EDISON

Target Healthcare REIT

Robust and sustainable

H126 results

Real estate

23 March 2026

Target Healthcare REIT's H126 results show strong operational, financial and strategic progress, driven by the company's active management of its assets and borrowings and highly supportive sector fundamentals. Increased earnings, dividend cover and asset values reflected visible inflation-linked rental growth, strong rent collection and arrears recovery. Once sale proceeds are fully deployed, capital recycling will enhance both earnings and portfolio quality. Around half of recent sales proceeds have been deployed, but significant available capital remains, which is more than matched by a strong pipeline of similarly attractive opportunities.

Year end	Net rental income (£m)	EPRA earnings (£m)	NAV/share (£)	DPS (p)	EPS (£)	P/NAV (x)	Yield (%)
6/25	72.9	47.9	1.15	5.88	6.08	0.87	5.9
6/26e	70.8	49.3	1.22	6.03	6.32	0.82	6.1
6/27e	73.3	50.4	1.27	6.18	6.72	0.79	6.2
6/28e	77.1	42.7	1.31	6.34	6.88	0.76	6.4

Note: EPRA earnings exclude revaluation movements and non-recurring items. NAV defined as EPRA net tangible assets (NTA) throughout this report.

In H126, the uplift from inflation-indexed rent reviews was an average 3.8%, adding 1.8% to rent roll. Excluding c 0.2p of non-recurring recovery of historical rent arrears, H126 adjusted EPS was c 3.2p, comfortably covering DPS of 3.0p (+2.5%). EPRA NTA per share increased 4.0% to 119.4p. Including DPS paid, and assuming reinvestment, the accounting total return was 6.8%. On the same basis, the return has averaged 7.8% per year since the company's launch in 2013. Most of the key financial performance data was included in Target's Q226 trading update in early February and covered in detail in our previous note. The half-year report and company presentation highlight the strength of Target's disciplined investment strategy, its effective asset management, the strong sector tailwinds and its attractive and consistent long-term returns.

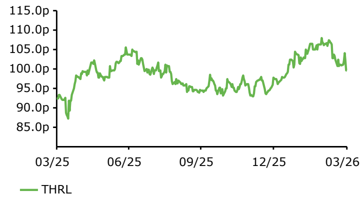
Target's portfolio is modern, sustainable and appealing to residents. Good quality assets, in the right locations and let at sustainable rents are attractive to operators. In H126 Target re-tenanted five homes, at comparable rents, without the need for lease incentives, and expects to restore rent collection to 100% by the end of FY26. Average rent cover of 1.9x over the past year is the highest since launch, reflecting the ability of operators to maintain good levels of occupancy and fee growth.

Around half the proceeds of recent disposals, mainly the nine-home portfolio sold for £86m, a premium of 11.6% to the carrying value at end-FY25, have been deployed, but significant available capital remains, which is more than matched by a strong pipeline of similarly attractive opportunities.

We will review our forecasts but expect no material changes. Target's expected FY26 DPS of 6.032p represents an attractive c 6% yield, while the shares trade at a c 16% discount to NAV. We believe that in an uncertain macroeconomic environment, this is highly attractive. The demand for care home places is effectively nondiscretionary, driven by a growing elderly population and the need to improve the existing estate, and is largely uncorrelated with the economy. Healthcare property has historically provided attractive risk-adjusted returns and at a portfolio level, Target has consistently been a top-quartile performer within the MSCI UK Healthcare Property Index, generating 93% outperformance since launch.

Price	**99.50p**
Market cap	**£617m**
Net cash/(debt) at 31 December 2025	£(136.3)m
Shares in issue	620.2m
Code	THRL
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



Business description

Target Healthcare REIT invests in modern, purpose-built residential care homes in the UK let on long leases to high-quality care providers. It selects assets according to local demographics and intends to pay increasing dividends underpinned by structural growth in demand for care.

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