

ABANO HEALTHCARE GROUP

2020 ANNUAL SHAREHOLDERS' MEETING

18 November 2020



ABANO BOARD



PIP DUNPHY
INDEPENDENT CHAIR



DR TRACEY BATTEN
INDEPENDENT DIRECTOR



MIKE SCHUBERT
INDEPENDENT DIRECTOR



MURRAY BOYTE
INDEPENDENT DEPUTY CHAIR
AUSTRALIA-BASED



DR GINNI MANSBERG
INDEPENDENT DIRECTOR
AUSTRALIA-BASED



CHAIR'S PRESENTATION PIP DUNPHY

KEY EVENTS OF THE PAST THREE YEARS

FY18: Company largely on track to achieve three year targets

Three year KPI	TARGET	FY18	COMMENTS
Annual dental practice acquisitions	25 practices OR \$35M Annualised Gross Revenue	19 practices; \$40.3M AGR	Acquired larger and more profitable businesses in FY18
Growth in dental same practice gross revenue	6% over 3 years FY18:FY20	LUM 3.3%; MAV 0.0%;	Improved performance in both New Zealand and Australia
Dental Underlying EBITDA margin	>14% by FY20	12.2%	In line with FY17 despite increased investments being made into marketing, technology and branding
Net bank debt to annualised Underlying EBITDA	<3.5x	2.3x	Annualised Underlying EBITDA excluding Ascot is in excess of \$38M
Growth in Group Underlying EPS	>15% per annum	2.2%	Short term impact due to increase in shares on issue following capital raise. Excluding impacts, Underlying EPS on the dental business was up 15%

KEY EVENTS OF THE PAST THREE YEARS

FY19: Review and strategic re-set

- **From late 2018:** Commenced deep dive into the business following half year results, utilising new data and IT capabilities.
- **March 2019:** Announced change in focus to organic growth including pause in Australian acquisitions.
- **March onwards:** Led to a re-rating of stock and a sell down by one of Abano's larger long term 'growth investors', impacting on share price.
- Commenced reducing leverage and introduced improvement measures in Australia.

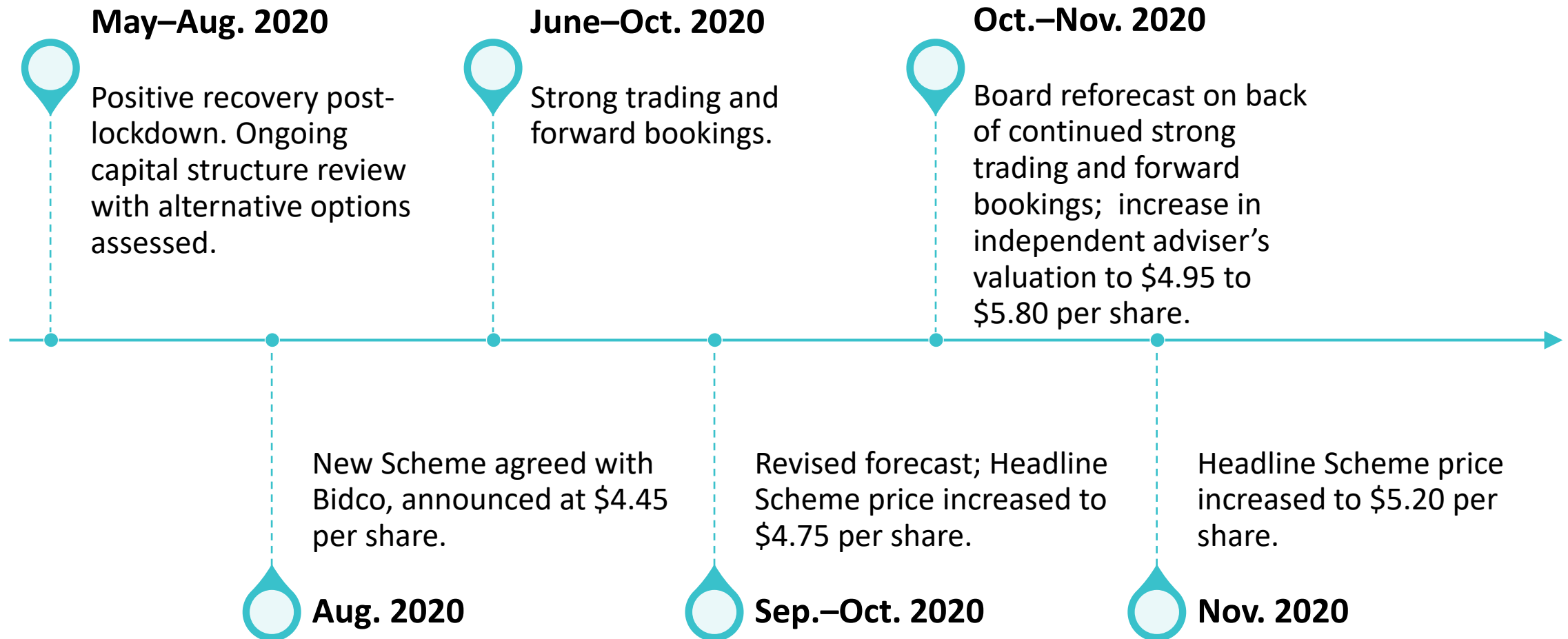
KEY EVENTS OF THE PAST THREE YEARS

FY20: Review and strategic re-set, Scheme offer

- **May 2019:** Receipt of unsolicited offer triggered a strategic review.
- **November 2019:** Comprehensive competitive process led to Scheme Implementation Agreement with Adams NZ Bidco Limited.
- **March 2020:** COVID-19 impact. Scheme terminated due to material adverse change clause. Sell down by largest shareholder. Decline in share price.
- **April 2020:** Commenced capital structure review to address impact of COVID-19 on the business.

KEY EVENTS OF THE PAST THREE YEARS

FY21: Capital Structure Review, New Scheme and Recovery



FY21 GUIDANCE

Year ending 31 May 2021

AS AT 11 NOVEMBER 2020

Pre-NZ IFRS 16, Underlying EBITDA for FY21 is now expected to be between \$34m and \$35m (previously \$32.0m) plus Government wage subsidies of \$10.6m totalling \$44.6m to \$45.6m (previously \$42.2m).

The forecast assumes no further COVID-19 lockdowns and includes \$0.6m in temporary and permanent cost savings.

CAPITAL STRUCTURE

- Pre-COVID: On track with debt reduction. COVID-19 impacted significantly on the business.
- Agreed amended banking terms in May 2020 including timetable to address capital structure.
- Strong recovery in trading post-COVID has resulted in reducing net debt.
- A capital raise is no longer necessary should the Scheme not be approved.

UPDATE ON SCHEME OF ARRANGEMENT

- Based on the updated information provided by Abano, the Independent Adviser revised its valuation range to \$4.95 to \$5.80 per share.
- Adams NZ Bidco Limited has agreed to increase its headline Scheme price for Abano shares to \$5.20 per share (the increased Scheme price remains subject to the price adjustment regime described in the Scheme Booklet and, therefore, the Scheme price could be reduced if an Adjustment Event occurs prior to implementation of the Scheme).
- The increased headline Scheme price falls within the Independent Adviser's revised valuation range.
- Directors continue to unanimously recommend that shareholders vote in favour of the Scheme in the absence of a superior proposal.
- The Special Meeting has been moved to 4.00pm on 25 November 2020.



CEO'S PRESENTATION RICHARD KEYS

OUR BUSINESS

- Established networks with national brand recognition
- Committed to clinical excellence
- High calibre respected clinicians
- Strong culture focused around patient care
- Significant investment into digital dentistry and clinical technologies
- World class clinical dashboards
- Strong and scalable infrastructure with capacity for growth
- Strong market positions.

More than 225 practices
One of the largest trans-Tasman dental
groups

2,000+ people
More than 900 dentists, specialists and
clinicians

Two national brands

OUR DENTAL NETWORKS



- 120 practices
- New Zealand-wide coverage
- ~17% market share
- Established business with multi-year track record of margin and same practice growth



- 107 practices
- Coverage in seven states and territories
- 1%-2% market share
- Yet to achieve critical mass or benefits of brand awareness in most states
- Significant opportunity to scale in larger market



**\$1,000
FREE DENTAL
FOR KIDS***

*T&Cs Apply.

FY20 OVERVIEW

ORGANIC GROWTH STRATEGY

Adopted strategy to suit market conditions. Moved from acquisition to organic growth with focus on same practice revenue growth, margin improvement and growing the profitability of the business.

KEY GROWTH INITIATIVES

Focused on improving utilisation of practices, driving same practice revenue growth, product and margin growth. Positive results starting to be seen from growth initiatives commenced in FY20.

NETWORK OPTIMISATION

Decisions made to close/divest 11 underperforming practices. Followed support office restructure. Reviewing further opportunities to merge/consolidate practices.

COVID-19

IMPACT

- Significant restrictions on dentistry at level 3 and above
- Lockdowns and restrictions in March in both New Zealand and Australia, in August in New Zealand; and Victoria from August through October
- Close to zero income across the Group for April

RESPONSE

- Priority focus on health, safety and wellbeing of staff, clinicians and patients
- Teleconsults, emergency and urgent dental care offered
- Procurement and supply chain management, particularly of critical PPE
- Cost management initiatives
- Stayed in touch with patients through digital communications and emails; as well as staff and clinicians
- Kept our brands visible in digital channels.

RE-SETTING OUR BUSINESS POST-LOCKDOWN

- Emphasis on ensuring patients feel safe visiting a Lumino/Maven practice.
- Used digital and social channels to communicate that we were open and safe and to drive new and existing patient visits.
- Rebooked deferred patient appointments and extended hours and bookings to meet pent-up demand.
- Launched marketing campaigns focused around “3 ways to pay” including Lumino Dental Plan, with positive results.
- Optimised the network.
- Agreed amendments to banking facilities to provide for operating requirements and execution of optimisation initiatives.

FY20 FULL YEAR RESULTS SNAPSHOT

\$millions	FY20	FY20 Pre-IFRS 16	FY19
Gross Revenue	295.5	295.5	338.9
Revenue	244.1	244.1	279.3
EBITDA	28.4	13.1	32.7
Add back: Acquisition and transaction costs	4.3	4.3	1.0
Underlying EBITDA	32.7	17.4	33.7
NPAT/(NLAT)	(48.7)	(46.9)	7.6
Add back: Impairments, accounting adjustments, fair value movements and transaction costs including tax effect	47.6	47.6	3.3
Underlying NPAT/(NLAT)	(1.1)	0.7	10.9

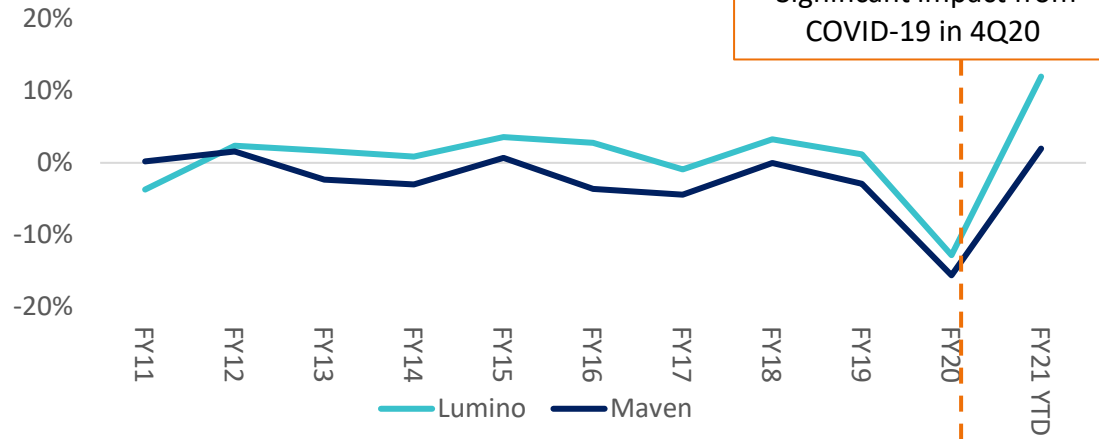
- Result within guidance provided on 14 May 2020. Reflects material impact of COVID-19 in Q4 FY20.
- Underlying EBITDA of \$17.4m pre-NZ IFRS16 and including wage subsidies of \$8.5m (guidance \$17m to \$20m).
- Underlying NLAT of \$(1.1)m excludes:
 - Acquisition & transaction costs \$3.9m
 - Non cash*:
 - Impairments \$45.5m
 - Finance charge \$3.7m
 - Fair value movements \$5.5m
- No final dividend declared for FY20

Further detail on Underlying measures, reconciliation to GAAP and definitions of financial terms are available on the appendix slides to this Investment Presentation

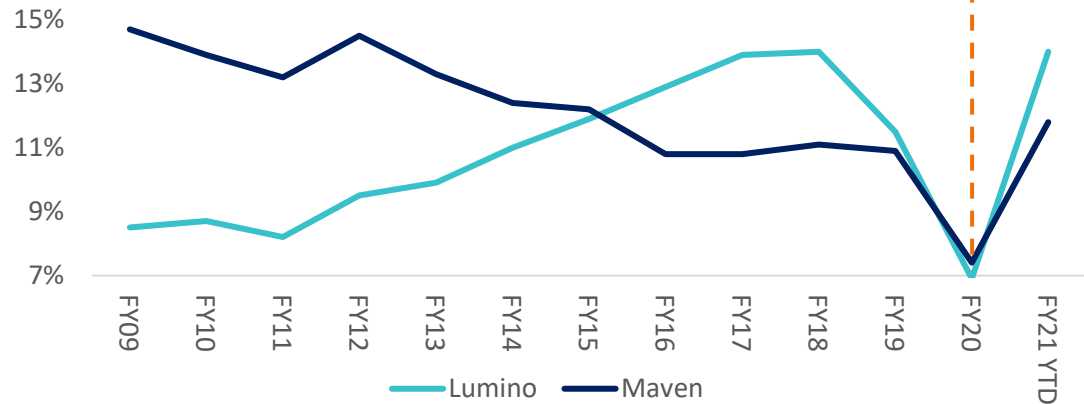
*For financial reporting purposes only and have no effect on trading performance.

NETWORK PERFORMANCE

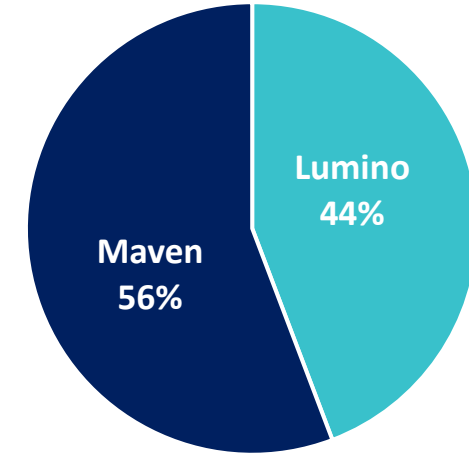
Same practice revenue performance



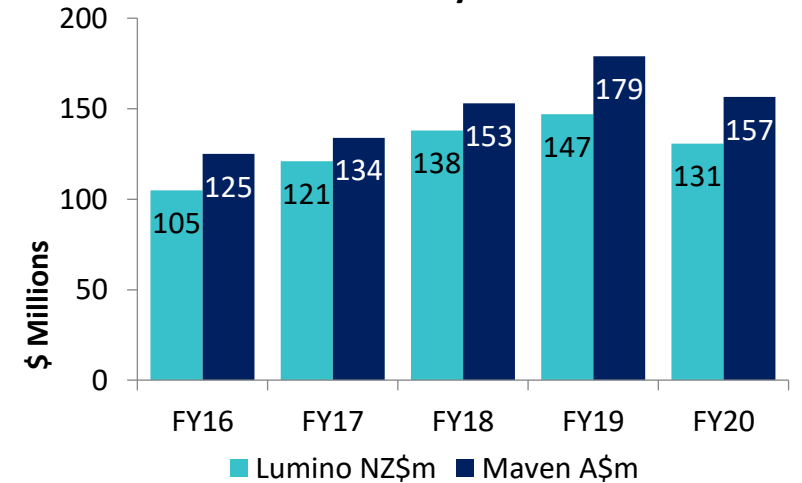
Underlying EBITDA Margin



FY20 Gross Revenue



Gross Revenue by Dental Network



FY20 Underlying EBITDA margin includes wage subsidies

FY21 STRATEGIC FOCUS AREAS



Focus on same practice revenue growth, margin improvement and growing the profitability of the business.

Same practice revenue growth:

- Drive new and existing patient visits through best practice patient management and engagement
- Increase clinical days/hours per day to provide more appointment availability

Optimal workforce:

- Drive revenue per clinical day
- Recruitment and retention
- Succession planning for lead dentists
- Best practice clinical and infection control protocols
- Engaging with staff and clinicians

Profitable and efficient organisation structure:

- Improve profitability and margin
- Optimisation of existing networks and practices
- Cashflow generation and cost management
- Address capital structure needs

SAME PRACTICE REVENUE GROWTH

DIGITAL STRATEGY

- Leverage the new digital platform now in place
- Targeted digital marketing driving new and existing patient bookings

LUMINO DENTAL PLAN

- Continued rollout
- 59 eligible practices participating as at end FY20
- 21,000+ members as at October 2020

PATIENT MARKETING

- Targeted online patient marketing
- Promotion of the Maven and Lumino brands.

PATIENT EXPERIENCE AND CLINICAL EXCELLENCE

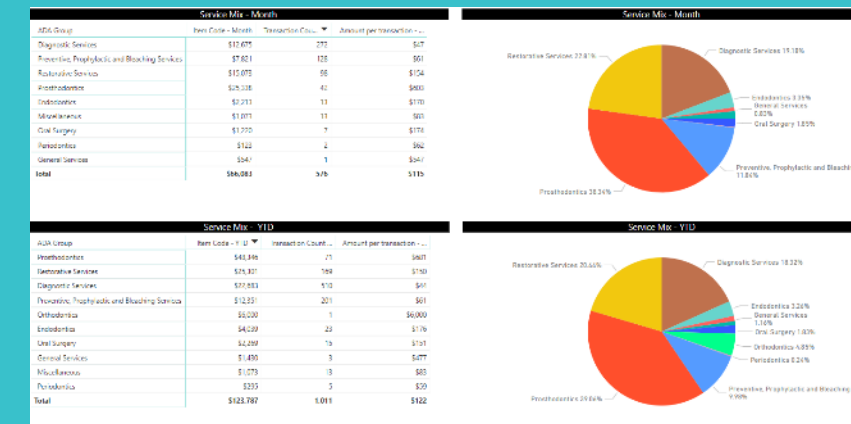
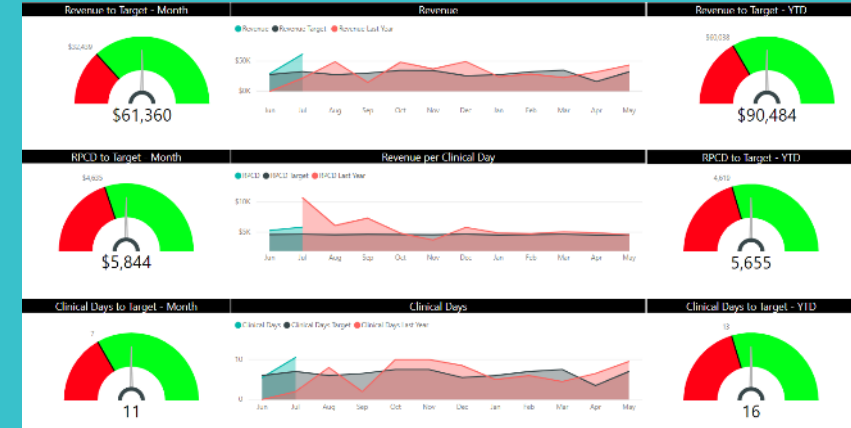
- Maintain focus on clinical excellence and providing an exceptional patient experience.



PROFITABLE AND EFFICIENT ORGANISATION STRUCTURE

IMPROVE CLINICIAN AND CHAIR UTILISATION

- Further development of Maven Practice Essentials and dashboards
- Use of real time data to drive efficiencies and performance
- Streamline the HR and scheduling functions to deliver efficiencies



OPTIMISATION PLAN

- Network optimisation to create leaner and more efficient networks

OPTIMAL WORKFORCE

CLINICIAN RECRUITMENT

- Forming alliances and relationships with dental schools in NZ and Australia
- Increased focus on recruitment to build clinical days and appointment availability
- Succession planning to manage retirement and replacement of lead/senior dentists

ENGAGING WITH STAFF AND CLINICIANS

- Use of webinars and digital channels to regularly communicate and engage with staff and clinicians across the Group
- During COVID-19: Regular group-wide emails, interactive webinars and online training opportunities
- Training and development opportunities to upskill staff and clinicians



FY21 TRADING TO DATE

Year to Date (end-October 2020)

- Strong recovery since re-opening in May 2020.
- YTD performance ahead of prior year and management expectations.
- Strong forward bookings for November and December.
- Group gross revenue \$155.8m, up 7% on pcp.
- Group Underlying EBITDA (excluding wage subsidies and pre-IFRS 16) \$18.2m, up 26% on pcp.
- Lumino +12% YTD same practice gross revenue growth.
- Maven +2% YTD same practice gross revenue growth.
- Net bank debt \$116.1m at end-October 2020.

Results in the FY21 year to date 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 five months of the financial year.

SHAREHOLDER DISCUSSION



RESOLUTIONS



RESOLUTIONS

RESOLUTION 1: To record the reappointment of PricewaterhouseCoopers as auditor of the Company and to authorise the Directors to fix the auditor's remuneration.

RESOLUTION 2 : That Mike Schubert, who was appointed as a Director by the Board during the year, be elected as a Director of the Company.

RESOLUTION 3: That Pip Dunphy, who retires as a Director and, being eligible, offers herself for re-election by shareholders, be re-elected as a Director of the Company.

RESOLUTION 4 : That Murray Boyte, who retires as a Director and, being eligible, offers himself for re-election by shareholders, be re-elected as a Director of the Company.

OTHER BUSINESS

CLOSE OF MEETING

Results of the voting will be
released to the NZX

Presentations available online
at www.abano.co.nz



ACCOUNTING ADJUSTMENTS AND IMPAIRMENTS

Accounting adjustments, impairments and fair value movements are for financial reporting purposes only, are non-cash and have no effect on trading performance.

- Adoption of NZ IFRS 16 for Leases: This has the effect of reducing occupancy costs and increasing depreciation and finance expenses, with a net impact to NLAT of \$(1.8)m. Abano has provided pre and post IFRS 16 measures for FY20 to allow a like for like comparison to the prior comparative period (pcp)
- Goodwill and asset impairments are assessed as at 31 May 2020, which was immediately post COVID-19 lockdown. The impairments of \$45.5m reflect a change in approach to assessing impairment, adjustments to WACC, accounting adjustments and the impact of COVID-19 at that point in time.
- Accounting adjustments: NZ IFRS 9 non-cash finance charge of \$5.2m (pre-tax) reflecting the fair value of the amendments to banking terms and tenure.
- Fair value movements of \$5.5m: Primarily write back of deferred acquisition consideration in relation to future earnouts payable to vendor dentists, as assessed at 31 May 2020, immediately post COVID-19 lockdown.
- Acquisition and transaction costs of \$4.3m (pre-tax) in FY20 predominantly relate to the Expressions of Interest and Scheme process.

More information on underlying earnings, which is a non GAAP financial measure and is not prepared in accordance with NZIFRS, is available at <https://www.abano.co.nz/investor-information/financial-glossary/>

RECONCILIATION TO NON-GAAP/UNDERLYING MEASURES

RECONCILIATION OF EBITDA TO UNDERLYING EBITDA (\$m)	FY20	FY19
EBITDA	28.4	32.7
Add back Acquisition and transaction costs	4.3	1.0
Underlying EBITDA	32.7	33.7
RECONCILIATION TO UNDERLYING EARNINGS	FY20	FY19
NPAT/(NLAT)	(48.7)	7.6
Impairments	45.5	2.9
Fair value movements including write back of deferred consideration	(5.5)	(0.6)
NZ IFRS 9 non-cash loan modification charge	3.7	-
Acquisition and transaction costs	3.9	1.0
Underlying NPAT/(NLAT)	(1.1)	10.9

Underlying Measures pre-NZ IFRS 16

- Underlying EBITDA \$17.4m
- Underlying NPAT \$0.7m

NZ IFRS 16 impact:

- Reduction in occupancy costs \$15.3m
- Increased depreciation \$11.3m
- Increased finance expenses \$5.2m

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GLOSSARY

NON-GAAP FINANCIAL MEASURES:

- GROSS REVENUE is represents the fees paid by all dental patients regardless of whether the services are provided by dentists contracted directly by the Group or by dentists to whom we provide facilities and services under Facilities and Services Agreements. Prior to its sale in FY16, gross revenue also included audiology revenues as this was a joint venture and was therefore equity accounted. Gross revenue is reported within the segment note in the Financial Statements.
 - EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (“EBITDA”) is reported within the segment note in the Financial Statements and is Net Profit After Tax (“NPAT”) excluding GAAP compliant net finance expenses, fair value adjustments, realised foreign exchange gains/losses, asset impairments, gains/losses arising on sale of businesses, practice partnering scheme – profit share, equity accounted investments (the Bay International joint venture prior to its sale in FY16), non-controlling interests, tax, depreciation and amortisation costs.
 - UNDERLYING FINANCIAL MEASURES: In addition to reporting results under IFRS, the Abano Board also reports on Underlying NPAT and Underlying EBITDA. These are the measures used within the Company to evaluate performance, establish strategic goals and to allocate resources. Underlying NPAT is also the basis for the Company’s dividend policy. The Abano Board believes that these measures provide a more appropriate representation of Abano’s performance and Abano has been reporting these metrics on a consistent basis over a number of years. A reconciliation is provided on slide 30.
 - UNDERLYING EBITDA is EBITDA excluding business acquisition and transaction costs.
 - UNDERLYING NPAT is NPAT excluding business acquisition costs, fair value adjustments, asset impairments, gains/losses arising on sale of businesses, and equity accounted investments (the Bay International joint venture prior to its sale in FY16) including their tax effect if any.
 - More information on gross revenue and underlying earnings is available on the Abano website at <https://www.abano.co.nz/investor-information/financial-glossary/>.
- DISCONTINUED BUSINESSES: Audiology shareholding divested FY16; Radiology shareholding divested FY18
 - REVENUE excludes any audiology revenues (prior to its sale in FY16) and only includes Australian dental revenues after the payment of dentists’ commissions.
 - SAME PRACTICE GROSS REVENUE GROWTH is all practices owned for 12 months normalised for trading days.
 - DENTAL MARGIN is calculated as dental Underlying EBITDA as a percentage of Gross Revenue.
 - NET PROMOTER SCORE (NPS) : An index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others. It is used as a proxy for gauging the customer's overall satisfaction with a company's product or service and the customer's loyalty to the brand.

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