

Diversified Financial Services



Source: LSEG, 2025

Market data

EPIC/TKR	RECI
Price (p)	124.5
12m high (p)	132.0
12m low (p)	118.0
Shares (m, exc. Treasury)	221.7
Mkt cap (£m)	276.0
NAV p/sh (Sep'25, p)	141.7
Disc. to NAV (%)	-12.1
Div. yield (FY'24)	9.6%
Country/Ccy	UK/GBP
Market	Premium equity closed-ended inv. funds

Description

Real Estate Credit Investments (RECI) is a closed-ended investment company that originates and invests in real estate debt secured by commercial or residential properties in the United Kingdom and Western Europe.

Company information

Chair	Andreas Tautscher
NEDs	Susie Farnon, Colleen McHugh Mark Thompson
Inv. Mgr.	Cheyne Capital
Main contact	Ravi Stickney
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Key shareholders

Close Bros.	9.35%
Bank Leumi	8.02%
Hargreaves Lansdown AM	6.42%
Canaccord Genuity	5.91%
Premier Miton (Jun'24)	5.52%
Evelyn Partners (Sep'24)	4.99%
FIL (Apr'24)	4.64%

Diary

Mid-Nov	Oct factsheet
17 Nov, 2pm	Inst. investor day

Analysts

Mark Thomas	mt@hardmanandco.com
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REAL ESTATE CREDIT INVESTMENTS

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In our note, *What RECI brings to investors*, we reviewed the benefits investors in RECI receive, noting i) a near 10% dividend yield, significantly covered by recurring interest income and which has been maintained through multiple macro crises, ii) diversification of investors' portfolios, with an equity with low correlation to overall markets, iii) an experienced debt manager bringing competitive advantages in deal origination and risk management, iv) a diversified portfolio with proven downside resilience created by Cheyne's actions, and v) liquid access to an attractive illiquid asset class. RECI is hosting an institutional investor day on 17 Nov., and plans a series of retail investor events.

- **Stable business model:** Our August 2019 57-page *initiation* on RECI detailed the investment-positive, -neutral and risk factors. Very little has changed over the past six years, with the key drivers exactly as they were in that report. In our view, this stability is a further core attraction of the RECI model.
- **September factsheet:** RECI had a diversified portfolio of 23 investments (valuation £279.5m). RECI's available cash was £41.4m and net effective leverage 24.3%. In the month, the repayment of a senior loan realised ca.£59.9m gross proceeds (8.7% IRR). £15.8m was redeployed to the same borrower.
- **Valuation:** In the five-year, pre-pandemic era, on average, RECI traded at a premium to NAV. In periods of market uncertainty, it has traded at a discount; currently, it trades at a well-above-average 12.1% discount. RECI is paying an annualised 12p dividend, generating a yield of 9.6%, which we expect to be covered by recurring net interest income.
- **Risks:** Any lender is exposed to credit risks. We believe RECI has appropriate policies to reduce the probability of default. Its average LTV is 64.1%, and most loans (inc. all of the top 10) are senior-secured, providing a downside cushion. Some assets are illiquid. In the short term, investor sentiment could be an issue.
- **Investment summary:** RECI generates an above-average dividend yield from well-managed credit assets. Directors and management have demonstrated their confidence in its sustainability through share purchases. Market wide, credit risk is currently above average, although rating agencies expect defaults to reduce in 2025, and RECI's strong liquidity and debt restructuring expertise should allow it time to manage problem accounts. Borrowers have injected further equity into deals. A rolling series of *six-monthly buybacks*, of up to £10m, has been seen.

Financial summary and valuation

Year-end Mar (£m)	2023	2024	2025	2026E	2027E
Interest income	31.9	30.3	29.5	38.9	39.1
Operating income	30.7	31.4	34.2	41.9	42.1
Management fee	(4.3)	(4.2)	(4.1)	(4.0)	(3.9)
Performance fee	-	-	-	-	-
Operating expenses	(6.1)	(6.0)	(6.6)	(6.7)	(6.8)
Total comprehensive inc.	20.6	21.9	22.8	26.7	26.7
EPS (p)	9.0	9.6	10.2	12.0	11.4
NAV per share (p)	146.9	144.9	143.6	144.2	143.7
S/P prem./disc. (-) to NAV*	-9.1%	-20.8%	-14.9%	-13.7%	-13.3%
Debt to equity	24%	7%	22%	32%	28%
Dividend (p)	12.0	12.0	12.0	12.0	12.0
Dividend yield	9.6%	9.6%	9.6%	9.6%	9.6%

*2023-25 actual NAV and s/p, 2026-27E NAV to current s/p. Source: Hardman & Co Research