

ANNUAL RESULTS PRESENTATION

”21

for year ended June 2021

HEALTHIER TOGETHER

Agenda

Business context

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Business highlights

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Strategy update

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Segmental performance review

4



Group financial highlights

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“

Our business is focused on making a sustainable impact in the area we know best - healthcare.

OUR BUSINESS

HEALTHIER TOGETHER

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OUR BUSINESS IN CONTEXT

Group Chairperson | Dr. Anna Mokgokong

Review and positioning

We play a significant role in society by transforming healthcare.

CREATING VALUE THROUGH PURPOSE



As a company rooted in Africa, AfroCentric is dedicated to helping with solutions to our country's challenges

HEALTHIER TOGETHER

DEMONSTRATING PURPOSE AND RESILIENCE

Stability created through our diversified business model

HEIGHTENED FOCUS ON BROADER VALUE

Support to vulnerable parts of society through its enterprise development programme

GOVERNANCE AND LEADERSHIP

Diligence and prudence in a dynamic operating environment

OUTLOOK

Alignment of our business model to the government's health policy direction

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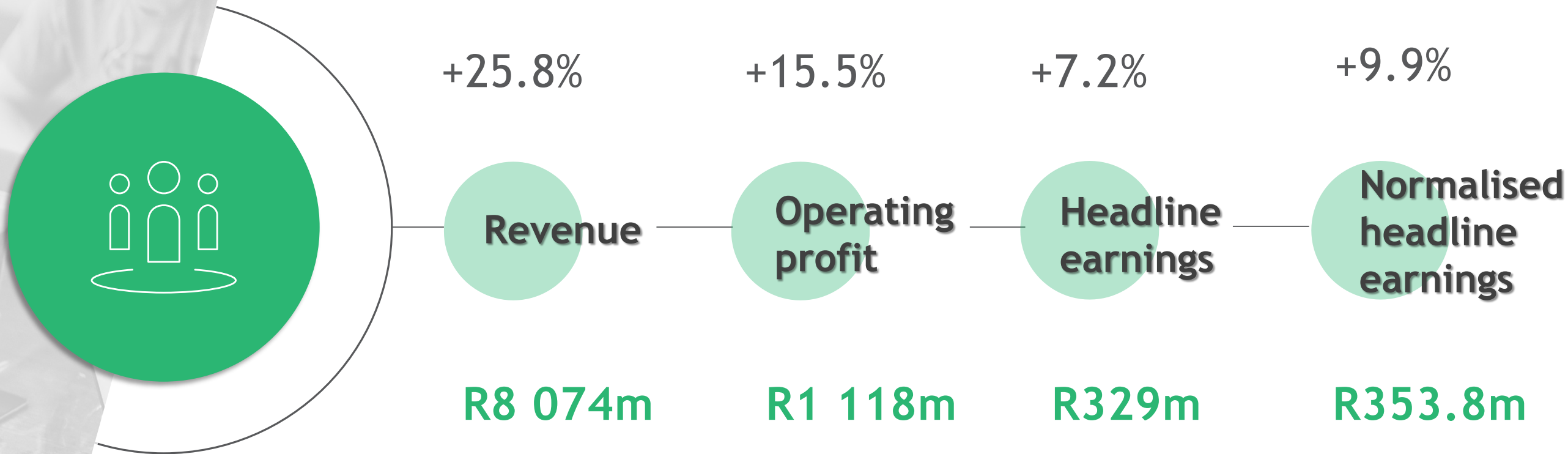
BUSINESS HIGHLIGHTS

Group CEO | Ahmed Banderker

2021 Business highlights

Solid financial performance despite challenging trading conditions

The Group's deliberate diversification strategy is particularly evident when measuring the impact of the Pharma Cluster



Supporting our stakeholders during COVID

Supporting members

Providing access to credible information through multiple interventions for ongoing support



- Creation of a COVID-19 Resource Hub
- Direct advice to infected members
- Dedicated COVID-19 call center

Protecting members

Targeted engagement to mitigate infection risk and nudge members to be vaccinated



- COVID screening at corporate
- Invitations sent to members to visit our vaccination sites
- 6 AfroCentric vaccination sites
- More than 135k jabs administered by AfroCentric

Supporting providers

Collaboration with healthcare practitioners to facilitate access to care through new mediums and funding models



- PPE provision and lower tariffs negotiated
- Setting up of telemedicine and virtual consultations
- Laboratory negotiations in terms of COVID-19 test prices

Supporting society

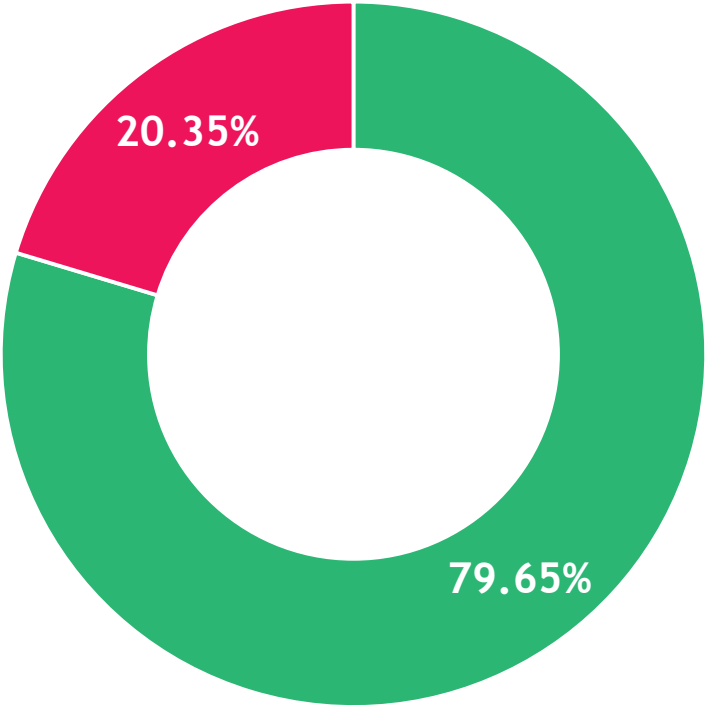
Engaging industry players to play a bigger role within society and a key player



- Collaboration with public and private sector for greater good of society
- Creation of additional vaccination sites for members and non-members (walk-ins) to improve access (100 affiliated sites)
- Collaboration with CMS in terms of PMB legislation

Insights on the pandemic

Pathology tests conducted



Tests covered

+1mil

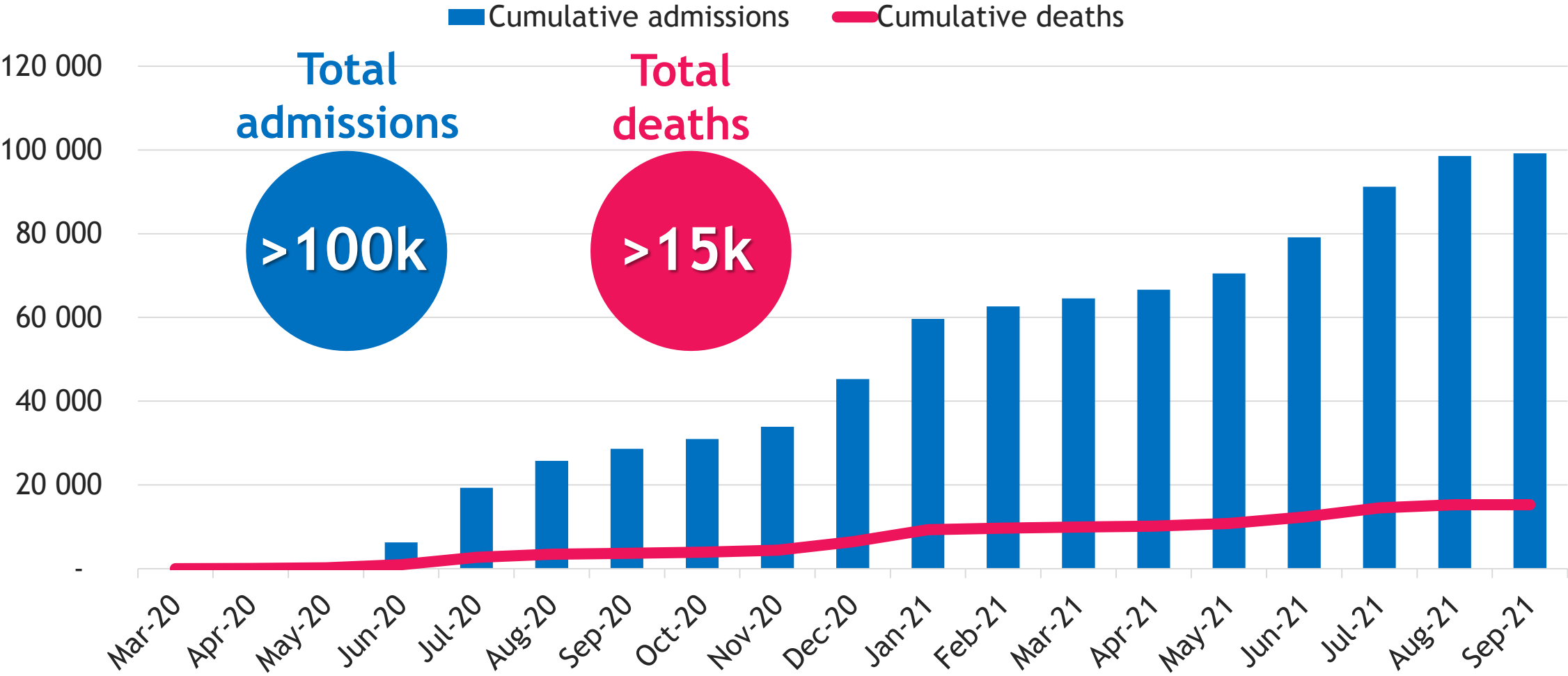
■ Negative Tests ■ Positive Tests

R868 million spent to cover tests for members

Medscheme Data as date: 07 September 2021

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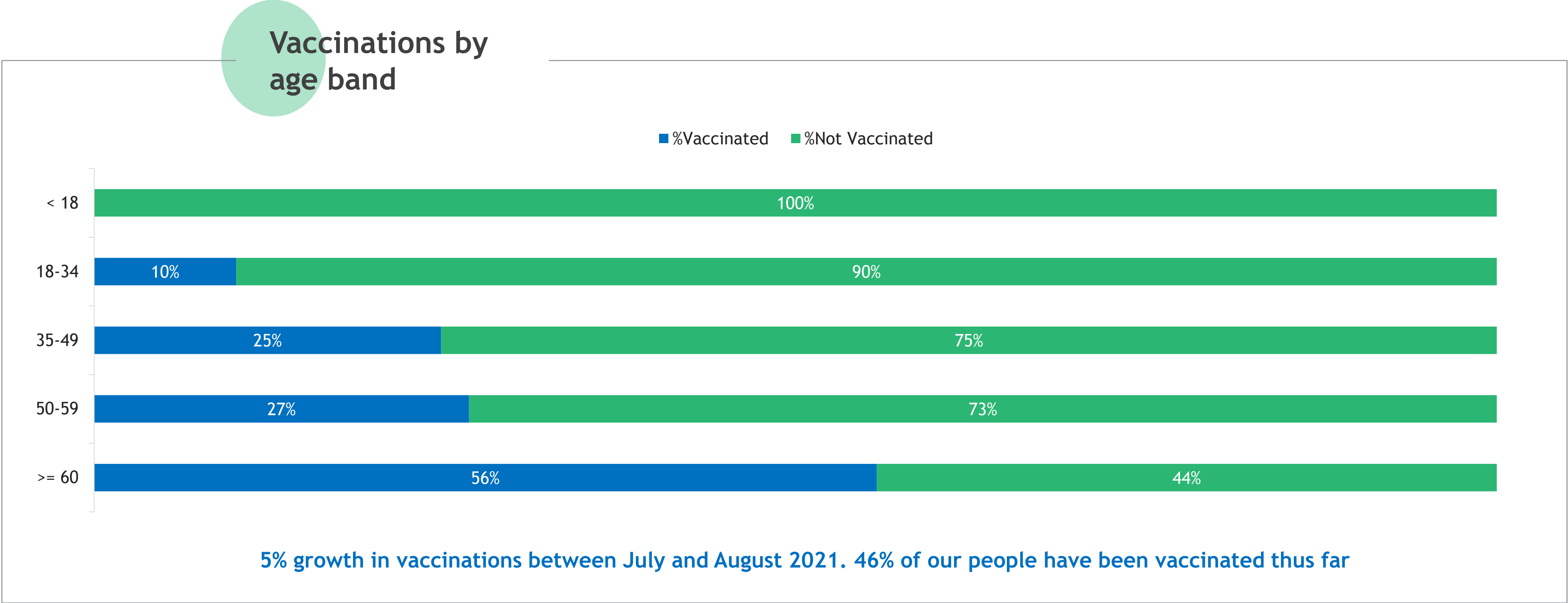
Admissions and deaths experience



We have unfortunately lost 18 valuable staff members

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COVID-19 Vaccinations

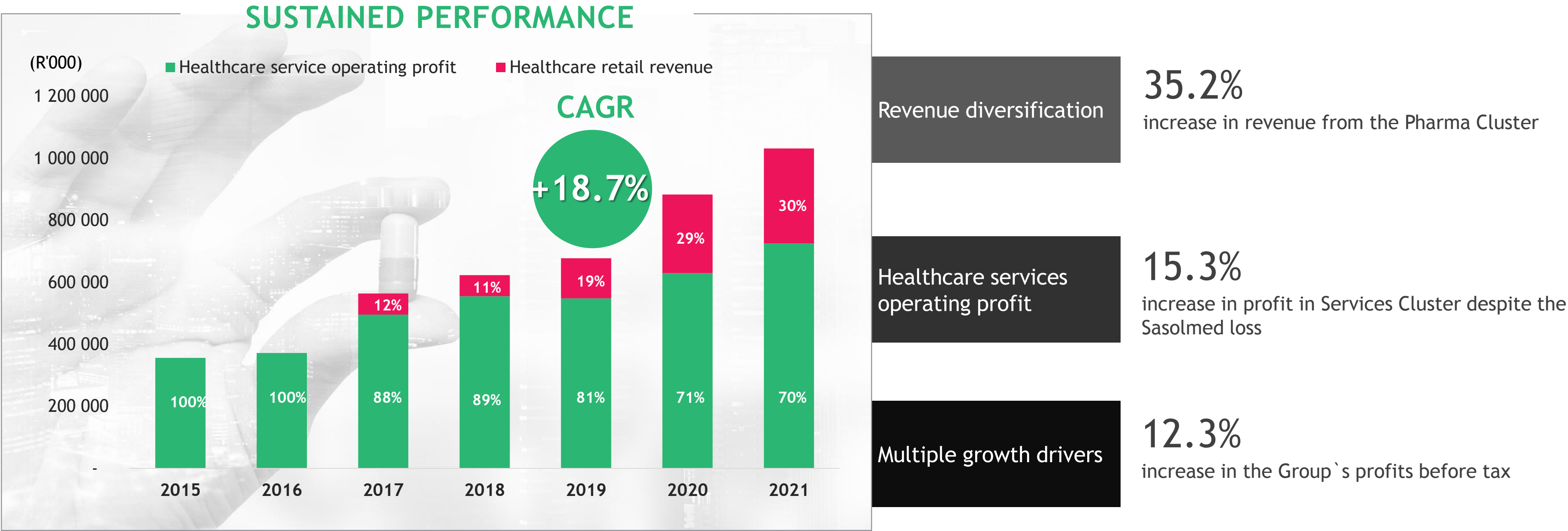


Medscheme Data as date: 07 September 2021

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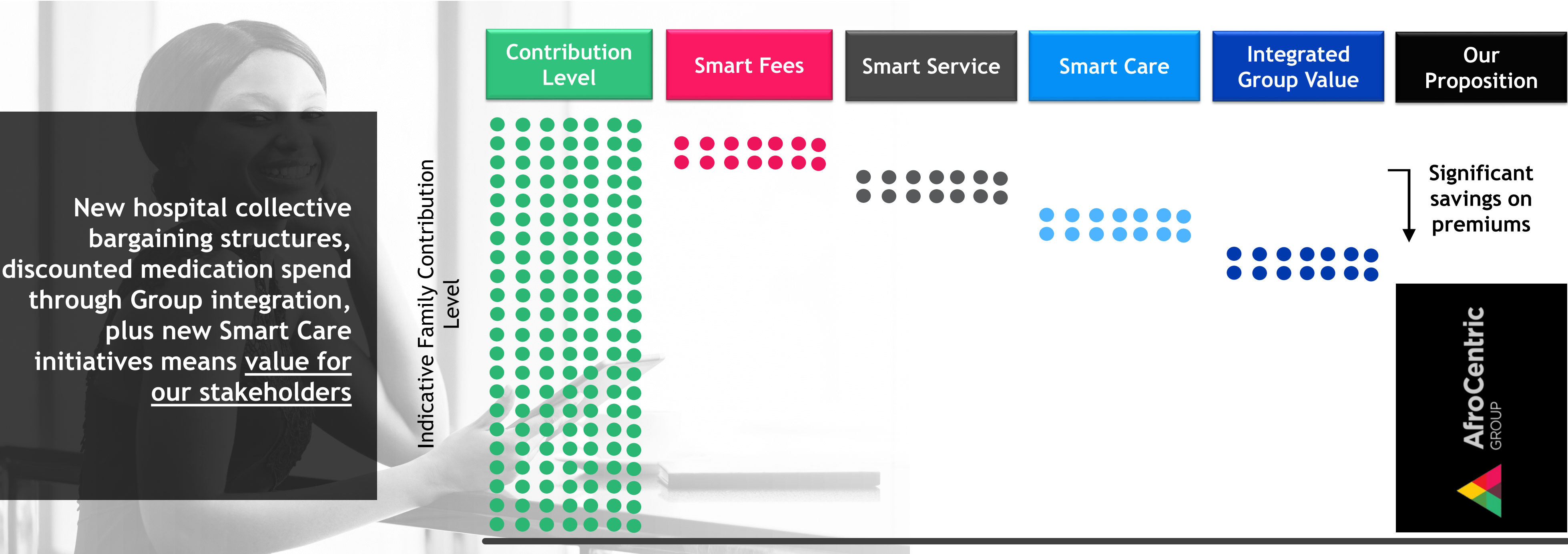
Robust performance

Our performance is underpinned by robust, value-enhancing governance and leadership



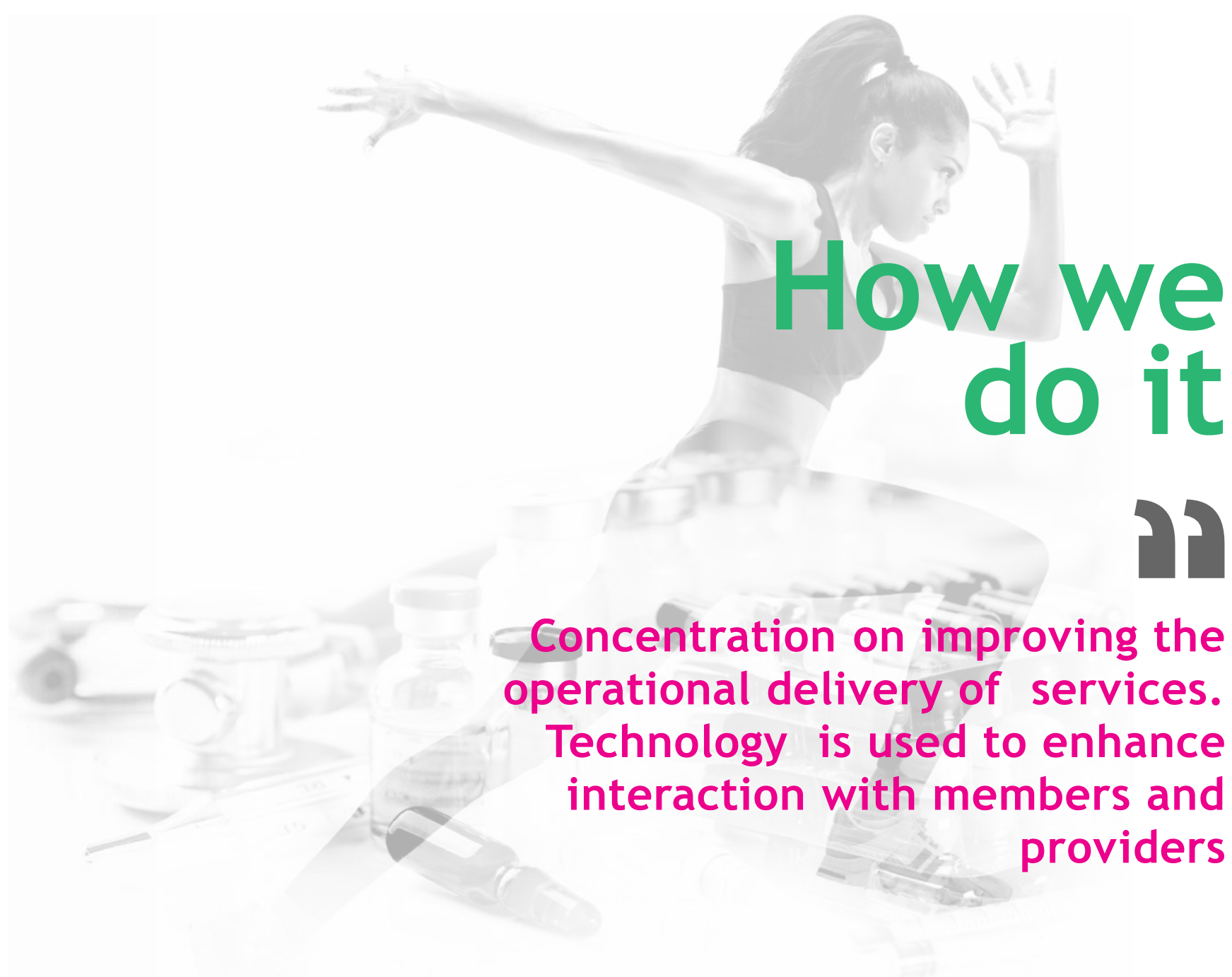
Our business model is geared for value creation

Integrated Smart Solutions

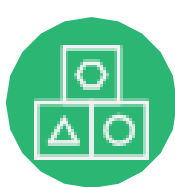








Re-engineering the service model

Data led approach for superior results



Our capabilities in executing on our priorities

-  Robotic Process Automation
-  Decision Services
-  Agile Project Management
-  Data-driven Insights
-  Improved Business Sustainability
-  Accuracy and Consistency
-  Data Management

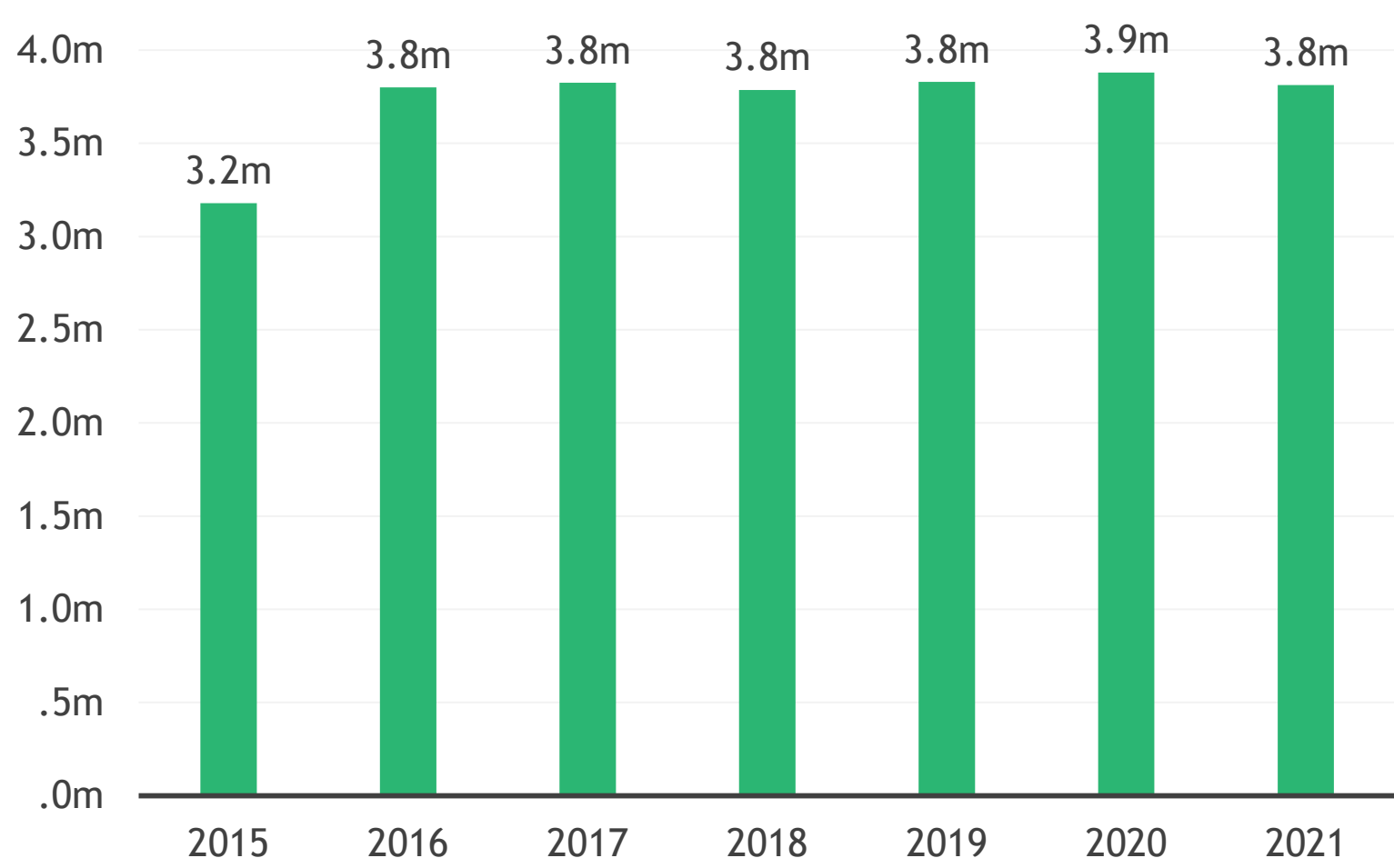
Cluster highlights

Our model optimises healthcare costs to deliver on our mission

MEDICAL AID ADMINISTRATION, RISK MANAGEMENT AND TECHNOLOGY

Managing clinical and financial risks for our client schemes

Scheme membership



- ✓ Over R2.7 billion in claims costs a diamond were saved for our schemes due to managed care programmes (2020: R3.2 billion)
- ✓ Medscheme was awarded the GEMS managed care contract, and the Polmed contract was renewed
- ✓ Enhanced platforms for our clients; automation rate has increased straight-through processing, with a 15% increase in self-service channels
- ✓ Aid for Aids won a Diamond Arrow Award in the category for disease management (HIV/Aids) for the second year in a row
- ✓ Automation and process improvements have enhanced operational excellence to the benefit of schemes and their members.
- ✗ Loss of the Sasolmed contract.

Cluster highlights

Our model optimises healthcare costs to deliver on our mission

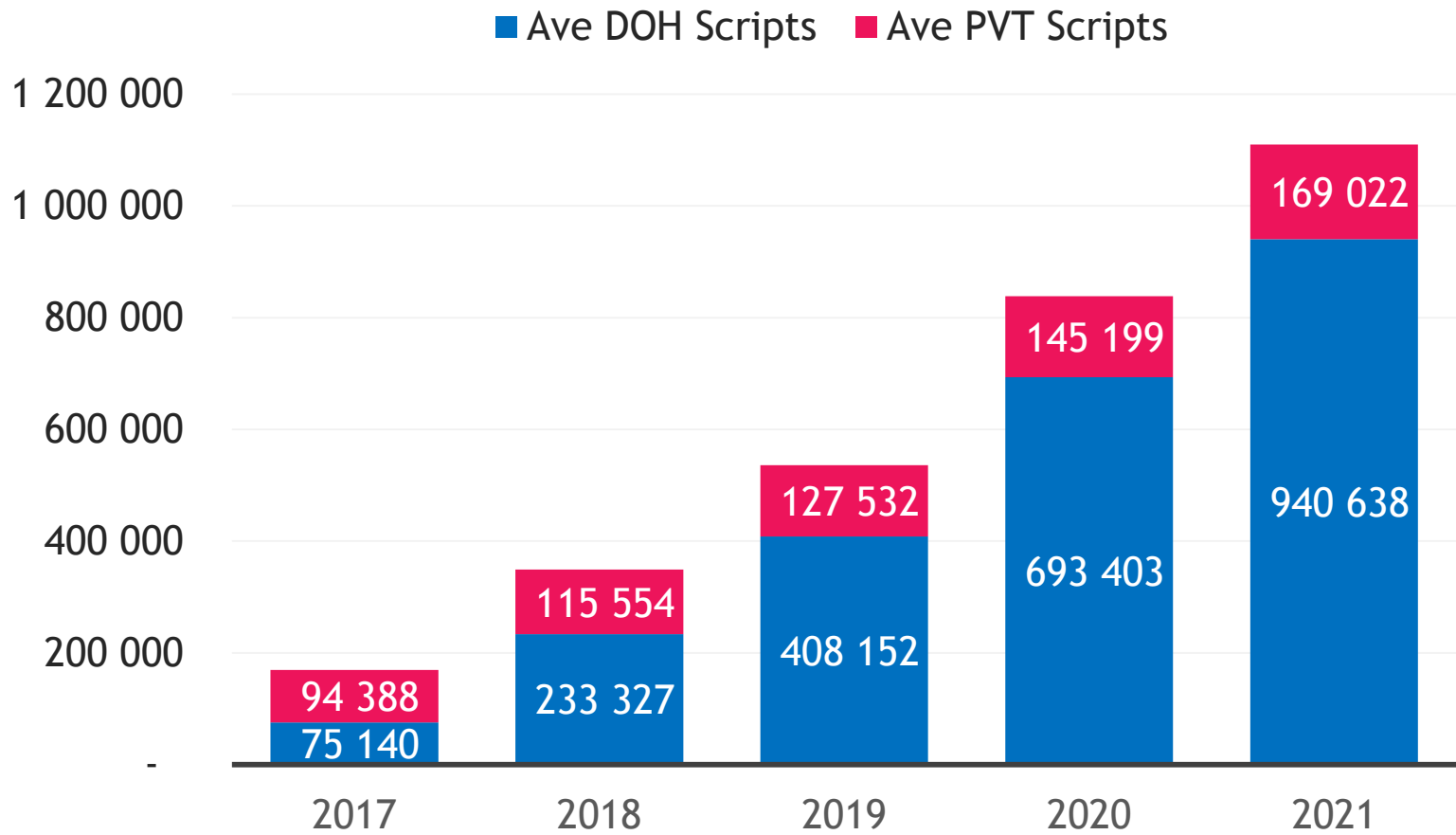


PHARMACEUTICAL

Reduce medicine and related costs to improve access to affordable, quality healthcare

Pharmaceutical cluster now generates 30% of the Group’s operating profit.

Scripts

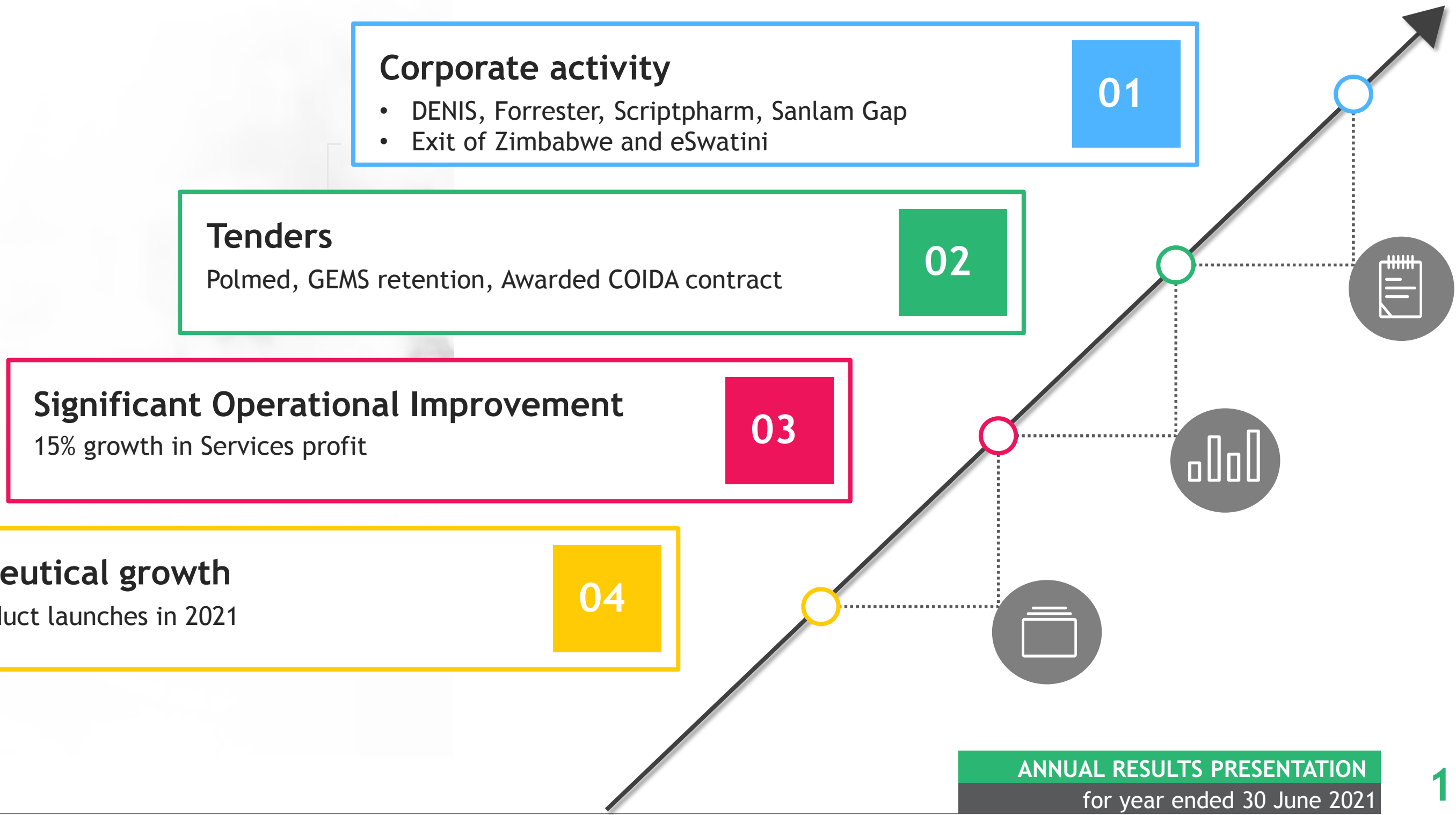


- ✓ Activo acquired Forrester in line with our growth objectives, serving to strengthen Activo’s product offering to the pharmaceutical market
- ✓ Launched our Pharmacy Direct online shop
- ✓ Went live with our Pharmacy Direct Robotic Automation Dispensary Project
- ✓ Demand for certain products increased as a result of the pandemic, for example, immune boosters and vitamins.
- ✗ Other product categories suffered due to Covid-19, such as anti-malaria medication and medication to elective surgery.

Significant progress on strategic priorities



2021 PROGRESS UPDATE





SEGMENTAL REVIEW & FINANCIAL HIGHLIGHTS

Group CFO | Hannes Boonzaaier

FINANCIAL FOCUS POINTS

Our business model continues to generate value



REVENUE DIVERSIFICATION

Diversifying into other revenue streams through our various subsidiaries. R8 billion Group turnover for 2021 with 53% generated by the Pharma cluster, representing 30% of operating profit. The dental services acquisition (DENIS) contributed R26 million operating profit during the 9 month period in the Group.



WORKING CAPITAL MANAGEMENT

10.6% increase year-on-year although growth of 24% in sales for Pharma Cluster (Activo and Pharmacy Direct), impact of new product launches, Forrester products still work in progress



GROWTH IN PHARMACEUTICAL

Growth in Pharmacy Direct full year scripts from 2 million in 2015 to 12.5 million for 2021 financial year and resulting in 16% growth in profit. Overall cluster recording 20.8% increase in operating profit.



START-UP BUSINESS PROFITS

Double digit growth for Scriptpharm, Mmed, Essentialmed.



IT SYSTEM INVESTMENTS

Leveraging on the Group`s refreshed administration platforms during the period to date has contributed to a Healthcare Services operating profit increase of 11% excluding the DENIS acquisitive profits.



CAPITAL MANAGEMENT

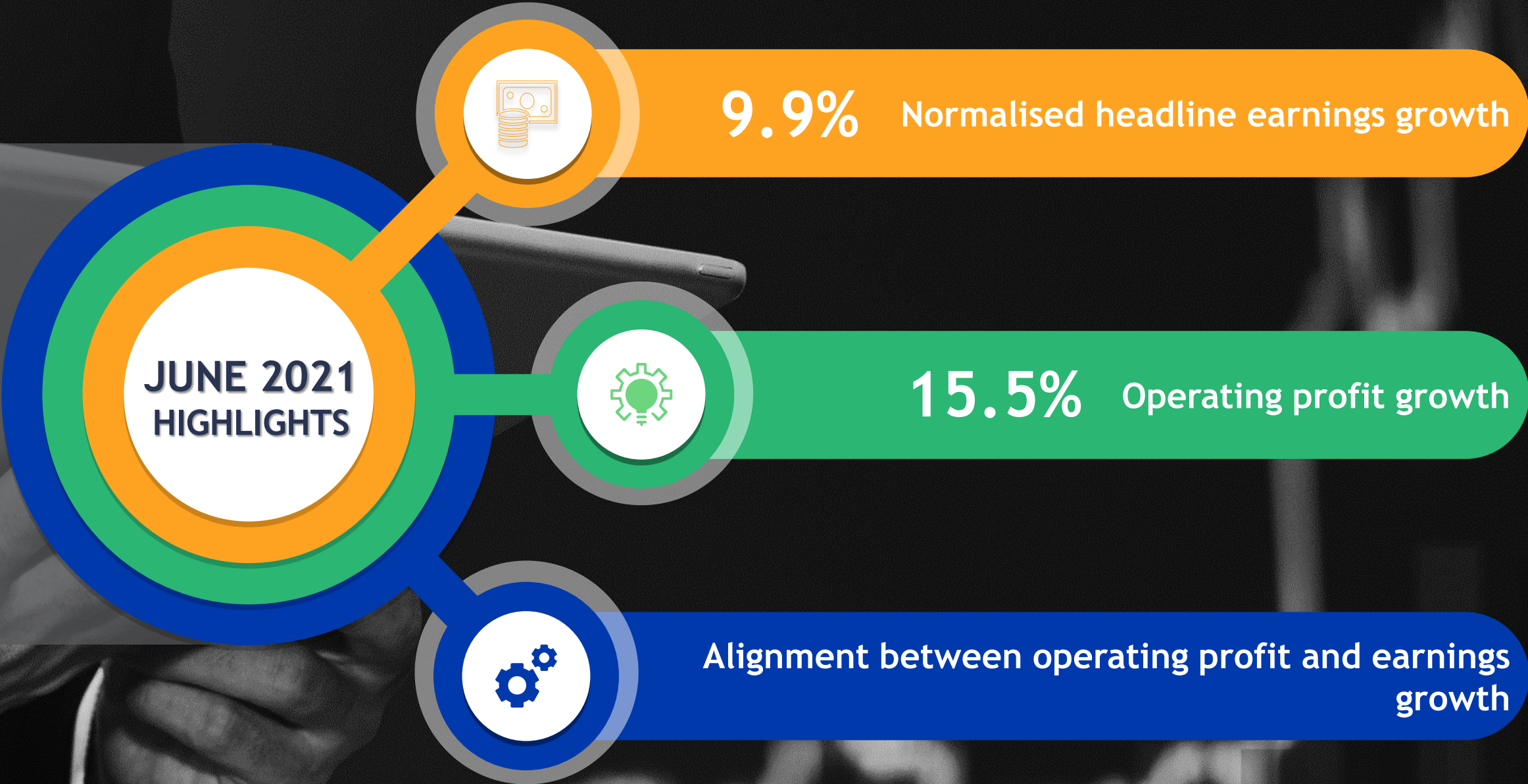
Debt increased by R389 million due to the DENIS (R250 million) and Forrester (R150 million) acquisitions.

Highlights for the period ended 30 June 2021

Robust and pleasing performance given the operating context

Sustained performance beyond our
successful five-year growth
initiative with operating profit

CAGR over **5 year** of **22%**



Three year view of profit before tax

Diversification delivers superior outcomes with significant opportunity for more integration

R1106.4m

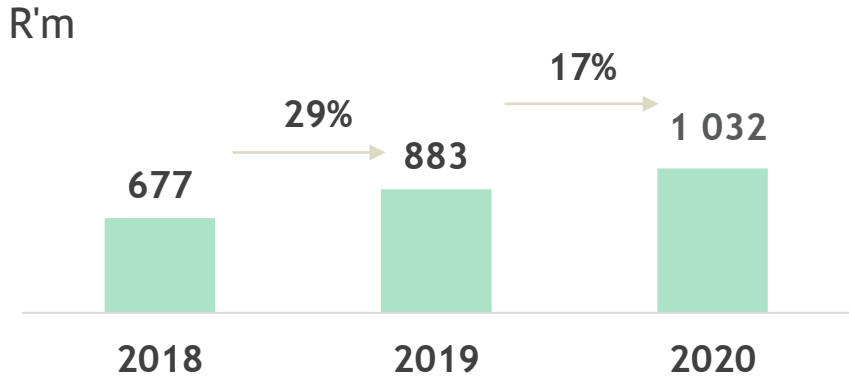
Group EBITDA

(2020 - R968.0 m)

Amortisation increases 2020/2021

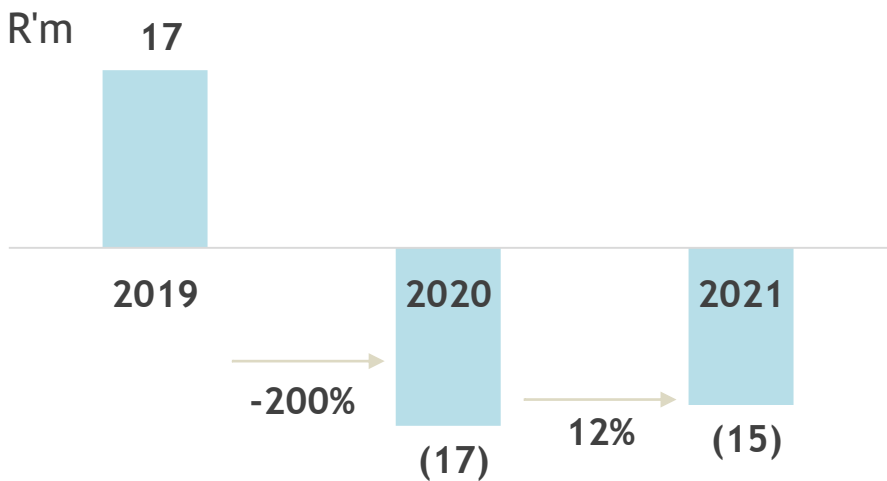
Administration systems (Useful life)	51
Denis PPA	10
Software (third party)	(14)
2021 Movement	47

Operating profit *

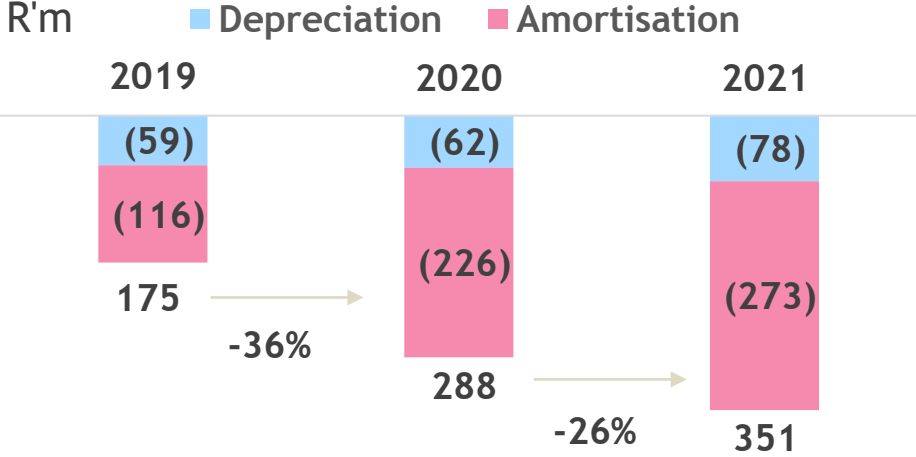


* Operating profit stated after actual lease costs paid to be in line with 2017 standard pre IFRS 16 implementation

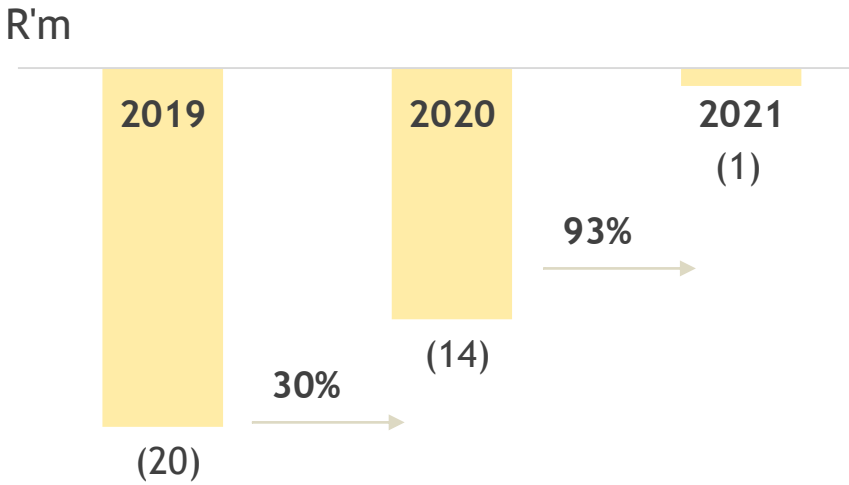
Net cash finance income/ (cost)



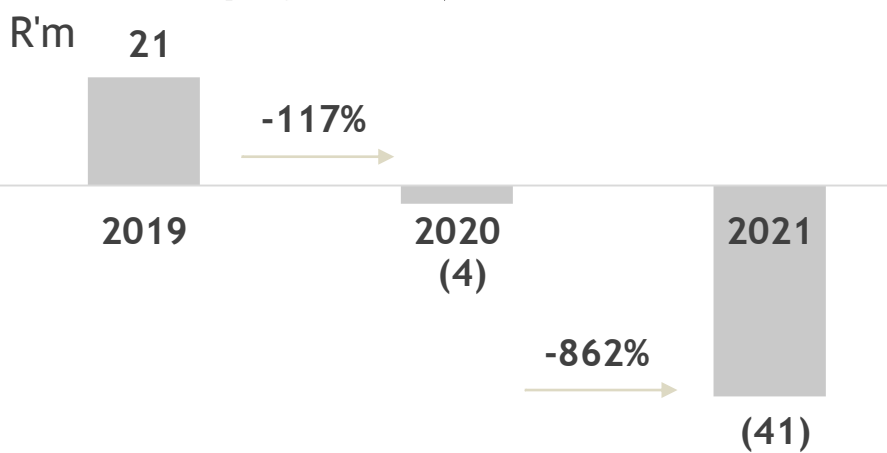
Depreciation/amortisation



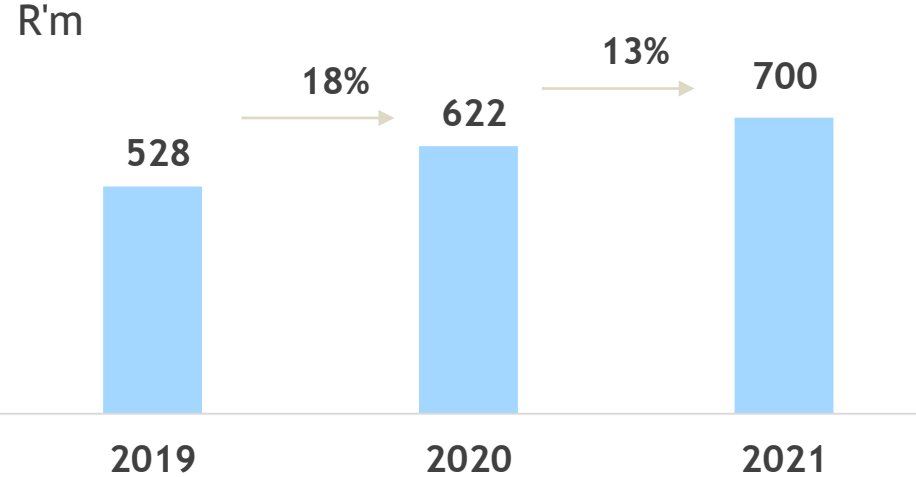
IFRS 16 (leases) net effect



Other (impairments, share based payment)



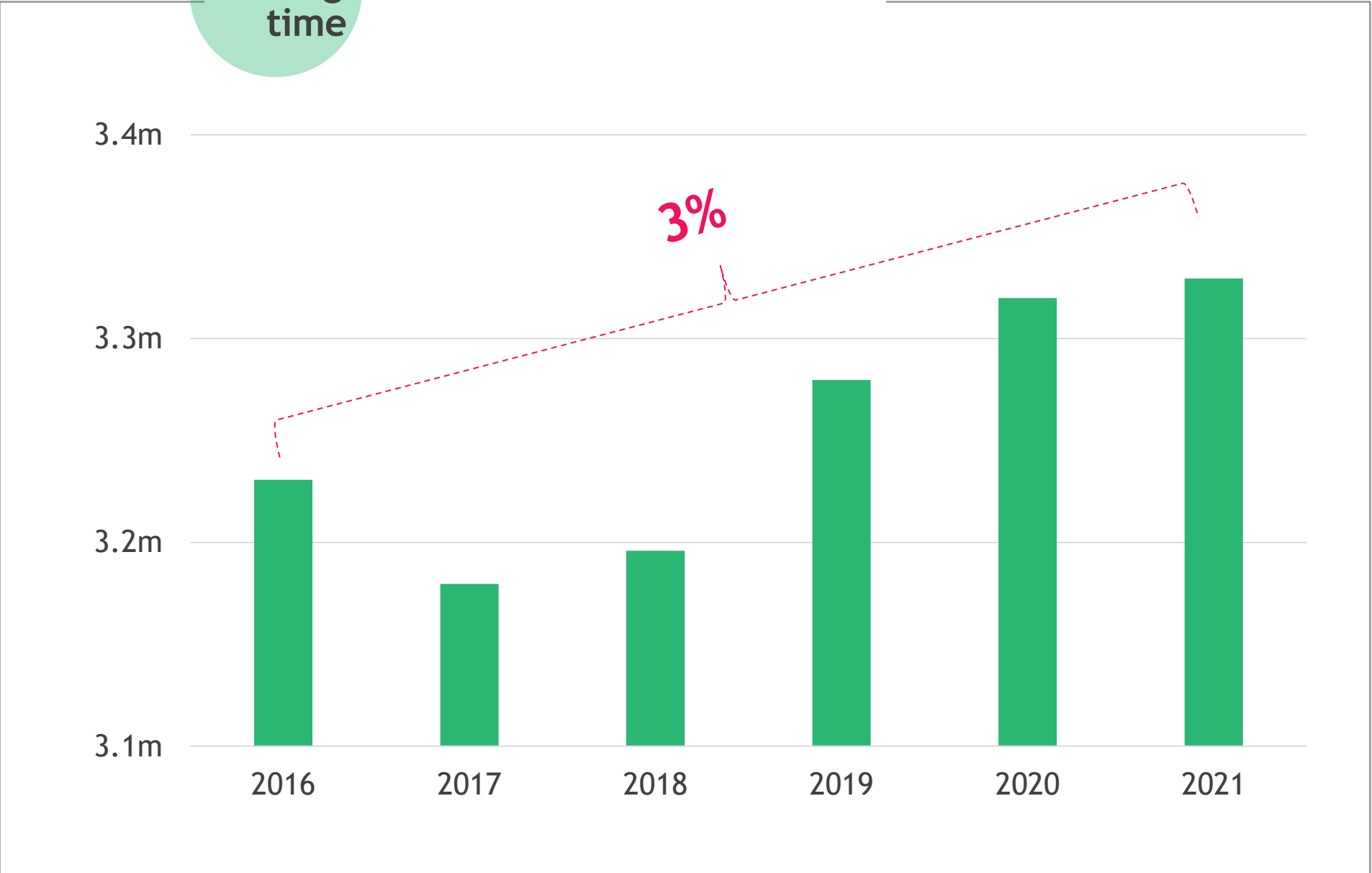
Profit before tax



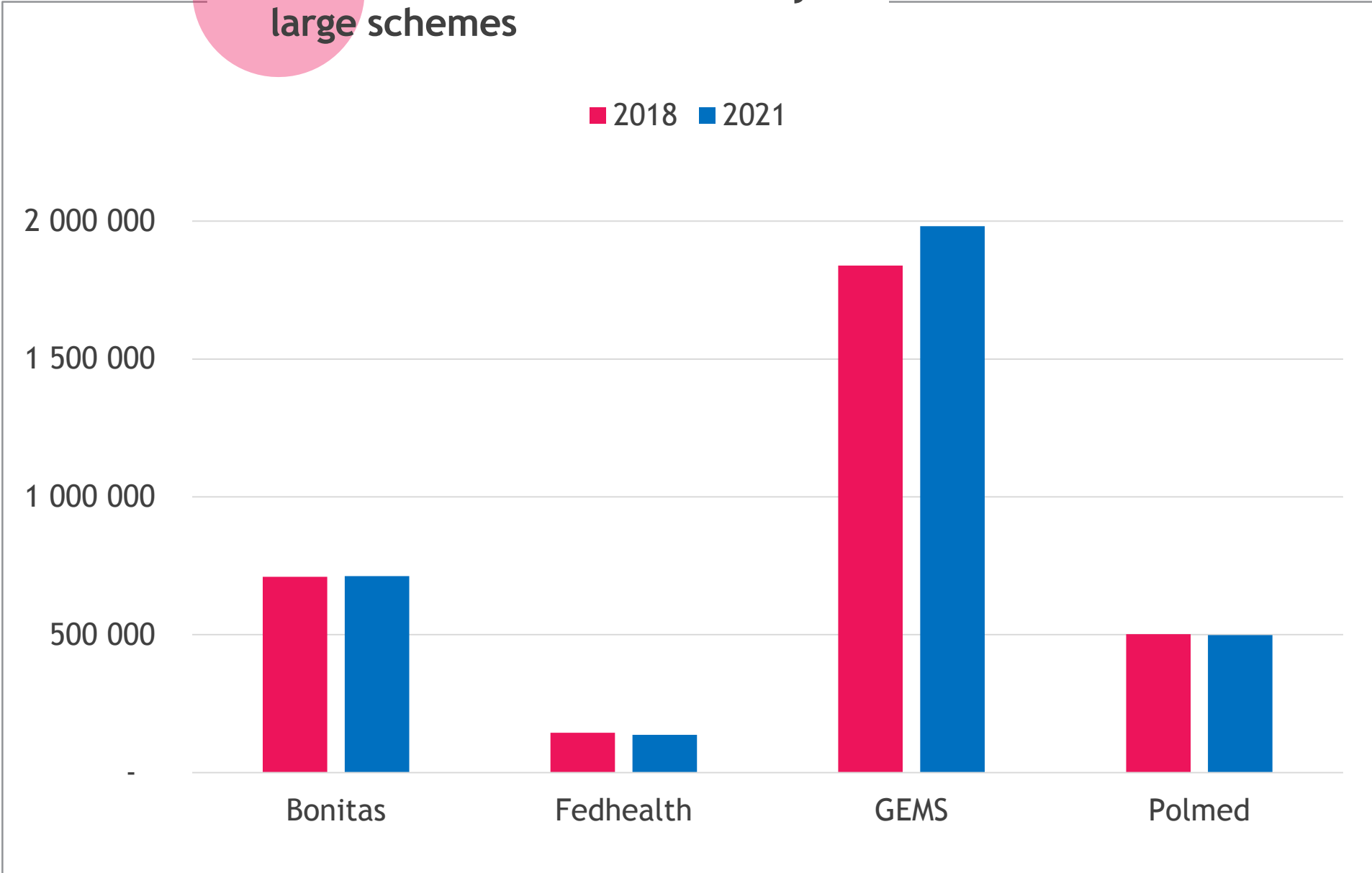
Resilience in membership

Despite the economic constraint membership has not been significantly impacted

Large scheme beneficiaries over time

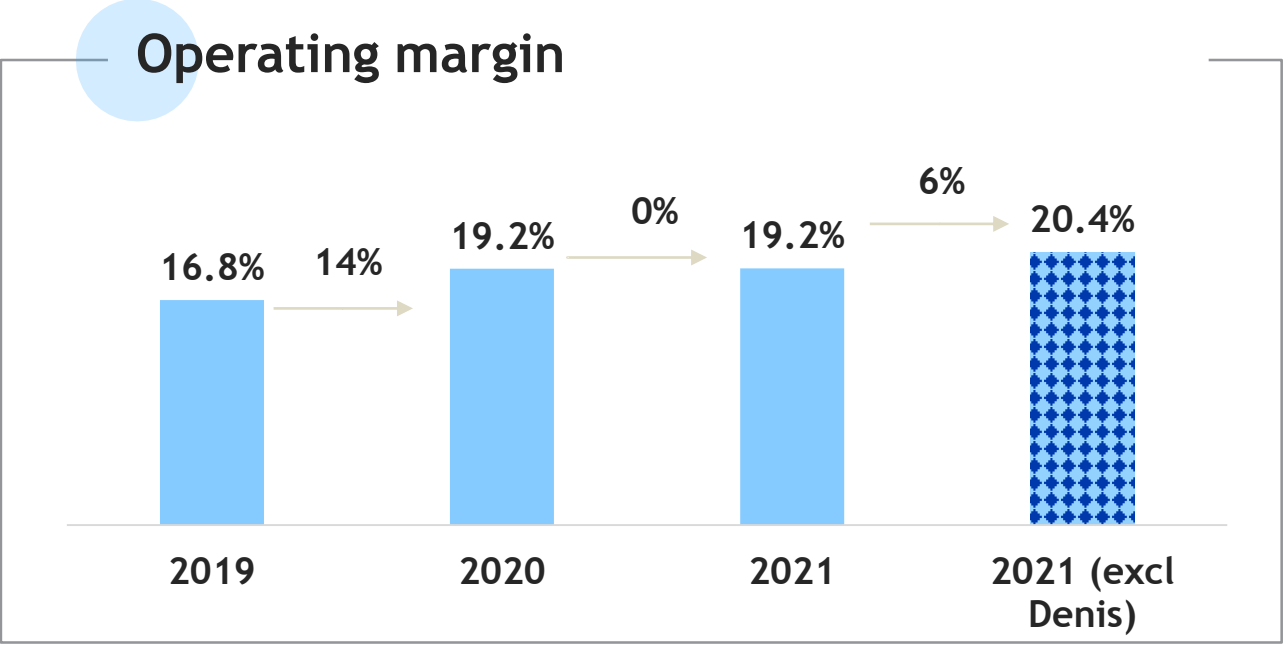
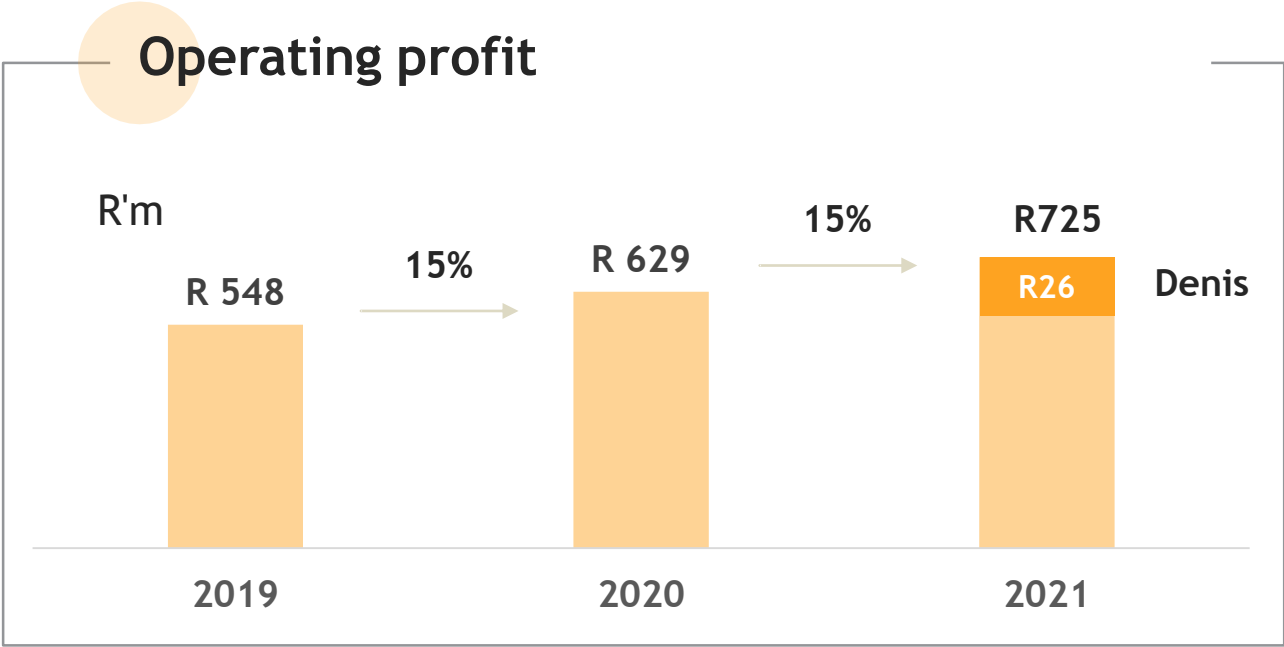
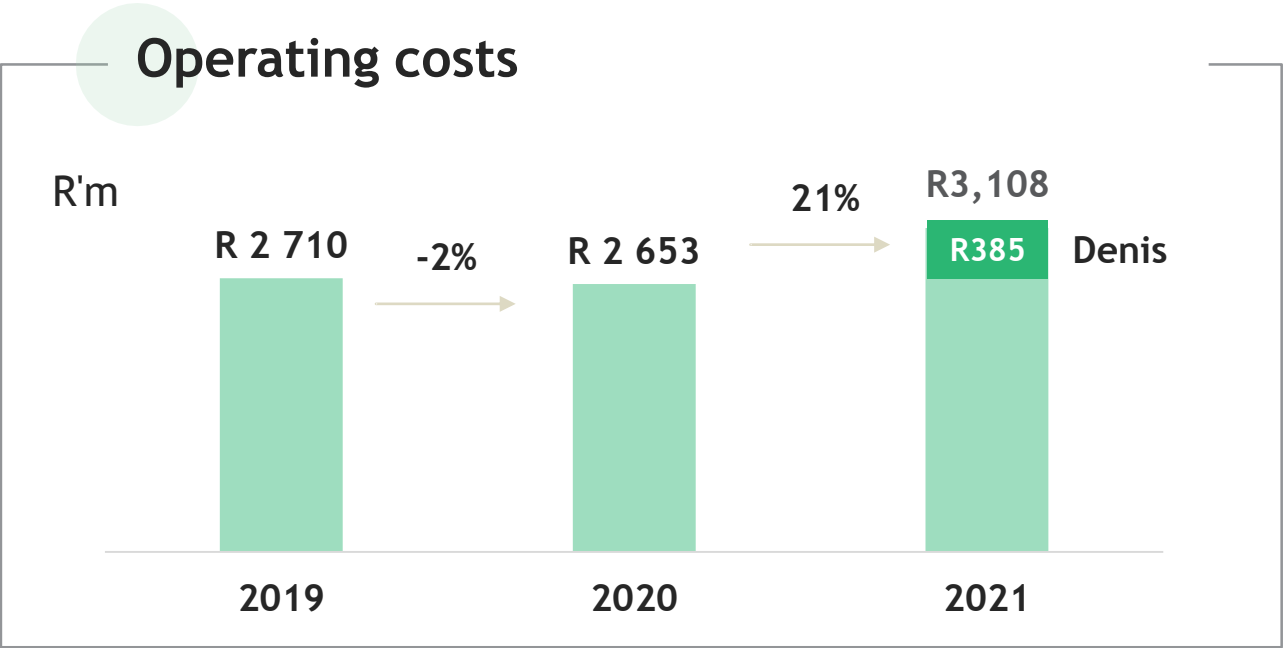
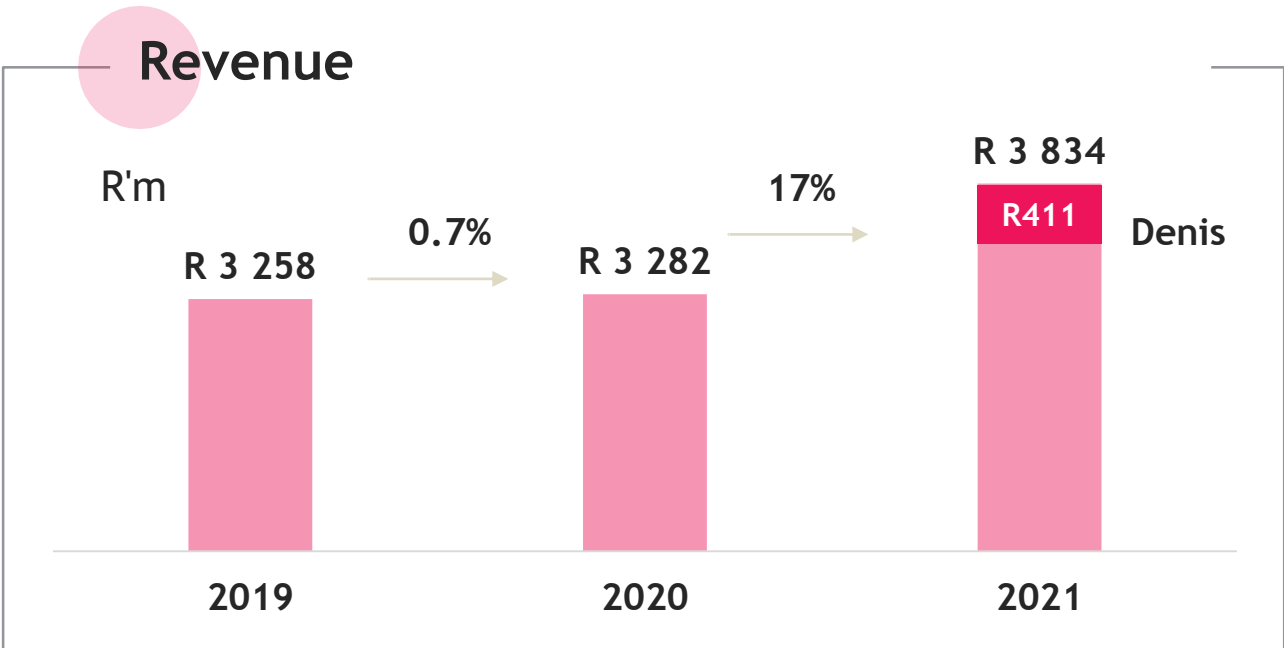


Distribution of beneficiaries by large schemes



Segmented financial reporting structure

Medical Aid Administration, Risk Management & Technology: Concentrating on improving the operational delivery model of services



Annotations

- Revenue pressure due to option mix and buy downs
- Member growth in public and mining sector
- Service excellence projects - “Save our Seconds”; Single Service Measure across all units; Co-opetition.
- Staff churn and levels of replacement - appropriate pay for appropriate work
- 2021 implementation of new Hospital Authorisation and Case management system
- Continuous processes being replaced “robotics”
- New communication platforms bearing fruit - App, WhatsApp and client communication

* Excluding Denis -> growth9.4%

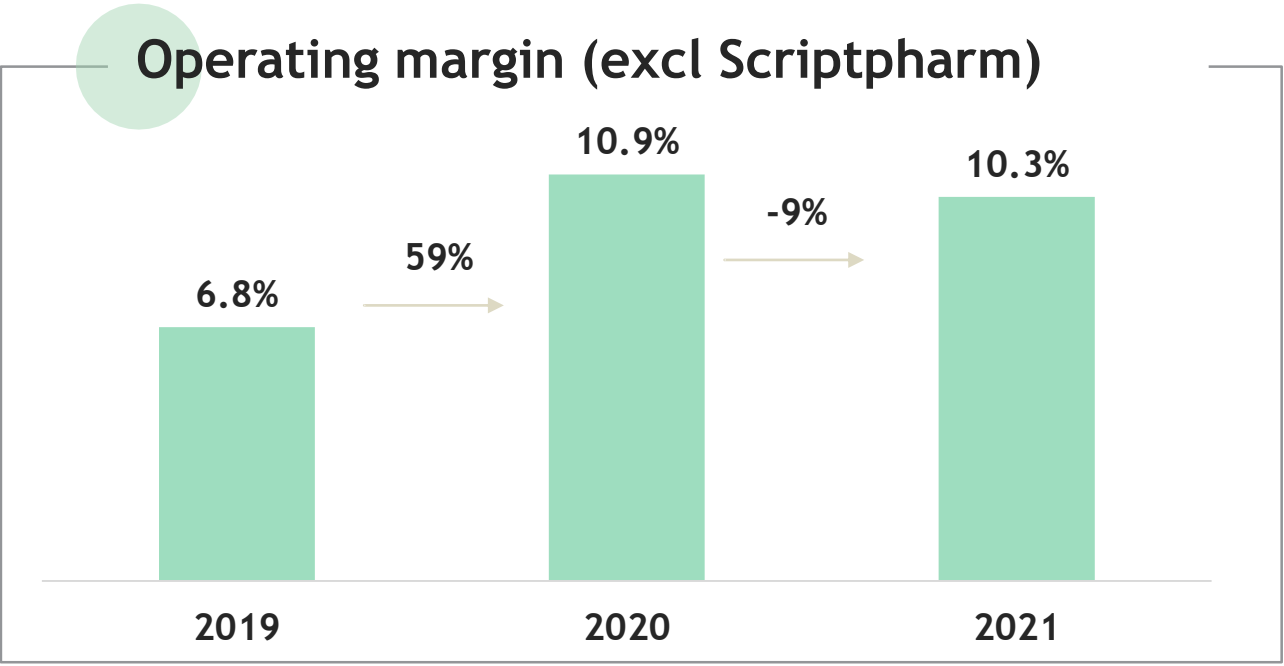
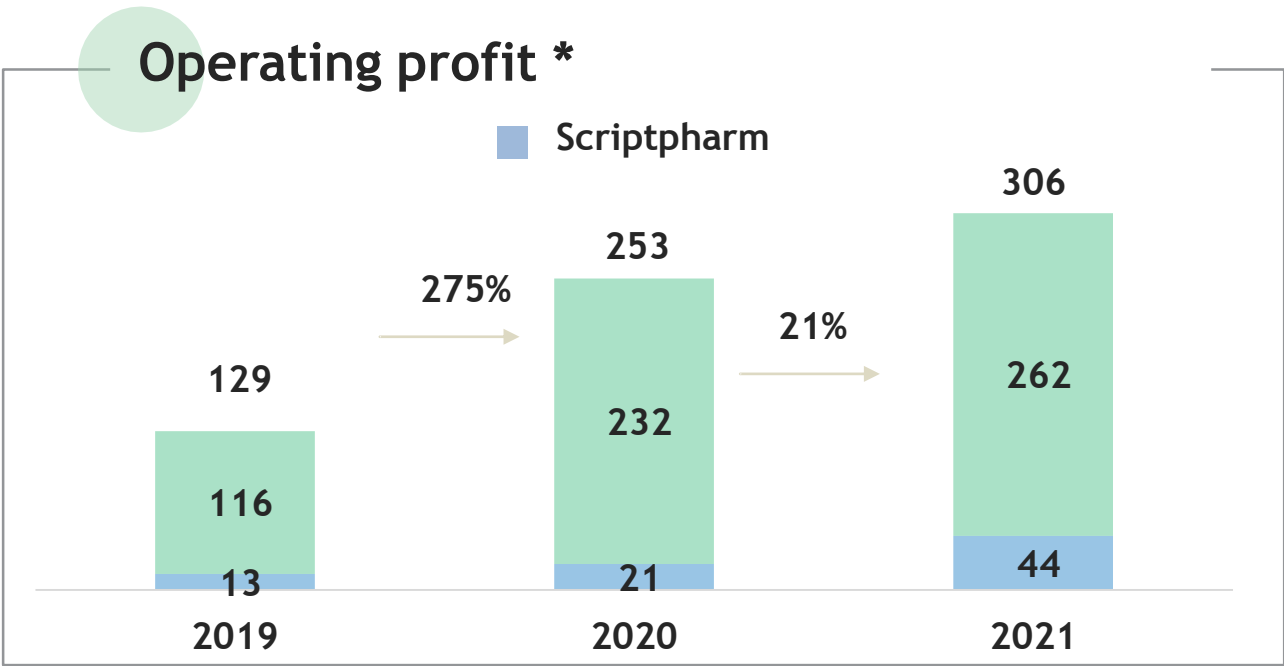
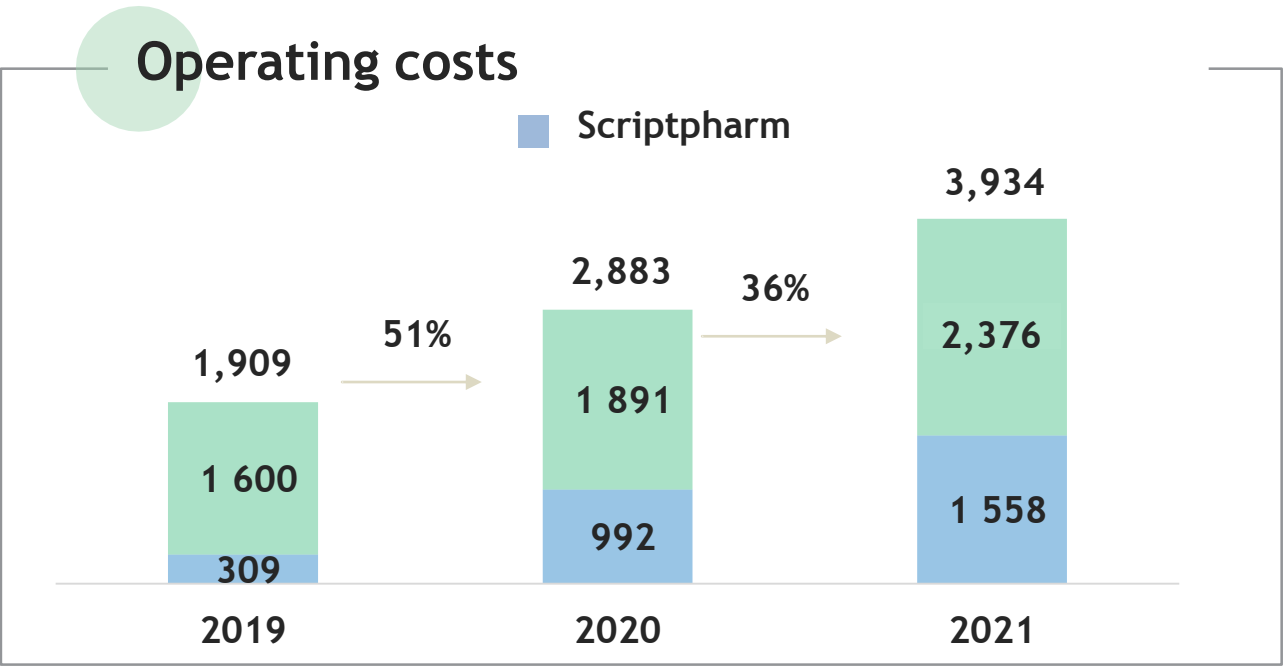
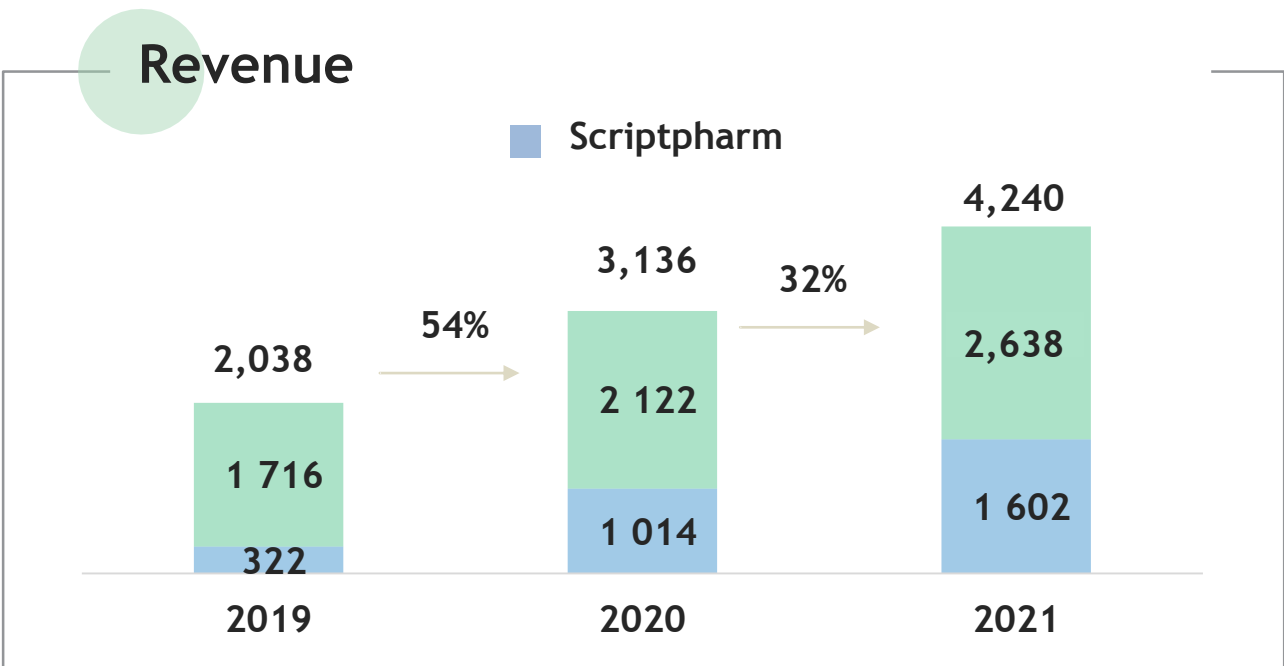
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Segmented financial reporting structure

Pharma: Performance supported by diverse customer base in the private and public sectors



Annotations

Pharmacy Direct increased DOH volumes for State patients - 1 million average per month

Pharmacy Direct and Activo: improved adherence by chronic patients drives chronic medicine demand and deliveries

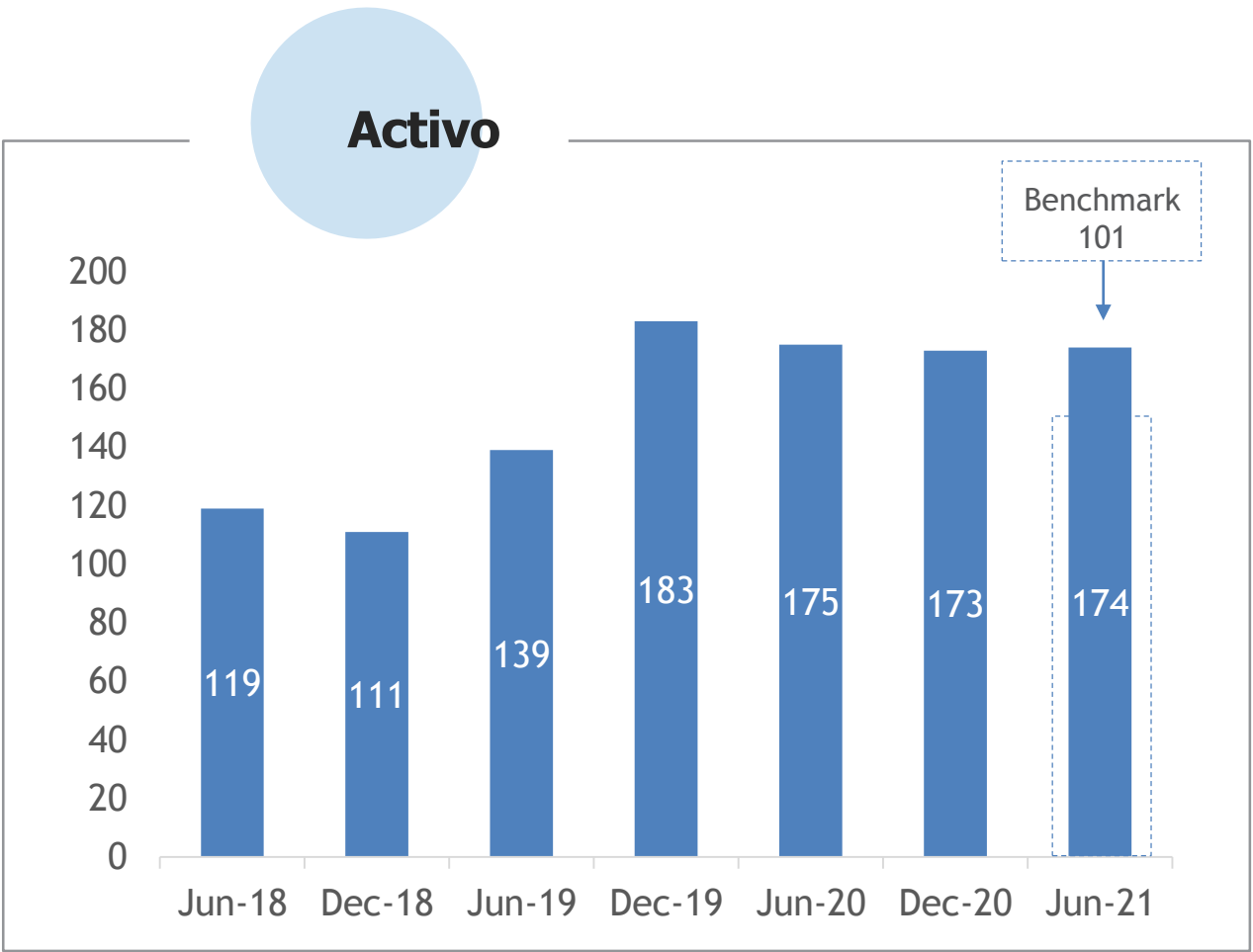
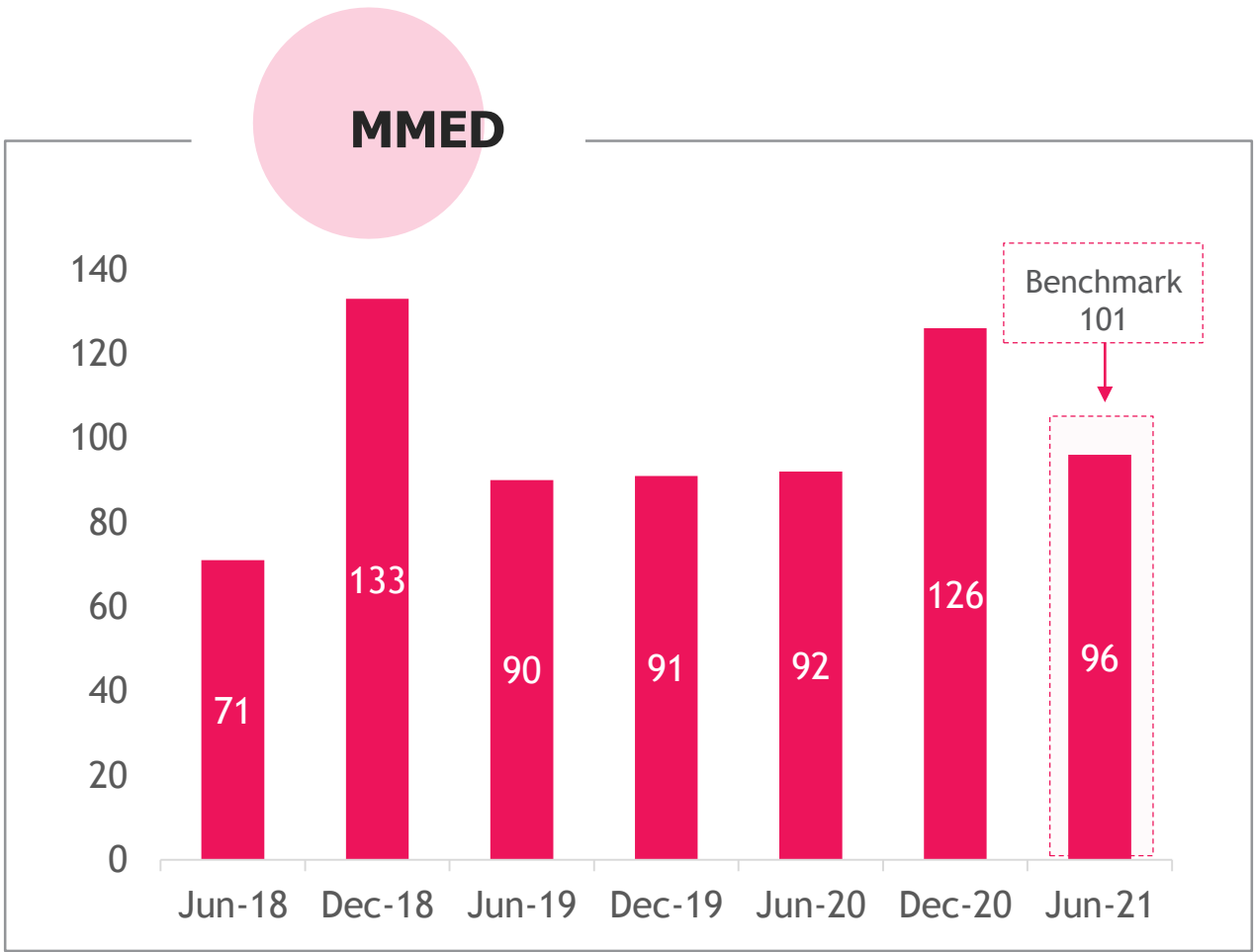
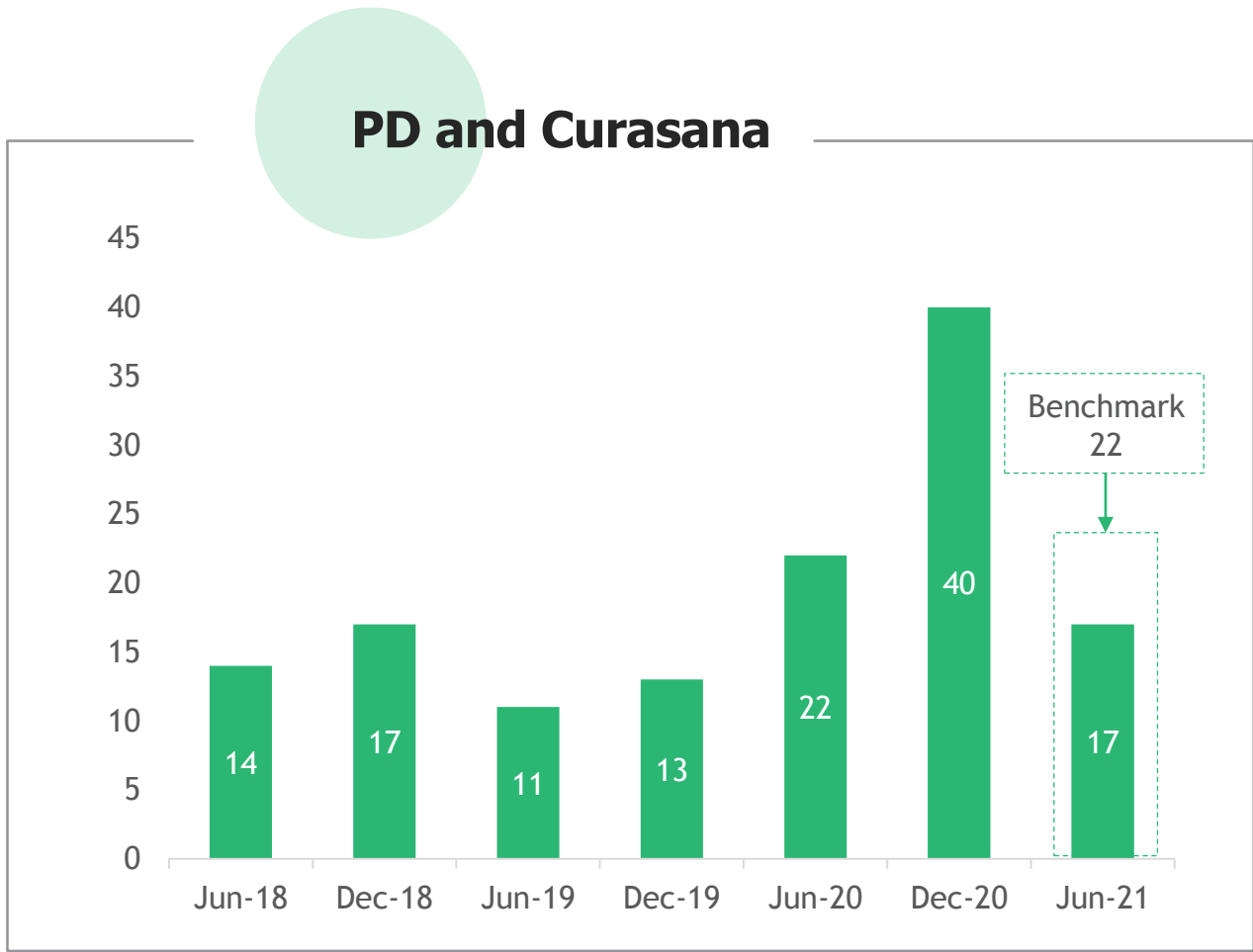
Activo increased vitamin sales (78%), Over The Counter (OTC) Medicine (48%) and new product launches (37 dossiers registered)

Scriptpharm - new Bonitas Chronic Medication model full 12 months

Continuous drive to ensure delivery costs reduces - balance of external couriers and own deliveries

Cash conversion cycle

Balance of inventory levels and supporting growth



Additional Activo inventory at year end

	95.1
COVID related	37.6
New Launches	29.7
Forrester (new)	27.8

Cash conversion
excluding excess
inventory for June
2021

➔ 130 days

Forrester Acquisition

This transaction will elevate Activo to a become major role player in the league of R1bn+ generic medicine turnover companies South Africa.

BACKGROUND

The basis of the transaction remains the acquisition of Assets (Dossiers) of which some are registered and others have been lodged for registration with SAHPRA and not only the sale of an existing income stream.

It presents Activo with an opportunity to almost immediately take 46 of the 79 products to market, while a further 33 are already in registration, effectively shortening the registration period and creating the assurance that Activo can realise this income stream soon.

THE DEAL

The deal is structured as a loan to be converted into payment when sale of shares takes place in August 2021

- R150m loan to buy out foreign shareholder to settle liabilities within the Group. Full security in place
- Transfer of 100 % Shares to Activo Health: 01 August 2021 * The R30m on transfer of ownership. Transfer of shares only effective on this date due to requirement for consent by IP suppliers for the transfer of dossier ownership
- Progress payment 31 Dec 2021 R10m As dossiers are registered Progress payments 31 Dec 2022 R15m As dossiers are registered
- Final Payment 31 Dec 2023 R115m Final performance-based payment on dossiers that have been registered and profits realized from the business

Total Value R320m

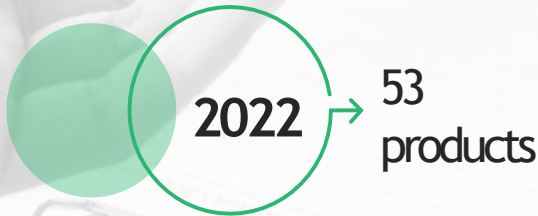
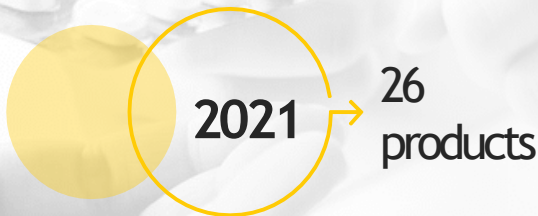
Forrester dossiers

Activo Health acquired 100% of Forrester Pharma (Exeltis SA) on 1 August

471% REVENUE GROWTH



Strategic investment are projected to yield positive results



ONCOLOGY

2021

Products Revenue - 1 - R820k

2022

Products Revenue - 7 - R19.4 million

OVER-THE-COUNTER

2021

Products Revenue - 6 - R2.4 million

2022

Products Revenue - 6 - R7.5 million

PHARMA (Schedule 1 to 3)

2021

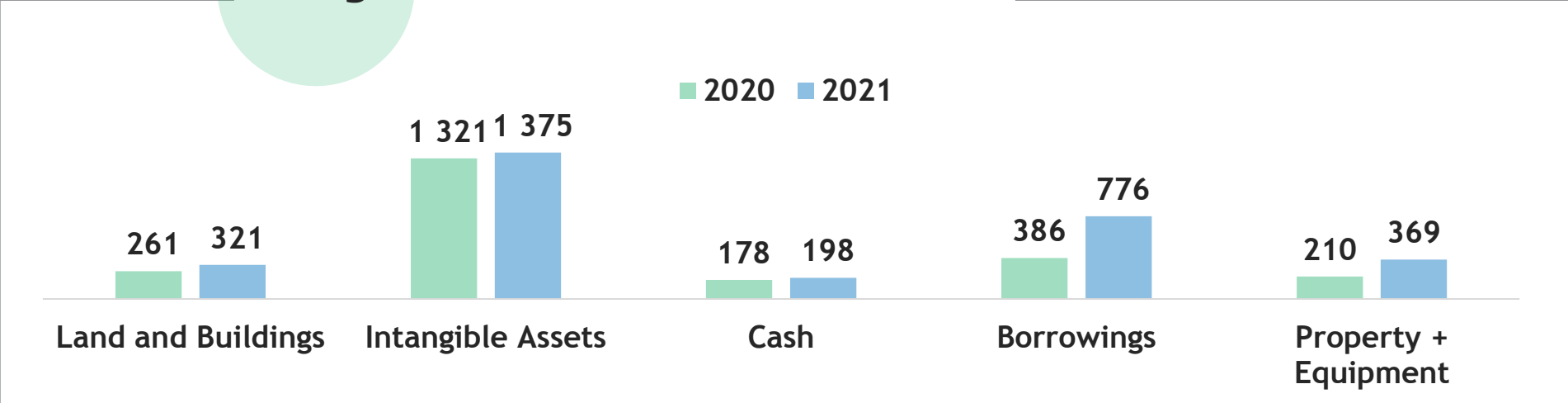
Products Revenue million - 19 - R21.6

2022

Products Revenue - 40 - R115 million

Statement of financial position

Significant Movements



LAND AND BUILDINGS

-DENIS Century City office block that was acquired as part of the DENIS Group acquisition-R70m

INTANGIBLE ASSETS

-Customer relationship PPA intangible asset recognised as part of the acquisition of the DENIS Group-R60m

BORROWINGS

- R196m additional drawdown for acquisition of DENIS Group and R150m for Forrester

PROPERTY AND EQUIPMENT

- IT equipment new hardware refresh of R86m
- Denis acquisition assets consolidated

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Working Capital



ANNUAL RESULTS PRESENTATION
for year ended 30 June 2021

Group performance - Investor dashboard

Description	2016	2017	2018	2019	2020	2021	5 year Compound annual growth rate
Total Revenue (R'm)	3 148	3 785	4 213	5 297	6 440	8 074	21%
Operating Profit (R'm)*	376	564	613	677	883	1 032	22%
Group Operating Profit Margin (%)	12%	15%	15%	13%	14%	13%	
Non-Controlling Interest (R'm)	53	102	128	115	155	165	24%
Normalised Headline Earnings (R'm)	177	244	264	275	321	354	15%
Comprehensive Headline Earnings (R'm)	230	346	382	390	476	519	18%
Normalised HEPS (cents)	30.84	44.03	47.63	49.13	54.63	61.56	15%
Membership (lives managed)	3 589	3 634	3 674	3 714	3 754	3 781	1%
Scripts dispensed	2 033	4 187	6 428	8 697	10 262	13 542	X 6.7
Dividends (cents)	24	28	32	34	34	34	7%
Share price - 30 June (Rand)	5.25	6.20	5.70	4.95	3.69	4.42	
Dividend Yield (%)	4.6	4.5	5.6	6.9	9.2	7.7	
ROE (%)	12.7	13.7	14.6	13.3	14.7	12.8	
NAV (Rands)	2.82	4.29	4.73	5.02	5.44	5.66	17%
EBITDA (million)	358	481	625	792	956	1 106	25%

*Excluding IFRS16 lease reversals

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