



Investing in care. Delivering returns.



Results for the year ended
30 June 2024

➤ Presentation Team



Kenneth MacKenzie
Chief Executive
Target Fund Managers



Gordon Bland
Finance Director
Target Fund Managers

➤ Agenda

Section		Page
1	Introduction	1
2	About Target Healthcare REIT	2
3	2024 Results – Financial performance	7
4	2024 Results – Portfolio performance	19
5	Care sector	26
6	Care property	29
7	Q & A	35

Target Healthcare REIT

Portfolio of scale with robust rental income stream



94 Care Homes | **6,331 Beds¹**



£59m Contracted rent



£909m Portfolio value | **6.20% EPRA Topped-Up NIY**



34 Tenants

Target Healthcare REIT

Differentiated by quality, modernity & ESG-compliance



99%
En suite
wet-rooms



99%
A & B EPC ratings
(100% A-C)



99%
Inflation-linked
rental uplifts¹



26.4 years
WAULT

Delivered returns

11.8%

Accounting total return 2024

Top performer in Index

#1/37 MSCI UK Annual
Healthcare Property Index 2023¹

+2%

Dividend growth resumed
July 2023 onwards



+3%

Dividend growth
July 2024 onwards

Significant disposals to improve portfolio metrics and recycle capital

**June 2024: 4 homes, £44.5 million proceeds;
Implied NIY 5.64%**

Pricing at premium to the carrying value as at 31 December 2023 (prior to the bid being received) and 31 March 2024

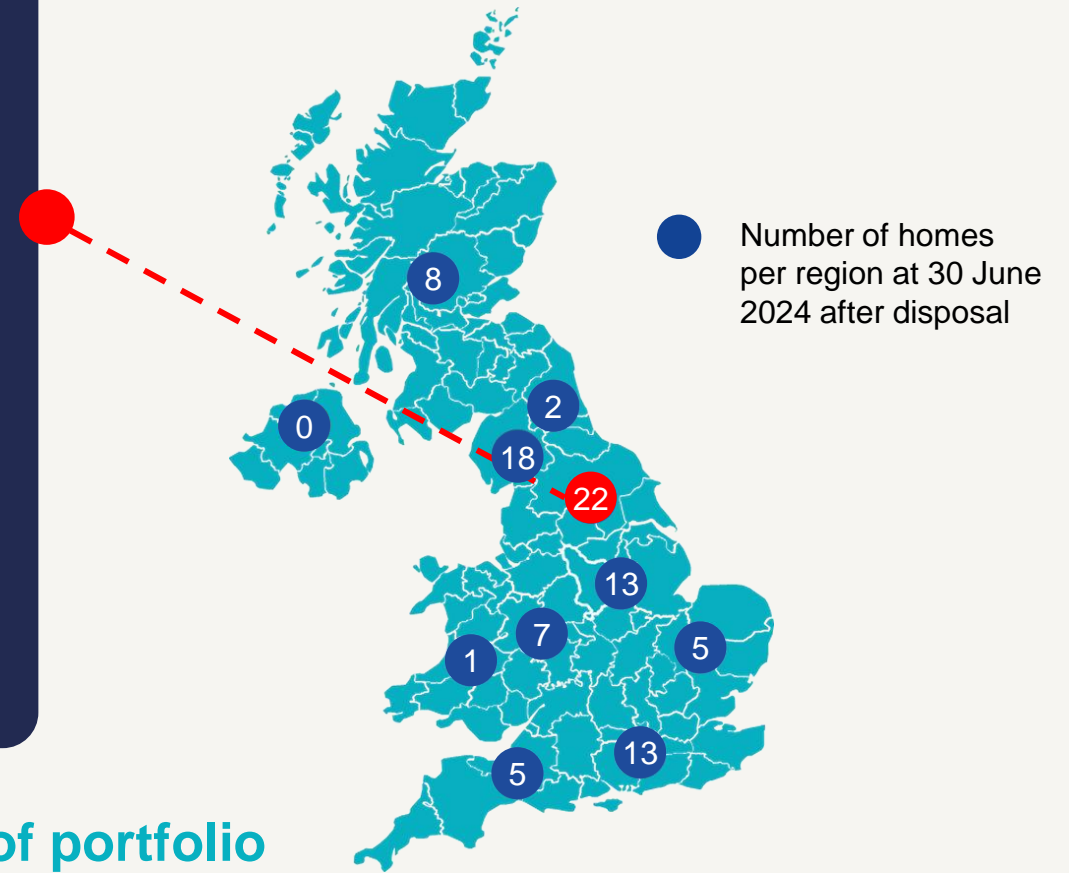
Sale of 4 homes improved portfolio metrics through assets being:

- Amongst oldest assets in portfolio
- Amongst least spacious - 12% lower gross internal floor space per resident than portfolio's weighted average
- Shortest lease lengths in portfolio
- Centred in highest concentration region

Proceeds used to fund developments and minimise drawn debt

Follows sale of five homes over last 18 months

THR Portfolio Geography



Demonstration of asset-specific demand – 8% of portfolio

Rating

Reflections on discount to NAV:

- Attractive growing dividend at current price - dividend yield of 7.3% based on the 5 August 2024 closing share price of 77.8 pence.
- 9 Asset disposals - £71m proceeds (8% of portfolio by value)
 - All above NAV
 - All above purchase price
- Dividend will grow with new debt costs even when hedging ends in 2025
 - 2% in 2023/24 and 3% in 2024/25
- Evident asset liquidity and available capital of £85m provides significant flexibility to consider capital options

Financial Performance



Financial highlights: Year to June 2024

EPRA NTA
per share

110.7p
+5.9%

Adjusted EPRA
EPS

6.13p
+2.2%

Dividend

5.712p

7.3% yield¹
107% cover

Accounting total
return

11.8%

- 6th consecutive quarter of NTA growth
- Certainty of rental income growth
- 2% dividend growth, compared to 6 months to June 2023

Earnings summary



£ million	2024	2023	Change (%)
Rental income (excluding guaranteed uplifts)	58.6	56.4	+4%
- Management fee	(7.5)	(7.4)	+1%
- Operating expenses	(3.1)	(3.0)	+1%
- Credit loss allowance/bad debts	(1.0)	(0.3)	-
Total expenditure	(11.6)	(10.7)	+8%
Net financing costs	(10.8)	(9.4)	+15%
Interest from development funding	1.8	0.9	-
ADJUSTED EPRA EARNINGS	38.0	37.2	+2%

- No gross to net adjustment; no Voids
- Investment Manager full service
- Efficient property company model

Highlights



	2024	2023	Change
Net rental income (£m)	58.6	56.4	+4%
Adjusted EPRA cost ratio (%)	19.1%	18.7%	+40bps
Weighted average cost of debt (%)	3.90%	3.70%	+20bps
Adjusted EPRA earnings (£m)	38.0	37.2	+2%
Adjusted EPRA EPS (p)	6.13	6.00	+2%
Dividend per share (p)	5.712	6.180	-7.6%
Dividend cover (%)	107%	97%	+10ppts

NRI: +4% from rent reviews & developments, despite effect of March & June 2023 disposals

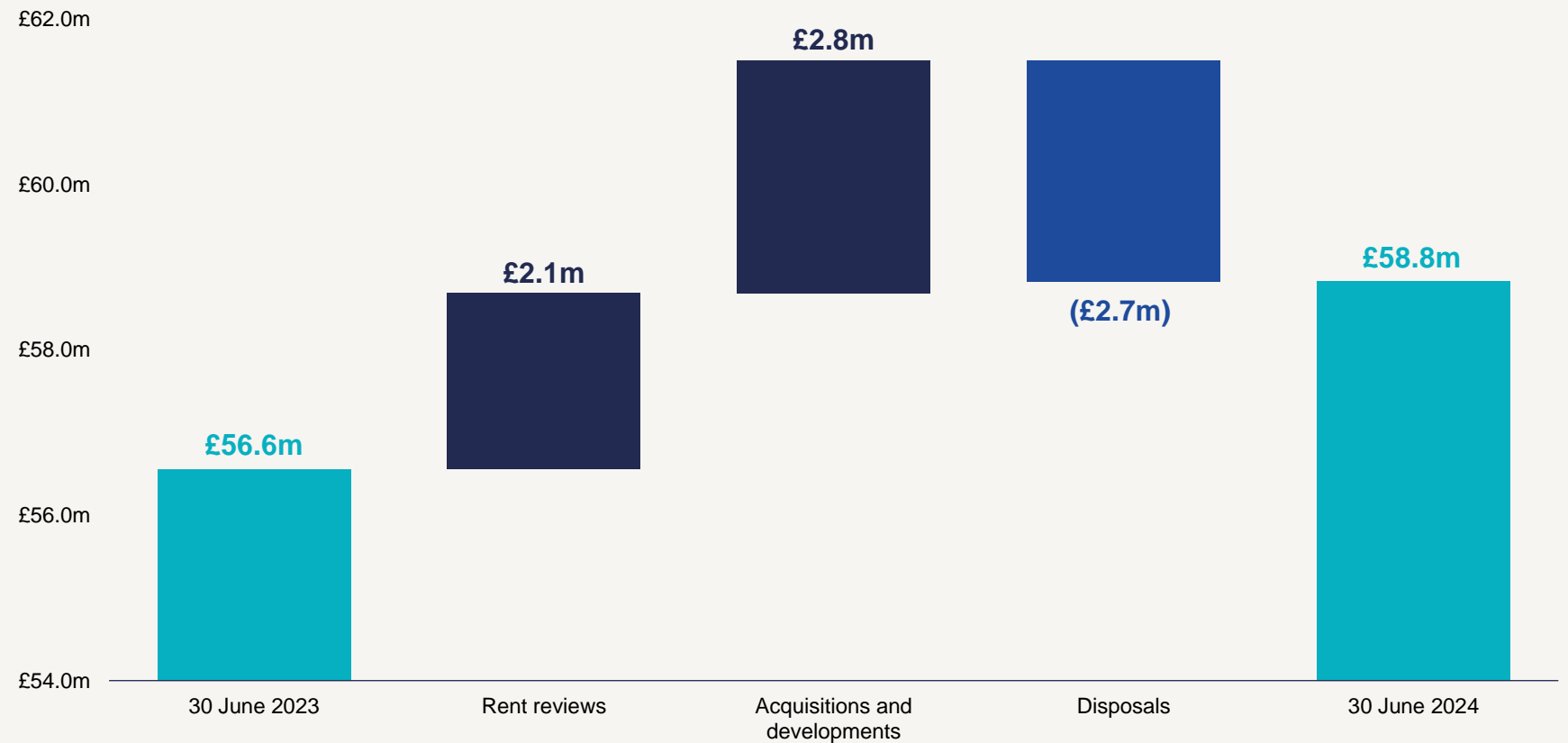
Cost ratio: Increase due to prior year credit loss benefitting from significant arrears collection. Ongoing operating costs stable at c.1% increase.

Dividend: Prior year had 2 quarters at higher level prior to change effective January 2023.

Growth in rent roll 2024 achieved



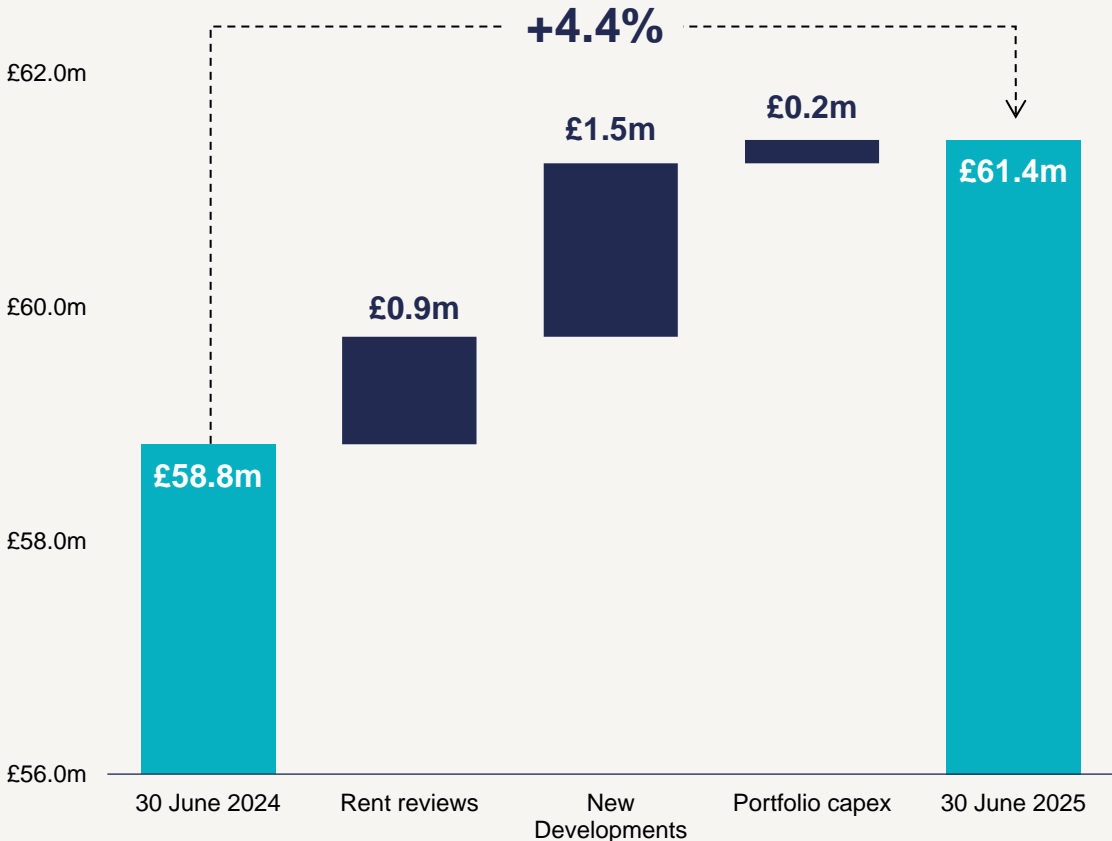
Movement in Contracted Rent (£ millions)



Growth in rent roll - 2025 Organic/committed

Pro-forma contracted rent from:

- On-site, committed activities
- Rent reviews
- Further improving portfolio quality/metrics with rentalisation
- Lower inflation assumed, rent uplifts at collar



Balance sheet



	2024	2023	Change (%)
Portfolio market value (per independent valuers)*	908.6	868.7	+5%
Cash	38.9	15.4	-
Working capital*	(17.9)	(6.2)	-
Debt	243.0	230.0	+6%
EPRA Net Tangible assets (NTA)	686.5	647.9	+6%
EPRA NTA per share (pence)	110.70	104.50	+6%

22.5%
Net LTV

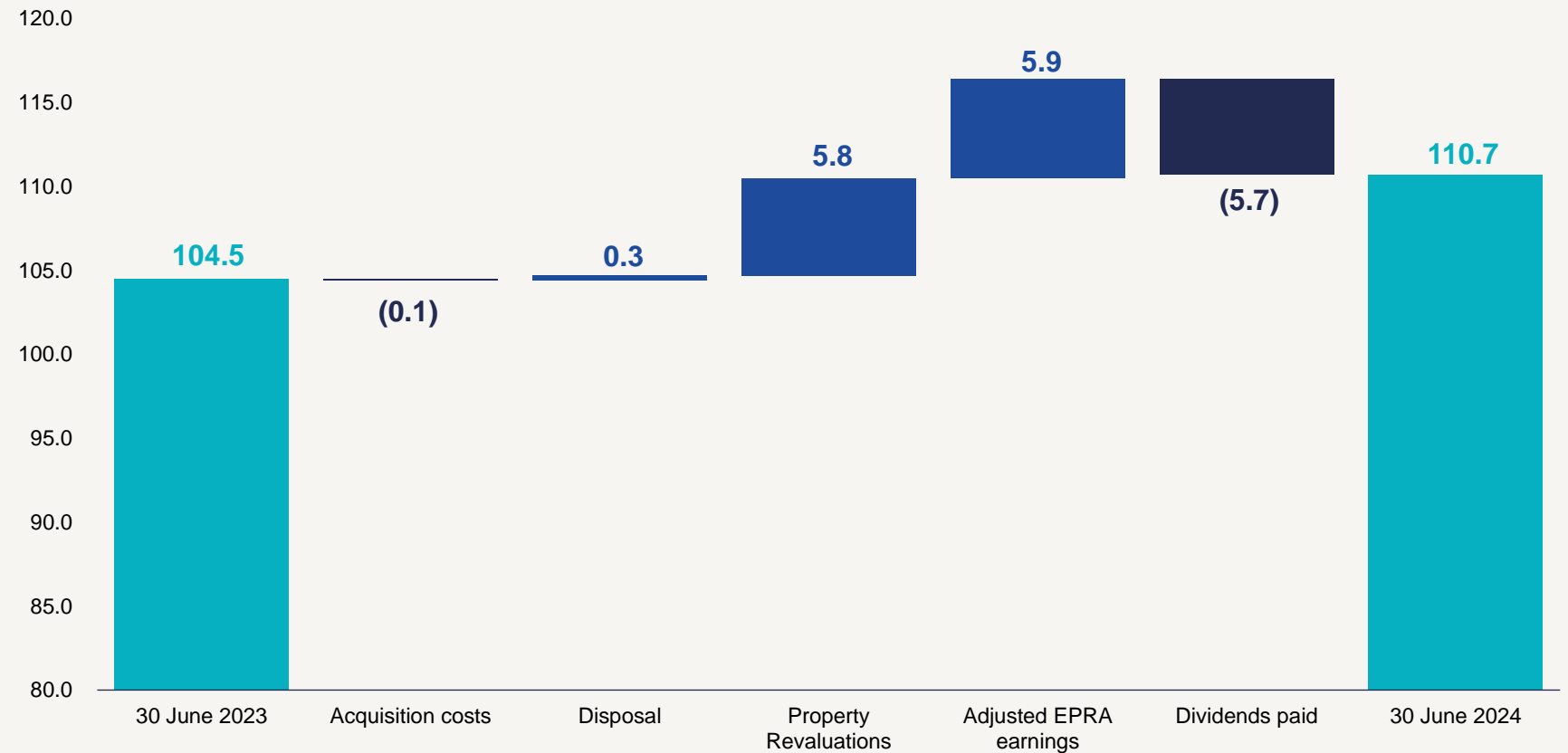
£77m
Available undrawn debt

5.2 years
Weighted average term
to expiry of debt

NTA bridge



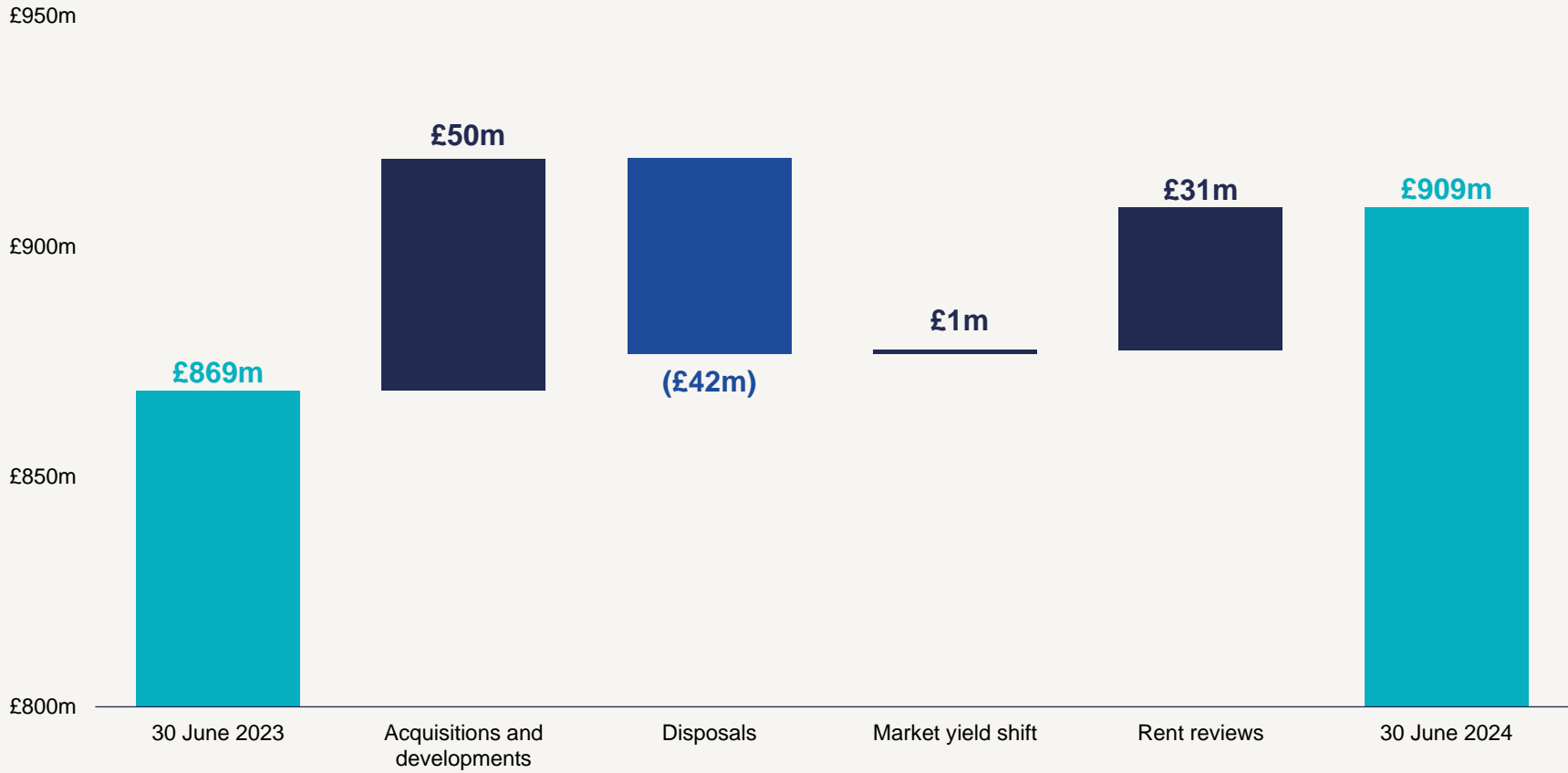
EPRA NTA per share (pence)



Portfolio value bridge

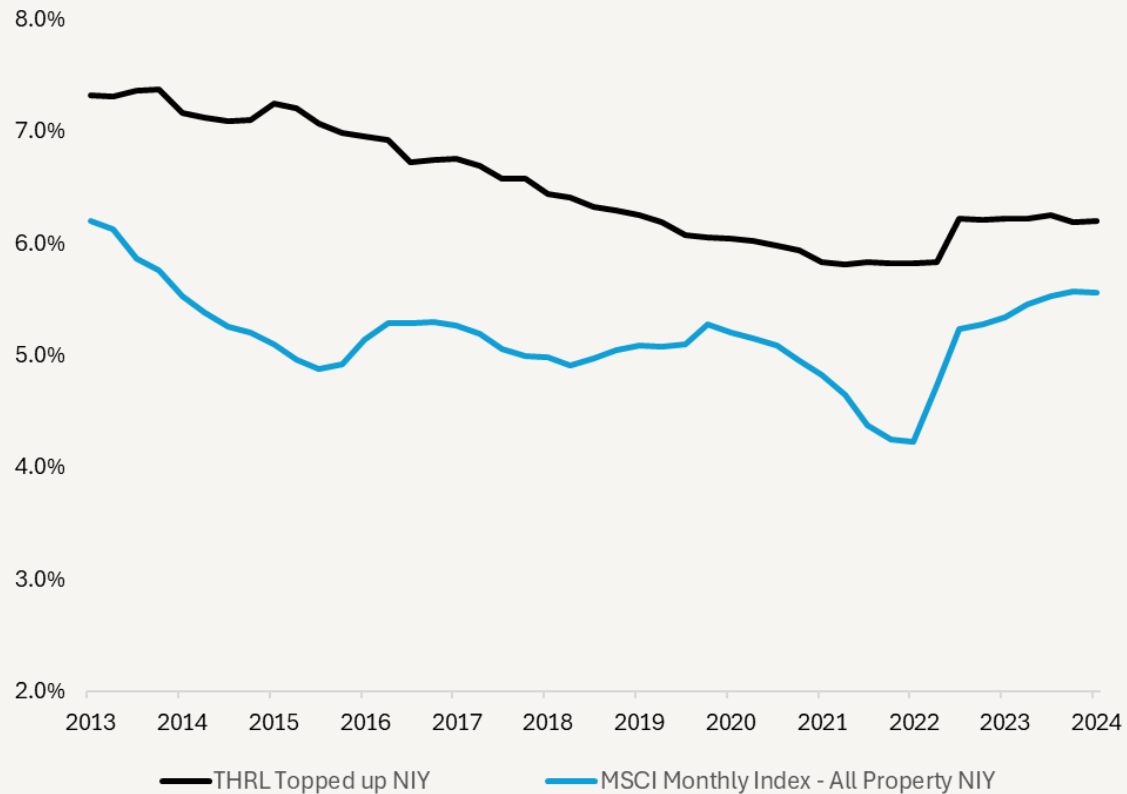


Valuation analysis (£ millions)

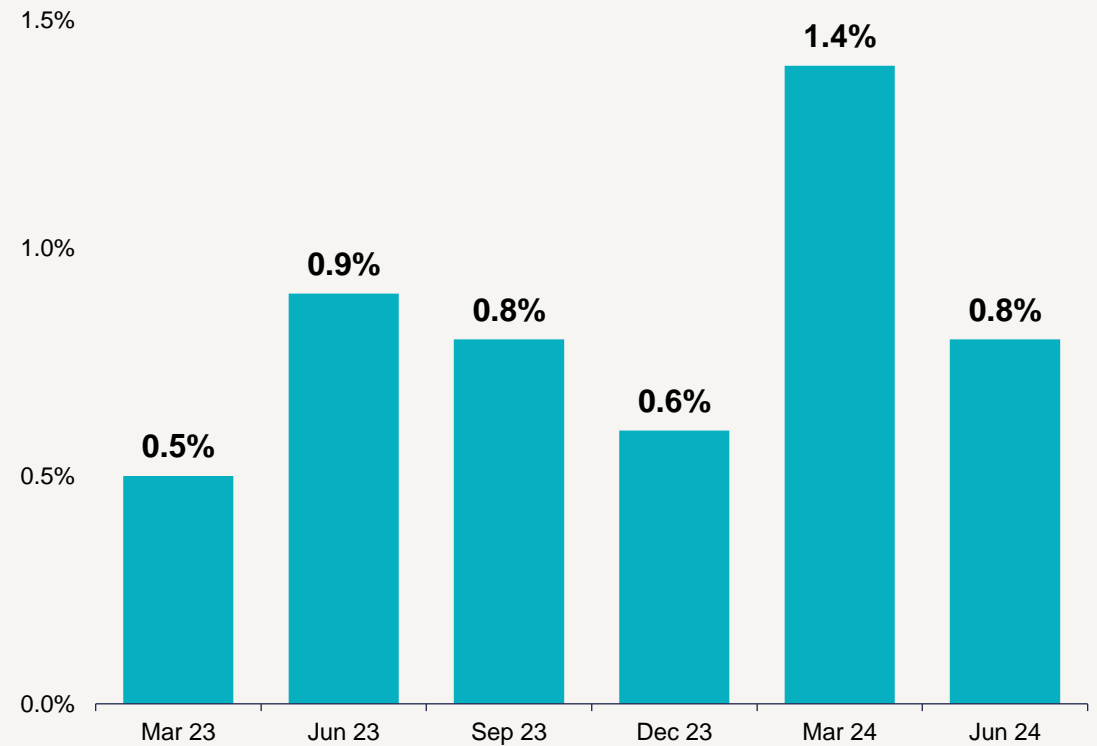


Valuation movement

THRL topped up NIY and MSCI monthly index – All Property NIY



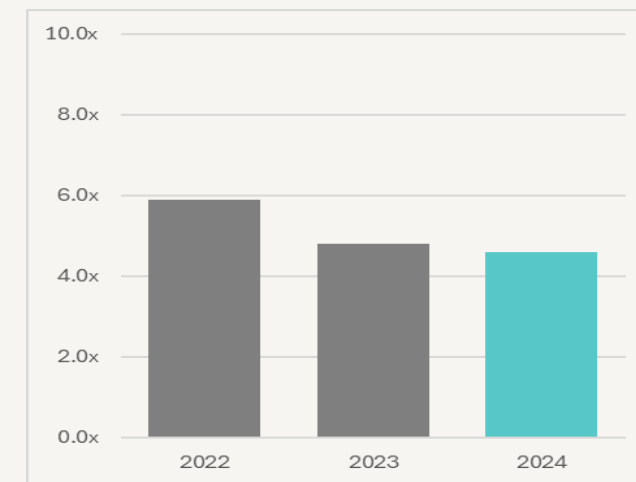
Like-for-like Valuation Growth by quarter



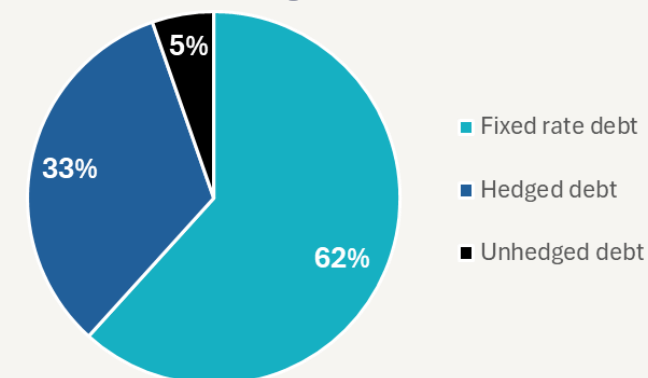
Debt summary

Debt Provider	Facility Size	Drawn at 30 June 2024	Hedging	Maturity
 Phoenix	£150m	£150m	£150m fixed rate	Jan-32: £87m Jan-37: £63m
 Royal Bank of Scotland	£70m	£43m	£30m hedged, £13m floating	Nov-25
 HSBC	£100m	£50m	£50m hedged	Nov-25
Total	£320m	£243m	£230m	

Net debt: EBITDA

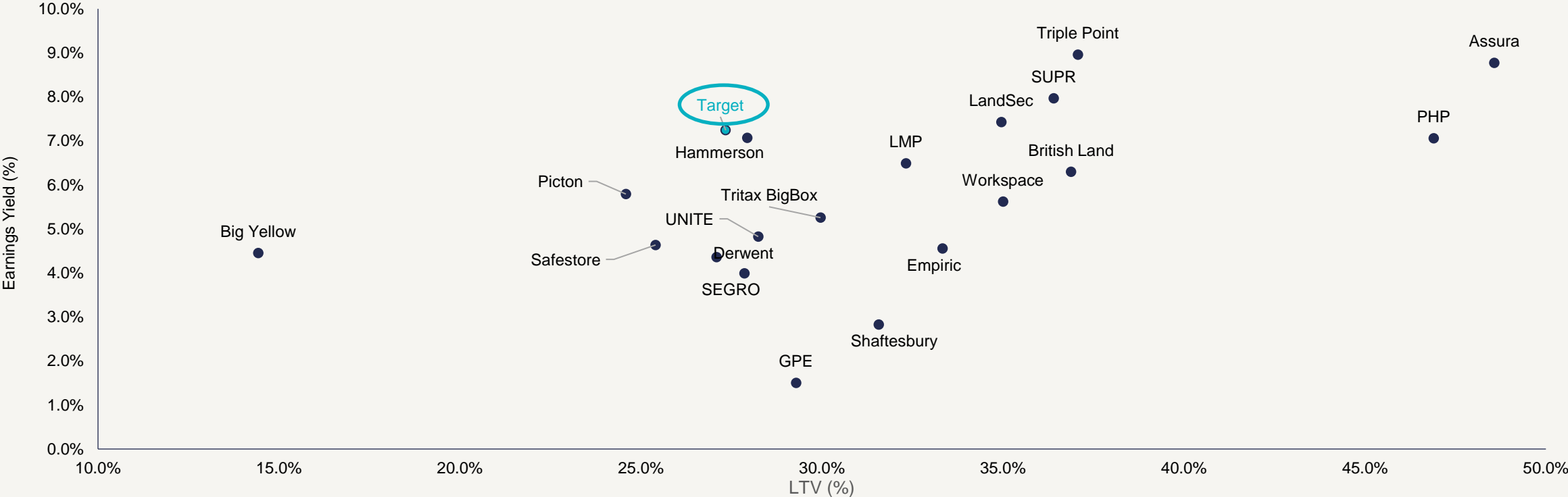


Interest costs well-hedged



LTV levels deliver attractive earnings

Earnings Yield v LTV. Source: Stifel research as at 6 September 2024



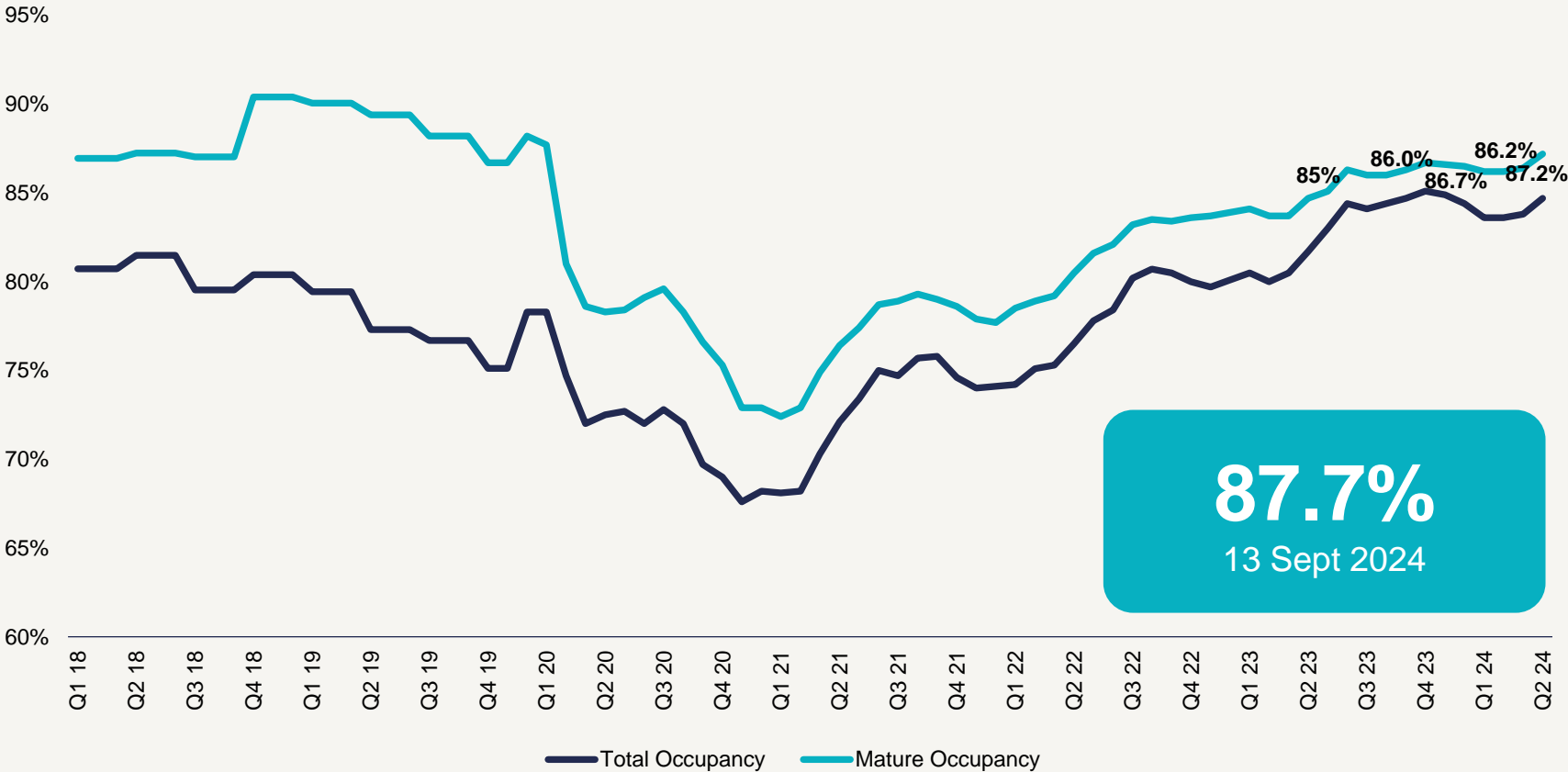
Portfolio performance



Resident occupancy



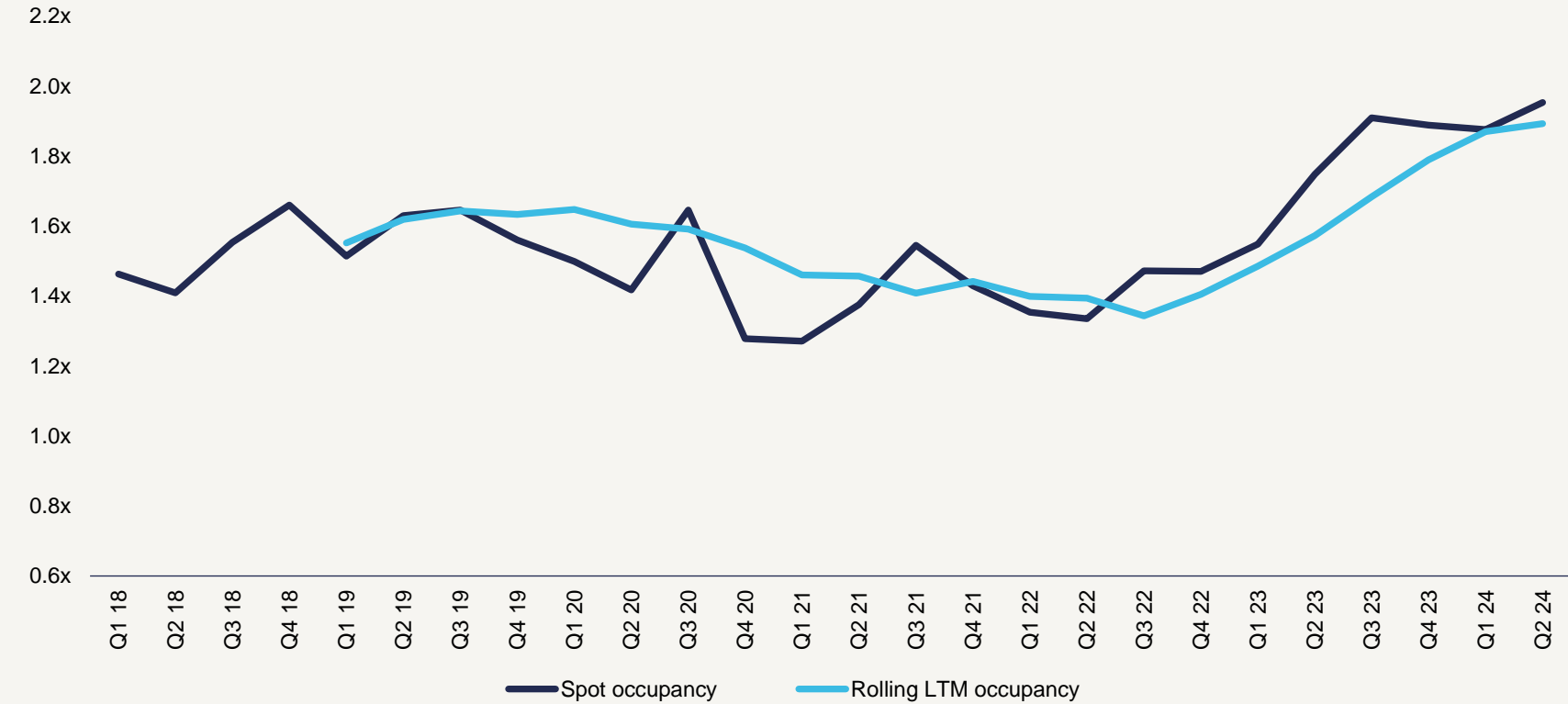
Mature* portfolio and full portfolio spot occupancies



Rent Cover



Mature portfolio quarterly rent cover – spot and last twelve months rolling



Portfolio insights - Operator

	2024	2023	2022	2021	2020
Average weekly fee Increase	+10%	+13%	+9%	+4%	+4%
Inflation Rate (RPI)	2.9%	10.7%	11.8%	3.9%	1.1%
Private pay %	74%	73%	67%	62%	66%
Staff costs as a % of total fees	53%	56%	58%	59%	57%
Agency costs as a % of staff costs	8%	15%	14%	6%	9%
Non-staff costs as a % of total fees	15%	16%	14%	12%	15%
Rent cover (last 12 months)	1.9x	1.6x	1.4x	1.5x	1.6x

Operator



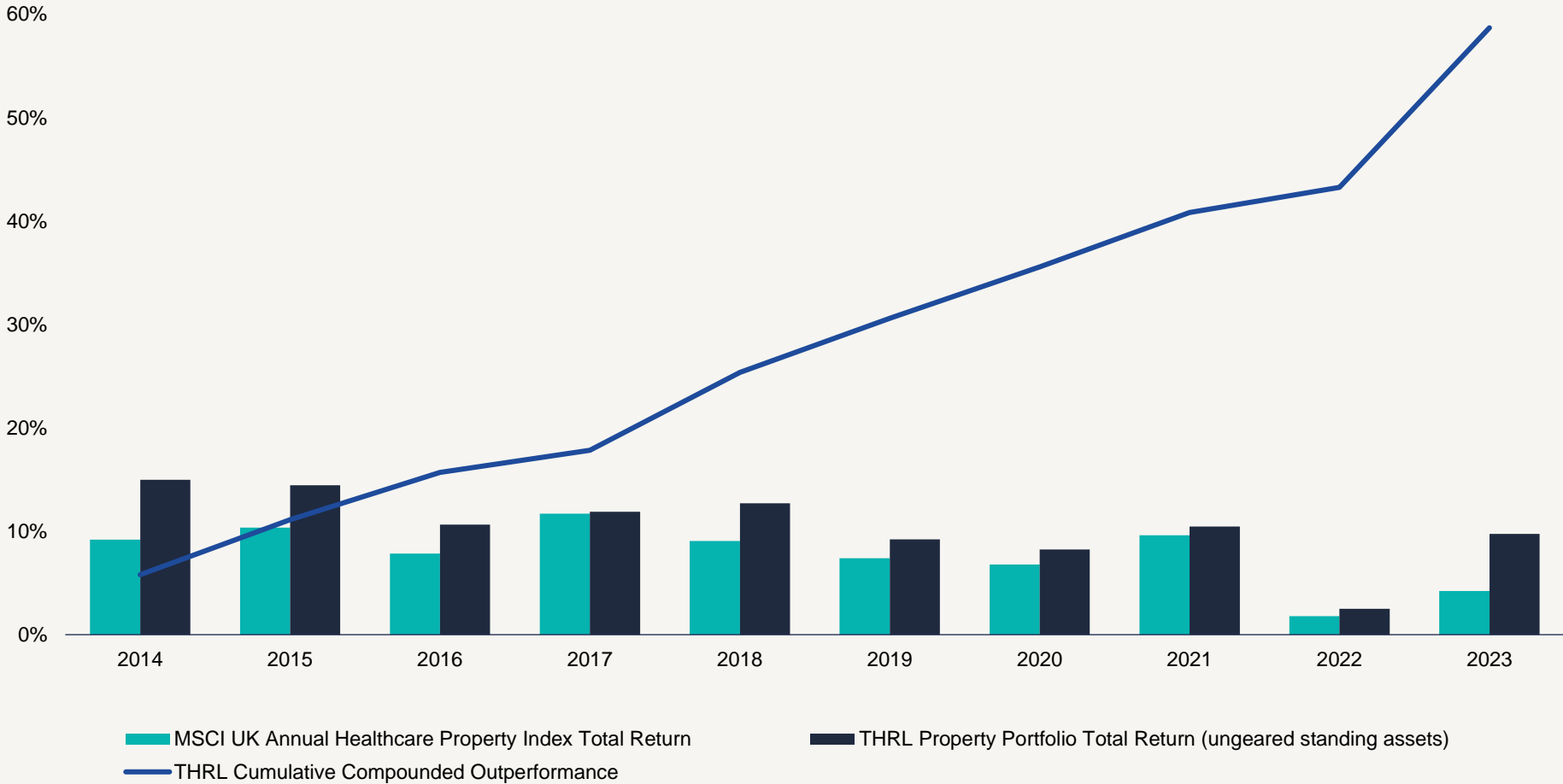
Portfolio insights - Group

	2024	2023	2022	2021	2020
Modernity (% of portfolio purpose build 2010 onwards)	84%	80%	79%	84%	83%
WAULT (years)	26.4	26.5	27.2	28.8	29.0
Mature homes %	90%	90%	84%	79%	73%
En-suite wet room%	99%	98%	96%	96%	95%

Group



Consistent index outperformance



#1/37
2023

#2/10
10 year

59%
Cumulative
compounded
outperformance

Developments



Olney (Milton Keynes)
– 66 beds

Complete Autumn 2024

Colwall (Malvern)
– 60 beds

Complete Autumn 2024

Care Sector



Health & social care – The Regulator CQC

- Dash review reported April 2024 – “Not fit for purpose”
- CQC CEO resigns
- Interim CEO acknowledges shortcomings
- CQC visits reduced from 1,000 to 200 per quarter in last 4 years. Target complete 200 visits per annum
- Target hosts roundtable on CQC
 - What is a good home?
 - Opportunity to establish appropriate standards (industry led and in writing)
 - CQC rarely considered physical building



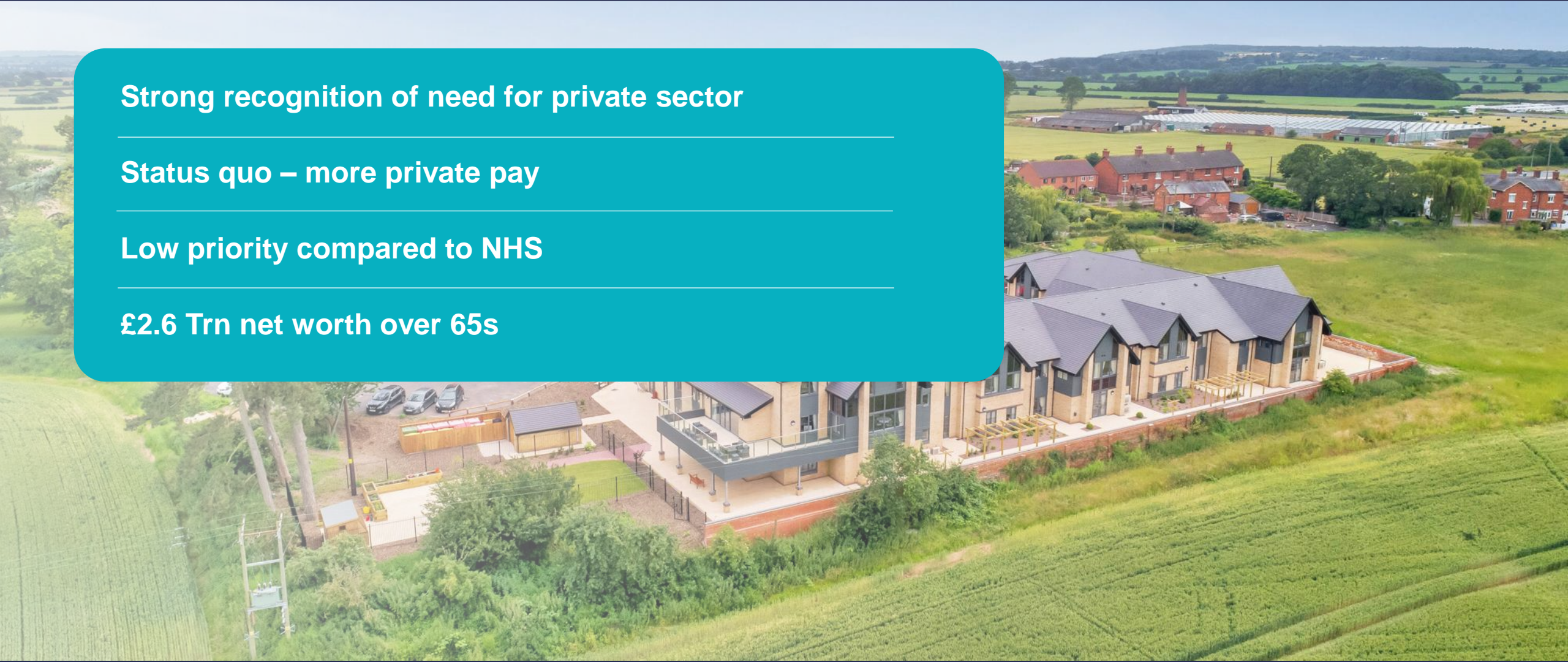
Care Sector – Government, NHS and Social care

Strong recognition of need for private sector

Status quo – more private pay

Low priority compared to NHS

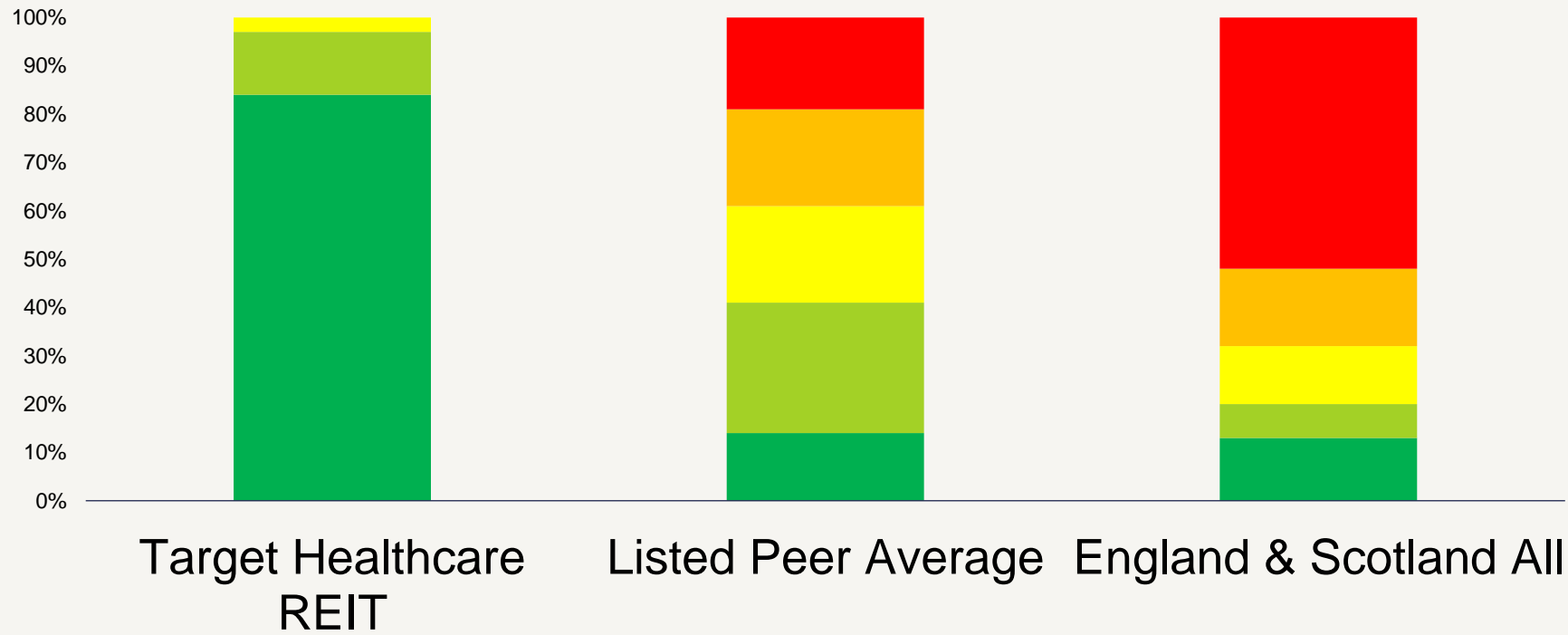
£2.6 Trn net worth over 65s



Property

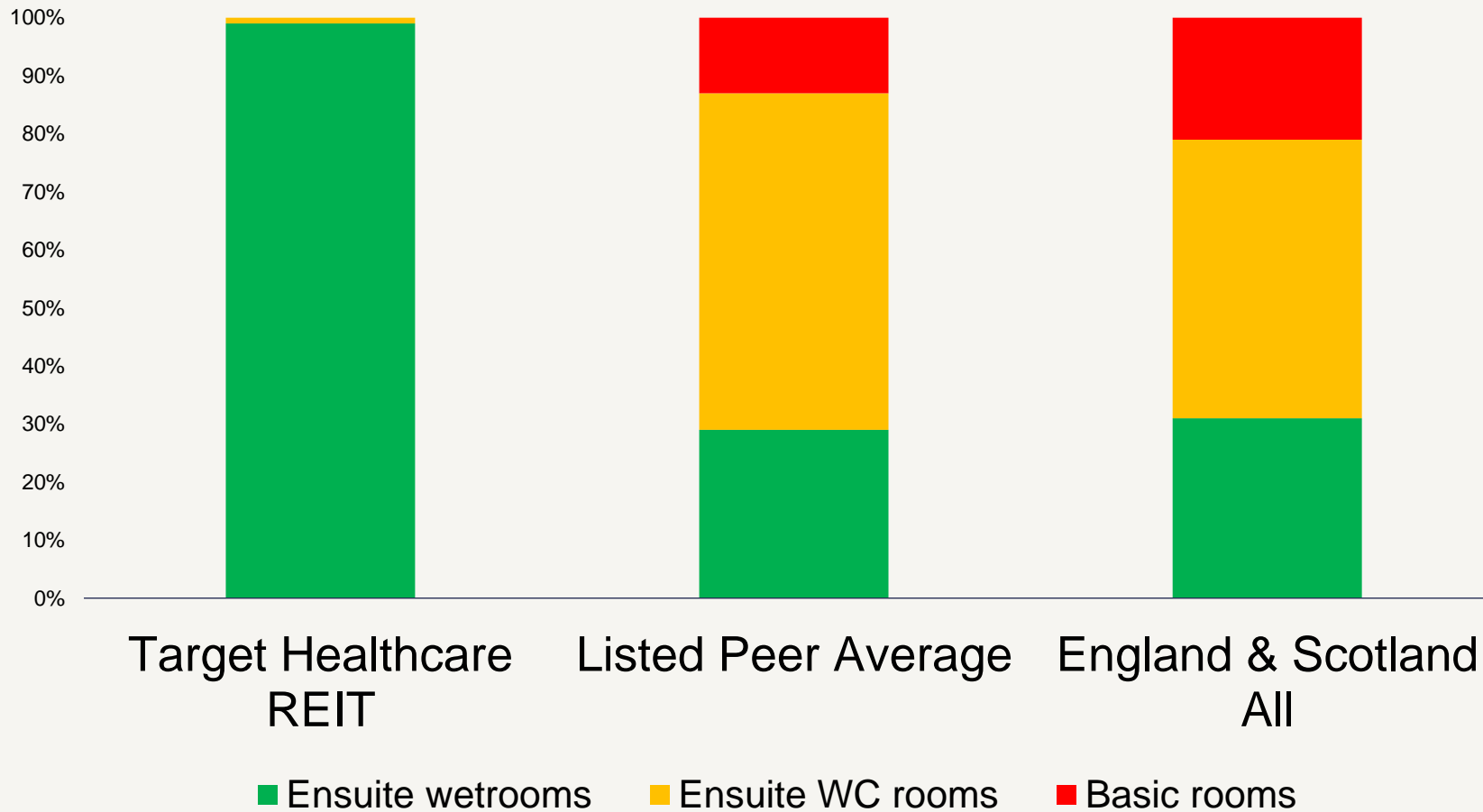


Supply and quality



- Conversion / Conversion plus Extension
- Purpose built 1990's
- Purpose built 2010's - present
- Purpose built pre-90's
- Purpose built 2000's

Supply and quality: social impact



Transaction volumes

Investment – transactions in period – last year prime only, this year sub-prime but at high NIY only

3.7%

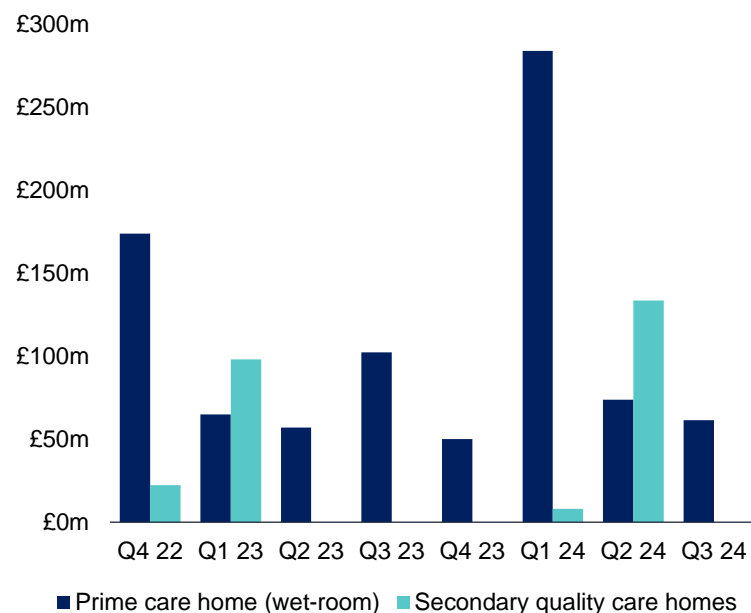
Like-for-like valuation movement

EPRA topped-up NIY

6.22%

Change: 42bps

Deal volumes (£m)



Prime

Steady flow of transactions

Generally institutional buyers

Competitive around 6% NIY

H2 2024 looks active again

Sub-Prime

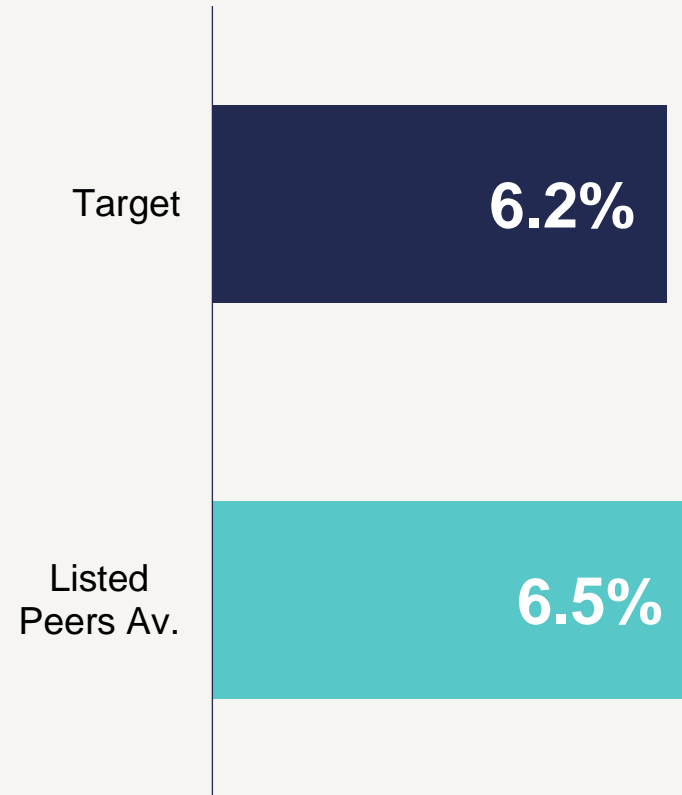
Limited volumes

Small number of buyers (often trade)

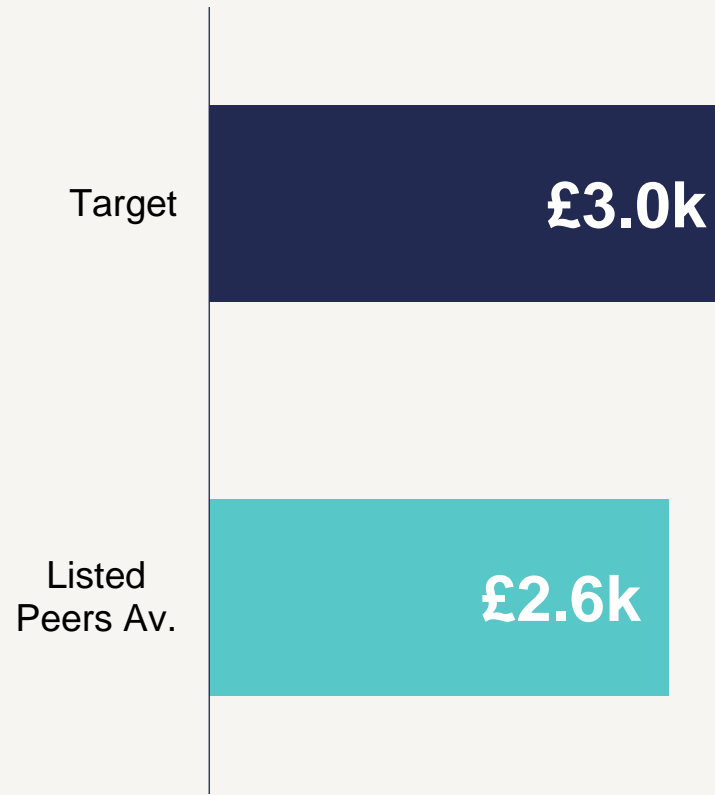
Institutional buyers on record as pricing at 10% NIY

Quality vs. Listed Peers: Financial metrics

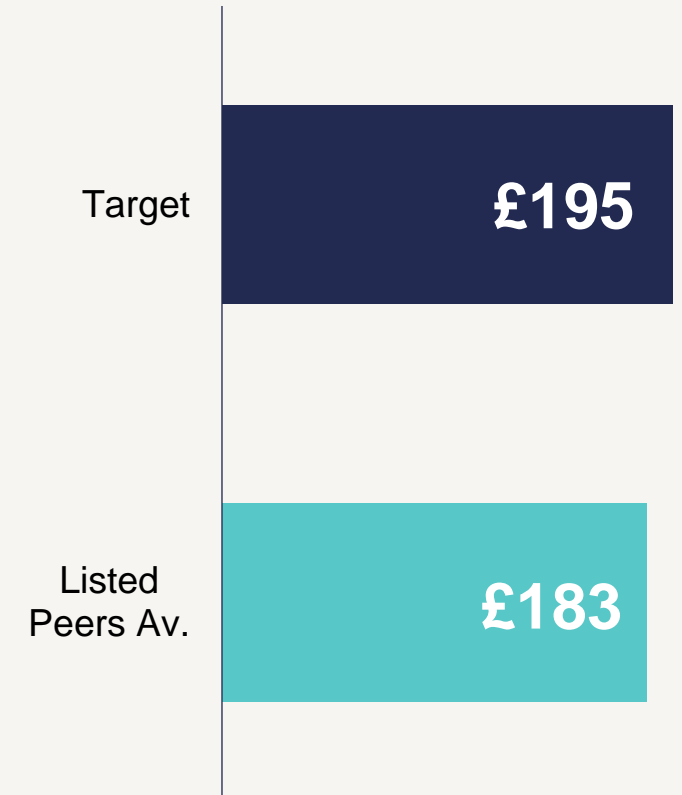
Portfolio NIY



Av. Value per m²

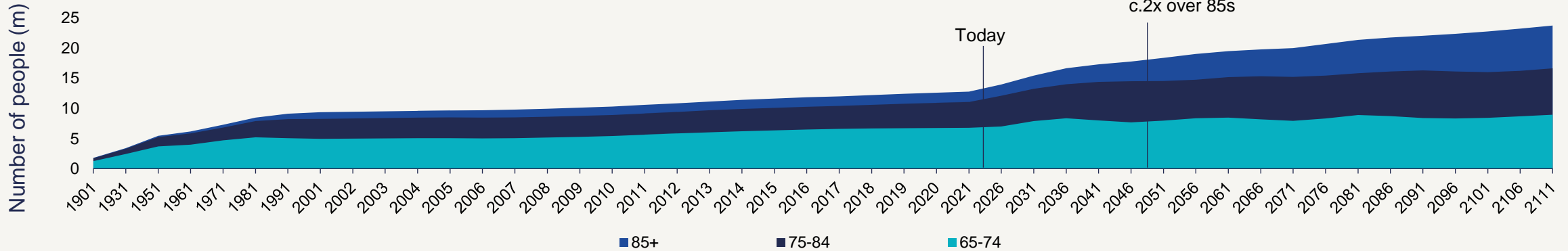


Av. Rent per m²



Target Healthcare REIT Market Trends

Trend - Demographics



Trend – Long-term investment



99% Inflation
linked rental uplifts¹



26.4 years
WAULT



Q & A

Important Information

For the purpose of this disclaimer, the “**Presentation**” shall mean and include these slides, all comments made by the presenter(s) of the slides and any question and answer session or discussion related to it.

The Presentation has been prepared solely for information purposes and as an aid for discussion. This Presentation does not constitute or form part of, and should not be construed as constituting or forming part of, any offer to sell or issue, any invitation to make any investment in, or any solicitation of any offer to purchase or subscribe for, any securities or other investments, nor shall any part of this presentation constitute a recommendation regarding any securities or other investments.

It is directed only at persons in the United Kingdom and should not be released, published or distributed in any jurisdiction in which doing so could be unlawful. Persons who are not resident in the United Kingdom should inform themselves about and observe the applicable legal and regulatory requirements of any relevant jurisdiction(s). If you are in any doubt as to your position, you should consult your professional adviser without delay.

Recipients should not construe the contents of the Presentation as legal, tax, investment or other advice.

All statements of opinion and/or beliefs contained in this document, and all views expressed and all projections and statements regarding future events, expectations or future performance or returns are based on information available at the date of the Presentation. As such, the information provided herein is subject to change. The value of investments may go up as well as down. Past performance is not a guide to future performance.

No representation or warranty, express or implied, is made as to, or assurance given that statements, beliefs, views, projections or forecasts in the Presentation are fair, accurate, complete or correct. The Presentation does not purport to be all-inclusive or to contain all of the information that the recipient may require in relation to any matter or decision. Recipients should conduct their own independent investigation and assessment as to the validity of the information contained in the Presentation and the economic, financial, regulatory, legal, investment and other implications of that information (or actions taken in light of it). Recipients must determine for themselves what reliance (if any) they should place on the statements, beliefs, views, projections or forecasts in the Presentation and no responsibility is accepted by Target Fund Managers Limited or Target Healthcare REIT plc in respect thereof. For the avoidance of doubt, any activity carried out based on information contained in this Presentation is carried out entirely at your own risk and neither Target Fund Managers Limited nor Target Healthcare REIT plc shall have any responsibility whatsoever for any loss, damage, costs or expenses incurred or suffered as a result.

To the fullest extent permitted by law Target Fund Managers Limited, Target Healthcare REIT plc and their respective directors, advisers or representatives shall not have any responsibility or liability whatsoever (for negligence or otherwise) for any loss howsoever arising from any use of this Presentation or its contents or otherwise arising in connection with this Presentation.

Target Fund Managers Limited (which is the alternative investment fund manager of Target Healthcare REIT plc) is authorised and regulated by the Financial Conduct Authority.