

Bupa Arabia  
Q3/9M 2017 Performance Update

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# Agenda

Sell Side Research Analyst Coverage	3
Saudi Insurance Market	5
Bupa Arabia Performance Overview	11
Competitive Positioning	20

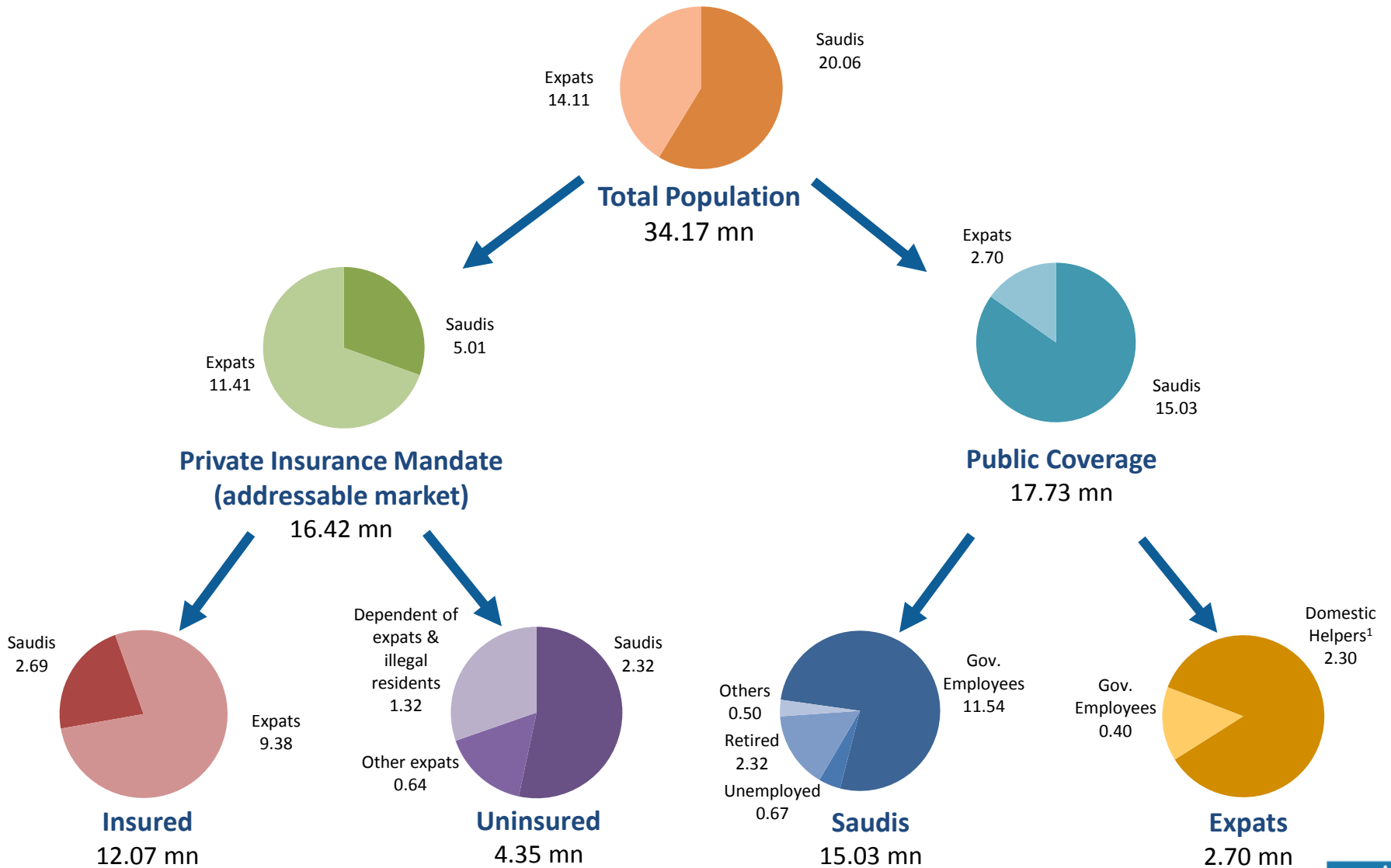
# Sell Side Research Analyst Coverage

Company	Analyst	Recommendation	Price (SR)
EFG-Hermes	Shabbir Malik	Buy	155
CI Capital	Monsef Morsy	Overweight	146
Aljazira Capital Co	Talha Nazar	Overweight	138
HSBC	Ankur P Agarwal	Buy	137
Renaissance Capital	Balram Ramesh	Hold	132
Shuaa Capital	Shadi Salman	Hold	128
Arqaam Capital Limited	Jaap Meijer	Hold	125

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# Saudi Insurance Demographics

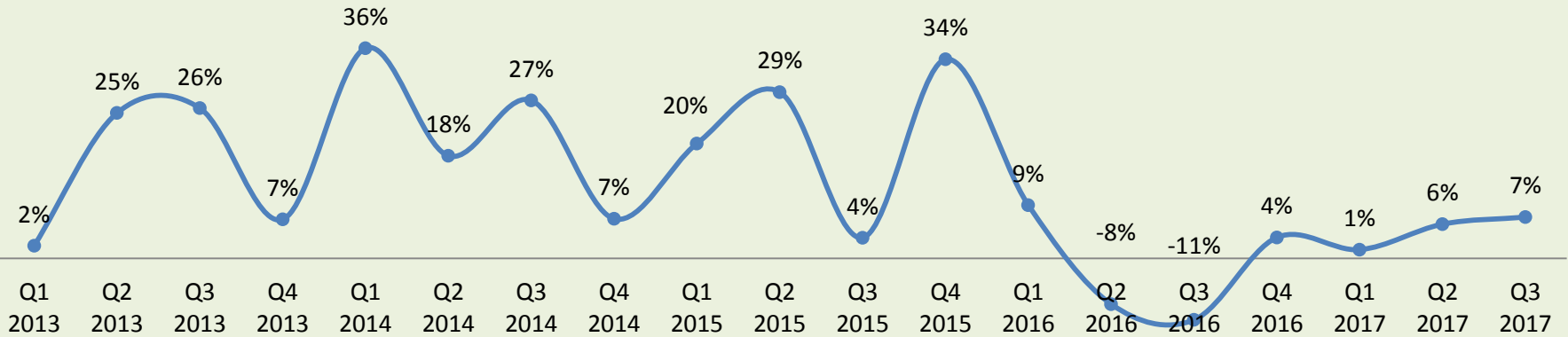


Source: Stats.com, GOSI, MoL&SD, CCHI, and Bupa Arabia estimates for Sep'17

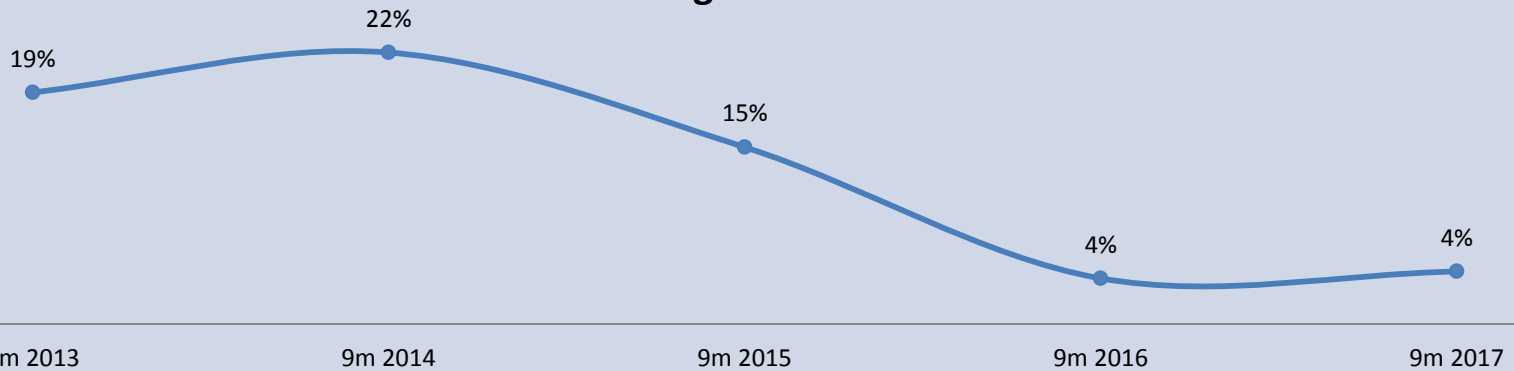
<sup>1</sup> Not under public coverage but also not under private insurance mandate

# Market GWP Growth - Health Insurance Market

## Year on Year



## Rolling 12 month

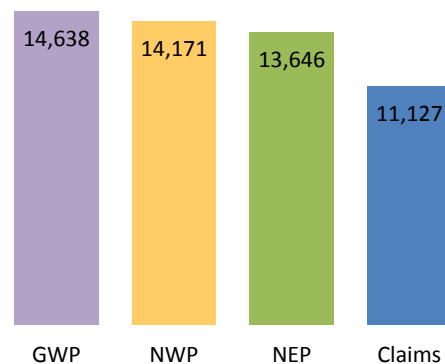


Source: respective insurance companies' Q3 2017 filings

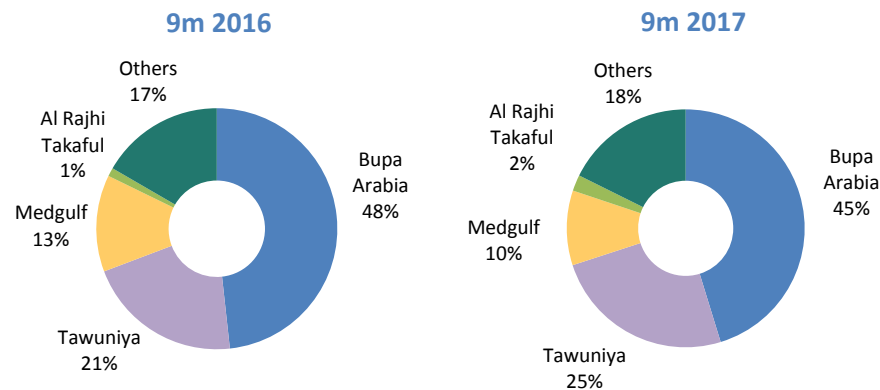


# Health Segment Performance

## Market Performance (SR mn)



## Market Share Breakdown



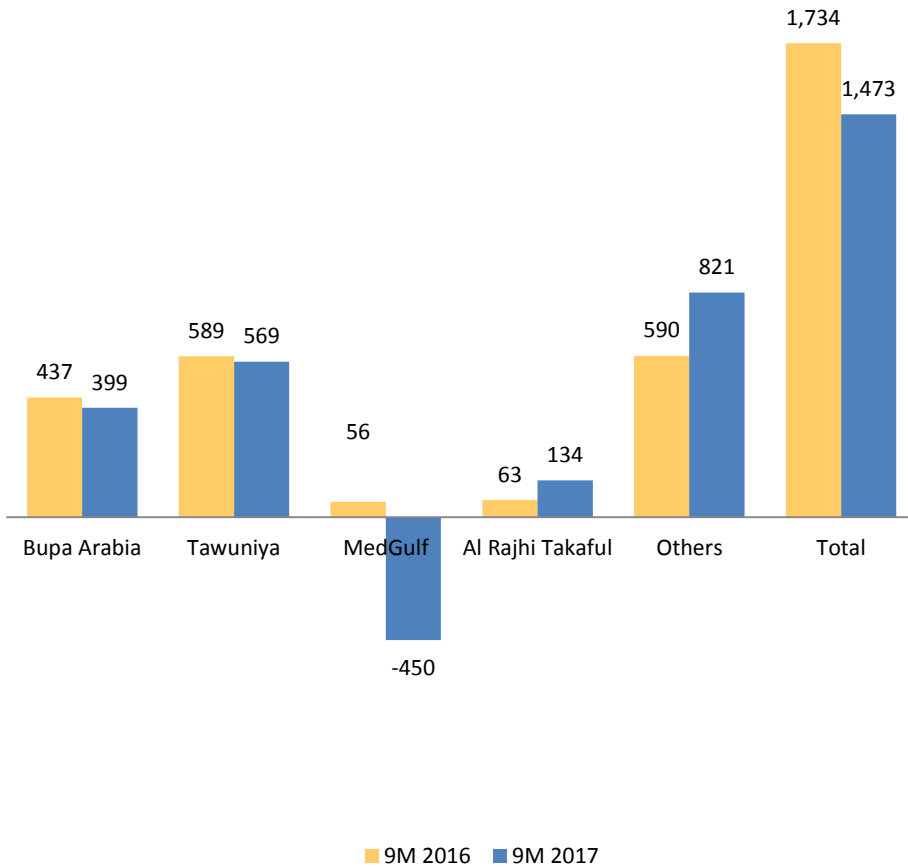
Health Segment GWP & Loss Ratio (SR mn)	9M GWP			2016/2015 Growth	2017/2016 Growth	9M Loss Ratio		
	2015	2016	2017			2015	2016	2017
Bupa Arabia	6,228	6,852	6,623	10%	-3%	77%	79%	82%
Tawuniya	2,886	2,978	3,620	3%	22%	79%	81%	86%
MedGulf	2,434	1,843	1,487	-24%	-19%	90%	85%	97%
Al Rajhi Takaful	181	162	320	-10%	97%	77%	80%	80%
Others	2,883	2,362	2,587	-18%	10%	66%	59%	62%
<b>Total</b>	<b>14,612</b>	<b>14,198</b>	<b>14,638</b>	<b>-3%</b>	<b>3%</b>	<b>78%</b>	<b>77%</b>	<b>82%</b>

Source: respective insurance companies' Q3 2017 filings

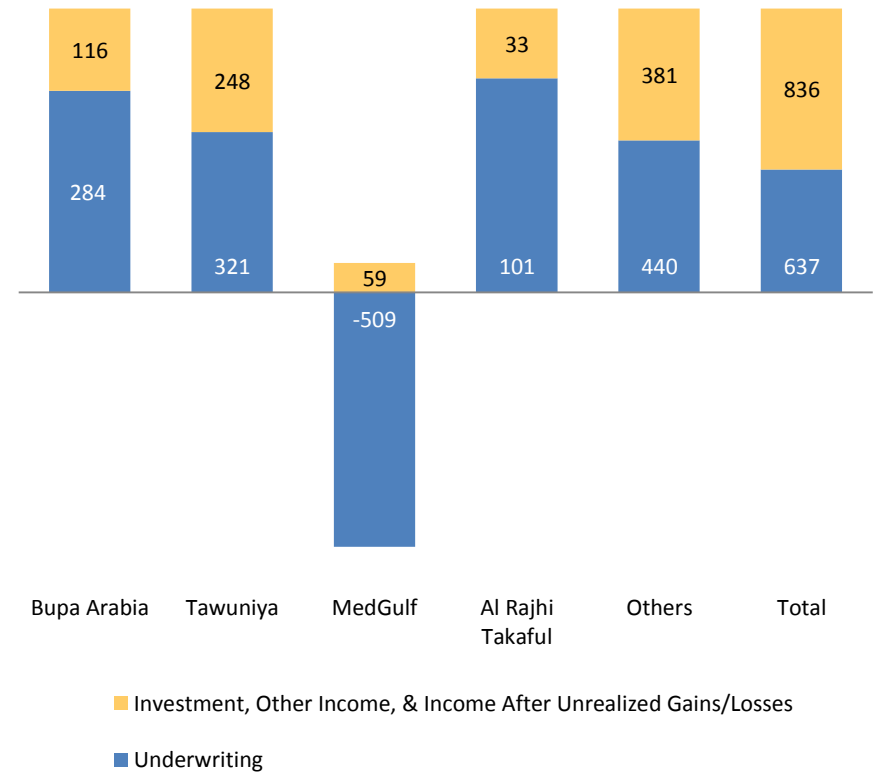


# All Insurance Lines Performance (SR mn)

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



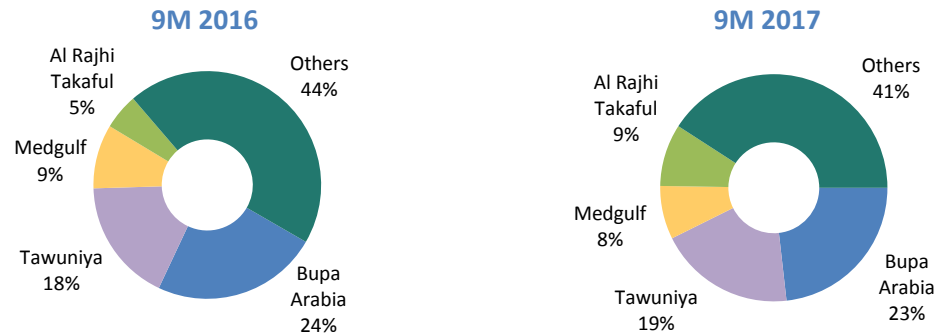
## 9M 2017 All Lines Income: Net of Unrealized Gains/Losses



Source: respective insurance companies' Q3 2017 filings

# Total Insurance Market in GWP Terms

## Total Insurance Market Share



Total Insurance Market Performance (SR mn)	2013	2014	2015	2016	Q3 2016	Q3 2017	9M 2016	9M 2017
GWP	24,993	30,396	36,397	36,744	8,194	8,255	28,964	28,538
NWP	19,009	24,081	30,038	30,541	7,038	6,856	23,879	23,990
Claims Incurred	16,083	17,730	21,591	23,249	5,398	5,692	17,558	17,416
<b>Bupa Arabia's GWP</b>	<b>3,177</b>	<b>5,740</b>	<b>7,328</b>	<b>7,939</b>	<b>2,579</b>	<b>2,523</b>	<b>6,852</b>	<b>6,623</b>
Bupa's Market Share	13%	19%	20%	22%	31%	31%	24%	23%

Source: respective insurance companies' Q3 2017 filings

- Market GWP and claims declined by 1% YoY in 9M 2017 while NWP remains flat YoY
- Bupa's Market share for Q3 2017 remained consistent with the previous year

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# Key Financial Metrics

(SR mn, unless otherwise indicated)	Q3 2016	Q3 2017	YoY variance	9M 2016	9M 2017	YoY variance
GWP	2,579	2,523	-2%	6,852	6,623	-3%
Net Earned Premium (NEP)	1,939	1,937	-0.1%	5,685	5,723	1%
Contribution	540	462	-15%	1,171	1,056	-10%
<i>Loss Ratio<sup>1</sup></i>	<i>72.1%</i>	<i>76.2%</i>	<i>4.1pps</i>	<i>79.4%</i>	<i>81.5%</i>	<i>2.1pps</i>
Operating and Other Expenses	(301)	(279)	-7%	(801)	(772)	-4%
Investment & Other Income	21	35	64%	68	116	71%
Earnings before Zakat & Tax	260	217	-17%	437	399	-9%
EPS (SR)	3.26	2.72	-17%	5.48	5.01	-9%

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

- Q3 GWP declined by 2% YoY mainly due to tough competitive and fiscal environment
- Q3 2017 loss ratio increased by 4.1pps YoY mainly due to medical inflation not fully passed through
- Opex lower due to cost optimization efforts
- Investment income is still improving on the back of higher locked in rates from last year and further diversification of portfolio away from low yield cash concentration

# Underlying Performance

(SR mn)	9M 2013	9M 2014	9M 2015	9M 2016	9M 2017
Operating Profit	45	159	515	442	348
Investment & Other Income	27	35	3	68	116
Bad Debt Provision (BDP)	(17)	(17)	(83)	(73)	(64)
<b>Earnings before Zakat &amp; Tax (EBT)</b>	55	177	435	437	399
<b>Operating Profit Margin</b>	<b>2.5%</b>	<b>5.0%</b>	<b>10.5%</b>	<b>7.8%</b>	<b>6.1%</b>
<b>EBT Margin</b>	<b>3.1%</b>	<b>5.6%</b>	<b>8.8%</b>	<b>7.7%</b>	<b>7.0%</b>

Note: profit margins are based on NEP

- Operating profit is lower mainly on the back of a deteriorating loss ratio in Q3
- Investment income is continuing its growing contribution to EBT

## Cost Structure as % of NEP

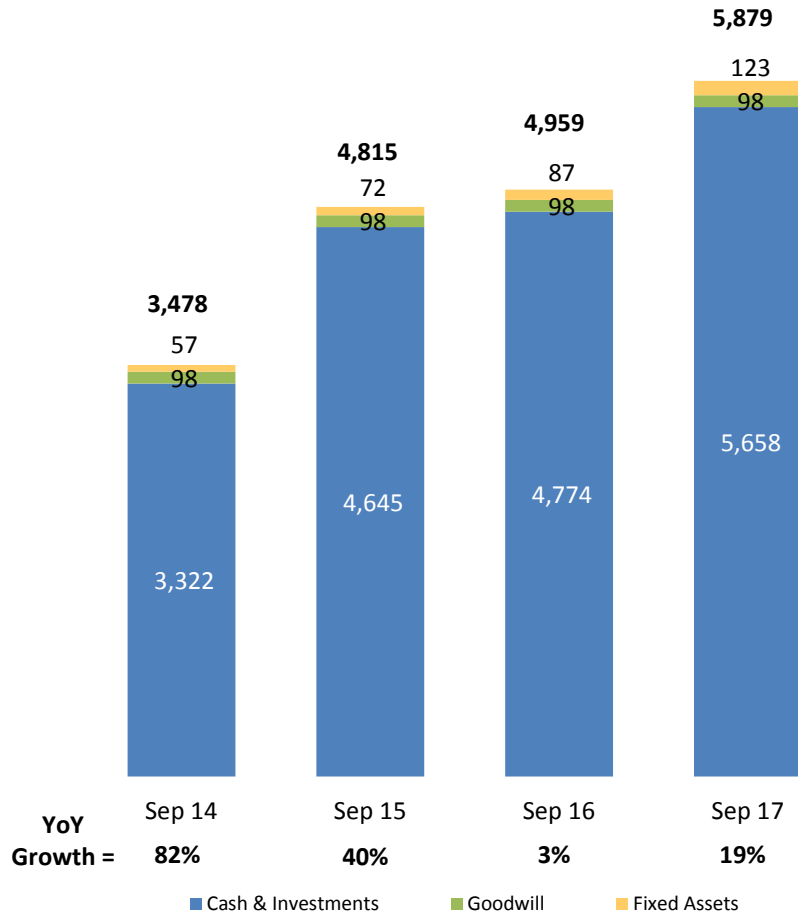
(SR mn)	9M 2013	9M 2014	9M 2015	9M 2016	9M 2017
Commissions	2.4%	2.8%	2.4%	2.4%	2.6%
Levies/Brand Fees	2.2%	2.6%	2.1%	2.1%	2.0%
Marketing/Fulfillment	1.2%	0.6%	0.8%	0.6%	0.6%
<b>Total Acquisition Cost</b>	<b>5.8%</b>	<b>6.0%</b>	<b>5.3%</b>	<b>5.0%</b>	<b>5.1%</b>
Staff Cost	7.0%	6.2%	5.1%	5.1%	5.0%
Other Expenses	2.4%	1.9%	1.5%	1.8%	1.5%
<b>Total Expenses (excluding Co-op Distribution &amp; BDP)</b>	<b>15.3%</b>	<b>14.1%</b>	<b>11.9%</b>	<b>12.0%</b>	<b>11.6%</b>

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

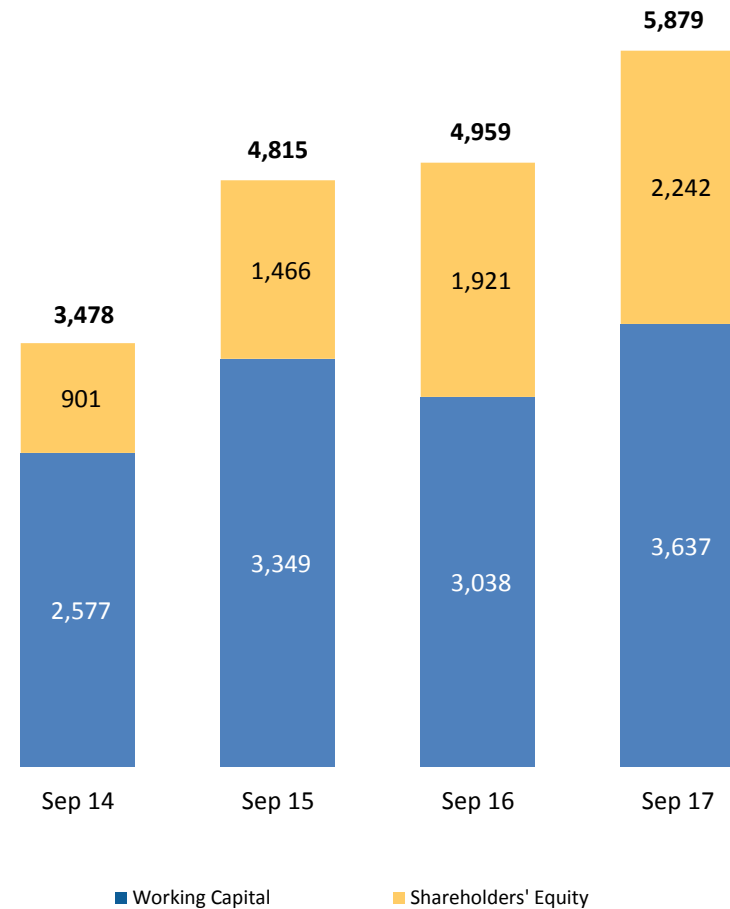
- Acquisition costs and staff costs as % of NEP remained consistent YoY
- Expense ratio declined to 11.6% as a result of cost optimization (staff cost & other operating cost)

# Balance Sheet Summary (SR mn)

## Assets Breakdown



## Working Capital / Shareholders' Equity



■ Cash & Investments

■ Goodwill

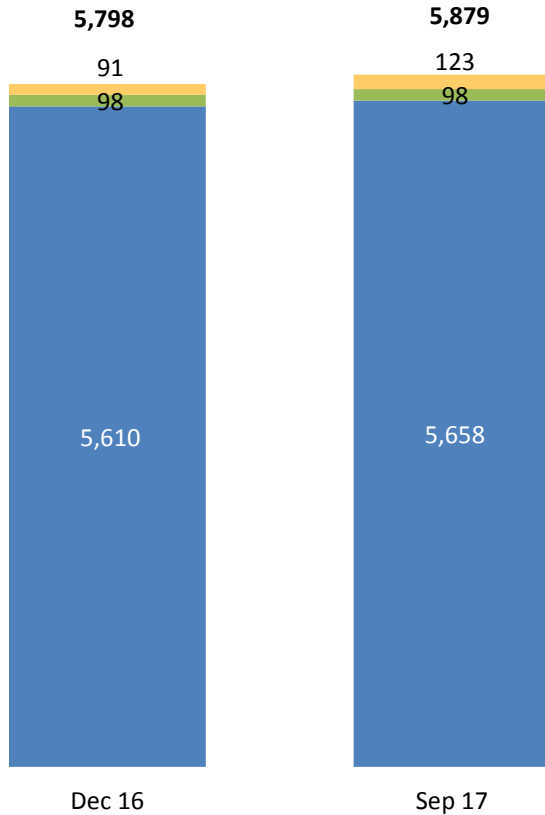
■ Fixed Assets

■ Working Capital

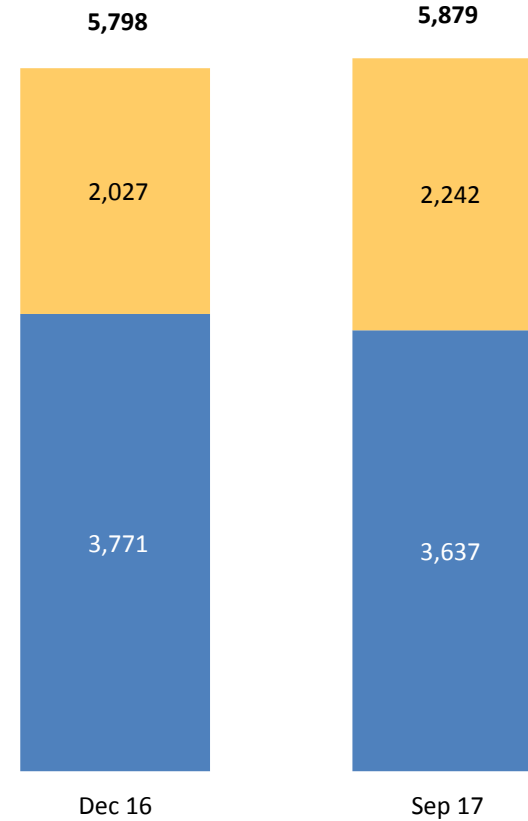
■ Shareholders' Equity

# Balance Sheet Summary (SR mn)

## Assets Breakdown



## Working Capital / Shareholders' Equity



■ Cash & Investments ■ Goodwill ■ Fixed Assets

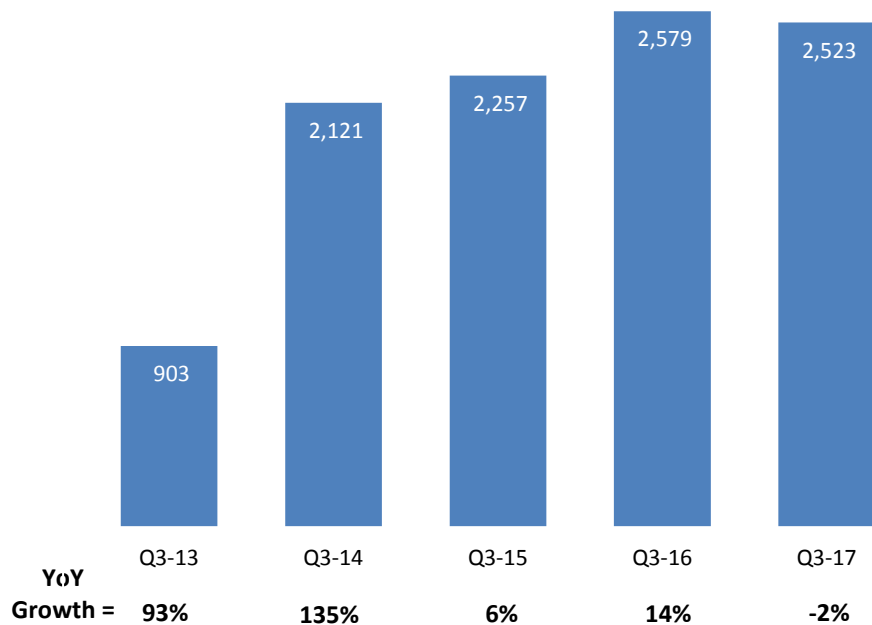
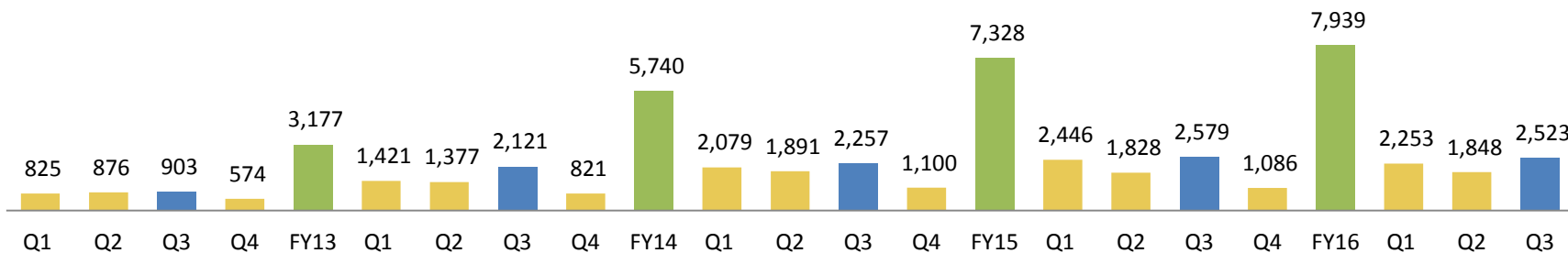
■ Working Capital ■ Shareholders' Equity





# GWP Trend (SR mn)

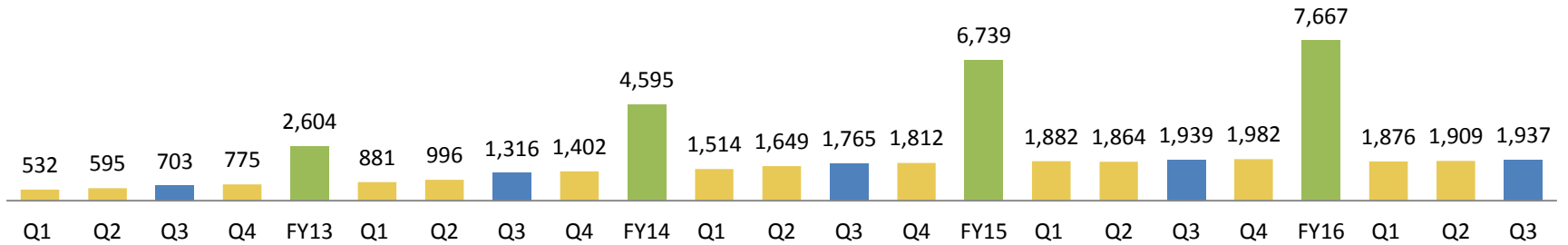
## Quarterly/Yearly GWP growth



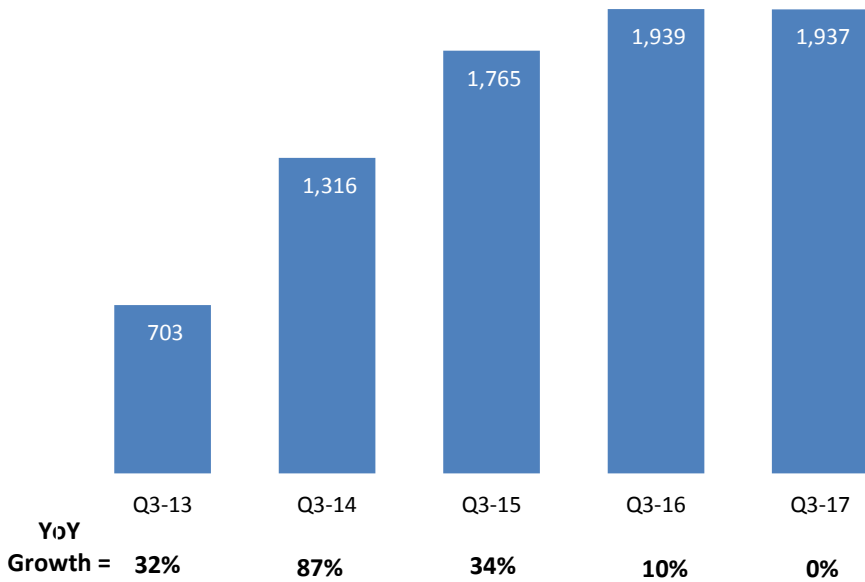
- GWP grew at a CAGR of 29% for the period Q3 2013 – Q3 2017
- GWP decreased by 2% YoY in Q3 2017 and 3% YTD
- We expect the market to correct upwards in the medium term:
  - Improved market practices; pricing and compliance at low end
  - Saudi Enforcement– circa 2.3m
  - Potential Expansion of CCHI table of benefit
  - The Economic Recovery; private sector employee expansion and profit margin recovery

# NEP Trend (SR mn)

## Quarterly/Yearly NEP growth

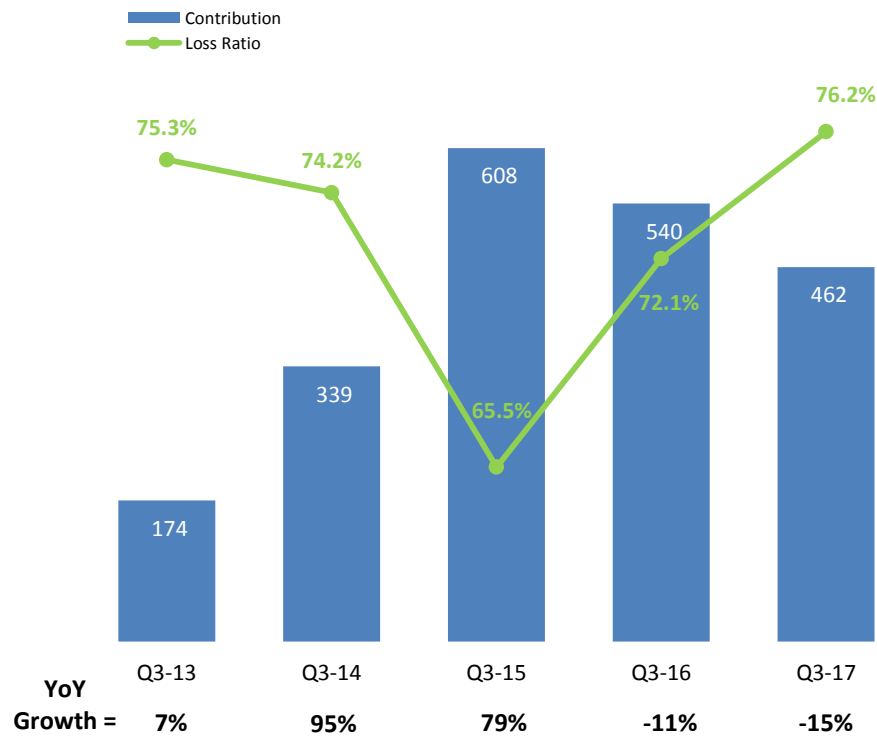
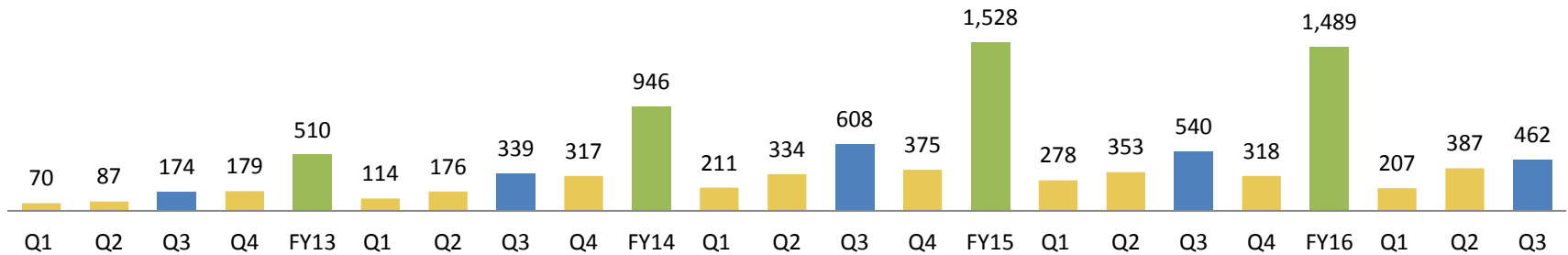


- NEP grew at a CAGR of 37% for the period Q3 2013 – Q3 2017
- NEP remains flat YoY in Q3 2017



# Contribution Trend (SR mn)

## Quarterly/Yearly Contribution growth



- Q3 contribution decreased by 15% YoY
- Q3 deteriorated contribution & loss ratio were mainly a result of medical inflation not fully passed through

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# 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



# 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

# 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

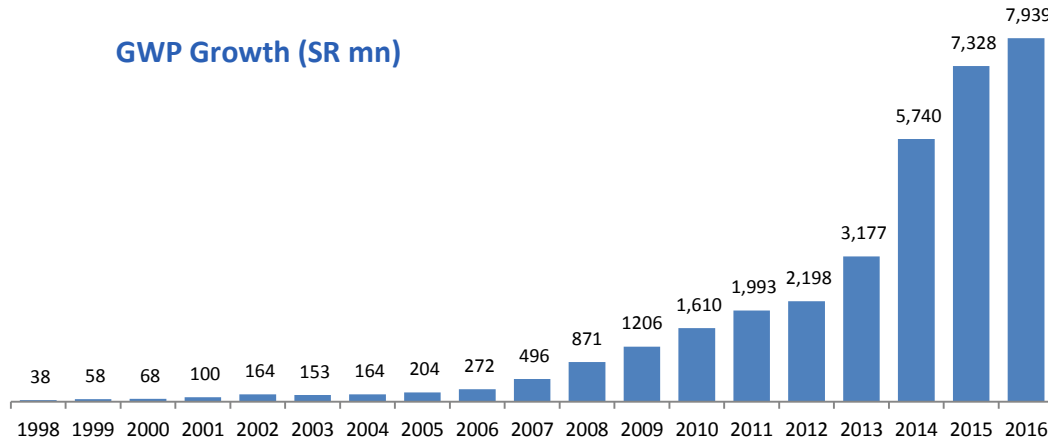
## The Future:

The Arab World's  
Foremost Healthcare  
Partner

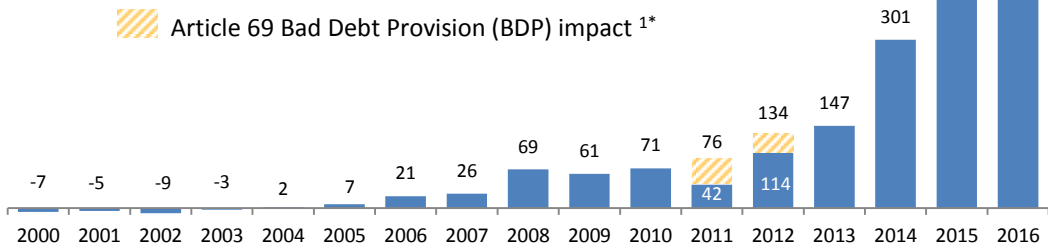
- Bupa Arabia will be the greatest healthcare company in the Arab world

# 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

# Investment in Competitive Advantages



## Key Business Achievements:

- Bank Al Jazira (2017)
- Prince Sultan University (2017)
- Jeddah Chamber of Commerce and Industry (2017)
- Capital Market Authority CMA (2017)
- Sraco Company (2017)
- SADARA Chemical Company (2017)
- Alsalam Aerospace Industries (2017)
- Alkhorayef for Power and Water Technology (APWT) (2017)
- Farouk, Maamoun Tamer Company (FMT) (2017)
- Mohammed Yousuf Naghi Company (2017)
- Zamil Group Holding Company (2017)
- HHA - Haji Husein Alireza Co. Ltd (2017)
- Opened new claims department in Jeddah (2016)
- Nesma and Partners Contracting Co. (2015)
- New Healthcare Operations department:
  - 2016: 3.5mn lives touched
  - 2015: 1.5mn lives touched
  - 2014: 800k lives touched



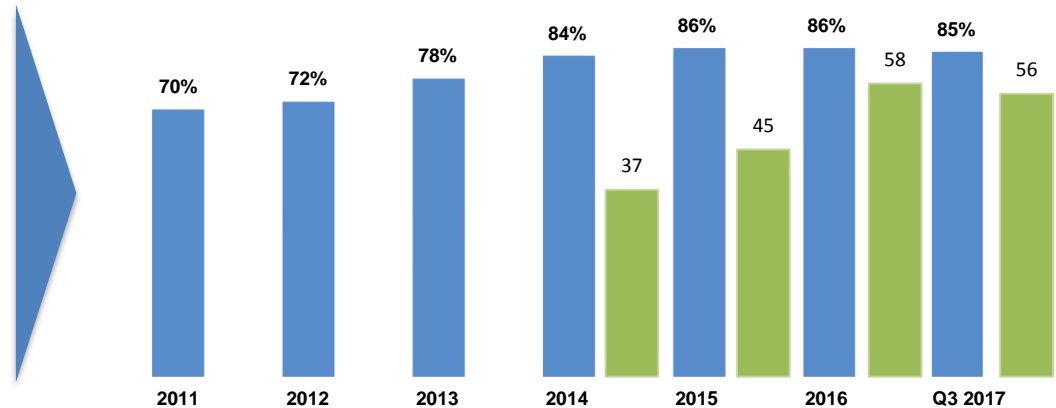
# What We've Achieved in Customer Service

## 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

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

## World Class Customer Service



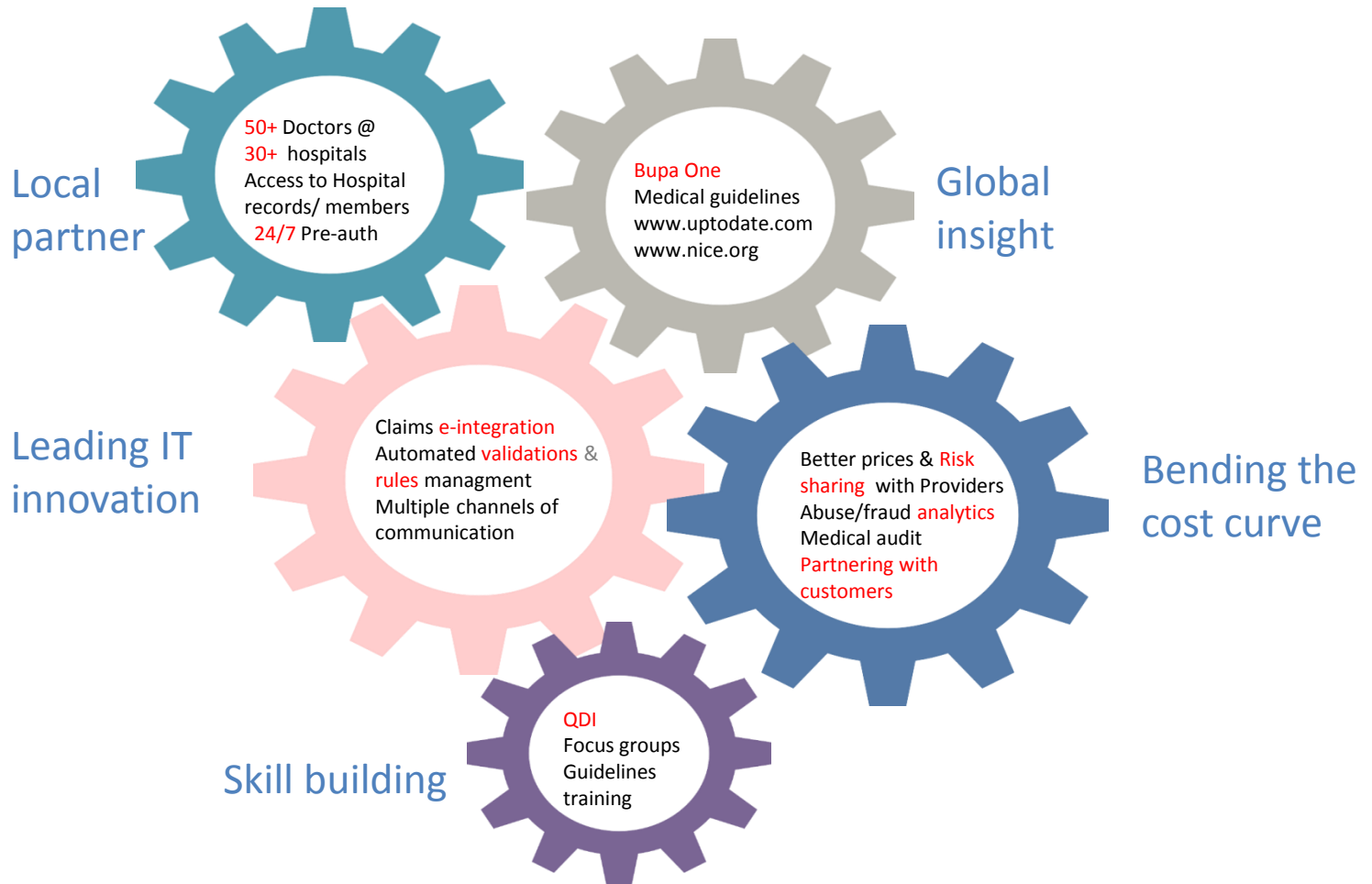
- We transformed our call centre into a medical call centre by embedding doctors and nurses
- We have the best customer care and VIP unit handling end to end issue resolution
- We have our own command centre to monitor the customer in-hospital experience live

## 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

# Superior Claims Management - Capabilities



# 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



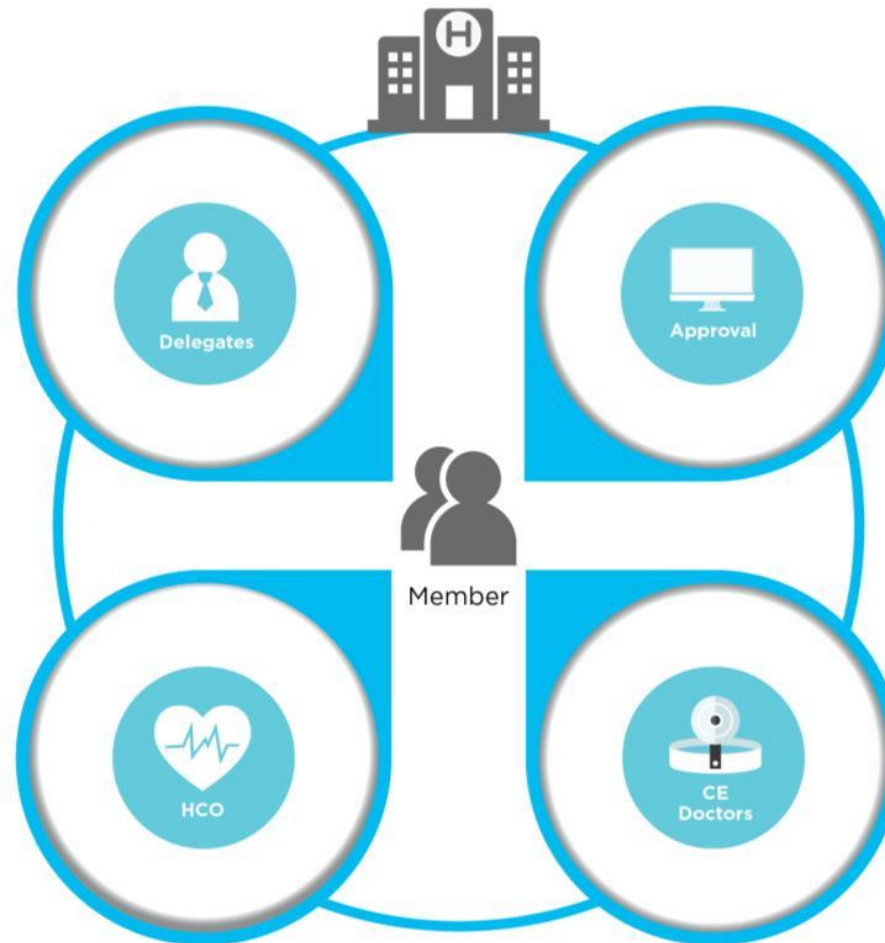
رعاية الطفل  
Child Care

# Rahatkom (Point of Care)

## Own the Customer Experience at Rahatkom

Stationed and roving delegates offering proactive help to members

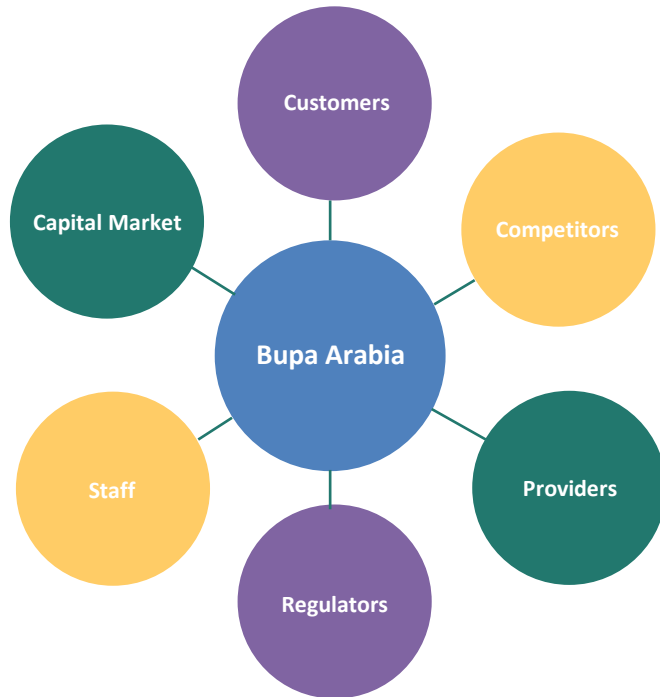
HCO Female Doctor providing onsite coaching especially for hospitalized members and those waiting for their appointments



Onsite PA staff ensures quick request approvals

Roving Bupa Doctors also ensures quality and policy adherence

# 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
- Enhancing Saudization rate as required by the regulator





THANK YOU

**Bupa Arabia**

Business Advisory & Investor Relations

**Tel: +966 920 000 456 Ext: 5414**

[ba.bair@bupa.com.sa](mailto:ba.bair@bupa.com.sa)

[www.bupa.com.sa](http://www.bupa.com.sa)