HealthCo Healthcare and Wellness REIT
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ASX RELEASE

30 March 2023

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TRANSFORMATIVE ACQUISITION OF HEALTHSCOPE PRIVATE HOSPITAL PORTFOLIO AND $320 MILLION UNDERWRITTEN EQUITY RAISING

HealthCo Healthcare & Wellness REIT (**ASX: HCW**) today announces that it has entered into arrangements alongside a newly established Unlisted Fund (**Unlisted Fund**) to acquire from Medical Properties Trust, Inc (**NYSE: MPW**), a 100% interest in 11 private hospitals (the **Healthscope Hospital Portfolio**) leased to Healthscope for a purchase price of $1,200m[1].

KEY HIGHLIGHTS

- $1.2bn[1] acquisition ($730m[1] HCW share) secured on attractive terms with HMC Capital Limited (**ASX: HMC**) working jointly with Healthscope to negotiate a compelling transaction for all parties
  - Key lease terms amended which materially improve the tenant covenant and rental growth
  - Attractive 5.8% implied NOI yield[2] with a forecast unlevered IRR of >9%[3]
- Transformational acquisition which significantly improves the income security, scale & quality of HCW's portfolio, underpinned by the 16-year WALE[4], absolute net lease[5] and CPI-linked escalations[6]
  - New Unlisted Fund provides complementary funding partner for HCW to unlock ~$1bn of accretive development opportunities[7] post acquisition with a target ungeared ROIC of 6-8%
- HCW acquiring a 100% interest in 4 hospitals for $256m (**Tranche 1**); and a ~50% equity interest in the Unlisted Fund, which will acquire 7 hospitals for $944m (**Tranches 2 & 3**) (**HCW Acquisition**)
- $320m underwritten Equity Raising (**Equity Raising**) comprising a $89m institutional placement (**Placement**) and a $231m 1 for 1.90 pro rata Accelerated Non-Renounceable Entitlement Offer (**Entitlement Offer**)
- Strong support from HMC by committing to take up to $123m in the Entitlement Offer (including $75m of sub-underwriting), an HMC funded bonus unit (**Bonus Unit**) and an improved cost structure for HCW
- Attractive financial returns driving 7% FFO accretion on pro forma forecast 4Q FY23 FFO of 7.5cpu[8], with pro forma look through gearing maintained at midpoint of 30-40% target range[9]
- FY23 DPU guidance upgraded from 7.5 to 7.6cpu, implying a 5.9%[10] yield on 4Q FY23 annualised DPU
- Increased free float and liquidity. HCW expected to be eligible for future S&P/ASX300 index inclusion

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[1] Excludes transaction costs.
[2] Based on 100% of the Healthscope Hospital Portfolio and includes incremental rent and capex on projects under construction. Passing yield of 5.3% assuming base rent only.
[3] Unlevered IRR of >9% based on 5yr assumed hold period and consistent entry & exit cap rates.
[4] Weighted by Net Operating Income (NOI).
[5] An absolute net lease is a lease basis under which the landlord bears zero costs associated with the property. The tenant pays property outgoings, repairs and maintenance, maintenance and replacement capital including structural repairs.
[6] Subject to 4% cap and 1.5% collar per annum.
[7] Represents estimated end value on a 100% basis.
[8] Accretion calculated assuming estimated first 12-months of FFO from the Transaction is added to HCW pre-transaction annualised forecast 4Q FY23 FFO/unit of 7.5cpu.
[9] Pro-forma look through gearing expected to be 36.0% post completion of the HCW Acquisition, Equity Raising and $125m of Identified Asset Sales. Excluding all asset sales, pro-forma look through gearing is expected to be at the upper end of the 30-40% target range.
[10] Distribution per unit yield at the Issue Price. Annualised 4Q FY23 DPU of 8.0cpu expected to be fully FFO covered on a pro-forma basis.

ACQUISITION OF THE HEALTHSCOPE HOSPITAL PORTFOLIO

Healthscope Hospital Portfolio

The $1.2bn[15] acquisition ($730m[16] HCW share) has been secured on attractive terms with the purchase price representing an implied acquisition NOI yield of 5.8%[11] and an unlevered internal rate of return of >9%[12].

The portfolio represents critical healthcare infrastructure in Australia's major capital cities and benefits from long term absolute net leases (16-year initial term plus 8 x 10 year options) with Australia's second largest private hospital operator.

As part of the transaction, HMC worked jointly with Healthscope to amend key lease terms which have resulted in material improvements for both parties including:

- **Strengthened covenant:** Base rent reset, operator EBITDAR rent coverage of >2.0x[13]
- **Inflation protection:** Base rent escalations renegotiated from 2.5% fixed to CPI-linked[14]
- **Accretive developments**: $255m[18] of committed projects to be rentalised at the greater of 6% or 300bps spread to 10-year Australian government bond yield

Key portfolio metrics	Healthscope Hospital Portfolio[15]	Health Co.[16]
Portfolio value	$1,200m	$730m
Licensed beds	1,435	882
WALE (years)[17]	>16 years *Additional 8 x 10-year lease expiry options*	
Portfolio cap rate	5.1%	
Portfolio acquisition NOI yield[11]	5.8%	
Unlevered IRR[12]	>9%	
Committed capex pipeline[18]	$255m	
Total capex pipeline[18]	>$400m	
Lease escalations[14]	CPI linked	
Lease structure[19]	Absolute net	

[11] Acquisition NOI yield of 5.8% is based on 100% of the Healthscope Hospital Portfolio and includes incremental rent and capex on projects under construction. Passing yield of 5.3% assuming base rent only.
[12] Unlevered IRR of >9% based on 5 year assumed hold period and consistent entry and exit cap rates.
[13] At the facility level.
[14] Subject to 4.0% cap and 1.5% collar per annum.
[15] Reflects 100% of the $1.2bn Hospital Portfolio excluding transaction costs.
[16] Reflects HCW's 100% interest in Tranches 1 & 2 excluding transaction costs.
[17] Weighted by Net Operating Income (NOI).
[18] Estimated end value on a 100% basis assuming yield (greater of 6% or 300bps spread to 10-year Aus 10yr bond yield) rentalised at core portfolio cap rate of 5.1%.
[19] An absolute net lease is a lease basis under which the landlord bears zero costs associated with the property. The tenant pays property outgoings, repairs and maintenance, maintenance and replacement capital including structural repairs.

Acquisition structure and timing

The Healthscope Hospital Portfolio is being acquired in three tranches by HCW and a newly established Healthcare and Life Sciences Unlisted Fund managed by HMC. Tranches 1 and 2 will be settled upfront with Tranche 3 completing on a deferred basis as outlined below:

HCW Direct

- **Tranche 1:** HCW to directly acquire 4 mental health / rehabilitation hospitals for $256m with expected settlement in May-23

Unlisted Fund

- **Tranche 2:** Unlisted Fund to acquire 3 acute care hospitals for $474m with expected settlement in May-23. The Unlisted Fund will be initially capitalised with HCW owning 100% of the equity ($261m[20]) with HCW's ownership reducing to ~50% post settlement of Tranche 3; and
- **Tranche 3:** Unlisted Fund to acquire remaining 4 acute care hospitals for $470m with expected settlement in Jul-Sep 2023[21]. The deferred settlement provides up to 6 months for HMC to complete an unlisted institutional fund raising of $259m[22] (50% of equity in the Unlisted Fund). HMC will backstop the Tranche 3 equity requirement using its increased balance sheet liquidity and debt facility of $350m+[23].
  - HMC is in active discussions with multiple domestic and global institutional investors who are undertaking due diligence

Upon settlement of Tranche 3 in Jul-Sep 2023, HCW will ultimately have interests in 11 hospital assets valued at no less than $730m (**HCW Acquisition**) comprising:

- A direct 100% interest in 4 mental health / rehabilitation hospitals valued at $256m (**Tranche 1**); and
- A ~50% equity interest in the Unlisted Fund, which will own 7 acute care hospitals valued at $944m (**Tranches 2 & 3**)

For additional information on the Healthscope Hospital Portfolio acquisition and broader transaction, please refer to the separately released investor presentation.

OFFER FUNDING

Equity Raising

The HCW Acquisition will be funded through an underwritten $320m equity raising, comprising a $89m institutional placement (**Placement**) and a $231m 1 for 1.90 pro rata accelerated non renounceable entitlement offer (**Entitlement Offer**) at an issue price of $1.35 (**Issue Price**) per unit (**New Unit**).

The New Units (but not any Bonus Units) will be entitled to the distribution of 1.875cpu, which is expected to be declared for the quarter ending 31 March 2023.

HMC will support the Equity Raising by committing to participate in the institutional component of the Entitlement Offer for up to $48m which represents its full entitlement from its 20.9% investment in HCW.

[20] Unlisted Fund to be levered at 45%. Equity contribution excludes transaction costs and acquisition of vendor's existing $35m interest rate swap.
[21] HMC has the ability to defer settlement of Tranche 3 until Sep-23.
[22] Equity contribution excludes transaction costs and acquisition of vendor's existing $35m interest rate swap.
[23] HMC has received indicative commitments from new financiers to increase the debt capacity of HMC from $275m to $350m+. HMC has also received indicative commitments from a number of existing senior facility providers to increase the tenor to July 2024.

In addition, HMC Capital has committed to subscribe for up to $75m of any shortfall in the retail component of the Entitlement Offer.

The $1.35 Issue Price[24] represents a:

- 5.3% discount to TERP[25] of $1.39 on 29 March 2023 (including Bonus Unit issue)
- 8.9% discount to the last trading price of $1.4275 on 29 March 2023 (including Bonus Unit issue)
- 15.9% discount to the 30-day VWAP[26] of $1.55 on 29 March 2023 (including Bonus Unit issue)

Eligible Unitholders who are issued with New Units and investors issued with shortfall units or units in the Placement will also be entitled to receive, without any further action, up to 1 Bonus Unit for every 28 New Units issued, subject to the conditions below:

- Unitholders / Investors must, on the date 6 months after the Retail Entitlement Offer issue date (**Bonus Unit Determination Date**), hold a number of Units exceeding their holding as at the Record Date (**Record Date Holding**). To be eligible for the full entitlement of Bonus Units, that holding must equal or exceed the aggregate of (**Full Entitlement Holding**) (i) the Record Date Holding and (ii) the number of New Units issued to that Unitholder / Investor under the Equity Raising.
- Unitholders / Investors who hold more than their Record Date Holding but less than their Full Entitlement Holding will receive a number of Bonus Units which is proportionally lower than their full Bonus Unit entitlement (see worked example below).
- A new Unitholder coming into HCW through the Equity Raising will, for the purposes of the Bonus Unit entitlement calculation, be deemed to hold zero Units on the Record Date. As a consequence, in order to qualify for their full Bonus Unit entitlement, they need only hold a number of Units equal to the number of New Units they acquired in the issue.
- No Bonus Units will be allocated to a Unitholder / Investor if the number of Units held by them on the Bonus Unit Determination Date is less than their Record Date Holding.

For example, a Unitholder with 100,000 Existing Units would be issued 72,779 New Units (assuming the Unitholder took-up their full pro-rata in the Placement and Entitlement Offer) and be entitled to up to 2,599 Bonus Units.

Bonus Units will be issued for nil consideration, as soon as practicable after the Bonus Unit Determination Date and will rank equally with existing Units on their issue date. The issue of the Bonus Units is being funded by HMC, which has agreed to sell back, for a nominal consideration, a number of Units it holds equal to the number of Bonus Units that are to be issued, as determined on the Bonus Unit Determination Date (**Selective Buy-Back**). As a consequence, the issue of Bonus Units will not be dilutive to HCW Unitholders. The Selective Buy-Back is subject to Unitholder approval by a special majority resolution to be sought at an Extraordinary General Meeting of Unitholders to be held at a later time. The issue of the Bonus Units is subject to the Selective Buy-Back being approved by the requisite majority (75%) of HCW Unitholders.

The Equity Raising (but not the issue of Bonus Units) is underwritten by Macquarie Capital (Australia) Limited and J.P. Morgan Securities Australia Limited.

[24] Assumes the maximum number of Bonus Units are issued.
[25] Theoretical Ex Rights Price.
[26] Volume Weighted Average Price.

Debt

HCW has underwritten debt commitments of $550m in place to refinance and upsize its current debt facilities to acquire the Tranche 1 assets directly[30]

- Facility limit increased from $400m to $550m
- Margin reduced by 20bps, and
- ICR covenant reduced to >1.75x.

In addition, HCW increased its hedging profile in March-23 by entering into interest rate swaps with a combined nominal value of $175m, replacing the arrangements in place as at H1 FY23

- 49% of post transaction pro-forma debt hedged

The Unlisted Fund has underwritten debt commitments of $550m in place to acquire the Tranche 2 and Tranche 3 assets and will have initial gearing of 45%.

Asset sales

HCW has committed to undertake a minimum of $125m of asset sales, expected to be contracted for sale by the time of settlement of the HCW Acquisition (**Identified Asset Sales**). This is to ensure an appropriate level of gearing is maintained with reference to HCW's 30-40% target range.

IMPROVED BASE MANAGEMENT FEE STRUCTURE

HMC has agreed to improve HCW's cost structure following the significant increase in the scale of the entity post the acquisition. Base management fees will step down from 0.65% to 0.55% on incremental GAV >$800m.

FINANCIAL IMPACTS

- Proforma forecast 4Q FY23 FFO per unit of 8.0 cents which implies 7% accretion vs. existing 4Q FY23 run rate FFO of 7.5cpu[31]
  - HCW remains on track to achieve previously provided FY23 FFO guidance per unit of 7.1 cents[32] absent of the HCW Acquisition and Equity Raising
- FY23 DPU guidance upgraded from 7.5cpu to 7.6cpu (4Q FY23 DPU of 2.0 cents), which HCW expects to be FFO covered on a pro forma basis[33]
  - Annualised 4Q FY23 DPU of 8.0cpu[34] implying a distribution yield of 5.9% at the Issue Price
- Gearing maintained at the midpoint of the 30-40% target range
  - Pro forma 31 December 2022 look through gearing of 36.0% post transaction[35] and post completion of Identified Asset Sales

[30] HCW pro forma headroom post refinance and prior to settlement of Tranche 1 assets is $340m.
[31] Accretion calculated assuming estimated first 12 months of FFO from the Transaction is added to HCW pre transaction annualise d 4Q FY23 FFO/unit of 7.5cpu.
[32] Including this transaction, statutory FFO guidance reduces to 6.9cpu due to timing.
[33] Including this transaction, statutory FFO guidance reduces to 6.9cpu due to timing. Initial distributions post acquisition will be partially debt funded due to lease incentives.
[34] Annualised 4Q FY23 DPU of 8.0cpu expected to be fully FFO covered on a pro-forma basis. Initial distributions post HCW Acquisition, Equity Raising and $125m of Identified Asset Sales will be partially debt funded due to lease incentives.
[35] Gearing reduces to 32.8% post $75m of additional asset sales (via balance sheet selldown or selldown to Unlisted Fund). Excluding all asset sales, pro forma look through gearing is expected to be at the upper end of the 30-40% target range.

HCW Senior Portfolio Manager, Sam Morris said, *"Today's announcement marks a significant milestone in HCW's strong growth trajectory since IPO less than 2 years ago. An acquisition of this scale and quality is a rare opportunity to invest in an integrated network of private hospitals that serve as critical healthcare infrastructure. The result is a materially transformed HealthCo as it relates to income security, scale & quality of the portfolio, which is positioned to benefit from favourable long-term industry fundamentals.*

"Our partnership with Healthscope has resulted in a much more compelling transaction with HCW benefiting from a significantly improved tenant covenant and rental growth upside via CPI-linked indexation and higher development returns. We expect the increase in free float and liquidity following the equity raising will result in HCW satisfying eligibility requirements for future S&P/ASX300 index inclusion."

HCW Chair, Joseph Carrozzi said, *"This acquisition transforms HCW into Australia's largest diversified healthcare REIT with greater exposure to critical healthcare infrastructure in Australia's major capital cities. HCW is well positioned to continue to unlock significant value and growth via its enlarged ~$1bn development pipeline post this transaction. Importantly, the establishment of the unlisted fund provides HCW with a strategic and complementary funding partner for major healthcare development opportunities."*

ADDITIONAL INFORMATION

Additional information about the acquisitions and the Entitlement Offer, including certain risks, are contained in the investor presentation released to the ASX today.

Investor and analyst briefing teleconference call

A briefing for investors will take place via a conference call at 9:00am AEDT (Sydney time) on Thursday, 30th March 2023.

Participants must pre-register for the conference call.

***Pre-registration link**:* https://s1.c-conf.com/diamondpass/10029682-8qk9wi.html

Following pre-registration, participants will receive the teleconference details and a unique access passcode.

INDICATIVE TIMETABLE

Event	2023
Announcement of Equity Raising	Thursday, 30 March 2023
Institutional Placement and Entitlement Offer bookbuild	Thursday, 30 March 2023
Announcement of results of the Placement and Institutional Entitlement Offer	Friday, 31 March 2023
HCW units recommence trading	Friday, 31 March 2023
Entitlement Offer Record Date (7:00pm AEDT)	Monday, 3 April 2023
Retail Entitlement Offer opens	Thursday, 6 April 2023
Early Retail Acceptance due date (5:00pm AEDT)	Friday, 14 April 2023
Settlement of New Units issued under the Placement and Institutional Entitlement Offer and Early Retail Acceptances	Monday, 17 April 2023
Allotment and trading of New Units issued under the Placement and Institutional Entitlement Offer and Early Retail Acceptances	Tuesday, 18 April 2023
Retail Entitlement Offer closes (5:00pm AEDT)	Thursday, 20 April 2023
Announcement of results of the Retail Entitlement Offer	Wednesday, 26 April 2023
Settlement of New Units issued under the Retail Entitlement Offer	Thursday, 27 April 2023
Allotment of New Units issued under the Retail Entitlement Offer	Friday, 28 April 2023
Commencement of trading of New Units issued under the Retail Entitlement Offer	Monday, 1 May 2023
Record date for distribution	Tuesday, 2 May 2023
Estimated date of Extraordinary General Meeting	June 2023
Bonus Unit Determination Date (7.00pm, Sydney time)	Monday 30 October 2023
Bonus Unit Issue Date	By Tuesday, 21 November 2023

The above timetable is indicative only and subject to change. The commencement and quotation of New Units is subject to confirmation from ASX. Subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable rules. HealthCo Healthcare and Wellness REIT reserves the right to amend this timetable at any time, either generally or in particular cases, without notice.

-ENDS-

This announcement is approved for release by the Board of the Responsible Entity

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About HealthCo Healthcare & Wellness REIT

HealthCo Healthcare & Wellness REIT is a Real Estate Investment Trust listed on the ASX focused on owning healthcare and wellness property assets. The REIT's objective is to provide exposure to a diversified portfolio underpinned by healthcare sector megatrends, targeting stable and growing distributions, long-term capital growth and positive environmental and social impact.

Important Notice - Forward-Looking Statements

This announcement contains certain forward-looking statements, which may include indications of, and guidance on, future earnings and financial position and performance. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks, uncertainties, assumptions, contingencies and other factors, many of which are beyond the control of HCW. Actual results, performance or achievements may differ materially from those expressed or implied in those statements and any projections and assumptions on which these statements are based. No guarantee, representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns, statements or tax treatment in relation to future matters contained in this announcement. The forward-looking statements are based only on information available to HCW as at the date of this announcement. Except as required by applicable laws or regulations, HCW does not undertake any obligation to provide any additional or updated information or revise the forward-looking statements or other statements in this announcement, whether as a result of a change in expectations or assumptions, new information, future events, results or circumstances.

Past performance and pro forma historical financial information is given for illustrative purposes only. It should not be relied on and it is not indicative of future performance, including future security prices.

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General

In addition, this announcement is subject to the same "Important Notice and Disclaimer" as appears on slides 4 to 6 of the Investor Presentation with any necessary contextual changes.