OCEANIA

ANNUAL SHAREHOLDERS MEETING – CHAIR'S ADDRESS
25 AUGUST 2023

Introduction & acknowledgements

Let me now share with you my own insights and reflections on the past year and where we're headed.

I want to begin by thanking our team, our partners and our shareholders for the support shown to the business.

A great deal of hard work has gone into managing some extraordinary challenges during the year as well as making progress on our longer-term goals to build value.

I would like to acknowledge and thank our team of almost 3,000 team members across all of our sites. Our people have worked extremely hard to continue to deliver outstanding services to our 4,000 residents.

I would particularly like to acknowledge the efforts of our team in going the extra mile for our residents during both the Auckland Anniversary weekend flooding and Cyclone Gabrielle.

Our teams' response to the very significant weather events this country has experienced reflects their dedication and commitment to our goals and values.

These events have also been a wake-up call about climate change and sustainability, and I'll talk a little more in a moment about how as a company we are addressing this at a strategic level.

I also want to thank you, our shareholders for your continued support.

I don't need to tell a room full of experienced investors just how challenging recent market conditions have been.

While these challenges need careful management, it's important we see them within the context of very considerable opportunities ahead and the tailwind conditions for the sector that demand we position ourselves for future growth.

Prudent financial management for the conditions – Capital Management & Dividend Policy

We all know just how challenging the global pandemic was for elder care.

While we have moved beyond the acute phase of the pandemic, with the last of restrictions removed just a fortnight ago by the government, the health and safety of our residents remains paramount. This remains an issue we need to manage carefully.

The acute phase of the pandemic may have receded, but we remain in the midst of its financial repercussions, which as we all know have been significant.

The inflationary environment produced by Quantitative Easing – as well as the war in Ukraine and other factors – remains with us. This was a factor in the decision by the Board in May 2023 to adjust the company's Dividend Policy to a Payout Ratio of 30 percent to 50 percent of underlying Net Profit after Tax.

The adjustment enables a more prudent approach to debt management in an environment of higher interest rates.

It also provides flexibility to retain capital to pursue growth opportunities through all phases of the property cycle.

We were pleased to declare (and of course pay) a final dividend of 1.3 cents per share, which takes full year dividends (non-imputed) to 3.2 cents per share and represents 39 percent of Underlying Net Profit after Tax.

The Dividend Reinvestment Plan for our New Zealand and Australian shareholders was applicable for this dividend, which was paid to shareholders on 21 June 2023.

This reflects a solid performance and continues to demonstrate the company's resilience.

The Board is well aware that we ended the financial year with a market capitalization for the Group below the carrying amount of the Group's net assets and shareholders' funds.

It should be noted that more than 90 percent of total assets at 31 March 2023, were property assets carried at fair value as assessed by both CBRE Limited and Colliers Limited respectively, as independent valuers.

Oceania has demonstrated resilience by navigating a number of industry and market headwinds over recent years and we remain confident in the long-term value of our portfolio, which we believe will deliver for shareholders in the years to come.

Strategic capital management remains a core focus for the Board and management team.

And in an environment of increased funding costs and capital constraints faced by others in the sector, it's not surprising that there has been increased scrutiny of the sector's capital capacity and management.

Rising interest rates and economic uncertainty are seeing a greater focus on cash generation and balance sheet management for Oceania, as well as the sector as a whole.

Oceania has a proven record of cash generation from its existing site developments and, going forward, remains focused on consistently achieving positive outcomes in recycling cash.

Tailwinds for the sector beyond the current cycle

Aside from the short-term challenges, it's important that these are seen within the context of the overall landscape for the sector in Aotearoa New Zealand.

But significant tailwinds for our sector and our business remain.

The most significant is demographic change. Our country's population is aging – and it is doing so as part of a community that is seeking quality life choices and opportunities for their later years.

Consider that, in 1981, 7 percent of Kiwis were in the older demographic. By 2013 that was 14 percent. By 2030, this group will make up 25 percent of the population.

We face not only an aging population, but also an urbanizing one. For example, Auckland is expected to comprise 40 percent of the country's population by 2038.

This aging cohort is less fragile and more independent than ever before. They are healthier, wealthier and more active, including in the workforce. In 2015, for example, just six per cent of the labour force was 65 years or older. By 2038 that ratio may become as high as 13 percent with a forecast labour participation rate of 19 percent - 31 percent, which illustrates just how significant these trends are not only for our business, but also our sector.

So, yes, we are currently dealing with an increase in working capital due to an increase in the average number of days to settle the sale of independent living units.

But these challenges in the residential property market ought not to obscure the real and significant opportunity in front of us, reflected in strong demand from the market for high quality and bespoke product.

Our recent successful launch of The Helier in Auckland is a good example.

We continue to see high levels of enquiry for both our independent living units and care suites across New Zealand, and our unit pricing has remained resilient.

We are also starting to see indications that the residential property market conditions and sentiment are improving, with some units settling within shorter timeframes than we were anticipating.

Brent will provide further detail on our sales progress and comment on our portfolio shortly but it is vital that we continue to position ourselves for future growth.

Governance and Sustainability

In addition to strategic capital management, the Board's focus this year has been on further improving our governance, and to that end, the Board has enjoyed being able to return to meeting in person again over the last year.

Directors have made the most of opportunities to visit many of our sites and meet with residents around the country to receive their feedback which is then incorporated into our continuous improvement processes.

A specific area of our focus, from a governance perspective, has been Sustainability.

I mentioned earlier the impact of extreme weather events and climate change. These issues, coupled with the existing commitment of the business to sustainability, saw the Board establish a dedicated Sustainability Committee, with Rob Hamilton as Chair, Sally Evans as Director, along with myself.

We are responsible for assisting the Board in providing leadership and policy for sustainability initiatives, reviewing progress towards achieving sustainability targets, and overseeing the implementation of Oceania's sustainability strategy.

Sustainability is already an important focus for the business, and we felt it required additional scrutiny and strategic focus at a Board level.

Part of this will be reviewing progress towards identifying and addressing climate-related issues and opportunities.

Climate resilience is a key focus for Oceania to enable long-term value creation. Our first mandatory climate-related disclosures will be released to the market in May 2024.

We released our new Sustainability Framework in May 2023 which sets our goals through until 2030.

Oceania successfully trialed, and has now adopted, the Five Ways to Wellbeing Framework throughout our villages and care centres. This framework is an evidence-based approach to improving health and wellbeing endorsed by the Mental Health Foundation.

We continue to perform well against our care resident wellbeing metric.

Regulation

Another strategic focus for us in the past year has continued to be supporting industry efforts that address government underfunding of the aged care sector.

The demographics are self-explanatory, and the urgency is beyond question, and yet government funding for aged care beds is between just 15 percent to 25 percent that of the hospital sector.

Efforts to achieve pay parity for nurses, for example, in our sector, compared to public hospitals, is taking far too long.

Of course, this funding is a challenge for us all as a country, with some estimates putting age-related provision at 40 percent of government spending by the late 2020s.

But the reality is, that without reform to improve government funding, aged care facilities will continue to close, pushing patients back onto a public health system that is already overloaded.

There are around 14,000 beds in the public hospital sector compared to 40,000 in the aged care sector, and yet our facilities continue to be significantly under-funded.

We have been part of representations to the Government for over a year, and we have contributed to industry investment to define this problem in very clear terms. It is a situation that requires urgent attention.

Looking Ahead

In closing, can I reiterate my thanks to all our team for their efforts and the shear tenacity they have shown in FY23, in tough conditions.

Oceania continues to demonstrate resilience and make considerable progress to ensure that we are well-positioned to build future value.

I would now like to invite our CEO Brent Pattison to share his report with you.

ENDS