Australian Unity
Real Wellbeing

ASX Announcement

7 September 2022

Australian Unity reports $45.7 million profit after income tax for FY2022, up 39 percent, and announces major deferral of health insurance premium increases

Health, wealth and care group Australian Unity (the Group) has reported a profit after income tax of $45.7 million for the year to 30 June 2022—compared to $32.9 million in the prior year.

Like previous years, the year under review was significantly impacted by the COVID-19 pandemic. Additionally, the economy faced the impact of widespread floods across the eastern states, the significant investment market volatility and downturn during the second half of the year, and the subsequent rapid increase in interest rates. Despite these challenges, Australian Unity delivered a solid and improved financial result, up 38.9 percent on the prior corresponding period.

The impact of the pandemic—first reported in the operating and financial review for the year to 30 June 2020—continued to be felt in many ways across the Group's businesses in the year under review. It required the ongoing application of additional measures to seek to protect aged care residents, home care customers and the employees who support them; the provision of hardship relief for health insurance and banking customers; adjusted development and property management operations; and innovative client engagement approaches and responses to the effects of adjusted economic circumstances.

Australian Unity has responded throughout the pandemic by maintaining—and where possible improving—levels of service and responsiveness to the needs and wellbeing of members and customers, while at the same time pursuing efficiency measures to mitigate risks and curtail expenditures. During this time, the Group also focused on the welfare of its employees and the impact the pandemic had on them.

Acknowledging the effect of COVID-19 on health insurance members' access to some health services, Australian Unity announces that it plans to defer the implementation of the 2023 premium increase for private health insurance (PHI) policyholders by seven months from 1 April 2023

ASX code:
AYU

Securities on Issue:
AYUPA – 3,434,000
AYUHC – 1,150,192
AYUHD – 2,070,000

Issuer:
Australian Unity Limited
ACN 087 648 888

Enquiries:
Australian Unity Registry
1300 554 474

Contact details:
Australian Unity Limited
271 Spring Street
Melbourne VIC 3000
Tel: 13 29 39

to 1 November 2023. This adds to the package of relief measures already provided to support our policyholders through the pandemic, including premium relief for those experiencing hardship; a six-month deferral of the 2020 premium increase; cover for COVID-19 related hospital admissions; and a range of telehealth services.

In the year under review, the Group's total revenue and other income decreased to $1,361.3 million (2021: $1,706.1 million). Overall revenues from operating businesses grew by $123.6 million, inclusive of revaluation and acquisition gains on business combinations totalling $39.4 million, while investment returns fell by $23.7 million. Benefit fund revenues decreased by $444.7 million due to reduced investment performance, $409.0 million of which was unrealised movement.

Total expenses, excluding financing costs, were $1,356.8 million (2021: $1,586.6 million). Expenses of operating businesses increased by 6.7 percent or $92.2 million, with higher client care costs (up $15.7 million), and employee expenses (up $55.7 million). Benefit fund expenses reduced by $322.1 million due to the transfer of the year's adverse, investment-driven performance to policy liabilities.

The overall outcome represents a softening in the aggregate trading position, with operating earnings for the year of $48.5 million—a decrease of $3.6 million or 6.9 percent on the prior year.

The Group also announced that the Board had determined to pay a final, fully franked dividend of $2.5068 per Mutual Capital Instrument on 17 October 2022.

Group Managing Director Rohan Mead said:

"In the year under review, the Group continued to progress its strategy of developing a portfolio of valued health, wealth and care products and services for members across its three business platforms.

"The year included overall sound results across the Group's business platforms—despite many activities, particularly those of the Independent & Assisted Living (IAL) platform, being adversely affected by the pandemic. While these impacts were notable there was also continued improvement in the Home Care Services business model and further progress in developing improved and sustainable patient and outcome-focused, healthcare services.

"The Group also advanced its social infrastructure agenda, which included the launch and rapid growth of funds invested in critical social infrastructure classes such as disability accommodation and childcare, and the acquisition in July 2021 of aged care and retirement living owner-operator Greengate.

"Despite the ongoing disruption of the COVID-19 pandemic, the Group continues to remain positive about its capacity to respond to these challenges and continue building on the considerable opportunities arising from an external environment of uncertainty and market disruption.

"The Group will persist in maintaining balance sheet resilience and operational flexibility as it continues to pursue the development of its business portfolio and the realisation of strategic ambitions."

Strategic and financial performance of the three operating platforms

Independent & Assisted Living (IAL) delivered a solid financial result with adjusted EBITDA[1] of $98.7 million representing an increase of 38.8 percent and $27.6 million on the prior year. This includes a $19.1 million business combination gain on the acquisition of Greengate Partnership. Subsidiary Remedy Healthcare increased revenue by 14.8 percent to $47.1 million, driven predominantly by the introduction of the Beyond Blue support service in February 2022. Working closely with the Wealth & Capital Markets (W&CM) platform, the business continued to progress its development pipeline of its signature Better Together® small household aged care model.

Retail ended the year under review with an adjusted EBITDA of $94.9 million—16.0 percent higher than the prior year. While the provision of COVID-19 support measures to PHI policyholders reduced revenue for Australian Unity Health Limited (AUHL) by $9.1 million, overall revenue of $716.1 million for Retail represented a 1.6 percent increase on the prior year. The additional financial support was provided through the application of 'premium-free days' and a range of ancillary product benefit improvements were implemented. This adds to the package of COVID-19 related relief measures provided to support our health insurance members' wellbeing, including premium relief for those experiencing hardship; a six-month deferral of the 2020 premium

[1] Adjusted EBITDA: the measure the Group uses in assessing the operating performance of its business segments. This measurement basis excludes the effects of tax, depreciation and amortisation, interest on external borrowings and investment income. It also excludes material non-recurring expenditure and shared services costs. See note 1 to the Consolidated Financial Statements in Australian Unity Limited's Annual Report for the Financial Year to 30 June 2022.

increase; cover for COVID-19 related hospital admissions; and a range of telehealth services.

Australian Unity Bank achieved strong lending growth with $420.9 million of loans funded—a 138.6 percent increase on the prior year. This growth was unable to fully offset the impact of lower interest rates on banking revenue, while the gross loan portfolio grew 21.3 percent to $1,114.5 (2021: $918.7). An increase in house price inflation and our improvement in portfolio mix led the reduction in its Expected Credit Loss provision on loans by $4.9 million.

Wealth & Capital Markets' (W&CM) adjusted EBITDA increased by 41.8 percent compared to the prior corresponding period, with a $20.3 million one-off gain from the revaluation of the platform's investment in the Platypus Asset Management business a significant contributor to the current year outcome. Against a challenging economic backdrop, which continued to impact markets and distribution activity, the platform progressed its strategy of expanding the Group's social infrastructure reach and helping Australian's achieve and sustain their financial wellbeing.

The development of the landmark $1.1 billion Herston Quarter health precinct in Brisbane also continued—with the completion of restoration and refurbishing works on the Lady Lamington Towers and the heritage restoration and repurposing works on the Edith Cavell building.

Following the establishment of the Childcare Property Fund, two equity raises were completed with $52.2 million raised, including a $20.0 million cornerstone investment from the group. The Specialist Disability Accommodation Fund closed its second equity raise of $30.5 million. The platform also continued to work closely with IAL during the year, with the redevelopment of Walmsley Residential Aged Care Facility in Kilsyth, Victoria, and a vertically integrated residential aged care and assisted living development in South Melbourne, Victoria—both of which are programmed to be completed during the 2023 financial year.

The Investments business also manages and invests Australian Unity Group's own $1.06 billion investment portfolio (2021: $0.94 billion). This investment portfolio includes assets of the Australian Unity Group's prudentially-regulated entities, which support the prudential capital positioning of these activities.

Key financial metrics by business platforms

Independent & Assisted Living

For period ended:	30/06/22 $M	30/06/21 $M	CHANGE %
Total segment revenue[1]	609.1	520.6	17.0
Other income	19.1	-	n/a
Adjusted EBITDA	98.7	71.1	38.8
Other results:			
Home Care Services revenue	347.0	322.0	7.8
Remedy Healthcare revenue	47.1	41.0	14.8
	30/06/22 Number	**30/06/21 Number**	**CHANGE Number**
Retirement village ILUs	2,664	2,496	168
Aged care beds	1,007	786	221

Retail

For period ended:	30/06/22 $M	30/06/21 $M	CHANGE %
Total segment revenue	716.1	704.6	1.6
Adjusted EBITDA	94.9	81.8	16.0
Gross claims paid	593.4	597.3	(0.7)
Other results:		**30/06/21 $M**	**CHANGE %**
Bank gross loan portfolio	1,114.5	918.7	21.3
Australian Unity Bank total assets	1,336.0	1,153.1	15.9
	30/06/22 Number	**30/06/21 Number**	**CHANGE %**
PHI policyholders (AUHL[2], excluding OVC[3] policyholders)	168,317	174,827	(3.7)
Australian Unity Bank customers	25,772	25,986	(0.8)

[2] Australian Unity Health Limited.
[3] Overseas Visitor Cover.

Wealth & Capital Markets

For period ended:	30/06/22 $M	30/06/21 $M	CHANGE %
Total segment revenue	205.4	221.1	(7.1)
Other income	20.3	-	n/a
Adjusted EBITDA	38.7	27.3	41.8
Other results:	**30/06/22 $B**	**30/06/21 $B**	**CHANGE %**
Investments funds under management and advice	9.90	10.46	(5.4)
Property under management	4.92	4.10	20.0
Property under development	1.31	1.25	5.0
Lending and debt facilities on behalf of investors	2.05	1.86	9.9
Funds under advice	9.99	9.36	6.7
Funds under trusteeship	0.41	0.37	9.3
Life & Super funds under management and administration	2.30	2.51	(8.4)
Total net assets under management and administration (AUMA)[4]	**28.50**	27.89	**2.2**

[4]AUMA is the aggregate value of assets under management and administration, excluding cross-investments (investments by Australian Unity funds in other funds managed or operated by Australian Unity or our associates).

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This announcement has been authorised for distribution to the ASX by:

The Board of Australian Unity Limited
T: + 61 3 8682 6819

If securityholders or other interested parties require further information, please contact:

Ashley Oliver
Manager – Public Affairs
T: 1300 408 776
E: media@australianunity.com.au