Impact Healthcare REIT plc

Interim results for the period to 30 June 2017

Agenda and presentation team

Agenda

- Company overview
- The portfolio
- Key financials
- Enhancing the portfolio
- Investment opportunities
- Our market
- Outlook

Presentation team – Investment Adviser

- Andrew Cowley, Managing Partner
- Mahesh Patel, Managing Partner
- David Yaldron, Finance Director

Introduction

Westhaven

Company overview

- Impact Healthcare REIT PLC listed on the London Stock Exchange (Specialised Fund Segment) on 7 March 2017 having raised £160 million
- Cash flow positive from Admission. Paid first dividend, fully covered with no gearing
- 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 holding in the Company
  - 30 years' track record of investing in care homes and infrastructure

Financial highlights

1.50p

DIVIDEND PER SHARE

Fully covered dividend declared for the quarter ending 30 June 2017 of 1.50p per share, putting the Company on track to hit its target of 4.50p for the three quarters ending 31 December 2017*

100p per share

NAV

Net asset value of 100.03p per share as at 30 June 2017

4.00%

TOTAL RETURN

Total return for the period since IPO was 4.00% compared to the FTSE EPRA/NAREIT UK REITs Index total return of 2.18% over the same period

£2.98 million

PROFIT BEFORE TAXATION

Profit before taxation in the period between inception and 30 June 2017 was £2.98 million, 1.95p per share

£153.4 million

PORTFOLIO VALUE

Portfolio independently valued at £153.4 million at 30 June 2017

£7.15 million

NET CASH POSITION

The majority of the equity raised has been invested, with the balance to be utilised on income-producing capital improvements

£11.6 million

CONTRACTED RENTAL INCOME

Initial contracted rent of £11.34 million p.a. calculated from Admission on 7 March 2017 increased to £11.60 million p.a. following acquisition of Saffron Court

0%

LOAN TO VALUE

The Company had no debt as at 30 June 2017

£166.6 million

MARKET CAPITALISATION

Market capitalisation as at 30 June 2017

* This is a target only and not a profit forecast. There can be no assurance that it will be met.

Operational highlights

+57 assets

NET ASSETS
Since launch the Company has acquired 57 care homes, offering 2,527 beds, with an aggregate purchase price of £153.30 million

19.85 years

WAULT
At 30 June 2017, the weighted average unexpired lease term (“WAULT”) was 19.85 years

7.6%

AVERAGE ACQUISITION NIY
Profit before taxation in the period between inception and 30 June 2017 was £2.98 million, 1.95p per share

100% let

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

£160.2 million

EQUITY RAISED
Raised £160.2 million of equity through a fully subscribed initial public offering and vendor issue

2 tenants

TENANTS
As at 30 June 2017, the Group had two tenants, who were in full compliance with all covenants of the leases

Post-balance sheet highlights

+92 beds

ASSET MANAGEMENT
The Company has board approval, in principle, to invest £7.94 million to fund the construction of 92 new beds at three homes within the current portfolio

IMPACT Healthcare REIT

Portfolio review

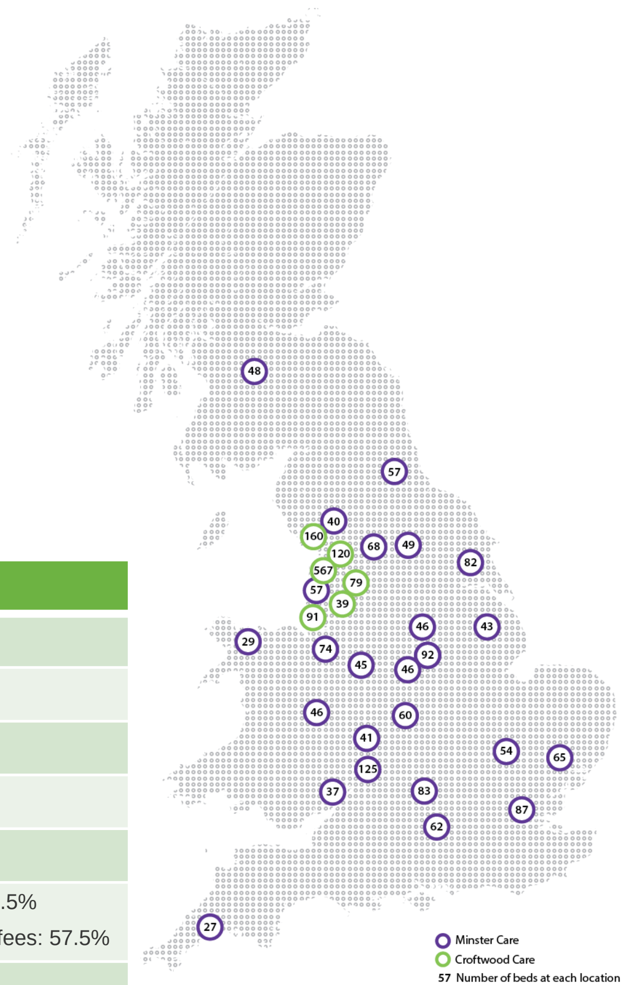
Freeland

The portfolio

- Since listing on 7 March 2017 we have acquired 57 homes
- Cushman & Wakefield's interim independent valuation of these homes as at 30 June 2017 valued them at £153.4 million (versus net acquisition cost of £152.1 million)
- Rent has been received from 7 March 2017. Year one annualised rent = £11.6 million
- First rent review in March 2018. Will rise by RPI, subject to a 2% floor and 4% cap
- Currently two tenants: Minster Care and Croftwood Care
- Neither REIT nor tenants currently have any bank debt

Minster Care – portfolio	
Valuation at 30 June 2017	£100.5 million
Rent payable (FY18)	£7.0 million
Total homes	30
Total beds	1,471
Average weekly fee (June 2017)	£650
Private/LA fee split (June 2017)	Private fees: 33.0% Local authority fees: 67.0%
Forecast revenue (FY18)	£44.4 million

Croftwood Care – portfolio	
Valuation at 30 June 2017	£52.9 million
Rent payable (FY18)	£4.6 million
Total homes	27
Total beds	1,056
Average weekly fee (June 2017)	£532
Private/LA fee split (June 2017)	Private fees: 42.5% Local authority fees: 57.5%
Forecast revenue (FY18)	£29.3 million



Key financials

Littleport Grange

Income statement

IMPACT Healthcare REIT

	30 June 2017 Total £000
Net rental income	**2,247**
Administration and other expenses	(736)
Operating profit before changes in fair value	1,511
Changes in fair value of investment properties	1,471
Operating profit	**2,982**
Net finance costs	–
Profit before tax	**2,982**
Tax charge on profit for the period	–
Total profit and comprehensive income	**2,982**
Earnings per share (pence)	**1.95p**

Net rental income	£000
Net rental cash income	**3,605**
Rent received in advance of recognition	(1,756)
Rent recognised in advance of receipt	398
Lease adjustments to rental payment	**(1,358)**
Net rental income (per IFRS)	**2,247**

Change in fair value	£000
Change in value (independent valuation)	113
Lease adjustments to rental payment	1,358
Changes in fair value	**1,471**

Adjusted earnings	£000	Per share (p)
Total comprehensive income	**2,982**	**1.95**
Change in fair value	(1,471)	(0.96)
EPRA earnings	**1,511**	**0.99**
Lease adjustments to rental payment	1,358	0.89
Adjusted earnings	**2,869**	**1.88**
Dividend declared for the period	**2,403**	**1.50**

Balance sheet

IMPACT Healthcare REIT

	As at 30 June 2017 £000
Investment property	**154,767**
Trade and other receivables	17
Cash and cash equivalents	7,154
Total assets	**161,938**
Trade and other payables	(1,725)
Total net assets	**160,213**
EPRA net asset value per share	**100.03p**

Investment property	£000
Property acquisitions	152,154
Acquisition costs capitalised	1,142
Revaluation movement	113
Value independent valuation report	**153,409**
Lease adjustments to rental payment	1,358
Closing fair value	**154,767**

Cash flow

IMPACT Healthcare REIT

	30 June 2017 £000
Net cash rental receipts	**3,605**
Admin expenses	(736)
Net working capital movements	350
Net cashflow from operations	**3,219**
Purchase of investment properties	(153,296)
Net proceeds from share issue	157,231
Net cash increase in the period	**7,154**

Material post period end cashflows	£000
Rent received for quarter to September	2,858
Dividend paid for quarter to June	(2,403)
Administrative. and other expenses paid	(531)

Enhancing the portfolio

Duncote Hall

Adding value through asset management

Freeland 2017

- We have planning permission to add 249 beds to the portfolio and are in discussions with planners for a further 215 beds
- Increasing number of beds in 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

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	January 2018
Freeland	62	46	108	£722,700	£434,700	£1,157,400	£4,850,000	January 2019
Littleport	54	21	75	£421,400	£234,200	£655,600	£2,170,000	June 2018
Total	**1,471**	**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%

IMPACT
Healthcare REIT

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
- Completed and opened in January 2017, the home has already reached 50% occupancy
- A high level of glazing was incorporated into the design encouraging engagement with the surrounding landscape

Investment opportunities

Freeland House

The market opportunity

Category	Yield range	Multiple range	Price per bed
Super prime Best in class, high value location	4.50% - 5.25%	> 12	> £250k
Prime Modern purpose built, fully compliant	5.25% - 6.50%	> 9	> £100k
Tier 1 Older purpose built, single rooms	6.50% - 8.00%	> 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

Care home development land values		**Land value range per bed**
Top tier	Mostly located within Greater London and South-East	£40k - £70k+
Mid tier	Regional affluent locations with retirement towns and large elderly pop	£25k - £40k
Lower tier	Less affluent locations	< £20k

Source: CBRE United Kingdom healthcare: retirement comes of age, August 2017

Investment opportunities

- Impact Health Partners, the Company's Investment Adviser, is reviewing potential acquisition opportunities which together comprise over 12,500 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

- Debt facilities are being put in place to finance next stage of growth. Maximum LTV 35%

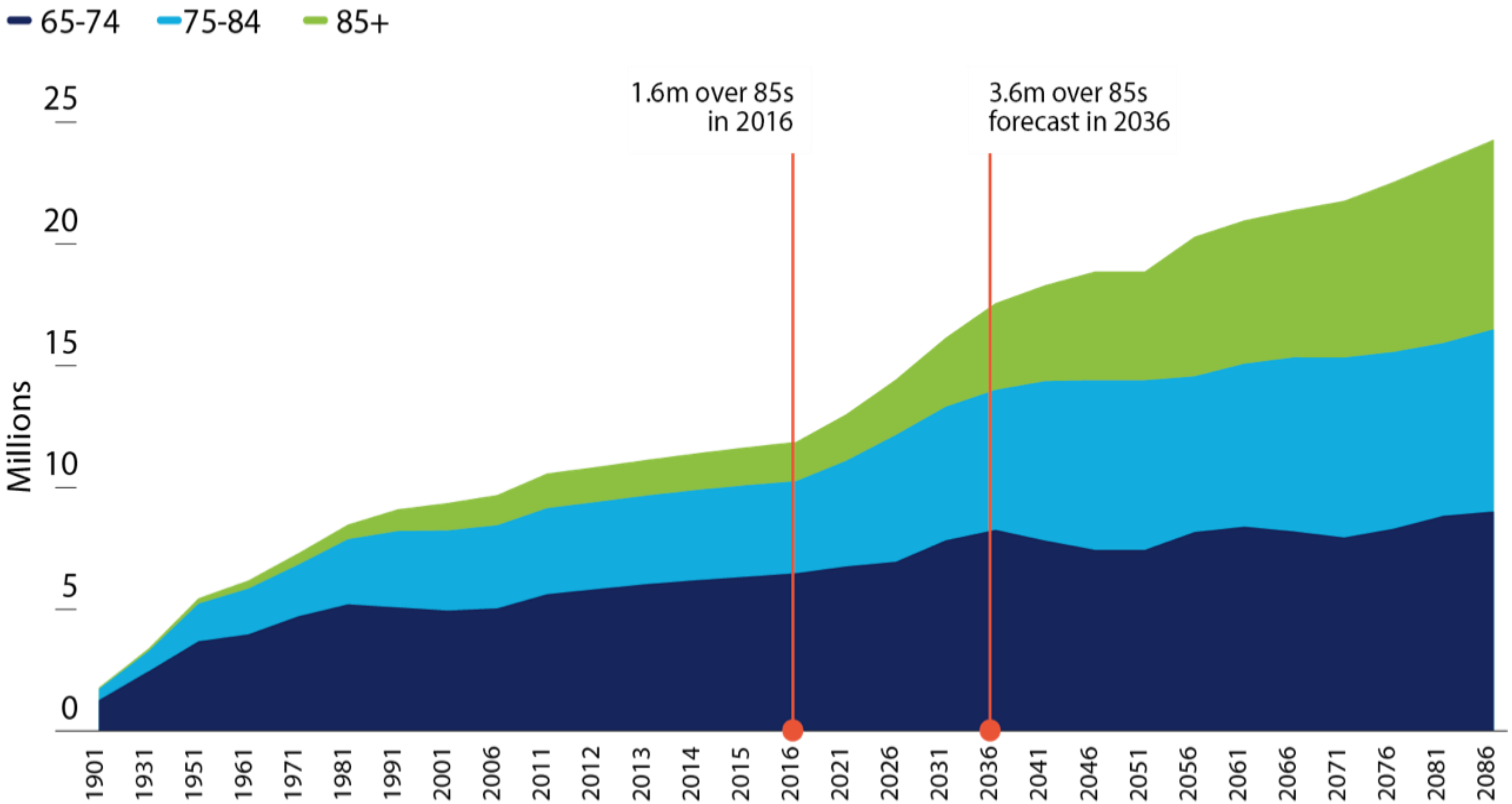
- The Investment Adviser is confident that, through taking a selective and disciplined approach to acquisitions, it will deliver growth which is accretive

Market update

Duncote The Lakes

A growth market

Population more than 85 years old is forecast to double during the next 20 years

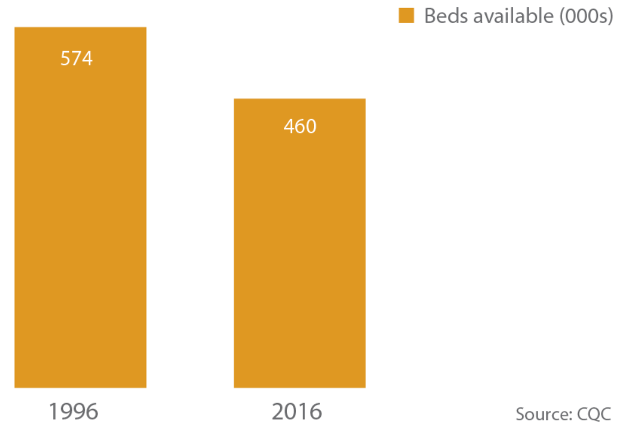


Source: ONS

A growth market

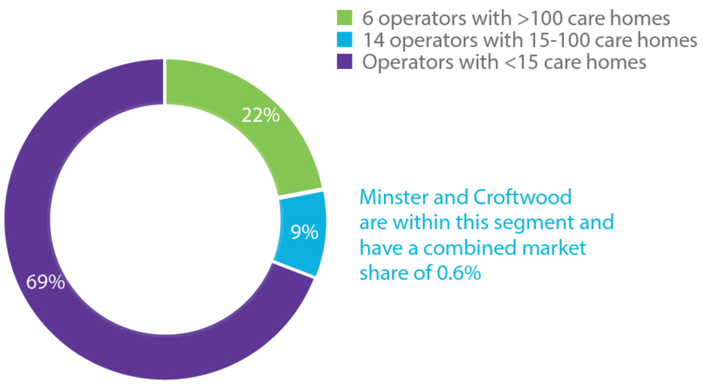
IMPACT Healthcare REIT

20% decline in available beds in past 20 years



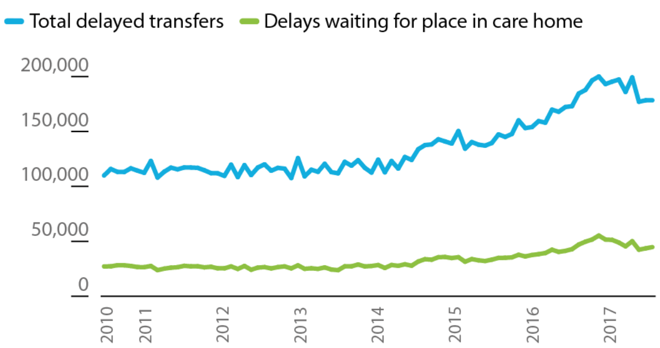
Source: CQC

Market highly fragmented (%)



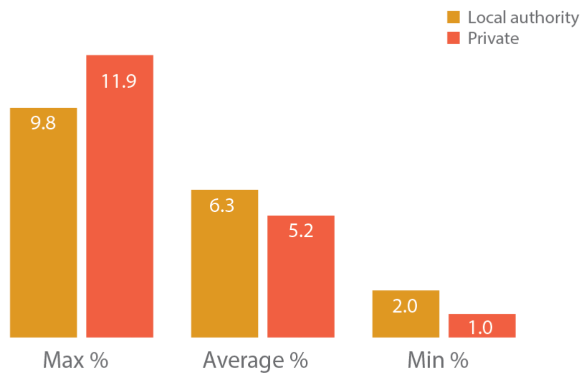
Source: Laing Buisson, 2016

NHS bed days lost in England through delayed transfers



Source: NHS England

National average elderly care fee increases 2017 versus 2016



Source: Christie & Co FOI (2017) and Operator Survey (2016 and 2017)

Outlook

Littleport Grange

Delivery against objectives

Investment objective	Status	Impact portfolio
Target dividend for the first 12 months from admission equating to a yield of 6% per annum on the issue price, on an ungeared basis.	✓	Initial dividend of 1.5p per share for quarter ended 30 June 2017 declared and paid, with no use of leverage.
Dividends covered by ordinary earnings.	✓	First dividend fully covered.
Conservative gearing policy. Borrowings as a percentage of the Group's gross assets may not exceed 35% at the time of drawdown.	✓	LTV at 30 June 2017 0%. Gearing opportunities are being explored, but will remain within the investment policy parameters.
Following completion of the acquisition of the seed portfolio and some of the option assets, annual rent receivable from initial tenants will be between £11.0 million and £11.6 million.	✓	Current annual rent roll is £11.6 million.
Minimise cash drag.	✓	93% of capital raised in IPO invested within two months of admission, with rent calculated from admission date. 96% invested as at 30 June 2017.
Diversified portfolio with no single asset exceeding 15% of the Group's total gross asset value.	✓	Largest asset holding is valued at £11.7 million (Freeland), equating to 7.3% of the Group's gross assets.
No single customer who is paying for care provided in the Group's assets will account for more than 15% of the aggregate revenues of the Group's tenants.	✓	Largest single customer paying for care represents only 6.6% of the aggregate revenues of the tenant to whom the assets are leased.
The Group will grant leases that are linked to the Retail Prices Index, have an unexpired term of at least 20 years and are not subject to break clauses. The Group will seek to amend any leases it acquires to obtain similar terms.	✓	Initial portfolio is leased on 20-year terms, with no break clauses and annual upwards-only rent increases at RPI, with a floor and cap of 2% and 4% respectively. Additional opportunities are being sought on similar terms.
The Group will not speculatively develop assets (that is, develop a property which has not been leased or pre-leased).	✓	No speculative development undertaken in the period.
The Group may invest in forward funding agreements or forward commitments to pre-let developments, where it will own the completed asset.	✓	92 beds approved post period end, for development at existing assets that will enhance rental income under a forward funding agreement.

Q & A


Westhaven


Freeland


Littleport Grange


Littleport Grange


Duncote The Lakes


Duncote Hall