

# Target Healthcare REIT Limited (THRL:LN)

Quarterly Investor Report: October 2016 (figures as at and for quarter ended 30 September 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

**(27/10/16)**

Shares in issue	252,180,851
Share price	112 pence
Market cap	£282 m
Share price premium to EPRA NAV	12%

### Key ratios and financials

**(30/09/16)**

Investment properties	£232.3 million
Drawn debt	£21.0 million
EPRA NAV	£251.8 million
EPRA NAV per share	100.0 pence
EPRA NAV growth	(0.6%)
Quarterly EPRA earnings per share*	1.1 pence
Quarterly dividend per share	1.57 pence
Dividend yield (27/10/16)	5.6%
LTV	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	29.1 years

## Summary Balance Sheet

	Sep-16 £m	Jun-16 £m
Investment properties	232.3	210.7
Cash	42.6	65.1
Net current assets / (liabilities)	(2.1)	(1.2)
Bank loan	(21.0)	(21.0)
<b>Net assets</b>	<b>251.8</b>	<b>253.6</b>
EPRA NAV per share	100.0 p	100.6p
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 robust 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 good operational capabilities and care ethos and leased at sustainable rental levels and rental covers over the long-term.

## Recent news

The Group has completed £20.5 million of acquisitions in the quarter. Subsequent to 30<sup>th</sup> September 2016 the group completed the acquisition of a purpose built care home in Tonbridge, Kent for £12.2m.

### Pipeline

The Group has investment commitments of £11m and near-term opportunities of £23.2 million. The Investment Manager continues to identify a wider pipeline of assets.

### 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 six rent reviews where rents increased by an average of 2.4%, resulting in a like-for-like increase to portfolio passing rent of 0.3%.

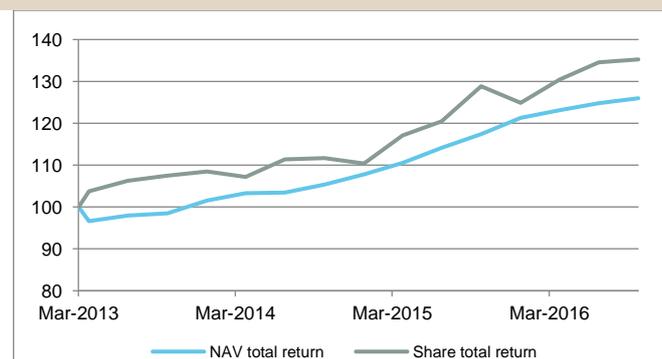
### Market Commentary

Confidence within the UK property market is beginning to improve following the Brexit vote. Open ended property funds, which are exposed to the Central London office and retail park sectors, are reopening their doors having suspended dealing as the uncertainty in the wake of vote dominated the sector. Healthcare property has outperformed the real estate sector post Brexit, with THRL's share price up 4.2% whilst the sector is down (15.4%). The resilient performance is a result of the fundamentals that support the investment case, including population demographics and the supply/demand imbalance.

### Healthcare Market

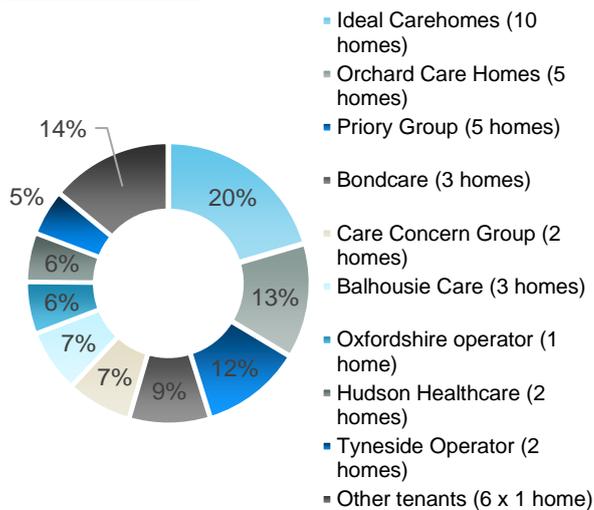
The Care Quality Commission's annual 'State of Care' report published in October highlighted the difficult market conditions that operators are facing. However, despite the sombre warnings from the CEO that social care has potentially reached a 'tipping point', focussed operators who have invested in modern homes continue to be rewarded with good returns. Operators must still be wary of key issues such as the supply of staffing with 7% of the workforce being European and uncertainty with regards to work permits; additional national living wage uplifts through until 2020, and intense bed-blocking over the winter which will put pressure on government, NHS and local authorities. It remains our view that specialist investment management is essential for those wishing to gain exposure to the sector.

## Performance – NAV and share price total return



## Portfolio summary

### Income by operator



Notes: income % calculated by reference to passing rents as at 30 September 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
Whittington House	June 2016	South West	Caring Homes
Summerfield House	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

### Directors

Malcom Naish (Chairman)  
 Professor June Andrews  
 Gordon Coull  
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 Hilary Jones

### Investment Manager

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### Advisers

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 Depository Augentium 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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