

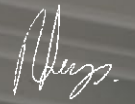
A woman with blonde hair, wearing a black dental scrub top with a light blue stripe and a necklace, stands in a modern dental clinic. She is smiling and holding a green and white dental chair control. The clinic features a white dental unit with a sink, a large overhead dental light, and glass-walled offices in the background.

ABANO HEALTHCARE GROUP LIMITED  
ANNUAL REVIEW  
2018

We are pleased to present you with the 2018 Abano Annual Review. The full Annual Report including the financial statements can be viewed on our website at [www.abano.co.nz/report](http://www.abano.co.nz/report).



**Trevor D Janes**  
Chairman  
27 August 2018



**Richard Keys**  
Chief Executive Officer



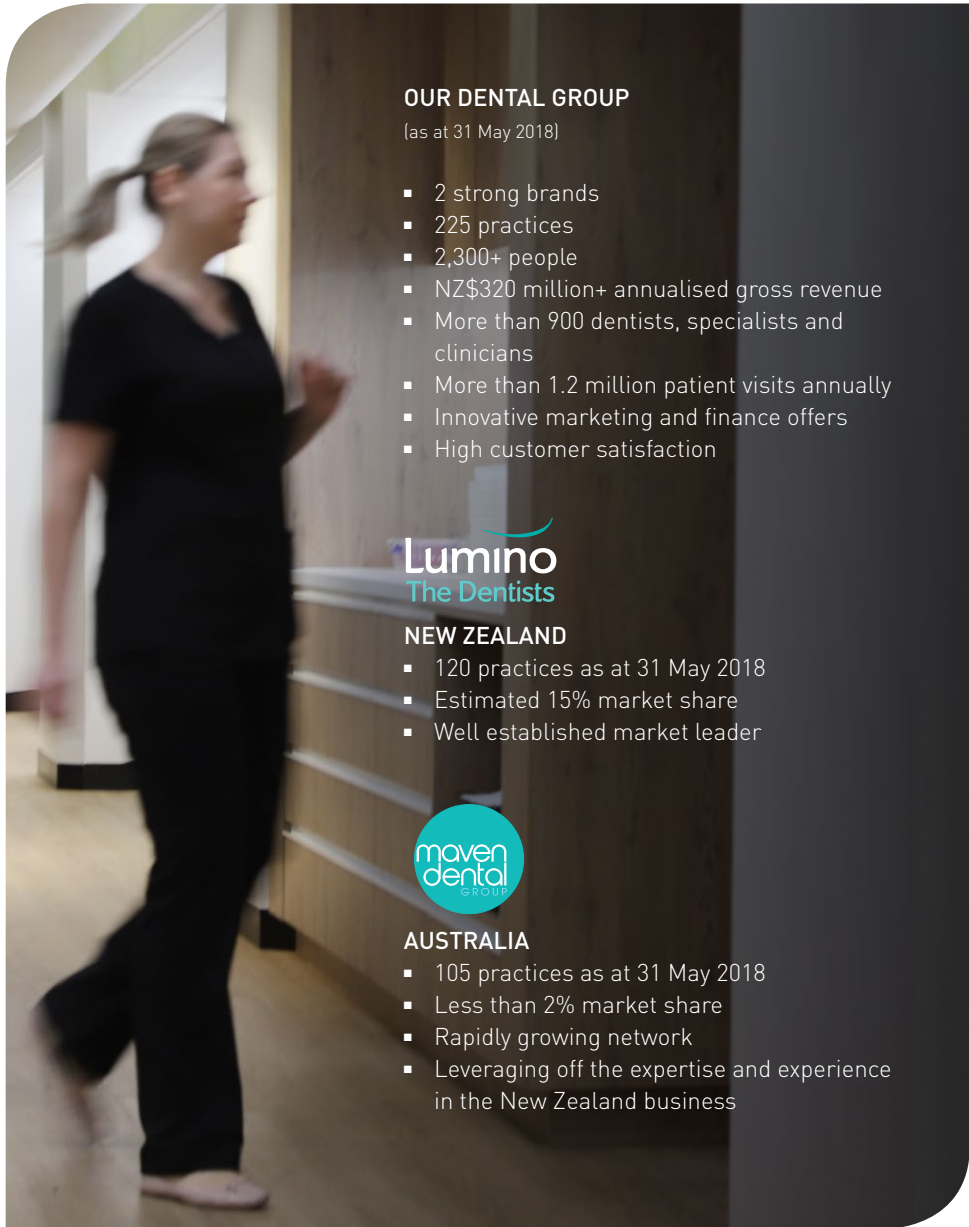
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## OUR BUSINESS

### OUR GOAL IS TO BE THE LEADING ORAL HEALTHCARE PROVIDER IN AUSTRALASIA.

Our focus is on the \$11-billion trans-Tasman dental market. Listed on the NZX, Abano owns and operates the largest group of dental practices in the region, through our two networks - Lumino The Dentists in New Zealand and Maven Dental Group in Australia.



**OUR DENTAL GROUP**  
(as at 31 May 2018)

- 2 strong brands
- 225 practices
- 2,300+ people
- NZ\$320 million+ annualised gross revenue
- More than 900 dentists, specialists and clinicians
- More than 1.2 million patient visits annually
- Innovative marketing and finance offers
- High customer satisfaction

**Lumino**  
The Dentists

**NEW ZEALAND**

- 120 practices as at 31 May 2018
- Estimated 15% market share
- Well established market leader

**maven dental**  
GROUP

**AUSTRALIA**

- 105 practices as at 31 May 2018
- Less than 2% market share
- Rapidly growing network
- Leveraging off the expertise and experience in the New Zealand business

## THE \$11-BILLION TRANS-TASMAN DENTAL MARKET

The trans-Tasman dental market is worth over \$11-billion dollars and represents a very valuable opportunity for Abano.

While there are a number of active dental groups, each has a different business model.

Abano is focused on the private, fee for service, mid to high end dental market.

Our strategy is to grow through organic and acquisition growth; and we are investing to create a long term, sustainable organisation and scalable infrastructure.

Our people are at the heart of our organisation and we have a partnership philosophy, working alongside them, adding value and building their capability.

We believe that our focus on dental, our growth strategy and our business model will drive increasing value for our shareholders

### NZ\$11-BILLION MARKET OPPORTUNITY

- The trans-Tasman dental market is worth approximately \$11-billion, comprising Australia A\$9.4B and New Zealand \$0.8B

### ~9,000 PRIVATE DENTAL PRACTICES

- Huge pool of practices for acquisition and ongoing expansion of Abano's dental networks

### CHANGING WORKFORCE

- Increase in supply of new graduates
- More diverse workforce
- Growing preference for flexible working conditions offered by a dental corporate

### PREDOMINANTLY PRIVATELY FUNDED

- Minimal reliance on Government funded contracts
- Limited exposure to fixed price arrangements with health insurers

### LONG TERM GROWTH TRENDS

- Better oral health and retention of natural teeth
- More services on offer
- Increasing demand for cosmetic services

### GROWING ACCEPTANCE AND POPULARITY OF THE CORPORATE DENTAL MODEL

- More dentists are choosing to join a corporate dental group
- Corporate dental groups comprise less than 10% of the market

## FY18 AT A GLANCE

### RECORD FINANCIAL RESULT

Record revenue and earnings; sixth year in a row of increase in Underlying NPAT

### FINAL DIVIDEND OF 20 CENTS PER SHARE

Full year partially imputed dividend of 36 cents per share paid on increased number of shares following capital raise in 2017; equal to 68% of underlying NPAT

### COMPLETED TRANSITION TO SOLELY FOCUS ON DENTAL

Sale of 71% shareholding in radiology business for \$2.1m gain on sale

### GROWTH OF OUR DENTAL NETWORKS

Grew trans-Tasman dental network to 225 practices. Acquired 19 dental practices which are expected to generate \$40.3m in annualised gross revenue. Opened leading edge greenfield practice in Rangiora

### CONTINUED INVESTMENT INTO THE BUSINESS

Patient experience; People and organisation; Operational and clinical excellence; Profitable growth; Technology

### STRENGTHENED THE BALANCE SHEET

Successful \$35 million 1 for 5 fully underwritten renounceable rights offer

### GOVERNANCE

Dr Tracey Batten appointed to the Board as Independent Director

### RESOLUTION ON TAKEOVER COSTS

High Court rules in favour of Abano regarding recovery of takeover defence costs. Sell down by Healthcare Partners of their entire shareholding in Abano

STRATEGIC PROGRESS: See pages 11 to 18 for details of our Strategic Progress over the year.

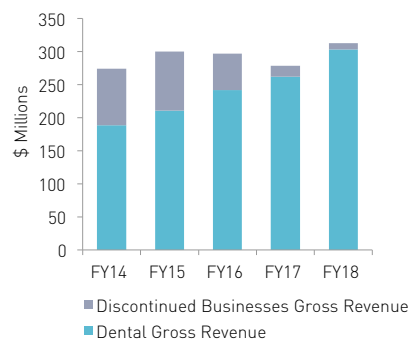
## FY18 FINANCIAL SNAPSHOT

### RECORD RESULTS DRIVEN BY DENTAL GROWTH AND IMPROVING SAME PRACTICE PERFORMANCE

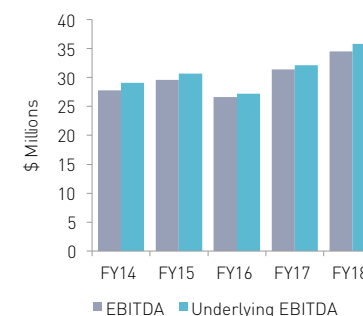
Gross Revenue	\$312.7m	+12.2%
Revenue	\$259.5m	+11.1%
Underlying EBITDA	\$35.8m	+11.6%
EBITDA	\$34.5m	+10.0%
Underlying NPAT	\$13.6m	+17.7%
NPAT	\$12.6m	+15.8%

\*Percentage change based on FY18 financial statements.

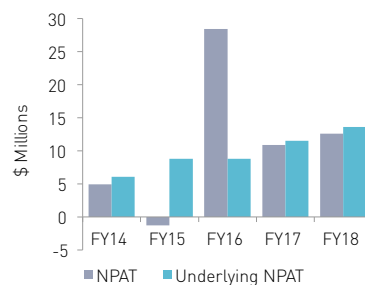
GROSS REVENUE



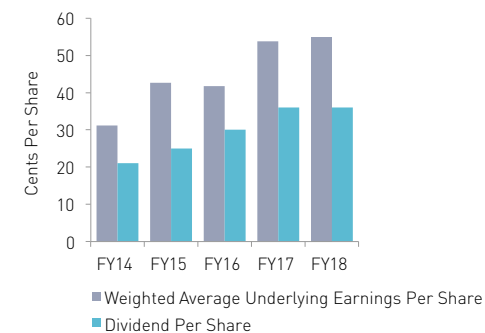
EBITDA AND UNDERLYING EBITDA



NPAT AND UNDERLYING NPAT



DIVIDEND AND UNDERLYING EPS



EXPLAINING OUR RESULTS: See pages 20 to 21 for more information and an explanation of GAAP and non-GAAP financial measures.

## WORD FROM THE CHAIR



**Over the past decade, Abano has been a company in transition as we've increasingly rationalised our business to concentrate our activities on the significant opportunity in the \$11-billion trans-Tasman dental sector. Along the way we have exited businesses that we had and still have great regard for, primarily because they did not offer the same opportunities to develop in the scale we sought.**

We had always identified our long term strategy as being an investor in the healthcare market, and predominantly the 'private pay' sector of that market to avoid the vicissitudes of Government funding of large parts of the healthcare system, especially in New Zealand.

There is no question that the demand for high quality healthcare services is growing exponentially and will continue to do so. Aging populations, longer life spans and customer demand for the latest and best care are driving demand and outstripping the Government's ability to pay for it. Private healthcare providers are an essential part of our healthcare sector, easing pressure on the public system and investing into leading edge technology, equipment and highly trained clinical staff.

Back in 2010, we were essentially an investment company with interests in as many as six different sectors of the healthcare market. But over time we came to understand the opportunity that existed in the dental market, which was resulting from changing social and work force patterns.

We are now the largest dental corporate in the Australasian market with some 230 practices - 120 in NZ and 110 in Australia. Despite this, our market share is estimated at less than 3%. We see considerable opportunity to continue our growth and to produce increasing shareholder value in our chosen market.

Our strengths lie in the maturity of our dental business along with its scale; the substantial investment we have made and continue to make in infrastructure and in

our national brands; and in the culture and calibre of our clinicians. We have over 2,300 people including 900 clinicians who service more than 1.2 million patient visits annually, generating in excess of \$320 million of gross revenue.

Our aim is to be the pre-eminent oral healthcare provider in our chosen markets and our culture and strategy is well aligned with this.

To support our growth strategy, during the year we undertook a capital raising that resulted in a 20% increase in the number of shares on issue. We have maintained dividends at the same level as last year on this increased number of shares, with a final dividend of 20 cents taking the full year's dividend to 36 cents per share.

The changes to our business model have driven the need to ensure the board is 'fit for purpose'. This is seeing a move away from a majority of directors whose expertise was in investments, towards members with additional clinical awareness and involvement. We are, after all, essentially running 230 clinically-led small businesses, most with between 6 and 20 staff, so we need skills that identify more closely with the risks that this creates for our business. Given that Australia represents more than 50% of our revenues, we also want directors with the knowledge and skills appropriate to the risks of that market...something that New Zealand companies have not always understood.

We now have two Directors based in Australia - Murray Boyte in Brisbane and Dr Ginni Mansberg in Sydney - and, this year, we were pleased to

welcome to the Board, Dr Tracey Batten. While now living in New Zealand, Tracey has considerable health and dental sector experience in Australasia.

Ted van Arkel will be retiring as an Abano Director this year, after seven years on the Board. His experience in the retail and consumer sector has been of great value as Abano has transitioned to its current focus.

As previously announced, I will not be seeking re-election to the Board when my current term expires in 2019. As part of the Board's succession planning, I have advised that I will be stepping down as Chairman at the conclusion of the upcoming Annual Meeting. The Board has unanimously elected Pip Dunphy as the incoming Chairman, and this will take effect at the close of this year's Annual Meeting.

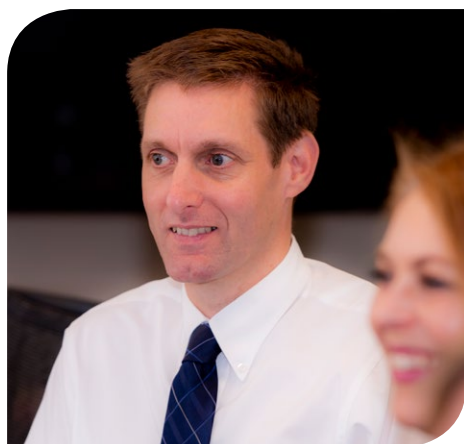
To the Abano team and all our people across the Lumino and Maven dental networks - thank you for your contributions and efforts towards achieving our goal of being the leading provider of oral healthcare in Australasia.

To our shareholders, thank you for your continued support during some 'interesting times' as the old saying goes. I believe we have been under active takeover assault on and off for some 10 years, but we have remained focussed on delivering value to you...and to our patients.

Regards

**Trevor D Janes**  
Chairman

## CHIEF EXECUTIVE'S REPORT



**2018 was the year we completed our transition to focus solely on the \$11-billion trans-Tasman dental market. This market represents a very valuable opportunity for us and meets all our criteria – it's predominately privately funded, has long term growth trends and there is a significant opportunity for us to expand and gain market share with our branded offering. We now own the largest group of dental practices in the region and are investing into building a strong and scalable infrastructure to support our continuing growth.**

Once again Abano delivered a record financial result in FY18, as we continued to build our share of the trans-Tasman dental market. Our transition to being solely focused on dental was completed in February 2018, with the sale of our 71% shareholding in Auckland-based radiology business, Ascot Radiology.

Both our dental networks delivered an improving performance and same practice gross revenue trends improved across both networks. This is a result of our focus on realising benefits of scale, expanding the services on offer, increasing and maximising existing capacity, increasing clinical days and continuing to invest into branding and marketing.

More than 50% of our dental gross revenue is now from Australia and this will continue to grow.

Net Profit After Tax (NPAT) was \$12.6 million for FY18. We also report on Underlying NPAT which excludes gains/losses arising on sale of businesses, IFRS adjustments and impairments, including their tax effect. We believe this provides a more appropriate representation of Abano's performance and have consistently used this metric for many years.

Underlying NPAT increased for the sixth year in a row, up 18% to a record \$13.6 million.

Almost two years ago in 2016, we announced a set of KPIs relating to our financial goals for the three-year period from FY18 to FY20. We are on track to achieve these. The only exception to this in FY18 was growth in Underlying earnings per share, which was impacted in the short term by the rights offer and the resulting 20% increase in shares, as well as the sale of Ascot.

Underlying EPS on continuing businesses, excluding the impact of the capital raise, was greater than 14%.

### DENTAL NETWORK PERFORMANCE

The dental group delivered a 16% increase in gross revenue to \$303.4 million and a 17% increase in Underlying EBITDA to \$37.0 million. Dental margins remained at the same level as the previous year, despite flat same practice revenue growth in Australia and an increased investment into core business areas.

We continued to bring our two dental businesses closer together, with the alignment of support systems, processes, reporting integration and other initiatives. We remain committed to being a leader in clinical excellence, demonstrated by the recent appointment of a trans-Tasman Clinical Director to further progress best practice, clinical learning and development and support our Clinical Advisory Boards.

### Lumino The Dentists

Lumino delivered a record year of same practice gross revenue growth, growing by 3.3% for FY18, compared to -1% last year. Considerable investment was made into expanding capacity, improving reporting systems and piloting new initiatives such as on-line booking and the new Lumino Dental Plan. Acquisition growth remained solid, however, given the existing strong coverage across New Zealand, the focus over time is expected to move towards greenfield practice developments in targeted areas, as well as expanding capacity within existing practices.

### Maven Dental Group

Maven also delivered an improved

performance and maintained same practice gross revenue at the same level as last year, an improvement on the decline in FY17 and previous years. This is a significant achievement in a challenging and volatile economy and we remain focused on continuing this positive trend. Overall, Australian economic conditions remain soft, with a flow on effect on discretionary healthcare spend, including dental. Strong network growth was achieved during the year and a strong acquisition pipeline is in place. With the Maven branding becoming more well known, corporate dentistry becoming more accepted and clear differentiation now evident between dental corporates, Maven is well positioned in the market to accelerate acquisition growth and continue to improve same store performance.

### OUR DENTAL NETWORKS CONTINUE TO GROW

Our goal is to build our share of the trans-Tasman dental market, and we are expanding our networks primarily through acquisition.

In FY18, we acquired 19 practices for \$42 million including deferred acquisition consideration, with these practices expected to generate \$40.3 million in annualised gross revenue. This exceeded our acquisition KPI target for the second year in a row. The acquisitions represented fewer but larger practices, with a corresponding increase in acquisition spend. These practices were, on average, acquired on similar multiples to the previous year.

We also invest in targeted greenfield developments, with a new leading edge Lumino practice opened in Rangiora



during FY18, and Lumino's largest practice relocated in Auckland's CBD in July this year. This flagship practice had its official opening in August. For greenfield developments and refurbishments, we are deliberately moving away from the traditional clinical layout. New practices utilise the best design principles and provide a more relaxed experience, allowing the patient to seamlessly transition through the various zones of the practice. Colours and materials create a sense of relaxation and provide a warm environment that patients want to visit and come back to.

Lumino The Dentists is the largest provider in New Zealand and has strong national coverage and revenue market share of around 15%.

The Australian dental market is approximately 12 times bigger than NZ and an increasingly larger proportion of acquisitions will be in Australia going forward, where we currently have a market share of less than 2%.

Australia is our largest opportunity and will be the focus for acquisitions, particularly in states where we are under represented, such as Victoria and New South Wales. We have a strong acquisition pipeline in place, including some large practices which are being considered.

### **INVESTING TO CREATE A LONG TERM, SUSTAINABLE AND SCALABLE ORGANISATION**

Our goal is to be the leading provider of oral healthcare in Australasia. To do this, we need to have high performing and talented people, delivering world class patient experience and clinical best practice, all

while generating improving financial results and shareholder value.

We want our businesses to be here for the long term and we are investing in our organisation to ensure we have a long term, sustainable organisation and a scalable infrastructure that can support our growth. This will continue as we look to support our accelerated growth. Health and safety remains a priority for us as we look to provide a safe environment for our staff and patients.

Our normal "business as usual" capital expenditure cost is roughly equal to our depreciation expense. In FY18, we also had additional investments into our infrastructure, including a \$2 million spend on IT, \$2.5 million for the relocation and expansion of our flagship dental practice in Auckland, which is now the largest practice within our group, and \$2 million on a new greenfield practice in Rangiora and several practice expansions to enable further growth and profitability.

Technology is a big enabler for our business and we're investing significantly in IT systems, proprietary software applications and data analytics. In FY18, we transferred our support offices' IT systems into the cloud, providing a number of benefits including better cybersecurity. We are rolling out customised dashboards to help in the management of our practices as well as clinical best practice, and digital remains an important part of our marketing strategy.

Our investment in data warehousing provides the big data we need for analytics and, with all our data now in the cloud, we are developing further advanced analytics to drive business improvements.

### **FUNDING FOR GROWTH**

Abano's balance sheet remains strong. The proceeds from the capital raising in 2017 were used to pay down debt and provide headroom for our continued growth in FY19.

As at year end we had bank facilities of approximately \$142 million, of which \$45 million was undrawn.

We have the ability to increase our debt facilities to fund our growth while remaining within our targeted net debt to annualised Underlying EBITDA ratio of less than 3.5x (2.3x as at 31 May 2018). It also remains our policy to seek shareholder support for our growth, with capital raises every few years if needed. If some larger or strategically important acquisition opportunities were to present themselves, then we would come back to the market as required, as we have done in the past.

### **LOOKING FORWARD**

We have identified some key priorities for the FY19 year, in line with our strategic pillars.

We'll look to enhance the patient experience through Online Bookings, roll out the Dental Plan to all New Zealand practices via our in-house software application which is being developed, and we will continue to optimise patient contact and interactions.

We will remain focused on attracting and retaining best talent and will invest more in training and development opportunities. The use of data analytics and dashboards will help us identify where we can add the most value in this area and focus our training efforts.

We believe we already have some of the best and most robust clinical processes in the industry, however, we are not being

complacent. We will continue to leverage the expertise of our clinicians and develop best practice protocols and guidelines. We'll also be using technology to further automate functions and tasks, and are establishing an Innovation Hub to support the creation of unique initiatives such as the AI customer service bot.

We have a strong pipeline of acquisitions and we expect to achieve or exceed the acquisition rate of FY18, which would again be above the KPI target which we set in 2016.

For FY19, we expect "business as usual" capital expenditure to remain in line with depreciation. We will also be investing approximately \$4.5 million into growth initiatives, such as the rollout of the Dental Plan, as well as completion of the Auckland CBD practice relocation and further practice expansions. In addition, after 13 years in the same offices and with the requirement to relocate, the Abano and Lumino management and support teams will be moving to new premises in Auckland's CBD.

Finally, we remain focused on profitable growth, optimising our performance and leveraging our scale to achieve our financial KPI targets.

We are excited about the potential of our dental business and look forward to delivering another year of growth and improving performance.



**Richard Keys**  
Chief Executive Officer

# STRATEGIC PROGRESS IN FY18

OUR VISION: TO BE THE LEADING ORAL HEALTHCARE PROVIDER IN AUSTRALASIA

ENHANCE THE PATIENT EXPERIENCE



AN ENGAGED AND CAPABLE ORGANISATION



OPERATIONAL AND CLINICAL EXCELLENCE



GENERATE PROFITABLE GROWTH



## ENHANCE THE PATIENT EXPERIENCE

- Engage through a variety of channels and ensure ease of patient interaction
- Invest into brands and marketing
- Deliver an exemplary patient experience
- Generate high levels of patient satisfaction
- Leverage insightful patient and business data analytics

To bring new patients through the door and ensure existing patients come back to our practices on a regular basis, we need to target, attract and communicate with them and deliver the best possible patient experience.

We are utilising our huge and valuable pool of data to enable us to do this more effectively.

Our branded networks allow us to deliver innovative marketing and finance offers, such as the recent No Gap campaign in Australia and our interest free offers in New Zealand and Australia.

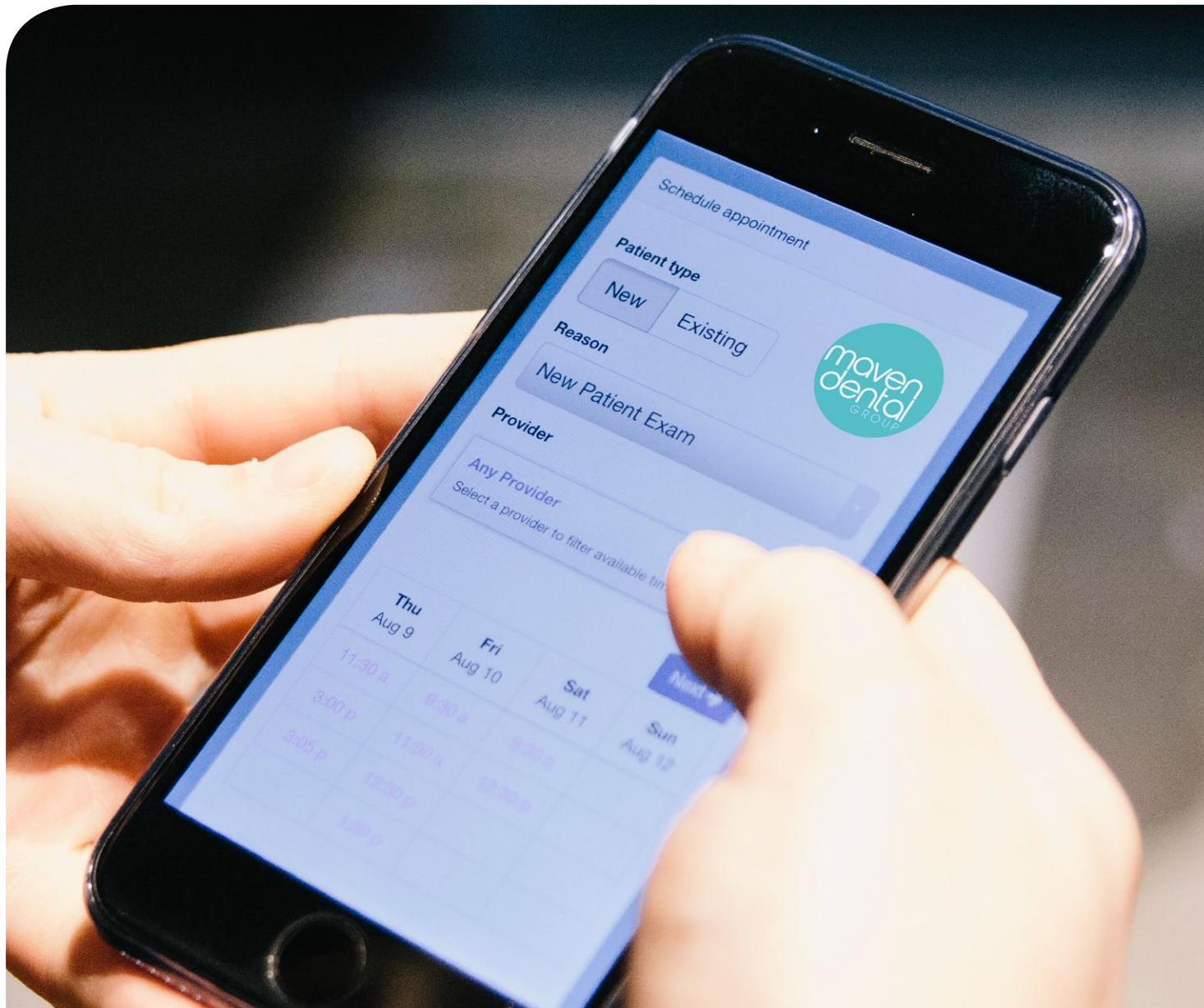
The Lumino Dental Plan pilot has proved very popular with more than 10,000 patients already signed up. For around \$1 a day, patients receive a bundle of treatments to be used over the course of a year, with an emphasis on preventative oral care. We are now developing our own software application to allow scalability of the Plan and to enable it to be rolled out across the group. This offer is focused on clinical best practice, provides cost effective preventative care to patients, will raise the bar in patient engagement and will deliver increasing revenue.

We're using technology to ensure ease of patient access, and the successful pilot and subsequent rollout of Online Booking is a great example of this.

Patient satisfaction levels are high. Lumino achieved an NPS score of 70 for FY18, an excellent result. We also piloted NPS scoring for Maven in Australia with very pleasing initial scores and we'll be rolling this out across the Maven network this year.

### FY18 KEY INITIATIVES ACHIEVED INCLUDE:

- Net Promoter Score (NPS) for Lumino = 70 for FY18 (FY17: 68)
- Launched NPS for Maven in March – to be rolled out across all Maven branded practices in FY19
- Continued piloting the Lumino Dental Plan – now more than 10,000 patients
- Development of software to allow scalability of Dental Plan across the group
- Rollout of Online Booking across NZ and Australia
- Continued to rebrand practices in Australia to Maven Dental Group
- Launch of centralised contact centre and 1800 number for Maven using same provider as Lumino
- Use of data analytics and CRM to better target and communicate with patients



Abano's dental patients now have more options than ever before. Online Booking allows patients a convenient and efficient way to book their own appointment and set recall reminders, making it easier for both the patient and the practice.

New and existing patients have embraced the technology and Abano is now rolling it out across both the Maven and Lumino networks. Each month, over 4,500 new and existing patients make an online booking at a Lumino and Maven practice. One third of these bookings are outside of working hours, reflecting the needs and expectations of consumers with busy lifestyles.



## ENGAGED AND CAPABLE ORGANISATION

- Foster a culture of pride, patient care and clinical excellence
- Provide access to training, mentoring and career development
- Attract and retain high performing people
- Create world class work places
- Generate high levels of employee engagement

High performing, talented people are fundamental to our business. Having a great culture is essential to attract and retain these people and is the key to our success. In FY18, we adopted a set of cultural values across our business, as well as further refined our vision and strategic pillars.

We are investing in our people with multiple training and development opportunities, from clinical training and infection control, through to practice management and health & safety, delivered through webinars, conferences, regional meetings and clinical training programmes.

Our community focused annual Maven and Lumino Days and other events such as the Wairoa community initiative and Maven's support for the Kimberley project, are not just an opportunity for us to give back to deserving patient groups with free dental care, but also engender massive amounts of pride and collaboration amongst our staff and practices. These events are very important for us and the communities we work in, and we will continue to support them going forward.

### FY18 KEY INITIATIVES ACHIEVED INCLUDE:

- Adoption of vision, strategic pillars and cultural values
- Inaugural trans-Tasman Lead Dentist Conference
- MDG Connect and Lumi-Network regional meetings for training and collaboration
- Increased use of webinars as a training tool
- Launch of Maven GO following success of Lumino GO - a clinical training programme for dentists
- Launch of Practice Partnering Scheme for individual, high performing Lead Dentists
- Group wide participation in Lumino Day and inaugural Maven Day – giving back to our communities



“The Maven GO programme has been life changing in terms of my everyday clinical practices and has been a great motivation for me to pursue further advanced studies.”

Dr Ivan Crnkovic, Maven Dental Group  
[pictured]

Providing access to an indepth programme of training, mentioning and career development opportunities is part of Abano’s unique offer to its people.

Lumino dentist Dr Andrea Shepperson, an internationally recognised educator and Independent Clinical Advisor to Abano, has created a curriculum of best practice education for dentists. The programme offers professional development in case planning, clinical skills and communication, and allows dentists to combine small group learning with hands-on skills. Programmes such as these are key to attracting, retaining and developing high performing people.

## OPERATIONAL AND CLINICAL EXCELLENCE

- Develop a clinical framework, systems and processes that support clinical excellence
- Invest in modern clinical technology
- Continually improve business processes, systems and operating efficiencies

Operational excellence means developing more effective and efficient ways of doing things. Technology is a big driver for this.

In FY18 we identified key metrics and developed dashboards for every individual practice and clinician, using data from across the group to determine benchmarks and best practice. This allows us to identify opportunities for better efficiencies, improved dental chair utility, and tailored training to upskill individual dentists and allow them to provide best practice clinical treatment and offer higher value services.

Another major project was the migration of the support office IT systems to the cloud. This allows our dental businesses to collaborate digitally as a single organisation, regardless of physical location. Other advantages include an ability to scale easily to accommodate future growth, improved cybersecurity, simplified access and a reduction in operating costs. We were delighted this project was named as a finalist in the Business Transformation category of the New Zealand CIO Awards.

Clinical excellence means high quality clinical care every time, backed up by best practice, systems and protocols. We established the new role of trans-Tasman Clinical Director in FY18, who will work in parallel with our existing Clinical Advisory Boards to help us achieve this. Health and safety is of utmost importance, for both our people and our patients. We encourage reporting of incidents and monitor a number of factors such as exposure to bodily fluids, needlestick injuries and equipment failure, which are reviewed on a regular basis. We're also investing in equipment and digitising the clinical process to deliver faster, better care.

### FY18 KEY INITIATIVES ACHIEVED INCLUDE:

- Better data analysis for clinical best practice
- Launch of digital dashboards in individual practices to enhance clinical reporting and practice management
- Review of patient engagement, with systems being developed to improve the patient experience
- Dr Fred Calavassy appointed as Clinical Director
- Ongoing support from Clinical Advisory Boards in both countries
- Focus on Infection Control – development of best practice protocols and training programmes
- Migration of support office IT systems to the cloud
- Continued to invest in digitising the clinical process, to deliver faster, better care

“Patients love being able to see what their smiles could look like and around 80-90% of patients who come in for a consultation, take up treatment.”

Dr Steven Casci, Lumino Dentist - Auckland Central  
(pictured)

Scanning technology has now advanced to the stage where it is an essential component of cosmetic and general dentistry and can be a genuine practice changer.

Lumino and Maven are leading the way with high end scanners installed in a number of practices across the group. Scans can be done quickly and easily, digital files can be sent to laboratories electronically, and patients receive a clear visual representation of what can be achieved.





## GENERATE PROFITABLE GROWTH

- Network expansion primarily through acquisition, plus selective greenfield development
- Organic growth from existing businesses
- Deliver improving Underlying EBITDA and Underlying NPAT
- Focus on improving margins and managing costs
- Deliver improving shareholder returns

Our long term dental strategy is to grow our networks, primarily through acquisition with some targeted greenfield developments. Our financial performance was strong in FY18 and same practice gross revenue improved over both networks.

The Board has set a number of KPIs to achieve over the three-year period from 2018 to 2020. The company is largely on track to achieve these targets. The increased opportunity and accelerated acquisition rate in the past two years has seen the acquisition KPI exceeded and we expect to meet or exceed FY18 levels in the current year. Underlying earnings per share was impacted in the short term by the rights offer in 2017 and the resulting 20% increase in shares, as well as the Ascot sale.

KPI	TARGET	FY18	COMMENTS
<b>Annual dental practice acquisitions</b>	25 practices OR \$35M AGR* by 2020	19 practices; \$40.3M AGR	Ahead of our 2020 target for the second year in a row. Acquired larger practices in FY18
<b>Growth in dental same practice gross revenue</b>	6% over 3 years FY18:FY20	LUM 3.3% MAV 0.0%	Improved performance in both New Zealand and Australia
<b>Dental Underlying EBITDA margin</b>	>14% by FY20	12.2%	In line with FY17 despite increased investments being made into marketing, technology and branding
<b>Net bank debt to annualised Underlying EBITDA</b>	<3.5x	2.3x	Annualised Underlying EBITDA as at 31 May 2018 was in excess of \$38 million
<b>Growth in Group Underlying EPS</b>	>15% per annum	2.2%	Short term impact due to 20% increase in shares on issue following capital raise; and sale of Ascot Radiology. Underlying EPS on continuing businesses, excluding the impact of the capital raise, was greater than 14%

EXPLAINING OUR RESULTS: See pages 20 to 21 for more information and an explanation of GAAP and non-GAAP financial measures.

\*AGR: Annualised gross revenues expected to be generated by acquisitions



Dr Ben Harris (far right), with his team at the new Lumino Rangiora practice.

Dr Ben Harris is one of the first of Lumino's Lead Dentists to participate in the group's new Practice Partnering Scheme, which allows increased participation in the growth and success of the business. He has invested alongside Lumino in the practices he leads in Christchurch, including established practices at North Avon and Shirley, and two new greenfield practices in the surrounding area.

## FIVE YEAR FINANCIAL SUMMARY

	FY14 \$M	FY15 \$M	FY16 \$M	FY17 \$M	FY18 \$M
<b>OPERATING FINANCIAL PERFORMANCE</b>					
Gross Revenue <sup>1,2</sup>	274.0	300.4	297.1	278.7	312.7
Revenue	211.1	222.2	213.7	233.5	259.5
Underlying EBITDA <sup>2</sup>	29.1	30.7	27.2	32.1	35.8
Acquisition costs	(1.3)	(1.1)	(0.6)	(0.7)	(1.3)
EBITDA <sup>2</sup>	27.8	29.6	26.6	31.4	34.5
Depreciation and amortisation	(10.0)	(10.1)	(9.7)	(10.2)	(11.0)
EBIT	17.8	19.5	16.9	21.2	23.5
Net financing costs & fair value movements	(5.8)	(5.8)	(6.1)	(5.1)	(5.2)
Share of gain/(loss) in associate/jointly controlled entity	(2.2)	(0.1)	0.7	-	-
Impairment of goodwill	-	-	-	-	(1.3)
Gain/(loss) on sale of jointly controlled entity/subsidiary/business	-	(9.0)	20.3	-	2.0
NPBT	9.8	4.6	31.8	16.1	19.0
Taxation	(3.7)	(4.5)	(3.4)	(5.0)	(6.1)
Non-controlling interest	(1.2)	(1.4)	-	(0.2)	(0.3)
NPAT	4.9	(1.3)	28.4	10.9	12.6
<b>RECONCILIATION TO UNDERLYING NPAT</b>					
Adjust for (gain)/loss on sale of jointly controlled entity/subsidiary/business	0.2	9.0	(20.3)	-	(2.0)
Add back: Impairment of goodwill	-	-	-	-	1.3
Add back: Fair value movements	(0.3)	-	0.1	(0.1)	0.4
Add back: Acquisition and divestment costs	1.3	1.1	0.6	0.7	1.3
Underlying NPAT <sup>2</sup>	6.1	8.8	8.8	11.5	13.6
	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
No. of shares (000s) as at 31 May	20,537	20,876	21,271	21,465	25,866
Underlying EBITDA per Share <sup>2,3</sup>	149.5c	148.0c	129.0c	149.8c	144.8c
NPAT per Share <sup>3</sup>	25.0c	(6.11)c	134.7c	50.8c	51.0c
Underlying NPAT per Share <sup>2,3</sup>	31.2c	42.6c	41.7c	53.9c	55.0c
<b>FINANCIAL POSITION</b>					
Total Assets	224.3	221.1	273.7	273.7	306.6
Net Bank Debt	75.9	86.1	113.6	103.6	94.2
Total Equity	94.9	90.4	115.0	118.6	159.0
<b>KEY FINANCIAL RATIOS</b>					
	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
Net Bank Debt/Total Assets	33.8%	38.9%	41.5%	37.8%	30.7%
Net Bank Debt to Net Bank Debt plus Equity	44.4%	48.8%	49.7%	46.6%	37.2%

[1] Gross revenue includes the equity accounted jointly controlled Audiology businesses (prior to its divestment in FY16) and Australian dental revenues before payment of dentists' commissions.

[2] 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](http://www.abano.co.nz/underlyingearnings) and in note 2, Segment Information, of the Financial Statements for the year ended 31 May 2018 available at [www.abano.co.nz/latestfinancials](http://www.abano.co.nz/latestfinancials).

[3] Weighted average number of shares for the year.

## EXPLAINING OUR RESULTS

<b>Revenue and Gross Revenue</b>	In line with industry standards, reported revenue in Australia is after the deduction of dentists' commissions, whereas in New Zealand reported revenue is before dentist commissions are deducted. Therefore, we also report on gross revenue which is all dental revenue before commissions are paid and more accurately reflects the income we receive from patients. In FY18, we only received six months' contribution from Ascot Radiology prior to its sale, compared to a full 12 months' contribution in FY17.
<b>Same practice gross revenue growth</b>	This is the amount of revenue growth over the period, generated by practices which were owned by Abano in the prior period. For example, annual same practice gross revenue growth for FY18 excludes any practices which were acquired during the FY18 year. It takes the total revenue of practices owned by Abano in FY17 and compares that to the total revenue generated by those same practices in FY18 (adjusted to match part years).
<b>EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation)</b>	This is essentially the ongoing earnings we receive from our businesses, after operating expenses are paid. Under the International Financial Reporting Standards (IFRS), we are also required to expense transaction costs associated with buying dental practices.
<b>Underlying EBITDA</b>	This is EBITDA excluding transaction costs. Transaction costs vary between acquisitions depending, amongst other things, on the size and location of the practices acquired. These can include legal fees and stamp duty, which is payable in certain states in Australia. As these costs bear no relationship to the underlying operations of the practices acquired, they are removed for performance monitoring purposes.
<b>Annualised Underlying EBITDA</b>	This is Underlying EBITDA including the expected Underlying EBITDA for practices acquired during the year, as if they had been owned for the full year.
<b>Net Profit After Tax</b>	This is the profit attributable to Abano. It excludes profit attributed to parties holding non-controlling interests in Abano. In FY18, this included the 29% shareholding in Ascot Radiology, held by our radiologist partners, and a 30% shareholding in Kidz Teeth. Abano's 71% shareholding in Ascot Radiology has now been sold and a \$2.1 million gain on sale was included in FY18 NPAT.
<b>Underlying NPAT</b>	This removes the impact of non-cash accounting adjustments, such as impairments and movements in the fair value of financial instruments, as well as the gain on sale of Ascot Radiology, acquisition and divestment transaction costs and their associated tax effects.
<b>Why we report on Underlying measures</b>	Abano has reported on Underlying EBITDA and NPAT on a consistent basis, for many years. The Board and management believe these measures provide a more appropriate representation of Abano's performance. These underlying measures are used within the Company to evaluate performance, establish strategic goals and to allocate resources. They also provide the basis of Abano's dividend policy.



<b>Impairments</b>	<p>Under the accounting standards, we must test the carrying value of goodwill on dental practices and other assets for impairment on an annual basis. Accounting standards do not allow us to assess goodwill for impairment on a group basis, where the outperformance of some practices could offset any underperformance by other practices. Instead, we must assess goodwill at the practice level and in some cases, must impair (write down) the value of practices which face longer term challenges and underperformance. However, while accounting standards require us to take impairments, we cannot subsequently write back the value if that practice's performance is turned around. In FY18, we took impairments of \$1.3 million relating to two smaller and older dental practices in Abano's portfolio which have been unfavourably impacted by changes to the local environment and the clinician team.</p>
<b>Dental Underlying EBITDA margin</b>	<p>This is amount of earnings (less transaction costs) as a percentage of gross revenue. It takes into account the costs of providing our dental service, and the investment we are making into technology, people, systems and our organisation to ensure we meet our goal of being a leading oral healthcare provider, while also maintaining a sustainable and scalable business which is strongly positioned for long term growth. In FY18, our dental underlying EBITDA margin was in line with the previous year despite our increased investment into our business and flat same store revenue in Australia.</p>
<b>Net bank debt to annualised Underlying EBITDA</b>	<p>This is an indicator of how many years it would take to pay back bank debt if net bank debt and Underlying EBITDA remain constant. Our KPI is to remain below 3.5x. In FY18 it was 2.3x i.e. it would take us 2.3 years to pay back bank debt if Underlying EBITDA remained at the same level.</p> <p>It is important to note that the Underlying EBITDA is annualised to ensure a full 12 months of any acquisition is matched against the debt used to acquire the practice.</p>
<b>Underlying Earnings Per Share (EPS)</b>	<p>This is Underlying NPAT divided by the number of shares and serves as an indicator of Abano's profitability. The capital raising completed in 2017 increased the number of shares by 20%. In addition, we only had six months of contribution from Ascot Radiology. Both of these impacted on our Underlying EPS which was 55.0 cents per share. Underlying EPS on continuing businesses, excluding the impact of the capital raise, was greater than 14%.</p>

## SENIOR EXECUTIVE TEAM



**RICHARD KEYS**  
CHIEF EXECUTIVE OFFICER  
TENURE: 16 YEARS

- Started with Abano in 2002 as Business Development Manager before being promoted to Chief Financial Officer in 2003
- Appointed Chief Executive Officer of Abano in 2015



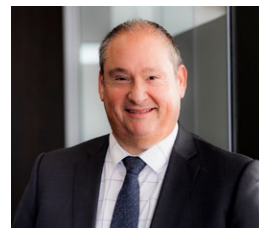
**ROSEMARY FERGUSON**  
INTERIM CHIEF FINANCIAL OFFICER  
TENURE: 3 MONTHS

- Appointed in June 2018
- A highly motivated and capable finance professional with over 20 years' domestic and international experience



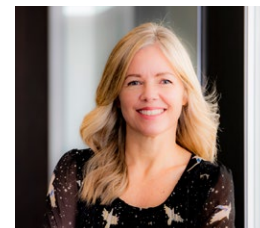
**ANDY TAPPER**  
CHIEF STRATEGY & BUSINESS DEVELOPMENT OFFICER  
TENURE: 13 YEARS

- Joined Abano in 2005 as Acquisitions Manager
- Took up role of GM Lumino in 2006
- Appointed CEO Abano Dental in 2015
- Moved to newly established current role in 2018



**PETER RADICH**  
CHIEF INFORMATION OFFICER  
TENURE: 9 YEARS

- Started consulting for Abano in 2009
- Now holds the role of Chief Information Officer with oversight of all IT for Abano, Lumino and Maven



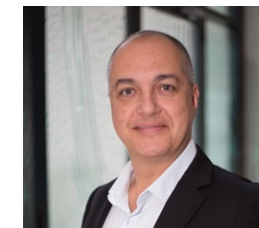
**KERRY DUNPHY**  
GM MARKETING  
TENURE: 8 YEARS

- Responsible for the growth and development of the successful Lumino brand and marketing
- From 2016, has had oversight of marketing for both the Lumino and Maven brands



**VANESSA FROST**  
GM PEOPLE & CAPABILITY  
TENURE: 11 YEARS

- Joined Lumino in 2007
- Established and grew HR function for the group
- Appointed to trans-Tasman leadership team in 2018



**DR FRED CALAVASSY**  
CLINICAL DIRECTOR  
TENURE: 6 YEARS

- Highly qualified dentist and dental educator
- Sold his practice into the Maven group in 2012
- Held a number of clinical advisory roles before commencing current role in 2017
- Continues to practise part time



**JOSH STENT**  
GM OPERATIONS NEW ZEALAND  
TENURE: 3 YEARS

- Background in marketing, retail and operations
- Joined Lumino as Operations Manager in 2015



**CHRIS WILLIAMS**  
GM OPERATIONS AUSTRALIA  
TENURE: 5 YEARS

- Started with Maven as Regional Manager in 2013
- Moved to Head of Operations before taking on role as General Manager for Maven in Australia in 2016



**ALLAN WONG KAM**  
GM COMMERCIAL  
TENURE: 6 YEARS

- Started working with Lumino in 2012 before taking on added responsibility for Maven in 2017
- Responsible for commercial analytics, procurement, property business partnerships



**SOPHIE HARMSWORTH**  
GM STRATEGY & ACQUISITIONS (AUS)  
TENURE: 8 YEARS

- Joined Dental Partners (renamed Maven Dental Group) as Acquisition Manager in 2010
- Became GM Acquisitions in 2014
- Moved to trans-Tasman role of GM Strategy & Acquisitions in 2018

## BOARD OF DIRECTORS

Abano's Corporate Governance statement for FY18 can be read on pages 48 to 54 in the Financial Statements. All Board policies and other governance documents can be viewed on the Abano website at [www.abano.co.nz](http://www.abano.co.nz).



**TREVOR JANES**  
INDEPENDENT  
CHAIRMAN  
APPOINTED 23 SEPTEMBER 2005

Trevor Janes has significant governance experience and is a highly regarded director, holding a number of board positions with private and public companies. His career has been in investment banking and financial analysis. He is a Fellow of INFNZ and of CA ANZ, a Member of the Chartered Financial Analysts Institute (USA), and a Chartered Fellow of the Institute of Directors.



**PIP DUNPHY**  
INDEPENDENT DEPUTY  
CHAIRMAN  
APPOINTED 25 SEPTEMBER 2012

Pip Dunphy is experienced in the areas of capital markets, finance and investment management. She currently has a diverse portfolio of governance roles across the state sector, privately owned and listed market. She has worked in the NZ financial markets for over 20 years and during this time with a wide number of NZ and offshore companies in the areas of capital raising and risk management.



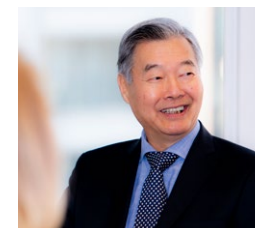
**DR TRACEY BATTEN**  
INDEPENDENT DIRECTOR  
APPOINTED 23 MAY 2018

Dr Batten has 15 years' experience as CEO for large, complex healthcare organisations in both Australia and the UK and has worked closely with businesses in the hospital, aged care and medical research sectors. She has held a number of governance positions with private and public organisations, including currently being a director of Medibank Private Limited and the National Institute of Water and Atmospheric Research. She has an in-depth knowledge of the health sector and Australasian market.



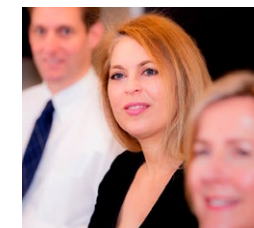
**MURRAY BOYTE**  
INDEPENDENT DIRECTOR  
APPOINTED 26 FEBRUARY 2015

Murray Boyte resides in Australia and has extensive operating and strategic experience in the trans-Tasman business market as well as a sound understanding of the Australian and New Zealand investment market and regulatory framework. He provides the Board with an in-market resource and expertise to support Abano's Australian business growth.



**DANNY CHAN**  
INDEPENDENT DIRECTOR  
APPOINTED 19 DECEMBER 2008

Danny is an experienced New Zealand director with accounting, finance, investment management and education expertise. He holds a number of directorships with private and public companies and is a director of ATEED, a Member of the Department of Prime Minister and Cabinet – China Project, the NZ China Executive Council and a Member of the NZ Markets Disciplinary Tribunal.



**DR GINNI MANSBERG**  
INDEPENDENT DIRECTOR  
APPOINTED 24 AUGUST 2016




Dr Mansberg is a Sydney-based GP with a successful clinical practice. She sits on a number of healthcare, corporate and not for profit Advisory Boards. Dr Mansberg has experience in medical journalism and appears regularly on radio and television, as well as running her own skincare company.



**TED VAN ARKEL**  
INDEPENDENT DIRECTOR  
APPOINTED 5 JULY 2011

Ted is an experienced director, with extensive operational, retail and consumer sales experience. He has worked with a number of growth companies to help them to grow and achieve their goals. Ted has advised that he will retire from the Abano Board at the 2018 Annual Meeting.

## WE CARE

<p>OUR PEOPLE</p> 	<p>OUR COMMUNITIES</p> 	<p>OUR ENVIRONMENT</p> 
<p>Our 2,300+ staff are at the heart of our business. Our clinicians provide care for hundreds and thousands of people in New Zealand and Australia every year. Our practice staff seek to ensure an exemplary patient experience every time. And our support teams provide the systems, processes and support that help our business run smoothly. We invest in our people to enable them to realise their potential:</p> <ul style="list-style-type: none"> <li>▪ Clinical and career development</li> <li>▪ Unique inhouse training programmes</li> <li>▪ Mentoring and development of younger dentists</li> <li>▪ Sharing of knowledge and collaboration is encouraged</li> <li>▪ Competitive and rewarding remuneration</li> <li>▪ World class work places</li> <li>▪ An environment that embraces diversity</li> <li>▪ Organisational culture that celebrates success and respects talent</li> <li>▪ Opportunities to share in the success of the business through the Practice Partnering Scheme</li> <li>▪ Making sure our people have a safe and supportive work environment</li> </ul>	<p>We are a part of our communities, and it is important for us that we give back and contribute to making them a better place to live and work. Every year, our businesses support deserving charities, groups and individuals.</p> <p><b>Initiatives in FY18 included:</b></p> <ul style="list-style-type: none"> <li>▪ The annual Lumino Day across New Zealand, with ~450 family carers treated for free across 32 practices</li> <li>▪ The inaugural Maven Day in Australia, with 160 family carers treated for free as part of National Carers Week</li> <li>▪ The Ngati Pahauwera initiative in Wairoa: a team of Lumino volunteers who provided over \$40,000 of free dental care to this very low-income area</li> <li>▪ Involvement in the Kimberley Dental Team in Australia providing free dental care to Indigenous children and their families in the Kimberley region of Western Australia</li> </ul>	<p>We take care to minimise our impact on the environment. Our businesses are encouraged to adopt environmentally friendly policies and initiatives.</p> <p><b>In FY19, we will be taking a more indepth look at what we can do to 'lighten our footprint' and become more sustainable.</b></p> <ul style="list-style-type: none"> <li>▪ Recycle what we can</li> <li>▪ Safe disposal and recycling of medical and waste materials</li> <li>▪ Electronic reporting and a reduction in paper reporting</li> <li>▪ Digital signage</li> <li>▪ Environment procurement</li> </ul>





The team at Lumino Mt Eden on Lumino Day 2018.

**DIRECTORS**

Eduard (Ted) Koert van Arkel

Appointed 5 July 2011

Dr Tracey Batten

Appointed 23 May 2018

Murray Boyte

Appointed 26 February 2015

Danny Chan

Appointed 19 December 2008

Philippa (Pip) Dunphy

Deputy Chairman

Appointed 25 September 2012

Trevor David Janes

Chairman

Appointed 23 September 2005

Dr Ginni Mansberg

Appointed 24 August 2016

**RISK ASSURANCE AND AUDIT  
COMMITTEE**

Chairman: Pip Dunphy

Danny Chan

Trevor Janes

Dr Ginni Mansberg

**GOVERNANCE AND REMUNERATION  
COMMITTEE**

Chairman: Ted van Arkel

Murray Boyte

Trevor Janes

**REGISTERED OFFICE AND  
ADDRESS FOR SERVICE**

Level 16

West Plaza Building

3-7 Albert Street, Auckland

**AUDITORS**

PricewaterhouseCoopers

PricewaterhouseCoopers Tower

188 Quay Street, Auckland

**BANKERS**

ASB Bank Limited

12 Jellicoe Street, Auckland

Commonwealth Bank of Australia

240 Queen Street

Brisbane, Australia

**SOLICITORS**

Harmos Horton Lusk Limited

Vero Centre

48 Shortland Street, Auckland

**SHARE REGISTRAR**

Computershare Investor Services Limited

159 Hurstmere Road

Takapuna, Auckland

**ABANO HEALTHCARE GROUP LIMITED**

PO Box 106 514, Auckland 1143

Telephone: + 64 9 300 1410

Facsimile: + 64 9 300 1419

enquiries@abanohealthcare.co.nz

[www.abanohealthcare.co.nz](http://www.abanohealthcare.co.nz)