

HEALTHCARE SECTOR INSIGHTS



Succession is an issue for a number of healthcare providers, and for many, the biggest challenge is agreeing a value for the business. Is this an area where greater independent advice can help?

HOW ANZ SUPPORTS THE HEALTHCARE SECTOR

ANZ understands the challenges faced by the healthcare sector as well as the opportunities, as people live longer and seek more advanced medical treatment.

Our size and scale means we support the entire industry, from small, independent pharmacies through to multi-national healthcare providers. Our dedicated team of healthcare specialists work together to provide banking solutions for healthcare professionals, giving them more time to focus on their business.

ABOUT THE ANZ BAROMETER

The ANZ Privately-Owned Business Barometer is an annual survey of New Zealand business owners. In 2012, we received 4,011 responses from non-agribusiness owners including 179 responses from businesses who identified healthcare as their main industry.

This included medical practices, pharmacies and providers of healthcare equipment and technology. Businesses were located across New Zealand. Two-thirds of respondents employed less than five people and 55 percent had a turnover of less than \$500,000 per annum.

GROWING THE BUSINESS BY SHRINKING COSTS

Growth expectations in the healthcare sector are flatter than in any other sector. Fifty four percent of respondents expect growth of less than five percent in the next 12 months, the highest percentage of any sector. Two-thirds of healthcare business owners expect growth of less than ten percent over the next three years, again the highest percentage for any sector and significantly higher than 55 percent for the total sample.

More than half of healthcare sector respondents are considering cost reduction as a driver of business performance, compared with 31 percent of total responses. This figure is significant, as it is indicative of what business owners in general were saying in 2009 in the midst of the Global Financial Crisis, where 60 percent of business owners looked at cost cutting to drive business performance. This raises the question; are healthcare providers lagging other businesses and only now seeing the impact of the Global Financial Crisis or are they still looking to cut costs? And if it's the latter, how much more cost can they cut out and still be a viable business?

CHANGE OF OWNERSHIP HAS ITS OWN CHALLENGES

The number of healthcare business owners concerned about succession is on a par with the broader business community. What is significant in this sector are the barriers to succession. Almost half of the respondents concerned about succession say that agreeing a value for the business is a barrier. Is this because the low volume of businesses changing hands makes it difficult to ascertain a value or are the owners' price expectations unrealistic? Seven out of ten healthcare businesses were founded by the current owner, which suggests that historically, there haven't been a lot of businesses changing hands.

Around two in five healthcare business owners have had a buyer interested in the business in the past 12 months, and this interest has primarily come from industry players. What's stopping this interest being converted to a sale?

GETTING THE MOST FROM ADVISERS

The healthcare sector has one of the highest rates of using independent advisers. They are also the most comfortable working with external parties and have a higher tendency to rate their advisers as 'very beneficial'.

Unlike other businesses, they rely strongly on colleagues for advice. Given the issues they face around growth and change of ownership, it's questionable whether other healthcare professionals will be able to provide the most relevant advice. Who else can they connect with to receive useful advice on the issues that are holding their business back?

KEY RESULTS FOR THE HEALTHCARE SECTOR

How the healthcare sector compares to other New Zealand businesses:

- > 44 percent expect growth between one and four percent over the next 12 months, compared with 31 percent of all businesses.
- > 55 percent are looking at reducing costs to drive business performance, compared with 37 percent of all businesses.
- > 18 percent see a partnership or joint venture as a driver of business performance.
- > 39 percent of healthcare business owners see government regulations and procedures as an issue of concern.
- > 49 percent use an independent adviser; of them 30 percent use colleagues as a source of advice, compared with 16 percent of all respondents.
- > 71 percent of healthcare businesses were founded by the current owner.
- > Succession is an issue for 42 percent of healthcare providers; of those, 48 percent say agreeing a value for the business is a barrier to succession.

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