

Meadowbrook Hospital

First Quarter Update

1 JULY – 30 SEPTEMBER 2022



9.75 **cpu**

FY23 DISTRIBUTION GUIDANCE

Dear Unit Holders

Despite significant market volatility over recent months, we have continued to deliver for Unit Holders through:

1. increasing interest rate hedging to reduce Vital's interest rate exposure with 62.3% of Vital's drawn debt now fixed;
2. achieving a high GRESB score across a range of measures demonstrating sustainability efforts which should enhance Unit Holder returns over the medium-longer term; and
3. progressing value adding developments across Australia and New Zealand.

In addition, Vital's Unit Holders continue to benefit from:

1. Vital's resilient income with healthcare spending less impacted by business cycles or economic conditions; and
2. a rising Australian dollar versus the New Zealand dollar with ~70% of Vital's assets and income in Australian dollars.

Unit performance

World share markets have been incredibly volatile and declining over recent months due to a combination of elevated inflation, geopolitical concerns and increased debt costs. Vital's total return was -13.9% over the 12 months ended 30 September 2022. Despite this and highlighting the wider downturn in sharemarket prices, Vital outperformed the NZX-REIT index which declined by 19.9% over the same period.

Debt

Since 30 June 2022, Vital has increased interest rate hedging coverage by over A\$250m to 62.3% of drawn debt (pro-forma 30 September). This reduces Vital's exposure to movements in interest rates in the current environment of elevated inflation and increasing interest rates. The net impact on Vital's cash earnings from rising debt costs is partially mitigated by ~80% of Vital's leases being linked to CPI. Vital's balance sheet gearing was 32.9% at 30 September 2022 compared with the 36.6% on 30 September 2021. Vital's loan-to-value ratio (LVR) was 35.4% at 30 September 2022 and the interest coverage ratio (ICR) was 3.2 times. Both provide significant headroom under Vital's banking facility compliance which include not more than 55% for LVR, and not less than 2.0 times for ICR.

Developments

Work continued on converting part of Vital's \$2.0 billion potential development pipeline into committed developments. These developments are expected to be on land Vital currently owns which is either not income producing or low-income producing and so are expected to further enhance Vital's longer-term returns. They also help us provide the next generation of healthcare assets for the benefit of our healthcare tenants, their patients and the communities that access these essential services.

Underlying earnings

Whilst labour shortages across Australia and New Zealand are having a significant impact on healthcare operators, the majority of Vital's tenants are in healthy financial circumstances. 99.6% of rent was collected for the quarter ended 30 September 2022 reflecting the resilience of our healthcare operators.

Vital's returns are reported in New Zealand dollars but ~70% of Vital's assets and earnings are from Australia in Australian dollars. As a result, a weakening New Zealand dollar versus the Australian dollar is a positive for Vital's financial performance and position (all other things remaining equal).

Looking forward

Vital has a high-quality portfolio of healthcare assets leased to premium healthcare operators across Australia and New Zealand for a weighted average lease term of 17.0 years. This enviable portfolio provides Unit Holders with a stable investment and a dependable income stream. As a result, we remain confident of delivering on our distribution guidance of 9.75 cents per unit for this financial year whilst retaining a conservative pay-out ratio. Our core goal of growing AFFO by of 2-3% per unit per annum over the medium term remains unchanged.

Thank you for your ongoing support for Vital.



AL

Aaron Hockly
Fund Manager
10 November 2022

Q1 Distribution

PAYMENT DATE
15 DEC/2022

Ex date
30 Nov 2022



2.4375 cpu

CASH
DISTRIBUTION



2.6%

GROWTH



0.4822 cpu

IMPUTATION
CREDITS



DRP
active



1.0%

DRP DISCOUNT



\$3.38

NTA

Developments update



Woolloongabba SOUTH BRISBANE, QLD

Proposed 6-level building within the Princess Alexandra Hospital Precinct with provisions for Day Surgery, Consulting Suites, Pharmacy, Pathology and Radiotherapy. Design and development approvals are progressing.



Coomera GOLD COAST, QLD

Stage 1 is a development of a 5,000m² Medical Office Building as part of a new multi-staged health precinct with provision for Diagnostics, GP Clinic, Day Surgery and Consulting Suites. Design and development approvals are progressing.



Ormiston SOUTH AUCKLAND, NZ

Extension of existing facility to house new 26 bed inpatient ward and stand-alone endoscopy business unit. Early works are underway and main works package is in negotiation. Approximately 70% of the building will be occupied by the existing tenant.

Hedging position

Since 30 June 2022 we have significantly increased interest rate hedging.

| | 30 Sep 2022 ¹ | 30 Jun 2022 | Variance |
|------------------------|--------------------------|-------------|----------|
| Total Hedged Debt | \$749.2m | \$453.7m | \$295.4m |
| WACD ² | 4.39% | 3.73% | 66bps |
| Percent of Debt Hedged | 62.3% | 44.5% | 1,780bps |

Total hedged debt has increased by \$295.4m. This results in an increase in the hedged portfolio to 62.3% of total debt outstanding, from 44.5% last quarter.

Vital has a diversified debt expiry profile, with over 65.7% expiring after 2025. Vital's next debt expiry is October 2023.

¹ Pro-forma for interest rate transactions undertaken in October 2022.

² Does not include line fees on undrawn funds.

New logo

The parent company of Vital's manager, NorthWest, has a new logo as shown here.

Vital's manager has a new look. NorthWest continues to live by its values of Challenges Make Us, People Move Us, We Embrace the Big Picture, and We Grow from Diversity. The new logo is meant to signify NorthWest's brand promise of Connecting Place and Possibility, for both its tenants and increasingly for its institutional investor partners, such as Vital.

The new look embodies the boldness and confidence that reflect the pioneering spirit NorthWest brings to managing the Vital portfolio.



Sustainability



In October 2022, Vital achieved a 5-star rating from independent standards organisation GRESB (formerly known as the Global Real Estate Sustainability Benchmark) among other notable achievements.

Vital's GRESB results include top quartile in:

- ▶ Listed healthcare globally in "Performance" and "Developments" in this category
- ▶ Standing investments across healthcare peers globally
- ▶ "Developments" in the Oceania region for listed entities

First "6-star Green Star" registered Medical Office Building in South Australia

Construction has commenced for Stage 2 of the ~A\$165 million Playford Health Hub in Adelaide, South Australia.

Stage 2 of the three-stage healthcare precinct will be a A\$51 million state-of-the-art Specialist Medical Centre. The development will be South Australia's first 6-star Green Star registered Medical Office Building, and when complete will be powered by 100% renewable energy.

First "Green Star Communities" Registered Health Precinct

Vital's Macarthur Health Precinct in Campbelltown, NSW has been registered with GBCA's Green Star Communities v1.1 tool and is targeting a 5 Star Green Star Communities rating. The Precinct is the first health precinct in Australia to have registered with Green Star Communities.

During FY22, Vital and NorthWest joined the New Zealand Green Building Council and the Green Building Council of Australia



NorthWest released its first Sustainability Report for its global operations including Vital. View the report at: <https://nwhreit.wpengine.com/wp-content/uploads/2022/08/nwh-sustainability-report.pdf>

Portfolio Overview³



17.0 years

WEIGHTED AVERAGE
LEASE EXPIRY (WALE)



~\$3.6bn

PORTFOLIO
VALUE

GEOGRAPHIC DIVERSITY



71%
AUSTRALIA



29%
NEW ZEALAND

PRIVATE HOSPITALS



79%
SUB-SECTOR EXPOSURE



17%
SUB-SECTOR EXPOSURE

AGED CARE



4%
SUB-SECTOR EXPOSURE

³ All figures calculated by income. Figures may not sum due to rounding.



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62.3% of Vital's drawn debt is now fixed

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Q1 UPDATE

Like-for-like Financial Performance (unaudited)

| For the period | 3 months to 30 Sep 22 \$000s | 3 months to 30 Sep 21 \$000s | Variance \$000s | Change % |
|--|------------------------------------|------------------------------------|--------------------|-------------|
| Gross property income | 30,911 | 30,276 | | |
| Property expenses | (4,176) | (4,529) | | |
| Like-for-like net property income | 26,735 | 25,747 | 988 | 3.8% |
| Net property income from acquisitions | 3,557 | - | | |
| Net property income from disposals | - | 125 | | |
| Net property income from developments | 5,027 | 3,139 | | |
| Straight-line rent | (588) | (519) | | |
| Non-recurring items | (15) | 133 | | |
| Foreign exchange | 1,446 | - | | |
| Net property income | 36,162 | 28,625 | 7,537 | 26.3% |

Financial Position (unaudited)

| As at | 30 Sep 22 \$000s | 30 Jun 22 \$000s | Variance \$000s | Change % |
|--------------------------------------|---------------------|---------------------|--------------------|-------------|
| Assets | | | | |
| Investment properties | 3,611,707 | 3,339,169 | 272,538 | 8.2% |
| Other assets | 38,314 | 60,665 | | |
| Liabilities | | | | |
| Borrowings | 1,201,982 | 1,018,777 | 183,205 | 18.0% |
| Other liabilities | 233,191 | 215,181 | | |
| Debt to gross assets | 32.9% | 30.0% | | 3.0% |
| Total Unit Holders' funds | 2,214,848 | 2,165,876 | 48,972 | 2.3% |
| Units on issue (000s) | 656,147 | 649,155 | | |
| Net tangible assets (\$/unit) | 3.38 | 3.34 | 0.04 | 1.2% |
| Period end NZD/AUD exchange rate | 0.8778 | 0.9037 | | |

YEAR-TO-DATE UPDATE

Year-to-date Financial Performance (unaudited)

| For the period | 3 months to 30 Sep 22 \$000s | 3 months to 30 Sep 21 \$000s | Variance \$000s | Change % |
|---|------------------------------------|------------------------------------|--------------------|-------------|
| Gross property income | 42,227 | 33,778 | | |
| Property expenses | (6,065) | (5,153) | | |
| Net property income | 36,162 | 28,625 | 7,537 | 26.3% |
| Corporate expenses | (1,629) | (700) | | |
| Management fees (base & incentive) | (8,312) | (5,919) | | |
| Net finance expenses | (8,380) | (6,678) | | |
| Operating profit | 17,841 | 15,328 | 2,513 | 16.4% |
| Non-operating gains/(losses) | | | | |
| Fair value gain/(loss) on investment property | 9,854 | 8,039 | | |
| Fair value gain/(loss) on derivatives | 4,606 | 2,938 | | |
| Realised and unrealised gain/(loss) on foreign exchange | (795) | (85) | | |
| Profit/(Loss) before income tax | 31,506 | 26,220 | 5,286 | 20.2% |
| Current and deferred taxation | (6,866) | (3,854) | | |
| Profit/(Loss) for the period attributable to Unit Holders of the Trust | 24,640 | 22,366 | 2,274 | 10.2% |
| Funds from Operations (FFO) | 19,346 | 16,049 | 3,297 | 20.5% |
| Adjusted Funds from Operations (AFFO) | 19,296 | 15,976 | 3,320 | 20.8% |
| AFFO per unit | 2.96 | 3.06 | (0.09) | -3.3% |
| Weighted average units on issue (000s) | 651,169 | 521,270 | 129,899 | 24.9% |
| Average NZD/AUD exchange rate | 0.8975 | 0.9534 | | |

NTA and AFFO per unit positively impacted by rising AUD vs NZD

Important note: The information in this investor update is general information only and does not contain all information necessary to make an investment decision. The financial information in this investor update has not been audited. No representation or warranty, express or implied, is made to the accuracy, adequacy or reliability of information in this update, including the financial information. This investor update contains forward looking statements which are inherently susceptible to uncertainty. Vital's actual results may vary materially from those expressed or implied in this investor update. The Manager is under no obligation to provide any update to information included in this update, including as a result of the audit process.

Committed Developments

| Development | Development work being undertaken | Development cost ⁴ | Spend to date | Forecast completion date |
|--|---|-------------------------------|----------------|--------------------------|
| Australia | | (A\$m) | (A\$m) | |
| Abbotsford Private (WA) | 47 beds, parking, therapy rooms and admin | 18.6 | 17.0 | Early-23 |
| Belmont (QLD) | 48 new inpatient beds, 13 private practice consulting suites and 70 new car parks | 22.6 | 17.3 | Late-22 |
| Playford Health Hub Stage 2 (SA) | Specialist Medical Centre - Radiology, Oncology, Radiotherapy & Consulting | 39.3 | 10.4 | Early-24 |
| Total Australian Developments | | 80.6 | 44.7 | |
| New Zealand | | (NZ\$m) | (NZ\$m) | |
| Wakefield Stage 2 (WGN) | Second stage of hospital rebuild delivering 8 operating theatres, 42 beds, new Day Surgery Unit and additional expansion capacity | 91.5 | 36.3 | Late-24 |
| Ormiston Stage 1 (AKL) | Stage 1 - 3 level expansion of existing hospital | 37.9 | 5.9 | Mid-2024 |
| Grace Stage 1 (TRG) | Fitout of two theatres, new endoscopy room, additional 10 beds and redevelopment of existing clinical areas | 31.7 | 6.9 | Late-23 |
| Endoscopy Auckland (AKL) | 4 dedicated endoscopy procedure rooms, 15 car parks, reception/waiting areas | 22.6 | 0.9 | Late-23 |
| Boulcott (LH) | Two new theatres, PACU expansion and conversion of double rooms to singles | 7.7 | 0.0 | TBC |
| Royston Stage 2 (HAS) | Fitout of two theatres and reconfiguration of pre and post operative clinical areas | 6.3 | 4.6 | Late-22 |
| Bowen OT5 (WGN) | Fitout of one theatre, new sterile stores and expansion of consulting suites | 6.3 | 2.6 | Late-22 |
| Total New Zealand Developments | | 204.1 | 57.1 | |
| Total Developments in \$NZ⁵ | | 295.9 | 108.0 | |
| Fund-through Developments | | | | |
| Campbelltown Stage 1 (NSW) | New cancer centre | 54.4 | 13.0 | Early-24 |
| Tasman Medical Centre (TAS) | Specialist Ambulatory care / private hospital | 98.6 | 11.9 | Late-24 |
| Mt Eliza (VIC) | Aged care conversion works | 28.5 | 13.2 | Early-23 |
| Total Australian Fund-through developments | | 181.5 | 38.0 | |
| Total Fund-Through Developments in \$NZ⁵ | | 206.8 | 43.3 | |

⁴ Excludes land where applicable.

⁵ A\$ converted at 30 September 2022 spot rate 0.8778.