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21 November 2024

Care REIT plc

("Care REIT" or the "Company" or, together with its subsidiaries, the "Group")

Third Quarter Update to 30 September 2024 and Investment Activity

Strong rent cover and continued active portfolio management

The Board of Directors of Care REIT plc (ticker: CRT), the real estate investment trust which gives investors exposure to a diversified portfolio of UK healthcare real estate assets, in particular care homes, is pleased to provide a trading update for the quarter to 30 September 2024.

Tenants' profitability continues to improve, with average rent cover of 2.30x in the quarter, up from 2.23x Q3 last year. Inflation-linked rent increases added a further £0.2 million to contracted rent, with stable yields driving a 0.5% increase in both like-for-like investment property values and net asset values. The total accounting return for the period was 2.0%.

The Group continued its asset management programme, deploying a further £3.3 million across seven projects in the quarter, whilst reducing leverage by disposing of two non-core assets at their book value of £4.5 million. The balance sheet remained strong, with an EPRA net loan-to-value of 27.5%. The group also committed to invest in two homes shortly after the quarter-end, one of which is a forward funded investment of a new home development.

HIGHLIGHTS AT 30 SEPTEMBER 2024

- 0.6% increase in EPRA NTA per share to 118.74 pence, up from 117.98 pence at 30 June 2024
- 1.0% like-for-like increase in property portfolio valuation to £672.1 million
- 27.5% EPRA (net) LTV, down slightly on 30 June 2024 of 27.8%
- 3.6% average uplift in 12 rent reviews in the quarter contributing £0.2 million to contracted annual passing rent⁽¹⁾.
- 6.95% EPRA "topped up" Net Initial Yield, marginally stronger than the 6.98% in June 2024
- 89.2% portfolio average bed occupancy, up marginally from 88.9% in Q2
- 2.30x adjusted rent cover⁽²⁾ for the quarter to 30 September 2024, up from 2.23x in the same quarter in 2023
- Dividend of 1.7375 pence per share, paid in line with our target dividend of 6.95 pence for the year to 31 December 2024⁽³⁾
- 2.0% unaudited accounting total return for the quarter

NET ASSET VALUE / EPRA NTA

- Unaudited EPRA NTA at 30 September 2024 was £492.0 million or 118.74 pence per share. This represents an increase of £3.2 million (0.76 pence per share), against the 30 June 2024 EPRA NTA of £488.9 million, 117.98 pence per share.
- The Group's EPRA "topped up" Net Initial Yield at 30 September 2024 is 6.95% (30 June 2024: 6.98%).

<i>Perice per share</i>	EPRA NTA	NAV
Unaudited value per share at 30 June 2024	117.98	118.31
Revaluation gains/(losses) on investment properties	0.16	0.16
Revaluation gain/(losses) on interest rate caps	-	(0.13)
Net remaining contribution to reserves	2.35	2.35
Quarterly dividend for the period to 30 June 2024	(1.74)	(1.74)
Unaudited value per share at 30 September 2024	118.74	118.94
Percentage change in quarter	0.6%	0.5%

- The NAV attributable to the ordinary shares of the Company is calculated under IFRS, incorporating the independent portfolio valuation.

Summary balance sheet (unaudited)

	Sep-24 £'m	Jun-24 £'m	Mar-24 £'m	Dec-23 £'m
Property portfolio*	672.1	670.1	660.8	651.3
Cash	9.7	9.6	10.3	9.4
Net assets/(liabilities)	(0.2)	0.3	2.8	2.2
Bank loans	(188.8)	(189.8)	(187.8)	(184.8)
Net assets	492.8	490.2	486.1	478.1
<i>NAV per share (pence)</i>	<i>118.94</i>	<i>118.31</i>	<i>117.31</i>	<i>115.38</i>
<i>EPRA NTA per share (pence)</i>	<i>118.74</i>	<i>117.98</i>	<i>116.92</i>	<i>114.96</i>
<i>EPRA Net LTV</i>	<i>27.5%</i>	<i>27.8%</i>	<i>27.6%</i>	<i>27.9%</i>

- * Properties within the portfolio are directly owned by way of freehold interest or long leasehold and are stated at the market value provided by the external valuer. The property valuations reported, exclude the IFRS effects of guaranteed rent reviews and initial lease rental payments.

PROPERTY VALUATION

- The Group's Property portfolio was independently valued at £672.1 million (30 June 2024: £670.1 million). This represents a 0.3% or £2.0 million increase in value and 1% on a like for like basis and consists of the following:
 - £3.2 million increase in value was driven by 12 rent reviews completed in the quarter at an average uplift of 3.6% per annum, contributing an extra £0.2 million to contracted rent.
 - The Group invested £3.3 million in the quarter on asset management, including the refurbishment of two units at Wombwell with enhanced recreational space alongside extension and refurbishment activity across a further six properties.
 - The Group also completed on the disposal of the first two homes announced in July 2024 for £4.5 million, with a further three exchanged on and awaiting CQC re-registration.
 - The EPRA 'topped up' net initial yield showed a marginal improvement to 6.95% as at 30 September 2024 (30 June 2024: 6.98%) reflecting the continued stability of the portfolio's yield with the improvement also driven by the disposal of higher yielding non-core assets.

PORTFOLIO UPDATE

- At 30 September 2024, the investment portfolio comprised 138 healthcare properties⁽⁴⁾, of which 136 are care homes managed by 15 tenants⁽⁵⁾ on fixed-term leases initially of 20 to 35 years (no break clauses), subject to annual upward-only Retail Price Index-linked rent reviews (with a floor and cap at 2% p.a. and 4% p.a., respectively on 115 leases, and 1% p.a. and 5% p.a. respectively on 21 leases). In addition, the Group owns two healthcare facilities leased to the NHS with an annual CPI uplift.
- Annualised rent cover across our investment portfolio remains strong at 2.20x⁽²⁾ for the 12 months to 30 September 2024, up from 1.91x in the same period in 2023 and the Group's highest annual rent cover since the Company's inception in 2017.
- Tenants' average bed occupancy increased to 89.2% at 30 September 2024, compared to average occupancy of 88.9% at 30 June 2024.
- Contracted rent⁽¹⁾ remained stable at £51.1 million at 30 September 2024 (30 June 2024: £51.1 million), reflecting the increase from 12 rent reviews offset by contracted disposals.

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- On 25 September 2024, the Group announced the transfer of four homes located in Scotland to a new tenant, Fulcrum Care ("Fulcrum"), on long-term leases. Fulcrum replaced Melrose as our 15th tenant in the Group and concludes the transfer of the original Silverline portfolio to long term operating partners. Fulcrum resumed partial rental payments on the Scottish homes in November 2024.
- Weighted average unexpired lease term across the Property portfolio of 20.5 years as at 30 September 2024 (30 June 2024: 20.5 years), reflecting an extension to the new leases agreed with Fulcrum, the disposal of two homes on shorter leases and offset by the progression of a further quarter.

FINANCING

- The Group's EPRA LTV was 27.5% as at 30 June 2024 (30 June 2024: 27.8%).
- The Group has £75 million of fixed-rate debt with a blended rate of 2.97% and expiry in 2035. The Group has hedged or fixed the interest rates on 93% (£175 million) of debt drawn. The Group has two £50 million interest rate caps, one at 3% and the other at 4%. The 3% cap expires in early January 2025 and the 4% cap expires in August 2025 and options on replacing them are currently being explored. The current average cost of drawn debt, including hedging and fixed rate borrowings, is 4.62%.

INVESTMENT IN TWO CARE HOMES SINCE THE QUARTER END

Since the quarter end, the Group has invested in two further homes, which will offer a total of 155 beds, with an existing tenant, Prestige Group ("Prestige").

One of the homes is a forward fund of a new home being built in Bedale, North Yorkshire, which is being developed by Prestige and is pre-let to Prestige as tenant. Prestige will deliver the 72-bed home for a capped price of £8.7 million, offering the Company an attractive opportunity to acquire a brand-new home for £121,000 per bed. It will be a fully electric property and is expected to have an EPC rating of A.

The other home is a sale and leaseback of an existing home with Prestige, the Group has acquired Middleton Manor, an 83-bed care home near Darlington with 100% en-suite bathrooms and an EPC rating of B. The Group will pay up to £5.9 million for Middleton Manor, which includes a £2.1 million deferred payment based on the future performance of the home (£71,000 per bed assuming the deferred payment is made).

Each home will be let to Prestige on new 35-year leases on the Group's standard terms.

The blended acquisition yield is in excess of 8% and is expected to be both income and capital accretive. The transaction is similar to a previous one the Group completed with Prestige, in which the Group agreed to forward fund Merlin Manor, a new home in Hartlepool, and acquired Yew Tree, an existing home in Redcar. Yew Tree and Merlin Manor have performed well since acquisition. Merlin Manor has helped the Group to deliver on its strategy of offering high quality and affordable buildings in areas where limited new development is taking place, while also making good financial returns. The IRR on the Merlin Manor investment life-to-date is above 20%.

Notes:

- (1) Contracted rent includes rent due or passing rent, rent contracted and expected under variable rent arrangement, future committed rent from contracted capital projects and forward funded developments, rent associated with deferred payments, contractually exchanged property acquisitions.
- (2) Rent cover is our tenants' EBITDARM for the 12 months to 30 September 2024 divided by 12 months' rent for the same period. It excludes "turnaround" and "immature" homes. Immature homes being defined as homes that are newly opened or undergoing major capital improvement requiring partial closure. The rent cover calculation excludes seven properties that are defined as turnaround or immature.
- (3) This is a target only and not a profit forecast. There can be no assurance that the target will be met and it should not be taken as an indicator of the Company's expected or actual results.
- (4) Includes exchanged and under construction assets.
- (5) Belmont, Careport, Carlton Hall, Electus Healthcare, Fulcrum Care, Holmes Care, Maria Mallaband Countrywide Group, Mnster, Croftwood (Mnster and Croftwood are subsidiaries of Mnster Care Group), NHS Cumbria, Optima, Prestige, Renaissance, Welford and We Care.

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The Company's LEI is 213800AX3FHPMJL4IJ53.

Further information on Care REIT plc is available at www.carereit.co.uk.

NOTES:

Care REIT plc (formerly Impact Healthcare REIT plc) acquires, renovates, extends and redevelops high quality healthcare real estate assets in the UK and lets these assets on long-term full repairing and insuring leases to high-quality established healthcare operators which offer good quality care, under leases which provide the Company with attractive levels of rent cover.

The Company aims to provide shareholders with an attractive sustainable return, principally in the form of quarterly income distributions and with the potential for capital and income growth, through exposure to a diversified and resilient portfolio of UK healthcare real estate assets, in particular care homes for the elderly.

The Company's dividend policy is to seek to maintain a progressive dividend that is covered by adjusted earnings.

On this basis, the target total dividend for the year ending 31 December 2024 is 6.95 pence per share⁽³⁾, a 0.18 pence increase over the 6.77 pence in dividends paid or declared per ordinary share for the year ended 31 December 2023.

The Group's Ordinary Shares were admitted to trading on the main market of the London Stock Exchange, premium segment, on 8 February 2019. The Company is a constituent of the FTSE EPRA/NAREIT index.

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