

6 MARCH 2020

**BUPA AUSTRALIA AND NEW ZEALAND**  
**FULL YEAR STATEMENT**  
**YEAR ENDED 31 DECEMBER 2019**



	<b>Revenue</b>	<b>Underlying profit<sup>1</sup></b>
<b>FY 2019</b>	\$8.6 billion	\$294 million
<b>FY 2018 (CER)<sup>2</sup></b>	\$8.3 billion	\$560 million
<b>% growth (CER)</b>	3%	(47%)

In Australia and New Zealand, difficult market conditions continued from the prior year. Revenue increased by 3% year-on-year to \$8.6 billion, while underlying profit decreased by 47% at constant exchange rates, largely as a result of margin pressures in health insurance and challenges in our Australian aged care businesses. In addition, there were non-underlying items of \$305 million, including \$320 million relating to the impairment of goodwill in our Australian aged care business.

Revenue in our Australian health insurance business was stable but underlying profit decreased by 32% on 2018. This was largely driven by increased claims inflation and volumes which significantly exceeded government approved premium increases, together with lower growth in younger customers taking up insurance as well as significant investment in information technology to enhance, security, privacy and digital services. The full impact was partially mitigated by cost efficiency initiatives. The full year Combined Operating Ratio (COR) of 94% increased by 2ppts (2018: 92%). Despite this, we maintained our position as one of the largest health insurers in Australia, with 26% market share in domestic lives insured. Customer numbers remained in line with 2018 at 4 million. Net Promoter Scores and customer retention significantly improved as a result of our focus on enhancing customer experiences through process and system changes, and more effective communications. We are committed to delivering value for money for customers, addressing affordability issues and reducing out-of-pocket costs, while also supporting further health insurance reform.

Our Health Services business delivered strong year-on-year customer and revenue growth. The new Australian Defence Force contract and continued growth in our dental business through clinic acquisitions and greenfield developments contributed to this result.

Revenue in our Australian aged care business was down, and underlying profit also decreased significantly, driven by lower occupancy and higher operating expenses. Our closing occupancy rate of 83% was 9ppts lower than the same period last year. The number of care homes operating under regulatory sanction during 2019 decreased from a maximum of 15 to five at the end of the year. We continue to work closely with the Department of Health and the aged care regulator, while investing significantly in improved care and support for our residents and their families. During the year, we engaged with the Royal Commission into Aged Care Quality and Safety, which is examining the entire aged care system to deliver improvements for residents now and in the future. The Commission's interim report was delivered in October.

Our New Zealand aged care business performed in line with expectations with our continued investment in new integrated care homes and villages developments. Revenue decreased on last year reflecting the impact of some divestments made in 2018, while lower like-for-like occupancy and higher staffing costs decreased underlying profit. At year end, our occupancy rate was 89%, down 2ppts on last year.

<sup>1</sup> Underlying profit includes:

- Amortisation of intangible assets and goodwill arising on business combinations
- Restructuring costs
- Gains and losses on disposal of fixed assets, and
- Gains and losses on disposal and transaction costs within underlying profit if immaterial from either a quantitatively or qualitative basis

Underlying profit excludes:

- Impairments of intangible assets and goodwill arising on business combinations
- Net gains/(losses) on disposal of businesses and transaction costs on business combinations
- Net property revaluation gains/(losses)
- Other Market Unit non-underlying items
- Other material one-off non-underlying items

<sup>2</sup> CER = Constant Exchange Rate

## BUPA ANZ FY19 FINANCIAL SUMMARY

Bupa A&NZ Results FY19 AUD	Revenue (\$m)				Underlying Profit (\$m)			
	\$m	\$m	\$m		\$m	\$m	\$m	
	2019	2018	Variance	Variance %	2019	2018	Variance	Variance %
Australian Health Insurance	6,883	6,869	14	0%	317	468	(151)	(32%)
Australian Health Services	789	548	241	44%	39	46	(7)	(15%)
BVAC Australia	607	631	(24)	(4%)	(75)	17	(92)	(541%)
BVAC New Zealand	282	291	(9)	(3%)	13	29	(16)	(55%)
<b>Total</b>	<b>8,561</b>	<b>8,339</b>	<b>222</b>	<b>3%</b>	<b>294</b>	<b>560</b>	<b>(266)</b>	<b>(47%)</b>

## BREAKDOWN OF STATUTORY ACCOUNTS INTO SEGMENTAL RESULTS BY BUSINESS UNITS

Profit	Bupa A&NZ Insurance <sup>1</sup>		Bupa A&NZ Healthcare Holdings <sup>2</sup>		Total Bupa A&NZ	
	\$m	\$m	\$m	\$m	\$m	\$m
	2019	2018	2019	2018	2019	2018
<b>Profit before tax</b>	<b>393</b>	<b>532</b>	<b>(328)</b>	<b>9</b>	<b>65</b>	<b>541</b>
<b>Less non-underlying items</b>						
Net finance (income)/costs	(36)	(35)	26	25	(10)	(10)
Impairment of goodwill	-	-	320	65	320	65
Revaluations and disposals of assets	-	-	(16)	(24)	(16)	(24)
Group overheads and other items	(40)	(29)	(25)	17	(65)	(12)
<b>Total non-underlying items</b>	<b>(76)</b>	<b>(64)</b>	<b>305</b>	<b>83</b>	<b>229</b>	<b>19</b>
<b>Underlying Profit (AUD)</b>	<b>317</b>	<b>468</b>	<b>(23)</b>	<b>92</b>	<b>294</b>	<b>560</b>
<b>Underlying Profit (GBP)<sup>5</sup></b>	<b>173</b>	<b>254</b>	<b>(13)</b>	<b>50</b>	<b>160</b>	<b>304</b>
<i>Underlying profit by Business</i>						
Health Insurance <sup>3</sup>	317	468				
Health Services			39	46		
Aged Care Australia <sup>4</sup>			(75)	17		
Aged Care New Zealand			13	29		
<b>Total Bupa ANZ</b>	<b>317</b>	<b>468</b>	<b>(23)</b>	<b>92</b>	<b>294</b>	<b>560</b>

Revenue	Bupa ANZ Insurance <sup>1</sup>		Bupa ANZ Healthcare Holdings <sup>2</sup>		Total Bupa ANZ	
	\$m	\$m	\$m	\$m	\$m	\$m
	2019	2018	2019	2018	2019	2018
<b>Revenue</b>	<b>6,858</b>	<b>6,845</b>	<b>1,679</b>	<b>1,460</b>	<b>8,537</b>	<b>8,305</b>
Other income and gains	25	24	(1)	10	24	34
<b>Underlying revenue</b>	<b>6,883</b>	<b>6,869</b>	<b>1,678</b>	<b>1,470</b>	<b>8,561</b>	<b>8,339</b>
<b>Underlying revenue (GBP)<sup>5</sup></b>	<b>3,741</b>	<b>3,733</b>	<b>911</b>	<b>799</b>	<b>4,652</b>	<b>4,532</b>
<i>Underlying revenue by Business</i>						
Health Insurance <sup>3</sup>	6,883	6,869				
Health Services			789	548		
Aged Care Australia <sup>4</sup>			607	631		
Aged Care New Zealand			282	291		
<b>Total Bupa ANZ</b>	<b>6,883</b>	<b>6,869</b>	<b>1,678</b>	<b>1,470</b>	<b>8,561</b>	<b>8,339</b>

<sup>1</sup> Bupa ANZ Insurance Pty Ltd (BAIPL) is the parent entity of the Health Insurance business.

<sup>2</sup> Bupa ANZ Healthcare Holdings Pty Ltd (BAHH) is the parent entity of the Aged Care Australia, Aged Care New Zealand and Health Services businesses.

<sup>3</sup> The operations of the Health Insurance business are primarily reflected in the financial statements of Bupa HI Pty Ltd (BHI) and also includes small ancillary businesses and corporate overheads.

<sup>4</sup> The operations of the Aged Care Australia business are reflected in the financial statements of Bupa Aged Care Australia Holdings Pty Ltd (BACAH). The total results of Aged Care Australia also includes certain other items, mainly relating to a \$320 million impairment of goodwill recorded within profit before tax.

<sup>5</sup> AUD results translated to GBP at a constant exchange rate.