# *SUMMARY of FINANCIAL HIGHLIGHTS*

***Private hospitals still a good investment***

**In Augu**st ***Fin24*** reported that SA's three largest private hospital groups – Netcare, Mediclinic and Life Healthcare - are still attractive investments, despite the scars of an on-going battle with Covid-19 and its impact on their normal operations.

According to Jithen Pillay, investment analyst at Allan Gray, private hospital groups traditionally have "attractive features, and are fairly defensive, with demand that doesn't tend to fluctuate cyclically, despite the tough run they have had with Covid-19."

Zaid Paruk, a portfolio manager and analyst at Aeon Investment Management, said in the last 12 months, Life Healthcare's share price increased by more than 40%, followed by Netcare at almost 28% and Mediclinic trailing behind with a 6% rise.

"Netcare also had a strong investment case because it had additional capital, a strong balance sheet, and it could, for example, have higher dividends and do share buy backs that could lead to a good outcome," said Paruk.

Regarding Mediclinic, Paruk said the group should benefit from its regional diversification, with its operations in the UAE, Switzerland and South Africa.

***Mediclinic inks R2.2-bn green deal***

**In September**, private hospital group Mediclinic signed a deal for up to R2.2-bn in local renewable energy, part of its commitment for carbon neutrality by 2030.

The agreement is with electricity trader Energy Exchange, the only platform able to connect businesses with electricity generated by SA's independent power producers

Mediclinic said the agreement is likely to provide an economic benefit, as the annual tariff increases are expected to be linked to inflation. The agreement will initially involve five facilities, including four hospitals and the group's head office, with more facilities planned.

***Dis-Chem founders want to sell stake to black investors***

**In August *Fin24*** reported that the Saltzman family, which founded Dis-Chem in 1978, is selling 7,5% of its shareholding to "invited investors". Another 10.05% will be sold to a consortium of yet-unnamed BEE investors, and 3.75% will be sold to senior executives, including the incoming CEO Rui Morais, who will succeed Ivan Saltzman.

If the BEE transaction succeeds, all the transactions together will reduce the family's shareholding to 31.4% and they will not sell their share for at least 360 days. The family will remain the biggest shareholder in the company. Saltzman said that the transactions will provide greater liquidity in the trading of Dis-Chem shares and incentivise executives.

***Kaelo hopes that its Dis-Chem partnership will benefit many***

Dis-Chem acquired a 25% stake in private healthcare provider, Kaelo Holdings, for R195-m. The Competition Commission has approved the transaction in October, paving the way for the partnership to become effective this month, reported ***Business Report*** (4 Nov 2021). According to CEO, John Jutzen, Kaelo hopes its partnership with Dis-Chem will make it easier to reach the 12-m employed South Africans, and their dependants, who don't have medical aid cover. Customers will be able to sign up at Dis-Chem pharmacies as opposed to only via payroll deductions. He said the Dis-Chem transaction made it possible for the company to provide customers directly with their

products through online or call channels.
The company offers products in the range of R600 down to R200 per person per month.

***Aspen sells portfolio of six drugs for R1.8-bn***

**In October**, Aspen Pharmacare, agreed to sell six prescription drugs to Swiss group Acino for R1.8-bn as part of its strategy to refine its portfolio and reduce debt. The medicines are used for the treatment of gastroenterology, erectile dysfunction and cardiovascular diseases, and generated R512-m in revenue in Aspen's 2021 year. The transaction includes the Trustan, Altosec, Zuvamor, Ciavor, Grantryl and Aspen Granisetron brands, and is expected to be concluded by the end of the calendar year.
**In November *Bloomberg News*** reported that Aspen is in "advanced discussions" for a licensing agreement to allow it to produce and sell a Covid-19 vaccine in Africa. The company previously said it was in talks with Johnson & Johnson about a licence that would mean that it could make its own-branded Covid-19 vaccine. Currently, Aspen has an agreement with Johnson & Johnson to package and fill vials of its vaccine at a plant in Gqeberha.
**In July** the US government announced that it will pump $200 m dollars into the Aspen Pharmaceutical plant in Gqeberha to expand its Johnson & Johnson vaccine production for Africa. The sterile manufacturing facility is currently manufacturing 220-m doses of Johnson & Johnson vaccine for African countries. The facility had the capacity to produce up to 300 m doses of the Johnson & Johnson vaccine per year.

***Aspen launches general anaesthetic production line***

**In October, *Moneyweb*** reported that Durban-headquartered and JSE-listed Aspen Pharmacare, will launch one of the largest general anaesthetics facilities on the continent in the Eastern Cape city of Gqeberha today. Established through a R3.4-bn investment in the province, the new production line falls in line with government's plans to push localisation.
In 2018 Aspen launched Africa's first high containment facility in 2018, and in July 2021 became Johnson & Johnson's contracted manufacturer of its Covid-19 vaccine in SA.

***Aspen agrees terms with Johnson & Johnson for own brand of Covid-19 vaccine***

***Business Day*** (1 Dec 2021) reported that Aspen Pharmacare has agreed terms for a deal with Covid-19 vaccine manufacturer Johnson & Johnson to produce its own branded version to sell in Africa. The new agreement means Aspen can sell the vaccines it bottles, branded Aspenovax, to AU members and multinational organisations such as the international vaccine-sharing vehicle Covax. It also paves the way for a further licensing deal for manufacturing the active pharmaceutical ingredients used in the vaccine, bolstering Africa's security of supply. Aspen was contracted by J&J in November 2020 to formulate, fill and package vials of its Covid-19 shot, but until now it has been J&J that determines which countries can purchase the product.

***Johnson & Johnson to split into separate companies***

**In November** Johnson & Johnson shares jumped after the maker of cancer treatments, mouthwash and Tylenol said it will break itself up into two public companies, one focused on drugs and medical devices, and the other on consumer products. The healthcare giant will hive off its consumer division in 18 to 24 months. The company did not outline financial terms of the proposed split in detail, though it said the transaction would be tax-free and that it expected to continue to pay dividends at least at current levels. J&J's pharmaceutical arm has long been its strongest performer. The drug unit generated 55% of the company's sales in 2020, with another 28% coming from the medical device unit, and 17% from the consumer arm.

***Netcare going strong, despite pandemic***

**In October** Private Hospital Group, Netcare, said in a trading update that the challenges of weathering waves of Covid-19 and the short recovery periods between waves have impinged on its momentum towards a full recovery to pre-Covid-19 levels.

However, the group's financial position remained strong, with net debt levels reduced by R1.1-bn during the past year. Revenue for the 2021 financial year grew within a range of 11.3% to 12.4% when compared with the previous year. – ***Business Day*** (25 October 2021)

Netcare said it had adopted a conservative approach in electing to impair its Lesotho-related investments in the amount of R30-m.

The multimillion-rand deal to build and manage Lesotho's biggest hospital was supposed to be a model public-private partnership. The handover was brought forward because the Lesotho government was four months in arrears. Total fees owing since March 2021 amount to R275-m, Netcare said.

***Covid-19 linked to year's 43% surge in death claims***

According to data from the Association for Savings and Investment SA (Asisa) total pay-outs across the various insurance lines for 2020/'21 reached R47.58-bn. Data shows that 1 023 083 policyholders died between April 1, 2020, and March 31, 2021 - a 43% increase on the 713 350 deaths over the corresponding period in the previous year.

According to Hennie de Villiers, deputy chair of the Asisa life and risk board, there is no doubt that Covid-19 caused many of the additional deaths, either directly or indirectly.

The claims data support arguments that actual deaths from the pandemic may be far higher than the official 81 830 deaths that had been recorded by August 31.

***Medicine expenditure increased by 2,9% per beneficiary***

According to the 2020 ***Mediscor Medicines Review***, medicine expenditure has increased by 2.9% per beneficiary in 2020, up from 2.4% in 2019. This is as a result of a 4.9% increase in item cost but a 2% decrease in utilisation. The shift was caused by movement restrictions and a reluctance to see the GP for minor ailments, as well as fewer seasonal infections.

***<u>Visit the Mediscor PBM website to request a copy of the 2020 Mediscor Medicines Review</u>***