Target Healthcare REIT

Q326 progress ahead of accretive deployment

Q326 update

Real estate

11 May 2026

Target Healthcare REIT's Q326 update shows continuing steady operational and financial progress, driven by the company's active asset management and highly supportive sector fundamentals. We expect organic, inflation-indexed rental growth and accretive capital recycling to drive consistent earnings and growth, uncorrelated with, and independent of, heightened economic uncertainties. The company expects to have materially deployed the proceeds of its recent portfolio sale by the end of the current financial year and has a strong pipeline of similarly attractive opportunities.

Year end	Net rental income (£m)	EPRA earnings (£m)	NAV/share (£)	DPS (p)	EPS (£)	Yield (%)	P/NAV (x)
6/25	72.9	47.9	1.15	5.88	6.08	5.5	0.94
6/26e	70.7	51.3	1.22	6.03	6.59	5.6	0.88
6/27e	74.2	52.0	1.28	6.18	6.75	5.7	0.84
6/28e	76.7	42.7	1.33	6.34	6.89	5.9	0.81

Note: EPRA earnings is shown on an adjusted basis, excluding IFRS rent smoothing adjustments and including interest earned on development funding. NAV is net tangible assets throughout this report.

Income growth driving total return

Underpinned by rental growth, NAV per share increased 1.0% to 120.6p. Including DPS paid, the NAV total return was 2.3% (ytd to 9.0%). Rent roll increased by 0.9% on a like-for-like basis, with a similar impact on property valuation as yields remained broadly stable. Adjusted EPS of 1.60p fully covered DPS of 1.508p. Rent collection was 99% in the quarter, but has reached 100% with the subsequent sale of one underperforming home at carrying value. Another home was successfully re-tenanted at a higher rent and with a longer lease term. Tenant rent cover remains very strong at 1.9x. The loan to value ratio (LTV) remained at a low 15.2%, but the company expects this to approach 25% as it deploys available capital of c £100m, with up to £40m expected to complete by mid-year.

Sustainable earnings and social benefits

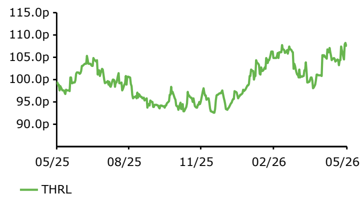
Target operates in a structurally supported market with demographic trends and a need to improve the existing estate driving demand for the modern, high-quality residential facilities that the company invests in. These are appealing to residents (77% private pay as at December 2025), support operators in providing better, more efficient and more effective care, and provide sustainable, long-term investment income. 100% of its homes are EPC rated A or B and compliant with the minimum energy efficiency standards anticipated to apply from 2030. All of its rooms have full en-suite wet room facilities (compared with around one-third for the sector).

Attractively defensive

Target provides essential care facilities, the demand for which is uncorrelated with the wider economy. Together with indexed rent uplifts and a long 26-year weighted average unexpired lease term, this provides a defensive and growing income stream in an increasingly uncertain environment. Although share price performance has been strong, the prospective yield of 5.6% is still a c 60bp premium to the 10-year UK gilt yield of c 5.0%, up from c 4.5% at the beginning of the year. Unlike the fixed coupon on the gilt, we expect Target's DPS will continue to grow.

Price	**107.60p**
Market cap	**£667m**
Net cash/(debt) at 31 March 2026	£(137.4)m
Shares in issue	620.2m
Code	THRL
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	1.9	4.0	12.9
52-week high/low		109.0p	89.4p

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.

Next events

Q326 NAV update — Expected August 2026

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Edison profile page

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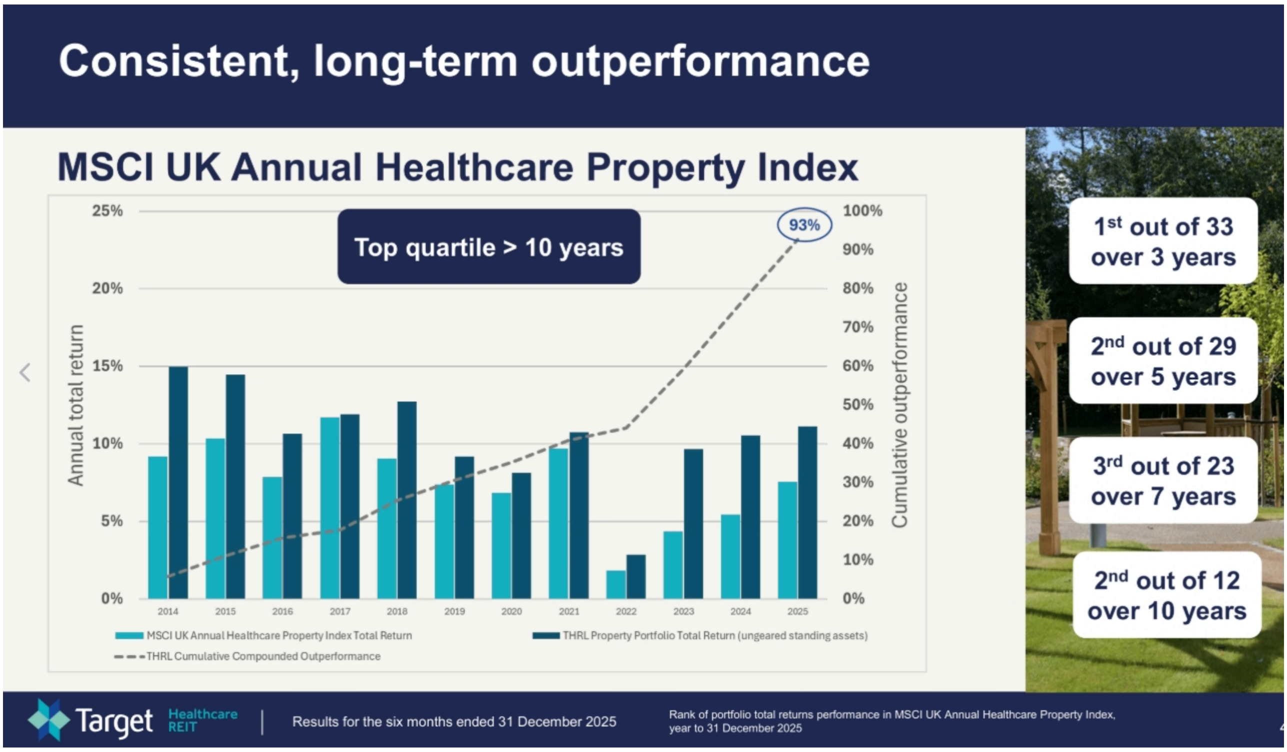
A consistent pattern of income and capital growth

Q326 followed the typical pattern of inflation-linked rental growth driving income and capital gains. This has been true of every quarter since Target listed, with the exception of the final quarter of 2022 as rising interest rates led to falling capital values across the commercial property sector. Healthcare property was more robust than the broad market and yields stabilised more quickly. Even within the healthcare property sector, Target has delivered a very strong property-level performance and has been a top-quartile performer in the MSCI Annual Healthcare Property Index for more than 10 consecutive years.

Exhibit 1: Portfolio level outperformance



Source: Target Healthcare REIT

The increase in Q326 NAV was driven by portfolio valuation growth and a small amount of earnings retention, with adjusted EPS of 1.60p covering DPS by c 1.06x. The apparent decline in EPS in Q3 versus Q1 and Q2 reflects the non-recurring contribution from historical rent arrears recoveries in those quarters, amounting 0.18p.

Exhibit 2: Quarterly NAV total returns

	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
Pence per share	**Q325**	**Q425**	**Q126**	**Q226**	**Q326**
Opening EPRA NTA per share	**112.7**	**113.0**	**114.8**	**117.7**	**119.4**
Unrealised property revaluation gains/(losses)	0.3	1.4	1.3	1.5	1.1
Gain/(loss) on disposal	0.0	0.2	1.4	0.1	0.0
Property acquisition costs & other capital items	0.0	0.2	0.0	(0.3)	0.0
Gain on surrender premium received	0.0	0.0	0.0	0.2	0.0
Movement in revenue reserve	1.5	1.5	1.7	1.7	1.6
Dividend paid	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Closing EPRA NTA per share	**113.0**	**114.8**	**117.7**	**119.4**	**120.6**
EPRA NTA total return (excluding reinvestment of dividends)	**1.6%**	**2.9%**	**3.8%**	**2.7%**	**2.3%**

Source: Target Healthcare REIT data, Edison Investment Research

Active asset management

After the period end, Target sold the one home that accounted for the c 1% of Q326 uncollected rent, at carrying value.

It also re-tenanted one asset, representing 0.9% of the total rent roll, to an existing tenant. It included the granting of a 12-month rent-free period, but this was in exchange for an increase in the contractual rent of more than 6%, an extension of the remaining lease term by c 14 years to 35 years and the inclusion of additional green lease clauses. A capital expenditure facility of £1.6m was granted to the tenant in order to fund further improvements to the real estate, which, if utilised, would be rentalised at a similar investment yield.

Around £100m of available capital

Undrawn debt (£76m) and cash (£66m) less existing commitments amount to around £100m of available capital and the company has a pipeline of opportunities in excess of this. Existing commitments include a forward commitment to acquire a newly developed home for £13.4m, including acquisition costs, pre-let to an existing tenant, following practical completion, which is expected in the summer of this year.

Exhibit 3: Balance sheet summary and gearing

	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
£m unless stated otherwise	**Q325**	**Q425**	**Q126**	**Q226**	**Q326**
Investment properties at market value	930	930	948	895	903
Cash	36	40	44	67	66
Net current assets/(liabilities)	(16)	(16)	(15)	(18)	(18)
Bank loan	(249)	(242)	(248)	(204)	(204)
Net assets	**701**	**712**	**730**	**741**	**748**
Net debt	(213)	(202)	(203)	(136)	(137)
Gross LTV	26.8%	26.0%	26.1%	22.7%	22.5%
Net LTV	22.9%	21.8%	21.4%	15.2%	15.2%

Source: Target Healthcare REIT

No material change to forecasts

There is no material change to our earnings forecasts, which allow for £68m of additional commitment to standing assets and forward funded developments, between now and the end of FY27, at a 6% net initial yield. This is net of the one home sold in Q326. The later developments do not contribute fully to FY28e rental income (although, to a lesser extent, they do generate interest earnings on funds extended), representing a further source of growth into FY29.

All rents are inflation-linked (typically capped and collared between 2% and 4% per year) and we assume rent reviews will add 3.8% in FY26, 3.5% in FY27 and 2.8% in FY28. The recent rise in oil prices suggest inflation may be higher than we have assumed.

The target DPS of 6.032p is a 2.5% increase on FY25. We forecast 2.5% per year in FY27 and FY28. Given strong DPS cover by adjusted 'cash' earnings, DPS growth may be higher. EPRA earnings, which include non-cash IFRS rent smoothing adjustments, cover DPS by more than 130%.

Valuation yields have been effectively stable since the end of 2022 and we assume this will continue such that rental growth feeds through into investment property valuations and growth in EPRA NTA per share. Adjusting NTA for dividends paid, we expect the accounting total return to be high single digits beyond the current year, for which we forecast 11.8%.

Exhibit 4: Forecast revisions

	New forecasts			Previous forecasts			Change		
Year-end June. £m unless stated otherwise	**FY26**	**FY27**	**FY28**	**FY26**	**FY27**	**FY28**	**FY26**	**FY27**	**FY28**
Cash rental income	60.3	63.6	66.1	60.4	62.9	66.5	(0.0)	0.8	(0.4)
Credit loss allowance & bad debts	0.9	(0.6)	(0.7)	(0.9)	(0.9)	(1.0)	1.9	0.3	0.3
Management fees	(8.2)	(8.7)	(9.3)	(8.1)	(8.6)	(9.1)	(0.1)	(0.1)	(0.2)
Administrative expenses	(3.5)	(3.6)	(3.7)	(3.5)	(3.6)	(3.7)	0.0	0.0	0.0
Net finance costs	(8.7)	(9.2)	(10.5)	(9.0)	(9.7)	(10.9)	0.3	0.5	0.4
Development interest under forward fund agreements	(0.1)	0.4	0.8	0.3	1.6	0.9	(0.4)	(1.2)	(0.1)
Adjusted earnings	**40.9**	**41.9**	**42.7**	**39.2**	**41.6**	**42.6**	**1.7**	**0.2**	**0.1**
Non-cash IFRS rent smoothing	10.4	10.6	10.6	10.4	10.4	10.6	(0.0)	0.2	(0.0)
Development interest under forward fund agreements	0.1	(0.4)	(0.8)	(0.3)	(1.6)	(0.9)	0.4	1.2	0.1
EPRA earnings	**51.3**	**52.0**	**52.5**	**49.3**	**50.4**	**52.3**	**2.0**	**1.6**	**0.2**
Adjusted EPS (p)	**6.6**	**6.8**	**6.9**	**6.3**	**6.7**	**6.9**	**0.3**	**0.0**	**0.0**
DPS (p)	**6.0**	**6.2**	**6.3**	**6.0**	**6.2**	**6.3**	**0.0**	**0.0**	**0.0**
DPS cover (adjusted earnings)	**109.2%**	**109.2%**	**108.8%**	**104.7%**	**108.6%**	**108.5%**	**4.6%**	**0.6%**	**0.3%**
DPS cover (EPRA earnings)	**137.1%**	**135.7%**	**133.5%**	**131.7%**	**131.5%**	**133.1%**	**5.4%**	**4.2%**	**0.4%**
EPRA NTA per share (p)	122.3	128.1	132.6	121.6	126.6	131.0	0.7	1.5	1.6
EPRA NTA total return	11.8%	9.7%	8.5%	11.2%	9.1%	8.5%	0.6%	0.6%	-0.1%

Source: Edison Investment Research

Valuation and performance

Target Healthcare REIT's share price has risen by 36% over the past three years, generating a total return, including DPS paid, of more than 60%.

While the shares have re-rated, the targeted FY26 DPS of 6.03p represents a prospective yield of 5.6%, still a premium of c 60bp to the 10-year UK gilt yield of c 5.0%, up from c 4.5% at the beginning of the year. Unlike the fixed coupon on the gilt, we expect Target's DPS will continue to grow, and contracted rental income is positively correlated to inflation.

The discount to EPRA NTA is c 10%.

Exhibit 5: Share price (pence), past three years

Source: LSEG Data & Analytics

In the table below we summarise the performance and valuation of Target and a selected group of other longer lease peers. Sector consolidation has reduced the REIT sector, and the peer group has narrowed over the past three years due to corporate activity. The acquisition by PHP of Assura and the acquisition of Care REIT by US-based healthcare real estate investment trust Caretrust REIT have highlighted the undervaluation of the sector.

Target shares have strongly outperformed the peer group and the broader UK property sector over one and three years. On a trailing basis, the company's P/NAV is broadly in line with the peer group, and its dividend yield is lower.

Exhibit 6: Selected peer group performance and valuation

	WAULT (years)	Price (p)	Market cap (£m)	P/NAV (x)	Yield (%)	Share price performance			
						1 month	3 months	1 year	3 years
LondonMetric	16	189	4,427	0.95	6.6	-1%	-8%	-2%	0%
Primary Health Properties	11	94	2,437	0.95	7.6	-1%	-10%	-7%	-10%
Residential Secure Income	N/A	53	99	0.84	7.7	-3%	-4%	-7%	-20%
Social Housing REIT	23	72	283	0.76	7.8	-4%	-6%	4%	29%
Supermarket Income	11	82	1,021	0.94	7.5	-1%	-4%	4%	-5%
Tritax Big Box	11	153	4,140	0.81	5.2	1%	-9%	7%	4%
Average	**17**			**0.88**	**7.4**	**-2%**	**-7%**	**-3%**	**0%**
Target Healthcare	**26**	**108**	**667**	**0.90**	**5.5**	**2%**	**2%**	**5%**	**36%**
UK property sector index		1,190				1%	-10%	-3%	-10%
UK equity market index		5,505				-3%	-2%	19%	31%

Source: Company data, Edison Investment Research, LSEG Data & Analytics prices as at 8 May 2026. Note: P/NAV is based on last reported NAV/NTA. Yield is based on 12-month trailing DPS declared. Residential Secure Income is in a process of winddown

Exhibit 7: Financial summary

Year to 30 June (£m)	2024	2025	2026e	2027e	2028e
INCOME STATEMENT					
Rental income excluding guaranteed uplift	58.6	60.4	60.3	63.6	66.1
IFRS adjustment for guaranteed uplifts	10.9	10.8	10.4	10.6	10.6
Other income	0.0	1.7	0.0	0.0	0.0
Total revenue	69.6	72.9	70.7	74.2	76.7
Gains/(losses) on revaluation	24.7	12.2	31.7	21.9	14.7
Realised gains/(losses) on disposal	1.9	0.0	0.0	0.0	0.0
Management fees	(7.5)	(7.8)	(8.2)	(8.7)	(9.3)
Credit loss allowance & bad debts	(1.0)	(1.6)	0.9	(0.6)	(0.7)
Administrative expenses	(3.1)	(3.9)	(3.5)	(3.6)	(3.7)
Operating profit	84.6	71.9	91.7	83.2	77.6
Net finance cost	(11.6)	(11.0)	(9.0)	(9.2)	(10.5)
IFRS net result	73.0	60.8	82.7	73.9	67.1
Adjust for:					
Gains/(losses) on revaluation	(24.7)	(12.2)	(22.2)	(21.9)	(14.7)
Other EPRA adjustments	(1.1)	(0.7)	(9.2)	0.0	0.0
EPRA earnings	47.2	47.9	51.3	52.0	52.5
Adjust for fixed/guaranteed rent reviews	(10.9)	(10.8)	(10.4)	(10.6)	(10.6)
Adjust for development interest under forward fund agreements	1.8	0.7	(0.1)	0.4	0.8
Group adjusted earnings	38.0	37.7	40.9	41.9	42.7
Average number of shares in issue (m)	620.2	620.2	620.2	620.2	620.2
IFRS EPS (p)	11.8	9.8	13.3	11.9	10.8
EPRA EPS (p)	7.6	7.7	8.3	8.4	8.5
Adjusted EPS (p)	6.1	6.1	6.6	6.8	6.9
Dividend per share (declared) (p)	5.71	5.88	6.03	6.18	6.34
Dividend cover (EPRA earnings) (x)	1.33	1.31	1.37	1.36	1.34
Dividend cover (Adjusted earnings) (x)	1.07	1.03	1.09	1.09	1.09
BALANCE SHEET					
Investment properties	831.6	840.4	840.8	895.0	934.5
Other non-current assets	91.2	101.9	102.5	113.1	123.7
Non-current assets	922.8	942.3	943.3	1,008.1	1,058.1
Cash and equivalents	38.9	39.6	48.7	60.7	50.3
Other current assets	5.7	4.3	2.3	2.3	2.3
Current assets	44.6	43.9	51.0	63.0	52.6
Bank loan	(240.7)	(240.3)	(201.3)	(240.9)	(251.6)
Other non-current liabilities	(9.9)	(12.7)	(13.3)	(13.3)	(13.3)
Non-current liabilities	(250.6)	(253.0)	(214.5)	(254.2)	(264.8)
Trade and other payables	(27.5)	(20.7)	(21.1)	(22.4)	(23.3)
Current Liabilities	(27.5)	(20.7)	(21.1)	(22.4)	(23.3)
Net assets	689.3	712.5	758.7	794.5	822.6
Adjust for derivative financial liability	(2.8)	(0.6)	0.0	0.0	0.0
EPRA net tangible assets (NTA)	686.5	711.9	758.7	794.5	822.6
Period end shares (m)	620.2	620.2	620.2	620.2	620.2
IFRS NAV per share (p)	111.1	114.9	122.3	128.1	132.6
EPRA NTA per share (p)	110.7	114.8	122.3	128.1	132.6
EPRA NTA total return	11.4%	9.0%	11.8%	9.7%	8.5%
CASH FLOW					
Cash flow from operations	52.2	50.8	52.0	51.9	53.3
Premium paid for interest rate cap	0.0	0.0	0.0	0.0	0.0
Net interest paid	(9.9)	(9.7)	(8.4)	(8.6)	(9.8)
Tax paid	0.0	0.0	0.0	0.0	0.0
Net cash flow from operating activities	42.3	41.1	43.6	43.4	43.5
Purchase of investment properties	(40.9)	(13.0)	(51.2)	(32.3)	(24.8)
Disposal of investment properties	44.3	9.8	93.5	0.0	0.0
Net cash flow from investing activities	3.4	(3.2)	42.4	(32.3)	(24.8)
Issue of ordinary share capital (net of expenses)	0.0	0.0	0.0	0.0	0.0
(Repayment)/drawdown of loans	13.0	(1.0)	(38.5)	39.0	10.0
Dividends paid	(35.2)	(36.1)	(37.1)	(38.1)	(39.1)
Other	0.0	0.0	(1.2)	0.0	0.0
Net cash flow from financing activities	(22.2)	(37.1)	(76.9)	0.9	(29.1)
Net change in cash and equivalents	23.5	0.8	9.1	12.0	(10.4)
Opening cash and equivalents	15.4	38.9	39.6	48.7	60.7
Closing cash and equivalents	38.9	39.6	48.7	60.7	50.3
Balance sheet debt	(240.7)	(240.3)	(201.3)	(240.9)	(251.6)
Unamortised loan arrangement costs	(2.3)	(1.7)	(2.2)	(1.6)	(0.9)
Drawn debt	(243.0)	(242.0)	(203.5)	(242.5)	(252.5)
Net cash/(debt)	(204.1)	(202.4)	(154.8)	(181.8)	(202.2)
Gross LTV	26.7%	26.0%	21.9%	24.4%	24.1%
Net LTV	22.5%	21.8%	16.6%	18.3%	19.3%

Source: Target Healthcare REIT historical data, Edison Investment Research forecasts

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