

RDX

Third Quarter Update

1 JANUARY 2023 - 31 MARCH 2023



9.75 **cpu**

FY23 DISTRIBUTION GUIDANCE;
1.2% ABOVE FY22

Dear Unit Holders

This quarterly update provides an overview of Vital's non-core asset sales programme, explains why we continue to undertake developments, outlines some recent awards that Vital has been nominated for, and provides a portfolio and financial update to 31 March 2023.

Consistent with previous announcements, Vital is selling ~\$200m of non-core assets to fund Vital's committed development pipeline.

To date:

1. One Australian asset (Eden Private Hospital) has been sold for NZ\$30.5m with settlement due pre 30 June 2023. The sale price was in line with the 31 December 2022 book value (before currency movements).
2. Strong interest has been received from a range of institutional and high net wealth investors across the second tranche of properties marketed for sale. Exclusive dealings have been entered into over properties with a current book value of ~NZ\$125m that remain subject to customary due diligence and final terms.

Why are developments important for Vital?

Vital is selling non-core assets (refer to previous section) to reinvest the capital into Vital's committed development pipeline. This strategy is expected to result in:

1. Earnings and capital growth for Vital's Unit Holders.
2. Newer buildings which accord with the latest and emerging trends in healthcare and which have lower operating and maintenance costs.
3. Enhanced tenant covenants.
4. Greener, more sustainable and resilient assets.
5. Increased exposure to core and emerging healthcare precincts.
6. Improved diversity of assets by geography, tenant mix and sub-sector.

The combined effect of the above is expected to enhance Vital's portfolio and increase total returns for Vital's Unit Holders particularly through reducing risks to future cashflows.

To illustrate the importance of new developments to upfront returns, the aggregate financial benefit of the 15 development projects which Vital has completed over the last three years is listed below. Long term returns are expected to be even greater than those shown below reflecting the benefits noted above which typically translate into higher rents, less vacancy and / or lower maintenance capital expenditure.



NZ\$324.1m

TOTAL DEVELOPMENT SPEND



6.2%

YIELD ON COST



28.3%

DEVELOPMENT MARGIN



21.4%

DEVELOPMENT IRR

~ NZ\$200m of non-core asset sales on track

~NZ\$155m

Book value of assets sold
or in exclusive dealings

~NZ\$236m

Additional non-core assets
being considered for sale

Non-core asset divestment pricing
compares favourably to the

~27% discount to NTA

Vital currently trades at



AL

Aaron Hockly

Fund Manager
30 May 2023

¹ subject to customary due diligence

Q3 Distribution

PAYMENT DATE
22 JUNE 2023

Ex date
7 June 2023



2.4375 cpu

CASH
DISTRIBUTION



9.75 cpu

ANNUALISED
DISTRIBUTION

Awards

Vital's \$200m capital raising in 2022 was a finalist for the Equity Market Transaction of the year in the 2023 INFINZ awards. The Awards recognise innovation and excellence in New Zealand's financial sector and is the leading programme for the industry.

Vital's Royston Day Surgery Unit is a finalist for the 2023 Property Council New Zealand Rider Levett Bucknall Property Industry Awards in the Civic, Health and Arts Category. These prestigious awards are presented to outstanding property projects.

In 2022, Stage 1 of Vital's development of Wakefield Hospital received an "Excellence" in the same category of these awards.

"Proceeds were used to acquire and develop four healthcare facilities across Auckland, Christchurch and Queenstown. True to Vital's purpose, these assets are now providing Vital's Unit Holders with a growing income stream whilst also delivering key healthcare services."

"The Awards are highly regarded for their focus on efficient use of capital. Projects are awarded for meeting a wide range of criteria to provide an outstanding return and/or delivery of service potential on investment of funds and maximum community benefit for public buildings."¹

"Excellence is presented to projects that symbolise excellence within the property industry across all aspects of the evaluation."



Development update



Campbelltown Stage 1 CAMPBELLTOWN, WESTERN SYDNEY

The Level 3 slab has been poured, topping out the structure of the Stage 1 Cancer Centre. The internal formwork is being stripped to prepare for services rough in and fitout.

~48% COMPLETE



Ormiston Hospital Expansion Stage 1 SOUTH AUCKLAND, NZ

Stage 1, (5,000m²) is 70% pre-leased to Ormiston Hospital to accommodate new 15 bed in-patient ward, new 3 theatre endoscopy suite and consulting suites. Construction commenced in October 2022 with completion forecast July 2024.

~39% COMPLETE



Wakefield Hospital Stage 2 WELLINGTON, NZ

Extension to the hospital will be 70% leased by existing tenant and will house new 26 bed ward and endoscopy suite. Development is under construction with structure well advanced, windows and external cladding commencing with a forecast completion of February 2025.

~53% COMPLETE

¹ Property Council of New Zealand



1.8693 cpu

FULLY IMPUTED
DISTRIBUTION



0.7269 cpu

IMPUTATION
CREDITS



DRP
active



1.0%
DRP DISCOUNT

Sustainability

Sustainability is a core part of everything that Vital and Northwest do. We have progressed a number of initiatives over the quarter but highlight the four following initiatives in particular:



Work is underway for Vital's third consecutive GRESB submission building on Vital's "5-Star" outcome and second place ranking for listed healthcare real estate globally in 2022.

GRESB is the global ESG benchmark for financial markets. It is used by 170 institutional investors and more than 2,000 fund managers, companies and asset operators to compare the performance of property and infrastructure entities with an aggregate investment value of >US\$5.3 trillion.

Vital's GRESB results, reflecting the 2022 calendar year, are expected to be publicly available in late 2023 and can be accessed here: www.gresb.com



As a "climate-reporting entity", Vital is required to disclose against the XRB Aotearoa New Zealand Climate Standards CS1 prior to October 2024. These standards require entities to, among other things, detail expected financial impacts posed by different climate change scenarios over the short, medium and longer term. Work is well underway to prepare for compliance with these reporting requirements. More details are available here:

www.xrb.govt.nz/standards/climate-related-disclosures/aotearoa-new-zealand-climate-standards



In alignment with Northwest's 2022 Sustainability Report, Australia and New Zealand are on a journey to strengthen the relationship with First Nation's peoples and promote cultural awareness. To support this, Northwest is developing a Reconciliation Action Plan (RAP). Whilst a RAP is focused on Australia, the intent is to implement across both Australia and New Zealand where possible.

Through our reconciliation journey, we are seeking to engage with, learn from and connect in a meaningful way with First Nations people, as the traditional custodians of the land. We are committed to manifesting our reconciliation ambitions through the development of our Reflect RAP and integrating reconciliation practices into our day-to-day business, leveraging our sphere of influence.



To further public education and awareness of gut disease and prevention, Vital is sponsoring The Gut Foundation's key annual event: Gut Feelings – A Healthy Mind Takes Guts! This will be an interactive event in Auckland to present findings from foundation-funded research projects and educational initiatives. This event aligns with several of Vital's core ESG objectives including health promotion, community engagement and tenant engagement / alignment.

More details will be provided on the Foundation's website once available www.thegut.org.nz/

Portfolio Overview



17.1 years

WEIGHTED AVERAGE
LEASE EXPIRY (WALE)



~NZ\$3.51bn

PORTFOLIO VALUE

GEOGRAPHIC DIVERSITY¹



70%
AUSTRALIA



30%
NEW ZEALAND

PRIVATE HOSPITALS¹



78%

SUB-SECTOR EXPOSURE

AMBULATORY CARE¹



18%

SUB-SECTOR EXPOSURE

AGED CARE¹



4%

SUB-SECTOR EXPOSURE

¹ All figures calculated by value. Figures may not sum due to rounding.



Q3 UPDATE

Like-for-like Financial Performance (unaudited)¹

For the period	3 months to 31 Mar 23 \$000s	3 months to 31 Mar 22 \$000s	Variance \$000s	Change %
Gross property income	35,401	34,366		
Property expenses	(6,933)	(7,039)		
Like-for-like net property income	28,467	27,327	1,140	4.2%
Net property income from acquisitions and disposals	2,470	587		
Net property income from developments	5,375	4,059		
Straight-line rent	(606)	(534)		
Non-recurring items	200	(1)		
Foreign exchange	344	-		
Net property income	36,250	31,439	4,811	15.3%

Financial Position (unaudited)

As at	31 Mar 23 \$000s	31 Dec 22 \$000s	Variance \$000s	Change %
Assets				
Investment properties	3,475,846	3,423,422	52,424	1.5%
Investment properties - held for sale	30,475	31,253		
Other assets	31,317	42,530		
Liabilities				
Borrowings	1,233,918	1,179,007	54,912	4.7%
Other liabilities	226,872	235,072		
Debt to gross assets	34.9%	33.7%		1.2%
Total unitholders' funds	2,076,848	2,083,126	(6,278)	(0.3%)
Units on issue (000s)	659,374	657,757		
Net tangible assets (\$/unit)	3.15	3.17	-0.02	-0.6%
Period end NZD/AUD exchange rate	0.9352	0.9311		

¹ On a 'constant currency' basis

“ 23.1% growth in operating profit for the 9 months to 31 March 2023 compared with the prior corresponding period reflecting rent increases, acquisitions and developments ”

YEAR-TO-DATE UPDATE

Year-to-date Financial Performance (unaudited)

For the period	9 months to 31 Mar 23 \$000s	9 months to 31 Mar 22 \$000s	Variance \$000s	Change %
Gross property income	128,533	105,729		
Property expenses	(20,217)	(16,367)		
Net property income	108,316	89,362	18,954	21.2%
Corporate expenses	(3,044)	(2,986)		
Strategic transaction expenses	-	(283)		
Management fees (base & incentive)	(25,140)	(22,299)		
Net finance expenses	(26,987)	(20,638)		
Operating profit	53,145	43,156	9,989	23.1%
Non-operating gains/(losses)				
Fair value gain/(loss) on investment property	(51,401)	186,343		
Net gain/(loss) on disposal of investment property	(17)	767		
Fair value gain/(loss) on derivatives	(10,182)	41,728		
Realised & unrealised gain/(loss) on foreign exchange	1,160	(148)		
Profit/(Loss) before income tax	(7,295)	271,846	(279,141)	-102.7%
Current and deferred taxation	(15,386)	(42,112)		
Profit/(Loss) for the period attributable to unitholders of the Trust	(22,681)	229,734	(252,415)	-109.9%
Funds from Operations (FFO)	55,744	50,329	5,415	10.8%
Adjusted Funds from Operations (AFFO)	55,414	50,031	5,383	10.8%
AFFO per unit	8.46	9.04	(0.57)	-6.4%
Weighted average units on issue (000s)	655,145	553,592	101,553	18.3%
Average NZD/AUD exchange rate	0.9208	0.9341		

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.

~NZ\$328m remaining to be spent on Committed Developments

Development	Description of Works	Development cost ¹	Spend to date	Forecast completion date
Australia		(A\$m)	(A\$m)	
RDX (QLD)	9 level research and development centre of excellence and 3 level 181 bay basement car parking	133.6	9.9	Mid-25
Playford Health Hub Stage 2 (SA)	Specialist Medical Centre - Radiology, Oncology, Radiotherapy and Consulting	39.3	15.4	Early-24
Abbotsford Private (WA)	47 beds, parking, therapy rooms and admin	18.6	17.8	Mid-23
South Eastern (VIC)	Renal dialysis unit refurbishment	2.4	1.2	Mid-23
Total Australian Developments A\$		193.9	44.2	
New Zealand		(NZ\$m)	(NZ\$m)	
Wakefield Stage 2 (WGN)	Second stage of hospital rebuild delivering eight operating theatres, 42 beds, new Day Surgery Unit and additional expansion capacity	91.5	48.5	Early-25
Ormiston Stage 1 (AKL)	Stage 1 - three level expansion of existing hospital	38.1	14.9	Mid-24
Grace Stage 1 (BOP)	Fitout of two theatres, new endoscopy room, additional 10 beds and redevelopment of existing clinical areas	31.7	6.9	Staged, Late-24
Endoscopy Auckland (AKL)	Four dedicated endoscopy procedure rooms, 15 car parks, reception/waiting areas	22.6	3.3	Mid-24
Royston Stage 2 (HKB)	Fitout of two theatres and reconfiguration of pre and post operative clinical areas	8.9	8.2	Mid-23
Bowen OT5 (WGN)	Fitout of one theatre, new sterile stores and expansion of consulting suites	8.9	4.1	Late-23
Boulcott (WGN)	Two new theatres, PACU expansion and conversion of double rooms to singles	TBC ²	0.0	TBC ²
Total New Zealand Developments		201.7	86.0	
Total Developments in \$NZ ³		409.1	133.3	
Fund-through Developments				
Campbelltown Stage 1 (NSW)	Four storey comprehensive cancer centre with two bunkers, 10 medical oncology chairs, wellness centre and 61 on grade car parks	64.4	30.7	Mid-24
Mt Eliza (VIC)	Conversion of 60 bed Aged Care, including internal refurbishment and external landscaping enhancements	28.5	13.3	Sep-23
Total Australian Fund-through Developments A\$		92.9	44.0	
Total Fund-through Developments in NZ\$ ⁴		99.3	47.0	
Total Committed developments including fund-through developments in NZ\$ ³		508.4	179.7	

¹ Excluding Land

² Subject to review

³ A\$ converted at 31 March 2023 spot rate 0.9352

⁴ Fund-through developments including land & operator costs