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Target Healthcare REIT PLC
05 February 2025

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Target Healthcare REIT plc and its subsidiaries

("Target Healthcare" or "the Company" or, together with its subsidiaries, "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 31 December 2024, an update on corporate activity and its second interim dividend for the year ending 30 June 2025.

Corporate activity highlights

High quality modern care home real estate delivering consistently positive total returns from growing rental income and EPRA NTA:

- EPRA Net Tangible Assets ('NTA') per share increased 0.9% to 112.7 pence (30 September 2024: 111.7 pence), reflecting a like-for-like valuation uplift driven by the portfolio's inflation-linked rent reviews
- EPRA "topped-up" net initial yield stable at 6.20% (30 September 2024: 6.20%) based on an annualised contractual rent of £60.6 million
- Adjusted EPRA EPS for the quarter of 1.59 pence per share, fully covering the quarterly dividend of 1.471 pence per share
- NAV total return of 2.2% for the quarter (based on EPRA NTA and including dividend payment)
- Net LTV of 22.7% (30 September 2024: 22.8%)
- Weighted average debt term of 4.7 years (30 September 2024: 5.0 years). Interest costs hedged on 93% of drawn debt to the relevant facility maturity date, with a weighted average cost of drawn debt of 3.95% (30 September: 3.96%) (inclusive of amortisation of arrangement costs)
- Access to a further £72 million of committed, but undrawn, revolving credit facilities which, if drawn, would carry an interest rate of SONIA plus 2.21%
- Total capital available of £85 million as at 31 December 2024, net of the Group's capital commitments including a development asset

Strong underlying portfolio trading underpinned by structural demographic tailwinds and a nationwide undersupply of fit-for-purpose real estate. Portfolio performance further supported by inflation-linked rent reviews, diversified tenant base and a highly-engaged Manager. Portfolio's ability to support long-term returns demonstrated by 1.9x last twelve months rent cover:

- Diversified portfolio of 94 assets let to 34 tenants and valued at £924.7 million (30 September 2024: £916.4 million) reflecting an increase of 0.9% with like-for-like valuation increase of 0.6%, primarily driven by continued rental growth
- Contracted rent increased 2.3%, driven by a 0.7% like-for-like increase predominantly from inflation-linked upwards-only annual rent reviews and 1.6% from a completed development and the rentalisation of other capital expenditure
- WAULT of 26.1 years (30 September 2024: 26.2 years)
- High quality, modern and sustainable real estate portfolio:
    - 100% of the portfolio is A or B EPC rated, and therefore the portfolio is already 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 £198 per sqm
- Rent cover on mature homes remained stable, at 2.0x for the September 2024 quarter (most recent quarter of tenant data)

Kenneth MacKenzie, CEO of Target Fund Managers, commented:

"We are seeing consistent rental growth and continued positive total accounting return performance, supported by tenant profitability and the twin tailwinds of demographic trends and increasing demand for modern, purpose-built, real estate. The trading outlook across our portfolio remains positive, with tenants privately-funded fee revenues a distinctive and helpful lever in the rising-cost environment following the recent Budget. Rent covers have remained robust, with the September quarter result of 2.0x consistent with previous quarters."

"Our long-standing and dedicated management team remain ever focused on our core investment strategy of delivering strong investment returns through active and highly-engaged management of our best-in-class portfolio."

Portfolio update

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

- One of the Group's two development sites reached practical completion and was leased on pre-agreed terms to an existing tenant of the Group adding £0.9 million to the Group's contractual rent;
- A performance payment of £1.0 million was made to a tenant where contracted performance conditions set at the time of entering into the initial lease had been met. This payment was rentalised at a yield greater than the portfolio EPRA topped-up NIY; and
- A home was re-tenanted resulting in a tenant who had taken the strategic decision to exit the elderly care sector being replaced by a new tenant to the Group with an experienced management team. The contracted rent from the property remained unchanged, with the rent free period granted to the incoming tenant being partially funded by the outgoing tenant, an increase in the minimum annual rental uplift and an improvement in the property's valuation yield.

Debt facilities

In relation to the Group's shortest dated debt facilities, which expire in November 2025, indicative refinance terms have been obtained from a number of lenders, including each of the incumbent lenders, for a range of facility types and durations. The Group is pleased with the appetite shown and is continuing to carefully evaluate the proposals.

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.

Announcement of second interim dividend

The Company today declares its second interim dividend for the year ending 30 June 2025, in respect of the period from 1 October 2024 to 31 December 2024, of 1.471 pence per share as detailed in the schedule below:

Interim Property Income Distribution (PID):	1.471 pence per share
Interim ordinary dividend:	nil

Ex-Dividend Date:	13 February 2025
Record Date:	14 February 2025
Payment Date:	28 February 2025

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.

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Enquiries:

Target Fund Managers Limited Tel: 01786 845 912
Kenneth MacKenzie
Gordon Bland

Stifel Nicolaus Europe Limited Tel: 020 7710 7600
Mark Young
Rajpal Padam
Catriona Neville

FTI Consulting Tel: 020 3727 1000
Dido Laurimore TargetHealthcare@fticonsulting.com
Richard Gotla

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 31 December 2024 comprised 94 assets let to 34 tenants with a total value of £924.7 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 October 2024 to 31 December 2024:

	Pence per share
EPRA NTA per share as at 30 September 2024	**111.7**
Revaluation gains / (losses) on investment properties	0.8
Revaluation gains / (losses) on assets under construction	0.1
Movement in revenue reserve	1.6
First interim dividend payment for the year ending 30 June 2025	(1.5)
EPRA NTA per share as at 31 December 2024	**112.7**
Percentage change in the quarter	**0.9%**

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.

At 31 December 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 112.9 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)

	Dec-24 £m	Sept-24 £m	Jun-24 £m	Mar-24 £m
Property portfolio*	924.7	916.4	908.5	934.8
Cash	37.9	38.9	38.9	17.9
Net current assets / (liabilities)*	(15.7)	(14.6)	(17.9)	(17.3)
Loans	(248.0)	(248.0)	(243.0)	(259.0)
Net assets	**698.9**	**692.7**	**686.5**	**676.4**
EPRA NTA per share (pence)	**112.7**	**111.7**	**110.7**	**109.0**

*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 31 December 2024 was conducted by CBRE Limited.

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

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

	31 December 2024	31 March 2025	30 June 2025	30 September 2025
EPRA "topped-up" NIY	6.20%	6.20%	6.20%	6.20%
EPRA NIY	6.07%	6.07%	6.07%	6.20%
Contractual rent (£m)	60.6	60.6	60.6	60.6
Passing rent (£m)	59.3	59.3	59.3	60.6

END

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