



Impact Healthcare REIT plc

Annual results for the period to
31 December 2018



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Agenda and presentation team



Agenda

- Company overview
- Key financials
- Market update
- Portfolio review
- Enhancing the portfolio
- Conclusion and outlook
- Q&A

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 a chartered accountant. Real estate investment experience gained at Grosvenor and Europa Capital



IMPACT
Healthcare REIT

Company overview

Company overview



- UK only healthcare REIT
- 2018 a year of sustained and accretive growth
- Delivery on targets set at IPO – seven quarterly dividends of 1.5p paid
- New progressive dividend policy and total return target
- Premium listing on Main Market from February 2019
- Strong governance with very experienced non-executive directors
- 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

2018 financial highlights



Delivering growth

- Number of beds increased by 43% since IPO¹
- Rent roll increased by 57% in same period

£16.5m

Profit before tax

£17.8m

Contracted rent roll at year end

Progressive dividend policy

- Dividends paid in 2018 108% covered by EPRA earnings / 85% by adjusted earnings
- 2019 dividend target of 6.17p per share

6.0p

Dividends paid

6.5p

EPRA earnings per share

Attractive risk-adjusted returns

- £223.8m portfolio valuation
- 2.5p per share growth in NAV

103.2p

NAV per share

+8.5%

Net asset total return

Robust balance sheet

- Maximum LTV: 35%
- Undrawn debt: £49m²

£26.0m

Debt drawn at year end

11.6%

LTV at year end

¹ 7 March 2017

² Includes £25m revolving credit facility signed post balance sheet

2018 operational highlights



Greater diversification

- Added more tenants during the year
- Continued geographic diversification

+4

New tenants

+15

Homes acquired

Asset management initiatives

- Since IPO committed capital to add 188 beds through extensions
- 96 beds completed in 2018

£15.4m

Capital committed

8.4%

Yield on committed capital

Strong lease structures

- Leases' minimum fixed term 20 years
- No break clauses
- Annual inflation uplift in 100% of leases

WAULT

19.5 years

+£0.5m

Rent reviews during the year

Solid tenant performance

- Detailed monitoring of tenant performance
- None of current tenants has any bank debt

1.8x

Portfolio rent cover in Q4

Key financials

Littleport Grange

Statement of comprehensive income



	For the year/period ended	
	31 Dec 2018	31 Dec 2017
	£'000	£'000
Net rental income	17,306	9,392
Administration and other expenses	(4,270)	(2,318)
Operating profit before changes in fair value	13,036	7,074
Changes in fair value of investment properties	4,134	2,378
Operating profit	17,170	9,452
Net finance expenses	(593)	6
Changes in fair value of interest rate derivatives	(105)	-
Profit before taxation	16,472	9,457

Earnings per share	8.57p	5.82p
EPRA earnings per share	6.47p	4.35p
Adjusted earnings per share	5.07p	4.39p
Dividend declared or paid for the year	6.00p	4.50p

Rental income		
	Dec-18	Dec-17
	£'000	£'000
Cash rent	13,866	9,453
rent in advance of receipts	3,443	(61)
Net insurance costs	(3)	-
Net rental income	17,306	9,392
Contracted rent	17,779	11,862

Expenses		
	Dec-18	Dec-17
	£'000	£'000
Underlying admin expenses	3,528	2,318
One-off abort costs	742	-
Admin and other expenses	4,270	2,318
Total expense ratio (TER)	1.80%	1.74%
TER (incl. one off costs)	2.17%	1.74%
EPRA cost ratio	24.69%	24.68%

Statement of financial position



	As at			
	31 Dec 2018	31 Dec 2017		Variance
	£'000	£'000		
Investment property (independent market value)	223,845	156,165	↑	43.3%
Cash and cash equivalents	1,470	38,387		
Rent smoothing net assets	-	-		
Other assets (excl. rent smoothing)	587	119		
Bank borrowings	(24,709)	-		
Other liabilities (excl. rent smoothing)	(3,333)	(1,221)		
Net assets	198,337	193,450	↑	2.5%

Net asset value per share	103.18p	100.65p	↑	2.5%
EPRA net asset value per share	102.94p	100.65p	↑	2.3%
Net asset value Total Return ¹	8.47%	7.19%		
Loan to Value	11.6%	-		

Investment property:

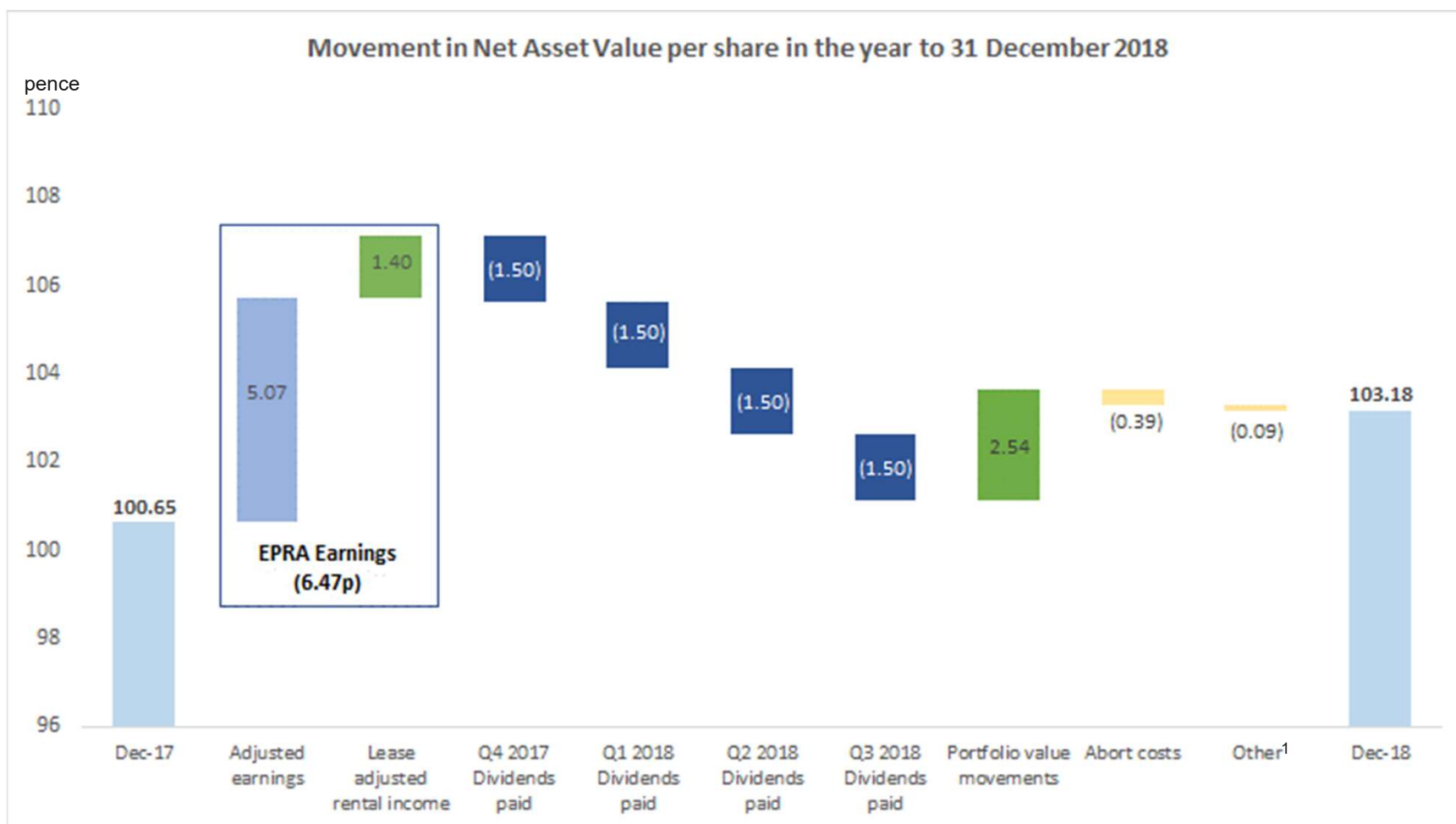
	£'000	Movement	Properties
31 December 2017	156,165		57
Acquisitions	55,436	35.4%	15
Capital improvements	4,667	3.0%	-
Revaluation movement	7,577	4.9%	-
31 December 2018	223,845	43.3%	72

Rent smoothing:

	Dec-18	Dec-17
	£'000	£'000
Adjustment in fair value	(3,382)	61
Rent in advance of receipts	5,248	1,651
Receipts in advance of rent	(1,866)	(1,712)
Rent smoothing net assets	-	-

¹ Calculated as sum of growth in NAV plus dividends paid in the 12 month period to 31 December 2018 and the annualised equivalent for the period to 31 December 2017

NAV bridge



¹ Includes movement in fair value of interest rate derivatives and capitalised costs associated with November 2017 share issuance incurred in 2018

Our market



Freeland House

Compelling demographic drivers

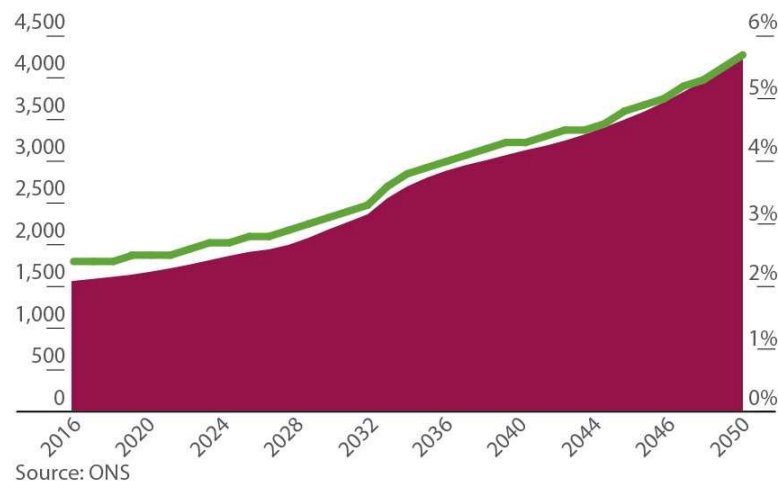
Demand is expected to grow substantially as the population ages

Demand

- Number of people in UK over 85 forecast to double by 2040
- Today 15% of people aged over 85 require a level of care which can only be provided in a care home or hospital
- Research commissioned by Department of Health and Social Care forecast a 78% increase in demand for beds by 2035 in England

Population over 85 forecast to double in next 20 years

- People aged >85 as a % of total UK population
- UK population aged >85 (million)

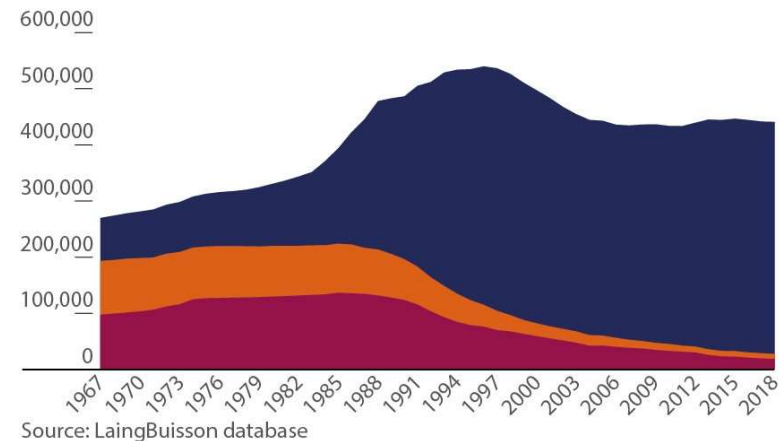


Supply

- The number of available beds for elderly care has declined by 17% from its peak of 563,100 in 1996, to 464,800 in 2018
- The public sector has largely withdrawn from providing care beds
- Pressure on the NHS from bedblocking is leading to numerous initiatives to move elderly patients from hospitals to care homes

Capacity has declined over 20 years

- Local authority and NHS care homes
- NHS geriatric and EMI hospital long-stay
- Independent sector care homes



UK care home market key statistics

**465,000 beds available
for residential elderly
care**

**£16.9 billion spent on
residential elderly care
in year to April 2018**

**90% of available beds
provided by private
sector**

Care Home Segments

Super Prime

High value,
premium location



Prime

Modern purpose
built



Tier 1

Older purpose
built



Tier 2

Mixed converted/extended



Net initial yield

4.0 - 4.5%

5.0 - 6.0%

6.0 - 7.5%

9.0 - 10.0%

Value per bed

>£300k

>£150k

>£70k

>£40k

Portfolio review

Freeland

Portfolio overview

Long-dated and inflation-linked income and capital growth from UK healthcare real estate

£224 million

Portfolio value

72

Care homes

3,433

Beds across the UK

£17.8m

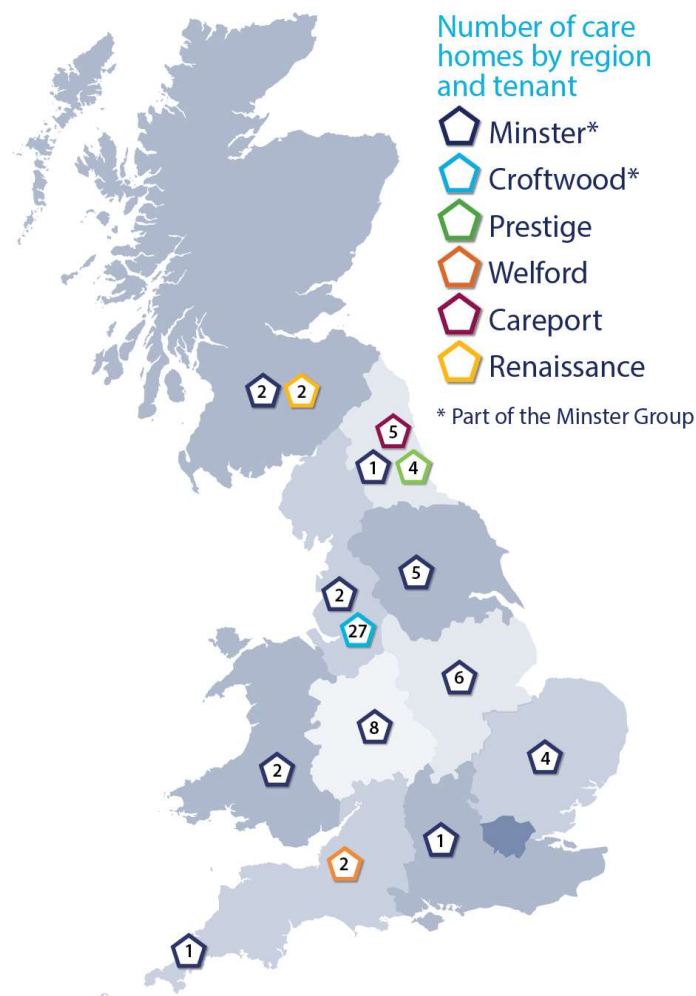
Contracted rent¹

19.5 years

Weighted average
unexpired lease term

6 tenants

National and
strong local operators



¹ As at 31st December 2018

Strong lease structures

Strong lease structures generate attractive, predictable and long term income:

- Long fixed term: Minster, Croftwood, and Welford 20 years; all other tenants 25 years
- Options to extend
- No break clauses
- Upwards only annual rent reviews at RPI, with a floor of 2% and cap of 4%
- Full repairing and insuring leases
- Tenants responsible for maintaining homes and have committed to a minimum level of expenditure per bed on maintenance annually, rising with RPI
- Individual leases at home level to ensure all lease terms are enforceable, reinforced by a master lease (“framework agreement”) with each tenant¹
- Penalties if rent cover falls below agreed levels and ability to change the tenant for under-performance even if rent has been paid in full

¹ No framework agreement in place with Welford at present as only 2 homes (on one site) are currently operated by this tenant

Robust operating performance from existing tenants



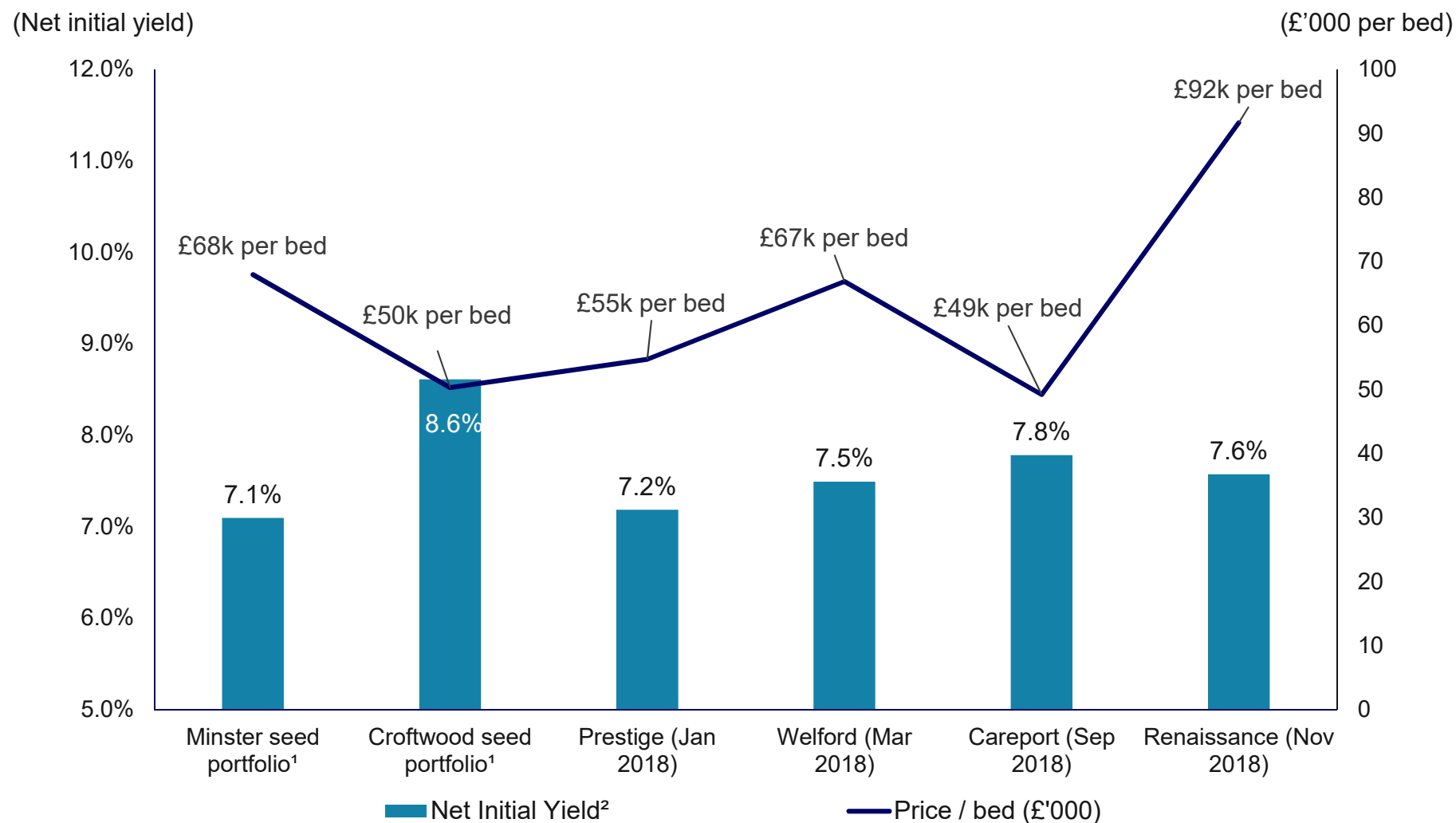
Metric		Impact ¹	National average ²
Number of homes		72	
Rent cover (EBITDARM/rent)	3M to Dec-18	1.80x	
CQC ratings³			
	Outstanding	1.5%	3.7%
	Good	69.7%	70.8%
	Requires Improvement	28.8%	23.6%
	Inadequate	0.0%	1.9%
Net initial yield	2019	7.4%	
Public / private fee split			
	Public	69%	
	Private	31%	

¹ Data as at 31 December 2018 unless otherwise stated

² Source: CQC register of homes in England with more than 30 beds

³ As at 1 March 2019

Active asset acquisition programme



Source: Company information

¹ Minster and Croftwood are both part of the Minster Group

² Net Initial Yield defined as rental income at acquisition divided by purchase price net of acquisition costs

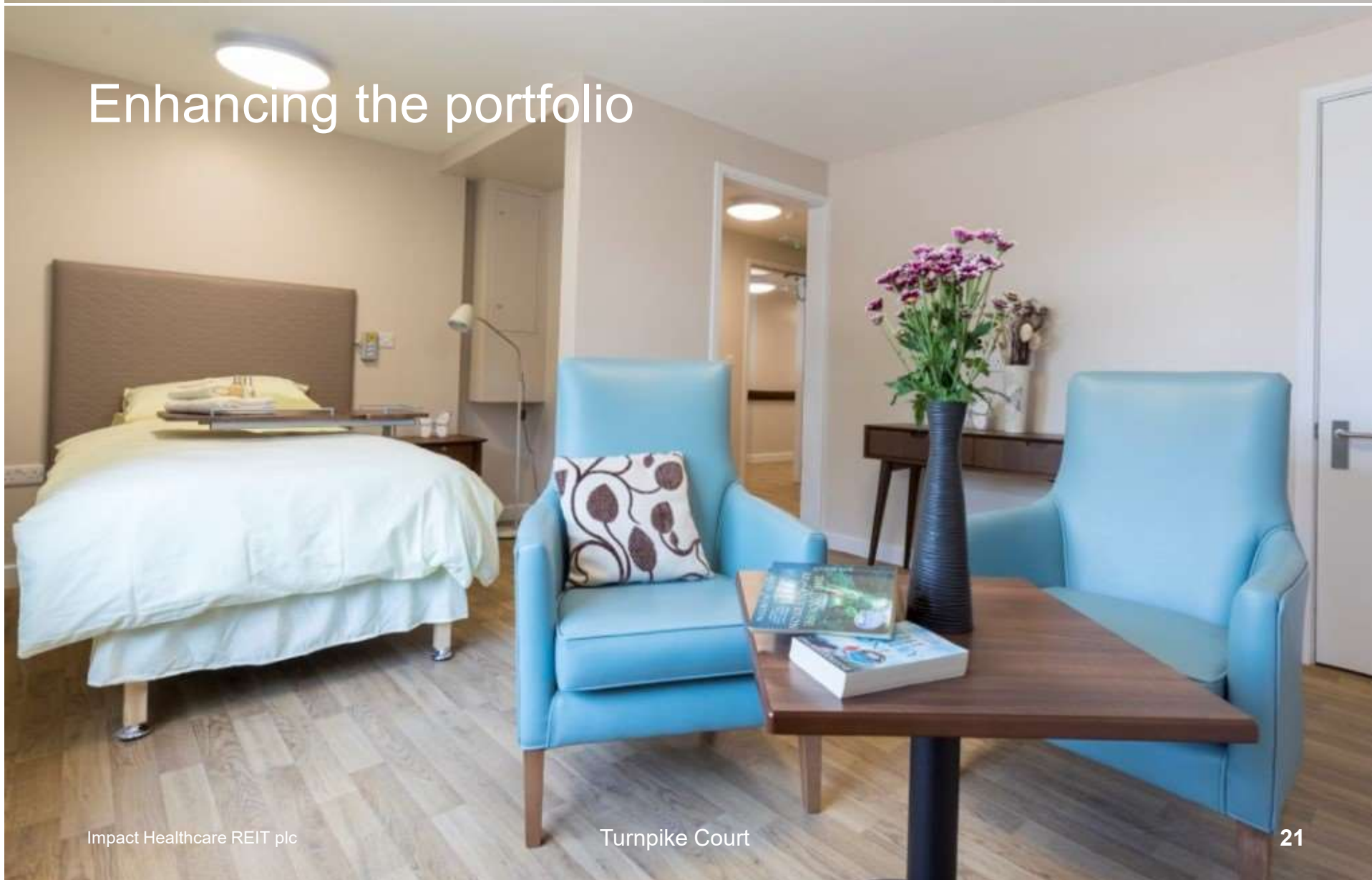
Attractive investment pipeline



	Transaction	Number of homes	Location	New tenant
▪ Disciplined approach to new acquisitions	A	1	South-West	No (Welford)
▪ Strong focus on quality of new tenants, looking for:	B	3 ¹	North-West	Careport + new tenant
▪ Track record of providing good quality care	C	4	North-East	Yes
▪ Consistent operating margins	D	2	South-East	Yes
▪ Strong balance sheet	E	9	North	Yes
▪ Experience of improving homes	F	3	National	Yes
▪ Ambitious to expand in partnership with us	G	7	National	Yes
▪ Reviewed potential transactions under NDA with > 27,500 beds, of which have acquired so far < 4%	H	10	National	Yes
▪ Currently working on opportunities worth in excess of £400 million	I	13	South-East	Yes
	J	8	South-East	Yes
▪ Lawyers instructed on four transactions	K	1	North-East	No (Welford)
	L	61	National	Yes

¹ One unit is a care home currently operated by Careport. Two units are leased to the NHS

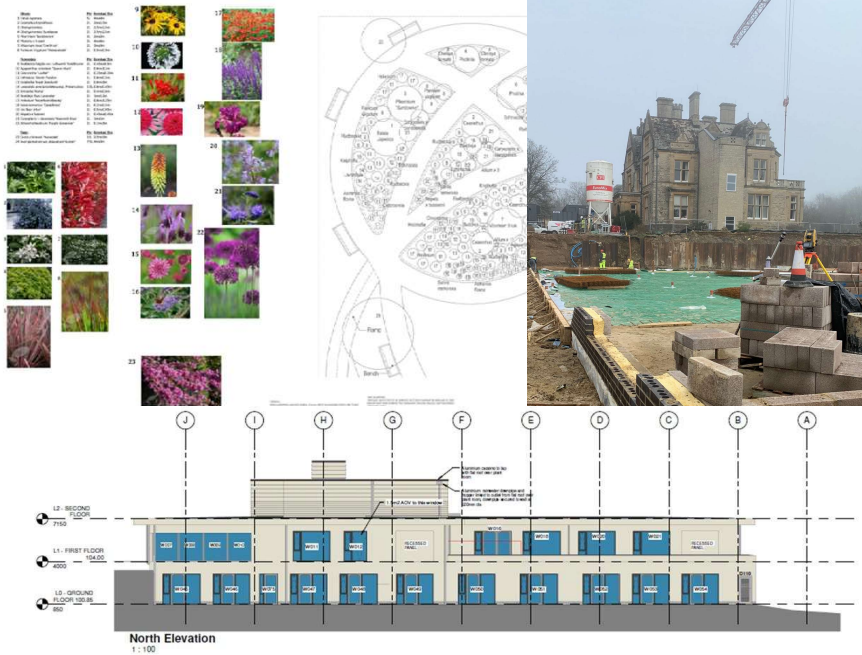
Enhancing the portfolio



Adding value through active asset management

Freeland House

- New 46 bedroom extension with link to existing home on site
- All bedrooms are single en suite wet rooms
- Mix of internal and external day spaces, as well as a new landscaped garden
- Due to complete in December 2019



Littleport Croft

- An extension to an existing home (Littleport) built in 2018
- Self-contained 21 bed unit for residents with dementia
- Received its first residents in November 2018



Active asset management pipeline

- Since IPO £15.4million committed to deliver **188 new beds** through extending existing homes
- Committed capex expected to deliver attractive risk-adjusted returns: **8.4% yield on invested capital**
- Potential to add > **300 additional beds** to existing portfolio
- No greenfield development

Home	Tenant	Capex (£m)	Beds added	Rent increase (£k)	Status	Description
Turnpike	Croftwood	0.92	25	78	Completed	Conversion of closed supported living unit to care beds
Littleport	Minster	2.17	21	185	Completed	Development of a new dementia unit
Ingersley	Croftwood	0.20	12	16	Completed	Conversion of closed supported living unit to care beds
Parkville II	Prestige	2.17	38	188	Completed	Conversion of a closed building to a new dementia unit
Garswood	Croftwood	1.10	11	106	Underway	Reconfiguration and extension of home
Freeland	Minster	4.85	46	403	Underway	Development of a new dementia unit
Diamond House	Minster	2.65	30	228	Underway	Development of a new dementia unit
Loxley	Croftwood	0.60	5	48	Ready to start	Reconfiguration and extension of home
Amberley, Craigend, Duncote Hall and Falcon	Minster	0.69	N/A	55	Underway	Enhancement of day spaces and bathrooms
Total		15.4		1,307		

¹ Estimated deferred payment

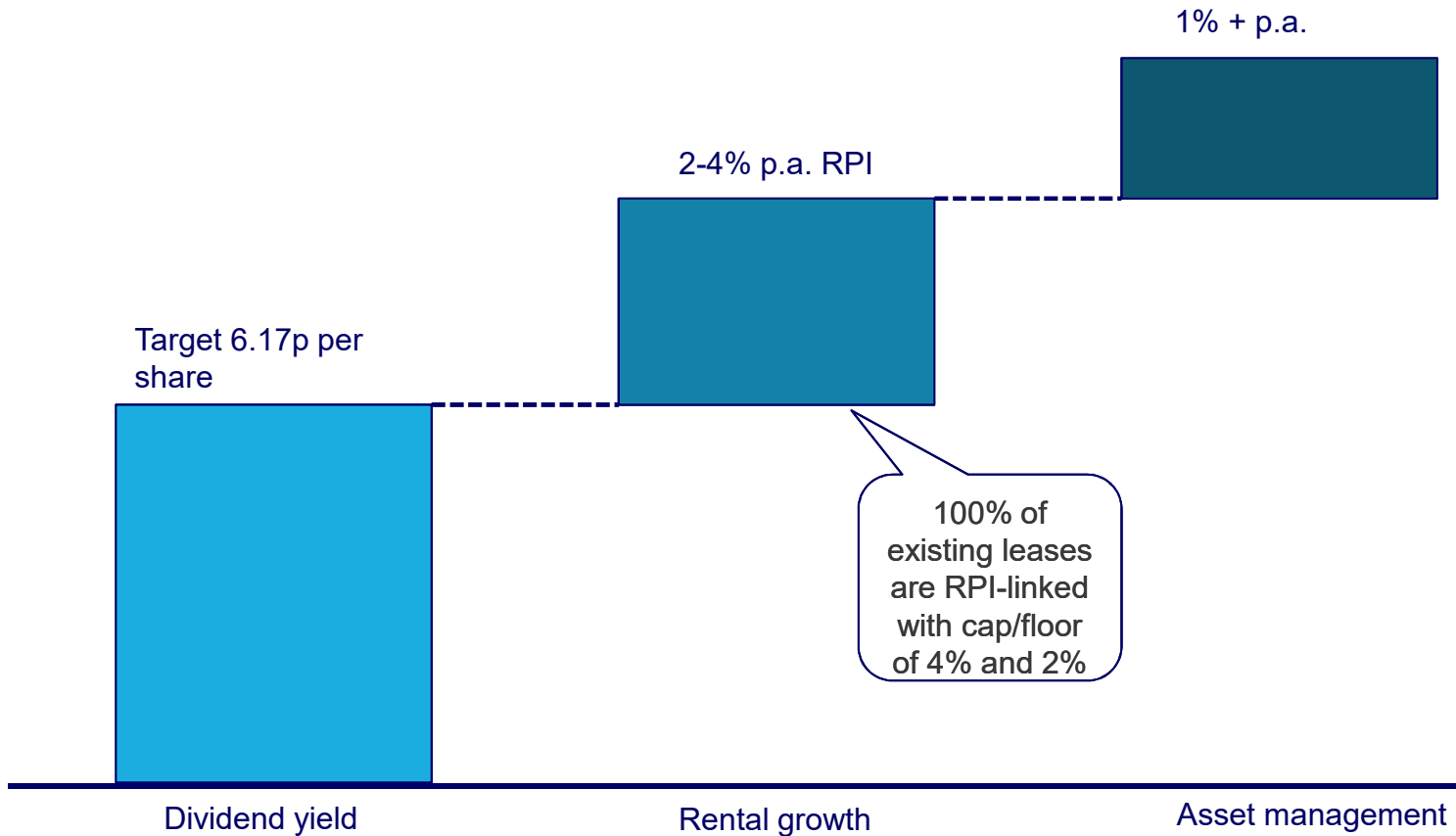


IMPACT
Healthcare REIT

Conclusion and outlook

Building Blocks of Total Return¹

Target 9% per annum from progressive dividend policy and asset management strategy



¹All figures in this analysis are based on management assumptions and do not represent a profit forecast

Summary

Positive fundamentals:
market has positive demographics

Portfolio:
diversified with potential for further accretive growth

Strong tenants:
experienced care providers, financially sound

Long leases:
long fixed terms, 100% inflation linked

Experienced management team: closely aligned with shareholders

Attractive returns:
progressive dividends, NAV growth and conservative B/S



- Prospectus for placing programme of up to 200m new ordinary shares published in February 2019
- Company well positioned for next phase of its growth

Q & A



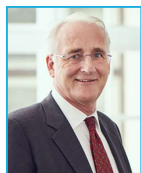
Term sheet



Issuer	<ul style="list-style-type: none"> Impact Healthcare REIT PLC
Market	<ul style="list-style-type: none"> Listed on the specialised fund segment of the Main Market of London Stock Exchange on 7 March 2017, transferred to the premium segment of the Official List on 8th February 2019
Current fund size	<ul style="list-style-type: none"> 192 million shares
Target dividend	<ul style="list-style-type: none"> Target dividend of 6.17 pence per share for 2019.
Gearing	<ul style="list-style-type: none"> The Company utilises prudent financing with a maximum LTV of 35% of gross assets
Valuation	<ul style="list-style-type: none"> Quarterly valuation by Cushman & Wakefield
Independent Board	<ul style="list-style-type: none"> Board comprised of 5 experienced Non-Executive Directors and is independent of the AIFM
Placing programme	<ul style="list-style-type: none"> Prospectus for a placing programme of up to 200 million new ordinary share published on 11 February 2019
Discount control	<ul style="list-style-type: none"> Share buy-back authority for up to 14.99% of issued share capital.
AIFM	<ul style="list-style-type: none"> Impact Health Partners LLP – Principals: Mahesh Patel and Andrew Cowley
Management commitment	<ul style="list-style-type: none"> Mahesh Patel £10m share holding in the Company. Other members of management and board hold £0.8m
Fees	<ul style="list-style-type: none"> Management fees: 1% of NAV payable to Impact Health Partners LLP reducing to 0.70% on NAV above £500m
Corporate brokers and other advisers	<ul style="list-style-type: none"> Winterflood Securities, RBC, Travers Smith and BDO

Impact board and company structure

The five experienced Non-Executive directors comprising the board provide strong corporate governance and close alignment to shareholders via a significant shareholding



- **Chairman: Rupert Barclay (independent non-executive)**
- Chairman of Sanditon Investment Trust and ex-chairman of audit committee of Lowland Investment Co. Ex-member of the Remco and audit committees of Instinet Group Inc.
- Qualified accountant, INSEAD MBA and Cambridge MA



- **Director: Amanda Aldridge (independent non-executive)**
- Former audit and advisory partner at KPMG LLP
- Extensive audit and advisory work including clients with significant property portfolios.
- Chartered accountant



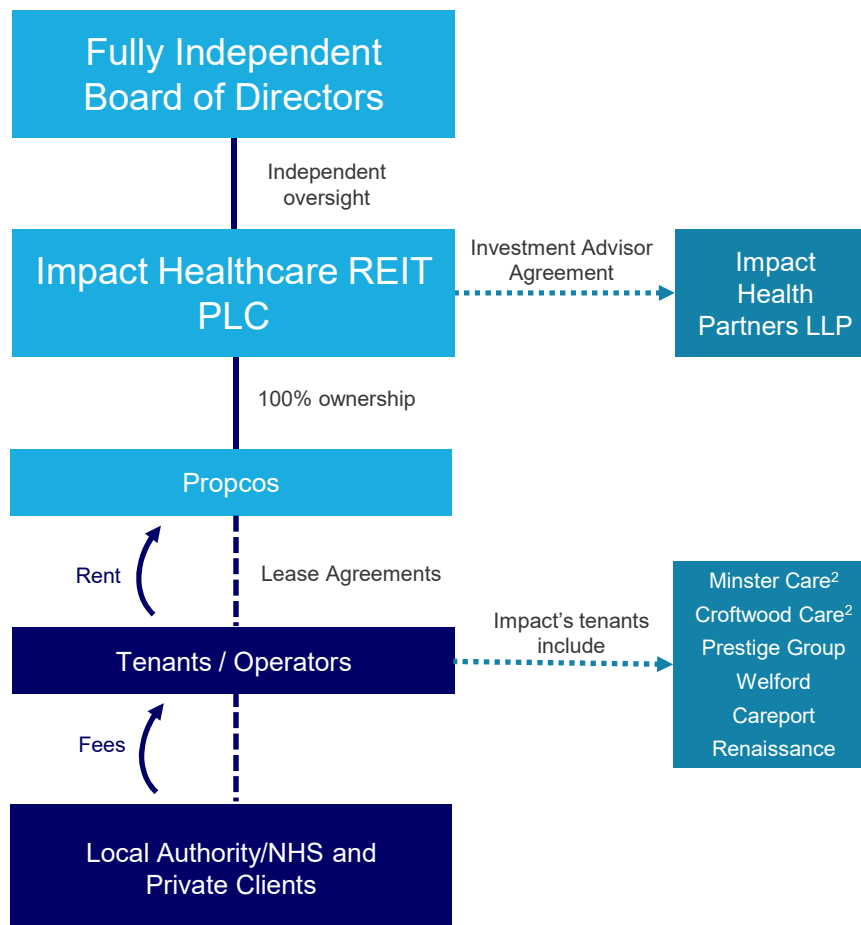
- **SID: Rosemary Boot (independent non-executive)**
- Former Executive Director of Circle Housing Group and Finance Director of the Carbon Trust. 16 years corporate finance experience at UBS Warburg. Currently non-executive director of Southern Water
- Cambridge MA



- **Director: Paul Craig (non-executive)**
- Portfolio manager at Old Mutual Global Investors. Over 20 years of investment experience
- Old Mutual Global Investors has a 20.6% interest in the Company through funds managed by Paul¹



- **Director: Philip Hall (independent non-executive)**
- Chairman of Jones Lang LaSalle's healthcare team in the UK. 20+ years' experience in the healthcare sector internationally. In 2011 acted for landlords in the restructuring of Southern Cross
- Chartered Surveyor with further qualifications in environmental sciences and town planning



Source: Company information

¹ As at 25 October 2018

² Minster and Croftwood are both part of the Minster Group