



St John quits pathology to concentrate on hospitals

Sean Smith

St John of God Health Care will take a stake in the private equity-backed Clinical Labs as part of the sale of its \$130 million-a-year pathology business.

The not-for-profit private healthcare group confirmed the sale to Crescent Capital Partners' Clinical Labs yesterday, saying its exit from pathology would allow it to focus on its core hospital services.

The financial terms were not disclosed. But the deal, brokered by Azure Capital, is valued at less than \$50 million and includes a minority shareholding in Clinical Labs, which will provide pathology services to St John of God under contract.

Crescent created Clinical Labs last year after paying \$105 million for Healthscope's east coast-focused pathology arm. It is looking to build a sizeable

national business able to be packaged for sale in two to five years.

The St John of God purchase will lift its annual pathology revenues by \$130 million to about \$410 million and add 19 laborato-

ries and more than 180 collection centres in WA and Victoria to Clinical Labs' 50 laboratories and 560 collection centres in NSW, Victoria, South Australia and the Northern Territory.

St John of God chief executive Michael Stanford said the group's pathology business, which has a workforce of 1250, lacked national scale in a competitive market. Profit growth proved a challenge for the WA group because it was prevented from owning doctors' practices, meaning it had to lease sites for its pathology labs and centres.

"The rents have gone up about 15 per cent, its been an ultra-

competitive market and at the same time there's been no real price increase for 20 years," Dr Stanford said. "We're a mid-size player. We can't do it all; we wanted to focus on hospitals."

He said St John of God had to be satisfied Crescent was a suitable buyer. "We wanted to make sure that while you can't have the same cultural fit — we're a church-based group, they're not — we're happy that they're good-quality people with the right intentions."



Sharper focus: Michael Stanford