24 April 2015
Company Announcement

ABANO ANNOUNCES PATHOLOGY SALE AND PROVIDES FY15 GUIDANCE

Sale of Aotea Pathology Limited

Abano Healthcare Group (NZX:ABA) today announced that it has reached a conditional agreement for Wellington SCL Limited, a wholly owned subsidiary of Healthscope New Zealand Limited, to acquire 100% of the shares of Aotea Pathology Limited (Aotea).

The sale is conditional on Wellington SCL Limited being awarded the regional pathology contract by the Capital & Coast, Hutt Valley and Wairarapa District Health Boards (DHB), that contract becoming unconditional, and satisfaction of other standard conditions. Settlement is planned for 1 May 2015.

Chief Operating Officer of Abano, Richard Keys, said: “Aotea has been a solid contributor to the Abano Group for over 13 years. However, since the fee for service model was removed and replaced by tendering, Aotea has been reliant on short term, fixed price DHB contracts, which means we have operated a hold and maintain strategy.

“Following our withdrawal in February 2015 from the tender process for a new expanded regional pathology service, and the subsequent announcement of Healthscope as the provisional preferred provider by the DHBs, our focus has been on supporting our staff and ensuring continuity of the high quality pathology service that Wellington communities have enjoyed for over eighty years.

“Importantly, the sale preserves this service and testing within the region and retains all of Aotea’s highly skilled and experienced staff on their existing employment terms. It also allows the DHBs and Healthscope to operate a seamless transition process to the proposed new laboratory service.

“For Abano’s shareholders, it means we have reduced our estimated impairment charge from the previously announced $11 million to $8.2 million.”

Abano has a 55 percent shareholding in Aotea Pathology, with Sonic Healthcare Limited holding the remaining 45 percent.

Guidance for Financial Year Ending 31 May 2015

Following the conditional sale agreement for the pathology business, Abano is now able to provide guidance for the financial year ending 31 May 2015.

For the 2015 financial year ended 31 May, Abano expects gross revenues[1] to be between $299 million to $303 million and reported revenue to be between $221 million to $225 million. Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) are expected to be between $29.1 million to $30.1 million.

[1] Gross revenues include the audiology group and Australian dental revenues before payment of dentists’ commissions

Including an impairment of goodwill and loss on sale of $(9.1) million from both the sale of Aotea Pathology, as announced today and the sale of the Orthotics Centre in January 2015, Abano now expects to report a Net Loss After Tax of $(1.3) million to $(1.9) million. Excluding these one-off, non-cash impairment charges, Net Profit after Tax is between $7.2 million to $7.8 million.

Abano also reports on underlying earnings which the Board believes provides a more accurate portrayal of the Company's true performance on a like for like basis with previous years.

It is also the basis for the Company's dividend policy, which remains that, 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.

Underlying EBITDA[2] for FY15 is expected to be $30.4 million to $31.4 million, resulting in an Underlying Net Profit After Tax[2] of $8.3 million to $8.9 million.

	Guidance FY15 $Millions	Actual FY14 $Millions
Gross revenue[1]	299 – 303	274.0
Revenue	221 – 225	211.1
EBITDA	29.1 – 30.1	27.8
Net Profit After Tax (before impairment and loss on sale)	7.2 – 7.8	4.9
Net Loss After Tax	(1.3) – (1.9)	4.9
Underlying EBITDA [2]	30.4 – 31.4	29.1
Underlying NPAT [2]	8.3 – 8.9	6.1

The improved result is despite the continuing strengthening of the strong New Zealand dollar against the Australian dollar, which means that year on year performance comparisons are affected by a negative exchange rate movement of approximately 4%. Abano is continuing to invest in Australian assets through the acquisition of dental practices and, in recent months, through new audiology store openings.

The FY15 guidance is also affected by the loss of earnings following the sale of two businesses in the period. At the end of January 2015, Abano's orthotics business was sold and there will be no contribution from Aotea Pathology for the last month of the financial year, based on an expected settlement date of 1 May 2015.

Following the sale of the pathology and orthotics businesses, over 61% of Abano's gross revenue will be generated offshore, particularly in Australia, and Abano's exposure to Government funding through DHBs and ACC will materially decrease. Strong growth is expected to continue as Abano builds its investments in dental and audiology.

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[2] Underlying EBITDA and Underlying NPAT excludes gain or impairment/loss on sale of businesses and items relating to acquisitions and divestments required to be expensed under the International Financial Reporting Standards (IFRS).

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.

All dollars are in New Zealand currency unless otherwise stated.

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Operational Performance Update

Over the financial year to date, Abano has continued to build its trans-Tasman dental networks, adding a further 19 dental practices providing more than $26 million in additional annualised gross revenues. (FY14: 19 practices providing NZ$28.1 million).

In total, Abano's dental network currently comprises 172 practices. Lumino the Dentists in New Zealand now has 90 practice locations with annualised gross revenues of over NZ$91 million, (FY14 NZ$79 million), including $9.2 million in annualised gross revenues acquired in the financial year to date.

Dental Partners in Australia has acquired A$16.4 million in annualised gross revenues this year to date and now has 82 practice locations with annualised gross revenues of over A$124 million (FY14: A$107 million).

Lumino the Dentists continues to benefit from its successful branding and national marketing strategy, with TV, print and online marketing campaigns driving patient visits and revenue across the network. Based on Lumino's success, Dental Partners is now in the final stages of rolling out a national brand which will be launched early in the new financial year.

The Bay Audio joint venture continues to generate improving returns and is now achieving a consolidated positive monthly EBITDA result with operations in Australia, Singapore, Malaysia and Taiwan and annualised revenues in excess of NZ$40 million. The Australian business, which makes up over 83% of audiology's revenues, continues to deliver strong profitable growth and, based on this improving performance, Bay Audio Australia has opened three new clinics and expanded its network to 35 clinics.

The radiology business group continues to provide improving revenues as demand increases for its high end, specialised imaging offer at its five clinics in Auckland. The business is expected to deliver another year on year improvement in both revenue and EBITDA.

ENDS

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