Vital HEALTHCARE PROPERTY TRUST

Managed by NorthWest Healthcare Properties Management Ltd

MARKET RELEASE

7 October 2020

Vital announces $150m capital raising to fund development pipeline and potential acquisition

NorthWest Healthcare Properties Management Limited (the **Manager**), as manager of Vital Healthcare Property Trust (**Vital**), today announced it intends to raise approximately $150m of new equity capital, through a $125m underwritten[(1)] placement of new units (the **Placement**) and a $25m Unit Purchase Plan (**UPP**)[(2)] (the **Offer**).

The net proceeds of the Offer will allow the Manager to pursue opportunities which are expected to provide earnings growth for Vital. In particular:

- ~$100m[(3)] of brownfield developments have been progressed and are either being announced today or are expected to be announced in coming months; and
- the Manager is in advanced discussions to acquire a premium hospital in a metropolitan area for $95m, leased to a major private hospital operator.

In addition, the Manager has progressed the sale of several regional assets which are anticipated to raise approximately $100m in early 2021.

Strategic objectives

The proposed transactions listed above are aligned with Vital's 5-year portfolio strategy:

- The developments and acquisition support AFFO target growth of 2-3% per annum
- Portfolio WALE is expected to increase from 18.6 to 19.4 years[(4)]
- Further tenant and geographic diversification

Vital's Fund Manager, Aaron Hockly, said

"Having outlined Vital's new 5-year portfolio strategy in the FY20 results, we are pleased to announce a capital raising to allow us to deliver on this strategy. In particular, we have a strong development pipeline and are in advanced discussions to acquire a premium metropolitan hospital to be leased to a major private hospital operator for 30 years. The combination of the developments, potential acquisition and targeted asset sales would improve key portfolio metrics including an extended WALE and improved tenant profile."

Developments

The Manager expects Vital to undertake approximately $100m[(3)] of new brownfield developments, including three committed developments:

1. A$22.6m expansion and upgrade of Belmont Private Hospital, a 150-bed specialist mental health facility approximately 12kms from Brisbane's CBD, leased to Healthe Care

(Australia's third largest private hospital operator) for 25 years. The development will provide additional inpatient capacity (net increase of 35 beds), 13 additional consulting suites and 70 new car parks as well as updating and modernising some of the older wards. On development completion, Belmont Private Hospital is anticipated to be valued at A$135m.

2. A$18.6m expansion of Abbotsford Private Hospital, a 30-bed specialist mental health and addiction treatment facility approximately 3kms from Perth's CBD, leased to Healthe Care for 21 years. The development will provide 47 additional inpatient beds as well as additional therapy rooms, administration facilities and car parking. On development completion, Abbotsford Private Hospital is anticipated to be valued at A$51m.
3. A$21.7m stage one development of a new health precinct in northern Adelaide to be known as "Playford Health Hub". Playford Health Hub is strategically located opposite one of South Australia's largest public hospitals, Lyell McEwin. This first stage is expected to comprise a mixture of consulting suites, parking for the public health department and ancillary retail. Future stages are expected to comprise a major medical office building and private hospital.

The remaining ~$33m comprises developments which are still in due diligence but are considered highly likely to proceed.

All new developments are of Vital's existing properties, and are expected to return a weighted average yield on cost of ~6.0%. Developments are driven by tenant demand, and enable Vital to continue to deliver earnings growth and improve the quality of the portfolio.

Potential acquisition

As noted above, the Manager is in advanced discussions to acquire a premium private hospital in a metropolitan area for $95m, on a 5.25% year 2 stabilised cap rate. The hospital is in a strategic location with strong underlying demographics and leased to a high-quality hospital operator for 30 years. The vendor is particularly attracted by the development capability of both Vital (funding) and the Manager (experience and personnel) due to potential future development of this facility. Completion of the acquisition remains subject to finalisation of terms, documentation and purchaser due diligence. The Manager anticipates being in a position to execute and complete this acquisition during the fourth quarter of calendar year 2020.

Asset sales

An off-market sales process has commenced for the ~$100m of previously signalled asset sales. Assuming satisfactory completion of due diligence, it is envisaged that these asset sales will complete in early-to-mid 2021.

Capital raising

The $125m Placement will be conducted during the course of today, with new units issued at a fixed price of $2.80 per unit, representing a 6.0% discount to the closing price of $2.98 on 6 October 2020. NorthWest[(5)] has committed to participate in the Placement by subscribing for at least $31.9m of new units, representing its pro rata 25.5% stake in Vital.

The UPP will allow all eligible unitholders with a registered address in New Zealand on the record date to apply for up to $50,000 of new units in Vital. The issue price of the new units under the UPP will be the lower of the Placement price or a 2.5% discount to the volume weighted average price of Vital units traded on the NZX during the five trading days up to, and including, the end of the UPP offer period.

The Offer has been structured to be as fair as possible to all existing unitholders, and enables almost all unitholders to participate in the Offer through either the Placement or the UPP (except where restricted due to legal constraints), and should scaling be required, it will be by reference to existing unitholdings at the record date.

The UPP offer opens on 13 October 2020, with the offer document and application form in respect of the UPP offer also being available from that date.

The new units issued under the Offer will rank equally with existing Vital units on issue and will be eligible for the FY21 first quarter distribution payable in December.

The Placement is underwritten(1) by Forsyth Barr Group Limited and Goldman Sachs New Zealand Limited.

Balance sheet impact

Vital's pro forma debt to gross assets ratio(6) as at 30 June 2020 will decrease from 38.7% to 33.0%(7) upon completion of the Offer, assuming that Vital completes the proposed $95m strategic acquisition and the ~$100m of previously announced asset sales. Pro forma headroom of $337m(7) provides sufficient liquidity to support Vital's development pipeline. If the acquisition does not proceed, the proceeds will initially be used to repay debt and then to fund further acquisition and development opportunities as they arise.

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. Both credit approved offers are capable of acceptance (subject to customary terms associated with credit approved offers) and work is continuing on executing Vital's capital management strategy to diversify financiers and introduce longer duration debt facilities to Vital.

Outlook

Healthcare property remains a defensive asset class underpinned by growing demand, high levels of government support in Australia and New Zealand and growing institutional interest. As Australasia's leading listed owner of healthcare real estate, Vital is well positioned to take advantage of opportunities in this sector to continue to provide attractive risk-adjusted returns for unitholders.

The Board reconfirms Vital's previously released distribution guidance of at least 8.75cpu for the FY21 financial year, on a conservative pay-out ratio(8).

For further information in respect of the Offer, please refer to the capital raising presentation attached to this announcement.

– 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 (~81% of rent), Medical Office Buildings (~11% of rent) and aged care (~8% of rent).

Vital is the only specialist listed landlord of healthcare property in Australasia and currently has a portfolio valued at over $2 billion.

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

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The information in this announcement is of general background and does not purport to be complete. It should be read in conjunction with Vital's other market announcements lodged with NZX, which are available at www.nzx.com/companies/VHP.

Note: All amounts are in NZD unless otherwise shown

[1] NorthWest Healthcare Properties REIT has committed, on behalf of its owned and controlled entities, to participate in the Placement by subscribing for $31.9m of new units, representing its pro rata holding in Vital. The balance of the Placement is underwritten by Forsyth Barr Group Limited and Goldman Sachs New Zealand Limited

[2] The Manager may decide to accept additional applications at its discretion

[3] This is part of the $130m pipeline included as part of Vital's FY20 Annual Results. AUD developments are converted to NZD at FY20 period end NZD/AUD exchange rate of 0.9345

[4] Pro forma as at 30 June 2020 adjusted for the impact of the proposed strategic $95m acquisition and ~$100m asset sales

[5] NorthWest Healthcare Properties REIT on behalf of its owned and controlled entities

[6] Calculated in accordance with Vital's Trust Deed

[7] Assuming net proceeds of the Offer of $147.9m (from gross proceeds of $150.0m), $96.5m total cost of the hospital acquisition (including $1.5m of transaction costs) and $99.0m net proceeds from the asset sales (including $1.0m of transaction costs). Pro forma 30 June 2020 debt to gross assets ratio also adjusted for the A$7.2m acquisition (NZ$8.2m converted at the NZD/AUD exchange rate of 0.9100 prevailing at the time of the acquisition) of the remaining 50% interest in Elizabeth Vale Shopping Centre in Adelaide, South Australia (refer to Vital's market announcement dated 18 September 2020), HealtheCare leasing activity (refer to Vital's market announcement dated 18 September 2020), settlement of NorthWest's FY20 incentive fee (2.6m units) and final FY20 distribution (cash payment of $10.0m less $4.2m DRP take-up (1.4m units issued))

[8] Guidance provided on the basis of a number of assumptions including no significant change in COVID-19 in Australia or New Zealand