

AFROCENTRIC INVESTOR DAY

Unaudited Interim Results

For the period July 2020 to December 2020



**01**

Business highlights

**02**

Strategic priorities

**03**Segment financial
performance**04**

Group performance

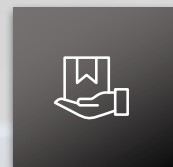
Interim Financial Review

Group Strategic Position

Group CEO | Ahmed Banderker



FINANCIAL HIGHLIGHTS



REVENUE



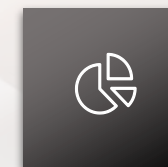
25.3%



HEALTHCARE
SERVICES
OPERATING PROFIT



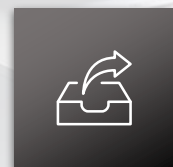
16.4%



PHARMA CLUSTER
OPERATING PROFIT



20.9%



PROFIT
BEFORE TAX



19.1%



HEADLINE
EARNINGS



10.9%



GROUP
EBITDA



18.0%

Core purpose




Enhancing the quality of life of our stakeholders






CLIENTS

-  Hospital tariff savings of R414 million
-  Value of managed care savings for medical scheme clients – R3.2 billion
-  Weighted scheme solvency 8% better than target

SHAREHOLDERS

-  Operating profit increased by 16.5%
-  Sustained net cash position with a positive return on equity
-  Compound annual growth rate (CAGR) of 17.6% (2016 to 2020)

EMPLOYEES

-  Approximately 5 500 employee complement
-  R21m spent towards enabling employees to work remotely
-  10 lives lost

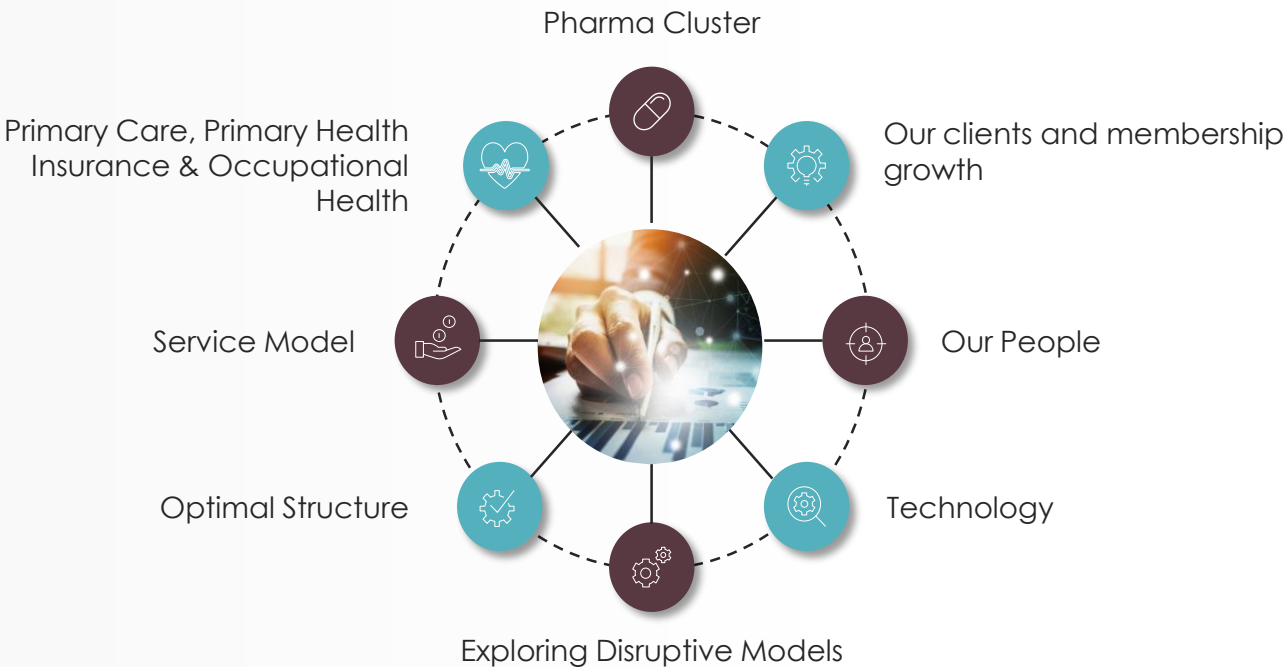
Strategic Pillars

Grow and Strengthen
Existing Businesses

Diversify Business Mix with
New Products and Services

Achieve Greater Operating
Excellence

Strategic Levers



**Combined with diversified business model and client-centricity,
we are positioned to drive superior long-term value**

Our strategy informs our **business model** for sustained value

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

- ▲ Resilience in membership
- ▲ Medscheme was awarded the GEMS managed care contract for another 5 years
- ▲ VirtualCare services implemented
- ▲ Acquisition of 100% shares in the DENIS group



PHARMACEUTICAL CLUSTER

- ▲ Projected to dispense 12 million scripts per annum by Pharmacy Direct
- ▲ >164% increase in multivitamins
- ▲ 76% operating profit increase for Scriptpharm



CORPORATE SOLUTIONS

- ▲ EssentialMed had a 17% growth in membership for its primary care solution
- ▲ Number of contracts secured for COVID rapid antigen and PCR testing
- ▲ National network of over 3,000 nurses who will be mobilised to vaccinate

MEDSCHEME EXPERIENCE



>635K TESTS CONDUCTED



>R500M PAID FOR TESTS



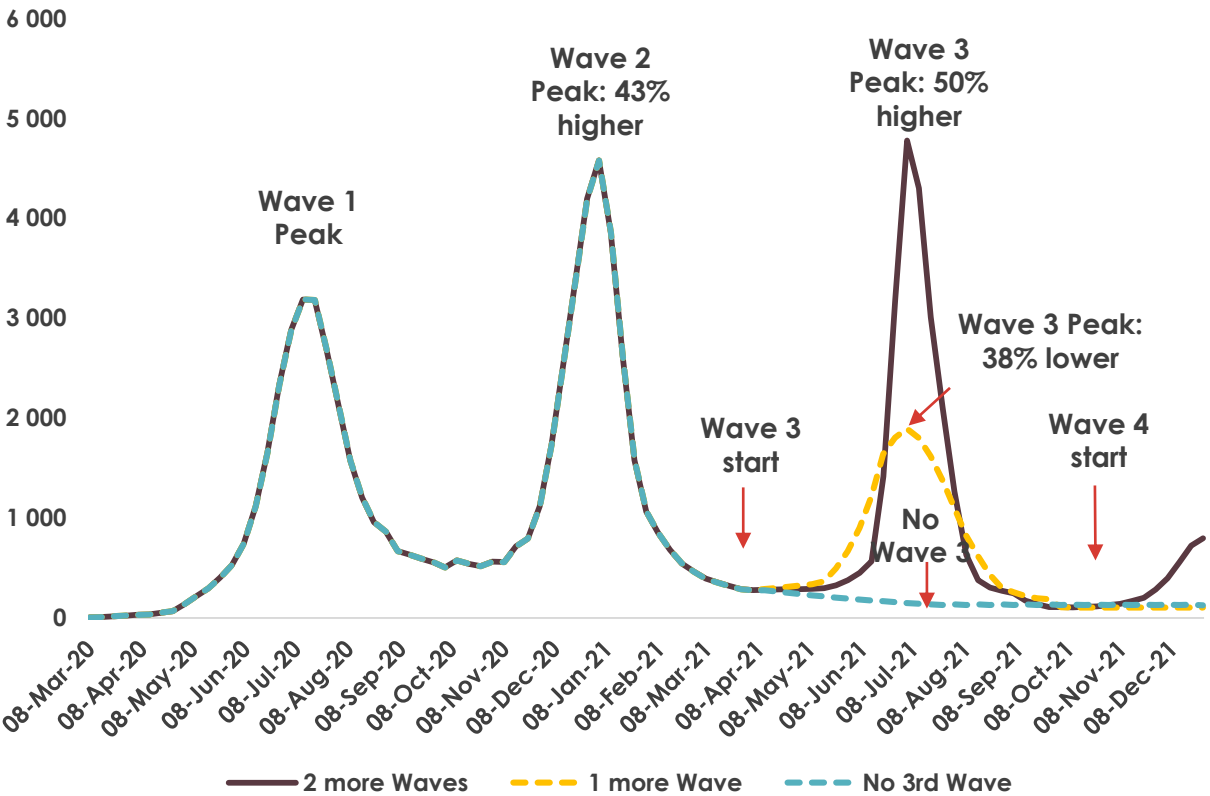
>61k CUMULATIVE ADMISSIONS



9,170 TOTAL DEATHS



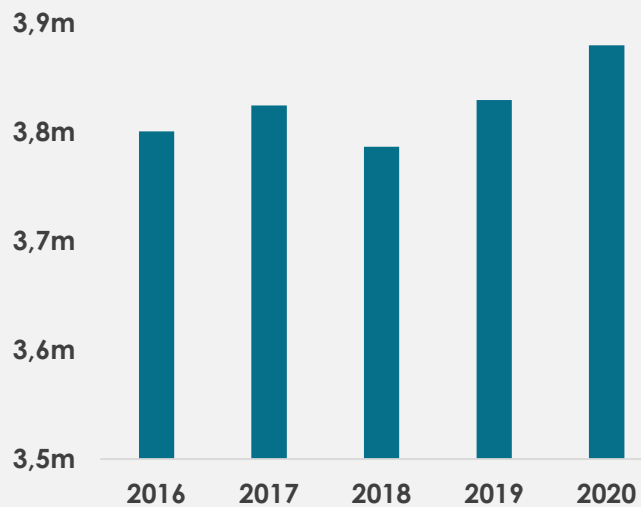
THIRD WAVE HOSPITAL ADMISSION PROJECTIONS



MEDICAL AID BENEFICIARIES

~3.9M beneficiaries

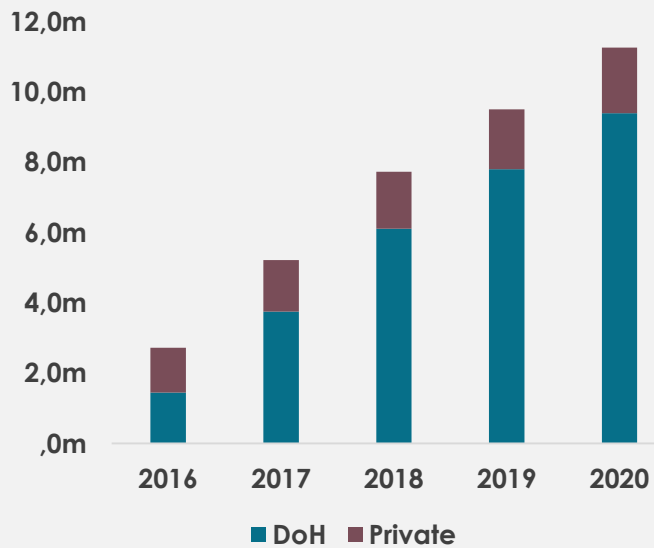
1% GROWTH IN BENEFICIARIES



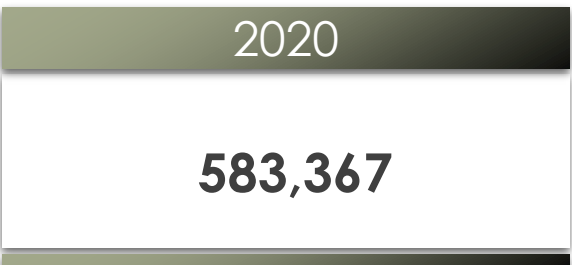
PHARMACY DIRECT SCRIPTS

~1M monthly scripts

19% GROWTH IN ANNUAL SCRIPTS



GROWTH IN MULTIVITAMINS UNIT COMPARISON (July to Dec)



STRONG MARKET POSITION

- Reengineering 50 year old Medscheme
- Weathering COVID19 and well positioned for growth
- An integrated healthcare business and market leader in managed care

DIVERSIFIED ACROSS COMPLEMENTARY HEALTHCARE SERVICES

- Differentiated business model with growing exposure across the healthcare value chain- pharmaceutical business generating greater share of the group revenue
- Diversification makes us more sustainable in a changing healthcare environment
- Our business model enables us to optimise healthcare costs

MULTIPLE GROWTH DRIVERS

- Positioning start ups for success
- Digitising to improve client experience
- Maximising our new integrated business model
- Partnering with various institutions

Interim Financial Review

Trading Statement Highlights

Group CFO | Hannes Boonzaier



FINANCIAL FOCUS POINTS



1. REVENUE DIVERSIFICATION



Diversifying into other revenue streams through our various subsidiaries. Pharmaceutical companies contributed 56% in revenue through organic and acquisitive growth, as well as 30% continuation to operating profit



2. GROWTH IN PHARMACEUTICAL



Growth in Pharmacy Direct full year scripts from 2 million in 2015 to 12.5 million expected for 2021 financial year and resulting in 20.9% growth in profit.



3. IT SYSTEM INVESTMENTS



Leveraging on the Group's refreshed administration platforms during the period to date has seen a below inflationary increase our administration costs of 1.6%, resulting in a 16.4% growth in operating profit in our administration business.



4. START-UP BUSINESS PROFITS



Integration of new businesses is bearing fruit with year-on-year growth in operating profits



5. WORKING CAPITAL MANAGEMENT



4% decrease year-on-year although growth of 20% in sales, impact of new product launches, still work in progress



6. CAPITAL MANAGEMENT



Debt repayment policies remain at less than five years per tranche borrowed, the Group will focus on debt reduction in the second half of the financial year 2021

Sustained performance
beyond our successful
five-year growth initiative
with operating profit
CAGR over 6 year of **20%**






THREE YEAR VIEW OF PROFIT BEFORE TAX

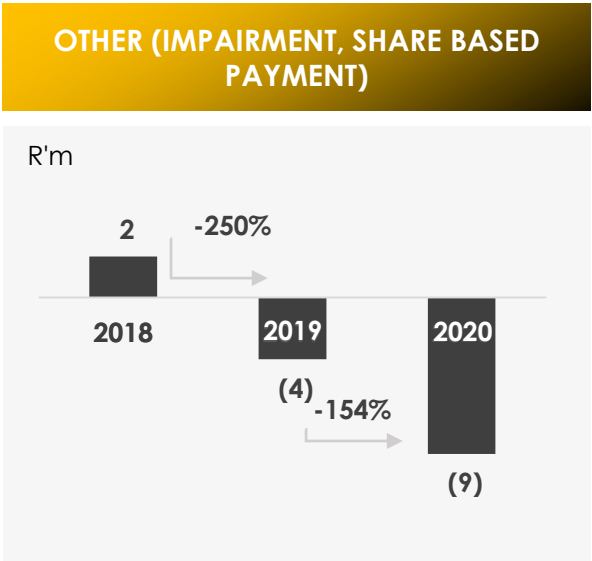
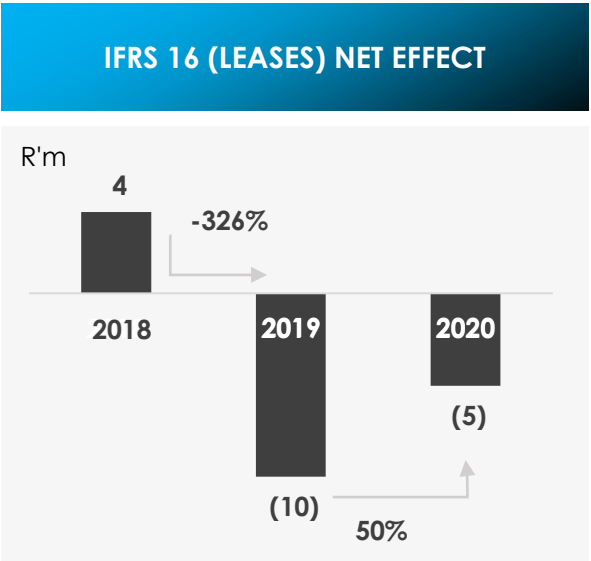
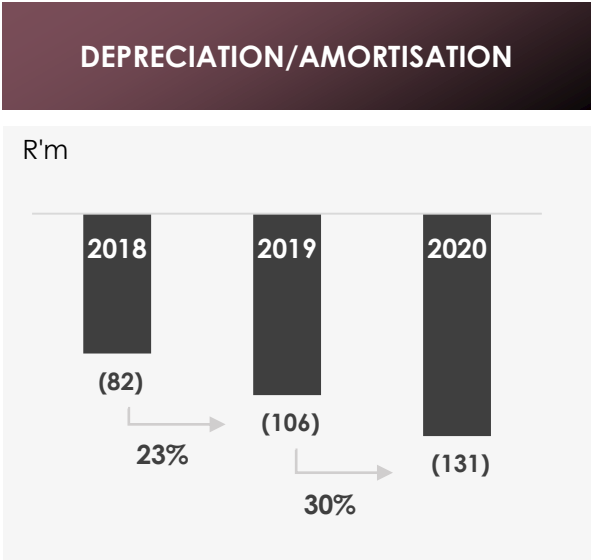
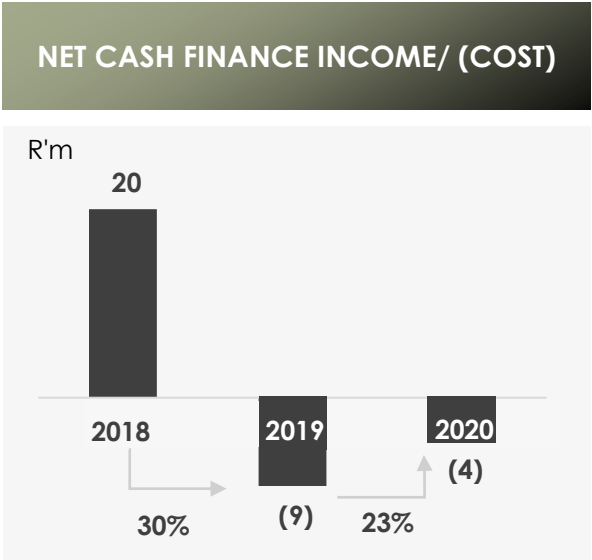
R461.6m

Group EBITDA

(2019 - R391.3 m)

**Depreciation/Amortisation
increases 2019/2020**

 Nexus	19
 Denis PPA	5
 Tangible assets	1
	25



REVENUE GROWTH CONTRIBUTORS

	2019/2018	2020/2019
Pharmacy Direct	17.2%	9.4%
Activo	100.0%	14.4%
Scriptpharm	715.7%	178.4%
Admin	1.3%	4.0%

OPERATING PROFIT GROWTH CONTRIBUTORS

	2019/2018	2020/2019
Pharmacy Direct	61.1%	8.5%
Activo	100.0%	11.0%
Scriptpharm	415.8%	76.2%
Admin	3.5%	16.4%

SEGMENTED FINANCIAL REPORTING STRUCTURE

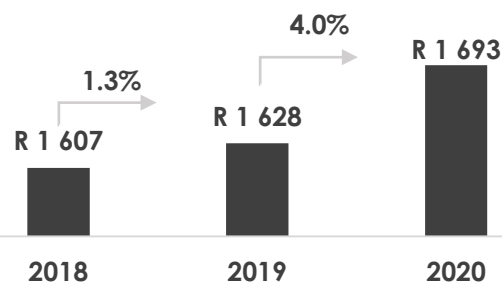
MEDICAL AID ADMINISTRATION, RISK MANAGEMENT & TECHNOLOGY

PHARMACEUTICAL CLUSTER

CORPORATE SOLUTIONS

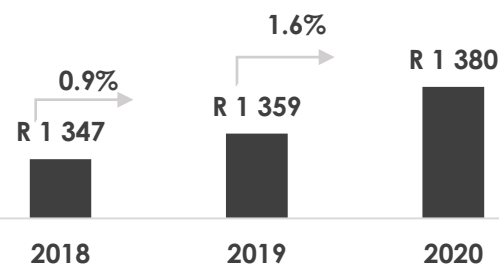
REVENUE

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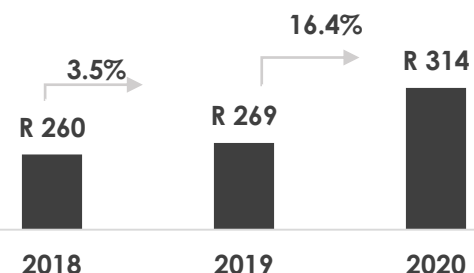
OPERATING COSTS

R'm



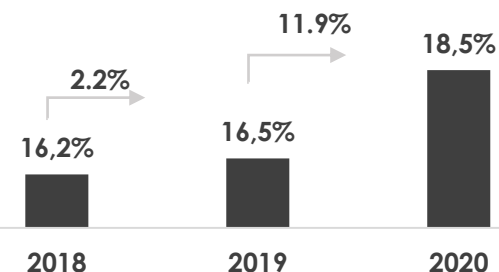
OPERATING PROFIT *

R'm



OPERATING MARGIN

R'm



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

* Operating profit excluding IFRS 16 lease reversals per segmental analysis

SEGMENTED FINANCIAL REPORTING STRUCTURE

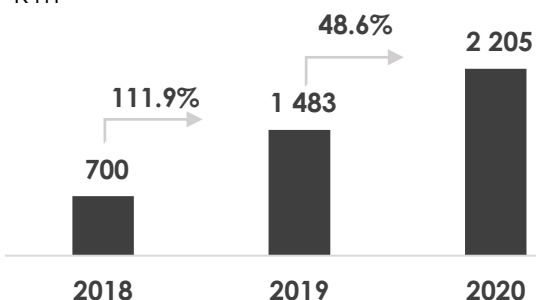
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PHARMACEUTICAL CLUSTER

CORPORATE SOLUTIONS

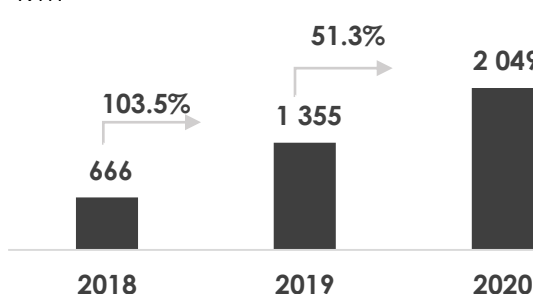
REVENUE

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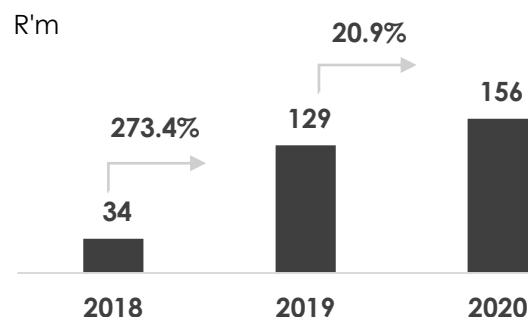
OPERATING COSTS

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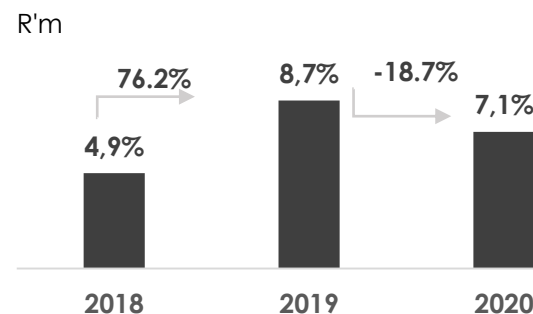
OPERATING PROFIT *

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OPERATING MARGIN

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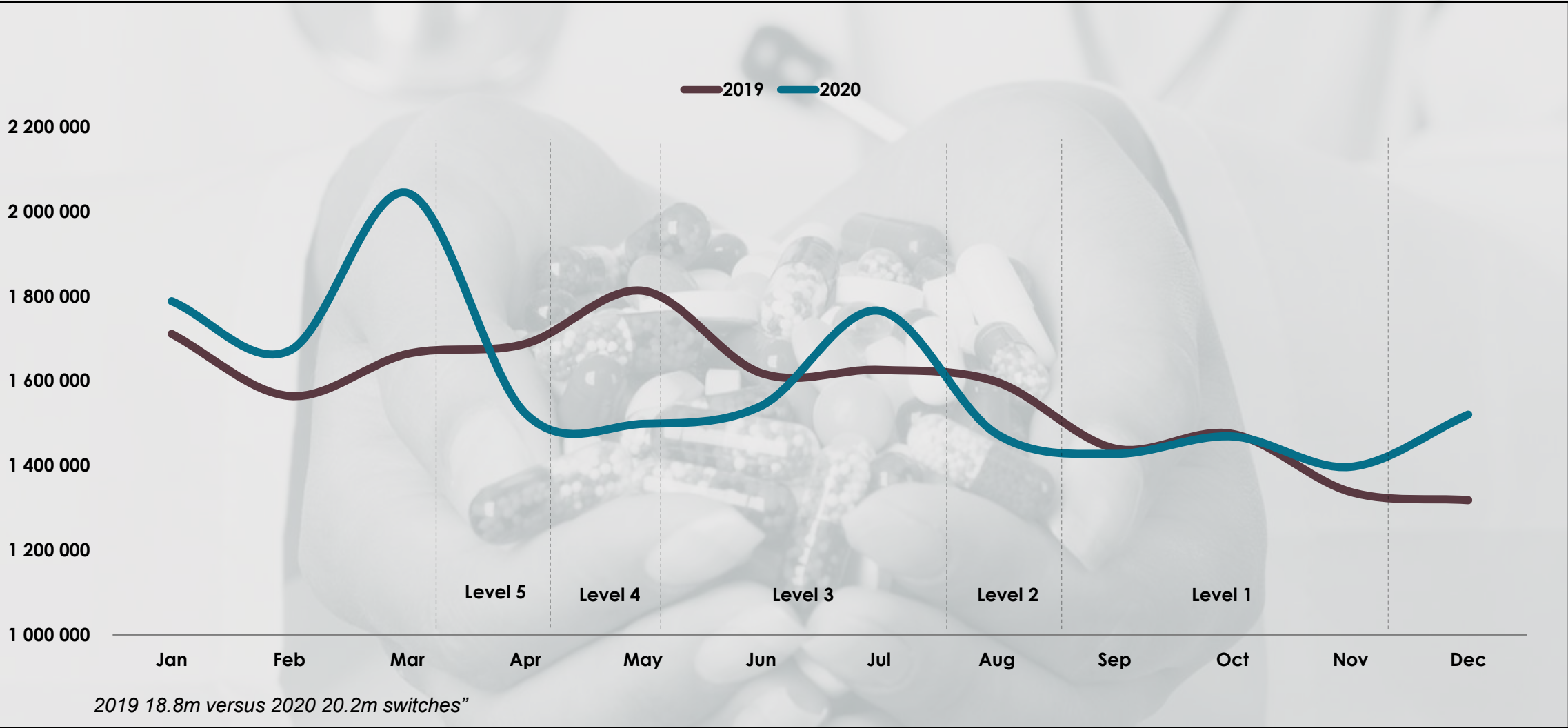


ANNOTATIONS

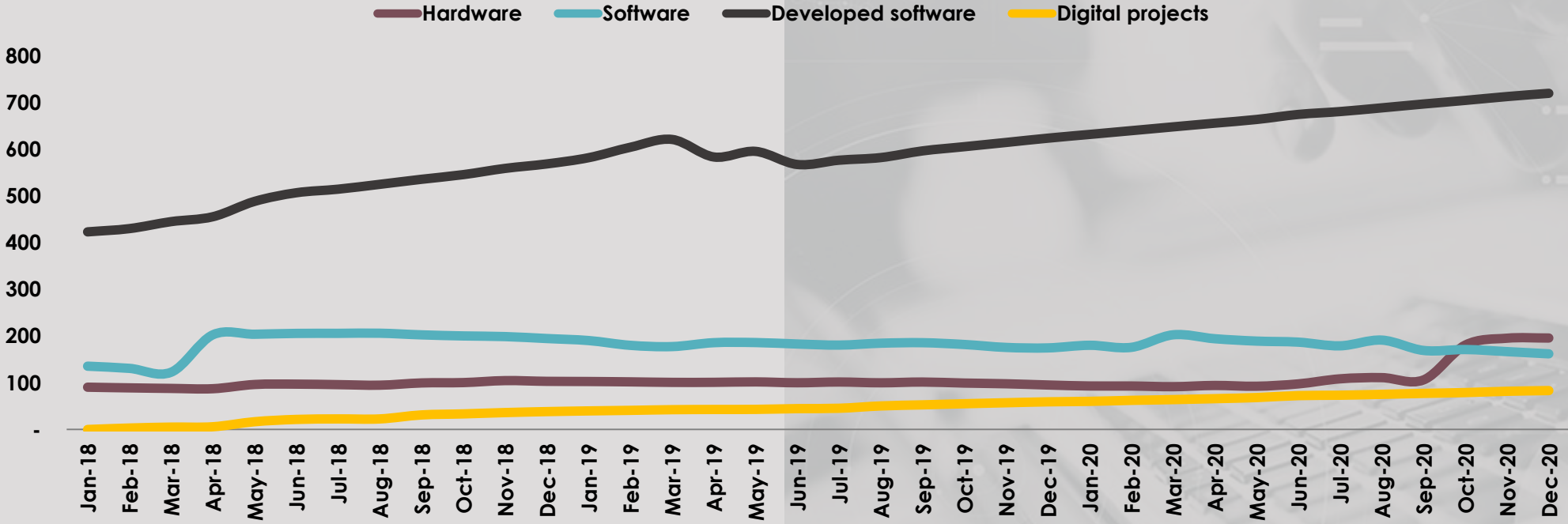
-  Pharmacy Direct increased DOH volumes for State patients
-  Pharmacy Direct and Activo: improved adherence by chronic patients drives chronic medicine demand and deliveries
-  Activo increased vitamin sales (82%), Over The Counter (OTC) Medicine (52%) and new product launches (34 dossiers registered in H1)
-  Scriptpharm – new Bonitas Chronic Medication model full 6 months

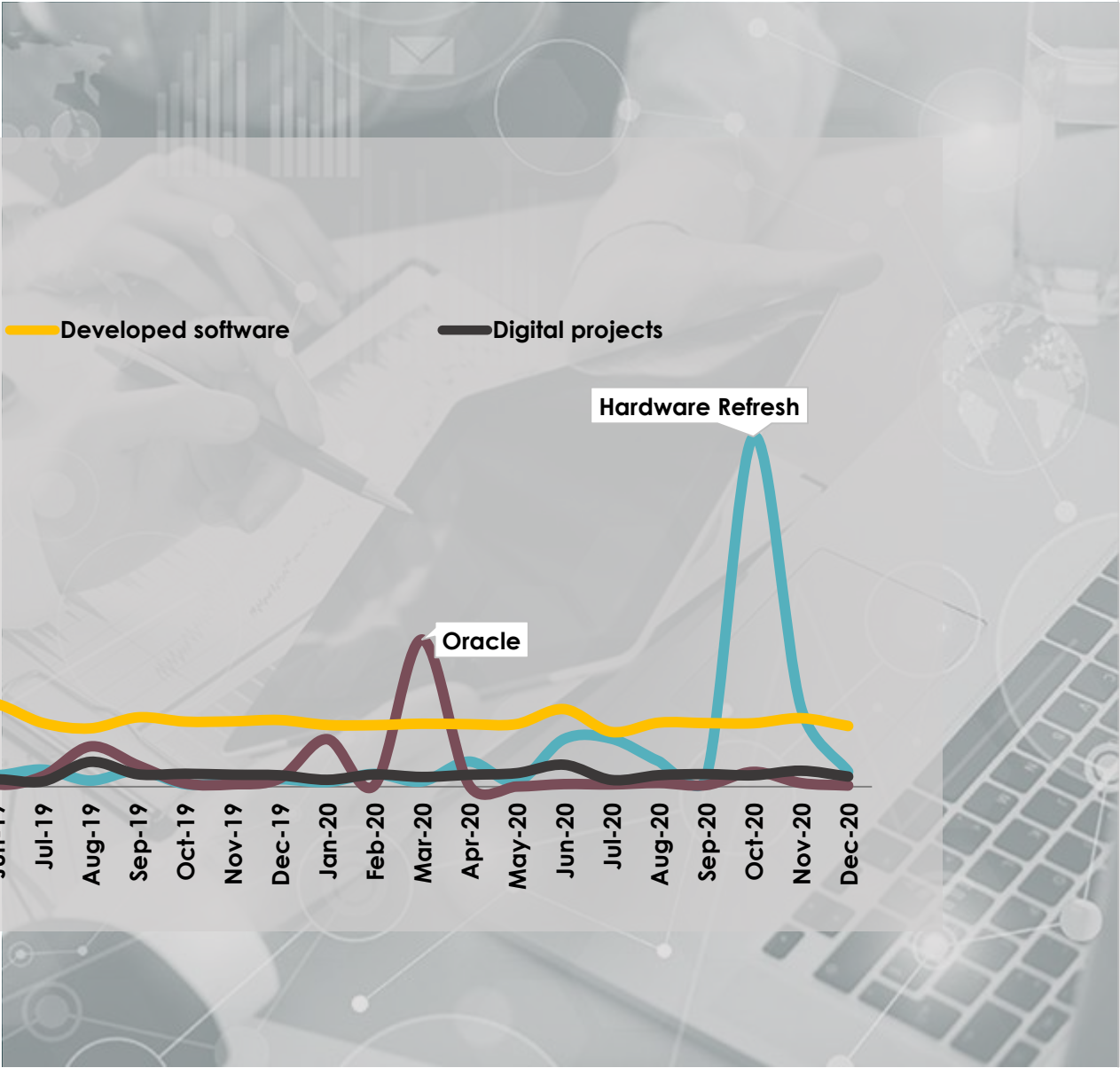
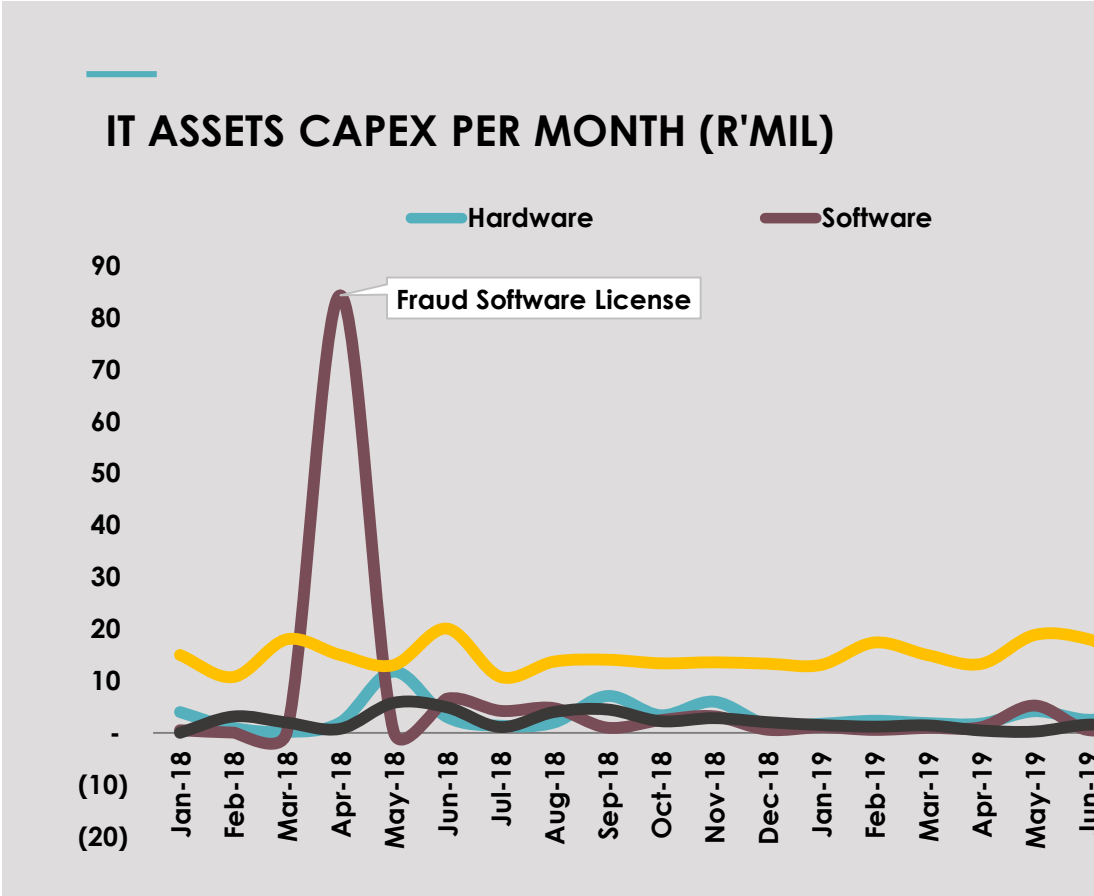
* Operating profit excluding IFRS 16 lease reversals per segmental analysis

ALLEGRA INTERPHARM SWITCHING VOLUMES



IT ASSETS CARRYING VALUE (R'MIL)





DRIVING STARTUP VENTURES TO PROFITABILITY

EssentialMed

(Health Insurance)



Health insurance lower volumes due to Covid and cautionary look at unrealized profits for H2.

* 2021 Annualised

MMed

(Surgicals/Consumables)



Transitioning to a profitable "basket of products" from current "wide product range"

Scriptpharm

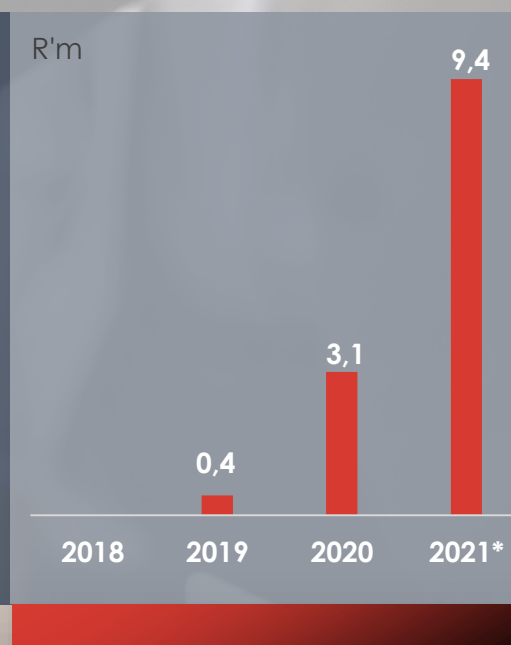
(Pharma Managed Care)



Large increase in revenue but trying to maintain 3% to 5% margin whilst saving schemes on their medicine claims budget.

ACS

(Corporate Solutions)

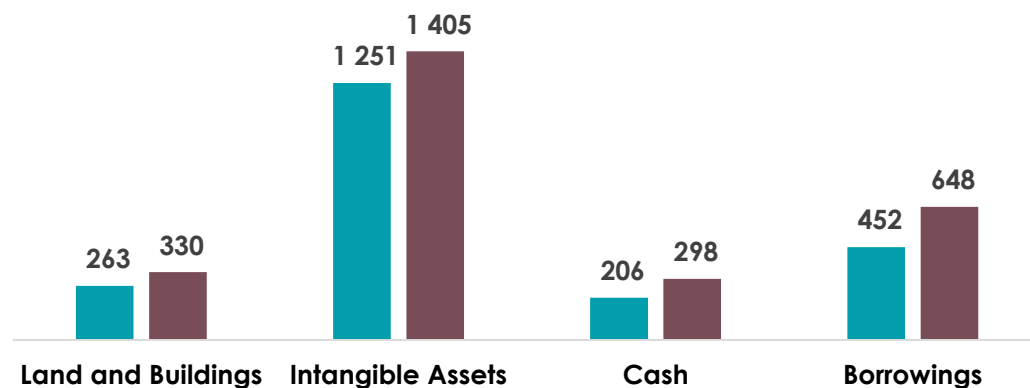


Corporate awareness in health driving many opportunities in large corporates. New vaccination opportunities together with Wellness offerings.

STATEMENT OF FINANCIAL POSITION

R'm

■ 2019 ■ 2020



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
-Internally generated software developments(R80m) inclusive of the Hospital Authorisation System

CASH

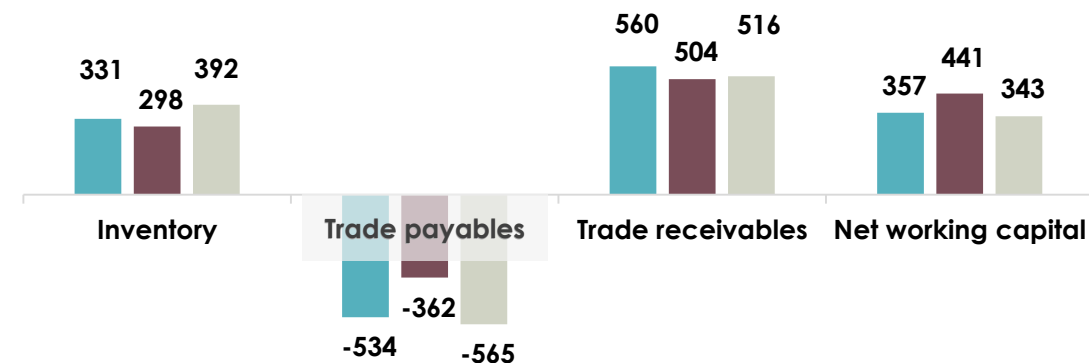
- Higher levels not yet offset to borrowing to fund short term working capital

BORROWINGS

- R196m additional drawdown for acquisition of DENIS Group and robotics packing systems at Pharmacy Direct.
- Debt repayment expected to be <5years with focus on debt reduction in second half of the year

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■ Dec-19 ■ Jun-20 ■ Dec-20



CASH CONVERSION CYCLE

	Dec 2018	Dec 2019	June 2020	Dec 2020
Inventory	63	70	65	75
Plus debtors	38	37	35	43
Less creditors	(54)	(57)	(41)	(35)
Cash conversion days	48	50	59	82

GROUP PERFORMANCE - INVESTOR DASHBOARD

		31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Dec 2020	6 Year CAGR
Total Revenue	R'm	1,810	2,038	2,307	3,111	3,898	22.0%
Operating Profit	R'm	259	284	295	398	469	17.6%
Operating Profit Margin	%	14	14	13	13	12	
Comprehensive Headline earnings	R'm	153	177	175	206	233	15.1%
Normalised Headline Earnings	R'm	101	120	121	140	152	8.8%
Non controlling interest	R'm	52	57	54	66	80	38.9%
Normalised HEPS	Cents	18.21	21.67	21.78	24.36	26.48	7.9%
Membership (Lives Managed)	'000	3,709	3,625	3,711	3,829	3,880	
Scripts dispensed	'000	1,436	2,939	4,402	4,982	6,256	47.0%
Dividends	Cents	14	16	17	17	17	7.2%
Share Price	R	6.09	6.40	4.86	3.39	3.80	
Annualised Return on Equity	%	13.9%	13.7%	13.1%	13.2%	14.1%	
NAV per share (Rand per share)		2.94	4.56	4.87	5.23	5.54	13.0%

Due to the cyclical nature of the Group the performance OF H1 is weighted approximately 45/55 to 40/60 towards the H1/H2 trading periods

THANK YOU

Unaudited Interim results

For the period July 2020 to December 2020

