



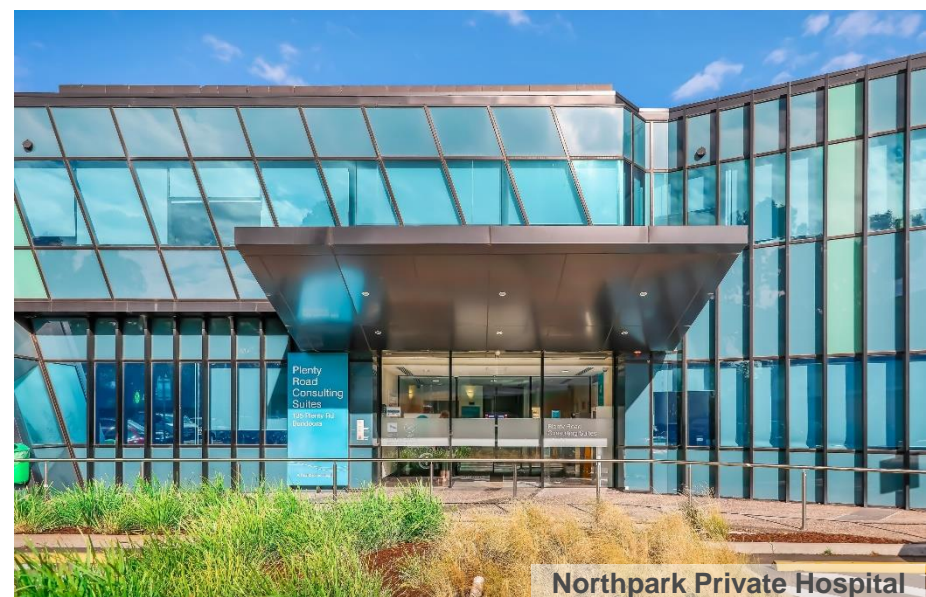
Campbelltown Private Hospital



Nepean Private Hospital



Knox Private Hospital



Northpark Private Hospital



**HealthCo Healthcare & Wellness REIT**  
**Extraordinary General Meeting Presentation**  
24 July 2023 (11:00am Sydney time)



## Acknowledgement of Country

HealthCo acknowledges the Traditional Custodians of country throughout Australia and celebrates their diverse culture and connections to land, sea and community.

We pay our respect to their Elders past, present and emerging and extend that respect to all Aboriginal and Torres Strait Islander peoples today.



*Journey Tracks to Sacred Sites*  
Tony Sorby (2021)  
© the artist courtesy Kate Owen Gallery





# Agenda

**1. Welcome and Introduction**

**2. Convening of Meeting & Order of Business**

**3. Healthscope Private Hospital Portfolio Acquisition**

**4. Formal Business**



**Joseph Carrozzi AM**  
*Chair*

**Health  
Co.**







# 1. Welcome and Introduction







# Board of Directors

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**Joseph Carrozzi AM**  
*Chair*



**David Di Pilla**  
*HMC Capital Managing  
Director and Group CEO*



**Stephanie Lai**  
*Non-Executive Director, Chair  
of Audit and Risk Committee*



**Dr Chris Roberts AO**  
*Non-Executive Director*



**Natalie Meyenn**  
*Non-Executive Director*



**Kelly O'Dwyer**  
*Non-Executive Director*



## 2. Convening of Meeting & Order of Business





### 3. Healthscope Private Hospital Portfolio Acquisition





# Strategic Rationale












Rare opportunity to acquire a large-scale portfolio of metro located critical healthcare infrastructure assets that materially improve income security and quality of HCW's portfolio

<p><b>1</b></p> <p><b>Transformative acquisition of rare scale and quality</b></p>		<p><b>\$1.2bn Healthscope Hospital Portfolio</b> (\$730m HCW share) 11 high quality metro located hospitals<sup>1</sup></p>	<p><b>100% occupancy</b> Australia's second largest private hospital operator</p>	<p><b>&gt;16 year WALE</b> Security of income with 8 x 10 year options</p>	<p><b>Absolute net lease<sup>2</sup></b> Landlord bears zero operating costs associated with the properties</p>	<p><b>CPI-linked leases<sup>3</sup></b> Exposure to CPI-linked rental escalations increased from 32% to 60%<sup>4</sup></p>
<p><b>2</b></p> <p><b>Healthscope strategic partnership</b></p>		<ul style="list-style-type: none"> <li>▪ HMC worked jointly with Healthscope to negotiate a compelling transaction with key enhancements to the existing lease terms:             <ul style="list-style-type: none"> <li>– Strengthened covenant: base rent reset lifts operator EBITDAR rent coverage to a sustainable level of &gt;2.0x<sup>5</sup></li> <li>– Inflation protection: base rent escalations renegotiated from 2.5% fixed to CPI-linked indexation<sup>3</sup></li> <li>– Accretive developments: \$255m<sup>6</sup> committed projects (\$150m<sup>6,7</sup> underway) with capex rentalised at the greater of 6% or 300bps spread to 10-year Aus bond yield</li> </ul> </li> <li>▪ Strategic partner to unlock new value enhancing healthcare development opportunities</li> </ul>				
<p><b>3</b></p> <p><b>Compelling financial returns</b></p>		<ul style="list-style-type: none"> <li>▪ Pro-forma forecast 4Q FY23 FFO per unit of 8.0 cents which implies 7% accretion vs. existing 4Q FY23 run rate FFO of 7.5 cpu<sup>8</sup></li> <li>▪ FY23 DPU guidance upgraded from 7.5cpu to 7.6cpu with annualised 4Q FY23 DPU of 8.0cpu             <ul style="list-style-type: none"> <li>– Upgraded 4Q FY23 annualised DPU of 8.0 cents to be fully FFO covered on a pro-forma basis<sup>9</sup></li> </ul> </li> <li>▪ Pro-forma look through gearing expected to be at the midpoint of the 30-40% target range post Identified Asset Sales<sup>10</sup></li> <li>▪ Implied acquisition NOI yield of 5.8%<sup>11</sup> screens attractively versus private hospital transaction comparables and valuations</li> </ul>				
<p><b>4</b></p> <p><b>Australia's largest diversified healthcare REIT</b></p>		<ul style="list-style-type: none"> <li>▪ Pro-forma HCW portfolio value of \$1.7bn<sup>12</sup></li> <li>▪ Expected to be eligible for S&amp;P/ASX300 index inclusion with increased free float and liquidity</li> <li>▪ Significant future growth via ~\$1.0bn accretive development pipeline post acquisition, funded jointly with Unlisted Fund investors</li> <li>▪ Enhanced fee structure with accelerated management fee step down from 0.65% to 0.55% for GAV &gt;\$800m</li> </ul>				

Notes: 1. HCW will ultimately own a \$730m interest in Healthscope Hospital Portfolio. 2. An absolute net lease is a lease basis under which the landlord bears zero costs associated with the property. The tenant pays property outgoings, repairs and maintenance, maintenance and replacement capital including structural repairs. 3. Healthscope CPI escalation - subject to 4.0% cap and 1.5% collar per annum. 4. Reflects impact of HCW's 100% interest in Tranches 1 & 2 (\$730m). 5. At the facility level. 6. Represents estimated end value on a 100% basis assuming yield (greater of 6% or 300bps spread to 10-year) rentalised at core portfolio cap rate of 5.1%. 7. Includes committed brownfield projects underway at Knox and Nepean. 8. Accretion calculated assuming estimated first 12-months of FFO from the Transaction is added to HCW pre-transaction annualised forecast 4Q FY23 FFO/unit of 7.5cpu. 9. Initial distributions post acquisition will be partially debt funded due to lease incentives. 10. Pro-forma look through gearing expected to be 36.0% post completion of the HCW Acquisition, Equity Raising and \$125m of Identified Asset Sales. Excluding all asset sales, pro-forma look through gearing is expected to be at the upper end of the 30-40% target range. 11. Acquisition NOI yield of 5.8% is based on 100% of the Healthscope portfolio and includes incremental rent and capex on projects under construction. Passing yield of 5.3% assuming base rent only. 12. 30-Jun-23 preliminary unaudited portfolio valuation. Includes assets held for sale.






# Healthscope Hospital Portfolio

<p><b>Tranche 1</b> Settled in May-23</p>	<p><b>Northpark Private Hospital</b></p> 	<p><b>The Victorian Rehab Centre</b></p> 	<p><b>Pine Rivers Private Hospital</b></p> 	<p><b>The Geelong Clinic</b></p> 	
	<p>Property value (100%)</p>	<p>\$101m</p>	<p>\$63m</p>	<p>\$51m</p>	<p>\$41m</p>
	<p><b>Tranche 2</b> Settled in May-23</p>	<p><b>Knox Private Hospital</b></p> 	<p><b>Campbelltown Private Hospital</b></p> 	<p><b>Ringwood Private Hospital</b></p> 	
		<p>Property value (100%)<sup>1</sup></p>	<p>\$350m<sup>2</sup></p>	<p>\$94m</p>	<p>\$30m</p>
<p><b>Tranche 3</b> Settlement expected in Sep-23</p>		<p><b>The Mount Private Hospital</b></p> 	<p><b>Nepean Private Hospital</b></p> 	<p><b>Sydney Southwest Hospital</b></p> 	<p><b>Sunnybank Private Hospital</b></p> 
		<p>Property value (100%)<sup>1</sup></p>	<p>\$147m</p>	<p>\$176m</p>	<p>\$97m</p>



# Progress on Key Strategic Initiatives

<p><b>1</b></p> <p><b>De-levering via asset sales</b></p>		<ul style="list-style-type: none"> <li>▪ Successfully executing on previously announced asset recycling program to reduce gearing to the midpoint of the 30-40% target range             <ul style="list-style-type: none"> <li>– \$82m of assets contracted with an additional ~\$45m of asset sales currently under advanced due diligence<sup>1</sup></li> </ul> </li> </ul>
<p><b>2</b></p> <p><b>Strong portfolio revaluations</b></p>		<ul style="list-style-type: none"> <li>▪ Jun-23 preliminary unaudited net valuation gain of \$71m, representing a +4.5% increase on the proforma Dec-22<sup>2</sup> portfolio value             <ul style="list-style-type: none"> <li>– Includes \$90.0m<sup>3</sup> net gain on the recently acquired and settled Healthscope Knox Private Hospital</li> </ul> </li> </ul>
<p><b>3</b></p> <p><b>Unlisted Healthcare &amp; Life Sciences Fund (UHF) capital raising</b></p>		<ul style="list-style-type: none"> <li>▪ HMC Capital's institutional fund raising for UHF is well progressed with strong indicative interest from multiple domestic and global institutional investors             <ul style="list-style-type: none"> <li>– On-track to reach first close by Sep-23</li> <li>– Demonstrates strong investor demand for critical social infrastructure assets of scale and quality</li> </ul> </li> </ul>





## 4. Formal Business





## Resolution 1

Approval of the Selective Buy-Back

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To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That:*

*(a) The terms and conditions of the Selective Buy-Back Agreement between HCW Funds Management Limited as responsible entity of HealthCo Healthcare and Wellness REIT and Home Consortium Developments Pty Ltd; and*

*(b) HCW Funds Management Limited as responsible entity of HealthCo Healthcare and Wellness REIT conducting an off-market selective buy-back of up to 8,465,608 Units from Home Consortium Developments Pty Ltd and the subsequent cancellation of those Units,*

*be approved on the terms and conditions summarised in the Explanatory Memorandum.”*





# Resolution 1

## Proxy Voting Results

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<b>For:</b>	<b>99.82%</b>
<b>Open:</b>	<b>0.15%</b>
<b>Against:</b>	<b>0.03%</b>





## Resolution 2

Amendments to Investment Management Agreement to permit the issue of Units to the Investment Manager in lieu of cash payments for fees

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To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, approval is given for all purposes for the Investment Management Agreement to be amended to permit the Investment Manager to require HCW Funds Management Limited to issue Units in lieu of cash to the Investment Manager or its nominee to satisfy amounts owing in respect of fees as further described in the Explanatory Memorandum.”*





# Resolution 2

## Proxy Voting Results

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<b>For:</b>	<b>99.81%</b>
<b>Open:</b>	<b>0.14%</b>
<b>Against:</b>	<b>0.05%</b>





## Resolution 3

Acquisition of relevant interest by the HMC Affiliates

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To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of item 7 of section 611 of the Corporations Act, approval is given for the HMC Affiliates to acquire relevant interests in Units such that the HMC Affiliates' voting power in HCW will increase to a maximum of 22.86% as a result of the acquisition of up to 31,912,867 Units within a period of 12 months after the Meeting, on the terms and conditions summarised in the Explanatory Memorandum.”*





# Resolution 3

## Proxy Voting Results

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<b>For:</b>	<b>99.81%</b>
<b>Open:</b>	<b>0.14%</b>
<b>Against:</b>	<b>0.05%</b>





## 5. Supplementary Information





# Contacts

## Investors and Analysts

## Media



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This presentation is authorised for release by the Board of HCW Funds Management Limited  
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