

Evelyn Bourke

## Group Chief Executive's review



“We are focused on improving and extending our services for customers. To equip Bupa for the next phase of growth, we have refreshed our strategy, putting customers front and centre in the context of today's digital age.”

It is a huge honour to be the Group Chief Executive of Bupa, a special organisation which exists to help our customers live longer, healthier, happier lives. Financially strong, we have a trusted brand, committed people, and market-leading positions which we continue to grow.

### Delivering for customers in the digital age

We are focused on improving and extending our services for customers. To equip Bupa for the next phase of growth, in 2016 we refreshed our strategy, putting customers front and centre in the context of today's digital age. As a service organisation, it is critical our people love working at Bupa and delivering for customers. Insurance, healthcare and care services are highly sensitive and regulated sectors and we are increasing our focus on management of risk and compliance to ensure we continue to uphold the high standards our customers and regulators expect. Through rigorous capital management, and investing in strength and depth in our existing markets with selective expansion into new growth markets, we will deliver strong and sustainable performance for our customers and for Bupa.

In 2016, our businesses performed solidly in challenging market conditions. We achieved good profit growth in our three largest Market Units – Australia and New Zealand, the UK, and Europe and Latin America – and, while performance within International Markets was impacted by a significant decline in profit in Bupa Global, the overall Group grew revenue 4% and underlying profit 10%, albeit up 2% when excluding the impact of the IFRIC 12 adjustment made in 2015. Our performance was bolstered by strong and consistent cash flow, a strong balance sheet, robust management and an upgrade in one of our credit ratings.

In Australia and New Zealand, we delivered good revenue and underlying profit growth in difficult market conditions, and our Australian

health insurance business became the country's biggest health insurer for the first time. The Australian Government is considering reforms of the health insurance sector, and affordability remains a challenge for the whole healthcare industry.

In the UK, we achieved good underlying profit growth despite continued market pressures. Revenue was down due to the disposal of Bupa Home Healthcare (BHH) in July. If BHH revenue is removed from 2015 and 2016 performance, UK revenue was up 5%. Over the year we made progress in reshaping our portfolio. In July, we exited the home healthcare market. In November, we announced our agreement to purchase Oasis Dental Care. We also undertook a review of our UK care services business.

In Europe and Latin America, we delivered strong growth in revenue and underlying profit. In Spain, we grew our dental and health insurance businesses, while our Public-Private Partnerships are meeting their profit targets and providing high quality medical services in a difficult political environment. LUX MED, our business in Poland, performed well primarily due to good performance in our ambulatory and inpatient businesses. Bupa Chile achieved strong revenue growth.

In International Markets, performance was impacted by a large profit decline in Bupa Global. This was driven by the ongoing impact of our decision to exit non-strategic markets, as well as our investment in capability and infrastructure to improve the customer experience and grow our corporate book, and a lower than anticipated rate of growth in our individual and small medium enterprise books. While progress is being made, there will continue to be some impact on performance in 2017. In December, we acquired Care Plus.

### Structure and executive team changes

In July, we reshaped our operating structure, reducing from five to four Market Units. We also made a number of changes to the Bupa Executive Team. With my appointment as Group CEO, Joy Linton became Chief Financial Officer and joined the Bupa Board. Richard Bowden is now CEO of Australia and New Zealand, with David Hynam succeeding him as CEO of the UK. Wayne Close was appointed Acting CEO of International Markets. The role of Chief Risk Officer became part of the Executive Team, reflecting our increased focus on risk and compliance, with David Fletcher appointed to the role. Gabriela Pueyo became Chief Strategy Officer.

### Outlook

Looking ahead, we expect conditions to remain challenging in our key markets with changing political environments, including the UK preparing to exit the European Union. Demand for quality, value-for-money healthcare will remain strong for years to come, however governments and consumers face funding pressures and medical costs are outpacing inflation. In addition, there are new customer standards of personalisation, ease and choice as well as high expectations of quality, safety, privacy and transparency.

The Bupa Executive Team and I would like to thank our 86,000 people. Their dedication and commitment is key to delivering our purpose of helping people live longer, healthier, happier lives. By ensuring an excellent experience for customers, patients and residents, we also ensure Bupa can deliver strong and sustainable performance, both now and in years to come.

**Evelyn Bourke**  
Group Chief Executive Officer