



# AUSTRALIAN UNITY LIMITED

## INVESTOR UPDATE

Financial year ended 30 June 2015

### Presenters

- Kevin McCoy – CFO
- Darren Mann – Group Treasurer
- Brad Duggan – CFO, Retirement Living



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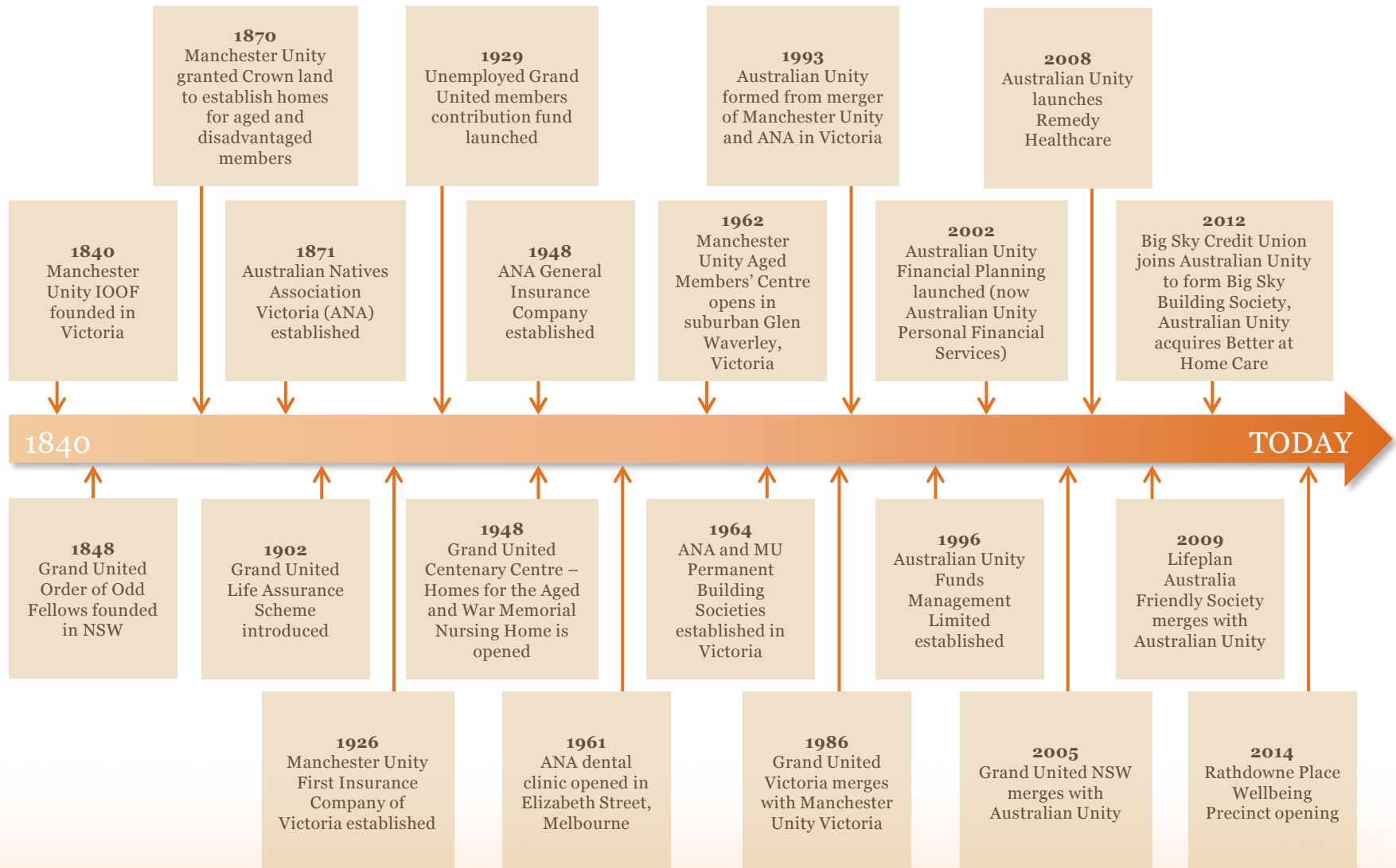


## About Us

Our **ambition** is to enable millions to enjoy **wellbeing**

Our **strategy** is to build a **leading, commercial, sustainable**, portfolio of businesses that foster wellbeing

# Our 175 year history



# Overview of Australian Unity



## TRUSTED MUTUAL

- Owned by and run for the benefit of ~300,000 members
- Provides services to 850,000 customers
- Profits reinvested for the wellbeing of members, customers and the general community
- \$120.0 million Australian Unity Notes (AYUHA) listed on ASX issued in April 2011

## DIVERSE PORTFOLIO

- Uniquely diversified company with broad capability and deep experience in healthcare, aged care, home care, retirement accommodation, asset management, funds management and financial advice
- A prudentially supervised company, regulated by the Australian Prudential Regulation Authority, along with many other regulators
- Ability to deliver financial, strategic and operational outcomes with contributions from each platform
- Approximately half of group adjusted EBITDA<sup>1</sup> generated by businesses other than Private Health Insurance (PHI)

## FINANCIAL SUBSTANCE

- Strong profit history - FY15 NPAT \$34.6 million, an increase of \$8.9 million, or 34.8 percent since FY11
- Gearing ratio closely managed, reduced from 36.6 percent in FY11 to 33.7 percent in FY15
- Interest cover: steady and stable since FY11 of 2.72 times to FY15 of 3.08 times
- Balance sheet equity increased to \$542.9 million or 38.6 percent since FY11
- AYUHA's investment grade credit rating of BBB+ by Australia Ratings maintained since issue in April 2011

## LONG-TERM STRATEGY

- Engagement target: five million customers reached
- Highly influential national brand
- Financial substance with a balanced approach to risk
- Sought after products and services

<sup>1</sup> Group adjusted EBITDA excludes corporate functions and eliminations

# Trusted mutual



- An independent Australian mutual comprising ~300,000 members, many of whom have been with the organisation for more than 50 years.
- The Australian Unity Group's history as a trusted mutual dates back 175 years, set up by members, for members, with continuous operations in financial services with concern for social needs of the community.
- A public company, Australian-domiciled, governed by an independent board of directors with broad commercial and public policy experience.
- The Australian Unity Group has grown organically and as a result of successful strategic mergers and diversification into new businesses driven by a strong brand.
- The Australian Unity Group is a provider of high-trust sustainable products and wellbeing services to members throughout various stages of their lives.

# Australian Unity at a glance



\$7.3  
billion in funds  
under management

\$5.9  
billion in funds  
under advice

6.5  
million hours of  
care provided  
per annum<sup>1</sup>

850,000  
customers<sup>2</sup>

800,000  
meals provided  
annually<sup>3</sup>

225,000  
health insurance  
policies

40,000  
nursing and  
allied health  
visits a year<sup>4</sup>

35,000  
health coaching  
and chronic disease  
management hours  
per year<sup>5</sup>

3,300  
home care clients<sup>6</sup>

2,500  
employees across  
Australia<sup>7</sup>

2,200  
residential aged care  
places serviced with  
allied health services  
across NSW and Vic<sup>8</sup>

609  
residential aged  
care places  
operated directly<sup>9</sup>

183  
financial advisers

85%  
employee  
engagement score<sup>10</sup>

19  
retirement  
communities

12  
industry groups or  
policy institutes that  
have an Australian  
Unity executive as a  
board member

6  
major retirement and  
aged care development  
projects under  
construction

175  
years old

1 Across Australian Unity home care and aged care

4 By Remedy Healthcare (wholly-owned subsidiary)

7 Australian Unity Group

2 Total for Australian Unity Group

5 By Remedy Healthcare

8 By Remedy Healthcare

3 In Australian Unity owned aged care facilities

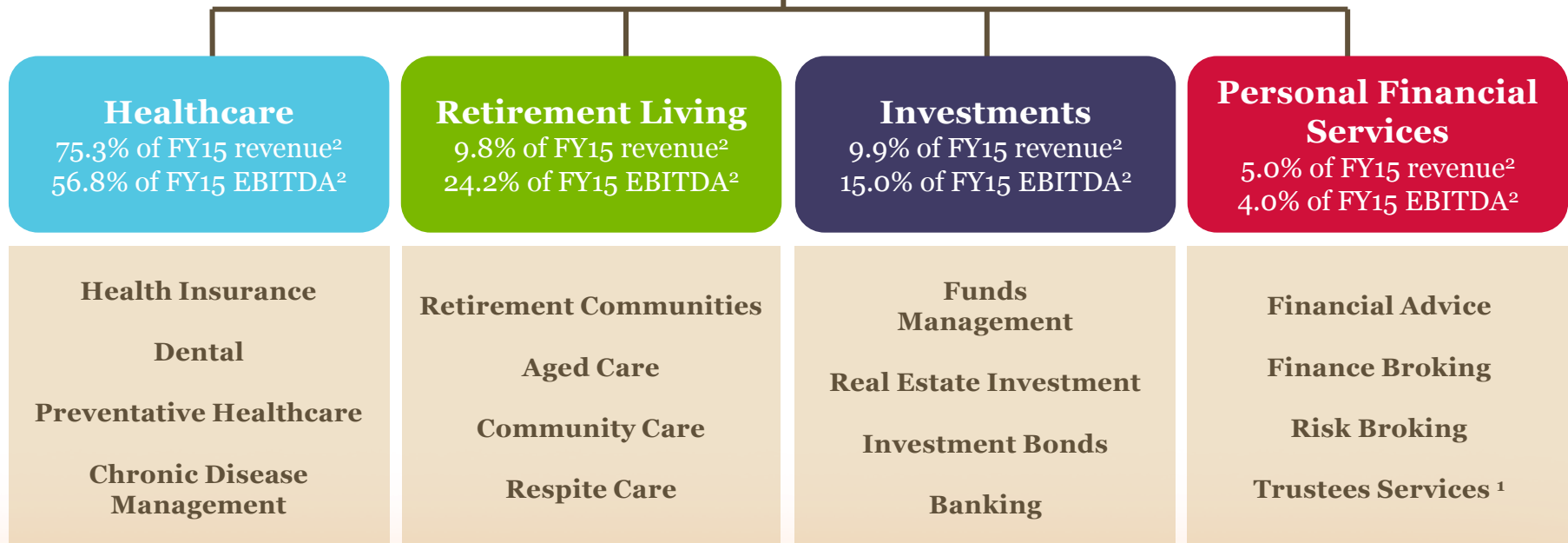
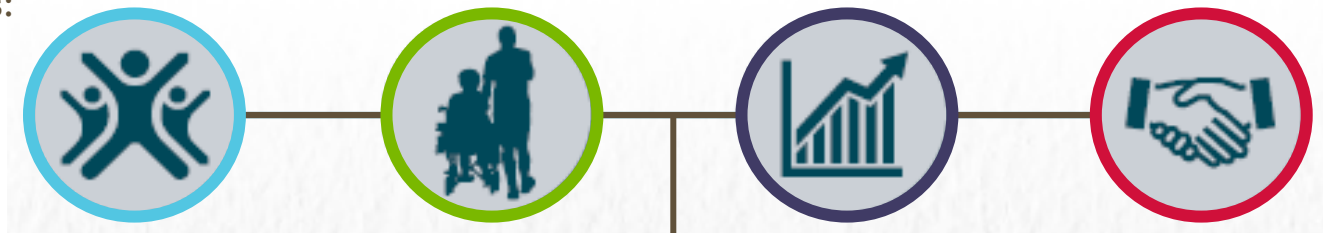
6 The existing Australian Unity Home Care business

9 By Australian Unity

10 Across all of Australian Unity

# Diverse portfolio

- Our strategy is to build a leading, commercial, sustainable, portfolio of businesses that foster wellbeing
- The Australian Unity Group has a uniquely diversified portfolio across four principal business areas:



<sup>1</sup> Flinders Australia was acquired by Australian Unity on 1 July 2015

<sup>2</sup> Aggregate revenue and adjusted EBITDA percentage excludes corporate functions and eliminations

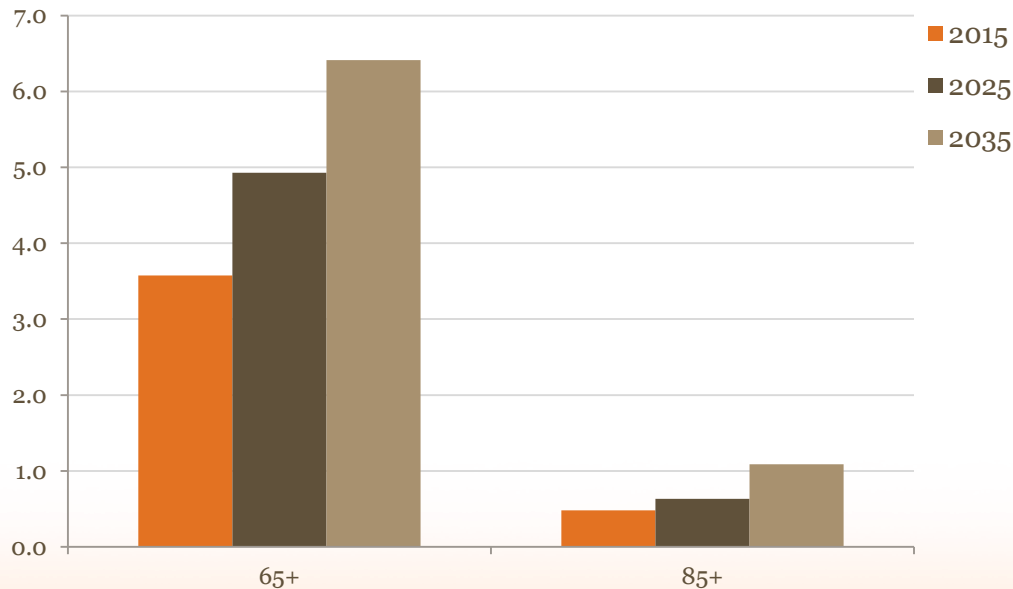


# Diverse portfolio

## Link to demography

- Demand for products and services of the Australian Unity Group are intimately linked to the demographic dynamics of the ageing of Australia's population.
- For example ageing trends, as estimated by the ABS, are shown in the following chart.

**Australia's increasing population of over 65's (m)**



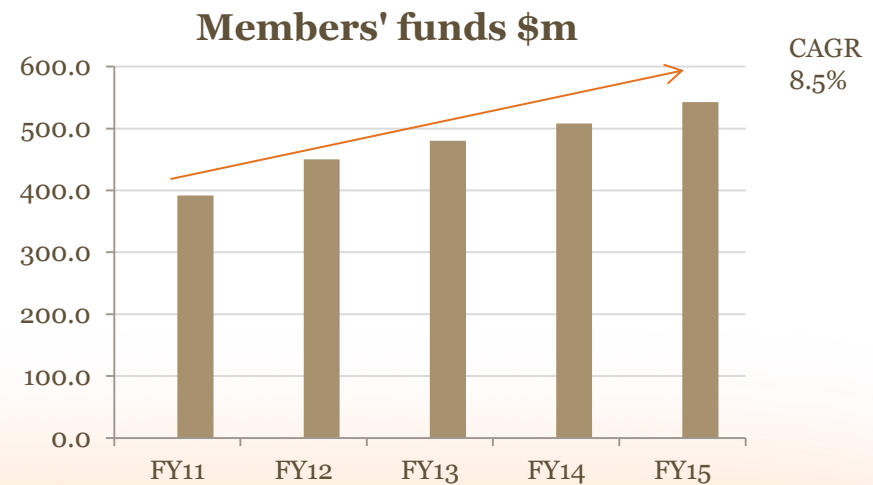
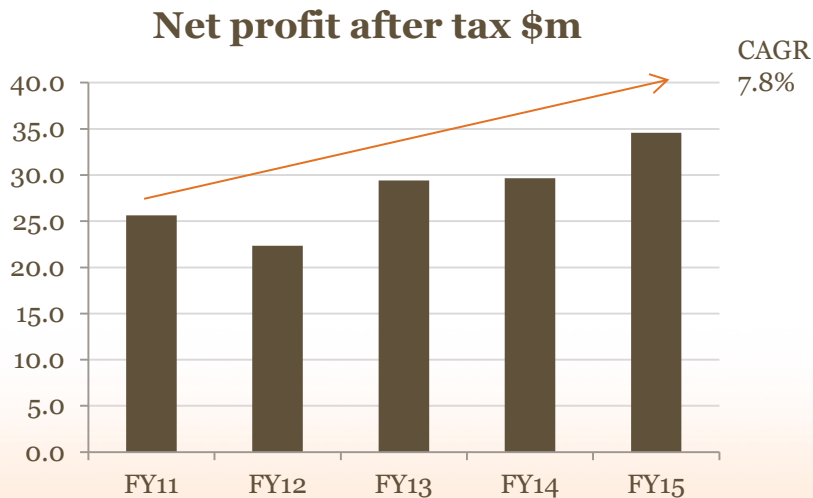
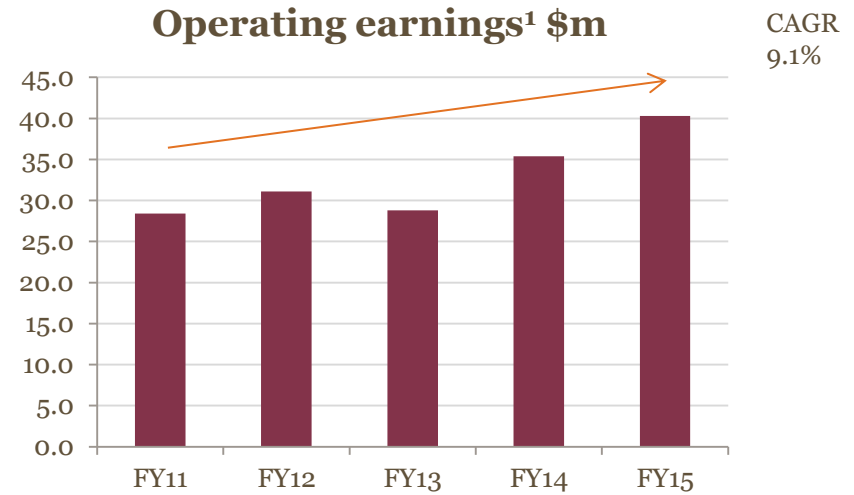
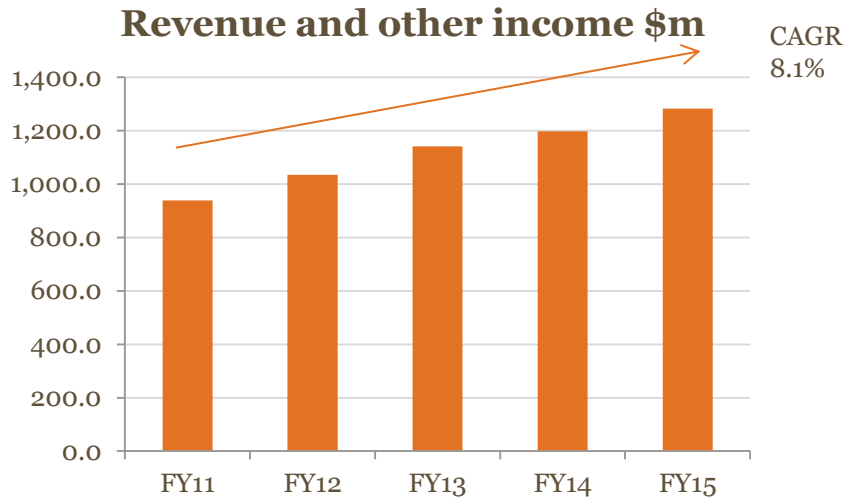


# Overview of Results and Achievements

# Australian Unity 2015 Financial Highlights



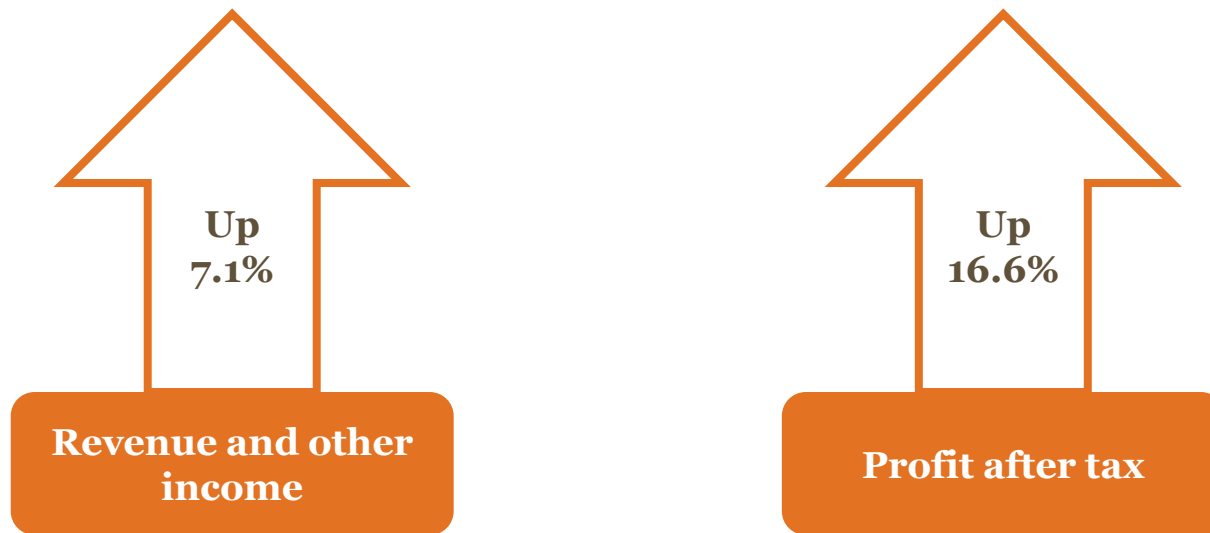
- Records strong year-on-year increases in operating earnings and profit



<sup>1</sup> Operating earnings: profit before tax attributable to members of Australian Unity less investment income, borrowing costs exclusive of accommodation bond interest reclassification and discontinued operations and business acquisition costs. *175 years of thinking about the future* | 10

# Australian Unity Limited results

## Financial Results Overview

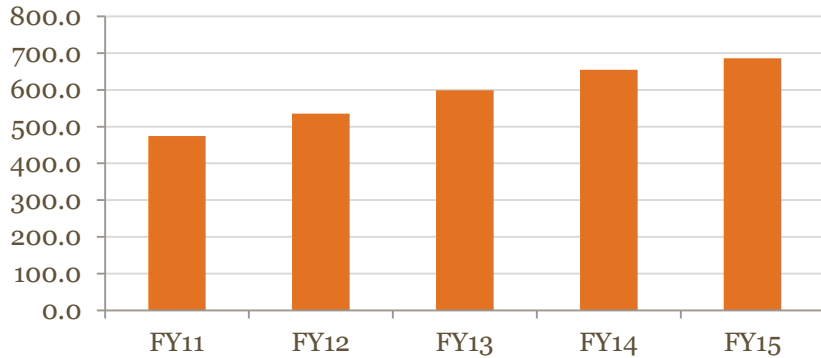


- Revenue and other income of \$1.3 billion and profit after tax of \$34.6 million
- Increases in adjusted EBITDA in all revenue segment areas
- Operating earnings \$40.3 million, up 13.7 percent
- Solid result flowed largely from operating revenue growth generated by the Group's business segments

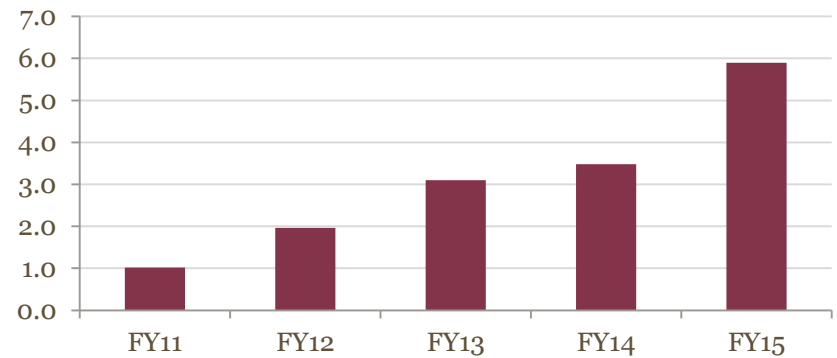
# Australian Unity 2015 businesses highlights



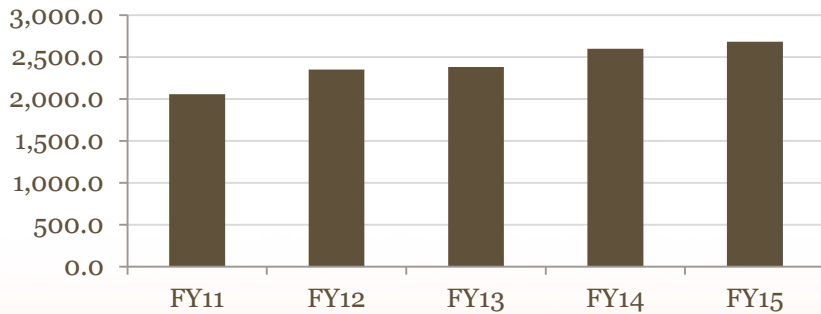
### Health claims \$m



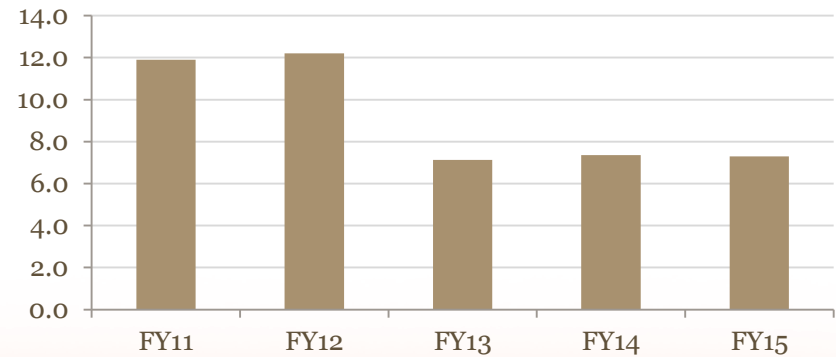
### Funds under advice \$b



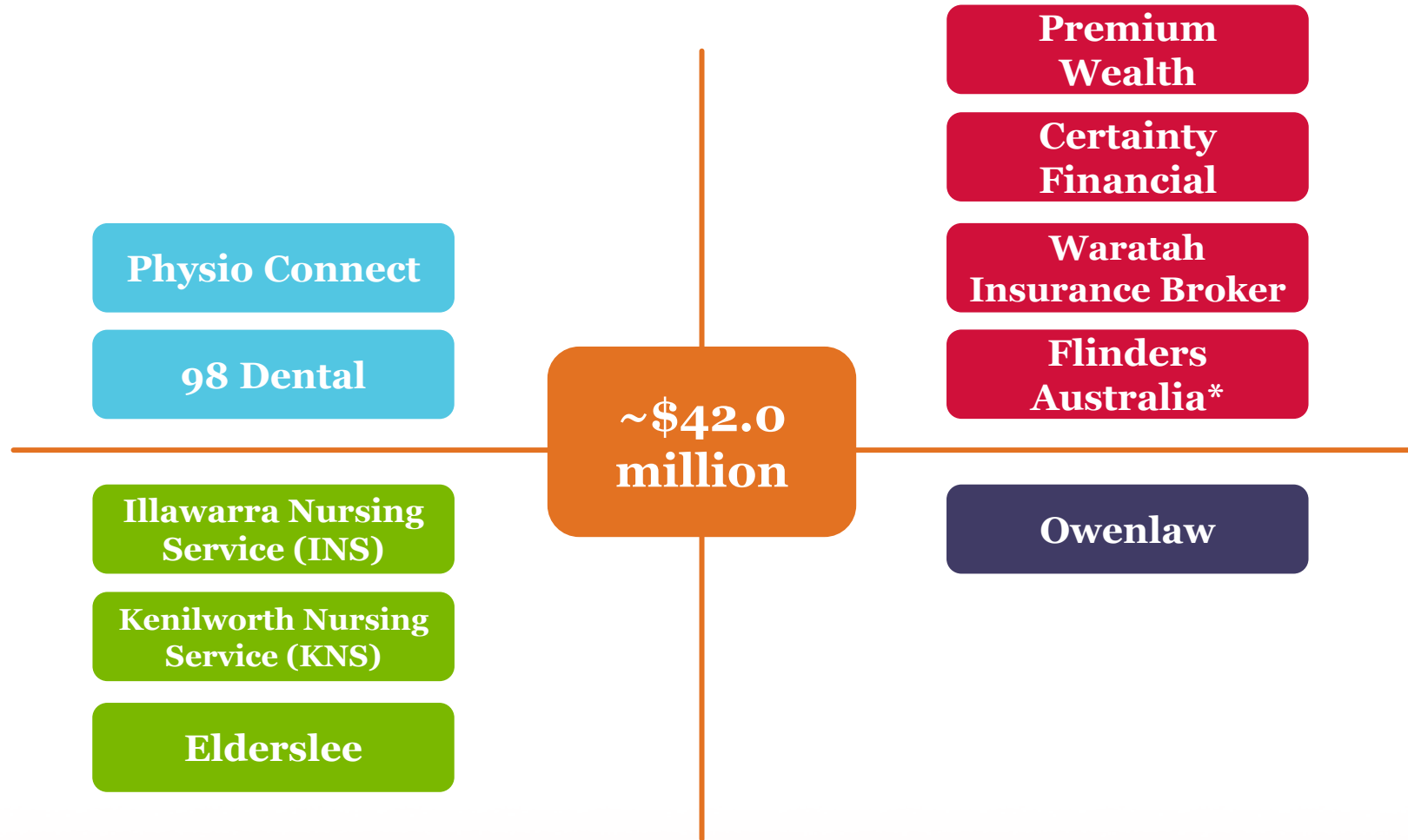
### Retirement units and aged care beds



### Funds under management \$b



# Additional growth achievements

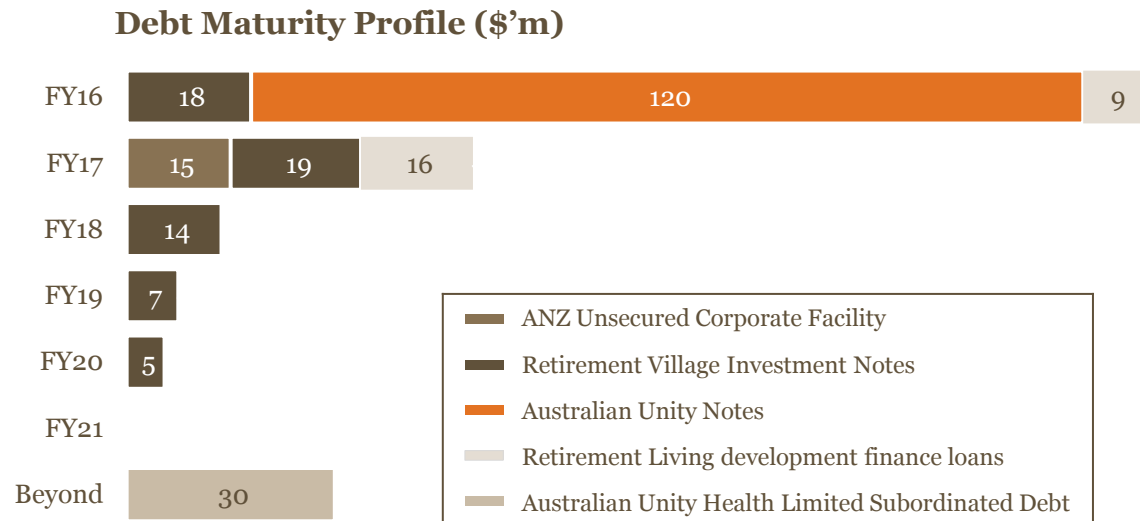
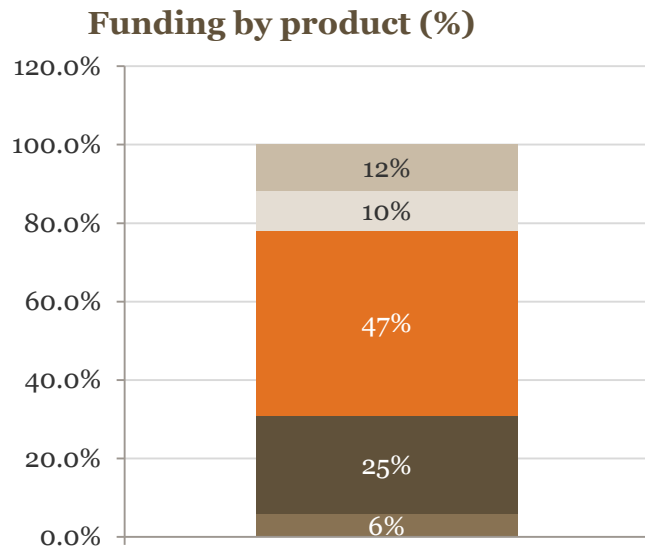


The group has made acquisitions across all its businesses throughout the year.

\*Flinders Australia was acquired on 1<sup>st</sup> July 2015

# Debt facilities and maturity profile

- Australian Unity seeks to maintain a diversified debt portfolio that enables it to access a range of funding sources to meet its ongoing business requirements and investment opportunities.
- The graphics below demonstrate the group’s funding mix and debt maturity profile by product.



- Australian Unity is currently considering options for the refinancing of \$120 million of Australian Unity Notes due in April 2016, including a potential issue of listed debt securities.

Note: Debt maturity profile excludes the ADI, loans with related entities and lease liabilities.

# Gearing analysis

- The Gearing Ratio, as reported in the financial statements, is 33.7 percent as at 30 June 2015 and was comfortably below the 45.0 percent covenant\*.
- This ratio reflects the reduction in the development finance loans with repayment driven by sales.
- Continuing Retirement Living growth is being funded through the Retirement Village Development Funds launched in FY15.



\* As defined in clause 6.1 of the Australian Unity Notes prospectus dated 11 March 2011



# Interest coverage ratio

AUSTRALIAN UNITY NOTES	Year to	Year to	Year to	Year to	Year to
INTEREST COVERAGE CALCULATION ( \$'000)	30 Jun 2011	30 Jun 2012	30 Jun 2013	30 Jun 2014	30 Jun 2015
<b>Profit before income tax (attributable to Members of Australian Unity Limited)</b>	27,765	22,172	35,365	35,077	42,933
<b>Total finance costs</b>	16,110	21,563	19,316	18,140	20,613
<b>[Profit before income tax (attributable to Members of Australian Unity Limited) + Total finance costs] / Total finance costs</b>	<b>43,875</b>	<b>43,735</b>	<b>54,681</b>	<b>53,217</b>	<b>63,546</b>
<b>Interest cover (times)</b>	<b>2.72</b>	<b>2.03</b>	<b>2.83</b>	<b>2.93</b>	<b>3.08</b>

Notes:

Interest cover included for information purposes in the Australian Unity Ltd Notes Prospectus Section 5.10.4 = Earnings before interest and tax / Interest Expenses



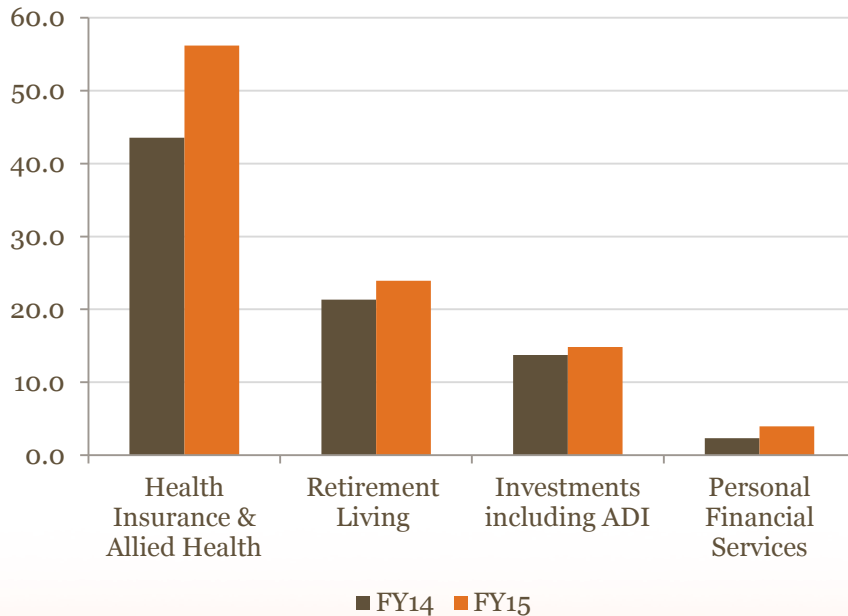
# Business Segment Highlights

# Financial results by segment

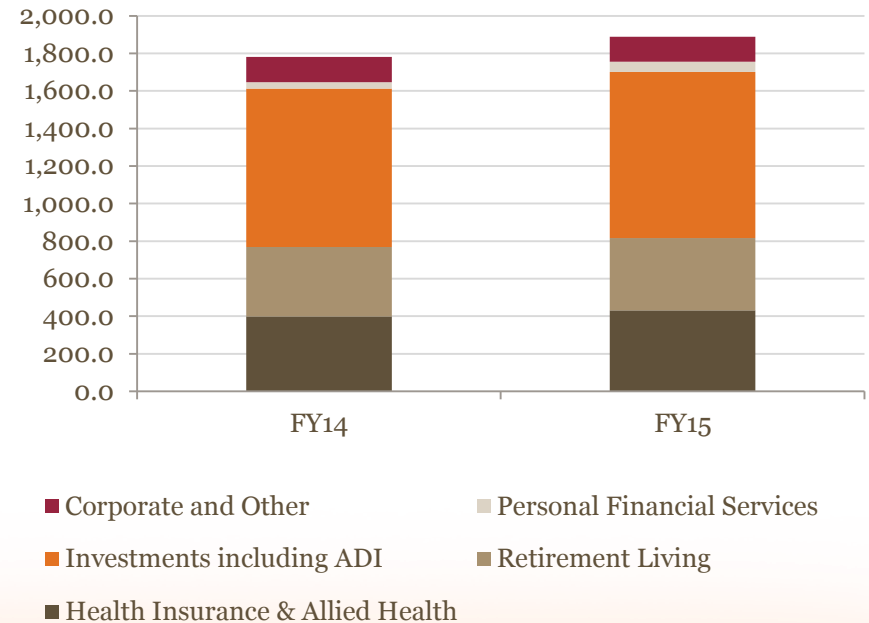
## Segment Results

All businesses contributed solid results with year on year growth in adjusted EBITDA. The group continues to focus on organic growth and pursuing its strategy of serving the wellbeing needs of Australians.

### Adjusted EBITDA \$m



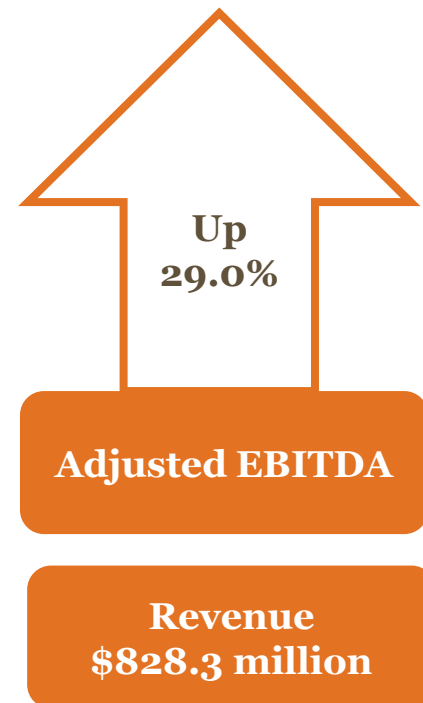
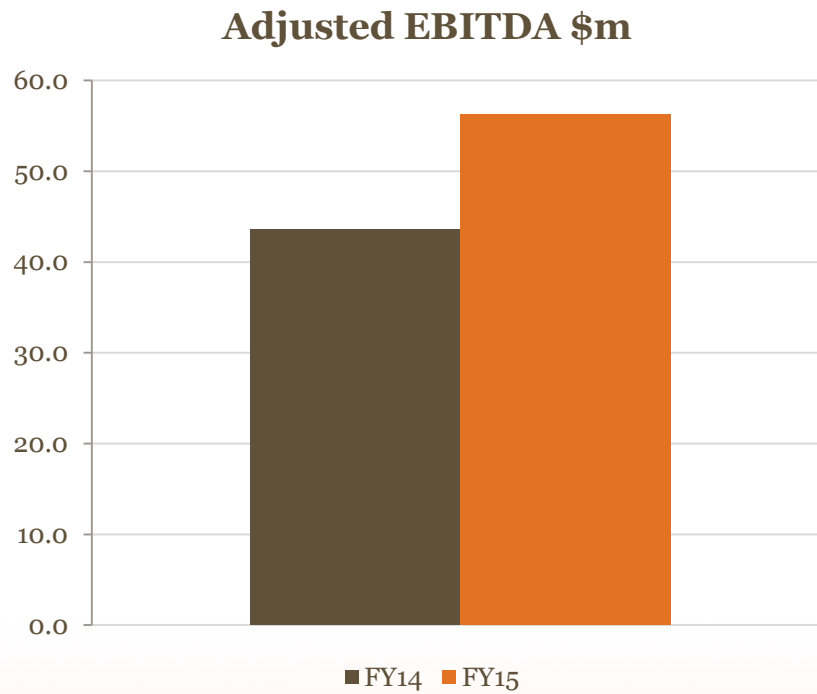
### Total Assets by Business Segment \$m



# Business segment results

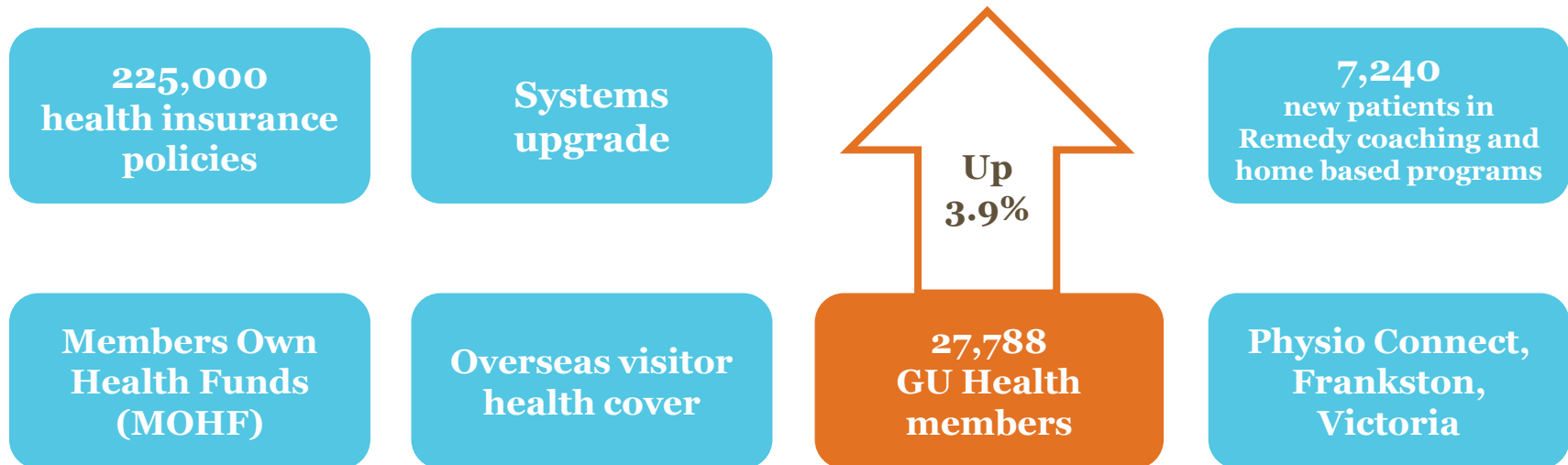
## Healthcare

A positive year with a return to financial performance comparable to levels before government intervention and ensuing regulatory changes began to impact the sector's result.



# Business segment highlights

## Healthcare

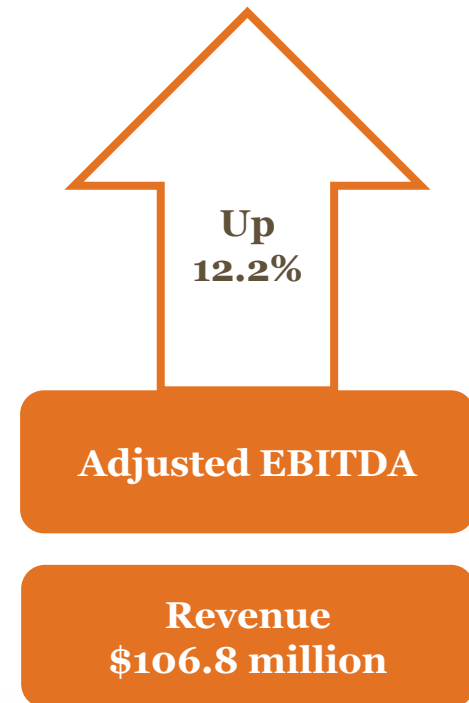
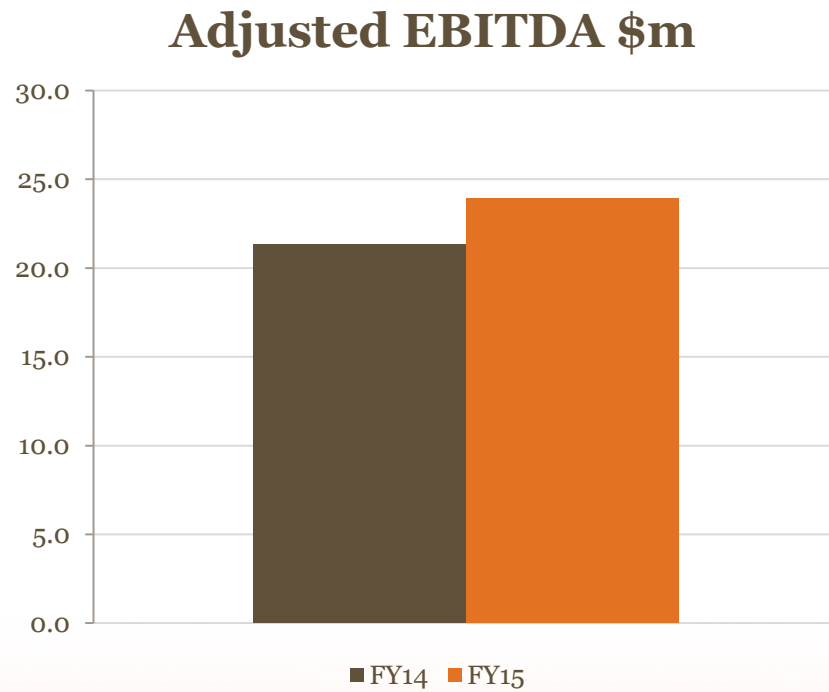


- Improvement in the corporate health fund's performance following a year of strong policy growth and pricing adjustments necessary to address the profitability challenges experienced in the previous year.
- Improvement in the underwriting margin in the retail health insurance fund.
- Strong result in the dental business, with 9.2 percent year on year increase in number of patient visits, from 56,439 (2014) to 61,638 (2015).

# Business segment results

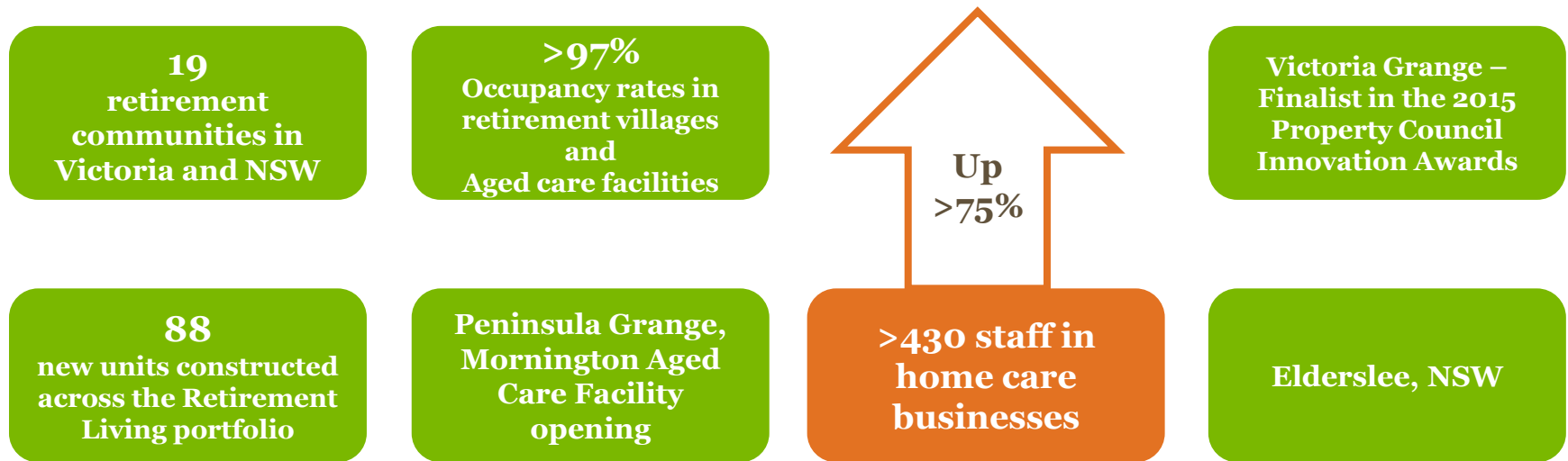
## Retirement Living

Retirement Living business recorded strong revenue and EBITDA growth during 2015.



# Business segment highlights

## Retirement Living



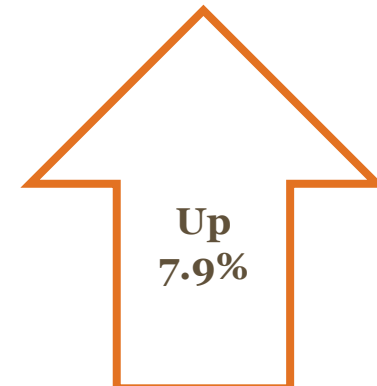
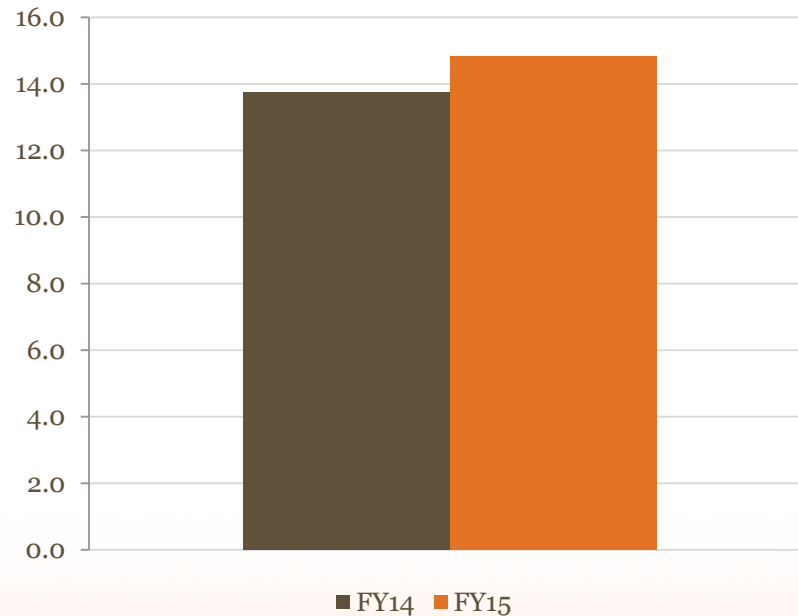
- 19.7 percent increase in revenue from prior year, positive outcome despite the closure of Wahroonga Aged Care Facility for total redevelopment (Campbell Place).
- Gains from opening the Rathdowne Place in Carlton (Victoria), Peninsula Grange Aged Care in Mornington (Victoria) and continued growth in Home Care businesses.
- Elderslee, an existing managed village on the Central Coast of NSW was acquired during the year.

# Business segment results

## Investments

The Investments business produced a very creditable result in a year characterised by periods of extreme volatility.

### Adjusted EBITDA \$m



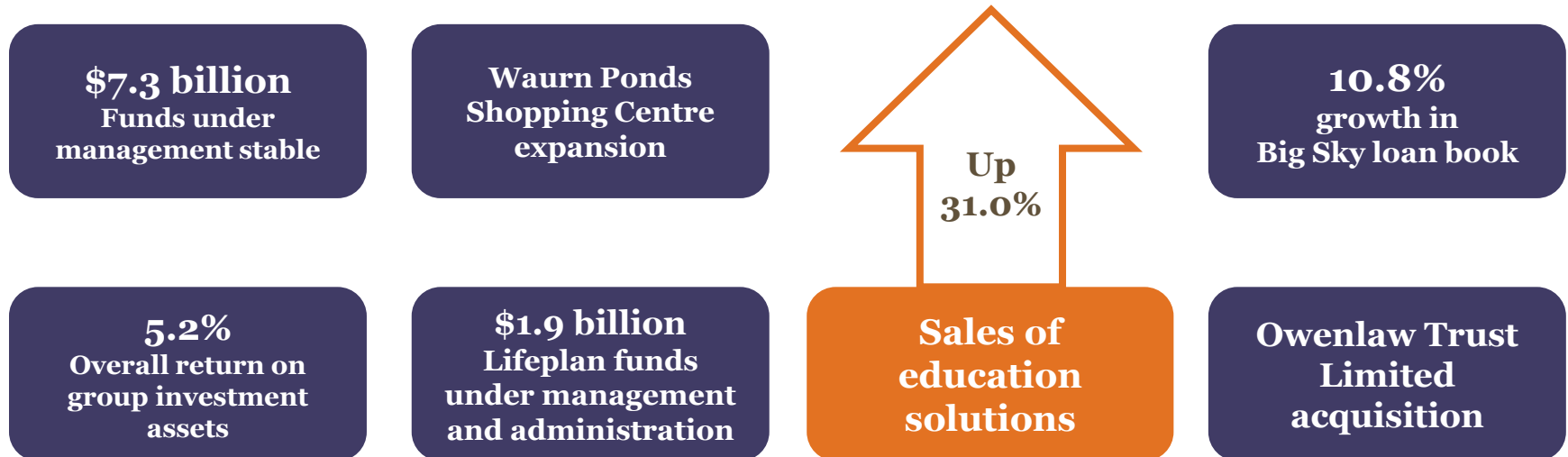
Adjusted EBITDA

Revenue  
\$107.2 million



# Business segment highlights

## Investments

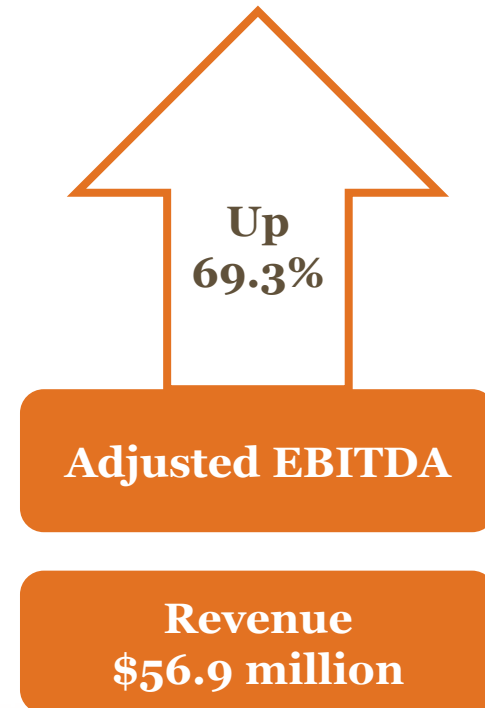
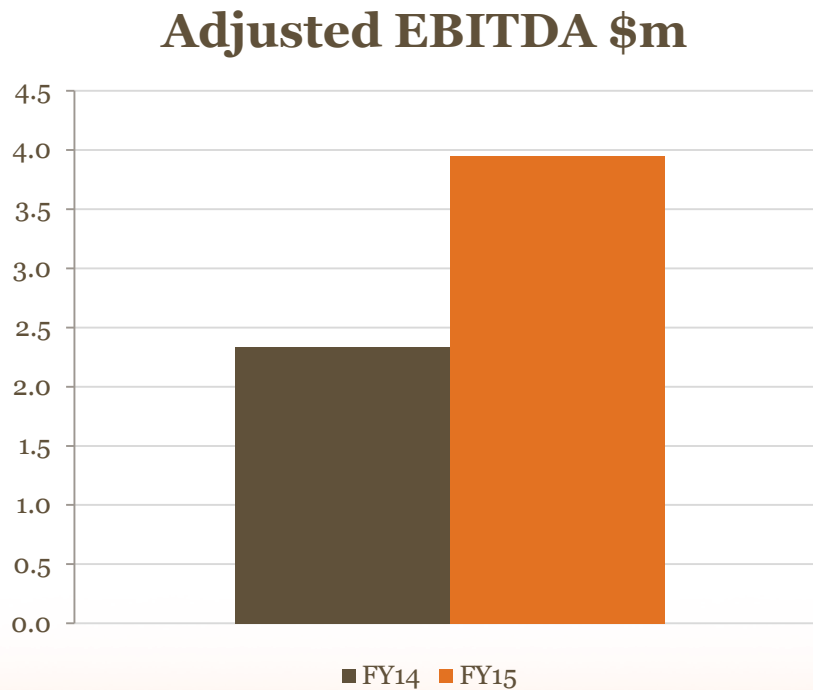


- Funds under management, administration and advice were at \$8.7 billion (2014: \$8.5 billion).
- Appointed BNP Paribas Securities Services as its custodian and administrator.
- Funeral Plan Management (FPM) broadened its business strategy to include a Business-to-Consumer proposition and further enhanced its online business management platform for Funeral Directors.
- Big Sky Building Society achieved a BBB rating from Standards and Poor's in July 2015.

# Business segment results

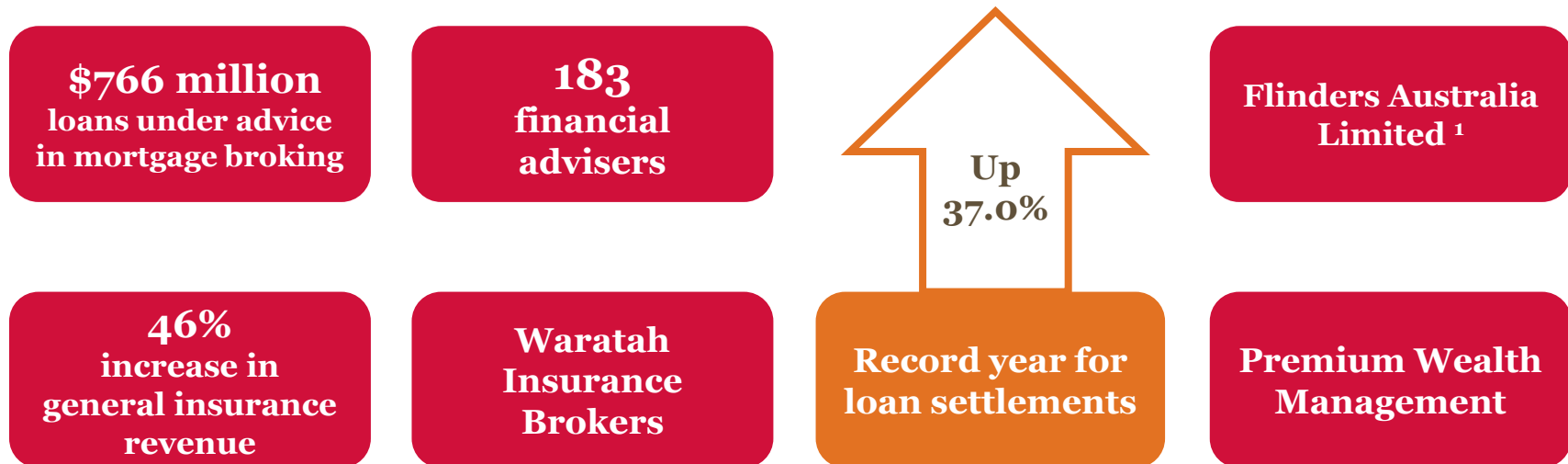
## Personal Financial Services

Personal Financial Services was significantly strengthened by a number of strategic acquisitions during the year.



# Business segment highlights

## Personal Financial Services



- Funds under advice increased by 70.2 percent to \$5.9 billion (2014: \$3.5 billion).
- Acquisition of Premium Wealth Management in December 2014, an independent financial advisory licensee primarily owned by its advisers and contains significant number of larger accounting practices.
- Acquired Waratah Insurance Broker in March 2015, an independent Sydney-based general insurance broker, a major step for the business towards building a significant presence in the general insurance broking space.

<sup>1</sup> Flinders Australia was acquired on 1 July 2015

# Australian Unity at a glance



\$7.3 billion in funds under management	\$5.9 billion in funds under advice	6.5 million hours of care provided per annum <sup>1</sup>	850,000 customers <sup>2</sup>	800,000 meals provided annually <sup>3</sup>	225,000 health insurance policies
40,000 nursing and allied health visits a year <sup>4</sup>	35,000 health coaching and chronic disease management hours per year <sup>5</sup>	3,300 home care clients <sup>6</sup>	2,500 employees across Australia <sup>7</sup>	2,200 residential aged care places serviced with allied health services across NSW and Vic <sup>8</sup>	609 residential aged care places operated directly <sup>9</sup>
183 financial advisers	85% employee engagement score <sup>10</sup>	19 retirement communities	12 industry groups or policy institutes that have an Australian Unity executive as a board member	6 major retirement and aged care development projects under construction	175 years old

1 Across Australian Unity home care and aged care

2 Total for Australian Unity Group

3 In Australian Unity owned aged care facilities

4 By Remedy Healthcare (wholly-owned subsidiary)

5 By Remedy Healthcare

6 The existing Australian Unity Home Care business

7 Australian Unity Group

8 By Remedy Healthcare

9 By Australian Unity

10 Across all of Australian Unity



# Post-announcement news

Home Care NSW

# Home Care NSW transfer



- The NSW government has signed an agreement with Australian Unity to transfer the Home Care Service NSW (Home Care) to Australian Unity.
- Australian Unity will buy the business in its entirety for \$114 million, subject to adjustments usual for a transaction of this kind.
- Home Care has 50,000 clients and 4,000 staff, and revenues of approximately \$234 million last financial year.
- The transaction will be funded by cash and debt.
- We have an unconditional commitment letter from NAB for the relevant financing.
- We have business and transition plans ready to go.

# Our Vision for Home Care NSW

**Our vision is to create Australia's leading Home Care business—  
one that offers a true continuum of client-directed care.**

1. Leverage our 'Better Together' model to enhance the person-centred service offering and client experience
2. Ensure continuity of care and minimal disruption to service during transition
3. Retain and enhance the structure and identity of Aboriginal Home Care
4. Implement Australian Unity's home care management system, Procura, and supporting infrastructure, to enhance productivity
5. Implement an updated operating model that drives effectiveness
6. Position the business to grow market share and brand awareness nationally
7. Ensure the business continues to work closely with Government at all levels

# Presenters



## **Kevin McCoy – Chief Financial Officer**

Kevin joined Australian Unity in April 2012 and was responsible for the effective execution of our strategic initiatives, treasury, capital management and organisation-wide performance measures. Kevin took on the role of Chief Financial Officer from April 2014.



## **Darren Mann – Group Treasurer**

Darren joined Australian Unity in 2012 and has been involved in integration and value creation roles across the group. In June 2015, Darren was appointed Group Treasurer. Prior to this appointment, Darren was the Head of Group Capital Management and led the implementation of the internal performance reporting structure.



## **Brad Duggan – Chief Financial Officer – Retirement Living**

Brad joined Australian Unity in July 2014. Brad has 15 years experience in senior consulting and finance roles at PwC and Grocon.





175 years  
of thinking about the future