



Australian Unity Limited Investor update

Financial results for the year ended 30 June 2019

Australian Unity investor update



Australian Unity Limited is pleased to invite you to our investor presentation teleconference for the year ended 30 June 2019

Date

2 September 2019

Time

9am to 10am AEST

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

<http://apac.directeventreg.com/registration/event/4362558>

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.

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

tisteer@australianunity.com.au

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

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

Rohan Mead

Group Managing Director & CEO



Esther Kerr-Smith

Group Executive,
Finance & Strategy



Alex Smith

General Manager Commercial, Finance &
Strategy - IAL





Overview & Group highlights

Overview of Australian Unity



Mutual with growing community impact

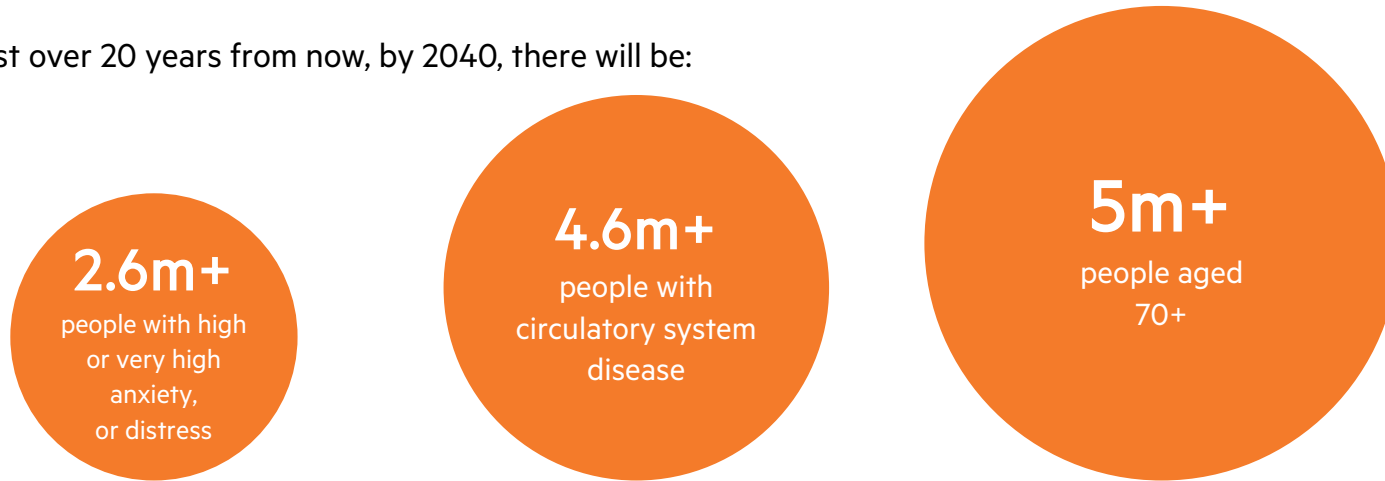
- Established in 1840—one of Australia's first member-owned wellbeing companies
- Around 270,000 members; more than 700,000 customers
- Profits reinvested into programs and services that benefit members and customers, and create community value
- The Federal Government passed legislation in April that introduced a definition of 'mutual entity' into the Corporations Act for the first time

Diverse & expanding portfolio

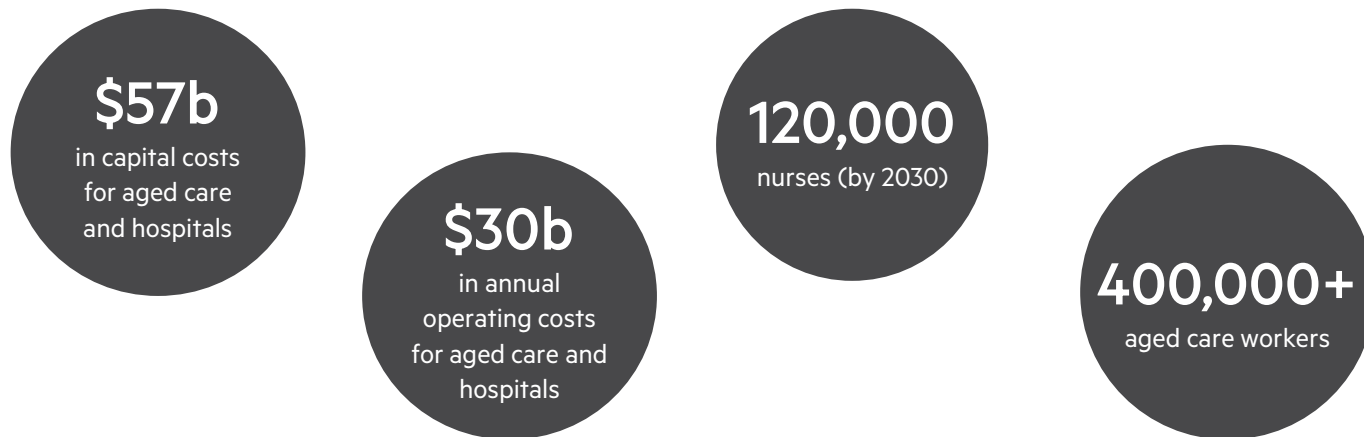
- Progressing a strategy of developing a commercially sustainable portfolio of businesses
- Focused on developing and delivering contemporary, evidence-based and person-centred services and social infrastructure to market segments where we envisage there is the most scope to contribute to community value

Meeting the wellbeing needs of older Australians

In just over 20 years from now, by 2040, there will be:



On current policy settings, by 2040, the health and aged care systems are projected to require **an additional:**



We have prepared and our timing looks right



*Aligned
around a clear
purpose to
help
Australians
thrive*

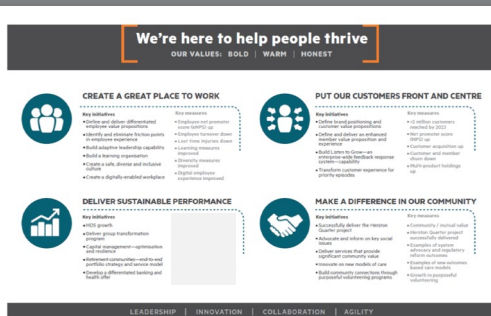


Portfolio earnings diversification



Effective and proactive
advocacy on key topics

We're measuring what matters



Underpinned by stabilisation of
HDS and Social
infrastructure pipeline



Continued investment in
risk, cultural, governance,
customer, and strategy
capability

Business aligned with Wellbeing
Index seven domains

Nurturing capability in
data analytics human
centred design and
community value



Solid progress on the year's priorities



HDS progress



Development pipeline
for retirement
communities



Transformation



PHI focus



Herston execution



Balance sheet

Solid performance against broad ambitions



Continued to progress strategy of portfolio diversification

- Considerable investment in human services operations, including a significant improvement in the Home & Disability Services (HDS) business; successful navigation of an uncertain regulatory period for the health insurance business; and progressed person-centred, outcome-focused healthcare services
- Significantly progressed the realisation of real-property social infrastructure assets, in particular the Herston Quarter precinct in Brisbane, Queensland and established a Social Infrastructure Development Group
- Progressing a strategy of developing a thematically linked, commercially sustainable portfolio of businesses grouped into platforms to achieve customer, financial and operating synergies

Revenue and other income of \$1.6 billion, up 8.2%

- Overall revenue growth generated by the Group's operating businesses, up \$35.6 million on the prior corresponding period, and solid investment returns, up \$19.9 million, were bolstered by a \$66.5 million increase in benefit fund revenue. Within the benefit funds, growth in premiums and other revenue of \$14.3 million was supported by \$52.2 million in higher investment returns
- Sound revenue growth in IAL (up 11.0%) with HDS strengthening performance year-on-year and Wealth & Capital Markets performing well in a competitive and challenging environment (up 6.2%)

Adjusted EBITDA¹ of \$93.0 million, up 135.6%

- Operating expenses decreased by \$45.0 million compared to the prior corresponding period
- Significant improvement in the aggregate trading position, with operating earnings from continuing operations for the year of \$61.8 million
- Results influenced by the realisation of benefits arising from the extensive business transformation program commenced in the prior year, and the abovementioned improvement in the HDS business

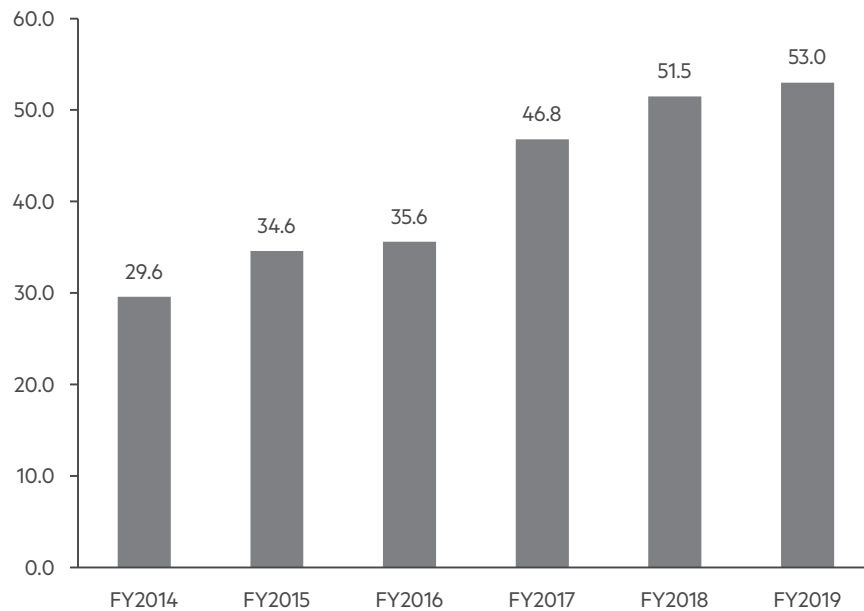
Profit after tax up 2.8% to \$53.0 million (incl. sale impact of GUCH)

- 2018 result included a \$66.9 million profit from discontinued operations arising from the sale of the Group's corporate health insurance subsidiary, Grand United Corporate Health Limited
- Excluding this impact, net profit after tax from continuing operations was \$53.0 million, up \$68.3 million

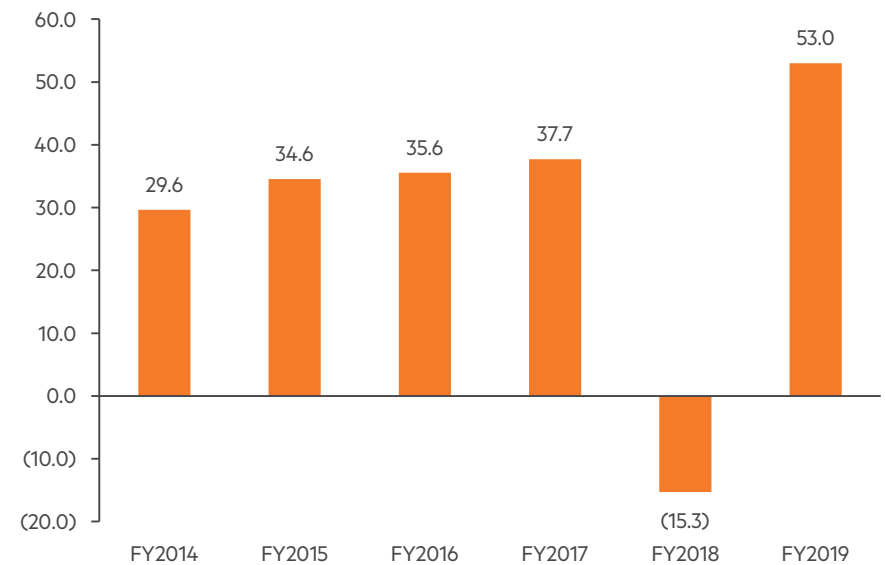
¹ Adjusted EBITDA: the measure the Group uses in assessing the operating performance of its business segments. This measurement basis excludes the effects of depreciation and amortisation, interest on external borrowings and investment income. It also excludes non-recurring expenditure. See note 1 to the Consolidated Financial Statements in Australian Unity Limited's Annual Report for the Financial Year to 30 June 2019.

FY19 key metrics

Profit after income tax¹ (\$m)



Profit after income tax from continuing operations² (\$m)



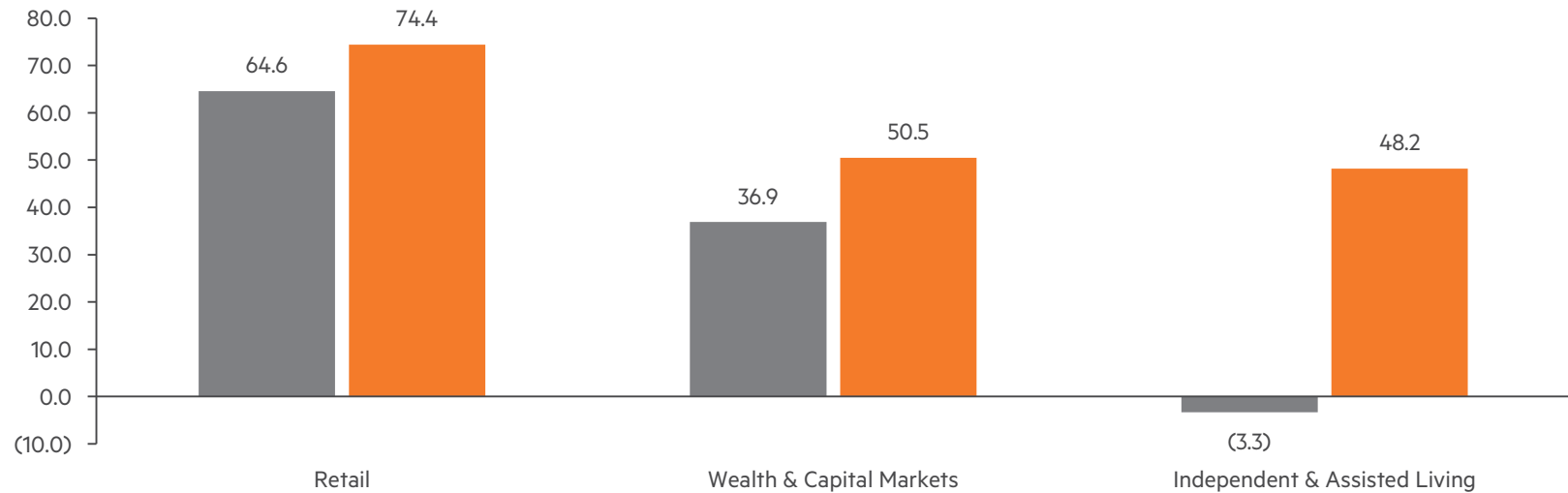
¹ Included in the FY2018 result was a profit from discontinued operations of \$66.9 million from the divestment of the Group's corporate health insurance subsidiary, Grand United Corporate Health Limited (GUCH) completed 31 October 2017.

² The FY2018 year excludes the sale of GUCH, affecting the comparative results for FY17.

FY19 segment earnings growth

Adjusted EBITDA (\$m)

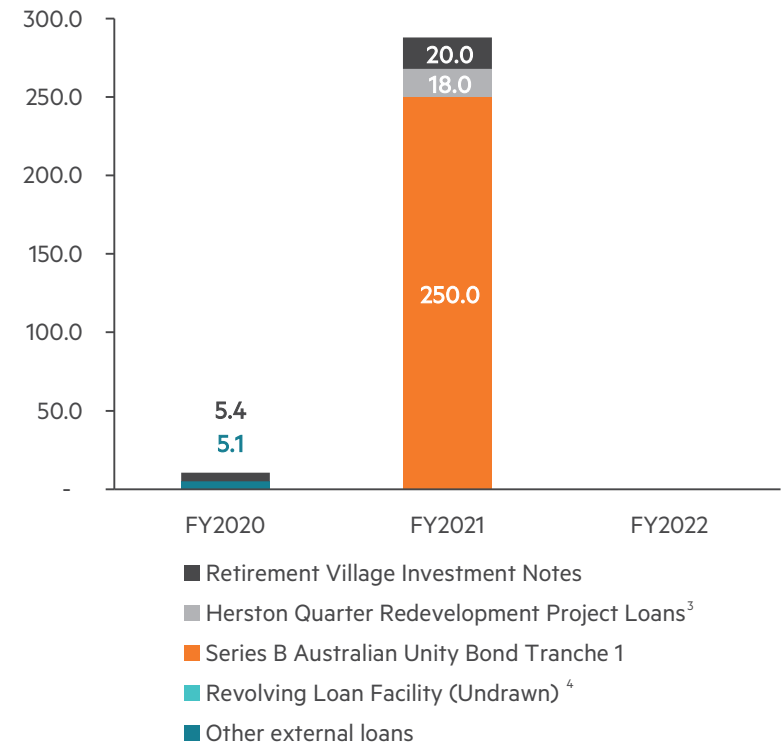
■ FY2018 ■ FY2019



Building balance sheet flexibility and resilience

- Prioritised financial flexibility and resilience
- Enhanced liquidity and capital buffer in key businesses
 - Heightened cash reserves
 - Established new LMS for AUCS
- \$30m repayment of AUHL subordinated debt
- In 2019, the Corporations Act 2001 (Cth) was amended to recognise the mutual corporate form
- Enabling legislation for Mutual Capital Interest passed by Parliament
- One significant maturity tower remaining in FY21¹

Debt maturity profile² (\$m)



¹ Australian Unity Limited (AUL) is giving consideration to an offer of Simple Corporate Bonds, the net proceeds of which would be used for general corporate purposes. However, no decision has been made to proceed with any offer, and any offer would be subject to appropriate market conditions being maintained in the short term. Any offer would be made under a '2-part' Simple Corporate Bonds prospectus and if any transaction were to proceed, investors wishing to participate would need to apply using an application form accompanying the prospectus

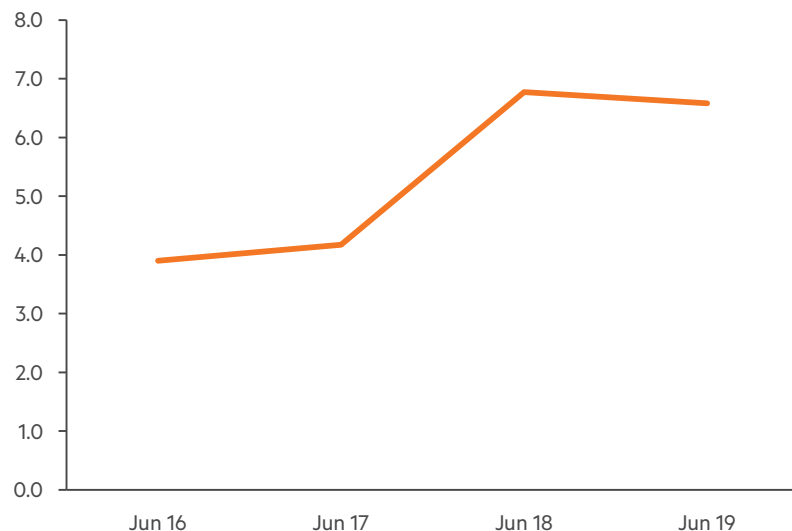
² Funding maturity profile shows consolidated interest bearing liabilities as at 30 June 2019 that contribute to the gearing ratio, excluding ADI borrowings

³ Loan facilities from a related entity for the development of the Herston Quarter health precinct in Brisbane, Queensland. The facilities are sized to cover development costs of car park and public domain assets at Herston Quarter that are scheduled for practical completion in Q2FY21, and are expected to be up to \$45 million

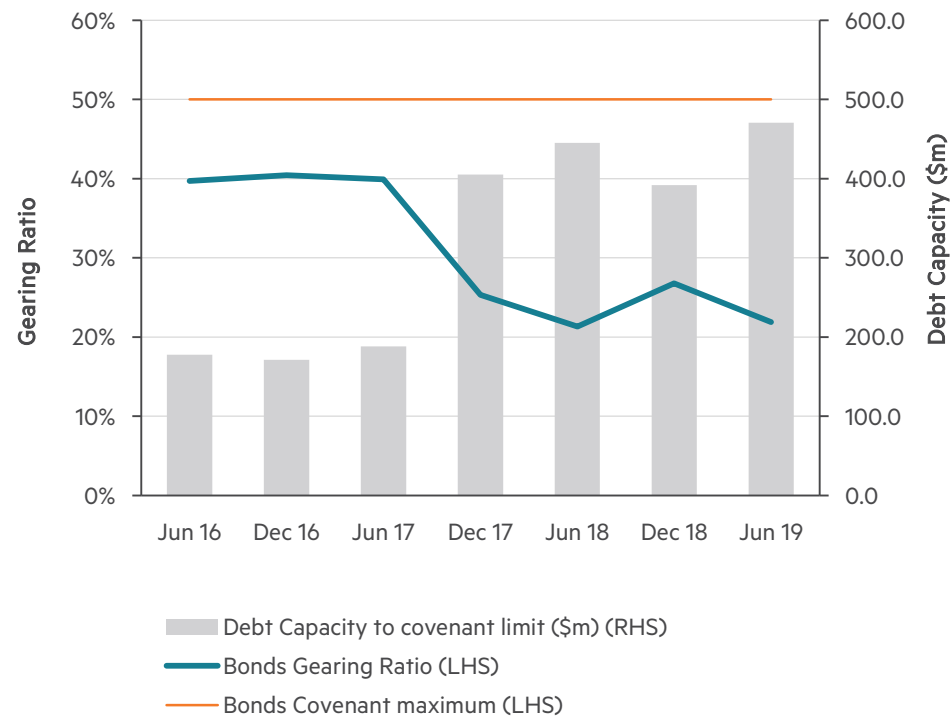
⁴ \$25 million revolving loan facility maturing March 2021

Gearing analysis and interest cover

Interest cover ratio



Bond covenant gearing



Australian Unity Bonds – Tranche 1 ratios at 30 June 2019:

- Gearing 21.9% based on covenant gearing calculations
- Interest cover ratio¹ 6.58 times

¹ Interest cover ratio is calculated on a rolling 12 month basis

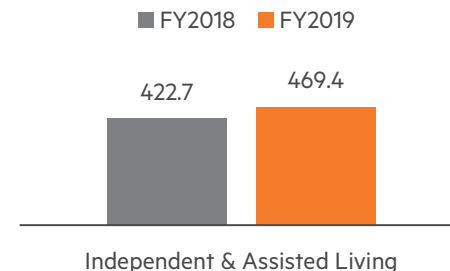


Independent & Assisted Living

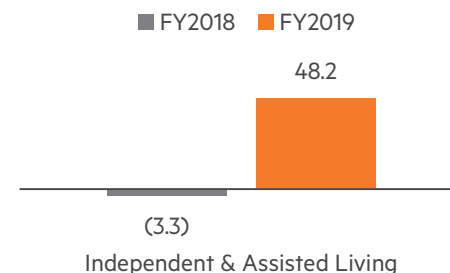
Investment for sustainable growth

- Improved operating model to drive customer-centred continuum of care across the home care, residential care and Remedy Healthcare businesses
- Pursued opportunities to further develop Integrated Care Model between Remedy Healthcare and Residential Communities and HDS
- Increase in total segment revenue by 11.0% reflected platform-wide growth with the exception of Residential Communities which saw a decline in revenue in part due to challenges with aged care sector and property market
- Increase of \$51.5 million in adjusted EBITDA reflected the ongoing investment into the sustainability of Home & Disability Services (HDS)
- Grew aged care home care package revenue by 87.7% equating to approximately 4% market share (2018: 3%)
- Decommissioned aged care facility at Walmsley in Kilsyth, Victoria in October 2018 to build a new aged care facility that will better meet customer needs and opened two new facilities, in Port Macquarie, NSW and Mornington, VIC

Segment Revenue (\$m)



Adjusted EBITDA (\$m)





Home & Disability Services

- Revenue growth of 13.3% to \$305.7 million
- Home care packages revenue increased by 87.7% and Commonwealth Home Support Program (CHSP) growth in funding revenue of \$5.4 million
- Approx. 3,700 care workers served more than 54,000 customers across NSW, Victoria and Queensland. In total, the HDS business delivered 3.8 million hours of care across 31 mainstream branches, five Aboriginal branches and 85 office locations
- Indigenous Services established 1 July 2018 with a focus on Aboriginal Home Care



Residential Communities

- Owns and operates 20 retirement communities in Victoria and NSW with a portfolio of 2,469 independent living units (2018: 2,368)
- Retirement community occupancy remained greater than 96.0% while aged care grew to 98.0%
- Number of operational aged care beds increased due to the opening of two new aged care facilities to 786 (2018: 711) after an initial decline from the decommissioning of Walmsley Aged Care in Victoria after 40 years of service



Development

- Construction commenced, progressed or completed and occupancy progressed in the following communities:
 - Peninsula Grange, Mornington, Victoria
 - Racecourse Grange aged care, Mornington, Victoria
 - The Grace Albert Park Lake, South Melbourne, Victoria
 - Albert Road, South Melbourne, Victoria
 - Sienna Grange aged care, Port Macquarie, NSW
 - Drummond Place, Carlton, Victoria
 - Walmsley, Kilsyth, Victoria



Remedy Healthcare

- Grew revenue by 1.2% to \$25.9 million, driven predominantly by Allied Health Services
- Transition year with focus on integrating Health Services into IAL business and develop a continuum of care approach
- Delivered more than 390,000 episodes of care across 14 treatment programs
- Launched 'Healthier Me' program to combat declines in volume and provide a more holistic approach to assessing and delivering healthcare needs



Dental

- Six dental clinics operating in Victoria
- Albert Road, South Melbourne clinic relocated to Spring Street, Melbourne
- Embarked on a program of streamlining digital booking and operational systems in order to support improved scale efficiencies

- Continue to orientate the platform around the needs of customers and key stakeholders in their health and wellbeing, including families, primary carers, communities and government agencies
- Continue to develop the customer-centred continuum of care across the home care, assisted living, residential care and Remedy Healthcare businesses
- Focus on balancing the portfolio by growing evidence-based clinical outcome services and directing further resources on domestic assistance and personal care
- HDS has embarked on another period of transition as it scales down its provision of National Disability Insurance Scheme (NDIS)-funded disability services—to focus and invest more in the Aged Care sector
- Continue to define a comprehensive workforce strategy, supported by an effective learning and development framework
- With ongoing support from the Australian Unity Property business in conjunction with the Social Infrastructure Development Group and investment partners, continue to build pipeline of new and integrated communities

- Recommendations from current reviews and inquiries, such as the Royal Commission into Aged Care Quality and Safety and the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with a Disability, as well as any future reviews and inquiries may result in significant reforms which may have an impact on the Group's operating and financial performance
- While we are not aware of either Royal Commission having identified any concerns with the operations of the Group at this time, we continue to monitor and observe the proceedings of both Royal Commissions for this purpose and to understand their potential implications for the Australian Unity Group
- The Royal Commission into Aged Care Quality and Safety was established on 8 October 2018. The Royal Commission invited submissions from approved providers on 23 November 2018 and Australian Unity responded to these invitations with submissions that were provided directly to the Royal Commission within the requested timeframes of 7 January 2019 for residential aged care services and 8 February 2019 for home care services in the community. The Royal Commission is due to finish hearings by early December 2019 and the interim report due on 31 October 2019 and the final report by 30 April 2020
- The Royal Commission into Violence, Abuse, Neglect and Exploitation of People with a Disability was established on 4 April 2019. An interim report is due no later than 30 October 2020 and a final report by no later than 29 April 2022

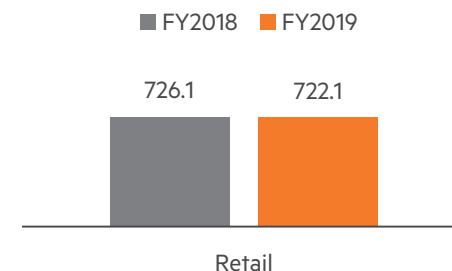


Retail

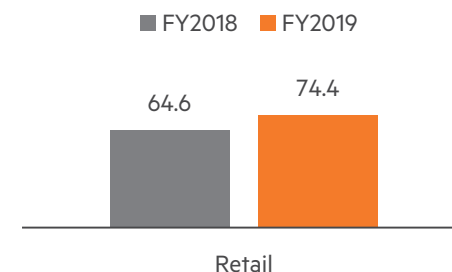
Solid year amidst mixed operating conditions

- Adjusted EBITDA increase of 15.2% driven principally by a favourable underwriting experience in the health insurance business and continued net interest margin improvement and loan book growth in the banking business
- Slight decrease in total segment revenue of 0.6% compared to the prior corresponding period
- Expenses improvement of 2.1% reflecting a \$6.4 million drop in health insurance claims net of risk equalisation, and a \$7.4 million decrease in operating expenses
- Successfully executed a significant change agenda in response to the private health insurance reforms, the largest regulatory change to the sector in a decade
- Continued providing guidance and advice to policy and decision-makers in understanding the root cause of healthcare cost pressures and diminished patient outcomes

Segment Revenue (\$m)



Adjusted EBITDA (\$m)



- Pressure on affordability and trust remain key factors for private health insurance and banking sectors
- Australian Unity anticipates increased oversight and a growing cost of compliance as prudential regulators bring the private health insurance industry in line with financial services, and policy makers and regulators respond to the findings of the Royal Banking Commission. To deliver against this, the areas of financial strength, risk management, conduct, controls and compliance will be a significant focus across the Retail platform over the coming year
- Further accurately target the brand and value proposition, as well as acquisition and distribution strategy to Retail's niche health insurance and banking market
- Continue to deliver growth through strong, balanced multi-channel distribution by enhancing the health insurance business' partnership and digital models and by building selective relationships in the banking third party (mortgage broking) channel and concurrently target segments via direct channels to market
- Continue engagement with sector participants and government to urge positive reforms to improve the quality, effectiveness and cost efficiency of the health care sector
- Seek opportunities to benefit from potential private health insurer and Australian Deposit taking Institutions (ADIs) sector consolidation
- Pursue opportunities arising from the health insurance and banking adjacencies



Health insurance

- Delivered lowest average premium increase to members in 18 years, approximately in line with industry average
- Implemented private health insurance industry reforms including the launch of new products, rationalisation and simplification of the product portfolio and re-classification of products in line with the new gold-silver-bronze-basic product tiers
- Policyholders decreased by 4.0% to 185,936 (2018: 193,771) reflecting declining industry growth and a considered strategy to review profitability of distribution channels



Banking

- Big Sky Building Society Limited renamed Australian Unity Bank Limited
- Total assets increased by \$108.6 million to \$886.0 million (2018: \$777.4 million)
- Maintained strong lending momentum with \$173.3 million in new loans written
- Consolidated retail general insurance offering with a single provider
- Standard & Poor's (S&P) Ratings recently upgraded Australian Unity Bank's issuer credit rating to 'BBB+' from 'BBB'

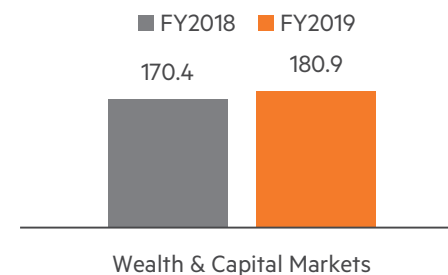


Wealth & Capital Markets

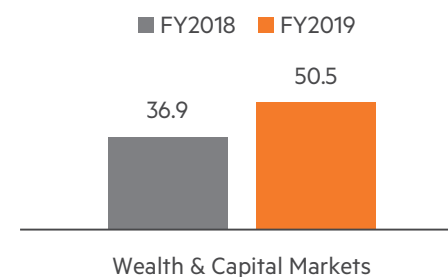
Building strong and sustainable growth

- Recorded a 6.2% increase in total segment revenue to \$180.9 million reflecting positive underlying revenue growth across all business units in the platform
- Strong result of 36.7% increase in adjusted EBITDA was positively impacted by underlying business growth, net favourable outcomes in one-off items from social infrastructure related developments and a legal settlement received in the Life & Superannuation business
- W&CM manages investments, property assets and developments (and associated debt facilities), and provides advice and trustee services, totalling \$20.7 billion (2018: \$20.3 billion).



Segment Revenue (\$m)



Adjusted EBITDA (\$m)



Herston Quarter Redevelopment

	2 HOSPITALS	3 COMMERCIAL CAR PARKS	BETTER TOGETHER®	HERITAGE BUILDINGS
Strategic partners	HPT  Queensland Government	INTERNATIONAL PARKING GROUP 	Australian Unity 	Australian Unity 
	\$1.6b Health care Property Trust	12 structured car parks across 8 major Australian public hospitals	Retirement living and residential aged care operated under Better Together®	Intended to be funded predominantly through an Australian Unity social infrastructure fund
Status	STARS on track for Q2F21 (\$390.0m) Private hospital forecast to commence FY22	STARS carpark on track for Q2F21 Others due to commence FY21 and FY22	Due to commence FY21	Due to commence FY20 EDQ DA approved
PRECINCT ACTIVATION & ENABLING WORKS Enabling works and public realm, commercial and residential vacant land, management rights				
Australian Unity 				

Wealth & Capital Markets highlights*



Property

- Assets under management increased to \$3.0 billion (2018: \$2.8 billion)
- Pipeline of property development of \$1.3 billion (2018: \$1.3 billion)
- Managing lending and debt facilities on behalf of investors of \$1.6 billion (2018: \$1.7 billion)
- Healthcare Property Trust increased assets under management to \$1.6 billion (2018: \$1.5 billion) with a return of 9.3% for the year



Life & Super

- Assets under management and administration of \$2.3 billion (2018: \$2.2 billion)
- Sales reached \$221.5 million (2018: \$216.2 million)
- As at 31 March 2019, the business remained number one in the investment bond sector in terms of assets under management with 27.3% of funds under management
- High Court of Australia finding in favour of Lifeplan in Ancient Order of Foresters in Victoria Friendly Society Limited (Foresters) v Lifeplan Australia Friendly Society Limited. Judgement amount was on an "Account of Profits" basis resulting in a favourable outcome to the Group



Investments

- Funds under management (FUM) of \$6.0 billion (2018: \$5.6 billion)
- Investments' joint venture partner Acorn Capital Limited launched the Acorn Capital Expansion platform, which will invest in emerging Australian companies, with \$52.0 million provided by investors in its initial capital raising
- Investment portfolios of the Group approx. \$680.0 million, including capital stable and highly liquid insurance reserves, achieving a weighted aggregate return of 3.4 percent (2018: 2.8 percent).



Advice

- New leadership team established, with a focus on positioning the business for sustainable growth and operational scale supported by enhanced supervision, investment and technical functions
- Advice revenue increased 6.3% to \$58.3 million for the year (2018: \$54.8 million)
- Decrease in adviser numbers (including limited authorised representatives) to 184 (2018: 194)

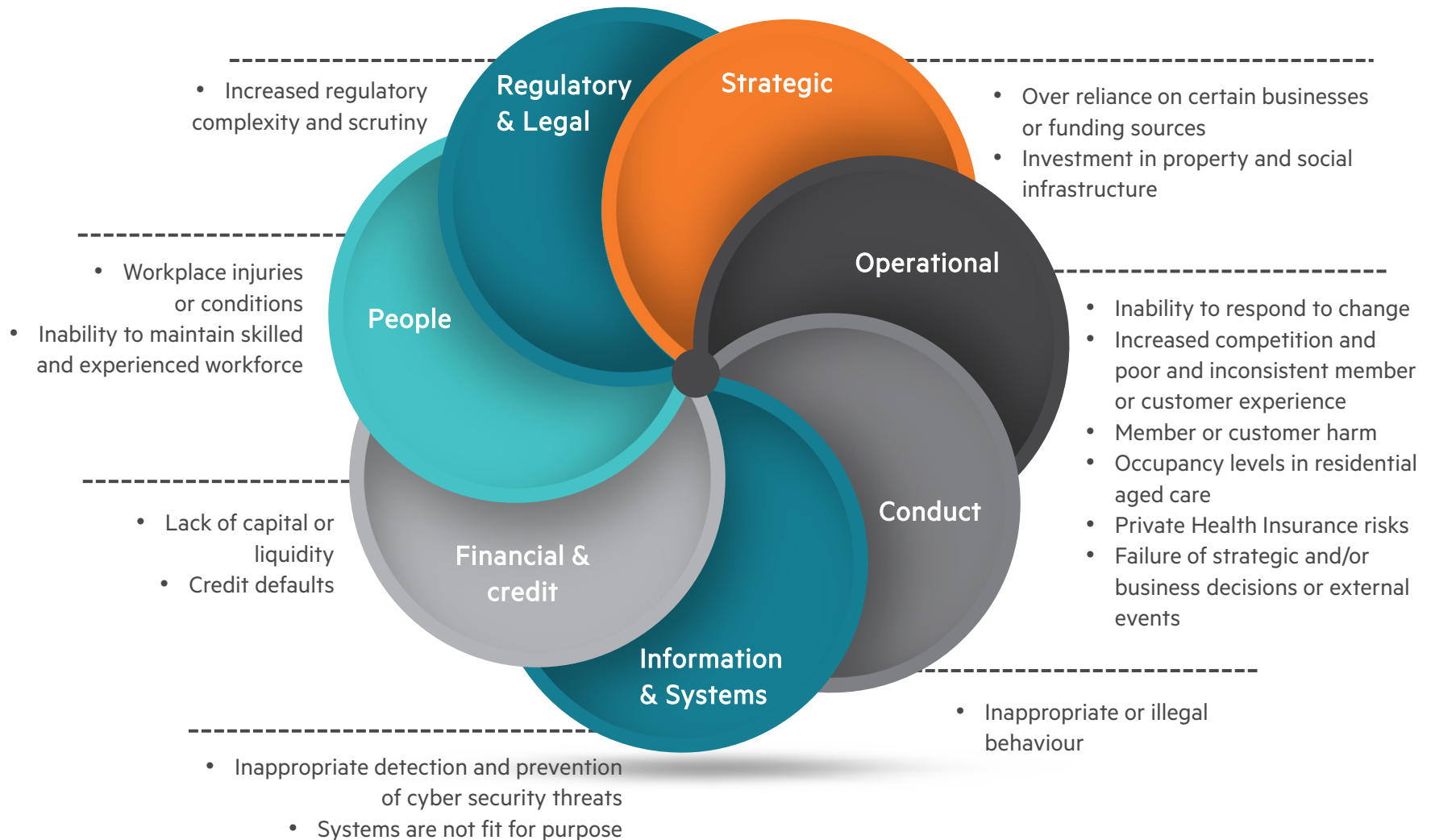


Trustees

- Continued implementation of a new operating system, designed to support and strengthen service and operations capabilities
- Establishment of three common investment funds with \$124.1 million of clients' funds invested
- Completion of program to reduce the legacy book resulted in a reduction in active FUM and trusteeship to \$325.2 million (2018: \$360.7 million) due to the closure of legacy estates and the appointment of more suitable administrators for some protected persons - clients

- Period ahead should continue to provide opportunities for the platform to offer customers valuable investment and financial opportunities, and to deliver important benefits to many areas of the community
- Herston Quarter project will continue to be a key focus of the platform as it unfolds this unique example in response to Australia's social infrastructure challenge. Other areas of social infrastructure needs are also being explored
- W&CM platform is well positioned to benefit from the collective impact of rising and better-planned wealth accumulation, the challenges and opportunities presented by Australia's ageing population, and the changing regulatory landscape and community expectations

Key business risks



How will we deliver our strategy...

We're here to help people thrive

OUR VALUES: BOLD | WARM | HONEST



**If we take care of our people
they will take care of our
customers**

**Customers and members have
choices and we want them to
choose us**

**We've been here for 175+ years
and we want to be here for
many more**

**Community is at the heart of
what we do**

LEADERSHIP | INNOVATION | COLLABORATION | AGILITY

...and know we are succeeding?

FY20 and beyond - strategic priorities



Private Health Insurance
sector reforms



Realising the HDS and
AHC opportunity



Capability, Innovation,
and Cost



Social Infrastructure



Capital and funding

