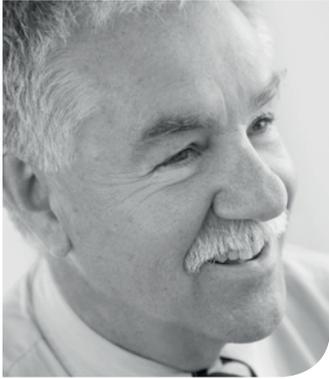


# MAKING CONTACT

## ABANO SHAREHOLDER NEWSLETTER



Alan Clarke, Managing Director

I would like to take this opportunity to thank the incredible staff at Abano Rehabilitation, whose commitment, dedication, care and support have improved the lives of so many people over the years.

### COMPANY OVERVIEW

The 2012 financial year is now at a close, and we are pleased with the progress we have made.

In the past few days, we have announced the sale of our brain injury rehabilitation business, Abano Rehabilitation, to Bupa Care Services NZ. This is a positive move for both Abano Rehabilitation and our Group.

Abano has owned the brain injury rehabilitation business for over 11 years, and we have had a Hold and Maintain strategy in place due to limited growth opportunities and the business' high reliance on Government funding. It provided a steady annuity income but was not a business we had earmarked for expansion or development.

We were approached by interested parties to acquire the business, and following this, we carried out a careful and extended review. Bupa has a strong reputation, an established track record and their offer was an attractive one. They are recognised as a world leader in providing healthcare services, and their experience and expertise will be of considerable benefit in the ongoing growth and development of Abano Rehabilitation.

The decision to exit this business is in line with our core strategy to invest in and focus on growth businesses, which generate the majority of their income from private payment and where we, as a corporate, can invest and add value.

We were pleased to find an organisation which will continue to value, nurture and realise the potential from this very professional business, and which is committed to maintaining the established high standards of service which already exist.

I would like to take this opportunity to thank the incredible staff at Abano Rehabilitation, whose commitment, dedication, care and support have improved the lives of so many people over the years. At times, theirs is not an easy job and their fortitude and compassion is recognised and applauded.

**The full announcement in regards to the sale is available on our company website [www.abano.co.nz/news](http://www.abano.co.nz/news).**

Continued Over Page

#### IN THIS ISSUE:

Company Overview	1	Bay International/Bay Australia Goes Loud & Mobile	6
Market Guidance	3	Orthotics/Services For Children	6
Our People	3	Aotea Pathology/Improved Collection Rooms Offer Better Customer Service	7
Lumino The Dentists/Going Mobile	4	Radiology/New Millennium Radiology Clinic	8
Abano Dental Sector Growth	4		
Dental Partners/Leadership Accolades	5		

## BUSINESS UPDATE

The 2012 financial year has been a productive one for Abano. We have focused on rebuilding our cashflows following the successful sale of our New Zealand audiology operations in the 2010 and 2011 financial years.

Dental has now become our primary revenue generator and we are continuing to roll out our accelerated acquisition programmes in both Australia and New Zealand. In the 2012 financial year, we added 26 dental practices, which will provide approximately \$42 million in additional annualised revenue, and which take our trans-Tasman dental group to 117 practices in total.

The dental sector is also providing good organic growth, with a rise in patient numbers and visits following the ongoing and successful television and marketing campaign for Lumino the Dentists in New Zealand. Online marketing and social media have also been integrated into the campaign, with several very successful daily deal promotions.

We are continuing to invest in radiology in New Zealand. This is a sector which we believe offers significant opportunity for growth, both through investment into new services and technology, as well as opportunistic acquisitions.

In February this year, we were delighted to announce the planned opening of a new \$4 million radiology clinic in the AUT Millennium Campus on Auckland's North Shore. This will be a joint venture between Ascot Radiology, which offers a full range of high quality imaging, and Insight Radiology, which provides a specialist ultrasound and obstetric service. Abano has majority shareholdings in both businesses.

The development of this new clinic not only brings together two highly respected and complementary specialist radiology businesses, but opens up a whole new specialist referral market for us.

This is the second organic expansion of our radiology group, following the successful opening of our PET CT scanning centre at Ascot Central last year. Already this year, we have seen improving demand in radiology, as our investment in new technologies starts to deliver results, and over time, we expect the PET CT centre and the new Millennium clinic to provide new, reliable and growing income streams for Abano. These investments are in line with our strategy to grow our presence in this sector through co-ownership with our radiologist partners and we will be looking to expand this partnership in coming months.

Our joint venture audiology networks in Australia and Asia continue to show improvement, but are still incurring development losses. As we have previously stated, it will be three to four years before this business group breaks even. Finally, our pathology and orthotics businesses in New Zealand are all producing steady results along with our recently divested brain injury rehabilitation business.

We are now focusing our attentions on the 2013 financial year and we are looking forward to another productive year as we continue to concentrate on the growth of our company and the delivery of improving shareholder value and bottom line profits.

# MARKET GUIDANCE FOR THE YEAR ENDING 31 MAY 2012



Trevor Janes, Chairman

On 27 March 2012, Abano Healthcare Group released its guidance for the 2012 financial year.

**Growth in consumer demand following a successful television campaign for dentistry in New Zealand, accelerated dental**

**acquisition growth in Australia and New Zealand, and growing referrals in radiology have underpinned the second half forecast for Abano.**

The company guidance provided for annual revenues to grow to between \$205.0 and \$207.0 million (FY11: \$174.8 million), and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA<sup>i</sup>) to between \$24.7 and \$25.7 million (FY11: \$19.7 million), generating a Net Profit After Tax (NPAT) of between \$1.3 and \$1.8 million (FY11: \$2.3 million, excluding the one off gain from the sale of Abano's shareholding in National Hearing Care and the one off de-recognition of tax losses in Bay International which occurred during FY11).

Underlying EBITDA is expected to be between \$26.2 and \$27.2 million (FY11: \$20.5 million) and underlying NPAT between \$2.7 and \$3.2 million (FY11: \$3.1 million<sup>ii</sup>). The company notes that this guidance is in line with broker forecasts.

The Board will continue to report Underlying Earnings, which excludes acquisition and IFRS charges and therefore will provide our shareholders with a "like for like" comparison with previous years' performance. We believe that this is a more appropriate representation of Abano's performance and provides useful information on the 'normalised' profit of the company.

The Abano board has also reconfirmed its expectation to maintain the 2012 dividend at 21 cents per share.

**The full Guidance Announcement is available to view on the Abano website [www.abano.co.nz/news](http://www.abano.co.nz/news).**

i: EBITDA excludes profit/losses generated by Bay International, in which Abano holds a 50% shareholding. The results for the Bay Group are now equity accounted and therefore no longer included in the consolidated EBITDA. FY11 EBITDA has been restated to provide a like for like comparison.

ii: Further information on underlying earnings, which is a non-GAAP financial measure and is not prepared in accordance with NZ IFRS, is available on the Abano website at [www.abano.co.nz/underlying\\_earnings](http://www.abano.co.nz/underlying_earnings)

## OUR PEOPLE

**At Abano, we seek to attract the best medical specialists, clinicians, support staff and management by creating world class working environments and investing in people to help them realise their full potential.**

We believe in diversity within our businesses, and recognise the value in the different viewpoints and perspectives offered by people of different ages, race, gender and backgrounds. We have a strong representation of female directors on our Board (two out of seven directors), as well as many female senior executives in our business teams, including the CEO's of our rehabilitation and pathology businesses and General Manager Operations in both our dental groups. This is something we feel is important for all businesses; and of particular importance in the healthcare sector.

The success of Abano is founded on all our employees, from those providing clinical and medical care, through to our support personnel and our business leaders.

In the past few months, two of the executives in our Australian Dental Partners business have received recognition for their leadership qualities.

Cathy May is General Manager Operations at Dental Partners and was the winner of a regional International Women's Day Workplace Leadership Award. One of her referees commented: "The pioneering women of Australia were defined by grit, vision and concern for others. Cathy May is a modern day version of those women."

Mike Timoney is the founder and CEO of Dental Partners, and was nominated for the prestigious 2011 Ernst and Young Entrepreneur of the Year award in Australia.

Abano is blessed to have management talent like this throughout the Group. Mike and Cathy, along with a brilliant support office team based in South Port on the Gold Coast, have grown their business from a concept four years ago to an organisation with over 450 staff and 53 practices across Australia.

This makes them the second largest dental consolidator in the A\$4.5 billion a year market and, importantly, Dental Partners are now recognised as the partner of choice by many independent dentists.

# DENTAL

## LUMINO THE DENTISTS/GOING MOBILE

Lumino the Dentists has just launched its new mobi-site, which allows people to make appointments on the fly, by using smartphone and GPS technology to locate their nearest Lumino practice. Patients can also easily contact the practice by clicking the map icon.

Lumino is continually looking at ways to improve the level of patient service, and its comprehensive website is an important tool for both new and existing patients. Each month, 500 patients make their appointment using the website. The new mobi-site is the latest in a raft of innovations that make Lumino The Dentists, New Zealand's leading dental network.

## THINGS YOU MIGHT NOT KNOW ABOUT LUMINO

- Lumino The Dentists uses 1.6 million pairs of sterile rubber gloves every year.
- Lumino provides free dental care to 12,000 Auckland teens every year through its mobile school programme.
- Lumino dentists qualified in dental forensics were called to work in Christchurch after the 22 February 2011 earthquake to help with the identification of victims.
- The couple in the Lumino television ad, who appear to have just met, had been married for 11 years at the time of the shoot!



		Network size	Annualised Revenue NZ\$ Million
<b>Lumino The Dentists</b>	31 May 2011	56 practices	58
	31 May 2012	64 practices	63
<b>Dental Partners</b>	31 May 2011	36 practices	68
	31 May 2012	53 practices	105

# DENTAL PARTNERS

## LEADERSHIP ACCOLADES



### MIKE TIMONEY/DENTAL PARTNERS FOUNDER AND CEO

#### **Nominee: 2011 Ernst and Young Entrepreneur of the Year Award**

Mike grew up in the UK, where he was educated and started his career as an entrepreneur and salesman. After a successful selling career, Mike and his new wife Sharon, a dentist, moved to Australia and started a successful dental practice on the Gold Coast. A few years later, in 2008, Mike and his business partner, David Garofalo, approached Abano with the idea of establishing a national dental group. Four short years later, Dental Partners now has over 450 staff, 53 practices and annual revenues in excess of A\$100 million. It is therefore with delight that Mike was nominated for the prestigious Ernst and Young Entrepreneur of the Year award.

The partnership with Abano has been an enormous success and the business under Mike's management as CEO is growing at around 20 to 30 new dental acquisitions every 12 months, making it one of the fastest growing businesses in Australasia.

The Ernst & Young Entrepreneur Of The Year is considered one of the most prestigious business awards and is run in more than 50 countries. A select group of 79 of Australia's top entrepreneurs were nominated for the Award, from fields as diverse as shoes, beer brewing, dental, emergency international security, pet products, gas exploration and development, and medical supplies.

"You must have conviction behind your ideas and believe in them" says Mike. "There's no secret to success, it is the result of preparation, hard work and learning from your mistakes. Most importantly, never give up."



### CATHY MAY/DENTAL PARTNERS

#### **Regional Winner: International Women's Day Leadership Award (Gold Coast)**

Cathy May, who is General Manager Operations at Dental Partners, was instrumental in creating the business structure and systems that enabled the launch of Dental Partners with its first nine dental practices in 2008.

Cathy knows that a company's greatest investment is in its people and cites Dental Partners' positive culture as its greatest success.

She believes that "Leadership is motivational, inspirational and encouraging, and a leader's responsibility is to develop those around her."

Cathy was nominated and subsequently won the Gold Coast International Women's Day Leadership Award in February 2012.

In the words of her team; "It was really no surprise that our Cath would be the winning finalist for this Award. When we heard the judges were looking for someone with purpose, direction and who is an inspiration to their team, we knew Cath had it!"

# AUDIOLOGY

BAY INTERNATIONAL/BAY  
AUSTRALIA GOES LOUD AND MOBILE

When most of us think about hearing testing, we would normally associate it being done in a very clinical environment. If you're a Bay Audio customer, you would associate it being conducted in a very modern retail environment. However, would you consider your hearing being tested at a classic motorcycle meeting?

That is just what Bay Audio Australia did in March 2012. Attending the 7th Annual Barry Sheene Festival of Speed, held at Sydney's famous Eastern Creek Speedway, Bay Audio set up "shop" in the riders' briefing room for the two day event, and set about screening attendees. A number of those screened were then booked into a Bay Audio store for further support.

"The event was a perfect fit for Bay Audio", explains Bay Audio Australia COO, Eron Plumb.

"The people who attended the event were in our target age bracket of 50-65 years, and most people our team spoke to, openly admitted they had a hearing loss."

The Speedway was not the only mobile screening event in March, with the Bay Audio Australia team screening record amounts of people at other major events, including the Brisbane Home Show, Gold Coast Caravan & Camping Show, Gold Coast Home Show and the Brisbane Enrich Food & Living Expo.

"Bay is leading the way in our community by embracing the opportunity to screen at these sorts of events. Our mobile touch screening has been a natural extension of the convenience offer that Bay provides to the market. By screening direct in our community, at events that people feel comfortable attending as part of their natural lifestyle, we are able to have a more natural, comfortable conversation with people about hearing loss."



# ORTHOTICS

SERVICES FOR CHILDREN

Orthotic Centre clinical staff work with patients of all ages, including children with spina bifida, cerebral palsy, developmental delay, and other long-term disabilities. This work is often in conjunction with other health professionals.

For example, in the Auckland region, orthotic staff work in at least 13 different hospital, community and school based paediatric clinics. These clinics are held along with physiotherapist, occupational therapist, and some with visiting orthopaedic and rehabilitation specialists.

Staff also attend clinics at several Special Schools in Auckland, including: Arohanui, Carlson, Mt Roskill, Mt Richmond, Sommerville, Sunnydean and Sir Keith Park.

A variety of paediatric supports are provided for feet, ankles, legs, spine, arms, wrists/hands and necks. These supports sometimes mean a child who would be confined to a wheelchair is able to walk, or a child who walks with difficulty is able to ambulate more naturally.

The orthotics may also help prevent or slow the progress of limb deformity, and the supports may be used to maintain a level of correction achieved by recent surgery. They are often used in conjunction with physical therapy.



A range of paediatric orthotics

# AOTEA PATHOLOGY

## IMPROVED COLLECTION ROOMS OFFER BETTER CUSTOMER SERVICE

Aotea Pathology has been investing into new and upgraded facilities, as part of the continual service improvement it offers to its customers. Recently, new collection rooms have been opened in both Upper Hutt and Karori, and improvements are planned in the coming months to the Johnsonville and Newtown rooms. This continues a process that will soon see nearly half Aotea's collection rooms upgraded — with more to come later in the year.

Both the Upper Hutt and Karori rooms have a lot of extra space, light and privacy, and this is proving hugely beneficial in helping staff improve the way they deliver services. Patients, too, are noticeably more comfortable in the new surroundings.

The new collection rooms in the CBD Towers offer double the space previously available at the Upper Hutt Health Centre and lots of parking. With four collection rooms plus extra staff, the waiting times have now been significantly reduced and most people have their blood taken as soon as their forms are completed. Additionally, all the rooms have space for mobility scooters, plus panoramic views over Upper Hutt for those who don't like to watch the needle!

The new collection rooms in the CBD Towers offer double the space previously available at the Upper Hutt Health Centre and lots of parking.



# RADIOLOGY

## NEW MILLENNIUM RADIOLOGY CLINIC



Over the past year, the AUT Millennium complex has undergone a \$43 million expansion and has been transformed into the National Training Centre for High Performance Sport.

**Ascot Radiology and Insight Radiology are joining up to launch a new \$4 million specialist radiology clinic in the AUT Millennium Campus, on Auckland's North Shore.**

The new Millennium radiology clinic, which is planned to open in the first half of the new financial year, will be in close proximity to the clinical rooms of a number of leading orthopaedic surgeons, including Matthew Brick, and Auckland Bone and Joint group, with many clinical obstetricians also located nearby.

It will open with an array of new technology and equipment, including Australasia's first GE second generation wide-bore 3T Magnetic Resonance Imaging (MRI) scanner. This cutting edge scanner improves the accuracy of the image, allowing for better diagnosis, and has more room inside the scanner tunnel, providing for a more comfortable patient experience. Also on site will be a number of 3D and 4D Ultrasound scanners, a plain film x-ray suite and mammography, with an earmarked extension for CT to be installed within the next few years.

The Insight Radiology North Shore clinic will also relocate to the Millennium practice, where it will continue operations in an expanded obstetric clinic which will be closer to major referral groups. The move will provide Insight's clients with onsite access to the new mammography and MRI suites, which will allow other radiology studies to be undertaken that were previously referred elsewhere.

The AUT Millennium Campus is home to the Millennium Institute of Sport and Health, and High Performance Sport NZ. It consists of specialist buildings, swimming pools and track and field facilities, and is dedicated to helping New Zealanders excel in sport. Over the past year, the AUT Millennium complex has undergone a \$43 million expansion and has been transformed into the National Training Centre for High Performance Sport. In line with this, it provides world class facilities and support services, including specialised medical and healthcare support.