

SE Business
HD **Deals struck a world apart**
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Two moves on opposite sides of the world fired the share prices of Aquila Resources and Ramsay Health Care yesterday. They capture the opposite dynamics driving corporate Australia and, so, the same opportunities — for investors. These are, in short: Invest locally in resources that are feeding **Chinese** growth or use the high value of the Australian dollar to buy into offshore businesses, effectively at a discount.

Ramsay used the low interest rates in global financial markets to borrow up and so get a deal that is immediately accretive for its earnings per share. The ordinary Aussie is using low interest rates to borrow big to buy property; the canny **company** is buying profit-generating offshore growth businesses.

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Ramsay is buying into what is the developed world's only major growth field: old people, or more specifically old people who will increasingly fall ill.

The Aquila play is the more conventional, but also the more confusing. It's long been a sitting duck for a takeover battle, owning a big **iron ore** deposit in the Pilbara and a high-quality coking **coal** deposit in the Bowen Basin.

Aquila chairman Tony Poli and his **company** co-founder Charles Bass control 40 per cent between them. That's the key point. There's no way they could sustain their shareholdings in the context of the \$5 **billion** cost of developing the two projects. They could deliver control to someone with the money, or partner them. The first to pounce was **China's** Baosteel Resources, which teamed up with rail group Aurizon to bid \$1.4 **billion**.

Baosteel, which starts with 20 per cent of Aquila, would take a big chunk of the **ore**, along with project partner South Korea's Posco; Aurizon would build the port and rail infrastructure, operate and perhaps own it. Yesterday, West Australian infrastructure group Mineral Resources bought 12 per cent of Aquila at \$3.75, well above the \$3.40 Baosteel-Aurizon offer. The move ensures a deal will be done.

The move by Ramsay to buy a majority controlling **stake** in the biggest private hospital group in France is a **company**-changing and **company**-making deal.

Ramsay, our biggest private hospital operator, generates more than 70 per cent of its revenue in Australia.

It gets about 10 per cent from France, 12 per cent in Britain and with the rest coming from a joint venture in Malaysia and Indonesia.

Now, French revenue will leap to 40 per cent of the group total, Britain will fall to 8 per cent and the Australian share will be watered down to less than 50 per cent.

Inexorably the French business will grow bigger than the Australian one. There is plenty of scope for both acquisitions but above all organic growth. France's population is growing at 0.6 per cent a year;

but the number over 60 is increasing by 2.1 per cent a year. In Australia's its 1.6 and 3.0 per cent but there are 15.2 **million** French people already over 60, and just 4.5 **million** here.

What adds to France's appeal for a private hospital operator is the way the public and private systems — and critically, insurance — overlap.

Every French person is covered, Aussie Medicare-style, by the public system, which, according to Ramsay, picks up around 75 per cent of any hospital tab.

But an extraordinary 96 per cent of the population also has private insurance to cover the rest of the bill, as against the low-30s per cent in Australia.

A critical component is the financing. Ramsay will fund it entirely with debt. Clearly, the **acquisition** will take some digesting — it does increase the **company** by nearly 50 per cent. But it gives it a very attractive mix of Aussie dollar and euro income and a dominant position in different but equally good growth markets.

CO ramhop : Ramsay Health Care Ltd | aqures : Aquila Resources Ltd.

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