

Netcare to restructure UK business

Netcare planned to restructure its UK business after buying out minority shareholders, CEO Richard Friedland said on Monday after the private hospital network reported that it had written down the value of its operation in the UK by R5.6bn amid tough trading conditions.



BMI Healthcare hospital

"We want to go through a very comprehensive and well thought out restructuring programme and we want to be in a position to re-establish the operating base," Friedland said.

BMI Healthcare, Netcare's majority-owned UK business, made an operating loss of 20.6m in the year to September, from a profit of 28.7m in 2016. He said this was largely due to "demand management initiatives" by private medical insurers and the cash-strapped National Health Service.

Subject to conditions, Netcare would buy out minority shareholders in the UK within "a few weeks".

The deal would have no immediate cash value but would give Netcare "the keys to the business. We want to be able to implement our own enterprisewide IT systems that we are accustomed to in SA - that will take at least two to three years," he said.

Friedland said that certain back-office functions could be moved from the UK to SA.

Investec Asset Management portfolio manager Andrew Joannou said that although Netcare's South African business was outperforming its peers, the UK unit "is becoming critical".

It was no longer generating operating profits, while its interest payments were relatively high and the business required greater capital expenditure, Joannou said. "It's starting to drain cash and now that they're having to fund it from SA I think shareholders are going to start taking a much more critical view of the UK business and what's being done there."

He said that with full management control, Netcare "can start to enact some change and I guess the obvious place to start is with the rental agreements" because rental costs were abnormally high relative to revenue. Netcare's share price slipped 2.8% to close the day at R22.36 in Johannesburg on Monday after the healthcare company reported a loss for the year - including the UK writedown and other one-off items - of R2.7bn.

Source: *Business Day*

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