

ABANO INTERIM RESULTS TO 30 NOVEMBER 2014

ABANO DELIVERS IMPROVED PROFIT AND CONFIRMS INCREASED DIVIDEND

Abano Healthcare Group (NZX:ABA) has delivered a 51% increase in half year profit and confirmed an increased interim dividend payment of 10 cents per share, up 37% on the previous year.

For the six months ended 30 November 2014, Abano reported revenues of \$114.9 million, EBITDA of \$14.9 million and a Net Profit After Tax (NPAT) of \$3.5 million, an increase of 51% on HY14. The results are based on unaudited management accounts.

Gross revenues¹ were \$153.2 million, while Underlying EBITDA^{2 3} was \$15.4 million and Underlying NPAT² was \$4.0 million.

The stronger results were mainly driven by growing revenues and improvements in same store EBITDA across Abano's dental group and an increase in revenues and reduction in losses from Abano's joint venture audiology business.

Based on the steady and continuing growth of the Company and taking into account relevant factors including working capital and investment growth, the Directors have confirmed an increased interim dividend payment of 10 cents per share. This equates to 52% of Underlying Net Profit After Tax.

6 months to 30 November	HY14 \$ million	HY15 \$ million	Percentage Change
Revenue	106.1	114.9	+8%
EBITDA	13.9	14.9	+7%
NPAT	2.3	3.5	+51%
Gross Revenue	136.2	153.2	+12%
Underlying EBITDA	14.8	15.4	+4%
Underlying NPAT	3.0	4.0	+33%

As announced at the recent Abano Annual Meeting, a conditional agreement has been signed to sell the Orthotics Centre with settlement expected on 30 January 2015. The business is being sold within the range of the recent Grant Samuel valuation, and after normal settlement adjustments and sale costs, is expected to incur a loss of approximately \$0.4 million. In accordance with GAAP, the loss on sale has been included in the half year results.

Also included in the half year result were additional costs of over \$350,000 associated with the special shareholders' meeting and High Court action in June 2014.

The results were affected by timing delays in the settlement of dental acquisitions, with New Zealand acquisitions ahead of plan, but behind plan in Australia in the period up to end-November 2014. In

¹ Gross revenues include the audiology group and Australian dental revenues before payment of dentists' commissions

² Underlying EBITDA excluding non-cash items required to be expensed under the International Financial Reporting Standards (IFRS)

³ 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.

addition, the softer economic conditions in Australia and the continuing weakness of the Australian dollar against the New Zealand dollar had a negative influence on the results.

MANAGEMENT COMMENTARY

Abano's Dental sector remains the Company's primary revenue generator and Abano Dental continues to be one of Australasia's fastest growing dental corporates, with the network expanding to 164 practices as at 30 November 2014.

Eleven dental practices providing an additional \$13.9 million in annualised gross revenues were acquired in the first six months of this financial year, being approximately 50% of the additional gross revenue acquired in the previous financial year.

In the last three weeks, since the end of the first half, a further two practices have been acquired, including a large Australian dental practice. These take total additional annualised gross revenues from acquisitions in the financial year to date to \$17.9 million.

Based on our estimates and analysis, same store dental revenues in New Zealand and Australia have continued to outperform the market⁴. In New Zealand, Lumino's same stores sales growth of 4.8% is a pleasing improvement on last year, in a market that we believe is still negative. Meanwhile, Dental Partners same store sales growth in Australia is steady on last year, in contrast to the Australian dental market which we believe has also been experiencing negative growth trends.

The potential value of our growing dental group can be seen in the comparative values and transactions that have taken place in the market recently. Of particular note, is the recent listing by Pacific Smiles Group on the ASX in Australia.

At FY14 year-end, Pacific Smiles had 41 practices, generating gross revenue of A\$95.9 million and an EBITDA of approximately A\$15 million. It listed in November 2014 with an Enterprise Value of A\$186.3 million and after a share price increase of over 35%, it is currently trading with an Enterprise Value of approximately A\$260 million.

Our Abano dental group currently has 166 practices, generating annualised gross revenues of over NZ\$220 million with an annualised EBITDA of over NZ\$25 million.

Abano's joint venture audiology business also delivered an improving result as revenues increased. The majority of the business is located in Australia and good progress is being made, with the Australian business now delivering a positive monthly EBITDA result, with year to date same store revenue growth of 30%. Due to this improving performance, we have opened three new greenfield stores during the first half and they are already showing pleasing results.

⁴ Based on management analysis and estimates of market performance in Australia and New Zealand. More detail is available in Abano's [2014 Annual Meeting presentations and speeches](#).

The Diagnostics sector has provided a steady result, with radiology revenues continuing to grow with an increased demand from referrers, while pathology revenues at Aotea Pathology are fixed under a single, fixed price DHB contract. This contract expires in October 2015.

Aotea Pathology has provided community pathology services in Wellington for over 80 years and is currently involved in an RFP process to deliver a long term solution for the community and hospital testing in the wider Wellington, Hutt Valley and Wairapara regions.

As in the past with this process, being the successful tenderer will ensure the continuation of Aotea Pathology and may also lead to a longer tenure with a wider scope of services in partnership with the DHBs. While we are confident we have submitted a strong proposal, we note that if we lose the contract, we will need to write off the book value of this business, which is currently \$11 million. An outcome is expected to be announced by the DHBs in early 2015.

Following the sale of the Orthotics Centre, Abano's portfolio will revert to three sectors. The Orthotic Centre falls outside of our investment strategy and as we have shown before, where a business no longer falls within our investment strategy, we will divest to the right owners at the right time. The proceeds will be reinvested into our growth businesses, in particular dental.

Outlook

Abano is a Company of over 2,200 people providing care and diagnosis to thousands of people every day, in New Zealand, Australia and South East Asia.

We have identified key opportunities in the private healthcare market, particularly in the trans-Tasman dental sector, which we believe provide attractive above average, long term sustainable returns for our shareholders.

We are committed to continuing to invest into these growth opportunities with the majority of capital currently being deployed towards expansion of our dental businesses.

HY15 KEY EVENTS

- Special shareholders meeting requisitioned by interests associated with Mr Hutson and Mr Reeves and the subsequent High Court action bought by Mr Reeves to delay or cancel the special meeting. Abano was forced to defend this action and the Court ruled in Abano's favour and awarded Abano costs.
- Shareholders voted in record numbers at the special meeting (82.5% of shares voted), with Mr Hutson and Mr Reeves receiving less than one percent support from Abano's other shareholders for their resolution, with an overwhelming majority voting against their resolution.
- Acquisition of 11 dental practices providing additional annualised gross revenues of \$13.9 million. We believe dental same store performance continues to outperform the market, with 4.8% same store revenue growth in New Zealand.
- Opening of three greenfield audiology stores in Australia. The Australian audiology business is now delivering positive monthly EBITDA results.
- Conditional agreement to sell the Orthotics Centre to private investors, with settlement expected at the end of January 2015.
- CEO and managing director, Alan Clarke, announced he will retire from his role, following the 2015 Abano Annual Meeting.

KEY DATES

Record date for interim dividend	12 January 2015
Confirmation of issue price of shares under DRP. Shares will be issued at a 2.5% discount on closing price	19 January 2015
Payment date of interim dividend/Issue of shares under DRP	23 January 2015
Release of interim report	February 2015

ENDS

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Abano Healthcare Group is New Zealand's leading listed specialist healthcare investor and operator, with businesses in four sectors – audiology, rehabilitation, diagnostics and dental – and operations across New Zealand, Australia and Asia.