

Australian Unity Limited

Financial results for year ended 30 June 2017

Australian Unity investor update

Australian Unity Limited is pleased to invite you to our investor presentation for the full year ended 30 June 2017

Date

12 September, 2017

Time

3pm to 4pm

Dial in details

Toll-free number: 1800 725 000

Conference ID: 6750 4670

Please RSVP to Poh Poh Chin by Friday 8 September 2017 on

pchin@australianunity.com.au

You are welcome to email any queries you may have to

pchin@australianunity.com.au

before, during or after the call. We will endeavour to respond to your queries by email or during the teleconference

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Agenda

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Overview & Group Highlights

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Business results:
Healthcare
Wealth
Personal Financial Services
Independent & Assisted Living

3

Summary & Outlook



Overview & Group Highlights

Overview of Australian Unity

TRUSTED MUTUAL

- More than 175 years as an independent Australian mutual
- 280,000 members; almost 1 million customers
- Profits reinvested into programs and services that benefit members and customers and create community value
- A prudentially supervised company, regulated by the Australian Prudential Regulation Authority

DIVERSE & EXPANDING PORTFOLIO

- A diversified group of businesses across three platforms — Health, Wealth & Living — with deep experience and capability in healthcare, aged care, home care, retirement accommodation, asset management, funds management and financial advice
- Significant acquisitions and organic growth across all platforms in recent years, particularly in the area of social infrastructure

FY17: A year of consolidation

**Growth ambitions
advanced as flagship
projects progressed**

- First full-year of ownership of Home Care NSW business
- Social infrastructure projects such as \$1.1 billion Brisbane-based Herston Quarter precinct underway
- Launch of Australian Unity Trustees Limited

**Revenues and other
income¹ up 34.2%
to \$2.05 billion**

- Revenue growth achieved by all business platforms
- Growth underpinned by IAL total segment revenue, up 81.3% due to Home Care NSW acquisition

**Operating earnings²
down 19.5% to
\$38.9 million**

- Revenue growth continued across all businesses
- Integration and establishment costs of new and acquired businesses negatively impacted earnings

**Profit after tax up 31.7%
to \$46.8 million**

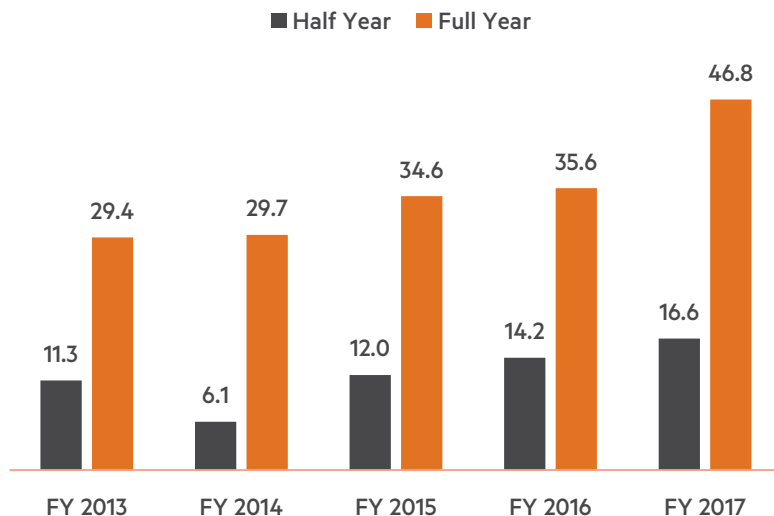
- Strong business performance from Healthcare and Wealth
- Impact of Home Care NSW integration costs offset to some degree by non-recurring items

¹ Revenues: comprise revenue and other income receipts as shown in the statement of comprehensive income in the Annual Financial Report plus life investment contract premium receipts. The latter receipts are recorded as movements in benefit fund policy liabilities in the balance sheet and not through the statement of comprehensive income.

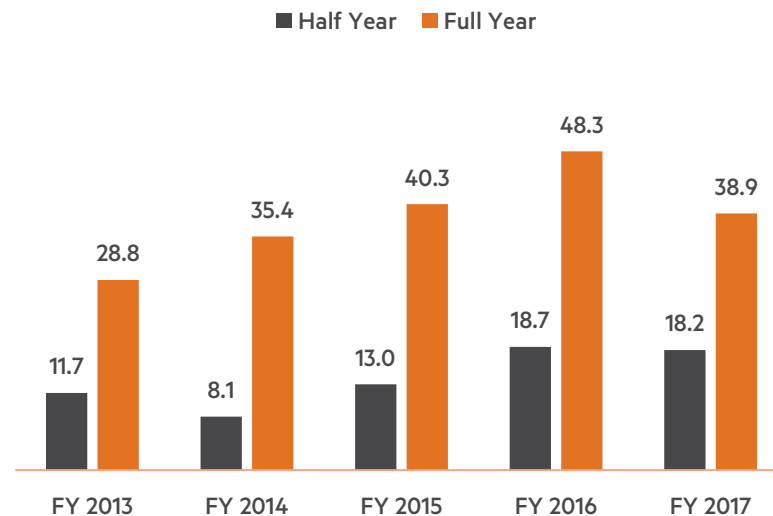
² Operating earnings: Profit before tax less investment income, borrowing costs and discontinued operations and business acquisition costs.

FY17 key metrics

Net profit after tax (\$m)

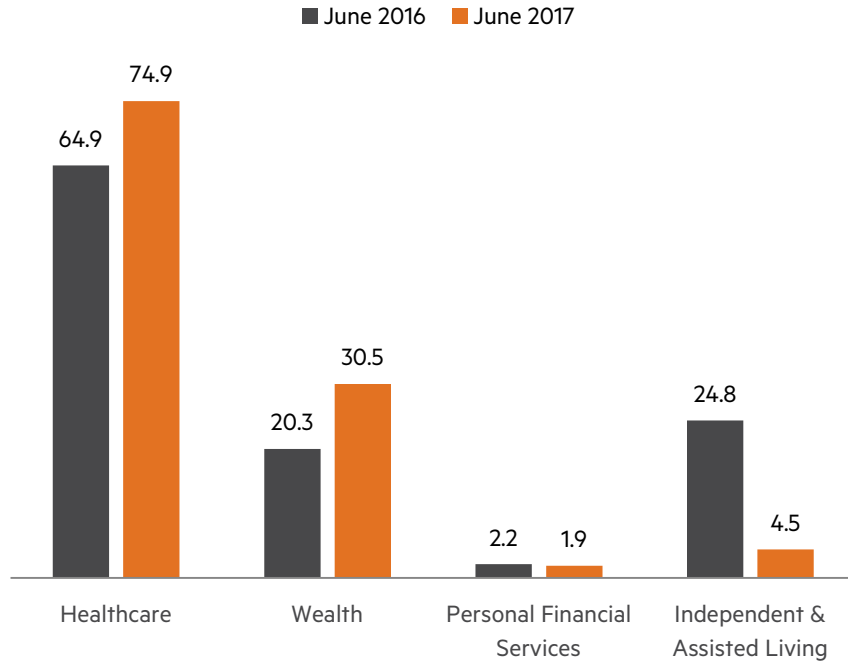


Operating earnings (\$m)

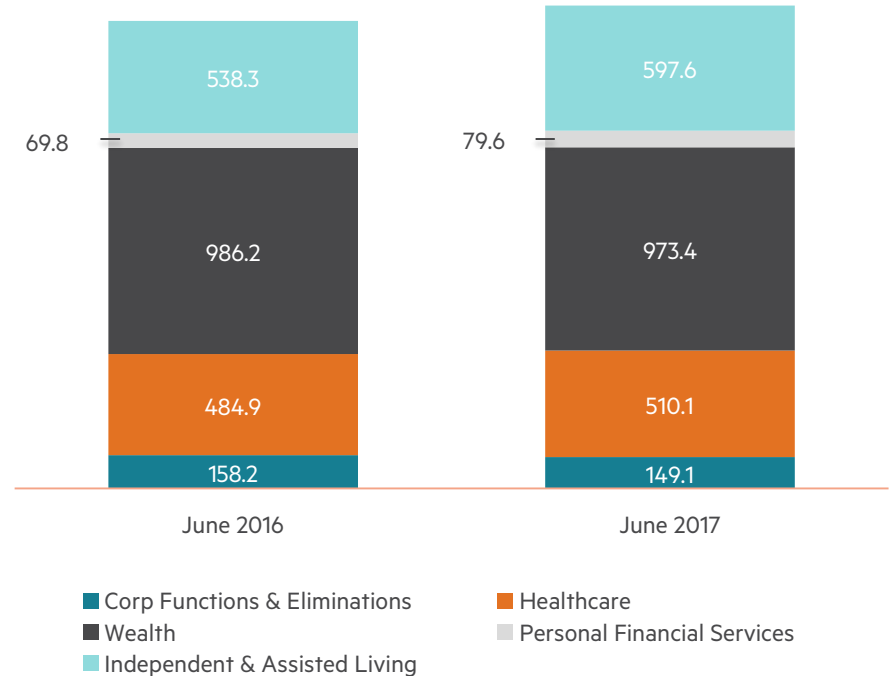


FY17 key metrics

Adjusted EBITDA¹ \$m



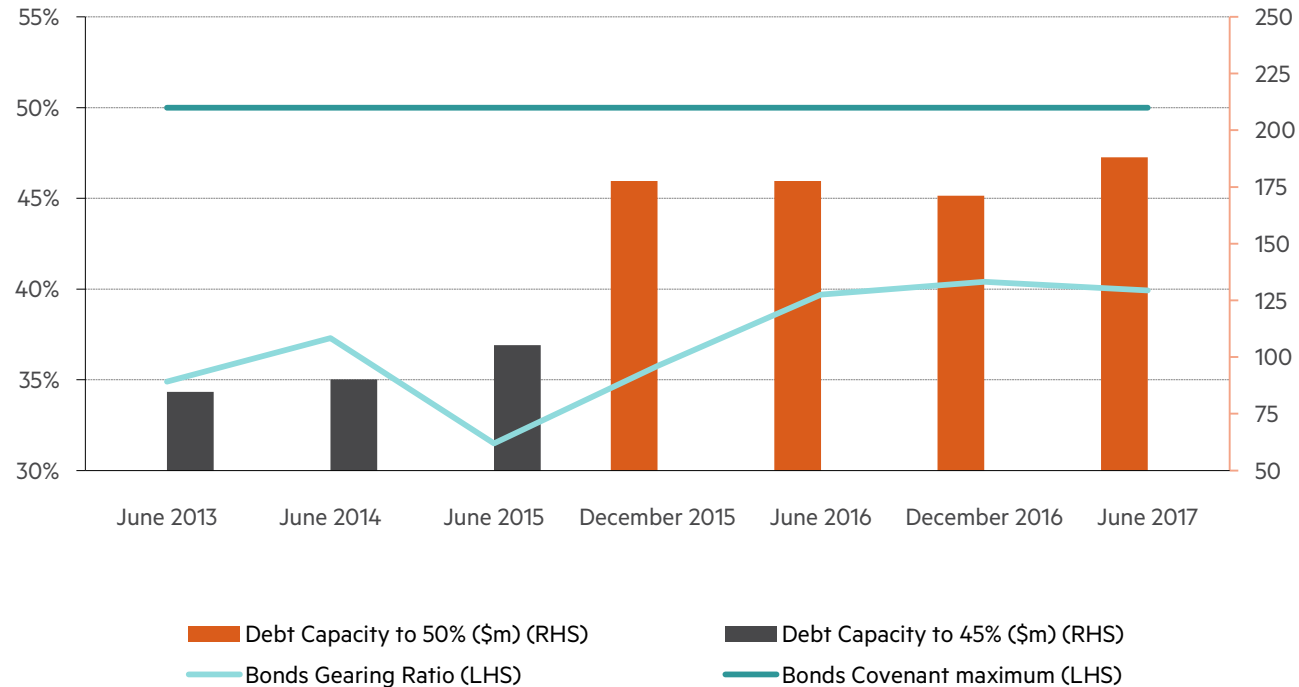
Total assets by business segment \$m



¹ Group adjusted EBITDA excludes corporate functions and eliminations

Gearing analysis and interest cover

- Ratios for Australian Unity Bonds—Tranche 1 at 30 June 2017:
 - Gearing at 39.9% based on covenant gearing calculations
 - Interest cover at 4.2 times



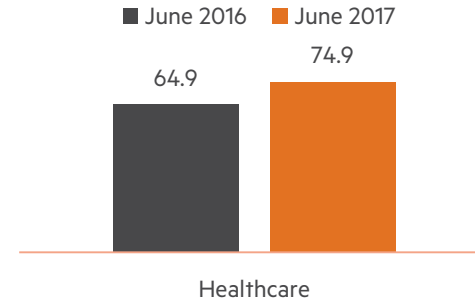


Healthcare

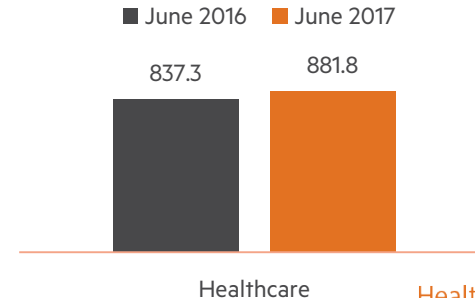
Strong result despite challenging market conditions

- Solid performance despite ongoing economic and political challenges that private health insurers have been managing for several years
- Delivered members and customers lower premium increase than industry average—and lowest increase in a decade
- Remedy Healthcare continued strong growth trajectory, now delivering 750,000 episodes of care annually
- Mindstep® depression and anxiety program delivering promising results:
 - Flinders University evaluation after one year shows 55% recovery rates, with 75% of patients experiencing a clinically significant symptom improvement
 - Hospitalisation claim saving of \$7,800 per participant

Adjusted EBITDA \$m



Segment Revenue \$m



Healthcare highlights*



Retail health insurance

- Policyholders decreased by 1.9% to 201,516 (2016: 205,476)
- Strategy of curtailing unprofitable products
- Delivered lowest premium increase to members in a decade, well below weighted industry average
- Continued campaign focused on minimising waste in the healthcare system



Corporate health insurance (GU Health)

- Only fund in Australia catering exclusively to the corporate market; policyholders up by 1.0% to 34,430 (2016: 34,082)
- Significant investment in new product development initiatives benefiting both GU Health and Australian Unity.
- IT sector remains key source of growth



Remedy Healthcare

- Continued strong growth and diversification of customer portfolio and revenue sources
- Equal revenue across health coaching, aged care, allied health and home healthcare operations
- MindStep® program evaluation completed by Flinders University demonstrating positive results



Dental

- Sixth dental clinic in Moonee Ponds, Victoria opened in August 2016
- Number of patients visiting Australian Unity dental clinics during the year was 58,113

* Figures at 30 June 2017, unless otherwise noted

Healthcare outlook

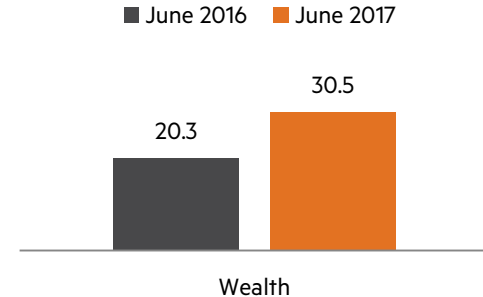
- Increasing pressure on household budgets continues to impact consumer spending while health costs continue to rise:
 - While health cost inflation eased in the last 18 months, health inflation likely to revert to long term average—well above general inflation—until major policy reform effectively addresses input costs
- Recent easing of health cost inflation resulted in generally lower increases in industry premiums from 1 April 2017, but too early to identify whether customer churn levels are stabilising or reducing
- As industry growth rate reduced, competition for smaller share of new consumers has risen, resulting in increased costs of acquisition
- Pressure on affordability exacerbated by substantial rise in utilisation of health products and services—i.e. more care at a greater cost per care

Wealth

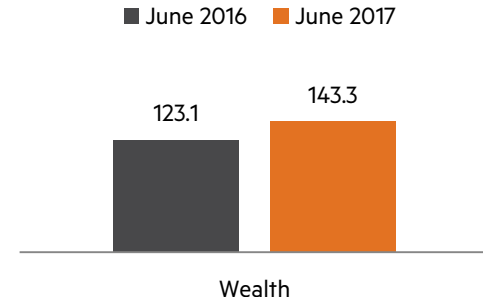
Diversification of Wealth business continues

- Strong year of growth and business performance building on successful 2016, with 50.2% increase in adjusted EBITDA and 16.4% increase in total segment revenue
- Strong property results:
 - Healthcare Property Trust posted 14.0% return (2016: 20.0%)
 - Retail Property Fund delivered 32.9% return (2016: 15.3%)
 - Diversified Property Fund return of 17.6% (2016: 19.5%)
 - Australian Unity Office Fund (ASX: AOF) achieved 12.6% return, outperforming S&P/ASX 300 A-REIT Index by 18.2 percentage points
- Big Sky Building Society maintained S&P BBB rating; pleasing result given size and broader industry downgrades

Adjusted EBITDA \$m



Segment Revenue \$m



Wealth highlights*



Investments

- Total funds under management and administration[#] of \$9.43 billion (2016: \$8.88 billion)
- Refocus to domestic asset management capabilities resulted in divestment of Seres and Wingate stakes; Altius Asset Management now wholly owned subsidiary
- Management of Group's investment portfolio achieved return of 3.17%, above strategic benchmark of 2.61%



Property

- Portfolio increased to \$2.44 billion (30 June 2016: \$2.21 billion); pipeline of development opportunities of \$1.5 billion
- Healthcare Property Trust increased funds under management to \$1.25 billion (2016: \$1.06 billion)
- Herston Quarter precinct on-site work commenced following contractual close with Queensland Government in February



Big Sky

- Big Sky's total assets at \$827.4 million (2016: \$861.6 million)
- Mobile and internet banking capability upgraded during the year; customers now able to access services at standards similar to major banks



Life & Super

- Funds under management and administration increased to \$2.14 billion (2016: \$1.99 billion)
- Investment bond sales up ~90% to \$328.6 million
- Leading position in pre-paid funeral market with over \$628 million in funeral funds under management and 90,000 clients

* Figures at 30 June 2017, unless otherwise noted

[#] For comparability, 2016 excludes Big Sky advice business transferred to PFS (\$0.71b)

Wealth outlook

- Ongoing steps to increase Australian Unity brand reach:
 - Herston Quarter project set to transform company's profile in Queensland
 - Listing and subsequent strong performance of the Australian Unity Office Fund, which has also enhanced capital raising capability
- Markets expected to remain volatile into the next financial year with ongoing uncertainty around geo-political events and sustainability of global growth rates; domestically, low wage growth and fears of elevated unemployment likely to persist, tempering consumer demand and business investment
- Wealth remains well positioned to benefit from favourable industry dynamics and will continue to focus on delivery of differentiated, higher value products and services:
 - Steady progression of social infrastructure precinct development program
 - Further expand innovative range of investment bonds, funeral bonds and education funds

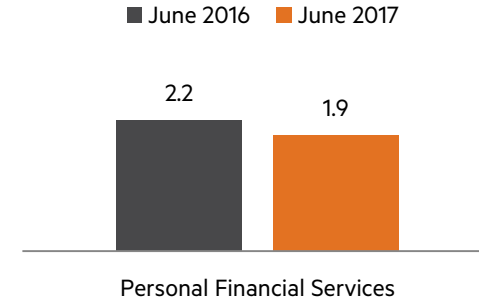


Personal Financial Services (PFS)

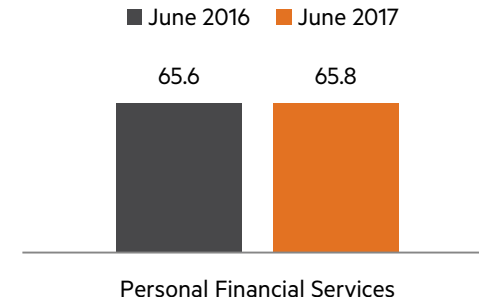
Year of investment and restructuring to create sustainable business

- Significant milestone with launch of Australian Unity Trustees, first trustee financial services licence issued in many decades:
 - Trustee Services providing estate planning, trustee, attorney, administration, executor, estate administration, philanthropic and native title services
- Financial advice business performed creditably given broader industry dynamics, capitalising on growth opportunities within existing practices
- Finance broking and insurance services businesses performed well following successful migration of general insurance personal lines portfolios to QBE

Adjusted EBITDA \$m



Segment Revenue \$m



PFS highlights*



Financial advice

- Funds under advice increased 8.4% to \$6.53 billion (2016: \$6.02 billion), bolstered by growth in existing self-employed practices and small increase in number of financial advisers
- Encouraging adviser recruitment pipeline with adviser numbers expected to grow in FY18



Trustee Services

- Focus for the year on establishing business, renamed Australian Unity Trustees Limited (formerly Flinders Australia Limited) and now operates as a fully licensed trustee business
- Strong growth in estate planning and legal revenue
- Pipeline of new clients continues to steadily increase, working in partnership with a growing number of advisers nationally



Finance & insurance services

- Loans under advice increased by 3.6% to \$824 million (2016: \$795 million)
- Finance broking revenue grew marginally to \$2.6 million (2016: \$2.5 million)
- General insurance broking revenue higher following business restructure, with revenue up 12.9% to \$640,000

* Figures at 30 June 2017, unless otherwise noted

PFS outlook

- Proactive approach to addressing challenges presented by regulatory change and market volatility:
 - Diversify revenue streams and build capacity in areas such as Trustee Services and general and life insurance, designed to serve growing needs of the community
 - Review opportunities for further geographic expansion, particularly in Trustee Services
- Business enters FY18 with a solid and sustainable platform for growth, following a year of investment, restructure and consolidation

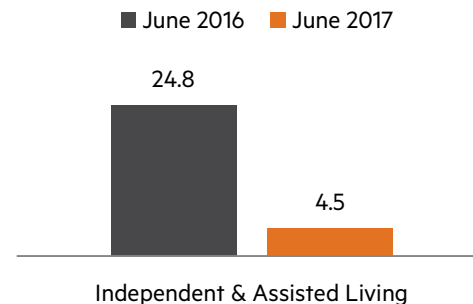


Independent & Assisted Living (IAL)

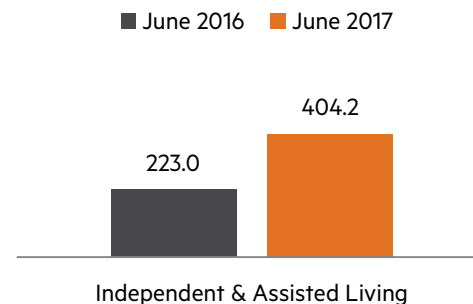
Delivery of continuum of care and service for customers

- Transfer and integration of Home Care NSW into Australian Unity's operations completed: one of the largest undertakings in the company's history, adding 52,000 new customers and more than 4,000 employees
- Significant integration costs associated with transfer contributed to decrease in adjusted EBITDA
- 4.5 million instances of home and disability care services delivered in 2017
- Strong occupancy rates with retirement communities at 97% and aged care facilities at 96%
- Development pipeline of \$450.2 million at 30 June 2017

Adjusted EBITDA \$m



Segment Revenue \$m



IAL Highlights*



Home care & disability services

- Transfer of Home Care NSW completed in February 2017, including a specialist Aboriginal Home Care service providing culturally appropriate care for Indigenous Australians
- NDIS rollout creates challenges and opportunities



Retirement communities

- Own and operates 19 retirement communities in Victoria and NSW with a portfolio of 2,416 independent living units (2016: 2,110)
- Fewer than 40 independent living units remained uncontracted across the entire portfolio



Development

- Construction either completed, substantially progressed or commenced in the following communities:
 - ✓ Rathdowne Place—The Residences, Carlton, Victoria
 - ✓ Peninsula Grange, Mornington, Victoria
 - ✓ Lifestyle Manor, Bondi, NSW
 - ✓ Campbell Place, Glen Waverley, Victoria



Aged care

- Important area of growth and key component of the business' strategy to provide services that offer a continuum of care
- Campbell Place, Victoria aged care facility completed adding a further 102 beds to the portfolio
- New developments supported by the award-winning Better Together® model of care

* Figures at 30 June 2017, unless otherwise noted

IAL outlook

- Key priority to realise full potential of Home Care NSW acquisition with value-creating initiatives underway
- Continuum of service care offering to be further advanced in FY18 through geographic and service expansion opportunities
- Ongoing funding collaboration with Australian Unity's Wealth platform to provide third party capital for development pipeline—further investment opportunities planned for FY18



Summary & Outlook

Strong platform for future growth

- Solid business results in line with expectations: organic growth continued across the Group, with particularly pleasing results from Healthcare and Wealth businesses
- Operating earnings impacted primarily by integration and establishment costs of new and acquired businesses
- Purposefully addressing social infrastructure challenges with some of the most significant projects in the 177-year history of the company, including the Herston Quarter redevelopment in Brisbane
- Goal remains to build a diverse, sustainable and commercially valuable suite of health, wealth and living services that create community value



Health | Wealth | Living