

**Dear Unitholders,**

NorthWest Healthcare Properties Management Limited, manager of the Vital Healthcare Property Trust (Vital), is pleased to update you on Vital's operating performance and financial position for the quarter ended 31 March 2020.

**Acquisitions**

During the quarter, we announced and settled the acquisition of three Australian aged care assets for a total of NZ\$59.1m. The assets are leased to one of Australasia's oldest and most reputable operators, Bolton Clarke, for a weighted average lease expiry (WALE) of 16.5 years and provide a 6.5% yield on the purchase price. Vital's six aged care assets (~8% of Vital's revenue) have performed well despite COVID-19 with no cases reported in any of these facilities.

**Portfolio**

The portfolio's WALE remained sector leading at 17.6 years; down from 17.9 years at 31 December 2019 due to acquisitions and the passage of time.

Like-for-like net property income for the nine months ended 31 March 2020 grew 2.1% from the prior corresponding period (on a same currency basis).

Portfolio occupancy remained high at 99.4%; slightly down from 99.9% at 31 December 2019 reflecting temporary relocations to accommodate the Epworth Eastern East Tower development.

Net revaluation gains of NZ\$8m were recorded in the quarter, primarily due to rent reviews in the Australian portfolio. The weighted average portfolio capitalisation rate increased to 5.55%, from 5.52%, due to the acquisition of three aged care assets on a 6.5% capitalisation rate (higher than the previous average). In accordance with our normal practice these valuations were "Directors' valuations" with the full portfolio to be externally valued at 30 June 2020.

Acquisitions, revaluations and developments have resulted in **Vital's portfolio being valued at just over NZ\$2 billion.**

**Foreign exempt listing**

The proposed foreign exempt listing on the ASX did not achieve the required 75% threshold and so will not be proceeding. Costs incurred for the proposal, including prior year costs, have been expensed in the March quarter but will not impact distributions.

**Impact of COVID-19**

As will be the case for most of you, COVID-19 has presented a range of challenges across every aspect of our business.

Restrictions on elective surgery and accessing premises have had a significant impact on most of our tenants. Our support has been focussed on helping small-medium sized tenants (specialists, consultants, allied health professionals, small retailers, GPs etc.) experiencing up to a 100% loss of revenue with minimal government support and limited ability to recoup their losses in the future. Support to these smaller tenants (<10% of Vital's

revenue) comprises a mix of rent deferrals and abatements in accordance with Australia's Code of Conduct – Commercial Tenancies (as required in Australia and voluntarily applied in New Zealand tenants).

Hospital operators in Australia (~60% of Vital's revenue) have either agreed, or are in the process of finalising agreements, with each State government to provide facilities and services during the pandemic. In return, operators are expected to recover a substantial portion of their costs from Australian governments.

The situation for New Zealand hospitals (~20% of Vital's revenue) is less clear with no government support for private hospitals to date.

Unlike some other businesses, elective surgeries are expected to rebound as restrictions are eased over the coming weeks. We are providing partial rent deferrals to many of our hospital operator tenants in New Zealand and Australia to assist them with their cashflows until this rebound occurs.

As COVID-19 restrictions were not put in place until just prior to the end of the third quarter, the rent support we are providing is not currently expected to have a material impact on earnings or cashflow this financial year.

**Developments**

Toward the end of the quarter, all of Vital's major development projects in New Zealand were impacted by the overall lockdown of construction for non-essential projects in accordance with Government Guidelines. In the main, projects in Australia continued to be progressed, including at Epworth Eastern, albeit at lower levels of efficiency given COVID-19 related protocols. The exception being small scale projects in Australia where it has been deemed prudent to suspend works at this time. Currently, we anticipate that this may result in delays in Vital's income (rather than a loss of income). However, this will depend on government actions in both countries and the length of time restrictions are in place.

**Balance sheet**

Vital's balance sheet has recently been strengthened by NZ\$107 million of additional debt facilities and term extensions for near-term debt expiries. These enhancements to Vital's financial flexibility and liquidity mean that Vital now has over NZ\$243 million in undrawn debt facilities available from its long-term financiers and no debt expiring before March 2021 and only NZ\$128.5 million expiring before September 2021.

Aaron Hockly, Fund Manager  
14 May 2020



FINANCIAL PERFORMANCE (UNAUDITED)  
FOR THE NINE MONTHS ENDED 31 MARCH 2020

	9 months to Mar-20 \$000s	9 months to Mar-19 \$000s	Change
Gross property income from rentals	76,501	75,863	
Gross property income from expense recoveries	9,080	7,763	
Property expenses	(11,024)	(10,186)	
<b>Net property income</b>	<b>74,557</b>	73,440	1.5%
Corporate expenses	(3,332)	(2,199)	
Strategic transaction income and expenses	(7,947)	(3,639)	
Strategic transaction interest income	267	1,828	
Management fees – base	(9,188)	(10,388)	
Management fees – incentive	(4,870)	(7,504)	
Net finance expenses	(21,154)	(24,658)	
<b>Operating profit before tax and other income</b>	<b>28,333</b>	26,880	5.4%
Revaluation gain/(loss) on investment property	50,588	43,007	
Fair value gain/(loss) on interest rate derivatives	(12,440)	(22,343)	
Fair value gain/(loss) on foreign exchange derivatives	143	251	
Realised foreign exchange gain/ (loss)	5	-	
Unrealised gain/(loss) on foreign exchange	2,005	6,162	
<b>Profit before income tax</b>	<b>68,634</b>	53,957	27.2%
Current taxation expense	(7,552)	(7,236)	
Deferred taxation expense	(4,170)	(2,049)	
<b>Profit for the period attributable to unitholders of the Trust</b>	<b>56,912</b>	44,672	27.4%

LIKE-FOR-LIKE INCOME (UNAUDITED)  
FOR THE NINE MONTHS ENDED 31 MARCH 2020

	9 months to Mar-20 \$000s	9 months to Mar-19 \$000s	Variance \$000s	Change %
Gross property income	84,649	81,573	3,076	3.8%
Property expenses	(10,629)	(9,102)	(1,527)	16.8%
<b>Like-for-like net property income</b>	<b>74,020</b>	<b>72,471</b>	<b>1,549</b>	<b>2.1%</b>
Net property income from acquisitions	54	-	54	
Net property income from developments	2,115	511	1,604	
Straight-line rent	-	1,175	(1,175)	
Non-recurring R&M	(680)	(716)	36	
Foreign exchange	(952)	-	(952)	
<b>Net operating income</b>	<b>74,557</b>	<b>73,441</b>	<b>1,116</b>	<b>1.5%</b>

**Important note:** The information in this investor update is general information only and does not contain all information necessary to make an investment decision. The financial information in this investor update has not been audited. No representation or warranty, express or implied, is made to the accuracy, adequacy or reliability of information in this update, including the financial information. This investor update contains forward looking statements which are inherently susceptible to uncertainty. Vital's actual results may vary materially from those expressed or implied in this investor update. The Manager is under no obligation to provide any update the information included in this update, including as a result of the audit process



## BALANCE SHEET (UNAUDITED)

	31 Mar-20 \$000s	31 Dec-19 \$000s	Change
<b>Assets</b>			
Investment properties	2,008,157	1,926,743	4.2%
Other assets	9,035	11,889	(24.0%)
<b>Liabilities</b>			
Borrowings	758,331	679,608	11.6%
Other liabilities	206,711	189,194	9.3%
<b>Debt to gross assets</b>	<b>37.6%</b>	<b>35.1%</b>	
Total unitholders' funds	1,052,150	1,069,830	(1.7%)
Units on issue	453,167	452,581	0.1%
<b>Net tangible assets (\$/unit)</b>	<b>2.32</b>	<b>2.36</b>	<b>(1.8%)</b>
Period end NZD/AUD exchange rate	0.9725	0.9601	

## DEVELOPMENT PROGRESS

Development	Development work being undertaken	Development cost	Spend to date	Forecast completion date
<i>Australian projects:</i>		<i>(A\$m)</i>	<i>(A\$m)</i>	
Lingard Day Surgery (NSW)	New consulting building & carpark	31.3	25.9	Mid-20
Epworth Eastern (VIC)	New 14 storey tower incorporating 60 beds	126.2	25.5	Late-2021
The Hills Clinic (NSW)	26 bed expansion	8.6	7.6	Complete <sup>(1)</sup>
Eden Rehab (QLD)	Service diversification	12.4	1.0	Late-21 <sup>(2)</sup>
South Eastern (VIC)	New oncology centre	9.9	1.8	Mid-21 <sup>(3)</sup>
North West Private (TAS)	New 8 bed mental health ward	3.5	0	Mid-21 <sup>(2)</sup>
<b>Total Australian projects</b>		<b>191.9</b>	<b>61.8</b>	
<i>New Zealand projects:</i>		<i>(NZ\$m)</i>	<i>(NZ\$m)</i>	
Wakefield (Wellington)	Staged demolition and redevelopment of entire hospital	101.9	25.7	Staged 21-23
Royston (Hawke's Bay)	Expansion including new day surgery, two new theatres, recovery and admission areas and consulting space	18.7	6.7	Early-21
<b>Total New Zealand projects</b>		<b>120.6</b>	<b>32.4</b>	
<b>Total Projects in \$NZD*</b>		<b>317.9</b>	<b>95.9</b>	

\* A\$ converted at 31 Mar 2020 spot rate: 0.9725

(1) Practical completion was achieved on 4 May 2020

(2) Projects currently suspended

(3) Project under review, builder engaged by way of Letter of Intent only

## DISTRIBUTION

Payment date	25 June 2020
Cash distribution per unit	2.1875 cpu
Excluded distribution per unit	0.8572 cpu
Fully imputed distribution per unit	1.3303 cpu
Imputation credits	0.5173 cpu
Distribution reinvestment program available	Yes
Distribution reinvestment program discount	1%