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Healthscope says it has not lost investor support



Healthscope chief executive Gordon Ballantyne said the conditional support from Ellerston Capital for a [renewed \\$4.1 billion bid from BGH Capital](#) is not a sign the major shareholder has lost confidence in the private hospital operator.

by [Carrie LaFrenz](#)

The Ashok Jacob-run fund, which controls 9.3 per cent of Healthscope, is one of a number of shareholders considering voting down the company's remuneration report and against the re-election of chairman Paula Dwyer at the company's annual meeting next Wednesday.

It will be a huge week for the country's second-largest provider of private hospital services as it will open its [major \\$840 million Northern Beaches Hospital](#) and begin the transfer of patients from Mona Vale and Manly hospitals over two days from Tuesday.

Speaking after Healthscope said on Wednesday that it had received the final approvals for the opening of the hospital, Mr Ballantyne said the board was reviewing the new \$2.36-a-share offer from the BGH and AustralianSuper consortium and remained in regular contract with shareholders.

"We are continuing to talk to all shareholders and we are interested in all their perspectives. This bid is still similar to the prior bid in April," he told *The Australian Financial Review*.

Asked if Ellerston's request to allow due diligence was a signal that the fund manager had lost confidence in the board and the direction of Healthscope, Mr Ballantyne said, "No, it's to encourage us to engage, as we have in the past. All this points to – and all shareholders would have a similar view – that we apply an appropriate amount of due diligence... and that is exactly what we are doing and we will respond in due course."

Shareholders expect Healthscope to respond quickly, given the company has already [spent \\$13 million in the past financial year](#) assessing bids. Ms Dwyer is also facing the threat of an embarrassing shareholder revolt at the AGM. CGI Glass Lewis is advocating [for a vote against](#) her re-election.

However, the *Financial Review* can reveal another proxy adviser ISS is recommending shareholders support all resolutions including her re-election and the remuneration report. In 2017, Healthscope narrowly missed a "strike" (when 25 per cent or more votes are cast against the report) but according to ISS now the company's remuneration practices "appear broadly in line with local market practice".

Montgomery Investment Management's Tim Kelley was a Healthscope shareholder for a number of years but sold his position in May when the board began pursuing a sale of its property assets after knocking back the first BGH bid and another from Canada's Brookfield. Mr Kelley said the property spin-off would provide no value to shareholders.

"We were disappointed with that response," he said. "The property [sale and leaseback] was a meaningful negative in our view and incurring a lot of costs for no genuine economic benefit. I see [in] the share price the market has not been rewarded to date as a result of those initiatives."

Mr Kelley said the board might now have greater insights as to what shareholders would prefer to have happen. "The board needs to consider whether they made the right decision last time," he said.

Mr Ballantyne said the Northern Beaches announcement had nothing to do with countering the news of Tuesday's fresh bid.

"Today was a critical announcement ... to transition all clinicians and staff and with a full set of services being available," he said. "This is not an insignificant milestone. This is after four years. We said we are opening on October 30 and here we are opening on October 30. We are really delighted with the partnership we have had with the NSW government and other key partnerships. Being on time and on budget is a rarity in the sector."

Mr Ballantyne said 550 staff would be transferred from two nearby hospitals and there was no shortage of staff in any unit. "We have completed all contracts with all doctors and nurses and

all non-clinical staff," he said. "There is no staff shortage because if there were, we would not have completed this milestone."

CSLA analyst David Stanton said discussions with industry players suggest the opening might be rocky. "Channel checks suggest that most surgeons have signed contracts with the Healthscope's Northern Beaches Hospital. That said, we believe one reasonably significant group of surgeons continues to hold out due to issues with the group's contract.

"In addition, we understand that a large group of anaesthetists have not signed, again due to contract issues," he said in a note to clients.