

ASX Announcement

30 August 2023

Australian Unity reports \$56.8 million profit after income tax for FY2023, up 24.2 percent, and announces a further deferral of health insurance premium increases

Health, wealth and care group Australian Unity (the Group) has reported its annual result for the year to 30 June 2023 with profit after income tax of \$56.8 million—compared to \$45.7 million in the prior year.

The year under review provided a markedly different operating environment compared to the prior year—following the unwinding of most of the COVID-19 pandemic restrictions. During the year, however, the Australian economy and community faced the post-pandemic impact of significant investment market disruption and volatility, increasing inflation, rapidly increasing interest rates and policy interventions in industry settings. In this context, Australian Unity delivered a solid financial result.

While COVID-19 continues to have some impact on the Group's individual businesses—particularly those relating to human services—Australian Unity remains positive about its capacity to respond to these challenges. The Group is adapting to the changing external environment and looks to seize the opportunities arising from this external environment of uncertainty and market disruption.

In the year under review, the Group's total revenue and other income increased to \$1,858.2 million (2022: \$1,361.3 million). Overall revenues from operating businesses grew by 4.2 percent or \$64.1 million¹, while investment earnings lifted by \$50.2 million. Benefit fund revenues increased by \$382.5 million.

Total expenses, excluding financing costs, were \$1,709.5 million (2022: \$1,356.8 million). Expenses of operating businesses increased by 4.7 percent or \$69.1 million, with higher employee expenses (up \$47.3 million) and banking operation interest expenses (up \$22.1 million) while gross health insurance claims were \$29.9 million lower. Expenses of benefit funds were up \$283.7 million.

¹ Or growth of \$85.7 million, excluding the FY2023 \$17.8 million pre-tax profit on the disposal of the Group's dental activities and the prior year's business combination uplifts of \$39.4 million arising from the acquisition of Greengate Partnership Pty Ltd and obtaining a controlling interest in the Platypus Asset Management business.

ASX code:

AYU

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AYUPA – 3,434,000

AYUHC – 1,150,192

AYUHD – 2,070,000

Issuer:

Australian Unity Limited

ACN 087 648 888

Enquiries:

Australian Unity Registry

1300 554 474

Contact details:

Australian Unity Limited

271 Spring Street

Melbourne VIC 3000

Tel: 13 29 39

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The overall outcome represents a strengthening in the aggregate financial position, with operating earnings for the year of \$76.6 million—an increase of \$28.1 million or 58.0 percent on the prior year.

To acknowledge the impact of COVID-19 on private health insurance (PHI) members' access to some health services, Australian Unity announced the deferral of the implementation of the 2023 premium increase for PHI policyholders from 1 April 2023 to 1 November 2023. Australian Unity now announces that it plans a further deferral of the 2023 premium increase until 1 April 2024. This deferral adds to the package of financial support and relief measures previously provided to support our PHI policyholders through the pandemic, and is in recognition of the impact of restrictions on access to some healthcare services, and will bring the total support measures to some \$98 million. In addition, further consumer support measures for eligible PHI policyholders will be considered by the board.

In June 2022, the Group announced that the Independent & Assisted Living platform was being divided into two new business areas—Home Health and Specialist Care. Consequently, the Group's operations during the year have been conducted through four business platforms—Home Health, Retail, Specialist Care and Wealth & Capital Markets.

The Group also announced that the board had determined to pay a final, fully franked dividend of \$2.5068 per Mutual Capital Instrument on 16 October 2023.

Group Managing Director Rohan Mead said:

“In the year under review, the Group continued to advance its strategy of developing a commercially sustainable portfolio of businesses that provides member, customer and community value and is supportive of personal and community wellbeing.

“A key part of the company's growth strategy is the delivery of products, services and infrastructure across the health, wealth and care sectors. To position the Group to best respond to both market challenges and growth opportunities within these sectors, we accomplished some significant restructuring and reshaping during the year under review.

“In addition to the division of Independent & Assisted Living into two new platforms, Home Health and Specialist Care, the Wealth & Capital Markets platform implemented a new operating model for its Funds Management and Social Infrastructure businesses.

“Within the PHI business, the implementation of the 2023 premium increase for policyholders was deferred from 1 April 2023 to 1 November

2023. In addition to this 2023 deferral, today the Group announces the further deferral of the 2023 premium increase until 1 April 2024. Further consumer support measures for eligible PHI policyholders will be considered by the board.

“In what has been a complex period in terms of market volatility and uncertainty, the Group will continue to prioritise balance sheet resilience and operational flexibility.”

Strategic and financial performance of the four operating platforms

Home Health, with clear strategic focus and early momentum, recorded solid financial gain in its first year of operation, delivering adjusted EBITDA² of \$45.4 million, representing an increase of 36.8 percent on the prior year. This increase predominantly related to the ongoing efforts in achieving growth in the delivery of safe minutes of care to customers, combined with the impact of continued cost savings and business transformation initiatives. Despite the general shortages of front line workforce, experienced across the care sector, Home Health achieved healthcare employee growth against the industry trend. After a net decline of 224 workers in the prior year, 345 net new employees joined the business in the year under review.

Home Health’s partner program with the Beyond Blue support service continued during the year, completing its first full year of operation. Ramsay Connect—the joint venture with Ramsay Healthcare—grew patient numbers in its community care hospital substitution and rehabilitation programs by 20.0 percent on the prior year.

Retail ended the year under review with an adjusted EBITDA of \$130.6 million—37.6 percent higher than the prior year. The private health insurance (PHI) deferred claims liability relating to claims deferred due to COVID-19 government restrictions on some private healthcare services was reduced from \$71.0 million at 30 June 2022 to nil at 30 June 2023.

Australian Unity Bank achieved new lending growth along with increases in Reserve Bank of Australia cash rates leading to a 11.4 percent increase in net interest income. The average gross loan book of

² Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (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 on external borrowings and investment income. It also excludes material non-recurring expenditure and shared services costs. See note 1 to the Consolidated Financial Statements in Australian Unity Limited’s Annual Report for the Financial Year to 30 June 2023.

\$1,140.7 million grew 18.2 percent compared to the prior year. A decline in house prices, higher cost of living inflation and higher cash rate led the increase in its Expected Credit Loss provision on loans by \$0.7 million to \$9.1 million. The banking business' Gross Loan Portfolio increased by 3.8 percent to \$1,156.4 million (2022: \$1,114.5 million).

Specialist Care recorded an adjusted EBITDA of \$56.9 million representing a decrease of 13.2 percent on the prior year. As noted in the prior year, the platform recorded as other income, a \$19.1 million business combination gain on the acquisition of Greengate Partnership Pty Ltd, with its three established integrated retirement and aged care communities in Sydney and Brisbane. Adjusting for this one-off gain in the prior year, underlying adjusted EBITDA increased by 22.6 percent. Australian Unity opened the Walmsley Residential Aged Care Facility in Kilsyth, Victoria and The Alba in South Melbourne, Victoria during the year, completing two of its largest seniors living precincts to date. The Group now owns and operates 11 integrated retirement villages and residential aged care precincts and 12 standalone retirement villages across New South Wales, Victoria and Queensland. A platform record of over \$172.2 million in retirement village resale settlements exceeded the prior year's total by some 14 percent. Occupancy levels across the portfolio's mature retirement villages rose to almost 95 percent at year end, while the mature residential aged care portfolio strengthened occupancy during the course of the year to end at over 97 percent, reflecting the quality of offering and reduced impact from COVID-19.

The Group divested the Disability Services business unit, with the transition of customers and care workers to another dedicated disability services provider on 12 December 2022.

On 30 June 2023, Australian Unity's five dental clinics became part of National Dental Care (NDC). Following this transaction and as part of its terms, Australian Unity private health insurance policyholders now have access to more than 70 NDC dental clinics Australia-wide.

Wealth & Capital Markets (W&CM) adjusted EBITDA reduced by 59.9 percent compared to the prior year. The previous period included a \$20.3 million gain related to the revaluation of the platform's investment in the Platypus Asset Management business on acquisition of a controlling interest. Adjusting for this one-off gain, underlying adjusted EBITDA reduced by 15.6 percent due to an increase in operating expenses reflecting further investment in the target operating model for this platform.

The 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 \$31.92 billion at 30 June 2023 (2022: \$28.50 billion). Funds under management and advice stood at \$14.73 billion at year end (2022: \$9.90 billion), resulting from a platform restructure as well as positive net flows supported by strong relative investment performance from key product lines. The aggregate, multi-year property development pipeline stood at \$1.16 billion (2022: \$1.31 billion), with lending and debt facilities on behalf of investors of \$2.35 billion (2022: \$2.05 billion).

The Social Infrastructure business saw assets under management decreasing to \$407.0 million at 30 June 2023 (2022: \$4.92 billion) resulting from the above-mentioned platform restructure.

On 7 July 2023, Australian Unity Property Limited (AUPL), a wholly owned subsidiary of the Company and the responsible entity of Australian Unity Diversified Property Fund (AUDPF), announced it had entered into a Merger Implementation Deed with Cromwell Funds Management Limited, as the responsible entity of the Cromwell Direct Property Fund (CDPF), to merge AUDPF and CDPF via a trust scheme to create an unlisted merged fund.

At the same time, the Company entered into a share sale agreement with Cromwell Corporation Limited (CCL) pursuant to which CCL has agreed to acquire all of the issued shares in AUPL in connection with the proposed merger, subject to the proposed merger being approved and implemented, for a total consideration of \$17 million.

As announced to the market on 24 July 2023, the Group entered into an agreement to acquire all the shares of friendly society IOOF Ltd and its ~\$1.1 billion investment bond business from the Insignia Financial group. This acquisition is in line with the Group's strategic priority to provide innovative products and services and will further strengthen our position as the market leader in investment bonds.

On 28 August 2023, Australian Unity Limited and Westpac Banking Corporation entered into a sustainability linked loan for \$50 million for three years, that is linked to the delivery of community and social value, such that the interest rate is adjusted by discounts or penalties depending on the Group's achievement of growth in our community and social value measurement.

Key financial metrics by business platforms

Home Health

For period ended:	30/6/23 \$M	30/6/22 \$M	Change %
Total segment revenue	424.0	379.7	11.7
Adjusted EBITDA	45.4	33.1	36.8
Other results:	30/06/23 Number	30/06/22 Number	Change %
Home care packages under management	10,785	10,043	7.4
'Hospital substitution' programs delivered	6,973	6,074	14.8

Retail

For period ended:	30/6/23 \$M	30/6/22 \$M	Change %
Total segment revenue	746.0	716.1	4.2
Adjusted EBITDA	130.6	94.9	37.6
Gross claims	563.5	593.4	(5.0)
Other results:	30/6/23 \$M	30/6/22 \$M	Change %
Bank gross loan portfolio	1,156.4	1,114.5	3.8
Australian Unity Bank total assets	1,394.4	1,336.1	4.4
	30/06/23 Number	30/06/22 Number	Change %
PHI policyholders (AUHL ³ , excluding OVC ⁴ policyholders)	162,294	168,317	(3.6)
Australian Unity Bank customers	26,021	25,772	1.0

³ Australian Unity Health Limited.

⁴ Overseas Visitor Cover.

Specialist Care

For period ended:	30/6/23 \$M	30/6/22 \$M	Change %
Total segment revenue	255.5	229.4	11.4
Other income	-	19.1	n/a
Adjusted EBITDA	56.9	65.6	(13.2)
Other results:	30/06/23 Number	30/06/22 Number	Change Number
Retirement village independent living units	2,724	2,664	60
Aged care beds	1,215	1,007	208

Wealth & Capital Markets

For period ended:	30/6/23 \$M	30/6/22 \$M	Change %
Total segment revenue	207.4	205.4	1.0
Other income	-	20.3	n/a
Adjusted EBITDA	15.5	38.7	(59.9)
Other results:	30/6/23 \$B	30/6/22 \$B	Change %
Funds under management and advice	14.73	9.90	48.8
Social Infrastructure funds under management	0.41	4.92	(91.7)
Funds under development	1.16	1.31	(11.5)
Lending and debt facilities on behalf of investors	2.35	2.05	14.6
Funds under advice	11.16	9.99	11.7
Funds under trusteeship	0.48	0.41	17.1
Life & Super funds under management and administration	2.44	2.30	6.1
Total net assets under management and administration (AUMA) ⁵	31.92	28.50	12.0

⁵ AUMA is the aggregate value of assets under management and administration, excluding cross-investments (investments by Australian Unity funds in other funds managed or operated by Australian Unity or our associates).

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

The Board of Australian Unity Limited

T: + 61 3 8682 6819

If securityholders or other interested parties require further information,
please contact:

Ashley Oliver

Manager, Corporate Affairs

T: 1300 408 776

E: media@australianunity.com.au