

DISCOVERY LIMITED  
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("Discovery" or "Company")

## ANNOUNCEMENT OF AMPLIFY HEALTH - NEW PAN-ASIAN HEALTH INSURTECH BUSINESS IN PARTNERSHIP WITH AIA

Shareholders and noteholders are advised that Discovery Limited ("Discovery") and AIA Group Limited ("AIA") have reached agreement to establish a new health InsurTech business, to be named "Amplify Health". The partnership will operate as a joint venture ("JV") in Asia, excluding China, Hong Kong and Macau, in which Discovery has an exclusive partnership with the Ping An Group, through its shareholding in Ping An Health Insurance.

Amplify Health's vision is to be Asia's leading digital health technology and integrated solutions business, transforming how individuals, corporates, payors and providers experience and manage health insurance and healthcare delivery, improving the health and wellness outcomes of patients and communities across Asia. The business will provide a range of state of the art, production tested health technology, intellectual property ("IP") and expertise to AIA's rapidly-growing health insurance businesses across the region, and will also build and deliver health and wellness InsurTech products and services to third parties across the region. This JV is built upon and will extend the very successful partnership between Discovery and AIA, which will continue to operate alongside the new JV.

The JV combines Discovery and AIA's distinctive and complementary strengths, bringing together Discovery's market-proven health insurance technology systems and assets and its Vitality technology platform and assets with AIA's market-leading businesses, brand, unrivalled distribution platform and decades of well-established execution capabilities across Asia.

### **Rationale for the JV**

#### **1. The JV aligns with the emerging market scale in Asia**

The demand for healthcare services in Asia is large and growing rapidly, supported by compelling fundamentals of rising wealth, ageing populations, greater focus on health and wellness and increasing disease burden. Annual healthcare expenditure in Asia only represented 4%-5% of the region's GDP in 2020, which is well below that of developed markets. Across AIA's markets, healthcare expenditure is expected to exceed US\$4 trillion in 2030<sup>1</sup>. By this time, there will be 2.6 billion<sup>2</sup> people in the middle classes in Asia, who will be significantly more engaged with improving their personal health than previous generations. Consumers will continue to focus on wellness and disease prevention, leveraging technologies such as wearables, activity and fitness trackers, driving the market in Asia to US\$6.6 billion by 2025 compared to pre-pandemic (2020) levels of US\$2.3 billion (23% CAGR)<sup>3</sup>.

Digital healthcare adoption has accelerated as a result of the pandemic, with 96% of insurers in Asia-Pacific indicating that their members now use telehealth to access primary physician/general

practitioner (GP) services<sup>4</sup>. Adding to this, the population in parts of Asia is ageing with close to 850 million people in the region predicted to be over the age of 60 by 2030<sup>5</sup>. This unparalleled combination of shifting demographics, rising consumer expectations, accelerated digital adoption, new advancements in HealthTech and significant unmet service demand underpin the strategic importance of Amplify Health.

## **2. Amplify Health is central to AIA Group's strategy to grow its health business**

Health and Wellness is at the core of AIA's purpose of 'helping people live Healthier, Longer, Better Lives'. Amplify Health will provide a key competitive advantage to AIA, which is already the leading pan-Asian private medical insurer, providing Life, Health and Wellness solutions to holders of more than 39 million individual policies and over 16 million members of group insurance schemes. Amplify Health will help accelerate AIA's Health & Wellness strategy and will be well positioned to capture significant new opportunities from the rapidly growing health market in Asia.

## **3. Amplify Health leverages Discovery's health and wellness expertise and assets, developed over the past three decades**

Discovery's significant investment over the past three decades has facilitated the creation of a fully integrated, production-tested health technology stack and the associated IP and expertise. This end-to-end capability comprises state of the art claims processing and administration systems; the assets to support a fully-integrated digital health ecosystem; considerable multisource data sets; and excellent and experienced human capital. Discovery has demonstrated the ability to apply these integrated capabilities across the entire health insurance value chain, resulting in the development of market-leading health insurance businesses in several markets. Specifically, the deployment of these capabilities drives more efficient insurance pricing, best-in-class health insurance claims and risk management and advanced value-based care capabilities; and does so with high levels of operating efficiency, benefitting all stakeholders across the health insurance value chain.

## **4. The success of Vitality in Asia, through AIA Vitality, will enhance the JV**

Enabled by a common set of values and purpose, Discovery and AIA have developed a strong working relationship based on Discovery's Shared-value Insurance ("SVI") model, with deep knowledge shared across both organisations. The existing partnership has been focused on the integration of AIA's life insurance products with AIA Vitality across AIA's businesses since 2013. The success of this partnership is reflected in the powerful capability which has been built and expanded to operations in 10 Asian markets with \$1.6bn integrated value of new business ("VONB") written over the reporting periods January 2018 to June 2021. This capability will form a powerful underpin to Amplify Health, through the integration of the wellness capabilities.

## **The JV will have scale to rapidly generate value for all stakeholders as it enters the market**

Amplify Health is uniquely positioned to leverage superior technology, digital and analytic capabilities to deliver healthcare solutions with greater convenience, better accessibility, and lower costs to customers whilst easing pressure on traditional healthcare delivery models. Focusing on payors and healthcare providers, Amplify Health also opens up a new, large and high growth opportunity in health technology services alongside AIA's existing leadership position in private health insurance.

Amplify Health will be focused on servicing AIA businesses to drive improved operational and claims performance, and will also serve and partner with other key healthcare system participants creating value for stakeholders across the healthcare value chain by delivering the following outcomes:

- Individuals will have greater access to the right providers at the right cost with improved health outcomes and empowerment through behavioural change programmes.
- Payors and corporates will have access to better health insurance and wellness products, improved claims quality, advanced risk management capabilities and reduced administrative costs.
- Healthcare providers will transform patient experience and satisfaction through world class digital services and insights leading to enhanced decision-making, greater alignment with payors and better medical outcomes.
- Pharma and MedTech companies will improve clinical programmes through enriched real-world data and advanced digital tools, leading to lower treatment costs and new therapies.

**Discovery will own 25% of Amplify Health and earn additional income and value for the assignment of IP ownership and transfer of expertise**

Discovery will own 25% of the JV's equity with AIA owning the balance of 75%. Discovery will transfer its full health technology stack along with a substantial number of skilled personnel. Discovery will assign, for the region, ownership of the Health IP and the Vitality IP (excluding China, Hong Kong, Macau and Japan, given its partnerships in those markets) to Amplify Health. This will ensure the JV has an end to end capability.

From a capital perspective, as a health InsurTech and services business, Amplify Health will not carry direct underwriting or distribution risk, and therefore no regulatory capital will be required. Capital is expected to be required for growth to scale the JV and its capabilities - AIA will contribute up to \$200 million of Discovery's share of growth capital over the first 10 years.

AIA's health insurance businesses across the region are anticipated to use Amplify Health's products and services and for this Discovery will earn additional performance based contingent fees over the first 10 years of the contract. AIA will continue to pay fees linked to the existing AIA Vitality contract, supplemented by additional fees in return for the assignment of the ownership of Vitality IP to Amplify Health.

A key element of the JV is an agreement that ongoing innovation and new health and wellness IP created by both parties will be shared between them, thus ensuring that both Amplify Health and Discovery will benefit substantially from this long term collaboration.

**Team**

Amplify Health has been constituted with the highest calibre Discovery and AIA subject matter experts, complemented with other industry experts. The founding CEO will be Jonathan Broomberg, the former CEO of Discovery Health and current CEO of Vitality Health International. It will continue to draw on the strong resources and capabilities of each business and will thus retain a light operating structure, strongly focused on executing on the growth opportunity.

**About AIA**

AIA Group is the largest independent publicly listed pan-Asian life insurance group. It has a presence in 18 markets and was first established in Shanghai in 1919. It is a market leader in Asia (ex-Japan) based on life insurance premiums and holds leading positions across most of its markets. It had total assets of US\$330 billion as of 30 June 2021.

AIA meets the long-term savings and protection needs of individuals by offering a range of products

and services including life insurance, accident and savings plans and is the largest health insurance provider in Asia ex-China. Through an extensive network of agents, partners and employees across Asia, AIA serves the holders of more than 39 million individual policies and over 16 million participating members of group insurance schemes.

This transaction remains subject to SARB approval.

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15 February 2022

Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)

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<sup>1</sup> McKinsey, Bain & Co, Fitch Solutions (Aug 2021), Oxford Economics

<sup>2</sup> IHS and McKinsey

<sup>3</sup> The future of healthcare in Asia: Digital health ecosystems, McKinsey & Co

<sup>4</sup> 2021 Global Medical Trends Survey Report, Willis Towers Watson

<sup>5</sup> Population 2030: Demographic challenges and opportunities for sustainable development planning, by United Nations, 2015