

## UPDATE, DIVIDEND DECLARATION AND DIVIDEND TARGET

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Impact Healthcare REIT PLC  
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30 January 2024

### Impact Healthcare REIT plc

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

#### 2023 UPDATE, DIVIDEND DECLARATION AND 2024 DIVIDEND TARGET

#### HIGHLIGHTS

**Our tenants continue to improve their performance with higher care home occupancy and increased fees to residents as inflation peaked in the year. Our rent increases are largely capped at 4%, so this helps tenants' rent cover, and makes our income more secure. Boosted by an acquisition, our total rent roll grew strongly and this has flowed through to both earnings and dividend growth.**

- **13.2% increase in contracted rent** to £48.8 million for the 2023 year (+£5.7 million). Rental growth was driven by inflation-linked rent reviews (capped at 4%) plus a significant acquisition.
- **2.2x tenant rent cover<sup>(1)</sup> in Q3, up from 1.9x in the same quarter the previous year.** This is the strongest quarterly tenant performance since the Company's inception in 2017.
- **20.8 years weighted average unexpired lease, up from 19.7 years the previous year.**
- **Delivered a 3.5% increase in dividends per share in 2023 with a Q4 dividend of 1.6925 pence in line with our target of 6.77 pence per share for the year to 31 December 2023.**
- **2.7% increase in dividend target to 6.95p for the 2024 year<sup>(3)</sup>.**

#### PORTFOLIO TRADING UPDATE

- Stronger tenant rent cover is driven by several factors: improving room occupancy; growth in average weekly fees charged by tenants; and rent increases largely being capped at 4%.
- The Group has received 100% of rent payments due (excluding the ex-Silverline homes) for the quarter to 31 December 2023 <sup>(4)</sup>.
- Tenants maintained their profit recovery in Q4 and, based on the 88% of the Company's portfolio<sup>(2)</sup> that has reported so far, we estimate that the full year 2023 rent cover rose to 2.0x<sup>(1)</sup>, up 0.2x compared to the full year 2022 of 1.8x.
- Occupancy at 31 December 2023 was 88.2%, up from 87.4% at 31 December 2022.
- The average weekly fees the Group's tenants charge for the care they provide grew by c.12%<sup>(2)</sup> in the 12 months

to 31 December 2023.

- The £5.7 million growth in contracted rent was due to;
  - £3.9 million from the acquisition of a portfolio of six homes near Shrewsbury leased to Welford, in January 2023.
  - £1.6 million from 119 rent reviews in the year at an average increase of 4.1%.
  - £0.3 million from rentalised capital expenditure with the largest projects being at Mavern and Yew Tree.
  - Less £0.2 million from the disposal of one home.
- The former Silverline portfolio of seven homes continues to show improved performance under the management of Melrose, an affiliate of the Minster Group
  - Melrose has undertaken a significant amount of work in a relatively short space of time including: measures to stabilise staff teams and to reduce use of agency staff; settling outstanding invoices with suppliers; renegotiating utility contracts; and focusing on improving processes and the care environment for both staff and residents.
  - The portfolio of four homes in Scotland has an average occupancy of 88% and is now cashflow positive. Negotiations are well advanced to transfer these homes back to rent generating operational leases.
  - The portfolio of three homes in Bradford is expected to be cashflow positive by the end of first quarter of 2024 with discussions underway on a new management proposal.
- At 31 December 2023, our portfolio comprised 140 healthcare properties<sup>(5)</sup>, of which:
  - 138 are care homes managed by 13 tenants<sup>(6)</sup> on fixed-term leases with an average WAULT of 20.8 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. on 21 leases).
  - In addition, the Group owns two healthcare facilities leased to the NHS with an annual CPI uplift (uncapped).
  - In total, the Group had 14 tenants<sup>(6)</sup> across its Portfolio.

## FINANCING

- As at 31 December 2023 the Group's drawn debt was £184.8 million:
  - 95% hedged through a combination of fixed debt (£75 million at 3.0%) and SONIA interest rate caps (£50 million at 3% and £50 million at 4%).
  - EPRA LTV of 27.7% based on 30 September 2023 balance sheet information.
  - The current average cost of drawn debt, including hedging and fixed rate borrowings, is 4.56%.

## DIVIDEND DECLARATION AND 2024 DIVIDEND TARGET

- The Board has today declared the Company's fourth interim dividend for the year ended 31 December 2023 of 1.6925 pence per ordinary share, payable on 23<sup>rd</sup> February 2024 to shareholders on the register on 9<sup>th</sup> February 2024. The ex-dividend date will be 8<sup>th</sup> February 2024. This dividend will be paid as a Property Income Distribution ("PID").
  - This is consistent with the prior three quarters dividends and delivers on the Company's annual dividend target of 6.77 pence per share for the year ended 31 December 2023. This is in line with the Company's dividend policy, which seeks to maintain a progressive dividend that is covered by its adjusted earnings.
- The target dividend for the year to 31 December 2024 is 6.95 pence per share<sup>(3)</sup>, a 0.18 pence increase from the prior period.
- The Company expects to report its full accounts for the year to 31 December 2023, which will include an updated valuation of the portfolio, in late March 2024.

Notes:

- (1) Rent cover is our tenants' EBITDARM for either the quarter or the 12 months divided by the 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) Tenant reporting is due within six weeks following the quarter end, at the date of preparing this announcement 88% of the operator reporting (as a percentage of the Group's contracted income) had been received for the period to 31 December 2023.
- (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) Upon transferring the operations of the seven homes previously leased to Silverline the lease existing lease was temporarily amended to replace the fixed rent with a variable rent, payable once the loan facility to Melrose has been repaid.
- (5) Includes under construction assets.
- (6) Belmont, Careport, Carlton Hall, Electus Healthcare, Holmes Care, Maria Mallaband Countrywide Group, Minster and Croftwood (both subsidiaries of Minster Care Group), Melrose (an affiliate of Minster Care Group), NHS Cumbria, Optima, Prestige, Renaissance and Welford.

**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 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's dividend policy is to maintain a progressive dividend that is covered by adjusted earnings.

On this basis, the target total dividend for the year ending 31 December 2024 is 6.95 pence per share<sup>(3)</sup>, a 0.18 pence increase over the 6.77 pence in dividends paid or declared per ordinary share for the year ended 31 December

2023.

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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