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Dear Directors

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1.0 Introduction

Vital Healthcare Property Trust ("**Vital**" or the "**Trust**") is an NZX-listed managed investment scheme which is externally managed by Northwest Healthcare Properties Management Limited ("**Northwest**").

Vital is considering a management internalisation proposal ("**Internalisation**") under which Vital would:

- i. terminate Northwest's management rights ("**Northwest Management Rights**") by Northwest retiring as manager of Vital;
- ii. pay a termination payment to Northwest as compensation for the relinquished management rights ("**Internalisation Payment**");
- iii. appoint a new manager of Vital which is ultimately owned by Vital unitholders; and
- iv. confirm various ancillary arrangements (such as agreements around provision of transitional services etc).

The Independent Directors of Northwest ("**Independent Directors**") have engaged Northington Partners Limited ("**Northington Partners**") to provide an independent expert assessment of the merits of the Internalisation for unitholders who are not associated with Northwest. Our report will be one source of information used by the Independent Directors when determining whether to sign the related party benefit certificate as required under the Financial Markets Conduct Act 2013 ("**FMCA**") in relation to the Internalisation.

This letter summarises our findings and has been provided for Vital to share with unitholders recognising that our full report contains commercially sensitive information and is intended to be provided to the Independent Directors only. It does not include all of the information that unitholders might require when assessing the Internalisation and should be read in conjunction with Vital's other disclosures relating to the Internalisation and associated capital raising. However, we believe that this letter provides sufficient information to allow unitholders to understand how we valued the Northwest Management Rights and reached our conclusions in relation to the broader merits of Internalisation.

2.0 Value of Internalisation

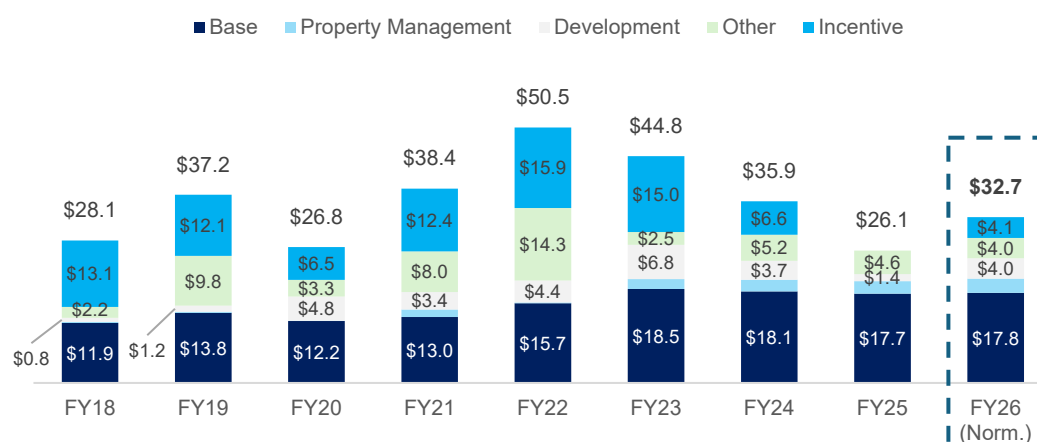
We have assessed both the fair market value of the Northwest Management Rights and the value of the Internalisation to the Trust, as summarised in 2.1 and 2.2 below.

2.1 Market Value of Northwest Management Rights

In determining the fair market value of the Northwest Management Rights, we have primarily relied on an EBIT multiple approach (cross-checked with a discounted cash flow (“DCF”) valuation). We consider this approach is appropriate because Northwest’s earnings from the management of Vital are relatively mature and predictable and there is significant reliable evidence for similar transactions across New Zealand and Australia.

Our estimate of the forecast earnings from the Northwest Management Rights is based on our view of “maintainable” earnings that could be generated from the current Vital portfolio, having regard to the key terms of Vital’s Trust Deed, future development and acquisition / divestment activity as well as possible portfolio revaluations. Figure 1 provides a summary of our maintainable revenue estimate for FY26, relative to the revenue generated from the Northwest Management Rights over the FY18 – FY25 period.

Figure 1: Northwest Historic Management Fees vs FY26 Forecast (Maintainable)



Source: Vital related party disclosures, Northington Partners estimates.

Our assessed maintainable revenue of \$32.7m compares to average annual fees paid to Northwest of \$36.0 over the previous eight-year period. This estimate reflects the following:

- Incentive fees have been a meaningful driver of performance for Northwest (averaging \$11.6m annually over the FY18 – FY24 period), largely as a result of significant compression in valuation cap rates. We do not expect this is likely to persist and have made no allowance for further cap rate driven revaluation gains. However, we have assumed long-run rental growth of 2.5% which underpins our estimated maintainable incentive fee of \$4.1m;
- Development fees have been assumed at \$4.0m, broadly consistent with annual averages of \$3.3m over the FY18 – FY25 period and after allowing for Vital’s immediate and future pipeline of development opportunities (e.g. Coomera and MacArthur);
- Acquisition and divestment fees have been assumed at \$1.2m relative to an annual average of \$2.0m over the historic period; and
- Other fees (property management, leasing and AFSL) are based on current budgets and estimates of normal leasing activity.

In order to determine the maintainable level of earnings from the Northwest Management Rights, we have estimated the standalone costs of managing Vital based on a forecast provided for FY26. This forecast has been reviewed by the Independent Directors and their advisers and is considered to be reasonable. The assumed cost of \$15.1m is largely based on Northwest’s current costs, but with certain adjustments for expected ongoing management incentives, rent and corporate costs, IT and

HR services which will continue to be provided by Northwest for a transition period. The estimate also includes certain costs related to the Galaxy contract (valued separately).

We have derived maintainable EBIT for the Northwest Management Rights of \$17.6m, as summarised in Table 1. This also represents the net operating savings that will be available to Vital as a result of the Internalisation. We note that our estimate is lower than the level of normalised fee savings assumed by Vital (~\$20m), primarily reflecting more conservative assumptions for activity based fees relative to historical levels and applying a 20% discount to our assessment for normalised incentive fees to account for the assumed time and risk until the rolling off of the high-water mark.

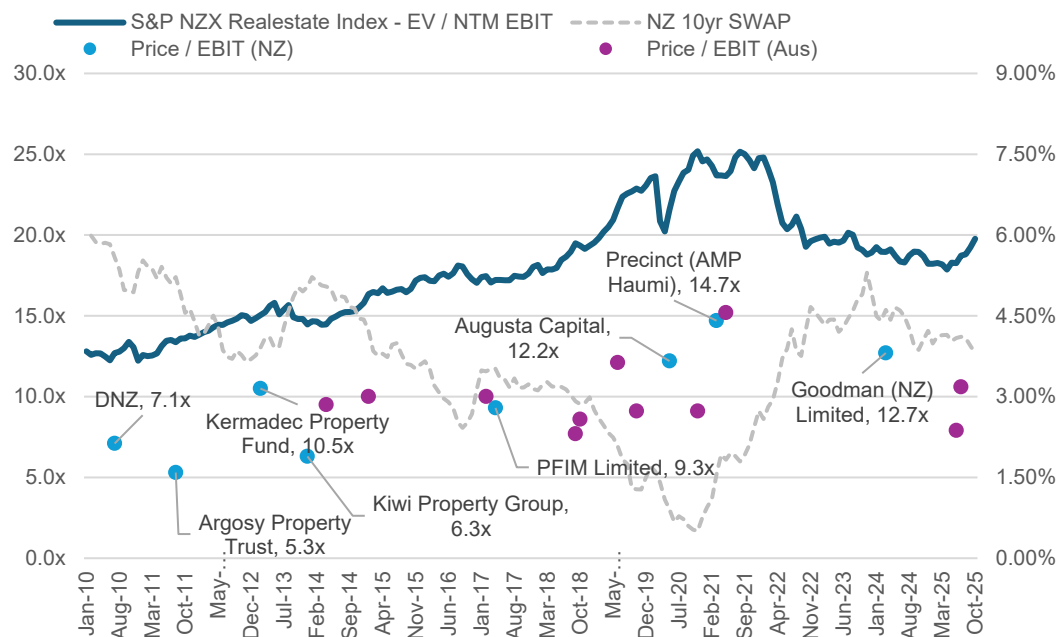
Table 1: Assumed EBIT of the Northwest Management Rights (NZ\$m)

Item	
Base fees	\$17.8
Property Management and AFSL fees	\$3.7
Leasing fees (including development)	\$2.0
Development fees	\$4.0
Acquisition and disposal fees	\$1.2
Incentive fees	\$4.1
Total Revenue (Fees Saved)	\$32.7
Less costs incurred	(\$15.1)
EBIT (Operating Savings)	\$17.6

Source: Northington Partners' estimates.

A summary of the earnings multiples implied by relevant transactions is set out in Figure 2 and Appendix 1. After considering the portfolio characteristics of Vital relative to the transaction evidence and the prevailing market conditions, we have assessed an EBIT multiple range of 11.0x – 12.5x for the Northwest Management Rights. This reflects our view that key market factors (interest rate environment and broader NZ property sector EV/EBIT multiples) are consistent with the prevailing market at the time of the GMT internalisation (12.7x EBIT). However, we believe that the underlying characteristics of the GMT management rights are superior to those relating to Vital and therefore suggest the GMT internalisation multiple represents the top end of an appropriate multiple range.

Figure 2: Comparable Transaction EV / EBIT Multiples Vs LPV Sector and Interest Rates



Source: Capital IQ, IRESS, Northington Partners.

Applying our EBIT multiple range to the assessed earnings for the Northwest Management Rights, we have assessed a fair market value range of \$193m to \$220m (mid-point \$207m), as summarised in Table 2. This represents our view of the likely price achievable in an arms-length sale of the Northwest Management Rights to a third-party.

Table 2: Assessed Market Value Range and Implied Multiples of Northwest Management Rights

	Low	High	Mid-Point
Maintainable EBIT	\$17.6	\$17.6	\$17.6
EBIT Multiple	11.0x	12.5x	11.8x
EV (\$m)	\$193	\$220	\$207
EV / FY25 FUM	6.0%	6.8%	6.4%

When including the value attributed to the Galaxy management rights of \$5m (equivalent to an implied multiple of approximately ~5x the minimum base fees reflecting the likely term of the contract), our valuation range for the total Northwest Management Rights is between \$198m and \$225m, with a mid-point of \$212m.

Our DCF cross-check is based on the cash flow assumptions set out below in 2.2 and an assessed 9.75% - 10.75% discount rate range (largely derived from our assessed IRR from the GMT internalisation). These assumptions result in a DCF value range of \$183m - \$221m, with a mid-point value of \$202m. Although the DCF value range is wider, this outcome supports our multiple-based valuation assessment.

The Internalisation Payment of \$214m is therefore within our assessed fair market value range and supported by our DCF valuation.

Vital also anticipates obtaining a binding ruling from the IRD to confirm that the termination component of the Internalisation Payment is deductible for tax purposes. After allowing for Australian tax leakage, Vital anticipates a net tax benefit of \$37m. Accounting for this benefit reduces the effective post-tax cost of the Internalisation Payment to \$177m, a 17% discount to our mid-point market valuation for the Northwest Management Rights.

On the basis of the valuation outcome summarised above, we conclude that the value of the Internalisation Payment is fair to Vital unitholders not associated with Northwest.

2.2 Value to Vital of Internalisation

We have also assessed the value of the Internalisation to Vital, being the present value of the future cost savings from internal management, valued at Vital's weighted average cost of capital.

In summary, our DCF cash flows are based on a 10-year forecast period assuming Vital's portfolio increases in value from the current value of ~\$3.2bn to ~\$6.0bn over the forecast period, a compound annual growth rate of ~6%. This growth reflects the following key assumptions:

- Nominal rental growth of 2.5% driving like-for-like revaluation gains of 2.5% (cap rates assumed to be consistent with current levels);
- Annual average development expenditure of \$100m and acquisitions of ~\$87m; and
- Management costs consistent with those assumed above (\$15.1m per annum in real terms) while allowing for additional resources as the portfolio grows.

We have applied a discount rate range of 7.50% to 8.25% based on our assessment of the cost of equity for the management rights at ~10%, Vital's cost of debt and 35% leverage. Assuming terminal growth of 2%, we estimate the value to the Trust of internalising the management contract is in a range between \$262m and \$318m.

Based on the post-tax cost of the Internalisation Payment of \$183m (after allowing for the time period over which the tax benefit is expected to be realised), the Internalisation represents a net value benefit to Vital of between \$79m to \$135m, with a mid-point of \$107m.

3.0 Other Considerations

We estimate that the Internalisation will result in increased adjusted funds from operations to Vital unitholders of ~8%, or ~12% when allowing for capitalised fee savings (on a normalised FY26 pro forma basis and when including our assumed fee savings in Table 1, including incentive fees of \$4.1m). All else being equal, this should result in a commensurate increase in distributable income.

While we estimated that Vital's NTA will decrease by ~10% when allowing for the impact of the Internalisation Payment (but excluding the impact of dilution arising from the capital raised over and above the post-tax termination payment), we suggest that unitholder value will increase due to the net present value of the on-going cash flow improvements generated by the Internalisation.

The Internalisation will significantly reduce Vital's overall management expenses. We estimate Vital's total expense ratio has averaged ~1.6% of average total assets over the FY18 – FY25 period (including total management fees and Trust corporate costs) and will likely reduce to ~0.6% after the Internalisation, consistent with the sector average. We suggest that a more consistent, transparent and sector-aligned expense ratio will also benefit unitholders.

Other non-financial benefits of the Internalisation include:

- Removal of potential conflicts of interest between Vital and Northwest;
- Elimination of the risk that Northwest could sell the Vital management rights to another third party which may be less capable or have different strategic priorities;
- Increased governance and management control;
- Enhanced flexibility to pursue potential corporate actions (e.g. corporatisation, ASX listing) or M&A activity without the impediment of having to accommodate an external manager;
- Improved free float should improve Trust liquidity and price transparency while potentially also attracting new institutional investor interest; and
- Provides the option for Vital to establish its own funds management platform.

We do not believe there are any material negative consequences of Internalisation other than the potential loss of Northwest's broader global healthcare expertise and network.

Yours faithfully
Northington Partners Limited



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Appendix 1: Comparable Transaction Evidence

Table 3: Comparable New Zealand Transactions

Date	Entity	Transaction	EV (NZ\$m)	AUM (NZ\$m)	EV / EBIT	EV / AUM
Mar-24	Goodman (NZ) Limited	Internalisation	272	4,638	12.7x	5.9%
Mar-21	AMP Haumi	Internalisation	215	3,500	14.7x	6.1%
Jun-20	Augusta Capital	Acquisition	82	1,800	12.2x	4.6%
Apr-17	Property For Industry	Internalisation	42	1,100	9.3x	3.9%
Dec-13	Kiwi Property Group	Internalisation	73	2,188	6.3x	3.3%
Feb-13	Kermadec Property Fund	Internalisation	2	100	10.5x	2.0%
Jan-12	Property for Industry	Acquisition	11	359		2.9%
Oct-11	Vital Healthcare	Acquisition	12	533		2.2%
Aug-11	Argosy Property Trust	Internalisation	20	935	5.3x	2.1%
Apr-11	Vital Healthcare	Internalisation	14	533		2.6%
Oct-10	National Property Trust	Internalisation	3	187		1.3%
Jul-10	DNZ	Internalisation	35	730	7.1x	4.8%
Median					9.9x	3.1%

Source: Public disclosures, Annual reports, NZX/ASX announcements, S&P Capital IQ, Northington Partners analysis.

Table 4: Comparable Australian Transactions

Date	Entity	Transaction	EV (NZ\$m)	AUM (NZ\$m)	EV / EBIT	EV / AUM
Jun-25	BWP	Internalisation	143	3,641	10.6x	3.9%
May-25	IP Generation	Acquisition	90	2,000		0.6%
Apr-23	Challenger Real Estate Platform	Acquisition	38	3,400		1.1%
Aug-22	Fortis Funds Management	Acquisition	58	1,900		3.0%
Jan-22	PMG Funds	Acquisition	44	920		4.8%
May-21	APN Property Group Limited	Acquisition	137	2,900		4.7%
Apr-21	Primewest Group Limited	Acquisition	417	5,000	15.2x	8.3%
Oct-20	Investec Australia Property Fund	Internalisation	40	1,385	9.1x	2.9%
Jun-20	GoFARM Asset Management	Acquisition	10	283		3.5%
Sep-19	Garda Capital Group	Internalisation	31	404	9.1x	7.7%
May-19	Heathley Limited	Acquisition	39	620	12.1x	6.3%
Aug-18	Aventus Capital Limited	Internalisation	143	2,000	8.6x	7.2%
Aug-18	Folkestone	Acquisition	56	1,609	7.7x	3.5%
Jan-17	360 Capital Investment Mgmt	Acquisition	98	1,495	10.0x	6.6%
Jun-16	Generation Health Management	Acquisition	63	552		11.3%
Dec-14	Arena REIT	Internalisation	12	440	10.0x	2.6%
Mar-14	CFS Retail Property Trust	Internalisation	493	14,887	9.5x	3.3%
Nov-13	GDI Property Group	Internalisation	29	795		3.7%
Median					9.5x	3.8%

Source: Public disclosures, Annual reports, NZX/ASX announcements, S&P Capital IQ, Northington Partners analysis.