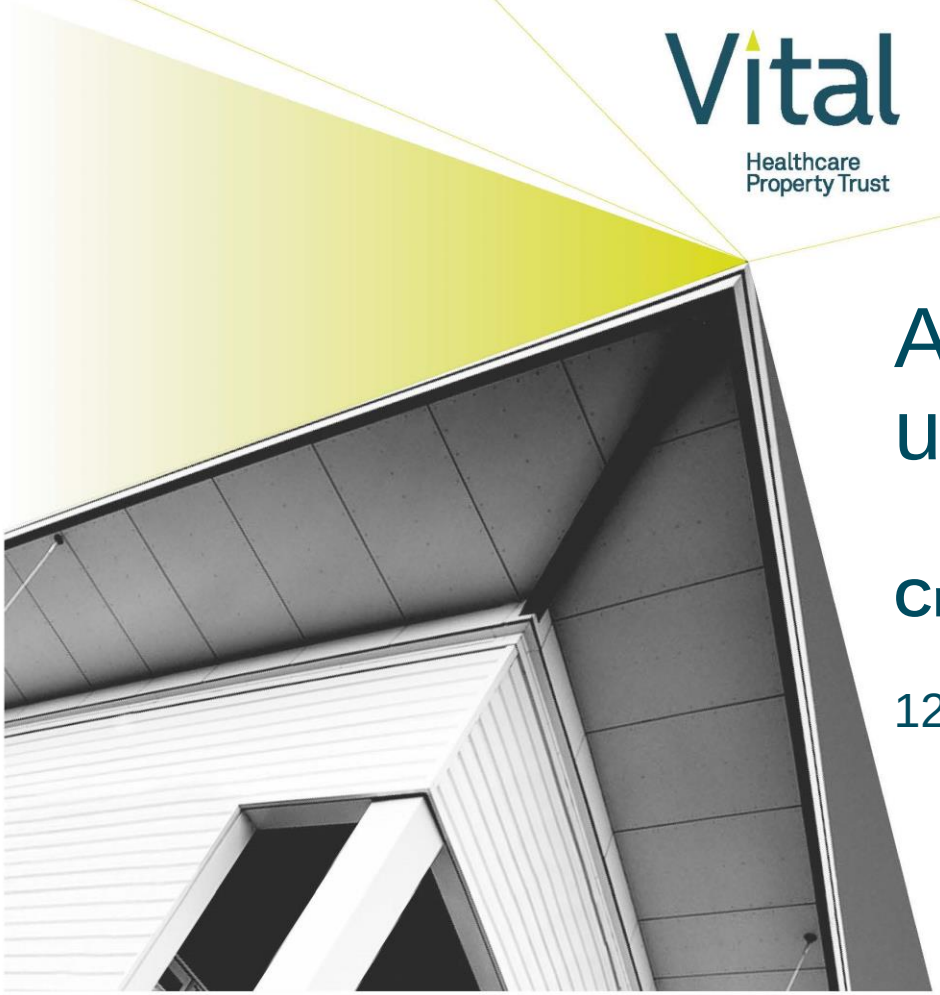


Vital
Healthcare
Property Trust

Annual Meeting of unitholders

Creating capacity to meet demand

12 November 2013

www.vitalhealthcareproperty.co.nz

Meeting agenda

Meeting agenda

- Introductions
- Chairman’s address
- Chief Executive Officer’s address
- Questions
- Notice of Meeting - Resolution
- Voting
- Close of meeting
- Refreshments

Board of Directors

- **Claire Higgins**
  Independent Director
- **Paul Dalla Lana**
  Director (Apology)
- **Andrew Evans**
  Independent Director
- **Graeme Horsley**
  Chairman and
  Independent Director
- **Bernard Crotty**
  Director

Vital Healthcare Management Limited

Board of Directors

- Graeme Horsley - Chairman & Independent Director
- Claire Higgins - Independent Director
- Andrew Evans - Independent Director
- Bernard Crotty - Director
- Paul Dalla Lana - Director (Apology)

Management team

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

Trustee, legal and audit representatives

- Clynton Hardy - Trustees Executors
- Andrew Harmos - Harmos Horton Lusk
- Peter Gulliver - Audit Partner, Deloitte

Chairman's address

Creating Capacity

Chairman's highlights

Ongoing execution of strategy delivered strong operational results

Financial performance

- Distribution growth at the top end of guidance range
- Solid rental and distributable income growth

Portfolio

- Strong revaluation gains underpinned by successful brownfield redevelopment activity
- Portfolio metrics consistently among the highest in the sector

Capital management

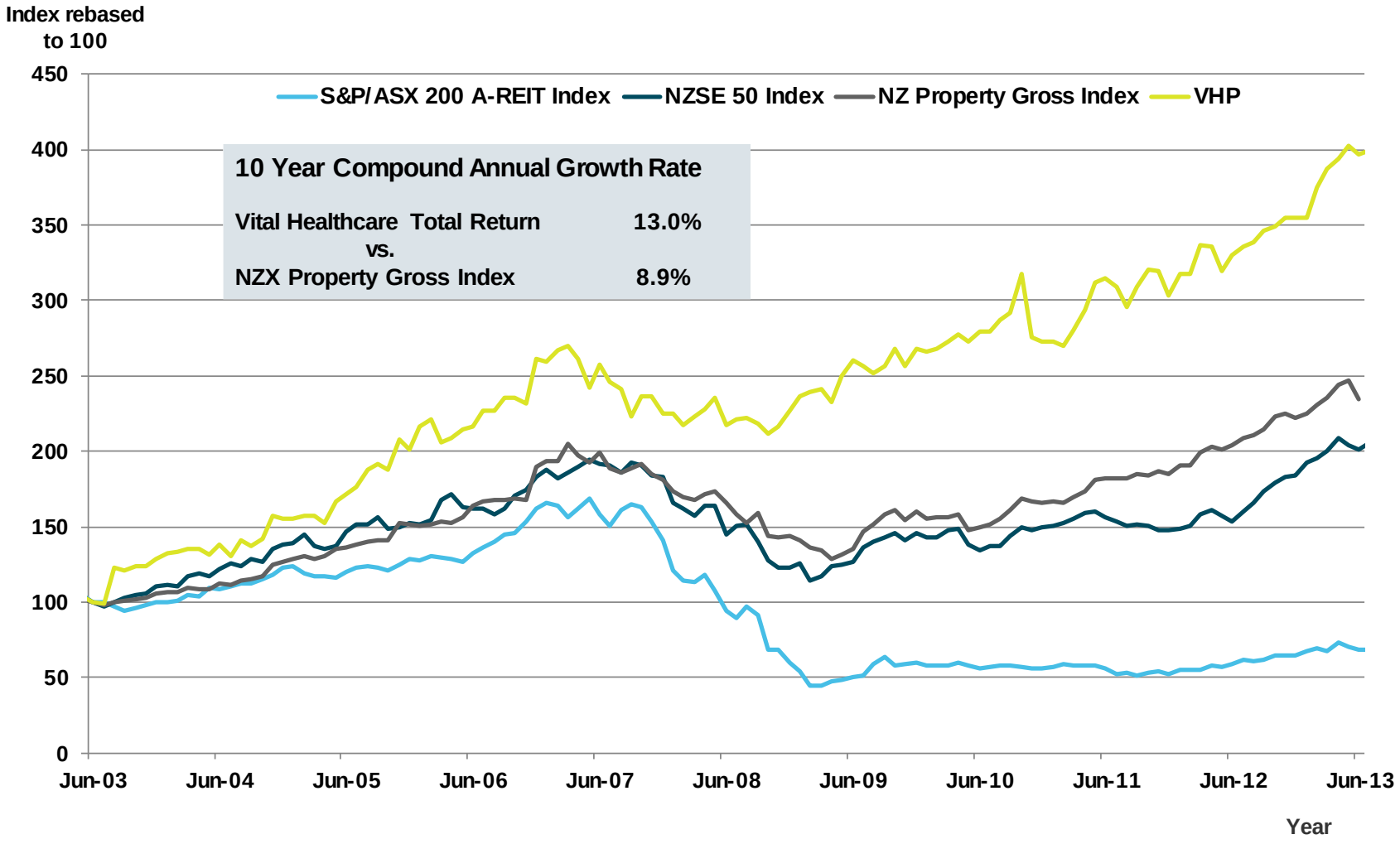
- Premium to NTA remains highest in the listed property sector
- Prudent treasury & capital management supported enhanced cash distribution

Healthcare sector

- Strong long term underlying drivers, irrespective of economic volatility
- Entrenched private insurance system works 'in balance' with public system

10 year total return performance

Sustained outperformance continues to deliver strong total returns



Source: Bloomberg, Craigs Investment Partners. Total returns (capital gain plus income) as at 30 June 2013.

Long term strategy

The long term strategy continues to deliver consistent results, with a solid platform ready for the next phase of growth

- Low-risk, medium return investment characteristics
- Expert focus in the healthcare real estate sector
- A leading developer, manager and investor in Australasian healthcare real estate
- Long term relationship based approach with our tenants and operators
- Pursue appropriate opportunities for growth, diversification and liquidity

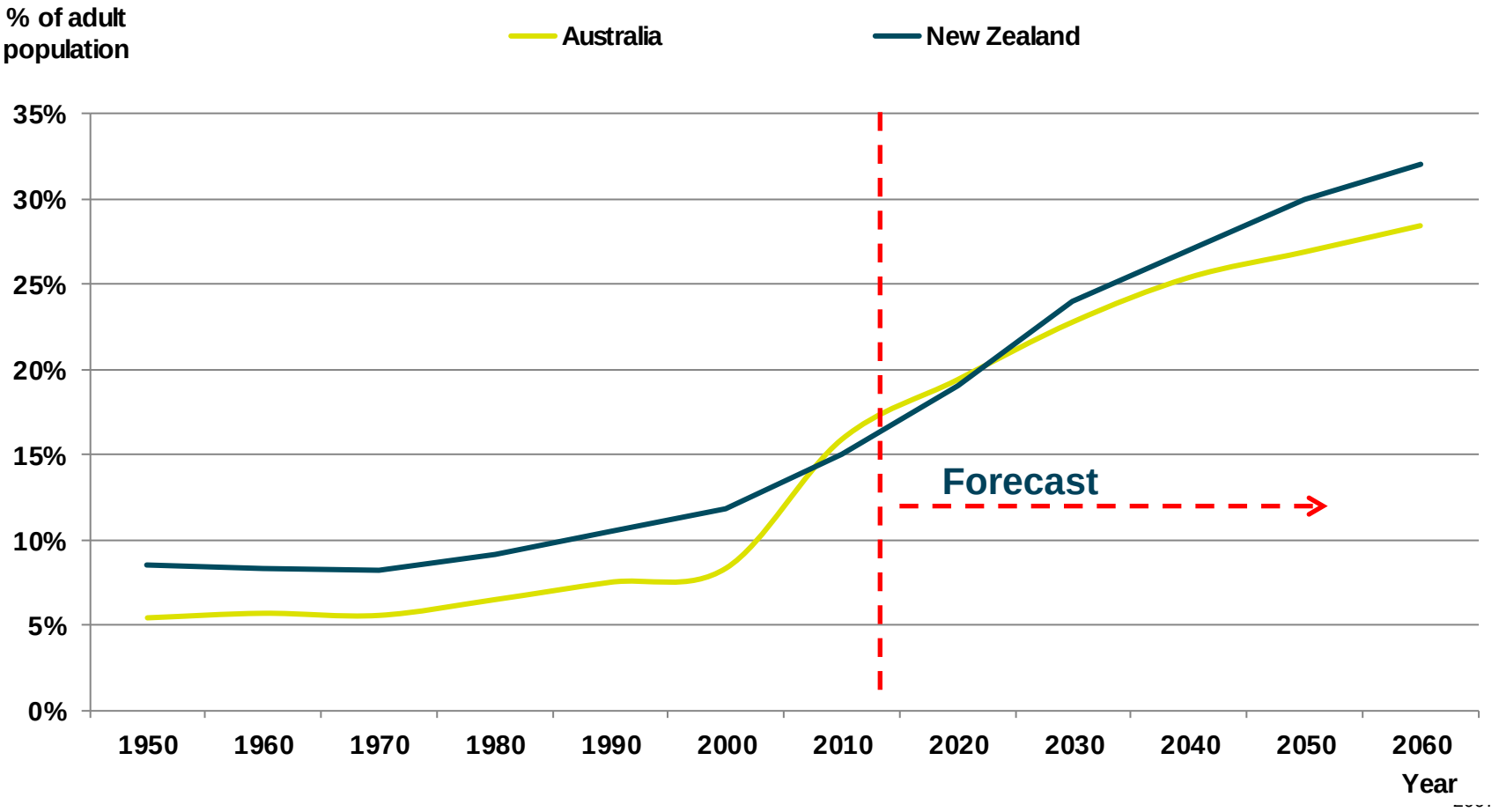
Board directives for FY14

Management actively focused on key strategic matters

- Focus remains on medium term lease expiry events and potential asset repositioning strategies well in advance of any potential vacancies
- Prudent assessment of value-add redevelopment opportunities and capital recycling within the current portfolio
- Ongoing sound balance sheet management from a treasury and capital perspective
- Investigation of acquisition opportunities to deliver scale and diversification benefits

Ageing population aged 65+ years

The ageing population is an undeniable trend that underpins rising demand for healthcare services irrespective of economic cycles



Source: Australian Bureau of Statistics, Statistics NZ, Population projections 65+ year demographic (1950-2060)

Chief Executive Officer's address

Agenda

- Creating long term value
- Financial performance review
- Health sector drivers
- Portfolio overview
- Looking ahead

Creating long term value

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Vital's long term value equation

Vital is well positioned across all the elements of the 'value equation'

Management

Aligned / Stable / Experienced / Credible / Capable

Stabilised portfolio + **Brownfield developments (capacity expansion)** + **Acquisitions** + **Capital & Treasury** = **Enhanced long term earnings & value**

- 10 year lease extensions at four Australian hospitals
- A$1.9m Toronto Private Hospital redevelopment
- A$28m Hurstville Private Hospital redevelopment
- Acquisition of Sportsmed in Adelaide, South Australia
- Successful $39.2m rights issue

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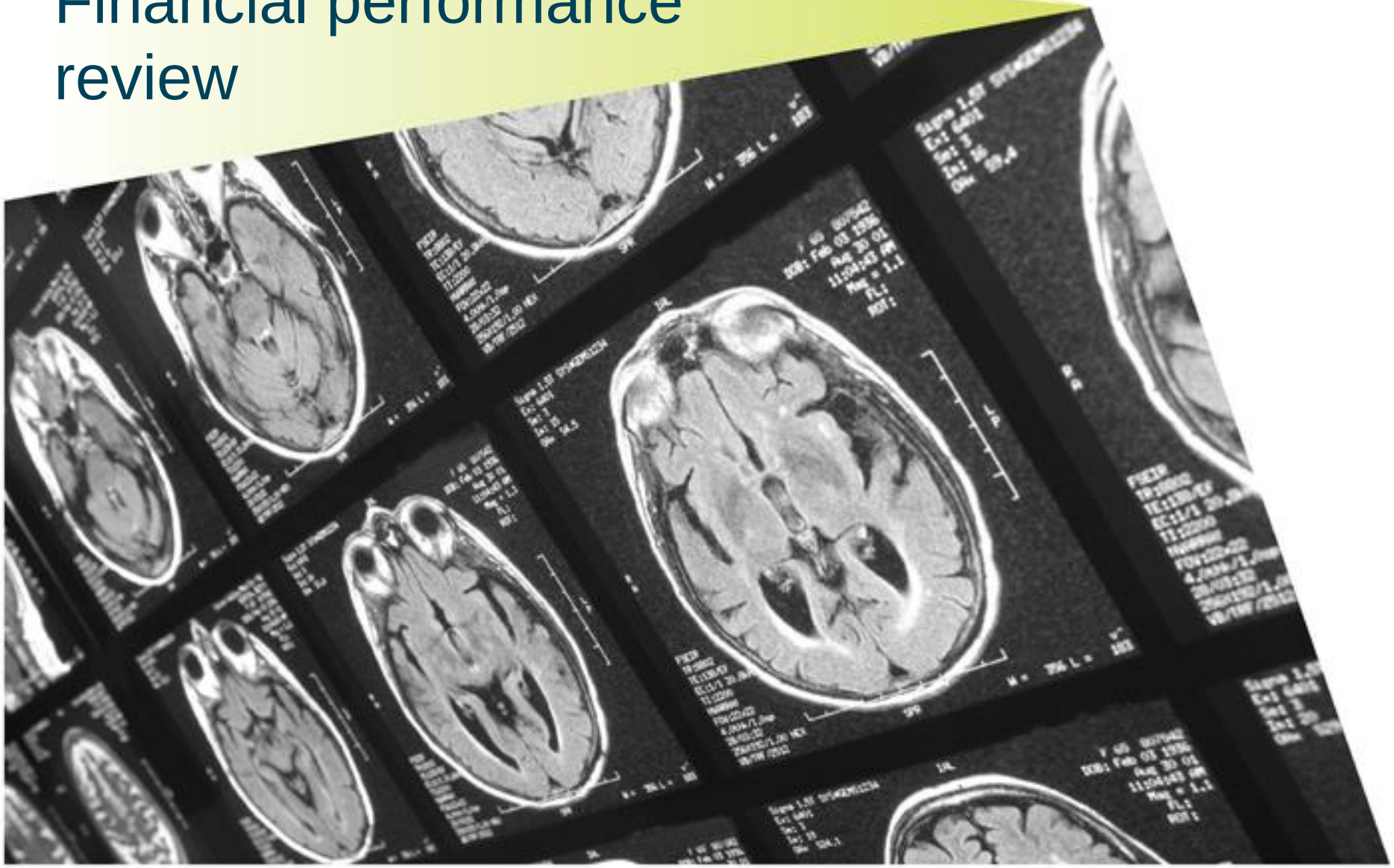
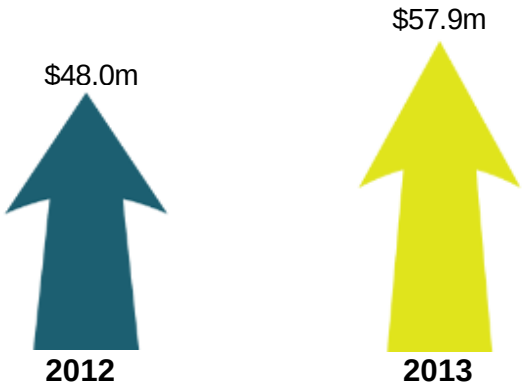
Financial performance review



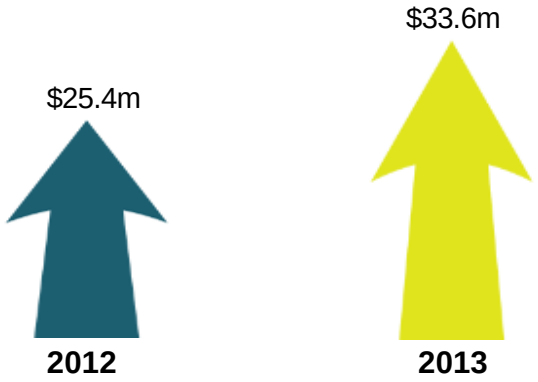
FY13 financial dashboard

Strong growth delivered across key financial measures

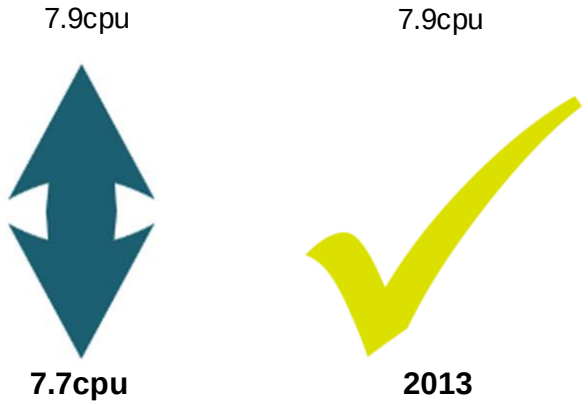
+21% net property income growth



+33% gross distributable income growth



DPU at top end of guidance

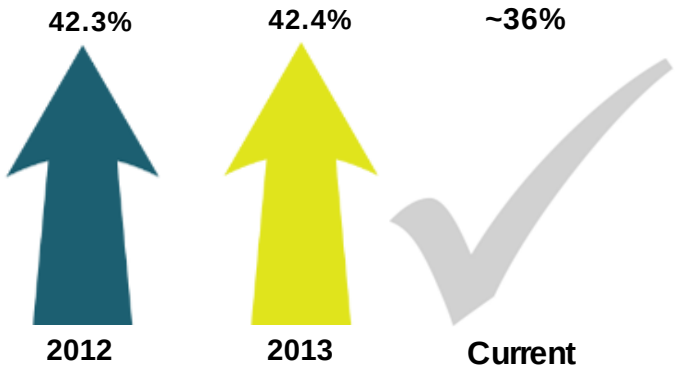


NTA change driven by revaluations and unitholder DRP support

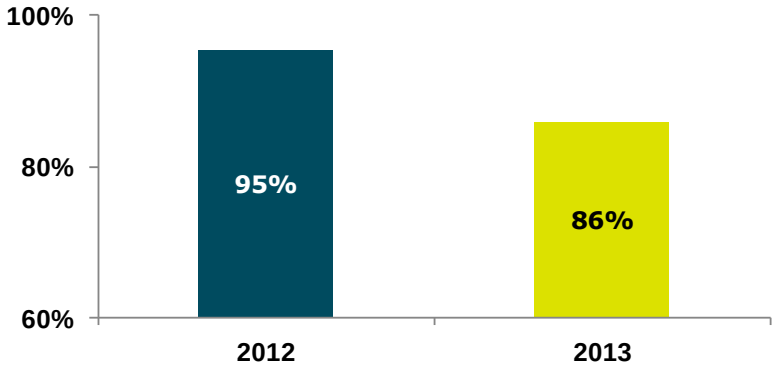
Treasury & capital position

Strong metrics reflective of sound management and favourable funding environment

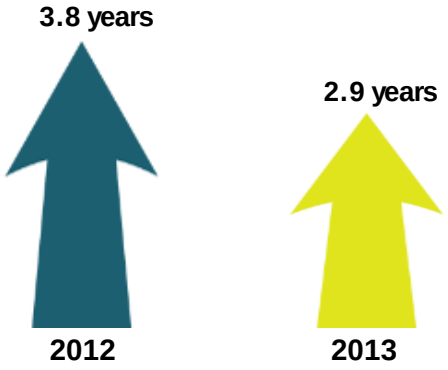
Astute capital management maintains LVR despite higher portfolio activity



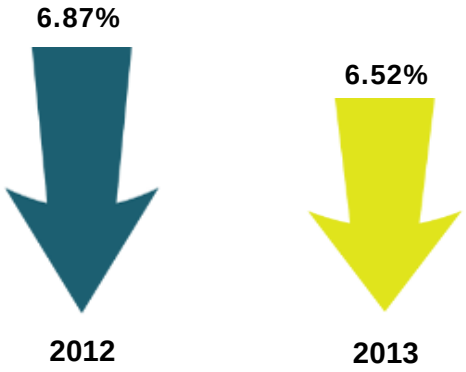
Natural currency hedge position largely unchanged



Weighted average bank facility term still ~3.0 years



Low interest rates and prudent management within hedging policy drive costs* lower



Note: LVR = Loan to Value Ratio. Bank facility and Trust Deed debt covenants both at 50%. * = weighted average cost of debt

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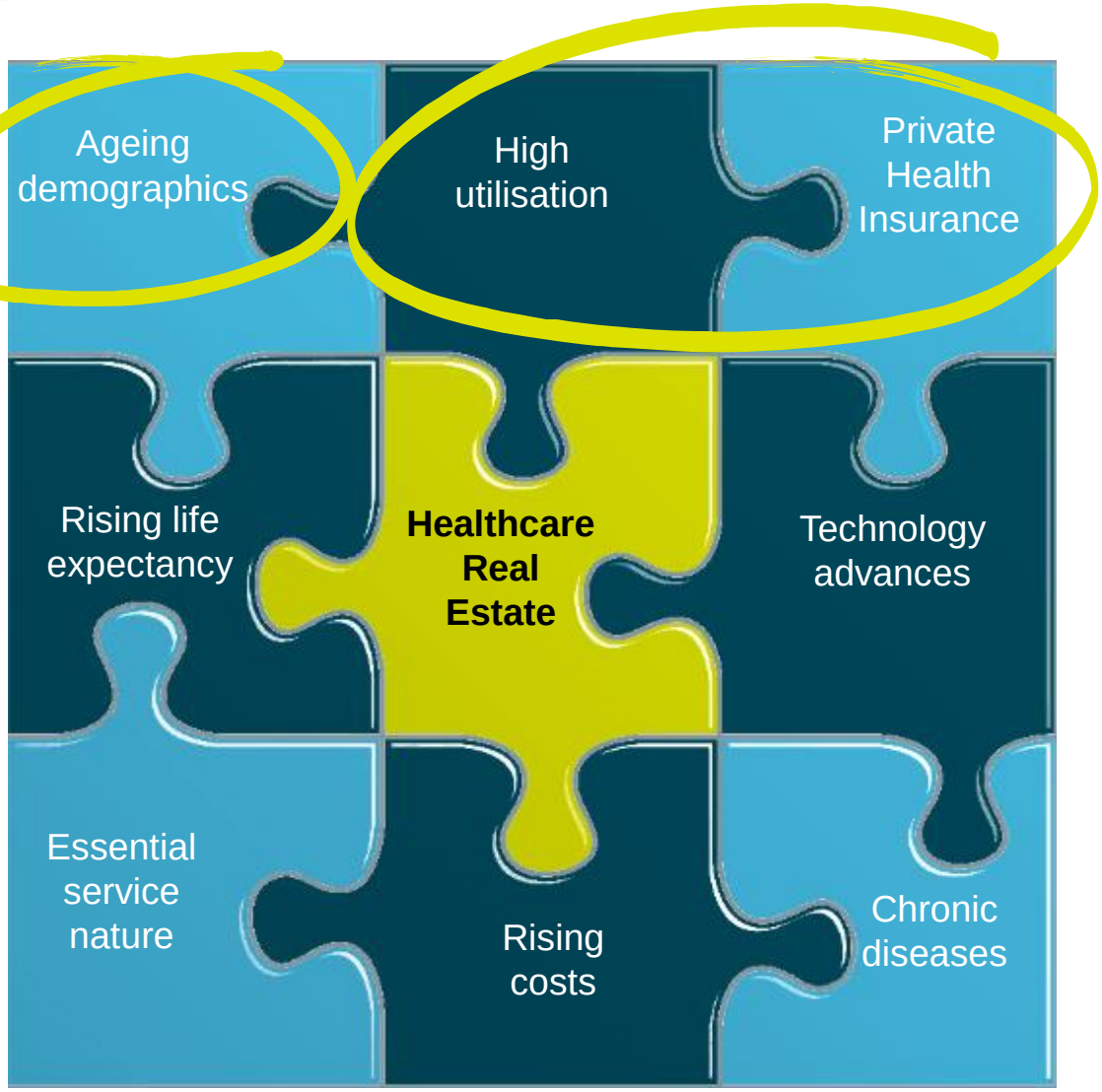
Healthcare sector update

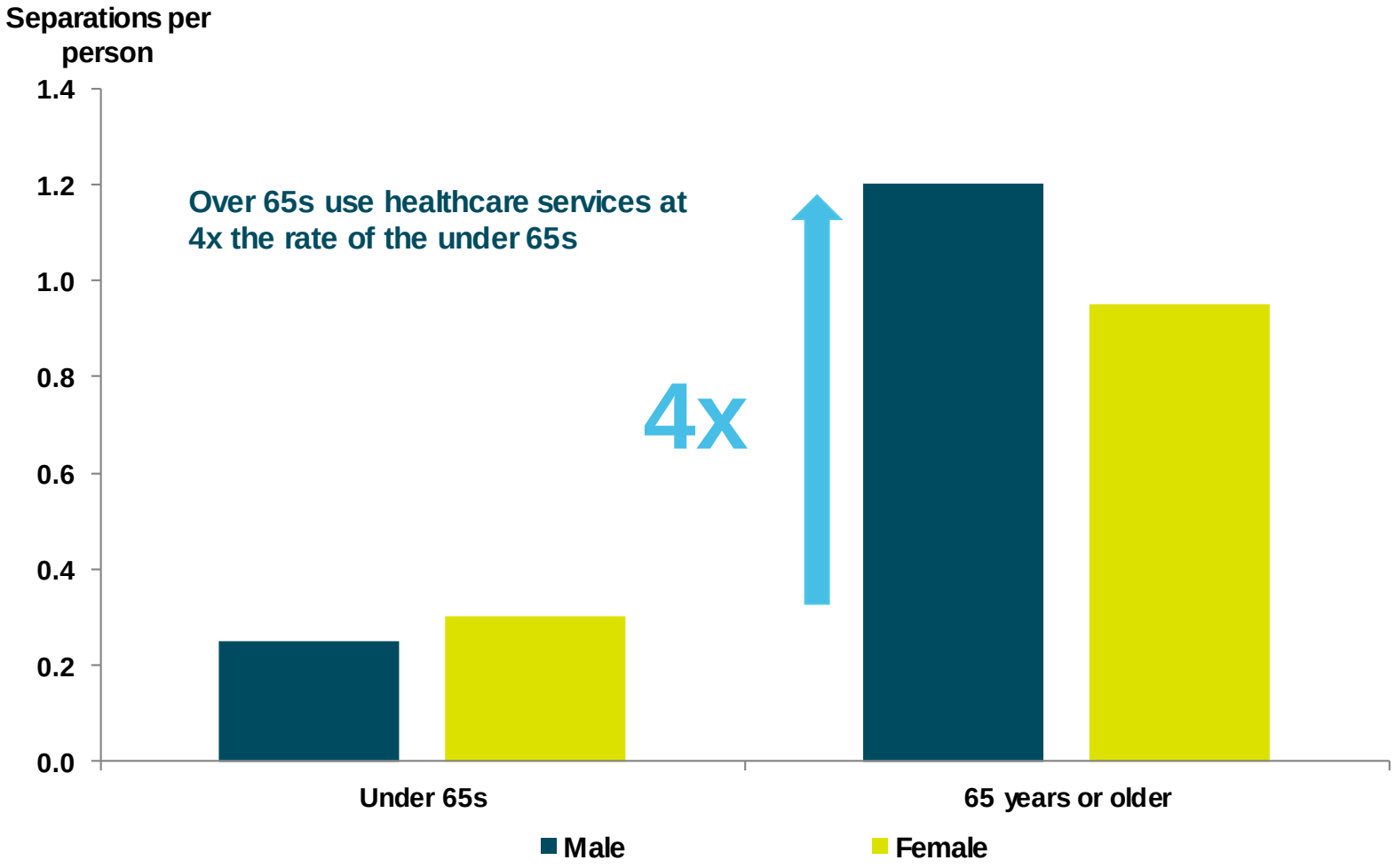
Drivers of healthcare real estate

Numerous inputs are driving the level of growth and demand in healthcare real estate



Healthcare utilisation

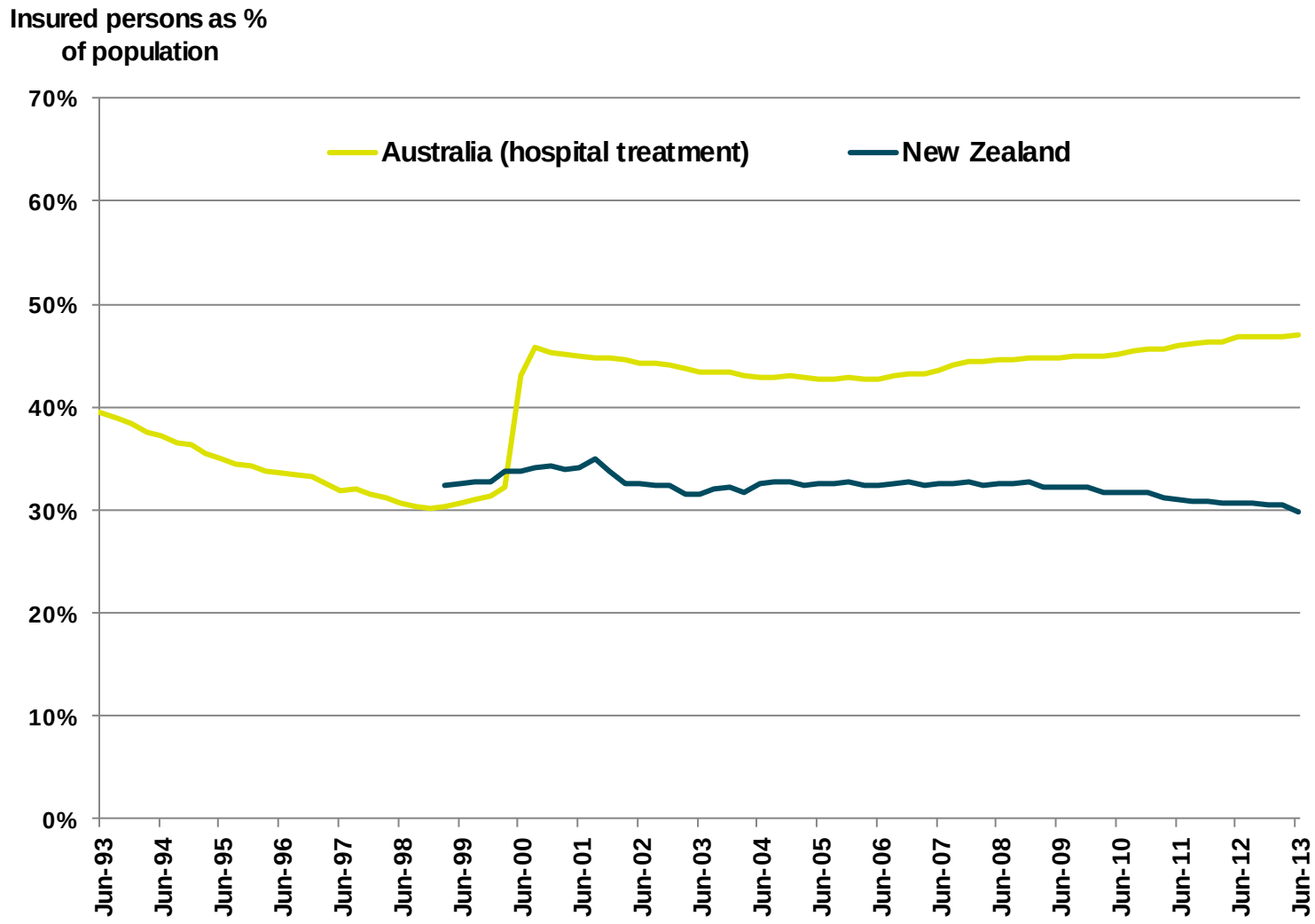
High utilisation combined with the ageing population underpins positive long term demand



Source: ABS demographic statistics Jun-2012. AIHW Australia's Hospitals 2010-2011 at a Glance. Note: Separation means an episode of care for an admitted patient.

Australian & New Zealand private health insurance levels

Hospital treatment insurance levels resilient in Australia; New Zealand remains under pressure



Source: Australian data: Private Health Insurance Administration Council (PHIAC), Quarterly Statistics, June 2013. NZ data: Health Funds Association of New Zealand (HFANZ), 30 June 2013.

Developments creating capacity and adding value

Strong execution capability supporting enhanced asset and income quality

Property (Hospital)		Developments completed over the last 24 months include:	Project cost (A$)	Completion date
	Maitland	+24 new rehab bed unit, +30 new car parks, hydrotherapy pool, 4th theatre	$8.0m	✓ July 2012
	Belmont	Major redevelopment & modernisation, +30 beds, new car parks, consultancy suites	$12.6m	✓ November 2012
	Toronto	+8 beds to the existing rehab unit, theatre upgrade, lift replacement	$3.1m	✓ November 2012
	South Eastern	New rehab centre, hydrotherapy pool, gym and consulting suites	$4.3m	✓ December 2012
	Palm Beach	Two-storey ward extension, +34 new beds, additional consulting suites and car parks	$9.4m	✓ December 2012
	Mayo	New 24 bed ward and one theatre (to 3), stand alone medical centre, additional car parking	$6.1m	✓ February 2013
	Lingard	New 40 bed ward, diagnostic areas, + 2 theatres (total 6), patient recovery areas	$22.0m	✓ August 2013

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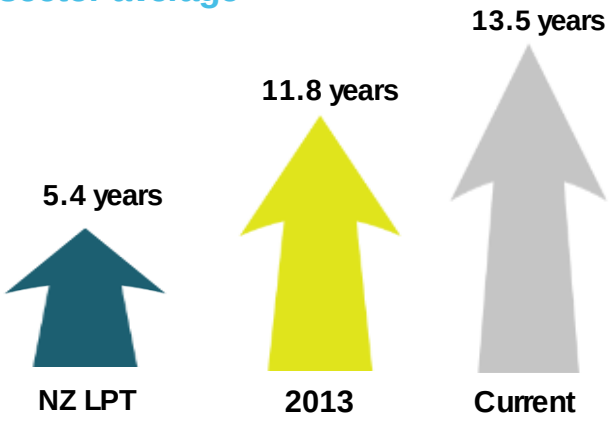
Portfolio review

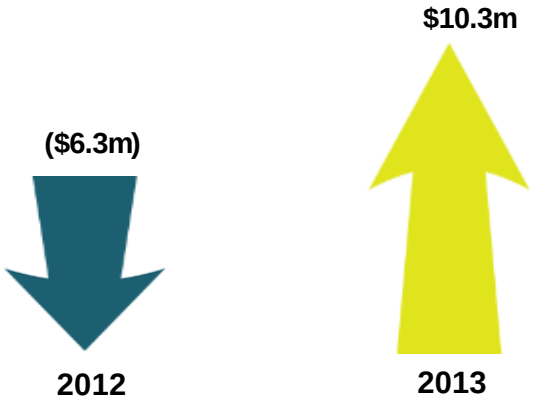
FY13 portfolio dashboard

Strong core portfolio metrics support operational performance

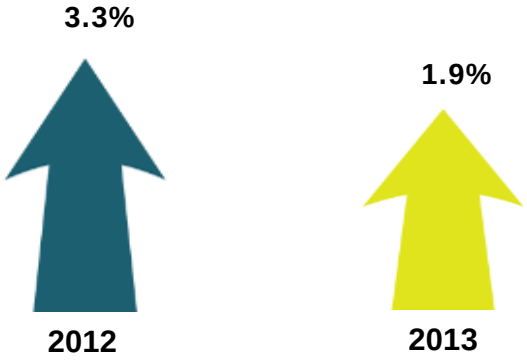
Vital's WALT now 2.5 times the NZ sector average



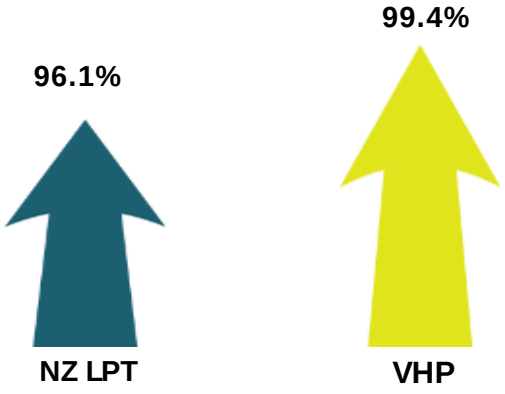
Revaluation change driven by brownfield redevelopments and firming cap rates



Rent growth subdued due to recent period of low inflation



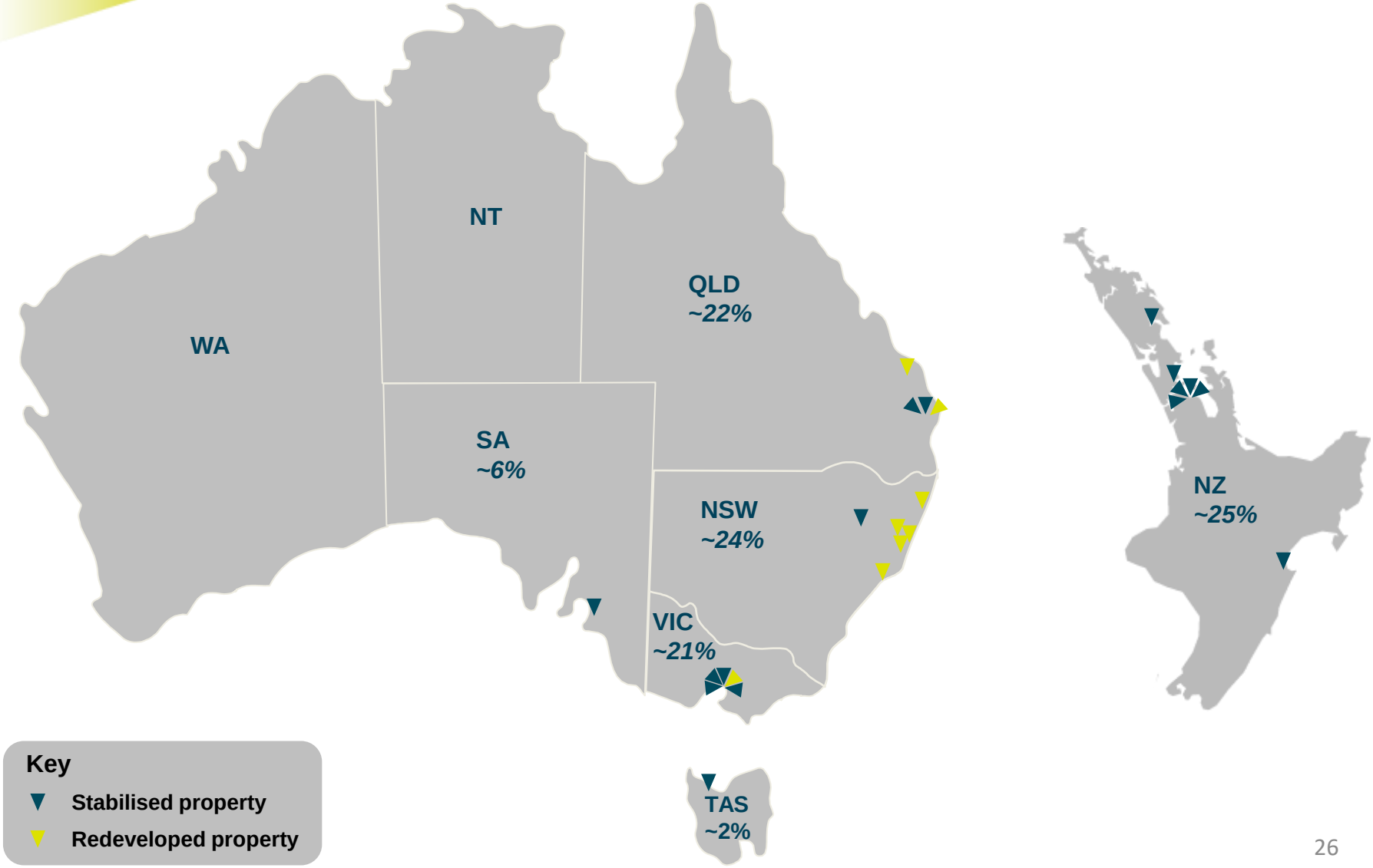
Vital's 5 year average occupancy maintained above 99%



Note: NZ LPT is the sector average excluding VHP. Sourced from Forsyth Barr, *Real Estate Reflections, October 2013. Current is as at 30 September. Rent growth based on rents reviewed.*

Portfolio diversification

Approximately 75% of Vital's assets are in Australia and mostly in the three eastern states of QLD, NSW and VIC



Portfolio diversification

Tenant and property diversification, underpinned by highly structured leases

24 properties

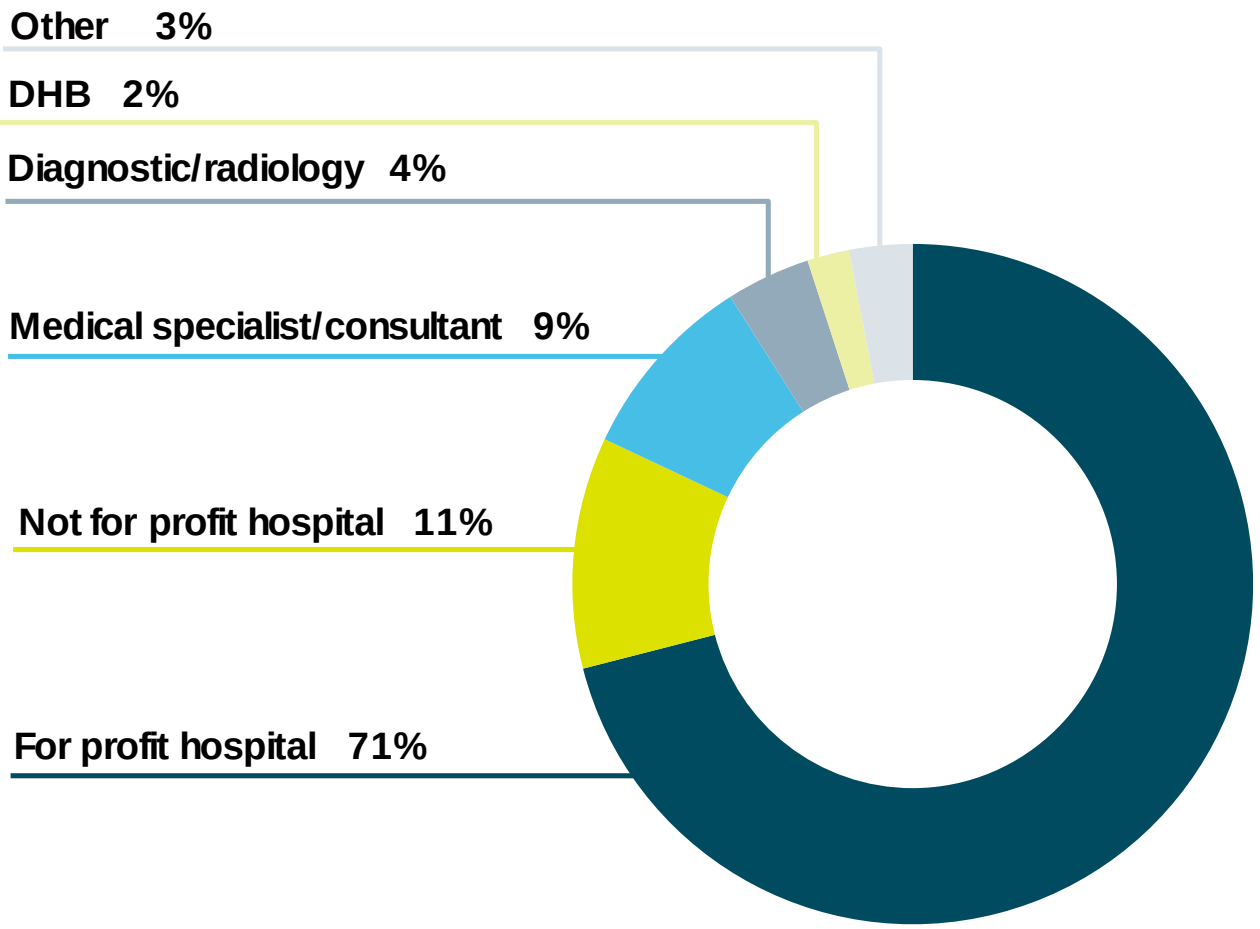
$26m average property value

108 tenants

86% of rent subject to structured reviews in FY14

Healthcare operator and tenant diversification

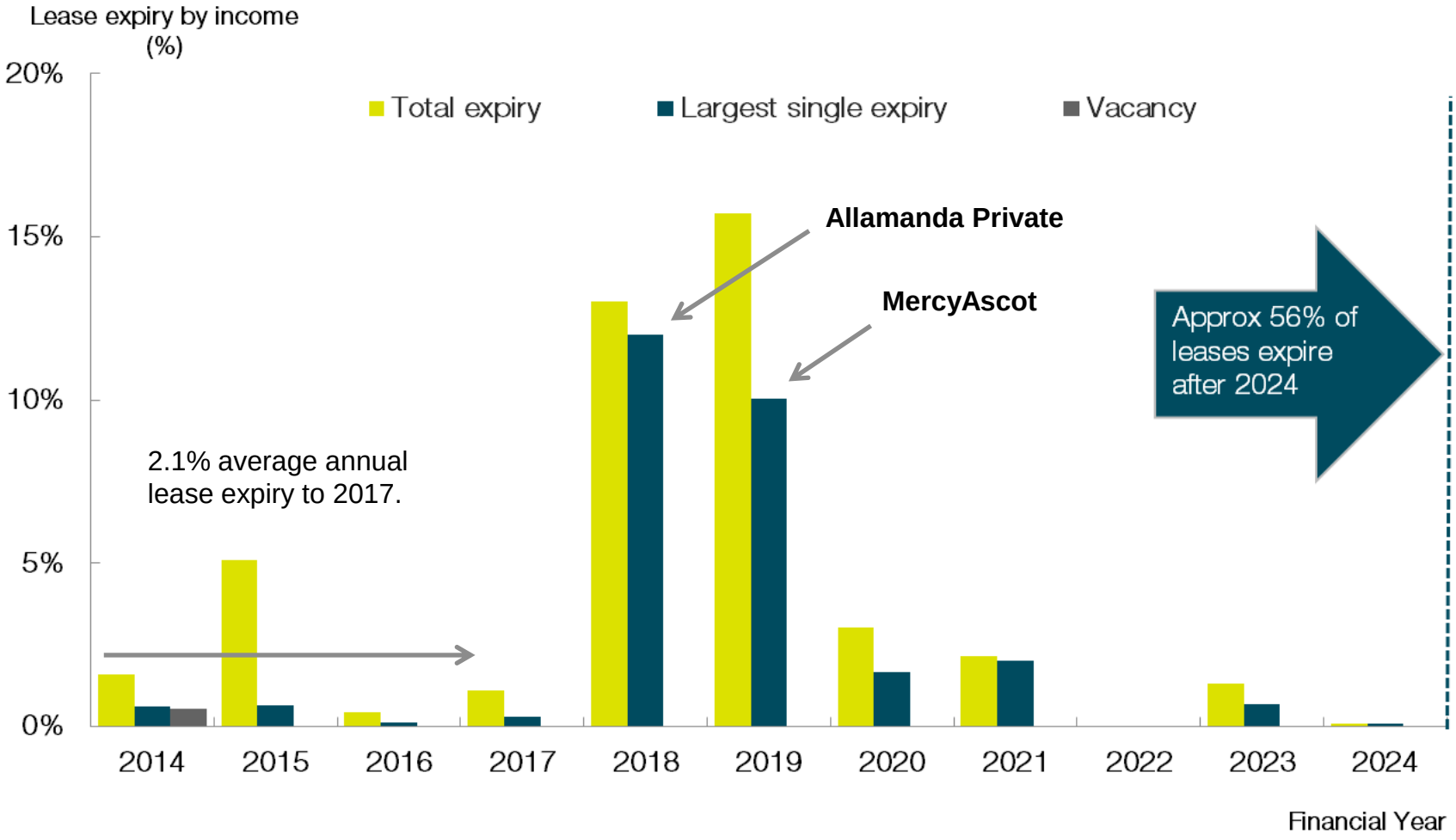
For profit hospitals continue to anchor the portfolio[1]



1. By rental income

10 year lease expiry profile

Low expiry risk over the short term, focus remains on medium term expiry events and asset repositioning strategies well in advance of any potential vacancies



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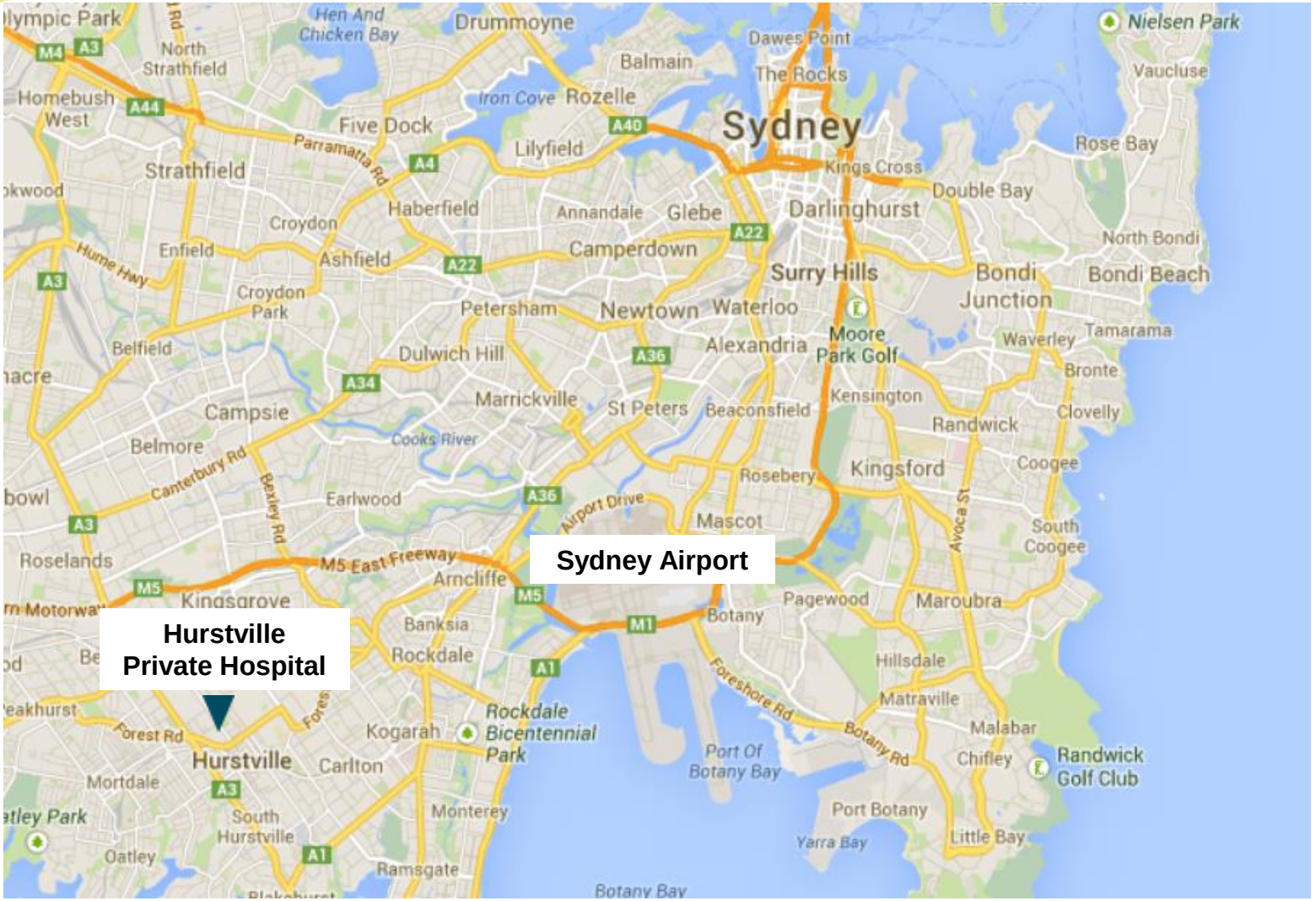
Development case study
Hurstville Private Hospital

Hurstville Private Hospital
Hurstville, NSW



Hurstville Private Hospital – Acquisition and development case study

Similar to the Mayo transaction, the opportunity to acquire and then further develop Hurstville was given exclusively to Vital

Acquisition details

- Acquired in April 2012
- A$12.3m acquisition, on an initial yield of 10%
- Currently 73 bed hospital, with 3 theatres, specialising in surgical and obstetrics
- New 20 year net lease to Healthe Care, annual CPI reviews
- Investment thesis at time of acquisition supported an expectation of future redevelopment

Hurstville Private Hospital – Acquisition and development case study

Capital commitments from both Vital and Healthe Care

Development overview

- Additional 4 new operating theatres (total 7) and extended day surgery
- Three new inpatient wards with a net increase of 42 new beds
- Increase in private single room accommodation from 14 to 72
- New 33 bed surgical ward and 26 bed maternity unit
- Tenant will continue to operate from the facility during construction

Investment rationale

- Existing theatres operating at near maximum capacity
- Commitment from existing surgeons to support additional theatres
- Improved hospital efficiencies and staff working environments
- Strong business case from operator
- A$28m capital expenditure, 13 month construction programme
- Forecast returns of approximately 10% per annum

Hurstville Private Hospital – Acquisition and development case study

Once completed Hurstville will become one of Sydney's leading private hospitals

Looking ahead

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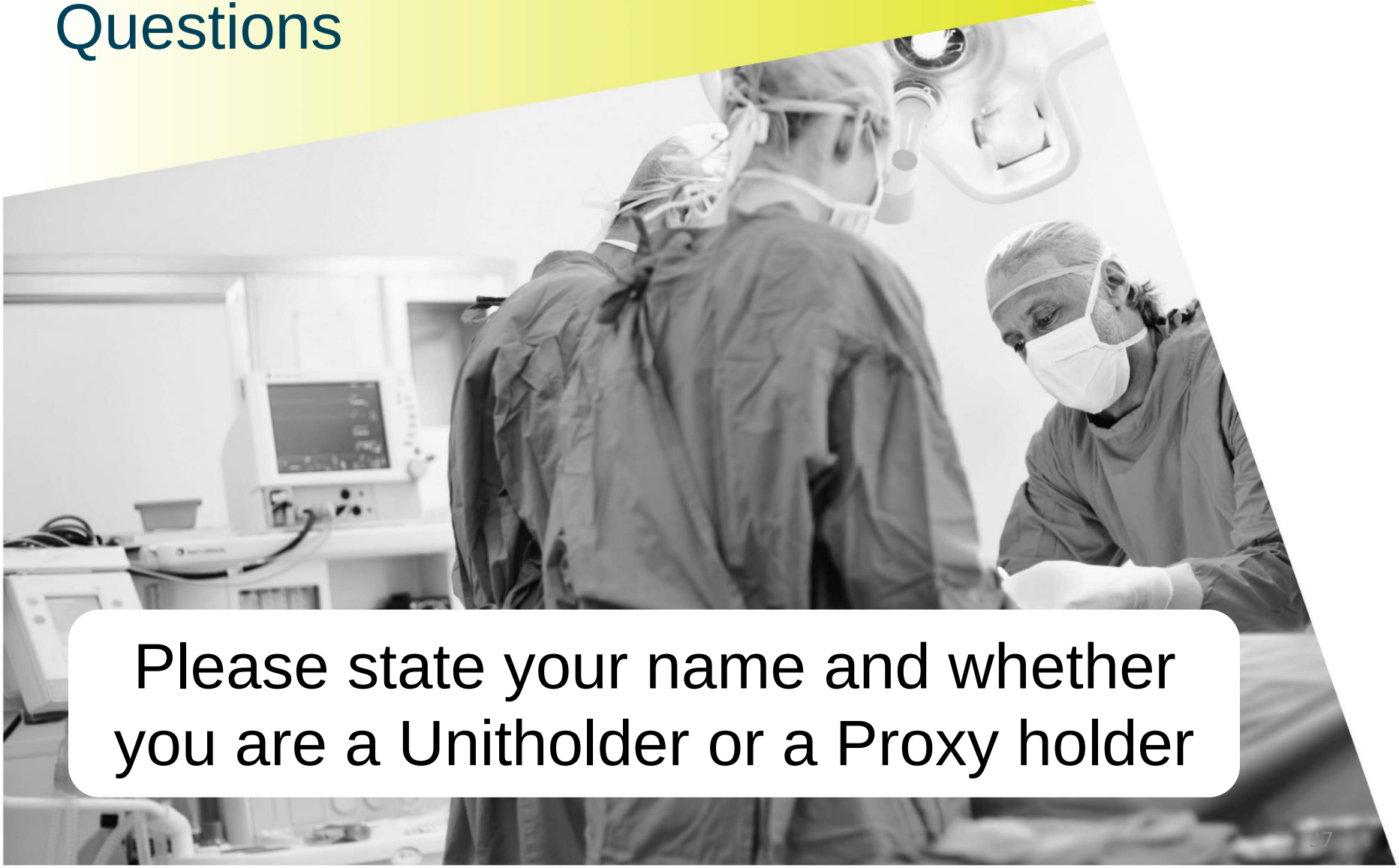
Looking ahead

Strategy	▸ Strong foundation to consider wider healthcare real estate opportunities delivering scale and diversification
Healthcare trends	▸ Positive long term fundamentals, constrained capacity creating opportunities
Portfolio management	▸ Emphasis on medium term lease expiry events and maintaining strong portfolio metrics
Earnings	▸ Focus is on tenure, quality and diversification of earnings
Guidance	▸ Board prudently guiding to a FY14 cash DPU of 7.9 cpu

Questions



Please state your name and whether you are a Unitholder or a Proxy holder

Resolutions

Disclaimer

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The provision of this presentation does not constitute an offer, invitation or recommendation to subscribe for or purchase units in the Trust.

Past performance is no indication of future performance.

No money is currently being sought, and no applications for units will be accepted, or money received, unless the unitholders have received an investment statement and a registered prospectus from the Trust.

12 November 2013

Thank you