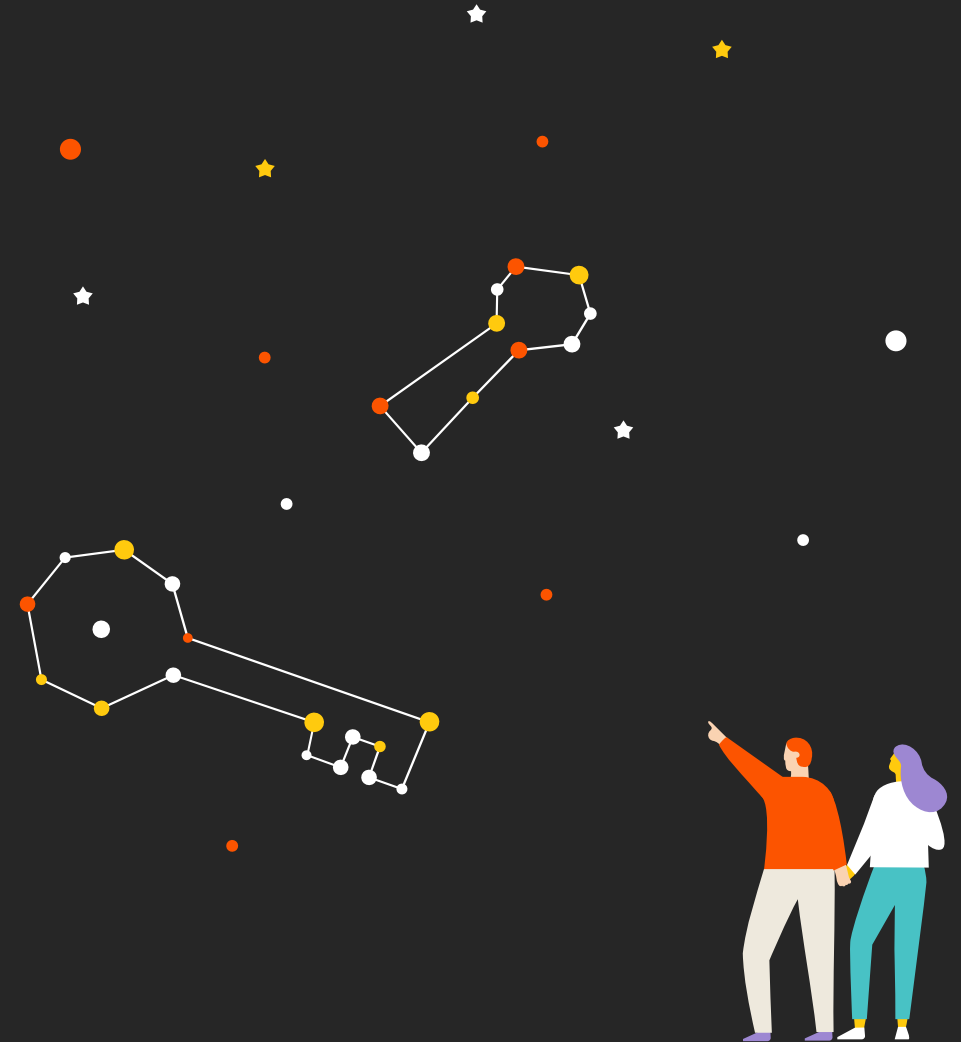


Australian Unity Limited

# Investor update

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Financial results for the half-year ended 31 December 2022



Australian Unity Limited is pleased to invite you to our investor presentation teleconference for the half-year ended 31 December 2022

If you are unable to attend, you are welcome to email any queries you may have to Malin Eek:

[meek@australianunity.com.au](mailto:meek@australianunity.com.au)

We will endeavour to respond to your queries by email or during the teleconference

Date  
Thursday 2 March 2023

Time  
9:30am to 10:30am AEDT

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

<https://registrations.events/signup/ID80123>

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

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This presentation has been prepared by AUL.

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Australian Unity acknowledges the Traditional Owners of the lands and waters within Australia and recognises the important connection to Country that Aboriginal and Torres Strait Islander peoples have.

# Agenda and presenters

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



**Rohan Mead**  
Group Managing Director and CEO



**Christine Yates**  
Chief Executive Officer – Retail



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

# Overview and Group highlights



# Overview of Australian Unity

## Mutual wellbeing company with a commitment to members, customers and community

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- Established in 1840, a member-owned company with more than 380,000 members and more than 650,000 customers
- Diversified but thematically-linked portfolio of health, wealth and care businesses that provides member, customer and community value that supports personal and community wellbeing

# HY2023 operational review

## Advancing strategic ambitions

- Further progressed strategy of building a commercially sustainable portfolio of businesses that provides member, customer and community value that supports personal and community wellbeing
- Delivered a sound financial result despite market disruption and volatility. Net profit after tax was \$14.2m, compared to \$15.5m in the prior corresponding period (prior period included a \$20.3m before tax revaluation of the investment in the Platypus Asset Management business on the Group's acquisition of a controlling interest)
- Activities of the Independent & Assisted Living (IAL) platform continued to be adversely affected by the pandemic and those in the Retail and Wealth & Capital Markets (W&CM) platforms by the flow-on effects of financial market and regulatory change
- Within IAL, Home Care Services further progressed in developing improved and sustainable patient and outcome-focused healthcare services
- The Group continued to advance its social infrastructure agenda, including further growth of funds invested in critical social infrastructure, such as disability accommodation and childcare
- The Group is reviewing the arrangements under which it operates residential aged care, to safeguard both quality care and sustainability. It is anticipated this review will be concluded by mid-2023
- The Board has determined an interim fully franked dividend of \$2.4932 per mutual capital instrument to be paid on 17 April 2023<sup>1</sup>

<sup>1</sup>The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2022 and will be recognised in subsequent financial reports.



# HY2023 operational review cont.

## COVID-19 support measures

- Impact of the COVID-19 pandemic continued to be felt across the Group's businesses despite a general return to a more normal operating environment, following the unwinding of most of the COVID-19 pandemic restrictions
- Responded throughout the pandemic by maintaining, and where possible improving, levels of service and responsiveness to the needs and wellbeing of members, customers and employees, while pursuing efficiency measures to mitigate risks and curtail expenditures. This focus remains in place
- Announced the planned deferral of the implementation of the 2023 premium increase for private health insurance (PHI) policyholders from 1 April 2023 to 1 November 2023 in recognition of the impact of cancelled, suspended and postponed healthcare services, thereby passing on a further \$19m in COVID-related support. After the deferral period, this will take the total value of support to PHI members to some \$85m since the start of the pandemic
- Prior-period measures across Australian Unity's businesses included the provision of premium relief through the application of 'premium-free days'; the implementation of a range of ancillary product benefit improvements; a six-month deferral of the 2020 premium increase; a low, relative to the sector, 2021 premium increase; cover for COVID-19 related hospital admissions; a range of telehealth services; and earlier concessions from banking loans in 2020
- Also continued to respond to COVID-19 related impacts within the Residential Communities portfolio, and continued to implement additional measures to seek to protect aged care residents, home care customers and the employees who support them. This included increased costs of additional personal protective equipment (PPE) and related consumables; and the expenditure of \$4.9m on agency staff within Residential Communities

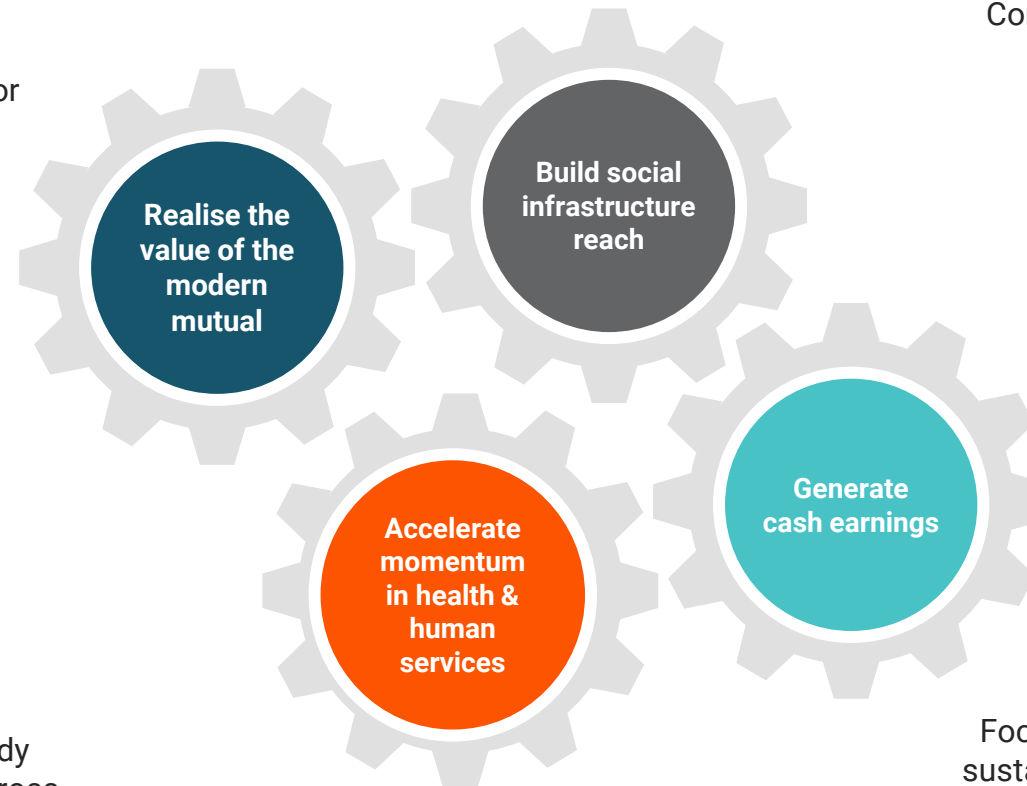
# FY2023 priorities

## **Realise the value of the modern mutual**

Create the building blocks to form deeper relationships with members, based on improving wellbeing outcomes and superior interaction with the Group

## **Build social infrastructure reach**

Continuing to realise and extend our presence within the Social Infrastructure realm



## **Accelerate momentum in health and human services**

Continuation of the program of work already underway to leverage the opportunities across the Continuum of Care, including those anticipated from the Royal Commission

## **Generate cash earnings**

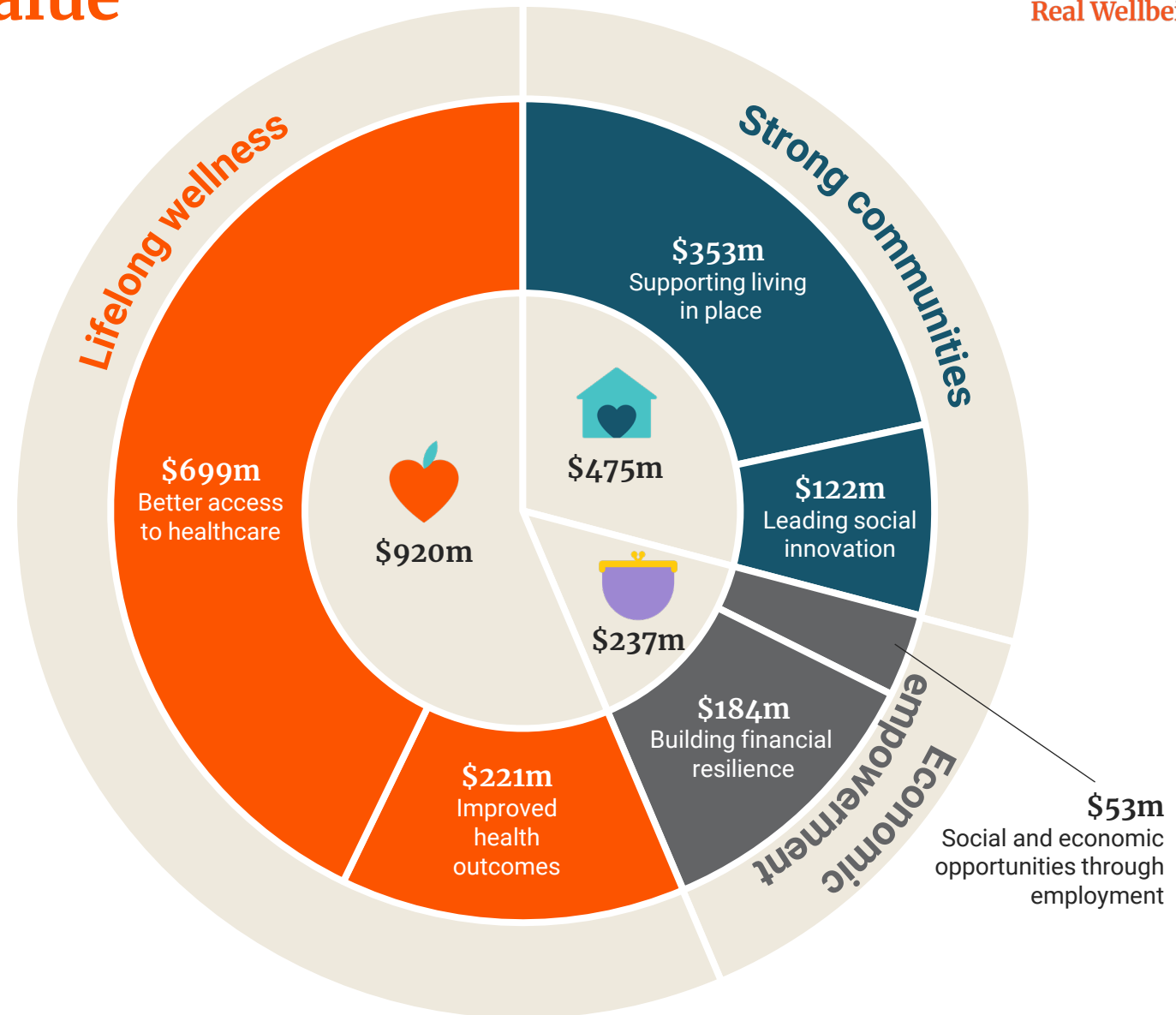
Focus will remain on maximising the sustainable, repeatable cash earnings of the Group

# Community & Social Value

Australian Unity delivered **\$1.63b** in total community and social value for FY22.

The uplift from \$1.25b in Community & Social Value in FY21 can be attributed to steady growth across our businesses.

For **FY23** our focus has remained on further embedding our framework to enable better strategic decision making and consistent refinement of our methodology.



# HY2023 financial summary

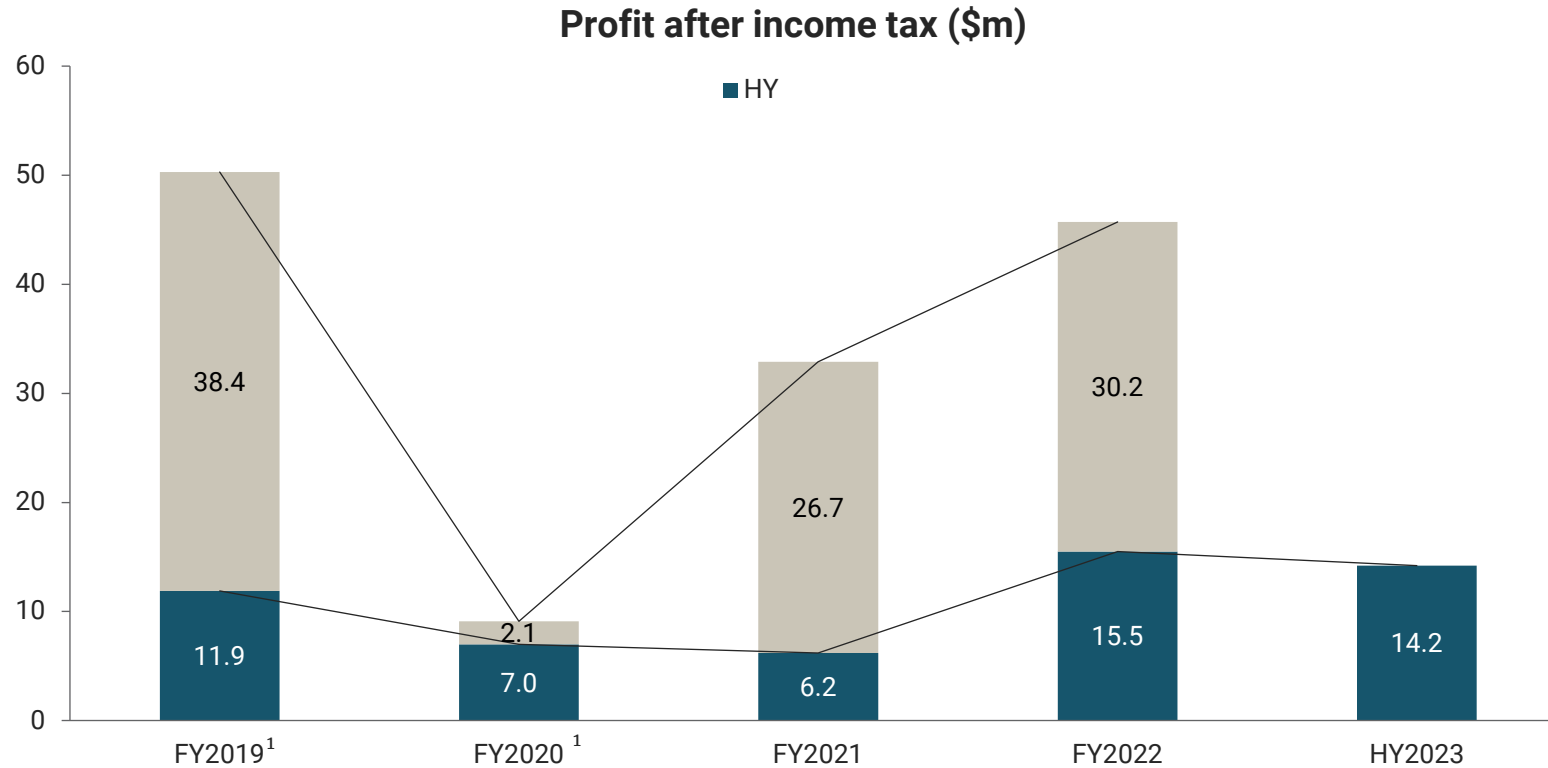
Key financial statistics	HY2023	HY2022	Change
Revenue and other income (\$m)	855.2	835.0	20.2
Corporate entity income (\$m)	774.1	753.6	20.5
Investment earnings (\$m)	17.1	4.9	12.3
Benefit funds income (\$m)	64.0	76.5	(12.6)
Total expenses, excluding financing costs (\$m)	806.5	794.1	(12.4)
Corporate entity expenses (\$m)	750.3	734.3	(16.0)
Benefit funds expenses (\$m)	56.2	59.8	3.6
Profit after tax (\$m) <sup>1</sup>	14.2	15.5	(1.3)
Operating earnings (\$m)	32.4	13.8	18.6
Total MCI dividend in relation to HY22 (\$m) <sup>2</sup>	8.6	8.6	
Payout ratio (total MCI dividend / profit after tax) <sup>3</sup> (%)	40%	27%	

<sup>1</sup> Prior period (HY2022) included a \$20.3 million before tax revaluation of the investment in the Platypus Asset Management business on the Group's acquisition of a controlling interest.

<sup>2</sup> Consists of dividend determined to be paid in April 2023. The financial effect of the dividend determined to be paid in April 2023 has not been brought to account in the financial statements for the half-year ended 31 December 2022 and will be recognised in subsequent financial reports.

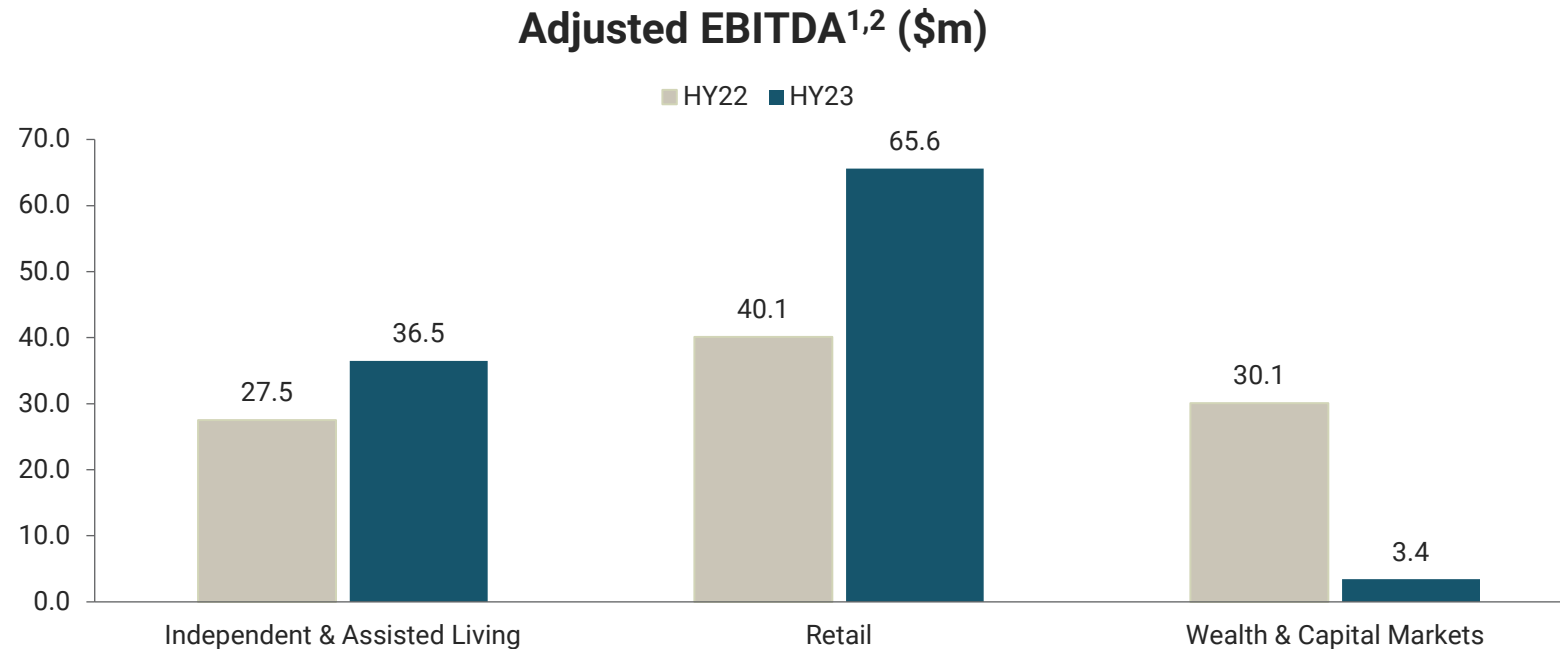
<sup>3</sup> Total MCI dividend consists of actual MCI dividend paid in October 2022 and dividend determined to be paid in April 2023. Profit after tax relates to the period 1 January 2022 to 31 December 2022. HY2022 payout ratio consists of MCI dividend paid in October 2021 and dividend paid in April 2022. Profit after tax relates to the period 1 January 2021 to 31 December 2021.

# HY2023 key metrics



<sup>1</sup> Comparative information has been restated following adjustments made to prior year financial statements. Further information about the nature and impact of the restatement is included in the FY21 Annual Report at Note 21(c) and the FY22 Interim Report at Note 15.

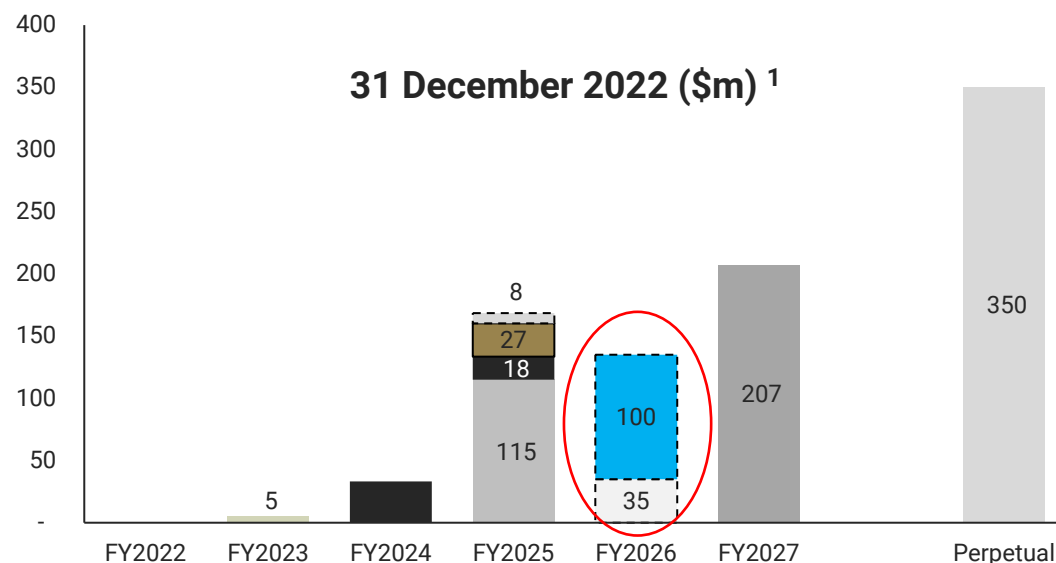
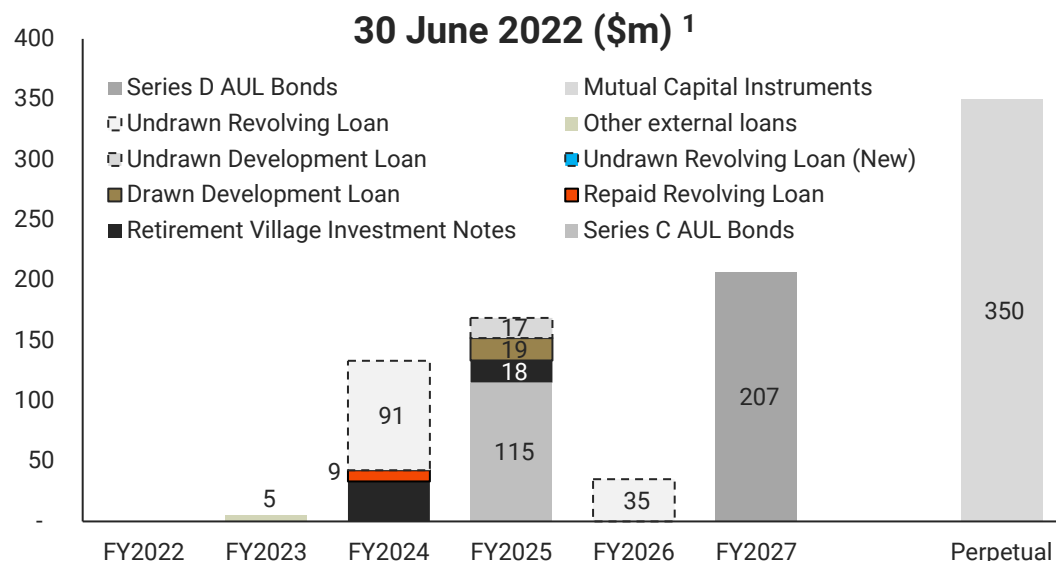
# HY2023 segment earnings growth



<sup>1</sup> 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.

<sup>2</sup> Adjusted EBITDA of Wealth & Capital Markets for HY22 included a revaluation gain of \$20.3 million arising from a business combination revaluation as set out in the FY22 Interim Report at Note 16(b).

# Building balance sheet flexibility and resilience



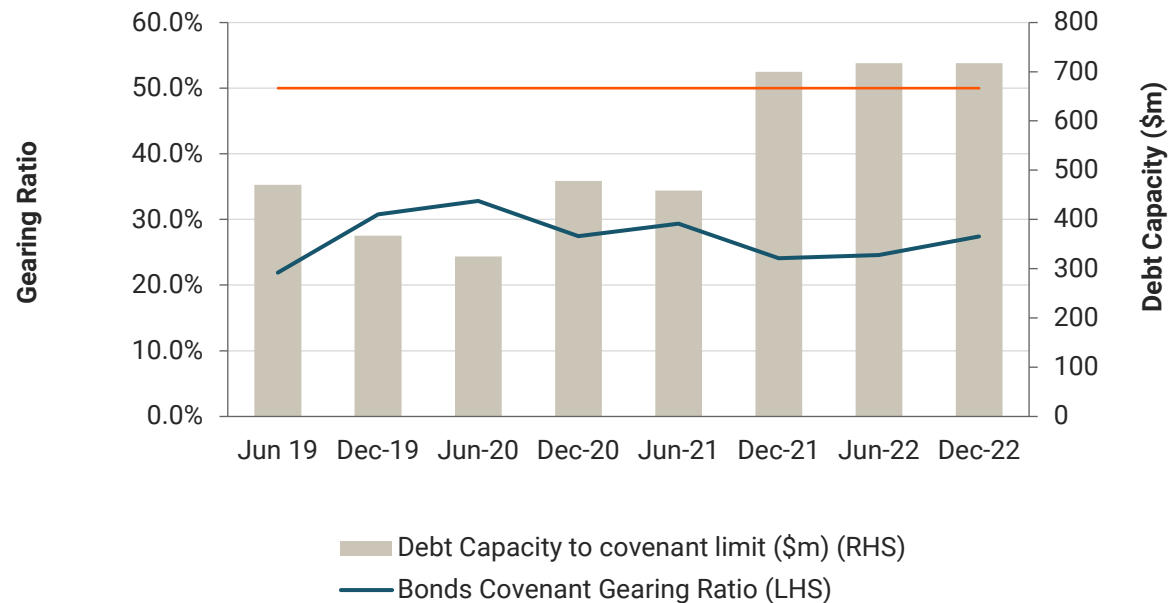
**Continued to build flexibility into the balance sheet, positioning for strategic opportunities to be realised. Key activities during HY2023 included:**

- Repayment of \$9m corporate bank facility
- Refinancing of \$100m of corporate bank facilities for 3.25 years, increasing the tenor of the debt portfolio
- Walmsley RAC centre successfully reached practical completion and has recorded a strong start to operations
- Currently the Group has a strong liquidity position of \$135m of undrawn committed debt facilities and \$109m of cash

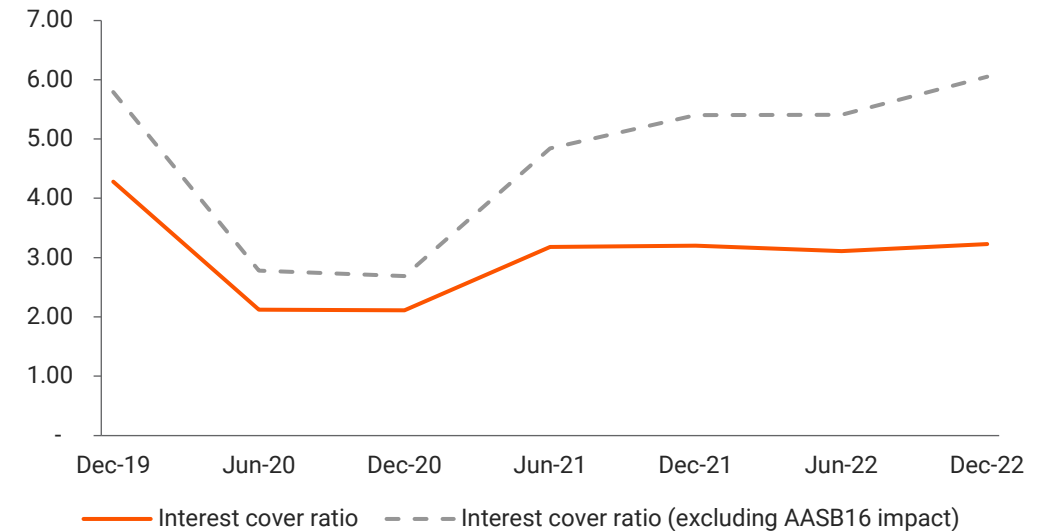
<sup>1</sup> Funding maturity profile shows consolidated interest bearing liabilities as at 30 June 2022 and 31 December 2022 that contribute to the Covenant Gearing Ratio debt (excluding Authorised Deposit-Taking Institution (ADI) borrowings) and Australian Unity Limited's Mutual Capital Instruments, which contribute towards gearing ratio equity.

# Gearing analysis and interest cover

**Covenant gearing ratio**



**Interest cover ratio<sup>1</sup>**



## Ratios at 31 December 2022

- Bonds covenant gearing ratio 28% based on covenant gearing calculations. The AUL MCI issuance contributes towards equity in the calculation, increasing debt capacity under the covenant.
- Interest cover ratio 3.23 times, including the impact of AASB16 Leasing. Excluding the impact of AASB16 the interest cover ratio is 6.05 times.

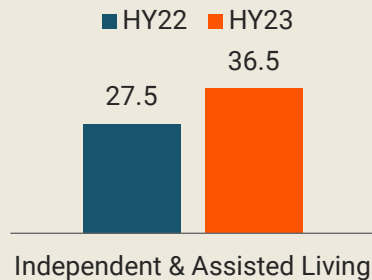


# Independent & Assisted Living

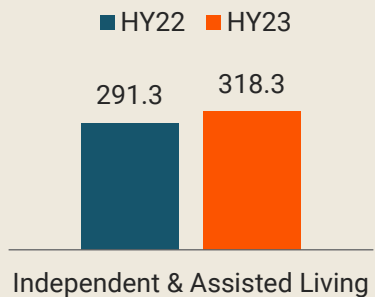


# Independent & Assisted Living (IAL)

## Adjusted EBITDA (\$m)



## Segment Revenue (\$m)



- Total segment revenue increase of 9.3% to \$318.3m compared to the PCP—despite continuing disruption as a result of the COVID-19 pandemic
- Adjusted EBITDA of \$36.5m represented an increase of \$9.0m or 32.9% on the PCP
- Home Care Services experienced a 6.4% increase in revenue to \$180.7m, Residential Communities increased 8.4% to \$102.6m, Health Services increased 30.3% to \$33.9m, while Developments increased 27.4% to \$1.1m

# IAL highlights

## Home Care Services (HCS)

- Adjusted EBITDA of \$18.4m—an increase of 59.2% on the PCP
- More than 1.2m hours of care delivered by 2,683 care workers
- Total Home Care Packages (HCP) under management reached 10,238 (30 June 2022: 10,043)
- Aboriginal Home Care business unit delivered an adjusted EBITDA of \$1.5m (31 December 2021: \$0.2m) and delivered approx. 97,000 hours of care to 2,500+ clients by 198 care workers
- Disability Services was divested, with the transition of customers and care workers to another dedicated disability services provider on 12 December 2022

## Residential Communities

- Operated 11 integrated retirement villages and residential aged care precincts (30 June 2022: 10) and 12 standalone retirement villages (30 June 2022: 13) across NSW, Victoria and Queensland
- Comprising 2,664 independent living units and 1,125 aged care beds (30 June 2022: 2,664 ILUs and 1,007 aged care beds) following the commissioning of the rebuilt Walmsley Aged Care residence in November 2022
- Continued to confront the challenges of attracting, retaining and managing necessary absenteeism associated with COVID-19, resulting in expenditure of \$4.9m on agency staff (31 December 2021: \$0.7m)
- Aged care portfolio successfully transitioned to Federal Government's new aged care funding instrument implemented on 1 October 2022.
- Occupancy within aged care portfolio reached 92% (30 June 2022: above 94%), while occupancy within mature retirement villages improved to 94% (30 June 2022: 93%)
- Gross value of resales up 20% on PCP to approx. \$80m (31 December 2021: approx. \$67m)

## Health Services (Remedy Healthcare & Dental)

- Remedy Healthcare increased revenue by 33.9% to \$28.5m, driven predominantly by the Beyond Blue Support Service that commenced operations in February 2022, combined with an increase in activity across the business as a result of easing of COVID -19 disruption (31 December 2021: \$21.3m)
- Delivered 32,000+ hours of allied services to HCS clients, an increase of 23.4% on PCP
- Delivered 3,600+ 'hospital substitution' programs—an increase of 13.9% on PCP (31 December 2021: approx. 3,200)
- Ramsay Connect—joint venture with Ramsay Healthcare—enrolled more than 1,400 patients into community care hospital substitution and rehabilitation programs, representing a 21.2% increase in patient numbers on the PCP
- Operated five dental clinics in Victoria
- Patient visits increased by 12.7% to 25,756 (31 December 2021: 22,861)

## Developments

- Continued to work closely with W&CM in progressing development pipeline including its signature Better Together® small household aged care model. Further information on development activities within the W&CM section of this report

# IAL outlook

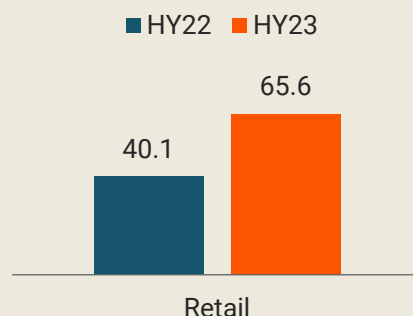


- IAL businesses remain focused on the health and wellbeing needs of customers and key stakeholders — families, primary carers, communities and government agencies
- Workforce growth and transformation of business operations will continue to be key focus areas throughout the remainder of this financial year, ensuring that the business is well positioned and prepared for the introduction of the new Support at Home funding program in July 2024
- COVID-19 and workforce shortages are expected to continue to present challenges and disruptions, however, the business is actively managing these challenges
- The mandatory implementation of minimum care and registered nurse minutes in residential aged care settings comes into effect in the upcoming financial year. The business is well positioned to implement this transition across all of our aged care residences

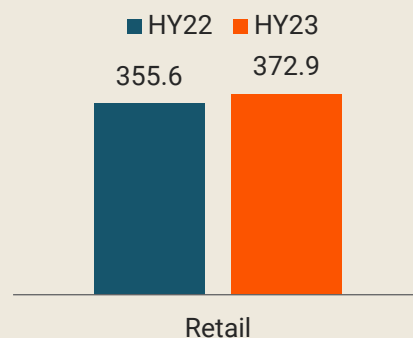
# Retail



## Adjusted EBITDA (\$m)



## Segment Revenue (\$m)



- Delivered a strong result for the half-year, with an adjusted EBITDA of \$65.6m—63.6% higher than the PCP
- Overall revenue of \$372.9m represented a 4.9% increase on the PCP driven by 2.0% increase in private health insurance revenue and 73.6% increase in banking revenue
- Total operating expenses were \$307.3m—\$8.2m or 2.6% lower than the PCP. This decrease reflected a \$25.3m reduction in health insurance claims after allowing for the reduction in the deferred claims liability provision, an \$8.9m increase in bank interest expense due to higher interest rates and a \$8.2m increase in other operating expenses across the Retail platform
- Announced planned deferral of the 2023 premium increase for private health insurance (PHI) policyholders from 1 April 2023 to 1 November 2023 will bring the total value of support measures to some \$85 million
- Adds to the package of pandemic support measures provided to policyholders to date, including premium relief for those experiencing hardship, a six-month deferral of the 2020 premium increase, ‘premium-free days’ and a low, relative to the sector, 2021 premium increase. We have also implemented a range of ancillary product benefit improvements and expanded cover for COVID-19 related hospital admissions and a range of telehealth services

# Retail highlights

## Australian Unity Health Limited Private health insurance (PHI)

- PHI policyholders decreased by 1.9% to 165,053
- Overseas visitor cover benefited from a relaxation in border restrictions, with policyholders increasing 15.4% to 3,737
- Australian Unity announced further savings for PHI policyholders through a seven-month deferral of the 2023 premium rate increase from 1 April 2023 until 1 November 2023
- In January 2023, the federal Minister for Health approved Australian Unity Health Limited's (AUHL) 2023 Premium Round submission, with an average increase of 3.76%. While this was above the announced sector average for 2023 of 2.90%, AUHL's average increase over the past three years of 2.83% per annum is slightly above the sector average of 2.78% per annum

- Deferred Claims Liability<sup>1</sup> (DCL) decreased by \$30.3m to \$40.7m at 31 December 2022

Deferred Claims Liability	\$m
DCL as at 30 June 2022	71.0
Unwind of provision during the period	(30.0)
Movement in other components	(0.3)
DCL as at 31 December 2022	40.7

<sup>1</sup> 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

## Australian Unity Bank Limited

- More than 26,000 customers, with total assets growing by \$85.3m to \$1,421.3m (30 June 2022: \$1,336.0m)
- Expected Credit Loss provision on loans increased by \$0.7m to \$9.1m (30 June 2022: \$8.4m)
- Despite significant challenges and disruption presented by the COVID-19 pandemic, the Gross Loan Portfolio increased by \$36.0m to \$1,150.5m (30 June 2022: \$1,114.5m)
- Issuer Credit Rating by S&P Global remained stable at 'BBB+'



# Retail outlook



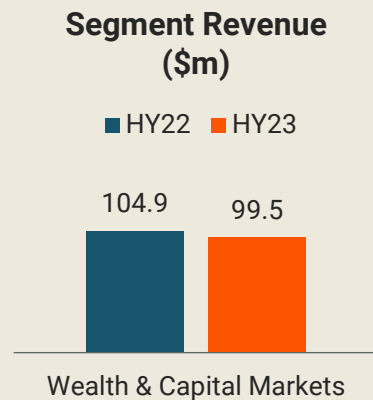
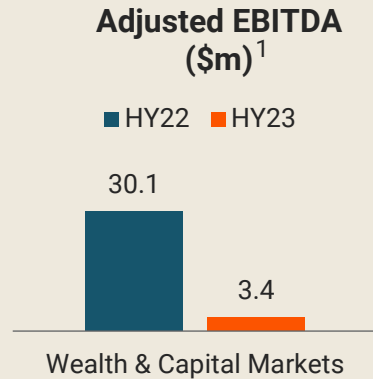
- Outlook is cautiously positive, notwithstanding the continued uncertainties as health insurance claims normalise and bank credit growth slows in response to higher interest rates
- Has established a solid foundation for the delivery of customer growth and member value. The platform remains focused on several opportunities arising from the health insurance and banking adjacencies, including packages of banking and insurance products and customer-centered digital platforms that assist the co-ordination of essential financial and health insurance related services



# Wealth & Capital Markets



# Wealth & Capital Markets (W&CM)



- Total segment revenue decreased by 5.1% compared to PCP reflecting the timing of project-based property services income and continued impacts from the global pandemic and investment market downturn. In the first half of the 2022 financial year, the segment recorded a \$20.3m gain in other income, arising from the revaluation of the platform's investment in the Platypus Asset Management business on acquisition of a controlling interest
- Adjusted EBITDA decreased by 88.7% compared to the PCP. After adjusting for one-off revenue through the controlling interest in the Platypus Asset Management business and one-off costs during the current and prior periods, the decrease was 33.0%
- A strategic review of the business was undertaken to better align with the Group's strategic objectives. The review resulted in the development of a new target operating model, being implemented during the FY2023
- Aggregate value of assets under management and administration (AUMA), excluding cross-investments (investments by Australian Unity funds in other funds managed or operated by Australian Unity or our associates) was \$29.79b (30 June 2022: \$28.50b)

<sup>1</sup> Adjusted EBITDA of Wealth & Capital Markets for HY22 included a revaluation gain of \$20.3m arising from a business combination revaluation as set out in the FY22 Australian Unity Limited Interim Report at Note 16(b).

# W&CM highlights

## Funds Management

- FUMA of \$10.84b (30 June 2022: \$9.90b), with positive net flows across all distribution channels
- Platypus Asset Management's FUMA grew to \$4.66b (30 June 2022: \$4.33b), benefiting from the strong continued support of retail, sophisticated and institutional investors
- Altius Asset Management's FUM stood at \$1.74b (30 June 2022: \$1.89b). Altius also released its inaugural Impact Report
- Acorn Capital's (a joint venture) FUM grew to \$631.5m (30 June 2022: \$493.0m)
- Group's investment portfolio stood at \$938.9m (30 June 2022: \$1.01b), including regulatory and strategic capital

## Social infrastructure

- Property assets under management increased to \$5.31b (30 June 2022: \$4.92b)
- Multi-year development pipeline stood at \$0.73b (30 June 2022: \$1.31b)
- Lending and debt facilities on behalf of investors (through property funds and its commercial lending activities) at \$2.31b (30 June 2022: \$2.05b)
- Gross asset value (GAV) of Healthcare Property Trust (HPT) reached \$3.69b, with acquisitions totalling \$361.5m
- Proceedings issued by NorthWest Healthcare Australia RE Limited against Australian Unity parties including HPT's responsible entity, Australian Unity Limited and Australian Unity Strategic Holdings Pty Ltd in the Supreme Court of NSW were ongoing. Trial provisionally set for October 2023
- Select Income Fund delivered \$366.7m in FUM (30 June 2021: \$305.8m)
- Childcare Property Fund raised \$12.5m of equity, supporting 55% growth in total assets of the fund to \$68.06m
- Specialist Disability Accommodation Fund raised \$10.6m in equity, supporting 53% growth in total assets to \$110.2m
- Completed redevelopment (November 2022) of Walmsley Residential Aged Care Facility in Kilsyth, Victoria, and development of integrated residential aged care and assisted living in South Melbourne, Victoria (est. completion April 2023)

## Life & Super

- FUMA of \$2.34b (30 June 2021: \$2.30b)
- Gross inflows reached \$112.3m (31 December 2021: \$125.7m), representing a 10.7% decrease compared to the PCP
- Strong support for Life & Super's products, particularly in the independent financial adviser network
- 10Invest Investment Bond achieved \$78.4m of FUM
- Continued to occupy a leading position in the pre-paid funeral market via specialised business Funeral Plan Management, with funeral FUM of \$574.6m (30 June 2022: \$624.5m) across 90,000+ clients

## Advice

- Total number of advisers remained stable at 173 (30 June 2022: 170)
- Funds under advice (FUA) grew to \$10.45b (30 June 2022: \$9.99b)
- Personal life insurance premiums in-force increased to \$111.1m (30 June 2022: \$77.0m)
- Separately managed investment accounts (SMA) constructed by the Advice business grew in FUM to \$871.4m (30 June 2022: \$798.7m)

## Trustees

- The growth of the Trustees business continued with a 12.3% increase in FUM to \$0.46b in the period under review

# W&CM outlook



- Period ahead should continue to provide opportunities for the platform to offer customers valuable investment opportunities, and to deliver increased community and social value
- Remains well positioned to benefit from:
  - the collective impact of the rising need for better-planned wealth accumulation;
  - the challenges and opportunities presented by Australia's ageing population;
  - the changing regulatory landscape; and
  - increasing community expectations in these areas

# 10-year growth strategy

## Growth areas

Realise the value  
of the modern  
mutual



Accelerate  
momentum in  
health & human  
services



Build social  
infrastructure  
reach



