

INVESTMENT IN PORTFOLIO OF SIX CARE HOMES

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Impact Healthcare REIT PLC
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10 January 2023

Impact Healthcare REIT plc

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

INVESTMENT IN A PORTFOLIO OF SIX CARE HOMES IN SHROPSHIRE AND CHESHIRE FOR £56 MILLION

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 invested in a portfolio of six care homes which were owned and operated by Morris Care Limited. The purchase price is £56 million, which will partly be paid in cash and partly with an issue of new shares in the Company ("Shares"), as further detailed below.

Morris Care enjoys a strong local reputation for delivering high acuity care and has established good working relationships with the local NHS Clinical Commissioning Groups. The vendors have granted a licence for the homes to continue to trade under the Morris Care brand for three years and the operational management team of Morris Care will transfer to Welford Healthcare ("Welford"), which will operate the homes. Welford is an existing Group tenant and the investment will take the Group's relationship with Welford to 18 care homes across England with 1,087 beds.

The portfolio has 438 high quality beds, of which 400 have en suite bathrooms, with five homes in Shropshire and one in Cheshire. The homes each have an established track record of delivering strong operational performance. Four of the homes have EPC ratings of B, and two are rated C, with outline strategies in place for achieving an EPC rating of B.

Home	Number of beds
Isle Court Nursing Home	80
Radbrook Nursing Home	63
Oldbury Grange Nursing Home	69
Morris Care Centre	96
Corbrook Park Nursing Home	80
Stretton Hall	50

80% of the £56 million consideration is payable in cash (£44.8 million), with the balance paid in Shares. The Company has issued to the vendors 9,603,841 Shares priced at 116.62 pence per share, which is the Company's last reported NAV as at 30 September 2022. The Shares have been issued conditional on Admission which is expected to occur on or around 13 January 2023. The vendors have agreed to customary lock-up provisions for a period of six months. 100% of the debt drawn down to fund the cash element has been hedged through a new £50 million interest rate cap at a cost of £1.5 million, which caps SONIA at 3.0% for two years. The Group has now hedged the interest rates on 80% (£150 million) of its current drawn debt of £187 million with a gross LTV after this transaction of 27.6%¹. The Group has a further £54 million of undrawn debt facilities.

The funding of the investment has been made initially by way of a loan by the Group to Welford. The structure creates several benefits for all stakeholders, including enabling Welford to take immediate operational control of the six homes, thereby avoiding a potentially lengthy transition period while regulatory approvals are sought to register the operation of the homes in new legal entities.

Once CQC regulatory approvals are received, Impact then has the option to acquire the entire issued share capital of the company which owns the properties from Welford, which also has the option to sell the entire issued share capital of the company to Impact in order to repay the loan. Impact will receive interest payments equal to 8.4% per annum for the duration of the loan. When either option is exercised, new 35-year leases on Impact's standard terms, which have been pre-agreed with Welford, will come into effect. Initial rent under the new leases is set at £3.9 million, reflecting a gross initial yield of 7.0%.

The loan structure used to make this investment contains additional protections for Impact's shareholders, including security over the above property assets and a number of operational covenants from Welford.

Immediately following Admission, the Company will have 414,368,169 Ordinary Shares in issue and therefore the total voting rights in the Company will be 414,368,169. This figure may be used by Shareholders as the denominator for the calculations by which they may determine whether or not they are required to notify their interest in, or a change to their interest in, the share capital of the Company under the FCA's Disclosure Guidance and Transparency Rules.

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The Company's LEI is 213800AX3FHJM41J53.

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

NOTES:

Impact Healthcare REIT plc acquires, renovates, extends and redevelops high quality healthcare real estate assets in the UK and lets these assets on long-term full repairing and insuring leases to high-quality established healthcare operators which offer good quality care, under leases which provide the Company with attractive levels of rent cover.

The Company aims to provide shareholders with an attractive sustainable return, principally in the form of quarterly income distributions and with the potential for capital and income growth, through exposure to a diversified and resilient portfolio of UK healthcare real estate assets, in particular care homes for the elderly.

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 Company is targeting a dividend for the year to 31 December 2022 to increase by 2.0% to 6.54 pence per share².

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.

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.

¹ Current debt drawn divided by Gross Assets as at 30 September 2022 plus acquisitions at cost completed since 30 September 2022.

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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