



AfroCentric Investment Corporation

Interim Results for the period ending 31 December 2019



2020 Interim Review

Group CEO: Ahmed Banderker

STATE OF THE MEDICAL SCHEMES INDUSTRY

2020 premium increases

Scheme	Average
OPEN SCHEMES	
Bonitas	9.9%
Bestmed	8.4%
Discovery	9.5%
Fedhealth	10.9%
MediHelp	11.9%
MedShield	9.4%
Momentum	8.2%
Sizwe	10.6%
Hosmed	7.9%
Keyhealth	8.5%
CLOSED SCHEMES (LOCAL GOV)	
LA Health	7.5%
Umvuso	10.4%

- Premium increases > CPI
- Buy-down trend to continue
- Low Cost Benefit Options
- Limited overall membership growth
- 14m taxpayers vs. 8.9m medical aid lives
- NHI uncertainty remains
- COVID-19

OUR VISION AND PURPOSE



OUR VISION



Transforming healthcare



OUR PURPOSE



Enhancing the quality of life

GROUP STRUCTURE



Most **focused** and **diversified**
Healthcare company in
Southern Africa

Medical Aid Administration, Risk Management and Technology

- 3.7m lives
- 39% market share
- Bonitas positive growth
- Scheme mergers and acquisitions

Pharma Cluster

- Largest SA courier pharmacy
- Full value chain acquired
- Highly impactful on overall healthcare spend

Corporate Solutions

- Primary Care & Occupational Health Clinics
- Reduces healthcare costs
- Medical scheme integration
- NHI potential

OUR STRATEGY AND APPROACH

Transitioning to Phase 2



Phase 1

Phase 2



**Acquisition of
building blocks**

- Operational Excellence
- Unlocking Synergies for growth
- Disruptive Models
- Creating value and delivering the returns
- Investing in our People



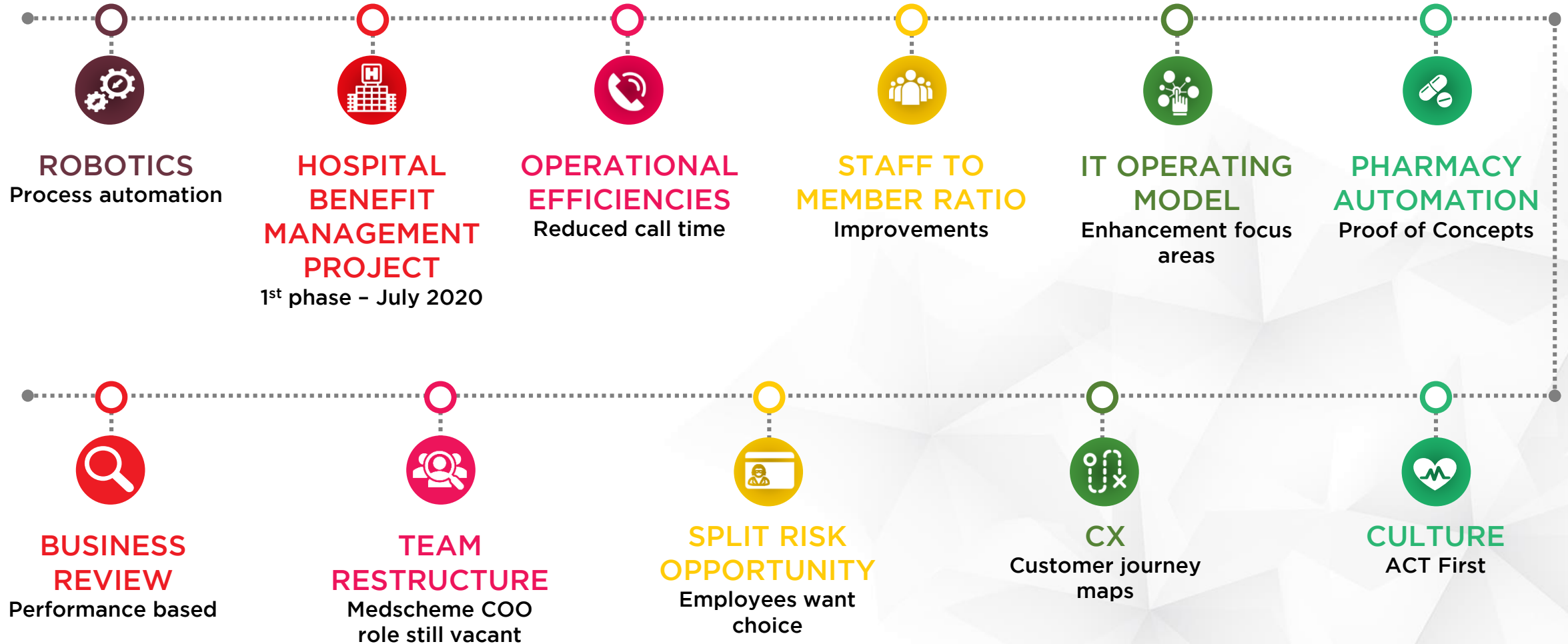
TRANSFORMING HEALTHCARE

3 YEAR STRATEGIC PLAN

Be the **BEST** at what we do...

- Administration Platform (Cost and performance)
- People skills and culture – Leadership Excellence & Culture Transformation
- Aggressively target Schemes with new models
- Explore new structures for small Schemes
- Exploring disruptive models
- Digital Initiatives – UX and Self Service
- Optimise Business Processes

STRATEGIC INITIATIVES



RECENT ACHIEVEMENTS

Approach already yielding positive results...



NEW BUSINESS

Acquisition of DENIS – Dental Management. Subject to Competition Commission approval
Winning MEDiPOS contracts - Administration and Managed Care
Scriptpharm - Bonitas contract for chronic, acute and oncology medicine
Primary Care and Occupational Health - Numerous tenders won to date



CLIENTS RETAINED

PHA retained 2 Hosmed contracts – Hospital and Disease Risk Management
Pharmacy Direct retained Medshield - HIV contract

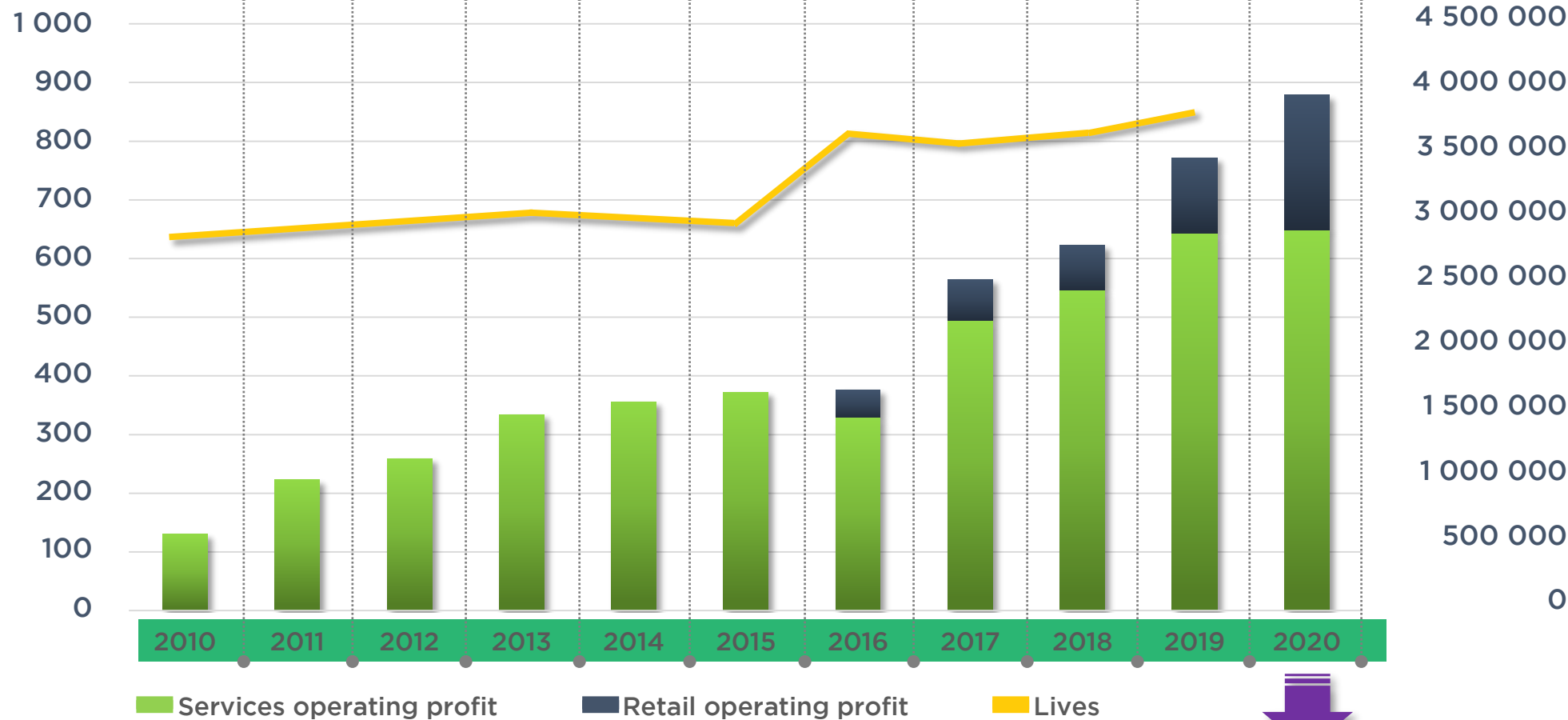


AWARDS

FICO Decisions Award ceremony - Decision Management Innovation
PMR Award - Aid for AIDS

A TRACK RECORD OF GROWTH

OPERATING
PROFIT
R'm



LIVES

4 500 000
4 000 000
3 500 000
3 000 000
2 500 000
2 000 000
1 500 000
1 000 000
500 000
0

21.1%
Compound
Annual
Growth over
10 years

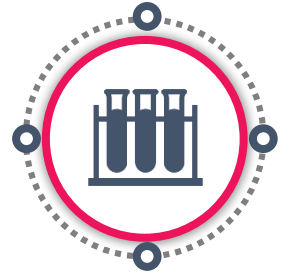
Interim results annualised

COVID 19 - OFFER OF ASSISTANCE

AfroCentric has offered its services to the National Minister of Health

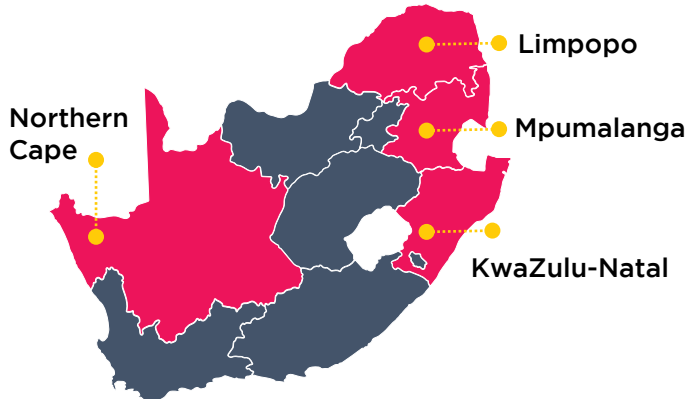
BASIS FOR ASSISTANCE

ACT's Pharmacy Direct has been a holder of contracts for the Centralised Chronic Medicine Dispensing and Distribution (CCMDD) programme of the National Department of Health **since inception in 2014**



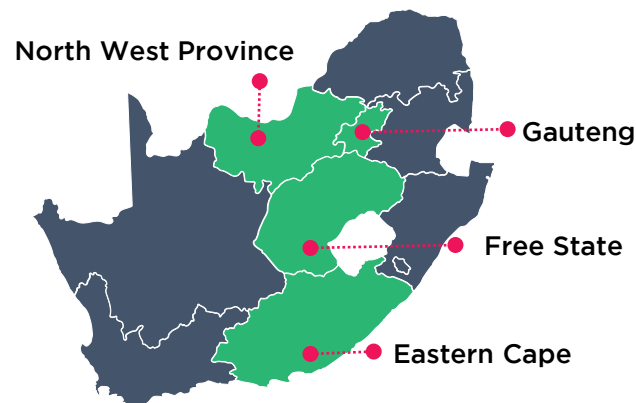
Current CCMDD contract

Pharmacy Direct delivers chronic medication to district health facilities in four provinces:



Previous CCMDD contract (2014 - 2018)

Pharmacy Direct until recently delivered chronic medication to district health facilities in four provinces:



Pharmacy Direct is currently delivering **1 million** parcels per month between private and public contracts

COVID 19 - OFFER OF ASSISTANCE

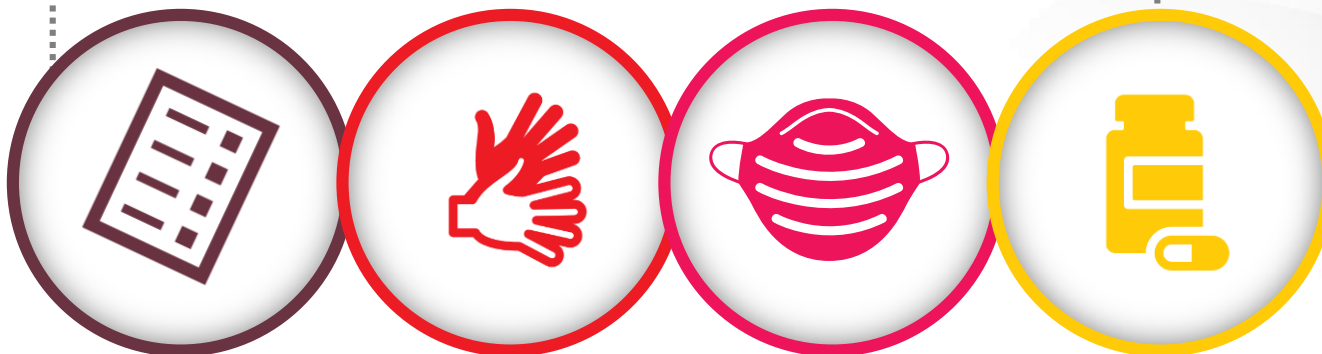
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Containing this airborne virus requires:

- Awareness
- Use of hand sanitisers
- Masks covering nose and mouth (where necessary)

ACT offered distribution to all CCMDD patients or bulk delivery to facilities of:

- Information flyers / booklets
- Hand sanitisers
- Masks
- Activo acquired immune boosters





Interim Financial Review

Group CFO: Hannes Boonzaaier

GROUP FINANCIAL STRUCTURE



Medical Aid Administration, Risk Management and Technology

- Medscheme SA
- AfroCentric Technologies
- Marketing
- Group head office

Revenue - R'm

2018	R 1 828	8%
2019	R 1 950	

Operating Costs - R'm

2018	R 1 564	7%
2019	R 1 672	

Operating Profit* - R'm

2018	R 264	5%
2019	R 277	

Efficiency projects starting to yield results
Diversification within the membership base

Pharma Cluster

- Pharmacy Direct
- Activo
- Scriptpharm
- MMed

Revenue - R'm

2018	R 700	112%
2019	R 1 483	

Operating Costs - R'm

2018	R 666	106%
2019	R 1 368	

Operating Profit* - R'm

2018	R 34	233%
2019	R 115	

PD R25m
Activo R43m
Scriptpharm R 13m ➤ **R81m** ↑

Corporate Solutions

- AfroCentric Integrated Corporate Solutions
- Wellness Odyssey
- EssentialMed

Revenue - R'm

2018	R 23	127%
2019	R 52	

Operating Costs - R'm

2018	R 26	76%
2019	R 46	

Operating Profit* - R'm

2018	R (3.6)	249%
2019	R 5.3	

Anticipating first significant primary care client

* Operating profit excluding IFRS 16 lease reversals per segmental analysis.

THREE YEAR VIEW OF PROFIT BEFORE TAX



	2019 R'm	2018 R'm	2017 R'm
Operating Profit*	398.0 35.0%	294.8 3.9%	283.6
Net Finance Income / (Cost)	(9.4) n/a	20.1 3.3%	20.8
Depreciation / Amortisation	(106.4) 29.7%	(82.0) 21.8%	(67.3)
IFRS 16 (Leases) Net effect	(10.0)	(4.5)	-
Other	(3.5) (n/a)	11.2 2.6%	11.5
Profit before tax	268.7 12.2%	239.6 (3.6)%	248.6

*2018 and 2019 operating profit stated after actual lease costs to be in line with 2017 standard pre IFRS 16.

NEW VENTURES

Operating Profit

	2019 R'm	2018 R'm	2017 R'm
EssentialMed (Health Insurance)	2.0	(2.5)	-
Mmed (Surgicals / Consumables)	(2.7)	(2.9)	-
Eswatini (Administration)	(4.4)	(3.4)	(6.7)
Scriptpharm (Pharma Managed Care)	9.5	3.5	-
TOTAL	4.4	(11.8)	(6.7)

STATEMENT OF FINANCIAL POSITION



Most notable changes

	31 Dec 2019 R'm	31 Dec 2018 R'm	Notes
Land and Buildings	263.3	119.0	Medscheme purchase of office block - R77m
Intangible Assets	1 265.2	937.3	Activo acquisition - R278m
Cash	205.9	275.5	Cash utilised to reduce borrowings
Net Borrowings	452.5	-	R98 million capital reduction in less than 9 months (max drawing R550 million)
Inventory	331.4	100.6	Activo acquisition brought R162m into group; MMed inventory levels at R90m
Trade Payables	(534.0)	(306.5)	Activo and MMed supplier accounts
Trade Receivables	559.5	445.2	Activo R83m
Net Working Capital	356.5	239.2	Addition of Activo and growth in Pharmaceutical cluster

3 YEAR EARNINGS TRACKING



	2019	2018	2017
Weighted average number of shares ('000)	574 241 3.6%	554 377 0%	554 377
Base Earnings (R'000)	134.8 11.4%	120.9 0.8%	119.9
Headline Earnings (R'000)	134.8 8.7%	123.9 3.2%	120.1
Earnings per share (cents)	23.48 7.6%	21.83 1.0%	21.62
Headline Earnings per share (cents)	23.47 5.0%	22.35 3.1%	21.67
Net Asset Value per share (cents)	523 7.4%	487 6.8%	456

MOST DIVERSIFIED HEALTHCARE GROUP



CORPORATE SOLUTIONS

- **EssentialMed**
Health Insurance *CMS Circular 80*
- **Wellness**
 - 2018 R 4.0m
 - 2019 R 5.2m
- **Other**
 - Home Based Nursing
 - Occupational Health offering
 - *Anticipating first significant contract*

MEDICAL AID ADMINISTRATION, RISK MANAGEMENT AND TECHNOLOGY

Medscheme client base

- Bonitas members ▲ 8 000
- Fedhealth members ▲ 7 000
- Closed schemes ▼ 19 000
- GEMS members ▲ 21 000

*MEDiPOS joining 1 April 2020
(approximately 12 000 members)

PHARMA CLUSTER

- **Pharmacy Direct**

2018	R 40.5m
2019	R 65.1m

*New NDoH contract stabilization during 2019
- **Scriptpharm contracts**

2018 - Nedgroup	R 40m
2019 - Add POLMED	R 500m
2020 - Add Bonitas	R 780m
- **Activo (full year per circular)**

2019	R 95m
2020	R 131m
- **MMed integration with scheme procurement??**
- **Dental offering via DENIS acquisition awaiting Competition Commission approval*

