

## ABANO PROVIDES FY16 GUIDANCE

For the twelve months ending 31 May 2016

- Abano expects a year on year revenue and profit increase from its continuing businesses, primarily driven by a strong New Zealand dental performance; continuing improvements from the audiology joint venture; and a stable performance from radiology.
- NPAT and Underlying NPAT from Abano's continuing businesses are expected to increase by more than 50% from the previous year.
- The FY16 guidance reflects the change in Abano's portfolio following divestment of two businesses in FY15.

\$millions	FY16 Guidance	FY15 Continuing Businesses	FY15 including Divested Businesses
Gross Revenue <sup>i</sup>	301 – 305	265.8	300.4
Revenue	211 – 215	187.6	222.2
EBITDA	25.2 – 26.4	22.5	29.6
Underlying EBITDA <sup>ii</sup>	26.1 – 27.3	23.6	30.7
NPAT/NLAT	9.4 – 10.2	4.5	(1.3)
Underlying NPAT <sup>ii</sup>	8.2 – 9.0	5.6	8.8

Abano Healthcare Group (NZX: ABA) has today provided guidance for the financial year ending 31 May 2016, forecasting an increase in revenue and profit from its continuing businesses. The improving operating results are primarily being driven by a strong New Zealand dental performance offsetting a flat Australian dental performance; ongoing improvements from the audiology joint venture; and a stable performance from radiology.

The Company expects gross revenue<sup>i</sup> of \$301 million to \$305 million and revenue of \$211 million to \$215 million. Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) are expected to be \$25.2 million to \$26.4 million. Including Abano's AUD\$1.8 million share of Bay Audio Australia's unrecognised deferred tax asset, which is likely to be recognised in the current financial year, Net Profit After Tax (NPAT) is expected to be \$9.4 million to \$10.2 million.

Abano also reports on underlying earnings which the Board believes provides a more accurate portrayal of the Company's true performance. The Company's Underlying EBITDA<sup>ii</sup> is expected to be between \$26.1 million to \$27.3 million, resulting in an Underlying NPAT between \$8.2 million to \$9.0 million.

Abano's dividend policy remains that, subject to relevant factors at the time, including working capital and growth, the annual dividend paid will be between 50-70% of Underlying NPAT.

### FY16 Operational Performance Year to Date

Dental remains Abano's most significant investment and its primary growth opportunity, with the company targeting a 10% share of the \$11 billion revenue trans-Tasman dental market. Our dental growth is through building scale in the fragmented market and an additional 13 practices have been acquired in the financial year to date, which we expect to provide approximately \$22 million in additional annualised gross revenue.

We also opened one greenfield practice in Christchurch and have several more acquisitions planned prior to the financial year-end. As at 31 March 2016, Abano's trans-Tasman dental network totalled 186 practices, generating annualised gross revenues in excess of \$250 million<sup>iii</sup>.

Lumino The Dentists in New Zealand continues to perform well with year on year same store sales increasing 3% for the nine months to 29 February 2016. The business is benefitting from its successful marketing activity, brand reputation and experienced management team, with improving margins and a strong acquisitions pipeline in place.

Maven Dental Group in Australia is also focused on organic and acquisition growth, as well as the rollout of the new brand which will then allow for national marketing campaigns.

While no recent dental industry data is available, economic indicators show Queensland's economy to be below trend and decelerating, with other dental corporates reporting negative same store revenue in their Queensland and northern New South Wales (NSW) practices. Maven Dental Group has also experienced same store revenue decline in these areas, and with 52% of Maven's practices located in this region, it has offset the positive same store revenue growth being achieved in Maven's practices in NSW and Victoria. This has led to an overall decline in same store revenue growth of -4% for the nine months to 29 February 2016.

Maven's acquisitions team is focused on continuing to grow and diversify the network's existing footprint in Victoria and NSW with the Maven rebranding commencing in the Queensland region to help improve same store revenue over time.

We are moving towards a closer consolidation between our two dental businesses to share resources, knowledge and expertise. This closer collaboration allows for better management of joint initiatives and provides us with the ability to take advantage of scale benefits such as training, procurement and clinical development. In December 2015, Andy Tapper was appointed as Abano Dental CEO (previously CEO Lumino The Dentists), joining a number of other trans-Tasman leadership roles including CFO, Head of IT and Procurement Manager.

The audiology joint venture in Australia continues to deliver an improving performance, with FY16 results expected to show a good uplift over the previous year and a positive NPAT result. Same store growth, excluding greenfield stores, is now plateauing at around 4% for the financial year to date after four strong years of improvements. In addition to these existing stores, six new greenfield stores have been opened during FY16, adding incremental revenue and profit to the business with no additional support infrastructure cost.

The Bay Audio Asia network is a very small part of the audiology joint venture and is now operating under the oversight of the experienced Australian management team.

Ascot Radiology in Auckland is expected to deliver a stable performance in line with FY15 as management focus on building demand for new technologies such as digital tomosynthesis mammography, while also expanding with the opening of a new CT scanning room in Mauranui Clinic in Auckland and a new maternity scanning service established on the North Shore.

## Key Dates

Release of shareholder newsletter	May 2016
Financial year end	31 May 2016
FY16 preliminary results announcement	By end-July 2016
Release of FY16 annual report	August 2016

## ENDS

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Abano Healthcare Group is New Zealand's leading listed specialist healthcare investor and operator, with businesses in three sectors – dental, audiology and radiology – and operations across New Zealand, Australia and South East Asia.

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<sup>i</sup> Gross revenue includes audiology revenues and Australian dental revenues before payment of dentists' commissions.

<sup>ii</sup> Underlying earnings are reported for both NPAT (a GAAP compliant measure) and EBITDA (a non-GAAP financial measure) and excludes gains/losses arising on sale of businesses, IFRS adjustments and impairments, including their tax effect. Both measures are reconciled back to reported NPAT. It is the measure used within the Company to evaluate performance, establish strategic goals and to allocate resources.

<sup>iii</sup> Dental gross annualised revenue calculated on an exchange rate of NZD:AUD of 0.8925.