IMPACT
Healthcare REIT

Impact Healthcare REIT plc

Annual results for the period to
31 December 2017

Agenda and presentation team

Agenda

- Company overview
- The portfolio
- Key financials
- Enhancing the portfolio
- Our market
- Opportunities
- Conclusion and outlook

Presentation team – Investment Adviser

- **Andrew Cowley, Managing Partner**

  20 years experience managing listed and unlisted funds investing in infrastructure, real assets and private equity for Macquarie and Allianz

- **Mahesh Patel, Managing Partner**

  30 years successful experience investing in, owning and operating care homes. Qualified chartered accountant

- **David Yaldron, Finance Director**

  Qualified at KPMG as an accountant. Real estate investment experience gained at Grosvenor Estates and Europa Capital

IMPACT Healthcare REIT

Introduction

Westhaven

Company overview

- Impact Healthcare REIT PLC listed on the London Stock Exchange (Specialist Fund Segment) on 7 March 2017. Total equity raised in 2017: £193 million
- Dividends per share of 4.5p paid or declared in 2017, 98% covered by adjusted earnings per share
- Highly predictable, attractive income and growth from fixed and upwards only RPI-linked rental uplifts with long-term leases
- Exposure to a diversified portfolio of healthcare real estate opportunities
- Strong governance with very experienced non-executive directors: Rupert Barclay, Rosemary Boot, David Brooks, Paul Craig and Philip Hall
- Managed by the Impact Health Partners team:
  - Closely aligned with shareholders via their shareholding in the Company
  - 30 years' track record of investing in care homes and infrastructure

Financial highlights

4.50p
DIVIDEND PER SHARE
Dividends per share of 4.50p paid or declared for the period from 7 March to 31 December 2017, delivering against the target set at the time of the IPO

100.65p per share
EPRA NAV
Net asset value of 100.65p per share as at 3 December 2017

7.2%
EPRA NAV TOTAL RETURN
EPRA NAV total return for the period from IPO to 31 December 2017 annualised was 7.19% compared to the FTSE EPRA/NAREIT UK REITs Index total return of 10.79% over the same period

£9.5 million
PROFIT BEFORE TAXATION
Profit before taxation in the period between inception and 31 December 2017 was £9.46 million

£156.2 million
PORTFOLIO VALUE
Portfolio independently valued at £156.17 million as at 31 December 2017, representing an uplift on purchase price and acqusition costs of 1.5%

Nil
DEBT
The Company had no debt as at 31 December 2017

£11.9 million
CONTRACTED RENTAL INCOME
Contracted annual rent of £11.34 million p.a. calculated from Admission, increased to £11.60 million p.a. following acquisition of Saffron Court and to £11.86 million following the initial commitment to fund capital improvements at two homes

97.6%
DIVIDEND COVER
Paid and declared dividends 97.6% covered by adjusted earnings per share for the period from IPO to 31 December 2017

£196.8 million
MARKET CAPITALISATION
Market capitalisation as at 31 December 2017

Operational and post-balance sheet highlights

IMPACT Healthcare REIT

57 assets

ASSETS IN THE PORTFOLIO

By the period end we had acquired 57 care homes with 2,527 beds at an aggregate net purchase price of £152.20 million

100% let

PORTFOLIO

The portfolio was 100% let and income-producing during the period

£0.5 million

RENT REVIEW

The portfolio is subject to annual RPI uplifts with a floor of 2% and a cap of 4%. The first rent uplift came into effect on 7 March 2018 and increased the rent roll from £11.89 million to £12.35 million

7.6%

CONTRACTED YIELD

At year end the Group had a contracted rent roll of £11.86 million and a portfolio market value of £156.17 million delivering an investor contracted yield of 7.59%

464 beds

ASSET MANAGEMENT INITIATIVES

We have planning permission to add 249 beds and are in discussions with planners for a further 215 beds. During the period, the board approved projects for the first 92 beds at a cost of £7.94 million

234 beds

ASSET ACQUISITIONS

Contracts were exchanged on 11 January 2018 to acquire 234 beds across three homes in the North-East of England operated by Prestige Care. The first of these three assets completed on 16 March 2018

19.2 years

WAULT

At 31 December 2017, the weighted average unexpired lease term (“WAULT”) was 19.2 years

25 beds

PROJECT NEARING COMPLETION

Our first asset management initiative at Turnpike is due to complete in April 2018, adding 25 beds to the home and increasing the rent due from Turnpike by 34%

£1.2 million

FURTHER RENTAL GROWTH

The Prestige transaction, once fully completed, will increase contracted annual rent by £1.19 million and will be subject to the same annual RPI uplifts as the seed portfolio

IMPACT Healthcare REIT

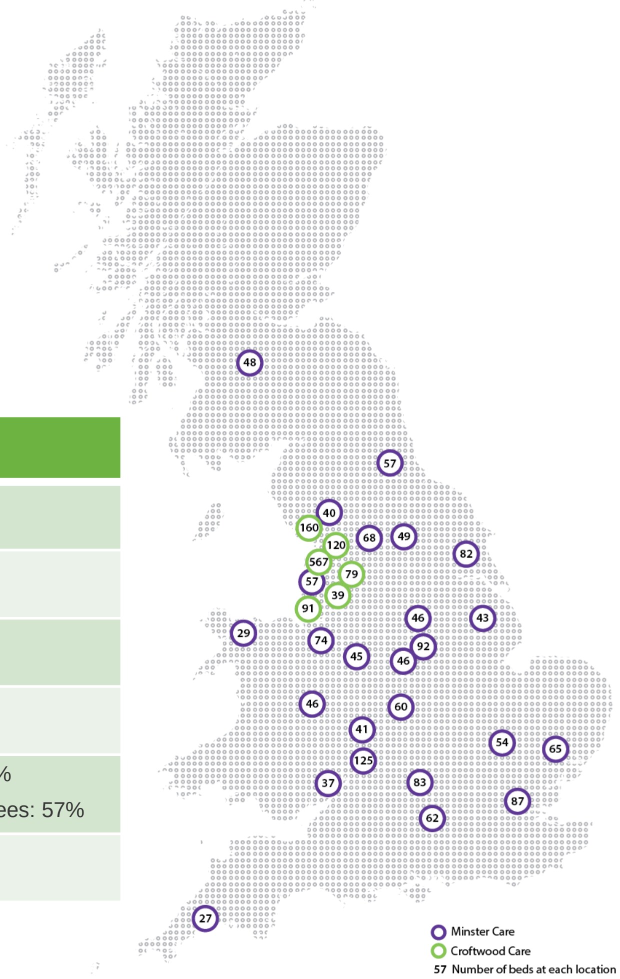
Portfolio review

Freeland

Attractive and diversified portfolio

IMPACT Healthcare REIT

- Since listing on 7 March 2017 we have acquired 57 homes
- Portfolio 100% let
- Cushman & Wakefield's independent valuation of these homes as at 30 June 2017 valued them at £153.4 million (versus a net acquisition cost of £152.1 million), increasing to £156.2 million as at 31 December 2017
- Currently two tenants: Minster Care and Croftwood Care
- Neither REIT nor tenants currently have any bank debt



Minster Care – portfolio	
Valuation at 31 December 2017	£101.9 million
Rent payable (FY18)[1]	£7.1 million
Total homes	30
Total beds	1,471
Private/LA fee split	Private fees: 32% Local authority fees: 68%
EBITDARM margin	29%

Croftwood Care – portfolio	
Valuation at 31 December 2017	£54.3 million
Rent payable (FY18)[1]	£4.5 million
Total homes	27
Total beds	1,056
Private/LA fee split	Private fees: 43% Local authority fees: 57%
EBITDARM margin	30%

[1] Rent payable by tenant in their financial year ending on 31st March 2018
[2] December 2017

Tenants' track record of providing quality care

IMPACT Healthcare REIT

- The quality of care provided by Minster and Croftwood has consistently been rated by the Care Quality Commission (CQC) as being better than the national average
- The CQC in England publishes on its website its current rating for each facility it regulates and the latest inspection report. Activities in Wales and Scotland are regulated by the Care and Social Services Inspectorate Wales or the Care Inspectorate in Scotland respectively
- Under the CQC's current rating system, homes are rated against the following standards: Person-centred care; dignity and respect; consent; safety; safeguarding from abuse; food and drink; premises and equipment; complaints; good governance; staffing; fit and proper staff; duty of candour; and display of ratings
- Four categories: "Outstanding", "Good", "Requires Improvement", and "Inadequate"

CQC rating	Outstanding	Good	Requires Improvement	Inadequate
Minster and Croftwood[1]	2.6%	82.1%	12.8%	2.6%
National average[2]	1.2%	70.6%	25.1%	2.5%

[1] Based on CQC ratings for 39 homes in England managed by Minster and Croftwood. The remaining 18 homes which comprise the seed portfolio are either (i) regulated by the Welsh or Scottish counterparts of the CQC (which use a different ratings system) or (ii) have not yet been operated by Minster and Croftwood for long enough to have been assessed by the CQC or equivalent. Of the 16 homes acquired from CLS in 2016,and which have not yet been re-inspected under Croftwood management, 76.5% are rated Good and 23.5% Requires Improvement

[2] National average for medium (10-49 beds) and large (>50 beds) nursing and residential homes

Key financials

Littleport Grange

Income statement

	31 December 2017 Total £000
Net rental income	**9,392**
Administration and other expenses	(2,318)
Operating profit before changes in fair value	7,074
Changes in fair value of investment properties	2,378
Operating profit	**9,452**
Finance income	6
Profit before tax	**9,458**
Tax charge on profit for the period	(1)
Profit and comprehensive income	**9,457**
Earnings per share (pence)	**5.82p**

Net rental income	£000
Rental cash income	**9,453**
Rent received in advance of recognition	(1,712)
Rent recognised in advance of receipt	1,651
Lease adjustments to rental income	**(61)**
Net rental income (per IFRS)	**9,392**

Change in fair value	£000
Revaluation movement	2,317
Lease adjustments to rental income	61
Changes in fair value	**2,378**

Adjusted earnings	£000	Per share (p)
Total comprehensive income	**9,457**	**5.82**
Change in fair value	(2,378)	(1.47)
EPRA earnings	**7,079**	**4.35**
Lease adjustments to rental payment	61	0.04
Adjusted earnings	**7,140**	**4.39**

Balance sheet

	31 December 2017 £000
Investment property	**156,226**
Trade and other receivables	1,770
Cash and cash equivalents	38,387
Total assets	**196,383**
Trade and other payables	(2,933)
Total net assets	**193,450**
EPRA net asset value per share	**100.65p**

Investment property	£000
Property acquisitions	152,154
Acquisition costs capitalised	1,184
Capital improvements	510
Revaluation movement	2,317
Value per independent valuation report	**156,165**
Lease adjustments to rental payment	61
Closing fair value	**156,226**

Cash flow

	31 December 2017 £000
Cash flows from operating activities	
Profit for the period	9,457
Changes in fair value of investment properties	(2,378)
Finance income	(6)
Net working capital movements	1,163
Net cashflow from operations	**8,236**
Net cash flow from investing activities	(153,842)
Net cash flow from financing activities	183,993
Net cash increase in the period	**38,387**

Enhancing the portfolio

Duncote Hall

Capex plans to expand current assets

Freeland 2017

- We have planning permission to add 249 beds to the portfolio and are in discussions with planners for a further 215 beds
- Selectively increasing the number of beds in the current portfolio by 18% will grow rent and net asset values
- The board has approved the first phase of this programme to deliver 92 beds at three homes
- New beds at Turnpike expected to open in April 2018

Freeland extension CGI

Home	Existing beds	New Beds	Combined beds	Current rent	Forecast rent increases[1]	Combined rent	Capex	Target completion date
Turnpike	28	25	53	£241,300	£82,900	£324,200	£921,400	April 2018
Freeland	62	46	108	£722,700	£434,700	£1,157,400	£4,850,000	June 2019
Littleport	54	21	75	£421,400	£234,200	£655,600	£2,170,000	August 2018
Total	**144**	**92**	**236**	**£1,385,400**	**£751,800**	**£2,137,200**	**£7,941,400**	**–**

[1] Based on formula agreed in Framework Agreement (master lease) with tenants: capex invested by Impact accrues 8% per annum and, after completion, the invested amount plus accruals are rentalised at 8%

Duncote The Lakes, Northants

- Duncote The Lakes is set in eight acres of well tended gardens alongside Duncote Hall
- Newly developed 45 bed fully ensuite, specialist dementia care unit. The home is rated “Good” by CQC
- Completed and opened in February 2017, the home has already reached 82% occupancy
- A high level of glazing was incorporated into the design encouraging engagement with the surrounding landscape

Prestige

Sand Banks

Prestige – New Acquisition

- Contracts exchanged on 11 January 2018 to acquire 234 beds in the North East for £17m (including costs)
- Acquisition supported by a C&W valuation
- 20 year leases, with option to extend to 30 years
- Upward only rent reviews at RPI with a floor of 2% and cap of 4% p.a.
- Day 1 asset management opportunity to add 40 beds in a unit at Parkville which is currently being refurbished. Tenant has agreed to reinvest sufficient proceeds from the transaction to reopen the unit

Prestige– portfolio	
Acquisition Q1 2018	£17.0m
Rent payable (FY18)	£1.2m
Total homes	3
Total beds	234
Average weekly fee (2017)	£570
Private/LA fee split (Dec 2017)	Private fees: 34% Local authority fees: 66%
EBITDARM margin	31%

Prestige – New Acquisition

Sand Banks

Beds	**77**
En-suite	100% (with showers)
Built	2015
Private pay	40%

Parkville 1

Beds	**54**
En-suite	100% (with showers)
Built	2005
Private pay	7%

Roseville

Beds	**81**
En-suite	50% (with showers)
Built	2010 (+2012)
Private pay	32%

Parkville 2 (asset management opportunity)

Beds	**40**
En-suite	100% (with showers)
Built	2005
Private pay	-

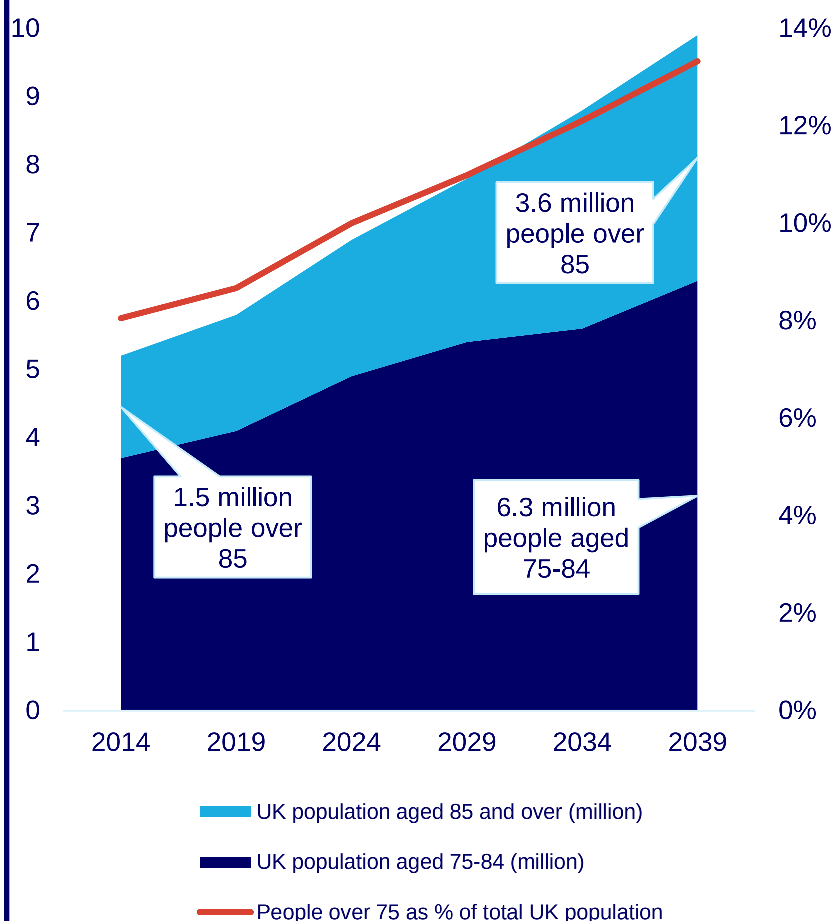
Market update

Duncote The Lakes

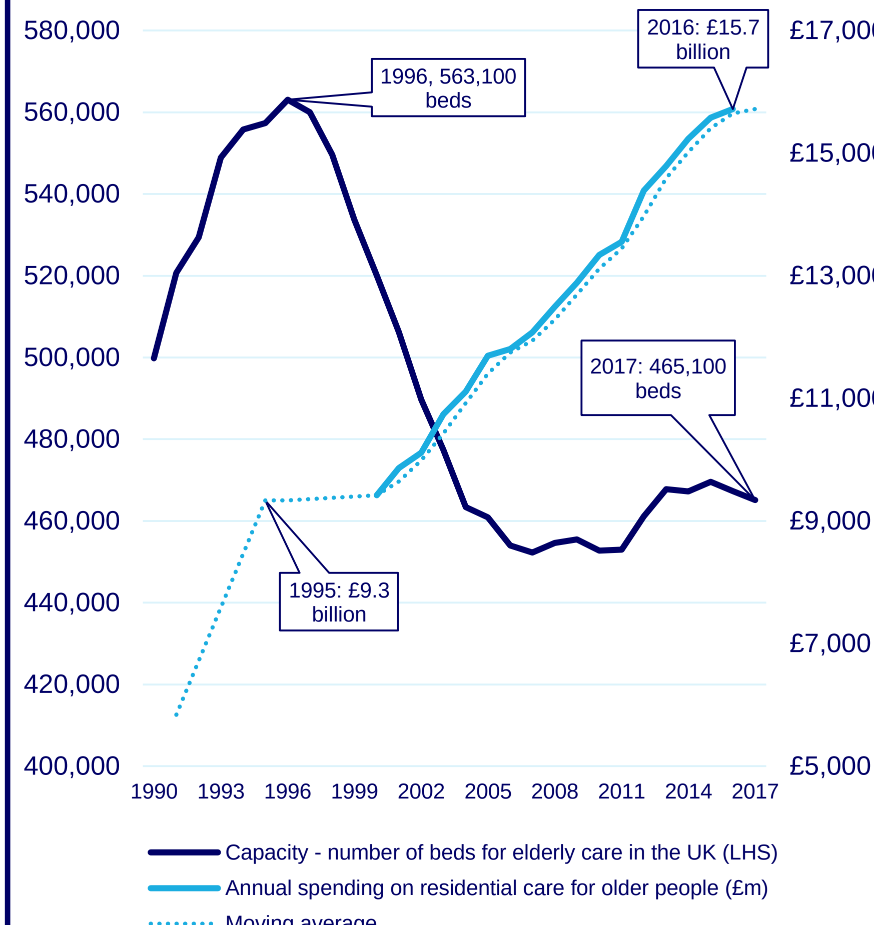
A growing and undersupplied market

IMPACT Healthcare REIT

Population over 85 forecast to double in next 20 years



Capacity has declined over 20 years while market value has grown



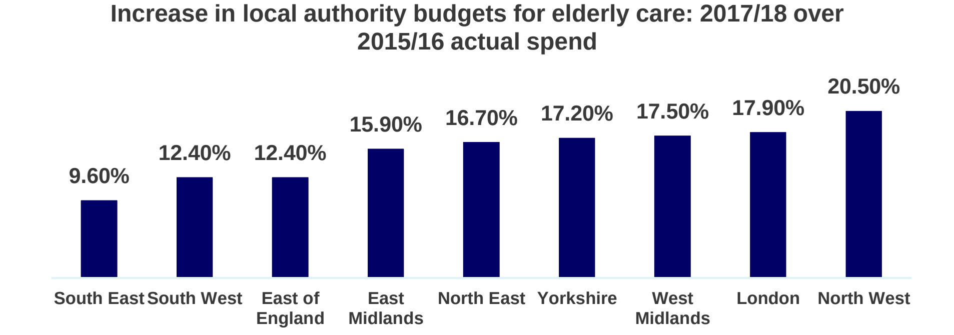
Source: ONS

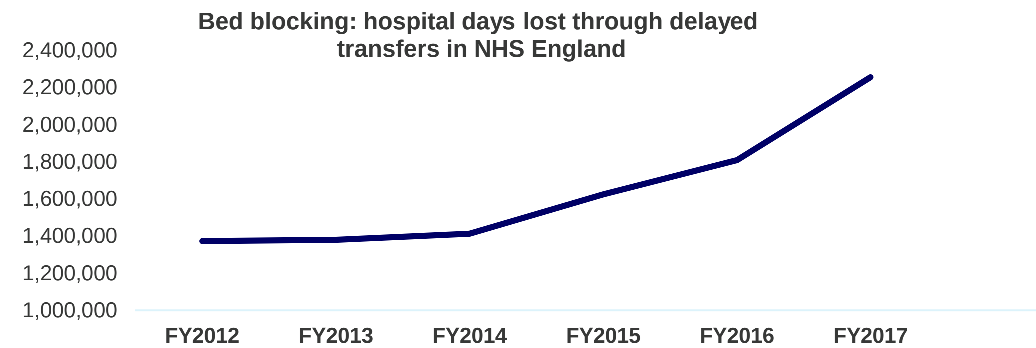
Source: "Care of Older People", 27th and 28th Editions, LaingBuisson

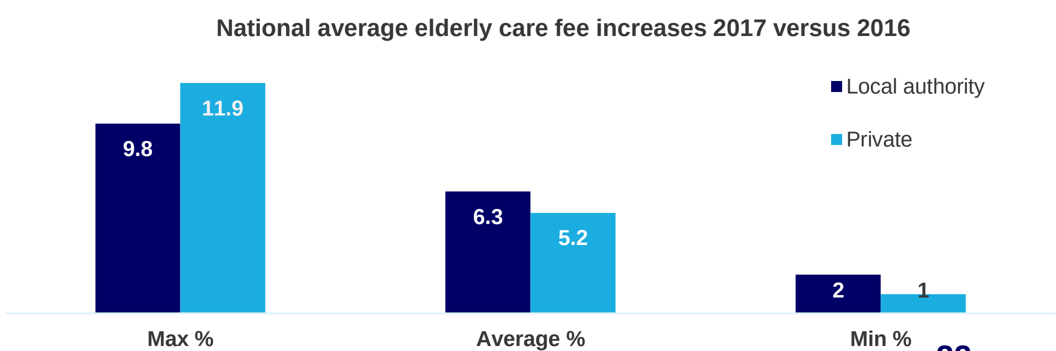
Fees are rising faster than inflation

IMPACT Healthcare REIT

- The government has a legal obligation to provide care for the elderly
- A combination of rising demand, not enough supply and the need to reduce pressure on the NHS has led the government to announce a series of initiatives to increase funding for elderly care over the past two years:
  - A Social Care Precept, under which local authorities can increase council tax levels by up to 2% for each year between 2016/17 and 2019/20
  - In December 2016, the government adjusted the Social Care Precept enabling local authorities to bring it forward by raising council tax by up to 3% in 2017/18 and 2018/19. The Treasury estimates this could produce an additional £2 billion a year by 2019/20
  - An improved Better Care Fund which will provide an additional £4.4 billion between 2017/18 and 2019/20
  - A new Adult Social Care Support Grant which will provide £240m to local authorities in 2017/18







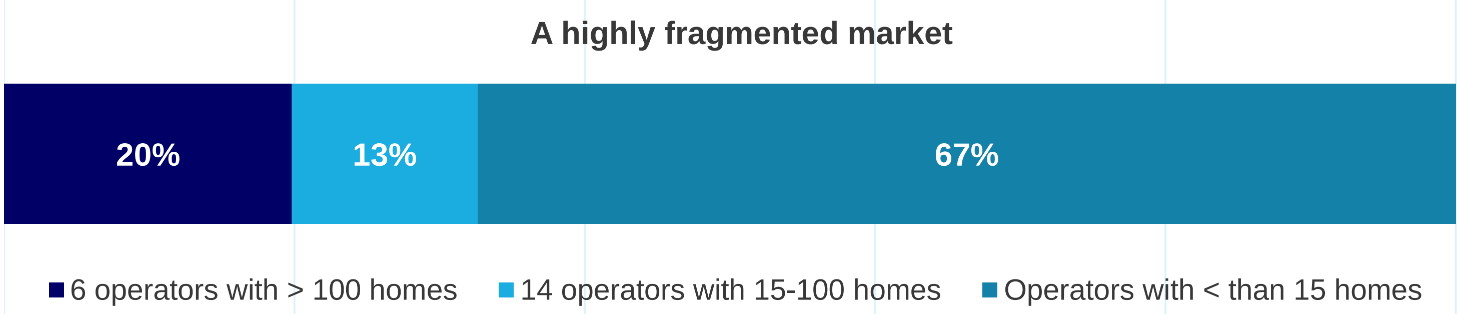
Sources: House of Commons Library; NHS England; and Christie % Co FOI (2017) and Operator Surveys (2016 and 2017)

Investment opportunities

Freeland House

The market opportunity

IMPACT Healthcare REIT



Category	Yield range	Multiple range	Price per bed
Super prime Best in class, high value location	4.25% - 4.75%	> 12	> £250k
Prime Modern purpose built, fully compliant	5.00% - 6.00%	> 9	> £125k
Tier 1 Older purpose built, single rooms	6.00% - 7.50%	> 7	> £70k
Tier 2 Mixed converted/extended, part ensuite	9.00% - 10.00%	> 6	> £40k
Obsolete Small low value conversions, compliance issues	No market	> 5	Up to £40k
Specialist care	> 5.50%	> 8	N/A
Hospitals – prime	5.00% - 5.75%	> 10	N/A

Sources: CBRE United Kingdom healthcare: demand dramatically outstripping supply, December 2017; and Laing Buisson 2016

Investment opportunities

- Impact Health Partners, the Company's Investment Adviser, is reviewing potential acquisition opportunities which together comprise over 23,000 beds

- Seeking portfolios with new tenants who can demonstrate they:
  - Have a consistent track record of delivering high quality care, demonstrated by regulatory performance (CQC)
  - Are financially strong with good levels of EBITDARM margin and hence sustainable rent cover
  - Can identify opportunities to enhance and reposition homes through well-planned capex
  - Want to expand their businesses in partnership with a supportive landlord

- Preference for portfolios over single assets:
  - Potential to reduce NAV drag through reduced level of SDLT
  - Can negotiate lower entry valuations
  - Will consider single asset transactions in order to establish relationship with a new tenant

- The Investment Adviser is confident that, through taking a selective and disciplined approach to acquisitions, it will deliver growth which is accretive and will be announcing further acquisitions shortly

Conclusion and outlook

Littleport Grange

Delivery against objectives

IMPACT Healthcare REIT

Investment objective	Status	Impact portfolio
Our target dividend for the first 12 months from admission equates to a yield of 6% per annum on the issue price, on an ungeared basis.	✓	We declared and paid three dividends totalling 4.5p per share for the three quarters to 31 December 2017 without using leverage, in line with our target.
We aim for our dividends to be covered by ordinary earnings.	⊖	Paid and declared dividend 98% covered by adjusted earnings per share. The dividend on the original IPO share placement was fully covered by adjusted earnings per share, after excluding the impact of the November share placing, whose proceeds had not been invested by the period end.
We have a conservative gearing policy. Borrowings as a percentage of our gross assets may not exceed 35% LTV at the time of drawdown.	✓	The Group was ungeared at 31 December 2017. We continue to engage with finance providers for debt facilities within these gearing limits and we are seeking to align this funding with future acquisitions.
After acquiring the seed portfolio and some of the optional assets, we targeted annual rent receivable from our initial tenants of between £11.0 million and £11.6 million.	✓	Our rent roll at the period end was £11.9 million, comprising £11.6 million base rent plus a further £0.3 million in relation to rent from funded capital improvements.
Minimise cash drag.	⊖	We invested 95% of our net IPO proceeds within two months of admission, with cash rent calculated from the admission date. 98% invested by June and committed the remainder to fund income-increasing asset management initiatives. We raised a further £32.6 million in November 2017 and committed to an acquisition of 234 beds for £17.0 million in January 2018. Other acquisitions are being actively pursed.
We manage risk by owning a diversified portfolio, with no single asset exceeding 15% of the Group's total gross asset value.	✓	The largest single asset is Freeland, which was valued at £11.69 million at the period end, equating to 7.5% of our gross asset value.
We also manage risk by limiting our exposure to our tenants 'customers. No single customer paying for care provided in our assets can account for more than 15% of our tenants' aggregate revenues.	✓	The largest single customer paying for care represents only 8.2% of the aggregate revenues of the tenant which leases the assets.
We grant leases that are linked to the Retail Prices Index (RPI), have an unexpired term of at least 20 years and are not subject to break clauses. We seek to amend any leases we acquire to obtain similar terms.	✓	The initial portfolio is leased on 20-year terms, with no break clauses and upward-only rent increases at RPI, with a floor of 2% and a cap of 4%. The portfolio acquired from Prestige Care Group after the period end (see the Investment Advisers' Report) is let on substantially similar terms.
We will not speculatively develop assets, which means we will not develop a property which has not been leased or pre-leased.	✓	We did not undertake any speculative development in the period.
We may invest in forward funding agreements or forward commitments to pre-let developments, where we will own the completed asset.	✓	The 92 additional beds approved during the period, for development at existing assets, will enhance our rental income under a forward funding agreement through which we fund the tenant's capital expenditure at a cost to the tenant of 8% per annum.

✓ Achieved ⊖ Partially met ⊗ Not met

Outlook

- Market fundamentals are supportive: growing and undersupplied market that is highly fragmented
- Current tenants have an established track record of providing quality care
- Attractive target returns: 6% p.a. target dividend with potential for NAV growth from asset management initiatives
- Strong and long-term lease structure: 20 years with option to extend; no break clauses; annual, upwards only rent reviews at RPI with a floor and cap of 2%/4%
- Selective, low risk asset management potential to current portfolio and Prestige
- Growth in the rent roll: the first rent uplift on the seed portfolio came into effect on 7 March 2018, increasing rent from £11.9 million to £12.4 million; Prestige will add a further £1.2 million to the rent roll
- Gearing opportunities are being advanced but will remain within the conservative investment policy parameters (maximum 35% LTV)
- Good potential for accretive growth through selective and disciplined acquisitions

Q & A


Westhaven


Freeland


Littleport Grange


Littleport Grange


Duncote The Lakes


Duncote Hall