

Target Healthcare REIT Limited (THRL:LN)

Quarterly Investor Report: August 2016 (figures as at and for quarter ended 30 June 2016)

Quick facts

Overview

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

Ordinary Share Class

(01/08/16)

Shares in issue	252,180,851
Share price	113.0 pence
Market cap	£285 m
Share price premium to EPRA NAV	12.3%

Key ratios and financials

(30/06/16)

Investment properties	£210.7 million
Drawn debt	£21.0 million
EPRA NAV	£253.6 million
EPRA NAV per share	100.6 pence
EPRA NAV growth	(0.2%)
Quarterly EPRA earnings per share*	1.2 pence
Quarterly dividend per share	1.545 pence
Dividend yield (01/08/16)	5.5%
LTV	10.0%
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	28.6 years

Summary Balance Sheet

	Jun-16 £m	Mar-16 £m
Investment properties	210.7	184.1
Cash	65.1	23.0
Net current assets / (liabilities)	(1.2)	(2.0)
Bank loan	(21.0)	(31.5)
Net assets	253.6	173.6
EPRA NAV per share	100.6p	100.8p

Ignores the effect of fixed/guaranteed rent reviews

Group at a glance

Overview

THRL aims to provide ordinary shareholders with an attractive level of income with the potential for capital and income growth from investing in best-in-class care home assets with attractive financial characteristics. The Group buys modern, purpose-built properties in locations underpinned by favourable dynamics (population demographics and social grade, supply / demand) with quality tenants demonstrating excellent operational capabilities and care ethos and leased at sustainable rental levels and strong rental covers over the long-term.

Recent news

The Group has completed £27.5 million of acquisitions in the quarter and has committed to a further £9.2m.

Pipeline

The Group has near-term investment opportunities of £30.0 million. The Investment Manager continues to identify a wider pipeline of assets where the timetable for potential completion remains uncertain pending due diligence and vendor negotiations.

Performance

The portfolio valuation remains unchanged from the previous valuation point. Whilst rent reviews and yield compression on individual assets contributed to a small uplift in value, this was off-set by a reduction in the variable top-up rent payable on one of the Group's assets.

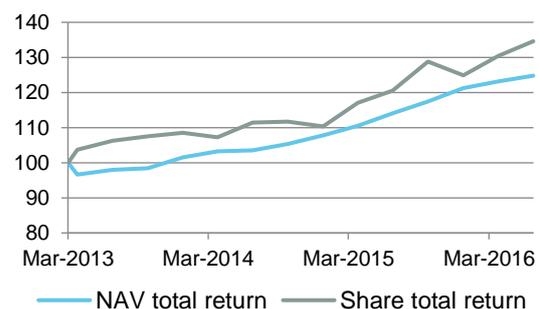
Market Commentary

Despite the background of political uncertainty, the Group is actively pursuing investment opportunities and continues to see activity in the long-term elderly healthcare investment markets. The long lease terms and annual rent uplifts within the healthcare market continue to provide an attractive long-term outlook which has been reflected by the robust response of healthcare REITs to the EU referendum result.

Healthcare Market

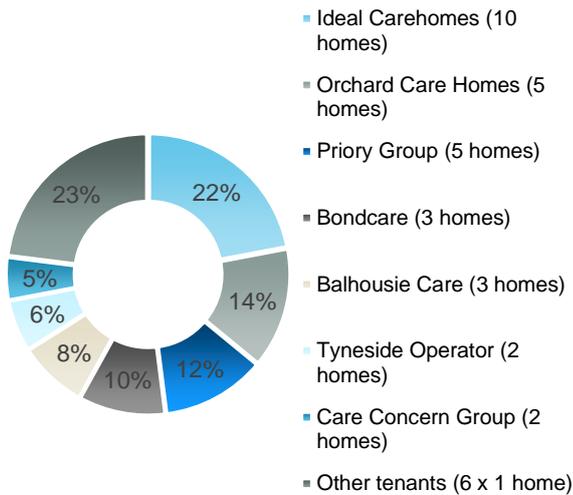
Well-run, efficient operators continue to see reasonable returns from operating modern care homes. Demand is strong: the number of over 85s offers compelling demographics, and there is increasing evidence of the closure of older stock. These closures are driven by headwinds, being: National Living Wage; nursing shortages; mediocre Local Authority fee increases; and the ongoing challenges of a more engaged Care Quality Commission. Brexit has also compounded the concerns of staff shortages and poor LA fees due to associated economic uncertainty. Most operators have enjoyed reasonable local authority fee increases on the back of the new 2% council tax social care precept, however many still rely on private fees. Specialist investment management is key for this sector.

Performance – NAV and share price total return



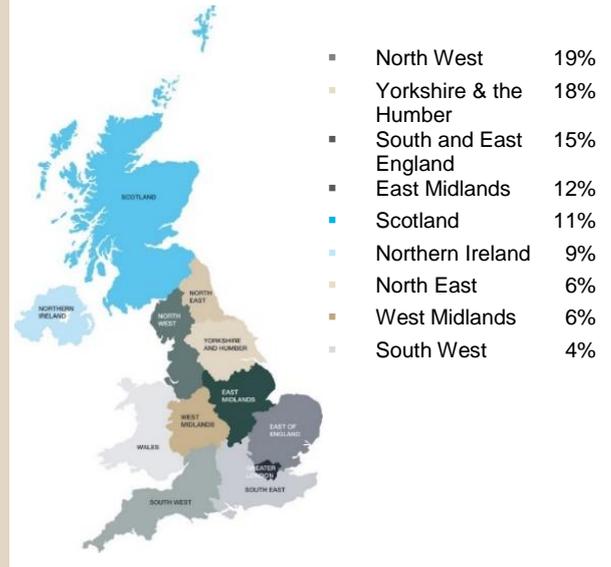
Portfolio summary

Income by operator



Notes: income % calculated by reference to passing rents as at 30 June 2016

Geographical spread of portfolio by value



Ten largest investments by income

Asset	Acquired	Location	Operator
Oxfordshire Home	February 2016	South & East England	Oxfordshire Operator
Bromford Lane Care Centre	June 2014	West Midlands	Bondcare Group
Hastings Court	December 2014	South East	Hastings Court
St. Helen's Hall and Lodge	October 2013	North West	Orchard Care Homes
Summerfield Nursing (Cheltenham)	June 2016	South West	Caring Homes
Summerfield House (Halifax)	May 2016	Yorkshire & The Humber	Bondcare Group
The Ashton Care Home	July 2014	East Midlands	Care Concern Group
Blair House Care Home	July 2014	Northern Ireland	Priory Group
Parklands Lodge	May 2016	North West	Athena Healthcare
Bohill House Care Home	July 2014	Northern Ireland	Priory Group

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* Excluding the effects of accrual for potential performance fee for the year to 31 December 2016.

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