

Target Healthcare REIT Limited (THRL:LN)

Quarterly Investor Report: May 2018 (figures as at and for quarter ended 31 March 2018)

Quick facts

Overview

Launch Date	March 2013
ISIN	JE00B95CGW71
Registered number	112287
Expected quarterly dividend	Feb/May/Aug/Nov
Financial year end	30 June
Currency	Sterling
Website	www.targethealthcarereit.co.uk

Ordinary Share Class

(03/05/18)

Shares in issue	339,217,889
Share price	108.00 pence
Market cap	£366.4 million
Share price premium to EPRA NAV	2.9%

Key ratios and financials

(31/03/18)

Investment properties	£341.4 million
Drawn debt	£66.0 million
EPRA NAV	£356.0 million
EPRA NAV per share	105.0 pence
EPRA NAV growth	0.6%
Quarterly EPRA earnings per share ¹	1.39 pence
Quarterly dividend per share	1.61 pence
Dividend yield (03/05/18)	6.0%
LTV*	19.3%
Management fee rate	0.9% of NAV
Performance fee	10% of portfolio outperformance of Index; capped at 0.35% of average NAV; rolling, cumulative 3-year period; subject to claw-back.
WAULT	28.7 years

*calculated as total gross debt as a proportion of gross property value exc. cash

Summary Balance Sheet

	Mar-18	Dec-17
	£m	£m
Investment properties**	341.4	334.9
Cash	85.3	14.9
Net current assets / (liabilities)	(4.7)	(5.5)
Bank loan	(66.0)	(81.0)
Net assets	356.0	263.3

EPRA NAV per share (pence) 105.0 104.4

**Ignores the effect of fixed/guaranteed rent reviews.

Group at a glance

Overview

THRL aims to provide shareholders with an attractive level of income with the potential for capital and income growth through investing in best-in-class care home assets with robust financial characteristics. The Group acquires modern, purpose-built properties fully equipped with en-suite wet rooms, operated by a diverse group of tenants leased at sustainable rental levels and rental covers over the long-term. The Group focuses on locations underpinned by favourable dynamics (population demographics and social grade, supply / demand) and seeks to support high quality tenants who demonstrate excellent operational capabilities and a strong care ethos.

Recent news

The group entered into separate contracts to acquire and forward fund three new care homes under development, in each of Leicestershire, Shropshire and Lancashire. The combined total cost of all three sites is c.£21.9m.

Pipeline

Subsequent to the Group's February equity raising, THRL has acquired 2 of the assets described above and the Investment Manager has a pipeline of c. £91m of assets currently in due diligence.

Performance

The portfolio value has increased 1.9% over the quarter, with the like-for-like value up 0.6% and acquisitions accounting for the remainder. The increase in like-for-like reflects value generated from our embedded rental uplifts.

Healthcare investment market

Investor demand for good quality assets continues to be strong, with portfolio opportunities being particularly competitive.

Following HC-One's takeover of 110 Bupa homes in Q4 2017, in February Advinia Health Care completed the acquisition of 22 care homes from Bupa. Advinia now operates 38 care homes with 3,250 beds.

Healthcare sector

Recent headlines have reported on facts and figures about the closure of elderly care homes. However, inferences of significant reductions in facilities can be misleading, given many of the closed bed numbers have been replaced, albeit not quite at the same rate in recent years. The vast majority of the closures relate to smaller, dated and / or converted care homes, which still account for a substantial amount of the overall care home stock in the UK. Figures suggest that the rate of closures is much higher for homes that offer limited or no ensuite facilities. It is worth noting that c.25% of care home bedrooms in the UK have no ensuite WCs and c.80% have no ensuite wetrooms.

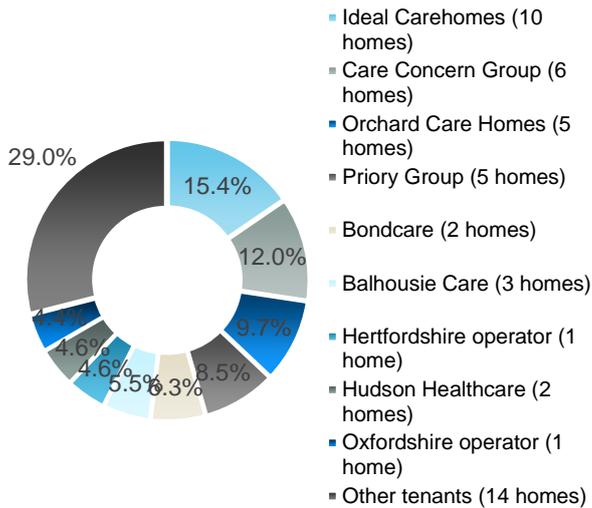
Demand in the sector remains strong, with sector specialists LaingBuisson putting forward a view that the UK could be on the cusp of another phase of expansion in care home demand and Knight Frank stating that occupancy is at a five year high. Therefore, the prospects for newer, purpose-built homes, like those owned by THRL, is more positive, as they are better placed to offer suitable accommodation to meet demand in the short and longer term.

Performance – NAV and share price total return



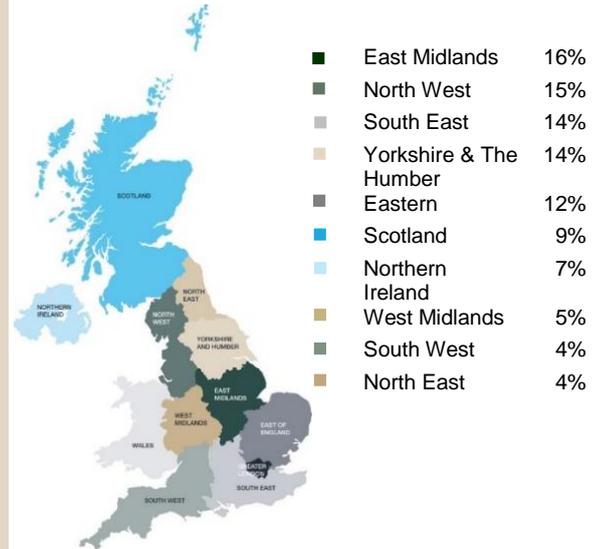
Portfolio summary

Income by operator



Note: income % calculated by reference to passing rents as at 31 March 2018 of the 49 operational assets

Geographical spread of portfolio by capital value



Note: value across 53 assets (49 operational and 4 development sites), all valuations as at 31 March 2018

Ten largest investments by income

Asset	Acquired	Location	Operator
Hertfordshire Home	November 2017	Eastern	Hertfordshire Operator
Oxfordshire Home	February 2016	South East	Oxfordshire Operator
Bromford Lane Care Centre	June 2014	West Midlands	Bondcare Group
Barnes Lodge Care Home	October 2016	South East	Rapport Housing and Care
Sandiacre Court Care Home	August 2016	East Midlands	Hudson Healthcare
Beaumont Manor	March 2017	Eastern	Care Concern Group
Hastings Court	December 2014	South East	Oakland Primecare
The Amwell Care Home	July 2017	East Midlands	Magnum Care
St. Helen's Hall and Lodge	October 2013	North West	Orchard Care Homes Group
Whittington House	June 2016	South West	Caring Homes Group

Directors

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 Auditors: Ernst & Young LLP

¹ Excluding the effects of accrual for potential performance fee for the year to 31 December 2018.