

# ASX Announcement

23 February 2022

## Australian Unity Limited – Half-Year Investor Update

Please find **attached** Australian Unity Limited's Investor Update relating to the financial results for the half-year ended 31 December 2021.

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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:

Michael Moore

General Manager – Public Affairs & Communications

T: 1300 408 776

E: [media@australianunity.com.au](mailto:media@australianunity.com.au)

**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

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

Australian Unity Limited

# Investor update

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Financial results for the half-year ended 31 December 2021



Australian Unity Limited is pleased to invite you to our investor presentation teleconference for the half-year ended 31 December 2021

If you are unable to attend, you are welcome to email any queries you may have to:

[tisteer@australianunity.com.au](mailto:tisteer@australianunity.com.au)

We will endeavour to respond to your queries by email or during the teleconference.

Date  
Thursday 24 February 2022

Time  
9:30am to 10:30am AEDT

To access the teleconference participants must register in advance via the link below:

<https://apac.directeventreg.com/registration/event/2489018>

Once registered, each participant will be provided with dial in numbers, an event passcode and a participant PIN.

Please dial in 10 minutes prior to the scheduled start of the event.

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AUL HY22 Investor Presentation

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1. Overview and Group highlights
2. Business results
3. Summary and outlook



**Rohan Mead**  
Group Managing Director  
and CEO



**Prue Bowden**  
Group Executive People & Culture



**Darren Mann**  
Group Executive Finance & Strategy  
and Chief Financial Officer

# Overview and Group highlights



# Overview of Australian Unity

Mutual with a commitment to members, customers and community

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- Established in 1840, a member-owned company with 400,000 members and more than 700,000 customers
- Diversified but thematically-linked portfolio of health, wealth and care businesses that provides member, customer and community value and is supportive of personal and community wellbeing

# HY2022 Operational review

## Advancing strategic ambitions

- Further progressed strategy of building a commercially sustainable portfolio of businesses that provides member, customer and community value and is supportive of personal and community wellbeing
- Delivered an improved and solid financial result despite continued COVID-19 adverse impacts and challenges. Net profit after tax for the period was \$15.5 million
- Sound results within the Private Health Insurance (PHI) business, and positive results in Banking and Wealth & Capital Markets (W&CM) businesses
- Independent & Assisted Living (IAL) adversely affected, with many activities impacted by the pandemic. While the impacts are 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
- In July 2021, we acquired the aged care and retirement living owner-operator Greengate Partnership Pty Ltd. This added three recently built and fully operational, vertical co-located retirement village and aged care precincts (Sydney and Brisbane), as well as a development site in Brisbane with approval for a similar precinct
- Undertook a second Mutual Capital Instrument (MCI) issuance, raising \$230.1m from investors. This issuance built on the \$120.0m raised in the prior corresponding period (PCP), through Australia's inaugural MCI issuance
- The Board has determined an interim fully franked dividend of \$2.4932 per mutual capital instrument to be paid on 19 April 2022<sup>1</sup>



# HY2022 Operational review cont.

## COVID-19

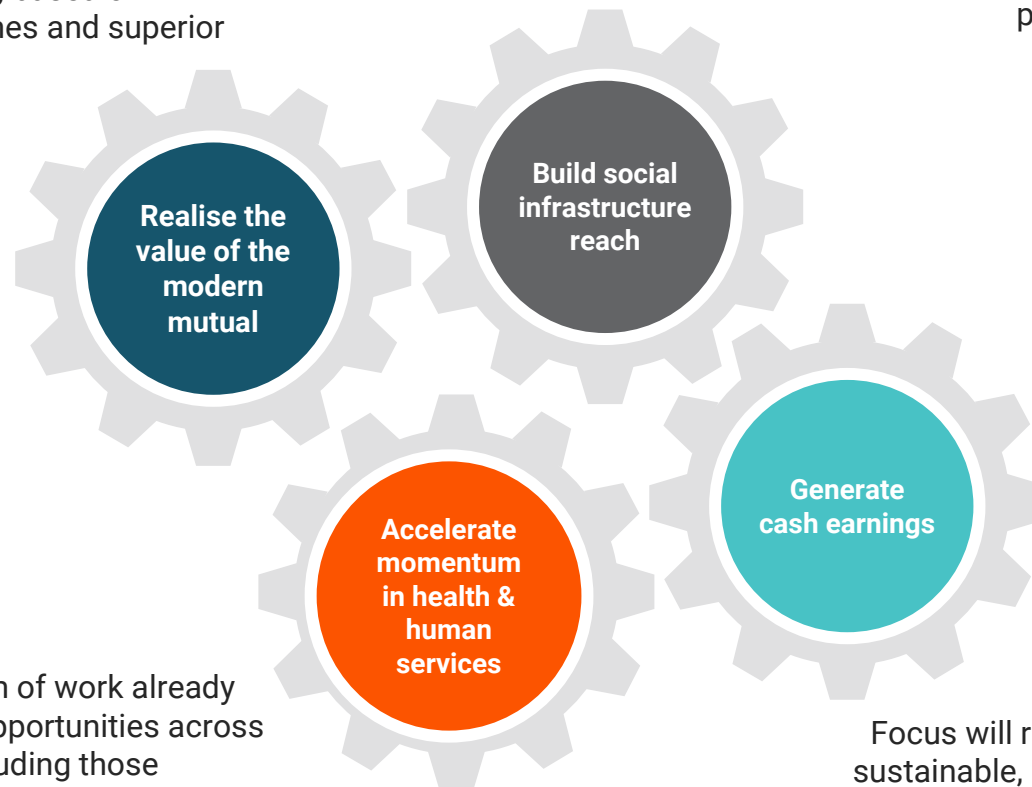
- Responded by maintaining, and where possible improving, levels of service and responsiveness to the needs and wellbeing of members and customers, while pursuing efficiency measures to mitigate risks and curtail expenditures. Also focused on the welfare of employees and the impact COVID-19 has had on them
- Approved additional COVID-19 support for PHI policyholders through premium relief with an estimated \$6m to be delivered in FY22, provided through the application of premium 'free days', at a cost of \$9.1m and implemented a range of ancillary product benefit improvements
- Pandemic affected the Group's overall results, with impacts including the support measures to PHI policyholders; client cancellations and interruptions to regular home care, disability, dental and health care servicing; some additional government funding receipts; increased cost of additional personal protective equipment (PPE) and related consumables and cost containment undertaken in response to these pandemic effects. The Group currently incurs in excess of an additional \$100,000 per week in PPE costs within its IAL business

# FY2022 priorities

## **Realise the value of the modern mutual**

Create the building blocks to form deeper relationships with members, based on improving wellbeing outcomes and superior interaction with the Group

**Build social infrastructure reach**  
Continuing to realise and extend our presence within the Social Infrastructure realm



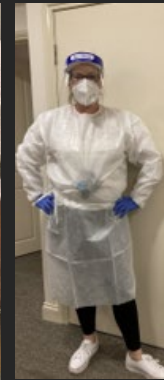
## **Accelerate momentum in health and human services**

Continuation of the program of work already underway to leverage the opportunities across the Continuum of Care, including those anticipated from the Royal Commission

## **Generate cash earnings**

Focus will remain on maximising the sustainable, repeatable cash earnings of the group

# Taking care of our members and customers



# Taking care of our people

**91%**

of incidents reported within 48 hours, with a **14%** increase in manager follow up compared to PCP

**12%**

reduction in 'lost days' due to injury

**31%**

reduction in average cost of claims

**90%**

of eligible employees took wellbeing leave in first half of FY22 (>4,300 days)

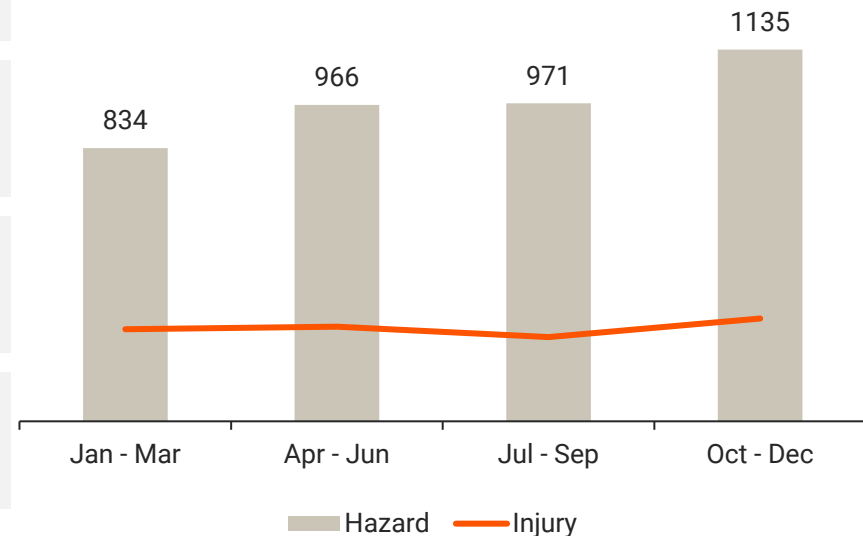
**71%**

of our people rate wellbeing as the number one activity the company is doing well

**5**

Group eNPS—a decrease of only 1 point despite the demands of COVID-19 on our operations

**Maintained underlying positive trends with hazard reporting and injury severity reductions**



# Impacts of COVID-19 in a tight talent market

## Our human services workforce profile

**85%**

Permanent employment

**68%**

Part-time hours of work

**87%**

Female workforce representation

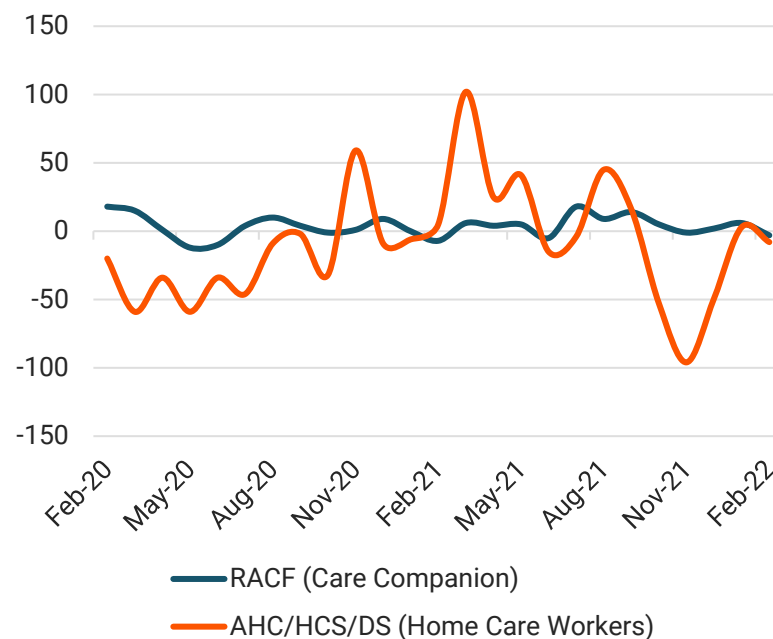
**47  
years**

Average age

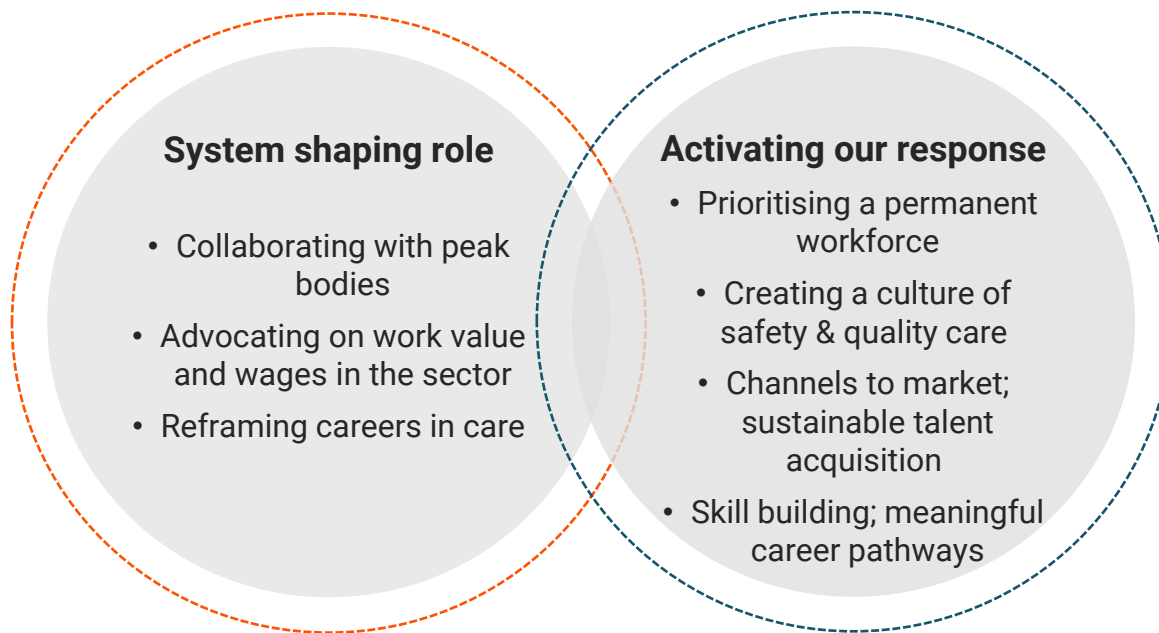
**3.5  
years**

Average years of service at Australian  
Unity

## Net care worker recruitment past 2 years



# Dual response to the care workforce challenge



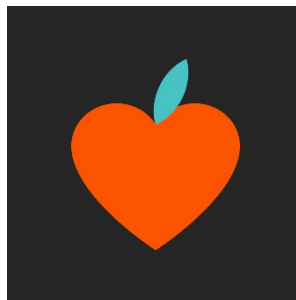


# Measuring Community & Social Value

## Impact report

- Australian Unity published its inaugural Impact Report in November 2021
- Demonstrates the sustainability of our business and assesses our key risks and opportunities against the environmental, social & governance (ESG) criteria that are increasingly used to measure company impact beyond financial performance
- It includes measurement of the value created under our Community & Social Value (CSV) outcomes framework
- We have focused our strategy and reporting on six priority outcomes

## Priority outcomes



### Lifelong wellness

1. Better access to healthcare
2. Improved health outcomes



### Economic empowerment

3. Building financial resilience
4. Opportunities through employment



### Strong communities

5. Leading social innovation
6. Supporting living in place

# HY2022 financial summary

Key financial statistics	HY2022	HY2021 <sup>1</sup>	Change
Revenue and other income (\$m)	835.0	818.0	17.0
Total expenses, excluding financing costs (\$m)	794.1	767.2	26.9
Profit after tax (\$m)	15.5	6.2	9.3
Operating earnings (\$m)	13.8	11.9	1.9
Total MCI dividend in relation to HY22 (\$m) <sup>2</sup>	8.6		
Payout ratio (total MCI dividend / profit after tax) <sup>3</sup> (%)	27%		

<sup>1</sup> Comparative information has been restated following adjustments made to prior year financial statements. Further information about the nature and impact of the restatement is included in the FY22 Interim Report at Note 15.

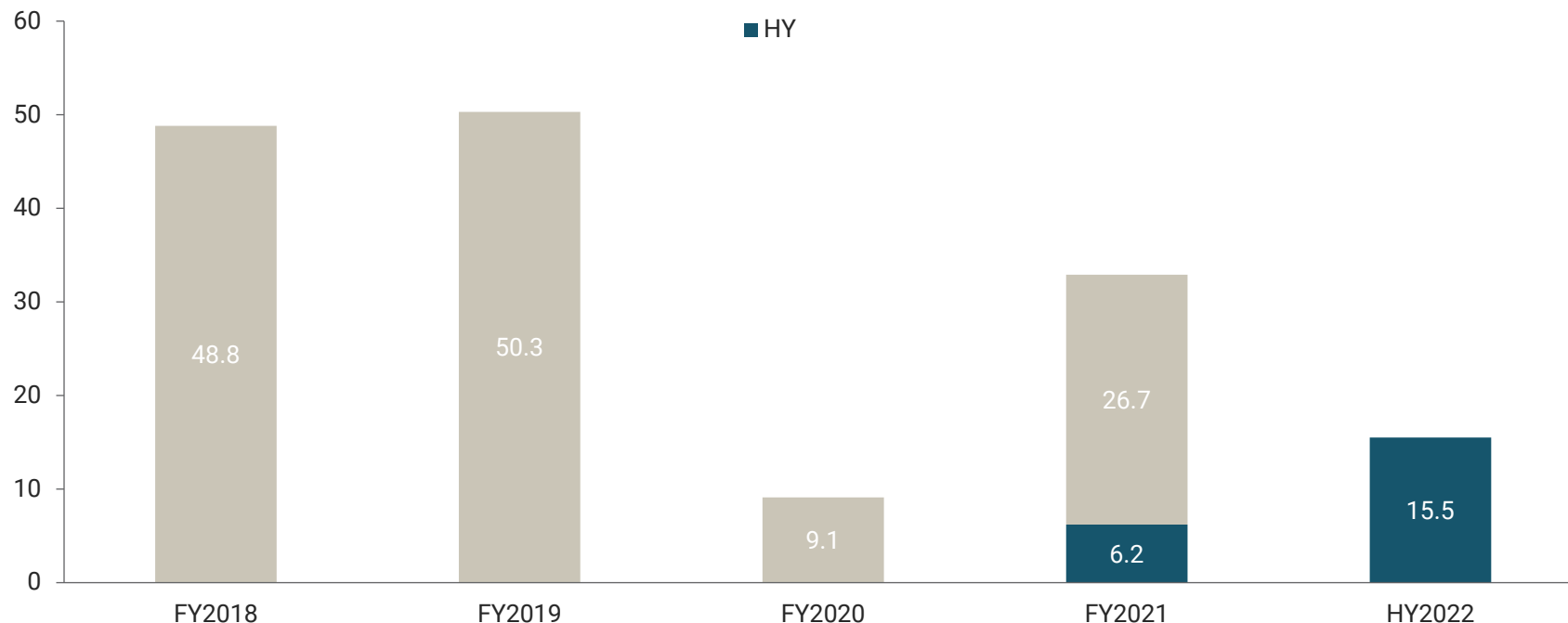
<sup>2</sup> Consists of dividend determined to be paid in April 2022. The financial effect of the dividend determined to be paid in April 2022 has not been brought to account in the financial statements for the half-year ended 31 December 2021 and will be recognised in subsequent financial reports.

<sup>3</sup> Total MCI dividend consists of actual MCI dividend paid in October 2021 and dividend determined to be paid in April 2022. Profit after tax relates to the period 1 January 2021 to 31 December 2021.



# HY2022 key metrics

Profit after income tax<sup>1 2</sup> (\$m)

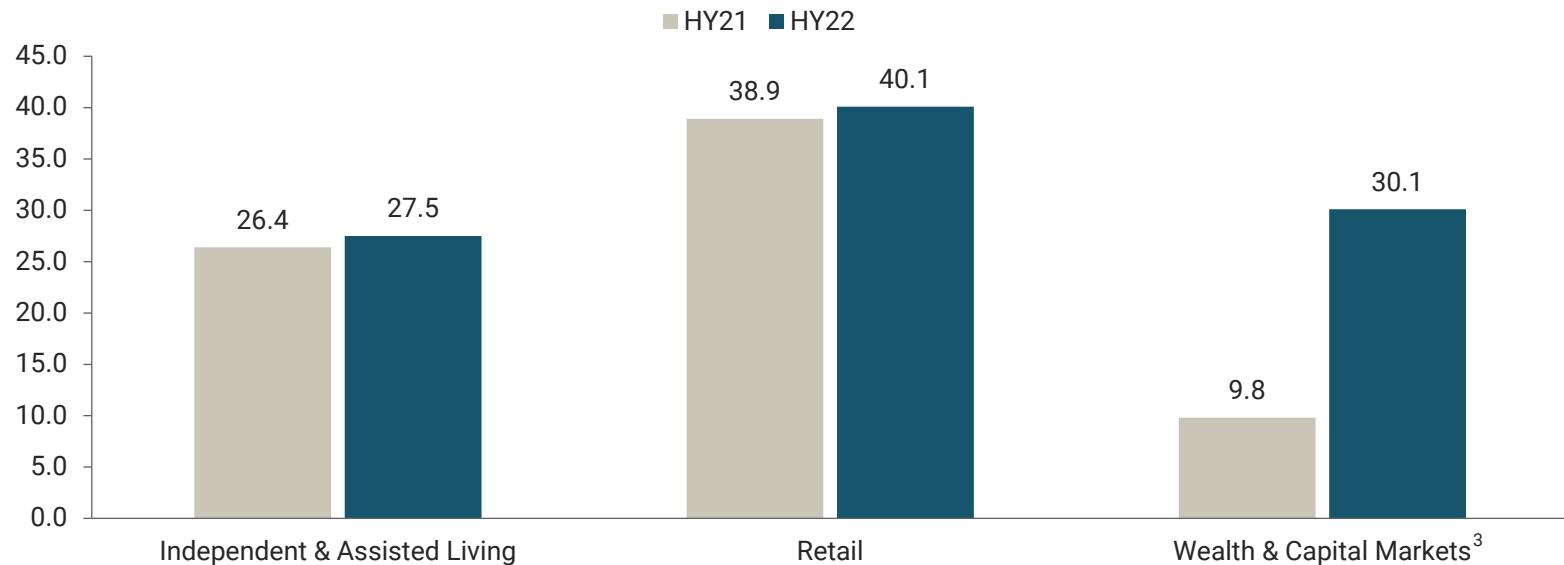


<sup>1</sup> Included in the FY2018 result was a profit from discontinued operations of \$66.9m from the divestment of the Group's corporate health insurance subsidiary, Grand United Corporate Health Limited (GUCH) completed 31 October 2017.

<sup>2</sup> Comparative information has been restated following adjustments made to prior year financial statements. Further information about the nature and impact of the restatement is included in the FY21 Annual Report at Note 21(c) and the FY22 Interim Report at Note 15.

# HY2022 segment earnings growth

## Adjusted EBITDA<sup>1, 2</sup> (\$m)

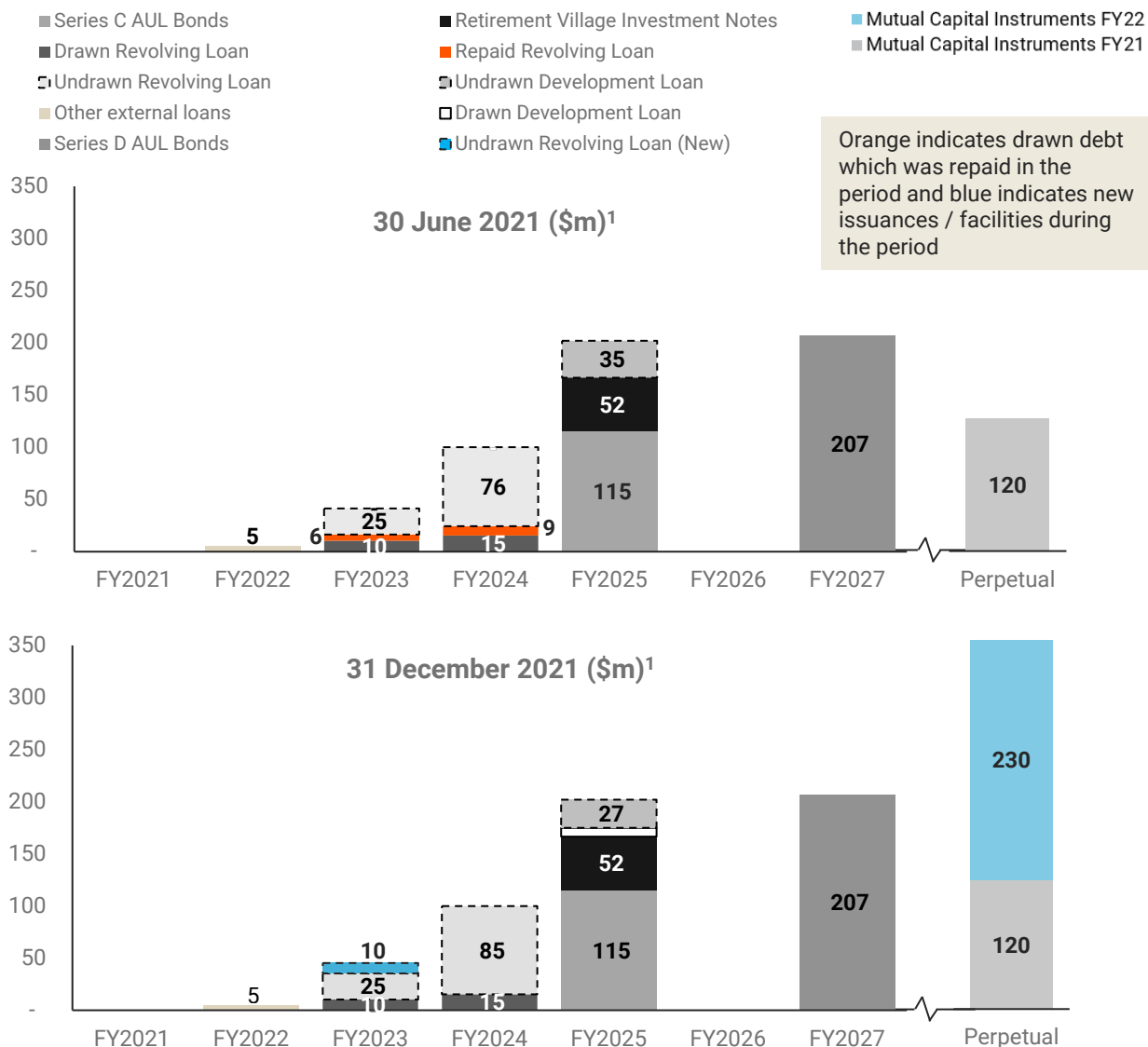


<sup>1</sup> Adjusted EBITDA: the measure the Group uses in assessing the operating performance of its business segments. This measurement basis excludes the effects of tax, depreciation and amortisation, interest expense and investment income. It also excludes material non-recurring expenditure and shared services costs.

<sup>2</sup> Comparative information has been restated following adjustments made to prior year financial statements. Further information about the nature and impact of the restatement is included in the FY22 Interim Report at Note 15.

<sup>3</sup> Adjusted EBITDA of Wealth & Capital Markets for HY22 included a revaluation gain of \$20.3 million arising from a business combination as set out in the FY22 Interim Report at Note 16(b).

# Building balance sheet flexibility and resilience



**Continued to build flexibility into the balance sheet, positioning for strategic opportunities to be realised. Key activities during HY2022 included:**

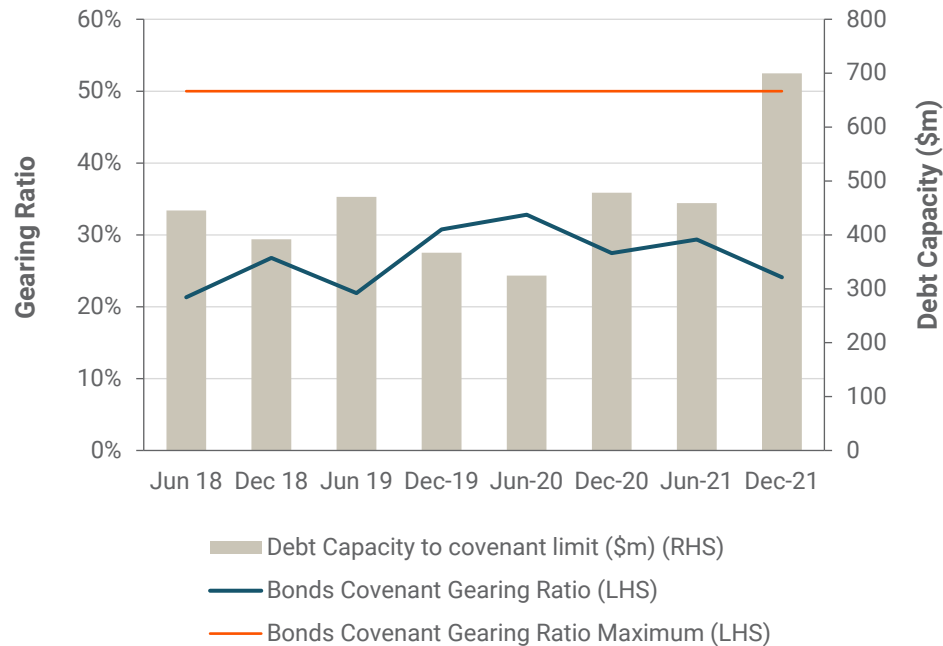
- execution of a further \$10m of corporate bank facilities
- drew \$100m bank debt, for short term funding purposes which was subsequently repaid during the period
- A further issuance of MCI in Nov 2021, raising a further \$230.1m at a price of \$103. A total of \$351m has been raised through MCI since Dec 2020<sup>2</sup>
- Currently the Group has a strong liquidity position of \$120m of undrawn committed debt facilities and \$152m of cash

<sup>1</sup> Funding maturity profile shows consolidated interest bearing liabilities as at 30 June 2021 and 31 December 2021 that contribute to the Covenant Gearing Ratio debt (excluding Authorised Deposit-Taking Institution (ADI) borrowings) and Australian Unity Limited's Mutual Capital Instruments, which contribute towards gearing ratio equity

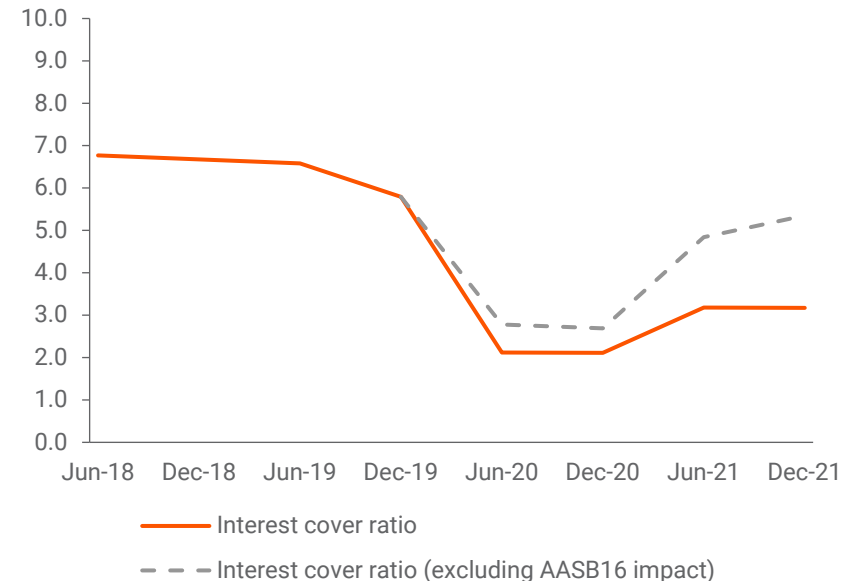
<sup>2</sup> Proceeds of MCIs are before transaction costs

# Gearing analysis and interest cover

Covenant gearing ratio



Interest cover ratio<sup>1</sup>



## Ratios at 31 December 2021

- Bonds covenant gearing ratio 24% based on covenant gearing calculations. The AUL MCI issuance contributes towards equity in the calculation, increasing debt capacity under the covenant.
- Interest cover ratio 3.20 times, including the impact of AASB16 Leasing. Excluding the impact of AASB16 the interest cover ratio is 5.40 times.

<sup>1</sup> Interest cover ratio is not a debt covenant and is included for illustrative purposes, the value is calculated on a rolling 12-month basis.

# Independent & Assisted Living



# Independent & Assisted Living (IAL)

## Adjusted EBITDA (\$m)<sup>1</sup>

■ HY21 ■ HY22

26.4 27.5



Independent & Assisted Living

## Segment Revenue (\$m)<sup>1</sup>

■ HY21 ■ HY22

246.4 291.3



Independent & Assisted Living

- Total segment revenue increase of 18.2% to \$291.3m compared to the PCP—despite significant disruption as a result of the COVID-19 pandemic
- Adjusted EBITDA of \$27.5m represented an increase of \$1.1m or 4.2% on the PCP

<sup>1</sup> Comparative information has been restated following adjustments made to prior year financial statements.

# IAL highlights

## Home Care Services (HCS)

- Adjusted EBITDA of \$11.6m<sup>1</sup>—in line with PCP. Achieved through continued cost savings in salary and wages through improvements in safety performance, injury management and care worker utilisation
- Approx. 1.5m hours of care delivered by 2,847 care workers
- Total Home Care Packages (HCP) under management reached 9,960, an increase of 1,136 in the half-year
- Aboriginal Home Care business unit delivered an adjusted EBITDA of \$0.2m and delivered approx. 115,000 hours of care to 2,400+ clients by 194 care workers
- Disability Services commenced operations as a separate business unit within IAL from 1 July 2021. Approx. 88,000 hours of care were delivered to 337 customers by 172 care workers

## Residential Communities

- Acquired Greengate Group retirement and aged care business, with three established co-located communities in Sydney (Kogarah & Maroubra) and Brisbane (Woolloongabba) and a prime development site in Brisbane (Auchenflower) with approval for a vertical retirement village and residential aged care precinct
- Owned and operated 10 co-located retirement villages and residential aged care precincts (30 June 2021: 7) and 14 standalone retirement villages (30 June 2021: 14) across NSW, Victoria and Queensland, comprising 2,749 independent living units and 1,012 aged care beds (30 June 2021: 2,496 ILUs and 786 aged care beds)
- Strong retirement village sales volume, up more than 90%

## Remedy Healthcare

- Increased revenue by 7.5% to \$21.3m, driven predominantly by Allied and Mental Health Services (December 2020: \$19.8m)
- Delivered 26,000+ hours of care to NSW Home Care Services clients, an increase almost 24% on PCP
- Despite COVID-19, delivered 3,000+ 'hospital substitution' programs—a decrease of 10.6% on PCP
- Ramsay Connect—joint venture with Ramsay Healthcare—increased revenue by 30% to more than \$2.7m
- Selected to operate the Beyond Blue Support Service

## Dental

- Six dental clinics operating in Victoria
- Industry significantly impacted by COVID-19 restrictions, however, despite similar impacts to the PCP, patient visits increased by 12.9% from 20,252 in the prior half-year to 22,861

<sup>1</sup> Comparative information has been restated following adjustments made to prior year financial statements.

# IAL outlook



- Continue to orientate the business around the health and wellbeing needs of customers and key stakeholders—families, primary carers, communities and government agencies
- Pandemic is expected to continue to present significant ongoing challenges and disruption throughout the remainder of this financial year
- Challenges will come in the form of access to workforce, existing workforce shortages due to staff either having COVID-19 or being unable to work having been deemed ‘close contacts’ and cancellation of services within the HCS and AHC businesses
- Well positioned and has continued to deliver essential services to its customers and keep them safe
- Acquisition of Greengate is part of IAL’s strategy of pursuing accelerated growth opportunities in healthy ageing precincts and the business will continue to look for further organic and inorganic growth opportunities
- Continue IAL’s development pipeline including:
  - Redevelopment of the 120 bed Walmsley Residential Aged Care Facility in Kilsyth, Victoria, and a vertically integrated residential aged care and assisted living development in South Melbourne, comprising 84 aged care beds and 71 assisted living apartments scheduled to be completed mid-late 2022
  - co-located residential aged care and retirement living development in Brisbane, which planning has commenced for, following acquisition of Greengate

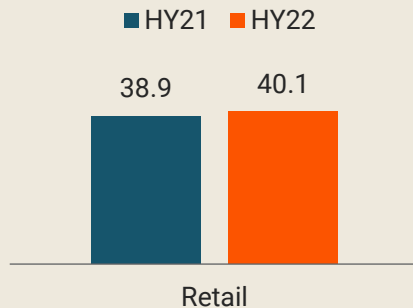


# Retail

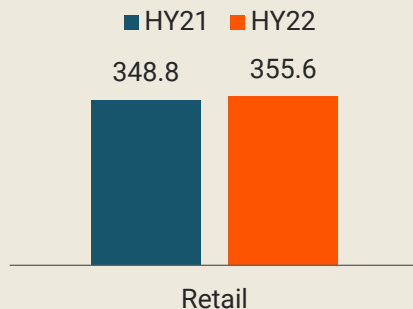


# Retail

## Adjusted EBITDA (\$m)



## Segment Revenue (\$m)



- Delivered a sound result for the half-year, with an adjusted EBITDA of \$40.1m—3.0% higher than the PCP
- Overall revenue of \$355.6m represented a 2.0% increase on the PCP
- Total operating expenses were \$315.5m—\$5.6m or 1.8% higher than the PCP. This increase reflected a \$6.3m increase in health insurance claims net of risk equalisation, and a \$0.7m decrease in other operating expenses across the Retail platform
- Provided additional COVID-19 financial support to private health insurance (PHI) policyholders through the application of premium ‘free days’, at a cost of \$9.1m, and implemented a range of ancillary product benefit improvements. This adds to the package of related relief measures provided to support members’ wellbeing, including—premium relief for those experiencing hardship; a six-month deferral of the 2020 premium increase; cover for COVID-19 related hospital admissions; a range of telehealth services; and a low, relative to the sector, 2021 premium increase (1.99%)

# Retail highlights

## Australian Unity Health Limited Private health insurance (PHI)

- Average number of PHI policyholders was 1.2% higher than PCP, despite a 1.3% decrease in the number of PHI policyholders during the half-year
- Slight reduction in PHI policyholders, down 1.3% to 172,468
- Overseas visitor cover continues to be affected by border closures, with policyholders decreasing 8.6% to 2,821
- During December 2021, the federal Minister for Health approved Australian Unity Health Limited's (AUHL) 2022 Premium Round submission, with an average increase of 2.73%. This was slightly above the announced sector average of 2.70% and the second lowest average AUHL increase in the past 21 years
- Deferred Claims Liability<sup>1</sup> (DCL) increased by \$16.0m to \$67.3m. This required significant actuarial judgement, including the impact of differing restrictions imposed by state governments on elective surgery, which resulted in the deferred claims liability increasing

Deferred Claims Liability	\$m
DCL as at 30 June 2021	51.3
Increase in provision during the period	25.9
Unwind of provision during the period	(10.1)
Movement in other components	0.2
DCL as at 31 December 2021	67.3

<sup>1</sup> The Deferred Claims Liability is an additional provision held as a result of surgeries and other health services being restricted during the COVID-19 measures

## Australian Unity Bank Limited

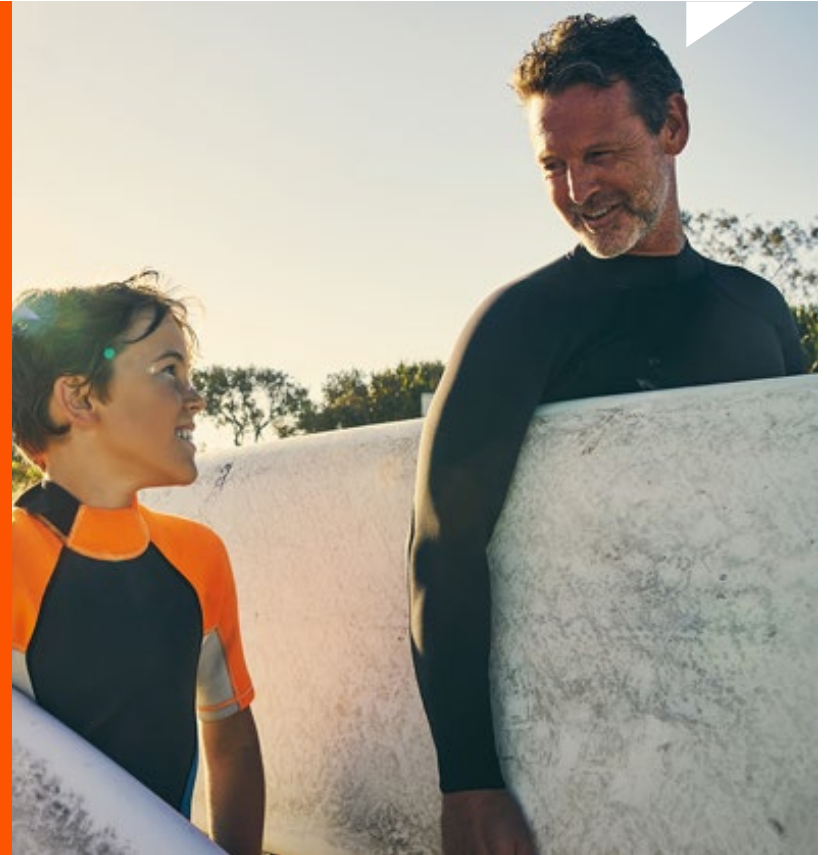
- Strong new lending growth was unable to offset the impact of lower interest rates on banking revenue, while the average loan book size of \$924.4m remained comparable to the previous half-year
- 25,624 customers, with total assets growing by \$20.1m to \$1.17b (30 June 2021: \$1.15b)
- Expected Credit Loss provision on loans decreased by \$1.4m to \$11.9m (30 June 2021: \$13.3m)
- Continued focus on delivering quality products and services, with emphasis on digital delivery
- Despite COVID-19 challenges, Gross Loan Portfolio increased by \$32.3m to \$951.0m (30 June 2021: \$918.7m)
- Issuer Credit Rating by Standard & Poor's remained stable at 'BBB+'<sup>1</sup>

# Retail outlook



- Cautiously positive outlook, notwithstanding continued uncertainties flowing from COVID-19. It is anticipated most health insurance claims deferred due to restrictions on healthcare services during the pandemic will catch up and bank credit growth may slow over the coming year with increasing expectations of higher interest rates
- Remains focused on several opportunities arising from the health insurance and banking adjacencies, including packages of banking and insurance products; innovative solutions to tackling health and housing affordability; and customer-centred digital platforms that assist the co-ordination of essential financial and health insurance related services

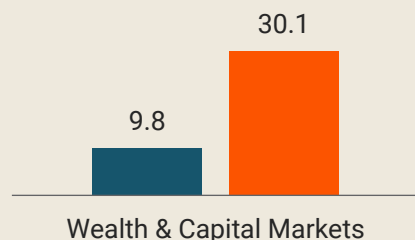
# Wealth & Capital Markets



# Wealth & Capital Markets (W&CM)

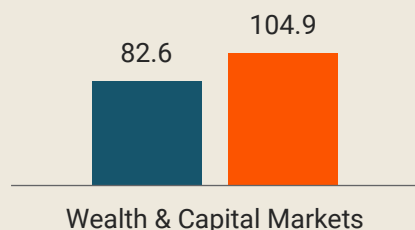
## Adjusted EBITDA (\$m)<sup>1</sup>

■ HY21 ■ HY22



## Segment Revenue (\$m)

■ HY21 ■ HY22



- Total segment revenue increase of 27.0% compared to PCP reflecting improved business volumes, particularly in Property, Advice and Trustees businesses. The segment also recorded, as other income, a \$20.3m gain, which arose from the revaluation of the investment in the Platypus Asset Management business on acquisition of a controlling interest during the period. After adjusting for one-off revenue items during the current and prior periods, segment revenue increased by 28.5%
- Adjusted EBITDA increased by 207.0% compared to the PCP—although, after adjusting for one-off income through the controlling interest in the Platypus Asset Management business and one-off costs, the increase was 8.0%. This was partly offset by increased operating expenses, reflecting investment in people and business development activities supporting revenue growth
- Aggregate value of assets under management and administration (AUMA), excluding cross-investments (investments by Australian Unity funds in other funds managed or operated by Australian Unity or our associates) increased to \$29.44b (30 June 2021: \$27.89b)

<sup>1</sup> Adjusted EBITDA of Wealth & Capital Markets for HY22 included a revaluation gain of \$20.3 million arising from a business combination as set out in the FY22 Australian Unity Limited Interim Report at Note 16(b).

# W&CM highlights

## Investments

- FUMA of \$11.06b (30 June 2021: \$10.46b), with positive net flows across all distribution channels
- Launched first exchange quoted funds on Chi-X and increased the availability of products to new investors, including Significant Investor Visa holders
- Acorn Capital secured new institutional mandates and launched the Acorn Capital Expansion Platform II. The Altius Bond Fund merged into the Altius Sustainable Bond Fund
- Platypus Asset Management's funds under management and advice grew to \$5.33b (30 June 2021: \$5.27b)
- The Property Income Fund increased its funds under management to \$351.2m (30 June 2021: \$310.3m) and posted a return of 17.16%
- Group's investment portfolio of \$989.3m (30 June 2021: \$937.0m), including regulatory and strategic capital
- Weighted average investment returns of the Group's investment portfolio of 2.11%

## Property

- Assets under management increased to \$4.25b (30 June 2021: \$4.10b)
- Multi-year development pipeline at \$1.10b (30 June 2021: \$1.25b)
- Lending and debt facilities on behalf of investors of \$2.01b (30 June 2021: \$1.86b)
- Gross asset value (GAV) of Healthcare Property Trust (HPT) reached \$3.09b, with acquisitions totalling \$131.9m. Its debt facility was refinanced, securing an additional \$150.0m and taking the debt facility limit to \$1.00b
- Proceedings issued by NorthWest Healthcare Australia RE Limited against Australian Unity parties including the fund, Australian Unity Limited and Australian Unity Strategic Holdings Pty Ltd are ongoing
- Select Income Fund delivered \$312.9m in FUM (30 June 2021: \$293.9m)
- First equity raise for Childcare Property Fund was \$35.7m
- The Specialist Disability Accommodation Fund closed its second equity raise of \$30.5m that, along with valuation uplift, increased GAV to \$73.6m

## Life & Super

- Funds under management and administration of \$2.58b (30 June 2021: \$2.51b)
- Sales reached \$125.7m, a 29.5% increase on PCP
- Increased support for products in independent financial adviser network. In direct-to-consumer market, the 10Invest Investment Bond achieved \$54.1m of FUM
- Continued leading position in pre-paid funeral market with FUM of \$704.8m (30 June 2021: \$714.2m) across 90,000+ clients

## Advice

- FUA growth to \$10.18b (30 June 2021: \$9.36b), and personal life insurance premiums in-force up to \$75.5m (30 June 2021: \$74.6m)
- Separately managed (SMA) investment accounts constructed by the Advice business grew in funds under management (FUM) to \$804.1m (30 June 2021: \$716.5m)
- 169 advisers, including limited authorised representatives (30 June 2021: 171)

## Trustees

- Shifting focus to a direct-to-consumer digital marketing strategy and meeting market demand with enhanced services such as financial concierge services, enabled continued inflows of new clients and associated revenue
- The business' will bank produced new business and increased size nationally

# W&CM outlook



- Period ahead should continue to provide customers valuable investment opportunities and to deliver increased community and social value
- Remains well positioned to benefit from collective impact of the rising need for better-planned wealth accumulation, challenges and opportunities presented by an ageing population, the changing regulatory landscape, and increasing community expectations



# 10 year growth strategy

## Growth areas

Realising a  
modern  
mutual



Accelerate  
momentum in  
health & human  
services



Build social  
infrastructure  
reach



