Introduction

- UK Care Home Market
- Aedifica UK portfolio
- Opportunities, Risks
- Strategy Outlook
# Demographic Drivers

Demand is expected to outstrip current supply

<table>
<thead>
<tr>
<th>Demand</th>
<th>Supply</th>
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<tr>
<td>- Demographics driving increased demand for social care assets</td>
<td>- Market occupancy at record high levels (85-90%)</td>
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<td>- JLL predict demand will reach 806,000 beds by 2036</td>
<td>- Grant Thornton predict demand will outstrip supply by 2022</td>
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## Elderly Population Growth in the UK

- Source: UK Dementia report

## Increase in Dementia in the UK

- Source: BMI research

## Bed demand and supply

- Source: LaingBuisson, ONS and Grant Thornton, 2017

### Elderly Population Growth in the UK

| Year | 65-74 | 75-84 | 85+
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### Increase in Dementia in the UK

| Year | 65-69 | 70-74 | 75-79 | 80-84 | 85-89 | 90-94 | 95-99 | 100+
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### Bed demand and supply

- Supply
- Total 65+ in residential and nursing care
- Forecast supply
- Total 65+ in residential and nursing care (projection)
UK Care Home Market – Key Statistics

UK Care Home Sector

11,300 elderly care homes
466,000 care beds - elderly and specialist
95% of beds provided by private sector

Care Home Segments

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: 4.0-4.5%
- Prime: 5.0-6.0%
- 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

Average Weekly Fee
- Super Prime: £1,500
- Prime: £1,000
- Tier 1: £800
- Tier 2: £700

Source: UK listed care homes, sector presentation, Numis, October 2018

1 Average weekly fee
UK Care Home Market

- Care providers market highly fragmented
  - #1 OpCo HC-One has 369 homes and 22,500 beds
  - #4 OpCo Care UK has 117 care homes and 7,900 beds
  - #10 OpCo Maria Mallaband has 80 homes and 4,600 beds

- No listed OpCos in Elderly Care, only Care Tech listed (specialist care)
- No European OpCos (yet)
- Some PE ownership
- Numerous OpCos for sale eg Barchester (#3), Care UK (#4)

- Margins
  - Stable but thin for Local Authority (Gemeente) reliant operators
  - Stronger for private pay market
Portfolio Overview

- **92 Care Homes with c.5,700 bedrooms**
  - 92% single, en-suite (UK average of 70%)
  - 98% unit size >30 beds
  - 82% purpose-built homes (UK average of 47%)

- **Acquisition value c.£450m**

- **WAULT 22.3 years at 31 December 2018**

- **97% inflation linked rental uplifts**

- **Nationwide:**
  - 81 England, 10 Scotland, 1 Wales
  - 15 in London
  - London and South East – 26% by rent¹

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¹ Projected 2019 Contracted Rent – calculated on the basis of contractual terms and an assumed inflation-linked increase in the Retail Prices Index of 3%.
Sources of Residents fees

Sources of Income

- Tenant base has a diversified funding stream
- Potential for enhanced NHS funding through integration of health and social care evidenced by Better Care Fund increased by additional £4.4bn
- Social Care precept has enabled LA fee growth to outpace inflation
- Proportion of private pay expected to increase due to new builds becoming fully operational and upgrades to portfolio in London

1 By underlying Q1 2018 care home revenue
Portfolio Tenants

% of Portfolio 2019 Rent

- **Top 30 elderly care provider**
- **Top 3 specialist care provider**
- **Other**

- **Diversified tenant base with 14 professional operators**
- **Over 80% of rent payable by UK’s top 30 elderly care / specialist care providers**
- **Larger operators will have greater resilience in lean trading periods and individual homes will have additional support management when required when compared to a single home operator**
- **7 tenants deemed “strategically important” by CQC subject to greater regulatory financial oversight**

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1. Projected 2019 Contracted Rent – calculated on the basis of contractual terms and an assumed inflation-linked increase in the Retail Prices Index of 3%.
Portfolio Monitoring and KPIs

Tenant Monitoring: 3 levels

**Group:**
- Balance sheet
- Debt, lease liabilities
- Interest and rent cover
- Group management capability
- Corporate activity

**Our Portfolio with that Tenant:**
- Overall rent cover
- Cash surplus post rent
- Rent per bed on average
- Regional Managers/Additional resource availability
- Systemic regulatory patterns
- Opportunities
- Threats

**Individual Homes**
- KPIs – Monthly, quarterly LTM
  - Turnover
  - Staff costs & Agency
  - EBITDARM margin
  - Rent cover
- Regulatory
  - CQC ratings, current and trend
  - LA reputation & relationships
- Leadership
  - Home manager
  - Deputy/Clinical lead
  - Team
  - Agency
Opportunities

- **Existing Portfolio**
  - Extensions and refurbishments

- **Current Tenant Relationships**
  - New builds
  - Acquisitions

- **Aedifica – European tenants coming to UK**
  - Trusted financial partner
  - Local expertise
Risks

- **Political Risk**
  Current Position – Ongoing inaction on Social Care

  **Conservatives**
  - “All talk no Action”
  - Green Paper
  - Hope of greater integration of Health (NHS) and Social Care
  - Clarity of funding

  **Labour**
  - “Will fund Social Care properly”
  - Lack of detail
  - Should put more funding into LA funded homes

- **Brexit**
  - Macro economic effects
  - Political instability

- **Staff**
  - National shortage of nurses
  - EU nationals – far fewer coming to the UK
UK Strategy

- **Prime not Super Prime**
  - Value led
  - Sustainable rents
  - Medium/longer term outlook

- **Tenant led**
  - 14 existing relationships
  - Off market opportunities

- **New Builds**
  - Based on detailed analysis, location, demographics, service demand/supply

- **Keep up to date with evolving care models**
  - Dementia

- **Sustainable income**
  - Quality real estate
  - Quality tenants
  - High quality care
Conclusion

- UK Market represents an excellent medium/long investment opportunity

- Opportunities and risks needs to be managed

- Team very energised for the new chapter working with Aedifica

“We speak the same language”
Appendices
Experienced Manager

Strong track record of value creation

Management team biographies

Bruce Walker
CEO
- Founder and CEO of Layland Walker
- Public company roles as Finance Director of FairBriar plc, Ashley House plc and as CEO and co-founder of AH Medical Properties plc

Feilim McCole
Finance Director
- Finance Director of Layland Walker
- Finance Director of AH Medical Properties plc and Independent Resources plc
- Corporate finance advisory at Arthur Andersen, Deloitte
- Chartered Accountant (EY trained)

Richard Kennedy
Asset Manager
- 30 years experience in commercial real estate sector, 7 of which in healthcare
- Has held senior finance and commercial asset management positions at Quintain plc
- Member of the Chartered Institute of Management Accountants

Fred Eastman
Asset Manager
- 16 years as portfolio manager at BT plc/ Te realtime Services Ltd
- Senior portfolio manager of AH Medical Properties for 5 years
- Qualified member of the Royal Institute of Chartered Surveyors

Andrew McAlister
Asset Manager
- 30 years of property and asset management experience
- Previously head of property management for NHS Property Services
- Has worked in principal and agency roles in London, Sydney and Auckland for Hammerson (listed FTSE 100 company) and sovereign wealth funds

Nayan Halai
Fund Accountant
- Nayan joined Layland Walker in March 2017 and he is responsible for rental invoicing, accounting and collection across the portfolio.
- He collates and analyses key performance indicators and financial measures for all properties in the portfolio.
Sector Regulator - Care Quality Commission (CQC)

Key criteria in the regulatory assessment of a care home

- **Safe**
  - Staff involved and treat residents with compassion, dignity, kindness and respect.
  - Protected from abuse and avoidable harm.

- **Responsive**
  - Services are organised so that they meet residents needs.

- **Effective**
  - Care, treatment and support achieves good outcomes, helps to maintain quality of life and is based on the best available evidence.

- **Well-Led**
  - Leadership, management and governance of the organisation make sure it’s providing high-quality care that’s based around individual needs, that it encourages learning and innovation, and that it promotes an open and fair culture.

- **Caring**
  - Staff involved and treat residents with compassion, dignity, kindness and respect.

**Rating**

- If “Requires Improvement”:
  - Areas for improvement but no restrictions on home’s ability to trade freely

- If “Inadequate”:
  - Home at risk of possible embargo or restricted admissions

  - Outstanding
  - Good
  - Requires improvement
  - Inadequate

- 7 out of 14 operators in the portfolio are also subject to the financial oversight from the CQC

- All 92 assets are subject to asset management assessment and analysis, supplementing the regulatory inspections and mitigating potential risk

Regime is similar in Scotland and Wales, with the Care Inspectorate and Care Inspectorate Wales

Source: https://www.cqc.org.uk/what-we-do/how-we-do-our-job/five-key-questions-we-ask
**Overview of Top Tenants**

<table>
<thead>
<tr>
<th>Overview</th>
<th>Details</th>
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<tbody>
<tr>
<td>Growing elderly care operator with 26 care homes spread across Yorkshire, North Lincolnshire and the North East</td>
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<tr>
<td>A top 30 care operator nationally, Burlington is one of the largest operators in its core region</td>
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<tr>
<td>Elderly care operator founded in 1996</td>
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<td>One of the top 10 national operators across the UK operating 80 homes</td>
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<tr>
<td>One of the leading independent providers of health and social care</td>
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<td>Operates 116 homes across the UK</td>
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<td>Well-established elderly care provider incorporated in 1985</td>
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<td>Currently operates 34 homes across England</td>
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<tr>
<td>Mid-sized operator of elderly care homes across Scotland established in 1998</td>
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<thead>
<tr>
<th>Number of homes</th>
<th>% of total portfolio rent</th>
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<td>26 homes in Group 19 in Portfolio</td>
<td>22%</td>
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<tr>
<td>80 homes in Group 12 in Portfolio</td>
<td>16%</td>
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<tr>
<td>116 homes in Group 12 in Portfolio</td>
<td>12%</td>
</tr>
<tr>
<td>44 homes in Group 12 in Portfolio</td>
<td>9%</td>
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<tr>
<td>12 homes in Group 8 in Portfolio</td>
<td>7%</td>
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### Overview of Top Tenants (cont’d)

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<tr>
<th>Tenant</th>
<th>Summary</th>
<th>Number of Homes</th>
<th>% of Total Portfolio Rent</th>
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<tbody>
<tr>
<td><strong>Four Seasons Health Care</strong></td>
<td>Provider of elderly care residential services in 253 homes across the UK</td>
<td>253 homes in Group</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Lifeways</strong></td>
<td>Market leading provider of support living services for adults with complex mental health needs or Learning Disabilities</td>
<td>78 homes in Group</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Brighterkind</strong></td>
<td>Sub-group of 70 homes offering high quality, self-pay elderly care, owned by Four Seasons Healthcare Group, but with its own distinct management team, led by Jeremy Richardson</td>
<td>70 homes in Group</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Caring Homes Group</strong></td>
<td>One of the most highly regarded care home groups in the UK</td>
<td>62 homes in Group</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Select Healthcare Group</strong></td>
<td>First established in the mid 1980’s and has grown significantly into a number of care services</td>
<td>6 homes in Group</td>
<td>2%</td>
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