

# Bupa Arabia Q1 2017 Performance Update

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# Agenda

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Saudi Insurance Market	5
Bupa Arabia Performance Overview	11
Competitive Positioning	20

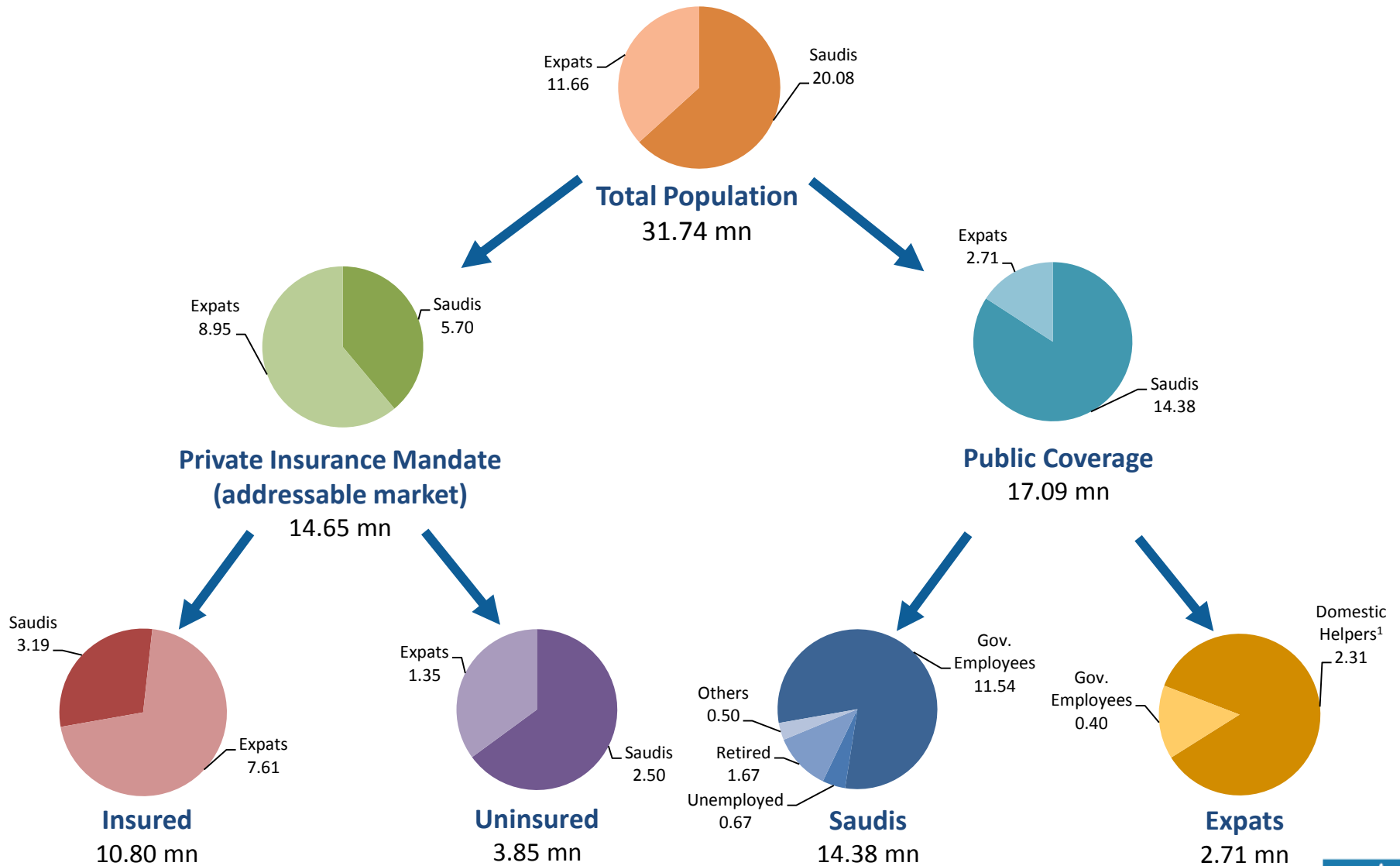
# Sell Side Research Analyst Coverage

Company	Analyst	Recommendation	Price (SR)
Alistithmar Capital	Mazen Al-Sudairi	Neutral	110
Aljazira Capital Co	Talha Nazar	Overweight	138
Arqaam Capital Limited	Jaap Meijer	Hold	147
CI Capital	Monsef Morsy	Overweight	146
EFG-Hermes	Murad Ansari	Buy	155
HSBC	Ankur P Agarwal	Buy	148
Renaissance Capital	Balram Ramesh	Outperform	153
Shuaa Capital	Shadi Salman	Hold	128

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# Saudi Insurance Demographics

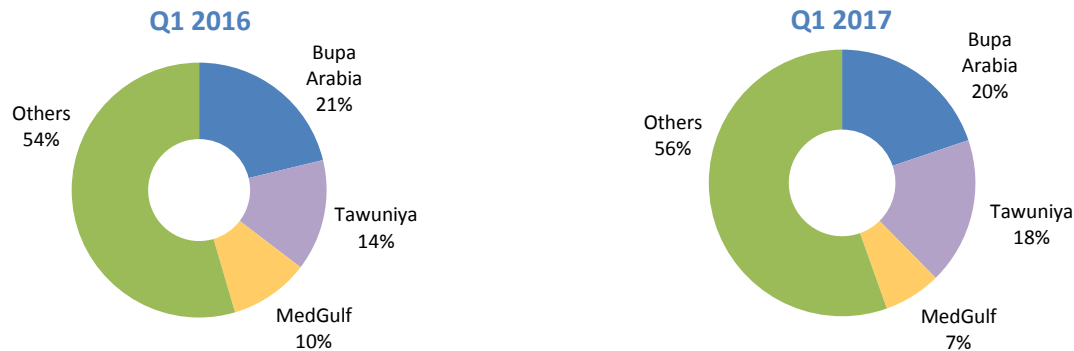


Source: GOSI, MOL, CCHI, GASTAT and Bupa Arabia estimates for 2015

<sup>1</sup> Not under public coverage but also not under private insurance mandate

# Total Insurance Market in GWP Terms

## Total Insurance Market Share



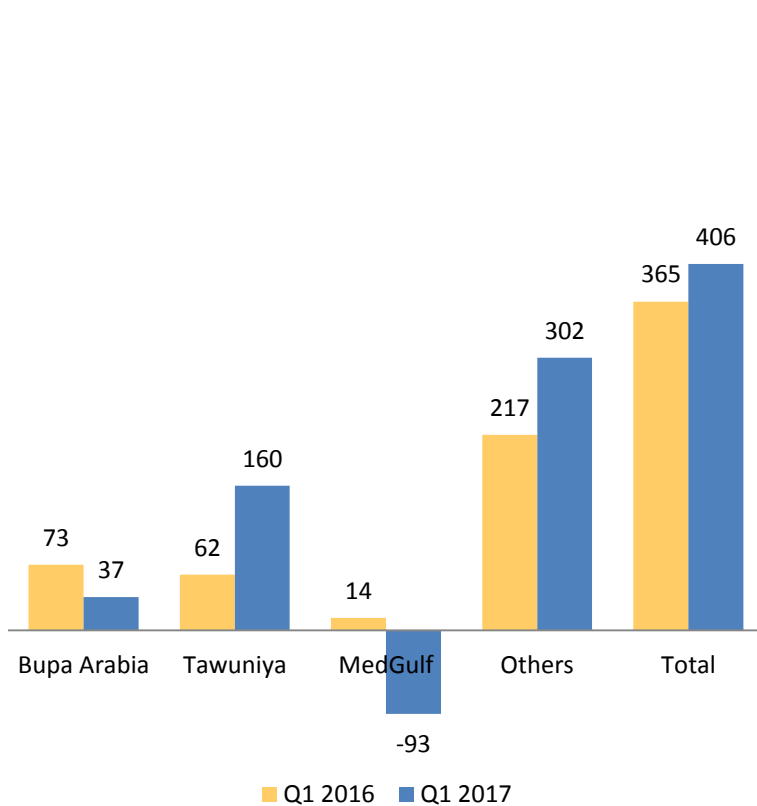
Total Insurance Market Performance (SR mn)	2012	2013	2014	2015	2016	Q1 2016	Q1 2017
Gross Written Premium (GWP)	20,486	24,993	30,260	36,395	36,744	11,757	11,494
Net Written Premium (NWP)	15,624	19,009	24,081	30,038	30,541	9,682	9,893
Claims Incurred	10,901	14,499	17,730	21,590	23,249	5,902	5,917
<b>Bupa Arabia's GWP</b>	<b>2,194</b>	<b>3,177</b>	<b>5,740</b>	<b>7,328</b>	<b>7,939</b>	<b>2,446</b>	<b>2,253</b>
Bupa's Market Share	11%	13%	19%	20%	22%	21%	20%

- Market GWP declined in Q1 2017 by 2.2% YoY, NWP grew by 2.1% YoY, and claims remained flat at SR5.9bn
- Profit for the sector went up by 12.4% YoY mainly driven by investment income
- Market share in Q1 2017 declined slightly to 20%

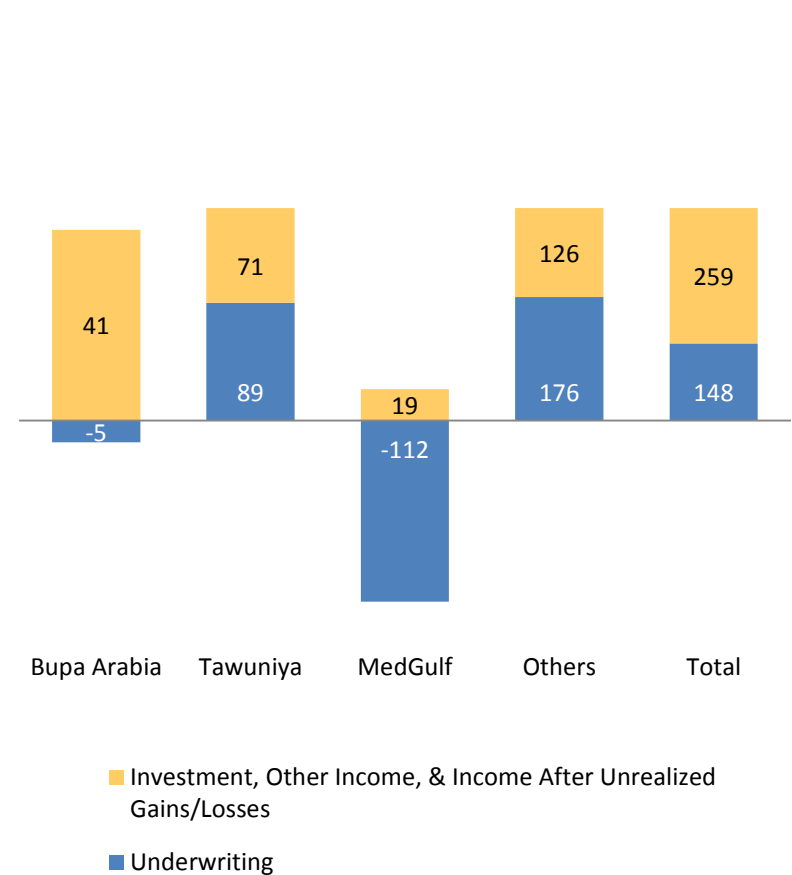
Source: respective insurance companies' Q1 2017 filings

# All Insurance Lines Performance (SR mn)

## All Lines Net Income (Pre-Zakat/Tax)



## Q1 2017 All Lines Income: Net of Unrealized Gains/Losses

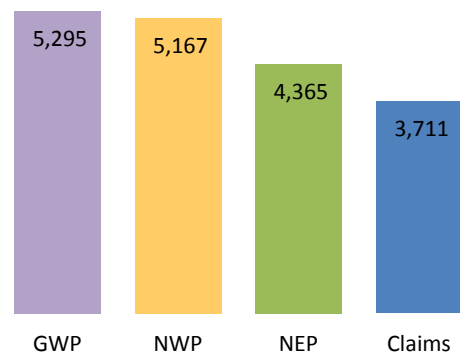


Source: respective insurance companies' Q1 2017 filings

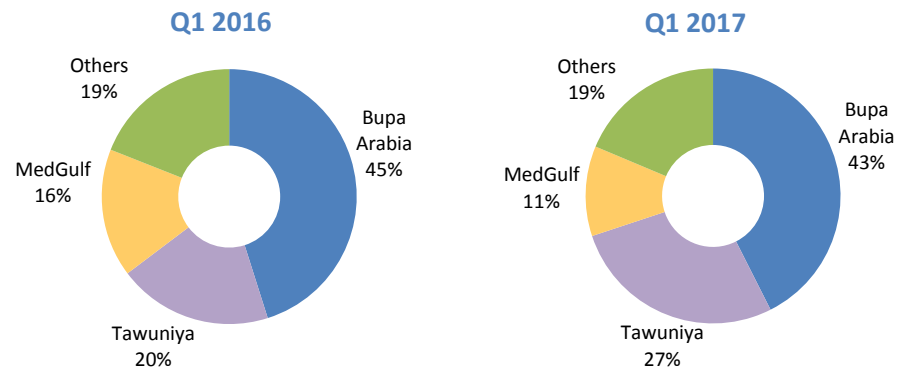


# Health Segment Performance

## Market Performance (SR mn)



## Market Share Breakdown

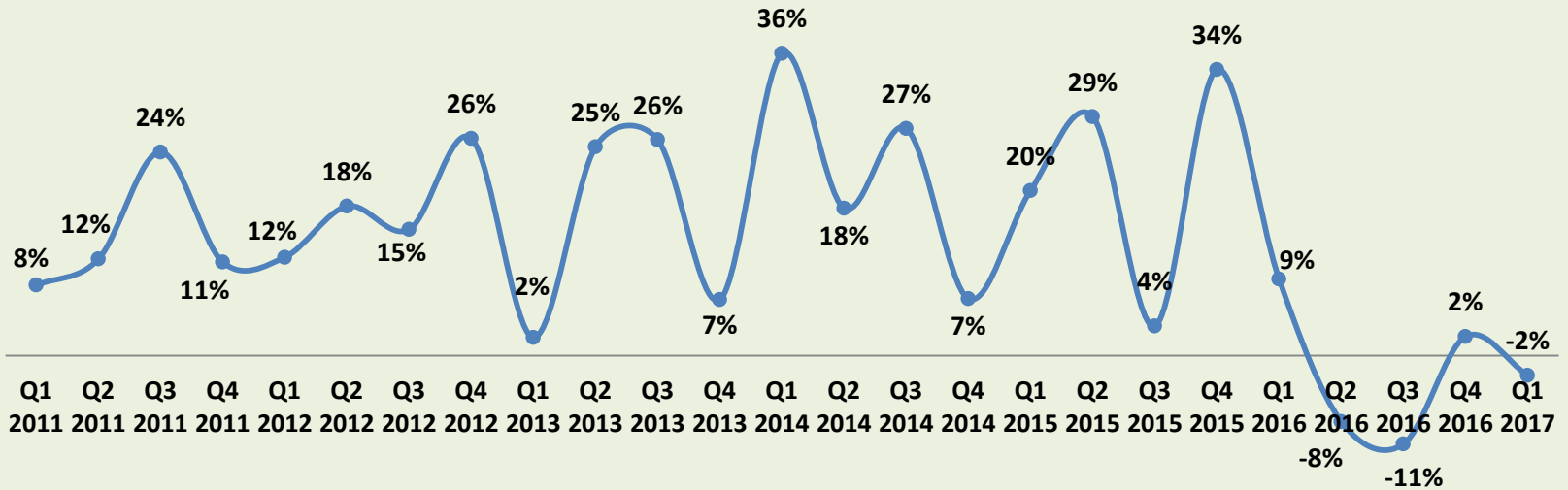


Health Segment GWP & Loss Ratio (SR mn)	Q1 GWP			2016/2015 Growth	2017/2016 Growth	Q1 Loss Ratio		
	2015	2016	2017			2015	2016	2017
Bupa Arabia	2,079	2,446	2,253	18%	-8%	86%	85%	89%
Tawuniya	863	1,063	1,449	23%	36%	83%	85%	85%
MedGulf	1,061	883	605	-17%	-32%	96%	86%	94%
Others	964	1,031	989	7%	-4%	71%	57%	66%
<b>Total</b>	<b>4,968</b>	<b>5,423</b>	<b>5,295</b>	<b>9%</b>	<b>-2%</b>	<b>85%</b>	<b>80%</b>	<b>85%</b>

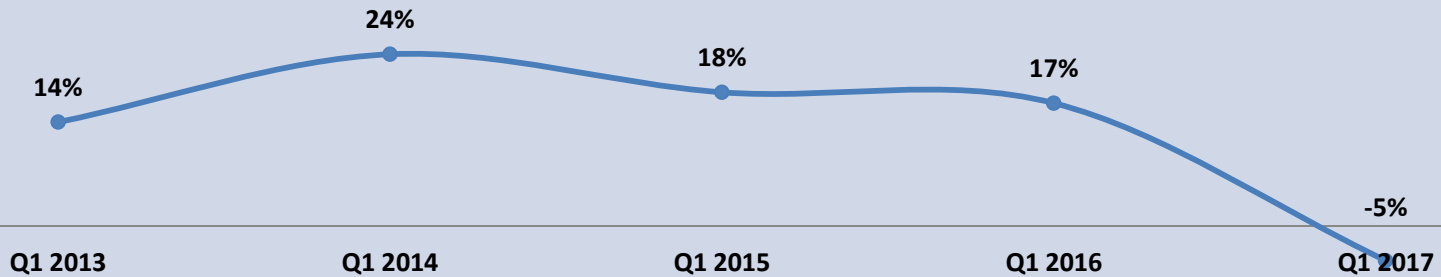
Source: respective insurance companies' Q1 2017 filings

# Market GWP Growth - Health Insurance Market

Year on Year



Rolling 12 month



Source: respective insurance companies' Q1 2017 filings



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# Key Financial Metrics

(SR mn, unless otherwise indicated)	Q1 2016	Q1 2017	YoY variance
GWP	2,446	2,253	-8%
Net Earned Premium (NEP)	1,882	1,876	-0.3%
Contribution	278	207	-26%
<i>Loss Ratio<sup>1</sup></i>	<i>85.2%</i>	<i>88.9%</i>	<i>4pps</i>
Operating and Other Expenses	218	212	-2%
Investment & Other Income	12	41	249%
Earnings before Zakat & Tax	73	37	-50%
EPS (SR)	0.91	0.46	-50%

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

Source: respective insurance companies' Q1 2017 filings

- GWP dropped due to a continued difficult fiscal and competitive climate, with general resistance to price increase on renewal and with some down-trading
- Loss ratio spiked due to unusual high medical inflation in January which subsided in subsequent months
- Opex lower due to cost optimization efforts
- Investment income increased significantly on the back of favorable interest rate environment and better performing equity market relative to Q1 2016
- AGM approved a dividend of SR1.5/share

# Non-Operating Performance

(SR mn)	Q1 2012	Q1 2013	Q1 2014	Q1 2015	Q1 2016	Q1 2017
Operating Profit (Loss)	(23.9)	(17.1)	(18.6)	23.3	41.5	(18.2)
Investment & Other Income	10.7	7.6	7.7	9.4	11.9	41.4
Non-Recurring Items	0	8.0	0	0	0	0
<b>Earnings before Zakat &amp; Tax (EBT)</b>	<b>1.9</b>	<b>(4.0)</b>	<b>(20.8)</b>	<b>36.8</b>	<b>72.6</b>	<b>36.7</b>
<b>Operating Profit Margin</b>	<b>-4.7%</b>	<b>-3.2%</b>	<b>-2.1%</b>	<b>1.5%</b>	<b>2.2%</b>	<b>-1.0%</b>
<b>EBT Margin</b>	<b>0.4%</b>	<b>-0.8%</b>	<b>-2.4%</b>	<b>2.4%</b>	<b>3.9%</b>	<b>2.0%</b>

Note: profit margins are based on NEP

- Operating loss was mainly driven by a decline in contribution, which is characteristic of Q1 (consistent with seasonal historical trend)
- Healthy investment income brought EBT to profitability

## Cost Structure as % of NEP

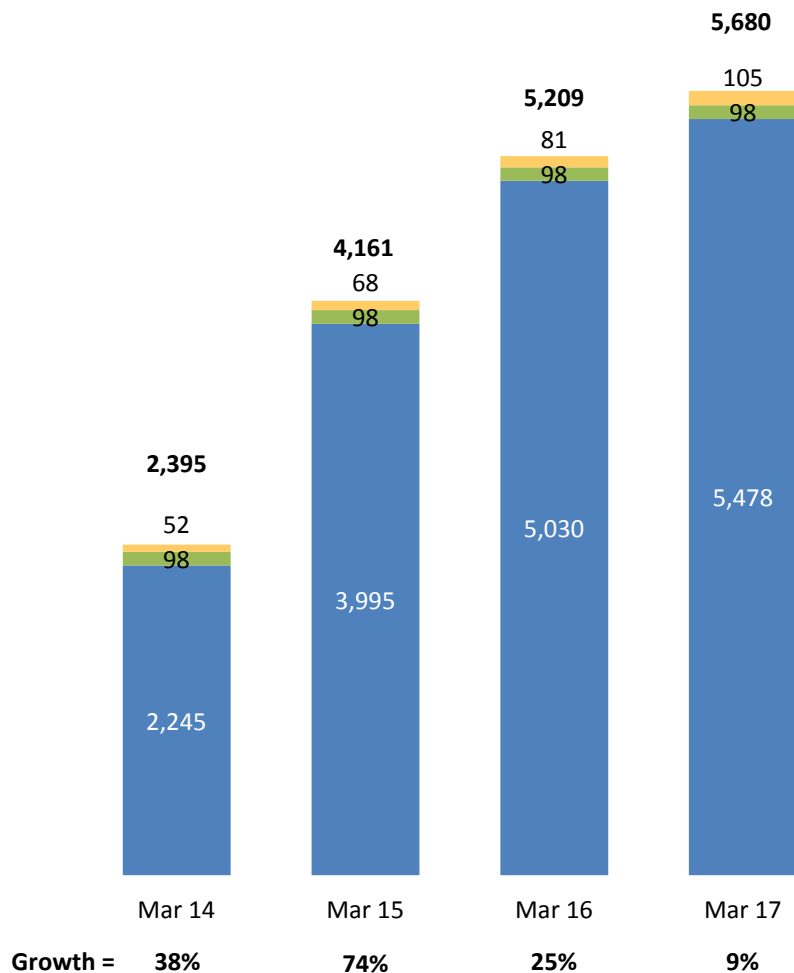
(SR mn)	Q1 2012	Q1 2013	Q1 2014	Q1 2015	Q1 2016	Q1 2017
Commissions	2.0%	2.2%	3.1%	2.4%	2.4%	2.7%
Levies/Brand Fees	2.5%	2.4%	2.7%	2.3%	2.2%	2.1%
Marketing/Fulfillment	1.5%	1.1%	0.8%	0.6%	0.7%	0.5%
<b>Total Acquisition Cost</b>	<b>5.9%</b>	<b>5.8%</b>	<b>6.6%</b>	<b>5.4%</b>	<b>5.3%</b>	<b>5.3%</b>
Staff Cost	7.9%	7.8%	6.5%	5.0%	5.1%	5.0%
Other Expenses	2.3%	2.8%	2.0%	1.8%	1.8%	1.6%
<b>Total Expenses (excluding Co-op Distribution &amp; BDP)</b>	<b>16.2%</b>	<b>16.4%</b>	<b>15.0%</b>	<b>12.1%</b>	<b>12.1%</b>	<b>11.9%</b>

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

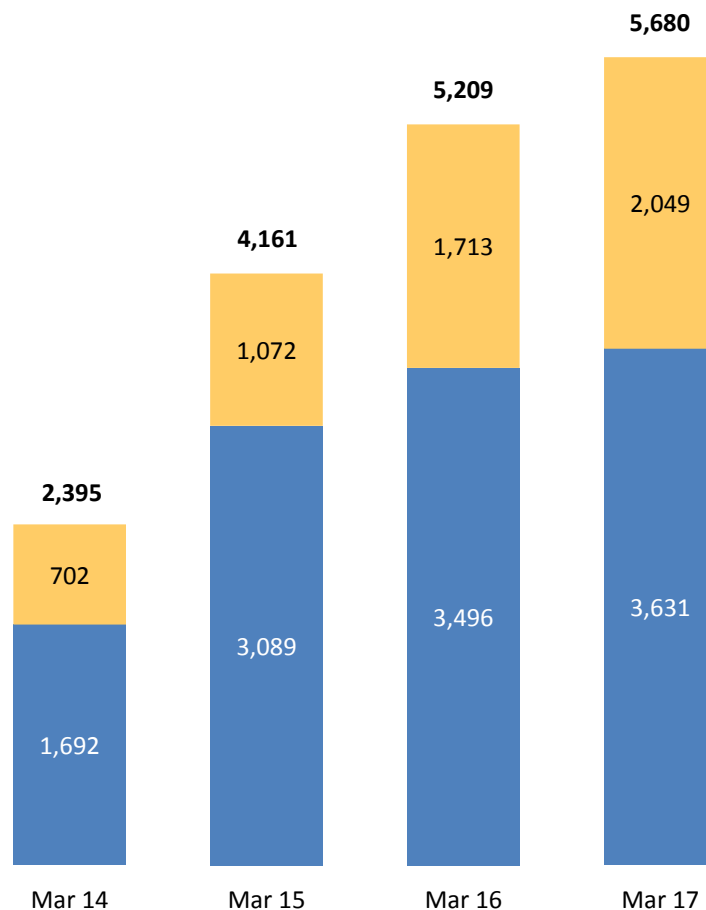
- Acquisition costs and staff costs as % of NEP remained consistent for the past years
- Expense ratio declined to 11.9% as a result of cost optimization (marketing/fulfillment in addition to other expenses)

# Balance Sheet Summary (SR mn)

## Assets Breakdown



## Working Capital / Shareholders' Equity



■ Cash & Investments

■ Goodwill

■ Fixed Assets

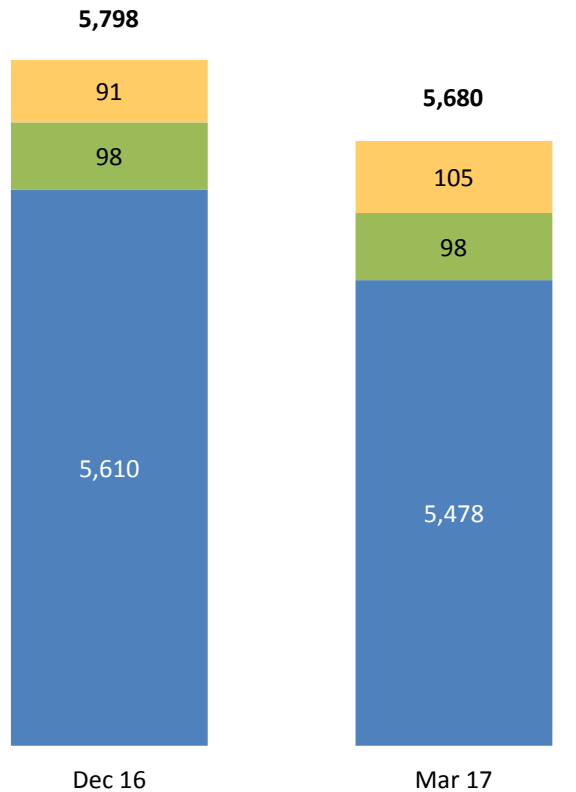
■ Working Capital

■ Shareholders' Equity

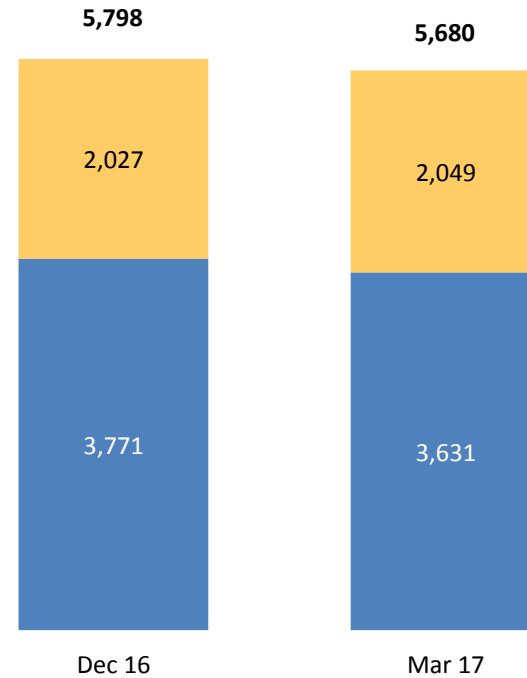


# Balance Sheet Summary (SR mn)

## Assets Breakdown



## Working Capital / Shareholders' Equity

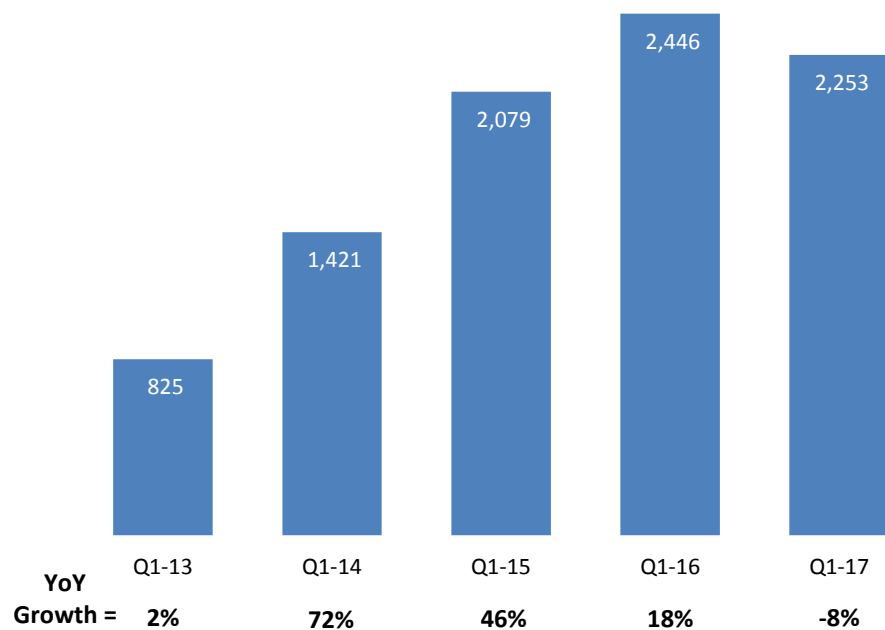
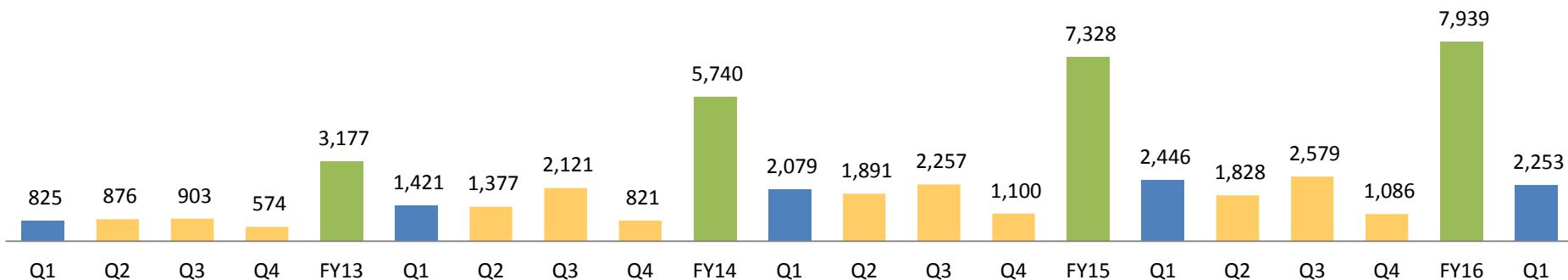


■ Cash & Investments ■ Goodwill ■ Fixed Assets

■ Working Capital ■ Shareholders' Equity



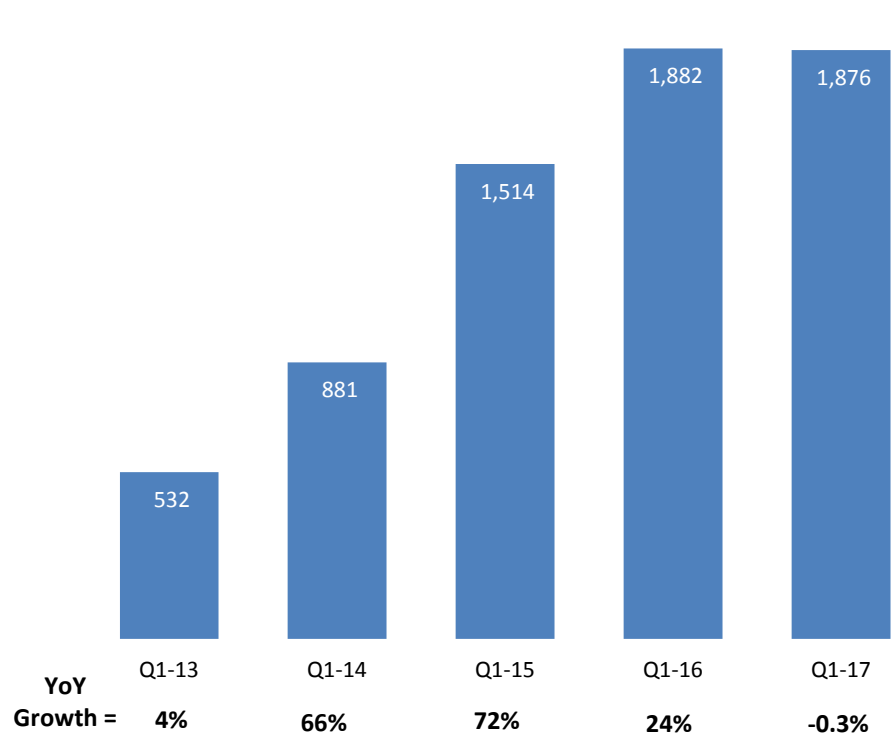
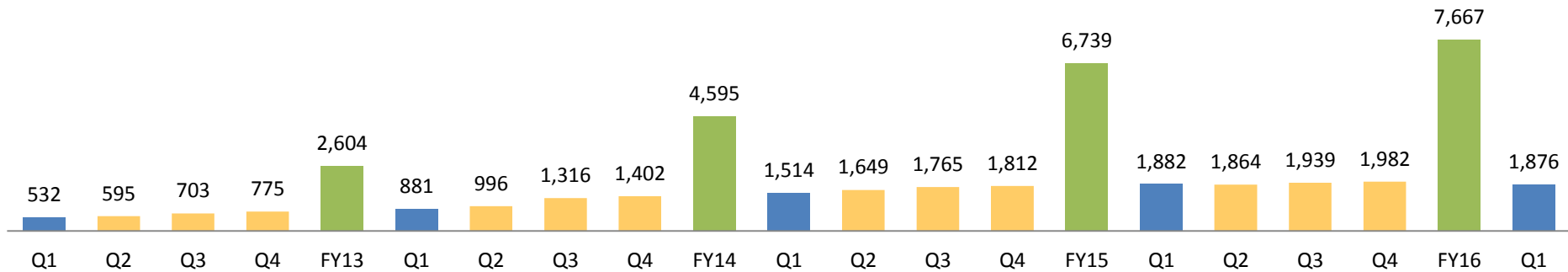
# GWP Trend (SR mn)



- GWP grew at a CAGR of 29% for the period Q1 2013 – Q1 2017
- GWP decreased by 8% YoY in Q1 2017, a sign of normalizing growth rates
- We expect market to correct upwards:
  - Price competition to ease (min provider network a key factor)
  - Reinstating salary allowances to government employees
  - Enforcement to be extended to 2.5m Saudis working in the private sector

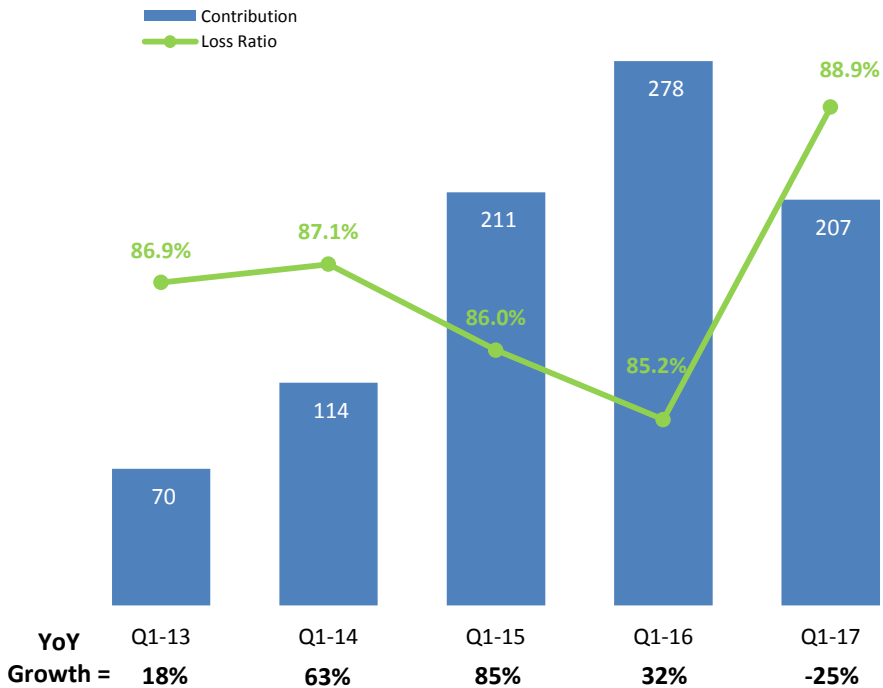
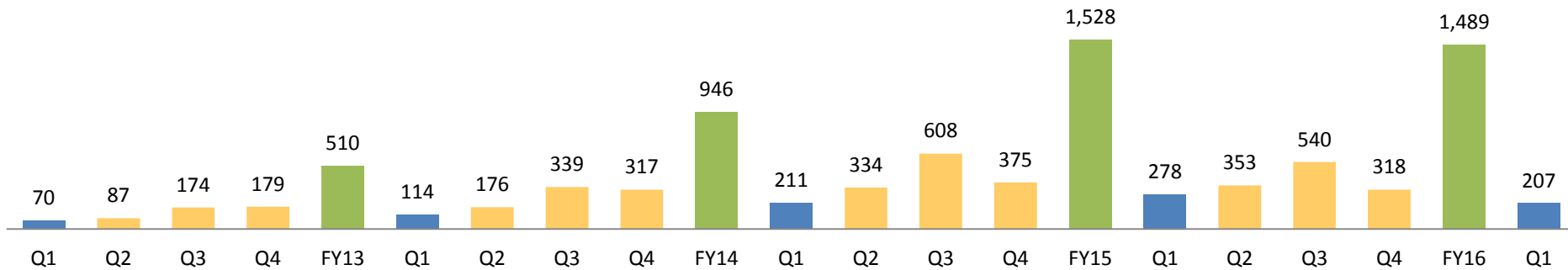
# NEP Trend (SR mn)

## Quarterly/Yearly NEP growth



- NEP grew at a CAGR of 37% for the period Q1 2013 – Q1 2017
- NEP decreased by 0.3% YoY in Q1 2017

# Contribution Trend (SR mn)



- Q1 contribution is historically lower than remaining quarters
- Loss ratio expected to improve for remainder of the year

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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

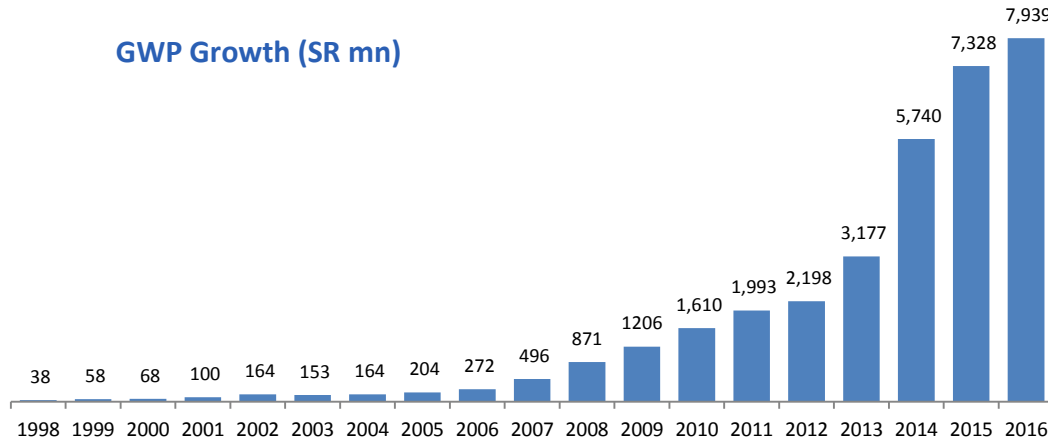
## The Future:

The Arab World's Foremost Healthcare Partner

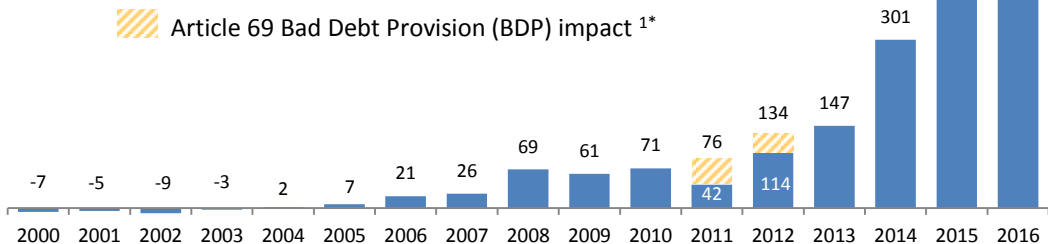
- Bupa Arabia will be the greatest healthcare company in the Arab world

# 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
- The largest health insurer (by GWP) in Saudi Arabia
- In 2014, It became the most profitable insurer (retained profit) in Saudi Arabia and had the biggest market share in medical insurance
- For two consecutive years 2015 and 2016, we reached record market share in 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

# Achievements & Awards

## Our services have set industry standards

We have been recognized by various organizations for our value added benefits to our customers in 2016

### International Awards

- “Best Corporate Company for Investor Relations” by Investor Relations Awards
- “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 3<sup>rd</sup> fastest growing company in GCC by Insight Discovery & Marmore MENA Intelligence
- 1<sup>st</sup> in Saudi (Insurance) & 22<sup>nd</sup> Worldwide (Overall) by increase in net profits for 2016 by CPI Financial – Leaders in Islamic Finance
- 1<sup>st</sup> in Saudi (Insurance) & 28th Worldwide (Overall) by change in assets for 2016 by CPI Financial
- 1<sup>st</sup> in Saudi (Insurance) & 34th Worldwide (Overall) by change in liabilities for 2016 by CPI Financial
- 2nd in Saudi (Insurance) & 6th Worldwide (Overall) by change in income for 2016 and 2nd in Saudi Arabia (Insurance) & 24th Worldwide (Overall) by income for 2016 by CPI Financial
- Ranked 1<sup>st</sup> most attractive insurance employer for university students in Saudi Arabia by Universum
- Ranked 2<sup>nd</sup> Best CEO in Saudi Arabia & 10<sup>th</sup> Best CEO in the GCC by INSEAD business school & TRENDS business
- 4<sup>th</sup> in Saudi Arabia in The Top Buzz Rankings for Financial Services & Insurance brands for 2016 by YouGov

### 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)
- 2nd place for the “Excellence in Learning & Development” category by the Human Resource Development Fund (HRDF)
- 37th rank amongst the best 100 companies in Saudi by Al-Eqtisadeya
- Ranked 1<sup>st</sup> Leader of the insurance sector in Saudi Arabia for 2015/16 by Albilad Capital
- ranked as the 8th Most Valuable Brand in Saudi Arabia within the Top 20 Brandz Index

### 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

# 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



# Investment in Competitive Advantages



## Key Business Achievements:

- Nesma and Partners Contracting Co. (Oct 2015)
- New Healthcare Operations department:
  - 2014: 800k lives touched
  - 2015: 1.5mn lives touched
  - 2016: 3.5mn lives touched
- Opened new claims department in Jeddah (Jan 2016)
- HHA - Haji Husein Alireza Co. Ltd (2017)
- Zamil Group Holding Company (2017)
- Mohammed Yousuf Naghi Company (2017)
- Farouk, Maamoun Tamer Company (FMT) (2017)
- Alkhorayef for Power and Water Technology (APWT) (2017)
- Alsalam Aerospace Industries (2017)



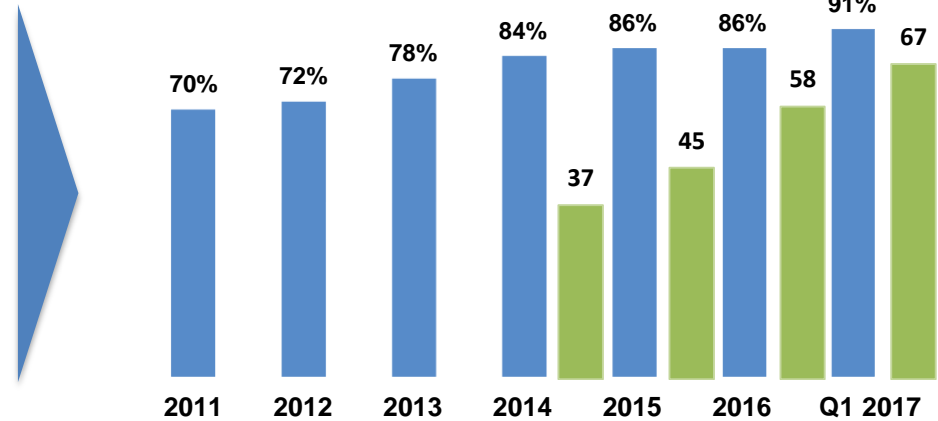
# What We've Achieved in Customer Service

## 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
- Breakthrough in healthcare services
- Quality management systems
- An improved hospital experience

### Customer Satisfaction & NPS



#### Up Your Service Passion

More than 500 frontline staff certified on service methods

Focused improvement projects to enhance processes

Automation and innovations in major touch points

Consistent programs to embed the service culture

#### Breakthrough in Healthcare Services

Chronic Disease Management

Maternity Coaching

Baby Vaccination Coaching

Medication Refill

International Second Opinion

Doctor on Phone

#### Point of Care (POC)

Hospital Delegates providing administrative assistance in the hospitals

Clinical Excellence Doctors providing medical assistance

Health coaching in the hospitals

Quick processing of PA requests

# Bupa Group - International Strength

Total Countries sold to: 190

Total Revenue: £11.0bn (for 2016)

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

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

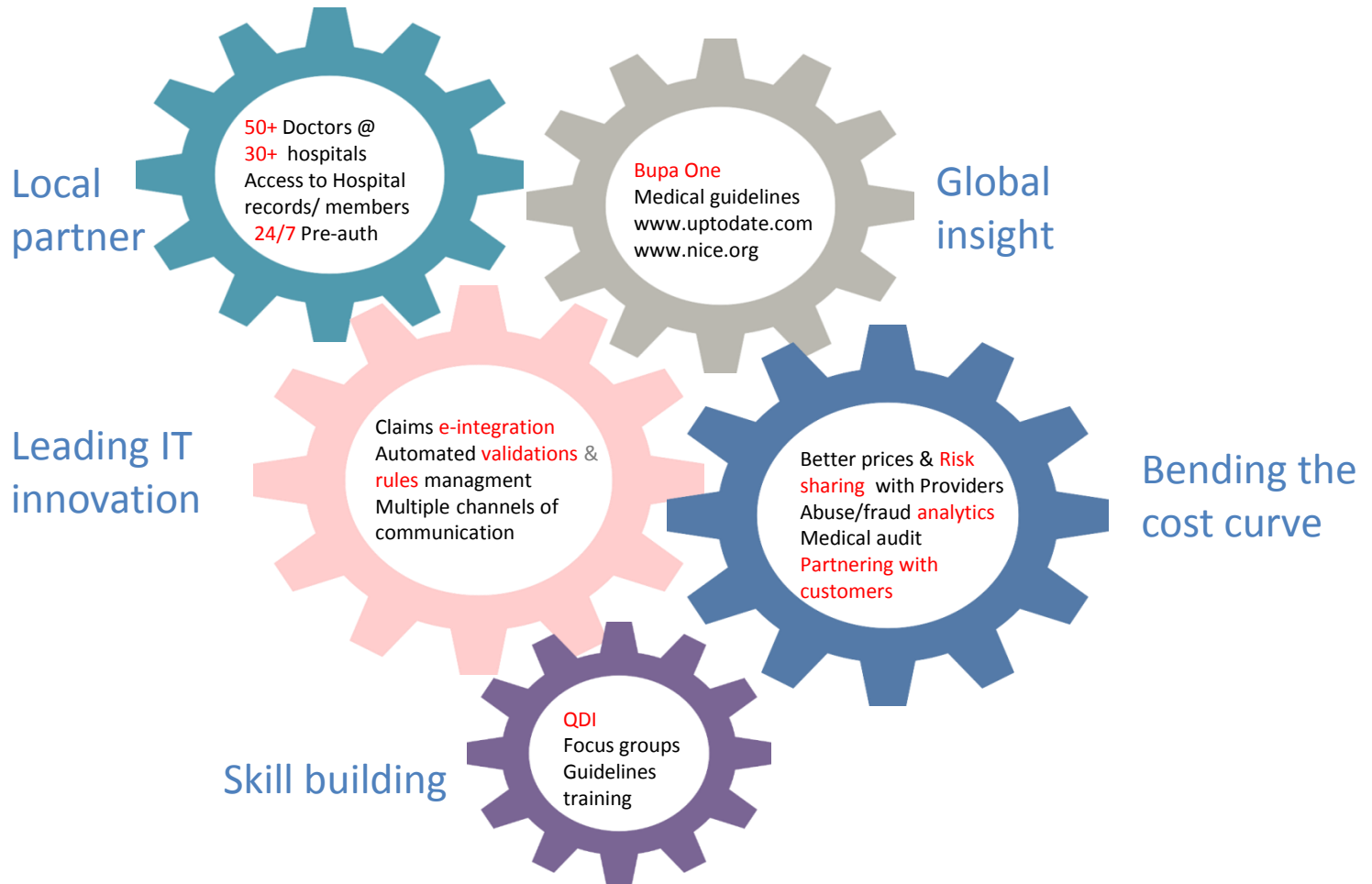


رعاية الحمل والأمومة  
Maternity Care



رعاية الطفل  
Child Care

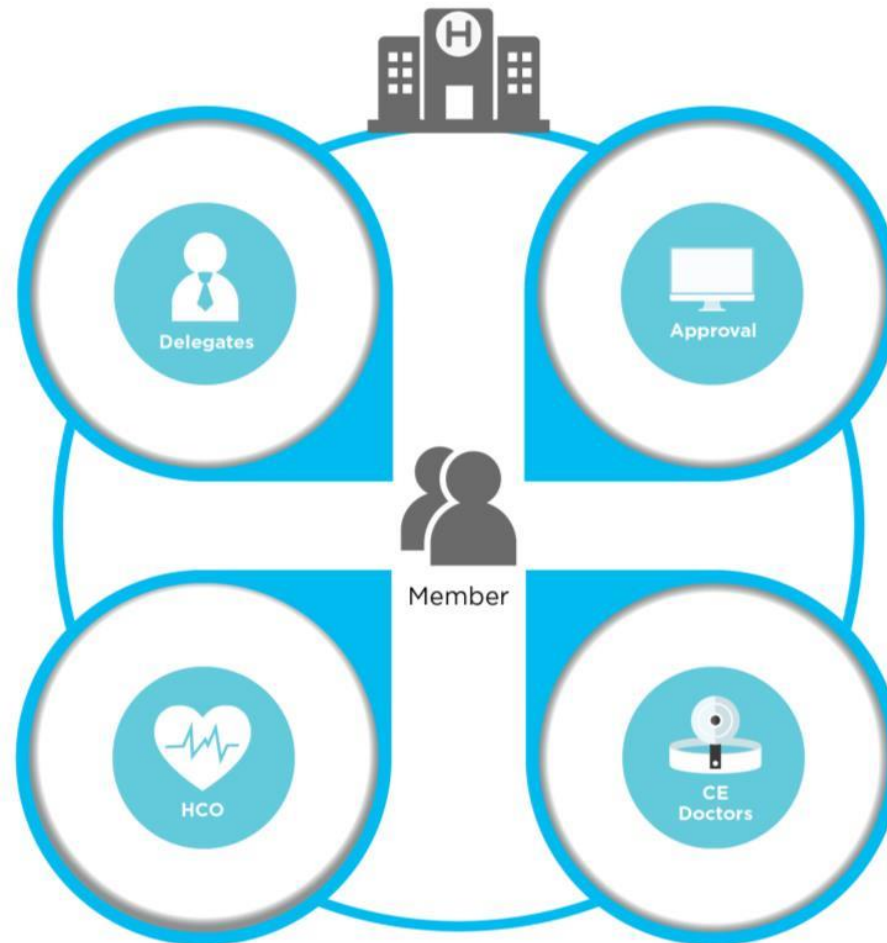
# Superior Claims Management - Capabilities



# Point of Care

## Own the Customer Experience at Point of Care

- Stationed and roving delegates offering proactive help to members
- HCO Female Doctor providing onsite coaching especially for hospitalized members and those waiting for their appointments



- Onsite PA staff ensures quick request approvals
- Roving Bupa Doctors also ensures quality and policy adherence

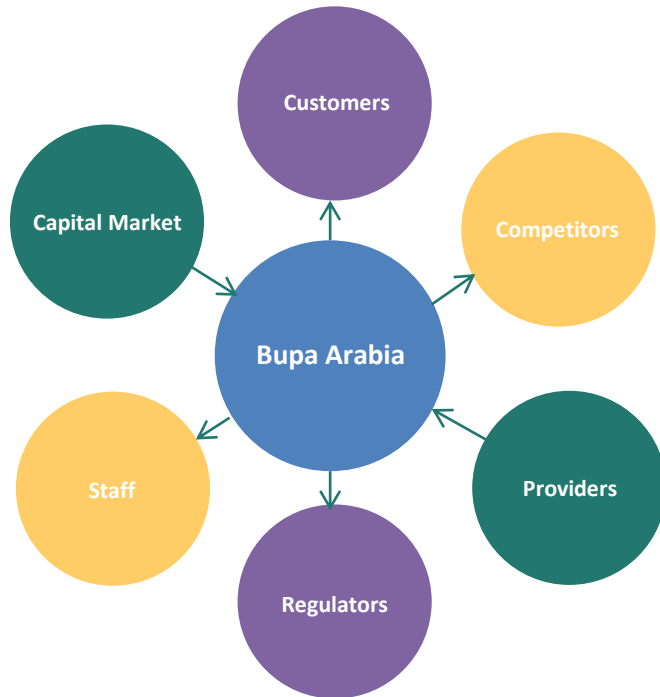
# Point of Care

## Our Latest Differentiation Driver





# Market Context - 2017 Focus



## MACRO ECONOMIC ENVIRONMENT

- Oil prices; impact on GDP and company workforce growth
- Cost of living increases; impact on affordability and hospitals costs
- Investment returns (SAIBOR rates) 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 systems to reduce fraud, abuse & overtreatment

## REGULATORS

- Promoting for better enforcement, actuarial pricing and coverage of the public sector

## PEOPLE

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



THANK YOU