

Target Healthcare REIT Limited (THRL:LN)

Quarterly Investor Report: August 2018 (figures as at and for quarter ended 30 June 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

(08/08/18)

Shares in issue	339,217,889
Share price	114.50 pence
Market cap	£388.4 million
Share price premium to EPRA NAV	8.3%

Key ratios and financials

(30/06/18)

Investment properties	£385.5 million
Drawn debt	£66.0 million
EPRA NAV	£358.5 million
EPRA NAV per share	105.7 pence
EPRA NAV growth	0.7%
Quarterly EPRA earnings per share ¹	1.20 pence
Quarterly dividend per share	1.61 pence
Dividend yield (08/08/18)	5.3%
LTV*	17.1%
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	28.5 years

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

Summary Balance Sheet

	Jun-18 £m	Mar-18 £m
Investment properties**	385.5	341.4
Cash	41.4	85.3
Net current assets / (liabilities)	(2.4)	(4.7)
Bank loan	(66.0)	(66.0)
Net assets	358.5	356.0
EPRA NAV per share (pence)	105.7	105.0

**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 acquired two assets let to Aura Care Living for £37.0m (including acquisition costs) in the quarter to 30 June 2018. Since then, the Group has also acquired a purpose built care home in Doncaster, South Yorkshire and a development site in Burscough, Lancashire in two separate acquisitions for a total of £13.9m (including acquisition and forward funding costs). The development has been acquired subject to a forward funding agreement, under a capped development agreement, and pre-let to Athena Healthcare on a 35 year lease.

Pipeline

The Group has £52m of opportunities in advanced due diligence with the majority of these expected to complete over the next few months. This would see the proceeds of February's equity raise deployed and the Group drawing on its available debt facilities. The Group's investment manager is also assessing earlier stage pipeline opportunities of significant value.

Performance

The portfolio value increased 12.9% over the quarter, with the like-for-like value up 2.0% through a combination of embedded rental uplifts and yield shift. The new acquisitions prior to the quarter end (detailed above) account for most of the remainder of the value increase.

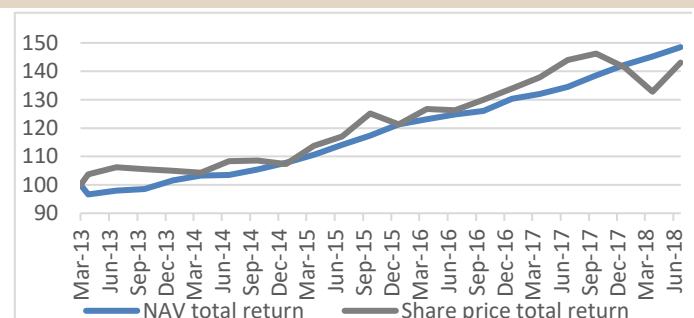
Healthcare investment market

Acquisition yields have continued to tighten, for good quality assets, as the market remains competitive. Orchard Street Investment Management bought a care home in Leamington Spa for a reported NIY of 3.85%, Ropemaker Properties acquired a home in Colchester for 5.04% and LXI sold two care homes in Leicestershire for an exit yield of 5.25%.

Healthcare sector

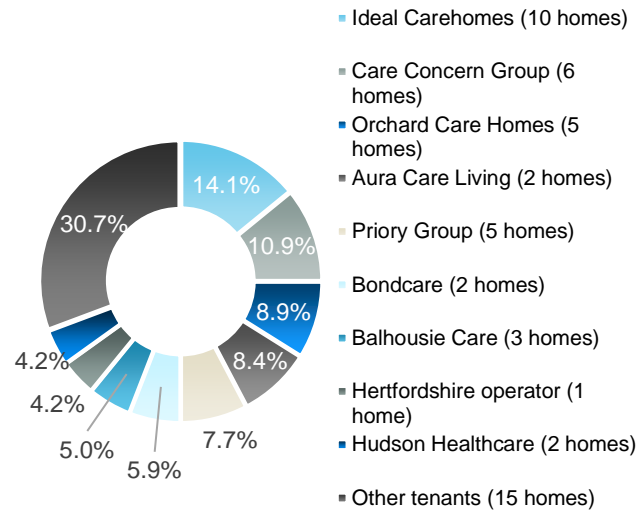
A recent LaingBuisson report focussed on care homes for the elderly suggests that overall occupancy in the sector is c.85%, lower than the previously accepted 90%. These findings, based on new source data using registered beds, suggests a latent supply in the sector that is not being made available. If this data is correct, it implies a different context for the current balance between supply and demand. However, this does not take into account the quality of the spare capacity where most of the existing UK stock relates to aged, non-purpose built homes, most of which do not offer modern facilities with en-suite wet rooms.

Performance – NAV and share price total return



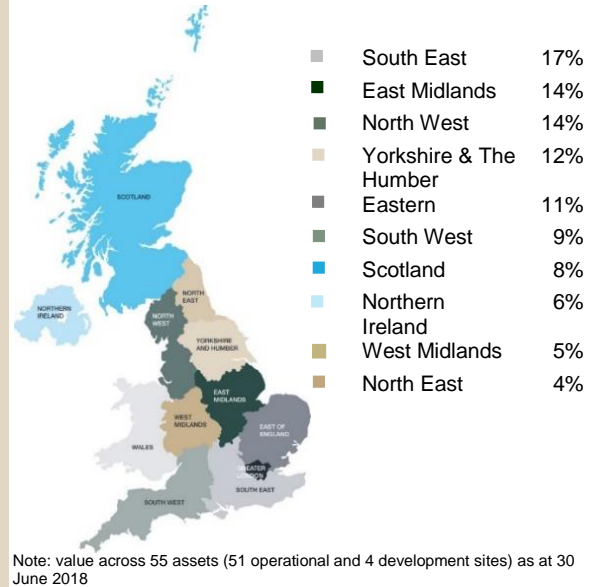
Portfolio summary

Income by operator



Note: income % calculated by reference to total portfolio rent as at 30 June 2018 of the 51 operational assets

Geographical spread of portfolio by capital value



Note: value across 55 assets (51 operational and 4 development sites) as at 30 June 2018

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
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
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

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

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