

9 December 2024

### Further information as part of Dual Listed Trust (DLT) consultation

As announced to the market on 20 November 2024, Northwest Healthcare Properties Management Limited (**the Manager**), as manager of Vital Healthcare Property Trust (**Vital**), is currently undertaking a consultation with Unit Holders on a Proposal that would involve restructuring Vital into separate New Zealand and Australian trusts with independently traded primary listings on the NZX and the ASX, with equalisation arrangements put in place such that Vital would continue to function as a single economic entity (**the Proposal**).

As part of the consultation process the Manager has received requests for additional information from investors to enable them to assess the Proposal and provide detailed feedback.

Accordingly, the Manager is releasing today the attached Q&A document containing further information to address key investor questions received. Work on developing the Proposal is ongoing and the information provided is indicative only, with a view to facilitating engagement on the Proposal at a relatively early stage. All information provided is subject to the limitations noted throughout as well as the important notices on the last page. In particular, there is no certainty that the Proposal will be implemented and, if it is, more detailed information will be provided to Unit Holders.

– ENDS –

### MEDIA ENQUIRIES:

Mark Watts, Managing Partner, GRC Partners, Tel +64 27 250 4018 [mark.watts@grcpn.nz](mailto:mark.watts@grcpn.nz)

### OTHER ENQUIRIES

Aaron Hockly, Fund Manager,

Vital Healthcare Property Trust  
099737301 [aaron.hockly@nwhreit.com](mailto:aaron.hockly@nwhreit.com)

Michael Groth, Chief Financial Officer

Northwest Healthcare Properties  
+61409936104 [michael.groth@nwhreit.com](mailto:michael.groth@nwhreit.com)

### About Vital (NZX code VHP):

Vital is an NZX-listed fund that invests in high-quality healthcare properties in New Zealand and Australia including private hospitals (~79% of portfolio value) and ambulatory care facilities (~21% of portfolio value). Vital is the leading specialist listed landlord of healthcare property in Australasia. For more information, visit our website: [www.vhpt.co.nz](http://www.vhpt.co.nz)

Vital is managed by Northwest Healthcare Properties Management Limited, a subsidiary of Toronto Stock Exchange listed Northwest Healthcare Properties REIT ("**Northwest**"), a global owner and manager of healthcare property.

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Question ID	Question
Strategy	
1.	<p><b>How does the Proposal impact Vital’s investment strategy?</b></p> <p><b>Vital’s investment strategy and property portfolio will not change.</b></p> <p>Investors will remain economically exposed to all of Vital’s NZ\$3.2 billion portfolio of existing assets across New Zealand and Australia, as well as future opportunities in both countries, regardless of whether investors hold units in Vital New Zealand or Vital Australia due to an equalisation agreement between both trusts.</p> <p>There will be no change in Vital’s strategy to invest in healthcare real estate across Australia and New Zealand as a means to deliver stable and growing total Unit Holder returns targeting 2-3% annual growth in AFFO and distributions over the medium term. Future opportunities in both Australia and New Zealand would be assessed on their merits on the same basis as they are today.</p> <p>Vital will remain the only pure play healthcare investment trust on the NZX and ASX with:</p> <ul style="list-style-type: none"> <li>• A scale portfolio of NZ\$3.2 billion across Australia and New Zealand</li> <li>• A sector leading WALE of 19.4 years</li> <li>• 86% of rent linked to CPI, of which 70% has a cap with a weighted average of 3.6%</li> <li>• A significant ~NZ\$1.9 billion potential development pipeline opportunity across New Zealand and Australia</li> </ul>

	<ul style="list-style-type: none"> <li>• A long-term track record of performance, delivering Unit Holders with a total return of 8.8% p.a. over the last 25 years</li> </ul> <p>The Proposal is designed to reduce property level and regulatory costs and minimise current structural inefficiencies, increasing Vital’s earnings and distributions, improving Vital’s cost of capital and allowing Vital to access a larger pool of capital via the ASX listing. These benefits are intended to also help unlock substantial embedded value for Unit Holders in Vital’s development pipeline across New Zealand and Australia.</p> <p>Vital’s Directors and Manager believe the Proposal could represent a compelling value and a total return opportunity for Vital’s existing Unit Holders and warrants serious consideration.</p>
Financial	
2.	<p>What is the level of expected AFFO per unit and DPU accretion to Vital as a result of the Proposal?</p> <p>Indicatively, the Proposal is expected to provide accretion to AFFO per unit (reported on a combined basis) and cash distributions per unit at the Vital trust level indicatively in the range of 10% - 15% compared to what Vital Unit Holders receive today.<sup>1</sup></p> <p>Indicatively, the Proposal is expected to increase Vital’s AFFO by ~NZ\$10.5 million per annum by removing property costs, regulatory costs and delivering structural inefficiency savings.</p> <p>This is derived from:</p> <ul style="list-style-type: none"> <li>• The removal of NZ entity level tax in respect of the Australian portfolio</li> <li>• Removal of property level cost inefficiencies <ul style="list-style-type: none"> <li>◦ If, post implementation, Vital AU (which will trade on the ASX) were to become majority owned by Australian resident investors, these savings have the potential to further increase significantly</li> </ul> </li> <li>• Reduced regulatory costs through Vital NZ and Vital AU each complying with their respective regulatory regimes, rather than the mix at present.</li> </ul> <p>The ongoing costs from the Proposal are expected to be ~NZ\$0.5m per annum leading to a net saving of ~NZ\$10.0m (at the Vital entity level). The exact level of accretion for <i>existing</i> Unit Holders after their personal tax will depend on their tax status, elections they make to hold Vital NZ / Vital AU and the final allocations to each.<sup>1</sup> This is further explained in Question 3 below.</p>
3.	<p>What is the expected financial impact of the Proposal on individual investors (after personal tax)?</p> <p>Whilst the Proposal could have significant non-tax benefits, the final impact on Unit Holders’ distributions after personal tax will depend on their tax domicile, marginal tax rate, tax profile, the proportion of units they hold in Vital NZ and Vital AU and where applicable the method they adopt under New Zealand’s Foreign Investment Fund rules.</p>

<sup>1</sup> Prepared on a pro forma basis using Vital’s FY24 financials as if the Proposal had been implemented on 30 June 2023. This has not yet been reviewed by accounting and tax advisers, and remains subject to the receipt of binding tax rulings from the IRD and ATO and the final capital structure of Vital NZ and Vital AU. Formal transaction documents to be released in relation to the DLT proposal (if it proceeds) will be subject to review and include FY25 pro forma financial analysis and the impact to after-tax DPU for Unit Holders based on various allocations of Vital NZ and Vital AU units. Based on current financial modelling, FY25 accretion is expected to be substantially consistent (i.e. “double digit”) with the FY24 analysis.

*Transitional impact to distributions (post personal tax):*

The indicative proportion of Vital NZ units that a New Zealand resident Unit Holder would need to hold in order to receive higher DPU (post personal tax) than under Vital's current structure is set out below.<sup>2</sup>

Marginal tax rate	Indicative range - Vital NZ % of units
0.0%	0%
10.5%	0%
17.5%	5% - 10%
28.0% / PIE	45% - 50%
30.0%	50% - 55%
33.0%	55% - 60%
39.0%	60% - 65%

For example, a New Zealand tax resident with a 39% marginal tax rate is expected to have higher year one distributions following implementation provided they hold at least 60-65% of their Vital holding in Vital NZ with the balance in Vital AU. This would be in addition to other benefits including an any possible increase in Vital's aggregate unit price.

It is intended that the equalisation ratio is set with respect to the geographic split of net assets, resulting in a Unit Holder's pro rata allocation of Vital NZ units (~35%), accordingly additional initiatives proposed to facilitate New Zealand resident investors receiving a higher proportion of Vital NZ units via an exchange facility are outlined in Question 6 below.

New Zealand Unit Holders who adopt the annual fair dividend rate (FDR) method to calculate their tax on foreign investments would also benefit from a 9 month period (1 July 2025 – 31 March 2026 based on the proposed transaction timetable) during which they would not pay tax on any investment retained in Vital AU, which would be expected to increase their DPU (post personal tax) in FY25.

*Ongoing impact to distributions (post personal tax):*

Once New Zealand resident Unit Holders have invested entirely through Vital NZ (via initial exchange facility, transition post-implementation or new investment) **the Proposal is expected to deliver material DPU accretion (after personal tax), indicatively in the range of 10% to 15% (in line with accretion to Vital NZ cash DPU).**

*Value impact:*

Importantly, the increase in Vital's AFFO and distributions through Vital NZ and Vital AU (on a cash and post personal tax basis) would accrue to all prospective investors from the implementation date – i.e. all incremental investment in Vital NZ or Vital AU should be through a more efficient structure. Higher AFFO and distributions may increase the trading price of Vital units.

4. What is the expected impact on Northwest from the proposal?

The benefits of the Proposal to Northwest are expected to be broadly commensurate with other Unit Holders. The Proposal has been driven by local management and supported by Vital's independent directors.

<sup>2</sup> This information is indicative only and is subject to the qualifications and notes in footnote 1 on the previous page. Among other assumptions, the calculations assumes a Vital AU unit price of NZ\$1.96 per unit, in line with Vital's 12-month VWAP as at 3 December 2024.

	<p>Northwest may benefit, alongside other Unit Holders, from the proposed DLT structure as a result of:</p> <ul style="list-style-type: none"> <li>• Higher distributions – expected to be “single digit” accretive for Northwest (on a post-tax basis)</li> <li>• Any potential for a re-rate in Vital’s unit price</li> <li>• An improved cost of capital which may lead to: <ul style="list-style-type: none"> <li>○ the activation of Vital’s existing development pipeline in New Zealand and Australia which unlocks embedded value in Vital; and</li> <li>○ improvement in Vital’s ability to take advantage of accretive opportunities across New Zealand and Australia.</li> </ul> </li> </ul> <p>To support the transition of Vital AU holdings to Vital NZ holdings for NZ resident Unit Holders as part of the proposed Exchange Facility, Northwest is willing to consider reducing (via the proposed Exchange Facility) its proportionate holding in Vital NZ (to an initial range of ~15 – 20% with a corresponding increase in Vital AU), thereby increasing the amount of Vital NZ units available to other Unit Holders.</p> <p>Northwest has also expressed an openness to governance enhancements by facilitating Vital becoming an equity issuer and providing Vital’s independent directors with a right (on behalf of Unit Holders) to participate in the event Northwest looks to exit its management rights in relation to Vital.</p>
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<b>DLT Structure</b>	
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5.	<b>What will I own if the Proposal is implemented?</b>
	<p>You will own units in Vital New Zealand and/or Vital Australia, which would be separate trusts listed on the NZX and ASX respectively. Equalisation arrangements between them will mean that they provide the same economic exposure as Vital prior to implementation.</p> <p>More specifically, investors will own units in:</p> <ul style="list-style-type: none"> <li>• Vital New Zealand (<b>Vital NZ</b>), New Zealand trust which will be a listed PIE, own Vital’s New Zealand portfolio and be listed on the NZX; and/or</li> <li>• Vital Australia (<b>Vital AU</b>), an Australian unit trust (AMIT) and own Vital’s Australian portfolio and be listed on the ASX.</li> </ul> <p>While Vital NZ and Vital AU would be separate <u>trusts</u>, investors with equalisation arrangements between them will preserve Vital as a single investment proposition in relation to Unit Holders’ economic exposure, including the same income distributions per unit (pre-tax) derived from the same portfolio of assets, with the same liabilities and consolidated financial accounts (subject to regulatory relief to facilitate joint financial reporting).</p>
6.	<b>Can I choose which trust I hold my units in?</b>
	<p>Following the pro-rata allocation of units in Vital AU and Vital NZ, Unit Holders will have the opportunity to indicate the proportion of Vital AU and Vital NZ units they wish to hold (i.e. up to 100% Vital NZ, up to 100% Vital AU, or an election as to the proportions of Vital NZ and Vital AU).</p> <p>At implementation, Vital is seeking to ensure that, through an Exchange Facility:</p> <ol style="list-style-type: none"> <li>1. Unit Holder indications to their preferred entity can be fulfilled to the maximum extent possible, and</li> <li>2. Smaller investors can elect to hold all of their investment through Vital NZ and/or are provided the opportunity to sell their Vital AU units at or around implementation.</li> </ol>

Initiatives proposed to help satisfy elections include:

- Northwest may reduce its holding in Vital NZ from its 28.4% pro rata interest to between ~15% and 20% (with a corresponding increase in its holding in Vital AU). That is, Northwest may hold a lower amount of Vital NZ relative to Vital AU to make additional Vital NZ units available to satisfy other Unit Holder elections.
- New ASX investors may bid for Vital AU units in the Exchange Facility which may result in Unit Holder elections being satisfied in full or part by the issue of new Vital NZ units
- The allocation of Vital's debt between Vital NZ and Vital AU that sets their respective net asset value and therefore the initial number of Vital NZ and Vital AU units available.

Initial Feedback from investors regarding their likely holding preference, and the impact of the initiatives described above could indicatively increase the units available to satisfy the allocation of Vital NZ units to available to other New Zealand investors as follows:

	Indicative pro rata split	Holding split post initiatives <sup>3</sup>
Vital NZ units	35%	> 60%
Vital AU units	65%	< 40%

The above considerations are only for implementation. Going forward, investors can select which exchange they want to invest through.

7. What is the expected effect on Vital's S&P/NZX 50 weighting?

We expect demand for Vital's units to be higher (in aggregate) following implementation including the new passive demand for Vital AU to more than compensate for the reduction in passive demand from the existing index weighting for Vital NZ.

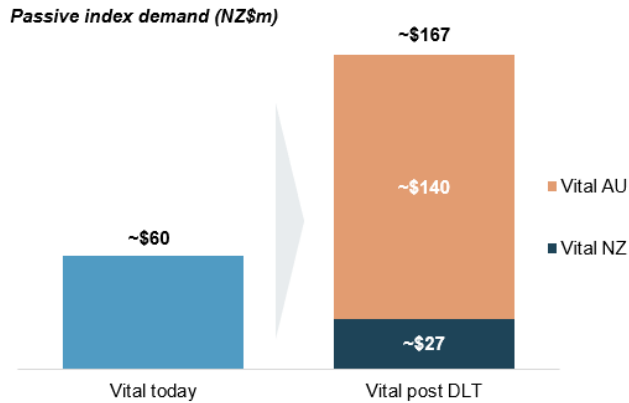
Following implementation, the market capitalisation of Vital NZ will reduce compared to Vital today, reducing its weighting in the S&P/NZX 50. This is expected to be more than offset by demand for Vital AU which is expected to gain S&P / ASX300 index inclusion within its first year of trading on the ASX.

Vital NZ's free float market capitalisation would also be improved by Northwest holding less than 28.4% of Vital NZ.

While the reduced size of Vital NZ may impact its liquidity on the NZX, we note another NZX property fund with ~0.3% weighting / #42 in the index and a manager with a similar holding as proposed for Vital NZ currently meets S&P/NZX 50 liquidity tests.

<sup>3</sup> These assumptions are subject to register movements between now and implementation (should that occur) and specific Unit Holder elections that cannot be known at this time.

Following implementation, current estimates of the change in demand from passive or index funds is as follows:



In addition to the passive or index demand noted above, based on investor feedback, demand is also expected from Australian and Global index aware managers, active institutional fund managers and Australian retail investors following implementation, which is expected to provide incremental demand and additional support for Vital's unit price.

8. How would a takeover of Vital work?

Under the proposed DLT structure (and subject to regulatory relief):

- In the context of a takeover offer, the bidder would be required to make simultaneous takeover offers to acquire Vital NZ and Vital AU units on the same terms; and
- An acquisition of all the units in the trusts through unitholder approval (e.g., a trust scheme by amendment to the trust constitutions) would need to be approved through special resolutions approved both Vital NZ and Vital AU unitholders.

Equalisation

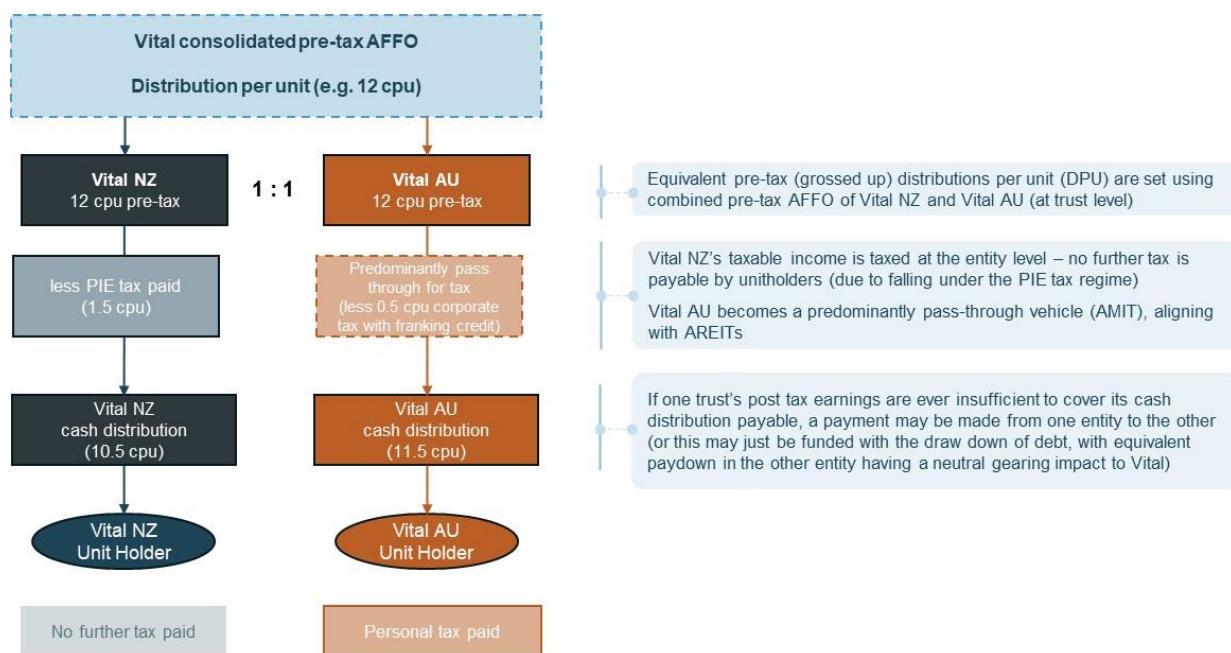
9. How does equalisation work in practice?

Equalisation arrangements are intended to preserve the economic benefits and risks for all Unit Holders from Vital's assets, liabilities, income and expenses regardless of whether they directly hold via Vital NZ or Vital AU units. They will also include important protections to ensure one side can't adversely impact the other without the other side's approval.

At implementation, the Vital NZ manager and trustee, and Vital AU trustee, will enter into equalisation agreements. These agreements will deal with the operation of the DLT structure and broadly require that the Vital NZ manager and trustee and Vital AU trustee take certain "matching" actions intended to ensure that unitholders in each trust receive economic returns that correspond to the equalisation ratio (which on commencement is intended to be 1:1).

The equalisation agreements set out the specific circumstances in which matching actions are required and associated matters. For example, there will be a requirement to equalise cash distributions to Unit Holders across both trusts. Equalisation of cash distributions is generally undertaken on a "pre-tax" basis (i.e. ignoring tax paid by, or on behalf of unitholders).

Illustrative equalisation of income distributions:



10. Will all future capital raisings be conducted on both the ASX and NZX and how will they work?

Capital is expected to be raised on both the NZX via Vital NZ and on the ASX via Vital AU going forward.

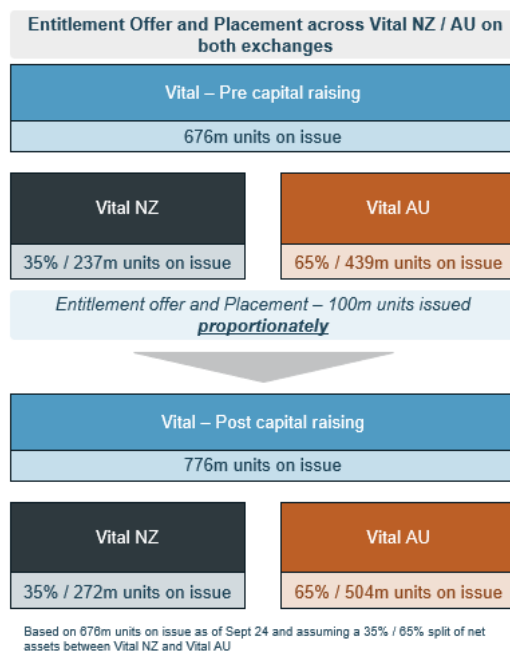
Rights offers must be conducted across both Vital NZ and Vital AU proportionately and at the same price.

In relation to placements, Vital's board intends to continue to apply its existing allocation policy that seeks to preserve the proportionality for current investors from placements and follow-on retail offers, if the Proposal proceeds. For example, if a placement occurs<sup>4</sup>, the Manager will seek to ensure that eligible institutional and custodian holders can participate to at least maintain their relative economic exposure to Vital and follow-on retail offers would be conducted for both Vital NZ and Vital AU.

<sup>4</sup> Limited to placements for raising equity capital and excludes corporate actions like M&A for which units may be used to as consideration to fund the transaction.



Examples of capital raising mechanics are shown in the diagrams below



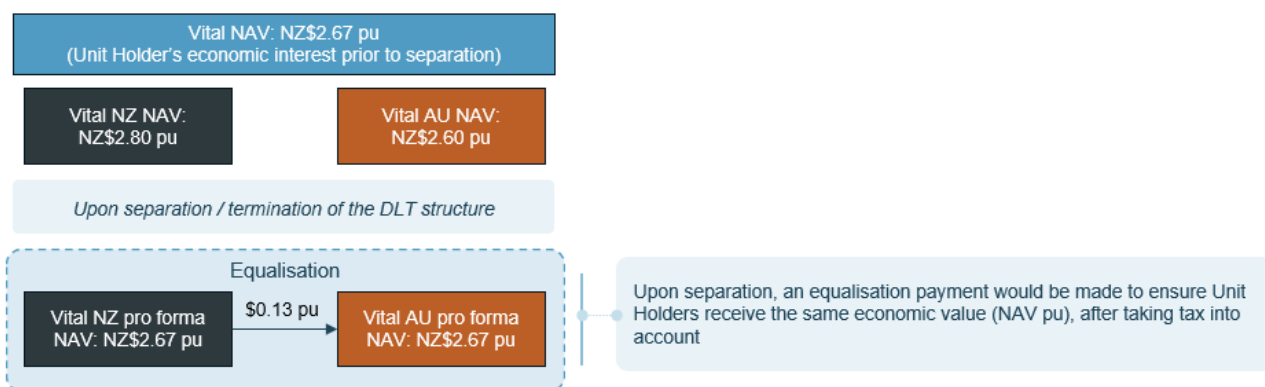
11. Can Vital NZ and Vital AU be separated?

Under the equalisation arrangements, Unit Holders in Vital NZ and Vital AU will **only** have an economic interest in the combined/consolidated balance sheet of Vital.

Separation of Vital NZ and Vital AU would require approval by the Unit Holders of **both** entities (75% vote) to terminate the equalisation arrangements.

Upon separation, a payment by one side to the other and/or reorganisation of Vital’s capital may be undertaken to ensure that all Unit Holders in Vital NZ and Vital AU receive the same economic value (i.e. Net Asset Value per unit with some specific adjustments set out in the Equalisation Agreements) as shown in the diagrams below.

There is no current intention to separate the entities, with the DLT structure providing Unit Holders with the benefit of exposure to Vital’s scale and diversified portfolio.



## Important notices

This document provides general information only and is not intended as investment, legal, tax, financial product or financial advice or recommendation to any person and must not be relied on as such. You should obtain independent professional advice prior to making any decision relating to your investment or financial needs.

There is no certainty that the proposal contemplated by this document will be implemented. It remains subject to significant uncertainty and details that are yet to be worked through and are to be consulted on.

This document may contain forward-looking statements. Forward-looking statements can include words such as "expect", "intend", "plan", "believe", "continue" or similar words in connection with discussions of future operating or financial performance or conditions. Any indications of, or guidance or outlook on, future earnings or financial position or performance and future distributions are also forward-looking statements. The forward-looking statements are based on management's and directors' current expectations and assumptions regarding the Trust's business, assets and performance and other future conditions, circumstances and results. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and to any changes in circumstances. The Trust's actual results may vary materially from those expressed or implied in the forward-looking statements. The Manager, the Trust, and its or their directors, employees and/or shareholders have no liability whatsoever to any person for any loss arising from this document or any information supplied in connection with it. The Manager and the Trust are under no obligation to update this document or the information contained in it after it has been released. Past performance is no indication of future performance.

The information in this document is of general background and does not purport to be complete. It should be read in conjunction with Vital's market announcements lodged with NZX, which are available at [www.nzx.com/companies/VHP](http://www.nzx.com/companies/VHP)

The transaction described in this document remains subject to board, regulatory and Unit Holder approvals and there is no guarantee that the restructure will proceed in the form described in this document or at all.