



Littleport Grange Care Home / Ely / Cambridgeshire

Overview

Impact Healthcare REIT plc (IHR) is a real estate investment trust. We are traded on the Specialist Fund Segment of the Main Market of the London Stock Exchange.

The Company aims to provide shareholders with an attractive return, by investing in a diversified portfolio of UK healthcare real estate assets, in particular residential care homes. This return will primarily be in the form of quarterly dividends. High-quality and financially sound tenants, long leases and inflation-linked rent reviews give us secure and stable income, which underpins our dividend payments. The Group's ability to add value through selective acquisitions and asset management offers the potential for income and capital growth for shareholders.

We and our Investment Adviser believe that residential healthcare is a significant investment opportunity in the UK.

A growing and ageing population is increasing demand for care, while the supply of suitable assets for providing that care is falling. As a well-capitalised landlord with an experienced Investment Adviser, we remain well positioned to deliver attractive returns to investors, while providing stability to residents and a commitment to enhance their homes wherever possible.

Investment objectives

The Group's investment policy is:

- to acquire, renovate, extend and redevelop high-quality healthcare real estate assets in the UK
- to lease those assets, under full repairing and insuring leases, primarily to operators providing residential healthcare services.

Following approval from our board in the first half of 2018, we have added two additional investment policies:

- the Group aims for dividends to be covered by adjusted earnings
- The Group aims to minimise cash drag.

Key achievements

- Declared and paid the Q1 dividend of 1.5p per share.
- Acquired a portfolio of two homes with 74 beds, near Glasgow, and 64 beds, near Norwich.
- Put in place our first debt facility which will total £50.0 million, with Metro Bank.
- Portfolio value increase of 11.1% in the quarter, with like-for-like value up 1.4%.

Impact at a glance

	30 June*	31 March*
Shares in Issue	192,206,831	192,206,831
Share price (p)	103.00	100.50
NAV per share (p)	102.03	101.07
Market Cap (£ million)	198.0	193.2
NAV (£ million)	196.1	194.3
Gross Debt (£ million)	25.0	–
WAULT (years)	19.2	19.2

* Unaudited

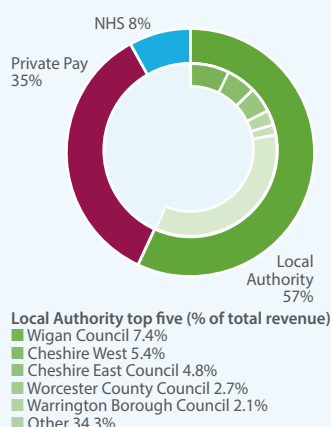
Last 12 months' dividend history (per share)

Q3 2017	1.5p
Q4 2017	1.5p
Q1 2018	1.5p
Q2 2018	1.5p*
	6.0p

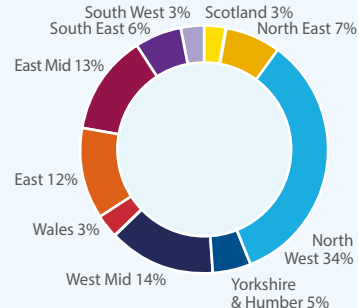
* Declared, payable in September

Portfolio analysis – 30 June 2018

Security of income (%) based on % revenue to tenants



Regionally diverse (%) based on % portfolio market value



Financial position and performance

	30 June*	31 March*	% change
Number of properties	63	60	5.0%
Number of beds	2,909	2,652	9.7%
Market value (£ million)	184.3	166.0	11.1%
– per property (£ million)	2.93	2.77	5.8%
– per bed (£000)	63.4	62.6	1.3%
Contracted rent roll (£ million)	14.5	12.9	12.4%
Contracted Yield (%)	7.57	7.77	(2.6)%

* Unaudited

Company overview

IPO	7 March 2017	Registered address
Market	LSE Main Market	7th Floor, 9 Berkeley Street
	Specialist Fund Segment	London W1J 8DW
Index Inclusion	–	
Ticker	IHR	
ISIN	GB00BYXVMJ03	
SEDOL	BYXVMJ0	
Dividend payments	Quarterly	

Board of Directors
Rupert Barclay (Chairman)
Rosemary Boot
Paul Craig
Philip Hall

Key dates
Half year end 30 June
2018 interim results announcement 8 August
Full year end 31 December

Publication date: August 2018

Portfolio update

NAV and valuation

The unaudited NAV per share at 30 June 2018 was 102.03p per share, up from unaudited 31 March 2018 NAV of 101.07p.

The portfolio value increased to £184.3 million from £166.0 million, an uplift of 11.1% including £0.7 million of capital improvements. The like-for-like uplift was 1.4%.

Asset management

Of the 92 beds approved for development in Q3 2017.

- Turnpike (25 beds) completed in June 2018 and is now taking residents, following total capex of £0.9 million. The development has added rent of £77,000, an increase of 32% on Turnpike's current passing rent.
- Littleport (21 beds) is scheduled to complete in August 2018,

following total capex of £2.2 million. The refurbishment will add rent of £185,000, an increase of 44% on Littleport's current passing rent.

38 bed refurbishment at Parkville completed

The refurbishment of a closed building at Parkville (38 beds) completed in June 2018. Impact will pay a deferred payment to Prestige Group, the tenant and vendor, linked to the new unit's trading performance once mature at a yield of 8%.

Acquisition pipeline

In addition to the recently announced exchange on a portfolio of five homes in the North-East of England, discussed further below, the Investment Adviser continues to pursue a number of active investment opportunities with three currently in exclusivity.

Market update

Elderly care assessment

During the quarter the 29th edition of LangBuisson's Care Homes for Older People UK market report was published. The findings included the following:

- The 2018 market value of residential care services for older people, including both residential and nursing care facilities with dementia care, is estimated at £16.9 billion.
- Approximately £7.9 billion are independent nursing care

homes, £7.3 billion are independent residential care homes, and the remaining £1.7 billion are state-run homes.

- Since 2005, the revenues of for-profit independent providers have increased by 4.2% p.a., and for non-profit independent providers by 4.3% p.a.

Given the strength of the underlying market drivers, the Investment Adviser expects this growth to be sustainable going forward.

Post quarter acquisition

During the period, the Group exchanged contracts to acquire five care homes with a combined total of 218 beds for a total consideration of £12.15 million (including acquisition costs to the Company). The homes are: Briardene Care Home, Sovereign Lodge and Sovereign Court, all in Westerhope to the west of Newcastle; Derwent Care Home in Hamsterley, Durham; and The Grove in Marton, a suburb of Middlesbrough.

All of the homes were purpose-built between 1999 and 2007. Between February 2016 and December 2017, their current owner, Monarch Alternative Capital LP, invested £1.39 million (£6,380 per bed) to refurbish all five homes to a high standard.

The homes are currently managed on behalf of Monarch by Careport Advisory Services Limited, under their Mariposa and

Papillon brands. Careport will continue to operate the homes following the acquisitions.

Careport was formed nine years ago by John Beastall and Christopher Briddon. Careport has established a successful track record of turning around underperforming care homes. The homes are trading well with 94% occupancy. Four of the homes being acquired by the Company are rated Good by the CQC and one is rated Requires Improvement.

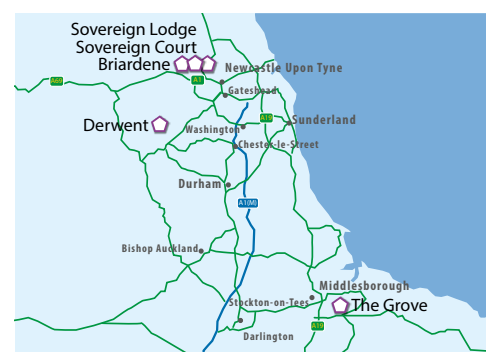
The total initial rent of £875,000 receivable under the leases will be subject to annual upward-only rent reviews linked to the Retail Prices Index (RPI), with a floor of 2% p.a. and a cap of 4% p.a., and will generate net initial yields in line with the Company's investment criteria and returns profile. Careport has agreed to commit to a minimum annual expenditure on maintenance.



Derwent



Briardene



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