



AfroCentric
GROUP

Healthier Together

ANNUAL RESULTS 2022

14 SEPTEMBER 2022

CHAIRMAN: AfroCentric Group

Dr Anna Mokgokong



AfroCentric
GROUP

Healthier Together



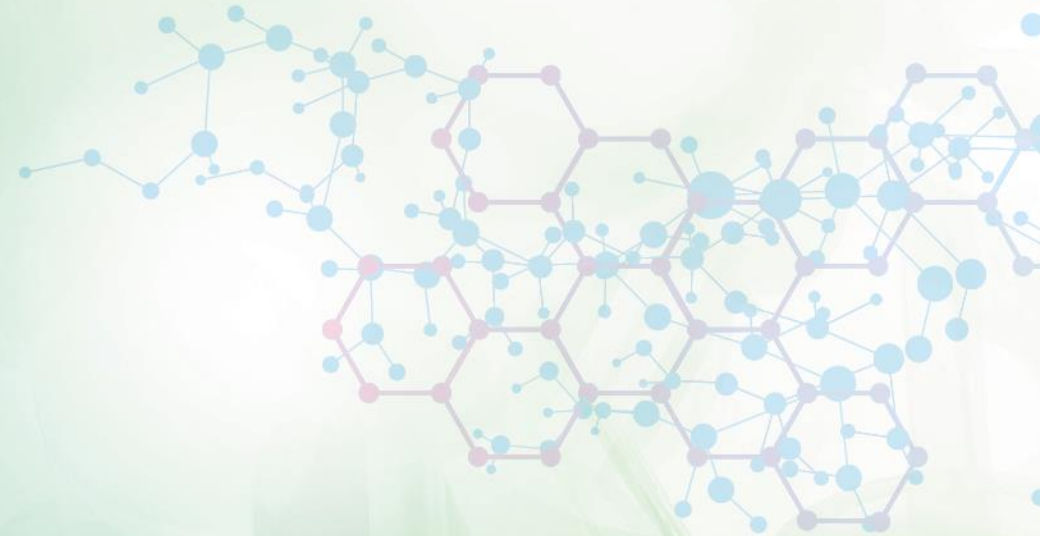
GROUP CEO

Ahmed Banderker



AfroCentric
GROUP

Healthier Together



SUMMARY VIEW OF RESULTS

Year ended 30 June 2022



	SERVICE R'm	RETAIL R'm	TOTAL R'm
Revenue	4 319	4 403	8 722
<i>Growth to prior year</i>	12.7%	3.8%	8%
Operating profit	708	336	1 044
<i>Growth to prior year</i>	(2.4%)	9.7%	1.2%



CONTEXT

Global and local influences



POSITIVE RATE OF COVID RECEDING

But care has been
interrupted...



ECONOMICS AND INFLATION

Ensuring
affordability



CHRONIC CARE IMPACTED BY PANDEMIC

Now monitoring and
managing

- Impact of delayed care
- Lapses in treatment adherence



GLOBAL SUPPLY CHAIN INTERRUPTIONS

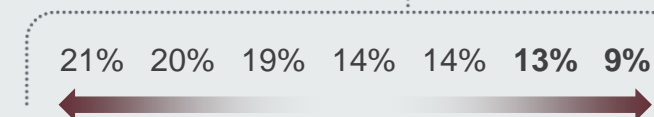
Some minor pharma
incidents, but
managing with
generic substitution

COVID IMPACT ON MEDICAL SCHEMES

Membership and delayed healthcare costs

7 LARGEST OPEN SCHEMES

Principal members		0.7%		-2.0%		1.3%	
Beneficiaries	2018	0.3%	2019	-2.0%	2020	0.4%	2021
Claims per member per month*		5.7%		2.3%		15.2%	



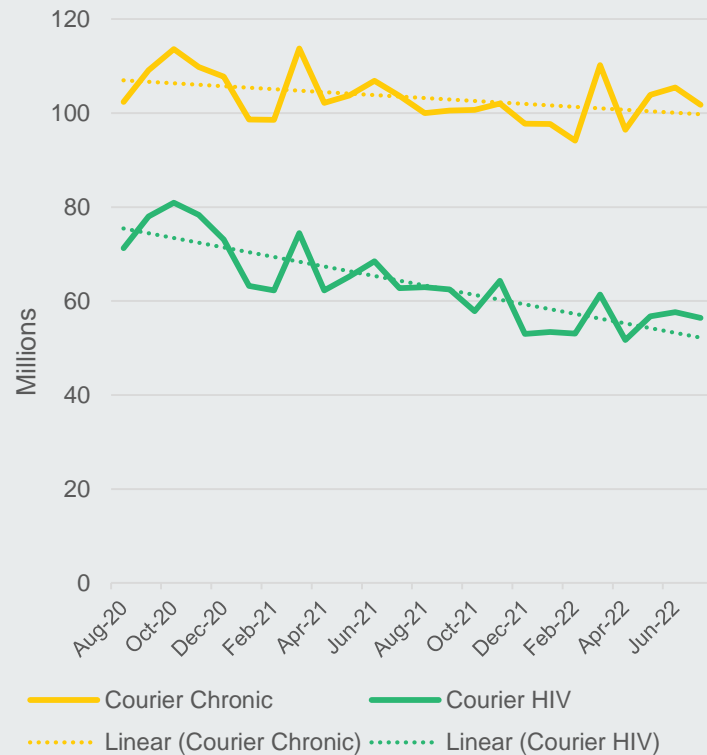
	2018		2019		2020		2021
Average solvency*	29.46%	8.8%	32.04%	29.2%	41.42%	-12.8%	36.10%

* Simple averages were used to illustrate the trend without the influence of scheme membership levels

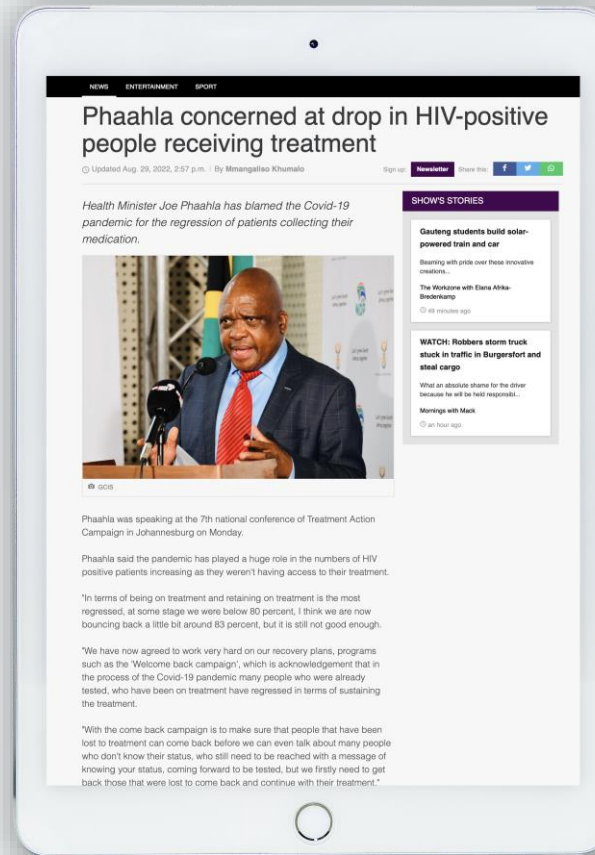
COVID IMPACT ON PHARMA

Care interrupted - Chronic conditions and medication sales

Decline in dispensing of Chronic and HIV related medicines in South Africa's courier channel during data period MAT July 2022 Schedule 3-6 only

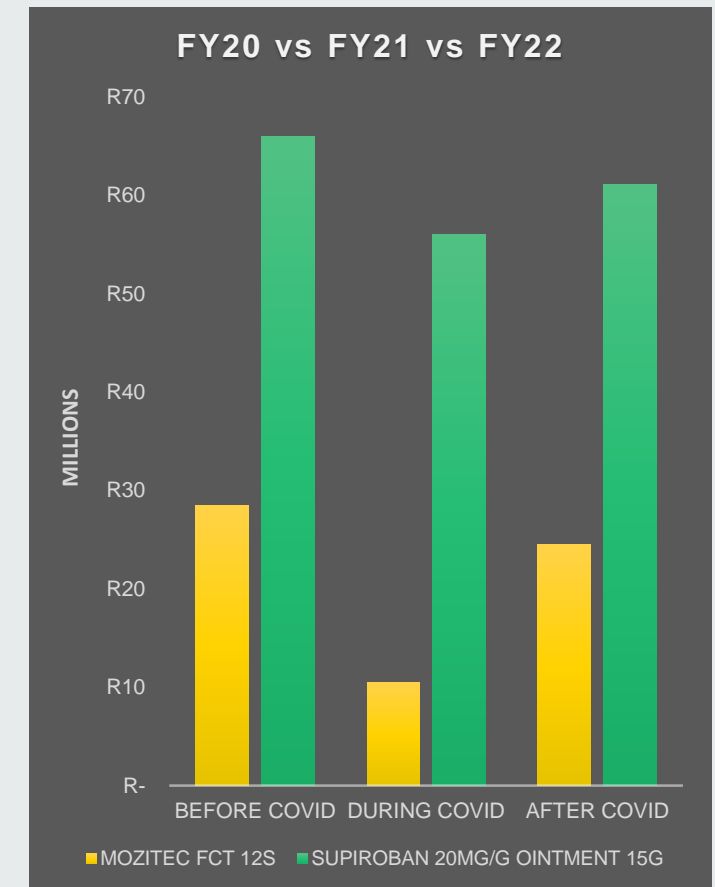


Graph source: IQVIA, applying internal Pharmacy Direct chronic classifications across the SA Courier Channel



Phaahla concerned at drop in HIV-positive people receiving treatment (jacarandafm.com)

MOZITEC AND SUPIROBAN SALES



COVID-19 VACCINES – GIVING BACK

AfroCentric Group participated in SA National Vaccination programme



210 503



TOTAL VACCINES
ADMINISTERED

83.4%



INSURED

16.6%



UNINSURED

MAY 2021 TO

JANUARY 2022

Joint initiative with NDOH and B4SA
Single-dose JnJ and two-dose Pfizer vaccines



**R30 MILLION WORTHWHILE
INVESTMENT** *(R25m in 2022)*

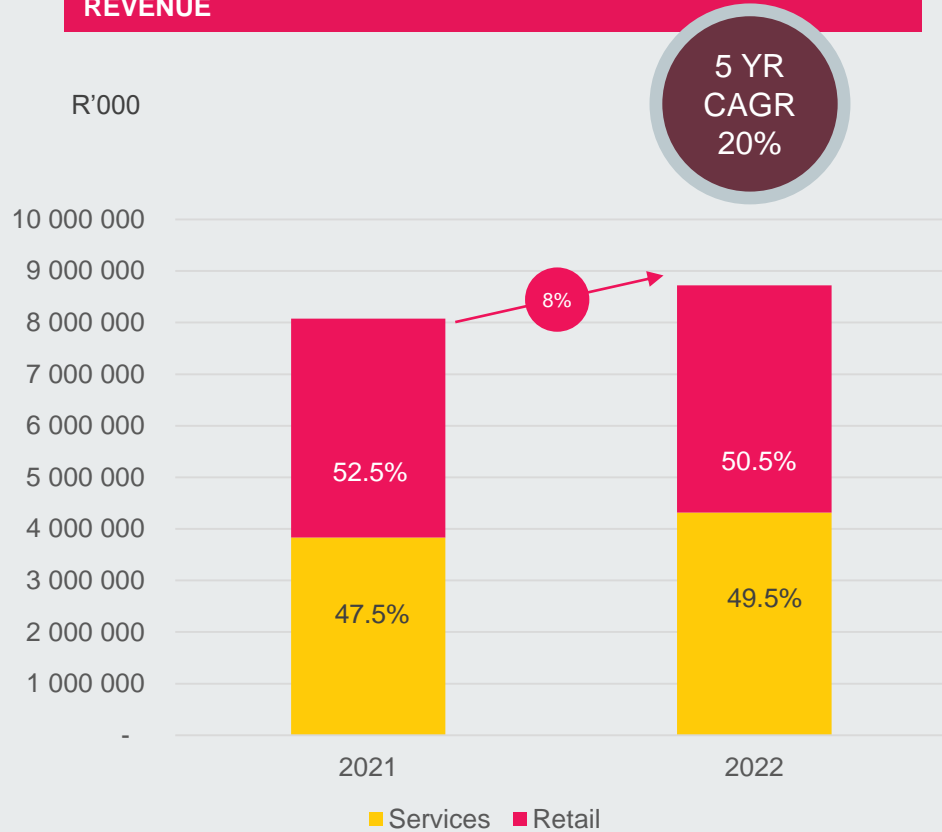
The number of lives saved, and reduced downstream costs for our administered schemes.



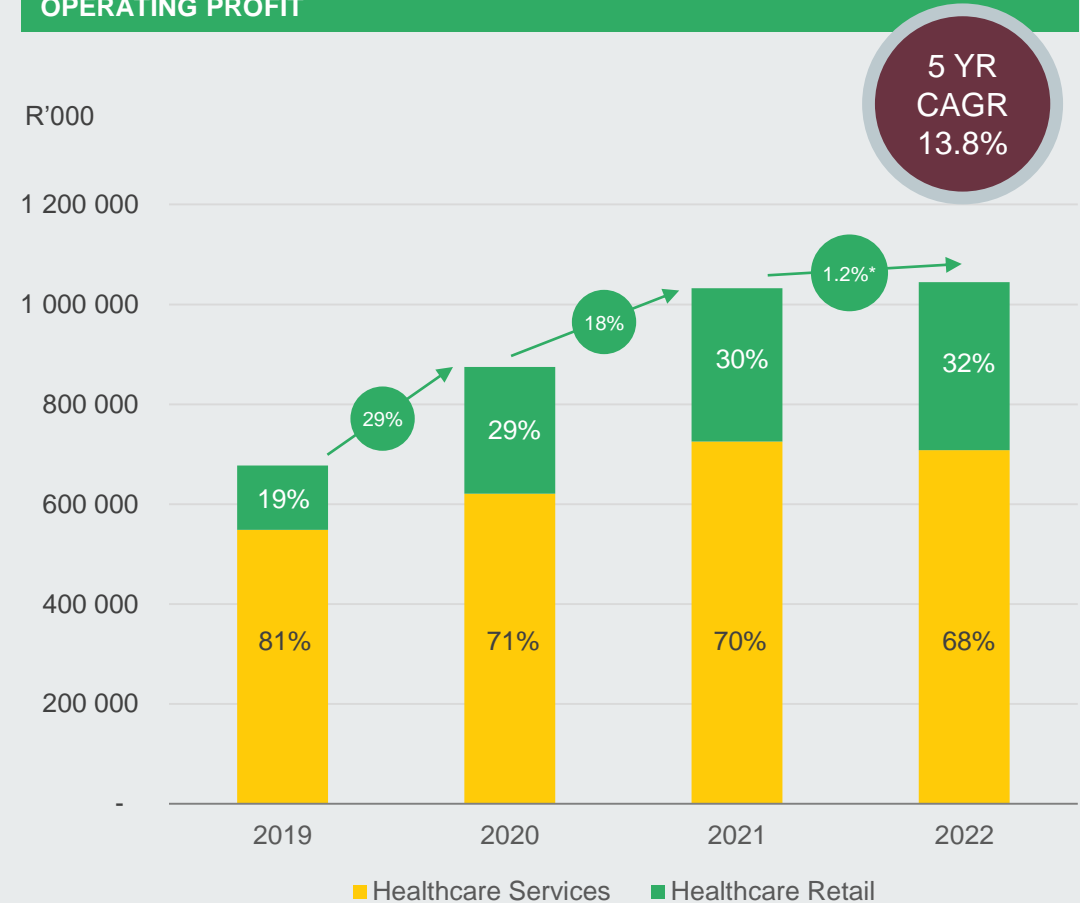
CLUSTER FINANCIALS

Growing profit diversification

REVENUE



OPERATING PROFIT



*1.2% growth becomes 3.6% when not including vaccination project

MEDSCHEME – OPERATIONAL EFFECTIVENESS

MEMBERSHIP
3.8 million lives

+37 612
GEMS lives
in 2022



EFFECTIVENESS GAINS

AUTOMATION RATE



- 141 000 automated HBM pre-authorisations
- Decision Engine automation rate 63% (up from 54% YoY)

DIGITAL UTILISATION



- Up >40% at ~ 1.2 million driven by
- AMP launch (> 72 000 registration and usage)
 - Significant increase in WhatsApp BOT use

HEADCOUNT PER MEMBER



- 200 headcount improvement 0.82 per 1000 lives (5.49% improvement)
- Service Excellence score improved >20% on both service levels and customer metrics

PHARMA SAVINGS FOR CLIENT SCHEMES

Chronic, Acute, HIV and Oncology Medicine



INTEGRATED MEDICINE DELIVERY MODEL

Medical Scheme Case Study

Programme implementation

2019 – Chronic and acute medicine

2020 – HIV and Oncology medicine added

Members spread out throughout the country yet 90% of members can access a network pharmacy within 5 kms

CUMULATIVE MEDICINE SAVINGS ACHIEVED

ACUTE	R211 million
CHRONIC	R228 million
HIV	R 72 million
ONCOLOGY	R 26 million

TOTAL R537 million

Methodologies employed

-  Risk transfer and fee for service solutions
-  Effective pharmacy network management
-  Intensive beneficiary communication and engagement
-  Managed Care Medicine Management integration
-  Reduced spend through protocols, generics, networks and discounted prices and fees
-  **UNIQUE** Oncology medicine and consumable risk management

2 810 Retail pharmacy network grew from 800

Includes corporate, courier and independent pharmacies



SANLAM PARTNERSHIP

New Sanlam structure



RETAIL DISTRIBUTION

- Healthcare accreditation drive for Sanlam Advisors
- Health referral model scaled across Sanlam's 2 200 Middle Market Tied Advisors
- In 2023, 4 400 Sanlam Retail Mass Advisors taking health products to market

Sanlam investment
into new business capability
for AfroCentric Open
Schemes and Corporate
Wellness Solutions



CORPORATE

- AfroCentric Corporate Wellness Solutions rebranded to Sanlam and introduced to corporate brokers
- In 2023, integration of Health into Sanlam Group Risk and Sanlam Umbrella Funds

SANLAM PARTNERSHIP

AfroCentric Corporate Solutions



AfroCentric Corporate Solutions offer a wide range of healthcare and corporate wellness offerings tailor-made and white labelled for Sanlam clients.



CORPORATE WELLNESS SOLUTIONS

- Sanlam GAP Cover
- Sanlam Primary Care
- Sanlam Employee Assistance Programme
- Sanlam COVID-19 Screening and Vaccinations
- Sanlam Primary Care Clinics
- Sanlam Occupational Health Service
- Sanlam Staff Lifestyle Programme
- Sanlam Executive Care
- Sanlam Employee Health Risk Management
- Sanlam Home Care
- Sanlam Emergency Management

SANLAM PARTNERSHIP

Key Projects



SEGMENTAL REVIEW AND FINANCIAL HIGHLIGHTS

GROUP CFO

Hannes Boonzaaier



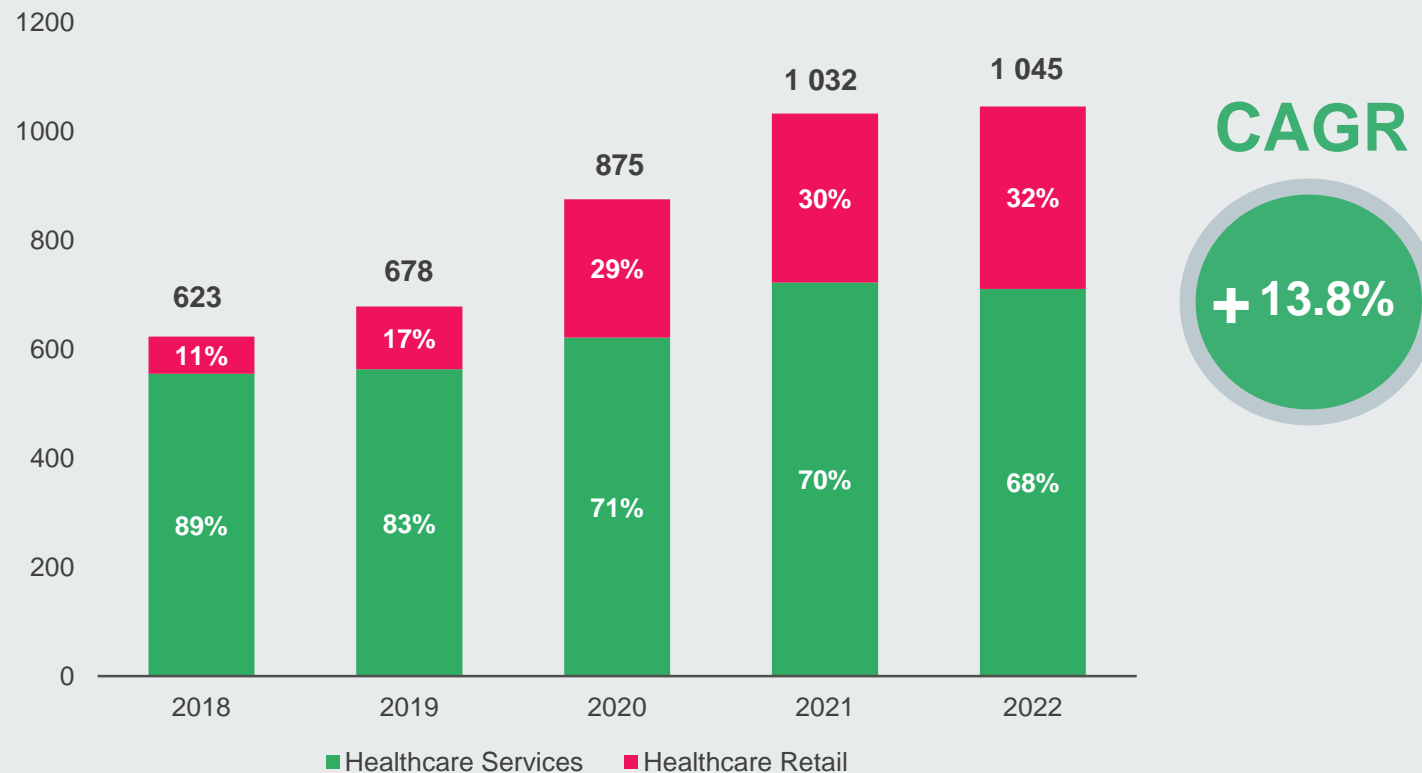
AfroCentric
GROUP

Healthier Together



SEGMENTED OPERATING PROFIT AND DIVERSIFICATION DRIVE

Sustained Performance - Operating profit (Rm)



Revenue YOY movement

3.8%

- ▶ increase in Retail cluster revenue. Affected largely by non adherence to chronic medication

Healthcare services operating profit

-2.4%

- ▶ decrease YOY. Membership growth constraint and Group vaccination programme negatively affecting growth

NORMALISED TRADING VIEW EXCLUDING NON-RECURRING ITEMS

Non-recurring events which occurred during the period to date:

Vaccination programme investment (R25m)

Impact of non adherence to chronic medication as at 31 December (R22m)

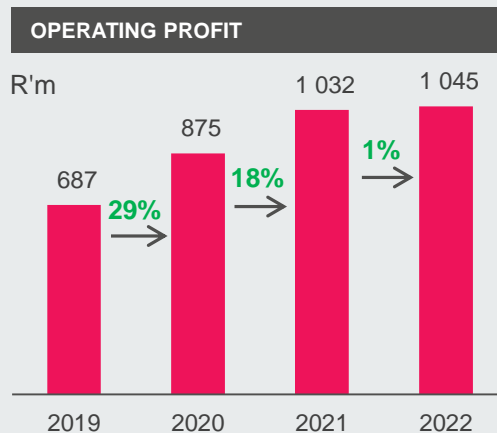


NORMALISED TRADING VIEW

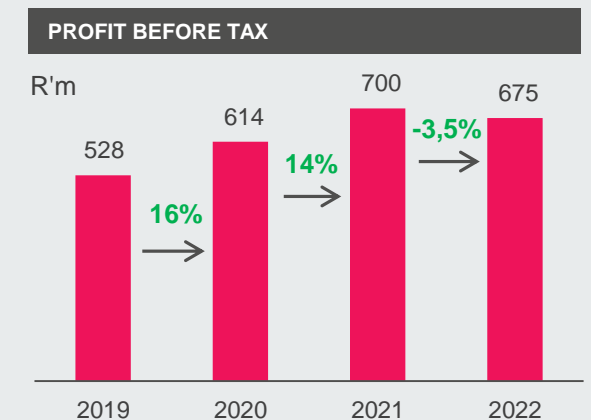
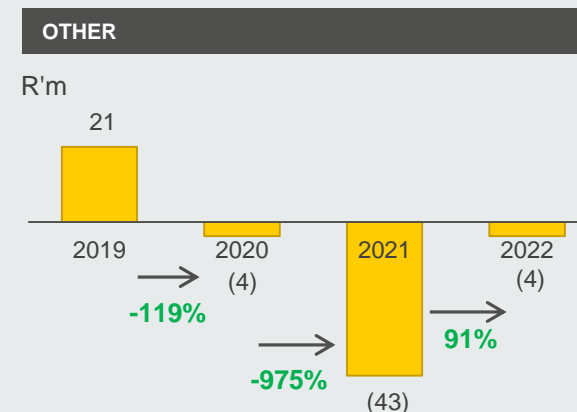
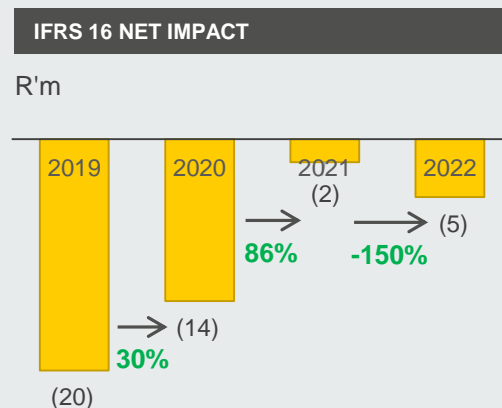
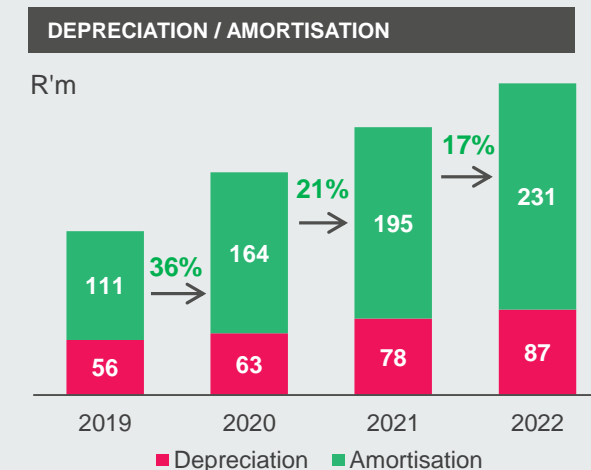
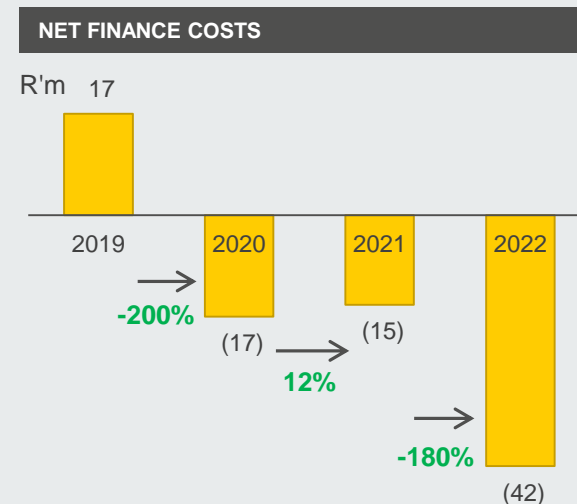
	Normalised trading Including adjustment % Movement	As reported Excluding adjustment % Movement	Normalised trading Audited year ended 30 June 2022 R'm	As reported Audited year ended 30 June 2022 R'm	Trading adjustments R'm
Operating profit	5,8%	1,2%	1 091,6	1 044,6	47,0
Profit after tax	4,4%	-2,4%	515,5	481,7	33,8
Headline earnings (rands)	3,7%	-3,6%	341,2	317,1	24,1

4 YEAR VIEW OF PROFIT BEFORE TAX

Amortisation YOY Increase	Increase (R'm)	Increase (%)
Administration Systems	-27	-25%
Dossiers and PPA intangible assets	50	72%
Insurance Fraud Manager	13	81%



Operating profit stated after lease costs to be paid in line with pre IFRS 16 implementation.

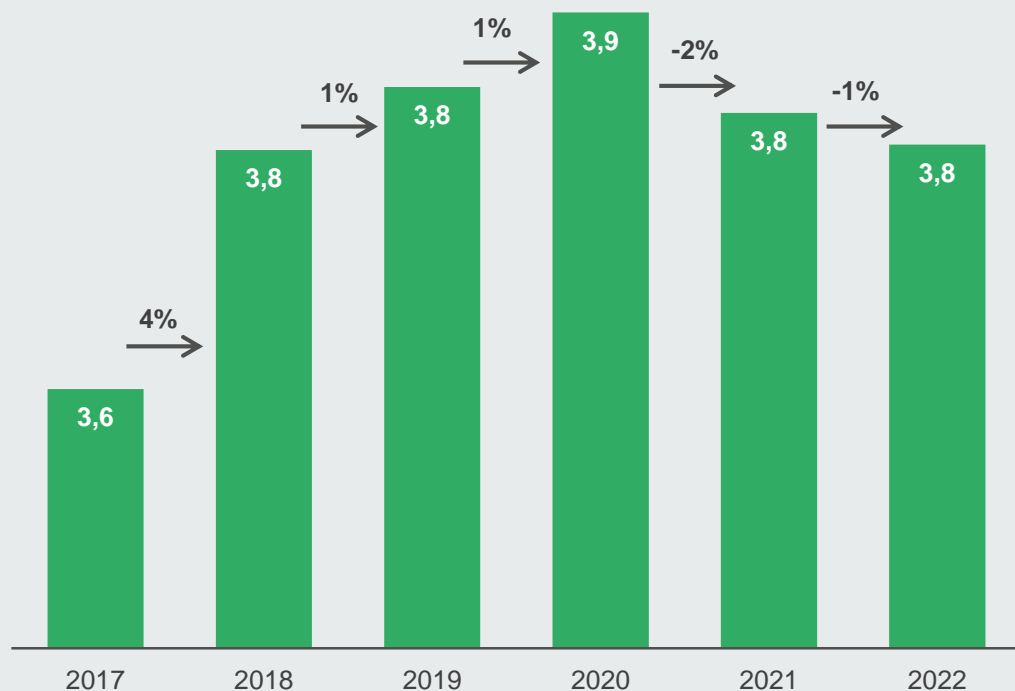


SCHEME MEMBERSHIP

- Overall, membership is under pressure due to affordability and profile of members.
- Steady growth from GEMS, but notable losses from various Closed Schemes.

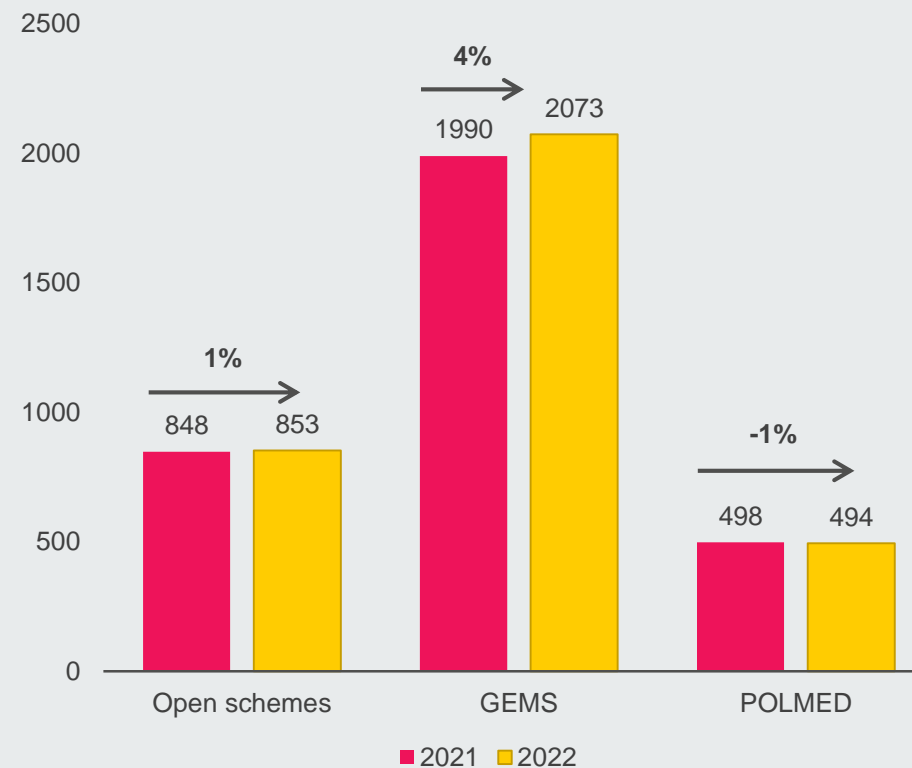
SCHEME MEMBERSHIP

('million)



DISTRIBUTION OF BENEFICIARIES BY LARGE SCHEMES

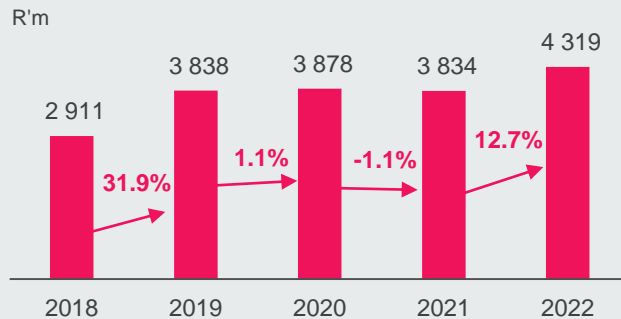
('000)



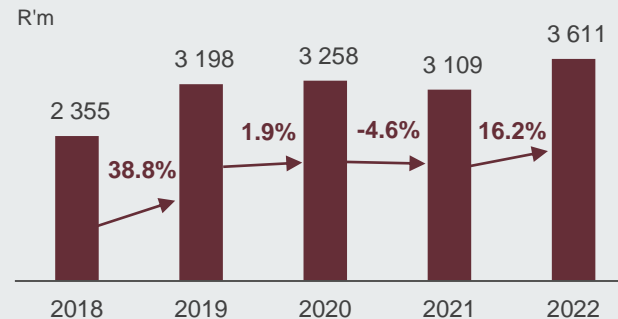
SEGMENTED FINANCIAL REPORTING STRUCTURE - SERVICES

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

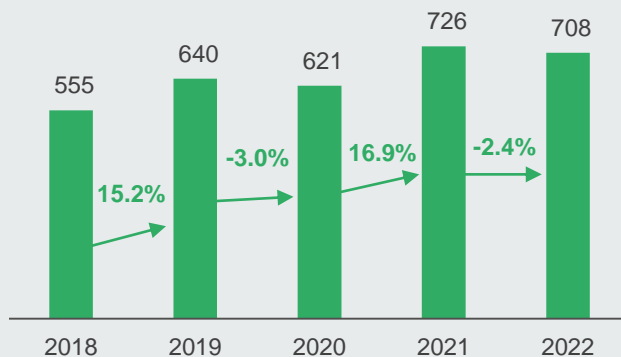
REVENUE



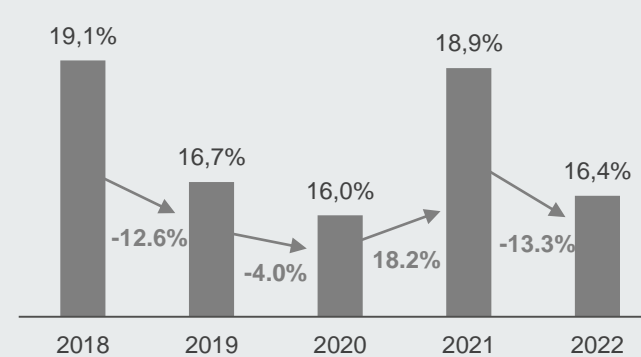
OPERATING COSTS



OPERATING PROFIT



OPERATING MARGIN

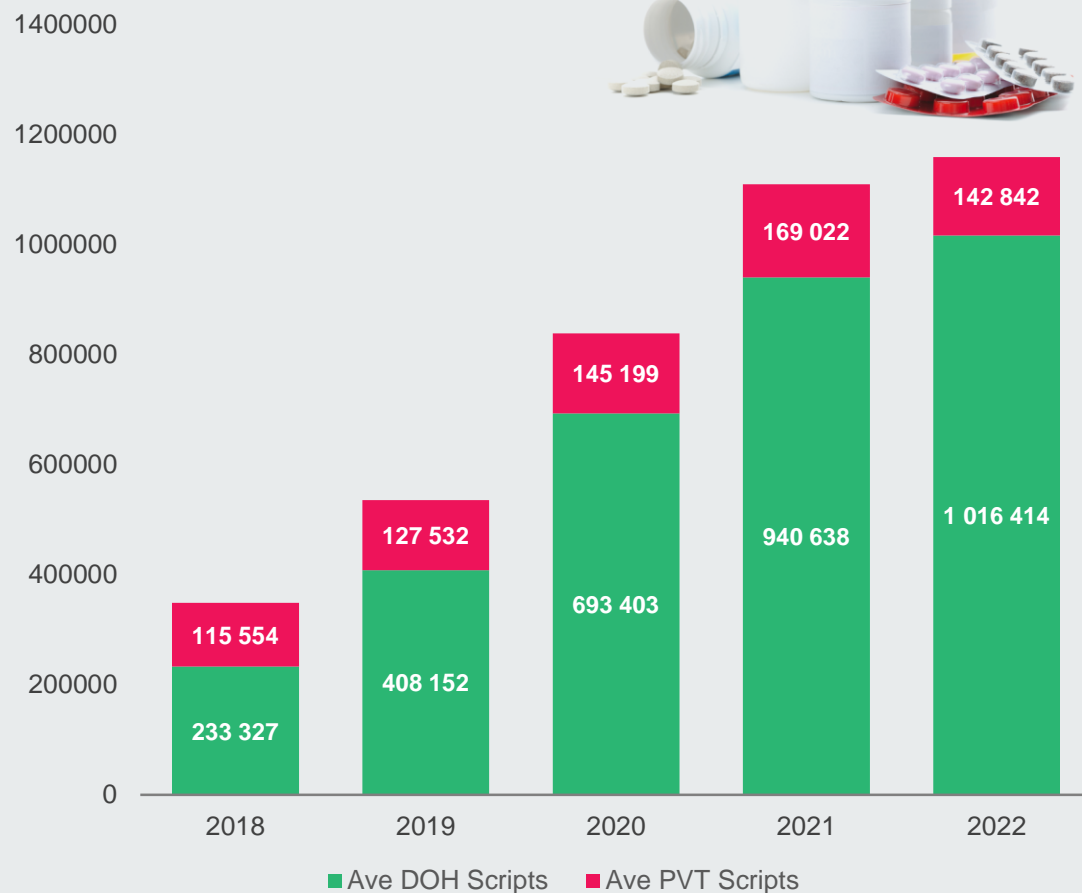


Annotations

- ▶ Revenue increase due to GEMS contract with additional subcontracting services that is paid without margin
- ▶ Member growth in GEMS. Full year inclusion of Denis revenue in 2022 – capitation business with lower net margins.
- ▶ SamwuMed Managed Care Tender won including additional services for claims management.
- ▶ Africa division – losses from Zimbabwe and Eswatini now excluded in 2021
- ▶ Segment performance impacted by vaccination distribution programme – R25 million.

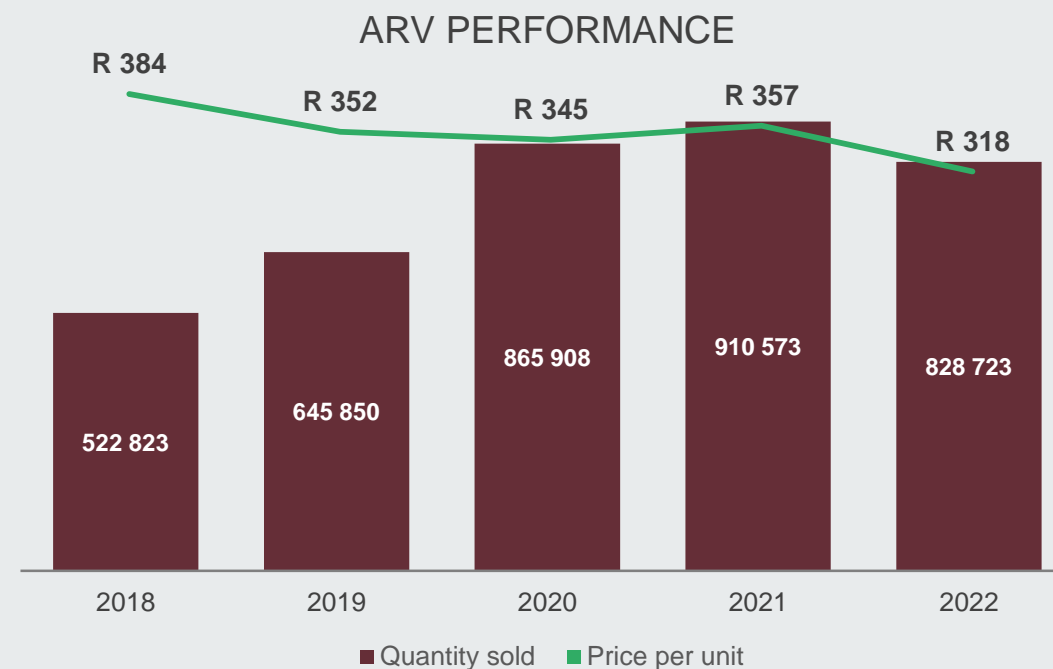
SCRIPTS DISPENSED - RETAIL

Scripts dispensed



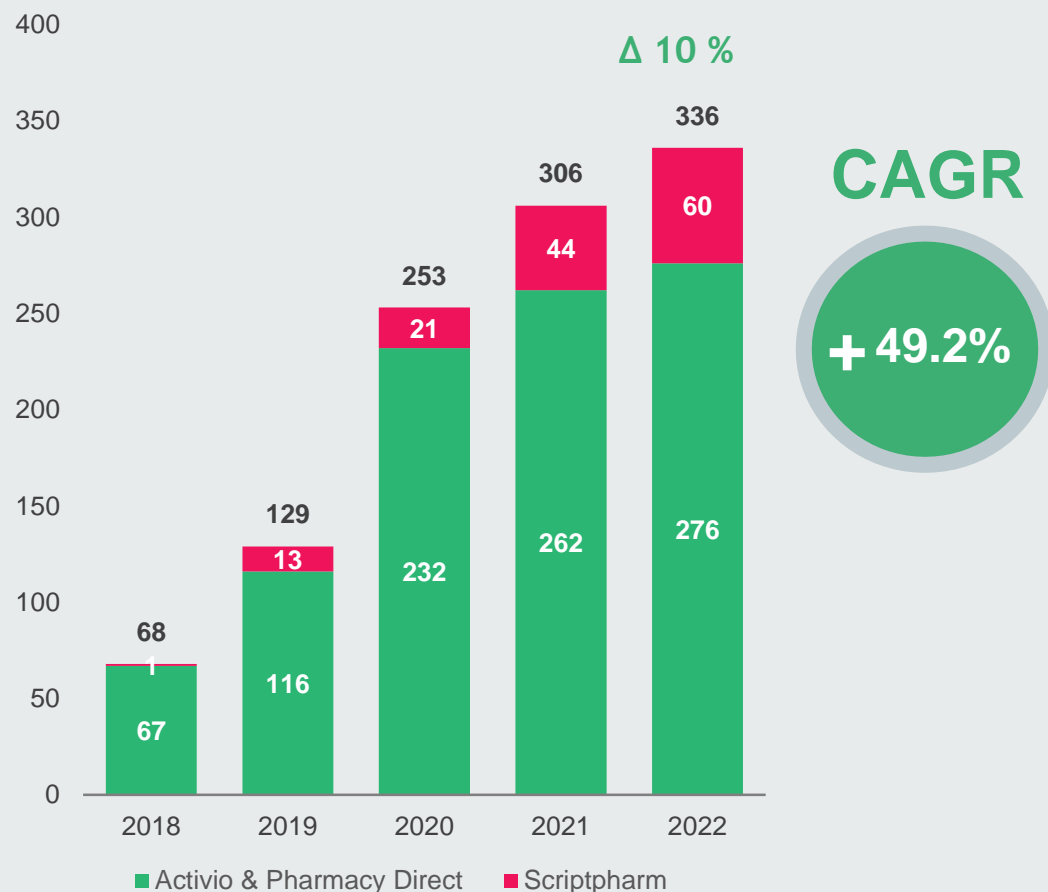
Price pressure and non-adherence to scripts

- Increased non adherence by chronic patients post COVID-19 decreasing chronic medicine sold and dispensed, with continued reduction in the single-exit price, especially on ARV's.



RETAIL CLUSTER OPERATING PROFIT

Operating profit (Rm)



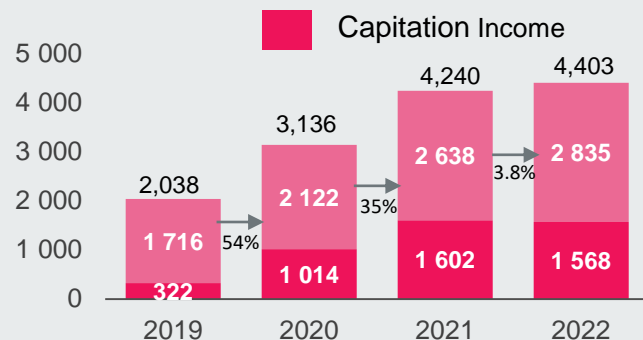
Resilient performance with profits up 10%

- ▶ **Retail cluster diversification strategy yielding results in a challenging operating environment**
 - Operating profits up 10% to R336m from R306m in 2021
 - Retail cluster performance bolstered by well-coordinated and managed pharmacy network in Scriptpharm
 - Robotic Automation Dispensary in Pharmacy Direct yielding operational efficiencies
 - Retail cluster now generates 32% of the Group's operating profit
- ▶ **2021 was boosted by increased:**
 - Demand for chronic medication compliance
 - Desire for preventative products like vitamins
 - Demand for contactless servicing and home deliveries
 - Legislation on prescription validity extended from 6 months to 12 months
- ▶ **2022 performance normalizing post COVID-19 impact in 2021**
 - Reduced adherence by chronic patients decreasing chronic medicine demand and deliveries
 - Consumer spending patterns on the front shop and over-the-counter sales returning to pre-COVID levels
 - Lower script volumes due to legislative updates – Reverted prescription validity to 6 months from 12 months
- ▶ **2022 adversely impacted by:**
 - Continued reduction in the single-exit price, especially on antiretrovirals (ARVs)
 - Increased inflationary cost pressure affecting salaries and freight costs

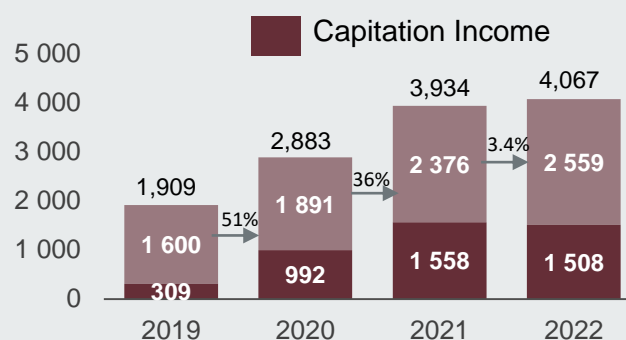
SEGMENTED FINANCIAL REPORTING STRUCTURE – RETAIL

PHARMA: Performance supported by diverse customer base in private and public sector.

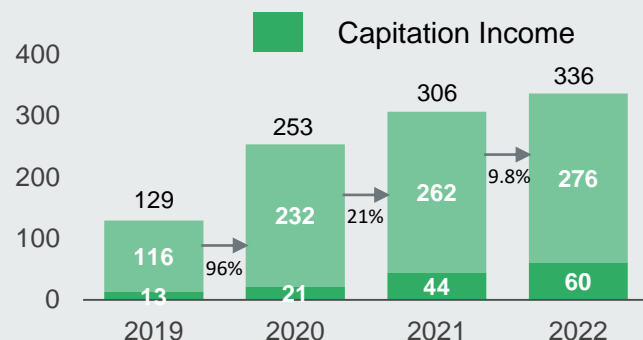
REVENUE



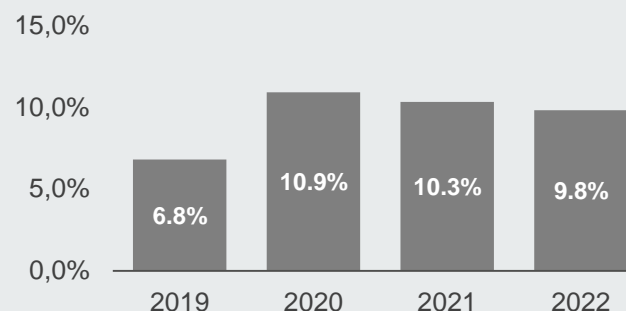
OPERATING COSTS



OPERATING PROFITS



OPERATING MARGIN (EXCLUDING CAPITATION INCOME)



Outlook

► Outlook remains optimistic with strategic growth initiatives focused on realizing additional value:

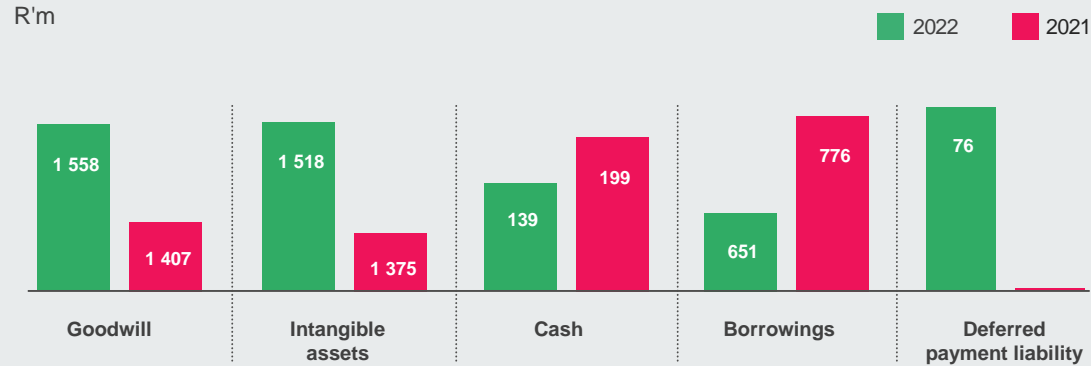
- Driving **cost efficiencies** to improve profitability and productivity through the robotic automation project
- **Increasing adherence** to chronic medication
- **Growing sales volumes** in oncology medication
- Managing the **strategic procurement of medication and devices** with Medscheme to bring the full value of the value chain to schemes
- Additional value to be unlocked through the **Forrester Acquisition**. It presents Activo with an opportunity to:

Take **49** of the **84** products to market

With a further **35** dossiers already in registration

STATEMENT OF FINANCIAL POSITION

SIGNIFICANT MOVEMENTS



The conclusion of the Forrester acquisition at a total purchase price of R300m of which R190m was settled. The transaction had the following impact of the statement of financial position:

GOODWILL R157m

INTANGIBLE ASSETS R180m

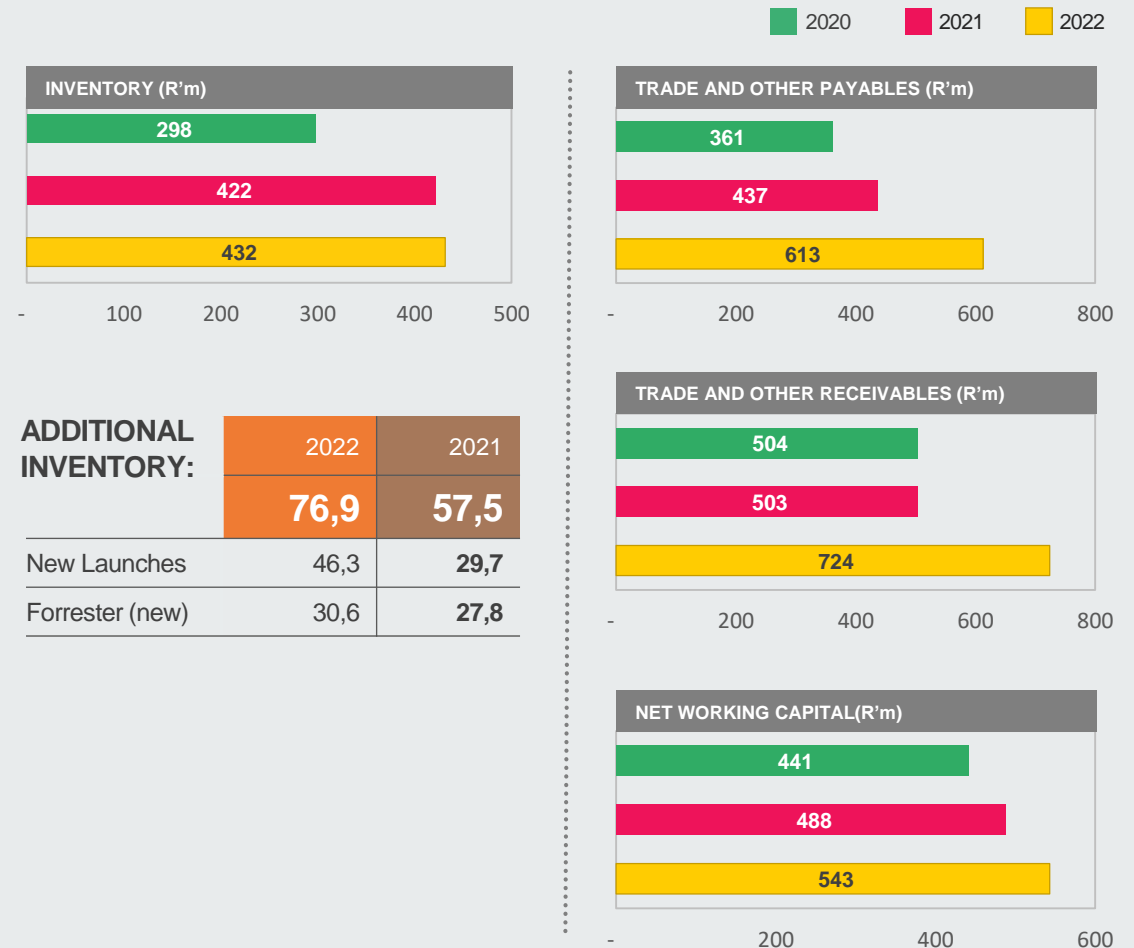
DEFERRED PAYMENT LIABILITY R96m

BORROWINGS R140m



Inspired by Health

WORKING CAPITAL

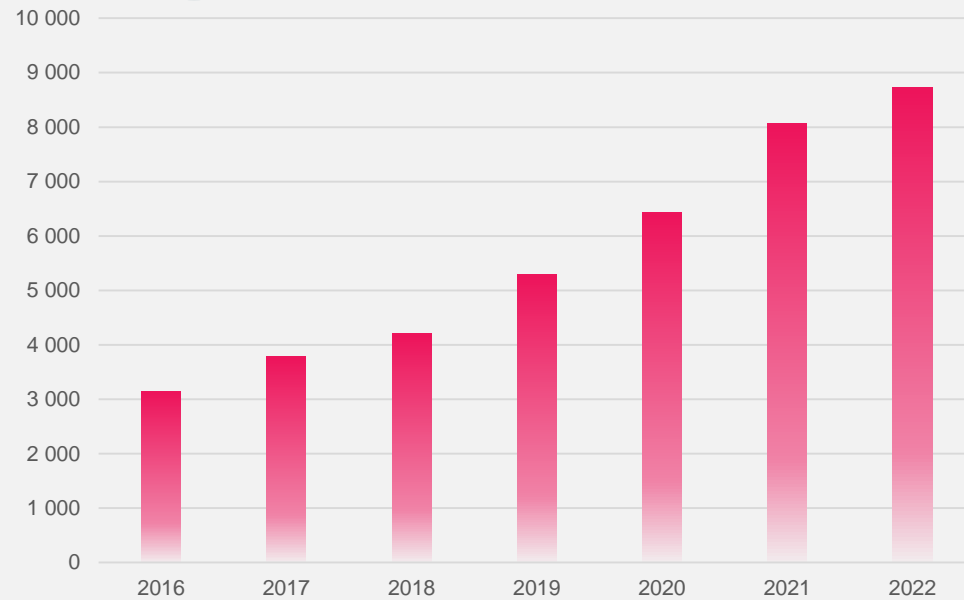


ADDITIONAL INVENTORY:	2022	2021
	76,9	57,5
New Launches	46,3	29,7
Forrester (new)	30,6	27,8

GROUP PERFORMANCE – INVESTOR DASHBOARD

5 YR
CAGR
20%

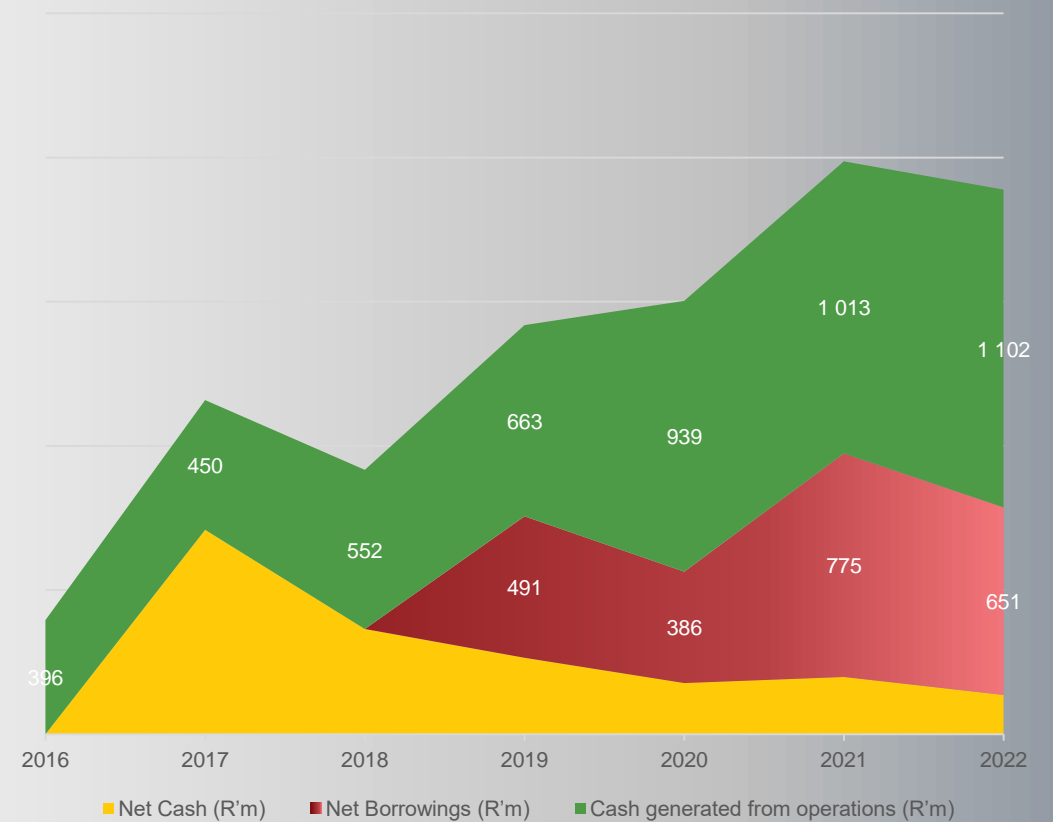
Total Revenue (R'm)



2016	2017	2018	2019	2020	2021	2022
12%	15%	15%	13%	14%	13%	12%

Group Operating Profit Margin (%)

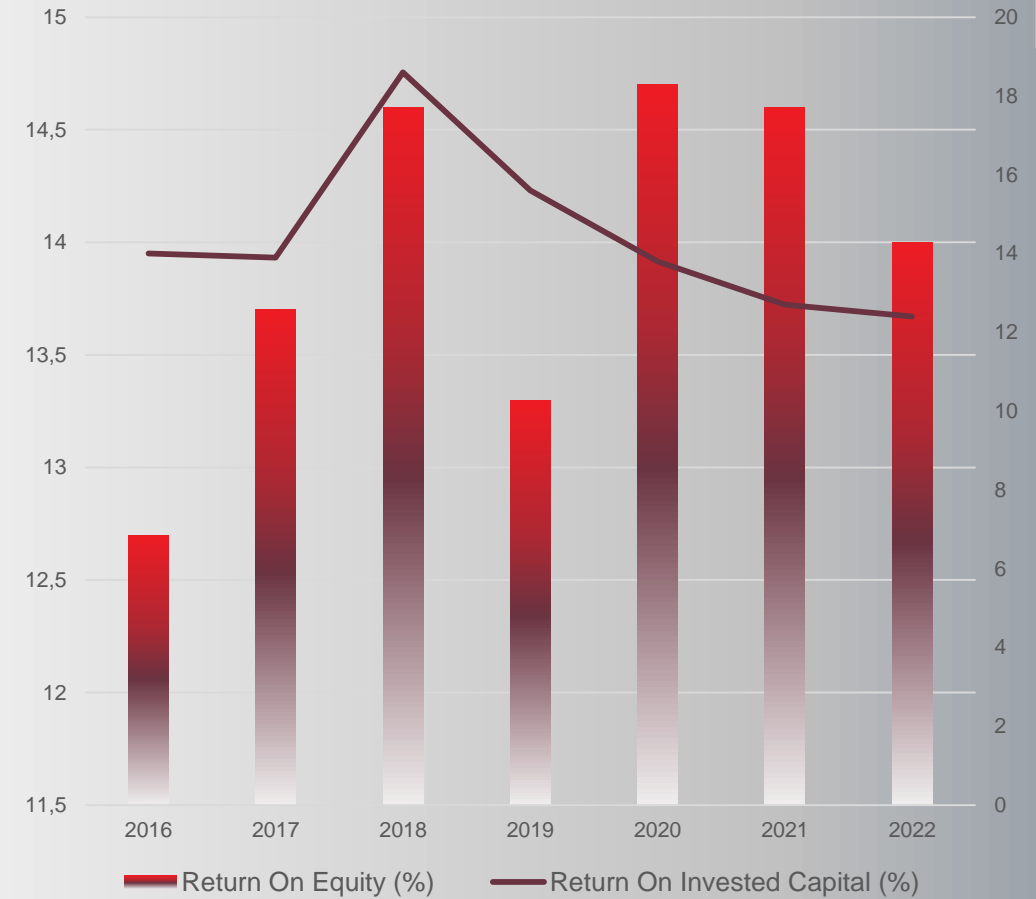
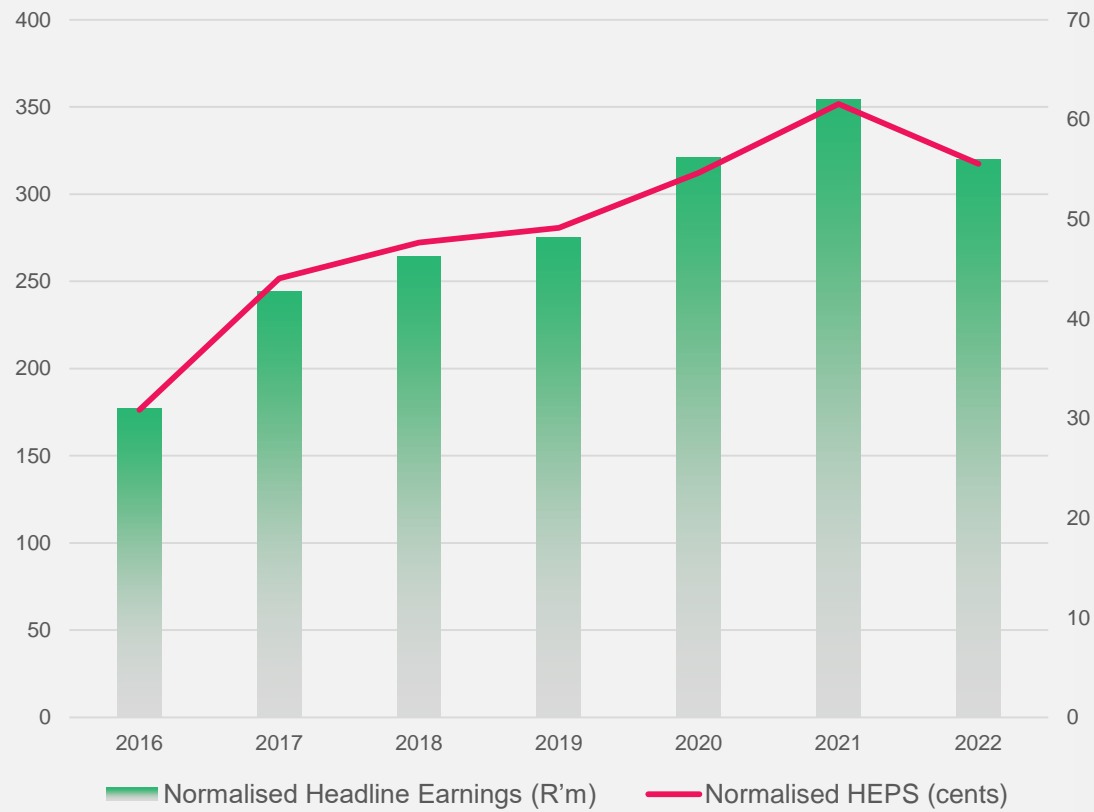
CASH GENERATION



GROUP PERFORMANCE – INVESTOR DASHBOARD



5 Yr CAGR 5%
5 Yr CAGR 4%





Q&A's



AfroCentric
GROUP

Healthier Together

THANK YOU



AfroCentric
GROUP

Healthier Together