

# ABANO HEALTHCARE GROUP

## ANNUAL RESULTS PRESENTATION

For financial year ending 31 May 2016

The Abano logo is displayed in a large, bold, dark blue sans-serif font, slanted slightly upwards to the right. In the top-left corner of the slide, there is a decorative graphic consisting of a cluster of dark blue and green dots of varying sizes, arranged in a pattern that suggests a molecular or cellular structure.

**abano**

### DISCLAIMER

This annual results presentation dated 27 July 2016 provides additional comment on the 2016 financial year end results media statement and financial materials released by Abano Healthcare Group on 27 July 2016. As such, it should be read in conjunction with, and subject to, the explanations and views provided in that material.

# ABOUT ABANO



Abano Healthcare Group Limited is an investor in and operator of healthcare businesses, in New Zealand and Australia.

## OUR VISION

To build market-leading brands and healthcare businesses that have the competitive advantage of size, scale and reputation.

## OUR LONG TERM STRATEGY

Invest in scalable businesses in the private, fee for service healthcare market where we can add value, build capability and help them to grow



### DENTAL

Trans-Tasman Dental Market  
~NZ\$11 billion

100% ownership  
Lumino The Dentists: NZ  
Maven Dental Group: Australia  
81% of FY16 Abano Gross Revenue



### RADIOLOGY

New Zealand Radiology Market  
~NZ\$250 million

71% ownership  
Ascot Radiology: NZ  
5% of FY16 Abano Gross Revenue



# FY16 HIGHLIGHTS



## Performance at top end of profit guidance

NPAT \$28.4m including \$20.2m gain on sale of audiology shareholding  
Underlying NPAT \$8.8 million  
Full year dividend of 30cps, up 20%

## Results from continuing businesses well ahead of prior year

Gross revenue up 12%  
EBITDA up 18%  
Underlying NPAT increased by 57%

## Investment into growth

Dental: Added 19 dental practices; Trans-Tasman dental network of 188 practices as at 31 May 2016  
Bay Australia: Opened six greenfield stores and relocated two stores

## Launch of Maven Dental Group brand

Brand rollout activated in December 2015

## Divestment of Audiology shareholding

Sold for \$32 million resulting in gain on sale of \$20.2 million

## Management succession

Richard Keys appointed CEO and Rachel Walsh appointed as CFO

## Finalist INFINZ Award 2016

Emerging Leaders Best Corporate Communicator

# FULL YEAR RESULTS SNAPSHOT



\$ Millions	FY16 Statutory	FY15 Continuing	FY15 Statutory
Gross Revenue	297.1	265.8	300.4
Revenue	213.7	187.6	222.2
Underlying EBITDA	27.2	23.6	30.7
EBITDA	26.6	22.5	29.6
NPAT/NLAT	28.4	4.5	(1.3)
Underlying NPAT	8.8	5.6	8.8

FY16 results exclude earnings from Bay International for the month of May 2016 as it ceased to be recognised as an equity accounted investment from 30 April 2016

FY16 results exclude earnings from Pathology and Orthotics businesses which were divested during the FY15 year.

See glossary slide for explanation of gross revenue and underlying earnings

**Results were at the top end of guidance**  
excluding the impact of the Bay sale

Net Profit After Tax of \$28.4m including  
\$20.2m gain on sale of Bay International  
shareholding

## CONTINUING BUSINESSES:

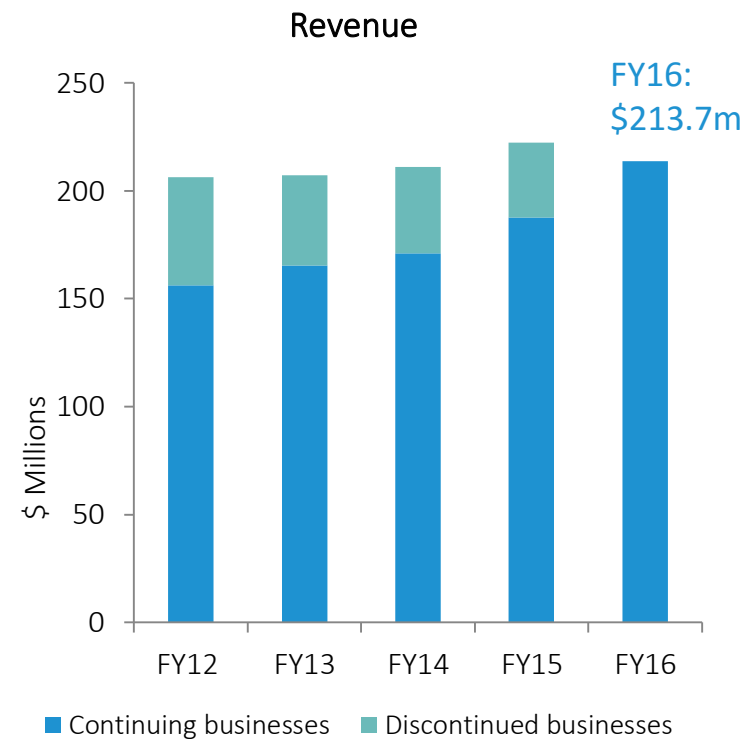
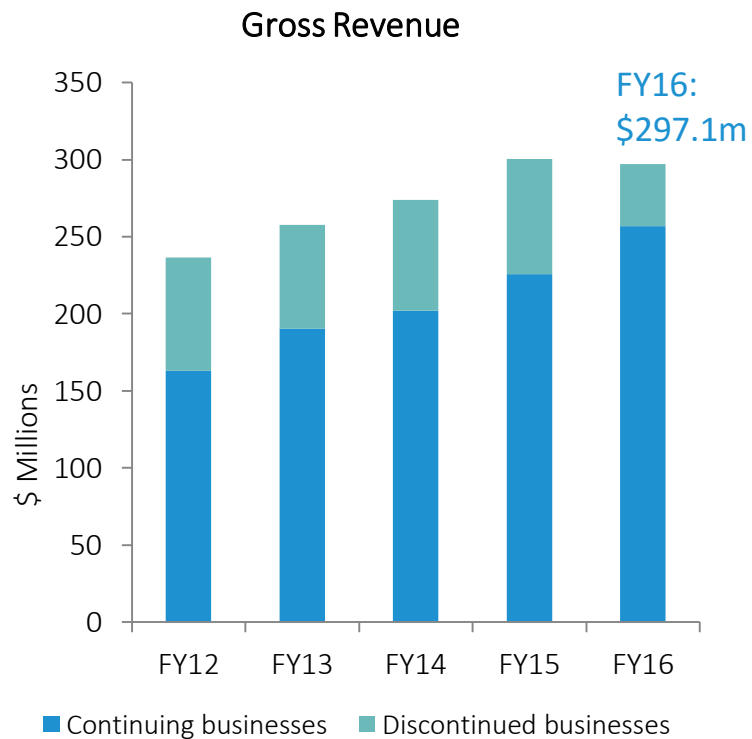
- EBITDA up 18% and Underlying EBITDA up 15%, both above guidance
- Underlying NPAT result of \$8.8 million up 57% on previous year

# FY16 REVENUE GROWTH



## Continuing Businesses: Gross Revenue And Revenue Growth Well Ahead of Previous Year

Growth in revenues primarily driven by strong New Zealand dental performance, improvements from the audiology joint venture and a stable performance from the radiology business.



Gross revenue includes audiology and gross dental revenues before the payment of dentists' commissions

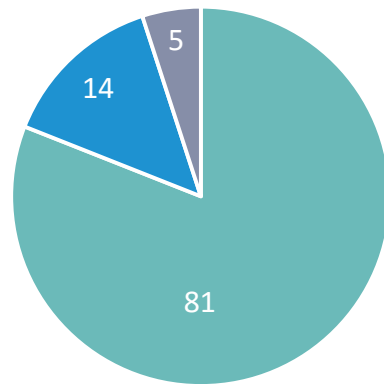
Continuing businesses: Rehabilitation business divested in FY13; Pathology and Orthotics divested FY15; Bay International divested May 2016, results exclude Bay International earnings for May 2016

# GROSS REVENUE ANALYSIS



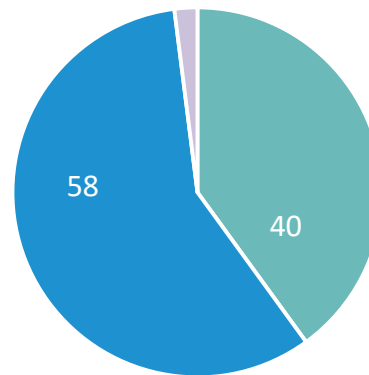
Diversified income streams and geographical regions to reduce risk. Businesses predominantly funded by private revenue on a sustainable fee for service basis

**FY16 Revenue Source By Sector  
(Percentage of Gross Revenue)**



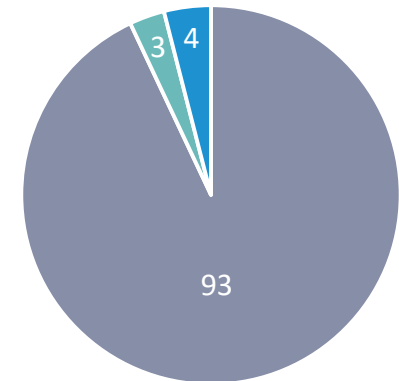
■ Dental ■ Audiology ■ Diagnostics

**FY16 Revenue Source By Region  
(Percentage of Gross Revenue)**



■ New Zealand ■ Australia ■ Asia

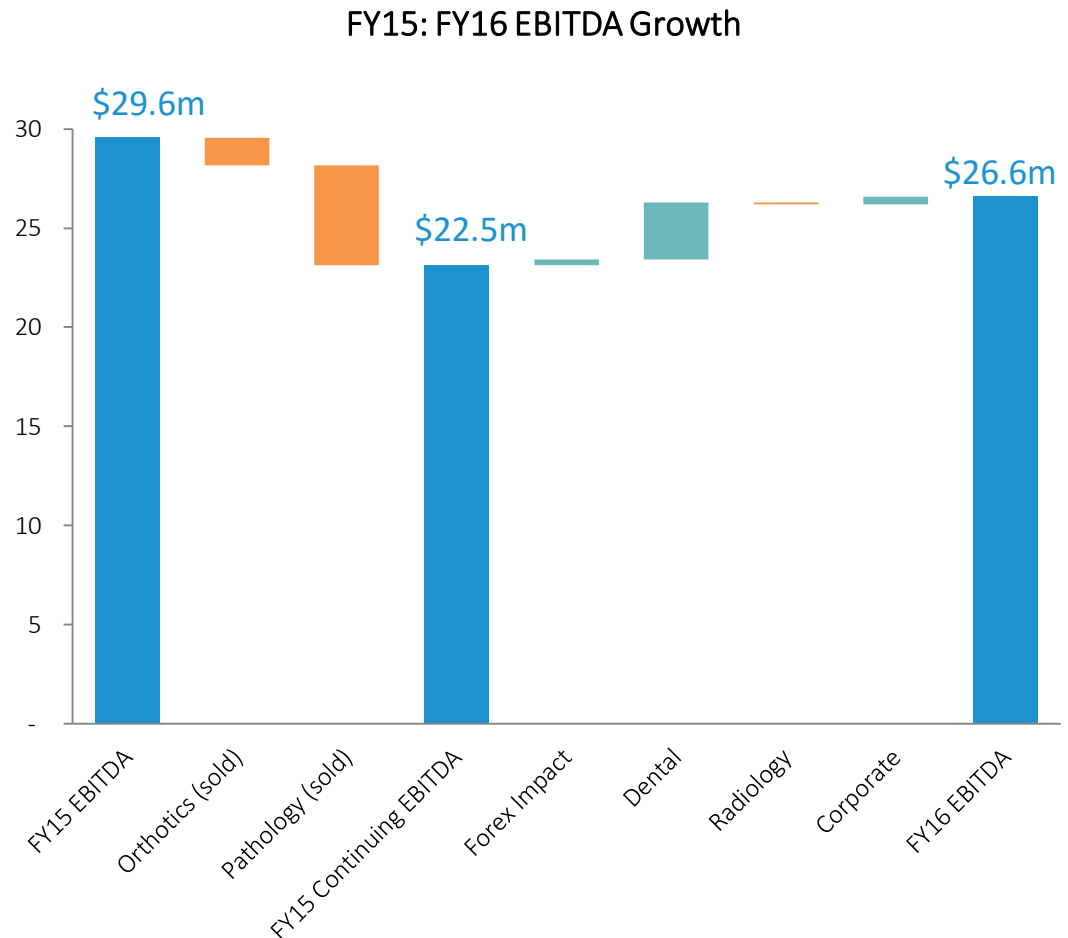
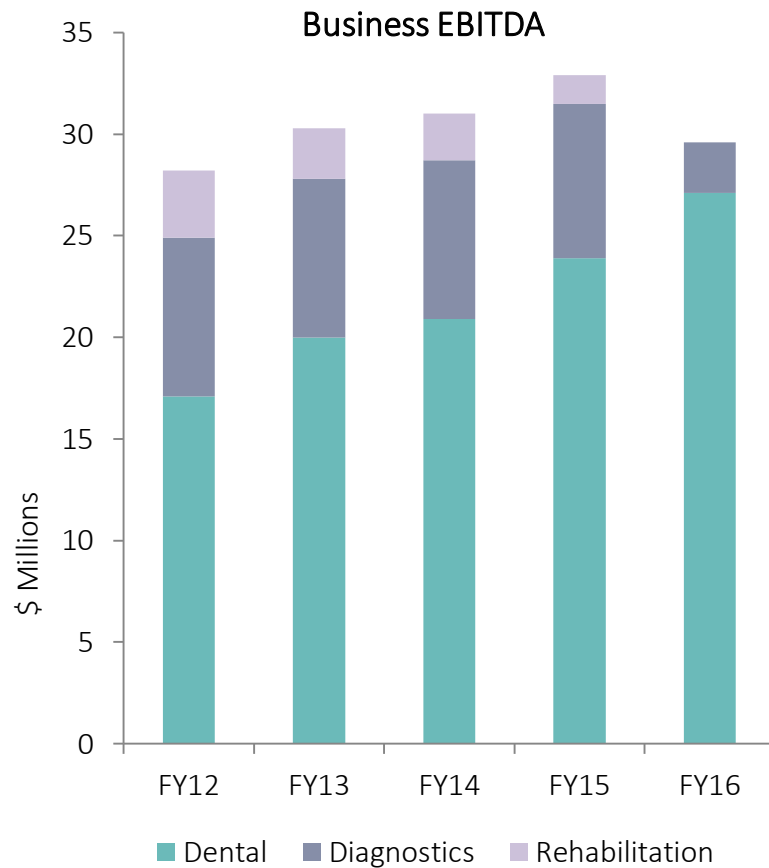
**FY16 Revenue Funding Source  
(Percentage of Gross Revenue)**



■ Private  
■ MOH/DHB/ACC/Other  
■ Australia Office of Hearing Services

Gross revenue includes audiology and gross dental revenues before the payment of dentists' commissions

# FY16 EBITDA GROWTH

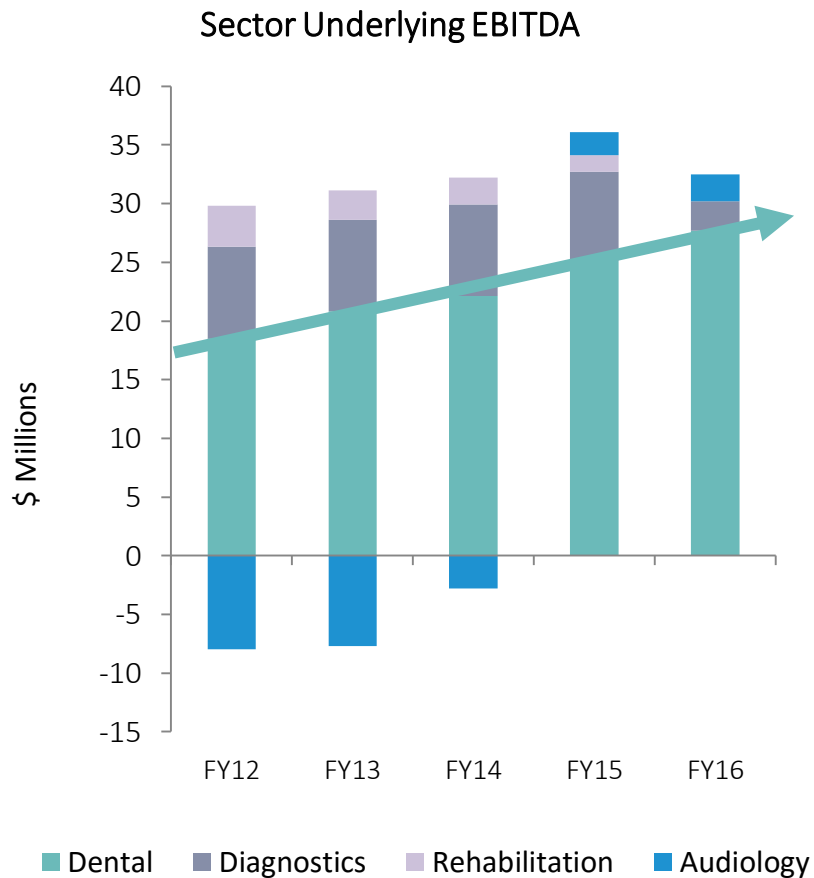


Rehabilitation business divested in January 2015; Pathology business – part of Diagnostics sector – divested 1 May 2015. Excludes audiology which was an equity accounted investment.

# SECTOR UNDERLYING EBITDA GROWTH



Underlying EBITDA Results Reflect Long Term Strategy To Invest Into Growth And Expansion Of Businesses



## DENTAL

- Continuing year on year growth in dental
- Investment into brand launch and rollout, and development of new initiatives in Australia

## DIAGNOSTICS

- Radiology: Growing demand from referrers and investment into expanded capacity and offering
- Pathology business divested 1 May 2015

## AUDIOLOGY

- Improving performance from Bay International

*See glossary slide for explanation of Underlying EBITDA*

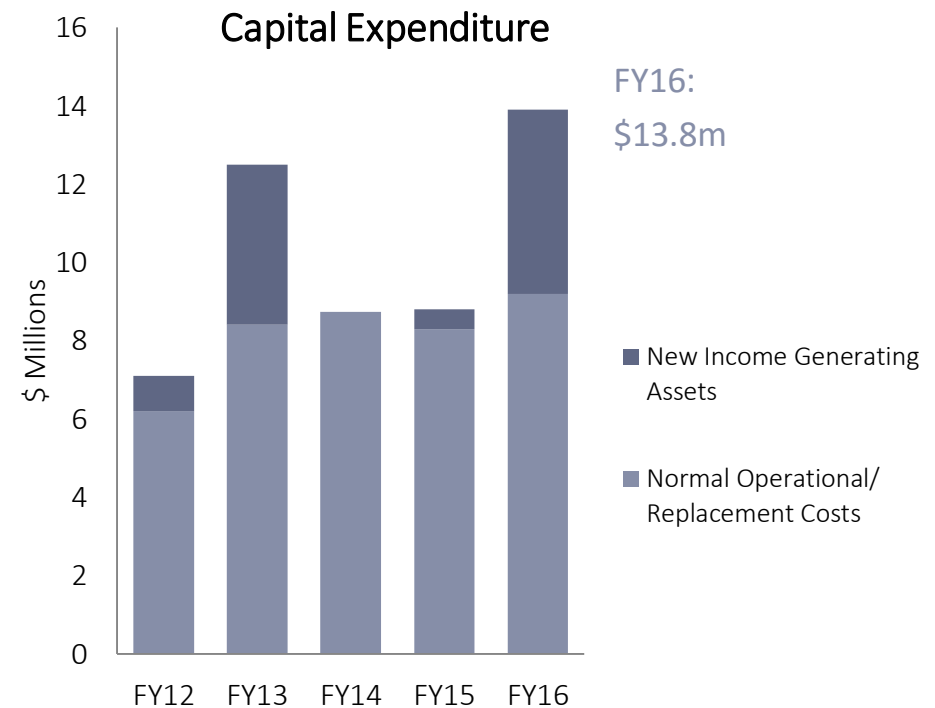
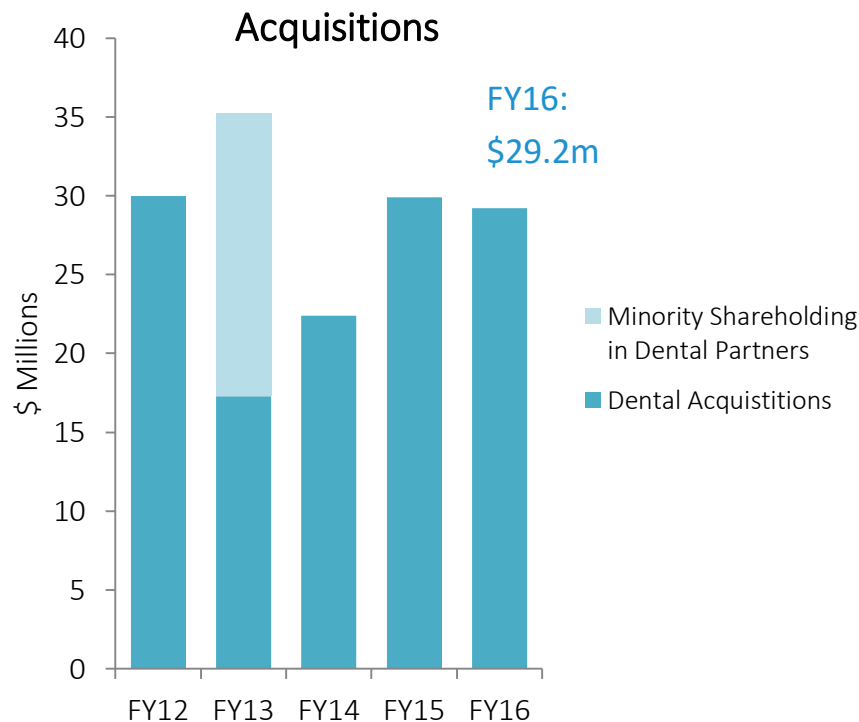


# ACQUISITIONS AND CAPEX



FY16 represented continuing investment into the trans-Tasman dental industry

Normal operational and replacement capital expenditure is increasing as the business continues to grow and acquire, but at a rate lower than depreciation



Acquired 18 practices expected to add additional annualised gross revenue of approximately NZ\$28 million (NZ\$16.7m and A\$10.8m), merged four closely located practices and opened one greenfield practice

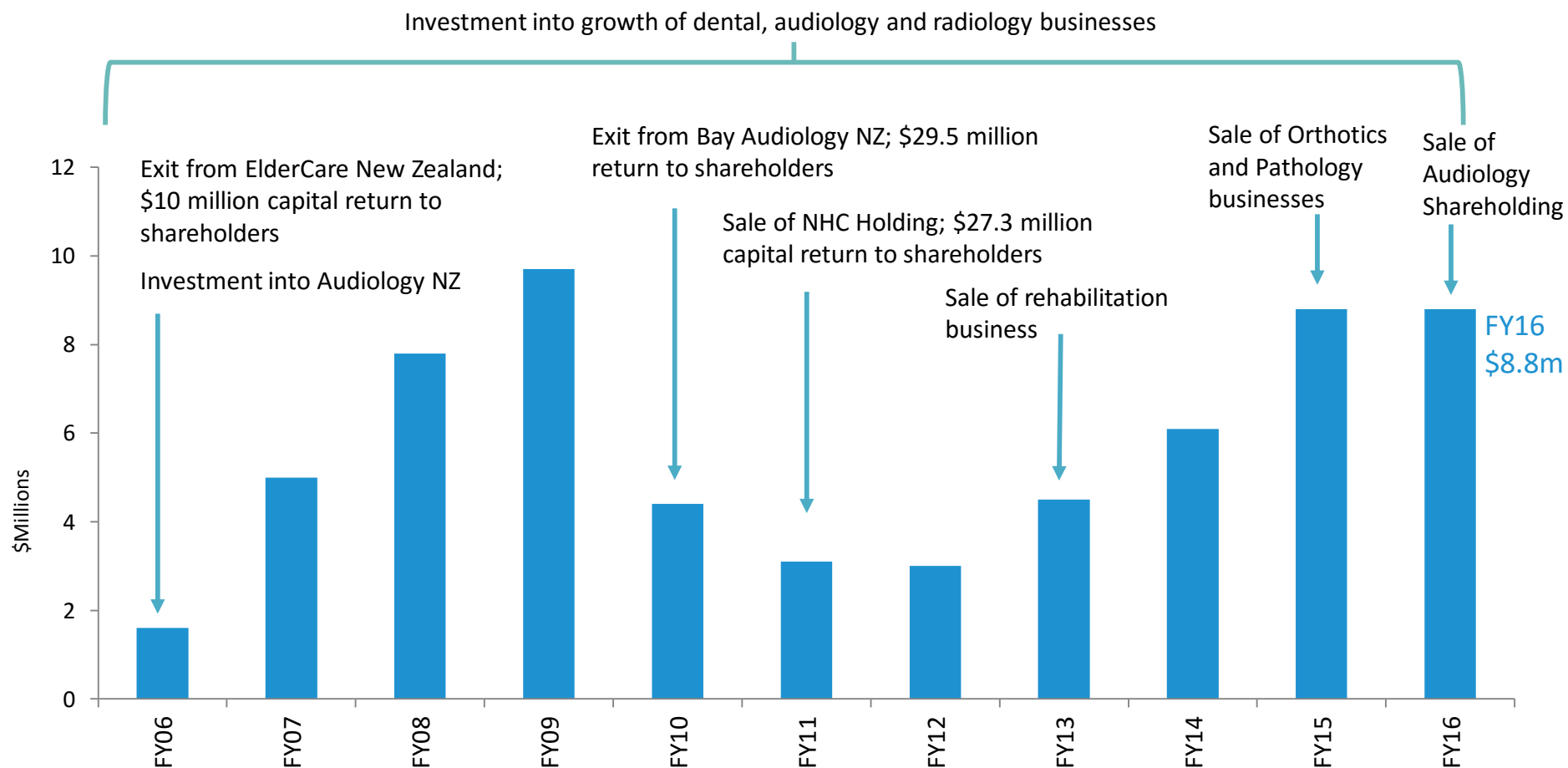
*New greenfield audiology stores not included in group capital expenditure as this was a joint venture business and therefore not consolidated*

# UNDERLYING NPAT GROWTH



## Increasing Returns As We Invest Into Our Growth Businesses

### Underlying NPAT FY06 to FY16

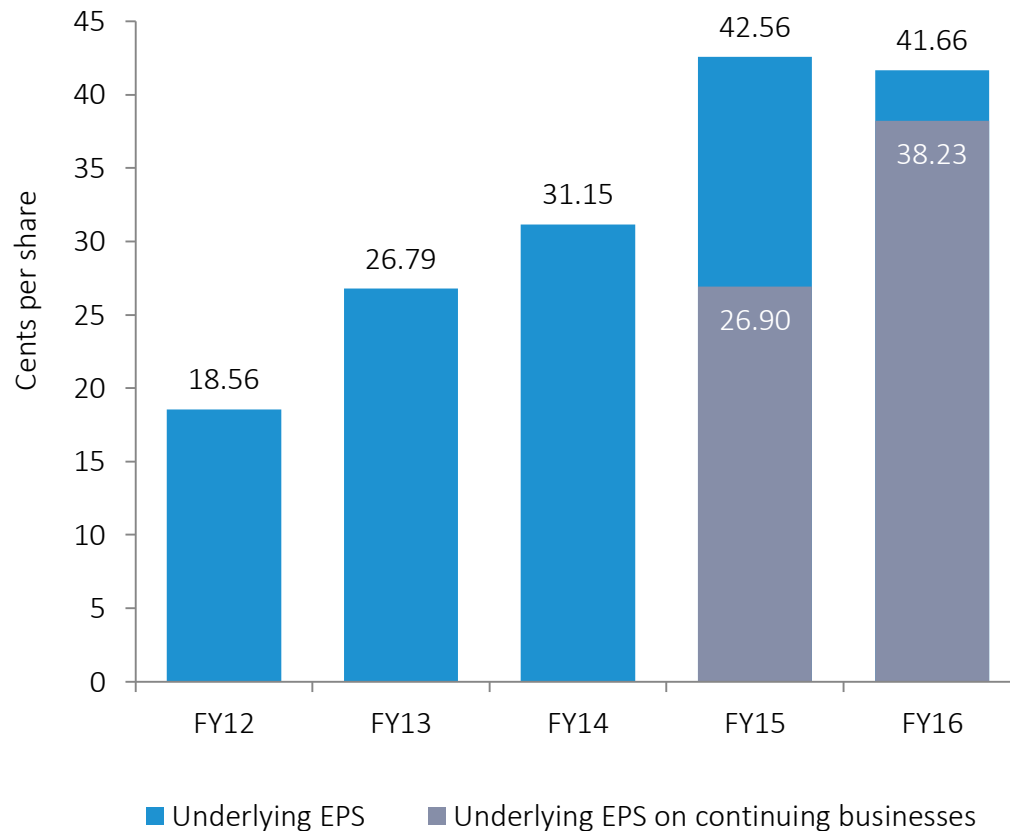


# UNDERLYING EARNINGS PER SHARE



## Underlying Earnings Per Share

Weighted Average Number of Shares

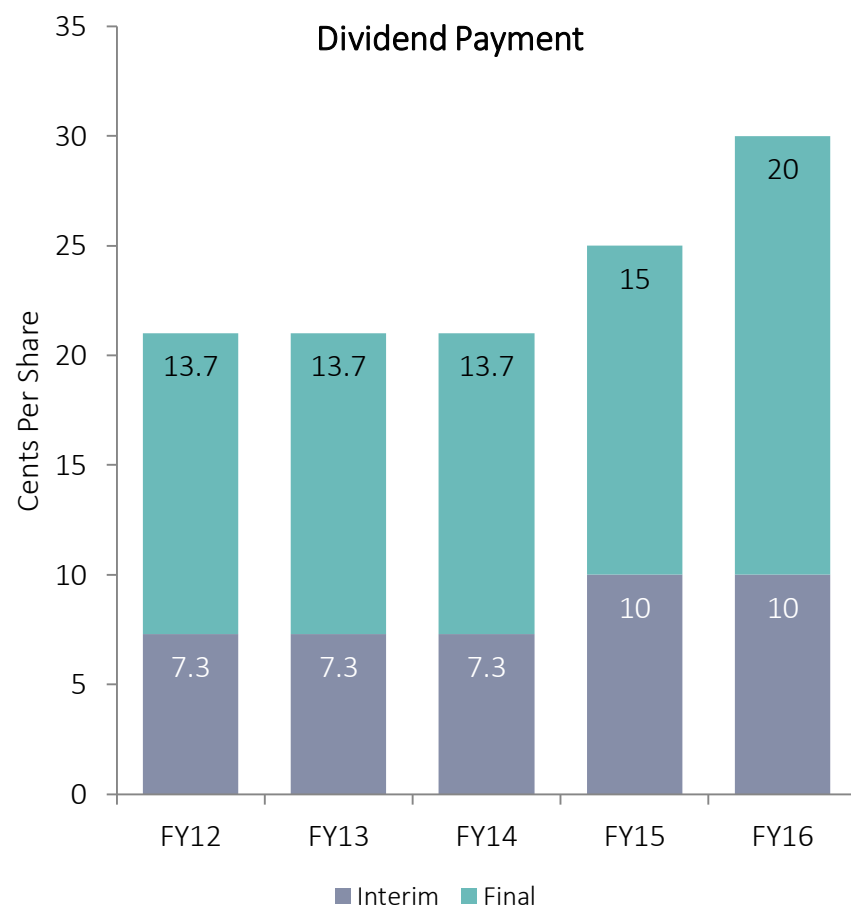


42% growth in FY16 Underlying Earnings Per Share from continuing businesses

Primarily driven by investment into dental delivering growing returns

Continuing businesses exclude Pathology and orthotics sold FY15 and Audiology sold FY16

# DIVIDEND



## Dividend Policy

Subject to relevant factors at the time, including working capital and growth, the annual dividend paid will be between 50-70% of Underlying Net Profit After Tax

Increasing future earnings out of Australia will reduce imputation credits attached to dividends

## FY16 Final Dividend

33% increase in final dividend to 20 cents per share  
Full year dividend of 30 cents per share, up 20% on previous year

Equal to 72% of Underlying NPAT

## Dividend Reinvestment Plan (DRP)

DRP allows shareholders to choose between receiving a dividend or reinvesting back into the company

The DRP continues to be well supported with approximately 50% of dividends taken up in shares under the DRP.

# BALANCE SHEET



\$m	FY15	FY16	FY16 adjusted for Bay sale
Cash	3.9	4.3	4.3
Other current assets	12.0	43.5	11.5
Property, plant and equipment	40.6	46.4	46.4
Intangible assets	147.4	173.9	173.9
Other non current assets	17.2	5.5	5.5
<b>TOTAL ASSETS</b>	<b>221.1</b>	<b>273.6</b>	<b>241.6</b>
Current liabilities	27.5	27.3	27.3
Non current borrowings	89.9	117.8	85.8
Other non current liabilities	13.3	13.5	13.5
<b>TOTAL LIABILITIES</b>	<b>130.7</b>	<b>158.6</b>	<b>126.6</b>
Total equity	90.4	115.0	115.0
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>221.1</b>	<b>273.6</b>	<b>241.6</b>

Significant change in balance sheet following settlement of sale of shareholding in Bay International

Intangible assets predominantly goodwill in dental acquisitions

# FUNDING FOR FUTURE GROWTH



Abano Bank Facilities (\$millions)	Value	Expiry	Drawn Down As at 17 June 2016*
Australia	A\$85.0	FY18 to FY20	A\$50.4
New Zealand	\$50.0	FY18 to FY19	\$32.6
TOTAL	NZ\$141.1		NZ\$85.4
Cash on Hand			NZ\$5.4
Net Bank Debt			NZ\$80.0

Following settlement of Bay International on 17 June 2016, undrawn facilities of approx. \$55 million provide headroom for continued growth

Fixed interest rates in place for 55% of drawn debt as at 17 June 2016

Strong, long term relationship with banking partner

\*Following settlement of sale of Bay International

# BUSINESS OVERVIEW

abano healthcare





# THE DENTAL SECTOR



**Trans-Tasman dental market** is worth approx. NZ\$11 billion



**Long Term Growth Trend:** Aging population, better oral health, retention of natural teeth; More services on offer; Increasing demand for cosmetic/restorative services



**Predominantly privately funded:** Payment from patients or their health insurance; Minimal reliance on Government funded contracts



**Changing Workforce:** Significant increase in supply of new graduates, more female dentists, preference for flexible working conditions offered by a dental corporate



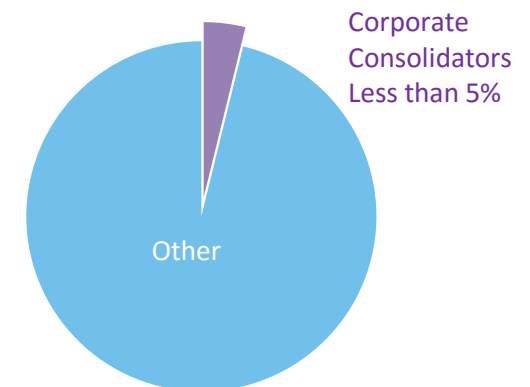
**Huge Pool of Practices:** Estimated market size ~14,000 practices. Significant potential for acquisition and network expansion

## Growing Acceptance And Popularity Of The Corporate Dental Model

- More dentists are choosing to join a corporate dental group
- There are a number of competitors actively building scale in Australia
- Each corporate group has a different growth strategy, business model and revenue focus

Corporate consolidators are estimated to own less than 5% of practices and have less than 10% of revenues

**Trans-Tasman Market Ownership  
~14,000 Dental Practices**





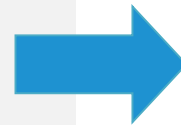
# ABANO'S DENTAL BUSINESS MODEL

Frees Up Dentists to Focus on Excellence in Clinical Care



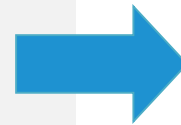
## OUR STRENGTHS

- Focus on mid to high end, private market
- Size and scale: Second largest trans-Tasman network
- Acquisition growth: Immediate earnings
- Focus on branding and marketing
- High level of patient engagement and satisfaction
- Leaders in clinical excellence
- Experienced and proven leadership team
- Investment into highly scalable infrastructure
- Developing our people with training, mentoring, conferences and career development opportunities



## SUCCESSFUL DENTIST PARTNERSHIP PHILOSOPHY

- 477 dentists and growing
- Long term engagement and retention of dentists
- Risk sharing mechanism on acquisition
- Competitive commission-based remuneration
- Frees up dentists from admin to focus on providing excellent clinical care
- Treatment and referral decisions remain with the dentist

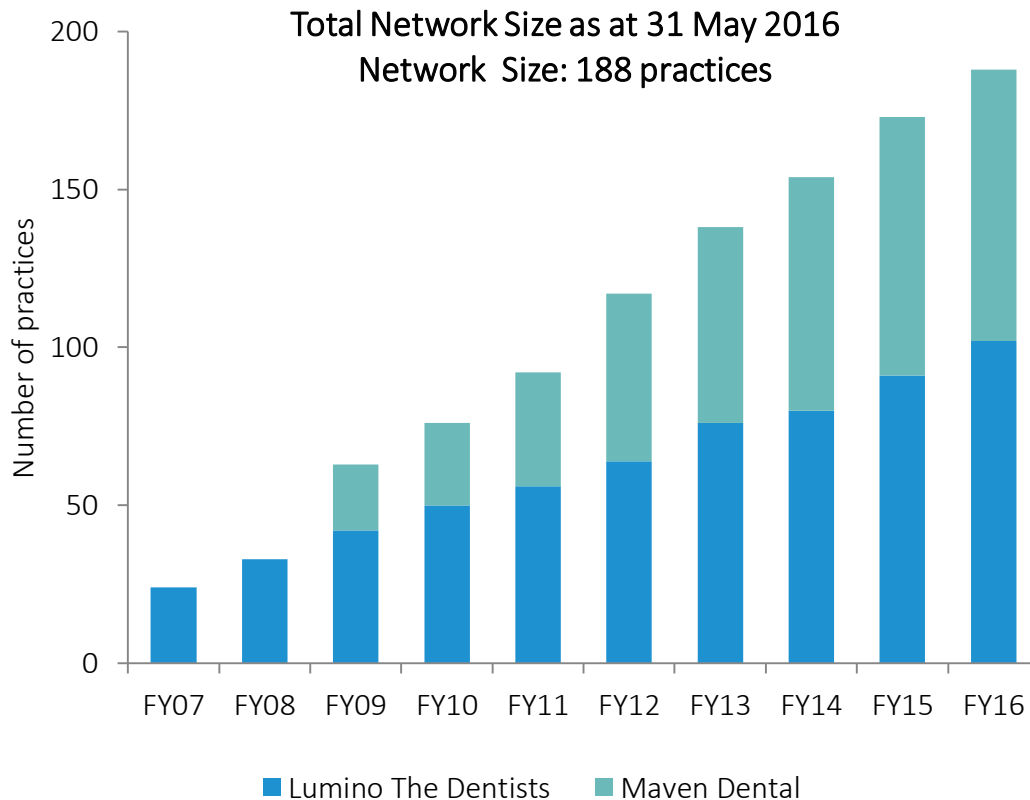


## PATIENTS

- ~900,000 patient visits per annum
- High quality dental care and excellent patient experience
- Marketing offers and innovative finance options to make dentistry more accessible

# INVESTMENT INTO GROWTH

Two Well Established And Fast Growing Dental Networks



## Second largest trans-Tasman dental corporate

Largest private dental network in NZ and second largest in Australia

Acquiring one practice on average every two to three weeks

## FY16 Acquisitions and Network Growth

Acquired 18 practices providing approximately \$28 million in expected annualised gross revenue

Eight closely located practices merged into four practices

Opening of new greenfield practice in Christchurch

Generating in excess of \$254 million in annualised gross revenue (AUS:NZ exchange rate 0.9303)

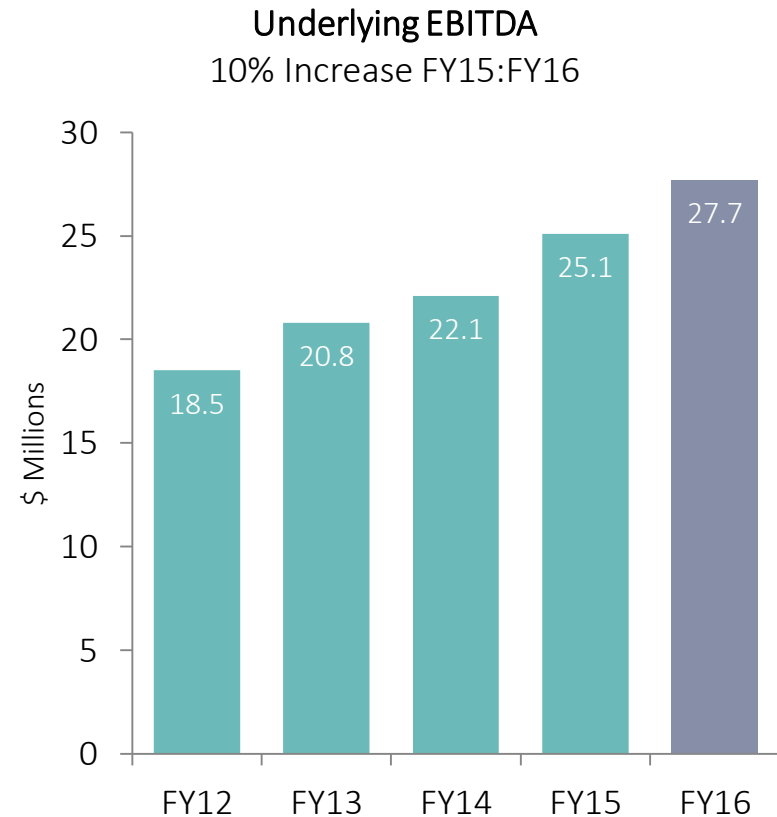
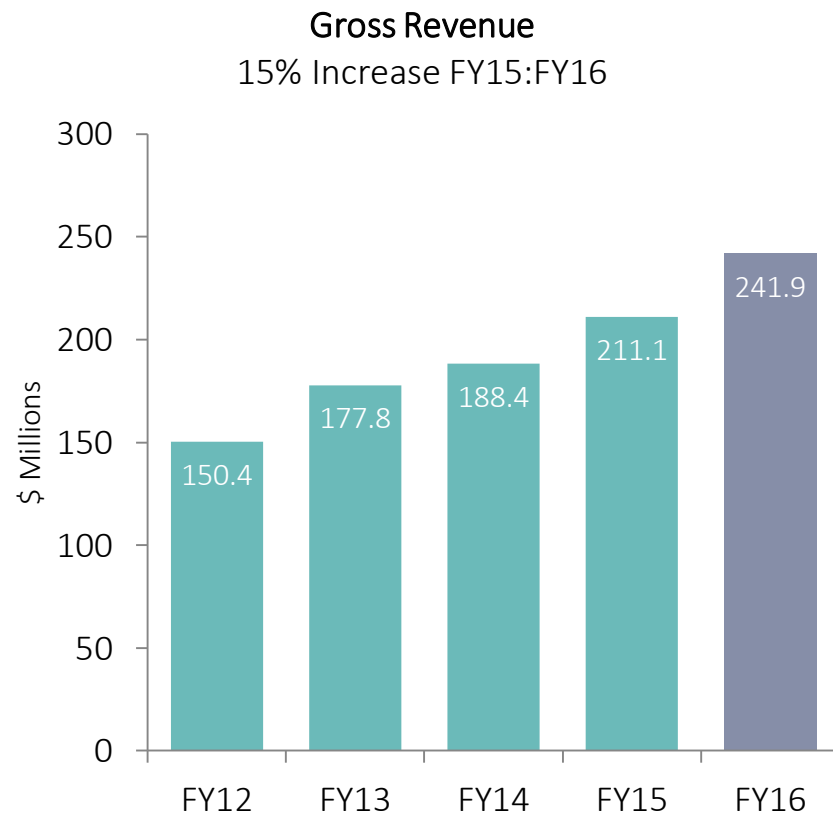
# DENTAL PERFORMANCE



**FY16: Gross Revenue \$241.9 million; Underlying EBITDA \$27.7 million**

Provided 81% of Abano's gross revenue

Gross Revenue split: Dental Partners A\$124.6 million; Lumino \$105.4 million



# LUMINO THE DENTISTS



New Zealand  
102 practices as at 31 May 2016  
Estimated 13% market share

## WHAT WE LIKE

- Market leadership (size and offer)
- Predominantly private payment
- Well established business with strong infrastructure and culture across the group and experienced management
- Indepth knowledge base and industry experience
- Leading the way in best practice and clinical excellence
- Innovative marketing campaigns and ability to leverage national brand presence
- Long term engagement with dentists post-acquisition



# LUMINO THE DENTISTS



## HIGHLIGHTS FOR FY16

- **Improving Financial Performance:** Increased gross revenue and Underlying EBITDA. Third year of improved margins.
- **Outperformance:** Continuing to outperform the market, with same store revenue growth of 2.7% for FY16. Ninth consecutive quarter of positive same store growth.
- **Network Growth:** Acquired 12 practices and opened 1 greenfield practice
- **Trans-Tasman Focus:** Closer collaboration between Australian and New Zealand dental businesses and sharing of resources
- **Leadership:** Trans-Tasman leadership team now in place, under the guidance of Andy Tapper as Abano Dental CEO (previously CEO Lumino The Dentists)
- **Operational Efficiencies:** Driving efficiencies through merging closely located practices, adding capacity to existing clinics and generating increasing benefits of scale
- **Business Drivers:** Business benefitting from successful marketing activity, brand reputation, focus on excellent patient service and experienced management team.
- **Net Promoter Score greater than 62**

## PRIORITIES FOR FY17

Continuing acquisition growth

Further acquisition and merger of closely located practices

Rollout of innovative marketing and finance options including Lumino Dental Plan

Sharing of knowledge and expertise with Australian business

Focus on providing excellent patient service and experience

Continue to improve financial performance

# MAVEN DENTAL GROUP

abano healthcare



Australia  
86 practices as at 31 May 2016  
Estimated 1.4% market share

## WHAT WE LIKE

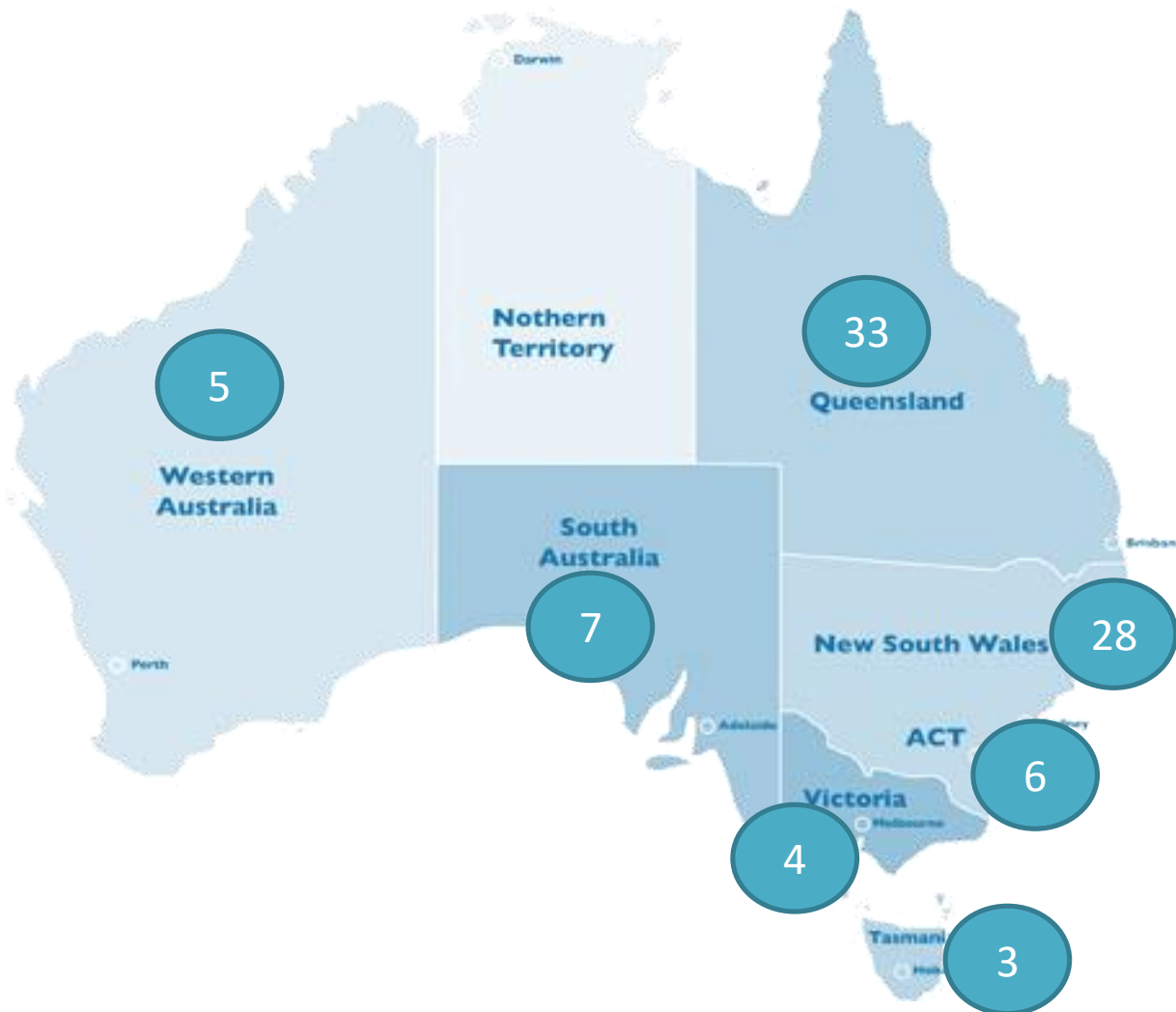
- Huge market potential
- Second largest dental consolidator in Australia; experienced inhouse acquisitions team
- Revenue predominantly from private payment
- Benefits of scale starting to be seen
- Building strong infrastructure to support continued growth
- New brand will allow future national marketing and brand promotion
- Ability to share knowledge and learn from successes in New Zealand market





# MAVEN DENTAL GROUP NETWORK

Focus On Building Geographical Diversity



40% of practices located in Queensland, the highest percentage of any dental corporate

52% of practices located in Queensland and northern NSW

## HIGHLIGHTS FOR FY16

- **Network Growth:** Acquired six large practices in FY16
- **Performance impacted by challenging Australian economy:** Positive same store growth in NSW and VIC offset by declining same store growth in Queensland and northern NSW where 52% of Maven's dental practices are located . Overall, same store revenue for Maven was down 3.6% for the year.
- **Operational Efficiencies:** Focus on business efficiencies and sharing of resources across both dental businesses particularly in training and development, IT, procurement and clinical best practice
- **New Leadership Structure:** New trans-Tasman CEO and recent restructure of leadership team. Closer collaboration between the two dental businesses, providing access to indepth knowledge and experience across the group
- **New Brand:** Launch new brand with practice rollout initiated in December 2015. Ten practices successfully rebranded and more underway

## PRIORITIES FOR FY17

Continuing acquisition growth

Focus on performance improvements and operational efficiencies

Rollout of brand and introduction of branded marketing offers

Focus on digital strategy including website, marketing and operational opportunities

Increased collaboration and leveraging of Lumino expertise

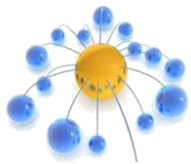


# THE OPPORTUNITY IN RADIOLOGY



## NEW TECHNOLOGIES DRIVING INDUSTRY CHANGE

- PET-CT scanning for cancer and other medical conditions
- Digital breast mammography including digital tomosynthesis
- MRI guided breast biopsy
- Move from film to digital images
- Greater collaboration with other clinicians in patient treatment
- Increasing demand for radiologists with sub-specialities



## CHANGING INDUSTRY DYNAMICS

- Market dominated by private practice groups
- Approx. 100 to 150 individual radiology clinics in NZ
- Increasing consolidation of the market



## GROWING DEMAND

- Medical advances and new technology providing improved diagnosis, and at an earlier stage
- Growing acceptance and demand for new technologies as benefits are understood
- Ageing demographics pushing up demand

# ASCOT RADIOLOGY



Auckland, New Zealand  
Five leading edge clinics  
71% partnership with 14 radiologist partners  
holding remaining 29%

## WHAT WE LIKE

- World class clinics
- Leading edge imaging technologies
- Team of expert and highly respected radiologists
- Excellent relationships with referrers
- Stable radiologist partnership
- Large component private payment (68%); remainder through MOH and ACC



## HIGHLIGHTS FOR FY16

Investment into improved customer service and upgrades at Ascot clinics to provide an enhanced customer experience

Investment into digital tomosynthesis mammography technology

Opening of new CT scanning room in Mauranui Clinic in Epsom in Auckland

Expansion of obstetric ultrasound offer with new maternity scanning service established on Auckland's North Shore

## PRIORITIES FOR FY17

Build demand for new and existing services and technologies

Widen referral base

Build relationships with GPs

# DIAGNOSTICS PERFORMANCE



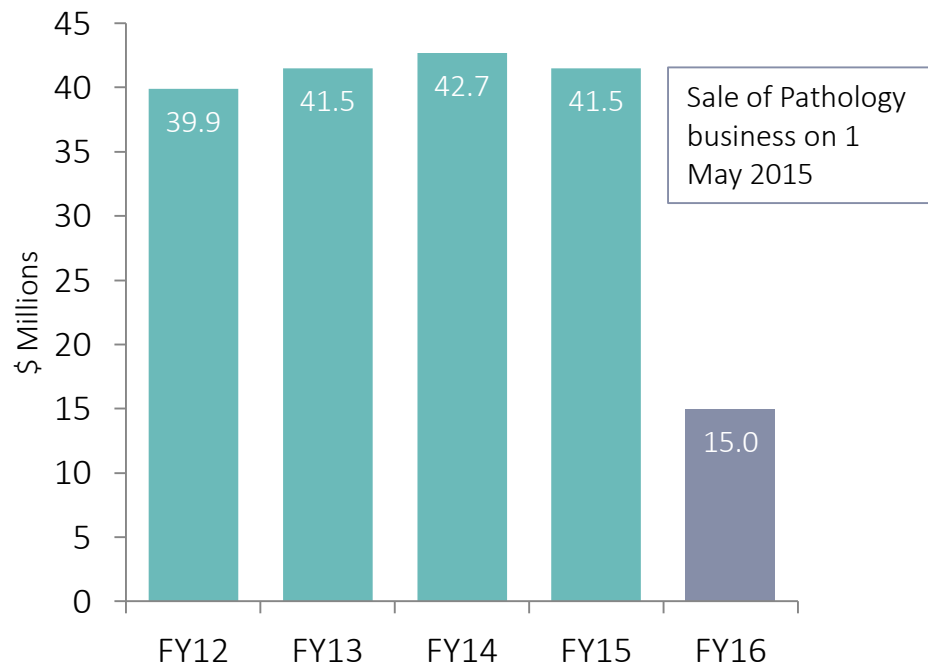
**FY16: Gross Revenue \$15.0 million; Underlying EBITDA \$2.5 million**

Provided 5% of Abano's gross revenue

Year on year comparison reflects sale of the pathology business in FY15. Radiology remains the only diagnostics business in the group

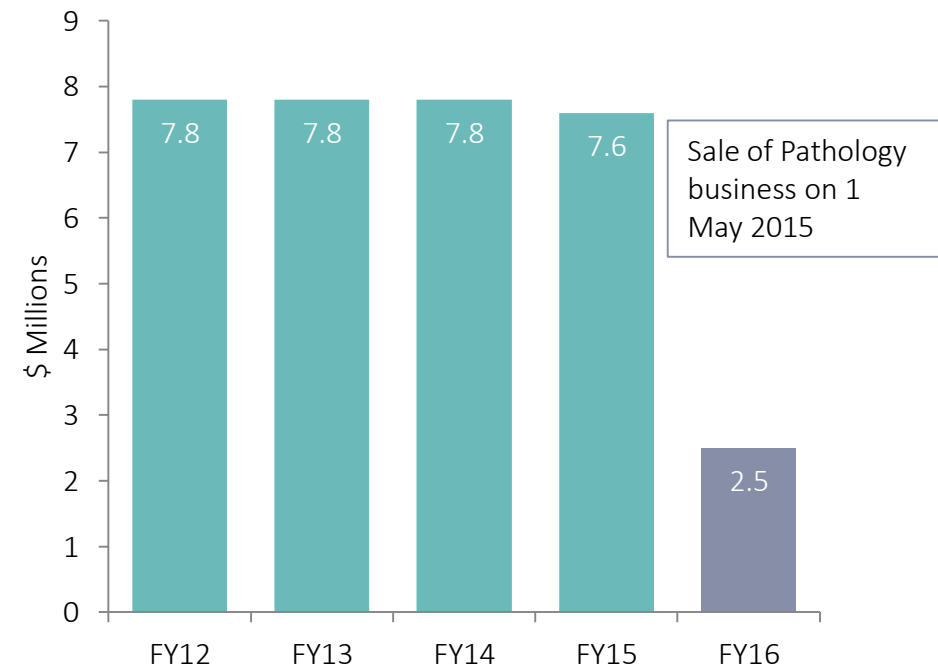
## Gross Revenue

Continuing Business 3% increase FY15: FY16



## Underlying EBITDA

Continuing Business 4% decrease FY15: FY16



# AUDIOLOGY PERFORMANCE

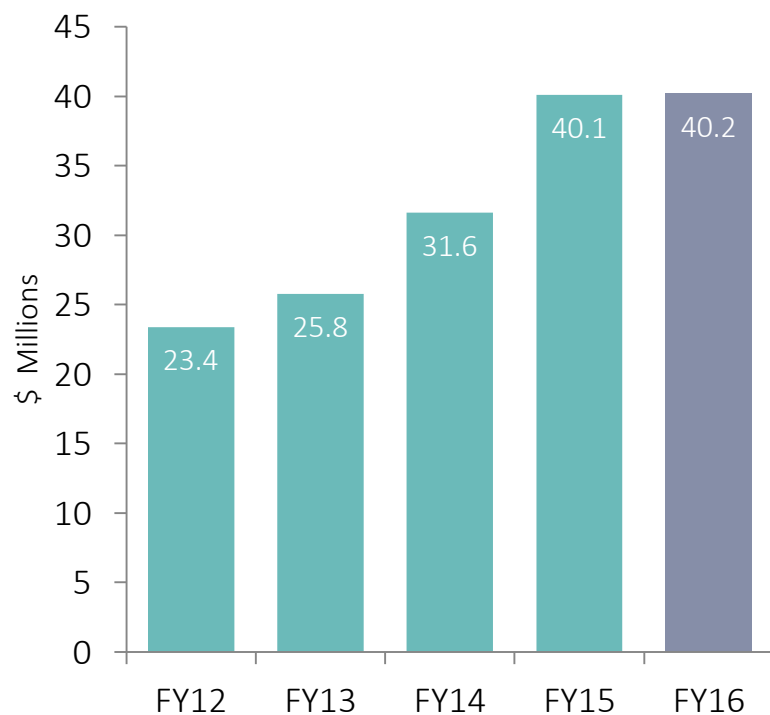


**FY16: Gross Revenue \$40.2 million; Underlying EBITDA \$2.3 million**

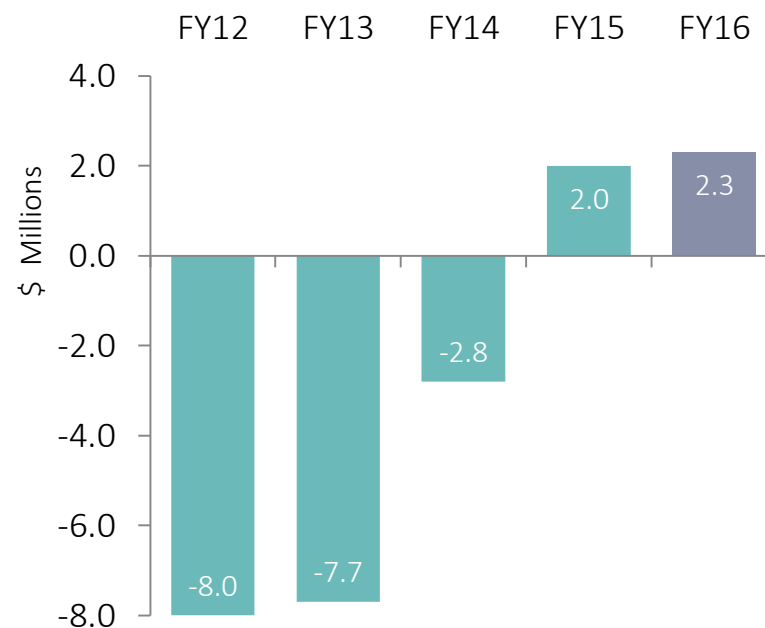
Provided 14% of Abano's gross revenue

Includes 11 months of earnings. Bay International divested for \$32m, resulting in \$20.2m gain on sale

Gross Revenue



Underlying EBITDA



# LOOKING FORWARD

## FY17 Priorities



### INVESTMENT INTO GROWTH, FOCUS ON IMPROVING MARGINS AND MANAGING COSTS

Selective acquisition of quality dental practice acquisition and organic growth

Build demand for high end modalities and services in radiology



### DELIVERY OF EXCELLENT CUSTOMER SERVICE

Through engaging with customers through a variety of channels, ensuring ease of customer interaction, exemplary customer experience and high levels of customer satisfaction



### INVEST INTO AND GROW OUR PEOPLE

Invest into our people to help them realise their potential

Providing access to inhouse and external training, mentoring and career development opportunities

Create world class working environments and foster cultures that recognise excellence



### UTILISE AND LEVERAGE TECHNOLOGY

Deliver improved business processes and systems, operating efficiencies and data analysis

Use digital channels to engage with customers and improve the customer experience/interaction



### DELIVER IMPROVING SHAREHOLDER RETURNS

Targeting >15% year on year increase in underlying earnings per share on continuing businesses

Balance growth requirements with attractive dividend payments

Deliver improving underlying EBITDA and underlying NPAT



# QUESTIONS

abano healthcare



# MANAGEMENT



## ABANO LEADERSHIP TEAM

Richard Keys (2002)	Chief Executive Officer
Rachel Walsh (2013)	Chief Financial Officer
Andy Tapper (2005)	CEO Abano Dental
Dr David Rogers (2005)	Managing Partner Ascot Radiology

## DENTAL CLINICAL ADVISORY BOARDS

### Lumino

Dr Ben Harris  
Dr Adam Doudney  
Dr Werner Eichholz  
Dr Anna Walker  
Dr Andrew Brown  
Dr Chris Brooks  
Dr Garry Rae

### Maven

Dr Fred Calavassy  
Dr Greg Duguid  
Dr Joseph Chau  
Dr Ruchira Singhi  
Dr Mark Cull  
Dr Martin Pynor  
Dr Michael Barber  
Dr Sean Slotar  
Dr Rod Ashton

A number of clinicians also sit on the management teams of each Abano dental business



- Revenue excludes any audiology revenues, as this is a joint venture and is therefore equity accounted, and only includes Australian dental revenues after the payment of dentists' commissions.
- Gross revenue is reported within the segment note in the Financial Statements and includes audiology revenues and Australian dental revenues before payment of dentists' commissions.
- Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") is reported within the segment note in the Financial Statements and is Net Profit After Tax ("NPAT") excluding GAAP compliant net finance expenses, gains/losses arising on sale of businesses, equity accounted investments, non-controlling interests, tax, depreciation and amortisation costs. Particularly, it excludes profit/losses generated by the Bay Group, in which Abano holds a 50% shareholding. Due to this being a joint venture, the results for the Bay Group are equity accounted and therefore not included in the consolidated EBITDA.
- 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](http://www.abano.co.nz/underlyingearnings).

# DISCLAIMER



This Company presentation dated 27 July 2016 includes comment on Abano's financial performance including financial results for the year ended 31 May 2016, which were released by Abano Healthcare Group on 27 July 2016. As such, it should be read in conjunction with, and subject to, the explanations and views provided in that material.

- The information in this presentation is an overview and does not contain all information necessary to make an investment decision. It is intended to constitute a summary of certain information relating to the performance of Abano Healthcare Group ("Abano").
- The information in this presentation does not purport to be a complete description of Abano. This presentation is not investment advice or financial advice. Abano, its directors and employees do not give or make any recommendation or opinion in relation to acquiring or disposing of Abano shares. In making an investment decision, investors must rely on their own examination of Abano, including the merits and risks involved. Investors should consult with their own legal, tax, business and/or financial advisors in connection with any acquisition of securities.
- The information contained in this presentation has been prepared in good faith by Abano. No representation or warranty, express or implied, is made as to the accuracy, adequacy or reliability of any statements, estimates or opinions or other information contained in this presentation, any of which may change without notice. To the maximum extent permitted by law, Abano, its directors, officers, employees and agents disclaim all liability and responsibility (including without limitation any liability arising from fault or negligence on the part of Abano, its directors, officers, employees and agents) for any direct or indirect loss or damage which may be suffered by any recipient through use of or reliance on anything contained in, or omitted from, this presentation.
- This presentation is not a prospectus, investment statement or disclosure document, or an offer of shares for subscription, or sale, in any jurisdiction.
- This presentation includes non-GAAP financial measures in various sections. This information has been included on the basis that management and the Board believe that this information assists readers with key drivers of the performance of Abano which are not disclosed as part of the financial statements.

# IFRS REPORTING IMPACT ON THE REPORTED RESULTS



RECONCILIATION OF EBITDA TO UNDERLYING EBITDA (\$m)					
	2012	2013	2014	2015	2016
EBITDA	25.7	27.7	27.8	29.6	26.6
Add back Acquisition & Transaction Costs	1.6	0.9	1.3	1.1	0.6
Underlying EBITDA	27.3	28.6	29.1	30.7	27.2

RECONCILIATION TO UNDERLYING EARNINGS (DUE TO CHANGES IN IFRS IN 2010)					
	2012	2013	2014	2015	2016
NPAT	1.6	2.8	4.9	(1.3)	28.4
Loss/Gain on sale of subsidiary	-	(1.6)	0.2	9.0	(20.3)
Impairment tax asset	-	1.9	-	-	-
Fair value movement and amortisation of deferred acquisition consideration	0.1	0.5	(0.3)	-	0.1
Acquisition and Transaction costs	1.3	0.9	1.3	1.1	0.6
Underlying NPAT	3.0	4.5	6.1	8.8	8.8

More information on underlying earnings, which is a non GAAP financial measure and is not prepared in accordance with NZIFS, is available at [www.abano.co.nz/underlyingearnings](http://www.abano.co.nz/underlyingearnings)