

First Quarter Update To 31 March 2024

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Impact Healthcare REIT PLC
22 May 2024

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22 May 2024

Impact Healthcare REIT plc

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

First Quarter Update to 31 March 2024

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

Rent reviews in the quarter, all inflation-linked, raised rents by 4% for those properties. Tenant performance continued to improve driven by continued stable bed occupancy and rising fees. This enabled tenant rental cover to improve to 2.0x (annual adjusted), the highest since IPO in 2017. The dividend was paid in the quarter in line with our annual target, leaving the NAV per share up by 1.7%

HIGHLIGHTS

- 1.7% increase in NAV per share to 117.31 pence and 1.7% increase in EPRA NTA per share to 116.92 pence
- 6.94% EPRA "topped up" Net Initial Yield, marginally up from 6.92% in December 2023
- 1.5% like-for-like increase in Property portfolio valuation to £660.8 million
- Contracted annual passing rent⁽⁵⁾ at 31 March 2024 of £50.1 million, reflecting the 4% increase from 66 rent reviews in the period and progression of pipeline capex projects
- 88.3% bed occupancy was stable for the quarter (31 December 2023: 88.2%), and up over half a percentage point on March 2023
- 2.0x annual adjusted rent cover⁽¹⁾ to 31 March 2024, the Group's highest annual rent cover since the Company's inception in 2017
- Dividend of 1.7375 pence per share, paid in line with our target dividend of 6.95 pence for the year to 31 December 2024⁽²⁾
- 3.14% unaudited accounting total return for the quarter

NET ASSET VALUE / EPRA NTA

- Unaudited net asset value ("**NAV**") as at 31 March 2024 was £486.1 million, 117.31 pence per share. This represents an increase of £8.0 million (1.93 pence per share), against the 31 December 2023 NAV of £478.1 million, 115.38 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 31 March 2024 is 6.94% (31 December 2023: 6.92%).

<i>Pence per share</i>	EPRA NTA	NAV
Unaudited value per share as at 31 December 2023	114.96	115.38
Revaluation gains/(losses) on investment properties	1.46	1.46
Revaluation gain/(losses) on interest rate caps	-	(0.03)
Net remaining contribution to reserves	2.19	2.19
Quarterly dividend for the period to 31 December 2023	(1.69)	(1.69)
Unaudited value per share as at 31 March 2024	116.92	117.31
Percentage change in quarter	1.7%	1.7%

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

Summary balance sheet (unaudited)

	Mar-24	Dec-23	Sep-23	Jun-23
	£'m	£'m	£'m	£'m
Property portfolio*	660.8	651.3	646.2	638.2
Cash	10.3	9.4	7.4	22.1
Net assets/(liabilities)	2.8	2.2	1.9	1.4
Bank loans	(187.8)	(184.8)	(178.8)	(190.8)
Net assets	486.1	478.1	476.8	470.9
<i>NAV per share (pence)</i>	<i>117.31</i>	<i>115.38</i>	<i>115.08</i>	<i>113.64</i>
<i>EPRA NTA per share (pence)</i>	<i>116.92</i>	<i>114.96</i>	<i>114.38</i>	<i>113.08</i>
<i>EPRA Net LTV</i>	<i>27.6%</i>	<i>27.9%</i>	<i>27.7%</i>	<i>27.6%</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 £660.8 million (31 December 2023: £651.3 million). This represents a 1.5% or £9.5 million increase in value.
 - This like-for-like movement in value was driven by the increased rent from the 66 rent reviews completed in the quarter at an average uplift of 4% per annum in line with the rental increase cap on 64 of these leases, contributing an extra £0.7 million to contracted rent.
 - The EPRA 'topped up' net initial yield showed marginal increase to 6.94% as at 31 March 2024 (31 December 2023: 6.92%) demonstrating the continued stability of the portfolio's yield.
 - The Group invested £1.5 million in the quarter on asset management, primarily the refurbishments on a handful of the seed portfolio assets and an ongoing project at Yew Tree, operated by our tenant Prestige, which is due to complete in the second quarter of 2024.

PORTFOLIO UPDATE

- At 31 March 2024, 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 at the period end, with We Care added as a new tenant earlier this month as set out below.

- Annualised rent cover across our Investment portfolio remains strong at 2.0x⁽¹⁾ for the 12 months to 31 March 2024, the Group's highest annual rent cover since the Company's inception in 2017.
- Occupancy was stable at 88.3% at 31 March 2024, in line with occupancy of 88.2% at 31 December 2023.
- Contracted rent⁵ grew to £50.1 million at 31 March 2024 (31 December 2023: £48.8 million) reflecting the increase from 66 rent reviews in the period and progression of pipeline capex projects.
- Weighted average unexpired lease term across the Property portfolio of 20.4 years as at 31 March 2024 (31 December 2023: 20.7 years).
- On 15 May 2024, the Group announced the transfer of the operations of three care homes in Bradford on long-term leases to a new tenant, We Care, an experienced operator with over 30 homes located throughout the North of England, with significant experience with turnaround homes, including in the Bradford submarket. It is anticipated that these Bradford care homes will resume paying rent in the first quarter of 2025. The four remaining homes, located in Scotland, that were transferred from Silverline continue to be operated by Melrose Holdings Limited, and the Investment Manager is making progress with its negotiations to transfer these four homes to a new operator on long-term leases.

FINANCING

- The Group's EPRA LTV was 27.6% as at 31 March 2024 (31 December 2023: 27.9%).
- The Group has two £50 million interest rate caps, on at 4% and the other at 3%, these expire in 2025. The Group has a further £75 million of fixed-rate debt with a blended rate of 2.97% and expiry in 2035. The Group has hedged the interest rates on 93% (£175 million) of drawn debt. The current average cost of drawn debt, including hedging and fixed rate borrowings, is 4.61%.

Notes:

- (1) Rent cover is our tenants' EBITDARM for the 12 months to 31 March 2024 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, rent contracted from properties currently amended to rent concessions (Silverline portfolio), future committed rent from contracted capital projects and forward funded developments, rent associated with deferred payments, contractually exchanged property acquisitions.

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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'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⁽²⁾, 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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