

10 August 2023

Vital delivers healthy property income growth whilst enhancing the property portfolio

Northwest Healthcare Properties Management Limited (**Northwest**), as manager of Vital Healthcare Property Trust (**Vital**), has today released its results for the 12 months ended 30 June 2023 (**FY23**).

Vital continues to have a market leading portfolio of high-quality, healthcare assets across Australia and New Zealand valued at NZ\$3.4 billion with ~99% occupancy and a weighted average lease term (**WALE**) of 17 years to the leading healthcare operators for each country. Work undertaken during FY23 is expected to further enhance the quality and future earnings of the property portfolio for the benefit of Unit Holders.

FY23 highlights include:

1. Growth in Adjusted Funds From Operations (**AFFO**), which is a proxy for underlying cash earnings, of 8.1%. This includes the contribution of 5.3% net property income growth on a like-for-like, same property basis¹.
2. Commencement of a non-core asset divestment programme with ~NZ\$155 million already transacted and a target of a further ~NZ\$100m to be divested in FY24.
3. Continuation and replenishment of Vital's committed development pipeline including commencement of construction of²:
 - a. A\$140 million RDX development on the Gold Coast.
 - b. NZ\$43 million expansion of Ormiston Hospital in Auckland.
 - c. NZ\$23 million expansion of Endoscopy Auckland.
 - d. A\$64 million cancer centre at Macarthur Health Precinct, Sydney (stage 1).
 - e. A\$29 million mental health facility at Mount Eliza, Melbourne.
4. Several significant ESG / sustainability achievements including being ranked second globally for healthcare real estate by GRESB.
5. Delivering to the distribution guidance of 9.75 cents per unit (**cpu**).

¹ 3.6% on a constant currency basis.

² Note all figures other than Endoscopy Auckland include land.

Fund Manager, Aaron Hockly, says that Vital is part way through a process of further upgrading and enhancing its property portfolio, in-line with announcements made over FY23.

“This is primarily through the sale of non-core assets and the reinvestment of sales proceeds into developing new healthcare facilities in key healthcare precincts with strong sustainability characteristics. These enhancements are expected to support future earnings growth for Unit Holders.” says Hockly.

Macarthur Health Precinct in Campbelltown, Sydney is an example of a development where funds are being reinvested. The precinct is anticipated to comprise a three-stage development with stage one, a ~A\$64m³ comprehensive cancer centre, currently underway (July-22 commencement) and due for completion in the second half of FY24. Stage two is expected to comprise a major medical office building and day surgery and due to be committed to in the next 12 – 18 months. Stage three is expected to be an ambulatory care facility to be progressed thereafter.

“Net property income growth in FY23 was a healthy 18.1% reflecting acquisitions, developments and rent reviews delivering a 3.6% increase on a same property, constant currency basis,” continues Hockly.

“Like many businesses, Vital has experienced the impacts of increasing interest costs contributing to rising debt costs in FY23. We have balanced this by prudently raising equity ahead of investing in new developments which contributed to AFFO per unit falling in FY23. We anticipate that our ongoing portfolio enhancements will support AFFO growth per unit in future periods.”

FY23 results at a glance (\$NZ)

	FY23	FY22	Change
Property portfolio	\$3.4 billion	\$3.3 billion	1.2%
AFFO	\$73.3 million	\$67.8 million	8.1%
AFFO per unit (cpu)	11.18	11.92	-6.2%
NTA per unit (cpu)	2.96	3.34	-11.4%
Balance sheet gearing	36.3%	30.0%	-
Weighted average cost of debt	4.93%	3.73%	-
Weighted average debt maturity	3.8 years	3.9 years	-
Distributions (cpu)	9.75	9.63	1.3%

Outlook

Despite recent heightened market volatility, healthcare property remains a defensive asset class, underpinned by a high level of government support and non-discretionary spending. This has been demonstrated by recent sales in the sector notably in Australia.

Vital has A\$180m of debt headroom which, in conjunction with asset sales, will fund its development pipeline and has no debt expiring until March 2025.

FY24 distribution guidance of at least 9.75 cpu has been provided.

Online-only Annual Report

As part of Northwest’s and Vital’s sustainability efforts, Trustees Executors Limited, as Vital’s supervisor, has agreed to waive the Trust Deed requirement for Northwest to print and post the FY23 Annual Report and FY24 Half Year Report and instead will post a summary report to those Unit Holders who have elected to receive a hard copy. As usual, the full Annual Report and Half Year Report will be released to

³ Including land.

the NZX, made available on Vital's website and emailed to Unit Holders who have provided an email address to Computershare. In addition, Unit Holders may request a hard copy be posted to them. Northwest will monitor Unit Holder feedback on this initiative over the next 12 months to determine, in consultation with the Supervisor, how to proceed with subsequent reports. This initiative is expected to save over 250,000 pages of paper and divert 500kg of waste from landfill per annum, equivalent to a reduction in greenhouse gas emissions of 1,532.16kg CO₂e.

– 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 (~80%* of portfolio value), ambulatory care facilities (~16%* 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

* All figures are indicative, as at 30 June 2023

Disclaimer:

This document has been prepared by Northwest as manager of Vital and provides high-level summary information only.

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All references to \$ are to New Zealand dollars unless otherwise indicated.

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