

# \$200m capital raising to fund acquisitions and developments

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28 APRIL 2022

# Important notice and disclaimer (1/2)

This presentation has been prepared by NorthWest Healthcare Properties Management Limited (the **Manager**) in its capacity as the manager of Vital Healthcare Property Trust (**Vital**) in relation to the accelerated entitlement offer (the **Offer**) of new units in Vital (**New Units**) to be made to:

- Eligible institutional unitholders of Vital with registered addresses in New Zealand and selected other jurisdictions as at the Record Date; and
- Eligible retail unitholders of Vital with registered addresses in New Zealand as at the Record Date,

in reliance on clause 19 of Schedule 1 to the Financial Markets Conduct Act 2013 (**FMCA**).

Capitalised terms used in this presentation have the specific meaning given to them in the Offer Document released in respect of the Offer, except where otherwise specified.

## Information

The information in this presentation is of a general nature and does not purport to be complete nor does it contain all the information which a prospective investor may require in evaluating a possible investment in Vital or that would be required in a product disclosure statement for the purposes of the FMCA. Vital is subject to disclosure obligations under the NZX Listing Rules that require it to notify certain material information to NZX Limited (**NZX**). This presentation should be read in conjunction with Vital's other periodic and continuous disclosure announcements released to NZX. No information set out in this presentation will form the basis of any contract.

## NZX

The New Units will be quoted on the NZX Main Board following completion of allotment procedures. However, NZX accepts no responsibility for any statement in this document. NZX is a licensed market operator, and the NZX Main Board is a licensed market under the FMCA.

## Not financial product advice

This presentation does not constitute legal, financial, tax, financial product advice, investment advice or a recommendation to acquire Vital securities, and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and consult an NZX Firm or solicitor, accountant or other professional advisor if necessary.

## Investment risk

An investment in securities in Vital is subject to investment and other known and unknown risks, some of which are beyond the control of Vital and the Manager. The Manager does not guarantee any particular rate of return or the performance of Vital.

## Not an offer

This presentation is not a prospectus or product disclosure statement or other offering document under New Zealand

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## Past performance

Past performance information provided in this presentation may not be a reliable indication of future performance. No guarantee of future returns is implied or given.

# Important notice and disclaimer (2/2)

## Forward looking statements

This presentation may contain certain forward-looking statements with respect to the financial condition, results of operations and business of Vital. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. This also includes statements regarding the timetable, conduct and outcome of the Offer and the use of proceeds thereof, statements about the plans, objectives and strategies of the management of Vital, statements about the industry and the markets in which Vital operates and statements about the future performance of Vital's business. Any indications of, or guidance or outlook on, future earnings or financial position or performance and future distributions are also forward-looking statements. All such forward-looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies, and other factors, many of which are outside the control of the Manager, which may cause the actual results or performance of Vital to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such forward-looking statements speak only as of the date of this presentation.

Except as required by law or regulation (including the NZX Listing Rules), the Manager undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to such dates or to update or keep current any of the information contained herein. Any estimates or projections as to events that may occur in the future (including projections of revenue, expense, net income and performance) are based upon

the best judgement of the Manager from the information available as of the date of this presentation. A number of factors could cause actual results or performance to vary materially from the projections, including the risk factors set out in this presentation. Investors should consider the forward-looking statements in this presentation in light of those risks and disclosures. **You are strongly cautioned not to place undue reliance on any forward-looking statements.**

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The information and opinions contained in this presentation are provided as at the date of this presentation and are subject to change without notice. The Manager reserves the right to withdraw, or vary the timetable for, the Offer, without notice.

## Joint Lead Managers

The Joint Lead Managers and their affiliates (including the underwriters for the Offer (the Underwriters)) are full service financial institutions engaged in various activities, which may include trading, financing, corporate advisory, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Joint Lead Managers, the Underwriters and their affiliates have provided, and may in the future provide, financial advisory, financing services and other services to the Manager and to persons and entities with relationships with Vital or the Manager, for which they

received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Joint Lead Managers, the Underwriters and their affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of Vital, the Manager and/or persons and entities with relationships with Vital or the Manager. The Joint Lead Managers, Underwriters and their affiliates may also communicate independent investment recommendations, market colour or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments. One or more entities within one or more Joint Lead Managers' or Underwriters' respective groups may now or in the future act as a derivative counterparty or provide financial accommodation or services to Vital, the Manager, or their affiliates.

In connection with the Offer, one or more investors may elect to acquire an economic interest in the New Units (**Economic Interest**), instead of subscribing for or acquiring the legal or beneficial interest in those securities. The Joint Lead Managers and the Underwriters (or their respective affiliates) may, for their own respective accounts, write derivative transactions with those investors relating to the New Units to provide the Economic Interest, or otherwise acquire securities in Vital in connection with the writing of those derivative transactions in the Offer and/or the

secondary market. As a result of those transactions, the Joint Lead Managers and the Underwriters (or their respective affiliates) may be allocated, subscribe for or acquire New Units or securities of Vital in the Offer and/or the secondary market, including to hedge those derivative transactions, as well as hold long or short positions in those securities. These transactions may, together with other securities in Vital acquired by the Joint Lead Managers, Underwriters or their affiliates in connection with its ordinary course sales and trading, principal investing and other activities, result in the Joint Lead Managers or their affiliates disclosing a substantial holding and earning fee.

The Joint Lead Managers and Underwriters (and/or their respective affiliates) may also receive and retain other fees, profits and financial benefits in each of the above capacities and in connection with the above activities, including in their capacity as a Joint Lead Manager and/or Underwriter to the Offer.

## Acceptance

By attending or reading this presentation, you agree to be bound by the foregoing limitations and restrictions and, in particular, will be deemed to have represented, warranted, undertaken and agreed that: (i) you have read and agree to comply with the contents of this Important Notice; (ii) you are permitted under applicable laws and regulations to receive the information contained in this presentation; (iii) you will base any investment decision solely on information released by Vital via NZX (including the Offer Document); and (iv) you agree that this presentation may not be reproduced in any form or further distributed to any other person, passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose.

# Acquisitions, developments and capital raise at a glance



Capital raising to fund high-quality acquisitions and developments with a blended initial yield of ~4.9%.

## VITAL ANNOUNCES \$200M CAPITAL RAISING TO FUND ~\$225M OF NEW ACQUISITIONS AND DEVELOPMENTS



### ACQUISITIONS

- ▶ Vital has entered agreements<sup>1</sup> to acquire its first South Island properties:

#### Kawarau Park Health Precinct, Queenstown

- Kawarau Park is a newly developed health precinct that includes Queenstown's only private hospital, benefitting from Queenstown's favourable demographics.
- The precinct has 6 individual high quality buildings and immediate development potential.
- The anchor tenant is a hospital operated as a joint venture between Southern Cross Hospitals and Central Lakes Trust, with other tenants including nationwide healthcare providers Pacific Radiology (subsidiary of NZX-listed Infratil) and NZX-listed Green Cross Health.
- Hospital shortlisted for 2022 Southern Architecture Awards.

#### 68 St Asaph Street, Christchurch

- 68 St Asaph Street is a large, modern ambulatory care (maternity) and life sciences site, part of one of New Zealand's key health precincts and located 300 metres from Christchurch Hospital.
- The acquisition also includes ~1,600 sqm of expansion development land.
- Existing tenants include the Canterbury District Health Board (CDHB)<sup>2</sup> and life sciences corporate, Syft Technologies with the balance (~30% of net lettable area) available for lease and subject to a 24-month vendor rental underwrite.



### CAPITAL RAISE

- ▶ Vital is seeking to raise approximately \$200m through a 1 for 8.54 underwritten<sup>3</sup> accelerated entitlement offer (the Offer)

- The Offer Price for the New Units is \$2.95 per unit, representing a 5.4% discount to the closing price of \$3.12 on Wednesday, 27 April 2022 and a 4.9% discount to the Theoretical Ex-Rights Price<sup>4</sup> of \$3.10.
- The Offer represents 11.7% of units on issue prior to the Offer.



Immediate development upside available for both acquisitions.

<sup>1</sup> The Christchurch acquisition settled on 1 April. Completion of the Queenstown acquisition is subject to a number of conditions, including the completion of due diligence, board and supervisor approval and the tenant at the property agreeing to waive pre-emptive rights to purchase the property and approving Vital as the purchaser.

<sup>2</sup> Lease commences 1 August 2022.

<sup>3</sup> NorthWest Healthcare Properties REIT has committed, on behalf of its owned and controlled entities, to participate in the Offer by subscribing for \$55m of new units, representing its pro rata holding in Vital across the \$200m Offer, with the balance of the Offer underwritten by Croigs Investment Partners Limited and Forsyth Barr Group Limited.

<sup>4</sup> The Theoretical Ex-Rights Price ("TERP") is the theoretical price at which Vital units should trade at immediately after the ex-date of the Offer. The TERP is a theoretical calculation only and the actual price at which Vital units trade immediately after the ex-date for the Offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to Vital's closing price of \$3.12 on Wednesday, 27 April 2022.

# Acquisitions, developments and capital raise at a glance (cont.)



## DEVELOPMENTS

- ▶ Vital proposes to develop the following properties<sup>1</sup>:

### Ormiston Hospital, Auckland

- ~4,500 sqm expansion to approximately double the size of this existing Vital asset.
- 20-year lease for new development; lease for existing hospital extended to 20 years.
- Hospital operated by Ormiston Surgical Endoscopy Limited (~50% owned by Southern Cross Hospitals).
- Expansion supported by strong business case underpinned by location in a fast growing part of Auckland.

### Auckland Endoscopy, Epsom

- Existing buildings will be tenanted for an initial term of 20 years from settlement.
- ~2,000 sqm of land available for development of a new hospital pre-leased for 20 years from completion.
- The hospital business owned jointly by Evolution Healthcare and Healthcare Holdings.
- Central location; supported by high concentration of medical practitioners.

### Other developments

- Vital has a committed development pipeline of ~\$273.7<sup>2</sup>m with \$218.7m left to complete.
- This development spend is anticipated to occur over the next ~ 3 years.



<sup>1</sup> Terms have been agreed and Vital is finalising transaction documents with the relevant counterparties. The development and acquisition agreements will be conditional on Board, supervisor and other customary and regulatory approvals.

<sup>2</sup> Excludes development land of ~\$11.2m.

# Acquisitions, developments and capital raise at a glance (cont.)



## OUTLOOK

- ▶ **Strategy:** The acquisition of Kawarau Park and 68 St Asaph St will further enhance Vital's geographic diversification and represents Vital's strategic entry into New Zealand's South Island<sup>1</sup>. It will also enhance tenant diversification and create new relationships with a number of healthcare and life sciences providers.
- ▶ **Value and earnings enhancing developments:** The proposed expansion of Ormiston Hospital in Auckland and acquisition of a site where Endoscopy Auckland is located<sup>2</sup> are expected to more than double the current value of the existing properties, and are consistent with Vital's strategy.
- ▶ **Sustainability:** Acquisitions and developments to include a range of sustainability features consistent with Vital's / NorthWest's sustainability commitments.
- ▶ **Earnings and distributions:** FY22 AFFO guidance of at least 11.9 cents per unit and second half FY22 distribution guidance of 2.4375 cents per unit per quarter (9.75 cpu on an annualised basis) is maintained.



Kawarau Park Health Precinct, Queenstown

## PORTFOLIO IMPACTS<sup>3</sup>

	31 December 2021	Pro forma post acquisitions <sup>4</sup>
<b>WALE<sup>5</sup></b>	17.8 years	17.6 years
<b>Portfolio value</b>	~\$3.0bn	~\$3.2bn
<b>Sub-sector exposure</b>	Hospitals – 79.7% Ambulatory Care – 13.3% Aged Care – 7.1%	Hospitals – 78.3% Ambulatory Care – 15.0% Aged Care – 6.7%
<b>% of portfolio in NZ</b>	26%	30%
<b>% of portfolio in South Island, NZ</b>	0.0%	4.7%



~85% of Vital's leases have annual rent increase aligned to CPI in some way with ~77% of these subject to caps.

<sup>1</sup> The 68 Asaph Street acquisition settled on 1 April. Completion of the Kawarau Park acquisition is subject to a number of conditions, including the completion of due diligence, board and supervisor approval and the tenant at the property agreeing to waive pre-emptive rights to purchase the property and approving Vital as the purchaser.

<sup>2</sup> Terms have been agreed and Vital is finalising transaction documents with the relevant counterparties. The development and acquisition agreements will be conditional on Board, supervisor and other customary and regulatory approvals.

<sup>3</sup> All figures calculated by income (where relevant). Figures may not sum due to rounding.

<sup>4</sup> Figures include two acquisitions announced in February 2022 and Hutt Valley Health Hub which settled in February 2022.

<sup>5</sup> Weighted Average Lease Expiry.

# Acquisition of Kawarau Park Health Precinct, Queenstown

## TENANTS

A newly developed health precinct comprising 6 tenanted buildings including Queenstown's only private hospital operated in a Joint Venture between Southern Cross Hospitals and Central Lakes Trust.

The hospital includes three operating theatres and 13 inpatient rooms.

Other tenants include nationwide providers such as NZX-listed Green Cross Health and Pacific Radiology (subsidiary of NZX-listed Infratil), along with several surgical consulting rooms, childcare and supporting retail and commercial uses.


The precinct strategically adjoins NZX-listed Arvida's retirement village and aged care facility (under construction).

## FAVOURABLE DEMOGRAPHICS


The hospital is the only private hospital in Queenstown and Central Otago and the precinct benefits from Queenstown's favourable demographics.


## DEVELOPMENT POTENTIAL

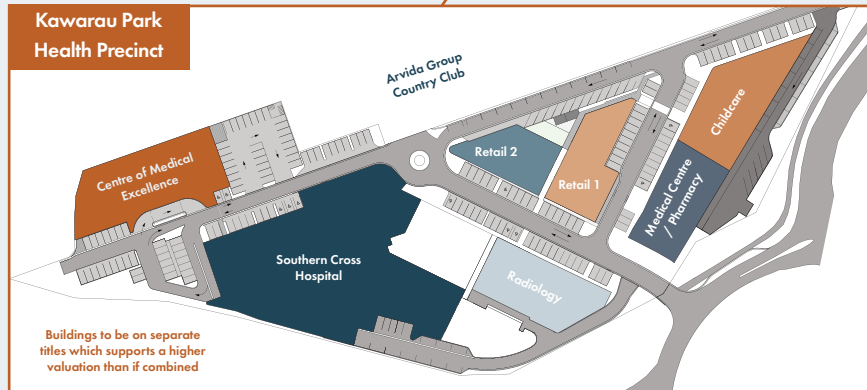
The precinct is situated on over 2.3ha of land and has additional development potential of at least 2,000 sqm of land.

 **\$95m<sup>1</sup>**  
Purchase price

 **~4.5%<sup>2</sup>**  
Fully let blended yield

 **~40%**  
of leases (by income) increase by the greater of market and CPI (uncapped)

 **8.7 years**  
WALE<sup>3</sup> underpinned by hospital lease of 12 years



<sup>1</sup> Completion of the acquisition is subject to a number of conditions, including the completion of due diligence, board and supervisor approval and the tenant at the property agreeing to waive pre-emptive rights to purchase the property and approving Vital as the purchaser.

<sup>2</sup> Excludes development land of ~\$4m.

<sup>3</sup> Weighted Average Lease Expiry

# Acquisition of 68 St Asaph St, Christchurch



## TENANTS

Existing tenants include a Canterbury District Health Board (CDHB) maternity care facility<sup>1</sup> and Syft Technologies (~50% of the Syft tenancy is life sciences laboratory space with the balance used for offices).

## DEVELOPMENT POTENTIAL

The facility sits on a large land holding of ~15,000 sqm and has an existing planning height limit of 17m (4 levels compared with the current single level building).

There is potential for future redevelopment, including ~1,600 sqm of additional land that currently earns income from parking but provides an opportunity to enhance the acquisition noting that this corner is closest to Christchurch Hospital.

## ACQUISITION

Acquisition price of \$50.7m (excludes transaction costs and fit-out loan to CDHB which is repayable over 10 years).

~30% of the facility is currently available for lease and will be subject to a 24-month vendor rental underwrite. The acquisition settled on 1 April 2022.



**8.5 years**

WALE<sup>2</sup> (by income)



**5.1%**

Estimated NOI<sup>3</sup> yield excluding fees and development land but including a ~\$7m fit-out loan repayable over 10 years.

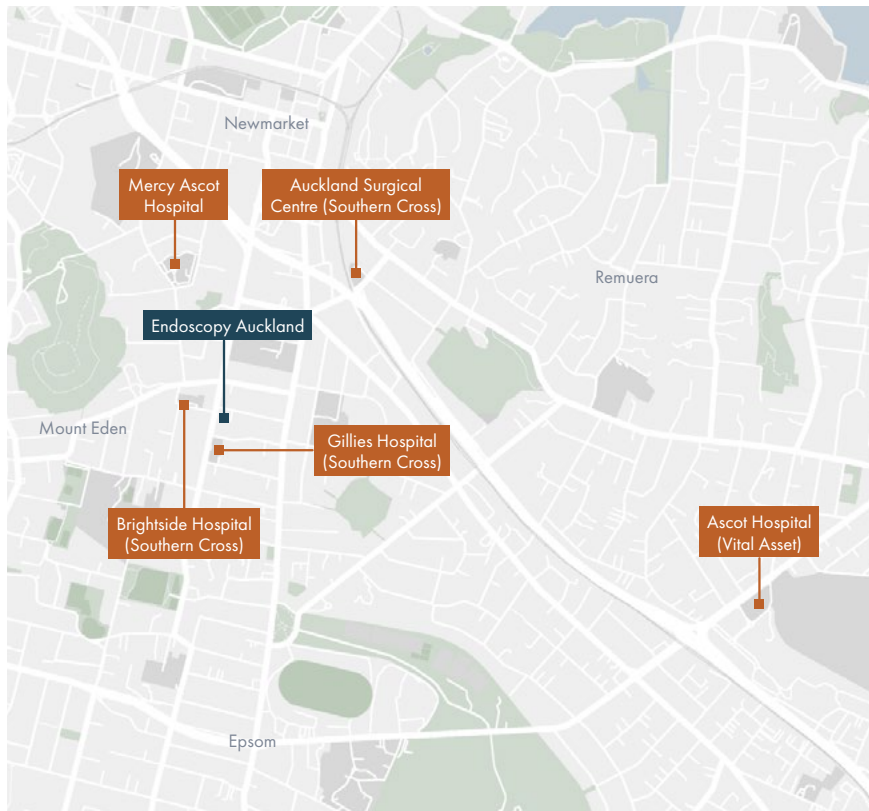
<sup>1</sup> Lease commences 1 August 2022

<sup>2</sup> Weighted Average Lease Expiry

<sup>3</sup> Net Operating Income



# Acquisition and expansion of Endoscopy Auckland



## PROPERTY

Vital has agreed terms to acquire land and buildings at 148 Gillies Avenue and 22–24 Kipling Avenue, Epsom.<sup>1</sup>

Currently, the properties comprise an endoscopy facility and residential units on ~4,000sqm of land.


## TENANTS

The property is leased to Evolution Healthcare for 20 years with the hospital business owned jointly by Healthcare Holdings and Evolution Healthcare (respectively, New Zealand's second and third largest private hospital operators).



## AGREED DEVELOPMENT

Terms have been agreed to utilise the vacant land at 22 Kipling Ave and develop a new day surgery and endoscopy facility, with the existing facility expanding surgery capacity.

 **\$22.2m**  
purchase price

 **~4.75%**  
initial yield

 **~\$21.6m**  
development costs

 **~5.1%**  
net yield on development cost

<sup>1</sup> Terms have been agreed and Vital is finalising transaction documents with the relevant counterparty. The agreements will be conditional on Board, supervisor and other customary and regulatory approvals.

# Expansion of Ormiston Hospital, Auckland

## PROPERTY

Vital has agreed terms for a ~\$40m expansion of its existing asset, Ormiston Hospital<sup>1</sup>.

## TENANTS

The property is leased to Ormiston Surgical Endoscopy Limited which is ~50% owned by Southern Cross, New Zealand's largest private hospital operator. On completion, the new facility will be leased for 20 years with the lease of the existing facility also extended to 20 years (an ~18.5 year extension).

## AGREED DEVELOPMENT

Terms have been agreed to develop a new ~4,500 sqm, 3 level building linked to the existing ~5,000 sqm, 3 level building by an air bridge.



**~\$40m**  
development costs<sup>2</sup>



**~5.5%**  
net yield on development cost

Artist's impression showing existing building on left and proposed extension set back on the right.



<sup>1</sup> Terms have been agreed and Vital is finalising transaction documents with the relevant counterparties. The development and acquisition agreements will be conditional on Board, supervisor and other customary approvals.

<sup>2</sup> Includes allocation of land (already owned by Vital) and unrentalised development fees.

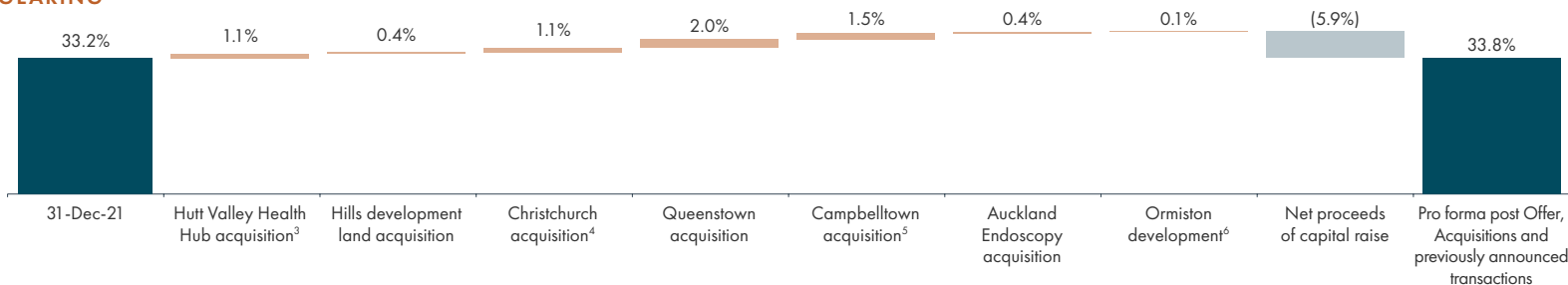


Artist's impression showing proposed extension.

# Use of proceeds and balance sheet

- ▶ The net proceeds of the Offer will be used to repay debt incurred for recently announced acquisitions and developments, including those announced today.
- ▶ Vital's pro forma gearing<sup>1</sup> will be 33.8% upon completion of the Offer, the acquisitions and initial development spend announced today and the other transactions announced in calendar year 2022.
- ▶ The Manager currently estimates that Vital's NTA at 31 March 2022 was \$3.20–\$3.25cpu, predominately reflecting property valuation increases from rental growth and mark-to-market gains on interest rate swaps.<sup>2</sup>

## PRO FORMA GEARING<sup>1</sup>



<b>Gross assets</b>	\$2,996.0m	\$47.2m	\$16.3m	\$50.7m	\$95.0 <sup>7</sup> m	\$74.4m	\$22.2m	\$3.1m	–	\$3,304.9m
<b>Debt</b>	\$995.5m	\$47.9m	\$16.5m	\$51.9m	\$96.6m	\$76.8m	\$22.6m	\$3.1m	(\$195.5m)	\$1,115.4m

<sup>1</sup> Debt to Gross Assets calculated in accordance with Vital's Trust Deed. Numbers may not add due to rounding.

<sup>2</sup> Estimated 31 March 2022 NTA figures have not been audited. The Manager's estimation reflects factors known to date, including those listed. However, it excludes other factors such as any movements in market capitalisation rates which may have occurred for Vital's properties

<sup>3</sup> Settlement of the tenanted building occurred on 1 February 2022. Settlement of development land (\$1.83m) is subject to approval of subdivision by the council and issuance of land title.

<sup>4</sup> Excludes amortising fitout loan to the CDHB, currently forecast to be approximately \$70m, and remedial seismic resilience works totalling approximately \$2.75m.

<sup>5</sup> Total forecast consideration payable under the development fund through arrangements. Settlement and completion is subject to conditions precedent including finalisation of development conditions and Council approval of the transfer of the leasehold interest to Vital.

<sup>6</sup> Estimated spend to 30 June 2022.

<sup>7</sup> Includes ~\$4m of development land.

# Equity raise details

## OFFER STRUCTURE

- ▶ 1 for 8.54 accelerated entitlement offer of new fully paid ordinary units to raise gross proceeds of approximately \$200m.
- ▶ The Offer is structured to be as fair as possible for all existing unitholders. All unitholders (unless restricted due to legal constraints) who hold units as at 5.00pm (NZ time), Friday, 29 April 2022 will be able to participate.

## OFFER PRICE

- ▶ The Offer Price for the New Units is \$2.95, which represents a discount of:
  - 5.4% to the last close on Wednesday, 27 April 2022 of \$3.12.
  - 4.9% discount to the Theoretical Ex-Rights Price<sup>1</sup> of \$3.10.

## RANKING

- ▶ New Units will rank equally with existing Vital units on issue at the date of issue of the New Units.
- ▶ The New Units under both the Institutional and Retail Offers will be entitled to any future distributions declared by Vital after the relevant allotment date.

## INSTITUTIONAL OFFER

- ▶ The Institutional Entitlement Offer will be open from 10.00am (NZ time) to 5.00pm (NZ time) on Thursday, 28 April 2022.
- ▶ Institutional entitlements not taken up and entitlements of ineligible institutional unitholders will be placed into the Institutional Bookbuild to be conducted on Friday, 29 April 2022.

## RETAIL OFFER

- ▶ The Retail Offer will open at 10.00am (NZ time), Tuesday, 3 May 2022 and close at 5.00pm (NZ time), Thursday, 12 May 2022.
- ▶ Eligible retail unitholders in New Zealand under the Retail Offer can:
  - Elect to take up all or part of their pro rata entitlements by the Retail Offer close date of 5.00pm (NZ time), Thursday, 12 May 2022.
  - Do nothing and let New Units representing their entitlements be offered for sale through the Retail Bookbuild process to be conducted on Monday, 16 May 2022. Any premium achieved above the Retail Entitlement Offer price will be paid to the unitholder. There is no guarantee that a premium will be achieved.
  - Apply to take up more than their pro rata entitlements, if they are taking up their full entitlement. Any application for New Units above their pro rata entitlement will be included in the Retail Bookbuild and pay the Retail Bookbuild price (which may be more than the Offer price but will be no more than the volume-weighted average price on the last trading day immediately prior to the Retail Bookbuild).

## UNDERWRITING

- ▶ The Offer is underwritten<sup>2</sup> by Craigs Investment Partners Limited and Forsyth Barr Group Limited.

## NORTHWEST

- ▶ NorthWest has committed to participate in the Offer by subscribing for \$55m of New Units, representing its pro rata ~27.5% stake in Vital. It will do this by taking up its entitlements in full in the Institutional Entitlement Offer.

<sup>1</sup> The Theoretical Ex-Rights Price ("TERP") is the theoretical price at which Vital units should trade at immediately after the ex-date of the Offer. The TERP is a theoretical calculation only and the actual price at which Vital units trade immediately after the ex-date for the Offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to Vital's closing price of \$3.12 on Wednesday, 27 April 2022.

<sup>2</sup> NorthWest Healthcare Properties REIT has committed, on behalf of its owned and controlled entities, to participate in the Offer by subscribing for \$55m of new units, representing its pro rata holding in Vital across the \$200m Offer, with the balance of the Offer underwritten by Craigs Investment Partners Limited and Forsyth Barr Group Limited.

# Equity raise timetable

## Institutional Offer

Vital enters trading halt, announcement of Offer and cleansing notice released to the NZX	Thursday, 28 April 2022
Institutional Entitlement Offer opens	10.00am (NZ time), Thursday, 28 April 2022
Institutional Entitlement Offer closes	5.00pm (NZ time), Thursday, 28 April 2022
Institutional Bookbuild opens	10.00am (NZ time), Friday, 29 April 2022
Institutional Bookbuild closes	3.00pm (NZ time), Friday, 29 April 2022
Trading halt lifted	Monday, 2 May 2022
Settlement of Institutional Offer, allotment of New Units under the Institutional Offer and trading commences on the NZX	Friday, 6 May 2022

## Retail Offer

Record date	5.00pm (NZ time), Friday, 29 April 2022
Retail Entitlement Offer opens	10.00am (NZ time), Tuesday, 3 May 2022
Retail Entitlement Offer closes	5.00pm (NZ time), Thursday, 12 May 2022
Trading halt commences (for Retail Bookbuild)	Monday, 16 May 2022
Retail Bookbuild opens	10.00am (NZ time), Monday, 16 May 2022
Retail Bookbuild closes	3.00pm (NZ time), Monday, 16 May 2022
Trading halt lifted	Tuesday, 17 May 2022
Settlement of Retail Offer, allotment of New Units under the Retail Offer and trading commences on the NZX	Thursday, 19 May 2022

These dates are subject to change and are indicative only. The Manager reserves the right to alter the key dates, subject to applicable laws and the NZX Listing Rules. The Manager reserves the right to withdraw the Offer at any time prior to the issue of the units under the Offer at its absolute discretion.



An aerial photograph of a city, heavily filtered with a dark blue color. The image shows a dense urban landscape with numerous buildings, streets, and parking lots. The perspective is from a high angle, looking down on the city. The text 'Key risks' is overlaid in the lower-left quadrant in a white, sans-serif font. Below the text is a short, horizontal orange line.

# Key risks

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# Key risks (1 / 4)

Vital's business activities are subject to a number of risks which may, individually or in combination, affect the future operating performance of Vital and the value of an investment in Vital. Investors should carefully consider, and make their own assessment of, these risks, including the risk factors described below, before deciding whether to invest in New Units in Vital.

This section does not set out all the risks related to an investment in Vital and has been prepared without reference to your personal circumstances. Some risks may be unknown and other risks, currently believed to be immaterial, could turn out to be material.

You should seek independent advice before deciding whether to participate in the Offer.

## CURRENT ECONOMIC ENVIRONMENT

- ▶ Vital's financial position and performance could be adversely impacted by events in the wider economy. This could arise directly as a result of factors such as inflation, higher interest rates, continued supply chain disruption and volatile energy costs. It could also arise indirectly if these factors or geopolitical issues (including an outbreak of hostilities or imposition of sanctions) cause weakening conditions in the global or local economy. The impact on Vital could be through a reduction in earnings or property valuations, or an increase in construction costs.
- ▶ Vital's short-medium term exposure is mitigated through factors including interest rate hedging (~45% at 31 December 2021), the fact that a significant portion of Vital's earnings are linked to inflation (85% of Vital's leases are linked to CPI in some way, although some are subject to limits) and retention of debt headroom.

## IMPACT OF COVID-19

- ▶ In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organisation. Since then, events related to COVID-19 have resulted in significant disruption to local and global economies. To date, Vital's business has been reasonably resilient to COVID-19 and the Manager currently believes that the outbreak will not have a long-term impact on Vital's position. While Government restrictions have eased and 'COVID normal' operating conditions are ongoing, there continues to be uncertainty as to the timeframe in which the impacts of COVID-19 will be felt given the widespread community transmission of the current omicron variant of COVID-19 and the potential for the evolution of new variants of the virus. The extent to which COVID-19 will impact Vital's business during this period will depend on future developments which are difficult to predict, including legislative responses to COVID-19, work stoppages, travel restrictions, efficacy of vaccines on new variants and the possibility of further government mandated lockdowns, as well as the ability of Vital's tenants to continue to operate their businesses profitably.
- ▶ Even after the COVID-19 outbreak has subsided, Vital may experience material adverse impacts to its business as a result of its local and global economic impacts, including any related recession. Certain aspects of Vital's business and operations that could be adversely impacted include, among others, rental income, occupancy, tenant improvements, future demand for space and market rents, which all ultimately impact the underlying valuation of investment property.

# Key risks (2 / 4)

## CONSTRUCTION COSTS AND BUILDING SECTOR STABILITY

- ▶ Vital is exposed to the building sector through its development pipeline. The building sector has recently been experiencing a period of rapidly rising costs, which could lead to increased costs for Vital. Further, in this environment, building sector participants that are not able to manage rising costs may be forced into insolvency. This could directly adversely affect Vital (through increased costs or delays) if one of the building sector participants that it relies on became insolvent. Further, the insolvency of market participants generally can create disruption and volatility in the market, which could adversely affect Vital indirectly.
- ▶ Vital attempts to mitigate these risks by limiting the proportion of its portfolio that is under development at any one time to 10 – 15%. It also endeavours to ensure that it either contracts on a fixed price basis or has the ability to pass increased costs through to tenants wherever possible.

## FOREIGN EXCHANGE RISK

- ▶ Vital is a New Zealand registered managed investment scheme with unitholders who are mostly in New Zealand, but a portfolio of property assets that are predominantly located in Australia. Vital is exposed to foreign exchange risk in relation to its net investment in, and net income from, its Australian properties as Vital reports and makes distribution payments in New Zealand dollars. Fluctuations in exchange rates, particularly the AU/NZ exchange rate, may impact Vital's earnings and asset values, to the extent that they are not hedged or forecast.

## TENANTS AND RENTAL INCOME

- ▶ Vital's financial performance is dependent on the maintenance of its tenancies and their success. Vital is exposed to counterparty risk where its tenants are unable to fulfil their contractual obligations, including the payment of rent, which may be heightened in the current economic environment. A failure by Vital's tenants to fulfil their contractual obligations could affect the operating and financial performance of Vital.
- ▶ The severity of this risk is heightened by the COVID-19 pandemic and Government regulations implemented to mitigate the spread of the virus. Staffing shortages during outbreaks, the general movement of people and access to premises, increased uncertainty and economic downturn, as well as other unforeseeable factors, may adversely affect the financial position of tenants and, in turn, their ability to comply with their contractual lease obligations. In some cases, Vital's ability to manage tenant performance issues could be adversely affected by moratorium legislation restricting the ability of landlords to manage tenant performance impacted by COVID-19 or limiting the recourse of landlords to tenants for defaults. As a result, it may not be possible for Vital to recover unpaid rent or replace tenants on terms where Vital can achieve the same lease terms, including rental and tenure. These factors may materially affect the operating and financial performance and prospects of Vital.



# Key risks (3 / 4)

## PROPERTY VALUATIONS

- ▶ Valuations ascribed to any property are influenced by a number of factors including:
  - Supply and demand for property (in Vital's case, typically healthcare properties);
  - General property market conditions; and
  - The ability to attract and implement economically viable rental arrangements.
- ▶ Vital's investment properties are carried at fair value. This fair value is determined by external valuations conducted by independent experts in reliance on market evidence and underlying assumptions at the time of the valuations. The market evidence relied on, and the assumptions made, at the time of the valuations may not reflect current market conditions. In particular, some independent professionally qualified valuers advise that the valuations are reported on the basis of significant valuation uncertainty because they consider transactional market evidence is being impacted by the continued uncertainty caused by the COVID-19 pandemic.
- ▶ As changes in valuations of investment properties are required to be reflected in Vital's income statement, any decreases in value will have a negative impact on Vital's income statement. A valuation fall would also impact the price at which Vital would be able to sell the property in the market (which may be below the price paid for the property or the current market value) and could affect Vital's ability to raise funds or its ability to comply with its banking covenants. In addition, while the independent valuations represent the best estimate of the independent valuers, they may not reflect the actual price a property would realise if sold.

## FUNDING

- ▶ Vital's ability to raise funds on favourable terms, or at all, for future activities is dependent on a number of factors including general economic, political, capital and credit market conditions. This includes Vital's ability to be able to refinance its existing debt facilities on terms which are no less favourable than the current terms. If Vital is unable to raise funds on favourable terms, or at all, Vital's ability to acquire or develop new properties or refinance its existing debt may be adversely affected. Fluctuations in interest rates, to the extent that they are not hedged or forecast, may also increase Vital's operating costs and impact its financial performance.

# Key risks (4/4)

## RELIANCE ON MANAGEMENT SERVICES AND KEY PERSONNEL

- ▶ Vital is a managed investment scheme registered under the Financial Markets Conduct Act 2013. As a result, Vital does not engage or employ any directors or employees of its own. Instead, Vital is reliant upon the management services provided by its manager. These services include the day to day management of Vital's portfolio of properties and assets, negotiating the acquisition and disposal of assets, development and construction planning and management, treasury and funding management, ensuring Vital meets its financial, reporting and other statutory and regulatory obligations and communicating with unitholders and the market.
- ▶ If the management services provided by the Manager were terminated for whatever reason, and Vital was unable to find a replacement manager, Vital may not be able to operate and/or perform its contractual obligations.
- ▶ Vital is also subject to key personnel risk to the extent that the quality of the management services that it receives drive its financial performance. If Vital was unable to obtain high quality management services from an experienced manager with a wide range of expertise, the growth of Vital and the rate of return it delivers to its investors may decline.

## FUTURE DISTRIBUTIONS

- ▶ Distributions made by Vital are largely dependent on the rent received from tenants across the portfolio and expenses incurred during operations, which may be affected by a number of factors, including:
  - overall economic conditions;
  - the financial performance of tenants (both now and in the future);
  - the ability to negotiate lease extensions or replace outgoing tenants with new tenants;
  - the occurrence of rental arrears, COVID-19 rental abatements or any vacancy periods;
  - reliance on a tenant which leases a material portion of Vital's portfolio;
  - an increase in unrecoverable outgoings; and
  - supply and demand in the property market.
- ▶ Any negative impact on rental income (including as a result of a failure of existing tenants to perform existing leases in accordance with their terms) has the potential to decrease the value of Vital and have an adverse impact on distributions or the value of units or both.
- ▶ The Board has provided its view on the distributions that it expects Vital to be able to declare for the second half of FY22 financial year of 4.875 cents per unit (representing 9.75 cents per unit on an annualised basis). That view is based on Vital's business plan and internal forecasts, taking into account the currently expected effect on net rental income and total expenses of COVID-19. The Board believes the assumptions underlying this guidance are reasonable given its discussions with tenants, the high level of Government support for healthcare operators, the high priority nature of healthcare spending and Vital's contractual position, but may be impacted by legislation changes, further waves of COVID-19 and related restrictions. Distributions for FY22 or any other period are not certain and distributions remain payable at the discretion of the Board. No return is guaranteed by the Manager, its Board or any other person.

# International offer restrictions

## United States

This document must not be distributed or released in the United States. The New Units have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the U.S. Securities Act) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Units may not be offered or sold, directly or indirectly, in the United States, unless they have been registered under the U.S. Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable state securities laws.

## Permitted jurisdictions

This document does not constitute an offer of New Units in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Units may not be offered or sold, in any country outside New Zealand except to the extent permitted below.

## Australia

This document and the offer of New Units are only made available in Australia to persons to whom an offer relating to the issue of financial products can be made without the requirement to provide a product disclosure statement in accordance with sections 761G (wholesale clients) and 1012B of the Australian Corporations Act 2001 (Cth) (the "Corporations Act"). This document is not a prospectus, product disclosure statement or any other formal "disclosure document" for the purposes of Australian law and is not required to, and does not, contain all the information which would be required in such a "disclosure document" under Australian law. This document has not been and will not be lodged or registered with the Australian Securities

& Investments Commission or the Australian Securities Exchange and Vital is not subject to the continuous disclosure requirements that apply in Australia.

Prospective investors should not construe anything in this document as legal, business or tax advice nor as financial product advice for the purposes of Chapter 7 of the Corporations Act. Investors in Australia should be aware that the offer of New Units for resale in Australia within 12 months of their issue may, under sections 1012C(3) and (6) of the Corporations Act, require provision of a product disclosure statement under Part 7.9 of the Corporations Act if the New Units are sold to a person as a retail client and none of the exemptions in sections 1012D or 1012DA of the Corporations Act apply to the re-sale.

## Hong Kong

**WARNING:** This document has not been, and will not be, authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorize this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Units have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Units has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under

the securities laws of Hong Kong) other than with respect to the New Units which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any of the contents of this document, you should obtain independent professional advice.

## Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore ("MAS") and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. Vital is not a collective investment scheme authorised under Section 286 of the SFA or recognised by the MAS under Section 287 of the SFA and the New Units are not allowed to be offered to the retail public.

This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the New Units may not be circulated or distributed, nor may the New Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an "institutional investor" (as defined under the

SFA) or (ii) an "accredited investor" (as defined under the SFA). In the event that you are not an "institutional investor" or "accredited investor", please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

## Switzerland

The offering of the New Units in Switzerland is exempt from requirement to prepare and publish a prospectus under the Swiss Financial Services Act ("FinSA") because such offering is made to professional clients within the meaning of the FinSA only, except to professional clients which qualify as such as a result of their election not to be treated as private clients, but as professional clients, and the New Units will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This document does not constitute a prospectus or a similar communication pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the New Units.

Neither this document nor any other offering or marketing material relating to the offering, Vital or New Units have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Units will not be supervised by, the Swiss Financial Market Supervisory Authority ("FINMA") or any Licensed Review Body according to the FinSA. The offering has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes ("CISA") or under the FinSA. Accordingly, the investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the New Units.

Thank you

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