Target Healthcare REIT

Full year results and outlook

Careful investment paying dividends

Real estate

Target recently released full year results for the year to 30 June 2017 and has published its annual report. The key figures showing strong growth in assets and rental income and increasing dividend cover had already been released. In this report we focus on the strategic progress made through the year and the medium-term outlook. Reflecting the manager's identification of a number of acquisition opportunities, we have revised our estimates upwards for portfolio growth and assume that current debt facilities will be fully utilised by end-FY19, with net LTV increasing above the self-imposed 20% long-term target (to c 24%).

Year end	Revenue (£m)	EPRA net earnings* (£m)	EPRA EPS* (p)	EPRA NAV/ share (p)	DPS (p)	Price/EPRA NAV/share (x)	Yield (%)
06/16	16.9	8.1	4.7	100.6	6.18	1.15	5.3
06/17	23.6	12.2	4.8	101.9	6.28	1.14	5.4
06/18e	28.0	15.8	6.3	102.9	6.45	1.13	5.6
06/19e	30.5	17.5	6.9	105.4	6.58	1.10	5.7

Note: *EPRA earnings exclude revaluation movements, non-cash income arising from the accounting treatment of lease incentives and guaranteed rent review uplifts, and the costs of corporate acquisitions. 06/16 corrected from 4.6p previously published.

Increasing asset growth target and estimates

In FY17 the market value of property assets reached £282.0m (FY16: £210.7m) with gearing (LTV) approaching target levels. EPRA earnings grew 50% to £12.2m. Dividend cover rose to 77% and with a full year contribution from recent acquisitions and continuing investment we forecast close to full cover in the current year (97%) on an increased DPS (+2.7%). Our assumption for current year property acquisitions is increased with a positive impact on our FY19 EPRA earnings estimate (c 1% higher). Our estimated net LTV (10.5% at end-FY17) moves above the long-term target of 20%, reaching 24.0% by end-FY19.

Strong pipeline of growth opportunities

Target seeks further portfolio growth, capturing the positive spread between rental income and funding costs, generating operational efficiencies, and further diversifying the portfolio. In a competitive market for new investment it has continued to be selective, sticking to its quality criteria and financial return hurdles but nevertheless has a strong pipeline of near-term opportunities on which the investment manager continues to perform due diligence. While it is not certain that all of these will proceed, in aggregate they are higher than we have forecast, potentially requiring additional equity and debt capital support.

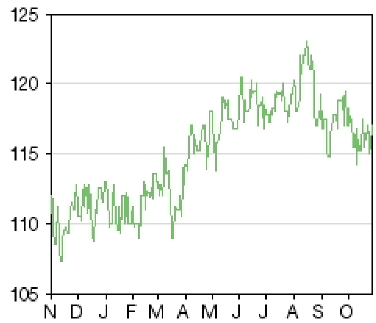
Valuation: Long-term income visibility

Target's premium to EPRA NAV remains in the mid-teens, supported by the attractive 5.6% prospective dividend yield, with cover increasing to 97% this year and 106% next year on our revised estimates. The long-term need for care home provision is clear, providing a strong opportunity for investors in modern, purpose built facilities, such as Target, in combination with efficient, well managed, and financially sound operators.

30 October 2017

Price	**116p**
Market cap	**£293m**
Net debt (£m) at 30 June 2017	28.9
Net LTV at 30 June 2017	10.5%
Shares in issue	252.2m
Free float	90%
Code	THRL
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(1.5)	(0.6)	4.5
Rel (local)	(4.1)	(1.6)	(4.1)
52-week high/low		123.0p	107.2p

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

Trading update	Exp. November 2017

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Edison profile page

Careful investment paying dividends

Company description: REIT to meet a growing need

Formed in January 2013 Target Healthcare REIT is a specialist investor in UK care homes and other healthcare assets. It has been listed on The Main Market of the London Stock Exchange since March 2013 and has raised £259m of equity to date, including initial IPO proceeds of £45.6m.

At the end of the FY17 financial year the portfolio had reached 45 assets with a total of c 3,100 beds, all modern and purpose built, mostly providing single occupancy and en-suite facilities. The market value of these assets at end-FY17 was £282m with a passing rent roll of £20.3m and net initial yield of 6.75%. The portfolio is externally managed by Target Advisors LLP (the investment manager) which is a specialist healthcare property fund manager.

The investment manager's main focus when assessing assets is on the suitability of each property and the operator's standard of care; if these are in place it provides considerable comfort as to the operator's long-term financial strength. Investments are sought in areas with good demographics for the care home business, a shortage of modern, high-quality care homes and the availability of well-motivated and experienced senior staff. Assets are let on very long leases to generate predictable and rising income underpinned by demographic trends supporting demand for residential care. Target only invests in modern, high-quality assets and visits its care homes regularly to check the quality of care. The tenant list leans towards the high-end of the sector, where self-funded residents provide the majority of income and operators tend to be more profitable. These long-term leases, with rents subject to upwards only reviews, mostly capped-and-collared RPI-linked, provides the basis for Target's investment objective to provide investors with an attractive level of income, with the potential for stable income and long-term capital growth.

A brief summary of the FY17 results

The main financial metrics relating to the financial year that ended 30 June 2017 had already been communicated to investors through Target's quarterly investor report and corporate update, both published in late July. As well as providing the audited detail to the financial statements, the full year report provides additional information on the manager's strategic thinking and market developments. We provide a brief summary of the key FY17 financial developments below:

- Revenues grew by 40% to £23.6m and the IFRS net profit by 63% to £19.4m.
- Excluding property revaluation and other items, EPRA net income grew by 50% to £12.2m or 4.8p per share (FY16: 4.7p) as the new shares issued in FY16 were included for a full year.
- DPS rose by 1.6p to 6.28p with dividend cover increasing to 77% (FY16: 72%). For the current year Target expects to pay 6.45p, barring unforeseen circumstances.
- The portfolio market value reached £282.0m (FY16: £210.7m) with a passing rent of £20.3m (FY16: £15.5m) and a weighted average unexpired lease term of 29.5 years.
- Eight acquisitions were completed in the year, with an aggregate value of £63.3m including acquisition costs. The portfolio ended the year at 45 (FY16: 37) properties let to 16 (FY16: 13) different tenants. Two further properties have been acquired since year end at a cost of £16.6m.
- Year-end borrowings were £40m with a gross loan to value ratio of 14.2% (10.5% net of cash, much of which committed to development funding). A new £40m five-year facility has been agreed since year-end.

- EPRA NAV per share closed the year at 101.9p (FY16: 100.6p) and taken together with the aggregate dividend paid, we estimate the NAV total return per share in the year at 7.5% (FY16: 9.0%). Allowing for reinvestment of quarterly dividends, the manager calculates a slightly higher 7.8% return (FY16: 9.3%).

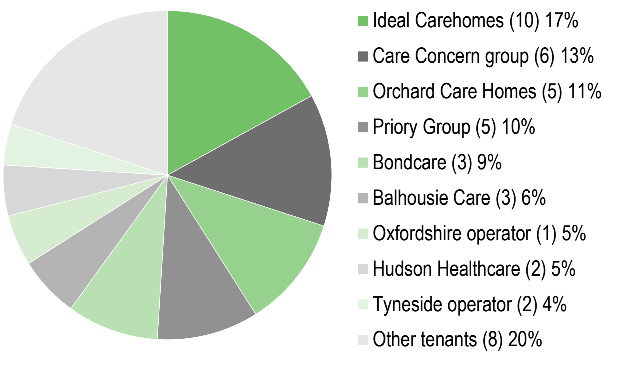
Demographic trends continue to suggest a growing medium-term need for modern, well-equipped, purpose built care facilities. While the sector as a whole continues to face a number of well-publicised challenges, the investment manager retains conviction that such homes, under the effective management of operators with a focus on staff training and retention, and care quality, will continue to perform well. Against this background the investment manager is performing due diligence on a number of potential investment opportunities.

Portfolio update

Target continues to aim for portfolio growth with a view to capturing the positive spread between rental income and funding costs as well as operational efficiencies, but also to continue to diversify the portfolio both by the number of assets and tenants. In a competitive market for new investment it has continued to be selective, sticking to its quality criteria and financial return hurdles, and seeking opportunities through its long-term relationships with experienced and successful operators.

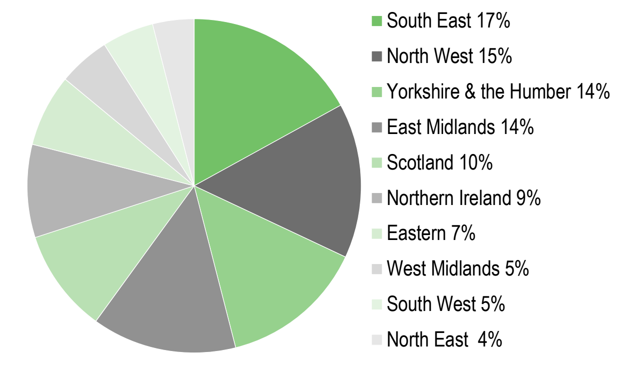
In total, the acquisition of eight new assets, with a total committed value of £63.3m (including the costs of acquisition) were completed during FY17, taking the total number to 45. The properties are let to 16 tenants, up from 13 a year earlier. All of the acquired assets are modern (most under four years in age) with predominantly single occupancy rooms equipped with en suite facilities, including wet room showers. The spread of the portfolio, by tenant and geographically, is shown in Exhibits 1 and 2. Ideal Carehomes (16.9%) and the South East (16.4%) represent the largest share of tenant and geographical concentration respectively. The increase in tenant numbers is steady but not explosive, reflecting the strong emphasis that Target puts on tenant selection and building long-term relationships with operators. It favours operators with good local knowledge, robust operational management, and market presence, making them better equipped to provide sustainable high quality care and strong financial performance.

Exhibit 1: Split of income (passing rent) by operator with number of homes operated in brackets



Source: Target Healthcare REIT, as at 30 June 2017

Exhibit 2: Geographical spread of the portfolio assets by market value (numbers rounded to nearest percent)



Source: Target Healthcare REIT, as at 30 June 2017

The portfolio annual passing rent roll increased by 31.3% to c £20.3m at end-FY17 compared with c £15.5m at end-FY16. The increase substantially reflects the properties acquired but also includes asset management initiatives and like-for-like rent increases of 1.8% (FY16: 2.0%). Target's leases are subject to upwards-only rent reviews, mostly capped-and-collared RPI-linked, but with some on fixed uplifts. In addition to indexation of rents, the very long weighted average unexpired lease length (WAULT) of 29.5 years compared with 28.6 years at end-FY16, provides additional visibility to future contracted income in real terms. Reflecting the careful selection of operators and despite the challenges facing the broader industry, of which more below, 100% of contracted rents were collected over the year. This is also despite the property-specific challenges that are inevitable from time to time, including during FY17, one home that has closed temporarily to allow a registration change from nursing to residential in response to trained nurse staffing difficulties, and another where Target arranged the change of tenant in a home that had struggled with regulatory/quality reviews.

The externally provided market valuation of the investment assets increased from £210.7m at end-FY16 to £282.0m at end-FY17. The majority of the gain reflects the £63.3m committed to acquisitions during the year but also a net revaluation gain of £8.0m (net of £2.1m of acquisition costs written off). With 92% of the properties in the portfolio maintaining or increasing in value, the like-for-like revaluation gain of 5.0% (FY16: 5.3%) reflects continuing strong investor interest in high quality care home assets and the long duration contractual income that they provide. The valuation represents a net initial yield (NIY) of 6.75% compared with 7.0% a year earlier, although Target indicates that the yield secured on its selected acquisitions have on average remained a little higher than this. As a reminder, the lower carried value of the assets on the balance sheet includes an accounting adjustment in respect of fixed or guaranteed rent reviews and lease incentives. IFRS accounting requires that where future lease income, including uplifts, is known with certainty, it must be reported in income on a straight line basis. To avoid overstating the value of the portfolio an adjustment is made which gradually builds and then unwinds over the lease term.

Portfolio growth continuing in the current year

As has been previously reported, since the FY17 year end, two further assets have been acquired for a total commitment of £16.6m. These are the Amwell in Melton Mowbray, a modern 88 bed home that opened in March 2017 and acquired in early July for £8.4m, and an £8.2m forward funding agreement for land acquisition and the development of a 55-bed high-quality care home in Birkdale, which will be carried out with Athena Healthcare. Both were covered in our update note.

The manager is performing due diligence on a range of further acquisition opportunities which in aggregate have a value that is in excess of the capital that is currently available, although there is no certainty that all of these will reach the stage of potential completion. The manager is also assessing wider pipeline opportunities to access quality properties, and we believe this to include additional forward funding of development projects as well as the acquisition of portfolios of assets. We briefly review the medium-term market opportunity and recent developments in the section below and discuss our own assumptions on asset acquisition and financing in the financial section on page 5.

Investor interest in quality assets remains strong

For an in-depth review of the care market structure and trends please see our Target initiation note. The two well-known facts about the market are that demographic forecasts show the numbers of elderly in the overall population continuing to rise over coming years, and that parts of the care home sector are struggling to meet this growing need. In a fragmented provider market, what is often overlooked is the ability of well-managed operators with efficient, modern, purpose built homes to effectively meet this need. Investor interest in such homes remains strong.

The Office for National Statistics (ONS) expects the UK population to increase from 64.6m in 2014 to 74.3m in 2039, a rise of 15%. This will be accompanied by a shift in the national age profile as the large cohort of people born in the 1960s outlives its predecessors and outnumbers younger people: the population over the age of 60 is expected to increase by 58% from 20.1m in 2014 to

31.8m in 2039. The older part of the population tends to have greater healthcare needs and constitutes the majority of those in residential care homes. Despite this growing need, care home closures have seen the number of available beds decline over many years.

The majority of care homes (c 90%) are provided by the private sector through a mix of “for profit” and non-profit providers, although local authorities remain a significant “purchaser” of their service at around 50% of the market. The other 50% of the market is accounted for by privately funded residents who typically pay much higher fees than those offered by local authorities. A recent study by Age UK estimated that local authorities pay between £421 and £624 per week per resident compared with the £603 to £827 paid by self funders. Care home providers that rely heavily on local authority funded residents need to be highly efficient to cope with the continuing squeeze on available fees. Meanwhile all operators have had to cope with rising staff costs, the highest expense for most homes, driven by the introduction of the minimum wage and a general shortage of trained staff, and a steady tightening in regulatory standards in relation to the quality of care.

The provider market remains highly fragmented, with a handful of larger providers (some of whom with high levels of borrowing to be serviced) and a long tail of smaller providers. Home closures remain a well-publicised feature of the market, particularly among the small homes (often referred to as “mom and pop” operators) who are increasingly reaching the limits of their ability to manage the pressures facing the industry. Such smaller homes are often older, dated conversions that close permanently, having little or no attraction to another provider.

While longer-term funding for adult social care continues to be publicly debated, the problems facing the wider industry inevitably receive much media attention. But investor interest in modern, purpose-built care homes, efficiently managed, in prime locations with a focus on self-funded residents remains strong. Such homes seem likely to be able to sustainably meet the current and future needs of the growing population of elderly. Target reports that competition for these assets remains strong from traditional institutional investors and a growing number of new REIT investors (both specialist and generalist). The post-Brexit weakness of sterling has increased overseas investor interest in the UK property sector generally.

Financials and estimate changes

With £63.3m committed to acquisitions in FY17 and a further £16.6m since the period end, Target is nearing full investment of its existing equity capital resources, which it defines as being around the c 20% loan to value ratio (LTV) that the managers feel is appropriate as a long-term goal. The end-FY17 gross LTV (debt/investment property at market value) was 14.2% and although it was lower on a net basis, 10.5% adjusting for the £10.4m of cash held on the balance sheet at that time, the cash is substantially earmarked for existing development funding. As the £111.7m (net of expenses) of growth equity raised in FY16 has been deployed, the balance sheet has been able to support Target’s long-term objective of sustainable dividend growth. Dividends per share declared during the year increased by 1.6% and dividend cover (DPS/EPRA EPS) increased to 77% from 72% in FY16. As recently acquired assets contribute for a full period, dividend cover will rise further, and our revised estimates (see below) anticipate both DPS growth and an increase in dividend cover to c 97% in the current year. As noted above, the manager reports a continuing strong pipeline of attractive asset acquisition opportunities and so as to be in a position to take advantage of opportunities efficiently as they arise, it has continued to improve its debt funding by increasing its headroom and diversifying its funding sources while extending the maturity and lowering the cost of existing facilities.

Increased funding and interest rate protection

Since the end of FY17, Target has increased its debt funding facilities from £50m to £90m. The maturity of the £50m revolving credit facility with RBS was extended during FY17 to 2021, with an option of two further one year extensions thereafter. The variable margin over LIBOR was also reduced to 1.5% (from 2.0% previously) and the fee payable on un-utilised balances (£10m at end-FY17) was also reduced to 0.75% from 1.0%. The new facility, with First Commercial Bank Limited (FCB), that was announced at the end of August 2017 is a five-year, £40m term loan facility that can be flexibly drawn over the first two years at a margin of 1.75% over LIBOR. An initial £5m was drawn at inception.

During FY17, Target entered into a number of interest rate swaps to protect itself from any potential increase in the cost of its floating rate debt. At end-FY17 £30.0m of the group's £40.0m of borrowing was fixed at an all-in rate of 2.36% until June 2019 and 2.25% thereafter until September 2021. Target intends to hedge a significant part of its FCB interest rate exposure once it has drawn sufficient funds.

Forecasts include upwardly revised asset growth

Taking account of the assets acquired in the current year to date, Target has remaining uncommitted debt funding facilities that it may deploy of c £39m. We estimate that making full use of the debt facilities now available would increase the gross LTV from 14.2% at end-FY17 to c 27%, ahead of the 20% that the board and manager target over the long-term. Although higher gearing has the potential to enhance portfolio returns it brings with it increased risk, particularly in relation to fluctuations in property values. That said, we would not expect Target to hold back from suitable and accretive acquisitions when it has the opportunity to do so. The year-end statement makes clear that significant near-term acquisitions, in excess of the currently available capital are possible, although there can be no certainty that these will actually reach the stage of completion.

Given these comments we have increased our assumption for acquisitions and our forecasts now allow for c £57m (including costs of acquisition) in the current year (of which £16.6m has so far been committed), equally split between direct property acquisitions and acquisitions of property via corporate transactions, where acquisition costs are lower. For FY19 we have allowed for £5m. The assumed slowdown in acquisition activity is based on the full utilisation of the current debt facilities. On this basis, forecast LTV moves above 20% through FY18 and FY19, reaching 24.0% by end-FY19. In reality, although not shown in our forecasts, and to support the group's ongoing growth ambitions, we would expect Target to seek additional capital resources, both equity and debt, at some point in time and dependent on the scale of acquisition opportunities that present themselves. As noted above, the managers are already considering a pipeline of opportunities that are in excess of current capital resources. We note that equity was last issued in FY16 (c £114m) and in each of FY14-16 in an aggregate amount of c £208m before costs. Target indicates that matching acquisition opportunities with capital availability so as minimise cash drag without sacrificing the benefits of growth remains a key focus.

Modest, but positive forecast revisions

As indicated above, most of the main financial metrics have been released previously in Target's quarterly investor report and corporate update and so there were no significant surprises with the full year results release.

Exhibit 3: FY17 performance versus estimate, and estimate revisions

Year end	Revenue (£m)			EPRA EPS (p)			EPRA NAV/share (p)			DPS (p)		
June	Reported	Est	Diff. (%)	Reported	Est	Diff. (%)	Reported	Est	Diff. (%)	Reported	Est.	Diff. (%)
FY17	23.6	23.4	0.6	4.8	4.8	4.9	101.9	101.9	0.0	6.28	6.28	0.0
	Revenue (£m)			EPRA EPS (p)			EPRA NAV/share (p)			DPS (p)		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
FY18e	28.1	28.0	-0.4	6.5	6.3	-3.1	103.5	102.9	(0.6)	6.34	6.45	1.7
FY19e	29.2	30.5	4.4	6.9	6.9	1.2	105.4	105.4	0.0	6.34	6.58	3.8

Source: Edison investment research

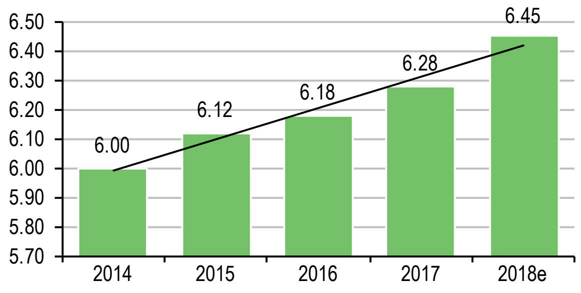
Although the increase in our investment assumption for the current year and FY19, discussed above, has a positive impact on revenue, particularly as FY18 portfolio additions contribute for a full year period in FY19, this does not flow through fully in our forecasts (FY18e revenue is actually very slightly lower). This is due to a revision in the way that we estimate future revenues. We have now grown the FY17 annualised rent roll of £20.3m with assumed rent growth (c 2% pa) and with an assumed yield on acquired assets of 6.75%. We had previously applied a yield assumption to the overall portfolio with a higher implied yield on acquired assets. In line with its progressive dividend policy, Target has already declared its intention, in the absence of unforeseen circumstances, to again increase the quarterly DPS in respect of the current financial year, by 2.71% to 1.6125p, or 6.45p for the FY18 year as a whole. This is reflected in our estimates and is the reason why higher earnings do not lead to an increase in forecast NAV per share.

The manager has indicated that dividend cover is expected at near 100% for this year, dependent upon the level of portfolio growth. At the level of growth that we have assumed, our forecast dividend cover is 97% and increases to 106% in FY19. As indicated above, our estimates for portfolio growth see the net LTV move above 20% through FY18 and FY19, reaching 24.0% by end-FY19. Although not shown in our forecasts, and to support the group's ongoing growth ambitions, we would expect further capital-raising measures, both equity and debt, at some point in time. We note that equity was last issued in FY16 (c £114m) and in each of FY14-FY16 in an aggregate amount of c £208m.

Valuation

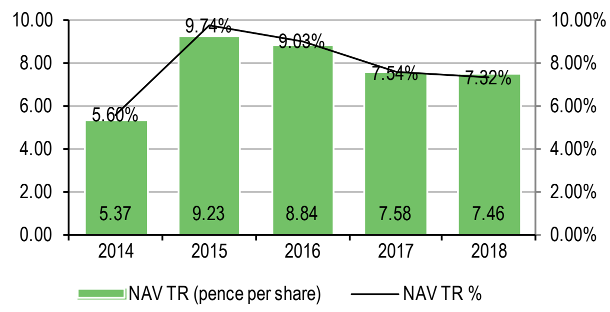
Target's investment objective is to provide shareholders with an attractive level of income together with the potential for capital and income growth. In Exhibit 4 we show the history of declared dividends per share, including the 6.45p which the manager indicates will be paid in the current year, barring unforeseen circumstances. Recognising that dividends have not been fully covered during the period as a result of "cash drag", or the delay between issuing new shares and being able to deploy the funds raised in income generating assets, we also show (Exhibit 5) the annual NAV total return history (NAV TR). We have defined NAV TR to include the change in NAV plus the aggregate annual dividend paid during the period, and it therefore captures the impact of uncovered dividends. The company published similar but slightly higher NAV TR, which additionally allows for reinvestment of quarterly dividends. Including our estimate for FY18, predominantly driven by forecast dividend payments, the average annual NAV TR for five years shown, on our annual basis, is 7.9%.

Exhibit 4: Progressive dividend per share



Source: Edison Investment Research

Exhibit 5: Annual NAV total return



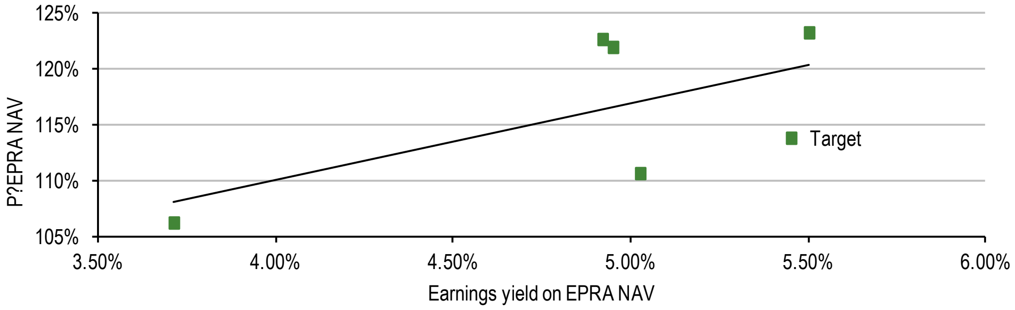
Source: Edison Investment Research

A feature of Target's portfolio is the very long length of the leases that are subject to upwards-only rent reviews, mostly capped-and-collared RPI-linked, but with some on fixed uplifts. This provides a high degree of certainty and sustainability to future contracted rent income, which should also translate into future rental income received, and cash flow generated, provided that the managers are successful in choosing financially successful tenants and modern, well-equipped, high quality assets that should remain viable over the long term.

There are a number of other REITs which similarly target long lease assets, in a number of cases investing in healthcare properties. Primary Health properties (PHP), Assura (AGR), and MedicX Fund (MXF) are all investors in modern, purpose-built primary care assets, predominantly health centres and doctors surgeries in the UK. Average lease lengths are lower than is the case for Target although UK rents are typically backed by the UK government, either in the form of direct payments from the NHS or reimbursement of rents to the GP tenants.

This group of long-lease REITs universally trades at a premium to EPRA NAV per share which reflects the value attached by investors to the income that their portfolios are expected to generate over the long term, especially in this period of low interest rates. Exhibit 6 shows the current relationship between the prospective EPRA earnings yield on EPRA NAV (EPRA EPS/EPRA NAV) for the group, for which we use expected EPRA earnings on a calendar 2018 basis, and price paid for the last published NAV (P/NAV). Taking EPRA earnings as a reasonable guide to current dividend paying capacity, other things being equal it would be reasonable to expect a higher earnings yield/higher dividend paying capacity to be associated with a higher P/NAV. While noting that this is a fairly small sample group, Exhibit 6 appears consistent with this basic premise. Since we first published this analysis in March 2017, Target's P/NAV has increased but so too has its prospective EPRA earnings yield as it has continued to invest available capital into yielding property assets. On this basis the relationship between dividend paying capacity and P/NAV still appears supportive, especially when taking into account the continuing opportunities that it has to grow its asset base, locking in a positive spread between asset yields and funding costs, and benefitting from scale efficiencies.

Exhibit 6: Peer group P/EPRA NAV ratios vs EPRA earnings yields



Source: Bloomberg, Edison Investment Research

Exhibit 7: Financial summary

Year to 30 June (£000s)	2014	2015	2016	2017	2018e	2019e
INCOME STATEMENT						
Rent revenue	3,817	9,898	12,677	17,760	22,449	24,940
Movement in lease incentive or rent review	1,547	3,760	4,136	5,127	5,414	5,414
Rental income	5,364	13,658	16,813	22,887	27,863	30,354
Other income	0	66	61	671	100	100
Total revenue	5,364	13,724	16,874	23,558	27,963	30,454
Gains/(losses) on revaluation	(2,233)	(839)	425	2,211	(1,721)	(271)
Cost of corporate acquisitions	0	(174)	(998)	(626)	(688)	(63)
Total income	3,131	12,711	16,301	25,143	25,555	30,120
Management fee	(648)	(1,524)	(2,654)	(3,758)	(3,718)	(3,796)
Other expenses	(780)	(880)	(992)	(1,236)	(1,400)	(1,600)
Total expenditure	(1,428)	(2,404)	(3,646)	(4,994)	(5,118)	(5,396)
Profit before finance and tax	1,703	10,307	12,655	20,149	20,437	24,724
Net finance cost	190	(716)	(929)	(808)	(1,622)	(2,125)
Profit before taxation	1,893	9,591	11,726	19,341	18,815	22,599
Tax	(4)	(39)	(24)	(219)	0	0
Profit for the year	1,889	9,552	11,702	19,122	18,815	22,599
Average number of shares in issue (m)	105.2	119.2	171.7	252.2	252.2	252.2
IFRS earnings	1,889	9,552	11,702	19,122	18,815	22,599
Adjusted for rent arising from recognising guaranteed rent review uplifts + lease incentives	(1,547)	(3,760)	(4,136)	(5,127)	(5,414)	(5,414)
Adjusted for valuation changes	2,233	839	(425)	(2,211)	1,721	271
Adjusted for corporate acquisitions	0	174	998	420	688	63
EPRA earnings	2,575	6,805	8,139	12,204	15,810	17,518
Adjustment for performance fee	150	466	871	997	929	949
Group adjusted EPRA earnings	2,725	7,271	9,010	13,201	16,739	18,467
IFRS EPS (p)	1.80	8.02	6.81	7.58	7.46	8.96
EPRA EPS (p)	2.45	5.71	4.74	4.84	6.27	6.95
Adjusted EPS (p)	2.59	6.10	5.25	5.23	6.64	7.32
Dividend per share (declared)	6.00	6.12	6.18	6.28	6.45	6.58
BALANCE SHEET						
Investment properties	81,422	138,164	200,720	266,219	321,093	325,967
Trade and other receivables	0	2,530	3,742	3,988	4,495	4,753
Non-current assets	81,422	140,694	204,462	270,207	325,588	330,720
Trade and other receivables	6,524	6,457	13,222	25,629	24,261	29,675
Cash and equivalents	17,125	29,159	65,107	10,410	4,208	4,905
Current assets	23,649	35,616	78,329	36,039	28,469	34,580
Bank loan	(11,764)	(30,865)	(20,449)	(39,331)	(84,487)	(89,643)
Other non-current liabilities	0	(2,530)	(4,058)	(3,997)	(3,997)	(3,997)
Non-current liabilities	(11,764)	(33,395)	(24,507)	(43,328)	(88,484)	(93,640)
Trade and other payables	(3,089)	(3,623)	(5,002)	(5,981)	(5,981)	(5,981)
Current Liabilities	(3,089)	(3,623)	(5,002)	(5,981)	(5,981)	(5,981)
Net assets	90,218	139,292	253,282	256,937	259,592	265,679
Period end shares (m)	95.2	142.3	252.2	252.2	252.2	252.2
IFRS NAV per ordinary share	94.7	97.9	100.4	101.9	102.9	105.4
EPRA NAV per share	94.7	97.9	100.6	101.9	102.9	105.4
CASH FLOW						
Profit before tax	1,893	9,591	11,726	19,341	18,815	22,599
Adjusted for						
Net interest payable	(190)	716	929	808	1,622	2,125
Revaluation gains on property portfolio	686	(2,921)	(4,787)	(7,339)	(3,695)	(5,145)
Cost of corporate acquisitions				626	688	63
Change in receivables/payables	783	695	1,038	(9,042)	6,275	(258)
Net interest paid	161	(514)	(681)	(615)	(1,466)	(1,969)
Tax paid	0	(47)	(164)	(543)	0	0
Net cash flow from operating activities	3,333	7,520	8,061	3,236	22,239	17,414
Purchase of investment properties	(51,894)	(51,736)	(34,833)	(37,698)	(29,095)	(2,645)
Acquisition of subsidiaries	0	(5,845)	(27,091)	(25,552)	(28,188)	(2,563)
Net cash flow from investing activities	(51,894)	(57,581)	(61,924)	(63,250)	(57,283)	(5,208)
Issue of ordinary share capital (net of expenses)	44,520	46,644	97,501	0	0	0
Sale of shares from treasury	0	0	14,799	0	0	0
(Repayment)/drawdown of loans	8,646	22,525	(12,808)	20,906	45,000	5,000
Dividends paid	(4,364)	(7,074)	(9,681)	(15,589)	(16,158)	(16,510)
Net cash flow from financing activities	48,802	62,095	89,811	5,317	28,842	(11,510)
Net change in cash and equivalents	241	12,034	35,948	(54,697)	(6,202)	697
Opening cash and equivalents	16,884	17,125	29,159	65,107	10,410	4,208
Closing cash and equivalents	17,125	29,159	65,107	10,410	4,208	4,905
Debt	(11,764)	(30,865)	(20,449)	(39,331)	(84,487)	(89,643)
Net cash/(debt)	5,361	(1,706)	44,658	(28,921)	(80,279)	(84,738)
Net LTV	0.0%	0.0%	0.0%	10.5%	23.6%	24.0%

Source: Target Healthcare REIT, Edison Investment Research

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