

LHC: LIFE HEALTHCARE GROUP HOLDINGS LTD - Unaudited Group Results, cash dividend declaration and trading statement for the period ended 31 March 2014

2014-05-13 07:05:00

[e-mail](#) [print](#)

LHC: LIFE HEALTHCARE GROUP HOLDINGS LTD - Unaudited Group Results, cash dividend declaration and trading statement for the period ended 31 March 2014

Life Healthcare Group Holdings Limited
Registration number: 2003/002733/06
Income tax number: 9387/307/15/1

ISIN: ZAE000145892

Share code: LHC

Unaudited Group Results, cash dividend declaration and trading statement for the period ended 31 March 2014

Highlights

+10.2%

Revenue increased by 10.2% to R6 211 million

+90.1%

Operating profit increased by 90.1% to R2 486 million

+2.7%

Paid patient days (PPDs) were up 2.7%

+13.4%

Headline earnings per share increased by 13.4% to 82.7 cents per share

+16.0%

Normalised earnings per share increased by 16.0% to 82.7 cents per share

+16.7%

Interim dividend increased by 16.7% to 63 cents per share

Condensed consolidated statement of comprehensive income

for the period ended 31 March 2014

R Million

	Six months 31 March 2014 Unaudited	Change %	Six months 31 March 2013 Unaudited Restated	12 months 30 September 2013 Audited Restated
Revenue	6 211	10.2	5 634	11 834
Other income	50		55	117
Operating expenses	(4 760)		(4 377)	(9 090)
Profit on disposal of businesses	985		-	-
Loss on derecognition of finance lease asset	-		(4)	(4)
Operating profit	2 486	90.1	1 308	2 857
Fair value gain on derivative financial instruments	(8)		5	9
Gain on derecognition of finance lease liability	-		22	22
Finance income	12		6	15
Finance cost	(106)		(119)	(226)
Share of associates' and joint ventures net profit after tax	37		27	70
Profit before tax	2 421		1 249	2 747
Tax expense	(449)		(358)	(755)
Profit after tax	1 972	121.3	891	1 992
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
Currency translation differences	1		4	11
Items that will not be reclassified to profit or loss				
Retirement benefit asset	36		36	62
Total comprehensive income for the period	2 009	115.8	931	2 065
Profit after tax attributable to:				
Ordinary equity holders of the parent	1 813	140.5	754	1 699
Non-controlling interest	159		137	293
	1 972	121.3	891	1 992
Total comprehensive income attributable to:				
Ordinary equity holders of the parent	1 850		792	1 767
Non-controlling interest	159		139	298
	2 009		931	2 065
Weighted average shares in issue (million)	1 037		1 039	1 038
Earnings per share (cents)*	174.8	140.8	72.6	163.7
Headline earnings per share (cents)*	82.7	13.4	72.9	163.7
Diluted earnings per share (cents)*	174.5	140.7	72.5	163.5
Diluted headline earnings per share (cents)*	82.6	13.5	72.8	163.5
Headline earnings				
Profit attributable to ordinary equity holders	1 813		754	1 699
Headline earnings adjustable items (net of tax)				
Profit on disposal of businesses	(955)		-	-
Profit on disposal of property	-		-	(3)
Loss on derecognition of finance lease asset	-		3	3
Headline earnings	858		757	1 699

*Calculated on actual figures

Condensed consolidated statement of financial position

as at 31 March 2014

R Million

	31 March 2014 Unaudited	31 March 2013 Unaudited Restated	30 September 2013 Audited Restated
ASSETS			
Non-current assets	8 212	7 884	8 350
Property, plant and equipment	4 690	4 142	4 517
Intangible assets	2 031	2 131	2 084
Other non-current assets	1 491	1 611	1 749
Current assets	1 916	1 649	1 620
Other current assets	1 618	1 402	1 323
Cash and cash equivalents	298	247	297
TOTAL ASSETS	10 128	9 533	9 970
EQUITY AND LIABILITIES			
Capital and reserves			
Capital and reserves	4 579	4 102	4 526
Non-controlling interest	1 071	988	1 081
TOTAL EQUITY	5 650	5 090	5 607
LIABILITIES			
Non-current liabilities	2 547	2 269	2 150

Interest-bearing borrowings	2 036	1 797	1 657
Other non-current liabilities	511	472	493
Current liabilities	1 931	2 174	2 213
Other current liabilities	1 501	1 287	1 528
Current portion of interest-bearing borrowings	163	454	452
Bank overdraft	267	433	233

TOTAL LIABILITIES	4 478	4 443	4 363
TOTAL EQUITY AND LIABILITIES	10 128	9 533	9 970

Condensed consolidated statement of changes in equity
for the period ended 31 March 2014

R Million

	Total capital and reserves	Non- controlling interest	Total equity
Balance at 1 October 2013	4 526	1 081	5 607
Total comprehensive income for the year	1 850	159	2 009
Profit for the year	1 813	159	1 972
Other comprehensive income	37	-	37
Distribution to shareholders	(1 793)	(169)	(1 962)
Treasury shares	(23)	-	(23)
Long-term incentive scheme charge	13	-	13
Life Healthcare Employee Share Trust charge	6	-	6
Balance at 31 March 2014	4 579	1 071	5 650
Balance at 1 October 2012	3 941	937	4 878
Total comprehensive income for the year	792	139	931
Profit for the year	754	137	891
Other comprehensive income	38	2	40
Distribution to shareholders	(625)	(87)	(712)
Treasury shares	(26)	-	(26)
Long-term incentive scheme charge	15	-	15
Life Healthcare Employee Share Trust charge	4	-	4
Movements relating to changes in accounting policy	1	(1)	-
Balance at 31 March 2013	4 102	988	5 090
Balance at 1 October 2012	3 941	937	4 878
Total comprehensive income for the year	1 767	298	2 065
Profit for the year	1 699	293	1 992
Other comprehensive income	68	5	73
Transactions with non-controlling interests	10	(10)	-
Distribution to shareholders	(1 188)	(143)	(1 331)
Treasury shares	(67)	-	(67)
Profit on disposal of treasury shares	31	-	31
Tax on profit on disposal of treasury shares	(6)	-	(6)
Long-term incentive scheme charge	28	-	28
Life Healthcare Employee Share Trust charge	9	-	9
Movements relating to changes in accounting policy	1	(1)	-
Balance at 30 September 2013	4 526	1 081	5 607

Condensed consolidated statement of cash flows
for the period ended 31 March 2014

R Million

	Six months 31 March 2014 Unaudited	Six months 31 March 2013 Unaudited	12 months 30 September 2013 Audited
Cash generated from operations	1 443	1 247	3 414
Tax paid	(459)	(393)	(804)
Net cash inflow from operating activities	984	854	2 610
Net cash utilised in investing activities	997	(183)	(772)
Net cash utilised in financing activities	(2 014)	(1 101)	(2 017)
Net decrease in cash and cash equivalents	(33)	(430)	(179)
Cash and cash equivalents - beginning of the year	64	246	246
Cash balances no longer proportionately consolidated	-	(2)	(3)
Cash and cash equivalents - end of the year	31	(186)	64

Segmental report

During the reporting periods all the operating segments operated in Southern Africa and therefore no geographical segments are presented.

Assets and liabilities are not reviewed on an individual segment basis but rather on a Group basis and are therefore not presented.

There are no inter-segment revenue streams.

R Million

	Six months 31 March 2014 Unaudited	Six months 31 March 2013 Unaudited Restated	12 months 30 September 2013 Audited Restated
Operating segments			
Revenue			
Southern Africa			
Hospitals	5 769	5 222	11 001
Healthcare Services	441	410	831
Other	1	2	2
Total	6 211	5 634	11 834
Profit before items below			
Southern Africa			
Hospitals	1 408	1 222	2 689
Healthcare Services	97	83	167
Other	53	64	121
Operating profit before items detailed below	1 558	1 369	2 977
Amortisation of intangible assets	(57)	(57)	(116)
Profit on disposal of businesses	985	-	-
Loss on derecognition of finance lease asset	-	(4)	(4)
Operating profit	2 486	1 308	2 857

Operating profit before items detailed above includes the segment's share of shared services and rental costs. These costs are all at market related rates.

Changes in ownership interest in subsidiaries as a result of non-controlling interest transactions

The Group had marginal decreases in its shareholdings in some of its subsidiary companies due to transactions with minority shareholders.

The full 49.3% associate shareholding in Joint Medical Holdings Limited (JMH) was sold with an effective date of 24 February 2014. It was sold for R1.365 billion, resulting in a profit on sale of associate of R982 million, attracting capital gains tax of R28 million. The year to date equity accounted earnings, net of tax, up until the date of sale amounted to R41 million (2013: R42 million). The Group declared a special dividend of 100 cents per share from the proceeds of this sale on 17 March 2014.

Basis of presentation and accounting policies

These condensed consolidated interim financial statements for the period ended 31 March 2014 have been prepared in accordance with IAS 34, "Interim Financial Reporting" and in the manner required by the Companies Act of South Africa and the JSE Listings Requirements. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2013 which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The accounting policies applied are consistent with those applied in preparation of the annual financial statements

for the year ended 30 September 2013, except for as disclosed below.

In terms of IAS 1 "Presentation of Financial Statements", the relevant comparative information has been restated as follows:

The adoption of IAS 19 (Revised) "Employee Benefits" has resulted in comparative figures being restated to recognise actuarial gains and losses through other comprehensive income. The related tax charge has also been reclassified.

The adoption of IAS 28 (Revised) "Investments in Associates and Joint Ventures" has resulted in comparative figures being restated so as to account for joint ventures in terms of equity accounting, where they had previously been proportionately consolidated.

Costs that occur unevenly during the year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

These interim financial results have been prepared under the supervision of PP van der Westhuizen (CA)(SA), the Chief Financial Officer of the Group.

Unaudited results

The results for the period ended 31 March 2014 have not been reviewed or audited by the Group's auditors.

Commentary

Overview

Life Healthcare performed well during the period ended 31 March 2014 and is in a strong financial position to continue delivering its strategic objectives of growth, efficiency and sustainability. The Group added 142 (2013: 80) acute care hospital beds during the period to meet the growing demand for services. These beds were only added during the last two months and therefore had little impact of the PPD growth in the period. Activities as measured by hospital paid patient days (PPDs) increased by 2.7% compared to the prior period. The Group benefited from the reduction in public holidays in March as compared to 2013. The Group's occupancy for the period was 70.6%, the highest occupancy the Group has had for this six-month period since listing in 2010. This high occupancy enabled the Group to leverage operational efficiencies across a fixed cost base and the focus on managing overheads and the cost of pharmaceutical items in a difficult environment with the depreciation of the Rand resulted in a marginal improvement in normalised EBITDA margin to 28.0% from 27.4% in the comparative period. The clinical quality programmes continue to deliver improved medical outcomes as measured by our key clinical indicators as well as decreasing our Healthcare Associated Infection (HAI) rate.

The performance of Max Healthcare Institute Limited (Max) in India continues to improve as revenues grow and cost saving initiatives result in margin improvement. In line with the Group's strategy of growing in select emerging markets, the Group in April 2014 purchased 80.7% of Scanned Multimedis (Scanned) a leading private healthcare company in Poland for R427 million. Scanned's business comprises a 130 bed multidisciplinary acute hospital located in Krakow, a 22 bed specialist ophthalmology hospital near Krakow, and 23 medical centres which provide outpatient care (primary healthcare and specialist consultations) and diagnostic services located in major cities across Poland.

Financial performance

Group revenue increased by 10.2% to R6 211 million (2013: R5 634 million). Hospital division revenue increased by 10.5% to R5 769 million (2013: R5 222 million) driven by the 2.7% increase in PPDs. Healthcare Services revenue increased by 7.6% to R441 million (2013: R410 million).

Total comprehensive income for the period increased by 115.8% to R2 009 million (2013: R931 million), largely due to the Group's disinvestment of its 49.3% shareholding in JMH.

The Group continues to focus on driving efficiencies across the business to ensure services remain affordable and to improve margins. Normalised EBITDA (Life Healthcare defines normalised EBITDA as operating profit plus depreciation, amortisation of intangible assets, impairment of intangible assets as well as excluding profit/loss on disposal of assets and businesses and associated costs) increased by 12.5% to R1 738 million (2013: R1 545 million).

R Million	Six months 31 March 2014 Unaudited	Six months 31 March 2013 Unaudited Restated	12 months 30 September 2013 Audited Restated
Normalised EBITDA			
Operating profit	2 486	1 308	2 857
Profit on disposal of businesses	(985)	-	-
Loss on derecognition of finance lease asset	-	4	4
Profit on disposal of property	-	-	(4)
Depreciation on property, plant and equipment	180	176	354
Amortisation of intangible assets	57	57	116
Normalised EBITDA	1 738	1 545	3 327
Normalised EBITDA as % of turnover	28.0	27.4	28.1

Cash flow

The business continued to generate healthy cash flows. Streamlined administrative processes contributed to tight working capital management resulting in an increase of 15.7% to R1 443 million (2013: R1 247 million) in cash generated from operations, representing 83.0% (2013: 80.7%) of normalised EBITDA.

Financial position

The Group is in a strong financial position with a low gearing. Net debt to normalised EBITDA as at 31 March 2014 was 0.62 times (2013: 0.8 times), well within the bank covenants. This low gearing provides the Group with the financial flexibility to continue to invest locally and internationally.

Headline earnings per share (HEPS) and normalised earnings per share

Headline earnings per share increased by 13.4% to 82.7 cps (2013: 72.9 cps). Earnings per share on a normalised basis, which excludes non-trading related items, increased by 16.0% to 82.7 cps (2013: 71.3 cps).

R Million	Six months 31 March 2014 Unaudited	Change %	Six months 31 March 2013 Unaudited Restated	12 months 30 September 2013 Audited Restated
Normalised earnings				
Profit attributable to ordinary equity holders	1 813		754	1 699
Adjustments (net of tax):				
Profit on disposal of businesses	(955)		-	-
Loss on derecognition of finance lease asset	-		3	3
Profit on disposal of property	-		-	(3)
Gain on derecognition of finance lease liability	-		(16)	(16)
Normalised earnings	858		741	1 683
Normalised EPS (cents)*	82.7	16.0	71.3	162.1

Capital expenditure

During the current financial year, Life Healthcare invested R343 million (2013: R216 million). A further R500 million has been allocated for capital projects for the remainder of the 2014 financial year. This investment in the Group's facilities ensures that the demand for services is met and the Group remains abreast of modern technology and standards.

Cash dividend

The directors approved an interim cash dividend of 63 cents per ordinary share (2013: 54 cents per ordinary share) for the six months ending 31 March 2014 amounting to R656 592 142 (2013: R562 793 265) out of income reserves on 12 May 2014. The total interim dividend amounting to R656 592 142 will be subject to dividend withholding tax at a rate of 15%, which will result in a net dividend of 53.55 cents per ordinary share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act. The Company's tax reference number is 9387/307/15/1. The issued share capital at the declaration date is 1 042 209 750 ordinary shares. In compliance with the requirements of the JSE Limited, the following dates are applicable:

Last day to trade cum the dividend Friday, 30 May 2014
Trading ex the dividend commences Monday, 2 June 2014
Record date Friday, 6 June 2014
Payment date Monday, 9 June 2014

Share certificates may not be dematerialised or rematerialised between Monday, 2 June 2014 and Friday, 6 June 2014, both days inclusive.

Changes to board of directors

The following changes took place during the period under review:

ME Jacobs and RT Vice were appointed to the board from 1 January 2014.

TS Munday retired from the board with effect from 30 January 2014 at the annual general meeting.

CMD Flemming retired from the board with effect 31 March 2014 and A Meyer was appointed as the new Chief Executive Officer with effect from 1 April 2014.

Outlook

To meet increased demand for private hospital services, the Group plans to add an additional 120 brownfield acute

hospital beds in the next six months. In addition, the Group has over 180 beds which are under construction which will be operational within the next 12 months, over 540 beds where health department license approval has been obtained but where local and municipal approvals are outstanding and over 1 100 beds where licence applications are pending. The Group will continue to focus on driving operational efficiency through the management of cost of sales and the streamlining of administrative and IT processes and systems. Life Healthcare will focus on bedding down its acquisition in Poland in the next six months and working with Max to improve its profitability. Life Healthcare's results for the full financial year ended 30 September 2014 are expected to show an improvement of more than 20% from those reported for the financial year ended 30 September 2013. This expected improvement is largely due to Life Healthcare's disinvestment of its 49.3% holding in JMH.

Thanks

The contribution of the doctors, nurses and other employees of Life Healthcare have greatly enhanced the quality of our performance. We thank them for their contributions.

A special word of thanks from the board and the company to Michael Flemming for his contribution to the success of the Group over a number of years and all the best wishes to him.

Approved by the board of directors on 12 May 2014 and signed on its behalf:

Mustaq Brey André Meyer
Chairman Chief Executive Officer
12 May 2014

Executive directors

A Meyer (Chief Executive Officer), PP van der Westhuizen (Chief Financial Officer)

Non-executive directors

MA Brey (Chairman), FA du Plessis, PJ Golesworthy,
ME Jacobs, LM Mojela, JK Netshitenzhe, MP Ngatane, GC Solomon, RT Vice
Company secretary

F Patel

Registered office

Oxford Manor, 21 Chaplin Road, Illovo. Private Bag X13, Northlands 2116

Sponsor

Rand Merchant Bank, a division of FirstRand Bank Limited

Date 13 May 2014

Note regarding forward-looking statements: The company advises investors that any forward-looking statements or projections made by the company, including those made in this announcement, are subject to risk and uncertainties that may cause actual results to differ materially from those projected.

For more information see: www.lifehealthcare.co.za

Date: 13/05/2014 07:05:00 Produced by the JSE SENS Department. The SENS service is an information dissemination service administered by The JSE does not, whether expressly, tacitly or implicitly, represent, warrant or in any way guarantee the truth, accuracy or completeness of the information published on SENS. The JSE, their officers, employees and agents accept no liability for (or in respect of) any direct, indirect, incidental or consequential loss or damage of any kind or nature, howsoever arising, from the use of SENS or the use of, or reliance upon, information disseminated through SENS.

Source: JSE News Service (SENS)



I-Net Bridge (Pty) Limited and its associates disclaim all liability for any loss, damage, injury or expense however caused, arising from the use of or reliance upon, in any manner, the information provided through this service and does not warrant the truth, accuracy or completeness of the information provided. Copyright © I-Net Bridge (Pty) Ltd, 2012