

Australian Unity Annual General Meeting

30 October 2019



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Health | Wealth | Living

Melinda Cilento: Chair of the AGM Address

Good afternoon Ladies and Gentlemen. Welcome to the 2019 Annual General Meeting of Australian Unity Limited.



Melinda Cilento

Meeting Chair

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My name is Melinda Cilento, Chair of the Investment Committee and a member of the People, Culture & Remuneration Committee and the Risk & Compliance Committee. I have been nominated to Chair this meeting today on behalf of Peter Promnitz, Chair of the Company. Unfortunately, Peter is unable to be here in person today, but as you can see, he is with us via a video link.

Thank you everyone for making the time to be here today.

Before we begin, can I ask that you please turn all mobile phones off. In the event of an emergency evacuation please listen for any announcements and act on instructions given by the Wardens. Exit signs will lead you to the closest exits (stairs) and the External Assembly area is the Northern end of the College of Surgeons Gardens.

I'd also like to mention that the audio of this AGM is being streamed live.

This allows members who can't be here to listen in.

The meeting will also be available via webcast on our website so members can catch up later.

To improve accessibility, the on-demand webcast will include captions.

Every year we have a lot of great questions from our members. This year, to help you, we have representatives from across the business available in the foyer after the meeting to answer your questions. This includes a health insurance stand with representatives available to answer any questions you might have about your policy. I encourage you to have a chat to our team if you do have specific questions.

I have a number of formal matters to attend to.

First, I can confirm that a quorum is present. Therefore, I formally declare the 2019 Annual General Meeting of Australian Unity Limited open.

I am advised that we have 114 members physically present. Thank you for your interest in the Company.

Second, I would like to introduce my fellow directors.

On the table to my left is Paul Kirk, Chair of the Audit Committee and a member of the People, Culture and Remuneration Committee. In accordance with our procedures, both Paul and our Chair, Peter Promnitz will be standing for re-election at this AGM. Both Peter

and Paul will say a few words later in the meeting. To Paul's left is Lisa Chung, who is Chair of the People, Culture & Remuneration Committee and a member of the Audit Committee, Investment Committee and Risk & Compliance Committee.

On the table to my right is Greg Willcock, member of the Risk & Compliance Committee and the Audit Committee.

Su McCluskey, Chair of the Risk & Compliance Committee and a member of the Audit Committee, Investment Committee and the People, Culture & Remuneration Committee is unable to attend today, however she is listening to our live webcast.

Rohan Mead, our Group Managing Director, is seated to my right. Rohan will shortly outline the major activities and achievements of the Company during the year.

We are also joined by Melinda Honig, our Company Secretary, General Counsel and Chief Risk Officer.

We have invited some members of the Group Leadership Team on to the stage with us. They won't play a formal role in the proceedings today but please approach any of them during the refreshments should you have any specific questions regarding their responsibilities. I might call on them, if appropriate, to assist me with answering any general business-related questions from the floor during this meeting.

Firstly, let me introduce Darren Mann, Deputy Head of Finance and Chief Financial Officer. Next to Darren is our Group Executive, Finance and Strategy, Esther Kerr-Smith.

I would also like to introduce the three CEOs of the various business divisions we call our platforms. I'd like to introduce the CEO of our Independent & Assisted Living platform, Kevin McCoy. Beside him is the CEO of our Retail platform, Matt Walsh. To my far right is CEO of our Wealth & Capital Markets platform, David Bryant, who is also our Chief Investment Officer. Other members of our executive team are in the front row.

We also welcome representatives from the Company's auditors, regulators, advisers and other consultants.

Third, I advise that the Notice of Meeting has been given in accordance with the Company's Constitution and copies are available at our reception on the first floor.

I will accordingly take the Notice of Meeting as read.

The minutes of the 2018 Annual General Meeting of Australian Unity Limited have been reviewed by the Board and recorded as a true and correct proceeding, in accordance with the Corporations Act.

The minutes are tabled and there are copies available with our Company Secretary should any member wish to see them.

Today we have a number of formal items of business to cover. These are set out in the Notice of Meeting.

Before we move to these items, on behalf of Peter I'd like to offer you some thoughts about the Group as we progress into the 2020 financial year.

Following this, Rohan will report to you on the operations of the Group.



Australian
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2019 in Review

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Ladies and gentleman it is, and I don't think I'm overstating it, a significant juncture in the history of this great organisation which celebrates its 180th anniversary in 2020.

It is significant in terms of seeing the benefits starting to emerge from a strategic agenda set out six years ago ... to shape an organisation that provides products and services to meet the wellbeing needs of its members and customers, while delivering social infrastructure outcomes that benefit the broader community.

It is also significant in terms of the opportunities that we have as an organisation moving forward...

...opportunities afforded to us through our status as a mutual entity.

As a Group we are well-progressed with our portfolio strategy of reducing our overall reliance on our health insurance business, while expanding our exposure to the rapid growth in demand for person-centred human services and social infrastructure. This is not to turn our backs on health insurance, the opposite in fact. What we have wanted to ensure is that health insurance is housed within a strengthened and broadened Group to allow it to better address the emerging pressures in this area. Pressures that are now consuming the front pages of our papers.

An important and necessary part of our strategic journey has been the diversification of the business into our three revenue platforms — Independent & Assisted Living, Retail and Wealth & Capital Markets.

The presence of inherent risk in the delivery of financial services and human services was anticipated when the Group embarked on its strategy of diversifying its business portfolio.

These risks were highlighted in the past year through the evidence and subsequent findings of Royal Commissions and other inquiries within the financial services, aged care and disability sectors.

The Board continues to work closely with management on ensuring the Group understands such risks, their potential impact, and the options for responding should the risk be realised.

Important to realising the Group's strategic ambitions is the need to develop and sustain a strong balance sheet position, while actively deploying capital in support of our growth aspirations.

During the year, we strengthened the foundations of the Group's balance sheet through a number of initiatives.

Further, a focus on embedding sustained efficiencies and structural benefits from the prior year's transformation program underpinned a \$45.0 million decrease in overall operating expenses.

Against this backdrop, the Group's financial performance has been positive.

Revenues were \$1.90 billion and net profit after tax for the period under review was \$53.0 million reflecting solid performance across our three operating platforms.

Rohan will expand on our financial performance in his report.

The Group operates with a strong commercial approach.

However, as a mutual entity we have the opportunity to create value that extends beyond financial results—for our members, our customers and the broader community.

Our mutual structure allows us to consider longer-term opportunities without the short-term pressure of delivering immediate returns to shareholders.

This was critical, for example, in our ability to create Remedy Healthcare and to invest significantly in building a Home Care business.

A major focus of the year under review saw the Group laying the foundations for renewed recognition and shared value for Australian Unity Limited members.

The Board eagerly anticipates the realisation of this work.

Further progress was also made on our community value strategy.

We believe that a sound community value framework and practices translate to a stronger business that delivers for all stakeholders.

We are working with like-minded community partners to practically support education and assistance programs designed to empower individuals and grow community impact.



Australian
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Mutual Reforms

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Now I would like to speak a little about the opportunities ahead that I mentioned earlier...

...opportunities opened up by the passage through the Australian Parliament of legislative reform for co-operatives and mutual entities.

Reforms to the Corporations Act earlier this year saw the formal recognition of mutual entities, while allowing them to raise funds through the issue of a specific financial instrument called a Mutual Capital Instrument or MCI for short.

Previously mutual entities, including Australian Unity, generally could only raise funds by increasing debt, which has effectively restricted growth.

MCI's allow mutual entities to raise permanent capital without compromising their mutual status.

The Board of Australian Unity strongly supports this amendment to our Constitution.

And we acknowledge the significant role that Rohan and his colleagues have taken in working with like-minded organisations through our peak body—the Business Council of Co-operatives and Mutuals—over many years to bring this opportunity to fruition.

Of course, Australian Unity is in a sound financial position and therefore we may choose not to issue MCI's immediately.

However, adopting this change means we could do so at any stage as part of the prudent funding of our operations and to seize opportunities that may present.

Finally, on behalf of the Board, I would like to welcome you all to our new CBD office. After 40 years of corporate operations from the Albert Rd, South Melbourne location, we were able to free up capital with the recent development of our new retirement community, The Grace, Albert Park Lake. With our long term capital investor ISPT, who were willing to use their capital to build this opportunity and to relocate and to modernise our national office operations. We are now back within a few blocks of our historical Manchester Unity and Australian Natives' Association offices. We were able to do all of the above on a more financially efficient basis while providing our staff the positive benefits of a contemporary office in a city location.

On behalf of Peter and the Board I would also like to thank Group Managing Director Rohan Mead, his executive team and Australian Unity's employees for their hard work during the year.

I will now ask Rohan to present his report on the performance of the Group, and I will be back later to continue with the formal business of the meeting.

Thank you, and I'll now hand over to Rohan.

Rohan Mead: Group Managing Directors' address

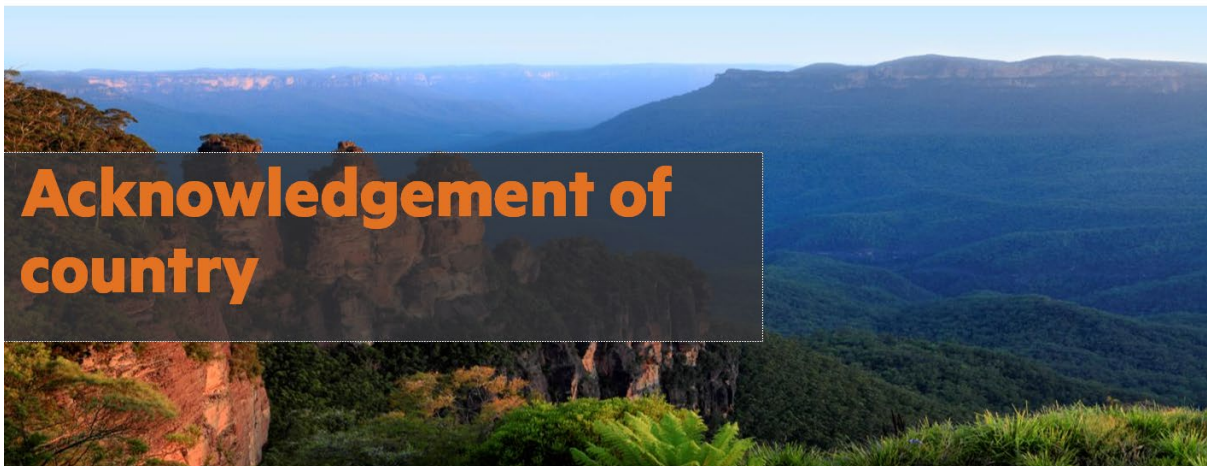


Rohan Mead

**Group Managing Director
& CEO**

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Thank you, Melinda. I would like to also extend a special welcome to everyone here, and to those listening on the webcast.



I too would like to acknowledge the traditional owners of the land on which we meet, the people of the Kulin (COOL-IN) nations. I pay my respects to their Elders, past, present and emerging, and acknowledge any other Elders from other Nations who may be present.

Members, I am pleased to report to you on the Group's performance in FY19. And I note that we have members here from across the Group's operations.

The year under review was one of sound financial performance and continued advancement of our strategic plan... a plan to create contemporary business models within a portfolio spanning the areas that matter most to people's wellbeing... while also addressing the social infrastructure challenge for our community.

After some years of investment, the growth we have seen across the Group during the past year reflects positively on our strategic choices.

We are now well-placed to continue developing our portfolio of valued health, wealth and living services for members and customers—services with demonstrated broader social impact.

The external operating environment also continued to undergo significant scrutiny and change, including Royal Commissions and other inquiries arising from conduct and quality problems within the financial services, aged care and disability sectors—areas in which the Group has increasing exposure.

Further, political and policy instability brought increased pressure on our private health Insurance business.

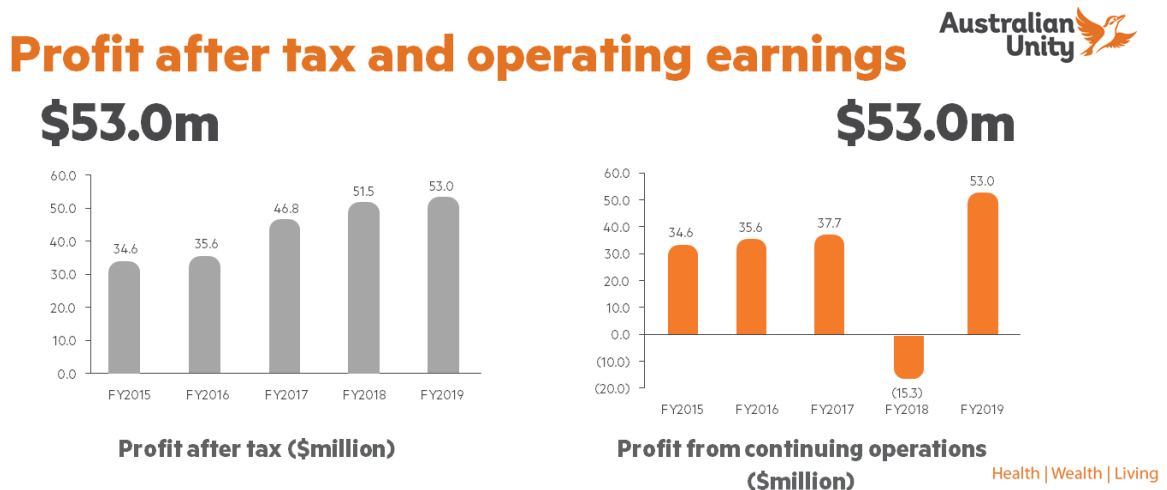
Operating in this environment of heightened uncertainty and volatility, the Group has balanced the need to perform now, while also building our capabilities and resources for the future.

To this end, we have made significant progress on key initiatives within our human services and private health insurance businesses...

...and we have seen the ongoing development of our social infrastructure projects; realisation of cost efficiencies from our Group transformation program; and have

strengthened our balance sheet. And in an important post-balance date event, we have in the last fortnight completed the successful refinancing of our bonds on favourably improved terms.

These initiatives were progressed in parallel with positively developing the financial performance of the Group, which I will now address.



The Group delivered a net profit after tax of \$53.0 million for the 2019 financial year, compared to \$51.5 million in the prior year.

It is important to note that the 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.

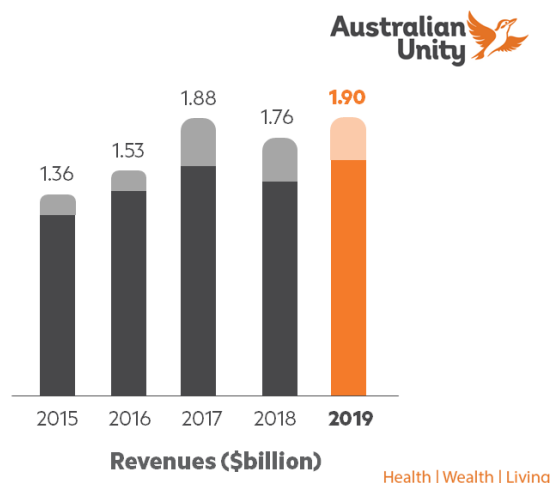
Excluding this impact, Australian Unity’s net profit after tax from continuing operations for the year to 30 June 2019 of \$53.0 million was a \$68.3 million increase on the prior year.

Each of the business platforms contributed to this result, with year-on-year growth achieved across the operating business units, and within the more transactional property and social infrastructure portfolio.

Revenues

\$1.90b

Revenues: comprise revenue and other income receipts (shown as the bottom section of the bar chart) as shown in the Consolidated statement of comprehensive income in the Annual Report, excluding discontinued operations, plus life investment contract premium receipts (shown as the top section of the bar chart). The latter receipts are recorded as movements in benefit fund policy liabilities in the balance sheet and not through the statement of comprehensive income.



Revenues in aggregate, including investment bonds, increased by 7.5 percent to \$1.90 billion, driven by growth in each of the Group's operating platforms, solid investment returns and higher benefit fund inflows.

Excluding financing costs, total expenses from continuing operations increased marginally to \$1.49 billion from \$1.48 billion in 2018.

We recorded a \$45.0 million decrease in overall operating expenses, which reflected both current year beneficial impacts from the business transformation program and prior year costs of that program.

This was offset by \$54.5 million higher expenses in benefit funds compared to the previous year.

Key to the Group's strong performance this year was the ongoing 'settling in' and resultant cost efficiencies from our new Group structure.

This structure was implemented two years ago and formed around three operating platforms that design and deliver valued services to members and customers in the areas of health, wealth and living.

I will now report on each of the platforms for the year in review.



Independent & Assisted Living

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The Independent & Assisted Living platform operates retirement communities and provides aged care, allied health and disability services.

The platform offers preventative health and chronic disease management services through the wholly-owned subsidiary Remedy Healthcare, and direct healthcare services through dental clinics.

Independent & Assisted Living

\$469.4m

in total segment revenue
(2018 \$422.7m)

\$48.2m

in adjusted EBITDA[^]
(2018: -\$3.3m)

[^]Adjusted earnings before interest, tax, depreciation and amortisation

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The IAL platform recorded total segment revenue of \$469.4 million in FY19, which was an increase of 11.0 percent compared to the prior year.

IAL ended the year with an adjusted EBITDA of \$48.2 million—an increase of \$51.5 million.

This result reflected the continued focus on improving the sustainability of the Home & Disability Services business.

Independent & Assisted Living



Highlights

- \$50.6 million turnaround for Home & Disability Services over two years
- 87.7% increase in Home Care packages
- Opening of The Grace, Albert Park with 79 independent living units
- Indigenous Services business unit established

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The continued transformation of the Home & Disability Services business was a highlight for the Group in 2019.

Its adjusted EBITDA of \$14.5 million effectively represented a two-year, \$50.6 million improvement... a result underpinned by ongoing investments in new operating models, technology and capabilities.

I note that building a sustainable business in human services can require difficult decisions.

Following a review of the National Disability Insurance Scheme-funded component of the HDS business, we began reducing our geographical footprint through the progressive and careful transition of NDIS-funded customers to other providers within those areas where we will no longer deliver these services.

This decision will strengthen our capacity to provide aged care services, which are by far the larger segment of our HDS business.

To this end, an 87.7 percent increase in Home Care Packages revenue was a significant driver of 13.3 percent growth in HDS total revenue for FY19.

Within the Residential Communities portfolio, 22 apartments were opened in May 2019 as part of the final development stage at Peninsula Grange in Mornington, Victoria, and in June

this year The Grace on Albert Park was opened, comprising 79 independent living apartments located in South Melbourne.

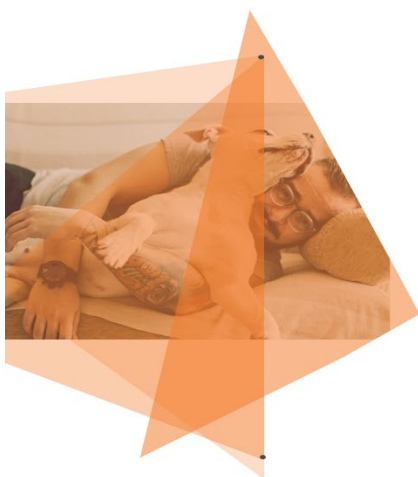
As the internal operating partner in Australian Unity's Social Infrastructure and Development Group IAL continued to focus on the development pipeline of aged care and retirement communities over the 12 months to June 2019.

During the year under review, construction was commenced, progressed or completed and occupancy progressed, in eight of the Group's residential communities across New South Wales and Victoria.

And importantly, in FY19 Indigenous Services was defined as a new and important business unit.

Its initial focus is providing culturally appropriate care, developing improved and sustainable funding models, and delivering improved services to Indigenous communities.

The platform provided a residence and care to many thousands of Australians and in addition provided over 4 million episodes of care to individuals living in the community.



Retail

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The Retail platform brings together Australian Unity's private health insurance, banking, broking and general insurance businesses.

With a combined focus on the needs of members and broader community value, the Retail platform provides packages and solutions that contribute to solving affordability challenges and meet the contemporary needs of Australians.

Retail



\$722.1m

in total segment revenue
(2018: \$726.1m)

\$74.4m

in adjusted EBITDA[^]
(2018: \$64.6m)

[^]Adjusted earnings before interest, tax, depreciation and amortisation

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The Retail business delivered a solid result despite challenging conditions, with adjusted EBITDA up by \$9.8 million or 15.2 percent to \$74.4 million compared to the previous year.

This result was driven principally by a favourable underwriting experience in the health insurance business, strong growth in the loan book in the banking business and sound containment of operating expenses.

Retail



Highlights

- Delivered lowest average premium increase to members in 18 years, approximately in line with industry average
- Implemented private health insurance industry reforms
- Big Sky Building Society Limited rebranded Australian Unity Bank Limited

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The past year was challenging for private health insurers, with significant political uncertainty, government-mandated product reform, and continued affordability pressures.

Against this backdrop, our reinvigorated private health insurance business delivered an adjusted EBITDA of \$67.9 million—a 10.9 percent increase on the previous year.

At the same time it delivered the lowest Australian Unity Health Limited premium increase in 18 years.

These results reflect our continued efforts to reduce operating costs and advocate for sector-wide reforms, particularly against low value care, along with active management of hospital contract negotiation outcomes and cost containment.

Despite challenging conditions within the retail banking sector, Australian Unity Bank Limited maintained strong lending momentum throughout the year, with \$173.3 million in new loans written.

In combination with improved retention rates, this lifted the loan book by a net \$85.5 million.

As at 30 June 2019, Australian Unity Bank had approximately 24,400 customers and its total assets grew to \$886.0 million from \$777.4 million in the prior year.



Wealth & Capital Markets

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The Wealth & Capital Markets platform comprises five business units: Advice, Investments, Life & Super, Property, and Trustee Services.

Its strategic purpose is to link Australian Unity's valuable efforts in helping Australians secure their financial wellbeing with the capital and social infrastructure needs of communities.

The platform manages investments, property assets and developments—and associated debt facilities—and provides advice and trustee services, totalling \$20.71 billion.

Wealth & Capital Markets



\$180.9m

in total segment revenue
(2018: \$170.4m)

\$50.5

in adjusted EBITDA[^]
(2018: \$36.9m)

[^]Adjusted earnings before interest, tax, depreciation and amortisation

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The Wealth & Capital Markets platform recorded a 6.2 percent increase in total segment revenue in FY19, compared to \$180.9 million in the prior year.

This result reflected positive underlying revenue growth across all business units in the platform.

The adjusted EBITDA at year end was \$50.5 million a 36.7 percent increase on the prior year.

This was achieved through underlying business growth in the Property, Investments and Trustees Services business units, and favourable outcomes in specific initiatives in social infrastructure related developments.

Wealth & Capital Markets



Highlights

- \$20.71 billion in assets & funds under management, advice and developments (and associated debt facilities)
- Progression of social infrastructure portfolio, including Herston Quarter, Healthcare Property Trust
- Favourable High Court outcome for the Life & Superannuation business

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Key examples of the Group's involvement in social infrastructure are the Herston Quarter development in Brisbane, Queensland and the Healthcare Property Trust.

Construction of the \$390.0 million Surgical, Treatment and Rehabilitation Service, otherwise known as STARS, by the Healthcare Property Trust commenced in May 2018, with practical completion planned for the second quarter of the 2021 financial year.

The Platform's performance also reflected the ongoing work within the platform to streamline operations and optimise capital usage.

The result also included a legal settlement received in the Life & Super business.

In conclusion, the year under review has seen further unfolding of the Group's strategic shape and a solid financial performance across our three operating platforms and their respective business units.

We believe that during the year, the organisation strengthened its capacity to provide and to extend valuable services for the community, related to important aspects of wellbeing.

I thank all of my colleagues at Australian Unity for their committed work to the ongoing development of the organisation. And I particularly commend the MCI resolution to this

meeting as an enabling step in extending the scale, scope and quality of services Australian Unity will be able to offer you and the community in future.

END GROUP MANAGING DIRECTOR'S ADDRESS

Thank you

