Vital
Healthcare
Property Trust

Interim Results
31 December 2013

David Carr
Chief Executive Officer

Stuart Harrison
Chief Financial Officer

13 February 2014

Agenda

Agenda

- Result highlights
- VHP performance
- Financial review
- Healthcare update
- Portfolio review
- Looking forward

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Result highlights

Result highlights

Reaffirmed FY14 guidance for a cash distribution of 7.9 cents per unit

Earnings

Gross rent up 3.8%, Q2 cash distribution of 1.975 cpu

- Gross rental income of $29.9m, +3.8% (1H13: $28.8m)
- Operating profit before interest and tax of $25.7m, +3.6% (1H13: $24.8m)
- Net profit after tax of $16.6m, +13.9% (1H13: $14.6m)
- Net distributable income (NDI[1]) of $20.6m, +48.2% (1H13: $13.9m)
- Q2 distribution brings total cash distribution per unit (DPU) to 3.950 cents

Portfolio

Capacity created, strong operator relationships enhance portfolio metrics

- Medium term expiry resolved, leading operator retained on 30 year lease
- Concluded developments totalling A$19.4m, creating capacity & returning ~10% p.a.
- Extended WALT[2] to 14.9 years, 99.4% occupancy, 2.4% increase on rents reviewed
- Capital recycled into improving quality of earnings, started A$29.9m of new projects

Capital management

Capital and treasury management outcomes supporting operational activities

- Ongoing prudent treasury management in low interest rate environment
- Lower LVR[3] of 33.9% through capital raising proceeds, proactive management

Healthcare sector

Positive, long term healthcare trends unchanged

- Increased chronic disease & higher patient expectations compounded by ageing population
- Private health insurance: growing in Australia and now New Zealand
- Private sector integral to a balanced healthcare system

Notes:
1: NDI is calculated as profit before tax, adjusted for non-cash items including revaluation gains/losses on investment properties and construction and foreign exchange and interest rate swaps. Other items include Manager's incentive fee and current tax.
2: WALT is Weighted Average Lease Term to expiry
3: LVR is Loan to Value ratio

VHP Performance

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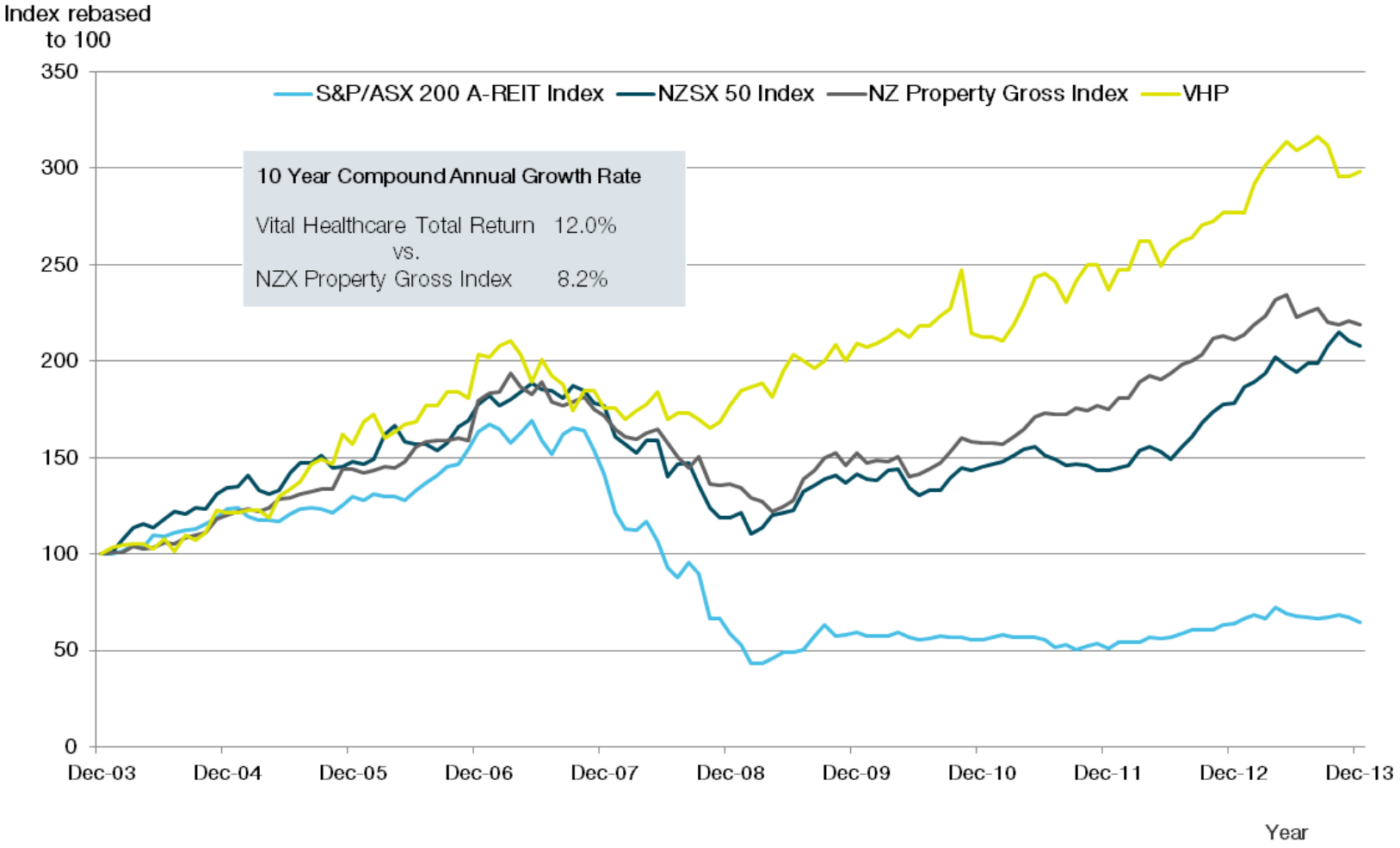
10 year total return performance

Well executed strategy delivering strong total returns for investors



Source: Bloomberg, Craigs' Investment Partners. Returns as at 31 December 2013.

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Financial Review

Financial performance

Strategy execution delivering revenue growth and stronger earnings

All NZD$m	Actual 1H14	Actual 1H13	Change $m	Change %
Gross rental income	29.9	28.8	1.1	3.8%
Net rental income	**28.9**	**28.3**	0.6	2.1%
Operating profit before interest & tax	**25.7**	**24.8**	+0.9	+3.6%
Gross distributable income	**19.0**	**16.5**	2.5	15.1%
Current Tax - NZ & Australia	1.6	-2.6	4.2	-161.0%
Net distributable income	**20.6**	**13.9**	6.7	48.2%
Gross distributable income (cpu)	5.8c	5.6c	0.2c	3.7%
Net distributable income per unit (earned) (cpu)	6.3c	4.7c	1.6c	33.6%
Units on issue (weighted average million)	**328.5**	**296.1**		

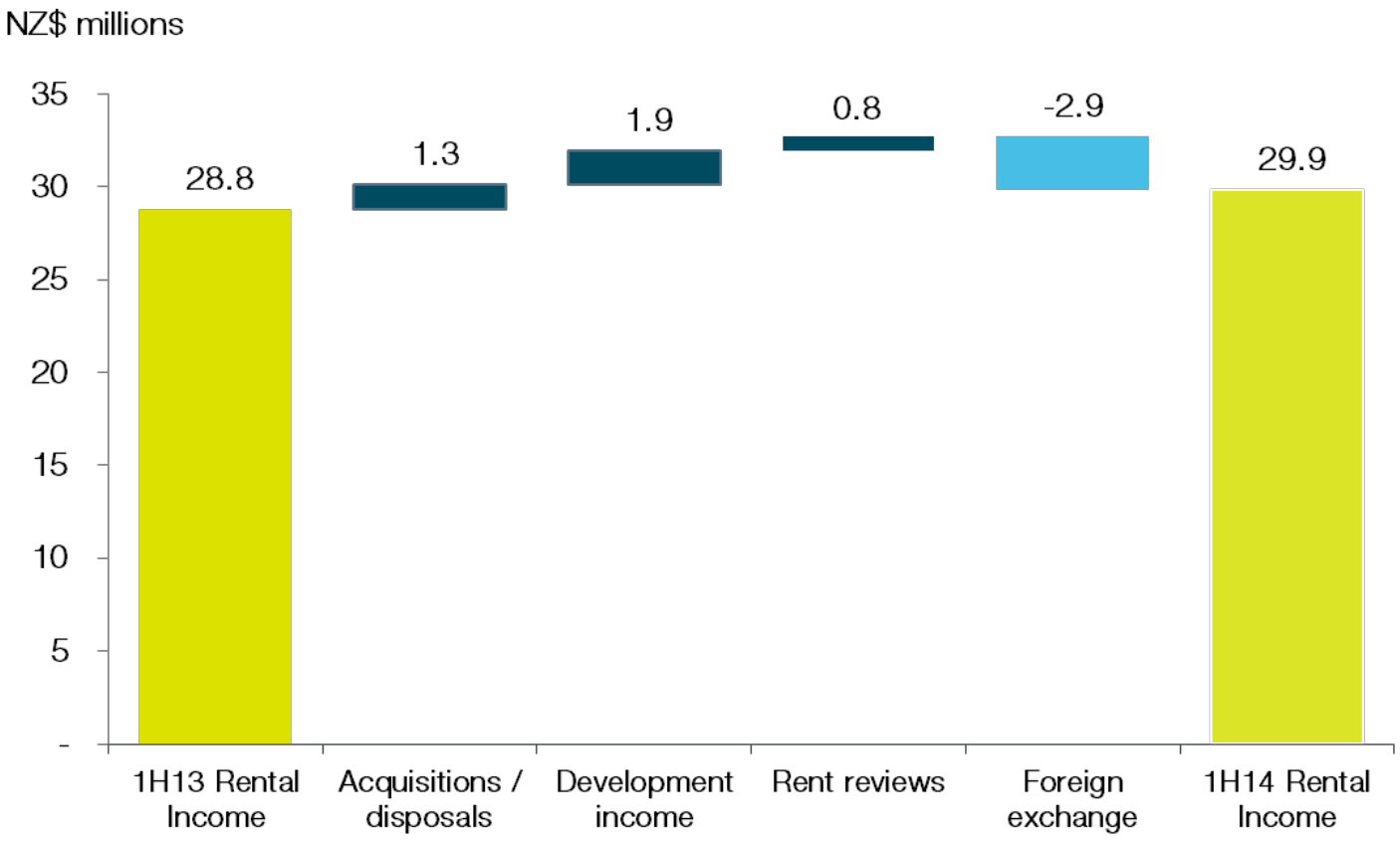
Rental growth despite currency influence

Tax impacted by unrealised foreign currency losses and one off foreign investment fund credit

Note: Net Distributable Income is further adjusted for PIE compliance purposes with Current Income Tax on Other Comprehensive Income.

Gross rental income reconciliation

Full year contributions from Sportsmed-SA acquisition and completed developments offset by foreign exchange movement



Net financing expenses

A low interest rate environment and weaker AUD provides an attractive environment for further investment

Net financing costs (All NZD$m)	Actual 1H14	Actual 1H13	change $m	change %
Finance income	0.1	0.1	0.0	0%
Capitalised interest	(0.1)	(0.5)	0.4	-86.2%
Finance expense	(7.9)	(8.5)	0.7	-7.7%
Fair value gain/(loss) on interest rate derivatives	3.1	1.0	2.0	-197.3%
Net finance expense	**(4.8)**	**(7.9)**	3.1	39.0%

Lower interest due to equity raising and FEC receipts

5.24 years weighted average term of SWAPs

6.58% weighted average cost of debt

Financial position

Prudent capital raising and deployment to value-add opportunities

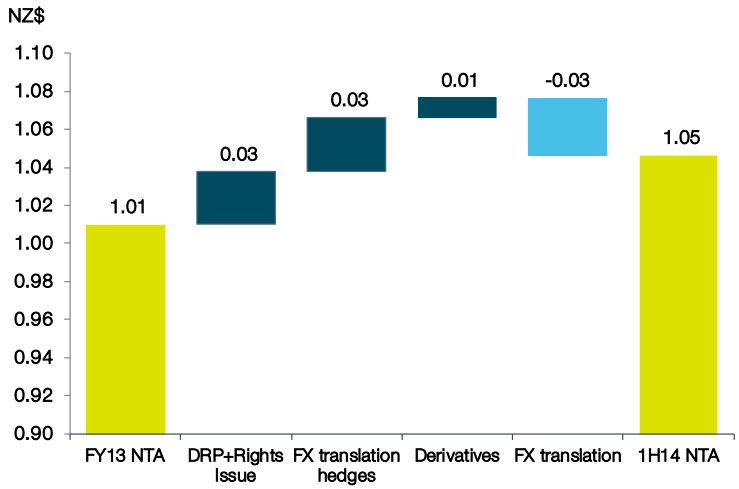
All NZD$m	Actual 1H14	Actual FY13	Change $m	Change %
Net Tangible Assets	**1.05**	**1.01**		4.1%
Investment properties	595.4	618.7	-23.3	-3.8%
Total assets	**599.7**	**629.5**	-29.8	-4.7%
Bank debt	201.6	266.7	-65.0	-24.4%
Unit holder funds	**345.6**	**309.0**	36.6	11.9%
Units on issue (weighted average, millions)	328.5	296.1		10.9%

Strategic acquisition and brownfield capacity expansion enhance portfolio quality

Development capex spend offset by strong NZD

Capital raising & FEC proceeds and higher NZD push overall bank debt lower

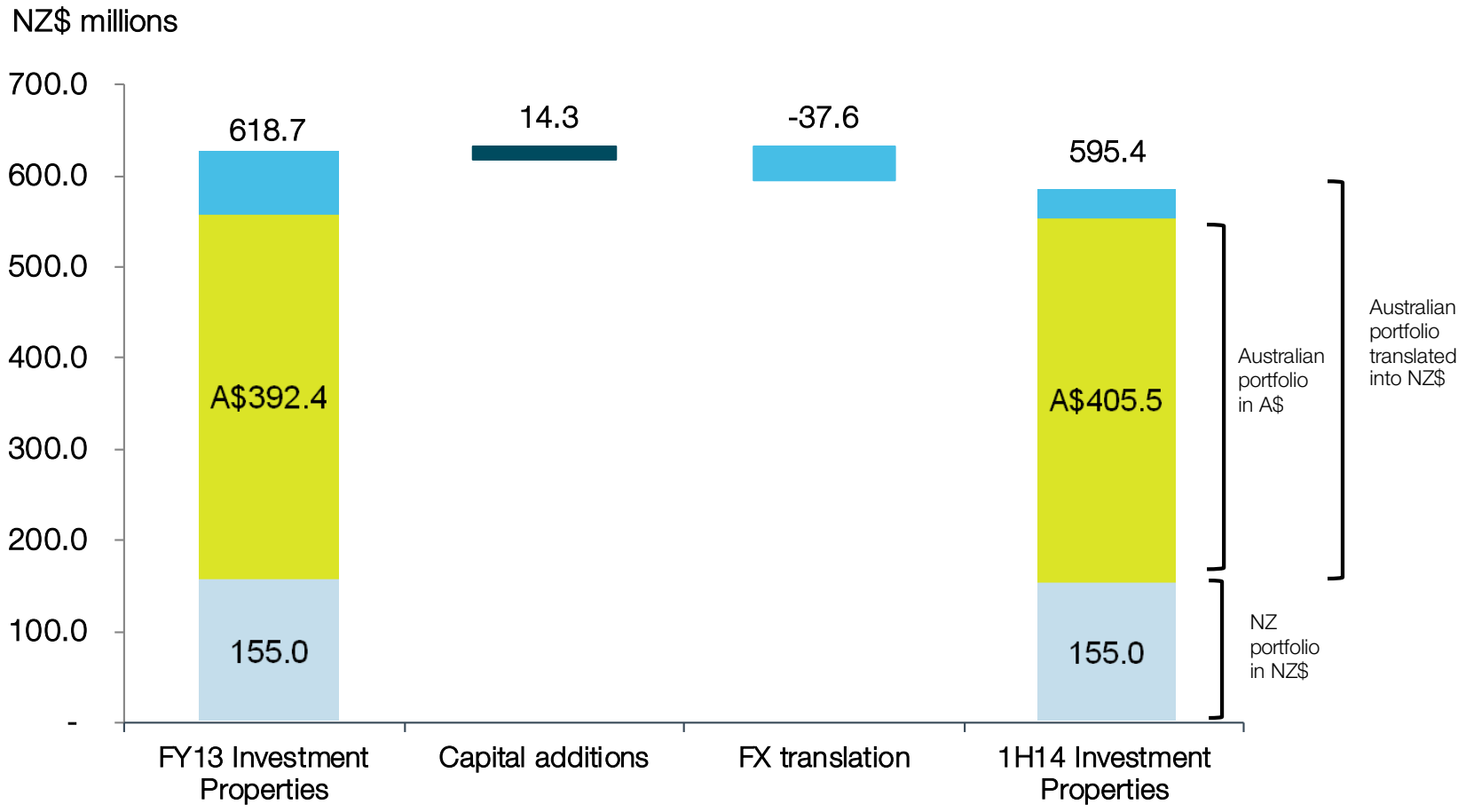
Equity raising provides financial headroom



NTA uplift driven mainly via rights issue achieved at a premium to asset backing

Investment property reconciliation

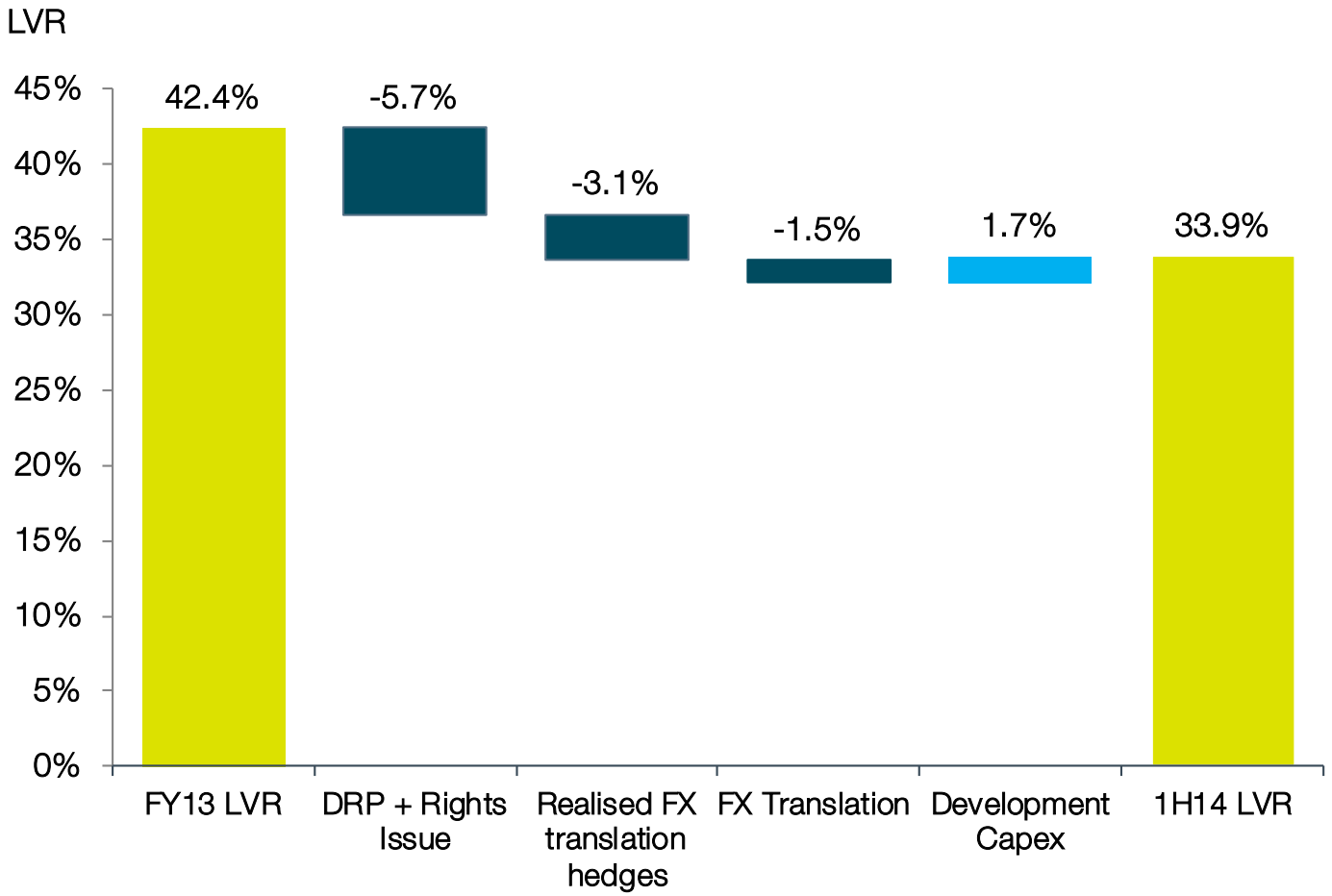
Capital additions offset by foreign currency translation



Note: Capital additions includes capitalised interest $0.1m

LVR reconciliation

Efficient capital management providing flexibility for new projects and acquisition opportunities



Capital management

Sound capital management delivers improved headroom and key ratios well within covenant levels

All NZD$ (unless otherwise stated)	Actual 1H14	Actual FY13
Drawn debt at period end ($ million)	*201.6*	*266.7*
Facility size ($ million)	*264.3*	*285.9*
Weighted average cost of debt	*6.58%*	*6.52%*
Weighted average facility term (years)	*2.36*	*2.86*
Hedged (interest)	*100%*	*86.4%*
Interest coverage ratio (ICR) (times)	*3.1x*	*2.8x*
ICR covenant	***> 2.0x***	***> 2.0x***
Loan to value ratio	*33.9%*	*42.4%*
Bank & Trust Deed covenant	***< 50.0%***	***< 50.0%***

Lower drawn debt due to $39m equity raising and cash receipts under FEC's[1]

Slightly higher due to higher hedged position and repayment of floating debt with equity and FEC proceeds

Improved covenant ratios underpinned by strong financial performance and capital management

Facility consists of:
Tranche 1: 5-year A$125m through to 31 March 2017
Tranche 2: 3-year A$100m & NZ$20m through to 31 March 2015

1: FEC = foreign exchange contract

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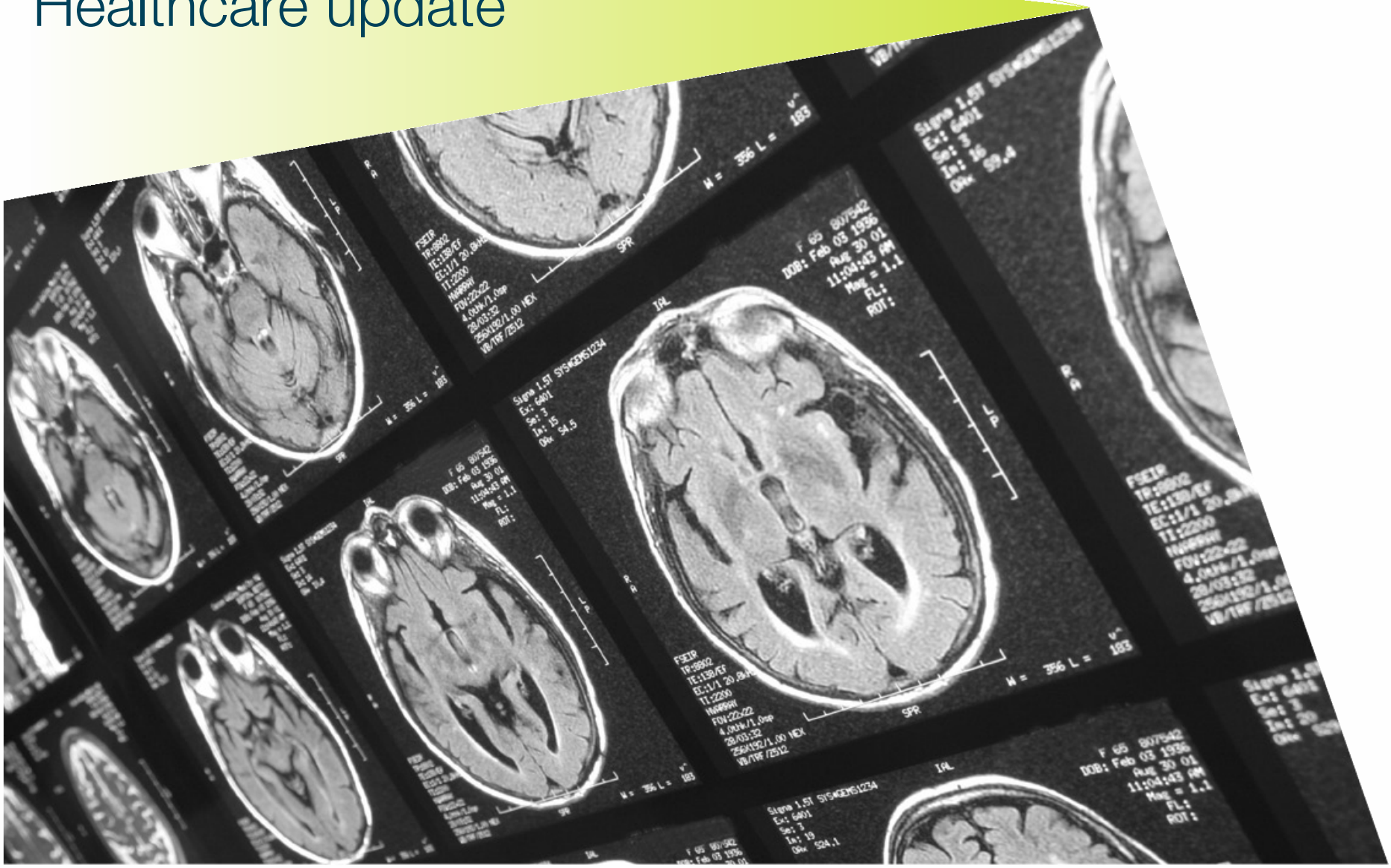
Healthcare update



Healthcare overview

Strong sector fundamentals support positive long term outlook

Drivers	Australia	NZ	Comment
Private Health Insurance (PHI)[1]	↑ 47%	↑ < 30%	More attractive model in Australia vs. New Zealand New Zealand recorded its first quarterly increase since Jun-09
> 65 year demographic % of population[2]	↑ 28%	↑ 32%	Forecast doubling of this demographic over the next 40 years
> 65's utilisation of services[3]	4x	n/a	High utilisation vs. < 65 demographic adding demand pressure
Investment Property Databank (IPD)[4]	✓	n/a	Continued total return outperformance versus other property classes
Opportunities	↑	↓	Australia has a relatively larger pool of acquisition and redevelopment opportunities vs. New Zealand

1. Percentage of population with hospital treatment cover. PHIAC Quarterly Statistics, 30 Sep 2013. NZ data: Health Funds Association of New Zealand (HFANZ), 30 Dec 2013.
2. Australian Bureau of Statistics, Statistics NZ, Population projections 65+ year demographic (1950-2060).
3. AIHW Australia's Hospitals 2010-2011 at a Glance.
4. IPD six years to June 2013

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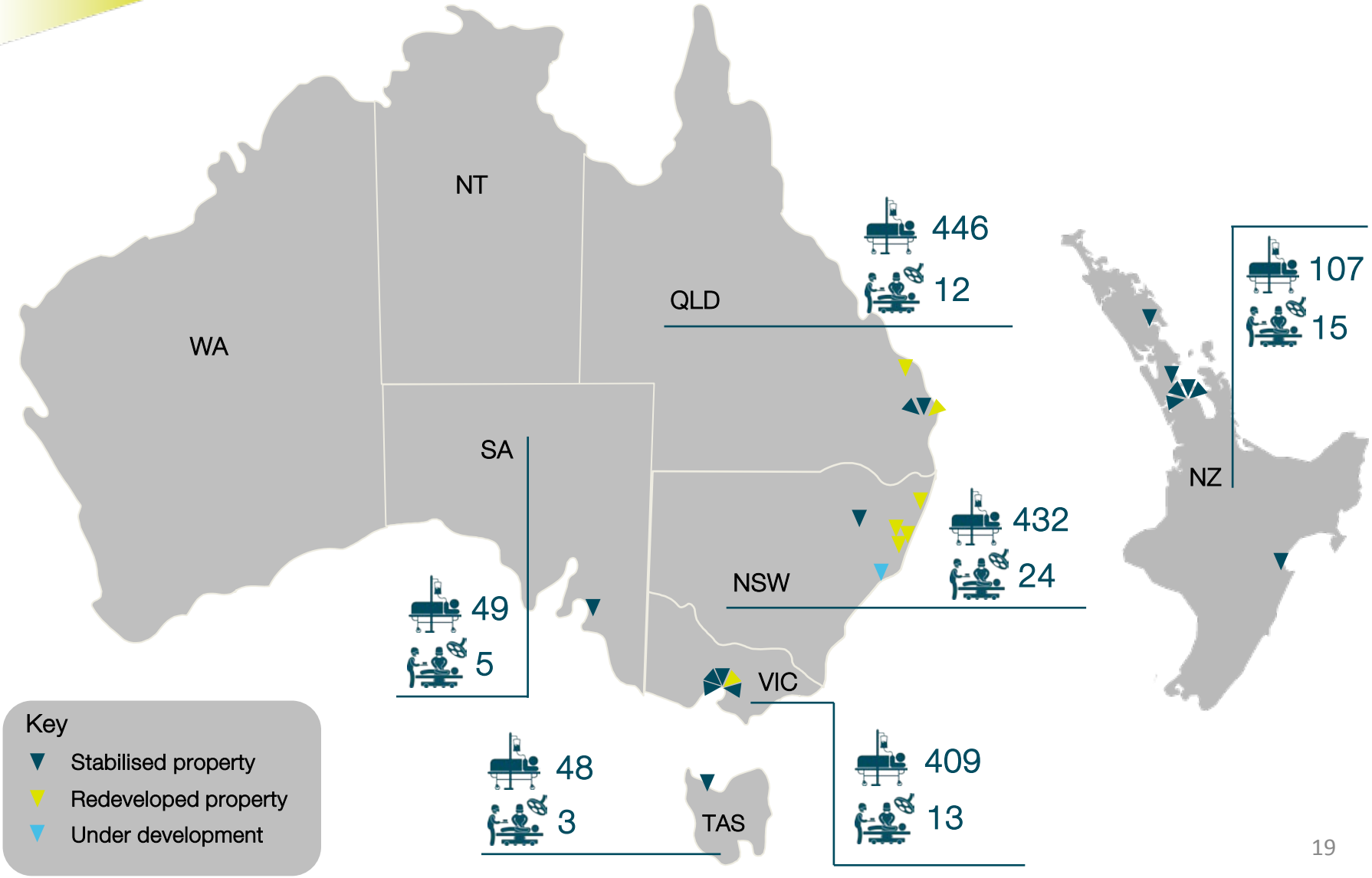
Portfolio review

Portfolio diversification

74% of Vital's assets are in Australia and mostly in the three eastern states of QLD, NSW and VIC



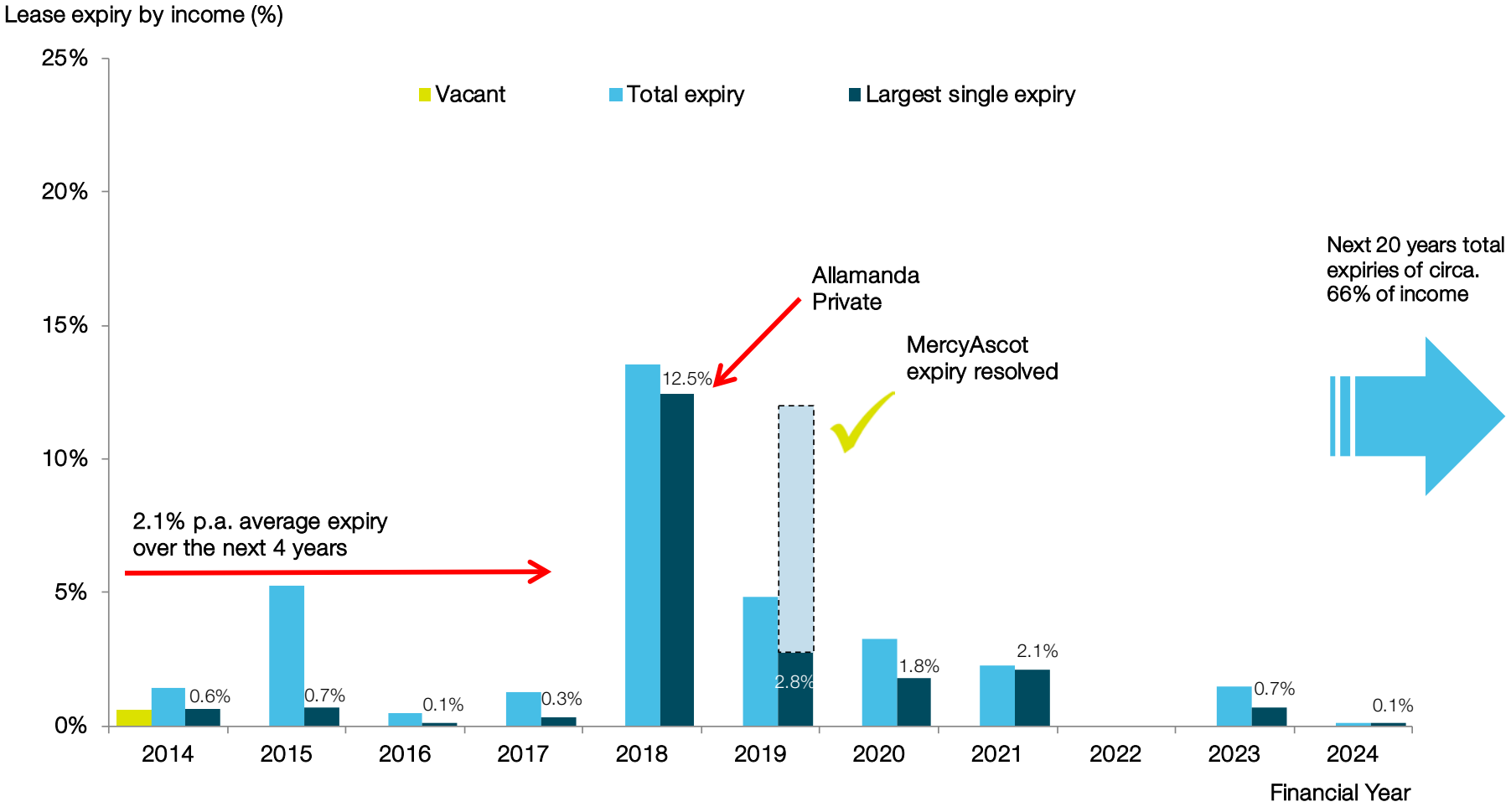
Development's creating capacity and adding value

Strong execution capability supporting enhanced asset and earnings quality

Property (Hospital)		Developments recently completed or in progress	Project cost (A$)	Completion due date
	Toronto	**7** new beds; **new mental health unit**	$1.9m	✓ November 2013
	Hurstville	**4** new theatres; **58** new single beds; **Consult. suites**; **3** new inpatient wards	$28.0m	Mid-2015
		Total brownfield development pipeline	**$29.9m**	
		Potential brownfield opportunities over the next 3-4 years	$80-100m	

10 year lease expiry profile

Following the successful resolution of MercyAscot, Allamanda remains a focus for management



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Looking forward

Looking forward

Strategy	▸ Strategy entrenched, focus on core business delivering results ▸ Continue to execute and build on strong momentum ▸ Consider growth through wider healthcare real estate diversification
Healthcare trends	▸ Positive long term view on healthcare ▸ Strong demographic and healthcare trends supportive ▸ Constrained capacity and rising demand creating opportunities ▸ Defensive characteristics attractive
Portfolio & capital management	▸ Scale and diversification benefits supporting performance ▸ Focus on medium term expiry event and strong portfolio metrics ▸ Efficient capital management for organic and acquisition opportunities
Earnings	▸ Focus is on tenure, quality and diversification of earnings ▸ Attractive funding environment supports investment
Guidance	▸ Board reaffirms guidance for a FY14 cash DPU of 7.9 cents

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13 February 2014