

# Impact Healthcare REIT plc

Interim results for the period to  
30 June 2019



# Agenda and presentation team

## Agenda

- Company first half overview
- Our market
- Portfolio overview
- Asset acquisitions and active asset management
- Key financials
- Conclusion and outlook
- Q&A

## Presentation team – Investment Manager

- **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

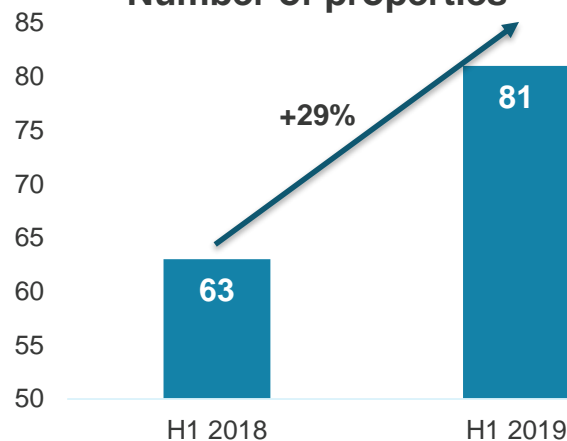
# Company first half overview

# Company overview

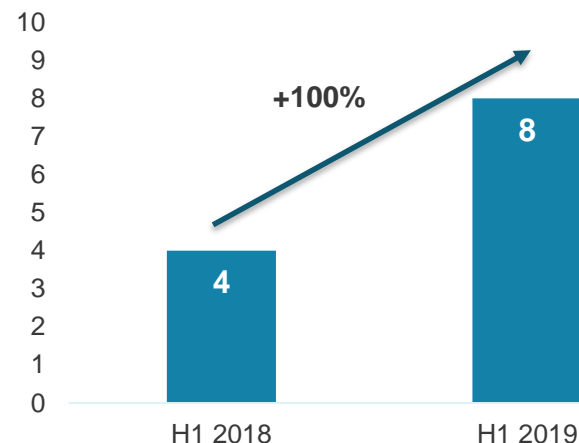
- Impact is a specialist REIT, which invests in UK-only healthcare real estate assets that our tenants use to provide essential services to their communities
- At 30 June 2019 Impact owned 81 properties, operated by eight tenants who pay us rent of £21.6 million per annum
- 100% of leases are inflation-linked. WAULT 19.6 years
- Successful delivery on new progressive dividend and total return target policies introduced at the beginning of 2019
- Proceeds from over-subscribed £100 million equity placing in May 2019 now 85% committed
- Strong first half results give company good momentum going into H2

# H1 2019 operational highlights

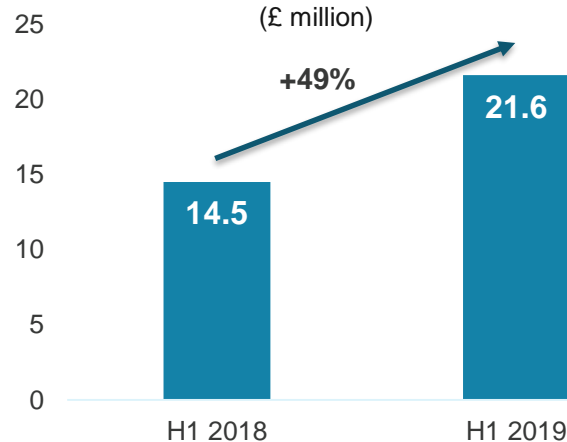
## Number of properties



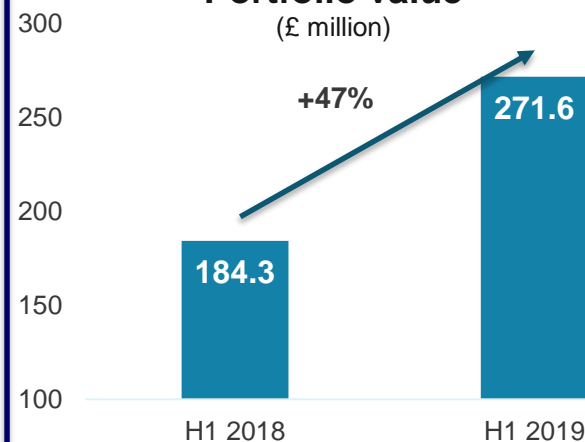
## Number of tenants



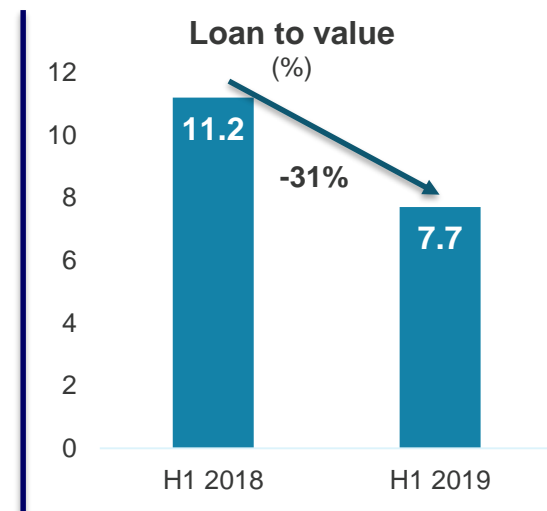
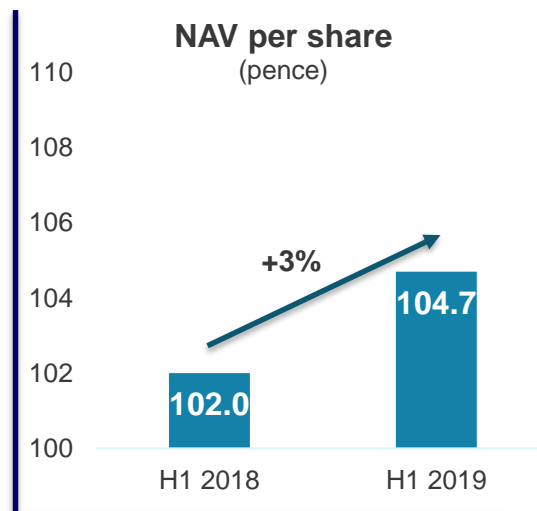
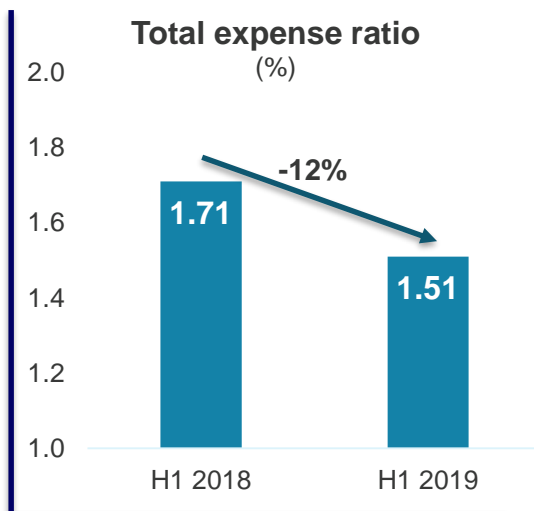
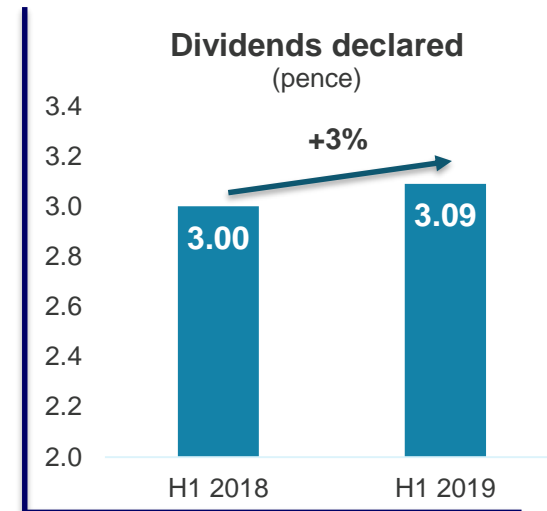
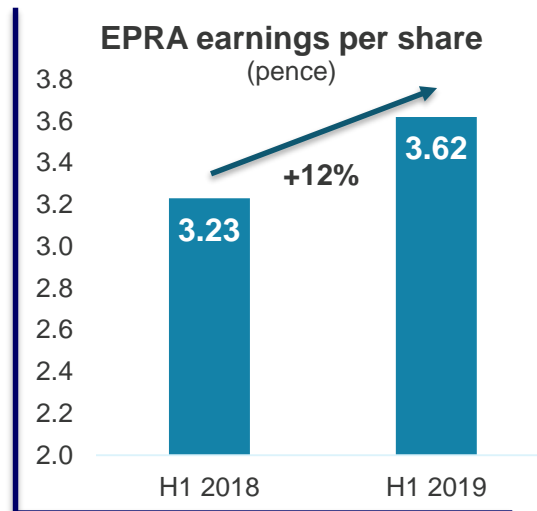
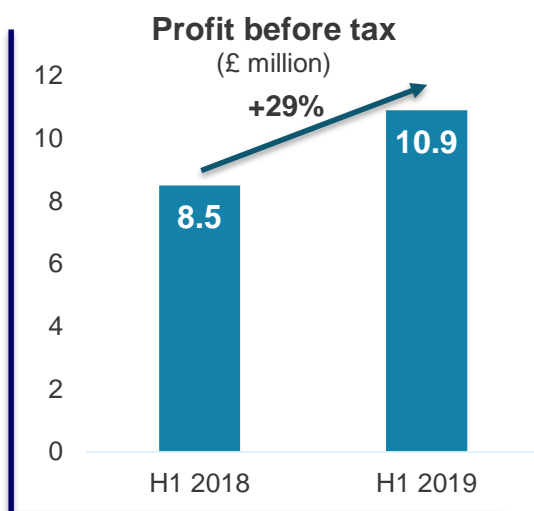
## Contracted rent roll (£ million)



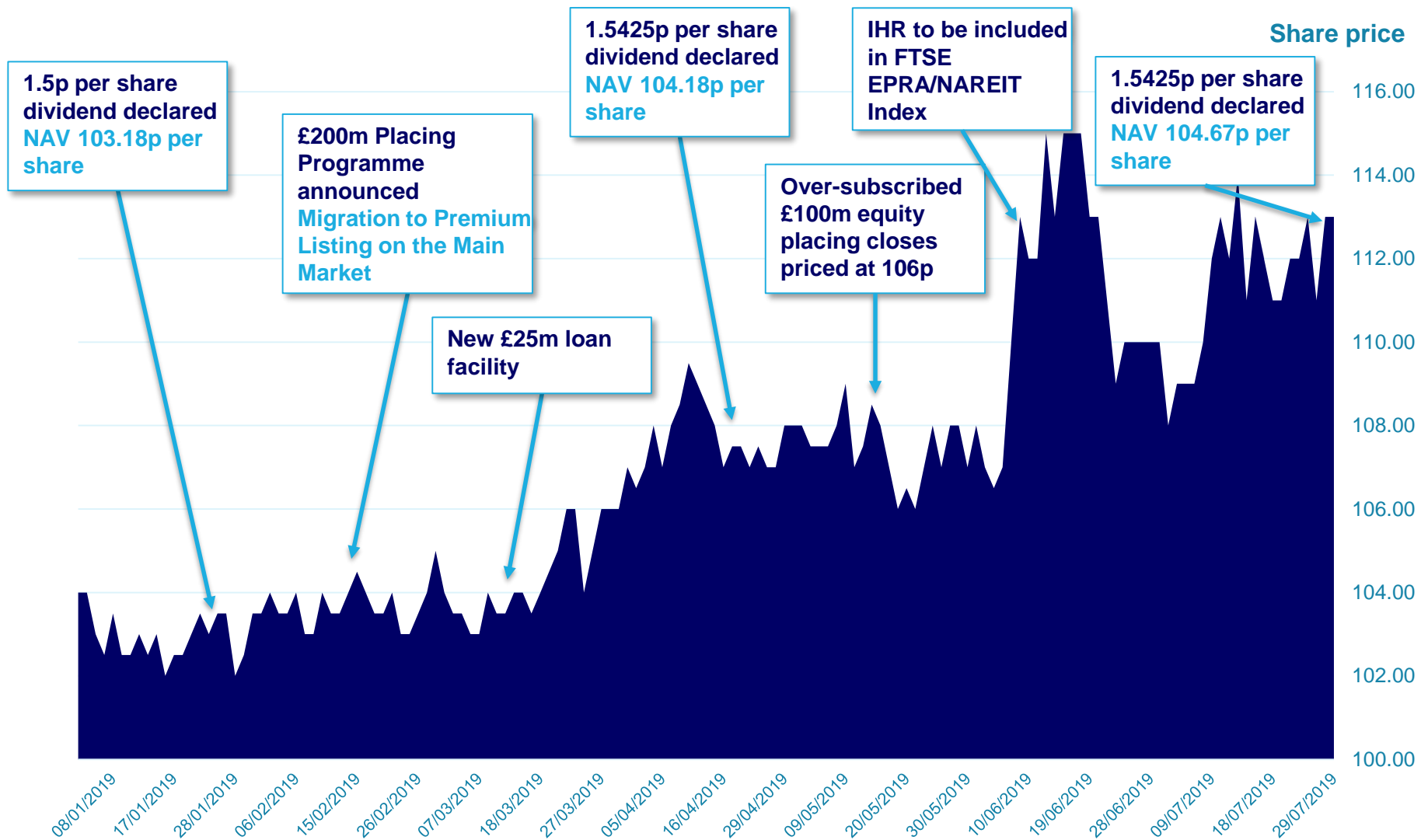
## Portfolio value (£ million)



# H1 2019 financial highlights



# H1 2019 financing highlights



# Post balance sheet highlights

- Completed the acquisition of three homes which are now leased to existing tenants: Holmesley in Devon and Argentum in North Somerset, both leased to Welford; and Old Prebendal House in Oxfordshire leased to Careport
- Exchanged contracts to acquire two homes in Suffolk (Baylham and Barham) leased to our ninth tenant, Optima Care
- Once completed, these acquisitions will increase our number of properties to 86 and grow our contracted rent roll from £21.6 million at 30 June 2019, to £23.8 million



Old Prebendal House, Oxfordshire



Holmesley, Devon



Baylham, Suffolk



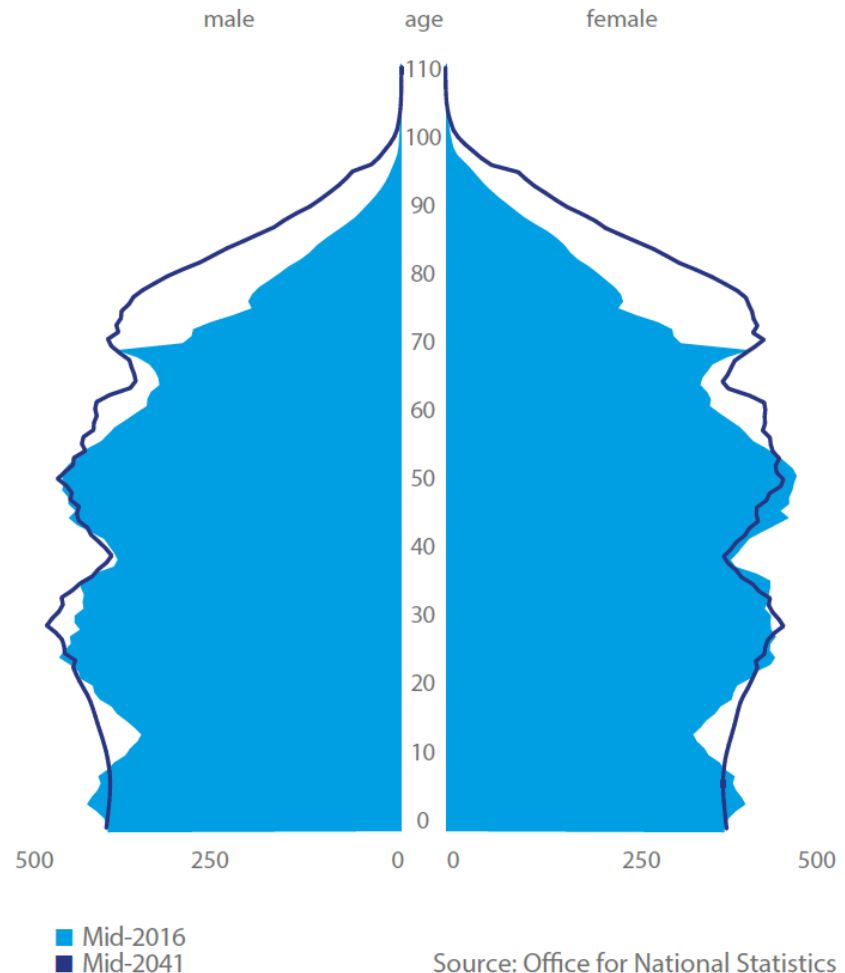
**IMPACT**  
Healthcare REIT

# Our market

# Growing demand for elderly care

- People aged over 85, the age group most likely to need care, are the fastest growing segment of the population
- Number of people over 85 in the UK forecast to double by 2041, from 1.6 million in 2016 to 3.2 million
- At the moment around 15% of people aged over 85 require a level of care which can only be provided in a hospital or a care home

Age structure of the UK population, mid-2016 and mid-2041

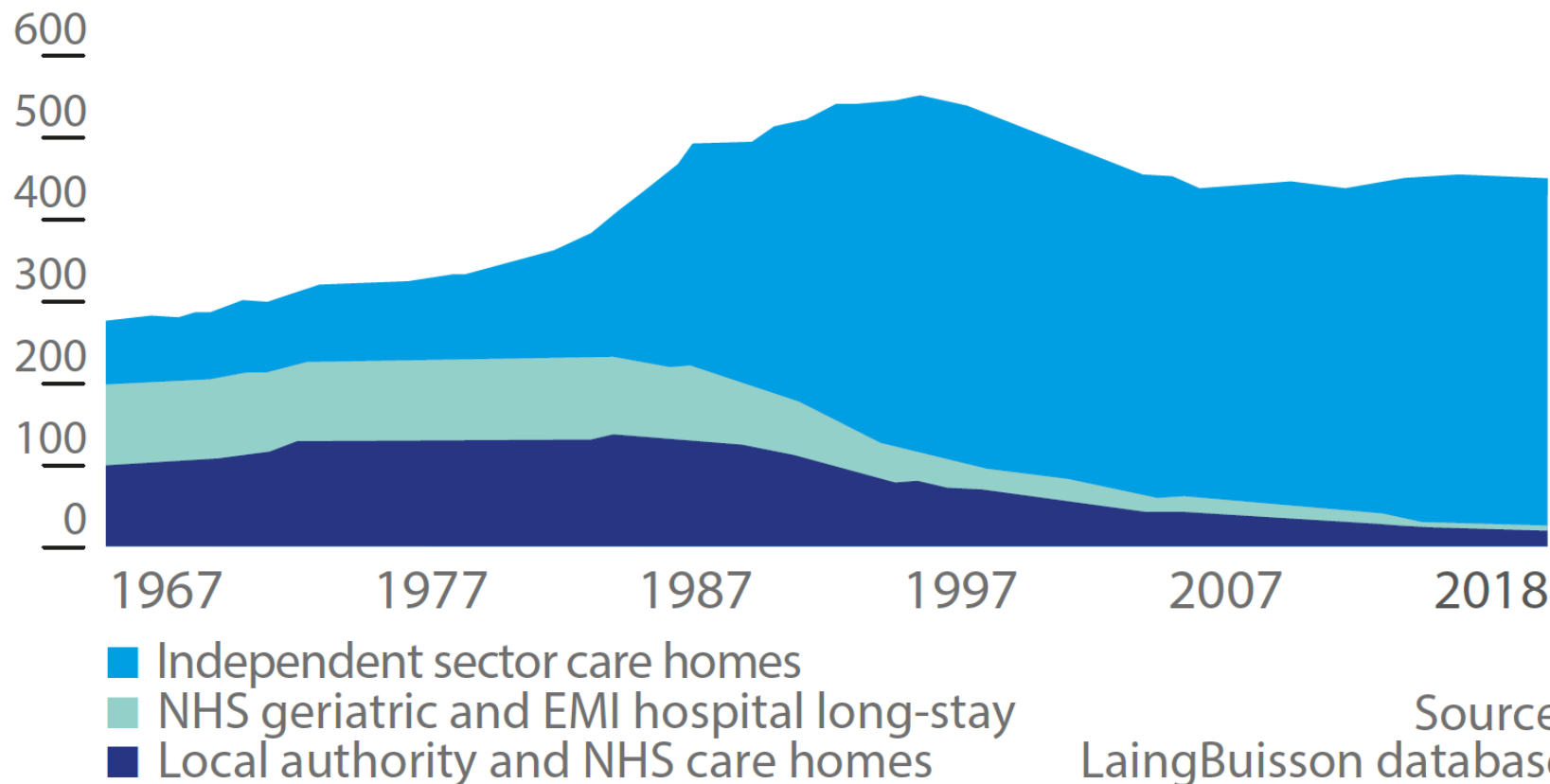


Source: Office for National Statistics

While capacity has declined by 17% from its peak in 1996

## Capacity has declined over 20 years

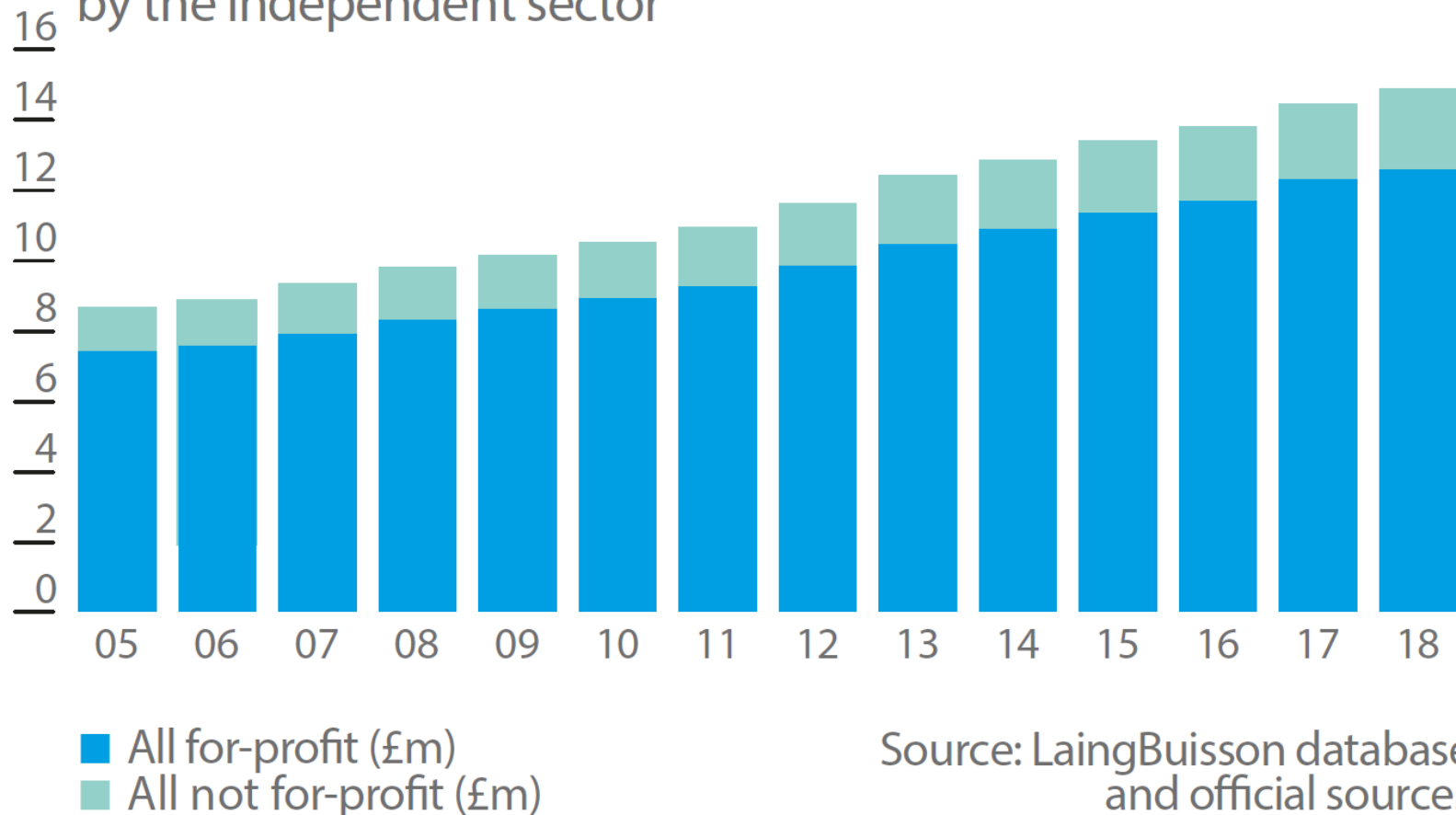
Number of average care beds for the elderly (000)



# A growth market for providers of care

## Market value of independent sector (£m 000)

Nursing and residential care of older people provided by the independent sector



Source: LaingBuisson database  
and official sources

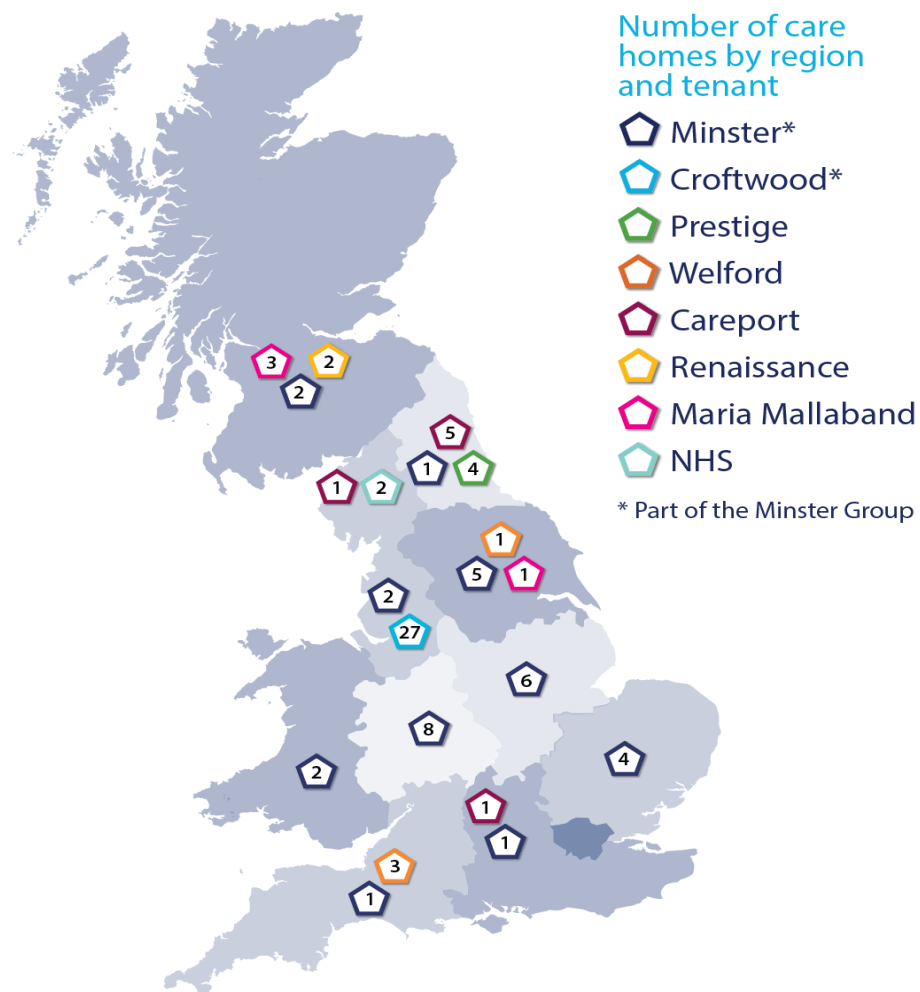
# Portfolio review



# Portfolio overview

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

<b>81</b>
Care homes <sup>1</sup>
<b>&gt;4,000</b>
Beds across the UK
<b>£21.6m</b>
Contracted rent <sup>2</sup>
<b>19.6 years</b>
Weighted average unexpired lease term
<b>8 tenants</b>
National and strong local operators



<sup>1</sup> Includes two medical units leased to the NHS. Does not include 4 homes exchanged post balance sheet

<sup>2</sup> As at 30<sup>th</sup> June 2019

# 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
- 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

# Robust operating performance from existing tenants

Metric		Impact <sup>1</sup>	National average <sup>2</sup>
<b>Number of homes</b>		81	
<b>Rent cover</b> (tenant EBITDARM/rent)			
	6M to June 2019	1.8x	
<b>CQC ratings<sup>3</sup></b>			
	Outstanding	6.3%	4.2%
	Good	68.4%	72.2%
	Requires Improvement	24.1%	21.5%
	Inadequate	1.3%	2.1%
<b>Portfolio net initial yield</b>			
	2019	7.5%	

<sup>1</sup> Data as at 30 June 2019 unless otherwise stated

<sup>2</sup> Source: CQC register of homes in England with more than 30 beds

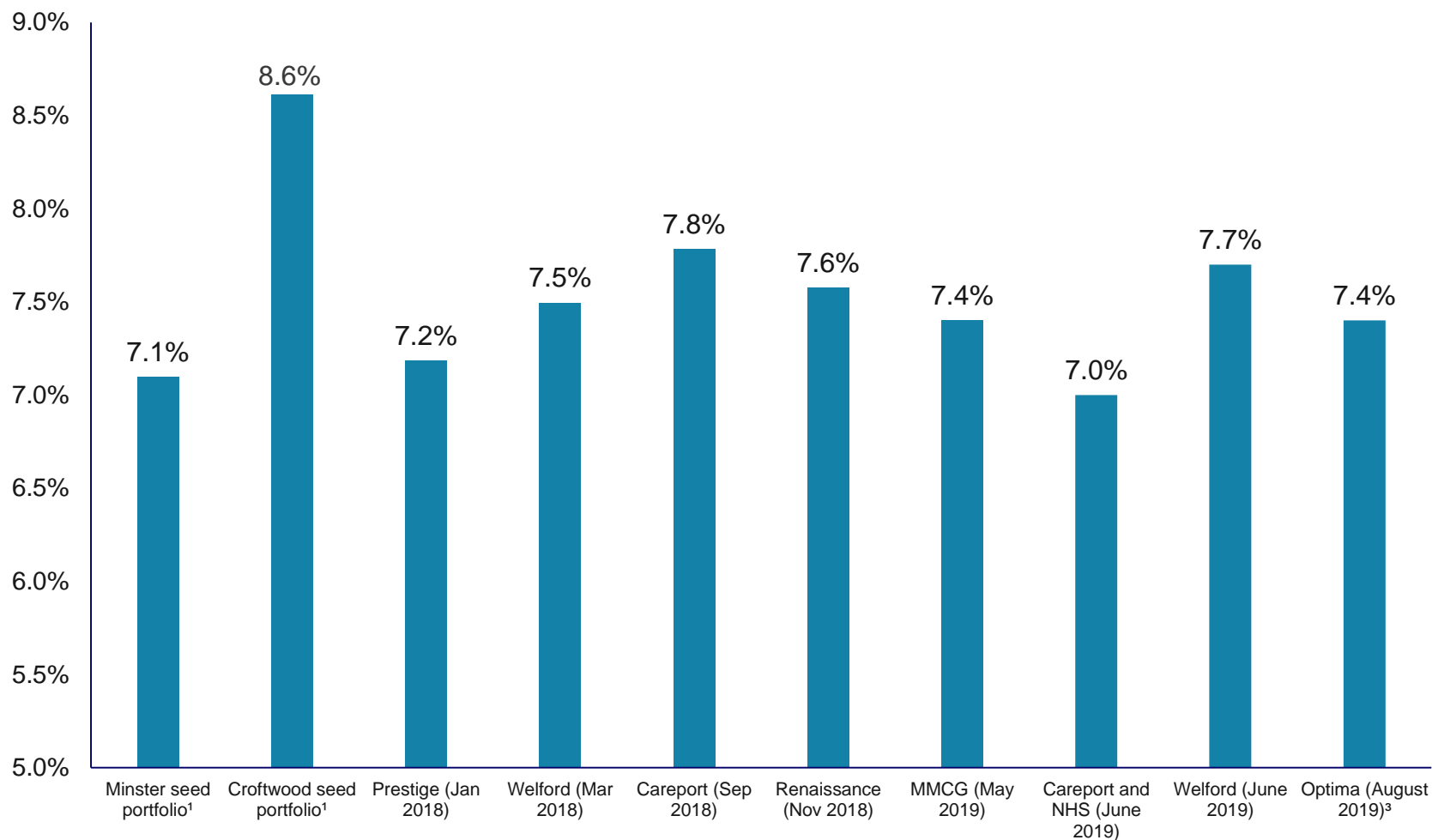
<sup>3</sup> As at 1 August 2019

# Asset acquisitions and active asset management



# Disciplined asset acquisition programme

(Net initial yield)



Source: Company information

<sup>1</sup> Minster and Croftwood are both part of the Minster Group

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

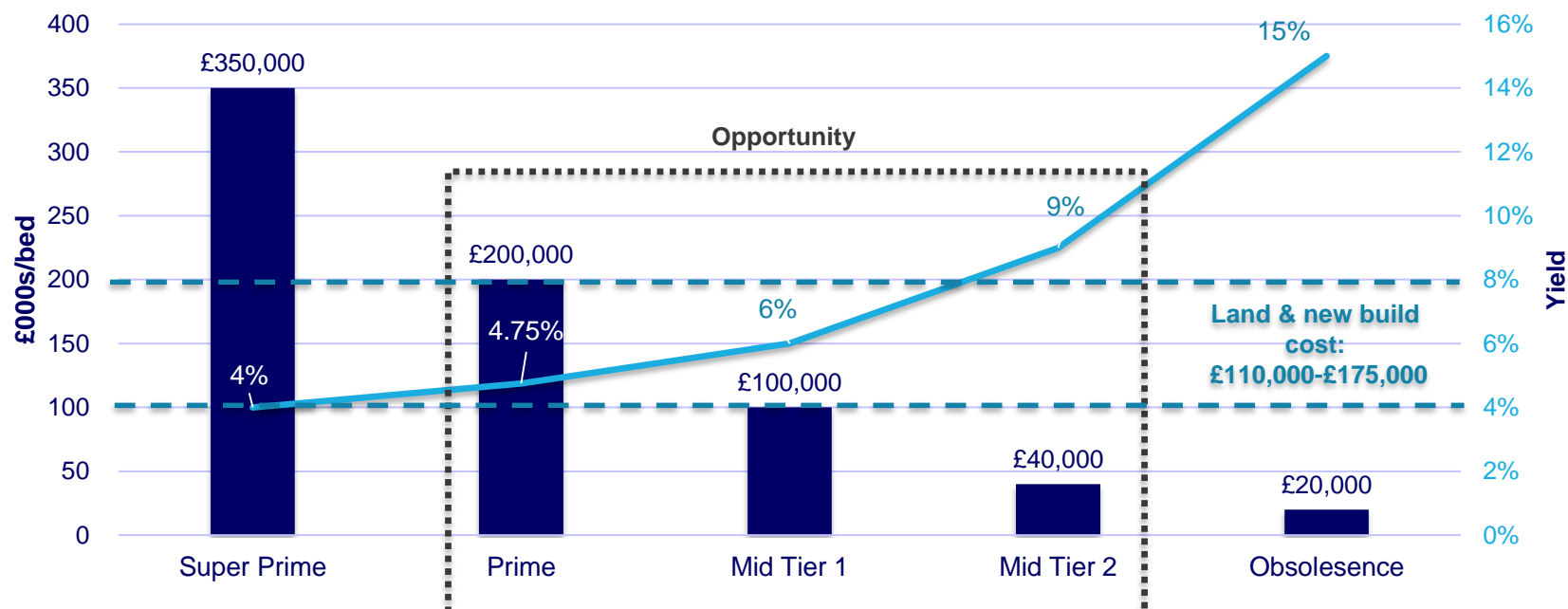
<sup>3</sup> Contracts exchanged post 30<sup>th</sup> June 2019 balance sheet

# The investment opportunity

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



# Attractive investment pipeline

- Disciplined approach to new acquisitions in the area of opportunity we have defined
- Strong focus on quality of new tenants. We are looking for:
  - Track record of providing good quality care
  - Consistent operating margins
  - Strong balance sheet
  - Experience of improving homes
  - Ambitious to expand in partnership with us
- When we raised new equity in May 2019 we said we were working on 12 transactions, five of which have now been executed
- We are at an advanced stage on four transactions which, if completed, would add a further 15 homes and two new tenants to the portfolio
- There can be no certainty that any of these transactions will complete
- However, we remain confident of the potential to identify new assets which will be accretive and will continue to diversify the portfolio

# Our asset management strategy

- Asset management is one of the most attractive strategies we have to deploy capital
- It offers a potential win-win-win:
  - New, high-quality accommodation for residents
  - Higher earnings and better rent cover for our tenants
  - Repositioned building for Impact with higher rent and potential for capital gains
- Risks lower and easier to analyse than greenfield development
- We already own the land and tenant has central services (staff offices, kitchens, laundries) on site reducing the marginal cost of adding beds
- Financial arrangements for our funding of capex are set out in the framework agreements we have in place with tenants
- Yield on capital deployed > 8% per annum

# Adding value through active asset management

## Freeland House, Oxfordshire

- 46-bed extension linked to existing home
- New beds will provide dementia care while existing home continues to offer nursing beds
- Capex £4.9 million
- Central double volume atrium and access to new landscaped gardens to give residents secure and high quality day space
- Due to complete in December 2019



## Diamond House, Leicester

- 30-bed extension linked to existing home
- New beds will provide dementia care while existing home continues to offer nursing beds
- Capex £2.7 million
- Practical completion achieved in August 2019
- New beds will come into operation once they have been registered with the CQC



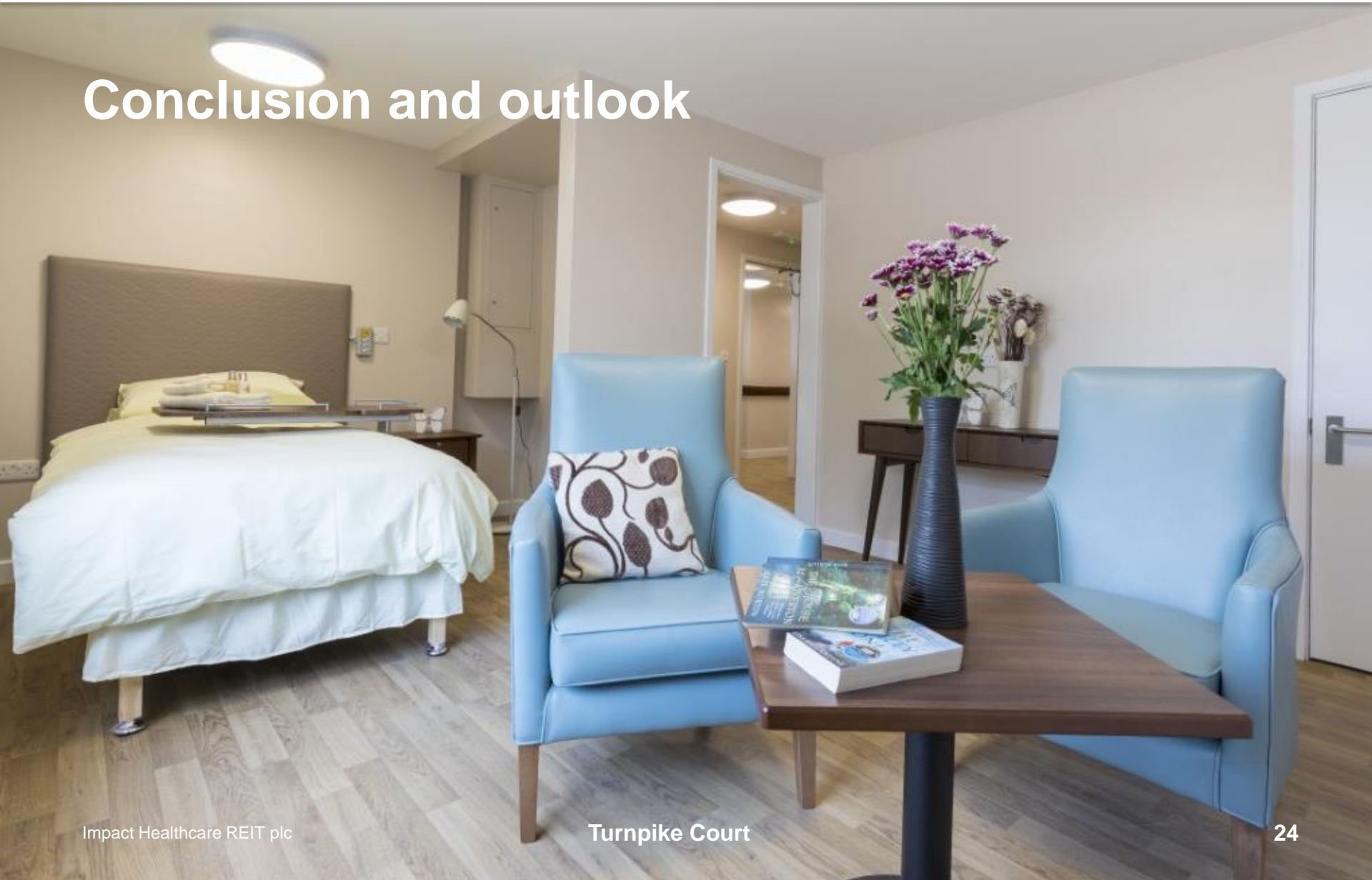
# Active asset management pipeline

- So far 107 new beds delivered and in operation at five homes. Practical completion of 30 beds at Diamond House in August 2019, awaiting CQC registration before becoming operational
- Major project at Freeland progressing well
- Asset managers working on projects at ten additional homes

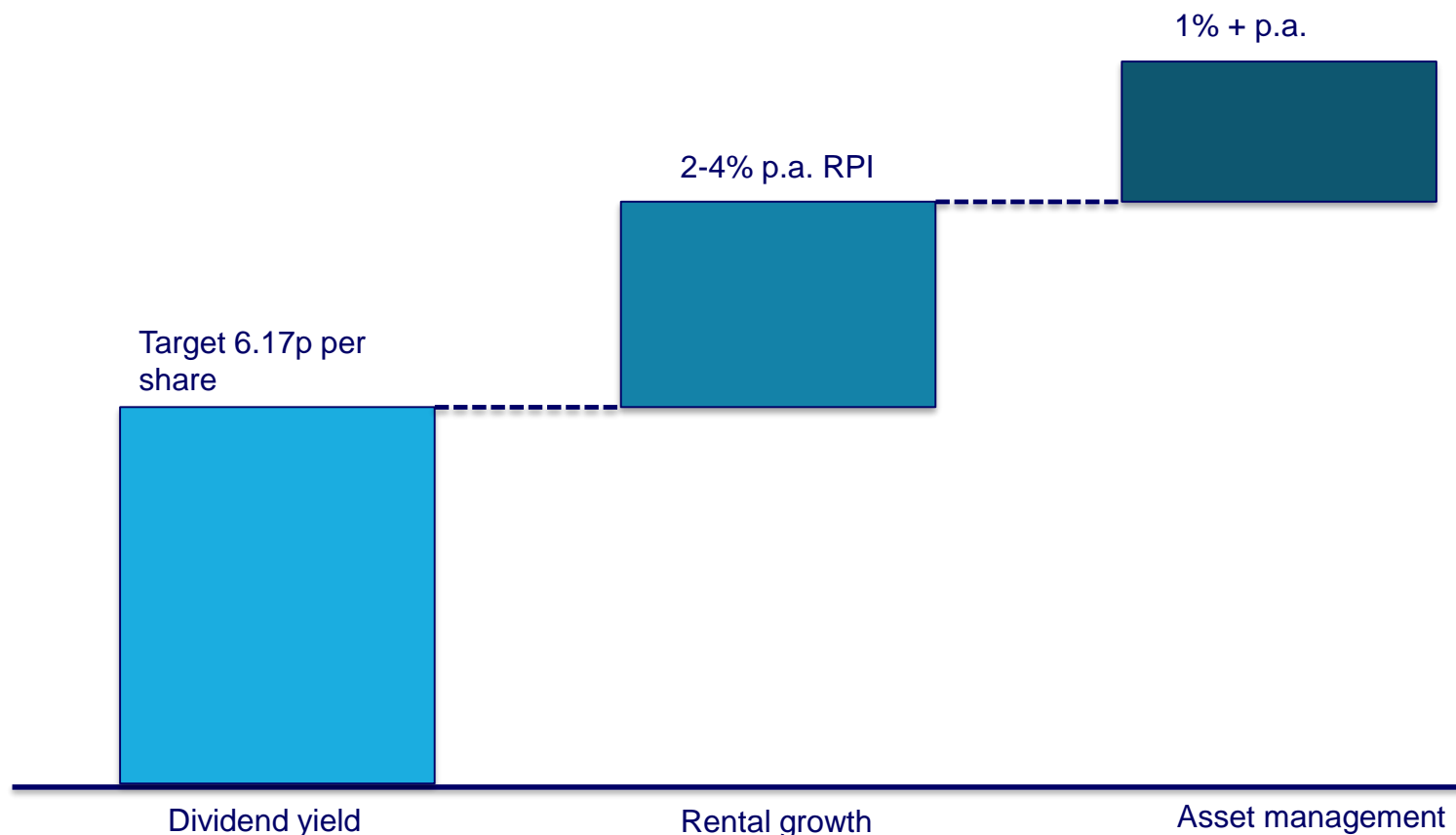
Home	Tenant	Capex (£m)	Beds added	Rent increase (£k)	Status	Description
Turnpike	Croftwood	0.92	25	78	<b>Completed</b>	Conversion of closed supported living unit to care beds
Littleport	Minster	2.17	21	185	<b>Completed</b>	Development of a new dementia unit
Ingersley	Croftwood	0.20	12	16	<b>Completed</b>	Conversion of closed supported living unit to care beds
Parkville II	Prestige	2.17 <sup>1</sup>	38	188	<b>Completed</b>	Conversion of a closed building to a new dementia unit
Garswood	Croftwood	1.10	11	106	<b>Completed</b>	Reconfiguration and extension of home
Diamond House	Minster	2.65	30	228	<b>Completed</b>	Development of a new dementia unit
Freeland	Minster	4.85	46	403	Underway	Development of a new dementia unit
Loxley	Croftwood	0.60	5	48	Ready to start	Reconfiguration and extension of home
Old Prebendal House	Careport	0.75	N/A	60	Underway	Reconfiguration and improvements to home
Amberley, Craigend, Duncote Hall and Falcon	Minster	0.69	N/A	55	Underway	Enhancement of day spaces and bathrooms
<b>Total</b>		<b>16.10</b>		<b>1,367</b>		

<sup>1</sup> Estimated deferred payment

# Conclusion and outlook

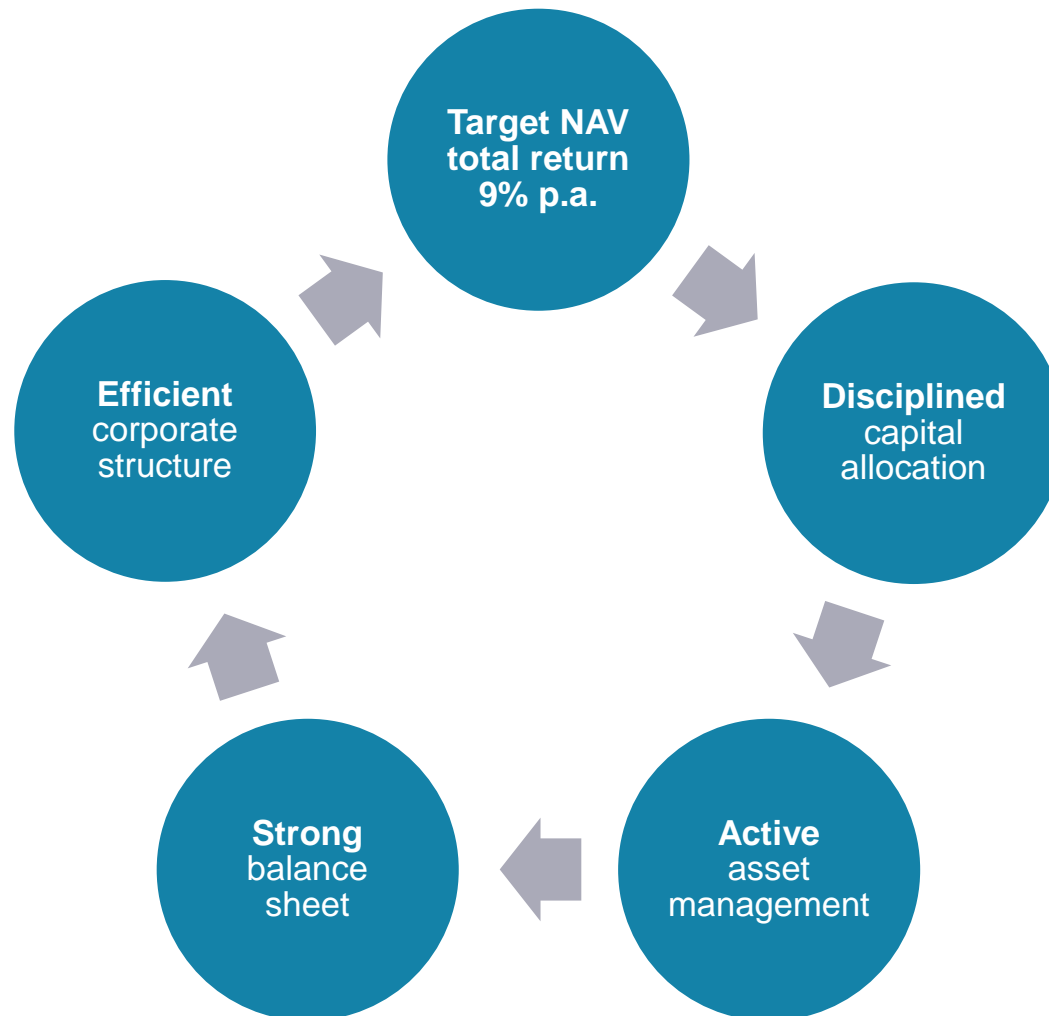


# Building blocks of NAV total return<sup>1</sup>



<sup>1</sup> All figures in this analysis are based on Investment Manager assumptions. The target dividend and target total return are targets only and not a profit forecast. There can be no assurance that the target dividend or target total return will be achieved and investors should place no reliance on such targets when making an investment decision.

# Good momentum to continue to deliver our business model



# Appendices



# Statement of comprehensive income

(£'000)	For the six months ended		Variance
	30 June 2019	30 June 2018	
Net rental income	10,814	7,864	
Administration and other expenses	(2,051)	(1,644)	
<b>Operating profit before changes in fair value</b>	<b>8,763</b> ↑	<b>6,220</b>	40.9%
Changes in fair value of investment properties	3,416	2,339	46.0%
<b>Operating profit</b>	<b>12,179</b>	<b>8,559</b>	42.3%
Net finance expenses	(913)	(83)	
Changes in fair value of interest rate derivatives	(320)	-	
<b>Profit before taxation</b>	<b>10,946</b> ↑	<b>8,476</b>	29.1%
Earnings per share	5.05p	4.41p	14.5%
EPRA earnings per share	3.62p	3.23p	12.1%
Adjusted earnings per share	2.58p	2.37p	8.9%
Dividend declared for the year	3.09p ↑	3.00p	2.8%

# Statement of financial position

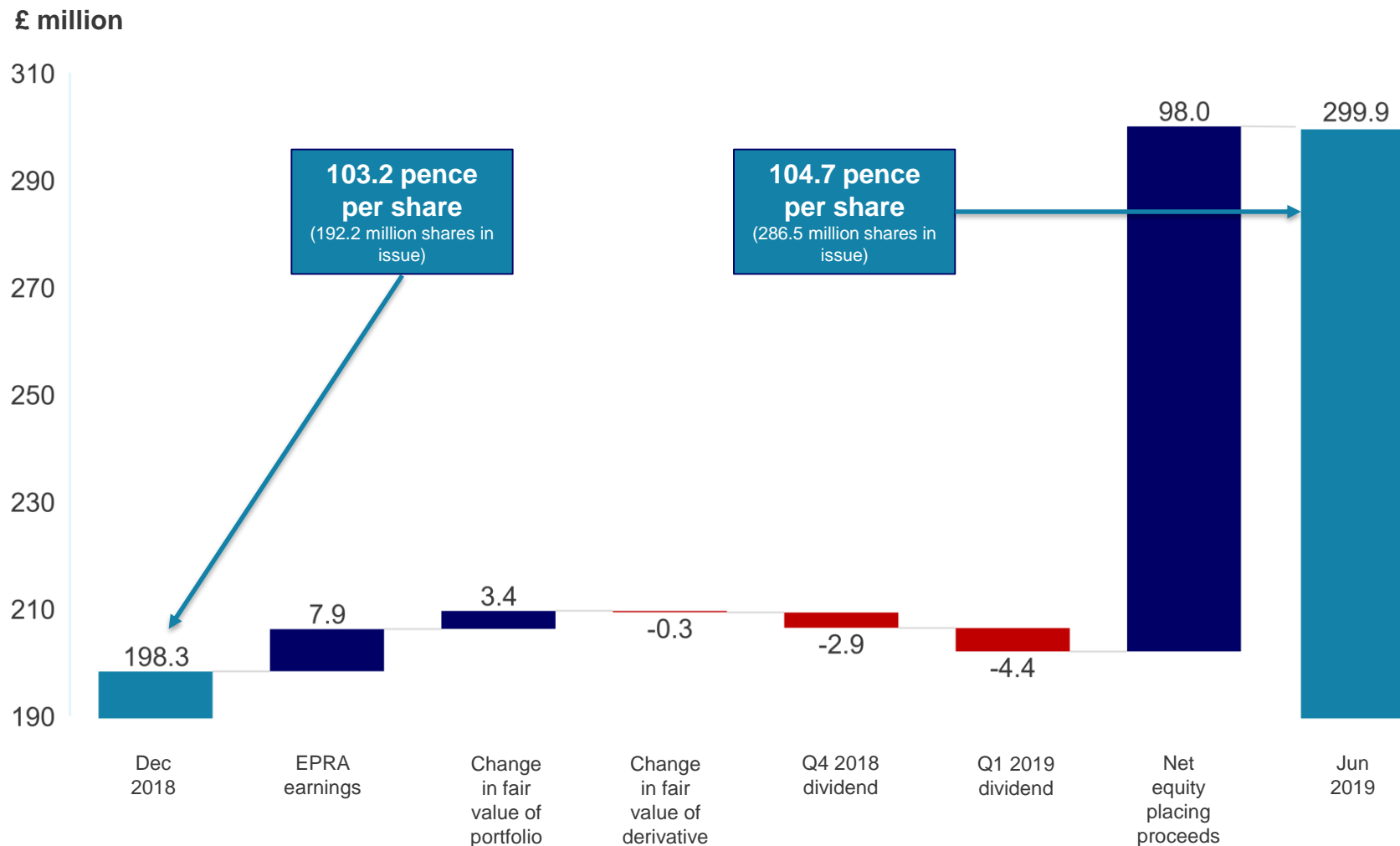
(£'000)	As at		Variance
	30 June 2019	31 December 2018	
Investment property (independent market value)	271,617	223,845	↑ 21.3%
Cash and cash equivalents	52,147	1,470	
Other assets	1,693	1,064	
Bank borrowings	(23,272)	(24,709)	
Other liabilities	(2,255)	(3,333)	
<b>Net assets</b>	<b>299,930</b>	<b>198,337</b>	<b>51.2%</b>

## Investment property:

	£'000	
<b>31 Dec 2018</b>	<b>223,845</b>	
Acquisitions	39,465	17.6%
Capital improvements	3,152	1.4%
Revaluation movement	5,155	2.3%
<b>30 June 2019</b>	<b>271,617</b>	<b>21.3%</b>

Net asset value per share	104.67p	103.18p	↑ 1.4%
EPRA net asset value per share	104.62p	102.94p	1.6%
Net asset value Total Return <sup>1</sup>	4.39%	8.47%	
Loan to Value	7.7%	11.6%	

# NAV bridge



# Term sheet

<b>Issuer</b>	<ul style="list-style-type: none"> <li>Impact Healthcare REIT PLC</li> </ul>
<b>Market</b>	<ul style="list-style-type: none"> <li>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 8<sup>th</sup> February 2019</li> </ul>
<b>Current share capital</b>	<ul style="list-style-type: none"> <li>286,546,454 ordinary shares outstanding</li> </ul>
<b>Target dividend</b>	<ul style="list-style-type: none"> <li>Target dividend of 6.17 pence per share for 2019.</li> </ul>
<b>Gearing</b>	<ul style="list-style-type: none"> <li>The Company utilises prudent financing with a maximum LTV of 35% of gross assets</li> </ul>
<b>Valuation</b>	<ul style="list-style-type: none"> <li>Quarterly valuation by Cushman &amp; Wakefield</li> </ul>
<b>Independent Board</b>	<ul style="list-style-type: none"> <li>Board comprised of 5 experienced Non-Executive Directors and is independent of the AIFM</li> </ul>
<b>Placing programme</b>	<ul style="list-style-type: none"> <li>Prospectus for a placing programme of up to 200 million new ordinary shares published on 11 February 2019. 100 million new shares placed at 106 pence per share in May 2019</li> </ul>
<b>Discount control</b>	<ul style="list-style-type: none"> <li>Share buy-back authority for up to 14.99% of issued share capital.</li> </ul>
<b>AIFM</b>	<ul style="list-style-type: none"> <li>Impact Health Partners LLP – Principals: Mahesh Patel and Andrew Cowley</li> </ul>
<b>Management commitment</b>	<ul style="list-style-type: none"> <li>Mahesh Patel £10m share holding in the Company. Other members of management and board hold £0.9m</li> </ul>
<b>Fees</b>	<ul style="list-style-type: none"> <li>Management fees: 1% of NAV payable to Impact Health Partners LLP reducing to 0.70% on NAV above £500m</li> </ul>
<b>Corporate brokers and other advisers</b>	<ul style="list-style-type: none"> <li>Winterflood Securities, RBC, Travers Smith and BDO</li> </ul>

# 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



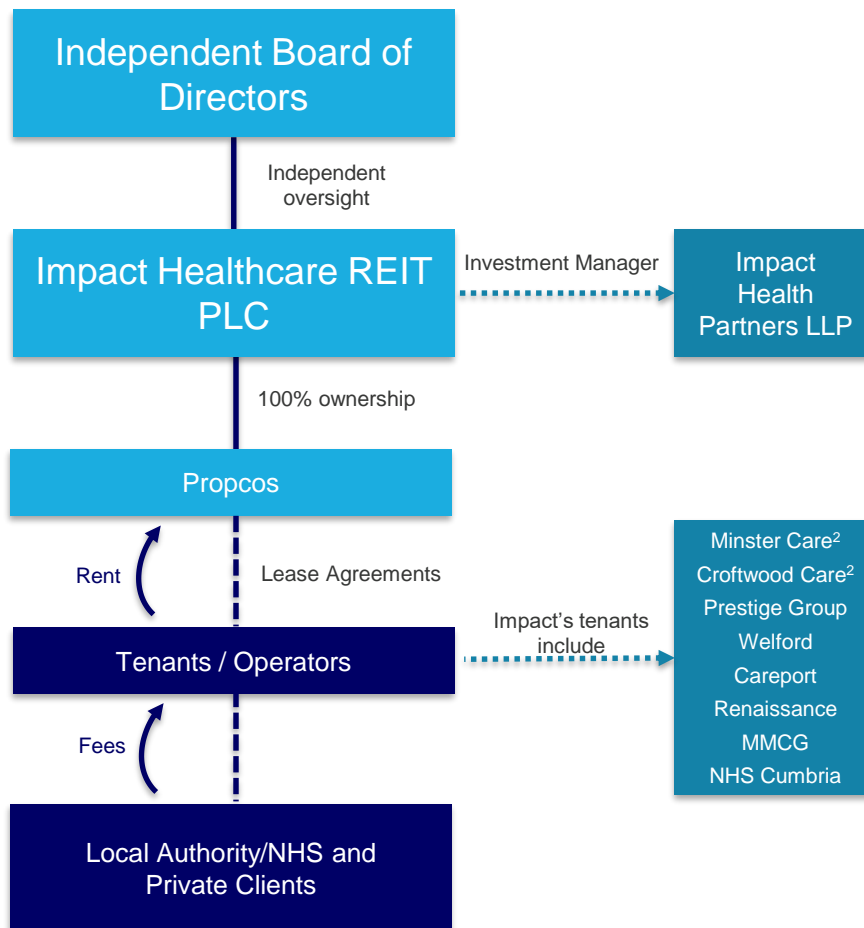
- **SID: Rosemary Boot (independent non-executive)**
- Former Executive Director of Circle Housing Group and Finance Director of the Carbon Trust. 16 years corporate finance experience at UBS Warburg. Currently non-executive director of Southern Water
- Cambridge MA



- **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 Paul<sup>1</sup>



- **Director: Philip Hall (independent non-executive)**
- Formerly 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

<sup>1</sup> As at 25 October 2018

<sup>2</sup> Minster and Croftwood are both part of the Minster Group

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