

ACQUISITIONS

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Impact Healthcare REIT PLC
20 April 2021

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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 exchanged contracts to acquire a high quality care home near Lowestoft and entered into a pre-let forward funding arrangement for a new care home in Norwich, both of which are with a new Group tenant the Carlton Hall Limited group ("**Carlton Hall**") and are in line with the Group's investment criteria.

Once completed, these transactions are expected to deploy £20.8 million of capital, plus transaction costs and a deferred payment on one of the transactions of up to £4.0 million. They will deliver the following benefits for the Group:

- add two care homes comprising 166 beds to the Group's portfolio, which will then total 111 care homes and 6,141 beds (at 31 December 2020: 108 homes and 5,924 beds);
- increase the Group's contracted annual rent roll to £33.4 million, an 8.0% increase on contracted annual rent at 31 December 2020 of £30.9 million;
- add a new tenant, taking the Group's total number of tenants to 13⁽¹⁾; and
- be leased on Impact's standard lease terms, with fixed terms of 30 and 35 years, annual upward-only rent reviews linked to the Retail Price Index ("**RPI**") and will also include commitments to improve the energy efficiency of the homes in line with the Company's ESG policy.

Carlton Hall care home

The Group has exchanged contracts to acquire a single home in Lowestoft, Suffolk, which is currently owned and operated by Carlton Hall, in a sale and leaseback transaction. A Carlton Hall company will continue to operate the home after completion, making Carlton Hall the Group's 13th tenant⁽¹⁾.

The home has capacity for 86 residents within a range of high quality linked buildings and is rated as Good across all measures by the Care Quality Commission⁽²⁾. The home is part of a care village community developed by Carlton Hall, which includes around 49 retirement bungalows and a thriving coffee shop, all set in 10 acres of well-maintained grounds.

The net purchase price before transaction costs is £10.3 million and the initial annual rent is £650,000, reflecting a yield of 6.3%. The initial rent cover on the home is in excess of two times.

On completion, the home will be let on a new lease with a fixed 30-year term with no break clauses and it will fall under the Group's framework agreement with the tenant. The rent receivable under the lease will be subject to annual upward-only rent reviews linked to RPI, with a floor of 2% p.a. and a cap of 4% p.a., and Carlton Hall has committed to a minimum annual expenditure on the maintenance of the home.

Completion will take place as soon as the required regulatory approval from the Care Quality Commission has been received.

Forward funding a new care home in Norwich

The Group has also agreed to forward fund the construction of a new 80-bed care home in Norwich, to be built by a Carlton Hall company. The development has planning in place and is targeting completion in approximately 20 months.

Carlton Hall will be developing the new home as part of a care village, with phase 1 also comprising 19 bungalows. This will replicate Carlton Hall's successful development in Lowestoft and is expected to be the blueprint for further potential developments in the region by Carlton Hall. Carlton Hall has committed to build the home for a price of £10.5 million, including the value of the land.

The Company has pre-leased the home to Carlton Hall with a fixed 35-year term with no break clauses and it will fall under the Group's framework agreement with the tenant. Initial rent is expected to be £750,000 per annum reflecting a yield of 7.1%. A rent free period of nine months will take effect at practical completion.

The Company has agreed a deferred payment structure with Carlton Hall under which the Company will pay up to £4.0 million based on the trading performance for the new home at maturity in exchange for an annual rent increase of up to £246,000, so long as rent cover remains in excess of two times.

Financing

These transactions will be financed from the Group's existing cash resources and available debt facilities, of which £28.0 million is currently undrawn.

Notes

- (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) Ratings under the Care Quality Commission range from Inadequate, Requires Improvement, Good to Outstanding.

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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 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.

On this basis, the target total dividend for the year ending 31 December 2021 is 6.41 pence per share*, a 1.91% increase over the 6.29 pence in dividends paid or declared per ordinary share for the year ended 31 December 2020.

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.

- * 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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