Vital
Healthcare
Property Trust

ANNUAL RESULTS
30 JUNE 2016

BUILDING A HEALTHY FUTURE

11 August 2016

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

AGENDA

- Result summary & performance
- Financial review
- Portfolio update
- Focus for 2017
- Appendix
  - Portfolio revaluation schedule
  - Glossary

Note: This annual result presentation should be read in conjunction with the NZX stock exchange release dated 11 August 2016. Due to rounding, numbers presented in this presentation may not add up exactly to the totals provided and percentages may not exactly reflect the absolute figures.

Result summary & performance

EXECUTIVE SUMMARY

Key takeaways from 2016

- Delivered strong operational, financial and portfolio results
- Continued to execute on strategy, with scale and diversification focus
- Developments and acquisitions to support operator growth. Leveraged attractive sector fundamentals
- Strengthened partnerships to support long-term scale & diversification
- Added resources to help identify and secure appropriate opportunities
- Re-capitalised the business, delivered strong total return to investors

RESULT HIGHLIGHTS

*12 month total return of 43%, **materially outperforming** the S&P / NZX All Real Estate Index at 17%*

Earnings & capital management

- Gross income of $70.4m, +15.7%
- NPAT of $117.2m, +21.4%
- NDI of $40.2m, +10.9%
- Distribution lift to annualised 8.5 cpu (+5%) from FY16 third quarter, 71% payout ratio
- LVR of 36.3% at year end, and currently ~21% following $160m capital raise
- NTA of $1.51, +18.9%

Portfolio metrics

- Portfolio in its best shape ever
- 18.4 year WALE, longest in Australasia
- 99.6% occupancy, >99% avg. last 6 years
- 1.8% p.a. avg. lease expiry in next 10 years
- A$83.1m development pipeline
- Independent revaluation gain of $101.9m
- Portfolio WACR 7.20%, 80bps firming

Strategy

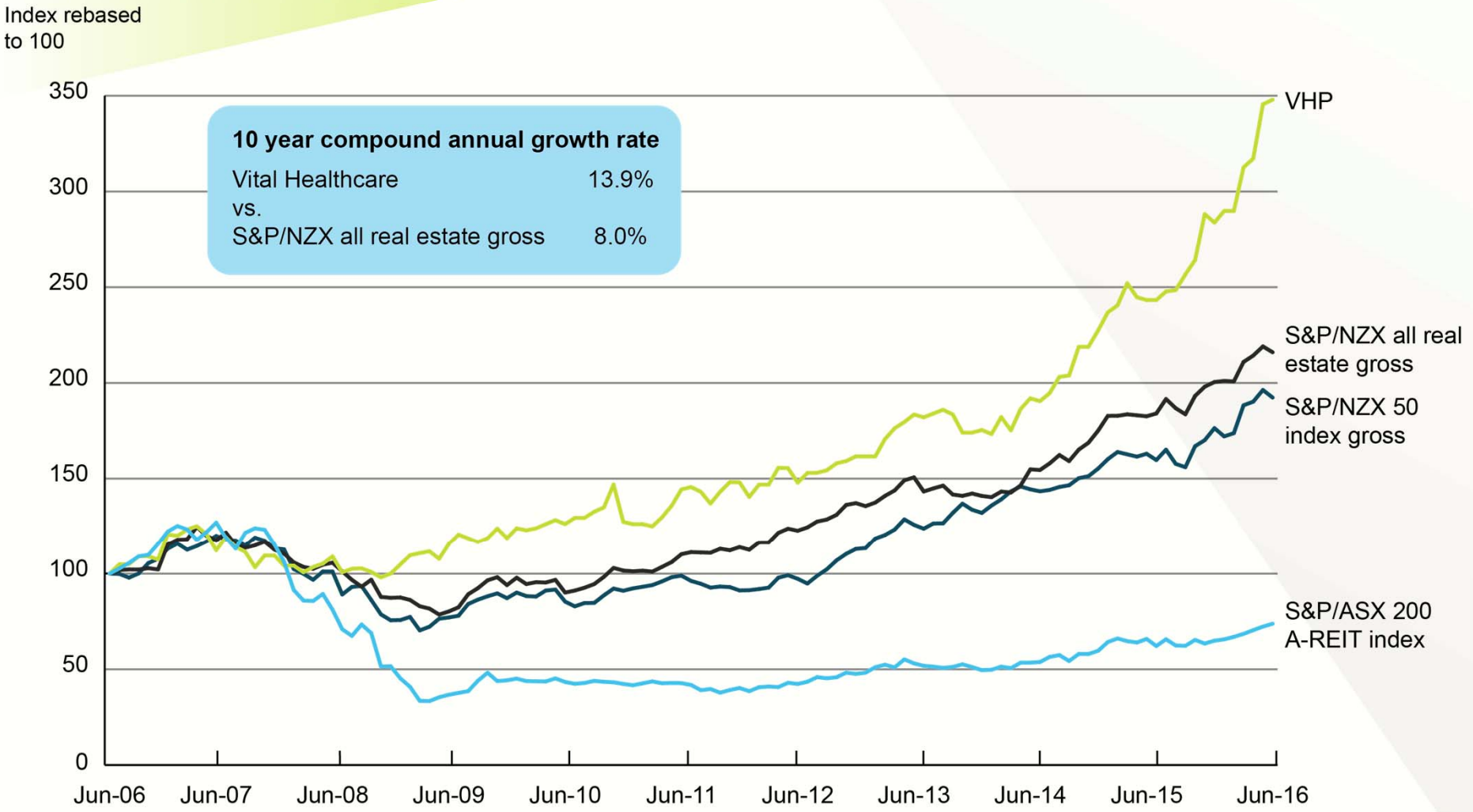
- Long term investors in quality healthcare real estate
- Widen relationships across the sector to create more opportunities
- Access capital to support long-term growth
- Deliver sustainable distributions to investors

Focus and outlook

- Improve asset quality to enhance value
- Incremental brownfield pipeline to continue
- Leverage healthcare sector's positive long-term fundamentals
- Execute on scale and diversification strategy
- FY17 distribution guidance of 8.5 cpu

VITAL'S PERFORMANCE

Market supportive of strategy, low risk and defensive



Source: Bloomberg, Craigs Investment Partners. Total returns (capital gain plus income) as at 30 June 2016.

Financial review

FINANCIAL PERFORMANCE

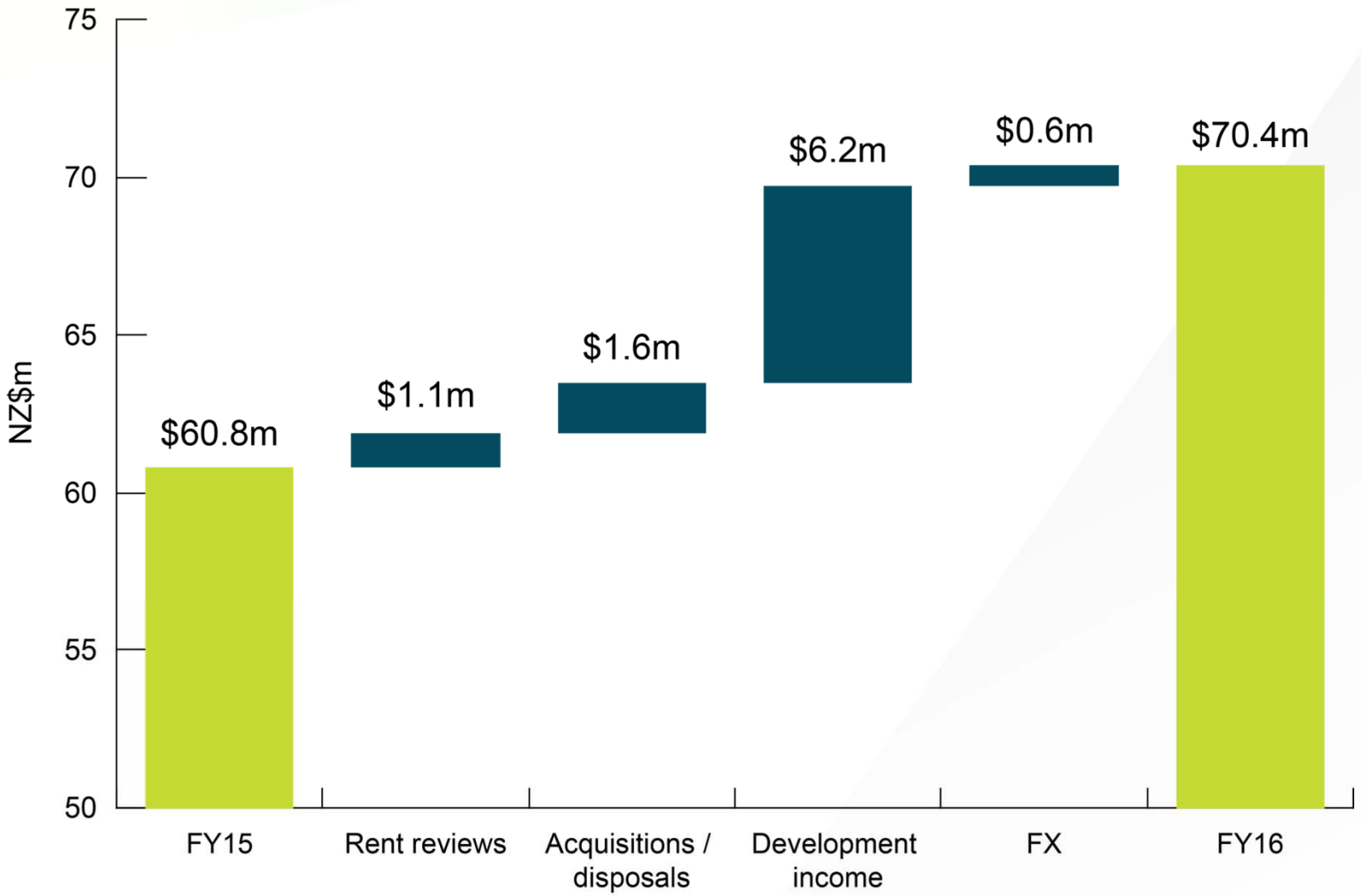
Strong year underpinned by organic growth

	Actual FY16	Actual FY15	change $m	change %
Gross rental income ($m)	70.4	60.8	9.6	15.7%
Net rental income ($m)	**68.3**	**59.4**	**8.8**	**14.9%**
Total expenses	15.0	10.9	4.0	36.9%
Operating profit before tax ($m)	**53.3**	**48.5**	4.8	9.9%
Gross distributable income ($m)	**45.0**	**40.9**	4.1	10.0%
Current Tax - NZ & Australia ($m)	4.8	4.7	0.1	2.9%
Net distributable income ($m)	**40.2**	**36.3**	**4.0**	**10.9%**
Net distributable income per unit (earned) (cpu)	11.7c	10.6c	1.0c	9.7%
AFFO (cpu)	11.7c	10.7c	1.0c	9.5%
Payout ratio	71%	75%		

- Rent growth largely driven by development income / activity
- Australian gross income +15% in local currency excluding acquisitions
- Total expenses up due to higher management fees. Incentive fee of $6.3m payable in Vital units
- Payout ratio remains conservative

GROSS RENTAL INCOME

Delivery across all core real estate elements driving rent growth



BALANCE SHEET

Portfolio value and quality enhanced. Strong platform to deliver long term growth

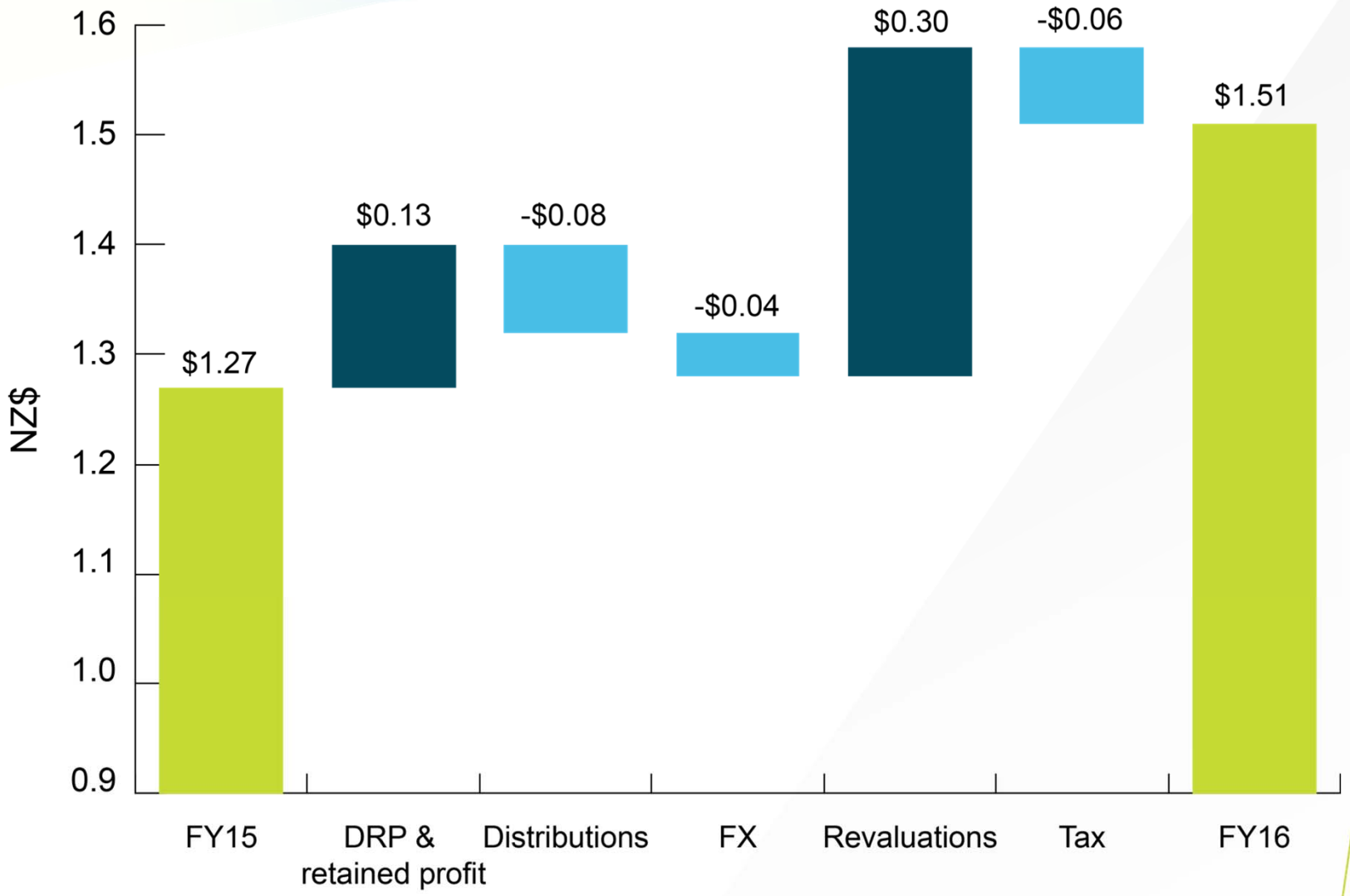
	Actual FY16	Actual FY15	change $m	change %
Net Tangible Assets ($)	**1.51**	**1.27**		18.9%
Investment properties ($m)	951.9	781.9	170.0	21.7%
Total assets ($m)	**978.2**	**784.6**	193.6	24.7%
Bank debt ($m)	344.2	256.4	87.8	34.2%
Unitholder funds ($m)	**523.7**	**439.8**	**84.0**	19.1%
Units on issue (m)	346.0	342.1		
Weighted average cost of debt [1]	**4.38%**	**5.32%**		
LVR	**36.3%**	**32.9%**		

Note 1 Includes line and margin

- Portfolio value reflects improved asset quality and performance
- Gearing modest. Post year-end ~21%, provides for ~$300m balance sheet capacity at 40% LVR
- Lower cost of debt reflective of lower interest rate environment and proactive treasury management. Weighted average hedged rate of 3.8% and term of 5.5 years
- NTA uplift largely reflective of strong revaluation gains

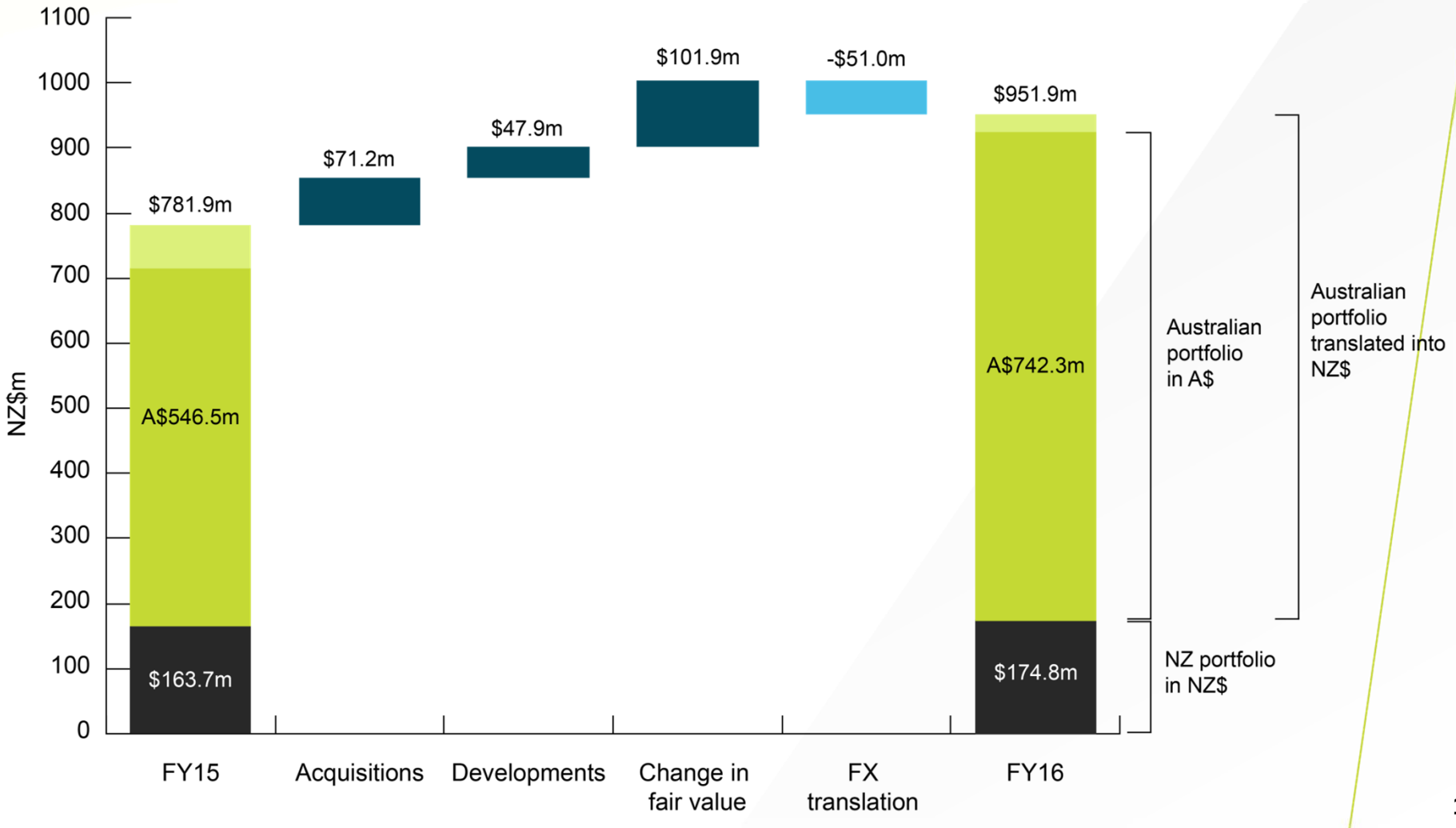
NET TANGIBLE ASSETS

NTA growth driven by value add development programme, giving rise to strong revaluation gains



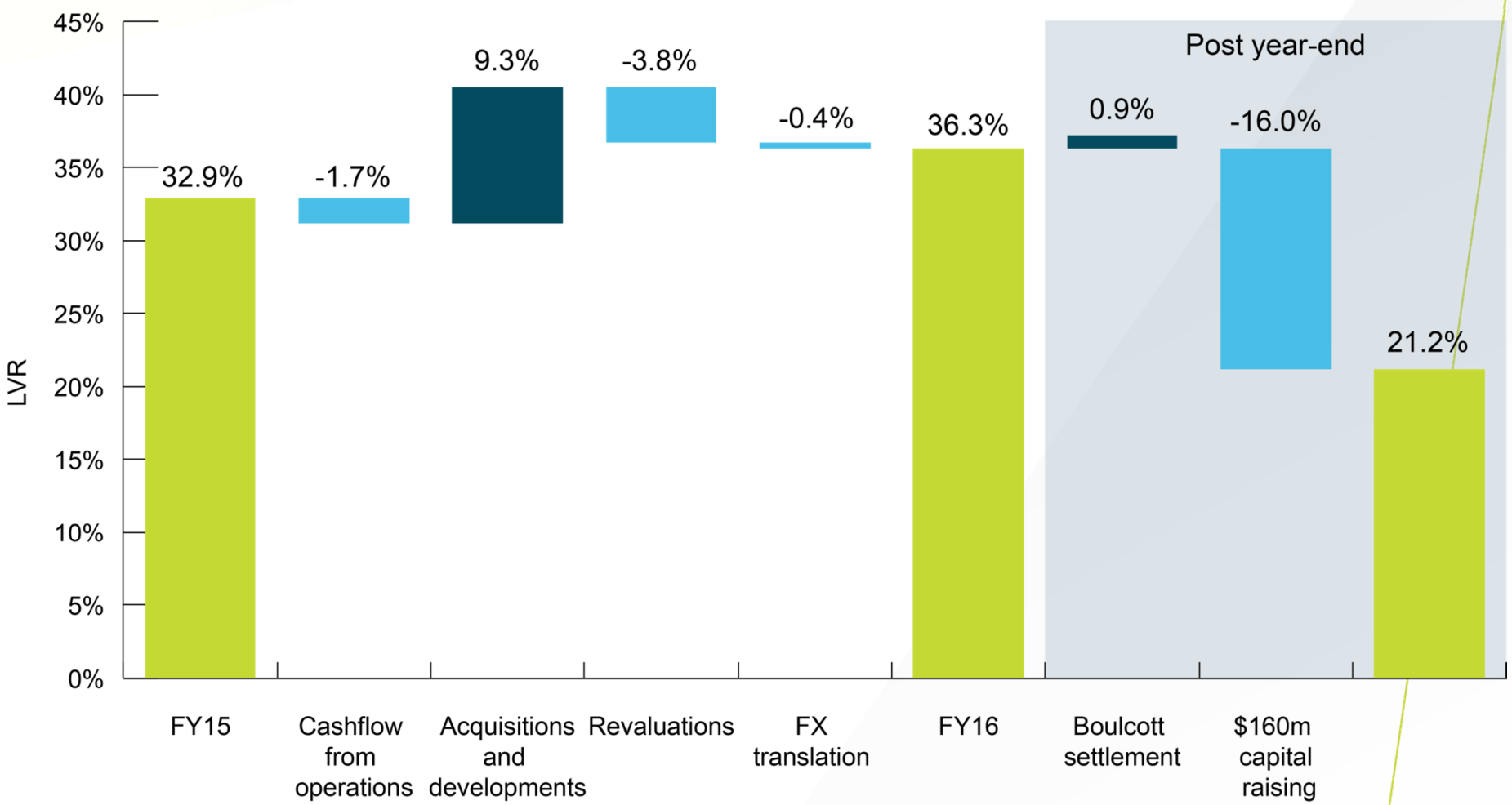
INVESTMENT PROPERTY

Strong activity across the portfolio driving scale & diversification benefits



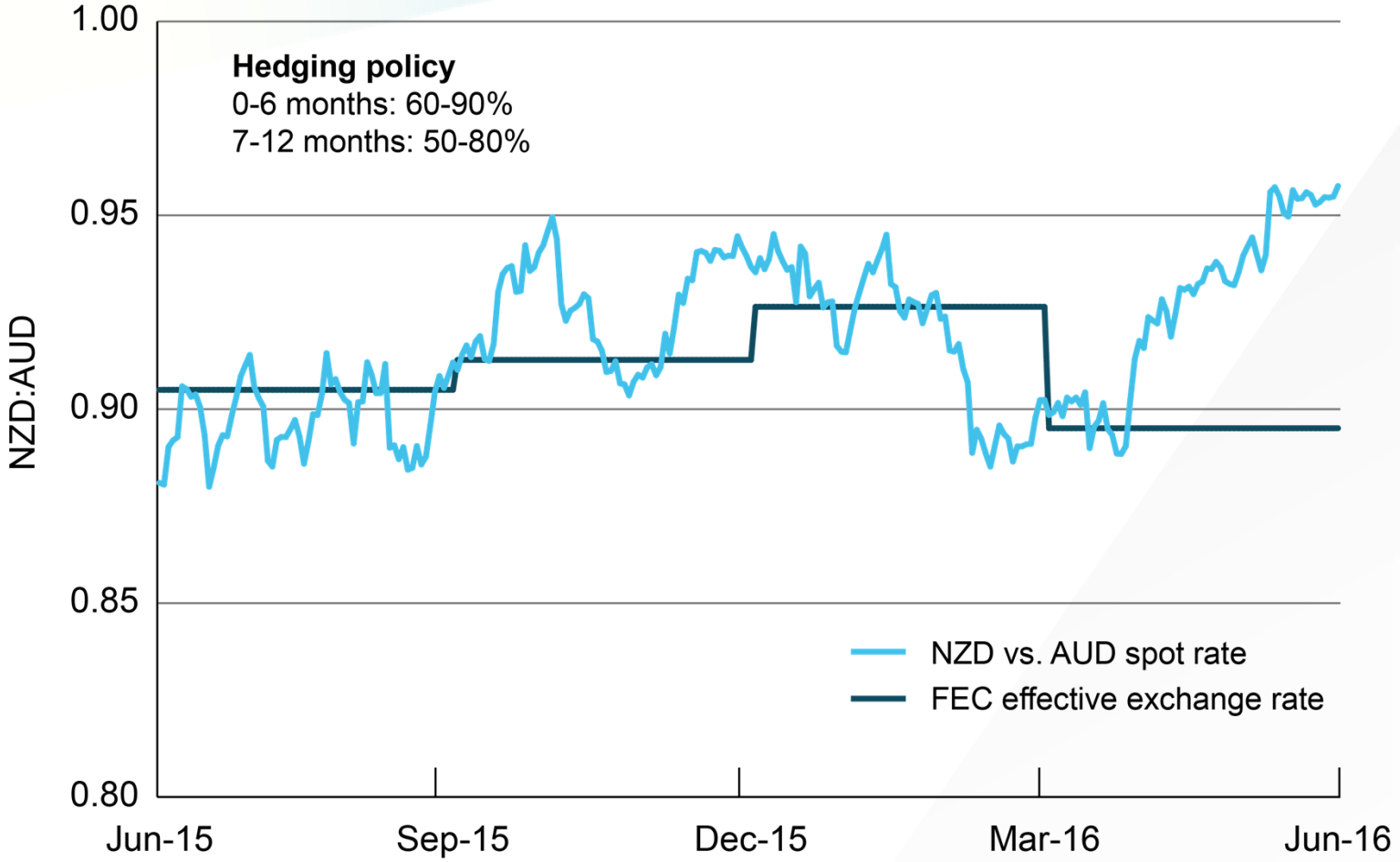
LVR MOVEMENT

Strong financial base. Ability to prudently deploy capital for the right opportunities



FOREIGN EXCHANGE – WHAT'S HAPPENED

Hedging helps mitigate earnings volatility



Transaction hedging: Foreign exchange policy framework minimises earnings volatility

$160M CAPITAL RAISE

Helping to build a healthy future

- $160m capital raising via a 2-for-9 pro rata renounceable rights offer
- Issue price of $2.08, 5.2% discount to TERP of $2.19
- Strongly supported by investors who took up 87% of the New Units available under the offer
- Offer enables Vital to reduce bank debt and pursue development, acquisition and growth opportunities
- Post allotment, unit price consistently traded above TERP
- LVR ~21%, ~$300m balance sheet capacity at 40% LVR
- The annualised cash distribution will be retained at 8.5cpu

Portfolio update

STRONG GEOGRAPHIC DIVERSIFICATION

30 investment properties comprising ~2,000 beds and ~75 operating theatres

Geographic split (%)

79/21

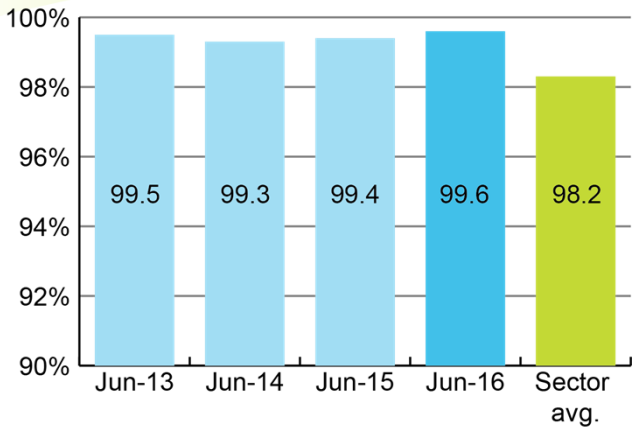
Australia/New Zealand by value

As at 1 July 2016. Excludes Properties Held for Development

CORE PORTFOLIO METRICS

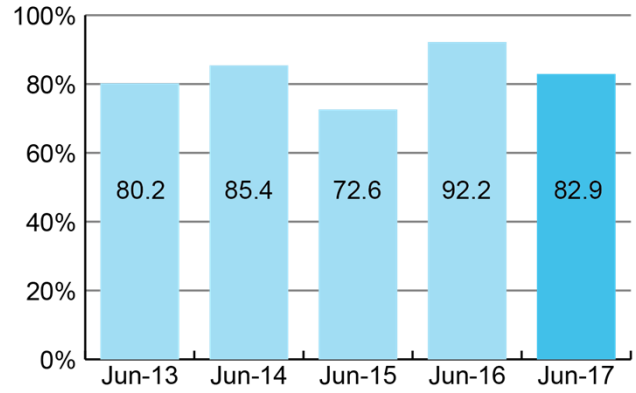
Resilient metrics underpin defensive qualities

Occupancy



Strong occupancy: Consistently high due to lease renewal rates and leasing up of vacant space. ~800 sqm vacancy at three properties

Total income subject to structured rent reviews

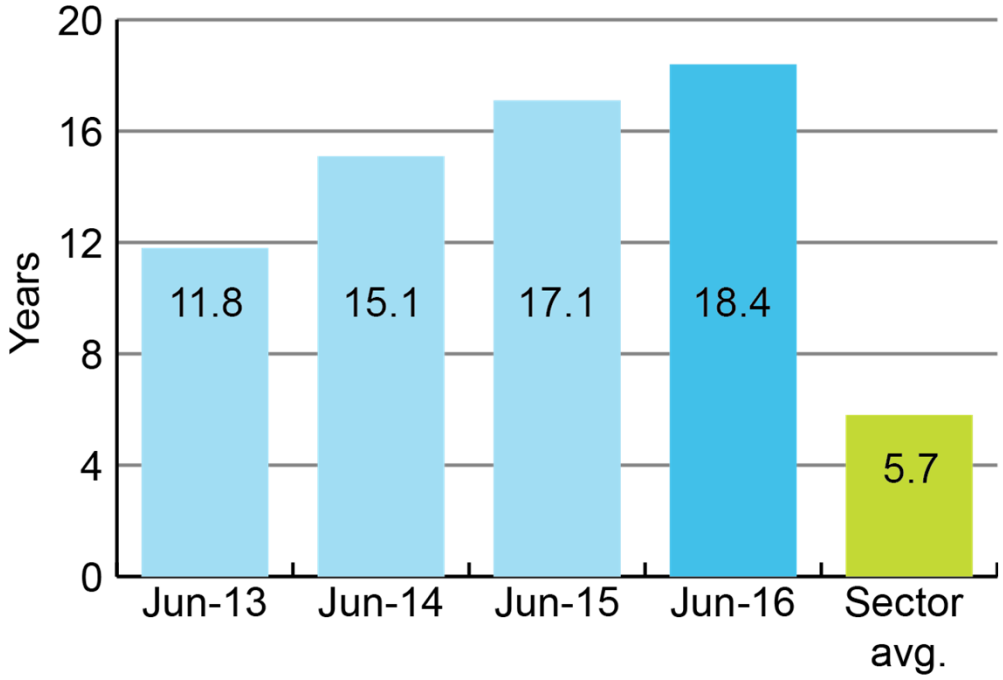


Rent reviews: High percentage of FY17 total income subject to structured[1] rent reviews. FY16 rent growth across all review types of 1.9%

Source: 'Sector average' from Forsyth Barr, July 2016 (excludes VHP).
Note 1: Includes CPI and fixed type reviews.

CORE PORTFOLIO METRICS - WALE

Market leading WALE in Australasia

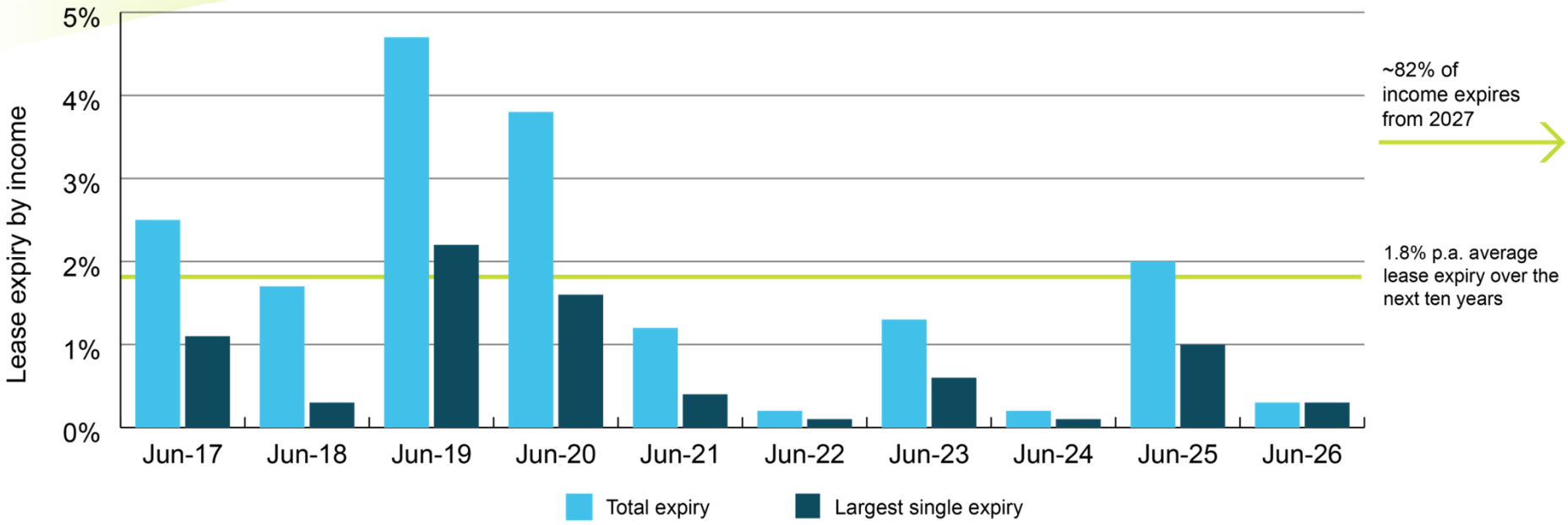


- Improving WALE profile reflects proactive management
- Long-term partners willing to commit to quality, well located healthcare facilities
- New 30-year lease at Kensington Hospital in Whangarei, and the 10-year lease extension, back to a 20-year term at Epworth Eastern Hospital in Melbourne
- Tenant diversification (Ramsay and Hall & Prior) enhancing WALE quality
- WALE provides long term income stability for investors

Source: 'Sector average' from Forsyth Barr July 2016 (excludes VHP).

LEASE EXPIRY PROFILE

Low risk expiry profile = sustainable, predictable and defensive cash flows



- Benign expiry profile supports Board's message around distribution sustainability
- Management continues to focus on all medium-term expiry events

As at 30 June 2016

DEVELOPMENT UPDATE

Development strategy continues to underpin long term earnings sustainability, enhanced asset quality and portfolio value

Development	Development work being undertaken	Development cost (A$m)	Spend to date (A$m)	Completion date
South Eastern (VIC)	30 new rehabilitation beds, 30 mental health beds & 79 car parks	14.5	11.8	Sep-16
Sportsmed (SA)	Stand-alone medical consulting building adjacent to the main hospital	9.5	0.0	Dec-17
Lingard Private (NSW)	3 additional operating theatres, 26 surgical beds, 22 rehabilitation beds & a hydrotherapy pool. 57 car parks will be developed on an adjacent site	23.6	0.0	Dec-17
Maitland Private (NSW)	2 new operating theatres, 28 bed medical ward, 9 bed intensive care unit, 7 chair day chemotherapy unit & an additional 50 car parks	22.4	0.0	Dec-17
Toronto Private (NSW)	10 new mental health beds, 10 new rehabilitation beds, a new gym & group therapy rooms & 36 new car parks	9.4	0.0	Sep-17
Dubbo Private (NSW)	A combination of capacity expansion to core services & modernisation	3.7	1.6	Oct-16
Total		**83.1**	**13.4**	

Data as at 30 June 2016. Certain projects remain subject to Development Approvals

MARIAN CENTRE, PERTH, WESTERN AUSTRALIA

Execution of acquisition and development strategy delivers high quality psychiatric hospital, enhancing long-term value

Photograph taken 2014

- Acquired in August 2014
- Purchase price A$13.5m
- 31 beds
- 20 year lease
- Initial yield 8.50%

Photograph taken 2016

- Development spend of A$12.9m
- 30 June 2016 valuation A$31.6m
- 69 beds
- 18 years remaining on the lease
- Cap rate 7.75%

BOULCOTT PRIVATE HOSPITAL, LOWER HUTT, NZ

Re-affirms commitment to New Zealand

Strong acquisition rationale

- $30.7m acquisition on an initial yield of 6.85%, settled on 1 July 2016
- Servicing a catchment of approximately 145,000 people
- Directly adjacent to Hutt Hospital, major public facility for the region
- 22 year lease to ASX-listed Pulse Health Group
- Three operating theatres, 29 inpatient beds, a nine-bed day surgery suite and an endoscopy unit
- Also acquired for $1.0m an adjacent residential property for future development

INDEPENDENT PORTFOLIO REVALUATION

Maturing healthcare real estate market. Strong transactional evidence and asset performance contributing to enhanced valuations

Revaluation summary

- Revaluation gain of $101.9m, 12% above book value
- 90% gain from the Australian portfolio
- Australian WACR firmed 90 basis points, New Zealand firmed 60 basis points
- Vital's portfolio WACR firmed 80 basis points to 7.2%
- Total investment properties value now $951.9m
- Revaluation core driver of NTA increase from $1.27 to $1.51
- Contributed to LVR of 36.3%

HEALTHCARE SECTOR CAP RATES

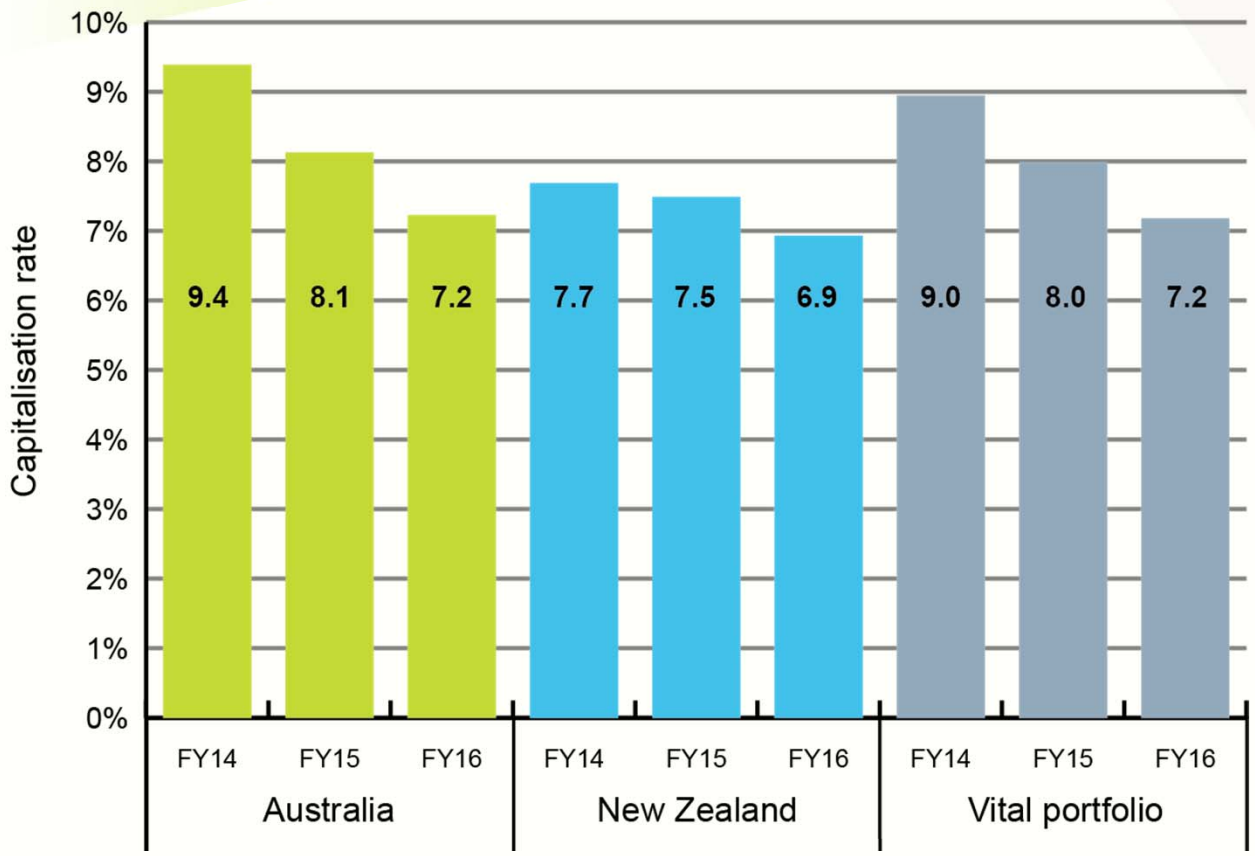
Cap rates continue to firm driven by quality asset characteristics and supportive market

Drivers of cap rate firming

Asset drivers	Market drivers
High occupancy and long WALE	Transactional evidence
Structured rent growth, periodic reviews to market	Increasing investor interest/understanding
Quality covenant, financial performance	Supply/demand imbalance
Asset quality and location to catchment	Lower interest rate environment
Experienced, proven managers	Underlying drivers of demand for healthcare services

INDEPENDENT PORTFOLIO REVALUATIONS

Australian cap rate compression key driver of overall WACR firming



Supporting context

- Since FY14, Australian cap rate firmed ~220 bps vs NZ ~80 bps
- Cap rate differential narrowing reflects enhanced assets post development and long term stability of passive assets across portfolio
- Quality assets, supported by strong market demand and lower interest rate outlook likely to result in further cap rate firming
- Healthcare real estate cap rates remain above wider commercial real estate, providing attractive risk adjusted returns

Focus for 2017

FOCUS FOR 2017

Building a healthy future

- Continue to deliver strong operational, financial and portfolio results
- Execute on the development pipeline, continuation of incremental value add opportunities
- Deliver strategic acquisitions to support operator growth
- Widen and strengthen relationships that support scale & diversification
- Prudently deploy balance sheet to appropriate opportunities
- Focus on sustainable distributions to investors

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.

11th August 2016

APPENDIX – INDEPENDENT PORTFOLIO REVALUATION SCHEDULE

Properties	Location	30 June 2016 Valuer	Fair value $000s 2016	Fair value $000s 2015	Market capitalisation rate % 2016	Market capitalisation rate % 2015	Occupancy % 2016	Occupancy % 2015	WALE Years 2016	WALE Years 2015
Australia										
Allamanda Private Hospital	Southport, Queensland	Knight Frank	45,121	46,605	6.5	7.3	100.0	100.0	21.6	22.7
Belmont Private Hospital	Carina Heights, Queensland	Knight Frank	50,147	45,057	7.3	8.0	100.0	100.0	19.6	20.6
Clover Lea Aged Care	Burwood Heights, New South Wales	M3	11,202	–	8.0	–	100.0	–	19.7	–
Dubbo Private Hospital	Dubbo, New South Wales	Jones Lang LaSalle Australia	9,986	8,484	8.5	9.3	100.0	100.0	15.6	16.6
Epworth Eastern Hospital	Box Hill, Victoria	Ernst & Young	103,843	91,288	6.8	7.5	100.0	100.0	17.5	9.8
Epworth Eastern Medical Centre	Box Hill, Victoria	Ernst & Young	28,894	16,176	6.8	8.3	100.0	98.6	10.9	6.1
Epworth Rehabilitation	Brighton, Victoria	M3	20,310	19,344	7.0	8.0	100.0	100.0	2.6	3.6
Fairfield Aged Care	Fairfield, New South Wales	M3	14,761	–	8.0	–	100.0	–	19.7	–
Gold Coast Surgery Centre	Southport, Queensland	Knight Frank	19,263	15,837	7.5	10.0	96.0	92.2	1.4	9.3
Hamersley Aged Care	Subiaco, Western Australia	M3	11,097	–	8.0	–	100.0	–	19.7	–
Hurstville Private Hospital	Sydney, New South Wales	M3	73,148	65,881	7.5	8.3	100.0	100.0	25.8	26.8
Lingard Private Hospital	Merewether, New South Wales	Ernst & Young	87,731	79,750	7.3	8.0	100.0	100.0	24.7	25.7
Maitland Private Hospital	East Maitland, New South Wales	Ernst & Young	63,339	50,027	7.3	8.0	100.0	100.0	21.5	17.5
Marian Centre	Perth, Western Australia	Jones Lang LaSalle Australia	33,107	19,840	7.8	9.0	100.0	100.0	18.1	19.1
Mayo Private Hospital	Taree, New South Wales	Jones Lang LaSalle Australia	29,313	29,128	8.0	8.5	100.0	100.0	15.5	16.5
Melbourne Pathology Building*	Noble Park, Victoria		–	792	–	8.3	–	100.0	–	25.7
North West Private Hospital	Burnie, Tasmania	Knight Frank	15,494	15,271	8.5	9.3	100.0	100.0	15.6	16.6
Palm Beach Currumbin Clinic	Currumbin, Queensland	Knight Frank	32,035	31,617	7.3	8.0	100.0	100.0	15.6	16.6
Rockingham Aged Care	Rockingham, Western Australia	M3	5,863	–	8.0	–	100.0	–	19.7	–
South Eastern Private Hospital*	Noble Park, Victoria	M3	40,826	23,820	7.3	8.3	100.0	100.0	24.7	25.7
Sportsmed Consulting	Adelaide, South Australia	Knight Frank	1,790	–	7.0	–	100.0	–	19.6	–
Sportsmed Hospital & Clinic	Adelaide, South Australia	Ernst & Young	39,981	36,821	7.6	8.7	100.0	100.0	18.9	17.4
Sportsmed Office	Adelaide, South Australia	Knight Frank	3,591	–	7.0	–	100.0	–	19.6	–
Toronto Private Hospital	Toronto, New South Wales	Jones Lang LaSalle Australia	19,786	18,325	7.8	9.0	100.0	100.0	26.5	27.5
			760,628	614,063						
New Zealand										
Apollo Health and Wellness Centre	Albany, Auckland	Colliers International New Zealand Limited	22,600	21,403	7.5	7.9	91.4	90.6	3.9	4.6
Ascot Central, Auckland	Greenlane, Auckland	Jones Lang LaSalle New Zealand	26,600	25,600	6.8	6.9	100.0	100.0	3.8	4.6
Ascot Central Carpark, Auckland (ground lease)	Greenlane, Auckland	Jones Lang LaSalle New Zealand	1,600	1,550	10.4	10.8	100.0	100.0	3.5	4.1
Ascot Hospital & Clinics	Greenlane, Auckland	Absolute Value	90,000	81,505	6.4	7.0	99.5	99.5	19.1	20.3
Ascot Hospital Carpark, Auckland (ground lease)	Greenlane, Auckland	Absolute Value	1,750	1,700	11.6	9.8	100.0	100.0	27.0	28.0
Kensington Hospital	Whangarei, Northland	Colliers International New Zealand Limited	15,300	13,550	7.5	8.5	100.0	100.0	30.0	5.7
Napier Health Centre	Napier, Hawkes Bay	Absolute Value	11,150	10,400	9.1	10.3	100.0	100.0	3.5	4.5
			169,000	155,708						
Properties held for development – Australia			16,481	4,110						
TOTAL FAIR VALUE OF INVESTMENT PROPERTIES			946,109	773,881	7.2	8.0	99.6	99.4	18.4	17.1
Income in advance			5,770	7,981						
TOTAL CARRYING VALUE			951,879	781,862						

* On 1 April 2016, Melbourne Pathology Building was consolidated with South Eastern Private Hospital, as a result of development activities.

GLOSSARY

AFFO	Adjusted Funds From Operations is an alternate measure used for assessing distributable income. Essentially adjusts NPAT for all non-cash items (i.e. NDI) then makes adjustments for items such as maintenance capex and lease incentives paid
Cap rate	Capitalisation rate. Generally calculated as net operating income / current market value of investment property
CPI	Consumer Price Index. An index that measures the change in the cost of a 'basket' of basic goods and services, showing how the cost of living changes over time. The most widely accepted indicator of inflation
FEC	Foreign Exchange Contract. Generally considered as a contracted commitment to buy/sell a specified amount of a foreign currency on a fixed date at a fixed rate of exchange
FX	An abbreviation for 'foreign exchange' used where there is a transaction in a currency other than the local currency
LVR	Loan to Value Ratio. Is the ratio of a loan to the value of an asset purchased or total assets. The term is commonly applied by looking at the level of Borrowings (or debt) versus the Total Assets, or Borrowings versus the Investment Properties
NDI	Net Distributable Income. Calculated as Gross Distributable Income less current tax charges
NPAT	Net Profit After Tax is the profit after all operating expenses (cash and non-cash) and tax expenses (current and deferred) have been deducted
NTA	Net Tangible Assets is total assets of the Trust less total liabilities. NTA is normally divided by the number of units on issue and expressed as an amount per unit
TERP	Is the Theoretical Ex-Rights Price of $2.195 which is equal to the average price of 2 new units at the application price of $2.08 and 9 existing units at $2.22 being the closing price as at 20 June 2016
WACR	Weighted Average Market Capitalisation Rate. The market cap rate for each property weighted by property value
WALE	Weighted Average Lease Term to Expiry. The weighted average lease term remaining to expire across a portfolio, sometimes also referred to as WALT