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Medibank float seen as good for health shares

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Jessica Gardner

Perpetual head of equities **Matt Williams** believes a public float of **Medibank Private** could spark further consolidation in the health insurance market, boosting shareholder value.

Mr Williams, who manages the largest stake in Australia's only listed health insurer, **nib**, said a listing of Medibank was attractive because of potential "rationalisation benefits", despite the sector's vulnerability to changes in government policies. "Another listed vehicle, particularly of the size of Medibank Private, would be a strong catalyst for further rationalisation in the industry," Mr Williams said.

Nomura analyst **Toby Langley** said a float of Medibank Private, the largest health insurer with 29.5 per cent of the

market, could raise at least \$4 billion.

Treasurer **Joe Hockey** told Channel Nine's *Financial Review Sunday* the Coalition was "absolutely committed" to privatising Medibank but would wait for the completion of a scoping study before deciding on timing. "We'll wait and see what happens, but we've been absolutely committed to the privatisation of Medibank Private and we're not moving away from that," he said.

Mr Hockey deferred on whether the insurer could take on responsibility for the administration of the National Disability Insurance Scheme. Mr Williams said administering the NDIS made sense for Medibank. "Any further services that can be distributed or put through that network that adds to profit with little additional cost would obviously be quite positive."

However, he said investors must understand that a change of government could easily dismantle those policies. "It's an industry that has its risks in the sense that it is highly reliant on government policy for its existence," he said. "You get tinkering [with policy], which can obviously hurt, or you get wholesale changes from a different government that may have a different philosophy."

Other fund managers expect the privatisation of Medibank to generate strong interest. "Often [government owners] have priced things a bit better and not sweated the asset to within an inch of its life like some of the private equity vendors," Philo Capital fund manager **Hugh Dive** said. "It doesn't apply to all [government floats] but it applies more often than not."