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## **NORTHWEST ANNOUNCES THE ACQUISITION OF AN 11 PROPERTY, \$1.2BN AUSTRALIAN HOSPITAL PORTFOLIO FROM HEALTHSCOPE**

*All dollar values herein are in Canadian dollars. Australian dollar values have been converted into Canadian dollars using an illustrative exchange rate of \$1.00CAD = \$1.05AUD.*

**TORONTO, ON January 31, 2019** – NWH Australia AssetCo Pty Ltd as trustee for NWH Australia Asset Trust (“NorthWest Australia”), a controlled entity of NorthWest Healthcare Properties Real Estate Investment Trust (“NorthWest” or the “REIT”) (TSX:NWH.UN) announced today that it has entered into definitive agreements to acquire 11 freehold hospital property assets (the “Portfolio”) from ASX-listed Healthscope Limited and its affiliates (“Healthscope”) for approximately \$1.2 billion as part of a sale and leaseback transaction (the “Property Transaction”). Through leveraging its capital relationships, NorthWest intends to structure the Property Transaction such that it will manage the Portfolio and ultimately maintain an approximately 25% - 30% ownership interest.

The Property Transaction follows NorthWest Australia's previously disclosed acquisition of a strategic interest in Healthscope and today's announcement by Healthscope that it has entered into a binding agreement with Brookfield Business Partners L.P. (NYSE:BBU) (TSX:BBU.UN) together with its institutional partners (collectively “Brookfield”) to acquire up to 100% of Healthscope shares (the “Healthscope Acquisition”). The Property Transaction is conditional on Brookfield's completion of the Healthscope Acquisition and NorthWest and its affiliates obtaining approval under the Foreign Acquisitions and Takeovers Act 1975 (“FIRB”), both of which are expected to occur in Q2-2019.

### **Acquisition of \$1.2BN Australian Hospital Portfolio**

The Property Transaction represents a rare opportunity to partner with Healthscope – one of Australia's leading private hospital operators with a portfolio of 43 private hospitals concentrated in large metropolitan centers throughout Australia, and to acquire a high-quality portfolio of 11 Australian healthcare real estate properties. By value, the Portfolio represents approximately 51% of Healthscope's total freehold property portfolio being sold, with the remainder being acquired by a third party investor, on the same terms.

The Portfolio is expected to generate initial annual rental income of approximately \$60 million resulting in a weighted average capitalization rate of 5.0%. The Portfolio is 100% occupied by Healthscope on an absolute quadruple net lease basis with the tenant responsible for all property costs including maintenance capital expenditures. The leases have a weighted average expiry of 20 years and are subject to fixed annual rent increases of 2.5% per annum. The rents payable under the leases are market based, representing portfolio EBITDAR coverage for the Portfolio of approximately 2.2x, providing the REIT with a durable cash flow stream as well as built-in organic growth.

In addition, the Portfolio comes with an initial brownfield development and capex opportunity of up to approximately \$525 million over 10 years, of which approximately \$50 million relates to capital projects to be completed within 3 years. This pipeline, subject to business case approvals, is forecast to yield approximately 6% on completion representing a 100 basis point premium to the stabilized asset yields and providing an attractive and low risk way to accretively deploy capital to drive earnings growth over time whilst improving asset performance and quality.

Commenting on the Property Transaction, NorthWest Chairman and CEO, Paul Dalla Lana, said:

“The portfolio includes some of the highest quality healthcare real estate assets in Australia. With the portfolio including a diversified mix of acute, rehabilitation and psychiatric hospital facilities primarily located in major metropolitan centers of Melbourne, Sydney, and Brisbane, Australia is a core market for NorthWest and this transaction enhances our market leading position as the real estate partner of choice for Australian hospital operators. The scale and strategic nature of the acquisition also positions the REIT to leverage its existing global platform and capital relationships.”

#### NorthWest's Ownership Level and Management of the Portfolio

NorthWest is ultimately targeting an effective ownership level in the Portfolio of approximately 25% - 30%, which is consistent with its existing ownership levels in other Australian/New Zealand platforms. NorthWest will provide management services for the entire Portfolio, and expects to generate initial base asset management fees of approximately \$4 million - \$7 million (relating to the portion of the Portfolio that NorthWest is not expected to own) (the “Management Arrangements”).

#### Portfolio Financing

In order to finance the Property Transaction, the REIT has arranged a property-level debt facility for approximately \$710M (with an initial interest rate of approximately 4.3%). This results in an aggregate equity requirement of approximately \$490 million for the Portfolio.

The REIT will fund its expected equity requirement of approximately \$125 million to \$150 million for its targeted 25% - 30% ownership level in the Portfolio with a combination of the proceeds from the sale of its existing investment in Healthscope and previously funded deposits.

#### Portfolio Metrics and Financial Impact

The Property Transaction is expected to enhance both the REIT's current portfolio operating metrics as well as financial profile.

The fully occupied, long-term indexed, quadruple net lease structure embedded in the Portfolio Transaction is expected to further improve the REIT's industry-leading portfolio metrics as follows:

- Consolidated NOI contribution from Australasia increases from 43% to 53%;
- Consolidated occupancy is expected to increase by 40bps to 96.7%;
- Weighted average lease expiry is expected to increase by 0.8 years to 13.5 years;
- The percentage of leases with annual rent indexation is expected to increase to 85.9%; and,

- Portfolio diversification is expected to increase with the addition of Healthscope as one of the REIT's top 10 tenants, representing 15.6% of consolidated Gross Rent.

The REIT currently manages a \$4.0 billion ANZ<sup>1</sup> platform with \$2.5 billion<sup>1</sup> of committed fee bearing capital across two separate and distinct capital pools with current un-deployed capital of ~\$1.3 billion. As a result of the Property Transaction the REIT's ANZ platform is expected to increase to approximately \$5.2 billion<sup>1</sup> with \$3.4 billion<sup>1</sup> of committed fee bearing capital.

Subject to final funding allocations, the REIT expects the Property Transaction and other publicly announced events subsequent to Q3 2018<sup>2</sup>, will increase its Q3 2018 reported annualized AFFO per unit by approximately \$0.06 per unit.

While the terms and structure have not been finalized, NorthWest expects to maintain consolidated leverage below 60% post completion of the Property Transaction and reiterates its medium-term leverage target of 50% as it sees opportunity to strengthen its balance sheet and capital structure through the repayment of high-cost corporate debt with continued capital recycling activities.

### **Further Information**

An investor presentation with further information on the Property Transaction is available on the REIT's website ([www.nwhreit.com](http://www.nwhreit.com)).

Deutsche Bank acted as the REIT's financial advisor with Ashurst providing legal counsel to NorthWest Australia.

For enquiries, please contact:

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### **About NorthWest Healthcare Properties Real Estate Investment Trust**

NorthWest Healthcare Properties Real Estate Investment Trust (TSX: NWH.UN) (NorthWest) is an unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario. As at September 30, 2018 the REIT provides investors with access to a portfolio of high quality

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<sup>1</sup> Includes committed and un-deployed capital

<sup>2</sup> Subsequent events include: (i) the REIT's December 2018 issuance of \$125 million of convertible debentures; (ii) German acquisitions; (iii) the acquisition of an additional \$68 million investment in Healthscope; and (iv) \$48 million of prepaid deposits for the Property Transaction.

International healthcare real estate infrastructure comprised of interests in a diversified portfolio of 153 income-producing properties and 10.8 million square feet of gross leasable area located throughout major markets in Canada, Brazil, Europe, Australia, and New Zealand. The REIT's portfolio of medical office buildings, clinics, and hospitals is characterized by long-term indexed leases and stable occupancies. With a fully integrated and aligned senior management team, the REIT leverages over 180 professionals across nine offices in five countries to serve as a long term real estate partner to leading healthcare operators.

### **Non-IFRS Measures**

Some financial measures used in this press release, such as NOI, AFFO, portfolio occupancy and weighted average lease expiry, are used by the real estate industry to measure and compare the operating performance of real estate companies, but they do not have any standardized meaning prescribed by IFRS. As such, they are unlikely to be comparable to similar measures presented by other real estate companies. These non-IFRS measures are more fully defined and discussed in the REIT's Management's Discussion and Analysis ("MD&A") for the third quarter ending September 30, 2018, which is available on the SEDAR website at [www.sedar.com](http://www.sedar.com). Also on SEDAR are the condensed consolidated unaudited interim financial statements of the REIT for the three months ended September 30, 2018.

### **Forward-Looking Statements**

This press release contains "forward-looking statements" within the meaning of applicable securities laws, including statements about the proposed use of proceeds thereof, the Property Transaction, and the extent to which the Property Transaction are expected to be accretive, the expected AFFO per unit to be generated from the Property Transaction and targeted leverage levels. The forward-looking statements in this news release are based on certain assumptions, including without limitation that all conditions to completion of the Property Transaction will be satisfied or waived, the Portfolio will perform as expected, funding will be obtained as expected to complete the Property Transaction and that currency exchange rates remain consistent. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the risk that the Property Transaction will not be completed on the terms proposed, or at all or that other developments may arise that result in the REIT having to further increase its leverage. The statements in this news release are made as of the date of this release. Although the REIT believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and, accordingly, readers are cautioned not to place undue reliance on such statements due to the inherent uncertainty therein. A discussion of the risk factors applicable to the REIT is contained under the heading "Risk Factors" in the REIT's annual information form dated March 28, 2018, a copy of which may be obtained on the SEDAR website at [www.sedar.com](http://www.sedar.com).