

## BUSINESS, RENT COLLECTION AND ACQUISITIONS UPDATE

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Impact Healthcare REIT PLC  
19 January 2021

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19 January 2021

### Impact Healthcare REIT plc

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

#### BUSINESS, RENT COLLECTION AND ACQUISITIONS UPDATE

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 the following:

- An update on its business;
- The receipt of 100% of the contracted rent due; and
- The acquisition of six care homes, three of which are managed by a new tenant for the Group, Electus Healthcare.

#### BUSINESS UPDATE

As the current wave of COVID-19 has developed across the United Kingdom, the Investment Manager has continued to be in regular communication with all the Group's tenants and key service providers to monitor how the pandemic is affecting them and also, where appropriate, to share information amongst the tenants. The health, welfare and safety of its tenants' care home residents, healthcare professionals and wider stakeholders remains the Group's top priority.

Tenants' occupancy levels were stable across the portfolio during Q4 2020, but are below their usual levels. Managers at the Group's homes report good levels of enquiries, however, new admissions are not expected to rise substantially until current lockdown restrictions on visitors to homes are eased and care home vaccinations have been completed.

As at 15 January 2021, residents at 60% of the homes owned by the Group had received the first dose of a COVID-19 vaccination, with residents at a further 15% of the homes owned by the Group scheduled to be vaccinated in the week beginning 18 January 2021. It is anticipated that the remaining 25% of the Group's homes will receive vaccinations before the Government's target of 31 January 2021 for completion of the rollout of the first dose of the vaccine within UK care homes.

#### ROBUST RENT COLLECTION

The Group received 100% of its contracted rent for 2020 and confirms receipt of 100% of the rent due on 1 January 2021 for quarterly and monthly rent payments payable in advance.

#### ACQUISITIONS

In March 2020, as the first wave of the pandemic began, the Group suspended new acquisition activity. From September, the Investment Manager re-engaged, on a selective and disciplined basis, with potential acquisitions which are in line with the Group's investment criteria, and which have demonstrated a high level of resilience during the first wave of the pandemic.

The Group has now completed the acquisition of three individual homes to be managed by two of the Group's existing tenants, and a portfolio of three homes to be managed by a new tenant for the Group. Collectively these transactions will deploy £21.3 million of initial capital, plus transaction costs, and a further £2.8 million of capital expenditure to enhance the properties, and to extend one of them. The transactions are expected to deliver the following benefits for the Group:

- Add six care homes comprising 370 beds to the Group's portfolio, which now totals 109 properties and 5,975 beds;
- Increase the Group's contracted annual rent roll by £1.7 million, to £31.4 million;
- While the Group's existing leases have significant ESG provisions, these have been extended in the leases associated with these acquisitions;
- Add a new tenant, taking the Group's total number of tenants to 12<sup>1</sup>; 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 Prices Index ("RPI").

#### Electus Healthcare

The Group has completed the acquisition of three homes in Northern Ireland, the first homes acquired by Impact in the country, further enhancing the Group's geographic and tenant diversification. All three homes were purpose-built in established residential areas and provide a combined total of 193 beds. Two of the homes are located to the south of Belfast and the third is in the coastal town of Donaghadee.

The Group has paid a net purchase price of £7.7 million to the vendors. As part of the transaction, and to support the new tenant, residents and staff, Impact has committed £1.2 million of capital expenditure, or just over £6,200 per bed. This significant investment will be used to refurbish the homes and bring them up to the high standards expected across Impact's portfolio. It will also include works to improve the energy efficiency of the homes in line with the Company's ESG policy.

The initial annual rent has been agreed at £693,000 and, following the capital expenditure, will increase to £801,000. Rent cover at acquisition was two times.

Electus has entered into 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 leases are under a new framework agreement with Electus Healthcare, which is consistent with the terms of the framework agreements with the Group's existing tenants. Electus has committed to a minimum annual expenditure on the maintenance of the homes, as the Group's existing tenants are also committed to do.

#### **Blackwell Vale**

The Group has completed the acquisition of Blackwell Vale for a net consideration of £1.05 million. The initial rent will be £85,000.

Blackwell Vale is a modern, purpose-built home located a short distance to the south of Carlisle city centre and provides 51 bedrooms. As with the homes acquired in Northern Ireland, the Group has identified an opportunity to improve the home and its energy performance significantly and is committing £1.0 million of capital expenditure in return for an increase in rent to £167,000 from April 2022. In addition, the home offers the opportunity for extension, which the Group will explore in partnership with the tenant.

The Group has appointed its existing tenant, Careport, as the new tenant of Blackwell Vale. Careport now operates nine homes for Impact with a total of 472 beds and strong rent cover above two times across this portfolio.

Careport already operates Kingston Court in Carlisle, therefore the acquisition will enable Careport to cement its position as a trusted provider of elderly care services to the residents of Carlisle and surrounding areas.

#### **Mavern House**

The Group has completed the acquisition of Mavern House Nursing Home for a net consideration of £5.1 million. The initial annual rent will be £387,500.

Mavern House is an attractive period property, which has been substantially extended and is now largely purpose-built, providing 47 beds. It is located within the village of Shaw, a short distance from the market town of Melksham in Wiltshire.

The Group has appointed one of its existing tenants, Welford, as the new tenant of Mavern House. Welford now operates seven homes for Impact with a total of 340 beds and strong rent cover above two times across this portfolio.

Over the next 18 months, the home is to be extended, adding a net additional six beds at a cost of circa £600,000 in return for an increase in annual rent to approximately £437,500 from July 2022.

The Group has also completed the acquisition of St Peters House, a care home in Bury St Edmunds managed by Welford. Details of this transaction were announced on 4 September 2020 following exchange.

#### **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](http://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 ended 31 December 2020 was 6.29 pence per share<sup>(2)</sup>, 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.

- (1) Minster, Croftwood, (both subsidiaries of Minster Care Group), Careport, Prestige, Renaissance, Welford, Maria Mallaband Countrywide Group, NHS Cumbria, Optima, Holmes Care, Silverline Care and Electus Healthcare.
- (2) 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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