Care REIT

Q424 trading update

Real estate

Q4 trading update and increased DPS target

24 January 2025

In its Q424 trading update, Care REIT (Care), formerly Impact Healthcare REIT, announced an increased dividend target of 7.20p for 2025, a 3.6% increase on 2024, fully covered by adjusted ‘cash earnings’. The increased target reflects the company’s expectations for continuing growth in cash earnings, supported by rental uplifts and recent accretive acquisitions, and underpinned by a strong tenant performance. With tenants benefiting from strong occupancy and fee growth, rent cover in the quarter was maintained at a record high level of 2.3x. The Q4 performance appears consistent with our forecasts, and we have made no changes. The Q4 NAV will be published with the full-year results in March.

Year end	Net rental income (£m)	EPRA earnings (£m)	EPRA EPS (p)	NAV/share (p)	DPS (p)	Yield (%)	P/NAV (x)
12/23	53.1	34.5	8.3	115.0	6.77	8.5	0.69
12/24	54.9	35.8	8.6	119.9	6.95	8.7	0.66
12/25e	58.4	38.7	9.3	123.8	7.20	9.0	0.64
12/26e	61.7	41.8	10.1	127.9	7.50	9.4	0.62

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

DPS has increased each year since listing in 2017 and the 3.6% increase in the FY25 target follows a 2.7% increase in FY24. Dividend distributions are based on adjusted ‘cash’ earnings which excludes non-cash IFRS rent smoothing adjustments and is thus lower than EPRA earnings. H124 DPS cover was 1.06x on an adjusted basis and 1.22x on an EPRA basis.

Underlying resident occupancy in Care’s homes remains at a high level of 89.2% and inflationary cost pressures have been mitigated by strong fee growth. Average weekly fees charged by tenants increased by 6.5% during 2024 and with cost pressures continuing, including increases in the minimum wage and national insurance, tenants are in active discussions with relevant local authorities regarding 2025 fee increases.

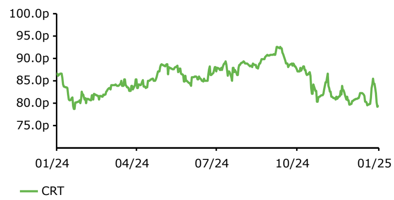
All of Care’s rents are indexed to inflation and further benefit from asset management projects (with a targeted yield on investment of at least 8%). Despite continuing high interest rates, the company has been able to selectively source accretive acquisitions. In November, it announced the acquisition of one operational home and the forward funding of the development of a new, high-quality home. The investments were at an aggregate accretive blended yield in excess of 8% with strong valuation potential.

Annualised contracted rent growth at end-Q424 was £51.4m, an increase of £2.6m or 5.3% during the year. The increase in the quarter (Q324: £51.1m) includes rental growth, the November acquisitions (we estimate c £1.0m), the impact of disposals and other incremental movements, the details of which and any impact on passing rent have yet to be published.

Care is maintaining a high level of earnings protection against higher funding costs. 88% of drawn debt is long-term fixed (38%) or hedged with an average cost of 4.6%. A £50m 3% pa cap expired shortly after the Q4 period-end and was replaced with a new 12-month cap, of a similar size and also at 3%, at a cost of £0.7m.

Price	**79.60p**
Market cap	**£330m**
Gross borrowings at 31 December 2024	£(197.8)m
Shares in issue	414.4m
Code	CRT
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



Business description

Care REIT (CRT) invests in a diversified portfolio of UK healthcare assets, particularly 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.

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