Annual Results Presentation

For the year ended 30 June 2024

4 September 2024

CHAIRMAN:
Dr Anna Mokgokong

GROUP CEO:
Gerald van Wyk

Healthcare in focus

HEALTHCARE TRENDS

Tech

- AI disrupting healthcare
- Personalised and virtual healthcare growth
- Mainstream adoption of wearable devices

Disease management

- Increased priority on mental health
- **Mpox** – declared global health emergency
  - 16 countries affected, over 15 000 cases in Africa: SA – 24 confirmed and 3 fatalities
  - Medscheme – Admissions: 12, Other claims (GP, pathology, meds): 64 unique members

OUR RESPONSE

- Hyper automation - over 99% for provider claims. Pre-auth - 30% to 40%
- Launched our innovative Healthcare Professional Portal (HPC)
- Contact Centre Modernisation
  - Commencing with a pioneering speech analytics tool to enhancing our service excellence
- Clinical innovation – adopting value-based care framework (VBC)

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Operating context

ECONOMIC ENVIRONMENT

Difficult operating environment with muted economic growth and employment levels – constraining medical aid affordability

- High medical inflation costs projected at about 12% in Africa regions driven by:
  - New medical technologies
  - Overuse of care
- GDP down 0.1% in Q1 24 with unemployment accelerating to 33.5%

OUR ACHIEVEMENTS

- Surpassed 4 million mark in number of lives under management
- Good membership growth from Bonitas and GEMS
- Improved service levels and client satisfaction
- Maintained healthy solvency ratio across schemes
- Scheme increases in line with inflation

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Summary view of results

	SERVICE (R'm)	RETAIL (R'm)	TOTAL (R'm)
Total revenue	**4 639**	**4 252**	**8 891**
Change to prior period	5.9%	(4.8%)	0.5%
Operating profit	**679**	**211**	**890**
Change to prior period	(1.0%)	7.3%	0.9%
Profit margin FY24	**14.7%**	**5.0%**	**10.0%**
Profit margin FY23	**15.7%**	**4.4%**	**10.0%**

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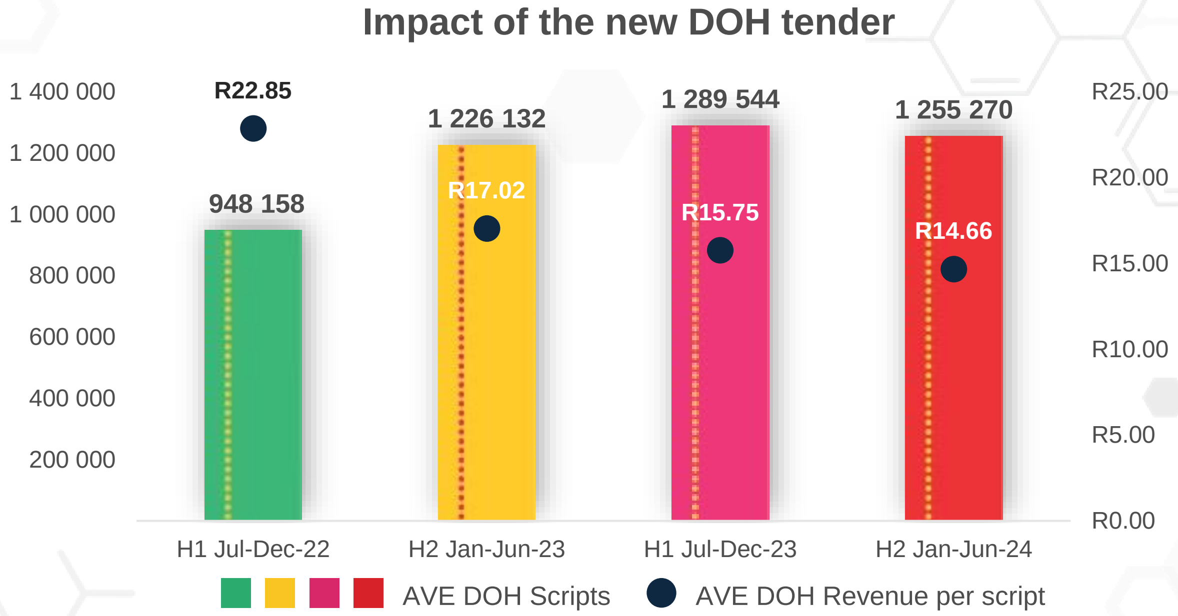
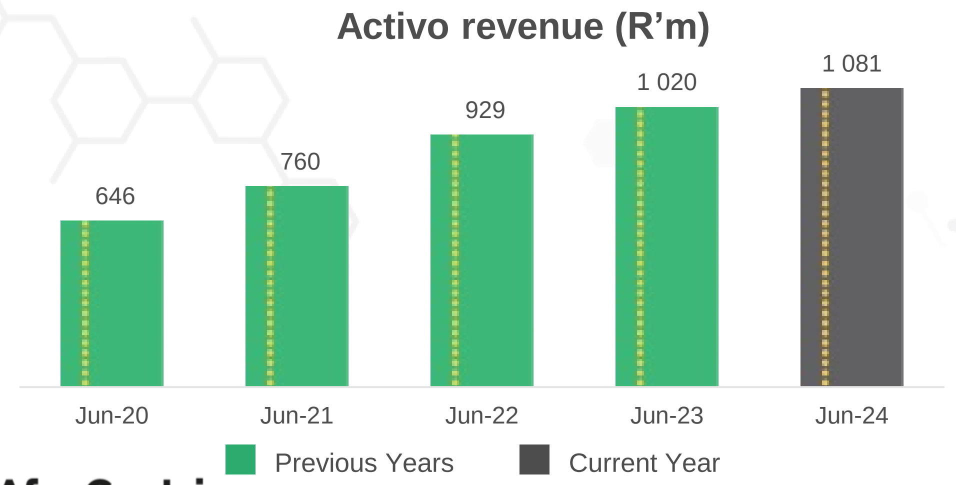
Material highlights





Pharma

- DOH contract
  - Exploring efficiencies to increase volumes and adherence
- Activo – Good revenue growth
  - Sales teams pushing new product launches
  - Improved relationships across private sector
  - Margins remain under pressure – reduction in ARV prices
- Cluster impairment charge

Services contracts

- AfroCentric Distribution Services (ADS) unsuccessful in retaining the Bonitas sales, marketing and distribution contract w.e.f 01 September 2024
- Remaining administration services on Bonitas BonCap option moving out of Medscheme w.e.f 01 January 2025

NHI Act

- Not addressing concerns raised by wide spectrum of society, including long-term future of medical schemes
- Consensus view is that it will take years to reach full implementation and operationalization
- Public-private sector collaboration needed to realise universal healthcare

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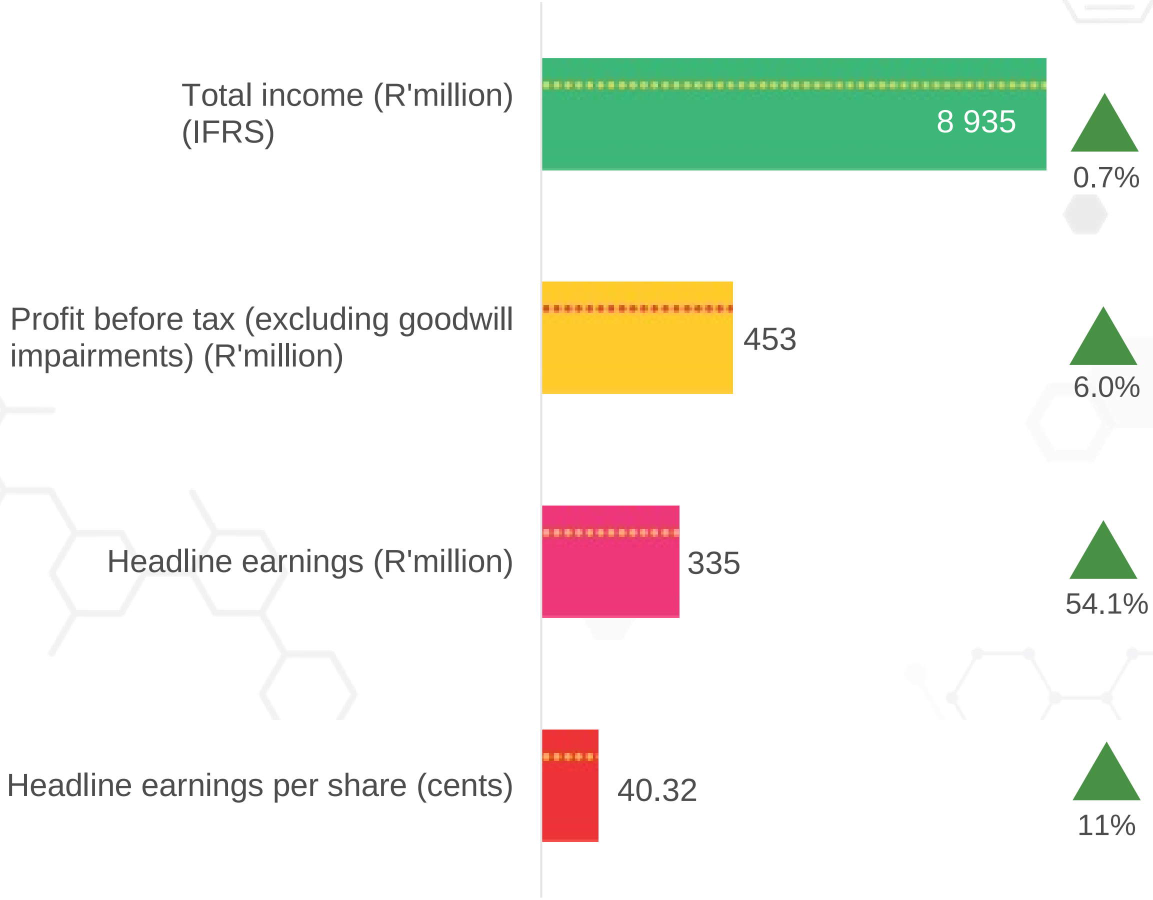
GROUP CFO:
Hannes Boonzaaier

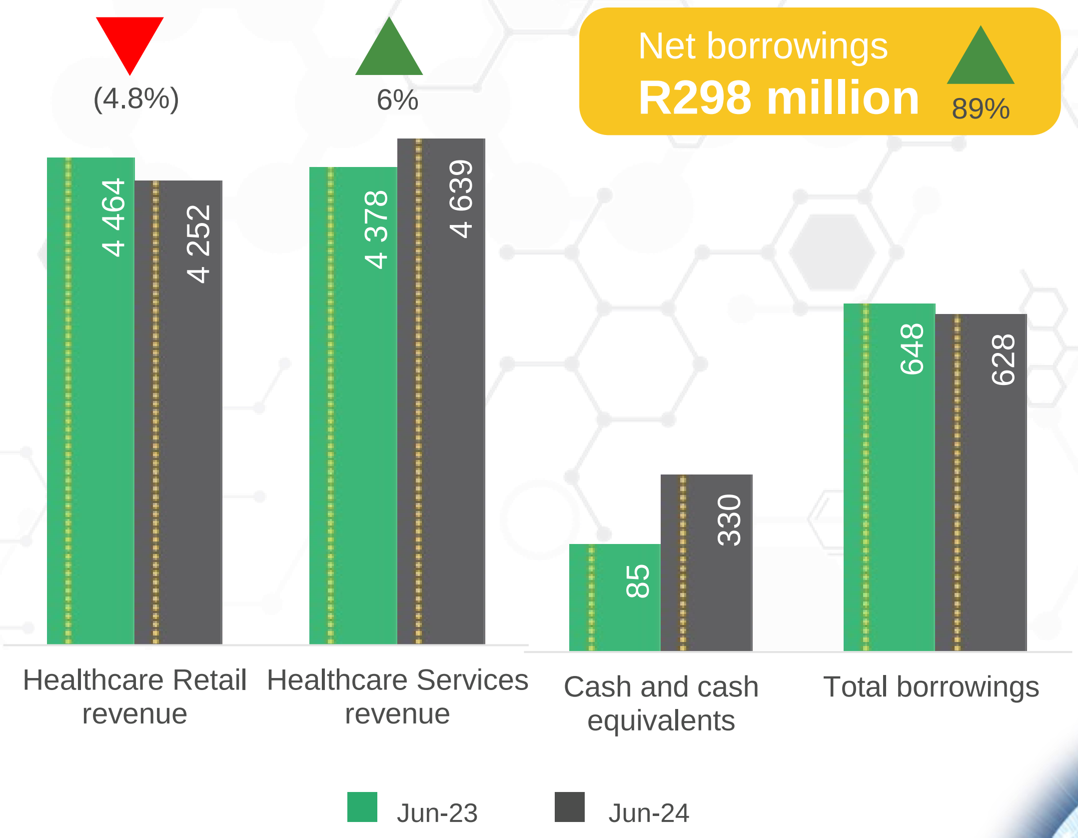
Key performance matrix

Statutory performance (R'm)

Current year-on-year performance



Detailed performance



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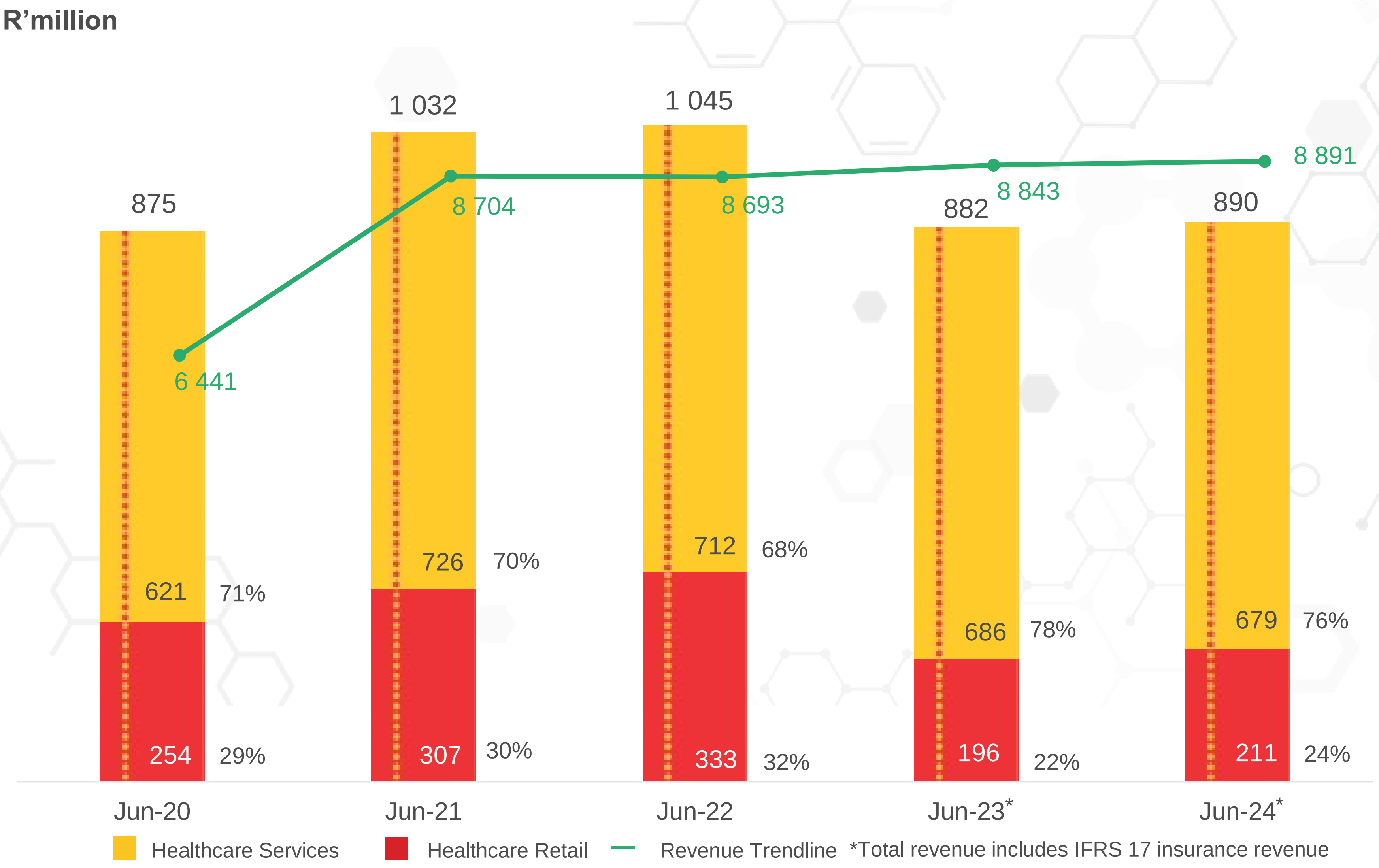
Segmented operating profit



- Service business stable over long term, but servicing costs are increasing
- Pharma profitability not returning back to 2021/2022 levels
- More market competition in Pharma driving down prices and profitability
- The diversification split of 76/24 will most probably remain for the medium term

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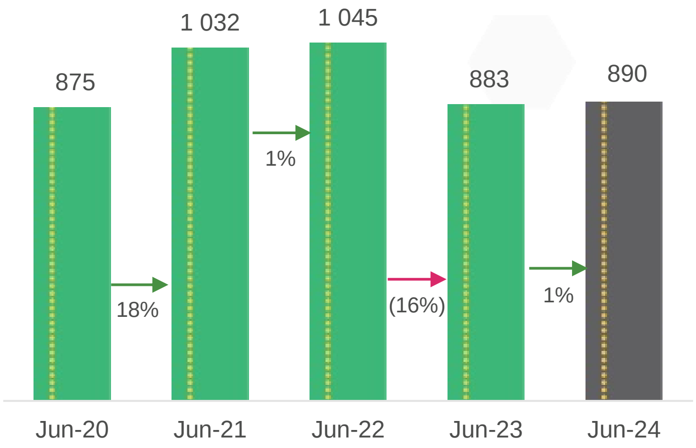
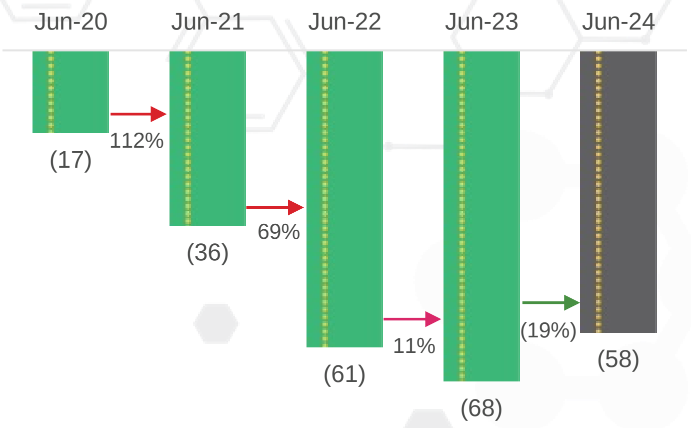
Five-year view

Operating profit (R'm)



CAGR 0.3%

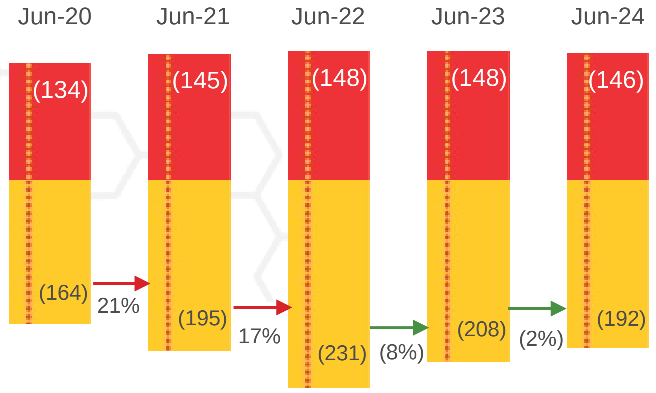
Net finance (R'm)



- Capital management strategy showing good results through reduced net interest charge in year where we spent R131 million on acquisition activities
- Amortisation reducing with a prudent view on IT capitalisation
- Asset depreciation will remain in the R90 million to R100 million range with the envisaged infrastructure refreshes planned

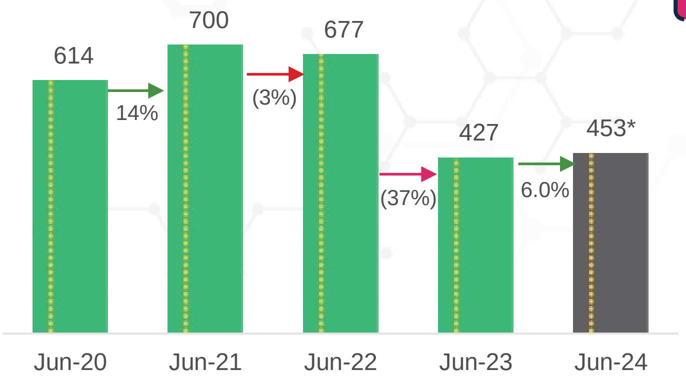
Amortisation/depreciation (R'm)

CAGR 2%



Profit before tax (R'm)

CAGR (5%)



Group EBITDA 2024

816 million

(2023: 820 million)

#Depreciation includes R52.8 million of right of use asset depreciation per IFRS 16

Amortisation   Depreciation#

*Profit before tax excluding goodwill impairments and associate.

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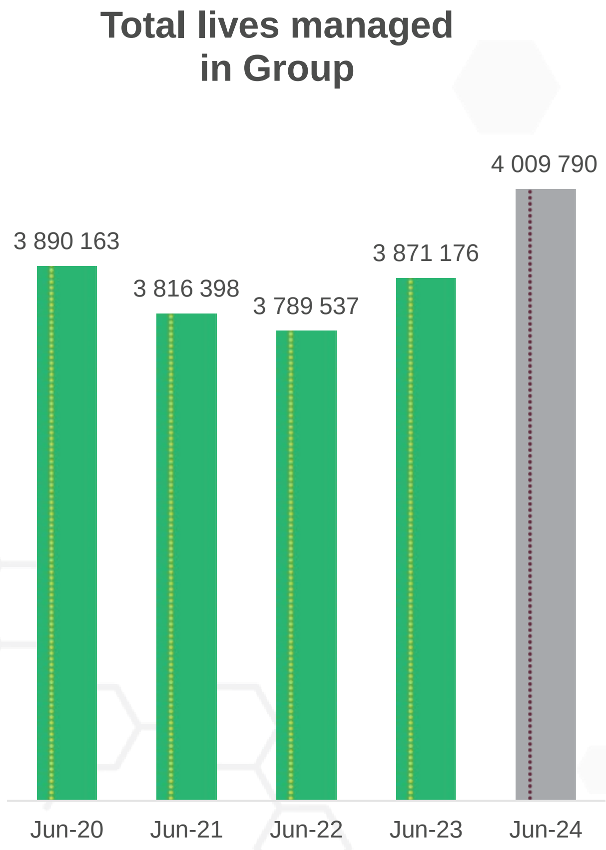
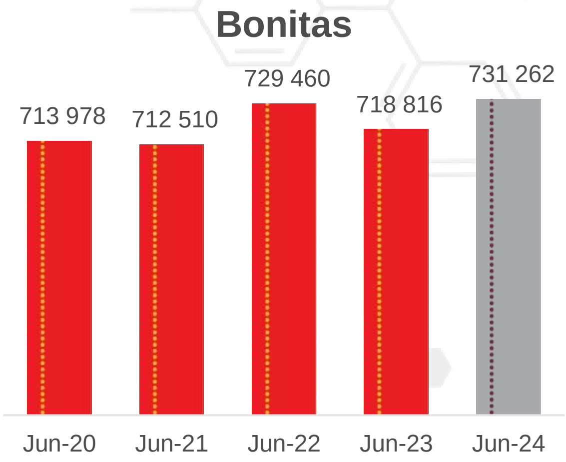
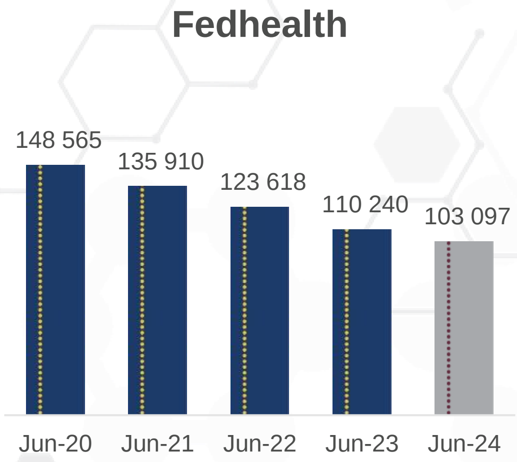
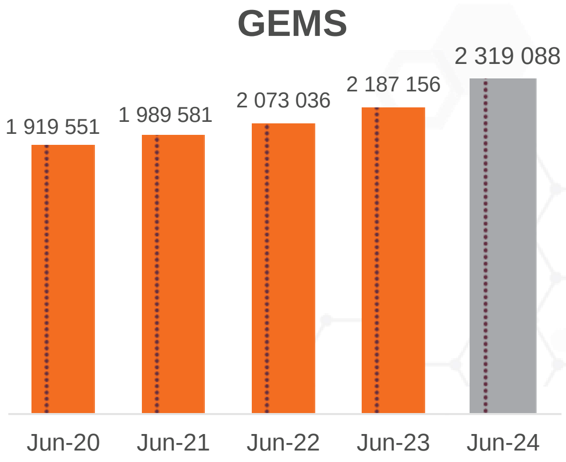
Service cluster – scheme membership

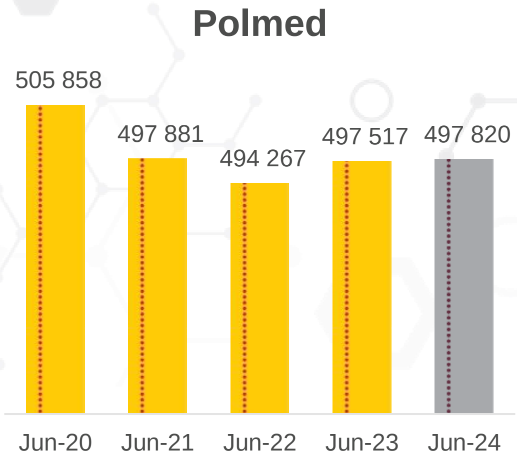






- Consistency in membership and revenue growth through all the diversified schemes
- Members returning to many pre-Covid procedures and control on clinical costs are increasing (hospital and high-risk beneficiaries)
- Investment in managed care capabilities and new management structures





AVERAGE FEE INCREASE ACROSS SCHEMES FOR 2024

LESS 6%

AVERAGE FAMILY SIZE DECREASING

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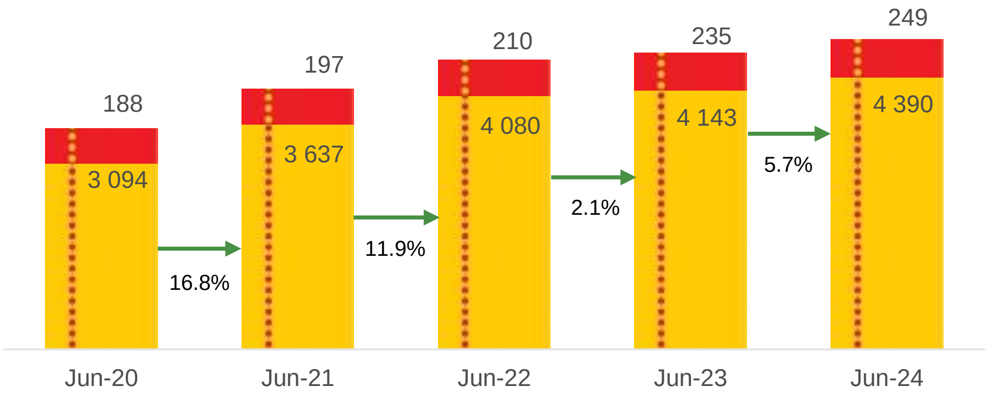
Segmented financial reporting structure – services

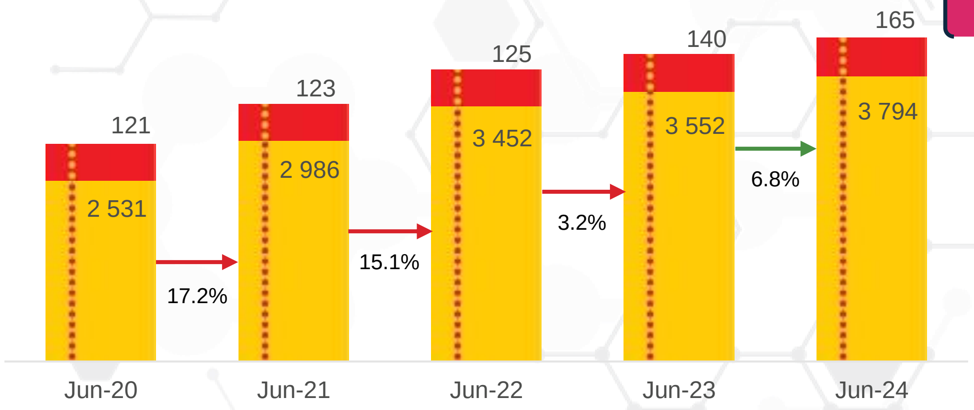
Revenue (R'm)

CAGR 7%



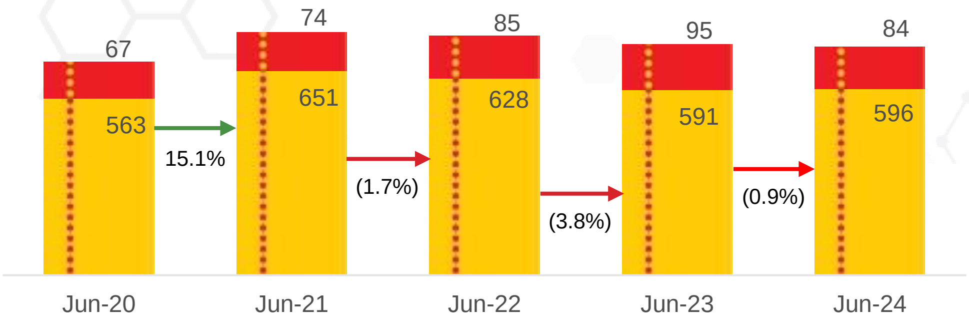
Operating costs (R'm)

CAGR 8.3%



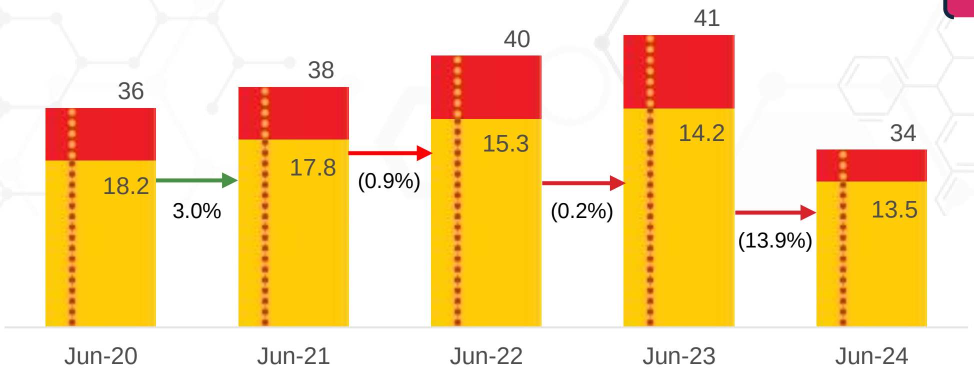
Operating profit (R'm)

CAGR 1.5%



Operating margin (%)

SA CAGR (5.8%)



Healthcare Africa Healthcare SA

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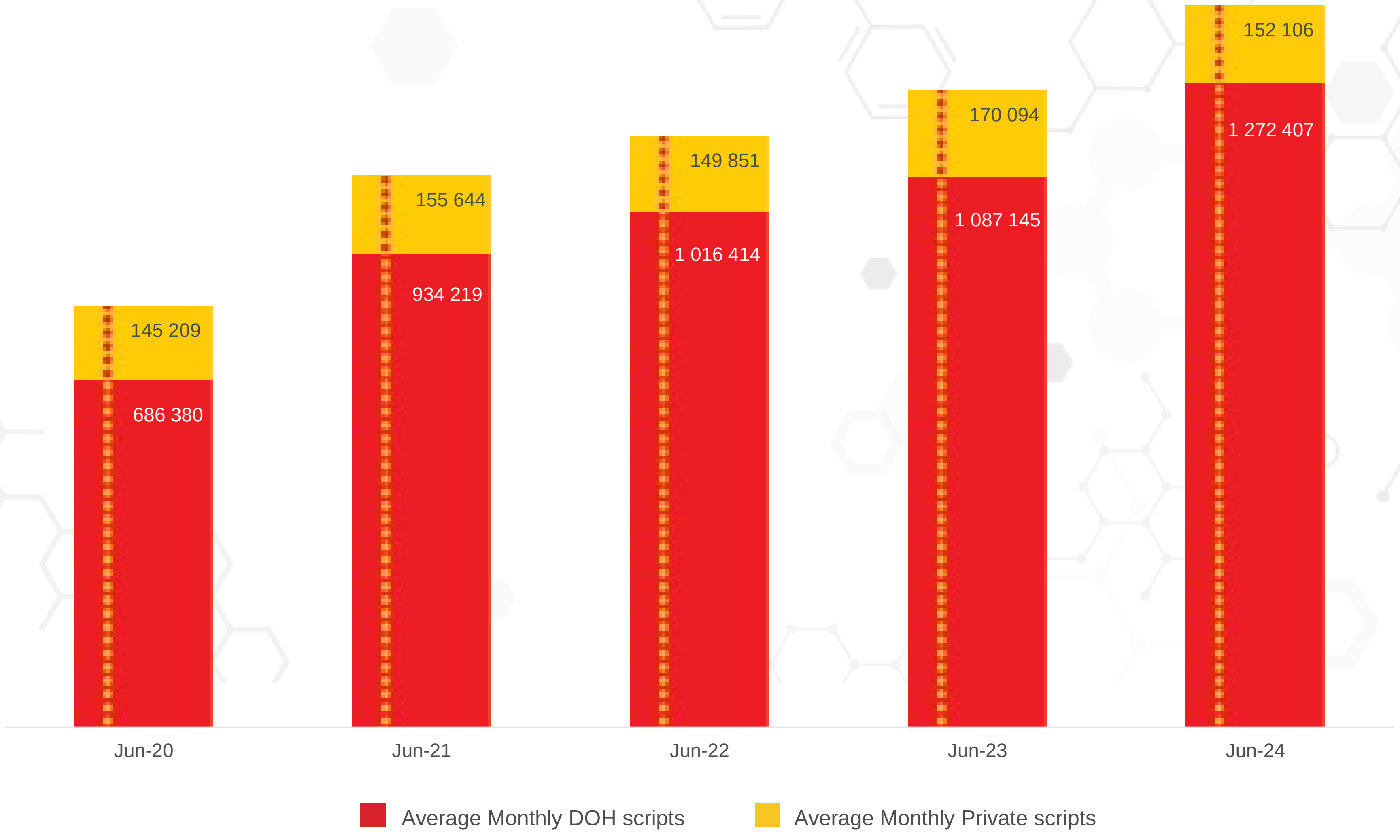
Retail cluster – scripts dispensed



Department of Health (DOH)

- Revenue per script – lower in the new contract – corrective measures considered – efficiency drives to increase volumes and improve adherence
- 17% growth in DOH annual script dispensed from 13 million in FY23 to 15.3 million in FY24
- Pharmacy Direct private scripts constant and DOH profitability reducing - > impairment of R100 million

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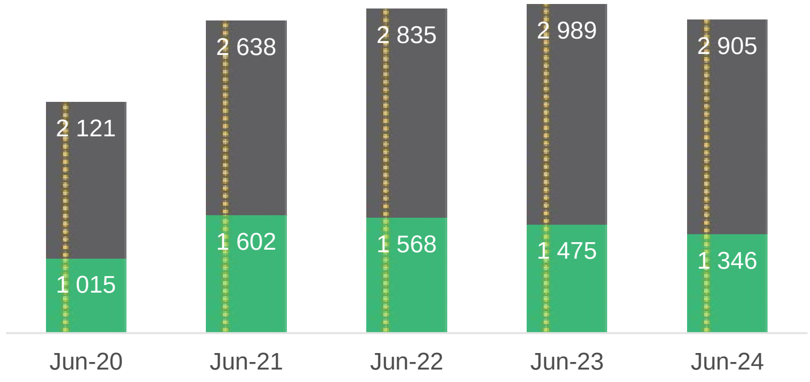
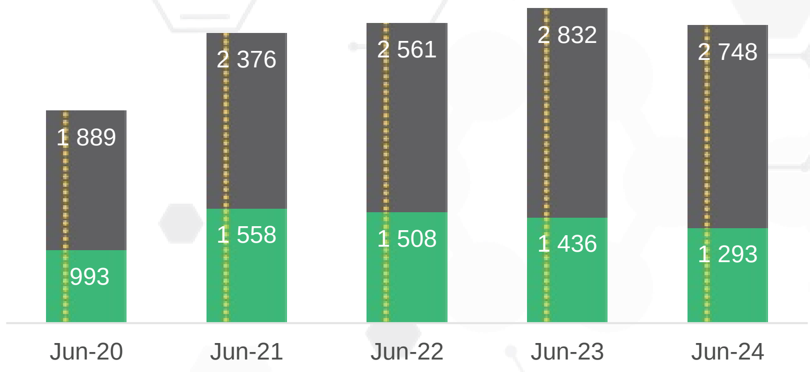
Segmented financial reporting structure – retail

Revenue (R'm)

CAGR
6%

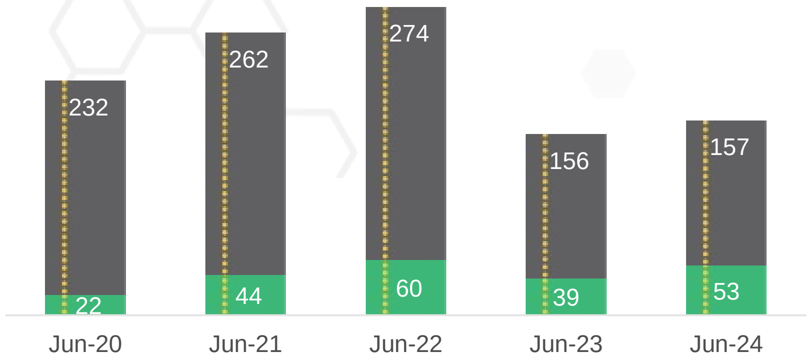


Operating Costs (R'm)



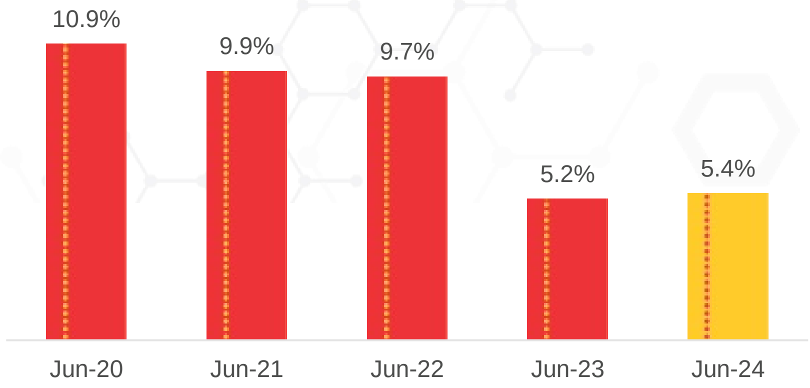
Operating Profits (R'm)

CAGR
(13%)



Operating margin (excl. Medicine Capitation)

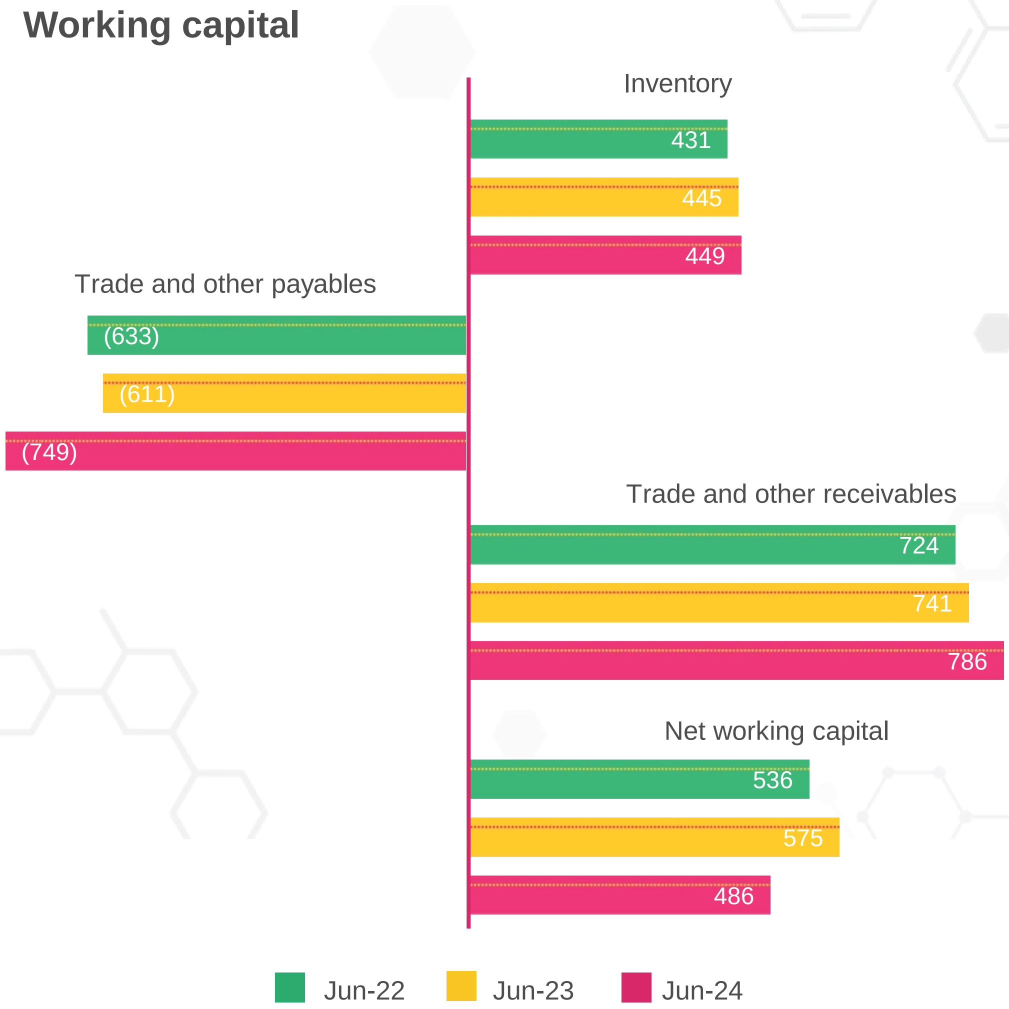
CAGR
(4%)



Medicine Capitation Other Retail

- With SEP pricing reducing and more competition in market, revenue growth is becoming constrained
- Activo profitability not at the expected level after the additional Forrester dossier acquisition in 2021 requiring an impairment of goodwill of R130 million

Statement of financial position (R'm)



Goodwill impairments
R231 million

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Cash flow performance

Cash from operations R245 million

Add back dividends paid
R93 million

Add back acquisitions
R131 million

Cash generated through normal operations
R469 million
Pre-stakeholder distribution
(capital management policy)

Short-term borrowings – **R59 million**
*Borrowings at **52%** of the total facilities available*

R100 – R150 million reserves
to fund growth strategy

Cash available for distribution
R260 – R310 million

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Financial outlook

- Pharma profitability being monitored
- Medical scheme bigger focus on managed care and claims control
- Continuing investing in IT infrastructure refresh and data capabilities with a prudent view on development capitalisation
- Invest in scheme members growth and retention initiatives
- Group cash reserves and balance sheet optimised to support growth
- Financial transition 31 December 2024 - year-end – pressure margin

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GROUP CEO: Gerald van Wyk

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Strategic update

Our refreshed strategy is built on two growth drivers, fuelled by a data-driven and digital approach, and underpinned by a cohesive, integrated operating model.

Growth drivers

1. Build a winning health offering in partnership with Sanlam

An integrated and SANLAM-endorsed open scheme, anchored by FEDHEALTH

2. Strengthen our managed care leadership through clinically-driven innovation

Unlock new opportunities in risk capitation and value-based care

Key enablers

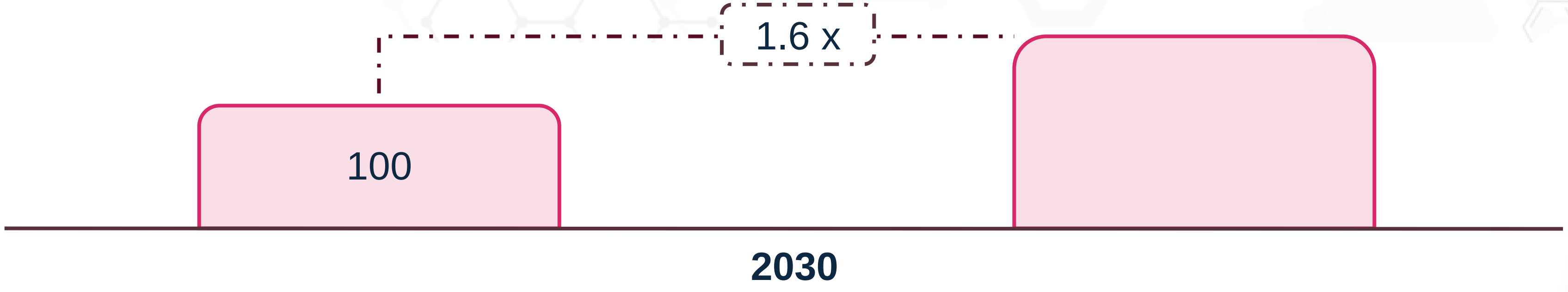
3. Invest in data, digital platforms and technology

- High value digital use cases
- Complete platform modernisation

4. Evolve our operating model to support the growth strategy

- Medscheme as cornerstone of a cohesive and integrated value proposition
- Fundamental shift in culture

EBIT Uplift 2030



Strategic priorities

a
- Executing our growth drivers through iterative cycles of implementation and improvement

b
- Bedding down our operating model through a culture-first approach

c
- Accelerating our data and digital delivery

d
- Strengthening our risk and compliance excellence

Q&A