

28 April 2015

The Manager  
Company Announcements Office  
Australian Stock Exchange Limited  
Level 4, Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

## **Generation Healthcare REIT (ASX Code: GHC)**

### **GHC announces the acquisition of a portfolio of aged care properties to be funded by a \$52 million equity raising and commercial in-principle terms on the Casey Stage 2 project**

Generation Healthcare REIT ('GHC' or the 'Fund') is pleased to announce the acquisition of a portfolio of three freehold residential aged care properties from RSL Care Limited ('RSL Care') for a combined amount of \$45.8 million:

- **Baycrest** at 99 Doolong Road, Pialba QLD (\$14.4m);
- **Darlington** at 126 Leisure Drive, Banora Point NSW (\$13.5m); and
- **Tantula Rise** at 96 Tantula Road West, Alexandra Headland QLD (\$17.9m).

Co-located with RSL Care owned retirement villages, each property will be leased to RSL Care on an initial 20 year term plus options. In conjunction with this transaction, RSL Care and GHC have signed a collaboration agreement to source and secure further residential aged care opportunities.

The Fund has also agreed commercial in-principle terms with St John of God Health Care ('SJGHC') for the \$120 million Casey Stage 2 project. This partnership with SJGHC further builds on the Fund's strategic vision for the site being a major private health campus located in one of Victoria's fastest and largest growing Local Government Areas.

Following the fully equity funded portfolio acquisition announced today, GHC has updated its FY15 UNOI<sup>1</sup> and DPU guidance to 9.56 cpu and 8.58 cpu respectively; and provides FY16 UNOI<sup>1</sup> guidance of 9.90 cpu (an increase of 3.5%) and DPU of 8.84 cpu (an increase of 3.0%).

<sup>1</sup> UNOI (Underlying Net Operating Income) per unit adjusts statutory EPU to exclude the straight lining of rent, unrealised gains and losses on the revaluation of GHC's interest in investment properties and financial instruments, capital transaction costs and performance fees paid to the Manager.

Commenting on the transactions, GHC's Chief Executive Officer, Miles Wentworth said, "The acquisition of this high quality aged care portfolio provides the Fund with direct exposure to Australia's ageing population, leased to one of Australia's largest not-for-profit aged care providers. The properties are co-located with RSL Care owned and managed retirement villages with strong operational performance. Furthermore, GHC has entered into a collaboration agreement with RSL Care which gives the Fund the opportunity to partner with RSL Care to acquire further residential aged care properties as part of RSL Care's strategic growth initiatives."

RSL Care's Chief Executive Officer, Craig Mills said, "We are delighted to be collaborating with healthcare property specialist Generation Healthcare REIT. GHC has a long-term strategy to work closely with us, enabling RSL Care to substantially grow its provision of health and wellbeing services to older Australians. This will support RSL Care in delivering on its strategic goal of becoming a leading residential aged care operator across the Eastern seaboard over the next five years."

Mr. Wentworth also noted, "funding these transactions entirely with equity provides further balance sheet capacity for Generation Healthcare to deliver on its value adding organic growth pipeline including the Casey Stage 2 project announced today. This joint venture with SJGHC positions the site at Casey to become one of Melbourne's leading private health campuses."

### Portfolio of Properties Acquired

Asset	Baycrest	Darlington	Tantula Rise	Total
<b>Purchase Price</b>	\$14.4m	\$13.5m	\$17.9m	\$45.8m
<b>Floor Area</b>	6,676sqm	6,289sqm	7,768sqm	20,733sqm
<b>No. of beds</b>	101	90	120	311
<b>Room type</b>	Single ensuited	Single ensuited	Single ensuited	
<b>Occupancy</b>	98%	99%	98%	98%
<b>Co-located retirement village</b>	Yes – 192 units	Yes – 96 units	Yes – 40 units	
<b>Expansion land</b>	No	Yes (2,500 sqm <sup>2</sup> )	No	
<b>Date Built</b>	Mid 1990's plus 60 bed extension in 2006	2005 and 2007	2005 and 2007	
<b>Initial Yield</b>	7.65%	7.65%	7.65%	

The assets will be secured by long-term (20 year) leases with annual rent reviews to the lesser of 3% and CPI, with a market rent review on the tenth anniversary of the commencement date (with a 5% cap and collar). There will also be two 10-year option periods with 18 months minimum notice required.

---

<sup>2</sup> Currently owned by RSL Care.

Settlement of each of the property acquisitions is conditional on their subdivision from RSL Care's co-located retirement villages, expected to occur between July and October 2015. To enable an immediate contribution to the Fund's earnings, an interim fully secured loan (earning the same rate of return as the proposed 20 year lease) and a put and call option arrangement (that will be exercised on the issue of separate title for each site) have been entered into for each property.

### **Collaboration Agreement**

GHC has also signed a collaboration agreement under which RSL Care and GHC will work closely together to source and secure further residential aged care assets. This arrangement will leverage the parties' experience and expertise to generate value adding growth opportunities and enable RSL Care to offer its care and wellbeing services to many more older Australians.

### **RSL Care Limited**

RSL Care is one of Australia's largest not-for-profit aged care providers with a range of integrated home care, retirement living and residential care services across 28 communities throughout Queensland and New South Wales.

Funds generated from RSL Care's activities are reinvested so that it can deliver on its charitable purpose of promoting the wellbeing and independence of all Australians, including members of the ex-Service community.

RSL Care is focused on actively guiding its customers to make the most out of life. Recognising the needs of older Australians, their families and communities are changing, the company is responding to these changes through the development of innovative solutions which extend healthy and productive life expectancy.

RSL Care employs more than 3,600 staff and has over 400 volunteers. In the 2014 financial year, RSL Care provided health and wellbeing services to more than 20,000 people every day in metropolitan, rural and remote areas of Queensland and New South Wales and generated turnover in excess of \$250 million from an asset base of just under \$1 billion.

### **Casey Stage 2 Project**

GHC and SJGHC have agreed commercial in-principle terms (subject to the conditions outlined below) to build a new \$120 million private hospital in Casey, one of Victoria's largest and fastest growing local government areas.

The proposed new 18,000sqm private hospital, with 12,000sqm of underground car parking, will comprise:

- 190 beds, six operating theatres, six birthing suites, a cardiac/vascular catheter laboratory and two endoscopy theatres;
- medical consulting space; and
- 350 basement car parks, bringing the total on site to 430.

SJGHC will joint venture with the Fund on the \$120 million private hospital project, with SJGHC responsible for the hard fitout of \$32 million and the base building and carpark to be owned in joint venture with GHC. This will result in a circa \$45 million investment for the Fund.

Commercial terms have been agreed for SJGHC to lease the building for an initial 20 year term, with initial rent being set at 8.0% on cost and fixed annual rent reviews of 3.0%.

The project is subject to final town planning approval, completion of contract documentation, a building tender being within forecast and receiving debt finance on satisfactory terms and execution of final documents. Subject to these conditions, it is expected that construction will start later this calendar year.

Commenting on the commercial in-principle terms to proceed with Casey Stage 2, Mr Miles Wentworth said, "We are very pleased to announce this important project representing the second stage at Casey. Partnering with SJGHC, Australia's largest not-for-profit private hospital operator, on what will be a major private co-located health campus in Victoria's largest and fastest growing local government area is an exciting and value adding project for our investors."

SJGHC's Chief Executive Officer, Dr Michael Stanford said, "We are very excited to be partnering with health property specialist Generation Healthcare on this state of the art facility, using what is for us a new funding model for a major capital project. The collaboration allows SJGHC to increase and expand its outstanding health services to meet the changing needs of one of our fastest growing communities, while optimising our use of capital. The residents of Casey and Cardinia will have access to a new level of health care close to home, as we relocate the existing St John of God Berwick Hospital into a substantially larger purpose-built facility, which will offer many major services previously unavailable in the area, such as the first intensive care unit for the region, comprehensive cardiac services and a complete range of oncology care".

## **Existing Portfolio Initiatives**

### ***Frankston Private Hospital***

The Frankston Private Hospital project announced in July 2014 has now been master planned with Healthscope Limited and stage 1 includes additional infrastructure to support its growth over the medium to longer term.

Accordingly, the total project size has increased from \$35 million to \$45 million, with GHC's share of the project increasing from \$17.5 million to \$29.25 million as a result of the increased project size and the Fund's take up of a further 15% interest in the project from an existing joint venture partner.

The Fund has a 20 year head lease under an Agreement for Lease with Healthscope Limited for the project, which will deliver a contracted 8.50% 'income return on cost', with annual rent reviews to the lower of two times CPI or 3.0%.

Subject to town planning, it is expected that this project will be underway prior to the end of the 2015 calendar year.

### ***Acquisition of the Freehold interest of Victoria Parade***

Melbourne City Council has now issued a permit for the subdivision of Epworth Freemasons Private Hospital and Medical Centre at Victoria Parade, subject to customary conditions including works to enable the subdivision. Following the registration of the plan of subdivision, the Fund will complete its 2006 land contract to acquire the freehold title for this site for \$10.7 million (plus costs). Settlement is currently contracted to occur outside of the 2016 forecast period, however, this may occur earlier depending on the timing of works and agreement with Freemasons Victoria.

### **Equity Raising**

The acquisition of the RSL Care portfolio will be funded via a \$52.0 million equity raising at \$1.50 per new unit (Offer Price).

The Offer Price represents a 5% discount to the five day volume weighted average price up to and including 24 April 2015, adjusted for the 30 June 2015 distribution entitlement, forecast to be 4.38 cpu.

The equity raising comprises:

- a \$5.0 million placement (at the Offer Price) to a member of the Taverners Group<sup>3</sup> (**Placement**); and
- a \$47.0 million fully underwritten non-renounceable accelerated entitlement offer (**Entitlement Offer**) of 3 new units for 17 existing units.

Macquarie Capital (Australia) Limited (Macquarie) and Morgans Corporate Limited (Morgans) are the lead managers and underwriters for the Entitlement Offer.

The Entitlement Offer is non-renounceable and rights will not be traded on the ASX or otherwise transferable. Eligible unitholders who do not take up their entitlement under the Entitlement Offer in full or in part, will not receive any value in respect of those entitlements not taken up.

The new units issued under the Placement and Entitlement Offer will not be entitled to the June 2015 half year distribution and will initially trade under the ASX code "GHCN". On commencement of trading on Wednesday 1 July 2015 (following the record date for the half yearly distribution), all units trading as GHCN will commence

---

<sup>3</sup> Entitlement as contracted as part of the acquisition of Spring Hill in June 2014

trading as ordinary GHC units and rank equally in all respects including future distributions.

## Guidance

Updated earnings and distribution guidance following the announced transactions is, subject to no unforeseen events<sup>4</sup>:

### Underlying Net Operating Income per Unit

- 9.56cpu for FY15
- 9.90cpu, for FY16, a 3.5% increase on FY15

### Distributions per Unit

- 8.58cpu for FY15
- 8.84cpu for FY16, a 3.0% increase on FY15, representing a tax advantaged FY16 issue yield of 5.9% on the \$1.50 issue price

Commenting further on the announcement, Mr Wentworth said, "The partnership with RSL Care including the sale and leaseback of seed assets is an exciting transaction for the Fund providing an immediate exposure and future potential pipeline to a subsector of healthcare property in which the Fund does not currently invest."

"In addition, our conditional commitment to Casey Stage 2 demonstrates further high quality organic growth within the GHC portfolio with one of Australia's market leading hospital operators."

"Fully equity funding the acquisition of the RSL Care assets, in conjunction with previous equity funded transactions, provides the balance sheet capacity to deliver the committed projects via additional debt funding which will be secured as and when required. Funding the projects via debt is forecast to deliver increased earnings from late 2017 onwards."

Mr Wentworth went on to say, "As with previous capital raisings, we are pleased to offer all current unitholders the opportunity to participate in the future growth of the Fund through an increase in their investment."

---

<sup>4</sup> Please refer to the investor presentation for further information on pro forma financial information, key risks and assumptions.

## Timetable

Event	Date
Announcement of portfolio acquisition and equity raise	Tuesday, 28 April 2015
Lodgement of Retail Offer booklet	Wednesday, 29 April 2015
Trading in GHC Units resumes on ex-entitlement basis	Wednesday, 29 April 2015
Record date for determining entitlement for the Offer	7:00pm Friday, 1 May 2015
Retail Offer Booklet despatched	Tuesday, 5 May 2015
Retail Entitlement Offer opens	Tuesday, 5 May 2015
Early Retail Offer closes	5:00pm Friday, 8 May 2015
Settlement of Institutional Offer and early Retail Entitlement Offer	Friday, 8 May 2015
Allotment and commencement of trading of Institutional Entitlement Offer and early Retail Entitlement Offer units	Monday, 11 May 2015
Retail Entitlement Offer closes	5:00pm Friday, 22 May 2015
Announcement of Retail Entitlement Offer results	Tuesday, 26 May 2015
Settlement of Retail Entitlement Offer and Placement	Thursday, 28 May 2015
Allotment of Retail Entitlement Offer and Placement	Friday, 29 May 2015
Commence trading of Retail Entitlement Offer and Placement units (other than units issued on the early allotment date)	Monday, 1 June 2015
Despatch of holding statements	Monday, 1 June 2015

These dates are indicative and subject to change. All dates and times refer to Melbourne, Australia time.

## Unitholder Enquiries

Eligible unitholders will be sent further details in relation to the Entitlement Offer via a retail offer booklet expected to be lodged with the ASX by Wednesday, 29 April 2015 and distributed to unitholders.

Further information in relation to the Entitlement Offer and the matters set out above, including important notices and key risks, are set out in the attached Portfolio Acquisition and Equity Raise presentation.

The outcome of the Institutional Offer is expected to be announced to the market before commencement of normal trading on Wednesday 29 April 2015. Pending this announcement, GHC units have been placed in a trading halt. Trading in GHC units is expected to resume on Wednesday 29 April 2015.



In considering the information contained in this announcement, please also refer to the Important Information section below.

Yours sincerely

**John Freemantle**  
**Company Secretary**

For further information please contact

Miles Wentworth  
Chief Executive Officer  
Generation Healthcare REIT  
T: +61 3 8656 1000

Investor Relations  
T: +61 1800 996 456

### **Important Information**

#### *Forward-looking statements*

This announcement contains a number of forward looking statements including indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements, opinions and estimates are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of APN FM that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements and neither APN FM, nor any of its directors, employees, servants, advisers or agents assume any obligation to update such information. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This announcement contains such statements that are subject to risk factors associated with the industries in which GHC operates.

#### *Disclaimer*

To the maximum extent permitted by law, Macquarie and Morgans, and their related bodies corporate (as defined in the *Corporations Act 2001* (Cth)), and the officers, directors, employees and agents of those entities, expressly disclaim all or any liability which may arise out of the provision to, or use by, any person of the information contained in this announcement and make no recommendation as to whether investors should participate in the offer of units under the Entitlement Offer. Without limiting the foregoing, any forecast, budget, target, projection or other forward looking statement (**projection**) is provided for information purposes only and comprises APN FM's estimates of future prospects of the Fund. No representation or warranty is given as to the accuracy, completeness or reasonableness of any such projection, or that any such projection will actually be met. As the achievement of any projection is dependent upon future events, the outcome of which cannot be assured, the actual results may vary materially from the projection.



#### **About Generation Healthcare REIT**

**Generation Healthcare REIT (ASX code: GHC)**, is Australia's only ASX listed healthcare real estate investment entity.

Including the Acquisition Properties, the Fund will own 16 properties including hospitals, medical centres, laboratories, residential aged care facilities and other purpose-built healthcare facilities. The Fund partners with high quality healthcare tenants with strongly diversified income streams. On a pro-forma basis the Fund will have total assets of approximately \$387 million with investments located in Victoria, New South Wales and Queensland.

[generationreit.com.au](http://generationreit.com.au)

#### **About APN Funds Management Limited**

APN Funds Management Limited (APNFM) is the Responsible Entity of Generation Healthcare REIT. The Board of APNFM consists of four directors, three of which, including the Chairman are Independent Directors. APNFM is a wholly owned subsidiary of APN Property Group Limited (APN) (ASX code: APD), a specialist real estate investment manager.

Since 1996, APN has been actively investing in, developing and managing real estate and real estate securities on behalf of institutions, superannuation funds, high net worth and individual investors. APN's focus is on delivering superior investment performance and outstanding service. Performance is underpinned by a highly disciplined investment approach and a deep understanding of commercial real estate.

[apngroup.com.au](http://apngroup.com.au)