



# Network Healthcare Holdings Limited

**Investor Day**

30 August 2007

Adrian Fawcett

GHG Chief Executive Officer





# Outline

- Organisational structure and focus
- Operational efficiency initiatives
- Top-line growth initiatives
- Partnering with the NHS



# Organisational structure



# Implementing a culture of performance management

- Implementing performance measures
  - Sales, costs, cash and asset utilisation
- Establish management reporting to reflect the direction, performance oversight and control we need on these areas
- Integrate back offices of Netcare UK and BMI together – one corporate structure and office migration
- Establish a working business plan and management activity plan for each hospital
- Establish the forward organisational structure - to deliver against the market and business challenges
- Evaluate management team – capability and performance



# Factors to recognise

- People centric business: scale, size, direction and communication
- Property and facilities management
- Leadership, change management and integrations
- Inter-dependent growth: recruiting self employed entrepreneurs
- Consumer orientation: centre of gravity of the organisation
- Driving business practically: working with industry, partnerships



# Working strategies

- **Engage with Consultants** – to increase their business in our facilities
- **Engage and motivate with GP's** - to refer to us
- **Deliver 'National Consumer Product Services'**
- **Drive efficiency and cost management** - capacity created moved into selling roles
- **Grow our business offering:**
  - increase our network coverage
  - broaden the spectrum of care
  - open more routes of access
  - establish opportunities in associated and complementary markets
- **Organisational cultural development** - a great business and a great place to work
- **Engage with NHS, PCT's and DOH** - to be their 'service provider of choice'
- **Work with PMI funders** - to grow the market



# Operating efficiencies





# An intense focus on driving efficiencies

- **Ward labour initiative**
  - Implementation of a daily planning tool to ensure adequate resources are available based on patient procedures scheduled for the following day - expected to generate a saving of c£5m.
- **Theatre and outpatient labour initiatives**
  - Implementation of tools to manage theatre and outpatient labour in the same way as wards - expected to result in a saving of £3.0m p.a.
- **Non-clinical labour initiative**
  - Review currently underway to identify which hospital functions can be centralised to improve non-nursing labour KPI's - expected at maturity to generate savings of c£5m.
- **Procurement initiatives**
  - Including consolidation of suppliers to maximise volume discounts; combining volumes with Netcare UK and; working with Netcare SA to combine volumes and increase leverage.
- **Implementation of PACS-RIS**
  - The trend towards electronic imaging means that radiology fees can be reduced as the reading of scans can be organised more efficiently.



# Top-line growth initiatives

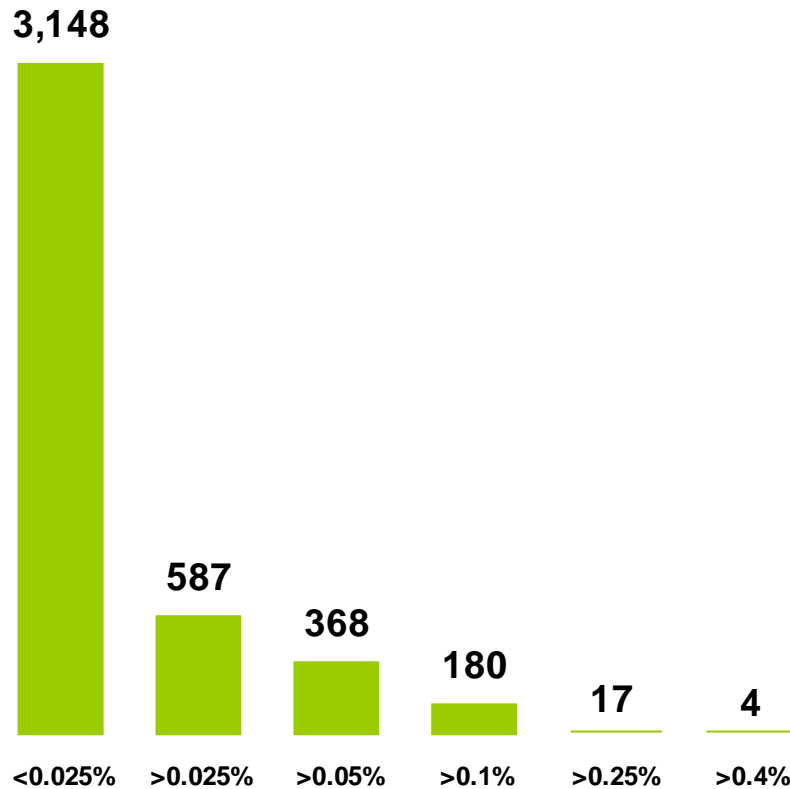




# Increasing consultant commitment

## Consultants contribution

GBP million, Proportion of total acute care revenue (Sep-06)



Source: GHG

- Understanding the consultants that drive our business
  - Determining their requirements to increase commitment
- Partnership schemes to align hospitals and consultants

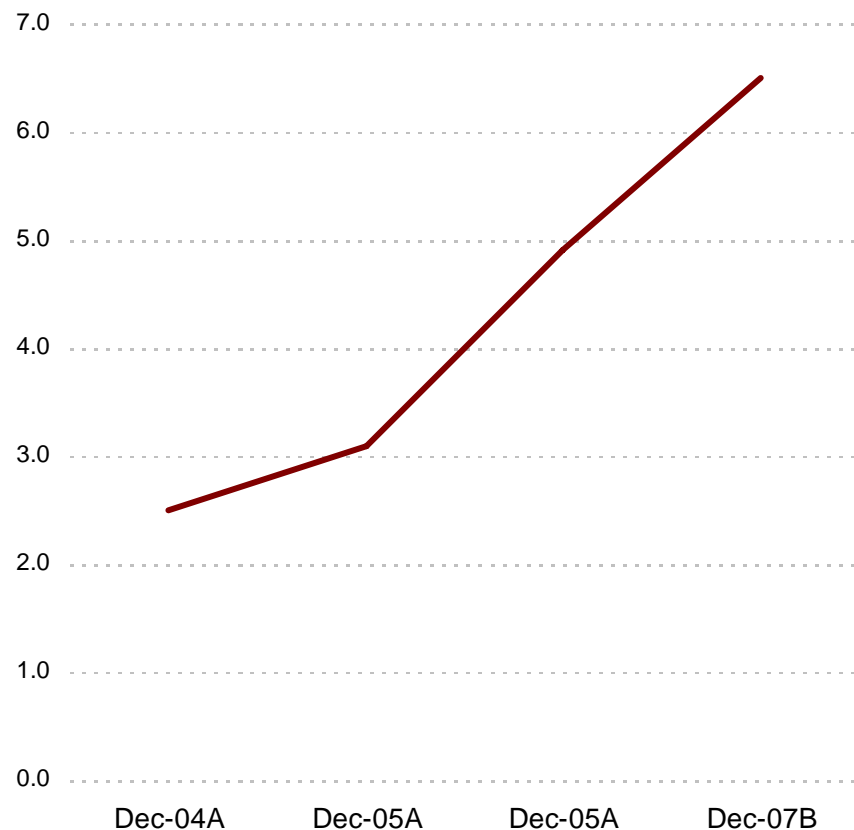




# Specialists working together

## The Priory hospital

Net revenue (£m) attributable to PDG initiatives



- BMI has developed a number of Practice Development Group's (PDG)
- Strengthens relationship with consultants
  - Consultants recognised as leaders in their field
  - Drives higher level of referrals
- BMI has 60 PDGs and many more in development





# Introducing new products and services

Introduce procedures not available on NHS or difficult to access such as cosmetic surgery, varicose veins, weight loss surgery, women's health, spine care, fertility

The screenshot shows the BMI Healthcare website for weight loss surgery. The header includes the BMI Healthcare logo and contact information: "Call 01234 567890 or [click here](#)". A navigation menu on the left lists sections like "Home", "About obesity", "BMI weight loss surgery", "The procedure", "Options", "Risks of surgery", "Making the choice", "Prices", "Life after surgery", "BMI Healthcare", "Our hospitals", "Your questions answered", "Useful links", and "Contact us". The main content area features a large green banner with the text "Call our helpline on 01234 567890 or email us" and an illustration of a person sitting on a chair. Below this, a section titled "You can make the choice" provides detailed information about the surgery, including a call to action to book an appointment. A "QUICK LINKS" section on the right offers links for "Why choose BMI?", "Are you eligible for surgery?", "How will your life change?", "How to access surgery", and "Support and aftercare". A "NEWS" section at the bottom right features a small image of a woman and text about a "FREE Men's Health Guide available..." and "Your cosmetic surgery should begin with an examination - of us...". At the bottom of the page, there are "Medical info" and "Price info" buttons, and a footer with "Contact Us | About Us | Privacy Policy | Site Map".





# Other revenue growth initiatives

- **Imaging**
  - Roll out of MRI, CT and radiology activities
- **New sites**
  - Acquisition and incremental build
- **Extended healthcare services**
  - Financial support, new procedures, boarder spectrum of care
- **Performance management:**  
sales, cost, cash & asset utilisation  
(hospital business plans)





# Partnering with the NHS

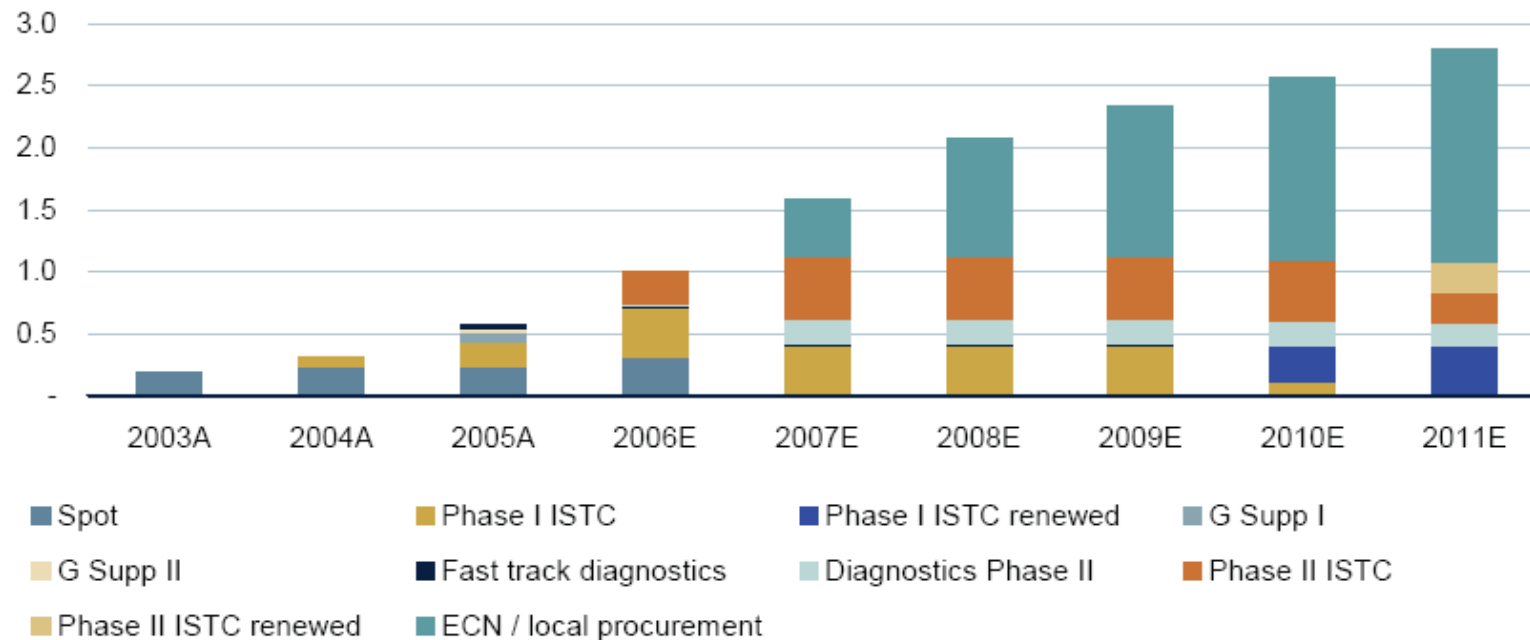




# NHS outsourcing opportunity

## Potential market for NHS outsourcing (2003A-2011E)

£ billion



### Notes

Based on announced contracts only

Spot purchasing is included under ECN / local procurement from 2007 onwards

Excludes inflation

Assumes 50% of the estimated £150m ECN contract value and 20% of diagnostic Phase 2 (£20m) is completed by the end of 2006E

Source Management estimates based on Laing & Buisson (2006-2007)





# Update on ECN programme

- ECN starting to roll out in the UK
- 21 hospitals IT enabled
  - plan for all, but will release very few slots for circa 1/3 estate
- Very limited PCT / GP 'up take' to date
- Need to undertake circa 3 or 4 times as many procedures to achieve contribution at this tariff
- Positive about ECN but a cautious view - as see funding for NHS as a challenge (the remaining NHS fixed costs)



# Update on NHS contracts

## Existing NHS projects

Project	Start date	No of years	No of procedures
GMSC	Apr-05	5	45 000
OC Chain	Jan-09	5	45 000
Stracathro	Jan-07	3	8 000
CWIC Leeds	Feb-07	5	150 ppd
Diagnostics-London	Apr-07	5	130 000

## NHS projects potential projects

Project	No of years	No of procedures	Status update
CWIC Kings Cross	5	180 ppd	Cancelled
Manchester A	5	90 000	Still pending
CATSS C&L	5	160 000	Still pending
NEYNL	5	70 000	Scope change





# Outlook





# Factors impacting results

## ■ Revenue Growth

- Increase marketing and communication
- Targeting 'direction' of referrals & consultant practice partnerships
- Increasing hospitals acuity activity
- National products – increase access ease and self pay activity
- Retail products and services

## ■ Margin management

- Cost controls and activity efficiencies
- Targeting higher 'margin procedures'
- Reduce cost of goods/ purchasing
- Centralisation of back office/ administration
- Manage Netcare UK bid costs & company restructuring costs

## United Kingdom

Six months ended	31 Mar 2007 £m	31 Mar 2007 Rm
Revenue	337	4 749
EBITDA <sup>1</sup>	88	1 240
EBITDA <sup>1</sup> margin	26.1	26.1
Capex	17	239

1. Before bid costs of £0.7 million (2006: £0.1) and mobilisation costs of £0.7 million (2006: nil)

## ■ Capital expenditure

- Good pipe line of major and minor returning capital project opportunities





# Outlook

- **In good shape but very realistic about the challenges:–**
  - Insured market, relatively flat covered numbers and tariff pressure
  - Real competition – private, self pay and ECN
  - Medical advances reducing ‘bed nights’
  - Potential of consultants / groups looking at commissioning direct with PCT’s/ Insurers
  - UK economic uncertainty and pressure on discretionary spend
  - We are doing a lot of things - stretching people and company
- **Business has leadership and direction**
- **Understand what needs to be done and what we are doing**
- **Netcare can draw on a depth of management**