

Consolidation and acquisitions will become key focus areas for private healthcare into the future

By [Liza Eustace](#)

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There is no doubt that private healthcare is an essential industry, but it is not without its challenges.



Source: [unSplash](#)

Locally, the private healthcare sector is having to deal with the uncertainty around implementation of the National Health Insurance (NHI) initiative and a lacklustre growth in the private medical insurance sector as a result of the economic strain felt by the consumer, which in turn impacts growth and earnings of the private healthcare providers.

Covid-19 has intensified these pressures. South Africa's early lockdown resulted in the cancellation of the majority of elective surgeries, decimating revenues while costs continued to rise due to additional PPE requirements and the necessity to keep a full complement of nursing staff.

While this poses a significant challenge for the sector, overall we believe that while smaller players may struggle, stronger players with robust balance sheets and ample liquidity will emerge intact in a post-Covid-19 world.

This should offer a good opportunity for consolidation and various acquisitions within South Africa and across the African continent.

There will also be a necessity for diversification and specialisation in order to achieve growth and maximise on margins. While expansion offshore has been a trend in the past, the relative success of these endeavours will necessitate that these companies also look to the domestic market for growth that supports overall sustainability of the private players and increased collaboration with the public sector.

In the highly competitive pharmaceutical industry, it remains important for players to penetrate large markets and retain and grow their market share both domestically and offshore.

At Absa CIB, we see our role as not only supporting balance sheets, providing risk management and debt products, but also as a trusted partner who is able to provide strategic sector-relevant insights, a deep understanding of African markets and the ability to facilitate introductions that lead to growth within our clients' businesses and benefit the sector as a whole.

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