EDISON

Target Healthcare REIT

Accretive asset recycling progressing

Property acquisitions and update

Real estate

2 December 2025

Target Healthcare REIT has acquired three operational care homes and one new development for a total of £45m, deploying more than half the proceeds of its recent nine-home portfolio disposal. The high-quality homes, let to a strong new but established tenant, have been acquired at an accretive blended net initial yield of more than 6%. With significant remaining available capital, and a strong pipeline of similarly attractive opportunities, we expect acquisitions, in combination with indexed rent reviews, to drive continuing earnings and DPS growth.

Year end	Net rental income (£m)	EPRA earnings (£m)	EPRA EPS (p)	NAV/share (£)	DPS (p)	EPS (£)	P/NAV (x)	Yield (%)
6/25	72.9	47.9	7.7	1.15	5.88	6.08	0.84	6.1
6/26e	70.8	49.3	7.9	1.22	6.03	6.32	0.80	6.2
6/27e	73.3	50.4	8.1	1.27	6.18	6.72	0.76	6.4
6/28e	77.1	42.7	8.4	1.31	6.34	6.88	0.74	6.5

Note: EPRA earnings/EPS is shown on a company adjusted basis. This is lower than unadjusted earnings and gives a better guide to dividend affordability. Non-cash IFRS rent smoothing is excluded and interest earned on development funding is included. NAV is EPRA net tangible assets (NTA) throughout this report.

Delivering growth in both earnings and asset values

Utilising the proceeds of the £86m portfolio sale, reinvestment, in combination with debt repayment, has already substantially offset the near-term income loss from the portfolio sale. With the refinancing of shorter-term debt completed at a reduced margin, Target is well-placed for further accretive investment from a strong pipeline of opportunities, including both operational homes and the forward funding of developments. With some cash drag as reinvestment income feeds through, particularly for developments, our FY26e and FY27e adjusted earnings are reduced slightly, but fully covered DPS growth is not dented. The financial benefits are more fully reflected in FY28e.

Sustainable earnings and social benefits

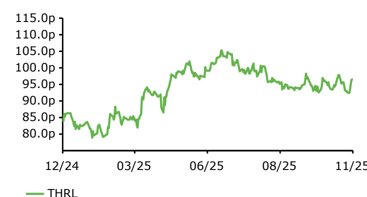
In a cyclical commercial property market, healthcare property has provided attractive risk-adjusted returns. The demand for care home places is effectively non-discretionary, driven by a growing elderly population and the need to improve the existing estate, and largely uncorrelated with the economy. Target's uncompromising focus on modern, purpose-built properties underpins its core proposition of generating long-term, sustainable, income-driven returns. All its homes provide full en-suite wet-room facilities (34% for the market) and meet current and expected minimum energy efficiency standards. Such homes are appealing to residents, especially important in maintaining high levels of self-funded occupancy, support operators in providing better, more efficient and more effective care, and provide sustainable, long-term investment income.

Valuation: Attractive yield with NAV upside

The company's FY26 DPS target of 6.03p (+2.5%) represents a yield of more than 6%. We forecast continuing DPS growth and expect NAV to increase, driven by rent indexation, with a potential additional benefit from any property yield tightening. Meanwhile, the shares trade at a c 18% discount to the Q126 NAV/share of 117.7p.

Price	**96.80p**
Market cap	**£599m**
Net cash/(debt) as at 30 September 2025	£(202.3)m
Shares in issue	620.2m
Code	THRL
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	2.3	2.1	20.9
52-week high/low		103.8p	74.0p

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

Q226 update	Expected February 2026

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Edison profile page

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Investment case

While indexed rent reviews and active asset management continue to drive earnings, dividends and capital growth, we expect a growing contribution from accretive capital recycling over the next three years. This was again apparent in the recent Q126 update, which showed an NAV total return of 4.4p or 3.8%,[1] building on the 9.1%[2] delivered in FY25. Within this, the £86m portfolio sale, at an 11.6% premium to book value, contributed 1.4p to the total return.

In this report we focus on recent developments with respect to capital recycling, asset management and refinancing. In our June report we discussed in detail how Target's investment strategy addresses the growing demand for premium care facilities for elderly residents, including those with complex needs such as dementia, while providing shareholders with long-term, stable, inflation-protected income and the potential for capital growth. In brief, we highlight the following key points of the investment case:

- Structural and demographic support underpins Target's core proposition of generating long-term, sustainable, income-driven returns. Its focus on asset quality is central to this and strongly enhances the social impact that the company generates. The portfolio is modern and sustainable, with 100% of the portfolio rated EPC A or B, already compliant with the minimum energy efficiency standards anticipated to apply from 2030; 100% of the rooms have full en-suite wet-rooms; there is a generous 48sqm space per resident; and average rents are an affordable £203 per sqm.
- Not surprisingly, Target scores highly on sustainability metrics, with a GRESB[3] benchmark score of 80, placing it second in its peer group.
- Rents are annually indexed to retail price inflation (RPI) (typically capped and collared between 2% and 4% per year) with a weighted average unexpired lease term (WAULT) of 26 years. The resilience of tenant operators was demonstrated through the COVID-19 pandemic and the subsequent spike in inflation, and average rent cover of 1.9 times is the highest level since Target launched.
- The demand for care home places is effectively non-discretionary and largely uncorrelated with the economy.
- Where tenant issues arise, high-quality assets remain attractive to a wide range of alternative operators.
- Healthcare property has traditionally generated superior risk-adjusted returns relative to the broad sector. The long duration, visible, inflation-linked income prospects for high-quality care home assets remain attractive to investors and are supporting property values.

Set against this strong, long-term investment case, our near-term forecasts are very much driven by the outlook for rental income, given that the refinancing has provided visibility over borrowing costs, and costs are substantially linked to the development of NAV. The key drivers of our rental income forecasts are the outlook for continuing indexed rental uplifts, the mix and timing of acquisitions, and rent collection performance. We explore each of these in the following section.

The drivers of rental growth

Rent indexation

In FY25, the average uplift on reviews was 3.3% and in Q126, the average uplift on the 17 completed reviews[4] was 3.8%. In September 2025, the 12-month increase in RPI was 4.5% and in October the UK Treasury consensus forecast for the Q4 CY25 rate was 4.8%, falling to 3.3% in Q4 CY26. For Target, we have assumed average uplifts for the year to

1. Throughout this report, NAV/accounting total return adjusts for dividends paid but does not assume reinvestment of dividends. Including reinvestment, THRL calculates a Q126 total return of 3.9%.
2. 9.3% including reinvestment of dividends paid.
3. Global Real Estate Sustainability Benchmark
4. There were 93 completed homes in the portfolio and following the nine home portfolio sale and acquisition of three completed homes, there are now 87. Including the newly acquired development property, the total number of homes is 88.

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June 2026 (FY26) of 3.5%, 3.0% for FY27 and 2.5% for FY28.

Capital recycling

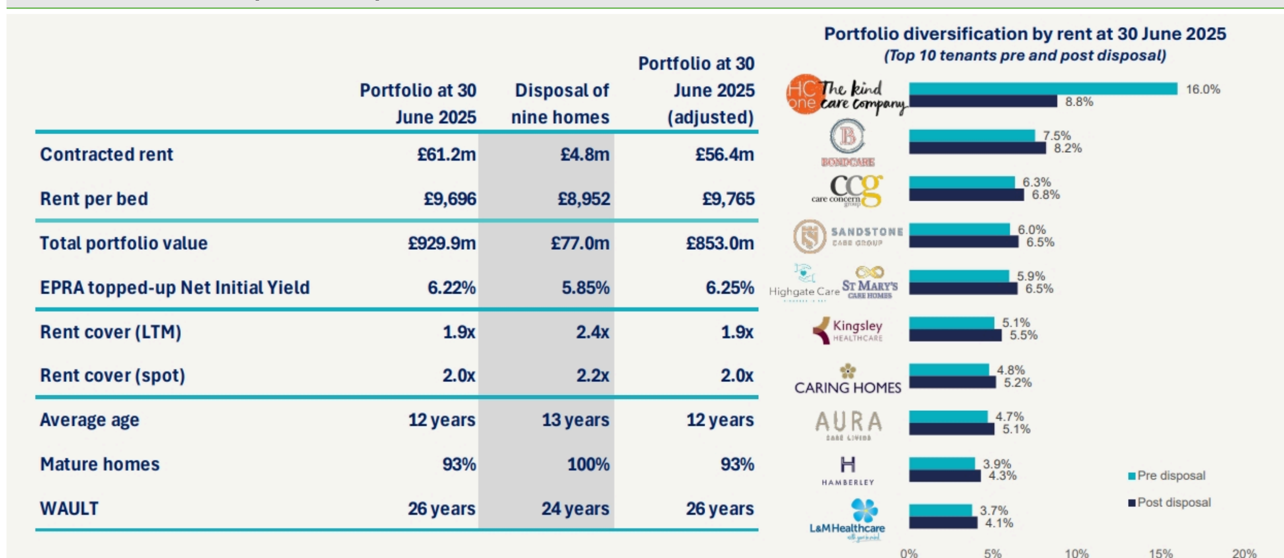
The sale of nine care homes for £85.9m, the company's largest ever disposal, was announced in late September (Q126) and completed in October (Q226). The disposal, to an institutional investor, was at a substantial premium of 11.6% to the end-FY25 book value of £77.0m, reflecting a net initial yield of 5.24% including notional buyers' costs, below the portfolio average of 6.2%. The £4.8m annualised rent on the sale assets represents a 5.6% yield on the disposal value, which is also well below the minimum average of 6% that Target expects on reinvestment, and reflects the £45m reinvestment just announced. In August, Target had agreed the sale of another property for £8.0m, a premium of c 13% to its end-FY25 book value, expecting completion before the end of 2025.

Although the nine-home portfolio sale is the largest of Target's asset sales, it is not the only one, and opportunistic capital recycling has enhanced the return on capital and portfolio quality, and provided evidence of the robustness of valuations and NAV. In Q123, Target made a decision to withdraw from the Northern Ireland market, citing less attractive market dynamics and a weaker private pay market compared with the UK, selling four homes for an aggregate £22m, a small premium to book value. In Q224, a further four homes were sold to the incumbent tenant for an aggregate £45m, which was modestly ahead of the carried value, reflecting a net initial yield below the portfolio average. The homes had performed well since being acquired as part of the significant portfolio transaction in late 2021, but their sale enhanced key portfolio average metrics such as age, floor space and unexpired lease term.

As well as providing an accretive reinvestment opportunity, the most recent portfolio disposal created a more balanced spread of tenant exposure across the portfolio. The homes are all let to HC-One, which acquired Ideal Carehomes, an existing Target tenant, in late 2023. Following the sale, HC-One's share of rent roll reduced from c 16% to c 9% (prior to any small impact from reinvestment), although it remains Target's single largest tenant, and the aggregate share of the top 10 tenants has reduced to 61% from 64%. Following the acquisitions just announced, the total number of tenants has increased to 33 from 32.

Key portfolio metrics, such as rent cover, WAULT and average asset age, are not materially changed, indicating that the homes sold were a reasonable reflection of the overall portfolio.

Exhibit 1: Portfolio impact of disposal



	Portfolio at 30 June 2025	Disposal of nine homes	Portfolio at 30 June 2025 (adjusted)
Contracted rent	£61.2m	£4.8m	£56.4m
Rent per bed	£9,696	£8,952	£9,765
Total portfolio value	£929.9m	£77.0m	£853.0m
EPRA topped-up Net Initial Yield	6.22%	5.85%	6.25%
Rent cover (LTM)	1.9x	2.4x	1.9x
Rent cover (spot)	2.0x	2.2x	2.0x
Average age	12 years	13 years	12 years
Mature homes	93%	100%	93%
WAULT	26 years	24 years	26 years

Source: Target Healthcare REIT

The first redeployment is in high quality assets to an established tenant

The three operational care homes included in the £45m reinvestment have been acquired via sale and leaseback from an experienced operator, which, according to Target, has a very strong knowledge of its local market. As with the existing portfolio and in keeping with the company's strict focus on quality, they provide full en suite wet-room facilities, most suitable for their private-pay resident base. The homes have a history of strong trading, delivering consistently strong rent cover generation of more than two times, underpinned by attractive local demographics. The properties have been acquired on long 35-year, fully repairing and insuring occupational leases with RPI-linked caps and collars, with

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commercial terms in line with the existing portfolio, including green provisions such as energy-usage data collection.

The development of the fourth property, a forward commitment pre-let to the same operator, is already well advanced and is expected to reach practical completion in summer 2026. It is being built to a high standard and is expected to deliver net-zero carbon operational capability.

Strong and growing pipeline

The end-Q126, and prior to the completion of the portfolio sale, net loan-to-value ratio (LTV) was a low 21.4%. Allowing for the completion of the portfolio sale (completed just after the period-end) we estimate the Q126 LTV would have been c 14%, but has already begun to rebuild as capital is deployed. In the Q126 update, including the disposal proceeds, Target said that it had available capital resources of up to £138m, net of all capital and other commitments, and that it would be comfortable with an LTV of c 24%. Following the £45m of reinvestment to date, we estimate a pro forma LTV of c 17%,[5] with more than £90m of available capital remaining.

Including the newly announced acquisitions, our forecasts assume deployment of c £115m, somewhat less than the available capital, representing a source of additional growth. The impact of this deployment on our forecast LTV is partly offset by the increase in portfolio valuation that we expect, driven by rental growth.

Target has identified a strong pipeline of acquisition opportunities that meet its strict quality requirements, across diverse geographies, both operational homes and forward funded developments,[6] let to a mix of new and existing tenant operators. It expects a blended net initial yield in excess of 6%, which is underpinned by the three homes already acquired.

We have necessarily had to make assumptions about the speed with which Target can appropriately commit capital and about the split between fully income-generating operational/standing assets and developments. On development funding, Target earns interest on the balance of funds extended, increasing as completion approaches, before switching to rental income as the assets become operational. From a yield perspective, our assumptions are indifferent whether investments are made into standing assets or developments. The importance is the speed with which capital is deployed.

Of the £115m of capital deployment assumed in our forecasts, £45m (c 40%) is to operational assets, including the three completed homes newly acquired, which we estimate to represent roughly three-quarters of the total £45m investment. We assume £75m of development funding commitments, including the newly acquired development asset. The operational assets contribute directly to rental income whereas the development assets are not included in contracted rent roll until completion, meanwhile generating interest earnings as the funding is extended. The interest is included in adjusted earnings but not in IFRS or EPRA earnings.

We have assumed the operational asset investment is complete by end-FY26, and makes a full contribution to FY27 rental income. The assumed aggregate £75m of development commitments, spread across six assets in total, completes in stages up to end-FY28, with the first full year rental income contribution in FY29.

Exhibit 2: Estimates for growth in contracted rent roll

	Actual	New estimate			Previous estimate			Difference/change		
£m	FY25	FY26e	FY27e	FY28e	FY25e	FY26e	FY27e	FY25	FY26e	FY27e
Start-year annualised contracted rent roll	**58.8**	**61.2**	**61.9**	**64.5**	**58.8**	**62.0**	**63.2**	**0.0**	**(0.8)**	**(1.3)**
Rent reviews	1.9	2.1	1.9	1.6	1.8	1.2	1.3	0.1	0.9	0.6
Rent reviews	3.3%	3.5%	3.0%	2.5%	3.0%	2.0%	2.0%	0.3%	1.5%	0.0
Acquisitions	0.0	2.8	0.0	0.0	0.0	0.0	0.0	0.0	2.8	0.0
Disposals	(0.7)	(4.8)	0.0	0.0	0.0	0.0	0.0	(0.7)	(4.8)	0.0
Development completions	0.9	0.6	0.8	3.0	1.5	0.0	0.0	(0.6)	0.6	0.8
Rentalisation of capex and deferred consideration	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0
End-year annualised contracted rent roll	**61.2**	**61.9**	**64.5**	**69.1**	**62.0**	**63.2**	**64.5**	**(0.8)**	**(1.3)**	**0.0**
Contracted rents on assets under development	**0.6**	**2.3**	**3.8**	**0.8**	**0.0**	**0.0**	**0.0**	0.6	2.3	3.8
Contracted rents on a fully developed basis	**61.8**	**64.2**	**68.3**	**69.9**	**62.0**	**63.2**	**64.5**	**(0.2)**	**0.9**	**3.8**

Source: Edison Investment Research

5. The standing assets will immediately impact LTV. The forward funding commitment will do so as funding is advanced.

6. Under forward funded development agreements, Target contracts to acquire a pre-let property from a developer, at an agreed price, at completion. The payments are staged, over the period of development, with Target earning a licence fee on the funding extended.

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Rent collection supported by asset quality and sustainable rents

Since the pandemic, most tenants have experienced a good recovery in resident occupancy within the homes they operate, and have been able to successfully pass through inflationary cost pressures in higher weekly fees. This improving performance has been reflected in a strong average rent cover ratio[7] of 1.9 times, which is the highest level achieved since Target launched.

Although the average rent cover ratio was strong, FY25 rent collection fell marginally to 97% (FY24: 99%), driven primarily by issues with two tenants that have since been resolved. Given the number of tenants with which Target operates, occasional issues with some tenants are almost inevitable. New homes are an important element in the building of a high-quality portfolio, but once completed and handed over to the tenant, they do take time to build occupancy and reach a 'stabilised' level of profitability. Especially when targeting privately funded residents, this is a process that may take three years or more.

Positively, when issues do arise, high-quality assets in the right locations, with favourable demand/supply characteristics and prevailing rental levels that are sustainable, will always be attractive to existing or alternative tenants.

Early in July, the company completed the re-tenanting of one asset in Weymouth, representing 1.4% of the total rent roll, where the tenant had not been paying the rent due to poor trading at other homes that it operated, not owned by Target. Issues have been previously settled co-operatively but in this particular case Target decided that its interests and those of the home residents would be better served by placing the outgoing tenant into administration, resulting in administration costs of c £0.8m in addition to a £0.9m credit loss provision. Given strong demand from alternative operators, the re-tenanting was achieved without granting lease incentives at an improved rental level, resulting in a valuation uplift of c £0.3m.

In late September, three homes leased to a single operator (representing 3.2% of the total rent roll), where for two quarters the rent had not been paid in full, were re-tenanted. This was undertaken at a modestly higher rent, without lease incentives, to two existing tenants. As part of the terms of the re-tenanting, Target secured a parent company guarantee from the outgoing tenant, which is expected to support the collection of the outstanding rent arrears. In Q126, a partial reduction in the previously recognised credit loss allowance relating to this tenant added c £0.4m to earnings.

Interest and borrowing

Late in Q126, Target completed the refinancing of its near-term borrowing debt maturities with The Royal Bank of Scotland (RBS) and HSBC, replacing an aggregate £170m of existing facilities that were due to mature in November with £130m of new facilities and an improved margin.

The new facilities are at a margin of 1.5% (compared with 2.2% previously) with an initial term of three years, with two one-year extension options, subject to lender consent. An accordion option allows the company to increase the size of the facilities by an aggregate £70m, also subject to lender consent. The facilities comprise £50m of term loans, with the interest cost capped at 5.3% for five years. Aggregate revolving credit facilities (RCF) of £80m are for now floating rate, at the 1.5% lending margin plus the SONIA benchmark rate, currently c 4%, but it is Target's intention to cap the cost ahead of draw-down to fund future acquisitions. There is no change to the £150m of existing long-term debt facilities, at a low average cost of 3.2%, and with a first maturity not until 2032.

At end-Q126, £248m of the aggregate £280m of debt facilities had been drawn. This temporarily included £48m of RCF drawings, since repaid from the disposal proceeds. The remaining £200m of borrowing, with a weighted average maturity of just under six years, is fixed at an average interest cost of 3.7% (3.9% inclusive of loan arrangement fee amortisation), at least until September 2030.

7. A key management metric that compares home-level pre-rent profitability before corporate overheads with rents due.

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Exhibit 3: Summary of debt portfolio

Lender	Facility type	Facility*	Est. drawn**	Maturity***	Rate (exc fees)****	Hedging
Phoenix/Reassure	Term loan	£50m	£50m	Jan-32	3.3%	Fixed
Phoenix/Reassure	Term loan	£37m	£37m	Jan-32	3.1%	Fixed
Phoenix/Reassure	Term loan	£63m	£63m	Jan-37	3.1%	Fixed
RBS	Term loan	£20m	£20m	Sep-28	5.3%	Capped
	Revolving credit facility	£30m	nil		SONIA + 1.5%	Floating
HSBC	Term loan	£30m	£20m	Sep-28	5.3%	Capped
	Revolving credit facility	£50m	nil		SONIA + 1.5%	Floating
Total		**£280m**	**£200m**		**3.7%******	

Source: Target Healthcare REIT, Edison Investment Research.
Note: *Excludes £70m of accordion facilities subject to lender (RBS/HSBC) consent. **Reflects repayment of unhedged borrowing that was in place at end-Q126. ***Each of the RBS and HSBC facilities has two one-year extension options beyond September 2028, subject to lender consent. ****Assumes a SONIA benchmark rate of 4.0%.

Estimate revisions: Continuing fully covered dividend growth

The company targets aggregate FY26 DPS of 6.03p (+2.5%) and we assume a similar rate of growth in FY27 and FY28, while maintaining a good level of cover by adjusted ‘cash’ earnings.

Capital recycling has a relatively small drag on earnings in FY26e but the negative impact on rental income from the time lag between sales and reinvestment is mostly offset by a reduction in the interest expense on a lower level of debt.

Exhibit 4: Estimate summary

	New estimates			Previous estimates		Change	
£m unless stated otherwise	**2026**	**2027**	**2028**	**2026**	**2027**	**2026**	**2027**
Rental & other income	60.4	62.9	66.5	62.2	63.4	(1.8)	(0.5)
Credit loss allowance	(0.9)	(0.9)	(1.0)	(0.6)	(0.6)	(0.3)	(0.3)
Management fees	(8.1)	(8.6)	(9.1)	(7.9)	(8.2)	(0.2)	(0.4)
Administrative expenses	(3.5)	(3.6)	(3.7)	(3.3)	(3.4)	(0.2)	(0.3)
Net finance expense	(9.0)	(9.7)	(10.9)	(10.8)	(10.7)	1.7	1.0
Development interest on development funding	0.3	1.6	0.9	0.6	0.0	(0.3)	1.6
Adjusted earnings	**39.2**	**41.6**	**42.6**	**40.2**	**40.5**	**(1.0)**	**1.1**
Non-cash IFRS rent smoothing adjustments	10.4	10.4	10.6	10.7	10.5	(0.3)	(0.1)
Development interest on development funding	**(0.3)**	**(1.6)**	**(0.9)**	(0.6)	0.0	0.3	(1.6)
EPRA earnings	**49.3**	**50.4**	**52.3**	**50.3**	**51.0**	**(1.0)**	**(0.6)**
Adjusted EPS (p)	6.3	6.7	6.9	6.4	6.6	(0.1)	0.2
EPRA EPS (p)	**7.9**	**8.1**	**8.4**	**8.1**	**8.2**	**(0.2)**	**(0.1)**
DPS (p)	6.0	6.2	6.3	6.1	6.2	(0.0)	(0.0)
Adjusted dividend cover (x)	**1.05**	**1.09**	**1.08**	**1.06**	**1.05**	**(0.01)**	**0.03**
EPRA dividend cover (x)	1.32	1.31	1.33	1.34	1.33	(0.02)	(0.01)
EPRA NTA per share (p)	121.6	126.6	131.0	117.3	120.8	4.3	5.8
NAV total return (%)	11.2	9.1	8.5	8.2	8.2	2.9	0.9

Source: Edison Investment Research

Valuation

Target shares have increased by 15% over the past 12 months, generating a total shareholder return of 22%, although with both DPS and NAV increasing, this represents only a partial re-rating. The targeted FY26 DPS of 6.032p (+2.5%) represents a prospective yield of 6.2%, while the shares trade at a discount of 18% to the 30 September 2025 (Q126) NAV per share of 117.7p.

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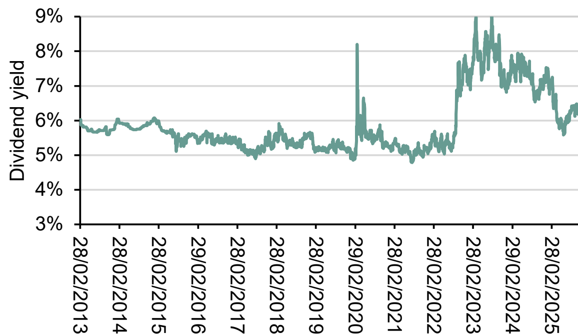
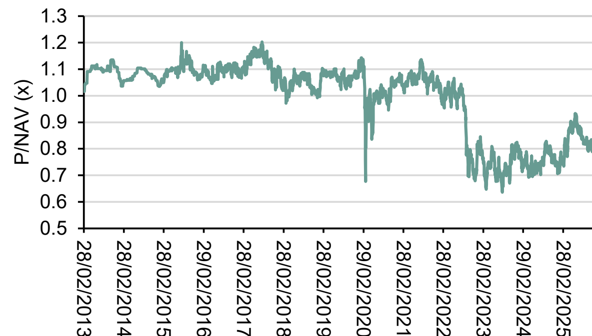
Exhibit 5: Dividend yield history



Source: Company DPS data, Edison Investment Research, LSEG Data & Analytics

Exhibit 6: P/NAV history



Source: Company NAV data, Edison Investment Research, LSEG Data & Analytics

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

Target shares have risen by more than 40% from their March 2023 low and have strongly outperformed the peer group and the broader UK property sector over one and three years. On a trailing basis, the company's P/NAV is broadly in line with the peer group, and its dividend yield is lower.

Exhibit 7: Selected peer group performance and valuation

	WAULT (years)	Price (p)	Market cap (£m)	P/NAV (x)	Yield (%)	Share price performance			
						1 month	3 months	1 year	3 years
LondonMetric	16	187	4,389	0.94	6.6	-2%	2%	-3%	5%
Primary Health Properties	11	97	2,521	0.91	7.3	4%	5%	2%	-12%
Residential Secure Income	N/A	57	106	0.86	7.2	-1%	-1%	-5%	-34%
Social Housing REIT	23	68	269	0.72	8.2	1%	1%	12%	-1%
Supermarket Income	11	81	1,012	0.93	7.6	3%	2%	14%	-23%
Tritax Big Box	11	148	3,986	0.78	5.3	-2%	6%	6%	1%
Average	**17**			**0.86**	**7.3**	**0%**	**2%**	**1%**	**-10%**
Target Healthcare	**26**	**97**	**600**	**0.82**	**6.1**	**3%**	**1%**	**15%**	**22%**
UK property sector index		1,224				1%	6%	-2%	-8%
UK equity market index		5,241				0%	5%	16%	27%

Source: Company data, Edison Investment Research, LSEG Data & Analytics prices as at 22 November 2025. Note: P/NAV is based on last reported NAV/NTA. Yield is based on 12-month trailing DPS declared. Residential Secure Income is in a process of wind-down.

Recent financial performance

Target reports quarterly updates and key FY25 data were published in early August. The FY25 results were published in detail during October, and earlier in November Target reported on the quarter to 30 September 2025 (Q126).

On an adjusted 'cash' basis, in FY25, growth in rental income and interest income on cash deposits was offset by increased expenses and credit loss provisions, and lower interest earned on development funding. Compared with EPRA earnings, which excludes valuation movements and non-recurring items, adjusted earnings excludes significant non-cash IFRS rent smoothing adjustments and includes the development interest. Adjusted earnings is therefore considerably lower than EPRA earnings and gives a better indication of dividend paying capacity.

We highlight the following key points:

- Rental income increased by £2.0m or 3%.
- The credit loss allowance increased by £0.6m to £1.6m. It included £0.9m in respect of the Weymouth home and £0.5m in respect of the three homes that were re-tenanted.
- Whereas management fees (+4% or £0.3m) tracked the growth in NAV, to which they are linked, other expenses were affected by the administration and re-tenanting costs of the Weymouth home. On a reported basis, other

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expenses increased c £0.8m, or 27%, to £3.9m. Excluding the costs relating to the Weymouth home, the increase was 3%. The ongoing charge ratio (OCR), comparing expenses with net assets, was stable at 1.51%. The EPRA cost ratio, comparing expenses with rental income, increased to 21.8% from 19.1%.

- Net finance expense was c £0.6m lower at £10.2m, primarily relating to increased interest income on bank deposits.
- Development interest earned under forward funded development agreements was £1.0m lower at £0.6m, reflecting the completion of three projects in FY24 and a further project in FY25. On completion, the homes begin to earn rental income rather than interest.
- Adjusted earnings was £0.3m or 1% lower at £37.7m or 6.1p per share, covering DPS of 5.884p (+3%) 1.03x. EPRA EPS of 7.7p covered DPS 1.31x.
- Portfolio values increased by 2.6% on a like-for-like basis, with the positive impact of rental uplifts (3.3% like-for-like) partly offset by a slight widening of the property valuation yield. The end-FY25 EPRA topped up net initial yield was 6.22% compared with 6.20% at end-FY24.
- EPRA net tangible assets (NTA) per share increased by 4% to 114.8p and including DPS paid (but not reinvested) the NAV total return was 9.1%.

Exhibit 8: Summary of FY25 financial performance

£m unless stated otherwise	FY25	FY24	FY25/FY24	H125	H225	H225/H125
Rental & other income	60.6	58.6	3%	29.8	30.8	3%
Credit loss allowance	(1.6)	(1.0)		(0.2)	(1.4)	
Investment management fees	(7.8)	(7.5)	4%	(3.9)	(3.9)	0%
Other expenses	(3.9)	(3.1)	27%	(1.6)	(2.3)	47%
Finance expense	(10.2)	(10.8)	-5%	(5.1)	(5.1)	-1%
Development interest under forward fund agreements	0.7	1.8		0.5	0.3	
Adjusted earnings	**37.7**	**38.0**	-1%	**19.4**	**18.3**	-6%
Development interest under forward fund agreements	(0.7)	(1.8)		(0.5)	(0.3)	
Income from guaranteed rent reviews & lease incentives	10.8	10.9		5.5	5.4	
EPRA earnings	**47.9**	**47.2**	1%	**24.5**	**23.4**	-4%
Realised/unrealised gains/(losses) on properties	12.3	26.6		5.9	6.4	
Interest rate cap	(0.8)	(0.8)		(0.4)	(0.4)	
Other income	1.5	0.0			1.5	
IFRS earnings	**60.8**	**73.0**	-17%	**30.0**	**30.9**	3%
IFRS EPS (p)	9.8	11.8	-17%	4.8	5.0	3%
EPRA EPS (p)	7.7	7.6	1%	3.9	3.8	-4%
Adjusted EPS (p)	**6.1**	**6.1**	-1%	**3.1**	**3.0**	-6%
DPS declared (p)	**5.9**	**5.7**	3%	**2.9**	**2.9**	0%
Dividend cover – EPRA earnings (x)	**1.31**	**1.33**		**1.34**	**1.28**	
Dividend cover – Adjusted earnings (x)	**1.03**	**1.07**		**1.07**	**1.00**	
EPRA NTA per share (p)	114.8	110.7	4%	112.7	114.8	
EPRA NTA total return/accounting total return	**9.0%**	**11.4%**		**4.4%**	**4.5%**	
Investment properties including investment via loans	929.9	908.5		929.5	929.9	
Borrowings	242.0	243.0		248.0	242.0	
Cash	39.6	38.9		37.9	39.6	
Net LTV	22%	22%		23%	22%	

Source: Target Healthcare REIT, Edison Investment Research

In Q126, Target delivered a three-month accounting total return (excluding reinvestment of dividends) of 4.4p or 3.8%, comprising DPS paid of c 1.5p and NAV growth of 2.9p. Around half the NAV increase reflected the gain on the nine-home sale; contracts were exchanged during Q126, and the transaction completed post the period-end. Rent reviews in the period were at an average 3.8%, adding 0.7% to annualised contracted rent, and reflected in like-for-like portfolio valuation growth. Adjusted EPS of 1.71p covered DPS 1.13x but included some credit loss recoveries related to the re-tenanting of homes. Excluding this, EPS of 1.64p covered DPS 1.09x.

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Exhibit 9: Continuing positive quarterly total returns

	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Pence per share unless stated otherwise	**Q125**	**Q225**	**Q325**	**Q425**	**Q126**
Opening EPRA NAV per share	110.7	111.7	112.7	113.0	114.8
Unrealised property revaluation gains/(losses)	0.9	0.9	0.3	1.4	1.3
Realised property revaluation gains/(losses)	0.0	0.0	0.0	0.2	1.4
Gain on surrender premium received	0.0	0.0	0.0	0.2	0.0
Movement in revenue reserve	1.6	1.6	1.5	1.5	1.7
Dividend paid	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Closing EPRA NAV per share	**111.7**	**112.7**	**113.0**	**114.8**	**117.7**
EPRA NTA total return	**2.2%**	**2.2%**	**1.6%**	**2.9%**	**3.8%**

Source: Target Healthcare REIT data, Edison Investment Research. Note: The data is adjusted for dividends paid but does not assume dividend reinvestment.

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Exhibit 10: Financial summary

Year to 30 June (£m)	2024	2025	2026e	2027e	2028e
INCOME STATEMENT					
Rental income excluding guaranteed uplift	58.6	60.4	60.4	62.9	66.5
IFRS adjustment for guaranteed uplifts	10.9	10.8	10.4	10.4	10.6
Other income	0.0	1.7	0.0	0.0	0.0
Total revenue	69.6	72.9	70.8	73.3	77.0
Gains/(losses) on revaluation	24.7	12.2	29.2	18.3	14.5
Realised gains/(losses) on disposal	1.9	0.0	0.0	0.0	0.0
Management fees	(7.5)	(7.8)	(8.1)	(8.6)	(9.1)
Credit loss allowance & bad debts	(1.0)	(1.6)	(0.9)	(0.9)	(1.0)
Administrative expenses	(3.1)	(3.9)	(3.5)	(3.6)	(3.7)
Operating profit	84.6	71.9	87.5	78.4	77.7
Net finance cost	(11.6)	(11.0)	(9.2)	(9.7)	(10.9)
IFRS net result	73.0	60.8	78.2	68.7	66.8
Adjust for:					
Gains/(losses) on revaluation	(24.7)	(12.2)	(29.2)	(18.3)	(14.5)
Other EPRA adjustments	(1.1)	(0.7)	0.2	0.0	0.0
EPRA earnings	47.2	47.9	49.3	50.4	52.3
Adjust for fixed/guaranteed rent reviews	(10.9)	(10.8)	(10.4)	(10.4)	(10.6)
Adjust for development interest under forward fund agreements	1.8	0.7	0.3	1.6	0.9
Group adjusted earnings	38.0	37.7	39.2	41.6	42.6
Average number of shares in issue (m)	620.2	620.2	620.2	620.2	620.2
IFRS EPS (p)	11.8	9.8	12.6	11.1	10.8
EPRA EPS (p)	7.6	7.7	7.9	8.1	8.4
Adjusted EPS (p)	6.1	6.1	6.3	6.7	6.9
Dividend per share (declared) (p)	5.71	5.88	6.03	6.18	6.34
Dividend cover (EPRA earnings) (x)	1.33	1.31	1.32	1.31	1.33
Dividend cover (Adjusted earnings) (x)	1.07	1.03	1.05	1.09	1.08
BALANCE SHEET					
Investment properties	831.6	840.4	842.3	901.7	933.9
Other non-current assets	91.2	101.9	112.3	122.7	133.3
Non-current assets	922.8	942.3	954.6	1,024.4	1,067.2
Cash and equivalents	38.9	39.6	27.8	29.1	26.1
Other current assets	5.7	4.3	3.7	3.7	3.7
Current assets	44.6	43.9	31.5	32.8	29.8
Bank loan	(240.7)	(240.3)	(197.7)	(237.4)	(248.0)
Other non-current liabilities	(9.9)	(12.7)	(12.7)	(12.7)	(12.7)
Non-current liabilities	(250.6)	(253.0)	(210.4)	(250.1)	(260.7)
Trade and other payables	(27.5)	(20.7)	(21.3)	(22.1)	(23.5)
Current Liabilities	(27.5)	(20.7)	(21.3)	(22.1)	(23.5)
Net assets	689.3	712.5	754.3	784.9	812.7
Adjust for derivative financial liability	(2.8)	(0.6)	0.0	0.0	0.0
EPRA net tangible assets (NTA)	686.5	711.9	754.3	784.9	812.7
Period end shares (m)	620.2	620.2	620.2	620.2	620.2
IFRS NAV per share (p)	111.1	114.9	121.6	126.6	131.0
EPRA NTA per share (p)	110.7	114.8	121.6	126.6	131.0
EPRA NTA total return	11.4%	9.0%	11.2%	9.1%	8.5%
CASH FLOW					
Cash flow from operations	52.2	50.8	48.4	50.5	54.0
Premium paid for interest rate cap	0.0	0.0	0.0	0.0	0.0
Net interest paid	(9.9)	(9.7)	(8.4)	(9.1)	(10.2)
Tax paid	0.0	0.0	0.0	0.0	0.0
Net cash flow from operating activities	42.3	41.1	40.1	41.5	43.8
Purchase of investment properties	(40.9)	(13.0)	(58.6)	(41.0)	(17.7)
Disposal of investment properties	44.3	9.8	85.9	0.0	0.0
Net cash flow from investing activities	3.4	(3.2)	27.3	(41.0)	(17.7)
Issue of ordinary share capital (net of expenses)	0.0	0.0	0.0	0.0	0.0
(Repayment)/drawdown of loans	13.0	(1.0)	(42.0)	39.0	10.0
Dividends paid	(35.2)	(36.1)	(37.2)	(38.1)	(39.1)
Other	0.0	0.0	0.0	0.0	0.0
Net cash flow from financing activities	(22.2)	(37.1)	(79.2)	0.9	(29.1)
Net change in cash and equivalents	23.5	0.8	(11.9)	1.3	(3.0)
Opening cash and equivalents	15.4	38.9	39.6	27.8	29.1
Closing cash and equivalents	38.9	39.6	27.8	29.1	26.1
Balance sheet debt	(240.7)	(240.3)	(197.7)	(237.4)	(248.0)
Unamortised loan arrangement costs	(2.3)	(1.7)	(2.4)	(1.7)	(1.1)
Drawn debt	(243.0)	(242.0)	(200.1)	(239.1)	(249.1)
Net cash/(debt)	(204.1)	(202.4)	(172.3)	(210.0)	(223.0)
Gross LTV	26.7%	26.0%	21.2%	23.6%	23.6%
Net LTV	22.5%	21.8%	18.3%	20.7%	21.1%

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

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