

ABANO ANNOUNCES FULL YEAR RESULTS AND INCREASED DIVIDEND

Full Year Results for the Financial Year Ended 31 May 2016

Healthcare investor, Abano Healthcare Group (NZX: ABA) has today released its financial results for the year ended 31 May 2016 reporting a Net Profit After Tax (NPAT) of \$28.4m and a 33% increase in the final dividend to 20 cents per share.

The full year results include a gain on sale of \$20.2m on the \$32m sale of Abano's 50% shareholding in Bay International Limited. As this ceased to be recognised as an equity accounted investment from 30 April 2016, earnings for the month of May were not consolidated and therefore are not included in the full year results.

Revenues for the year were \$213.7m, with gross revenuesⁱ of \$297.1m, both well ahead of revenue from continuing businesses in FY15. This was primarily driven by a strong New Zealand dental performance, improvements from the audiology joint venture and a stable performance from the radiology business.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) were \$26.6m, with Underlying EBITDAⁱⁱ of \$27.2m.

Underlying NPAT from FY15 continuing businesses was up 57% to \$8.8m. The Board believes underlying earningsⁱⁱ provides a more accurate portrayal of the Company's true performance and it is the basis for the Company's dividend policy.

Directors have confirmed a final dividend of 20cps, taking the full year dividend to 30cps. This is equal to 72% of Underlying earnings per share and reflects an increase in earnings from the continuing business and receipt of proceeds from the sale of Bay International. The Dividend Reinvestment Plan (DRP) will again be offered to shareholders. Historically, this has been well supported with approximately 50% of dividends taken up in shares under the DRP.

| \$millions | FY16 | FY15 Continuing Businesses | FY15 Statutory Results: Including divested businesses ⁱⁱⁱ |
|-------------------|-------|----------------------------|--|
| Gross Revenue | 297.1 | 265.8 | 300.4 |
| Revenue | 213.7 | 187.6 | 222.2 |
| EBITDA | 26.6 | 22.5 | 29.6 |
| Underlying EBITDA | 27.2 | 23.6 | 30.7 |
| NPAT/NLAT | 28.4 | 4.5 | (1.3) |
| Underlying NPAT | 8.8 | 5.6 | 8.8 |
| Dividend | 30cps | | 25cps |

OPERATIONAL COMMENTARY: RICHARD KEYS, CHIEF EXECUTIVE OFFICER

Dental is Abano's most significant investment and our primary growth opportunity, as we continue to target a 10% share of the \$11 billion revenue trans-Tasman dental market. Abano has two dental networks – Lumino The Dentists in New Zealand and Maven Dental Group in Australia – and is the second largest dental group in Australasia.

FY16 gross dental revenues were \$241.9m (Lumino NZ\$105.4m and Maven Dental Group A\$124.6m) and accounted for 81% of Abano's total FY16 gross revenue.

Our strategy is to build our networks through organic growth and the acquisition of quality dental practices, grow our market share and benefit from economies of scale.

In FY16, we acquired 18 practices providing approximately \$28m^{iv} in additional annualised gross revenue (A\$10.8m and NZ\$16.7m), opened a new greenfield practice in Christchurch and merged several closely located practices. As at 31 May 2016, Abano's trans-Tasman dental network totalled 188 practices generating annualised gross revenues in excess of \$254m^v.

Lumino delivered another year of same store revenue growth, up 2.7% on the prior year, and has just completed its ninth consecutive quarter of positive same store growth and third year of improved margins. The business is benefitting from its successful marketing activity, focus on excellent patient service and an experienced management team. Twelve practices were acquired during the year and a strong acquisition pipeline is in place.

The Australian economy remains challenging and same store revenue for Maven Dental Group was mixed across Australia, with positive same store growth in NSW, South Australia and Victoria, offset by declining growth in Queensland and northern NSW, where 52% of Maven's practices are located. In line with our previous guidance, overall same store revenue for Maven was down 3.6% for the full year.

With the below trend economy in Australia continuing, a number of initiatives are underway at Maven including restructuring the trans-Tasman leadership team and closer collaboration and shared resources between the two businesses. The brand rollout commenced in December 2015 and a new website was launched in April 2016 which will enable digital marketing. Following Lumino's experience and success, a number of customer offers will be promoted under the Maven brand, such as interest free offers. As it did with Lumino when it was at the same stage, the cost of these initiatives continues to suppress margins in the short term as we lay the foundations for future growth.

Ascot Radiology, our network of high end radiology clinics in Auckland, delivered \$15.0m in gross revenues in FY16, providing 5% of Abano's FY16 gross revenues. The business expanded during the year with the opening of a new CT scanning room in Mauranui Clinic in Auckland, a new maternity scanning service established on the North Shore and the introduction of digital tomosynthesis breast mammography.

The audiology joint venture contributed \$40.2m in gross revenue for the 11 months of ownership, equal to 14% of Abano's FY16 gross revenue.

Looking Ahead

Following the divestment of our audiology and other businesses in the past 18 months, we are now increasingly focused on the \$11-billion trans-Tasman dental market where we see significant opportunities to build scale and deliver shareholder value.

We will continue to invest into acquisition and organic growth in both our Australian and New Zealand dental businesses and have acquired four practices since year end as well as completed further practice mergers.

Our dental management teams are focused on driving improving performance, particularly in Australia. Increasing collaboration and closer working relationships between our two dental businesses will provide additional operational, scale and synergy benefits for this business group in the coming months.

In radiology, we will continue to focus on building demand for our existing services, particularly our high end diagnostic technologies such as CT, digital tomosynthesis breast mammography and maternity ultrasound.

We have a supportive banking relationship and a strong balance sheet, and are well positioned to continue growing our businesses and increasing their earnings.

Key Dates

| | |
|---|----------------|
| Dividend record date | 11 August 2016 |
| Confirmation of issue price for shares under the DRP (Shares will be issued at a 2.5% discount on the 5 day VWAP) | 18 August 2016 |
| Dividend payment and issue of shares under DRP | 22 August 2016 |
| Release of FY16 annual report | August 2016 |

ENDS

Released on behalf of Abano Healthcare Group Limited by Jackie Ellis tel +64 9 360 8500 or email jackie@ellisandco.co.nz

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

ⁱ Gross revenue includes audiology revenues and Australian dental revenues before payment of dentists' commissions

ⁱⁱ 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.

ⁱⁱⁱ FY15 Divestments: Orthotics business divested 30 January 2015 and Pathology business divested 1 May 2015

^{iv} Based on AUS:NZ exchange rate of 0.9303