

8 August 2024

Progressing strategic initiatives to enhance future returns

Northwest Healthcare Properties Management Limited (**the Manager**), as manager of Vital Healthcare Property Trust (**Vital**), has today released its results for the 12 months ended 30 June 2024 (**FY24**).

Despite a challenging environment, Vital recorded Adjusted Funds from Operations (**AFFO**) of 10.9 cpu enabling payment of 9.75 cpu in distributions, consistent with guidance, on a prudent 89.4% payout ratio. The Manager also continued to progress several strategic initiatives including the sale of non-core assets, key ESG initiatives, capital partnering, increasing hedging and maintenance of balance sheet gearing below 40%.

Fund Manager, Aaron Hockly, said: “During FY24, NZ\$251.3m of non-core assets were sold and five developments, totaling NZ\$197m, were completed. Recycling capital from sales into developments, in addition to leasing, has enabled us to maintain Vital’s market leading WALE at 18.3 years and improved Vital’s property portfolio across a range of metrics including lowering the average building age, increasing exposure to healthcare precincts, green buildings and key markets including New Zealand.”

“Vital’s remaining committed development spend of ~NZ\$138m is fully funded from existing debt headroom of ~NZ\$158m. In addition, ~NZ\$180m of asset sales are in due diligence to complete Vital’s asset sales programme” Hockly continued.

FY24 results at a glance (\$NZ)

	FY24	FY23	Change
Property portfolio	\$3.2 billion	\$3.4 billion	(4.2%)
AFFO	\$72.9 million	\$73.3 million	(0.5%)
AFFO per unit (cpu)	10.90	11.18	(2.5%)
NTA per unit (cpu)	2.69	2.96	(9.1%)
Balance sheet gearing	39.1%	36.3%	7.7%
Weighted average cost of debt	4.97%	4.93%	3bps
Weighted average debt maturity	3.5 years	3.8 years	(0.3) years
Distributions (cpu)	9.75	9.75	-

FY24 highlights include:

- Vital was acknowledged as Sector Leader (the highest possible achievement) by GRESB for ESG in healthcare for listed entities globally across performance, management and developments.
- A 3.7% increase in underlying net property income¹ (NPI) primarily reflecting the impact of development income and rent reviews.
- Divestment of NZ\$251.3m of non-core assets at a 7.5% discount to previous book values.
- Practical completion was reached at five developments with a total development cost of NZ\$197m:
- 10.90 cpu in AFFO, a 2.5% decline from FY23.
- Maintenance of distributions at 9.75 cpu (consistent with guidance) on a prudent 89% AFFO pay-out ratio.

Capital recycling progressing

In August 2023, the Manager announced it was targeting selling ~NZ\$100m of non-core assets in addition to the ~NZ\$155m sold since March 2023. This was substantially achieved with a further NZ\$96m of non-core asset sales completed taking the total FY24 sales to NZ\$251.3m on a 7.5% discount to previous book values.

Net sale proceeds have been recycled into Vital's development pipeline and have helped maintain balance sheet gearing below the stated target of 40%.

A further ~NZ\$180m of non-core assets are in due diligence to end the sales programme and the Manager is targeting a minimum of ~NZ\$100m in net proceeds before 31 December 2024. As with previous sales, net proceeds will continue to fund the development pipeline and retain sustainable balance sheet gearing.

Development pipeline reduced

Practical completion was reached at five developments with a total development cost of NZ\$197m²:

- A\$57.4m fund-through development of Macarthur Health Precinct (Stage 1), Campbelltown, Sydney in February 2024. This development comprises ~2,700 square metres of net lettable area, is 100% leased to GenesisCare and is on track to achieve a 6 Star Green Star rating (as built).
- A\$28.5m fund-through conversion of a former aged care facility into Avive Clinic, Mornington Peninsula in December 2023. This 60-bed mental health facility is fully leased to Avive Health for 25 years. Repurposing this facility saved an estimated 1,400 tonnes of CO2 compared to building a new facility.
- A\$43.4m Playford Health Hub (Stage 2), Adelaide in May 2024. This development comprises ~6,400 square metres of net lettable area, is ~67% leased and is on track to achieve a 6 Star Green Star rating (as built).
- NZ\$38.1m expansion of Ormiston Hospital (Stage 1), Auckland in June 2024 to double the size of this Southern Cross majority occupied hospital to ~7,600 square metres of net lettable area. The property is ~94% leased.
- NZ\$5.3m Bowen Hospital Expansion, Wellington in November 2023. This development included an operating theatre fit out and ward refurbishment. The property is fully leased to Evolution Healthcare.

¹ On a same-property, constant currency basis.

² Development costs exclude land cost other than the two fund-through developments for which Vital paid the contractual sum as listed which included an allocation for land.

The above developments were completed substantially on time and on budget.

Vital's committed development pipeline is now NZ\$264.1m across six developments with NZ\$138.2m remaining to complete and are able to be fully funded from existing debt headroom.

Capital partnering delayed

The Manager has progressed its capital partnering initiative but has not concluded a transaction to date. Whilst this remains a key medium-term objective, Vital's expectations have not been met by global investors' return expectations and liquidity. Sector interest remains high, and it is anticipated this initiative will be further progressed in CY25.

Outlook and guidance

Despite recent heightened market volatility, healthcare property remains a defensive asset class, underpinned by a high level of government support and non-discretionary spending. We expect the Vital portfolio will continue to demonstrate strong operating metrics and portfolio resilience based on a long history of investment in the assets and partnerships with market leading operators.

Balance sheet metrics will continue to be enhanced as a further ~NZ\$180m of assets are in due diligence for sale to conclude Vital's asset recycling programme.

FY25 distribution guidance of 9.75 cpu (payable quarterly) has been provided consistent with FY24 distributions.

Conference call and webcast

A conference call and webcast are scheduled for 10:00 am (NZST) on Thursday, 8 August 2024. Participants are encouraged to pre-register for the event to avoid delays by navigating to:

<https://s1.c-conf.com/diamondpass/10035899-9gdt5f.html>

Presentation slides and audio can be viewed by copying the following URL into your internet browser:

<https://event.choruscall.com/mediaframe/webcast.html?webcastid=0sSpoz8d>

You will be required to input your name, email address and company name to register for the webcast.

A copy of the webcast will be available on Vital's website later today at: www.vhpt.co.nz

Online-only Annual Report

As part of Vital's sustainability commitments, Vital's Trust Deed has been amended so that only a summary report of FY24 results will be mailed to those Unit Holders who have elected to receive hard copies.

As usual, the full Annual Report and Half Year Report will be released to the NZX, made available on Vital's website and emailed to Unit Holders who have provided an email address to Computershare. In addition, Unit Holders may specifically request a hard copy of the Annual Report be posted to them.

This initiative has saved over 250,000 pages of paper and diverted 500kg of waste from landfill, equivalent to a reduction in greenhouse gas emissions of 1,532.16kg CO₂e.

– ENDS –

ENQUIRIES

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About Vital (NZX code VHP):

Vital Healthcare Property Trust is an NZX-listed fund that invests in high-quality healthcare properties in New Zealand and Australia including private hospitals (~80%* of portfolio value), ambulatory care facilities (~20%* of portfolio value) and aged care (~0%* of portfolio value).

Vital is the leading specialist listed landlord of healthcare property in Australasia.

Vital is managed by Northwest Healthcare Properties Management Limited, a subsidiary of Toronto Stock Exchange listed Northwest Healthcare Properties REIT, a global owner and manager of healthcare property.

For more information, visit our website: www.vhpt.co.nz

* All figures are as at 30 June 2024

Disclaimer:

This document has been prepared by Northwest as manager of Vital and provides high-level summary information only.

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All references to \$ are to New Zealand dollars unless otherwise indicated.

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