

VITAL HEALTHCARE PROPERTY TRUST

ANNUAL MEETING | 31 OCTOBER 2019



ASGOT CENTRAL

MEETING AGENDA

- Introduction from the Chair of the Meeting
- Address of the Chairman of the Manager
- Address of the Interim Manager
- Questions
- Voting
- General Business
- Close of Meeting
- Refreshments

Chair of Meeting - Tracey Cross



Board of the Manager



BERNARD CROTTY
CHAIRMAN



ANDREW EVANS
INDEPENDENT DIRECTOR



GRAHAM STUART
INDEPENDENT DIRECTOR



PAUL DALLA LANA
CEO NORTHWEST HEALTHCARE

In Attendance

MANAGEMENT TEAM

MILES WENTWORTH
INTERIM MANAGER

STUART HARRISON
CHIEF FINANCIAL OFFICER

CHRIS ADAMS
EXECUTIVE DIRECTOR, PROJECTS

RICHARD ROOS
EXECUTIVE DIRECTOR, PORTFOLIO

SUPERVISOR, AUDIT AND LEGAL

JUSTINE WEALLEANS
TRUSTEES EXECUTORS

SILVIO BRUINSMA
DELOITTE

TOBY SHARPE
BELL GULLY

▶ Address of the Chairman of the Manager

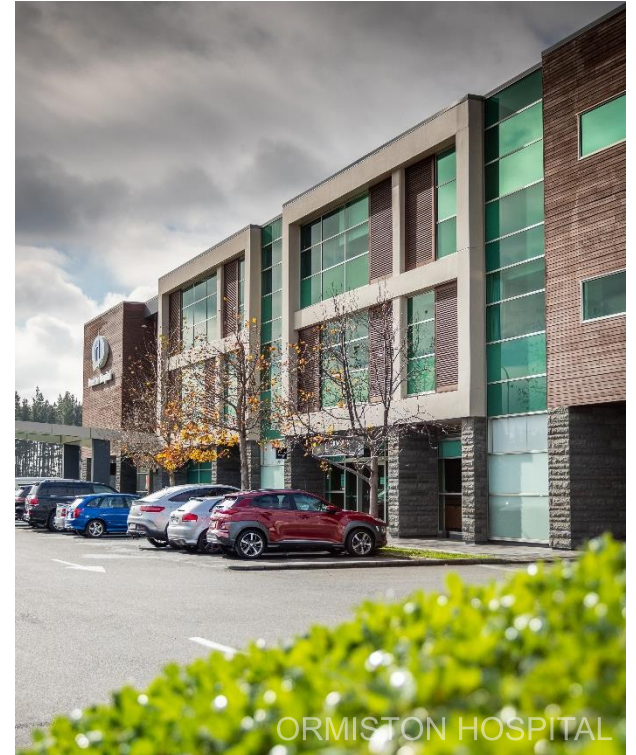


BERNARD CROTTY, CHAIRMAN

Address of the Chairman of the Manager

AGENDA

- ▶ Overview of our financial performance
- ▶ Recap of the Healthscope opportunity
- ▶ Fees and Governance review
- ▶ Wrap-up and outlook



FY19 Financial Performance

VITAL HAS CONTINUED TO DELIVER VALUE

\$51.0m

**Normalised Net
Distributable Income**

2.3%

**Like-for like same
currency rental growth**

\$104m

**Gain from property
revaluations**

27.5%

Total return in FY2019

Healthscope recap

A MATERIAL OPPORTUNITY WAS ACTIVELY PURSUED BUT ULTIMATELY DECLINED

- ▶ Healthscope's real estate assets represented an opportunity to acquire a scale portfolio of high quality assets
- ▶ However, after significant consideration, it was determined by Vital's Board of Directors not to proceed
- ▶ This decision took into account:
 - ▶ Vital's investment objectives
 - ▶ The structure of the transaction,
 - ▶ Vital's prevailing cost of equity
 - ▶ Investor feedback

A\$1.25B

Size of Healthscope real estate portfolio considered

A\$625m

Vital's 50% share of the opportunity

Fee and Governance Review

A CONSIDERED, COMMERCIAL NEGOTIATION WITH INPUT FROM STAKEHOLDERS

Two key initiatives:

- ▶ A commitment to undertake a fees review
- ▶ Review aspects of our governance structure

Fee and Governance Review (continued)

UNITHOLDERS TO HAVE THEIR SAY ON FEES AND GOVERNANCE

Resolution One: Approval of Trust Deed Amendments

- ▶ Amended fee and governance regime
- ▶ Deed modified to reflect the change in Manager fees, comply with new NZX rules, modernise practices (such as electronic voting), and modernise the language of the Trust Deed
 - ▶ A 75% majority of unitholders who vote is required
 - ▶ NorthWest Healthcare Properties REIT and the directors of the Manager are restricted from voting



Fee and Governance Review (continued)

A CONSIDERED, COMMERCIAL NEGOTIATION WITH INPUT FROM STAKEHOLDERS

- ▶ Announced in November 2018 that a review of management fees would be undertaken in the first quarter of 2019
- ▶ Board-led process included:
 - ▶ EY was engaged to provide research support across a variety of matters associated with external specialist managers
 - ▶ Engagement from unitholders representing approximately 40% of the register (excluding NWH REIT)
- ▶ Agreement on a new structure reached between the Independent Directors and NWH REIT announced 1 April 2019 to be effective from 1 April 2019
- ▶ Independent review by Deloitte confirmed **LOWER** fees would have been charged with higher earnings of \$2.1m in FY19, a 4.1% increase in distributable income
- ▶ Vote on this today

Effect of proposed fee change

APPLIED TO THE LAST TWO FISCAL YEARS

Change		FY2018	FY2019
Normalised NDI ¹	change (\$000's)	\$2,514	\$2,112
	change (%)	5.1% 	4.1% 
Net Tangible Assets	change (\$000's)	(\$658)	87
	change (%)	0.0%	0.0%

1. Includes savings from proposed change to incentive fee calculation

Summary

ENHANCED EARNINGS AND VALUE FOR ALL STAKEHOLDERS

- ▶ Lower base fees
- ▶ Tiered base fees
- ▶ Activity and service fees charged at market rates
- ▶ Incentive based on Net Assets as opposed to Gross Assets with a 3 year highwater mark

**The Independent Directors recommend unitholders
vote in FAVOUR of the Trust Deed Amendments**

▶ Key executive appointments with an orderly transition



AARON HOCKLY, FUND MANAGER

- ▶ Mr Hockly is a New Zealand National, based in Auckland
- ▶ 17 years of senior management roles
- ▶ Former Chief Operating Officer for Growthpoint Properties Australia (A\$4.1bn of funds under management)
- ▶ Experience with strategy, transaction structuring and execution (property, debt and equity), reporting and investor relations



MICHAEL GROTH, CHIEF FINANCIAL OFFICER

- ▶ Mr Groth is a qualified Chartered Accountant
- ▶ Over thirteen years' experience in senior finance roles in the listed and unlisted property funds and funds management industry
- ▶ Was the Group Chief Financial Officer of the Melbourne based and ASX listed APN Property Group Limited (A\$2.8bn of funds under management)
- ▶ Experience with healthcare property funds management

Search for new Independent Director

IN PROGRESS

- ▶ Announced in September 2019 that we would bring on an additional independent director to the board by the end of calendar 2019
- ▶ Following this appointment the Board will consist:
 - ▶ Three independent directors
 - ▶ Two NorthWest director representatives
- ▶ Also announced we would appoint an independent Board Chair by the 2020 Annual Meeting
- ▶ External recruitment firm is assisting and has provided a list of candidates
- ▶ Search is progressing well, expect process to be complete before the end of calendar 2019

Investigating a Foreign Exempt ASX Listing

- ▶ We continue to review options and initiatives to enhance Vital's access to capital at the lowest possible cost
- ▶ We are investigating a foreign exempt listing on the ASX (NZX to remain Primary listing) along with related structural considerations.
- ▶ Early indications from exploratory work are positive but there can be no assurance that this initiative will proceed
- ▶ If the initiative is progressed it would be **subject to a Unitholder vote**
- ▶ Further update on progress to be provided at or before the release of H1 results in February 2020

Wrap Up

- ▶ Strong Financial Results
- ▶ Fees and governance changes brought forward for your approval
- ▶ Reaffirm FY20 Distribution of **“at least” 8.75cpu with a review at Interim Results** in February 2020
- ▶ Fund Manager appointed
- ▶ **Independent Director search progressing well** and will be appointed before the end of the year
- ▶ **Investigating ASX foreign exempt listing**

► Address of the Interim Manager of the Manager



MILES WENTWORTH, INTERIM MANAGER

Address of the Interim Manager

AGENDA

- ▶ FY2019 financial results
- ▶ Performance of the property portfolio
- ▶ Update on Wakefield (Wellington) and Epworth Eastern (Melbourne) projects
- ▶ Brief overview of the Fund's capital management
- ▶ Outlook for the Fund

FY19 Financial Highlights

STRONG PERFORMANCE

2.3%

Like-for like rental
growth

\$51.0m

Normalised NDI
+3.8%

\$2.31

Net tangible assets
per unit +2%

35.3%

Debt to Total Assets

8.75cps

Annual Distribution
+2.2%

27.5%

Total return in FY2019

Property portfolio

STRONG PROPERTY REVALUATION GROWTH






- ▶ Revaluation gain of \$104m or 6.0%
- ▶ 77% of gain from Australian portfolio, 23% from New Zealand
- ▶ Renewed 32 leases at positive spreads
- ▶ Lease expiries in FY20 and FY21 primarily reflect smaller tenancies at multi-tenant properties, with a high expectation of renewal
- ▶ Weighted average lease term of 18.1 years
- ▶ Occupancy of 99.4%

Projects update



Committed projects

BROWNFIELDS DRIVING VALUE-ADD OUTCOMES, PROVIDING ENHANCED EARNINGS GROWTH AND FURTHER IMPROVES ASSET QUALITY

	Forecast development cost	Forecast income return	Forecast completion date
 Lingard Day Surgery (NSW)	A\$26.0	6.3%	Apr-2020
 The Hills (NSW)	A\$8.3	6.0%	Jul-2020
 Epworth Eastern (VIC)	A\$126.2	6.0%	Late-2021
Total Australian Projects	A\$160.5	6.0%	
 Wakefield Hospital (Wellington, NZ) ⁽¹⁾	NZ\$98.0	6.3%	Staged 2021-2023
 Royston Hospital (Hastings, NZ)	NZ\$13.0	6.3%	Mid-2020
Total New Zealand Projects	NZ\$111.0	6.3%	
Total Projects in NZD	NZ\$278.8	6.1%	

(1) Stage 1 with a forecast development cost of \$37m has commenced, Stages 2 and 3 for \$61m are in the advanced planning phases

Wakefield Hospital development

THE PROJECT WILL FURTHER ENHANCE WELLINGTON'S PREEMINENT PRIVATE HOSPITAL

- ▶ Hawkins Construction appointed for the \$37m first stage of a planned \$98m three stage redevelopment
- ▶ Wakefield Hospital will offer patients access to some of the most advanced medical services and treatment in New Zealand
- ▶ Stage 1 completion expected in the first quarter of calendar 2021



Wakefield Hospital progress

SITE EXCAVATION AND GROUND WORKS HAVE COMMENCED

- ▶ Underground bulk excavation, retaining walls and ground anchors are well advanced
- ▶ Base isolators for earthquake strengthening are expected to be installed next month
- ▶ Live construction update feed available at:

<https://www.wakefield.co.nz/development/construction-updates>

October 2019



September 2019



Epworth Eastern Hospital expansion

THE PROJECT WILL MEET THE RISING DEMAND FOR HEALTHCARE SERVICES IN THE CATCHMENT

- ▶ New 14 storey tower, interconnected with the Fund's Epworth Eastern Hospital.
- ▶ Epworth will lease approximately 80% of the expansion
- ▶ This project will add an additional 5 operating theatres, 63 beds, an emergency department and 7 levels of specialist consulting suites
- ▶ Expected completion is late calendar 2021



A\$126m

Forecast Project Cost

100%

FORECAST OCCUPANCY

30yr

LEASE TERM WITH RENTAL ESCALATORS FOR THE EPWORTH LEASE

~6%

RENTALISATION YIELD

Value equation from projects

ATTRACTIVE SPREADS

Funded by debt at circa 3.0%



Contracted average return of 6.1%



Material ↑ to profit and value

Capital Management



Debt levels

CURRENT GEARING LEVELS REFLECT VITAL'S UNIQUE LONG-TERM STRUCTURED CASH FLOWS IN A DEFENSIVE SECTOR

- ▶ DRP available at 1% discount and no transaction costs
- ▶ Vital's debt is 35.3% on a debt to total assets basis
- ▶ Vital **operates in a defensive sector with unique and strong demand drivers** and
 - ▶ A **WALT of 18.1 years**
 - ▶ **Occupancy at 99.4%**
 - ▶ **High quality healthcare tenants** that are performing well
- ▶ Vital has no peers on either the ASX or NZX, **current debt levels deemed prudent in light of the above factors**
- ▶ Board comfortable with debt levels and headroom

35.3%⁽¹⁾
DEBT / ASSETS

50%
TRUST DEED
COVENANT

(1) Calculated in accordance with Vital's Trust Deed and excludes A\$80.3m related party loan which was repaid on 2 August 2019

▶ Outlook



Outlook

- ▶ Vote on new fee structure
- ▶ Manage effective delivery of \$279m projects program
- ▶ Advance longer dated projects
- ▶ Capital recycling opportunities
- ▶ Considering **further** aged care opportunities that add value
- ▶ Review of distribution guidance at half year

Questions

BELMONT PRIVATE HOSPITAL



Voting



Resolution One

Resolution One: Approval of Trust Deed Amendments

“That for the purposes of s 139(2)(a)(i) of the Financial Markets Conduct Act 2013, the Trust Deed Amendments be approved”

- ▶ A 75% majority of unitholders who vote is required
- ▶ NorthWest Healthcare Properties REIT and the directors of the Manager are restricted from voting

Resolution One – Proxies Received

Vote Type	Units Voted	% of Units Voted	% of Total Units
For	110,040,039	79.80%	24.35%
Against	8,134	0.01%	0.00%
Discretionary	27,844,442	20.19%	6.16%
Abstain	116,235,869	n.a.	25.72%

Resolution Two

Resolution Two: Election of Independent Director

“That Andrew Evans be elected as an Independent Director of NorthWest Healthcare Properties Management Limited, the manager of the Vital Healthcare Property Trust”

- ▶ A simple majority is required

Resolution Two – Proxies Received

Vote Type	Units Voted	% of Units Voted	% of Total Units
For	213,626,077	85.23%	47.27%
Against	9,031,303	3.60%	2.00%
Discretionary	27,993,234	11.17%	6.19%
Abstain	3,477,870	n.a.	0.77%

Close of meeting and thank-you

Please join us for refreshments



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31st October 2019