Vital HEALTHCARE PROPERTY TRUST
Managed by Northwest

MARKET RELEASE

23 February 2023

Northwest Healthcare Properties Management Limited, the Manager of Vital Healthcare Property Trust (**Vital**), is pleased to report Vital's results for the six months ended 31 December 2022 (**the Half Year**).

Vital's Fund Manager. Aaron Hockly said:

> "Given the backdrop of global equity markets the Half Year was a period of consolidation for Vital. Terms have been agreed to renew and extend debt facilities, interest rate hedging has been increased, developments (committed and potential) have been reviewed and assets for potential divestment have been identified and progressed.
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> This period of consolidation has allowed us to adjust to changing market conditions, particularly a higher cost of capital. Our core strategy of delivering 2-3% growth in adjusted funds from operations (AFFO) and distributions per unit per annum, over the medium term, remains unchanged."

Other key achievements over the Half Year include:

- Credit approved terms have been agreed and accepted[1] to:

  (1) refinance all of Vital's debt which was due to mature in October 2023 and March 2024 so that no debt is maturing before March 2025;

  (2) increase debt liquidity head room to ~NZ$250m, an increase of ~NZ$110m; and

  (3) extend the weighted average debt maturity to 4.2 years (pro forma at 31 December 2022) from 3.3 years.

- Interest rate hedging has been increased to 67.2% (pro-forma at 31 December 2022 to include transactions entered into post balance date) for a weighted average term of 2.9 years.

- 2.6% increase in distributions per unit from the prior corresponding period, 4.75 cents per unit (cpu) to 4.875 cpu. This is within Vital's target range whilst maintaining a conservative payout ratio of 85% of AFFO. FY23 distribution guidance is 9.75cpu. This is expected to

[1] Subsequent to 31 December 2022, Vital has accepted credit approve offers from lenders to increase facility limits by A$100m and extend the duration to 4.2 years, with no expiry until 2025. The credit approved offers are subject to customary terms associated with credit approved offers, and documentation is progressing. Closing, subject to customary conditions, is expected to be finalised by March 2023.

result in a 1.3% increase in distributions per unit from FY22 and a 9.8% increase from FY21.

- 17.8% increase in AFFO from NZ$32.0 million in the prior corresponding period to NZ$37.7m. AFFO per unit declined by 2.5% from 5.91 cpu to 5.76 cpu due to equity being raised ahead of full deployment on income earning property acquisitions and developments. Income is expected to further increase over coming periods as CPI / market rent reviews flow to future rent and developments complete and become income producing. We remain focused on delivering 2-3% growth in AFFO and distributions per unit per annum over the medium term.
- 2.9% increase in total assets from NZ$3.4 billion to NZ$3.5 billion despite unfavourable movements in the AUD:NZD. This unfavourable exchange rate, noting that Vital's functional currency is in NZD but most of Vital's assets are located in Australia and valued in AUD, coupled with a reduction in property valuations, resulted in Net Tangible Assets (NTA) per unit declining by 5% from NZ$3.34 to NZ$3.17 per unit. NTA per unit remains 1.6% higher than that at 31 December 2021.
- An asset sale programme of >NZ$200m commenced with net sales proceeds to be used to fund Vital's development pipeline.
- Committed developments adjusted through the pausing of the A$98.6m Tasman Medical Centre fund through in Tasmania and the commitment to fund a new 6-Star Green Star A$140m[2] life sciences facility in the Gold Coast Health and Knowledge Precinct. The combination of the revised development pipeline and the proposed asset sales is forecast to increase Vital's exposure to key health precincts, greener buildings and a younger average building age. These changes are all consistent with Vital's previously announced 5-year portfolio strategy.

Capital management

At 31 December 2022, balance sheet gearing was 33.7%, all-in weighted cost of debt was 4.57% (based on drawn debt only including the cost of hedging).

Post 31 December 2022, credit approved terms were agreed and accepted, and documentation has commenced to extend Vital's average debt duration to 4.2 years, debt headroom to ~NZ$250m, fixed debt to 67% of drawn debt and weighted average hedging maturity debt of 2.9 years (all pro-forma at 31 December 2022).

Acquisitions and divestments

NZ$156m of acquisitions were completed during the Half Year, including Kawarau Park Health Hub, New Zealand (~NZ$95m pre-costs), Campbelltown development land in New South Wales (~ A$22m, pre-costs) and Tasman Medical Centre, Tasmania (~A$13m, pre costs) which were announced in the previous period.

No significant divestments were undertaken during the Half Year. However, a process to raise at least NZ$200m from asset sales before 30 September 2023 has commenced to fund Vital's development pipeline.

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[2] Land and construction cost.

Sustainability / ESG

Sustainability remains a core focus for Vital and Northwest with significant resources devoted to enhancing performance across a range of ESG measures.

During the Half Year, Vital achieved a 5-Star rating for developments from independent standards organization GRESB (formerly the Global Real Estate Sustainability Benchmark). GRESB benchmarks ESG performance of property and infrastructure entities with an aggregate investment value of US$5.3 trillion. Vital's GRESB results included scoring second place for listed healthcare entities globally, third place for standing investments against peers globally, and being ranked in the top quartile for developments for all listed entities in Oceania.

Vital also received a B- for its CDP (formerly Carbon Disclosure Project) submission. This is an improvement from C the previous year, reflecting the Manager's significant ongoing efforts in the collection and disclosure of environmental data and the establishment of a pathway to reducing greenhouse gas emissions.

Portfolio

Vital owns a high-quality ~NZ$3.5 billion portfolio of 47 healthcare investment properties, diversified across all mainland Australian States and New Zealand. The portfolio comprises 26 private hospitals (representing 78% of the portfolio value), 13 ambulatory care facilities (18%) and eight aged care facilities (4%).

At 17.2 years, Vital's WALE remains the longest of any NZX listed REIT providing a high level of income security for Unit Holders. Successful leasing negotiations contributed to maintain occupancy above 98%, maintain the long WALE and increase net property income as noted above.

Developments

Developments are a key component of Vital's strategy to continue to deliver attractive risk adjusted earnings and capital growth and further enhance the quality of the portfolio. In particular, we are seeking to increase Vital's exposure to green credentialed properties in core healthcare precincts.

As at 31 December 2022, Vital had a committed development pipeline of NZ$410.0 million across eleven projects of which NZ$302.5 million was left to complete. In addition, two fund-through projects totalling NZ$99.8million were committed to during the Half Year with NZ$66.5 million of spend remaining.

During the Half Year NZ$85.7million was spent on developments, ~NZ$2.6 million spent on value-add capital works and ~NZ$11 million on maintenance and tenant incentives[3].

Vital also has ~$1.9 billion of potential development opportunities. These are opportunities being actively considered on land already owned, but are not yet committed or approved. These potential developments will be carefully reviewed as market conditions change (particularly constructions costs and rent), as part of Vital's wider funding, portfolio and precinct strategies.

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[3] ~A$10m attributable to early release of tenant incentive as part of Epworth Camberwell acquisition. This was initially forecast to be paid in Year 3 post acquisition.

Outlook

In uncertain times investors gravitate towards less risky assets. These assets include property. In particular, rental income for high quality health care property like that within the Vital portfolio is less affected by business or economic cycles than income generated by other asset classes. Vital continues to provide a stable and growing earnings stream sourced from a defensive sector, with ~81% of its leases linked to CPI growth in some way.

Conference call and webcast

An interim results conference call and webcast is scheduled for 9:00am (NZDT) today (Thursday, 23 February 2023).

Participants can register for the conference call by navigating to:

https://s1.c-conf.com/diamondpass/10028760-lo97nb.html

Presentation slides and audio can be viewed by copying the following URL into your internet browser:

https://services.choruscall.com/mediaframe/webcast.html?webcastid=aJc8hSjM

You will be required to input your name, email address and company name to register for the webcast.

A copy of the webcast will be available on Vital's website later today at: www.vhpt.co.nz

-ENDS-

ENQUIRIES

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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 (~78%* of portfolio value), ambulatory care facilities (~18%* of portfolio value) and aged care (~4%* 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

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* All figures are indicative, as at 31 December 2022