

INTERIM RESULTS

”22

For the period July 2021 to December 2021

HEALTHIER TOGETHER

Agenda

“

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

OUR BUSINESS

HEALTHIER TOGETHER

Business context

1



Business highlights

2



Segmental performance review

3



Group financial highlights

4



INTERIM RESULTS

For period ended 31 December 2021

2



BUSINESS CONTEXT & HIGHLIGHTS

Group CEO | Ahmed Banderker



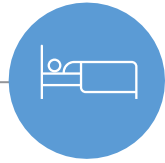
COVID insights



4th Wave Insights

- The 4th wave has been significantly less severe
- 4th wave hospitalisations are around 50% lower than 3rd wave
- Total hospital costs estimated more than 80% lower than 3rd wave, with around 90% fewer deaths

1



Looking Forward

- The State of Disaster should have been relaxed
- Allow vaccinated offices to return to full capacity
- Virtualisation of health
- Re-evaluate the roll-out plans for NHI

2



Scheme Client Considerations

- Scheme surpluses generated in 2021 were on average 4.2% higher than budget
- Electives are increasing to pre-covid levels
- How do we make healthcare more affordable and accessible

3



TOTAL SPEND
ON PATHOLOGY
TESTS

R2,1 bn

TOTAL SPEND
ON COVID BY
MEDSCHEME

R17,2 bn

TOTAL NUMBER
OF STAFF
VACCINATED

71%

INTERIM RESULTS

For period ended 31 December 2021

4

Vaccine effectiveness

Developments | Hospitalisations

Per 10,000 unvaccinated lives



18 (0.18 %) ADMISSIONS

Per 10,000 partially vaccinated lives



8 (0.08%) ADMISSIONS

55% fewer admissions

Per 10,000 fully vaccinated lives



2 (0.02%) ADMISSIONS

87% fewer admissions

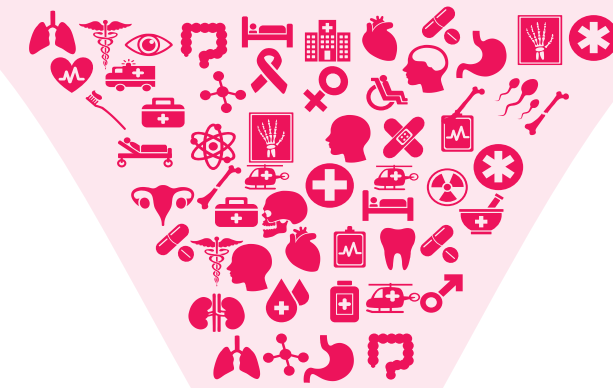


General Admissions



ICU

HEALTHIER TOGETHER



IMPACT

Impact of the 4th wave was less severe. Vaccination remains the best defense against severe manifestation of the virus.

INTERIM RESULTS

For period ended 31 December 2021

5

Emerging health trends following Covid



Virtualisation of Health



Home-Based Care



The Role of Nurses (Primary Care)



Pharmaceutical Supply Chain

Delivering value to our scheme clients

Annualised Health Risk Management Savings

R4.43 billion*

*Annualised

ENHANCING ACCESS TO CARE



Savings per
member per month

R230



*Estimation annualised using Jan - Sep 2021

HEALTHIER TOGETHER

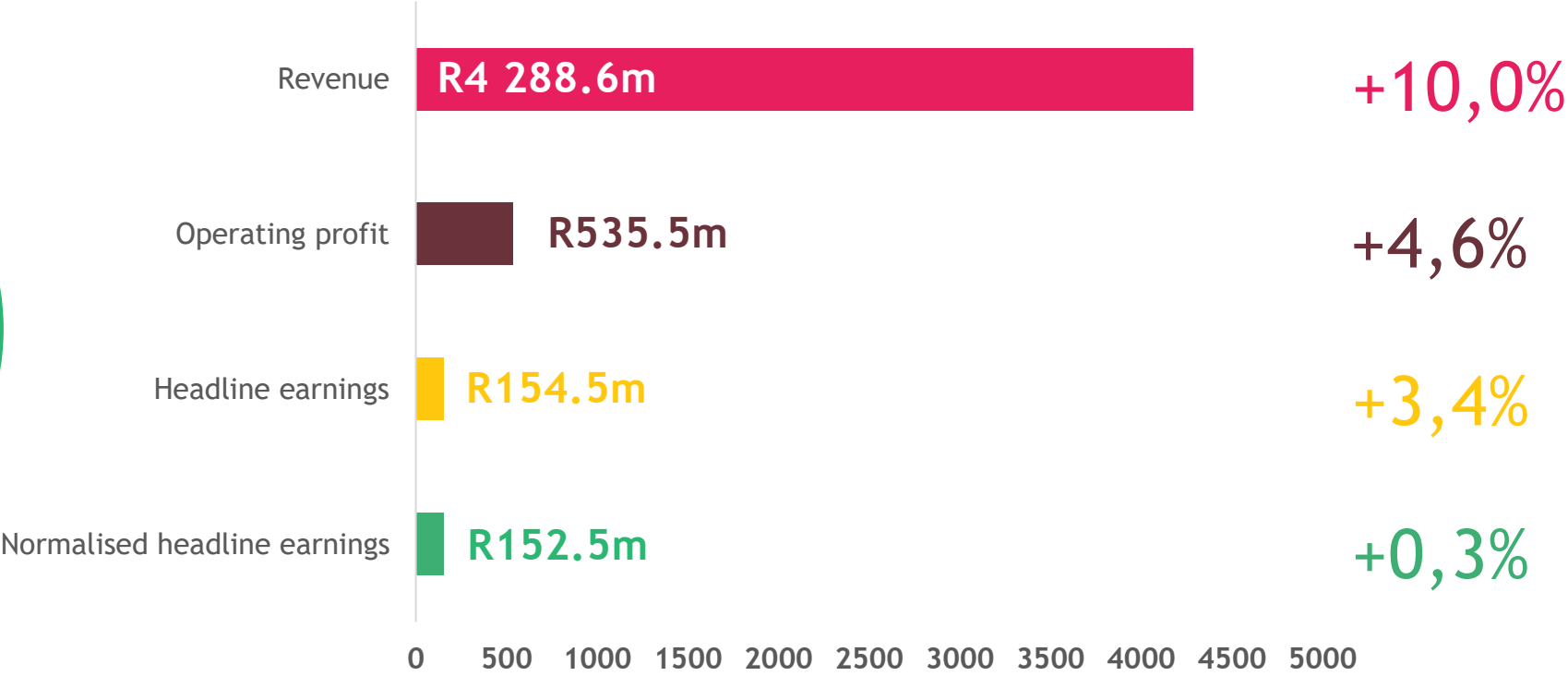
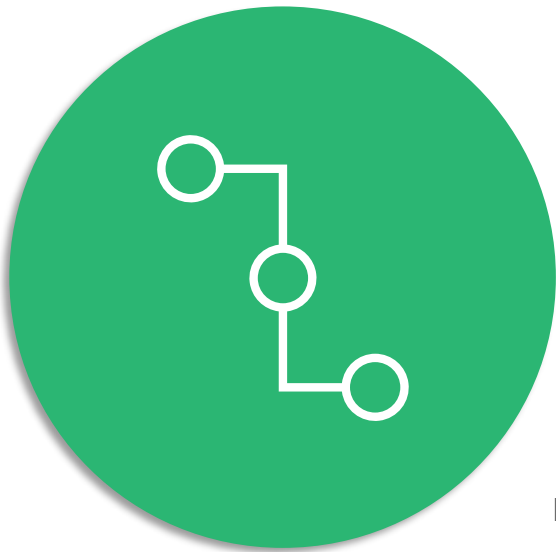
INTERIM RESULTS

For period ended 31 December 2021

7

2022 Interim business highlights

Solid financial performance despite challenging trading conditions



Business update

INTERIM PROGRESS UPDATE

1.

Corporate Activity



- Merging of Nedgroup Medical Aid with Bonitas
- Retained 14 000 of NMAS members

2.

New Business



- Famous Brands - On-site clinics
- Coca-Cola beverages - HIV Programme
- Samwumed managed care
- The GEMS vitamin supply

3.

Retail



- 48% drop in anti-malaria sales volume
- 32% decrease in multivitamin sales
- Unfavourable EBIT due to reduction in adherence to chronic medication
- Pharmacy Direct delivered 1.4 million Activo multi-vitamins to high-risk patients

Sanlam partnership

Business Solutions Offering



Wellness



Occupational Health



Primary Healthcare Clinics



Health Insurance



Employee Assistance Programme



Gap Cover



HEALTHIER TOGETHER

“
Sanlam’s plan to launch new health insurance offerings
with AfroCentric is perhaps the most exciting.

- Paul Hanratty - Sanlam CEO

”

INTERIM RESULTS

For period ended 31 December 2021

10

Strategic appointments



Sandile Mbhele
*Executive Director:
AfroCentric Corporate
Solutions*

Appointed:
November 2021

Primary Care,
Primary Health
Insurance &
Occupational Health

Service Model

Optimal Structure

Pharma Cluster

Our clients and
membership growth

Our People

Technology

Exploring Disruptive Models



Fezeka Nompumza
*Managing Executive:
Clinical Risk and
Advisory*

Appointed:
January 2022



Tebogo Makoe
*Executive Director:
Human Capital and
Transformation*

Appointed:
January 2022

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



SA HEALTHCARE INDUSTRY SUMMIT 2022

WEDNESDAY
23 MARCH 2022
08H00

SPONSORED BY



AfroCentric
GROUP

Healthier Together

REGISTER NOW!



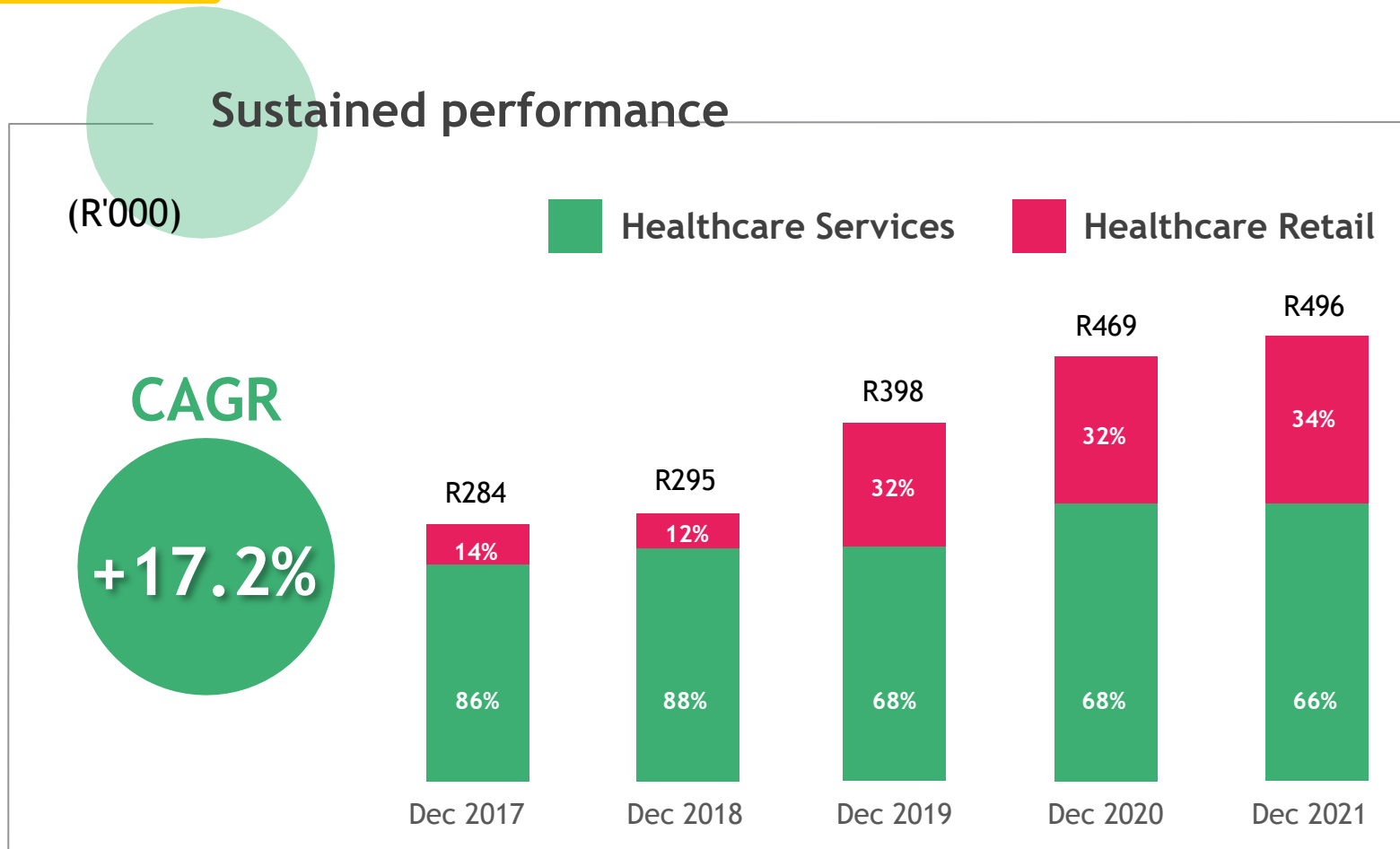
www.sahealthcaresummit.co.za

SEGMENTAL REVIEW & FINANCIAL HIGHLIGHTS

Group CFO | Hannes Boonzaaier



Segmented operating profit and Diversification drive



Revenue YOY movement

4.2%

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

Healthcare services operating profit

3.9%

increase 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 (R22m)

Normalised trading view

	<i>Normalised trading Including adjustment</i>	<i>As reported Excluding adjustment</i>	Normalised trading Unaudited six months ended 31 December 2021	As reported Unaudited six months ended 31 December 2021	Trading adjustments
Operating profit	13,7%	4,6%	582,1	535,1	47,0
Profit after tax	15,8%	1,3%	267,2	233,6	33,6
Headline earnings (rands)	19,3%	3,4%	178,4	154,4	24,0
Normalised headline earnings (rands)	19,2%	3,2%	31,0	26,9	4,2

3 year view of profit before tax

R535.5m

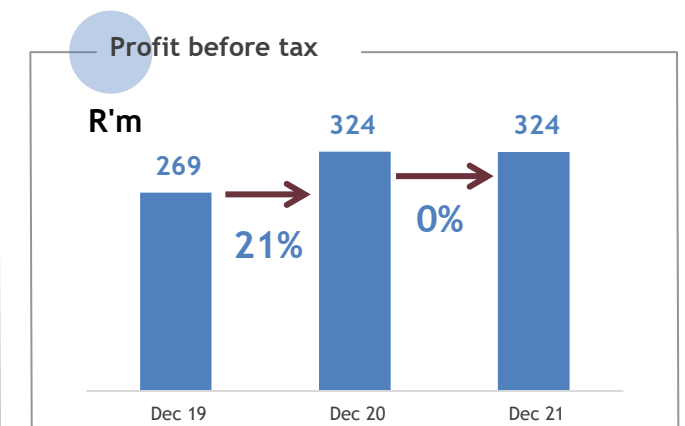
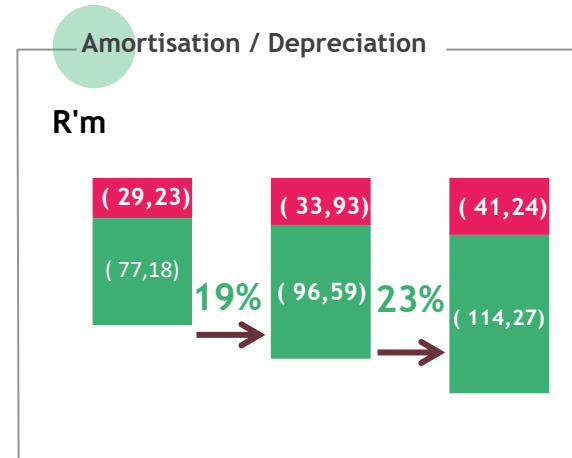
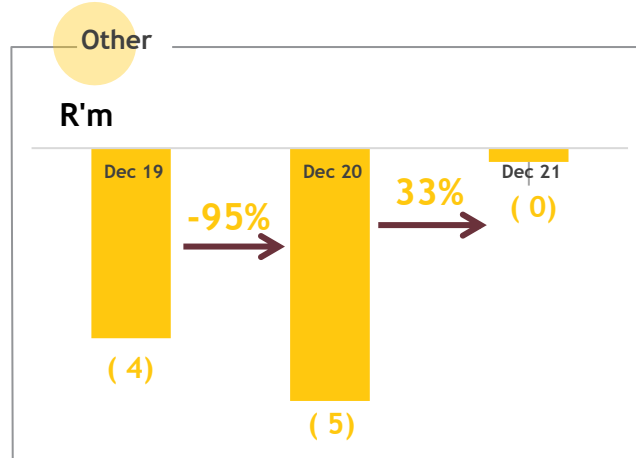
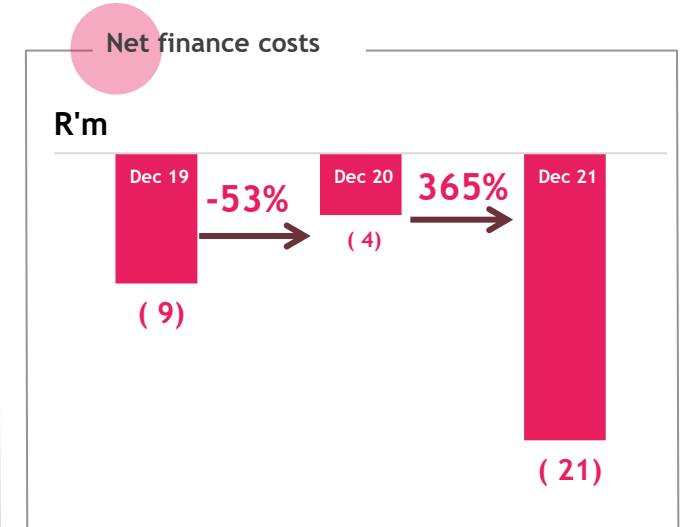
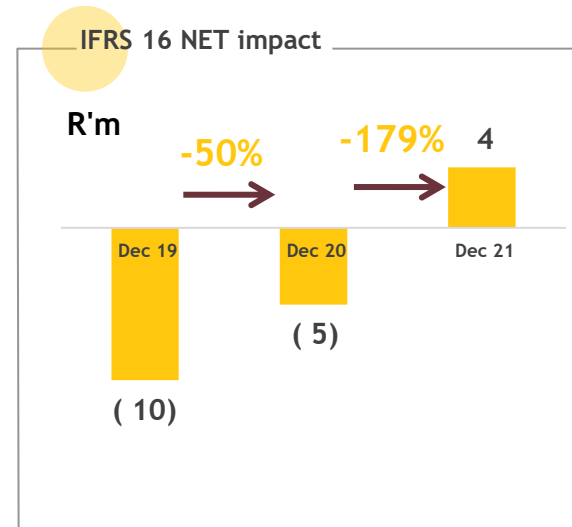
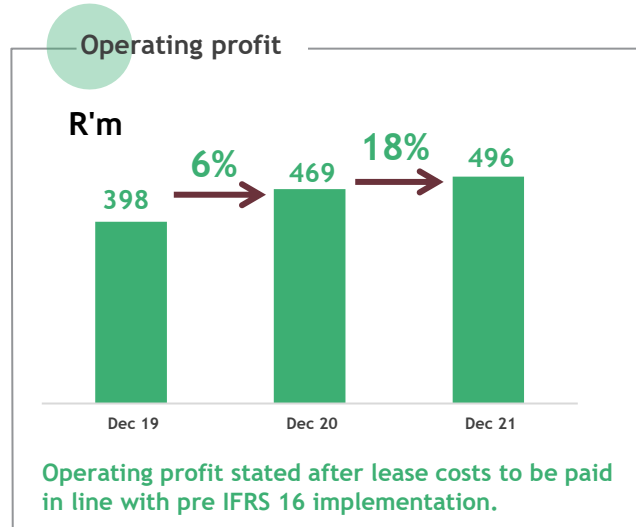
Group EBITDA

(2020 - R511.8 m)

Amortisation YOY Increase	Increase (R'm)	Increase (%)
------------------------------	-------------------	-----------------

Administration Systems	17	37%
Activo Healthcare Assets Dossiers	10	100%
Insurance Fraud Manager	-10	-61%

HEALTHIER TOGETHER

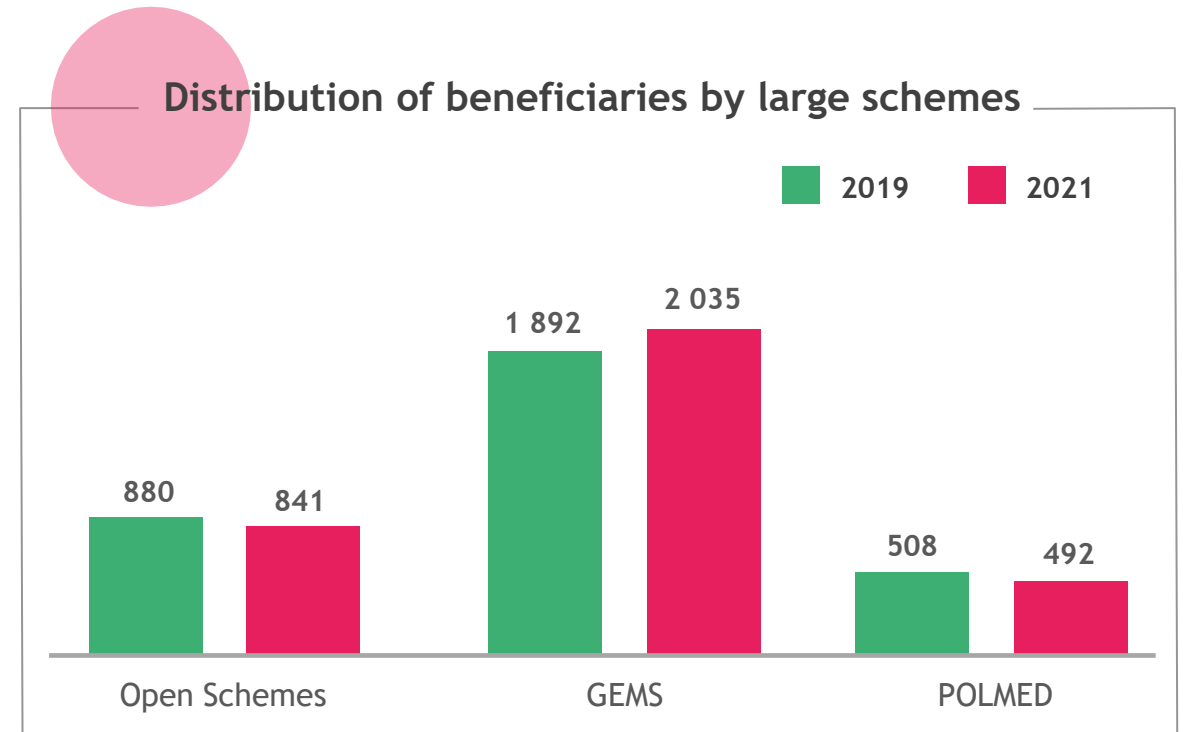
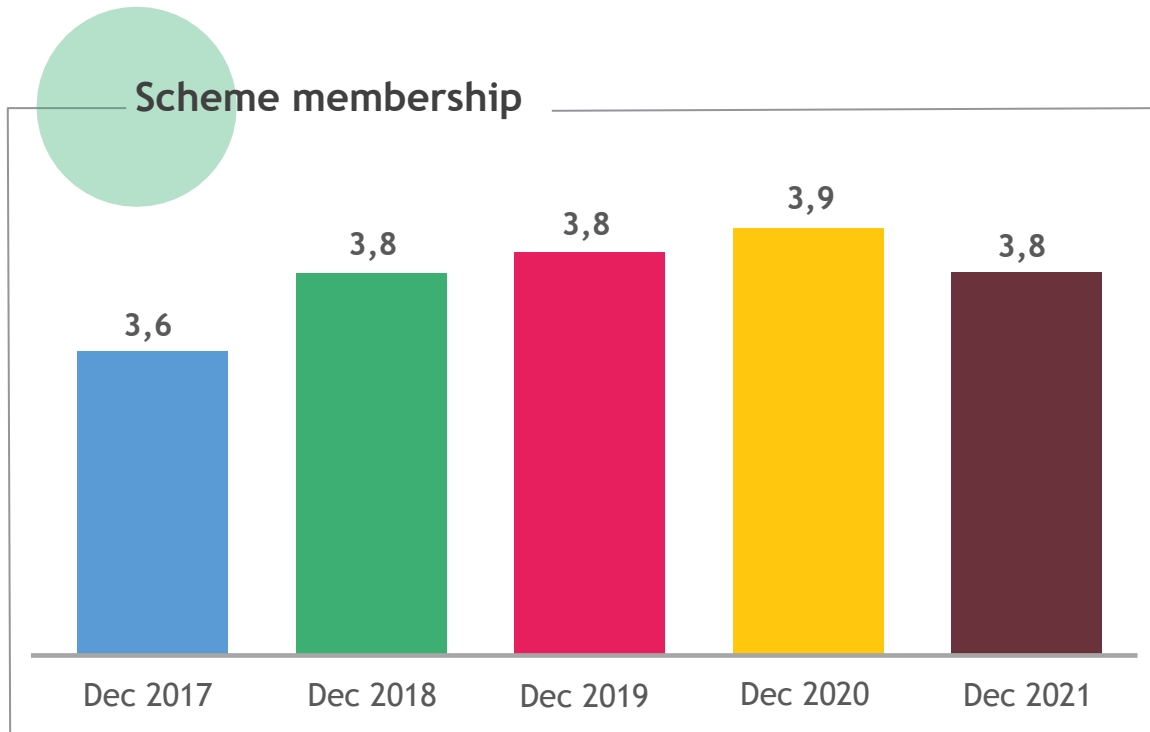


INTERIM RESULTS
For period ended 31 December 2021

16

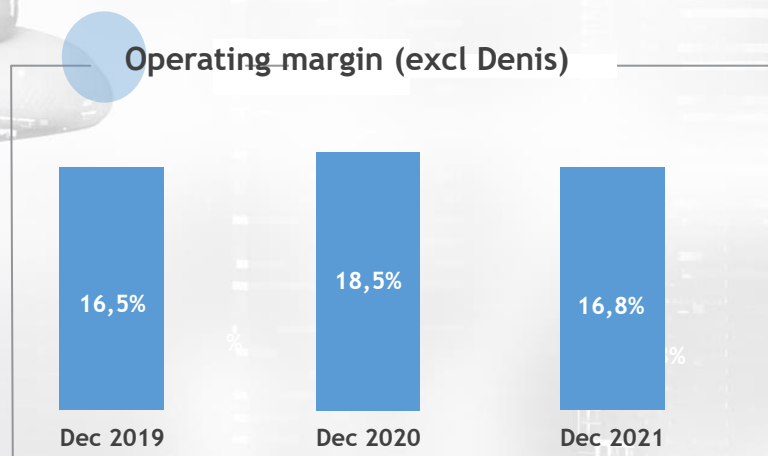
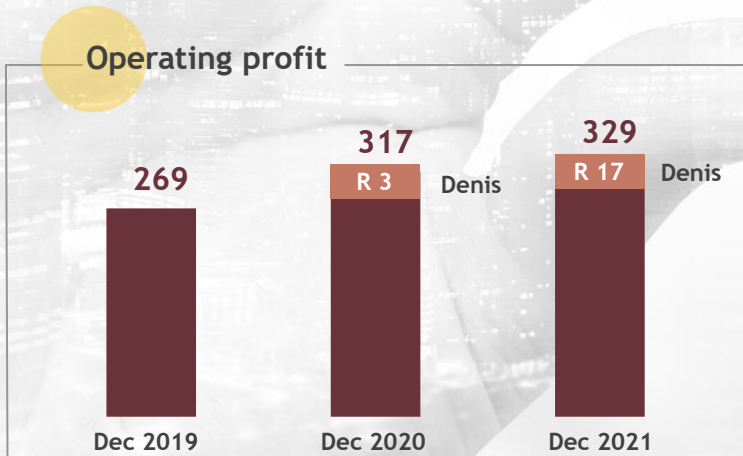
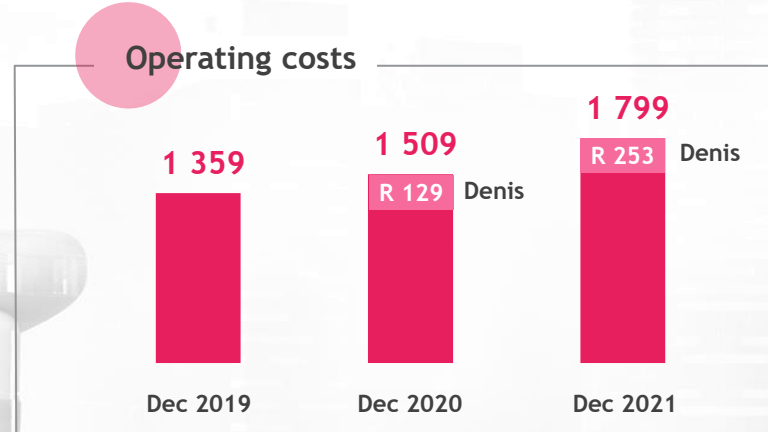
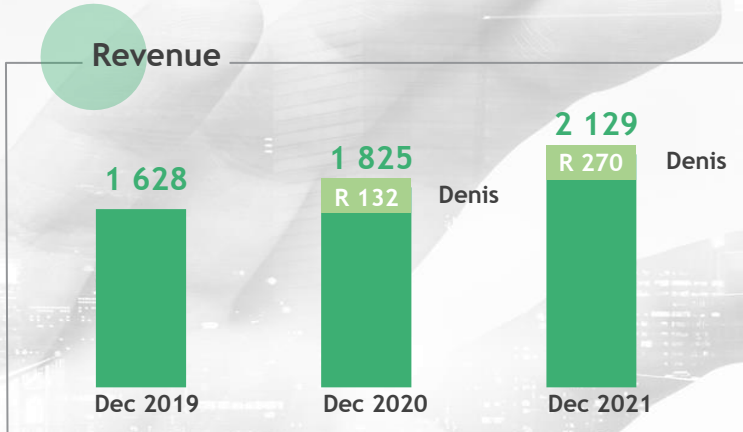
Scheme membership

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



Segmented financial reporting structure-services - Services

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



Annotations

Revenue increase due to GEMS contract with additional subcontracting services that is paid without margin

Member growth in GEMS. Full 6 month inclusion of Denis revenue in 2021 - capitation business with lower net margins.

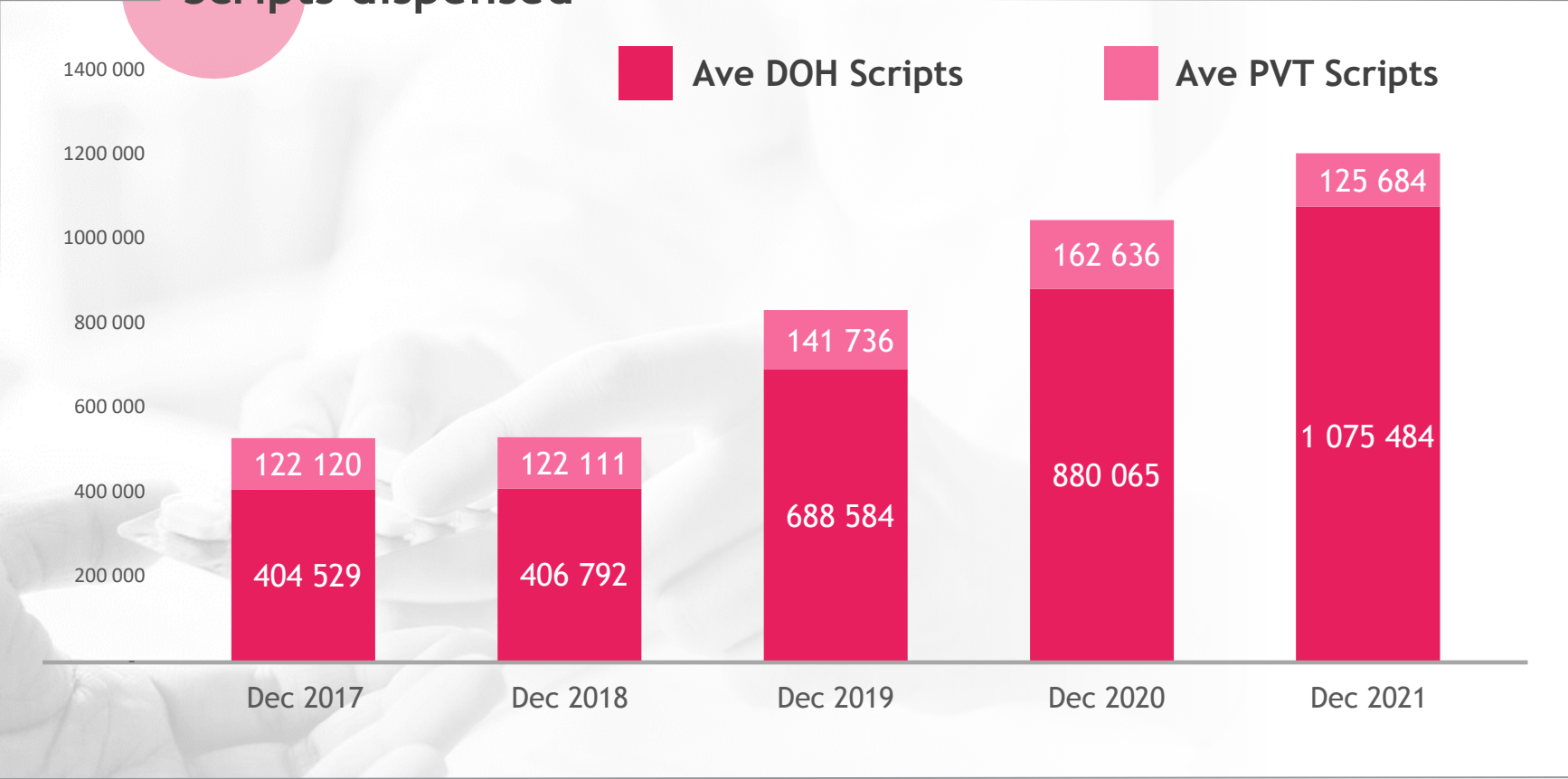
SamwuMed Managed Care Tender won including additional services for claims management.

Africa division - losses from Zimbabwe and Eswatini now excluded in 2021

Segment performance impacted by vaccination distribution programme - R25 million.

Scripts dispensed

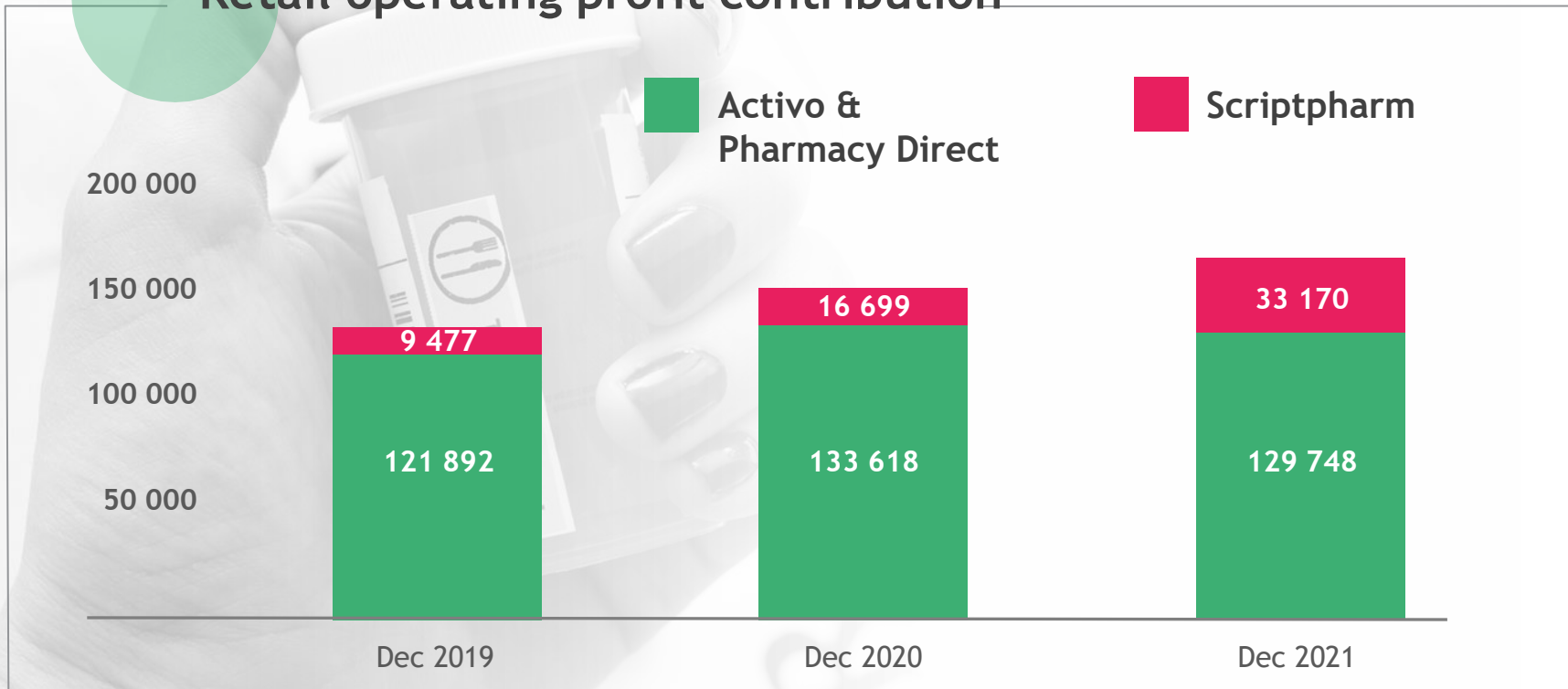
Scripts dispensed



- Robotic Automation of the dispensary. Annualized saving on automation projected to be between R8m to R10m in 2022/23 financial year
- Pharmacy Direct is continually growing their Webstore, now focused on growing specialised medicine dispensing to high-risk patient.
- Demand for certain products decreased compared to prior year HIV, anti-malaria medication and medication linked to elective surgery.

Retail Cluster operating profit

Retail operating profit contribution



- Retail cluster product mix diversification strategy yielding results.
- Scriptpharm operating profit growth of 98.6% lifted the overall retail cluster performance which has been weighed down by 2.9% decline in Activo and Pharmacy Direct.

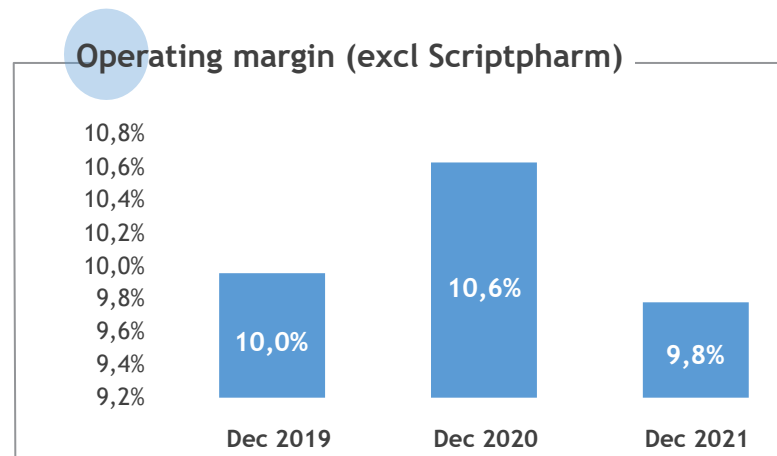
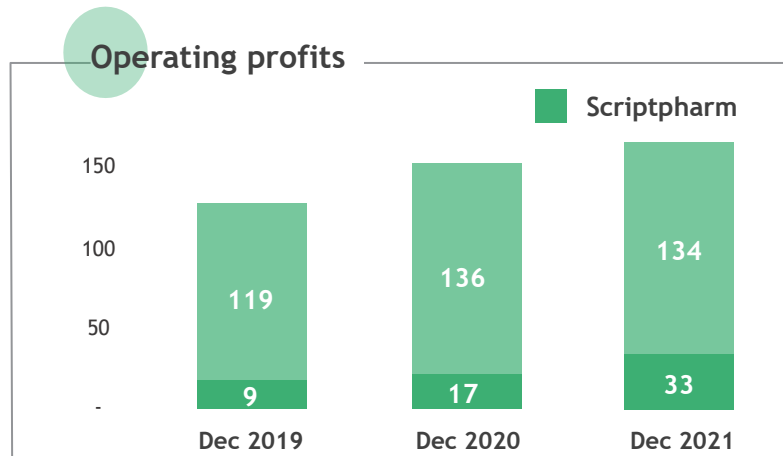
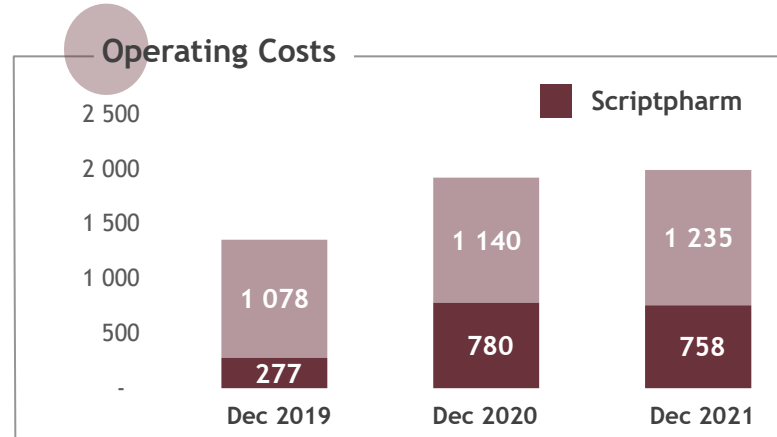
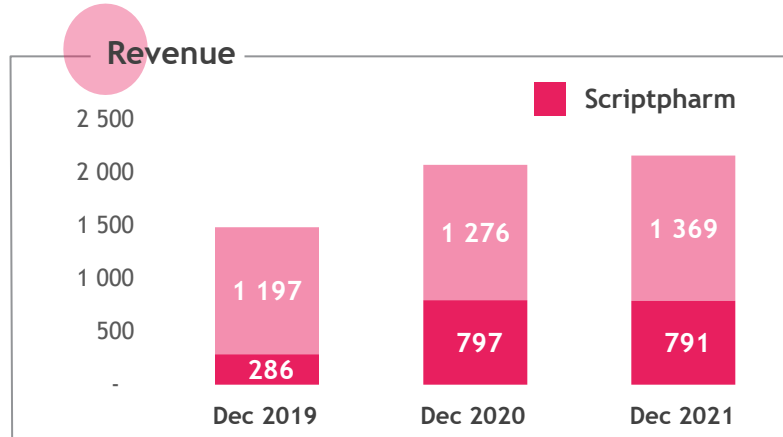


INTERIM RESULTS

For period ended 31 December 2021

Segmented financial reporting structure - Retail

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



Annotations

Pharmacy Direct and Activo reduced adherence by chronic patients decreasing chronic medicine demand and deliveries.

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

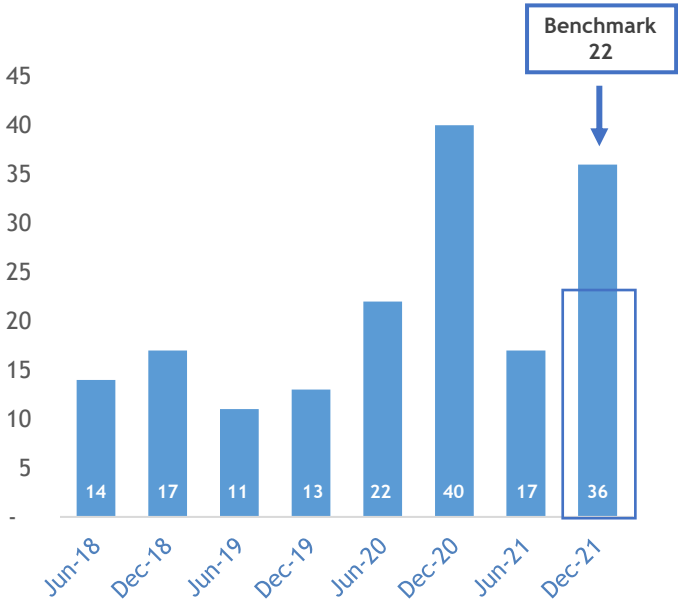
Consumer spending patterns on the front shop and OTC's (Over-The-Counter) sales returning to pre-Covid levels.

Cluster performance bolstered by well-coordinated and managed pharmacy network in Scriptpharm.

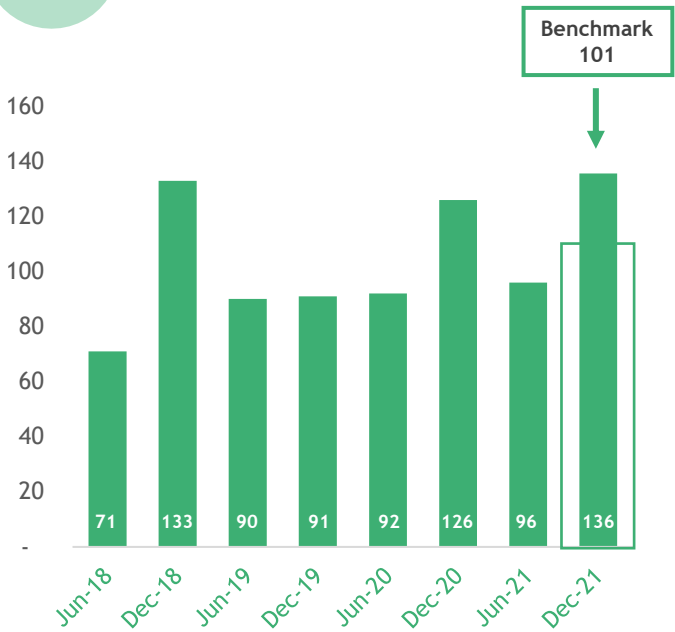
Activo Health concluded its acquisition of Forrester Pharma to expand product offering in the pharmaceutical market.

Cash conversion cycle

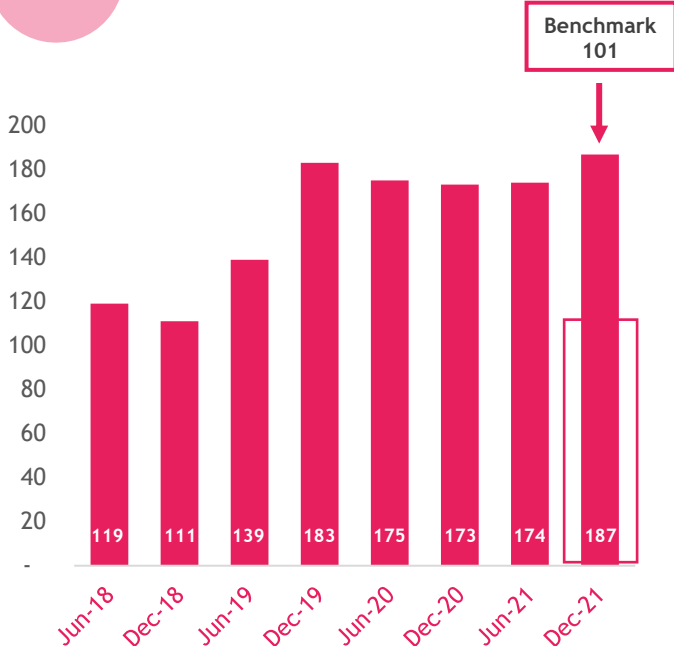
Pharmacy Direct



MMED



ACTIVO GROUP



Additional Activo inventory:

	Dec 2021	June 2021
	80,3	95,1
COVID related	41,7	37,6
New Launches	27,9	29,7
Forrester (new)	10,7	27,8

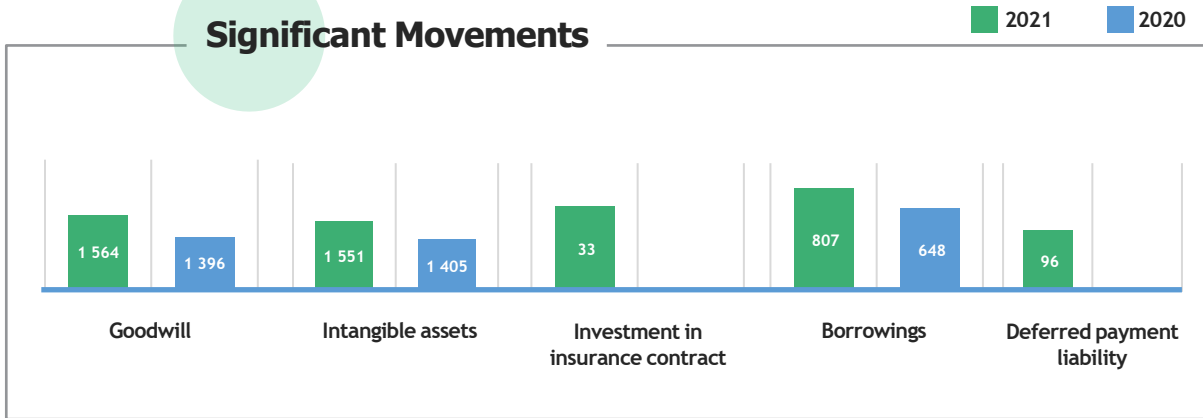
INTERIM RESULTS

For period ended 31 December 2021

22

Statement of financial position

Significant Movements



FORRESTER ACQUISITION

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

INVESTMENT IN INSURANCE CONTRACT

Investment in the Sanlam Gap cover business, which is managed through a cell captive arrangement by Centriq Insurance Company Limited.

HEALTHIER TOGETHER

Working Capital



INTERIM RESULTS

For period ended 31 December 2021

23

Group performance - investor dashboard

Description	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021	5 year Compound annual growth rate
Total Revenue (R'm)	2 038	2 307	3 111	3 898	4 289	20,4%
Operating Profit (R'm)*	284	295	398	469	496	15,0%
Group Operating Profit Margin (%)	13,9%	12,8%	12,8%	12,0%	11,6%	-4,5%
Comprehensive Headline Earnings (R'm)	177	175	206	233	232	7,0%
Normalised Headline Earnings (R'm)	120	121	140	152	152	6,1%
Normalised HEPS (cents)	21,67	21,78	24,36	26,48	26,51	5,2%
Membership (lives managed)	3 625	3 711	3 829	3 880	3 788	1,1%
Scripts dispensed	2 939	4 402	4 982	6 256	7 207	25,1%
Dividends (cents)	16	17	17	17	17	1,5%
Share price (Rand)	6,4	4,86	3,39	3,80	5,26	
Annualised Dividend Yield (%)	5,00%	7,00%	10,03%	8,95%	6,46%	
Annualised Return on Equity (%)	13,7%	13,1%	13,2%	14,1%	14,1%	
NAV per share (Rand per share)	4,56	4,87	5,23	5,54	5,81	6,3%

*Excluding IFRS 16 lease reversals

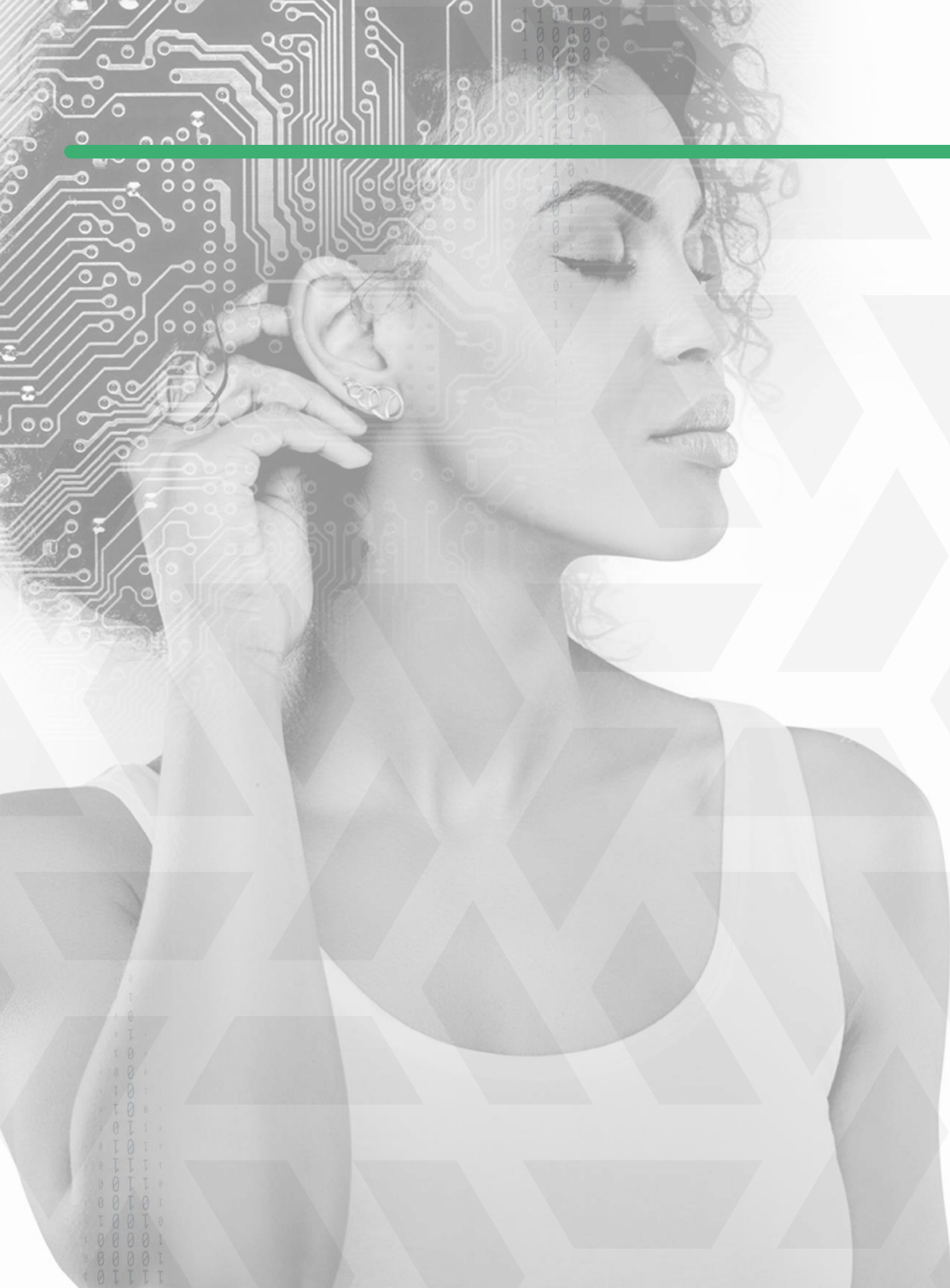
HEALTHIER TOGETHER

INTERIM RESULTS

For period ended 31 December 2021



THANK YOU



Q&A