OCEANIA

ANNUAL SHAREHOLDERS MEETING – CEO'S ADDRESS
27 June 2024

Introduction

Good afternoon, everyone, and a warm welcome to you all.

It has been a privilege to be the Chief Executive Officer over the last several years, but this will be my last ASM.

It has been an absolute honour to join you, each year, and to see how the business has changed and adapted and succeeded in a tough market.

Oceania is a Team and it's our people's daily efforts that makes this business so great. There are so many moments of brilliance, empathy, and innovation, where our residents truly feel the outworking of our 'believe in better' promise.

Today is an opportunity for me to share with you the great strides we've made in embedding our Five-Year strategy, in repositioning our portfolio, and being well placed in the market with a leading offer.

It's pleasing to present financial results that demonstrate a positive direction of travel, transformation of our property portfolio and execution of our strategy. Our Team have worked hard to achieve these results.

At the P&L level we were pleased to report an increase in our total comprehensive income of $70.5m, up 104%, while our non-GAAP measures of u/EBITDA of $82.6m and u/NPAT of $62.1m are up 3% and 6% respectively on the previous corresponding period. Included in underlying EBITDA are development margins of $35.4m and resale margins of $32.5m.

Operating cashflow and new cash from sales of Occupational Right Agreement (ORA's) have been strong performers at $85.4m, up 22% and $226.3m up 27% on PCP. For our annual sales recognition we have applied a consistent approach with previous years. For a sale to be recognised, we require an unconditional ORA contract to be in place, and where the resident was not in occupation at 31 March we require those residents to have taken occupation within a 2 week period of the balance date.

We have continued to add to the quality of the Oceania portfolio with the delivery of 182 units and care suites in FY2024 and are well advanced on next year's pipeline. Consistent with previous years, units and care suites will be recognised in our development delivery numbers if they are capable of occupation within a set period post balance date and for work to be substantially complete at balance date.

Our divestment program has been successful with six assets sold or under contract above book value in aggregate as at 31 March 2024, providing c.$40m of cash proceeds for deleveraging Oceania and supporting new growth.

It was satisfying in FY24 to not only deliver favorable financial results, but to continue to make progress on our strategy to deliver future value.

Since the IPO in 2017 we have grown the total assets of Oceania by over 200% to nearly $3 billion, operating cashflows by more than 100% to $85.4m and delivered over 1,350 new units and care suites across the full spectrum of property typologies, with the greatest weighting towards high quality, premium apartments, and care suites.

At 31 March over 90% of our total assets are property assets which are carried at fair value as independently assessed by CBRE. No Directors' valuation adjustments were made in the period.

Colliers were also engaged to perform a review of the CBRE's valuation of certain sites in the portfolio comprising 43% of the total value of property assets. This review supported the CBRE valuation.

People often hear me say "we deliver critical infrastructure and essential services" and we set about modernising and transforming the portfolio of properties to the highest levels of Homestar Certification.

We pioneered the introduction of the Nurse Practitioner model. This provides a dual benefit for Oceania, firstly career pathways and retention of our clinical staff and secondly personalised high-quality care for our residents, while traditional New Zealand GP practices are in decline.

We made staying together in later life possible with the introduction of 'Couples Care Suites' and have taken the next step of providing a private personalised care offering at The Helier.

We ambitiously tied our 5-year, $500m sustainability linked loan to performance targets, one of which includes ‘resident wellbeing’

We have had an active M&A agenda, having completed over 21 capital transactions since IPO, six acquisitions and fifteen divestments or closures.

Oceania is well underway with next year’s development program. We have c.$147m of development debt work in progress, and by December 2024 we will have completed c.85% of these units across three key locations in Auckland, allowing time for new sales and pre-sale cash collection in FY2025.

Our development land is fair valued by CBRE and our work in progress is held at cost until such a point that a development is substantially complete and capable of being fair valued by an independent valuer.

We will conclude the last stage of development at our Awatere Village in Hamilton, with 68 Apartments.

At our Meadowbank Village we are well-advanced with a 40 room dementia building, clinically researched with the resident at the heart of its design and completes a 10 year development program at this key Village.

At our greenfield site, in Pukekohe, with site works complete, we are well underway with the construction of a multi year, multi stage development of a wonderful new Oceania community.

Around 85% of our total independent assessed portfolio valuation is represented in 21 of these Village and Care properties. These 21 are either, brand new or had major development within the last 6-7 years, and have an average building age of 3 years. These are new, modern and resident-inspired buildings with minimal ongoing maintenance capital required, delivering exceptional resident service and quality outcomes. They have been built with a 50 year expected life.

As previously communicated, we have been rebalancing the overall product mix, with 44% independent living and 56% care, with a stated intention of getting to 50% ILU and 50% Care as we build out the rest of our portfolio.

Oceania has an attractive, well positioned land bank, across 16 sites, in the golden triangle, central north island and populated South Island locations. These 16 sites are already part of the Oceania family and provide over 1,500 units and care suites for future stages of development.

In 2024 we opened the first premium private care service in New Zealand at The Helier.

Oceania has invested heavily in the care suite model to offset the inadequate funding received from the Government, and to maintain acceptable returns on capital.

At 31 March 2024, 43.4% of Oceania’s total care residences are care suites, licensed to residents under an occupation right agreement model. Care suites deliver additional capital and deferred management fee income (DMF) to the business and improve free cash flow growth as DMF for care suites is realised faster than DMF for villas and apartments. Care suite DMF has grown from $7.8m in FY2020 to $16.2m in FY2024 and this will continue to grow as the pipeline of care suite developments is completed.

The care suite model is now well accepted by the market, and we are continuing to see high levels of demand for our care suites, with 258 care suites sold in the year ended 31 March 2024.

Looking ahead to FY25 and beyond, we will continue to prudently manage our balance sheet as we navigate short-term uncertainty, volatility in the property market, and potential disruption in the broader economy with the impacts of inflation likely to be felt for some time yet.

We continue to invest in our portfolio strategy and transition, knowing not only that this is delivering results for the business, but that it is the key to future value growth.

Our key audiences (target customers) are growing, more than doubling by 2050 and becoming more discerning. The baby boomers are redefining ageing.

The demographics are compelling. By 2030, a mere 5.5 years away, the proportion of the population over 65 years of age will be 25% of the total. New Zealand will have become an ‘older-dominant’ population profile. Life expectancy is on the increase On average we will live to 90 years old and live with better health.

The housing market in New Zealand is on the turn and latest ANZ Economic update signals the first OCR cut in February 2025, rather than May.

The significant investment in repositioning our business puts us in a strong position to capitalise on these undeniable trends shaping a future New Zealand.

Lastly from me I love this business and it has been a privilege to lead Oceania.

Our team of 3,000 are the most dedicated, driven, and enthusiastic individuals and every day they work tirelessly to deliver to our promise of ‘Believe in Better’.

Thank you, our shareholders for your support.

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