

Target Healthcare REIT Limited (THRL:LN)

Quarterly Investor Report: May 2019 (figures as at and for quarter ended 31 March 2019)

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

03/05/19

Shares in issue	385,089,448
Share price	116.20 pence
Market cap	£447.5 million
Share price premium to EPRA NAV	8.3%

Key ratios and financials

31/03/19

Investment properties	£477.1 million
Drawn debt	£84.0 million
EPRA NAV	£413.2 million
EPRA NAV per share	107.3 pence
EPRA NAV growth	0.4% per share
Quarterly EPRA earnings per share	1.15 pence
Quarterly dividend per share	1.64 pence
Dividend yield (03/05/19)	5.7%
LTV*	17.6% (gross); 13.2% (net)
Management fee rate	1.05% up to £500m NAV 0.95% of £500m - £750m NAV 0.85% of £750m - £1,000m NAV 0.75% of £1,000m - £1,500m NAV 0.65% of £1,500m + NAV
WAULT	28.9 years

*Gross LTV calculated as total gross debt as a proportion of gross property value exc. cash. Net LTV calculated as total gross debt less cash, as a percentage of gross property value

Summary Balance Sheet

	Mar-19	Dec-18
	£m	£m
Investment properties**	477.1	463.9
Cash	21.1	28.8
Net current assets / (liabilities)	(1.0)	(10.2)
Bank loan	(84.0)	(71.0)
Net assets	413.2	411.5

EPRA NAV per share (pence) 107.3 106.9

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

Group at a glance

Overview

THRL provides shareholders with an attractive level of income with the potential for capital and income growth through investing in appropriate, 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 good quality tenants who demonstrate sound operational capabilities and a diligent care ethos.

Recent news

The Group completed construction of two new homes in Oxfordshire and Leicestershire, with the former due to open to residents in early May and the latter opened at the end of March. The Group has successfully re-tenanted its Alexandra Court care home to a new tenant who has provided a parent company guarantee and also increased the lease length to 35 years. The Group also recently completed the acquisition of a 40 bed care home in Formby for £6.9m.

Pipeline

The Group has a number of near-term opportunities which, if they complete as anticipated, would utilise all the Group's available capital during the summer of 2019. The Group's Investment Manager, through its experienced team, continues to use its highly specialist knowledge to identify and acquire suitable assets in this competitive market place, leveraging its strong reputation and relationships with vendors and operators.

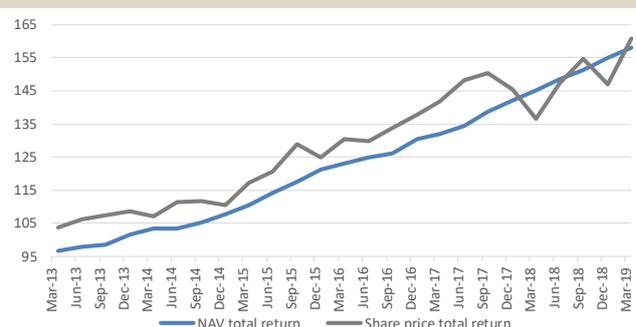
Performance

The portfolio value increased by 2.8% over the quarter, with the like-for-like value up 0.5% largely through rental uplifts and yield shift. The newly constructed homes (as noted above), plus further capital deployed for the remaining development projects account for the remainder of the value increase.

Healthcare sector

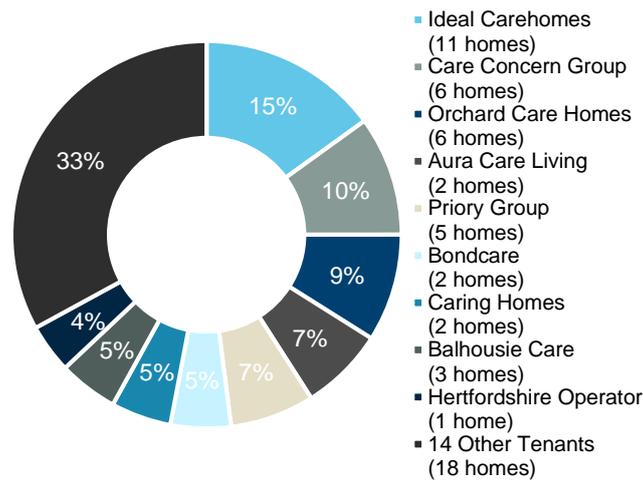
Data collected during Q1 2019 across England shows 46 care homes with 1,502 beds were closed during the period while only 667 new beds opened, along with 398 re-registered beds, a net loss of 437 beds. This net loss of beds is not an anomaly when looking at the recent data and, given the expected rise in ageing population, the supply demand imbalance of care home beds will only grow unless development of new homes is accelerated. Experience suggests the homes which closed were likely not fit for purpose, and it is estimated that c. 75% of the current stock is not properly adapted for modern living standards. As a result, the demand for fit for purpose care homes with en-suite wet rooms is expected to remain high.

Performance – NAV and share price total return



Portfolio summary

Income by operator



Note: income % calculated by reference to total contracted portfolio rent as at 31 March 2019 of the 56 operational assets

Geographical spread of portfolio by capital value



Note: value across 61 assets (56 operational and 5 development sites) as at 31 March 2019

Ten largest investments by income

Asset	Acquired	Location	Operator
Stratton Court Nursing Home	June 2018	South West	Aura Care Living
Hertfordshire Home	November 2017	Eastern	Hertfordshire operator
Chawley Grove Care Home	November 2018	South East	Hamberley Care Homes
Oxfordshire Home	February 2016	South East	Oxfordshire operator
Kings Lodge	June 2018	South East	Aura Care Living
Bromford Lane Care Centre	June 2014	West Midlands	Bondcare
Barnes Lodge Care Home	October 2016	South East	Rapport Housing and Care
Parris Lawn Care Home	November 2018	South East	Caring Homes
Sandiacre Court Care Home	August 2016	East Midlands	Hudson Healthcare
Beaumont Manor	March 2017	Eastern	Care Concern Group

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