

Target Healthcare REIT Limited (THRL:LN)

Quarterly Investor Report: February 2019 (figures as at and for quarter ended 31 December 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

08/02/19

Shares in issue	385,089,448
Share price	115.50 pence
Market cap	£444.8 million
Share price premium to EPRA NAV	8.0%

Key ratios and financials

31/12/18

Investment properties	£463.9 million
Drawn debt	£71.0 million
EPRA NAV	£411.5 million
EPRA NAV per share	106.9 pence
EPRA NAV growth	0.8% per share
Quarterly EPRA earnings per share	1.17 pence
Quarterly dividend per share	1.64 pence
Dividend yield (08/02/19)	5.7%
LTV*	15.3% (gross); 9.2% (net)
Management fee rate	1.05% up to £500m NAV 0.95% of £500m - £750m NAV 0.85% of £750m - £1,000m NAV 0.75% of £1,000m - £1,500m NAV 0.65% of £1,500m + NAV
WAULT	28.46 years

*Gross LTV calculated as total gross debt as a proportion of gross property value exc. cash. Net LTV calculated as total gross debt less cash, as a percentage of gross property value

Summary Balance Sheet

	Dec-18 £m	Sep-18 £m
Investment properties**	463.9	403.7
Cash	28.8	24.0
Net current assets / (liabilities)	(10.2)	(1.9)
Bank loan	(71.0)	(66.0)
Net assets	411.5	359.8
EPRA NAV per share (pence)	106.9	106.1

**Ignores the effect of fixed/guaranteed rent reviews.

Group at a glance

Overview

THRL provides shareholders with an attractive level of income with the potential for capital and income growth through investing in appropriate, 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 good quality tenants who demonstrate sound operational capabilities and a diligent care ethos.

Recent news

In November 2018, the Group raised gross proceeds of £50 million through an issue of 45,871,559 Ordinary Shares by way of an over-subscribed non pre-emptive placing.

The Group acquired a care home in East Sussex, let to Caring Homes, plus two well advanced development sites in Oxford and Kent for a total consideration of £50.8m. The two development sites have been acquired on the premise of pre-let agreements with Hamberley Group, a new tenant to the Group; both on 35 year FRI leases. In addition, the Group completed construction of their new home in Wetherby which is now fully operational.

Pipeline

Demand remains high amongst investor groups for exposure to the type of high-quality real estate assets in the Group's portfolio, underpinned by the supply/demand imbalance for appropriately modern care home facilities with en-suite wet rooms and the projected increase in the number of elderly people (the number of over 85s is projected to be the fastest growing age group). The Group's Investment Manager, through its experienced and expert team, continues to use its highly specialist knowledge to identify and acquire suitable assets in this competitive market place, leveraging its strong reputation and relationships with vendors and operators.

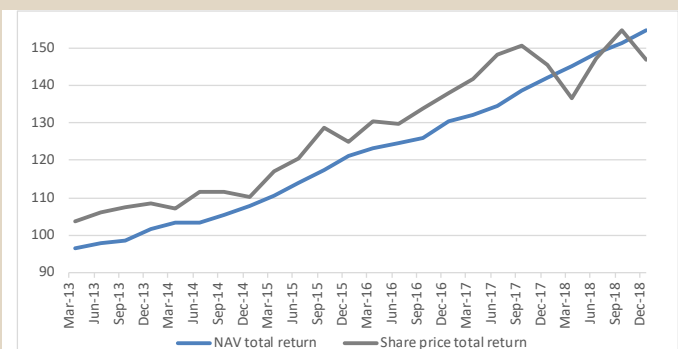
Performance

The portfolio value increased by 14.9% over the quarter, with the like-for-like value up 1.6% largely through rental uplifts and yield shift. The new acquisitions prior to the quarter end (see above), plus further capital deployed for development projects accounts for the remainder of the value increase.

Healthcare sector

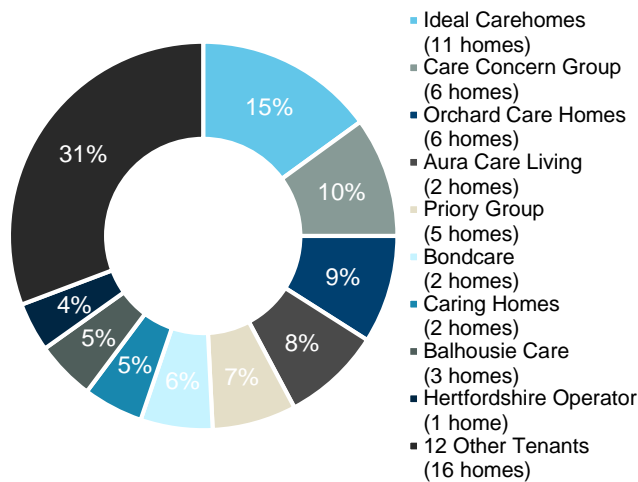
Whilst the government's Green Paper on Social Care is still awaited, the NHS released its 10 year plan in January. This put a lot of onus on prevention but focused little on the need to link better with social care. In the meantime, demand for care services continues to grow through an increase in the elderly population, many of whom have a need for additional support. At the same time, evidence suggests the supply of smaller care homes continues to decline, as some operators exit the market. However, demand continues to grow for larger, fit for purpose care homes with wet rooms operated by experienced, quality care providers and this is highlighted by the Scottish Care Regulator's continued focus on the provision of wet rooms.

Performance – NAV and share price total return



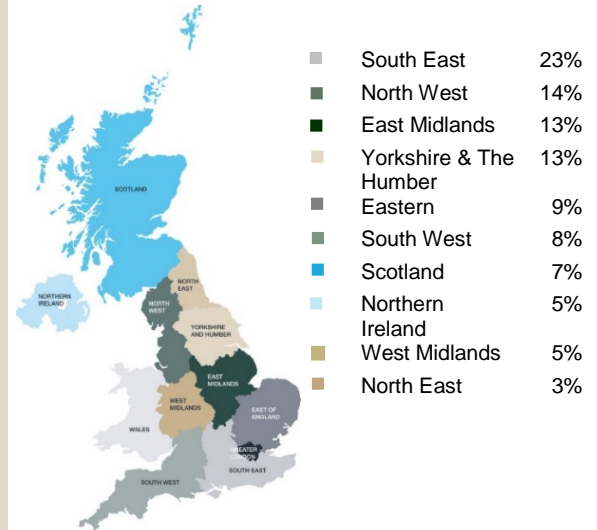
Portfolio summary

Income by operator



Note: income % calculated by reference to total contracted portfolio rent as at 31 December 2018 of the 54 operational assets

Geographical spread of portfolio by capital value



Note: value across 61 assets (54 operational and 7 development sites) as at 31 December 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
Parris Lawn Care Home	November 2018	South East	Caring Homes
Sandiacre Court Care Home	August 2016	East Midlands	Hudson Healthcare
Hastings Court	December 2014	South East	Oakland Primecare
Beaumont Manor	March 2017	Eastern	Care Concern Group

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