Vital
Healthcare
Property Trust

Annual Results
30 June 2013

David Carr
Chief Executive Officer

Stuart Harrison
Chief Financial Officer

22 August 2013

Agenda

Agenda

- Result highlights
- VHP performance
- Financial review
- Healthcare sector review
- Portfolio review
- Outlook

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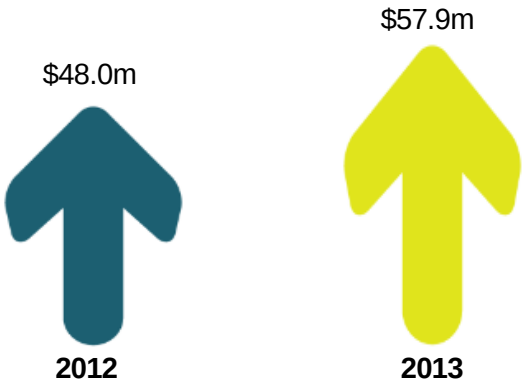
Result highlights

FY13 financial dashboard

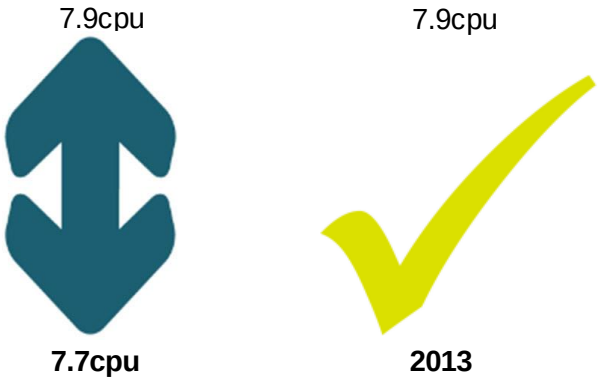
Strong growth delivered across key financial measures

+21% net property income growth

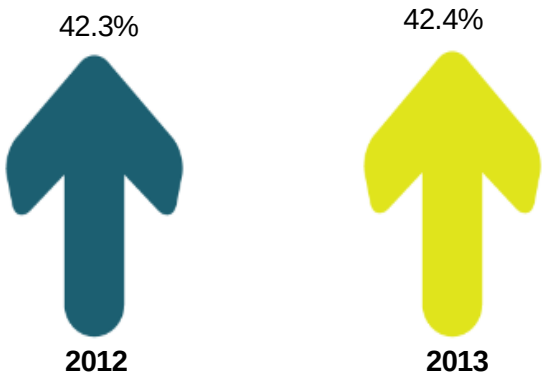


+33% gross distributable income growth

DPU at top end of guidance



Sound capital management maintains LVR

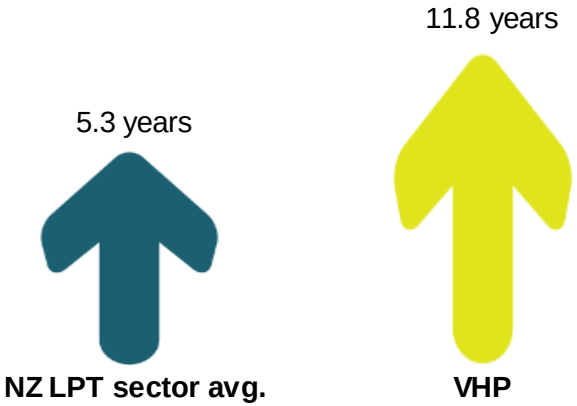


Note: LVR = Loan to Value Ratio. Bank facility and Trust Deed debt covenants both at 50%

FY13 portfolio dashboard

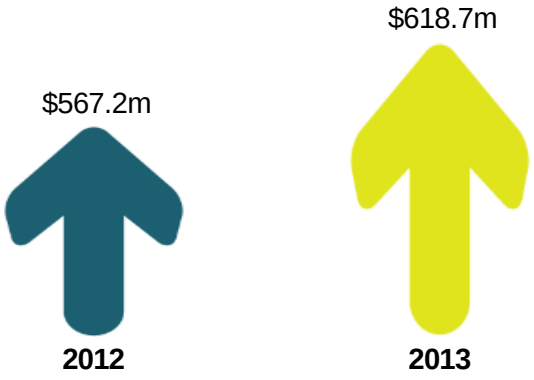
Strong core portfolio metrics

WALT over twice the sector average

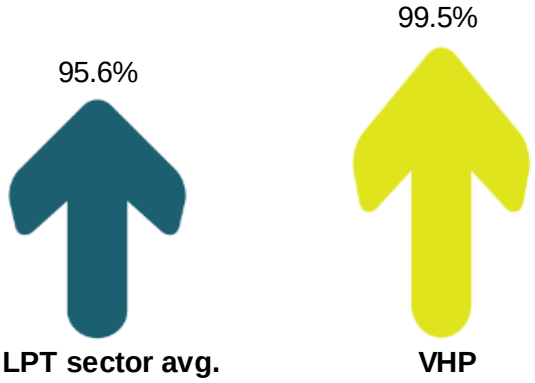


NTA change driven by revaluations and unitholder DRP support

+9% investment property growth



5yr average occupancy above 99%



Note: NZ LPT Sector WALT and Occupancy averages exclude VHP. Sourced from Forsyth Barr, *Real Estate Reflections, August 2013.*
NZ LPT sector average is weighted average based on market capitalisation

Result highlights

FY13 cash distribution of 7.9 cents per unit - top end of guidance range

Earnings

Gross rent up 18%, Q4 cash distribution of 2.125 cpu

- Gross rental income of $59.9m, +18% (FY12: $50.7m)
- Operating profit before tax and interest of $46.7m, +14% (FY12: $40.9m)
- Net profit after tax of $34.7m, +287% (FY12: $9.0m)
- Net distributable income (NDI[1]) of $28.2m, +21% (FY12: $23.3m)
- Q4 distribution brings total FY13 cash distribution per unit (DPU) to 7.9 cents

Portfolio

Value enhancing developments strengthening platform & operator performance

- $39.7m capitalised development costs, creating capacity & forecast returns ~10% p.a.
- Long 11.8 year WALT[2] and 99.5% occupancy. 1.9% increase on rents reviewed
- Targeted sales continue, capital recycled into improving quality & tenure of earnings

Capital management

Continued efficient capital and treasury management

- Prudent treasury management in low interest rate environment
- LVR[3] at 42.4%, flat on FY12 through active portfolio and capital management
- Positive FX gains both realised ($3.9m) and unrealised ($3.5m)

Healthcare sector

Healthcare trends supportive & attractive

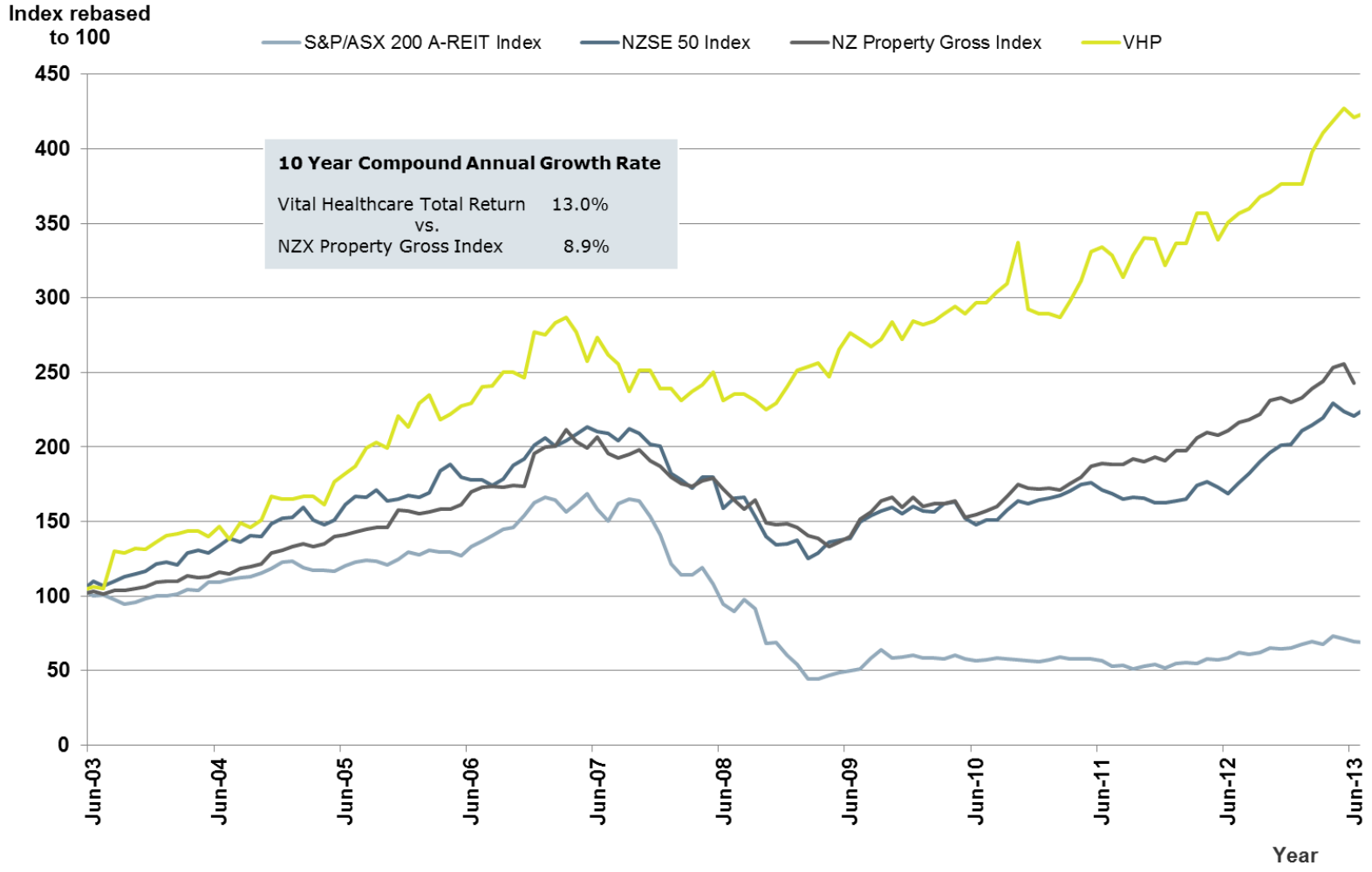
- Increased chronic disease & higher patient expectations compounded by ageing population
- Private health insurance levels growing in Australia, under pressure in New Zealand
- Private sector integral to a balanced healthcare system, structural changes difficult

Notes:
1: NDI is calculated as profit before tax, adjusted for non-cash items including revaluation gains/losses on investment properties and construction, foreign exchange and interest rate swaps, the 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

10 year total return performance

Sustained outperformance delivering strong unitholder total returns



Source: Bloomberg, Craigs' Investment Partners. Returns as at 30 June 2013.

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Financial Review

Financial performance

Operating performance delivered stronger portfolio income and earnings

All NZD$m	Actual FY13	Actual FY12	change $m	change %
Gross rental income	59.9	50.7	9.1	18%
Net rental income	**57.9**	**48.0**	9.9	21%
Operating profit before tax	**46.7**	**40.9**	**5.8**	14%
Gross distributable income	**33.6**	**25.4**	**8.3**	33%
Current Tax - NZ & Australia	5.4	2.1	3.3	158%
Net distributable income	**28.2**	**23.3**	**4.9**	21%
Gross distributable income (cpu)	11.2c	8.7c	2.5c	29%
Net distributable income per unit (earned) (cpu)	9.4c	8.0c	1.4c	18%
Units on issue (weighted average million)	**300.5**	**291.6**		

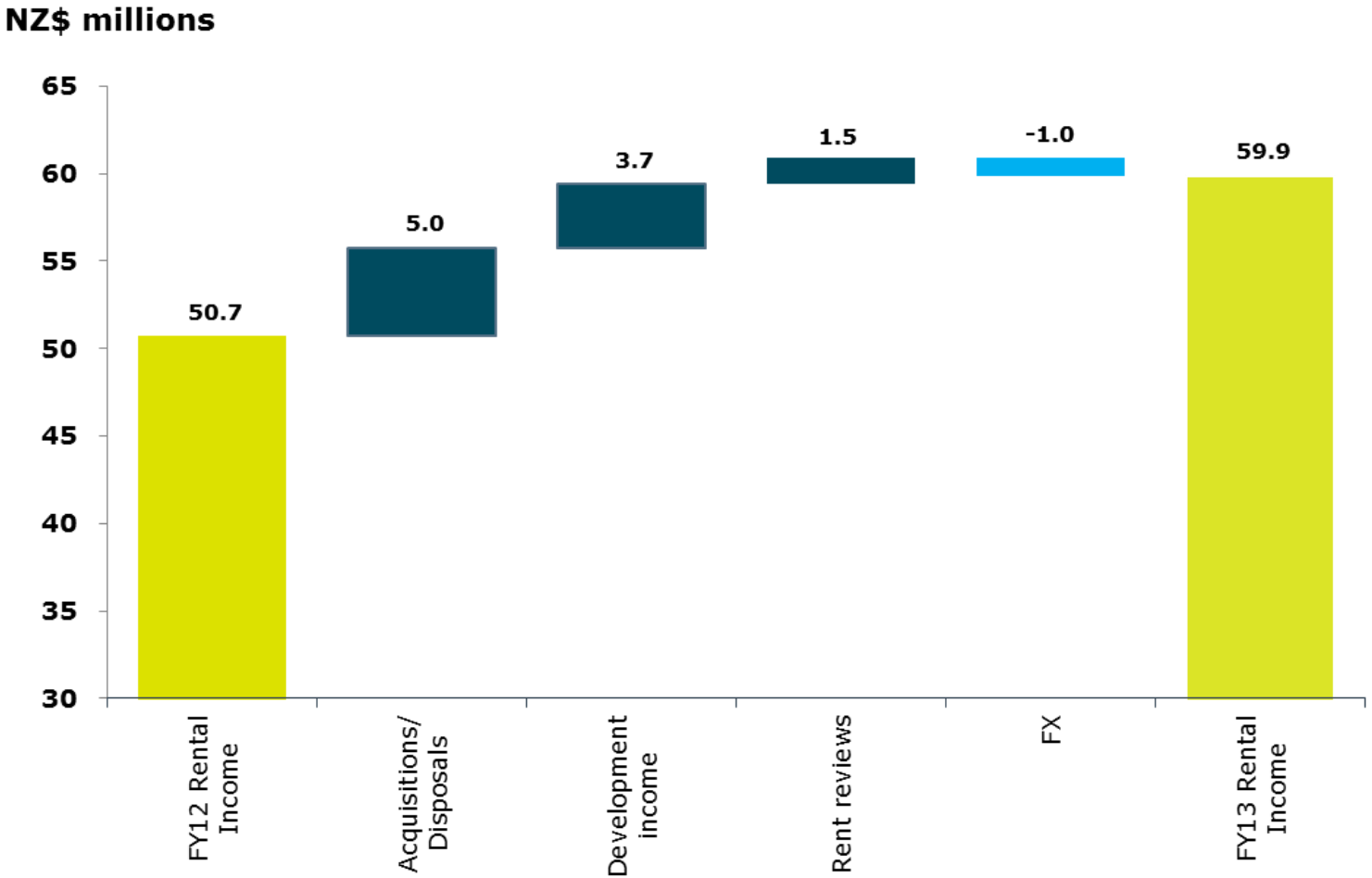
Acquisition and developments drive higher rental income

Higher NDI growth delivered.
Note: Guidance allowed for a capital raising event

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

Gross rental income reconciliation

Change in rental income largely driven by full year contributions of Australian acquisitions and completed developments



Financial position

Prudent capital deployment to value-add opportunities

All NZD$m	Actual FY13	Actual FY12	change $m	change %
Net Tangible Assets	**1.01**	**0.98**		3%
Investment properties	618.7	567.2	51.5	9%
Total assets	**629.5**	**580.8**	48.7	8%
Bank debt	266.1	244.5	21.6	9%
Unit holder funds	**309.0**	**287.4**	21.6	8%
Units on issue (weighted average, millions)	300.5	291.6		3%

Strategic acquisition and brownfield capacity expansion enhance portfolio quality

Capital requirements appropriately funded between debt and equity

Underwritten DRP for three quarters

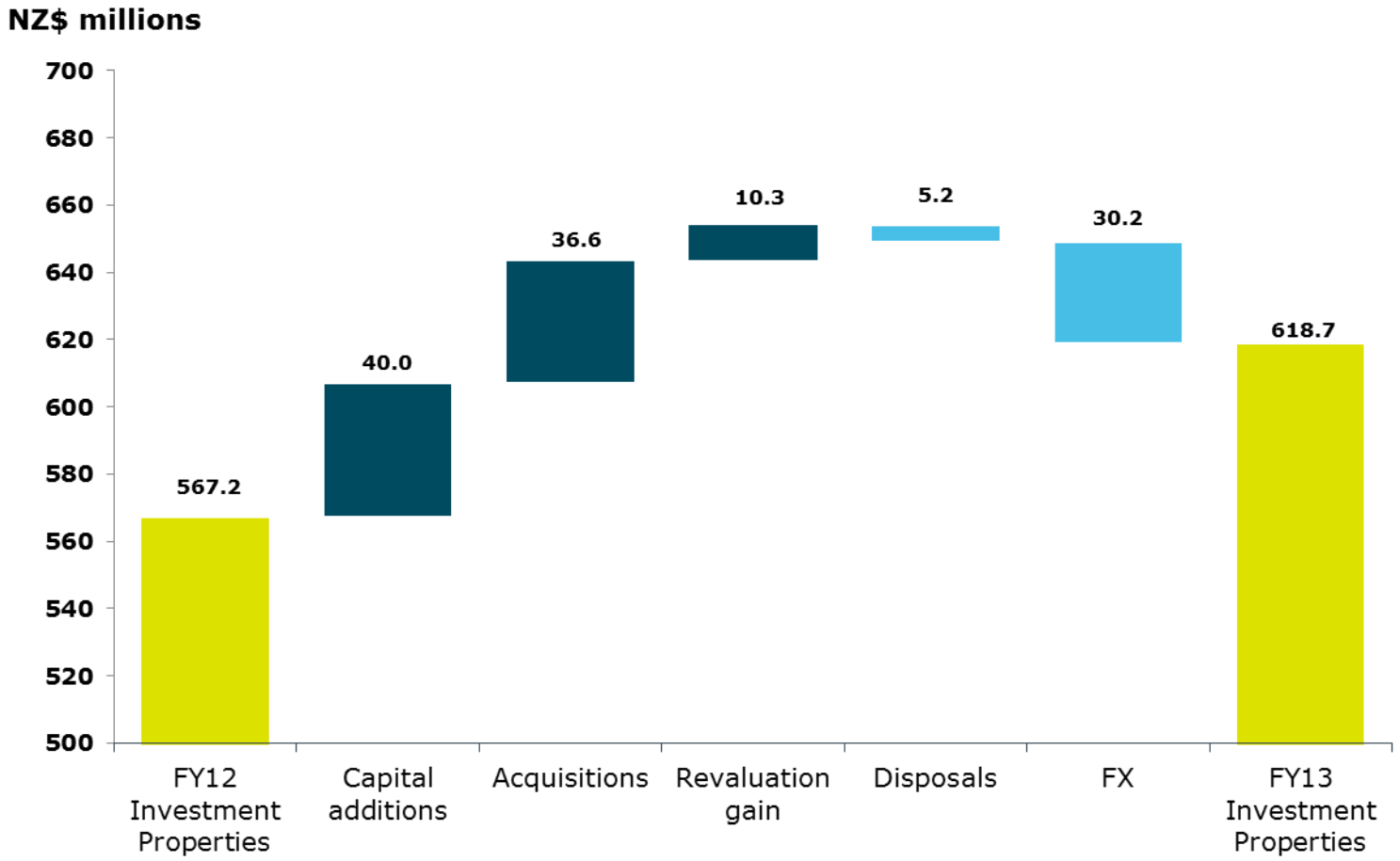
Portfolio valuation change

All NZD$m	2013 Book Value	2013 Valuation	change $m	change %
New Zealand	151.5	155.0	3.5	2.4%
Australia	456.9	463.7	6.8	1.5%
Portfolio	**608.4**	**618.7**	10.3	1.7%

Development programme creating value and capacity for our hospital operators

Investment property reconciliation

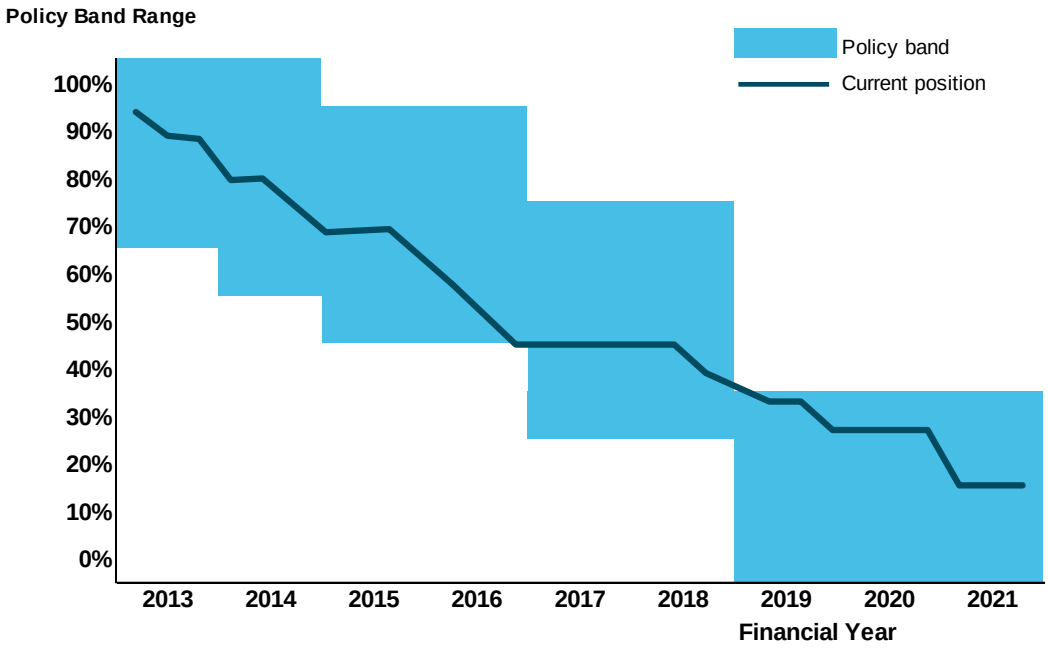
Strategic acquisition, capital additions and revaluation underpin portfolio increase in 2013



Note: Capital additions includes capitalised interest $0.5m

Interest hedging profile

Vital's policy bands still provide flexibility for a continuation of a lower interest rate environment in Australia



- **5.65 years**
  weighted average term of SWAPs
- **6.52%**
  weighted average interest rate of SWAPs

Net financing costs (All NZD$m)	Actual FY13	Actual FY12	change $m	change %
Finance income	0.2	0.2	0.0	
Capitalised interest	0.5	0.8	(0.3)	-39%
Finance expense	(18.1)	(17.1)	(1.0)	6%
Fair value gain/(loss) on interest rate derivatives	4.4	(10.1)	14.5	144%
Net finance expense	**(13.0)**	**(26.1)**	13.1	50%

Benefit of lower interest rates in Australia supports growth

Capital management

Sound treasury management delivers lower funding costs and key ratios well within covenant levels

All NZD$ (unless otherwise stated)	Actual FY13	Actual FY12
Drawn debt at period end ($ million)	*266.7*	*245.8*
Facility size ($ million)	*285.9*	*307.0*
Weighted average cost of debt	*6.52%*	*6.87%*
Weighted average facility term (years)	*2.9*	*3.8*
Hedged (interest)	*86.4%*	*62.3%*
Interest coverage ratio (ICR) (times)	*2.8x*	*2.3x*
ICR covenant	***> 2.0x***	***> 2.0x***
Loan to value ratio	*42.4%*	*42.3%*
Bank & Trust Deed covenant	***< 50.0%***	***< 50.0%***
FX Hedging		
Hedged (foreign exchange) – Derivatives	*24%*	*30%*
Hedged (foreign exchange) – Natural	*62%*	*65%*
Effective Hedge Position	***86%***	***95%***

Tranche 1: 5yr A$125m through to 31 March 2017
Tranche 2: 3yr A$100m & NZ$20m through to 31 March 2015

Falling cost reflective of low interest rate environment and prudent positioning within hedging policy

LVR and ICR ratios well within banking and Trust covenants

Healthcare sector review

The importance of private hospitals

Private hospitals are a vital partner to public health system in provision of acute and elective healthcare services

PRIVATE HOSPITALS
treat 40% of all patients
in Australia

PRIVATE HOSPITALS and day surgeries provide
1 out of every 3
beds in Australia

PRIVATE HOSPITALS and day surgeries perform
2 out of every 3
elective surgeries

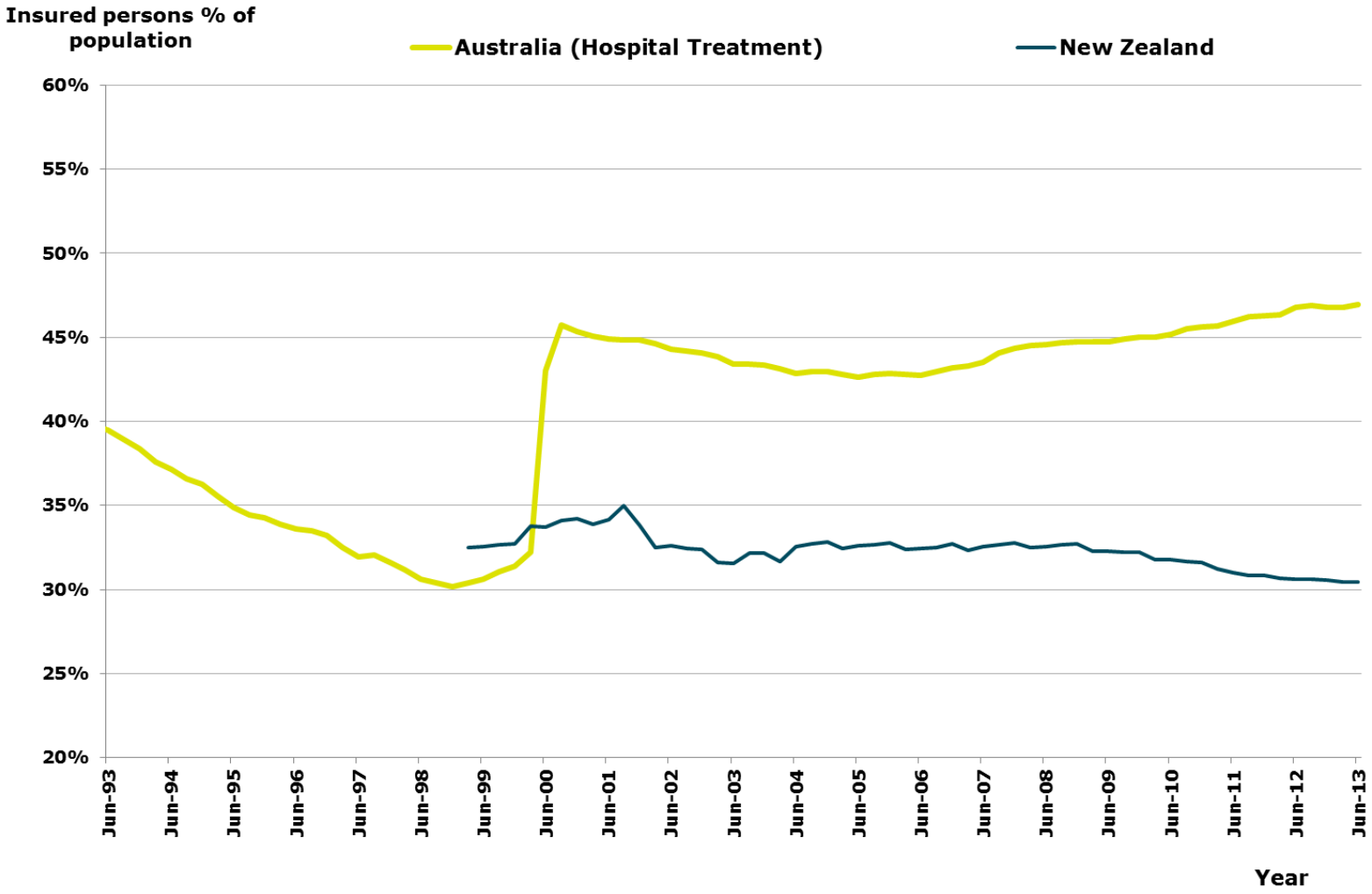
PRIVATE HOSPITALS treat
70% of all patients
admitted for rehabilitation

PRIVATE HOSPITALS and day surgeries admitted
4 out of every 10
patients aged over 65 years

Source: Australian Institute of Health and Welfare, 2011-2012 actual.

Australian & New Zealand private health insurance levels

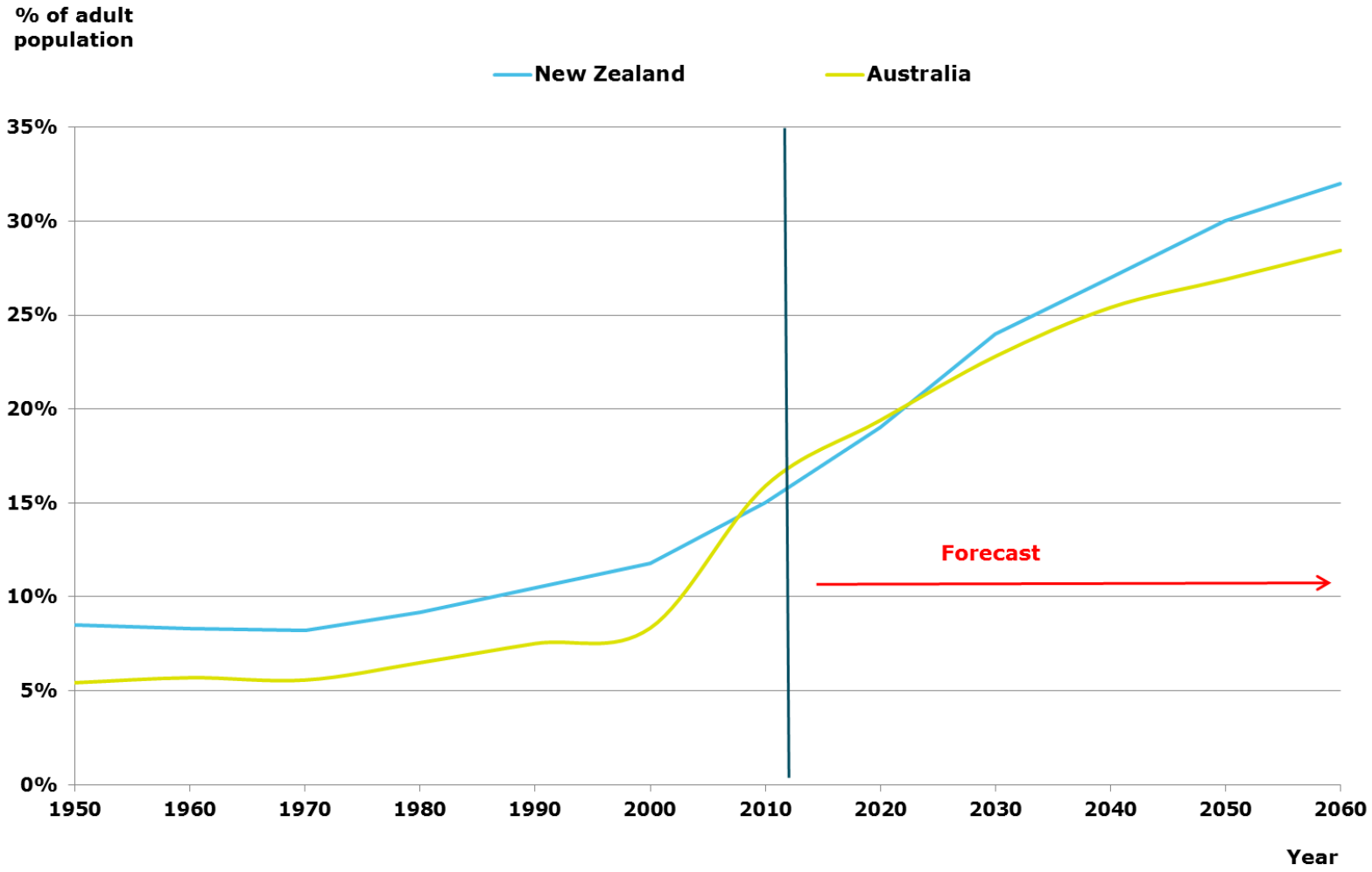
Hospital treatment insurance levels resilient in Australia; New Zealand remains under pressure



Source: Australian data: Private Health Insurance Administration Council (PHIAC), Quarterly Statistics, June 2013. NZ data: Health Funds Association of New Zealand (HFANZ), 31 March 2013.

Percentage of population aged +65 years

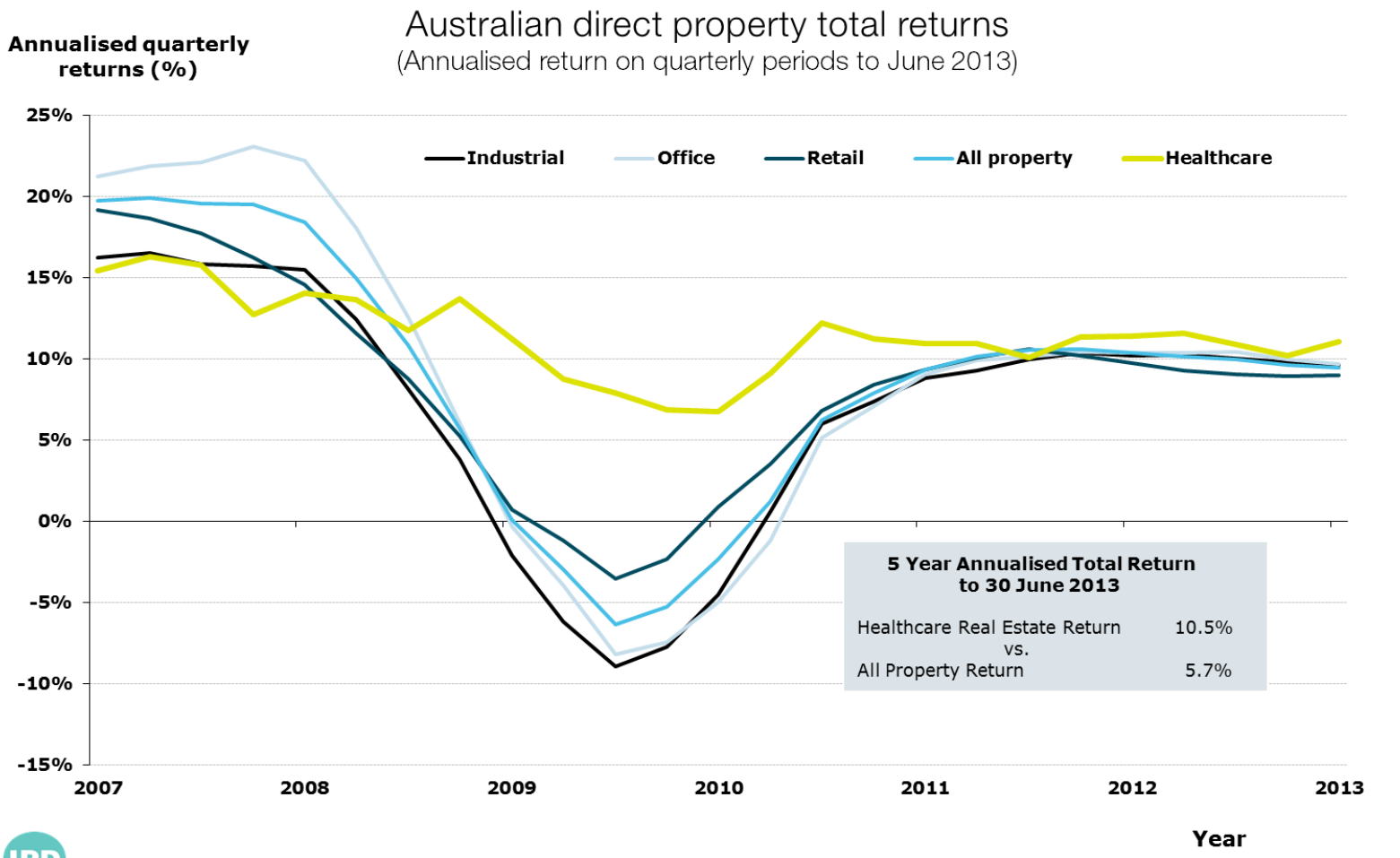
Ageing population is a global trend and underpins rising demand for healthcare services irrespective of economic cycles



Source: Australian Bureau of Statistics, NZ Department of Statistics

IPD Australian Healthcare Index

Healthcare real estate continues to deliver higher relative returns with lower volatility than other asset classes



Note: direct property returns based on PCA/IPD Index. 30 June 2013.

Source: IPD Research.

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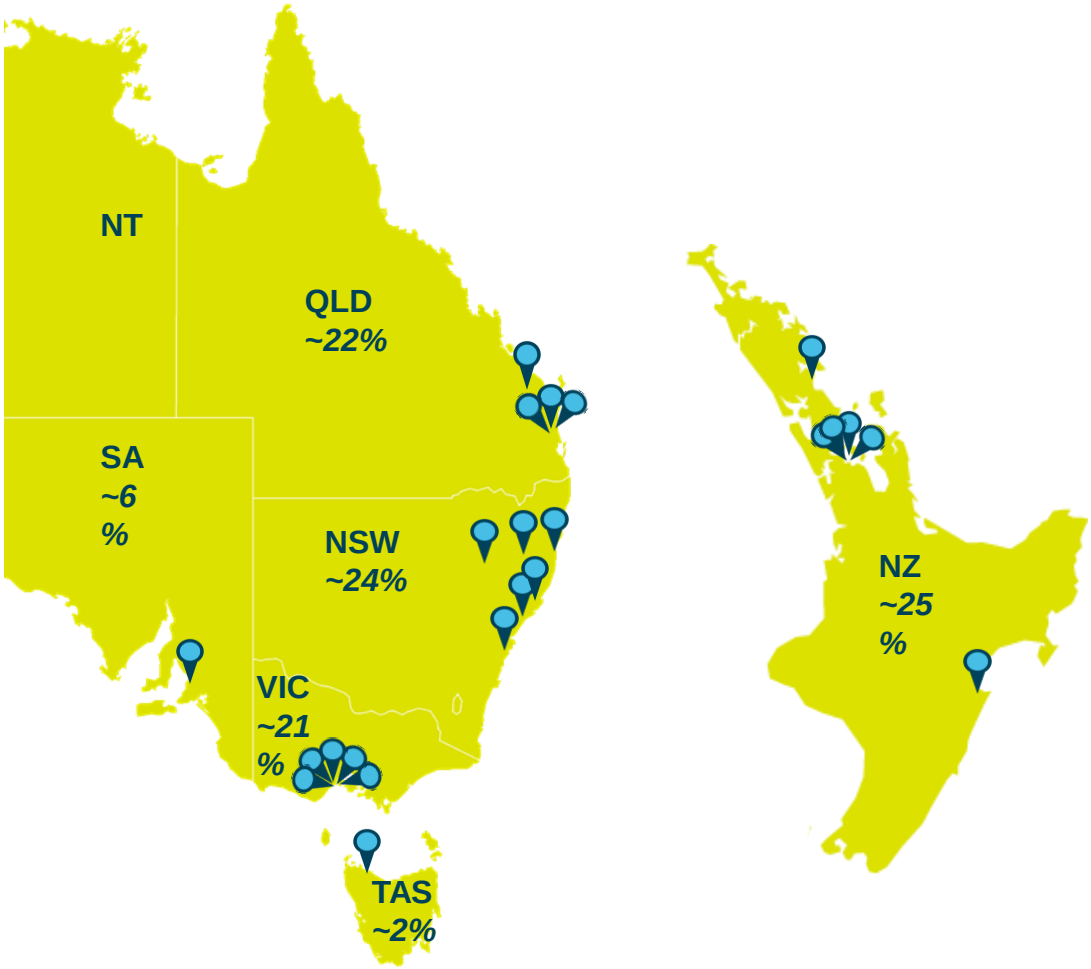
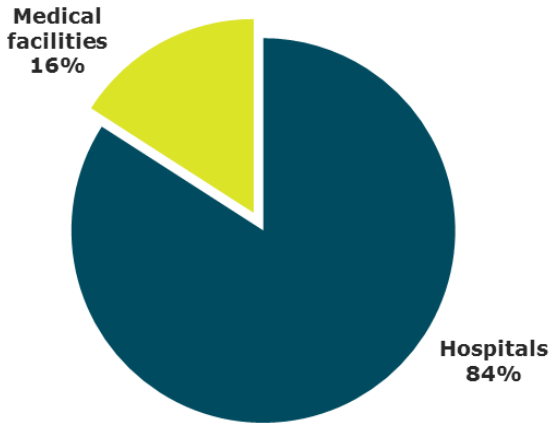
Portfolio review

Portfolio diversification

- *24 properties*
- *108 tenants*
- *Avg. property value ~$26 million*
- *75% of rent subject to structured reviews in FY13*



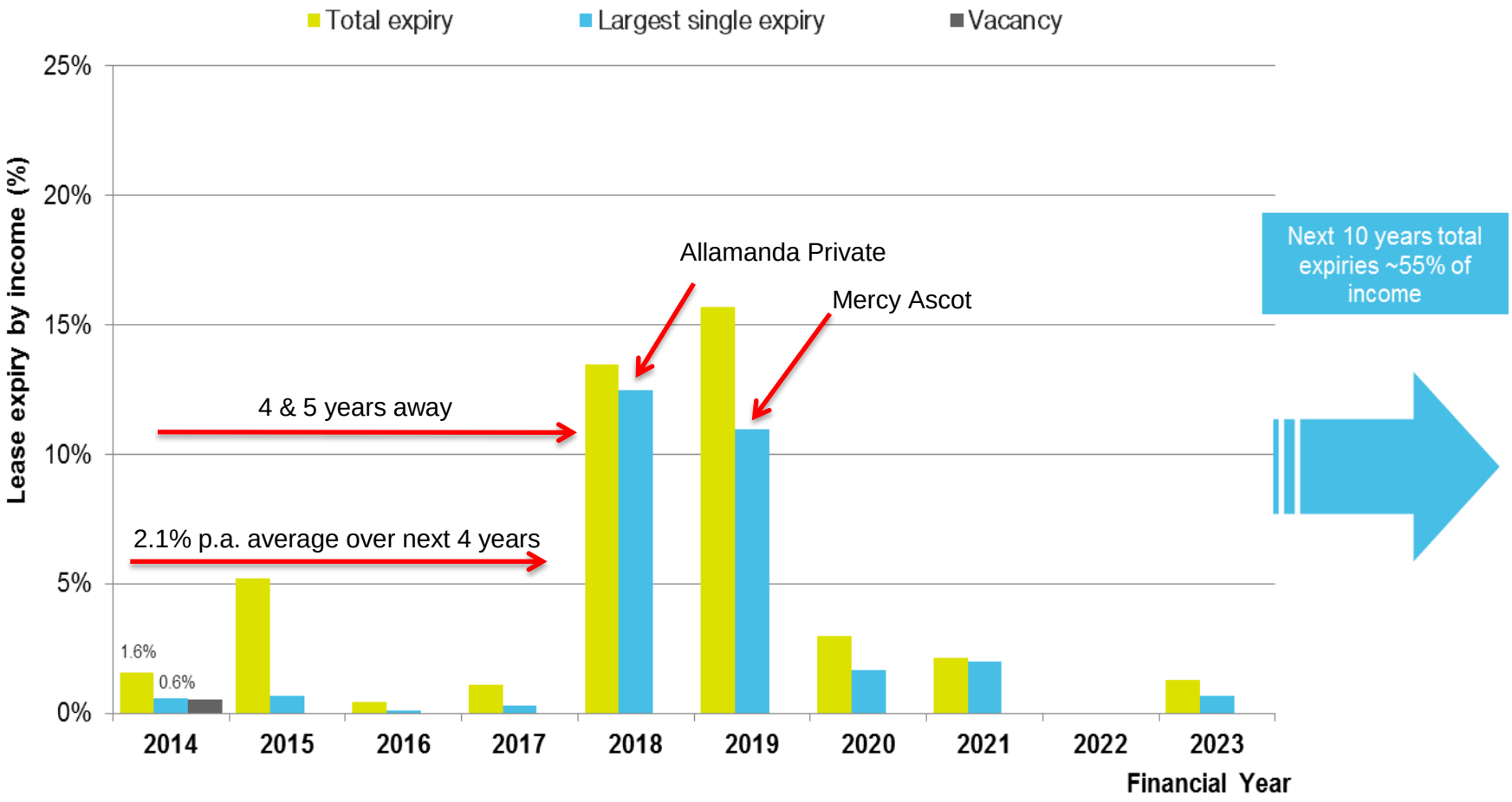


- *Acute surgical and medical*
- *Rehabilitation*
- *Psychiatric*

Note: As at 30 June 2013. All figures in NZD. Percentages are total value per state or country.

10 year lease expiry profile

Focus is on medium term lease expiry events



Development programme creating value & delivering capacity

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

Outlook

Outlook

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	▸ Vital has a long term positive view on healthcare demand and trends ▸ Strong demographic and healthcare trends underpin performance ▸ Constrained capacity creating opportunities ▸ Non-cyclical demand helps insulate the sector from market volatility
Portfolio & capital management	▸ Scale and diversification benefits supporting performance ▸ Management focus on medium term lease expiry events ▸ Capital deployment and recycling into attractive opportunities
Earnings	▸ Focus is on tenure, quality and diversification of earnings ▸ Funding environment supportive of growth
Guidance	▸ Board prudently guiding to a FY14 cash DPU of 7.9 cpu

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22 August 2013