



## General Healthcare Group

Annual Results for the year ended 30 September 2010

Sustained growth, expanding footprint and on the cusp of a new era

**General Healthcare Group (GHG), the UK's number one independent healthcare company owns 73 hospitals and healthcare facilities operating under the BMI Healthcare brand. With over 2,900 beds, 115 specialities and services, more than 1.275 million patient visits each year and 9,200 permanent employees, GHG is the No1 independent healthcare provider in the UK.**

### **Delivering sustained financial growth**

- Revenues up £23m to £855m ( 2009:£832m)
- EBITDAR increased to £229m (2009:£214m)
- 35% more cash generated than in 2009

### **Continual investment**

- Refurbished seven hospitals, eight wards and 16 theatres
- Invested in three new theatres and two new cardiac suites
- Completed seven imaging suite upgrades, installed six new MRIs and four CT scanners
- Launched new pathology model and decontamination service
- Acquisition near the end of year of three Abbey hospitals (Liverpool, Stirling and Gisburn) and a share in Transform, the UK's No1 cosmetic surgery business

### **Clear opportunity derived from NHS White Paper**

- Consultation paper indicates significant additional opportunities for private/NHS partnership
- Added pressure on NHS funding points to return of self pay and insured lives over time
- Increased customer choice based on quality and availability

### **Adrian Fawcett, CEO, commented:**

*“General Healthcare has achieved another strong performance following three previous successful years. We are well placed to continue to leverage our market leading position and will seek to benefit from many incremental growth opportunities as the market consolidates. The company is more efficient, more responsive and supports an increasingly entrepreneurial culture as needed for the markets we commercially operate in today.*

*We are proud of our company's achievements, the reputation of our brand and the transformation into an efficient service led business that has the potential to extend its leadership and grow significantly. We are entering a new, exciting era, driven by the forthcoming healthcare reform that will ultimately change, to our benefit, the landscape in which we operate.”*

### **Enquiries:**

#### **General Healthcare**

**Adrian Fawcett**, Chief Executive

020 7009 4500

**Phil Wieland**, Chief Financial Officer

#### **College Hill**

**Matthew Smallwood**

020 7457 2020

## Overview

Despite the challenging trading conditions of 2009/10, GHG has been able to deliver another excellent set of results, meeting our latest estimates and continuing to deliver growth in a market where the number of insured lives has fallen.

The results this year demonstrate the strength of the business strategy being deployed. The year has seen us deliver revenues of £855M up £23M and 2.8% year on year. At £229M, EBITDA has increased by almost 50% since the shareholders acquired the business in 2006.

Over the last four years the Group has been transformed in financial performance, quality and scale, and 90% of the GB population now live less than an hour from a BMI facility. We are just beginning to see the real benefits of the scale and national coverage that we have created.

During the last year we have acquired and opened new units in central London, expanded our geographies by implementing a hub and spoke strategy around our largest hospitals and at the close of the year we were able to announce the acquisition of a share in Transform and three Abbey hospitals, located in Liverpool, Stirling and Gisburn.

FY 2009/2010 has seen changing market conditions in the healthcare sector – ABI statistics demonstrate a fall in insured lives of 4.2% (calendar year to Dec 2009), the first significant negative movement in the market for a number of years. The self pay sector has been impacted by the challenging economic climate and has yet to demonstrate sustained recovery as patients continue to postpone decisions on elective surgery.

Despite these external factors the company has been successful in managing patient mix and profit margins. We have maximised the opportunities to work with the NHS and have increased the volume of Choose and Book patients being treated in our hospitals. This ensures we utilize our spare capacity and protect our overall revenue and profitability.

The NHS White Paper sets out potentially one of the most radical shake ups of the NHS since it was established. The vision builds on the core values and principles of the NHS – “a comprehensive service, available to all, free at the point of use, based on need, not ability to pay.”

The Government has set out how it will:

- put patients at the heart of everything the NHS does
- focus on continuously improving those things that really matter to patients – the outcome of their healthcare
- empower and liberate clinicians to innovate, with the freedom to focus on improving healthcare services

The Government has committed itself to increasing the NHS budget in real terms over the life of this parliament. However due to increased healthcare demand driven by an ageing population, advances and cost of medical technology, societal health issues and better diagnosis/treatment, NHS inflation needs to rise at a figure above real terms increases to meet expected need. Therefore, any increase below NHS inflation could be seen as a cut.

Whilst the White Paper is still a consultation document the changes proposed would if implemented, provide additional opportunities for the private sector to work with the NHS. In addition it is anticipated that the changes will lead to longer waiting times and therefore spur a return to growth of the self pay and insured sectors.

Over the last four years the improvements we have put in place have clearly differentiated the business in terms of quality, scale, employee capability and customer satisfaction. The company is an efficient business that continues to have significant opportunity to grow.

## Strategy

Our strategy for growing our healthcare business is concentrated on five basic principles:

### 1. Operating quality

Our core objective is the efficient and effective delivery of high quality patient care and the best possible clinical outcomes. The quality of our operational delivery is demonstrated by our performance against our key clinical indicators. Our infection prevention and control ensures that patients are significantly less likely to encounter infection issues such as MRSA and Clostridium Difficile in our facilities than the NHS. Our exceptional performance is a result of the dedication of our staff. Throughout the year we have invested further in clinical training and have reduced our reliance on agency staff, thus further improving the consistency of our delivery.

## **2. Efficient hospitals**

We are structured to ensure we are managing our hospitals to maximise the utilisation of our fixed and variable assets. We have continued to focus on our operating costs including labour and supplies and 2009/2010 saw another improvement in this area. Managing our costs efficiently is especially key as we move to a mixed economy model with both private and NHS patients.

In 2009/2010 we have, as expected during what are financially pressured times for companies, seen a small downturn in privately insured and corporate business whilst self pay has yet to show a sustained recovery from the effects of the financial recession. To mitigate this we have grown our utilisation by offering Choose and Book (giving NHS patients the choice to attend consultant slots made available at private facilities) in carefully targeted hospitals. It is expected that the NHS funded activity will continue to play an important role in the independent sector, as the legislative policy concerning Choose and Book rolls out further.

BMI Healthcare however remains very much a private healthcare provider that plans to make marginal capacity available to the NHS to service its patients where it is efficient and effective to do so.

## **3. Capital investment**

By running efficient and effective hospitals we can reinvest in our businesses to provide the highest quality services to all of our customers, thereby enhancing the return to our stakeholders. Our capital investment is directed at investment in new equipment and technology and maintenance to ensure our building and facilities are continually updated.

Capital investment in 2009/2010 including:

- 7 hospital wide refurbishments
- 8 ward refurbishments
- 16 theatre refurbishments
- 3 new theatres
- 2 new cardiac suites
- 18 endoscopy upgrades
- 6 new MRIs
- 7 imaging suite upgrades

## **4. New services**

By introducing new products and services we are adding value to our current business as we continue to deliver on our ambitious roll out plan to extend our service offerings in our key hospitals. Examples include the opening of a neuro-rehabilitation centre in the Alexandra Hospital in Manchester, and emergency care/minor injury centres in Blackheath Hospital and Syon Clinic, West London, as well as the remodelling of Fitzroy Square hospital to become a centre of excellence in women's health.

We also joined forces with the transport group Stagecoach to launch a voluntary heart health screening programme for employees in its UK Bus division. A state-of-the-art 'Healthy Heart Bus' – the first of its kind in the UK – is touring Stagecoach's bus depots, providing free heart health check-ups for thousands of staff. Over the next three to four years, Stagecoach employees will be given the opportunity to undergo a voluntary assessment of their cardiovascular health, as well as receiving advice on ways to maintain and improve their heart health.

## **5. New facilities**

In 2009/2010 we have continued to grow our business by acquiring more facilities where appropriate which has extended our existing footprint. We have successfully adopted a hub and spoke model at many of our hospitals, opening off-site consulting rooms and clinics to extend our reach into new communities. Locations include Evesham, Solihull, Sutton Coldfield and Bushey. Throughout the year we have delivered on our London strategy and extended our services at our newer locations in central London and west London and have opened our first site in Essex, BMI Southend Hospital. Our newest London location, the Weymouth Hospital, a partnership business, represents excellence in the independent healthcare sector. The hospital, which has been specially designed at a very high specification for patients who are looking for expert medical care provided in a luxurious setting, specializes in orthopaedic, urology, chronic pain management and ear, nose and throat procedures.

In the London region (inside the M25) we now have 12 hospitals and treatment centres which include two specialist cardiac units, seven hospitals with specialist paediatric services, 20 operating theatres and 37 critical care beds. We work closely with 1,200 consultant specialists treating 40,000 inpatient and day case patients with 250,000 outpatient visits. This is more capacity than any other operator in London.

Most recently we were delighted to announce the acquisition of three Abbey hospitals located in Gisburn, Stirling and Liverpool – all geographies accessing new populations.

## Outlook

Looking forward, this company enjoys good prospects in the longer term: as the full implications of the White Paper and developments in the NHS become clear, we anticipate an increasing role for the private sector. UK government spending on healthcare will become increasingly challenging and partnerships with the public sector will be critical to healthcare provision in this country.

General Healthcare Group is well positioned to benefit and take advantage of these trends.