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UPDATE 3-Australia's Healthscope bids A\$271 mln for Gribbles

By Sonali Paul

MELBOURNE, Oct 20 (Reuters) - Australian hospital operator Healthscope Ltd. (ASX: HSP) made a A\$271 million (\$198 million) bid on Wednesday for troubled pathology firm Gribbles Group Ltd. GGL.AX, looking to create a broader healthcare services group.

The offer for Australia's third-largest pathology provider, which also has businesses in New Zealand, Malaysia, Singapore and India, was priced at A\$0.60 a share, 5 percent higher than Gribbles' last price ahead of a trading halt on Monday.

However, Healthscope said the offer price was 40 percent higher than Gribbles' average price over the past six months. It was also well above analyst valuations of A\$208-A\$217 million.

Healthscope's bid, valuing Gribbles at A\$415 million including assumed debt, is subject to winning acceptance from at least 90 percent of shareholders, with the key question being whether ex-chief executive Wallace Cameron will back the offer.

Cameron, still a director of Gribbles and controller of the group's 43 percent shareholder EC Medical Investments, held off making a recommendation, while Gribbles' independent directors unanimously recommended the offer.

"It'll hinge on whether Cameron decides he can muster up a better bid or not from his backers," said ABN AMRO Morgans analyst Scott Power.

Gribbles shares rose 1.8 percent to 58 cents, indicating investors did not expect a higher bid to emerge.

Gribbles' bigger pathology rivals Sonic Healthcare Ltd. (ASX: SHL) and Mayne Group Ltd. (ASX: MAY), had both considered buying Gribbles but backed off, according to media reports.

Healthscope Managing Director Bruce Dixon told a briefing there were no plans to sell any of Gribbles' Asian units or its Amdel analytical labs. He added the Malaysian and

Singapore operations were "tracking well", contrary to market reports. He said if Healthscope could not fix its loss-making joint venture with India's Dr Reddy Laboratories REDY.O, he would look to get out of it.

BIGGER SAVINGS SEEN

Healthscope said the acquisition would double its net profit in fiscal 2006 to A\$47 million and boost its earnings per share by 12 percent before goodwill amortisation in fiscal 2006, aided by A\$4 million in cost savings and revenue growth from Gribbles providing services to Healthscope's 28 hospitals.

"The synergy benefits look much bigger than I expected," said one Sydney-based analyst who declined to be named.

Healthscope shares closed up 3.4 percent at A\$3.66, valuing the group at A\$325 million, after it came off a trading halt, in a weaker broader market .AXJO.

Gribbles put itself up for sale last month after Cameron quit and the company reported flat operating earnings of A\$40 million and a net loss of A\$51.3 million.

Healthscope, advised by Gresham Advisory Partners, said it would fund the acquisition with bank loans, underwritten by Australia and New Zealand Banking Group Ltd. ANZ.AX, and a renounceable share issue, underwritten by Macquarie Bank Ltd. MBL.AX and Goldman Sachs JBWere GS.N.

Gribbles, advised by Global Markets Capital Group, has agreed to pay a A\$2.7 million break fee if Healthscope is outbid, EC Medical Investments does not accept the bid, or the independent directors withdraw their recommendation.

(\$1=A\$1.37)

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