

ASX Announcement

7 September 2021

Australian Unity reports \$32.9 million profit after income tax for FY21

Health, wealth and care group Australian Unity (the Group) has reported a profit after income tax of \$32.9 million for the year to 30 June 2021— compared to \$9.1 million¹ in the prior year.

While the COVID-19 pandemic continued to present challenges in FY2021, the Group delivered a sound result for its members, while progressing its strategy of building a commercially sustainable portfolio of businesses that provides member, customer and community value— and is supportive of personal and community wellbeing.

Significantly, as with the prior year, there were no fatalities among Australian Unity aged care customers or employees due to workplace exposure to COVID-19.

In recognition of the impact of the pandemic on the Australian community, COVID-19 hardship measures for Australian Unity health insurance policyholders included a six-month deferral of the 2020 premium increase, extending policy suspensions, premium relief for those on government JobKeeper and JobSeeker payments, covering COVID-19 admissions regardless of product type, and recognition of telehealth consultations as a feature of extras claiming— now a permanent feature for Australian Unity members.

Direct and indirect COVID-19 impacts affected the Group's overall results with these impacts including the implementation of extraordinary measures 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.

¹ Comparative information has been restated following adjustments made to prior year financial statements to reflect remediation payments made to some of our employees for historical payroll errors and corrections made to Home Care Package accounting processes. See note 21(c) to the Consolidated Financial Statements in Australian Unity Limited's Annual Report for the Financial Year to 30 June 2021.

ASX code:

AYU

Securities on Issue:

AYUPA – 1,200,000

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

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

In the year under review, the Group's total revenue and other income increased to \$1,706.1 million (2020: \$1,400.9 million¹). Despite the ongoing pressures of the pandemic, overall revenues from operating businesses and investment returns grew by \$89.3 million, while benefit fund revenues increased by \$215.9 million.

Total expenses, excluding financing costs, were \$1,586.6 million (2020: \$1,378.4 million¹)—driven by a \$147.9 million uplift in benefit fund expenses. Expenses of operating businesses increased by 4.6 percent or \$60.3 million, with higher client care costs (up \$19.6 million) and employee expenses (up \$27.6 million), while net health insurance claims were \$24.3 million lower.

The overall outcome represented a significant improvement in the aggregate trading position, with operating earnings for the year of \$52.1 million—an increase of \$21.8 million on the prior year.

The Group also announced that the Board had determined to pay a final, fully franked dividend of \$2.5068 per Mutual Capital Instrument on 15 October 2021.

Group Managing Director Rohan Mead said:

“In the year under review, the Group continued to progress its strategy of developing a portfolio of valued health, wealth and care products and services for members across its three business platforms.

“It also advanced its social infrastructure agenda, with the major milestone of practical completion and commercial acceptance of the Surgical, Treatment and Rehabilitation Service (STARS) public hospital in Brisbane—a key component of the \$1.1 billion Herston Quarter health precinct being developed in partnership with the Queensland Government.

“Despite the ongoing impact of COVID-19, the Group's outlook remains positive. While the effects of the pandemic will continue to be felt throughout the year ahead, our view is that the underlying pressures arising from demography and the associated economic, social and policy change will generate positive opportunities for the Group and its services.

“The Group's strategic approach, balance sheet resilience and operational flexibility has prepared it for these types of complex circumstances. Indeed, ongoing market disruption and growing community needs will provide Australian Unity with significant growth potential.”

Strategic and financial performance of the three business platforms

Independent & Assisted Living (IAL) delivered a solid result with adjusted EBITDA² rising by \$13.7 million—23.9 percent on the prior year—to reach \$71.1 million¹. Subsidiary Remedy Healthcare had a successful year, with a 44.2 percent increase in revenue to \$41.0 million. Encouragingly, the first full year of operation of its Ramsay Connect joint venture with Ramsay Healthcare earned more than \$5.0 million in revenue. The IAL business continued to pursue its strategy of accelerated growth opportunities in healthy ageing precincts with the acquisition of the Greengate retirement and aged care business, completed in July this year, delivering three established co-located communities in Sydney (Kogarah & Maroubra) and Brisbane (Woolloongabba) and a prime development site in Brisbane (Auchenflower).

Retail ended the year under review with an adjusted EBITDA increase of 33.6 percent on the prior year to \$81.8 million, which reflected both a decrease in private health insurance (PHI) claims and strong policyholder growth (excluding overseas visitor cover, which was impacted by border closures). Our health insurance business delivered an average premium increase of 1.99 percent—below the announced sector average of 2.74 percent and the lowest average AUHL³ increase in 20 years. As at 30 June 2021, \$18 million of COVID-19 support measures had been provided to Australian Unity PHI policyholders. In line with claims savings due to the impact of the pandemic, further premium relief of approximately \$6 million will be delivered in the 2022 financial year. Strong lending growth for Australian Unity Bank enabled the business to offset the impact of lower interest rates on revenue, with total assets at year-end growing by \$16.9 million to \$1,150.8 million.

Wealth & Capital Markets (W&CM) recorded an adjusted EBITDA of \$27.3 million, which was a decrease of 16.8 percent on the prior year, reflecting significant direct and indirect impacts of the pandemic on business activity. Beyond the completion of the STARS public hospital mentioned above, the Group's presence in social infrastructure continued to grow and broaden. Notable achievements included material progress in the Specialist Disability Accommodation Fund and the establishment of a Childcare Property Fund, with an initial capital raise planned for early in the 2022 financial year. The Diversified Property Fund had a strong year, delivering investors a total return of 19.6 percent for the year to 30 June 2021. The investments business experienced positive net flows from retail, middle and institutional markets and

² 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 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 2021.

³ Australian Unity Health Limited.

strong investment performance across key product areas. The Future of Healthcare Fund was launched during the year with the aim of delivering long term capital growth by investing to support the future healthcare needs of Australians. Support for the Green Bond Fund also continued to grow. Sales across Life & Super products were pleasing, given the prolonged low interest rate environment and challenging economic conditions presented by the COVID-19 pandemic. While the advisory and trustee services businesses were particularly impacted by the pandemic, there was notable uplift in the second half of the year.

Key financial metrics by business

Independent & Assisted Living

For period ended:	30/06/21 \$M	30/06/20¹ \$M	CHANGE %
Total segment revenue	520.6	484.6	7.4
Adjusted EBITDA ²	71.1	57.4	23.9
Other results:			
Home Care Services revenue	322.0	308.7	4.3
Remedy Healthcare revenue	41.0	28.4	44.2
	30/06/21 Number	30/06/20 Number	CHANGE Number
Retirement village ILUs	2,496	2,496	0
Aged care beds	786	786	0

Retail

	30/06/21	30/06/20	CHANGE
For period ended:	\$M	\$M	%
Total segment revenue	704.6	709.5	(0.7)
Adjusted EBITDA	81.8	61.2	33.6
Gross claims paid	597.3	626.2	(4.6)
Other results:			
Bank gross loan portfolio	918.7	928.1	(1.0)
Australian Unity Bank total assets	1,150.8	1,133.9	1.5
	30/06/21	30/06/20	CHANGE
	Number	Number	%
PHI policyholders (AUHL, excluding OVC policyholders ⁴)	174,827	171,924	1.7
Australian Unity Bank customers	~26,000	~24,500	5.9

Wealth & Capital Markets

	30/06/21	30/06/20	CHANGE
For period ended:	\$M	\$M	%
Total segment revenue	221.1	170.5	29.7
Adjusted EBITDA	27.3	32.8	(16.8)
Other results:	30/06/21	30/06/20	CHANGE
	\$B	\$B	%
Investments funds under management and advice	10.46	8.22	27.2
Property under management	4.10	3.52	16.6
Property under development	1.25	1.29	(3.1)
Debt facilities under management	1.57	1.37	14.6
Funds under advice	9.36	7.14	31.1
Funds under trusteeship	0.37	0.35	6.5
Life & Super funds under management and administration	2.51	2.27	10.7
Total assets under management and administration (AUMA) ⁵	27.89	22.94	21.6

⁴ Overseas Visitor Cover

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).

-end-

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

The Board of Australian Unity Limited

T: + 61 3 8682 6802

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

Michael Moore

General Manager – Public Affairs & Communications

T: 1300 408 776

E: media@australianunity.com.au