



📍 Durban, South Africa

## SECTION 01 BUSINESS OVERVIEW



RH Bophelo's mission is to seek and create investment opportunities that will fill the chasm between the public and private healthcare sectors in South Africa and on the continent.

### CONTENTS

Scope of the Report	3
Our Vision	4
Our Mission	4
About Us	5
Our Strategy	12

"We have established partnerships that are designed to both enhance our operations and cement us as the go-to entity for building partnerships intended to support emerging hospital groups." — Quinton Zunga

# Scope of the Report

## SCOPE AND BOUNDARY

The Integrated Report represents the financial results and the social, economic and governance aspects of RH Bophelo Limited (the Company or RH Bophelo), which in the opinion of the Board of Directors (the Board), are material to RH Bophelo's ability to create and sustain value for all its stakeholders over the short, medium and long term.

While we have attempted to include information relevant to all stakeholders, the Integrated Report has primarily been prepared for the financial capital providers.

### **The report is guided by the following local and international guidelines:**

- The South African Companies Act 71 of 2008 (as amended) (Companies Act);
- The reporting principles contained in the King IV Report on Corporate Governance for South Africa 2016 (King IV);
- The Johannesburg Stock Exchange Limited (JSE) listings requirements;
- The Rwandan Stock Exchange (RSE) listing rules;
- The Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC); and
- The International Financial Reporting Standards (IFRS).

## ASSURANCE AND APPROVAL

The Company's annual financial statements were prepared in line with IFRS and audited by our external auditor, Deloitte & Touche (South Africa). Executive Management provided an oversight role by reviewing the Integrated Report for completeness and accuracy.

The Board acknowledges that it is ultimately responsible for overseeing the integrity of this report. With the assistance of the Board committees, we have applied our collective mind to the preparation and presentation of the 2020 Integrated Report and annual financial statements. The Board is of the opinion that this report addresses all material issues and fairly presents the Company's performance, outlook, strategy and perspective on future value creation in accordance with the Integrated Reporting Framework. The Board approved the Integrated Report on 31 August 2020.

No forward-looking statements have been reviewed or reported on by the Company's external auditors.

"Opportunities won't always happen according to plan and within a specific time frame. Sometimes it's necessary to seize the moment."

— Londeka Shezi

## Scope of the Report continued

# OUR VISION



Our vision is to create Africa's premier healthcare investment company by bringing together:

- Healthcare infrastructure assets;
- Healthcare-related technologies; and
- Financial services to spread affordable healthcare and ensure its seamless delivery, while spreading the healthcare dividend to the people of South Africa and across the African continent.

# OUR MISSION



RH Bophelo's mission is to seek and create investment opportunities that will fill the chasm between the public and private healthcare sectors in South Africa and on the continent. We achieve this by making acquisitions of healthcare and financial services assets in exceptionally managed commercial entities across the African market.

"RHB intends to grow beyond the borders of South Africa in the next stage of its evolution. Our approach to investment is Pan-African. We believe that capital must have a regional multiplier effect where capital raised for acquisitions and expansion must derive from the regions in which it is to be applied. This is so that each region becomes self-sustaining and does not represent a capital drag on the centre." — Dion Mhlaba



 Sandton, South Africa

## About Us

RH Bophelo (RHB) listed on the JSE in July 2017 with R500 million in new capital being raised. The JSE Listing allowed RH Bophelo to access the initial capital required to start operating and opened the door for the public to acquire shares in an African healthcare investment company offering growth and returns in a defensive asset class. In line with its growth plan on the African continent, RHB completed its dual listing in the RSE on 1 June 2020. The RSE listing will introduce new investors and investment opportunities for RHB in the East African markets.

The Company seeks to generate returns for its shareholders through various investments in the healthcare sector and financial services. The Company is engaged in making equity, quasi-equity, and equity-related investments in healthcare and financial services, specifically in operational infrastructure, health insurance, private hospital infrastructure, pharmaceuticals, retail and distribution.

The Company executes its investment mandate primarily through two wholly-owned subsidiaries, RH Bophelo Operating Company Proprietary Limited (RHBO) and RH Financial Services Proprietary Limited (RHFS). These subsidiaries are utilised to acquire various investments on behalf of the Company. The investments under RHBO have been designated into healthcare investments portfolio, and RHFS have been designated into financial services investments portfolio.

## HEALTHCARE INVESTMENTS

The notable acquisitions in healthcare include: (i) Africa Health Care Proprietary Limited (Africa Health Care/AHC); (ii) Medicare Private Hospital (Medicare); (iii) Rondebosch Medical Centre (RMC); (iv) Vryburg Private Hospital (VPH); (v) RH Bell Clinic; (vi) Fauchard Day Clinic; and (vii) Phelang Bonolo Healthcare Procurement and Management Proprietary Limited (PBHPM).

This portfolio represents about 90% of the Group's total investments, which includes a total of 1696 beds, of which 511 are owned by AHC, and 1049 are managed by AHC through management contracts across eight South African provinces (136 beds are currently not managed by AHC).

## FINANCIAL SERVICES INVESTMENTS

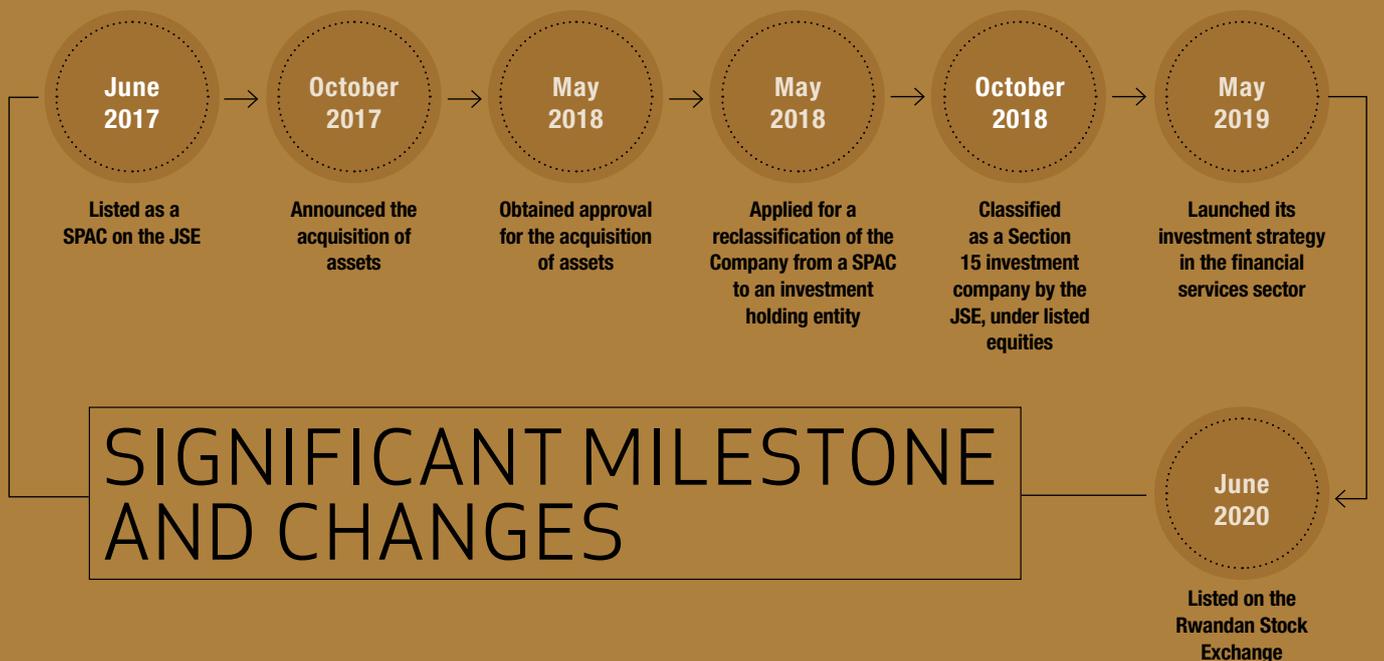
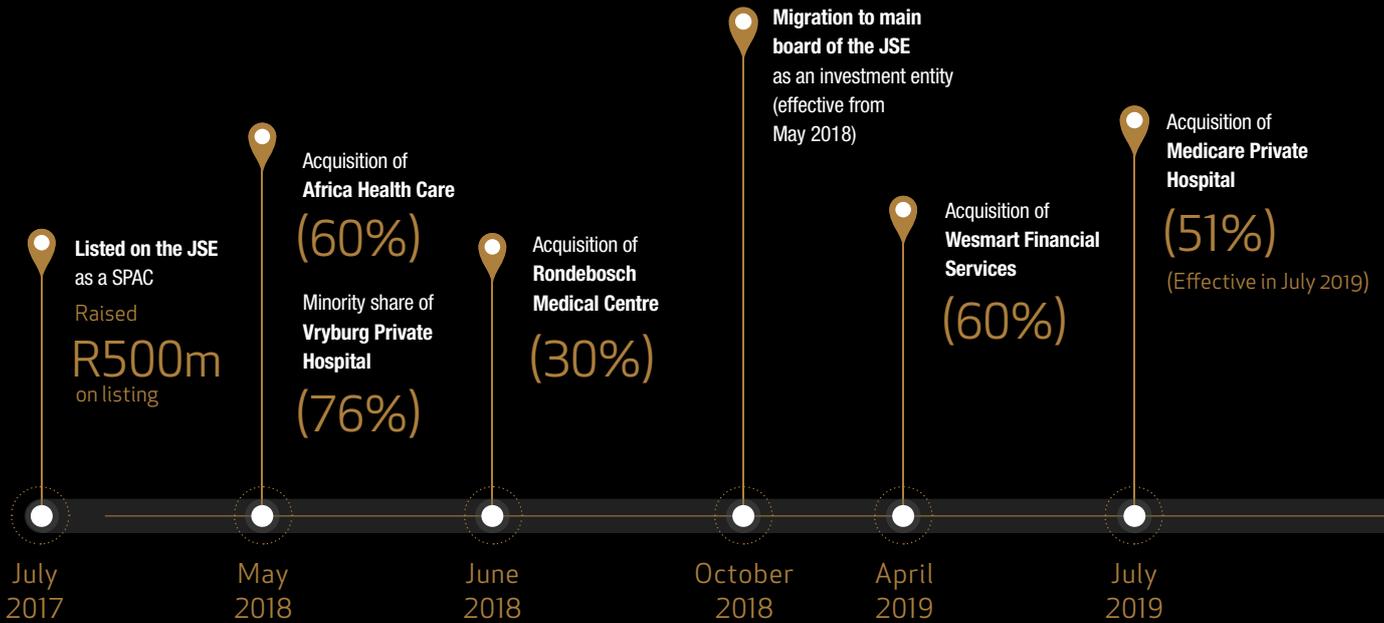
This is a new portfolio that currently represents about 10% of the Company, which consists of investments in underwriting management agency (UMA) healthcare and short-term insurance. The underlying assets include; (i) Wesmart Financial Services (Wesmart) and (ii) Generic Insurance Company (Generic).

RH Bophelo has positioned itself to service the working uninsured population of South Africa, which is estimated to be 20-35% thereof. We achieve this through partnerships and roll-ups of independent hospital operators, and by allocating capital for their expansion.

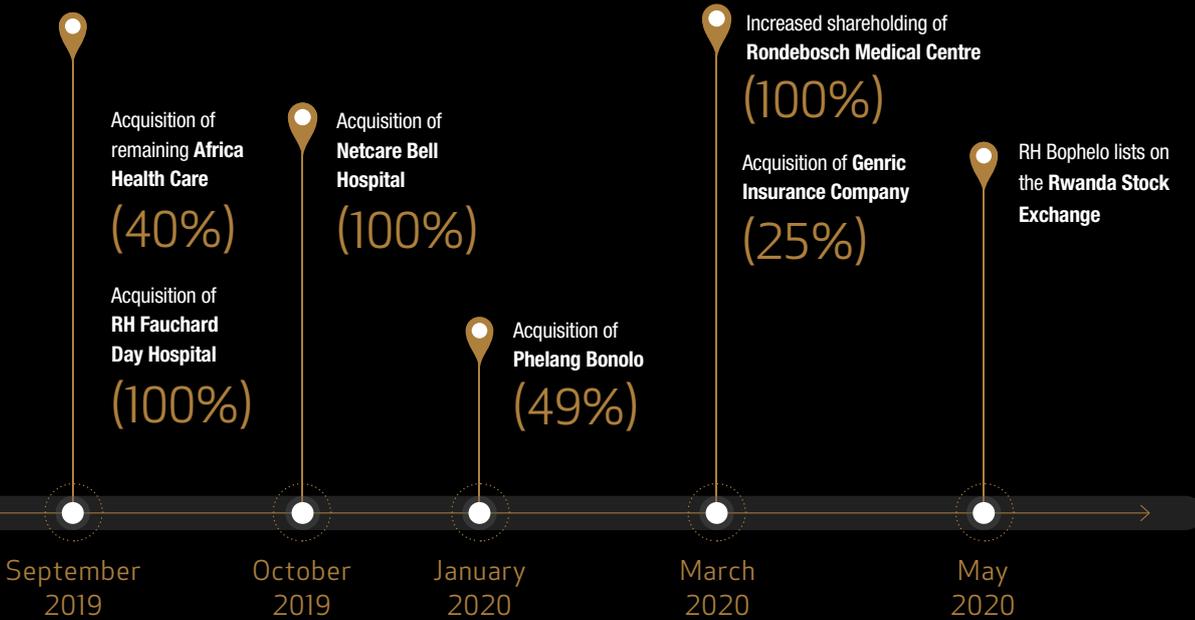
## About Us continued

### RH BOPHELO TIMELINE OVER THE YEARS

RH Bophelo listed on the JSE as a special purpose acquisition vehicle (SPAC) in July 2017 with R500 million in new capital being raised. The JSE listing allowed RH Bophelo to access the initial capital required to start operating and opened the door for the public to acquire shares in a fully Black-owned and entirely African healthcare investment company offering growth and returns in a defensive asset class.



“RH Bophelo is contributing to the socio-economic value creation and development of Africa, making an important contribution to the ongoing transformation in the continent.” – Vuyokazi Nomvalo



📍 Durban, South Africa

## About Us continued

# INVESTMENT CRITERIA

Since its inception, RHB agreed on a set of investment criteria from which it has not deviated. We have found these guidelines to be both informative and instructive in setting our investment course. The investment criteria are as follows:

### Investment guidelines:



Acquire existing and operational healthcare infrastructure



Invest in financial services companies



Invest in pharmaceutical and logistics companies



Invest in healthcare tech and big data companies



Identify other opportunities along the value chain

## FINANCIAL SERVICES ACQUISITIONS

### WESMART FINANCIAL AND ADMINISTRATION SOLUTIONS

60% owned

Wesmart provides both "off the shelf" and tailor-made solutions to corporate employers who are looking to provide both primary and tertiary healthcare benefits to their employees. This represents an opportunity for an uninsured part of the population to migrate into private healthcare.

### GENRIC INSURANCE COMPANY

25% owned

GENRIC is a short-term insurer, providing innovative and niche insurance solutions to market by partnering with specialist UMAs, start-up businesses, insurtech innovators and brokers. The investment brings a diverse range of services and growth opportunities to an under-served market. The acquisition was completed after year end.

## HOSPITAL ACQUISITIONS

### AFRICA HEALTH CARE

100%  
owned

An integrated healthcare operator with a portfolio of hospitals, pharmaceutical distribution, ambulance network, emergency services, nursing college and facilities management. 11 hospital group (about 980 private beds) owned and managed hospitals across 7 provinces.

### VRYBURG HOSPITAL

81%  
owned

VPH is a 44-bed hospital located in the North West. It is the only hospital within a 150km radius of the community. The investment will improve the hospital's quality, capacity and service offering, which will enable residents to have access to affordable healthcare services in close proximity.

### RONDEBOSCH MEDICAL CENTRE

100%  
owned

RMC is an acute 123-bed hospital (with the capacity and potential to reach more than 200 beds). The hospital is located in Rondebosch, Cape Town with access to major highways and a medical school. On 29 February 2020, RH Bophelo acquired a minority interest of 30%. In March 2020, RH Bophelo increased its shareholding to 100% for a total consideration of R93.75m.

### MEDICARE PRIVATE HOSPITAL

50%  
owned

Medicare is an acute 110-bed independent private hospital conveniently located in Rustenburg, North West Province. The facility can operate as a 117-bed facility and further opportunity to expand the 4th floor for an additional 30 to 60 beds, a cardiac catheterisation lab and doctors' rooms.

### RH FAUCHARD DAY HOSPITAL

100%  
owned

RH Fauchard Day Hospital is a 16-bed day clinic located in Gauteng. The hospital gives RH Bophelo access to the growing day hospital market. Day hospitals are an alternative to acute hospitals services, with affordable prices that are appealing to medical insurance.

### RH BELL HOSPITAL

100%  
owned

RH Bell Hospital is a 51-bed private psychiatric hospital situated in Krugersdorp. The hospital gives RH Bophelo access to a large under-serviced market in South Africa. The hospital has the capacity to increase to 80 beds.

### PHELANG BONOLO HEALTHCARE PROCUREMENT AND MANAGEMENT COMPANY

49%  
owned

PBHPM is a healthcare management company that currently manages Botshilu Private Hospital, a hospital located in Soshanguve. PBHPM presents an opportunity for RH Bophelo to back and support an empowered operator.

### RH 12J FUND

83%  
owned

RH 12J Fund is a fund engaged in new healthcare infrastructure, which has been backed by RH Bophelo. The fund will attract high net individual investors interested in the healthcare sector, enabling them to benefit from tax rebates from South African Revenue Service (SARS).

# About Us continued

## 3-YEAR STRATEGIC FRAMEWORK

### WHY

#### AFFORDABLE HEALTHCARE FOR ALL SOUTH AFRICANS

This will be realised by growing and expanding the RH Bophelo brand and network (infrastructure footprint, health funding and health insurance products), through executing a series of strategic purchases that are overlaid with a commitment to excellence in governance and operations. And in so doing collaboratively implement programmes of socio-economic change and service that positively impact the well-being of the people of South Africa and Africa.

### HOW

#### Our commitment to ourselves

Raise ZAR1.5bn; to achieve a Net Asset Value (NAV) of R5bn

Growth and expansion	Post investment expertise & investor relations	Excellence in governance
Hospitals	Optimise internal processes and systems to manage a growing healthcare ecosystem	Organisational culture emanates from the top
Financial services and healthcare tech products	Improve investor relations	Align systems and processes across the Group
Pharmaceuticals/Pathology Labs	Expand outside South Africa	Effective internal and external communications

#### Our commitment to society

Collaboratively execute programmes of socio-economic change and justice

Education and training	Health equity and justice
Private medical school	Spread the healthcare dividend
Private nurse training colleges	Provide opportunities for Africans to participate in the healthcare economy

Positively impact the well-being of South African and African society

Global collaboration with other healthcare providers	Leaders in healthcare provision	Lobby governments to drive change
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# FAST FACTS ABOUT SA HEALTHCARE



South Africa spends almost 8.5% of its gross domestic product (GDP) on healthcare. However, 4.1% (of the 8.5%) of GDP is spent on 84% of the population, most of whom are uninsured and served in an under-capacitated and over-burdened public health sector.



Comparatively, 4.4% of GDP is spent on 16% of the population covered by private medical schemes and who predominantly access their healthcare services in a costly private sector.



Of the population of 47.8 million without medical aid, there are approximately 10 million uninsured, employed persons who can afford medical insurance, but not medical aid schemes.



A 2016 report by Finmark Trust estimates that a further 8 to 10 million South Africans who are not on medical aid, may be able and willing to purchase a care-based insurance offering for under R300 monthly per family.



The uninsured, employed, market is estimated to be worth R1.1 billion with respect to affordable private health care.



Sandton, South Africa

## Our Strategy

# RH Bophelo's R5bn Strategy

RH Bophelo is building an ecosystem of networked investments focused on the healthcare and financial services sectors. This investment network includes infrastructure and related access products that compliment RH Bophelo's value chain and expands RH Bophelo's reach and footprint to its target market (being the lower and middle-income earners and working uninsured). Creating a successful healthcare investment ecosystem is achieved through investing in innovative access products and builds on strategic partnerships in order to leverage growth.

The strategy is built on three (3) main pillars, which are as follows:

### 1 Hospital infrastructure network and management contracts

Amounts to 70% of the capital base and capital allocated. The model of the strategy is "hub and spoke" based on 10 entry-level hospitals to one (1) specialised hospital (this is directly inverse to other major hospital groups, that do 10 specialised to every one (1) feeder).

This hub and spoke model (based on 10 entry-level hospitals and 1 specialised hospital) sees RH Bophelo investing in the integration of ancillary services in hospital management, emergency medicine and information technology to bolster earnings and provide the best possible experience to clients. RH Bophelo's target is 40 hospitals in this pillar.

Currently, RH Bophelo through its investment into Africa Health Care and PBHPM manages over 10 co-owned hospitals (i.e. Kiaat Private Hospital, Medicare Private Hospital, RH Matjabheng Private Hospital, Eden Gardens Private Hospital, Botshilu Private Hospital, KwaDukuza Private Hospital), that generate additional management fees for these companies. RH Bophelo's network will bring access to a further 20 facilities that will generate significantly higher third-party operating fees.

Africa Health Care and PBHPM will have access to these management contracts once existing contracts expire over the next two years. RH Bophelo anticipates securing at least 50% of these management contracts, and this is forecast from 2020.

### 2 Healthcare funds

This is allocated 20% of the capital base. RH Bophelo recognises that we cannot compete on capital base with other incumbents. As such, it is important to invest and support co-ownership structures that allow a bigger footprint on lower committed capital. This effectively gives RH Bophelo a multiplier effect. RH Bophelo has access to the following:

- Long-term development and property funds.
- A potential investment in funding platforms to support infrastructure expansion opportunities, pipeline for growth, and capital appreciation return.

RH Bophelo's investor base can benefit from potential operating contracts for these hospitals, which will indirectly contribute to the bottom line whilst increasing footprint without the large capital outlays. RH Bophelo owns two hospital operators currently managing 12 hospitals not owned by RH Bophelo.

### 3 Healthcare access and insurance

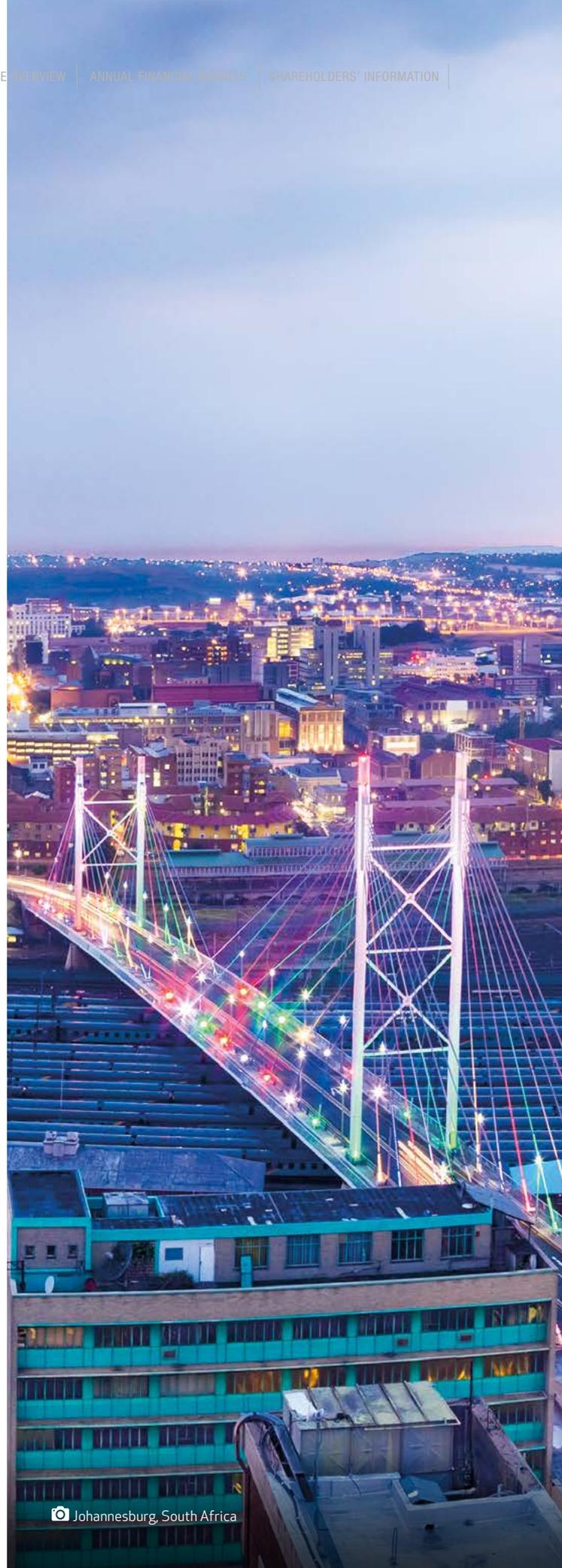
RH Bophelo sees an exponential growth opportunity in investing in companies that are providing affordable access products. This has been supported by an acquisition in Wesmart Financial Services. The overall portfolio will also benefit from an increased insured population that can see an increase in the utilisation of private healthcare, including the hospitals that RH Bophelo owns. This is in line with RH Bophelo's investment thesis of improving healthcare for the majority, including the lower to middle-income market. This will support better utilisation of RH Bophelo hospitals. RH Bophelo believes access to private hospitals should be expanded to a larger

- Various affordable healthcare and medical insurance plans and options that extend cover to the working uninsured.
- Generic, which is one of our investments, provides general insurance for its assets under management (infrastructure and equipment, professional indemnity) and medical aid gap cover.
- This portion of the value chain is complemented by seeking investment in case management and product distribution services.



## RATIONALE FOR INVESTMENT

- **Integrated healthcare portfolio:** RHB invests in healthcare infrastructure, a health insurer offering products (the working uninsured), a hospital management company and an insurance company (which underwrites the health insurance products). Together this forms our ecosystem which is self-enforcing and supportive.
- **Owning the client:** RHB's model is to acquire organisations that own its clients through the use of access products (health insurance), which provide the working uninsured access to hospitals.
- **Working uninsured:** RHB has deliberately targeted the working uninsured as a critical segment of our target market. This segment represents approximately 20% of the addressable healthcare market which has previously been poorly serviced.
- **Experienced team:** RHB has an experienced team with a seven-year track record of investments in more than 30 hospitals in South Africa (green, brown and operational assets).
- **Unique position:** RHB's ambitions are supported by the Health Outcomes Report that has found healthcare to be concentrated to a few large players and an anticompetitive behaviour in the market. The outcome of these regulatory interventions is that the big groups must offload their assets.
- **National footprint:** RHB is willing to invest in a national footprint that has a lower capital base than the big groups. Part of our strategy is to invest in a multitude of 50-bed hospital developments at an approximate cost of one million rand (R1m) per bed.
- **National health insurance:** RHB's investments are well positioned as it is primarily a rural and peri-urban healthcare provider for NHI. RHB's portfolio, currently on the lower tariff structure of National Hospital Network will thus be able to provide infrastructure to government with respect to its hospital's infrastructure requirements based on its payer model.



Johannesburg, South Africa