

# FINANCIAL REVIEW

**SE** Market Wrap - Street Talk

**HD** **Healthscope banks take valuation to Asian investors**

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The keenly watched Healthscope roadshow rolls into **Hong Kong** this week as the healthcare giant, owned by buyout firms The Carlyle Group and TPG, sounds out prospective investors about a mooted \$4 **billion** float.

Street Talk understands those institutions identified as long-term holders of the stock will be handed indicative figures for an initial public offering during the current round of meetings.

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While a **sale** into public ownership remains one of two exit options for the private **equity** owners, the **lead** banks are likely to need comfort that such a large-scale raise can be underwritten.

It is assumed by many in the market that TPG and Carlyle will demand this level of support from their global advisers, Macquarie and UBS.

However, some investors are already questioning whether Healthscope can attain multiples similar to those of Ramsay Health Care, its listed arch-rival which has a market capitalisation of \$9.6 **billion**. The two companies dominate Australia's private hospital sector and Ramsay's strong interim results triggered another rally in the stock as investors took heart at long-term fundamentals of an ageing population and dwindling investment in public hospitals.

Goldman Sachs, which has a "neutral" rating on Ramsay, calculates earnings-per-share growth will be in the double-digit range for the next six years as the private hospital operators benefit from these factors.

But while few doubt the long-term prospects, investors are still preparing for tough negotiations on price.

Ramsay currently trades on a multiple of 25.2 times to its 2015 projected earnings. Some in the market doubt whether Healthscope can achieve these levels and investors are beginning to tire of vendors looking for the upside in a stock upfront.

In this case there is also the lingering memory of the debacle at Myer, which is yet to trade at its issue price after TPG exited the retailer in 2010.

However, health stocks – as the barnstorming debut of in-vitro fertilisation group Virtus Health has evidenced – are in high demand.

Healthscope also stands to make a killing on its property. UBS is probing the options on a **sale** of the **company's** \$1.2 **billion** portfolio and it's understood a number of heavyweight investors have already shown interest in the assets. The hospitals will most likely be shunted into an unlisted vehicle with the backing of sovereign wealth funds of specialist health sector investors.

Alternatively, the portfolio could be bought and managed by one of the big listed property trusts and managers, such as Lend Lease or GPT Group.

**CO** crlylg : The Carlyle Group | hesco : Healthscope Ltd | ramhop : Ramsay Health Care Ltd | tpgpar : TPG, Inc.

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