

INTERIM RESULTS 31 DECEMBER 2017

***INVESTING IN AUSTRALASIA'S HEALTHCARE
INFRASTRUCTURE***

27 FEBRUARY 2018

AGENDA

- ▶ Highlights
- ▶ Strategy
- ▶ Financials
- ▶ Portfolio
- ▶ Outlook

HIGHLIGHTS

South Eastern
Private Hospital

Gate 2

- Clinic Reception
- Olinda Ward
 - Emerald Ward
 - Clinic Consulting Rooms



Main Hospital Entrance

Vital
Healthcare Trust

HIGHLIGHTS

Financial and portfolio performance delivering on strategy

Financials

- ▶ Gross rental income¹ of \$44.8m, +17.9%
- ▶ Operating profit before tax¹ \$30.4m, +3.5%
- ▶ NDI¹ of \$22.8m, -4.1%
- ▶ AFFO¹ of \$23.4m, -2.7%
- ▶ NTA of \$2.19, +6.5%
- ▶ LVR of 36.8%, up from 29.3% at 30 June
- ▶ 2nd quarter distribution of 2.125 cents

Strategy & drivers

- ▶ Positive demographic trend due to ageing population
- ▶ 65yr+ cohort utilises 4x healthcare services
- ▶ Healthcare is not a discretionary item
- ▶ Public healthcare under funding pressure
- ▶ Operators exploring partnership funding model

Portfolio

- ▶ Portfolio in great shape
- ▶ Same property NOI growth of 3.5%
- ▶ 18.6 year WALE (+0.9 yrs), 99.3% occupancy
- ▶ 1.8% p.a. avg. lease expiry in next 10 years
- ▶ NZ\$144m development pipeline
- ▶ Portfolio WACR firmed 17 bps to 5.85%
- ▶ Completed five acquisitions for NZ\$187m

Outlook

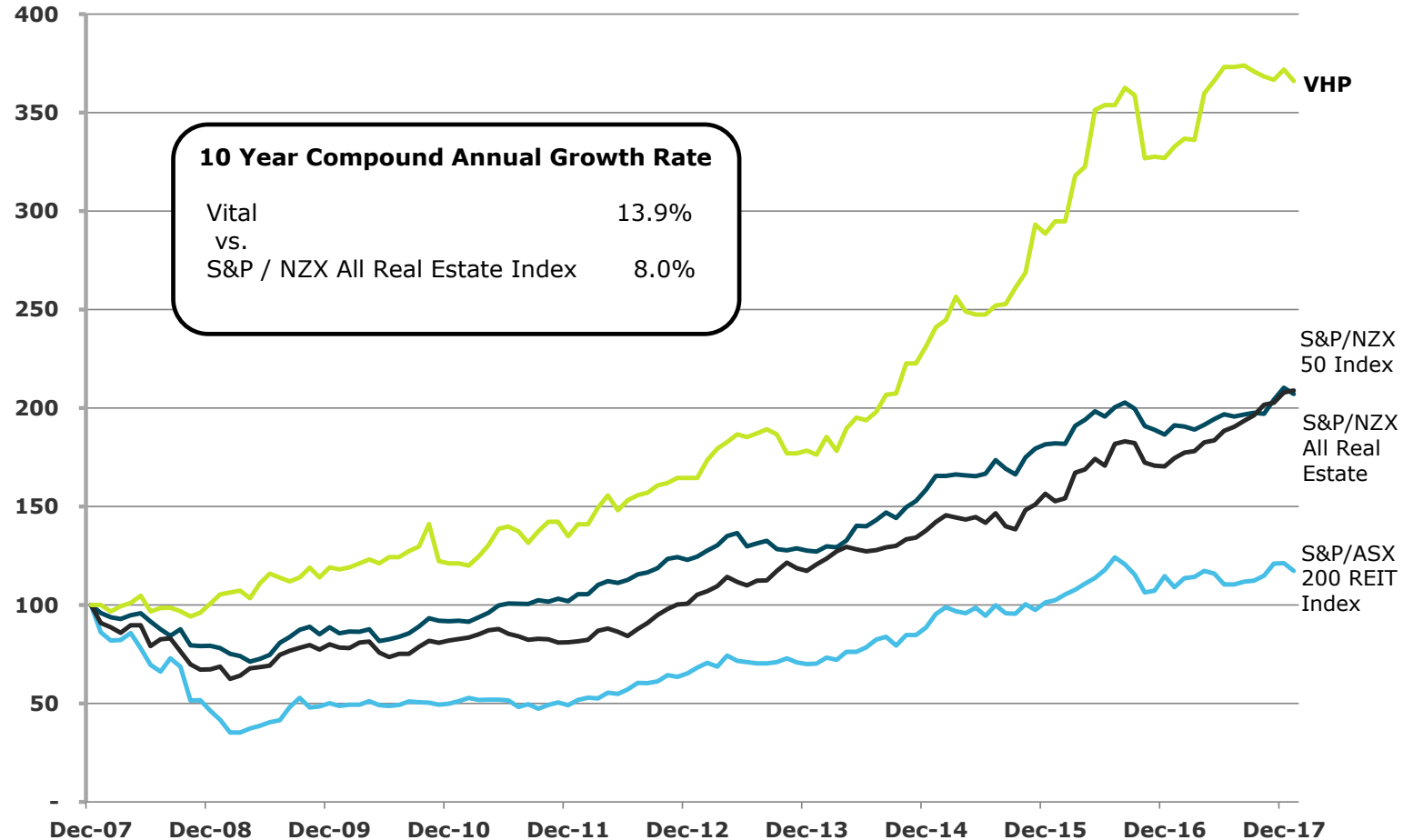
- ▶ Deliver strong, operational, financial and portfolio results
- ▶ Execution of acquisition & brownfield pipelines, incremental value-add
- ▶ Prudently manage balance sheet
- ▶ Widen relationships with operating partners
- ▶ Sustainable distribution and long-term value creation

(1) Comparative period results adjusted for \$13.8m lease termination receipt in October 2016

VITAL'S PERFORMANCE

Strong execution driving material outperformance

Index rebased
to 100



Source: Craigs Investment Partners. Data as at 31 January 2018



STRATEGY

STRATEGIC FRAMEWORK

Building (blocks) to a healthy future

Management

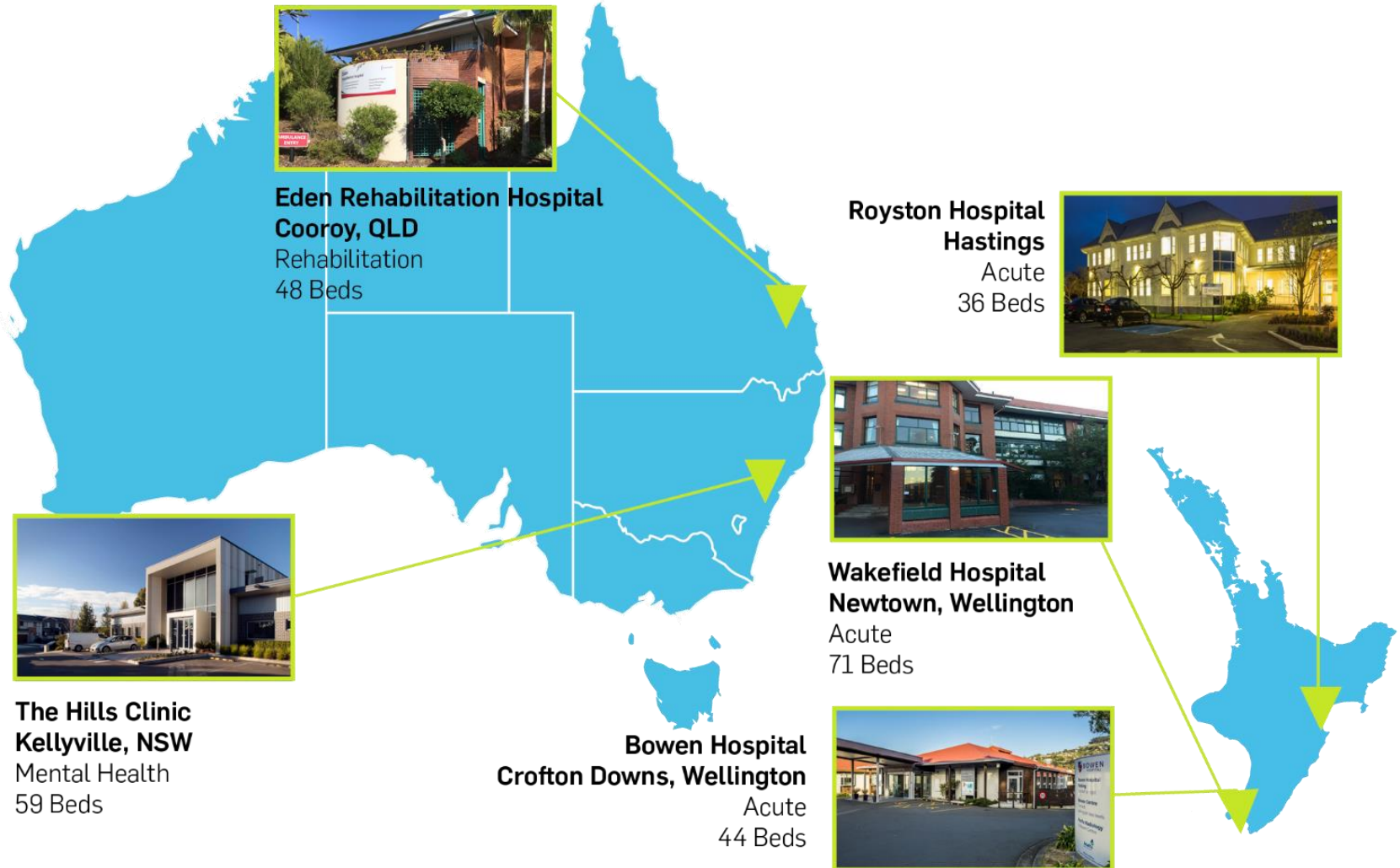
Aligned / Stable / Experienced / Credible / Capable



Consistently strong performance delivering on overall strategy

RECENT ACQUISITIONS

Diversified tenant covenant and extended overall lease term



ACURITY HEALTHCARE PARTNERSHIP



BOWEN
HOSPITAL



WAKEFIELD
HOSPITAL



ROYSTON
HOSPITAL

WAKEFIELD HOSPITAL, WELLINGTON



Now



Proposed



BOWEN HOSPITAL, WELLINGTON









ROYSTON HOSPITAL, HASTINGS



DEVELOPMENT UPDATE

Development continues to enhance asset quality and portfolio value

Development	Budgeted development cost (NZ\$m)	Spend to date (NZ\$m)	Forecast completion date
 Toronto Private (NSW)	10.3	7.4	Apr-18
 North West Private (TAS)	1.1	0.3	May-18
 Lingard Private (NSW)	26.2	8.6	Jun-18
 Royston Hospital (Hastings, NZ)	13.0	0.0	Mid-2019
 Wakefield Hospital (Wellington, NZ)	82.0	0.0	Mid-2021
 Bowen Hospital (Wellington, NZ)	11.5	0.0	Mid-2019
Total	144.1	16.3	

** NZD/AUD at period end exchange rate of 0.9097*

SECTOR DRIVERS AND TRENDS

Periodic regulatory reform, long term trends undeniable

Economic & market influences

Regulatory

reform relatively constant,
diversification
critical

Public system pressure

private system
critical component

Relatively insulated

from macro financial,
economic and market
conditions

Strong forecast demand, undeniable trends

2x

>65 year demographic
forecast over
the next 40 years

80%

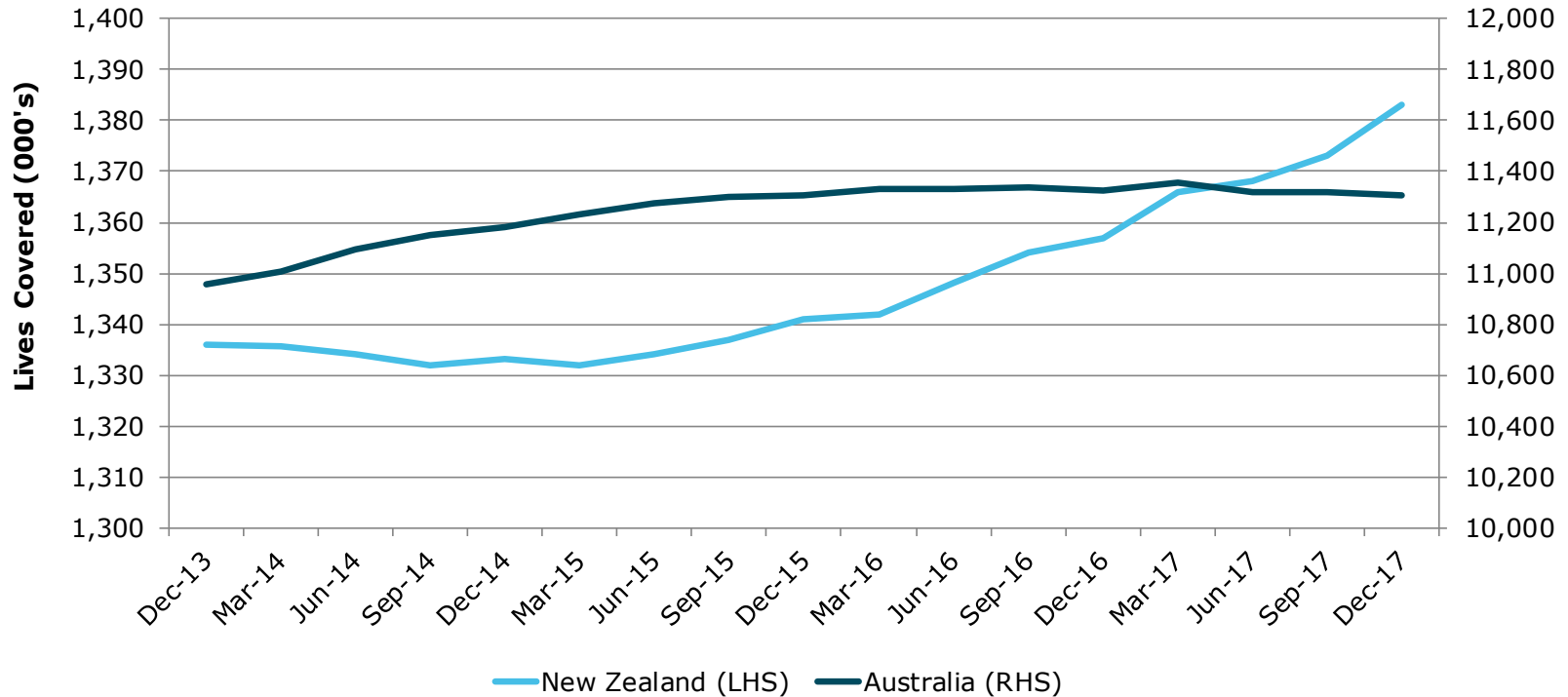
>65 year demographic
have at least
one chronic disease

~4x

utilisation of
healthcare services
by >65 year demographic

PRIVATE HEALTH INSURANCE TRENDS

Strong PHI trends in NZ. Australian PHI growth stable but sector resilient



- ▶ New Zealand PHI participation levels are 29%, Australia PHI participation levels are 46%



FINANCIALS

FINANCIAL PERFORMANCE

Core business activities drive positive operating results

(in millions of \$NZ, except per unit amounts)	Actual 1H18	Normalised 1H17*	Change \$m	Change %
Gross rental income	44.8	38.0	6.8	17.9%
Net rental income	43.2	37.0	6.2	16.6%
Total expenses	12.8	7.7	5.1	67.2%
Operating profit before tax	30.4	29.3	1.0	3.5%
Gross distributable income	25.7	26.1	-0.4	-1.6%
Current tax - New Zealand & Australia	2.9	2.3	0.6	23.6%
<i>Effective tax rate</i>	11.3%	9.0%		
Net distributable income	22.8	23.8	-1.0	-4.1%
Net distributable income per unit (earned) (cpu)	5.26c	5.73c	-0.5c	-8.0%
Net distributable income payout ratio	81%	74%		
Units on issue (weighted average, millions)	432.8	414.9		
Weighted average NZD/AUD exchange rate	0.92	0.95		

*adjusted for \$13.8m lease termination receipt received in October 2016 and associated tax implications

- ▶ Gross rent growth driven by acquisition, organic growth and development activities
- ▶ Total expenses higher due to management fees on increased assets under management. Incentive fee of \$5.8m accrued as compared to \$3.5m accrued in the same period last year and \$13m for the full year 2017.
- ▶ Vital's payout ratio for the half year remains conservative at 81%

DISTRIBUTABLE INCOME

Conservative payout ratio at both NDI and AFFO level

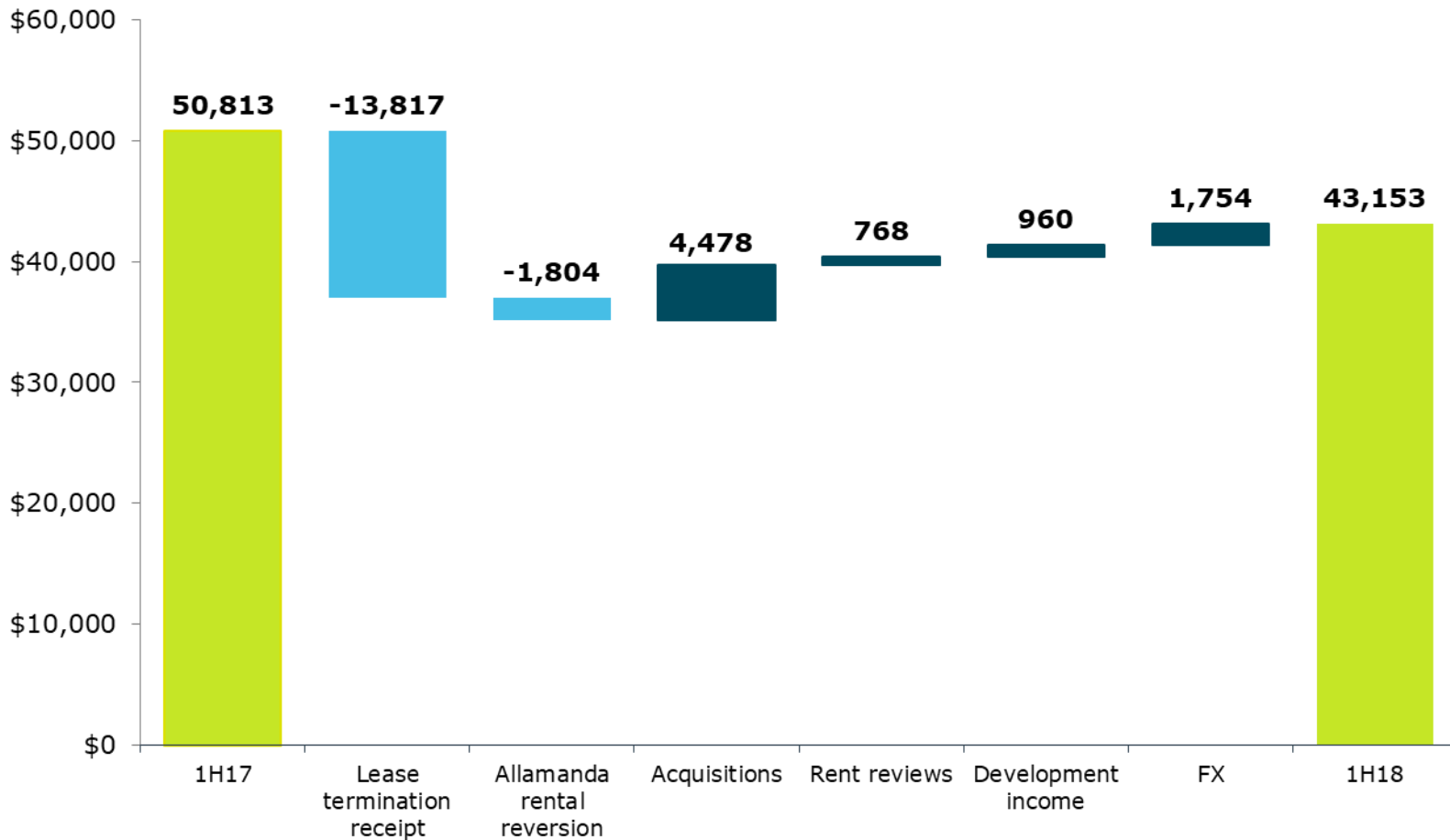
(in millions of \$NZ, except per unit amounts)	Actual 1H18	Normalised 1H17*	Change \$m	Change %
Profit before income tax	61.1	41.2	19.9	48.3%
Revaluation (gains)/losses	-42.8	-13.1	-29.7	226.5%
Unrealised FX (gains)/losses	1.6	2.6	-0.9	-35.8%
Derivative fair value adjustment (gains)/losses	-0.1	-8.1	8.0	-98.6%
Managers incentive fee	5.8	3.5	2.3	66.3%
Gross distributable income	25.7	26.1	-0.4	-1.6%
Current tax	2.9	2.3	0.6	23.6%
Net distributable income	22.8	23.8	-1.0	-4.1%
Amortisation of deferred financing charges	0.2	0.2	0.0	11.8%
Amortisation of leasing costs & tenant inducements	0.5	0.3	0.1	45.8%
Funds from operations (FFO)	23.5	24.3	-0.8	-3.3%
Actual capex & leasing from continuing operations	-0.1	-0.3	0.2	-59.6%
Adjusted funds from operations (AFFO)	23.4	24.0	-0.6	-2.7%
AFFO (cpu)	5.40c	5.78c	-0.4c	-6.7%
AFFO payout ratio	79%	73%		

*adjusted for \$13.8m lease termination receipt received in October 2016 and associated tax implications

NET OPERATING INCOME

Acquisitions and developments were key drivers of core rent growth

NZ\$ 000's



- ▶ Same property NOI growth was 3.5% for the 6 month period, over the prior year.

BALANCE SHEET

Strong balance sheet supports execution of strategy

(in millions of \$NZ, except per unit amounts)	Actual 1H18	Actual FY17	change \$	change %
Investment properties	1,670.8	1,376.2	294.6	21.4%
Weighted average cap rate	5.85%	6.03%	-17 bps	
Total assets	1,687.4	1,392.2	295.2	21.2%
Bank debt	613.6	401.9	211.7	52.7%
Weighted average cost of debt ¹	4.09%	4.34%	-25 bps	
LVR	36.8%	29.3%	753 bps	
Unitholder funds	952.3	879.8	72.5	8.2%
Units on issue (m)	435.4	428.6	6.8	1.6%
Net Tangible Assets	2.19	2.05	0.13	6.5%
Period end NZD/AUD exchange rate	0.91	0.95		

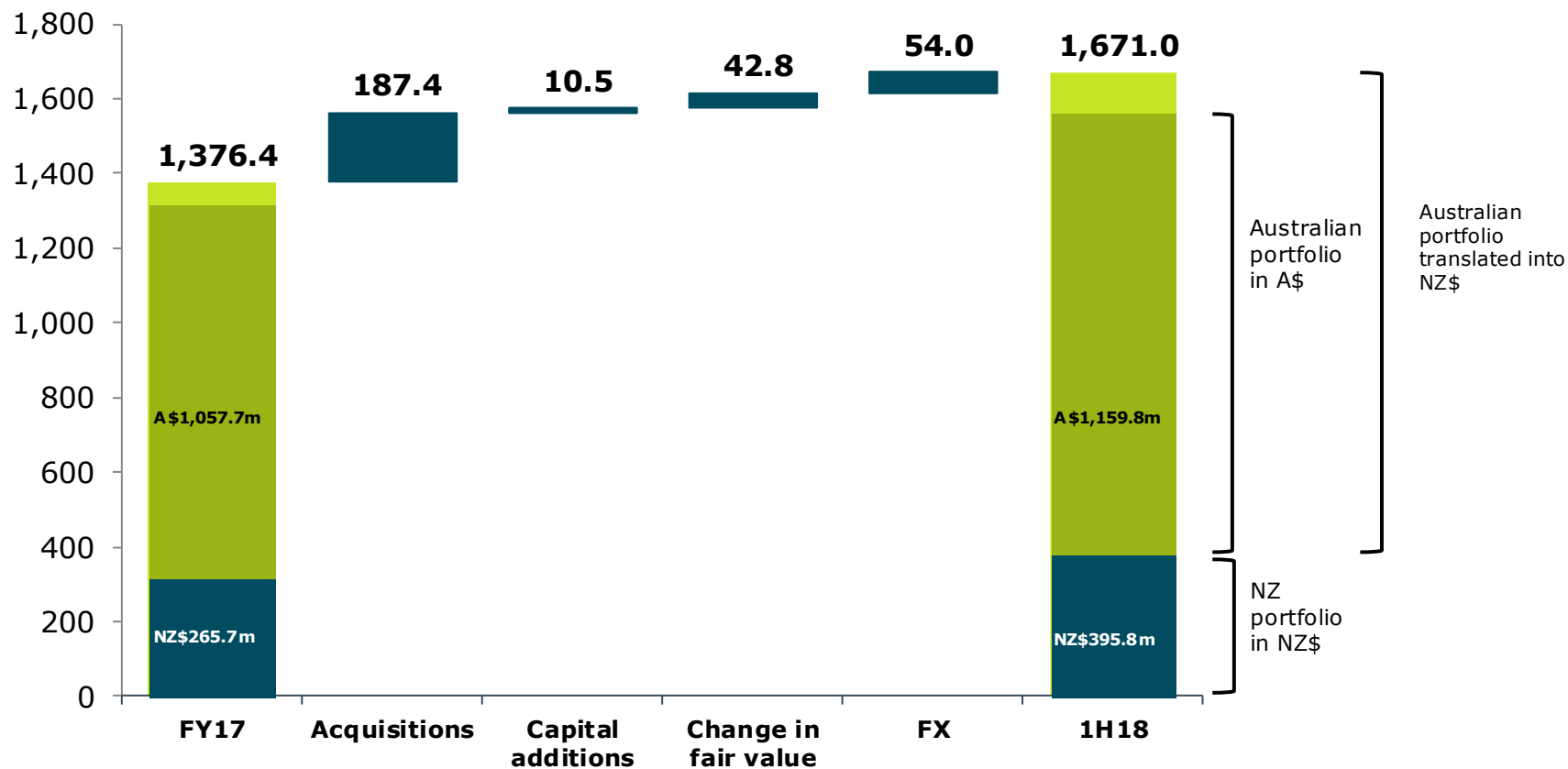
(1) Includes line and margin

- ▶ Portfolio value growth reflects acquisition activity, foreign exchange and revaluation gains
- ▶ Cost of debt reflective of additional NZ\$191m of facility drawdowns at market rates
- ▶ Gearing at normal levels following partial pay down of facilities in July 2016
- ▶ Acquisition capacity of approximately NZ\$200m

INVESTMENT PROPERTY

Acquisitions and FX key drivers of property uplift over the first six months

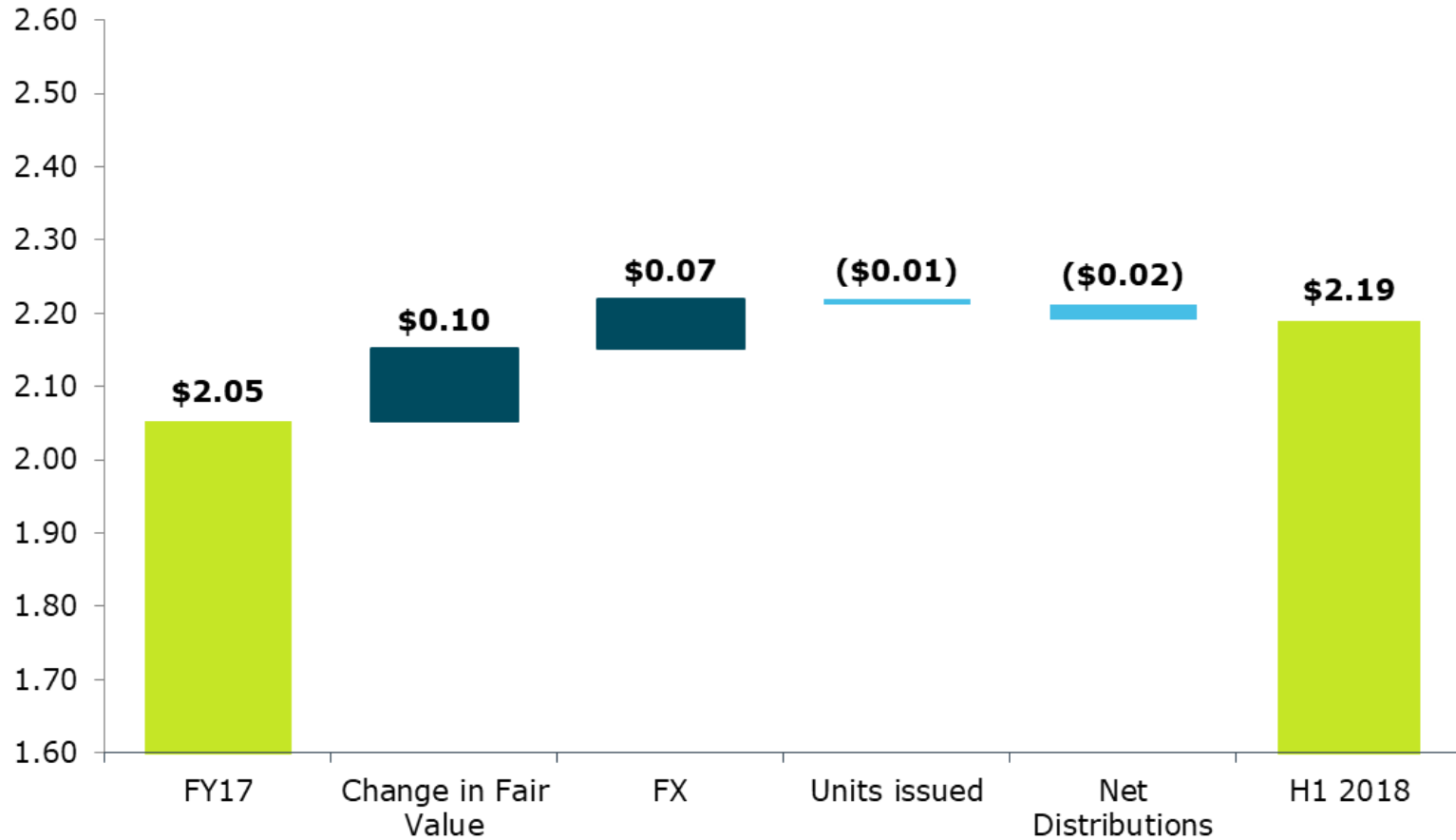
NZ \$millions



NTA MOVEMENT

NTA uplift reflective of foreign exchange and revaluation gains

NZ \$





PORTFOLIO

Vital
Healthcare
Property Trust

*Konington
HOSPITAL*
"Enhancing health
through
clinical excellence"
Private Surgical
Hospital

STRONG GEOGRAPHIC DIVERSIFICATION

42 investment properties comprising ~2,550 beds and ~95 operating theatres.



Marian Centre
Perth, WA
Mental health
69 beds



Belmont Private Hospital
Carina, QLD
Mental Health
150 beds

Hurstville Private Hospital
Sydney, NSW
Acute
96 beds



Geographic split (%)
76/24
Australia/New Zealand
by value



Epworth Eastern Hospital
Melbourne, VIC
Acute
208 beds



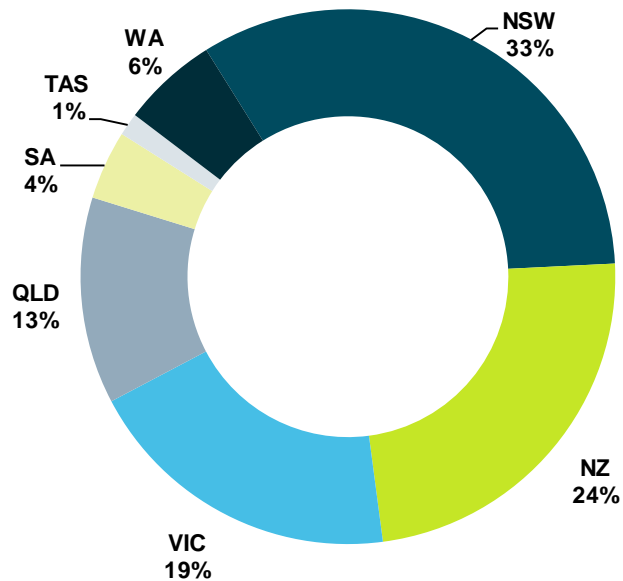
Wakefield Hospital
Wellington, NZ
Acute
71 beds

Indicates number of assets in each state

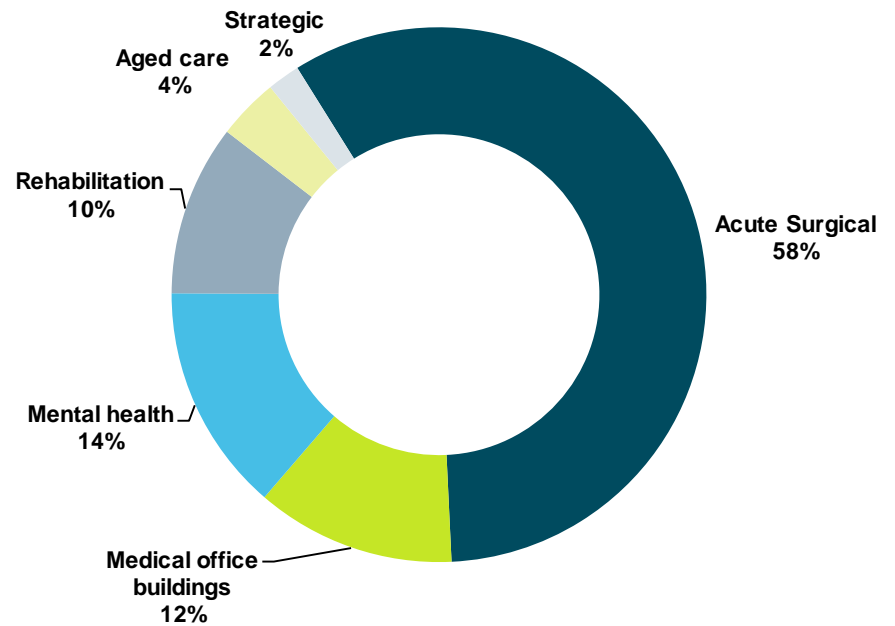
PORTFOLIO COMPOSITION

New partnership with Acurity increases weighting to Acute Surgical in New Zealand

GEOGRAPHIC DIVERSIFICATION



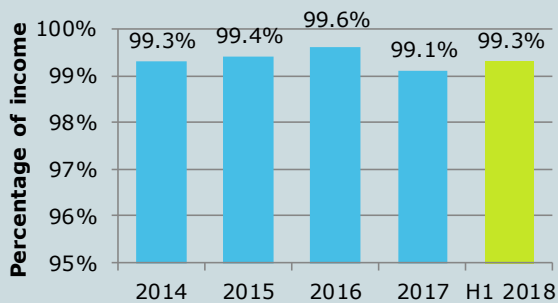
SECTOR DIVERSIFICATION



CORE PORTFOLIO METRICS

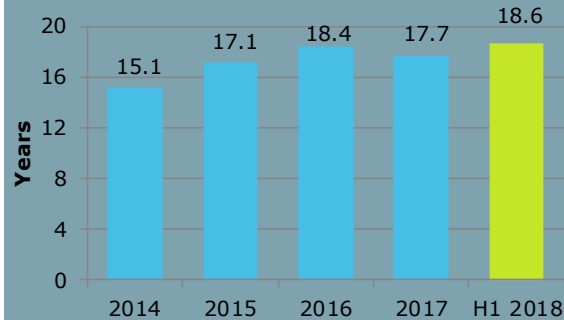
Resilient metrics underpin defensive qualities, driving financial performance

Occupancy



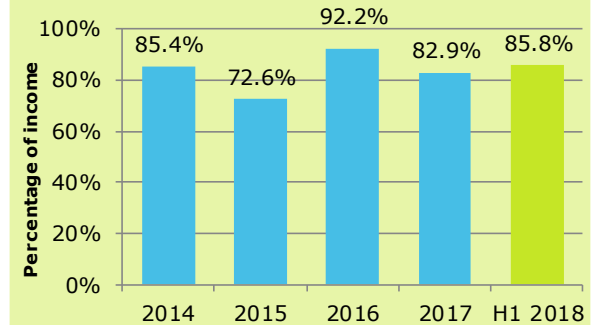
Consistent occupancy levels at almost 100% capacity underpins sustainable portfolio performance

WALE



Long WALE reflects a range of factors including proactive management, partners willing to commit to quality well-located facilities, new lease extensions and acquisitions

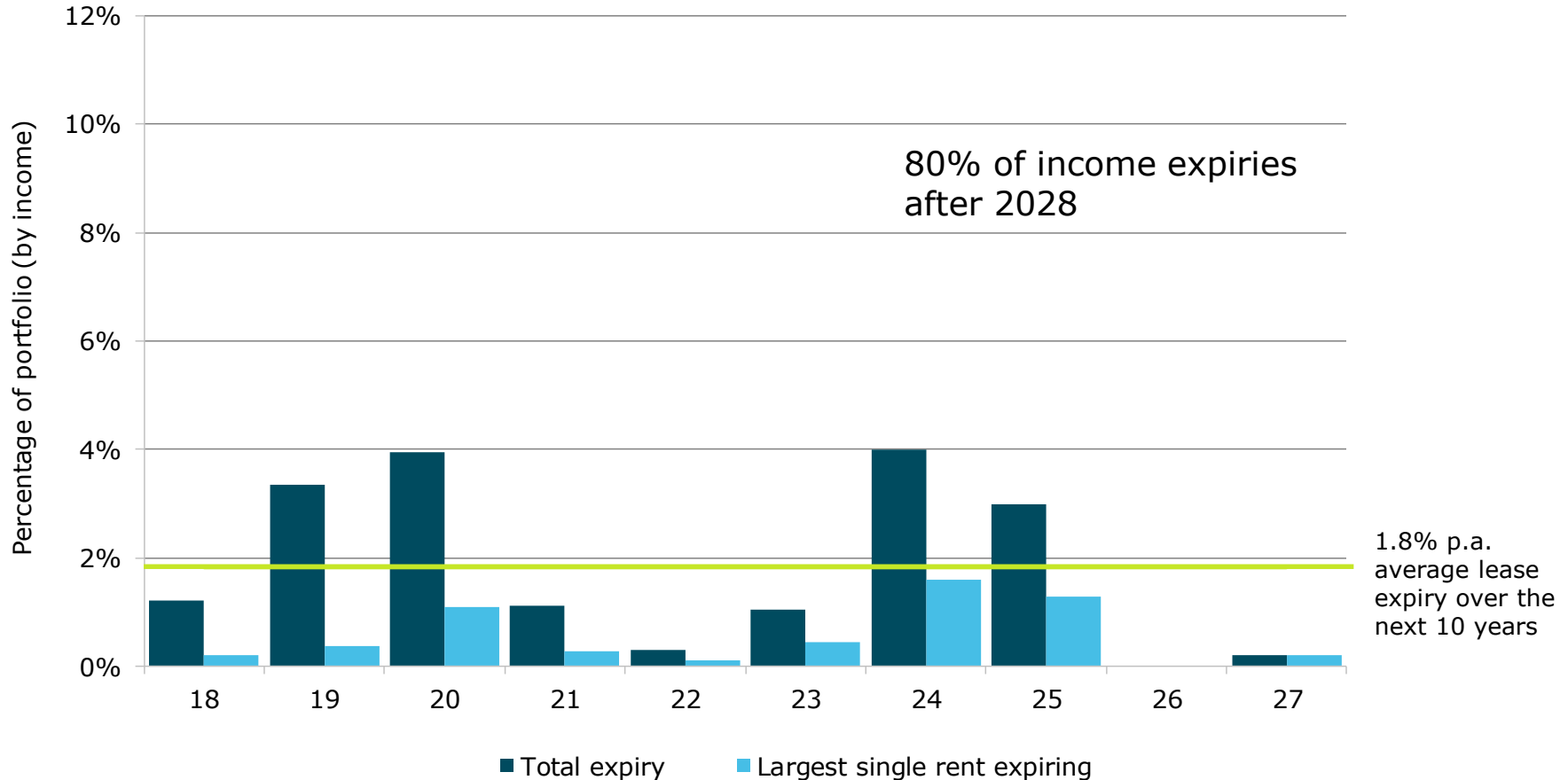
Total income subject to structured rent reviews



High level of structured reviews ensures steady income growth over the long term, regardless of economic cycles

LEASE EXPIRY PROFILE

Low risk expiry profile = sustainable, predictable and defensive cash flows



INTERIM REVALUATION

Strong interim revaluations validate strategy

Revaluation summary

- ▶ Revaluation gain of \$42.8m, +2.9% above book value
- ▶ Values supported by external independent desktop reviews
- ▶ Majority of gain from Australian portfolio
- ▶ Australian WACR firmed ~16 bps to 5.85%, New Zealand ~14 bps to 5.86%
- ▶ Portfolio WACR firmed ~17 bps to 5.85%

Drivers

- ▶ Firming cap rates for institutional quality healthcare assets
- ▶ Increased interest in social infrastructure assets from global investment managers
- ▶ Low interest rate environment, unique and attractive lease terms



OUTLOOK

OUTLOOK

Investing in Australasia's Healthcare Infrastructure

Deliver strong operational, financial and portfolio results - driven by scale and diversification

Execution of acquisition and development pipelines, continuation of incremental value-add opportunities

Acquire strategic sites to support operator growth

Prudently deploy balance sheet to appropriate opportunities

Widen and strengthen relationships with operating partners to support our strategy

Focus on sustainable distributions and long term-value creation

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Past performance is no indication of future performance.

No money is currently being sought, and no applications for units will be accepted, or money received, unless the unitholders have received an investment statement and a registered prospectus from the Trust.

27 February 2018

GLOSSARY

AFFO	Adjusted Funds From Operations is an alternate measure used for assessing distributable income. Essentially adjusts NPAT for all non-cash items (i.e. NDI) then makes adjustments for items such as maintenance capex and lease incentives paid
Cap rate	Capitalisation rate. Generally calculated as net operating income / current market value of investment property
CPI	Consumer Price Index. An index that measures the change in the cost of a 'basket' of basic goods and services, showing how the cost of living changes over time. The most widely accepted indicator of inflation
FEC	Foreign Exchange Contract. Generally considered as a contracted commitment to buy/sell a specified amount of a foreign currency on a fixed date at a fixed rate of exchange
FX	An abbreviation for 'foreign exchange' used where there is a transaction in a currency other than the local currency
LVR	Loan to Value Ratio. Is the ratio of a loan to the value of an asset purchased or total assets. The term is commonly applied by looking at the level of Borrowings (or debt) versus the Total Assets, or Borrowings versus the Investment Properties
NDI	Net Distributable Income. Calculated as Gross Distributable Income less Current tax charges
NTA	Net Tangible Assets. The total assets of the Trust less total liabilities. NTA is normally divided by the number of units on issue and expressed as an amount per unit
WACR	Weighted Average market Capitalisation Rate. The market cap rate for each property weighted by property value
WALE	Weighted Average Lease term to Expiry. The weighted average lease term remaining to expire across a portfolio, sometimes also referred to as WALT