

6 August 2024

Target Healthcare REIT plc and its subsidiaries

("Target Healthcare" or "the Group")

Net Asset Value, update on corporate activity and dividend declaration

Target Healthcare (LSE: THRL), the UK listed specialist investor in modern, purpose-built care homes, announces its unaudited quarterly Net Asset Value ('NAV') as at 30 June 2024, an update on corporate activity and its fourth interim dividend for the year ended 30 June 2024.

Corporate activity highlights

Sustained EPRA NTA growth, driven by valuation uplift reflecting recurring rental growth alongside the effect of £44.5 million of disposals achieved at a modest premium to carrying value:

- EPRA Net Tangible Assets ('NTA') per share increased 1.6% to 110.7 pence (31 March 2024: 109.0 pence), primarily reflecting a like-for-like valuation uplift driven by the portfolio's inflation-linked rent reviews as well as the positive impact from disposals ahead of carrying value
- EPRA "topped-up" net initial yield of 6.20% (31 March 2024: 6.19%) based on an annualised contractual rent of £58.8 million
- Adjusted EPRAEPS for the quarter of 1.51 pence per share, fully covering the dividend of 1.428 pence per share which is to be paid in respect of the quarter
- NAV total return of 2.8% for the quarter (based on EPRA NTA and including dividend payment)
- Net LTV reduced to 22.5% (31 March 2024: 25.8%)
- Weighted average debt term of 5.2 years (31 March 2024: 5.5 years). Interest costs hedged on 95% of drawn debt to the relevant facility maturity date with a weighted average cost of drawn debt of 3.91% (inclusive of amortisation of arrangement costs)
- Total capital available of £85 million as at 30 June 2024, net of the Group's capital commitments including two development assets, one of which is an operationally net zero carbon home

Strong underlying portfolio trading continues, with 1.9x rent cover and portfolio quality metrics further enhanced following the sale of four older, shorter-lease properties:

- Diversified portfolio of 94 assets let to 34 tenants and valued at £908.5 million (31 March 2024: £934.8 million) reflecting a decrease of 2.8% following the disposals. The like-for-like valuation increased by 0.8%, primarily driven by continued rental growth
- Contracted rent decreased 2.1% but increased 1.0% on a like-for-like basis, driven by inflation-linked upwards-only annual rent reviews
- WAULT increased to 26.4 years (31 March 2024: 26.0 years) following the sale of the four properties with the shortest lease lengths in the portfolio and a new 35-year lease on a completed development in Weston-super-Mare, Somerset
- High quality, modern and sustainable real estate portfolio:
 - 99% of the portfolio is A or B EPC rated, (100% A to C ratings) and therefore compliant with the minimum energy efficiency standards anticipated to apply from 2030
 - Positive social impact from sector-leading real estate standards: 99% en suite wet-rooms; generous 48 sqm space per resident; sustainable rent of £195 per sqm
- Rent collection remains robust at 99% collected to date. Rent cover on mature homes was stable, at 1.9x for the March 2024 quarter (most recent quarter of tenant data)

Kenneth MacKenzie, CEO of Target Fund Managers, commented:

"The £44.5 million disposal, which completed during the period at an implied net initial yield of 5.64%, demonstrates the

institutional grade quality and demand for both our prime care home real estate portfolio and the wider sector, which continues to be underpinned by supportive structural tailwinds. These four assets were in the lower quartile of our portfolio with respect to age, lease length and overall building quality, with the transaction therefore enhancing our real estate quality and portfolio longevity metrics. The net proceeds have been allocated to reducing our more expensive unhedged debt and funding our development pipeline, which will further improve these portfolio metrics.

"Following the appointment of a new Government, social care is again in focus. Whilst the axing of the proposed social care costs cap has dominated recent headlines, it is a decision consistent with the approach of recent governments and has no impact on the existing obligations for local authorities to fund social care, nor on the private funding from residents which comprises the majority of fee income for our tenants. The more acute problem facing the sector remains the large proportion of care home real estate which is no longer fit-for-purpose, against a backdrop of an ageing UK population. This is why we prioritise investment into modern, purpose-built care homes, with a significant bias to private pay residents, a strategy that continues to underpin our delivery of sustainable shareholder returns."

EPRA NTA

The Group's unaudited EPRA NTA per share as at 30 June 2024 was 110.7 pence and NAV total return for the quarter was 2.8%.

A balance sheet summary and an analysis of the movement in the EPRA NTA over the quarter is shown in the Appendix of this announcement.

Corporate Update

Portfolio performance

As at 30 June 2024, the Group's portfolio was valued at £908.5 million and comprised 94 properties, consisting of 92 operational care homes and two pre-let sites, which are being developed through capped forward funding commitments with established development partners.

Reflecting disposal activity, the portfolio value decreased by 2.8% over the quarter, comprising:

- a 4.5% decrease from property disposals, discussed in more detail below.
- a 0.8% like-for-like increase in the operational portfolio, reflecting an increase of 0.9% from inflation-linked rent reviews and rent-free unwinds alongside a decrease of 0.1% from a net outward movement in yields
- a 0.9% increase from capital expenditure, primarily associated with the three development properties of which one reached practical completion during the quarter

Contractual rental income decreased by 2.1% over the quarter, comprising:

- a 4.5% decrease from the property disposals
- a 1.0% like-for-like increase from 27 inflation-linked upwards-only rent reviews, with an average uplift of 3.4%
- a 1.4% increase from the completion of a forward funded development which was leased on pre-agreed terms and which introduces a new tenant to the portfolio

The EPRA "topped-up" net initial yield was 6.20% based on an annualised contractual rent of £58.8 million and the EPRA net initial yield was 6.05% with two assets in a rent-free period.

Portfolio update

During the quarter, the following asset management initiatives were undertaken:

- As previously announced, the Group completed the disposal of four UK care homes for £44.5 million to the incumbent tenant. The sale price reflected a modest premium to the portfolio's carrying value at both 31 December 2023 (the latest date prior to the offer being received) and 31 March 2024, and an implied net initial yield of 5.64%.
- One of the Group's development sites (in Weston-super-Mare, Somerset) reached practical completion. This development contributed 66 new beds with modern, en suite wet-rooms to the portfolio and the lease to a new tenant to the Group increased annual contracted rent by £0.9 million. The property is leased on terms typical of the portfolio, being long-term with annual, upwards-only RPI-linked rent reviews, subject to a cap and collar.
- The Group re-tenanted one of its properties with the rental level remaining unchanged overall. A six-month rent-free period was granted to the incoming tenant which was funded by the outgoing party. The Group also took the opportunity to include green provisions in the revised lease.
- The conversion of a further six rooms to provide full en suite wet-room facilities at one of the Group's homes in North

Yorkshire completed as part of ongoing asset enhancements, increasing the portfolio towards 100% en suite wet-rooms.

Debt facilities and swap arrangements

As at 30 June 2024, the Group's total borrowings were £243 million, representing a net LTV of 22.5% (total gross debt less cash, as a proportion of gross property value). The Group's weighted average cost on its drawn debt, inclusive of amortisation of loan arrangement costs, was 3.91% (31 March 2024: 4.14%).

95% of drawn debt is fully hedged:

- £150 million is fixed with a weighted average term of 9.6 years and a weighted average interest rate of 3.18% (excluding the amortisation of arrangement fees)
- £30 million of the Group's bank facilities is fixed at 2.48% for 1.4 years through an interest rate swap
- £50 million of the Group's drawn revolving credit facilities have interest rates capped at 5.17% via a 3% SONIAcap for 1.4 years
- The remaining £13 million of the Group's drawn revolving credit facilities carries a variable interest rate of SONIA plus a margin of 2.18%

The Group has access to a further £77 million of committed, but undrawn, revolving credit facilities which, if drawn, would carry an interest rate of SONIA plus 2.21%. During the quarter, the Group drew £7.5 million to fund construction of the Group's development assets, with £13 million of such commitments remaining on a cash basis. This drawdown was then offset by the repayment of £23.5 million following the disposal of the four properties towards the end of the quarter, with the Group retaining the remaining £21 million from these disposals as cash in the short term which it intends to use to reduce its variable rate debt further and to fund the completion of the two remaining development assets.

As at 30 June 2024, the weighted average term to expiry on the Group's total committed loan facilities was 5.2 years (31 March 2024: 5.5 years) with the earliest maturity in November 2025. In relation to the Group's shortest dated debt facilities, indicative refinance terms have been obtained from a number of lenders for a range of facility types and durations. The Group is pleased with the potential lender appetite and is carefully evaluating the available options.

Dividends

The Group paid its third interim dividend for the year ending 30 June 2024, in respect of the period from 1 January 2024 to 31 March 2024, of 1.428 pence per share, on 31 May 2024 to shareholders on the register on 17 May 2024. This distribution was comprised wholly of a property income distribution (PID).

Announcement of fourth interim dividend

The Company today declares its fourth interim dividend for the year ended 30 June 2024, in respect of the period from 1 April 2024 to 30 June 2024, of 1.428 pence per share as detailed in the schedule below:

Interim Property Income Distribution (PID): 1.428 pence per share

Interim ordinary dividend: nil

Ex-Dividend Date: 15 August 2024

Record Date: 16 August 2024

Payment Date: 30 August 2024

The quarterly dividend reflects an annualised dividend of 5.712 pence per share and a dividend yield of 7.3% based on the 5 August 2024 closing share price of 77.8 pence.

Sustainability Report

The Group has published its Sustainability Report for the year ended 31 December 2023. This is available on the Company's website at www.targethealthcarereit.co.uk

The Company had 620,237,346 ordinary shares in issue at 30 June 2024 and has not issued or bought back any shares since that date.

Shareholders entitled to elect to receive distributions without deduction for withholding tax may complete the declaration form which is available on request from the Company through the contact details provided on its website www.targethealthcarereit.co.uk, or from the Company's registrar. Shareholders who qualify for gross payments are, principally, UK resident companies, certain UK public bodies, UK charities, UK pension schemes and the managers of ISAs, PEPs and Child Trust Funds, in each case subject to certain conditions. Individuals and non-UK residents do not qualify for gross payments of distributions and should not complete the declaration form.

LE: 213800RXPY9WULUSBC04

ENDS

Enquiries:

Target Fund Managers Limited
Kenneth MacKenzie
Gordon Bland

Tel: 01786 845 912

Stifel Nicolaus Europe Limited
Mark Young
Rajpal Padam
Catriona Neville

Tel: 020 7710 7600

FTI Consulting
Dido Laurimore
Richard Gotla

Tel: 020 3727 1000
TargetHealthcare@fticonsulting.com

Notes to editors:

UK listed Target Healthcare REIT plc (THRL) is an externally managed Real Estate Investment Trust which provides shareholders with an attractive level of income, together with the potential for capital and income growth, from investing in a diversified portfolio of modern, purpose-built care homes.

The Group's portfolio at 30 June 2024 comprised 94 assets let to 34 tenants with a total value of £908.5 million.

The Group invests in modern, purpose-built care homes that are let to high quality tenants who demonstrate strong operational capabilities and a strong care ethos. The Group builds collaborative, supportive relationships with each of its tenants as it believes working in this way helps raise standards of care and helps its tenants build sustainable businesses. In turn, that helps the Group deliver stable returns to its investors.

Important information

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the UK version of the Market Abuse Regulations (EU) No. 596/2014, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.

APPENDIX

1. Analysis of movement in EPRA NTA

The following table provides an analysis of the movement in the unaudited EPRA NTA per share for the period from 1 April 2024 to 30 June 2024:

	Pence per share
EPRA NTA per share as at 31 March 2024	109.0
Revaluation gains / (losses) on investment properties	1.2
Revaluation gains / (losses) on assets under construction [^]	0.1
Gains on properties realised	0.3
Movement in revenue reserve	1.5
Third interim dividend payment for the year ending 30 June 2024	(1.4)
EPRA NTA per share as at 30 June 2024	110.7
Percentage change in the quarter	1.6%

The EPRA Best Practices Recommendations Guidelines state that companies should publish a set of three NAV metrics. The full set of EPRA NAV metrics are published in the Group's Annual Report. The Company intends to continue to announce the EPRA NTA on a quarterly basis.

At 30 June 2024, due to the valuation ascribed to the Group's interest rate derivative contracts used to hedge its exposure to variable interest rates, which are excluded from the calculation of the EPRA NTA, the unaudited NAV calculated under

International Financial Reporting Standards was 111.1 pence per share.

^Consistent with standard valuation practice for assets under construction, the carrying value of these assets is calculated by the valuer through application of a discount to accumulated costs to date. This discount varies depending on factors such as the remaining development time. As the asset progresses towards completion, the discount that has been applied is unwound.

2. Summary balance sheet (unaudited)

	Jun-24 £m	Mar-24 £m	Dec-23 £m	Sept-23 £m
Property portfolio*	908.5	934.8	911.1	890.3
Cash	38.9	17.9	17.6	20.2
Net current assets / (liabilities)*	(17.9)	(17.3)	(14.7)	(12.5)
Loans	(243.0)	(259.0)	(252.5)	(243.0)
Net assets	686.5	676.4	661.5	655.0
EPRA NTA per share (pence)	110.7	109.0	106.7	105.6

*Properties within the portfolio are stated at the market value provided by the external valuer and the IFRS effects of fixed/guaranteed minimum rent reviews are not reflected.

3. External Valuer

The valuation of the property portfolio as at 30 June 2024 was conducted by CBRE Limited.

The next quarterly valuation of the property portfolio will be conducted by CBRE Limited during October 2024 and the unaudited EPRA NTA per share as at 30 September 2024 is expected to be announced in October 2024.

4. EPRA NIY profiles and unwind of rent-free periods

The Group currently has two assets with a rent-free period. As these unwind, assuming no other changes including inter alia the portfolio valuation or rental profile, the EPRA yield profiles for the portfolio will be as follows:

	30 June 2024	30 September 2024	31 December 2024
EPRA "topped-up" NIY	6.20%	6.20%	6.20%
EPRA NIY	6.05%	6.14%	6.20%
Contractual rent (£m)	58.8	58.8	58.8
Passing rent (£m)	57.5	58.3	58.8

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact ms@seg.com or visit www.ms.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

UPDQKPBPKBKBPFK