



# FULL YEAR RESULTS PRESENTATION

12 months ended 31 December 2015

3 March 2016

# AGENDA

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- 1 Group Highlights - Stuart Fletcher, CEO**
  - 2 Segmental Results - Stuart Fletcher, CEO
  - 3 Financial Review - Evelyn Bourke, CFO and Gareth Evans, Group Treasurer
  - 4 Operating Priorities and Outlook - Stuart Fletcher, CEO
  - 5 Q&A
-

# FY 2015 GROUP HIGHLIGHTS

## STEADY PROGRESS IN CHALLENGING CONDITIONS

- Revenue £9.8bn, up 6% at CER<sup>(1)</sup>
- Customer numbers up 12% to 32.2m
- Underlying profit before taxation<sup>(2)</sup> £582.5m down 2% at CER
- Statutory profit before taxation £374.3m, down 39% at AER<sup>(3)</sup> (2014 FY: £609.2m)
- Net cash flow from operations of £788.1m stable at AER (2014 FY: £789.5m)
- Solvency II capital coverage ratio 180%<sup>(4)</sup>

(1) Constant exchange rates

(2) See slide 13 for further details

(3) Actual exchange rates

(4) The Solvency II Capital Position (Own Funds and Solvency Capital Requirement) and related disclosures are estimated values

# OPERATING ENVIRONMENT

## CHALLENGING ECONOMIC CONDITIONS AND POLITICAL AND REGULATORY CHANGES IN A NUMBER OF OUR MARKETS

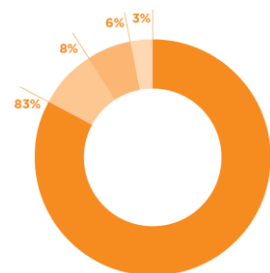
- Australian economy is growing more slowly than historically, with unsettled consumer and business confidence
- Continued margin pressure in the Australian health insurance market, driven by cost of care and intensifying competition
- Increase in Insurance Premium Tax (IPT) in the UK adds pressure to affordability of health insurance
- UK government funding pressure and imminent introduction of National Living Wage challenging the Care Services UK business
- Operating conditions for Public Private Partnerships (PPPs) in Spain have become more difficult
- Slowing economic growth in emerging markets with lower global oil prices impacting Saudi Arabia
- The market for international private medical insurance continues to grow

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# AUSTRALIA AND NEW ZEALAND

## REVENUES BY BUSINESS



■ Bupa Australia Health Insurance  
■ Bupa Aged Care Australia  
■ Bupa Health Services Australia  
■ Bupa Care Services New Zealand

**Good growth in revenue (CER), underlying profit (CER) and customer numbers despite a challenging backdrop**

## Operating Environment

- Continued margin pressure in health insurance market, driven by cost of care and intensifying competition
- Focus on long-term affordability of health insurance, improved customer experience, customer retention and expansion of provision driving performance

## REVENUES

**£3,648.4m**

(FY 2014: £3,759.6m)

**Down 3%; Up 8% CER**

## UNDERLYING PROFIT

**£279.5m**

(FY 2014: £309.2m)

**Down 10%; Up 2% CER**

## CUSTOMERS

**6.2m**

(FY 2014: 5.7m)

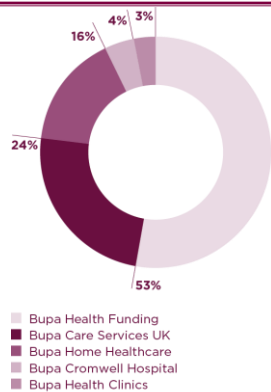
**Up 9%**

## Performance

- Good growth in revenue (CER) and customer numbers
- Underlying profit up by 2% at constant exchange rates despite the 2014 risk margin release
- Further expanded dental and health provision
- Opened three new care homes in Australia
- Enhanced digital capabilities – launch of the “Blue Room” in May

# UNITED KINGDOM

## REVENUES BY BUSINESS



## REVENUES

**£2,857.8m**

(FY 2014: £2,711.2m)

Up 5%

## UNDERLYING PROFIT

**£182.6m**

(FY 2014: £175.0m)

Up 4%

## CUSTOMERS

**5.1m**

(FY 2014: 4.0m)

Up 28%

**Revenue growth across all business units, with strong cost management contributing to higher underlying profit**

## Operating Environment

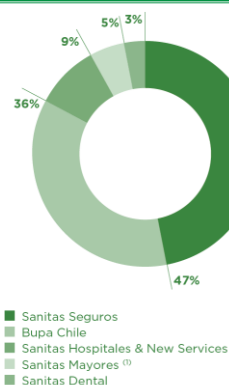
- Increase in Insurance Premium Tax (IPT) adds pressure to affordability of health insurance
- Impending introduction of National Living Wage will increase the cost of delivering care
- Bupa continues to engage with the Government, local authorities and hospital providers to improve affordability and funding
- Announced sale of Bupa Home Healthcare

## Performance

- Revenue growth across all business units
- Growth in SME and Corporate segments of the Health Insurance business
- Strong operating cost management contributed to higher underlying profit
- Investment in digital innovation to meet changing customer needs
- Continued to improve services for older people, including care home refurbishments

# SPAIN AND LATIN AMERICA DOMESTIC

## REVENUES BY BUSINESS



## REVENUES

**£1,824.5m**

(FY 2014: £1,842.5m)

**Down 1%; Up 9% CER**

## UNDERLYING PROFIT

**£70.1m**

(FY 2014: £130.6m)

**Down 46%; Down 40% CER**

## CUSTOMERS

**5.2m**

(FY 2014: 4.9m)

**Up 6%**

**Good revenue growth (CER); underlying profit impacted by a non cash adjustment related to our PPPs**

## Operating Environment

- Improving economic conditions in Spain overall, but health insurance market experiencing price competition and lower growth rates
- Challenging conditions for PPPs in a context of budget constraints and political change
- Good growth prospects for Bupa Chile despite slowdown in GDP

## Performance

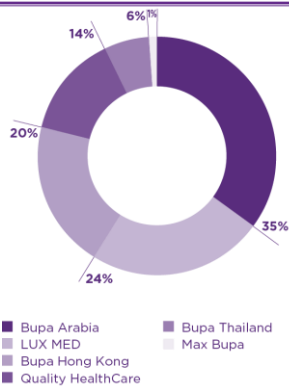
- Good revenue growth driven by the full year contribution of Bupa Chile and continued strong performance from Sanitas Dental
- Underlying profit impacted by non cash adjustment following a reassessment of profitability over the life of PPP contracts in accordance with IFRIC 12
- Increased shareholding in Bupa Chile to 73.7% at 31 December 2015 and to 100% in February 2016
- Launched range of digital insurance products and services to help customers manage their health needs

(1) Our aged care business, previously known as Sanitas Residencial



# INTERNATIONAL DEVELOPMENT MARKETS

## REVENUES BY BUSINESS (1)



Good performance in both revenue and underlying profits

## Operating Environment

- Slowing economic growth in emerging markets
- Lower global oil prices starting to impact on trading conditions in Saudi Arabia

## REVENUES(2)

**£551.1m**

(FY 2014: £506.7m)

Up 9%; Up 8% CER

## UNDERLYING PROFIT

**£43.1m**

(FY 2014: £17.1m)

Up 152%; Up 169% CER

## CUSTOMERS

**13.7m**

(FY 2014: 12.1m)

Up 13%

## Performance

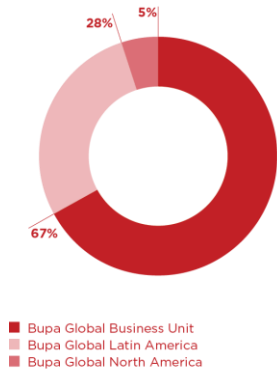
- Revenue increase driven by growth in Polish hospital and clinic network and Hong Kong insurance business
- Growth in underlying profit, with Bupa Arabia making a strong contribution
- Expansion of hospital and clinic network in Poland through organic growth and acquisitions
- Introduced new products to meet customer needs e.g. new wellness programme in Saudi Arabia, and Bupa Health Plus in Hong Kong
- Signed agreement to increase Max Bupa shareholding to legal maximum of 49%, pending approval by Indian regulatory authorities

(1) Chart includes 100% of revenues from all businesses to give a sense of scale

(2) Revenue of £551.1m does not include the revenues of our equity accounted joint venture (Max Bupa, India) and associate (Bupa Arabia)

# BUPA GLOBAL

## REVENUES BY BUSINESS (1)



## REVENUES (2)

**£947.5m**

(FY 2014: £958.7m)

Down 1%; Down 5% CER

## UNDERLYING PROFIT

**£103.9m**

(FY 2014: £97.9m)

Up 6%; Up 2% CER

## CUSTOMERS

**2.0m**

(FY 2014: 2.1m)

Down 5%

## Improvement to underlying profits following strategic initiatives

### Operating Environment

- Continued growth in market for international private medical insurance

### Performance

- We took the decision to exit non-strategic markets and re-price loss making accounts in 2013/14. The re-pricing has led to some lapses, adversely impacted revenues, but had a positive effect on underlying profit
- Continued focus on delivering operational efficiency and managing costs
- Invested in organisational change to enable regionalisation
- Launched tiered products in seven markets in 2015
- Positive contribution from our recently launched tiered products and the impact of our new distribution partnership with Hang Seng Bank

(1) Chart includes all revenues to give a sense of the scale of each business

(2) Revenue of £947.5m does not include the revenue of our equity accounted associate (Highway to Health, part of Bupa Global North America)

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# FY 2015 FINANCIAL OVERVIEW

## REVENUES

<b>FY2015</b>	£9,828.4m
<b>FY2014</b>	£9,777.8m

(Up 1%)

(Up 6% at CER)

## UNDERLYING PROFIT BEFORE TAXATION<sup>(1)</sup>

<b>FY2015</b>	£582.5m
<b>FY2014</b>	£637.8m

(Down 9%)

(Down 2% at CER)

## STATUTORY PROFIT BEFORE TAXATION

<b>FY2015</b>	£374.3m
<b>FY2014</b>	£609.2m

(Down 39%)

## NET CASH GENERATED FROM OPERATING ACTIVITIES

<b>FY2015</b>	£788.1m
<b>FY2014</b>	£789.5m

(Flat)

## LEVERAGE<sup>(2)</sup>

<b>FY2015</b>	27.7%
<b>FY2014</b>	27.6%

(Flat)

## SOLVENCY II COVERAGE RATIO<sup>(3)</sup>

<b>FY2015</b>	180%
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(1) In order to reflect trading performance in a consistent manner, we remove a number of non-trading items from our reported profit that limit comparability to arrive at underlying profit.

(2) Gross debt (including hybrid debt) / gross debt plus equity

(3) The Solvency II Capital Position (Own Funds and Solvency Capital Requirement) and related disclosures are estimated values

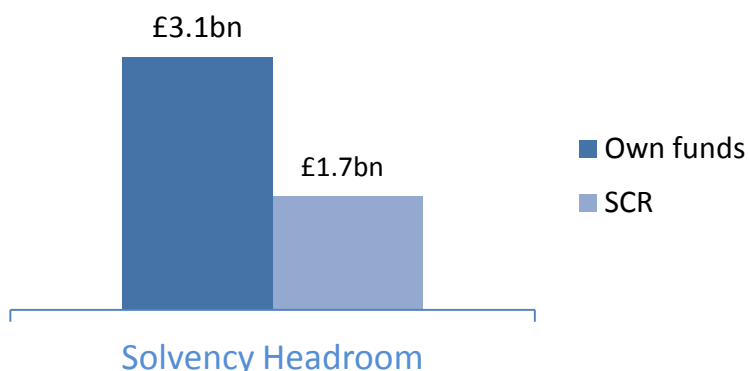
# STATUTORY AND UNDERLYING PROFIT

	<b>FY 2015</b>	<b>CER</b>	<b>AER</b>
<b>Underlying Profit before taxation</b>	<b>£582.5m</b>	<b>Down 2%</b>	<b>Down 9%</b>
<b>Statutory profit before taxation</b>	<b>£374.3m</b>		<b>Down 39%</b>

- Due to the ongoing funding pressures experienced by local authorities and impending introduction of the National Living Wage there has been a write down to our Care Services UK business comprising a partial impairment of goodwill of £114.1m and a write down of property and equipment of £67.8m
- Receipt of deferred consideration of £25.5m in relation to the 2007 sale of Bupa Ireland is excluded from underlying profit
- Adverse impact of IFRIC 12 on Spain results included in both statutory and underlying profit

# SOLVENCY II

## BUPA HAS 180% HEADROOM OVER THE SOLVENCY II CAPITAL REQUIREMENT



### Group Solvency II Capital Position <sup>(1)</sup>

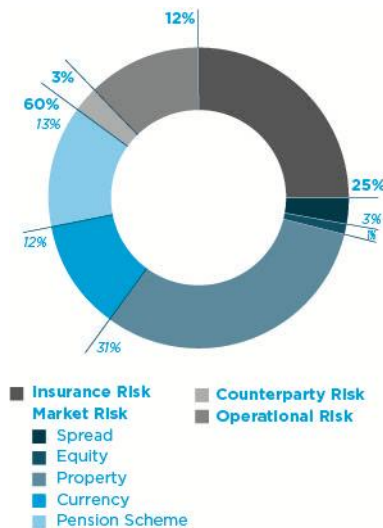
	2015 £bn
Own Funds	3.1
Solvency Capital Requirement	1.7
Surplus	1.4
Solvency Coverage Ratio	180%

- As at 31 December 2015, Bupa held surplus capital in excess of its Solvency II capital requirement at a coverage ratio of 180%
- Under the IGD regime which applied at the end of December, Bupa's solvency coverage ratio was 267%
- Own Funds are the consolidated net assets valued on a Solvency II basis, exclusive of non-controlling interests but including eligible subordinated debt
- Pension surplus in excess of the pension risk element of the Group SCR is excluded from Own Funds
- The Group SCR is calculated in accordance with the Standard Formula incorporating an insurance premium risk Undertaking Specific Parameter (USP)

(1) The Solvency II Capital Position (Own Funds and Solvency Capital Requirement) and related disclosures are estimated values

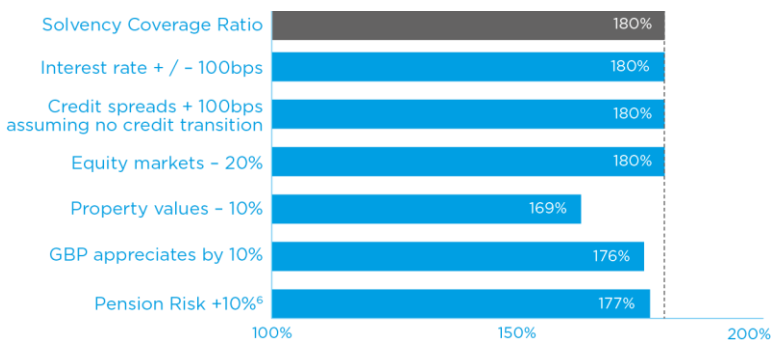
# SOLVENCY II

## BUPA RECEIVED PRA APPROVAL OF A USP FOR INSURANCE PREMIUM RISK, REFLECTING THE LOWER RISK OF ITS INSURANCE BUSINESSES



- ➔ The Group Solvency Capital Requirement (SCR) is calculated in accordance with the Standard Formula
- ➔ Bupa has obtained PRA approval to substitute the insurance premium risk parameter with an Undertaking Specific Parameter (USP) based on Bupa’s own loss experience reflecting its size, expertise and geographic diversity

### MARKET RISK SENSITIVITIES

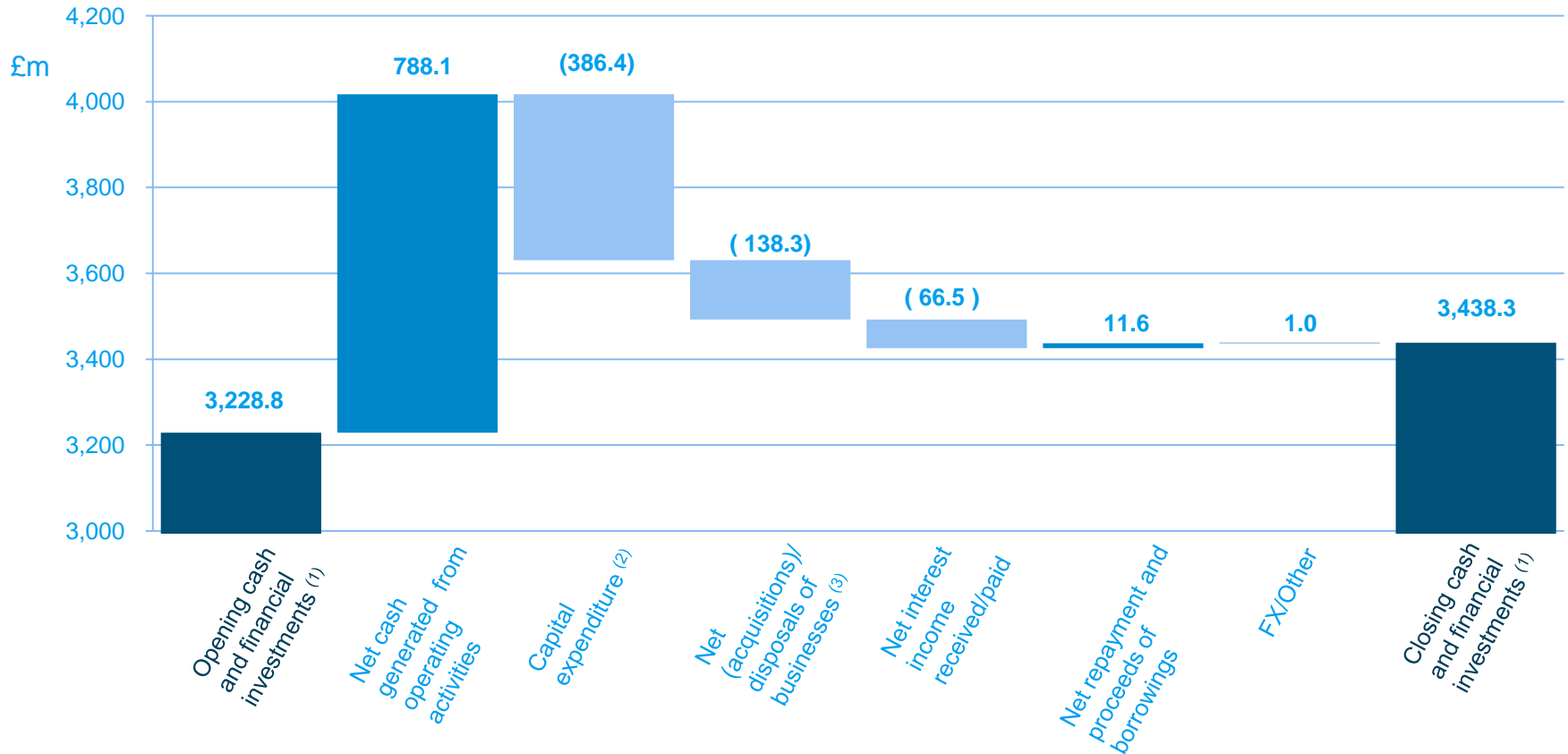


- ➔ The sensitivities are provided as an illustration of Bupa’s solvency coverage ratio under a variety of market conditions. They are all independent stresses to a single risk
- ➔ They do not take into account management actions that might be taken to mitigate such changes
- ➔ Bupa’s Solvency coverage ratio is more sensitive to property and FX movements than other market risks

(1) The Solvency II Capital Position (Own Funds and Solvency Capital Requirement) and related disclosures are estimated values

# CASHFLOW

## CASH GENERATION REMAINS STRONG



- Continuation of good cashflow across the Group in 2015
- Net cash generated from operating activities remains strong at £788.1m (2014: £789.5m)
- £386.4m of capital expenditure demonstrates our strong re-investment into the business (2014: £391.8m)
- Low level of acquisitions/disposals in 2015

(1) Includes restricted assets

(2) Includes purchase of investment properties

(3) Includes acquisitions/disposals of equity accounted investments

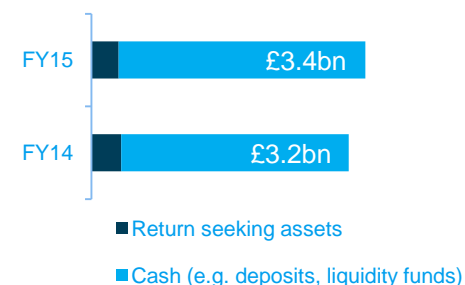


# CASH AND FINANCIAL INVESTMENTS

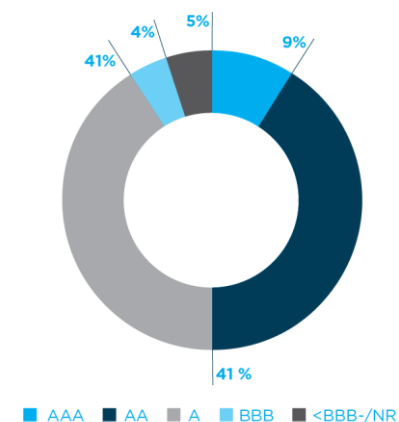
## A LOW RISK PORTFOLIO

- £3.4bn cash and financial investments
- £163m cash held centrally at the year-end
- Conservative investment portfolio
- Approximately 90% of portfolio held in investments rated  $\geq$ A-/A3 by 1 or more agency
- £343m return-seeking assets (externally-managed bond and loan funds) held in UK and Australian regulated entities

### CASH AND INVESTMENT PORTFOLIO



### FY15 CASH AND INVESTMENTS BY CREDIT RATING (%)

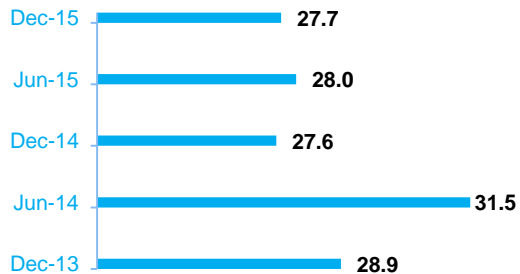


# BORROWINGS

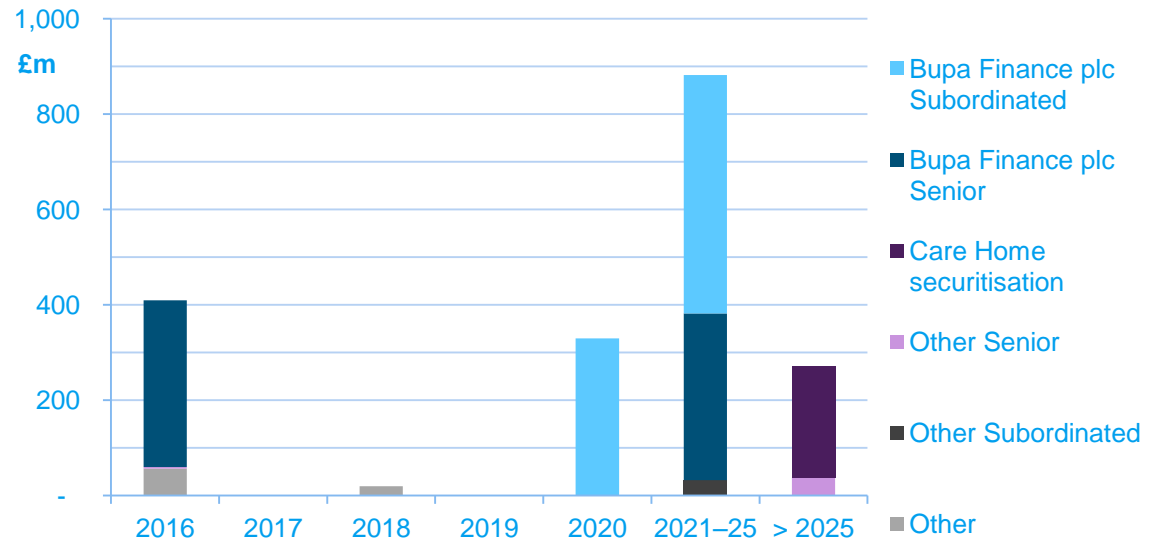
## STABLE LEVERAGE AND BANK FACILITY EXTENDED IN H2

- ➔ Leverage remained steady at 27.7%
- ➔ Bupa Finance Plc senior debt rated A- (stable) with Fitch and Baa2 (positive) with Moody's
- ➔ Bupa's £800m committed facility was undrawn at 31 December 2015
- ➔ £350m senior bond maturity in July 2016
- ➔ £235m securitisation to be redeemed in April 2016

### LEVERAGE (%)



### DEBT MATURITY PROFILE



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# CURRENT OPERATING PRIORITIES

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## Customers and Brand

- Committed to installing comprehensive Net Promoter System (NPS)
- Continue embedding Bupa global brand promise

## Innovation

- Build new models of delivery (Australian Visa services)
- Create new products and services (Blua, Bupa Boost, Bupa on Demand, Sanihub)

## Bupa: a digital business

- Data driven business
- Developing superior customer experiences through digital (mobile first)

## Growth

- Maintain scale, drive efficiency, create adjacent opportunities
- Continued geographic expansion

## Efficiency and compliance

- Strong embedding of risk, compliance and control environment and processes
- Unlock efficiencies (lean, repeatable models, practice sharing)

## People love working at Bupa and are healthier for it

- Workplace health and wellbeing programmes
- Employee engagement

# OUTLOOK

- Australian Government currently undertaking a review of health insurance and expected to announce its policy intentions during 2016
- Continued UK funding pressures for aged care resulting in local authority fees for care services below the true cost of delivering care, particularly post National Living Wage
- Increased level of uncertainty in PPPs driven by budgetary constraints and political change in Spain
- Anticipate market conditions will remain challenging, particularly in Australia, UK, and Spain
- Strategic discipline, international scale and market-leading positions, supported by our robust balance sheet, mean we are positioned for continued sustainable revenue and profit growth

# AGENDA

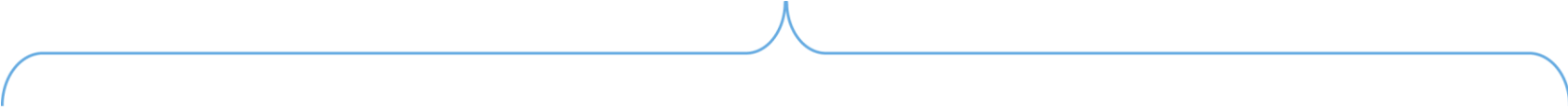
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# QUESTIONS AND ANSWERS

# APPENDIX: DETAILED ORGANISATION STRUCTURE

## MARKET UNITS



Australia and New Zealand	United Kingdom	Spain and Latin America Domestic	International Development Markets	Bupa Global
Bupa Australia Health Insurance	Bupa Health Funding	Sanitas Seguros	Bupa Arabia	Bupa Global North America
Bupa Health Services Australia	Bupa Care Services UK	Sanitas Hospitales and New Services	LUX MED	Bupa Global Latin America
Bupa Aged Care Australia	Bupa Health Clinics	Sanitas Dental	Max Bupa	Bupa Global Business Unit
Bupa Care Services New Zealand	Bupa Home Healthcare	Sanitas Mayores <sup>(1)</sup>	Bupa Hong Kong	
	Bupa Cromwell Hospital	Bupa Chile	Quality HealthCare	
			Bupa Thailand	
			Bupa China	

(1) Our aged care business, previously known as Sanitas Residencial



# APPENDIX: BUPA'S FOOTPRINT AND PARTICIPATION

		Australia and New Zealand		UK	Spain and Latin America Domestic		International Development Markets				Bupa Global	
		Australia	New Zealand	UK	Spain	Chile	Poland	Hong Kong	Thailand	Saudi Arabia	India	Worldwide
FUNDING	MARKET UNIT											
	COUNTRY											
	PMI	●		●	●	●	●	●	●	●	●	●
	Medical Subscriptions						●					
CARE MANAGEMENT	Travel	●		●					●			●
	Dental	●		●	●	●	●					
	Health Coaching	●		●	●	●						
	Hospital			●	●	●	●					
HEALTHCARE PROVISION	Clinics	●		●	●	●	●	●				
	Home Healthcare			●		●		●				
	Dental	●	●	●	●	●	●	●				
	Optical	●										
	Other Wellness	●		●	●							
	Brain Rehab		●									
	Care Home	●	●	●	●		●					
AGED CARE PROVISION	Care Villages		●	●								
	Medical Alarms		●									

## APPENDIX: DEBT BREAKDOWN

	FY 2015 £m	FY 2014 £m
Borrowings under £800m bank facility	-	-
£500m subordinated bond due 2023	500	499
£330m perpetual hybrid bond (g'teed by Bupa Insurance Ltd)	387	398
£350m senior bond due 2016	363	363
£350m senior bond due 2021	348	348
£235m care homes securitisation due 2029 / 2031	238	238
Bupa Chile borrowings	153	147
Other	85	91
<b>Total borrowings</b>	<b>2,074</b>	<b>2,084</b>

# DISCLAIMER

## CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

- *This document may contain certain forward-looking statements with respect to certain of the British United Provident Association Limited Group's ("Bupa's") plans and its current goals and expectations relating to future financial condition, performance and results. By their nature forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Bupa's control, including, among others, global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of governmental and regulatory authorities, the impact of competition, the timing, impact and other uncertainties of future mergers or combinations within relevant industries. As a result, Bupa's actual future condition, performance and results may differ materially from the plans, goals and expectations set out in Bupa's forward-looking statements. Bupa does not undertake to update forward-looking statements contained in this document or any other forward-looking statement it may make.*