Minutes of the Annual Meeting of Shareholders of Oceania Healthcare Limited
Held virtually via Lumi AGM on Thursday 24 September 2020 at 2.00pm

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Present:	Elizabeth Coutts	Chair
	Alan Isaac	Independent Director
	Dame Kerry Prendergast	Independent Director
	Sally Evans	Independent Director
	Gregory Tomlinson	Independent Director
	Patrick McCawe	Independent Director
	Earl Gasparich	Chief Executive Officer

Introduction

The Chair began by welcoming shareholders. She thanked shareholders for their patience and flexibility and noted that the meeting was moved to a fully online Annual Meeting following the extension of the Level 2.5 restrictions in Auckland.

The Chair introduced the Directors and Chief Executive Officer to the shareholders. She noted that Mr Isaac, Dame Kerry, Mr Tomlinson and Mr Gasparich were present in Auckland but that Ms Evans and Mr McCawe were joining the meeting via video link as they both live in Sydney, Australia and were unable to travel to New Zealand.

The Chair also introduced the members of the Senior Management Team in attendance; Mr Pattison (Chief Financial Officer), Mr Stockton (General Manager Property), Mrs Birch (General Manager Operations), Dr Hughes (General Manager, Nursing and Clinical Strategy) and Mrs Thorburn (General Counsel and Company Secretary).

The Chair explained the voting process for shareholder and/or proxy holders and the process for shareholders to ask questions. She noted that questions may be moderated or combined with other questions. Due to time constraints, some questions may not be answered during the meeting and the responses to these questions will be posted on Oceania Healthcare's website following the meeting. The Chair also noted that the results of the meeting will be published to the market later in the day.

The Chair advised that the Notice of Meeting contained the business to be dealt with during the meeting. She advised that no apologies have been received.

The Chair noted that the Company's Constitution prescribes a quorum of shareholders. Based on the information provided from the Share Registrar, she confirmed that a quorum was present.

Proxies

The Chair advised that 614 shareholders holding 183,569,111 shares (equivalent to 29.36%) of the shares on issue were represented at the meeting by valid proxies. The Chair further noted that the Board was holding 179,773,483 of these proxy votes and that the number of proxies to be voted in favour would be advised after each resolution was put before the meeting.

Minutes of Previous Meeting

The Chair advised that the minutes of the previous Annual Meeting were reviewed at the first meeting of Directors of the Company following the Annual Meeting and were confirmed as a true and correct record of the meeting. The Chair further noted that the minutes are available for review on the Company's website.

Annual Report and Financial Statements

The Chair advised that the Company's Annual Report was available to all shareholders on the Company's website and was circulated either electronically or by mail to all shareholders on the register at the time. She stated that the Annual Report would be taken as read and that before taking comments on it she would provide an overview of the year which would be followed by a presentation from the Chief Executive Officer, Earl Gasparich.

Chair's Address

The Chair started by noting that 2020 has been an extraordinary year. She explained that Oceania Healthcare's priority over the last six months has been on protecting and keeping its residents and staff safe from the heightened risk of the COVID-19 pandemic. On behalf of the Board, the Chair thanked staff for their outstanding efforts in this regard. She noted that although the risks associated with COVID-19 have been successfully managed to date, Oceania Healthcare must continue to be vigilant and maintain robust safety standards across all of its aged care centres and retirement villages.

The Chair noted that the Audited Underlying EBITDA from continuing operations of $63.5m for the year ended 31 May 2020 was in line with the prior corresponding period. She noted that this was nonetheless a pleasing result considering the inability to complete retirement village unit sales due to the Government lockdown in the final quarter of the financial year, which coincided with Oceania Healthcare's usual peak sales season, and also given the increased costs that were incurred in the aged care centres in response to the COVID-19 threat. In effect, Oceania Healthcare reported revenue for a period of less than a full year but with more than a full year's worth of expenses.

The Chair provided an update on the execution of Oceania Healthcare's strategy. She explained that Oceania Healthcare is enhancing returns in its aged care business through the completion and sale of its care suites as well as constructing new high quality independent living units. The Chair noted that Oceania Healthcare has completed 688 new independent living units and care suites since the IPO in May 2017. This has included the opening of four new premium aged care centres at Meadowbank and The Sands, The BayView, Awatere and Green Gables. New apartment developments have been completed at Meadowbank, The Sands and Green Gables and new villas at Gracelands, Elderslea, Woodlands and Whitianga. The Chair noted that, together, these developments have added significant incremental value to the company.

The Chair explained that, despite the challenges of COVID-19, Oceania Healthcare is continuing with the execution of its development pipeline and during FY2020 obtained resource consent to develop 229 independent living apartments and 100 care suites at Elmwood.

The Chair noted the progress that Oceania Healthcare has made on its integrated reporting journey during the year, including the preparation of its materiality matrix that was set out in the Annual Report. The Chair also noted that Oceania Healthcare measured its carbon footprint for the first time and is now putting emissions reduction programmes in place across the business (using the base year emissions calculated for the 2019 financial year). The Chair explained that a waste audit of one of the aged care centres has been completed and the outcomes from the audit will be used to form waste reduction programmes at all sites going forward. In addition, Oceania Healthcare started to look at energy usage at a site level and is exploring opportunities to reduce consumption.

The Chair noted the changes to Oceania Healthcare's shareholding since last year's annual meeting, with Oceania Healthcare Holdings Limited having sold its stake in Oceania Healthcare.

The sale marked the end of the involvement of the Macquarie Infrastructure and Real Assets division of Macquarie Group Limited with Oceania Healthcare which started in 2005. The Chair noted that following the sale, Hugh FitzSimons resigned as a Director of Oceania Healthcare. Mr FitzSimons had been a Director of Oceania Healthcare since 2012 and the Chair thanked Mr FitzSimons for his service over many years. The Chair noted that Mr McCawe has remained as an independent Director of Oceania Healthcare. She explained that Mr McCawe brings a range of key skills to the Board, including broad experience with equity and debt markets, capital structuring and investment analysis. The Chair added that the Board decided not to replace Mr FitzSimons given there were no skill gaps amongst the remaining Directors and to reduce governance costs.

The Directors have visited many sites around the country during the year and before lockdown, meeting with staff and observing the culture and day-to-day operations at the sites. The Directors also had the pleasure of meeting with some of the village residents at Hutt Gables, The Sands and Eden and discussing the residents' experiences at the villages. She noted that the Directors enjoyed hearing how much residents are enjoying living in the villages and the Directors welcomed feedback which has been incorporated into Oceania Healthcare's continuous improvement processes. The Directors are looking forward to resuming these visits in the coming months, provided it is safe to do so.

The Chair noted that the Board was pleased to declare and pay a final dividend of 1.2 cents per share, which takes full year dividends (non-imputed) to 3.5 cents per share, representing 50% of Underlying Net Profit After Tax. The Dividend Reinvestment Plan for New Zealand and Australian shareholders also applied to the dividend and this was well received by many shareholders.

The Chair noted that Oceania Healthcare has received approval from the Commissioner of Inland Revenue to change its balance date to 31 March. She explained that the reason for this was to align the balance date with some of Oceania Healthcare's industry peers and also to obtain better coverage from the investment community outside of the school holiday season. Looking forward, Oceania Healthcare will be releasing its financial results for the six months to 30 November 2020 in late January 2021 and the full year result (to 31 March 2021) in late May 2021.

The Chair closed by thanking staff and the Board for their work during the year. The Chair also thanked shareholders for their attendance and support during the past year, and then invited the CEO to address shareholders.

Chief Executive Officer's Address

Mr Gasparich welcomed shareholders to the meeting. He started his address by noting that the COVID-19 pandemic presented significant challenges for Oceania Healthcare, both in terms of the wellbeing of its residents and staff as well as financially, with increased costs in keeping residents and staff safe and effectively not being able to sell a retirement village unit during the final quarter of the financial year.

Mr Gasparich provided an overview of the financial results for the year ended 31 May 2020. He explained that Oceania Healthcare's underlying earnings before interest, tax, depreciation and amortisation was $63.5m. This was in line with the prior corresponding period, despite the Government lockdown restricting sales of retirement village units in the final quarter of the financial year and the additional costs that were incurred in managing the risk of COVID-19 throughout the business.

Mr Gasparich noted that underlying net profit after tax was $42.9m, which was lower than the prior corresponding period due to higher interest and depreciation costs. Over the last 18 months, four new aged care centres have been completed, each of which is classified as property, plant and equipment in the financial statements and this attracts a depreciation charge once complete.

Mr Gasparich advised that operating cashflow increased to $99.4m as a result of strong sale proceeds received from the sale of developments that were completed in the previous financial year, predominantly The Sands and Meadowbank.

He added that total assets increased to $1.5 billion which reflects the capital expenditure invested in the redevelopment programme over the year and completion of new aged care centres. The increase in asset value was despite changes to CBRE's valuation assumptions that led to a decrease in the value of the existing investment property assets. Mr Gasparich explained that the property portfolio was valued by CBRE as at 30 April 2020, when New Zealand had only just exited the Level Four restrictions and was still subject to stringent Level Three restrictions. Accordingly, CBRE reassessed a number of their assumptions to reflect lower property price growth rates, higher discount rates and increased discounts on unsold stock. Mr Gasparich added that, despite these assumptions, to date, Oceania Healthcare has not experienced any decline in prices for the sales that have been achieved since the lockdown restrictions were lifted in the middle of May.

Mr Gasparich explained that as at 31 May 2020, Oceania Healthcare had current drawn debt of $326.7m and $17.6m of cash, representing $110.9m of undrawn net debt headroom. This includes the additional debt facility of $70m that was put in place in early April for a period of 18 months to provide additional headroom given the uncertainties in the near term economic outlook at the time. He added that Oceania Healthcare had previously announced that it intended to explore a domestic retail bond issue in 2020 to provide diversity of funding and tenor and help facilitate Oceania Healthcare's future growth. This process was paused in March when COVID-19 caused significant volatility in global financial markets, but the company is now planning to proceed with the bond issue shortly, subject to market conditions.

Mr Gasparich then provided an overview of Oceania Healthcare's aged care strategy. He referred to the "needs based" nature of the business and that residents and their families make a decision to move into an aged care centre or buy a care suite when the resident needs rest home or hospital level care, rather than for lifestyle reasons. He outlined Oceania Healthcare's strategy to redevelop its portfolio of well-located sites into new aged care centres that generate higher, resident-funded, premium revenue through the deferred management fees generated on ORAs over care suites. He noted that the proportion of premium rooms has increased from 29% at the time of the IPO to 44% now and this is set to increase to 69% as the remainder of the pipeline is developed. Mr Gasparich noted that the aged care centres at Meadowbank, The Sands, The BayView and Awatere are now starting to mature in their operations and despite the disruption to these sites as redevelopment took place, the aged care earnings are now at the point of "inflection" and will increase going forward as Oceania Healthcare continues to execute its strategy.

Mr Gasparich noted that aged care occupancy was 93.7% for the year ended 31 May 2020, compared to 93.2% for the prior corresponding period.

Mr Gasparich then described the impact of COVID-19 on the business and Oceania Healthcare's response to it. He noted that as an essential service, Oceania Healthcare continued to operate during the Government lockdown with stable occupancy levels and regular cashflow received from the Government funded daily care fee as well as additional resident-funded revenue. He added that Oceania Healthcare continued to take applications on care suites and had residents settle and move into care suites during the lockdown period. None of Oceania Healthcare's residents living in its aged care centres or retirement villages have contracted COVID-19 to date and staff were also well protected throughout the pandemic. He noted that additional Government funding was received in late May which partially offset increased costs that had been incurred.

Mr Gasparich noted that although Oceania Healthcare had taken a good level of sales applications prior to the lockdown, restrictions imposed under Alert Level Four meant that there was a delay in settling these transactions. Once these restrictions were eased, sales activity recommenced and Oceania Healthcare recorded strong sales levels throughout June, July and August (26% higher than the same months last year). He noted that 54 apartments and 29 care suites have been sold at The Sands. At Meadowbank, 34 of the 64 apartments in Stage Four and seven of the 26 apartments in Stage Five, as well as 38 care suites, have been sold. He added that many residents who have submitted applications since lockdown have commented about how the lockdown period gave them an opportunity to reflect on their wellbeing and security, with the benefits of retirement villages being more prevalent over this period.

Mr Gasparich then spoke about Oceania Healthcare's people and noted the significant pressures on staff during the lockdown. He explained that Oceania Healthcare worked hard to maintain staffing levels throughout the alert levels and ensure that staff were supported in their roles. Site based operational staff were paid an additional $2/hour during Alert Level Four in recognition of the work they were doing under extreme circumstances.

Mr Gasparich also noted International Nurses Day on 12 May 2020 and explained how each of Oceania Healthcare's registered nurses were given a pair of Allbird shoes to thank them for all their hard work.

Mr Gasparich noted that the employee share scheme was offered to all permanent employees again in 2020. The scheme achieved a 70% uptake last year and 77% uptake this year.

Mr Gasparich also noted the appointments during the year of Dr Frances Hughes CNZM as General Manager Nursing and Clinical Strategy and Brent Pattison as Chief Financial Officer.

Mr Gasparich then spoke about developments. He explained that prior to Alert Level Four, Oceania Healthcare was on track to complete 265 units and beds in FY2020. In the first half of FY2020, Oceania Healthcare completed 90 new care suites at Awatere and 10 villas at Whitianga. In the second half of the year, 26 new apartments at Meadowbank and 12 villas at Elderslea were completed before the lockdown restrictions were imposed. The build rate was slowed in mid-March and contract measures were used to reduce capital expenditure on the ten construction projects that were in progress at that time. Oceania Healthcare's ability to lower the monthly investment in the build programme and effectively match this with future sales of retirement village units means that it was able to prudently manage cashflow and risk in these segments of the business.

After coming out of Alert Level Four at the end of April, work was able to recommence on most of the construction projects and the development of 32 villas at Gracelands and six villas and a new community centre at Woodlands were both completed prior to 31 May 2020. This meant that the total build rate for FY2020 was 176 retirement village units and care suites. There was a slight delay with the completion of Green Gables but Mr Gasparich noted that this project is now complete, with the first residents moving in next week.

Mr Gasparich provided an overview of the sites that are currently under development – Lady Allum, Eden, The BayView Stage Two, The Bellevue and Awatere Stage Two. He also noted that earthworks will be commencing at Waimarie Street in October 2020.

Mr Gasparich noted that the remaining development pipeline of 1,764 units and care suites is 85.7% consented which demonstrates the capability of Oceania Healthcare's in-house development team in the design and planning for new projects. Oceania Healthcare has a well-proven ability to deliver projects on time and on budget which provides the business with a very clear growth pathway over coming years.

Shareholder Questions

The CEO then responded to shareholder questions on the Annual Report and the addresses.

A shareholder asked what progress has been made towards becoming a living wage employer this year. Mr Gasparich noted that Oceania Healthcare's staff are generally registered nurses, healthcare assistants and housekeeping staff. The base rates for registered nurses are now equal to or above the base rates in the DHBs and starting rates are now close to $30 an hour, which is above the living wage. The pay rates for healthcare assistants are set by the equal pay settlement that was achieved in 2017 and are already above the living wage. The pay rates for housekeeping staff depend on their level of qualification, but ranges from just above the minimum wage through to effectively what the living wage is now.

A shareholder asked about the aged care funding claim. Mr Gasparich noted that work was undertaken by the aged care industry as a whole in May 2020 to determine the overall costs incurred by the industry during the COVID-19 outbreak. A claim for over $80m was submitted by the industry to the Ministry of Health but the Ministry only paid $26m to the industry. Mr Gasparich explained that this $26m was allocated to operators based on their bed numbers, so Oceania Healthcare received approximately $2m. He added that industry reports over the years have shown that the sector continues to be underfunded. Oceania Healthcare, and the industry generally, continue to lobby for increases in aged care funding.

A shareholder noted that staff numbers have increased by 200 during 2019 but resident numbers have only increased by 100. The shareholder asked where the extra staff are being deployed. Mr Gasparich noted that when Oceania Healthcare opens a new aged care centre, there is a base level of staff required, even for one resident. Every aged care centre has a Manager, a Clinical Manager, nursing staff, healthcare assistants and cleaning staff so there is a front-loading of staff before residents even move in. This has been the main driver of the increase in staff numbers over the year.

A shareholder noted the increased focus on premium units and care beds with a resident funded focus and asked whether this would mean that Oceania Healthcare will become the leader when it comes to staff pay and conditions. Mr Gasparich responded that Oceania Healthcare is already one of the highest paying employers in the sector, particularly with regard to registered nurses. He explained that Oceania Healthcare's base rates for registered nurses, based on the collective employment agreements that are publicly available, are at the very top end of the sector. He added that unfortunately, Oceania Healthcare and other industry participants are not adequately funded to meet DHB penal rates. The sector continues to lobby for increases to aged care funding so that higher pay rates can be provided to staff and the sector has been specifically lobbying for funding to pay registered nurses at rates equivalent to their counterparts in the DHBs.

A shareholder asked what the motivation is behind the "Handled with Care" campaign. Mr Gasparich noted that one of the key differentiating features of Oceania Healthcare is that it is a care-focused business. Oceania Healthcare's aged care strategy, including its care suite strategy, is its primary focus and is not an adjunct to another part of the business. Oceania Healthcare genuinely believes that it delivers care better than other providers do, with kindness, compassion and respect. The considerable investment in its clinical team in recent times is testament to this. Mr Gasparich explained that the "Handled with Care" campaign built on Oceania Healthcare being a care-focused business and was also a reference to the way that it handled the risks associated with COVID-19.

Election of Director

The Chair moved to the election of Director and noted that as she was to be considered for re-election, she would hand over to Mr Isaac to chair this part of the meeting.

Mr Isaac noted that, under the NZX Listing Rules, a Director must not hold office (without being re-elected) past the third annual meeting following that Director's appointment or three years, whichever is longer. Elizabeth Coutts is therefore offering herself for re-election as a Director. Mr Isaac noted that the Board has determined that, in its view, if re-elected, Mrs Coutts will continue to be an independent Director for the purposes of the NZX Listing Rules. Mrs Coutts stands for re-election with the full support of the other Directors of the Company. Mr Isaac then invited Mrs Coutts to speak in support of her re-election.

Mrs Coutts thanked shareholders for the opportunity to be re-elected as a Director of the Company. She noted that she last presented herself for re-election soon after the IPO in May 2017 and she has been pleased to serve on the Board and be part of Oceania Healthcare's story. She referred to her substantial governance experience and proven record, backed by her approach, which has been described as careful but bold, and noted that this will continue to be useful in adding value for shareholders. She noted that she always has the best interests of the company and shareholders at heart and that she believes she will be able to continue to make a valuable contribution to the company's success.

Mr Isaac put the motion "That Elizabeth Coutts be re-elected as a Director of the Company." Mr Tomlinson seconded the motion.

Mr Isaac asked whether there were any questions for Mrs Coutts concerning the motion. A shareholder noted that Mrs Coutts is the chair of three large companies and has a number of other governance roles. At a time when many chairs are commenting on their extra workload, the shareholder asked Mrs Coutts for an assurance that she is committing sufficient time and energy to Oceania Healthcare. Mrs Coutts provided an assurance to shareholders that she has the capacity to undertake her role. She noted that she has four large roles but that she has either ceased, or is in the process of ceasing, her other governance roles. She also noted that she has a very good support network which enables her to make herself available for these roles. Mrs Coutts added that she has worked very hard all her life and is well organised which means that she can undertake these roles.

Mr Isaac then invited shareholders to vote by selecting one of the options in the polling icon.

After shareholders had voted, Mr Isaac advised that the Board is holding a total of 159,276,577 directed and discretionary proxies which will be voted in favour of this resolution.

Approval of Auditors' Remuneration

The Chair explained that the proposed ordinary resolution is required to authorise the Directors to fix the auditors' remuneration.

The Chair put the motion "That the Directors be authorised to fix the remuneration of PricewaterhouseCoopers as the auditor of the Company for the ensuing year." Mr Isaac seconded the motion. There were no questions for the Board concerning the motion. The Chair then invited shareholders to vote by selecting one of the options in the polling icon.

After shareholders had voted, the Chair advised that the Board is holding a total of 179,530,130 directed and discretionary proxies which will be voted in favour of this resolution.

General Business

The Chair called for any other questions that have been submitted to the meeting.

A shareholder noted that they understood that Meadowbank was going to incorporate a dementia ward. The shareholder asked whether this is still going to proceed and what is the expected timing. Mr Gasparich advised that Oceania Healthcare still planned to construct a dementia building at Meadowbank. He explained that resource consent has been obtained and Oceania Healthcare is currently finalising the design and feasibility analysis for this project.

A shareholder noted that the implementation of Oceania Healthcare's strategy to move from mainly standard beds to premium beds has a lot of front-loaded costs but that this impact is often poorly understood by shareholders. The shareholder suggested that Oceania Healthcare might find a better way to explain its story. Mr Gasparich noted that the uneven profile of earnings over the last three years is largely as a result of the brownfields redevelopment strategy requiring operational disruption in the short term as beds have been decommissioned and construction of new facilities has been undertaken. He explained that, as Oceania Healthcare has now got beyond the majority of that disruption, it is expected that aged care earnings will increase moving forward. As care suites are sold and generate upfront development margins, as well as longer term trail income from the deferred management fee on the ORA, it is expected that there will be a more linear growth profile in Oceania Healthcare's earnings going forward.

A shareholder asked whether there are 10 units unsold and three vacant care suites at The Sands. Mr Gasparich confirmed that this is correct as at today's date.

There being no further questions, the Chair thanked shareholders for their attendance and declared the meeting closed at 2.50pm.

Signed as a true and correct record

EM Coutts

Elizabeth Coutts
Chair