Abano Healthcare Group Limited

6 March 2008

Share Price Performance

- Abano has been the subject of takeover interest for seven months however our share price has steadily increased now for two and a half years based on an improving operational performance ... not speculation.
- Masthead acquired a 19.9% holding at $1.55 in October 2006.
- The share price stayed at this level for some weeks ... and then started to climb as we released forecast and actual achievements.
- By the time of the Masthead initial bid the share price was at $3.35
  - Underpinned by FY 07 at EBITDA $13.9m NPAT $5.0m ... or a PE of 15x

Share Price Performance

- Masthead then bid $3.85 for 50.1% of Abano.

- This quickly disappeared behind the market share price as Abano continued to release forecast and then achievement data for the half year and the share price climbed up to over $5.00.

- The share price rise up to over $5.00 was underpinned by:
  - A six month actual performance of EBITDA $11.0m NPAT $3.8m
  - A FY forecast of EBITDA $23.9m and NPAT $7.9m ...PE 15x

Share Price Performance

- Therefore the Crescent bid at $5.20 is low.
- It also does not factor in the projected growth for 2009 with an EBITDA of greater than $28.9 million and a NPAT of greater than $10.5 million.
- We believe that any weakness in the share price should the Crescent bid fail, is likely to be recovered through the growth of the company.
- We also acknowledge that the economies in Australia and New Zealand are slowing and that debt is more expensive, however we believe healthcare is not as vulnerable to these economic changes as other sectors may be. Health is not entirely a discretionary spend.

Audiology in New Zealand

- The ACC relationship … ACC fund about 50% of all hearing aid purchases in New Zealand. Bay has a lower percentage as it performs a higher proportion of private and non ACC work.

- ACC are concerned because the growth rate for hearing aids is the highest rate of any services supplied to ACC. Their projections are that hearing aid claims increase will exceed 26%pa for a number of years (ACC October 2007).

- ACC fund 100% of the cost of a hearing aid while OHS in Australia funds base cost and a top up co-payment is often made.

- Crescent's claim is that Bay New Zealand's growth projections are not sustainable … this means either ACC are wrong or Crescent are wrong.

Audiology in New Zealand

- The ACC industry agreement is that the average price per unit to ACC will decrease ... as a target by 20% over two years.
- The industry is working to achieve this target but the NZ Audiological Society has now stated they believe the target is not achievable.

Audiology in New Zealand

abano healthcare group limited

- Bay can offset impact on margin decrease here by volume growth internationally and through our private practice in NZ.

- We understand that Crescent have stated that they will enter the New Zealand market ... we note a few things.

- It takes approximately 12 months to get an audiologist registered in NZ before you can claim ACC funding.

- We note that there is a another private equity entrant to the New Zealand market who after two years has only established three clinics with revenues not dissimilar to those Bay is achieving in Australia after eight months.

Scalability of Sectors

- Audiology is clearly a scale business with an ability to double again in New Zealand and grow many times over in Australia.
- Dental is a very scalable business.
- New Zealand dental revenues this year will be over $27 million and over $35 million next year with operating EBITDA climbing above 10%.
- Lumino Dental now has 30 clinics, 75 dentists and over 150 staff.

Scalability of Sectors

- New Zealand dental market $530 million growing at >5%pa with 1,700 dentists in approximately 1,000 clinics.
- Merrill Lynch in February 2008 paid GBP £400m for the Dental Holdings Group a chain of 200 dental clinics.
- Oasis Healthcare 130 clinics sold to Duke Street Capital for GBP £77m in October 2007.

Scalability of Sectors

- In Radiology, Abano has two very profitable practices with revenues of over $9 million, growing by over 20% pa.
- This practice is set to double in size over the next two years by organic expansion.
- Radiology in New Zealand is un-corporatised. There are over 30 independent practices in a market size of greater than $250 million growing at over 8% pa.

Scalability of Sectors

- As acknowledged and communicated we have two sub scale businesses ... Pathology and Rehabilitation.

- Both streams are under hold and maintain strategies and both have increased their operating margins from single digit EBITDA returns to be currently greater than15% EBITDA to revenue return.

- Abano has clearly demonstrated our ability to assess the long term value of our business portfolio ... and we have demonstrated that we can, and do act if that long term value is seen to have changed ... eg the successful sale of our Aged Care business ElderCare following a change in Government policy and through our investment into Audiology.

Australia

- Abano entered Australia, opening our first Audiology clinic in early 2007.
- Annualised revenues are now running at over A$5 million pa.
- We have organically opened three permanent clinics and three satellite clinics and acquired four permanent and 10 satellite clinics in the last eleven months.
- Over 60% of our income is private payment, with the balance being OHS.
- The Government funding in Australia is base payment only … i.e. most Bay clients choose to top up and pay more.

Australia

- Additional competitive advantage is that we are being supported by hearing aid manufacturers who are not vertically integrated and do not want to loose market share.

- Australian audiology has only been in existence for just over 12 months and had initial start up, marketing and overhead costs, so initial losses, yes.

- However, individual clinics become cash positive quickly, and last greenfield was EBITDA positive within 6 months.

- Australian audiology is projected to have positive EBITDA in the 2009 financial year.

- Our acquisition investments made in Australia are clinics who do not want to align themselves to hearing aid companies and we are paying similar multiples to our dental business, both of which are immediately WACC accretive.

Acquisition vs Organic Growth

- Yes, Abano is an acquisitive investor in businesses where we can add value and where our investment yields WACC accretive returns on our shareholder funds ... and we have an established record of successful acquisition investment and integration over a number of years.

- We do also grow organically ...

- In Audiology, both in New Zealand and in Australia, the majority of the clinic growth is derived from the organic expansion of new clinics with 18 new green field and satellite clinics opened in the last two years and only eight acquired.

- Dental is primarily through consolidation, therefore the majority of growth is acquisitive. We now have early acquisitions now showing year on year growth of over 10%pa.

Acquisition vs Organic Growth

- Radiology has shown organic revenue growth of over 10% as new equipment is fully utilised and Ascot will double in size through the opening of the second clinic building.
- Pathology revenue has grown slowly at just over 3% pa but we believe will accelerate as private specialist testing is bedded in over the next two years and there is no acquisition growth.
- Rehabilitation has shown strong organic growth through new contracts with Brain Injury services and Orthotic Centre improvements, growing rehab revenue by over 12% over the last financial year.
- In summary, while investing strongly through acquisition, Abano is also demonstrating strong organic growth.