



AfroCentric

GROUP

Summary of audited annual results for the year ended 30 June 2018

Dividend declaration and cautionary announcement

↑ **11.3%** Total revenue



↑ **46.9%** Profit before tax



↑ **14.3%** Dividend increase



FINANCIAL HIGHLIGHTS

Total revenue



Operating profit



Dividend declared



SALIENT FEATURES

	% change	Audited year ended 30 June 2018	Audited year ended 30 June 2017
Total revenue (rands)	11.3	4 212.7 million	3 784.7 million
Operating profit (rands)	10.5	623.1 million	564.1 million
Profit before tax (rands)	46.9	538.4 million	366.7 million
Basic earnings (rands)	118.0	256.6 million	117.7 million
Headline earnings (rands)	110.7	260.9 million	123.8 million
Normalised headline earnings (rands)	8.2	264.1 million	244.1 million
Basic earnings (cents per share)	118.0	46.29	21.23
Headline earnings (cents per share)	110.7	47.06	22.34
Normalised headline earnings (cents per share)	8.2	47.63	44.03
Weighted average number of ordinary shares		554.4 million	554.4 million

INTRODUCTION TO THE AFROCENTRIC GROUP

AfroCentric is a black-owned JSE listed investment holding company which operates in and provides specialised services to the public and private healthcare sectors. AfroCentric has and continues to maintain its deliberate objective of being the leading exemplar of transformation and empowerment in the South African healthcare sector.

AfroCentric's principal subsidiary is Medscheme, which provides cost-effective and professional healthcare administration and managed care services to the growing memberships of its renowned institutional, corporate and government Medical Scheme clients, with lives presently under management, approximately 3 700 000. The Group is also heavily invested in other essential segments of the public and private healthcare markets in South Africa, with rapidly expanding activity and application in its pharmaceutical wholesale supply, its chronic medication distribution network, specialised disease management, information technology (IT) solutions, transactional switching, fraud detection and not least, the development and marketing of tailored health and insurance solutions and products, in partnership with SANLAM.

The Board is therefore pleased to present a summary of the very pleasing AfroCentric Audited Results for the year ended 30 June 2018, a period characterised by improved new business generation, certain complementary acquisitions and operative developments, which *inter alia*, included the ongoing consolidation, rationalisation and cost saving measures within all Group enterprises. We are also able to report, that all Group divisions and enterprises made a positive contribution to Group operations and earnings. The prior and continuing investment in system development and increased IT capacity, has already contributed favourably towards the current year results, anticipating repeated cost savings, through greater scale and procedural efficiencies into the 2019 financial year and beyond.

DEVELOPMENTS

Given the years of debate surrounding National Health Insurance (NHI), including factors presently being considered by the Health Market Inquiry into the Private Healthcare Sector, AfroCentric have for some time been giving consideration to the creation of a platform model to establish a value chain of healthcare diagnosis, treatments, pharma and medical services, to optimize the purchasing power of the healthcare Rand.

The research dictated a concept through models of integration, consolidation, mergers, partnerships and incentives, generally to improve the means and matter of patient care, the most viable and cost effective treatments, not least the most rational outcomes within the broader healthcare delivery system. Having regard to the above, certain consolidations, cost reviews and component initiatives are already in place, several plans for parallel advantage are in the pipeline and broader discussions on these and other similar initiatives are in progress for presentation to and application in both the public and private healthcare sectors.

We report on certain of these component initiatives that are under review, in progress or have been concluded during the year and since year end:

- Assisted and facilitated the successful consolidation of approximately 5 600 Community Medical Scheme members (COMMED) into Bonitas Medical Scheme.
- Secured the Hosmed Administration contract for Medscheme of approximately 24 000 members, a contract for providing Administration services for a significant number of members of the South African Local Government Association (SALGA).
- Acquired 80% of the shares in Scriptpharm Risk Management, a business which manages chronic script claims, this effective from 1 August 2017.
- The acquisition of 51% of the shares in Essential Group, which provides healthcare insurance, effective 1 March 2018.
- Recently awarded a license to establish a health administration and insurance business in Swaziland, Medscheme Health Insurance (Swaziland).
- The identification and recovery of fraudulent or improper claims through our Fraud Management Software has been a great developmental success, with direct savings and recoveries to our clients in excess of R500 million.

DEVELOPMENTS (continued)

- Pharmacy Direct, our medication logistics business, was awarded several contracts by the Department of Health for chronic pharma distribution to its vast provincial networks, substantially to alleviate congestion at public hospitals and clinics. Given the renewal of certain of these contracts and certain additional contracts awarded, AfroCentric invested R100 million in the acquisition and refurbishment of a larger warehouse to manage with the increased script volumes for dispensing and delivery to state and private patients with chronic conditions.
- Sanlam and AfroCentric management diligently progressed towards the finalisation of the commencing portfolio of healthcare, life and lifestyle solution products to be jointly introduced into the broader market.

PROSPECTS

Notwithstanding the South African operating environment being burdened with several economic and political challenges, the Board is satisfied with AfroCentric's sound operating results for the year ended 30 June 2018. Good progress was made by all of the Group's business units, in particular the growing divisional interests in supplementary medical specialities, including the group's rapidly expanding pharmaceutical operations. The broad, but adverse commercial impact on consumer disposable incomes, compounded by the increases in medical costs, has not unexpectedly focused the attention of all healthcare stakeholders, that alternative models for more affordable healthcare delivery has become an imperative. The Group has recognised this state of affairs and references under Developments above, capture certain of the initiatives and strategic plans already introduced and being explored by the Group to address the "value chain" concept referred to therein. AfroCentric remains well positioned and well capitalised to continue on its progressive plans for expansion, rationalisation and synergistic acquisitions, to provide value for money services and long term compounding shareholder value.

CAUTIONARY ANNOUNCEMENT

Shareholders will be aware that AfroCentric acquired a 26% interest in Activo Health ("Activo") as a component of the WAD Assets acquisitions in 2015. Shareholders are advised that agreement has been reached in principle with the Activo vendors to anticipate the exercise of the call option negotiated at the time, for the remainder of the shares in Activo (74%) not already owned by AfroCentric. The terms of the call option are substantially dictated by the valuation formulae and payment options provided for in the WAD Master Agreement. The acquisition is a related party transaction and is therefore subject *inter alia*, to the approval of AfroCentric shareholders in a general meeting and an appropriate Circular with full details will be sent to shareholders, subject to all other contractual matters being concluded.

Shareholders are therefore advised that should the terms of the exercise of the call option be successfully concluded, it may have an effect on AfroCentric's share price. Accordingly, shareholders are advised to exercise caution when dealing in the Company's securities until a further announcement in this regard is made.

DIRECTORS

There were no changes to the Board during the period under review. We do however wish to advise shareholders that our Founding directors, members and mentors, Meyer Kahn (79) and Motty Sacks (75), having concluded that their objectives on behalf of AfroCentric have been achieved, have decided to retire from the Board. Their retirement has resulted in them not being available as Directors and will be effective immediately after AfroCentric's Annual General Meeting, scheduled to take place during November 2018. The Board would like to thank them both for their invaluable contribution to the Group. Their experience, guidance and wisdom will be certainly missed at Board and Committee meetings and generally within the Group. We wish them well in their retirement.

DIVIDENDS

The Board has pleasure in announcing that in addition to the interim dividend already declared and paid for the year, a final dividend of 16 cents per ordinary share (gross) has been declared for the year ended 30 June 2018. Dividends are subject to Dividends Withholding Tax. The payment date for the dividend is Monday, 12 November 2018. For further details on the dividend declaration, refer to the full announcement on AfroCentric's Website (www.afrocentric.za.com).

FULL ANNOUNCEMENT

This short-form announcement is the responsibility of the directors and is only a summary of the information contained in the full announcement which was released on SENS on 14 September 2018 and can be found on the Company website (<http://www.afrocentric.za.com/inv-reporting.php>). The information in this press announcement has been extracted from the audited information, but the announcement is not itself audited. Copies of the full announcement may also be requested at the Company's registered office, at no charge, during office hours. Any investment decision should be based on the full announcement and audited Group results published on SENS and the Company's website.

On behalf of the Board

Dr ATM Mokgokong
Chairperson

Johannesburg
17 September 2018

Mr AV Van Buuren
Group Chief Executive Officer

Directors
ATM Mokgokong** (Chairperson), MJM Madungandaba** (Deputy Chairperson), AV Van Buuren*** (CEO),
JW Boonzaier*** (CFO), A Banderker**, WH Britz***, LL Dhlamini*, JM Kahn (lead)*, IM Kirk**,
SE Mmakau*, HG Motau*, ND Munisi**, MI Sacks*

*independent non-executive **non-executive ***executive

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