



Vital

Healthcare
Property Trust

VITAL HEALTHCARE PROPERTY TRUST

Annual Meeting Of Unitholders

20 DECEMBER 2018

INVESTING IN AUSTRALASIAS
HEALTHCARE INFRASTRUCTURE

Meeting Agenda

- INTRODUCTION
- CHAIR'S ADDRESS
- CHIEF EXECUTIVE OFFICER'S ADDRESS
- RESOLUTION
- NON-BINDING PROPOSALS
- QUESTIONS
- CLOSE OF MEETING
- REFRESHMENTS

Introductions

Board of Directors



01/ **Claire Higgins**
Chair & Independent Director

02/ **Andrew Evans**
Independent Director

03/ **Graham Stuart**
Independent Director

04/ **Bernard Crotty**
Director

05/ **Paul Dalla Lana**
Director

06/ **David Carr**
Executive Director

In Attendance

Management Team

- ▶ David Carr – Chief Executive Officer
- ▶ Stuart Harrison – Chief Financial Officer

Trustee, audit and legal representative

- ▶ Alex Wainwright – Trustees Executors
- ▶ Justine Wealleans – Trustees Executors
- ▶ Silvio Bruinsma – Deloitte
- ▶ Toby Sharpe – Bell Gully



Chair's Address

 IMAGING ASS
BOX HILL

Wakefield Hospital - Wellington



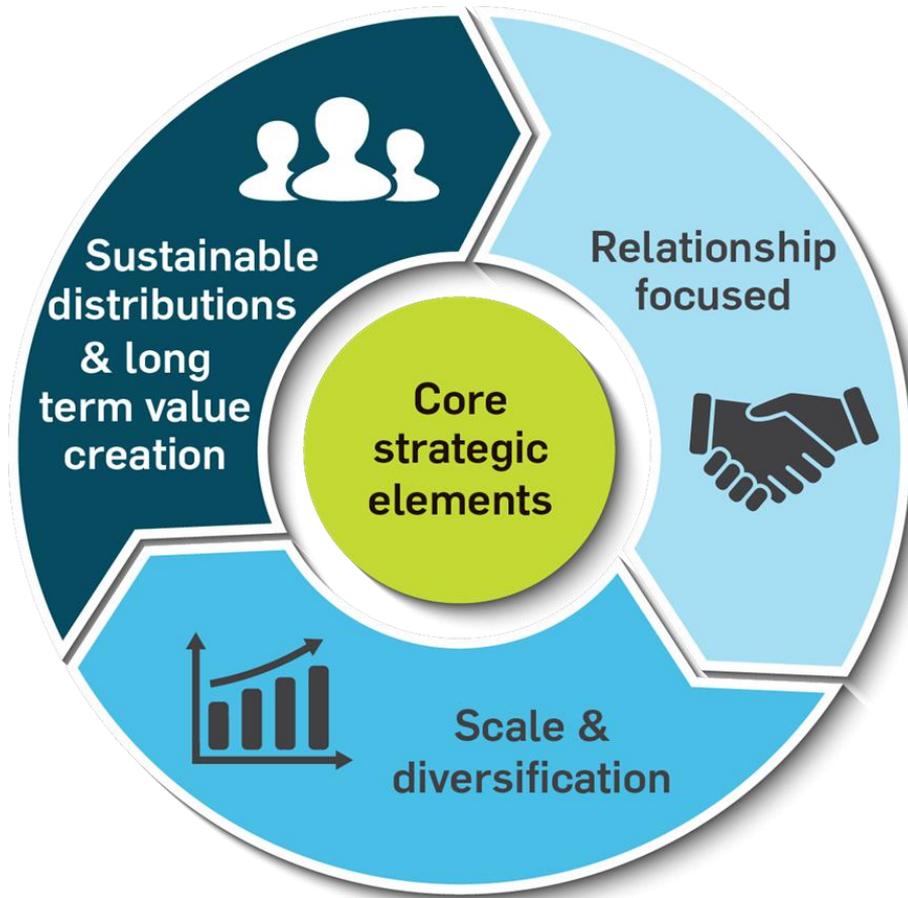
Video clip - Wakefield 'rebuilt'



Strategy

Strategy

LONG TERM INVESTMENT IN AUSTRALASIA'S HEALTHCARE INFRASTRUCTURE



- ▶ A strong track record of performance
- ▶ Focused on long term value creation through scale and diversification
- ▶ A clear, consistent, and prudent strategy focused on healthcare real estate
- ▶ Unique, market leading portfolio attributes
- ▶ An experienced and aligned manager

Strategic Drivers

CORE COMPONENTS DRIVING EXECUTION TO STRATEGY

MANAGEMENT

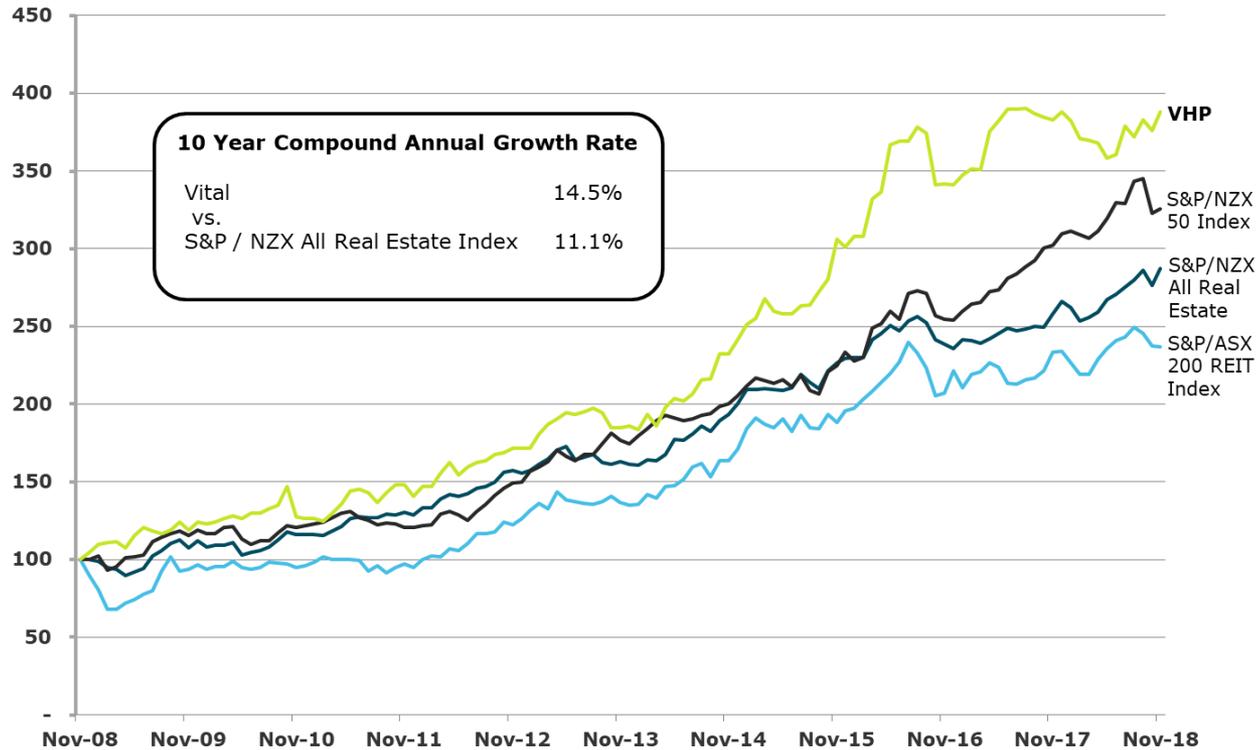
ALIGNED / STABLE / EXPERIENCED / CREDIBLE / CAPABLE



Total Returns

VITAL HAS OUTPERFORMED LOCAL INDICIES ON A COMPOUND BASIS OVER THE LAST DECADE

Index rebased to 100



Compound annual return	1yr	3yr	5yr	7yr	10yr
VHP	1.4%	8.2%	16.0%	14.8%	14.5%
S&P/NZX All Real Estate Gross	11.3%	8.2%	12.0%	11.9%	11.1%
S&P/NZX 50 Index Gross	7.8%	13.1%	13.0%	15.2%	12.5%
S&P/ASX 200 AREIT	1.4%	8.0%	11.6%	13.5%	9.0%



Distribution Sustainability

MAINTAINING PRUDENT & CONSERVATIVE PAYOUT RATIO

5 Year Compounded Annual Growth Rate of Distribution



Sources: Macquarie Securities and FNZC

- ▶ Scale & diversification strategy driving distribution outperformance relative to NZ Listed Property sector
- ▶ Quarterly distribution increased to 2.1875 cents per unit for the fourth quarter of FY2018.
- ▶ Equates to an annual distribution of 8.5625 cents per unit in FY2018 and guidance of 8.75 cents per unit for FY2019
- ▶ Implied distribution growth of 2.2% next year.



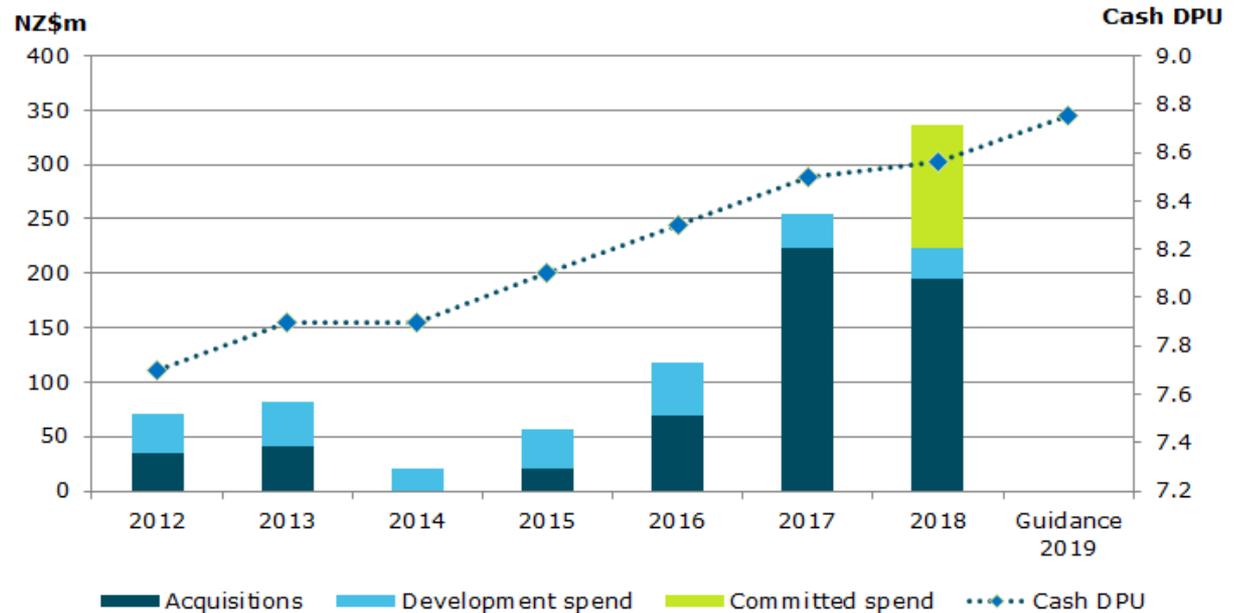
Notes:

NZ listed property sector 5 year compounded annual growth rate of distribution is a weighted average of NZX listed property companies by market capitalization 13
Vital's calculation of adjusted funds from operations may differ from comparative entities

Investment Activity

SCALE & DIVERSIFICATION STRATEGY SUPPORTING DISTRIBUTION SUSTAINABILITY, AND CONSERVATIVE GROWTH

- ▶ Vital has strategically acquired properties with expansion potential adjacent to existing properties providing opportunities to deploy incremental capital into brownfield developments at attractive yields
- ▶ Committed development spend of NZ\$104m over the next four years.
- ▶ Additionally, underlying indexation of rents on core portfolio (and acquisitions and development) supports earnings growth



Healthscope (HSO) real estate opportunity

SITUATION UPDATE

GENERATIONAL OPPORTUNITY

Healthscope's Australian hospital property portfolio aligns with Vital's healthcare property strategy

SITUATION REQUIRES UNCONVENTIONAL TACTICS

Operating within SIPO, regulatory framework and the Trust Deed

RISKS HAVE BEEN CONSIDERED

Position is balanced relative to the business and opportunity with downside and upside limits

CURRENT PRIVATISATION OFFER

Brookfield's offer under a scheme of arrangement of \$2.585 is significantly above our adjusted cost base of \$2.36

PROVIDES A SEAT AT THE NEGOTIATING TABLE

Stake provides us with the best chance of unlocking Healthscope's Australian hospital property portfolio

CONTINUE TO WORK THROUGH THIS OPPORTUNITY

The Board will decide whether to proceed with the opportunity if and when the opportunity crystallises

Governance update

GRAHAM STUART APPOINTED THIRD INDEPENDENT DIRECTOR, NORTHWEST SUSPENDS RIGHTS & ANNOUNCES FEE REVIEW

GRAEME HORSLEY RETIREMENT AS INDEPENDENT CHAIR

Claire Higgins appointed independent Chair and David Carr (Vital CEO) appointed Executive Director on an interim basis

REVISED POLICY DOCUMENTS

Review and update of Conflicts Policy, SIPO and Board Charter completed

GRAHAM STUART APPOINTED AS THIRD INDEPENDENT DIRECTOR

Following an extensive 3rd party search process, Graham was appointed independent director in November 2018

NORTHWEST SUSPENDS ABILITY TO REMOVE DIRECTORS

In response to unitholder input, NorthWest has suspended its rights to remove independent directors

NORTHWEST SUSPENDS RIGHT TO INCREASE FEES

In response to unitholder input, NorthWest has suspended its rights to increase management fees

NORTHWEST ANNOUNCES FEE REVIEW

Commitment to review Vital's fees together with Independent Directors

A photograph of a hospital room with several beds, medical equipment, and large windows. A dark teal circle is overlaid on the right side of the image, containing white text. The room is brightly lit, and the windows show a view of trees and a building outside.

Chief Executive Officer's Address



FY18 Results Summary

FY18 Results Summary

STRONG OPERATING AND PORTFOLIO PERFORMANCE

\$93.7m

Gross rental income, +20.1%*

10.6cpu

NDI per unit, 81% payout ratio

\$49.5m

Adjusted funds from operations

8.5625cpu

Cash distribution +0.7% from FY2017

Figures as at 30 June 2018

* Comparative period results adjusted for \$13.8m one-off lease termination receipt in October 2016

Treasury and capital management

PRUDENT BALANCE SHEET PROVIDES MANAGEMENT ABILITY TO DEPLOY CAPITAL FOR RIGHT OPPORTUNITIES

37.5%

Loan-to-value

4.60%

**Weighted average cost of debt,
80% hedged with a 7.0 year term**

A\$275m

Additional credit facility

\$2.26

NTA per unit +10.2% from FY2017

Figures as at 30 June 2018

Portfolio

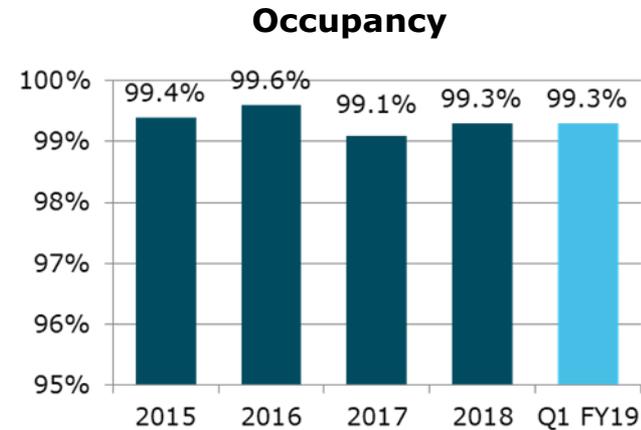


Strong core portfolio

5 YEAR TRENDS SHOW PORTFOLIO IN GREAT SHAPE - UNDERPINS LONG-TERM PERFORMANCE

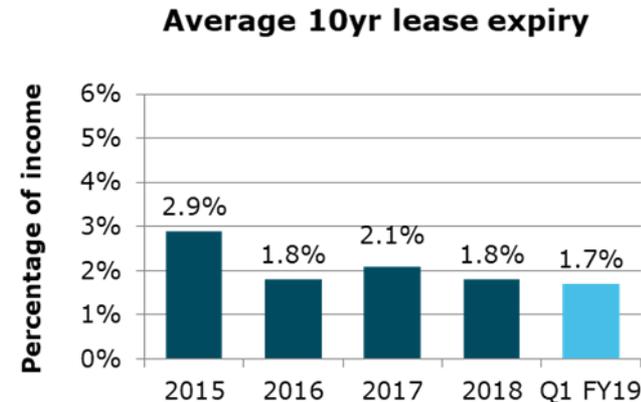
99.3%

Occupancy averaging +99% for the last 8 years



1.7%

Rents expiring over the next 10 years



Figures as at 30 September 2018

Strong core portfolio

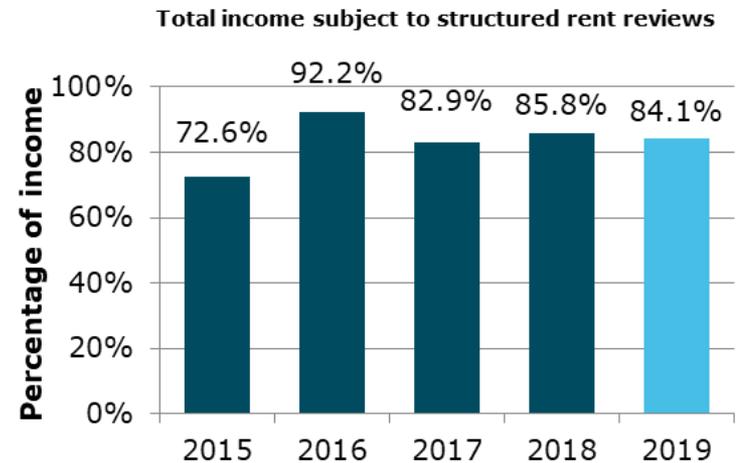
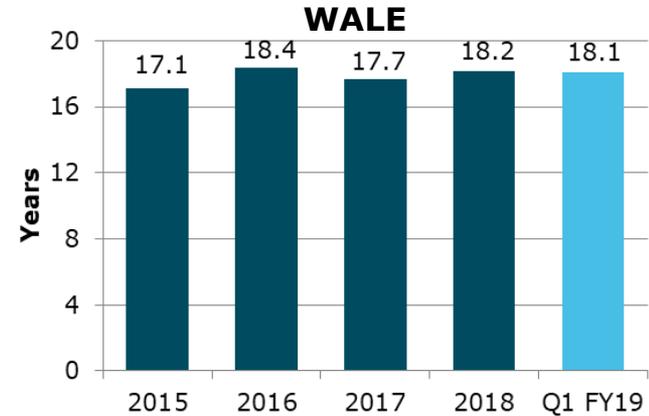
5 YEAR TRENDS SHOW PORTFOLIO IN GREAT SHAPE - UNDERPINS LONG-TERM PERFORMANCE

18.1 yrs

WALE, longest listed vehicle in Australia and New Zealand

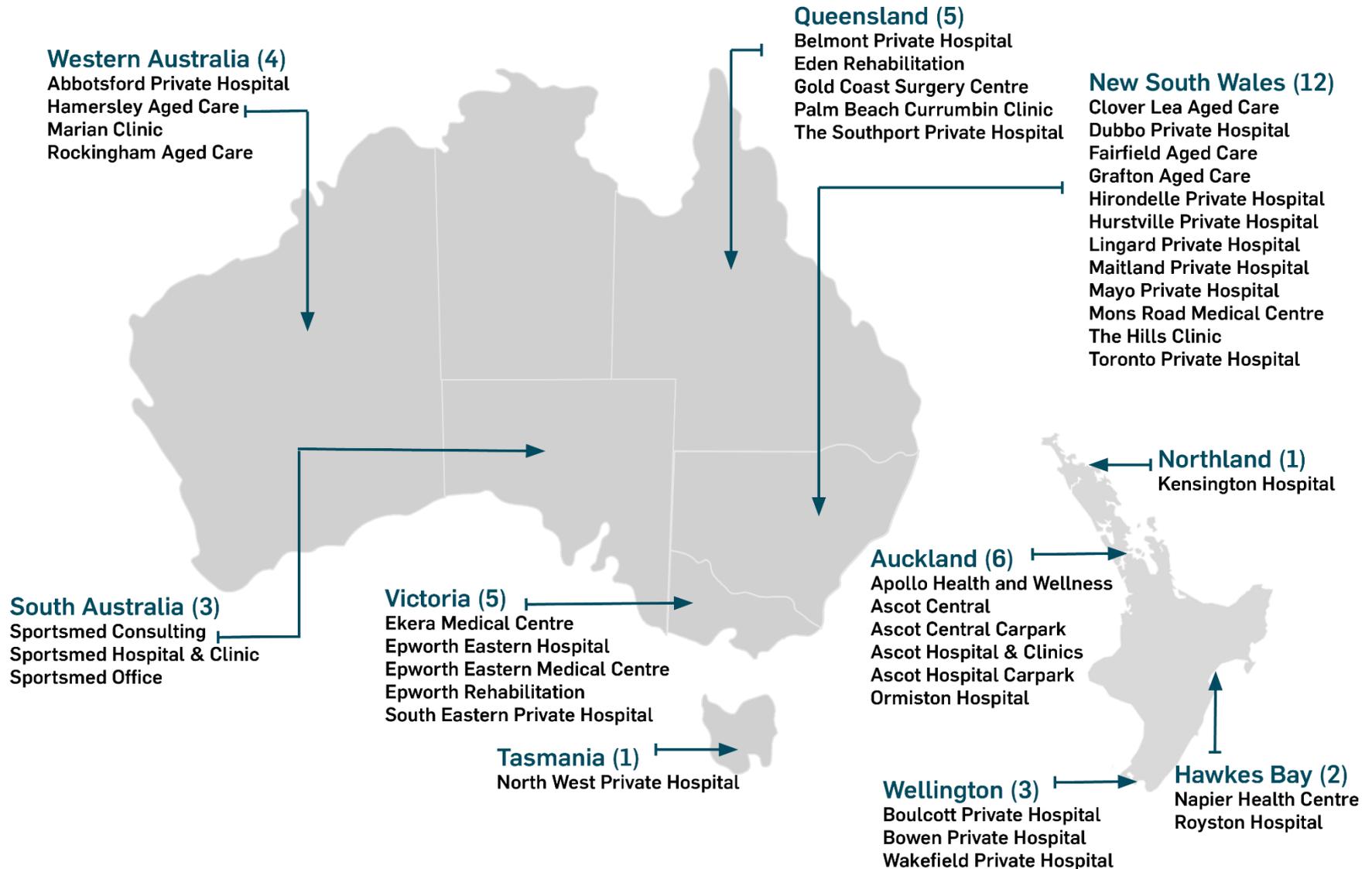
84.1%

Income subject to structured rent reviews in FY2019



Portfolio overview

\$1.76B PORTFOLIO OF HEALTHCARE REAL ESTATE COMPRISING 42 INVESTMENT PROPERTIES AND ~2,600 BEDS



Acquisitions update

ACQUISITIONS MAINLY 'OFF-MARKET' WITH PARTNERS SEEKING TO MAINTAIN A RELATIONSHIP WITH VITAL

	Asset Type	Total Purchase Price	Future Development Potential	Settlement
 The Hills Clinic (Sydney, NSW)	Psych	A\$30.3	✓	31-Jul-2017
 Eden Rehabilitation Hospital (Cooroy, QLD)	Rehab	A\$23.8	✓	11-Dec-2017
Land held for development (FY2018)	Strategic	A\$7.5	✓	Various
Total Australian Acquisitions		A\$61.5		
 Wakefield Hospital (Wellington, NZ)	Acute	NZ\$23.7	✓	14-Dec-2017
 Royston Hospital (Hastings, NZ)	Acute	NZ\$54.2	✓	14-Dec-2017
 Bowen Hospital (Wellington, NZ)	Acute	NZ\$44.5	✓	14-Dec-2017
Land held for development (FY2018)	Strategic	NZ\$2.1	✓	3-Aug-2017
Total New Zealand Acquisitions		NZ\$124.5		
Total Acquisitions in NZD		NZ\$194.7		

Committed development update

BROWNFIELDS DRIVING VALUE-ADD OUTCOMES, UNDERPINS EARNINGS SUSTAINABILITY, IMPROVES ASSET QUALITY & PERFORMANCE

		Budgeted development cost	Spend to date	Cost to Complete	Forecast completion date
	North West Private (TAS)	A\$1.0	A\$0.4	A\$0.6	Q4 2018
	Maitland	A\$3.0	-	A\$3.0	Q3 2019
Total Australian Projects		A\$4.0	A\$0.4	A\$3.6	
	Wakefield Hospital (Wellington, NZ)	NZ\$88.0	NZ\$3.6	NZ\$84.4	Staged 2021-2022
	Royston Hospital (Hastings, NZ)	NZ\$13.0	NZ\$1.2	NZ\$11.8	Mid-2020
	Bowen Hospital (Wellington, NZ)	NZ\$4.0	NZ\$0.3	NZ\$3.7	Early-2019
Total New Zealand Projects		NZ\$105.0	NZ\$5.1	NZ\$99.9	
Total Projects in NZD		NZ\$109.4	NZ\$5.5	NZ\$103.9	

*NZD/AUD at period exchange rate of 0.9164

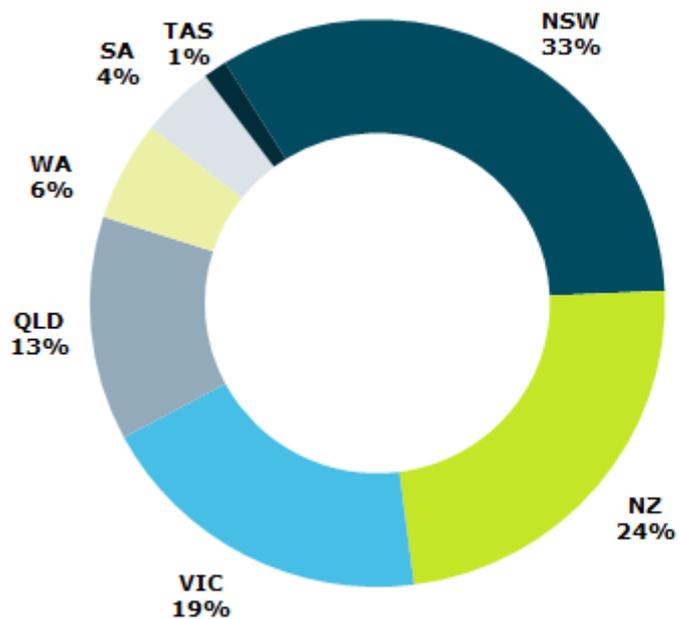
Note: Spend to date reflects 30 September 2018 reported amounts updated for recent project announcements

- ▶ Estimate NZ\$25m to NZ\$50m of development per annum on average as a result of continue demand for healthcare infrastructure.

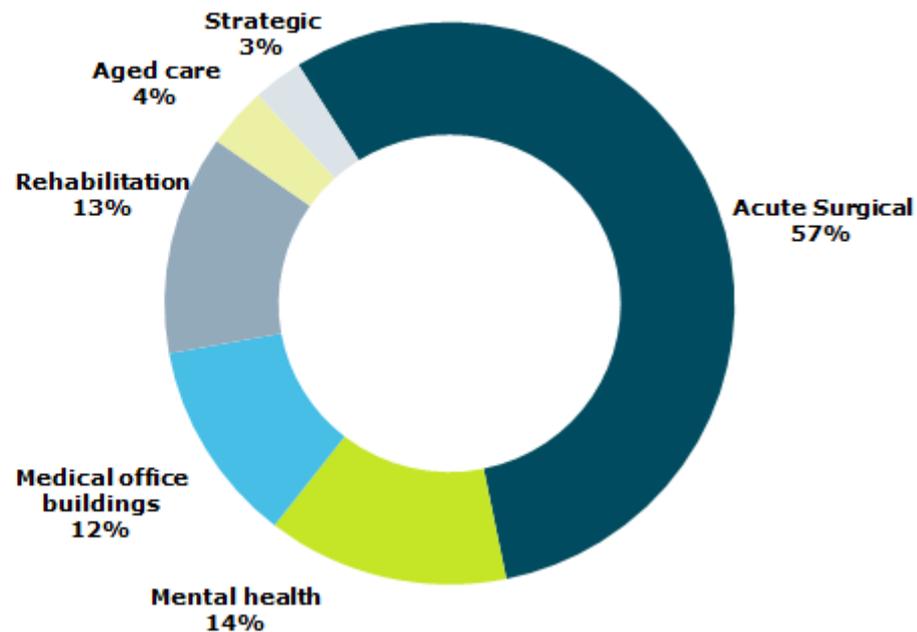
Portfolio composition

PORTFOLIO DIVERSIFIED ACROSS GEOGRAPHY AND HEALTH CARE SUB-SECTORS

Geographic Diversification



Sector Diversification



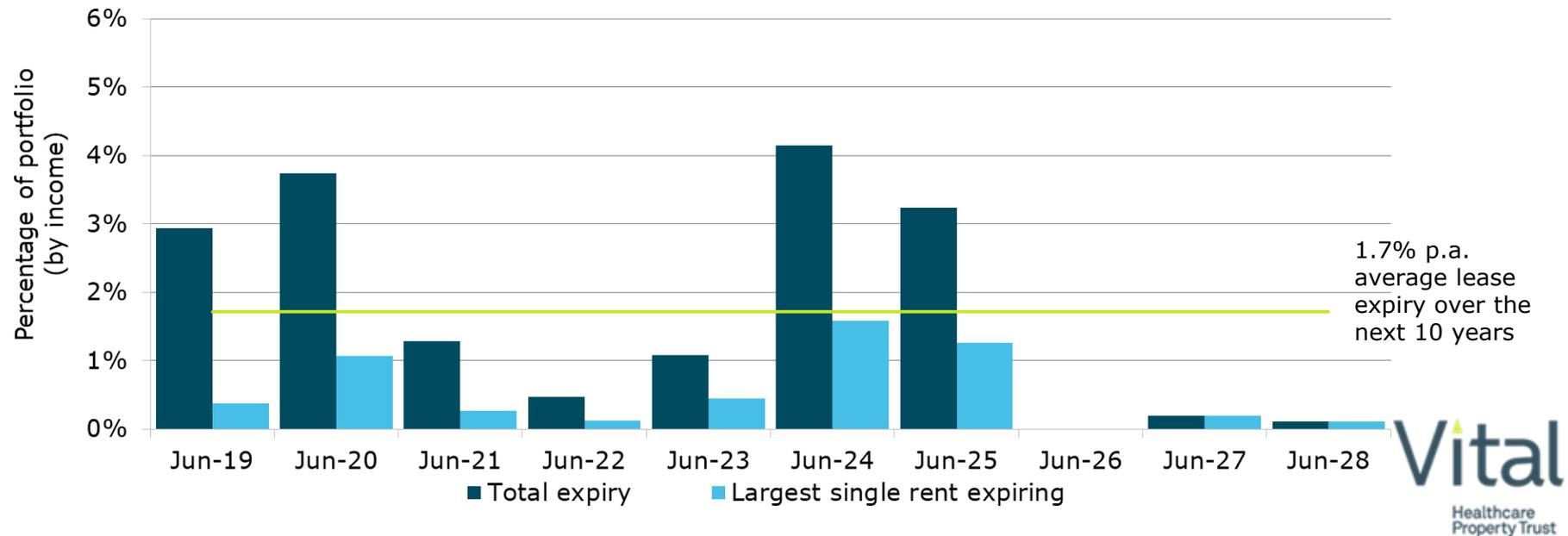
* Top Ten Tenants based on revenue earned in the last 3 months

Lease expiry

LOW RISK EXPIRY PROFILE SUPPORTS SUSTAINABLE, PREDICTABLE AND DEFENSIVE CASH FLOWS

- ▶ Lease expiries in FY2019 and FY2020 primarily reflect multi-tenant properties, with small (consulting type) occupants at the following properties:
 - ▶ Ascot Hospital, Ascot Central, Ormiston Hospital, Epworth Eastern Medical Centre, Gold Coast Surgery, and Ekeru Medical Centre.
 - ▶ Two-thirds of FY2019 lease expiries are due in the second half of the year
- ▶ In terms of the largest single lease expiries over the next 5 years, the current estimated probability of renewal is over 75%.

Lease expiry profile





Sector drivers & trends

Sector drivers and trends

PERIODIC REGULATORY REFORM, LONG TERM TRENDS UNDENIABLE

ECONOMIC & MARKET INFLUENCES

REGULATORY

reform relatively constant,
diversification critical

PUBLIC SYSTEM PRESSURE

private system
critical component

RELATIVELY INSULATED

from macro financial,
economic and market
conditions

STRONG FORECAST DEMAND, UNDENIABLE TRENDS

2x

>65 year demographic
forecast over the next
40 years

80%

>65 year demographic
have at least
one chronic disease

~4x

utilisation of
healthcare services
by >65 year demographic



Summary



Resolution

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Election of Independent Director

To consider and vote to approve:

Either:

That Graham Stuart, who was appointed by the Board and stands for re-election, be re-elected as an Independent Director of the Manager

Or:

That Paul Mead, who has been nominated by three unitholders, be elected as an Independent Director of the Manager

A photograph of a hospital room with several beds, medical equipment, and large windows. A dark teal circle is overlaid on the right side of the image, containing the text 'Non-binding Proposals'.

Non-binding Proposals

Non-binding Proposal #1

For the purpose of s 139(2)(a)(i) of the Financial Markets Conduct Act 2013 (FMCA), the Unitholders approve the Manager and Supervisor removing clause 30.11 of the Trust Deed which provides that the Shareholder of the Manager can unilaterally remove Independent Directors and can unilaterally remove the right for Unitholders to nominate and vote on Independent Directors.

Non-binding Proposal #2

For the purpose of s 139(2)(a)(i) of the Financial Markets Conduct Act 2013 (FMCA), the Unitholders approve the Manager and Supervisor removing clause 22.5 of the Trust Deed which provides that the Manager can unilaterally alter the amount of the Manager's fee.

Non-binding Proposal #3

That Unitholders request that [the] Manager negotiate in good faith with Unitholders to bring fees currently charged by the Manager in line with current market levels and improve the alignment of interests between the Manager and Unitholders..

Non-binding Proposal #4

That Unitholders request that Manager increase the size of the Board to 6, with a minimum of 4 Independent Directors and a minimum of 2 Independent Directors being elected by Unitholders.

Non-binding Proposal #5

The Unitholders request that the Manager amend all policies and procedures, including the Conflicts of Interest Policy and the Board Charter, to reflect resolutions 1, 2 and 4, and to ensure that the primary duty of the Board of the Manager is to Unitholders.

Questions

Thank you.

Ormiston Hospital

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Past performance is no indication of future performance.

20TH December 2018