

# Target Healthcare REIT Limited (THRL:LN)

Quarterly Investor Report: April 2017 (figures as at and for quarter ended 31 March 2017)

## 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

**(25/04/17)**

Shares in issue	252,180,851
Share price	113.88 pence
Market cap	£287 million
Share price premium to EPRA NAV	12.2%

### Key ratios and financials

**(31/03/17)**

Investment properties	£274.6 million
Drawn debt	£30 million
EPRA NAV	£256.1 million
EPRA NAV per share	101.5 pence
EPRA NAV growth	(0.3%)
Quarterly EPRA earnings per share*	1.31 pence
Quarterly dividend per share	1.57 pence
Dividend yield (25/04/17)	5.5%
LTV	10.9%
Management fee rate	0.9% of NAV
Performance fee	10% of portfolio outperformance of Index; capped at 0.35% of NAV; rolling, cumulative 3-year period; subject to claw-back.
WAULT	29.6 years

## Summary Balance Sheet

	Mar-17 £m	Dec-16 £m
Investment properties	274.6	253.1
Cash	11.6	26.7
Net current assets / (liabilities)	(0.1)	(1.9)
Bank loan	(30.0)	(21.0)
<b>Net assets</b>	<b>256.1</b>	<b>256.9</b>
EPRA NAV per share	101.5 p	101.8 p

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 moderate 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 ensuite 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 purpose built homes near Wimborne, Dorset for an undisclosed price. The Group also completed the acquisitions of two newly built homes in Frinton-on-Sea and Sutton-in-Ashfield, for £14.8 million including costs, for which contracts had been previously been exchanged. Subsequent to 31 March 2017, the Group acquired a care home in Dover, Kent for £6.1 million including costs.

### Pipeline

The Investment Manager is considering a number of near-term investment opportunities.

### Performance

On a like-for-like basis, the portfolio value increased by 0.5% over the quarter. The increase reflects an element of yield compression across individual assets as the underlying trading performance of the homes mature as well as uplifts from our ongoing embedded rent reviews.

### Healthcare investment market

US REITs have become less active in the market whilst we are hearing of greater interest from Asia-Pacific investors. Private equity investors remain very active in the sector. Four Seasons Health Care, the UK's largest care home operator, has announced positive 2016 results as the turnaround of the company gathers pace. EBITDA at the company rose 43% to £55m. In addition, HC-One is in talks to acquire BUPA's portfolio of care homes which would see HC-One become the largest care operator in the UK. In terms of market yields, we are seeing very aggressive yields at the prime end of the market.

### Healthcare market

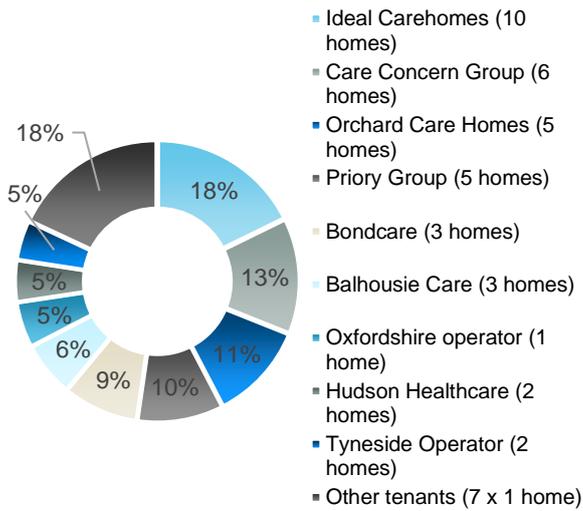
The adult social care sector continues to face many headwinds including staffing retention, nursing shortages, and the rising National Living Wage. The latter issue is resulting in smaller operators being squeezed out of the market. In the Spring Budget, the Chancellor announced an extra £2 billion for adult social care, with £1 billion available in the 2016-17 fiscal year. The news has been welcomed, however, it is not enough to fill the estimated £2.6 billion funding gap facing the sector and there is still no political consensus regarding the source of funding. The issues faced by the sector highlight the need for specialist investment managers whose sole focus is on this sector.

## Performance – NAV and share price total return



## Portfolio summary

### Income by operator



Notes: income % calculated by reference to passing rents as at 31 March 2017

### Geographical spread of portfolio by value



### Ten largest investments by income

Asset	Acquired	Location	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	Abbeyfield Kent Society
Hastings Court	December 2014	South East	Oakland Primicare
St. Helen's Hall and Lodge	October 2013	North West	Orchard Care Homes Group
Whittington House	June 2016	South West	Caring Homes Group
Sandiacre Court Care Home	August 2016	East Midlands	Hudson Healthcare
Summerfield House	May 2016	Yorkshire & The Humber	Bondcare Group
The Ashton Care Home	July 2014	East Midlands	Care Concern Group
Bohill House Care Home	July 2014	Northern Ireland	Priory Group

### Directors

Malcom Naish (Chairman)  
 Professor June Andrews  
 Gordon Coull  
 Thomas J Hutchison III  
 Hilary Jones  
 Ian Webster

### Investment Manager

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### Advisers

Administrator R&H Fund Services Limited  
 Depository Augentius Depository Group Ltd  
 Broker Stifel Nicolaus Europe Limited  
 UK Legal Dickson Minto W.S.  
 Auditors Ernst & Young LLP

\* Excluding the effects of accrual for potential performance fee for the year to 31 December 2017.

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