

ASX Announcement

24 February 2021

Australian Unity Limited – Half-Year Investor Update

Please find attached Australian Unity Limited's Investor Update relating to the financial results for the half-year ended 31 December 2020.

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This announcement has been authorised for distribution to the ASX by:

The Board of Australian Unity Limited

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ASX code:
AYU

Securities on Issue:
AYUPA – 1,200,000
AYUHC – 1,150,192
AYUHD – 2,070,000

Issuer:
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ACN 087 648 888

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The listing of Australian Unity Securities on the ASX does not affect Australian Unity Limited's status as a mutual organisation

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Investor update

Financial results for the half-year ended 31 December 2020



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Australian Unity Limited is pleased to invite you to our investor presentation teleconference for the half-year ended 31 December 2020

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.

Date
25 February 2021

Time
9.30am to 10.30am AEDT

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

<https://apac.directeventreg.com/registration/event/2756046>

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.

Important information

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AUL HY21 Investor presentation

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



Rohan Mead
Group Managing Director
& CEO

Darren Mann
Group Executive—Finance &
Strategy and Chief Financial Officer

Chris Yates
CEO—Retail

Melinda Honig
General Counsel, Company
Secretary, Chief Risk Officer
and Group Executive—
Governance

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Overview and Group highlights

Overview of Australian Unity

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Mutual with a commitment to members, customers and community

- Established in 1840, a member-owned company with 260,000 members and more than 700,000 customers
- Diversified but thematically-linked portfolio of health, wealth and care businesses that provides member, customer and community value and is supportive of personal and community wellbeing

People & safety

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Our focus on employee wellbeing and safety is an important part of our risk management framework and key to our employee value proposition

Safety

- Strong incident reporting culture with significant improvement in incidents being reported with manager follow up compared to same time last year. This has also contributed to improved return to work rates
- Commenced Self Insurance license in NSW on 1 July 2020 supporting human centred care and support for injured workers resulting in a material reduction in 'lost days' due to injury

Wellbeing

- Launched the 'Your Wellbeing Matters' program providing a range of wellbeing supports, including 26 webinar sessions about self care, wellness activities, support services and wellbeing leave
- The October 2020 People Pulse survey saw 72% of employees rate *wellbeing* as the number one activity the company is doing well. Group eNPS¹ increased by 7 points
- Launched additional mental health supports to employees through Remedy MindStep® and Healing Minds
- 90% of eligible employees took wellbeing leave (>4,300 days)

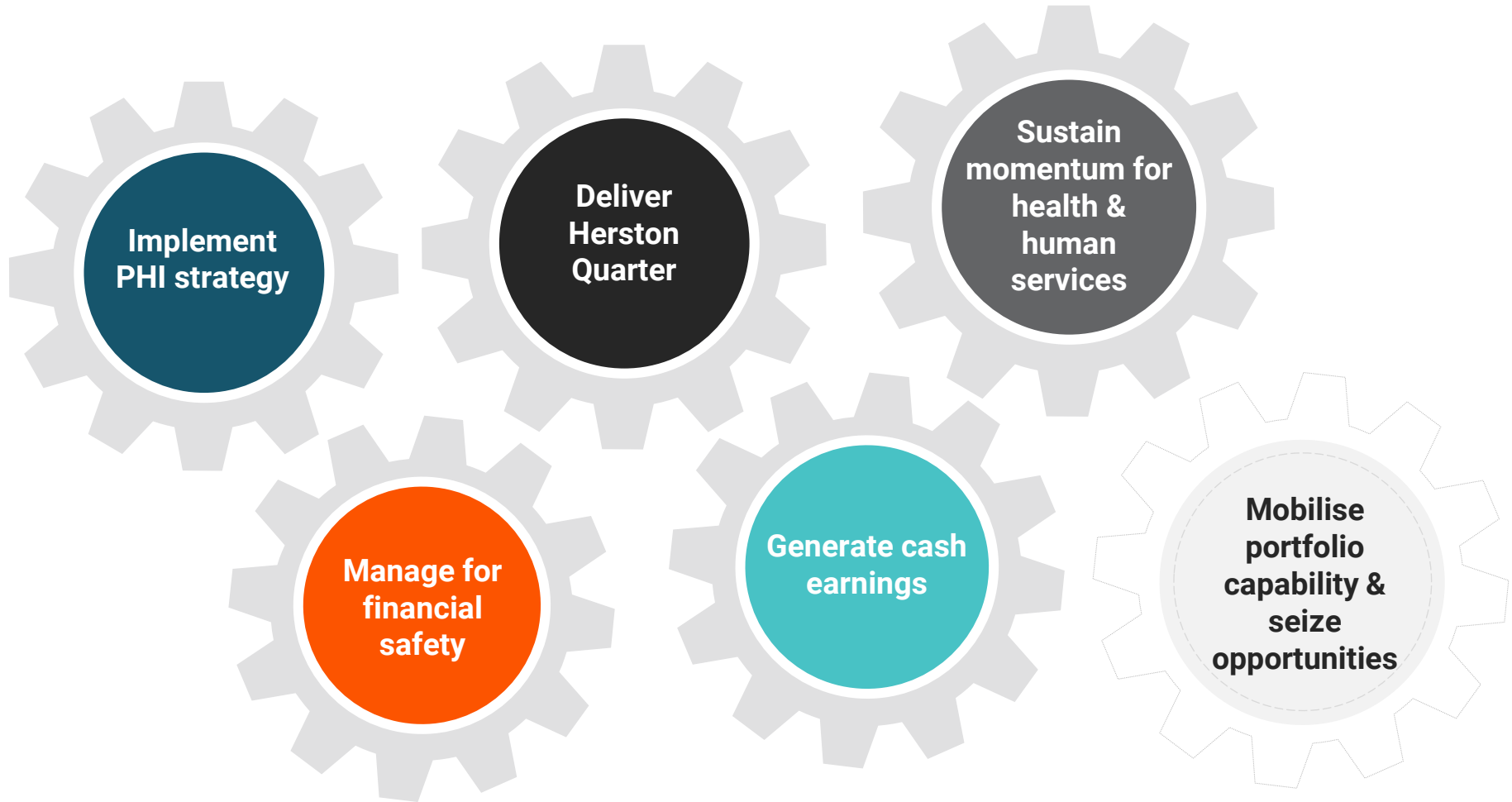
Continued to deliver key initiatives under our Safer Me program aimed at maturing our safety culture; developing a comprehensive safe work system, proactively managing hazards, reducing injuries, supporting injured employees back to work and differentiating Australian Unity as a great place to work.

Emerging needs from the COVID-19 pandemic also contributed to management of new and emerging risks, particularly in the areas of wellbeing, remote working and COVID-19 safe work plans.

FY21 Strategic priorities

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HY21 Operational review

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Advancing strategic ambitions

- Further progressed strategy of building a commercially sustainable portfolio of businesses that provides member, customer and community value and supports personal and community wellbeing
- Delivered a solid, positive first half result despite COVID-19 adverse impacts and challenges
- Ongoing advancement of the social infrastructure agenda, including the major milestone of practical completion and commercial acceptance of the Surgical, Treatment and Rehabilitation Service (STARS) hospital at the \$1.1 billion Herston Quarter health precinct in Brisbane
- Undertook Australia's first Mutual Capital Instrument (MCI) issue, raising \$120 million
 - The Board has determined an inaugural interim fully franked dividend of \$1.5342 per mutual capital instrument to be paid on 15 April 2021*
- Retired remaining \$71.3 million of Series B Australian Unity Bonds when they matured in December 2020

COVID-19

- Continued impact of COVID-19 included the implementation of extraordinary measures to seek to protect aged care residents, home care customers and the employees who support them; the provision of hardship relief for health insurance and banking customers; and the effect of tightened economic circumstances
- Responded by maintaining, and where possible improving, levels of service and responsiveness to the needs of members and customers, while pursuing efficiency measures to mitigate risks and curtail expenditures. Also focused on the welfare and impact on employees
- Direct and indirect COVID-19 impacts estimated to have reduced profit before tax by approx. \$6 million

* The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2020 and will be recognised in subsequent financial reports.

HY21 Financial summary

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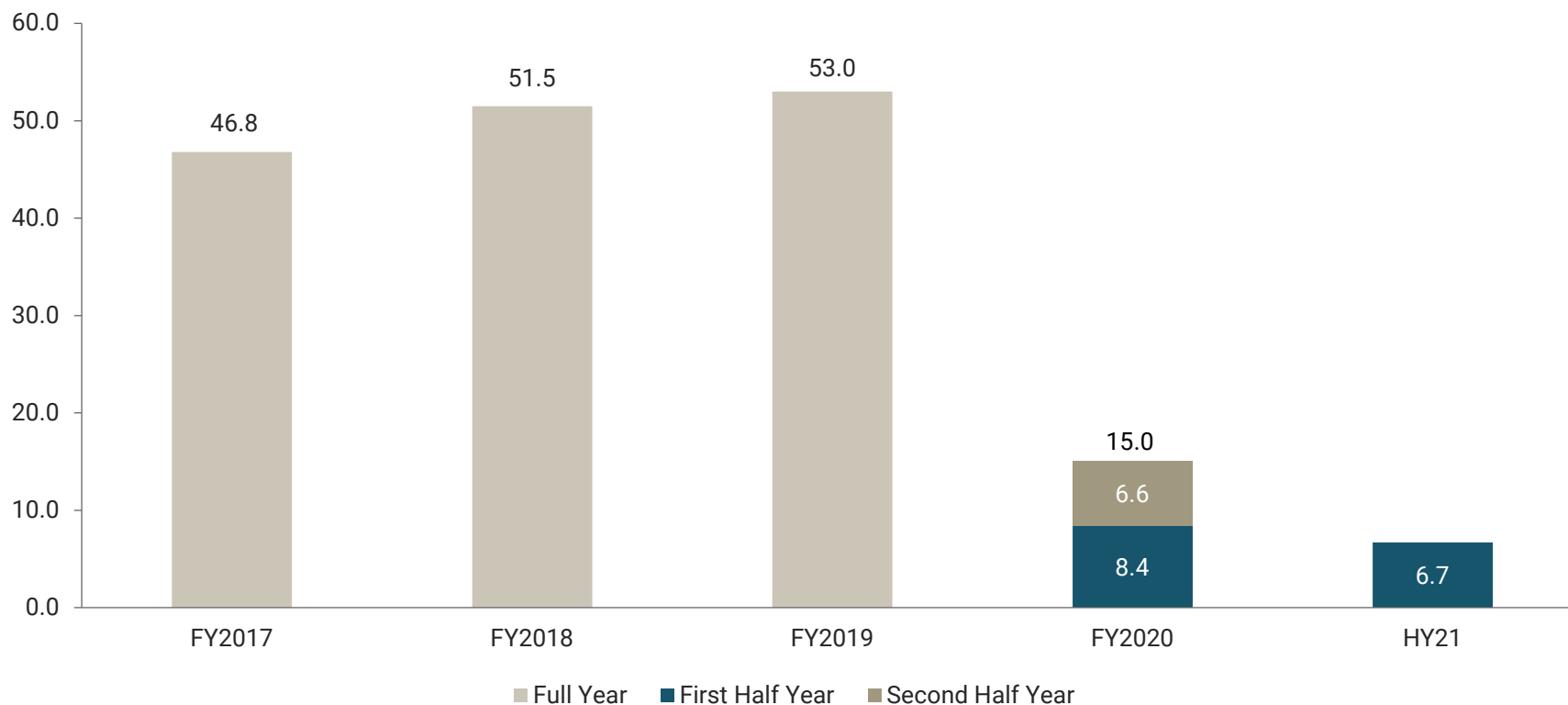
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Key financial statistics	31/12/20	31/12/19	Variance
Revenue and other income (\$m)	823.8	764.9	58.9
Total expenses, excluding financing costs (\$m)	770.9	731.1	(39.8)
Profit after tax (\$m)	6.7	8.4	(1.7)
Operating earnings (\$m)	13.9	18.5	(4.6)

HY21 key metrics

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Profit after income tax¹ (\$m)



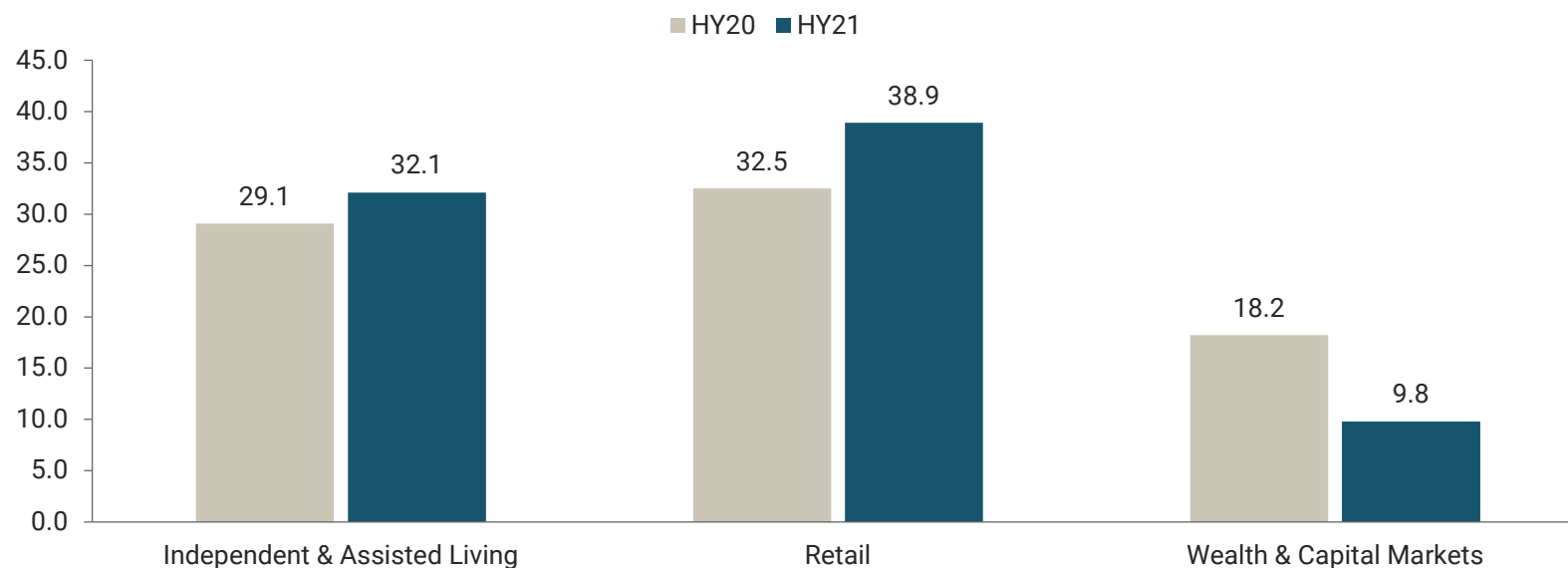
¹ Included in the FY2018 result was a profit from discontinued operations of \$66.9m from the divestment of the Group's corporate health insurance subsidiary, Grand United Corporate Health Limited (GUCH) completed 31 October 2017.

HY21 segment earnings growth

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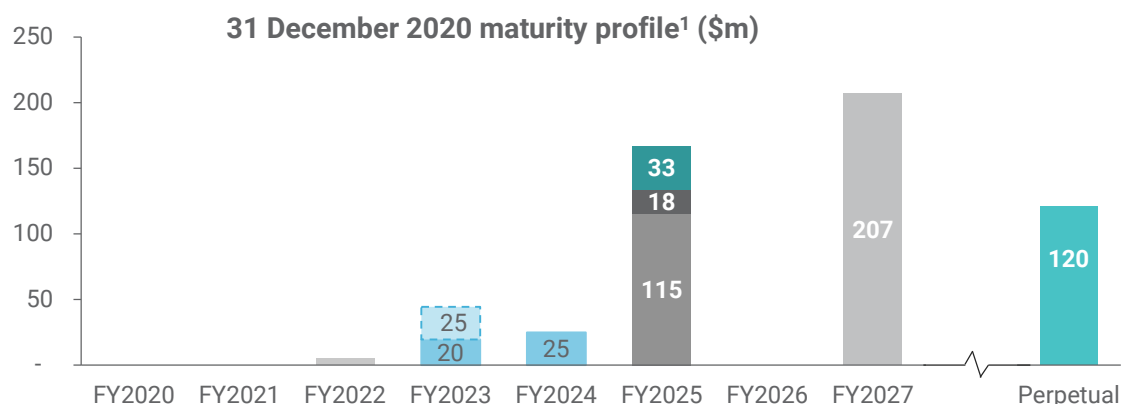
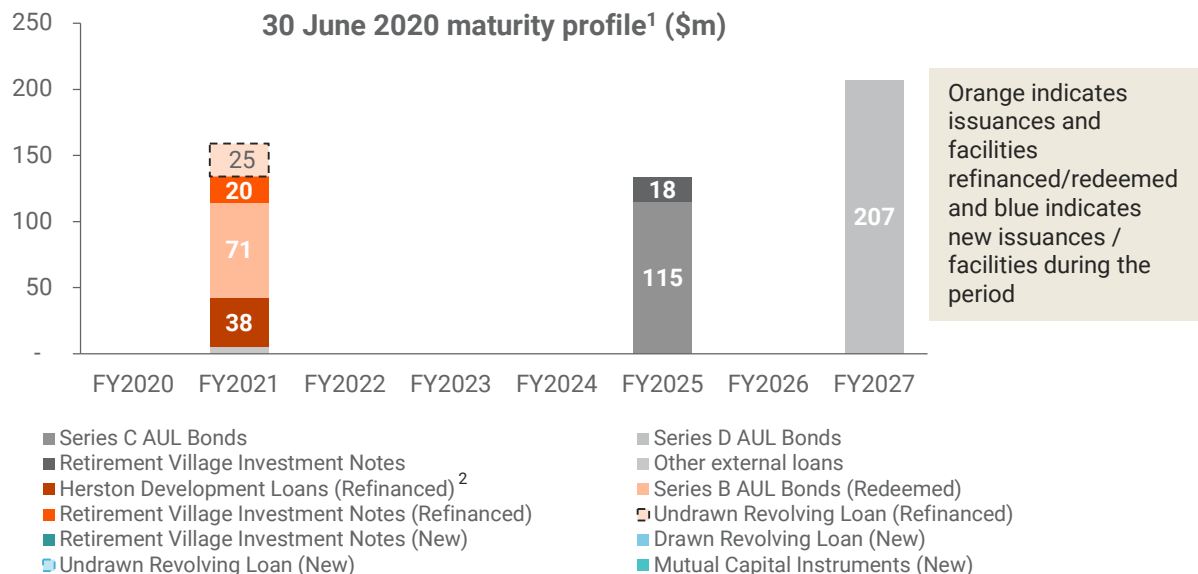
Adjusted EBITDA¹ (\$m)



¹ Adjusted EBITDA: the measure the Group uses in assessing the operating performance of its business segments. This measurement basis excludes the effects of tax, depreciation and amortisation, interest expense and investment income. It also excludes material non-recurring expenditure and shared services costs. See note 2 to the Consolidated Financial Statements in Australian Unity Limited's Interim Report for the half-year ended 31 December 2020.

Building balance sheet flexibility and resilience

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The group continued its ongoing debt and capital management strategy. Key activities during HY21 included:

- an extension of the \$25m corporate revolving loan maturity to FY23
- execution of a further \$45m of corporate bank facilities. Proceeds from the facilities were used to refinance an existing Retirement Village Development Fund and have begun to be repaid using sales proceeds.
- issuance of an additional \$33.2m in Retirement Village Investment Notes, \$11.2m of which were reinvested from notes maturing in FY21
- redemption of AUL's remaining \$71.3m Series B Bonds using proceeds reserved from the Series C and D Bond issuance
- Australia's first issuance of Mutual Capital Instruments raising a total of \$120m

¹ Funding maturity profile shows consolidated interest bearing liabilities as at 30 June 2020 and 31 December 2020 that contribute to the Covenant Gearing Ratio debt (excluding Authorised Deposit-Taking Institution (ADI) borrowings) and Australian Unity Limited's Mutual Capital Instruments, which contribute towards gearing ratio equity.

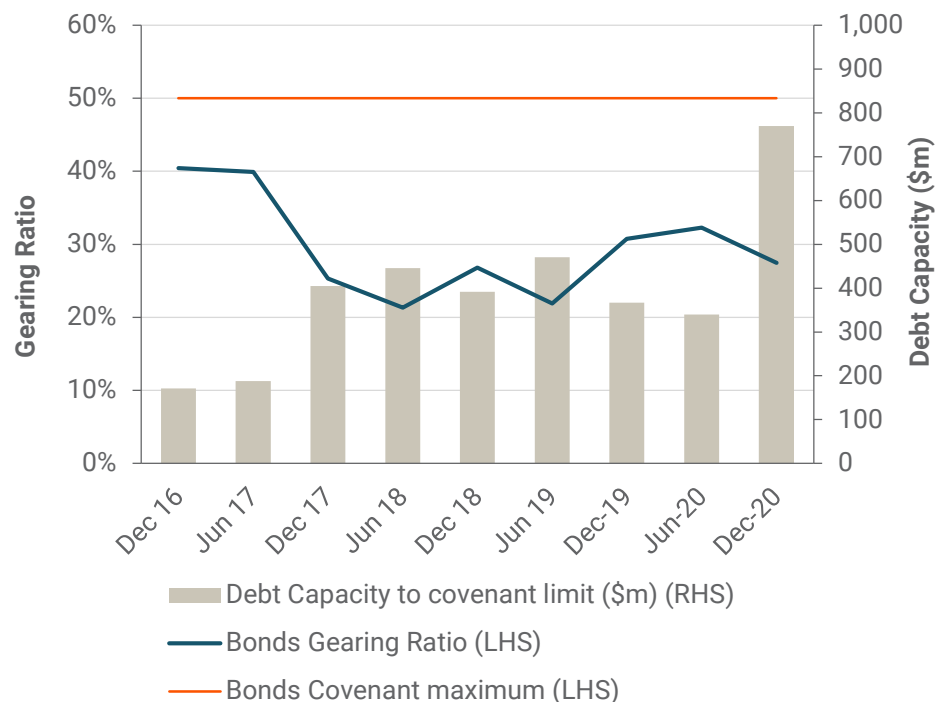
² Loan facilities from a related entity for the development of the Herston Quarter health precinct in Brisbane, Queensland.

Gearing analysis and interest cover

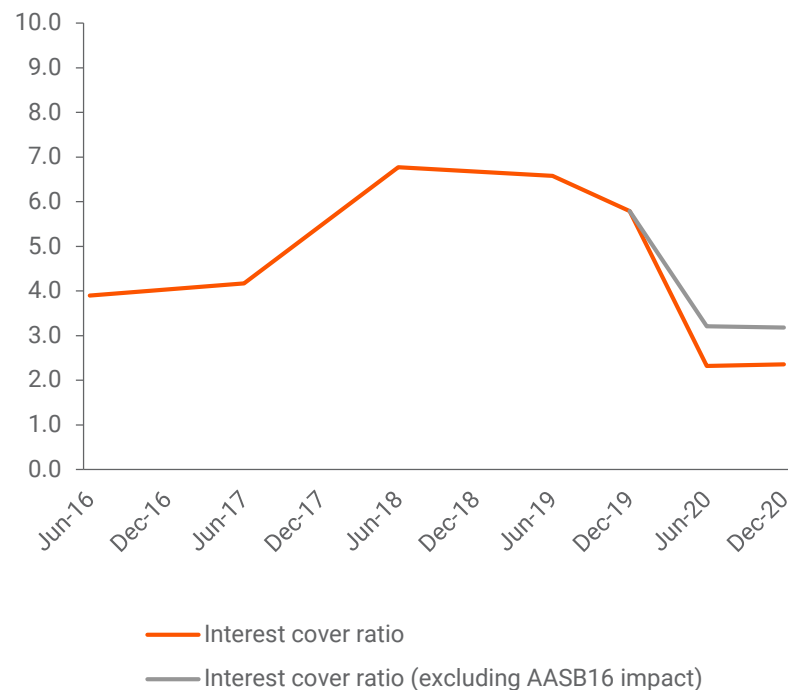
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Bond covenant gearing



Interest cover ratio¹



Ratios at 31 December 2020:

- Covenant gearing ratio 27% based on covenant gearing calculations. The AUL MCI issuance contributes towards equity in the calculation, increasing debt capacity under the covenant.
- Interest cover ratio 2.36 times, including the impact of AASB16 Leasing. Excluding the impact of AASB16 the interest cover ratio is 3.18 times.

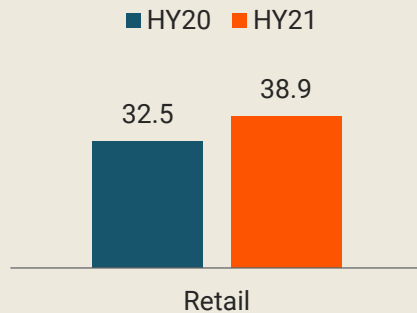
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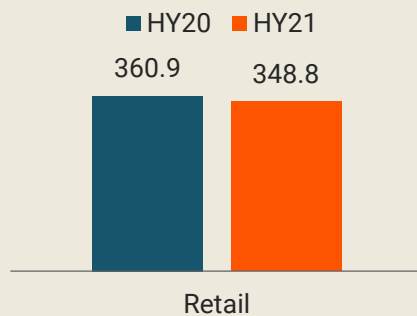
Retail



Adjusted EBITDA (\$m)



Segment Revenue (\$m)



- Multifaceted and ongoing support for customers impacted by COVID-19
 - Extended PHI policy suspensions for customers facing hardship, including an automatic extension for customers on Job Keeper or Job Seeker
 - supported all of our PHI customers by deferring the April 2020 premium increase to October 2020
 - Telehealth consultations covered in claiming extras
 - Bank customers were supported where necessary with delays to repayments and loans were restructured to support sustainable returns to mortgage repayments
- Revenue was affected by the COVID-19 hardship measures and revenue related to the discontinued mortgage and general insurance broking operations sold in the prior period.
- Strong lending growth in 2020 enabled the banking business to offset the impact of lower interest rates on revenue
- Lower claims expenses incurred (claims catch-up slower than expected)
- Total operating expenses down 5.6% to \$309.9m
- Adjusted EBITDA of \$38.9 million—19.6 percent higher than the PCP

Retail highlights

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Australian Unity Health Limited (Private health insurance)

- Small decrease in policyholders, down 0.3% to 171,460
- PHI policy sales up 32.6% and attrition down 15.9%
- Overseas visitor cover impacted by government border closures, with policyholders decreasing 15.6%
- The 2021 Premium Round was leveraged to reposition our price points and secured the lowest average AUHL increase in 20 years (average increase of 1.99%—below sector average of 2.74%)
- Continued momentum in digitisation to support direct sales and customer self service
- Deferred Claims Liability* (DCL) increased \$13.8m principally due to restrictions on elective surgery and ancillary services in Victoria
- Unwind of provision commenced in December for Victoria and July for all other states
- The length and shape of the wind-down will be informed as more claims data is observed over the coming months

* The Deferred Claims Liability is an additional provision held as a result of surgeries and other health services being restricted during the COVID-19 measures

Deferred Claims Liability	\$m
DCL as at 30 June 2020	37.6
Increase in provision during the period	23.2
Unwind of provision during the period	(9.7)
Movement in other components	0.3
DCL as at 31 December 2020	51.4

Australian Unity Bank Limited

- ~25,900 customers, with total assets growing by \$114.4m to \$1.25b (30 June 2020: \$1.13b)
- Continued focus on delivering quality products and services, with emphasis on digital delivery
- Expected Credit Loss provision on loans decreased by \$0.5m to \$16.0m (30 June 2020: \$16.5m)
- Despite COVID-19 challenges, Gross Loan Portfolio decreased marginally by \$7.5m to \$920.7m (30 June 2020: \$928.2m)
- Issuer Credit Rating by Standard & Poor's remained stable at 'BBB+'

Retail outlook

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- Outlook remains cautiously positive, notwithstanding future uncertainties flowing from COVID-19 on healthcare and the economy
- Anticipated most health insurance claims deferred due to restrictions on healthcare services during the pandemic will catch up and bank credit growth may slow over the coming year
- Pursuing several opportunities arising from the health insurance, banking and general insurance adjacencies, eg packages of banking and insurance products; innovative solutions to tackling health and housing affordability; and customer-centred digital platforms to assist coordination of essential financial and health insurance related services

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Independent & Assisted Living (IAL)

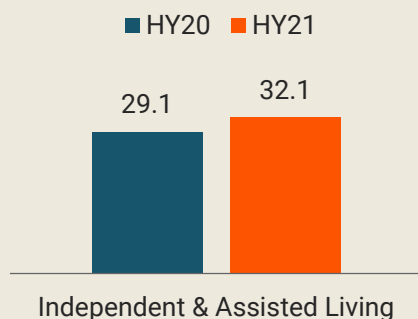


Independent & Assisted Living (IAL)

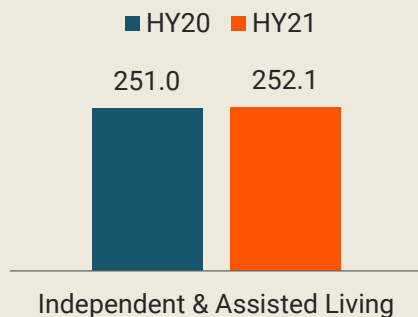
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Adjusted EBITDA (\$m)



Segment Revenue (\$m)



- Improved operating model driving customer-centred continuum of care across the home care, residential care and Remedy Healthcare businesses
- Total segment revenue increase of 0.4% to \$252.1m compared to prior corresponding period (PCP)—despite significant disruption as a result of the COVID-19 pandemic
- Adjusted EBITDA of \$32.1m represented an increase of 10.2%, or \$3.0m on the PCP, reflected continued focus on improving sustainability of the Home Care Services business

IAL highlights

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Home Care Services

- EBITDA gain of \$8.6m to \$17.9m from improvement initiatives and significantly reduced non care worker travel, offsetting cost increases associated with COVID-19 related Personal Protective Equipment (PPE)
- Approx 1.4m hours of care delivered to 37,000+ customers by 2,866 care workers
- Total Home Care Packages under management increased by 1,054 to 8,028 in the six months to December 2020
- Aboriginal Home Care business unit delivered approx. 119,000 hours of care to 2,537 clients by 198 care workers

Residential Communities

- Owns and operates 21 retirement communities across Victoria and NSW, comprising 2,496 independent living units (30 June 2020: 2,496)
- Occupancy levels across portfolio's mature retirement villages remained high at 96%
- Owns and operates seven aged care facilities in Victoria and NSW, incorporating 786 aged care beds (30 June 2020: 786)
- Mature aged care portfolio continued to achieve top-quartile occupancy at above 95%
- Restricted and contained minor COVID outbreaks in facilities

Development

- Continued to progress development pipeline including the redevelopment of a 120 bed Walmsley Residential Aged Care Facility in Kilsyth, Victoria, and a vertically integrated residential aged care and assisted living development in South Melbourne, Victoria comprising 84 aged care beds and 71 assisted living apartments

Remedy Healthcare

- Increased revenue by 49.1% to \$19.8m, driven by Allied Health Services (31 December 2019: \$13.3 million)
- Delivered 14,000+ hours of Allied Health Services to Home Care Package customers
- Despite COVID-19, delivered more than 3,551 'hospital substitution' programs—an increase of 60.6% on the PCP

Dental

- Six dental clinics operating in Victoria
- Industry significantly impacted by COVID-19 restrictions, forcing clinics to cease operating for an extended period, except for permitted emergency dental treatment
- Patient visits declined by 25.0% to 20,252 due to Victorian government restrictions on non-essential dental services

IAL outlook

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- Continue to orientate the business around the needs of customers and key stakeholders in their health and wellbeing—families, primary carers, communities and government agencies
- Continue to pursue growth opportunities in:
 - Home Care Packages and allied services delivered by Remedy to HCP clients;
 - aged care and retirement village sites through acquisitions and new developments;
 - enrolments in hospital substitution programs, including through Ramsay Connect; and
 - growth in dental services following easing of COVID-19 restrictions.
- Positioned to continue delivering essential services to customers—despite ongoing COVID-19 challenges
- IAL has actively and constructively participated in providing policy input into the Royal Commission into ‘Aged Care Quality and Safety’ and awaits the report scheduled to be delivered by 26 February 2021

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Wealth & Capital Markets

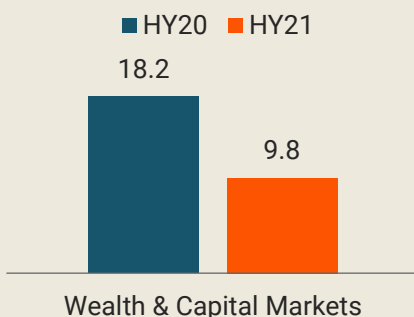


Wealth & Capital Markets (W&CM)

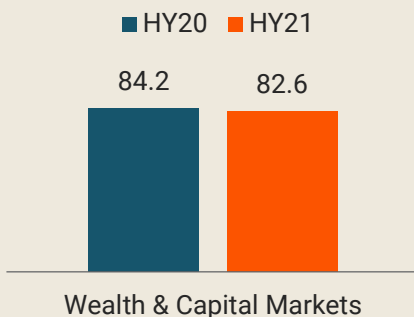
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Adjusted EBITDA (\$m)



Segment Revenue (\$m)



- 2.0% decrease in total segment revenue to \$82.6m, reflecting impact of COVID-19 on business volumes
- Adjusted EBITDA decreased by 46.0% to \$9.8m, although after adjusting for one-off costs during the period and one-off gains in the PCP, the platform recorded an overall decrease of approximately 15%
- Significant direct and indirect impacts of the pandemic on business activity and investment returns, as economic activity stalled in key sectors
- Continued investment in capability and systems to support growth and impact ambitions
- Strong support from capital markets and partners helped maintain momentum and to progress our strategic development

Property

- Assets under management increased to \$3.98b (30 June 2020: \$3.52b)
- Multi-year development pipeline at \$0.96b (30 June 2020: \$1.29b)
- Lending and debt facilities on behalf of investors of \$1.46b (30 June 2020: \$1.37b)
- Achieved major milestone of \$1.1b Herston Quarter, with practical completion and commercial acceptance of the Surgical, Treatment and Rehabilitation Service (STARS) hospital
- Healthcare Property Trust increased FUM to \$2.37b (30 June 2020: \$2.20b) and posted a total return of 11.42% (wholesale units) for the year to 31 December 2020
- Diversified Property Fund increased FUM to \$0.58b (June 2020: \$0.56b) and posted a return of 12.73% against benchmark of -2.64% for the year to 31 December 2020
- Progressed growth of Specialist Disability Accommodation Fund, with approximately \$63.5m in equity and debt funding

Life & Super

- Funds under management and administration of \$2.41b (30 June 2020: \$2.27b)
- Net flows remained positive at \$14.3m, while outflows declined by 24%—a significant outcome in an extremely low interest rate environment and during the COVID-19 pandemic
- Continued growth in the direct-to-consumer market, with the 10Invest Investment Bond reaching \$22.6m of funds under management
- Continued leading position in pre-paid funeral market with FUM of \$676.0m (30 June 2020: \$672.8m) across 90,000+ clients

Investments

- FUMA of \$9.78b (30 June 2020: \$8.22b), with positive net flows from retail, middle and institutional markets
- Group's investment portfolio of \$1.0b (30 June 2020: \$0.81b), including capital stable and highly liquid insurance reserves
- Weighted average investment returns of the Group's investment portfolio of 0.74% for the year to 31 December 2020, reflected resilient performance in a challenging environment

Advice

- Number of advisers (including limited authorised representatives) decreased to 174 (30 June 2020: 176)
- FUA growth to \$7.50b (30 June 2020: \$7.14b), and personal life insurance premiums in-force up to \$72m (30 June 2020: \$69m)
- Revenue increased 7.4% to \$32.4m (30 June 2020: \$30.2m)
- Separately managed (SMA) investment accounts constructed by Advice business grew in FUM to \$525.4m (30 June 2020: \$391.8m)

Trustees

- Established pipeline of estates, trusts and protected persons opportunities enabled continued inflows of new clients and associated revenue—albeit at lower levels than the prior period
- Developed a direct-to-consumer strategy that will commence in 2021

W&CM outlook

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- Period ahead should continue to provide opportunities to offer customers valuable investment opportunities and to deliver increased community and social value
- Herston Quarter project will continue as a key focus as it develops Australian Unity's response to the nation's social infrastructure challenge
- Project pipeline continued to progress solidly, including the recent financial close on a development fund for 114 Albert Rd in South Melbourne (Australian Unity's former head office site)
- Business will also focus investment into addressing Australia's social infrastructure challenge into the childcare and healthcare sectors
- Well positioned to benefit from collective impact of the rising need for better-planned wealth accumulation, challenges and opportunities presented by an ageing population, the changing regulatory landscape and community expectations
- Widespread and ongoing market disruption caused by COVID-19 presents strategic risks and resultant opportunities best managed by the platform's established and broad range of businesses

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