

FINANCIAL NEWS 2020 HIGHLIGHTS

Aspen slashes prices after European fair price probe

Aspen Pharmacare announced that it will be cutting its prices by an average of 73% a product in the European Economic Area (EEA), excluding Italy. This follows a European Commission investigation (2017) into claims that Aspen might have abused its dominant position by imposing unfair prices. It included drugs like *chlorambucil*, *melphalan*, *mercaptopurine*, *thioguanine* and *busulfan* sold in EEA. The products generated €28-m (R532-m) in revenue for the financial year to end June 2020 in the EEA. Although Aspen disagreed with the commission's preliminary assessment, the group proposed commitments, which included reducing the average price per product across the EEA of between 27% and 79%, by an overall average of 73%.

In September Aspen Pharmacare announced it will not be paying a dividend in the year to end June. This follows the uncertainty caused by the C-19 outbreak.

The latest results reflected a 9% increase in revenue to R38.6-bn for the year to end June, with a 14% increase in revenue in its manufacturing segment, despite the uncertainty caused by the C-19 outbreak. Its normalised earnings before interest, tax, depreciation and amortisation was up by 7 percent to R11-billion.

Business Day reported that Aspen Pharmacare was on the hunt for acquisitions to help it grow its business in emerging markets, after slashing its debt with a series of disposals.

Discovery profits hammered by Covid-19 provision

In August Discovery announced in a profit warning that headline earnings per share were likely to drop by 90% -100% in the year to the end of June. The drop is mainly due to the R3.3-bn provision for Covid-19-related effects, which was in line with Discovery's forecast in June.

“Stripping out the effect of provisions, Discovery said its underlying business was robust even though headline earnings per share are expected to have fallen by 20% -30%.

Normalised operating profit is likely to show an increase of 5% -15%, with core new business, or premiums acquired from new clients, rising 4%. “Discovery's profit warning underscores a wider slump in an industry hammered by lower interest rates, worries about large-scale job losses that could force consumers to withdraw investments, and an increase in death claims as data from the Medical Research Council, which tracks SA's mortality numbers, shows more deaths from natural causes than there would have been based on historical data.”

Private Hospitals suffer due to COVID-19

“Private healthcare groups *Netcare* and *Mediclinic* have seen an increase in patients returning to their facilities, a good sign after the businesses were hammered by the cost of preparing for Covid-19,” reported **Business Times** (30 August 2020).

According to Netcare's hospital division, the preparations set the group back about R1-bn - which has allowed it so far to treat 10 632 patients since the virus reached SA. The number of patients to be admitted for elective or planned medical procedures plummeted, due to C-

19 lockdown.

According to Mediclinic Southern Africa planned medical surgery or treatments are (about 60% of its business). This figure has dropped dramatically during lockdown.

Despite the large reduction in patients, both groups had to plough money into ensuring their hospitals were safe. Both groups said staff costs consumed the largest chunk of their budgets. An estimated 2 000 of Netcare's 18 000 healthcare workers that were either at high risk of infection or infected with the virus required quarantine facilities, which were provided by the business.

Advanced Health CEO, Gerhard van Emmenis, confirmed that the group has three facilities for sale in South Africa: Advanced Vergelegen in Somerset West, Western Cape, Advanced Medgate Roodepoort and Advanced Soweto Day Hospital. A deal should be concluded at the end of this year. The group's under-performing has been severely impacted by the COVID-19 lockdown as there were no elective surgeries, decreasing the group's income by about 90%. Day surgery such as eye surgeries, dental surgeries and hip replacements are Advanced Health's bread-and-butter, said Van Emmenis.

Stiff competition from SA's biggest private hospitals, Netcare Mediclinic and Life Healthcare, has worsened the group's situation.