



Tennyson Centre, a Cancer Centre of Excellence in Adelaide which Vital acquired for ~A\$93m in October 2021

# First Quarter Update

1 JULY – 30 SEPTEMBER 2021



13.2%

TOTAL RETURN 12 MONTHS  
TO 30/09/21



5.0%

Q1 INCREASE IN NET  
PROPERTY INCOME

Dear Unitholders,

The first quarter of FY22 has been a successful three months for the Trust with many key achievements announced during October including:

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## Continued Deployment of 5-Year Portfolio Strategy

Vital acquired a “Cancer Centre of Excellence” in Adelaide known as Tennyson Centre for ~A\$93m in mid-October 2021.

Tennyson Centre is located between Adelaide’s Airport and CBD and is ~300m from Ashford Hospital. Tenants are primarily engaged in the identification, assessment and treatment of cancer through oncology, radiotherapy, imaging and consulting with tenants such as ICON Cancer, Genesis Care, Sonic and Nexus Day Hospitals.

Also in mid-October, Gold Coast Surgery Centre was sold for ~A\$13m (before costs) ~5% above its book value. The sale removes an asset with persistent vacancy from the portfolio.

MARK MIDDLETON, GROUP CEO OF ICON GROUP, SAID:

“As Australia’s largest dedicated cancer care provider we are very pleased to have the NorthWest managed Vital Healthcare Property Trust acquire the Tennyson Centre and adjacent development land. In recognition that Tennyson has been acquired by the leading owner and manager of healthcare infrastructure in Australia, we have agreed to extend our lease for an additional 10 years. We look forward to this new partnership”.

Terms have been agreed to extend ICON’s lease for 10 years

*Vital’s 5-year portfolio strategy seeks to continue to improve the overall portfolio as a means to grow earnings for Vital’s unitholders. The strategy includes acquisitions, developments and divestments as well as a number of key targets such as tenant, geographic and sub-sector exposure.*



Artist's impression of ~\$160m<sup>1</sup> Playford Health Hub in Adelaide

## 2 Delivering Value for Unitholders

Vital's development of Playford Health Hub in Adelaide has recorded success across all three stages:

- **Stage 1:** ~A\$22m multi-deck car park and retail suites is due for completion in mid-Nov 2021. The project was anchored via a long-term lease to SA Health for ~50% of the car park with the retail component now substantially pre-leased.
- **Stage 2:** ~A\$39m Specialist Medical Centre is ~60% pre-leased and design work has significantly progressed. Construction is expected to commence in mid-2022.
- **Stage 3:** ~A\$50m (plus expected capital contribution from operator in excess of \$25m) for 100+ bed private hospital advanced discussions underway.

<sup>1</sup> Includes base build and fit-out costs



Wakefield Hospital, Wellington, NZ

During the quarter, stage one of the redeveloped Wakefield Hospital in Wellington was officially opened with the contract for stage two executed and early works underway. This project includes additional funding from Vital and Evolution Healthcare (Wakefield's operator).

~NZ\$74m of new and extended brownfield developments were approved across five of Evolution Healthcare's facilities in New Zealand:

- Grace Hospital, Tauranga which Evolution operates in a joint venture with Southern Cross.
- Royston Hospital, Hastings.
- Royston Day Surgery Unit, Hastings.
- Wakefield Hospital, Wellington.
- Bowen Hospital, Wellington.

Refer to the updated committed developments table on the back page of this update for more details.

*Developments are a critical part of delivering valuation and earnings growth for unitholders whilst providing new and upgraded facilities for our tenants and the communities we operate in.*

## Q1 Distribution

**PAYMENT DATE**  
16 DECEMBER 2021

Ex date  
1 December 2021

  
**2.375**  
CASH DISTRIBUTION  
CPU

  
**8.6%**  
GROWTH

  
**9.50**  
ANNUALISED  
DISTRIBUTION CPU

  
**0.0380**  
IMPUTATION CREDITS  
CPU

  
**YES**  
DRP ACTIVE

  
**1%**  
DRP DISCOUNT

## 3 Balance Sheet Strengthened Further

A\$315m of new debt facilities were secured increasing funds available to support the activities noted previously, diversifying lenders (syndicated banks increased from two to six) and extending weighted average debt term from 2.5 years to 3.9 years<sup>2</sup>.

NZ\$142.8m of new equity capital was raised primarily from existing unitholders via a NZ\$115m placement and a NZ\$27.8m unit purchase plan with all of Vital's unitholders who opted to participate able to do so at or above pro-rata. The proceeds will support the developments and acquisitions referred to previously.

*Prior to the impact of any 31 December 2021 revaluations, Vital's balance sheet gearing is a conservative ~34%<sup>3</sup> providing significant capacity for value-adding acquisitions and developments.*

### COVID-19

Whilst Australia has largely reopened post-COVID lockdowns, impacts continue for many of Vital's tenants and their patients particularly in Auckland (10% of rent) which remains in a strict lockdown at the time of this report. Vital has continued to support smaller tenants, primarily those who occupy ambulatory care facilities who are unable to recoup lost earnings post lockdown.

<sup>2</sup> Both figures pro forma at 30 June 2021

<sup>3</sup> 30 Sept proforma incl. Oct equity raise

Fortunately, Vital's hospital tenants (80% of revenue) and aged care tenants (7% of revenue) have a high level of government support and / or have the ability to make up for lost revenue post-lockdowns ending.

### NZD:AUD

The Reserve Banks of New Zealand and Australia are charting different paths with the former recently increasing interest rates and the latter looking to keep them on hold for some time. This has resulted in a relatively high New Zealand dollar versus the Australian dollar by historical standards. As ~70% of Vital's earnings are in AUD but Vital reports in NZD, a high NZD has a negative impact on Vital's reported earnings. We have allowed for this in our FY22 guidance (refer below).

### FY22 guidance

Vital remains on track to achieve FY22 earnings guidance of at least 11.8 cents per unit (at least 2.0% above FY21) and distribution guidance of 9.5 cents per unit (7.0% above FY21).

*Your investment in Vital is an investment in some of the leading healthcare facilities in New Zealand and Australia underpinned by rental income that tracks inflation (~89% of leases are indexed to CPI in some way).*

Thank you for your ongoing support for Vital.



**Aaron Hockly**  
Fund Manager  
17 November 2021

“ After allowing for transactions which settled in October, Vital’s property portfolio was valued at \$2.7b. This is before any valuation increases which may occur once the portfolio is revalued at 31 December 2021. ”



Grace Hospital, Tauranga, NZ

## Q1 UPDATE

### Like-for-like Financial Performance (unaudited)

For the period	3 months to 30 Sep 21 \$000s	3 months to 30 Sep 20 \$000s	Variance \$000s	Change %
Gross property income	30,959	30,763		
Property expenses	(4,329)	(4,623)		
<b>Like-for-like net property income</b>	<b>26,630</b>	<b>26,140</b>	490	1.9%
Net property income from acquisitions	2,317	-		
Net property income from disposals	-	1,316		
Net property income from developments	622	228		
Straight-line rent	(519)	(346)		
Non-recurring items	210	(64)		
Foreign exchange	(633)	-		
<b>Net property income</b>	<b>28,625</b>	<b>27,273</b>	1,352	5.0%

*\$142.8m equity capital raised after the end of the quarter reducing gearing to 32.4%*

### Financial Position (unaudited)

As at	30 Sep 21 \$000s	30 Jun 21 \$000s	Variance \$000s	Change %
<b>Assets</b>				
Investment properties	2,637,070	2,634,588	2,482	0.1%
Other assets	71,913	27,972		
<b>Liabilities</b>				
Borrowings	992,615	932,377	60,238	6.5%
Other liabilities	218,762	226,732		
<b>Debt to gross assets</b>	<b>36.6%</b>	<b>35.0%</b>		1.6%
<b>Total unitholders' funds</b>	<b>1,497,606</b>	<b>1,503,451</b>	(5,845)	(0.4%)
Units on issue (000s)	525,667	519,753		
<b>Net tangible assets (\$/unit)</b>	<b>2.85</b>	<b>2.89</b>	-0.04	-1.4%
Period end NZD/AUD exchange rate	0.9547	0.9309		

## YEAR-TO-DATE UPDATE

### Year-to-date Financial Performance (unaudited)

For the period	3 months to 30 Sep 21 \$000s	3 months to 30 Sep 20 \$000s	Variance \$000s	Change %
Gross property income	33,778	32,319		
Property expenses	(5,153)	(5,046)		
<b>Net property income</b>	<b>28,625</b>	<b>27,273</b>	1,352	5.0%
Corporate expenses	(700)	(1,116)		
Management fees (base & incentive)	(5,919)	(4,207)		
Net finance expenses	(6,678)	(7,401)		
<b>Operating profit</b>	<b>15,328</b>	<b>14,549</b>	779	5.4%
<b>Non-operating gains/(losses)</b>				
Fair value gain/(loss) on investment property	8,039	2,703		
Fair value gain/(loss) on derivatives	2,938	(4,417)		
Realised & unrealised gain/(loss) on foreign exchange	(85)	(2,678)		
<b>Profit/(Loss) before income tax</b>	<b>26,220</b>	<b>10,157</b>	16,063	158.1%
Current and deferred taxation	(3,854)	(342)		
<b>Profit/(Loss) for the period attributable to unitholders of the Trust</b>	<b>22,366</b>	<b>9,815</b>	12,551	127.9%
<b>Funds from Operations (FFO)</b>	<b>16,049</b>	<b>13,709</b>	2,340	17.1%
<b>Adjusted Funds from Operations (AFFO)</b>	<b>15,976</b>	<b>13,347</b>	2,629	19.7%
<b>AFFO per unit</b>	<b>3.06</b>	<b>2.93</b>	0.14	4.4%
<b>Weighted average units on issue (000s)</b>	<b>521,270</b>	<b>454,795</b>	66,475	14.6%
Average NZD/AUD exchange rate	0.9532	0.9258		

**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 to information included in this update, including as a result of the audit process.

## Development Update

Development	Development work being undertaken	Development cost	Spend to date	Forecast completion date
		<b>(A\$m)</b>	<b>(A\$m)</b>	
<b>Australian</b>				
Epworth Eastern Hospital (VIC)	New 14 storey tower incorporating five operating theatres, 60 beds, levels of consulting and refurbishment of the existing medical centre	96.5	79.7	Early-22
Belmont Private Hospital (QLD)	48 new inpatient beds, 13 private practice consulting suites and 70 new car parks	22.6	5.1	Late-22
Playford Health Hub Stage 1 (SA)	Multi-deck car park (circa 450 spaces) and ground floor retail	20.7 <sup>4</sup>	17.7	Late-21
Playford Health Hub Stage 2 (SA)	Specialist Medical Centre - Radiology, Oncology, Radiotherapy (TBC), Consulting	32.6 <sup>4</sup>	0.5	Late-23
Playford Health Hub Stage 3 (SA)	New co-located private hospital proposed to accommodate ten operating theatres, over 100 beds and ~150 basement car parks	50.0 <sup>5</sup>	0.1	Late-24
Abbotsford Private Hospital (WA)	47 beds, parking, therapy rooms and admin	18.6	5.6	Mid-22
Eden Rehabilitation (QLD)	New nine bed mental health ward and conversion of an existing ward to provide a 29 bed unit along with refurbishment of the rehabilitation ward	4.7	2.9	Late-22
<b>Total Australian Developments</b>		<b>245.7</b>	<b>111.6</b>	
		<b>(NZ\$m)</b>	<b>(NZ\$m)</b>	
<b>New Zealand</b>				
Wakefield Hospital, Wellington	Staged demolition and redevelopment of entire hospital	141.4	61.2	Staged 21-24
Grace Hospital, Tauranga	Works include fitout of two theatres, PACU redevelopment, and 10 additional ward rooms	31.7	0.0	Staged to Late-23
Royston Hospital, Hawke's Bay	Stage 2 – Fitout of two operating theatres, among other works	6.3	0.0	Early-22
Royston Hospital DSU, Hawke's Bay	New standalone two theatre Day Surgery Unit and OT2 fitout	8.8	6.2	Early-22
Bowen Hospital, Wellington	OT5, Consulting and Ward refurbishment	6.3	0.0	Mid-23
Boulcott Private Hospital, Wellington <sup>6</sup>	Two new theatres, PACU expansion and conversion of double rooms to singles	7.7	0.0	TBC
<b>Total New Zealand Developments</b>		<b>202.8</b>	<b>67.5</b>	
<b>Total Developments in \$NZD<sup>7</sup></b>		<b>460.2</b>	<b>184.4</b>	

<sup>4</sup>Excludes land value

<sup>5</sup>~\$50m plus expected capital contribution from operator in excess of \$25m

<sup>6</sup>Discussions underway with operator around potential variations to scope and timing

<sup>7</sup> A\$ converted at 30 September 2021 spot rate 0.9547