

# Quarterly Investor Report:

## February 2023

Quarter ended 31 December 2022

Target Healthcare REIT plc and its subsidiaries ('the Group') is a leading investor in modern purpose-built UK care homes with en suite wet rooms. The Group's objective is to provide investors with an attractive quarterly dividend, generated from a portfolio diversified by tenant, geography and end-user payment profile, through responsible investment.

### Group at a glance



Properties  
**100**



Beds  
**6,904\***



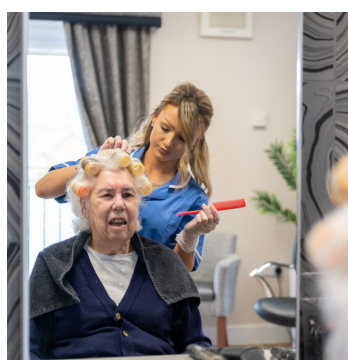
Tenants  
**33**



Contracted rent  
**£57.1m**



Property Value  
**£867.7m**



Overview		Key ratios & financials	
Launch date	March 2013**	Investment properties	£867.7 million
ISIN	GB00BJGTLF51	Drawn debt	£240.0 million
SEDOL	BJGTLF5	EPRA NTA	£639.1 million
Company name	Target Healthcare REIT plc	EPRA NTA per share	103.0 pence
Registered number	11990238	Quarterly NAV total return (including dividend)	-6.6%
Expected quarterly dividend	Feb/May/Aug/Nov	Quarterly Group specific adjusted EPRA earnings per share	1.42 pence
Financial year end	30 June	Quarterly dividend per share	1.69 pence
Currency	Sterling	Dividend yield (01/02/2023)	8.4%
Website	<a href="http://www.targethealthcarereit.co.uk">www.targethealthcarereit.co.uk</a>	Loan-to-Value ('LTV')***	27.7% (gross); 25.1% (net)
Ordinary share class as at	01/02/2023	Management fee rate	1.05% up to £500m NAV 0.95% of £500m - £750m NAV 0.85% of £750m - £1,000m NAV 0.75% of £1,000m - £1,500m NAV 0.65% of £1,500m + NAV
Shares in issue	620,237,346	WAULT	26.8 years
Share price	80.1 pence		
Market capitalisation	£496.8 million		
Share price discount to EPRA NTA	22.2%		

\* Including planned beds in development sites

\*\* Originally launched as Target Healthcare REIT Limited (Jersey registered: 112287)

\*\*\* Gross LTV calculated as total gross debt as a proportion of gross property value. Net LTV calculated as total gross debt less cash, as a proportion of gross property value

## Recent news

Interest rate rises in late 2022 impacted real estate values across almost all sectors with the capital return for the CBRE UK monthly index (all property) declining 14.6% for the quarter. While the Group has not been completely immune to this trend with values reducing by 5.0%, the portfolio has demonstrated its resilience. This is largely due to investing in prime, modern real estate with strong overall ESG credentials, in a sector where demographic tailwinds continue to support demand. Like-for-like rental growth has been delivered, portfolio performance is improving and rent cover has responded positively to increased occupancy seen in recent quarters. Assets where occupancy has been slower to recover are closely managed and initiatives progressed where required.

### Performance

The portfolio value decreased by 5.0% over the quarter which matched the movement in the like-for-like value of the operational portfolio. The like-for-like movement reflects a 6.2% decrease due to outward yield shifts, reflective of the higher interest rate environment and overall economic conditions, offset by a 1.2% increase from inflation-linked rent reviews. The spend on the development assets, including the site which reached practical completion in the quarter, increased the portfolio value by 0.5%; however, this was fully offset by similar outward yield shifts on the developments.

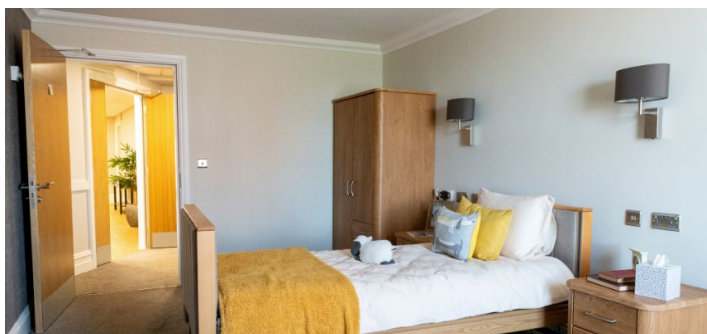
### Asset Management and Investment Activity

In the quarter, practical completion of the development site in Weymouth, Dorset was reached, contributing 66 new beds to the portfolio, and was let to a new tenant on a 35 year lease with green provisions and annual rent reviews (subject to caps and collars). A retrofit programme was completed on 31 rooms to bring another of the Group's homes without full en suite wet-room provision to acceptable modern standards.

Subsequent to the quarter end, the Group completed a site acquisition in Malvern, Worcester, which has consent for a 60 bed care home. It is pre-let to an existing tenant with development costs capped and underpinned by a fixed price construction contract. Separately, substantial progress has been made to re-tenant one home (contractual rent will remain unchanged) which will alleviate cashflow pressures for that tenant's three remaining homes with the Group.

### Outlook

Our capital base remains conservatively structured with adequate headroom, a weighted term to expiry on debt facilities of 6.7 years and interest rates hedged on 96% of drawn debt. Whilst we are not aggressively pursuing an acquisitions strategy at present, we remain alert to opportunities that may be presented as a result of changing market conditions.

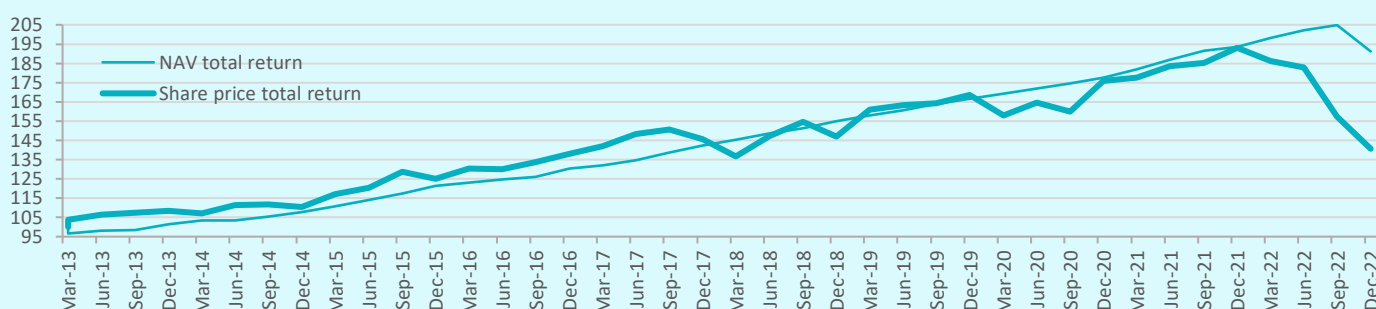


## Summary balance sheet

£m	Dec-22	Sep-22
Property portfolio*	867.7	913.7
Cash	21.8	19.6
Net current assets/(liabilities)	(10.4)	(15.2)
Bank loans	(240.0)	(223.0)
Net assets	639.1	695.1
EPRA NTA per share (pence)	103.0	112.1

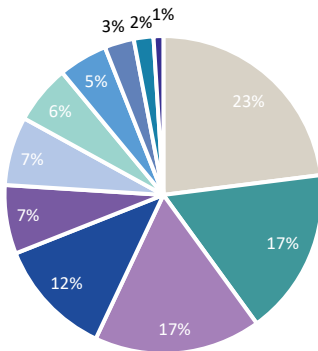
\* Ignores the effect of fixed/guaranteed rent reviews. See note 9 to the Annual Report 2022 for full details.

## Performance – NAV and share price total return

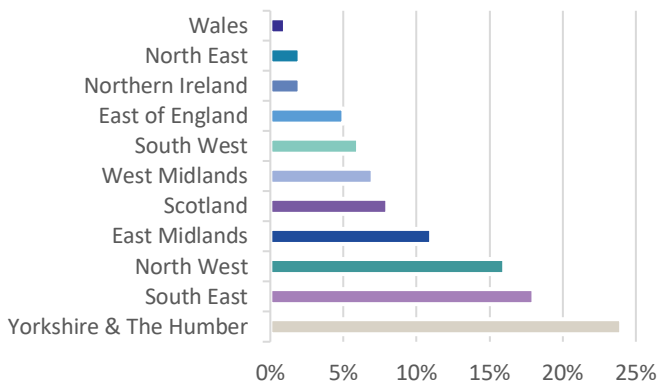




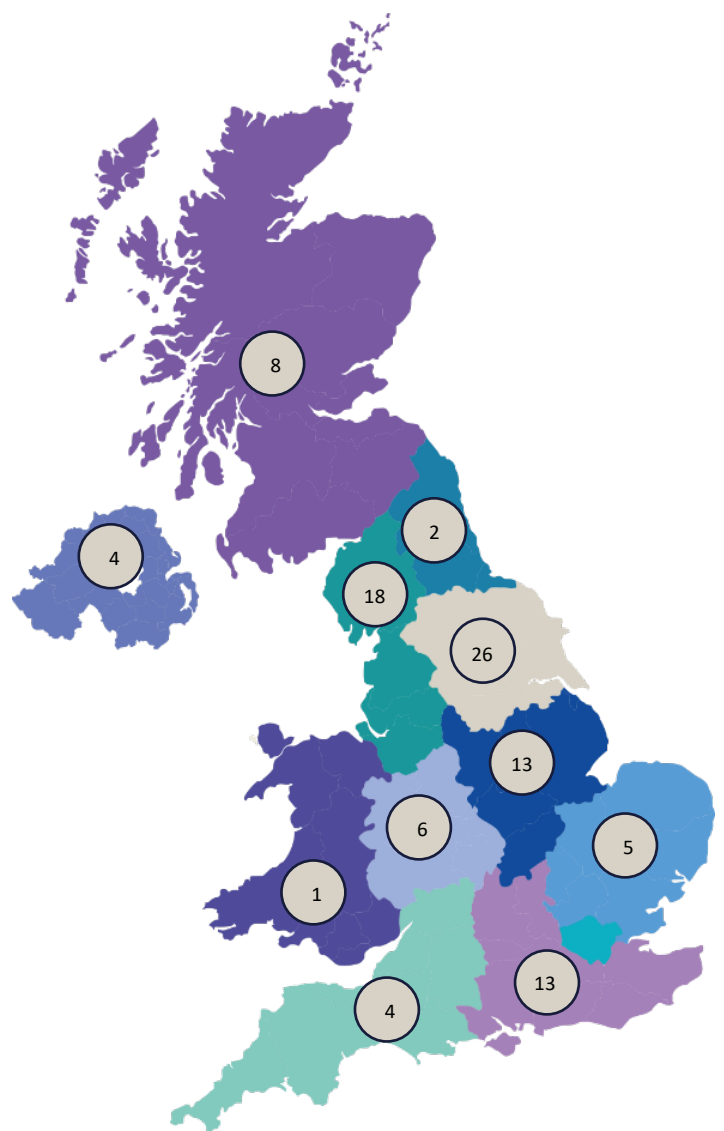
Contracted rent by geographic region



Valuation by geographic region (including developments)



Number of properties by geographic region



**Directors**

Alison Fyfe (Chair)  
 Michael Brodtman  
 Richard Cotton  
 Vince Niblett  
 Dr Amanda Thompsell

**Investment Manager**

Target Fund Managers Ltd.  
 Kenneth MacKenzie,  
 Gordon Bland  
 +44 (0) 1786 845 912  
 targetfundmanagers.com

**Advisers**

Administrator  
 Depositary  
 Broker  
 Legal  
 Auditors

Target Fund Managers Ltd.  
 IQ EQ Depositary Company (UK) Ltd.  
 Stifel Nicolaus Europe Ltd.  
 Dickson Minto W.S.  
 Ernst & Young LLP

This Report is intended solely for the information of the person to whom it is provided by the Group, the Investment Manager or the Administrator. This Report is not intended as an offer or solicitation for the purchase of shares in the Group and should not be relied on by any person for the purpose of accounting, legal or tax advice or for making an investment decision. The payment of dividends and the repayment of capital are not guaranteed by the Group. Any forecast, projection or target is indicative only and is not guaranteed in any way, and any opinions expressed in this Report are not statements of fact and are subject to change, and neither the Group nor the Investment Manager is under any obligation to update such opinions. Past performance is not a reliable indicator of future performance, and investors may not get back the original amount invested. Unless otherwise stated, the sources for all information contained in this report are the Investment Manager and the Administrator. Information contained in this Report is believed to be accurate at the date of publication, but none of the Group, the Investment Manager and the Administrator gives any representation or warranty as to the Report's accuracy or completeness. This Report does not contain and is not to be taken as containing any financial product advice or financial product recommendation. None of the Group, the Investment Manager and the Administrator accepts any liability whatsoever for any loss (whether direct or indirect) arising from any use of this Report or its contents. Target Healthcare REIT plc, registered in the UK (Registered Number: 11990238). Registered Office: Level 13, Broadgate Tower, 20 Primrose Street, London, EC2A 2EW.

