



HealthCo Healthcare and Wellness REIT
ARSN 652 057 639
HCW Funds Management Limited
ACN 104 438 100, AFSL 239882

ASX RELEASE

24 July 2023

CHAIR'S ADDRESS – EGM 2023

HCW Funds Management Limited as responsible entity of HealthCo Healthcare and Wellness REIT (ASX: HCW) provides the attached Chair's address to the Extraordinary General Meeting of HCW unitholders.

The EGM will be held at Level 7, 1 Macquarie Place, Sydney at 11.00am today (Sydney time).

This announcement is authorised for release by the Board of the Responsible Entity.

For further information, please contact:

INVESTORS

Andrew Dodds
HMC Capital Corporate Finance & IR Manager
+61 423 810 851
andrew.dodds@hmccapital.com.au

Christian Soberg
HCW Chief Financial Officer
+61 450 417 712
christian.soberg@hmccapital.com.au

MEDIA

John Frey
Corporate Communications Counsel
+61 411 361 361
john@brightoncomms.com.au

About HealthCo Healthcare & Wellness REIT

HealthCo Healthcare & Wellness REIT (HCW) 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. HCW is Australia's leading diversified healthcare REIT with a combined portfolio size of \$1.5 billion and development pipeline of approximately \$1 billion.

Level 7, 1 Macquarie Place
Sydney NSW 2000
1300 466 326
info@hmccapital.com.au

HCW Funds Management Limited
(ACN 104 438 100; AFSL 239882) as responsible
entity of the HealthCo Healthcare & Wellness REIT
(ARSN 652 057 639)



HealthCo Healthcare and Wellness REIT
ARSN 652 057 639
HCW Funds Management Limited
ACN 104 438 100, AFSL 239882

Monday, 24 July 2023

Chair's Address to Extraordinary General Meeting of HealthCo Healthcare and Wellness REIT Unitholders

Welcome and Introduction

Good morning ladies and gentlemen and welcome to this extraordinary general meeting of unitholders of HealthCo Healthcare and Wellness REIT. My name is Joseph Carrozzi and I am the Chair of the Board of HCW Funds Management Limited, the responsible entity of HealthCo. I will also chair this meeting this morning.

As a quorum of unitholders is present and it is now 11.00am, I declare the meeting open.

In the spirit of reconciliation I would like to begin by acknowledging the Traditional Custodians of country throughout Australia and we celebrate their diverse culture and their 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.

Before I proceed to the formal aspects of the meeting, I would like to introduce my fellow directors – Chris Roberts, Stephanie Lai (who is also Chair of the Audit and Risk Committee), Natalie Meyenn, Kelly O'Dwyer (who is also a director of HMC Capital) and David Di Pilla (who is the Group Managing Director and Chief Executive Officer of HMC Capital). A number of our executive team are also seated in the audience this morning.

On behalf of the Board, it is my pleasure to welcome you all here today.

Purpose

As you are all aware, on the 30th March 2023 HealthCo undertook a capital raising consisting of a placement of new units to new and existing institutional investors in conjunction with an accelerated non-renounceable entitlement offer. The capital raising facilitated the transformational acquisition of an interest in a portfolio of 11 private hospitals leased to Healthscope.

The purpose of this meeting is to obtain unitholder approval for three important resolutions for HealthCo in connection with this transaction.

Level 7, 1 Macquarie Place
Sydney NSW 2000
1300 466 326
info@hmccapital.com.au

HCW Funds Management Limited
(ACN 104 438 100; AFSL 239882)
as responsible entity of the HealthCo
Healthcare and Wellness REIT
(ARSN 652 057 639)

The first resolution is a special resolution to facilitate the issue and funding of bonus units by HMC Capital via a selective buy-back of existing units owned by HMC Capital for a nominal total consideration. Eligible unitholders who participated were eligible to receive up to 1 bonus unit for every 28 new units issued to them provided they satisfy certain minimum holding requirements. The bonus units are being funded by HMC Capital, the investment manager of HealthCo. The final number of units bought back will be the same as the number of bonus units to be issued to unitholders who participated in the capital raising provided they meet the eligibility criteria.

The second resolution relates to amending the Investment Management Agreement to permit the payment of acquisition or disposal fees by way of issues of units to the investment manager in lieu of cash in order to reduce HealthCo's upfront cash funding from the transaction.

The third resolution seeks to allow HMC Capital and its affiliates to acquire additional units equivalent in number to those they would have been issued under HMC Capital's sub-underwriting commitment under the retail entitlement offer.

Before proceeding to the formal business on each of the resolutions, I would now like to provide an overview of the transaction and key highlights.

Transaction Overview and Highlights

On the 30th March 2023, HealthCo and a newly established Healthcare and Life Sciences Unlisted Fund announced the acquisition of a 100% interest in 11 private hospitals leased to Healthscope, Australia's 2nd largest private hospital operator, for \$1.2 billion.

The investment by HealthCo comprises 4 private hospitals, valued at \$256 million acquired directly by HealthCo and a ~50% equity interest in the remaining 7 private hospitals, valued at \$944 million, which are being acquired by the newly established Unlisted Fund.

The acquisition represented a rare opportunity to invest in a portfolio of established metro located private hospitals in Australia that serve as critical healthcare infrastructure in their communities. The transaction is transformative for HealthCo and consistent with HealthCo's strategy to own a diversified portfolio of institutional grade healthcare real estate underpinned by powerful healthcare megatrends and tenanted to quality operators on long-term leases.

The portfolio was secured on attractive terms with the purchase price implying a net operating income yield of 5.8% which compares favourably against observable healthcare transactional evidence and HealthCo's existing portfolio.

The investment fundamentals of the portfolio are strong with high barriers to entry given the embedded relationships with key specialists, doctors, staff and patients in the catchment and the lack of availability of appropriately zoned land for hospitals and hospital development. The portfolio is located across desirable metropolitan locations with 75% exposure to Sydney and Melbourne.

As part of the transaction, HMC Capital successfully renegotiated major lease terms with Healthscope which substantially improved the portfolio's income security and growth opportunity. Key terms of the lease include:

- A 16 year weighted average lease term with 80 years of extension options
- Absolute net leases where the landlord bears zero costs associated with the properties; and
- CPI-linked annual rental growth

In addition, Healthscope has committed to a development pipeline within the portfolio which will be funded by the landlord and rentalised at the greater of 6% or 300 basis points over the Australian 10-year Government bond yield.

HealthCo's acquisition was partially funded through an underwritten equity raising of \$320 million, comprising an \$89 million institutional placement and a \$231 million entitlement offer. New units issued in the raising are also entitled to a 1 for 28 bonus unit which is fully funded by HMC Capital. HMC Capital, being HealthCo's largest unitholder and manager, took up \$32 million and \$43 million worth of units under the institutional and retail components of the entitlement offer, respectively, through its sub-underwriting commitments.

HealthCo announced at the time of acquisition an asset disposal program of up to \$200 million to maintain gearing in the target range. We are pleased with how this is progressing with \$82 million of assets contracted for sale with an additional ~\$45 million of asset sales currently under advanced due diligence¹. This will, over time, see HealthCo's gearing move to the midpoint of the 30-40% target gearing range.

Furthermore, since acquiring the portfolio, HealthCo has realised a \$90 million net revaluation gain at the Healthscope Knox Private Hospital. Further revaluation gains are expected upon completion of the Knox development as well as upon settlement of Tranche 3 assets in September 2023. This is a testament to the attractive embedded valuation upside we believe exists within the portfolio.

HMC Capital's institutional fund raising for the Unlisted Fund is well progressed with strong indicative interest from domestic and global institutional investors. The fund remains on-track to reach first close by September 2023. Ultimately, the Unlisted Fund will assist HealthCo in accessing and funding a larger pool of investment and development opportunities.

In summary, the transaction has been transformational for the HealthCo portfolio through enhanced scale, income security, a larger free float market capitalisation and an accretive development pipeline of approximately \$1 billion.

Importantly in relation to this meeting, all directors eligible to make a recommendation (being all the independent non-executive directors) recommend that unitholders vote in favour of all resolutions that I highlighted earlier.

In closing, the Board and I would like to thank our investors, tenant partners, management team and all other stakeholders for all their ongoing support.

I now turn to the formal business of today's meeting.

Joseph Carrozzi
Chair
HCW Funds Management Limited
as responsible entity of HealthCo Healthcare and Wellness REIT

¹ As at 2-Jun-23.