



AfroCentric
GROUP

Healthier Together

INTERIM RESULTS
2023

For the six months ended 31 December 2022

14 MARCH 2023



BUSINESS CONTEXT

Group CEO | Ahmed Banderker

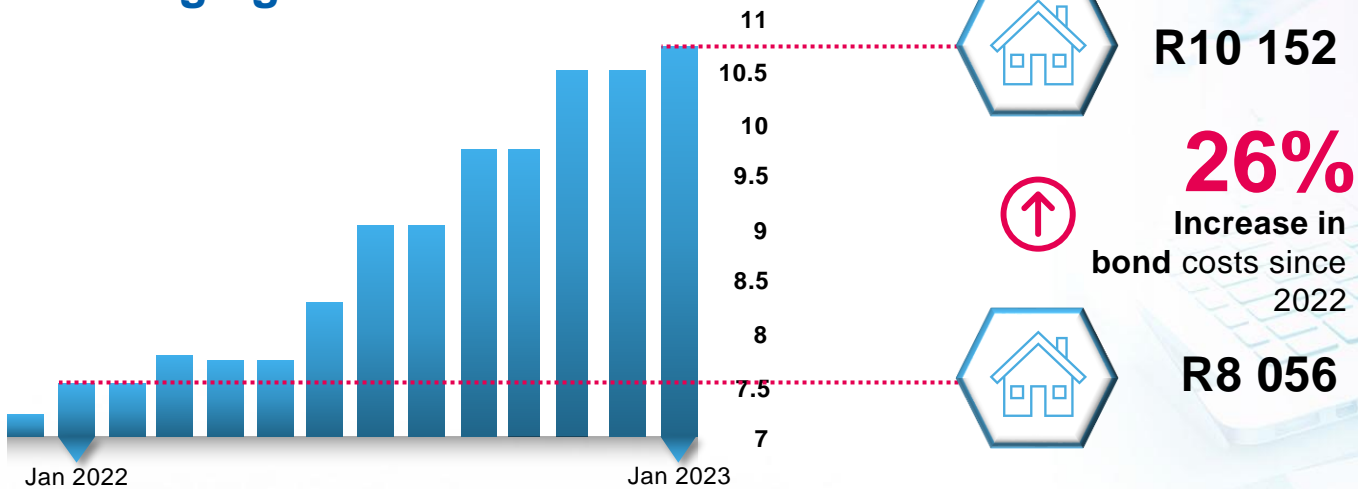


206.08
+3.48
1,549.62
+22.38
25,645.39
+329.15
8,342.59
+46.27
12,845.32
+129.84
26,843.98
+28.62
20,605.58
+354.24
96.80
+0.68
78.29
+1.80



TOUGHER ECONOMIC TIMES

Membership retention likely to be increasingly more challenging



	Monthly Net Instalment Due	Monthly Fuel Cost	Monthly Insurance	Monthly Running Cost	Total Monthly Cost*	% YoY Change
2018	R3 383	R2 765	R1 131	R370	R7 650	14
2019	R3 565	R2 731	R1 188	R367	R7 851	3
2020	R3 433	R2 566	R1 235	R349	R7 584	(3)
2021	R3 438	R2 646	R1 274	R358	R7 716	2
2022	R3 779	R3 780	R1 322	R475	R9 357	21
2022 (Oct)	R4 131	R4 034	R1 349	R502	R10 015	7
2022 (Nov)	R4 313	R3 950	R1 409	R493	R10 165	2

* It is important to note that this monthly cost of vehicle ownership table is based on data that constantly shifts in relation to market activity and is thus intended as a guideline only.

INTERIM RESULTS

For period ended 31 December 2022



25.4%

Increase in car instalments costs since 2021



49.3%

Increase in fuel costs since 2021

Wesbank cost of mobility Nov 2022

TOUGHER ECONOMIC TIMES

Membership retention likely to be increasingly more challenging



**Sibanye
Stillwater**
we are one

Labour Unions shocked by Sibanye Stillwater's plans to retrench 2 000 workers



TRANSNET



Satawu to intensify Transnet strike, labels talk of retrenchments 'insensitive'



Possible retrenchments loom at Denel



Post Office
South Africa

SA Post Office plans another round of retrenchments to break its money-losing streak



Economists see a 45% chance of a South African recession in 2023



Telkom

Telkom retrenchments to impact 15% of staff

INTERIM RESULTS

For period ended 31 December 2022

 **AfroCentric**
GROUP

HEALTHIER TOGETHER

STRATEGIC BUSINESS REVIEW



Sanlam deal

Future synergies and collaboration



Contracts

Won CCMDD tender
Gauteng and North West added

Won Polmed tender
Medicine capitation and management

Successful client retention



IT System modernisation

Architecture refresh

INTERIM RESULTS

For period ended 31 December 2022

SANLAM DEAL

Transaction rationale



Affordable and reliable healthcare is important for consumers



Sanlam to provide a more holistic product offering incl. medical aid, health insurance and administration



Sanlam to integrate AfroCentric's product offering into its ecosystem, while AfroCentric will gain increased access to the wide Sanlam distribution network

Timeline

12 January 2023	General meeting - Shareholders accepted partial offer
16 February 2023	Level of acceptances 46.4% of issued share capital of AfroCentric Confirmation of partial offer as unconditional
28 March 2023	Last trading date to be eligible to participate in the partial offer

Note: Merger filings with all Competition authorities for South Africa, Botswana and Namibia have been filed. Decisions awaited.



“

The finalization of the transaction underscores the strong strategic rationale for further strengthening our existing relationship with AfroCentric. We look forward to more collaboration to fulfil our promise of instilling confidence to our clients.

”

- Paul Hanratty – Sanlam CEO

INTERIM RESULTS

For period ended 31 December 2022



HEALTHIER TOGETHER

SANLAM COLLABORATION

Greater integration for rapid innovation and efficiencies



Rollout to Sanlam clients

- Health and wellness
- Holistic broker solutions
- Beneficial pricing on health insurance, employee assistance and gap cover



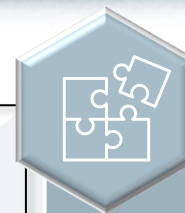
Bonitas & Fedhealth Distribution

- Ongoing healthcare accreditation drive
- Continued scaling of health referral model
- Retail Mass Advisors will start taking health products to market



Sanlam Primary Care

- Clinics for affordability
- Off-balance sheet solutions
- Digital primary health insurance with AfroCentric networks
- 66% YoY growth



Gap Cover

- Unique product extender through hospital group partner
- 14% YoY growth in policy holders



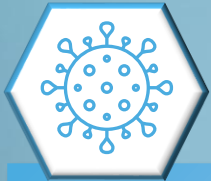
INTERIM RESULTS

For period ended 31 December 2022

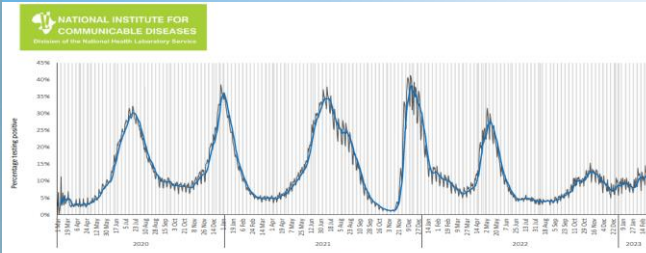


HEALTHIER TOGETHER

MEDSCHEME OBSERVATIONS



Positive COVID tests on the rise again



In-hospital elective procedures

- Significant postponement during height of pandemic
- Now: Bulk of elective categories back to 2019 levels



Cholera outbreak

- 6 confirmed cases in Gauteng aged 19 - 44 (2 locally acquired) - 28 Feb 2023



Measles outbreak

- 371 confirmed measles cases - Q4 2022

INTERIM RESULTS

For period ended 31 December 2022

MEDSCHEME

Operating margin improved by **6.7%**



Membership

3.8 million lives

+ 70 063 GEMS lives
July to December 2022



Continued Digital Transformation

Mature decisioning and automation

Natural language AI opportunities



Sustainability through IT Systems Modernisation

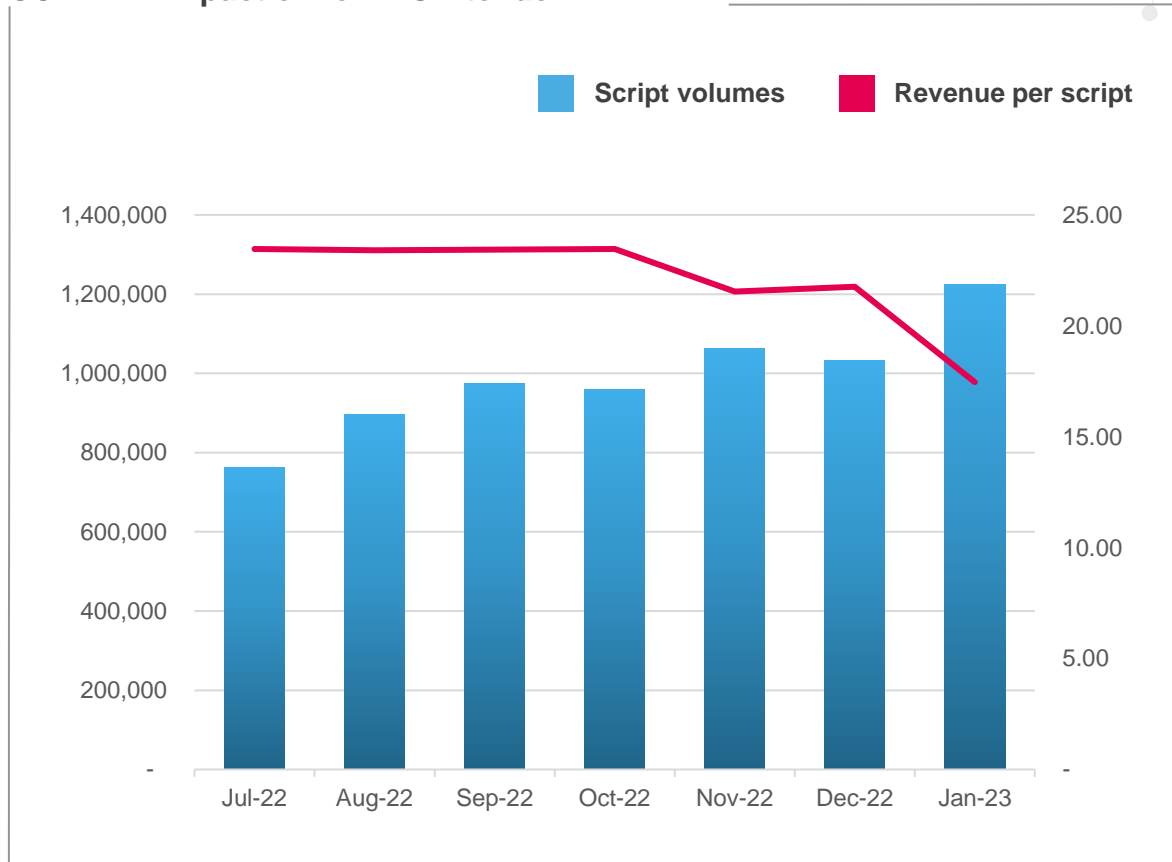
Straight through processing

Self-enabled, provider directed systems



PHARMA CLUSTER

CCMDD – impact of new DOH tender



Activo dossiers

- 14 new molecules registered
July - December 2022
- Another 11 molecules undergoing registration

Forrester only

- 80 registered lines, not launched
- 15 registered for 2022
- 17 molecules undergoing registration

INTERIM RESULTS

For period ended 31 December 2022



SUMMARY VIEW OF RESULTS

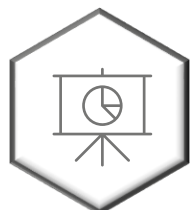


Revenue

Change to prior year

SERVICE (Rm)	RETAIL (Rm)	TOTAL (Rm)
2 167.5	2 154.7	4 322.1

2.7% (0.2%) 1.2%



Operating profit

Change to prior year

305.9	136.3	442.2
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(7.0%) (18.4%) (10.8%)



Normalised operating profit

Change to prior year

373.9	136.3	510.2
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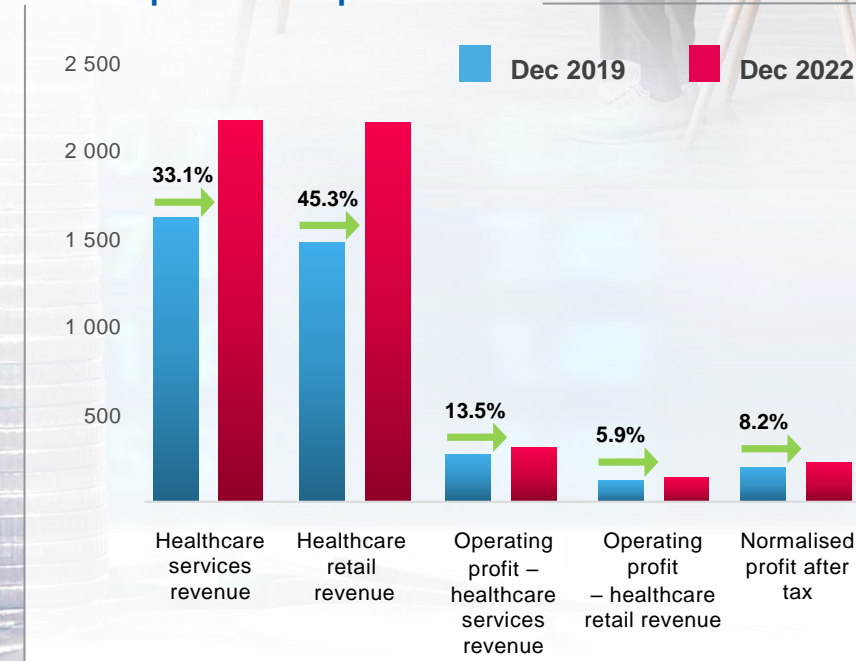
14.0% (18.4%) 2.9%

FINANCIAL PERFORMANCE AT A GLANCE

Current year on year performance



Pre and post COVID performance





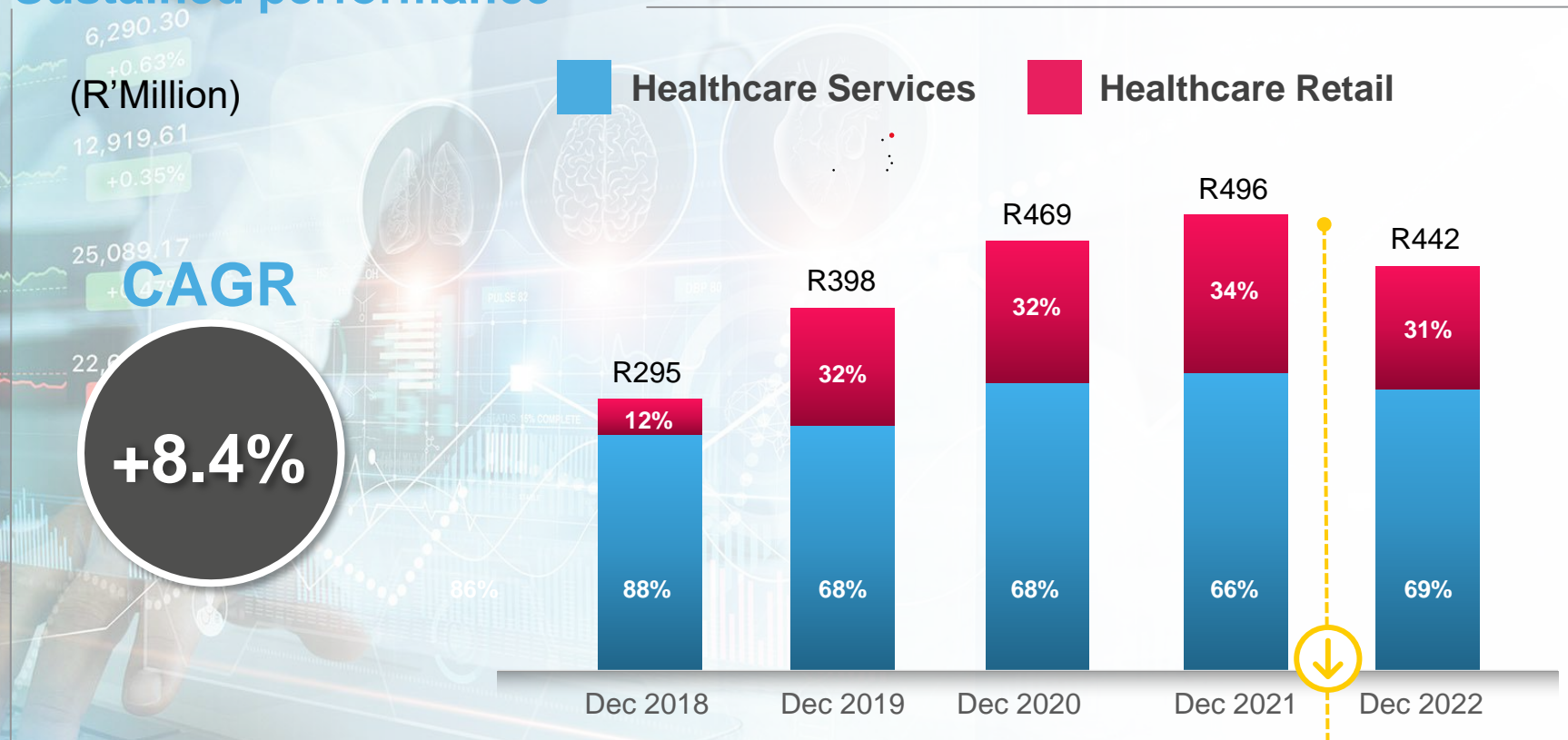
SEGMENTAL REVIEW & FINANCIAL RESULTS

Group CFO | Hannes Boonzaaier



SEGMENTED OPERATING PROFIT AND DIVERSIFICATION DRIVE

Sustained performance



Corporate activity –
Once off non-recurring items
R26m

Pharma trade and market
R27m

IT modernisation net of
Medscheme growth
R37m

NORMALISED TRADING VIEW EXCLUDING NON-RECURRING ITEMS

**SANLAM
TRANSACTION
COSTS**

12.2m

**NHA- LEGAL
COST**

14.0m

Normalised view

(R'Million)

	'31 December 2022 Reported	'31 December 2022 % Change from prior year	Trading adjustments	'31 December 2022 Post adjustment	'31 December 2022 Post adjustment % Change from prior year
Operating profit (IFRS 16 adjusted)	484.0	(9.4%)	26.2	510.2	(4.5%)
Profit after tax	194.4	(18.0%)	22.4	216.9	(8.5%)
Headline earnings (rands)	125.7	(18.7%)	15.5	141.1	(8.7%)
Normalised headline earnings (rands)	136.4	(12.0%)	7.3	143.7	(7.3%)

Headline Earnings

2019	2022
134.7	141.1

For period ended 31 December 2022

5-YEAR VIEW

R484.0m

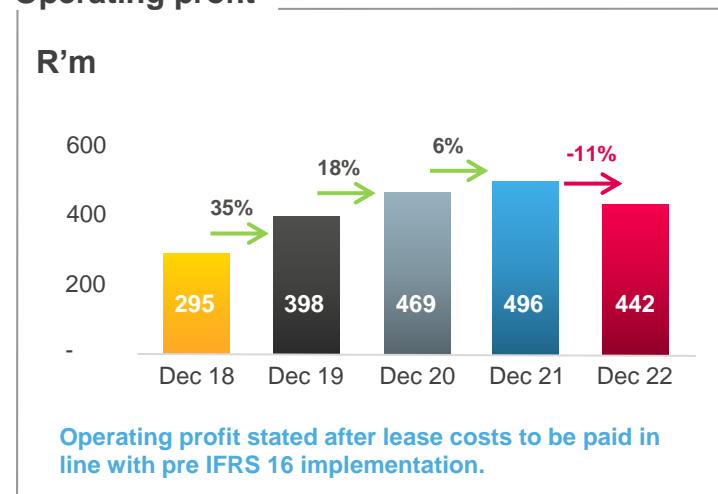
Group EBITDA

(2021 – R534.1 m)

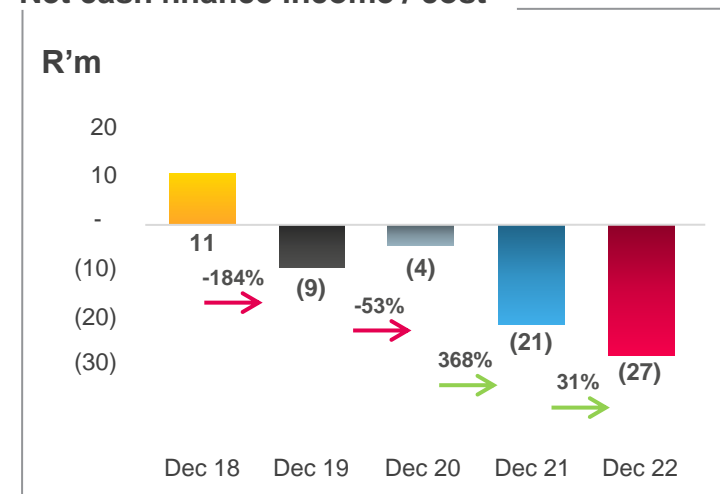


Acquisition financing still increasing but the depreciation / amortisation is starting to decrease

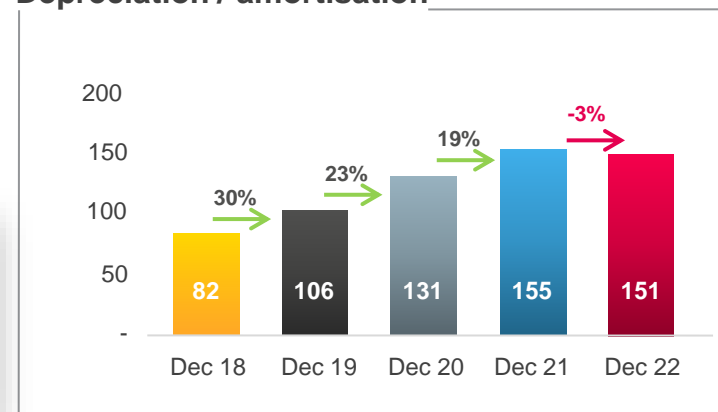
Operating profit



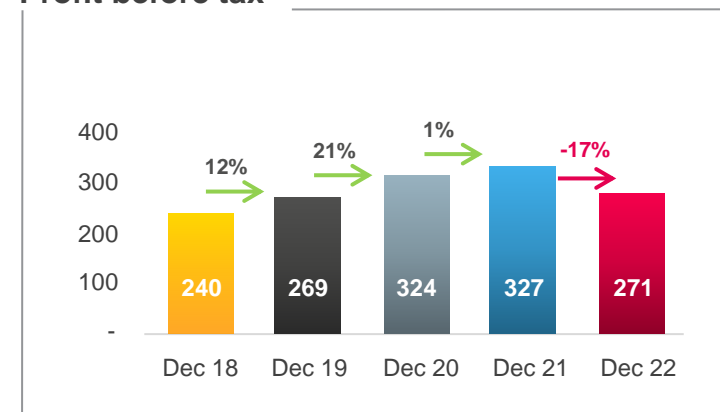
Net cash finance income / cost



Depreciation / amortisation



Profit before tax

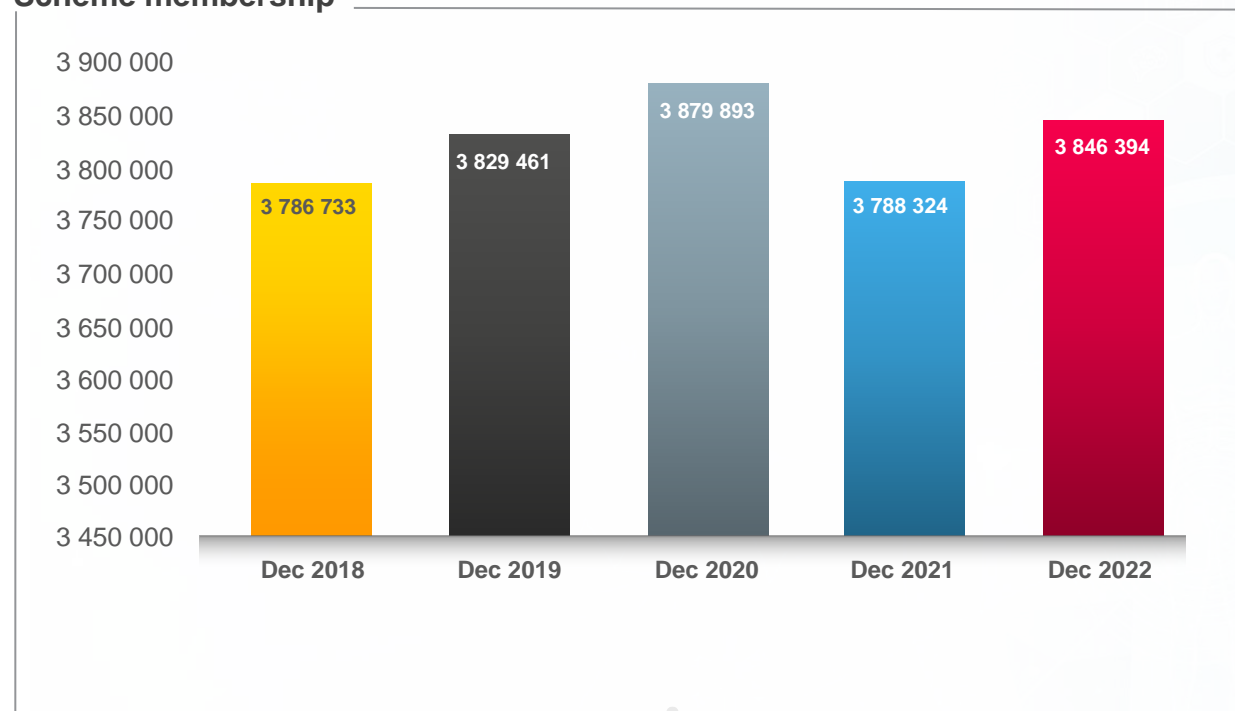


INTERIM RESULTS

For period ended 31 December 2022

SERVICE CLUSTER - SCHEME MEMBERSHIP

Scheme membership



**AVERAGE INCREASE
ACROSS SCHEMES
FOR 2023**

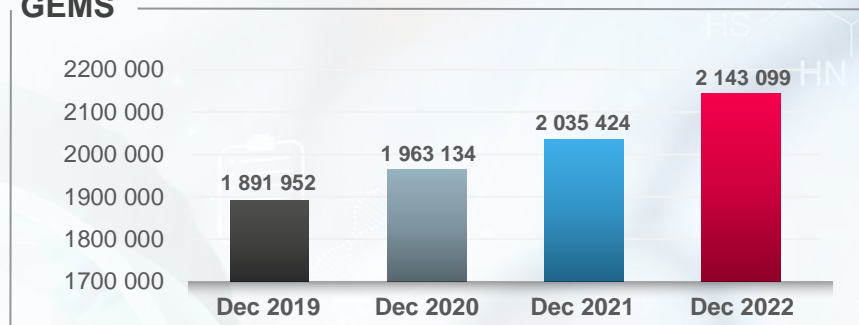
6.9%

INTERIM RESULTS

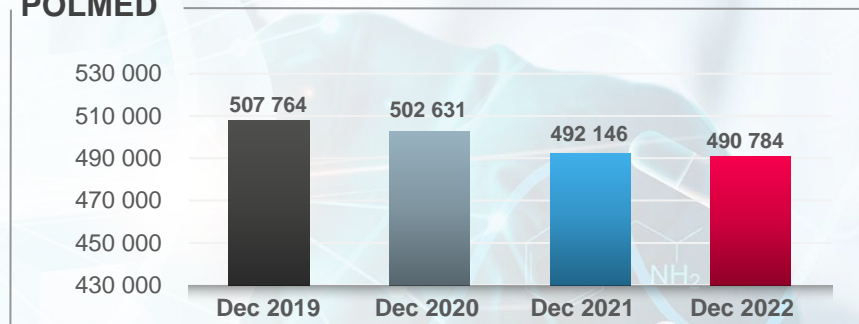
For period ended 31 December 2022

Distribution of beneficiaries by large schemes

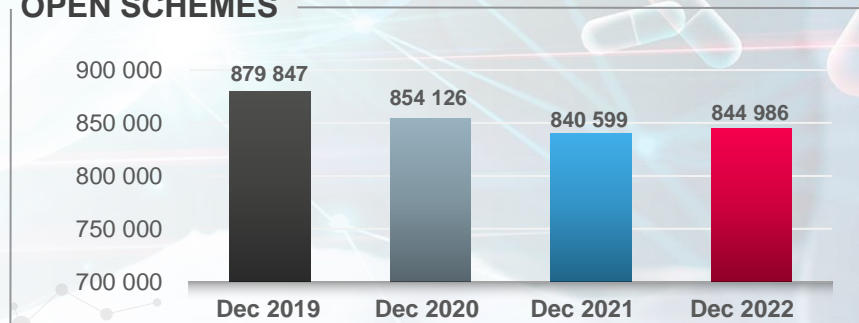
GEMS



POLMED



OPEN SCHEMES

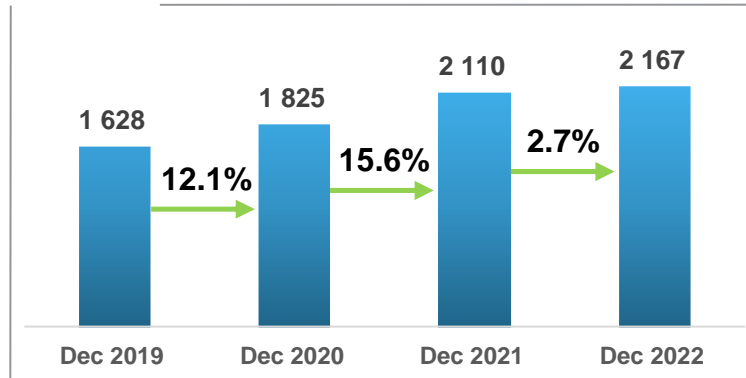


SEGMENTED FINANCIAL REPORTING STRUCTURE - SERVICES

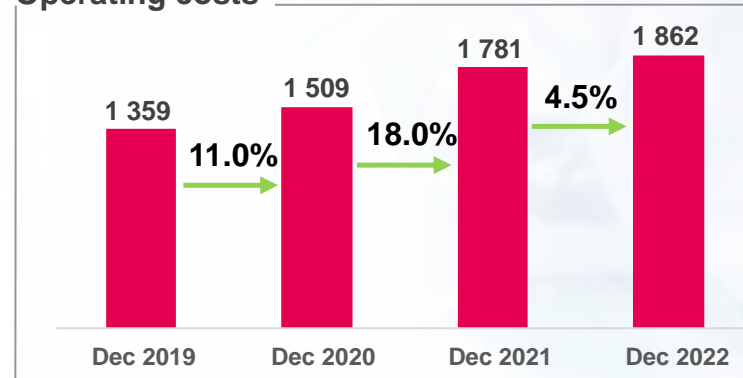


Medical Aid administration, Risk management & Technology:
Concentrating on improving the operational delivery model of services

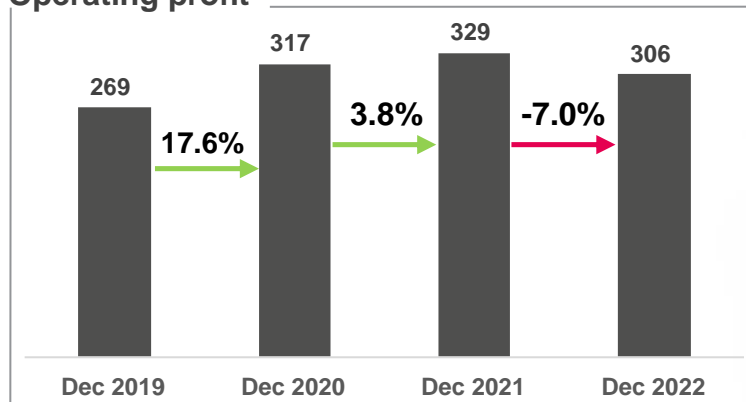
Revenue



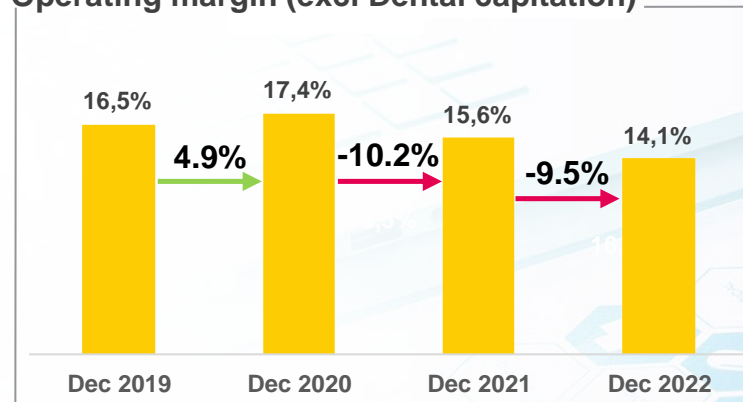
Operating costs



Operating profit



Operating margin (excl Dental capitation)



Membership is stable and thus revenue increased by **2.7%**

Extraordinary Costs

- IT modernisation R15m
- Net diesel after electricity savings R5m
- Improved system licenses R13m
- IT forex changes R4m

Once-off costs impacted operating profit

- Sanlam transaction costs R12,2m
- NHA legal fees R14m

Without once off cost margin would be

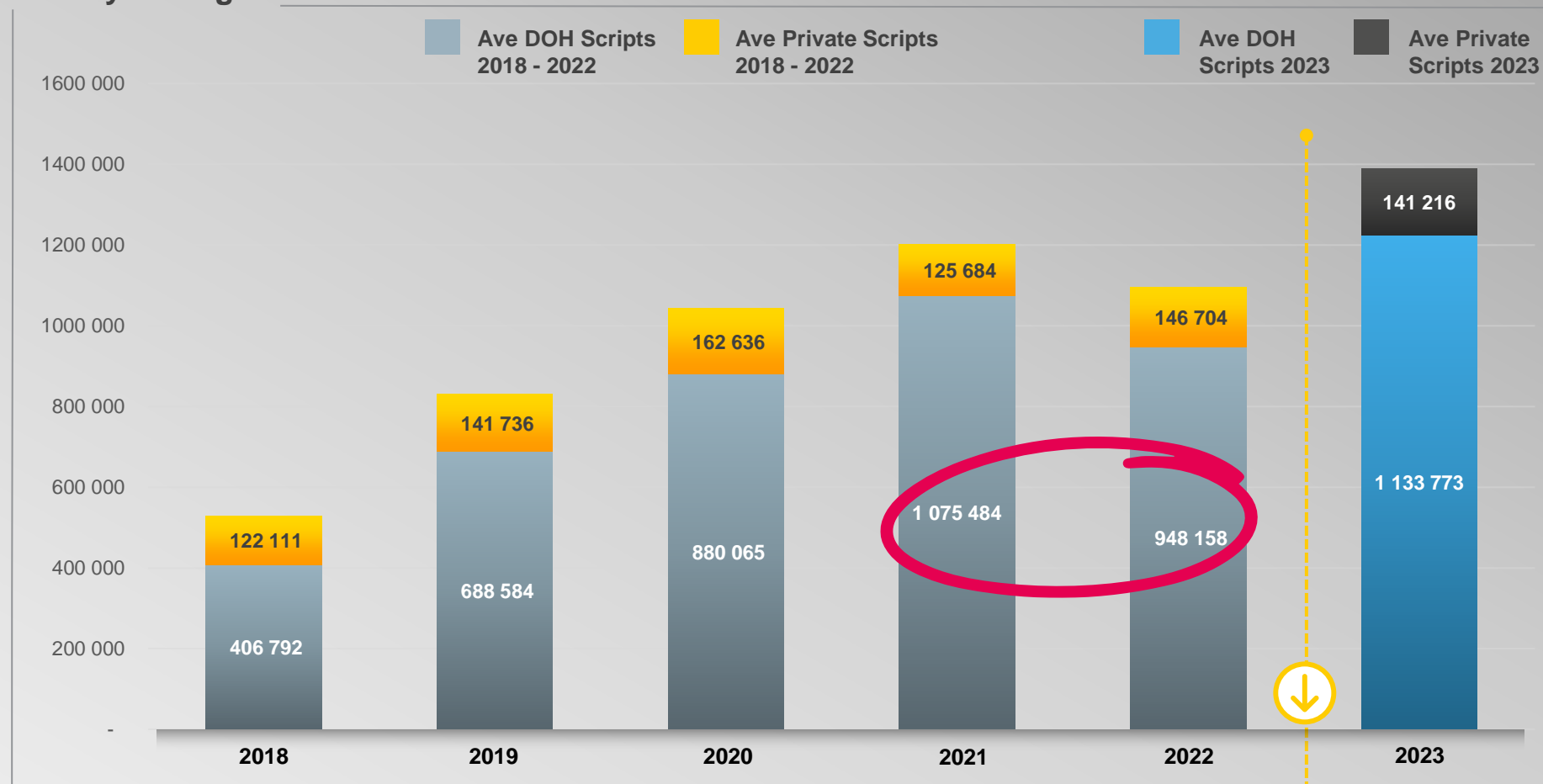
15.3%

INTERIM RESULTS

For period ended 31 December 2022

RETAIL CLUSTER - SCRIPTS DISPENSED

Monthly Average



→ **New DOH contract**
now inclusive of GP
and KZN

↓
**Higher volumes in
2023**

Reduction in
year 2022

- Scripts renewal dispensation reverting back to 6 months

INTERIM RESULTS
For period ended 31 December 2022

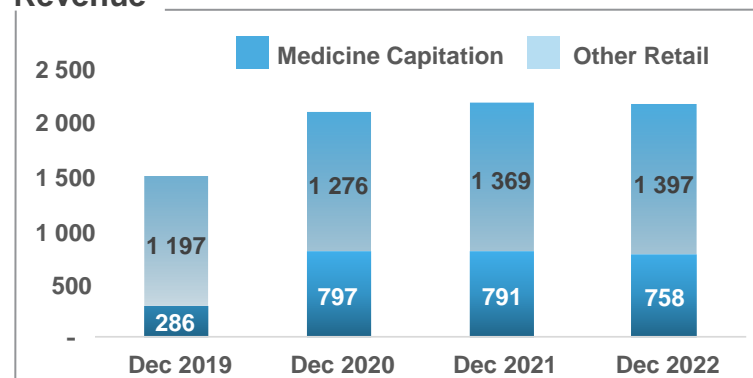
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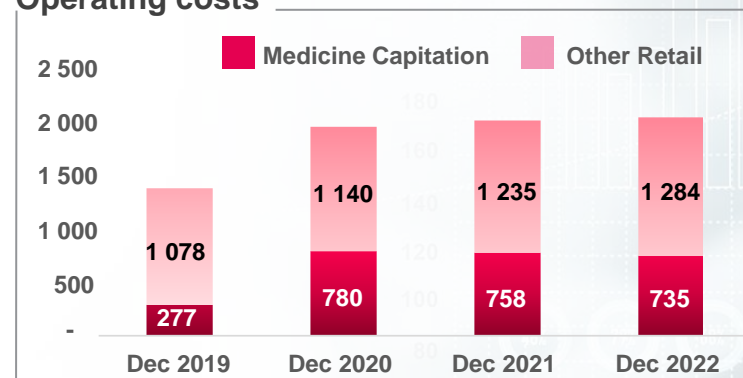
SEGMENTED FINANCIAL REPORTING STRUCTURE - RETAIL

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

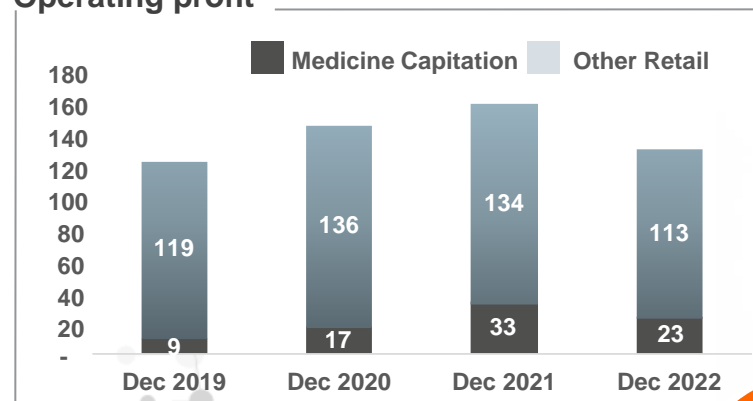
Revenue



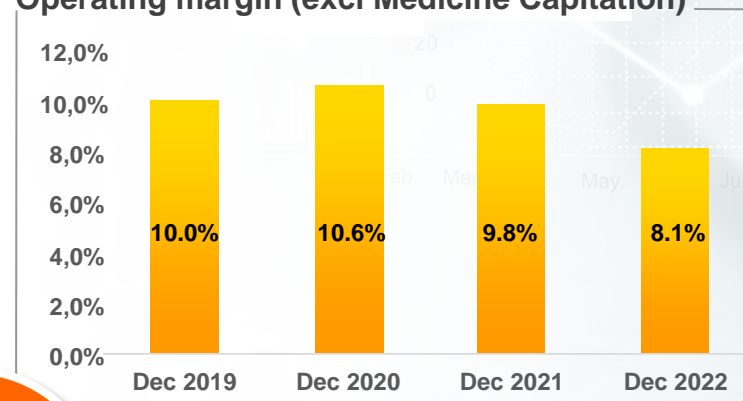
Operating costs



Operating profit



Operating margin (excl Medicine Capitation)



DOH

- Tender success - additional provinces (Gauteng and North West)
- Effective 1 October
- Large investments for take-on of new members in additional provinces
- PD profitability down by R13m

Medicine Capitation

- Significant revenue growth driven by diversification into the open market.
- Resulted in decreased profitability R10m

Pharmaceutical Sales / Activo

- Market pressure on ARV pricing amidst revenue growth

Surgical and consumable retail

- Decreased profitability R4m
- The business model is being reconsidered

Pharma
retail is back
at pre-COVID
level

INTERIM RESULTS

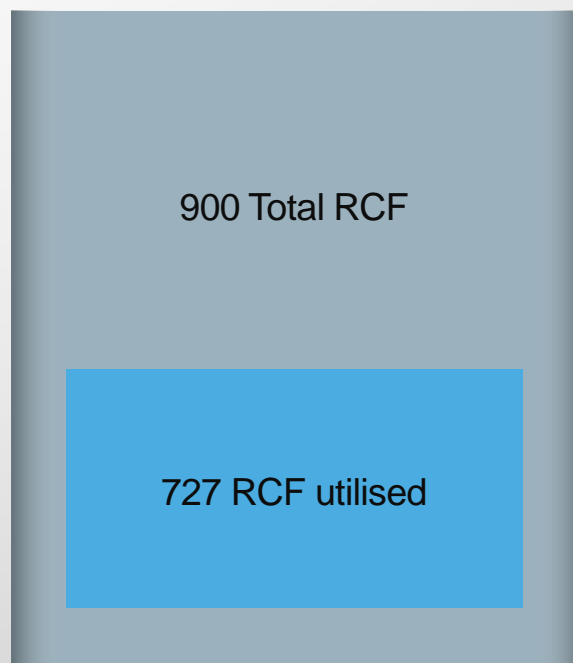
For period ended 31 December 2022

2022 RESTRUCTURE OF BORROWING FACILITIES

Borrowing Facilities

(R'Million)

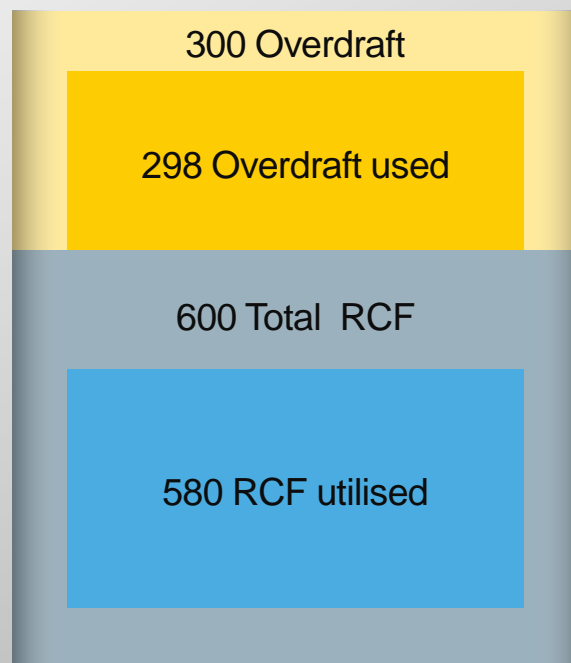
Old Facility Structure 2021



80 Asset finance

Total facility utilised 807

New Facility Structure
(Effective March 2022)



64 Asset finance

Total facility utilised 942

RCF - Revolving credit facility
(5 year loan)

Improved utilisation of the
group's cash flow cycle
reducing net finance cost

Inflexibility of sweeping of
cash not effective in old
structure

INTERIM RESULTS

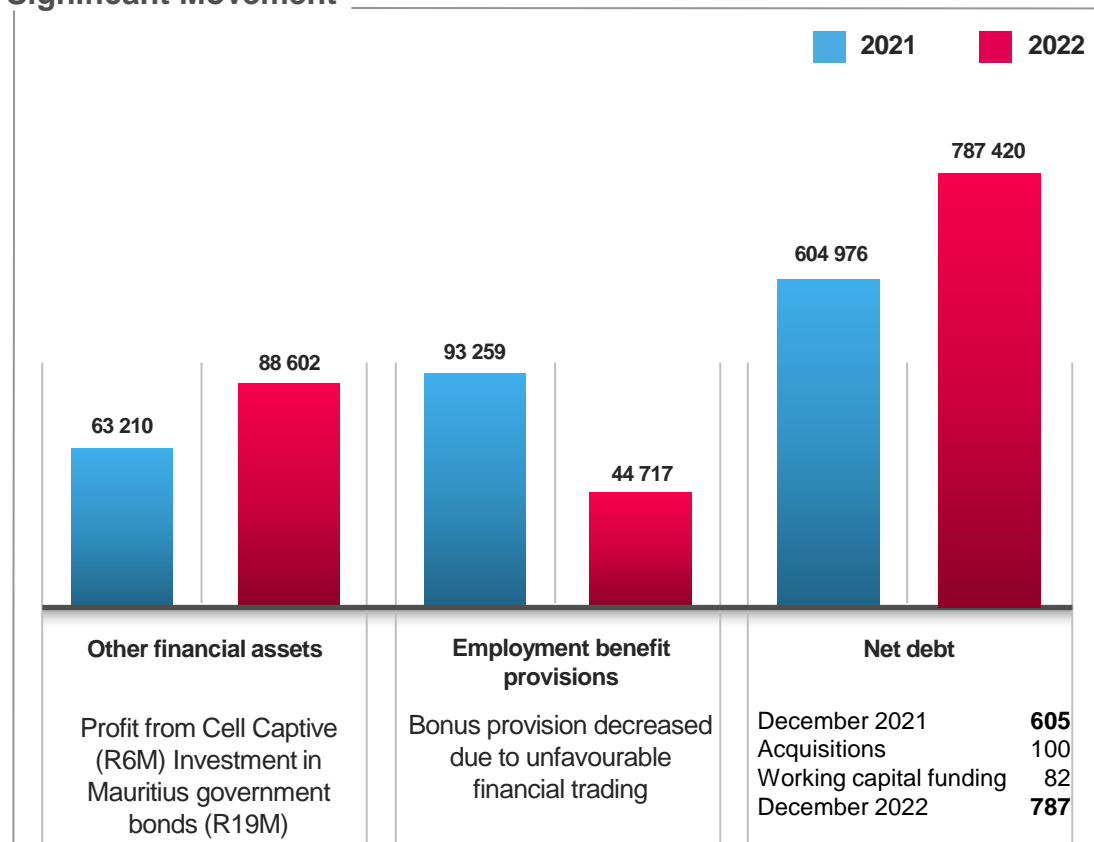
For period ended 31 December 2022

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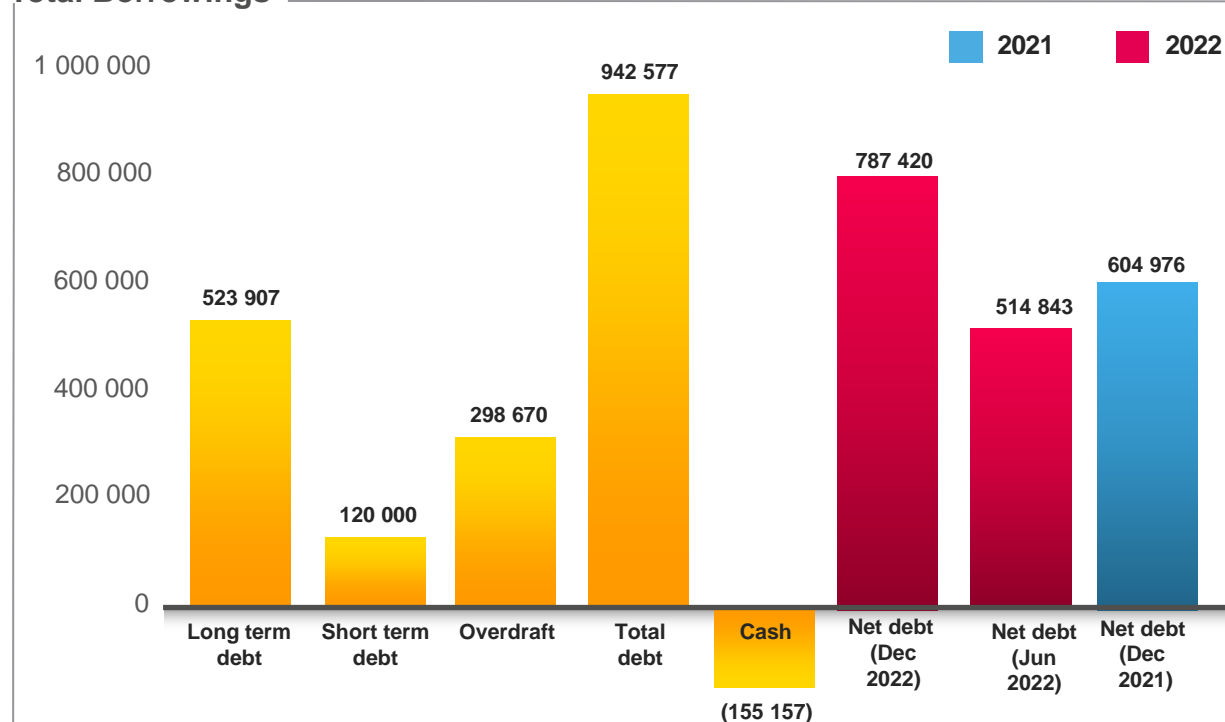
HEALTHIER TOGETHER

STATEMENT OF FINANCIAL POSITION

Significant Movement



Total Borrowings

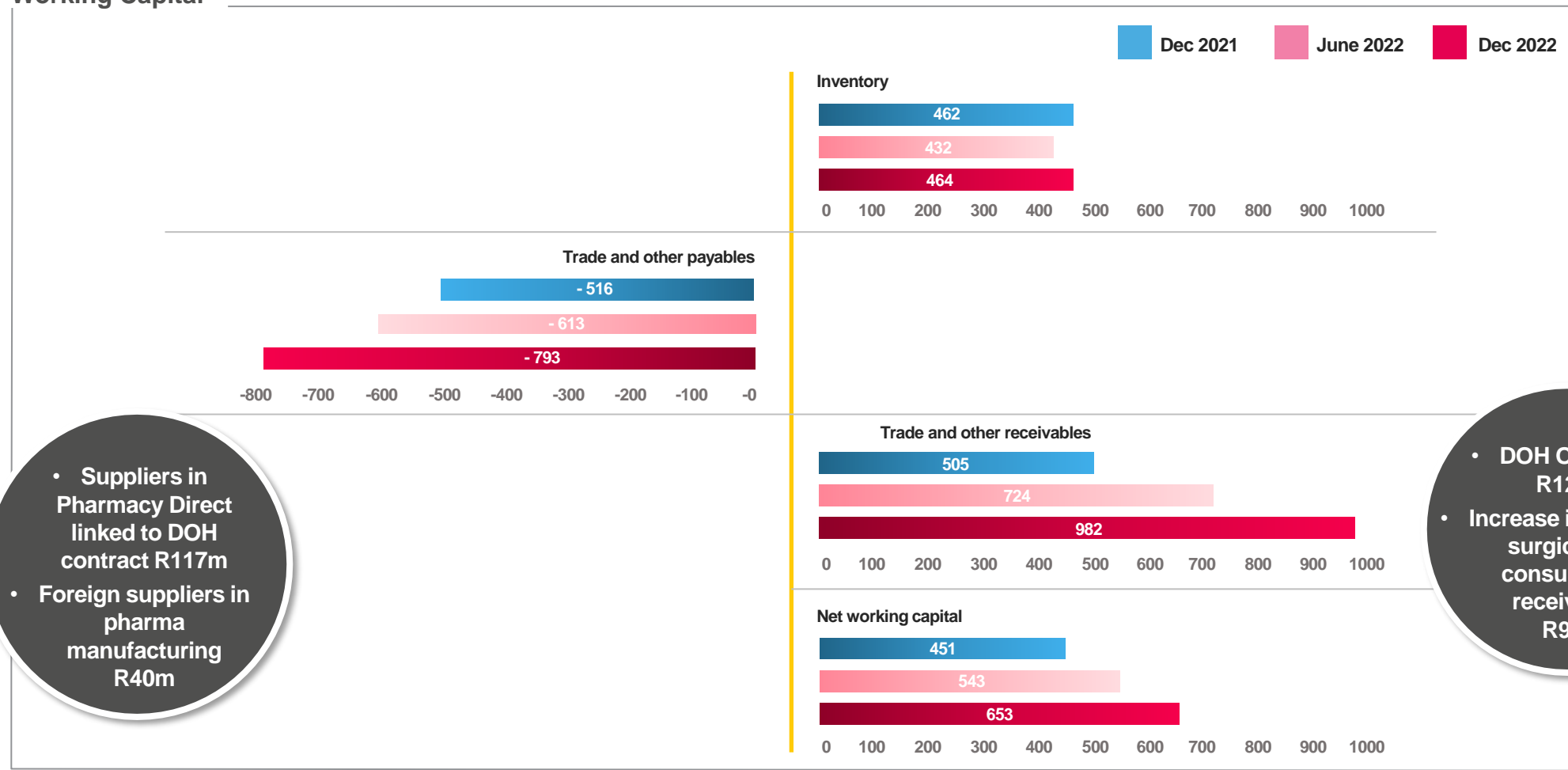


INTERIM RESULTS

For period ended 31 December 2022

STATEMENT OF FINANCIAL POSITION

Working Capital



- Suppliers in Pharmacy Direct linked to DOH contract R117m
- Foreign suppliers in pharma manufacturing R40m

- DOH Overdue R125m
- Increase in overdue surgical and consumables receivables R95m

INTERIM RESULTS

For period ended 31 December 2022

OUTLOOK



Medical scheme administration business remains sound with membership stabilized and favourable increases from clients



IT modernisation and support to enable a more efficient Medscheme operating model continues



Sanlam transaction positively received by market
- to be finalised in May 2023



Pharma opportunities with the new DOH contract and enhanced volume, but market pressure on the Pharma sales to be countered



Final full year dividend will be considered in June post the transaction and will be based on 2023 financial results performance

OUTLOOK



2023

2024





THANK YOU

