

# Making Contact

ABANO SHAREHOLDER NEWSLETTER

ISSUE EIGHTEEN JUNE 2011

## Company Happenings //

The final quarter of the 2011 financial year is always a busy one for the Abano management team and board, with our annual strategic planning meetings and budgeting for the new financial year. In addition, this year we have also undertaken a banking review in recent months.

The 2011 strategic planning meeting was held in Auckland in March and the board confirmed that Abano would continue to invest in its core growth sectors, being Dental across New Zealand and Australia, Audiology across Australia and South East Asia and Radiology in New Zealand.

Dental is now a primary revenue generator for Abano and an additional A\$30 million, five year banking facility has recently been secured with CBA in Australia, dedicated for the increased growth plans of our Dental Partners business. This facility is in addition to the existing A\$25 million seed facility which has been in place for three years and has now been fully utilised in establishing the head office and support infrastructure, and acquiring the first 36 practices across Queensland, NSW, ACT, South Australia and Victoria.

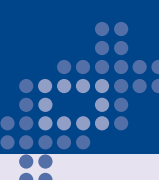
The acquisition growth rate for Dental Partners has now been increased to add between A\$13 million and A\$18 million in annualised revenues each year (equal to between 13 and 18 'standard dental practices'). Revenue and operating earnings from acquisitions will improve the earnings before interest and tax (EBIT) over the next two years as practices are acquired. However, the increased line fees and costs associated with the establishment of this new banking facility will impact immediately in the new financial year.

The expected acquisition rate for Lumino The Dentists in New Zealand is between eight and ten new practices per year. Abano currently has 93 dental practices across Australia and New Zealand. With our planned acquisition rate for Lumino and Dental Partners, we expect to see our trans-Tasman dental footprint grow by up to 28 practices in the 2012 financial year.

The Lumino network in New Zealand is now entering into a new development phase with the May launch of a national television campaign, a first for any dental group in Australasia.



Abano will continue to invest in its core growth sectors, being Dental across New Zealand and Australia, Audiology across Australia and South East Asia and Radiology in New Zealand



We are continuing to consolidate our audiology operations in South East Asia and Australia and to strengthen our regional management teams. Two new regional managers have been appointed in recent months, with Kenneth Kam based in Hong Kong for Asia and Eron Plumb based in Sydney for Australia. Bay Audio will remain in a development and investment phase in the new financial year and both networks will continue to focus on improving profitability and returns from existing stores, as well as greenfield growth and development.

We were also pleased to secure a new contract for our Orthotics business in the South Island earlier this year.

Demand for healthcare and medical services continues to grow and Government funding is under increasing pressure. At Abano, a part of our strategy is to identify sectors of the healthcare and medical services market where the Government is unable to fund demand and the opportunity exists for patients to pay privately for their own treatment, either personally or through private health insurance.

We were delighted to welcome the Prime Minister in April, when he officially opened Ascot Radiology's new PET CT scanning centre. Abano has invested \$5 million in this world class scanning centre which will provide cancer patients and their doctors with access to what is the leading diagnostic tool for identifying and fighting cancer.

In his speech, John Key commented that healthcare is one of the top priorities for voters and the single biggest cheque that his Government writes. He welcomed Investment in health like this from the private sector.

## // KEY DATES

<b>Year End</b>	31 May 2011
<b>Year End Results Announcement</b>	End of July
<b>Annual Report Released</b>	End of August
<b>Final Dividend Paid</b>	End of August
<b>Annual Meeting</b>	Held before end-November

# DENTAL // UPDATE

## // DENTAL PARTNERS (AUSTRALIA)

### **CYCLONE DOESN'T DETER AUSTRALIAN DENTAL CONFERENCE ATTENDEES**

Retention of experienced staff is a priority for all Abano businesses and tailored strategies are in place to create desirable work environments.

Training and career development opportunities play an important role in these strategies and cyclonic weather conditions certainly didn't deter more than 70 dental practice managers turning out for Dental Partners Australian conference in Queensland in March. The howling wind and torrential rain put a halt to the outdoor activities but didn't stop delegates from enjoying three days of training, education and networking opportunities.

The introduction of Peer Training proved particularly useful, with Practice Managers sharing their knowledge and experience with their colleagues. As well as attendance by practice managers from Dental Partners existing network, a number of managers from future planned acquisitions also attended.

## // LUMINO THE DENTISTS (NZ)

### COULD THIS BE NEW ZEALAND'S GREATEST KISS OF ALL TIME?

Having a great smile could be all you need to meet your perfect match and fall in love.

This is the theme behind Lumino The Dentist's new nationwide television advertising campaign, whose free-to-air debut was during the Royal Wedding coverage on 29 April 2011.

The new 30 second ad is a love story about a couple that meet randomly and, as sometimes happens in life, are instantly smitten by a smile. The ad appeals to the romantic in everyone, and in doing so, positions Lumino as a premium, contemporary, likeable and human brand.

But casting the perfect kiss for Lumino The Dentist's new nationwide television campaign wasn't quite that easy. The breakthrough came

when the producers discovered true love in the form of childhood sweethearts and married couple, Enni and Sammy. The chemistry between them is now on show for all New Zealand to see while the Lumino campaign is on air between April and October.

Lumino is the first and only dental brand in New Zealand or Australia to use national television advertising. With 57 practices across the country, the size of the Lumino network now makes television an obvious communication medium. The first offer promoted via TV is Lumino's 18 month interest free offer, which is further supported by in-practice promotional material and press advertising.





# DIAGNOSTICS // UPDATE

## // AOTEA PATHOLOGY

**In December 2010, Abano was pleased to announce that Aotea Pathology had secured a three year extension to its contract for pathology services with the Hutt Valley and Capital and Coast DHBs. The contract for services will now run until October 2014 and will continue more than 78 years of Aotea Pathology providing this essential medical service to the Wellington and Hutt Valley communities.**

Aotea Pathology is pleased with this result as it provides the opportunity to continue to build on the many achievements made since 2006 when the contract started. The particular focus at present is the implementation of Electronic Test Ordering by General Practice, a new initiative piloted by Aotea. This will provide a number of benefits including assisting referrers in ordering the correct tests and significantly improving the quality of the specimens. It will also help improve processing on receipt of the specimen in the laboratory, with a reduction in error compared to the current manual procedures.

Recruitment and retention of rare and highly skilled staff is a major issue for all health services

in New Zealand, and the extension of the contract has been well received by Aotea's staff as it goes some way to providing them with more certainty, not just in their employment but also in their career development and professional training.

During the next financial year, Aotea Pathology will be investing in new facilities and technical equipment. Several of the patient collection rooms are no longer large enough to accommodate growing patient volumes and new rooms will be sought to better serve patients' needs.

Several items of equipment within the laboratory are also in need of replacement as they near their end of life. The contract extension gives Aotea Pathology the opportunity to investigate new technological developments, keeping the business at the forefront of medical testing.

The Laboratory Information System used by Aotea Pathology has served the entity well, allowing operational improvements and efficiencies. Aotea Pathology is now progressing system enhancements to further improve workflow and the overall quality of laboratory practice.



# AUDIOLOGY // UPDATE

## // ASCOT RADIOLOGY

On 19 April 2011, the Rt Hon John Key officially opened Ascot Radiology's new world class PET CT scanning centre in Auckland. The new centre offers some of the world's most advanced technology and scanning equipment, with many additional and beneficial features unique to Ascot Radiology and now available in New Zealand.



PET CT scanning is the most advanced diagnostic tool in the world for identifying and fighting cancer, assisting doctors in determining the most appropriate form of treatment. It can help avoid unnecessary surgery or provide reassurance that more radical treatment is the most appropriate option.

Dr David Rogers, Ascot's managing director and one of the founders of the Ascot Radiology Group, was the champion for this PET CT investment. The project took over two years to plan and was launched on time and on budget. Both private patients and clients from the Auckland DHBs are now accessing the service.

**Patients can book appointments at Ascot Radiology's new PET CT scanning centre by calling 09 520 9550.**

## // BAY AUDIO AUSTRALIA

### WELCOME TO NEW COO AT BAY AUDIO AUSTRALIA

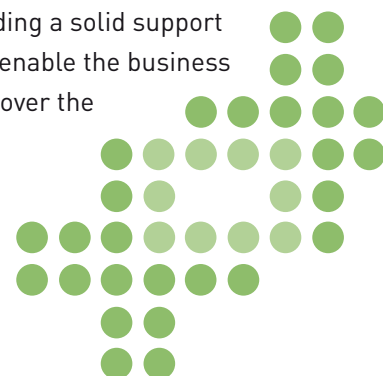
Bay Audio Australia has recently welcomed Eron Plumb in the new role of Chief Operating Officer, with responsibility for leading and managing the Australian business unit. Eron has had extensive senior retail leadership experience across FMCG, Big Box and specialist retail sectors and he joins the business after 21 years with the Wesfarmers Group. Eron held a regional manager position in Coles Supermarkets during his 15 years with the division, before spending four years leading the Officeworks Superstore team in NSW and ACT as its Regional Operations Manager. In his last three years, Eron managed the Harris Technology business through a complete restructure and turn around.

Eron's extensive retail experience will deliver a strong leadership model for the Bay Audio team to build a solid foundation for the planned growth of the business over the next three to five years.



"I am extremely excited about joining the Bay Audio team. The business presents a great opportunity for future growth in the hearing device industry. Bay Audio is leading the sector into a new

customer-centric era of the hearing device industry that will deliver better outcomes for customers, team members and the shareholders. Our plans are to focus on building a solid support structure in the short term to enable the business to enter a rapid growth phase over the next three to five years."



# AUDIOLOGY // UPDATE

## AN AUSTRALIAN FIRST HELPS BILL OVERCOME THE ODDS

**Finishing a Masters degree is an achievement for anyone, but for Bay Audio's Bill Raymond it meant overcoming the greatest challenge of his life.**

Born with profound deafness which worsened in his teens, Bill was unable to follow lessons at school and spent most of his days reading books in a corner. Then in 1996, he received his first cochlear implant and his life changed forever.

"As a teenager, I was extremely socially isolated and depressed because I couldn't hear or talk to anyone.

"Receiving the implant and suddenly being able to hear clearly was a revelation for me, to say the least."

At 28, Bill is an inspiring figure for anyone with hearing loss. The first person in Australia with a cochlear implant to graduate with a Master of Audiology Studies, he has worked and travelled in New Zealand and the USA.

Today, Bill is the head audiologist at the Toowoomba branch of Bay Audio.



"I've come up against a lot of people who were sceptical of what I could do. I think I helped change their view on deafness and what a deaf person could accomplish. I am very proud of what I've achieved and I hope I can use those experiences to help others.

"The best part of my job is helping people regain their quality of life. I'm still amazed every day at what can be achieved with the technology available.

"To see the smile on a patient's face after a successful hearing device fitting, knowing their life is changed, makes my day."

Many people with hearing loss wait years before seeking help, making life isolating and miserable.

"To those people I say the future does not have to be bleak. Go and see a good audiologist today and they will help you find the solution that you need."

## // BAY AUDIO ASIA

### NEW HQ FOR BAY AUDIO IN ASIA



As an increasingly prominent player in the South East Asian audiology market, Bay Asia continues to improve service quality and remains focused on helping more people to experience life at full volume.

The 19th May 2011 marked a milestone achievement for the Bay Audio Asia group, when they moved into new headquarters in Hong Kong.

The central HQ office provides support for Bay Audio's regional offices in Singapore, Taiwan and Hong Kong, as well as for the team in Malaysia.

Based at the new offices are the Bay Asia group management team, including Asia General Manager, Kenneth Kam and Regional CFO, Patricia Chiu. Both Kenneth and Patricia have lived and worked in Asia for many years and both have extensive knowledge and insight into the Asian markets in which Bay International operates. Other team members include an IT Manager, Marketing Manager and an Accounting Officer.

The new Head Office is based in the Metroplaza Tower, one of Hong Kong's largest shopping centres.

# REHABILITATION // UPDATE

## // ORTHOTICS

### ALL SAFE IN CHRISTCHURCH

**The Orthotics Centre's South Island service is managed out of Christchurch, where the business has a support office and a large clinic.**

The premises withstood the recent earthquakes in Christchurch and no staff were injured, although many staff have suffered damage to their personal property and homes.

Orthotic Centre rapidly deployed its Recovery Plan following the quake, with all telecommunications diverted to Auckland and the use of a dedicated mobile phone provided for urgent clinical messages in Christchurch.

Service to Christchurch Hospital was continued throughout the days following the quake and the Orthotic Centre remained fully operational at all times as a primary emergency response service. The damage to Christchurch is almost unbelievable and the resilience and courage of all the Orthotics group staff there is recognised and applauded.

### SOUTH ISLAND CONTRACT WIN

**In March 2011, Orthotic Centre was announced as the supplier for the Southland District Health Board (DHB) orthotics contract.**

The three year contract, which began in early April 2011, is worth over \$1 million per annum and will see the Orthotic Centre provide acute and disability support services to clients referred by Dunedin Hospital and Kew Hospital in Invercargill. In addition, periodical clinics are held in Oamaru and Queenstown Hospitals.

The Orthotic Centre currently holds DHB contracts in Auckland, Hamilton, Wellington and Christchurch where it acts as the orthotics department for each of these city's hospitals.

The Dunedin and Invercargill services are overseen by Orthotic South Island general manager, Paul Ward, who has worked as an orthotist in the Orthotics sector in the South Island for over 20 years and previously held the Invercargill contract.

Paul is also a director of the Orthotic Center along with Denis Currie as independent Chairman and Mr Ross Nicholson, one of New Zealand's leading and most respected orthopaedic surgeons.

While not a major focus for scalable growth and development, the Orthotic business has brought home some pleasing wins in the past year. The successful expansion into Christchurch with the acquisition of Orthotic South Island and now an extension into Dunedin and Invercargill through this new contract, has seen the Orthotic group almost double in size in the past two years.

## // ABANO REHABILITATION

### MEET THE TEAM: ANDRIA BAYER, AUCKLAND AREA MANAGER

Andria Bayer has recently been appointed to the role of Auckland Area Manager for Abano Rehabilitation. With residential services on offer in both Waitakere and Takanini, Andria's role includes overseeing and developing the services provided. For the next few months, her focus will be on further development of the activity programme that clients engage in, with an aim to increase and develop opportunities for clients to participate in both voluntary and paid work.

In Waitakere, Abano Rehabilitation has two new houses, side by side with a total of 12 beds. The Takanini site has two older houses, plus several two bedroom apartments, with 13 beds in total. Clients live on site and engage in personalised rehabilitation programmes designed by the clinical teams, with input from the clients themselves and their families.

Both sites have been designed to accommodate people who are physically dependent or in wheelchairs, as well as those who are increasing their levels of independence and can walk to nearby shops. Clients can progress from requiring a high level of support and rehabilitation through to taking care of themselves and cooking their own meals, and then practice independent living in a safe environment before being discharged home.





# HEALTHCARE AND INFORMATION TECHNOLOGY //

**Information Technology (IT) plays an important part in the healthcare market. In addition to improving internal processes and systems, healthcare IT also allows for the secure collection and exchange of information between relevant parties, such as doctors and the providers of healthcare services.**

The ability to collect, store, retrieve and transfer information electronically can provide many benefits for a patient, including faster turn-around on diagnosis, a reduction in costs, prevention of medical errors and an improvement in the quality of care. For providers such as Abano and its businesses, IT investments also provide quality management and efficiency gains.

Globally, the healthcare industry generally uses less IT than other industries, although international surveys indicate that providers are increasing their investments. In New Zealand, however, a strong uptake of information solutions over the past 30 years has helped to create a health information 'ecosystem' that is the envy of the world.

There are three main categories for the various IT applications:

- Administrative and financial systems that facilitate billing, accounting, and other administrative tasks;
- Clinical systems that facilitate or provide input into the care process; and
- Infrastructure that supports both the administrative and clinical applications.

In addition, Abano also uses IT to increase its ability to understand and communicate with existing and potential customers, and to motivate and train its staff. An example of this is Bay International's IT platform which consists of Bay's unique, customer self-help Touchscreen

technology; an advanced Customer Relationship Management (CRM) system and a business-wide intranet platform. All of these work together to create a centralised business platform for individual retail stores and ensure the best possible customer experience.

New Zealand has a National Health IT board which released its five year plan and recommendations in September 2010. Currently, patient information is held in separate locations, creating barriers to a better, sooner and more convenient health experience.

The vision of the National Health IT Board is to *achieve high-quality health care and improve patient safety, where, by 2014, New Zealanders will have a core set of personal health information available electronically to them and their treatment providers regardless of the setting as they access health services.*

When investing in IT, particularly in regards to patient data management and record keeping, Abano's businesses will be taking the National IT plan into consideration to ensure compatibility across the private and public sectors.

In the past twelve months, Abano has invested significantly into developing, upgrading and implementing IT systems. This has included the rollout of new integrated CRM and accounting platforms in both the New Zealand and Australian dental businesses, the introduction of PACS technology at Ascot Radiology to allow for the electronic storage and dissemination of radiological images and the development and piloting of an Electronic Test Ordering system at Aotea Pathology.

