26 July 2017
Company Announcement

ABANO DELIVERS STRONG FINANCIAL PERFORMANCE AND GROWTH IN FY17

Results for the year ended 31 May 2017

- Abano delivered a strong uplift in results from continuing businesses with NPAT up 47% on the previous year to $10.9 million and Underlying NPAT up 43% to a record $11.5 million
- Final dividend of 20 cps, taking full year dividend to 36 cps, up 20% on previous year
- Dental growth is continuing, with increased interest from dentists wanting to join the group and a stronger acquisition pipeline, particularly in Australia
- Capital raising announced to fund increased acquisition rate

$millions	FY17	FY16 Continuing Businesses*	FY16
Gross Revenue	278.7	256.9	297.1
Revenue	233.5	213.7	213.7
EBITDA	31.4	26.6	26.6
Underlying EBITDA	32.1	27.2	27.2
NPAT	10.9	7.4	28.4
Underlying NPAT	11.5	8.1	8.8

*Adjusted for sale of Bay International

Abano Healthcare Group Limited (NZX:ABA) has delivered a strong year on year uplift in results for its continuing businesses, including a NPAT of $10.9 million and a record Underlying NPAT of $11.5 million, up 43% on the previous year.

The continuing improvement in financial performance is being driven by the growth of Abano's dental group and an increased contribution from its radiology business.

Gross revenue[i] was $278.7 million and Revenue was $233.5 million. Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA[ii]) were $31.4 million, an increase of 18%, with Net Profit After Tax (NPAT) of $10.9 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[iii] was $32.1 million, resulting in a record Underlying NPAT[iii] of $11.5 million. The FY17 results assume full recovery of the receivable of approx. $566,000 in relation to costs which are recoverable from Healthcare Partners Holdings Limited in relation to its failed partial takeover attempt.

On a like for like basis, excluding the contribution from the audiology business which was divested at the end of FY16 and the resulting gain on sale, Underlying EBITDA was up 18% and Underlying NPAT was up by 43% on the previous financial year.

Underlying Earnings Per Share were 53.8 cents per share, an increase of 29% and exceeding Abano's growth objective of greater than 15% per annum. Based on this, a final FY17 partially imputed dividend of 20 cents per share has been declared taking full year dividends to 36 cents per share (67% of Underlying NPAT), up 20% on the previous year. The Dividend Reinvestment Plan for the FY17 final dividend has been suspended due to the capital raising announced today.

Chairman of Abano, Trevor Janes, commented: "Our investment into the growth and development of our businesses is driving positive financial returns and 2017 was another year of earnings growth and increasing shareholder value.

"Abano has a history of investing into healthcare businesses which we are able to scale and grow to gain the benefits of size, reputation and branding. We remain focused on our goal of building and growing a market leading dental business in the $11-billion revenue trans-Tasman dental market.

"Corporate groups own less than 10% of total dental practices in the trans-Tasman region and there is growing acceptance and popularity of the corporate model amongst dentists. Combined with Abano's positive reputation and workplace culture, this has seen the number and size of practices in Abano's acquisition pipeline increase, and now exceed, previous expectations. The opportunity for Abano to continue to grow via its acquisition strategy, particularly in Australia, is significant.

"Abano's policy is to ensure an efficient balance sheet and the employment of capital in its businesses that will achieve Abano's long term strategic goals. To enable us to respond to this opportunity and grow our share of the trans-Tasman dental market, we have today announced a capital raise of approximately $35 million through a 1 for 5 rights offer. The net proceeds from this will be used to respond to the increased acquisition opportunity and step up Abano's growth plans in the trans-Tasman dental market."

FY17 Business Performance

FY17 gross dental revenue was $262.3 million (Lumino NZ$120.8 million and Maven A$133.5 million) and accounted for 94% of Abano's gross revenue for the year.

Operational development of the dental group continues to be a focus, including the continued closer collaboration between both businesses. Overall, the dental group's Underlying EBITDA margin[iv] increased to 12.07% for the year and it remains on track to achieve its goal of a margin of greater than 14% by FY20.

The acquisition pipeline continues to strengthen and Abano Dental remains the second largest dental group in the region, with 205 practices as at financial year end and annualised gross revenues in excess of $275 million.

Twenty-seven practices were acquired in FY17, which are expected to generate $33.8 million in annualised gross revenue (A$18.3m and NZ$14.8m). Lumino has a more established nationwide footprint and a number of FY17 acquisitions were for smaller practices, some of which were immediately merged into existing practices, helping to drive overall margin growth. In Australia, the focus is on acquiring larger practices and expanding Maven's national presence.

During the year, 18 practices across the group were merged into nine locations as part of Abano's ongoing strategy to realise operational efficiencies and improve capacity utilisation. Lumino is also building its third greenfield location in New Zealand with a new, fully digital and purpose built greenfield practice in Rangiora.

The focus for growth is in the Australian dental market, which is approximately 12 times larger than the New Zealand market. A number of larger practices in Australia are currently being negotiated and are expected to settle in upcoming months.

Corresponding with reports from other dental corporates, Maven Dental Group in Australia continues to be affected by challenging market conditions, with same store performance improving from the first half to be (4.4)% for the year. Despite this and the additional costs of rebranding and increased marketing activity during the year, Maven's Underlying EBITDA margin remained steady in FY17.

The brand rollout is continuing and Maven surpassed its target of more than half the network being branded by financial year-end. This has enabled Maven to commence branded and digital marketing campaigns and initiatives and momentum is now building.

Lumino continued to benefit from its long term growth strategy, with an increase in Underlying EBITDA margins for the sixth year in a row. As anticipated, Lumino same store revenue improved in the last quarter of the year, but for the full year was (1.0)%. This followed a temporary impact across two quarters resulting from an above average amount of leave taken coinciding with a higher than usual number of retiring senior dentists who have subsequently been replaced as part of Lumino's succession programme. Lumino is expected to return to normal long term trends of positive same store sales growth in FY18.

Abano also has a 71% shareholding in Ascot Radiology, a network of high end radiology clinics in Auckland. The business delivered an improved performance with gross revenue increasing 9% to $16.4 million (6% of Group gross revenue), resulting in a 43% increase in EBITDA, as it benefits from increased demand for the new and existing technologies and services which have been invested into over the past few years.

Looking Forward

The main opportunity for Abano remains increasing our share of the trans-Tasman dental market and building a world class dental business.

Our investment into growth, people, a world class patient experience and technology will increase in FY18 as we step up our growth plans. An accelerating acquisition rate is expected as we take advantage of a strengthening pipeline and market opportunity, particularly in Australia.

The capital raising announced today will support our accelerating growth strategy and we look forward to building our momentum in FY18.

ENDS

Released on behalf of Abano Healthcare Group Limited by Jackie Ellis tel +64 9 360 8500 or email jackie@ellisandco.co.nz

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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.

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[i] Gross revenue is a non-GAAP financial measures 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 Net Profit After Tax ("NPAT", a GAAP compliant measure) and Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA", a non-GAAP financial measure) and exclude gains/losses arising on sale of businesses, IFRS adjustments and impairments, including their tax effect. These are the measures 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. A reconciliation to GAAP measures is available at www.abano.co.nz/reconciliation.

[iv] Dental margin is calculated as Underlying EBITDA as a percentage of Gross Revenue.