

# abano

**The Abano Board unanimously recommends shareholders  
REJECT the Healthcare Partners Partial Takeover Offer**

This presentation dated 26 January 2017 should be considered in conjunction with the Target Company Statement and Independent Adviser's Report (IAR) released on the 14 December 2016. Shareholders should read these documents before making a decision in respect of the Healthcare Partners' Offer.



Trevor Janes  
Independent Chairman



Pip Dunphy  
Independent Deputy Chairman



Ted van Arkel  
Independent director



Danny Chan  
Independent director



Murray Boyte  
Independent director



Dr Ginni Mansberg  
Independent director

## Continued Earnings and Margin Growth From Dental Acquisition-based Growth Strategy

Abano 2017 unaudited half year results ahead of guidance and well above prior year:

- Gross revenue of \$138.9m and revenue \$116.8m, both at the top end of the guidance
- EBITDA of \$16.5m, up 29% and Underlying EBITDA \$16.8m, up 27% on 1H16

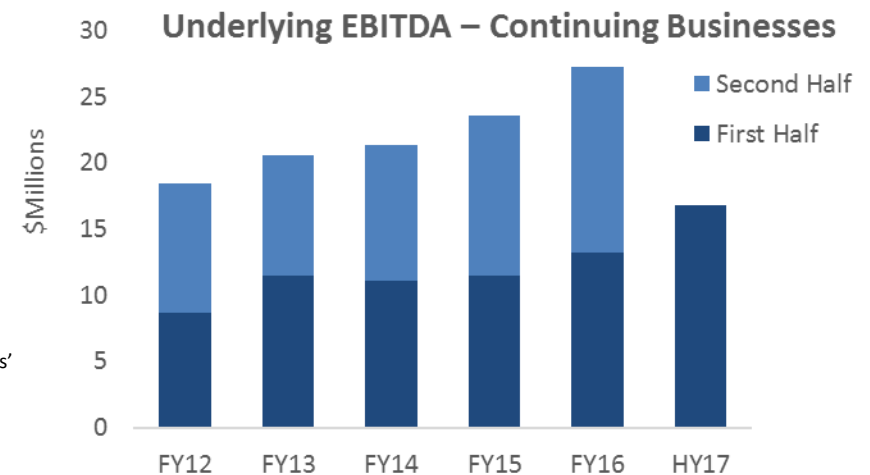
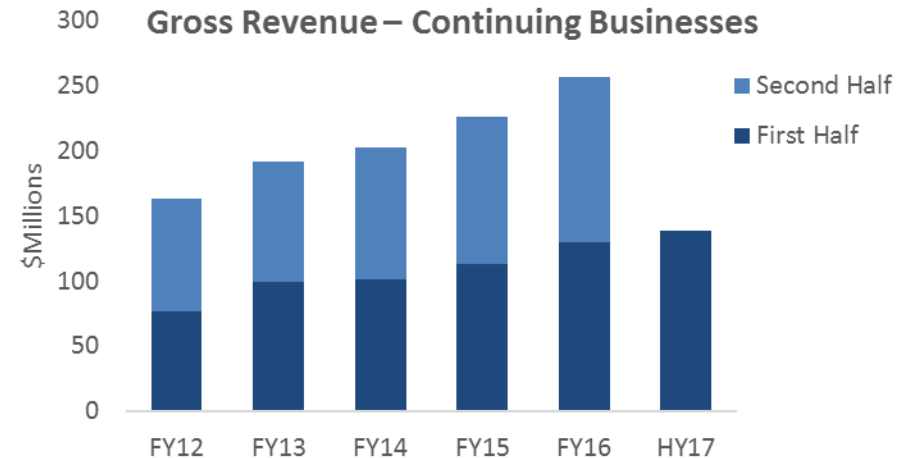
Uplift in financial results being generated by strong continuing growth from Abano's dental and radiology businesses, as previously signalled at annual meeting in October 2016

Further growth in margins across all businesses, in particular dental, further validating Abano's growth strategy.

Gross revenue is a non-GAAP financial measures and includes Australian dental revenues before payment of dentists' commissions.

Underlying earnings are reported for both NPAT (a GAAP compliant measure) and EBITDA (a non-GAAP financial measure) and exclude gains/losses arising on sale of businesses, IFRS adjustments and impairments, including their tax effect. Both measures are reconciled back to reported NPAT. It is the measure used within the Company to evaluate performance, establish strategic goals and to allocate resources.

More information on Gross Revenue and Underlying Earnings is available at [www.abano.co.nz/underlyingearnings](http://www.abano.co.nz/underlyingearnings).



# 1H17 RESULTS AHEAD OF GUIDANCE (cont'd)

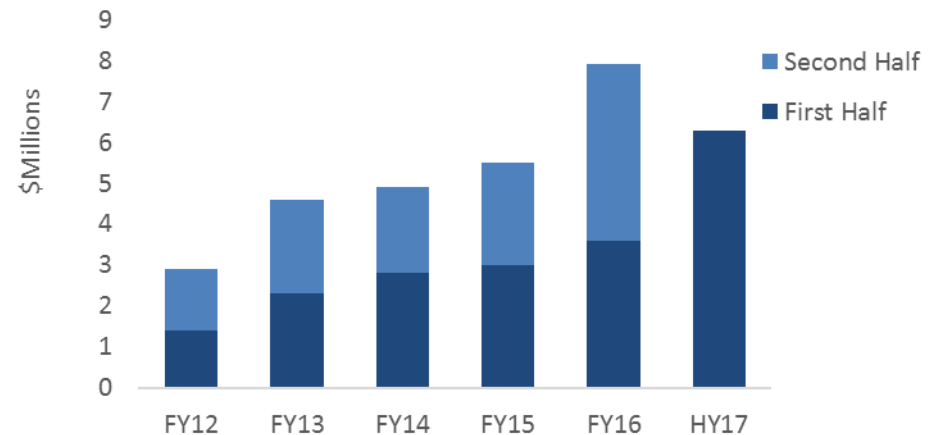
## Strong margin growth as further efficiencies of scale are recognised

Abano 2017 unaudited half year results ahead of guidance and well above prior year

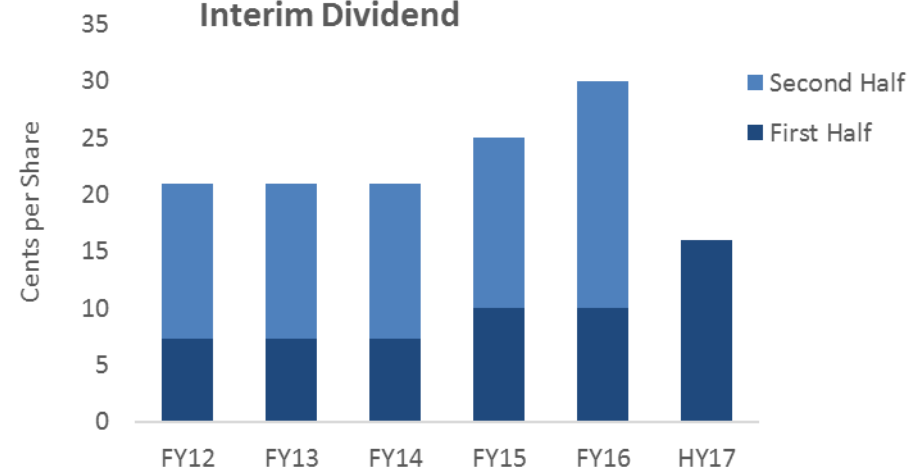
- Net Profit After Tax (NPAT) up 73% to \$5.9m (1H16: \$3.4m)
- Underlying Net Profit After Tax of \$6.3m, up 71% on continuing businesses (1H16: \$3.7m)
- Underlying Earnings Per Share up by 58% to 29.5 cents per share
- Interim dividend confirmed at 16 cents per share, up 60% on last year (HY16: 10cps)

Record interim dividend reflecting strong performance of the business in 1H17

Underlying NPAT – Continuing Businesses



Interim Dividend



## Details of the Offer

- Partial takeover offer for 30.99% of shares in Abano (38.27% of shares not already held by Healthcare Partners)
- Effective Offer Price of \$9.84 (post 16 cent dividend paid in January 2017)
- Scaling will occur if Healthcare Partners receives more acceptances than it needs
- The Offer is conditional on Healthcare Partners receiving acceptances for at least 30.99% of Abano's shares
- The Offer will close on 13 February 2017 unless extended by Healthcare Partners
- The Healthcare Partners offer is not gaining any traction.

**The Abano Board unanimously recommends shareholders REJECT the Healthcare Partners Offer**

## Nature of a partial offer

- This is **NOT** an Offer for all your shares
- If successful, the Board believes it is very likely you will retain the majority of your shares in Abano
- It is **NOT** 'first in, first served'
- If Healthcare Partners reaches 50.01% in the last seven days, the Offer will automatically extend by 14 days
- If this happens, or it reaches its threshold earlier, the Abano Board will advise shareholders
- This means shareholders cannot time their acceptance to maximise uptake of their shares at the end of the Offer.
- There is **NO** advantage in accepting early. Acceptances cannot be withdrawn and your shares will be locked up from the time of your acceptance until the Offer fails or goes unconditional. Any payment will not be made until after the Offer closes and any scaling is complete

## The Abano Board unanimously recommends shareholders **REJECT** the Healthcare Partners Offer

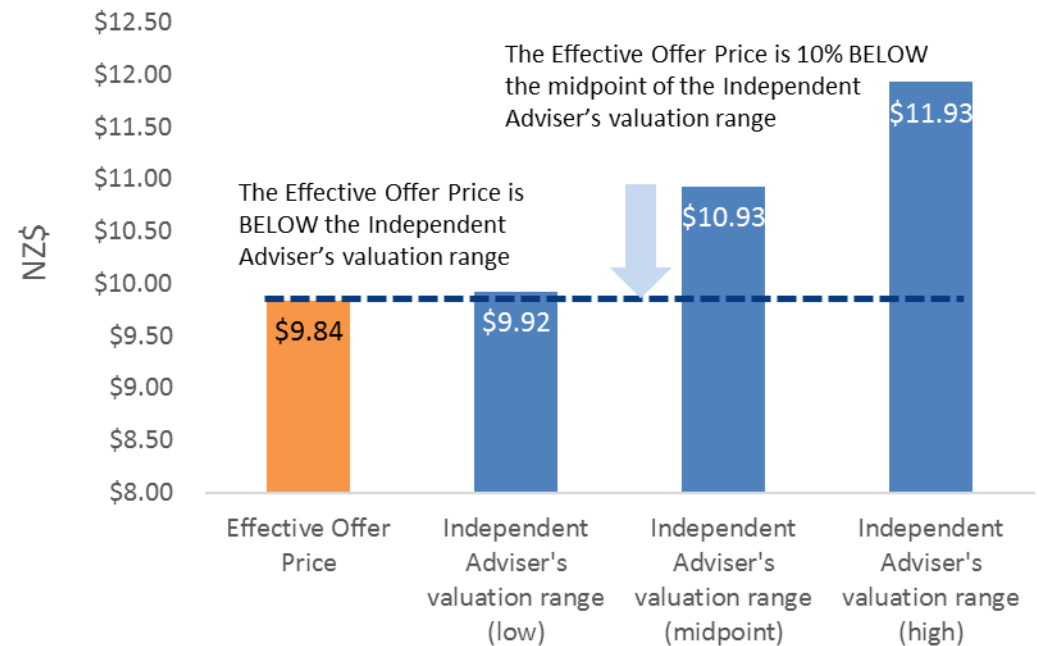
1. The Effective Offer Price of \$9.84 per share is too low and it is only for some of your shares.
2. The Offer is a partial offer. It is NOT an Offer for all Abano shares.
3. Abano has an established and proven strategy and a track record of delivering earnings growth and shareholder value.
4. Healthcare Partners' Offer is being made at a time when the value and benefits of Abano's investment into its dental group are just beginning to be realised (as evidenced in recent trading performance).
5. If the Offer is successful, the Board believes it is very likely you will retain the majority of your shares in Abano. Your company will then be controlled by Healthcare Partners and its directors, whose proposed strategy is unclear and unproven.
6. If the Offer is successful, the value of your remaining shares is likely to fall and liquidity (i.e. the ability to sell your shares) will be significantly reduced.

# 1. EFFECTIVE OFFER PRICE IS TOO LOW AND IT IS ONLY FOR SOME OF YOUR SHARES

Healthcare Partners' Effective Offer Price of \$9.84\* per share is below the Independent Adviser's valuation range of \$9.92 to \$11.93 per Abano share.

- The Independent Adviser's valuation is for 100% of Abano Shares.
- The Offer is only a partial offer, potentially for only 38% of your shares.
- The Effective Offer Price of \$9.84 per share is 10% below the midpoint of the Independent Adviser's valuation range.
- The Effective Offer Price does not fairly value, or compensate you, for the control you would be ceding to Healthcare Partners; or the risk of being a minority shareholder in a company controlled by Healthcare Partners.
- **The Independent Adviser's valuation range doesn't take into account the partial nature of the offer.**

Effective Offer Price Compared to the Independent Adviser's Valuation Range



\*The Effective Offer Price is the Offer price of \$10.00 per share adjusted, in accordance with the terms of Healthcare Partners' Offer, by deducting the amount of the FY17 interim dividend of 16 cents per share.

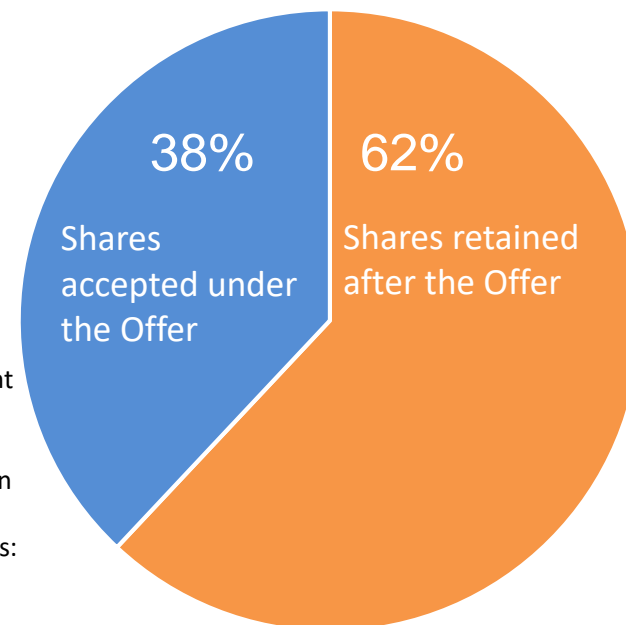


# 1. EFFECTIVE OFFER PRICE IS TOO LOW AND IT IS ONLY FOR SOME OF YOUR SHARES (cont'd)

If the Offer succeeds, the Board believes it is very likely shareholders will retain a majority of their shares in Abano. The company will then be under the control of Healthcare Partners.

Implied Weighted Average Offer Value Example	Number of shares	Implied Value
Sell 38.27% of shares at \$9.84	383	\$3,769
Retain 61.73% of holding at \$8.27	617	\$5,103
Implied Weighted Average Offer Value	1,000	\$8,872
<b>Per share value across full holding</b>		<b>\$8.87</b>

Proportion Of Your Shares Taken Up Assuming 100% Acceptance



Abano’s Directors feel the best way to compare the Effective Offer Price of \$9.84 with the Independent Adviser’s valuation is to calculate an effective price for all your shares and compare the effective price with the Independent Adviser’s range. When we do this using the 30 day VWAP prior to Healthcare Partners first takeover notice dated 4 November 2016 (\$8.27) for the balance of your shares, we get an Implied Weighted Average Offer Value of \$8.87 per share which is well below the Independent Adviser’s range. The Implied Weighted Average Value is calculated based on the following assumptions:

- All shareholders accept for 100% of their holdings and therefore acceptances are scaled;
- The shares taken up under the Offer are sold for the Effective Offer Price of \$9.84 per share; and
- That the share price reduces to \$8.27 after the Offer and your remaining shares are valued at that price.

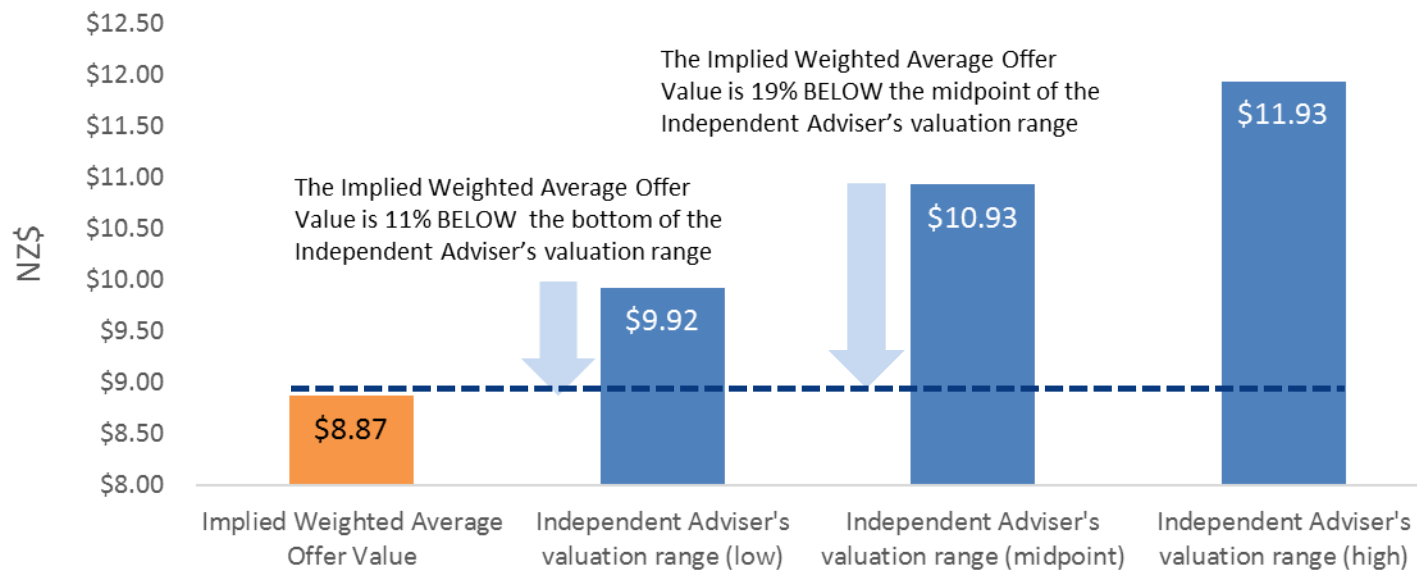
The Independent Adviser states that *“Partial offers are significantly less attractive than offers for 100%, which provide shareholders with the option to sell all of their shares into the offer.”* (page 32 IAR)



# 1. EFFECTIVE OFFER PRICE IS TOO LOW AND IT IS ONLY FOR SOME OF YOUR SHARES (cont'd)

The Implied Weighted Average Offer Value per share of your Abano shares is much lower than the Effective Offer Price AND well below the Independent Adviser's valuation range.

Implied Weighted Average Offer Value Discount to Independent Adviser's Valuation



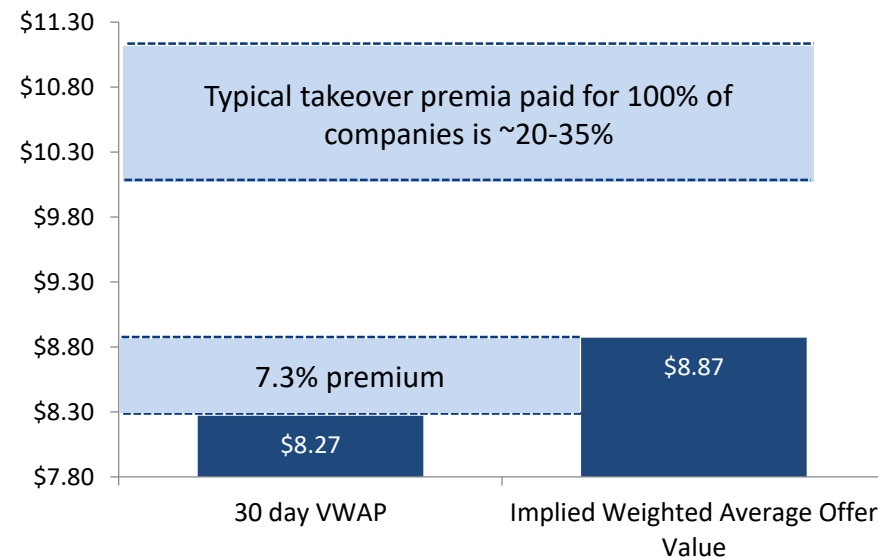
Implied Weighted Average Offer Value as described on slide 8

**The Independent Adviser states: "The 'premium for control' will only be available to 38.27% of all the shares in Abano not already owned by Healthcare Partners." (page 32 IAR)**

# 1. EFFECTIVE OFFER PRICE IS TOO LOW AND IT IS ONLY FOR SOME OF YOUR SHARES (cont'd)

The Implied Weighted Average Offer Value is only a 7.3% premium to the 30 day VWAP\*, well below historically observed takeover premia which are generally in the range of 20 to 35%.

- If the Offer is successful, the Board believes that the prospects of another takeover offer for Abano occurring are significantly reduced.
- This reduces your chances of receiving a full takeover premium for ALL of your shares.
- The Independent Adviser notes that historically observed takeover premia are generally in the range of 20 – 35% (page 46 IAR).
- **The Board's judgement is that shareholders are not being compensated for the risk of being a minority shareholder in Abano under Healthcare Partners control.**



Implied Weighted Average Offer Value as described on slide 8

**The Independent Adviser states: “The presence of a single controlling shareholder is likely to dissuade any other party from making a competing offer. For any subsequent takeover offer for 100% of the company from another party to be successful, it would require Healthcare Partners to sell its current, or any increased shareholding, in Abano to the new offeror.” (page 31 IAR)**

\*Before the first announcement of Healthcare Partners' Offer

## 2. THE OFFER IS ONLY A PARTIAL OFFER. IT IS NOT AN OFFER FOR ALL YOUR SHARES

If the Offer succeeds, the Board believes that it is very likely shareholders will be left with the majority of their shares in Abano (up to 62%). The company will then be under the control of Healthcare Partners.

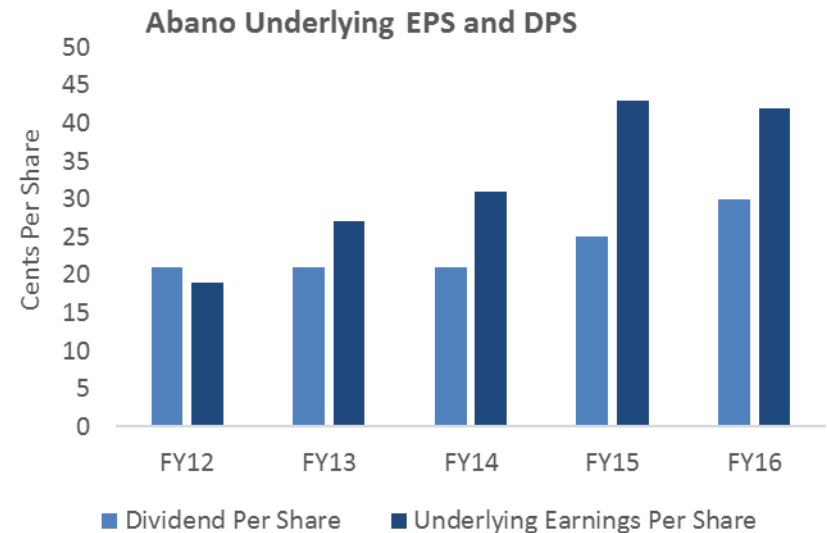
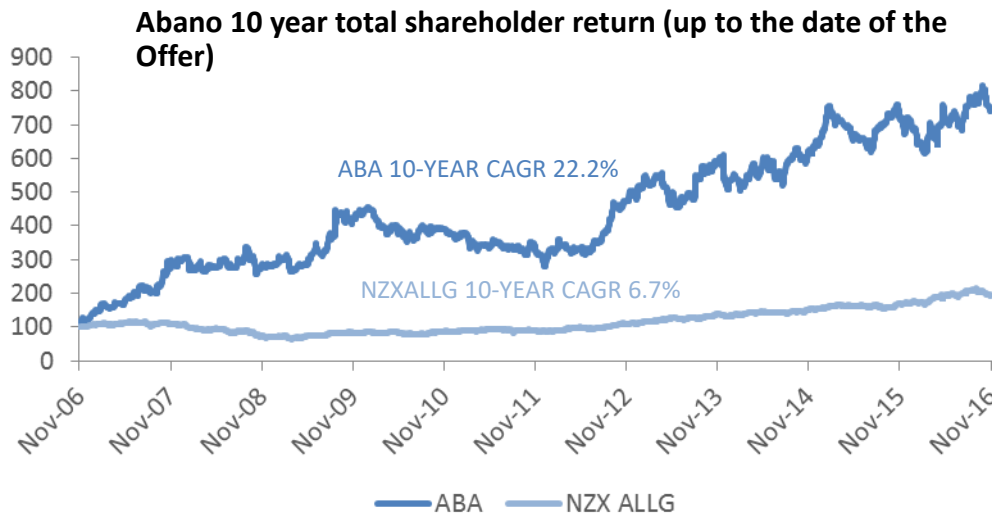
- The Offer is NOT an Offer for all your shares. If the Offer succeeds, it is very likely you will retain the majority of your shares.
- If all shareholders accept the Offer, you would only be able to sell 38% of your shares at the Effective Offer Price.
- The Offer is not made on a ‘first in, first served’ basis. Scaling will only take place after the Offer closes.
- If Healthcare Partners reaches 50.01% in the last seven days, the Offer will automatically extend by 14 days.
- If this happens, or it reaches its threshold earlier, the Abano Board will advise shareholders to ensure you have an opportunity to then consider your choices at that time.
- This means shareholders cannot time their acceptance to maximise uptake of their shares at the end of the Offer.

**The Independent Adviser states that “Given that any excess acceptances will be scaled, then if Healthcare Partners Offer achieves the 50.01% acceptance threshold accepting shareholders will not be able to sell all of their shares into the Healthcare Partners Offer.” (page 33 IAR)**

# 3. ABANO HAS AN ESTABLISHED AND PROVEN STRATEGY

Abano has a track record of positive performance with strong growth in earnings per share, dividends and total shareholder returns.

- Long term strategy to invest in scalable businesses in the private, fee for service healthcare market where it can add value, build capability and help them to grow. Growth by acquisition is an essential part of this strategy.
- Abano has grown Underlying Earnings Per Share by 159% over the past five years.
- Abano has outperformed both the five and ten year NZX ALL and NZX 50 gross returns.



Underlying earnings are reported for both NPAT (a GAAP compliant measure) and EBITDA (a non-GAAP financial measure) and exclude gains/losses arising on sale of businesses, IFRS adjustments and impairments, including their tax effect. Both measures are reconciled back to reported NPAT. It is the measure used within the Company to evaluate performance, establish strategic goals and to allocate resources.

### 3. ABANO HAS AN ESTABLISHED AND PROVEN STRATEGY (cont'd)

#### Abano's growth strategy is now focused on the \$11 billion revenue trans-Tasman dental market

- **Investing in marketing and building Abano's dental brands is key to driving continued growth in revenue and margin and taking advantage of scalable dental markets in NZ and Australia:**
  - Lumino the Dentists brand in New Zealand was launched in 2011 and has growing brand recognition, currently at 85% (nearly 9 out of 10 people surveyed). In late 2016, Abano launched the Maven Dental Group brand in Australia.
  - Lumino has delivered five years of Underlying EBITDA margin improvements.
  - Maven recently began the process of re-branding which will provide the opportunity to realise a similar performance to Lumino in the future (27 practices rebranded as at end January 2017; Target of 50 practices by end FY17).
- **The scale and size of Abano's trans-Tasman dental group is delivering higher value for shareholders:**
  - Abano has invested in systems and infrastructure to deliver earnings growth from existing practices and support future acquisitions.
  - Further acquisitions will continue to grow earnings and drive margin growth as economies of scale are realised
- **Growth by acquisition is an essential part of Abano's strategy. Healthcare Partners intends to stop Abano's dental acquisitions in the medium term.**



Lumino  
The Dentists



### 3. ABANO HAS AN ESTABLISHED AND PROVEN STRATEGY

Abano tracks a set of relevant Key Performance Indicators (KPIs) to ensure that the dental strategy is performing. Financial KPIs for the three year period FY18 to FY20 include:

- Growth in same store revenue of 6% over the three year period FY18 to FY20
- Growth in Underlying EBITDA margin to be greater than 14% by FY20
- Acquisition of more than 25 dental practices or \$35 million in annualised gross revenues from acquisitions per year by FY20
- Growth in Underlying EPS greater than 15% per annum
- Net bank debt to annualised Underlying EBITDA of less than 3.5x

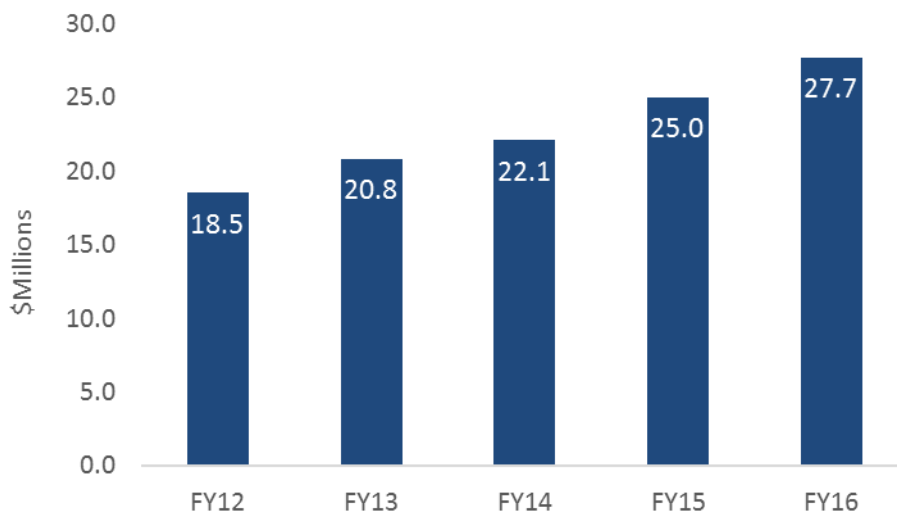
Underlying earnings are reported for both NPAT (a GAAP compliant measure) and EBITDA (a non-GAAP financial measure) and exclude gains/losses arising on sale of businesses, IFRS adjustments and impairments, including their tax effect. Both measures are reconciled back to reported NPAT. It is the measure used within the Company to evaluate performance, establish strategic goals and to allocate resources. Annualised Underlying EBITDA is Underlying EBITDA including all acquisitions as if the acquired practices had been owned for the relevant full 12 month period.

### 3. ABANO HAS AN ESTABLISHED AND PROVEN STRATEGY (cont'd)

Abano entered the dental sector in 2002, and since that time has succeeded in building a profitable and scalable dental business in New Zealand and Australia. The scale and size of Abano's trans-Tasman dental group is delivering higher value for shareholders.

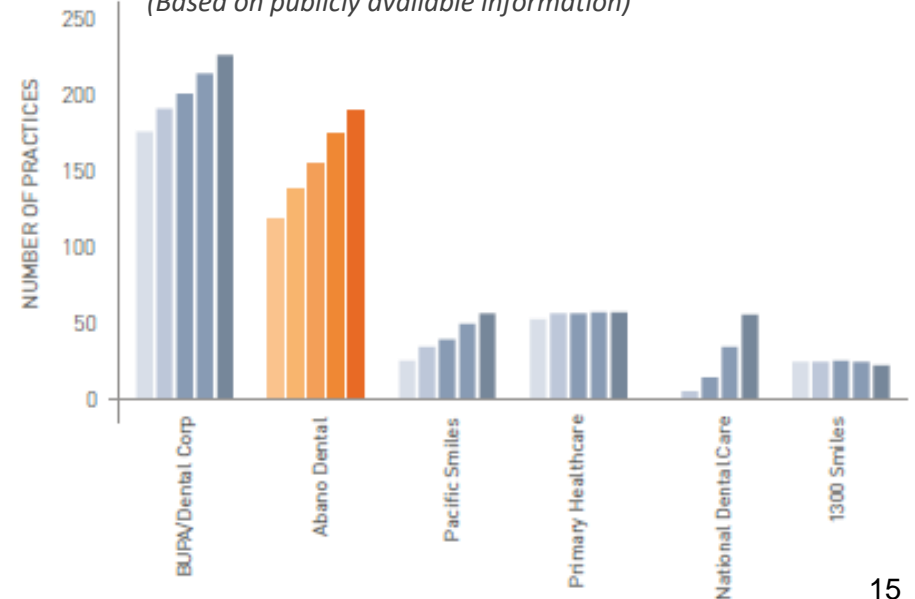
- Abano is the largest corporate dental provider in the New Zealand market and the second largest in the Australian market
- By the end of January 2017, Abano will have over 200 dental practices and >1,800 staff, with over 900,000 patient visits in FY16

**Abano Dental Underlying EBITDA**



**Five Year Dental Group Network Size FY12 to FY16**

*(Based on publicly available information)*



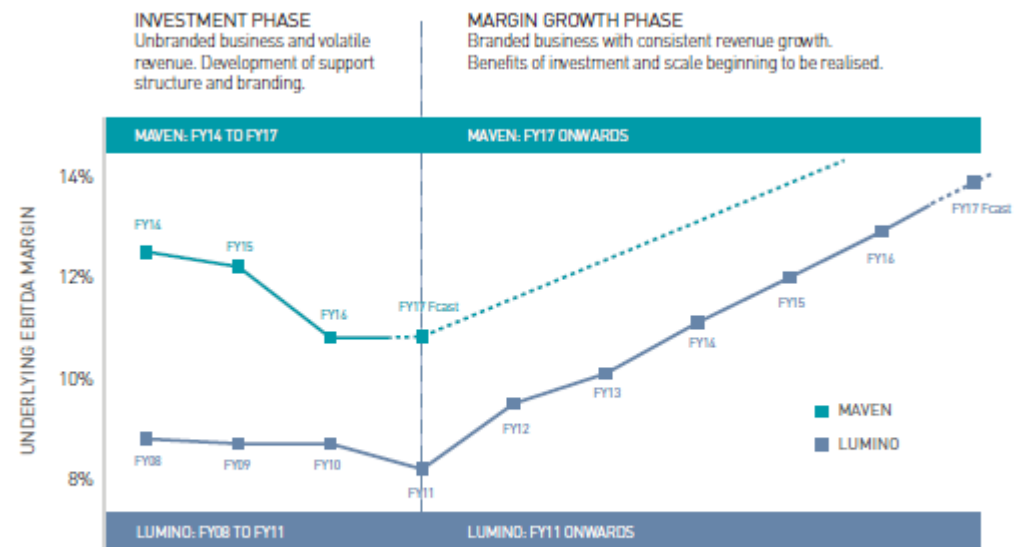


# 4. ABANO'S INVESTMENT IN DENTAL IS STARTING TO BE REALISED

Healthcare Partners seeks to acquire Abano and its businesses at a low value and at a time when the benefits and rewards of Abano's long term growth strategy and investment into its dental businesses are only just beginning to be realised.

- Starting in 2010, Lumino invested heavily in branding and creating a strong support office structure.
- Lumino has delivered a 57% improvement in Underlying EBITDA margin over the past five years, reflecting the benefits of the investment in branding and marketing.
- Abano is aiming to achieve the same success with the newer Maven Dental Group brand in Australia.
- Abano has implemented a number of initiatives in Australia to counter challenging economic conditions and improve performance, including the introduction of the new Maven Dental Group brand.
- Maven is six years behind Lumino in its maturity. Abano expects to see Maven's margins follow the same positive trajectory as Lumino, as the brand rollout is completed and the value of the investment into infrastructure is realised.

## Lumino and Maven Comparative Underlying Margin at Same Stage of Growth



The dashed lines in the graph after FY17, for both Maven and Lumino, are not a forecast but, rather, illustrate Abano's indicative expectations as to the likely trajectory of the improvement in Underlying EBITDA margins.

## 5. IF THE OFFER SUCCEEDS HEALTHCARE PARTNERS WILL CONTROL ABANO

If the Offer is successful, the Board believes that it is very likely you will retain the majority of your shares in Abano (up to 62%). Your company will then be controlled by Healthcare Partners and its directors, whose proposed strategy is unproven and unclear, and therefore represents significant risk for minority shareholders.

- Healthcare Partners' directors have provided no detail how they plan to carry out their intentions to improve Abano's performance or add value to Abano shareholders.
- They have not given any targets or key performance indicators which they intend to achieve for Abano shareholders.
- They have no clinical, operational or management experience in the dental sector, which the Abano Board notes is significantly different from the retail focused, product-based audiology sector; and have minimal governance experience in publicly listed companies.
- Healthcare Partners has stated that it intends to stop acquisitions in the medium term, which is a significant change to Abano's current strategy. The Board believes their strategy will impact on the value of your remaining shares in Abano.

### **In contrast:**

- Abano has a clear and well communicated strategy and planned, measurable KPIs against which it reports and a track record of delivering on its promises and growing shareholder value.

**The Independent Adviser states that “... stopping acquisitions in the medium term, as proposed by Healthcare Partners, will arguably lessen the attractiveness of Abano as a growth investment and, in Australia in particular, may allow competitors to gain market share”. (page 33 IAR)**

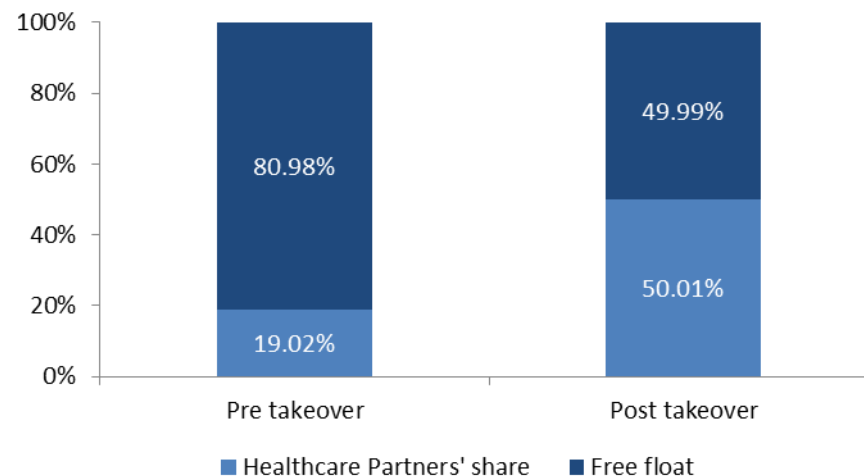
## 6. IF THE OFFER SUCCEEDS THE VALUE OF YOUR REMAINING SHARES IS LIKELY TO FALL AND LIQUIDITY WILL BE SIGNIFICANTLY REDUCED

**Abano believes that Healthcare Partners strategy is potentially value destructive and it is likely that the trading price of your remaining Abano shares will decrease after the Offer**

Abano Board believes Healthcare Partners' intention to stop acquisitions in the medium term could be potentially value destructive for Abano and therefore affect the value of your remaining shares.

**Liquidity will be significantly reduced if Healthcare Partners is successful**

The free float will be reduced to under 50%, adversely affecting the ability to sell your Abano shares and it is also likely to adversely impact the attractiveness of Abano shares to other investors, particularly institutional investors.



**The Independent Adviser notes that “the share price following the Offer closing will be likely to fall below the current share market price of \$8.00”. (page 34 IAR)**

# LOOKING FORWARD

## Priorities



### INVESTMENT INTO GROWTH, FOCUS ON IMPROVING MARGINS AND MANAGING COSTS

Selective acquisition of dental practices and organic growth

Build demand for high end modalities and services in radiology



### DELIVERY OF EXCELLENT CUSTOMER SERVICE

Through engaging with customers through a variety of channels, ensuring ease of customer interaction, exemplary customer experience and high levels of customer satisfaction



### INVEST INTO AND GROW OUR PEOPLE

Invest into our people to help them realise their potential

Providing access to inhouse and external training, mentoring and career development opportunities

Create world class working environments and foster cultures that recognise excellence



### UTILISE AND LEVERAGE TECHNOLOGY

Deliver improved business processes and systems, operating efficiencies and data analysis

Use digital channels to engage with customers and improve the customer experience/interaction



### DELIVER IMPROVING SHAREHOLDER RETURNS

Targeting year on year increase in Underlying Earnings Per Share on continuing businesses of greater than 15% per annum

Balance growth requirements with attractive dividend payments

Deliver improving Underlying EBITDA and Underlying NPAT

## OUR VISION

To build market-leading brands and healthcare businesses that have the competitive advantage of size, scale and reputation.

## OUR LONG TERM STRATEGY

Invest in scalable businesses in the private, fee for service healthcare market where we can add value, build capability and help them to grow.

## OUR INVESTMENTS

### DENTAL



### RADIOLOGY



All numbers in NZ currency unless otherwise stated.

Gross revenue is reported within the segment note in the Financial Statements and includes Australian dental revenues before payment of dentists' commissions.

Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") is reported within the segment note in the Financial Statements and is Net Profit After Tax ("NPAT") excluding GAAP compliant net finance expenses, gains/losses arising on sale of businesses, equity accounted investments, non-controlling interests, tax, depreciation and amortisation costs.

Underlying earnings are reported for both NPAT (a GAAP compliant measure) and EBITDA (a non-GAAP financial measure) and excludes gains/losses arising on sale of businesses, IFRS adjustments and impairments, including their tax effect. Both measures are reconciled back to reported NPAT. It is the measure used within the Company to evaluate performance, establish strategic goals and to allocate resources.

More information on gross revenue and underlying earnings, which are non-GAAP financial measures and are not prepared in accordance with NZ IFRS, is available on the Abano website at [www.abano.co.nz/underlyingearnings](http://www.abano.co.nz/underlyingearnings).

# DISCLAIMER



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The information in this presentation is an overview and does not contain all information necessary to make an investment decision. It is intended to constitute a summary of certain information relating to the performance of Abano Healthcare Group Limited ("Abano").

The information in this presentation does not purport to be a complete description of Abano. This presentation is not investment advice or financial advice. In making an investment decision, investors must rely on their own examination of Abano, including the merits and risks involved. Investors should consult with their own legal, tax, business and/or financial advisors.

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