

27 February 2019

Australian Unity continues to progress growth strategy

Result overview:

- **Total revenue \$699.4 million, down 6.8%**
- **Operating business revenue \$654.5 million, up 2.3%**
- **Operating earnings \$15.7 million, up 27.3%**
- **Profit for half-year \$13.3 million, up 55.9%**

Health, Wealth and Living group Australian Unity has reported a profit from continuing operations for the half-year of \$13.3 million, which was a \$4.8 million increase on the prior corresponding period.

Total revenue and other income from continuing operations decreased 6.8 percent from the previous corresponding period to \$699.4 million.

Overall revenue growth generated by the Group's operating businesses increased \$14.9 million on the prior corresponding period, although these gains were outweighed by a \$69.0 million reduction in benefit fund revenue. Within the benefit funds, growth in premiums and other revenue of \$17.4 million was more than offset by an \$86.4 million reduction in investment returns.

The outcome represents a positive improvement in the aggregate trading position, with operating earnings from continuing operations up 27.3 percent to \$15.7 million.

Group Managing Director Rohan Mead said that in the half-year to 31 December 2018, Australian Unity had continued to progress its strategy of developing a commercially sustainable portfolio of businesses that provide customer, member and community value.

ASX code:
AYU

Securities on Issue:
AYUHB – 2,500,000

Issuer:
Australian Unity Limited
ACN 087 648 888

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“The half-year result was in part achieved through benefits arising from the extensive business transformation program undertaken in the previous financial year,” Mr Mead said.

“This transformation program was designed to support the Group to continue its development as a provider of trusted goods and services aligned to rapidly changing community needs.

“The benefits are expected to be fully realised over the period to 2020 and beyond.”

The Group’s operations are conducted through three business platforms: Independent & Assisted Living, Retail and Wealth & Capital Markets.

The Independent & Assisted Living (IAL) platform provides retirement communities, aged care and disability services. In addition, the platform offers preventative health and chronic disease management services through a wholly owned subsidiary, Remedy Healthcare, and direct healthcare services through dental clinics.

The IAL platform recorded total segment revenue of \$221.5 million for the half-year representing an increase of 6.0 percent on the prior corresponding period.

IAL’s adjusted EBITDA of \$9.3 million represents an increase of \$9.7 million on the prior corresponding period. This increase reflects a continued focus on the sustainability of the Home & Disability Services business.

The **Retail** platform had a positive half-year amidst mixed operating conditions, with adjusted EBITDA up \$2.1 million or 5.6 percent to \$40.4 million compared to the prior corresponding period.

This result was driven principally by a steady underwriting experience in the health insurance business and continued net interest margin improvement in the banking business.

The total number of health fund policyholders decreased by 1.0 percent over the half-year to 191,874 at 31 December 2018, which reflected lower

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industry growth and a strategy to review profitability of distribution channels.

The **Wealth & Capital Markets (W&CM)** platform comprises business units encompassing advice, investments, life & superannuation, property and trustee services.

The W&CM platform recorded total segment revenue of \$88.4 million for the half-year to 31 December 2018, a 9.8 percent increase on the prior corresponding period.

Adjusted EBITDA increased to \$20.1 million representing a 54.0 percent increase on the prior corresponding period. This strong result in adjusted EBITDA was achieved through underlying business growth, net favourable outcomes in one-off items from social infrastructure related developments and legal settlements received in Life & Superannuation.

The growth in operating earnings was positively impacted by both the ongoing work undertaken within the business designed to streamline operations and reduce capital usage, along with growth in the property and investment segments.

Mr Mead concluded that the half-year to 31 December 2018 represented welcome progress against Australian Unity's broad ambitions.

"It reflects the positive progress we are making in our efforts to address some of the community's social infrastructure needs in the areas of health, financial wellbeing and ageing, while continuing to focus on further integrating and optimising our human services activities," he said.

A summary of key financial metrics for each business is on the following pages.

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Key financial metrics by business

Independent & Assisted Living

For period ended:	31/12/18 \$M	31/12/17 \$M	CHANGE %
Total segment revenue	221.5	208.9	6.0
adjusted EBITDA	9.3	(0.4)	N/A
Other results:	31/12/18 \$M	30/06/18 \$M	CHANGE %
Total value of development pipeline	939.8	673.3	39.6
	31/12/18 \$M	31/12/17 \$M	CHANGE %
Remedy Healthcare revenue	13.4	11.9	12.9
	31/12/18 Number	30/06/18 Number	CHANGE Number
Retirement village ILUs	2,370	2,370	0
Aged care beds	590	711	(121)

Retail

For period ended:	31/12/18 \$M	31/12/17 \$M	CHANGE %
Total segment revenue	361.5	365.0	(1.0)
adjusted EBITDA	40.4	38.3	5.6
Gross health insurance claims paid	304.7	302.9	0.6
Other results:	31/12/18 \$M	30/06/18 \$M	CHANGE %
Mortgage broking loans under advice	711.0	785.0	(9.4)
Australian Unity Bank (formerly Big Sky) total assets	835.1	777.4	7.4
	31/12/18 Number	30/06/18 Number	CHANGE %
Policyholders (AUHL)	191,874	193,771	(1.0)
Australian Unity Bank total customers	24,400	24,692	(1.2)

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Wealth & Capital Markets

For period ended:	31/12/18 \$M	31/12/17 \$M	CHANGE %
Total segment revenue	88.4	80.5	9.8
adjusted EBITDA	20.1	13.1	54.0
Other results:	31/12/18 \$B	30/06/18 \$B	CHANGE %
Investments under management	5.5	5.9	(6.4)
Property under management	3.2	3.1	3.9
Property under development	1.2	1.2	(7.2)
Debt facilities under management	1.5	1.6	(1.9)
Funds under Advice	6.2	6.4	(2.6)
Funds under Trusteeship	0.4	0.4	(2.8)
Life & Super FUM	2.2	2.2	(3.1)
Total Assets under Management and Administration	20.2	20.8	(3.0)

About Australian Unity

Australian Unity is a health, wealth and living organisation. We are working to create a brighter future by delivering services that help more than a million Australians thrive. As a mutual company, we invest back into our products, services and the Australian community. We can trace our roots back more than 175 years; today our purpose remains the same. We put our customers and members front and centre of everything we do, from delivering sustainable performances to building strong communities.

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Further information:

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