

Bupa Arabia FY 2017 Performance Update

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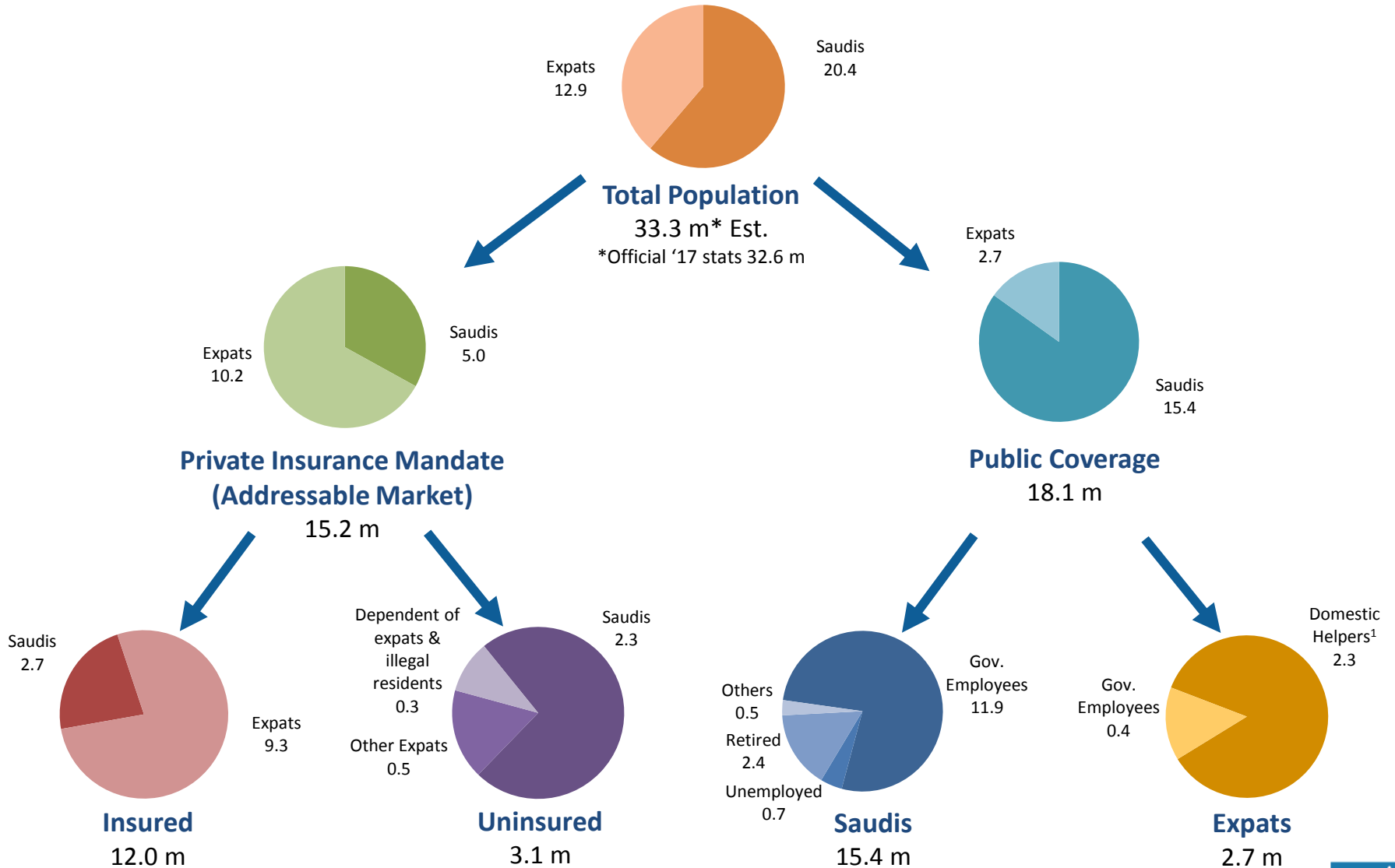
Sell Side Research Analyst Coverage

Company	Analyst	Recommendation	Price (SR)
Aljazira Capital Co	Talha Nazar	Overweight	137.6
Shuaa Capital	Shadi Salman	Hold	128.0
HSBC	Ankur P Agarwal	Buy	127.0
Arqaam Capital Limited	Jaap Meijer	Hold	121.4
CI Capital	Monsef Morsy	Overweight	110.0
EFG-Hermes	Shabbir Malik	Neutral	105.0
Falcom	Ashraf Abu Shakra	Overweight	101.2

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Saudi Insurance Demographics (1/2)



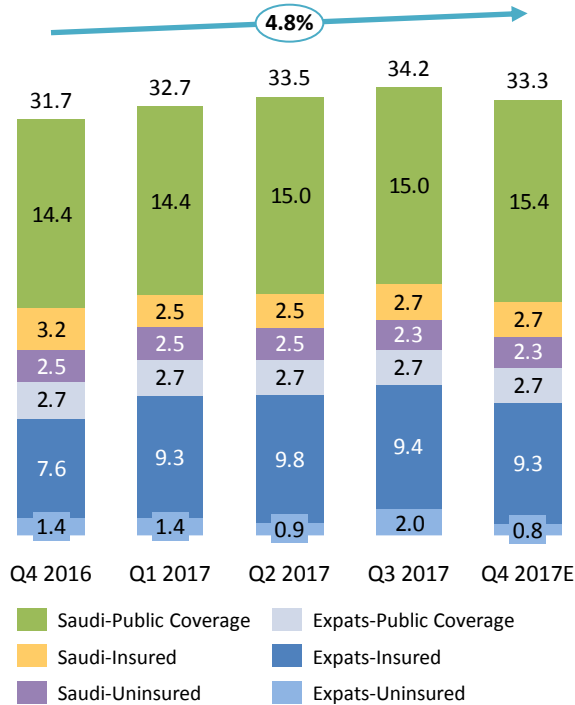
Source: Stats.gov.sa, GOSI, MoL, CCHI, and Bupa Arabia estimates for Dec'17

¹ Not under public coverage but also not under private insurance mandate



Saudi Insurance Demographics (2/2)

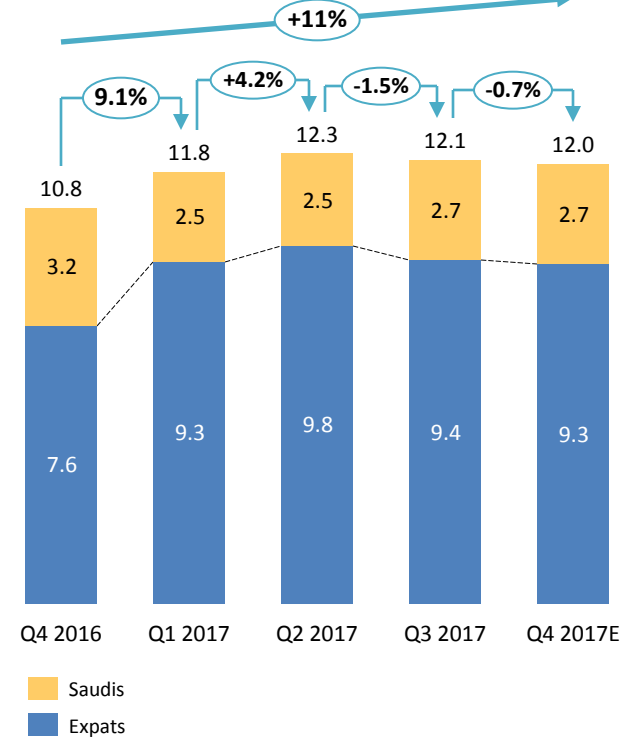
Total Population (m)



Source: Stats.gov.sa, GOSI, MoL, CCHI, and Bupa Arabia estimates

- The total Saudi population grew by 4.8% in 2017
- CCHI is expected to enforce c2.3m of the Saudi uninsured population (as of year-end 2017) during 2018

Insured Lives (m)



Source: Stats.gov.sa, GOSI, MoL, CCHI, and Bupa Arabia estimates

- The privately insured market increased by 4.2% between Q1 & Q2 2017 as a result of SAMA's completion of the last enforcement phase of "the unified policy" by April 2017
- However, it dropped by 1.5% between Q2 & Q3 2017 mainly due to the implementation of dependents fees on expatriates by July 2017 and labor downsizing

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Key Financial Metrics

(SR m, unless otherwise indicated)	Q4 2016	Q4 2017	YoY variance	FY 2016	FY 2017	YoY variance
GWP	1,086	1,110	2%	7,939	7,733	-3%
Net Earned Premium (NEP)	1,982	1,950	-2%	7,667	7,672	0.1%
Contribution	318	211	-34%	1,489	1,267	-15%
<i>Loss Ratio¹</i>	<i>84.0%</i>	<i>89.2%</i>	<i>5.2pps</i>	<i>80.6%</i>	<i>83.5%</i>	<i>2.9pps</i>
Operating and Other Expenses	187	152	-19%	989	925	-6%
Investment & Other Income	63	42	-33%	130	158	21%
Earnings before Zakat & Tax	193	101	-48%	631	501	-21%
EPS (SR)	2.42	1.27	-48%	7.90	6.27	-21%

¹ A negative YoY change is favorable

- Q4 GWP increased by 2% YoY mainly due to acquiring additional business compared to 2016
- Q4 2017 loss ratio increased by 5.2pps YoY as a result of the medical inflation not fully passed through
- Opex decreased YoY due to cost optimization efforts
- Q4 investment income decreased by 33% YoY mainly driven by unmatched outstanding equity performance in Q4 2016

Underlying Performance

(SR m)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Operating Profit	120	285	664	536	347
Investment & Other Income	36	42	19	130	158
Bad Debt Provision (BDP)	(9)	(26)	(39)	(35)	(4)
Earnings before Zakat & Tax (EBT)	147	301	645	631	501
Operating Profit Margin	4.6%	6.2%	9.9%	7.0%	4.5%
EBT Margin	5.7%	6.6%	9.6%	8.2%	6.5%

Note: profit margins are based on NEP

- Operating profit is lower mainly on the back of a deteriorating loss ratio in FY 2017
- Investment income is continuing its growing contribution to EBT

Cost Structure as % of NEP

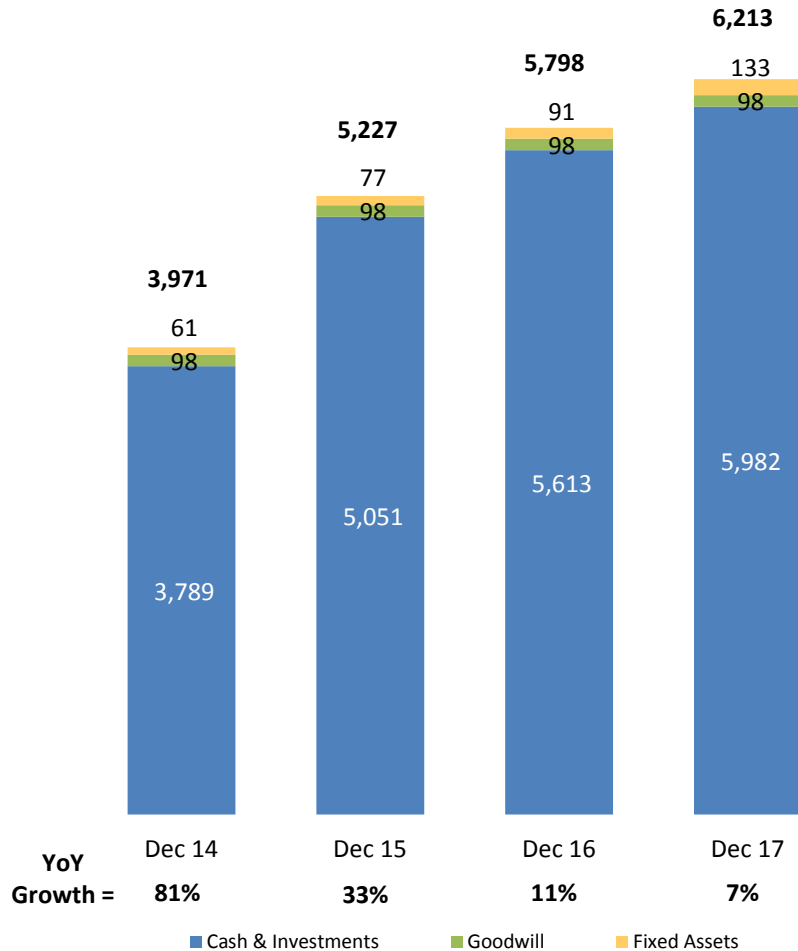
(SR m)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Commissions	2.4%	2.7%	2.4%	2.4%	2.4%
Levies/Brand Fees	2.2%	2.1%	1.9%	1.8%	1.8%
Marketing/Fulfillment	1.0%	0.7%	0.9%	0.5%	0.5%
Total Acquisition Cost	5.6%	5.4%	5.2%	4.7%	4.6%
Staff Cost	6.8%	6.2%	5.1%	5.1%	5.1%
Other Expenses	2.0%	2.0%	1.5%	1.8%	1.7%
Total Expenses (excluding Co-op Distribution & BDP)	14.4%	13.7%	11.7%	11.6%	11.3%

Note: the cost figures are adjusted, therefore they don't reconcile with the reported financial statements

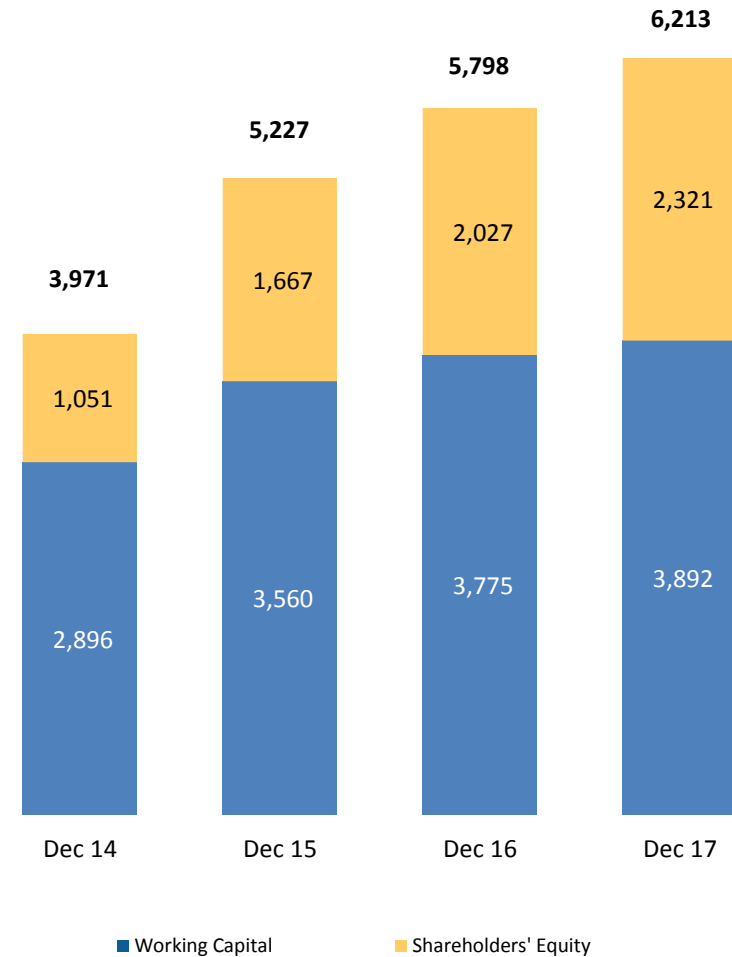
- Total acquisition costs showed some improvement in FY 2017, while the staff costs remained flat YoY
- Expense ratio declined to 11.3% as a result of cost optimization (staff cost & other operating cost)

Balance Sheet Summary (SR m)

Assets Breakdown



Working Capital / Shareholders' Equity



■ Cash & Investments

■ Goodwill

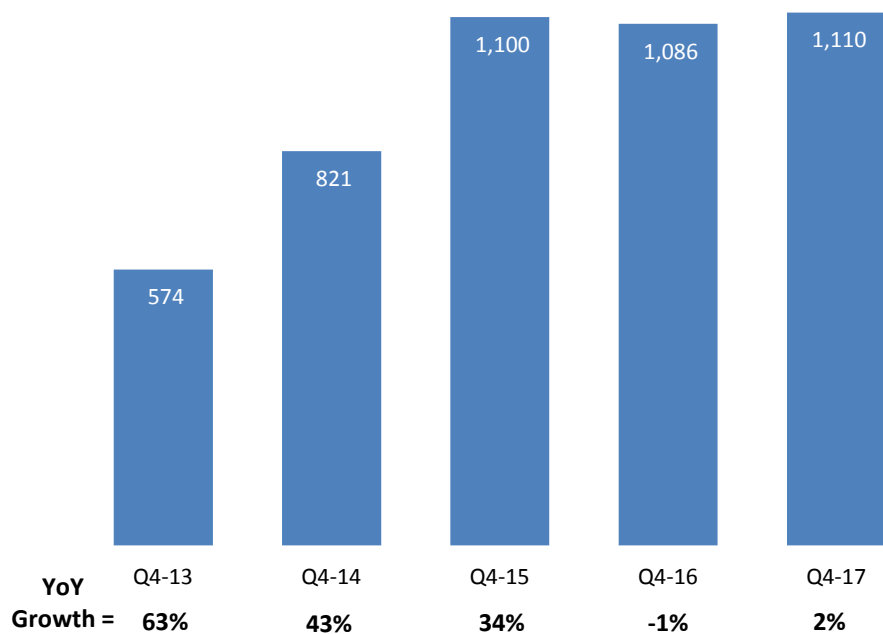
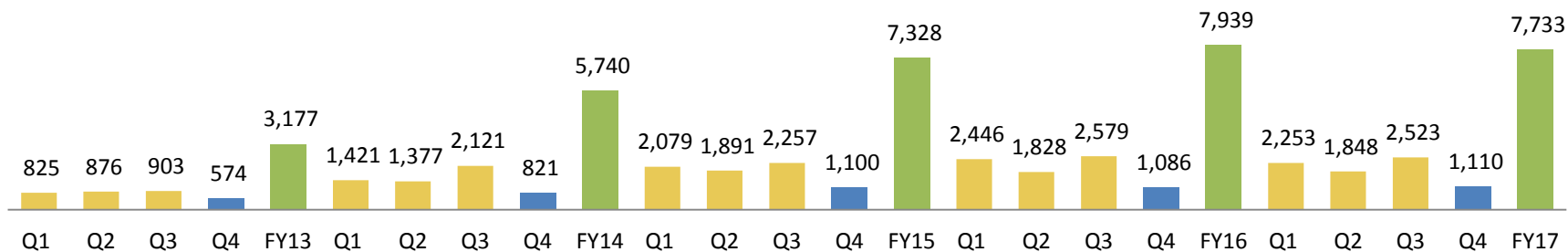
■ Fixed Assets

■ Working Capital

■ Shareholders' Equity

GWP Trend (SR m)

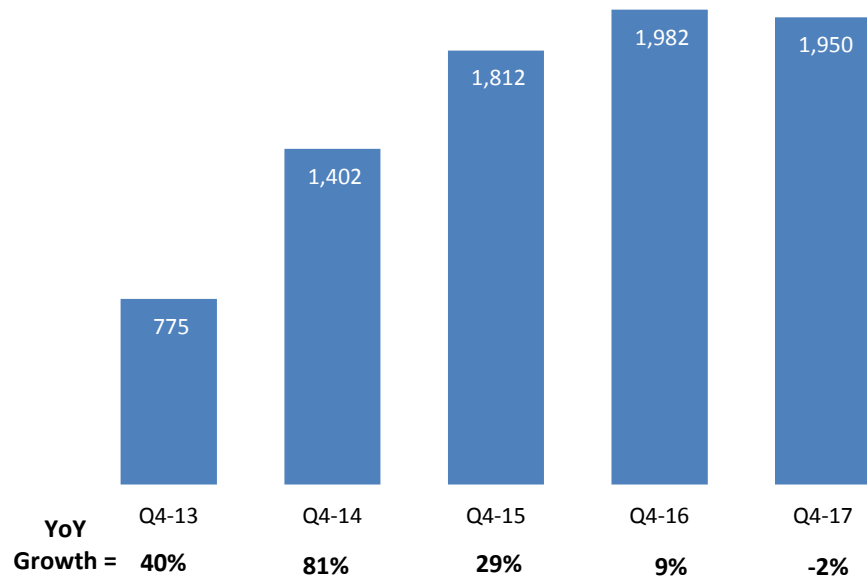
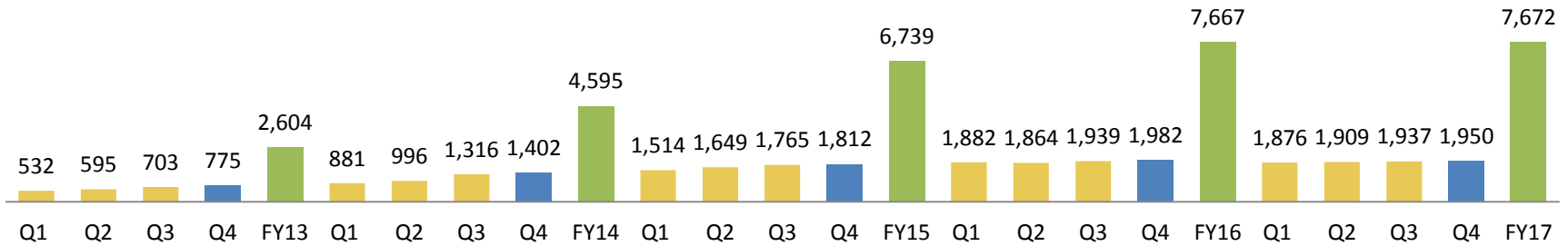
Quarterly/Annual GWP Growth



- GWP grew at a CAGR of 18% for the period Q4 2013 – Q4 2017
- GWP increased by 2% YoY in Q4 2017
- We expect the market to correct upwards in the medium term:
 - Improved market practices; pricing and compliance at low end
 - Saudi Enforcement – c2.3m
 - Impact of new table of benefits introduced by CCHI effective July 1st 2018
 - Economic recovery; private sector employee expansion and profit margin recovery

NEP Trend (SR m)

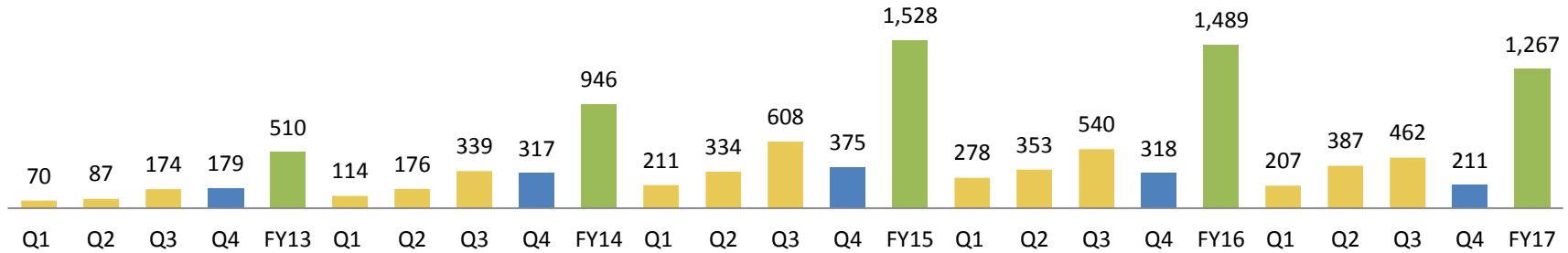
Quarterly/Annual NEP Growth



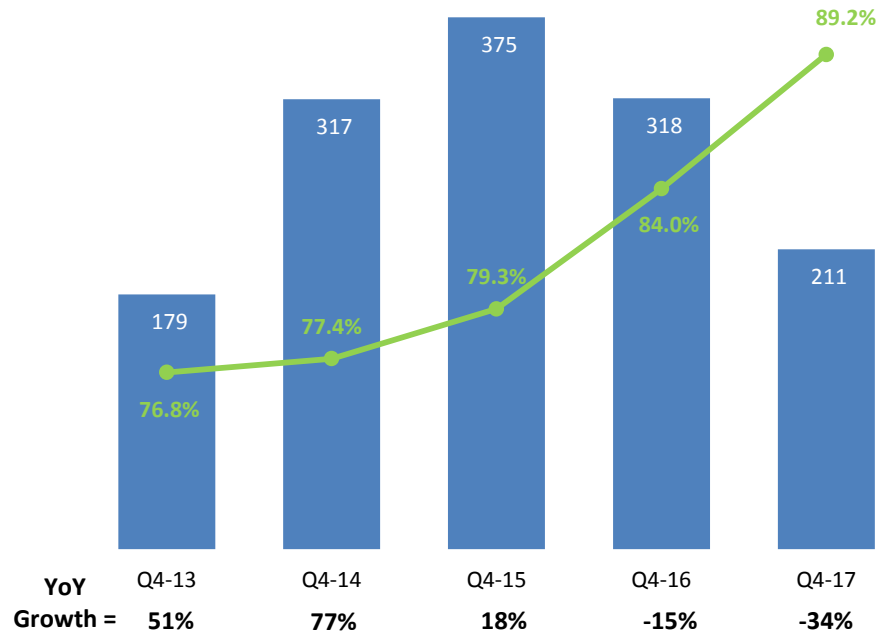
- NEP grew at a CAGR of 26% for the period Q4 2013 – Q4 2017
- NEP declined by 2% YoY in Q4 2017

Contribution Trend (SR m)

Quarterly/Annual Contribution Growth



■ Contribution
● Loss Ratio

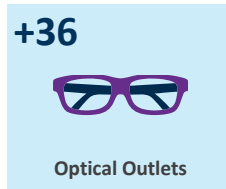
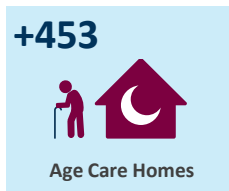
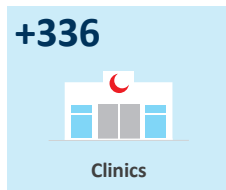


- Contribution grew at a CAGR of 4% for the period Q4 2013 – Q4 2017
- Q4 contribution decreased by 34% YoY
- Q4 deteriorated contribution & loss ratio were mainly a result of medical inflation not fully passed through

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We are part of an international family that provides health and care services in more than 190 countries



The Bupa Arabia Strategy

Bupa Arabia is the greatest healthcare company in the Arab world. It is designed to deliver on its purpose. When it touches you, whether you are an employee, a customer or a community member, you will live a longer, healthier, happier life. We have written history.

A healthcare partner to millions more people



Health insurance that leads the market in unlocking access to high-quality healthcare

Provision (e.g., clinics and hospitals) sufficient to shift the industry to a patient-centric, outcomes-focused paradigm

Partnerships to tackle the most pressing healthcare needs

■ Healthcare Partner

People love working at Bupa because of our amazing culture



We are leaders in all we do

We have an innovative and caring culture

We are loved by customers

We have amazing talent

We consistently act according to our values

■ Love Working at Bupa

Extraordinary business performance



■ Extraordinary Performance

Why Bupa Arabia?

We Are Bupa Arabia,

The largest healthcare insurance company in Saudi Arabia serving over 3.3 million members in the kingdom

We are part of the largest healthcare network in the world outside the U.S. covering 190 countries with more than 32 million lives worldwide with experience surpassing 70 years

1

Global Expertise and Reach



2

Life-touching Healthcare Services with the Tebtom program



3



Amazing Experience at Hospitals with the Rahatkom program





Tebtom Program





Rahatkom Program




Waiting times can be reduced by **50%** at top hospitals





Here to Help You




Our Bupa Arabia delegates will take care of your needs at top hospitals



Here to Help You



Offers you onsite pre-authorization and clinical excellence at top hospitals



Here to Help You

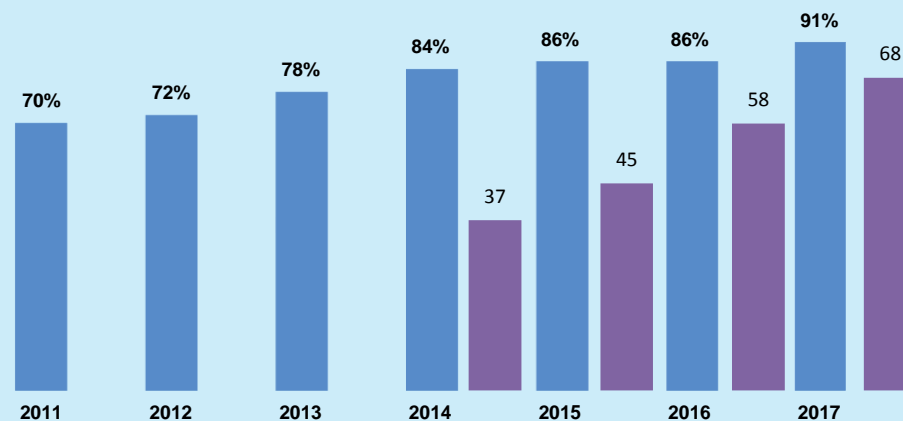
What We've Achieved in Customer Service

A change in the way the market views customer service

Moving from “Health Insurer” to “Healthcare Partner” through innovative initiatives:

- Up Your Service Passion: enhance service mindset and operational excellence
- Quality management systems
- Automation and innovations in major touch points
- More than 500 frontline staff certified on service methods

Customer Satisfaction & Net Promoter Score



Achievements & Awards

Our services have set industry standards

We have been recognized by various organizations for our value added benefits to our customers

International Awards

- “Best Medical Insurance Company 2017” by International Finance Magazine
- “Best Investor Relations Saudi Arabia 2017” by International Finance Magazine
- “Insurance company of the Year” by Arabian Business
- “Best Insurance company” by Global Business Outlook Awards
- Ranked 75th Strongest Company in GCC by Forbes
- Ranked 1st most attractive insurance employer for university students in Saudi Arabia by Universum
- Ranked 2nd Best CEO in Saudi Arabia & 10th Best CEO in the GCC by INSEAD business school & TRENDS business

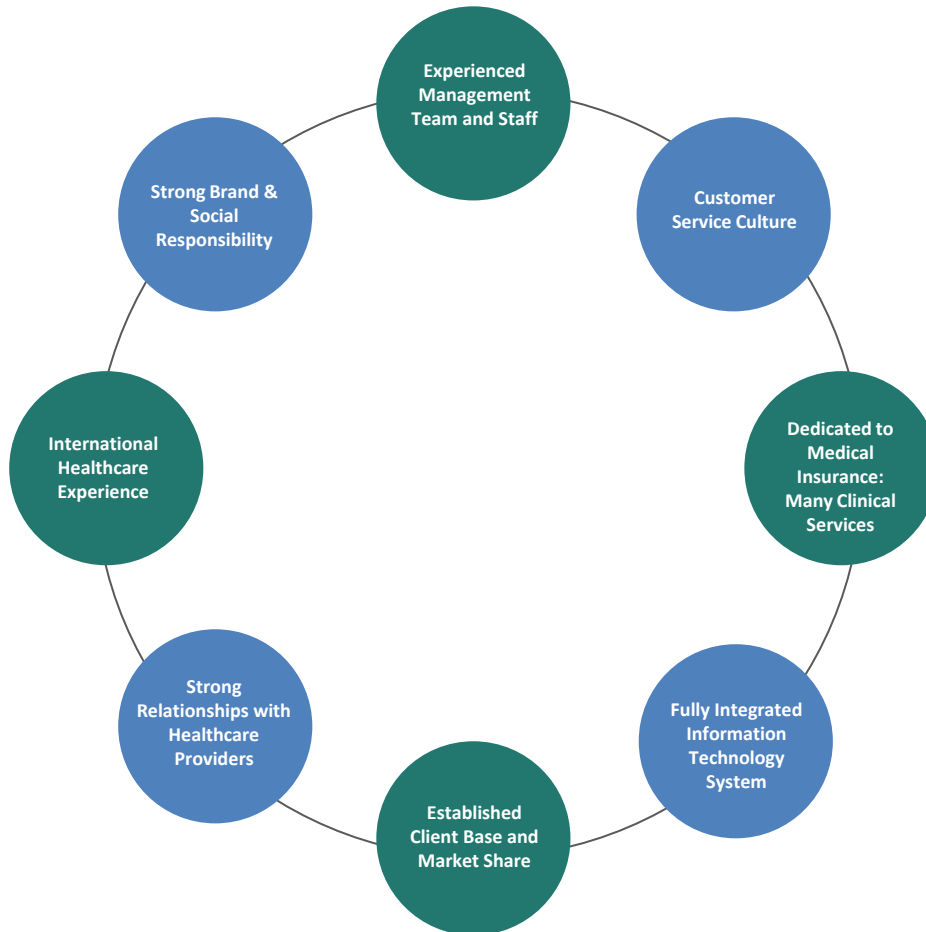
KSA Awards

- “7th rank in Great Place to Work award” by Great Place to Work Survey
- 1st place in the “Most Women Friendly Employer” by the Human Resources Development Fund (HRDF)
- Ranked 37th of the best 100 companies in Saudi Arabia by Al-Eqtisadeya
- Ranked 8th most powerful brand in Saudi Arabia and the number one insurance brand by MISK foundation
- Ranked 6th in Saudi Arabia in the Corporate Governance Index rankings, for strong Corporate Governance practices

Honors

- Honoring award from, Princess Adelah Bint Abdullah Al-Saud, for our Training and contribution with the Home Healthcare Foundation
- Honoring award from Ministry of Social Affairs presented by “Deputy Governor Prince Saud Bin Abdullah Bin Jalawi”, for our leadership role in orphan’s healthcare
- Honoring award by Ministry of Health, for sponsoring the 2nd Saudi Health Administration Annual Conference

Investment in Competitive Advantages

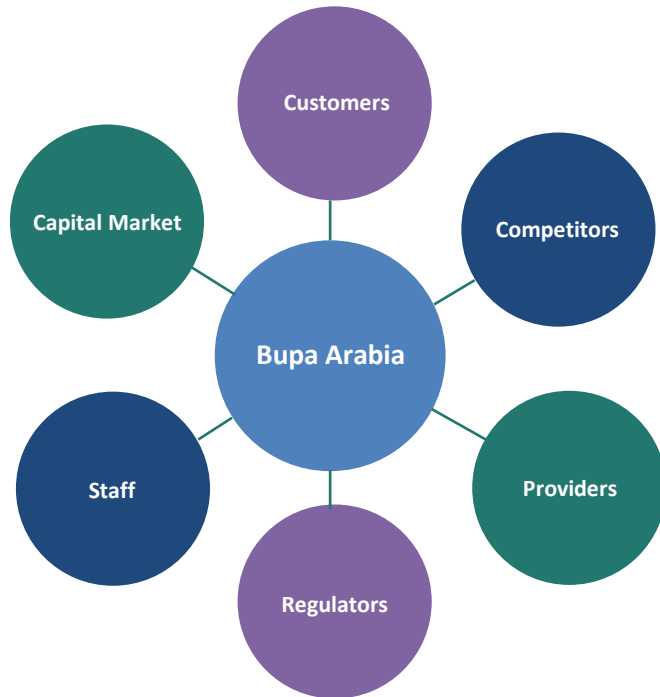


Key Business Achievements in 2017:

- Daily Food Company - Maestro Pizza
- Nas Holding - FLY NAS
- Ritz Carlton Hotel Riyadh / Jeddah
- Makkah Construction and Reconstruction
- Bakhshab Brothers Holding Co.
- Dr. Erfan & Bagedo Hospital
- General Authority for Statistics
- Abunayyan Holding
- Bank Al Jazira
- Prince Sultan University
- Jeddah Chamber of Commerce and Industry
- Capital Market Authority CMA
- SADARA Chemical Company
- Alsalam Aerospace Industries
- Alkhorayef for Power and Water Technology (APWT)
- Farouk, Maamoun Tamer Company (FMT)
- Mohammed Yousuf Naghi Company
- Zamil Group Holding Company
- HHA - Haji Husein Alireza Co. Ltd



Market Context - 2018 Focus



CUSTOMERS

- Difficult fiscal environment to continue
- Continued affordability issues for clients
- Payment terms; growing desire for extended payment terms

COMPETITORS

- Better competitive pricing environment
- We will keep Looking forward, to sustain our differentiation gap

REGULATIONS

- Compounding strain for Insurance Industry; pricing, Saudization, RBS, customer complaints management, solvency management
- Better enforcement of Saudis

PROVIDERS

- Structural change (new capacity) will be a slow burn with providers
- We continue bearing down on isolated price hikes and sustained fraud/abuse
- Continue to invest in Health Risk Management (HRM) and Rules Engine (automation, integration of adjudication)

OVERHEADS

- 2% reduction 2017
- 2018 more systemic approach to LEAN and process reengineering

BDP

- To sustain focus and great delivery in 2017
- Rising lapsed debt from economic fallout

INVESTMENT INCOME

- Emphasis on portfolio diversification in an improved interest rate environment

PEOPLE

- Talent retention, Saudization
- Productivity



THANK YOU

Bupa Arabia

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