Aedifica in the UK
Acquisition of a portfolio of 92 healthcare properties

1 February 2019 (update)
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Portfolio

92 Healthcare properties

>22 years WAULT

±£32 million Contractual rent (triple net)

±£450 million Acquisition value

United Kingdom

14 tenants
Top tier national and local operators

±5,700 Beds across UK

Portfoio

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±5,700 Beds across UK

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92 Healthcare properties

>22 years WAULT

±£32 million Contractual rent (triple net)
Portfolio

- 92\(^1\) largely purpose built healthcare properties at 90 locations
- **Acquisition value:** approx. £450 million
- **Contractual rent:** approx. £32 million\(^2\)
- **Attractive initial gross yield:** approx. 7%  
  - 26% of rent income in London and South East
- **Good geographical diversification**
- **Good tenant diversification:** 14 operators
- **WAULT:** more than 22 years
- **Inflation linked triple net leases**
- Opportunities for **further development** (incl. yielding capex)
- Experienced **portfolio management** platform

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\(^1\) One small care home (contractual value: approx. 1 million £) of the previously announced 93 care properties was sold on 29 January 2019 to its tenant who exercised its pre-emption right.

\(^2\) Contractual rent = annualised rent for 92 properties (incl. the green field project to be delivered in Ottery) based on lease agreements in place on 1 February 2019, excl. current rent incentives or expected rent increases for capex projects to be completed (with the exception of Ottery). Estimated passing rent is expected to increase to approx. £33-34 million over 2 to 3 years given expiration of rent incentives, completion of projects and indexation assumptions.
Key performance indicators

> **Good geographical diversification**

- Scotland, 9%
- East of England, 5%
- North East, 15%
- Midlands & Wales, 19%
- Yorkshire & The Humber, 22%
- London & South East, 26%
- South and North West, 4%

1 Based on contractual rent

> **Good tenant diversification**

Diversified tenant base with 5 largest tenants only accounting for approx. 66% of contractual rent
Key performance indicators

> **Long lease duration**

WAULT of 22 years, with 75% of rent from leases with >20 years remaining to expiration

> **Inflation-linked income stream**

More than 50% of the contractual rent is subject to minimum annual increases of 3%

1 Retail Price Index
Asset features

> **Purpose built healthcare sites**

Percentage of purpose built healthcare sites in the Aedifica UK portfolio is higher than the UK market’s average.

18% Purpose built
82% Conversion with extension

UK market
- 53% Purpose built
- 47% Conversion with extension

> **En-suite bathrooms**

100% single bedroom ratio with a higher percentage of en-suite bathrooms compared to the market average.

- Aedifica UK: 92% En-suite, 8% Other
- UK market: 70% En-suite, 30% Other
Asset features

> Distribution of sites by # of beds

The portfolio averages 63 beds per site

- 1 site with 0 - 34 beds
- 27 sites with 35 - 54 beds
- 41 sites with 55 - 74 beds
- 17 sites with 75 - 94 beds
- 4 sites with > 95 beds

> Focus on general care needs

88 sites provide general elderly care, 2 sites provide specialist care

- Elderly care
- Specialist care
Tenants
Diversified tenant base

> Number of beds by tenant

- 78% of beds operated by UK top 30 largest care operators

- 7 operators\(^1\) are considered “strategically important” to the UK care home market by the Care Quality Commission and are therefore subject to specific regulatory and financial oversight

\(^1\) MMCG, Care UK, Four Seasons, Caring Homes, Brighterkind, Priory and Lifeways + potentially Burlington and Bondcare in the near future
Portfolio management

Experienced portfolio management team: Layland Walker

- Team of 7 experienced professionals dedicated to this portfolio
- 5 years of experience managing this portfolio
- Strong track record of hands on portfolio management, operator engagement and value enhancement
- Exclusive service agreement with Aedifica
> Healthcare real estate has offered investors strong risk-adjusted returns over the last 11 years (2006 – 2016)

Source: MSCI Global Intel
Expected evolution of elderly population growth in the UK

Source: ONS – Overview of the UK population; October 2017
Ageing UK population
- Demographic change is one of the key drivers of increasing demand for care assets
- Population of +85 years expected to double over the next 25 years
- Segment of +85 years shows the highest care needs

Fragmented UK care home market
- Top 4 largest operators account for approx. 15% of the market
- Top 30 largest operators account for approx. 30% of the market

Under-provision of beds
- The UK provides approx. 466,000 beds for elderly, nursing and physically disabled
- The equipment rate in the UK is lower than in BE, G, NL
- Market occupancy is currently at record levels of approx. 90%
- In recent years, new build has not always kept up with de-commissioning¹

¹ Knight Frank UK Healthcare Development Opportunities September 2017
Equipment rate = number of beds / population aged 80y and above
Source: Eurostat, Cushman & Wakefield: European Retirement Homes Study
UK elderly care market
Diversified funding streams

> Income by source of funds

Aedifica UK
- 14% LA
- 26% Private
- 55% elderly
- 5% specialist

UK Market
- 9% LA
- 45% Private
- 46% elderly
- 9% specialist

> Funding spread in line with market’s average

> Strengthening diversification of funding sources: expected growth of private funding sources

1 LaingBuisson
UK elderly care market
Care home segments

11,300 elderly care homes
466,000 care beds - elderly and specialist
> 90% of beds provided by private sector

Super Prime
- High value, premium location, high fees

Prime
- Modern purpose built, mostly private fees

Tier 1
- Older purpose built, mix of private and LA fees

Tier 2
- Old conversion, mostly LA fees

Net initial yield
- Super Prime: 4.0-5.0%
- Prime: 5.5-6.5%
- Tier 1: 6.0-7.5%
- Tier 2: 9.0-10.0%

Value per bed
- Super Prime: >£250k
- Prime: >£150k
- Tier 1: >£70k
- Tier 2: >£40k

AWF
- Super Prime: £1,500
- Prime: £1,000
- Tier 1: £800
- Tier 2: £700

1 Source: UK listed care homes, sector presentation, Numis, October 2018
2 Average weekly fee
Aedifica going forward

Est. portfolio evolution

Based on Aedifica’s fair value as of 30 September 2018 and the contractual value of the UK portfolio.
Aedifica going forward

Est. geographic diversification¹

1 Based on Aedifica’s fair value as of 30 September 2018 and the contractual value of the UK portfolio.
Aedifica going forward

Est. tenant diversification\(^1\)

1 Based on contractual rents
Key investment highlights

- Confirmation of Aedifica’s strategy as European pure play healthcare REIT

- Geographical & tenant diversification

- Attractive initial gross yield

- Acquisition of a portfolio of 92 properties at a ±5% discount to fair value

- Inflation-linked triple net leases

- Further portfolio development potential through new acquisitions and yielding capex

- Established portfolio management platform
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Public REIT under Belgian Law
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