

Generation Healthcare REIT – 2015 AGM

Chairman's speech

[Slide 1- Cover]

[Introduction]

Good morning Ladies and Gentlemen and welcome to the Annual General Meeting for **Generation Healthcare REIT**. As it is now 10:00 am and we have a quorum present, I have pleasure in declaring the meeting open.

[Slide 2 - Agenda]

My name is Geoff Brunsdon and I am the Independent Chairman of APN Funds Management Limited, the Responsible Entity of your Fund, Generation Healthcare REIT.

The meeting today has four principal objectives:

- To present the results and activities of the Fund for the 2015 financial year;
- To review the Fund's recent activities and performance;
- To vote on two proposed ordinary resolutions; and
- To give you the opportunity to ask any questions you may have of Directors, Management or Advisers who are present here today.

Shortly I will hand over to the CEO of the Fund, Miles Wentworth. Miles will provide you with an overview of the year to 30 June 2015 and update you on the Fund's recent activities.

[Slide 3 - Directors]

I would now like to introduce my fellow Directors of the Responsible Entity:

- **Michael Johnstone** – who has been an independent Director since 2009 and is also Chairman of the Audit, Compliance & Risk Management Committee.
- **Jennifer Horrigan** – who has been an independent Director since 2012 and is also a member of the Audit, Compliance & Risk Management Committee.
- Our fellow Director, **Howard Brenchley** is not able to join us today. Howard has been a Director of APN Funds Management Limited since 1998 and a Non-executive Director since 2014.

[Slide 4 – GHC Directors and Company Secretary]

I would also like to welcome:

- **Miles Wentworth** who is the CEO of your Fund and who will be known to most of you;
- **Chris Adams**, Director of Generation Healthcare Management; and
- **John Freemantle**, Company Secretary of APN Funds Management Limited.

Also present in the audience are our external advisers:

- **Peter Caldwell** - from our auditor, Deloitte Touche Tohmatsu;
- **James Morvell** - from our legal counsel, Hall & Wilcox; and
- **Julie Stokes** – from our share registry, Link Market Services who will supervise the conduct of a poll, if one is required during the meeting.

[Slide 5 - GHC]

[Slide 6 – Highlights]

[Financial highlights]

Ladies and Gentlemen, Generation Healthcare REIT delivered another strong result for the 2015 financial year reflecting the defensive nature of the sector and active management of the Fund.

Most notably, Underlying Net Operating Income increased 66% from the previous year, to \$17.2 million which was largely attributable to solid growth in rental income from the portfolio, coupled with new acquisitions, completion of a project and lower finance costs. Distributions per unit totalled 8.58 cents for the year, up 7.25% on the previous year and representing an 88% payout ratio to underlying net operating income.

The Fund delivered a total return (being the movement in the unit price plus distributions) of 32.5% for the 12 months to 30 June 2015, significantly outperforming the S&P/ASX 300 A-REIT Accumulation Index by 12.3% and consistently outperforming the Index on a one, three and five year basis. Effective from 21 September 2015 the Fund achieved a significant milestone, being admitted to the S&P/ASX 300 Index, that should further increase its profile and demand amongst retail and institutional investors.

The Fund's exposure to the unique and growing demand for healthcare services which are predominantly a need and not a want, sees the Fund well positioned to provide investors with an attractive risk adjusted returns. We have a solid balance sheet, are well supported by our debt providers and continue to focus on enhancing and growing the property portfolio of the Fund in a value adding way. The management team has delivered asset acquisitions and the RSL Care collaboration agreement, the Casey Specialist Centre project, progressed key projects and undertaken several significant capital management initiatives over the last year. These initiatives further position the Fund to deliver enhanced value, earnings and asset diversification for investors.

The Fund has a number of significant projects that are well advanced in their planning and design phase; unitholders can look forward to 2016 with a high level of confidence. On completion, these projects are expected to be highly accretive for the Fund and will add to its future earnings growth prospects, supported more broadly by the defensive nature of the health sector. We reaffirm our previously announced underlying net operating income guidance for the full year to 30 June 2016 of 9.90 cents per unit and for a distribution of 8.84 cents per unit, representing an 89% payout ratio and a 3% increase on that of FY15.

[Slide 7 – Fund Review Miles Wentworth]

I would now like to hand over to Miles, who will take you through the operational highlights of FY15 and provide you with an update on activities since year-end.

[Refer to Miles Wentworth, CEO Speech]

[Slide 32 – GHC Slide]

[Concluding address after Miles' speech]

Thank you Miles.

I will now move to the formal business of the meeting.

[Slide 33 – Resolution One]

[First item for resolution]

The first item of business to consider today is ***a resolution to approve the issue of units in the Fund, which occurred on 29 May 2015, to Taverners N Pty Ltd for the purpose of Listing Rule 7.4 to refresh the Fund's capacity to issue new Units pursuant to Listing Rule 7.1.***

On 29 May 2015, the Responsible Entity issued 3,333,333 units at an issue price of \$1.50 per unit to Taverners N Pty Ltd in accordance with a prior contractual agreement. These were fully paid ordinary units in the Fund ranking equally with existing ordinary units quoted on the ASX, except that they were not entitled to participate in the June 2015 half year distribution. The funds raised from the placement were applied to part fund the acquisition of the RSL Care portfolio of three residential aged care properties announced to the ASX on 28 April 2015.

Under Listing Rule 7.1, the Responsible Entity may issue up to 15% of its issued capital in the Fund without obtaining unitholder approval in any 12 month period. The issue of Units pursuant to the Placement did not exceed the 15% threshold. Without the approval sought under resolution 1, the Units issued under the Placement would count towards the 15% limit under Listing Rule 7.1.

However, Listing Rule 7.4 provides that where Unitholders subsequently approve an issue, the issue will be treated as having been made with approval for the purpose of Listing Rule 7.1. Therefore, the Fund's 15% capacity will be refreshed and the Responsible Entity will be able to issue further Units up to that limit.

The resolution is documented in the Notice of Meeting and shown on the screen behind me. The resolution is an ordinary resolution and will be passed if more than 50% of the votes of those present and eligible to vote are cast in favour of the resolution.

Does any shareholder wish to speak in relation to the resolution or ask any questions?

[Questions / Discussion]

Thank you.

[Proxies]

For this resolution, proxy instructions have been received by the Company Secretary. A summary of these instructions is set out on the screen behind me.

I intend to vote all open proxies that I hold **in favour** of the resolution.

I now put to the meeting the resolution ***“to approve pursuant to Listing Rule 7.4 the units issued pursuant to the Institutional Placement which occurred on 29 May 2015”***.

[Slide 34 – Resolution Two]

[Second item for resolution]

The second item of business to consider is ***a resolution to approve the issue of units in the Fund to the Responsible Entity, the Manager, or their related bodies corporate, in lieu of management fees for a further period of three years to 19 November 2018.***

This resolution refreshes the current approval to issue units in lieu of management fees received from unitholders on 26 November 2012, in accordance with the requirements of the ASX waiver granted to the Fund on its establishment.

It is important to note that the resolution does not provide an option as to whether or not the Fund should pay fees but is only relevant to the ability of the Responsible Entity and the Manager to apply the fees payable towards the subscription of units instead of receiving payment in cash.

Your approval today of this resolution will enable the management fees to be payable via the issue of units instead of payment in cash. The Responsible Entity believes that this is in the best interests of unitholders:

- By more closely aligning the Responsible Entity's and Manager's interests with your interests as unitholders;
- By permitting cash that may have been required to satisfy management fees to be used for other purposes such as reducing debt within the Fund; and
- By ensuring that the payment of distributions to unitholders is not compromised by the need to satisfy management fees with cash.

The resolution is documented in the Notice of Meeting and shown on the screen behind me. The resolution is an ordinary resolution and will be passed if more than 50% of the votes of those present and eligible to vote are cast in favour of the resolution.

Does any shareholder wish to speak in relation to the resolution or ask any questions?

[Questions / Discussion]

Thank you.

[Proxies]

For this resolution, proxy instructions have been received by the Company Secretary. A summary of these instructions is set out on the screen behind me.

I intend to vote all open proxies that I hold **in favour** of the resolution.

I now put to the meeting the resolution ***“to approve the issue of Units to the Responsible Entity, the Manager, or their related bodies corporate, in lieu of management fees at an issue price fixed under the Constitution of the Fund”***.

[Slide 35 – GHC Slide]

[General business]

Ladies and Gentlemen, this completes the formal business of the meeting. However, as I indicated earlier, I would be happy to take any general questions you may have.

[Questions]

[Meeting close]

If there are no further questions, I will close the meeting.

Thank you for your attendance today and to those unitholders who participated by proxy.

The Directors and Management would be pleased if you would join them for light refreshments and an opportunity to ask additional questions.

CEO (Miles Wentworth) speech 2015 Generation Healthcare REIT AGM

Thank you Geoff. Well, ladies and gentlemen, good morning and thank you for making the effort to come to today's Annual General Meeting of Generation Healthcare REIT.

In this morning's address, I would like to:

[Slide 7 – Fund Review]

- Briefly touch on the Australian Health Sector and more specifically provide an update on the performance of Healthcare property as an asset class;
- Provide an overview of the Year in Review, specifically highlighting the performance of the portfolio and our key achievements;
- Provide an update on the organic growth projects and leasing following the financial year end; and
- Lastly, I'd like to leave you with an Outlook for the Fund.

Firstly, a brief overview of the health sector as a whole and more specifically how the Australian healthcare *property market* has performed over the past 8 years.

[Slide 8 – Scale and Growth of Sector]

The latest data shows that expenditure in the Australian health sector, in 2012-2013 was estimated at a touch over \$147 billion dollars, or 9.7% of the country's gross domestic product. The health sector is Australia's largest employer now, so it is a scale sector, which continues to grow significantly ahead of underlying inflation.

The demand drivers for healthcare remain unchanged and continue to grow in momentum due to the unique characteristics underpinning the sector, largely being:

- Australia's growing and fast ageing population. The age group 65 years and over is forecast to increase by 91% over the next twenty years with significantly higher health related spending for this age group;
- Secondly, continual advances in technology is resulting in a greater number of, *and* improved, health solutions; and
- Thirdly, the increasing prevalence of non-age related diseases such as obesity and diabetes is not only increasing the demand for medical attention but also resulting in a growing emphasis on preventative care.

[Slide 9 – Residential Aged Care Market Snapshot]

The effect of Australia's fast ageing population is driving the demand for aged care. This, coupled with high entry barriers, that continues to limit the supply of places, has resulted in a favourable supply-demand paradigm and increasing sector wide occupancy rates over the past 15 years. Similar to the hospital subsector, the residential aged care industry is highly regulated with significant government funding paid to providers.

It is also important to note that the ownership of aged care facilities is highly fragmented. As at 30 June 2013, there were 2,716 facilities (totalling approximately 186,000 places), 63% of which were operators operating single facilities.

[Slide 10 – Scale Growth ...]

The sheer scale of the sector and growing need for health care services will necessitate the need for **new** and **improved** healthcare infrastructure, and this is where Generation Healthcare is well positioned over the longer term – being able to capitalise on growth opportunities which generate attractive risk adjusted returns.

Consolidation amongst aged care providers (as the industry matures) will only enhance the investment opportunities available to GHC as it continues to develop and maintain relationships with key operators, including RSL Care where we have formed a strategic relationship during the year – which I will talk to later in the presentation.

[Slide 11 – Healthcare Property Outperforms]

In regard to healthcare property and its performance at an asset level, the independent research house MSCI launched the Healthcare Property Index in March 2012. The Index now includes over \$1.5 billion of Australian healthcare property from 5 participants including Generation Healthcare.

As you can see from the table, over an 8 year period stretching back to 2007, the total return (being income and movement in the underlying property value) from Healthcare Property outperformed all other classes of property. Not only did healthcare property have the highest total return but it also had:

- The highest risk adjusted return (which is the level of return per unit of risk);
- The lowest risk (measured by earnings volatility); and
- The lowest downside risk.

This provides strong independent evidence of the attractive risk adjusted returns that well selected and managed **healthcare** property can generate.

[Slide 12 – Healthcare property's ...]

MSCI has also said that healthcare property has been shown to demonstrate the lowest correlation with **all** other types of property, providing a strong rationale for including healthcare property within a well-diversified property portfolio.

[Slide 13 – Year In Review]

Now moving onto the Year in Review and the **Key Results and Performance** for the Year ended 30 June 2015.

[Slide 14 – Key Results and Performance]

The 2015 financial year saw a strong Underlying Net Operating Income result of \$17.2 million, up 66% on the prior year's result.

Net Property Income increased by 31% to \$24.3 million, driven primarily by underlying rental growth of the portfolio, acquisitions and projects completed during the period.

There was significant leasing success during the year, with new leases and renewals totalling \$2.2 million, including leasing at the Casey Specialist Centre, which was completed in February, a new seven year lease to Secure Parking at Spring Hill on materially improved terms and new leases at Leading Healthcare in Bendigo.

On a like-for-like basis rental income increased by 3.3%. Of the leases that were due to expire, we continued to experience a high level of tenant retention at over 81%.

A further \$2.3 million of successful leasing was achieved for leases with an effective date of after the financial year end. These related to two major expiries one in FY16 at the Harvester Centre and the other in FY17 at the Australian Red Cross Blood Service.

[Slide 15 – Key results and performance]

On a like-for-like basis property values increased by 5% over the year. This predominately came from yield compression on the existing assets that are subject to future stages or expansion via organic growth, demonstrating the high quality of the tenant covenants, attractive locations and the opportunity that presents on each campus.

[Slide 16 – Total Return Performance]

In terms of returns to investors for the 12 months to June, Generation Healthcare REIT delivered a total return of 32.5% for FY15 (being distributions plus the change in unit price), outperforming the S&P / ASX 300 AREIT Accumulation Index by 12.3 percent.

In September, GHC joined the S&P/ASX 300 Index which is an important milestone for the Fund that will further increase awareness of and interest in the Fund. The index includes up to 300 of Australia's largest listed securities by float adjusted market capitalisation.

[Slide 17 – Distributions]

The Fund declared and paid two distributions totalling 8.58 cents per unit for the year, up 7.25% on the prior year. This represented an 88% payout ratio to the Underlying Net Operating Income. Unitholders also benefited from 69% of the distribution being tax deferred.

[Slide 18 – Transactions]

As Geoff has already touched on, it has been a very active year for the Fund, having completed a number of value adding transactions.

[Slide 19 – Transactions during the period]

In April 2015, the Fund announced the acquisition of a portfolio of three high quality residential aged care properties from RSL Care Limited for a combined purchase price of \$45.8 million. Co-located with RSL Care owned and operated retirement villages, each property is leased to RSL Care on an initial 20-year term with a purchase yield to the Fund of 7.65%.

Importantly, RSL Care and GHC have also signed a collaboration agreement to source and secure further residential aged care opportunities, with RSL Care wanting to double in size in the coming 5 years.

The acquisition of the RSL Care portfolio was fully funded via a \$52.0 million equity raising. By fully equity funding this acquisition, GHC has created the balance sheet capacity to deliver its committed development projects fully via debt funding.

[Slide 20 – Capital Management]

I would now like to review the **capital management initiatives** during the year.

[Slide 21 – Capital Management Initiatives - Equity]

As mentioned, in April we undertook a \$52.0 million equity raising to fund the acquisition of the RSL Care assets. We were once again very pleased with the level of interest received from the market, attracting strong interest from institutional investors in addition to the strong support from retail investors.

The equity raising comprised a previously contracted obligation for a \$5.0 million placement to a member of the Taverners Group, and a \$47.0 million fully underwritten non-renounceable accelerated entitlement offer.

We very much appreciate **your** ongoing support for the Fund and are pleased that the market has responded positively, with us currently trading at \$1.84, some 23% up on the equity raising price of \$1.50.

The distribution reinvestment plan remained active during the year with a 2% discount. In the 2015 financial year, the program raised an additional \$2.9 million.

[Slide 22 – Capital Management Initiatives - Debt]

On the debt side of Capital Management, the Fund's three debt facilities totalling \$127 million were renegotiated on enhanced terms. These negotiations have resulted in an extension of the weighted average debt expiry, further diversification of maturity dates and a reduction in the weighted cost of debt by 46 basis points, or 0.46 of 1 percent.

As a result of fully equity funding the transactions during the year, this positions the balance sheet to undertake the new projects with debt whilst staying within our targeted debt to total asset ratio of 40 to 45% over the medium to longer term. The level of net debt to total assets as at 30 June 2015 was just over 26%.

[Slide 23 – Organic Growth Projects]

Now I would like to provide you with an update on the progress of the organic growth projects since year end.

[Slide 24 – 1. Frankston Private Hospital]

The first of the organic growth opportunities is at Frankston Private Hospital in Frankston, Victoria. This high quality, cancer focused facility is 50% owned by the Fund.

In July last year, the Fund announced that following an expression of interest process, its 50% owned Joint Venture entity had entered into a series of contracts with Healthscope Limited. This resulted in Healthscope acquiring the day surgery and day oncology businesses being two existing tenants (representing circa 49% of the rent roll of the property), extending the term of those leases by 18 years and signing an Agreement for Lease for a major expansion of the existing facility.

The forecast total project cost is now \$45 million, of which GHC's share will be approximately \$29 million, representing 65% of the project, given one JV partner was unable to participate.

Council has now issued a Permit for the project and the construction tender has closed. We are pleased to announce that the selection of a builder has been made, debt funding for the project agreed, documentation prepared and building works expected to commence later this month. The build time will be approximately 18 months with rental, being an 8.5% return on cost, forecast to commence in the first half of FY18.

Supplementing the longer term expansion potential of the Frankston Private facility, in November 2014 the Joint Venture acquired an adjacent property that Healthscope has leased for medical consulting for a 10 year term.

[Slide 25 – 2. Casey Health Campus]

The second organic growth project is at our 12,000 plus sqm site strategically located directly opposite the Casey Public Hospital, in Casey, Victoria. The site was acquired by the Fund in February 2013 and is located in one of Victoria's largest and fastest growing Local Government Areas.

The site has planning approval for over 25,000 sqm of lettable area for health use and thereby provides the opportunity to build on a three stage basis what is likely to be in excess of \$200 million worth of healthcare property.

[Slide 26 – 2. Casey Health Campus]

Stage 1 of the Fund's three-stage development is the Casey Specialist Centre which was completed in February on time and on budget. At 30 June 2015, the property was 84% leased and valued at \$23.1 million. Recent leasing success since the end of the financial year now takes the building to 94% occupied. Given leasing momentum and the imminent commencement of stage 2, we would expect the facility to be fully leased by the end of FY16.

The second stage is to build a scale private hospital comprising 190 beds, six operating theatres, six birthing suites, a cardiac/vascular catheter laboratory, two endoscopy theatres, medical consulting suites and associated car parks.

Following the announced non-binding Memorandum of Understanding in August 2014, commercial terms and legal documentation have been completed and executed with St John of God Health Care.

The total project cost is estimated at \$120 million with the Fund's investment of circa \$45 million comprising a 50% interest in the base building and 90% of the car park. The building fit out is to be funded and owned by St John of God Health Care. Since financial year end, all permits have been received, the construction tender has been successfully completed and a builder has been selected. The debt tender has also been successfully completed and contracts have been prepared. Work on site is expected to commence in the coming weeks.

The build time will be approximately 2 years, with rent being an 8% return on cost, forecast to start in the second half of FY18.

[Slide 27 – 3. Epworth Freemasons Clarendon Street]

The third of the organic growth projects is at Epworth Freemasons Private Hospital Clarendon Street.

Recently, the Fund entered into a conditional Heads of Agreement to restructure the previously announced Epworth Freemasons Cancer Centre project, to be established at Epworth Freemasons Clarendon Street in East Melbourne. The project is now to include a major underground car park and additional hospital services. The estimated total project cost is now \$62 million and to be in a 50/50 Joint Venture with Epworth (GHC's share being \$31 million versus \$25 million previously).

The revised project is currently in the design and planning phase and, subject to town planning approval, we are forecasting to commence this project towards the end of the 2016 calendar year.

[Slide 28 – Projects predominantly ...]

The \$240 million of organic growth projects that the Fund has, of which GHC will fund approximately \$120 million given they are in joint ventures, are to be fully funded out of debt and are forecast to provide attractive upside to earnings on completion. All are very high quality projects with attractive leasing metrics, utilising the return on cost model.

[Slide 29 – Summary and outlook]

[Slide 30 – Summary and outlook]

The Fund's strategy remains resolute – being to invest exclusively in high quality healthcare properties that provide investors with attractive risk adjusted returns.

The current portfolio of quality healthcare real estate offers attractive returns, with 2 of the 3 major organic growth projects beginning their delivery phase, this provides strong upside to future earnings. Anticipated longer dated demand also presents organic growth opportunity given all current organic growth projects have potential for future stages.

With a 12.7 year weighted average lease term to expiry, strong leases subject to annual review and tenants operating in a defensive sector, Generation Healthcare REIT is well positioned.

Over the next 12 months, the team is focussed on delivering its key objectives, being:

1. Continue to grow operational earnings and distributions;
2. Continue to proactively manage the assets within the portfolio to drive value growth;
3. Deliver on the two material projects about to start that are forecast to complete in 18 to 24 months;

4. Progress the Epworth Freemasons Cancer Centre and the Albert Street carpark projects through town planning;
5. Continue the repositioning of Waratah Private Hospital;
6. Explore potential growth opportunities with RSL Care;

And lastly

7. Secure additional growth opportunities that add value to the Fund

In regard to our forecast earnings, as Geoff mentioned we reaffirm the guidance provided in August that we expect a 2016 financial year Underlying Net Operating Income per unit of 9.90 cents. The guidance for the distribution is 8.84 cents per unit paid equally between the first and second half, which is a 3% increase on FY15.

[Slide 31 – GHC presents ...]

The Fund presents a defensive investment – backed by high quality assets, high occupancy rates, attractive long term rental flows and an experienced and committed management team. Beyond FY16, the organic growth opportunities supported by a robust balance sheet, are forecast to deliver attractive income streams and earnings growth.

Against a strong macro environment, we believe the demand for healthcare infrastructure will continue to grow strongly.

Ladies and Gentlemen, thank you for your time and for attending today's meeting.

[END]



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

ANNUAL GENERAL MEETING

19 NOVEMBER 2015



GENERATION
HEALTHCARE REIT

generationreit.com.au

AGENDA➤



Geoff Brunsdon
Chairman

- 2015 financial year results
- Recent activities and performance
- Two proposed recommended resolutions
- Questions

DIRECTORS ►



Michael Johnstone
Independent
Director



Jennifer Horrigan
Independent
Director



Howard Brenchley
Non-Executive
Director

CEO, DIRECTOR GHM AND APN FM COMPANY SECRETARY ►



Miles Wentworth
Chief Executive
Officer, GHC



Chris Adams
Director, GHM



John Freemantle
Company Secretary,
APN Funds
Management

A large, stylized sun graphic in the top right corner, composed of a solid blue semi-circle and several blue rectangular rays of varying lengths extending outwards.

GENERATION HEALTHCARE REIT ➤

HIGHLIGHTS ➤

- Underlying net operating income \$17.2 million (increase of 66% from last year)
- **Distributions up 7.25%** to cents 8.58 cents per unit for the year
- 12 month **total return of 32.5%**
- Outperformed the S&P/ASX 300 AREIT Accumulation Index by 12.3%
- Defensive sector : unique, growing demand for health services
- Balance sheet provides capacity
- Completed a number of acquisitions, completed one project, progressed other key projects and undertaken capital management initiatives
- **Reaffirm FY16 guidance: 8.84 cpu distribution** (3% increase on FY15)

FUND REVIEW ►



Miles Wentworth
Chief Executive Officer,
GHC

- Health sector review
- Healthcare property performance
- 2015 year in review
- Overview of organic growth projects
- Outlook

SCALE AND GROWTH OF THE SECTOR ➤

- Australia's largest employer
- Healthcare spend is 9.5% of GDP (\$140 billion)
- Material component of the Australian economy

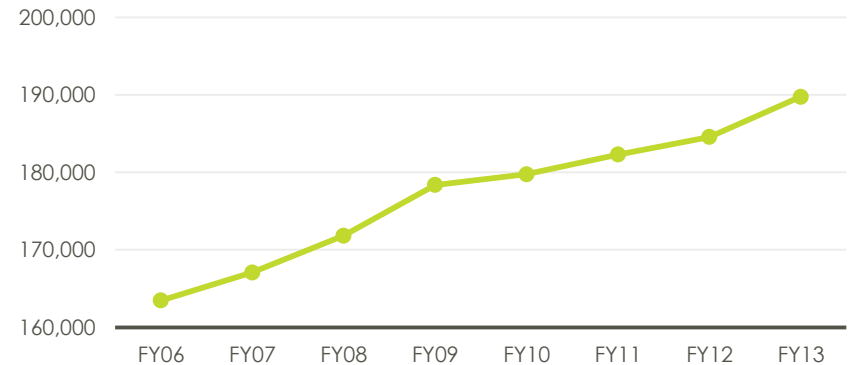
Unique demand characteristics:

- Rapidly ageing and growing population
- Rising expectations for high quality health solutions
- Increase in non-age related diseases
- Technology is driving more health solutions

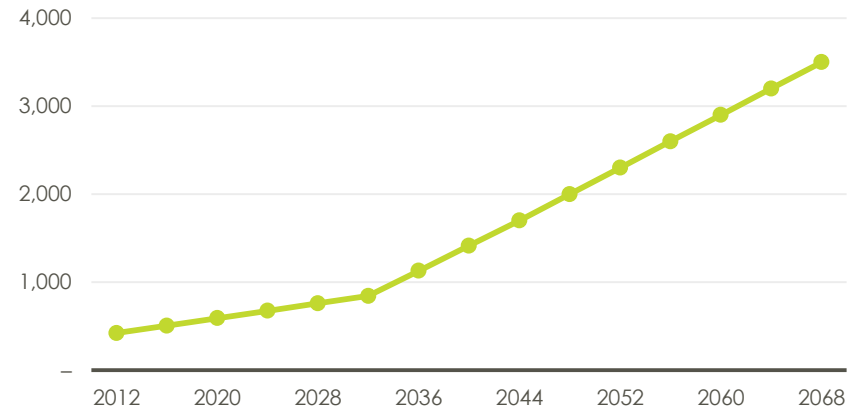
RESIDENTIAL AGED CARE MARKET DYNAMICS ►

- Demand for aged care is driven by favourable long-term demographic trends
- Supply of places is limited, creating barriers to entry
- Demand / supply dynamics have underpinned sector wide occupancy (low to mid 90% range) for past 15 years

Growth in residential aged care places over time



Population projections for >85 years olds ('000s)¹



Source: "Population Projection Australian 2012-2101", Australian Bureau of Statistic 2013;

1. Based on residential places as at June 2011 and total population aged 85 and over in 2011

Scale +
growing
demand for
health services

New &
improved
infrastructure



GENERATION
HEALTHCARE REIT

Well positioned to capitalise
on growth opportunities and
deliver attractive risk
adjusted returns

HEALTHCARE PROPERTY OUTPERFORMS ➤


- MSCI Australian Healthcare Property Index launched in March 2012
- The Index represents approximately \$1.5 billion of healthcare assets
- 5 participants, including GHC

Property sector performance over 8 years to June 2015

Property sector	Annual return	Return volatility	Downside risk
Healthcare	12.0%	1.8%	0.1%
Office	7.2%	3.4%	2.2%
Retail	7.5%	2.5%	1.4%
Industrial	7.2%	3.6%	2.3%
Hotel	9.6%	4.4%	2.6%

- Highest risk adjusted return
- Lowest risk
- Lowest downside risk

Source: IPD Research



Healthcare property's low correlation with all other types of property provides a strong rationale for including healthcare property within a well diversified property portfolio



YEAR IN REVIEW >

KEY RESULTS AND PERFORMANCE ➤

Underlying Net Operating Income up 66% to \$17.2 million:

- Net property income ↑ 31% to \$24.3 million
- Driven by:
 - underlying rental growth,
 - acquisitions, and
 - completed projects
- Significant leasing success during the year with new leases and renewals of \$2.2 million
- Like-for-like rental growth of 3.3%
- A further \$2.3 million of successful leasing for FY16 and FY17 expiries was achieved post year end
- High tenant retention at 81.5%



KEY RESULTS AND PERFORMANCE ➤

Revaluations:

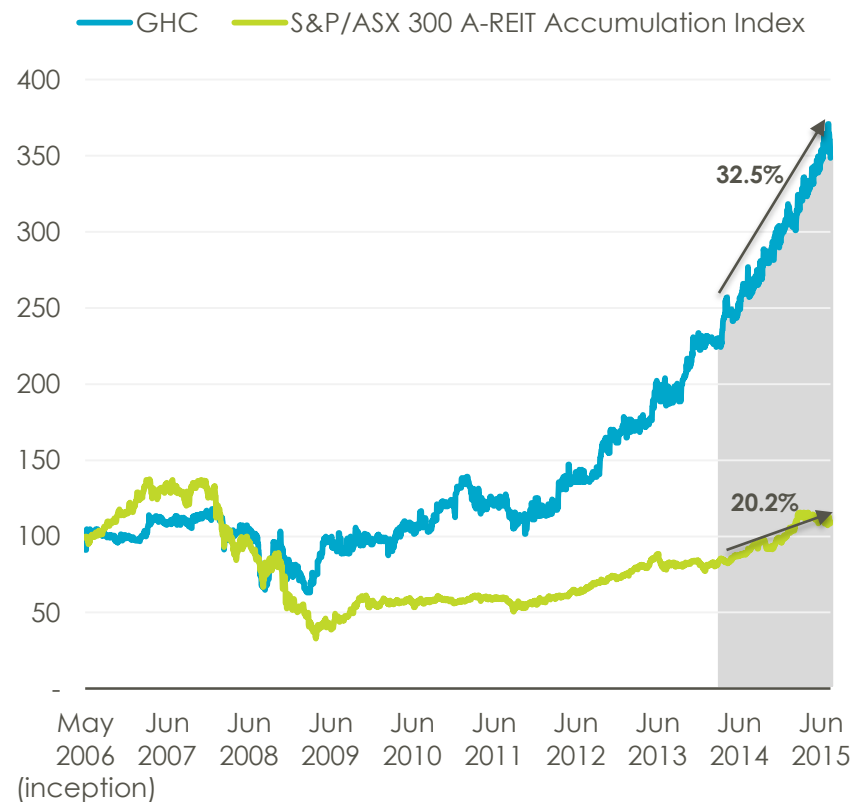
- Property values increased 5% (on a like-for-like basis)
- Revaluations predominantly due to yield compression on existing assets subject to future stages or expansion
- Demonstrates high quality tenant covenants, attractive locations and potential opportunities



TOTAL RETURN PERFORMANCE ➤

GHC delivered a total return of 32.5% for FY15

	GHC	Benchmark	Over / (Under) Performance
1 year	32.5%	20.2%	12.3%
3 years	36.4%	18.3%	18.1%
5 years	26.3%	14.2%	12.0%
Since Inception	15.3%	0.9%	14.3%



Source: IRESS as at 30 June 2015 close

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

DISTRIBUTIONS >

- > FY15 declared and paid two distributions, totalling 8.58 cpu
- > 7% increase on last year
- > 88% payout ratio
- > 69% tax deferred distribution





TRANSACTIONS ➤



TRANSACTIONS DURING THE PERIOD ➤

Asset acquisitions and collaboration agreement

- Acquired three high quality residential aged care properties from RSL Care Limited for a combined purchase price of \$45.8m
- Co-located with RSL Care owned and operated retirement villages, each property is leased on an initial 20-year term with a purchase yield of 7.65%
- Signed a collaboration agreement to source and secure further residential aged care opportunities with RSL Care
- Portfolio acquisition was fully funded via a \$52.0 million equity raising, providing the balance sheet capacity to deliver its committed development projects



CAPITAL MANAGEMENT ➤



CAPITAL MANAGEMENT INITIATIVES >

Equity

- > Equity raising totalling \$52.0 million
- > Strong institutional and retail support
- > Comprised of \$5.0 million placement to a member of the Taverners Group and a \$47.0 million fully underwritten non-renounceable accelerated entitlement offer, at an issue price of \$1.50
- > Distribution reinvestment plan remains active with a 2% discount raising \$2.9 million during the year

Market has responded positively to equity raising
Closing price up 23% from latest issue price

CAPITAL MANAGEMENT INITIATIVES ➤

Debt

- Debt facilities (\$127 million) renegotiated with enhanced terms
- Term of debt extended, diversification of maturity and reduction in weighted cost of debt by 46 bps
- Medium to longer term target level of debt in the range of 40-45%
- Balance Sheet well positioned to undertake new projects
- Debt ratio ↓ from 31.3% to 26.6%





ORGANIC GROWTH PROJECTS ➤

1. FRANKSTON PRIVATE HOSPITAL ➤

- 50% owned Joint Venture entity, Divine Logistics Trust entered into contracts with Healthscope:
 - Acquired businesses of two key tenants
 - Extended existing lease terms for 49% of rent roll by 18 years
 - Agreement for lease for major expansion
- Total project cost of \$45 million with GHC share of \$29 million
- Permit has been issued by Council and construction tender closed
- Builder has been selected with debt funding agreed, documentation prepared and building works expected to commence later this month



Key metrics

Return on Cost	8.5%
Annual reviews	< of 3% and CPI
Lease Term	20 years

2. CASEY HEALTH CAMPUS ➤

- 45 km South East of Melbourne CBD, directly opposite the Casey Public Hospital, with high visibility and strong access
- Catchment forecast to materially grow in size
- Opportunity to develop a scale co-located health campus
- Planning approval for 25,000+ sqm of lettable area



2. CASEY HEALTH CAMPUS ➤

Stage one – Casey Specialist Centre

- Completed February 2015 for \$17.0m on time/on budget
- Independently valued at \$23.1m
- Recent leasing success, currently 94% occupancy

Stage two - \$120m Private Hospital

- Commercial terms and legal documentation completed
- Permits received, construction tender completed and builder selected, debt documentation prepared
- Work on site to commence shortly with approximately 24 month build time




Key metrics

Return on Cost	8.0%
Annual reviews	Fixed 3%
Lease Term	20 years

3. EPWORTH FREEMASONS CLARENDON STREET ➤

- Conditional Heads of Agreement to restructure project to now include major underground car park and additional hospital services
- Total project cost of \$62 million in a 50/50 joint venture with Epworth (GHC share \$31 million)
- 8.50%/8.25% return on cost, annual rent reviews the higher of CPI and 3.5%/3.0%
- Currently in design and planning phase
- Subject to town planning approval, project forecast to commence towards end of CY2016






Projects are to be fully funded via debt and are forecast to provide attractive upside to earnings on completion

A photograph of a modern staircase with a glass railing and a red and white striped wall, viewed through a circular frame. The image is split horizontally, with the top half showing the upper part of the stairs and the bottom half showing the lower part.

SUMMARY AND OUTLOOK ►

SUMMARY AND OUTLOOK >

- > Strategy - invest exclusively in high quality healthcare properties
- > Attractive organic and value adding projects over the short, medium and longer term
- > Focus over the next 12 months:
 1. Continue to grow operational earnings and distributions
 2. Proactively manage assets to drive value growth
 3. Deliver on two material projects about to start that are forecast to complete in 18 to 24 months
 4. Progress the Epworth Freemasons Cancer Centre project through town planning
 5. Continue the repositioning of Waratah Private Hospital
 6. Explore potential growth opportunities with RSL Care
 7. Secure additional growth opportunities that add value
- > FY16 distribution guidance: 8.84 cpu, a 3% increase on FY15



GHC presents a defensive investment backed by quality assets, high occupancy rates, attractive long term rents and an experienced, committed management team



GENERATION HEALTHCARE REIT ➤



RESOLUTION ONE ►

“ That, for the purpose of Listing Rule 7.4 and for all other purposes, the previous issue of 3,333,333 Units at an issue price of \$1.50 per Unit, under a placement to Taverners N Pty Ltd (ACN 140 170 190) as detailed in the Explanatory Notes (Placement) is approved.”

Summary of Proxy instructions

	For	Open	Against	Abstain
Votes	105,324,014	2,156,093	986,423	2,569,677
Percentage	97.10%	1.99%	0.91%	-

RESOLUTION TWO ➤

“ That the issue of Units to the Responsible Entity and the Manager (or their related bodies corporate) in lieu of management fees at an issue price fixed under the Constitution of the Fund is approved.”

Summary of Proxy instructions

	For	Open	Against	Abstain
Votes	69,927,381	2,030,583	1,348,558	226,248
Percentage	95.39%	2.77%	1.84%	-



GENERATION HEALTHCARE REIT ➤