EDISON

Impact Healthcare REIT

Interim results

Successfully growing with tenants

Real estate

Impact Healthcare REIT's recent results provided strong evidence of the robustness of its strategy and the resilience of its tenants. Indexed rent uplifts and an historical ability of operators to pass inflation pressures through to fee increases provides inflation protection, and the prospects for further organic growth. Meanwhile, capital is available to fund accretive acquisitions and asset management investment.

Year end	Net rental income (£m)	EPRA earnings* (£m)	EPRA EPS*(p)	EPRA NAV/ share (p)	DPS (p)	P/NAV (x)**	Yield (%)**
12/20	30.8	23.1	7.3	109.6	6.29	1.14	5.0
12/21	36.4	27.4	8.1	112.4	6.41	1.11	5.1
12/22e	43.8	33.1	8.8	117.9	6.54	1.06	5.2
12/23e	50.6	37.0	9.6	124.1	6.76	1.01	5.4

Note: *EPRA earnings exclude fair value movements on properties and interest rate derivatives. **P/NAV and yield are based on the current share price.

Sustainably meeting a long-term need

In a sector driven by demographics of a growing elderly population, rather than the economy, Impact's business model is built on forming long-term partnerships with a growing list of selected tenant operators. Impact invests alongside them in properties that can operate efficiently, providing a good quality of care, delivering long-term sustainable returns for shareholders in the form of income and capital growth. Portfolio growth is delivering increasing economies of scale diversification and we forecast an additional £62m of investment commitment, as the proceeds of February's £40m (gross) equity raise are fully deployed, along with increased debt funding. We expect this to include more forward funding of high-quality purpose-built homes and an acceleration in asset management activity, working in partnership with tenants to upgrade/extend facilities, benefitting residents and operators while generating enhanced returns on a pure 'buy-and-hold' strategy.

Well-positioned for inflationary impact

Impact's homes are let on long-term, triple net leases with rents indexed to inflation. The resilience of tenants is demonstrated by strong rent cover, supporting 100% rent collection, strong cash flow and uninterrupted dividend growth. DPS has increased each year since IPO in 2017 and consistently positive accounting returns have averaged 7.8% pa. As the pandemic recedes, inflation poses new challenges, for Impact mitigated by rent indexation. Tenants should benefit from continuing occupancy recovery, while average fee growth of c 1% pa above RPI inflation over the past 20 years provides an indication of their ability to pass through cost pressures. FY22e DPS reflects company guidance of 6.54p (+2.0%). FY23e DPS is unchanged and we continue to forecast strong cash cover of more than 1.2x.

Valuation: Robust, indexed, long-term income

FY22e DPS represents an attractive yield of 5.2%, with strong prospects for fully covered dividend growth (on both an EPRA basis and an adjusted 'cash' basis) from acquisitions and predominantly RPI-indexed rent uplifts. This supports a c 11% premium to FY21 NAV per share.

9 May 2022

Price	**125p**
Market cap	**£482m**

Gross debt (£m) at 31 March 2022	107.6
Gross LTV (%) at 31 March 2022	19.4
Shares in issue	385.7m
Free float	90.0%
Code	IHR
Primary exchange	LSE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	1.1	8.3	11.6
Rel (local)	4.5	11.6	10.2
52-week high/low		127p	108p

Business description

Impact Healthcare REIT, traded on the Main Market of the London Stock Exchange, invests in a diversified portfolio of UK healthcare assets, primarily residential and nursing care homes, let on long leases to high-quality operators. It aims to provide shareholders with attractive and sustainable returns, primarily in the form of dividends, underpinned by structural growth in demand for care.

Next events

AGM	11 May 2022

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Edison profile page

Impact Healthcare REIT is a research client of Edison Investment Research Limited

Company description: Long-term investor in a structurally supported, demographically driven sector

Impact Healthcare REIT (Impact) invests in a portfolio of primarily residential and nursing care home assets in the UK, diversified by geography, tenant operator, home size and resident funding mix. The demand for care home places is ultimately driven by a growing population of the elderly, with increasingly complex care needs and is relatively insensitive to wider economic conditions. Meanwhile, there is an undersupply of quality care home beds. The company is externally managed by a sector specialist investment manager, Impact Health Partners (IHP). The principals of IHP bring considerable experience of investment and operation in the UK care home market, and wider alternative asset markets, of particular benefit in the sourcing of acquisitions and selection of tenants. Also, they collectively own more than 3% of Impact shares, closely aligning their interests with those of the company and its shareholders.

Impact's business model is focused on forming long-term relationships with selected tenants, investing in suitable properties that those tenants can efficiently and profitably operate, while providing a good quality of care. This in turn should generate a predictable and growing stream of good-quality cash flows to support dividend growth. Additionally, the homes that Impact invests in are on long, triple net fully insuring and repairing leases (weighted average unexpired lease term, or WAULT, of 19.2 years, with no break clauses), subject to upwards only inflation-linked rent reviews (capped and collared). This provides a high level of visibility to future contractual income, while risk-adjusted returns for the sector (income and capital) have historically compared favourably with most other commercial property sectors. Impact has growth DPS each year since listing in November 2017 and combining dividends paid with capital growth. Total returns have been consistently positive on both a quarterly and annual basis, averaging 7.8% pa to 31 December 2021.

In this report we review FY21 performance in detail, the Q122 report that continues with a strong performance, and provide an update on our forecasts ('Financials', page 10). First, we highlight several factors that have contributed to Impact's strong performance and which we expect to support future growth. They include:

- The robust performance demonstrated during the pandemic – reflected in Impact's unbroken dividend growth and continuing positive returns – made possible by the resilience of its selected tenants. Impact has received 100% of rents as expected and tenant rent cover has remained high (1.95x at end-FY21).
- The inflation protection provided by long, index-linked rents and supported by the historical ability of operators to pass through cost pressures to fees for what is a vital and 'non-discretionary' service to vulnerable elderly individuals.
- Significant growth since listing in November 2017 has been achieved with moderate gearing, and Impact has generated increasing economies of scale (FY21 EPRA cost ratio of 15.8%) and diversification (investment in 131 assets, including properties where contracts had exchanged but not completed, let to 13 tenants).
- A strong pipeline of potential further acquisition opportunities amounts to more than £300m. In addition to completed, operation assets, Impact signals an acceleration in the forward funding of new high-quality purpose-built developments, bring much needed capacity to the market. Impact considers asset management to be one of the most attractive strategies available to it for the deployment of capital and for enhancing returns beyond a pure 'buy and hold' strategy. Since listing it has committed c £39m in capital expenditure, adding 349 beds (145 completed) and increasing the rent due by £3.1m.

- Through its investments and cooperation with tenants, Impact's homes support the generation of significant positive social impact. A completed audit of the portfolio estimates the capital cost of improvements to achieve EPC band B or better for each home by 2030 as c £5m, a relatively low sum compared with the c £500m portfolio value.

We forecast a continuation of consistently positive returns

Impact aims to provide shareholders with attractive and sustainable returns, primarily in the form of quarterly dividends, with the potential for capital growth. Supported by strong cash flow, DPS has increased each year since IPO, with a clear and progressive dividend policy, that targets growth in line with the inflation-linked rental uplifts received in the preceding financial year. The FY21 DPS was 126% covered by EPRA earnings and 104% covered by adjusted 'cash' earnings. The Q122 DPS declared of 1.635p was in line with the targeted FY22 DPS of 6.54p (+2.0%). Dividends paid have driven the consistently positive quarterly total returns since the company listed in 2017, with aggregate NAV total return (adjusted for dividends paid, but not reinvested) to end-Q122 of 47.4%, a compound annual return of 8.0%. We believe this is attractive in the low interest rate environment that has persisted since IPO, even though slightly below the company's medium-term return target of 9% pa. Increasing inflation is positive for index-linked rental growth and assuming no change in property valuation yield, should support further capital growth. As we discuss below, the pandemic has provided strong evidence of the resilience of the sector and fee growth has historically kept pace with inflation. In this context, our forecasts imply an increase in total returns, above the 9% target in FY22 (10.6%) and FY23 (11.0%). The Q122 total return was 3.6% or an annualised rate of 14.8%.

Exhibit 1: NAV total return history*

	2017	2018	2019	2020	2021	Q122	FY17 to Q122
Opening NAV per share (p)	97.9	100.6	103.2	106.8	109.6	112.4	97.9
Closing NAV per share (p)	100.6	103.2	106.8	109.6	112.4	114.9	114.9
Dividends paid (p)	3.0	6.0	6.1	6.3	6.4	1.6	29.4
Annualised NAV total return	**7.2%**	**8.5%**	**9.5%**	**8.5%**	**8.4%**	**14.8%**	**47.4%**
Average annualised return							**8.0%**

Source: Impact Healthcare REIT data, Edison Investment Research. Note: *EPRA net tangible assets (NTA) adjusted for dividends paid but not assuming reinvestment

Robust performance during the pandemic provides strong evidence of sector resilience

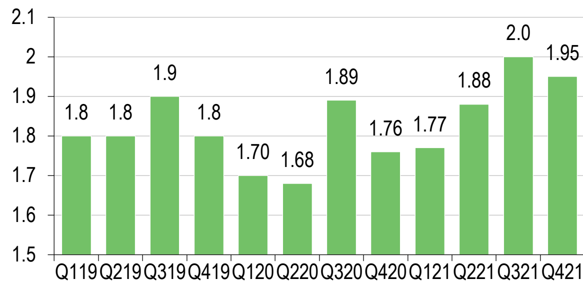
Performance through the pandemic has provided good evidence of the resilience of the group's tenants and of Impact's strategy, with 100% of contracted rent received on a continuing basis, without changes to lease terms or payment schedules, and strong levels of tenant rent cover maintained. This strong performance can primarily be attributed to:

- At a sector level, the essential service that it provides and the symbiotic relationship between the care and health sectors was reflected in ongoing support for the sector from central and local government for additional expenditures including infection protection and control.
- Specifically for Impact, a resilient operational and financial performance by its selected tenants was supported by an affordable level of rents and a good level of rent cover going into the pandemic.[1] By end-FY21, average rent cover across all of Impact's portfolio had increased to

[1] Rent cover is a key metric used by Impact in monitoring and assessing the ability of individual homes and operators to sustainably support the rents that it expects from its portfolio. The ratio tracks operational cash earnings at the home level (before rent) with the agreed rent on a quarterly basis.

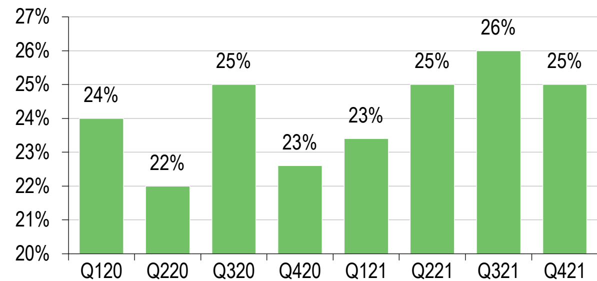
1.95x, above pre-pandemic level and an increase from 1.76x at end-FY20. We believe this represents a good performance by industry standards. In its Care Home Trading Performance Review 2021, Knight Frank estimates industry rent cover at 1.5x in 2021 versus 1.6x in 2020.

Exhibit 2: Trend in average tenant rent cover



Source: Impact Healthcare REIT

Exhibit 3: Trend in average tenant EBITDARM[2] margin



Source: Impact Healthcare REIT

- FY21 rent cover benefitted from fee growth, continuing government pandemic support and the steady rebuilding of occupancy,[3] which was supported by the vaccine roll-out and rigorous infection control within homes. Nonetheless, occupancy at the year end was still below pre-pandemic levels with further room for improvement. Impact estimates that rent cover excluding government pandemic support was c 1.7x and the expected continued rebuilding occupancy will provide an offset to its planned phased withdrawal, while fee growth has historically kept pace with inflation. Impact estimates that 69% of its tenant income in the past year was from fees paid by local authorities and the NHS and c 31% from private pay. There are indications that occupancy has been recovering more quickly in respect of local authority/NHS funded residents.

Protected in an inflationary environment

While the pandemic may not be over it has become more manageable and the key concern for the sector is now the rapid acceleration in inflation. Impact's tenants start from a generally strong financial position, reflected in high average rent cover, while the expected further rebuilding of occupancy should provide additional support. Several additional factors mitigate the inflationary risks, to operators and to Impact's business model. These include:

- For Impact, all rents are linked to inflation[4] (98% to RPI and 2% to CPI). Uplifts are typically capped at c 4% with a floor of c 2%[5] and although this means that while RPI inflation is above 4%, rental growth will lag in real terms, it contributes towards rents remaining affordable for tenant operators and enhances the security of Impact's income.

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[2] EBITDARM is calculated as home-level earnings before interest, tax, depreciation and amortisation, rents and management overheads. The measure reflects the ability of homes to cover their rental costs with cash earnings.

[3] Based on information received from tenants, Impact estimates that from a pre-pandemic level of c 90% occupancy dipped to a low of c 79% in early 2021 and subsequently increased to 83.5% in March 2022 despite a short-term c 1% dip in late 2021/early 2022 due to Christmas and the spread of Omicron.

[4] As measured by the Retail Price Index (RPI) and Consumer Price Index (CPI).

[5] 90% of leases are RPI linked with an annual floor at 2% and cap at 4%; 8% are RPI-linked with an annual floor at 1% and cap at 5%; 2% increase in line with CPI.

- Around 50% of Impact's debt facilities are fixed rate or capped and although the company remains exposed to increasing market interest rates on the balance, this is mitigated by a prudent level of gearing.
- For the home operators, the demand for care home places is effectively non-discretionary, at least for anything other than short periods. The pandemic provided an extreme example of this, with admissions highly restricted for a period but with occupancy now rebuilding.
- UK care operators have a track record of being able to pass inflationary pressures through to fee increases. Between 1998 and 2020, weekly fees grew by an average 3.8% pa for nursing care and 3.7% for residential care, a premium of c 1% pa over average annual growth in RPI of 2.8%.[6]
- Based on the detailed home-level reporting that Impact receives from its tenant operators it estimates that during 2021 utility and food costs, two areas of significant inflationary pressure, represented less than 6% of revenues.[7] A 25% increase in these costs, with no ability to pass through to fees, would impact tenant EBITDARM margins (which Impact estimates to average c 25% across the portfolio) by just a little more than 1%. Staffing is understandably the key cost across the sector (an average c 60% for Impact tenants in FY21). Impact notes that the widespread recognition that improvements to staff levels and conditions are generally to be welcomed, and that care home staff are not typically 'overpaid', has historically made it easier to pass through staffing costs to fee increases.

Strong pipeline of accretive acquisition and asset management opportunities

Impact's investment manager has built a strong pipeline of near-term and longer-term acquisition opportunities. Ahead of the £40m (gross) equity issue that closed in February 2022, Impact stated that it was in negotiations in respect of a £69m near-term pipeline of assets, all with long, inflation-indexed leases, which met its investment objectives and would further diversify its asset and tenant base. A growing longer-term investment pipeline, at an early stage of negotiation, totalled almost £300m. It has since committed to c £20m of new investment, in five assets, alongside two existing tenants. Including the proceeds of the equity issue and the £38m proceeds from the second tranche of its long-term fixed rate debt private placement to be drawn in June, we estimate that Impact has more than £80m of liquidity headroom. We would not expect Impact to deploy all this; our forecasts assume an additional c £62m, taking the FY21 gross loan to value ratio (LTV) to 28.5% on a look-though pro forma basis, assuming all capital commitments are met. Discussed below, the latter include forward funding commitments and asset management projects amounting to c £27m. The former provide access to high-quality, purpose-built facilities and asset management projects, which enhance the attractiveness of existing assets to tenants and their residents and generate positive financial returns for Impact (typically a yield on capital of at least 8% with a positive impact on capital values). Impact has identified further projects amounting to £26m that it may choose to commit over the medium term.

ESG in focus

In common with companies across the sector, Impact is giving an increasing focus to its ESG strategy. As a starting point, it has a strong and independent board and the social impact that its

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[6] Impact Healthcare REIT.

[7] Utilities 2.1% and food 3.6%.

homes can generate is significant. Impact supports this through its investment, capex and the setting of affordable rents, which enable operators to focus on the provision of care. Work has begun on more formally defining and measuring this social value and Impact plans to produce a social impact report for 2022.

In terms of environmental sustainability, all acquisitions are screened for current and potential sustainability requirements, sustainability improvements are built into capex plans, and new leases contain environmental obligations on tenants.

During 2021 Impact completed an EPC[8] audit of the portfolio and commenced work on TCFD[9] risk and opportunity analysis in preparation for full reporting from 2022. It has assessed the capital cost of improvements to achieve EPC band B or better for each home by 2030[10] as an aggregate c £5m, a relatively low c 1% of the c £500m portfolio value.

Increased scale, diversification and efficiency since IPO

Significant portfolio growth since listing in 2017 has generated increasing economies of scale and diversification. From its initial £149m portfolio the value of its investments had reached c £533m[11] by 31 March 2022 (end-Q122), comprised of 128 assets let to 13 different tenants. Impact has since exchanged on the acquisition of three assets for c £8.1m to be leased to an existing tenant on completion. The end-Q122 annualised contracted rent roll was £39.4m[12] with a WAULT of 19.2 years. Less competitive portfolio acquisitions, often off-market, have been an important contributor to portfolio growth, with acquisition yields consistently in the range of 7.5% (before costs) compared with the end-Q122 EPRA 'topped up' net initial yield of 6.71%, unchanged over the past year. As discussed below, Impact plans to increase its participation in forward funding the development of new, pre-let homes,[13] adding much needed high-quality new capacity to the market, while portfolio acquisitions are often an attractive source of value-add asset management opportunities.

[8] Energy Performance Certificate.

[9] The Task Force on Climate-related Financial Disclosures, created by the Financial Stability Board to improve and increase reporting of climate-related financial information.

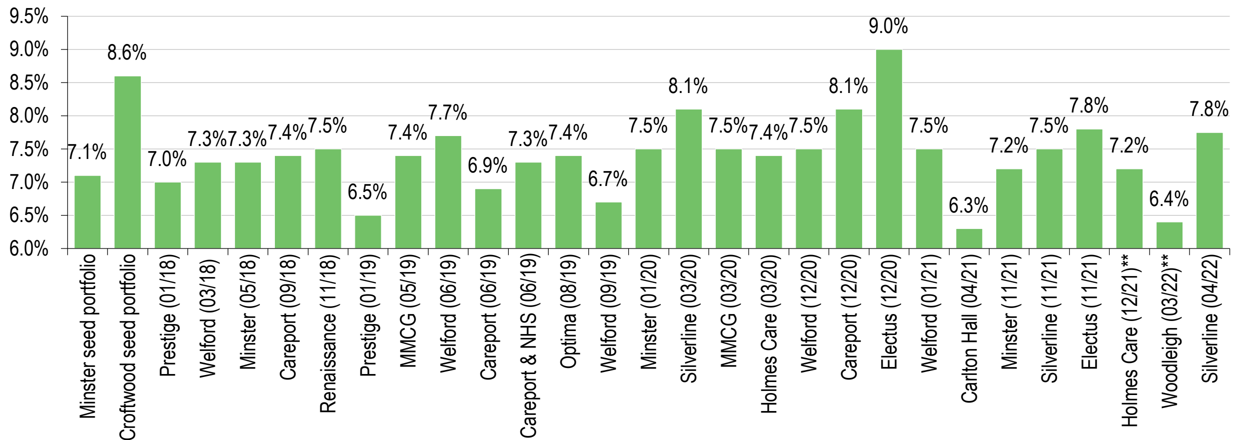
[10] Currently 35% of homes in England and Wales are EPC band B or better. Scotland operates a different system, not directly comparable to the UK. Of the 29 homes in Scotland at end-FY21, 3% were in band C, 19% in band D, 58% in band E, 13% in band F, and 6% in band G. Scottish band C is equivalent to EPC band B and Scottish band D overlaps EPC bands B and C.

[11] £484.0m investment property value plus £48.6m investment by way of a loans to Holmes Care (£37.5m) and Welford Healthcare (£11.1m) which include purchase options on the underlying assets upon completion of Care Quality Commission regulatory registration processes.

[12] We estimate this comprised completed properties (£33.0m) and loan assets (£3.3m), providing immediate income, plus £3.1m in respect of developments and agreed capex.

[13] Existing projects include a 94-bed home in Hartlepool, expected to complete in Q321 at a total cost of £6.1m, and an 80-bed home in Norwich, expected to complete by the end of 2023 at a total cost of £10.5m.

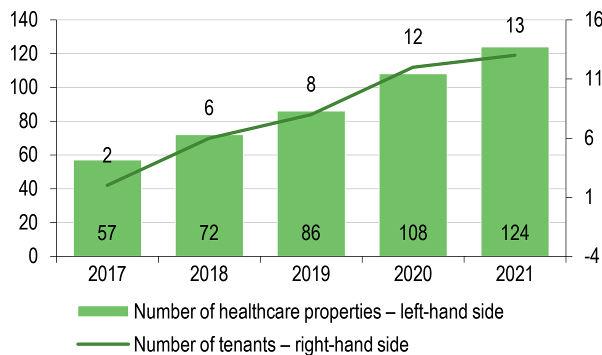
Exhibit 4: Yields on acquisition*



Source: Target Healthcare REIT. Notes: *Yield on acquisition (before acquisition costs). **Loan funded.

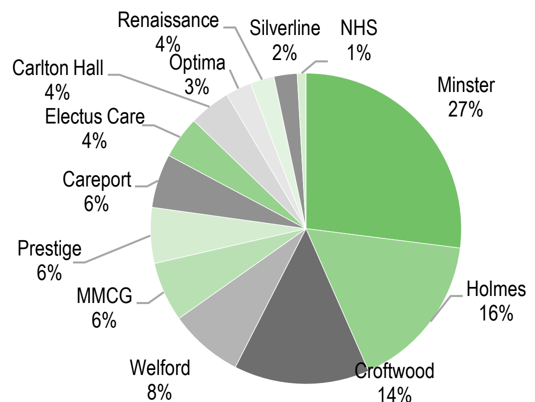
In diversifying its tenant base Impact seeks quality operators with which to partner and grow over the long term, targeting those that are most likely to provide good care, while running a sustainable and profitable business. Impact has typically identified operators that meet these criteria within the growing mid-market segment of the care home market. Selective growth in the number of Impact's tenants has seen a steady decline in the share of income accounted for by the initial tenants, Minster and Croftwood, now c 41% compared with 100% at listing. We expect this trend to continue and over time we would expect Impact to target any single tenant exposure to be no more than c 30%.

Exhibit 5: Increasingly diversified portfolio



Source: Impact Healthcare REIT. Note: At 31 December 2021. Comprises 122 care homes let to 12 tenants and two healthcare facilities let to the NHS.

Exhibit 6: Split of income by tenant



Source: Impact Healthcare REIT. Note: At 31 December 2021.

The value of Impact's investments increased by c 19% or c £78m in FY21, including acquisitions and loan investments of c £62m in 16 additional properties, reflecting a blended average gross yield of 7.2%. This included a 12-home portfolio, which has been initially invested in via a £37.5m loan to Holmes Care Group, and a second forward funding commitment for the construction of a new home in Norwich. The 12-home Homes Care investment reflects the introduction of a new loan structure into Impact's investment process, covered in the next section. It enables tenants to take immediate control of properties rather than waiting for regulatory re-registration of the operations, a process that can take up to six months.

During Q122 Impact:

- Completed on the £11.5m acquisition of two homes in Northern Ireland, under exchange at end-FY21 and let to existing tenant Electus. The initial annual rent of £855k represents a gross yield of 7.8%.
- Invested in two homes for a consideration of £11.1m, initially by way of a second loan structure, to be let to existing tenant Welford Healthcare following the retirement of the existing owners. Assuming Impact exercises its purchase option, as we expect, the agreed rents reflect a gross initial yield of 6.4% and the loan meanwhile earns interest at 7.7% gross of tax.
- In Q222 to date it has exchanged contracts to acquire a further three homes for £8.1m, to be let to existing tenant, Silverline. The initial rent of £628k represents a gross yield of 7.75%.

In addition to the financial and operational benefits of these investments, they demonstrate Impact's strategy of growing alongside selected tenants. Electus now operates five of Impact's homes, all in Northern Ireland, while Holmes Care has increased the number of Impact homes that it operates to 22 and Welford to nine.

Investment process enhanced by new loan structure

The loans to Holmes Care (£37.5m) in late FY21 and Welford (£11.1m) in Q122 have enabled each company to acquire the businesses that owned and operated the respective portfolios. In each case the owners of those businesses were retiring. Impact has the option to acquire the property assets[14] once the regulatory approvals have been received (we assume by the end of 2022 in each case), and we expect it to do so. Meanwhile, Impact receives interest payments on the loans which net of tax are equivalent to rents agreed, generating immediate income. The loans have been structured to include protections for Impact's shareholders, including security over the homes and operational covenants. New 30-year leases have been pre-agreed, on Impact's standard terms.

Moderate gearing and economies of scale

Growth has been achieved while maintaining a moderate level of gearing and has delivered a steady decline in the EPRA cost ratio. Ahead of the February 2022 £40m equity raise, end-FY21 gross LTV of 22.3% was a little below Impact's medium-term target of 25% (maximum 35%). The FY21 EPRA cost ratio[15] continued to reduce, falling to 15.8% versus 17.1% in FY20, a trend that we forecast to continue. The FY21 TER[16] was 1.55% (FY20: 1.53%), increased by capital raising ahead of deployment. We expect this to decline as funds are invested into portfolio growth. Investment fees represent c two-thirds of the administrative cost base and are set on a sliding scale that will see the marginal fee rate fall to 0.7% from 1.0% on average net assets of above £500m.

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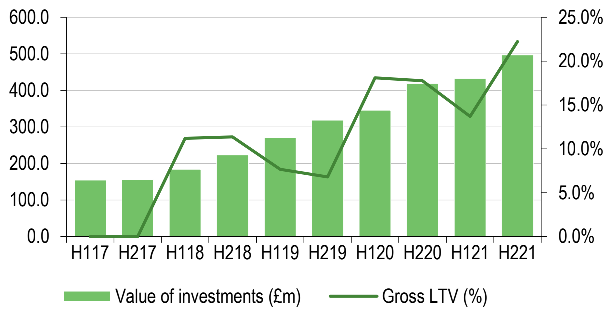
[14] Holmes and Welford also have the option to sell the property assets to Impact. Both options allow Impact to fix the future price of the property assets and rents in advance.

[15] Administrative and other expenses as a percentage of gross rental income.

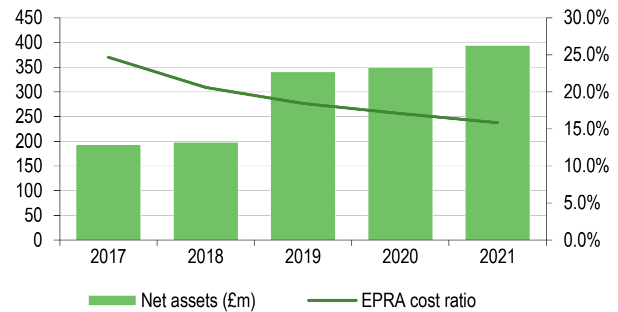
[16] Total expense ratio defined as recurring expenses as a percentage of average net assets.

Exhibit 7: Growth with moderate gearing



Source: Impact Healthcare REIT

Exhibit 8: Scale economies as net assets increase



Source: Impact Healthcare REIT

Asset management and forward funding new developments are a growing part of Impact's value creation strategy

Impact considers asset management to be one of the most attractive strategies available to it for the deployment of capital and for enhancing returns beyond a pure 'buy and hold' strategy. Asset management benefits operators and their residents alike, enhances the sustainability of the portfolio and offers enhanced risk-adjusted returns, typically generating a yield on capital of at least 8% pa and, in many cases, increased capital values to reflect the asset enhancement. Projects are led by the tenants, but are identified and agreed with Impact in advance for newly acquired properties. Investment is directed at those projects that can create value for both parties, with tenants benefitting from the potential to enhance or extend facilities, broaden their appeal to residents and increase earnings, with Impact benefitting from higher rents, improved rental cover and in many cases, capital value uplifts. As the group already owns the land and the tenants have existing central services on site, the marginal cost of adding beds is lower than the cost of greenfield development and the risks are easier to assess.

In addition to asset management of existing assets, Impact also forward funds the development of pre-let, modern purpose-built facilities, bringing new capacity to market in attractive locations with good structural demand-supply balances.

In the period since listing in November 2017, Impact has committed c £39m in capital expenditure, adding 349 beds (145 completed) and increasing the rent due by £3.1m, and it is keen to do more, both through asset management and development. Underlining this, the investment adviser team was joined in August 2021 by David Gould. He was previously the development director at Assura, where he was responsible for the delivery of more than 20 primary healthcare developments and led an in-house investment team.

End-FY21 asset management commitments amounted to c £9m across nine projects and of the c £17m commitment to the two development assets of c £17m, c £16m was still to be deployed. A further c £26m of capital expenditure across 11 projects has been identified, to which Impact may choose to commit over the medium term.

In FY21 Impact commenced construction of a new-build 'link block' and internal refurbishment at two adjacent homes at Fairview in Bristol, with a total expected cost of £3.5m. The two homes will be linked, with the older accommodation reconfigured to upgrade facilities for residents and staff, adding a net 11 beds and improving the EPC ratings of B and C on the existing buildings to A on completion.

The 94-bed home in Hartlepool being developed in partnership with Prestige at a cost of £6.1m is due to complete in H122 and during FY21 Impact committed to forward fund the construction of an

80-bed home, which will provide a range of residential, nursing and dementia care, in Norwich at a total cost of £10.5m. Impact expects to commence on site in Q322 with delivery planned for Q423.

Notable previously completed projects were at Diamond House, Leicester and Freeland House, Oxfordshire. At both, new specialist dementia care facilities were developed within the footprint of the existing homes, offering specialist care and support to existing residents of the homes who may develop dementia symptoms and providing places for 76 new residents with dementia needs.

Financials

Summary of recent financial performance

The FY21 results showed a strong positive trend which has continued into Q122. With income growth driven by portfolio growth and index-linked rent uplifts, FY21 profitability was further enhanced by economies of scale. With rents continuing to be collected, dividend growth is underpinned by strong cash flow and dividend cover. Rental growth also had a positive impact on property valuations and NAV, generating an 8.4% EPRA NTA total return in FY21 and a quarterly return of 3.6% in Q122.

Exhibit 9: Summary of FY21 financial performance

£m unless stated otherwise	FY21	FY20	FY21/FY20	Edison FY21 forecast
Cash rental income	30.5	25.9	17.5%	30.1
IFRS rent smoothing and lease incentive adjustments	5.9	4.9		6.4
Net rental income	**36.4**	**30.8**	**18.1%**	**36.4**
Administrative and other expenses	(5.8)	(5.3)	9.5%	(5.7)
Profit on disposal of investment property	0.3	0.2		0.2
Operating profit before change in fair value of investment properties	**30.9**	**25.7**	**20.3%**	**30.9**
Change in fair value of investment properties	4.2	5.6		4.0
Operating profit	35.2	31.3		34.8
Net finance expense	(3.2)	(2.5)		(3.2)
Profit before and after tax	**32.0**	**28.8**		**31.6**
EPRA adjustments				
Realised and unrealised gains on investment property	(4.5)	(5.7)		(4.1)
Change in fair value of interest rate derivative	(0.1)	0.1		(0.0)
EPRA earnings	**27.4**	**23.1**	**18.2%**	**27.5**
Company specific earnings adjustments:				
IFRS rent smoothing adjustments	(5.9)	(4.9)		(6.4)
Amortisation of loan arrangement fees	1.0	0.7		0.9
Gain on disposal	0.3	0.0		0.0
Adjusted earnings	**22.7**	**19.1**	**19.0%**	**22.0**
Other data:				
IFRS EPS (p)	9.41	9.02		9.77
EPRA EPS (p)	8.05	7.25	11.0%	8.50
Adjusted EPS (p)	6.68	5.98	11.7%	6.78
DPS declared (p)	6.41	6.29	1.9%	6.41
DPS cover (EPRA earnings)	126%	115%		133%
DPS cover (adjusted earnings)	104%	94%		106%
Investment properties at valuation	459.4	418.8		465.5
Gross debt	114.5	76.4		114.5
Gross LTV	22.3%	17.8%		22.3%
EPRA net assets	394.2	349.5		393.9
EPRA NTA per share (p)	**112.4**	**109.6**	**2.6%**	**112.3**
EPRA NTA total return (%)	**8.4%**	**8.5%**		**8.3%**

Source: Impact Healthcare REIT historical data, Edison Investment Research FY21 forecasts

We highlight the following aspects of the FY21 performance:

- Cash rental income increased by 17.5% to £30.5m and including a non-cash IFRS smoothing adjustment by 18.1% to £36.4m.

- With administrative and other expense growth limited to 9.5%, operating profit before the change in fair value of investment properties increased by 20.3% to £30.9m.
- EPRA earnings increased by 18.2% to £27.4m and EPRA EPS by 11.0% to 8.05p. Adjusted 'cash' earnings[17] increased 19.0% to £22.7m and adjusted EPS by 11.7% to 6.68p.
- On an EPRA basis the DPS (+1.9% to 6.41p) was 126% covered. On an adjusted earnings basis the cover was 104%.
- EPRA net tangible assets (NTA) per share increased 2.6% to 112.4p and including DPS paid the total return was 8.4%.

The Q122 report points to continuing strong cashflow while unaudited EPRA NTA increased by a further 2.5p to 114.9p. A dividend of 1.635p was declared, in line with the annual target off 6.54p. The Q421 DPS of 1.6025p that was paid during Q222 was 1.07x covered by the 1.71p per share 'net contribution to reserves'. The latter excludes gross revaluation gains and IFRS rent smoothing adjustments and broadly reflects Adjusted earnings.[18] EPRA earnings include IFRS smoothing adjustments and is higher than the net contribution to reserves. The like-for-like movement in property revaluation was 2.9%, equivalent to 2.38p per share, driven by indexed rent growth and asset management activity.

Forecasts increased to reflect additional capital deployment

The FY21 results showed strong growth, very much in line with our expectations published on 9 February 2022 and shown above (Exhibit 9).

Our FY22 and FY23 estimates are updated for the £40m (gross) equity raise and associated capital deployment, as well as the FY21 results. The key changes to our forecasts are:

- We now assume c £80m of capital deployment (acquisitions/new investments[19]) in FY22 compared with c £30 previously, increasing cash rental income (including loan interest) in both years. This positive income effect is partly offset by a later completion of the Norwich development, deferring a rental impact (c £1m pa) until FY24.
- Increase in administrative expenses, primarily due to higher net asset value and the flow through to investment management fees, but also inflation.
- Interest expense increases, a combination of increased borrowings and a higher average cost of debt.
- EPRA earnings are also affected by our reduced assumption for non-cash IFRS rent smoothing[20], excluded from adjusted 'cash' earnings.
- Adjusted 'cash' earnings and EPRA earnings both increase and while adjusted EPS and EPRA EPS are slightly lower, on a fully developed basis (including the Norwich development) both increase.
- Impact's DPS growth target for FY22 of 2.0%, reflected in our forecasts, has been set under the company's dividend formula, looking back to rent indexation achieved in FY21. We forecast further DPS growth in FY23 and expect dividend cover to increase on both an EPRA and

[17] Adjusted earnings reflects certain company adjustments to EPRA earnings with the purpose of providing a better indication of cash earnings to support dividend growth. Non-cash IFRS rent smoothing adjustments and amortisation of loan arrangement fees are excluded and cash gains on disposals are included.

[18] Adjusted earnings also include a positive add-back of non-cash loan arrangement fee amortisation and other adjustments as shown in Exhibit 9.

[19] This includes the £11.1m investment by way of a loan to Welford, in respect of which we assume Impact will exercise its purchase option, and completion of the £8.1m exchange of contracts on three homes in Glasgow.

[20] Primarily in respect of the straight-line recognition of fixed rent increases over the long contractual lease period but also for property additions accounted for as lease incentives.

adjusted basis, demonstrating the strong cash flow emerging from the growing portfolio. The increase in cover that we forecast indicates that there may be room to increase DPS ahead of that suggested by this formula.

Exhibit 10: Summary of estimate changes

	New		Old		Change	
£m unless stated otherwise	**FY22e**	**FY23e**	**FY22e**	**FY23e**	**FY22e**	**FY23e**
Cash rental income plus loan interest	40.4	44.0	38.4	40.3	2.0	3.8
IFRS adjustments	5.7	6.5	6.3	7.0	(0.6)	(0.4)
Administrative expenses	(6.4)	(6.7)	(6.0)	(6.2)	(0.4)	(0.5)
Net finance income,	(6.1)	(6.8)	(4.4)	(5.6)	(1.6)	(1.2)
Tax	(0.5)	0.0	(0.6)	0.0	0.2	0.0
EPRA earnings	33.1	37.0	33.5	35.4	(0.4)	1.6
IFRS adjustments	(5.7)	(6.5)	(6.3)	(7.0)	0.6	0.4
Other non-cash adjustments	1.1	1.1	0.8	0.9	0.2	0.2
Adjusted earnings	28.5	31.5	28.1	29.3	0.4	2.2
Average number of shares	378.0	385.7	350.6	350.6	27.4	35.1
EPRA EPS (p)	8.8	9.6	9.6	10.1	(0.8)	(0.5)
Adjusted EPS (p)	7.5	8.2	8.0	8.4	(0.5)	(0.2)
DPS (p)	6.54	6.76	6.57	6.76	(0.03)	0.00
EPRA dividend cover (x)	1.34	1.42	1.46	1.49	(0.12)	(0.08)
Adjusted 'cash' dividend cover (x)	1.15	1.21	1.22	1.24	(0.07)	(0.03)
EPRA NTA per share (p)	117.9	124.1	116.9	121.7	1.0	2.4
NAV total return	10.6%	11.0%	9.8%	9.9%		

Source: Edison Investment Research

Capital deployment and rental growth assumptions

We assume that our assumed acquisitions/investments are completed by June 2022 (end-H122) at a 7.25% yield on consideration. This makes some allowance for the continuing strong investor interest in care home properties, although this may prove to be conservative; management hopes to achieve yields consistent with the c 7.5% historical trend (Exhibit 4).

Our other income statement assumptions include:

- Anticipated completion of the Hartlepool forward funded development, adding contracted rental income of £0.4m pa from the beginning of H222. For the Norwich development, with contracted rents of c £1.0m pa, we expect completion in late FY23.
- The exercise of Impact's purchase option with respect to the £37.5m Holmes Care loan at end-H122 and the exercise of the purchase option in respect of the Welford loan by end-FY22. Exercise of the purchase options has no impact on total income but converts loan interest into rental income.
- Annual asset management capex of £4.0m pa.
- Annual RPI rental uplifts of 4.0% pa in FY22 and 3.0% in FY23.

Property valuations driven by inflation-indexed rents

We expect revaluation movements will continue to be driven by rental growth and asset management initiatives in combination with 'buying well'. Our forecasts allow for asset valuations to increase in line with our rental growth assumption.

Exhibit 11: Income statement revaluation movement

£m unless stated	FY21	FY22e	FY23e
Gross revaluation movement	14.2	22.4	19.3
Acquisition costs capitalised	(1.3)	(4.1)	0.0
Net revaluation movement	12.9	18.4	19.3
IFRS rental smoothing adjustment	(8.7)	(5.7)	(6.5)
Gains/(losses) on revaluation of investment properties as per income statement	**4.2**	**12.7**	**12.8**
Acquisition costs as % purchase value	4.9%	2.7%	n.a.
Gross revaluation as % opening portfolio value	3.4%	4.9%	3.0%
Gross revaluation gain per share (p)	4.1	5.8	5.0

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

Funding available for growth

Impact has funded its strong portfolio growth using a blend of new equity and debt while keeping gearing at a moderate level. Given the strength of the acquisition pipeline we expect LTV to increase a little above the company's c 25% medium-term target but to remain well below the 35% maximum specified by the company's gearing policy.

Most recently, new equity of c £40m (gross) was raised in February 2022. This was part of a placing programme that was approved by shareholders and allows for the issue of up to 300m new shares (c 264.9m remaining) during the period 22 February 2022 to 26 January 2023. Also, during FY21 Impact added new debt funding of £101m while continuing to diversify its lenders, enhance and extend its maturity profile and fix the cost of a significant portion of its debt. In addition to a new £26m revolving credit facility (RCF) with NatWest, with an accordion option to increase the facility size to £50m, the company made its first transaction in the institutional debt market. The £75m of new, long-term fixed rate debt comprises two tranches at an attractive blended average rate of 2.97% and a weighted average maturity of 14 years. The first tranche (£37m) was drawn in late December 2021 and the second tranche (£38m) will be drawn in June 2022.

Exhibit 12: Debt portfolio

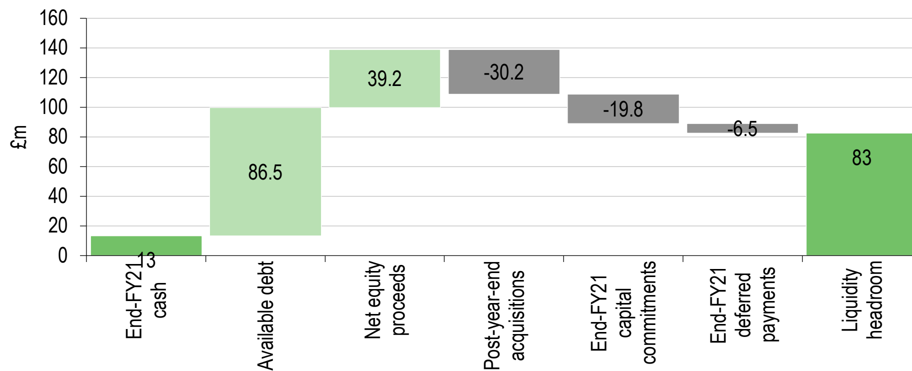
Lender	Facility type	Facility	Maturity	Margin
Metro Bank	Term loan	£15m	Jun-23	Base rate +2.65%
Metro Bank	RCF	£15m	Jun-23	Base rate +2.65%
Clydesdale Bank	RCF	£25m	Mar-24	Libor +2.25–2.50%
HSBC	RCF	£50m	Apr-23*	SONIA +2.00–2.05%
Nat West Bank	RCF	£26m**	Jun-24***	SONIA +1.90%
Private placement	Senior secured notes	£37m	Dec-35	Fixed 2.932%
Total facilities as at 31 Dec. 2021		**£168m**		
Private placement	Senior secured notes	£38m	Jun-35	Fixed 3.002%
Total		**£206m**		

Source: Impact healthcare REIT. Note: *With the option to extend for one year subject to lender approval. **With accordion option to increase to £50m subject to lender approval. ***With the option to extend for two years subject to lender approval.

Including the second tranche of the private placement FY21 debt facilities were a pro forma £206m with an average maturity of 6.3 years and weighted average interest cost of 2.93% (3.54% including amortisation of loan arrangement fees). Within the total facilities, £75m is fixed rate while an additional £25m is hedged with an interest rate cap that protects against a rise in Libor above 1%.

With its full year results, Impact indicated that including the second tranche of the private placement and allowing for acquisitions at that date and all capital commitments, it had available liquidity of c £90m. Allowing for subsequent investment commitments we estimate that this is now c £83m. We would not expect Impact to deploy all this, and our forecast assume an additional c £62m, taking the FY21 gross LTV of 22.3% (Q122 was 19.4%) to pro forma 28.5% on a look-though basis, assuming all capital commitments are met.

Exhibit 13: Liquidity headroom for acquisitions

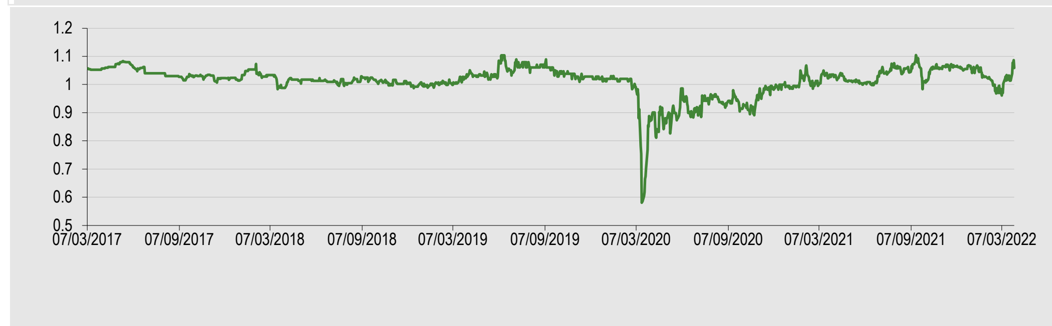


Source: Impact Healthcare REIT FY21 results presentation, updated by Edison Investment Research

Valuation

Impact has a progressive dividend policy and has increased annual aggregate DPS each year since IPO. The current year target of 6.54p (+2.0%) represents an attractive yield of 5.2%. The shares trade at a c 11% premium to the end-Q122 NAV per share.

Exhibit 14: Price to NAV history since listing



Source: Refinitiv prices. Note: Company published NAV.

Exhibit 15 shows a summary of the performance and valuation of a group of REITs that we consider to be Impact's closest peers within the broad and diverse commercial property sector. The group is invested in the primary healthcare, supported housing and care home sectors, all targeting stable, long-term income growth derived from long-lease exposures.

Exhibit 15: Peer group comparison

	WAULT (years)	Price (p)	Market cap (£m)	P/NTA* (x)	Yield** (%)	Share price performance			
						1 month	3 months	1 year	3 years
Assura	12	65	1920	1.11	4.5	-5%	2%	-12%	15%
Civitas Social Housing	23	84	513	0.77	6.6	-6%	-10%	-28%	-18%
Home REIT	19	120	675	1.14	2.1	-5%	5%	7%	N/A
Primary Health Properties	12	140	1868	1.20	4.5	-7%	2%	-7%	21%
Target Healthcare	28	111	688	0.99	6.1	-3%	-1%	-6%	-3%
Triple Point Social Housing	26	89	360	0.83	5.8	-7%	-5%	-15%	-15%
Average	**20**			**1.01**	**4.9**	**-5%**	**-1%**	**-10%**	**0%**
Impact Healthcare	**19**	**125**	**482**	**1.11**	**5.1**	**1%**	**9%**	**12%**	**22%**
UK property index		1,731				-12%	-9%	-2%	-5%
FTSE All-Share Index		4,083				-4%	-5%	0%	-3%

Source: Historical company data, Refinitiv. Note: *Based on last published EPRA NTA/NAV per share. **Based on trailing 12-month DPS declared. Refinitiv price data at 9 May 2022.

Impact's trailing yield and P/NAV are both above the average of a wide range. Its shares are supported by considerable visibility over a growing stream of contracted rental income, a

combination of the long WAULT and upwards-only, triple net rents, mostly linked to RPI. In combination with the resilience of tenants this offers considerable protection against inflation

Strongly supportive market fundamentals

Demographically driven demand and dearth of quality supply

Demand for residential care is driven by demographic and health trends rather than being directly linked to economic conditions. Although the pandemic negatively affected industry wide care home occupancy by reducing the short-term demand for care home places and slowing the pace at which available rooms can be safely occupied, this has begun to rebuild. The longer-term structural trends suggest that the need for elderly residential care will continue to increase for a great many years.

- Those aged 85 or over are the fastest growing part of the UK population and the predominant users of residential care. The Office for National Statistics forecasts that this group will more than double by mid-2043 to 3.2 million. The number of people living with dementia is expected to grow at an even faster pace.
- The number of UK nursing and care home beds has fallen over the past 20 years, to less than 500,000 currently according to Care Quality Commission data, primarily driven by the withdrawal of local authorities from care home operation and by obsolete homes leaving the market.
- Despite recent new building and the continued withdrawal of obsolete stock, there are still many older, often converted properties that may be unsuitable for upgrading and increasingly struggle to meet the standard needed to support the delivery of safe, effective and high-quality care. Sector investment requirements are significant and we expect private capital providers such as Impact to continue to play a vital role in meeting this need.
- The UK care home operator market is varied and fragmented and getting more so. The top 10 providers (c 20% of the total market) have seen an erosion in share as some of the largest groups, often private equity owned, struggle with heavy debt burdens. At the opposite end of the market, single home operators, accounting for around one-third of the stock, have also been in decline, in many cases operating from older, adapted properties that can present additional challenges to the provision of good-quality care. It is mid-sized groups with between three and 80 homes that are driving overall market growth, which is the segment where most of Impact's tenants are active.
- In general, there is a clear differential between local authority funded fees compared with the fees paid by self-funded residents[21]. In many cases, the local authority fees paid are insufficient and are effectively cross-subsidised by higher-paying self-funding residents. While a balance of resident funding is desirable, operators that rely too heavily on local authority funded residents have been more likely to struggle with cost pressures and this is more so if the homes that they operate are older, often converted and poorly configured.
- Following a protracted debate about how to improve the longer-term funding of social care in the UK, and perhaps encouraged by the pandemic that highlighted the vital role of elderly care, recent government reforms[22] are aimed at easing the financial burden on those requiring care, providing additional resources to the sector with the intention of improving the quality of care, and giving greater planning certainty to providers, an essential element in ensuring that future

[21] Purely self-pay fees represent c 43% of the market total, pre state-funded c 37%, partly self-funded/top-ups c 11%, and the NHS c 9% (source: Laingbuisson).

[22] September 2021 policy paper, 'Build Back Better'; October 2021, Health & Social Care Levy; December 2021 white paper, 'People at the Heart of Care'.

needs are met. In parallel with these longer-term measures, the government has been active in supporting care homes during the pandemic.

Governance and management

Impact Healthcare REIT is closely overseen by a non-executive board of directors and is externally managed, under a management contract, by IHP. IHP was established in 2016 by its principals, Mahesh Patel and Andrew Cowley, who collectively bring considerable experience of investment and operation in the UK care home market and wider alternative asset markets. David Yaldron joined IHP as finance director in June 2017. Biographies of these key members of the IHP team can be seen at the back of this report. Mahesh Patel owns 10m shares in the company (c 3.1%), primarily through Maal Limited, and other members of the IHP team own c 0.4%, which closely aligns the interests of the investment manager with those of the company and its shareholders. The broader IHP team includes a further six property and finance professionals, dedicated to the management of Impact.

The independent non-executive chairman of the board is Rupert Barclay, managing partner of Cairneagle Associates LLP. He is a chartered accountant with almost 30 years' experience as a strategy consultant specialising in strategic decision support for companies and private equity firms and has extensive non-executive board experience. The other non-executive directors of the company bring broad experience in the real estate sector, and specifically healthcare real estate, finance and capital markets, social housing, and corporate stewardship and governance. Full details of the board can be found on the company's website.

Sensitivities

We see the key sensitivities as relating to the following:

- Regulatory changes or changes to government care policy have the potential to materially affect the sector, both positively, as is recently proposed, and negatively.
- While Impact has no direct exposure to the operational and financial performance of the homes operated by its tenants, the failure of any of these could negatively affect the collection of contractual income.
- Key operational and financial risks to the tenant operators include their ability to maintain high standards of care and compliance with stringent and evolving regulatory oversight, manage staff shortages, rebuild occupancy following the pandemic and cover cost inflation with fee increases.
- The company's focus on meeting near-term environmental performance requirements/regulations and formulating a strategic response to longer-term climate change effects that recognises the impact that these could have on future investment requirements and the ability of tenants to provide sustainable care.
- Average care home fees have risen at a faster rate than RPI in recent years, particularly fees for self-funded residents. In many cases these fees will be met by a draw-down of home equity and/or other savings. Any sustained reduction in asset values could weaken demand and have a negative impact on the growth of privately funded fees.
- Strong investor interest in care home assets has seen valuations increase and the yields available on investment tighten, particularly for high-quality, modern, purpose-built assets, although favourable funding conditions have maintained a positive investment spread.
- Although RPI-linked rent reviews are capped at c 4%, below current inflation levels, there remains good income visibility while the affordability of rents to tenants is protected. The

negative effect on Impact's profitability is mitigated by an underlying operating margin of c 80% or more.

- Although Impact has increased the proportion of its debt funding that is fixed rate or hedged, a little more than 50% of its debt facilities remain exposed to increases in market interest rates.
- As an externally managed REIT Impact is dependent on the investment manager's ability, the retention of key staff and Impact's ability to deliver business continuity.

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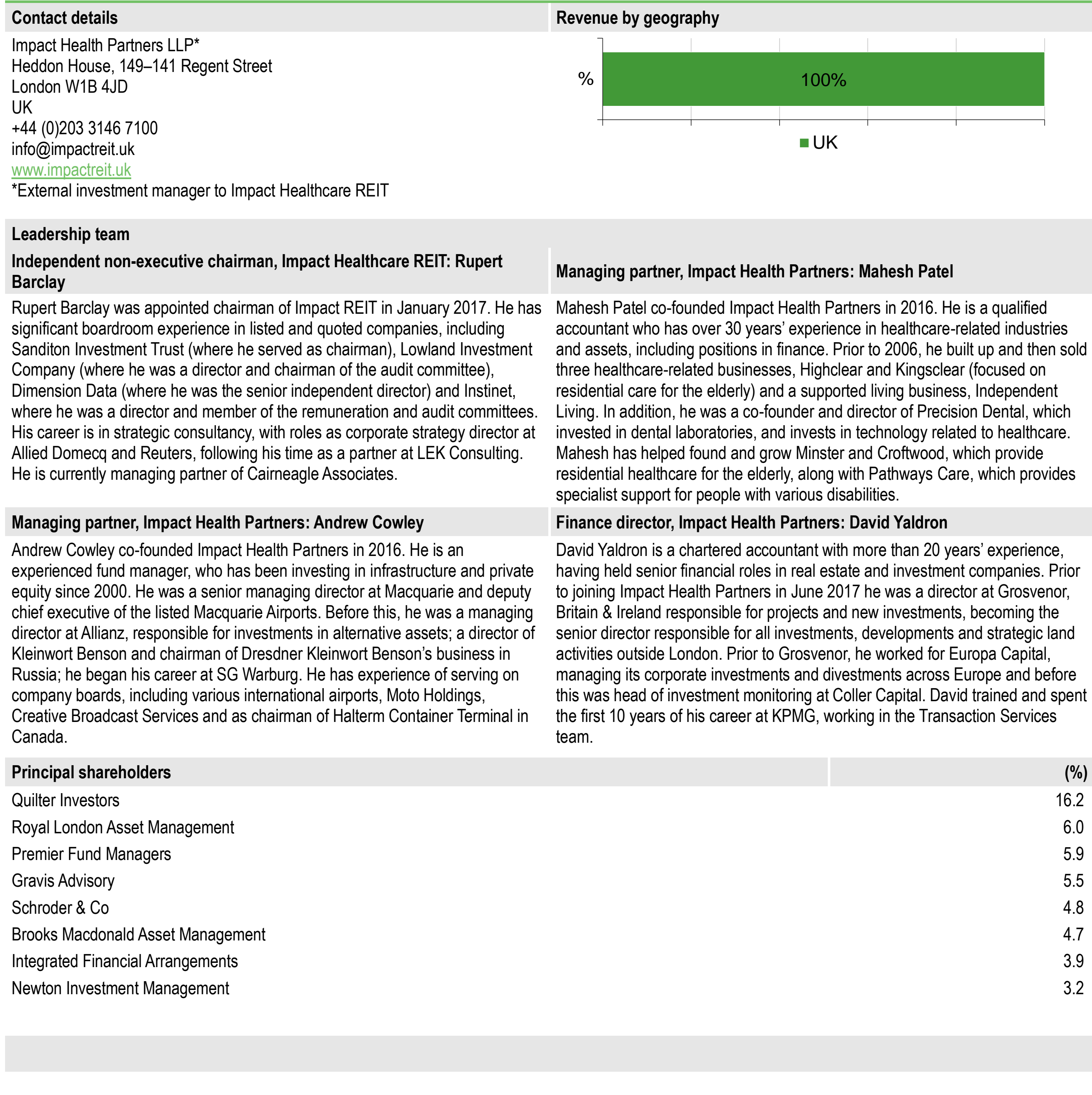
Exhibit 16: Financial summary

Year to 31 December (£m)	2017	2018	2019	2020	2021	2022e	2023e
INCOME STATEMENT							
Cash rental income	9.5	13.9	19.1	25.9	30.5	38.1	44.0
Rental income arising from recognising rental premiums, fixed rent uplifts & lease incentives	(0.1)	3.4	4.9	4.9	5.9	5.7	6.5
Net rental income	9.4	17.3	24.0	30.8	36.4	43.8	50.6
Administrative & other expenses	(2.3)	(4.3)	(4.6)	(5.3)	(5.8)	(6.4)	(6.7)
Realised gain on disposal	0.0	0.0	0.0	0.2	0.3	0.0	0.0
Operating profit before change in fair value of investment properties	7.1	13.0	19.4	25.7	30.9	37.4	43.8
Unrealised change in fair value of investment properties	2.4	4.1	9.1	5.6	4.2	12.7	12.8
Operating profit	9.5	17.2	28.5	31.3	35.2	50.1	56.6
Loan related interest	0.0	0.0	0.0	0.0	0.1	2.3	0.0
Other net finance cost	0.0	(0.7)	(2.1)	(2.5)	(3.3)	(6.1)	(6.8)
Profit before taxation	9.5	16.5	26.3	28.8	32.0	46.3	49.8
Tax	(0.0)	0.0	0.0	0.0	0.0	(0.5)	0.0
Profit for the year (IFRS)	9.5	16.5	26.3	28.8	32.0	45.8	49.8
Adjust for:							
Change in fair value of investment properties	(2.4)	(4.1)	(9.1)	(5.6)	(4.2)	(12.7)	(12.8)
Gain on disposal	0.0	0.0	0.0	(0.2)	(0.3)	0.0	0.0
Change in fair value of interest rate derivatives	0.0	0.1	0.4	0.1	(0.1)	0.0	0.0
EPRA earnings	7.1	12.4	17.6	23.1	27.4	33.1	37.0
Rental income arising from recognising rental premiums & fixed rent uplifts	0.1	(3.4)	(4.9)	(4.9)	(6.0)	(5.7)	(6.5)
Amortisation of loan arrangement fees	0.0	0.2	0.4	0.7	1.0	1.1	1.1
Amortisation of lease incentive					0.1		
Non-recurring costs	0.0	0.7	0.2	0.0	0.0	0.0	0.0
Gain on disposal	0.0	0.0	0.0	0.2	0.3	0.0	0.0
Adjusted earnings	7.1	9.9	13.4	19.1	22.7	28.5	31.5
Average number of shares in issue (m)	162.6	192.2	254.0	319.0	339.8	378.0	385.7
Basic & diluted IFRS EPS (p)	5.82	8.57	10.37	9.02	9.41	12.12	12.91
EPRA EPS (p)	4.35	6.47	6.95	7.25	8.05	8.76	9.59
Adjusted EPS (p)	4.39	5.17	5.26	5.98	6.68	7.55	8.18
Dividend per share (declared)	4.50	6.00	6.17	6.29	6.41	6.54	6.76
EPRA earnings dividend cover	97%	108%	113%	115%	126%	134%	142%
Adjusted earnings dividend cover	98%	86%	85%	95%	104%	115%	121%
NAV total return	5.9%	8.5%	9.5%	8.5%	8.4%	10.6%	11.0%
BALANCE SHEET							
Investment properties	156.2	220.5	310.5	405.7	437.6	608.0	624.8
Other non-current assets	1.7	5.7	10.1	15.9	62.0	24.5	31.1
Non-current assets	157.9	226.2	320.7	421.6	499.7	632.5	655.8
Cash and equivalents	38.4	1.5	47.8	8.0	13.3	12.4	14.5
Other current assets	0.1	0.6	0.6	0.1	1.6	1.6	1.6
Current assets	38.5	2.1	48.3	8.1	14.8	14.0	16.1
Borrowings	0.0	(24.7)	(23.5)	(74.2)	(110.9)	(182.0)	(183.0)
Other non-current liabilities	(1.7)	(1.9)	(1.8)	(2.8)	(2.6)	(2.6)	(2.6)
Non-current liabilities	(1.7)	(26.6)	(25.2)	(77.0)	(113.5)	(184.6)	(185.7)
Borrowings	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current liabilities	(1.2)	(3.3)	(3.1)	(3.1)	(6.7)	(7.2)	(7.6)
Current Liabilities	(1.2)	(3.3)	(3.1)	(3.1)	(6.7)	(7.2)	(7.6)
Net assets	193.5	198.3	340.7	349.5	394.2	454.7	478.7
Adjust for derivative financial liability/(asset)	0.0	(0.5)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)
EPRA net assets	193.5	197.9	340.6	349.5	394.2	454.6	478.6
Period end shares (m)	192.2	192.2	319.0	319.0	350.6	385.7	385.7
IFRS NAV per ordinary share	100.6	103.2	106.8	109.6	112.4	117.9	124.1
EPRA NAV per share	100.6	102.9	106.8	109.6	112.4	117.9	124.1
CASH FLOW							
Net cash flow from operating activities	8.2	10.0	14.9	21.0	23.6	37.4	37.7
Purchase of investment properties (including acquisition costs)	(153.3)	(55.1)	(73.4)	(88.5)	(28.1)	(153.7)	0.0
Capital improvements	(0.5)	(3.9)	(8.2)	(1.7)	(1.1)	(4.0)	(4.0)
Other cash flow from investing activities	0.0	0.0	0.1	0.9	(35.9)	39.8	0.0
Net cash flow from investing activities	(153.8)	(58.9)	(81.5)	(89.3)	(65.1)	(117.9)	(4.0)
Issue of ordinary share capital (net of expenses)	189.3	(0.1)	132.2	0.0	34.6	39.2	0.0
(Repayment)/drawdown of loans	0.0	26.0	(0.9)	51.2	38.2	70.0	0.0
Dividends paid	(5.3)	(11.6)	(16.1)	(20.0)	(21.9)	(24.5)	(25.9)
Other cash flow from financing activities	0.0	(2.3)	(2.2)	(2.8)	(4.1)	(5.0)	(5.7)
Net cash flow from financing activities	184.0	12.0	112.9	28.5	46.8	79.7	(31.6)
Net change in cash and equivalents	38.4	(36.9)	46.3	(39.8)	5.3	(0.8)	2.1
Opening cash and equivalents	0.0	38.4	1.5	47.8	8.0	13.3	12.4
Closing cash and equivalents	38.4	1.5	47.8	8.0	13.3	12.4	14.5
Balance sheet debt	0.0	(24.7)	(23.5)	(74.2)	(110.9)	(182.0)	(183.0)
Unamortised loan arrangement costs	0.0	(1.3)	(1.7)	(2.2)	(3.6)	(2.6)	(1.5)
Net cash/(debt)	38.4	(24.5)	22.7	(68.4)	(101.3)	(172.1)	(170.0)
Gross LTV (net debt as % gross assets)	0.0%	11.4%	6.8%	17.8%	22.3%	28.5%	27.5%

Source: Impact healthcare REIT historical data, Edison Investment Research forecasts



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Revenue by geography

Leadership team

Independent non-executive chairman, Impact Healthcare REIT: Rupert Barclay

Rupert Barclay was appointed chairman of Impact REIT in January 2017. He has significant boardroom experience in listed and quoted companies, including Sanditon Investment Trust (where he served as chairman), Lowland Investment Company (where he was a director and chairman of the audit committee), Dimension Data (where he was the senior independent director) and Instinet, where he was a director and member of the remuneration and audit committees. His career is in strategic consultancy, with roles as corporate strategy director at Allied Domecq and Reuters, following his time as a partner at LEK Consulting. He is currently managing partner of Cairneagle Associates.

Managing partner, Impact Health Partners: Mahesh Patel

Mahesh Patel co-founded Impact Health Partners in 2016. He is a qualified accountant who has over 30 years' experience in healthcare-related industries and assets, including positions in finance. Prior to 2006, he built up and then sold three healthcare-related businesses, Highclear and Kingsclear (focused on residential care for the elderly) and a supported living business, Independent Living. In addition, he was a co-founder and director of Precision Dental, which invested in dental laboratories, and invests in technology related to healthcare. Mahesh has helped found and grow Minster and Croftwood, which provide residential healthcare for the elderly, along with Pathways Care, which provides specialist support for people with various disabilities.

Managing partner, Impact Health Partners: Andrew Cowley

Andrew Cowley co-founded Impact Health Partners in 2016. He is an experienced fund manager, who has been investing in infrastructure and private equity since 2000. He was a senior managing director at Macquarie and deputy chief executive of the listed Macquarie Airports. Before this, he was a managing director at Allianz, responsible for investments in alternative assets; a director of Kleinwort Benson and chairman of Dresdner Kleinwort Benson's business in Russia; he began his career at SG Warburg. He has experience of serving on company boards, including various international airports, Moto Holdings, Creative Broadcast Services and as chairman of Halterm Container Terminal in Canada.

Finance director, Impact Health Partners: David Yaldron

David Yaldron is a chartered accountant with more than 20 years' experience, having held senior financial roles in real estate and investment companies. Prior to joining Impact Health Partners in June 2017 he was a director at Grosvenor, Britain & Ireland responsible for projects and new investments, becoming the senior director responsible for all investments, developments and strategic land activities outside London. Prior to Grosvenor, he worked for Europa Capital, managing its corporate investments and divestments across Europe and before this was head of investment monitoring at Coller Capital. David trained and spent the first 10 years of his career at KPMG, working in the Transaction Services team.

Principal shareholders	(%)
Quilter Investors	16.2
Royal London Asset Management	6.0
Premier Fund Managers	5.9
Gravis Advisory	5.5
Schroder & Co	4.8
Brooks Macdonald Asset Management	4.7
Integrated Financial Arrangements	3.9
Newton Investment Management	3.2

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