

## ABANO HEALTHCARE GROUP FULL YEAR FINANCIAL RESULTS ANNOUNCEMENT

### Profit Results at Top End of Guidance

Healthcare investor and operator Abano Healthcare Group (NZX:ABA) has continued delivering year on year growth with a result at the top end of the Company's guidance for the financial year ended 31 May 2015.

Revenues for the year increased to \$222.2 million, with gross revenues<sup>1</sup> of \$300.4 million. This increase was primarily driven by Abano's expanding dental businesses and strong growth from the Australian operations of the Company's audiology joint venture.

Dental, audiology and radiology all maintained or improved margins during the year. Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA<sup>2</sup>) were \$29.6 million, with Underlying EBITDA<sup>3</sup>, which excludes acquisition costs, of \$30.7 million.

The FY15 results reflect the divestment of the orthotics and pathology businesses during the year and a corresponding loss in earnings contribution following each business sale. The two business sales resulted in a \$9.0 million non-cash loss and reduction in goodwill. Abano therefore reported a Net Loss After Tax of \$(1.3) million on an Underlying Net Profit after Tax<sup>3</sup> of \$8.8 million, which was 46% up on last year.

The Board believes that underlying earnings performance provides shareholders with a more accurate portrayal of the Company's true performance on a like for like basis with previous years and it is also the basis for the Company's dividend policy.

Directors have confirmed a final fully imputed dividend of 15cps, taking the full year dividend to 25cps, up 19% on the FY14 full year dividend. This is equal to 59% of Underlying NPAT. The Dividend Reinvestment Plan (DRP) will again be offered to shareholder. Historically, this has been well supported with approximately 50% of dividends taken up in shares under the DRP.

\$millions	FY14	FY15	% change
Gross Revenue <sup>1</sup>	274.0	300.4	10%
Revenue	211.1	222.2	5%
EBITDA	27.8	29.6	6%
Underlying EBITDA	29.1	30.7	5%
NPAT/NLAT	4.9	(1.3)	(127)%
Underlying NPAT	6.1	8.8	46%
Full Year Dividend	21cps	25cps	19%

### OPERATIONAL COMMENTARY

Abano's investment strategy remains to invest into scalable growth businesses, in the private, fee for service, healthcare market. We delivered a pleasing improvement in our underlying performance in FY15 as we restructured and re-focused our investment efforts into three sectors – dental in New Zealand and Australia, audiology in Australia and South East Asia and radiology in New Zealand.

Our trans-Tasman dental operations are our largest investment and they delivered gross revenues of \$211.1 million (Dental Partners A\$114.3m and Lumino NZ\$88.5m), equal to 70% of Abano's FY15 gross revenue.

We have a growth strategy in place through both organic expansion of the existing network and through the acquisition of new dental practices. In FY15, we acquired 19 practices which we expect to contribute additional annualised gross revenues of approximately \$30 million (A\$16.0m and NZ \$12.1m) and we opened one greenfield practice in New Zealand which is performing strongly.

Abano's trans-Tasman dental group is the second largest in Australasia and we continue to invest in infrastructure, expanding our resource base and building our capabilities while gaining market share in the NZ\$11 billion trans-Tasman market. In New Zealand, Lumino again achieved steady compounding same store sales growth in a recovering economy, while Dental Partners in Australia was flat, reflecting Australia's slower economy and consumer confidence.

Abano's joint venture audiology business, Bay International, delivered NZ\$40.1 million in revenue and provided 13% of our gross revenue for FY15. Importantly after eight years of development losses, it achieved a positive EBITDA in FY15, with strong year on year growth continuing.

Bay Audio Australia, which represents over 85% of audiology's revenues, delivered a maiden net profit after tax, with same store revenue growth of 22% in local currency in a market that we believe saw less than 6% growth. Three new greenfield stores were opened as a result of this improved performance and all are performing well. Meanwhile, the very small Bay Audio Asia business is now achieving breakeven at EBITDA in a challenging marketplace.

Insight+Ascot Radiology delivered another year on year improvement in both revenue and EBITDA. Revenue continues to grow as demand and referrals increase for the business' high end imaging modalities and specialist services across its five Auckland clinics.

During the year, we closed our rehabilitation sector following the sale of our orthotics business and we divested our pathology investment, removing almost all of our exposure to Government funding and fixed price short term contracts. The proceeds from the sale were used to reduce debt and will be reinvested in our growth businesses, particularly dental.

## **OUTLOOK**

Demand for private healthcare and medical services continues to grow as aging populations, new technologies and medical advances put increasing pressure on public healthcare services. Abano remains the only NZX-listed opportunity to invest into these sectors of the healthcare and medical services market.

Dental will remain our primary focus as we continue to build market share by investing into both organic and acquisition growth, as well as realising scale benefits across our substantial trans-Tasman group. There is now a proven platform in place to support our ongoing expansion into the NZ\$11 billion trans-Tasman dental market, with our focus on private payment for our services delivering long term patient relationships. While the market in Australia is currently soft, particularly for mid to high end treatments, we believe that the market characteristics and long term growth opportunities in both markets remain very attractive

Acquisition growth has continued in the first two months of the 2016 financial year with three large acquisitions delivering approximately NZ\$9 million in additional annualised gross revenues. These take

Abano's trans-Tasman dental group to 176 practice locations across Australia and New Zealand, with total estimated annualised gross revenues for the dental group now in excess of \$240 million as at today's exchange rate.

In New Zealand, Lumino's nationwide brand and marketing activity is an established and integral part of the business' success. Over the next few months, we will be launching a national brand for our dental network in Australia. This will allow us to collectively promote the strengths of our practices and enable us to stand out in this very large and competitive dental market place.

We expect to see continued improvements from our Australian audiology joint venture, with three new stores planned to open in the first half of FY16, continuing double digit revenue growth and a full year net profit after tax forecast for FY16. Bay Audio's Asian businesses, which are now under the management oversight of the proven Australian management team, will focus on delivering a breakeven performance.

Over 60% of Abano's gross revenues are now expected to be generated in Australia and while economic conditions remain relatively stable in New Zealand, the Australian economy is below historical trends.

We have an efficient balance sheet and strong relationships with our banking partner, with improved pricing and tenure agreed in FY15. Year-end net bank debt was \$86.1 million and we have undrawn facilities of over \$50 million, providing headroom for continued growth.

We remain focused on our growth strategy and building long term value for our shareholders. We expect to continue our track record of improved underlying EBITDA and underlying NPAT growth in FY16.

#### KEY DATES

12 August 2015	Dividend record date
19 August 2015	Confirmation of issue price for shares under the DRP (Shares will be issued at a 2.5% discount on the closing price)
21 August 2015	Dividend payment and issue of shares under DRP

#### ENDS

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

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<sup>1</sup> Gross revenue includes revenue earned by the equity accounted audiology group and Australian dental revenues before the payment of dentist's commissions.

<sup>2</sup> Revenue and EBITDA exclude earnings generated by Bay International, in which Abano holds a 50% shareholding. The results for the Bay Group are equity accounted and are therefore not included in the consolidated EBITDA.

<sup>3</sup> 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).