Outlook for healthcare sound

THE outlook for hospital and drug companies looks sound given that SA healthcare schemes cover about eight million people and many of those with cover are ageing. This means they are more likely to need chronic medicines and hospital treatment. This should underpin the businesses of healthcare providers and pharmaceutical companies. Nonetheless, outside SA, the downturn in European economies knocked Netcare's UK business, where it runs the General Healthcare Group (GHG). Netcare' annual operating profit decreased by three percent to R3,76bn, mainly because of lower profits from GHG. Only 19 months after listing on the JSE another healthcare company, Life Healthcare, has put in a strong performance. Life is the FINANCIAL MAIL's (FM's) healthcare hot stock pick for the year and its share price has increased from R13,50/share at listing to R20.15, a 49 percent rise by mid-December. It is expected to maintain a good performance, at least for the first half of the year. Life is expanding, and in addition to its domestic and African region focus, it has made an offer for a 26 percent stake in India's Max Healthcare Institute. The SA National Health Insurance five-year pilot, due to be launched in April, is not expected to have much of an impact on private healthcare, which should be supported by continued demand from medical schemes. Aspen Pharmacare, FM's hot stock pick last year, maintained its dominance of the SA sector. Its shares were trading at R97,34 in mid-December. This was an improvement from a low of R82,50 recorded in August last year. The shares of its competitors Adcock Ingram and Cipla Medpro came under pressure in the year. Adcock's shares traded at R60,30 in mid-December, a seven percent fall from the R64,80 they traded at in January last year. Shares in Cipla, at R6,47 in mid-December, were down 11 percent from the R7,20 they traded at in January last year. Investors will be watching to see if Aspen can retain or improve on its 40,6% (R3,6bn) share of any new government antiretroviral tender. The existing two-year R4,28bn antiretroviral drug tender ends this year. State procurement changes are to focus on promoting local production, manufacture and empowerment. This could work in Adcock's favour as it is improving its empowerment and local production credentials.

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