

Pipeline Acquisitions And Possible Fundraising

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24 October 2018

Impact Healthcare REIT plc

(the "**Company**" and with its subsidiaries, the "**Group**")

PIPELINE ACQUISITIONS AND POSSIBLE FUNDRAISING

The Board of Directors of Impact Healthcare REIT plc (the "**Board**") (ticker: IHR), the real estate investment trust which gives investors exposure to a diversified portfolio of UK healthcare real estate assets, in particular care homes, is in advanced negotiations to acquire an identified portfolio of UK care homes and, in addition, the Company has a significant pipeline of attractive investment opportunities.

The Company has invested or committed the majority of the £240 million of equity and debt capital raised since its IPO in March 2017, and is proposing to undertake an equity fundraising targeting £150 million to enable it to acquire this identified portfolio. The Company will meet with shareholders over the coming weeks, with further announcements to be made in due course.

The potential portfolio acquisition and identified pipeline of assets are in line with the Company's investment criteria and return profile and are expected to deliver further value for its shareholders.

Target Portfolio of UK Care Homes and Possible Fundraising

The Company is currently in advanced negotiations to acquire a portfolio of UK care homes with over 2,500 beds (the "**Target Portfolio**"). The total annual rent on the Target Portfolio is approximately £12 million under the existing leases.

The potential acquisition of the Target Portfolio, as well as the other pipeline acquisitions, are in line with the Company's strategy of identifying portfolios that can not only provide a strong level of income to support the Company's dividend but also have scope for asset management opportunities that are expected to create value.

The Company's investment adviser, Impact Health Partners LLP (the "**Investment Adviser**"), has categorised the assets in the Target Portfolio as follows:

- care homes which are operationally strong with a good level of rental cover, have high occupancy levels and a consistent trading performance as well as the potential to increase value, including through improved lease arrangements (the "**Core Portfolio**"); and
- care homes that would benefit from investment by the Group, redevelopment, change of use and/or disposal (the "**Non-Core Portfolio**").

Based on the agreed acquisition price, the net initial yield for the whole Target Portfolio is in excess of 8%.

The Core Portfolio, which comprises over 80% of the Target Portfolio by value, has strong levels of rental cover, supported by good levels of occupancy which has ranged between 90% and 93% over the past five years. At present, over 87% of the Core Portfolio homes in England are rated Good or Outstanding by the CQC. The Investment Adviser believes the acquisition price reflects a substantial discount to replacement build cost which limits downside exposure. Asset management opportunities exist within the Core Portfolio that will provide the potential for income and valuation enhancing investment over time.

The Non-Core Portfolio, which accounts for under 20% of the Target Portfolio by value, is being acquired at a price which reflects the current level of performance of the Non-Core homes and represents a modest premium to land values. The Investment Adviser considers that the Non-Core Portfolio represents an exciting opportunity to generate value for the Company and its shareholders through:

- (i) operational turnarounds;
- (ii) capital expenditure to improve performance; and
- (iii) redevelopment or change of use / disposal.

The Board believes that the expertise and experience of the Investment Adviser team in managing and improving portfolios of a similar type and size to the Target Portfolio will enable the Company to pursue this accretive and value-enhancing acquisition. In addition to

the financial benefits of the transaction, it will also further diversify the Group by tenant base and the geographic location of its assets.

The Company intends to enter into a sale and purchase agreement, subject to financing, to acquire the Target Portfolio, and further details relating to the Target Portfolio will be announced in due course.

The Company proposes to undertake an equity fundraising targeting £150 million to finance the acquisition of the Target Portfolio and will meet with shareholders and publish a prospectus over the coming weeks. The Company intends to appoint Winterflood Securities Limited and RBC Capital Markets as joint bookrunners in connection with the potential fundraising.

Other Pipeline Acquisitions

In addition to the Target Portfolio, the Investment Adviser is continuing to make good progress with a significant pipeline of UK assets which meet the Company's investment objectives and investment policy, including off-market assets identified through the Investment Adviser's extensive network of industry relationships.

The Investment Adviser has entered into negotiations in relation to the acquisition of specific target assets on behalf of the Group and, as a result of these negotiations, has entered into advanced due diligence on behalf of the Group in relation to four transactions which would add in excess of 450 beds.

The Investment Adviser has also entered into negotiations, which are currently at an earlier stage, on five further potential transactions, which would deliver over 1,500 additional beds to the Group.

These transactions, if completed, would add six new tenants further diversifying the Group's rental income.

These acquisitions are subject to ongoing due diligence by the Investment Adviser and its professional advisers. The Company and its Investment Adviser will continue to exercise robust capital discipline to deliver value at the point of acquisition or investment.

This announcement contains inside information.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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The Company's LEI is 213800AX3FHPMJL4IJ53.

Further information on Impact Healthcare REIT is available at www.impactreit.uk. Neither the content of the Company's website, nor the content on any website accessible from hyperlinks on its website for any other website, is incorporated into, or forms part of, this announcement nor, unless previously published by means of a recognised information service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, securities in the Company.

NOTES:

Impact Healthcare REIT plc is a real estate investment trust ("**REIT**") which aims to provide shareholders with an attractive return, principally in the form of quarterly income distributions and with the potential for capital and income growth, through exposure to a diversified portfolio of healthcare real estate opportunities, in particular residential care homes. The Group's investment policy is to acquire, renovate, extend and redevelop high quality healthcare real estate assets in the UK and lease those assets primarily to healthcare operators providing residential healthcare services under full repairing and insuring leases.

The Group has declared or paid six quarterly dividends of 6.0 pence per share since IPO on 7 March 2017, which equates to a yield of 6 per cent. per annum on the IPO Issue Price.

The Group's ordinary shares were admitted to trading on the main market of the London Stock Exchange, Specialist Fund Segment, on 7 March 2017.

IMPORTANT INFORMATION

This announcement which has been prepared by, and is the sole responsibility of, the Directors of the Company and has been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 by Winterflood Securities Limited ("**Winterflood**"), which is authorised and regulated by the Financial Conduct Authority.

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Recipients of this announcement who are considering acquiring ordinary shares following publication of the prospectus are reminded that any such acquisition must be made only on the basis of the information contained in the prospectus (which may be different from the information contained in this announcement) and following receipt of the KID, any subscription for ordinary shares will be subject to specific legal or regulatory restrictions in certain jurisdictions. Persons distributing this announcement must satisfy themselves that it is lawful to do so. The Company assumes no responsibility in the event that there is a violation by any person of such restrictions.

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