



Australian Unity Limited Investor Update

Financial year ended 30 June 2016

7 September 2016

Australian Unity Investor Update

Australian Unity Limited is pleased to invite you to our investor presentation for the full year ended 30 June 2016.

Date: Wednesday 7 September 2016

Time: 2.30pm to 3.30pm

Ways to participate:

By teleconference:

Toll-free number: 1800 175 864

Conference ID: 62994403

By Webex:

Meeting Number 578 401 941

Meeting Password: AustralianUnity

Copy this link to Webex into your browser:

<https://australianunitygroup.webex.com/australianunitygroup/j.php?MTID=mdccbe4126a26708be6341277cba50e45>

Presenters

Kevin McCoy – Chief Financial Officer

- Joined Australian Unity in April 2012
- Appointed Chief Financial Officer in April 2014
- Responsible for the effective execution of our strategic initiatives, treasury, capital management and organisation-wide performance measures

Darren Mann – Group Treasurer

- Joined Australian Unity in April 2012
- Appointed Group Treasurer in June 2015
- Previously, Head of Group Capital Management

Brad Duggan – CFO, Independent & Assisted Living

- Joined Australian Unity in July 2014
- 15 years experience in senior consulting and finance roles at PwC and Grocon

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Overview of Australian Unity

TRUSTED MUTUAL

- More than 175 years as an independent Australian mutual
- ~300,000 members; almost 1 million customers
- Profits reinvested into programs and services benefitting the wellbeing of members, customers and the community
- A prudentially supervised company, regulated by the Australian Prudential Regulation Authority

DIVERSE AND EXPANDING PORTFOLIO

- A diversified group of interdependent businesses
- Broad capability and deep experience in healthcare, aged care, home care, retirement accommodation, asset management, funds management and financial advice
- Nearly half of group adjusted EBITDA¹ generated by businesses other than health insurance
- Multiple acquisitions and organic growth across all platforms in recent years

FINANCIAL SUBSTANCE

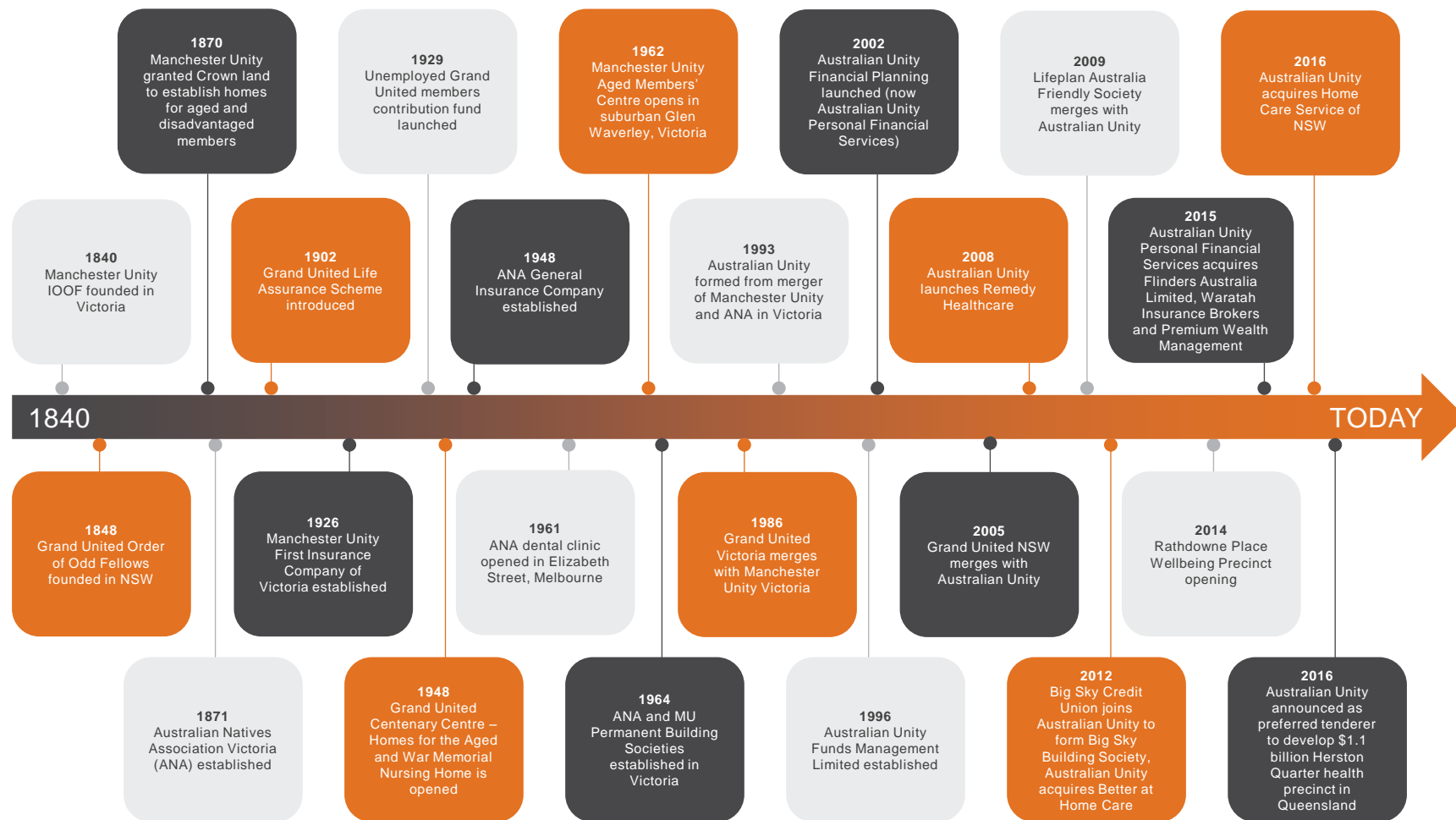
- Strong profit history: FY16 NPAT \$35.6 million, an increase of \$4.0 million, or 13 percent, since FY11
- Gearing ratio closely managed: 40 percent at 30 June 2016
- Interest cover steady and stable since FY11 and at 30 June 2016 was 3.8 times (on a rolling 12 months basis)
- AYUHB investment grade credit rating of BBB+ by Australia Ratings
- Big Sky Building Society investment grade credit rating BBB by S&P

LONG-TERM OBJECTIVES

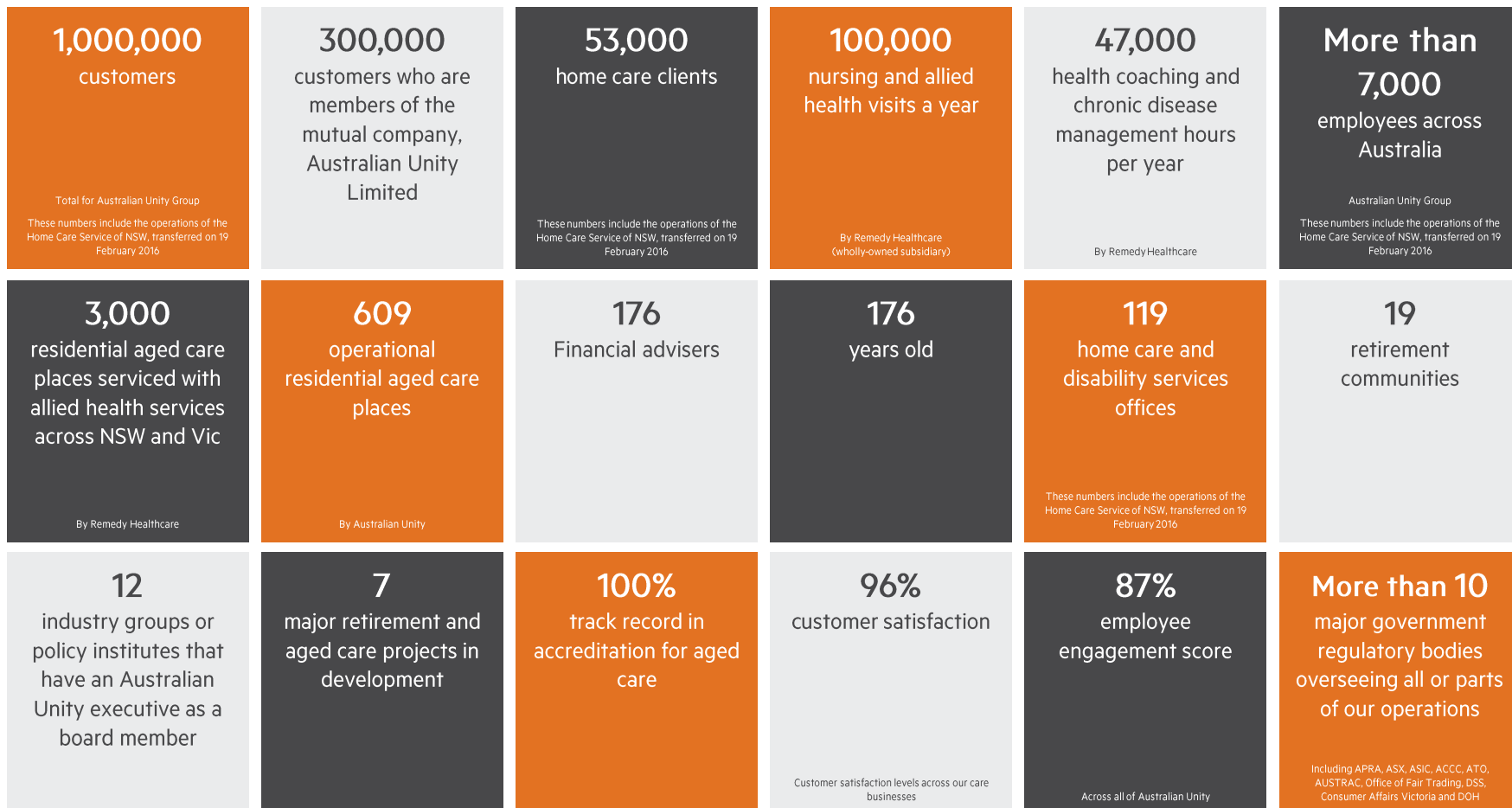
- Serve two million customers
- Highly influential national brand
- Financial substance with a balanced approach to risk
- Sought after products and services

¹ Group adjusted EBITDA excludes corporate functions and eliminations

Our history from 1840



Australian Unity at a glance



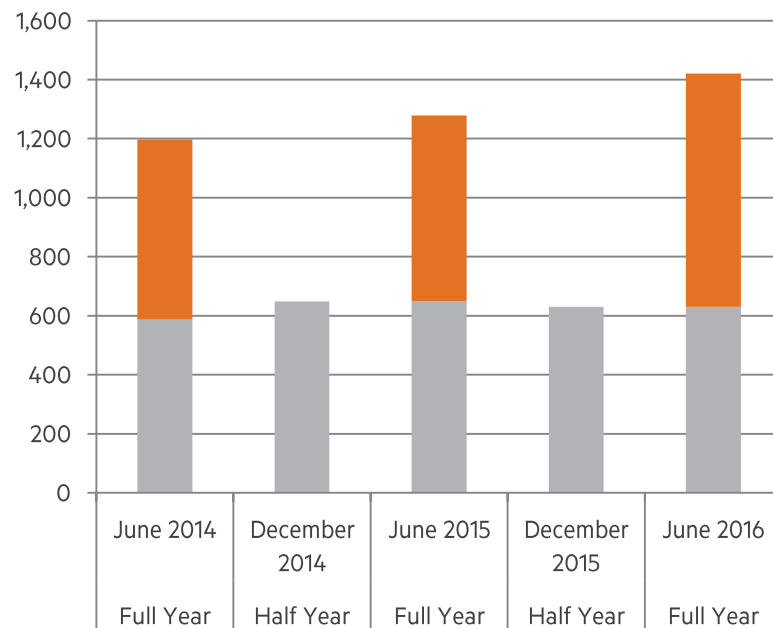
As at 30 June 2016 except where indicated

Overview of results and achievements

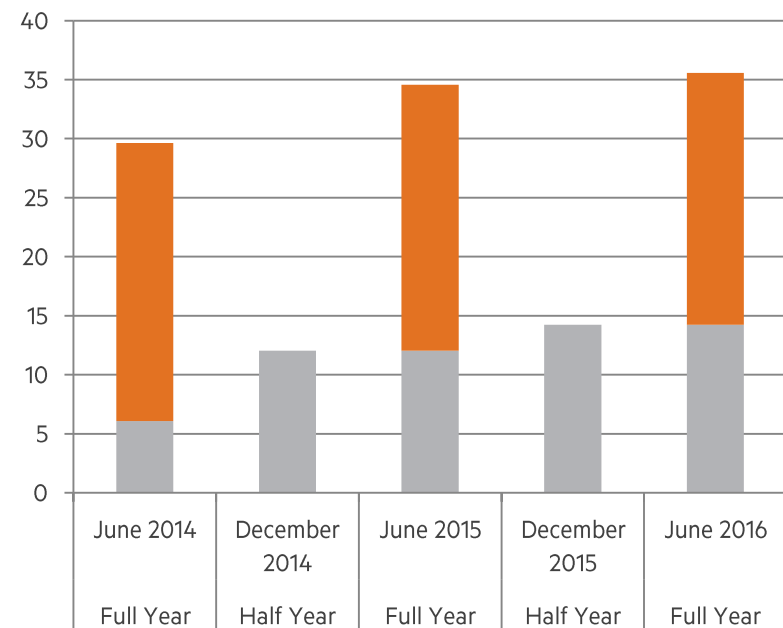
Strong growth in year of major expansion

- Revenue and other income was \$1.4 billion, up 11 percent from prior year
 - Investments and Personal Financial Services up by 15 percent
 - Independent & Assisted Living up by 109 percent
 - Healthcare grew by 5 percent
- Profit after income tax as at 30 June 2016 was \$35.6 million, up 3 percent from prior year

Revenue and other income \$m



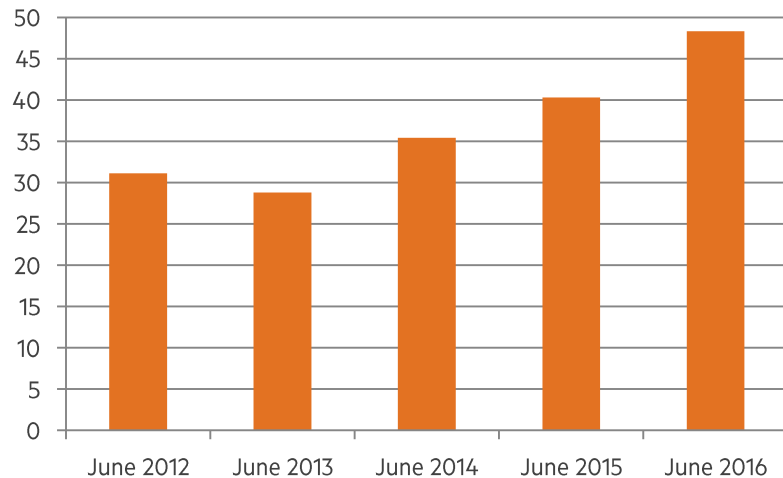
Net profit after tax \$m



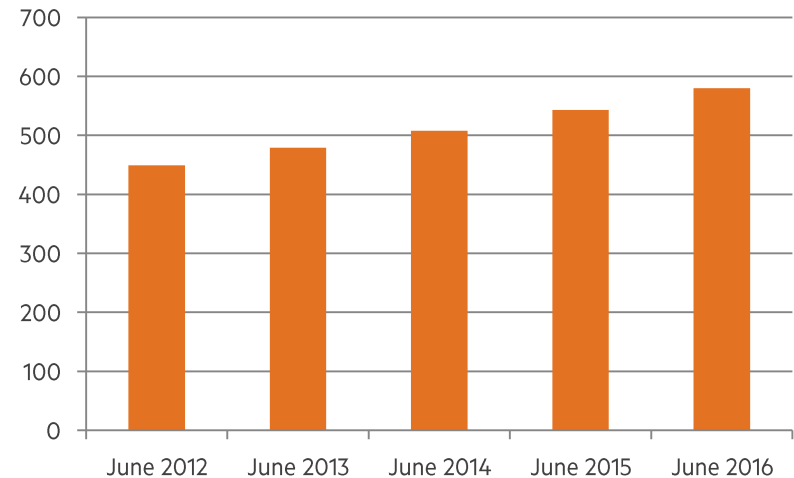
Growth ambitions progressed

- Strong growth in operating earnings (up 20 percent from prior year) and members' funds
- Significant investments for growth and diversification during the year delivered step changes in progress of the company's strategies – this somewhat reduced the rate of growth in profit after tax for the year
- Expansion occurred across the company with additions in home care services and trust and estate administration businesses

Operating earnings \$m



Members' funds \$m



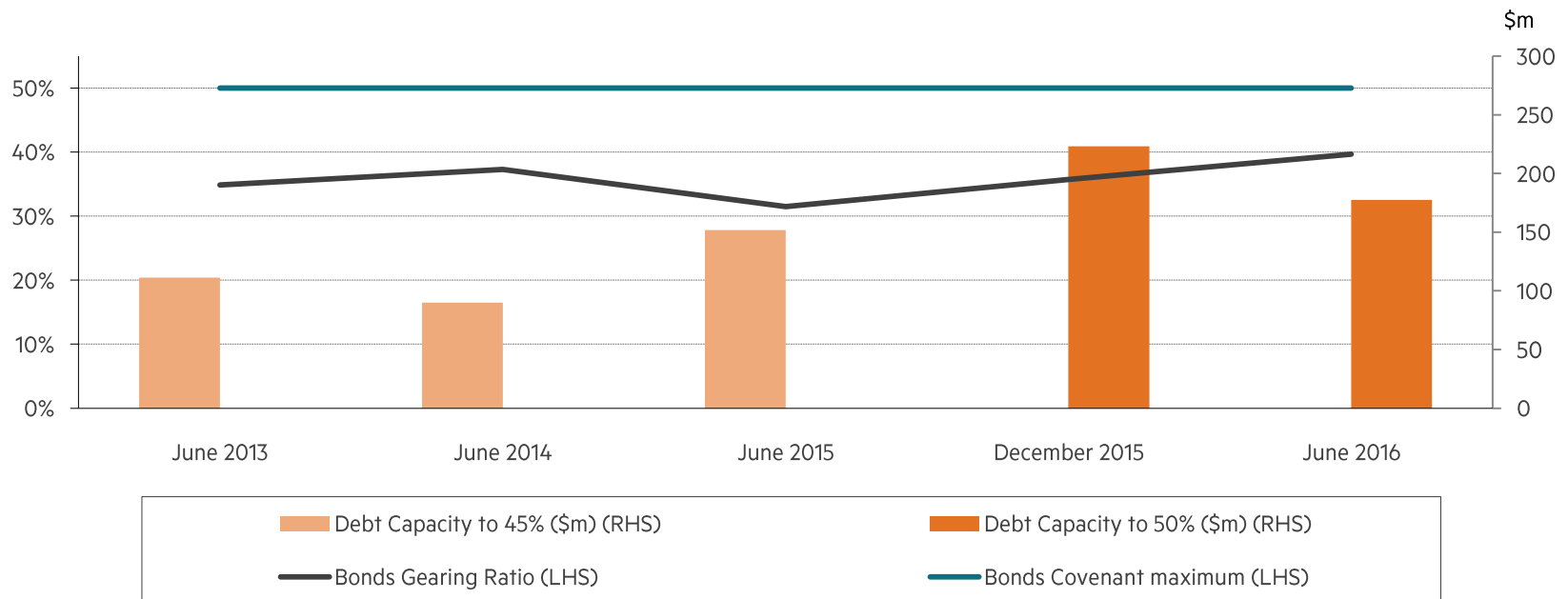
Operating earnings: profit before tax attributable to members of Australian Unity less investment income, borrowing costs exclusive of accommodation bond interest reclassification and discontinued operations and business acquisition costs.

2016 business highlights

- Home Care NSW transfer added 50,000 clients and 4,300 employees to the Group
- Issued the first Simple Corporate Bond and raised \$250 million to fund our growth
- Invested significantly in the integration of the Flinders Australia trust and administration services business
- Listed the Australian Unity Office Fund on the Australian Securities Exchange (ASX)
- Launched our innovative mental health program MindStep and Remedy delivered its one millionth episode of care
- Increased our funds under advice and administration to more than \$6 billion
- Increased GU Health policyholders by 7%
- Increased Big Sky loan book by 15%
- Launched our first masterbrand campaign – Time to thrive

Gearing analysis and interest cover

- The Gearing Ratio based on the Australian Unity Bonds – Tranche 1 covenant gearing calculation as at 30 June 2016 was 40 percent
- The interest cover ratio on the Bonds calculation basis at 30 June 2016 was 3.8 times

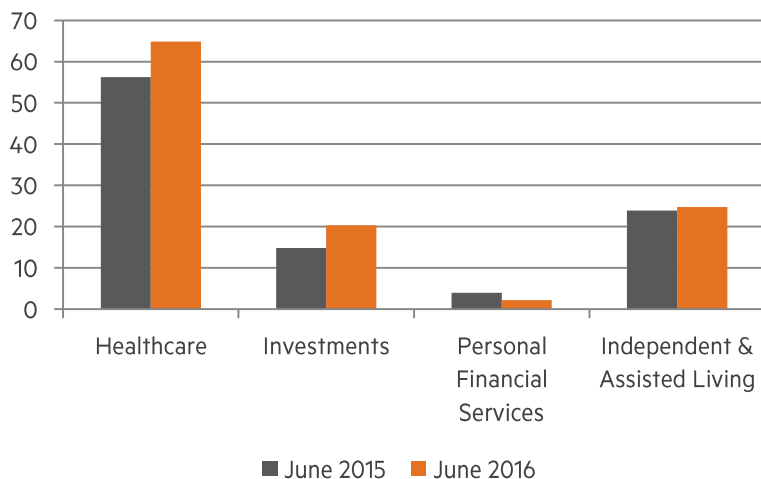


Business segment highlights

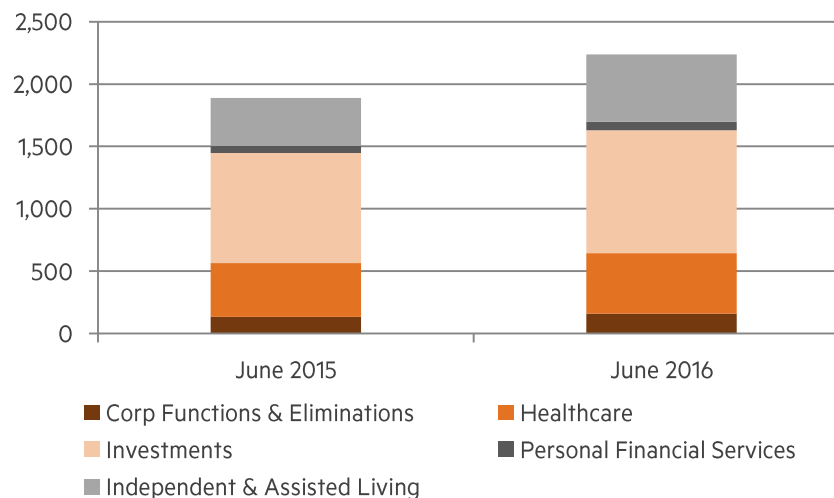
Financial results by segment

- Each of the company's operating platforms across the health, wealth and living portfolios reported strong revenue rises
- Three of the four business platforms recorded improved year-on-year adjusted EBITDA outcomes
- The Group's assets are split into three categories: income producing, working capital and non-interest bearing assets, each of which grew in 2016

Adjusted EBITDA \$m



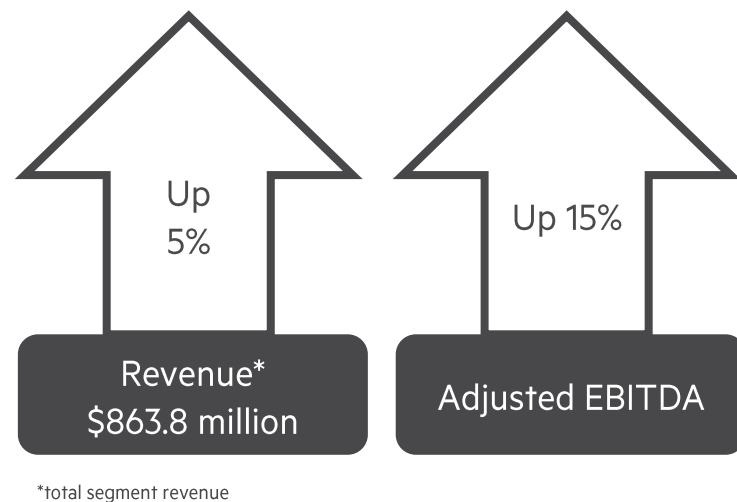
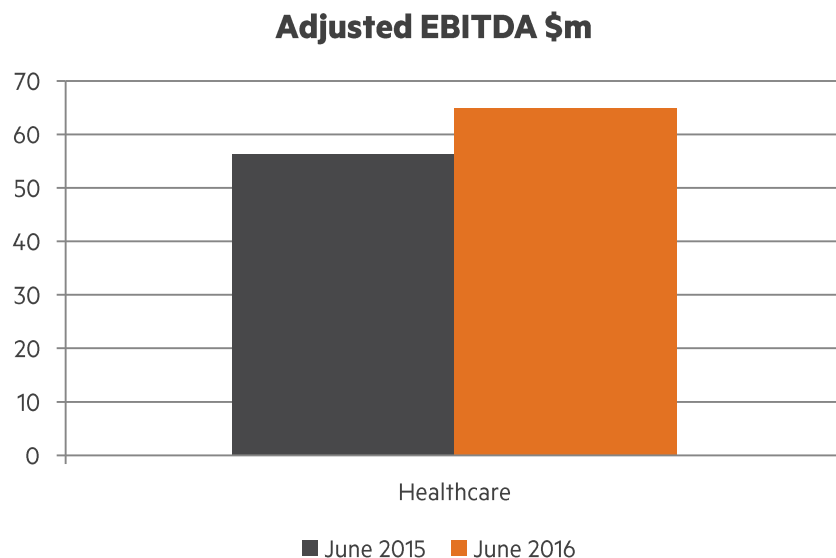
Total assets by business segments \$m



Healthcare

Healthcare

- The Healthcare platform had a successful year despite the ongoing economic and political challenges that private health insurers have been managing in the past five years
- Healthcare's solid result was principally driven by an improved underwriting experience for retail and corporate health insurance



Healthcare highlights



Retail health insurance

- Policyholders increased by 2 percent to 205,476 at 30 June 2016 (2015: 202,175)
- In response to growing consumer demand for more affordable products, the fund developed a basic product range and indications are that this product type will remain in demand for the foreseeable future
- Continues to be a part of the Members Own Health Funds venture



Corporate health insurance (GU Health)

- The only fund in Australia that caters exclusively to the corporate market, GU Health increased its policyholders by 7 percent to 34,082 at 30 June 2016 (2015: 31,748)
- GU Health explored new markets and continues to work with its corporate and prospective stakeholders to support long term sustainability as a specialist fund



Remedy Healthcare

- Undertook two key acquisitions: Adelaide-based physiotherapy company Mobile Physio and Queensland-based nursing services provider Lincs Healthcare
- Launched “MindStep” depression and anxiety treatment program in November 2015, and by 30 June 2016 the program was achieving 59 percent recovery rates
- Launched its first clinic-based hydrotherapy Wellness Centre
- Successful in winning a contract to provide public aged care services in Ballarat



Dental

- A sixth dental clinic in Moonee Ponds, Victoria opened in August 2016
- Number of patients visiting Australian Unity dental clinics during the year 61,092

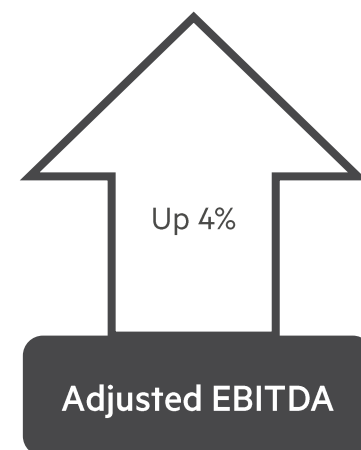
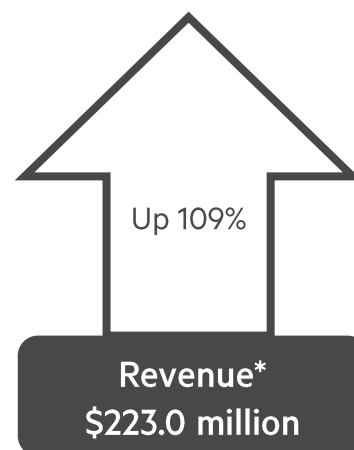
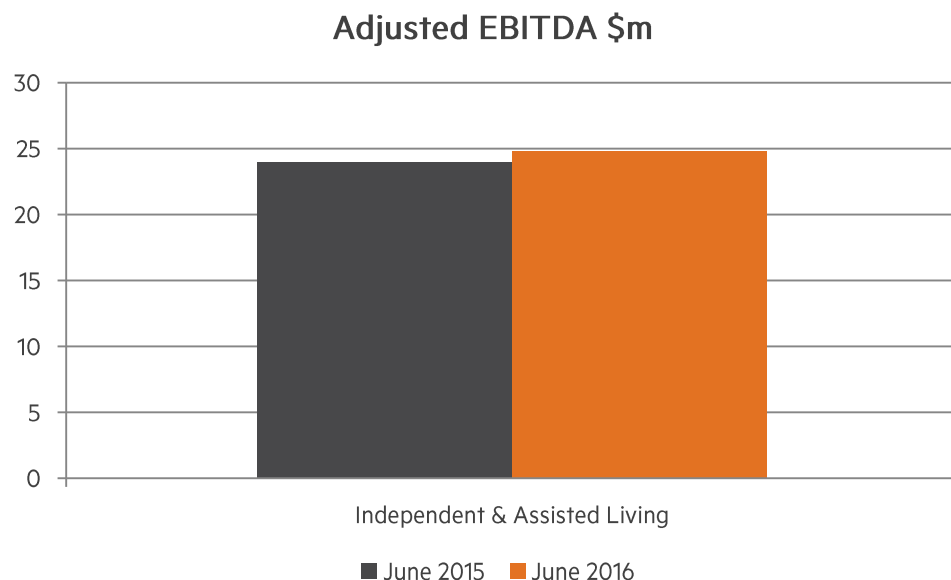
Healthcare outlook

- General conditions for private health insurance across the industry continue to be challenging
- Industry-wide customer churn continues to increase
- Health costs continue to rise at a substantially faster rate than the rest of the economy which results in pressure on health insurance premiums
- While commercial strategies are in place to deal with industry-wide challenges, the business continues to advocate for system-wide healthcare reform to deliver best value for both public and private health spending

Independent & Assisted Living

Independent & Assisted Living

The Independent & Assisted Living business recorded strong growth during the year ending 30 June 2016



*total segment revenue

Independent & Assisted Living highlights



Home care & disability services

- Significant growth during the year due to the transfer of Home Care NSW when 50,000 new clients and 4,300 new staff joined Australian Unity
- 24/7 customer service hub established in Parramatta, NSW, will maximise care workers' time with clients, enabling the business to continue to grow in scale and service provision



Retirement communities

- Owns and operates 19 retirement communities in Victoria and New South Wales with a portfolio of 2,110 independent living units
- 97 percent occupancy achieved in 2016
- 223 independent units to be added to the portfolio in 2017



Development

- Construction was either substantially progressed or commenced in the following communities in 2016: Rathdowne Place - The Residences in Carlton, Victoria, Peninsula Grange in Mornington, Victoria, Lifestyle Manor in Bondi, NSW
- Commenced construction of Campbell Place wellbeing precinct in Glen Waverley, Victoria in September 2015
- Collaboration with the Investments platform during the year delivered new channels for development funding



Aged care

- An important area of growth and key component of the business' strategy to provide services that offer a continuum of care
- Occupancy levels remain very high at approximately 98 percent across the portfolio
- Newest aged care facility, Peninsula Grange achieved 100 percent occupancy more than six months ahead of forecast

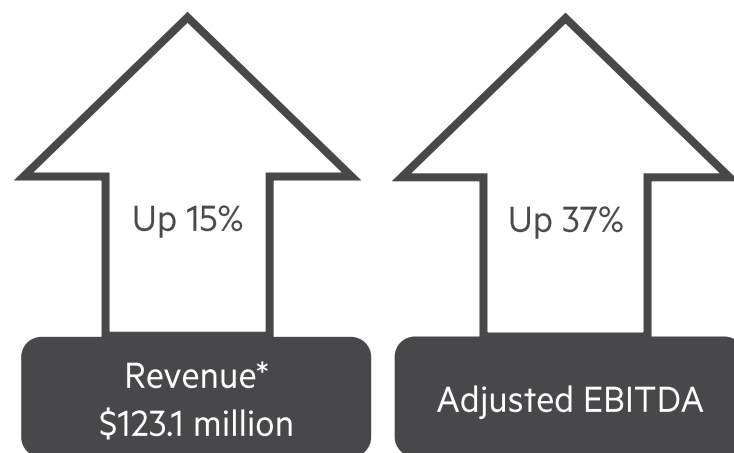
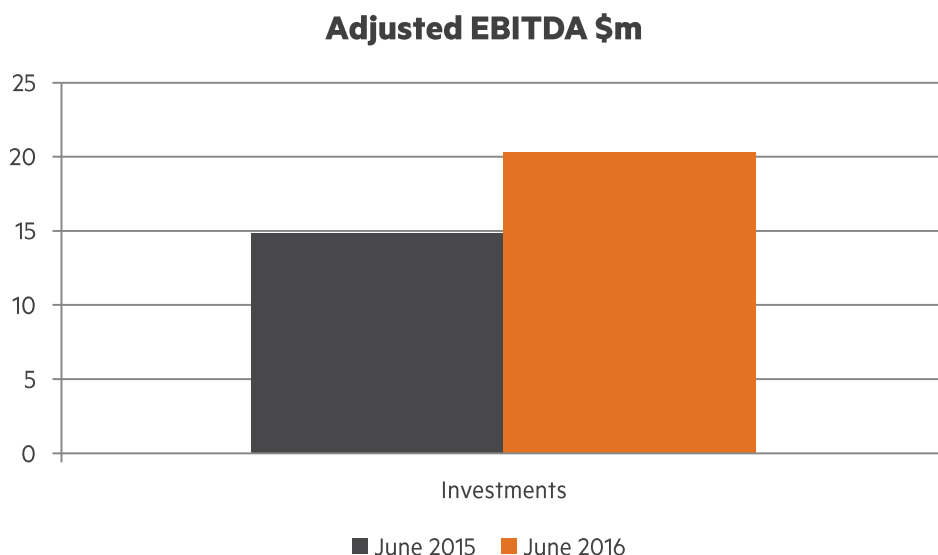
Independent & Assisted Living outlook

- Further growth in Home Care & Disability Services through both completing the integration of Home Care NSW and through geographic and service expansion
- Participate effectively in providing services for the National Disability Insurance Scheme
- Continuing pursuit of development opportunities arising out of the needs of Australia's ageing demographic

Investments

Investments

Successful year in 2016 with strong performance in a competitive and challenging environment for financial services and banking businesses.



*total segment revenue

Investments highlights



Funds management

- Total funds under management, administration and advice were at \$9.59 billion at 30 June 2016 (2015: \$8.65 billion)
- Federation Managed Accounts platform reached \$290 million in funds under administration during the year. The business also received its superannuation license in May 2016, allowing it to operate fully in the superannuation market
- Group's investment portfolio is managed by Australian Unity Investments and achieved an overall return of 4 percent



Real estate investment

- Australian Unity's Real Estate Investment portfolio increased to \$2.21 billion at 30 June 2016 (2015: \$1.88 billion)
- The Healthcare Property Trust is now the largest fund of its kinds in Australia and increased its funds under management from \$697 million to \$1.06 billion as at 30 June 2016. It achieved a return of 20 percent for the year to 30 June 2016 compared to 8 percent in the previous year
- The Retail Property Fund achieved a 15 percent return for the year to 30 June 2016 compared to 11 percent in 2015
- The Office Property Fund achieved a return of 20 percent compared to 14 percent for the previous year
- The Diversified Property Fund achieved a return of 20 percent for the year to 30 June 2016, a considerably better return than the 9 percent recorded in 2015



Big Sky

- A year of record growth with net loan book growth of 15 percent
- Total on-balance sheet assets grew to \$862 million as at 30 June 2016 (2015: \$754 million)
- BBB rating with S&P reaffirmed



Lifeplan

- Funds under management and administration increased to \$1.99 billion (2015: \$1.95 billion)
- Sales of education solutions increased by 23 percent
- Funeral Plan Management (FPM) broadened its business strategy to include a business-to-consumer proposition and further enhanced its online business management platform for funeral directors during the year

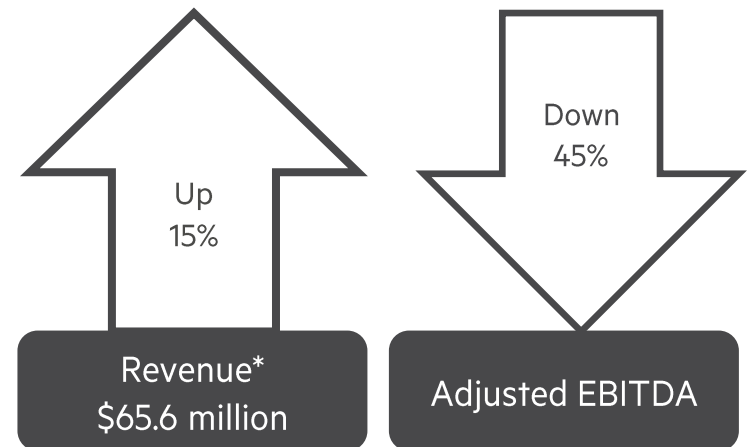
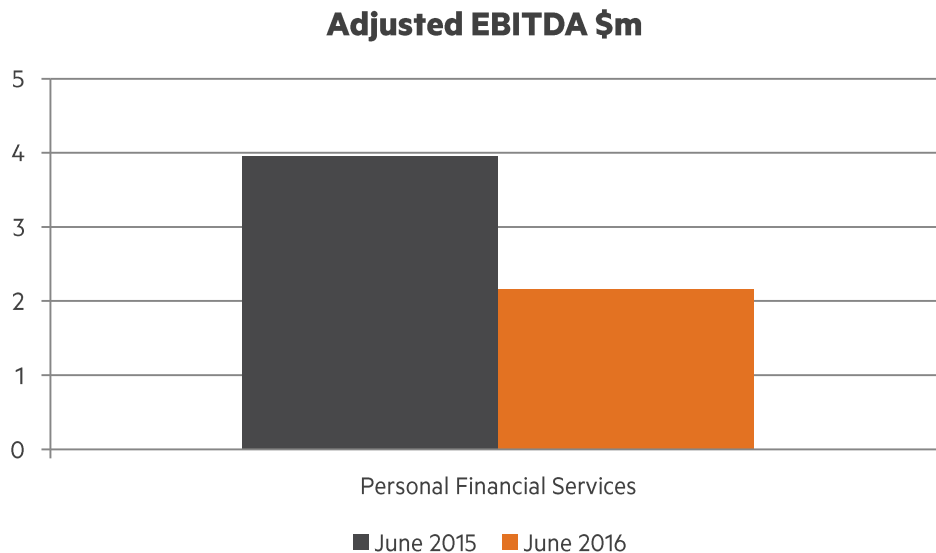
Investments outlook

- Maintain its concentration on seeking diversification
- Strategic development in commercial property investment
- Expand into client segments which value specialist skills
- Explore new capital markets and assets in healthcare and social infrastructure
- Prioritise the update of its digital capacity
- Further tighten the operating platform for the business
- Clearly define and test its value proposition in banking, with emphasis on digital delivery to customers

Personal Financial Services

Personal Financial Services

- The business was significantly strengthened by a number of recent strategic acquisitions but adversely impacted by regulatory changes that affected revenue and external factors that impacted investor and adviser confidence
- The business was also impacted by restructure costs associated with preparing the Flinders Australia Limited business for offering traditional trustee services



*total segment revenue

Personal Financial Services



Financial advice

- Revenue grew by 5 percent largely due to the Premium Wealth Management acquisition and the growth of existing practices
- Funds under advice increased by 2 percent to \$6.0 billion (2015: \$5.9 billion)
- Accounting referral partnerships numbered 354 (2015: 309) which reflects the business' continued focus on the active level of support being provided by referring accountants



Trust and estate administration services

- Completed the Flinders Australia Ltd strategic acquisition in July 2015. The immediate focus of the business is to convert this business to a fully licensed trusteeship. This development work has required considerable effort and resourcing and had an impact on overall business profitability in the year ended 30 June 2016
- This acquisition reflects one of PFS' principal business objectives: driving growth in complementary businesses that help improve financial wellbeing



Finance broking and insurance services

- Loans under advice were \$795 million at 30 June 2016, (2015: \$766 million) a 4 percent increase on the previous year
- Finance broking revenue also grew during the year and was marginally ahead of the previous year at \$2.5 million
- General insurance revenue grew 67 percent to \$3 million
- Developed a consolidated insurance offering that delivers improved commercial terms, premium reductions, superior products and an improved business partnership

Personal Financial Services outlook

- The business is proactively addressing the challenges presented by regulatory change and market volatility
- It is diversifying its revenue streams and building capacity in streams that will be higher quality investment options over time
- Priorities for 2017 and beyond include:
 - Growing the number of financial advisers to maintain balance between scale and service
 - Authorising partner accountants to meet requirements relating to SMSF advice
 - Invest in both embedding the newly acquired general insurance capability as well as in further general insurance product development
 - Achieve higher level of staff retention year-on-year

Questions?



Health | Wealth | Living