

ABANO CONFIRMS FY17 GUIDANCE: STRONG YEAR ON YEAR UPLIFT EXPECTED

For the twelve months ending 31 May 2017

- Abano confirms it is on track to achieve results for the FY17 full year in line with the management forecasts provided in the Grant Samuel independent report in December 2016
- NPAT is expected to be up by over 27% and Underlying NPAT is expected to be at least 32% ahead of the previous year, excluding the divested audiology business
- Dental growth is continuing, with increased interest from dentists and a stronger acquisition pipeline

\$millions	FY17 Guidance	FY16 Adjusted for sale of Bay International	Actual FY16
Gross Revenue ⁱ	277 – 281	256.9	297.1
Revenue	231 - 235	213.7	213.7
EBITDA ⁱⁱ	30.7 – 31.9	26.6	26.6
Underlying EBITDA ⁱⁱⁱ	31.5 – 32.7	27.2	27.2
NPAT	9.7 – 10.5	7.6	28.4
Underlying NPAT ⁱⁱⁱ	10.7 – 11.5	8.1	8.8

Listed healthcare investor, Abano Healthcare Group Limited (NZX: ABA), has today provided guidance for the financial year ending 31 May 2017, with results for continuing businesses forecast to be well above the previous year. The strong uplift is in line with the FY17 management forecasts detailed in the Grant Samuel independent report in December 2016, which formed the basis for their valuation of Abano.

Growth of Abano’s businesses is continuing, particularly the trans-Taman dental group whose strategy is to grow through the acquisition of dental practices, greenfield development and organic growth. The dental group is delivering an improving margin as management continues its focus on realising the benefits of scale, closer collaboration and cost efficiencies.

The guidance excludes approximately \$0.6 million of costs associated with the failed takeover attempt by Healthcare Partners which is recoverable by Abano under the Takeovers Code. Excluding this and costs associated with the takeover, the Company expects gross revenue of \$277 million to \$281 million and revenue of \$231 million to \$235 million. Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) are expected to be \$30.7 million to \$31.9 million. Net Profit After Tax (NPAT) is expected to be \$9.7 million to \$10.5 million.

Abano also reports on underlying earnings which the Board believes provides a more accurate portrayal of the Company’s true performance and which provides the basis of Abano’s dividend policy. Abano’s underlying EBITDA is expected to be between \$31.5 million to \$32.7 million, resulting in an underlying NPAT between \$10.7 million to \$11.5 million.

The results for the previous FY16 year included Abano’s 50% shareholding in Bay International, which was sold at the start of the FY17 financial year. On a like for like basis, excluding the divested audiology business and gain on sale, Underlying NPAT on the continuing businesses is expected to be up by at least 32% on the previous financial year.

This demonstrates the strong ongoing performance of Abano’s dental and radiology businesses and Abano expects to achieve its target of delivering long term growth in Underlying Earnings Per Share greater than 15% per annum.

Abano's dividend policy remains that, subject to relevant factors at the time, including working capital and growth, the annual dividend paid will be between 50 and 70% of Underlying NPAT. The current expectation is that the final FY17 dividend will be at least equal to the FY16 final dividend of 20 cents per share.

Abano Chairman, Trevor Janes, commented: "FY17 continues to be a positive year for Abano as we invest into the growth and development of our businesses, particularly our trans-Tasman dental group which is benefiting from economies of scale and increasing market share. The benefits of belonging to a corporate dental group are becoming more widely understood and, with Abano's positive reputation and workplace culture, we are seeing an increase in our acquisition pipeline."

FY17 Operational Performance Year to Date

Dental remains Abano's primary growth opportunity, with the company targeting a 10% share of the \$11-billion revenue trans-Tasman dental market. Growth is through building scale in the fragmented market and Abano's trans-Tasman dental network totalled 204 practices at the end of March 2017.

Twenty-five practices have been acquired in the financial year to the end of March 2017 and Abano expects to add more than \$34 million in annualised gross revenue to its dental group in FY17. While some anticipated acquisitions have been delayed beyond year-end, there are a number expected to settle in the upcoming months and the pipeline for dental acquisitions remains strong.

In addition, 18 practices have been merged into nine locations as part of Abano's ongoing strategy to realise operational efficiencies and maximise capacity across its dental networks. Lumino is also building its third greenfield location in New Zealand with a new, fully digital and purpose built greenfield practice in Rangiora.

Operational development of the dental group continues to be a focus, including strengthening the trans-Tasman management team and the continued closer collaboration between both businesses. This has seen the benefit of scale and growth, with the combined margin of the trans-Tasman dental group improving on the previous year.

While still experiencing challenging market conditions, Maven's same store revenue trend has improved from the first half to be (4.5)% for the year to date. Good progress continues to be made in the Australian dental business and, despite the initial costs of rebranding and the decline in same store sales, margins have remained steady, as projected. The brand rollout is continuing and Maven Dental Group is expected to achieve its target of more than half the network being branded by financial year-end. This provides a platform for Maven to run network-wide marketing campaigns, such as the 18 months' interest free offer launched in March 2017. Along with the increased marketing activity, the benefits of Abano's long term investment into the business continue to be realised and a positive trajectory for same store sales and margins is expected going forward.

Lumino The Dentists in New Zealand continues to perform well. Same store sales in the first half were in line with the previous year, while the second half has experienced a short term impact due to an above average amount of leave taken, coinciding with higher than usual replacement of retiring senior dentists with new dentists as part of Lumino's succession and recruitment programme. This has had a temporary affect with same store sales growth for the year to date of (1.5)%. Despite this Lumino has still grown margins strongly as it benefits from its increasing economies of scale and is expected to return to normal long term trends of positive same store sales growth.

Ascot Radiology continues to deliver an improved performance as it benefits from the investment made into new technologies in the past few years.

Key Dates

- Release of Shareholder Newsletter: May 2017
- Financial Year End: 31 May 2017
- FY17 Preliminary Results Announcement: By end-July 2017
- Release of FY17 Annual Report and Shareholder Review: August 2017

ENDS

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Abano Healthcare Group is New Zealand's leading listed specialist healthcare investor and operator, with businesses in two sectors – dental and radiology – and operations across New Zealand and Australia.

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

ⁱⁱ EBITDA is earnings before interest, tax, depreciation and amortisation and is a non-GAAP financial measure

ⁱⁱⁱ Underlying earnings are reported for both NPAT (a GAAP compliant measure) and EBITDA 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 on the Abano website at www.abano.co.nz/underlyingearnings.