IMPACT
Healthcare REIT

2021 interim results presentation

September 2021

Introduction

IMPACT Healthcare REIT

IHR at a glance

Portfolio resilience

100% rent collection with zero voids

Tenant resilience

Strong rent cover and underlying fee growth

Covered dividend

Progressive dividend fully covered

Strong balance sheet

LTV reduced to 14% during the period

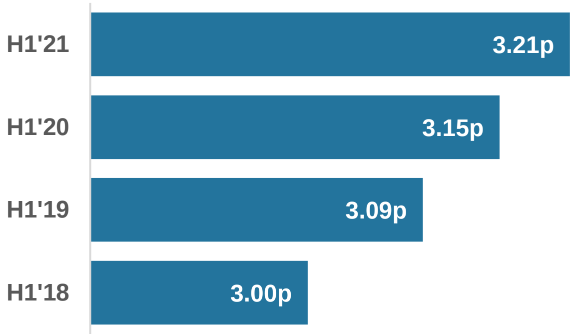
Active asset management

Two new homes being forward funded

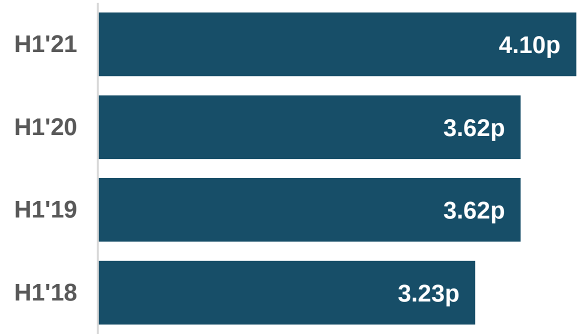
111	**6,141**	**13**	**£33.8m**	**£432m**	**19.5 years**
Properties	Beds	Tenants	Contracted rent	Portfolio value	WAULT

Key financial highlights

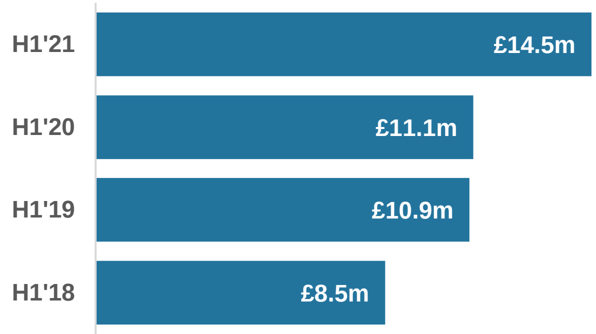
Dividends declared per share



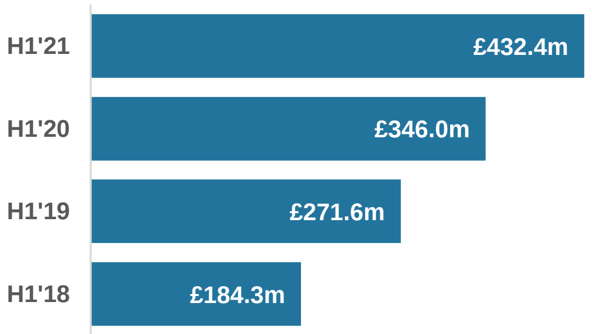
EPRA EPS



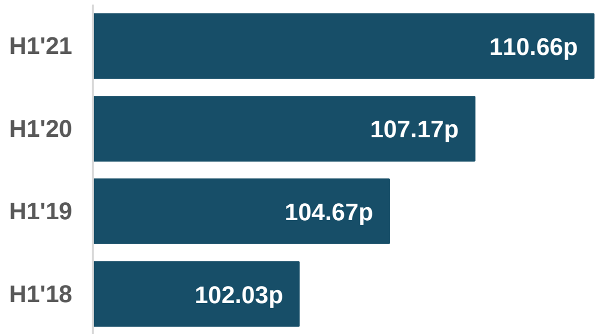
Profit before tax



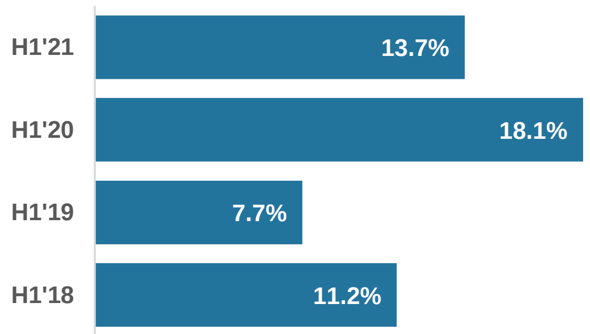
Portfolio valuation



NAV per share



LTV



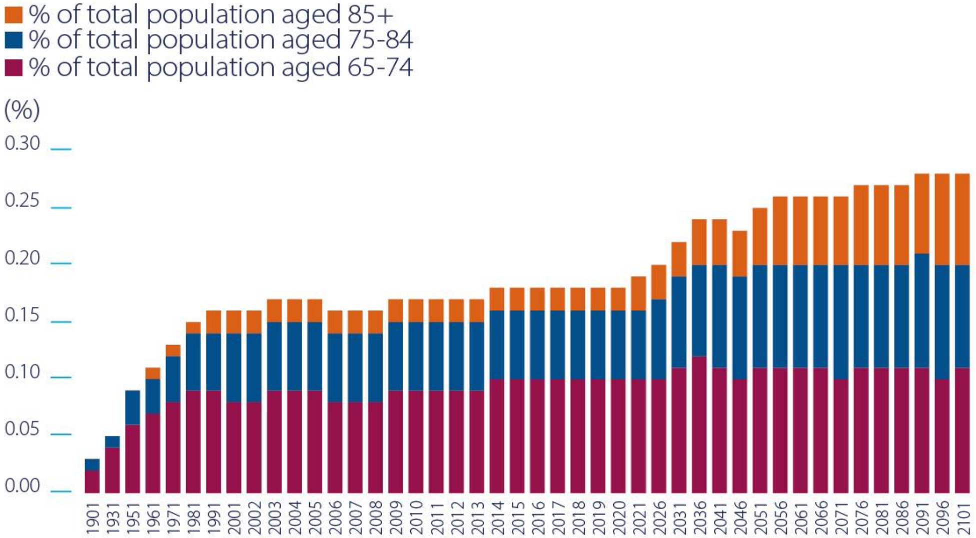
Care home investment market

Strong market fundamentals

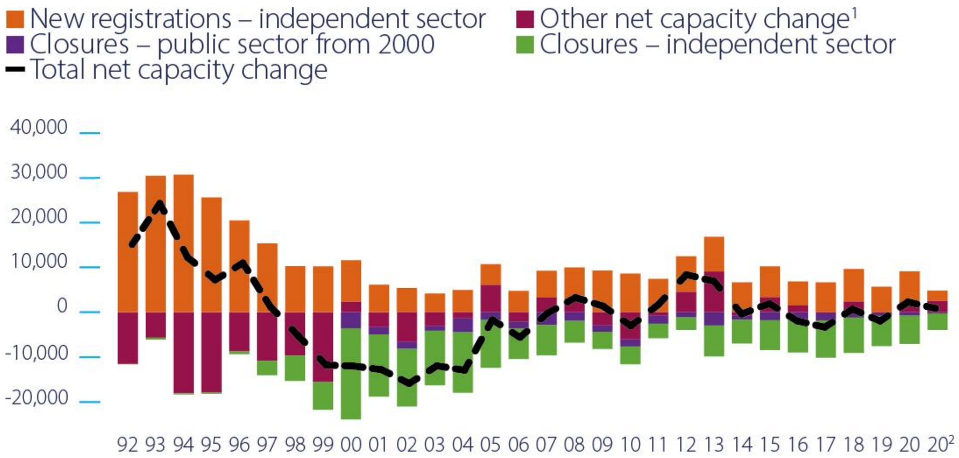
IHR's attractive lease terms are underpinned by long-term drivers in a market where demand for good quality care is not directly correlated to broader economic conditions:

- Long-term leases with no break clauses, fully repairing and insuring
- 100% of leases have annual inflation adjustment

An ageing population



Capacity not rising in line with an ageing population



Note: Excludes changes in NHS hospital long-stay places for older people

1 Other net capacity change includes extensions and reductions to existing homes as well as re-registrations of care homes to and from client groups other than old age and dementia

2 Apr-Sep 20 (annualised)

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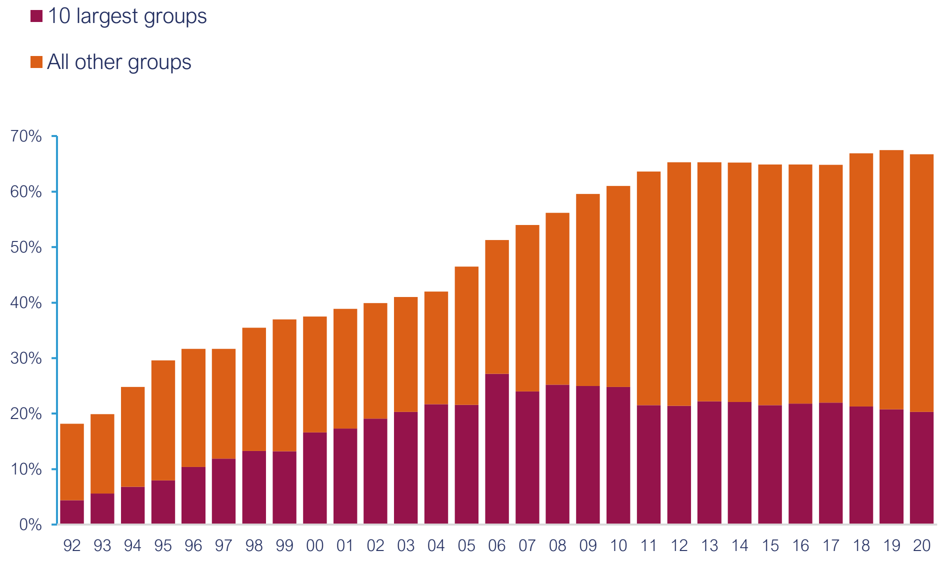
A growing middle market in care operators

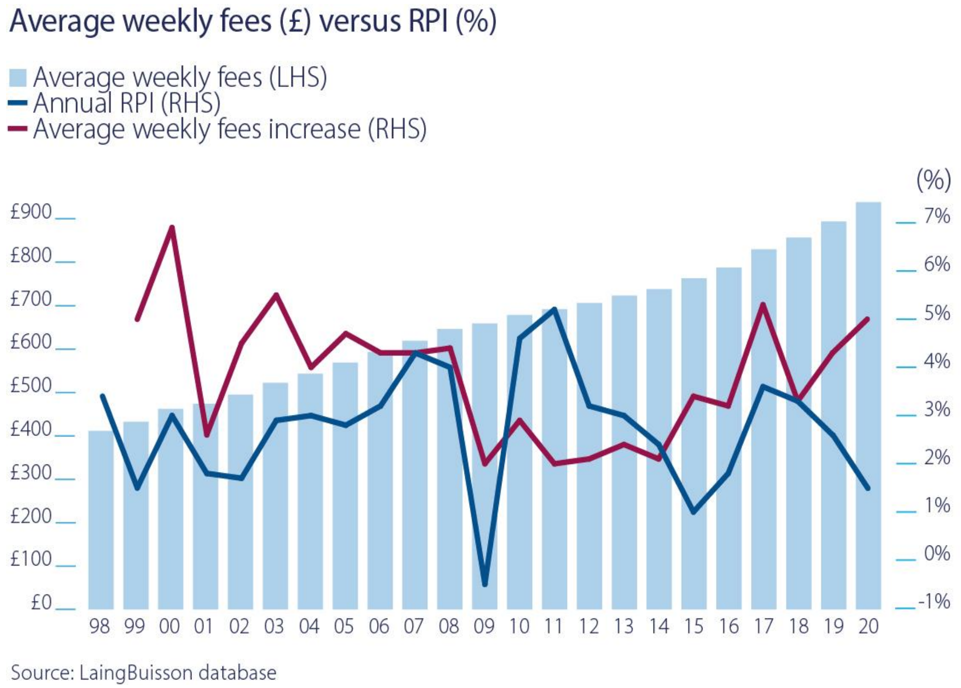
Good middle-market operators have demonstrated the ability to grow their revenues faster than inflation in a highly fragmented market:

- Strong growth of middle market operators with between three and 80 homes
- Between 1998 and 2020 average weekly fees charged by operators grew at >3.7% per annum

Share of bed capacity owned or leased by a) the ten largest independent sector care home groups and b) all other groups with three or more care homes



Source: LaingBuisson database

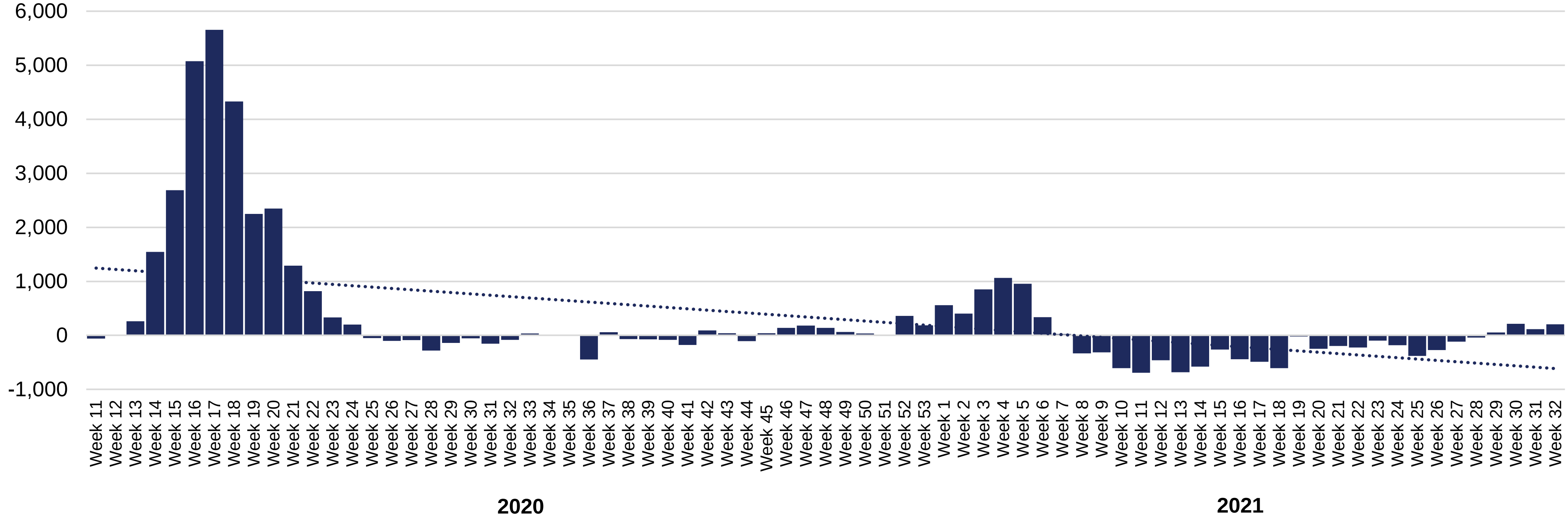


The impact of COVID-19 on care homes

Effective roll out of the vaccination programme and enhanced infection control measures have mitigated the impact of the second and third waves of COVID-19 on care homes:

- Between March and August 2021 deaths from all causes (ie, including COVID-19) in care homes in England and Wales were 6,662 below the five-year average
- Home occupancy slowly, but steadily, returning to normal levels

Excess deaths in care homes in England and Wales above/below the five-year average

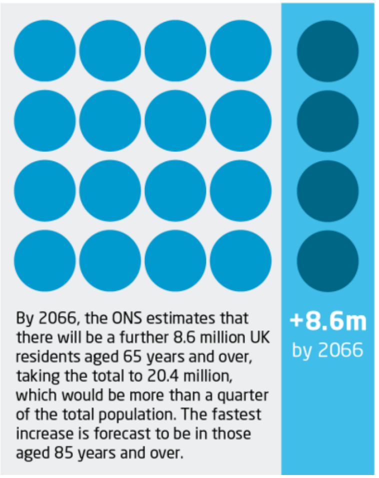


Source: https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/deathsregisteredweeklyinenglandandwalesprovisional/weekending13august2021

Government reform provides greater certainty for long-term funding of elderly care

What is the problem?

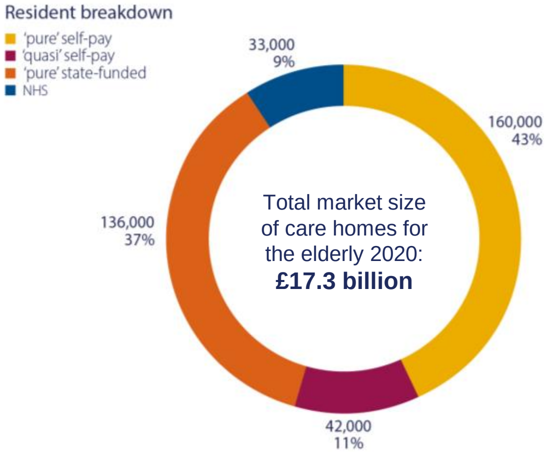
- In 2019/20 local authorities received 1.9 million requests for care support: 1.4 million from elderly people and 560,000 from working age adults. Only 839,000 received long-term care[1].
- Demand for elderly care will continue to grow.
- 1 in 10 people over 65 face care costs of over £100,000[1]. Should they have to sell their house to pay for it?
- Fees paid by government for care are too low and are reset annually, making it hard for providers to plan and to recruit or retain staff, as well as an increasing burden being placed on the NHS which is not so well suited for long-term, elderly care needs.
- Over the past 20 years there have been 12 White and Green Papers as well as five independent reviews and commissions looking at how to reform adult social care, but no structural reform.



What has the government announced?

On 7 September 2021, the Prime Minister announced a major reform of adult social care in England:

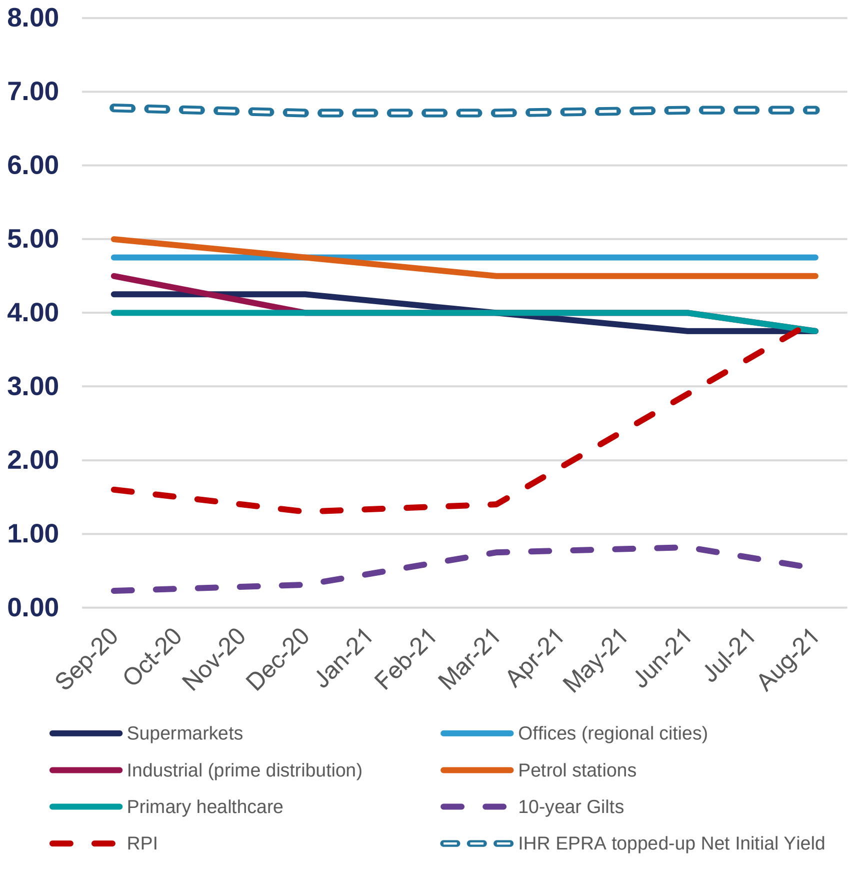
- Individual care costs to be capped at £86,000 from October 2023.
- Anyone who has assets of less than £20,000 will have their care costs fully met by the state. Those with assets between £20,000 and £100,000 will receive some means-tested state support (up from £23,250 now).
- An increase in National Insurance and the tax on dividends of 1.25% from April 2022 hypothecated to fund heath and social care, expected to raise £36 billion over the following three years.
- When implemented, these reforms could be transformational for a sector which provides key social infrastructure.



[1] Source: The King's Fund

Strong yields and resilience attract more investors

IHR yield attractive compared to alternatives as inflation rises



Source: CBRE

Cofinimmo
together in real estate

PRESS RELEASE

Brussels, embargo until 26.07.2021, 07:30 AM CET

Cofinimmo enters British healthcare real estate

First steps in UK with acquisition of three recent nursing and care homes in East and South-East England

Cofinimmo (Euronext Brussels: COFB) states that it acquired three recent nursing and care homes in the United Kingdom for approximately 57 million GBP. The nursing and care homes are situated in East and South-East England and count approximately 200 beds in total.

Care homes Reading time: 2 mins

Octopus UK care home strategy surpasses £1 billion mark as it raises further £314 million from leading institutions

28 Jul 2021

PRESS RELEASE

KORIAN

Paris, 24 February 2021

Korian enters exclusive negotiations to acquire Berkley Care Group in the UK

- **Large elderly care market over 12 million people**
- **Rising demand for luxury, high quality facilities**
- **Six recent high end modern nursing home facilities representing 425 beds**
- **Recognised for their outstanding care and support for residents**
- **Expected revenues c. £25 million in 2021**

Current portfolio

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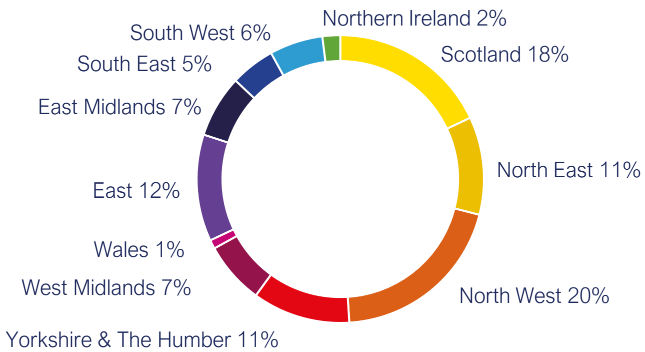
Delivering diversification

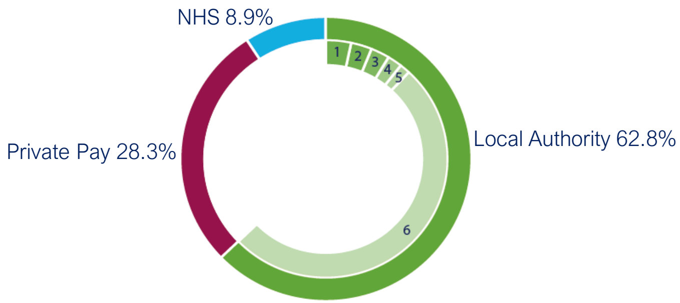
Regionally diverse

Based on % portfolio market value

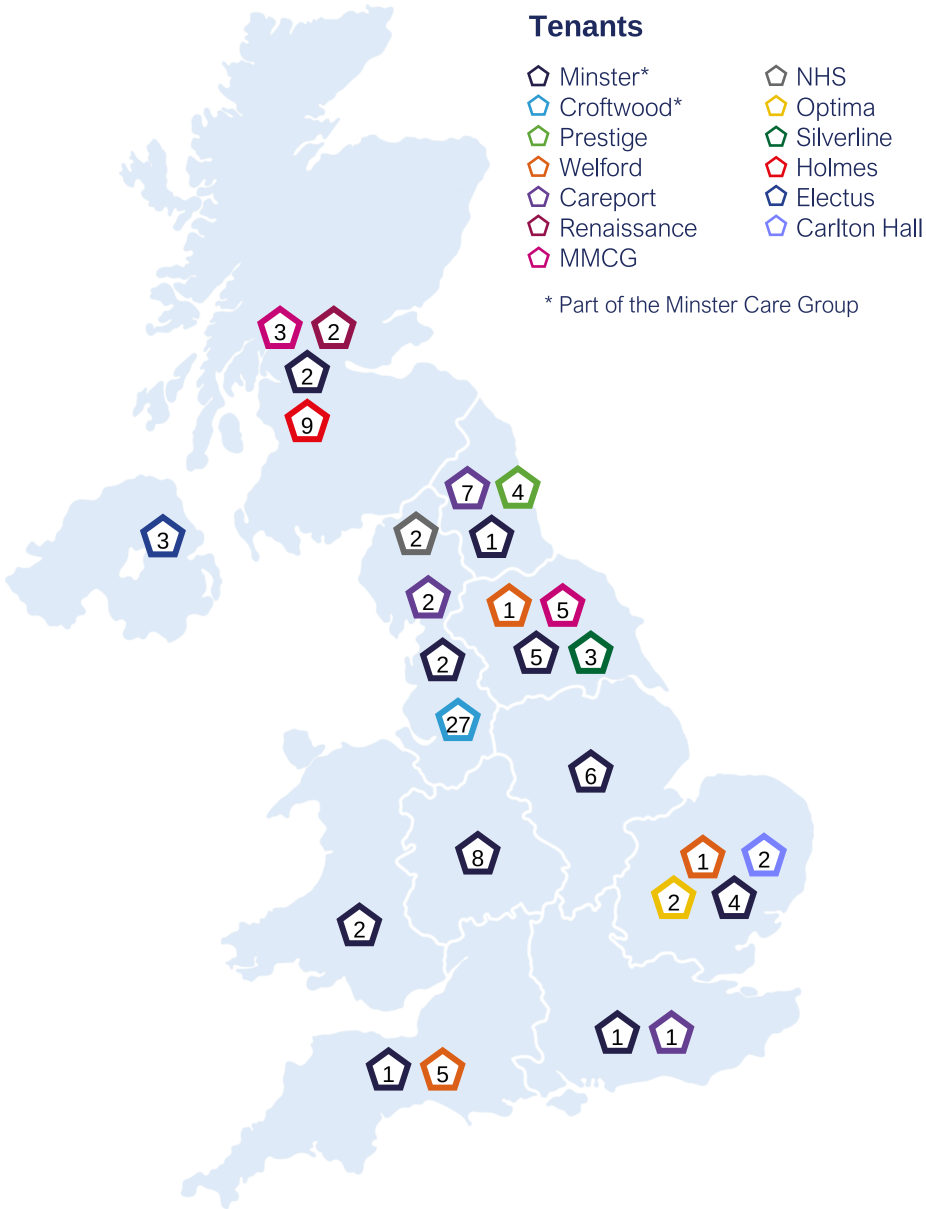


Security of income

Based on % of contracted rent as at 30 June 2021

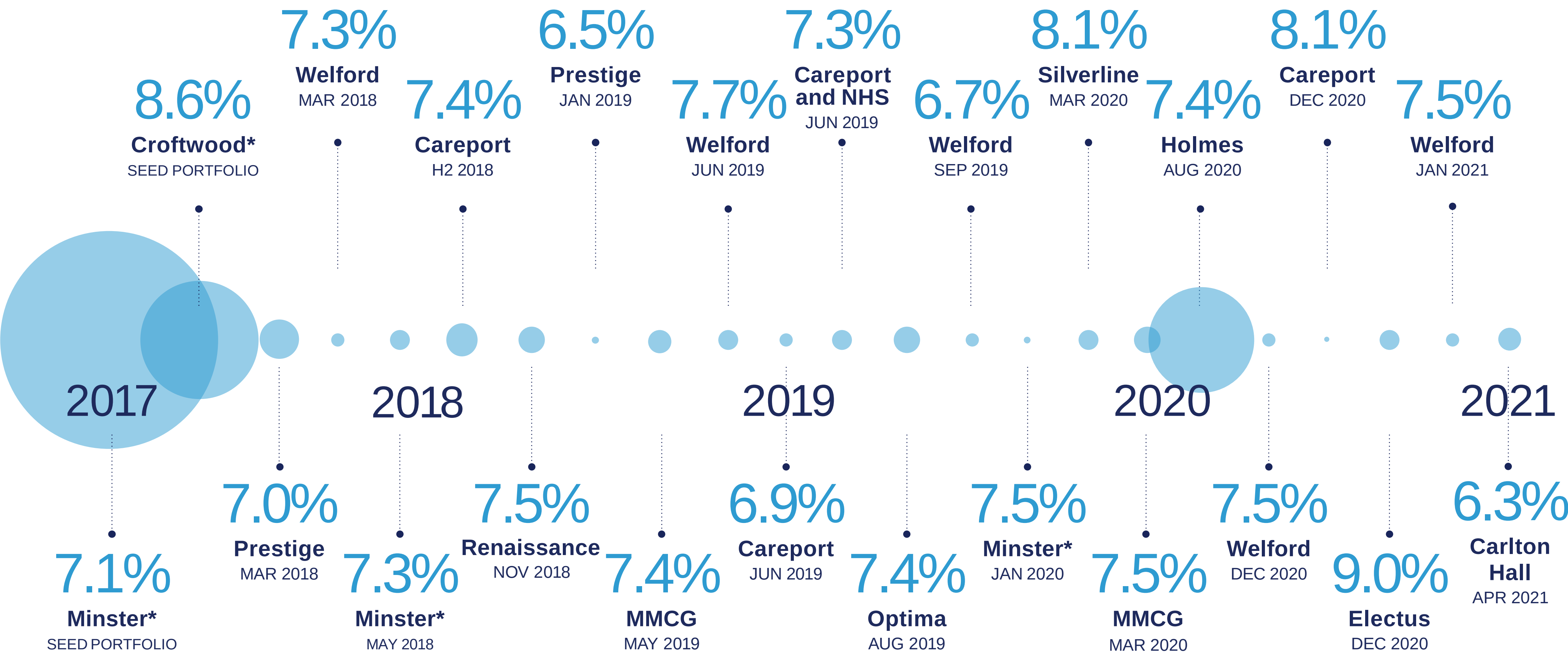


Top 5 local authority breakdown:
1. Wigan social services 3.6% 2. Cheshire East 2.8% 3. Cheshire West 2.4%
4. Worcestershire City Council 2.0% 5. Redcar and Cleveland Borough Council 1.5% 6. Other



Data for the map and tenant by income chart include forward funded developments and exchanged properties

Disciplined approach to deploying capital

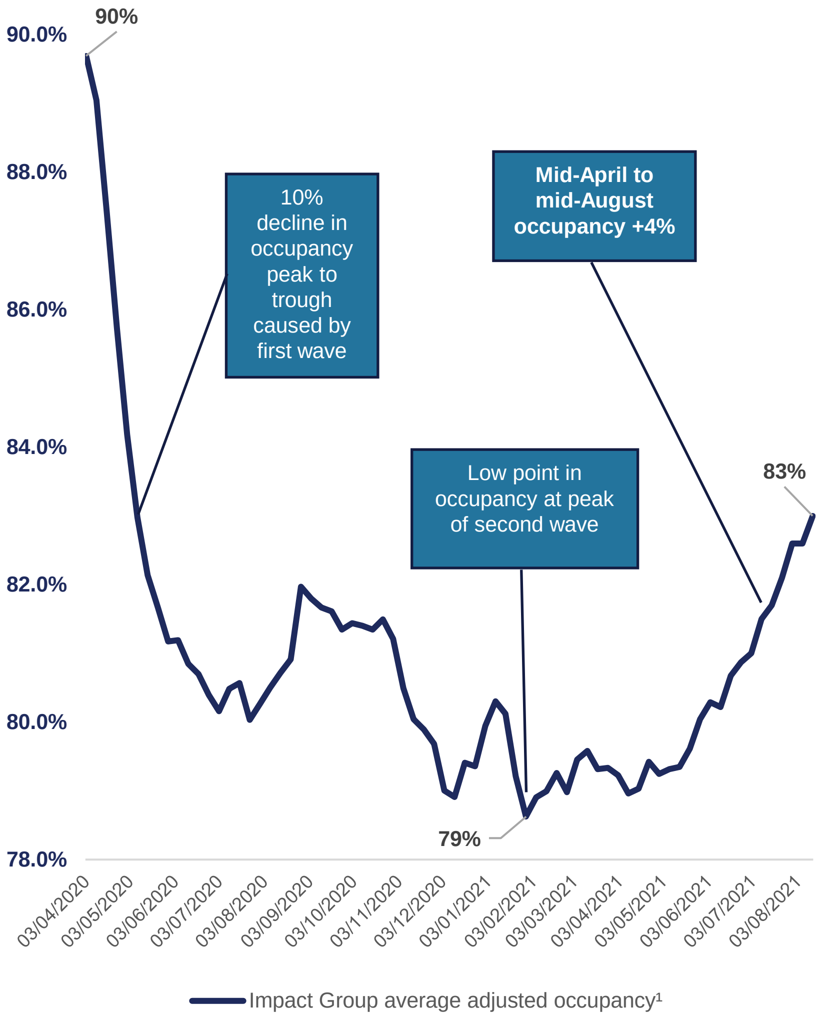


Net yield by acquisition

Net yield defined as rental income at acquisition divided by purchase price net of acquisition costs Source: Company information * Minster and Croftwood are both part of the Minster Group

Value of acquisition

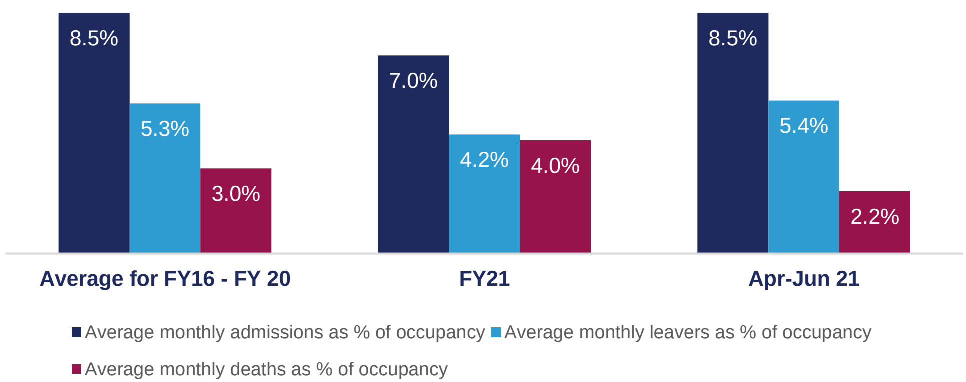
Tenant performance: occupancy



* Excludes three turnaround homes

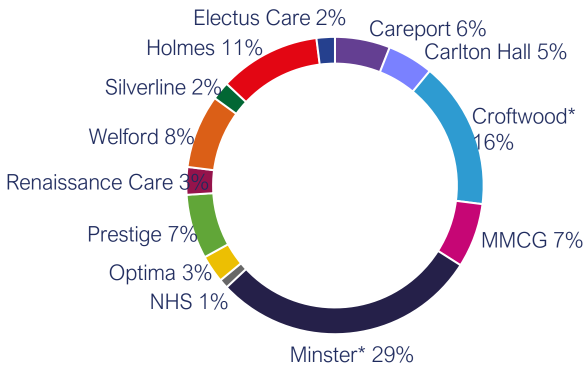
- Tenant occupancy levels have three drivers:
  - New admissions;
  - Leavers (residents whose care needs have changed or respite care); and
  - Deaths.
- In the year to 31 March 2021, the Group's largest tenant group had admissions below its five-year average and deaths were higher.
- In the three months to June 2021, its admissions and leavers had returned to normal levels, while deaths were below average.

Minster and Croftwood occupancy

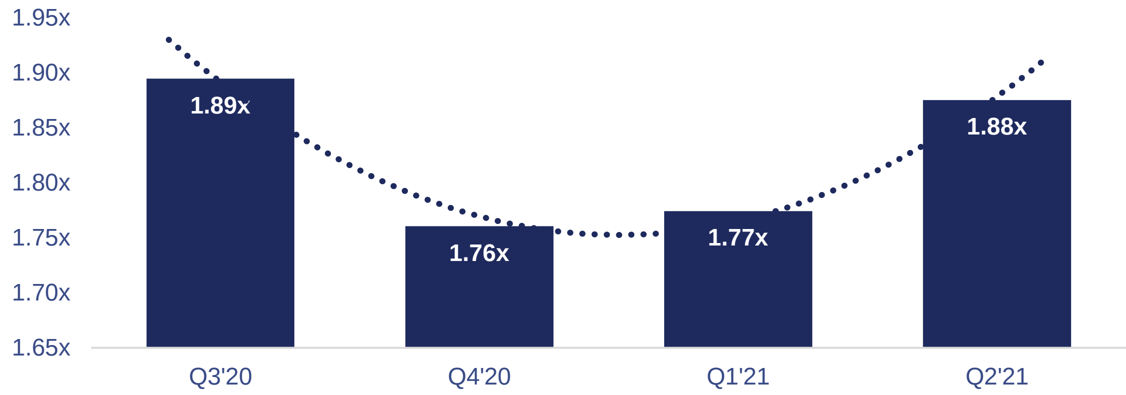


Tenant performance: stable rent cover

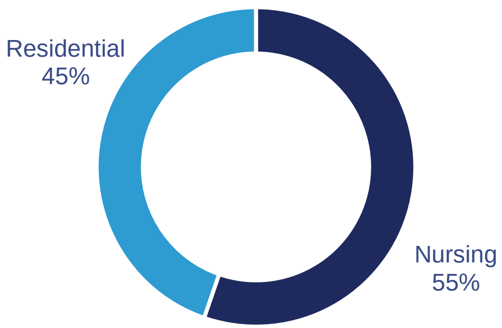
Tenants by income
Based on % of contracted rent as at 30 June 2021



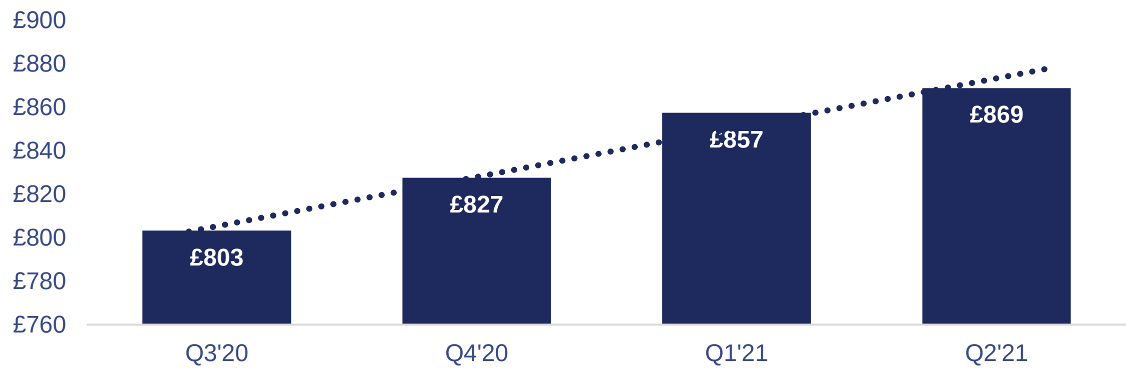
Impact's average tenant rent cover



Service provision by beds



Average weekly fees charged by Impact's tenants



* Minster and Croftwood are both part of the Minster Care Group.

What makes a good care home?

Residents

- ✓ In the right location to stay in contact with family.
- ✓ Feels like a home, not an institution.
- ✓ Provides an environment that is suited to the resident's care needs and will deliver person-centred care with dignity.
- ✓ Run by a good manager who leads an empathetic, well-trained and stable staff.
- ✓ A home that always strives to do its best and improve.

Tenants

- ✓ A home that is well invested to provide a safe, quality environment for residents and staff.
- ✓ Layout allows for the home to be run efficiently and safely.
- ✓ Located in an area that is attractive to residents and with a sufficient pool of staff.
- ✓ Home fit for purpose and will remain so throughout the term of the lease.
- ✓ A home which delivers, or is capable of delivering, a strong trading performance and rent cover.

Landlord

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- ✓ A home that is attractive to both residents and tenant with a strong care ethos, underpinning its potential for stable and predictable performance.
- ✓ Accretive to the financial performance and covenant strength of our tenants.
- ✓ Superior quality compared to its peers in the home's local market.
- ✓ Potential to improve the home through active asset management - refurbishment, reconfiguration and extension.
- ✓ Defensive characteristics – can survive competition from new entrants to its local market.

Our approach to underwriting acquisitions

1
- Review historic operating and trading performance of the homes and develop a sustainable business plan based on actual performance, not future potential.

2
- Run sensitivities on potential for cost increases/income reductions and identify areas for potential improvements.

3
- Establish correct level of initial rent.

4
- Negotiate acquisition price for that level of rent.

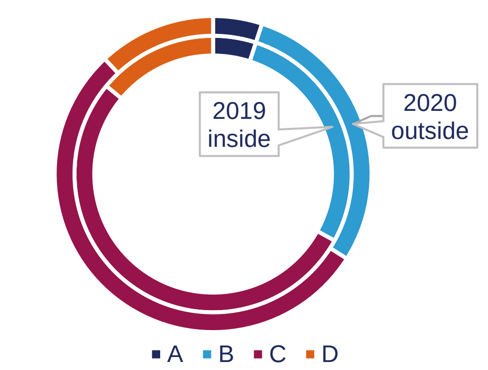
5
- If appropriate agree deferred payment structure and rent increases aligned with future improvements in home performance and asset management uplifts.

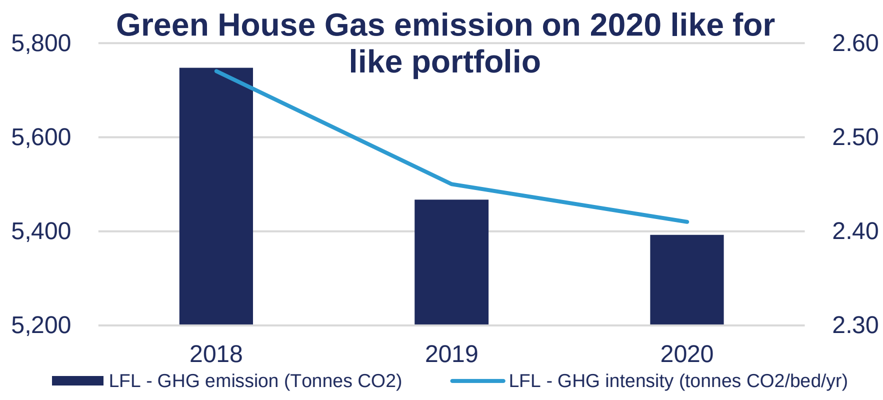
Illustrative mid-sized care home group financials[1]	
KPIs[2]	
Available beds	376
Average weekly fee	£804
Occupancy	91%
Public/private mix	82%/18%
Income	**£15.4 million**
Costs (% of income)	
Staff wages	56.6%
Agency staff	2.9%
Staff training and uniforms	1.1%
Total staff	**60.6%**
Repairs, maintenance and cleaning	4.2%
Food and catering consumables	3.4%
Other overheads	3.4%
Utilities	2.5%
EBITDARM[3] margin	**25.8%**
Rent	11.7%
EBITDAM margin	14.1%

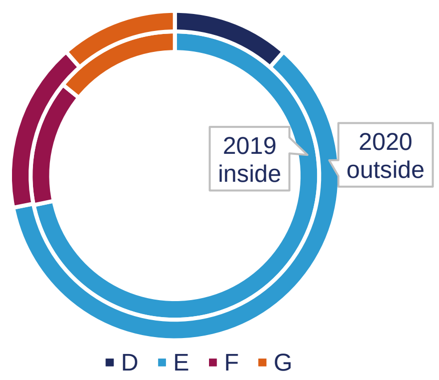
[1] Illustrative financials for a mid-size Impact tenant for the 12 months to 31 December 2020
[2] Average for the period
[3] Earnings before interest, taxes, depreciation, amortisation, rent and central management costs of the tenant

Approach to ESG

In 2019 we received EPRA sBPR Gold status and have since submitted our 2020 report:





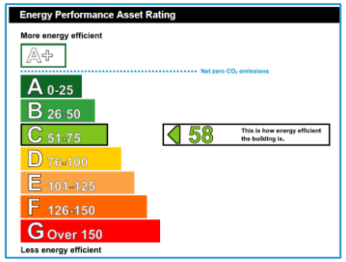


- We have been working with our tenants to implement asset management opportunities that will improve the environmental performance of our existing portfolio along with embedding sustainability surveys into our acquisition appraisals.
- With the overall portfolio EPCs improving and £2.8 million of capital improvements with a focus on energy improvements on 2020 acquisitions progressing we are delighted that our work in this field is benefiting our homes and tenants by providing a more sustainable way of operating.
- We are currently exploring additional ESG benchmarking options including UN PRI and TCFD compliance and aim to set ESG focussed metrics and commitments in 2021.

[1] Scotland has a different EPC system to England and Wales. A Scottish D rating EPC can be equivalent to B in England or Wales. There is currently no MEES compliance legislation in Scotland, but this is expected to change.

Asset management at Fairview

- Planning approval was granted in May 2020 for an extension to link the two units at Fairview in Bristol.
- The link will provide 17 new beds, along with new laundry and kitchen services, and will make the home operationally more efficient.
- Bedrooms in the older Fairview House will reduce from 20 to 14 (giving a net additional 11 new beds) and will be reconfigured to increase size and improve en-suite facilities.
- Following a detailed analysis of the buildings' energy efficiency we have included energy-saving measures, which will see the linked building improve from the current EPC ratings of C and B, to A.



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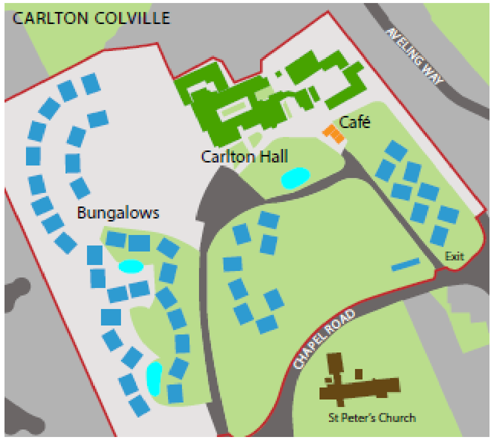
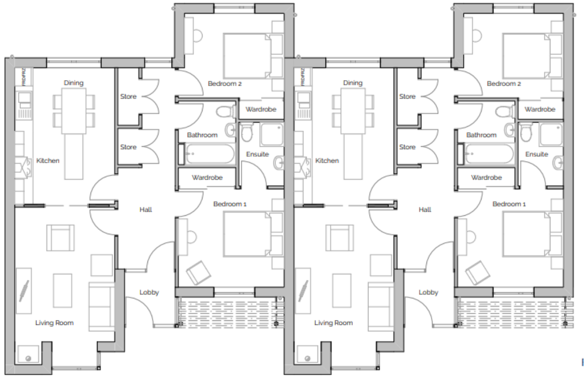
Forward funding a new home in Norwich



- **Acquisition of Carlton Hall, a successful care home which is part of an established care village in Lowestoft with a development-focussed tenant.**
- **Roll out of the concept in affluent Thorpe St Andrew developing a new 80-bed care home and initial 19 retirement bungalows.**



Ground Floor as Proposed

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Financial information

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An active first half

Dec 20

- 11th Dec – Acquisition of Blackwell Vale
- 23rd Dec – Acquisition of Ulster portfolio
  New tenant

Jan

- 18th Jan – Acquisition of Mavern

Feb

Mar

- 29th Mar – Announcement of year end results

Apr

- 19th April – Agreed forward funding the development of Oasis
- 19th April – Exchanged on Carlton Hall
  New tenant

May

- 6th May – Raised £35m in share placement
- 13th May – Appointment of new Non-Exec

Jun

- 25 Jun
  – £26m RCF secured with NatWest (accordion to £50m)

  - £10m pay down of term with Metro

Continued growth and resilience in income

(£'000)	HY 2021	HY 2020	
Cash rental income	14,649	11,643	+25.8%
Net rental income	17,829	14,844	+20.1%
Profit before taxation	14,507	11,051	+31.3%

EPRA earnings per share	4.10p	3.62p	+13.3%
Adjusted earnings per share*	3.26p	2.86p	+14.0%
Dividend declared for the year	3.21p	3.15p	+1.9%

Total expense ratio	1.50%	1.42%	-0.08pts
EPRA cost ratio	15.5%	16.4%	+0.90pts

Contracted rent

£33.8m +14.5%

H1'20: £29.5m

Dividend cover

EPRA Earnings

127.9% +12.8%

H1'20: 115.1%

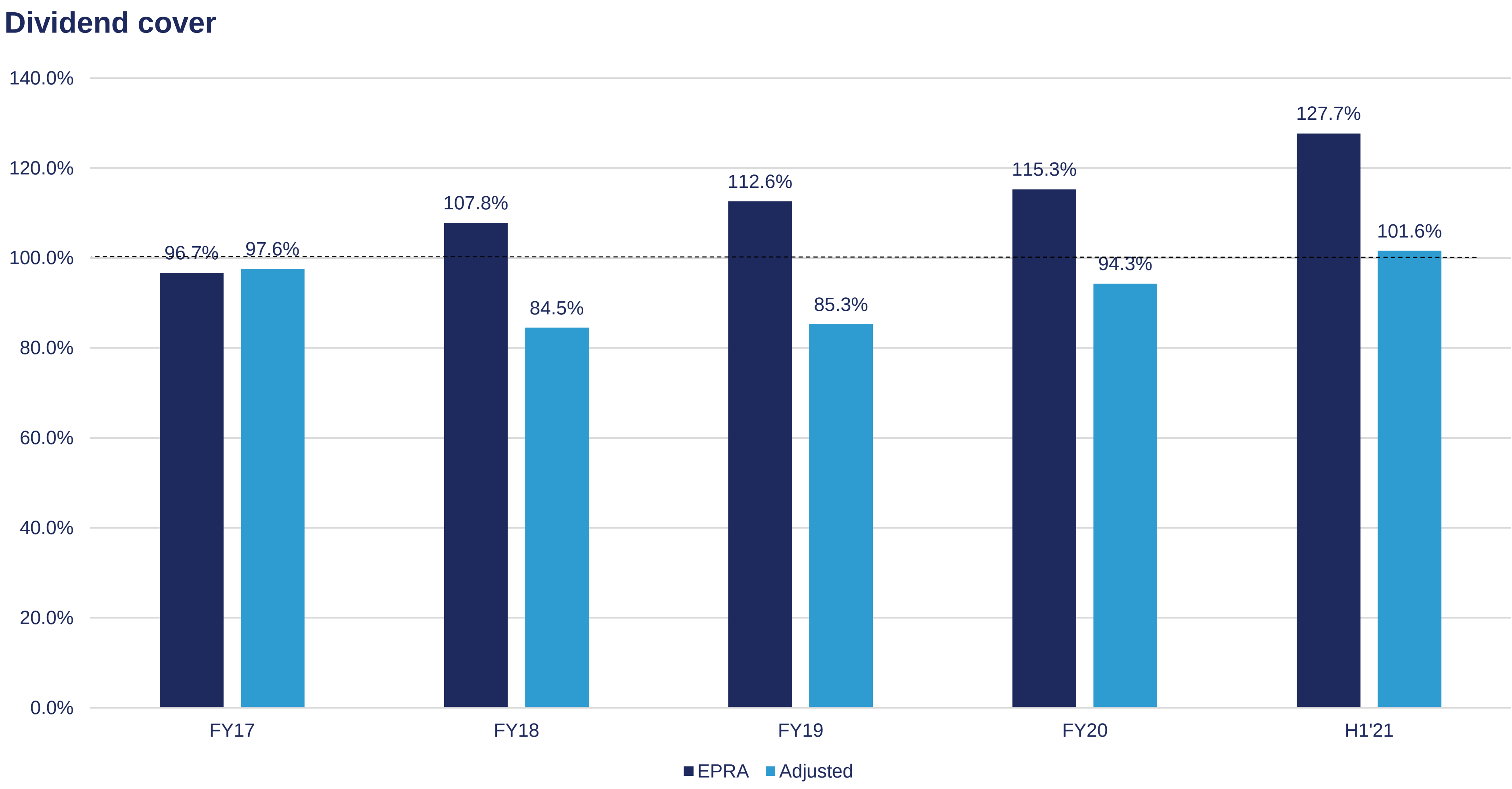
Adjusted Earnings

101.7% +10.8%

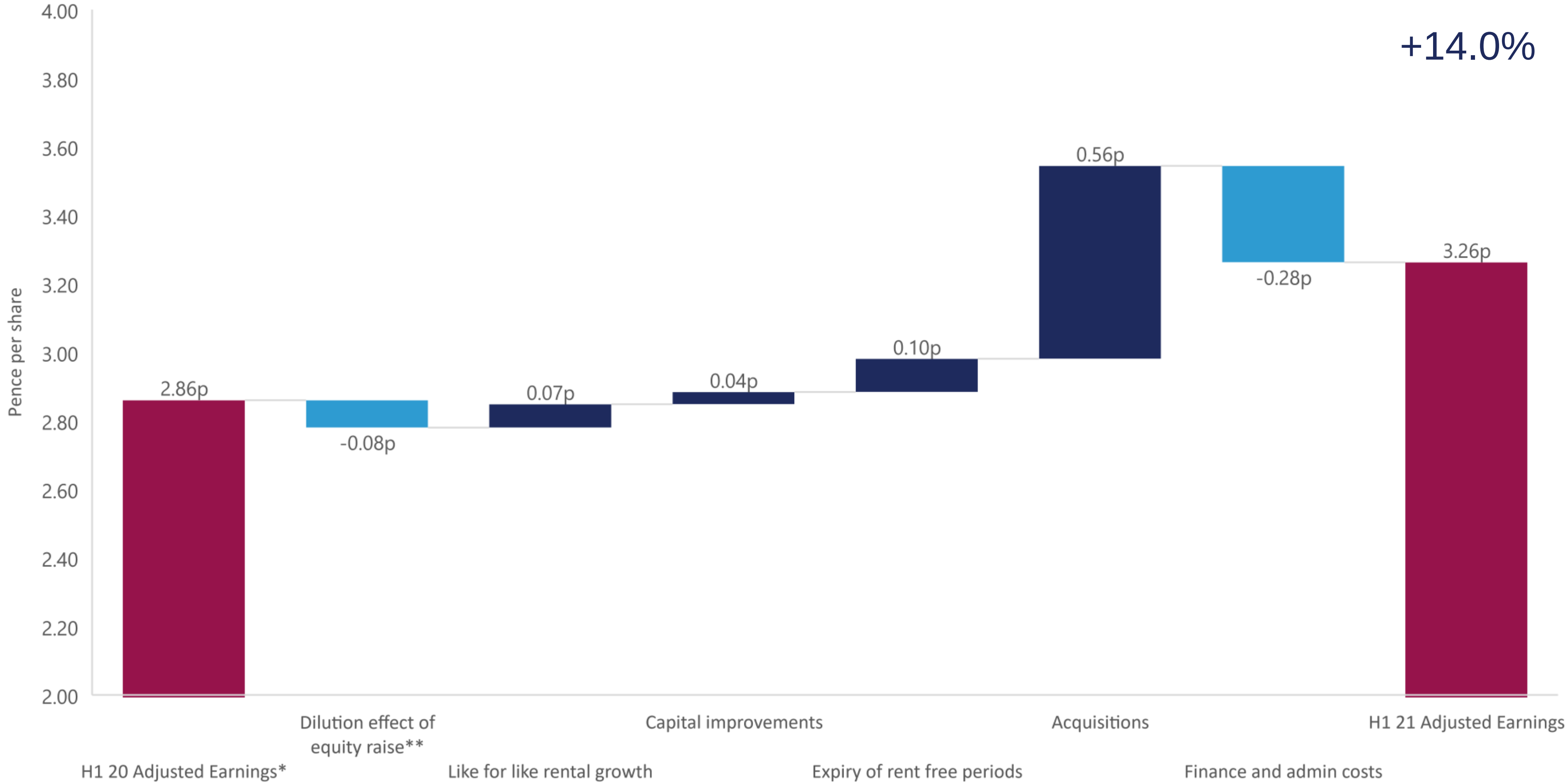
H1'20: 90.9%

*Adjusted earnings removes non-cash items and non-recurring items from EPRA earnings including; accounting rental income as a result of the straight-lining from fixed rental uplifts over the term of the leases, amortisation of loan arrangement fees, and exceptional one off costs. HY 2020 has been restated to exclude amortisation of loan arrangement costs from adjusted earnings (previously reported at 2.77p)

Delivering a covered dividend



Delivering earnings growth from acquisitions



*restated to exclude amortisation of debt costs from adjusted earnings (previously reported at 2.77p)

** The "Dilution effect of equity raise", is the difference in H1 20 adjusted earnings using the average weighted shares in H1 21, to enable the earnings growth across the remaining subcategories to be properly reflected.

Growth in capital with conservative gearing

	H1 2021	FY 2020	
Portfolio value (£'000)	432,393	418,788	3.2%
Net debt (£'000)	44,660	68,391	
Gross Debt (£'000)	62,391	76,370	
NAV per share (Pence)	110.66p	109.58p	1.0%
Gross loan to value	13.7%	17.8%	-4.1pts

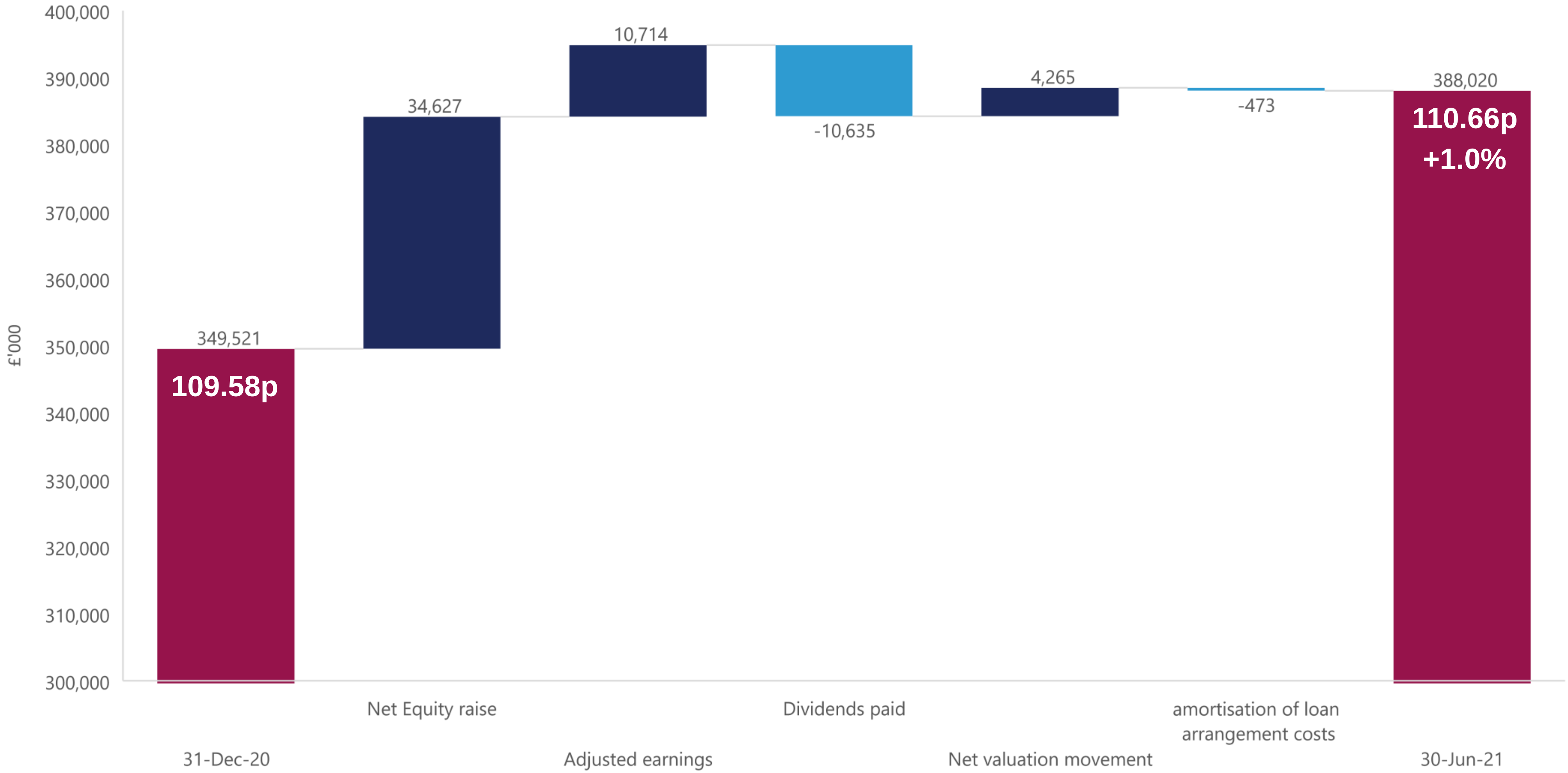
	H1 2021	H1 2020	
NAV Total return	3.88%	3.25%	+0.63pts

Portfolio value movement:

	£'000	
31-Dec-20	**418,788**	
Acquisition costs	8,212	+1.9%
Capital Investments	1,175	+0.3%
Value uplifts:		
Acquisitions	(545)	-0.1%
Capital improvements	449	+0.1%
Other*	4,314	+1.0%
30-Jun-21	**432,393**	**+3.2%**

*Other, relates to uplifts on the remainder of the portfolio from rental uplifts and yield movements

Resilient balance sheet delivering NAV growth



Secure financing

	Metro Bank	CYBG	HSBC	NatWest
Facility	£40m (£15m term, £25m RCF)	£25m (RCF)	£50m (RCF)	£26m (RCF with Accordion to £50m)
Expiry	June 2023	March 2024	April 2023 (+ two 1 year extensions to April 2025)	June 2024
Margin	265bps (+Metro base rate)	225bps (+3mth Libor)	195bps (+3mth Libor)	190bp (+SONIA)
Security pool	Propcos 1 and 2	Propco 3	Propco 4	Propco 7
Propco interest cover covenant	200%	325%	250%	250%
Propco LTV covenant	35%	55%	55%	50%

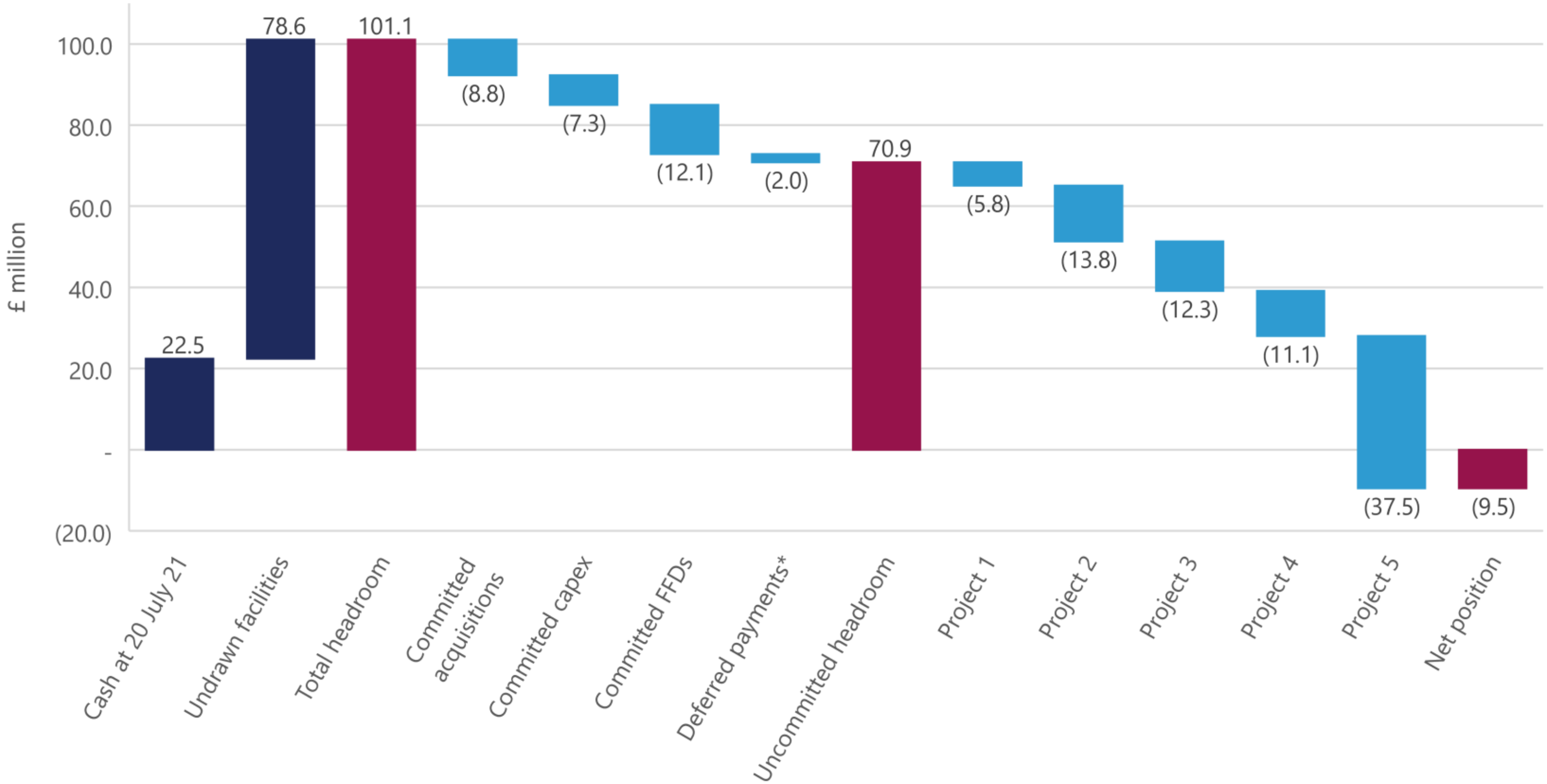
Of the £141m of available facilities, £62m was drawn at 30 June 2021

We remain in compliance with all of our debt facilities.

Terms agreed with HSBC and CYBG for transition from LIBOR to SONIA

First of two one-year extensions with HSBC in discussion.

Liquidity headroom for identified opportunities



We have an active pipeline of opportunities to utilise the available funding secured from the equity raise and debt facilities.

Maximum leverage if fully drawn would be 26%, comfortably within the leverage limits of the company.

All identified pipeline opportunities are in exclusive discussions, but there can be no certainty of completion.

* Thin includes deferred payments falling due within the next two years

Conclusion

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Conclusion

Portfolio resilience

100% rent collection with zero voids

Tenant resilience

Strong rent cover and underlying fee growth

Covered dividend

Progressive dividend fully covered

Strong balance sheet

LTV reduced to 14% during the period

Active asset management

Two new homes being forward funded

- **Target dividend for 2021 up 1.9% on 2020**
- **£80 million of acquisitions in exclusivity and progressing**
- **Major reform of adult social care announced by government potentially transformational for the sector**

Appendix

Company summary table

Entity	▪ Impact Healthcare REIT PLC
Market	▪ 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 share capital	▪ 350,644,188 ordinary shares outstanding
Target dividend	▪ Target dividend of 6.41 pence per share for 2021.
Gearing	▪ The Company utilises prudent financing with a maximum LTV of 35% of gross assets
Valuation	▪ Quarterly valuation by Cushman & Wakefield
Independent Board	▪ Board comprised of 6 experienced Non-Executive Directors and is independent of the AIFM
Discount control	▪ Share buy-back authority for up to 14.99% of issued share capital.
AIFM	▪ Impact Health Partners LLP – Principals: Andrew Cowley and Mahesh Patel
Management commitment	▪ Mahesh Patel £10m share holding in the Company. Other members of management, the board and Impact Health Partners LLP hold £2m
Fees	▪ Management fees: 1% of NAV payable to Impact Health Partners LLP reducing to 0.70% on NAV above £500m
Corporate brokers and other advisers	▪ Jefferies, Winterflood Securities, Travers Smith and BDO

Impact board

The six 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, Managing Partner of Cairneagle Associates, former Audit Committee Chair of Lowland Lowland Investment Co. and experienced board member of public and private companies
- Qualified accountant, INSEAD MBA and Cambridge MA

- **Director: Paul Craig (non-executive)**
- Portfolio manager at Quilter. Over 20 years of investment experience
- Quilter has a 18.9% interest in the Company through funds managed by Paul[1]

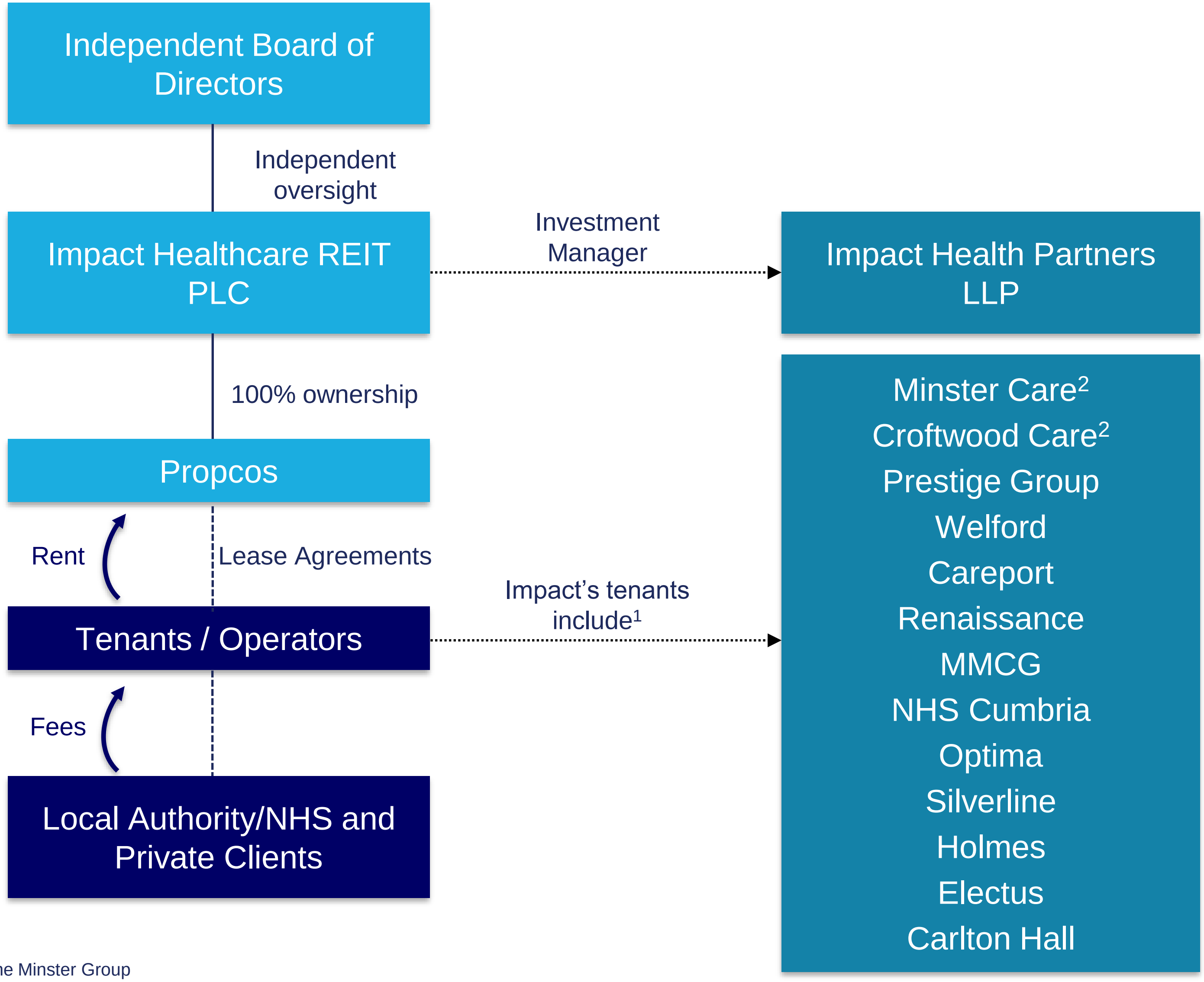
- **Director: Amanda Aldridge (independent non-executive)**
- Former audit and advisory partner at KPMG LLP. Currently non-executive director of Headlam Group, The Brunner Investment Trust, Low Carbon Contracts Company and non-executive member of Places for People Group.
- Extensive audit and advisory experience

- **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

- **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 and Urban & Civic
- Cambridge MA

- **Director: Chris Santer (independent non-executive)**
- Chief Investment Officer for Primary Health Properties PLC (PHP), c.25 years of real estate and development experience in the UK and Continental Europe in both listed and private equity funds.
- MBA from Warwick Business School and member of the Royal Institute of Chartered Surveyors.

Company structure



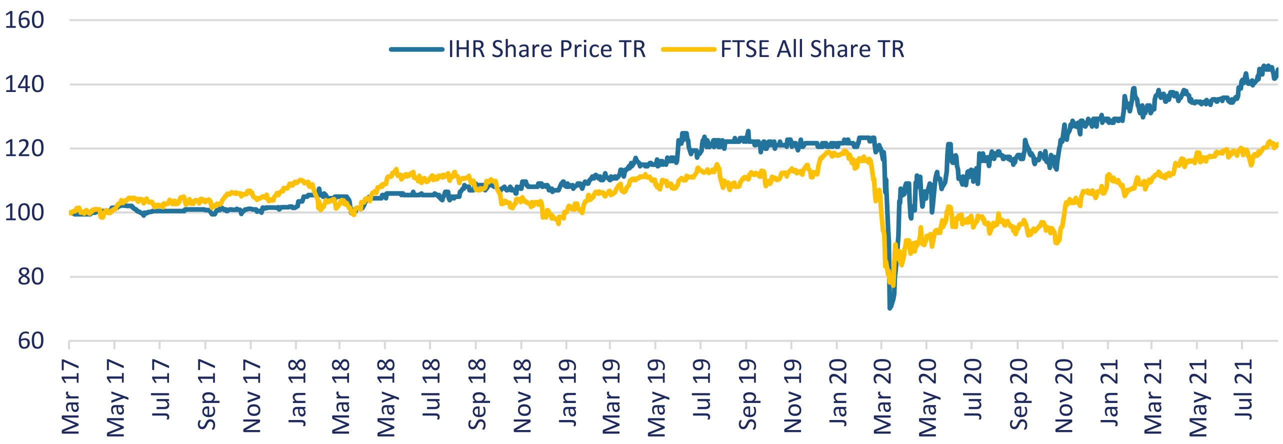
Source: Company information

[1] As at 30 June 2021

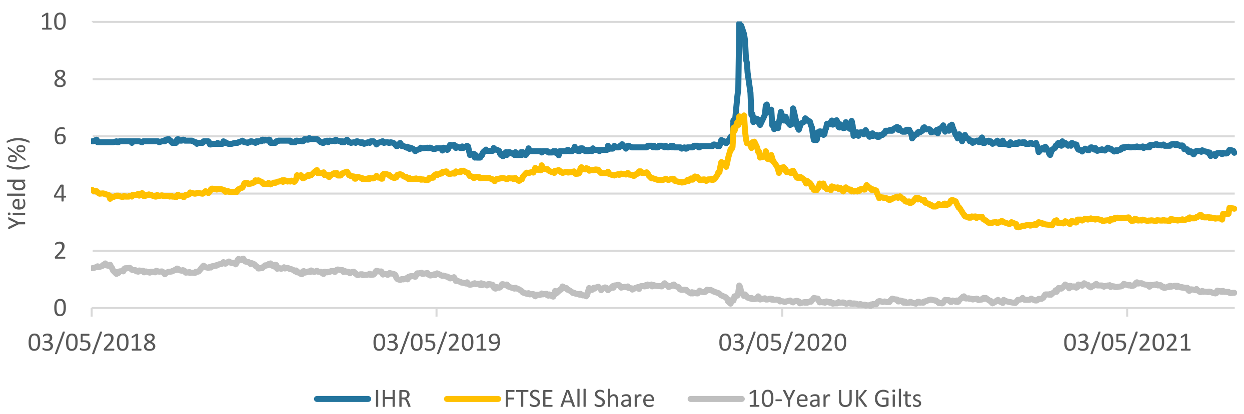
[2] Minster and Croftwood are both part of the Minster Group

Delivering returns to shareholders

IHR Share Price and FTSE All Share Total Returns (Rebased to 100)



IHR Yield vs FTSE All Share Yield vs 10-Year Gilts



- Since inception on 7 March 2017, Impact has delivered a 35% total shareholder return.
- Impact's average yield since inception of 5.89% has offered a pick-up of 179 basis points over the average FTSE All-Share dividend yield for that period, and 499 basis points over Gilts.
- Impact has paid £57.7 million in dividends to its shareholders since inception.

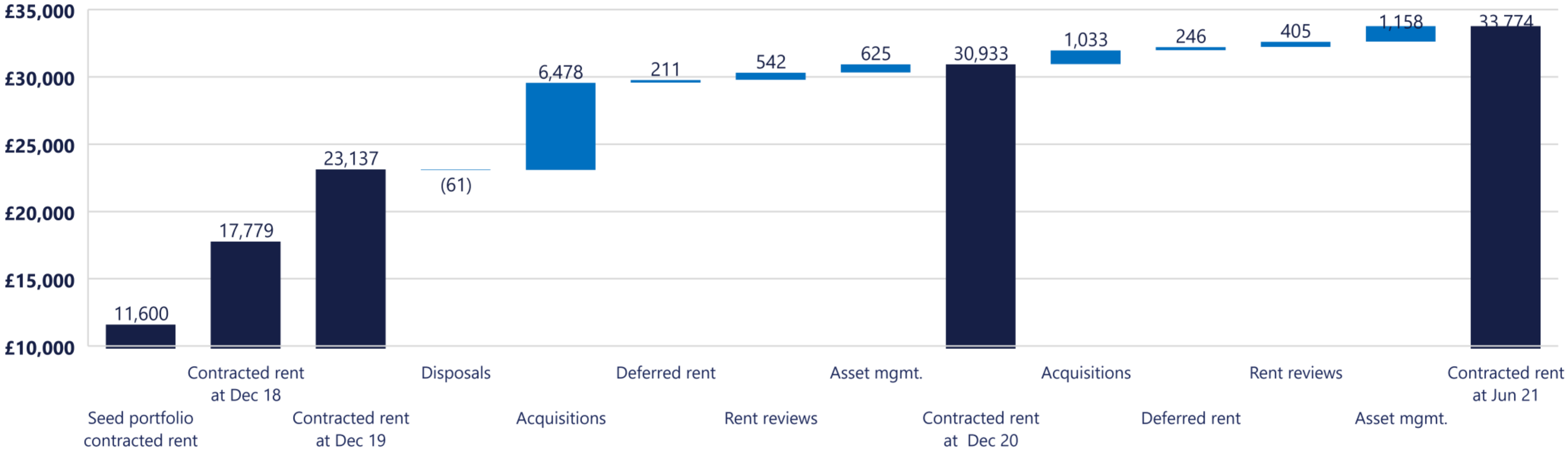
Past performance is not indicative of future results.
The value of investments and the income from them can fall as well as rise.

Strong lease structures

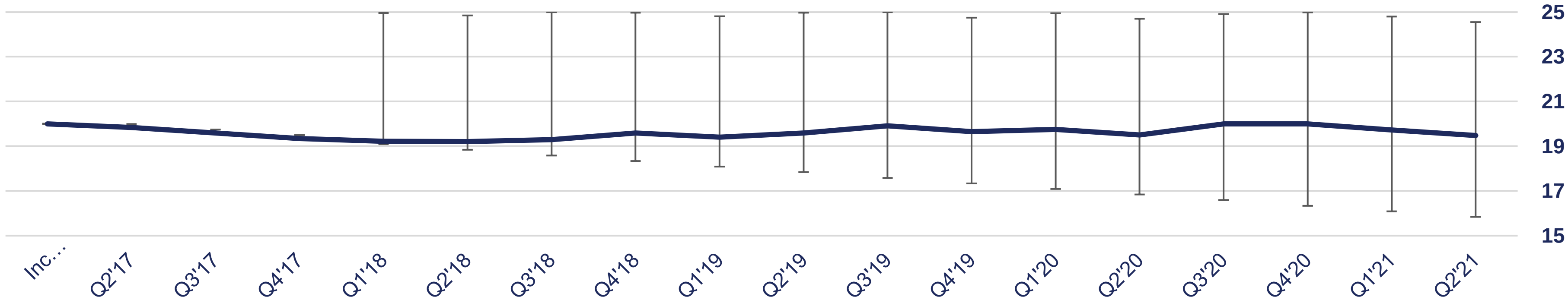
- Strong lease structures generate attractive, predictable and long term income:
- Long fixed term: Minster, Croftwood, and Welford 20 years; all other tenants 25 years (with the exception of two properties leased to the NHS)
- Options to extend
- No break clauses
- Rent fixed (i.e. not related to tenants' turnover or trading)
- Upwards only annual rent reviews at RPI, with either a floor of 2% and cap of 4% or a floor of 1% and cap of 5% on all homes (two buildings leased to the NHS adjust annually at CPI with no cap and floor)
- 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

Insert source text here

Growing the rent roll while preserving WAULT



WAULT of Impact's care homes (with range) since inception



Impact's approach – Our business model

Build relationships
We build strong relationships with high-quality care providers, who we can work with long term.

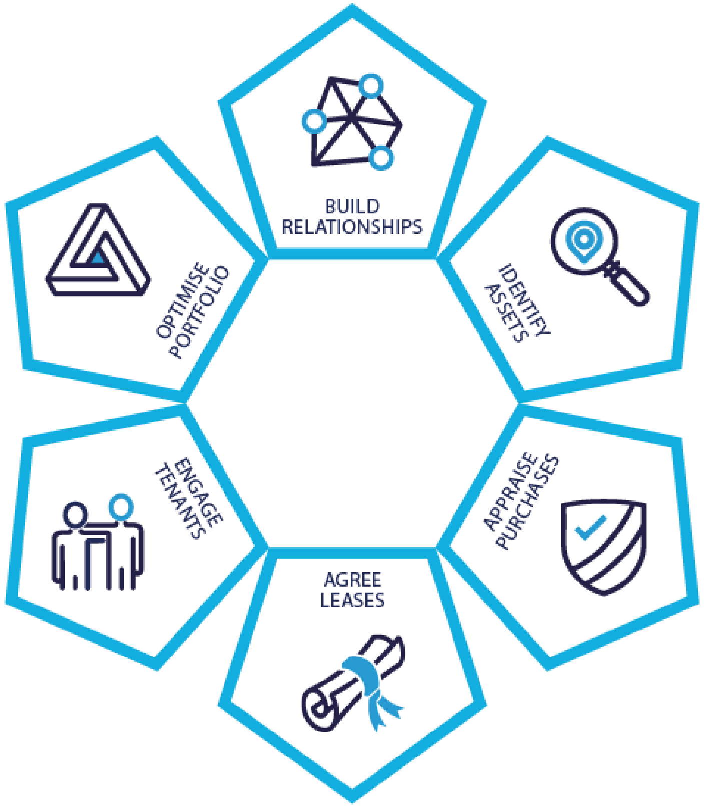
Identify assets
We identify attractive assets to acquire, in partnership with those operators.

Appraise purchases
We perform rigorous due diligence before we selectively purchase care assets.

Agree leases
Our lease terms ensure strong rent cover on day one and require our tenants to maintain our assets to the right standard, with minimum spend requirements.

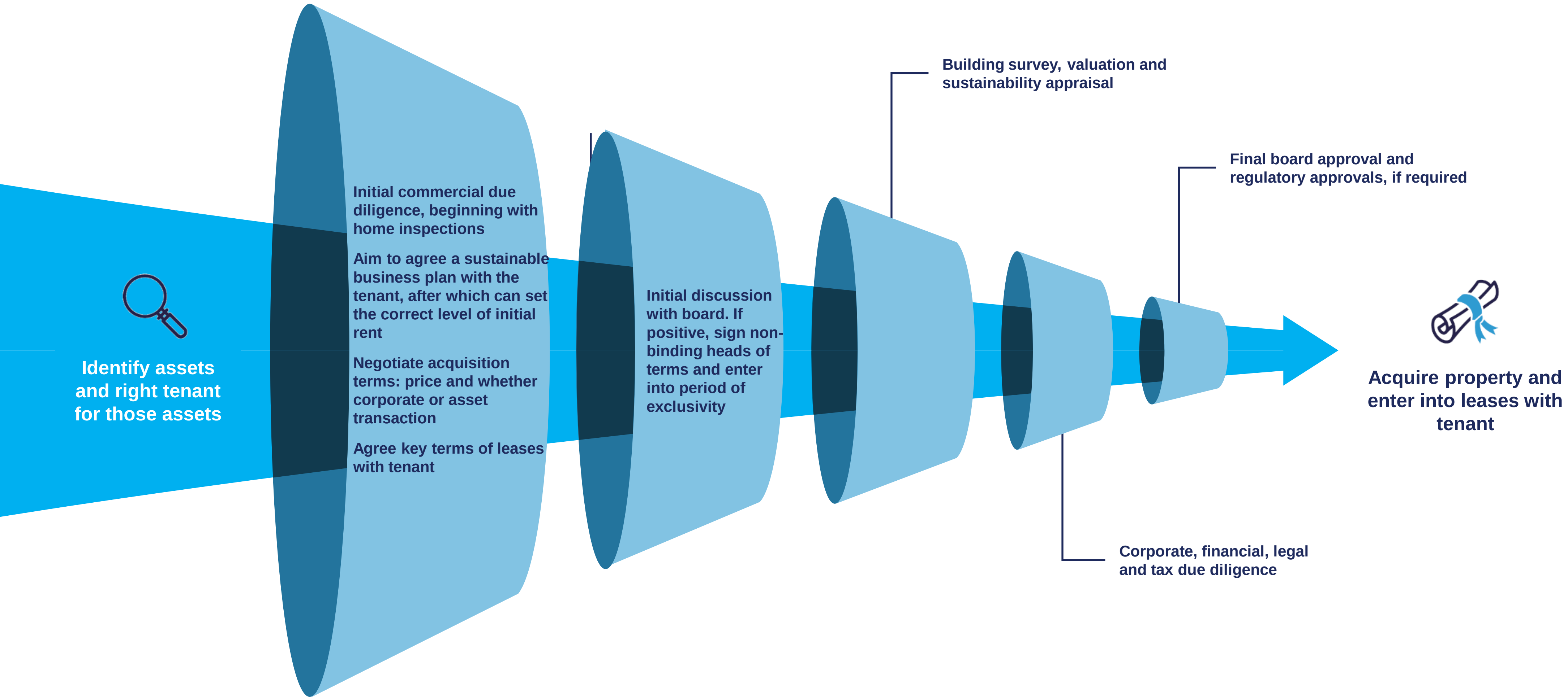
Engage tenants
We work closely with our tenants to create sustainable value through mutually beneficial asset management projects.

Optimise portfolio
We optimise our portfolio through selective asset sales, where we can reinvest in higher value opportunities.



How we source assets

Our appraisal process



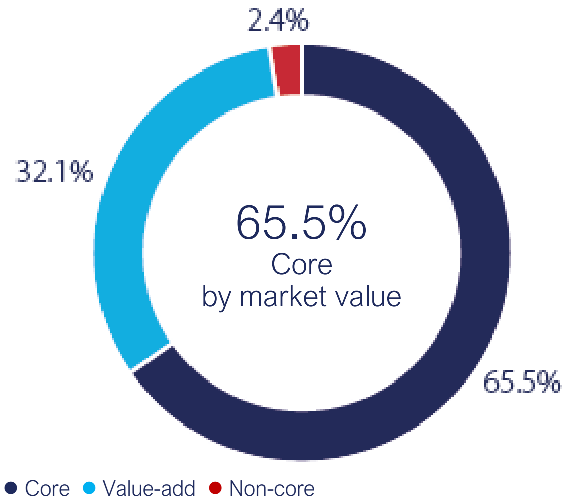
Portfolio management

Core

These assets are the primary contributors to our long-term, stable income.

- Good quality buildings with a useful life greater than the duration of the lease.
- Invested to an appropriate standard.
- Stable trading, underpinning a sustainable level of rent cover.

A strong core portfolio underpinning value



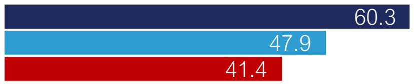
Value-add

Value-add assets are candidates for asset management initiatives.

- Present opportunities to deploy capital to enhance the asset and its performance.
- May be a smaller home, have a low level of en-suite bathrooms or potential for environmental performance improvements.
- Value uplift through enabling the tenant to offer a new service, such as dementia and/or targeting private residents.

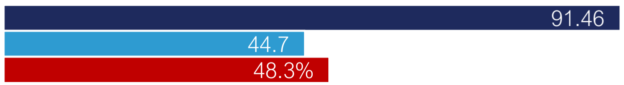
Homes of scale, delivering an efficient service to residents

Average number of beds per property



A core portfolio delivering an en suite facility service

Rooms with en suite bathrooms



A proportional rent per bed with strong rent cover across the portfolio

Average rent per bed

Non-core

Non-core assets may be candidates for sale and are likely to have been acquired as part of larger portfolios.

- Limited lifespan homes with a high degree of functional obsolescence.
- Higher alternative use value.
- Could be geographically isolated.

Significant opportunity to enhance value from the value-add portfolio