

GENERATION **HEALTHCARE** REIT
(ASX CODE: GHC)

2017 HALF YEAR RESULTS PRESENTATION

20 FEBRUARY 2017



GENERATION
HEALTHCARE REIT

generationreit.com.au

AGENDA➤

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GENERATION HEALTHCARE REIT OVERVIEW ►

GENERATION HEALTHCARE REIT – OVERVIEW ►

Only dedicated healthcare property entity listed on the ASX

- Fund established in 2006
- Healthcare property pure play
- Defensive sector given unique and growing demand profile
- High quality portfolio of 16¹ properties including hospitals, medical centres, aged care, laboratories and other purpose-built healthcare facilities
- Quality tenants, high occupancy and long weighted average lease term
- Strong total return outperformance
- Attractive organic growth profile
- Management with long dated sector specific experience across a global platform

QUEENSLAND

ARCBS, Kelvin Grove
Pacific Private Clinic
Spring Hill
RSL Care Baycrest
RSL Care Tantula Rise

NEW SOUTH WALES

Westmead Rehabilitation
RSL Care Darlington
Waratah Private Hospital (debt) investment
Waratah Private Hospital Ground Floor Suites

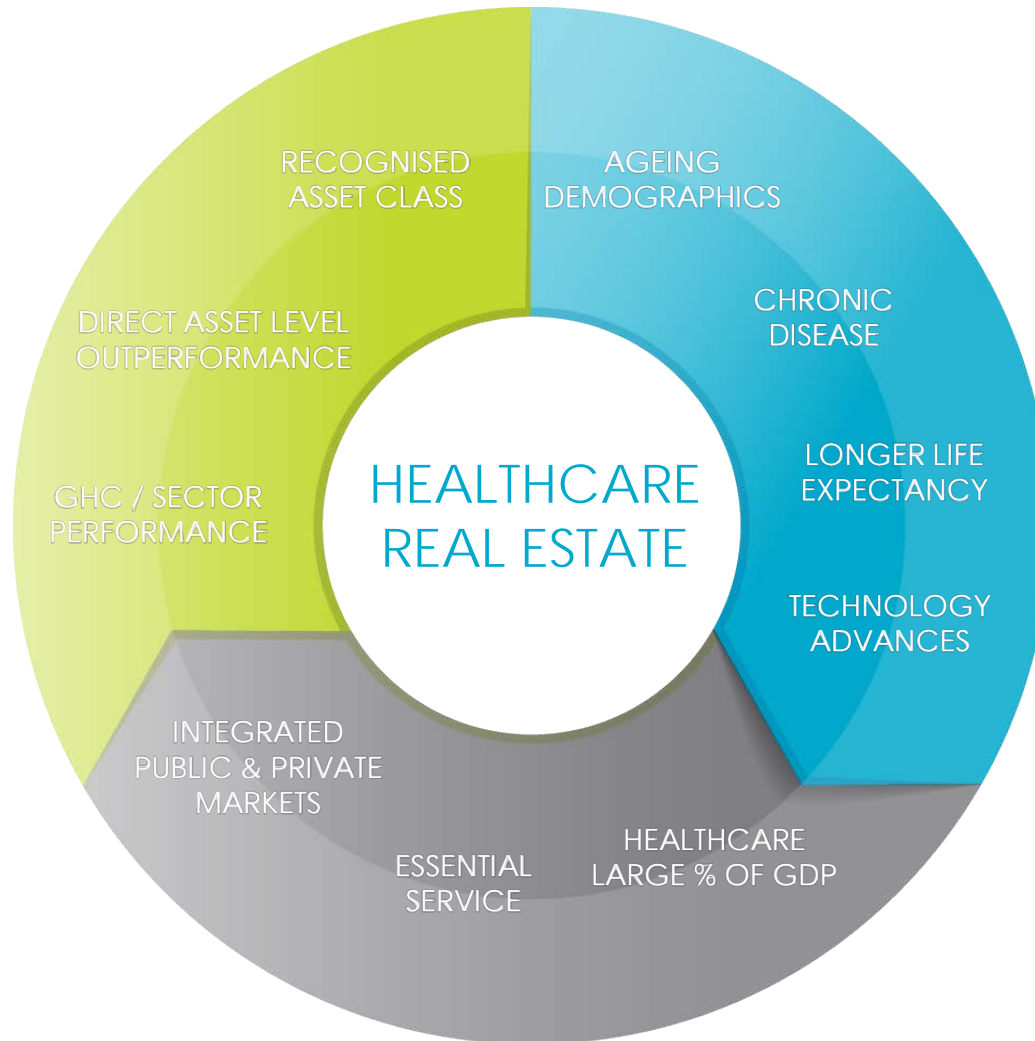
VICTORIA

Epworth Freemasons Victoria Pde
Epworth Freemasons Clarendon St
Frankston Private Hospital
Frankston Private expansion²
Frankston Specialist Centre
Harvester Centre
Casey Specialist Centre
St John of God Berwick Hospital²
Epping Medical Centre (debt) investment

1. Excludes debt interest in Waratah Private Hospital and Epping Medical Centre

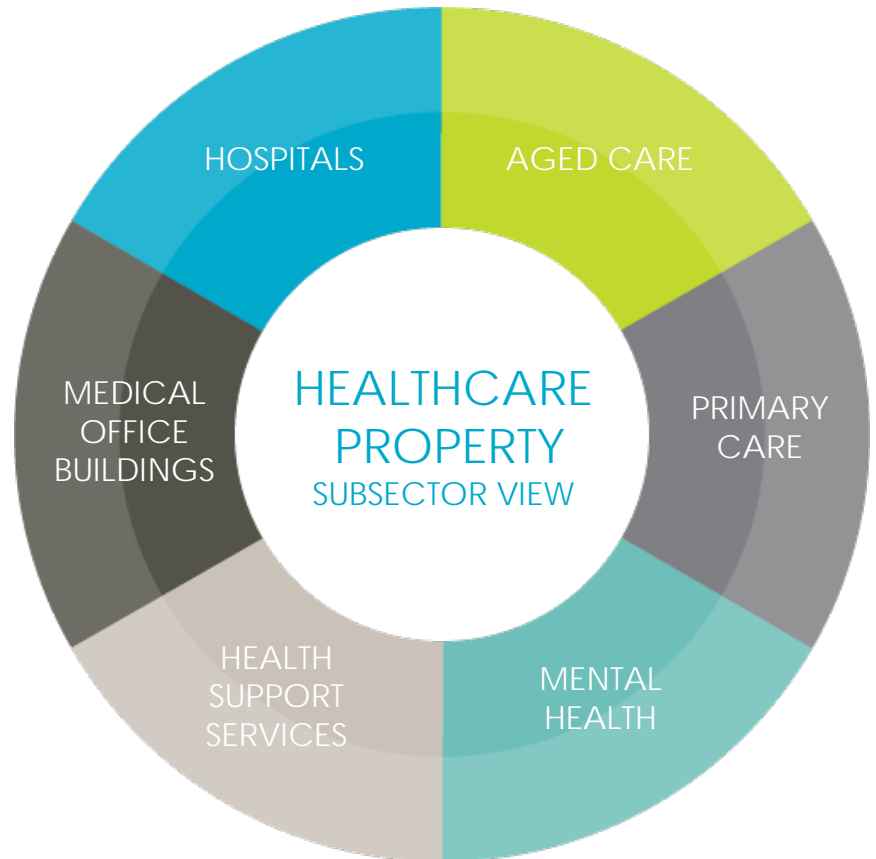
2. Currently under construction

HEALTHCARE REAL ESTATE RATIONALE ➤



GHC MANDATE AND INVESTMENT UNIVERSE ➤

To invest into high
quality healthcare
property to derive
attractive risk
adjusted returns
for our investors



GHC – A SNAPSHOT➤

TOTAL ASSETS
\$621 million

NTA PER UNIT¹
\$1.54

NET DEBT AS % OF
TOTAL ASSETS
34.2%

NUMBER OF PROPERTIES²
16

OCCUPANCY³
98.7%

WALTE³
12.1 years

FY17 FORECAST UNOI
10.24 cpu

FY17 FORECAST DPU
8.973 cpu

FY17 FORECAST
INCOME YIELD⁴
4.67%

1. Excludes non-controlling interests

2. Excludes Leading Healthcare which has been sold (settled 11 Jan 2017) and the debt interests in Waratah Private Hospital and Epping Medical Centre

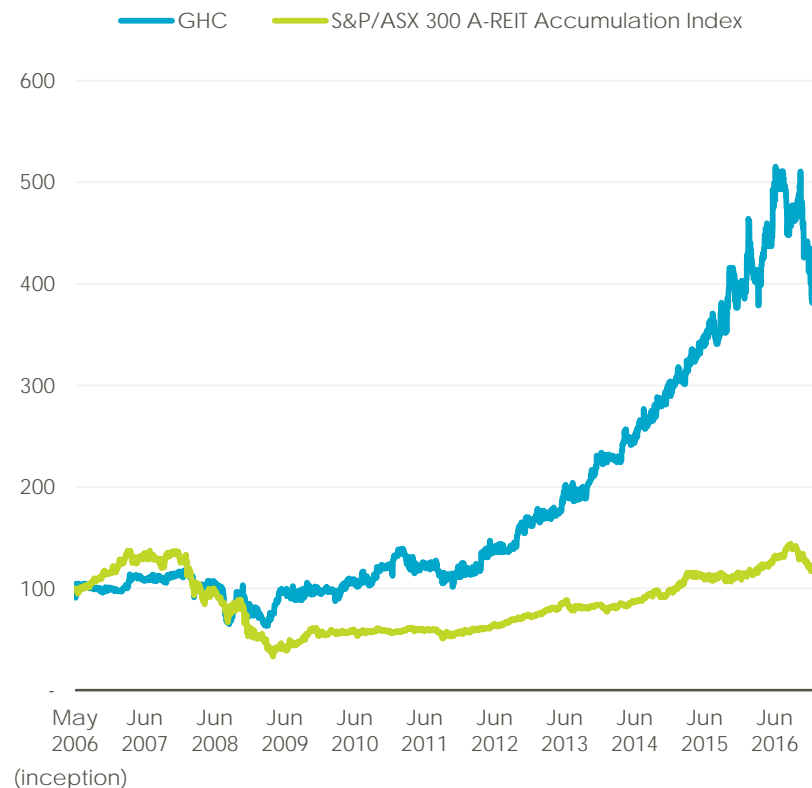
3. Excludes Leading Healthcare which has been sold (settled 11 Jan 2017)

4. FY17 forecast DPU of 8.973 cpu divided by the closing unit price on 17 February 2017 of \$1.92

GHC PERFORMANCE ➤

Strong outperformance over the medium and longer term

Returns Per Annum	GHC ¹	Benchmark	Over / (Under) Performance
6 months ²	(10.9%)	(2.6%)	(8.3%)
1 year	(0.1%)	13.2%	(13.3%)
3 years	24.0%	18.0%	6.0%
5 years	30.1%	18.5%	11.6%
7 years	23.7%	12.5%	11.2%
10 years	16.2%	0.3%	16.0%
Since Inception (May 2006)	15.5%	2.7%	12.8%



Source: IRESS as at 31 December 2016 close

1. Capital appreciation of GHC units during the year, assuming reinvestment of distributions paid
2. Six month return is for the 6 month period, not annualised

WHY HEALTHCARE PROPERTY➤

- Healthcare industry stands to benefit from long-term industry demand drivers
- Healthcare is largely a mandatory spend rather than discretionary
- Healthcare real estate assets are well placed to capture long term growth and value creation taking place within the broader healthcare industry
 - Relatively low levels of institutional ownership of healthcare property provides opportunity
 - Property sector-leading historical risk-adjusted returns (as measured by independent research house MSCI) since the inclusion of health property in the indices from 2007
 - High barriers to entry
 - Stable regulatory environment and politically sensitive to material changes
 - Largely purpose built facilities



HEALTH SECTOR IN AUSTRALIA - SNAPSHOT➤

Scale and Growth of the Health Sector

Scale

- Expenditure on healthcare in Australia was estimated to be \$161.6 billion in 2014-15¹:
 - up from \$81.1 billion in 2004-05¹
- Expenditure on healthcare was 10.0% of GDP in 2014-15¹:
 - up from 9.8% in 2013-14 ¹; and
 - up from 8.8% in 2004-05 ¹
- Health is the largest sector employer in Australia²

Demand

- Rapidly ageing and growing population
- Advances in technology generating more health solutions
- Increase in non-age related diseases (e.g. obesity and diabetes)
- 46.6% of Australians currently hold Private Health Insurance hospital cover³

Growth

- Expenditure growing at 5.0%¹ per annum in real terms driven by unique demand drivers
- Private sector taking an enhanced role in Australian healthcare delivery

Increasing demand for services = increased demand for infrastructure

1. Australian Institute of Health and Welfare – “Health Expenditure in Australia 2014-2015”

2. Australian Bureau of Statistics, Labour Force, Quarterly, December 2016

3. Australian Prudential Regulation Authority, Private Health Insurance Quarterly Statistics, December 2016

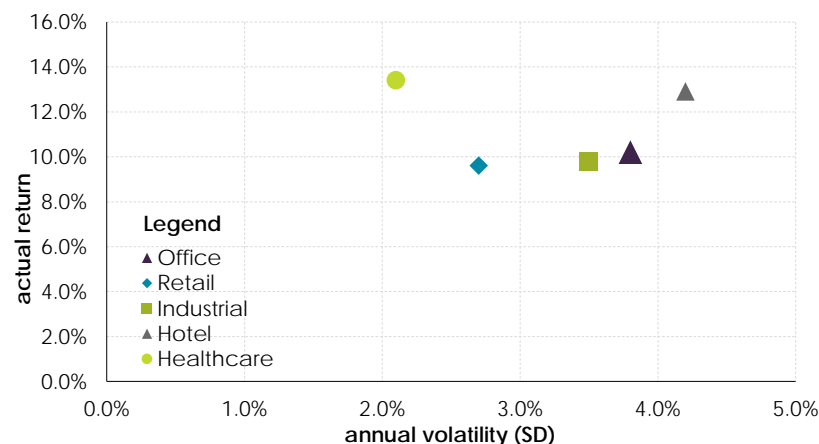
AUSTRALIAN HEALTHCARE PROPERTY PERFORMANCE ➤

- Independent research house MSCI launched a healthcare property index in March 2012
- 5 participants, circa \$2.3 billion of property over an 12 year duration to 31 December 2016
- **Healthcare property sector delivered:**
 - the highest return
 - highest risk adjusted return
 - lowest risk
 - lowest downside risk
- The healthcare property sector has the **lowest correlation with other property sectors** making it a desirable addition to a diversified property portfolio

Property Sector annualised observations to 31 December 2016¹

Sector	Annual return	Return volatility	Sharpe ratio
Healthcare	13.4%	2.1%	4.3
Office	10.2%	3.8%	1.5
Retail	9.6%	2.7%	1.9
Industrial	9.8%	3.5%	1.5
Hotel	12.9%	4.2%	2.0

Risk-reward trade-off for property sectors¹



1. Source: MSCI for the 12 years ended December 2016



HY17 HIGHLIGHTS▶

HY17 HIGHLIGHTS➤

Fund highlights during HY17

Measure	Highlight
UNOI	➤ Underlying Net Operating Income (UNOI) was \$11.2 million ¹ up 3% on the prior corresponding period (pcp)
Distributions	➤ 4.4865 cpu for the December 2016 half year up 1.5% on pcp
Portfolio growth	<ul style="list-style-type: none">➤ Like-for-like rental growth of 2.9% on pcp➤ Material property revaluation gains of \$26.6 million
Acquisitions / investments	<ul style="list-style-type: none">➤ October 2016 – Epping Medical Centre initial debt investment of \$28.7m with put and call to acquire 50% of the building and option to acquire 10,000 sqm adjacent site➤ December 2016 – Acquired a site for \$800k plus costs adjacent to Westmead Rehabilitation for expansion of the existing hospital over time
Disposals	➤ December 2016 – Unconditional contract to sell Leading Healthcare Bendigo for \$12 million (net proceeds of \$11.4 million), a 9% premium to the 30 June 2016 independent valuation

1. UNOI excludes: property revaluations, movements in derivatives, lease surrender and new tenant incentives associated with change of significant tenant at ARCBS and Manager's performance fees – refer Appendix A

HY17 HIGHLIGHTS (CONTINUED)➤

Fund highlights during HY17

Measure	Highlight
Organic Growth	<ul style="list-style-type: none">➤ \$45.5 million expansion (GHC share \$29.5 million) of Frankston Private now nearing completion. Earlier completion than previously guided – expected rent start date of April 2017➤ \$114 million (GHC share \$44.8 million) Casey 2 project well advanced, 48% complete as at end January 2017. Forecast completion late calendar 2017➤ Schematic design for \$72 million Clarendon St projects (GHC share \$36 million) completed and now advanced to design development phase. Construction and debt tenders in first quarter CY17. Subject to a satisfactory tender results, project forecast to start end 1st half calendar 2017
Capital Management	<ul style="list-style-type: none">➤ Debt – extended \$64.5 million of NAB Head Trust facility to 31 March 2019, maintained weighted average facility term at 2.4 years➤ DRP Equity – June 2016 half year take up of 23% raising \$2.2 million and December 2016 half year take up expected to be circa 27% raising approximately \$2.7 million



FINANCIAL RESULTS▶

SUMMARY P&L AND BALANCE SHEET➤

Strong operating result

- **Underlying Net Operating Income (UNOI)** – increased by 3% as a result of contracted rental growth, additional rent from full occupancy of Casey Specialist Centre and rent from Waratah ground floor suites (acquired Jan 2016). Reduced ground rent from Victoria Parade freehold (Dec 2015). Interest income increase from debt investment in Epping Medical Centre. Partially offset by increased finance costs from the debt funding of Waratah ground floor suites, Epping Medical Centre and Victoria Parade
- **Statutory profit** – increased by 195%, positively impacted by increase in UNOI, material increase in property revaluations, and a material net gain on change in fair value of derivatives

Robust balance sheet

- **Total assets** – up \$105.2 million as a result of revaluation increases, investment in Epping Medical Centre, project expenditure at Casey 2 and Frankston and capex on existing properties
- **Gearing** – increased to 34.2% with debt drawn to fund the investment in Epping Medical Centre, debt drawn for Casey 2 and Frankston Private construction projects and capex, reduced by a material increase in value of property portfolio

P&L	HY17	HY16	Change
UNOI	\$11.2m	\$10.8m	3% ▲
UNOI per unit	5.10c	5.05c	1.0% ▲
Statutory profit (attributable to unitholders)	\$43.7m	\$14.8m	195% ▲
Distributions per unit	4.4865c	4.4200c	1.5% ▲

Balance Sheet	Dec 2016	June 2016	Change
Total assets ¹	\$620.9m	\$515.7m	20% ▲
Gearing ²	34.2%	28.3%	5.9% ▲
NTA ³ / unit	\$1.54	\$1.38	\$0.16 ▲
“Property” NTA / unit ⁴	\$1.58	\$1.45	\$0.13 ▲

1. Including minority interests

2. Net debt to total assets excluding minority interests

3. Excluding minority interests

4. NTA excluding minority interests and interest rate derivatives

Refer to Appendix A for details of financial statements

PROFIT BRIDGES

UNOI Bridge from HY16 to HY17

- Key drivers of the movement between HY16 and HY17 UNOI include:
 - Increase in net property income - \$0.8 million, predominantly due to contracted rental growth, additional rent from full occupancy of Casey Specialist Centre, acquisitions of Waratah ground floor suites and Victoria Parade land freehold
 - Increase in finance costs – (\$0.5 million) due to debt funding of acquisitions and investment in Epping Medical Centre
 - Increase in responsible entity's base fees given a larger asset base – (\$0.2 million)
 - Decrease in other general operating costs – \$0.1 million

Reconciliation of UNOI to Statutory Profit

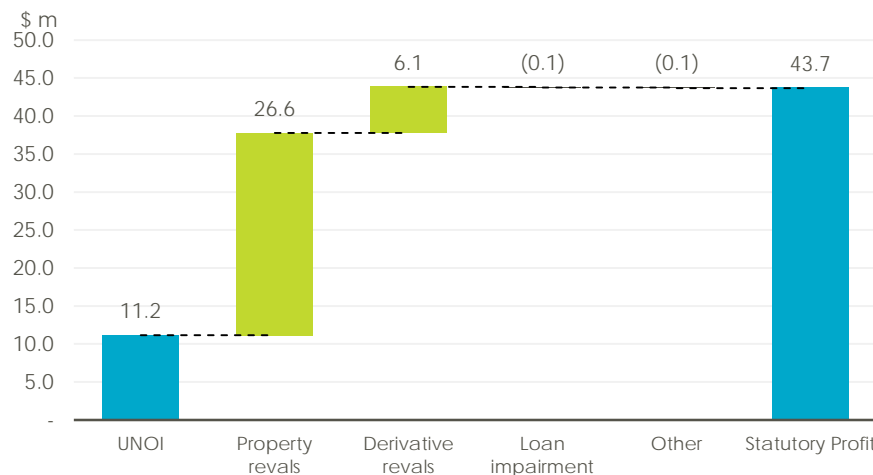
- Key differences between UNOI and Statutory Profit:
 - Property revaluations - \$26.6 million^{1,2}
 - Derivative revaluations - \$6.1 million²
 - Loan impairment – (\$0.1 million) Waratah Private Hospital debt investment

1. Includes adjustments for straight lining of rents
 2. Excludes minority interests

UNOI Bridge \$m



HY17 Statutory Profit Bridge \$m



MOVEMENT IN NTA ➤

Movement in NTA per unit

- Key drivers of the movement between June 2016 and December 2016:
 - UNOI and Distribution - \$0.05 and (\$0.04) cents per unit, respectively
 - Property revaluations - \$0.12 per unit
 - Derivative revaluations - \$0.03 per unit

NTA per Unit¹ Bridge



1. Based on 219 million units on issue and excludes amounts attributable to minority interests



PORTFOLIO UPDATE▶

PORTFOLIO OVERVIEW

Portfolio demonstrates the defensive nature of the health sector

	HY17	HY16
Net property income	\$15.4m	\$14.6m
Occupancy (by income)	98.7%	98.4%
Tenant retention (by expiring income)	66.1%	100.0%
Weighted average lease term	12.1 yrs	12.3 yrs
Like-for-like rental growth	2.9%	2.1%
Number of properties ¹	16	17
Number of tenancies	115	111



55 Little Edward Street, Spring Hill, QLD

- Rental growth on like-for-like basis of 2.9%
- Net property income was 5% higher due to rental growth, increase to full occupancy for Casey Specialist Centre, 6 months rent from Waratah Private Hospital ground floor suites and decrease in ground rent with purchase of Victoria Parade land freehold
- Continued strong portfolio occupancy (98.7%), marginally higher due to the disposal of Leading Healthcare Bendigo, and successful leasing up at Spring Hill and Casey Specialist Centre (both 100% occupied), offset by lower occupancy at Pacific Private Clinic (84.6%) reflecting the expiry of the Healthscope lease for consulting areas
- Tenant retention (66.1%) reflects the expiry of the Healthscope lease for medical consulting at Pacific Private as a result of the opening of the new Gold Coast Private Hospital at Parklands in the Southport market. Certain of these areas have been released to Healthscope on a shorter term or directly to doctors
- Weighted average lease term reduced marginally to 12.1 years due to the progression of time but positively affected by new leasing at Pacific Private, Frankston Private and Spring Hill

1. Excludes Leading Healthcare which has been sold (settled 11 Jan 17) and debt investments in Waratah Private Hospital and Epping Medical Centre

LEASING ACTIVITY➤

New leases and renewals totalled \$1.75 million of annual net rent and 5,097 sqm during an active first half

- 8 new leases (\$0.55 million commencing net rent) were completed including:
 - 4 new leases across 684 sqm at Pacific Private, filling some of the former Healthscope consulting suites
 - 4 new leases at Spring Hill (557 sqm), Frankston Private (136 sqm), Kelvin Grove (135 sqm) and Casey Specialist Centre (101 sqm)
- 11 lease renewals across 3,484 sqm (\$1.2 million net rent) were also completed including:
 - 3 tenants at Harvester Centre
 - Healthscope agreeing to maintain a reduced presence at Pacific Private (797 sqm)
 - 6 tenants across Victoria Parade, Frankston Private and Spring Hill (collectively 1,182 sqm)



PORTFOLIO OVERVIEW

Rental growth driven by fixed and CPI reviews

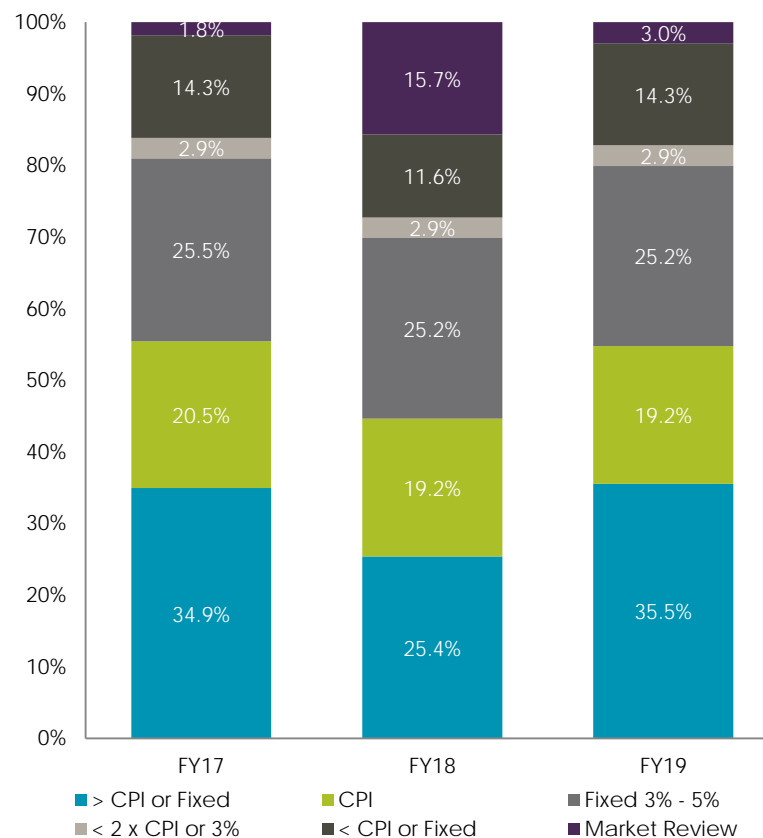
Rent reviews

- Majority of rent reviews in FY17, FY18 and FY19 are structured reviews, 98.2%, 84.3% and 97.0% respectively
- Market rent reviews in FY17 apply to 1.8% of portfolio net rent, with approximately half of these reviews relating to Pacific Private Clinic. A further 0.6% relates to Spring Hill and 0.3% relates to Harvester Centre
- Market reviews in FY18 apply to 15.7% of portfolio net rent, with 10.1% relating to the ARCBS lease at Kelvin Grove (considered to be in line with market rent)

Lease expiry management

- Leases representing 3.3% of portfolio net rent were due to expire in HY17 :
 - 5 leases (1.2% of portfolio net rent) were renewed to existing tenants (Pacific Private, Victoria Parade, Spring Hill, Harvester Centre and Frankston Private), 2 leases (0.8% of portfolio net rent) were relet to new tenants (Pacific Private) and 2 leases (0.6% of portfolio net rent) remain on holdover (Pacific Private)
 - 2 leases (0.7% of portfolio net rent) were not renewed and are currently being offered to the market (Pacific Private)

Rent review profile (by income)¹



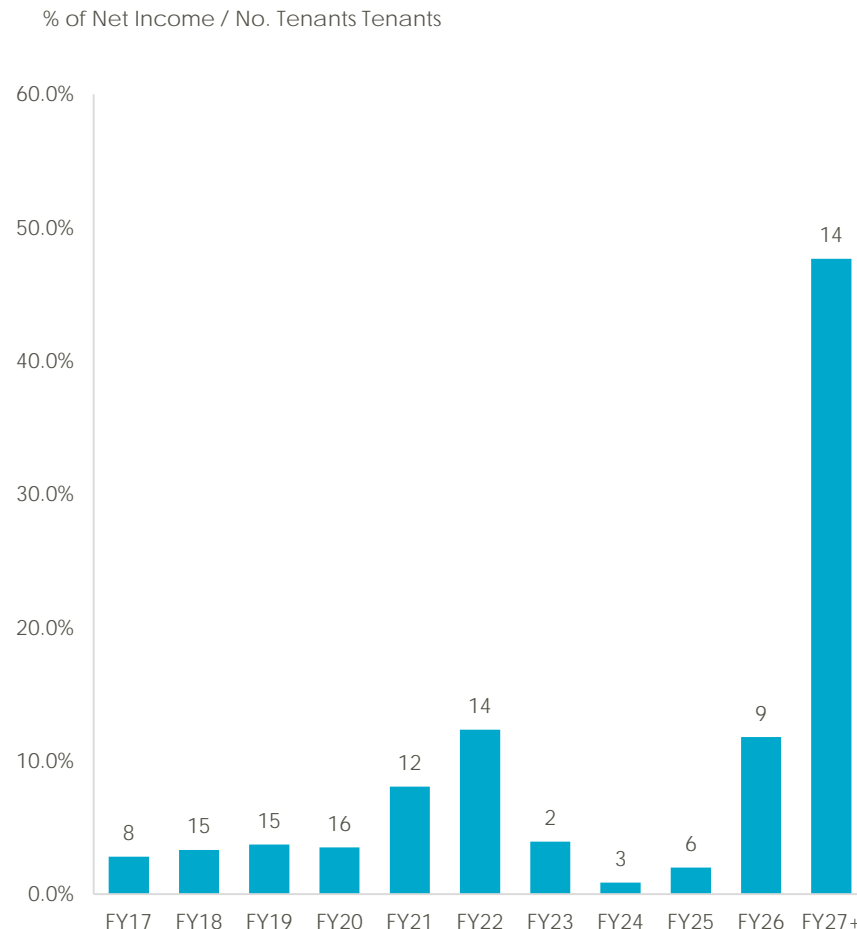
PORTFOLIO OVERVIEW

Long dated lease expiry

- Portfolio WALTE of 12.1 years
- Remaining FY17 lease expiries represent 2.8% of portfolio net rent. Notable expiries include:
 - Spring Hill: Rent Guarantee (1.1% of portfolio net rent) and Harness Financial Services (0.2% of portfolio net rent)
 - Pacific Private: Healthscope (0.7% of portfolio net rent), and other tenants collectively representing 0.2% of portfolio net rent
 - Victoria Parade: 2 tenants collectively representing 0.4% of portfolio net rent
 - Harvester Centre: 1 tenant representing 0.1% of portfolio net rent

Management has known outcomes for 44% of remaining FY17 expiries as follows:

- 38% of expiries are for Spring Hill where new leases have been executed (includes 76% of the Rent Guarantee space).
 - 6% of expiries have advised their intention to vacate (all at Pacific Private)
 - The balance expiring later in FY17 is still to be determined and will be actively progressed during the year.
- Circa 50% of all expiries by income are more than 10 years away



PORTFOLIO OVERVIEW➤

Property portfolio value up

- Property values increased 5.7%¹ on the book value immediately prior to the end of the half year
- 58.9%¹ of the property portfolio (by value) was independently valued at 31 December 2016. Over the past 12 months, 100%¹ of the property portfolio (by value), has been independently valued
- The weighted average capitalisation rate has compressed to 6.67%¹ compared to 7.01% as at 30 June 2016 (34 bps compression) and 7.61% as at 31 December 2015 (94 bps compression). This reflects a firming of the overall property market and a strong appetite for healthcare property combined with the high quality of GHC portfolio including assets supported by organic growth
- Independent valuations undertaken at 31 December 2016 experienced a firming of cap rates between a range of 50bps to 75bps.²



ARCBS Headquarters

1. This metric excludes the Casey and Frankston development projects (as they are held at cost during development) and the disposal of Leading Healthcare Bendigo (settled 11 Jan 2017).
2. This metric excludes Waratah Private Hospital Ground Floor (Strata) which was recently acquired, previously held at cost and as such has not previously had a valuation cap rate.

PORTFOLIO OVERVIEW

Property portfolio value up materially

Property	Dec 2016 Cap rate	Dec 2016 Book value (\$m)	Change in book value from Jun 2016 (\$m)
Epworth Freemasons Victoria Pde, VIC	6.25%	77.8	5.5
Epworth Freemasons Clarendon Street, VIC	5.50%	48.7	4.1
Frankston Private, VIC ¹	6.00%	26.3	4.4
Harvester Centre, VIC	7.00%	19.0	1.8
ARCBS, Kelvin Grove, QLD	7.05%	81.5	2.5
RSL Care RDNS Tantula Rise, QLD	7.25%	19.1	0.1
RSL Care RDNS Baycrest, QLD	7.25%	15.3	-
RSL Care RDNS Darlington, NSW	7.25%	14.3	-
Pacific Private Clinic, QLD	8.25%	32.9	(0.3)
Westmead Rehabilitation, NSW	7.00%	27.0	0.3
Spring Hill, QLD	6.75%	64.0	6.0
Casey Specialist Centre, VIC	6.00%	31.8	3.8
Frankston Specialist Centre, VIC ¹	5.75%	1.6	0.1
Waratah PH Ground Floor Suites, NSW	6.75%	7.3	1.8
Total / Weighted Average	6.67%	466.5	29.9
Casey 2 Project, VIC	-	25.8	15.9
Frankston Private Expansion, VIC ¹	-	23.1	14.8
Leading Healthcare Bendigo, VIC	-	11.4	1.0
Total	-	60.3	31.7
Total / Weighted average	6.67%	526.8	61.6

Comments

The **Victoria Parade** book value has increased 7.6% (\$5.5m) over the half year. The independent valuation as at 31 December 2016 incorporated a 50 bps compression to the capitalisation rate, the discount rate and the terminal yield, reflecting the recently observed metrics of comparable market transactions

The **Clarendon Street** book value has increased 9.1% (\$4.1m) during HY17. The independent valuation undertaken at 31 December 2016 saw a 50 bps compression to the capitalisation rate, reflecting the long term triple net nature of the lease and the expansion opportunities presented by the proposed Grey St Centre development and major underground car park

The **Frankston Private** property saw a 19.9% (\$4.4m) uplift over the half year and was independently valued as at 31 December 2016. The uplift in value was largely the result of a firmer capitalisation rate (reduced 75 bps) with valuation uplift recognising market sales evidence as well as the progress of the hospital expansion supporting the broader campus which is nearing completion

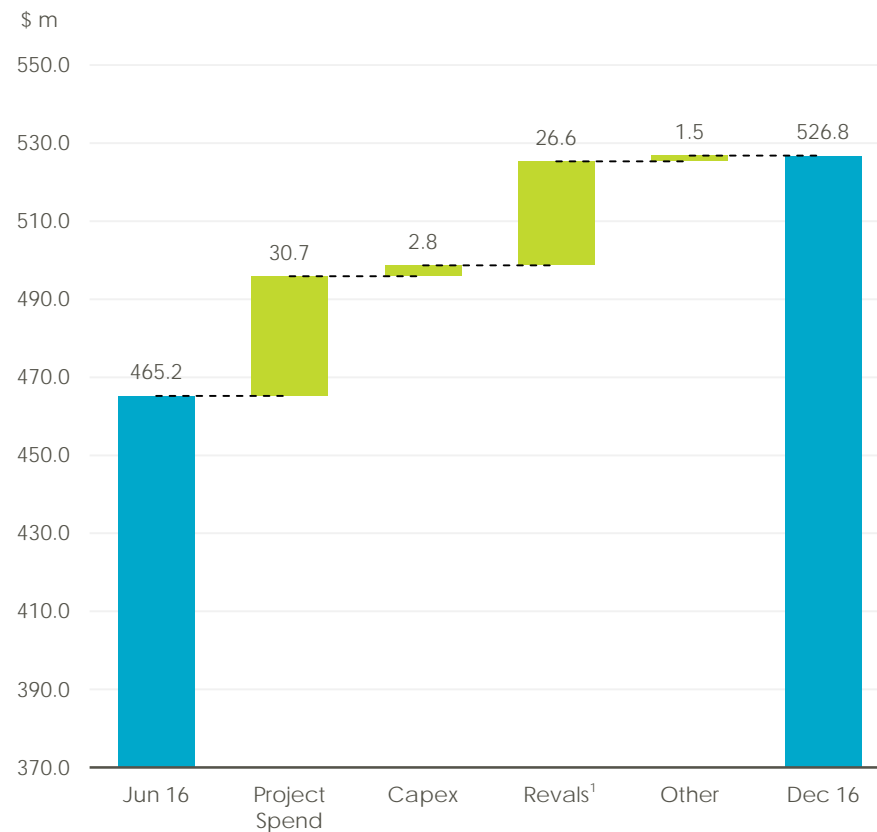
The **Spring Hill** property saw a 10.3% (\$6.0m) uplift over the half year and was independently valued as at 31 December 2016. The uplift in value was largely the result of a firmer capitalisation rate (reduced 50 bps) with valuation uplift recognising recent market transactions as well as leasing deals completed following the rebrand of this property as a health facility

1. GHC share of the properties excluding minority interests

PORTFOLIO OVERVIEW

Movement in portfolio carrying value

- Revaluation uplift of \$26.6m driven by Spring Hill (\$5.7m), Victoria Parade (\$5.4m), Frankston (\$4.4m), Clarendon Street (\$3.85m) and Casey Specialist Centre (\$3.6m)
- Development costs of \$30.7m associated with the Casey Private Hospital (\$15.9m) and Frankston Private expansion (\$14.8m) projects
- Capital expenditure of \$2.8m consisting primarily of Waratah Private Hospital Ground Floor (Strata) (\$2.0m) and expenditure at Pacific Private (\$0.6m) mainly related to the replacement of air-conditioning plant
- Other capitalised items of \$1.5m related primarily to leasing costs, finance lease costs and acquisition costs



1. Includes straight line lease revenue recognition but excludes Leading Healthcare Bendigo which has been sold (settled 11 January 2017)



HY17 TRANSACTIONS ►

RECENT TRANSACTION SUMMARY ►

October 2016

► Investment into Epping Medical Centre

- Epping Medical Centre is a high quality 10,042 sqm specialist medical centre located in Epping, VIC and approximately 400 metres from Northern Public Hospital. Currently 52% let to high quality tenants including to Genesis, MIA, Sonic and Tristar. Upside opportunity to income from leasing the balance
- An initial investment of \$28.7m via a senior and subordinated loan structure providing a blended return of 6.45%. A further \$2m value enhancement facility is available
- Put / call agreement for GHC to acquire 50% interest in the medical centre for \$17.5m (to be funded by partial repayment of the loans)
- Three year option to acquire 10,000 sqm adjacent site for \$4m provides the ability to establish a scale private hospital over time



December 2016

► Westmead expansion land

- Acquired site for \$800k plus costs adjacent to Westmead Rehabilitation for expansion of the existing hospital over time. Concept planning for expansion underway

► Sale of Leading Healthcare Bendigo

- Entered into an unconditional contract to sell the Leading Healthcare Bendigo building for \$12 million (net proceeds of \$11.4m)
- Given size and location of the property, it was determined as non-core with an attractive 9% premium to 30 June 2016 independent valuation achieved
- Proceeds have initially been applied to debt reduction (Settled January 2017) but will be recycled at the appropriate time









ORGANIC GROWTH PIPELINE➤

ORGANIC GROWTH PIPELINE OVERVIEW

Building growth in unitholder value

		Status	Start Date	Expected Completion / Construction Period	Forecast Total Project	Ownership Share	Forecast GHC Share	Income Return
Under construction								
	Frankston Private Expansion	Under Construction	December 2015	April 2017	\$45.5 m	65%	\$29.5 m	8.50% ²
	Casey Private Hospital (Stage 2)	Under Construction	January 2016	Late CY17	\$114.0 ³ m	50% base build 90% car park	\$44.8 ⁴ m	8.00% ²
Total under construction					\$159.5m		\$74.3m	
	Grey Street Centre (GSC) and Albert Street car park (ASCP) ¹	Heritage Permit and Planning Permit issued	Late first half CY17 ¹	Circa 22 months	Circa \$72 m	50%	Circa \$36 m	Car park: 8.25% ² , Grey St Centre: 8.50% ²
Total under construction or construction pending ⁵					Circa \$231.5m		Circa \$110.3m	
Other								
	Waratah Private Hospital (debt investment)	Work in progress	N/A	N/A	-	-	-	N/A

1. Dependent on successful construction and debt tenders and governance approvals
2. The income return is the contracted rental yield applied to the forecast total project cost
3. Includes tenant funded hard fitout
4. Includes contingency of circa \$2m not currently forecast to be expended
5. GSC and ASCP conditional on governance and finance

ORGANIC GROWTH PIPELINE➤

Frankston Private Hospital Expansion project

Project Summary

- Healthscope, Australia's second largest private hospital operator, pre-committed, via a head lease, to a major expansion to provide inpatient beds, additional theatres and car parking
- Facility expansion via return on cost model. Estimated project cost of \$45.5 million (GHC share 65%, being \$29.5 million)
- Master planning provides for longer term development via multiple future stages subject to demand
- 20 year lease to Healthscope to commence from practical completion with 6 month rent free to provide for hospital ramp up
- Ancillary development site leased for 10 years from November 2014 to Healthscope for medical consulting
- Return on cost project with rental to be 8.50% of the project cost
- Annual reviews to the lesser of 2x CPI or 3%



Frankston Private Hospital Expansion – Artists impression

ORGANIC GROWTH PIPELINE➤

Frankston Private Hospital Expansion project

Update

- Watpac the builder, are progressing well on site with completion of the works currently forecast for April 2017
- Watpac completed the structure in September 2016 and the façade in December 2016
- The builders focus is currently on completing fit-out works including installation of services, joinery, tiling and painting
- Commissioning of the building commencing shortly for staged handover in March / April 2017
- Expected to be completed on budget and before the time guided to market of late FY17
- Development upside to be booked at the end of the FY17 3rd quarter

Commenced construction	December 2015
Percentage complete as at 31 January 2017	76% ¹
Forecast total project cost	\$45.5m - on budget
Expected completion	April 2017



Frankston Private Hospital Expansion – February 2017 progress



Frankston Private Hospital Expansion – February 2017 progress

1. Total Expenditure as % of Total Forecast Project Cost – GHC Share

ORGANIC GROWTH PIPELINE➤

Casey Stage 2

Project Summary

- Co-ownership with St John of God Health Care (SJGHC) with:
 - 50%/50% on base building and 90% (GHC) / 10% for car park
 - SJGHC to fund 100% of building hard fit-out
- SJGHC to head lease the hospital for an initial 20 year term and 5 x 15 year options
- GHC to retain 100% ownership of Casey Stage 1 with GHC and SJGHC to co-own the land for Casey Stage 3
 - Casey Stage 3 land provides for hospital expansion including additional beds, theatres and medical consulting
- Total investment for the Fund of circa \$44.8 million¹ to be funded via project specific debt and equity (equity via debt at the Head Trust level using balance sheet capacity)
- Return on cost project with rental to be 8.0% of the project cost and annual reviews of 3% fixed



1. Includes contingency of circa \$2 million not currently forecast to be expended

ORGANIC GROWTH PIPELINE➤

Casey Stage 2

Update

- The project has been progressing well with the builder Hansen Yuncken completing the structure in early November 2016
- The façade works commenced in October 2016 with the building now over 50% clad
- Internal fit out works are significantly advanced on the lower floors
- Development upside to be booked based on a percentage of completion basis from 31 March 2017 quarter end

Commenced construction	January 2016
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Percentage complete as at 31 January 2017	48% ¹
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Forecast total project cost	\$114 million - on budget
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Expected completion	Late calendar 2017
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Casey Stage 2 – December 2016 progress



Casey Stage 2 – December 2016 progress

1. Total Expenditure as % of Total Forecast Project Cost – GHC Share

ORGANIC GROWTH PIPELINE➤

Epworth Freemasons Clarendon Street

Project Summary

- Circa \$72 million development, including a new specialist centre to be known as the Grey Street Centre (GSC) to include specialist suites, a GP clinic, 12 additional beds, 3 operating theatres, 1 endoscopy suite and separately a circa 309 bay underground carpark known as Albert St carpark
- Linking existing and proposed cancer services across the Clarendon Street campus including radiotherapy, chemotherapy and consulting
- Project to be 50/50 joint venture with Epworth Foundation
- Return on cost project with blended rental of circa 8.30% on the project cost
- 20 year head lease to Epworth for both GSC and Albert St carpark
- Annual rent reviews greater of CPI and 3.0% / 3.5%
- Lodged town planning application in December 2015. A heritage permit was issued in May 2016 and a town planning Permit was issued in August 2016

Update

- Detailed design currently being progressed with main works and debt to be tendered shortly. Forecast to commence late first half calendar 2017 subject to successful tenders
- Project subject to finance and governance approval



Grey Street Centre – Artists impression



Epworth Freemasons Clarendon Street Site

ORGANIC GROWTH PIPELINE➤

Waratah Private Hospital

Background

- A first ranking secured debt investment over the facility
- Evolution Healthcare contracted as hospital operator and Generation Healthcare Management contracted as property manager
- Longer term growth opportunity for GHC

Update

- \$2.7 million¹ of enhancements works initiated in late 2016 to create an extensive rehabilitation gym and hydrotherapy pool. The gym was completed in December 2016 with the pool works forecast to complete late February on program
- Facility continues to ramp up with improved theatre utilisation and increased occupancy of the 94 inpatient beds



1. \$2 million funded by GHC based on a 7% return, balance funded by tenant



CAPITAL MANAGEMENT▶

CAPITAL MANAGEMENT➤

Equity

Item	Outcome
Distribution	➤ Distribution of 4.4865 cents per unit up 1.5% on pcg
Payout Ratio	➤ Payout ratio of 88% of UNOI
DRP	<ul style="list-style-type: none">➤ June 2016 half year take up of 23% (raising \$2.2 million) and December 2016 half year take up expected to be circa 27% raising approximately \$2.7 million➤ DRP will remain open until further notice with a 2% discount

Debt

Item	Outcome
Facility Term	➤ Extended \$64.5 million of NAB Head Trust facility to 31 March 2019, maintaining weighted average facility term of 2.4 years

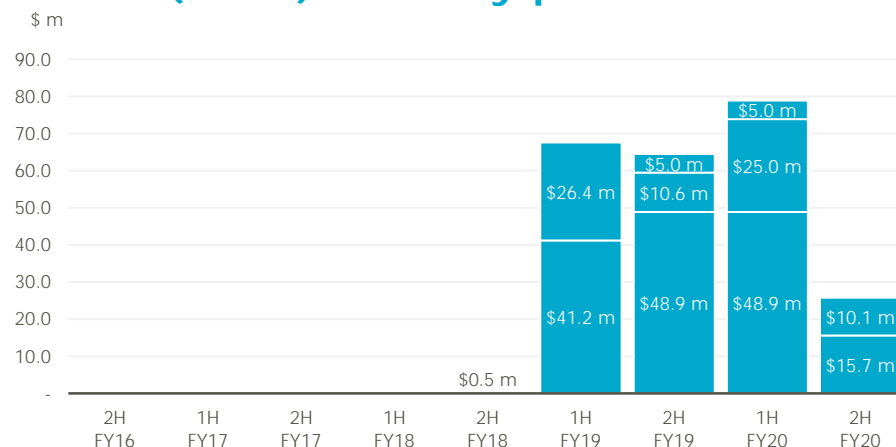
CAPITAL MANAGEMENT - DEBT ➤

Debt position

- Undrawn debt lines of \$8.6 million exist for general and corporate uses plus \$30.8 million (GHC share) in relation to construction funding for projects underway
- Further \$11.4 million from the sale of Bendigo in January 2017 will be applied to reduce debt
- Extended \$64.5 million of Head Trust debt to March 2019
- Diversification of maturity risk profile
- Interest rates on debt for organic growth projects has been hedged
- Casey Stage 2 and Frankston Private expansion are being funded by project level debt with equity portion having been funded via debt at the Head Trust level
- Tender in first quarter CY17 on \$36 million required for Clarendon St projects
- Considering debt restructure to simplify structure and extend tenor

1. Excludes the restatement of the ground lease at Australian Red Cross Blood Service as a finance lease liability
2. Excludes forward start hedges

Debt (limits) maturity profile \$m



Debt profile

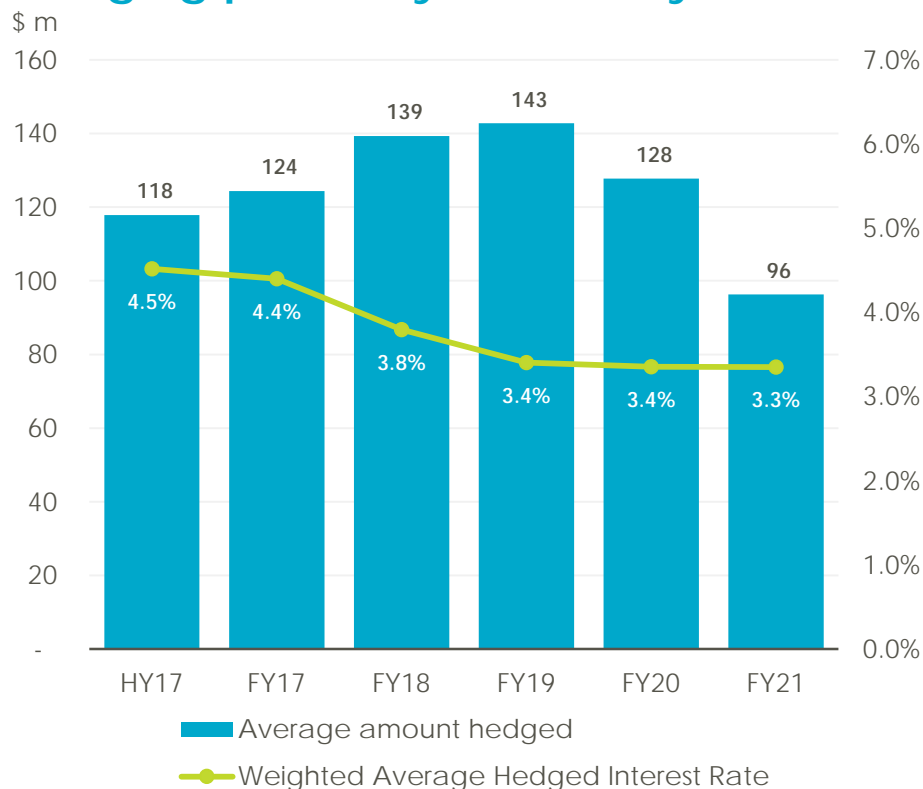
	Dec 2016	Jun 2016
Gearing ¹	34.2%	28.3%
Weighted average facility term	2.4 yrs	2.4 yrs
Weighted average hedged term ²	4.3 yrs	4.4 yrs
Weighted average cost of debt	5.07%	5.81%
% fixed/hedged	61%	84%

CAPITAL MANAGEMENT - DEBT ➤

Hedging summary

- Average debt hedged HY17: \$118 million
- Weighted average interest rate of hedged debt (excluding line and margin) HY17: 4.5%
- 4.3 years weighted average maturity of hedges at 31 December 2016¹
- Higher hedged rates reflect historical swaps
- Focus on mitigating interest rate risk through the cycle
- Contains interest rate swaps for project construction payments and post practical completion

Hedging profile by financial year



1. Excluding forward start hedges



OUTLOOK▶

OUTLOOK▶

Forecast FY17 Underlying Net Operating Income Per Unit

- ▶ UNOI of 10.24 cpu for FY17

Forecast FY17 Distribution Per Unit

- ▶ Reaffirm a forecast DPU of 8.973 cpu for FY17

FY18 Upside to earnings

- ▶ The debt funded organic growth projects at Frankston Private and Casey Stage 2 will deliver enhanced earnings growth in FY18 and FY19

1. Excludes any performance fees to the manager that may become due and payable

KEY AREAS OF FOCUS FOR MANAGEMENT➤

1. Continue to grow operational earnings and distributions
2. Continue active management of the portfolio including leasing to drive value
3. Actively manage the completion of the \$45.5 million Frankston Private expansion project (circa \$29.5 million for GHC)
4. Actively manage the construction of the \$114 million co-owned Casey Stage 2 project (circa \$45 million for GHC)
5. Progress the Epworth Freemasons Clarendon Street projects to financial close
6. Consider growth opportunities that add value to the Fund, including via the Collaboration Agreement with RSL Care RDNS



APPENDICES ►



APPENDIX A – DETAILED FINANCIAL STATEMENTS➤

Operating Income Statement

	Half year ended 31 December 2016 (\$m)	Half year ended 31 December 2015 (\$m)
Revenue		
Net property income	15.4	14.6
Interest Income	0.9	0.7
	16.3	15.3
Expenses		
Finance costs	(3.5)	(3.0)
Responsible Entity's fees ¹	(1.4)	(1.2)
Other	(0.2)	(0.3)
	(5.1)	(4.5)
Underlying Net Operating Income	11.2	10.8

1. This is the base management fee excluding any performance fee entitlement

APPENDIX A – DETAILED FINANCIAL STATEMENTS ►

Balance Sheet

	31 December 2016 (\$m)	30 June 2016 (\$m)
Current assets	18.6	5.9
Current assets	18.6	5.9
Trade and other receivables	20.8	20.5
Loans carried at amortised cost	36.7	7.4
Investment properties	544.2	467.6
Deposits on investment properties	-	14.3
Derivatives	0.6	-
Non-current assets	602.3	509.8
Total assets	620.9	515.7
Payables	17.2	11.6
Borrowings	0.4	0.4
Derivatives	3.3	3.3
Distribution payable	9.8	9.6
Current liabilities	30.7	24.9
Payables	0.8	3.2
Borrowings	206.8	146.3
Derivatives	6.1	11.9
Non-current liabilities	213.7	161.4
Total liabilities	244.4	186.3
Net assets	376.5	329.4
Issued Units	243.8	241.6
Retained earnings	93.6	59.7
Equity attributable to unitholders	337.4	301.3
Non-controlling interests	39.1	28.1
Total equity	376.5	329.4
Net tangible assets (NTA) per unit	\$1.54	\$1.38
Property net tangible assets (NTA) per unit¹	\$1.58	\$1.45

1. Excluding the fair value of derivatives

APPENDIX A – DETAILED FINANCIAL STATEMENTS ►

Cashflow Statement

	Half year ended 31 December 2016 (\$m)	Half year ended 31 December 2015 (\$m)
Rental and other property receipts	19.7	16.9
Property & other payments	(4.7)	(5.9)
Distributions received from equity accounted investment	-	0.8
Borrowing costs paid	(3.4)	(3.3)
Interest received	0.4	1.8
Net cash provided by operating activities	12.0	10.3
Purchase of investment properties	(2.7)	(14.8)
Additions to investment properties & properties under construction	(38.7)	(4.1)
Additions to equity accounted investment	-	(1.2)
Share of gain in fair value of investment property paid to lessee	-	(5.8)
Sale of interest in land	-	3.5
Loans advanced	(28.8)	(0.1)
Net cash provided by investing activities	(70.2)	(22.5)
Proceeds from issue of units	-	-
Proceeds from issue of units in subsidiary to non-controlling interests	6.7	-
Unit issue costs	-	(0.1)
Proceeds from borrowings	60.9	22.5
Repayment of borrowings	(0.3)	(2.6)
Distributions to unitholders	(7.5)	(5.5)
Distributions to non-controlling interests	(0.8)	-
Net cash provided by financing activities	59.0	14.3
Net Increase/(Decrease) in cash held	0.8	2.1
Cash at beginning of the year	2.6	1.6
Cash at end of the year	3.4	3.7

APPENDIX B – CAPITAL MANAGEMENT➤

Debt facilities

as at 31 December 2016

	Facility 1	Facility 2	Facility 3	Facility 4	Facility 5	Total
Limit (\$m)	118.4	25.8 ¹	41.2	26.9 ³	25.0	237.3
Amount drawn (\$m)	109.8	16.2 ¹	41.2	5.7	25.0	197.9
Loan to value ratio (LVR) actual	35.2%	29.4%	52.2%	N/A	52.4	-
LVR covenant	60.0%	60.0%	65.0%	65.0% ³	60.0%	-
Interest cover ratio (ICR) actual	3.7x	4.7x	2.3x	N/A	2.9x	-
ICR bank covenant	1.5x	1.5x	1.5x	2.0x ³	1.5x	-
% Hedged	64%	90%	74%	90%	-	61%
Facility expiry	Mar 2019 / Sep 2019 ²	May 2020	Jul 2018	Feb 2018 / Oct 2018 ⁴	Oct 2019	
Security pool	Balance of portfolio excluding Waratah ground floor suites	Frankston Private + expansion and Frankston Specialist Centre	Australian Red Cross Blood Service	Casey 2	RSL RDNS Baycrest and RSL RDNS Tantula ⁵	

1. GHC's share

2. Facility 1 has \$64.5 million expiring March 2019 and \$53.9 million expiring September 2019

3. Facility 4 is GHC's 50% share of a \$53.9 million joint facility with St John of God Health Care, from ANZ for the Casey 2 project funding – covenants activate from practical completion. During construction the loan to cost ratio is maintained at 65% or less





4. Facility 4 has \$0.5 million (project GST facility) expiring circa February 2018 and \$26.4 million expiring circa October 2018

5. RSL RDNS Darlington will be added to the security pool when title is registered





APPENDIX C – GHC PORTFOLIO ➤

	EPWORTH FREEMASONS PRIVATE HOSPITAL AND MEDICAL CENTRE	EPWORTH FREEMASONS PRIVATE HOSPITAL (CLARENDON STREET)	HARVESTER CENTRE	AUSTRALIAN RED CROSS BLOOD SERVICE FACILITY (ARCBS)
				
Location	Melbourne, VIC	Melbourne, VIC	Melbourne, VIC	Brisbane, QLD
Description	Maternity hospital, day surgery, consulting & ancillary services	Hospital with ancillary diagnostic and cancer services	Medical office building	Blood testing, processing and distribution centre, part of University Medical School
Built	1980s	1935, with extensions 1950s, 60s, 70s, 90s, 2007, 2014 and major upgrade in 2015/16	Complete building refurbishment and extension 2007	2008
Book value	\$77.8 million	(50% Interest) \$48.7 million	\$19.0 million	\$81.5 million
Major tenant(s)	Epworth Foundation	Epworth Foundation	Melbourne Health (State Government), ISIS Primary Care	ARCBS, RSL Care RDNS
WALTE	6.8 years	17.4 years	5.5 years	16.6 years
Site area	4,490 sqm	9,173 sqm	5,021 sqm	6,897 sqm
NLA	8,584 sqm	13,990 sqm	4,413 sqm	20,250 sqm
Occupancy	100%	100%	100%	100%
Rental reviews	Combination of CPI, fixed and market reviews	Annual reviews to be the higher of CPI and 3%	Combination of CPI, fixed and market reviews	Higher of CPI or 3%, fixed reviews between 3.5% and 5%, CPI and market reviews

APPENDIX C – GHC PORTFOLIO ➤

	DARLINGTON	BAYCREST	TANTULA RISE	PACIFIC PRIVATE CLINIC
				
Location	Banora Point, NSW	Pialba, QLD	Alexandra Headland, QLD	Gold Coast, QLD
Description	Residential aged care facility	Residential aged care facility	Residential aged care facility	Day surgery and medical office building
Built	2005 and 2007	Mid 1990s; 60 new beds were built in 2006	2005 and 2007	2000
Book value	\$14.3 million	\$15.3 million	\$19.1 million	\$32.9 million
Major tenant(s)	RSL Care RDNS	RSL Care RDNS	RSL Care RDNS	Healthscope Limited
WALTE	19.7 years	19.5 years	19.5 years	3.8 years
Site area	9,500 sqm (subject to sub-division ¹)	14,670 sqm	7,600 sqm	3,723 sqm
NLA	6,289 sqm	6,676 sqm	7,768 sqm	7,955 sqm
Occupancy	100%	100%	100%	85%
Rental reviews	Lesser of 3.0% and CPI, market review mid term and upon exercise of option (+/- 5% cap and collar)	Lesser of 3.0% and CPI, market review mid term and upon exercise of option (+/- 5% cap and collar)	Lesser of 3.0% and CPI, market review mid term and upon exercise of option (+/- 5% cap and collar)	Combination of CPI, fixed and market reviews

APPENDIX C – GHC PORTFOLIO ➤

	WESTMEAD REHABILITATION	SPRING HILL	CASEY SPECIALIST CENTRE	ST JOHN OF GOD BERWICK HOSPITAL
				
Location	Westmead, NSW	Brisbane, QLD	Berwick, VIC	Berwick, VIC
Description	Rehabilitation Hospital	Day surgery and medical office building	Specialist centre with a focus on cancer treatment	Currently under development
Built	2005	1988, with periodic upgrades since	2015	NA
Book value	\$27.0 million	\$64.0 million	\$31.8 million	(50% interest base building, 90% interest car park) ¹ \$25.8 million
Major tenant(s)	Pulse Health Ltd	Queensland Eye Hospital Queensland Fertility Group, Secure Parking	St. John of God, GenesisCare, MIA Radiology	St John of God Health Care
WALTE	21.4 years	5.5 years	8.0 years	NA
Site area	5,305 sqm	5,771 sqm	4,440 sqm	Circa 7,760 sqm for stages 2 & 3
NLA	2,702 sqm	8,293 sqm	3,576 sqm	NA
Occupancy	100%	100% ¹	100%	NA
Rental reviews	Higher of CPI and 2.5%	Combination of fixed 3.25% to 4.0%, higher of CPI and 3.5% to 3.75%, market reviews and CPI	Combination of the greater of CPI and 3.5%, fixed 3% or 3.5%, CPI, CPI plus 0.5%.	NA

1. 999 sqm (8% of net property income on a fully leased basis) is subject to a 3 year rental guarantee expiring 22 June 2017, of which 763 has been leased post balance date

APPENDIX C – GHC PORTFOLIO ➤

	FRANKSTON PRIVATE	FRANKSTON PRIVATE EXPANSION	FRANKSTON SPECIALIST CENTRE	EPHING MEDICAL & SPECIALIST CENTRE (DEBT INTEREST)
				
Location	Frankston, VIC	Frankston, VIC	Frankston, VIC	Epping, VIC
Description	Day surgery, cancer services, diagnostic and medical office building	Currently under development ¹	Medical consulting suites	Specialist Medical Centre
Built	2006	NA	1989	2009
Book value	(50% Interest) \$26.3 million	(65% ¹ interest) \$23.1 million	(50% interest) \$1.6 million	\$28.7 million
Major tenant(s)	Healthscope Ltd, GenesisCare, MIA Radiology	Healthscope Ltd	Healthscope Ltd	Genesis Cancer Care, MIA Victoria, Sonic Healthcare, Tristar Medical Group
WALTE	13.4 years	NA	7.9 years	4.89 years
Site area	3,916 sqm	2,775 sqm	2,021 sqm	20,000 sqm
NLA	4,528 sqm	NA	600 sqm	10,042 sqm
Occupancy	100%	NA	100%	52%
Rental reviews	Combination of < 2 x CPI or 3%, CPI, CPI + 0.5% and fixed 4%	NA	Lower of 2x CPI and 3%	Combination of CPI, fixed 2.5% and fixed 3%

1. Refer to Organic Growth slide 31 for further details

APPENDIX C – GHC PORTFOLIO ➤

	WARATAH PRIVATE HOSPITAL GROUND FLOOR SUITES	WARATAH PRIVATE HOSPITAL (DEBT INTEREST)
		
Location	Hurstville, NSW	Hurstville, NSW
Description	Hospital with ancillary diagnostic and cancer services	Hospital with ancillary diagnostic and cancer services
Built	2010	2010
Book value	\$7.3 million	\$8.0 million (GHC Share)
Major tenant(s)	Waratah Private Hospitals Pty Ltd	NA
WALTE	19.1 years	NA
Site area	2,696 sqm	2,696 sqm
NLA	737 sqm	13,497 sqm
Occupancy	100%	NA
Rental reviews	3.5%	NA

APPENDIX C – GHC VALUATION METRICS

As at 31 December 2016	Book value (\$m)	Last external valuation	Capitalisation rate ¹	Discount rate	Major tenants	WALTE (yrs)	Lettable area	Occupancy
Epworth Freemasons Victoria Parade	77.8	31 Dec 2016	6.25%	6.75%	Epworth Foundation	6.8	8,584	100.0%
Epworth Freemasons Clarendon Street ²	48.7	31 Dec 2016	5.50%	7.00%	Epworth Foundation	17.4	13,990	100.0%
Frankston Private ²	26.3	31 Dec 2016	6.00%	7.50%	Healthscope Ltd, GenesisCare	13.4	4,528	100.0%
Harvester Centre	19.0	31 Dec 2016	7.00%	7.75%	Melbourne Health	5.5	4,413	100.0%
ARCBS Headquarters ³	81.5	30 Jun 2016	7.05%	8.25%	Australian Red Cross Blood Service	16.6	20,250	100.0%
RSL Care RDNS Tantula Rise	19.1	30 Jun 2016	7.25%	8.75%	RSL Care RDNS	19.5	7,768	100.0%
RSL Care RDNS Baycrest	15.3	30 Jun 2016	7.25%	8.75%	RSL Care RDNS	19.5	6,676	100.0%
RSL Care RDNS Darlington	14.3	30 Jun 2016	7.25%	8.75%	RSL Care RDNS	19.7	6,289	100.0%
Pacific Private Clinic	32.9	31 Dec 2015	8.25%	8.50%	Healthscope Ltd	3.8	7,955	84.6%
Westmead Rehabilitation	27.0	31 Dec 2015	7.00%	8.50%	Pulse Health	21.4	2,702	100.0%
Spring Hill	64.0	31 Dec 2016	6.75%	8.00%	Cura Day Hospitals, Virtus Health, Secure Parking	5.5	8,293	100.0%
Casey Specialist Centre	31.8	31 Dec 2016	6.00%	7.50%	St John of God, GenesisCare, MIA Radiology	8.0	3,576	100.0%
Frankston Specialist Centre ²	1.6	30 Jun 2016	5.75%	6.50%	Healthscope Ltd	7.9	600	100.0%
Waratah PH Ground Floor (Strata)	7.3	18 Aug 2016 ⁴	6.75%	-	Waratah Private Hospitals Pty Ltd	19.1	737	100.0%
Casey 2 Project	25.8	-	-	-	St John of God Health Care	-	-	-
Frankston Private Expansion	23.1	-	-	-	Healthscope Group	-	-	-
Total Portfolio	515.5		6.67%	7.79%		12.1	96,361	98.7%

1. Based on market rent not passing rent

2. GHC has a 50% interest in Epworth Freemasons Clarendon Street, Frankston Private and Frankston Specialist Centre while lettable area represents 100%

3. Includes 8,231sqm of net exclusive area occupied by QUT under an 80 year lease where rent has been paid in advance

4. 'As if complete' valuation assuming completion of the Hydrotherapy Pool and Rehabilitation Gym at a cost of \$2 million to the landlord. As at 31 December 2016 the works were materially complete with GHC having fully funded its \$2 million contribution to these works

MANAGEMENT BIOGRAPHIES▶



Miles Wentworth

Chief Executive Officer

With over 20 years experience in financial services, property funds management and healthcare property, Miles has the overall responsibility for the day to day management and performance of Generation Healthcare REIT™. His responsibilities include formulating and implementing the overall strategy for the Fund, capital management and investor relations. Miles holds a Bachelor of Commerce (Accounting) from Otago University, is a Chartered Accountant and a member of the New Zealand Institute of Chartered Accountants.



Chris Adams

Director

Chris has experience in the property industry in Australia, New Zealand and the United Kingdom, with over 20 years experience in the areas of health sector property acquisitions, transaction structuring, large scale hospital developments and portfolio management. Chris's responsibilities include overseeing the property portfolio along with acquisitions and developments undertaken by the Fund. Chris holds a Bachelor of Property from Auckland University.

INVESTMENT MANAGER PROFILE

Generation Healthcare Management Pty Ltd

- Generation Healthcare REIT ("Generation", the "Fund")(ASX: GHC) benefits from the experience, proven track record, healthcare focus and global platform of its manager, Generation Healthcare Management Pty Ltd, a wholly-owned subsidiary of NorthWest Healthcare Properties REIT ("NWH REIT", the "REIT") (TSX: NWH.UN), a Canadian listed dedicated healthcare real estate investor. The REIT is also strategically aligned as the largest shareholder of Generation.
- NWH REIT is a Canadian listed real estate investment trust focused on providing investors with access to a portfolio of high quality international healthcare real estate infrastructure comprised of interests in a diversified portfolio of 139 income-producing properties and 864,000 square metres of gross leasable area located throughout major markets in Canada, Brazil, Germany, Australia and New Zealand. In Canada, the REIT is the largest non-government owner and manager of medical office buildings and healthcare facilities with 62 properties located from coast to coast, including major concentrations in Calgary, Edmonton, Toronto, Montreal, Quebec City and Halifax. In its international markets, the REIT partners with leading healthcare operators and has built leading management platforms in global gateway cities comprised of high quality healthcare real estate infrastructure assets characterized by long term indexed leases and stable occupancies.
- NWH REIT is an expert in owning, managing and developing healthcare real estate with a dedicated and growing team of more than 180 professionals located in Auckland, Berlin, Melbourne, Sao Paulo and Toronto.
- The Manager's primary responsibilities include the day to day administration of the Fund, portfolio management, sourcing new opportunities and conducting due diligence on potential acquisitions. The Manager is also responsible for providing specialist property, project and development management and leasing services to the Fund as and when required by the Responsible Entity.
- Further information can be found at www.nwhreit.com

CONTACT▶



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A copy of this presentation is available on generationreit.com.au

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