

Investor Day

2020 Annual results

For the year end 30 June 2020



AfroCentric
GROUP



Welcome

Group Chairperson | Dr. Anna Mokgokong





Group Overview

Group CEO | Ahmed Banderker



AGENDA



Who we are and
what we do

01



Value driven
strategy

02

Group CEO | Ahmed Banderker



Progress on
strategic plan

03



Segment
financial
performance

04

Group CFO | Hannes Boonzaaier



Group
performance

05

CREATING VALUE THROUGH PURPOSE



OUR PURPOSE

Enhancing quality of life



OUR VISION

Transforming healthcare



OUR MISSION

To innovate a new integrated model of sustainable healthcare that measurably improves access to quality healthcare

MOST DIVERSIFIED SA HEALTHCARE COMPANY

GROUP STRUCTURE

Our diversified business model and growth strategy enables us to achieve sustainable growth and value creation across the healthcare sector by leveraging our competitive advantages.



Medical aid administration, risk management and technology

3.8 million lives under and management

39% market share

Substantial **digital** technology advancement



Pharmaceutical cluster

Largest South African courier pharmacy

Full **management of medicine** expenditure

High impact on overall healthcare spend **savings** for client schemes



Corporate solutions

Primary care and **occupational health**
Fully integrated **wellness offering**

Reduces healthcare costs

OUR STRATEGY AND APPROACH

TRANSFORMING HEALTHCARE



Reduction in non-healthcare expenditure

Lowering scheme healthcare costs

Operational excellence

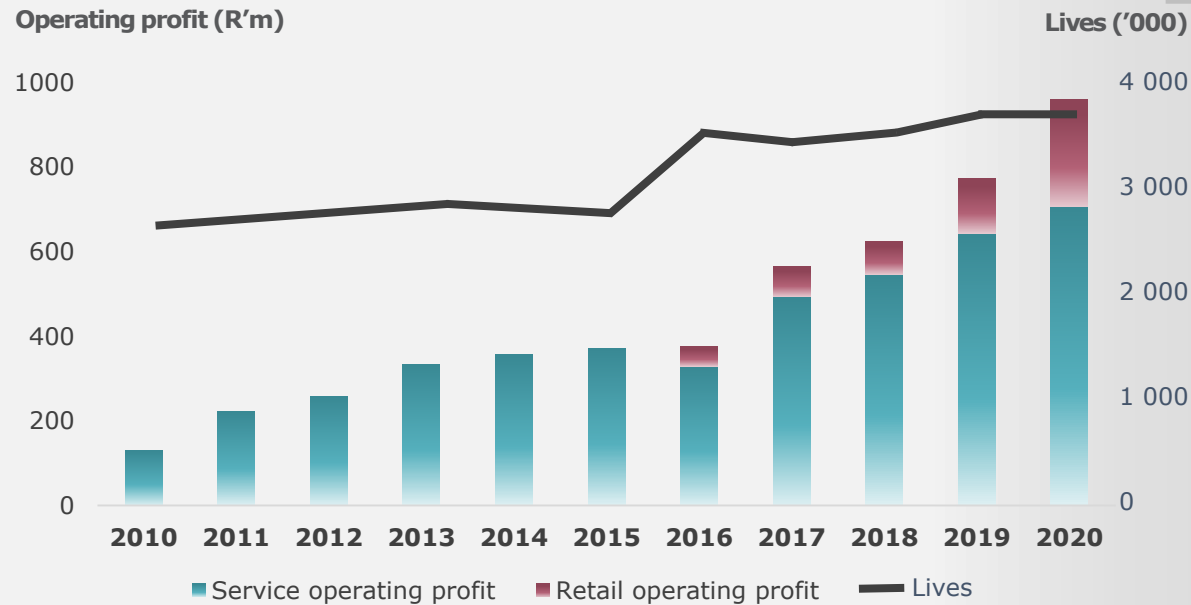
Unlocking synergies for growth

Disruptive delivery models

Investing in our people

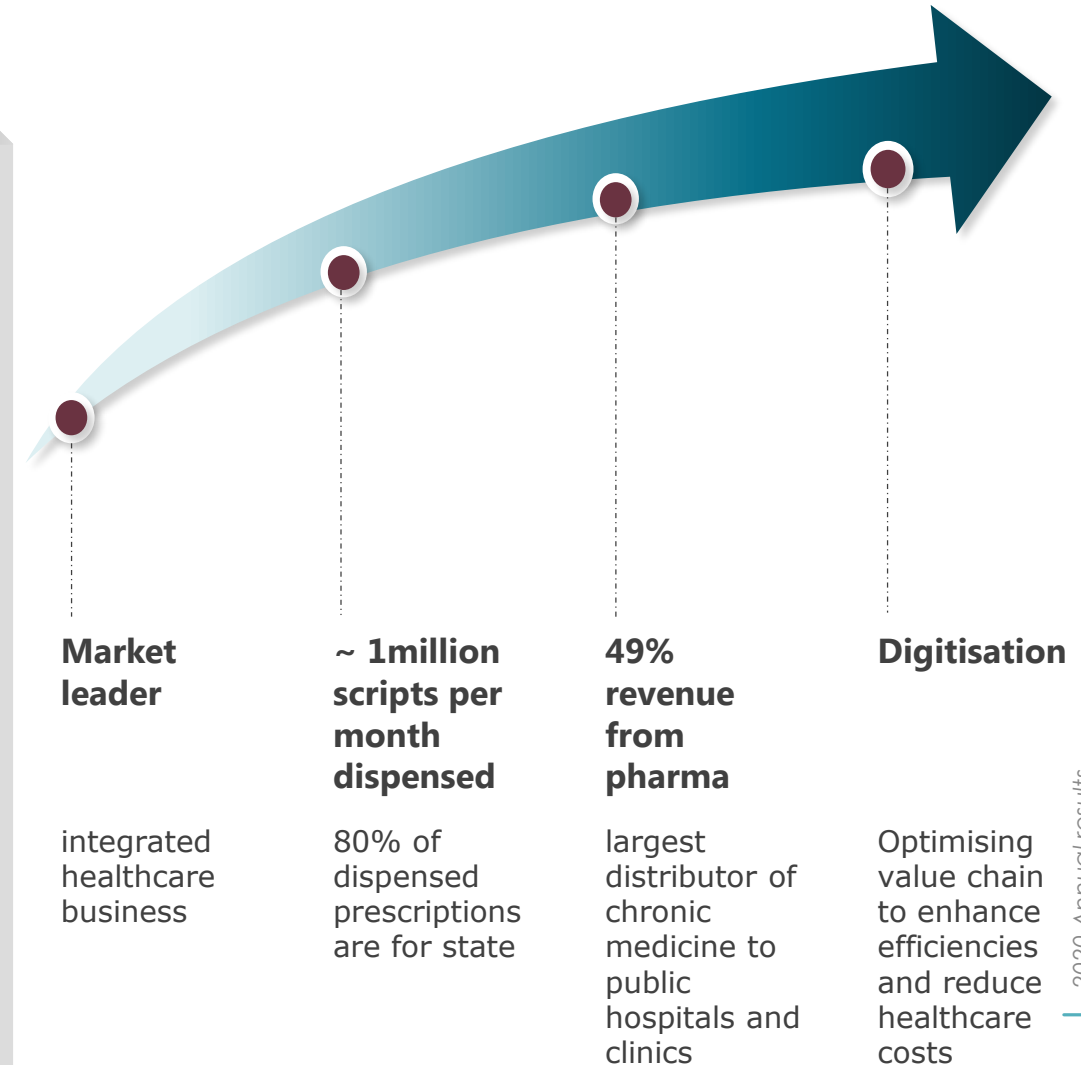


FOCUS ON GROWTH



A TRACK RECORD OF GROWTH

Diversification makes us more sustainable in a changing healthcare environment



STRATEGIC INITIATIVES



KEY HIGHLIGHTS (MEDSCHEME)

REFRESHED OPERATING MODEL



MARGIN IMPROVEMENT

Operating costs down by ▼1%
Operating profit up by ▲13%

HOSPITAL BENEFIT MANAGEMENT

Phase 1 completed

IT OPERATING MODEL

Outsourcing core functions

OUTCOMES

Increased staff satisfaction
Member survey improvements
Robotics & automation implemented
Enabling straight through processing

STRATEGIC INITIATIVES

KEY HIGHLIGHTS

EXPERIENCED NEW COO

Johan van Rooyen, LLB

24 years in healthcare

COO of Discovery, Head of Vitality and Group Services, GM at Ping An Health (China), CEO at AIA Health (Hong Kong), CDO of Discovery Bank Project, CEO of Kaelo



Significant exposure to









- » Designing and managing operations
- » Being a change leader
- » Optimising processes for efficiencies
- » Risk management
- » Controlling effectiveness across business landscapes



Drive innovation & operational efficiencies
Contribute to group strategy implementation

FOCUS AREA – PHARMA CLUSTER



KEY HIGHLIGHTS

Activo	Pharmacy Direct	Scriptpharm	MMed
>> Revenue			
 236% Up to R646 million	 13% Up to R1.1 billion	 214% Up to R1 billion	 52% Up to R347 million
>> EBIT			
 243% Up to R132 million	 16% Up to R96 million	 67% Up to R22 million	 173% Up to R4 million



Activo

13 new products launched
Another 13 by Dec 2020 – hospital, oncology, HIV
Covid19 impact on sales

 Immune supplements - *record sales*
Hydrocortisone
 Mositec - travel restrictions
Supiroban – less operations



Pharmacy direct

Automation – future proofing the business
New legislation – renewal of scripts 6-12 months



Scriptpharm

8 new capitation agreements
Acute medicine alone – R106 million saved Jan-July



MMed

First scheme contract - 15-25% savings
Pharmaceutical wholesale distribution license
Started manufacturing – 100% local sourced

FURTHER HIGHLIGHTS

ACQUISITION

**DENIS
Group 100%**
(ex EOH)
Competition Tribunal
approval

Dental benefit
management specialist

**NDOH
contract with
Pharmacy
Direct**

Extended by 12 months
till 31 March 2022

CONTRACTS

**MEDiPOS
Contracts**

Administration and
Managed Care

13 200 Members

SASOLMED

Given notice
Contract ends Dec 2020

RESILIENCE DURING COVID-19

Anticipated membership losses

Surprising stickiness
Retrenchments take time
to work through

Depressed claims

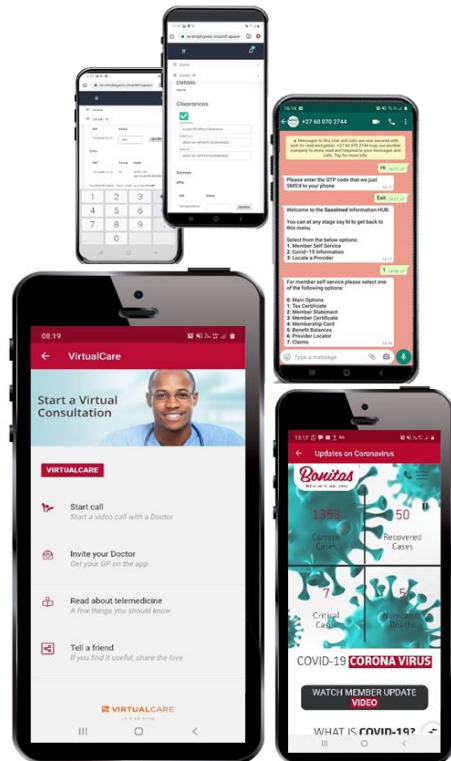
Due to delayed
elective procedures

Accelerated Digitisation

*Responded quickly
Reducing the cost
of healthcare*

VirtualCare
Telemedicine offered to all
Triage principles applied

Symptom checker
WhatsApp
Chat bots



Power of PPPs

Private-public collaboration during Covid-19
Demonstrated PPPs can be answer in NHI

Courier pharmacy

Proving it self during Covid-19
Home delivery to high risk patients
Reducing patients at government facilities

Legislation change
Script renewal extended from 6 to 12 months

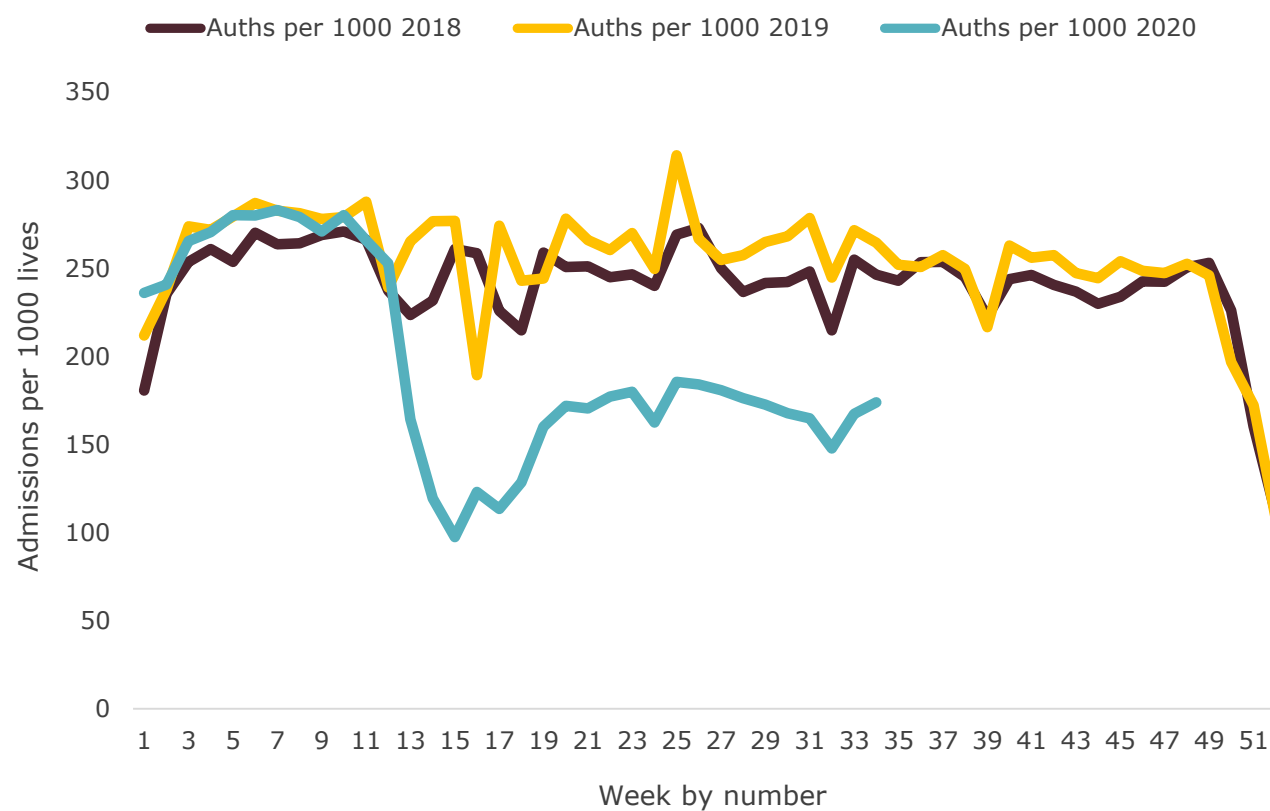
Flooded with PPE orders

Conservative approach
Declined when unsure of delivery



CLIENT SCHEMES DURING COVID

ADMISSIONS



Scheme performance

~ 4.4% lower than budget as at June 2020

General utilisation trend

~ 8% lower annual claims

Solvency

Unrealised losses means solvency volatility

Membership changes

Threat of buy-downs and terminations

3 YEAR STRATEGIC PLAN - PROGRESS

Be the
BEST at
what we
do...



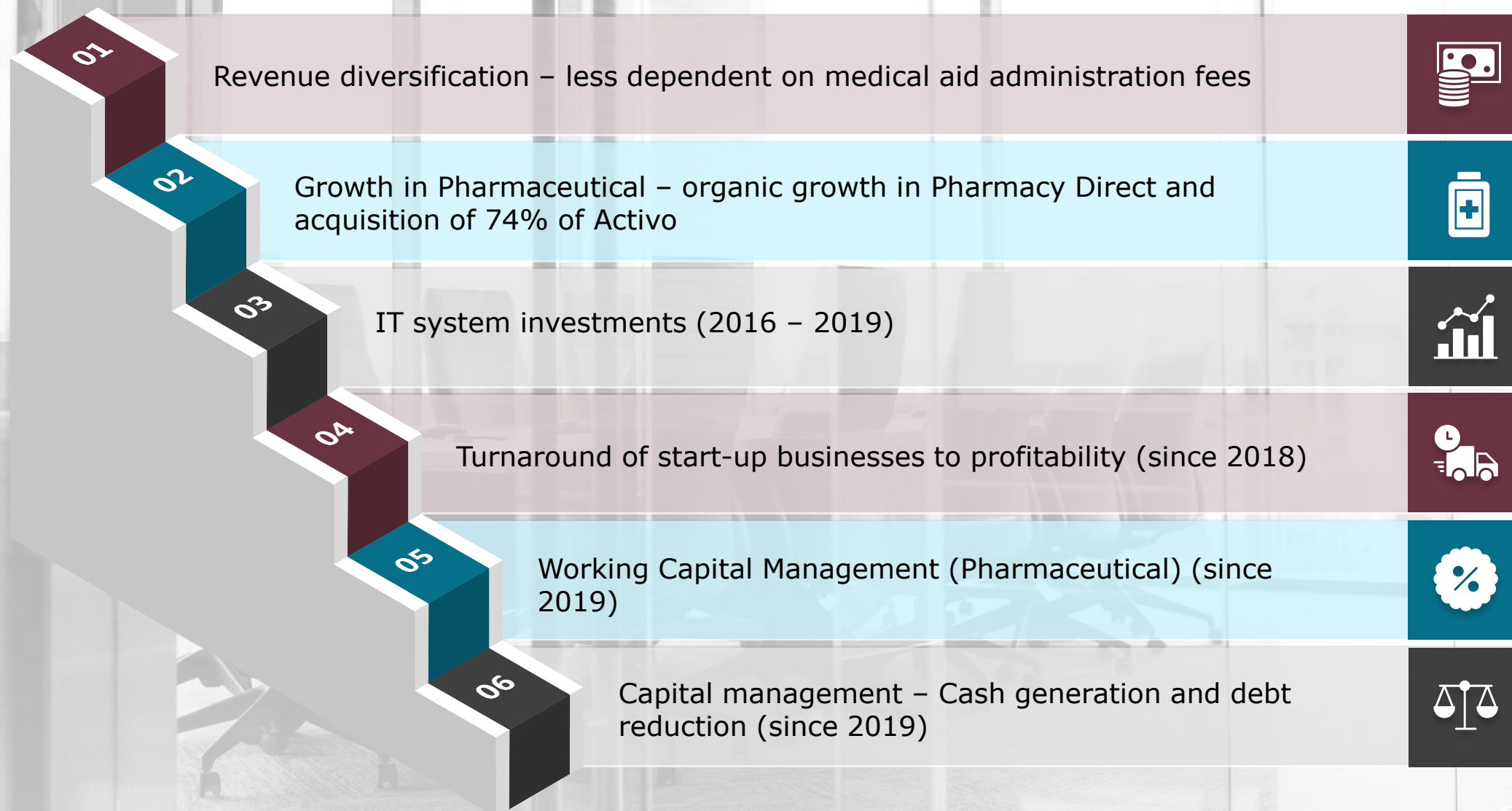
Year End Financial Review

Group CFO | Hannes Boonzaaier



AfroCentric
GROUP

FINANCIAL FOCUS POINTS SINCE 2016



HIGHLIGHTS FOR YEAR END JUNE 2020

21.6%

REVENUE



19.1%

PROFIT AFTER TAX



96.4%

HEALTHCARE RETAIL
OPERATING PROFIT



13.2%

HEALTHCARE SERVICES
OPERATING PROFIT



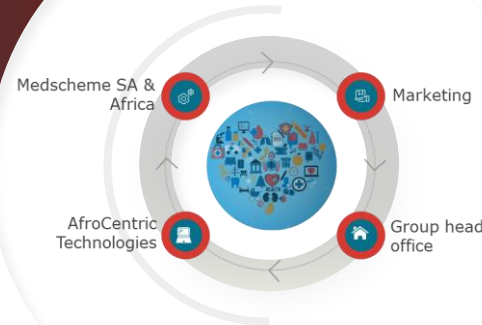
SEGMENTED FINANCIAL REPORTING STRUCTURE

Administration, Risk
Management & Technology

Pharma Cluster

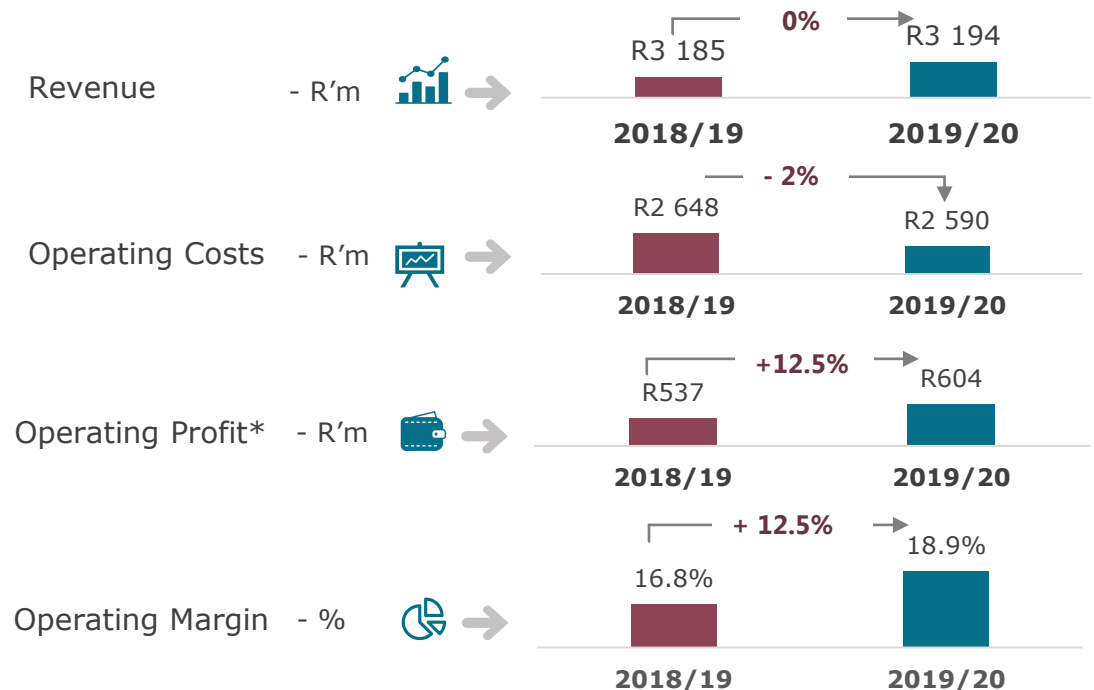
Corporate solutions

Medical Aid Administration, Risk Management and Technology



- Option mix of open schemes placing pressure on revenue
- Sub CPI fee increases on many schemes
- Efficiency projects starting to yield results
- Analysing every touchpoint with a member
- System simplicity to improve speed of member interactions

Operating Profit Review



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

SEGMENTED FINANCIAL REPORTING STRUCTURE

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Corporate solutions

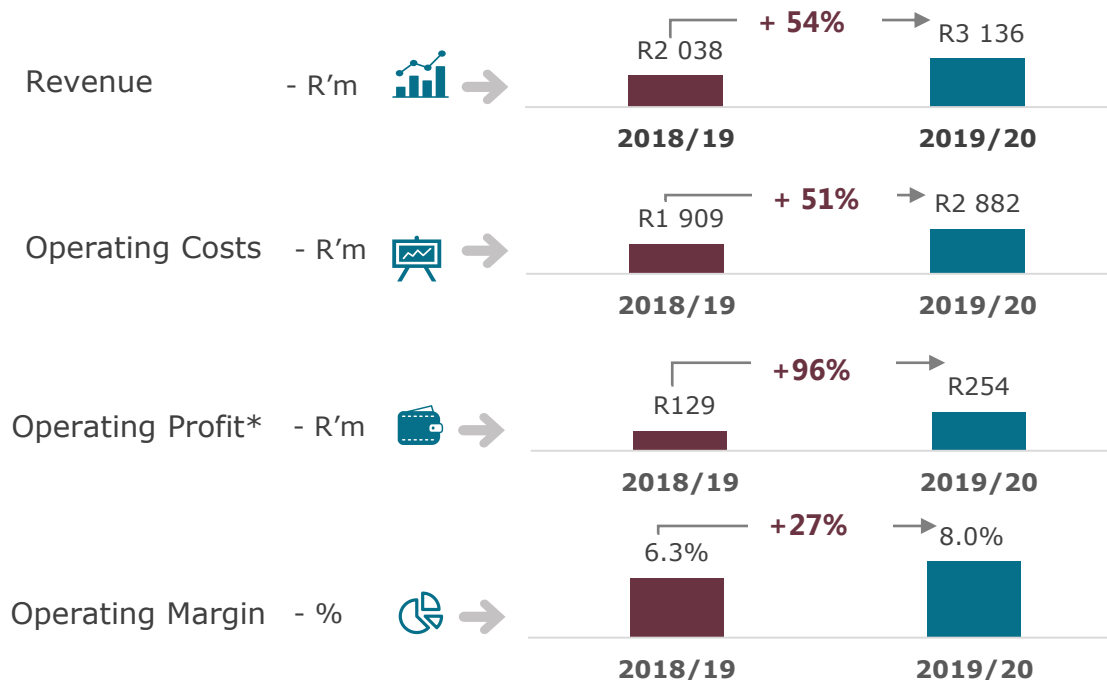
Pharma Cluster



R123 million increase in operating profit

- Pharmacy direct** R13m
18% increase in scripts ↑
Reduction in delivery costs ↓
- Activo** R92m
4 months consolidation in 2019
- Scriptpharm** R9m
Polmed contract 12 months; Bonitas 4 months
- MMed** R9m
PPE and improved basket of profitable goods

Operating Profit Review



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

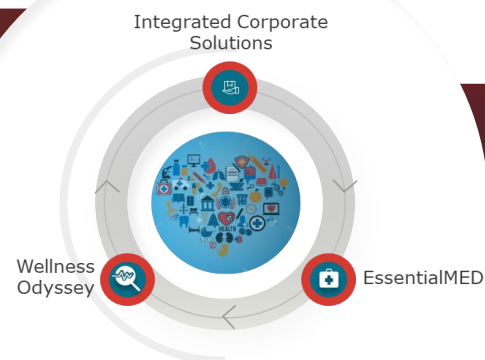
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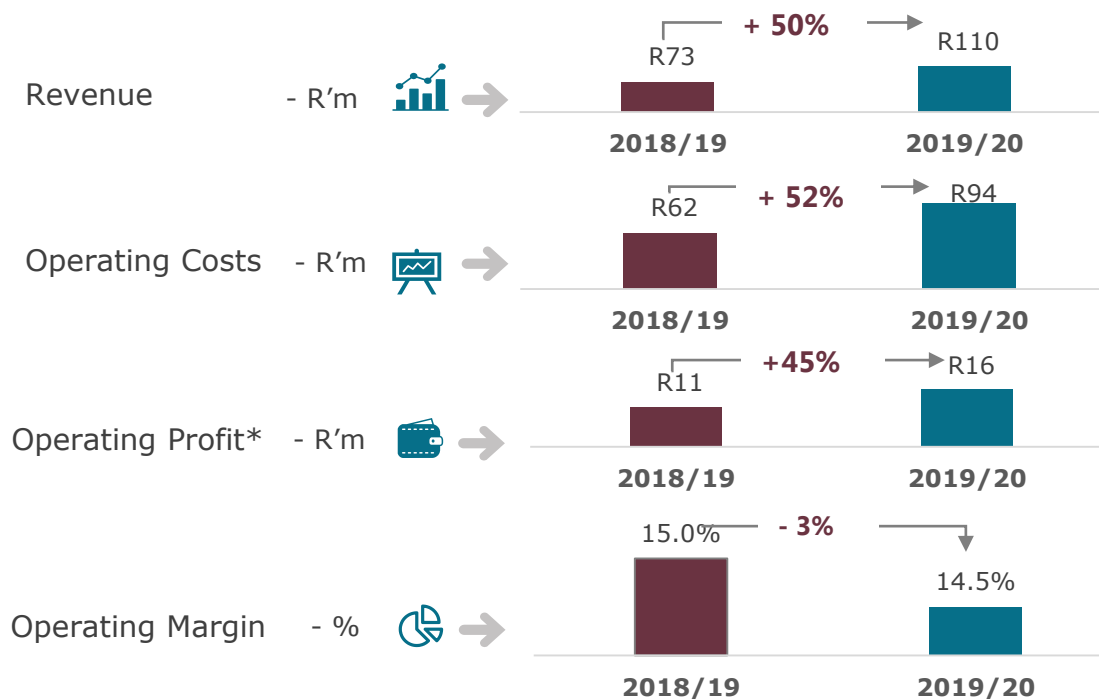
Corporate solutions

Corporate solutions



- Wellness mobility impacted by COVID-19
- Health insurance impacted by regulation uncertainty
- "Corporate health" awareness increasing in S.A

Operating Profit Review



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

THREE YEAR VIEW OF PROFIT BEFORE TAX

R'm		2018	2019	2020
		↓	↓	↓
Operating Profit*	→	623.1	677.6 ↑ 8.7%	874.6 ↑ 29.1%
Net Cash Finance Income / (Cost)	→	43.4	16.9 ↓ (61.0%)	(17.1) (N/A)
Depreciation / Amortisation	→	(140.7)	(166.8) ↑ 18.5%	(226.6) ↑ 35.8%
IFRS 16 (Leases) Net effect	→	-	(20.1)	(13.6)
Other (Active conversion from an associate to subsidiary)	→	12.6	20.9	(3.7)
Profit before tax	→	538.4	528.5 ↓ (1.8)%	613.6 ↑ 16.1%

Depreciation/Amortisation increases 2019/2020

Nexus	21.4	} Administration systems
Fusion	17.4	
Activo	11.8	
Sanlam Health/PHA	7.1	
	58.0	

Group EBITDA
R869.3 m
(2019 – R778.0 m)

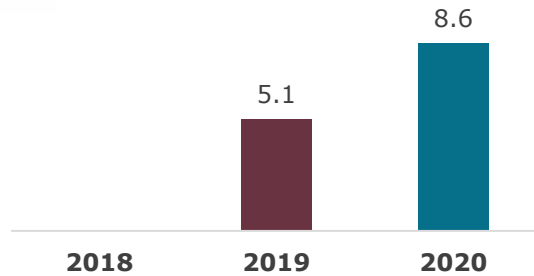
*2019 and 2020 operating profit stated after actual lease costs paid to be in line with 2018 standard pre IFRS 16.

NEW VENTURES

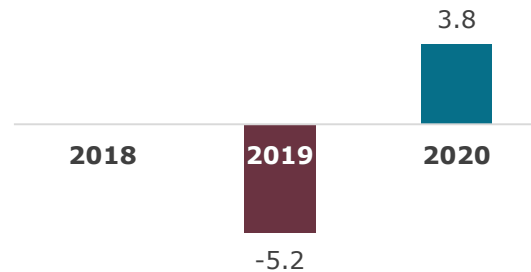
OPERATING PROFIT



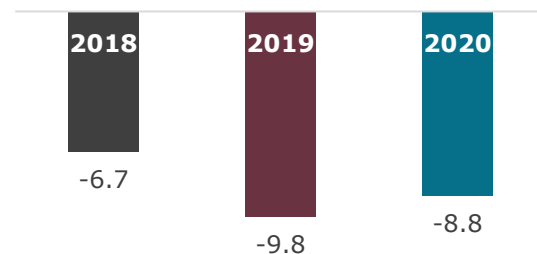
EssentialMed (Health Insurance) R'm



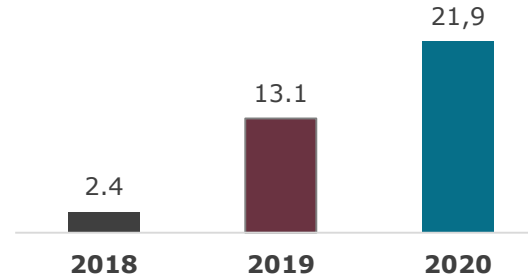
MMed (Surgicals / Consumables) R'm



Eswatini (Administration) R'm



Scriptpharm (Pharma Managed Care) R'm



ADDITIONAL CONSIDERATIONS

ANALYSIS

A

Health insurance market impacted by regulatory uncertainty from December 2019

B

Mmed benefited from PPE opportunities during COVID-19

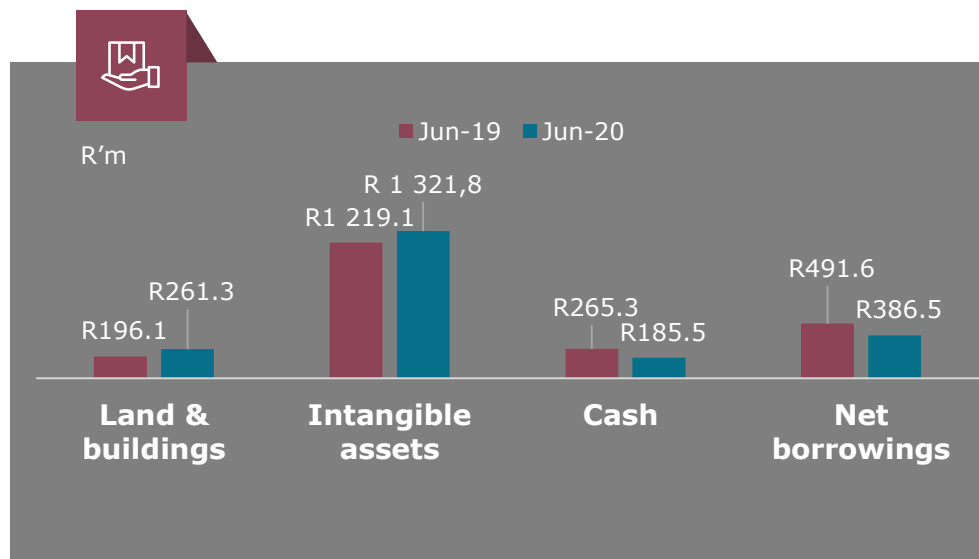
C

Exiting the Eswatini market in 2020/2021

D

Scriptpharm 2020 results only include 5 months of the Bonitas chronic medication contract

STATEMENT OF FINANCIAL POSITION | KEY CHANGES



Land & buildings

Medscheme purchase of office block in July 2019 -R77 million

Intangible assets

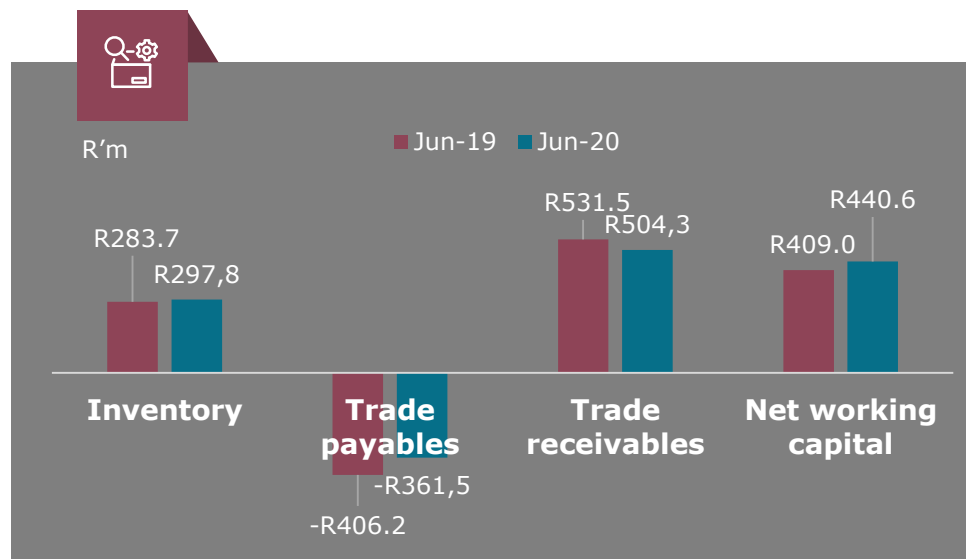
- Digital enhancements – R35 million
- Hospital benefit management system – R41 million
- Net development on admin platform – R57 million

Cash

Cash utilised to reduce borrowings
Working capital needs comfortable range of R180 million to R200 million

Net borrowings

R105 million capital reduction (max drawing R550 million) (debt repayments < 5 years)



Cash conversion metrics

Inventory

Inventory – PD 30 days Activo 90 Days

Trade payables

Trade payables – 30 days from invoice

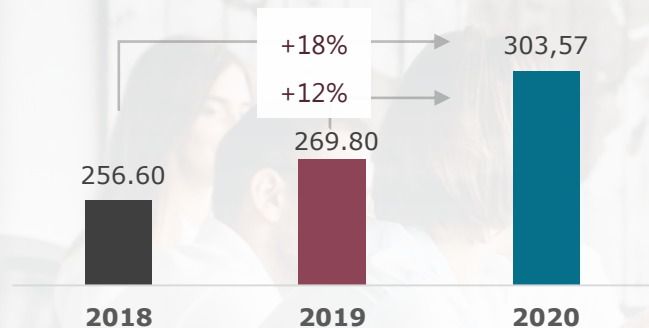
Trade receivables

Trade payables – Medscheme and PD 20 days (Schemes);
Activo 50 days (Pharmacies)

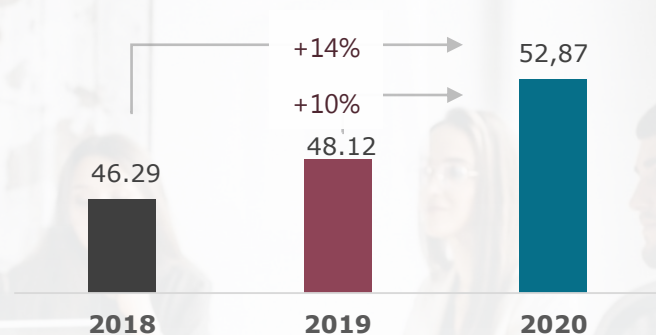
**7,7%
increase in
working
capital to
R440.6m in
2020**

3 YEAR EARNINGS TRACKING

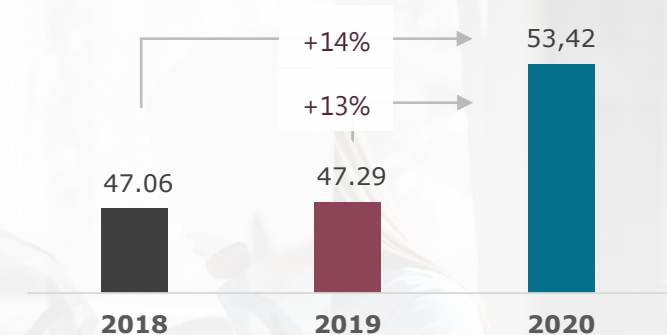
Base Earnings (R'm)



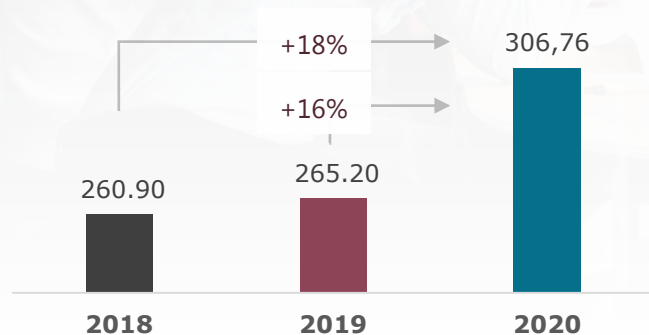
Earnings per share (cents)



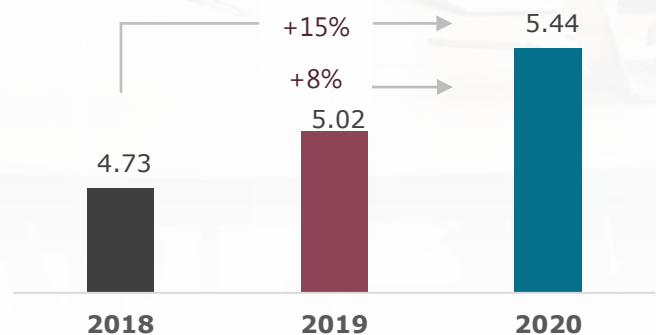
Headline Earnings per share (cents)



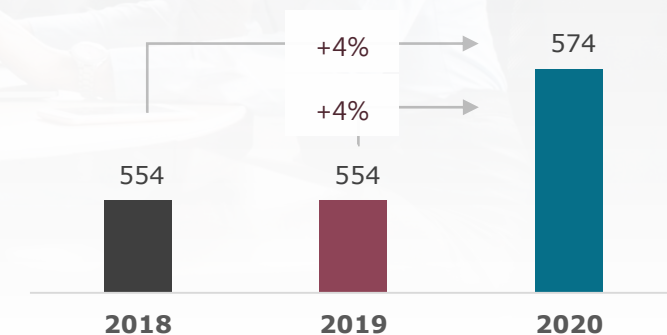
Headline Earnings (R'm)



Net Asset Value per share (cents)



Weighted average number of shares (m)



MOST DIVERSIFIED HEALTHCARE GROUP

Pharmacy Cluster

Pharmacy Direct

2018	R 74.3m
2019	R 82.7m
2020	R 95.7m

**New NDoH contract stabilization during 2019 and extended till March 2022*

Scriptpharm contracts (100% owned 1/8/2020)

2018 – Nedgroup	R 40m
2019 – Add POLMED	R 500m
2020 – Add Bonitas	R 780m

Active Operating profit (full year per circular)

2019	R 95m
2020	R 131m
2021	R 160m

MMed integration with scheme procurement

**Dental offering via DENIS acquisition effective 1 October 2020*

Medical Aid Administration, Risk Management & Technology

Medscheme client base and membership movement

Bonitas members	335k	➡ 0.7k
Fedhealth members	76k	⬆ 7k
Closed schemes	80k	⬇ 20k
GEMS members	736k	⬆ 25k
Polmed members	176k	⬇ 2k

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

Corporate Solutions

EssentialMed

Health Insurance CMS Circular 80
Demand for low cost Private Healthcare Solutions

Wellness

• 2019	R 11.2m
• 2020	R 8.5m

Other

- Home Based Nursing
- Occupational Health offering
- Anticipating first significant contract



GROUP PERFORMANCE - INVESTOR DASHBOARD

Description	2015	2016	2017	2018	2019	2020	5 year Compound annual growth rate
Total Revenue (R'm)	2 098	3 148	3 785	4 213	5 297	6 440	26%
Operating Profit (R'm)*	372	376	564	613	677	875	16%
Group Operating Profit Margin (%)	18%	12%	15%	15%	13%	14%	
Non-Controlling Interest (R'm)	25	53	102	128	115	155	48%
Normalised Headline Earnings (R'm)	180	177	244	264	275	313	11%
Comprehensive Headline Earnings (R'm)	205	230	346	382	390	468	18%
Normalised HEPS (cents)	38.26	30.84	44.03	47.63	49.13	54.63	17% (2016-2018)
Membership (lives managed)	3 098	3 589	3 634	3 674	3 714	3 754	4.6%
Scripts dispensed		2 033	4 187	6 428	8 697	10 262	X 4
Dividends (cents)	20	24	28	32	34	34	14%
Share price – 30 June (Rand)	5.15	5.25	6.20	5.70	4.95	3.69	
Dividend Yield (%)	3.9%	4.6%	4.5%	5.6%	6.9%	9.2%	
ROE (%)	15.4%	12.7%	13.7%	14.6%	13.3%	14.1%	

*Excluding IFRS 16. lease reversals since 2019

A black and white photograph of two men in a modern office setting. The man on the left is wearing a suit and tie, and the man on the right is wearing a light-colored shirt. They are both smiling and looking at a laptop held by the man on the right. The background shows a large window with a city view. A large, white, sans-serif 'THANK YOU' text is overlaid on the left side of the image. A diagonal line with segments of red, yellow, and green runs from the bottom left towards the top right.

THANK YOU



AfroCentric
GROUP