

# Target Healthcare REIT Limited (THRL:LN)

Quarterly Investor Report: January 2017 (figures as at and for quarter ended 31 December 2016)

## 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

**(24/01/17)**

Shares in issue	252,180,851
Share price	111.0 pence
Market cap	£280 m
Share price premium to EPRA NAV	8.7%

### Key ratios and financials

**(31/12/16)**

Investment properties	£253.1 million
Drawn debt	£21.0 million
EPRA NAV	£257.4 million
EPRA NAV per share	102.1 pence
EPRA NAV growth	2.1%
Quarterly EPRA earnings per share*	1.36 pence
Quarterly dividend per share	1.57 pence
Dividend yield (24/01/17)	5.7%
LTV	8.3%
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	29.4 years

## Summary Balance Sheet

	Dec-16 £m	Sep-16 £m
Investment properties	253.1	232.3
Cash	26.7	42.6
Net current assets / (liabilities)	(1.4)	(1.6)
Bank loan	(21.0)	(21.0)
<b>Net assets</b>	<b>257.4</b>	<b>252.3</b>
EPRA NAV per share	102.1 p	100.0p

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 has completed £12.2 million of acquisitions in the quarter inclusive of acquisition costs, has exchanged contracts to acquire a purpose-built home for approximately £5.6m including costs expected to be completed in Q2, and fully refurbished a home in Sheffield which is now leased.

### Pipeline

The Group has investment commitments of £14.8m and near-term opportunities of £30 million. The Investment Manager continues to identify a wider pipeline of assets.

### Performance

On a like-for-like basis, the portfolio value increased by 2.3% 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 rent reviews.

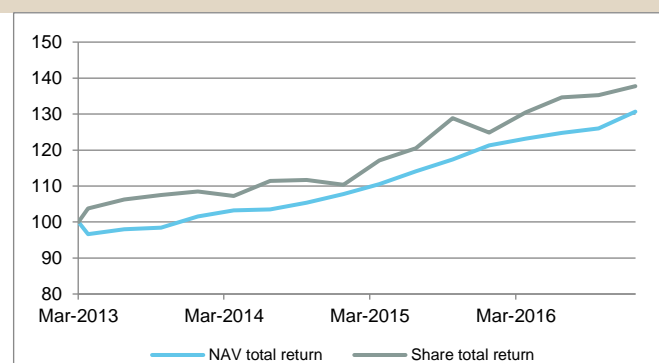
### Market Commentary

UK Commercial Property transaction volumes in Q4 were down 18.5% on the same quarter one year prior, 50% of this investment coming from overseas buyers attracted to UK property by the weakened Sterling. However, on a positive note, the final quarter of 2016 saw the last of the suspended property funds reopen their doors to investors signalling that UK property is weathering the storm. The outlook for 2017 is uncertain due to European political stability concerns and the unknowns regarding reaction to Donald Trump's economic policy, whilst continued low interest rates and the weaker pound should ensure that UK property remains attractive to global investors.

### Healthcare Market

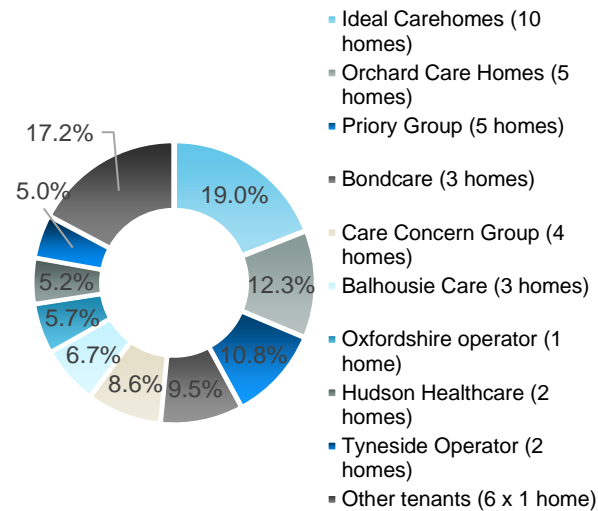
The final quarter of 2016 was a turbulent time for the health & social care sector; both public and private. With CQC suggesting that adult social care was reaching a 'tipping point', a deepening NHS crisis, and the social care funding crisis. In addition, there has been a flurry of care home closures as a result of increased operating costs driven by the National Living Wage, inflationary pressures combined with increased recruitment and CQC scrutiny is impacting the viability of many care homes, particularly those who are overexposed to Local Authority 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



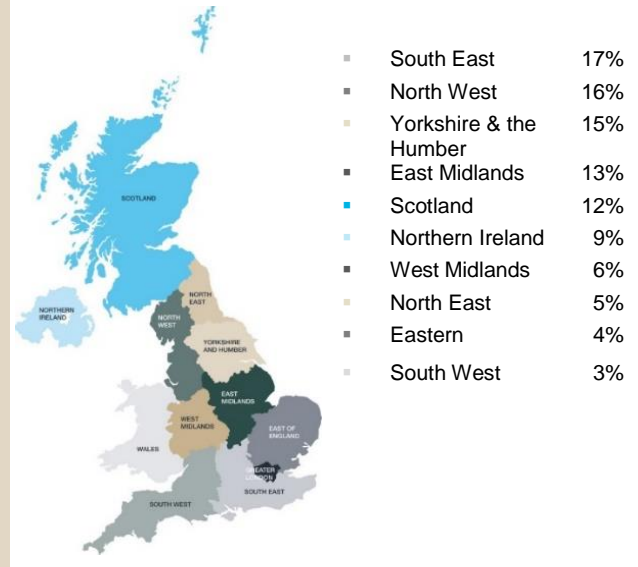
## Portfolio summary

### Income by operator



Notes: income % calculated by reference to passing rents as at 31 December 2016

### 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

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 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 2016.

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