

INTERIM RESULTS 31 DECEMBER 2015

SECURING TODAY, WITH A FOCUS ON TOMORROW

25 February 2016

David Carr, Chief Executive Officer
Stuart Harrison, Chief Financial Officer

AGENDA

- ▶ Result summary
- ▶ Financial summary
- ▶ Healthcare sector review
- ▶ Investment activity
- ▶ Development update
- ▶ Portfolio update
- ▶ Summary & outlook

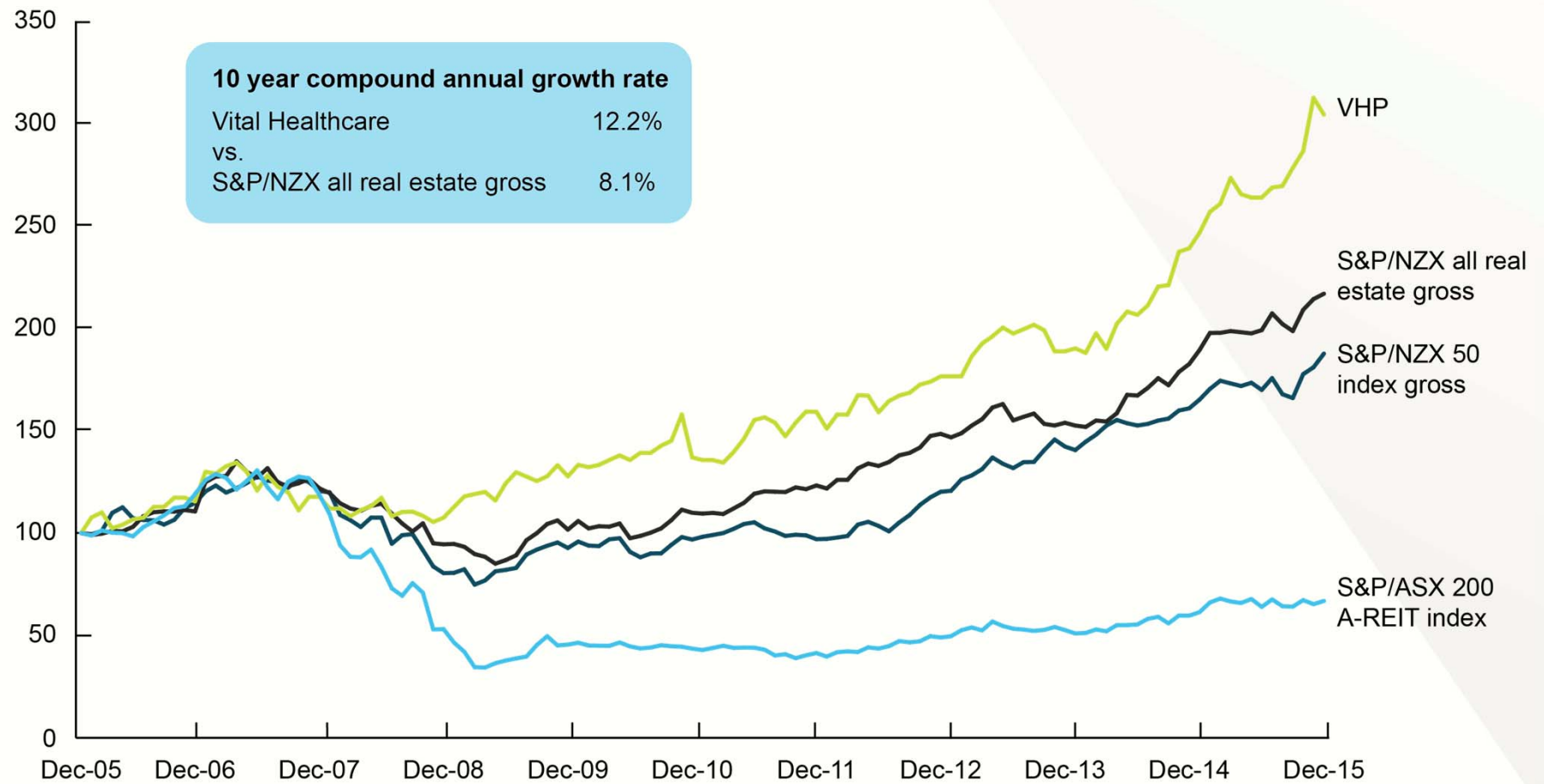


Result summary

VITAL'S PERFORMANCE

Strong market validation, supportive of strategy

Index rebased to 100



Source: Bloomberg, Craigs Investment Partners. Total returns (capital gain plus income) as at 31 December 2015.

INTERIM RESULT HIGHLIGHTS

Strong financial position reflects robust fundamentals and high quality stabilised portfolio

Earnings & capital management

- ▶ Gross rental income \$33.5m (+8.9%)
- ▶ NPAT \$59.0m (+323%)
- ▶ NDI \$19.0m (+16.3%)
- ▶ 2nd quarter DPU of 2.025 cents
- ▶ LVR of 34.1% (+1.2%)
- ▶ NTA \$1.38 (+\$0.11)

Portfolio & investment activity

- ▶ Revaluation gain of \$45.2m (+5.9%) reflects strong market and quality real estate
- ▶ Portfolio WACR firms 35 bps to 7.64%
- ▶ 17.0 year WALT, 99.5% occupancy, 3.3% rent review growth
- ▶ Boulcott Hospital¹ & Sportsmed acquisitions
- ▶ Post balance date acquisition of 4 aged care properties

Healthcare sector

- ▶ Growing and ageing population strong driver
- ▶ Aged care delivers important diversification benefits
- ▶ Healthcare reviews result in short term uncertainty, long term outlook remains positive
- ▶ Sector growth and consolidation creating opportunities

Strategy & outlook

- ▶ Business in excellent shape - strong execution of scale and diversification strategy
- ▶ Range of opportunities emerging across the healthcare universe, including aged care
- ▶ Value-add brownfield development to continue
- ▶ Annualised cash DPU from Q3 FY16 raised to 8.5 cpu

1. Conditional upon satisfactory regulatory approval



Financial summary

FINANCIAL PERFORMANCE

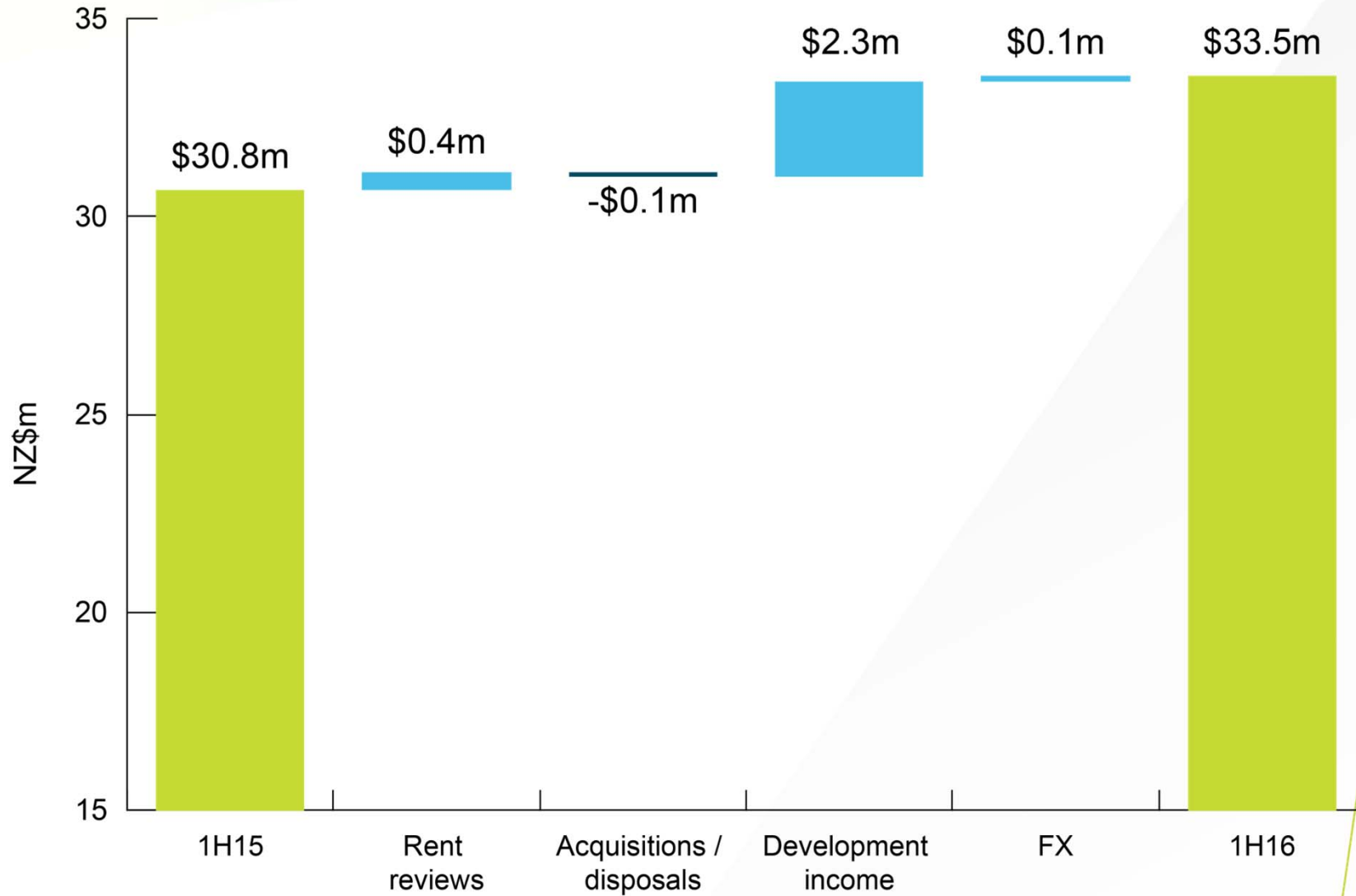
Strong financial performance driven by quality asset and capital management

	Actual 1H16	Actual 1H15	Change	Change
Gross rental income (\$m)	33.5	30.8	2.8	8.9%
Net rental income (\$m)	32.9	30.1	2.7	9.1%
Operating profit before tax (\$m)	26.6	26.7	-0.1	-0.3%
Gross distributable income (\$m)	21.8	21.1	0.8	3.7%
Current tax - NZ & Australia (\$m)	2.9	4.7	-1.9	
Net distributable income (\$m)	19.0	16.3	2.7	16.3%
Gross distributable income (cpu)	6.3c	6.2c	0.2c	2.5%
Net distributable income per unit (earned) (cpu)	5.5c	4.8c	0.7c	15.2%
AFFO (cpu)	5.5c	4.8c	0.7c	15.2%
Units on issue (weighted average million)	344.0	340.4		

- ▶ Income growth underpinned by solid development activity
- ▶ Strong Australian portfolio performance, +12.1% growth in local currency
- ▶ Accrual for Manager incentive fee of \$2.3m is a conservative treatment, subject to full year revaluation outcomes
- ▶ NDI per unit +15.2%

GROSS RENTAL INCOME

*Significant brownfield contribution to rental growth
forecast to continue*



BALANCE SHEET

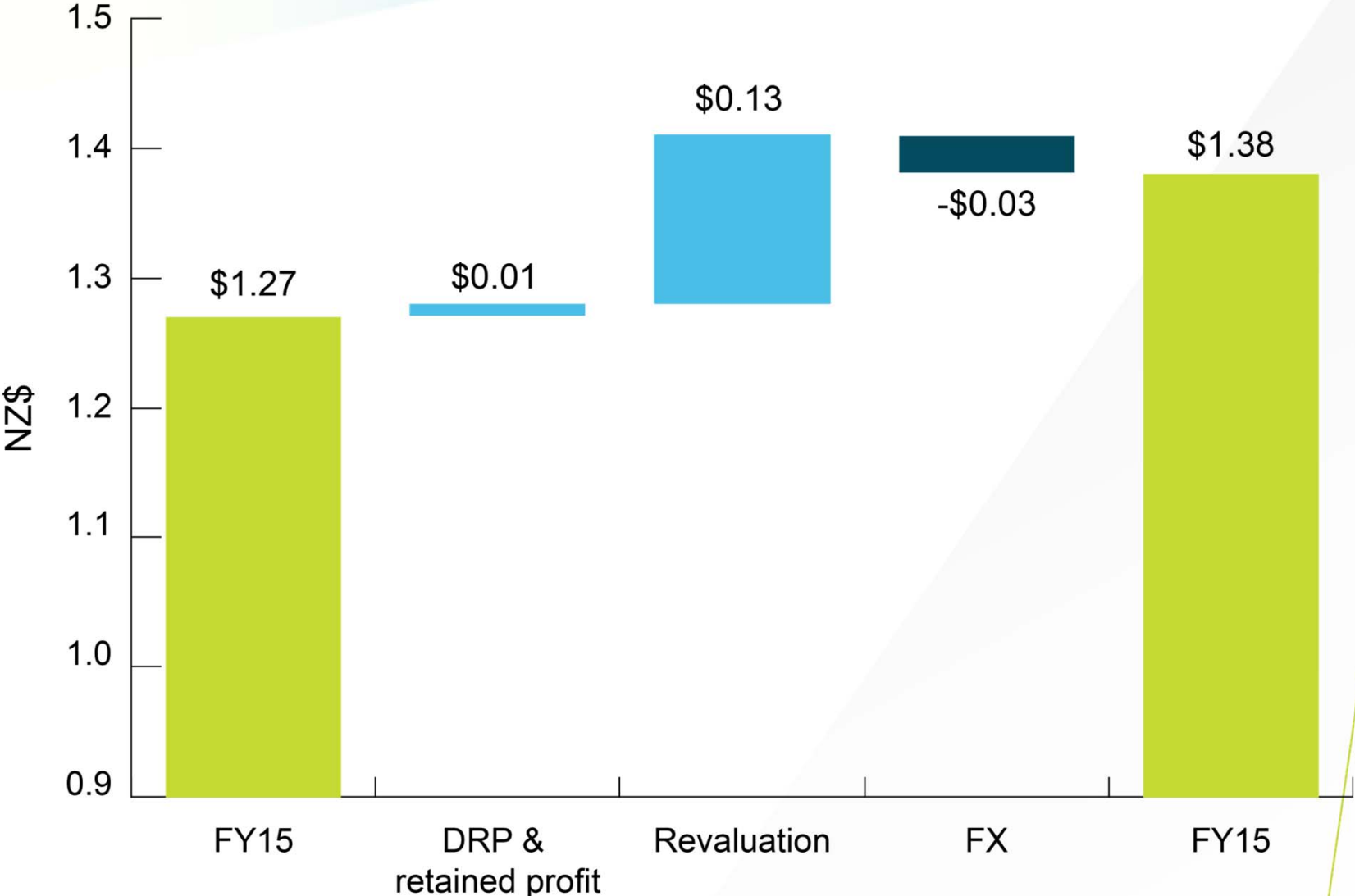
Strong capital position. Portfolio scale adding diversification benefits.

	Actual 1H16	Actual FY15	Change	Change
Net Tangible Assets (\$)	1.38	1.27		8.7%
Investment properties (\$m)	834.8	781.9	53.0	6.8%
Total assets (\$m)	851.7	784.6		8.6%
Bank debt (\$m)	283.7	256.4	27.3	10.7%
Unit holder funds (\$m)	476.6	439.8	36.8	8.4%
Units on issue (m)	345.2	342.1		
Weighted average cost of debt	5.16%	5.32%		
LVR	34.1%	32.9%		

- ▶ NTA uplift largely reflective of revaluation gains
- ▶ Portfolio value continues to reflect high quality, strong performing assets
- ▶ Slightly higher debt levels, but still a modest LVR
- ▶ Sound treasury management delivering lower weighted average cost of debt
- ▶ Bank debt hedged to ~79%, weighted average rate of 4.12% and term of 4.9 years

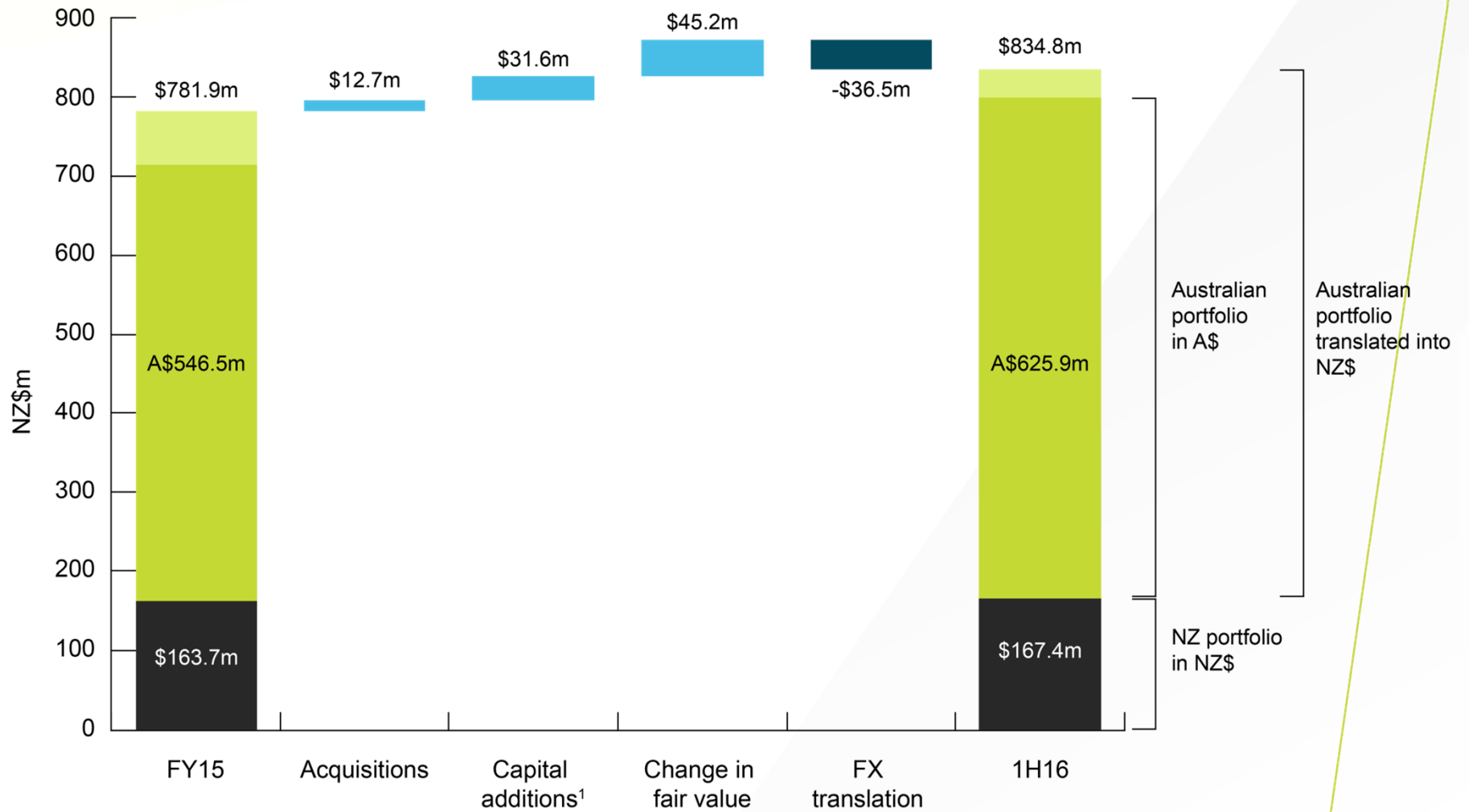
NET TANGIBLE ASSETS

Interim revaluation key driver of NTA uplift



INVESTMENT PROPERTY

Brownfield development projects driving material portfolio value upside



Note 1: Capital additions includes capitalised interest

INVESTMENT PORTFOLIO INTERIM REVALUATION

Strong interim revaluations validate strategy

Revaluation summary

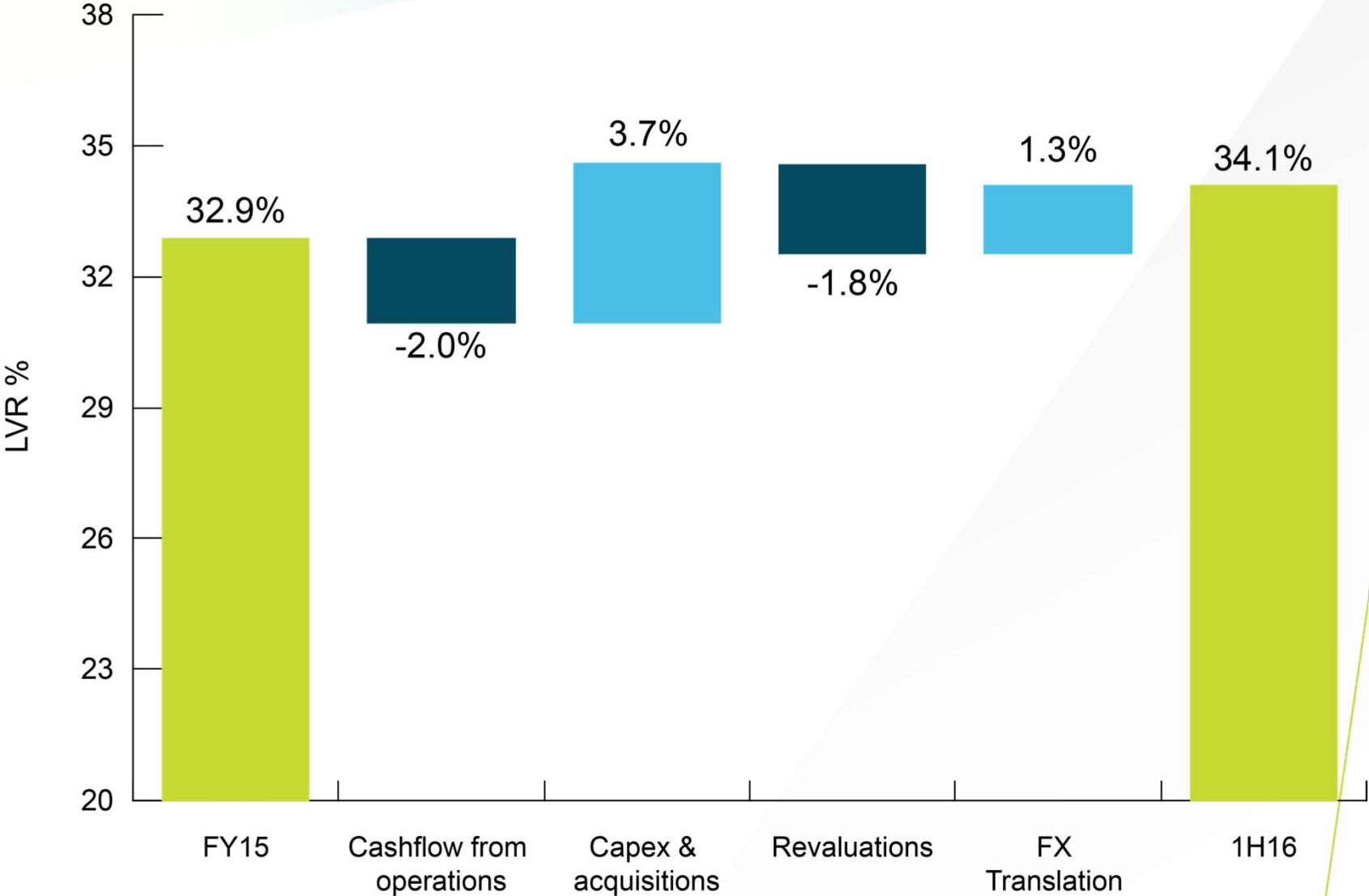
- ▶ Revaluation gain of \$45.2m, +5.9% above book value
- ▶ Values supported by external independent desktop reviews
- ▶ \$41.7m gain from Australian portfolio, \$3.5m from New Zealand
- ▶ Australian WACR firmed ~40 bps to 7.70%, New Zealand ~10 bps to 7.40%
- ▶ Portfolio WACR firmed 35 bps to 7.64%

Drivers

- ▶ Firming cap rates across broader market
- ▶ Strong performance from redeveloped assets
- ▶ Rising interest in healthcare real estate, strong competition for assets
- ▶ Increasing transactional evidence in the sub 7% cap rate range
- ▶ Low interest rate environment, unique and attractive lease terms

LVR MOVEMENT

All balance sheet components prudently managed










The image features a series of overlapping, semi-transparent planes that create a sense of depth and perspective. The planes are colored in shades of light green, grey, and white. A prominent, solid green trapezoidal shape is positioned in the lower-left foreground, serving as a background for the text. The overall composition is clean and modern, with a focus on geometric forms and color gradients.

Healthcare sector review

DRIVERS OF HEALTHCARE SECTOR

Core characteristics remain supportive for the long term, regulation always an overhang....

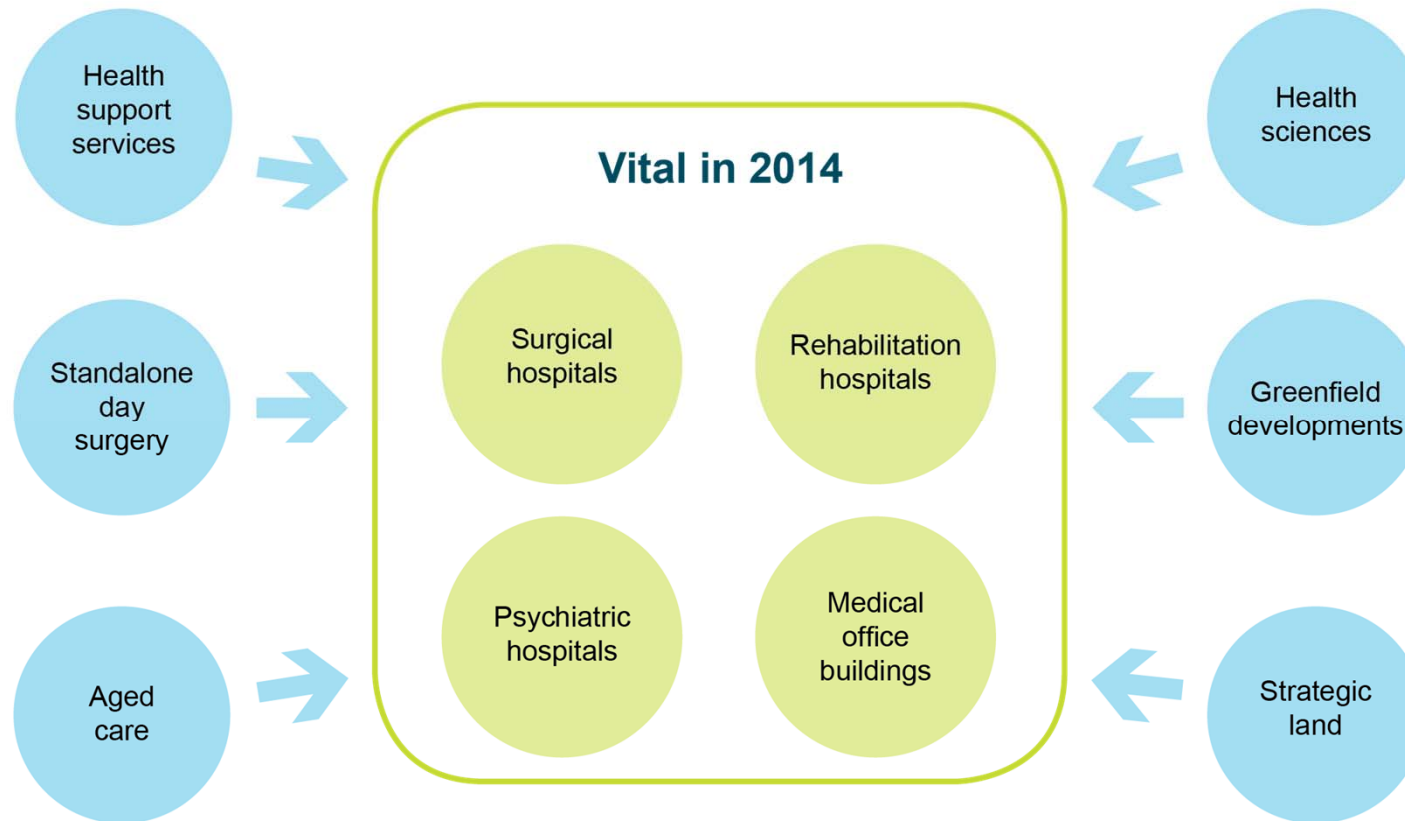
	Drivers	Hospital & medical	Aged care	Comment
	>65 year demographic % of population	14% (Aus) 16% (NZ)	✓	Forecast doubling of this demographic over the next 40 years plus general population growth
	>65's utilisation of services	4x	✓	High utilisation from >65 demographic adding demand pressure, typically >75 for aged care
	Multiple barriers to entry	✓	✓	Advantage with established operators, driving incremental growth and greater economies of scale
	Regulatory framework	?	✓	Relatively inelastic to change, negative sentiment to current healthcare reviews
	Market conditions	✓	✓	Healthcare relatively insulated from adverse market conditions
	Private health insurance ¹	47% (Aus) 29% (NZ)	N/A	More attractive model in Australia. Natural tension between insurers and operators
	Increasing chronic illness	✓	✓	And a more demanding generation

Note 1: Source: Australian data: PHIAC as at 30 September 2015 New Zealand data: HFANZ as at 30 September 2015

VITAL'S HEALTHCARE REAL ESTATE UNIVERSE 2014

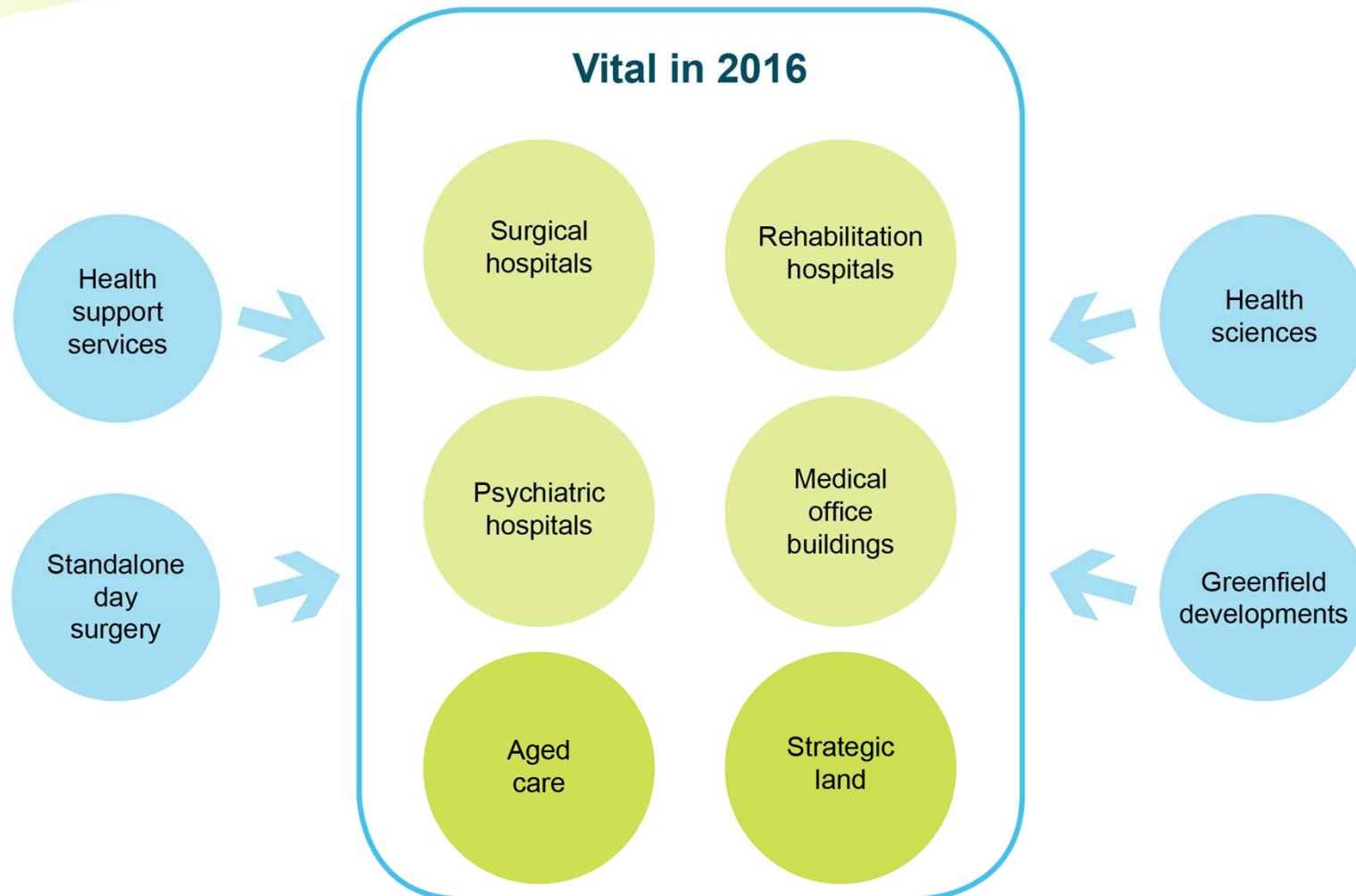
“Strategically, the aged care sector in Australia is certainly of interest and one which exhibits many of the underlying fundamentals Vital currently benefits from”

Graeme Horsley, Independent Chairman, excerpt from 20 November 2014 Annual Meeting



VITAL'S HEALTHCARE REAL ESTATE UNIVERSE 2016

*Aged care and strategic land investments
now embedded into strategic framework*



The image features a complex geometric composition. A large, solid blue shape occupies the bottom half, tapering to a point on the left. Above this, several translucent, overlapping shapes in shades of light blue, green, and pinkish-red are layered, creating a sense of depth and movement. A thin, bright yellow-green line starts from the same point on the left and extends diagonally upwards across the top of the composition. The overall effect is modern and abstract.

Investment activity

SPORTSMED PRIVATE HOSPITAL

Focusing on tomorrow...

Acquisition & development details

- ▶ Sportsmed was acquired by Vital in 2012
- ▶ Vital acquired two small strategic sites adjacent to the hospital for A\$5.2m
- ▶ Vital to build a A\$9.5m standalone medical consulting building on one site
- ▶ Consulting building will provide a full service offer to patients with radiology, pathology, physio and additional medical consulting
- ▶ Agreement to reset the existing hospital lease to 20 years (currently 17)
- ▶ Existing structured rent increases remain in place
- ▶ Forecast development completion is early 2017
- ▶ The development allows Vital to strengthen its long-term investment and partnership with Sportsmed, with the second site acquired future proofing further growth as required

BOULCOTT HOSPITAL¹

Long-term commitment to New Zealand

Acquisition details

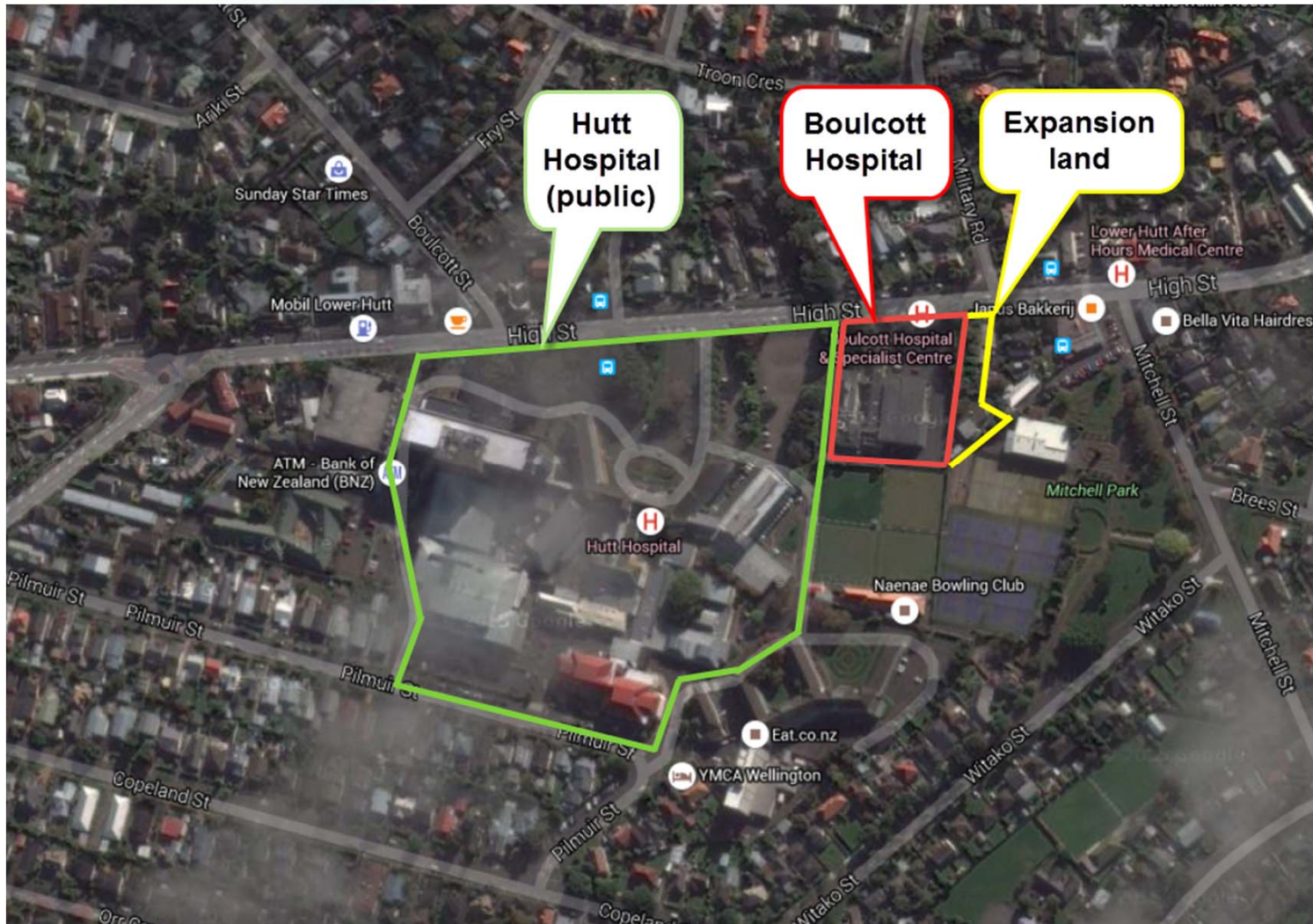
- ▶ Located in the city of Lower Hutt, 20km north of the Wellington CBD
- ▶ Currently a three theatre, 38 bed hospital servicing a catchment of ~145,000 people
- ▶ Acquired for \$30.7m on an initial yield of 6.85%
- ▶ Annual CPI, periodic market rent reviews
- ▶ New 22 year net lease to ASX-listed Pulse Health Group
- ▶ Acquisition of an adjacent residential property for \$1.0m for future development

Acquisition investment rationale

- ▶ Directly aligns with our scale and diversification strategy
- ▶ Acquire quality healthcare assets in New Zealand
- ▶ Opportunity to partner with a high quality integrated health services provider
- ▶ Adds tenant, geographic and hospital activity diversification to the portfolio

BOULCOTT HOSPITAL¹

Long term commitment to New Zealand



Note 1: Remains conditional on satisfactory regulatory approval

AGED CARE REAL ESTATE ACQUISITION

Acquisition delivers strong financial & portfolio diversification benefits and earnings accretion

Conditional aged care real estate acquisition

- ▶ Four properties acquired for A\$41m, at an initial yield of 8%
- ▶ Two each in New South Wales and Western Australia
- ▶ Well located metropolitan locations
- ▶ 275 operational bed places
- ▶ Leased for 20 years with two ten year rights of renewal
- ▶ Leases are triple net with annual CPI reviews and periodic reviews to market
- ▶ Further capital investment will provide attractive incremental operational and investment returns
- ▶ An experienced, highly regarded operator¹ with a strong focus and reputation for resident care
- ▶ The acquisition will further diversify Vital's portfolio, geographic and operator covenant and enhance long-term sustainable earnings for investors

RESIDENTIAL AGED CARE (RAC) OVERVIEW

Supportive regulatory framework underpins long term outlook, growth and consolidation inevitable

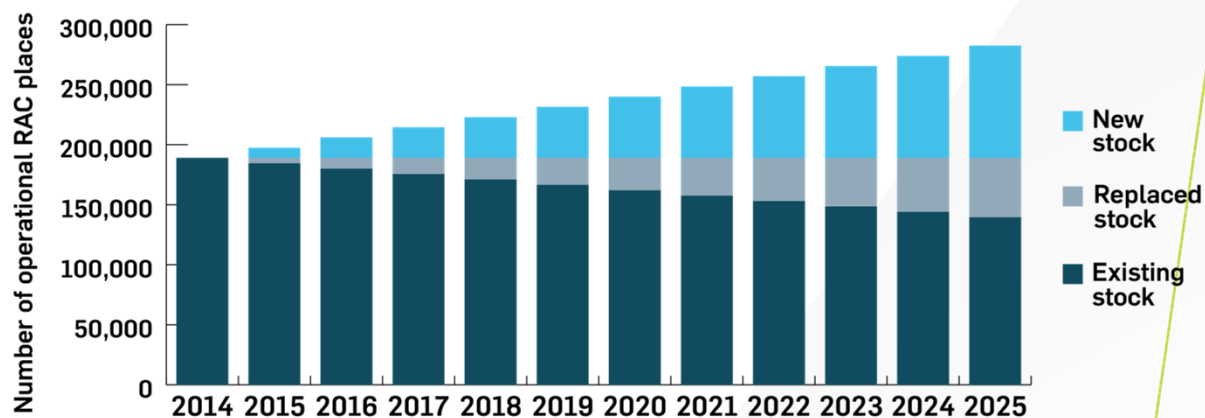
Sector	1+ million People cared for	A\$33.6bn In assets	A\$14.8bn In revenues
Funding & providers	65% Sector funding from government	1,000+ Residential aged care providers	57% Of all providers are Not-for-profit (NFP's)
Structure	63% Of all providers own only 1 facility	70% Of all providers offer high care services	Top-10 Providers only account for 18% of all beds
Demand	~189,000 Current operational bed places	80,000+ Demand for new beds over the next 10 years	+3.6% 10yr CAGR Projected operational bed demand vs 1.6% historic

RESIDENTIAL AGED CARE (RAC)

Rising demand for beds underpinned by growing and ageing population

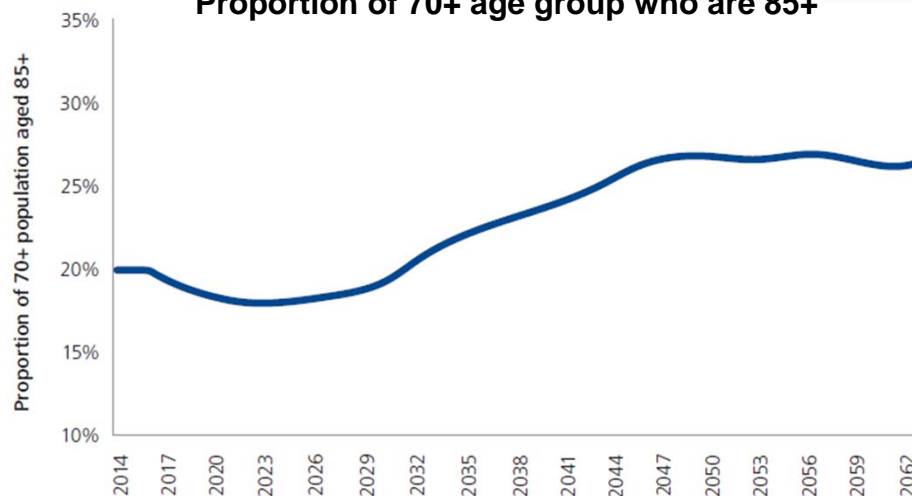
- ▶ Future demand is materially higher than historic levels
- ▶ Real estate capital now seen as a necessary form of capital to support growth

RAC places required over the next decade (2014-2025)



- ▶ The growing and ageing population is a significant driver of demand for aged care

Proportion of 70+ age group who are 85+










Development update

DEVELOPMENT UPDATE

Vital's programme continues to strengthen portfolio and financial metrics

Development	Development work being undertaken	Development cost (A\$m)	Spend to date (A\$m)	Completion date
Recently completed developments				
 Hurstville (NSW)	New operating theatres, extended surgery facility, inpatient wards, oncology day patient service. Coronary care and intensive care units.	34.5	34.5	Q2 16
 Belmont (QLD)	New 30-bed extension, additional consulting suites and carparks.	9.5	9.5	Q2 16
 Maitland (NSW)	New psychiatric ward and extended rehabilitation services.	13.0	13.0	Q2 16
Total		57.0	57.0	
Current developments				
 Marian Centre (WA)	Additional beds, consulting rooms and carparks.	12.5	11.3	Q3 16
 South Eastern (VIC)	30 new rehabilitation beds, 30 mental health beds and 79 carparks.	14.5	3.7	Q1 17
Total		27.0	15.0	
Anticipated brownfield projects to commence over the next 12 months		50.0		



Portfolio update

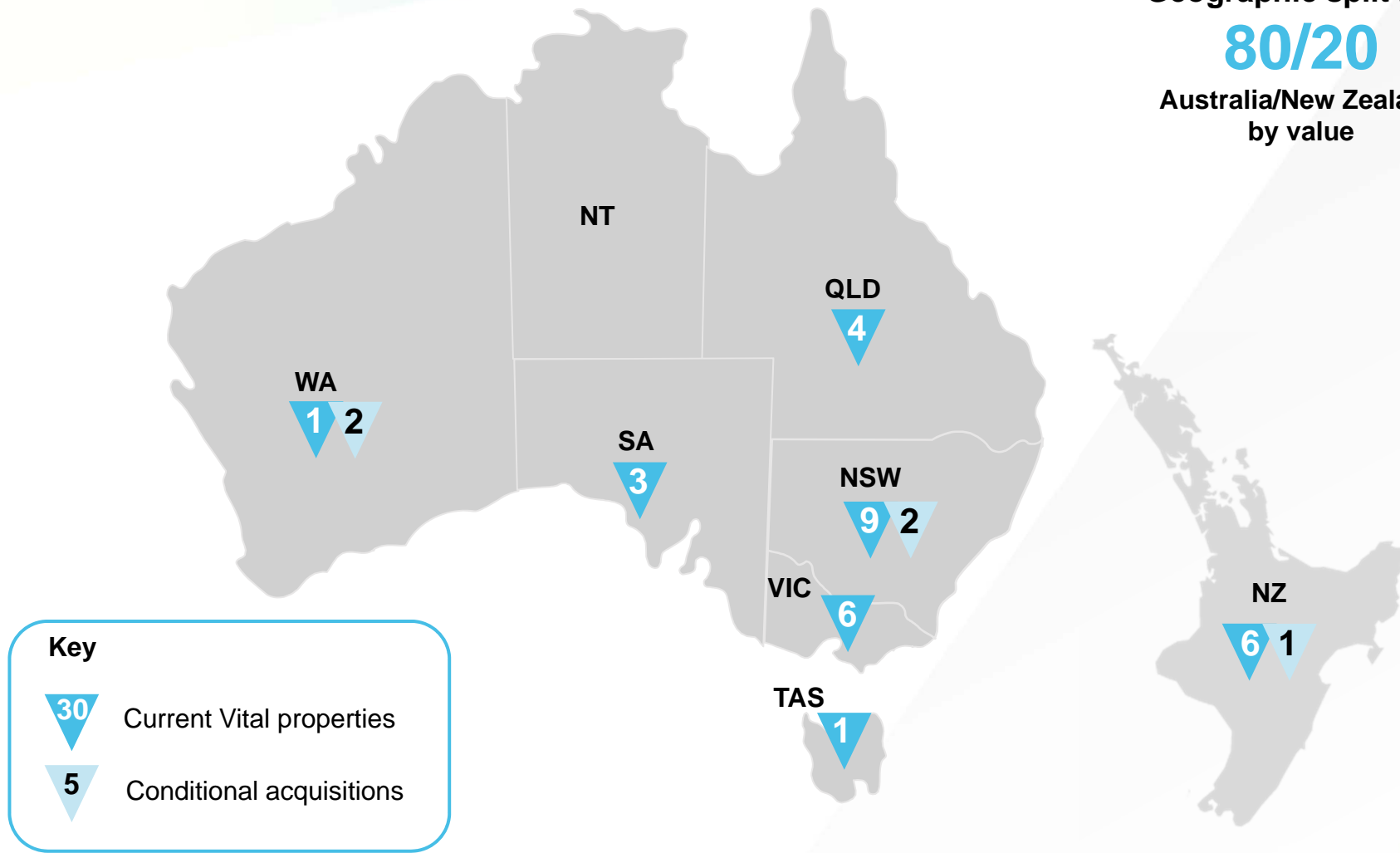
DIVERSIFIED PORTFOLIO

30 properties comprising approximately 1,700 hospital beds and over 70 operating theatres

Geographic split (%)¹

80/20

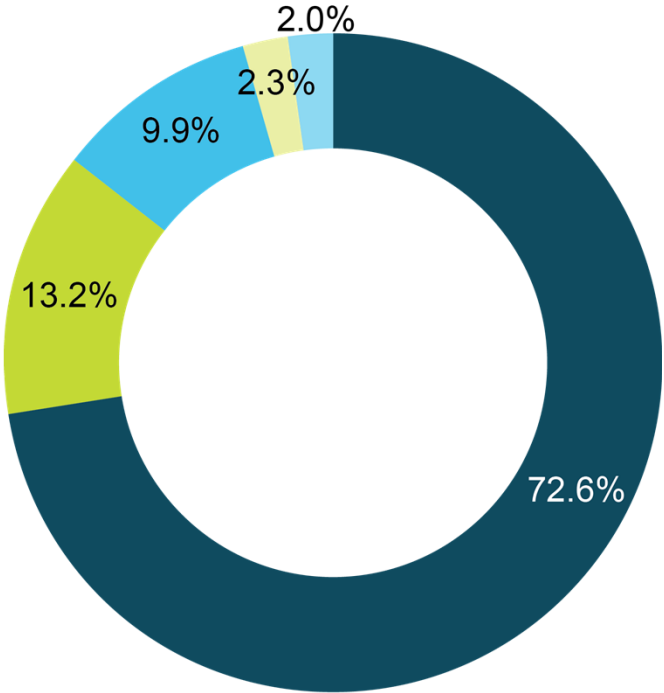
Australia/New Zealand
by value



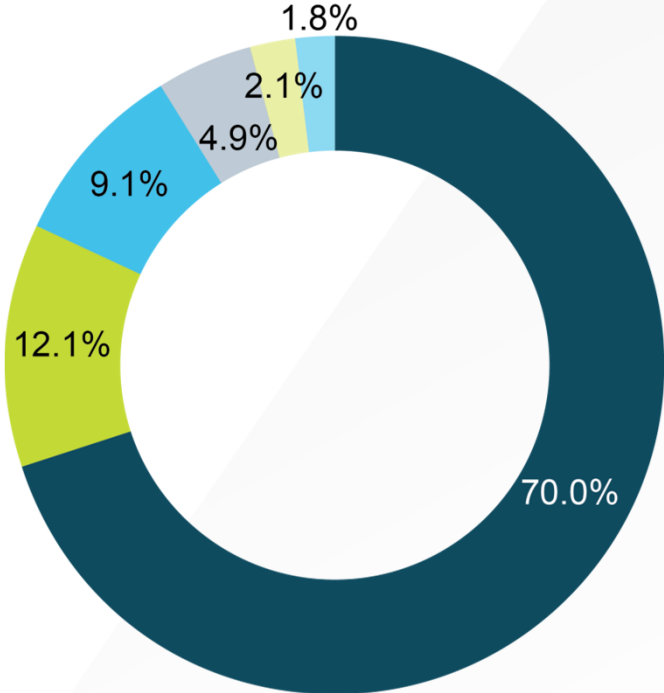
ASSET DIVERSIFICATION

Introduction of aged care real estate provides important asset, tenant, income and regulatory diversification benefits

As at 31 December 2015



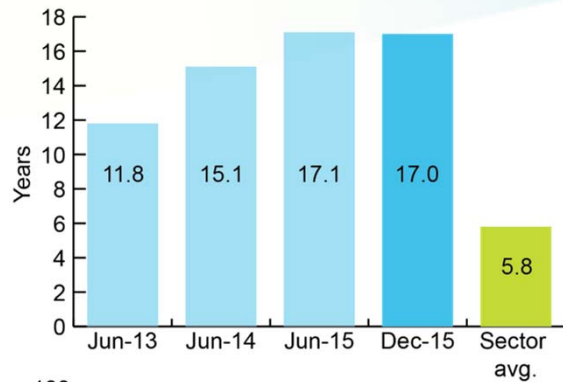
Including Aged Care & Boulcott



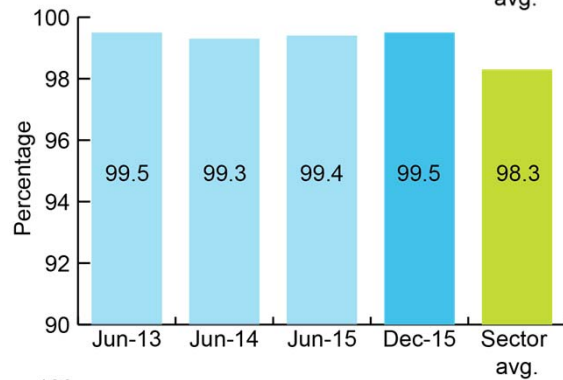
- Acute
- Psychiatric
- Medical office building
- Aged care
- Rehabilitation
- Strategic

CORE PORTFOLIO METRICS

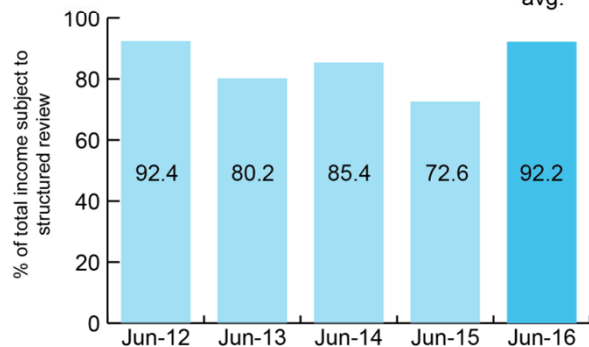
Excellent portfolio metrics, defensive characteristics attractive



WALT: Continues to provide long-term income stability and certainty for investors



Strong occupancy: Consistently high occupancy maximises portfolio performance

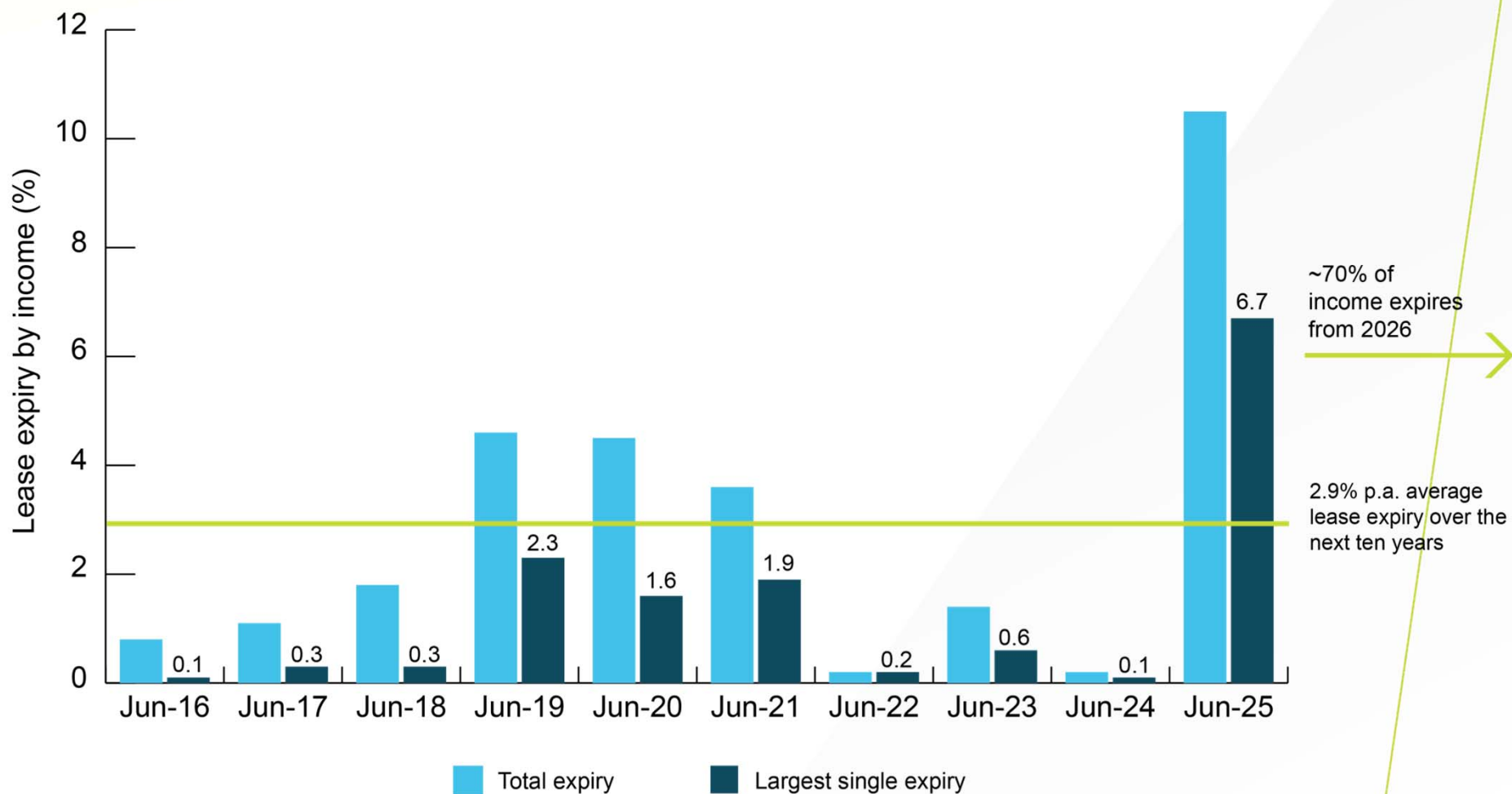


Rent review profile: High percentage of FY16 total income subject to structured¹ rent reviews

Source: 'Sector average' from Forsyth Barr Real Estate Reflections February 2016 (excludes VHP). Note 1: Includes CPI and fixed type reviews.

LEASE EXPIRY PROFILE

Low expiry profile underpins low risk and earnings certainty for investors



The background features a large green trapezoid on the left side, which tapers to a point on the right. To its right is a grey trapezoid, also tapering to a point on the right, positioned slightly higher than the green one. The overall effect is a sense of depth and perspective.

Summary & outlook

SUMMARY AND OUTLOOK

Delivering on strategy, portfolio stronger, ability to deploy capital for the right opportunities

Financial

- ▶ Revenue growing
- ▶ Established treasury framework working well
- ▶ Prudent capital management
- ▶ Immediate capacity to secure opportunities
- ▶ Strong EPU and sustainable DPU

Portfolio metrics

- ▶ Market leading WALT & occupancy metrics – continued focus on doing basics well
- ▶ Proven ability to deliver positive leasing outcomes in a unique sector
- ▶ Value-add development enhancing portfolio quality and performance
- ▶ Brownfield development strong contributor of revenue and revaluation gains

Opportunities

- ▶ Brownfield programme delivering earnings and portfolio benefits
- ▶ Consideration of greenfield or joint venture healthcare real estate opportunities
- ▶ Leverage position for appropriate scale & diversification opportunities
- ▶ Acquisition, development and consolidation opportunities in aged care real estate

Outlook

- ▶ Long-term healthcare trends supportive
- ▶ Cap rates firming for quality assets, backed by low interest rates & weight of capital
- ▶ Relationships remain key and is where the Vital team differentiates
- ▶ Lift in annualised cash distribution to 8.5 cpu effective Q3 of FY16

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25th February 2016