

# Dental work an economic indicator: Abano

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Simon Evans

The chief executive of Abano Healthcare, which owns the second-largest dental group in Australia with 108 practices, aims to triple the size of the business during the next decade, with the major focus for expansion being NSW and Victoria.

About 60 per cent of Abano's dental practices in Australia operate under the Maven brand in a \$10 billion dentistry market. At under 10 per cent, the dentistry market still has low levels of corporate ownership compared with the United States and South Africa, where corporate entities operate more than 30 per cent of dental surgeries.

Chief executive Richard Keys said on Wednesday that Abano, which is listed on the New Zealand Stock Exchange, had experienced an improvement in revenues from its Australian operations in the second half of 2017-18 on a same-practice comparable basis, which excludes acquisitions – a positive sign in a highly competitive market.

Mr Keys attributed that improvement to better marketing to entice more customers into the practices and improving economic conditions. "It's a general lift in the economy," he said.

Mr Keys said there was a clear link between economic conditions and activity levels in dental surgeries, with



Abano Healthcare runs the Maven brand dental practices in Australia.

customers often deferring regular dental check-ups and treatments when household budgets were under pressure despite the risks to their oral and general health.

The Maven stable in Australia for the entire 12 months of 2017-18 had flat gross revenues in Australian dollars of \$153 million, after the better second half compensated for a soft first half. But the flat overall revenue result was an improvement on the 4.4 per cent decline in gross revenues for the Australian operations in 2016-17.

Abano has 228 practices in Australasia, and operates the Luminis

brand in New Zealand, where it has 120 practices. Net profit after tax for 2017-18 for the entire business was up 16 per cent, to \$NZ12.6 million (\$11.6 million).

Abano and Maven are eyeing larger and more-profitable practices in Australia and New Zealand as they embark on more expansion.

Mr Keys said Abano had a long-term aim of building up to 600-700 practices through acquisitions and greenfields expansion in Australasia. He said Abano was sensible about multiples and not paying over the odds. "... multiples are about pricing risk," he said.

There are now three ASX-listed

dental practice companies after Smiles Inclusive, which operates the Totally Smiles brand, made a solid debut on the ASX in late April after raising \$35 million in a public float. It has since fallen 10 per cent below its issue price of \$1 per share.

The Totally Smiles business model centres on buying dental practices and the vendor then investing part of the sale proceeds back into a profit share program at the practice to ensure they stay motivated and are entrepreneurial in recruiting new customers.

1300Smiles, which runs 32 surgeries, listed in 2005, while Pacific Smiles has been a public company since 2014.

Pacific Smiles listed on the ASX four years ago and runs 75 centres and has 420 dentists working at those outlets. The practices are predominantly on the east coast of Australia.

The biggest player in dentistry is private health group BUPA, which in 2013 bought out Australia's largest corporate entity, Dental Corporation, and now runs a chain of more than 140 BUPA-branded surgeries.

Mr Keys said Abano was steadily converting most of its Australian practices to the Maven brand, but it wasn't compulsory for dentists whose businesses had been acquired.

"Our model is ... very much a carrot culture, not a stick," he said.