

## First Quarter Update

### 1 July – 30 September 2020

TOTAL RETURN

12.7%

12 MTHS TO  
30 SEP 20

RENT COLLECTED

>99%

#### Dear Unitholders,

NorthWest Healthcare Properties Management Limited (**NorthWest**), as manager of the Vital Healthcare Property Trust (**Vital**), is pleased to update you on the quarter ended 30 September 2020 (**Q1FY21**).

#### Performance

Vital recorded a 9.1% increase in net property income over Q1FY21 compared to the first quarter of FY20. This increased income plus lower expenses led to a 30.4% increase in operating profit and a 35.0% increase in AFFO per unit.

For the 12 months ended 30 September 2020, Vital recorded a total return of 12.7% (unit price appreciation plus distributions) versus the benchmark S&P/NZX All Real Estate Index which recorded a fall of 4.3%. This represents a 17.1% outperformance by Vital compared with its peers.

#### Developments to enhance future earnings growth

Vital's existing ~\$250m development pipeline remains underway with significant progress recorded during Q1FY21 in both New Zealand and Australia. In addition, approximately \$100m of new brownfield developments were announced following the end of Q1FY21 including:

1. A \$22.6m expansion and upgrade of Belmont Private Hospital. This is a specialist mental health facility approximately 12kms from Brisbane's CBD, leased to Health Care (Australia's third largest private hospital operator) for 25 years. Following the development, it will comprise 183 beds.
2. A \$18.6m expansion of Abbotsford Private Hospital. This is a 30-bed specialist mental health and addiction treatment facility approximately 3kms from Perth's CBD, leased to Health Care for 21 years. Following the development, it will comprise 77 beds.
3. A \$21.7m stage one development of a new health precinct in Adelaide to be known as Playford Health Hub. This property is adjacent to South Australia's third largest public hospital, Lyell McEwin. This first stage is expected to comprise a mixture of parking for the public health department and ancillary retail. Future stages are expected to comprise a major medical office building and private hospital.

These developments will be partially funded by the \$157.5m equity raising undertaken in October and November 2020. A full development list is included on page 3 of this update.

#### Portfolio remains secure

Vital's weighted average lease expiry increased to 18.5 years from 18.1 years at 30 June 2020 primarily due to successful leasing (lease extensions, renewals and new leases). This market leading WALE is expected to be further enhanced by the developments referred to above, providing income security for unitholders.

Vital's portfolio is valued at just under \$2.2 billion at 30 September 2020.

#### Balance sheet strengthened

Vital has received credit approved offers to extend the duration of both the A\$125m facility expiring in March 2021 and the A\$115m facility expiring in October 2021 from its existing financiers. Pricing is in line with current market conditions, and work is continuing on executing Vital's capital management strategy to diversify financiers and introduce longer duration debt facilities to the Trust.

#### Governance changes near complete

An extensive fee and governance review was undertaken in 2019 and approved by unitholders at the 2019 Annual Meeting. This review included lowering base management fees which saved unitholders \$2.2m in FY20. The appointment of Graham Stuart as Independent Chairman following the 2020 Annual Meeting (subject to his re-election) completes these governance changes following which the Board of Vital's manager will be led by an Independent Chairman, will comprise a majority of Independent Directors and its Audit Committee will continue to be chaired by an Independent Director.

#### Unitholder engagement remains a focus

Vital's Annual Meeting is scheduled for 17 November 2020. We encourage you to attend in person or on-line. Details are available at [vhpt.co.nz](http://vhpt.co.nz).

Vital's website is in the process of being updated to enhance information available to our unitholders.

Vital's half year results are expected to be released in late February 2021.

Finally, on a personal note, one of the best aspects of this role is the opportunity to engage directly with unitholders. I am available to discuss Vital's performance and strategy at any time via phone, email or at various in-person events including several planned with the New Zealand Shareholders Association and the NZX over coming months.

Thank you for your on-going support for Vital.

Aaron Hockly, Fund Manager  
10 November 2020



## FINANCIAL PERFORMANCE (UNAUDITED)

For the period	3 months Sep-20 \$000s	3 months Sep-19 \$000s	Variance \$000s	Change %
Gross property income	32,319	29,336		
Property expenses	(5,046)	(4,346)		
<b>Net property income</b>	<b>27,273</b>	<b>24,990</b>	<b>2,283</b>	<b>9.1%</b>
Corporate expenses	(1,116)	(1,205)		
Management fees (base & incentive)	(4,207)	(4,917)		
Net finance expenses	(7,401)	(7,708)		
<b>Operating profit</b>	<b>14,549</b>	<b>11,160</b>	<b>3,389</b>	<b>30.4%</b>
<b>Non-operating gains/(losses)</b>				
Fair value gain/(loss) on investment property	2,703	3,772		
Fair value gain/(loss) on derivatives	(4,417)	(12,707)		
Realised & unrealised gain/(loss) on foreign exchange	(2,678)	(4,848)		
<b>Profit/(Loss) before income tax</b>	<b>10,157</b>	<b>(2,623)</b>	<b>12,780</b>	<b>n.a.</b>
Current and deferred taxation	(342)	1,182		
<b>Profit/(Loss) for the period attributable to unitholders of the Trust</b>	<b>9,815</b>	<b>(1,441)</b>	<b>11,256</b>	<b>n.a.</b>
<b>Funds from Operations (FFO)</b>	<b>13,709</b>	<b>10,046</b>	<b>3,663</b>	<b>36.5%</b>
<b>Adjusted Funds from Operations (AFFO)</b>	<b>13,347</b>	<b>9,750</b>	<b>3,597</b>	<b>36.9%</b>
<b>AFFO per unit</b>	<b>2.93</b>	<b>2.17</b>	<b>0.75</b>	<b>35.0%</b>
<b>Weighted average units on issue (000s)</b>	<b>454,795</b>	<b>448,460</b>	<b>6,335</b>	<b>1.4%</b>
Average NZD/AUD exchange rate	0.9258	0.9463		

## LIKE-FOR-LIKE FINANCIAL PERFORMANCE (UNAUDITED)

For the period	3 months Sep-20 \$000s	3 months Sep-19 \$000s	Variance \$000s	Change %
Gross property income	29,545	29,131		
Property expenses	(4,535)	(4,435)		
<b>Like-for-like net property income</b>	<b>25,010</b>	<b>24,696</b>	<b>314</b>	<b>1.3%</b>
Net property income from acquisitions	991	-		
Net property income from developments	1,324	310		
Straight-line rent	(346)	(217)		
Non-recurring R&M	(147)	201		
Foreign exchange	441	-		
<b>Net operating income</b>	<b>27,273</b>	<b>24,990</b>	<b>2,283</b>	<b>9.1%</b>

## FINANCIAL POSITION (UNAUDITED)

As at	Sep-20 \$000s	Jun-20 \$000s	Variance \$000s	Change %
<b>Assets</b>				
Investment properties <sup>1</sup>	2,173,479	2,086,309	87,170	4.2%
Other assets	26,129	18,909		
<b>Liabilities</b>				
Borrowings	881,134	814,537	66,597	8.2%
Other liabilities	224,001	211,702		
<b>Debt to gross assets</b>	<b>40.1%</b>	<b>38.7%</b>		<b>1.4%</b>
<b>Total unitholders' funds</b>	<b>1,094,473</b>	<b>1,078,979</b>	<b>15,494</b>	<b>1.4%</b>
Units on issue (000s)	457,767	453,783		
<b>Net tangible assets (\$/unit)</b>	<b>2.39</b>	<b>2.38</b>	<b>0.01</b>	<b>0.4%</b>
Period end NZD/AUD exchange rate	0.9241	0.9345		

<sup>1</sup> Includes \$93m of assets classified as held for sale

## DEVELOPMENT PROGRESS

Development	Development work being undertaken	Development cost	Spend to date	Forecast completion date
		(A\$m)	(A\$m)	
<b>AUSTRALIAN PROJECTS</b>				
Epworth Eastern (VIC)	New 14 storey tower incorporating 5 operating theatres, 60 beds, levels of consulting and refurbishment of the existing medical centre	126.2	41.6	Late-21
South Eastern PH (VIC)	New day oncology centre, new 10 bed ward and conversion of shared rooms to singles	9.9	6.6	Late-21
North West Private (TAS)	New 8 bed mental health unit	3.4	0.0	Mid-21
Eden Rehab (QLD)	New 26 bed mental health ward, rehab unit and refurbishment of existing wards	12.4	1.2	Early-22
Abbotsford Private (WA)	47 beds, parking, therapy rooms and admin - planning approved	18.6	0.0	Late-21
Belmont (QLD)	48 new inpatient beds, 13 private practice consulting suites and 70 new car parks	22.6	0.0	Mid-22
Playford Health Hub Stage 1 (SA)	Multi-deck car park (circa 450 spaces) & ground floor retail	20.7	0.4	Late-21
<b>Total Australian Projects</b>		<b>213.8</b>	<b>49.8</b>	
<b>NEW ZEALAND PROJECTS</b>				
		(NZ\$m)	(NZ\$m)	
Wakefield (WLG)	Staged demolition and redevelopment of entire hospital	100.9	41.2	Staged 21-23
Royston (HB)	New CSSD, reception upgrade, two theatre shells, one theatre fitout and general refurbishment	10.7	9.1	Late-20
Royston DSU (HB)	New standalone two theatre day surgery unit	8.1	1.7	Late-21
<b>Total New Zealand Projects</b>		<b>119.7</b>	<b>52.0</b>	
<b>Total Projects in \$NZD<sup>1</sup></b>		<b>351.1</b>	<b>105.9</b>	

<sup>1</sup> A\$ converted at 30 Sep 2020 spot rate 0.9241

“\$157.5m raised in October/November 2020 to fund developments”

*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 the information included in this update, including as a result of the audit process.*

# Q1 Distribution

Payment date  
**17 December 2020**

This distribution is an excluded distribution of 2.1875 cpu for tax purposes with no imputation credits attached.

**vhpt.co.nz**

CASH  
DISTRIBUTION  
**2.1875**  
CPU

DRP ACTIVE  
**YES**

DRP  
DISCOUNT  
**1%**