ASX Announcement

28 August 2024

Australian Unity reshapes and restructures for the future, delivering financial performance in line with trading update published in June 2024

In the year to 30 June 2024, the Australian Unity Group reported Adjusted EBITDA[1] of $75.8 million and a statutory loss after tax of $22.7 million. This result included significant costs related to material acquisitions and integration, business transformation and internal restructuring, which are consistent with the Group's trading update published on 3 June 2024.

In the context of these significant changes, the Group increased total revenue and other income by $419.9 million to $2,173.0 million (30 June 2023: $1,753.1 million[2]). Insurance revenue remained steady, while other revenue and other income from operating businesses grew by $301.8 million. Investment earnings were $57.4 million lower and benefit fund income was $174.9 million higher.

Total expenses, excluding financing costs, increased by $388.5 million to $2,038.6 million (30 June 2023: $1,650.1 million[2]). Employee costs grew $126.5 million including acquisitions, client care costs were $77.8 million higher, banking operation interest expenses were up $21.3 million, while gross health insurance claims were $19.2 million higher. Benefit fund expenses increased by $115.0 million.

During the year the Group allocated approximately $43.8 million to business model transformation and integration programs. This had an adverse impact on financial performance for the year,

[1] In assessing the performance of its operating business segments, the Group uses a measure of adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA). As the name indicates, this measure excludes the effects of tax, depreciation and amortisation, interest on external borrowings and investment income. It also excludes Group overheads and other material non-recurring expenditure. A reconciliation between Adjusted EBITDA and profit/(loss) before income tax from continuing operations is set out in Note 1 (c) (ii) to the consolidated financial statements. For the purposes of the financial performance in the Operating and Financial Review, the Group Adjusted EBITDA is the sum of the platform Adjusted EBITDA plus the Corporate Functions.

[2] FY2023 comparative information has been restated following adjustments made to prior year financial statements due to the implementation of AASB 17 Insurance Contracts. Further information about the nature and impact of the restatement is included in Note 40 (d) of the consolidated financial statements.

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AYUHD – 2,070,000
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while being an important adjustment in support of more efficient and scalable growth, as well as improved cash earnings for future periods.

The year under review also included significant divestment and acquisition activities. The Group sold certain commercial property and fixed interest funds management operations, along with the Advice business. The Group acquired *Insignia Financial Ltd*'s investment bonds business, *IOOF Ltd* (now *Australian Unity Life Bonds Limited* -AULBL) and the *myHomecare Group* (MHC). More than $6.9 million in transaction costs were associated with these initiatives.

Included in the profit after tax result was a profit from discontinued operations of $0.5 million. Excluding this item, the Group's result for the period from continuing operations was a loss after tax of $23.3 million (30 June 2023: $18.4 million profit[2]).

The business model transformation agenda undertaken in the year under review, continues in the current financial year—along with the integration of AULBL and MHC. Together, these activities are planned to support the return to higher levels of financial performance with an improved mix of future earnings.

Over the financial year, the Group also undertook a successful range of capital management activities, including a $118.7 million issue of mutual capital instruments (MCIs) through an entitlement offer and institutional placement, along with debt issuance involving a simple corporate bond offer and establishing the sustainability linked loan. These activities strengthened the Group's balance sheet, allowed early refinancing of $82.9 million in Australian Unity Limited Series C Bonds (AYUHC), shifted the gearing ratio of the company from 30 percent in December 2023 to 29 percent in June 2024, and helped finance the acquisition of MHC.

Group Managing Director, Rohan Mead said:

"In the year under review, we have focused on shaping our portfolio of activities in line with our 10-year vision and have taken steps to support significant growth and development for the company and its social impact in the years ahead.

Focused on our strategic priorities, we are making fundamental changes to our operating models across the business, supported by material digital and technology initiatives, to secure ongoing efficiencies and support growth. In doing so, we have materially advanced a multi-year reshaping program that responds to our operating environment, including an ageing population and emerging community needs."

"Our focus for FY2025 is to successfully execute the transformation of our portfolio and its operational integration."

Strategic and financial performance of the four operating platforms

The **Home Health** platform invested in transformational activity to enable more efficient and effective delivery of services to over 50,000 customers. The platform recorded a sound financial result with strong revenue growth, attributable to home care package pricing increases (supporting the Fair Work Commission's decision to increase wages across the aged-care sector). Also contributing to the solid revenue growth was the acquisition of MHC which added $108.8 million to the segment revenue for the period post-settlement. The platform's Adjusted EBITDA increased by 11.2 percent to $50.5 million (30 June 2023: $45.4 million).

The **Residential Aged Care** platform had an Adjusted EBITDA increase of 73.4 percent, to $38.8 million (30 June 2023: $22.4 million). Revenue was strengthened through improved occupancy levels over the year which averaged 97.1 percent in mature homes—4.4 percentage points above the sector average of 92.7 percent[3] and 2.3 percentage points above the sector top quartile along with the trade up of its two newest facilities at a stronger pace than projected for the year.

The **Retail** platform delivered an Adjusted EBITDA of $57.2 million, 2.2 percent lower than the prior period (30 June 2023: $58.5 million[2]). The primary drivers of this movement were the return of Private Health Insurance (PHI) claims experience to long-term trend levels and an improvement in the expected credit loss position for the Banking business, which broadly cancelled each other out. Total segment revenue was higher than the prior year mainly due to higher interest income from the Banking business.

The PHI fund delivered the third lowest premium increase in the sector for FY2024[4], at an average of 1.42 percent, compared to the sector average of 3.03 percent[5]. This lower increase for policyholders followed, and was in addition to the 12 month deferral of the FY2023 premium increase of 3.76 percent.

[3] 2024 07 Stewart Brown Aged Care Financial Performance Survey (March 2024): https://www.stewartbrown.com.au/news-articles/26-aged-care/296-2024-07-stewartbrown-aged-care-financial-performance-survey-march-2024

[4] Australian Department of Health and Aged Care, Average annual price changes in private health insurance premiums: https://www.health.gov.au/resources/publications/average-annual-price-changes-in-private-health-insurance-premiums

[5] Australian Department of Health and Aged Care, PHI 16/24 Private Health Insurance Premium Round Announcement: https://www.health.gov.au/news/phi-circulars/phi-1624-private-health-insurance-premium-round-announcement

Despite the challenges faced within a competitive loan environment, Australian Unity Bank experienced solid lending growth with the gross loan portfolio increasing by 20.5 percent.

The **Wealth & Capital Markets** platform delivered an Adjusted EBITDA of $45.5 million, a 1.4 percent decrease on the prior year (30 June 2023: $46.1 million[2]). Total segment revenue increased 12.3 percent to $232.5 million (30 June 2023: $207.1 million[2]). The growth in revenue compared to the prior corresponding period was largely attributable to increased revenue arising from the acquisition of *IOOF Ltd (now AULBL)* offsetting the revenue effects of divesting the Advice business.

The aggregate gross asset value of funds under management, administration and advice (FUMAA) decreased to $18.76 billion at 30 June 2024 (30 June 2023: $28.35 billion). This decrease related largely to the divestment of the Advice business during the financial year.

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This announcement has been authorised for release by:

The board of Australian Unity Limited

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