



Investing in care. Delivering returns.



Interim Results for the six
months ended

31 December 2023

➤ Presentation Team



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Target Fund Managers



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Target Fund Managers

➤ Agenda

Section		Page
1	Introduction & highlights	1
2	Portfolio performance	5
3	6 months financial results to 31 December 2023	12
4	Investment case	19
5	Market outlook	34
	Q and A	

At a Glance: Target Healthcare REIT Portfolio

Prime portfolio of modern, purpose-built homes with en suite wet-rooms as standard



98 Care Homes
6,460 Beds¹



£58m
Contracted Rent



99%
Inflation-linked rental uplifts



32
Tenants



£911m Portfolio Value
6.25% EPRA Topped-Up NIY



26.0 Years
WAULT

Financial highlights: 6 months to 31 December 2023

EPRA NTA per share

106.7p
+2.1%

- **4th consecutive quarter of NTA growth**

Financial highlights: 6 months to 31 December 2023

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106.7p
+2.1%

Adjusted EPRA
EPS

3.05p
+1.3%

- **4th consecutive quarter of NTA growth**
- **Certainty of rental income growth**



Financial highlights: 6 months to 31 December 2023

EPRA NTA per share

106.7p
+2.1%

Adjusted EPRA
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3.05p
+1.3%

Dividend

2.856p
7.1% yield¹
107% cover

- **4th consecutive quarter of NTA growth**
- **Certainty of rental income growth**
- **2% dividend growth, compared to 6 months to June 2023**

Portfolio Highlights: 6 months to 31 December 2023

- **99% rent collection**
- **1.9x rent cover**
- **Like-for-like rental growth 1.9%**
- **4th consecutive quarter of valuation growth (like-for-like 1.4%) - Portfolio valuation £911m (+4.9%)**
- **Top performer (#1) for total returns in index**
 - **UK Healthcare Annual Property Index, calendar year to 31 December 2023**

Portfolio performance

Portfolio Performance

6 months financial results to 31 December 2023

Investment Case

Market outlook



Portfolio total returns – consistent index outperformance

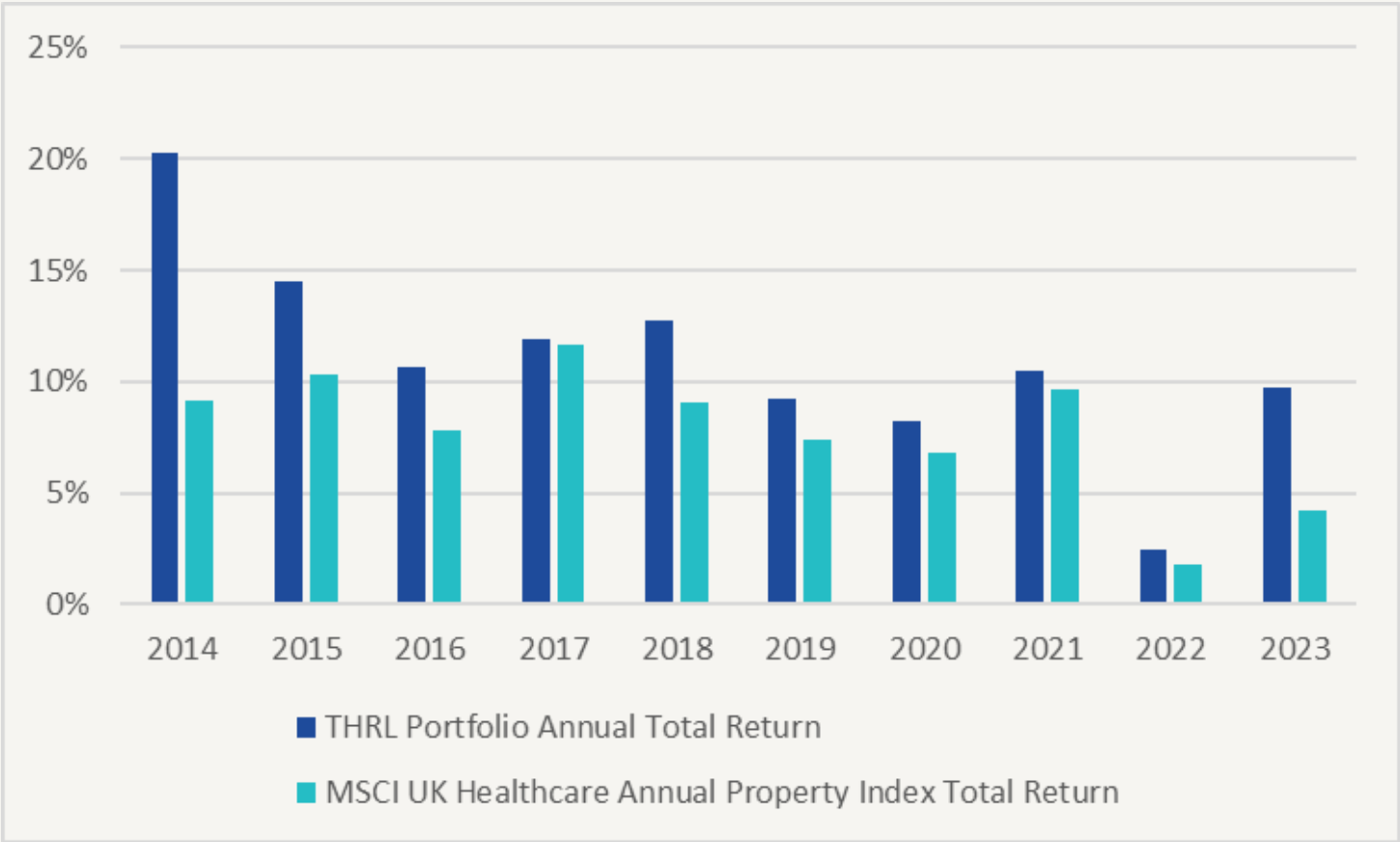
Portfolio Performance

6 months financial results to 31 December 2023

Investment Case

Market outlook

MSCI UK Healthcare Annual Property Index



Resident occupancy

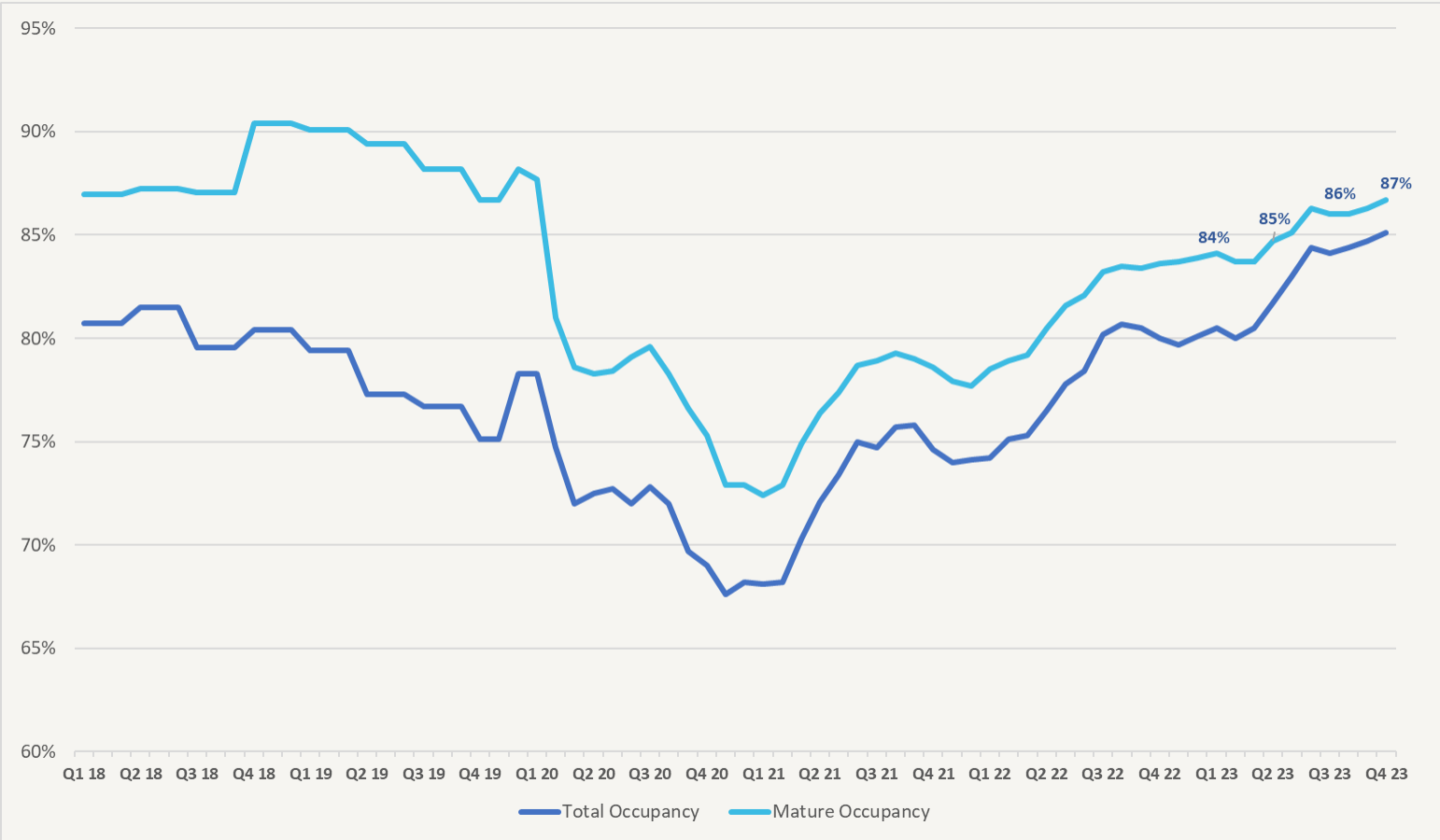
Portfolio Performance

6 months financial results to 31 December 2023

Investment Case

Market outlook

Mature* portfolio and full portfolio spot occupancies



*Mature homes being those which have traded for greater than 3 years

Rent Cover

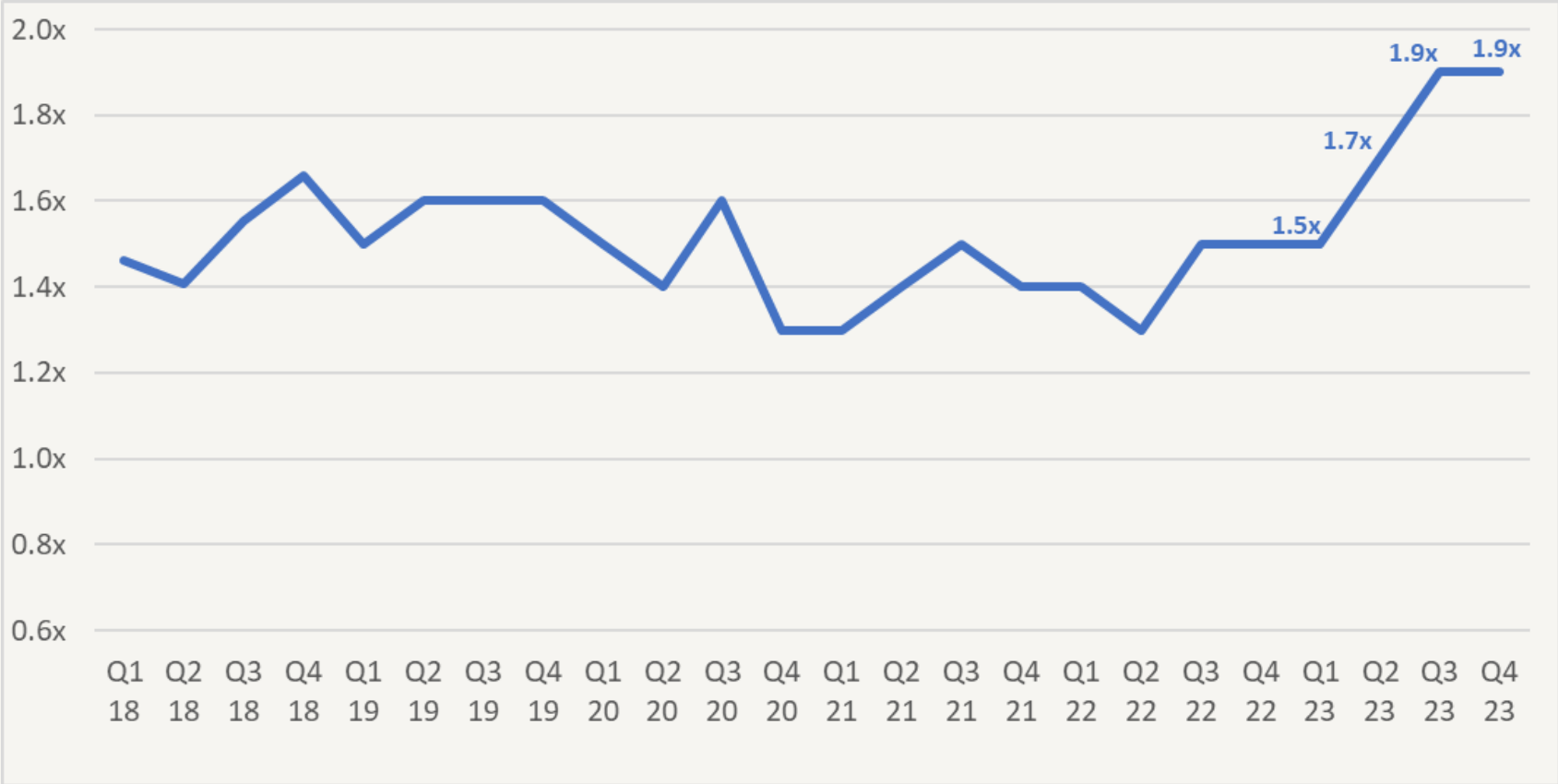
Portfolio Performance

6 months financial results to 31 December 2023

Investment Case

Market outlook

Mature portfolio quarterly rent cover – Spot



Rent Cover

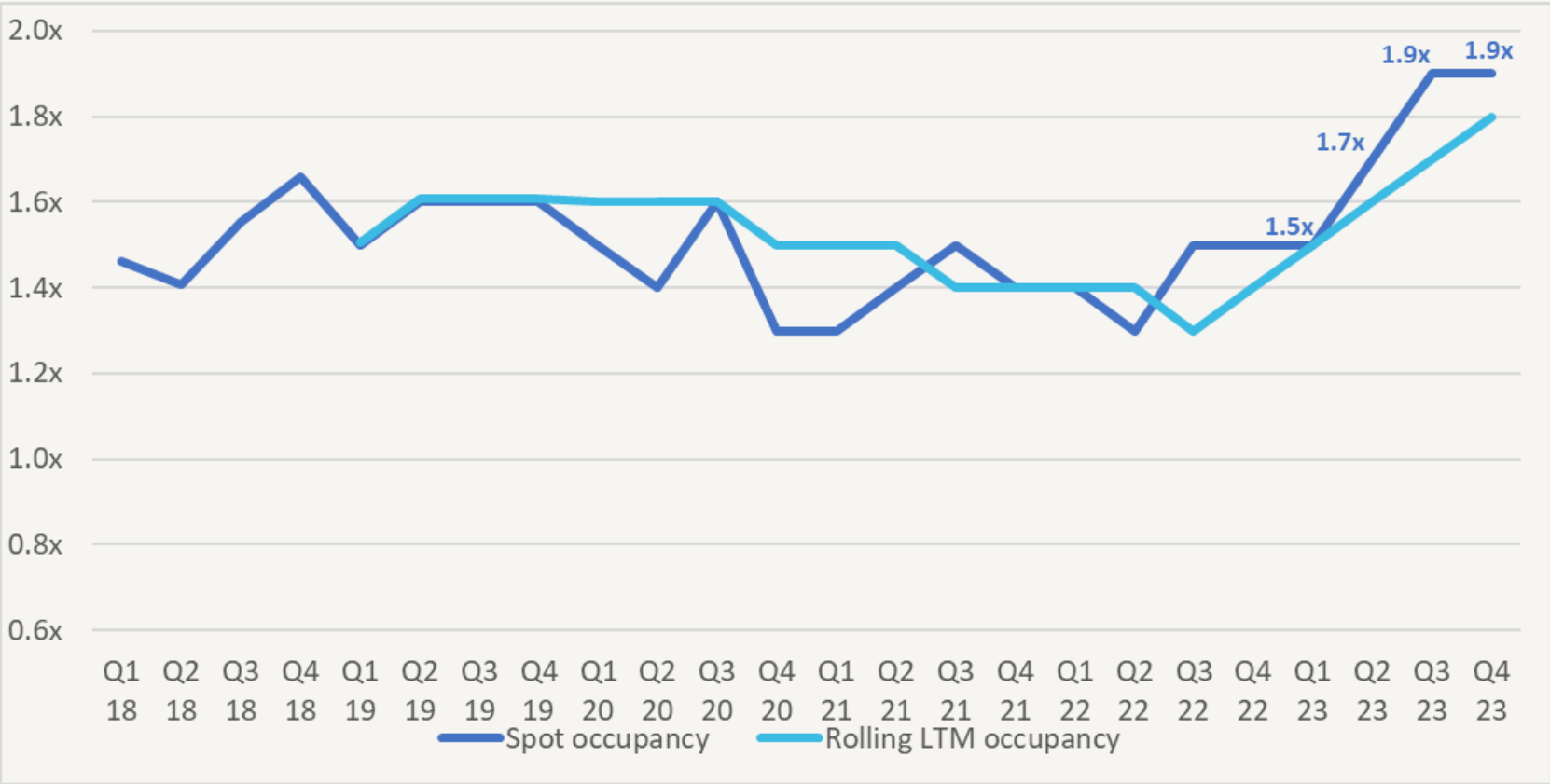
Portfolio Performance

6 months financial results to 31 December 2023

Investment Case

Market outlook

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



Rent Collection

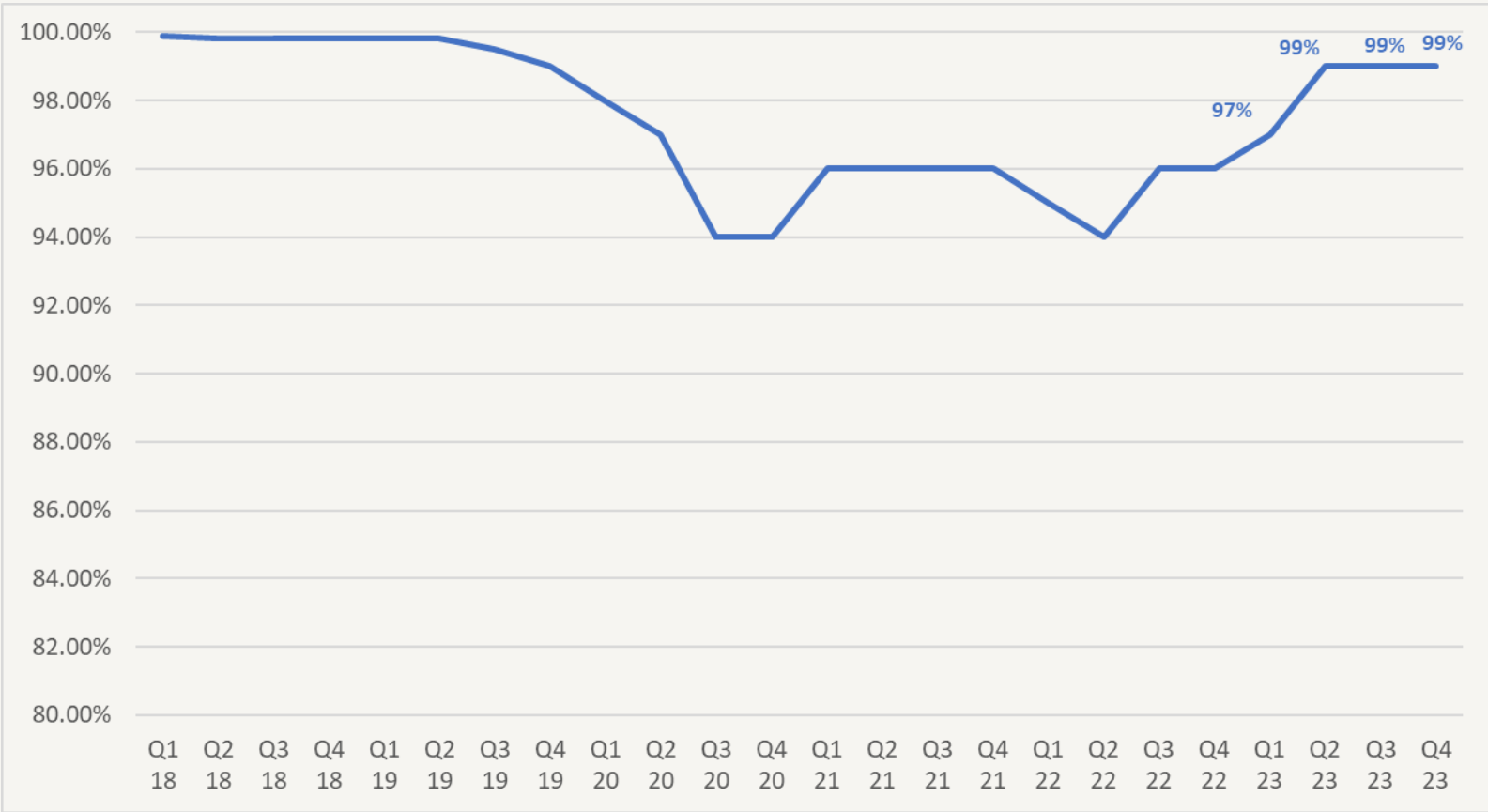
Portfolio Performance

6 months financial results to 31 December 2023

Investment Case

Market outlook

Full portfolio quarterly rent collection



Maturing Portfolio

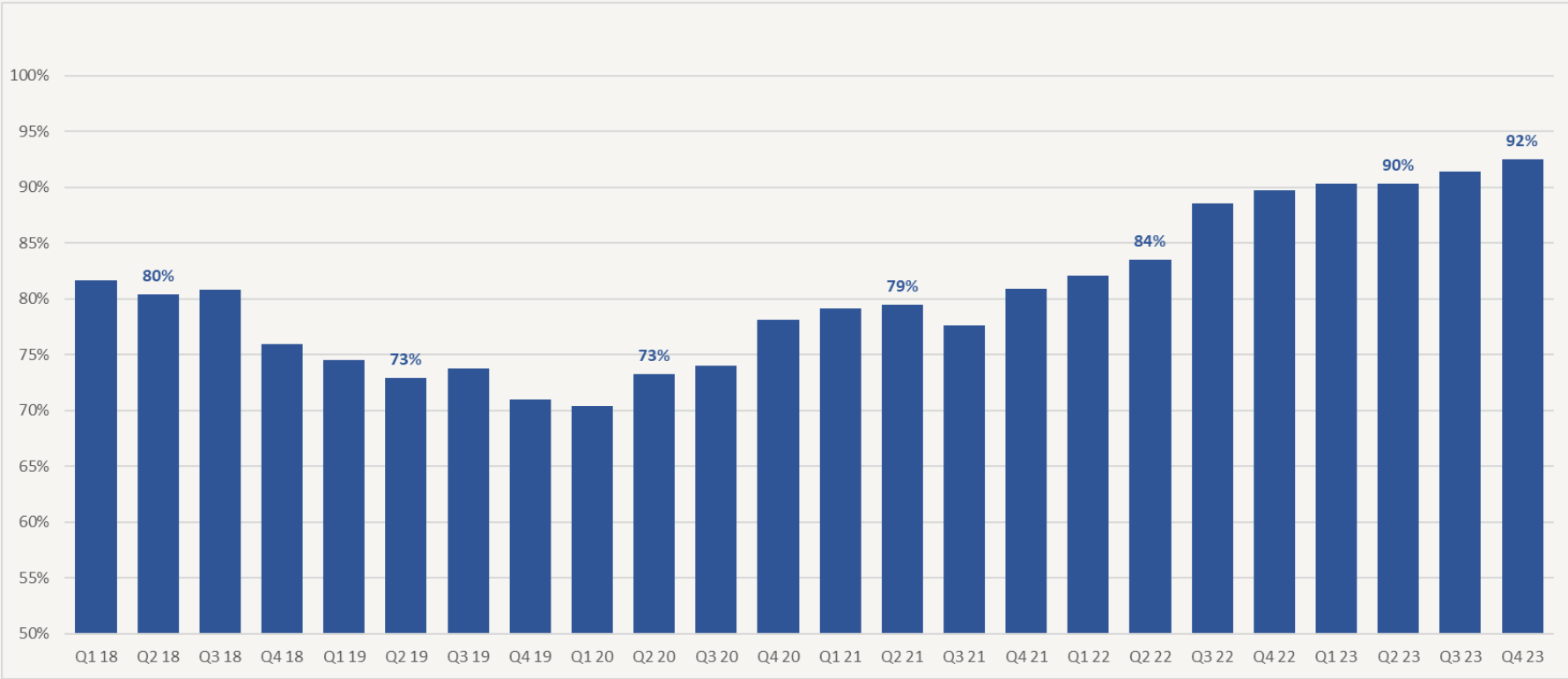
Portfolio Performance

6 months financial results to 31 December 2023

Investment Case

Market outlook

Mature homes percentage of full portfolio



Rental Growth

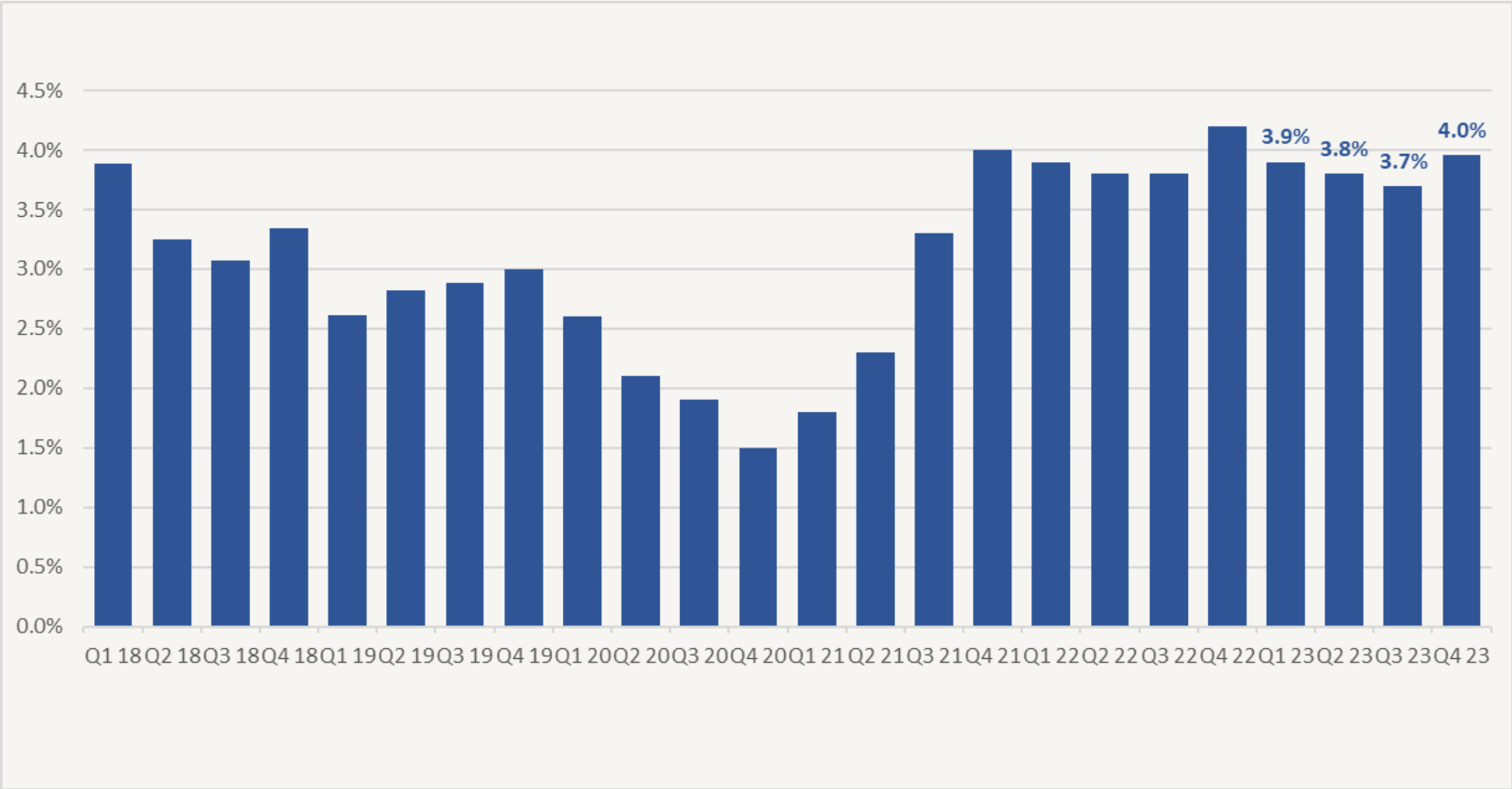
Portfolio Performance

6 months financial results to 31 December 2023

Investment Case

Market outlook

Average uplift of rent reviews completed in quarter



31 December 2023 Interim results

Portfolio Performance

6 months financial
results to 31 December
2023

Investment Case

Market outlook



Earnings: 6 months to 31 December 23

Portfolio Performance

6 months financial results to 31 December 2023

Investment Case

Market outlook

	6 months to December 2023	6 months to December 2022	Change (%)
Rental income (excluding guaranteed uplifts) (£m)	28.6	28.1	1.8%
Admin Expenses (including management fee) (£m)	(5.5)	(5.4)	1.9%
Net Financing costs (£m)	(5.2)	(4.5)	
Interest from development funding (£m)	1.0	0.5	
ADJUSTED EPRA EARNINGS (£m)	18.9	18.7	1.1%
Adjusted EPRA EPS (pence)	3.05	3.01	1.3%
EPRA Cost Ratio	16.0%	15.7%	
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Dividend declared for period (pence)	2.856	3.38	
Dividend cover	107%	89%	

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Market outlook

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Adjusted EPRA earnings (£m)	18.9	18.7
(i) Adjust in: Guaranteed uplifts income (£m)	5.5	5.9
(ii) Adjust out: Interest from development funding (£m)	(1.0)	(0.5)
EPRA Earnings (£m)	23.4	24.1
Change in fair value of investment properties (£m)	7.7	(58.1)
Other capital items (£m)	(0.4)	(0.2)
Profit (£m)	30.7	(34.2)
Accounting total return	4.9%	(5.4%)
EPRA NTA movement	2.1%	(8.3%)

Earnings summary – NTA bridge

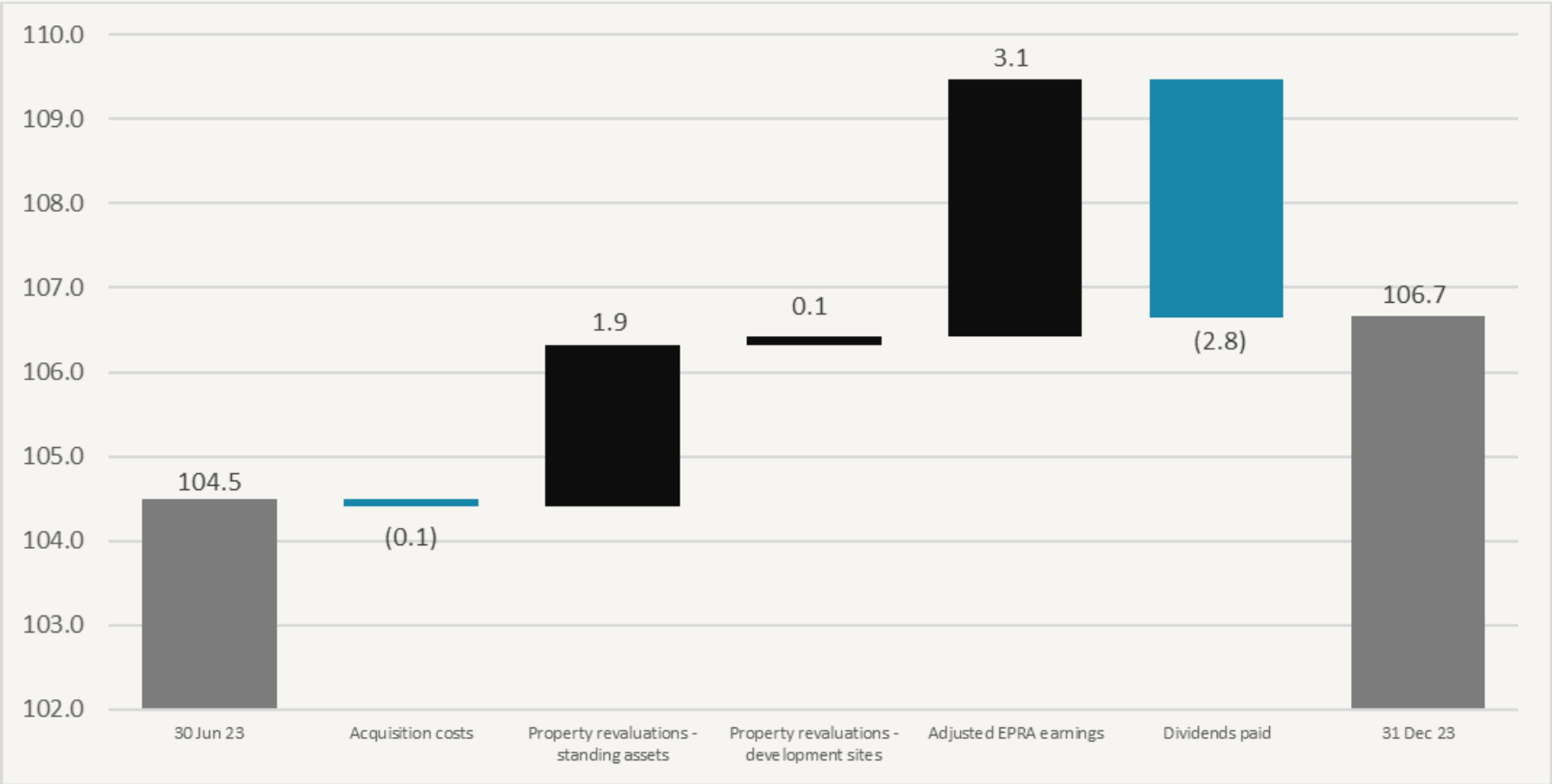
Portfolio Performance

6 months financial results to 31 December 2023

Investment Case

Market outlook

EPRA NTA per share (pence)



Balance sheet summary

	As at 31 December 2023 (£m)	As at 30 June 2023 (£m)	Change
Portfolio market value (per independent valuers) *	911.1	868.7	42.4
Cash	17.6	15.4	2.2
Working capital *	(14.7)	(6.2)	(8.5)
Debt	(252.5)	(230.0)	(22.5)
EPRA Net Tangible Assets (NTA)	661.5	647.9	13.6
EPRA NTA per share (pence)	106.7	104.5	

* Excludes the IFRS effects of fixed/guaranteed minimum rent uplifts

Net LTV

25.8%

Available
undrawn debt

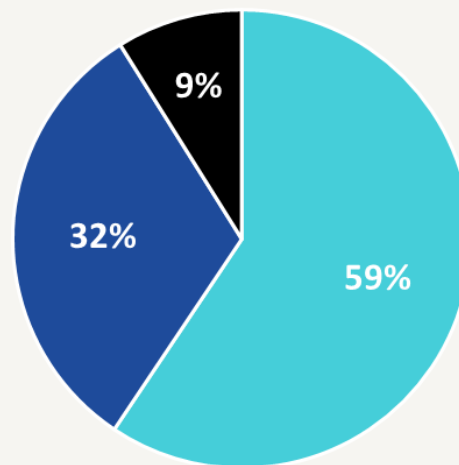
£67.5m



Debt summary

Debt well-hedged prior to rates movement

- £180m (71% of drawn debt) hedged or fixed before H2 2022 interest rate increases
- Further £50m capped during H2 2022 (91% of total drawn debt)
- £22.5m (9% of drawn debt) floating rate, unhedged



■ Fixed rate debt ■ Hedged debt ■ Unhedged debt

Interest rate sensitivity

Annualised impact of 1% increase in SONIA - 63bps / £225k reduction to dividend cover at balance sheet date



Debt summary

	31 Dec 2023 (£m)	30 June 2023 (£m)
Net LTV	25.8%	24.7%
% drawn debt fixed rate or hedged	91%	100%
Average cost of drawn debt (inc. arrangement costs)	4.05%	3.70%



Fixed/hedged positions as follows:

£150m

Phoenix debt at 3.18%
weighted average (10.1
years weighted average)

£30m

RBS swapped at 2.48%
cost to November 2025

£50m

HSBC capped,
providing max 5.17%
cost to November 2025



Investment case

Portfolio Performance

6 months financial
results to 31 December
2023

Investment Case

Market outlook



Strong tailwinds - Demographics

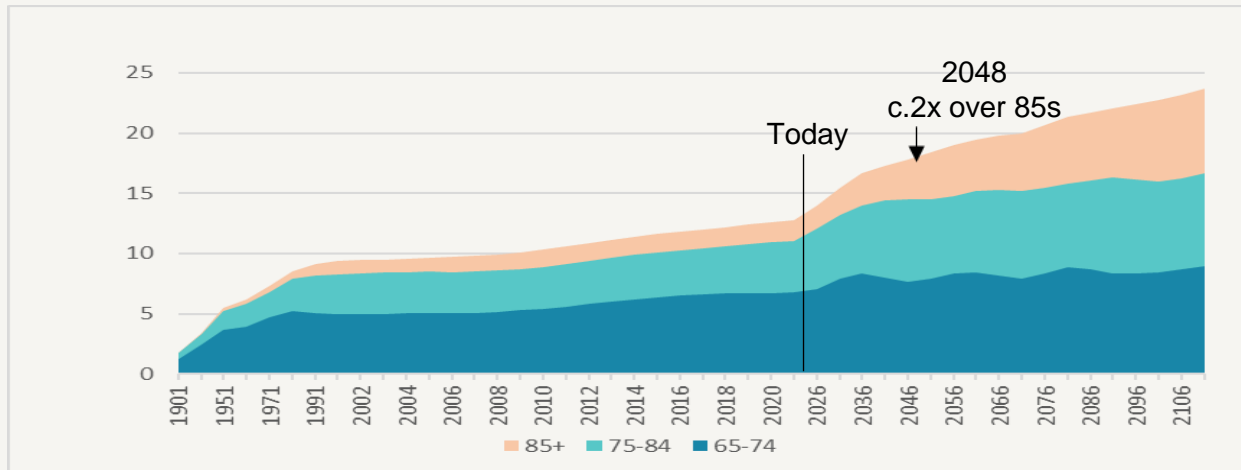
Fundamental demand dynamics

13.4%

Of over 85s require long-term residential care¹

85+

demographic expected to almost double to 3.2 million in the next 25 years¹



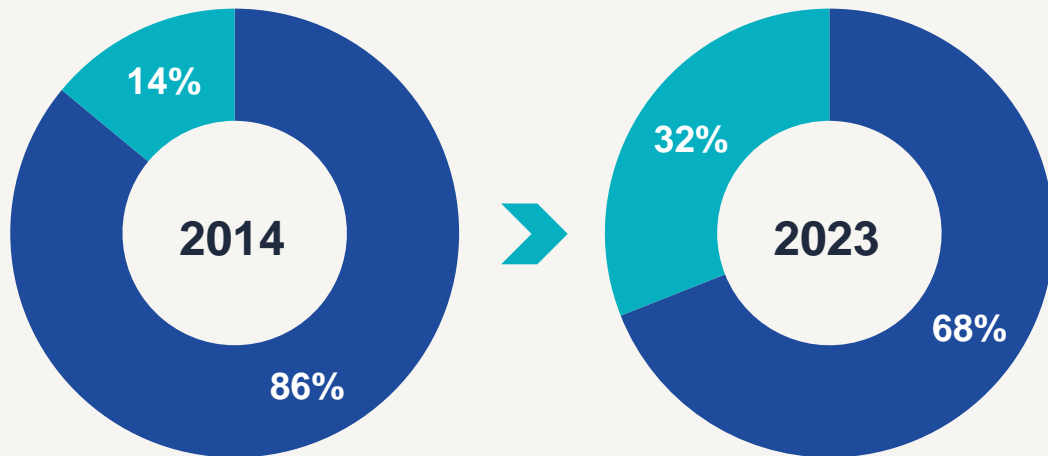
The sector's supply and demand fundamentals provides insulation from macro headwinds



Strong tailwinds - Trend to quality

Market shift towards en suite wet-rooms, with largest operator in the sector making clear move to prime real estate

UK care home real estate en suite wet-room provision¹

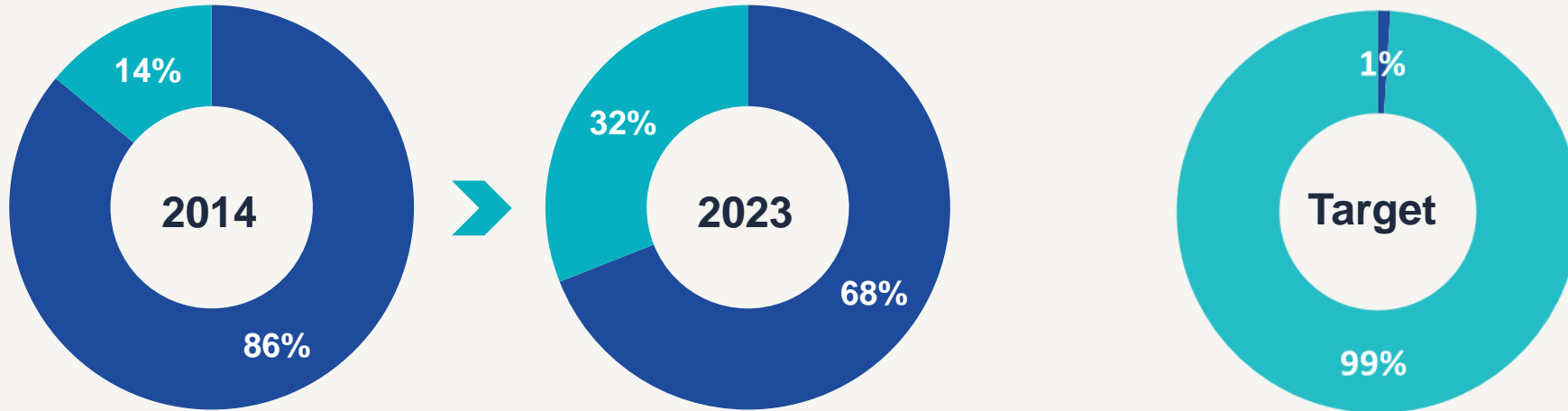


Clear market shift to ESG-compliant care homes however today 68% of UK care home beds are not fit-for-purpose

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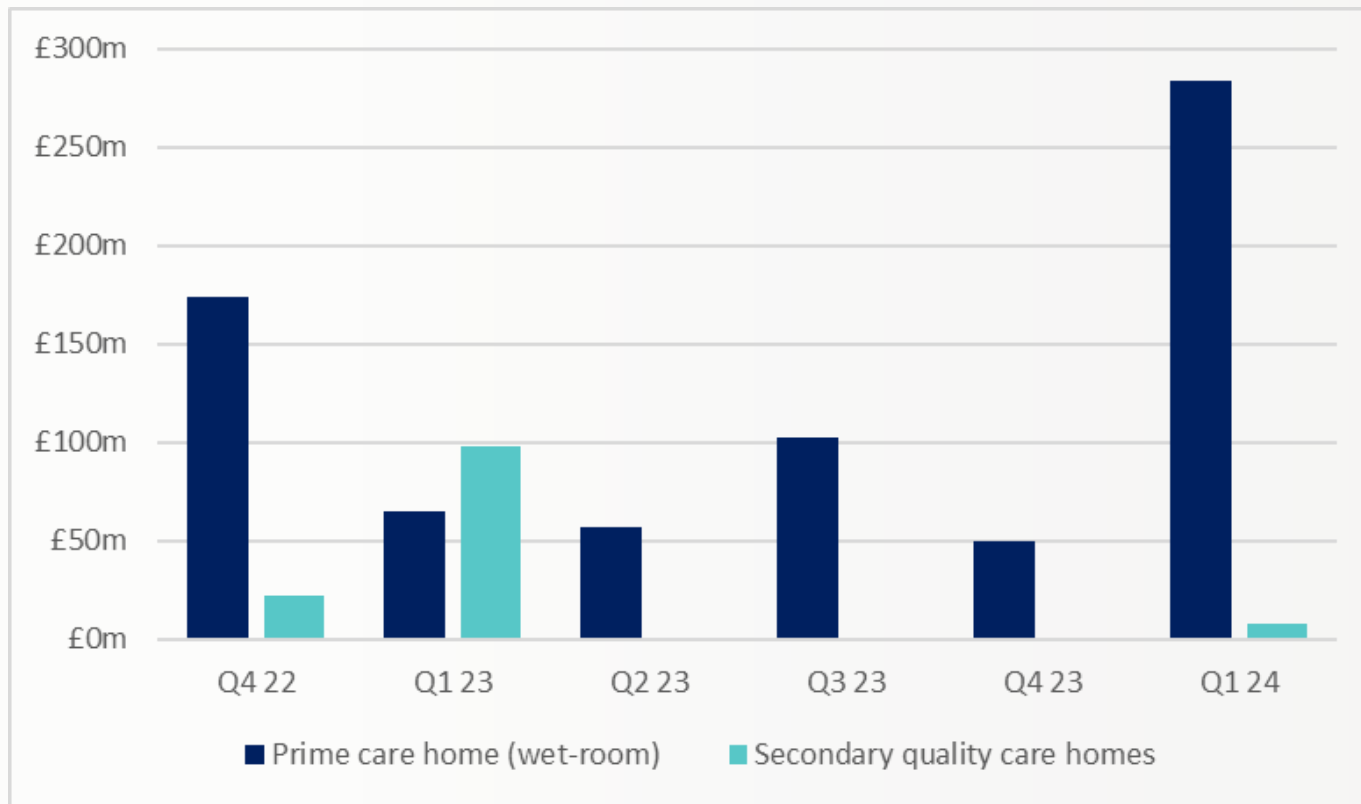
UK care home real estate en suite wet-room provision¹



Clear market shift to ESG-compliant care homes however today 68% of UK care home beds are not fit-for-purpose

Investment market – Significant gap between prime and non-prime real estate

1. Deal Volumes (£m) - Institutional & private capital remains active within prime



Investment market – Significant gap between prime and non-prime real estate

2. Pricing

Category of care home	NIY
Super-prime	4.50% - 4.75%
Prime	5.50%
Poor en suite / 1990s	8.00%
No en suites / conversions	10.00%

PRIME

NON-PRIME

“ It’s mostly SNF assets. It’s both in the US and the UK. We’re now quoting cap rates north of 9%. ”

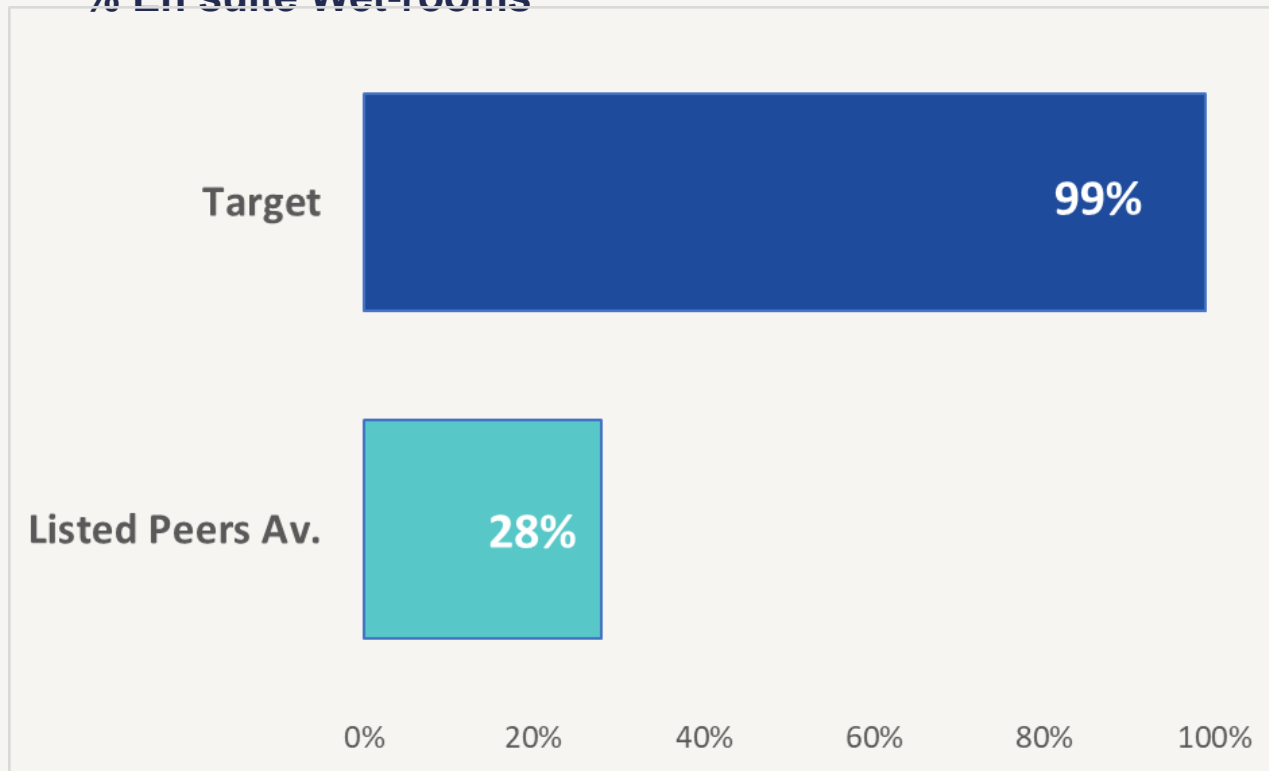
Omega Healthcare Investors, Inc. May 2023

In Q3 2023, Omega closed on a sale-leaseback transaction for care homes in the U.K.....with an initial cash yield of 10.2% with 2.5% annual escalators.

Valuations: Real estate quality drives resilience

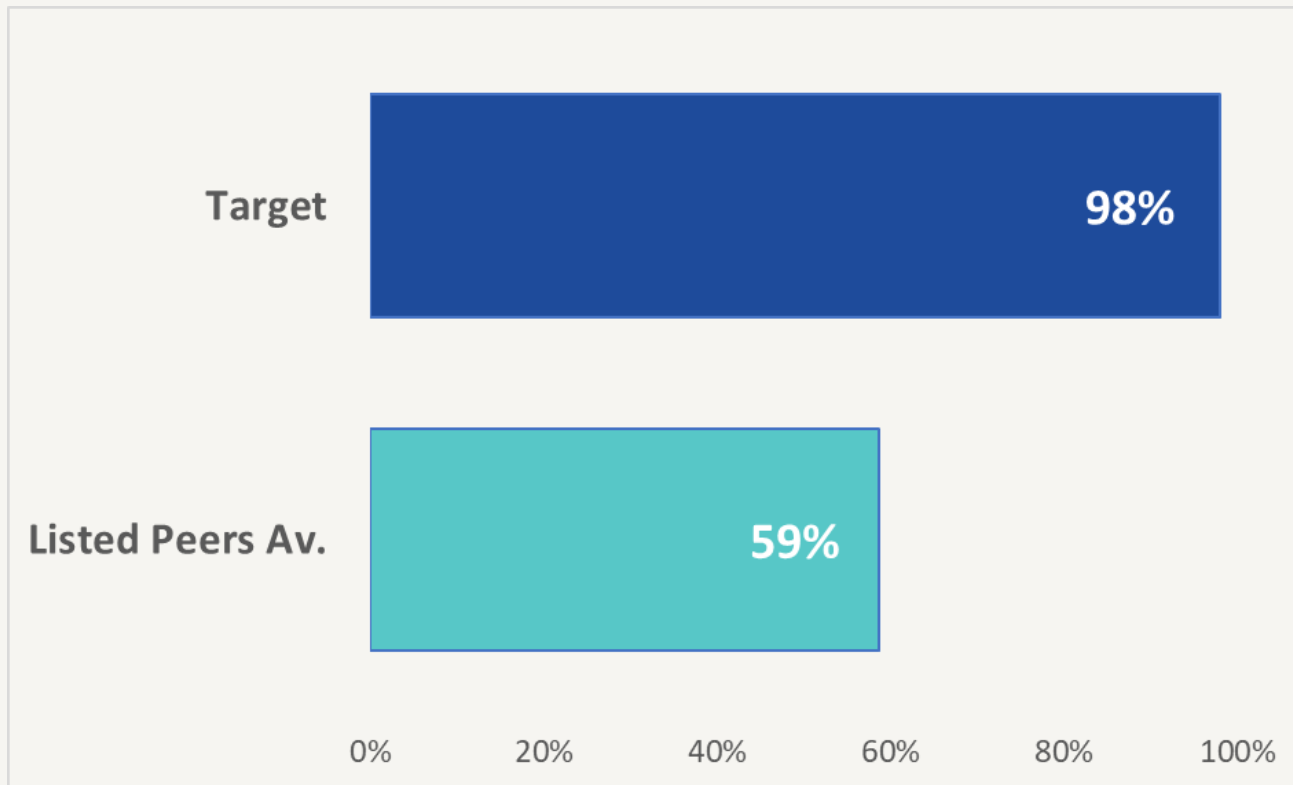
Premium, purpose-built portfolio.
Significantly ahead of peers across range of key quality metrics

% En suite Wet-rooms



EPCs

EPC A & B Rated



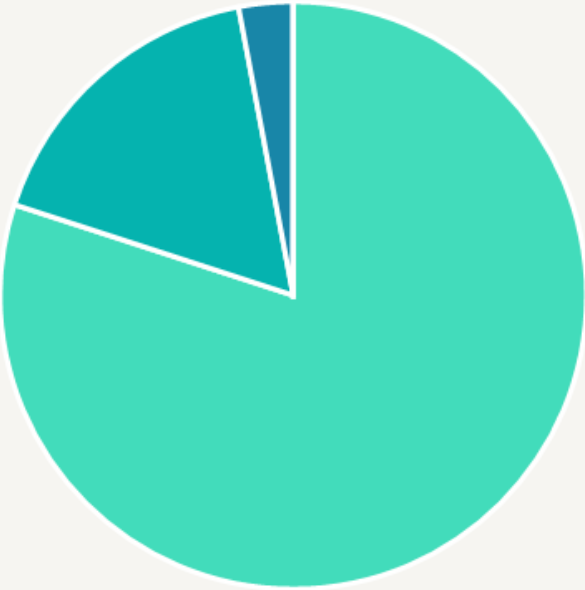
Target EPC breakdown

EPC Rating	% THR portfolio
A	8%
B	90%
C	2%
D or below	-

Modernity

Age of Buildings

Target



Listed peers average



Key

Light teal	Purpose built 2010's +
Teal	Purpose built 00's
Dark teal	Purpose built 90's
Dark blue	Purpose built pre-90's
Black	Conversion / extension

Valuations: Real estate quality drives resilience

31 December 2023
Interim results

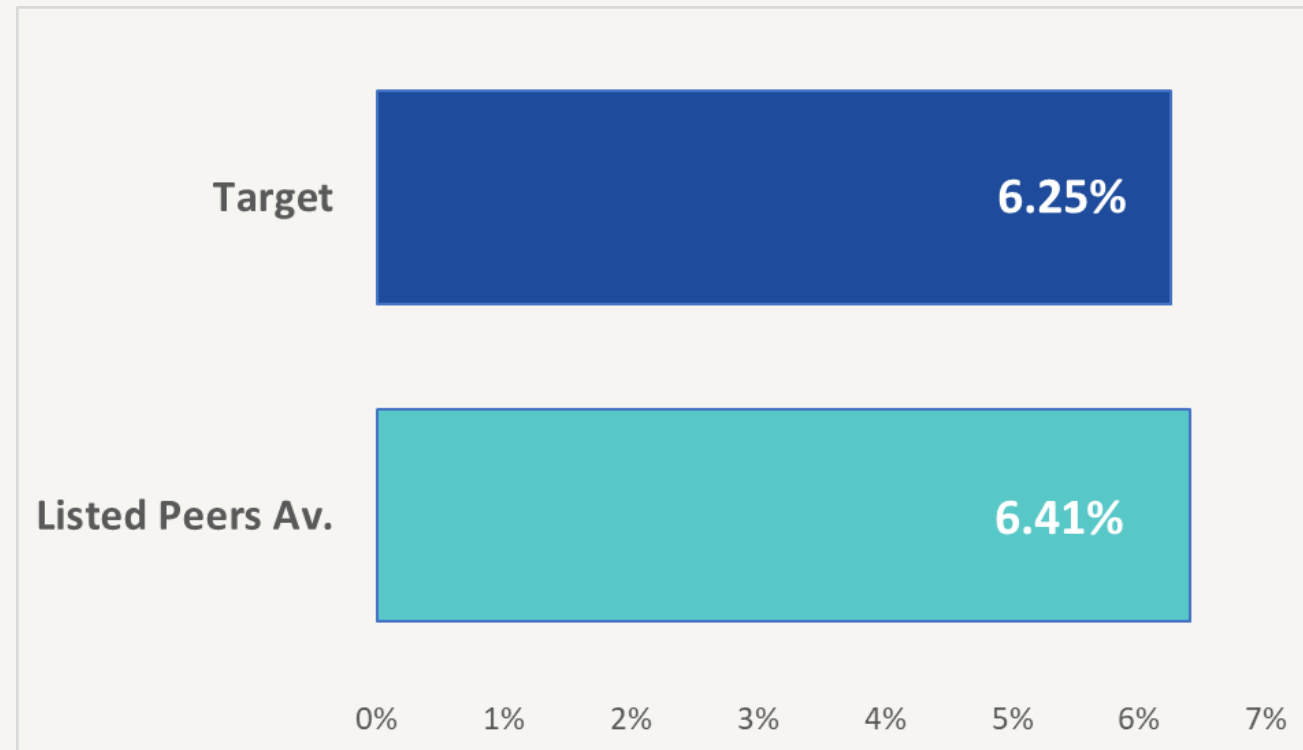
6 months financial
results to 31 December
2023

Investment Case

Market outlook

Premium, purpose-built portfolio.
Significantly ahead of peers across range of key quality metrics

But valuation basis?



Modern, fit for purpose homes: Dartford



Spacious rooms



Fully equipped Wet-rooms



Wide corridors



Outdoor space



King's Court



31 December 2023 Interim results

31 December 2023
Interim results

6 months financial
results to 31 December
2023

Investment case

Market outlook



Care home sector: update & outlook

Tailwinds

- Demographics
- Private-pay fees
- Needs-based care reality
- NHS: Delayed discharges



Inflation/Costs

- Inflation easing
- Wage inflation has been supported by resident fee increases (public & private)
- Energy costs managed



Staffing

- Increased availability of staff
- Visa schemes now more widely used
- Better understanding of career as vocation/honourable
- Stable employment



Real estate

- Quality improving (Wet-rooms now 32% from 14%)
- Older homes/beds leaving, not being replaced quickly
- Staff favour modern homes
- ESG friendly
- EPC capex?



Demand for places

- Dementia is a reality and growing
- The challenge of loneliness
- Dual income families leave less time to care for seniors



Funding for care

- Over 65s have £2.6Tn of net wealth
- Local authorities have statutory duty to fund social care for seniors



➤ Summary

Real estate quality

- Supports values, investor demand

Portfolio performance

- Improved during year, supports rental income

Balance sheet

- Conservative LTV, fixed/hedged finance costs

Demographics & trends to quality

- Significant gap between prime and non-prime real estate



Q & A

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