Competing Transaction is completed within 12 months after the date of such announcement, or Abano enters into a definitive agreement to implement a Competing Transaction;
- the Scheme Implementation Agreement is terminated by Bidco due to a material breach of the agreement by Abano and the breach is not remedied by Abano to Bidco's reasonable satisfaction within five Business Days (or any shorter period ending at 5.00pm on the Business Day prior to the Implementation Date) from the time Abano receives notice of the breach from Bidco;
- certain Prescribed Occurrences (other than an adverse outcome in the Moffet Case, as discussed further in paragraph 5.7(d)) take place, including:
 - (A) Abano paying a dividend or other distribution, changes to Abano's capital structure or insolvency events affecting a member of the Abano Group;

(B) Abano becoming subject to an enforcement action, investigation, inquiry or audit (or there is a development in relation to any action, investigation, inquiry or audit involving Abano), or to a decision, determination or ruling by a government agency or court that relates to a violation or, in certain circumstances, possible violation of laws, and the relevant action has or is reasonably likely to have an adverse financial impact on the Abano Group taken as a whole of at least NZ\$5 million. Prior to exercising its right to terminate the Scheme Implementation Agreement in such circumstances, Bidco must consult with Abano in good faith for at least five Business Days (or, if shorter, until 5.00pm on the day prior to the Implementation Date) regarding the appropriate method of calculating the financial impact of such an event;

- Abano or Bidco terminating the Scheme Implementation Agreement as a result of Bidco failing to match a Superior Proposal.

Further information on the Bidco Reimbursement Sum is set out in section 10.7.

(d) **Completion of the Scheme may be subject to litigation outcomes**

In the Moffet Case the Federal Court of Australia determined that Dental Corporation Australia Pty Ltd, which operates a corporate dental business in Australia, was required to pay superannuation entitlements to a dentist who had been engaged as an independent contractor upon certain terms and conditions. Dental Corporation Australia Pty Ltd has appealed the decision to the Australian Court of Appeal.

If the Australian Court of Appeal makes a determination in the Moffet Case that is unfavourable to Dental Corporation Australia Pty Ltd and such determination is reasonably likely to have an adverse financial impact on Abano Group taken as a whole (in light of the fact that most of Abano's dentists in Australia are engaged as independent contractors, although the substance and form of these contracts may differ from the contract under dispute in the Moffet Case) by at least NZ\$10 million (determined after excluding any amount reasonably expected to be recoverable from third parties by the Abano Group in response to the matter, event or circumstance giving rise to the relevant adverse financial impact), that outcome is a Prescribed Occurrence and Bidco will have the right to terminate the Scheme Implementation Agreement.

Prior to Bidco exercising such a right, Bidco and Abano must consult with each other in good faith for at least five Business Days or, if shorter, until 5.00pm on the day prior to the Implementation Date, regarding the appropriate method of calculating the financial impact of such an event, having regard to any amount reasonably expected to be recoverable from third parties by the Abano Group in response to the matter, event or circumstance giving rise to the relevant adverse financial impact.

5.8 WHAT HAPPENS IF THE SCHEME IS NOT APPROVED?

If the Scheme is not approved by Shareholders or the High Court, or if the other Conditions are not satisfied or waived (to the extent capable of waiver), or if the Scheme Implementation Agreement is terminated:

- you will not receive the Scheme Price;
- your Abano Shares will not be transferred to Bidco (they will be retained by you);
- Abano will continue to operate as a standalone entity listed on the NZX Main Board;
- you will continue to be exposed to the benefits and risks associated with an investment in Abano and other general benefits and risks relating to any investment in a publicly listed company;
- depending on the reasons why the Scheme does not proceed, Abano may be required to pay the Bidco Reimbursement Sum to Bidco (see sections 5.7(c) and 10.7) or Bidco may be required to pay the Abano Reimbursement Sum to Abano (see section 10.7);
- the interim dividend may or may not be paid – the Board has made no decision on what will happen to the interim dividend if the Scheme is not approved; and
- in the absence of a Superior Proposal, the price for Abano Shares on the NZX Main Board may fall.

6. FURTHER INFORMATION ABOUT THE SCHEME

6.1 KEY STEPS IN THE SCHEME

The Scheme is to be implemented by way of a scheme of arrangement under Part 15 of the Companies Act. The key steps in the process to implement the Scheme are summarised briefly below.

(a) Initial Court Orders

Abano has applied for, and on 12 February 2020 was granted, the Initial Court Orders. This is the first step in the Scheme process. The Initial Court Orders require Abano to convene the Scheme Meeting for Shareholders to consider, and vote on, the Scheme.

The Scheme will only be implemented if:

- Shareholders approve the Scheme Resolution by the requisite majorities at the Scheme Meeting;
- the Scheme is approved by the High Court at the Final Court Hearing;
- the Condition relating to the OIO Consent is satisfied; and
- the other Conditions are satisfied or waived (to the extent capable of waiver).

(b) Shareholder approval requirements

What are the voting requirements?

In order for the Scheme Resolution to be approved at the Scheme Meeting, it requires:

- 75% or more of the votes cast in each interest class¹² to be voted in favour of the Scheme Resolution; and
- more than 50% of the total number of Abano Shares on issue to be voted in favour of the Scheme Resolution.

Each of these voting thresholds must be met for the Scheme Resolution to be approved. If the Scheme Resolution is approved by the requisite majorities of Shareholders at the Scheme Meeting, then Abano will apply to the High Court for orders approving the Scheme (being the Final Court Orders).

What is an interest class?

Shareholders whose rights are so dissimilar that they cannot sensibly consult together about a common interest will form a separate interest class for the purposes of voting on the Scheme Resolution. As at the date of this Scheme Booklet, it is expected that all Shareholders will comprise one interest class.

What happens if Bidco acquires Abano Shares?

If Bidco, or persons associated with it, acquires Abano Shares before the Voting Eligibility Date it is likely that Bidco (or any associated persons that hold Abano Shares) will constitute a separate interest class.

Bidco has agreed in the Scheme Implementation Agreement that it will enter into a deed poll in the form required by the Takeovers Panel under which Bidco (or relevant associated entity) will agree to vote in favour of the Scheme Resolution unless the Takeovers Panel has informed Bidco that a deed poll is not required from any associated entity that is a portfolio company of BGH Capital or OTPP.

¹²At the date of this Scheme Booklet it is expected that all Shareholders will comprise one interest class. See section 6.1(b) for more information about what an interest class is.

(c) Takeovers Panel “no objection statement”

Under the Companies Act, Abano may request a statement from the Takeovers Panel indicating that the Takeovers Panel has no objection to the High Court making orders to approve the Scheme. This is commonly referred to as a “no objection statement”.

Abano has applied for a “no objection statement” from the Takeovers Panel. The Takeovers Panel does not typically issue “no objection statements” until just before documents are filed for the Final Court Hearing in respect of the Scheme. This will not take place until after the Scheme Meeting.

As a result, Abano requested from, and has been granted by, the Takeovers Panel a preliminary statement (called a “letter of intention”), which was presented to the High Court as part of the application for Initial Court Orders.

The Takeovers Panel has indicated in its “letter of intention” that, on the basis of the documents and information provided to it, it is minded to issue a final “no objection statement” on or before the Final Orders Date.

Even when a “no objection statement” is granted by the Takeovers Panel, the High Court still has the discretion to determine whether or not to approve the Scheme.

(d) Final Court Hearing

If Shareholders approve the Scheme Resolution at the Scheme Meeting Abano will apply to the High Court for Final Court Orders.

The Final Court Orders, if granted by the High Court, will make the Scheme binding on Abano, all Shareholders (including Shareholders who did not vote for the Scheme) and Bidco (subject to the satisfaction of the Condition relating to OIO Consent if such consent is outstanding at that time and the satisfaction or waiver of any of the Conditions which continue to apply until the implementation of the Scheme).

In considering the application for the Final Court Orders, the High Court will consider whether:

- there has been compliance with the relevant procedural rules, the relevant legislation and the Initial Court Orders (including in relation to the Scheme Meeting);
- the Scheme has been fairly put to Shareholders, including whether the Scheme Booklet puts the information reasonably necessary to enable each interest class of Shareholders to consider and vote on the Scheme;
- Shareholders in each interest class are fairly represented by those Shareholders who vote on the Scheme; and
- whether the Scheme is such that it might reasonably be approved by an intelligent and honest business person acting in respect of his or her own interest.

The Scheme will be implemented if the High Court approves the Scheme and all other Conditions have been satisfied or waived (where capable of waiver).

Each Shareholder has the right to appear at the Final Court Hearing (see section 6.7).

If all Conditions are satisfied the Scheme will be implemented in accordance with the Scheme Plan.

(e) Scheme Record Date

If all of the Conditions to the Scheme are satisfied or waived (to the extent capable of waiver) and you are a Shareholder on the Share Register on the Scheme Record Date, you will be entitled to receive the Scheme Price for all of the Abano Shares you hold as at the Scheme Record Date.

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

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

- (A) in the case of dealings of the type to be effected through NZX's clearing and settlement system, the transferee is registered in the Share Register as the holder of the relevant Abano Shares as at 5.00pm on the Scheme Record Date; and
- (B) in all other cases, registrable transmission applications or transfers in respect of those dealings, or valid requests in respect of other alterations, are received on or before 5.00pm on the Scheme Record Date at the place where the Share Register is kept.

For the purposes of determining entitlements under the Scheme, Abano will not accept for registration, nor recognise for any purpose (except a transfer to Bidco pursuant to the Scheme), any transfer or transmission application or other request received after 5.00pm on the Scheme Record Date, or received prior to such times but not in registrable or actionable forms.

Abano intends to apply to NZX for Abano Shares to be suspended from official quotation on the NZX Main Board from close of trading on the date which is two Business Days before the Scheme Record Date.

(ii) *Dealings after the Scheme Record Date*

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

After 5.00pm on the Scheme Record Date, each entry of a Shareholder on the Share Register (other than entries on the Share Register in respect of Bidco) will cease to have effect, except as evidence of entitlement to the Scheme Price in respect of the Abano Shares relating to that entry.

(f) **Implementation Date**

The Implementation Date is the day on which Shareholders will be paid for their Abano Shares. The Implementation Date will be (at Bidco's election) three to seven Business Days after the Scheme Record Date. By 4.00pm on the Business Day before the Implementation Date, Bidco must pay into a trust account operated by Computershare the aggregate Scheme Price payable to Scheme Shareholders.

On the Implementation Date, which is currently expected to be between 16 April and 22 April 2020, the Scheme Shares will be transferred to Bidco without Scheme Shareholders needing to take any further action.

Immediately after the Scheme Shares are transferred to Bidco, Computershare will pay from the trust account, on behalf of Bidco, the Scheme Price received from Bidco, to Scheme Shareholders.

(g) **Deed Poll**

Bidco will, prior to Abano applying to the High Court for Final Court Orders, execute the Deed Poll pursuant to which Bidco will undertake in favour of each Scheme Shareholder to provide each Scheme Shareholder with the Scheme Price to which they are entitled under the Scheme, subject to the Scheme becoming Effective.

A copy of the form of Deed Poll is set out in Annexure C.

6.2 CONDITIONS

The Scheme is subject to certain Conditions being satisfied or, if capable of waiver, waived. The outstanding Conditions are:

- (a) approval of the Scheme by the High Court;
- (b) approval of the Scheme by Abano's Shareholders;
- (c) Overseas Investment Office approval;
- (d) Australian Foreign Investment Review Board approval (which was granted on 12 February 2020);
- (e) no order, judgment, restraint or prohibition that would prevent or prohibit, or otherwise materially restrict implementation of the Scheme being issued or enforced by any court of competent jurisdiction or government agency;
- (f) no Material Adverse Change occurring in relation to Abano prior to 8.00am on the Implementation Date; and
- (g) no Prescribed Occurrence occurring in respect of Abano prior to 8.00am on the Implementation Date.

The High Court also has the power to make such other conditions to the Scheme as it sees fit.

6.3 PAYMENT OF SCHEME PRICE

Payments of the Scheme Price will generally be made by electronic transfer into the bank account you have nominated to receive dividends. If:

- you wish to change your bank account details; or
- you have not otherwise provided your bank account details and you wish to be paid by electronic transfer,

please advise Computershare of your bank account details by 5.00pm on 1 April 2020.

You will be paid by cheque if you have not nominated a bank account or if Abano in its discretion decides to do so. Your cheque will be mailed to the mailing address you have registered with Computershare.

Payment of the Scheme Price will be made on the Implementation Date, currently expected to be between 16 April and 22 April 2020.

6.4 NO ENCUMBRANCES

The Scheme Plan provides that each Scheme Shareholder warrants to Bidco on the Implementation Date that all their Abano Shares which are transferred under the Scheme will be fully paid and free from encumbrances or interests of third parties and that they have full power and capacity to transfer their Abano Shares to Bidco.

The Scheme Plan is attached as Annexure B.

6.5 NO DIVIDENDS

Abano will not authorise or pay any dividends prior to implementation of the Scheme.

6.6 DELISTING OF ABANO

Abano intends to apply for termination of the official quotation of Abano Shares on the NZX Main Board from close of trading on the Implementation Date.

6.7 SHAREHOLDER OBJECTION RIGHTS

If you do not support the Scheme, you can vote against the Scheme Resolution at the Scheme Meeting.

In addition, if you are a Shareholder, you may appear and be heard at the application for Final Court Orders, which is expected to occur at 10.00am on 2 April 2020 at the High Court at Auckland. The High Court proceeding number is CIV 2019-404-2613.

To do so, you must file a notice of appearance or a notice of opposition (in either case containing an address for service), and any affidavits or memoranda of submissions on which you intend to rely, by 5.00pm on 25 March 2020, and serve a copy on Abano at c/- Harnos Horton Lusk Limited, Level 33, Vero Centre, 48 Shortland Street, Auckland 1010 or email nathanael.starrenburg@hhl.co.nz. If you do this, Abano will serve you, at your address for service, a copy of all documents filed in support of the application for Final Court Orders by 5.00pm on 26 March 2020.

Any other person claiming to have a proper interest in the Scheme, who wishes to appear and be heard on the application for Final Court Orders must file an application for leave to be heard and a notice of opposition (both containing an address for service), and any affidavits or memorandum of submissions upon which such person intends to rely, by 5.00pm on 25 March 2020 and serve a copy on Abano at c/- Harnos Horton Lusk Limited, Level 33, Vero Centre, 48 Shortland Street, Auckland 1010 or email nathanael.starrenburg@hhl.co.nz. Abano will then serve upon any such person, at their address for service, a copy of the affidavits in support of the application for Final Court Orders by 5.00pm on 26 March 2020.

If the application for Scheme approval is opposed, oppositions will be heard by the High Court at 10.00am on 2 April 2020, or such later date as the High Court directs.

You may only appear and be heard at the hearing of the application for Final Court Orders if you are:

- a Shareholder who files a notice of appearance or a notice of opposition to the application for Final Court Orders within the required timeframes (set out above); or
- any other person who claims to have a proper interest in the Scheme who files an application for leave to be heard and a notice of opposition to the application for Final Court Orders within the required timeframes (set out above), and who is subsequently granted leave to appear and be heard at the hearing of the application for Final Court Orders.

In addition, the Takeovers Panel may consider an objection by a Shareholder or other interested party to the Scheme when determining whether to provide its "no objection statement". Written objections can be submitted directly to the Takeovers Panel (whether or not a "no objection statement" is granted) by email to takeovers.panel@takeovers.govt.nz. The Takeovers Panel is also entitled to appear and be heard at the hearing of the application for Final Court Orders.

There are no other dissent or buy-out rights for Shareholders who do not support the Scheme.

If you do not want to participate in the Scheme, you are free to sell your Abano Shares at any time before close of trading on NZX on the date which is two Business Days before the Scheme Record Date. The then prevailing market price may vary from the Scheme Price.

7. INFORMATION ABOUT BIDCO

This section 7 forms part of the Bidco Information and has been prepared by, and is the responsibility of, Bidco. Abano, members of the Abano Group and their directors, officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

7.1 Bidco

If the Scheme is implemented, Bidco will acquire all of the Scheme Shares.

Bidco is a New Zealand limited liability company that was incorporated on 7 November 2019 for the purpose of acquiring the Scheme Shares.

The ultimate holding company of Bidco is AU Holdco. Bidco is indirectly 100% owned by AU Holdco. AU Holdco is an Australian incorporated company that was established as the investment vehicle to aggregate the BGH Capital Fund's and OTPP's participation in the Scheme.

As at the date of this Scheme Booklet, AU Holdco is 100% owned by the BGH Capital Fund. However, on or shortly after the Implementation Date, BGH Capital Fund will hold shares which will give it a 60% economic interest in AU Holdco and the right to control approximately 74% of the rights relating to director appointments and removals, while OTPP will hold shares which will give it a 40% economic interest in AU Holdco and the right to control approximately 26% of the rights relating to director appointments and removals.

7.2 BGH Capital and the BGH Capital Fund

BGH Capital was established in 2017 by Robin Bishop, Ben Gray and Simon Harle with the objective of creating the pre-eminent private equity firm in Australia and New Zealand. BGH Capital is headquartered in Melbourne, Australia and is an independent firm, owned and managed by its founding partners.

BGH Capital had a final close of the BGH Capital Fund of approximately AUD\$2.6 billion in May 2018. This represents the largest private equity fund focused on Australia and New Zealand that is actively deploying capital. The BGH Capital Fund aims to provide its portfolio companies with the capital they need to grow, as well as analytical, strategic and operational resources to help them realise their full potential. For more information, visit www.bghcapital.com.

7.3 OTPP

OTPP is Canada's largest single-profession pension plan with CAD\$201.4 billion in net assets as at 30 June 2019. It pays pensions and invests plan assets on behalf of 327,000 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 has been a major shareholder in Heartland Dental, one of the largest dental organisations in the United States, for many years. 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' Fund, a professional organisation of which all of the teachers in publicly-funded schools in the Province of Ontario are members, and the Ontario Government.

PART C: STATUTORY AND OTHER INFORMATION

8. INFORMATION EQUIVALENT TO SCHEDULE 1 OF THE TAKEOVERS CODE

This section contains information, to the extent applicable, equivalent to the information that would be provided by Bidco in a takeover offer document in accordance with Schedule 1 to the Takeovers Code.

Bidco has prepared, and is solely responsible for, the information in this section. Bidco has not prepared, and is not responsible for, information which is referred to in this section, but which is set out in another section of this Scheme Booklet.

8.1 DATE

This section 8 was prepared, and is current, as at 14 February 2020.

8.2 BIDCO AND ITS DIRECTORS

The name and address of Bidco is:

Adams NZ Bidco Limited
c/o - Bell Gully
Level 22, Vero Centre
48 Shortland Street
Auckland 1010
New Zealand

The primary email address for Adams NZ Bidco Limited is:
contact@bghcapital.com.

The current directors of Bidco (being representatives of the interests of BGH Capital) are:

- (a) Simon Edward Harle; and
- (b) Ralph James Norris.

It is intended that on or about the Implementation Date, Raju Ruparelia and Amit Sobti will also be appointed as directors of Bidco (as representatives of the interests of OTPP).

As set out in section 7.1, the ultimate holding company of Bidco is AU Holdco. Bidco is indirectly 100% owned by AU Holdco. As at the date of this Scheme Booklet, AU Holdco is 100% owned by the BGH Capital Fund. However, on or about the Implementation Date, the ownership of AU Holdco will change. BGH Capital Fund will hold shares which will give it a 60% economic interest in AU Holdco and the right to control approximately 74% of the rights relating to director appointments and removals, while OTPP will hold shares which will give it a 40% economic interest in AU Holdco and the right to control approximately 26% of the rights relating to director appointments and removals.

8.3 SCHEME COMPANY

The name of the company to which the Scheme relates is Abano Healthcare Group Limited.

8.4 SCHEME TERMS

The terms and conditions of the Scheme are set out in the Scheme Plan in Annexure B. A summary of the terms and conditions of the Scheme is included in section 6.

8.5 OWNERSHIP OF EQUITY SECURITIES OF ABANO

None of the following persons hold or control any equity securities in Abano:

- (a) Bidco;
- (b) any Related Company of Bidco;
- (c) any person acting jointly or in concert with Bidco; and
- (d) any director of any person described in paragraphs (a) to (c) above.

Information about the persons who hold or control 5% or more of any class of equity securities in Abano is set out in section 9.5.

8.6 TRADING IN ABANO EQUITY SECURITIES

None of the persons referred to in sections 8.5(a) to (d) above have acquired or disposed of any equity securities in Abano in the six-month period ending on the date of this Scheme Booklet.

8.7 AGREEMENTS TO VOTE IN FAVOUR OF SCHEME

Except as set out below in this section 8.7, no person has agreed, or publicly announced an intention, to vote in favour of the Scheme.

On 11 November 2019, Abano announced to NZX that each of the Directors intends to vote all of the Abano Shares that he or she holds (directly or through associated interests) in favour of the Scheme, subject to the Scheme Price being within the Independent Adviser's value range for the Abano Shares and there being no Superior Proposal. The Directors' holdings of Abano Shares are set out in section 9.5.

8.8 ARRANGEMENTS TO PAY CONSIDERATION

Bidco confirms that resources will be available to it sufficient to meet the total Scheme Price to be provided to Scheme Shareholders if the Scheme becomes Effective.

Bidco will, prior to Abano applying to the High Court for the Final Court Orders, execute the Deed Poll under which Bidco will agree in favour of each Scheme Shareholder to guarantee the payment by Bidco of the Scheme Price.

The terms of the Deed Poll are summarised in section 6.1(g).

8.9 ARRANGEMENTS BETWEEN BIDCO AND ABANO

Except as set out below in this section 8.9, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Bidco or any Associates of Bidco and Abano or any Related Company of Abano, in connection with, in anticipation of, or in response to, the Scheme.

Confidentiality Agreement

On 27 June 2019, BGH Capital, OTPP and Abano entered into a confidentiality agreement under which BGH Capital and OTPP agreed to keep information provided by Abano in connection with the Scheme confidential.

Exclusivity Letter

On 4 September 2019, BGH Capital, OTPP and Abano entered into an exclusivity letter under which, in return for BGH Capital and OTPP conducting due diligence and engaging in negotiations:

- (a) Abano agreed, subject to certain exceptions, not to solicit, progress or facilitate a competing change of control transaction for Abano; and
- (b) Abano agreed in certain circumstances to reimburse the out-of-pocket due diligence and negotiation costs of BGH Capital and OTPP, up to an agreed dollar amount.

Scheme Implementation Agreement

On 11 November 2019, Bidco and Abano entered into the Scheme Implementation Agreement. The material terms of the Scheme Implementation Agreement are summarised in section 10.

Disclosure Letter

On 11 November 2019, Abano disclosed certain matters in a disclosure letter addressed to Bidco which qualified the warranties given by Abano under the Scheme Implementation Agreement.

Deed Poll

Prior to Abano applying to the High Court for the Final Court Orders, Bidco will enter into the Deed Poll which will record that, under the Scheme, Abano is appointed as attorney for the Scheme Shareholders. The terms of the Deed Poll are summarised in section 6.1(g).

Escrow Agreement

Prior to Abano applying to the High Court for the Final Court Orders, Abano, Bidco and Computershare will enter into an escrow agreement which will set out detailed arrangements relating to the completion of the Scheme. The agreement will provide for Computershare to establish a trust account into which Bidco will deposit the total Scheme Price. The agreement will also set out the process for Computershare to follow to effect completion of the Scheme by transferring the Scheme Shares to Bidco and paying the Scheme Price to Scheme Shareholders.

8.10 ARRANGEMENTS BETWEEN BIDCO AND DIRECTORS AND SENIOR MANAGERS OF ABANO

Except as set out below in this section 8.10, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Bidco or any Associates of Bidco and any Director or Senior Manager of Abano or any Related Company of Abano (including any agreement or arrangement providing for a payment or other benefit proposed to be made or given by way of compensation for loss of office or as to the Director or Senior Manager remaining in or retiring from office), in connection with, in anticipation of, or in response to, the Scheme.

Scheme Implementation Agreement

The Scheme Implementation Agreement is summarised in section 10. Under the Scheme Implementation Agreement, Bidco has agreed:

- (a) for a period of seven years from the Implementation Date, to ensure that the constitutions of the members of the Abano Group continue to contain rules providing for each company to indemnify its directors against liabilities incurred in their capacity as directors;
- (b) to procure that the members of the Abano Group comply with any deeds of indemnity made by them in favour of their respective directors and officers from time to time; and
- (c) to ensure that directors' and officers' run-off insurance is maintained for a period of seven years from the Implementation Date on no less favourable terms to those in force as at 1 June 2019.

These undertakings are given for the benefit of each person who is a director or officer of any member of the Abano Group (including the Directors and the Senior Managers) and are intended to be enforceable by each such person.

8.11 FINANCIAL ASSISTANCE

Bidco has arrangements in place to pay the total Scheme Price. After the Scheme Price is paid, Abano will be a wholly owned subsidiary of Bidco and may grant security over its assets and the assets of its subsidiaries to the financiers of Bidco.

8.12 INTENTIONS ABOUT MATERIAL CHANGES TO ABANO

Given that, if the Scheme becomes Effective, Abano will become a wholly owned subsidiary of Bidco, this information is not applicable.

8.13 NO PRE-EMPTION RIGHTS CLAUSES IN ABANO'S CONSTITUTION

Abano's constitution does not contain any restrictions on the right of Scheme Shareholders to transfer Scheme Shares (being the equity securities to which the Scheme relates) which have the effect of requiring Scheme Shareholders to offer Scheme Shares for purchase to other Scheme Shareholders or to any other person before transferring the Scheme Shares under the Scheme.

8.14 NO ESCALATION CLAUSES

There is no agreement or arrangement (legally enforceable or not) under which:

- (a) any existing Scheme Shareholder will or may receive in relation to, or as a consequence of, the Scheme any additional consideration or other benefit over and above the Scheme Price; or
- (b) any prior holder of equity securities in Abano will or may receive any consideration or other benefit as a consequence of the Scheme.

8.15 ONLY ONE CLASS OF FINANCIAL PRODUCTS IS SUBJECT TO THE SCHEME

The only financial products subject to the Scheme are the Scheme Shares. Accordingly, no report is required to be obtained by Bidco as to the fairness and reasonableness of the consideration and terms of the Scheme as between different classes of financial products.

9. ABANO INFORMATION EQUIVALENT TO SCHEDULE 2 OF THE TAKEOVERS CODE

The information in this section 9 contains information, to the extent applicable, that would be provided by Abano in a target company statement under Schedule 2 of the Takeovers Code.

9.1 DATE

This Scheme Booklet is dated 14 February 2020.

9.2 SCHEME

This Scheme Booklet relates to a scheme of arrangement between Abano and its Shareholders in relation to the proposed acquisition of the Scheme Shares by Bidco.

9.3 SCHEME COMPANY

The name of the company to which the Scheme relates is Abano Healthcare Group Limited.

Postal address:
Abano Healthcare Group Limited
P O Box 106514
Auckland 1143
New Zealand

Email: enquiries@abanohealthcare.co.nz
Phone number: +64 9 300 1410
Fax: +64 9 300 1419

9.4 DIRECTORS OF ABANO

The names of the Directors of Abano are:

- Philippa Jane Dunphy;
- Michael Nicholas Allen;
- Tracey Leigh Batten;
- Murray Raymond Boyte; and
- Ginni Mansberg.

All of the Directors of Abano are independent directors for the purposes of the NZX Listing Rules.

9.5 OWNERSHIP OF EQUITY SECURITIES OF ABANO

Ownership interests of Directors and Senior Managers of Abano

Abano Shares

The table below sets out the number and the percentage of Abano Shares held or controlled by each Director or Senior Manager of Abano or their Associates.¹³

Name of Director or Senior Manager	Description	Number of Abano Shares held or controlled	Percentage of total Abano Shares
Philippa Jane Dunphy	Director	28,460	0.11%
Murray Raymond Boyte	Director	16,983	0.06%
Ginni Mansberg	Director	10,266	0.04%
Tracey Leigh Batten	Director	5,196	0.02%
Richard George Keys	Senior Manager (Chief Executive Officer)	192,980 ¹⁴	0.73%

No other ownership of equity securities

Except as set out above, no other Director or Senior Manager or their Associates holds or controls any equity securities of Abano.

Ownership interests of substantial product holders of Abano

The table below sets out the number and the percentage of Abano Shares held or controlled by any other person holding or controlling 5% or more of the Abano Shares, to the knowledge of Abano.¹⁵

Name of substantial product holders	Number of Abano Shares held or controlled	Percentage of total Abano Shares
New Zealand Central Securities Depository Limited	8,239,242	31.69%
Harbour Asset Management Group Limited	4,275,141	16.27%
Forsyth Barr Investment Management Limited	1,941,846	7.39%

Except as set out in the table above, to Abano's knowledge no other person holds or controls more than 5% of a class of equity securities of Abano.

¹³ For the purposes of this Scheme Booklet, Abano has treated Richard Keys, Chief Executive Officer, Rhys Clark, Chief Financial Officer, and Dennis Surlan, Chief Operating Officer, as Abano's Senior Managers.

¹⁴ This figure comprises 47,723 shares held by Richard Keys and 145,257 shares held by Richard Keys, Kathryn Keys and Ronald Bruell as trustees for the Richard Keys Family Trust.

¹⁵ Based on information provided by the relevant shareholder or substantial product holder as at 28 January 2020.

Issue of equity securities

The following equity securities of Abano have, during the two-year period ending on the date of this Scheme Booklet been issued to Directors or Senior Managers or their Associates.

Issue of Abano Shares pursuant to participation in the Dividend Reinvestment Plan for the 2018 final dividend

Issue price per share:	NZ\$8.37
Date of Transaction:	20 August 2018

Name	Position	Number of Abano Shares issued
Philippa Jane Dunphy	Director	587
Murray Raymond Boyte	Director	209
Ginni Mansberg	Director	122

Issue of Abano Shares pursuant to participation in the Dividend Reinvestment Plan for the 2019 interim dividend

Issue price per share:	NZ\$6.05
Date of Transaction:	22 February 2019

Name	Position	Number of Abano Shares issued
Philippa Jane Dunphy	Director	598
Murray Raymond Boyte	Director	313
Ginni Mansberg	Director	174
Richard George Keys	Senior Manager	1,002

Issue of Abano Shares pursuant to participation in the Dividend Reinvestment Plan for the 2019 final dividend

Issue price per share:	NZ\$3.93
Date of Transaction:	3 September 2019

Name	Position	Number of Abano Shares issued
Philippa Jane Dunphy	Director	514
Murray Raymond Boyte	Director	258
Ginni Mansberg	Director	202
Richard George Keys	Senior Manager	861

Beneficial interest obtained under remuneration arrangement

The following Directors or Senior Managers or their Associates have, during the two-year period ending on the date of this Scheme Booklet, obtained a beneficial interest under any employee share scheme or other remuneration arrangement:

Name	Number of Abano Shares in which a beneficial interest was obtained	Consideration per share	Date of transaction
Murray Raymond Boyte	3,836 (acquired under the Directors Share Plan)	NZ\$3.88 per share	9 September 2019
Dr Ginni Mansberg	2,875 (acquired under the Directors Share Plan)	NZ\$4.11 per share	29 April 2019
Dr Tracey Leigh Batten	3,305 (acquired under the Directors Share Plan)	NZ\$4.11 per share	29 April 2019
Murray Raymond Boyte	2,275 (acquired under the Directors Share Plan)	NZ\$6.54 per share	30 January 2019
Dr Ginni Mansberg	1,755 (acquired under the Directors Share Plan)	NZ\$7.39 per share	31 October 2018
Dr Tracey Leigh Batten	1,891 (acquired under the Directors Share Plan)	NZ\$7.39 per share	31 October 2018
Murray Raymond Boyte	1,294 (acquired under the Directors Share Plan)	NZ\$8.35 per share	30 August 2018
Dr Ginni Mansberg	1,272 (acquired under the Directors Share Plan)	NZ\$8.50 per share	8 May 2018
Philippa Jane Dunphy	2,153 (acquired under the Directors Share Plan)	NZ\$8.50 per share	8 May 2018

The Directors Share Plan is a fixed trading plan under which the Directors who participate in the plan agree to apply part of their director fees towards the on-market purchase of Abano Shares through NZX.

9.6 TRADING BY DIRECTORS AND SENIOR MANAGERS OF ABANO

The following equity securities of Abano have, during the six month period before 12 February 2020 (being the latest practicable date before the date of this Scheme Booklet) been acquired or disposed by a Director or Senior Manager (including their Associates) of Abano:

Name	Number of Abano Shares acquired or disposed	Consideration per share	Date of transaction
Murray Raymond Boyte	3,836 (acquired pursuant to the Directors Share Plan)	NZ\$3.88 per share	9 September 2019

Except as set out in the table above, no Abano Shares were acquired or disposed by any other Director or Senior Manager (including their Associates) of Abano during the six month period before the date of this Scheme Booklet.

9.7 TRADING BY SUBSTANTIAL PRODUCT HOLDERS OF ABANO

The following equity securities of Abano have, during the six month period before 24 January 2020 (being the latest practicable date before the date of this Scheme Booklet) been acquired or disposed of by any person holding or controlling 5% or more of Abano Shares as at the date of this Scheme Booklet.

Harbour Asset Management Limited¹⁶

Acquisition or Disposal	Number of Abano Shares Acquired or Disposed	Weighted Average Consideration per Abano Share	Week Commencing
Acquisition	12,200	\$4.06	29 July 2019
Acquisition	7,000	\$4.75	23 September 2019
Acquisition	85,050	\$5.43	11 November 2019
Acquisition	31,610	\$5.39	23 November 2019
Acquisition	85,000	\$5.15	16 December 2019
Disposal	7,000	\$4.75	23 September 2019
Disposal	4,710	\$5.40	18 November 2019
Disposal	26,000	\$5.29	6 January 2020

Abano also requested the information specified in clause 6 of Schedule 2 to the Takeovers Code from Forsyth Barr Investment Management Limited. In response to this request, Forsyth Barr informed Abano that the following transactions had taken place:

Acquisition or Disposal	Number of Abano Shares Acquired or Disposed	Weighted Average Consideration per Abano Share	Relevant Period
Acquisition	331,762	\$4.04	21 June to 14 August 2019
Acquisition	46,254	\$4.54	15 August to 21 November 2019
Disposal	632,592	\$3.95	21 June to 14 August 2019
Disposal	340,071	\$4.98	15 August to 21 November 2019

Except as set out above, no Abano Shares were acquired or disposed of by any person holding or controlling 5% or more of Abano Shares as at the date of this Scheme Booklet during the six month period before the date of this Scheme Booklet.

¹⁶Based on information provided on behalf of Harbour Asset Management Limited on 24 January 2020.

9.8 INTENTIONS TO VOTE IN FAVOUR OF THE SCHEME

The table below sets out, as at the date of this Scheme Booklet, the name of every Director, Senior Manager and Associate of a Director or Senior Manager who has advised Abano that he or she intends to vote in favour of the Scheme, and the number of Abano Shares in respect of which the person intends to vote in favour of the Scheme.

Name	Description	Number of Abano Shares intended to be voted in favour
Philippa Jane Dunphy	Director	28,460
Murray Raymond Boyte	Director	16,983
Ginni Mansberg	Director	10,266
Tracey Leigh Batten	Director	5,196
Richard George Keys	Senior Manager (Chief Executive Officer)	192,980 ¹⁷

All of the persons listed above intend to vote in favour of the Scheme in the absence of a Superior Proposal.¹⁸

9.9 OWNERSHIP OF EQUITY SECURITIES OF BIDCO

Neither Abano, nor any Director, Senior Manager or any of their Associates, holds or controls any equity securities of Bidco or any Related Company of Bidco.

9.10 TRADING IN EQUITY SECURITIES OF BIDCO

Neither Abano, nor any Director, Senior Manager or any of their Associates, has acquired or disposed of any equity securities of Bidco or any Related Company of Bidco during the six month period before 12 February 2020, being the latest practicable date before the date of this Scheme Booklet.

9.11 ARRANGEMENTS BETWEEN BIDCO AND ABANO

Except as set out below in this section 9.11, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Bidco or any Associates of Bidco and Abano or any Related Company of Abano in connection with, in anticipation of, or in response to, the Scheme.

Confidentiality Agreement

The Confidentiality Agreement is described in section 8.9.

Exclusivity Letter

The Exclusivity Letter is described in section 8.9.

Scheme Implementation Agreement

The Scheme Implementation Agreement is summarised in section 10.

Disclosure Letter

The Disclosure Letter is described in section 8.9.

¹⁷ This figure comprises 47,723 shares held by Richard Keys and 145,257 shares held by Richard Keys, Kathryn Keys and Ronald Bruell as trustees for the Richard Keys Family Trust.

¹⁸ Your Directors reserve the right to change their recommendation and/or vote against the Scheme if, prior to the Scheme Meeting, the Independent Adviser changes the Independent Adviser's valuation range for the Abano Shares and, after that change, the Scheme Price is below the valuation range.

Deed Poll

The Deed Poll is described in sections 6.1(g) and 8.9.

Escrow Agreement

The Escrow Agreement is described in section 8.9.

9.12 RELATIONSHIP BETWEEN BIDCO AND DIRECTORS AND SENIOR MANAGER OF ABANO

Except as set out in section 8.10, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Bidco and any Associates of Bidco, and any Director or Senior Manager of Abano or any Related Company of Abano in connection with, in anticipation of, or in response to, the Scheme.

No directors or senior managers of Abano are also directors or senior managers of Bidco.

9.13 AGREEMENT BETWEEN ABANO AND ITS DIRECTORS AND SENIOR MANAGERS

Except as set out below in this section 9.13, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Abano or any Related Company of Abano and any Directors, Senior Managers or their Associates of Abano or its Related Companies, under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Scheme.

Retention payments

Abano has agreed to pay one-off retention payments to certain Senior Managers as set out in the table below.¹⁹ These retention payments are payable only if the relevant Senior Manager has not resigned from their current position effective on the later of 31 July 2020 and implementation of the Scheme.

Name of Senior Manager	Position of Senior Manager	Amount
Richard Keys ²⁰	Chief Executive Officer	NZ\$149,076
Rhys Clark	Chief Financial Officer	NZ\$32,000
Dennis Surlan	Chief Operating Officer	AUD\$35,350

Director fees

The total Shareholder approved fee pool for the Directors includes a \$150,000 special annual pool that provides flexibility for the remuneration of non-executive Directors who assume additional responsibilities through the year for special events. The Board intends to approve payments out of this fee pool to Directors for the additional responsibilities involved in dealing with the process described in section 5.1 and with the Scheme proposal that resulted from that process, but has not yet decided on the quantum of the payments.

9.14 INTERESTS OF DIRECTORS AND SENIOR MANAGERS OF ABANO IN CONTRACTS OF BIDCO OR ITS RELATED COMPANIES

Except as set out in section 8.10, no Director or Senior Manager or their Associates has an interest in any contract to which Bidco, or any related company of Bidco, is a party. Abano is unable to quantify the monetary value of the interests described in section 8.10.

¹⁹ All retention payments are inclusive of KiwiSaver and other applicable levies, and subject to any required tax deduction.

²⁰ Richard Keys is party to an employment agreement with Abano. That employment agreement was not entered into in connection with, in anticipation of, or in response to the Scheme. Mr Keys' entitlement to a retention payment of NZ\$149,076 is conditional on him waiving his right to terminate his employment as a result of a change of control of Abano and receive a termination payment.

9.15 INTERESTS OF ABANO'S SUBSTANTIAL SECURITY HOLDERS IN MATERIAL CONTRACTS OF BIDCO OR ITS RELATED COMPANIES

No person who, to the knowledge of the Directors or the Senior Managers holds or controls 5% or more of any class of equity securities of Abano, has an interest in any material contract to which Bidco, or any related company of Bidco, is a party.

9.16 ADDITIONAL INFORMATION

The Bidco Information in this Scheme Booklet is the responsibility of Bidco. Having said that, in the opinion of Abano's Directors and to the best of their knowledge, no additional information is required to make that information correct or not misleading.

9.17 RECOMMENDATION

Your Directors unanimously recommend that Shareholders vote in favour of the Scheme Resolution in the absence of a Superior Proposal.²¹ Your Directors' reasons for this recommendation are set out in sections 5.4 and 5.5.

Your Directors' interests in Abano Shares are disclosed in section 9.5.

9.18 ACTIONS OF ABANO

Except for the arrangements summarised in section 8.9, there are no material agreements or arrangements (whether legally enforceable or not) of Abano or any Related Company of Abano entered into as a consequence of, in response to, or in connection with, the Scheme.

There are no negotiations underway as a consequence of, in response to, or in connection with, the Scheme that relate to, or could result in:

- an extraordinary transaction, such as a merger, amalgamation or reorganisation, involving Abano or any of its Related Companies;
- the acquisition or disposition of material assets by Abano or any of its Related Companies;
- an acquisition of equity securities by, or of, Abano or any of its Related Companies; or
- any material change in the issued equity securities of Abano, or the policy of the Abano Board relating to distributions of Abano.

9.19 EQUITY SECURITIES OF ABANO

As at the date of this Scheme Booklet, Abano has 26,282,238 Abano Shares on issue. All Abano Shares are fully paid.

Abano has no options, or rights to acquire equity securities, on issue.

Subject to certain conditions in the constitution of Abano and the NZX Main Board Listing Rules, each Abano Share confers upon the holder the right to:

- (a) an equal share in dividends authorised by the Abano Board;
- (b) an equal share in the distribution of surplus assets on liquidation of Abano;
- (c) participate in certain further issues of equity securities by Abano; and

²¹ Your Directors reserve the right to change their recommendation and/or vote against the Scheme if, prior to the Scheme Meeting, the Independent Adviser changes the Independent Adviser's valuation range for the Abano Shares and, after that change, the Scheme Price is below the valuation range.

- (d) cast one vote per share on a poll, at a meeting of Shareholders on any resolution, including a resolution to:
- (i) appoint or remove a director or auditor;
 - (ii) alter Abano's constitution;
 - (iii) approve a major transaction;
 - (iv) approve an amalgamation involving Abano; and
 - (v) put Abano into liquidation.

9.20 FINANCIAL INFORMATION

Copies of Abano's most recent annual report (being the annual report for the year ended 31 May 2019) and Abano's interim financial statements (being the unaudited interim financial statements for the six months ended 30 November 2019) are available on Abano's website at <https://www.abano.co.nz/investor-information/shareholder-reports/>

Each person who is eligible to vote on the Scheme may also request from Abano a copy of Abano's most recent annual report and most recent interim financial statements by emailing enquiries@abanohealthcare.co.nz or by making a written request to:

Abano Healthcare Group Limited
 P O Box 106514
 Auckland
 New Zealand

There have not been any material changes in the financial or trading position, or prospects, of Abano since the interim financial statements for the six months ended 30 November 2019 were prepared and made available to Shareholders.

The Directors are not aware of any information about the assets, liabilities, profitability and financial affairs of Abano which is not contained in Abano's most recent annual report, Abano's most recent interim financial statements or this Scheme Booklet (including the Independent Adviser's Report) which could reasonably be expected to be material to Shareholders when making a decision to vote for, or against, the Scheme Resolution.

9.21 INDEPENDENT ADVICE ON MERITS OF THE SCHEME

KordaMentha is the Independent Adviser who has provided a report in relation to the merits of the Scheme. A copy of the full Independent Adviser's Report is set out in Annexure A.

9.22 ASSET VALUATIONS

No information provided in this Scheme Booklet refers to a valuation of any asset of Abano.

9.23 PROSPECTIVE FINANCIAL INFORMATION

The Independent Adviser's Report contains prospective financial information in relation to Abano. The principal assumptions on which the prospective financial information is based are set out in the Independent Adviser's Report.

Other than the prospective financial information referred to above, this Scheme Booklet does not refer to any other prospective financial information about Abano.

9.24 SALES OF UNQUOTED EQUITY SECURITIES UNDER THE SCHEME

There are no unquoted equity securities that are subject to the Scheme.

9.25 MARKET PRICES FOR QUOTED EQUITY SECURITIES UNDER THE SCHEME

The Abano Shares are quoted on the NZX Main Board.

The closing price on the NZX Main Board on:

- 12 February 2020, being the latest practicable working day before the date on which this Scheme Booklet was sent to Shareholders, was NZ\$5.30 on the NZX Main Board; and
- 28 June 2019, being the last day on which NZX was open for business before the date on which Abano announced that it had received various expressions of interest, was NZ\$3.50 on the NZX Main Board.

The highest and lowest closing market prices of Abano Shares on the NZX Main Board (and the relevant dates) during the six months before 8 November 2019 (being the last day on which NZX was open for business before the date on which Abano announced that it had entered into the Scheme Implementation Agreement with Bidco), were as follows:

- the highest closing market price of Abano Shares was NZ\$4.90 on the NZX Main Board; and
- the lowest closing market price of Abano Shares was NZ\$3.35 on the NZX Main Board.

On 3 September 2019, Abano issued 94,901 Abano Shares fully paid at NZ\$3.93 per Abano Share under its Dividend Reinvestment Plan.

On 3 September 2019, Abano paid a partially imputed dividend to Shareholders of NZ\$0.08 per Abano Share.

Other than the payment of the dividend and the issue of Abano Shares under the Dividend Reinvestment Plan issue referred to above, during the six month period before 8 November 2019 (being the last day on which NZX was open for business before the date on which Abano announced that it had entered into the Scheme Implementation Agreement with Bidco), Abano did not issue any equity securities, make any changes to any equity securities on issue, or make any distributions, which could have affected the market prices of Abano Shares.

Except as set out in this Scheme Booklet, there is no other information about the market price of Abano Shares that would reasonably be expected to be material to the making of a decision by Shareholders when making a decision to vote for or against the Scheme Resolution.

9.26 OTHER INFORMATION

The Directors are not aware of any additional information, which is not required to be disclosed elsewhere in this Scheme Booklet, that could reasonably be expected to be material to the Shareholders when making a decision to vote for, or against, the Scheme Resolution.

9.27 BOARD APPROVAL OF ABANO INFORMATION

The contents of the Scheme Booklet have been approved by the Directors of Abano, other than:

- the Bidco Information, which Bidco has approved; and
- the Independent Adviser's Report, which has been prepared by KordaMentha.

10. SUMMARY OF THE SCHEME IMPLEMENTATION AGREEMENT

10.1 DATE AND PARTIES

The Scheme Implementation Agreement is dated 11 November 2019 and is between Abano and Bidco.

10.2 CONDITIONS

Implementation of the Scheme is subject to the following Conditions, which must be satisfied or waived (as applicable) prior to the Scheme being implemented:

- (a) approval of the Scheme by the High Court in accordance with section 236(1) of the Companies Act;
- (b) approval of the Scheme by Shareholders, by:
 - (i) 75% or more of the votes cast in each interest class;²² and
 - (ii) more than 50% of the total number of Abano Shares on issue;
- (c) OIO Consent;
- (d) FIRB Consent (which was granted on 12 February 2020);
- (e) no order, judgment, restraint or prohibition that would prevent or prohibit, or otherwise materially restrict, the implementation of the Scheme by any court of competent jurisdiction or government agency;
- (f) no Material Adverse Change occurring in relation to Abano prior to 8.00am on the Implementation Date; and
- (g) no Prescribed Occurrence occurring in respect of Abano prior to 8.00am on the Implementation Date.

The Conditions referred to in (f) and (g) are for the benefit of Bidco and may only be waived by Bidco. The Condition referred to in (e) is for the benefit of Bidco and Abano and may be waived by agreement between Bidco and Abano. The other Conditions cannot be waived.

10.3 DATE FOR SATISFACTION OF CONDITIONS

The last date by which the Conditions referred to in 10.2(a) to 10.2(d) above must be satisfied or waived (if capable of waiver) is the End Date. The Conditions referred to in 10.2(e) to 10.2(g) apply until 8.00am on the Implementation Date.

If any event or change in circumstances occurs that prevents a Condition referred to in 10.2(a) to 10.2(e) being satisfied by the date of satisfaction and that Condition is not waived, Abano and Bidco must consult in good faith to determine whether to:

- (a) proceed by way of alternative means or methods;
- (b) change the date of the application made to the Court for an order approving the Scheme or adjourning the application (as applicable) to another date agreed by Abano or Bidco (being a date no later than five Business Days before the End Date); or
- (c) extend the End Date.

10.4 RECOMMENDATION AND VOTING INTENTIONS

Abano has agreed to ensure, and has announced, that:

- (a) each of its Directors will recommend that Shareholders vote in favour of the Scheme; and

²² At the date of this Scheme Booklet it is expected that all Shareholders will comprise one interest class. See section 6.1(b) for more information about what an interest class is.

- (b) each Director who holds or controls Abano shares will vote all of the Abano Shares held or controlled by him or her in favour of the Scheme, subject to:
 - (i) the independent adviser's report concluding that the Scheme Price is within or above its valuation range for the Abano Shares; and
 - (ii) there being no Superior Proposal.

10.5 EXCLUSIVITY

The Scheme Implementation Agreement contains certain exclusivity arrangements in favour of Bidco. These arrangements apply until the earliest of the termination of the Scheme Implementation Agreement, the time that a Superior Proposal is not matched by Bidco, and the End Date (the "**Exclusivity Period**").

In summary, Abano has granted Bidco the following exclusivity rights during the Exclusivity Period:

- (a) **No Shop:** Abano must not solicit any Competing Transaction or any proposal, or assist or encourage any person to solicit any Competing Transaction or any proposal, that may reasonably be expected to encourage or lead to the making of a Competing Transaction.
- (b) **No Talk:** Abano and its representatives must not enter into discussions or negotiations in relation to, or which may reasonably be expected to lead to, a Competing Transaction;
- (c) **No Due Diligence:** Abano must not provide or make available to a third party any non-public information relating to Abano in relation to, or which would reasonably be expected to lead to the making of, a Competing Transaction;
- (d) **Notification:** if Abano receives a potentially Competing Transaction, or any request to do anything referred to in the 'No Due Diligence' provisions (as described above), Abano must notify Bidco within 24 hours; and
- (e) **Matching Right:** if Abano receives a Competing Transaction which the Abano Board concludes is a Superior Proposal, Abano must give Bidco five Business Days to provide an equivalent or better proposal to the terms of the Superior Proposal. If Bidco provides a proposal and Abano does not consider the proposal to be equivalent or better to the Superior Proposal, Abano must provide Bidco with a further two Business Days to amend its proposal for consideration by the Board.

If Bidco does not exercise its matching rights, then the Exclusivity Period ends and either Bidco or Abano may terminate the Scheme Implementation Agreement.

10.6 'FIDUCIARY OUT' EXCEPTION TO EXCLUSIVITY

Abano is not required to comply with its 'No Talk' and 'No Due Diligence' obligations if it receives an unsolicited bona fide Competing Transaction and the Board, acting in good faith and having considered legal advice, determines that:

- (a) failing to respond to such Competing Transaction would be likely to constitute a breach of the fiduciary or statutory duties owed by any Director to Abano or its Shareholders; and
- (b) the bona fide Competing Transaction is or could reasonably be expected to become a Superior Proposal.

10.7 REIMBURSEMENT SUMS

Abano has agreed to pay Bidco an amount equal to NZ\$1,498,088 (plus GST, if any) for its costs associated with negotiating and entering into the Scheme Implementation Agreement in certain circumstances. Those circumstances are summarised in broad terms in section 5.7(c).

Bidco has agreed to pay Abano NZ\$1,498,088 (plus GST, if any) where Abano terminates the Scheme Implementation Agreement due to a material breach of the agreement by Bidco.

In both cases, these payments are intended to reimburse the other party for costs and expenses incurred in pursuing the Scheme. Subject to certain limited exceptions, a party's maximum liability under the Scheme Implementation Agreement for any breach of the Scheme Implementation Agreement is capped at the reimbursement fee payable by that party.

10.8 TERMINATION RIGHTS

Either Abano or Bidco may terminate the Scheme Implementation Agreement if a Condition described in 10.2(a) to 10.2(e) will not be satisfied by the date prescribed for satisfaction, within five Business Days after:

- (a) becoming aware of the relevant occurrence or date for satisfaction of the relevant Condition; or
- (b) the End Date,

or, if shorter, by 8.00am on the day prior to the Implementation Date.

Either Abano or Bidco may terminate the Scheme Implementation Agreement at any time if the other party is in breach of the Scheme Implementation Agreement (including in breach of a warranty), the breaching party has been delivered notice of the breach and the non-breaching party's intention to terminate the Scheme Implementation Agreement if the breach is not remedied, and, if the breach is capable of being remedied, it has not been remedied to the non-breaching party's reasonable satisfaction within five Business Days (or any shorter period ending at 5.00pm on the Business Day prior to the Implementation Date) from the time notice of the breach has been delivered.

Either Abano or Bidco may terminate the Scheme Implementation Agreement by notice to the other at any time before 8.00am on the Implementation Date if the Independent Adviser provides an Independent Adviser's Report (including any amendment or supplement to that report) to Abano which concludes that the Scheme Price is below the Independent Adviser's valuation range for the Abano Shares.

Either party may terminate the Scheme Implementation Agreement if Abano has received a Superior Proposal from a third party that Bidco has not successfully matched.

Bidco may also terminate the Scheme Implementation Agreement if:

- (a) any Abano Director withdraws or adversely revises, qualifies or modifies his or her recommendation to vote in favour of the Scheme or his or her statement that he or she will vote in favour of the Scheme;
- (b) any Abano Director makes a public statement indicating that he or she no longer recommends the Scheme or to the effect that he or she supports, recommends or endorses a different transaction (including a Competing Transaction);
- (c) Abano enters into a definitive agreement to implement a Competing Transaction;
- (d) a Prescribed Occurrence occurs; or
- (e) a Material Adverse Change occurs or is discovered, announced, disclosed or otherwise becomes known to Bidco, after Bidco has consulted with Abano in good faith regarding the appropriate method of calculating the adverse financial consequences of the Material Adverse Change.

11. GLOSSARY

The meaning of terms set out in this Scheme Booklet are set out below:

Abano	means Abano Healthcare Group Limited or, where the context requires, the Abano Group
Abano Board or Board	means the board of directors of Abano
Abano Group	means Abano and each of its Related Companies, and a reference to an Abano Group Member or a member of the Abano Group is to Abano or any of its Related Companies
Abano Reimbursement Sum	means NZ\$1,498,088 (plus GST, if any)
Abano Share	means a fully paid ordinary share in the capital of Abano
Associate	has the same meaning as in rule 4 of the Takeovers Code
AU Holdco	means Adams Group Aus Holdings Pty Limited ACN 637 089 162
BGH Capital	means BGH Capital Pty Ltd ABN 59 617 386 982, in its capacity as manager or adviser to the constituent entities of the BGH Capital Fund
BGH Capital Fund	means the constituent entities of the BGH Capital Fund I
Bidco	means Adams NZ Bidco Limited, a company ultimately owned by BGH Capital Fund and OTPP
Bidco Group	means Bidco and each of its Related Companies, and a reference to a "Bidco Group Member" or "a member of the Bidco Group" is to Bidco or any of its Related Companies
Bidco Information	means such information regarding the Bidco Group that is provided or approved by the Bidco Group or any of its advisers for inclusion in sections 7 and 8 or any supplementary information for Shareholders
Bidco Reimbursement Sum	means NZ\$1,498,088 (plus GST, if any)
Business Day	means 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; Melbourne, Australia; Sydney, Australia; and Toronto, Canada
Companies Act	means the Companies Act 1993 (New Zealand)
Competing Transaction	means a proposal, transaction or arrangement relating to a third party: <ul style="list-style-type: none"> • directly or indirectly acquiring or being entitled to acquire: <ul style="list-style-type: none"> (a) more than 20% of the Abano Shares; or (b) all or a material part of the business or assets of the Abano Group; • acquiring control of Abano or a material part of the business of the Abano Group; or • otherwise acquiring or merging with Abano
Computershare	means Computershare Investor Services Limited, Abano's share registrar

Conditions	means the conditions to the Scheme, as summarised in section 6.2 of this Scheme Booklet
Confidentiality Agreement	means the confidentiality agreement dated 27 June 2019 between Abano, BGH Capital and OTPP
Deed Poll	means the deed poll to be executed by Bidco pursuant to which Bidco will acknowledge and confirm its obligations under the Scheme, in the form set out in Annexure C
Directors or Director	means a director of Abano
Effective	when used in relation to the Scheme, means the coming into effect, under section 236(3) of the Companies Act, of the order of the High Court made under section 236(1) of the Companies Act in relation to the Scheme and all conditions to the implementation of the Scheme having been satisfied or waived in accordance with the Scheme
End Date	means 11 May 2020, subject to up to three one-month extensions if the OIO Consent and the FIRB Consent have not been received by the applicable date but either Abano or Bidco considers that the outstanding condition is capable of satisfaction by 11 August 2020, or such later date as agreed in writing between Abano and Bidco ²³
Excluded Shares	means any Abano Shares nominated in writing by Bidco to Abano not less than two Business Days prior to the Record Date which are held or controlled by Bidco or any of its Associates at the Record Date
Final Court Hearing	means the final hearing of the High Court in respect of the Scheme, which is currently expected to take place at 10.00am on 2 April 2020 or such later date as the High Court directs
Final Court Orders	means the final orders of the High Court in respect of the Scheme made under section 236(1) (and section 237, if applicable) of the Companies Act
Final Orders Date	means the date on which Final Court Orders are granted by the High Court
FIRB	means the Australian Foreign Investment Review Board
FIRB Consent	means the approval required from the Australian Foreign Investment Review Board as set out in clause 3.1(d) of the Scheme Implementation Agreement, which was granted on 12 February 2020
FY19	means, with respect to Abano, the 52-week period ending 31 May 2019
Implementation Date	means the date on which the Scheme is to be implemented, being a date (determined by Bidco) which is between three and seven Business Days after the Scheme Record Date (or such other date agreed between Abano and Bidco in writing);
Initial Court Orders	means the initial court orders of the High Court relating to the Scheme dated 12 February 2020

²³ The FIRB Consent condition was satisfied on 12 February 2020. The OIO Consent has not yet been received as of the date of this Scheme Booklet.

Material Adverse Change

means a matter, event or circumstance that occurs, is discovered by Bidco, or is announced, after the execution of the Scheme Implementation Agreement by all parties (each a "Specified Event") which has, has had, or is reasonably likely to have (either individually or when aggregated with other matters, events or circumstances of a similar kind or category) the effect of:

- diminishing the consolidated net assets of the Abano Group taken as a whole by at least NZ\$22.2 million; or
- diminishing the consolidated earnings before interest, tax, depreciation and amortisation of the Abano Group for either the 52-week period ending 31 May 2020 ("FY20") or the 12-month period commencing on the date of the Specified Event by at least (a) in the case of matters, events and circumstances which have a one-off or non-recurring impact, NZ\$10 million or (b) in all other cases, \$5.4 million against what they would reasonably have been expected to have been but for such Specified Event or Specified Events,

in each case, determined after excluding the impact of any matter, event or circumstance to the extent recovered, or reasonably expected to be recoverable, under the Abano Group's insurance policies and in each case disregarding (i) any adverse effect on EBITDA resulting from the timing or number of actual dental practice acquisitions differing from acquisitions contemplated by the Budget; (ii) out-of-pocket costs incurred by the Abano Group in connection with the Transaction, to the extent disclosed in the Disclosure Letter; and (iii) matters, events or circumstances:

- required or specifically permitted by the Scheme Implementation Agreement or the Scheme;
- resulting from changes in general economic or political conditions (including changes in foreign exchange rates, interest rates or commodity prices), the securities market in general or law;
- fairly disclosed to NZX prior to the date of the Scheme Implementation Agreement or to Bidco during its due diligence;
- done or not done at the written request or with the written acknowledgement and written approval of Bidco, including any consequences reasonably foreseeable as a result of such matters;
- resulting from changes in generally accepted accounting principles or the interpretation of them by a relevant government agency; or
- resulting from the implementation of any generally accepted accounting principles.

Moffet Case	Moffet v Dental Corporation Australia Pty Ltd [2019] FCA 344
NZ\$	means New Zealand dollars
NZX	means NZX Limited
NZX Main Board	means the main board equity security market operated by NZX
OIO	means the New Zealand Overseas Investment Office
OIO Consent	means the approval required from the New Zealand Overseas Investment Office as set out in clause 3.1(c) of the Scheme Implementation Agreement

OTPP	means Ontario Teachers' Pension Plan Board
Prescribed Occurrence	<p>means the list of events or circumstances relating to Abano that are defined in the Scheme Implementation Agreement as Prescribed Occurrences, including:</p> <ul style="list-style-type: none"> • changes to Abano's capital structure (including subdivision or consolidation of shares, share buybacks and share issues); • authorising, paying or making any distributions or dividends; • sale of all or a substantial part of the Abano Group's business or property; • granting any security interest over the Abano Group's business or property; • changing the constitution of any member of the Abano Group (excluding the change to Abano's constitution approved by Shareholders on 25 November 2019); • cessation of Abano Shares' quotation on the NZX Main Board, or those shares being suspended from trading for more than five trading days; • insolvency events affecting a member of the Abano Group; • amalgamation of any member of the Abano Group; • a scheme of arrangement being sought by a member of the Abano Group, other than under the Scheme; • a member of the Abano Group amending (or agreeing to amend) any agreement with any financial advisor in relation to the Scheme or a Competing Transaction which results in an increase in the fees payable under that agreement; • any member of the Abano Group becoming subject to a regulatory proceeding that is reasonably likely to have an adverse financial impact on the Abano Group, taken as a whole, of at least NZ\$5 million; and • a determination of the Court that is unfavourable to the Dental Corporation of Australia Pty Ltd in the Moffet Case and such determination is reasonably likely to have an adverse financial impact on Abano Group taken as a whole by at least NZ\$10 million (determined after excluding any amount reasonably expected to be recoverable from third parties by the Abano Group in response to the matter, event or circumstance giving rise to the relevant adverse financial impact)
Related Company	has the meaning set out in section 2(3) of the Companies Act read as if a reference to a "company" was a reference to a body corporate wherever incorporated and, in respect of Bidco, also means any other person which is directly or indirectly controlled by Bidco
Scheme or Scheme of Arrangement	means a scheme of arrangement under Part 15 of the New Zealand Companies Act under which all of the Abano Shares held by Scheme Shareholders will be transferred to Bidco and the Scheme Shareholders will be entitled to receive the Scheme Price, in accordance with the Scheme Plan, subject to any amendment or modification made pursuant to section 236(2) of the Companies Act
Scheme Booklet	means this document together with its annexures

Scheme Implementation Agreement	means the scheme implementation agreement between Abano and Bidco dated 11 November 2019, a summary of which is set out in section 10
Scheme Meeting	means the meeting of Shareholders ordered by the High Court to be convened in respect of the Scheme (and includes any adjournment of that meeting)
Scheme Plan	means the Scheme Plan set out in Annexure B, subject to any amendments agreed between Abano and Bidco and approved by the Court under section 236(1) of the Companies Act
Scheme Price	means NZ\$5.70 cash in respect of each Scheme Share
Scheme Record Date	means 5.00pm on the date which is four Business Days after the later of (a) the Final Orders Date and (b) the date on which the last of the OIO Condition and the FIRB Condition is satisfied ²⁴
Scheme Resolution	means the special resolution set out in the Notice of Meeting set out in section 3
Scheme Shares	means all of the Abano Shares on issue as at the Scheme Record Date other than Excluded Shares
Scheme Shareholder	means each person who is a holder of Scheme Shares at the Scheme Record Date
Senior Manager	means any of Richard Keys, Chief Executive Officer, Rhys Clark, Chief Financial Officer, and Dennis Surlan, Chief Operating Officer, as Abano's Senior Managers, being the persons that the Board has determined are senior managers for the purposes of the disclosures contained in this Scheme Booklet
Shareholder	means each person registered in the Register as a holder of Abano Shares from time to time
Share Register	means the share register of Abano, maintained by Computershare in accordance with the Companies Act
Superior Proposal	<p>means a bona fide Competing Transaction for all of the Abano Shares or for all or substantially all of the Abano Group's assets which the Board, acting in good faith and after taking account of written advice from its external financial and legal advisers, determines:</p> <ul style="list-style-type: none"> • is reasonably capable of being valued and implemented, taking into account all aspects of the Competing Transaction (including any timing considerations, conditions precedent and the identity of the proponent); and • would, if completed substantially in accordance with its terms, be more favourable to Shareholders (as a whole) than the Scheme taking into account all terms and conditions of the Competing Transaction (including consideration, form of consideration, conditionality, funding, certainty and timing), <p>provided that such Competing Transaction does not breach the no shop, no talk, no due diligence or matching obligations that Abano has agreed with Bidco under the Scheme Implementation Agreement</p>

²⁴ The FIRB Consent condition was satisfied on 12 February 2020. The OIO Consent has not yet been received as of the date of this Scheme Booklet.

Takeovers Code	means the Takeovers Code recorded in the Takeovers Regulations 2000 (SR2000/210) (New Zealand), as amended, including any applicable exemption granted by the Takeovers Panel
Voting Eligibility Date	means the time for determining eligibility to vote at the Scheme Meeting, being 5.00pm on 18 March 2020 or, if the Scheme Meeting is adjourned, being 5.00pm on the day which is two Business Days before the adjourned meeting time for the Scheme Meeting
Voting/Proxy Form	means the voting and proxy form which accompanies this Scheme Booklet

**ANNEXURE A:
INDEPENDENT
ADVISER'S
REPORT**



Abano Healthcare Group Limited

Independent Adviser's Report in relation to the proposed scheme of arrangement with Adams NZ Bidco Limited

February 2020

STATEMENT OF INDEPENDENCE

KordaMentha confirms that it:

- a. has no conflict of interest that could affect its ability to provide an unbiased report; and
- b. has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

KordaMentha has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Panel's Guidance Note on Independent Advisers for the purposes of preparing this report.

Independent New Zealand firm internationally affiliated with KordaMentha

KordaMentha

Contents

1	Executive Summary.....	2
1.1	Introduction.....	2
1.2	Scheme approval.....	2
1.3	Alternative outcomes.....	2
1.4	Key issues to be considered.....	3
2	Background.....	4
2.1	The Scheme.....	4
2.2	Profile of Bidco.....	4
2.3	Purpose of the Report.....	5
2.4	Other.....	5
3	Australasian dental services.....	6
3.1	Overview.....	6
3.2	Industry revenue.....	7
3.3	Dentists.....	9
3.4	Patient profile.....	10
4	Profile of Abano.....	11
4.1	Background and history.....	11
4.2	Geographical coverage.....	12
4.3	Acquisition history.....	13
4.4	Strategy.....	14
4.5	Patient spend.....	15
4.6	Share ownership and price history.....	16
4.7	Share price performance.....	17
5	Financial overview.....	18
5.1	Consolidated financial performance.....	18
5.2	Financial position.....	23
5.3	Cash flows.....	25
6	Valuation.....	26
6.1	Valuation approach.....	26
6.2	Capitalisation of earnings.....	26
7	Merits of the Scheme.....	35
7.1	Abano's recent performance.....	35
7.2	Standalone valuation of Abano.....	35
7.3	Voting for or against the Scheme.....	35
7.4	Alternatives.....	36
7.5	Likelihood of Bidco increasing its proposed consideration.....	36
	Appendix 1: Sources of Information.....	37
	Appendix 2: Qualifications and Declarations.....	38
	Appendix 3: Valuation Methodologies.....	39
	Appendix 4: Valuation Evidence.....	40

1 Executive Summary

1.1 Introduction

Abano Healthcare Group Limited (**Abano** or **the Company**) is a New Zealand incorporated company listed on the NZX Main Board. It 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. Across the whole group, Abano contracts more than 1,000 dentists, specialists and clinicians and receives more than 1 million patient visits per annum.

On 11 November 2019, Abano entered into a Scheme Implementation Agreement (**SIA**) with Adams NZ Bidco Limited (**Bidco**), pursuant to which the parties agreed to implement a court-approved Scheme of Arrangement (**the Scheme**) to effect the sale of all the outstanding shares in Abano to Bidco.

The proposed consideration is \$5.70 cash per Abano share. The interim dividend which Abano usually pays early each calendar year has been suspended and will not be paid if the Scheme is approved.

1.2 Scheme approval

The Scheme is subject to several key conditions that are set out in the Scheme Booklet, including the approval of Abano shareholders.

Abano shareholders are being asked to vote to approve or reject the implementation of the Scheme. For the Scheme to proceed, it is necessary that both of the two voting thresholds are met, being:

- 75% or more of the votes cast in each interest class¹ must be voted in favour of the Scheme Resolution; and
- more than 50% of the total number of Abano Shares on issue must be voted in favour of the Scheme Resolution.

1.3 Alternative outcomes

The possible outcomes of the SIA are:

- **The Scheme is implemented**

If Abano shareholders approve the Scheme and all other conditions are satisfied, the Scheme will be implemented. In that circumstance all shareholders in Abano will have their shares acquired at \$5.70 per share and Abano will be delisted. This is currently expected to occur by the end of April 2020.

- **The Scheme does not proceed**

If Abano shareholders do not approve the Scheme, the Scheme will not proceed. The Scheme will also not proceed if Abano shareholders approve the Scheme but the other conditions in the SIA are not satisfied or waived, or if the SIA is terminated. If the Scheme does not proceed then no shares will be acquired by Bidco and Abano will remain a listed company.

Pursuant to the SIA, Abano cannot solicit any superior alternative proposal. However, should a superior proposal eventuate, in certain circumstances Abano can respond and facilitate an alternative transaction. Should a superior alternative proposal eventuate then Bidco has the right to match that proposal.

The Directors have recommended the Scheme, absent a superior alternative proposal. However, under certain circumstances, including if an Abano director withdraws his or her recommendation of the Scheme, or recommends a competing transaction, or Bidco terminates the SIA due to unremedied default by Abano, or due to certain prescribed occurrences, Abano must pay Bidco a reimbursement of \$1,498,088.

Bidco is obligated to pay Abano a reimbursement of \$1,498,088 if Abano terminates the SIA due to unremedied default by Bidco.

¹ At the date of this Scheme Booklet it is expected that all Shareholders will comprise one interest class.

1.4 Key issues to be considered

For shareholders deciding whether to approve or reject the Scheme, key issues to be considered include:

- The proposed consideration of \$5.70 per Abano share sits within our assessed standalone valuation range of \$5.29 to \$5.92 per Abano share.
- In our view, the near-term outlook for Abano is for relatively flat financial performance unless management's initiatives to improve same practice revenue and profitability growth are successful. The initiatives have been introduced relatively recently and it remains to be seen how successful they will be. Abano does not have a strong track record of producing same practice growth in its Australian clinics. However, there is potential for growth in both the Australian and New Zealand businesses, partly due to a recovery from a poor FY19 result.
- If shareholders do not approve the Scheme, Abano will continue to be listed on the NZX Main Board. In the absence of any other factors, there is a real prospect that Abano's share price may recede from current levels.
- As at the time of our report going to print, no superior alternative proposal has been forthcoming since the announcement of the Scheme and we understand that the Scheme was the result of a competitive process run by Abano to attract potential acquirers. In any event, there is nothing to prevent any potential alternative acquirer from announcing its interest in an acquisition of Abano at some time before the Abano shareholders' meeting at which shareholders will vote on the proposed transaction.
- The proposed consideration is at a 24% premium to the share price of \$4.58 prior to the Scheme being announced and a 63% premium to the share price of \$3.50 prior to Abano announcing that it had received various expressions of interest on 1 July 2019.

In our view, unless a superior proposal is forthcoming, the positives of approving the Scheme outweigh the negatives. In particular, the proposed consideration is within our assessed valuation range.

The above should be read in conjunction with our analysis of the merits of the Scheme, as set out at Section 7 of this report.

Voting to approve the Scheme is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders and we note the proposed consideration may vary between shareholders given their respective tax position. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser.

2 Background

2.1 The Scheme

On 11 November 2019, Abano entered into the SIA to effect the sale of all the outstanding shares in Abano to Bidco.

The proposed consideration is \$5.70 cash per Abano share. The interim dividend which Abano usually pays early each calendar year will be suspended and will not be paid if the Scheme is approved.

The SIA is to be implemented through a scheme of arrangement under the Companies Act between Abano, Bidco, and Abano's shareholders and is subject to several key conditions that are set out in the Scheme Booklet, including:

- The approval of Abano's shareholders
- The approval of the High Court in accordance with the Companies Act
- The approval of the New Zealand Overseas Investment Office
- The approval of the Australian Foreign Investment Review Board (which was granted on 12 February 2020)
- No regulatory intervention that would prevent, prohibit or materially restrict the implementation of the transaction
- No material adverse changes to Abano
- No prescribed occurrences as defined in Schedule One of the SIA.

Pursuant to the SIA, Abano cannot solicit any superior alternative proposal. However, should a superior proposal eventuate, in certain circumstances Abano can respond and facilitate an alternative transaction. Should a superior alternative proposal eventuate then Bidco has the right to match that proposal.

The Directors have recommended the Scheme, absent a superior alternative proposal. However, under certain circumstances, including if an Abano director withdraws his or her recommendation of the Scheme, or recommends a competing transaction, or Bidco terminates the SIA due to unremedied default by Abano, or due to certain prescribed occurrences, Abano must pay Bidco a reimbursement of \$1,498,088.

Bidco is obligated to pay Abano a reimbursement of \$1,498,088 if Abano terminates the SIA due to unremedied default by Bidco.

2.2 Profile of Bidco

Bidco is a New Zealand entity that will be owned by BGH Capital² and Ontario Teachers' Pension Plan Board (OTPP).

BGH Capital is an Australian and New Zealand focused private equity firm.

OTPP is Canada's largest single-profession pension plan with approximately CAD 200 billion in net assets as at 30 June 2019. It pays pensions and invests pension funds on behalf of 327,000 working and retired teachers. OTPP is a major shareholder in Heartland Dental, which is one of the largest dental organisations in the United States.

² The constituent entities of BGH Capital Fund I managed or advised by BGH Capital Pty Limited.

2.3 Purpose of the Report

Abano is subject to the Takeovers Code (**the Code**).

The Scheme is governed by the Companies Act and is required to be approved by the High Court of New Zealand in order to proceed. The High Court will not approve a scheme that affects the voting rights of a company subject to the Code unless:

- It is satisfied that the shareholders of the company will not be adversely affected by the use of a scheme rather than the Code to effect the change involving the Code company; or
- The Court is presented with a no-objection statement from the Takeovers Panel (**the Panel**). The Panel will take various factors into account when considering an application for a no objection statement, including:
 - All material information relating to the scheme proposal has been disclosed;
 - The standard of disclosure to all shareholders has been equivalent to the standard that would be required by the Code in a Code regulated transaction;
 - The interest classes of shareholders were adequately identified; and
 - Other key matters have been addressed, and there are no other reasons for the Panel to object to the Scheme.

The practice of the Panel (except in very limited circumstances) is to require the preparation of an independent adviser's report before it will consider issuing a 'no-objection statement' to the High Court.

The Directors of Abano have engaged KordaMentha to prepare an independent adviser's report on the Scheme. Our appointment has been approved by the Panel.

KordaMentha has prepared this independent adviser's report (**the Report**) to assist Abano shareholders in considering the merits of the Scheme. Shareholders should read the Scheme Booklet issued by Abano in conjunction with the Report.

Voting on the Scheme is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser.

2.4 Other

The sources of information to which we have had access and upon which we have relied are set out in Appendix 1.

The Report should be read in conjunction with the statements and declarations set out in Appendix 2, regarding our independence, qualifications, general disclaimer and indemnity and the restrictions upon the use of the Report.

References to '\$', 'NZD' or dollars are to New Zealand dollars, unless specified otherwise. References to 'AUD' are to Australian dollars. References to financial years or 'FY' mean Abano's financial year ended 31 May, unless specified otherwise. Please note, tables may not add due to rounding.

3 Australasian dental services

3.1 Overview

The New Zealand and Australian dental services markets are influenced by the respective countries' aging populations, relatively high disposable incomes and uptake of health insurance.

Both markets are highly fragmented with most dental practices being sole practitioners or belonging to small groups of practices. Larger corporate groups represent a relatively small but growing portion of the dental market, at approximately 8% of the Australian market and 18% of the New Zealand market.³

The growth of corporates has been supported by a desire from some sole practitioners and small groups of dentists to monetise their practices. There is also an increasing cost to establish a new practice as more technologically advanced equipment is needed now than has historically been required. In addition, some practitioners prefer a corporate model, in which corporate functions are centralised, which allows dentists to focus on dentistry.

Abano's New Zealand subsidiary Lumino is the single largest participant in the New Zealand dental market. Its Australian subsidiary, Maven, is also a significant player, albeit not the largest participant in Australia. An overview of Australasian entities with significant dental operations is summarised below.

Company	Country	Dental practices (approx.)	Comments
Abano	New Zealand and Australia	116 (Australia) 123 (New Zealand) ⁴	Abano is the largest dental corporate in New Zealand and the second largest corporate in Australia by number of practices.
Bupa Dental Corporation	New Zealand and Australia	197 (Australia) 26 (New Zealand)	Dental Corporation is the largest dental corporate in Australia and ultimately owned by The British United Provident Association Limited (Bupa), a health insurance and healthcare company based in the United Kingdom.
Pacific Smiles	Australia	89 (Australia)	Pacific Smiles is a publicly listed dental corporate that is listed on the ASX. Unlike most other dental corporates, Pacific Smiles has primarily grown by establishing new greenfield sites.
Healius	Australia	62 (Australia)	Healius is a diversified healthcare corporate that is listed on the ASX. It has some dental operations, with practices located throughout Australia.
NDC Australia	Australia	60 (Australia)	NDC is a private dental corporate with dental practices located throughout Australia.
1300Smiles	Australia	36 (Australia)	1300Smiles is a dental corporate that is listed on the ASX. Its practices are generally located in Queensland and NSW.
Smile Dental	New Zealand	17 (New Zealand)	Smile Dental is a small privately-owned dental corporate with 17 branded sites that are mainly located in Auckland
Ministry of Health	Australia	170 (Australia)	The Australian Ministry of Health provides dental services to children and adults based on criteria such as emergency and financial needs.
Dental Health Services Victoria	Australia	50 (Australia)	Dental Health Services operates in Victoria and provides oral health care to eligible Victorians. It treated over 386,000 public dental patients in 2018.

Source: IBIS, Abano data and KordaMentha estimates

³ Dental Services in New Zealand and Dental Services in Australia reports by IBISWorld.

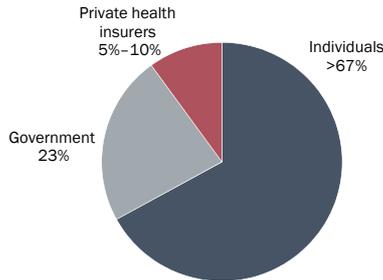
⁴ As at 30 November 2019

3.2 Industry revenue

According to IBISWorld, an industry market research company, the total dental industry revenue is approximately NZD 900 million in New Zealand and AUD 11,000 million in Australia.

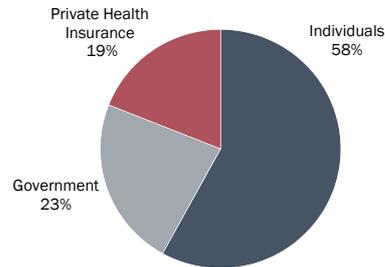
Most dental funding in Australia and New Zealand is from private sources (insurance and direct payments by individuals), with approximately 23% coming from public Government spending in both countries.

Figure 3.1: New Zealand dental funding sources



Source: Dental Services in New Zealand report by IBISWorld and Abano estimates⁵

Figure 3.2: Australian dental funding sources



Source: AIHW, Health Expenditure Australia, September 2018

3.2.1 Private Health Insurers

The proportion of the population with private health insurance can influence the demand for dental services, as private cover reduces consumers' marginal out of pocket cost of visiting the dentist. As a result, individuals with private health insurance are more inclined to visit a dentist regularly for preventative check-ups and teeth cleaning.

The uptake of private health insurance is relatively high amongst Australians, with 11.2 million having cover. A large portion of Australians with private health insurance also have dental cover. In comparison, the uptake of private health insurance is lower amongst New Zealanders, with 1.3 million having cover.⁶ Only a small portion of New Zealanders with private health insurance also have dental cover.

We understand from Abano that approximately 53.5% of Australians have some form of 'extras cover', with the vast majority including dental. Some Australians have 'extras cover' without having health insurance for hospital services. In comparison, dental cover is relatively low in New Zealand.

The relatively high level of health insurance in Australia is influenced by Australian Government policies, including:

- **The Private Health Insurance Rebate** – This is a means tested rebate that makes private health insurance more affordable and accessible. The rebate is awarded based on an individual's or family's income and number of dependents. This makes health insurance cheaper for those with lower incomes or higher numbers of dependants.
- **The Medicare Levy Surcharge** – This surcharge is an additional tax of between 1.0% and 1.5%, which applies to individuals who do not have private hospital insurance and earn more than AUD 90,000 per annum (for individuals) or AUD 180,000 per annum (for families). This tax is designed to encourage higher-income Australians to take out private hospital insurance, as otherwise they pay a penalty.
- **Lifetime Health Cover (LHC)** – This is an additional loading that increases the cost of health insurance for those who do not purchase health insurance before 1 July following their 31st birthday, or who do not have continuous cover thereafter. All insurers must increase an individual's premiums by 2% for every year they did not take out health insurance after their 31st birthday. The additional charge is payable for 10 years and capped at 70%. This encourages Australians to take out private health cover earlier in their lives and then hold the cover continuously.

⁵ Government spending at 23% includes dental related hospital care and government-funded childcare.

⁶ IBISWorld Dental Reports for New Zealand and Australia

In comparison to Australia, there are no tax benefits for New Zealanders from taking out health insurance.

For the purpose of dental services, the key component to health insurance is 'extras cover', which covers individuals for out of hospital medical care, particularly in Australia. Extras cover typically pays for dental check-ups, major dental work, orthodontic work and other general dental treatment. As a result, individuals with extras cover are more inclined to visit a dentist for regular preventative check-ups and teeth cleaning.

3.2.2 Individual's spending

Direct payment for dental services is common throughout Australia and New Zealand. Even insured clients often make additional payments for services that are not covered by their extras cover, as they typically attend the dentist more often and are therefore more likely to have additional services.

GST is applied to dental spending in New Zealand but not Australia, which makes dental services relatively more affordable in Australia.

In New Zealand, in response to the relatively low proportion of the population with health insurance that has dental cover, some operators (including both Lumino and Bupa Dental Corporation) have begun offering pre-payment plans, which encourage consumers to take a pro-active approach to maintaining their oral health. These plans typically include hygiene appointments, x-rays and check-ups.

3.2.3 Public spending

While a large amount of dental services in Australia and New Zealand are privately funded, a material amount are publicly funded by the countries' respective governments.

Children and adolescents

In both Australia and New Zealand, a large portion of dental services for children and adolescents (below the age of 18) is publicly funded.

The New Zealand Government spends approximately \$200 million per annum on oral health services. Preschool and primary aged children receive free preventative and basic dental treatment services through the 'Community Oral Health Service', which typically occurs in community-based clinics on school sites or through mobile dental units. Adolescents aged up to 18 years old are also provided with a range of free basic dental services, usually through contracted private dentists.

On 1 January 2014, the Australian Federal Government commenced the Child Dental Benefits Schedule (CDBS). The CDBS provides dental services for children aged between two and 17 years old. The CDBS is means tested but still covers about 3 million children. Funding under the CDBS is currently capped at \$1,000 over two calendar years per child. Currently, less than 40% of eligible children are accessing the CDBS. However, since the introduction of CDBS, the number of children and adolescents accessing dental services has increased.

Adults

Across both Australia and New Zealand, public funding of dental services for adults is more limited than it is for children and adolescents. These services are generally targeted, such as emergency dental care for pain relief and infection treatments for low-income adults.

3.3 Dentists

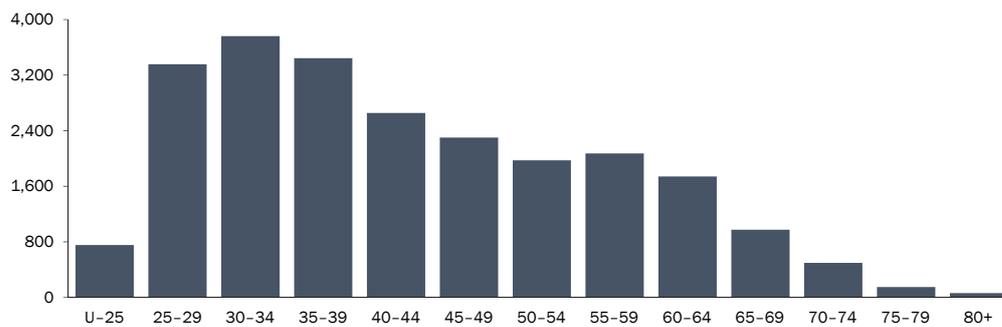
There are roughly twice as many dentists and dental assistants per head of population in Australia as in New Zealand. While Australia has approximately 55,000 dentists and dental assistants, New Zealand has approximately 5,700.⁷ This is equivalent to approximately one dentist or dental assistant per 450 people in Australia, and per 840 people in New Zealand.

The higher number of dentists per head of population in Australia is matched by a higher demand for dental services, in part due to the higher level of insured patients. However, the number of dentists per head of population in Australia has also increased over the last five years, due to a growing number of dentistry courses. This trend is expected to continue.

In New Zealand, the number of dentists per head of population has been more stable, with a relative undersupply of dentists. This is partly because the University of Otago is the only dental school in New Zealand and it has a limited number of student places, which affects the number of graduates entering the industry. To help counteract the shortage, New Zealand attracts skilled and experienced dentists from overseas to work in New Zealand.

Figure 3.3 shows the age distribution of dentists in Australia. There is a high concentration of dentists that are between 25 and 39 years old.

Figure 3.3: Number of dentists by age in Australia



Source: Australian Dental Association

It can often be difficult for younger dentists to establish a new practice. New practices must pay for equipment and establish protocols and systems. According to Abano, the cost to establish a practice often exceeds \$500,000 for a fully equipped two chair practice (excluding the cost of land and building). This can represent a barrier to younger dentists establishing their own practice. Further compounding the difficulty, graduate dentists tend to have high education debts, which can further reduce their ability to fund a new business. Joining an established practice avoids the cost of establishing a new practice.

Unless clients are dissatisfied with the service they receive, they often continue to visit a dentist they know. In addition, personal recommendations are also a strong factor in determining choice of dentist. This affects a dentist's ability to establish reputation and patient loyalty which often takes a number of years. As a result, most lead dentists within a practice are often older.

A key issue for older lead dentists who own their own practice is how they exit at the best price. This may involve selling the practice to another dentist or to a corporate. An important issue in both situations is succession planning and maintaining practice profitability when the lead dentist retires.

⁷ IBISWorld Dental Reports for New Zealand and Australia

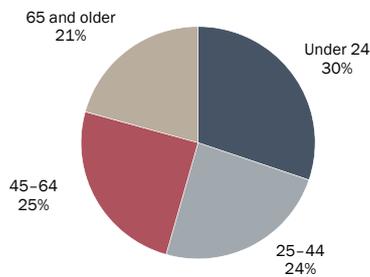
3.4 Patient profile

Children and adolescents are more likely to visit a dental professional than adults, as they receive subsidised dental treatments. However, as oral health tends to deteriorate with age, extensive dental work is more prevalent in older age demographics.

The impact of these two factors differs between New Zealand and Australia. The difference is likely due to more widely available health care for children and adolescents in New Zealand, and more people with dental insurance in Australia.

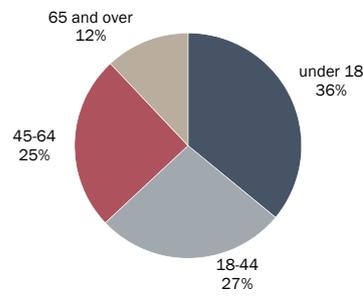
Figures 3.4 and 3.5 show the distribution of the Australian and New Zealand dental industry revenue by patient age. These show that younger patients generate a large proportion of dental revenue. We consider this is because of the significant and universal subsidies for those younger than 18 years old. Those over 65 years old generate relatively more revenue in Australia than in New Zealand. This is likely due to the relatively low levels of dental insurance in New Zealand.

Figure 3.4: Australian dental revenue by patient age



Source: IBISWorld Dental Report for Australia

Figure 3.5: New Zealand dental revenue by patient age



Source: IBISWorld Dental Report for New Zealand

4 Profile of Abano

4.1 Background and history

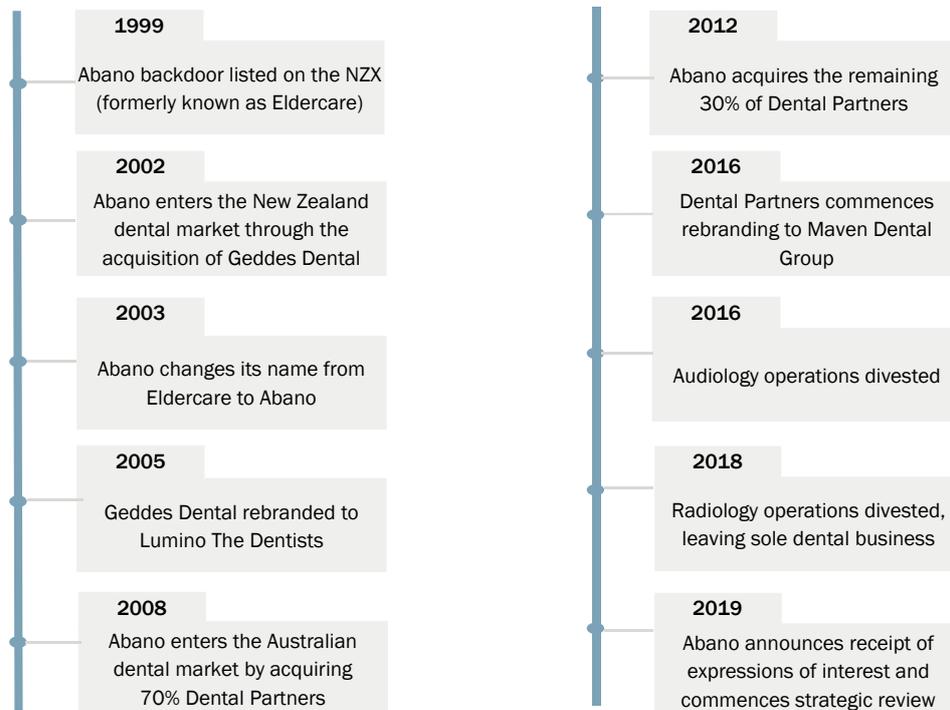
Abano is the largest dental services group across Australia and New Zealand, with 239 practices⁸. Abano contracts more than 1,000 dentists, specialists and clinicians. Abano receives more than 1 million patient visits per annum.

Abano's revenue comes from fees charged directly to patients or fees charged to dentists to whom Abano provides facilities and services under Facilities and Services Agreements.

Abano also reports on gross revenue, which represents the fees paid by all dental patients regardless of whether the services are provided by dentists contracted directly by Abano or by dentists to whom Abano provides facilities and services to. These fees may be for general dentist services, as well as orthodontist, specialist and hygiene services.

A timeline of key events since Abano was established is shown below:

Figure 4.1: Timeline of key events



Abano first entered the dental sector in 2002 with an acquisition of Geddes Dental Group. Since then, it has achieved growth by acquiring many practices throughout Australia and New Zealand.

Abano has historically had non-dental operations. It divested an audiology business (Bay International) in 2016 and a radiology business (Ascot Radiology) in 2018.

⁸ As at 30 November 2019

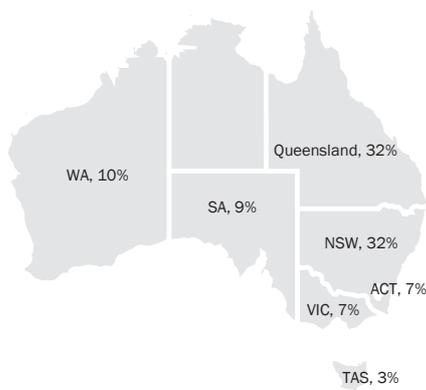
4.2 Geographical coverage

Abano operates under the ‘Lumino’ brand in New Zealand and ‘Maven’ in Australia.

Lumino and Maven are roughly equal in size, with Maven contributing slightly more than half of Abano’s gross revenue and EBITDA in FY19. However, while they have a similar size, Lumino has a significantly larger market share within its market. Lumino has a market share of approximately 17% in New Zealand and Maven a market share of 1%–2% in Australia.⁹

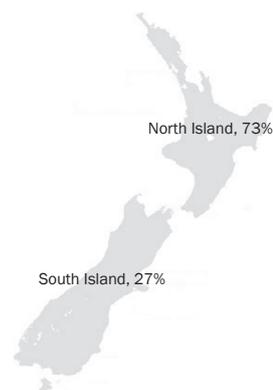
Figure 4.2 and 4.3 show the distribution of Abano’s practices throughout Australia and New Zealand. The percentages show the relative proportion of sites in areas, relative to Abano’s total number of sites in each country.

Figure 4.2: Practice location by state



Source: Abano management

Figure 4.3: Practice by region



Source: Abano management

Abano’s dental practices are located throughout Australia and New Zealand. However, the majority of the Australian sites are located in Queensland and New South Wales and the majority of the New Zealand sites in the North Island. Practices are more concentrated in areas with higher populations.

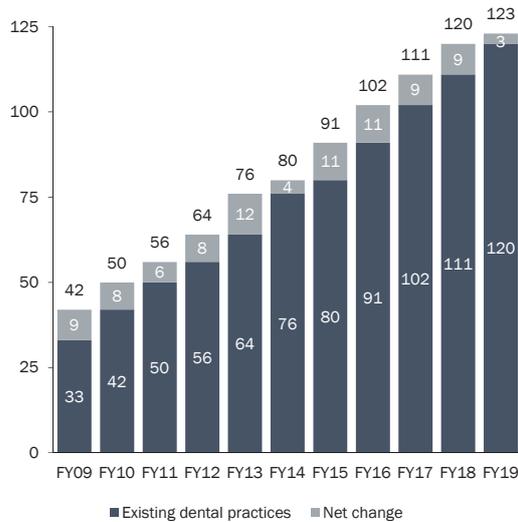
⁹ Dental Services in New Zealand and Dental Services in Australia reports by IBISWorld

4.3 Acquisition history

Abano has actively acquired dental practices for over 15 years in New Zealand and 10 years in Australia.

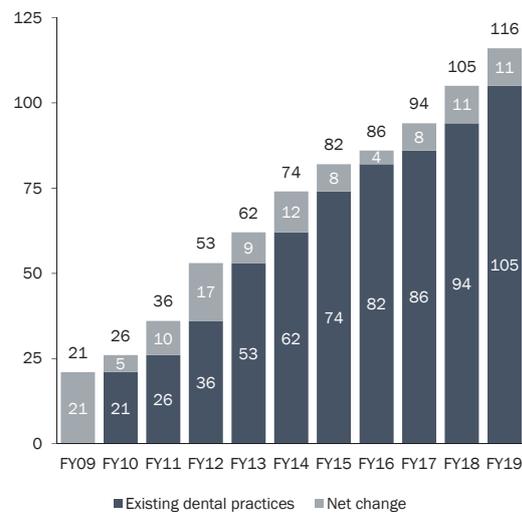
Figures 4.4 and 4.5 show the growth in Abano’s practices since FY09 for each of its subsidiaries. There are currently 123 Lumino practices and 116 Maven practices. The growth in the number of practices has been reasonably consistent year-on-year for both Lumino and Maven over the period shown.

Figure 4.4: Number of Lumino practices



Source: Abano management

Figure 4.5: Number of Maven practices



Source: Abano management

Abano recently announced it would pause its acquisition activity in Australia, while it focuses on organic growth of its existing dental practices. Lumino has slowed its acquisition of practices in New Zealand during FY20 while it undertook a strategic review. Following this, it expects to acquire between two and five practices in the remainder of FY20, depending on negotiations with third party vendors.

We understand from management that due to competition from other corporate entities, the cost to acquire practices in Australia (as a multiple of EBITDA) has increased over the last several years.

4.4 Strategy

Abano has undertaken a number of initiatives to increase revenue and improve performance of its practices.

Abano’s key growth drivers are:

- Increase patient visits from new and existing patients
- Increase the number of clinical days worked and the utilisation of the existing practices
- Increase revenue per clinical day by enabling each clinician to provide higher value services and/or deliver the services more efficiently
- Leverage technology to assist in the delivery of operational and clinical excellence.

Abano’s FY20 Growth Strategy includes:

- Focus on organic growth within existing practices
- Expansion of existing practice capacity
- Optimisation of the existing network structure
- Expansion by acquisition in New Zealand.

Some key initiatives are further summarised below:

Initiative	Description
Lumino Dental Plan	<ul style="list-style-type: none"> • Lumino Dental Plan was rolled out in FY19 following a successful trial in FY18. • The Lumino Dental Plan is an integrated online dental plan. • Abano commenced the roll out of Lumino Dental Plan in October 2018, following a successful trial. By 30 May 2019, more than 50 practices were offering the plan. • Lumino Dental Plan is a subscription service, with patients making monthly payments. • Under the Lumino Dental Plan, patients receive one exam and x-ray check-up, and two hygiene treatments per annum and a 10% discount off any subsequent treatments. • Lumino Dental Plan allows the use of data analytics to better target new and existing patients with specific marketing and promotional offers.
Practice Partnering Scheme	<ul style="list-style-type: none"> • Abano introduced a ‘Practice Partnering Scheme’ (PPS) for lead dentists in FY18. This scheme is designed to retain and motivate key dentists. • Under the PPS, eligible clinicians make an initial cash contribution to then receive a share of the profits generated at that practice, based on a contractually agreed percentage. The eligible clinicians also have the right to require Abano to ‘buy-out’ the contractual entitlement after an agreed period based on an agreed formula. • Participation in the Practice Partnering Scheme does not give rise to any legal interest in the relevant practice or any assets of the Group. • While PPS is currently only available at selected Lumino practices, Abano considers a similar scheme could be rolled out wider and also at some Maven practices.
Clinical Dashboards	<ul style="list-style-type: none"> • Abano introduced digital Clinical Dashboards in FY19 for both Lumino and Maven. • Clinical Dashboards is a cloud-based platform that allows better monitoring and benchmarking of practices and practice areas. It graphically represents real time data on clinicians and practices. • Real time (daily) key practice metrics such as: <ul style="list-style-type: none"> – Patient numbers (including new patients) – Revenue and revenue per clinician – Revenue per clinical day (RPCD) – Forward bookings. • Clinical Dashboard provides insights into the practice network so that management time can be more focused on issues that are likely to affect productivity.

Practice Essentials

- Practice Essentials was rolled out across the Maven network in FY19.
- Practice Essentials is an online tool that highlights key activities and provides step by step guides and tools to enable practices to improve operations.
- Activities range from systemisation of the daily sterilisation, to filling vacant appointment slots, and weekly metrics reviews.

In addition, Abano is in the early phase of a number of initiatives to reduce corporate costs, including:

- The reduction in staff costs following the restructure of the Lumino support office
- There are number of projects that are currently being scoped and an RFP underway, such as a new self-service payroll function and accounts payable scanning system. Management has advised these systems and projects could reduce costs.

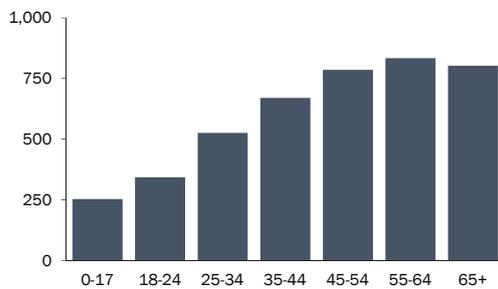
4.5 Patient spend

Maven and Lumino provide a range of dental services such as general and specialist dental services for toddlers, children, teenagers, young adults, and senior patients. Maven and Lumino also provide cosmetic dentistry treatments and services such as bridges, crowns, dental implants, and a range of other cosmetic dental services.

Figures 4.6 and 4.7 outlines the average spend per patient for Maven and Lumino respectively. The age of the patient directly impacts the amount a patient spends, with older patients spending more on average than younger patients.

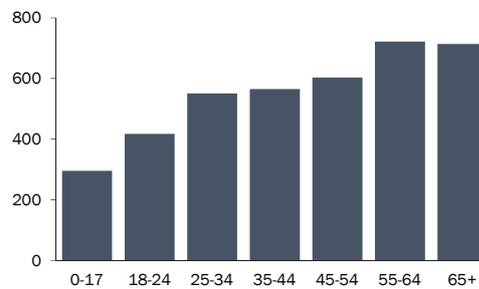
As the population ages there could be a favourable impact for the dental industry.

Figure 4.6: Average patient spend at Maven by age (AUD)



Source: Abano management

Figure 4.7: Average patient spend at Lumino by age (\$)



Source: Abano management

4.6 Share ownership and price history

Abano has 26,282,238 shares on issue and more than 2,700 registered shareholders. Table 4.1 shows the top 20 named shareholders as at 20 January 2020, which together hold 61.3% of the shares on issue.

Table 4.1: Share register as at 20 January 2020

Shareholder	Shares	Percentage
1 Forsyth Barr Custodians Limited	3,782,799	14.4%
2 HSBC Nominees (New Zealand) Limited - NZCSD	2,794,874	10.6%
3 Custodial Services Limited	1,663,343	6.3%
4 TEA Custodians Limited - NZCSD	1,378,757	5.2%
5 Accident Compensation Corporation - NZCSD	1,358,932	5.2%
6 Citibank Nominees (New Zealand) Limited - NZCSD	1,141,812	4.3%
7 BNP Paribas Nominees (NZ) Limited - NZCSD	818,883	3.1%
8 National Nominees Limited - NZCSD	586,794	2.2%
9 Y A Chiam and S E Boey	360,864	1.4%
10 FNZ Custodians Limited	336,698	1.3%
11 JPMorgan Chase Bank NA NZ Branch - NZCSD	307,441	1.2%
12 G M Novak, J F Vervoort and NKS Trustees Limited	285,691	1.1%
13 ASB Nominees Limited	266,709	1.0%
14 L J Christie	224,065	0.9%
15 Jarden Custodians Limited	180,000	0.7%
16 C A Teague	150,688	0.6%
17 R Keys, K Keys and R Bruell	145,257	0.6%
18 T K McAlister, M C McAlister and D P Shillson	112,000	0.4%
19 Public Trust RIF Nominees Limited - NZCSD	109,822	0.4%
20 Jedi Investments Limited	100,000	0.4%
Top 20 shareholders	16,105,429	61.3%
Remaining shareholders	10,176,809	38.7%
Total	26,282,238	100.0%

Source: Computershare data, which looks through shares held by NZCSD as a bare trustee

Table 4.2 shows the most recent substantial product holder (SPH) interests, as at 20 January 2020. The shareholdings differ from those in Table 4.1 due to timing and differences between legal interests and interests that need to be disclosed as substantial interests.

Table 4.2: Substantial product holders

Shareholder	Date of notice	Shares	Percentage
Harbour Asset Management Limited	12-Oct-18	4,167,795	15.9%
Forsyth Barr Investment Management Limited	22-Nov-19	2,182,100	8.3%
Accident Compensation Corporation	18-Nov-19	1,361,967	5.2%

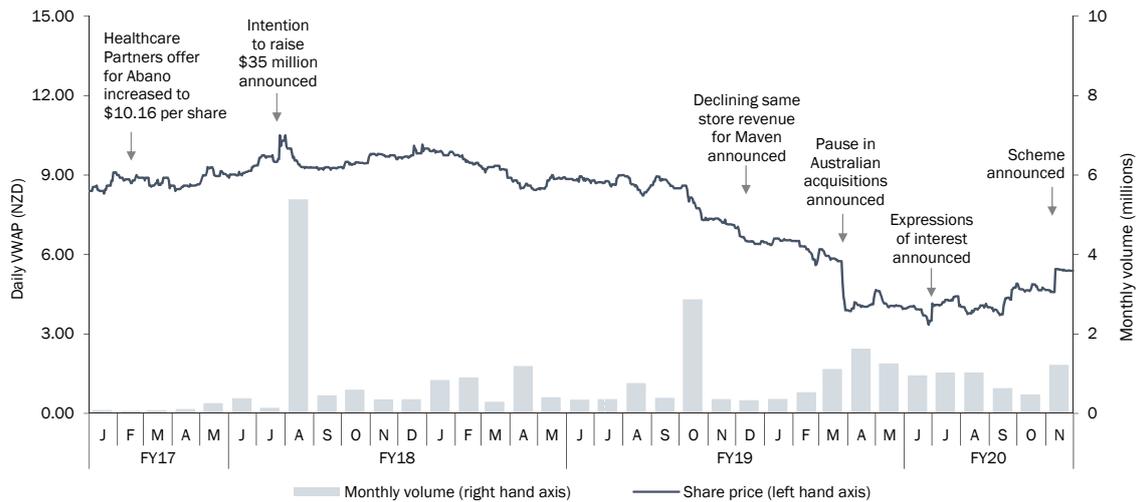
Source: SPH Notices

The largest shareholder is Harbour Asset Management Limited, which has a substantial interest in 15.9% of the shares on issue. Other than Harbour Asset Management Limited, Abano's shares are widely held by retail and institutional investors.

4.7 Share price performance

Figure 4.8 illustrates the price and volume for shares traded in Abano since January 2017.

Figure 4.8: Share price and volume on NZX Main Board



Source: Capital IQ and KordaMentha Analysis

Abano’s share price has tended to decrease between October 2018 and June 2019, when it reached a low of \$3.35.

Abano’s share price dropped 13.5% in October 2018, from \$8.50 to \$7.35 per share. In this month trading volumes were higher than average, at 2.9 million Abano shares. This share price drop occurred after Abano’s annual general meeting, which was held in the first half of the month. We also understand from management that Abano was removed from a broker’s ‘high conviction list’ in this month.

Abano’s share price deteriorated in the several months following October 2018 culminating in a sharp drop in March 2019. This sharp drop followed Abano’s announcement that it would pause acquisitions in Australia and would also reduce the number of acquisitions made in New Zealand for the 2020 financial year. In the week of that announcement, the share price dropped 32%, from \$5.75 to \$3.90 per share.

Table 4.3: Share prices and volumes as at 8 November 2019

	Share Price			Volume (million)	Proportion of Issued Capital
	Low	High	VWAP		
One month	4.55	4.88	4.68	0.34	1.3%
Three months	3.70	4.95	4.29	1.73	6.6%
Twelve months	3.35	7.36	4.54	9.56	36.4%

Source: Capital IQ and KordaMentha analysis

Approximately 9.6 million shares traded in the 12 months prior to the Scheme’s announcement, at prices between \$3.35 and \$7.36 per share. The offer price of \$5.70 per share represents a:

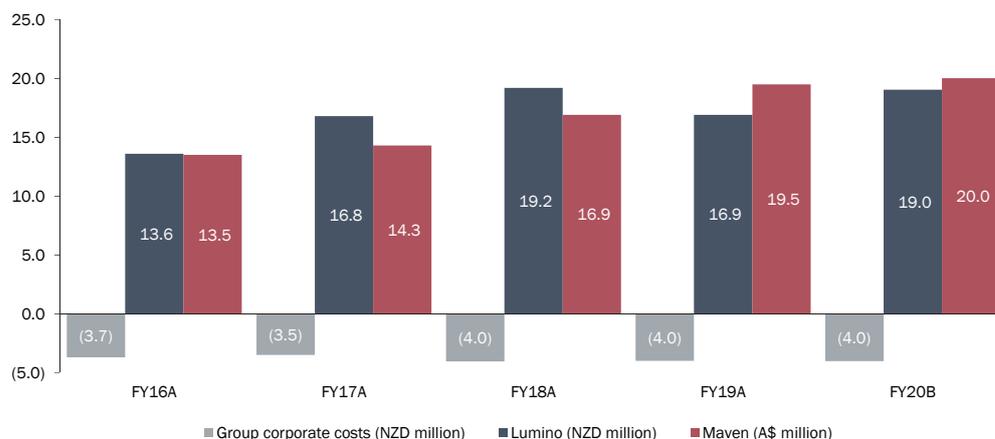
- Premium of 63% to the share price of \$3.50 on 1 July 2019 (just prior to Abano announcing that it had received various expressions of interest);
- Premium of 24% to the share price of \$4.58 on 8 November 2019;
- Premium of 22% to the VWAP of \$4.68 in the month ended 8 November 2019;
- Premium of 33% to the VWAP of \$4.29 in the three months ended 8 November 2019; and
- Premium of 26% to the VWAP of \$4.54 in the twelve months ended 8 November 2019.

5 Financial overview

5.1 Consolidated financial performance

Figure 5.1 illustrates Abano’s underlying EBITDA, by segment, between FY16 and FY20. The segmental earnings include support office costs but exclude acquisition costs.

Figure 5.1: Underlying EBITDA by segment



Source: Abano management analysis and budget

Excluding corporate costs and discontinued operations, Abano’s underlying dental EBITDA has increased from \$22.1 million to \$37.7 million between FY14 and FY19, which represents a compound annual growth rate (CAGR) of 11.2%.

Much of the historical growth has been achieved by acquiring practices. Between FY15 and FY19, Abano has spent approximately \$167 million¹⁰ (\$33.5 million per annum) acquiring practices. Over the same period, dental EBITDA (before corporate costs) has increased by \$15.6 million (\$3.9 million per annum).

Abano has paused acquiring practices in Australia and slowed its acquisition of practices in New Zealand. As a result, it is unlikely that it will continue to experience strong year-on-year growth it has historically achieved. The offsetting benefit to this is that Abano will no longer expend significant capital in acquiring new practices.

Abano may continue experiencing growth; however, while it has paused acquisitions in Australia, growth will generally need to come from improvements of its existing practice network, through initiatives such as The Dental Plan and Practice Dashboards.

Abano has not achieved strong same practice revenue growth in recent years (this is particularly the case for Maven). While Lumino has experienced a small amount of same practice revenue growth (1.9% average annual growth over five years), Maven has had declining same practice revenue for a number of years.

Figure 5.1 does not show Abano’s depreciation and amortisation. Abano’s depreciation generally relates to leasehold improvements, plant and equipment, so tends to increase with the addition of practices. Abano’s amortisation is generally related to software, and increases when Abano makes material investments in its software assets, which it has done over the last few years.

The performance of individual practices varies significantly across Abano’s operations. Abano’s practices include both highly profitable practices and practices which are currently unprofitable. The top 20% of Lumino’s and Maven’s practices earn approximately 50% of total practice EBITDA. Practices can have variable profitability for a range of reasons, including the timing of an exit of an established lead dentist and the time taken to find their replacement. Abano closely monitors its unprofitable practices and implements a turn-around plan or has plans to exit those that do not improve.

¹⁰ Including both consideration and acquisition costs.

5.1.1 Lumino financial performance

Table 5.1 summarises Lumino's earnings for FY17–FY19 (actuals) and FY20 (budget). The historical accounts are based on audited annual financial statements and management accounts. The financials exclude group corporate costs.

Table 5.1: Lumino financial performance (\$ 000s)¹¹

	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Budget
Gross revenue/patient fees	120,817	138,081	147,378	156,014
Dentist commissions	(39,417)	(45,497)	(47,864)	(51,315)
Net revenue	81,400	92,584	99,514	104,700
Employee expenses	(32,660)	(36,460)	(41,655)	(43,905)
Patient consumables	(15,535)	(17,445)	(20,124)	(22,609)
Occupancy costs	(6,990)	(8,116)	(9,192)	(9,710)
Other net operating costs	(9,398)	(10,342)	(11,670)	(9,432)
Underlying EBITDA	16,816	20,222	16,874	19,043
Acquisition and transaction costs	(146)	(151)	(70)	-
EBITDA	16,670	20,072	16,804	19,043
Depreciation	(4,000)	(4,734)	(5,195)	(5,368)
Amortisation	(265)	(487)	(1,066)	(1,234)
EBIT	12,405	14,851	10,543	12,441
<i>Underlying EBITDA margin¹²</i>	<i>14%</i>	<i>15%</i>	<i>11%</i>	<i>12%</i>
<i>Same practice revenue growth</i>	<i>(1.1%)</i>	<i>3.2%</i>	<i>1.2%</i>	<i>3.3%</i>

Source: Abano's statutory accounts, management accounts and budget

Since being established, Lumino has experienced strong revenue growth, via the addition of new practices. It has also achieved same-practice revenue growth in two of the last three financial years (FY18 and FY19) and has achieved average annual same practice revenue growth of 1.9% over the last five years.

The decline in EBITDA in FY19 was caused by increased clinical staff costs (hygienists and other clinical staff), increased marketing costs, higher occupancy costs and increased cost of patient consumables related to Invisalign treatment plans. Staff costs represent the most significant increase, as employee costs increased from 26.4% to 28.3% of gross revenue between FY18 and FY19. This cost was largely dental assistants and support costs.

The commissions paid to dentists are typically around 40% of the relevant net revenue they earn. However, not all revenue accrues commission payments. After allowing for revenue that does not attract commissions, the commissions paid by Lumino to dentists are reasonably consistent year-on-year, at approximately one third of gross revenue.

¹¹ Numbers provided exclude the impact of IFRS 16 – relating to leases

¹² Abano reports revenue differently for each of Lumino and Maven. In Lumino, gross revenue is reported, before paying dentists' commissions. In comparison, Maven's revenue is reported net of fees received by dentists. This can make ratios difficult to compare between the countries, which is why gross revenue or patient fees are used for both businesses. A number of Abano's peer comparable companies report EBITDA margin on a gross basis. To help increase comparability to those peer companies, we have measured EBITDA margin relative to Lumino's gross revenue.

The principal assumptions underlying the FY20 Budget include:

- Abano has budgeted 5.9% revenue growth for Lumino in FY20 (\$8.6 million). This comes from a combination of same-practice revenue growth at 3.3%, plus acquisitions. The revenue growth from acquisitions includes both practices acquired in FY19 (which have their first full year contribution in FY20) and planned acquisitions for later in FY20, from which Abano expects to add approximately \$1.8 million revenue in the second half of FY20.
- Lumino reports its third-party costs related to acquisitions separately. However, for Lumino, most of the work performed when acquiring a new practice is undertaken in-house by existing staff and incorporated into Lumino's employee expense. As indicated above, Lumino is budgeted to have a small number of acquisitions later in FY20, these acquisitions are not expected to require any material amount of external costs, other than costs that are normally capitalised into a purchase price. These acquisitions are anticipated to contribute approximately \$0.4 million EBITDA in FY20.

Depreciation has increased for Lumino as practices have been added. Amortisation has increased in recent years as Abano has invested in software to improve growth and efficiency.

One operating cost not shown in Table 5.1 is the expense incurred by Abano under its Practice Partnership Scheme. Abano recognises this cost below the EBIT line, as it is equivalent to a distribution of profits. The Practice Partnership Scheme expense was \$0.3 million in FY19 and is budgeted to be approximately \$0.3 million in FY20.

5.1.2 Maven financial performance

Table 5.2 summarises Maven's earnings for FY17–FY19 (actuals) and FY20 (budget). The historical accounts are based on audited annual financial statements and management accounts. The financials exclude group corporate costs.

Table 5.2: Maven financial performance (AUD 000)¹³

	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Budget
Gross revenue/patient fees	133,513	152,779	179,229	182,780
Fees received by dentists	(42,610)	(49,185)	(55,791)	(57,733)
Net revenue	90,904	103,595	123,437	125,047
Employee expenses	(42,965)	(49,714)	(59,891)	(61,882)
Patient consumables	(15,913)	(17,953)	(20,339)	(19,909)
Occupancy costs	(8,663)	(9,942)	(12,091)	(12,327)
Other net operating costs	(9,009)	(9,982)	(11,646)	(10,912)
Underlying EBITDA	14,353	16,004	19,471	20,017
Acquisition and transaction costs	(544)	(1,052)	(852)	-
EBITDA	13,810	14,952	18,619	20,017
Depreciation	(3,328)	(3,780)	(4,278)	(4,440)
Amortisation	(288)	(510)	(719)	(1,025)
EBIT	10,194	10,662	13,622	14,552
<i>Underlying EBITDA margin¹⁴</i>	11%	10%	11%	11%
<i>Same practice revenue growth</i>	(4.4%)	0.0%	(2.9%)	(0.6%)

Source: Abano's statutory accounts, management accounts and budget

Since being established, Maven has experienced strong revenue growth, via the addition of new practices. However, it has generally had negative same practice revenue growth. Since FY12, same practice revenue has been either static or declined each year, with the average annual decline being 2.4%¹⁵.

¹³ Numbers provided exclude the impact of IFRS 16 – relating to leases

¹⁴ Percentage of patient fees.

¹⁵ This percentage is a simple average of the annual same practice change in revenue for each financial year between FY13 and FY19.

We understand from Abano that same practice revenue has declined because of a range of factors, including practice performance declining when lead dentists retire or reach the end of their earnout periods, as well as more recent difficult economic conditions and industry dynamics (e.g. consumer confidence and spending, and increasing numbers of dentists per head of population).

The principal assumptions underlying the FY20 Budget include:

- Abano has budgeted 2.0% revenue growth for Maven in FY20 (AUD 3.6 million). This growth comes from practices that were acquired in FY19 (which have their first full year contribution in FY20), partly offset by a 0.6% decline in same practice revenue.
- Maven is now focused on organic growth and lifting the performance of its Australian practices. The budget improvement in FY20 budgeted EBITDA comes from the full year contribution of practices acquired in FY19, plus some savings in support costs, partly offset by a decline in same-practice performance.
- The FY20 Budget includes an additional AUD 1.5 million of improved profitability relating to management initiatives. However, management considers some of the initiatives may take longer to realise than has been budgeted and management is uncertain whether the full AUD 1.5 million target will be met.

The difference between Maven patient fees¹⁶ and net revenue is related to Facilities and Services Agreements (FASAs). Abano grants access to its dental facilities and provides services under FASA to dental practice entities or clinicians operating a dental practice as a sole trader. The FASA fee is based on a percentage of practice entity or clinician net fee receipts.

Maven shows its external acquisition and transaction costs separately. Maven has historically incurred higher external costs for its acquisitions than Lumino. As it has paused the acquisition of practices, Maven has no acquisition costs budgeted in FY20.

5.1.3 Corporate costs

Abano's corporate function provides shared management services to its operating subsidiaries Maven and Lumino. The corporate costs only include costs not allocated to either Lumino or Maven, as a large amount of support costs which are directly related to the subsidiaries are included in each of the subsidiaries own financial accounts.

Table 5.3 summarises Abano's corporate costs for FY17–FY19 (actuals) and FY20 (budget).

Table 5.3: Group corporate costs (NZD 000)

	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Budget
Employee expenses	(1,726)	(1,811)	(2,082)	(1,742)
Director fees	(483)	(515)	(590)	(583)
Other net operating expenses	(1,290)	(1,724)	(1,329)	(1,695)
EBITDA	(3,499)	(4,049)	(4,002)	(4,020)
Depreciation and amortisation	(117)	(149)	(164)	(184)
EBIT	(3,616)	(4,199)	(4,166)	(4,204)

Source: Abano statutory accounts and Abano management accounts

Abano incurred total group corporate costs of approximately \$4 million per annum in FY18 and FY19 and budgets a similar sum for FY20.

¹⁶ Patient fees represents the fees paid by all dental patients regardless of whether the services are provided by dentists contracted directly by Abano or by dentists whom it provides facilities and services under FASA.

5.1.4 Year-to-date financial performance

Abano's actual and budgeted financial results for its current financial year-to-date (YTD) are summarised in Table 5.4. The results are unaudited and for a six-month period ended 30 November 2019.

Table 5.4: YTD financial performance (\$ 000)¹⁷

	Actual	Budget	Variance
Gross revenue/patient fees	176,620	177,823	(1,203)
Commissions/fees received by dentists	(57,098)	(58,788)	1,690
Net revenue	119,522	119,035	487
Employee expenses	(55,845)	(54,402)	(1,443)
Patient consumables cost of consumables sold	(21,781)	(21,401)	(380)
Occupancy costs	(11,261)	(11,440)	179
Other operating costs	(12,705)	(12,893)	188
Underlying EBITDA	17,930	18,899	(969)
Transaction costs	(1,716)	-	(1,716)
EBITDA	16,214	18,899	(2,685)
Depreciation	(5,035)	(5,059)	24
Amortisation	(1,069)	(1,226)	157
EBIT	10,110	12,614	(2,504)

Source: Abano management accounts (unaudited)

Abano's Underlying EBITDA in the six months ended 30 November 2019 was approximately \$1.0 million below budget.

Abano management advise that the key factor behind the gross revenue being behind budget by 0.7% was less clinical days worked than had been budgeted. While practice clinical days increased over the prior corresponding period, the clinical days were lower than budgeted. This was partly due to slower than anticipated recruitment of dentists and below average clinical days by high-end specialist dentists during July 2019.

While commissions/fees received by dentists were lower than budget, employee expenses were higher by roughly the same amount. In Maven, there was a higher number of dentists who have been attracted from overseas. As a condition of their working visa, they must be contracted as an employee rather than as a contractor under a Facility and Services Agreement, therefore their cost is allocated to employee expense. Employee expenses were also higher than anticipated, in part due to additional clinical and clinical support staff that have been recruited to support the growth in clinical days.

There were no acquisitions in the six months ended November 2019. The \$1.7 million of transaction costs to date are for legal and advisers' costs associated with Abano's expression of interest process that led to the current Scheme of Arrangement.

¹⁷ Accounts shown exclude the impact of IFRS 16 – relating to leases

5.2 Financial position

5.2.1 Group financial position

Table 5.5 shows Abano's group financial position as at 31 May 2019 and 30 November 2019, based on its annual report and unaudited management accounts.

Table 5.5: Group financial position (\$ 000)

	May 2019	Nov 2019
Current trade and other trade receivables	9,337	9,682
Inventory	8,254	8,026
Current trade and other trade payables	(28,051)	(30,052)
Net contract assets	7	1,021
Net income tax asset	465	346
Provisions	(94)	(53)
Net working capital	(10,082)	(11,030)
Property, plant and equipment	53,108	50,720
Non-current receivables	982	915
Non-current payables	(2,177)	(2,322)
Provisions	(736)	(1,044)
Deferred tax asset	3,740	3,932
Net tangible assets	44,835	41,171
Goodwill	251,266	245,679
Intangible assets	10,881	10,666
Net operating assets	306,982	297,516
Cash and cash equivalents	3,132	3,052
Non-current borrowings	(137,733)	(131,172)
Derivative financial instruments	(8,392)	(9,685)
Deferred acquisition consideration	(9,270)	(8,311)
Net assets classified as held for sale	-	367
Net assets pre-NZ IFRS 16 classification	154,719	151,767
Right of use asset	-	86,506
Lease liability	-	(96,423)
Impact of increased deferred tax asset	-	28,364
Impact of increased deferred tax liability	-	(25,423)
Net assets	154,719	144,791

Source: Abano's statutory accounts and management accounts

Total goodwill as at 30 November 2019 was \$245.7 million, which is 83% of the value of Abano's net operating assets. The goodwill relates to Abano's acquisition of practices, as is typical of a cashflow business, the purchase prices paid have generally been above the acquired practices' net tangible assets. In its latest annual report, when testing for impairment, Abano forecast long term growth at 2.0% and applied a 9.0% post-tax discount rate.

As at 30 November 2019, Abano had the following financial assets and liabilities:

- \$137.8 million net debt (cash and cash equivalents, non-current borrowings and derivative financial instruments).
- \$8.3 million Deferred Acquisition Consideration (DAC). DAC is calculated on the date of acquisition of a practice based on any negotiated payment(s) to be made at various intervals if certain EBITDA targets are met on those dates. The amount of DAC on initial recognition is the net present value of the payment(s) forecast to be made in the future discounted at the rate of the Group's current weighted average cost of debt (excluding any derivative costs such as interest rate swaps). The DAC is held as a liability on Abano's balance sheet at its discounted value.

For the purpose of our valuation, we have used net debt and DAC balances as at 31 December 2019. These amounts are detailed in Section 6.2.3 of this report. Abano had three practices that were held for sale on 30 November 2019. The proceeds from selling these practices were received in December 2019, so are captured in net debt as at 31 December 2019.

Abano has NZD and AUD loan facilities with ASB Bank Limited. As at 30 November 2019, the total facilities were AUD 112 million and NZD 49.0 million. The facilities mature between 31 March 2021 and 1 July 2022. Abano is in compliance with all its covenants.

The AUD denominated facilities (together referred to as the Maven Facility) comprise the following terms and tranches:

Table 5.6: Australian loan facilities as at 30 November 2019 (AUD 000)

Revolving credit facility tranches	Currency	Maturity date	AUD facility	Drawn as of Nov 2019	Undrawn as of Nov 2019	Applicable interest rate as of Nov 2019
Tranche B	AUD	30-Jun-21	40,000	40,000	-	1-month BBSY + 1.23%
Tranche C	AUD	10-Oct-21	42,000	42,000	-	1-month BBSY + 1.25%
Acquisition facility	AUD	1-Jul-22	30,000	8,339	21,661	1-month BBSY + 1.32%
			112,000	90,339	21,661	

The Abano Loan Facility comprises the following terms and tranches:

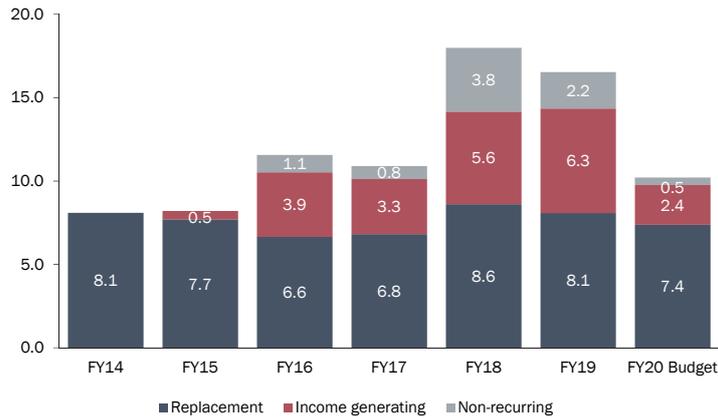
Table 5.7: New Zealand loan facilities as at 30 November 2019 (NZD 000)

Revolving credit facility tranches	Currency	Maturity date	Facility	Drawn as of Nov 2019	Undrawn as of Nov 2019	Applicable interest rate as of Nov 2019
Tranche A	NZD, AUD, HKD, SGD	15-Dec-21	19,007	15,907	3,100	3-month BKBM + 1.23%
Tranche B	NZD, AUD, HKD, SGD	31-Mar-21	20,000	20,000	-	3-month BKBM + 1.14%
Tranche C	NZD, AUD, HKD, SGD	10-Oct-21	10,000	-	10,000	3-month BKBM + 1.25%
			49,007	35,907	13,100	

5.3 Cash flows

Figure 5.8 shows Abano’s capital expenditure between FY14 (actual) and FY20 (budget).

Figure 5.8: Abano capital expenditure (\$ million)



Source: Abano management accounts and budget

Over the last two financial years (FY18 and FY19), Abano has invested heavily in its IT and systems, to support growth and business efficiency.

The non-recurring expenditure includes Abano moving its support office IT infrastructure into the cloud and relocating its Auckland head office and support office functions. Including a right of renewal, Abano has leased its head office space until 31 December 2030.

The recent higher than average income generating capital expenditure increased in FY18 and FY19 includes the expansion of some practices, a greenfield development, the relocation of Lumino’s flagship practice in the Auckland CBD, the creation of the Lumino Dental Plan and IT initiatives such as Clinical Dashboards and Practice Essentials.

Replacement capital expenditure has averaged \$7.8 million over the last three financial years and is budgeted to be \$7.4 million in FY20. The capital expenditure shown in Figure 5.8 excludes acquisitions for new dental practices.

Over the long term, Abano management consider depreciation and amortisation to be a reasonable proxy for capital expenditure.

6 Valuation

6.1 Valuation approach

There are four methodologies commonly used for valuing businesses:

- Discounted Cash Flow (DCF) analysis;
- Capitalisation of earnings;
- Estimate of proceeds from an orderly realisation of assets; and
- Industry rule of thumb.

Each of these valuation methodologies is appropriate in different circumstances. A key factor in determining which methodology is appropriate is the actual practice commonly adopted by purchasers of the type of businesses involved. These valuation methodologies are detailed in Appendix 3.

Any valuation, by its very nature, must attribute a current value that reflects the expected future financial performance of the subject business. Consequently, information regarding the expected future performance, such as financial projections, is vital to the valuation exercise.

For the purposes of informing the Report, Abano management has prepared a FY20 budget which has been disclosed in the Report and reflects Abano management's best estimate of the long-term prospects of Abano.

We have adopted the capitalisation of earnings methodology to assess the market value of Abano given the nature of information made available to us.

6.2 Capitalisation of earnings

6.2.1 Earnings multiple

To undertake a capitalisation of earnings valuation, it is necessary to determine an appropriate earnings multiple to be applied to an estimate of earnings.

Comparable earnings multiples are generally derived by benchmarking the entity being valued against the sale and purchase of shares in comparable companies. Transaction evidence is typically sourced from:

- Earnings multiples based on the current share prices of comparable listed companies; and
- Earnings multiples based on recent transactions of comparable companies.

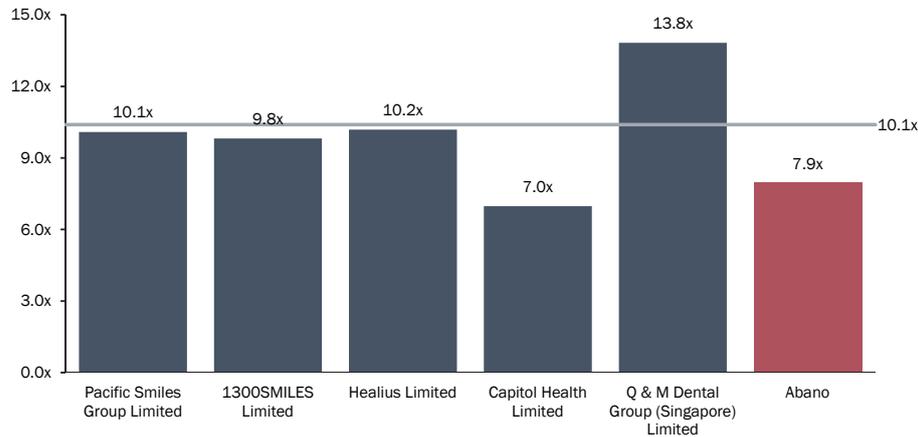
Comparable trading multiples

We have selected comparable listed companies based on the following criteria:

- **Industry:** We have selected companies which provide a range of dental services.
- **Geography:** We have selected predominantly Australian businesses (and one Singaporean business) which provide dental services. The selected companies are likely to be impacted by similar macro-economic trends affecting the market for dental services.
- **Size:** Companies with similar enterprise values to Abano have been selected. Some of the selected listed companies have larger enterprise values, such as Q & M Dental Group and Healius, but we have excluded businesses with small enterprise values which tend to have lower multiples.

Figure 6.1 illustrates the forecast EBITDA multiples for the respective comparable listed companies.

Figure 6.1: Comparable listed companies – forecast EBITDA multiples



Source: Capital IQ and KordaMentha estimates¹⁸

A summarised description of each of the comparable listed companies is set out in Appendix 4.

The comparable listed companies have forecast EBITDA multiples in a range between 7.0x and 13.8x EBITDA. There are a number of fundamental differences between Abano and those of the listed comparable companies, as summarised below:

- Some of the listed companies tend to offer a diversified range of healthcare services to customers, whereas Abano is solely focused on providing dental services. Some of the comparable companies are therefore exposed to a wider range of consumer markets than dental services and will have different earnings drivers.
- Abano generates lower earnings margins than most of the comparable companies, due to relatively high support office costs which is set up for scale.
- Capital expenditure and depreciation varies across most of the comparable companies e.g. Pacific Smiles which invests in Greenfield projects and requires a significant amount of capital expenditure.
- Some of the listed companies' revenue growth is impacted by the number of acquisitions made in a financial year. The number of acquisitions varies among the listed comparable businesses.
- Abano's same practice revenue and earnings growth is typically lower than available information for the listed comparable businesses, albeit not all corporates report on same store revenue growth.

Observed trading multiples need to be adjusted for factors such as relative size, growth, profitability and risk.

The comparable trading multiples are based on prices assessed for small minority parcels of shares. Therefore, the multiples set out above do not include a control premium that would typically apply to a 100% shareholding.

Q & M Dental Group is based in Singapore and is not directly comparable to Abano as a result.

Capitol Health is a diversified business operating across various segments of the healthcare sector. Given it does not have dental operations it is not directly comparable to Abano.

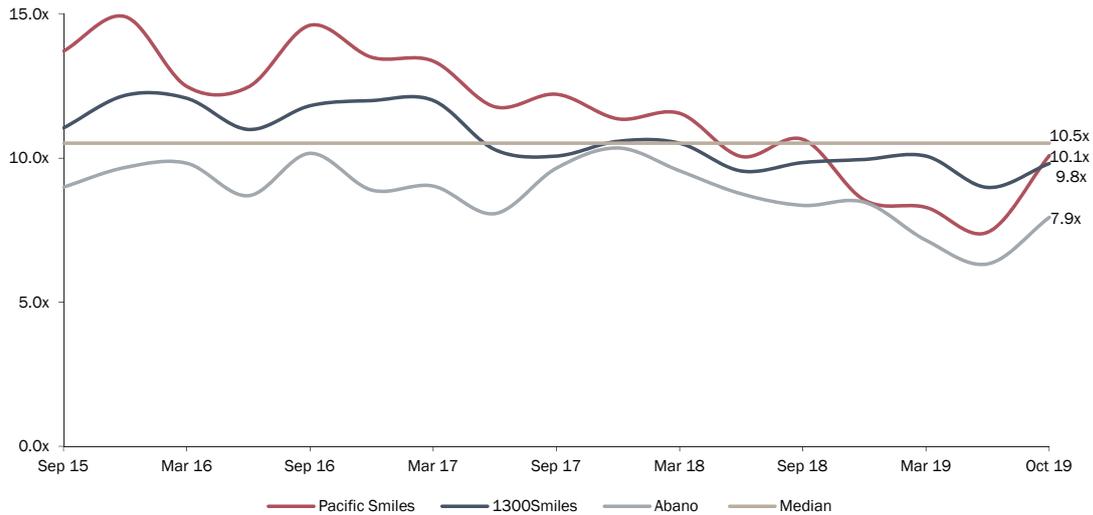
Healius Limited also has diverse business offerings and is much larger than Abano, while its dental business is significantly smaller. We do not consider it directly comparable.

The two most comparable listed companies are 1300Smiles and Pacific Smiles.

¹⁸ Abano has not been included in the calculation of the median forecast EBITDA of 10.1x.

Figure 6.2 below shows the observed historical trading multiples (t+1) of Pacific Smiles, 1300Smiles and Abano from September 2015 to September 2019. All observed historical trading multiples have declined during the observed period, with all three comparable listed companies trading below their 2015 EV/EBITDA multiples. The median trading multiple of all three comparable companies over the period is 10.5x¹⁹ which is higher than all current trading multiples.

Figure 6.2: Observed historical trading multiples (EV/EBITDA)



Source: Capital IQ

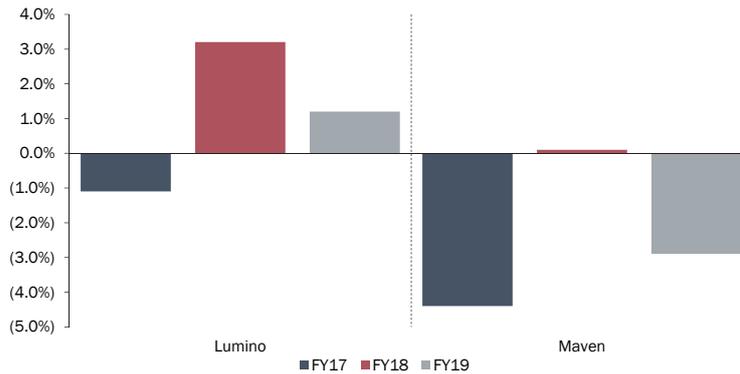
Abano has consistently traded at a discount to its peer companies, except for a brief period in late 2017. We consider the key reasons for Abano trading at a discount to peer companies indicates:

- Abano margins are typically lower than that of the comparable companies analysed. Abano generated an EBITDA margin of approximately 10% (EBITDA/gross revenue) in FY19, compared to its peers 1300Smiles (20.5%) and Pacific Smiles (11.9%).
- Abano's performance has been impacted by its Australian dental practices which has recorded same practice earnings being flat or declining year-on-year.
- In our view, Abano is likely to continue to trade at a discount to its peer companies until it can demonstrate better revenue performance for its Australian dental practices and improved profitability margins through either improved operating profits or a reduction in overheads.

¹⁹ Median of all three peer companies 5-year median EBITDA multiples.

Figure 6.3 below shows the same practice revenue growth of both Lumino and Maven. We note that Abano has not achieved strong same practice revenue growth in the past (this is particularly the case for Maven). Whilst Lumino is experiencing a small amount of same practice revenue growth and has achieved average annual same practice revenue growth of 1.9% over the last five years, Maven has had declining same practice revenue for a number of years.

Figure 6.3: Same practice revenue growth



Source: Abano management

It is difficult to compare Abano’s same practice revenue growth to other Australian dental operations due to the lack of publicly available information. The available data is limited to Pacific Smiles, which has a greenfield model. Its reported same practice revenue growth was 3.8% in FY17, 5.1% in FY18 and 8.6% in FY19, reflecting the increasing numbers of greenfield practices. Abano’s same practice revenue growth is significantly less than that of Pacific Smiles.

However, we do note, Pacific Smiles is primarily an investor in greenfield developments and therefore is not directly comparable to Abano, which acquires existing dental practices where there is less potential for revenue growth. By contrast, we understand from Abano that its greenfield practices have grown in excess of 30% per annum in the first couple of years of operation. There is a distinct difference between same practice performance between a greenfield model of growth compared to growth by acquisition.

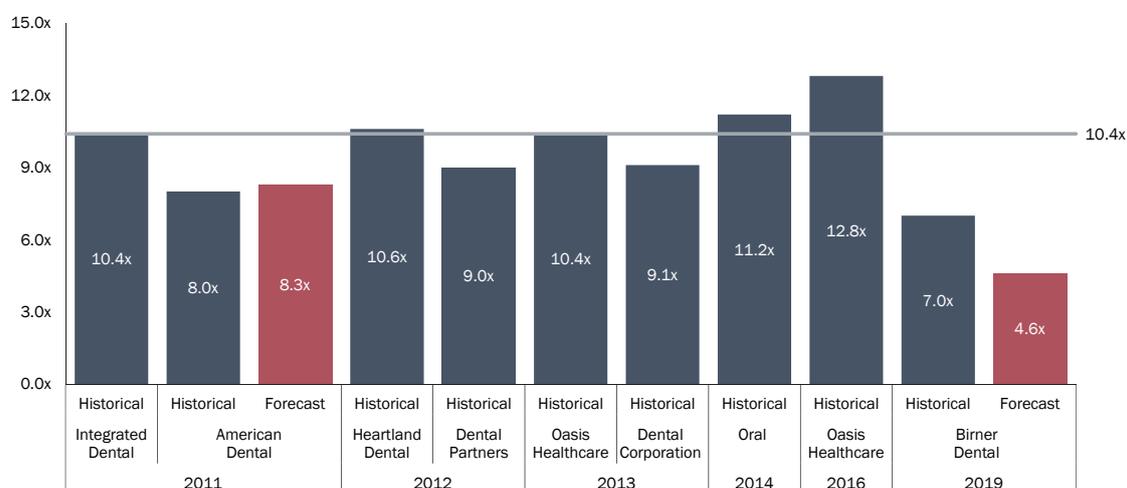
Comparable transaction multiples

Figure 6.4 illustrates the historical and forecast EBITDA multiples implied by announced transactions of broadly comparable businesses which provide dental services.

We have applied the same selection criteria as used for comparable trading multiples, and only transactions announced since the beginning of 2011 were considered. The selected transactions include acquisitions of majority interests. All transactions were completed.

Further details of our analysis, including descriptions of the transactions, are included in Appendix 4.

Figure 6.4: Comparable transactions – historical and forecast EBITDA multiples



Source: Capital IQ and KordaMentha estimates

The following factors are relevant when considering the transaction multiples:

- The transaction multiples presented in Figure 6.4 are historical and forecast multiples based on the companies’ earnings in the most recent 12 months prior to the transaction and 12 months following the transaction. Some of the transactions set out above involved unlisted companies and as such, the level of public information is limited. Typically, assuming the business earnings are increasing, forecast earnings multiples are lower than historical earnings multiples.
- The comparable transactions have historical EBITDA multiples in a wide range of approximately 7x to 13x with an overall median of 10.4x. Despite this, 5 of 9 observed comparable transactions are within only 1x of the median multiple.
- Whilst a number of the target companies have similar business operations to Abano, many of the target companies operate across a number of locations and/or locations which may not represent a similar macro-economic environment.
- A number of the comparable transactions have larger implied enterprise values than Abano. We would expect Abano to have a lower multiple than some of the larger and more diversified international companies. However, we would also expect Abano, all else held constant, to have a higher multiple than some of the smaller international companies such as Birner Corporation which only has an implied enterprise value of US\$38 million.
- Acquisition multiples typically include a premium for control, which usually reflects expected synergies, as well as the prevailing economic environment and other non-quantifiable factors.

We consider the most comparable transactions to be:

- Bupa’s acquisition of Dental Corp when it acquired 220 dental practices in Australia in 2013 at a historical annualised EBITDA multiple of 9.1x.
- Abano’s acquisition of the remaining 30% of Maven in 2012 at a historical earnings multiple of 9.0x normalised EBITDA.
- JLL Partners acquisition of 278 dental practices in the US in 2011 at a forecast EBITDA multiple of 8.3x.

The comparable transaction supports an EBITDA multiple for broadly comparable businesses of 8.5x to 9.0x EBITDA.

Selection of earnings multiple range

We have selected an earnings multiple range between 8.5x and 9.0x to apply to Abano's normalised EBITDA. The selected multiple has been determined as follows:

- 10x EBITDA is the median forecast multiple observed for the comparable listed companies. Despite adjusting the forecast EBITDA multiples to include a control premium, we consider an EBITDA multiple between 8.5x and 9.0x appropriate given Abano has lower profitability margins and revenue growth than the comparable listed companies. This is also consistent with the decline in dental corporate groups trading multiples over the past four years e.g. Pacific Smiles and 1300Smiles both trade below their four-year average trading multiple.
- 8.5x-9.0x EBITDA is broadly reflective of historical and forecast transaction multiples observed.
- Between FY17 and FY19 Abano had a relatively high depreciation expense (and capital expenditure) versus EBITDA, when compared to its peers. All else constant, this would suggest a lower EBITDA multiple.

6.2.2 Normalised earnings

When undertaking a capitalisation of earnings valuation, it is necessary to estimate earnings to which an earnings multiple can be applied.

For valuation purposes, we have assessed Abano's normalised EBITDA at \$33.2 million, as shown in Table 6.1.

Table 6.1: Normalised EBITDA (\$ million)

	Currency	Lumino	Maven	Corporate	Group
Base EBITDA (FY20 Budget)	Local	19.0	20.0	(4.0)	
Adjustment for FY20 acquisitions	Local	(0.4)	-	-	
Adjustment for Practice Partnership Scheme	Local	(0.3)	-	-	
Adjustments for YTD performance and out-turn	Local	(1.0)	-	-	
Adjustment for timing of management initiatives	Local	-	(0.75)	-	
Adjusted FY20B EBITDA	Local	17.3	19.3	(4.0)	
Foreign exchange rate		1.0000	0.9660	1.0000	
Normalised EBITDA used in valuation	NZD	17.3	19.9	(4.0)	33.2

Source: Abano management and RBNZ website

We have estimated Lumino's and Maven's EBITDA based on Abano's FY20 Budget. We consider the budget is the best foundation for an estimate because it incorporates all Abano's currently owned practices. The budget also reflects Abano's current business strategy and management's understanding of recent developments in the dental market.

We have normalised Lumino's earnings, as follows:

- We have deducted the earnings that are included in the FY20 Budget that come from acquisitions that are expected to occur in the second half of FY20. Abano has not yet incurred the capital cost associated with acquiring these practices.
- We have deducted the portion of budgeted earnings that are included in EBITDA, but which accrue to dentists under the Practice Partnership Scheme and would normally be deducted under the EBITDA line.
- Based on November 2019 half year financial accounts, it appears likely that some of the impact from YTD underperformance will be permanent and will not be recovered during the rest of FY20. In addition, some of the issues experienced YTD around recruitment of dentists and available clinician days may persist throughout the remainder of FY20. Partly offsetting this, some of the YTD underperformance was due to practices that made EBITDA losses in the YTD but have since been sold, so will not affect future financial performance. Following discussions with management of likely future performance, we have deducted \$1.0 million to allow for the impact of YTD underperformance.
- Abano management is uncertain around the timing and achievability of the AUD 1.5 million of Maven management initiatives which are included in the FY20 budget. We have assumed 50% of the initiatives will be achieved in FY20. To account for this, we have deducted AUD 0.75 million that would not be achieved in FY20.

We have converted Maven's earnings into NZD based on the foreign exchange rate as at 29 January 2020.

We have set the corporate costs to \$4.0 million, which was advised by Abano management as being the corporate costs needed to operate Abano as a listed entity. This cost is consistent with the cost incurred in FY18, FY19 and FY20 Budget. Of this amount, Abano management advise that \$0.8 million is associated with being a publicly listed company, including listing costs, independent directors' fees, investor relations and other associated costs.

6.2.3 Capitalisation of earnings valuation summary

We have assessed Abano's equity value between \$5.29 and \$5.92 per share, with a midpoint of \$5.60 per share. The calculation is set out at Table 6.2:

Table 6.2: Capitalisation of earnings valuation (\$ millions)

	Low	High
Normalised EBITDA	33.2	33.2
Multiple	8.5x	9.0x
Enterprise value	282.2	298.8
Less: net debt	(137.8)	(137.8)
Less: deferred consideration	(8.1)	(8.1)
Plus: working capital adjustment	2.6	2.6
Equity value	138.9	155.5
Number of shares outstanding (million)	26.3	26.3
Share price	5.29	5.92

Source: KordaMentha estimates

The following factors are relevant when considering the value of Abano's shares:

- We have assessed Abano's enterprise value in the range of \$282 million to \$299 million, based on an assessed EBITDA of \$33.2 million and earnings multiple of 8.5x–9.0x.
- Net debt of \$137.8 million is based on its balance as at 31 December 2019. It includes cash and cash equivalents, non-current borrowings and tax effected derivative financial instruments. Abano had:
 - \$5.2 million cash and cash equivalents as at 31 December 2019.
 - \$137.0 million non-current borrowings were as at 31 December 2019.²⁰
 - \$6.0 million tax effected derivative financial instrument liabilities as at 31 December 2019.²¹
- Deferred consideration of \$8.1 million is based on its balance as at 31 December 2019.
- We have adopted Abano's net debt balance as at 31 December 2019. However, Abano's net working capital liability was \$2.6 million lower as at that date than its average month end balance throughout 2019. To account for the lower working capital liability as at this date, we have made a \$2.6 million adjustment when assessing equity value.
- Abano has 26,282,238 shares on issue, as at the date of this report.
- The range of \$5.29 to \$5.92 per Abano share represents the pro rata value of 100% of Abano, and therefore includes a premium for control.

²⁰ The non-current borrowing balance used in the valuation is based on the NZD and AUD denominated balances as at 31 December 2019, with the AUD balance converted into NZD at an NZD:AUD exchange rate of 0.9660.

²¹ Derivative financial instruments have been measured after taking account of the tax impact of having them closed out.

KordaMentha

Cross-checks

We have assessed the enterprise value of Abano using a notional break-up scenario. Although this is very unlikely, it helps to illustrate the value we would expect to be achieved for the Abano Group of dental practices should the business be broken up and individual dental practices be sold. Our assessment relies on an EBITDA that excludes corporate support office costs and other costs borne by the business and practices which would not be required if the dental practices were operated as standalones. The result of excluding these costs is a group practice EBITDA of approximately \$64 million.

New Zealand dental practices have typically been acquired with EBITDA multiples between 3.0x and 4.0x. Whereas, Australian dental practices have typically been acquired with higher EBITDA multiples between 4.0x and 6.0x. We have assessed a breakup multiple between 4.0x and 5.0x which is in the middle of the New Zealand and Australian dental practice acquisition multiples.

Table 6.3 illustrates a breakup share price with a mid-point of \$5.51, which is towards the lower end of our assessed share price range of \$5.29 and \$5.92. Albeit, our assessed share price range does not take into account cost to sell or redundancy costs of the support office.

Table 6.3: Assessed capitalisation of earnings valuation in the event of a break-up (NZD millions)

	Low	High
Group practice EBITDA	64.0	64.0
Assessed breakup multiple	4.0x	5.0x
Enterprise value	260.0	320.0
Less: net debt	(137.8)	(137.8)
Less: deferred consideration	(8.1)	(8.1)
Plus: working capital adjustment	2.6	2.6
Equity value	112.7	176.7
Number of shares outstanding	26.3	26.3
Share price	4.29	6.72

Source: KordaMentha estimates

EBIT multiple

We have considered the EBIT multiple implied our primary EBITDA valuation approach. For the purpose of this analysis, we have assessed normalised EBIT of \$20.5 million, which is based on the EBITDA we used in our primary valuation approach, less \$12.7 million depreciation and amortisation.

Table 6.4 below shows the implied FY20 EBIT multiple for Abano at between 13.8x and 14.6x when comparing it to the assessed EBIT of \$20.5 million.

Table 6.4: Capitalisation of earnings (NZD millions)

	Low	High
Normalised EBITDA	33.2	33.2
Less depreciation and amortisation	(12.7)	(12.7)
Normalised EBIT	20.5	20.5
Implied multiple	13.8x	14.6x
Enterprise value	282.2	298.8

Source: KordaMentha estimates

The two most comparable companies are 1300Smiles and Pacific Smiles which both have EBIT multiples of 11.9x and 17.8x respectively. The implied EBIT multiple for our valuation of Abano has a mid-point of 14.2x, which is toward the middle of the range for the peer companies analysed.

KordaMentha

We consider the most comparable transactions to be:

- Bupa's acquisition of Dental Corp in 2013 at a historical annualised EBIT multiple of 11.3x.
- JLL's acquisition of American Dental in 2011 at a historical EBIT multiple of 15.5x.

The implied EBIT multiple for our valuation of Abano sits in the range of comparable transactions.

7 Merits of the Scheme

The Code requires the independent adviser to form an opinion as to the merits of the proposed transaction and in doing so to take into consideration issues wider than just a valuation.

The term 'merits' has no definition either in the Code itself or in any statute dealing with securities or commercial law in New Zealand. While the Code does not prescribe a meaning of the term 'merit', it suggests that merits include both positives and negatives in respect of the proposed transaction. We have adopted that approach in preparing this Report on the merits of the Scheme.

7.1 Abano's recent performance

Abano has not achieved strong same practice revenue growth in recent years (this is particularly the case for Maven). While Lumino has experienced a small amount of same practice revenue growth (1.9% average annual growth over five years), Maven has had declining same practice revenue for a number of years.

Abano's share price has tended to decrease over the last two years and reached a low of \$3.35 in June 2019.

The share price decrease seems to have been fuelled by results announcements during FY19 and Abano shifting its strategic focus towards organic growth of its existing dental practice network. Abano has struggled to achieve same practice revenue growth across its dental practice network, particularly in Australia where a number of its dental practices have declining same practice revenue growth. Lumino same practice revenue growth has averaged 1.9% over the previous five years.

In our view, the near-term outlook for Abano is for relatively low earnings growth given (1) the reduction in acquisition activity and (2) same practice revenue and earnings growth being dependent on Abano undertaking a number of initiatives to increase revenue and improve performance of its practices. Many of these initiatives are in the early phase of their introduction and it remains to be seen whether they will be successful. Abano does not have a track record of producing strong same practice growth in its clinics (albeit, this has been impacted by Maven).

7.2 Standalone valuation of Abano

We have assessed the full underlying value of Abano shares at between \$5.29 and \$5.92 per share, as set out in Section 6. The midpoint of our assessed range is \$5.60 per share. Our assessment is based on the value of acquiring 100% of Abano and therefore includes a premium for control.

Our valuation range is based on an earnings multiple range between 8.5x and 9.0x EBITDA, which we have applied to Abano's normalised EBITDA of \$33.2 million.

The proposed consideration of \$5.70 per share is within and slightly above the midpoint of our assessed value range.

The proposed consideration is at a 24% premium to the share price of \$4.58 prior to the Scheme being announced and a 63% premium to the share price of \$3.50 prior to Abano announcing that it had received various expressions of interest on 1 July 2019.

7.3 Voting for or against the Scheme

We are not aware of any significant Abano shareholder formally announcing its intention to vote for or against the Scheme.

Abano's ordinary shares are relatively widely held by institutional and retail investors. Because Abano's shares are widely held the intentions of one or two key shareholders does not make it certain that the Scheme will be approved.

7.4 Alternatives

Abano shareholders could choose to vote against the Scheme, either on the basis that they prefer to continue to be shareholders in a standalone Abano or in the expectation that they might realise superior value through an alternative transaction in the future.

If shareholders do not approve the Scheme, Abano will continue to be listed on the NZX Main Board. In the absence of any other factors, there is a real prospect that Abano's share price may recede from current levels, due to a potential reversal of any positive effect on the share price that has been caused by the announced possibility of the Scheme.

The longer-term consequences of a decision to reject the Scheme are less clear. In our view, the near-term outlook for Abano is for relatively flat financial performance unless management's initiatives to improve same practice revenue and profitability growth are successful. The initiatives have been introduced relatively recently and it remains to be seen how successful they will be. Abano does not have a strong track record of producing same practice growth in its Australian clinics. However, there is potential for growth in both the Australian and New Zealand businesses, partly due to a recovery from a poor FY19 result.

It is possible that Abano shareholders may be able to realise greater value through an alternative transaction in the future. However, it would be presumptive to assume that one will eventuate. We understand that Abano has recently run a competitive process to attract alternative transactions and that no superior alternative proposal has been forthcoming since the announcement of the Scheme.

We are aware that Abano also received alternative proposals to divest certain parts of its business (e.g. Maven or Lumino separately). However, the Directors considered that the Scheme represented the most compelling value for Abano shareholders.

There is nothing to prevent any potential alternative acquirer from announcing its interest in an acquisition of Abano at some time before the Abano shareholders' meeting at which shareholders will vote on the Scheme. In the absence of such a counter-offer, Abano shareholders could have some confidence that there are no superior alternative transactions involving a currently unknown third party, in the near term at least.

7.5 Likelihood of Bidco increasing its proposed consideration

Unless a more attractive alternative proposal from an as yet unidentified third party is forthcoming, we consider it unlikely that Bidco will increase its proposed consideration. The Scheme's proposed consideration has been endorsed by the independent directors and is slightly higher than the mid-point of our valuation range.

Appendix 1: Sources of Information

Documents relied upon

Key information which was used and relied upon, without independent verification, in preparing this report includes the following:

- Abano annual and interim reports
- Abano management accounts
- Abano FY20 budget
- Abano share register as at 20 January 2020
- 1300Smiles annual reports
- Pacific Smiles annual reports
- Dental services in New Zealand, IBISWorld report
- Dental services in Australia, IBISWorld report
- Capital IQ
- Reserve Bank of New Zealand website (www.rbnz.govt.nz)
- Statistics New Zealand website (www.stats.govt.nz)
- Australia Dental Association
- Broker reports
- Other publicly available information.

We have also had discussions with Abano's management in relation to the nature of Abano's business operations, and the known risks and opportunities for the foreseeable future.

Reliance upon information

In forming our opinion, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Abano and its advisers. We have no reason to believe any material facts have been withheld.

We have evaluated that information through analysis, enquiry and examination for the purposes of forming our opinion but we have not verified the accuracy or completeness of any such information. We have not carried out any form of due diligence or audited the accounting or other records of Abano. We do not warrant that our enquiries would reveal any matter that an audit, due diligence review or extensive examination might disclose.

Appendix 2: Qualifications and Declarations

Qualifications

KordaMentha is an independent New Zealand Chartered Accounting practice, internationally affiliated with the KordaMentha group. The firm has established its name nationally through its provision of professional financial consultancy services with a corporate advisory and insolvency emphasis, and because it has no business advisory, audit or tax divisions, avoids any potential conflicts of interest which may otherwise arise. This places the firm in a position to act as an independent adviser and prepare independent reports.

The persons responsible for preparing and issuing this report are Grant Graham, BCom, CA and Shaun Hayward, BCom, BProp, CFA. Both have significant experience in providing corporate finance advice on mergers, acquisitions and divestments, advising on the value of shares and undertaking financial investigations.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of KordaMentha's opinion as to merits of the proposed transaction. KordaMentha expressly disclaims any liability to any Abano security holder that relies or purports to rely on the Report for any other purpose and to any other party who relies or purports to rely on the Report for any purpose.

This report has been prepared by KordaMentha with care and diligence and the statements and opinions given by KordaMentha in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by KordaMentha or any of its officers or employees for errors or omissions however arising (including as a result of negligence) in the preparation of this report, provided that this shall not absolve KordaMentha from liability arising from an opinion expressed recklessly or in bad faith.

Indemnity

Abano has agreed that, to the extent permitted by law, it will indemnify KordaMentha and its partners, employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of this report. This indemnity does not apply in respect of any negligence, misconduct or breach of law. Abano has also agreed to indemnify KordaMentha and its partners, employees and officers for time incurred and any costs in relation to any inquiry or proceeding initiated by any person except where KordaMentha or its partners, employees and officers are guilty of negligence, misconduct or breach of law in which case KordaMentha shall reimburse such costs.

Independence

KordaMentha does not have at the date of this report, and has not had, any shareholding in, or other relationship, or conflict of interest with Abano that could affect its ability to provide an unbiased opinion in relation to this transaction. KordaMentha will receive a fee for the preparation of this report. This fee is not contingent on the success or implementation of the proposed transaction or any transaction complementary to it. KordaMentha has no direct or indirect pecuniary interest or other interest in this transaction. We note for completeness that a draft of this report was provided to Abano and its advisers, solely for the purpose of verifying the factual matters contained in the Report. While minor changes were made to the drafting, no material alteration to any part of the substance of this report, including the methodology or conclusions, were made as a result of issuing the draft.

Consent

KordaMentha consents to the issuing of this report, in the form and context in which it is included, in the information to be sent to Abano shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without the prior written consent of KordaMentha as to the form and context in which it appears.

Appendix 3: Valuation Methodologies

There are four methodologies commonly used for valuing businesses:

- Discounted Cash Flow (DCF) analysis;
- Capitalisation of earnings;
- Estimate of proceeds from an orderly realisation of assets; and
- Industry rules of thumb.

Each of these valuation methodologies is appropriate in different circumstances. A key factor in determining which methodology is appropriate is the actual practice commonly adopted by purchasers of the type of businesses involved.

Discounted cash flow

It is a fundamental principle that the value of an asset or business is represented by its expected future cash flows, discounted to present value at a rate which reflects the risk inherent in those cash flows. This approach, referred to as the DCF methodology, is particularly suited to situations where a business is in a growth phase or requires significant additional investment to achieve its projected earnings.

The DCF methodology requires considerable judgement in estimating future cash flows and the valuer generally places significant reliance on medium to long term projections prepared by management. The DCF valuation methodology can also be very sensitive to changes in underlying assumptions. Notwithstanding these limitations, DCF valuations are appropriate where current earnings are not representative of reasonable expectations of future earnings.

Capitalisation of earnings

The capitalisation of earnings methodology requires an assessment of the maintainable earnings of the business and the selection of an appropriate capitalisation rate, or earnings multiple. This methodology is most appropriate where there is a long history of relatively stable returns and capital expenditure requirements are neither large nor irregular. In practice, it is often difficult to obtain accurate forecasts of future cash flows and therefore the capitalisation of earnings methodology is often used as a surrogate for the DCF methodology.

Realisation of assets

The realisation of assets approach is based on an estimate of the proceeds from an orderly sale of assets. This methodology is more commonly applied to businesses that are not going concerns. The valuation result reflects liquidation values and typically attributes no value to any goodwill associated with on-going trading.

Industry rules of thumb

In some industries, businesses are valued using well established 'rules of thumb'. Generally these rules of thumb are used as a cross-check for other valuation methodologies.

Appendix 4: Valuation Evidence

Comparable listed companies

The EBITDA and EBIT multiples of key listed comparable companies operating across Australasia and Asia, are set out in Table A4.1 below.

Table A4.1: Comparable listed company multiples

Company	Country	Market cap (\$ million)	EBITDA multiples		EBIT multiples	
			FY19	FY20	FY19	FY20
1300Smiles	Australia	163	13.2x	9.8x	16.3x	11.9x
Pacific Smiles Group	Australia	277	11.5x	10.1x	19.9x	17.8x
Capitol Health	Australia	190	7.5x	7.0x	11.4x	10.9x
Healius	Australia	2,086	14.6x	10.2x	22.1x	14.4x
Q & M Dental Group	Singapore	463	13.8x	12.9x	25.2x	23.8x
Median			13.2x	10.1x	19.9x	14.4x
Abano Healthcare	New Zealand	125	8.3x	7.9 ²² x	12.1x	12.5x

Source: Capital IQ and companies' announcements and financial statements

Descriptions of each of the comparable listed companies are set out below.

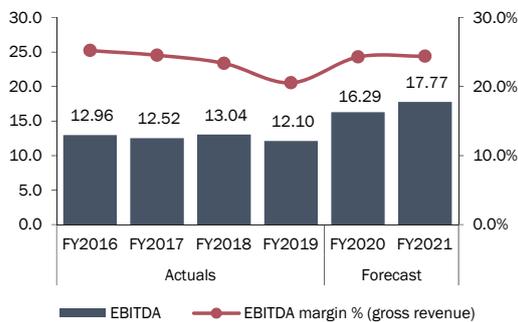
²² Based on Capital IQ consensus estimates

KordaMentha

1300SMILES

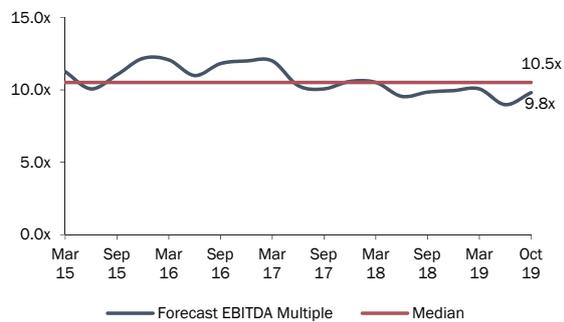
1300SMILES Limited provides dental services in Australia. It enables the delivery of services to patients by offering the use of dental surgeries, practice management and other services to self-employed dentists who carry on their own dental practices. It also provides services in the areas of marketing, administration, billing and collections, and facilities certification and licensing to participating dentists; and support staff, equipment, and facilities, as well as sources various consumable goods. In addition, it offers general, restorative, cosmetic, preventive, and children’s dentistry services, as well as orthodontics services. It serves dentists ranging from new graduates to experienced dental professionals. It owns and operates approximately 36 full-service dental facilities in Queensland, Sydney, and Adelaide. It was founded in 2000 and its headquarters is in Australia.

Figure A4.1: 1300Smiles EBITDA and margins



Source: Capital IQ and KordaMentha estimates

Figure A4.2: 1300Smiles EBITDA multiple



Source: Capital IQ

Table A4.2: 1300SMILES financial performance (AUD million, year ended 30 June)

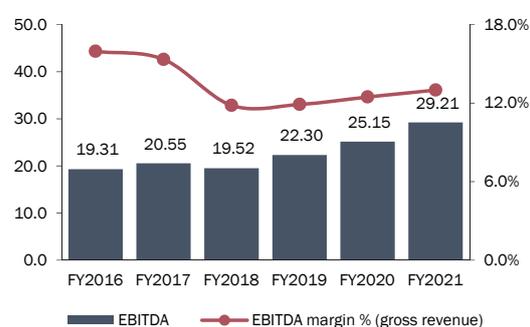
	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Forecast	FY21 Forecast
Gross revenue	51.4	51.0	55.8	58.9	67.1	72.8
EBITDA	12.96	12.52	13.04	12.10	16.29	17.77
EBITDA margin %	25.2%	24.5%	23.4%	20.5%	24.3%	24.4%
EBIT	10.77	10.40	10.73	9.83	13.45	14.81
EBIT margin %	21.0%	20.4%	19.2%	16.7%	20.0%	20.3%
YoY Revenue growth %		(0.2%)	8.5%	3.1%	17.9%	8.6%
YoY EBITDA growth %		(0.3%)	4.2%	(7.2%)	34.6%	9.0%
Capital expenditure	0.59	1.01	2.80	1.97	1.50	1.84
Acquisitions	1	5	9	4		
Total number of practices	18	23	32	36		

Source: Capital IQ, KordaMentha estimates and company financial statements

Pacific Smiles

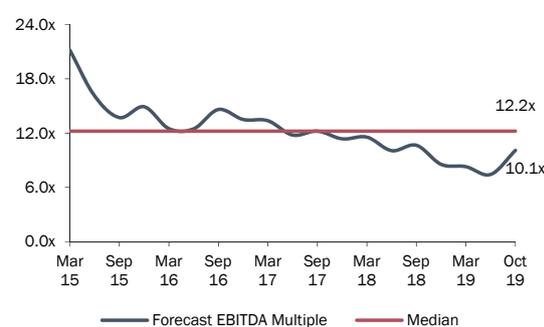
Pacific Smiles Group Limited, owns and operates dental centres under the Pacific Smiles Dental and nib Dental Care brand names in Eastern Australia. It provides general dentistry services, including check-ups, teeth cleaning, fillings, and extractions dental treatments, such as crowns, bridges, fillings, and extractions; advanced dentistry comprising dental implants; and specialist dentistry, such as orthodontics, prosthodontics, endodontics, and periodontics, as well as other treatments under general anaesthetic and intravenous sedation. It operates 70 Pacific Smiles Dental and 10 nib Dental Care centres in Queensland, New South Wales, Victoria, and the Australian Capital Territory. It was incorporated in 2002 and is headquartered in Australia.

Figure A4.3: Pacific Smiles EBITDA and margins



Source: Capital IQ and KordaMentha estimates

Figure A4.4: Pacific Smiles EBITDA multiple



Source: Capital IQ

Table A4.3: Pacific Smiles financial performance (AUD million, year ended 30 June)

	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Forecast	FY21 Forecast
Gross revenue	121.0	134.0	165.0	187.4	201.8	224.8
EBITDA	19.31	20.55	19.52	22.30	25.15	29.21
EBITDA margin %	16.0%	15.3%	11.8%	11.9%	12.5%	13.0%
EBIT	12.63	13.33	11.68	12.90	14.52	18.04
EBIT margin %	10.4%	9.9%	7.1%	6.9%	7.2%	8.0%
YoY Revenue growth %		9.8%	14.3%	16.9%	9.7%	11.4%
YoY EBITDA growth %		6.5%	(5.0%)	14.3%	12.8%	16.2%
Capital expenditure	14.22	13.57	13.77	16.65	15.20	16.06
Acquisitions	9	12	10	10		
Total number of practices	58	70	80	89		

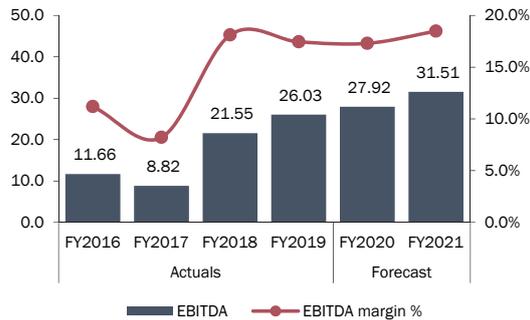
Source: Capital IQ, KordaMentha estimates and company financial statements

KordaMentha

Capitol Health

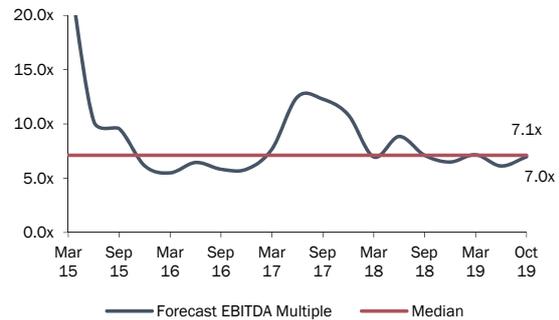
Capitol Health Limited provides diagnostic imaging and related services to the healthcare market in Australia. It owns and operates clinics in Victoria, New South Wales, and Tasmania. It offers a range of diagnostic imaging services, including general x-ray, magnetic resonance imaging, ultrasound, mammography, Doppler, orthopantomogram, echocardiography, computed tomography, CT angiography, cone beam CT, nuclear medicine, bone densitometry, and fluoroscopy. Capitol Health Limited was founded in 2006 and is headquartered in Australia.

Figure A4.5: Capitol Health EBITDA and margins



Source: Capital IQ and KordaMentha estimates

Figure A4.6: Capitol Health EBITDA multiple



Source: Capital IQ and KordaMentha estimates

Table A4.4: Capitol Health financial performance (AUD million, year ended 30 June)

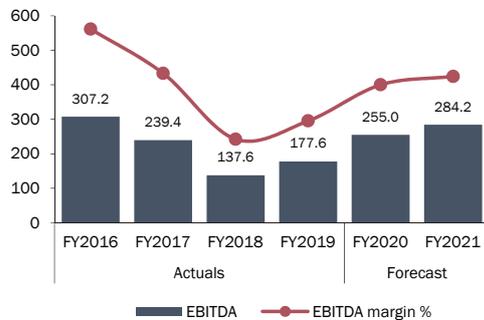
	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Forecast	FY21 Forecast
Revenue	104.29	107.36	119.03	149.24	161.39	170.58
EBITDA	11.66	8.82	21.55	26.03	27.92	31.51
EBITDA margin %	11.2%	8.2%	18.1%	17.4%	17.3%	18.5%
EBIT	7.03	3.19	15.03	17.13	17.94	21.06
EBIT margin %	6.7%	3.0%	12.6%	11.5%	11.1%	12.3%
YoY Revenue growth %		2.9%	10.9%	25.4%	8.1%	5.7%
YoY EBITDA growth %		(24.4%)	144.4%	20.8%	7.3%	12.9%
Capital expenditure	7.47	7.18	6.79	14.75	13.83	10.00

Source: Capital IQ and KordaMentha estimates

Healius

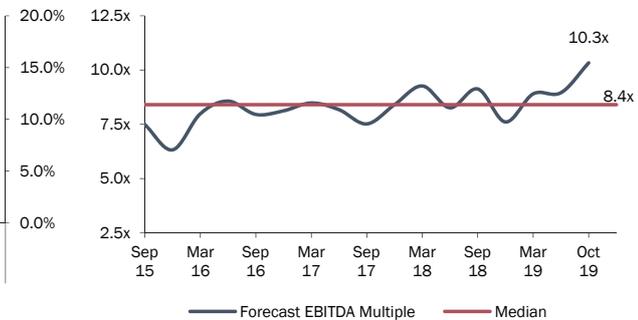
Healius Limited provides various services and facilities to general practitioners, specialists, dentists, IVF specialists, and other healthcare professionals operating in the bulk billing and private billing sector in Australia. It operates through three segments: Pathology, Medical Centres, and Imaging. 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. It also operates medical centres that provide a range of specialist services, such as dental, physiotherapy, occupational health, allied health, IVF, eye specialist, skin specialist, skin cancer check, and consultant specialist services, as well as scanning services from standalone imaging sites, hospitals, and medical centres. It operates 2,318 pathology laboratories and collection centres; 95 medical centres and day hospitals; and 145 imaging sites. Healius was incorporated in 1994 and is based in Australia.

Figure A4.7: Healius EBITDA and margins



Source: Capital IQ and KordaMentha estimates

Figure A4.8: Healius EBITDA multiple



Source: Capital IQ and KordaMentha estimates

Table A4.5: Healius financial performance (AUD million, year ended 30 June)

	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Forecast	FY21 Forecast
Revenue	1,642	1,659	1,705	1,805	1,913	2,010
EBITDA	307	239	138	178	255	284
EBITDA margin %	18.7%	14.4%	8.1%	9.8%	13.3%	14.1%
EBIT	166.90	117.30	80.50	117.40	179.79	202.94
EBIT margin %	10.2%	7.1%	4.7%	6.5%	9.4%	10.1%
YoY Revenue growth %		1.0%	2.8%	5.9%	6.0%	5.1%
YoY EBITDA growth %		(22.1%)	(42.5%)	29.1%	43.6%	11.4%
Capital expenditure	94	75	57	80	181	174

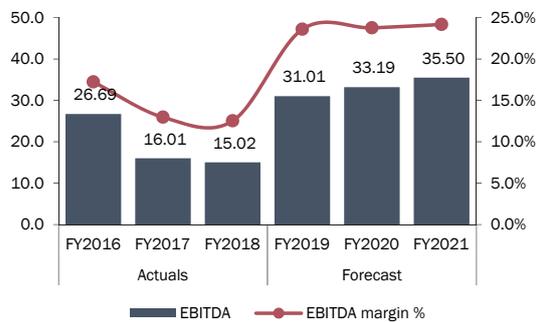
Source: Capital IQ and KordaMentha estimates

KordaMentha

Q & M Dental Group

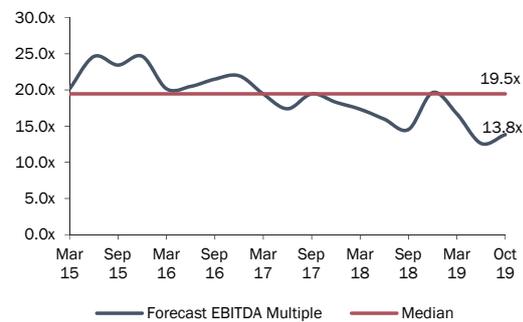
Q & M Dental Group (Singapore) Limited provides private dental healthcare services. It offers various aesthetic/cosmetic, CAD CAM digital, children, general, geriatric, and implant dentistry services; consultation, oral surgery, gum disease and surgery, root canal treatment, scaling and polishing, teeth grinding and whitening, tooth-coloured filling, and oral and wisdom tooth surgery services; and crowns and bridges, dental X-rays, dentures, extractions, mouthguards, orthodontics, and sensitive teeth. It operates 92 dental outlets, 4 medical clinics, and 3 dental supplies and equipment distribution companies in Singapore, Malaysia and the PRC. It has a collaboration agreement with IMU Education to develop an AI-enhanced dental treatment decision support system for the management of various dental problems. It was founded in 1996 and is based in Singapore.

Figure A4.9: Q&M Dental Group EBITDA and margins



Source: Capital IQ and KordaMentha estimates

Figure A4.10: Q&M Dental Group EBITDA multiple



Source: Capital IQ and KordaMentha estimates

Table A4.6: Q & M Dental Group financial performance (SGD million, year ended 30 June)

	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Forecast	FY21 Forecast
Revenue	154.94	123.49	119.89	131.50	139.70	146.90
EBITDA	26.69	16.01	15.02	31.01	33.19	35.50
EBITDA margin %	17.2%	13.0%	12.5%	23.6%	23.8%	24.2%
EBIT	22.23	12.68	11.71	17.00	18.00	32.50
EBIT margin %	14.3%	10.3%	9.8%	12.9%	12.9%	22.1%
YoY Revenue growth %		(20.3%)	(2.9%)	9.7%	6.2%	5.2%
YoY EBITDA growth %		(40.0%)	(6.2%)	106.5%	7.0%	7.0%
Capital expenditure	7.09	5.91	2.75	4.00	4.00	4.00

Source: Capital IQ and KordaMentha estimates

Comparable transactions

The EBITDA and EBIT multiples (which are available) implied by broadly comparable transactions throughout the World before 2011 and 2019 are set out in Table A4.6 below.

Table A4.6: Comparable transaction multiples

Date	Target	Acquirer	Target location	Enterprise value	EBITDA multiples		EBIT multiples	
					Historical	Forecast	Historical	Forecast
Jan-19	Birner Dental	Mid-Atlantic	USA	US\$38m	7.0x	4.6x	n/a	n/a
Jun-14	Oral	Atine Group	Finland	€62m	11.2x	n/a	29.2x	n/a
May-13	Dental Corp	Bupa	Australia	A\$374m	9.1x	n/a	11.3x	n/a
Nov-16	Oasis Healthcare	Bupa Finance	UK	£835m	12.8x	n/a	n/a	n/a
Mar-13	Oasis Healthcare	Bridgepoint	UK	£185m	10.4x	n/a	n/a	n/a
Dec-12	Heartland Dental	Teachers' Capital	USA	US\$800m	10.6x	n/a	n/a	n/a
Jul-12	Dental Partners	Abano	Australia	A\$88m	9.0x	n/a	n/a	n/a
Nov-11	American Dental	JLL Partners	USA	US\$390m	8.0x	8.3x	15.5x	15.6x
Jul-11	Integrated Dental	Carlyle Group	UK	£600m	10.4x	n/a	n/a	n/a
Median					10.4x	8.3x	15.5x	15.6x

Source: Capital IQ, KordaMentha estimates and company announcements and financial statements

Birner Dental Group / Mid-Atlantic Dental Corporation

Birner Dental Group provides business services to dental practices in America and Canada. It offers general dentistry services, including crowns and bridges. It also provides cleanings and periodontal services comprising root planning and scaling and specialty dental services consisting of orthodontics, oral surgery, paediatrics, endodontics, and periodontics. It manages 68 practices across American and Canada.

Mid-Atlantic Dental Service Holdings agreed to acquire Birner Dental Management Services for USD\$20.4 million on 3 October, 2018. Mid-Atlantic purchased all the shares of Birner for \$10.62 in cash and Birner shareholders also received one contingent value right per share of Birner common stock, which represented the right to receive a contingent cash payment of \$0.13 per share under certain circumstances following closing.

Oral/Atine Group

Oral Hammaslääkärit Plc provides dental health care services in Finland. It operates a chain of dental clinics. Its services include bad breath, children's dental care, dental and oral examination and care, dental care under anaesthesia, dental implants, emergencies, aesthetic dental care, prosthetic dentistry, occupational dental care, and oral and maxillofacial surgery. It also offers oral hygienist services, orthodontic treatment, root canal therapy, home care for mouth and teeth, sensitive teeth, tartar removal, tooth extraction, and treatment of gum diseases and malocclusion, as well as dental X-ray services.

Dental Corporation/Bupa

Dental Corporation was founded in 2007. It acquires and collaborates with quality dental clinics, comprised of more than 220 clinics and over 800 dentists.

Bupa agreed to acquire Dental Corporation Pty. Ltd. from Fortis Healthcare International Pte Ltd., management, dentists and others for approximately AUD 350 million on 16 December 2012. Additional earn out payments were conditional on practice performance.

This transaction was undertaken at an earnings multiple of 9.1x historical annualised EBITDA. A multiple based on 'annualised' earnings is effectively a blend of a historical and forecast earnings multiple.

KordaMentha

Oasis Healthcare/Bupa

Oasis Healthcare engages in the operation of dental practices in the United Kingdom. Its services include dental, restorative, and straightening treatments, as well as whitening and brightening, and dental implants. It has approximately 360 practices.

Bupa Finance agreed to acquire Oasis Healthcare from Bridgepoint Advisers Limited and Duke Street LLP for approximately £835 million on 18 November 2016.

Oasis Healthcare/Bridgepoint

Bridgepoint Advisers Limited and Duke Street agreed to acquire Oasis Healthcare Limited from Duke Street and management for approximately £185 million. Oasis Healthcare reported revenues of £150 million in 2013.

Dental Partners/Abano

Dental Partners (now known as Maven) provides general, cosmetic, and specialist dental services for toddlers, children, teens, young adults, adults, and senior patients in Australia. It offers emergency dental services for toothaches. It also provides cosmetic dentistry treatments and services, such as bridges, crowns, dental implants, teeth whitening, invisalign, and veneers. In addition, it offers children's dentistry, hygiene services, exam and X-rays, orthodontics and a range of other dental services.

Abano acquired the remaining 30% equity stake in Dental Partners Pty Ltd. from Mike Timoney, David Garofalo and a number of founding dentists for AUD 14.4 million. At this time, Dental Partners had AUD 41 million net debt. This transaction implied an enterprise value of AUD 87.8 million. This transaction was agreed after the 31 May 2012 balance date, but before the FY12 financial accounts had been finalised. However, based on the expected financial results, it was completed at an implied historical earnings multiple of 9.0x Normalised EBITDA.

American Dental Partners/JLL Partners

American Dental Partners, Inc. provides business services, dental facilities, and support staff to multidisciplinary dental group practices in the United States. It acquires selected assets of the dental practices with which it affiliates and enters into service agreements with professional corporations, professional associations, or service corporations. As of December 31, 2010, it was affiliated with 26 dental group practices comprising 576 dentists practicing in 278 dental facilities in 21 states.

JLL Partners Fund VI, L.P. of JLL Partners acquired American Dental Partners, for approximately \$300 million in cash. Under the terms of consideration, shareholders of American Dental Partners would receive \$19 in cash. The stock options of American Dental Partners that are unvested will immediately vest upon closing of the transaction and will be paid an amount for each option equal to the amount by which \$19 exceeds the option exercise price.

Integrated Dental/Carlyle Group

Integrated Dental Holdings Limited provides general dental services.

Private equity firm Carlyle signed a £450m deal to create the UK's biggest dental group with about 450 practices across the UK. Carlyle bought Integrated Dental from the buy-out division of Bank of America Merrill Lynch and merged it with rival Associated Dental Practices (ADP), owned by Palamon Capital. The merged entity had almost 450 dental practices. The implied enterprise value is £600m. At the time of the transaction, the combined entities treated more than 3.5 million patients.

ANNEXURE B: SCHEME PLAN

SCHEME PLAN

**SCHEME OF ARRANGEMENT RELATING TO ABANO
HEALTHCARE GROUP LIMITED**



Dated

2020

Parties**ABANO HEALTHCARE GROUP LIMITED** (“**Abano**”)**ADAMS NZ BIDCO LIMITED** (“**Bidco**”)**SCHEME SHAREHOLDERS** (as defined below)**Agreed Terms****1. DEFINITIONS AND INTERPRETATION****1.1 Definitions:** In this Scheme Plan:

“**Business Day**” means a day (other than a Saturday, Sunday or public holiday) in which trading banks are open for over-the-counter banking business in Auckland, New Zealand; Sydney, Australia; Melbourne, Australia; and Toronto, Canada.

“**Companies Act**” means the Companies Act 1993.

“**Conditions**” means:

- (a) the conditions set out in clause 3.1 of the Scheme Implementation Agreement; and
- (b) such other conditions made or required by the Court under section 236(1) of the Companies Act and approved in writing by Abano and BidCo.

“**Court**” means the High Court of New Zealand, Auckland Registry.

“**Deed Poll**” means the deed poll entered into by Bidco in favour of the Scheme Shareholders dated [].

“**End Date**” means;

- (a) the date that is six months after the date of the Scheme Implementation Agreement or, if extended by Abano or Bidco in accordance with any of paragraphs (a)(i), (a)(ii) or (a)(iii) of the definition of “End Date” in the Scheme Implementation Agreement, the date that is seven, eight or nine months respectively (with the last applicable paragraph prevail) after the date of the Scheme Implementation Agreement; or
- (b) such other date as Bidco and Abano agree in writing.

“Encumbrance” means:

- (a) a mortgage, charge, lien, encumbrance, pledge, security interest (including any ‘security interest’ within the meaning of section 17(1)(a) of the Personal Property Securities Act 1999); and
- (b) any other adverse interest or interest of a third party of any kind, whether legal or otherwise.

“Escrow Agreement” means the escrow agreement dated [] between Bidco, Abano and the Registrar.

“Excluded Shares” means any Shares nominated in writing by Bidco to Abano not less than two Business Days prior to the Scheme Record Date which are held or controlled by Bidco or any of its associates (as that term is defined in the Takeovers Code) at the Scheme Record Date.

“Final Orders” means orders of the Court on application of Abano that the Scheme be binding on Abano, Bidco, Scheme Shareholders and/or such other person or class of persons as the Court may specify, subject to the conditions in clause 2, in accordance with section 236(1) (and section 237, if applicable) of the Companies Act.

“Final Orders Date” means the date on which the Final Orders are granted by the Court.

“FIRB Condition” means the condition set out in clause 3.1(d) of the Scheme Implementation Agreement.

“Government Authority” means any foreign or New Zealand government or governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of New Zealand.

“Implementation Date” means the date on which the Scheme is to be implemented, being (at the election of Bidco):

- (a) any date during the period beginning on the date that is three Business Days after the Scheme Record Date and ending on (and including) the date that is seven Business Days after the Scheme Record Date, provided that such election is made by Bidco before 11.59 pm on the day which is the later of:
 - (i) the Final Orders Date; and
 - (ii) the date on which the last of the OIO Condition and the FIRB Condition is satisfied; or
- (b) such other date as Bidco and Abano agree in writing.

“NZX” means NZX Limited or the main board financial market that it operates, as the context requires.

“OIO Condition” means the condition set out in clause 3.1(c) of the Scheme Implementation Agreement.

“Register” means the register of Shares maintained by the Registrar on behalf of Abano.

“Registered Address” means, in relation to a Shareholder, the address shown in the Register as at the Scheme Record Date.

“**Registrar**” means Computershare Investor Services Limited.

“**Scheme**” means this scheme of arrangement, subject to any alterations or conditions made or required by the Court under section 236(1) of the Companies Act and approved by Bidco and Abano in writing.

“**Scheme Booklet**” means the notice of meeting and scheme booklet dated [] prepared by Abano in relation to the Scheme.

“**Scheme Consideration**” means NZ\$5.70 in respect of each Share held by a Scheme Shareholder reduced (except for the purposes of clauses 1.6, 5.2(a)(iii), 5.2(c)(ii), 5.11(a)(ii), 5.13(b), 5.13(c), 5.13(d), 11.2(a)(v) and 12.4 of the Scheme Implementation Agreement) by the per Share value (including, for clarity, any withholding tax deducted from the dividend) of any dividend the record date for which falls between the date of the Scheme Implementation Agreement and the Implementation Date;

“**Scheme Implementation Agreement**” means the scheme implementation agreement dated 11 November 2019 between Bidco and Abano.

“**Scheme Record Date**” means 5.00pm on the date which is four Business Days after the later of:

- (a) the Final Orders Date; and
- (b) the date on which the last of the OIO Condition and the FIRB Condition is satisfied,

or such other date agreed between Bidco and Abano in writing.

“**Scheme Shareholder**” means a person who is registered in the Register as the holder of one or more Scheme Shares as at the Scheme Record Date.

“**Scheme Shares**” means all of the Shares on issue at the Scheme Record Date other than Excluded Shares.

“**Share**” means a fully paid ordinary share in the capital of Abano.

“**Shareholder**” means a person who is registered in the Register as the holder of one or more Shares from time to time.

“**Special Meeting**” means the special meeting of Shareholders ordered by the Court to be convened pursuant to section 236A(2) of the Companies Act in respect of the Scheme (and includes any adjournment of that meeting).

“**Takeovers Code**” means the takeovers code approved in the Takeovers Regulations 2000 (SR 2000/210) as amended, including by any applicable exemption granted by the Takeovers Panel under the Takeovers Act 1993.

“**Trust Account**” has the meaning set out in clause 3.1.

“**Unconditional**” means the satisfaction of each of the conditions set out in clause 2.

1.2 **Interpretation:** In this Scheme Plan:

- (a) headings are for convenience only and do not affect the interpretation of this Scheme Plan;
- (b) the singular includes the plural and the plural includes the singular;

- (c) words of any gender include all genders;
- (d) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Authority, as well as an individual;
- (e) a reference to a clause, is a reference to a clause of this Scheme Plan;
- (f) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them (whether passed by the same or another Government Authority with legal power to do so);
- (g) a reference to a document (including this Scheme Plan) includes all amendments or supplements to, or replacements or novations of, that document;
- (h) the word 'includes' in any form is not a word of limitation;
- (i) a reference to '\$', 'NZ\$' or 'dollar' is to New Zealand currency, unless denominated otherwise;
- (j) a reference to any time is, unless otherwise indicated, a reference to that time in Auckland, New Zealand;
- (k) a reference to a party to a document includes that party's successors and permitted assignees; and
- (l) no provision of this Scheme Plan will be construed adversely to a party because that party was responsible for the preparation of this Scheme Plan or that provision.

1.3 **Business Day:** Where the day on, or by which, any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day, unless otherwise indicated.

2. CONDITIONS

The implementation of the Scheme is conditional in all respects on:

- (a) all of the Conditions having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement by 8.00am on the Implementation Date;
- (b) neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with its respective terms before 8.00am on the Implementation Date; and
- (c) such other conditions made or required by the Court under section 236(1) and 237 of the Companies Act and agreed to in writing by Abano and Bidco having been satisfied or waived (to the extent capable of waiver) before 8.00am on the Implementation Date.

3. PAYMENT OF SCHEME CONSIDERATION INTO TRUST ACCOUNT

3.1 **Obligation to pay Scheme Consideration into Trust Account:** Subject to the Scheme Implementation Agreement not having been terminated and the Scheme having become Unconditional (save for the Conditions set out in clauses 3.1(e) to (g) (inclusive) of the Scheme Implementation Agreement), Bidco must deposit (or procure the deposit of) an amount equal to the aggregate amount of the Scheme Consideration payable to Scheme Shareholders in immediately available cleared funds in a New Zealand dollar denominated trust account operated by the Registrar

and notified to Bidco at least 10 Business Days prior to the Implementation Date (“**Trust Account**”), by no later than 4.00pm on the Business Day before the Implementation Date.

3.2 **Registrar must hold funds on trust prior to implementation:** Prior to payment of the Scheme Consideration in accordance with clause 4.1(b) and clause 5, the Registrar will hold all amounts deposited by Bidco into the Trust Account on trust for Bidco under the Escrow Agreement. If the Scheme is not implemented for any reason by 5.00pm on the Implementation Date, the Registrar must repay all amounts in the Trust Account to Bidco in accordance with Bidco’s written instructions to the Registrar.

3.3 **Interest:** Any interest on the amounts deposited by Bidco into the Trust Account is payable to Bidco in accordance with Bidco’s written instructions to the Registrar.

4. IMPLEMENTATION OF THE SCHEME

4.1 **Implementation obligations:** Subject to the conditions set out in clause 2 being satisfied and the Scheme Consideration having been deposited in accordance with clause 3.1, commencing at 9.00am on the Implementation Date and in the following order:

- (a) without any further act or formality all the Scheme Shares, together with all rights and entitlements attaching to them as at the Implementation Date, will be transferred to Bidco and Abano must enter, or procure the entry of, the name of Bidco in the Register in respect of all of the Scheme Shares; and then
- (b) subject to compliance in full with clause 4.1(a), Bidco is deemed to have authorised and instructed the Registrar to pay from the Trust Account the Scheme Consideration to each Scheme Shareholder based on the number of Scheme Shares held by such Scheme Shareholder as set out in the Register on the Scheme Record Date in accordance with clause 5.

5. PAYMENT OF THE SCHEME CONSIDERATION

5.1 **Method of payment:** The payment under clause 4.1(b) will be satisfied by:

- (a) where a Scheme Shareholder has prior to the Scheme Record Date, made a valid election in accordance with the requirements of Abano and the Registrar to receive payments from Abano by electronic funds, the Registrar must pay the Scheme Consideration to the Scheme Shareholder by electronic transfer of the relevant amount to a bank account nominated by that Scheme Shareholder in accordance with the Scheme Shareholder’s election (unless the Registrar in its absolute discretion elects to make payment in accordance with clause 5.1(b)); or
- (b) otherwise by the Registrar sending a cheque for the relevant amount to the Scheme Shareholder by prepaid post to the Scheme Shareholder’s Registered Address, such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.2).

5.2 **Joint holders:** In the case of Scheme Shares held in joint names:

- (a) subject to clause 5.1, the Scheme Consideration is payable to the joint holders and any cheque required to be sent under this Scheme Plan will be made payable to the joint holders and sent to

either, at the sole discretion of Abano, the holder whose name appears first in the Register as at the Scheme Record Date or to the joint holders; and

- (b) any other document required to be sent under this Scheme Plan, will be sent to either, at the sole discretion of Abano, the holder whose name appears first in the Register as at the Scheme Record Date or to the joint holders.

5.3 **Surplus in Trust Account:** To the extent that, following satisfaction of the obligations under clause 4.1(b), there is a surplus in the Trust Account, the Registrar must pay that surplus (less any amount retained under clause 5.5(b)) to Bidco in accordance with Bidco's written instructions to the Registrar.

5.4 **Unclaimed monies:**

- (a) Bidco may cancel, and may instruct the Registrar to cancel, a cheque issued under clause 5.1(b) if the cheque:
 - (i) is returned to Abano or the Registrar; or
 - (ii) has not been presented for payment within six months after the Implementation Date.
- (b) During the period of six months after the Implementation Date, on request in writing from a Scheme Shareholder to Abano, the Registrar or Bidco, Bidco must reissue, or procure the reissue of, a cheque that was previously cancelled under clause 5.4(a).

5.5 **Orders of a court or Government Authority:** Notwithstanding any other provision of this Scheme Plan, if written notice is given to Abano on or prior to the Scheme Record Date of an order or direction made by a court of competent jurisdiction or a Government Authority that:

- (a) requires consideration to be provided to a third party in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder in accordance with clause 4.1(b), Abano will be entitled to procure, and Bidco will be deemed to have instructed the Registrar to ensure, that provision of that consideration is made in accordance with that order or direction; or
- (b) prevents the consideration from being provided to any particular Scheme Shareholder in accordance with clause 4.1(b), or the payment of such consideration is otherwise prohibited by applicable law, the payment (equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration) will be retained in the Trust Account until such time as provision of the consideration to the Scheme Shareholder in accordance with clause 4.1(b) is permitted by that order or direction or otherwise by law. Any amount so retained under this clause 5.5(b) may, at Bidco's absolute discretion, be transferred from the Trust Account and held by Abano or any of Abano's related companies, provided that Bidco procures that such company complies with the obligations under this clause to pay such consideration to any applicable Scheme Shareholders,

and such provision or retention (as the case may be) will constitute the full discharge of Bidco's and Abano's obligations under clause 4.1(b) with respect to the amount so provided or retained.

6. DEALING IN SHARES

6.1 **Recognition of dealings:** To establish the identity of the Scheme Shareholders for the purposes of the Scheme:

- (a) dealings in Shares will only be recognised if:
 - (i) in the case of dealings of the type to be effected through NZX's clearing and settlement system, the transferee is registered in the Register as the holder of the relevant Shares as at 5.00 pm on the Scheme Record Date; and
 - (ii) in all other cases, registrable transmission applications or transfers in respect of those dealings, or valid requests in respect of other alterations, are received on or before 5.00pm on the Scheme Record Date at the place where the Register is kept; and
- (b) Abano must not accept for registration, nor recognise for any purpose (except a transfer to Bidco pursuant to this Scheme Plan and any subsequent transfer by BidCo or its successors in title), any Share transfer or Share transmission application or other similar request received after 5.00 pm on the Scheme Record Date or received prior to such time but not in registrable or actionable forms.

6.2 Register:

- (a) Abano must register registrable transmission applications or transfers of the Scheme Shares in accordance with clause 6.1(a)(ii) on or before 5.00pm on the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires Abano to register a transfer that:
 - (i) relates to a transfer of Shares on which Abano has a lien; or
 - (ii) would result in a Shareholder holding a parcel of Shares that is less than a 'minimum holding' (for the purposes of this clause 6.2(a) 'minimum holding' has the meaning given in the NZX Listing Rules).
- (b) 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, on or after the Scheme Record Date otherwise than pursuant to this Scheme Plan, and any attempt to do so will have no effect and Abano and Bidco are entitled to disregard any such disposal.
- (c) For the purpose of determining entitlements to the Scheme Consideration, Abano must maintain the Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for Shares (other than statements of holding in favour of Bidco) will cease to have effect after 5.00pm on the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Register (other than entries on the Register in respect of Bidco) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of Shares relating to that entry.
- (e) As soon as possible on the first Business Day after the Scheme Record Date and in any event by 5.00pm on that day, Abano must make available to Bidco in the form Bidco reasonably requires, details of the names, Registered Addresses and holdings of Abano Shares for each Scheme Shareholder as shown in the Register on the Scheme Record Date.

7. GENERAL PROVISIONS

7.1 **Amendments to Scheme Consideration:** Bidco may increase the Scheme Consideration by written notice at any time to Abano prior to the Scheme Meeting, provided that the Scheme Implementation Agreement has not been terminated in accordance with its terms prior to the receipt of such notice by Abano.

7.2 **Title to and rights in Scheme Shares:**

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme Plan to Bidco will, at the time of transfer of them to Bidco, vest in Bidco free from all Encumbrances and free from any restrictions on transfer of any kind.
- (b) Each Scheme Shareholder is taken to have warranted to Bidco on the Implementation Date that all their Scheme Shares (including any rights and entitlements attaching to those Shares) which are transferred under this Scheme Plan will, at the time of transfer, be fully paid and free from all Encumbrances and restrictions on transfer of any kind, and that the Scheme Shareholder has full power and capacity to transfer the Scheme Shareholder's Shares to Bidco together with any rights and entitlements attaching to those Shares.

7.3 **Authority given to Abano:** Each Scheme Shareholder, without the need for any further act:

- (a) on the date which is the later of:
 - (i) Final Orders Date; and
 - (ii) the date on which the last of the OIO Condition and the FIRB Condition is satisfied, irrevocably appoints Abano and each of its directors (jointly and each of them severally) as the Scheme Shareholder's attorney and agent for the purpose of enforcing the Deed Poll against Bidco (but without limiting each Scheme Shareholder's right to itself enforce the Deed Poll); and
- (b) on the Implementation Date, irrevocably appoints Abano and each of its directors (jointly and each of them severally) as the Scheme Shareholder's attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to the Scheme and the transactions contemplated by it,

and Abano, for itself and on behalf of each of its directors, accepts each such appointment. Each such attorney and agent, may sub-delegate its functions, authorities or powers under this clause 7.3 to one or more of Abano's officers.

7.4 **Binding effect of Scheme:**

- (a) The Scheme binds:
 - (i) Abano;
 - (ii) Bidco; and

(iii) all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting).

(b) In the event of any inconsistency, this Scheme Plan overrides the constitution of Abano.

7.5 **End Date:** If the Scheme has not become Unconditional on or before the date that is 11 Business Days after the End Date, or if the Scheme Implementation Agreement is terminated in accordance with its terms at any time, this Scheme Plan is immediately void and of no further force or effect (other than any provision of the Scheme or this Scheme Plan relating to the repayment to Bidco of any funds deposited in accordance with clause 3).

7.6 **No liability when acting in good faith:** Each Scheme Shareholder agrees that none of the directors, officers, employees or advisers of Abano or Bidco will be liable for anything done or omitted to be done in the performance of the Scheme in good faith.

7.7 **Governing law:** This Scheme Plan is governed by and must be construed in accordance with the laws of New Zealand. The parties submit to the exclusive jurisdiction of the courts of New Zealand in respect of all matters arising out of or relating to this Scheme Plan, its performance or subject matter. Bidco irrevocably waives any objection to the venue of any legal process in the courts of New Zealand on the basis that the process has been brought in an inconvenient forum.

ANNEXURE C: DEED POLL

DEED POLL

**SCHEME OF ARRANGEMENT RELATING TO ABANO
HEALTHCARE GROUP LIMITED**

Dated

2020

BY:**ADAMS NZ BIDCO LIMITED (“Bidco”)****IN FAVOUR OF:****SCHEME SHAREHOLDERS** (as defined below)

Introduction

- A. Abano Healthcare Group Limited (“**Abano**”) and Bidco are parties to the Scheme Implementation Agreement.
- B. Abano has agreed in the Scheme Implementation Agreement to propose a scheme of arrangement between Abano, Bidco and the Scheme Shareholders, the effect of which will be that all Scheme Shares will be transferred to Bidco, and Bidco will provide or procure the provision of the Scheme Consideration to the Scheme Shareholders.
- C. Bidco is entering into this Deed Poll for the purpose of undertaking in favour of Scheme Shareholders to pay the Scheme Consideration to Scheme Shareholders in accordance with the terms of the Scheme Plan.

This Deed Records**1. DEFINITIONS AND INTERPRETATION****1.1 Definitions:** In this Deed Poll:

“**Scheme Plan**” means the scheme plan attached as Schedule Four to the Scheme Implementation Agreement, subject to any alterations or conditions approved by Bidco and Abano in writing and which are disclosed to the Court prior to the Court making the Final Orders.

1.2 Other defined terms: Words defined in the Scheme Plan which are not separately defined in this Deed Poll have the same meaning when used in this Deed Poll.**1.3 Interpretation:** Clauses 1.2 and 1.3 of the Scheme Plan apply to the interpretation of this Deed Poll, except that references to “this Scheme Plan” are to be read as reference to “this Deed Poll”.

2. NATURE OF THIS DEED POLL

2.1 Third party rights and appointment of attorney:

- (a) This Deed Poll is intended to and does confer a benefit on, and may be relied on and enforced by, any Scheme Shareholder in accordance with its terms under subpart 1 of part 2 of the Contract and Commercial Law Act 2017 (but not otherwise), even though the Scheme Shareholders are not party to it.
- (b) Under the Scheme Plan each Scheme Shareholder appoints Abano and each of its directors (jointly and each of them severally) as the Scheme Shareholder's agent and attorney to enforce this Deed Poll against Bidco with effect on and from the date prescribed for such appointment in the Scheme Plan (but without limiting each Scheme Shareholder's right to itself enforce this Deed Poll).
- (c) Notwithstanding clause 2.1(a) and 2.1(b), this Deed Poll may be varied by Bidco and Abano in accordance with clause 7.2 without the approval of any Scheme Shareholder.

2.2 Continuing obligations: This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until either:

- (a) Bidco has fully performed its obligations under it; or
- (b) it is terminated under clause 3.2.

3. CONDITIONS

3.1 Conditions: This Deed Poll, and the obligations of Bidco under it, are conditional in all respects on the Scheme becoming Unconditional.

3.2 Termination: The obligations of Bidco under this Deed Poll will automatically terminate, and the terms of this Deed Poll will be of no force or effect, if:

- (a) the Scheme Implementation Agreement is validly terminated in accordance with its terms before the Scheme becomes Unconditional; or
- (b) the Scheme does not become Unconditional on or before the date that is 11 Business Days after the End Date,

unless Bidco and Abano otherwise agree in writing.

3.3 Consequences of termination: If this Deed Poll is terminated under clause 3.2, then Bidco is released from its obligations to further perform this Deed Poll.

4. SCHEME CONSIDERATION

4.1 Subject to the Scheme Implementation Agreement not being terminated and the Scheme having become Unconditional (save for the Conditions set out in clause 3.1(e) to (g) (inclusive) of the Scheme Implementation Agreement), Bidco undertakes in favour of each Scheme Shareholder to deposit, or procure the deposit of, in immediately available cleared funds, by no later than 4.00pm on the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders as set out in the Scheme Plan, such deposit

to be made into the Trust Account to be held and dealt with by the Registrar in accordance with the Scheme Plan; and

- 4.2 Subject to clause 3, Bidco irrevocably acknowledges and agrees that, subject to compliance in full with clause 4.1(a) of the Scheme Plan, the Scheme Consideration deposited into the Trust Account must be, and will be, paid in accordance with clauses 4.1(b) and 5 of the Scheme Plan in satisfaction of Scheme Shareholders' respective entitlements to receive the Scheme Consideration under the Scheme in accordance with the Scheme Plan.

5. WARRANTIES

- 5.1 Bidco warrants in favour of each Scheme Shareholder that:

- (a) it is a company incorporated under the Companies Act;
- (b) it has the corporate power to enter into, and perform its obligations under, this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- (c) it has taken all necessary corporate action to authorise its entry into this Deed Poll and has taken, or will prior to the Implementation Date take, all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- (d) this Deed Poll is valid and binding on it and enforceable against it in accordance with its terms; and
- (e) this Deed Poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

6. NOTICE

- 6.1 **Manner of giving notice:** Any notice or other communication to be given under this Deed Poll must be in writing and may be physically delivered or sent by email to Bidco as follows:

Address: Level 26, 101 Collins Street
Melbourne VIC 3000
Australia
Attention: Simon Harle
Email: james.cooney@bellgully.com

with a copy to (which will not constitute notice):

Address: Bell Gully
Vero Centre
PO Box 4199
48 Shortland Street, Auckland 1140
Attention: James Cooney
Email: james.cooney@bellgully.com

- 6.2 **When notice given:** Any notice or other communication is deemed to have been given (in the absence of earlier receipt):

- (a) if delivered, on the date of delivery; or
- (b) if sent by post, on the third day after it was put into the post (for post within the same country) or on the fifth day after it was put into the post (for post sent from one country to another); or
- (c) if sent by email, upon the generation of a receipt notice by the recipient's server or, if such notice is not so generated, upon delivery to the recipient's server,

but if the notice or other communication would otherwise be taken to be received after 5.00pm or on a Saturday, Sunday or public holiday in the place of receipt then the notice or communication is taken to be received at 9.00am on the next day that is not a Saturday, Sunday or public holiday in the place of receipt.

- 6.3 **Proof of service:** In proving service of a notice or other communication, it is sufficient to prove that delivery was made or that the envelope containing the communication was properly addressed and posted either by prepaid post or by prepaid airmail or that the email was properly addressed and transmitted as the case may be.

7. GENERAL

7.1 Waiver:

- (a) Bidco may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right in respect of the Scheme unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) For the purposes of clause 7.1(a):
 - (i) conduct includes a delay in exercising a right;
 - (ii) right means any right arising under or in connection with this Deed Poll and includes the right to rely on this clause; and
 - (iii) waiver includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

7.2 Variation:

- (a) Subject to clauses 7.2(b) and 7.2(c), this Deed Poll may not be varied.
- (b) Before the date on which the Final Orders are made, this Deed Poll may be varied by agreement in writing between Bidco and Abano, in which event Bidco will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.
- (c) If the Court orders that it is a condition of the Scheme that Bidco enter into a new deed poll which has the effect of reversing any variation under clause 7.2(b), then, if Bidco so agree, Bidco must promptly enter into a further deed poll in favour of the Scheme Shareholders to give effect to the reversal of that variation.

- 7.3 **Cumulative rights:** The rights, powers and remedies of Bidco and Scheme Shareholders under this Deed Poll are cumulative and do not exclude any other rights, power or remedies provided by law independently of this Deed Poll.

- 7.4 **Assignment:** The rights and obligations of Bidco and each Scheme Shareholder under this Deed Poll are personal. They cannot be assigned, charged or otherwise dealt with at law or in equity. Any purported dealing in contravention of this clause 7.4 is invalid.
- 7.5 **Further assurance:** Bidco must, at its own expense, do all things reasonably required of it to give full force and effect to this Deed Poll and the transactions contemplated by it.
- 7.6 **Governing law and jurisdiction:**
- (a) This Deed Poll is governed by the laws in force in New Zealand.
 - (b) Bidco irrevocably submits to the non-exclusive jurisdiction of the courts having jurisdiction in New Zealand in respect of any proceedings arising out of or in connection with any proceeding arising out of or in connection with this Deed Poll and irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.
- 7.7 **Service of process:** Bidco appoints James Patrick Cooney of Bell Gully, Solicitors as its agent in New Zealand for service of process and other documents in any legal action or proceedings arising out of or in connection with this Deed Poll.

Executed and delivered as a deed poll:

ADAMS NZ BIDCO LIMITED by:

Signature of director

Signature of director

Name of director

Name of director

DIRECTORY

DIRECTORS

Philippa Jane Dunphy (Chair)
Michael Nicholas Allen
Tracey Leigh Batten
Murray Raymond Boyte
Ginni Mansberg

LEGAL ADVISER

Harmos Horton Lusk

FINANCIAL ADVISERS

Cameron Partners
Rothschild & Co

INDEPENDENT ADVISER

KordaMentha

SHARE REGISTRAR

Computershare Investor Services Limited
159 Hurstmere Road
Takapuna
Auckland
Email: corporateactions@computershare.co.nz
Website: <https://www.computershare.com/nz/>

SHAREHOLDER INFORMATION LINE

Between 8.30am and 5.00pm, Monday to Friday
Telephone: (09) 488-8777

ABANO HEALTHCARE GROUP LIMITED

REGISTERED OFFICE AND ADDRESS FOR SERVICE

Level 11, AMP Centre
29 Customs Street West
Auckland 1010
Telephone: (09) 300-1410
Email: enquiries@abanohealthcare.co.nz
Website: <http://www.abano.co.nz>