



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

FULL YEAR RESULTS PRESENTATION

30 JUNE 2014



generationreit.com.au

AGENDA ►

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GENERATION HEALTHCARE REIT OVERVIEW ➤



GENERATION HEALTHCARE REIT – OVERVIEW ►

Only dedicated healthcare property entity listed on ASX

- Fund established in 2006
- Exclusive focus: Healthcare property
- Defensive sector given unique and growing demand profile
- High quality portfolio of 12 properties including hospitals, medical centres, laboratories and other purpose-built healthcare facilities
- High 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



GHC – A SNAPSHOT >

Total Assets
\$325 million

NTA per Unit
\$1.07

Debt as % of Total Assets
31%

Number of Properties
12

Occupancy
99.5%

WALTE
11.3 years

UNOI FY15 Forecast
9.2 cpu

DPU FY15 Forecast
8.4 cpu

FY15 Forecast
Payout Ratio
91%

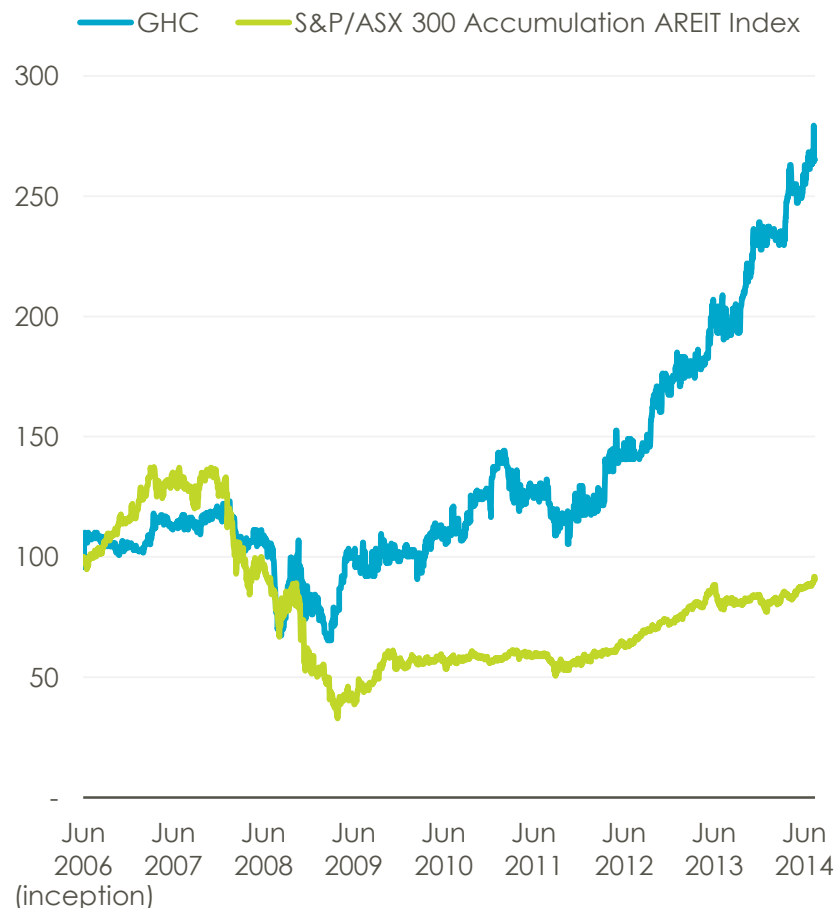
FY15 Forecast Income Yield¹
6.36%

1. FY15 forecast DPU of 8.4 cpu divided by the closing unit price on 30 June 2014 of \$1.32

GHC PERFORMANCE AND COMPARISON ►

Significant outperformance over the short, medium and longer term

	GHC	Benchmark	Over / (Under) Performance
1 year	30%	11%	19%
3 years	28%	15%	13%
5 years	24%	14%	10%
Since Inception	13%	-1%	14%



Source: Bloomberg as at 30 June 2014 close

1. Capital appreciation of GHC units during the year, assuming reinvestment of distributions paid

HEALTH SECTOR IN AUSTRALIA - SNAPSHOT ►

Scale and Growth of the Health Sector

Scale

- Expenditure on healthcare in Australia was estimated to be \$140.2 billion in 2011-12¹:
 - up from \$82.9 billion in 2001-02 ¹
- Expenditure on healthcare was 9.5% of GDP in 2011-12¹:
 - up from 9.3% in 2010-11 ¹; and
 - up from 8.4% in 2001-02 ¹

Demand

- Rapidly ageing and growing population
- Advances in technology generating more health solutions
- Increase in non-age related diseases (e.g. obesity and diabetes)
- 47% of Australians currently hold Private Health Insurance hospital cover

Growth

- Expenditure growing at 5.8%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 = increase demand for infrastructure

1. Australian Institute of Health and Welfare – “Health Expenditure in Australia 2011-2012”

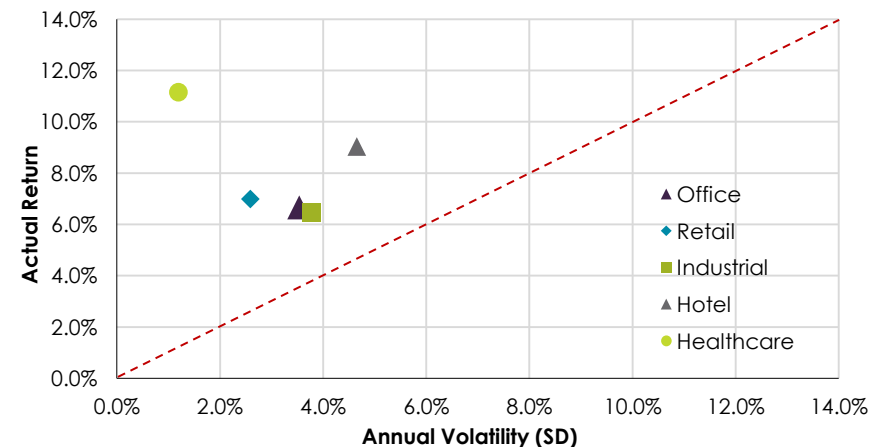
AUSTRALIAN HEALTHCARE PROPERTY PERFORMANCE ➤

- Independent research house IPD launched a healthcare property index in March 2012
- 5 participants, circa \$1.2 billion of property over a 7 year duration
- **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 Observations¹

Sector	Annual return	Return volatility	Sharpe ratio	Downside risk
Healthcare	11.2%	1.2%	6.1	0.1%
Hotel	9.0%	4.7%	1.1	2.8%
Office	6.7%	3.5%	0.8	2.4%
Retail	7.0%	2.6%	1.2	1.5%
Industrial	6.5%	3.8%	0.7	2.6%

Risk-reward trade-off for property sectors¹



1. Source: IPD - for the 7 years ended June 2014

A large, stylized sun graphic in the top right corner, featuring a solid blue semi-circle and radiating blue lines of varying lengths.

FY14 HIGHLIGHTS >

FULL YEAR HIGHLIGHTS >

Fund highlights during FY14

Measure	Highlight
UNOI	<ul style="list-style-type: none"> Underlying Net Operating Income (UNOI) was \$10.4 million¹ up 53% on the prior year
Distributions	<ul style="list-style-type: none"> 8.00 cpu up 9% on FY13 (a 86% payout ratio to underlying net operating income)
Rent & Leases	<ul style="list-style-type: none"> Like-for-like rental growth of 2.7% on pcp Weighted Average Lease Term to Expiry (WALTE) of 11.3 yrs
Acquisitions	<ul style="list-style-type: none"> Waratah Private Hospital secured debt investment of \$6.15 million Medical office building in Spring Hill, Queensland for \$44.5 million
Organic Growth	<ul style="list-style-type: none"> Commenced \$19.0 million Casey Stage 1 project Announced \$25.0 million Epworth Freemasons Cancer Centre project and post balance date the expansion of Frankston Private (\$17.5 million GHC 50%) Invested a further \$12.5 million at Epworth Freemasons Clarendon St
Capital Management	<ul style="list-style-type: none"> Two equity raisings totaling over \$82.8 million Reduced debt pricing, extended tenor and diversified maturity risk
GHC Performance	<ul style="list-style-type: none"> GHC total return (change in unit price + distributions) for the 12 months to 30 June 2014 was 30%, significantly outperforming the S&P/ASX 300 A-REIT Accumulation Index, 11%

1. UNOI excludes: property revaluations, Manger's performance fees and movements in derivatives – refer Appendix A



FINANCIAL RESULTS >

FINANCIAL RESULTS ➤

Results Summary – Financial Metrics

	30 June 2014	30 June 2013	Change
Underlying net operating income ¹	\$10.4 m	\$6.8 m	53% ▲
Underlying net operating income per unit	9.18 cents	8.86 cents	3.6% ▲
Statutory profit	\$11.9 m	\$6.0 m	97% ▲
Debt to total gross assets	31.3%	47.6%	(16%) ▼
Net tangible assets per unit (NTA)	\$1.07	\$0.98	9% ▲

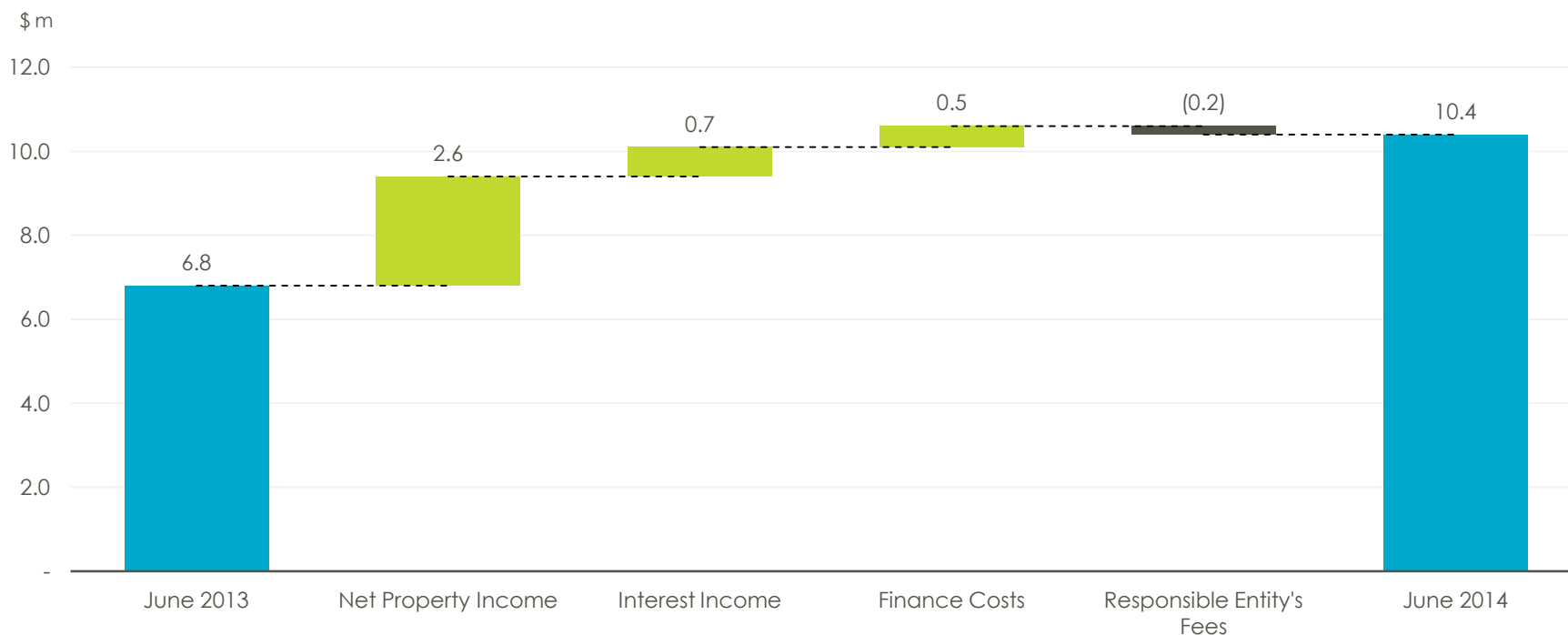
Strong operating result

- Underlying net operating income up 53% for the 12 months to 30 June 2014
- Rental income increased by 17.0% as a result of the Spring Hill acquisition, further investment in Epworth Freemasons Clarendon Street and projects completed during the period, along with underlying rental growth within the portfolio
- Lower gearing and lower finance costs from lower debt balance given equity raised, lower interest cost on unhedged debt and lower line and margin fees
- Statutory profit materially higher principally due to an increase in underlying net operating income and a net gain on change in fair value of investment properties, partially offset by a net loss on change in fair value of derivatives and an increase in performance fee to the manager¹
- An increase in NTA per unit of \$0.09 (9%) principally due to two equity raisings at a price premium to NTA and the increase in property values partially reduced by the issue of units to the manager for performance fees

1. See Appendix A for reconciliation to statutory profit and for details of underlying net operating income

FINANCIAL RESULTS ➤

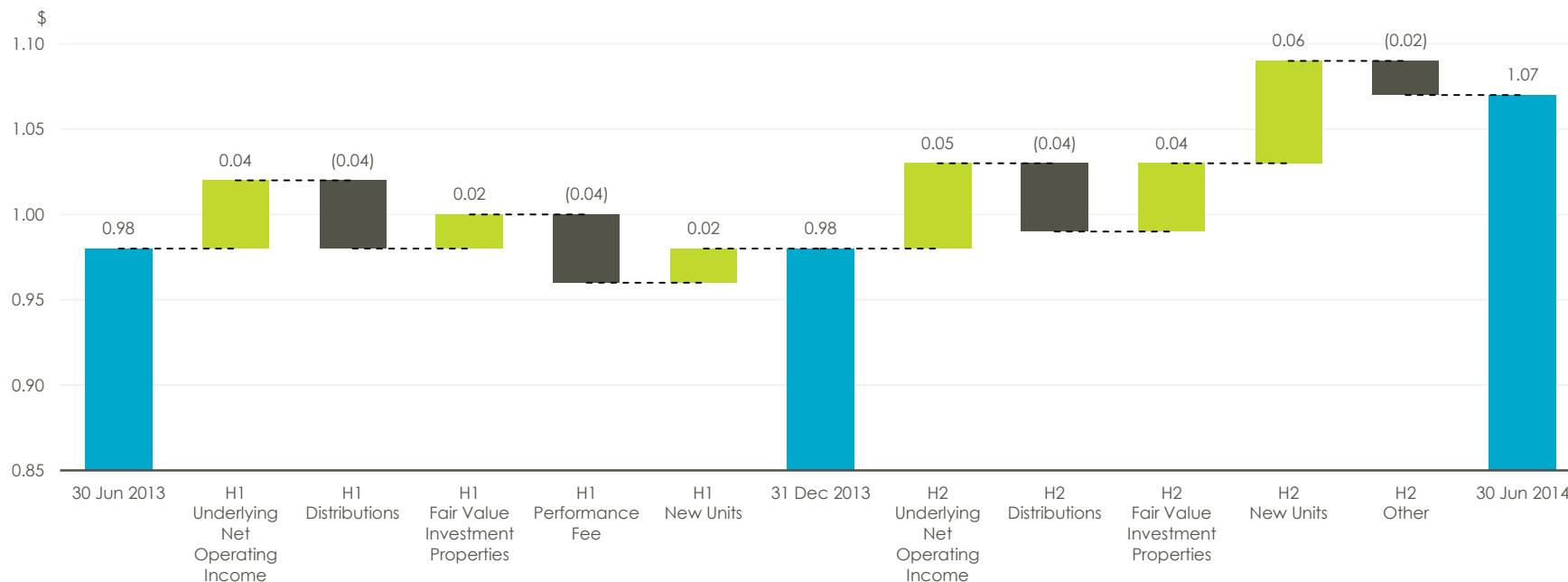
Underlying net operating income comparison to prior year



- Net property income higher due to CPI, fixed and market rent reviews, full year rent contribution from the Leading Healthcare facility and Westmead Rehabilitation Hospital and partial contribution from additional investment at Epworth Freemasons Clarendon St
- Interest income is primarily for the secured debt investment associated with Waratah Private Hospital
- Lower finance costs from reductions in bank margin / line fees, repayment of debt from proceeds of two equity raisings, and lower floating interest rates

FINANCIAL RESULTS ➤

Movement in NTA per unit



- UNOI and Distribution - \$0.09 and (\$0.08) per unit, respectively
 - Distribution per unit (DPU) payout ratio (to underlying net operating income) of 86%¹
- Property revaluations - \$0.06 per unit
- Placements, UPP and entitlement - units issued at a premium to NTA, \$0.08 per unit
- Manager performance fees – (\$0.04) per unit; this is a non cash item and is settled by way of an issue of units

Other - includes the change in fair value of derivatives

1. Excludes contribution to the distribution paid from equity raised in November 2013 / December 2013 (being the portion of the 6 months distribution to December 2013 for the period prior to the issue of the new units)



PORTFOLIO OVERVIEW ►

PORTFOLIO OVERVIEW >

Portfolio demonstrates the defensive nature of the health sector with long lease terms, high tenant retention and steady income growth

	2014	2013
Net property income	\$18.6m	\$16.0m
Occupancy (by income)	99.5%	99.1%
Tenant retention (by expiring income)	89.1%	92.8%
Weighted average lease expiry	11.3 yrs	11.9 yrs
Like-for-like rental growth	2.7%	8.4%
Number of properties	12	10
Number of tenancies	101	97

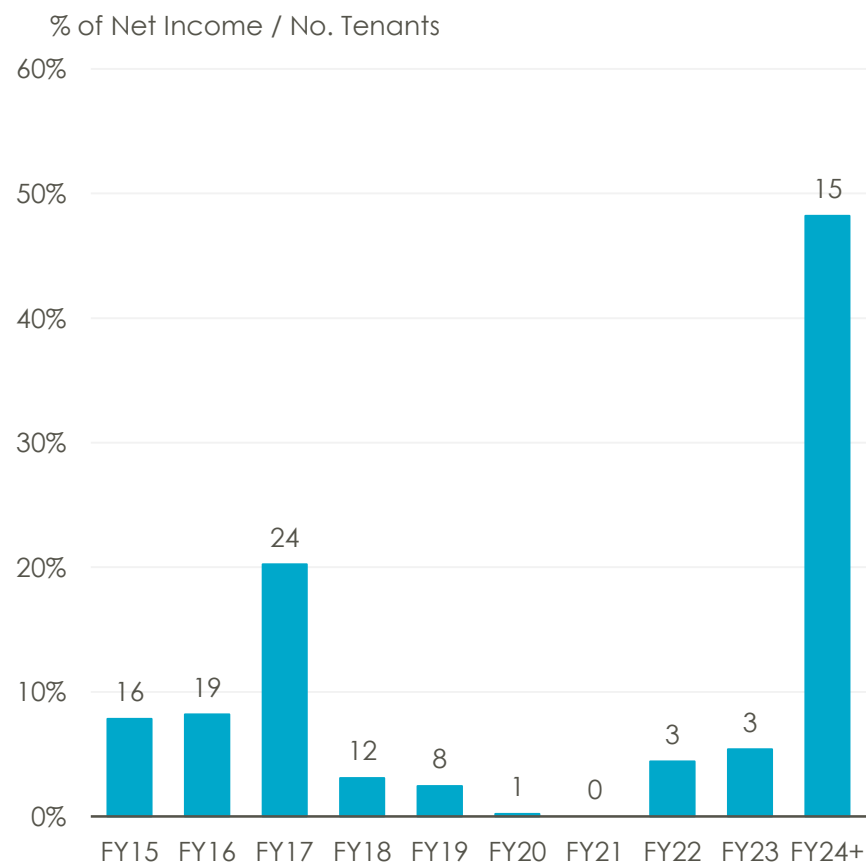


- > Rental growth on like-for-like basis of 2.7%
- > Net property income for FY14 16.3% higher due to acquisitions and projects completed during the period along with underlying rental growth
- > Continued strong occupancy ending the year at 99.5%
- > Weighted average lease term of 11.3 years

PORTFOLIO OVERVIEW >

Steady long dated lease expiry

- Portfolio WALTE of 11.3 years
- 7.8% of Fund income is due for renewal in FY15 representing 16 tenants:
 - Spring Hill 4.9% (3 tenants)
 - Harvester Centre 0.8% (3 tenants)
 - Pacific Private consulting 0.7% (5 tenants)
 - Kelvin Grove retail 0.7% (3 tenants)
 - Leading Healthcare Bendigo 0.6% (1 tenant)¹
 - Epworth Freemasons Victoria Parade consulting 0.1% (1 tenant)
- ~50% of all expiries by income are more than 10 years away
- High retention rate is expected to continue in FY15



1. Rental guarantee until 26 August 2014

PORTFOLIO OVERVIEW >

Income growth supported by fixed and CPI rent reviews

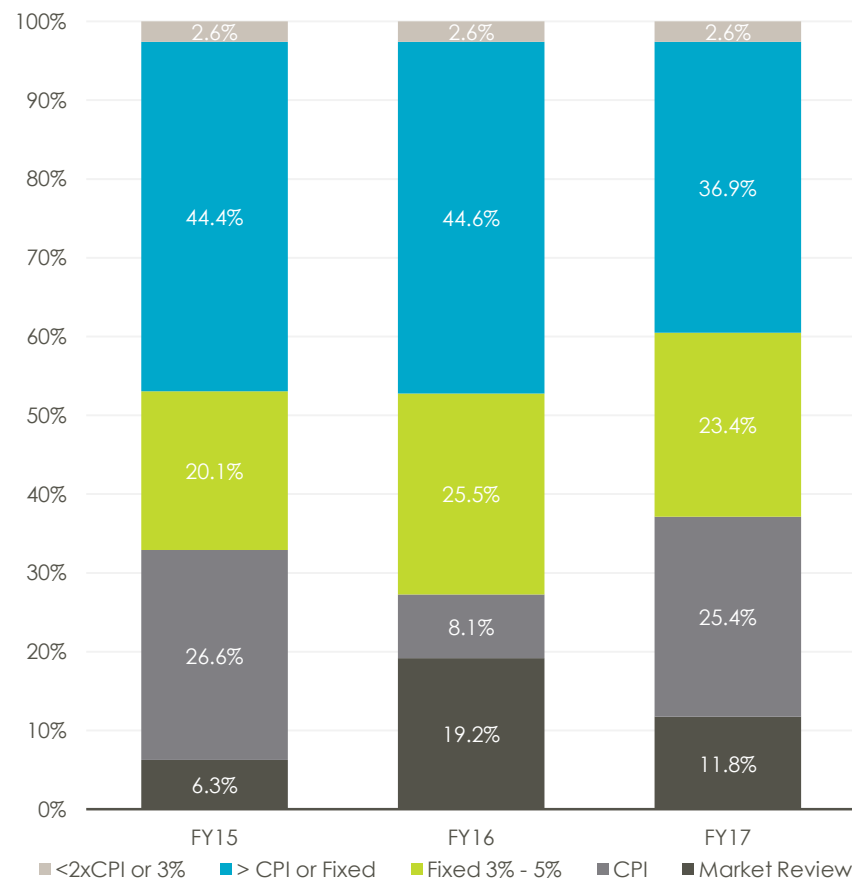
Lease renewals

- 17 leases expired during the year with 14 renewed (89.1% retention rate by income) representing:
 - 7 leases at Victoria Parade
 - 2 leases at Pacific Private
 - 2 leases at Harvester Centre
 - 2 lease at Frankston Private
 - 1 lease at Kelvin Grove
- These renewals had an average increase in net income of 1.82%

Rent reviews

- All tenants bar one were subject to a rent review during the past 12 months with the average net increase of 2.7% (on a like-for-like basis)
- In the coming 12 months 98 of 101 tenants are subject to a rent review of which 9 are market reviews

Rent review profile (by Income)¹



1. Includes leasing transactions announced 2 July 2014 relating to Healthscope which have annual rent reviews at the lesser of 2xCPI or 3%

PORTFOLIO OVERVIEW >

Property valuations up

- Property values increased by 5% (on a like-for-like basis)⁴
- Epworth Freemasons Clarendon St was independently valued at 1 May 2014 (11.5% of the portfolio) seeing an 18.35% increase in book value (excluding additional investment during the financial year)
- 71.8% of the portfolio has been independently valued during the past 12 months and 100% of the portfolio within the last 18 months
- Pacific Private Clinic was the sole asset which experienced a decline in value (-2.4%), a result of a structural change in that market with the Gold Coast Public Hospital and Allamanda Private Hospital relocating to the Parklands Site

	June 2014 Cap rate	June 2014 Book value (\$m) ¹	Change in Book value (\$m)
Epworth Freemasons Victoria Pde, VIC	8.25%	45.0	2.0
Epworth Freemasons Clarendon St, VIC	7.25%	34.8	16.0 ²
Frankston Private, VIC	8.00%	18.4	2.3
Harvester Centre, VIC	9.25%	13.6	1.1
ARCBS, Kelvin Grove, QLD	8.00%	72.5	1.6
Pacific Private Clinic, QLD	9.75%	29.1	(0.7)
Leading Healthcare, VIC	8.00%	9.0	0.4
Westmead Rehabilitation, NSW	8.25%	22.2	2.2
Spring Hill, QLD	8.25%	44.5	-
Casey Specialist Centre, VIC (Under Construction)	-	9.3	8.2
Casey Development Site, VIC	-	1.9	0.2
Frankton Development Site, VIC	-	2.2	0.1
Total / Weighted average	8.24%	302.5	33.4³

1. Full details in Appendix D

2. Includes \$12.5 million payment towards Epworth Freemasons Clarendon Street major services upgrade, refurbishment and expansion

3. Change in value from 30 June 2013 excluding properties acquired during the financial year but including value per footnote 3 below

4. Excludes the \$12.5 million payment towards Epworth Freemasons Clarendon Street and associated uplift



RECENT TRANSACTIONS ➤



FY14 TRANSACTION SUMMARY ➤

<p>Sep 2013</p>	<ul style="list-style-type: none"> ➤ Waratah Private Hospital <ul style="list-style-type: none"> - Joint venture arrangement with Evolution Healthcare to acquire a minority interest in a secured debt position - GHC initial investment was \$6.15 million - Facility consists of 12,000 m² private hospital including 7 operating theatres, radiotherapy, radiology, day oncology and 500 car parks 	
<p>Nov 2013</p>	<ul style="list-style-type: none"> ➤ Casey Specialist Centre (Under Construction) <ul style="list-style-type: none"> - Commenced \$19 million Casey Stage 1 cancer focused specialist centre 	
<p>May 2014</p>	<ul style="list-style-type: none"> ➤ Spring Hill - Acquisition of a quality medical office building at 55 Little Edward St, Brisbane for \$44.5 million ➤ Epworth Freemasons Clarendon St (50% interest) - \$12.5 million refurbishment and expansion, including lease extension of 8 years to 20 years ➤ Epworth Foundation Cancer Centre – entered into an agreement for lease for a new \$25 million integrated cancer centre (subject to development approval), 20 year head lease at 8.50% return on cost 	 
<p>Post Balance Date July 2014</p>	<ul style="list-style-type: none"> ➤ Frankston Private Expansion (50% interest) <ul style="list-style-type: none"> - Healthscope acquired two of the tenants (49% of the rent roll) at the joint venture owned Frankston Private. Leases extended by 18 years to 20 years - Entered into an agreement for lease with Healthscope to undertake a circa \$35 million expansion of Frankston Private, on a 20 year head lease at 8.50% return on cost - Unconditional contract to acquire an adjacent 2,021 m² site for medium term growth 	

TRANSACTIONS DURING THE PERIOD ►

Quality medical office building acquired

- A quality medical office building located in an established health precinct on the fringe of Brisbane City. Two significant private hospitals in St Andrews War Memorial Hospital and Brisbane Private Hospital are located in close proximity
- Building anchored by two leading healthcare providers, Queensland Eye Hospital (Cura Day Hospitals Group) and Queensland Fertility Group (Virtus Health)
- Strong building amenity including 484 on site car parks supporting its use as a health destination
- Contingent consideration of \$1.5 million is payable subject to the vendor delivering a 10 year lease, over the existing vacancies, to a health tenant by 30 September 2014
- 3 year rental guarantee applies if the 10 year lease to a health tenant is not secured, supported by a corresponding independent valuation of \$44.5 million
- Potential upside includes carpark lease renewal and completing transition to health asset including via rebranding

1. Excluding stamp duty, acquisition costs and \$1.5m contingent consideration payable if the vendor delivers a 10 year lease to a health tenant by 30 September 2014
2. The property has been independently valued at \$44.5 million on the assumption that a 3 year rent guarantee applies from the date of settlement
3. 12% of the space is subject to a 3 year rent guarantee from date of settlement



55 Little Edward Street (Spring Hill), Brisbane, QLD

Purchase price	\$44.5m ^{1,2}
Independent valuation (9 April 2014)	\$44.5m ²
Acquisition passing yield	8.25%
Independent valuation yield	8.25%
Annual reviews	Predominately >CPI or 3.5% - 4.5%
Weighted Average Lease term	7.59 years (5.5 years including the car park)
Occupancy	100.0% ³
Site area	5,771 m ²
NLA	8,296 m ²
Car parks	484
Major tenants	Queensland Fertility Group Queensland Eye Hospital Secure Parking

TRANSACTIONS DURING THE PERIOD ➤

Epworth Clarendon Street expansion/refurbishment

- Epworth Foundation will undertake, on a staged basis, a major services upgrade, refurbishment and expansion of the jointly owned (50/50) Epworth Freemasons Clarendon Street
- Total forecast cost of circa \$59 million:
 - Landlord contribution - \$25 million (GHC's share of \$12.5 million contributed in June 2014)
 - Tenant contribution - \$34 million
- Existing triple net lease extended by 8 years to provide an initial term of 20 years and two 10 year options added
- 8.25% yield to GHC on the \$12.5 million investment



Epworth Freemasons Clarendon Street, Melbourne, VIC

Existing valuation (as at 31 December 2013)	\$19.3m
Additional investment (GHC's 50% share)	\$12.5m
Income yield on additional investment	8.25%
New independent valuation (1 May 2014)	\$34.75m
Lease type	Triple net head lease
Lease term	20.0 years
Annual reviews	>CPI or 3.0%
Occupancy	100.0%
Site area ¹	~8,428 m ²
NLA ²	14,450 m ²
Major tenant	Epworth Foundation

1. Assumes subdivision of Epworth Freemasons Cancer Centre land of 745 m²

2. NLA following completion of refurbishment and expansion works

A photograph of a modern staircase with a glass railing and a red and white striped wall, viewed from a low angle looking up. The image is partially obscured by a large green banner.

CAPITAL MANAGEMENT ➤

CAPITAL MANAGEMENT >

New Equity

Two equity raisings totalling \$82.8 million undertaken with strong demand

- Institutional placements well oversubscribed with new institutions with long term investment horizons added to the register
- Strong demand from existing investors

November 2013

- \$18 million fully underwritten equity raising at \$1.14 per unit via an institutional placement and unit purchase price with proceeds used to fund Casey Stage 1

May 2014

- A \$64.8m fully underwritten institutional placement and entitlement offer as well as a placement to the vendor of the Spring Hill asset, all at \$1.20 per unit, to fund the acquisition of a medical office building in Spring Hill, Queensland and the services renewal, refurbishment and expansion of Epworth Freemasons Clarendon St, Victoria
- The transactions were fully equity funded which provides the balance sheet capacity to secure new debt facilities to fund Epworth Freemasons Cancer Centre, Victoria and the expansion of Frankston Private, Victoria

Distribution Reinvestment Plan (DRP)

- DRP remains available at a 2% discount
- The DRP raised \$2.5 million in the 2014 financial year

CAPITAL MANAGEMENT >

Debt

FY2014 Overview

- Reprice of two of the Fund's three debt facilities (totalling \$119 million) on enhanced terms
- Debt expiry profile improved by extending and diversifying maturity dates on \$77.8 million of debt
- Weighted line and margin cost reduced by 0.42%
- Increased weighted average debt duration to 3.0 years
- No debt expiry until 1H FY16 (\$8.5 million)

November 2013

- Renegotiation of the terms of the Fund's Head Trust debt facility to provide capacity and flexibility for the Casey Stage 1 project; allow for other value adding opportunities; lengthen and stagger the facility term and achieve lower pricing
- Head Trust debt facility limit increased to \$85.9 million (reduced to \$77.8 million in December 2013 post the UPP)
- Head Trust debt facility expiry date extended from September 2015 to the following dates in order to deliver a staggered maturity risk profile
 - September 2017 \$ 38.9m
 - September 2018 \$ 38.9m

May 2014

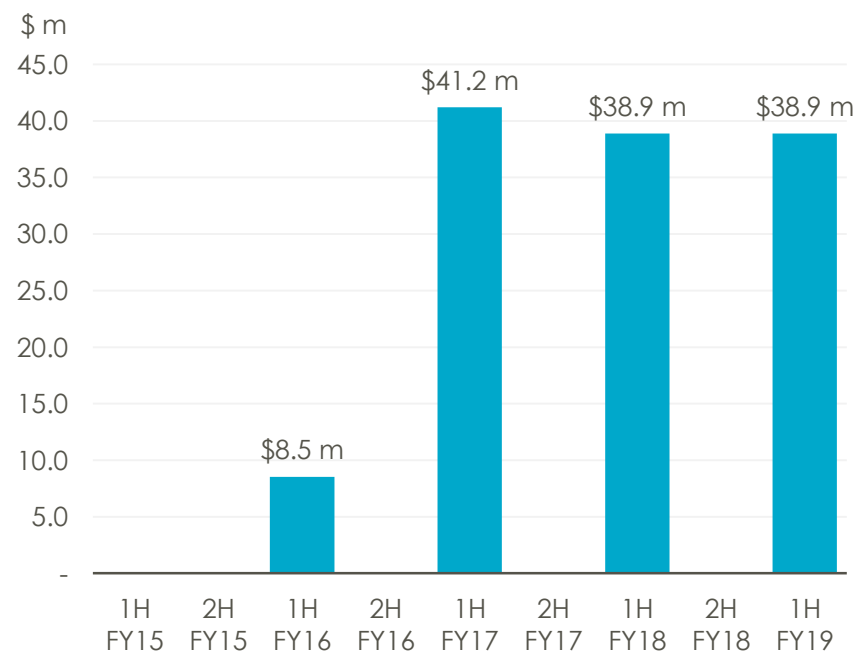
- Renegotiation of the terms of the \$41.2 million Bank of Melbourne debt facility
- Resulting in a reduction in margin fees of 0.50%, all other terms remaining unchanged

CAPITAL MANAGEMENT ►

Debt profile

	2014	2013
Gearing – look through ¹	31.3%	47.6%
Weighted average facility term ²	3.0 yrs	2.5 yrs
Weighted average hedged term	3.5 yrs	3.2 yrs
Weighted average cost of debt	6.99%	7.19%
% fixed/hedged	75%	77%

Debt (limits) maturity profile \$m



- Strong bank support
- Next debt expiry not until FY16

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



ORGANIC GROWTH PIPELINE ►

ORGANIC GROWTH PIPELINE OVERVIEW ►

Building growth in unitholder value

		Forecast Start Date	Forecast End Date	Estimated Total Project Cost ³	Income Return
Committed					
1	Casey Medical and Specialist Centre (Stage 1)		31 Jan 2015	\$19 m ¹	Circa 9%
2	Epworth Freemasons Cancer Centre ²	Calendar 2015	Circa 18 month construction	\$25 m	8.50% ⁴
3	Frankston Private Expansion ^{2, 3}	Late 2 nd half FY15	Circa 18 month construction	\$17.5 m	8.50% ⁴
				\$61.5 m	
Work In Progress					
4	Casey Private Hospital (Stage 2) ³	TBC	TBC	Circa \$50.0 m	N/A
5	Waratah Private Hospital	N/A	N/A	TBC	N/A

1. \$9.3 million spent to 30 June 2014

2. Subject to town planning approval

3. GHC share

4. The income return is a return on the estimated total project cost

ORGANIC GROWTH PIPELINE - CASEY ➤

Casey Specialist Centre (Under Construction)

- Specialist centre with a focus on cancer services
- \$19 million forecast total project cost attracting a circa 9% income return
- 3,500 m² of net lettable area across 4 levels
- Contracted agreements for lease for 63% of total forecast tenancy income
- Key tenants: St. John of God, GenesisCare and MIA Radiology
- St. John of God committing to the pathology, pharmacy and cafe areas, taking total pre-commitment to 76%
- Leasing of consulting space to doctors now the focus following signing of a Memorandum of Understanding on Stage 2
- On time and on budget with forecast practical completion end November 2014, followed by tenant fitout period. Forecast to be rent producing in February 2015



Stage 1 Artists Impression



Status as at July 2014

ORGANIC GROWTH PIPELINE - CANCER CENTRE ►

Epworth Freemasons Cancer Centre Project

- A new, circa \$25 million, Cancer Centre to be developed on a to be sub-divided 745 m² part of the Clarendon Street site (subject to development approval)
- Agreement for lease signed with Epworth Foundation for a 20 year head lease
- 8.5% return on total project cost and annual reviews greater of CPI or 3.5%
- To be owned 100% by GHC with Epworth to have the right but not the obligation to fund any excess greater than \$25 million and have a resulting ownership interest
- Linking existing and proposed cancer services across the Clarendon Street campus including radiotherapy, chemotherapy and consulting
- Detailed design and preparation for town planning currently in progress
- Master plan approach taken to town planning for the broader Clarendon St site to provide for longer term expansion
- Estimated start – calendar 2015

1. Subject to development approval

2. Lease to commence in line with start date of extended lease on Epworth Freemasons Clarendon Street



Epworth Freemasons Cancer Centre, Melbourne, VIC (new build)¹

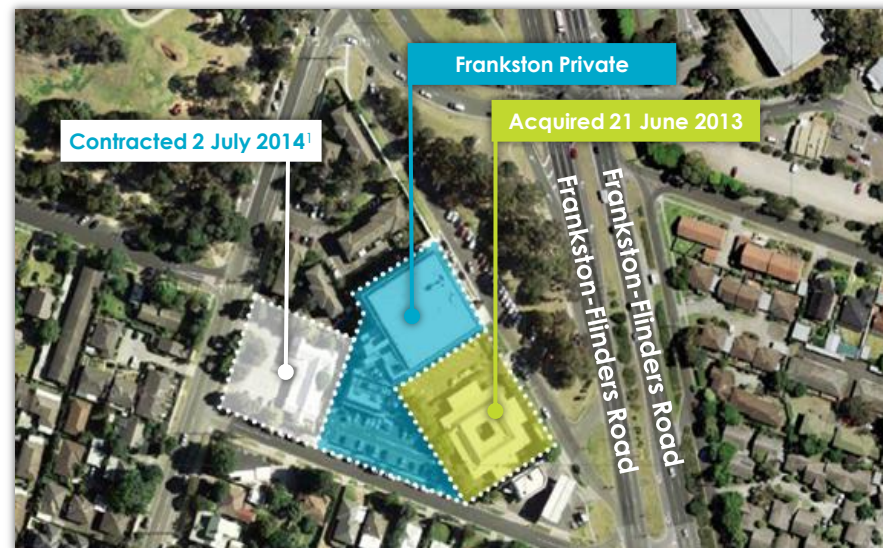
Forecast total project cost	~\$25.0m
Forecast return on cost	8.50%
Lease type	Head lease
Initial lease term ²	20.0 years
Annual reviews	>CPI or 3.5%
Occupancy	100.0%
Site area	~745 m ²
NLA	~4,000 m ²
Major tenants	Epworth Foundation

ORGANIC GROWTH PIPELINE - FRANKSTON PRIVATE ➤

Frankston Private Hospital Expansion project

- Healthscope, Australia's second largest private healthcare operator, pre-committed, via a head lease, to a major facility expansion to provide inpatient beds, medical consulting and car parking
- Facility expansion via return on cost model at 8.5% on cost. Estimated project cost of circa \$35 million (minimum 50% being for GHC, i.e. \$17.5m)
- Ancillary development site of 2,021 m² acquired to provide medium term expansion opportunity. To be initially leased to Healthscope for 10 years and used for medical consulting
- Healthscope have determined the focal point of the development to be on the Frankston-Flinders Road fronted site
- Master planning also being undertaken for the longer term
- Focus over the coming 12 months to undertake hospital design, obtain town planning approval, tender construction and initiate the project
- Estimated start - late FY15

1. Settlement contracted for December 2014



Frankston Private Hospital, Melbourne, VIC (expansion)

Forecast total project cost (GHC's 50% share)	~\$17.5m
Forecast return on cost	8.50%
Lease type	Head lease
Annual reviews	Lesser of 2xCPI or 3.0%
Occupancy	100.0%
Major tenants	Healthscope Ltd

ORGANIC GROWTH PIPELINE - CASEY ➤

Casey Private Hospital - Stage 2 and 3

- Strategic land holding opposite Casey Public Hospital for Stages 2 and 3
- Stage 2 – scale private hospital (approximately \$120 million) with 190 beds, 6 theatres, 6 delivery suits and 430 car parks
- Signed Memorandum of Understanding with Australia's largest not-for-profit private healthcare group – St John of God Health Care
- Joint venture ownership of base building and car park circa \$50 million for GHC. Tenant to fund own fit out
- Key tasks in coming 6 months to progress hospital design, commercial terms and legal documentation



ORGANIC GROWTH PIPELINE >

Waratah Private Hospital

- > A first ranking secured debt investment over the facility
- > Evolution Healthcare contracted as hospital operator and Generation Healthcare Management contracted as property manager
- > Major restructure of the facility is well underway
 - Additional 32 inpatient bed ward now completed (having converted consulting space)
 - Planning approval obtained for a further 30 overnight beds
 - Joint venture with GenesisCare, Australia's largest provider of radiotherapy, for radiotherapy and day oncology expected to be operational in October 2014
- > Longer term growth opportunity for GHC





OUTLOOK ►

OUTLOOK ►

Forecast FY15 Underlying Net Operating Income Per Unit

- Full year forecast to 30 June 2015 – of 9.20 cpu¹

Forecast FY15 Distribution Per Unit

- Full year forecast of 8.40 cpu, **an increase of 5%** on FY14
- Distribution to be allocated evenly between the first and second half
- Forecast payout ratio of 91%

Future potential upside to earnings (outside of FY15)

- Equity raised in FY14 positioned the balance sheet to activate the organic growth pipeline
- EPU accretive growth projects, generating circa 8.5% income return to be funded via debt, and are forecast to become income producing in FY17 onwards

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

2. Subject to no material changes to the Fund's cost of debt funding

PERFORMANCE FEE REVIEW ➤

- At the half year the Manager undertook to do a review
- Review was to ensure that the fee:
 - Is aligned with GHC unitholders; and
 - Continues to incentivise the Manager to outperform
- Engagement with key stakeholders has been undertaken and independent advice has been received that verifies that the proposed changes are consistent with market practice and aligned with the two stated objectives
- The proposed changes – subject to unitholder approval / amendment of the Trust Deed (for more detail on the proposed changes refer slide 49 in Appendix C):
 - Implement an annual fee (base + performance components) cap of 1.5%
 - Any excess over the cap to roll forward
 - Excess to be paid out under given specific circumstances
- Proposed changes to be considered at the meeting of Unit Holders in October 2014
- Rationale for change – to smooth the impact in any one period

KEY AREAS OF FOCUS FOR THE NEXT 12 MONTHS ►

1. Continue to grow operational earnings and distributions
2. Continue active management of the portfolio to drive value
3. Deliver Stage 1 at Casey on budget and on time
4. Progress the:
 - Epworth Freemasons Cancer Centre project
 - Frankston Private expansion project
5. Advancing Stage 2 at Casey with St John of God Health Care and continue the repositioning of Waratah Private Hospital
6. Seek additional growth opportunities that add value to the Fund

APPENDICIES >

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APPENDIX A – DETAILED FINANCIAL STATEMENTS ➤

APPENDIX A – DETAILED FINANCIAL STATEMENTS ►

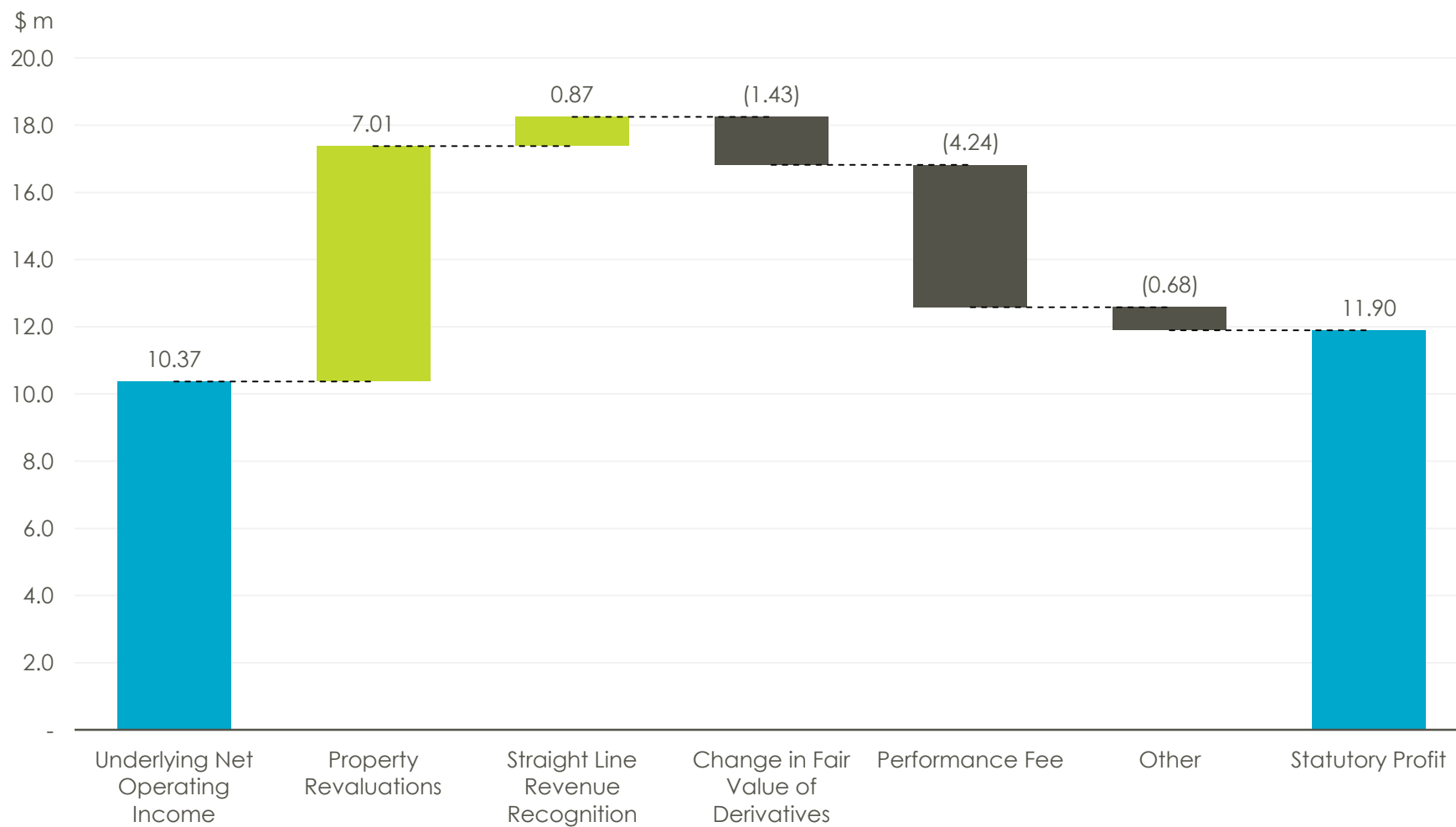
Operating Income Statement

	30 June 2014 (\$m)	30 June 2013 (\$m)
Revenue		
Net property income	18.6	16.0
Interest Income	0.7	0.0
	19.3	16.0
Expenses		
Finance costs	(7.1)	(7.6)
Responsible Entity's fees ¹	(1.5)	(1.3)
Other	(0.3)	(0.3)
	(8.9)	(9.2)
Underlying Net Operating Income	10.4	6.8

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

APPENDIX A – DETAILED FINANCIAL STATEMENTS ➤

Underlying net operating income versus statutory profit



APPENDIX A – DETAILED FINANCIAL STATEMENTS ►

Balance Sheet

	30 June 2014 (\$m)	30 June 2013 (\$m)
Current assets		
Current assets	5.5	3.5
	5.5	3.5
Non-current assets		
Trade and other receivables	19.4	18.9
Loans carried at amortised cost	8.6	-
Investment properties	270.8	195.6
Equity accounted investments	20.6	18.3
	319.4	232.8
Total assets	324.9	236.3
Current liabilities		
Payables	8.4	3.8
Borrowings	0.4	0.4
Derivatives	2.3	2.3
Distribution payable	4.8	3.6
	15.9	10.1
Non-current liabilities		
Payables	7.4	7.0
Borrowings	108.6	118.0
Derivatives	5.6	4.2
	121.6	129.2
Total liabilities	137.5	139.3
Net assets	187.4	97.0
Equity attributable to unitholders		
Issued Units	176.2	88.2
Retained earnings	11.2	8.8
Total equity	187.4	97.0
Net tangible assets (NTA) per unit	\$1.07	\$0.98
Property net tangible assets (NTA) per unit¹	\$1.12	\$1.05

1. Excluding the fair value of derivatives

APPENDIX A – DETAILED FINANCIAL STATEMENTS ►

Cashflow Statement

	30 June 2014 (\$m)	30 June 2013 (\$m)
Operating		
Rental and other property receipts	24.3	20.9
Property & other payments	(8.6)	(7.7)
Distributions received from equity accounted investment	1.3	1.6
Borrowing costs paid	(7.6)	(8.1)
Interest received	0.1	0.1
	9.5	6.8
Investing		
Purchase of investment properties	(30.5)	(24.3)
Additions to investment properties & properties under construction	(20.4)	(2.8)
Additions to equity accounted investment	(0.1)	(2.1)
Loans advanced	(8.3)	-
	(59.3)	(29.2)
Financing		
Proceeds from issue of units	68.3	23.1
Unit issue costs	(1.9)	(1.1)
Proceeds from borrowings	83.3	13.6
Repayment of borrowings	(92.8)	(9.2)
Distributions to unitholders	(5.8)	(4.2)
Net cash provided by financing activities	51.1	22.2
Net Increase/(Decrease) in cash held	1.3	(0.2)
Cash at beginning of the year	1.9	2.1
Cash at end of the year	3.2	1.9



APPENDIX B – CAPITAL MANAGEMENT ►

APPENDIX B – CAPITAL MANAGEMENT ►

Debt facilities

	Facility 1	Facility 2	Facility 3	Total
Limit (\$m)	77.8	8.5 ¹	41.2	127.5
Amount drawn (\$m)	50.6	8.5 ¹	41.2	100.3
Loan to value ratio (LVR) actual	31.4%	45.8%	59.3%	-
LVR covenant ²	60.0%	60.0%	65.0%	-
Interest cover ratio (ICR) actual	3.0x	3.0x	2.0x	-
ICR bank covenant	1.5x	1.5x	1.5x	-
% Hedged	99%	52%	50%	75%
Facility expiry	50% in Sept 2017 50% in Sept 2018	Sept 2015	July 2016	
Security pool	Balance of portfolio excluding Spring Hill	Frankston Private + Development land	Australian Red Cross Blood Service	

1. GHC's 50% share

2. Facility 3 also has a second LVR covenant being drawn debt plus the mark to market of a contracted interest rate swap, divided by the property valuation. As at 30 June 2014 the actual LVR was 63.8% versus a covenant of 70%

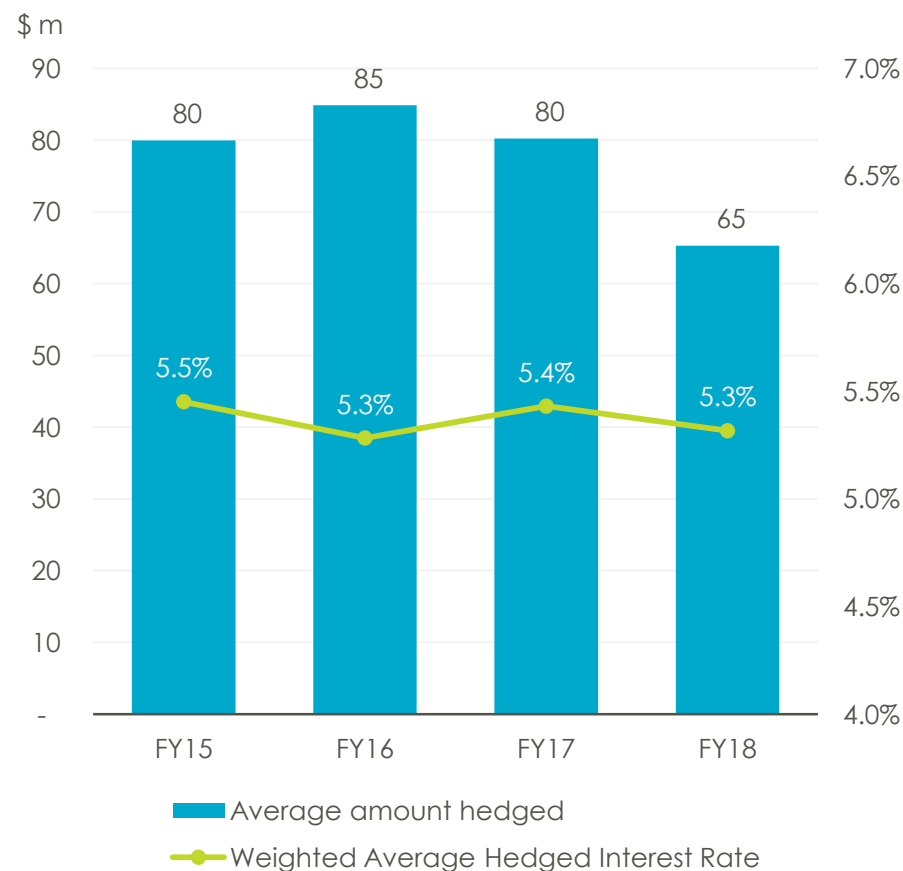
APPENDIX B – CAPITAL MANAGEMENT ►

Hedging summary

as at 30 June 2014

Amount of debt hedged	\$75m
Weighted average interest rate of hedged debt (ex line & margin)	5.7%
Weighted average maturity of hedges ¹	3.5 yrs

Hedging profile by financial year



1. Excludes forward start hedges



APPENDIX C – PROPOSED CHANGES TO PERFORMANCE FEE ➤

APPENDIX C – PROPOSED CHANGE TO PERFORMANCE FEE ►

	EXISTING	PROPOSED
Benchmark	ASX300 Prop. Accum. Index	ASX300 Prop. Accum. Index
Measured	6 monthly	6 monthly
First tier percentage	5%	5%
Second tier percentage	15%	15%
Satisfaction of fee by	Issue of Units	Issue of Units
Fee cap on the monthly average Gross Assets for aggregate of base and performance fees	None	1.5% p.a.
Roll forward excess	N/A	Yes
Excess paid out / satisfied in units	N/A	<ul style="list-style-type: none"> ► Subject to the current period fee and prior period excess or part thereof being within the cap for the period; ► Subject to GHC total return for the current period being positive; and ► Unit issuance price based on the relevant formula at the time that the entitlement crystallised as opposed to the date of issue
Immediate payout of excess in cash based on the unit price at the time of financial close ((Excess dollar amount /unit price at entitlement date) x trade price at time))	N/A	<ul style="list-style-type: none"> ► Takeover / Merger ► Internalisation of the Manager/RE ► Removal of the Manager/RE



APPENDIX D – PROPERTY BOOK ➤

APPENDIX D – GHC PORTFOLIO ➤

	Epworth Freemasons Private Hospital and Medical Centre	Epworth Freemasons Private Hospital (Clarendon Street)	Frankston Private ¹	Harvester Centre	Australian Red Cross Blood Service Facility (ARCBS)
					
Location	Melbourne, VIC	Melbourne, VIC	Frankston, VIC	Melbourne, VIC	Brisbane, QLD
Description	Maternity hospital, day surgery, consulting & ancillary services	Hospital with ancillary diagnostic and cancer services	Day surgery, cancer services, diagnostic and medical office	Medical office building	Blood testing, processing and distribution centre, part of University Medical School
Built	1980s	1935, with extensions 1950s, 60s, 70s, 90s and 2007	2006	Complete building refurbishment and extension 2007	2008
Book value	\$45.0 million	(50% Interest) \$34.8 million	(50% Interest) \$18.4 million	\$13.6 million	\$72.5 million
Major tenant(s)	Epworth Foundation	Epworth Foundation	Healthscope, GenesisCare, MIA Radiology	Melbourne Health (State Government)	ARCBS
WALTE	8.7 years	19.9 years	12.9 years ¹	1.8 years	17.1 years
Site area	4,490 m ²	9,173 m ²	3,916 m ²	5,021 m ²	6,897 m ²
NLA	8,584 m ²	13,990 m ²	4,528 m ²	4,413 m ²	20,250 m ²
Occupancy	100%	100%	100%	100%	100%
Rental reviews	Combination of CPI, fixed and market reviews	Annual reviews to be the higher of CPI or 3%	Combination of CPI, fixed and market reviews	Combination of CPI, fixed and market reviews	Higher of CPI or 3-4% and mid term market review for ARCBS

1. This has been updated for the Healthscope transaction announced 2 July 2014

APPENDIX D – GHC PORTFOLIO ➤

	Pacific Private Clinic	Leading Healthcare Bendigo	Westmead Rehabilitation	Spring Hill
				
Location	Gold Coast, QLD	Bendigo, VIC	Westmead, NSW	Brisbane, QLD
Description	Surgical and medical office building	Primary Care Medical Centre	Rehabilitation Hospital	Medical office building
Built	2000	2012	2005	1988, with periodic upgrades since
Book value	\$29.1 million	\$9.0 million	\$22.2 million	\$44.5 million
Major tenant (s)	Healthscope Limited	IPN, Pacific Smiles, Melbourne Pathology	Pulse Health Ltd	Queensland Eye Hospital Queensland Fertility Group Secure Parking
WALTE	3.5 years	6.5 years	23.9 years	7.59 years (5.5 years including car park)
Site area	3,723 m ²	2,034 m ²	5,305 m ²	5,771 m ²
NLA	7,955 m ²	2,378 m ²	2,702 m ²	8,296 m ²
Occupancy	96%	100% (76% plus 24% subject to 2 year rental guarantee expiring August 2014)	100%	88% leased, remaining 12% subject to 3yr rent guarantee
Rental reviews	Combination of CPI, fixed and market reviews	4% pa	Greater of CPI or 2.5%	Combination of Fixed and higher of CPI or 3.5-4.5%

APPENDIX D – GHC PORTFOLIO ➤

	Casey Specialist Centre (Under Construction)	Casey Development Site (Stage 2 and 3)	Frankston Development	Waratah Private Hospital (debt interest)
				
Location	Berwick, VIC	Berwick, VIC	Frankston, VIC	Hurstville, NSW
Description	Specialist centre with cancer focus	Strategic development site	Development Site (green site highlighted)	Hospital with ancillary diagnostic and cancer services
Built	Stage 1 under construction	NA	NA	2010
Book value	\$9.3 million (capex to Jun 2014)	\$1.9 million	(50% interest) \$2.2 million	\$8.5 million
Major tenant (s)	St. John of God, GenesisCare, MIA Radiology	NA	Zaly Pty Ltd (note – redevelopment provision subject to notice period)	NA
WALTE	NA	NA	1.9 years	NA
Site area	Stage 1 – 4,700 m ²	Circa 7,500 m ² for stages 2 & 3	2,775 m ²	2,696 m ²
NLA	Stage 1 - 3,500 m ²	NA	885 m ²	13,497 m ²
Occupancy	NA	NA	100%	NA
Rental reviews	NA	NA	NA	NA

APPENDIX D – GHC VALUATION METRICS ➤

As at 30 June 2014	Book Value(\$m) ¹	Last External Valuation	Cap Rate ¹	Discount Rate	Major Tenant	WALTE (yrs)	Lettable Area (m ²)	Occupancy
Epworth Freemasons Victoria Parade	45.0	30 Jun 2013	8.25%	9.50%	Epworth Foundation	8.7	8,584	100.0%
Epworth Freemasons Clarendon Street ²	34.8	1 May 2014	7.25%	9.25%	Epworth Foundation	19.9	13,990	100.0%
Frankston Private ³	18.4	31 Dec 2013	8.00%	9.50%	Frankston Private Day Surgery, Peninsula Oncology, GenesisCare, MIA Radiology	5.1	4,528	100.0%
Harvester Centre	13.6	30 Jun 2014	9.25%	10.00%	Melbourne Health	1.8	4,413	100.0%
ARCBS Headquarters	72.5	30 Dec 2012	8.00%	9.50%	ARCBS	17.1	20,250 ⁴	100.0%
Pacific Private Clinic	29.1	31 Dec 2013	9.75%	9.75%	Healthscope Ltd	3.5	7,955	95.7%
Leading Healthcare Bendigo	9.0	31 Dec 2012	8.00%	9.00%	Sonic Healthcare Ltd, Pacific Smiles	6.5	2,378	100.0% ⁵
Westmead Rehabilitation	22.2	30 Jun 2014	8.25%	9.50%	Pulse Health	23.9	2,702	100.0%
Spring Hill	44.5	09 Apr 2014	8.25%	9.75%	Cura Day Hospitals, Virtus Health, Secure Parking	5.5	8,296	100.0%
Casey Specialist Centre (Under Construction)	9.3	-	-	-	St. John of God, GenesisCare, MIA Radiology	-	-	-
Casey Development Site (Stage 2 and 3)	1.9	-	-	-	-	-	-	-
Frankston Development	2.2	-	-	-	Zaly Pty Ltd (note – redevelopment provision subject to notice period)	1.9	885	100.0%
Total Portfolio	302.5		8.24%	9.54%		11.3	73,981	99.5%

1. Based on market rent not passing rent

2. GHC has a 50% interest in Epworth Freemasons Clarendon St, Frankston Private & Frankston development land while lettable area represents 100%

3. Post balance date (2 July 2014) two doctor owned businesses representing 49% of the rent roll were sold to Healthscope and the leases were extended by 18 years, taking the Frankston Private WALTE to 12.9 years and the portfolio WALTE to 11.7 years

4. Includes 8,231m² of net exclusive area occupied by QUT under an 80 year lease where rent has been paid in advance

5. 24% is subject to a 2 year rental guarantee to 26 August 2014



APPENDIX E – GHC MANAGEMENT ►

MANAGEMENT BIOGRAPHIES >



Miles Wentworth

Chief Executive Officer

With over 20 years experience in financial services, property funds management and health 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, including approximately 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.

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