

MAKING CONTACT

ABANO SHAREHOLDER NEWSLETTER



Richard Keys
Chief Executive Officer

Abano has created one of the largest Australasian dental groups and the scale and size of our trans-Tasman network is delivering higher value for shareholders.

IN THIS ISSUE

- RECORD INTERIM RESULTS
- MILLION DOLLAR INVESTMENT INTO DENTAL
- 200 DENTAL PRACTICE MILESTONE
- MAVEN LAUNCHES INTEREST FREE OFFER IN AUSTRALIA
- NEW GENETIC CARRIER SCREENING SERVICE AT ASCOT RADIOLOGY

FROM THE CEO

We are pleased to share with you a number of positive news announcements and initiatives from our group.

ABANO DENTAL REACHES 200 PRACTICE MILESTONE

Abano has created one of the largest Australasian dental groups and the scale and size of our trans-Tasman network is delivering higher value for shareholders.

Our expansion is primarily through acquisition and this is providing us with economies of scale, improving margins and sustainable earnings growth.

During January, we were delighted to achieve and exceed our 200th practice milestone, with the acquisition of Edwards Family Dental in Queensland, Australia and the planned acquisition of George Hunt Dental in Wellington, New Zealand at the end of this month.

This will take the total number of practices acquired this year to 21, providing an additional estimated \$28 million in annualised gross revenues to the group, and well on the way towards our target of adding an additional 31 dental practices in FY17.

Dental Acquisitions



Each dental practice acquisition is earnings accretive from day one of acquisition, and provides a return on investment in excess of Abano's Weighted Average Cost of Capital (WACC).

CONTINUED OVER

Abano's dental practice acquisition rate is dependent on a number of factors including timing of settlement, the requests of the dentist vendor and the location and size of the acquisition. As an example, 10 acquisitions contributing \$1 million in annualised gross revenue each could be the same as five acquisitions each contributing \$2 million in annualised gross revenues.

Our goal is the consistent acquisition of more than 25 dental practices or \$35 million in annualised gross revenues from acquisitions per year by FY20, and we are on track to achieve this.

The cost of the support office does not vary significantly with number and size of acquisitions and, when spread over a growing number of dental practices, economies of scale are achieved with both a growing Underlying EBITDA² and Underlying EBITDA margin. These economies of scale are expected to continue to improve earnings margins over time as Abano's dental practice portfolio grows.

POSITIVE PERFORMANCE CONTINUES

As well as expanding our dental network through acquisition and driving the overall growth of our dental group, we are also focused on the continuing improvement of our existing practices.

We were pleased to see the improvement in Maven Dental Group's performance through October and November continue into December 2016. This is a result of the collaboration and closer working relationships between our two dental businesses, and the recent initiatives put in place to combat the challenging economic conditions and volatility in Australia.

The branding rollout in Australia is going well and we are on track to achieve our target of 50 practices (more than half the Australian dental network) being rebranded as Maven Dental Group by the end of May 2017, with 27 practices currently completed.

The opportunity in the \$11 billion trans-Tasman dental market is significant and we are progressing

well towards our goal of become a \$1 billion revenue company, with a growing Underlying EBITDA and Underlying EBITDA margin.

LOOKING FORWARD

Following the December trading results, we have confirmed that we expect to deliver financial results in line with the FY17 financial forecasts detailed in the Grant Samuel Independent Adviser's report¹.

The next few months will see a continuation of Abano's growth strategy, and we have a number of dental practice acquisitions in the pipeline, which we expect to announce in the coming weeks and months. As normal, we will provide full year guidance by the end of April 2017.

On behalf of Abano's management teams, I would like to thank shareholders and investors who have contacted us with their support since Healthcare Partners announced their partial takeover offer. We remain committed to delivering improving value to our shareholders and keeping you updated on our ongoing performance.

Richard Keys
Chief Executive Officer

¹ Page 15 Grant Samuel Report

² Underlying earnings are reported for both NPAT (a GAAP compliant measure) and EBITDA (a non-GAAP financial measure) and exclude 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.

RECORD INTERIM RESULTS CONFIRMED

On 21 December 2016, we were pleased to confirm a record result for the first half of the 2017 financial year (HY17), with growth from our dental and radiology businesses delivering a strong result ahead of guidance and well above the previous first half year period for FY16 (HY16).

Pleasingly, all businesses delivered increased contributions and margins. Financial highlights include:

- Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$16.5m was up 29% on the prior first half year, and Underlying EBITDA increasing by 27% to \$16.8m.
- Net Profit After Tax (NPAT) was up 73% to \$5.9m and Underlying NPAT² was up 61% to \$6.3m.
- On a like for like basis, excluding the divested audiology business, NPAT was up 86% and Underlying NPAT was up 71% on the previous first half year, which demonstrates the strong ongoing growth from the existing dental and radiology businesses.
- Underlying Earnings Per Share increased by 58% to 29.53 cents per share, which allowed us to pay a record 16 cent per share interim dividend, up 60% on the corresponding period last year (HY16: 10cps).

\$ MILLIONS	HY17 ACTUAL	HY16 ADJUSTED FOR AUDIOLOGY DIVESTMENT	HY16 ACTUAL
Gross Revenue	138.9	130.0	151.8
Revenue	116.8	108.0	108.0
EBITDA	16.5	12.8	12.8
Underlying EBITDA	16.8	13.2	13.2
NPAT	5.9	3.2	3.4
Underlying NPAT	6.3	3.7	3.9

KEY DATES

31 May 2017: Financial Year End
 By end-July 2017: FY17 Results Announcement
 By end-August 2017: Annual Report Issued

SHAREHOLDER COMMUNICATIONS

GO ELECTRONIC

We offer you the convenience of receiving communications from us by email. This may include the annual report, share transaction statements, dividend payment advice, shareholder meeting notices and other company related material.

It's simple to sign up. Email enquiry@computershare.co.nz provide your CSN/shareholder number and confirm you want to receive Abano communications by email.

Alternatively, you can log in to www.investorcentre.com/nz and update your details. You will need your CSN/shareholder number and FIN to access Investor Centre and register your account. Going forward, you will access this service with your own User ID and Password.

While there, you can also update other details including change of address, banking instructions and IRD number, and elect to participate or withdraw from Abano's dividend reinvestment plan.

STAY UP TO DATE: ABANO eNEWS

You can register to receive news and updates from Abano as we release them to the market.

To sign up, scan the QR code here or visit

www.abano.co.nz/news to subscribe.



CONTACT US

We welcome your feedback or suggestions.

T: +64 9 300 1410

E: enquiries@abanohealthcare.co.nz

W: www.abano.co.nz

DENTAL

MULTI-MILLION DOLLAR INVESTMENT INTO LUMINO PRACTICES

Running a dental practice does not come cheaply as many dentists setting up their own practice quickly find out. From rental of space to the purchase or leasing of equipment, investment into technology and business support systems, marketing, support staff, health and safety and compliance and ongoing training....the costs quickly mount up and that is before the first patient walks in the door.

That's why Abano's dental model is so attractive to dentists, from new graduates to those selling their practice into the Lumino and Maven networks.

Abano takes investment into its businesses seriously and has a carefully considered, multi-million dollar annual budget for capital investment for both networks, ranging from new technology to leading edge equipment and practice refurbishments and relocations.

Abano plans to spend more than \$10 million in FY17 on capital expenditure and practice refits, including:

- Lumino will replace more than 30 dental chairs, one of the most essential items in a dental practice, over the next 18 months. This is 10% of the total number of chairs that Lumino owns.
- Every Abano dental practice is fitted with a defibrillator, which is also for use by the wider community.
- A big focus for the past four years has been ensuring all Lumino practices have digital x-ray capability, a goal which is expected to be achieved in early 2017. In addition, three of the four Lumino Implant Centres now have 3D cone beam x-ray machines to assist in the placement of implants.
- Maven's main focus for FY17 is on the rebranding project and investment is also being made into the expansion of several practices.

- Practice refits occur on a regular and planned basis, with refurbishments ranging from cosmetic upgrades to brand new purpose built premises in some instances where closely located practices are merged onto one site.



New equipment and technology is not the only investment area for our dental businesses. Clinical excellence is a key strategic goal and, in the last 18 months, Lumino has put a significant amount of time and resource into developing and implementing best practice sterilisation protocols.

Every Lumino practice has been audited by a third party supplier to ensure it is fully compliant and, when a new practice is acquired, an important part of the due diligence is assessing their sterilisation equipment and upgrading it, if necessary.

Maven has also developed a best practice equipment and infection control manual, and staff training is currently being undertaken in line with latest industry standards. We expect these different projects to be transferrable across both businesses.

200 PRACTICE MILESTONE

Less than 12 months after Lumino The Dentists reached 100 practices, Abano's trans-Tasman dental group has now achieved and exceeded the 200 practice milestone, following the acquisition of Edwards Family Dental in Queensland, Australia and the planned acquisition of George Hunt Dental in New Zealand at the end of the month.

Abano Dental is one of the region's fastest growing and second largest dental corporates. Lumino The Dentists now has 108 practices across New Zealand, while Maven Dental Group in Australia has 94 practices.

Abano has been a leader in the dental market for more than 15 years. Since entering the dental sector, Abano has succeeded in:

- Becoming the largest dental corporate in New Zealand and the second largest in Australia
- Growing to over 200 practices with more than 1,800 staff, including over 700 clinicians, and with over 900,000 patient visits in FY16
- Growing dental gross revenue from \$8.3 million in the first full year of trading in FY04 to \$241.9 million in FY16
- Establishing the Lumino the Dentists brand in New Zealand (with nearly nine out ten people surveyed recognising the brand); and, in late 2016, launching the Maven Dental Group brand
- Delivering clinical excellence and a positive customer experience
- Creating rewarding career opportunities, a strong culture and an excellent working environment for all staff
- Developing and providing career development, training, annual conferences and mentoring opportunities
- Running initiatives that see local communities benefit from the expertise and knowledge of Lumino's highly skilled people.

EDWARDS FAMILY DENTAL THE LATEST PRACTICE TO JOIN THE MAVEN DENTAL GROUP FAMILY



With six surgeries over two practice locations in Queensland, Edwards Family Dental is the latest Australian dental practice to join Maven Dental Group.

For Dr Andrew Edwards, 12 years of running a large, busy practice was enough and he was looking to alleviate some of the stress and gain more time to mentor effectively and consider further study.

Joining Maven Dental Group was the perfect solution.

Andrew says: "My perception of Maven is largely of a professional yet friendly corporate structure that appreciates success and diligence while fostering clinical excellence with an appreciation for ongoing education of clinicians, staff and patients.

"I personally know several Dentists that have joined Maven and all have had positive comments about the partnerships that have ensued."

Andrew is looking forward to benefitting from the corporate structure in terms of branding, advertising, recruitment and back of house management.

He's also keen on the atmosphere of fostered education and career advancement promoted at Maven, not only for practitioners but for chairside, reception and administration staff as well.

Edwards Family Dental is a family practice, in the true sense of the word, with his mother, father, brother, wife, daughter and son all working in the dental industry and at the practice at some time during their careers. Andrew looks forward to continuing this family feeling as the practice transitions into the Maven Dental Group.

www.edwardsfamilydental.com.au

RADIOLOGY

ASCOT RADIOLOGY: LEADING THE WAY IN PRE-NATAL SCANNING WITH LAUNCH OF NEW GENETIC CARRIER SCREENING SERVICE

Ascot Radiology offers one of the foremost pre-natal scanning services in the country, with leading physicians and radiologists offering the latest in diagnostic services.

Top of the wish list for all new parents is to have a healthy child. A new pregnancy Genetic Carrier Screening service has now been launched by Ascot Radiology to provide more information to parents on their chance of having a child with a genetic condition. The test screens for three common inherited conditions - cystic fibrosis (CF), fragile X syndrome (FXS) and spinal muscular atrophy (SMA) and is particularly relevant for those individuals who may be aware of a family history of these conditions.

If only one parent is a carrier of the genetic condition, the baby will not have the condition. However, if both parents carry the genetic information for the genetic condition, there is a one in four chance the baby will inherit both abnormal copies of the gene and have the genetic condition.

Although these conditions are rare, the chance of being a carrier is higher than most people realise.

	Number of people who are carriers of the condition	Number of people with the condition
Cystic fibrosis	1 in 25	1 in 2,500
Fragile X syndrome	1 in 150	1 in 4,000
Spinal muscular atrophy	1 in 40	1 in 6,000 - 1 in 10,000

The test is a simple mouth swab which can be taken at any stage of the pregnancy, though usually early to allow further testing if needed. Testing is performed on the woman first and, if she is not a carrier, no further testing is needed as both parents need to be carriers for the baby to have a chance of the genetic condition.

Both pregnant and non-pregnant women have access to the service offered at Ascot Radiology.

The Genetic Carrier Screening service has been developed and sits alongside the already established Non Invasive Prenatal Testing (NIPT) service, both of which are run by Dr Emma Parry, as well as a specialised Fetal Medicine midwife and a Genetic Counsellor. The service is an additional offering to Ascot Radiology's already highly regarded prenatal screening services which includes ultrasound scanning, NIPT, private consultation and invasive testing.



The addition of the new Genetic Carrier Screening service has come about as a result of consumer demand. There is a clear need for this service, however, currently it is not publicly funded in New Zealand.

Love the Gums you're with

Periodontal (gum) disease is the major cause of tooth loss in adults. However, this does not have to happen with the preventative benefits of regular dental hygienist visits. This is why the dental hygienist has become such an integral member of the modern dental practice.

5 Things to know about Dental Hygiene

1. DIY doesn't work

You can't clean and scale your teeth to the standard that the trained hygienist can. It is easy to miss difficult to reach areas, typically those hard to get areas between your teeth. Also the hygienist has access to a number of different scaling and root planning tools as well as diagnostic tools that we don't have in our bathrooms at home. Even with the best intentions, build up of plaque takes place in a very short amount of time.

2. The mildest gum disease (gingivitis) is reversible with hygiene treatments

Gum disease is when your gums become infected, this is indicated by red, swollen or puffy and even bleeding gums. Gum disease is the precursor to periodontitis so it is best to treat it at an early stage. The dental hygienist will spot the early warning signs of gum disease, which may be invisible to you as the patient. With the hygienist's treatment and your dental home care, you can reverse the damage.

3. One size does not fit all

For the average person, two hygiene visits per year is recommended. Some of our 'at risk' patients have up to 4 hygiene appointments per

year. On the flip-side, some people with great home care habits and no other risk factors need less than 2 appointments per year. A small proportion of patients will also require extensive deep root planning for their comprehensive hygiene programme.

4. Regular hygiene appointments help prevent the onset of other medical conditions

Good oral hygiene and oral health can improve your overall health, reducing the risk of serious disease. The phrase "healthy mouth, healthy you" really is true – and is backed by growing scientific evidence. Research shows that there is a clear link between periodontal disease and cardiovascular disease risk, with increased risk of stroke and heart attack.

5. Regular hygienist visits can't replace the need for a full dental exam carried out by your dentist

Prevention is easier and less expensive than cure, so regular visits to a hygienist means long-term problems could be avoided, thus reducing the overall cost of your dentistry.

However, this does not replace the need for your regular comprehensive examination with your dentist, which include x-rays and other diagnostic assessments.

Here are some questions to ask when making a dental hygiene appointment:

- Ask if the clinician treating you is a qualified hygienist.
- Ask what other checks will take place at the appointment – such as diagnostic x-rays,

oral cancer checks and periodontal charting. You will find that the cost of the hygiene treatment is proportional to how comprehensive your appointment is.

- Ask what sterilisation protocols are in place at the practice and ask if they can show evidence that this training has taken place.
- Ask if there is the opportunity to have back-to-back appointments – that is, a full exam with the dentist followed by the hygiene appointment.

If you haven't been before, don't be surprised if the practice can't tell you over the phone exactly how long your hygiene appointment will be. The current state of your periodontal health will impact the time required to complete your hygiene treatment. In some cases, a second appointment is necessary to regain optimal periodontal health.

At Lumino The Dentists, we are proud to offer high quality dental care for all New Zealanders. We want to ensure that New Zealanders are armed with relevant information to help them make informed decisions about the dental provider they choose.

We would love to have you as our patient for life.



108 practices nationwide | Ph: 0800 LUMINO | lumino.co.nz

Lumino
The Dentists

ABANO HEALTHCARE GROUP LIMITED

16th Floor, West Plaza Building, 3-7 Albert Street, Auckland, PO Box 106 514, Auckland 1143

Telephone: +64 9 300 1410

Email: enquiries@abanohealthcare.co.nz

www.abanohealthcare.co.nz