

ABANO UPDATE ON TRADING PERFORMANCE AND FY19 GUIDANCE

Listed trans-Tasman dental provider, Abano Healthcare Group (NZX: ABA), is today providing an update on recent trading activity and guidance on its expected financial results for the 12 months ending 31 May 2019.

Abano's long-standing strategic goal has been to achieve a national presence and scale in the trans-Tasman dental market through acquisition and organic growth. The company now has the largest group of practices in the region, with over 237 dental practices across New Zealand and Australia. Significant investment has been made into IT, people and systems, and building a platform to support the continued growth and scale of the group.

Lumino The Dentists in New Zealand continues to deliver positive same practice revenue growth (1.8% for the nine months to end-February 2019), albeit with a higher cost base due to the previously announced one-off costs and an increase in laboratory costs relating to the rise of Invisalign orthodontic services. Trading conditions in Australia remain challenging and the performance of Maven Dental Group has been below expectations with same practice revenue of -1.6% to end-February 2019.

Abano is focused on improving the return on investment for its shareholders. Australia acquisition multiples have increased and remain higher than New Zealand and, combined with current Australian trading, Abano is pausing its acquisitions in Australia to focus on organic growth of its Australian network. Given this change in acquisition focus, Abano does not see a need to raise capital in the foreseeable future. Selective acquisition growth will continue in New Zealand as the national network is completed. This will see a reduction in the annual number of practices acquired by Abano with reduced acquisition spend in the second half of the financial year and annualised savings of approximately \$1.8m in direct and indirect acquisition costs in FY20.

A number of initiatives have been identified to lift the performance of the Australian dental group and improve utilisation of existing capacity across both networks, and these have already started to be implemented. The focus is on clinician recruitment and retention, upskilling of clinicians, and a lift in revenue per clinical day as well as number of clinical days. While these initiatives will take time to deliver results, they are expected to deliver a lift in same practice performance and improved profitability of the business.

The performance of the Australian network, the higher cost base in New Zealand and the weaker NZD/AUD exchange rate are impacting on Abano's results. The company advises that FY19 EBITDA is expected to be approximately \$33m with NPAT of approximately \$9m (before year-end review of goodwill). On a continuing basis (excluding radiology which was sold in February 2018), this compares to FY18 EBITDA of \$32.4m and NPAT of \$10.3m.

Chair of Abano, Pip Dunphy, said: "The Board has a prudent and careful approach to management of funds and believes the change in strategy will ensure we are focussed on lifting the performance of the existing business and investing new capital when we are confident we can obtain a satisfactory return. Given this change, we will review Abano's KPIs, set in 2016 for the three years to 2020, and will update the market in due course."

ENDS

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Company Announcement



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Abano Healthcare Group is listed on the NZX and owns and operates one of the largest dental networks in Australasia, comprising Lumino The Dentists in New Zealand and Maven Dental Group in Australia.