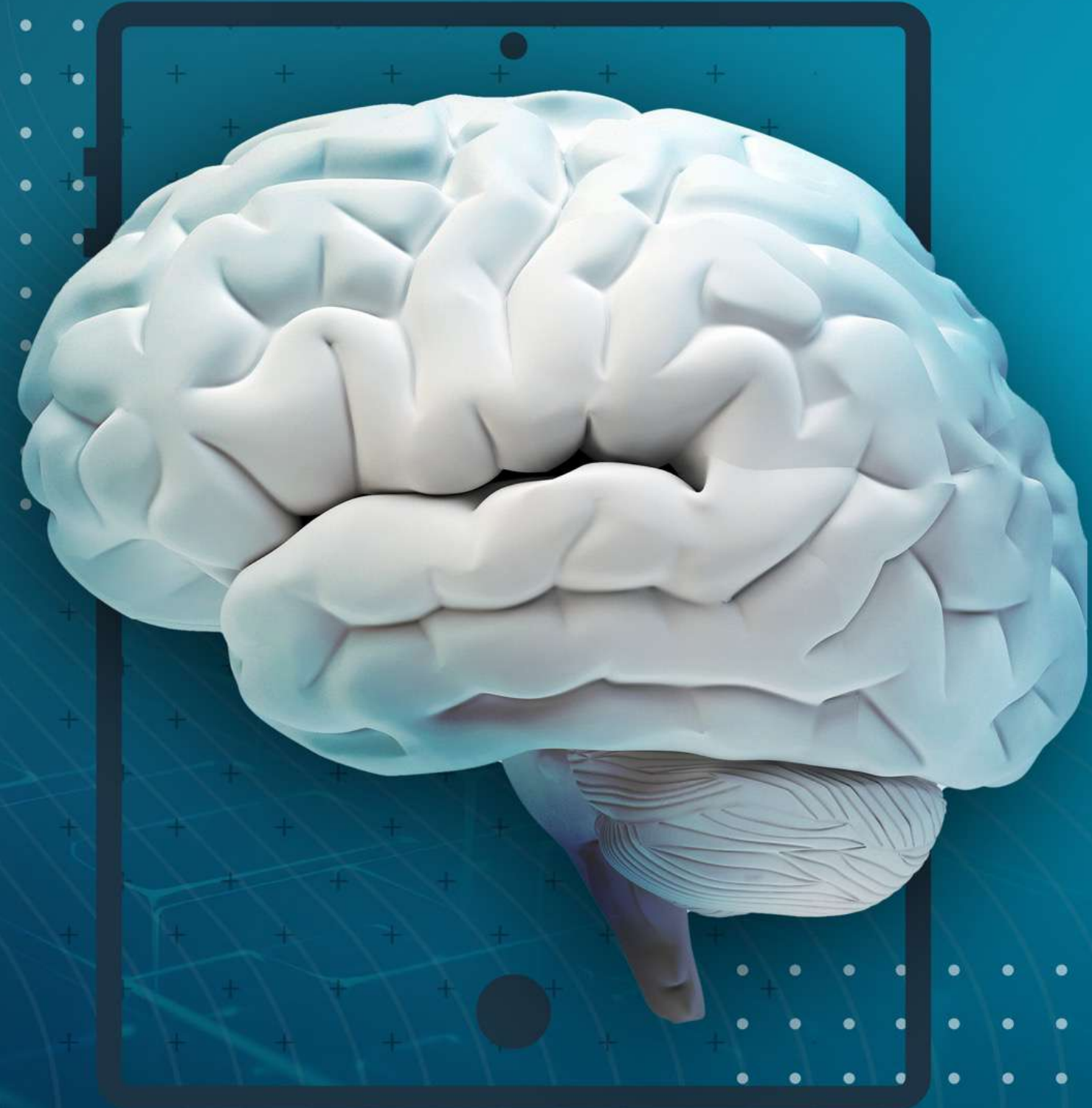


# Netcare Limited

Summarised Audited Group Results  
for the year ended 30 September 2023





# Netcare's unique ecosystem of assets and services



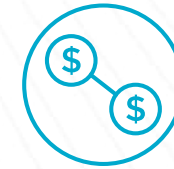
# Robust financial performance and excellent traction on strategic projects



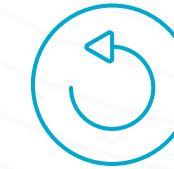
Solid performance driven by ongoing recovery in activity off a largely organic base



Strong operating leverage supported by improved occupancies and efficiencies



Maintained strong balance sheet and cash generation, with cash conversion of 100.5%



Returned R1.1bn to shareholders in dividends and share buybacks



Strategic projects on track with tangible benefits and savings realised



Concluded Power Purchasing Agreement in line with environmental sustainability strategy



Rollout of Electronic Medical Records nearing completion, with gross financial benefits of R104m in FY 2023, exceeding expectations





# Robust financial performance



Revenue	EBITDA <sup>1</sup>	EBITDA margin <sup>2</sup>	Adjusted HEPS	Total dividends	Net debt / EBITDA
R23 699m ▲ 9.5%	R4 115m ▲ 17.7%	19.0% ▲ 150 bps	105.7 cents ▲ 27.0%	65.0 cents ▲ 30.0%	1.2x FY 2022: 1.4x

<sup>1</sup> Normalised to exclude exceptional items comprising property impairments in FY 2022 and FY 2023, and corporate tax rate change in FY 2022

<sup>2</sup> Excluding strategic costs and generator diesel costs



# Operational Overview

01

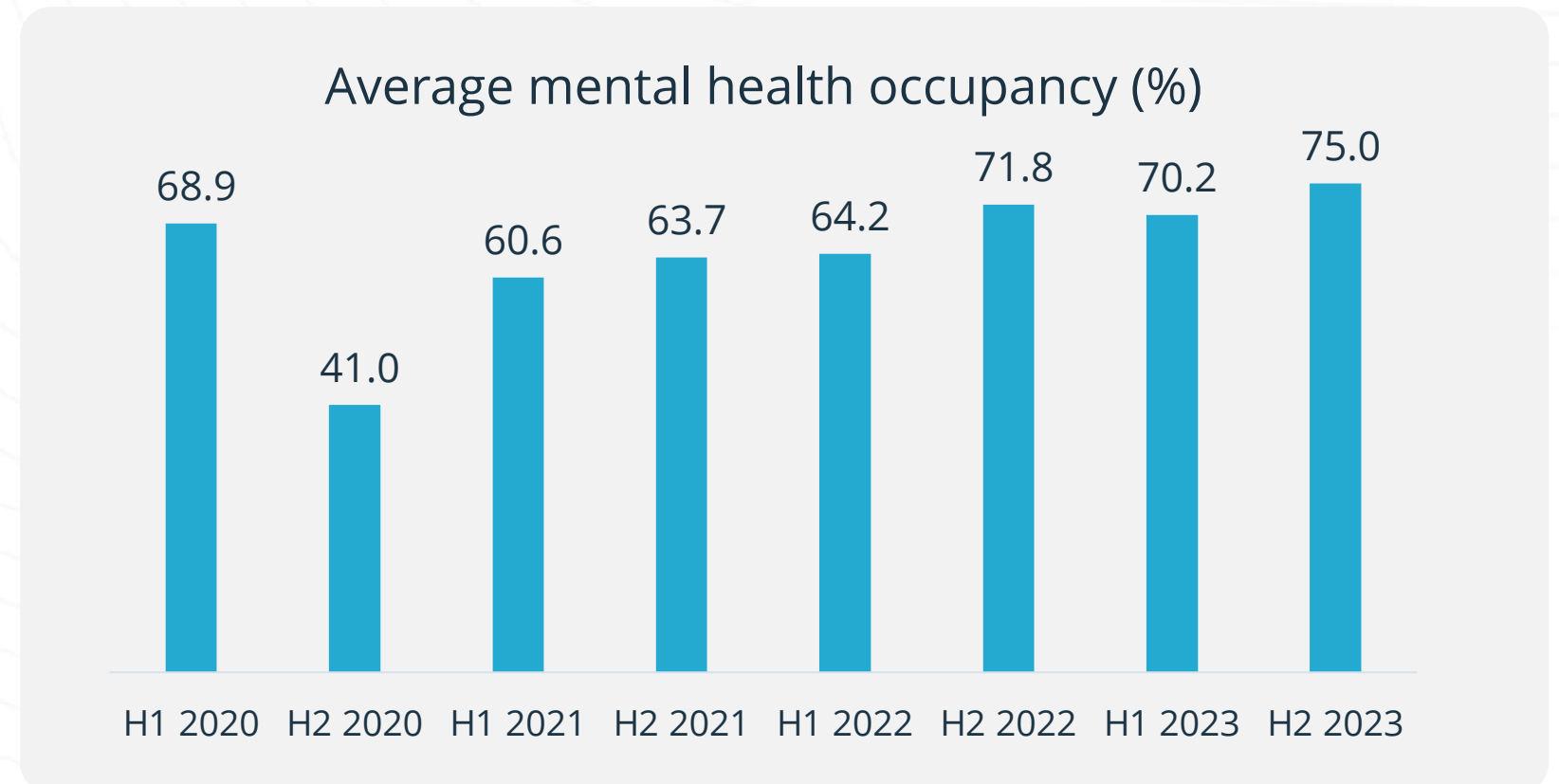
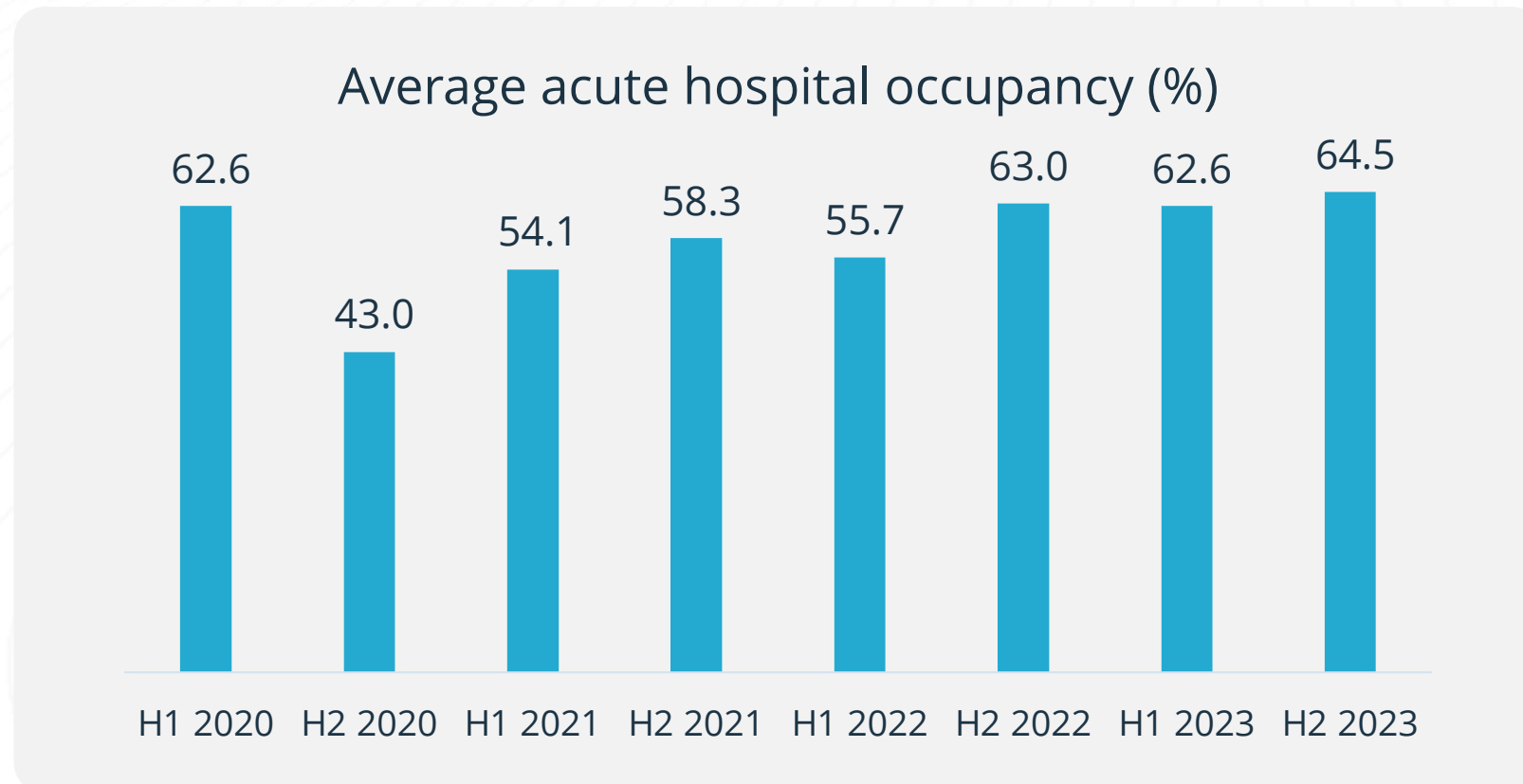


# Hospital and emergency services

Strong improvement in key activity drivers

Paid patient days		
Total <sup>1</sup>	Acute hospitals <sup>2</sup>	Mental health
2 447 494 ▲ 6.7%	2 193 598 ▲ 6.1%	253 896 ▲ 12.7%

Full week occupancy <sup>3</sup>		
Total	Acute hospitals <sup>2</sup>	Mental health
64.4% FY 2022: 60.1%	63.5% FY 2022: 59.3%	72.7% FY 2022: 68.1%



<sup>1</sup> FY 2022 paid patient days: Total – 2 293 344; Acute – 2 068 040; Mental health – 225 304

<sup>2</sup> Excluding Nectcare Bougainville and Nectcare Ceres hospitals which were closed in the previous year

<sup>3</sup> Occupancy measured on beds in use



# Hospital and emergency services



Rm	FY 2023	FY 2022	%
Revenue	23 050	21 024	9.6
EBITDA <sup>1</sup>	3 947	3 333	18.4
Operating profit <sup>1</sup>	2 759	2 221	24.2
EBITDA margin (%)	17.1	15.9	
Operating profit margin (%)	12.0	10.6	

## Revenue

Solid paid patient day growth notwithstanding changes in Designated Service Provider networks

▲ 2.9% acute hospital revenue per paid patient day (H1 2023: 0.7%; H2 2023: 4.9%)

Increase in acute length of stay to 4.4 days (FY 2022: 4.3 days) driven by higher complexity in cases

## EBITDA margin

Expansion from increasing occupancies, efficiencies and stringent cost management

18.7% EBITDA margin (FY 2022: 17.2%) excluding strategic costs of R253m (FY 2022: R245m) and generator diesel costs of R117m (FY 2022: R36m)

## Accreditation and growth in clinicians

Netcare CBMH<sup>2</sup> awarded Level One trauma accreditation, one of only four hospitals in SA alongside Netcare Milpark, Alberton and St Anne's hospitals

124 new specialists (net) granted admitting privileges in acute and mental healthcare facilities

<sup>1</sup> Normalised to exclude exceptional items

<sup>2</sup> Christiaan Barnard Memorial Hospital

# Primary Care



Rm	FY 2023	FY 2022	%
Revenue	663	634	4.6
EBITDA <sup>1</sup>	168	163	3.1
Operating profit <sup>1</sup>	82	72	13.9
EBITDA margin (%)	25.3	25.7	
Operating profit margin (%)	12.4	11.4	

## Revenue

▼ 3.1% medical and dental patient visits  
(1 614 167 patient visits)

FY 2022 base boosted by higher visits during Omicron-driven fourth wave

## Margin

R2m capital profit on sale of property

R7m generator diesel costs

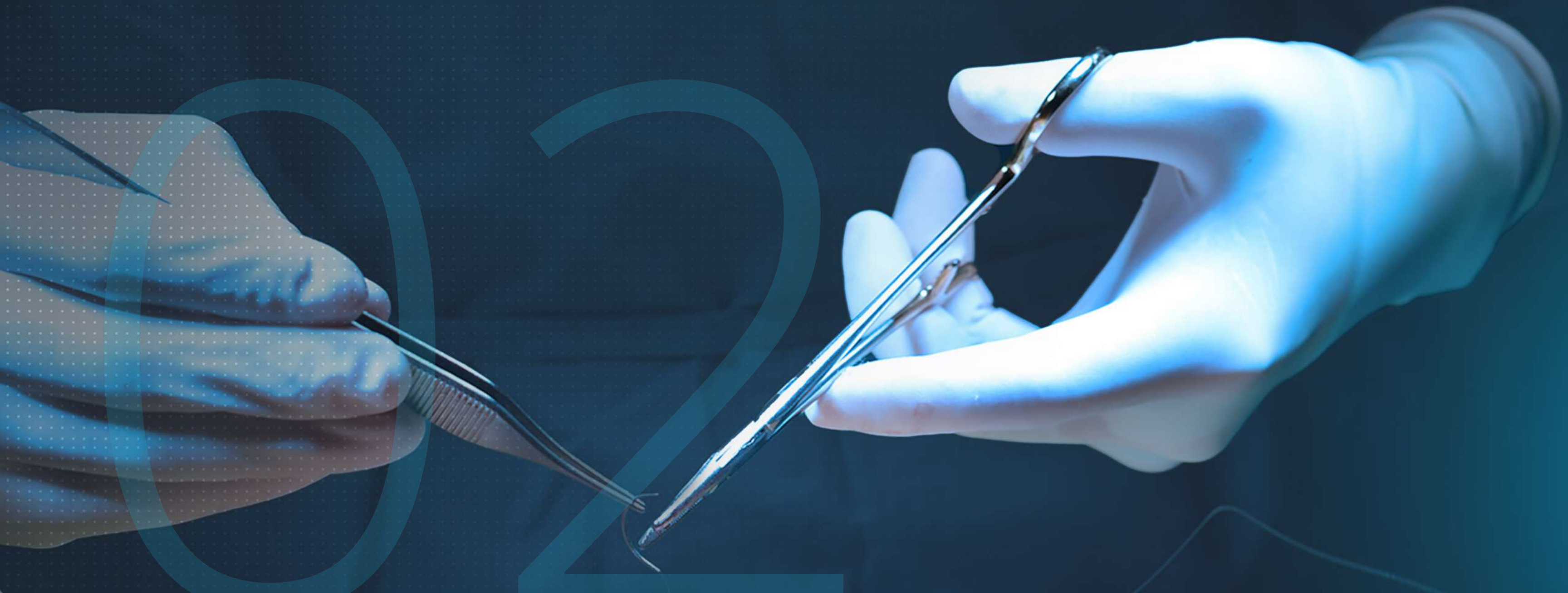
EBITDA margin of 26.1% (FY 2022: 25.9%)  
excluding capital profit and generator diesel costs



<sup>1</sup> Normalised to exclude exceptional items



# Financial review





# Group financial overview

Improved financial performance, solid financial position and strong cash generation



Continuing growth trend from normalisation of operating environment and resilient demand for private healthcare services



Maintained strong statement of financial position and improved ROIC to 10.8%



Increased occupancy levels and tight cost control in high inflationary environment delivered excellent operating leverage



Robust cash generation with 100.5% cash conversion and net debt/EBITDA of 1.2x

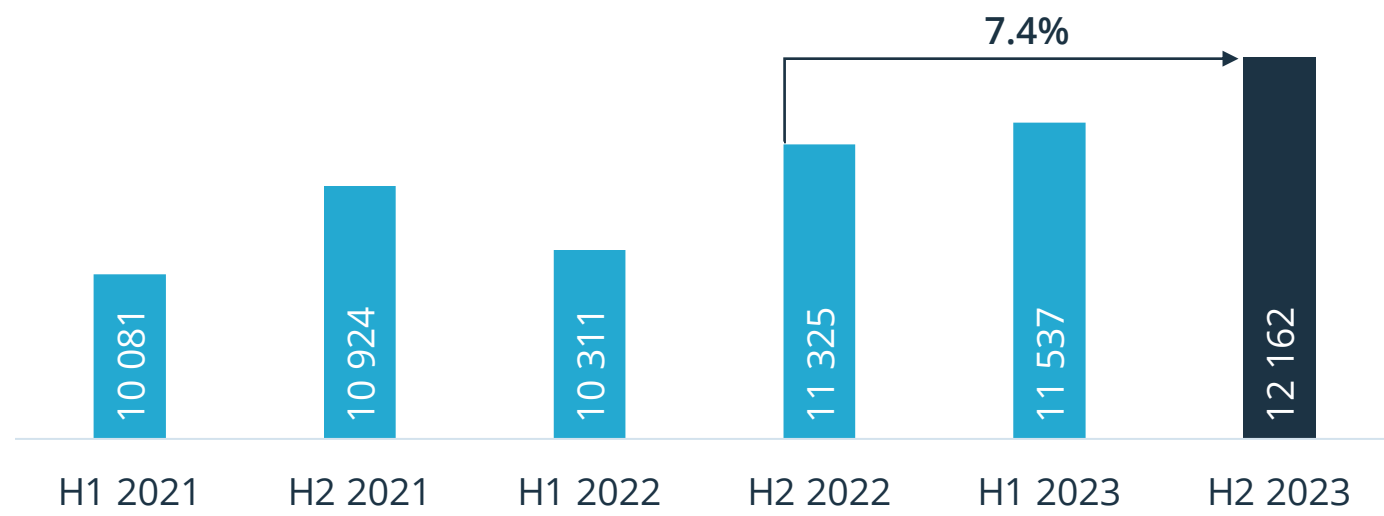




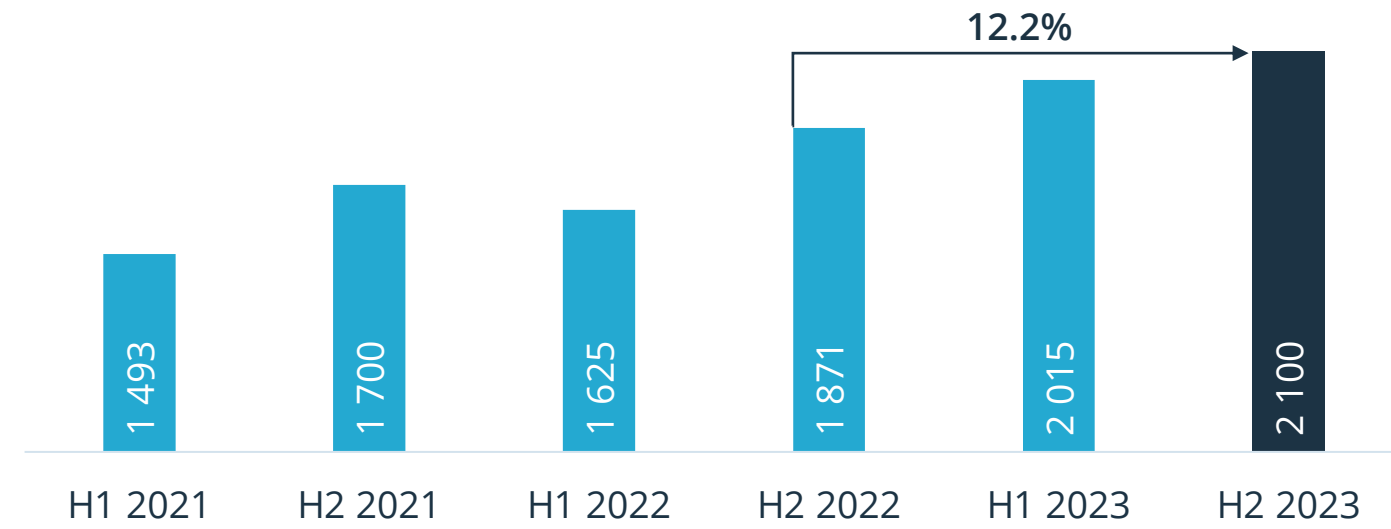
# Ongoing recovery as post COVID-19 operating environment normalises



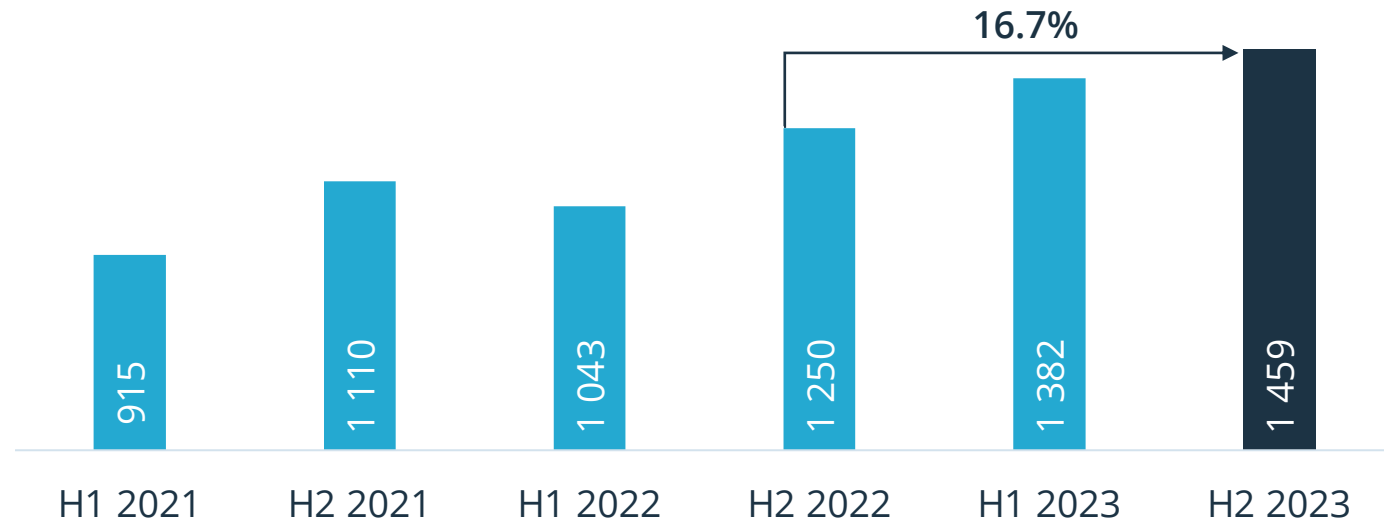
### Revenue (Rm)



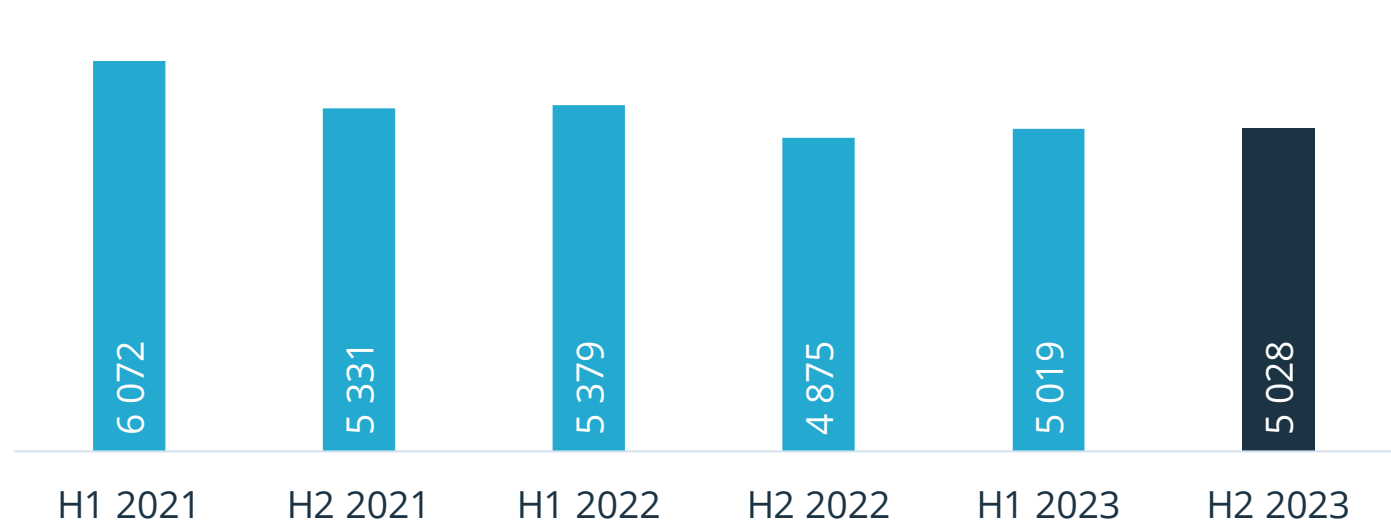
### EBITDA (Rm)



### Operating profit (Rm)



### Net debt (Rm)



# Summarised Group statement of profit or loss



Rm	FY 2023	FY 2022	%
Revenue	23 699	21 636	9.5
EBITDA <sup>1</sup>	4 115	3 496	17.7
Operating profit <sup>1</sup>	2 841	2 293	23.9
Other net financial expenses	(464)	(358)	
Interest on lease liabilities	(454)	(411)	
Earnings of associates and JVs	40	21	
Impairment: Long-term interests and investment in associates	(31)		
Profit before taxation <sup>1</sup>	1 932	1 545	25.0
Taxation <sup>1</sup>	(504)	(460)	
Profit after taxation <sup>1</sup>	1 428	1 085	31.6
Exceptional items:			
Impairment of properties	(125)	(11)	
Corporate tax rate change		(24)	
Taxation on exceptional items	33		
Profit for the year	1 336	1 050	27.2

▲ 120 basis points in EBITDA margin to 17.4% from 16.2%

Strategic costs of R258m (FY 2022: R249m)

Generator diesel costs of R124m (FY 2022: R37m)

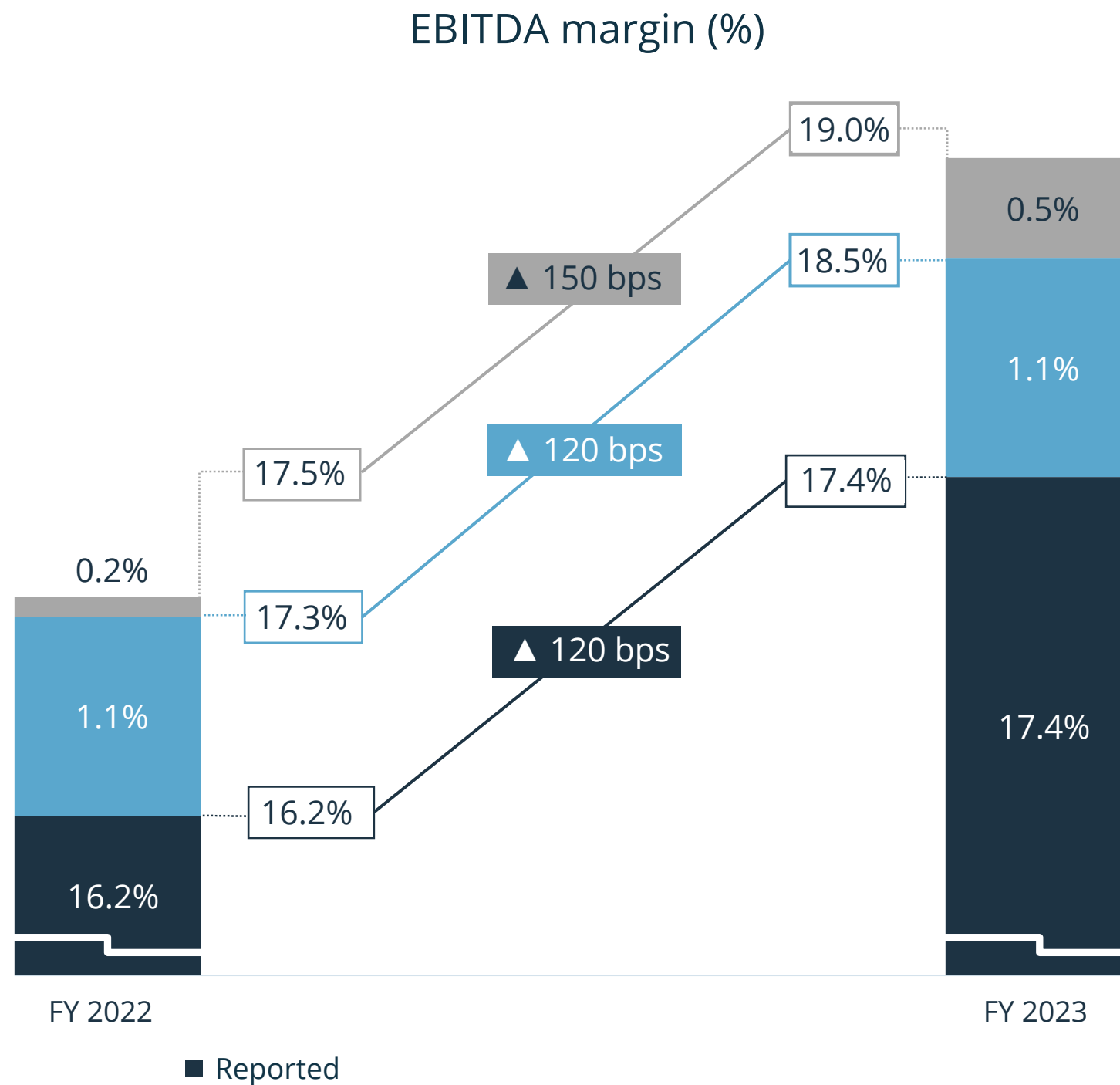
Increased financial expenses reflective of higher cost of debt

Lower effective tax rate of 26.1% (FY 2022: 29.8%) attributable to change in statutory tax rate and partial utilisation of tax losses within the Group

<sup>1</sup> Normalised to exclude impact of exceptional items



# Analysis of underlying EBITDA margin<sup>1</sup>



Reported EBITDA margin grew by 120 basis points from 16.2% to 17.4%

Strategic costs of R258m (FY 2022: R249m) equate to 1.1% (FY 2022: 1.1%) impact on EBITDA margin

Underlying EBITDA margin before strategic costs grew by 120 basis points from 17.3% to 18.5%

Generator diesel costs of R124m (FY 2022: R37m) equate to 0.5% (FY 2022: 0.2%) impact on EBITDA margin

Underlying EBITDA margin before strategic and generator diesel costs grew by 150 basis points from 17.5% to 19.0%

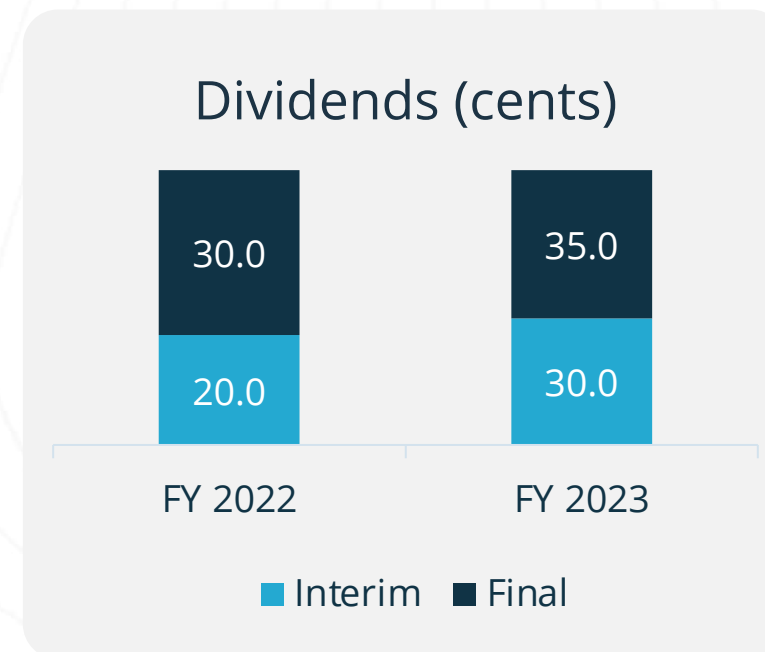
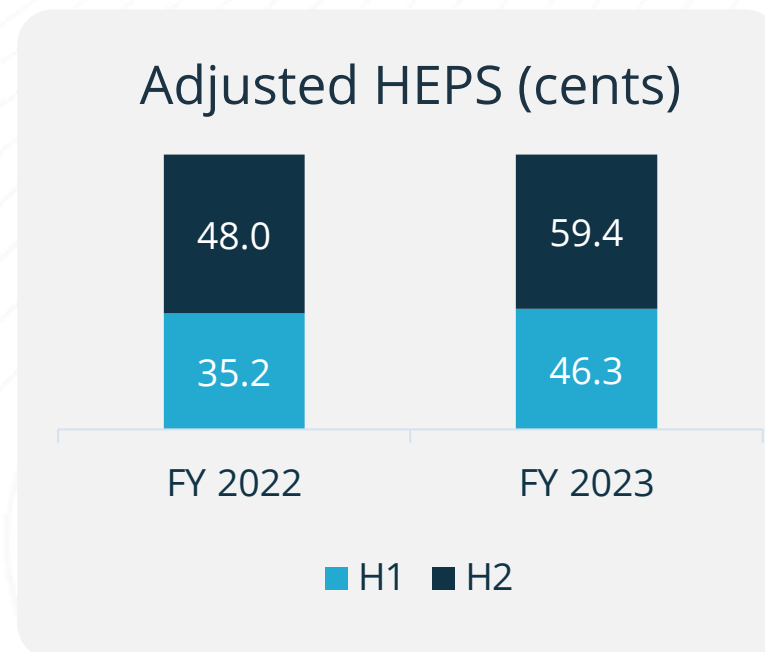
<sup>1</sup> Normalised to exclude impact of exceptional items

# Headline earnings per share (HEPS), dividends and share buybacks



Cents per share	FY 2023	FY 2022	%
HEPS	101.0	74.0	36.5
Adjusted HEPS	105.7	83.2	27.0
Total dividends	65.0	50.0	30.0
Dividend as % of adjusted HEPS	61.5	60.1	

Share buybacks	FY 2023	H1 2024	Total
Number of shares (millions)	24.4	9.3	33.7
Average market price (cents)	1 311	1 319	1 313
Total cost (Rm)	321	123	444



Funds returned to shareholders (FY 2023)	Rm
FY 2022 final ordinary dividend	402
FY 2023 interim ordinary dividend	406
Share buybacks – FY 2023	321
<b>Total</b>	<b>1 129</b>
FY 2023 final ordinary dividend <sup>1</sup>	463
Share buybacks – post FY 2023	123

<sup>1</sup> Payable 29 January 2024



# Summarised Group statement of financial position



Rm	30 Sep 2023	30 Sep 2022
<b>Assets</b>		
PPE <sup>1</sup> , goodwill and intangible assets	15 760	15 312
Right of use assets	4 073	3 770
Other non-current assets	1 542	1 750
Current assets	4 149	3 939
Cash and cash equivalents	2 279	1 499
<b>Total assets</b>	<b>27 803</b>	<b>26 270</b>
<b>Equity and liabilities</b>		
Total shareholders' equity	11 041	10 944
Borrowings	7 307	6 374
Lease liabilities	4 992	4 488
Other liabilities	4 463	4 464
<b>Total equity and liabilities</b>	<b>27 803</b>	<b>26 270</b>

## Our policy

Netcare's policy on capital structure is to maintain a strong statement of financial position and to retain an investment grade credit rating while reducing the cost of capital with a safe level of debt

## PPE<sup>1</sup>, goodwill and intangible assets

- Capex of R1 507m (FY 2022: R1 396m)
- Expansion R136m (FY 2022: R369m)
- Replacement R1 371m (FY 2022: R1 027m)

## ROIC

Steady improvement to 10.8%  
(FY 2022: 8.8%: FY 2021: 7.9%)

<sup>1</sup> Property, plant and equipment

# Debt position

Comfortable leverage and strong cash generation

Rm	30 Sep 2023	30 Sep 2022
Gross debt <sup>1</sup>	7 307	6 374
Cash	(2 279)	(1 499)
<b>Net debt</b>	<b>5 028</b>	<b>4 875</b>
Net debt to EBITDA <sup>2</sup> (times):		
Bank debt only	1.2	1.4
Bank debt and IFRS 16 lease liabilities	2.4	2.7
Cost of debt (%)		
	8.9	7.7
EBITDA <sup>2</sup> / net interest (times)		
	4.5	4.5
Interest cover <sup>2</sup> (times)		
	3.1	3.0

<sup>1</sup> Excluding IFRS 16 lease liabilities

<sup>2</sup> Normalised to exclude impact of exceptional items

<sup>3</sup> Measured on pre IFRS 16 basis

## Interest environment

- South African interest rates currently at 14-year high
- 45.4% of gross debt at fixed rates

## GCR credit rating retained

- Long term AA-
- Short term A1+

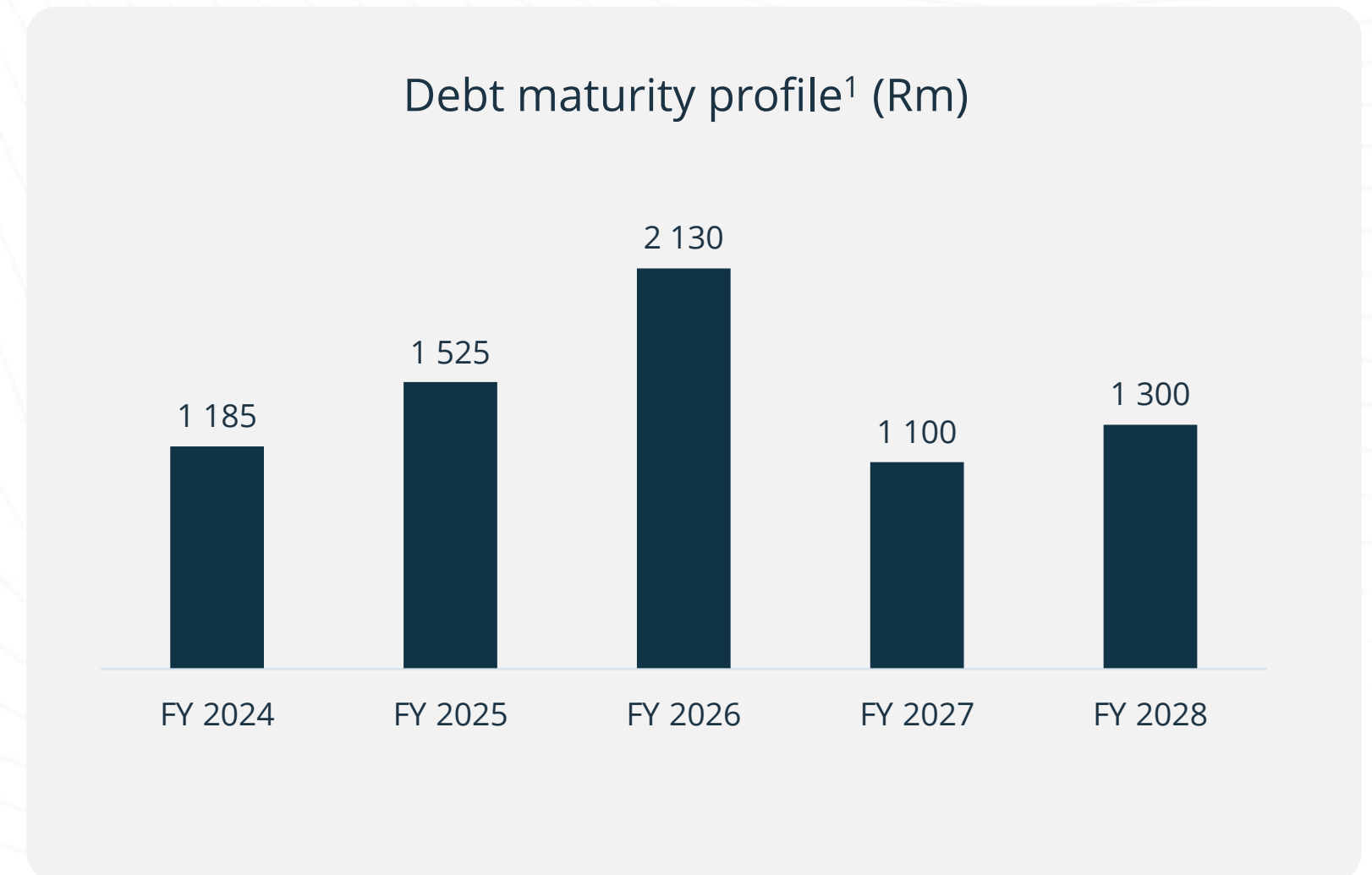
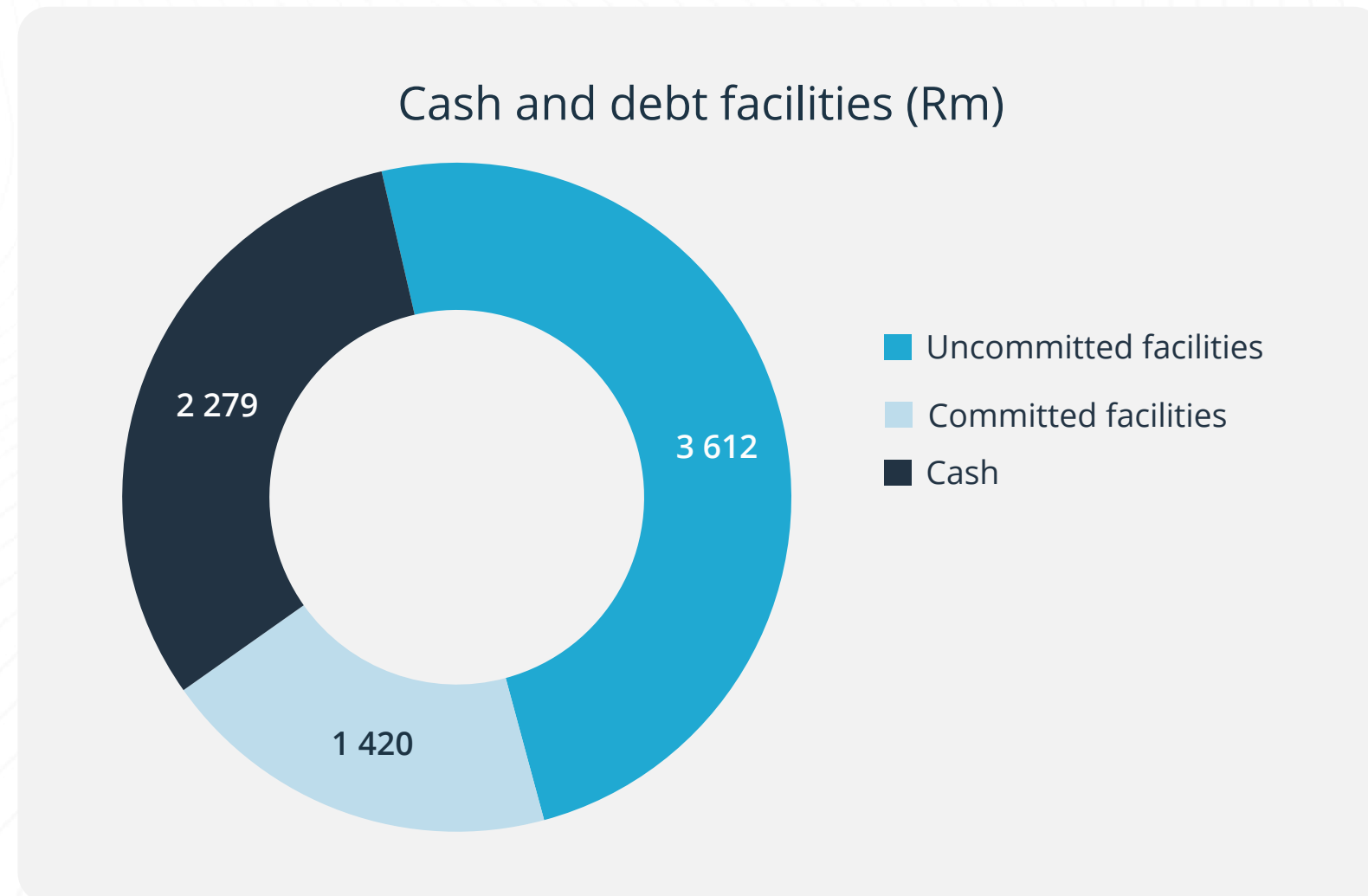
## Compliant with banking covenants<sup>3</sup>

- Net debt to EBITDA < 2.75x ✓
- EBITDA / net interest > 4.0 ✓



# Debt facilities

Access to R3.7bn cash and committed facilities with manageable maturity profile



<sup>1</sup> Promissory notes, commercial paper and bank loans

Strategic update

Q3





# Strategic update



Netcare's strategy responds decisively to the three global healthcare megatrends ...

- 01 Customer centricity
- 02 Digitisation
- 03 Data



... and leverages off our unique ecosystem of assets and services ...



... to create sustainable competitive advantage for the Group

Person centred health and care, that is digitally enabled and data driven

# Principles of capital allocation

Netcare remains prudent in managing its capital resources



## Investment strategy

Identifying opportunities linked to Group strategy

All opportunities must meet one or more criteria of the Netcare Litmus test:

- Growing above the market
- Differentiating the services we offer
- Growing margins and improving returns



## Deployment of capital

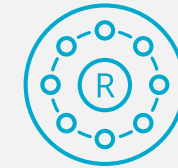
Return on capital must safely exceed the cost of capital

- Phase One of environmental strategy: successfully completed with IRR of 40%
- Digitisation of business: CareOn projected IRR >21%

Investment in business enablers

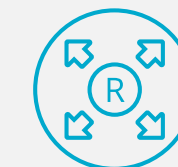
Maintain and upgrade operations: Maintenance capex at  $\pm 4.5\%$  of revenue going forward

Netcare Akeso pipeline of 164 new beds



## Cash generation

Target annual cash conversion ratio of 100%



## Capital distribution

Dividend policy aims to return 50% - 70% of adjusted headline earnings to shareholders

In the absence of investment opportunities, excess capital will be returned to shareholders through share buybacks or special dividends



# Investment in key strategic projects in line with budget and timeframes



Declining FY 2024 expenditure as strategic projects move to completion

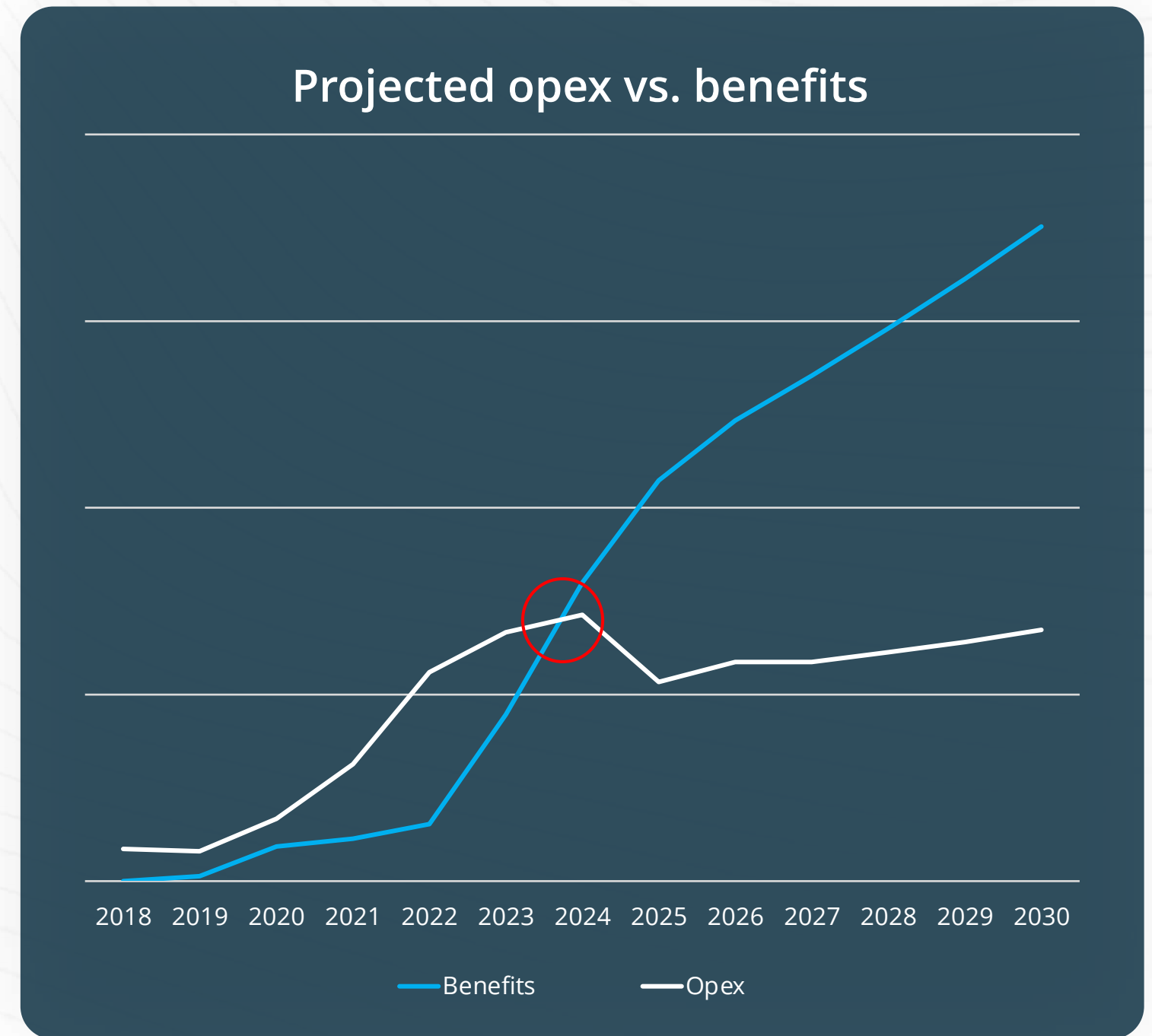
	Capex			Opex		
	To FY 2022	FY 2023	FY 2024	To FY 2022	FY 2023	FY 2024
<b>Digital platforms</b>						
• CareOn (acute hospitals)	199	82	40	183	108	57
• EMR: Netcare Akeso, Primary care, Netcare 911, Occupational health	29	9		4	5	
• Wi-Fi infrastructure	78					
<b>Data analytics</b>						
• Azure Cloud, ongoing analytics				127	48	
<b>Patient facing engagement</b>						
• Customer engagement management, website, App		33		83	9	
<b>New business</b>						
• NetcarePlus	4		6	121	64	59
<b>Environmental sustainability</b>						
• Energy, water and waste	585	39	77	99	24	16
<b>Total</b>	<b>895</b>	<b>163</b>	<b>123</b>	<b>617</b>	<b>258</b>	<b>132</b>

Forecast opex costs for FY 2025 of ± R60m

# Quantifying the costs and benefits of CareOn



	Rm
Roll out capex to April 2024	321
Implementation opex to April 2024	348
<b>Benefits realised (gross)</b>	
FY 2022	37
FY 2023	104
<b>IRR</b>	<b>&gt;21%</b>





# Overview of our digitisation journey

## Building the business case

The common view in 2017 was that most IT projects cost three times more than originally budgeted, took twice as long to complete and produced a fraction of the benefits

Given the size and scale, the significant costs involved and the risks to execution, we needed to demonstrate financial benefits in terms of returns or efficiencies

We began scouring the world for organisations that could demonstrate significant efficiencies from digitisation

There was no real business case for a healthcare company that could demonstrate tangible benefits as a result of efficiencies



# And so we built our own business case

## Quantifiable benefits



### Nursing

Managing records consumes a large part of nursing duties

CareOn removes duplication and repetitive tasks and automatically records clinical data from monitors in ICU and High Care



### Medical liability

Significant increase in medical malpractice premiums across the sector

Expect to arrest this increase and achieve  $\pm 50\%$  reduction in overall medicolegal costs



### Printing and stationery

Baseline spend of R60m p.a.

Expect cumulative reduction of at least 20% over 10 years



### File storage

Baseline spend of R12m p.a.

Forecast cumulative reduction of at least 50% over 10 years

Eventually eliminate need for physical storage



### Administration

Automation of administration eliminating manual paper-based processes

## Non-quantifiable benefits



### Nursing benefits

Allows nurses to spend more time managing patients rather than records



### Consistency of Care

Improvements in quality and perception of care, clinical efficiency and patient safety



### Pharmacy and medication benefits

Enhanced safety and elimination of dispensing errors



### Clinician benefits

Access to real-time clinical data 24/7

Improved clinical outcomes



# Our global partners in delivering our strategy



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**Deutsche Telekom (Clinical Solutions):**  
Electronic medical records



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**Apple:**  
iOS mobile operating platform



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**Capsule Technologies:**  
Digital integration of all medical equipment and devices (originally called Qualcomm)



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**IBM Watson Health**  
**Micromedix:**  
Drug interaction, dosage and safety information (name changed to Merative)



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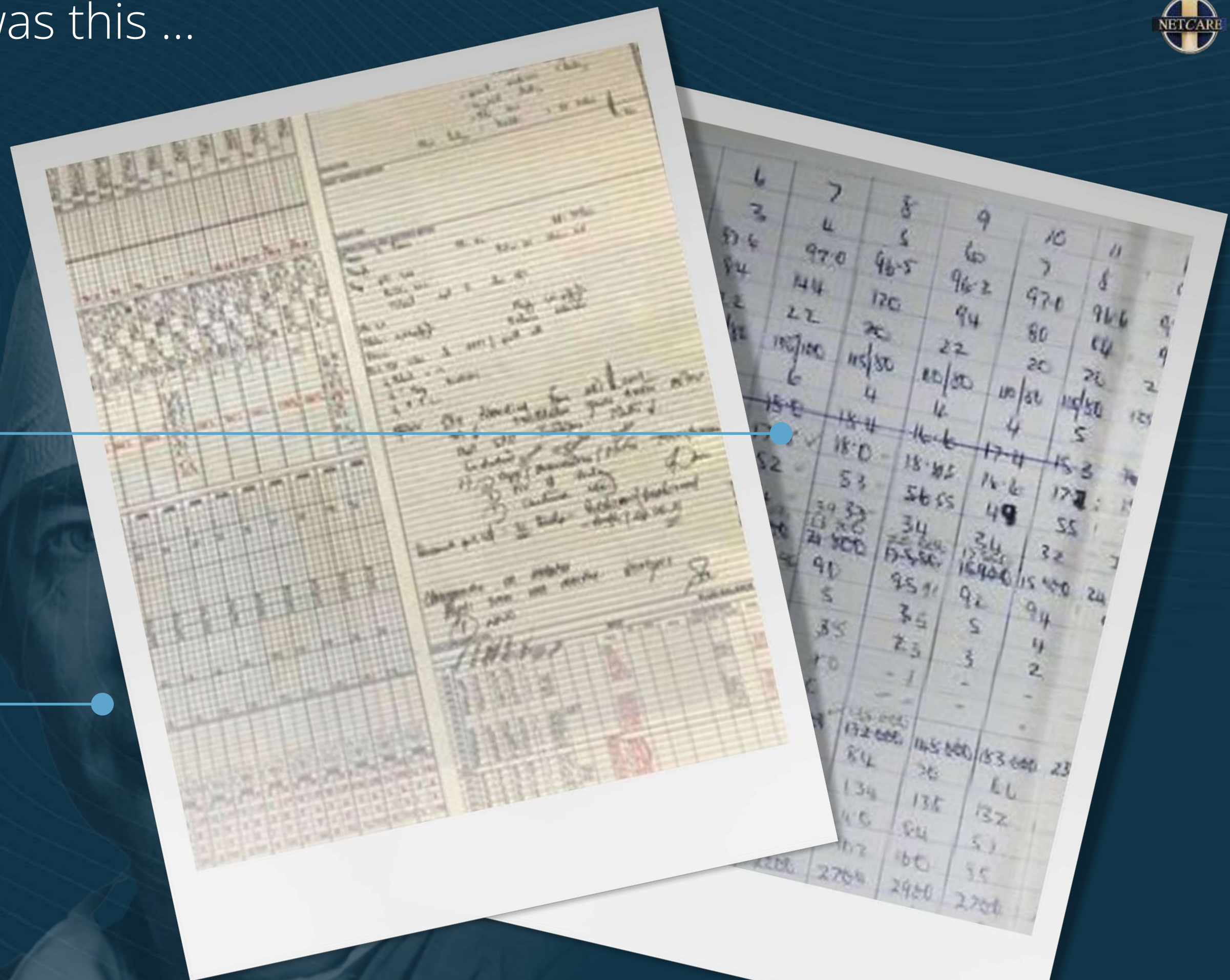
**SAP:**  
Finance, administration, billing, procurement and materials management



The challenge we faced was this ...

ICU chart for the first heart transplant patient - 1967

Patient ICU chart at Netcare Milpark Hospital - 2018

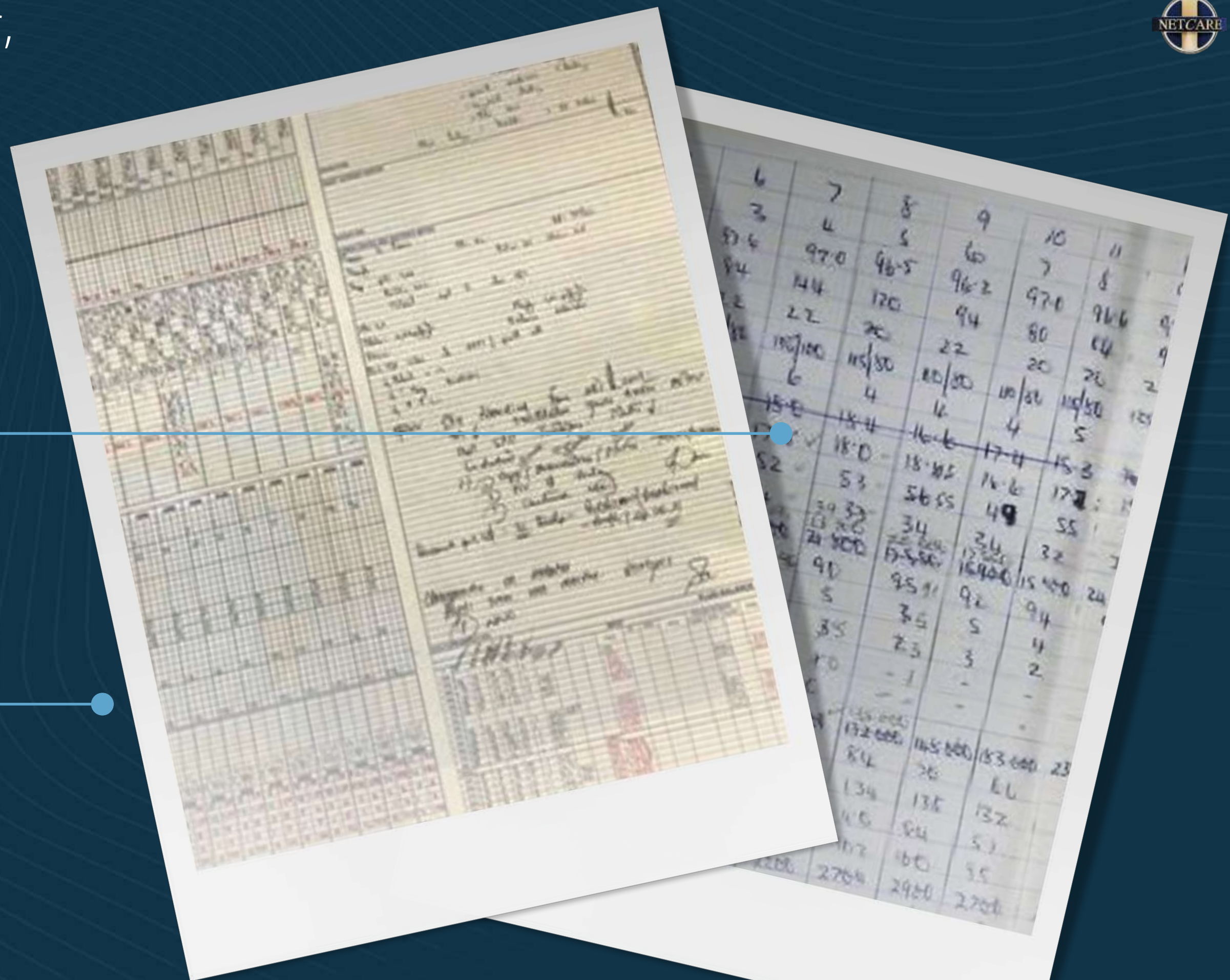




More than 50 years later,  
despite huge advances  
in medicine and surgery,  
very little had changed  
in our record keeping

ICU chart for the first heart  
transplant patient - 1967

Patient ICU chart at Netcare  
Milpark Hospital - 2018





# The task was enormous

Moving from being totally paper-based and manual to being fully digitised and mobile

2018



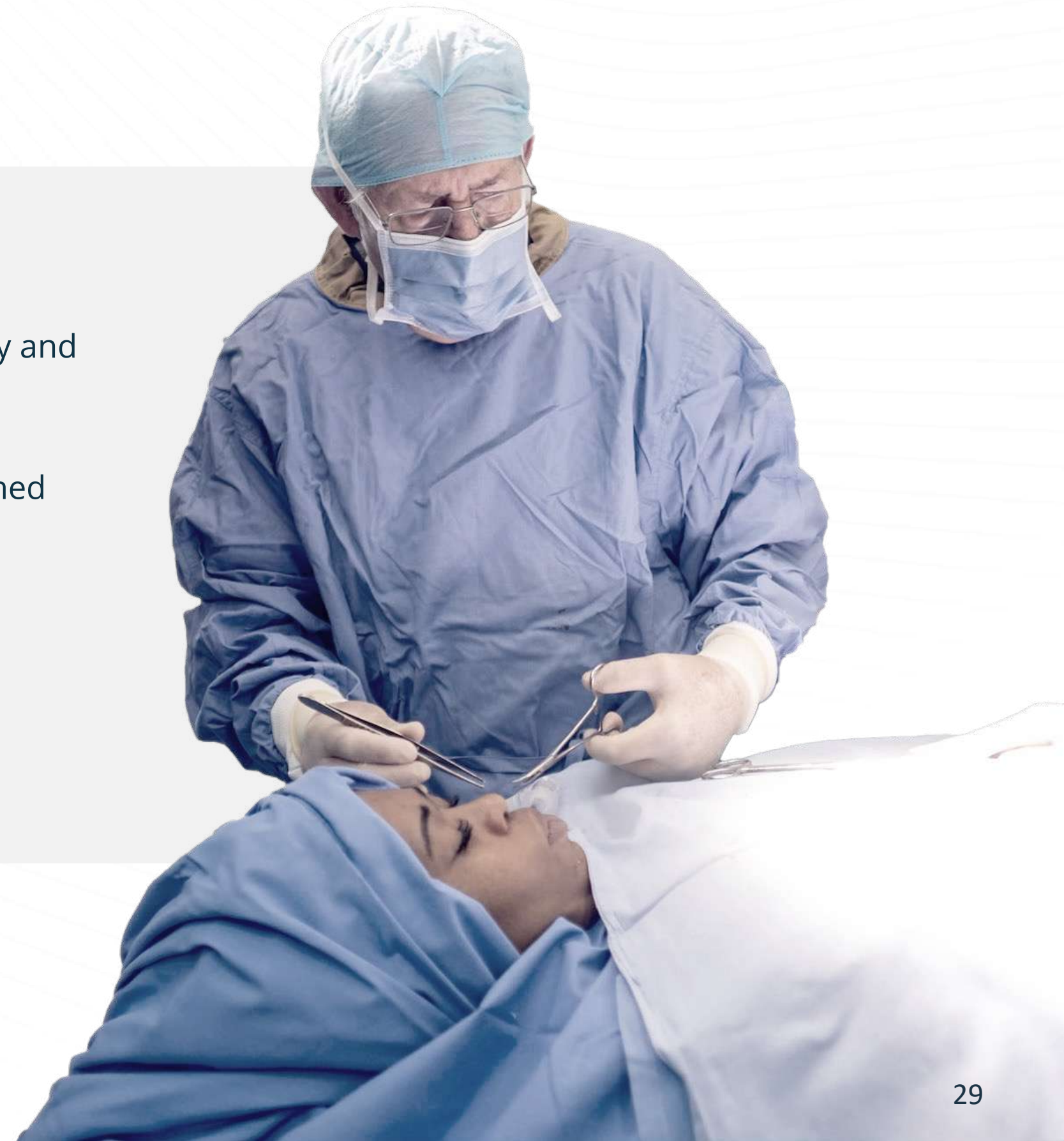
2023





# Change management and adoption of electronic medical records was our greatest risk

- This programme was the highest risk project ever undertaken in Netcare
- We had to fully integrate all our equipment and seamlessly link all radiology and pathology requests and reports into the EMR
- With more than 12 000 iPads in circulation on completion, we were concerned that iPads would go missing or be stolen
- But by far the most significant risk was, and remains, adoption by our healthcare workers
- At first we thought the greatest challenge would be our nurses ...



# Change management and adoption of electronic medical records was our greatest risk

Many of our nurses had not used computers regularly, so we started with the very basics, using Candy Crush to familiarise them with the technology

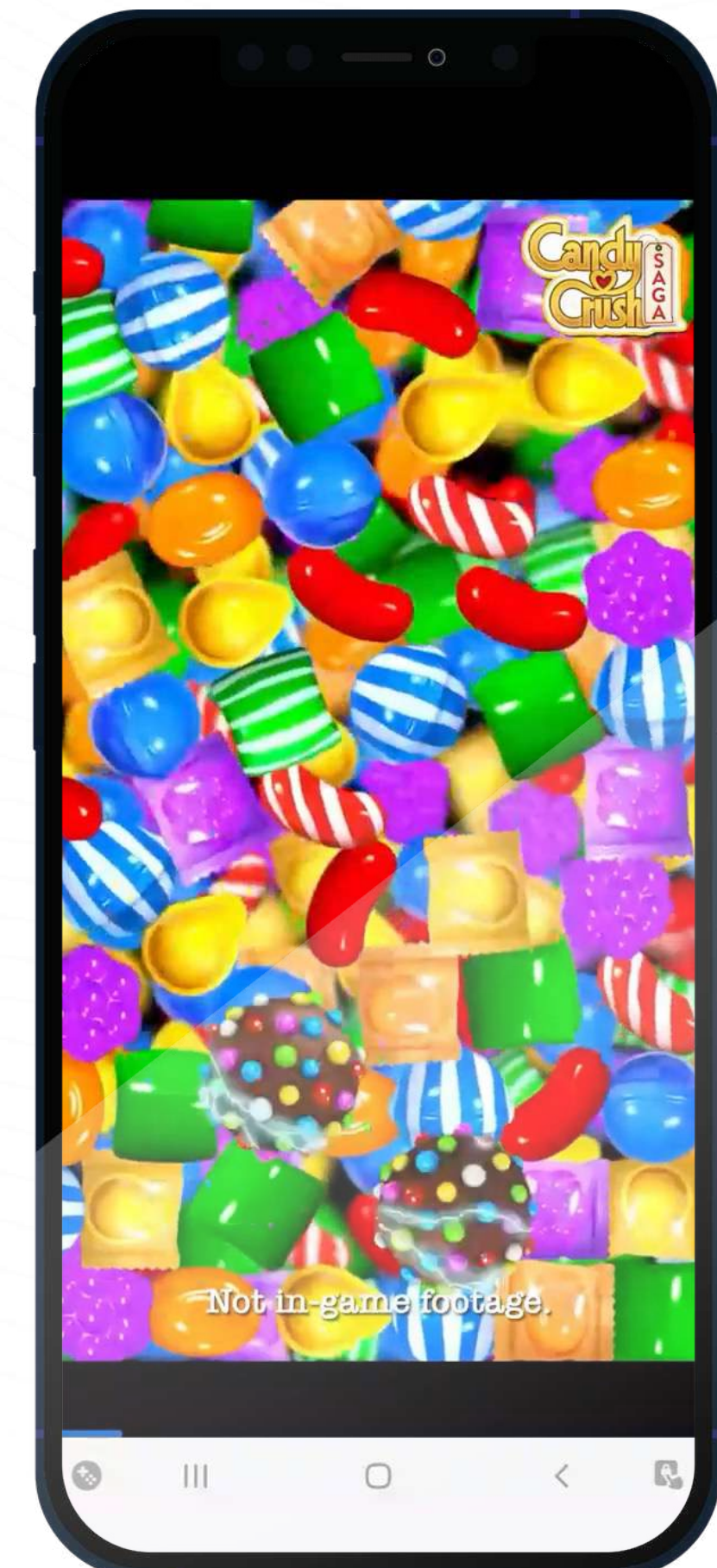
Nurses have embraced this digital revolution with passion and commitment

During our first pilot at Netcare Milpark Hospital, a nursing sister said with pride:

**“ Richard, I am 54 years old and this is the first computer or iPad I have ever had!”**

Although doctor adoption was initially challenging, the EMR has been widely embraced

Specific metrics are used to track adoption and mitigate challenges and problems should they arise





Our nurses have fully embraced using the CareOn platform





# Netcare's electronic medical record system





# Netcare's electronic medical record system

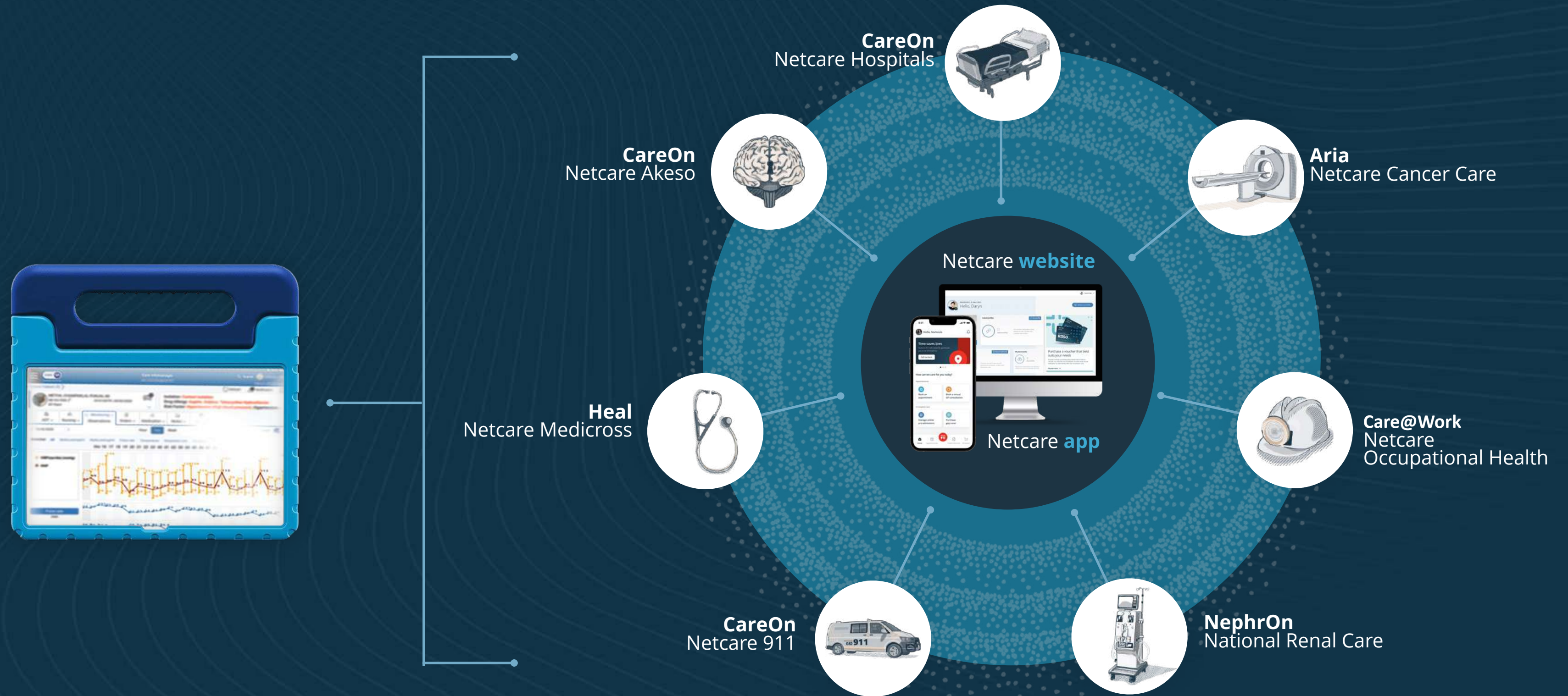


	H1 2023	Current
Hospitals digitised	30	38
Beds	6 722	8 645
Medical devices connected	>9 500	>13 000
iPads in use	>7 900	>11 250
Active users <sup>1</sup>	19 024	28 516
Concurrent live users of EMR	>2 600	>4 100
Electronic scripts processed	>2.1m	>4.1m
Drug to drug alerts issued	>2.0m	>2.3m
Pathology and radiology results received	>2.1m	>5.8m
Clinical data generated per day	19 GB	28 GB

<sup>1</sup> Doctors, nurses, allied health professionals, pharmacists and administration personnel



# Digitisation of electronic medical records largely complete<sup>1</sup> across our seven delivery platforms



<sup>1</sup> Final seven hospitals to be completed by April 2024

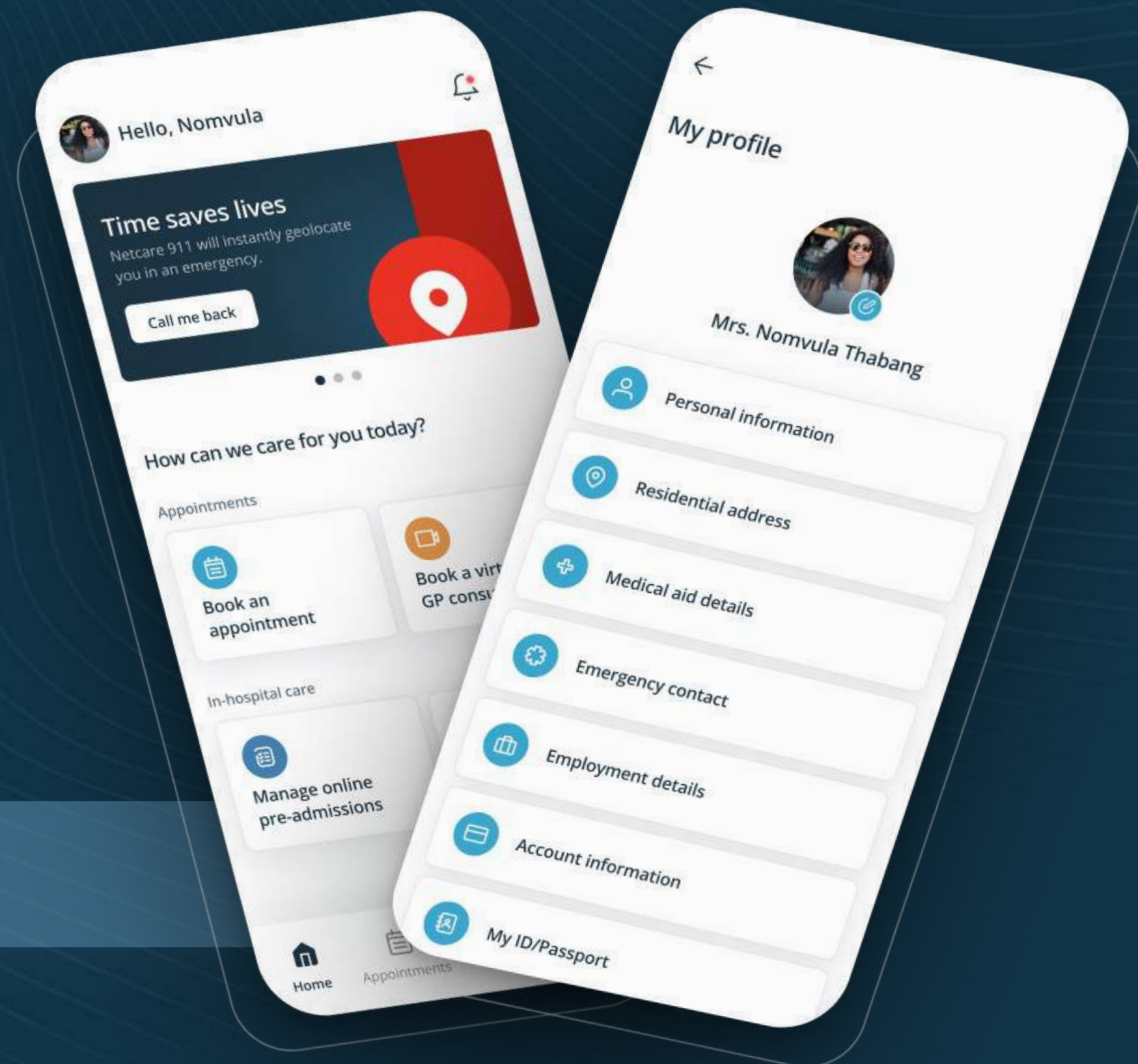


# The next phase of patient and person centred engagement



## The Netcare app

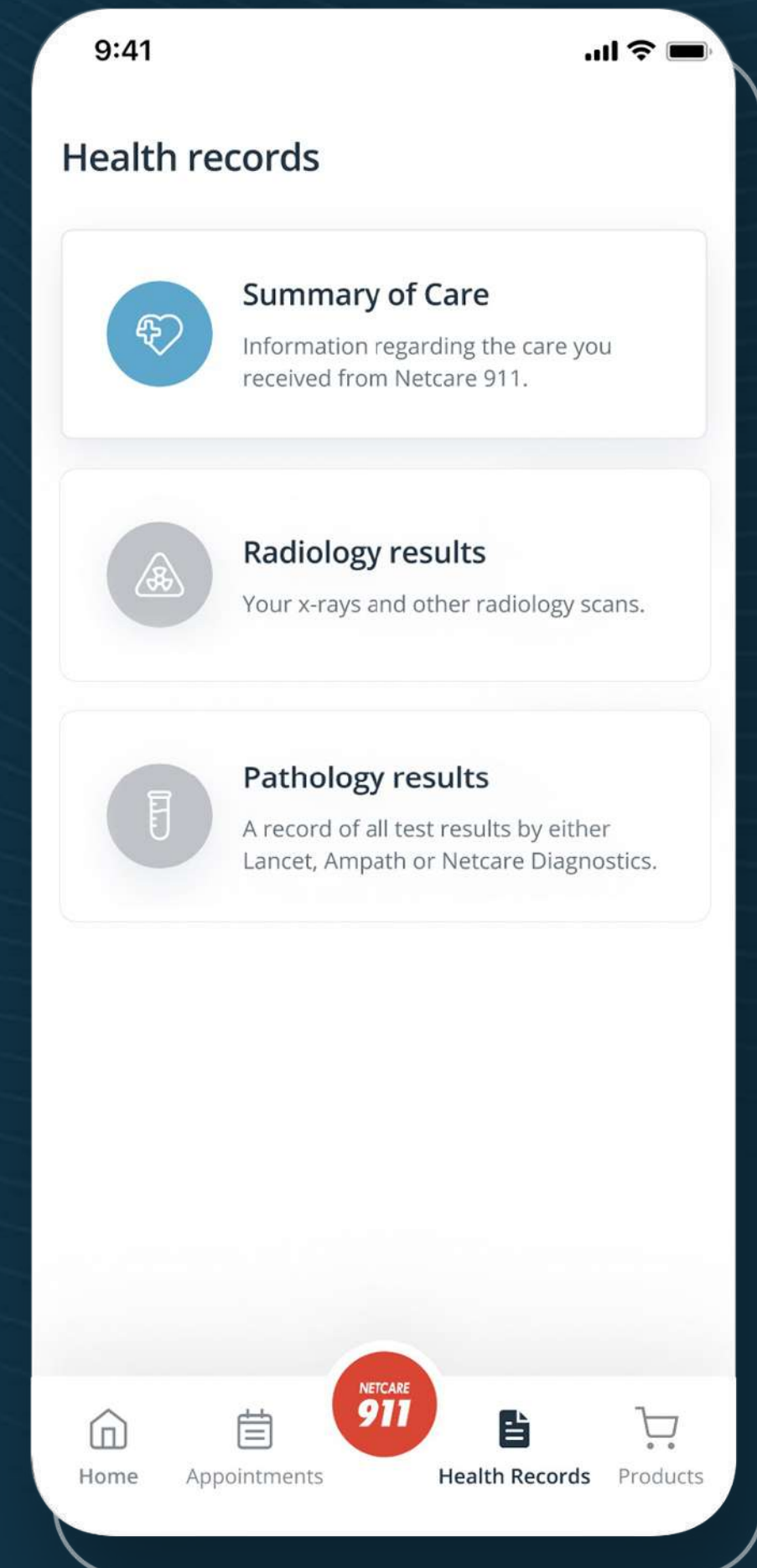
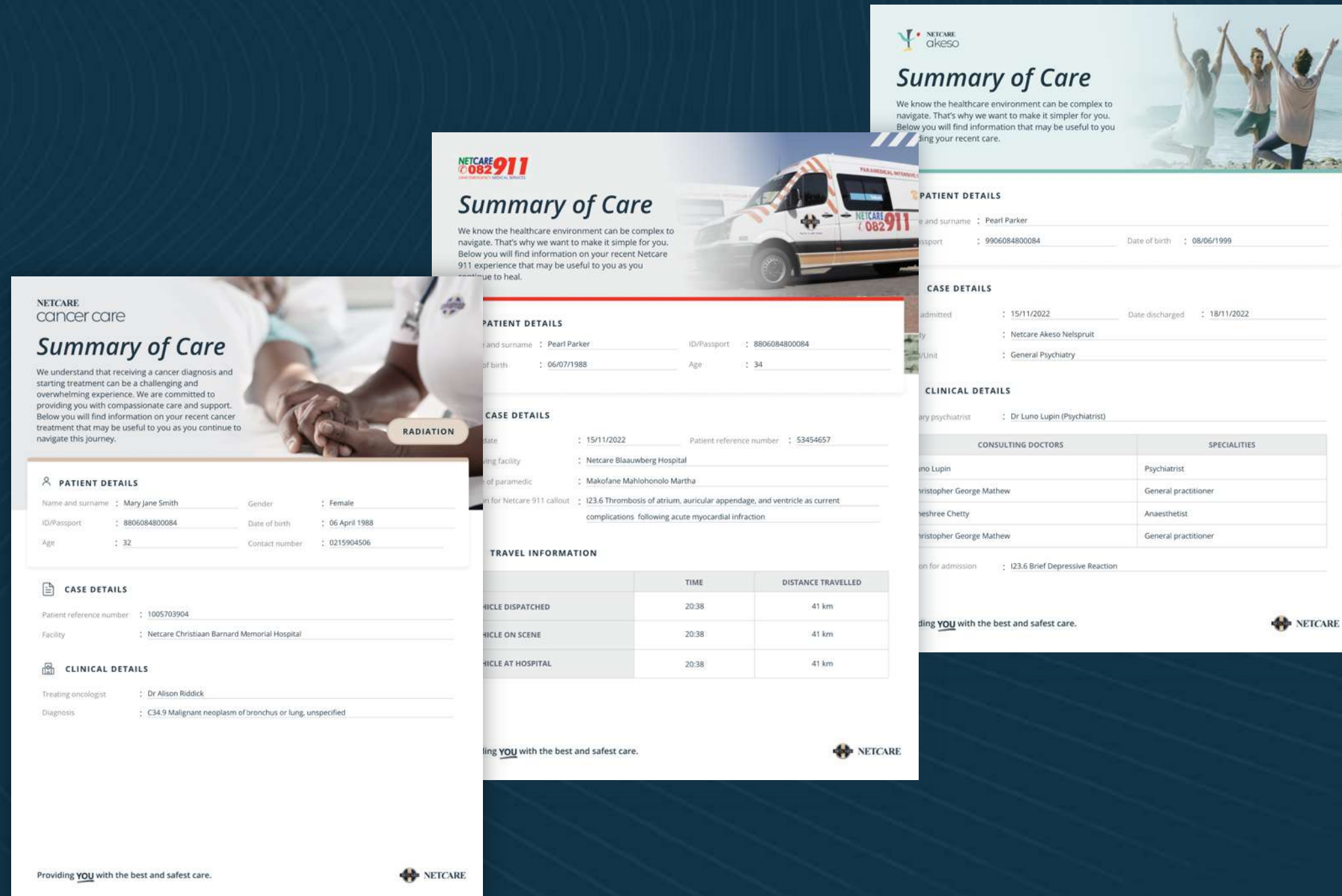
- Tailored medical appointments
- Virtual consultations
- Geolocated emergency services
- Online pre-admissions
- Purchase of gap cover
- Summary of Care





# Providing a Summary of Care

Giving patients access to a full summary of the care they received at Netcare





# Leveraging our data advantage

## Future benefit of machine learning models – clinician decision support

The most common cause of death in ICU is sepsis or blood stream infections

This is associated with a mortality rate of up to 25%<sup>1</sup>

Early intervention may reduce this mortality by 5% to 20%<sup>1</sup>

Machine learning models can detect risk of sepsis in ICU patients 8 to 10 hours before clinical onset

For our own model, using CareOn, we measure four real-time clinical variables that are automatically collected on a continuous basis

Allows the flagging of at-risk patients and provides an immediate and early intervention opportunity for our clinicians

The model is currently running in our development environment with projected Group-wide roll-out by September 2024

<sup>1</sup> Impact of the timeliness of antibiotic therapy on the outcomes of patients with sepsis and septic shock. Asner SA, Desgranges F, Schrijver IR, Calandra T. Journal of Infection. Vol 82; Issue 5, May 2021; p.g.125-134

# Leveraging our data to include the voice of our patients

## Examples of measuring the effectiveness of our care

### Treatment of depression

Depression is pervasive, ever increasing and a leading cause of disability on a global basis

It is critical to understand the effectiveness of the programmes provided in Netcare Akeso for the treatment of depression

### Measuring clinical improvement

On admission Netcare Akeso patients complete an assessment<sup>1</sup> to determine the severity of their depression. This is repeated on discharge

In a range of 0 - 27 a score  $\geq 15$  usually indicates significant depression

Patients admitted to Netcare Akeso demonstrate a median score of 19 on admission

**75%** improvement on discharge to a score of 5

### How do we know if this clinical improvement really matters to patients?

To measure this, Netcare Akeso utilises an internationally accepted Minimal Clinically Important Difference (MCID)<sup>2</sup> number to determine whether the improvement in symptoms was significant

**88%**

of our patients experience a change that meets or surpasses this threshold

This allows us to further modify and improve our treatment protocols to achieve even higher outcomes

<sup>1</sup> Patient Health Questionnaire-9 (PHQ-9)

<sup>2</sup> The MCID is the smallest improvement that a patient would consider important. A reduction in PHQ-9 score by  $\geq 5$  for patients starting with a score of  $\geq 5$



# Digitisation's profound impact on enhancing patient safety



Up to **60%** of all prescribing errors in hospital arise from the **misinterpretation** of a doctor's written script<sup>1</sup>



The provision of **electronic scripting** can **eliminate errors** of legibility or misinterpretation



**Netcare's digital e-scripting** approved by SA Pharmacy Council in 2020  
– a **first in SA** and established the **industry standard** for e-scripting



With introduction of **IBM Watson Health Micromedex (Merative)**,  
all drug dosages, interactions, duplications and allergies are now electronically checked



Digitisation is eliminating up to **60%** of potential medication errors as well as incorrect dosages, drug interactions, duplications and potential allergies across **>1.8 million in-hospital scripts** per year in Netcare

<sup>1</sup> Center for the Advancement of Health. Computerized doctors' orders reduce medication errors. 2007

# NetcarePlus

Providing affordable access to Netcare's ecosystem



## Innovative products

Portfolio of innovative healthcare products and funding solutions that promote access to affordable, quality healthcare

Launched additional Prepaid Procedures and Primary Care Insurance products in FY 2023

Completed enhancements to NetcarePlus GapCare and NetcarePlus Accident Cover



## Building a sustainable business

NetcarePlus products provide increased access to private healthcare beyond traditional medical schemes and contribute through increased use of the Netcare ecosystem

Successful resolution of Council for Medical Schemes' challenge on GP and dental vouchers



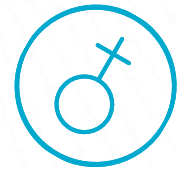
## Industry recognition

NetcarePlus achieved 2<sup>nd</sup> place in the medical insurance brand category at the Ask Afrika Orange Index Awards





# Netcare Diagnostics – gaining traction



Partnered with Black female owned pathology practice



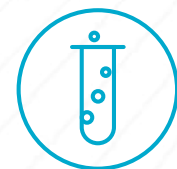
Netcare provides equipment and infrastructure, logistics, administration, finance and operational support



Fully integrated and digitised pathology services  
Quality assured results  
Improved turnaround times



192 Point of Care devices installed in Netcare specialised units (intensive care, high care, theatres and emergency departments)



~860 000 tests conducted



Rolled out to 10 Netcare Mediacross medical and dental centres to date



Positive contribution to EBITDA

**NETCARE**  
diagnostics

# Our ongoing transformation journey



Level 3 B-BBEE rating retained<sup>1</sup>

R14.4bn

B-BBEE procurement spend  
(114%; dtic target: 80%)

(FY 2022: R12.9bn)  
(FY 2011: R6.7bn)

R6.5bn

Procurement spend with  
Black owned suppliers  
(52%; dtic target: 50%)

(FY 2022: R5.9bn)  
(FY 2011: R226m)

R4.0bn

Procurement spend with  
Black women owned suppliers  
(32%; dtic target: 12%)

(FY 2022: R3.7bn)  
(FY 2011: R55m)

R1.2bn

Procurement spend with  
qualifying small enterprises  
(9.7%; dtic target: 15%)  
(FY 2022: R1bn)  
(FY 2011: R610m on QSEs and  
EMEs under old codes)

R72m

Invested in small business  
growth and development

105 SMME's (FY 2022: 94)  
on early payment terms (paid  
within 15 days of invoice date)  
for cash flow support

26

Doctoral scholars awarded  
the Professor Bongani  
Mayosi Netcare Clinical  
Scholarship

14 have graduated with PhD's

1 44 490

My Walk Made with Soul  
school shoes donated

25 tons of PVC waste  
diverted from landfill and  
converted into school shoes  
14 jobs supported

856

Persons with disabilities  
representing 4.6% of our  
workforce (DEL<sup>2</sup> national  
target 2%) higher than the  
national average of 1.2%



IRAS  
integrated reporting  
& assurance services  
Since 2009



NCPD  
National Council of & for  
Persons with Disabilities

<sup>1</sup> Level 1 would have been achieved had the South African Nursing Council not imposed restrictions on nurse training

<sup>2</sup> DEL: South African Department of Employment and Labour



# Africa's largest healthcare environmental sustainability programme



## Phase One (2013-2023)

Substantially outperformed targets ahead of schedule

First phase of our environmental sustainability strategy successfully completed with significant savings of R1.5bn (IRR: 40%) and 39% reduction in energy intensity per bed, surpassing our 10-year target of 25% set in 2013

Cumulative operational savings since 2013

Rm	Cost avoidance	Cash savings	Total savings
Energy	947	328	1 275
Waste	48	10	58
Water	77	53	130
<b>Total</b>	<b>1 072</b>	<b>391</b>	<b>1463</b>

## Phase Two (2021-2030)

Ambitious targets set for Phase Two



Targets set to reduce Scope 2 emissions to zero and reduce Scope 1 and 3 emissions by combined 84% by 2030



Strategy aligned with JET IP<sup>1</sup>. Aims to achieve 100% renewable energy utilisation, zero waste to landfill and a further 20% reduction in water utilisation by 2030

Remuneration linked to environmental sustainability performance

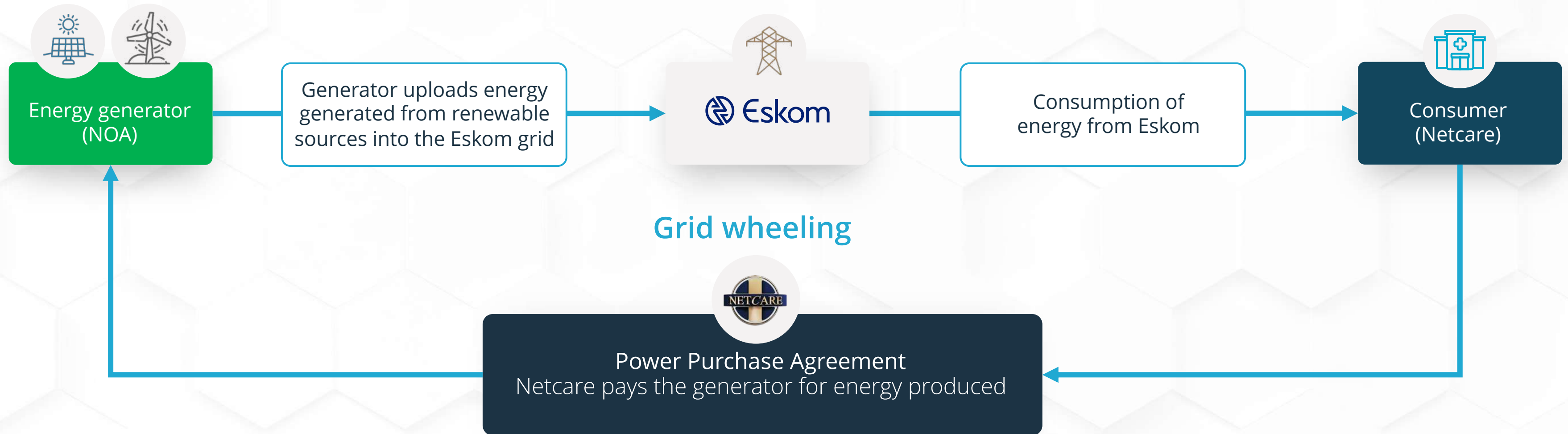


32

Local and international awards, solidifies the Group's standing in the global and local community of environmentally conscious healthcare institutions across all continents

<sup>1</sup> Just Energy Transition Plan developed by the Presidential Climate Commission, approved by Cabinet in September 2022

# Environmental sustainability strategy



- Renewable Energy ("RE") supply arrangement concluded with NOA Group Trading ("NOA")
- No capex required from Netcare
- 20 year agreement for six Eskom-supplied sites
- Tariff at a discount to Eskom tariff with increases linked to CPI

- Increases the proportion of Netcare's total energy consumption derived from RE sources to c. 26%
- Intend to expand this agreement to a further 12-15 municipal-supplied sites, increasing RE resources to c. 40%
- Supports the goal of achieving 100% reliance on RE sources by 2030



# Guidance



044

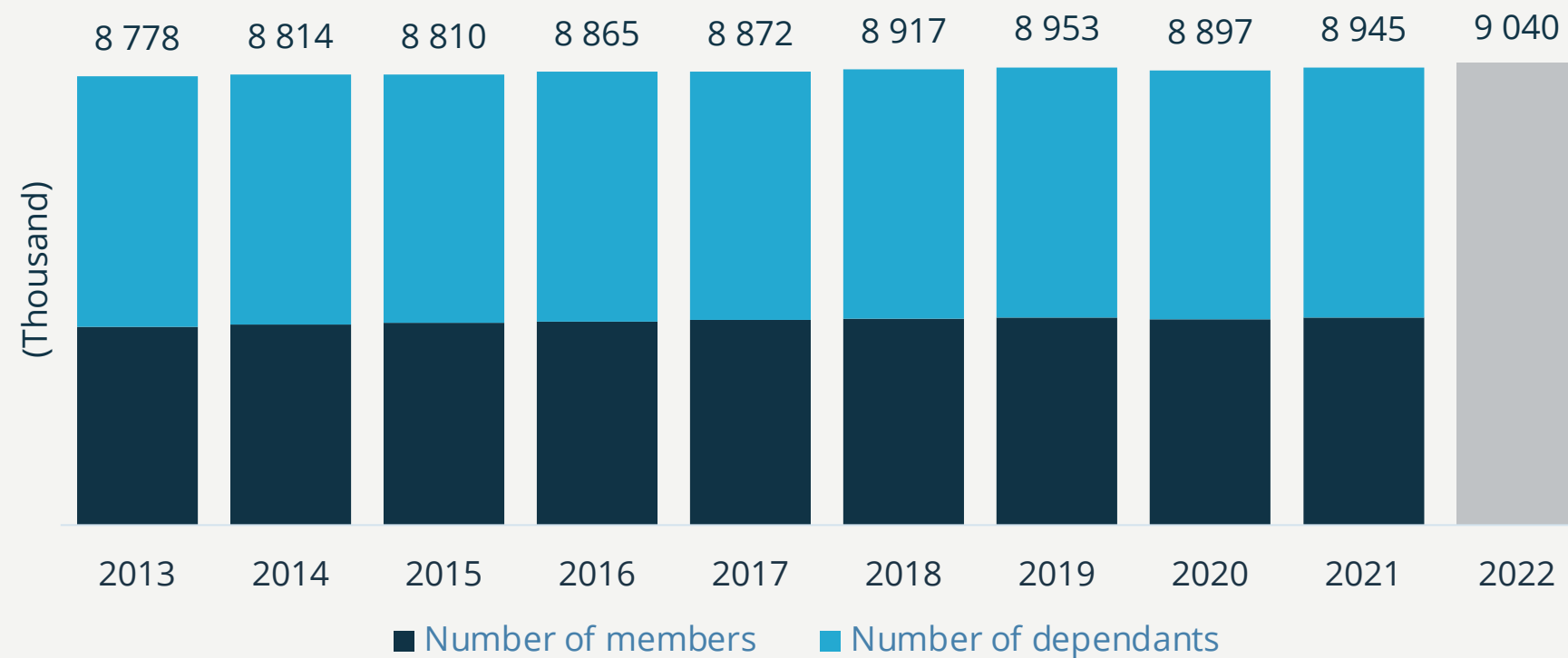
# Operating environment



"Medical schemes remain financially sound"<sup>1</sup>  
 Industry solvency: 47.2%

## Medical scheme membership resilient

Healthcare demand supported by growing disease burden and aging patient population



Disposable income pressures perpetuating scheme option downgrades

Number of lives ('000)	2013	2021	%
Comprehensive Plans	4 321	2 458	(43)
Partial Cover Plans	2 133	3 042	43
Hospital Plans	1 757	2 461	40
EDO <sup>2</sup>		984	100

NetcarePlus products seek to mitigate the impact of membership downgrades by offering comprehensive gap cover

No material changes in Designated Service Provider networks expected in 2024

<sup>1</sup> Council for Medical Schemes Industry Financial Performance 20 October 2023

<sup>2</sup> Efficiency Discounted Options



# National Health Insurance (NHI) Bill

## Legislative process

- NHI Bill passed by National Assembly on 13 June 2023; now being considered by National Council of Provinces (NCOP)
- Provisional date for NCOP consideration is 29 November 2023
- If passed, Bill will be referred to President for assent and, if rejected, it will be returned to the National Assembly

## Risks identified

- Impact on the fiscus
- Contagion of uncertainty on doctor sentiment
- Indirect impact on scheme membership from any tax changes to fund NHI
- Long-term opportunities and risks remain unclear due to lack of detail in NHI Bill



## Successful delivery of NHI

- Netcare wishes to participate as a provider of services in a sustainable fashion
- We support a multi-fund mechanism to deliver on NHI, on the principles of social solidarity<sup>1</sup>, which reduces the systemic risk inherent in a single fund
- We are supportive of substitutive private medical schemes after contributions to mandatory NHI taxes

<sup>1</sup> One risk pool

# Guidance



Total patient days

▲ 2.5% – 3.5% vs. FY 2023

Revenue

▲ 7.5% – 9.5% vs. FY 2023

Strategic projects

FY 2024: R132m opex | R123m capex

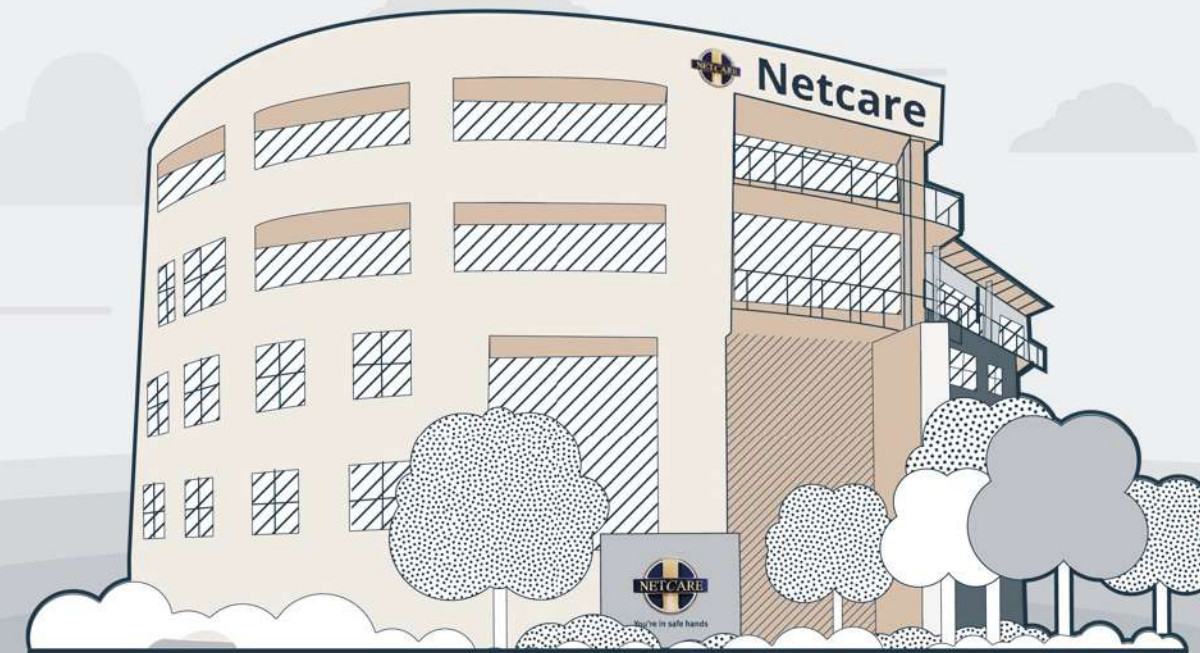
EBITDA margin

Increased activity will drive further EBITDA margin expansion, with improved earnings and higher ROIC

Capex

FY 2024: R1.4bn

## The Netcare Moat

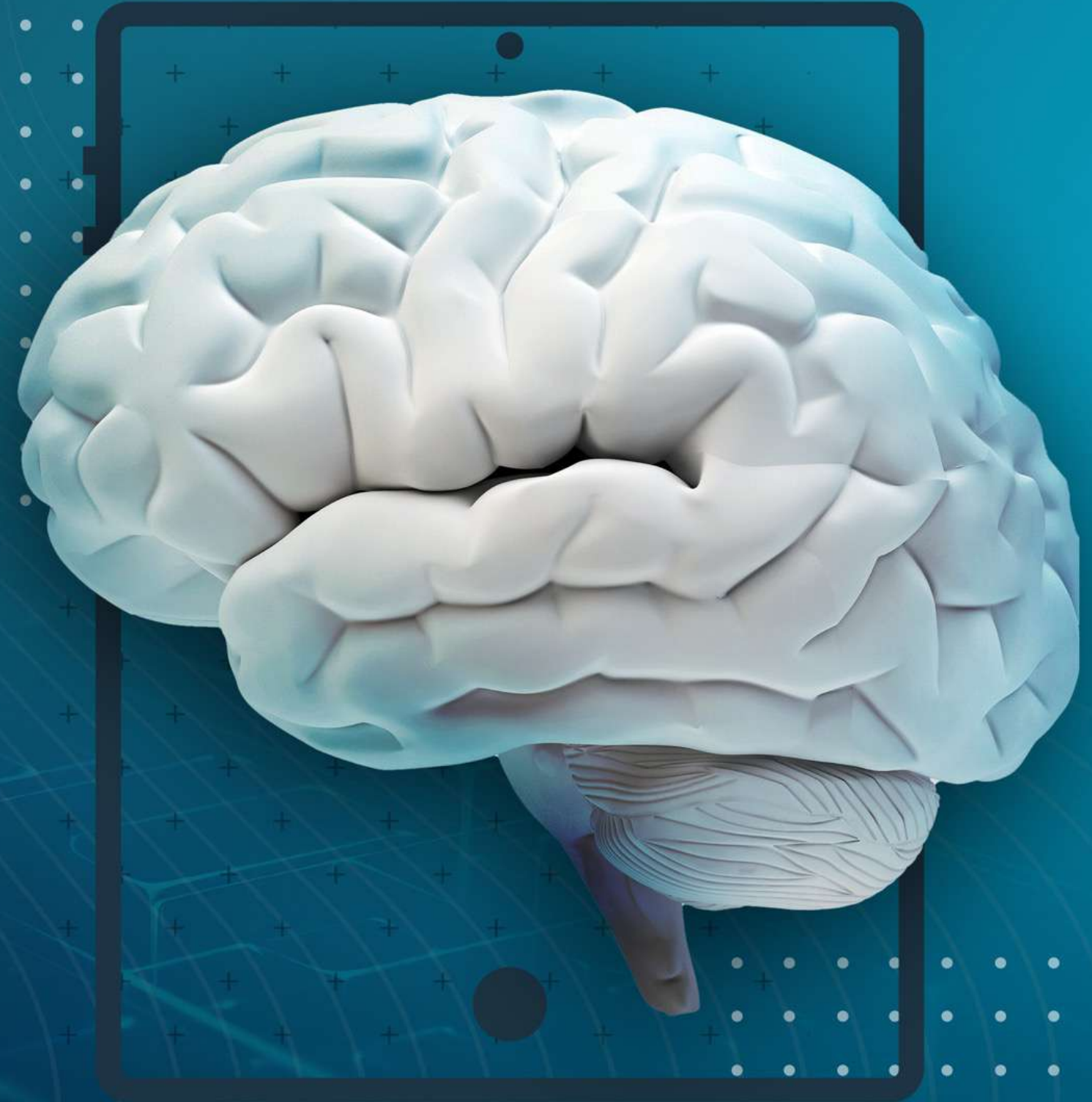


Capital allocation  
Environmental sustainability  
Digitisation and data driven  
Person centred engagement  
Consistency of Care



# Thank You

Summarised Audited Group Results  
for the year ended 30 September 2023





# Q&A

## Summarised Audited Group Results

for the year ended 30 September 2023





# Environmental strategy reduces reliance on national grid

Ensuring safe, sustainable care is delivered without disruption



## Facilities

Private sector hospitals not exempt from load shedding

Majority of Netcare's hospitals have full island capacity

Uninterrupted Power Supply (UPS) systems and 200 backup diesel generators in place

Sizable solar power base across 72 sites, capable of generating 18-20 GWh per annum



## Impact

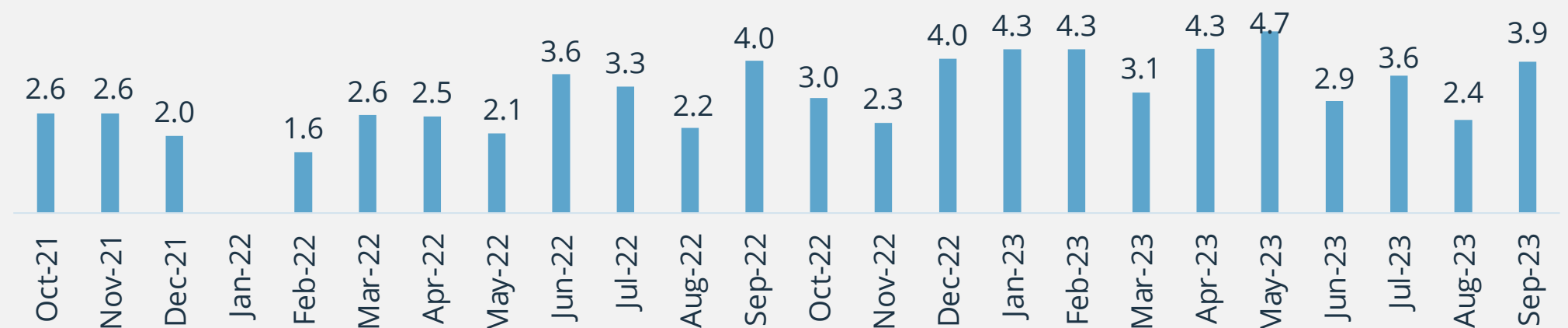
Electricity equates to approximately 5% of "Administration and other expenses"

The cost of running diesel generators is  $\pm 3.5x$  higher than electricity sourced from the national grid

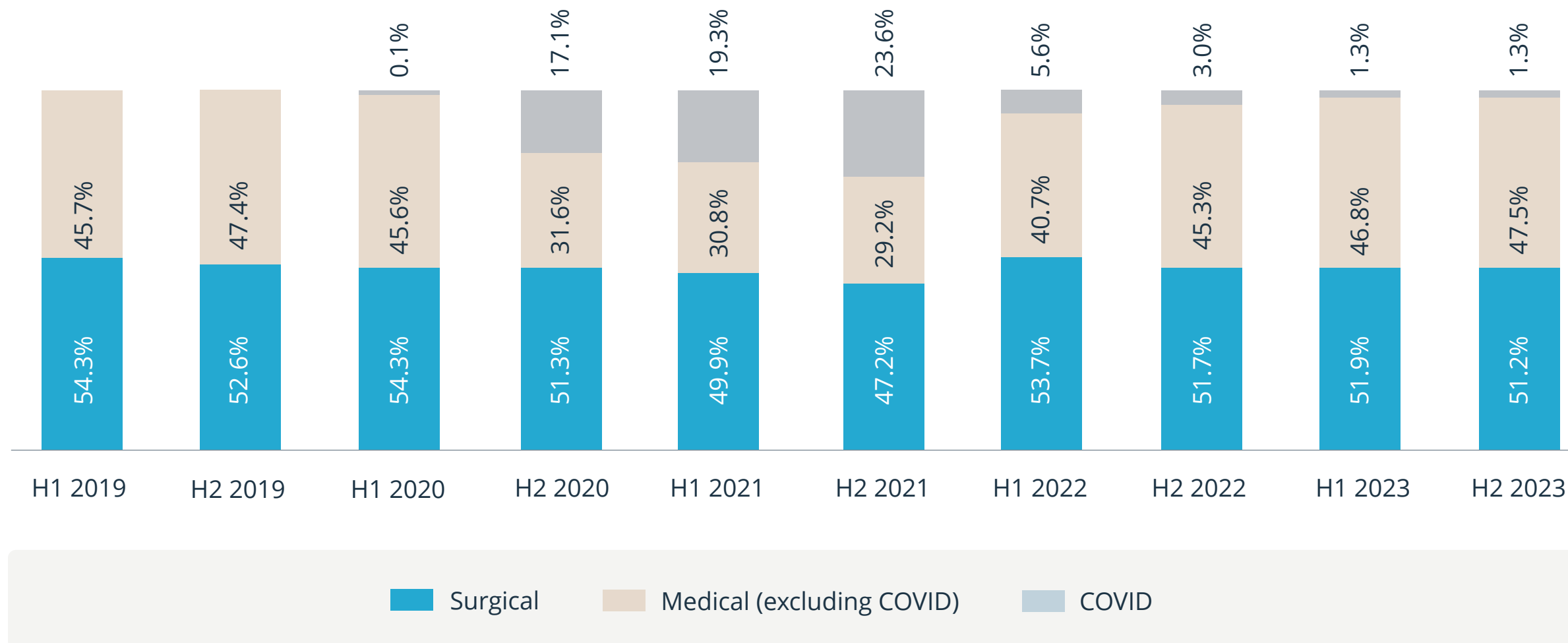
Generator diesel costs: R124m in FY 2023 (FY 2022: R37 million; FY 2021: R9 million)

Average of  $\pm R3m$  impact per month per load shedding stage

Average load shedding stage across Netcare facilities

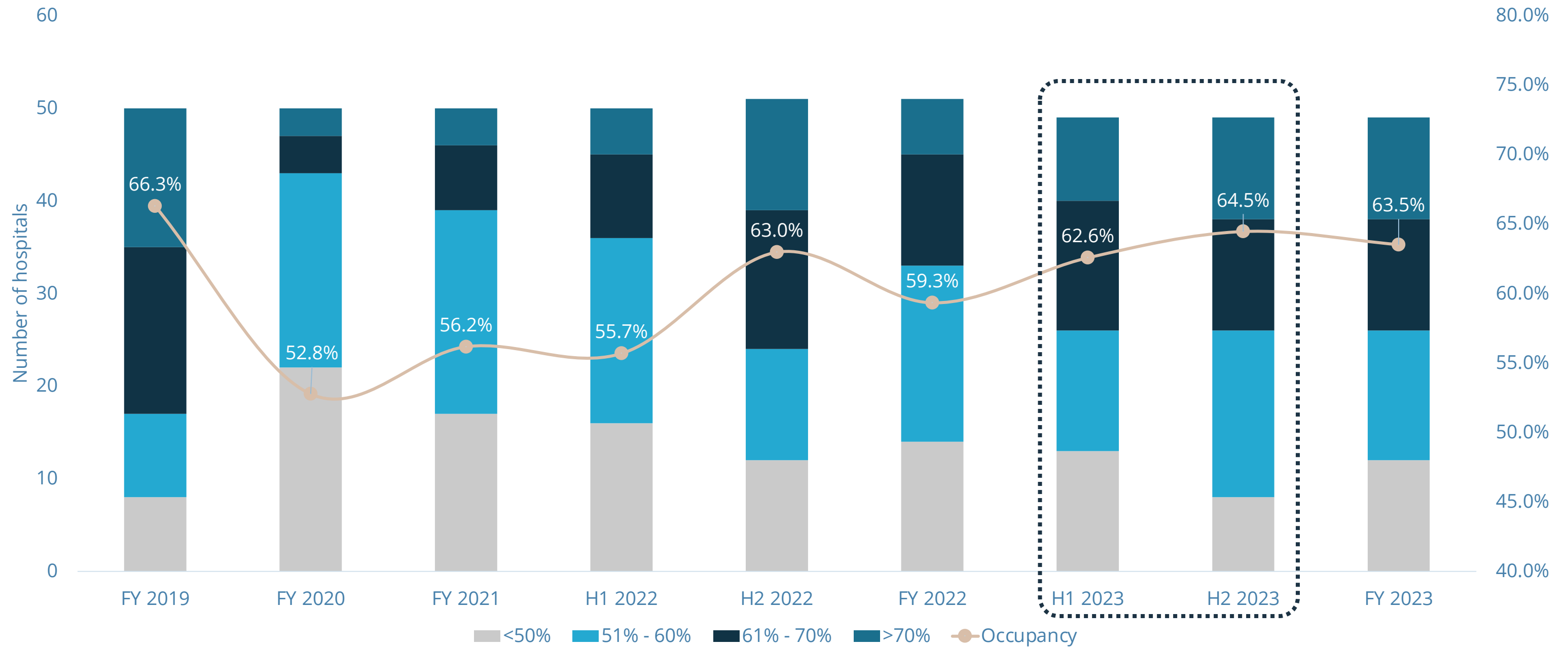


# Acute hospital patient day: Surgical/medical mix





# Acute hospital occupancy range



# Acute hospital revenue: Growth composition

