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HCW Funds Management Limited
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as responsible entity of the HealthCo Healthcare and Wellness REIT (ARSN 652 057 639)

ASX RELEASE

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HEALTHCO HEALTHCARE & WELLNESS REIT TRADING & STRATEGY UPDATE

- Acquisition of approximately \$200m¹ of high quality healthcare acquisitions (\$113m² initial outlay)
 - Acquisition portfolio WACR of 5.02% and WALE of 17.3 years³
 - Increases portfolio value by 20% to \$668m and approximately \$850m on as-complete basis
- HMC agrees to sell remaining interest in Proxima Southport and Camden (Stage 1) to HCW
 - Strategic development assets being acquired on attractive and de-risked terms by HCW demonstrating strong alignment with HMC as manager
- Proforma gearing of 11.5% provides financial capacity for further accretive acquisitions⁴
- Revised FY22 FFO guidance of 5.0 cpu reflecting a 16% upgrade to the PDS FY22 FFO of 4.3 cpu
 - Strong balance sheet provides investment capacity to fully FFO cover the DPU once deployed
- FY22 PDS distribution per unit of 7.4 cents is reaffirmed

HCW Chair, Joseph Carrozzi said: *“We are pleased to announce acquisitions which are consistent with HCW’s investment strategy and substantially increase the scale and diversification of the portfolio. The first post IPO acquisitions will be funded by HCW’s cash reserves and undrawn debt capacity while maintaining a strong capital position for future growth opportunities. As the only ASX-listed diversified healthcare REIT, HCW is uniquely positioned to capitalise on the significant investor and tenant demand for high quality healthcare real assets.”*

PORTFOLIO UPDATE

Acquisitions and Investments

HealthCo Healthcare & Wellness REIT (ASX: HCW) has agreed to acquire approximately \$200m of high-quality property acquisitions which are consistent with the REIT’s core strategy. These acquisitions will increase HCW’s portfolio from \$555m at IPO to \$668m and approximately \$850m on an as-complete basis.

¹ Includes \$113m of initial acquisitions, estimated incremental cost to complete Proxima Southport and approximate acquisition cost of additional interest in Camden Stage 1. Approximate acquisition cost based on minimum capex funding agreed to by HomeCo of at least \$35m (in line with HCW) plus land value. Ownership on completion may increase subject to final capex contribution with total funding requirement (between Acurio Health Care, HCW and HomeCo) of \$80m under fixed price D&C contract.

² All portfolio impacts exclude the future acquisition of Camden Stage 1 (HMC share) and future capital expenditure at Proxima. Income for 61% pre-leased tenants at Proxima included for relevant statistics.

³ Weighted average lease expiry calculated by gross income for signed leases and signed MOU’s as at Oct-21.

⁴ Proforma gearing is on the basis that the \$59m of contracted acquisitions at IPO are executed utilising cash on balance sheet. Proforma gearing includes the impact of acquisitions announced today and related transaction costs (stamp duty and acquisition fee).

The acquisitions include:

▪ **Metro Childcare portfolio (NSW, VIC & WA)**

- High quality portfolio pipeline of 13 newly constructed metropolitan childcare centres leased to national tenants on long term double net leases
- \$108m purchase price representing a cap rate of 5.00%
- Attractive portfolio WALE of 17.6 years³ and 3.00% WARR for leases with fixed escalations⁵
- Greystanes centre settled in Sep-21 and remaining 12 centres expected to settle between Oct-21 and May-22 as developments complete

▪ **Proxima Southport, (QLD)**

- Proxima is a fund-through integrated health hub development situated within the emerging Gold Coast Health and Knowledge precinct (known as Lumina)
- The property sits adjacent to The Gold Coast University Hospital, Gold Coast Private Hospital and the expanding Griffith University campus
- \$5.0m purchase price is consistent with the book value of HCW's existing 50% interest
- Acquisition of HMC's 50% interest increases HCW's ownership to 100%
- Settlement expected to occur in Oct-21
- Scheduled to commence construction later this month with a 15-month construction timetable
- Forecast cost to complete of \$70m⁶ with attractive 5.65% coupon during construction
- Development is currently 61% pre-leased to Queensland Health, Griffith University and Sanctuary Early Learning and includes a 1-year rental guarantee (post completion) from the developer

▪ **Camden (Stage 1), (NSW)**

- HMC has granted HCW an option to acquire HMC's interest in Camden (Stage 1) 'The George' Private Hospital on completion of the development at a 5.0% discount to the future independent valuation
- Proposed acquisition expected to increase HCW's ownership interest in The George to approximately 82% (subject to the final capex contribution of the joint venture partners)⁷
- The George is 100% leased to Acurio Health Group on a 15-year triple net lease with strong inflation protection via CPI linked escalations
- Development of the 78 bed Private Hospital commenced in Sep-21 and is on target for completion in early 2023 with a total forecast spend of \$80m
- The George forms part of a broader integrated health precinct development opportunity with a potential end value of \$500m+
- Camden is Australia's fastest growing Local Government Area (LGA)⁸ and represents a significant long term investment opportunity for HCW

Refer to the investor presentation for additional information on the acquisitions.

Home Consortium (ASX: HMC) CEO and Managing Director, David Di Pilla said: *"Today's announcement reinforces our high level of conviction and commitment to HCW's long term growth prospects and scalability. As HCW's largest investor and manager we have today demonstrated our support via the sale of Proxima Southport and Camden (Stage 1) on attractive terms for HCW."*

⁵ Weighted average rent review on 57% of income contracted under fixed escalations

⁶ \$80m funding commitment includes \$10m current book value plus \$70m capex to complete (100% ownership basis)

⁷ Ownership on completion is based on minimum capex funding agreed to by HealthCo REIT and HomeCo of at least \$70m. Ownership on completion may increase subject to final capex funding contribution with total funding requirement of \$80m under fixed price D&C.

⁸ Australian Bureau of Statistics, Regional Population, 2019–20. Excludes LGA's with a population of less than 50,000 people.

Update on HealthCo Unlisted Fund

In relation to the decision by HMC to sell its interests in Camden and Proxima Southport to HCW instead of the proposed unlisted fund, HMC CEO and Managing Director, David Di Pilla said: *“Notwithstanding the strong level of interest and engagement from potential unlisted investors, we have decided not to pursue the unlisted fund and determined that HCW is the optimal long-term owner of these assets.”*

“Ultimately the decision was based on a number of factors including the depth and quality of investor demand for the HCW IPO, and the potential impact to HCW’s growth trajectory during the initial two-year deployment phase of the proposed unlisted fund. The investor response to the HCW IPO enabled us to raise \$650m compared to our original target of \$500m and more importantly demonstrated the potential to execute our growth objectives through HCW.”

“The decisions taken today will result in an exciting outlook for HCW which is now well positioned as our primary vehicle in the health & wellness, government and life sciences sectors.”

Rent collection and leasing update

HCW is pleased to report 99% unadjusted cash collections in August and September 2021, evidencing the stable income characteristics of our high quality and diversified portfolio, including long leases, contracted rental escalations (including fixed and CPI escalations), sustainable rents and strong tenant covenants.

In addition, HCW has entered into a short-term lease with the Federal Government of Australia at St Marys. This short-term lease will result in additional gross income of \$1.3m in FY22 and will have limited impact to the proposed development timetable to repurpose this asset into a health hub precinct.

Development update

- **Camden:** refer above
- **Proxima:** refer above
- **Springfield:** Construction has commenced on the Guardian Early Learning childcare centre, EMF Gym and Doctors and Co Medical Centre with these tenancies due to open for trade in Q1 2022. The development is on track to deliver a target yield on cost of >6.0% (ungeared) on a fully stabilised basis.
- **St Marys:** The first phase of this redevelopment includes an Aurrum Kids childcare centre which is expected to commence operations in early FY23.

FY22 FFO AND DISTRIBUTION GUIDANCE

HCW is pleased to increase FY22 FFO guidance to 5.0 cpu which represents a 16% upgrade to PDS FY22 FFO guidance of 4.3 cpu.

HCW reaffirms PDS FY22 distribution per unit guidance of 7.4 cents.

HCW continues to actively monitor the market for potential acquisition opportunities and is well positioned to execute with a strong capital position. The upgraded FY22 FFO guidance does not assume the impact of any further acquisitions.

Outlook statements have been made barring any unforeseen circumstances and on the basis that COVID-19 lockdowns and government-mandated restrictions do not escalate beyond the present circumstances.

-ENDS-

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Authorised for release by the Board of the Responsible Entity

About HealthCo Healthcare & Wellness REIT

HealthCo Healthcare & Wellness REIT is a Real Estate Investment Trust listed on the ASX focused on owning healthcare and wellness property assets. The REIT's objective is to provide exposure to a diversified portfolio underpinned by healthcare sector megatrends, targeting stable and growing distributions, long-term capital growth and positive environmental and social impact.

Important Notice - Forward-Looking Statements

This announcement contains certain forward-looking statements, which may include indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks, uncertainties, assumptions, contingencies and other factors, many of which are beyond the control of HealthCo Healthcare & Wellness REIT. Actual results, performance or achievements may differ materially from those expressed or implied in those statements and any projections and assumptions on which these statements are based. No guarantee, representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns, statements or tax treatment in relation to future matters contained in this announcement. The forward-looking statements are based only on information available to HealthCo Healthcare & Wellness REIT as at the date of this announcement. Except as required by applicable laws or regulations, HealthCo Healthcare & Wellness REIT does not undertake any obligation to provide any additional or updated information or revise the forward-looking statements or other statements in this announcement, whether as a result of a change in expectations or assumptions, new information, future events, results or circumstances. Past performance and pro forma historical financial information is given for illustrative purposes only. It should not be relied on and it is not indicative of future performance, including future security prices.



HealthCo acquisitions and trading update





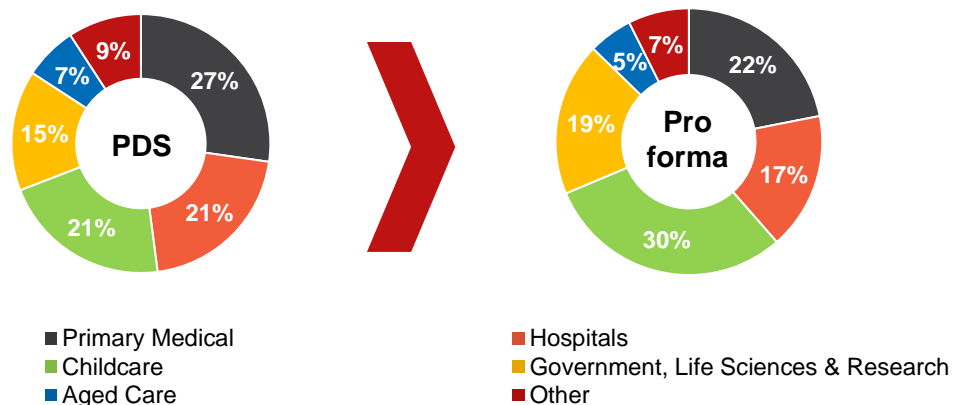
HealthCo Acquisitions

Approximately \$200m of high quality core healthcare acquisitions and investments (\$113m initial outlay)

Acquisition overview¹

Asset	State	Sub sector	Estimated Settlement	Purchase Price	Cap Rate	Occupancy ²	WALE ³
Metro Childcare Portfolio	NSW, VIC & WA	Childcare	Sep-21 to May-22	\$108.0m	5.00%	100%	17.6 years
Proxima Southport 50%	QLD	Government, Life Sciences & Research	Oct-21	\$5.0m	5.50%	61% pre-leased (1-year rental guarantee)	9.9 years
Camden Stage 1 (HMC share)	NSW	Hospital	Settlement to occur upon completion (1H 2023)	To be acquired at 5% discount to future independent book value		100% pre-leased to Acurio Health Care on 15-year triple net lease	
Total acquisitions				\$113.0m	5.02%	100%	17.3 years

Pro forma portfolio composition – tenant mix by income^{1,2}



Pro forma portfolio composition – geographic mix by value^{1,3}



Notes: 1. All portfolio impacts exclude the future acquisition of Camden Stage 1 (HMC share) and future capital expenditure at Proxima. Income for 61% pre-leased tenants at Proxima included for relevant statistics. 2. By GLA for signed leases and signed MOUs. Includes rental guarantees. 3. By gross income for signed leases and signed MOUs as at Oct-21. 3. By property fair value.

Metro Childcare Portfolio

High quality portfolio underpinned by predominantly national tenants on long term leases



Summary

Description	<ul style="list-style-type: none"> High quality portfolio of 13 newly constructed metropolitan childcare centres Centres leased to predominantly national tenants on long term double net leases with predominantly fixed escalations Construction has completed or commenced on 61% of the portfolio¹
Purchase price	<ul style="list-style-type: none"> \$108.0 million representing a 5.00% cap rate
Expected settlement	<ul style="list-style-type: none"> Greystanes settled in Sep-21 Remaining properties to settle Oct-21 to May-22 as properties complete
Occupancy²	<ul style="list-style-type: none"> 100%
Land area	<ul style="list-style-type: none"> 28,839 sqm
Rental escalations	<ul style="list-style-type: none"> Fixed escalations of 3.00% for 57% of income CPI-linked with 4.00% cap and 3.00% collar for 43% of income
WALE³	<ul style="list-style-type: none"> 17.6 years
Tenant mix	<ul style="list-style-type: none"> Nido Early School – 43%; Explorers Early Learning – 34%; Story House Early Learning – 14%; Hilltop Childcare – 9%
Geographic mix	<ul style="list-style-type: none"> VIC 83%, NSW 9%, WA 8%



Notes: 1. By property value. 2. By GLA for signed leases and signed MOUs. 3. By gross income for signed leases and signed MOUs as at Oct-21.



Acquisitions from HMC

HMC has demonstrated its strong support of HCW and alignment via the sale of Proxima and Camden (Stage 1) on de-risked attractive terms

Proxima Southport, QLD

Description	<ul style="list-style-type: none">Acquisition of the remaining 50% interest in the Proxima Health Hub development situated within the emerging Gold Coast Health and Knowledge precinct
Purchase price	<ul style="list-style-type: none">\$5.0 million representing a 5.50% cap rate
Settlement	<ul style="list-style-type: none">Expected to settle Oct-21
Development status	<ul style="list-style-type: none">\$70m capex to complete (100% basis)Forecast completion in 1H 2023
Leasing status ¹	<ul style="list-style-type: none">61% pre-leased with 1-year rental guarantee
Coupon payment	<ul style="list-style-type: none">5.65% on land and incremental capex
WALE ²	<ul style="list-style-type: none">9.9 years



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Camden, NSW – Stage 1 ‘The George’

Description	<ul style="list-style-type: none">Newly constructed 78 bed private hospital, specialising in paediatrics and maternity
Purchase price	<ul style="list-style-type: none">5.0% discount to the future independent book value
Settlement	<ul style="list-style-type: none">Settlement deferred to completion (1H 2023)
Development status	<ul style="list-style-type: none">Fixed price D&C from BuildCorpCost to complete – \$80m, completion in 1H 2023³
Leasing status ¹	<ul style="list-style-type: none">100% (Acurio Health Care)15-year triple net lease
Rental escalations	<ul style="list-style-type: none">CPI escalation



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Notes: 1. By GLA for signed leases and signed MOUs. 2. By gross income for signed leases and signed MOUs as at Oct-21. 3. Capex funding agreed to by HealthCo REIT and HomeCo of at least \$70m representing ~82% ownership as-complete. Ownership on completion may increase subject to final capex funding contribution with total funding requirement of \$80m under a fixed price D&C contract

Development Update

Significant progress has been made since IPO on HCW's development pipeline

Development update

Camden

- Stage 1 of the Camden Integrated Health and Innovation Precinct development – “The George” Private Hospital – has commenced construction and remains on target for completion by 1H 2023
- Plans for Stages 2 and 3 are being progressed which would take the precinct to a combined end value of >\$500m

Proxima

- The Proxima fund-through health hub development is scheduled to commence construction this month (Oct-21)
- The property has leasing pre-commitments from Queensland Health, Griffith University and Sanctuary Early Learning
- Forecast Practical Completion for the project is 1H 2023

Springfield

- Construction has commenced on the Guardian Early Learning childcare centre, EMF Gym and Doctors and Co Medical Centre with these tenancies due to open for trade in Q1 2022

St Marys

- Aurrum Kids have been appointed as the childcare operator for the St Mary's childcare centre and are expected to commence operations in early FY23



Camden Stage 1



Camden Stage 1