

20 November 2024

Vital to undertake consultation on a Dual Listed Trust (DLT) proposal

- **Proposal 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**
- **Proposal intended to provide earnings accretion, a broader investor base and governance enhancements making Vital a more attractive investment vehicle to improve its access to and cost of capital**
- **Consultation to occur over remainder of 2024 with a view to support a proposal being put to Unit Holders for a vote in April 2025**

Northwest Healthcare Properties Management Limited (**Manager**), as manager of Vital Healthcare Property Trust (**Vital**), has been considering options to improve Vital's structure noting that Vital's current structure:

1. has benefits for New Zealand investors (through the operation of the PIE regime) but limits Vital's attractiveness to Australian and offshore investors thereby reducing potential demand for Vital's units; and
2. without an ASX listing and a more diversified investor base, Vital is at an operating cost disadvantage to its peers in respect to holding Australian property.

To address these issues, the Manager, including the Manager's independent directors who have been independently advised, has been working on possible structural refinements over the last four years, building on work done on a proposal involving a restructuring and ASX listing which was put to Vital's Unit Holders in 2020. Unit Holder feedback on the 2020 proposal, as well as subsequent discussions, have been a key element in the Manager's considerations.

"Consistent with Vital's stated strategy, this proposal is intended to increase Vital's distributions, unit price, liquidity and potential investor pool whilst also facilitating an ASX listing and resolving the aspects of Vital's current structure that discourage international investors," says the Manager's Independent Chair, Graham Stuart.

The proposed DLT has been designed to:

1. resolve the key structural issues noted above;
2. reflect Unit Holder feedback;
3. deliver earnings and value accretion¹ for all Unit Holders; and
4. preserve all the governance benefits from the existing structure whilst adding additional governance measures for the benefit of Unit Holders.

Under the proposed DLT:

1. Vital's New Zealand and Australian assets would be restructured into separate legal entities;
2. Vital's New Zealand assets would remain listed on the NZX through a NZ PIE fund (**Vital NZ**);
3. Vital's Australian assets would be listed on the ASX through an Australian trust (**Vital AU**);
4. existing Vital Unit Holders would receive both Vital NZ and Vital AU units in proportion to their respective net asset value;
5. an "exchange facility" would provide Unit Holders with the ability to elect to transfer their units in Vital AU in exchange for units in Vital NZ (or vice versa)²;
6. Unit Holders would maintain economic exposure to all of Vital's assets regardless of whether they invest via Vital NZ or Vital AU, through an equalisation agreement under which Vital would continue to function as a single economic entity with equivalent economic returns;
7. Unit Holders would receive equivalent pre-tax distributions and capital returns from both entities, determined in accordance with the equalisation arrangements; and
8. both Vital NZ and Vital AU Unit Holders would need to separately approve any fundamental changes proposed to the DLT structure or other matters that materially impact both entities.

Other benefits / attributes of the proposal:

1. retention of S&P/NZX50 index inclusion and likely addition of S&P/ASX 300 index inclusion is expected to increase demand for Vital's units;
2. to align with the ASX Listing Rules³, Vital would change from being a Fund Issuer to an Equity Issuer;
3. Vital would continue to have a majority independent Board and an independent Chair; and
4. reducing property level inefficiencies and broadening Vital's capital sources will help unlock embedded value in Vital's existing development pipeline.

In addition, the Manager's parent entity will provide Vital's Independent Directors with a right (on behalf of Unit Holders) to participate in the event the Manager's parent entity looks to exit its management rights in relation to Vital.

¹ Earnings accretion delivered through removal of inefficiencies. Value accretion delivered through a mix of higher distributions, the increased pool of potential demand for Vital units and the ability to unlock embedded value in Vital's existing potential development pipeline.

² This exchange facility would operate at the establishment of the DLT and would be subject to demand and availability of units to facilitate any exchange.

³ As Vital would have a primary listing on both the NZX and the ASX it would need to comply with both regimes.

The Manager, through its local management, Independent Directors and advisers, will consult with Unit Holders on the draft proposal over coming weeks. This consultation will include discussions with institutional investors and representatives of retail investors, as well as with Vital's Supervisor.

The Manager's Independent Chair, Graham Stuart commented:

"Vital would remain one investment option from which investors would receive the same returns irrespective of the trust a Unit Holder invests through. If one side fares better (or worse) than the other, the gain (or loss) to Unit Holders of both sides will be the same.

This proposal takes nothing away from the significant benefits Vital has enjoyed over the 25 years it has been listed on the NZX nor from the benefits New Zealand investors derive from Vital's structure, notably the PIE regime.

A critical requirement of the range of options explored has been the Independent Directors' and Manager's desire to continue to retain both Vital's NZX listing and PIE structure for the benefit of Vital's current Unit Holders.

Importantly, the above proposal is intended to be accretive for all existing Unit Holders and includes a range of attributes which either directly respond to investor feedback or which we consider will enhance Vital in the future."

Depending on the outcome of the consultation, a proposal including more detail regarding the proposed structure is expected to be put to Unit Holders for a vote in April 2025. Approval would require approval by special resolution of Unit Holders (75% majority).

An investor presentation is attached to this release.

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About Vital (NZX code VHP):

Vital Healthcare Property Trust 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.

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

For more information, visit our website: www.vhpt.co.nz

* All figures are indicative, as at 30 September 2024

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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

The transaction described in this Presentation 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 Presentation or at all.