

Acquisitions

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Impact Healthcare REIT PLC
09 March 2020

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Impact Healthcare REIT plc

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

ACQUISITIONS

The Board of Directors of Impact Healthcare REIT plc (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 pleased to announce that the Group has recently completed the acquisition of a property portfolio, exchanged contracts to acquire a second property portfolio and entered into a pre-let forward funding arrangement with an existing Group tenant.

Once completed, these transactions are expected to deliver the following benefits to the Group:

- enable the Company to deploy £61.1 million of capital, plus transaction costs and a deferred payment on one of the transactions of up to £3.0 million;
- these acquisitions and the pre-let forward funding arrangement will add 13 care homes comprising 925 beds to the Group's portfolio, which will then total 99 care homes and 5,253 beds (at 31 December 2019: 86 homes and 4,274 beds);
- increase the Group's contracted annual rent roll to £28.2 million, a 21.9% increase on contracted annual rent at 31 December 2019 of £23.1 million;
- add two new tenants, taking the Group's total number of tenants to 11⁽¹⁾; and
- all of the acquisitions will be leased on Impact's standard lease terms, with fixed terms of 25 years and annual upward-only rent reviews linked to the Retail Price Index ("RPI").

Holmes Care

The Group has exchanged contracts to acquire nine homes in Scotland, which are currently owned and operated by subsidiaries of the Holmes Care Group ("Holmes"), in a sale and leaseback transaction. A subsidiary of Holmes will continue to operate the homes after completion, making Holmes the Company's 10th tenant⁽¹⁾. Holmes will continue to own and operate a further four homes in England.

The nine Scottish homes have a combined total of 649 beds and enjoy high ratings from The Care Inspectorate, Scotland's healthcare regulator⁽²⁾. One home is in Aberdeen and the other eight are located around Glasgow and in Scotland's central belt.

The net purchase price before transaction costs is £47.5 million and the initial rent £3.5 million, reflecting a yield of 7.4%. The Company has agreed a deferred payment structure with the vendors under which the Company will pay up to £3.0 million based on the trading performance of the nine homes in the 12 months to 31 March 2021, in exchange for an annual rent increase of up to £225,000. The initial rent cover on the portfolio is in excess of two times.

On completion, the homes will be let on new leases that have fixed 25-year terms with no break clauses. The rents receivable under the leases will be subject to annual upward-only rent reviews linked to RPI, with a floor of 1% p.a. and a cap of 5% p.a., and Holmes has committed to a minimum annual expenditure on the maintenance of the homes.

Completion will take place as soon as the required regulatory approvals from the Care Inspectorate have been received.

Silverline

The Group has completed the acquisition of three homes in Bradford from Victorguard Care Limited ("Victorguard"). The three homes will be operated by Silverline Care, the Group's 11th tenant⁽¹⁾.

The three homes were all purpose-built to a high standard by Victorguard and offer 182 bedrooms, all of them are en-suite. Under previous management, the three homes being acquired went through a period of underperformance and Silverline has developed a clear plan to turn these around. Silverline operates other homes in Yorkshire, including one in Bradford.

The Group has agreed to pay a net purchase price of £7.5 million to the vendors, or £41,000 per bed, which reflects the homes' recent trading performance rather than their potential. To support Silverline's turnaround plan, we have committed £300,000 of capital expenditure into the homes and agreed a rent-free period of six months. The initial rent is £630,000 per annum, reflecting a yield of 8.1%.

The homes are let on new leases that have fixed 25-year terms with no break clauses. The rents receivable under the leases will be subject to annual upward-only rent reviews linked to RPI, with a floor of 2% p.a. and a cap of 4% per annum. The new leases are under a new framework agreement with Victorguard which is consistent with the terms of the framework agreements with our existing tenants.

Forward funding a new care home in Hartlepool

The Group has agreed to forward fund the construction of a new 94-bed care home in Hartlepool, to be built by a subsidiary of Prestige Group ("**Prestige**"), an existing tenant of the Group. The development has planning in place and is targeting completion in 12 months.

Prestige has a strong track record of building care homes to a high standard in the north-east, three of which the Group already owns. Prestige has committed to build the home for a fixed price of £6.1 million, including the value of the land.

The Company has pre-leased the home to Prestige and it will fall under the Group's existing framework agreement with Prestige. Initial rent is expected to be £475,000 per annum reflecting a yield of circa 7.8%.

Financing and pipeline

These transactions will be financed from the Group's existing cash resources and available debt facilities, of which £49.9 million is currently undrawn. The Group is at an advanced stage on a number of other potential transactions and expects to make further announcements in due course.

Notes

- (1) Minster, Croftwood, (both subsidiaries of Minster Care Group), Careport, Prestige, Renaissance, Welford, Maria Mallaband Countrywide Group, NHS Cumbria, Optima, Holmes Care and Silverline Care.
- (2) Ratings under The Care Inspectorate range from 1 - 6 across 5 categories, all homes average 4 (good) or above.
- (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.

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The Company's LEI is 213800AX3FHPMJL4IJ53.

Further information on Impact Healthcare REIT is available at www.impactreit.uk.

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 UK healthcare real estate opportunities, in particular care homes for the elderly. 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 Company's target total dividend for the year ending 31 December 2020 is 6.29 pence per share⁽³⁾, a 1.94% increase over the 6.17 pence per share for the year ended 31 December 2019.

The Company has a progressive dividend policy with a target to grow its annual aggregate dividend in line with the inflation-linked rental uplifts received by the Group under the terms of the rent review provisions contained in the Group's leases in the prior financial year.

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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