

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)	283.8
NAV p/sh (Jul'25, p)	143.7
Disc. to NAV (%)	-13.4
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-Sep	Aug factsheet
8 Sep, 2.30pm	Inst. investor day
17 Sep	AGM (inc. contin. vote)

Analysts

Mark Thomas	mt@hardmanandco.com
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REAL ESTATE CREDIT INVESTMENTS

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In our note, *Meeting any potential macro challenges head on*, we noted that there remains great uncertainty over the effects of tariffs and whether the US/global economies will fall into a recession. In this note, we revisited why RECI's model is so strong, noting in particular i) its credit assessment, monitoring and problem account management, ii) the benefit of being a senior finance provider, iii) geographical and sector diversity, and iv) portfolio mix changes, including the reduction in MTM bond holdings. As noted in previous reports, in challenging macro times, spreads widen, and peers withdraw, giving RECI new investment opportunities.

- **Credit skills core:** Key to RECI's resilience are the credit skills of its manager, Cheyne. We detail the multiple facets of this resilience. If we were to highlight the single differentiating factor among many finance providers, we believe it is the ownership of the loan by the relationship manager who initiates that loan.
- **July factsheet:** RECI had a diversified portfolio of 22 investments (valuation £301.2m). Available cash was £17.5m and net effective leverage 30.1%. In July, RECI received £34.5m gross proceeds on two large loans. The average yield was 11.3% and LTV 64.5% (both down slightly with the loan repayments).
- **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 13.4% 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 64.5%, 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