

Quarterly Investor Report:

May 2023

Quarter ended 31 March 2023

Target Healthcare REIT plc and its subsidiaries ('the Group') is a leading investor in modern purpose-built UK care homes with en suite wet rooms. The Group's objective is to provide investors with an attractive quarterly dividend, generated from a portfolio diversified by tenant, geography and end-user payment profile, through responsible investment.

Group at a glance



Properties
97



Beds
6,705*



Tenants
32



Contracted rent
£55.9m



Property Value
£855.7m



Overview		Key ratios & financials	
Launch date	March 2013**	Investment properties	£855.7 million
ISIN	GB00BJGTLF51	Drawn debt	£230.0 million
SEDOL	BJGTLF5	EPRA NTA	£641.6 million
Company name	Target Healthcare REIT plc	EPRA NTA per share	103.4 pence
Registered number	11990238	Quarterly NAV total return (including dividend)	2.1%
Expected quarterly dividend	Feb/May/Aug/Nov	Quarterly Group specific adjusted EPRA earnings per share	1.52 pence
Financial year end	30 June	Quarterly dividend per share	1.40 pence
Currency	Sterling	Dividend yield (02/05/2023)	7.4%
Website	www.targethealthcarereit.co.uk	Loan-to-Value ('LTV')***	26.9% (gross); 23.8% (net)
Ordinary share class as at	02/05/2023	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
Shares in issue	620,237,346	WAULT	26.8 years
Share price	75.7 pence		
Market capitalisation	£469.5 million		
Share price discount to EPRA NTA	26.8%		

* Including planned beds in development sites

** Originally launched as Target Healthcare REIT Limited (Jersey registered: 112287)

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

Recent news

Prime UK care homes as an investment asset class continues to attract investor demand underpinned by home trading performance and demographic tailwinds.

The rent cover of our tenants, which is a key profitability metric, has improved to 1.5x for the most recent quarter we have data for. This compares well to pre-pandemic norms despite being achieved at lower levels of underlying resident occupancy, currently 84%.

Further tenant profitability growth is anticipated as occupancy continues to improve towards pre-pandemic levels, which will further support valuations. The real estate standards fundamental to the strategy enable THR's tenants to attract private-fee paying residents at fee levels where they can increase staff pay and reinvest in their business.

Performance

The portfolio value decreased by 1.4% over the quarter, following the disposal of four Northern Irish properties (-2.4%), offset by a like-for-like uplift in the operational portfolio value (+0.5%) and further investment into the portfolio, mainly associated with the four development properties (+0.5%).

Contractual rent decreased by 2.0%, as result of the property disposals (-2.8%) which was offset by inflation-linked rent reviews in the quarter (+0.8%).

Asset Management and Investment Activity

The sale of the Northern Irish properties sees the Group achieve full exit from that geography. The aggregate disposal price represented 2.5% of the Group's overall portfolio value and is ahead of carrying value at both Jun-22 (the Group's last financial year-end) and Dec-22.

The Group also completed the acquisition of a development site near Malvern, Worcestershire, following the receipt of planning consent for the construction of a 60-bed care home. The home is pre-let to an existing tenant and has a capped development agreement which is underpinned by a fixed price construction contract.

The re-tenanting of one home completed, which will alleviate cashflow pressures for the outgoing tenant, allowing a return to a fully rent-paying position on its three remaining homes. Contractual rent for the incoming tenant remains the same.

Outlook

Rebasing our dividend in line with current earnings was recognition of the higher interest rate environment limiting the Company's ability to grow earnings through acquisitions at this time, as investment yields have remained relatively low for the prime UK care homes it invests in. We retain a strong conviction that improving portfolio performance, strong demographic tailwinds and our embedded inflation-linked rental growth will drive long-term sustainable returns.

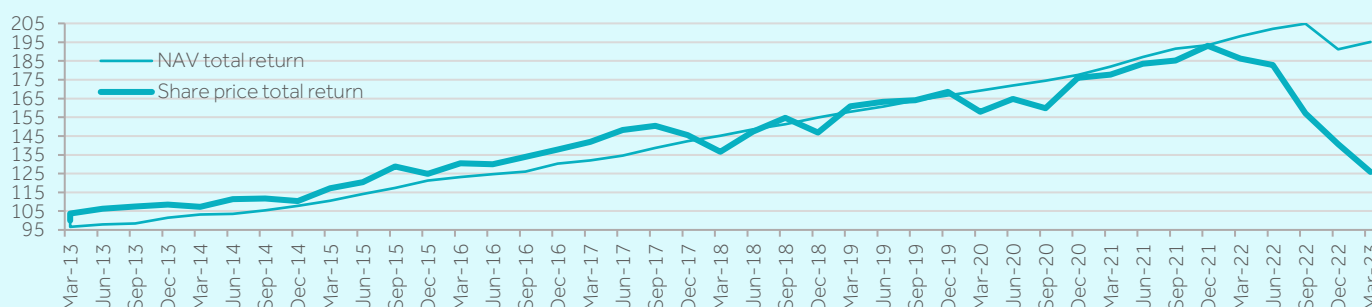


Summary balance sheet

£m	Mar-23	Dec-22
Property portfolio*	855.7	867.7
Cash	26.4	21.8
Net current assets/(liabilities)	(10.5)	(10.4)
Bank loans	(230.0)	(240.0)
Net assets	641.6	639.1
EPRA NTA per share (pence)	103.4	103.0

* Ignores the effect of fixed/guaranteed rent reviews. See note 9 to the Annual Report 2022 for full details.

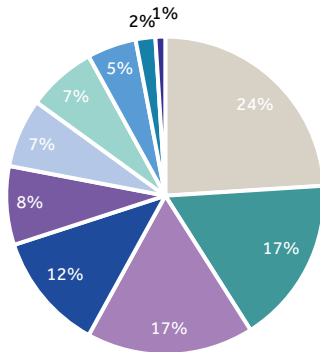
Performance – NAV and share price total return



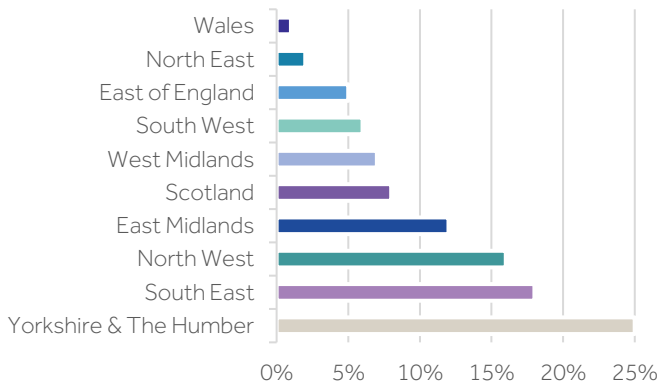
Portfolio summary at 31 March 2023



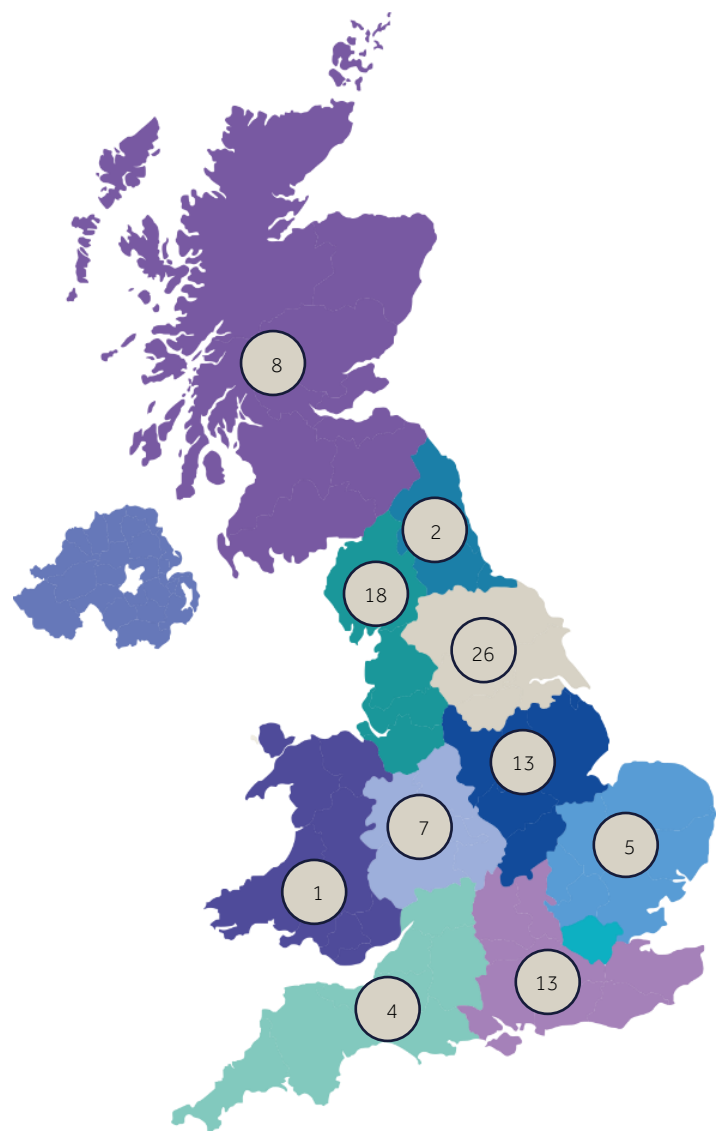
Contracted rent by geographic region



Valuation by geographic region (including developments)



Number of properties by geographic region



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