

ABANO HEALTHCARE GROUP 2016 ANNUAL MEETING

Business Update and FY17 First Half Guidance

Growth of Abano's trans-Tasman dental group is driving an uplift in earnings and profit, despite the sale of the audiology business in June 2016, shareholders were told at the Abano Healthcare Group Limited (NZX: ABA) annual meeting held in Auckland today.

Abano is expecting an increase of at least 35% in underlying NPAT from continuing businesses for the first half of the 2017 financial year, due to improving margins and growing revenues from Abano's dental businesses, along with steady growth from the radiology business.

Chief executive, Richard Keys, commented: "The \$11-billion trans-Tasman dental market remains our primary focus. With 196 practices, our Lumino the Dentists group in New Zealand and Maven Dental Group in Australia form the region's second largest trans-Tasman network, and we are continuing to grow them through the targeted acquisition of dental practices and selected greenfield locations. Our goal is to become a \$1 billion revenue company and we are currently generating approximately \$265 million in annualised gross revenue from our dental businesses alone.

"Approximately 95% of Abano's revenues will be generated by our dental group in FY17, and we are continuing to invest into our successful marketing and brand building, particularly in Australia where the new brand rollout commenced in late 2015."

Chairman of Abano, Trevor Janes, commented: "We see significant opportunity in the \$11-billion trans-Tasman dental market and we are well placed to continue growing our market share through our fast growing dental networks. Our radiology business also offers steady returns and growth potential. We have well established businesses led by strong and experienced management teams to enable us to execute on our strategy."

HY17 Business Update

Abano's trans-Tasman dental network has continued to expand, with 12 practices expected to generate approximately \$17 million in annualised gross revenue acquired in the financial year to date. All acquisitions provide immediate WACC accretive earnings. Development has also commenced on another greenfield site, which is expected to provide a positive contribution in the 2018 financial year.

The more established Lumino The Dentists business has just completed its 11th consecutive quarter of positive same store revenue growth, with marginally positive same store growth in the year to date reflecting timing of conferences and clinician leave during the period. The EBITDA margin has also increased, continuing a five year trend of annual improvements in margin.

Marketing remains a big investment for the New Zealand dental business, with every dollar spent on TV and online advertising generating approximately \$5 in patient spend. Customer satisfaction is also an important focus, with a current Net Promoter Score of 65. The latest initiative is the Lumino Dental Plan which offers patients an affordable dental regime, for less than \$1 a day. This is proving very popular with existing and new patients, and is now being rolled out across the network.

While Maven Dental Group is a younger business than Lumino, it is already the second largest network in Australia. The challenging economic conditions in Australia are ongoing and, corresponding with reports from other dental corporates, Maven has also experienced a softer start to FY17, with same store revenue down 8% year to date. This also reflects higher than normal clinician leave during the period.

Initiatives are being put into place to reduce costs and improve performance in Maven including the recent restructure of the Australian management team to enable closer collaboration with the New Zealand dental business, as well as some staffing efficiencies within practices. Marketing is an essential element in Maven's future growth, with the continuing rollout of the Maven Dental Group brand and the introduction of targeted marketing campaigns and initiatives, including the planned introduction of an interest free offer, which has proven very successful in NZ. Online marketing activity will be the main focus to drive new patients into Maven's practices.

Maven has delivered improved margins in the year to date, reflecting early benefits from these initiatives. However, investment into rebranding and other initiatives will increase in the next few months and this will impact the margin in the short term.

Radiology is also a valued part of the Abano portfolio. The focus remains to drive demand for all Ascot Radiology's services, including the latest generation digital tomosynthesis mammography offer and PET-CT scanning.

Guidance for the Six Months to 30 November 2016

In summary, for the six months to 30 November 2016, earnings and profit will be up on the prior comparative period, despite the sale of the audiology business in June 2016, with a strong uplift in results when comparing continuing businesses.

Based on the performance to date and current operating conditions, guidance for the first half of the 2017 financial year is expected to be as follows:

Gross revenuesⁱ are expected to be \$135 to \$140 million and revenue is expected to be \$113 to \$118 million. EBITDA is forecast to be \$14.4 to \$15.6 million with underlying EBITDAⁱⁱ of \$14.8 to \$16.0 million. Net Profit After Tax is expected to be between \$4.5 to \$5.1 million, with underlying NPAT between \$5.0 to \$5.6 million.

\$millions	HY17 Guidance	HY16 Adjusted for Audiology Divestment	HY16 Actual
Gross Revenue ⁱ	135 - 140	130.0	151.8
Revenue	113 - 118	108.0	108.0
EBITDA	14.4 – 15.6	12.8	12.8
Underlying EBITDA ⁱⁱ	14.8 – 16.0	13.2	13.2
NPAT	4.5 – 5.1	3.2	3.4
Underlying NPAT ⁱⁱ	5.0 – 5.6	3.7	3.9

The year on year comparison reflects the divestment of the audiology shareholding late in FY16 which means there are no longer earning contributions from this business in this financial period. Therefore, a like for like comparison for HY16, excluding the audiology business, has been provided to provide readers with further clarity on the relative performance of Abano's ongoing businesses.

Shareholders passed all resolutions at the 2016 Abano Annual Meeting:

Resolution	For	Against	Abstain
Authorise Directors' to fix the auditor's remuneration	11,310,012	0	28,254
Election of Dr Ginni Mansberg	7,228,960	225	4,109,081
Re-election of Mr Danny Chan	7,194,751	4,109,080	34,435
Re-election of Mr Trevor Janes	7,189,868	30,275	4,118,123
Increase in directors' remuneration	6,696,775	4,196,195	445,296

ENDS

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

ⁱ Gross revenue is reported within the segment note in the Financial Statements and includes audiology revenues (for HY16 only) and Australian dental revenues before payment of dentists' commissions.

ⁱⁱ 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.

More information on gross revenue and underlying earnings, which are non-GAAP financial measures and are not prepared in accordance with NZ IFRS, is available on the Abano website at www.abano.co.nz/underlyingearnings.