

Dividend Declaration And Third Quarter Update

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Impact Healthcare REIT PLC
20 October 2023

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20 October 2023

Impact Healthcare REIT plc

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

Dividend Declaration and Third Quarter Update to 30 September 2023

NAV growth from rent reviews and recent acquisitions with stable rental yields and rent cover

HIGHLIGHTS

- 1.3% increase in NAV per share to 115.08 pence and 1.2% increase in EPRA NTA per share to 114.38 pence
- 6.91% EPRA "topped up" Net Initial Yield, broadly flat from 6.95% in June 2023
- 1.3% like-for-like increase in Property portfolio valuation to £646.2 million
- 4.69% average increase in rent from 12 rent reviews
- Contracted annual rent of £48.4 million
- 88.2% bed occupancy was stable for the period, and up over a percentage point on December 2022
- 1.8x annual adjusted rent cover⁽¹⁾ to 30 June 2023 that grew during the third quarter of 2023 underlining the resilience of tenants
- Collection of 99% of rent due for the 9 months to September 2023 with zero voids
- 21.0 years weighted unexpired lease term
- 27.0% gross loan to value (28.5% in June 2023), EPRA net LTV of 27.7% (27.6% in June 2023)
- Group has currently hedged the interest rates on 98% (£175 million) of drawn debt, with current average cost of drawn debt, including hedging and fixed rate borrowings, of 4.47%
- Dividend declared of 1.6925 pence per share, in line with our target dividend of 6.77 pence for the year to 31 December 2023⁽²⁾
- 2.75% unaudited NAV total return for the period

NET ASSET VALUE / EPRA NTA

- Unaudited net asset value ("**NAV**") as at 30 September 2023 was £476.8 million, 115.08 pence per share. This represents an increase of £5.9 million (1.44 pence per share), against the 30 June 2023 NAV of £470.9 million,

113.64 pence per share.

- The Investment portfolio has been independently valued by the Group's external valuer Cushman & Wakefield. The Group's EPRA "topped up" Net Initial Yield at 30 September 2023 is 6.91% (30 June 2023: 6.95%) a marginal improvement in the period reflecting strong rent cover.

<i>Pence per share</i>	EPRA NTA	NAV
Unaudited value per share as at 30 June 2023	113.08	113.64
Revaluation gains/(losses) on investment properties	1.30	1.30
Purchase of interest rate cap	(0.42)	-
Revaluation gain/(losses) on interest rate caps	-	(0.28)
Net remaining contribution to reserves	2.11	2.11
Quarterly dividend for the period to 30 June 2023	(1.69)	(1.69)
Unaudited value per share as at 30 September 2023	114.38	115.08
Percentage change in quarter	1.1%	1.3%

- The NAV attributable to the ordinary shares of the Company is calculated under IFRS, incorporating the independent portfolio valuation.

Summary balance sheet (unaudited)

	Sep-23	Jun-23	Mar-23	Dec-22
	£'m	£'m	£'m	£'m
Property portfolio*	646.2	638.2	542.1	532.5
Property Investments via loans	-	-	93.3	36.3
Cash	7.4	22.1	18.8	22.5
Net assets/(liabilities)	1.9	1.4	(0.3)	(3.2)
Bank loans	(178.8)	(190.8)	(187.3)	(142.3)
Net assets	476.8	470.9	466.6	445.9
<i>NAV per share (pence)</i>	<i>115.08</i>	<i>113.64</i>	<i>112.60</i>	<i>110.17</i>
<i>EPRA NTA per share (pence)</i>	<i>114.38</i>	<i>113.08</i>	<i>112.24</i>	<i>110.08</i>
<i>Gross LTV</i>	<i>27.0%</i>	<i>28.5%</i>	<i>28.3%</i>	<i>23.9%</i>
<i>EPRA Net LTV</i>	<i>27.7%</i>	<i>27.6%</i>	<i>22.6%</i>	<i>21.9%</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 was independently valued at £646.2 million (30 June 2023: £638.2 million). This represents a 1.3% or £8.1 million increase in value.
 - This like-for-like movement in value was in part driven by the increased rent from the 12 rent reviews completed in the quarter at an average uplift of 4.69% per annum in line with the rental increase cap on these leases, contributing an extra £0.3 million to contracted rent.
 - The EPRA 'topped up' net initial yield improved by 4 basis points to 6.91% as at 30 September 2023 (30 June 2023: 6.95%), reflecting improvements in the valuation on a sub set of the portfolio with consistently strong rent cover.
 - The Group invested £0.6 million in the quarter on asset management, primarily the refurbishments at the Fairview and Mavern homes, operated by our tenant Welford.

DIVIDEND DECLARATION AND TOTAL ACCOUNTING RETURN

- The Board has today declared the Company's third interim dividend for the year ended 31 December 2023 of 1.6925 pence per ordinary share, payable on 24 November 2023 to shareholders on the register on 3 November 2023. The ex-dividend date will be 2 November 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⁽²⁾, 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 2.75%, comprising the dividend paid in the period of 1.6925 pence per share and a 1.44 pence per share increase in NAV.

PORTFOLIO UPDATE

- At 30 September 2023, the Investment portfolio comprised 140 healthcare properties⁽³⁾, of which 138 are care homes managed by 14 tenants⁽⁴⁾ 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 117 leases, and 1% p.a. and 5% p.a. respectively on 21 leases). In addition, the Group owns two healthcare facilities leased to the NHS with an annual CPI uplift. In total, the Group had 14 tenants⁽⁴⁾ across its Investment portfolio.
- Rent cover across our Investment portfolio remains strong at 1.8x⁽¹⁾ for the 12 months to 30 June 2023. Tenants' detailed operational performance reporting for the full quarter to September will be received at the end of October 2023. Based on reporting from the tenants who report monthly (as opposed to quarterly), which covers over 80% of the Group's portfolio, we expect rent cover for the third quarter to improve on the first half of the year.
- Occupancy was stable at 88.2% at 30 September 2023, in line with occupancy at 30 June 2023 (88.2%).
- Contracted rent grew marginally to £48.4 million⁽⁵⁾ at 30 September 2023 (30 June 2023: £48.1 million) reflecting the increase from 12 rent reviews in the period.
- Weighted average unexpired lease term across the Property portfolio of 21.0 years as at 30 September 2023 (30 June 2023: 21.2 years).
- The Group has varied the leases on seven homes previously leased to Silverline and now being turned around by Melrose⁽⁴⁾. During the turnaround period no rent is due on those homes. On the remainder of its portfolio the Group charges rent quarterly or monthly in advance and has received 100% (£11.5 million) of rent payments due for the quarter to 30 September 2023. We have zero voids.

FINANCING

- The Group's gross loan to value ("LTV") ratio was 27.0% as at 30 September 2023 (30 June 2023: 28.5%). The Group's EPRA LTV was 27.7% (30 June 2023: 27.6%).
- The Group purchased a further £50 million interest rate cap in the quarter at a cost of £1.76 million, which caps SONIA at 4.0% for two years. The Group has now hedged the interest rates on 98% (£175 million) of drawn debt. The current average cost of drawn debt, including hedging and fixed rate borrowings, is 4.47%.

Notes:

- (1) Rent cover is our tenants' EBITDARM for the 12 months to 30 June 2023 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 undergoing major capital improvement requiring partial closure. The rent cover calculation excludes eight properties that are defined as turnaround or immature.
- (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.
- (3) Includes exchanged and under construction assets.
- (4) Belmont, Careport, Carlton Hall, Electus Healthcare, Holmes Care, Maria Mallaband Countrywide Group, Minster, Croftwood and Melrose (Minster and Croftwood are subsidiaries of Minster Care Group and Melrose is an affiliate), NHS Cumbria, Optima, Prestige, Renaissance and Welford.
- (5) 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 213800AX3FHJM4IJ53.

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

NOTES:

Impact Healthcare REIT plc is a specialist and responsible owner of care homes and other healthcare properties across the UK. Elderly care is an essential service and demand for it is high and continues to grow as the UK's population gets older. We work with our tenants so we can grow together and help them care for more people, while continuing to improve our homes for their residents.

We take a long-term view and look to generate secure and growing income. This has allowed us to provide our shareholders with attractive and rising dividends and the potential for capital growth.

The target total dividend for the year ending 31 December 2023 is 6.77 pence per share⁽²⁾, a 3.53% increase over the 6.54 pence in dividends 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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