

ABANO DELIVERS RECORD HALF YEAR RESULT IN LINE WITH GUIDANCE

Results for the six months to 30 November 2017

- Abano confirms record half year result in line with guidance
- Result driven by acquisition growth in the dental business, improving dental same store sales growth and a solid performance in radiology
- Interim dividend of 16 cents per share declared

Abano Healthcare Group Limited (NZX:ABA) has today reported a lift in both revenue and underlying earnings as it delivered a half year result in line with its November 2017 guidance.

The company has benefitted from acquisition growth in the dental business and a continuing trend of improving same store sales growth in both New Zealand and Australia.

Based on unaudited management accounts, Abano has reported gross revenueⁱ of \$158.7 million (HY17: \$138.9m) and revenue of \$133.2 million (HY17: \$116.8m).

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDAⁱⁱ) were \$17.9 million (HY17: \$16.5m), with Net Profit After Tax (NPAT) of \$6.0 million (HY17: \$5.9m).

The result is after non-cash expenses including accelerated depreciation relating to the decision to relocate Lumino's largest practice to a new location in Auckland in early 2018 and a \$0.2 million loss on sale on the associated divestment of its small non-core laboratory business.

Abano also reports on underlying earningsⁱⁱⁱ which provides the basis of Abano's dividend policy. The Company's Underlying EBITDA was \$18.3 million (HY17: \$16.8m), resulting in an Underlying NPAT of \$6.7 million (HY17: \$6.3m).

The directors have declared an interim dividend of 16 cents per share on all shares (HY17:16cps), including those issued under the recent 1 for 5 rights offer.

Chair of Abano, Trevor Janes, commented: "The record half year result reflects Abano's continued focus on growing its share of the \$11-billion trans-Tasman dental market and our goal to be a leading provider of dentistry in Australia and New Zealand. Our strategy of dental practice acquisitions and selected greenfield openings, combined with realising organic growth opportunities, is continuing to deliver earnings growth."

\$Millions	HY18	HY17	% Change
Gross Revenue	158.7	138.9	+14%
Revenue	133.2	116.8	+14%
EBITDA	17.9	16.5	+9%
Underlying EBITDA	18.3	16.8	+9%
NPAT	6.0	5.9	+2%
Underlying NPAT	6.7	6.3	+5%

Trading Performance Commentary

Abano Dental remains the second largest trans-Tasman dental group with 215 practices across Australia and New Zealand at half year end.

Growth is primarily through dental practice acquisitions which are providing additional operational, scale and synergy benefits as the group continues to expand. The acquisition opportunity, particularly in Australia, is significant and remains strong, and Abano is taking advantage of this to increase its acquisition rate above previous years.

In the first half of the financial year, Abano acquired ten practices, expected to generate \$18 million in annualised gross revenues, with several larger acquisitions, with a corresponding higher purchase price, settling later in the first half than anticipated. While incurring the acquisition costs of these practices in the current financial year, their full year contributions will not be realised until FY19. Since the end of November 2017, one further dental practice has been acquired.

In addition, Lumino the Dentists opened a new fully digital and purpose built greenfield practice in Rangiora during the half year.

Abano is also focused on increasing same store sales revenue by expanding the services on offer, increasing and maximising existing capacity, increasing clinical days and continuing to invest into branding and marketing.

During the first half of FY18, Lumino in New Zealand reported positive same store growth of 1.7% (HY17: 0%), despite being adversely impacted by the winter storms and flu in July and a softer school holiday period in October compared to the previous year.

Clinical days increased, although average revenue per dentist declined slightly as expected, as a greater number of younger and less experienced dentists replaced a higher than average number of senior retiring dentists in the previous financial year as part of Lumino's succession planning. A key focus for Abano is clinical training and development of staff and it is anticipated that the daily revenue rate of these younger dentists will increase over time.

Economic conditions are a key influencer on the dental industry, with non-urgent dental services often considered a discretionary healthcare spend. The Australian economy remains challenging with recent economic reports indicating spending on almost every discretionary purchase was down in the September quarter, with the lowest household consumption growth since the global financial crisis.

To combat this environment, management are focused on initiatives to encourage new and repeat patients visits. Maven Dental Group is showing improvements with positive same store sales growth for three of the six months in the first half. Overall, same stores sales was -1.6% for the half year (compared to -5.8% for the first half of FY17 and -4.4% at the end of the FY17 year).

Investment continues to be made into driving the performance of both the New Zealand and Australian dental businesses.

Initiatives include the rollout of online bookings; the rebranding of existing practices in Australia; the commencement of the new Australian patient contact centre; and the rollout of the new CRM and analytics systems in Australia which are providing greater depth of data with which to manage the business. Early benefits are now starting to be seen with these short and long term initiatives.

Dental margins^{iv} for the full year are expected to be in line with the previous financial year, despite the increased investments being made into marketing, technology and branding and the same store revenue performance in Australia.

Ascot Radiology delivered both revenue and EBITDA growth for the first half year as it focused on widening its referral base and working closely with local GPs. Abano has today announced a conditional agreement to sell Ascot Radiology to Abano's radiologist shareholder partners for a total consideration of \$17.0 million with settlement expected in late February 2018. The sale will complete Abano's transition into a single focus dental group and sale proceeds will be used to fund the continuing growth of the dental group.

Key Dates:

- Interim Dividend Record Date: 9 January 2018
- Interim Dividend Payment Date: 19 January 2018
- Release of HY18 Interim Report: By end-February 2018
- End of FY18 Financial Year: 31 May 2018

ENDS

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Abano Healthcare Group is listed on the NZX and owns and operates one of the largest dental networks in Australasia, comprising Lumino the Dentists in New Zealand and Maven Dental Group in Australia.

ⁱ Gross revenue is a non-GAAP financial measures and includes Australian dental revenues before payment of dentists' commissions.

ⁱⁱ EBITDA is earnings before interest, tax, depreciation and amortisation and is a non-GAAP financial measure

ⁱⁱⁱ Underlying earnings are reported for both Net Profit After Tax ("NPAT", a GAAP compliant measure) and EBITDA and exclude gains/losses arising on sale of businesses, IFRS adjustments and impairments, including their tax effect. These are the measures used within the Company to evaluate performance, establish strategic goals and to allocate resources and provide the basis of Abano's dividend policy.

More information on gross revenue and underlying earnings is available on the Abano website at www.abano.co.nz/underlyingearnings.

^{iv} Dental margin is calculated as Underlying EBITDA as a percentage of Gross Revenue.