

ABANO PROVIDES FY19 TRADING UPDATE AND FY20 OUTLOOK

Listed dental company, Abano Healthcare Group Limited (NXZ: ABA) confirms expectations for year ended 31 May 2019 (FY19) and has provided an outlook for FY20.

- FY19 results expected to be in line with EBITDA guidance and above NPAT guidance (as discussed below).
- The final FY19 dividend is expected to be 8 cents per share, resulting in total FY19 dividends of \$0.24 cents per share.
- Operating cashflow remains strong and earnings recovery is expected in FY20.
- Various expressions of interest have been received and the Abano Board is considering these as part of its review of strategy, asset mix and capital structure.

Trading Update, FY19 Results Expectations and FY20 Outlook

Abano last updated the market on trading performance to the end of March 2019. Trading for April was in line with expectations, despite the extended holiday break, while May was more challenging than expected. As at 31 May 2019, year on year same store clinic growth for Lumino was 1.2% and for Maven was -2.9%. Trading in June is showing an improvement on May across both networks.

Despite the softer than expected performance in May, Abano confirms that its results for FY19 are expected to be in line or above the guidance provided in March 2019. Preliminary, unaudited accounts indicate Abano's EBITDA for the year to 31 May 2019 will be \$32.7 million, with NPAT of \$10.1million (including a write back of deferred acquisition consideration of approximately \$1m but before the year-end review of goodwill¹).

Based on the above, a final dividend of 8 cents per share is currently expected to be declared, following the release of the FY19 audited results by the end of July 2019. This would result in FY19 full year dividends being 24 cents per share.

Operating cashflow remains strong for Lumino and Maven. Earnings recovery is expected in FY20, driven by continued same store sales growth in New Zealand, the annualised benefits of FY19 acquisitions (expected to be approximately \$1.9m), and contributions from further New Zealand acquisitions expected in the second half of the FY20 financial year. Initiatives are underway to strengthen Maven's platform and to enable improvement and organic growth across the network.

The Board and management are focussed on building on the strengths of the existing business, lifting performance and delivering shareholder value. Management are implementing additional initiatives to improve the utilisation of existing practices. This includes increasing clinical days by recruiting additional dentists to fill existing and future chair capacity, particularly in Australia. Underpinning all activity is the continuing commitment to delivering high quality clinical care and an excellent patient experience. Good

¹Under accounting standards, there may be some non-cash impairment of goodwill in the audited financial statements, which could reduce reported NPAT (after goodwill impairments). Deferred acquisition consideration is paid to vendors based on practice performance and a write back may be recognised if performance is below acquisition targets and unlikely to be paid.

progress is being made, with successful marketing campaigns driving increases in new and existing patient numbers and continuing high NPS scores demonstrating the confidence patients have in Lumino and Maven.

Abano will continue to invest where growth opportunities meet Abano's return hurdles. As previously announced, Abano has paused acquisitions in Australia, given current Australian acquisition multiples and trading conditions. Looking ahead, capital will be invested in New Zealand acquisitions to grow the existing network. In line with the emphasis on organic growth, Abano has recently resized the support offices in both New Zealand and Australia.

Shareholder Value

Abano is the largest private dental group in the \$11 billion trans-Tasman dental market, with more than 2,300 people working across 239 practices and a reputation for high quality clinical care and patient experience. Lumino is the largest private dental network in New Zealand and Maven is one of the largest groups in Australia. The company's vision is to be the leading dental provider in the region and significant investment has been made into IT, people and systems, and building a platform to support the continued growth and scale of the group.

Consolidation activity in the dental sector in Australia is ongoing. Abano has received various expressions of interest, which may offer strategic opportunities and value to shareholders. The Board will evaluate these and the company's participation, as part of its ongoing review of strategy, asset mix and capital structure. There is no certainty that any expression of interest will lead to a proposal for shareholders to consider or to any transaction, either in respect of Abano itself or the company's businesses.

ENDS

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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.