

24 February 2016

Australian Unity Group increases first half operating earnings by 44 percent

Financial services, healthcare and independent & assisted living company Australian Unity Limited (Australian Unity) has reported revenue and other income of \$630.4 million for the six months to 31 December 2015, a decrease of 2.5 percent compared to the corresponding period last year (31 December 2014: \$646.7 million). The decrease was largely due to Benefit fund revenue, which at \$54.3 million was down 50.8 percent due to lower investment returns. Revenue attributable to Australian Unity members was \$576.1 million an increase of 7.4 percent compared to the same period last year.

The Group's operating earnings¹ of \$18.7 million for the half-year were up 43.7 percent, from \$13.0 million reported for the same period last year.

The aggregate adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (adjusted EBITDA²) of the Group's operating businesses was \$49.8 million for the six months to 31 December 2015, an 18.8 percent increase on the previous half-year result.

Profit after tax was \$14.2 million, an increase of 18.2 percent from the \$12.0 million achieved for the same period last year.



ASX code:
AYU

Securities on Issue:
AYUHA – 574,066
AYUHB – 2,500,000

Issuer:
Australian Unity Limited
ACN 087 648 888

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The listing of Australian Unity Securities on the ASX does not affect Australian Unity Limited's status as a mutual organisation

¹ Operating earnings: Profit before tax less investment income, borrowing costs exclusive of accommodation bond interest reclassification and discontinued operations and business acquisition costs.

² Adjusted EBITDA: the measure the Group uses in assessing the operating performance of its business segments. This measurement basis excludes the effects of depreciation and amortisation, income tax, interest on external borrowings and investment income. It also excludes non-recurring expenditure.

ASX Announcement

The half-year results include some costs associated with preparations for completion of the transfer of Home Care NSW from the NSW Government on 19 February 2016. Further integration costs relating to the acquisition of Home Care NSW will be incorporated in the full-year accounts.

Group Managing Director Rohan Mead said each of Australian Unity's operating businesses recorded solid revenue growth in the half-year, contributing to the positive overall interim result.

"We are positive about the performance of our operations after the first six months of the year. Against a volatile external setting, each of our businesses has recorded growth," Mr Mead said.

During the half-year, the Group successfully launched new unsecured debt securities called Series B – Australian Unity Bonds (Tranche 1). The offer closed on 15 December, raising a total of \$250 million.

"We were pleased with the support the Series B Australian Unity Bonds received from the investment community. The new funds will be used to support growth opportunities and in part to attend to the purchase of Home Care NSW," Mr Mead said.

Mr Mead said he was particularly pleased the strong growth in operating earnings was spread across the portfolio of business operations.

"The Group focuses on operating earnings growth as part of our strategy to reduce reliance on investment income and its associated volatility. The Group has been focused on growing revenues and developing diverse income streams outside of the traditional private health insurance business for a number of years now and we continue to see the benefits of this strategy," Mr Mead said.

"Following the completion of the Home Care NSW transfer, Australian Unity's workforce expanded to more than 6,500 people nationally. Achieving a smooth transition of this business for both clients and staff will be a major and continuing focus," Mr Mead said.

Australian Unity's business portfolio is connected by its focus on wellbeing and providing services to meet community needs. The Group aims to play a valuable role in addressing the "social infrastructure challenge" arising from the inter-related issues of demography and ageing, the rise of chronic disease and insufficient retirement savings.

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Sector performance for the half-year

Independent & Assisted Living

The Independent & Assisted Living business (formerly Retirement Living) reported an adjusted EBITDA increase of 12.8 percent, to \$11.8 million (31 December 2014: \$10.5 million). Total segment revenue for the business increased by 23.3 percent to \$64.0 million (31 December 2014: \$51.9 million).

The business segment operations include retirement communities and aged care facilities across NSW and Victoria, as well as a growing Home Care business in these states.

Growth in the existing Home Care operations continued to be a key factor underpinning the half-year result, with the business is positioned well for further growth in this area associated with the transfer of the Home Care Service of NSW from the NSW Government. The transfer was formally completed on 19 February.

A highlight of the half-year was the continuing high—and above industry average—occupancy levels which continue to be recorded at both retirement villages and aged care facilities.

Healthcare

The Group's Healthcare operations reported an adjusted EBITDA increase of 12.2 percent, to \$28.9 million (31 December 2014: \$25.7 million). Total segment revenue for the business increased by 4.7 percent to \$426.4 million (31 December 2014: \$407.4 million).

The segment results incorporate activities from the Group's retail health insurance fund, the corporate health insurance fund (GU Health), dental clinics, and allied health operations (Remedy Healthcare).

The half-year included the acquisitions of Mobile Physio in July and Lincs Healthcare in December. Both acquisitions support expansion of Remedy's footprint. Remedy also continues to expand chronic disease management programs, and during the period launched its mental health program, MindStep.

The number of policyholders in both the retail and corporate health insurance funds has remained largely stable.

Notwithstanding this positive half-year result for the Healthcare business, the underlying economics of the Australian healthcare system continue to be under pressure.

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Investments

The Group's Investments division reported an adjusted EBITDA increase of 41.2 percent, to \$7.4 million (31 December 2014: \$5.3 million). Total segment revenue increased by 4.7 percent to \$53.4 million (31 December 2014: \$51.0 million).

The segment results incorporate activities from the Group's funds management, real estate investment, bonds and banking operations.

Several of the business' leading funds produced very positive performance relative to the market and earned performance fees. Funds under management at 31 December 2015 was \$8.2 billion (30 June 2015: \$7.3 billion).

The ADI business, Big Sky Building Society, performed strongly, with continued positive growth in lending. Big Sky finished the half with \$827 million in on-balance sheet assets at 31 December 2015 compared to \$754 million at 30 June 2015. During the half-year, Big Sky consistently outperformed peer system growth rates, with loan growth at record levels (\$116 million of new loans during the period and net loan book growth of 10 percent).

Personal Financial Services

The Group's Personal Financial Services division reported an adjusted EBITDA increase of 254.2 percent, to \$1.7 million (31 December 2014: \$0.5 million). Total segment revenue increased by 51.2 percent to \$33.5 million (31 December 2014: \$22.1 million).

The segment results incorporate activities from the Group's financial advice, finance broking and estate planning and administrations business areas.

During the half-year the business completed the significant strategic acquisition of estate planning and administration specialists Flinders Australia Limited. This acquisition enables Australian Unity to offer a wider range of services. The revenue increase was largely as a result of the Flinders Australia acquisition, along with increased productivity from existing advisers and brokers.

Further information

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Australian Unity is a national healthcare, financial services, and independent & assisted living organisation providing services to almost one million Australians, including around 300,000 members. Australian Unity's history as a trusted mutual organisation dates back 175 years. It has grown organically—by continually evolving and providing the services and products needed by the communities it serves—as well as through successful strategic mergers and diversification into new business activities.

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