

CHAIR & FUND MANAGER ADDRESS FOR THE ANNUAL MEETING

The following are the addresses of the Chair and the Fund Manager for the Vital Healthcare Property Trust Annual Meeting held at Makora Room of Generator Commercial Bay, Level 2, PwC Tower, 15 Customs Street, Auckland 1010 on Tuesday, 17 November 2020 commencing at 10.00am.

Slide 1 – Cover slide

BERNARD:

Welcome to the 2020 Annual Meeting of Vital Healthcare Property Trust.

My name is **Bernard Crotty**, and I am the Chairman of Vital Healthcare Property Trust. Vital's Supervisor has appointed me as Chair of this meeting.

As you are aware, this is a hybrid meeting involving a physical meeting in Auckland with those, like me, who are unable to attend due to COVID-19, attending virtually. As this is our first hybrid meeting, please accept our apologies in advance if we experience any technological issues or if the meeting flow is different from usual. We ask that you hold all questions, whether from the floor or via our online platform, until after both addresses and the tabling of the financial statements, immediately prior to voting on the proposed resolution.

For those who are in the room in Auckland, please could I ask that your mobile phones are turned off or to silent mode. The bathrooms are located past the black panel doors, opposite side of the hallway on the right hand side.

In an emergency, the fire evacuation stairwell is underneath the escalators. Generator staff will guide you out of the room. The emergency meeting point is the Downtown Carpark.

The Notice of Annual Meeting has been circulated to all Unitholders. It sets the scope of what we are scheduled to discuss today and includes the details of the one resolution we are due to consider.

I am pleased to confirm that there is a quorum present and I declare the 2020 Annual Meeting of Unitholders of Vital Healthcare Property Trust open. Voting is now also open.

Slide 2 – Meeting Agenda

The order for the meeting is as follows:

- ▶ following general introductions, I will give my address as Chairman;
- ▶ following my address, I will introduce Aaron Hockly to give his Fund Manager's address;
- ▶ as he is in the meeting in Auckland, Aaron will then table the Annual Financial Statements, following which Aaron will hand over to Graham Stuart, again because he is in the physical meeting, who will invite questions on any matter regarding the Trust or the presentations other than his re-election;
- ▶ we then move to the formal business being the proposed resolution that Graham Stuart be re-elected as an Independent Director of NorthWest Healthcare Properties Management Ltd, Vital's Manager, which will include an address by Graham and any questions on his proposed re-election;
- ▶ after voting is complete, we have an opportunity for general business and I will invite you to ask any other relevant questions you may have;
- ▶ we will then conclude the meeting, following which there will be refreshments for those at the physical meeting.

Copies of the minutes of last year's Annual Meeting are available for inspection at the entrance to the room in Auckland. They are also available on Vital's website vhpt.co.nz.

Slide 3 – Board of the Manager

I would like to take the opportunity to introduce the Directors of the Trust's Manager.

In Auckland we have Directors **Andrew Evans** and **Graham Stuart**.

Due to travel restrictions and COVID-19, attending via virtually are Directors **Dr Michael Stanford** and **Paul Dalla Lana**.

Slide 4 – In Attendance

I would also like to welcome the following who are attending in person:

1. Vital's Fund Manager, **Aaron Hockly**;
2. **Justine Wealleans** from Trustees Executors Limited, the Supervisor of the Trust;
3. **Thomas Moeke** from Deloitte, the auditors of the Trust; and
4. **Toby Sharpe** from Bell Gully, legal advisers to the Manager.

Due to COVID-19 travel restrictions, a number of NorthWest's senior executives are also attending virtually on Zoom, including regional CEO **Craig Mitchell**, **Michael Groth** Vital's Chief Financial Officer, **Chris Adams** Executive Director, Projects, **Richard Roos**, Executive Director, Portfolio, and **Vanessa Flax**, Regional General Counsel and Vital's Company Secretary.

Slide 5 – Address of the Chairman of the Manager

Following another very successful year for the Trust, it gives me great pleasure to deliver this address as Chairman of the Manager.

Slide 6 – Comparative Returns

As shown on the graph in the presentation in front of you, Vital recorded a 12.7% total return for the 12 months ended 30 September 2020, despite COVID-19 impacting around half of this period.

Over the same period, Vital outperformed the S&P/NZX All Real Estate Index by 17.1%. This significant outperformance highlights the defensive nature of healthcare real estate compared to other real estate classes and the resilience of hospital operators in particular.

Slide 7 – COVID-19

This resilience led to over 99% of rent of being collected over the last 12 months; well above our peers in New Zealand and Australia with a majority of Vital's tenants having recovered to pre-pandemic operating levels.

Despite COVID-19, we were able to raise \$157.5 million in October and November from a significantly oversubscribed equity raising. The capital will be used to fund Vital's strategic objectives which in turn will provide future earnings growth for unitholders.

Vital paid 8.75 cents per unit in distributions over the 2020 financial year and we have provided guidance of at least this amount for the current financial year.

Slide 8 – Key achievements over the last 12 months

The board has focussed on a number of key governance and other initiatives over the last 12 months.

These include the appointment of Graham Stuart as Independent Chairman of the board with effect from the close of this meeting (subject to his re-election). Mr Stuart is a former CEO of Sealord Group and a former CFO of Fonterra; both significant global but New Zealand headquartered businesses. In addition to his role with the Manager, he

is chairman of EROAD and a director of Tower Insurance and Metro Glass.

Dr Michael Stanford was appointed as an additional Independent Director. Dr Stanford's executive experience includes 23 years running large hospital groups most recently St John of God Health Care. He was previously on the board of Australia's second largest hospital operator, Healthscope, and is currently on the boards of Diabetes Australia and ASX listed Virtus Health .

A revised fee structure was approved by unitholders at the last annual meeting and this resulted in a \$2.2 million reduction in base management fees in FY20.

In late 2019, we appointed a new Fund Manager, Aaron Hockly, and a new CFO, Michael Groth. Both are seasoned real estate executives with significant experience across New Zealand and Australia.

Finally, the board approved a 5-year portfolio strategy for Vital. This is primarily an internal strategy document designed to support our strategic goals, including earnings growth. However, the publicly released elements provide unitholders with information on targets for earnings growth and investment strategy including asset types, asset allocations, development exposure, asset locations and other key qualitative and quantitative factors we will consider.

Slide 9 – Address of the Fund Manager

It is my pleasure to now introduce Aaron Hockly, Vital's Fund Manager.

AARON: Thank you Bernard.

Slide 10 – Operational Highlights

It is my pleasure to be presenting to you as Vital's Fund Manager, my first Annual Meeting in this capacity. It is almost 12 months since I stepped into this role and what a journey it has been: splitting my time between Australia and New Zealand, acquiring three aged care facilities

in Australia, getting to grips with Vital's significant development pipeline, a special meeting to restructure the Trust, a global pandemic, connecting or re-connecting with many of Vital's unitholders and tenants (too often by means other than face-to-face unfortunately), developing a new 5 year strategy for Vital, raising \$157.5 million of new equity, starting the process of re-setting our debt, , announcing new developments and starting a process to redeploy proceeds from the sale of certain assets in Australia into a premium hospital which I hope to update the market on shortly.

I would like to start by thanking the board and my NorthWest colleagues for their support over the year including my predecessor Miles Wentworth who handed the Trust over in such an excellent position for me to build on. It is unfortunate that COVID-19 has prevented many of those who have contributed so much to Vital's success over the year from being here today.

I would also like to thank unitholders and other stakeholders for their support for Vital and me personally over the last 12 months. I am always interested to hear why people invest in Vital so thank you to the 30 something year old saving for your house deposit who recently bought units via shareies, the retiree who has been a unitholder for the last 20 years, and all the other large and small investors who have shared with me what you are seeking from your investment in this fantastic Trust.

On any measure, the FY20 results were outstanding. Our cash profit or AFFO increased by 5.6% per unit. This was the result of both a 3.4% increase in underlying earnings and a 7.2% reduction in expenses. Earnings increased due to rental increases, acquisitions, developments and leasing – in summary in all real estate level areas we recorded significant achievements for unitholders.

The cost reduction was primarily due to a 28.5% decrease in management costs and a 13.2% decrease in finance costs.

These results have continued into the first quarter of this financial year as we seek to deliver our newly announced targets for AFFO and distributions of 2-3% growth per unit per annum.

Slide 11 – Property Portfolio

As at 30th September 2020 the Trust had a \$2.2 billion portfolio comprising 44 investment properties, weighted 77% to Australia and 23% to New Zealand.

82% of the portfolio comprises hospitals including the leading private hospitals in Auckland, Brisbane, Hawkes Bay, Melbourne, Newcastle, Sydney, Wellington and Whangarei.

The balance of the portfolio is split between out-patient facilities in Australia and New Zealand and aged care facilities in Australia.

As Bernard mentioned, we have released a 5-year portfolio strategy which includes asset allocation as a means of guiding the market to where we believe the portfolio will move to over time. Hospitals will remain the core asset and income provider for Vital and are expected to make-up 50-70% of the portfolio over the medium term. Whilst we would be very comfortable with a higher percentage of private hospitals, we are also cognisant of the highly competitive landscape for these assets, that hospitals are infrequently sold as well as other matters such as our earnings' growth targets. As a result, we are looking to allocate 10-20% of the portfolio into each of medical office buildings and aged care and 5-15% of the portfolio into life sciences, however this will be opportunity led.

At 30 September 2020, Vital had a weighted average lease expiry, otherwise referred to as WALE or WALT, of 18.5 years. This is the longest WALE of any listed property group in Australia or New Zealand and nearly double the length of the next longest WALE in New Zealand. Whilst WALE isn't everything, it is key for long term income security for our unitholders and so remains both a key focus for us and a key differentiator with our competitors.

We also continue to focus on development opportunities, primarily within the existing portfolio, as a means of growing income and value for unitholders and improving the quality of the portfolio. Following recent announcements, our committed development pipeline has grown to

\$347.1 million with \$250.8 million of this left to complete. I will talk more about developments shortly.

Slide 12 – Aged Care Acquisitions

In March 2020, Vital acquired three aged care facilities in Australia for \$60.1 million New Zealand dollars. These assets had a combined WALE of 16.6 years at acquisition, providing a year one income of 3.7 million Australian dollars or a 6.5% yield on the purchase price.

All three assets are leased to the not-for-profit operator Bolton Clarke, one of Australasia's largest and most experienced aged care and retirement living providers with over 200 years' experience. Bolton Clarke is the name for the merger between Royal District Nursing Society and Returned Services League Care who have been providing aged care in Australia since 1885 and 1938 respectively.

Slide 13 – Aged Care Acquisitions – continued

Bolton Clarke Baycrest has 101 beds and is located in Hervey Bay, Queensland.

Tantula Rise is a 120 bed facility on Queensland's Sunshine Coast.

Darlington is a 90 bed facility on the Tweed Coast in Northern New South Wales, just south of the border with Queensland.

All three assets were purpose-built and comprise single rooms with ensembles.

Slide 14 – Completed Developments

As noted previously, developments remain a core part of our strategy to add value to Vital for unitholders by capitalising on the Manager's unmatched expertise in this space, our existing relationships and Vital's access to capital.

In FY20, we completed two developments requested by Health Care, Vital's largest tenant and Australia's third largest private hospital operator. A new 22 surgical bed day-surgery was constructed next to Lingard Private Hospital, Newcastle, the leading private hospital in the Hunter Region of New South Wales. The day surgery cost approximately \$28 million Australian dollars to construct with the wider precinct now valued at \$190 million Australian dollars. Combined, this is Vital's second largest asset group. The development was delivered on time and on budget. There is over 25 years remaining on this lease.

We also undertook an \$8.3 million Australian dollar expansion of The Hills Clinic, a mental health in-patient facility, approximately 40kms north-west of Sydney's CBD. Following the expansion, which was completed on budget and ahead of schedule, the hospital comprises 85 beds and is valued at \$45 million Australian dollars. There are 27 years remaining on this lease.

Slide 15 – Wakefield Hospital

Work continues to rebuild and seismically strengthen Wakefield Hospital, Wellington's pre-eminent private hospital. The total cost of this project is over \$130 million of which Vital's contribution will be over \$100 million. The first stage of the project is a new building to the rear of the existing hospital and is due to complete mid-way through 2021 following which work will commence on upgrading and extending the existing hospital, with completion scheduled for mid-2023. On completion, Wakefield will comprise over 74 in-patient beds, six operating theatres, a cardiac and angiography suite, an endoscopy suite, consulting rooms and a full range of specialist services. The project has enhanced seismic resilience through its base isolation, well in excess of the building code, to ensure this building quite literally stands the test of time.

Wakefield is strategically located on the fringe of the CBD and close to Wellington Regional Hospital. It is leased to New Zealand's third largest private hospital operator, Evolution Healthcare, formerly known as Acurity, for 30 years.

Slide 16 – Royston Hospital

Royston Hospital, also leased to Evolution, is the leading private hospital in Hawke's Bay. The existing hospital is in the process of being extended and upgraded. Due to significant demand in the region, a new day surgery is being constructed on the adjoining site and is due to be operational by the end of next year. The two sites are expected to have a combined value for Vital of over 75 million dollars representing another significant investment in New Zealand's healthcare infrastructure.

Slide 17 – Epworth Eastern

Finally, the largest project we currently have underway is the East Wing Tower development at Epworth Eastern. Epworth is currently operating at maximum capacity and this 14 level, 126 million Australian dollar development will deliver much needed additional hospital beds, operating theatres, specialist consulting suites and a new emergency department. Epworth has pre-committed to approximately 80% of the new building and leasing for the remaining consulting suites is well advanced with the facility expected to be 100% occupied at completion.

Construction is progressing well with the structure up to Level 4 and expected to reach Level 7 by Christmas. Refurbishment of some areas of the existing medical centre has already been completed and handed over to Epworth. The project remains on target to complete by late 2021.

Already the largest asset in Vital's portfolio, the expected value of the precinct on completion is circa 380 million Australian dollars.

Slide 18 – Equity Raising

We undertook a 125-million-dollar placement in October 2020 primarily to existing unitholders and also introducing some new investors as part of our strategy to broaden Vital's unit register.

The issue price was \$2.80; a 6% discount to the previous trading price and a 19.7% premium to NTA representing both the tightest discount of any property raising this year and the highest premium to NTA.

The placement was three times oversubscribed and was scaled back to preference primarily supportive domestic institutions and retail brokers.

NorthWest committed to taking up at least its pro-rata and the balance was fully underwritten by Goldman Sachs and Forsyth Barr.

To enable retail holders not represented by a sharebroker to participate in the capital raising, we undertook a follow-on unit purchase plan at the same price as the placement. The initial 25 million dollars we had allocated for the UPP was nearly three times oversubscribed so we elected to increase the size of the UPP to 32.5 million dollars. This enabled over 99% of unitholders, who elected to participate, to do so at or above their pro-rata entitlement. 6,813 unitholders participated in the UPP, the vast majority of whom were retail holders.

The 157.5 million dollars raised through the placement and the UPP has reduced balance sheet gearing to approximately 33% although the proceeds will ultimately be used to fund Vital's development pipeline.

Slide 19 – Annual Financial Statements

The Annual Report and Financial Statements for the year ended 30 June 2020 have been circulated to all Unitholders and are now formally tabled at the meeting.

I will now pass over to Graham Stuart to deal with your questions.

Slide 20 – Questions

GRAHAM:

Thanks Aaron. If there are any questions relating to the Trust or the presentations now is the opportunity to raise them. Only unitholders or proxy holders are permitted to speak or ask questions. Those present at the meeting in Auckland who wish to ask a question, please raise your hand and a microphone will be handed to you in due course. If you could then please state your name and whether you are a unitholder or a Proxy holder. Those attending virtually may ask questions through the Lumi platform. Questions will be moderated by my fellow director, Andrew Evans, who will read questions aloud for all to hear.

To allow those who want to have their say to do so, and in the interests of fairness to all unitholders attending this meeting, I ask that anyone wishing to speak should be as concise as possible and considerate to other unitholders wishing to also ask questions. We also request that, in consideration for other unitholders, any questions that relate to your personal situation or unitholding be dealt with outside of the meeting with management in the room or via email or phone.

Repeated questions or questions that have already been answered may not be put to the meeting.

We will call for questions in the room first although those attending virtually can pose their questions at any time. We request those wanting to ask a question online to do so as early as possible to ensure it is received and answered.

Thank you for your questions and comments. I will now hand back to Bernard Crotty.

Slide 21 – Re-election of Graham Stuart

Thanks Graham.

I would now like to move to the formal business of the Meeting, the proposed re-election of Graham Stuart.

The vote will be conducted by poll comprising the proxies lodged in advance of the meeting, votes recorded on voting papers in the room and votes lodged via the Lumi platform.

Unitholders have the right to speak once and I would be grateful if you could limit your questions or comments to Graham's re-election.

When I open up for questions, for those in the room please raise your hand and a microphone will be handed to you. If you could then please state your name and whether you are a unitholder or a Proxy holder. Please note that only unitholders or proxy holders are permitted to speak at this meeting. Those attending virtually may ask questions through the Lumi platform. Questions will be moderated by my fellow director, Andrew Evans, who will read questions aloud for all to hear.

I would like to invite Graham to address the meeting.

GRAHAM: Graham's address

Slide 22 – Voting

BERNARD:

Thank you, Graham. The details of the proxies received on this re-election are on the screen. If I am appointed as proxy to vote and not directed on how to vote, I will vote in favour of this resolution.

Please can I ask you now to cast your vote by clearly ticking the box on the voting form you wish to reflect your vote and once completed please hand your form to the representatives of the Manager or Computershare moving around the room. Those voting via Lumi please click "for", "against" or "abstain". You can change your vote at any time while voting is open and I will give a reminder 10 seconds before I close voting. Once voting has closed, you will not be able to amend your vote.
