

## ABANO FY20 RESULTS ANNOUNCEMENT

- Reported Net Loss After Tax (NLAT) for FY20 of \$(48.7)m including \$(45.5)m in impairments, with Underlying NLAT of \$(1.1)m<sup>1</sup>.
- On a like for like basis, pre-NZ IFRS 16, Underlying profit was \$0.7m and Underlying EBITDA was \$17.4m pre-NZ IFRS 16<sup>i</sup> and including wage subsidies of \$8.5m (compared with guidance of \$17m to \$20m).
- Strong recovery post lockdown, with underlying strengths of the business providing value in the COVID-19 operating environment and driving same practice revenue growth for the Group.
- No final dividend has been or will be declared for FY20.

### Summary Financial Table for FY20

\$millions	FY20	FY20 Pre-IFRS 16	FY19
Gross Revenue <sup>ii</sup>	295.5	295.5	338.9
Revenue	244.1	244.1	279.3
EBITDA <sup>ii</sup>	28.4	13.1	32.7
Underlying EBITDA <sup>ii</sup>	32.7	17.4	33.7
NPAT/(NLAT)	(48.7)	(46.9)	7.6
Underlying NPAT/(NLAT) <sup>ii</sup>	(1.1)	0.7	10.9

Trans-Tasman dental provider, Abano Healthcare Group Limited (NZX: ABA) has today announced its audited results for the financial year ended 31 May 2020 (FY20), reflecting the significant impact of COVID-19 on the business in the final quarter of the financial year.

For the twelve months to 31 May 2020, Abano has reported gross revenue of \$295.5m, EBITDA of \$28.4m and a NLAT of \$(48.7)m which includes non-cash impairments of \$(45.5)m.

Excluding NZ IFRS 16 accounting adjustments, EBITDA was \$13.1m, Underlying EBITDA was \$17.4m (in line with guidance) and the company has reported an Underlying profit after tax of \$0.7m<sup>ii</sup>.

Net drawn bank debt as at 31 May 2020 was \$134.5m and has since reduced to approximately \$123m as at 31 July 2020, with total facilities of approximately \$170m<sup>2</sup>. Abano agreed amended banking terms in May 2020 to provide for operating requirements and execution of optimisation initiatives. The Board remains focused on prudent capital management and preserving cash. Given the uncertainty around the future economic environment, a final dividend has not been declared for the FY20 year.

### Business Performance

From early FY20, Abano's focus moved from acquisition to organic growth with a particular emphasis on improving clinician and practice utilisation across the two dental networks, driving same practice revenue growth and increasing margins.

<sup>1</sup> In addition to acquisition & transaction costs of \$3.9m after tax, Underlying NPAT also excludes \$45.5m in goodwill & asset impairments (assessed at 31 May 2020, immediately post COVID-19 lockdown), a \$3.7m finance charge and \$5.5m fair value movements, primarily write back of deferred acquisition consideration. These are for financial reporting purposes only, are non-cash and have no effect on trading performance.

<sup>2</sup> Comprised of NZD\$49m and AUD\$112m bank facilities (AUD:NZD 0.9281 at 31 July 2020)

Targeted initiatives and programmes undertaken during the year were focused on driving patient visits, revenue per clinical day, the number of clinical days worked and leveraging technology. While many of these are medium term projects, results are being seen in each of the four growth areas.

A major focus for the year was on further developing Abano's digital strategy. Activity included new websites, optimised online booking platforms, new Maven brand positioning, utilisation of data to deliver segmented customer marketing and an expanded reach across multiple digital channels.

The digital initiatives were launched in Q3 FY20 (with benefits anticipated in Q420) and the results were immediately apparent prior to the COVID-19 lockdowns and since services recommenced in May 2020. Patient satisfaction scores remain consistently high.

The move to the Level 4 lockdown in New Zealand in late-March and the restrictions in Australia in April saw Abano temporarily close all its practices, with a small number of practices remaining open to provide emergency care. This led to a drop in Abano's monthly revenue from approximately \$29m to almost zero. Abano reacted swiftly, leveraging its technology platform to quickly move to a remote working environment, cancellation or deferral of all non-essential spend, a reduction in management and director remuneration, and constructive engagement with its banking partners resulting in amended banking terms to existing facilities. Staff, clinician and patient health & safety continued to be a priority and clinical best practice infection control protocols for emergency care were executed.

Abano received Government support and subsidies in both countries of \$8.5m in FY20. The Board and management acknowledge the impact COVID-19 has had on team members and their families and thank them for their efforts over this challenging period. The company also appreciates the support it received from landlords, suppliers and other partners.

While actions were already being taken to optimise the network, including a restructure of the support office in FY20, further decisions were made in light of the COVID-19 trading environment to close or divest 11 practices. While costs were incurred in FY20 in relation to this activity, Abano expects it to result in a sustainable reduction in operating costs going forward and an improvement in margin and profitability.

### **Post COVID-19 Recovery<sup>3</sup>**

Abano's dental networks have seen a strong recovery since re-opening in May 2020, with Lumino reporting 16% same practice revenue growth for the first two months of FY21 (+20% in July) and Maven up 2% YTD (+6% in July), reflecting the social distancing requirements and the staggered reopening of practices across Australia in May. Unaudited Group gross revenue was \$64.0m for the first two months of FY21, up 13% on the prior comparative period, with Underlying EBITDA for the two month period of \$14.8m (including wage subsidies of \$7.2m and pre-NZ IFRS 16).

The robust recovery seen in June 2020 continued through into July 2020. Total appointments were up 9% across the Group compared to the same month last year and, while the large majority of appointment bookings are made in practice, July online bookings also grew by 56% year on year. Both networks reported

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<sup>3</sup> Results in June and July 2020 may not be indicative of future results. The future economic environment remains uncertain and shareholders are cautioned against assuming that results in the remaining months of FY21 will be reflective of the first two months of the financial year.

more than 60% higher website traffic in July vs pcp. New and existing patient numbers in July were also higher than the same month last year, with both Lumino and Maven reporting record new patient growth (Lumino +14% and Maven +6%). In addition, Lumino had more than 1,000 new signups to the Lumino Dental Plan in July, the highest number of monthly signups in the past 12 months.

Abano continues to monitor COVID-19 developments in Australia and New Zealand. In Australia, Abano has limited exposure in the affected areas of Victoria that are subject to lockdowns. Lumino's practices in Auckland were closed in response to the move to Alert Level 3 on 12 August 2020, with some provision of emergency dental care continuing. With the move to Level 2 on 31 August 2020, Lumino's Auckland practices will re-open and re-commence offering a full range of dental services. September patient appointments for both networks are significantly ahead of the same time last year.

### Outlook

As previously advised, it is expected that the business will make a full recovery to pre-COVID-19 earnings levels over time. The Board remains cautious about the future outlook and continues to carefully monitor developments, with COVID-19 continuing to create volatility and impact the business.

### Annual Report Release Date – Reliance on Class Waiver

Abano expects to release its FY20 annual report to the market no later than end-October 2020. Abano is relying on the NZX Class Waiver from NZX Listing Rules 3.5.1 and 3.6.1, dated 3 April 2020, which provides issuers with an additional 30 days to release their full year announcements and an additional two months for the preparation and release of an issuer's annual report.

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.

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<sup>i</sup> Adoption of IFRS 16 for Leases: This has the effect of reducing occupancy costs and increasing depreciation and finance expenses. Abano has provided pre and post IFRS 16 measures for FY20 to allow a like for like comparison to the prior comparative period (pcp).

<sup>ii</sup> More information on non-GAAP measures, being gross revenue, EBITDA and underlying earnings is available on the Abano website at <https://www.abano.co.nz/investor-information/non-gaap-financial-information>. Underlying earnings are reported for both Net Profit After Tax ("NPAT", a GAAP compliant measure) and EBITDA and exclude gains/losses arising on sale of businesses, fair value 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 and provide the basis of Abano's dividend policy. A reconciliation of GAAP to underlying measures is provided in the Results Presentation released to the NZX on 31 August 2020.