



MACQUARIE AUSTRALIA CONFERENCE

VITAL HEALTHCARE PROPERTY TRUST

AUSTRALASIA'S LARGEST LISTED HEALTHCARE REIT

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4 May 2016

NZSX : VHP

www.vhpt.com.au

AGENDA

- ▶ Vital snapshot & track record
- ▶ Healthcare real estate performance
- ▶ Healthcare fundamentals
- ▶ Portfolio overview
- ▶ Value-add development and acquisitions
- ▶ Big themes in healthcare real estate...what's next?



**Vital snapshot &
track record**

VITAL SNAPSHOT

Market leader providing **defensive growth**

	#1 largest listed healthcare REIT in Australasia	~\$720m market capitalisation	Aligned external manager with ~25% VHP units	13.2% p.a. 10 year total return CAGR ¹
Market	>5,000 investors	~175,000 average daily volume of units traded ²	38th ranked on NZSX	+5% DPU increase from June 2016 (to 8.5 cpu)
	+62% revenue growth 2011-2015	10.4% DPU growth 2012-2017f	76% average payout ratio (2014 & 2015)	\$1.38 net tangible assets ³
Financials	~50% premium to NTA	34.1% LVR ³ vs 50% covenants	4.1 years bank facility term ³	5.16% weighted average cost of debt ³

Note 1: As at 31 March 2016

Note 2: 1 February 2016 to 22 April 2016

Note 3: As at 31 December 2015

VITAL SNAPSHOT

Established **core+** strategy

Portfolio

NZ\$835m¹

healthcare real estate
portfolio in Australia
& New Zealand

>99%

6 year average
occupancy

17 year WALT¹

delivering long-term
income certainty

~A\$200m

5 year brownfield
development spend,
~9% yield on cost

7.65%¹

weighted average
capitalisation rate

~85%

annual income subject
to CPI or structured
reviews

Sector drivers

x2

>65 age cohort
forecast over the
next 40 years

80%

>65 year demographic
have at least
1 chronic disease

~4x

utilisation of healthcare
services by >65 age cohort

**Relatively
insulated**

from macro financial and
economic conditions

**Specialist
management**

and proven track record
essential

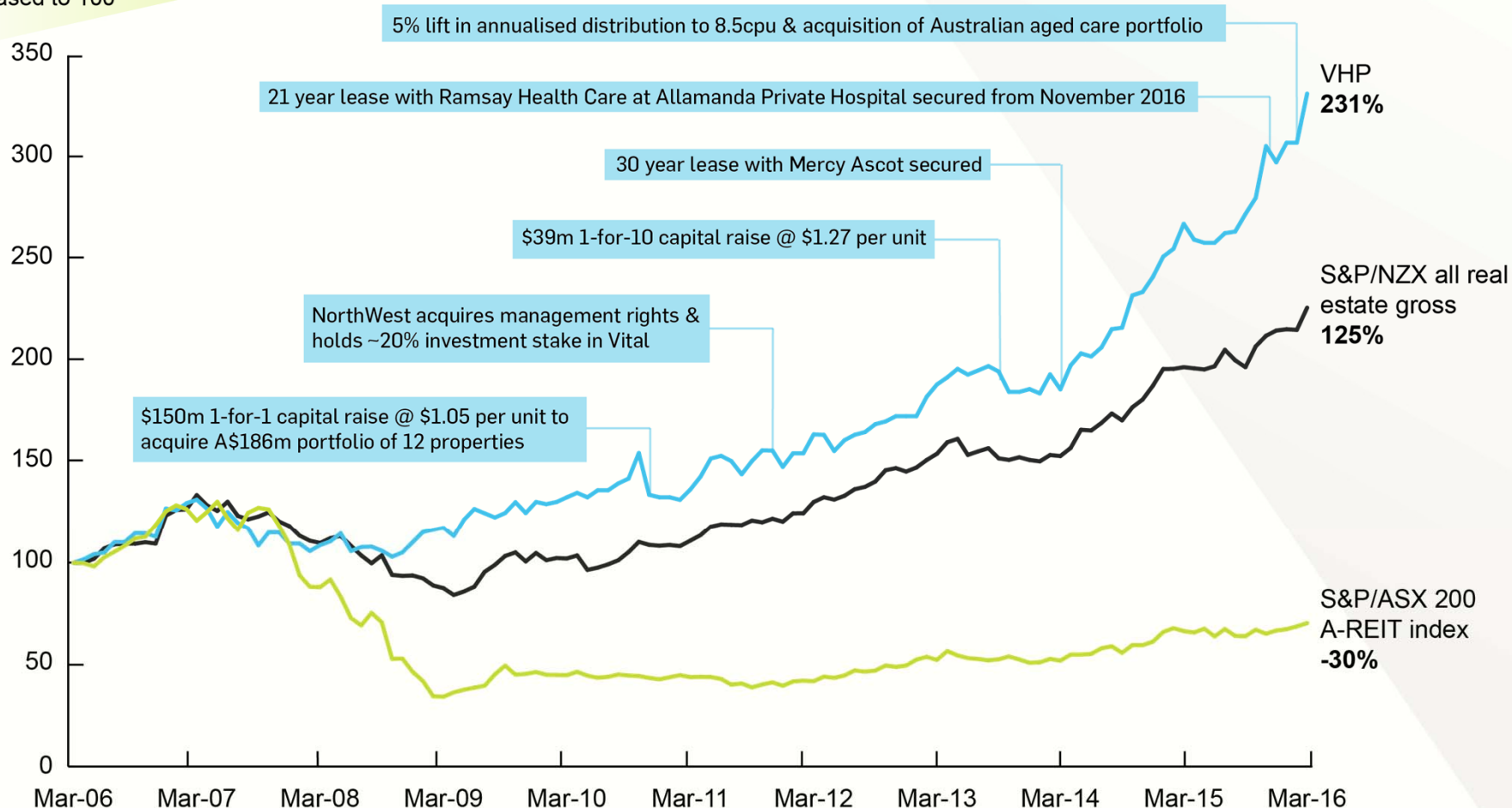
**Public system
pressure**

private system critical
component

VITAL'S TRACK RECORD

Strong execution on scale & diversification strategy driving material outperformance

Total return index
rebased to 100



CREATING LONG TERM VALUE

Successful execution on 'sum of parts'

Management

Aligned / Stable / Experienced / Credible / Capable



- ▶ Proactive asset management = maximised portfolio performance
- ▶ Organic growth underpinned by rising healthcare demand = operator capacity constraints
- ▶ Large investable universe via organic growth, core infrastructure needs & sector consolidation
- ▶ Prudent treasury and foreign exchange management remains very effective
- ▶ Quality, diversified healthcare real estate portfolio delivering sustainable returns to investors



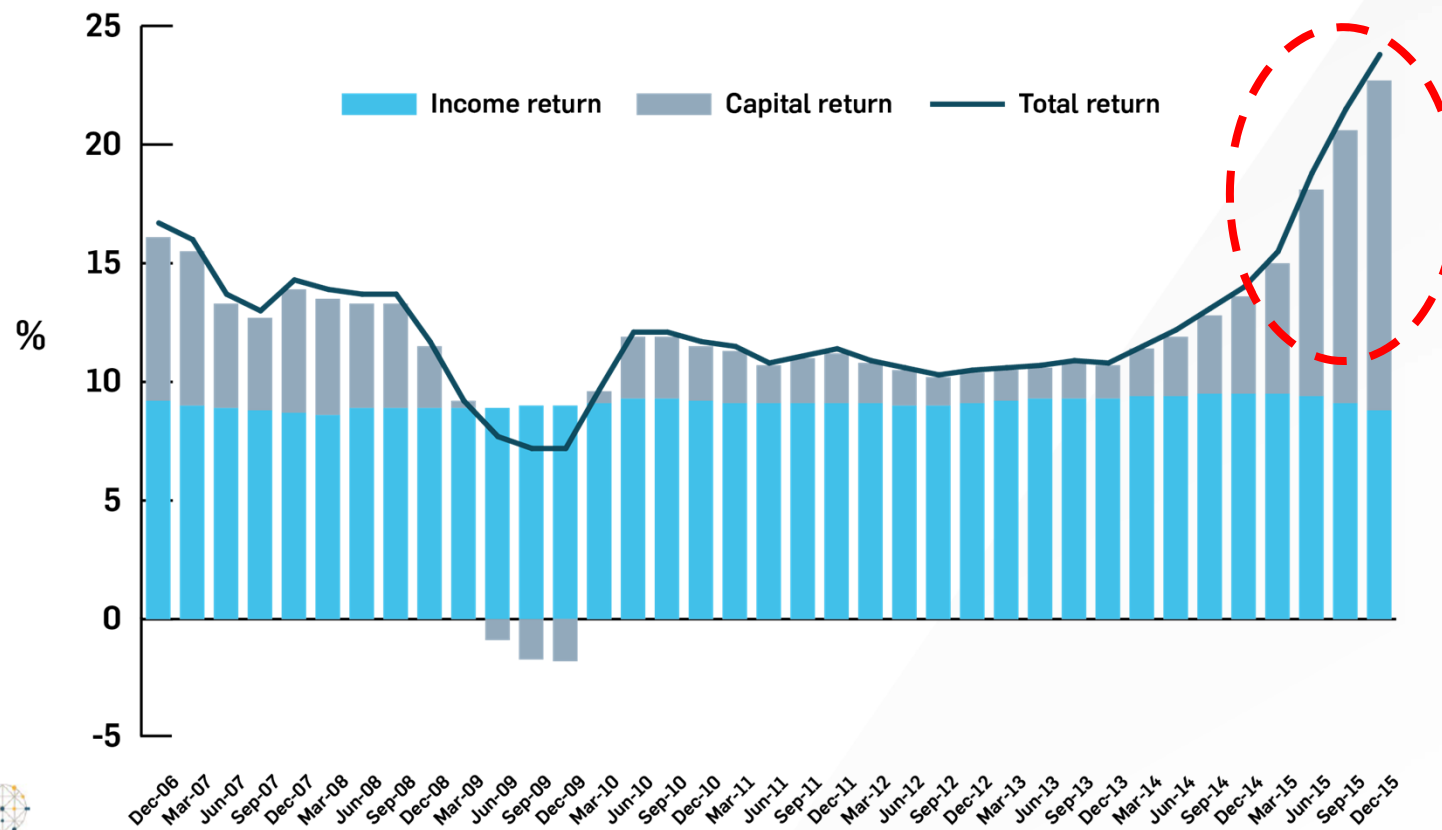
Healthcare real estate performance

HEALTHCARE REAL ESTATE PERFORMANCE

*Proven outperformance, attractive **long term** fundamentals*

- ▶ Healthcare real estate exhibits long term defensive and stable income
- ▶ In an uncertain or cautious market, income certainty supports cap rate stability
- ▶ Maturing appreciation of healthcare as core real estate with defensive growth

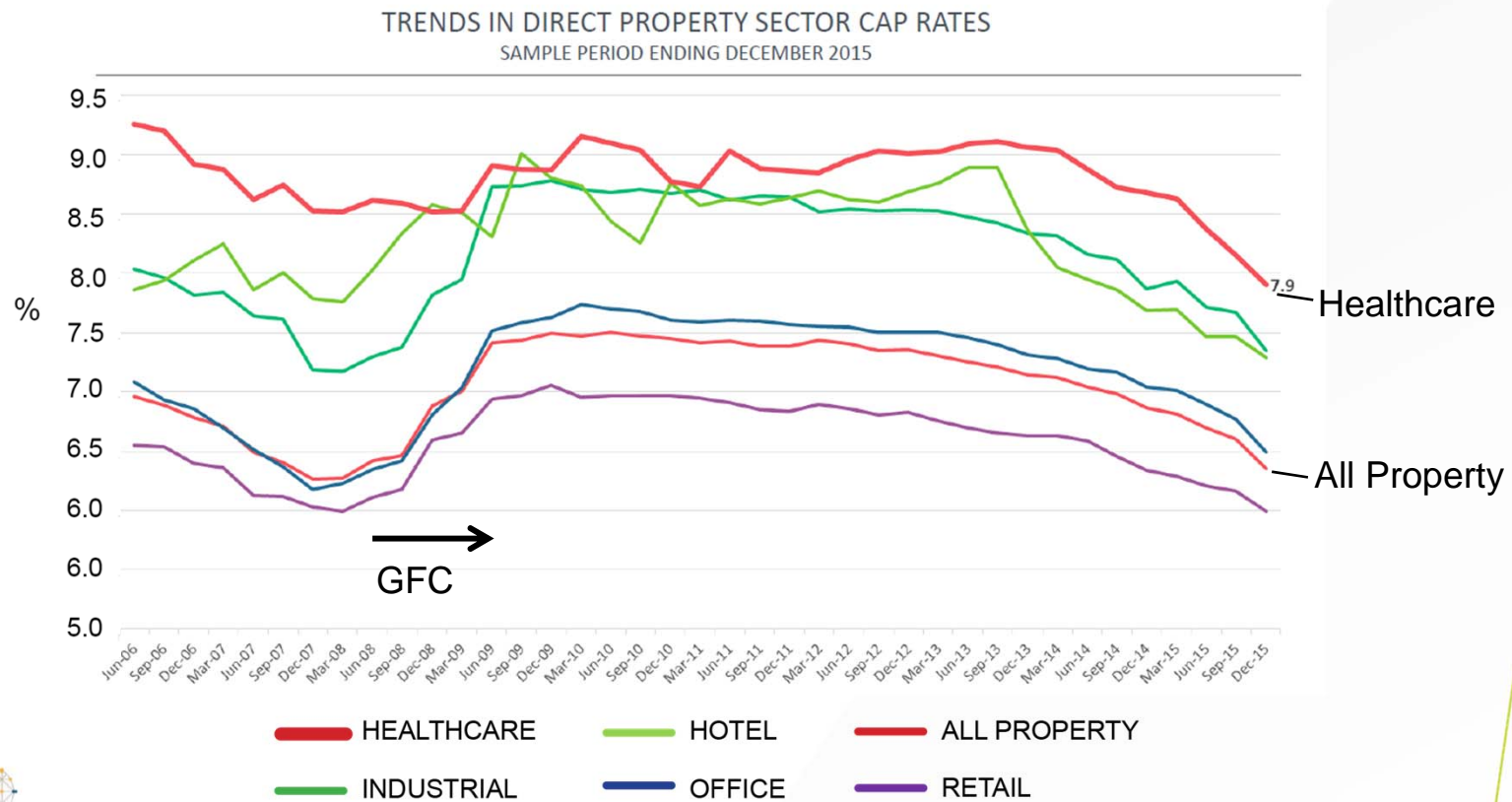
Return performance for the healthcare sector



HEALTHCARE REAL ESTATE PERFORMANCE

*Cap rates at cyclical lows,
healthcare spread narrowing*

- ▶ Through GFC healthcare cap rates softened half of all property (~60 bps vs ~120 bps)
- ▶ Firming cap rates sector wide driving strong total returns, healthcare in 'catch up' mode












Healthcare fundamentals

HEALTHCARE REAL ESTATE DRIVERS

Compelling long term drivers

Drivers		Hospital & medical		Aged care	Comment
	>65 year demographic % of population	14% (Aus)	16% (NZ)	✓	Forecast doubling of this demographic over the next 40 years plus general population growth ¹
	>65's utilisation of services	4x		✓	High utilisation from >65 demographic adding demand pressure, typically >75 for aged care ²
	Multiple barriers to entry	✓		✓	Advantage with established operators, driving incremental growth and greater economies of scale
	Regulatory framework	?		✓	Relatively inelastic to change, negative sentiment to current healthcare reviews
	Market conditions	✓		✓	Healthcare relatively insulated from adverse market conditions
	Private health insurance ³	47% (Aus)	29% (NZ)	N/A	More attractive model in Australia. Natural tension between insurers and operators
	Increasing chronic illness	✓		✓	And a more demanding generation

Note 1: Australian Bureau of Statistics

Note 2: AIHW 2014 Report

Note 3: Source: Australian data: PHIAC as at 31 December 2015 New Zealand data: HFANZ as at 31 December 2015.

RESIDENTIAL AGED CARE OVERVIEW

*Supportive framework underpins favourable long term outlook. **Growth and consolidation inevitable***

Sector	1+ million people cared for	A\$33.6bn in assets	A\$14.8bn in revenues
Funding & providers	65% sector funding from government	1,000+ residential aged care providers	57% of all providers are Not-for-profit (NFP's)
Structure	63% of all providers own only 1 facility	70% of all providers offer high care services	Top-10 providers only account for 18% of all beds
Demand	~189,000 current operational bed places	80,000+ demand for new beds over the next 10 years	+3.6% 10yr CAGR projected operational bed demand vs 1.6% historic



Portfolio overview

STRONG GEOGRAPHIC DIVERSIFICATION

34 properties comprising ~2,000 beds and
over 70 operating theatres

Geographic split (%)

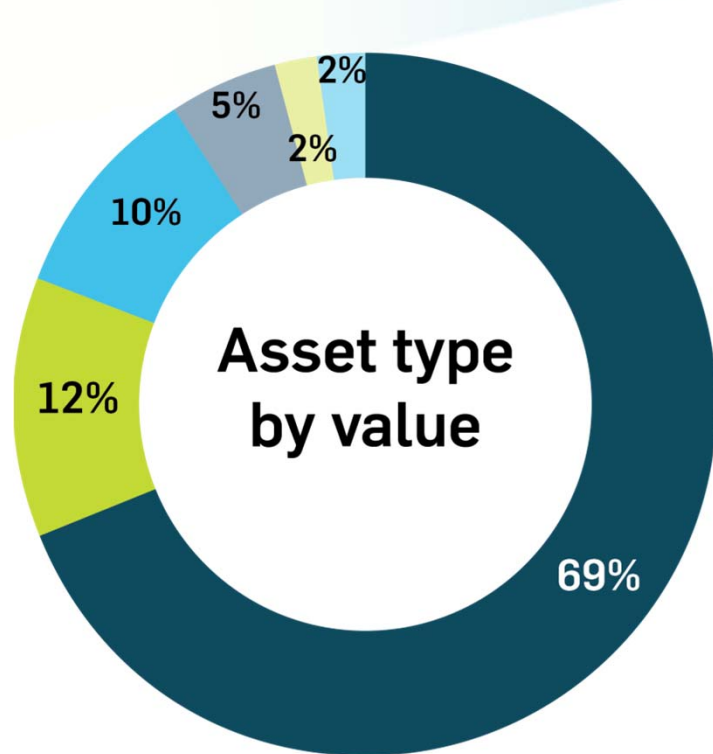
81/19

Australia/New Zealand
by value

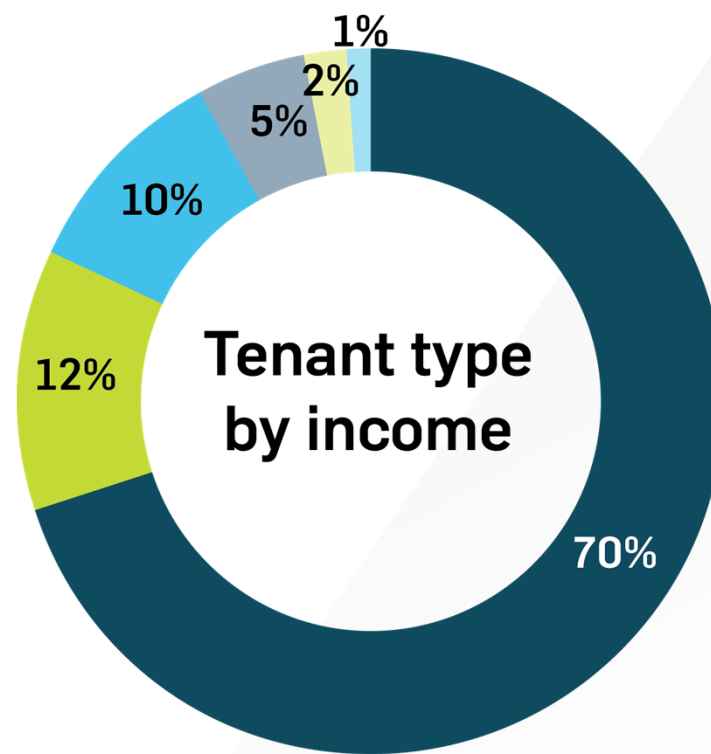


PORTFOLIO DIVERSIFICATION

Core portfolio diversified with **strong operator covenants** and **'pure-play' healthcare infrastructure**



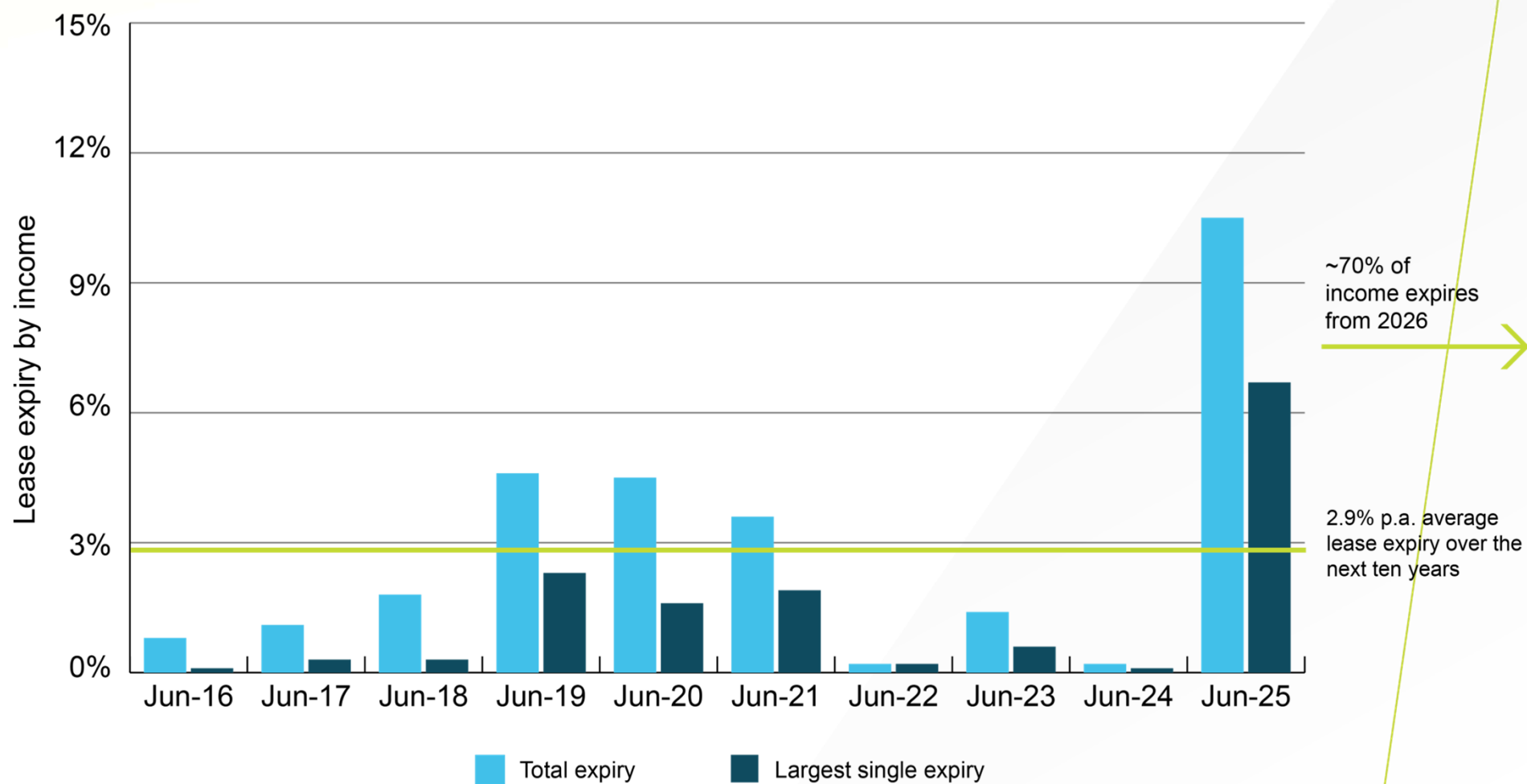
- Acute hospital
- Mental health hospital
- Medical office building
- Aged care
- Rehabilitation hospital
- Strategic



- For profit hospital operator
- Medical specialist
- Not for profit hospital operator
- Aged care
- Government
- Other

LEASE EXPIRY PROFILE

Low risk expiry profile underpins earnings sustainability



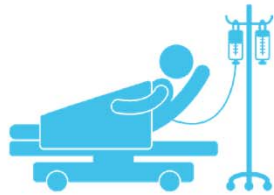
A low-angle photograph of a modern building with large glass windows and a flat roof. The building is partially obscured by a large, green, geometric shape that slopes upwards from the bottom left. The sky is a clear blue with some light clouds. The text "Value-add development & acquisitions" is written in a bold, dark blue font on the green shape.

Value-add development & acquisitions

ACQUISITIONS & DEVELOPMENTS

Attractive incremental value-creating development and acquisition pipeline forecast to continue

2010 - 2015 track record



+1,200 beds
+315% growth, total
now ~1,600 beds



+46 theatres
+184% growth,
total now 71



+\$543m
Increase in property portfolio
+286%, total now \$834.8m

2016 + pipeline



+6
Acquisitions,
total A\$45m



A\$36.5m
Current
developments
total



+A\$50m
Projected spend on
developments over
next 12 months



~80%
of properties in
portfolio has
development potential

HURSTVILLE PRIVATE HOSPITAL, SYDNEY

*The hospital **continued to operate** strongly throughout the development*

Photograph taken 2013 – rear of hospital



Photograph taken 2016 - rear of hospital



- ▶ Acquired in May 2012
- ▶ ~13km's from Sydney CBD
- ▶ Purchase price A\$12.6m
- ▶ 3 theatres, 73 beds
- ▶ 20 year lease
- ▶ Cap rate 10.00%

HURSTVILLE PRIVATE HOSPITAL, SYDNEY

~A\$12m value creation post development

Photograph taken 2013 – front of hospital



Photograph taken 2016 – front of hospital



- ▶ Redevelopment spend of A\$34.0m
- ▶ 30 June 2015 valuation at A\$58.2m
- ▶ 7 theatres, 96 beds, two angiography suites, 6-bed coronary care unit and 6-bed ICU
- ▶ 27 year lease
- ▶ Cap rate 8.25%

LINGARD PRIVATE HOSPITAL, NEWCASTLE

~A\$20m value creation post development

Photograph taken 2011



- ▶ Acquired in October 2010
- ▶ Purchase price A\$19.4m
- ▶ 3 theatres, 101 beds
- ▶ 20 year lease
- ▶ Cap rate 10.50%

Photograph taken 2015



- ▶ Redevelopment spend of A\$31.0m
- ▶ 30 June 2015 valuation A\$70.5m
- ▶ 7 theatres, 99 beds, cath labs & ICU
- ▶ 26 year lease
- ▶ Cap rate 8.00%

LINGARD PRIVATE HOSPITAL, NEWCASTLE

Strategic acquisitions *protect and enhance*
long term value

Aligns with core+ strategy

- ▶ Vital's 3rd largest asset
- ▶ Highly strategic for operator and Vital
- ▶ Expansion capability will meet forecast increase in demand
- ▶ Secures significant land holdings adjacent to hospital
- ▶ Entrenches strategic partnership with operator

Key:

1. Lingard Private Hospital (red)
2. Strategic land held (blue)
3. Strategic land held (yellow)



AGED CARE REAL ESTATE ACQUISITION

Acquisition delivers **scale & diversification benefits** and **value-creating brownfield pipeline**

Strong acquisition rationale

- ▶ A\$41m acquisition of 4 assets, 8% yield
- ▶ Two each in NSW and WA, well located metropolitan locations, 275 bed places
- ▶ 20 year initial lease terms
- ▶ Triple net leases, annual CPI reviews and periodic reviews to market
- ▶ Brownfield pipeline will provide enhanced incremental operational benefits and investment returns
- ▶ Hall & Prior is an experienced, highly regarded operator
- ▶ Has generated interest from WholeCo operators considering OpCo / PropCo model





Big themes in healthcare real estate...what's next?

BIG HEALTHCARE REAL ESTATE THEMES...WHAT'S NEXT?

*Investible universe **not to be under-estimated**...*

- Consolidation will continue... presents material opportunity set in medium term
- Historic under-investment, greenfield, brownfield & regeneration inevitable...needs capital
- Capital constrained operators looking to alternative (real estate) capital solutions
- Compelling long term trends with strong underlying growth
- Relatively high rates of returns and lower volatility versus other asset classes
- What's driving asset prices, and cap rate firming:
 - Lack of supply
 - Competition
 - Cost of capital
 - Market leading investment characteristics and performance
- Proven track record as investment manager & capital partner sees Vital well placed
- 'Institutionally' held healthcare real estate ~**A\$2bn...**
- Potential investible universe of an additional **+A\$3bn...**

DISCLAIMER

This presentation has been prepared by Vital Healthcare Management Limited (the "Manager") as manager of the Vital Healthcare Property Trust (the "Trust"). The details in this presentation provide general information only. It is not intended as investment or financial advice and must not be relied on as such. You should obtain independent professional advice prior to making any decision relating to your investment or financial needs.

The provision of this presentation does not constitute an offer, invitation or recommendation to subscribe for or purchase units in the Trust.

Past performance is no indication of future performance.

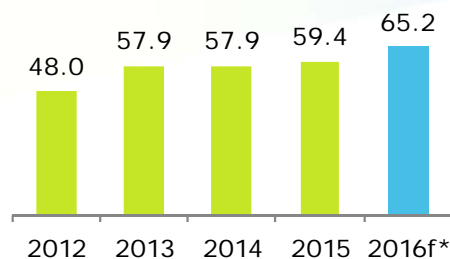
No money is currently being sought, and no applications for units will be accepted, or money received, unless the unitholders have received an investment statement and a registered prospectus from the Trust.

4th May 2016

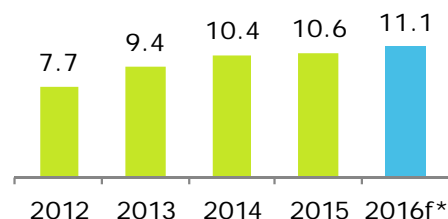
APPENDIX 1

5 year summary of core metrics

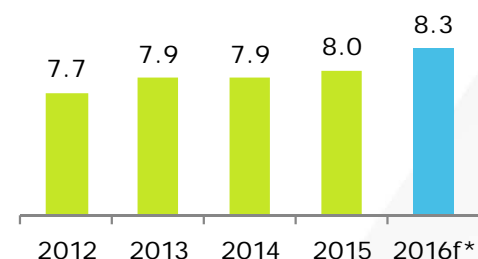
Net property income (\$m)



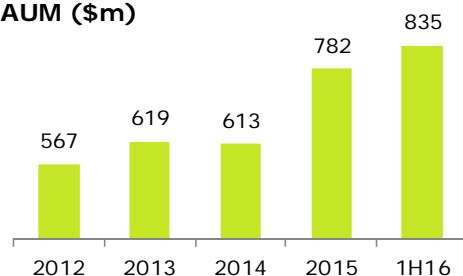
Net distributable income (cpu)



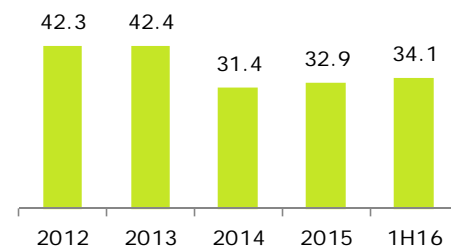
Distribution per unit (cpu)



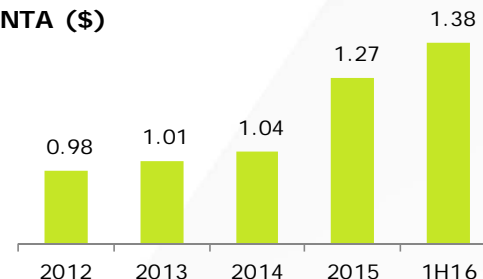
AUM (\$m)



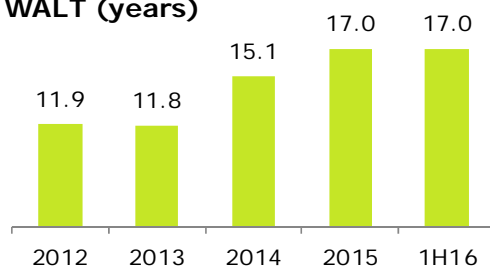
LVR (%)



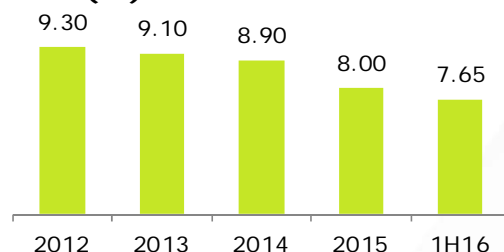
NTA (\$)



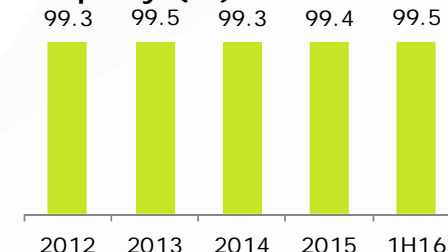
WALT (years)



WACR (%)



Occupancy (%)



* = Broker consensus forecasts to 30 June 2016. Note: 1H16 = Half year to 31 December 2015

APPENDIX 2 – NEW ZEALAND PROPERTIES

Ascot Hospital & Clinics

Greenlane, Auckland

Type	/	Beds	/	Theatres
Acute	/	88	/	12
Valuation (\$m)		81.5		
Market cap rate (%)		7.0		
WALT (years)		20.3		
Occupancy (%)		99		



Ascot Central

Greenlane, Auckland

Type	/	Beds	/	Theatres
MOB	/	0	/	0
Valuation (\$m)		25.6		
Market cap rate (%)		6.9		
WALT (years)		4.6		
Occupancy (%)		100		



Kensington Hospital

Whangarei, Northland

Type	/	Beds	/	Theatres
Acute	/	19	/	3
Valuation (\$m)		13.6		
Market cap rate (%)		8.5		
WALT (years)		5.7		
Occupancy (%)		100		



Apollo Health & Wellness Centre

Albany, Auckland

Type	/	Beds	/	Theatres
MOB	/	0	/	0
Valuation (\$m)		21.4		
Market cap rate (%)		7.9		
WALT (years)		4.6		
Occupancy (%)		91		



Napier Health Centre

Napier, Hawkes Bay

Type	/	Beds	/	Theatres
MOB	/	0	/	0
Valuation (\$m)		10.4		
Market cap rate (%)		10.3		
WALT (years)		4.5		
Occupancy (%)		100		



Note: Bed & theatre numbers as at 31 March 2016. All other data as at 30 June 2015. All \$ figures in local currency.
This is a sample of core assets only. Excludes car parks and strategically held development sites.

APPENDIX 2 – AUSTRALIAN PROPERTIES

Allamanda Private Hospital

Southport, Queensland

Type	/	Beds	/	Theatres
Acute	/	220	/	9
Valuation (\$m)				41.2
Market cap rate (%)				7.3
WALT (years)				22.7
Occupancy (%)				100



Gold Coast Surgery Centre

Southport, Queensland

Type	/	Beds	/	Theatres
MOB	/	0	/	3
Valuation (\$m)				14.0
Market cap rate (%)				10.0
WALT (years)				9.3
Occupancy (%)				92



South Eastern Private Hospital

Noble Park, Victoria

Type	/	Beds	/	Theatres
Rehab	/	107	/	0
Valuation (\$m)				21.1
Market cap rate (%)				8.3
WALT (years)				25.7
Occupancy (%)				100



Epworth Eastern Hospital

Box Hill, Victoria

Type	/	Beds	/	Theatres
Acute	/	208	/	9
Valuation (\$m)				76.0
Market cap rate (%)				7.5
WALT (years)				9.8
Occupancy (%)				100



Epworth Eastern Medical Centre

Box Hill, Victoria

Type	/	Beds	/	Theatres
MOB	/	0	/	2
Valuation (\$m)				19.0
Market cap rate (%)				8.3
WALT (years)				6.1
Occupancy (%)				99



Epworth Rehabilitation

Brighton, Victoria

Type	/	Beds	/	Theatres
Rehab	/	67	/	0
Valuation (\$m)				17.1
Market cap rate (%)				8.0
WALT (years)				3.6
Occupancy (%)				100



Note: Bed & theatre numbers as at 31 March 2016. All other data as at 30 June 2015. All \$ figures in local currency. This is a sample of core assets only. Excludes car parks and strategically held development sites.

APPENDIX 2 – AUSTRALIAN PROPERTIES

Belmont Private Hospital

Carina, Queensland

Type	/	Beds	/	Theatres
Mental	/	150	/	0
Valuation (\$m)				39.8
Market cap rate (%)				8.0
WALT (years)				20.6
Occupancy (%)				100



Dubbo Private Hospital

Dubbo, New South Wales

Type	/	Beds	/	Theatres
Acute	/	53	/	3
Valuation (\$m)				7.5
Market cap rate (%)				9.3
WALT (years)				16.6
Occupancy (%)				100



North West Private Hospital

Burnie, Tasmania

Type	/	Beds	/	Theatres
Acute	/	48	/	3
Valuation (\$m)				13.5
Market cap rate (%)				9.3
WALT (years)				16.6
Occupancy (%)				100



Palm Beach Currumbin Clinic

Currumbin Queensland

Type	/	Beds	/	Theatres
Mental	/	104	/	0
Valuation (\$m)				28.0
Market cap rate (%)				8.0
WALT (years)				16.6
Occupancy (%)				100



Maitland Private Hospital

Noble Park, Victoria

Type	/	Beds	/	Theatres
Acute	/	156	/	4
Valuation (\$m)				44.2
Market cap rate (%)				8.0
WALT (years)				17.5
Occupancy (%)				100



Lingard Private Hospital

Merewether, New South Wales

Type	/	Beds	/	Theatres
Acute	/	99	/	7
Valuation (\$m)				70.5
Market cap rate (%)				8.0
WALT (years)				25.7
Occupancy (%)				100



Note: Bed & theatre numbers as at 31 March 2016. All other data as at 30 June 2015. All \$ figures in local currency. This is a sample of core assets only. Excludes car parks and strategically held development sites.

APPENDIX 2 – AUSTRALIAN PROPERTIES

Toronto Private Hospital

Toronto, New South Wales

Type	/	Beds	/	Theatres
Rehab	/	85	/	0
Valuation (\$m)				16.2
Market cap rate (%)				9.0
WALT (years)				27.5
Occupancy (%)				100



Mayo Private Hospital

Taree, New South Wales

Type	/	Beds	/	Theatres
Acute	/	79	/	4
Valuation (\$m)				25.8
Market cap rate (%)				8.5
WALT (years)				16.5
Occupancy (%)				100



Hurstville Private Hospital

Sydney, New South Wales

Type	/	Beds	/	Theatres
Acute	/	96	/	7
Valuation (\$m)				58.2
Market cap rate (%)				8.3
WALT (years)				26.8
Occupancy (%)				100



Sportsmed, SA

Adelaide, South Australia

Type	/	Beds	/	Theatres
Acute	/	49	/	5
Valuation (\$m)				32.6
Market cap rate (%)				8.7
WALT (years)				17.4
Occupancy (%)				100



Marian Centre

Perth, Western Australia

Type	/	Beds	/	Theatres
Mental	/	69	/	0
Valuation (\$m)				17.5
Market cap rate (%)				9.0
WALT (years)				19.1
Occupancy (%)				100



Note: Bed & theatre numbers as at 31 March 2016. All other data as at 30 June 2015. All \$ figures in local currency. This is a sample of core assets only. Excludes car parks and strategically held development sites.

APPENDIX 2 – AUSTRALIAN PROPERTIES

Fairfield Aged Care

Sydney, New South Wales

Type	/	Beds	/	Theatres
AC	/	93	/	0
Valuation (\$m)				14.1
Market cap rate (%)				8.0
WALT (years)				20.0
Occupancy (%)				100



Hamersley Aged Care

Perth, Western Australia

Type	/	Beds	/	Theatres
AC	/	78	/	0
Valuation (\$m)				10.6
Market cap rate (%)				8.0
WALT (years)				20.0
Occupancy (%)				100



Rockingham Aged Care

Perth, Western Australia

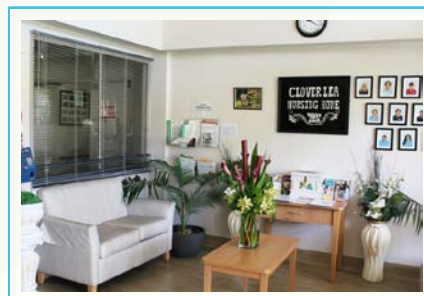
Type	/	Beds	/	Theatres
AC	/	40	/	0
Valuation (\$m)				5.6
Market cap rate (%)				8.0
WALT (years)				20.0
Occupancy (%)				100



Clover-Lea Aged Care

Sydney, New South Wales

Type	/	Beds	/	Theatres
AC	/	64	/	0
Valuation (\$m)				10.7
Market cap rate (%)				8.0
WALT (years)				20.0
Occupancy (%)				100



Note: All \$ figures in local currency.

This is a sample of core assets only. Excludes car parks and strategically held development sites.