

Australian Unity Limited

Investor update

Financial half-year ended 31 December 2017

Australian Unity investor update

Australian Unity Limited is pleased to invite you to our investor presentation for the half-year ended 31 December 2017

Date

Tuesday 20 March 2018

Time

2pm to 3pm AEDST

Dial in details

Toll-free number: 1800 725 000

Local dial in: 02 8373 3550

Mobile dial in: 1300 212 365

Conference ID: 3738999

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.

Important Information

- This notice relates to all information provided as a part of this presentation including, without limitation, these slides, associated presentations and any oral presentations by the representatives of Australian Unity Limited ACN 087 648 888 (AUL) or its officers, directors, employees, agents, advisers or consultants made in connection with or arising out of this presentation (Information).
- This presentation has been prepared by AUL.
- The Information is intended for discussion purposes only and for no other purpose. The Information is provided to parties on the basis that they are persons to whom an invitation or offer of securities would not require disclosure under section 708 of the Corporations Act 2001 (Cth).
- The Information is not financial product advice and reliance should not be placed on the Information or opinions contained therein.
- The Information does not take into consideration the investment objectives, financial situation or particular needs of any particular investor.
- AUL makes no representation or warranty, express or implied, as to the fairness, accuracy, completeness, correctness or reliability of the statements, estimates, opinions, conclusions and other information contained in the Information.
- To the maximum extent permitted by law, AUL, its related bodies corporate and each of its respective officers, directors, employees, agents, advisers or consultants accept no responsibility for the Information including, but not limited to, forward looking information or projections and disclaim any and all liability whatsoever for any loss or damage, however so arising, from any use or reliance on the Information.
- The Information is not and does not form an offer, or part of an offer or invitation, to subscribe for or purchase securities. Investors must make their own independent assessment of AUL and its related entities and undertake such additional enquiries as they deem necessary or appropriate for their own investment purposes. Past performance is no indication or guarantee of future performance.
- You should be aware that any forecast, projection or other forward looking statement in the Information is subject to inherent risks, uncertainties and factors beyond AUL's control. Those risks and uncertainties include factors and risks specific to the business of AUL and its related entities as well as general economic conditions and may cause actual results, performance or achievements to be materially different from those expressed or implied by those statements.

Agenda

1. Overview & Group highlights
2. Business results:
 - Healthcare
 - Wealth
 - Personal Financial Services
 - Independent & Assisted Living
3. Summary & outlook



Esther Kerr-Smith
Group Executive - Finance & Strategy



Darren Mann
Deputy Head of Finance & CFO



Steve Drummy
General Manager Commercial Finance
& Strategy, CFO IAL



Overview & Group highlights

Overview of Australian Unity

Trusted mutual

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

Diverse & expanding portfolio

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

The Group's operations during the half-year ended 31 December 2017 were conducted through four business platforms: Healthcare, Independent & Assisted Living, Wealth, and Personal Financial Services

HY18: Investing for growth

**Growth ambitions
advanced as flagship
projects progressed**

**Profit for half-year
\$73.3 million (incl. sale
impact GUCH)**

**Revenue and other
income down 6.8%
to \$750.6 million**

**Operating earnings¹
down 10.8% to
\$12.3 million**

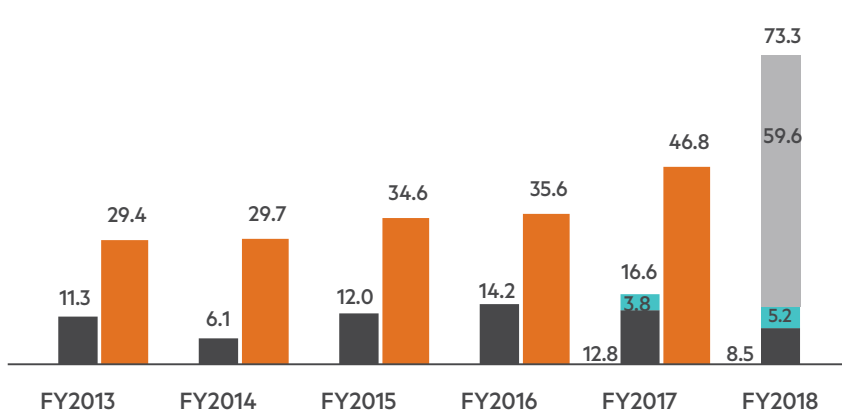
- Substantial business transformation program to streamline operations into customer-focused platforms to pursue opportunities incurred significant costs impacting first half-year results with benefits to come over following reporting periods
- Continued investment in integration and growth of Home & Disability Services
- Includes discontinued operations profit of \$64.8 million from sale of corporate health insurance subsidiary, Grand United Corporate Health Limited (GUCH), to nib holdings Ltd of which \$59.6 million was the after tax profit on the sale itself
- Solid business performance from Healthcare and Wealth
- Pleasing revenue growth in Healthcare and Wealth businesses
- Overall continuing operations business revenue growth was outweighed by a \$58.2 million reduction in benefit fund revenue associated with a large lump sum in-flow in the prior corresponding period
- Reduction in operating earnings from continuing operations with strong performance from Healthcare and Wealth while Independent & Assisted Living was impacted by non-recurring development profits in the prior corresponding period

¹ Operating earnings: Profit before tax less investment income, borrowing costs and discontinued operations, business acquisition and business transformation costs.

HY18 key metrics

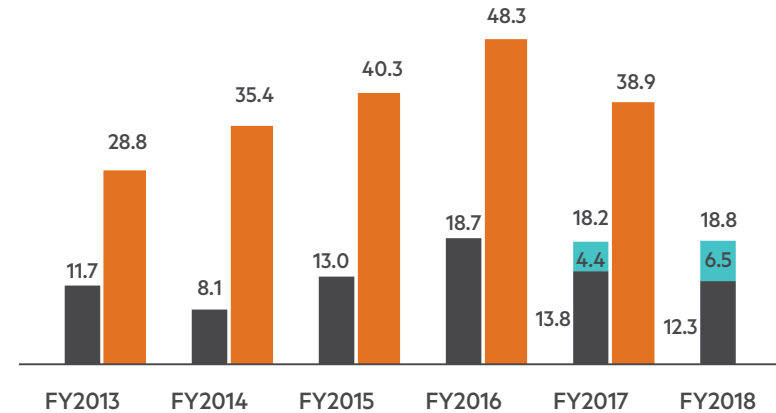
Net profit after tax (\$m)

- Full year profit
- Profit on sale of GUCH
- Half year profit from discontinued operations *
- Half year profit excluding discontinued operations



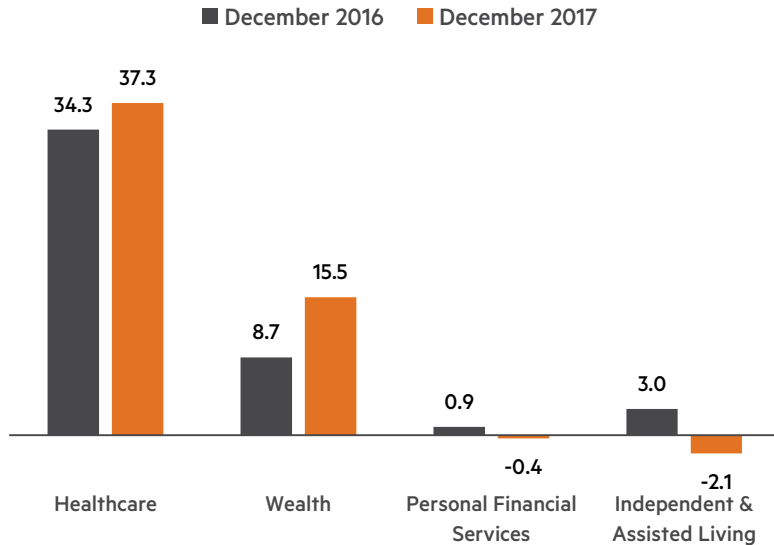
Operating earnings (\$m)

- Full year operating earnings
- Half year operating earnings from discontinued operations *
- Operating earnings excluding discontinued operations



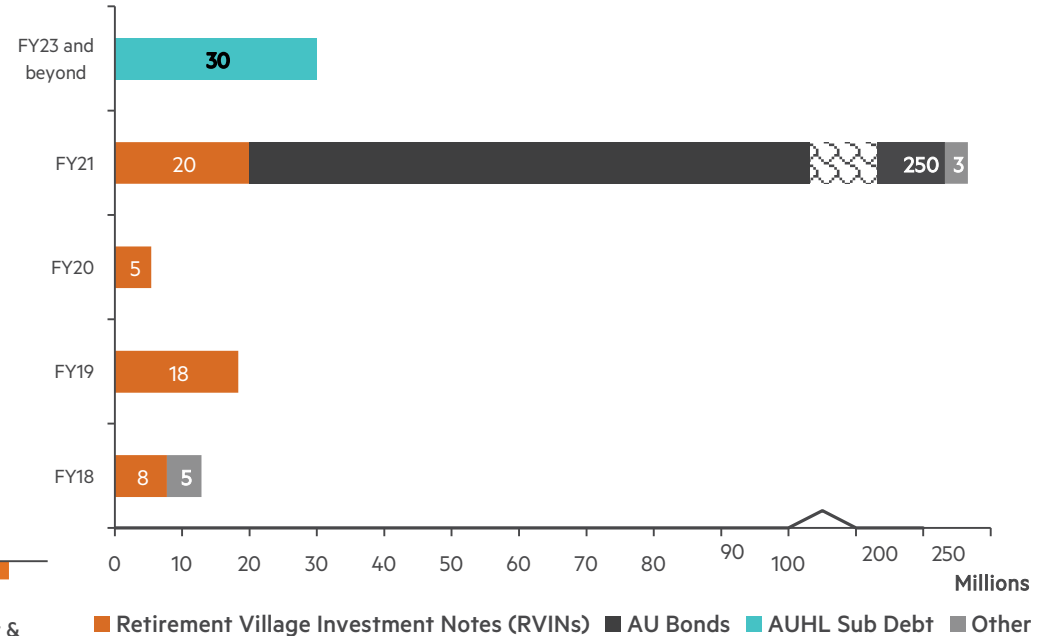
HY18 key metrics

Adjusted EBITDA¹ (\$m)



¹ Group adjusted EBITDA excludes corporate functions and eliminations

Funding maturity profile²

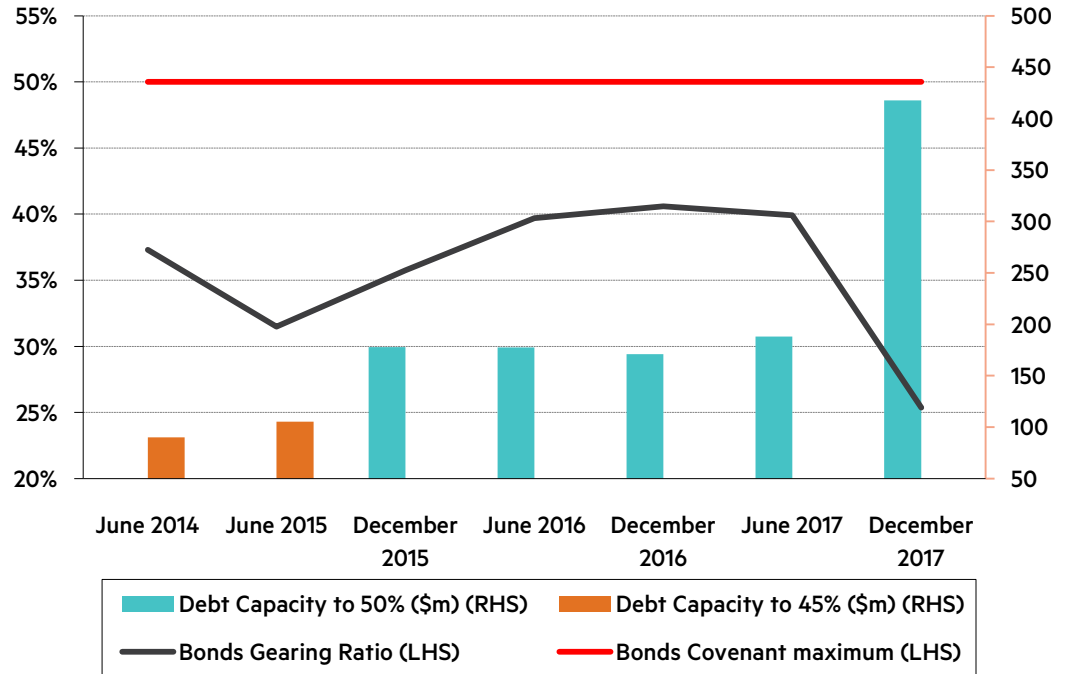


² Funding maturity profile shows consolidated interest bearing liabilities that contribute to the gearing ratio, excluding ADI borrowings

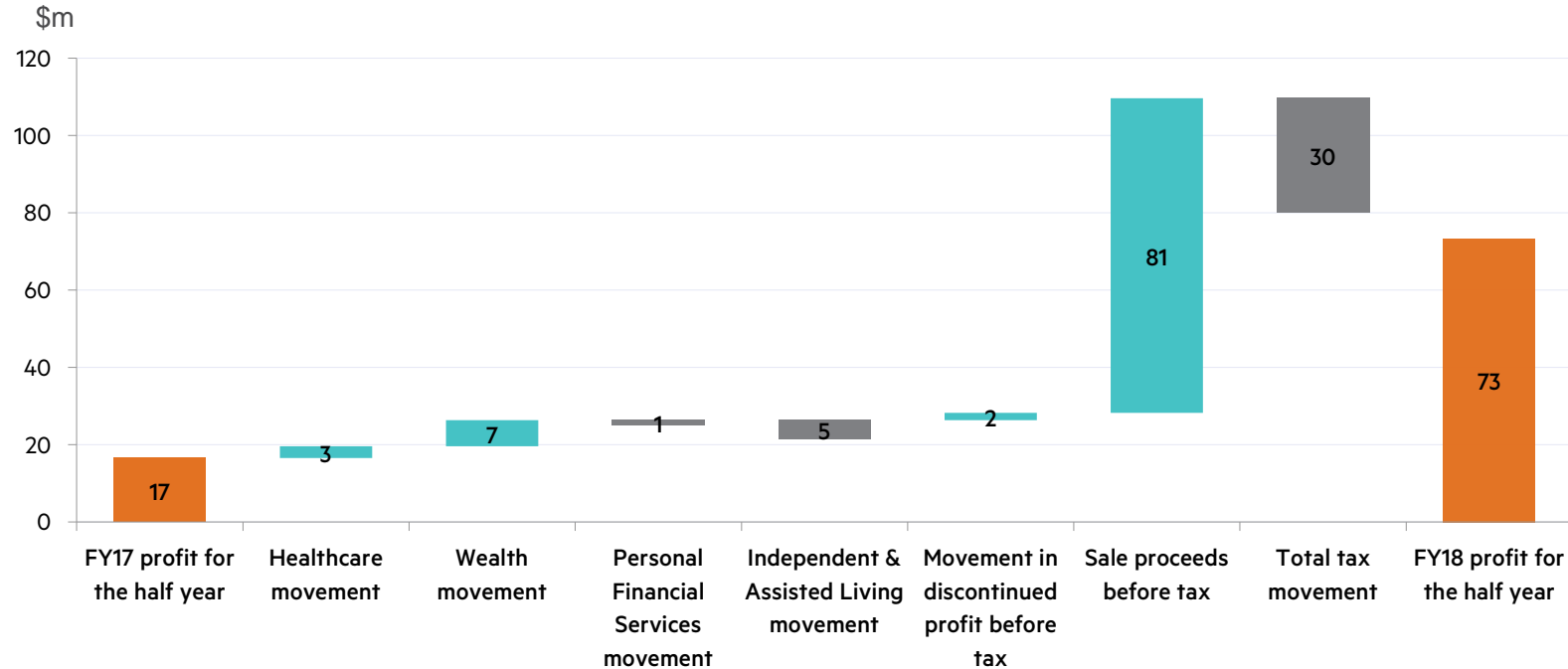
Gearing analysis and interest cover

Ratios for Australian Unity Bonds – Tranche 1 at 31 December 2017:

- Gearing at 25.4% based on covenant gearing calculations
- Interest cover* at 8.2 times



HY17 to HY18 net profit movement



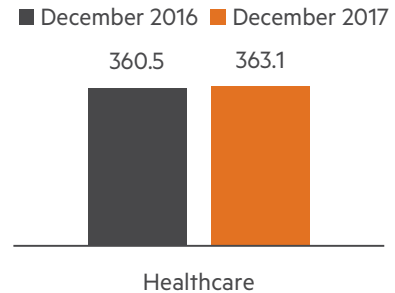


Healthcare

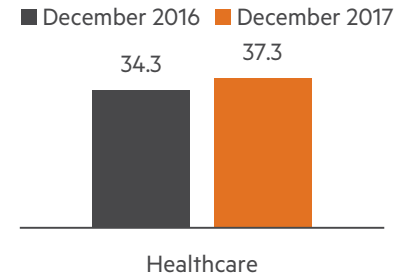
Solid result despite challenging market conditions

- Solid first half result driven largely by improved underwriting experience
- Corporate health insurance subsidiary, GUCH sold to nib holdings ltd on 31 October 2017. This sale was undertaken to release capital for investment in strategic initiatives that align with Australian Unity's goal of providing direct-to-consumer products and services
- Private health fund policyholders decreased by one percent to 199,539 (30 June 2017: 201,516) reflecting lower industry growth and strategy to focus product and sales efforts around target segments
- Remedy continued strong growth and diversification of customer portfolio and revenue sources

Segment revenue (\$m)



Adjusted EBITDA (\$m)



Healthcare highlights*



Retail health insurance

- Policyholders decreased by 1.0% to 199,539 (30 June 2017: 201,516)
- Significant results achieved in call centre optimisation program – reduced customer wait and handling times. Aligned with strategy to improve customer experience and retention
- Continued campaign focused on minimising waste in the healthcare system



Corporate health insurance (GU Health)

- Sold to nib holdings ltd on 31 October 2017. Business no longer fitted with strategic ambition of providing direct-to-consumer products and services



Remedy Healthcare

- Delivered more than 256,000 episodes of care across 18 treatment programs
- Continued to provide services to 27 of Australia's health insurers as clients of one or more of Remedy programs
- Grew footprint in NSW after launching new health telecoaching service
- Successfully integrated MindStep® program into life insurance and superannuation market, including a strategic partnership with a major financial institution



Dental

- Growth in number of patients visiting Australian Unity dental clinics
- New dental call centre established

Healthcare outlook

- Strategic focus on growing retail health insurance business and Remedy Healthcare, as well as other human services operations
- Remedy Healthcare to further integrate allied health services with home care and disability services and expand its digital and innovation agenda, including integration with the national electronic health record, My Health Record
- Pressure on affordability of private health insurance exacerbated by rise in utilisation of health products and services (i.e. more care at a greater cost per care)
- Continue engagement with sector and policy collaborators to urge positive reforms to improve the quality, effectiveness and cost efficiency of the health care sector

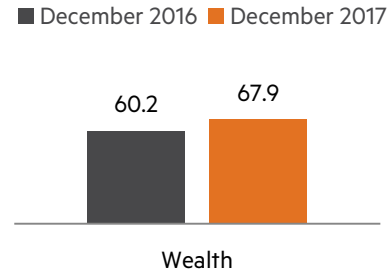


Wealth

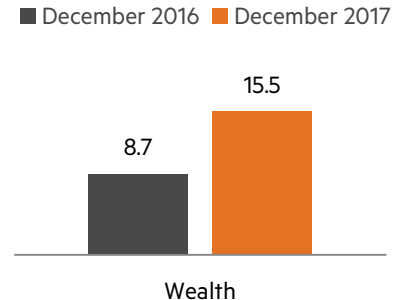
Opportunities for customers as economic growth improves

- Achieved strong results through growth in new business, solid investment returns and launching new products and technology improvements for the benefit of customers
- Adjusted EBITDA positively impacted by work streamlining operations and reducing capital usage
- Strong growth in the property segment*:
 - Healthcare Property Trust posted 21.01% return (31 December 2016: 12.52%)
 - Retail Property Fund delivered 19.98% return (2016: 22.79%)
 - Diversified Property Fund return of 19.24% (2016: 18.12%)
 - Australian Unity Office Fund (ASX: AOF) achieved 27.49% return, outperforming S&P/ASX 300 A-REIT Index by 21.05 percentage points

Segment revenue (\$m)



Adjusted EBITDA (\$m)



Wealth highlights*



Investments

- Total funds under management and administration of \$10.35 billion (30 June 2017: \$9.43 billion)
- Management of Group's investment portfolio achieved return of 3.49%, above strategic benchmark of 1.75%
- Investment markets generally stable, with equities markets delivering strong performance



Property

- Portfolio increased to \$2.60 billion (30 June 2017: \$2.44 billion); pipeline of development opportunities of \$1.5 billion
- Healthcare Property Trust increased funds under management to \$1.59 billion (30 June 2017: \$1.25 billion)
- Herston Quarter precinct recognised at the Public Private Partnership awards for 'Best Social Infrastructure Project' and 'Best Financial Structure'. Queensland Government formally approved the Development Scheme



Big Sky

- Big Sky's total on-balance sheet assets declined slightly to \$784.8 million (30 June 2017: \$827.4 million).
- Targeted lower levels of lending and a stable balance sheet size with a focus on cost of funds and liquidity management to drive improved profitability



Life & Super

- Funds under management and administration increased to \$2.13 billion (30 June 2017: \$2.12 billion)
- Funds under management for education solutions increased by 9.4 percent surpassing \$191 million (30 June 2017: \$175 million)
- Leading position in pre-paid funeral segment with over \$665 million in funeral funds under management and 90,000 clients

Wealth outlook

- For the first time in a decade there was strong coordinated growth across the world's major economic regions
- Wealth remains well positioned to benefit from favourable industry dynamics and will continue to focus on delivery of differentiated, higher value products and services
- Ongoing steps to increase presence in the funding, development and management of Australia's social infrastructure
- Continue to seek to provide valuable investment and financial opportunities for customers

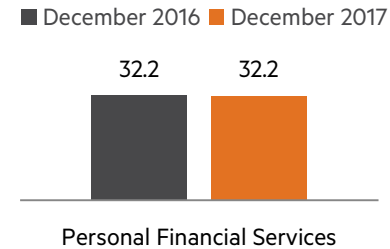


Personal Financial Services (PFS)

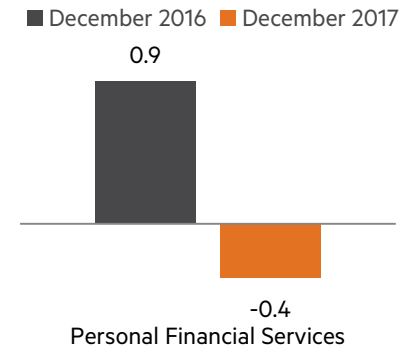
Maintaining focus on expansion and growth

- Considerable focus on expansion and growth of Australian Unity Trustees Limited after obtaining trustee financial services licence in February 2017
- Financial advice business performed creditably given broader industry dynamics, capitalising on growth opportunities within existing practices
- Finance broking and insurance services businesses slightly down due to lower settlements and a deliberate reduction in self-employed broker numbers

Segment revenue (\$m)



Adjusted EBITDA (\$m)



PFS highlights*



Financial advice

- Despite recent regulatory changes, members numbers and funds under advice in the Corporate Superannuation business has seen steady growth
- Encouraging adviser recruitment pipeline with adviser numbers expected to grow in FY18



Trustee Services

- Secured a number of new tribunal and court appointments in Queensland, South Australia and Western Australia
- Growth of over 100% in Estate Planning
- Appointed as trustee of the Manus Island Settlement Trust. This relied on the business' capability to manage complex settlement trusts, with beneficiaries located across a number of regions internationally



Finance & insurance services

- Finance broking revenue slightly down to \$1.1 million (31 December 2016: \$1.3 million)
- General insurance revenue increased by 8.4% due to higher broking revenue

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 focus on solid and sustainable growth to address growing need of quality advice and services in the community



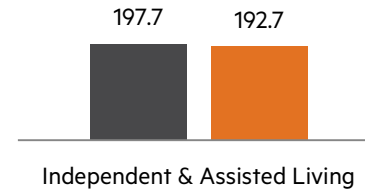
Independent & Assisted Living (IAL)

Delivering continuum of care and service

- Continued investment in supporting the integration and growth of the Home & Disability Services business contributed to decline in financial performance
- Transfer of state-funded disability clients to the NDIS is 60% complete
- Strong occupancy rates with retirement communities at 97% and aged care facilities at 94%

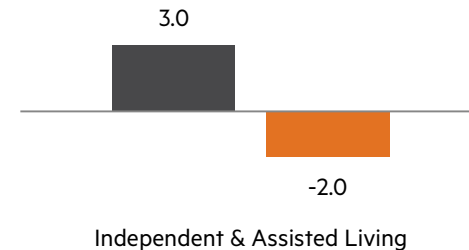
Segment revenue (\$m)

■ December 2016 ■ December 2017



Adjusted EBITDA (\$m)

■ December 2016 ■ December 2017



IAL highlights*



Home care & disability services

- Significant growth in revenue to \$136.1 million representing an increase of \$8.7 million
- NDIS rollout continues to create challenges and opportunities
- Total Home Care Packages under management reached 2,000 at 31 December 2017, representing an increase of 1,200 package clients



Retirement communities

- Owns and operates 19 retirement communities in Victoria and NSW with a portfolio of 2,362 independent living units (30 June 2017: 2,354)
- Village occupancy remained very high at 97%



Development

- Construction either completed, substantially progressed or commenced in the following communities:
 - ✓ Peninsula Grange, Mornington, Victoria
 - ✓ Sienna Grange, Port Macquarie, NSW
 - ✓ Albert Road, South Melbourne, 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, with occupancy levels reaching 55% by 31 December 2017
- Occupancy levels remained high at 94% at Australian Unity's five established aged care facilities

IAL outlook

- Continuum of service care offering in the form of home care, retirement communities and aged care to be further advanced through second half of FY18 through geographic and service expansion opportunities
- Ongoing transfer of state-funded disability clients to the NDIS
- Significant growth opportunities for the IAL business in addressing needs of the community and providing Australians with greater dignity and quality of life



Summary & outlook

Customer-focused business shaped for future growth

- First half-year saw a substantial company-wide transformation program that aims to capitalise on opportunities in large and rapidly growing markets in the Group's areas of operations in health, wealth and living. The transformation has incurred significant front-end costs, which particularly impacted the first-half results, and will require continuing investment. The benefits of the transformation will be derived progressively over coming reporting periods
- Purposefully addressing social infrastructure challenges with some of the most significant projects in the more than 175-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

Questions?

