

Share of the week: Netcare

NETCARE'S results for the six months to the end of March point to continued strong demand for private healthcare, with a 16.1 percent rise in headline earnings a share to 51.9c from 44.7c a year ago. Turnover in both SA and the UK grew, and group operating profit increased 7.1 percent to R1.82-billion. An interim gross dividend of 22c a share was declared, unchanged from a year ago. The company said its results would have been better if the UK economy had not slipped into recession in the first quarter of the year. Netcare's results follow spectacular results reported by competitor Life Healthcare last week, with earnings a share up 22 percent. This shows that the entire industry is growing robustly. Netcare said operational efficiency and implementing business improvement plans were again key focus areas. It had completed an extensive analysis of the SA healthcare environment, and every possible future scenario pointed to expanding demand. Matthew Menezes of Avior Research said demand for private healthcare was being primarily driven by the rise of customers who had medical insurance or medical aid. This was driven by three main factors: the first was the rise in formal employment, albeit slow; the second was the rise in the penetration levels of medical aid, which was caused by a growing middle-class as a result of a growing economy; lastly, the Government Employees' Medical Scheme was a key driver in the demand for private healthcare. However, Menezes said there was an elephant in the room and that was the imminent launch of South Africa's National Healthcare Insurance (NHI) system, which hoped to raise the quality of public healthcare to the level of private healthcare and thus offer a substitute. An analyst at one of SA's leading value asset managers said private hospital groups did not view the NHI as an imminent threat, as its implementation was too far off. He said the NHI was not a threat at the moment as its effect would only be visible over the long-term. At the moment, private hospital groups were insulated from any effect, he said. The company's share price, at around R14 last week, has risen 0.4 percent in the past 12 months.

Tshepo Mashego: The Business Times, 20 May 2012