

# Bupa Arabia 9M 2016 Performance Update

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Saudi Insurance Market and Health Segment	5
Bupa Arabia Performance Overview	13
Competitive Positioning	22

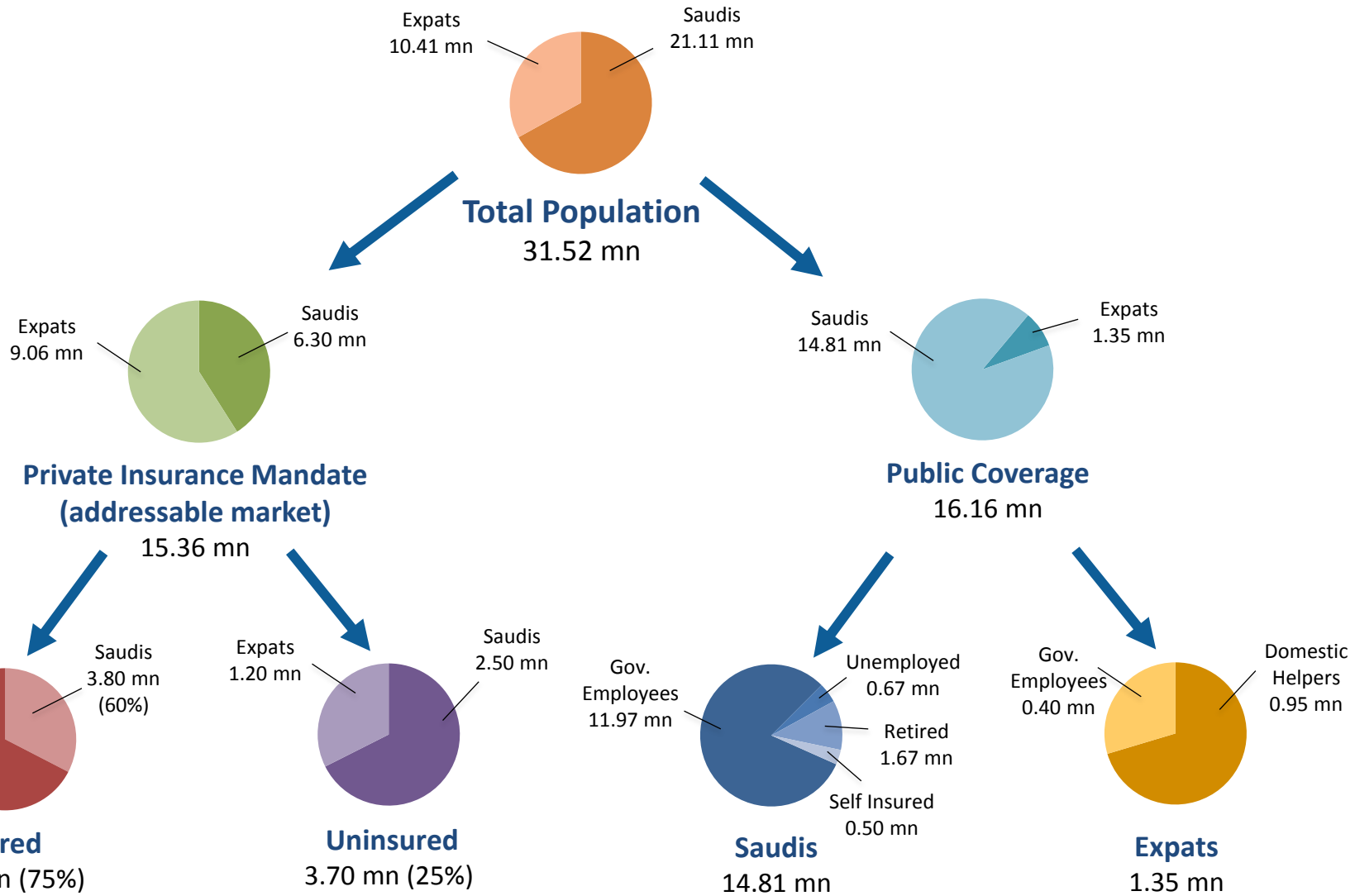
# Sell Side Research Analyst Coverage

Company	Analyst	Recommendation	Price (SR)
Arqaam Capital Limited	Jaap Meijer	Hold	146.9
HSBC	Ankur P Agarwal	Buy	148.0
Renaissance Capital	Balram Ramesh	Outperform	153.0
Alistithmar Capital	Mazen Al-Sudairi	Neutral	110.0
EFG-Hermes	Murad Ansari	Buy	155.0
Aljazira Capital Co	Talha Nazar	Overweight	137.6
CI Capital	Monsef Morsy	Overweight	152.0

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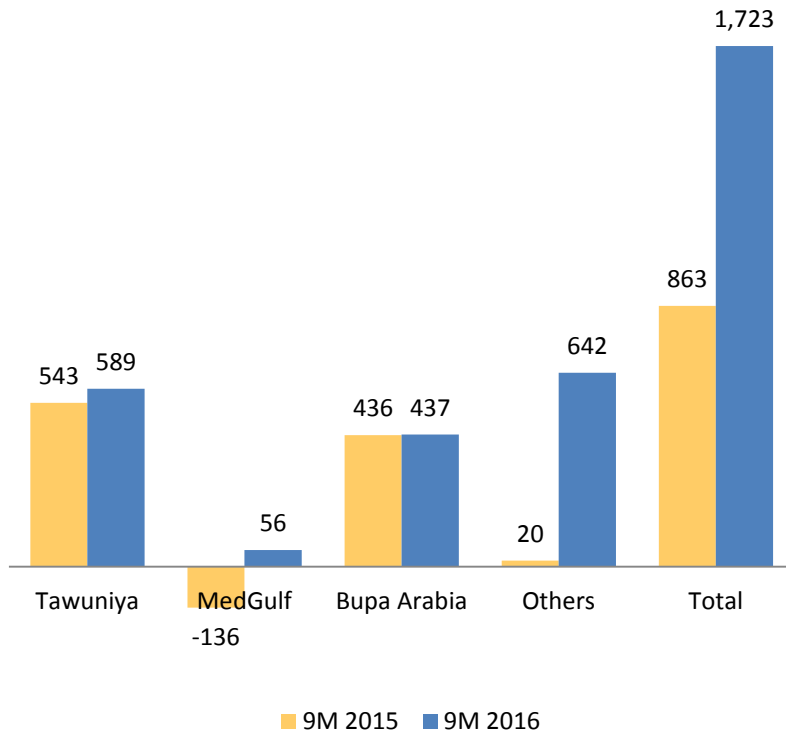
# Private Medical Insurance Market Potential



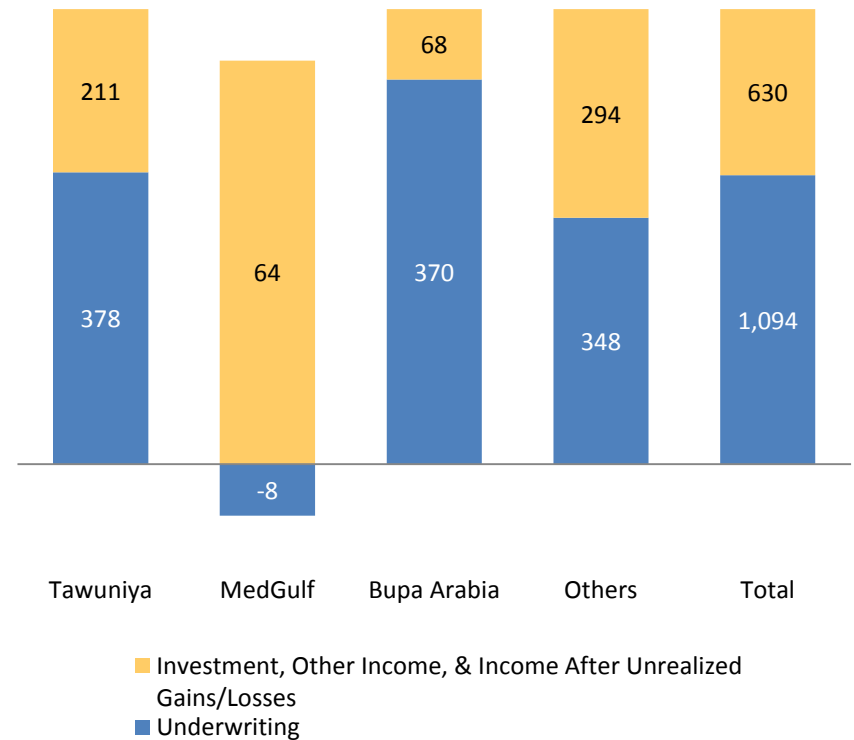
Source: GOSI, MOL, CCHI, and Bupa Arabia estimates

# All Insurance Lines Performance (SR mn)

All lines Net Income (Pre-Zakat/Tax) – 9M 2015- 2016



9M 2016 All lines Income: Net of Unrealized Gains/Losses



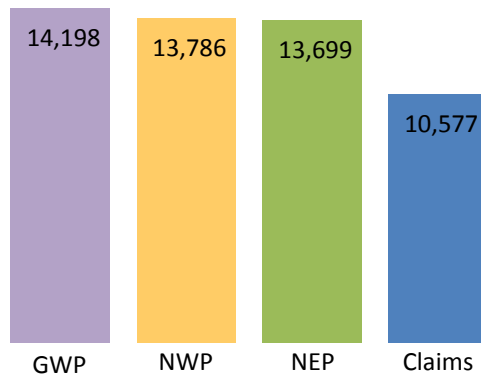
Source: respective insurance companies' Q3 2016 filings

# Gross Written Premiums (GWP) & Health Performance

## Total Insurance & Health Segment Performance (SR mn)

GWP (SR mn)	2011	2012	2013	2014	2015	9M 2015	9M 2016	Rolling 12 months	Rolling 12 months
Total Insurance Market	18,704	20,486	24,993	30,260	36,395	28,634	28,964	35,488	36,917
Health Insurance Market	9,802	11,154	12,927	15,789	18,891	14,612	14,198	17,852	18,547
Bupa Arabia	1,993	2,194	3,177	5,740	7,328	6,228	6,852	7,049	7,952
Bupa's Market Share Total Insurance Market	11%	11%	13%	19%	20%	22%	24%	20%	22%
Bupa's Market Share Health Segment	20%	20%	25%	36%	39%	43%	48%	40%	43%

## 9M 2016 Health Segment Performance (SR mn)



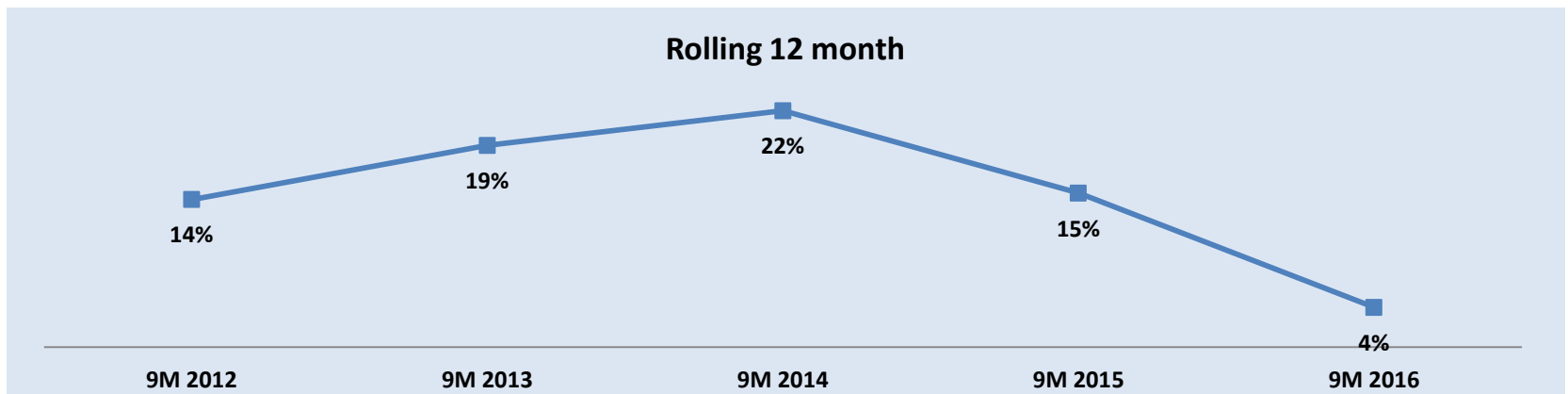
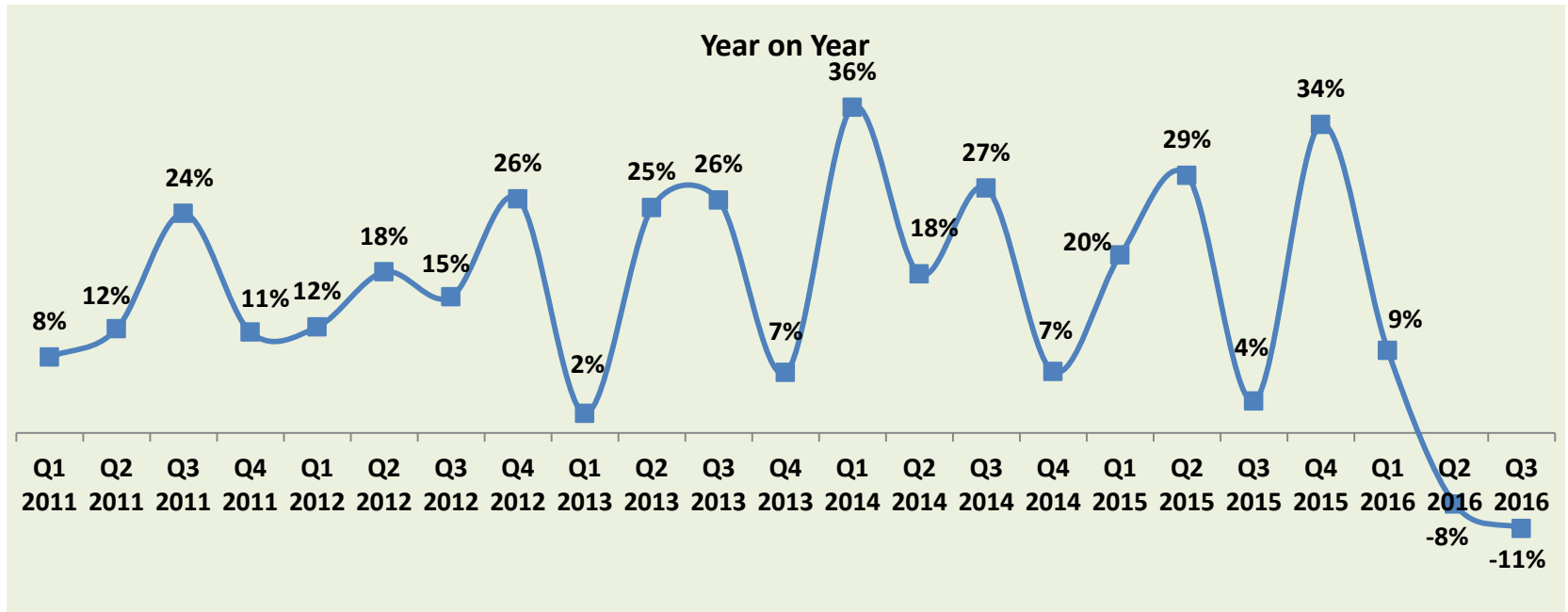
NWP: Net Written Premium  
NEP: Net Earned Premium

Source: respective insurance companies' Q3 2016 filings

- Bupa Arabia CAGR between 2011-2015 is 39%
- Health insurance CAGR between 2011-2015 is 18%
- Health insurance loss ratio reached 77% for 9M 2016 compared to 78% during 9M 2015
- GWP retention rate 9M 2016 is 97.1% for the Health Segment
- Bupa Arabia 9M 2016 market share is 48.3%

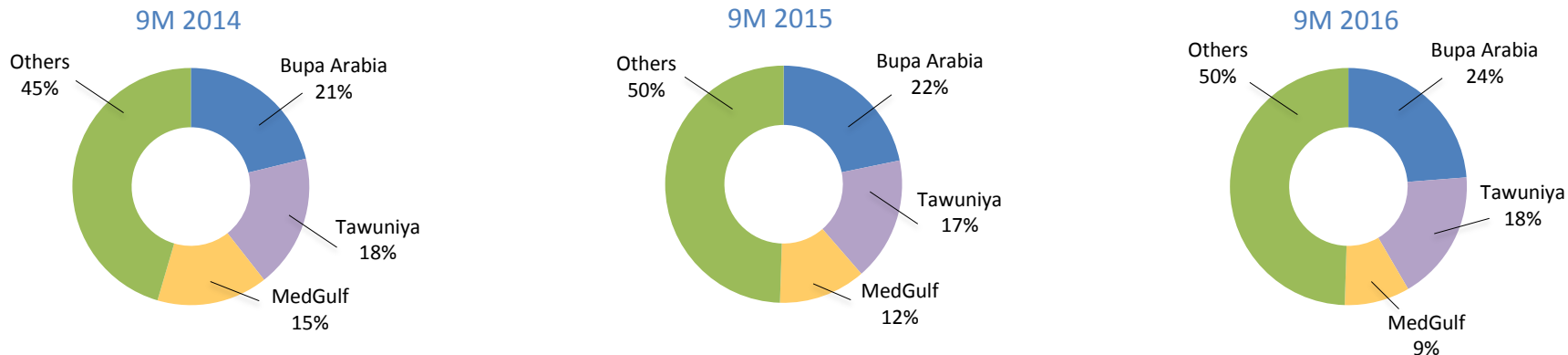


# Market GWP Growth - Health Segment



# Market Share in GWP

## Market Share Breakdown – Total Insurance Market



- The Total Insurance sector GWP for 9M 2016 is SR28.96 billion compared to SR28.63 billion in 9M 2015
- Bupa Arabia market share increased by 1.91% in 9M 2016 compared to 9M 2015
- Others (31 companies) market share is 50%

## GWP and Loss ratio – Health Segment

(SR mn)	9M GWP – Health Segment			2015/2014 Growth	2016/2015 Growth	9M Loss Ratio – Health Segment		
	2014	2015	2016			2014	2015	2016
Bupa Arabia	4,919	6,228	6,852	27%	10%	80%	77%	79%
Tawuniya	2,696	2,886	2,978	7%	3%	86%	79%	81%
MedGulf	2,535	2,434	1,843	-4%	-24%	85%	90%	85%
Others	2,361	3,065	2,524	30%	-18%	68%	67%	60%
<b>Total</b>	<b>12,510</b>	<b>14,612</b>	<b>14,198</b>	<b>17%</b>	<b>-3%</b>	<b>81%</b>	<b>78%</b>	<b>77%</b>

Source: respective insurance companies' Q3 2016 filings

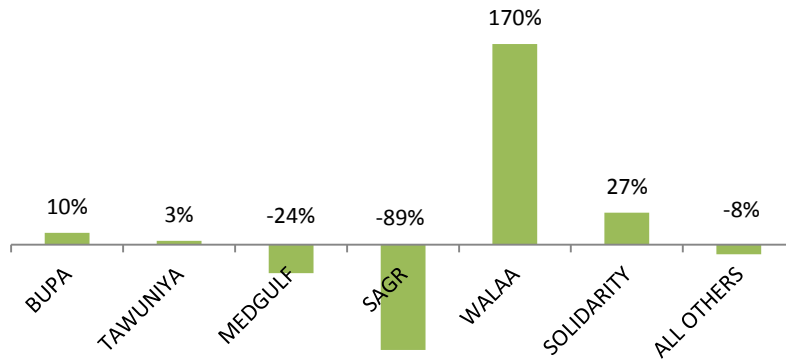
# Total Market - Health Segment (SR mn)

(SR mn)	<u>WRITTEN</u>			<u>EARNED</u>			<u>CONTRIBUTION</u>			<u>LOSS RATIO</u>		
	YTD 2015	YTD 2016	Growth	YTD 2015	YTD 2016	Growth	YTD 2015	YTD 2016	Growth	YTD 2015	YTD 2016	Growth
BUPA	6,228	6,852	10%	4,927	5,685	15%	1,153	1,171	2%	76.6%	79.4%	4%
TAWUNIYA	2,885	2,978	3%	3,089	3,729	21%	641	714	11%	79.2%	80.9%	2%
MEDGULF	2,434	1,843	-24%	2,135	1,868	-13%	206	277	34%	90.4%	85.2%	-6%
SAGR	509	54	-89%	216	411	90%	90	242	169%	58.3%	41.1%	-30%
WALAA	47	127	170%	38	87	129%	22	45	105%	42.1%	48.3%	15%
SOLIDARITY	100	127	27%	39	94	141%	28	60	114%	28.2%	36.2%	28%
ALL OTHERS	2,412	2,212	-8%	1,628	1,767	9%	503	507	1%	69.1%	71.3%	3%
<b>TOTAL MARKET</b>	<b>14,615</b>	<b>14,193</b>	<b>-3%</b>	<b>12,072</b>	<b>13,641</b>	<b>13%</b>	<b>2,643</b>	<b>3,016</b>	<b>14%</b>	<b>78.1%</b>	<b>77.9%</b>	<b>0%</b>
<b>MARKET LESS SAGR/WALAA/SOLID</b>	<b>13,959</b>	<b>13,885</b>	<b>-1%</b>	<b>11,779</b>	<b>13,049</b>	<b>11%</b>	<b>2,503</b>	<b>2,669</b>	<b>7%</b>	<b>78.8%</b>	<b>79.5%</b>	<b>1%</b>

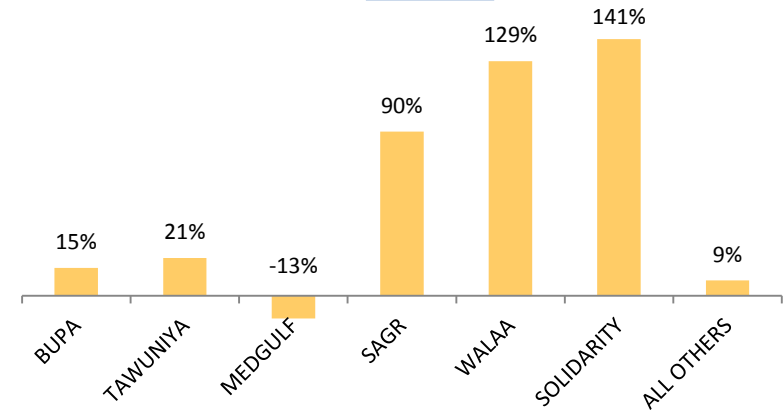
Source: respective insurance companies' Q3 2016 filings

# Total Market - Health Segment Growth Ratio

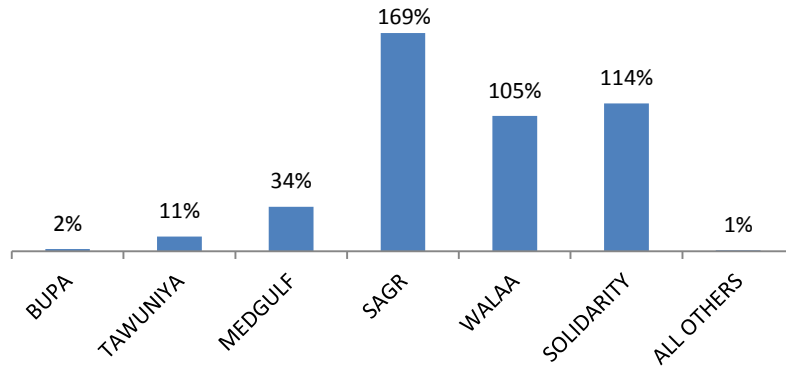
## WRITTEN



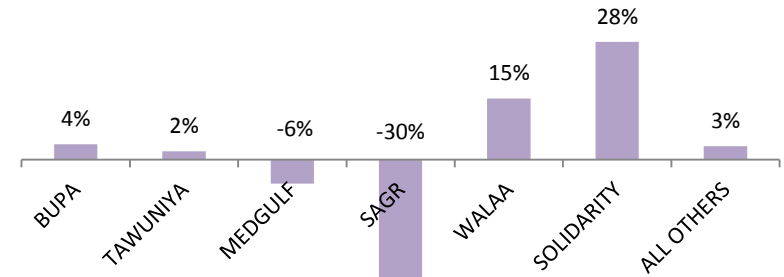
## EARNED



## CONTRIBUTION



## LOSS RATIO



Source: respective insurance companies' Q3 2016 filings

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# Key Financial Metrics

(SR mn, unless otherwise indicated)	Q3 2016	YoY	9M 2016	YoY
GWP	2,579	14%	6,852	10%
Net Earned Premium (NEP)	1,939	10%	5,685	15%
Contribution	540	-11%	1,171	2%
<i>Loss Ratio<sup>1</sup></i>	<i>72%</i>	<i>10%</i>	<i>79%</i>	<i>4%</i>
Expenses	272	-3%	754	12%
Earnings before Zakat & Tax	260	-9%	437	0.2%
EPS (SR)	3.26	-9%	5.48	1%

<sup>1</sup> A negative YoY change is favorable

# Underlying Results 9M 2012-2016

(SR mn)	2012	2013	2014	2015	2016
Underlying Trading Results	56	45	175	516	442
Investment Income & Other income	16	19	35	3	68
Bad Debt Provision (BDP)	15	-17	-16	-83	-73
Non-Recurring Items		8	-17		
<b>Earnings before Zakat &amp; Tax</b>	<b>87</b>	<b>56</b>	<b>177</b>	<b>436</b>	<b>437</b>
<b>Underlying Trading Margin</b>	<b>3.6%</b>	<b>2.5%</b>	<b>5.5%</b>	<b>10.5%</b>	<b>7.8%</b>
<b>EBT Margin</b>	<b>5.5%</b>	<b>3.1%</b>	<b>5.6%</b>	<b>8.8%</b>	<b>7.7%</b>

Note: margins are based on NEP

## Cost Structure - % of NEP

(SR mn)	9M 2014	9M 2015	9M 2016
Commissions	2.8%	2.4%	2.4%
Levies/ Brand Fees	2.6%	2.1%	2.1%
Marketing/ Fulfillment	0.6%	0.8%	0.6%
<b>Total Acquisition Cost</b>	<b>6.0%</b>	<b>5.3%</b>	<b>5.0%</b>
Staff Cost	6.2%	5.1%	5.1%
Other Expenses	1.9%	1.5%	1.8%
<b>Total Expenses (Excluding Co-op Distribution &amp; BDP)</b>	<b>14.1%</b>	<b>11.9%</b>	<b>12.0%</b>

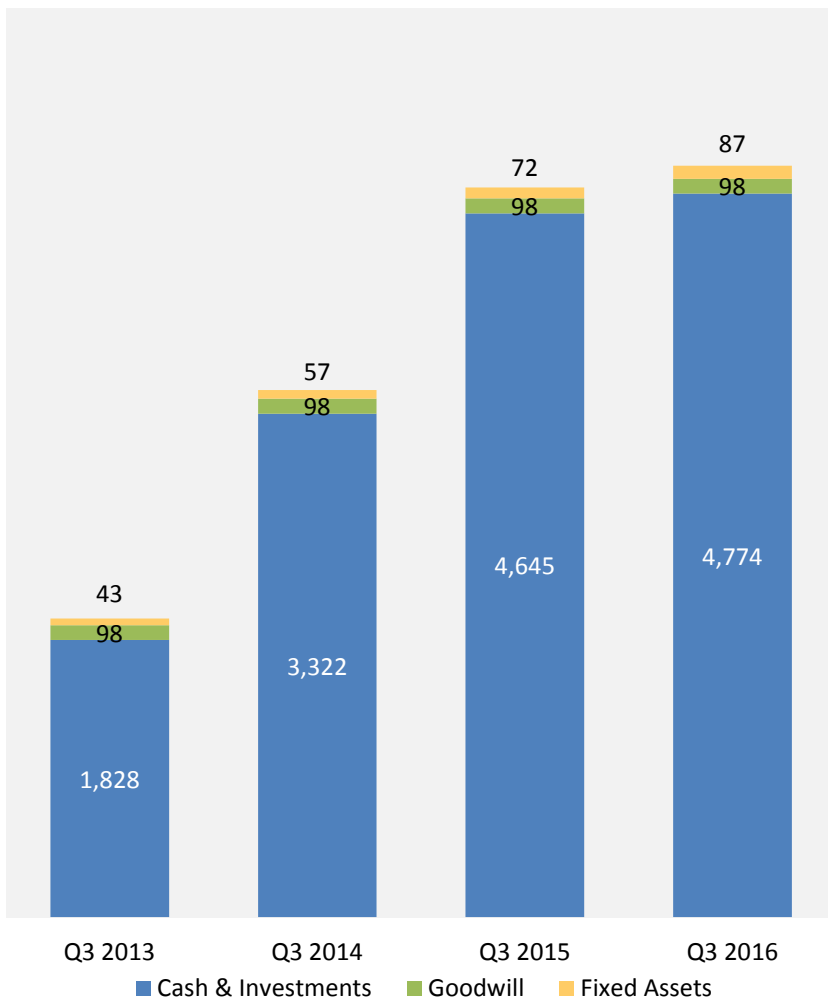
Note: cost line items do not reconcile with the quarterly financial statement

- On a GWP basis, acquisition costs is 4.2% in 9M 2016

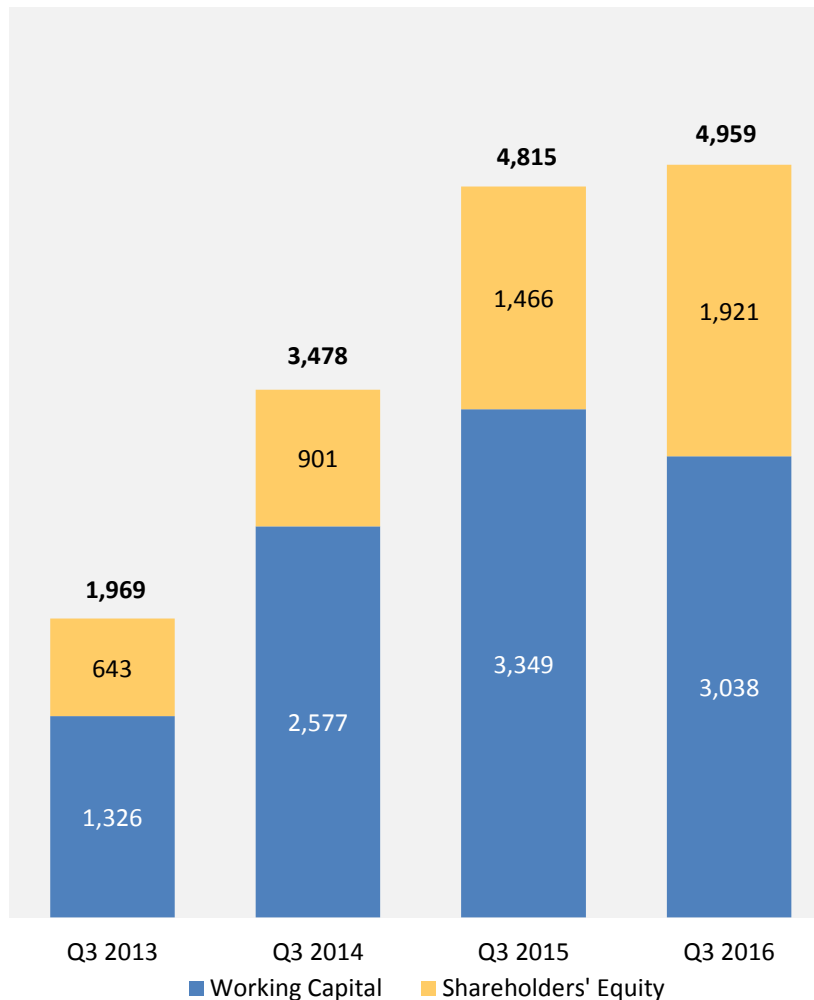


# Balance Sheet Summary Q3 2013-2016 (SR mn)

## Assets

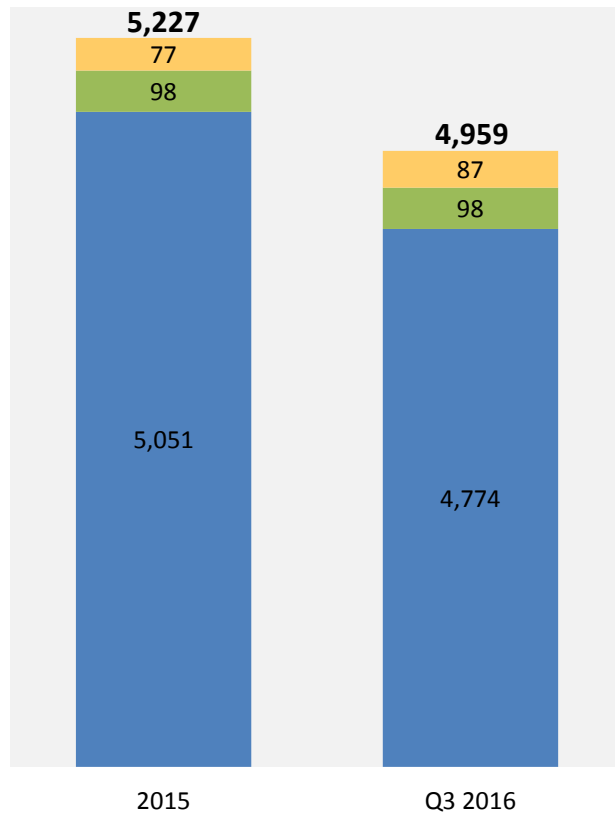


## Working Capital + Shareholders' Equity



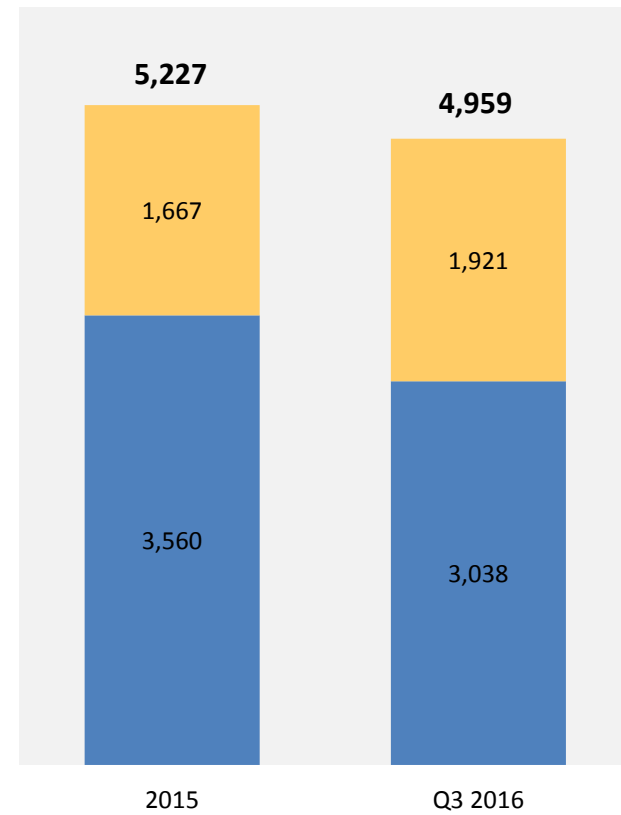
# Balance Sheet Summary Dec 2015 vs Sep 2016 (SR mn)

## Assets



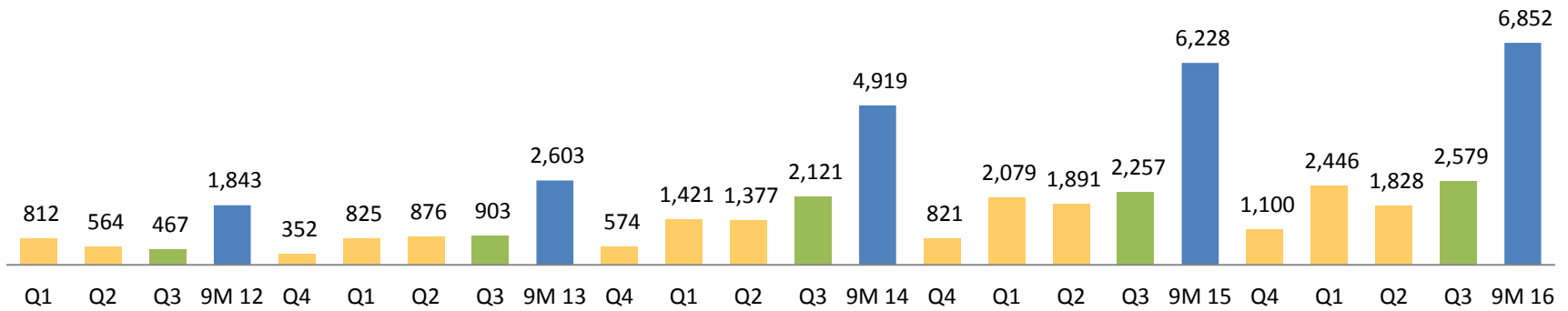
■ Cash & Investments ■ Goodwill ■ Fixed Assets

## Working Capital+ Shareholders' Equity

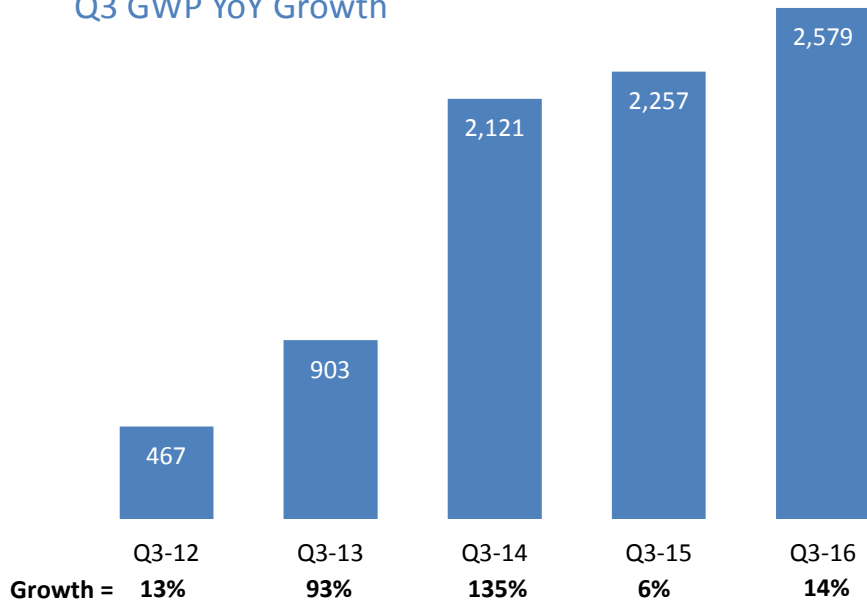


■ Working Capital ■ Shareholders' Equity

# GWP Trend (SR mn)

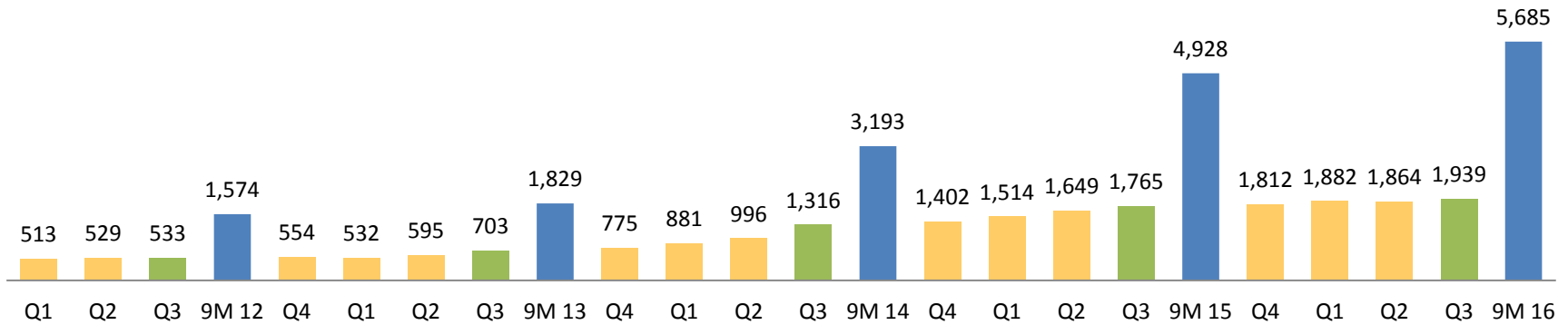


## Q3 GWP YoY Growth

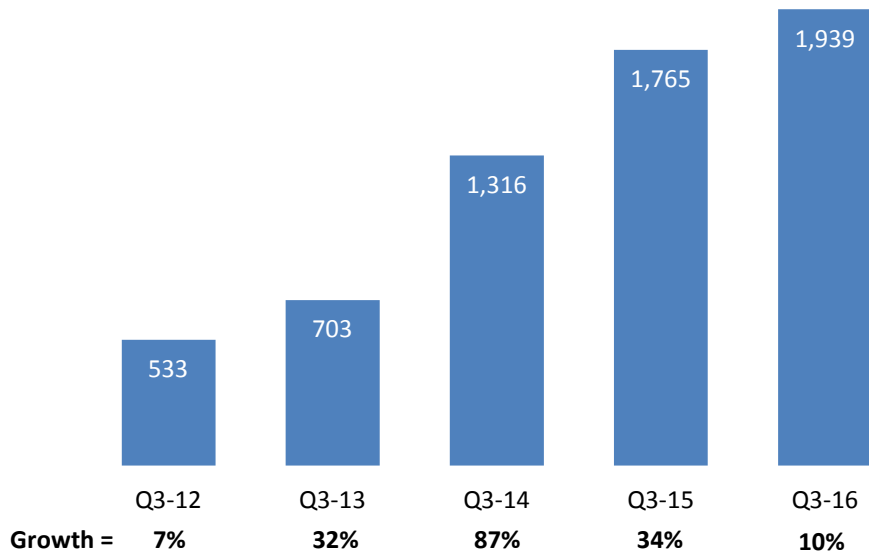


- GWP CAGR is 53% for period Q3 2012 – Q3 2016 and 39% for period 9M 2012 – 9M 2016
- GWP grew by 14% in Q3 2016 YoY

# NEP Trend (SR mn)

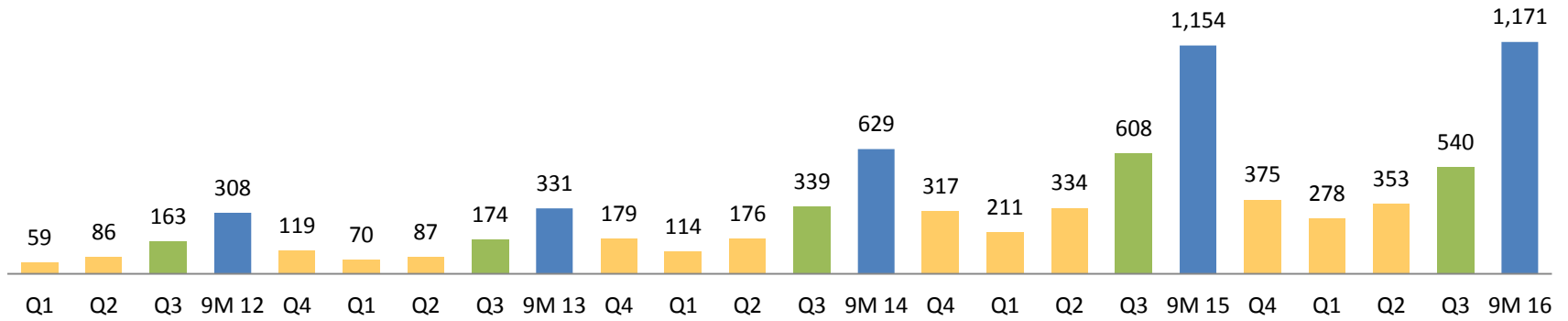


## Q3 NEP YoY Growth

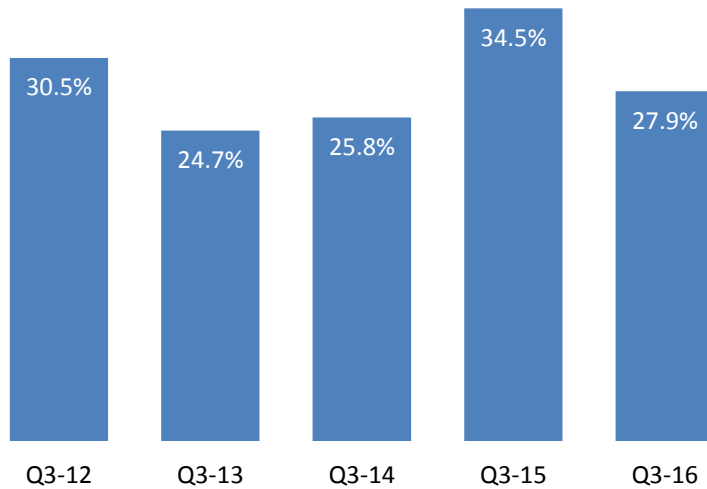


- NEP CAGR is 38% for period Q3 2012 – Q3 2016 and 38% as well for period 9M 2012 – 9M 2016
- Q3 NEP grew by 10% in Q3 2016 YoY

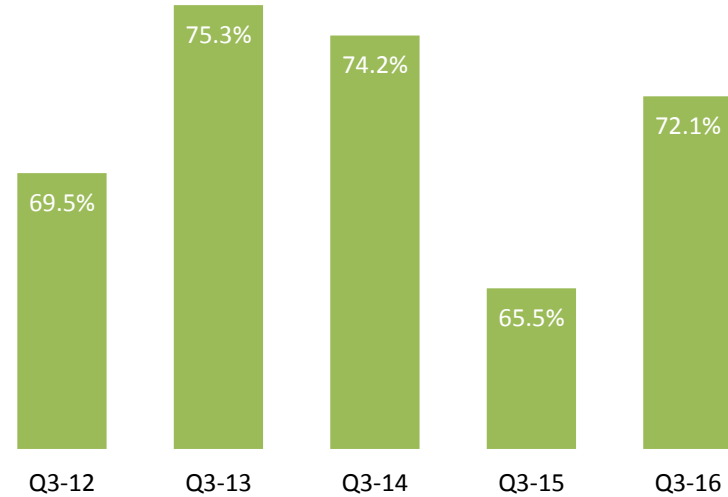
# Contribution Trend (SR mn)



## Q3 Contribution Margin



## Q3 Loss Ratio



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# Bupa Arabia - Past, Present and Future

## The Past: A Health Insurance Pioneer in KSA

- One of the first health insurers in KSA
- A leader in the fight for enforcement of expatriate health cover
- Superior service and real differentiation for customers

## The Present: Leading the Health Insurance Market Through Change

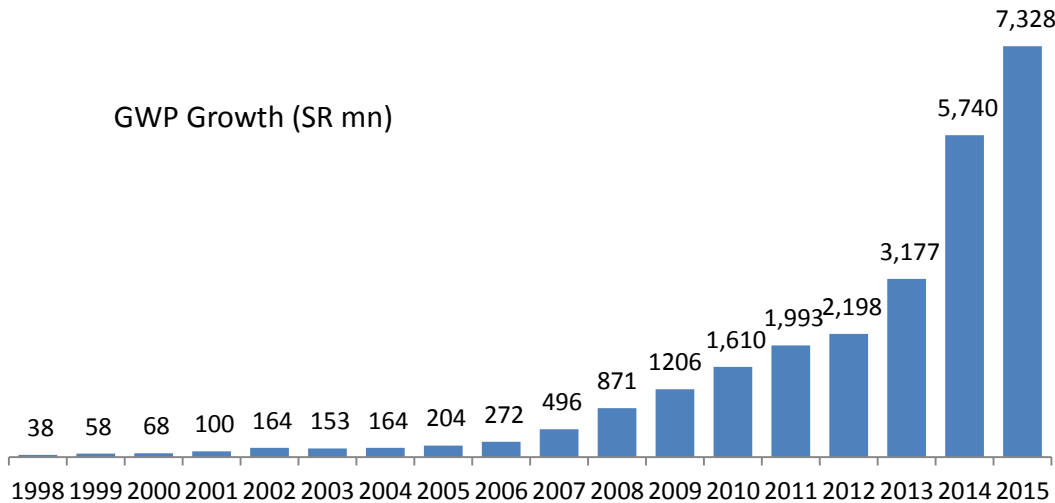
- The most efficient in a growing market
- Systematizing and continuous improvement in core processes
- Creating real differentiation on superior service and by offering customers unique healthcare expertise

## The Future: The Arab World's Foremost Healthcare Partner

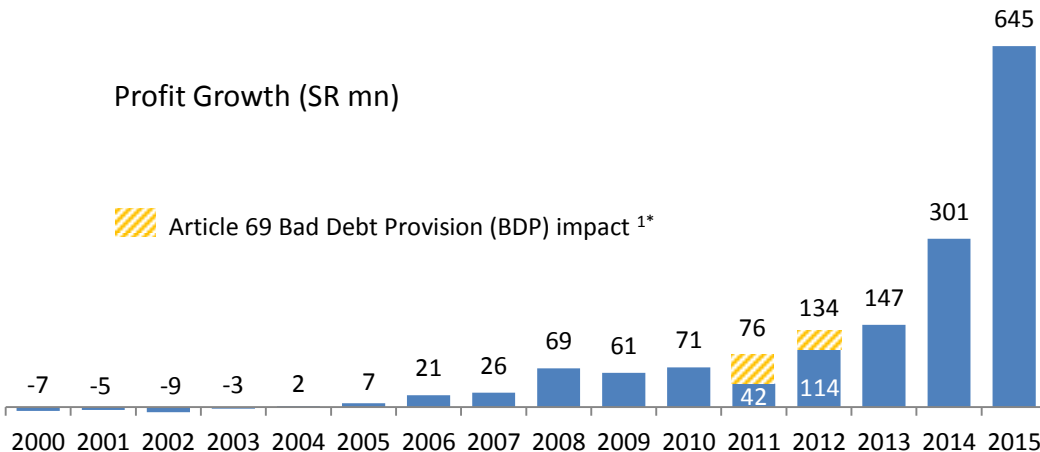
- Bupa Arabia will be the greatest healthcare company in the Arab world

# What We've Achieved, Financially

GWP Growth (SR mn)



Profit Growth (SR mn)



- BUPA Middle East (BME) was incorporated in 1997 as a JV between Bupa Group and Nazer Group
- In 1999, a Royal decree mandated PMI for non-Saudis
- In 2006 this was linked to visa renewal, igniting industry and BME growth
- In 2008, BME changed from a JV to a public company and changed its name to Bupa Arabia. Bupa and the Nazer Group each own 26.25%, the remainder is owned by the public
- In 2010, Bupa Arabia reached 1 million members
- The largest health insurer (by GWP) in Saudi Arabia
- In 2013, Bupa Arabia reached 2 million members
- In 2014, It became the most profitable insurer (retained profit) in Saudi Arabia and had the biggest market share in the Medical Insurance

<sup>1</sup> Profit fluctuation in 2011 and 2012 is due to BDP treatment in line with interpretation of Article 69, where a BDP provision of SR34mn was taken in 2011 and BDP recovery of SR20mn was made in 2012

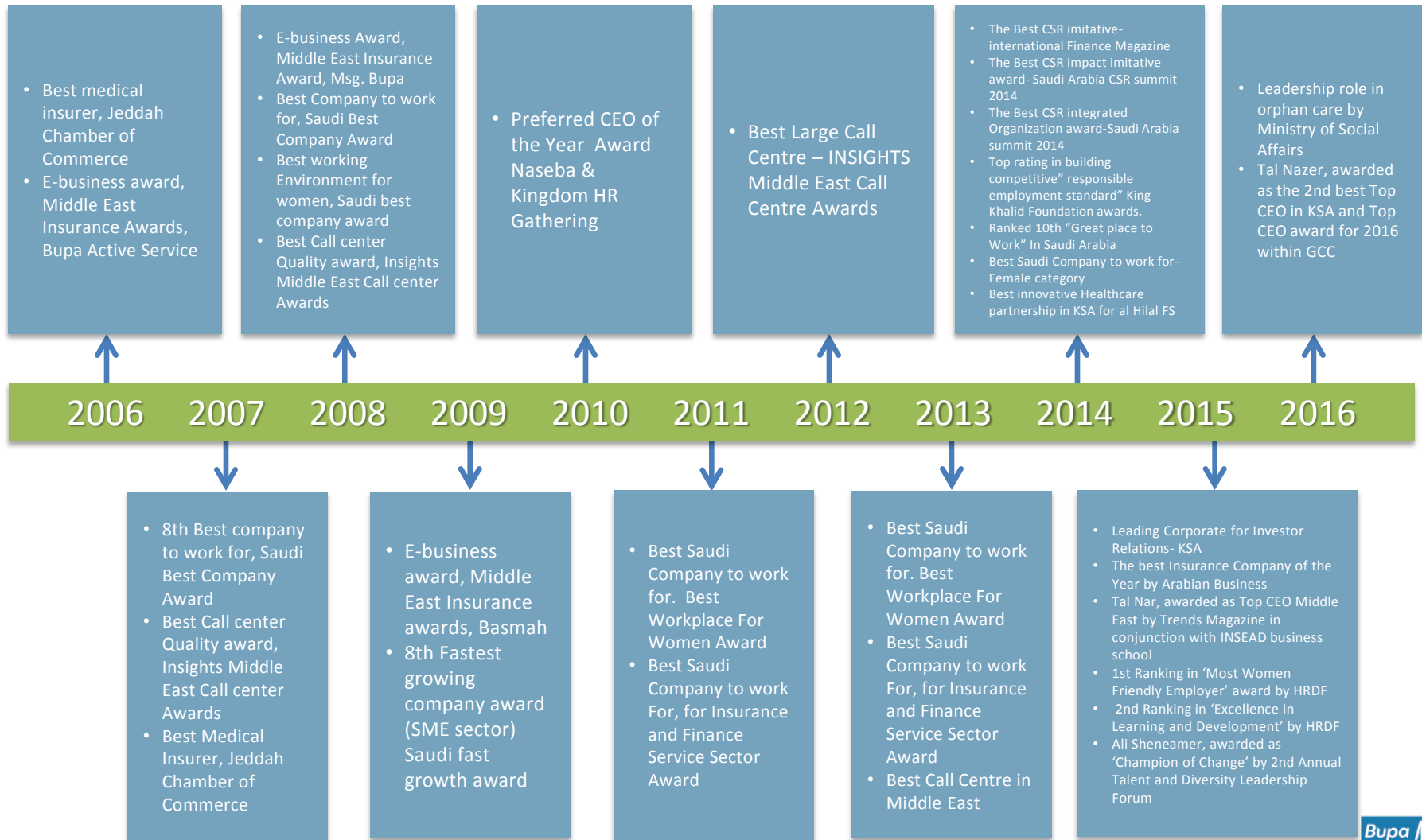
\* SAMA's interpretation of Article 69 enforces a BDP charge calculation based on policy inception date as opposed to invoice date



# What We've Achieved, Industry Awards

## Our services have set industry standards

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



# 2020: Our Intent and Goals

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

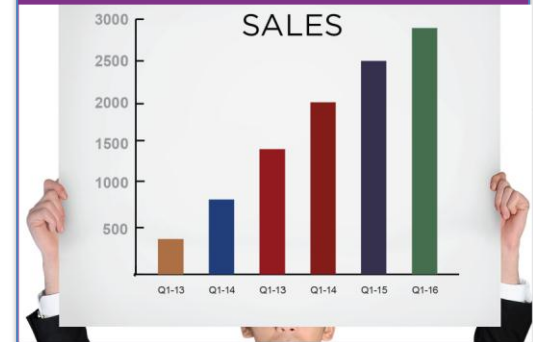
We are loved by customers

We have amazing talent

We consistently act according to our values

■ Healthcare Partner

Extraordinary business performance



■ Extraordinary Performance

# Investment in Competitive Advantages



## Key Business Achievements:

- Nesma and Partners Contracting Co. (Oct 2015)
- Al Rajhi Bank (Jan 2014)
- Abdullatif Jamil Group (Jan 2014)
- The Savola Group-Panda (Jan 2014)
- SABIC (July 2014)
- Opened regional office in Riyadh in 2014, grown headcount significantly.
- New Healthcare Operations department:
  - 2014: 800k lives touched
  - 2015: 1.5mn lives touched
- Launched Bupa World in Riyadh (Oct 2014)
- Football partnerships (July 2014)
- Opened new claims department in Jeddah (Jan 2016)



# Bupa Group - International Strength

Total Countries sold to: 190 Total Revenue: £ 9.8 bn(As of Dec 2015). Total employee headcount 84K.

- Insurance businesses
- Provision businesses
- Integrated health services



# We're Better, Because of Our World Class Service

## World Class Customer Service



- We transformed our call centre into a medical call centre by embedding doctors and nurses
- We have the best customer care and VIP unit handling end to end issue resolution
- We have our own command centre to monitor the customer in-hospital experience live

## Unparalleled Point of Care Attention



- We have very dedicated in-hospital teams ensuring resolution with the Insurance office and Bupa HQ
- We have Bupa Arabia doctors working in hospitals to ensure better healthcare outcomes for our members
- We have a professional, experienced provider relationship team to ensure the best relationship with providers

# Tebtom: Surrounding you with Care

Tebtom program- a set of unprecedented and unique healthcare services that transcend regular healthcare coverage

رعاية مرضى السرطان  
Cancer Care



طبيب بوبا  
Bupa Doctor

رعاية المسنين  
Elderly Care



طبتوم  
Tebtom



الاستشارات الدولية  
International Second  
Medical Opinion

رعاية الأمراض المزمنة  
Chronic Diseases Care



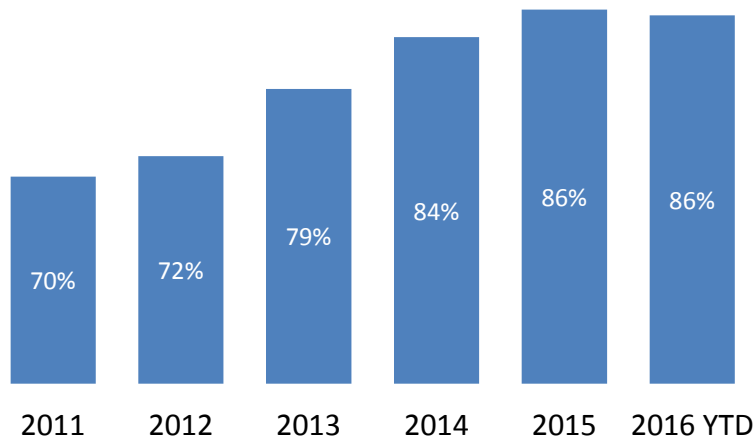
رعاية الحمل والأمومة  
Maternity Care



رعاية الطفل  
Child Care

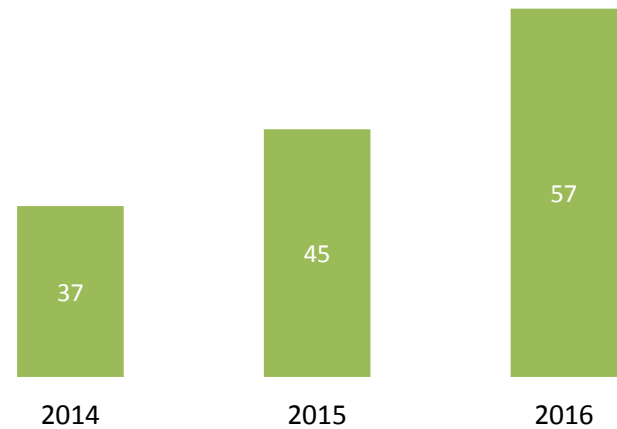
# World Class Service – Customer Satisfaction

## Customer Satisfaction



Bupa Arabia has managed to increase its customer satisfaction level while growing its customer base over the years

## Our NPS Score



We have implemented the Net Promoter Score (NPS) system in the top 10 major/critical touchpoints such as Pre-Auth, Call Center, Membership, etc.

# Superior Claims Management - Capabilities





# Market Context - 2016 Focus



## MACRO ECONOMIC ENVIRONMENT

- Oil prices; Impact on GDP
- Cost of living increases; impact on affordability and hospitals costs
- Rising investment returns (yields improving) whilst balancing admissibility constraints

## CUSTOMERS

- Enhancing our proposition and service – new CRM platform, HealthCare Operations
- Helping our customers at the critical point of care delivery

## COMPETITORS

- Managing the size and impact of extended payment term requests in a tightening credit market

## PROVIDERS

- Containing price inflation and risks of cartel like behavior
- Building capability – resources and IT to reduce fraud, abuse & overtreatment

## REGULATORS

- Promoting for better enforcement and coverage of the public sector

## PEOPLE

- Embedding, empowering and growing a rising workforce
- Providing the IT environment which supports greater customer service



THANK YOU