

Dividend Declaration & Q1 Update To 31 March 2023

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Impact Healthcare REIT PLC
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25 April 2023

Impact Healthcare REIT plc

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

Dividend Declaration and First Quarter Update to 31 March 2023

Yields stabilising as acquisitions and rent reviews drive NAV growth

HIGHLIGHTS

- Investment in a portfolio of 6 new care homes for £56 million
- 2.2% increase in NAV per share to 112.60 pence
- 6.99% EPRA "topped up" Net Initial Yield, marginally up from 6.98% in December 2022
- 1.8% increase in property portfolio⁽¹⁾ valuation to £542.1 million
- 4% average increase in rent from 72 rent reviews
- 11% increase in total contracted annual rent to £47.9 million
- 87.6% bed occupancy, up one percentage point on December 2022
- 1.8x rent cover⁽²⁾ in line with last year
- 98% rent due for first quarter received
- 19.5 years weighted unexpired lease term
- 28.3% gross loan to value (23.9% in December 2022)
- 3.5% increase in quarterly dividend declared to 1.6925p per share
- 3.69% unaudited NAV total return for the period.

NET ASSET VALUE

- Unaudited net asset value ("**NAV**") as at 31 March 2023 was £466.6 million, 112.60 pence per share. This represents an increase of £20.6 million (2.43 pence per share), against the 31 December 2022 NAV of £445.9 million, 110.17 pence per share.
 - The Investment portfolio⁽¹⁾ has been independently valued by the Group's external valuer Cushman &

Wakefield. The Group's EPRA "topped up" Net Initial Yield at 31 March 2023 is 6.99% broadly in line with the year-end (31 December 2022: 6.98%), reflecting more stable investment markets during the last quarter.

	Pence per share
Unaudited NAV per share as at 31 December 2022	110.17
Revaluation gains/(losses) on investment properties ⁽¹⁾	2.22
Revaluation gain/(losses) on interest rate caps	(0.09)
Net remaining contribution to reserves	1.94
Quarterly dividend for the period to 31 December 2022	(1.64)
Unaudited NAV per share as at 31 March 2023	112.60
Percentage change in quarter	2.2%

- The NAV attributable to the ordinary shares of the Company is calculated under IFRS, incorporating the independent portfolio valuation. EPRA NTA as at 31 March 2023 was 112.24 pence per share (31 December 2022: 110.08 pence per share), which excludes the fair value of derivatives.

- Summary balance sheet (unaudited)**

	Mar-23 £'m	Dec-22 £'m	Sep-22 £'m	Jun-22 £'m
Property portfolio*	542.1	532.5	543.0	530.2
Property Investments via loans	93.3	36.3	38.1	38.0
Cash	18.8	22.5	23.2	22.0
Net assets/(liabilities)	(0.3)	(3.2)	(1.7)	(4.5)
Bank loans	(187.3)	(142.3)	(130.6)	(137.6)
Net assets	466.6	445.9	472.0	448.1
<i>NAV per share (pence)</i>	<i>112.60</i>	<i>110.17</i>	<i>116.62</i>	<i>116.18</i>
<i>Gross LTV</i>	<i>28.3%</i>	<i>23.9%</i>	<i>21.4%</i>	<i>23.1%</i>

* Properties within the portfolio are directly owned by way of freehold interest or long leasehold and are stated at the market value provided by the external valuer and excludes the IFRS effects of guaranteed rent reviews and initial lease rental payments.

PROPERTY VALUATION

- The Group's property portfolio⁽¹⁾ was independently valued at £542.1 million (31 March 2023; £532.5 million at 31 December 2022). This represents a 1.8%, or £9.6 million, increase in value.
 - The like-for-like movement in value was primarily driven by the increased rent from the 72 rent reviews completed in the quarter at an average uplift of 4.0% per annum in line with the rental increase cap on these leases, contributing an extra £0.8 million to contracted rent. The EPRA 'topped up' net initial yield remained broadly stable at 6.99% as at 31 March 2023 (31 December 2022: 6.98%).
 - The Group invested £0.5 million in the quarter on asset management, primarily the refurbishment at the Fairview home, operated by our tenant Welford.
- We invested £56 million by way of a loan, in a portfolio of six care homes operated by Welford during the quarter, funded by the drawdown of £44.8 million under our existing revolving credit facilities, with the balance via the issue of shares at the then latest published NAV at the time of the transaction of 116.62 pence per share, with 9,603,841 shares being issued taking our total outstanding shares to 414,368,169. We have a further 12 care homes operated by Holmes that were invested in December 2021 and continue to be held through an investment by way of a loan of £37.5 million.
 - The combined independent value of these portfolios is £93.3 million, £57.2 million for the new portfolio with Welford and £36.1 million for the portfolio with Holmes.

- Once CQC regulatory approvals are received, the Group has the option to acquire the entire issued share capital of the company which owns the properties from the operator, which also has the option to sell the entire issued share capital of the company to Impact in order to repay the loan.

DIVIDEND DECLARATION AND TOTAL ACCOUNTING RETURN

- The Board has today declared the Company's first interim dividend for the year ended 31 December 2023 of 1.6925 pence per ordinary share, payable on 19 May 2023 to shareholders on the register on 5 May 2023. The ex-dividend date will be 4 May 2023. This dividend will be paid as a Property Income Distribution ("PID").
- This is in line with the previously announced annual dividend target of 6.77 pence per share for the year ending 31 December 2023⁽³⁾, a 3.5% increase over the 6.54 pence paid per ordinary share in dividends for the year ended 31 December 2022.
- The unaudited NAV total return for the period was 3.69%, comprising the dividend paid in the period of 1.635 pence per share and a 2.43 pence per share increase in NAV.

PORTFOLIO UPDATE

- At 31 March 2023, the Investment portfolio⁽¹⁾ comprised 140 healthcare properties⁽⁴⁾, of which 138 are care homes managed by 13 tenants⁽⁵⁾ either by way of a loan with an option to purchase and lease on our standard terms (18 homes), or on fixed-term leases of 20 to 35 years (no break clauses), subject to annual upward-only Retail Price Index-linked rent reviews (with a floor and cap at 2% p.a. and 4% p.a., respectively on 111 leases, and 1% p.a. and 5% p.a. on nine). In addition, the Group owns two healthcare facilities leased to the NHS with an annual CPI uplift. In total, the Group had 14 tenants⁽⁵⁾ across its Investment portfolio.
- Rent cover across our Investment portfolio⁽¹⁾ remains strong at 1.8x⁽²⁾ in line with last year. Tenants' detailed operational performance reporting for the quarter to March will be received in May 2023.
- Occupancy continued to improve to 87.6% at 31 March 2023, up one percentage point on 31 December 2022 (86.6%).
- Contracted rent grew 11% to £47.9 million⁽⁶⁾ at 31 March 2023 (31 December 2022: £43.1 million) with the investment in six care homes in the quarter and the increase of £0.8 million from 72 rent reviews.
- Weighted average unexpired lease term across the Property portfolio⁽¹⁾ of 19.5 years as at 31 March 2023 (31 December 2022: 19.7 years).
- The Group charges rent quarterly or monthly in advance and has received 98% (£9.6 million) of rent payments due for the quarter to 31 March 2023. This includes £0.2 million utilised from rent deposits and a further £0.2 million remains unpaid, as disclosed in the Annual Results on 28 March 2023. The unpaid rent is from a single tenant and the Investment Manager remains in active discussions with this tenant.

FINANCING

- The Group's gross loan to value ("LTV") ratio was 28.3% as at 31 March 2023 (31 December 2022: 23.9%) following the drawdown of £45 million under its existing revolving credit facilities to part fund investment in six care homes for £56 million. The Group's EPRA LTV was 27.6% (31 December 2022: 22.6%).
- The Group also purchased a further £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 drawn debt. The current average cost of drawn debt, including hedging and fixed rate borrowings, is 4.3%.

Notes:

- (1) "Property portfolio" reflects the directly owned portfolio owned by way of a freehold or long leasehold interest. "Investment portfolio" is the Property portfolio and properties held by way of loans.
- (2) Rent cover is our tenants' EBITDARM for the 12 months to 31 December 2022 divided by 12 months' rent for the same period. It excludes "turnaround" and "immature" homes. Immature homes being defined as homes that are newly opened or are undergoing major capital improvement requiring partial closure. The rent cover calculation excludes eight properties that are defined as turnaround or immature.
- (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.
- (4) Includes exchanged and under construction assets.

- (5) Belmont, Careport, Carlton Hall, Electus Healthcare, Holmes Care, Maria Mallaband Countrywide Group, Minster and Croftwood (both subsidiaries of Minster Care Group), NHS Cumbria, Optima, Prestige, Renaissance, Silverline and Welford.
- (6) Contracted rent includes rent due, or passing rent, alongside; future committed rent from contracted capital projects and forward funded developments, rent associated with deferred payments, contractually exchanged property acquisitions and post tax interest income from investment in properties by way of a loan.

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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 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 target total dividend for the year ending 31 December 2023 is 6.77 pence per share⁽³⁾, a 3.53% increase over the 6.54 pence in dividends paid or declared per ordinary share for the year ended 31 December 2022.

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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