

Life Healthcare Group posts strong financials, plans Alliance Medical Group sale

Life Healthcare Group (LHG) has announced good operational results for the 12 months to 30 September 2023, growing group revenue 10.3% to R22.6bn, and normalised Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) up by 4.4% to R3.6bn, on the back of a strong performance by its underlying southern Africa operations.



Source: Supplied.

Life Molecular Imaging (LMI) unit, with revenue growth of 18.2% is poised for rapid growth on regulatory approvals of Alzheimer's disease modifying drugs, Pet-CT testing reimbursement in the US, and NeuraCeq regulatory approval granted in China.

Group chief executive Peter Wharton-Hood says: "We have again shown solid growth in our southern Africa business, and we're making steady and pleasing progress on our long-term strategy. We are positioning Life Healthcare as a leading, diversified, healthcare provider in southern Africa, accelerating integrated-care growth initiatives, and adding diagnostic capabilities into the local market."

Southern Africa business thrives

The Life Healthcare southern Africa business remains the foundation of the group's activities, growing revenue 10.1% to R22bn, off PPD growth of 9.5%. Normalised EBITDA is up 6.6% to R3.7bn. Acute hospitals saw revenue grow 10.3% thanks to the network deals and a surge in volumes, while complementary services had a strong operating performance and 20.4% revenue growth.

Southern Africa chief executive, Adam Pyle says: “Our operations saw excellent volume growth, as our case mix continued to normalise. We concluded two significant funder network deals, which contributed to increased activities and occupancies.

“We rolled out our renal integrated care product across our renal-dialysis business and we made good progress in expanding our imaging and nuclear-medicine businesses in southern Africa.”

As previously communicated to the market, Life Healthcare group has signed an agreement to sell its Alliance Medical Group (AMG) diagnostic imaging business to iCon Infrastructure in a deal that will earn the group around R10.8bn in net proceeds, pending approval from shareholders and regulators.

Of this windfall, the group plans to return around R8.4bn to shareholders as special dividends and/or share buybacks, and to reserve R2.4bn for future growth initiatives.



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Life Molecular Imaging (LMI) is excluded from the AMG transaction, and now forms a strong pillar of the group's future growth strategy. LMI develops molecular imaging agents for use in Pet-CT diagnostics. Neuraceq is a radiopharmaceutical used in Pet-CT scans as a diagnostic tool that is critical in the accurate diagnosis and monitoring for the Alzheimer's disease pathway.

Market demand for the product is set to surge following FDA approval of Alzheimer's therapeutic disease-modifying drugs necessitating effective diagnostic solutions.

The group remains in a strong financial position, with net debt to EBITDA at 2.0x, compared to the 2.17x reported for the six months to 31 March 2023.

Innovative growth strategies

The group continues to grow and diversify its non-acute portfolio across its southern African operations. Life Healthcare's growth in the complementary space is geared to support its hospitals business as part of the group's innovative model of integrated care pathways.

The recent TheraMed Nuclear and Pet-CT Vision deals boost the southern African Pet-CT and Spect nuclear-imaging capabilities, and a project to build two cyclotrons will bolster its oncology radiopharmaceutical capabilities.

Wharton-Hood concludes: “The southern Africa business remains our main growth engine, and we are generating healthy returns, which we will deploy productively and distribute to shareholders.

“The hospital business is known for its dependable and consistent performance. It's a mature business, it's exceptionally run and it operates in an environment that we thoroughly understand.

“Looking ahead, we have a fortress balance sheet, and we're well positioned in the South African market. LMI is well placed to unlock growth optionality from the Neuraceq opportunity, and we have a dynamic management team to deal with the non-acute growth opportunities.

“We have strong partnerships with the government and other healthcare players. We’re optimistic about South Africa, and the role Life Healthcare and our great team of employees will be able to play.”

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