



GenMed walks the walk

By Andrew Chilvers

Always eager to score political brownie points for her department, Health Secretary Patricia Hewitt's much publicised opening of the Liverpool Street walk-in clinic a year ago also gave a valuable public fillip to PLUS-listed General Medical Clinics (GenMed).

As operator of the facility for the NHS, GenMed has since become an active player at the smaller end of the healthcare market, running three private clinics and its celebrated commuter clinic.

Some 11 months after Hewitt's public endorsement of GenMed's walk-in facility, the company raised £1.5 million in a private fund raising followed a month later by a placing on PLUS. With a market cap of £7.7 million, GenMed issued 16,316,944 shares at 5p apiece and started trading on December 29, 2006 with a share price of 37.5p. That's now risen to 49p, so an investor appetite clearly exists for what GenMed has to offer.

Moreover, the financials look strong with turnover of £5.6 million for the year to June 2006, up £1.5 million on the previous year, and pre-tax profits of £365,059, which doubled during the same period.

For GenMed chief executive Jerry Appleyard, the PLUS listing ticks several boxes as he attempts to add more City and West End clinics to the company's portfolio. Appleyard views the float as a first step towards expansion through acquisitions, while giving some of his VCT shareholders an exit route. He also believes it will make an attractive package for medical professionals not savvy in the ways of corporate deal making.

"When you're buying medical practices it's very difficult to deal with doctors who don't understand monetary terms," he says. "Therefore, you can say 'here is £500,000 and also £500,000 worth of shares and this is what they're trading at'. It makes an acquisition strategy much easier for us because you're giving an accurate figure.

"We also set up an employee share option trust, which means we can buy in the staff as well and incentivise them."

Appleyard's background is retail and multi-site management, which is core to GenMed's Central London, multi-clinic strategy: "Primary care, which is GP work, is a retail product and it's about customer service, managing the team and getting the people to co-ordinate together."

An AIM float is also a long-term plan, although Appleyard admits joining the junior market is some way off. "On AIM we wouldn't even scratch the surface, but with PLUS we are profitable, we are cashflow positive, we have no debt and we must be one of the few on PLUS that have that."

Much of GenMed's future success hinges on the NHS with its annual £70 billion budget and its ongoing reform programme. Unsurprisingly, the NHS is an attractive funding partner for private healthcare providers and is encouraging applications for private healthcare centres, which will operate for private employees and patients registered under the NHS. It's here that GenMed believes the opportunities exist for huge growth, buying single practices and integrating them into the group.

Another reason for investor appetite could also be GenMed's exit strategy, which in time is to sell to one of the larger healthcare companies or insurers.

Nevertheless, while currently the darling of PLUS-quoted stocks, investors should note that GenMed's possible over-reliance on NHS contracts could mean headaches for the future. Notwithstanding the political issues that often crop up with NHS funding and its reform programme, GenMed also runs the risk of the non-renewal of contracts from the state behemoth as well as an increase in tendering for larger projects. Also, NHS projects can be notoriously bureaucratic and take time to realise. 