



# RM Secured Direct Lending PLC

Capital markets day – 12<sup>th</sup> September 2018



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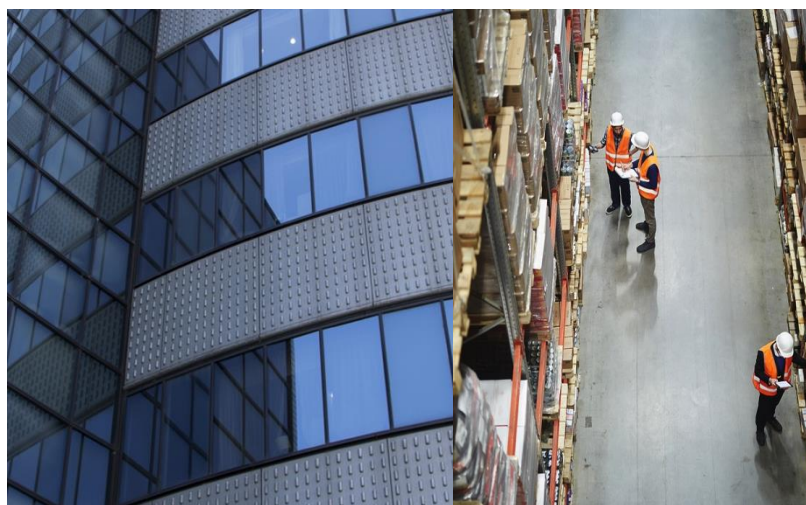
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# Company Overview

- RM Secured Direct Lending PLC (RMDL) is an investment trust listed on the premium segment of the London Stock Exchange established in Q4 2016 to invest in a portfolio of debt investments.
- RMDL's objective is to **generate a stable quarterly income** stream with a full year net **dividend target of 6.5% per annum**.
- RM Funds (the "Investment Manager") aims to achieve this through an **asset backed lending strategy** by providing and investing in Loans to borrowers across a variety of sectors. **Lending is typically secured** over **plant, property, equipment**, and or **contracted income** such as receivables.
- RMDL allows investors to access secured Loans typically in three ways:
  - **Corporate Loans:** Lending is **secured over all business assets** including plant, property, equipment, and cashflows etc
  - **Asset Finance: Granular lending**, secured over **pools of plant and equipment**.
  - **Project Finance:** Loans are **secured over specific assets**, with security over the physical assets and contracted cash flows – such as property or renewable energy transactions.

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Launched IPO **December 2016**

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Gross Assets **~ £109m**

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Dividend Target **6.5%**

Target  
**6.50% p.a.**  
dividend income,  
paid quarterly

Target Investment  
Size  
**£2.5 - 10m**

Average Yield  
**8.28%**

Ticker:  
**RMDL LN**

# What does RMDL offer investors?

- ✓ **Defensive Asset Class** – Focus on capital preservation and income generation.
- ✓ **Diversified Sector Exposure** – Focus on non-cyclical business sector lending.
- ✓ **Stable Dividends** – Target 1.625p per quarter.
- ✓ **Granular Loan Book** – 29 Loans, secured over 1000s of real assets
- ✓ **Protection from Duration Risk** – Mod Duration of 1.09 Years, 57% of investments floating rate or index-linked.
- ✓ **Strong Corporate Governance** – NAV independently assessed by a leading international accountancy firm, reporting directly to the Board and AFIM.
- ✓ **Ethical, Social & Corporate Governance Criteria** – A responsible and measured approach to lending.
- ✓ **Conservative Leverage** – Gearing capped at 20% of NAV.
- ✓ **Access to substantial pipeline, resources, relationships and credit expertise provided by RM Funds.**

**Ticker:**  
**RMDL**

**Share Price:**  
**102.5p**

**Market Capitalisation:**  
**£101.2m**

**Gross Assets:**  
**£108.6m**

**Total NAV Return:**  
**6.5% to July 31<sup>st</sup>**

**Q2 2018 Dividend:**  
**1.625p**

# About the manager - RM Funds

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- RM Funds is a trading name of RM Capital Markets Limited (“RM”). **Launched in 2010** with Offices in Edinburgh (HQ) and London.
- **Long-standing relationships** with Investment Banks, Commercial Banks, Challenger Banks, Financial Advisory Firms, Sponsors and Borrowers – **provides access to investment opportunities**.
- **A well resourced Investment Team** of five, led by James Robson (CIO) and Pietro Nicholls (Co-Manager), with experience across a range of credit products including Corporate Lending, Project Finance, Credit Trading, Securitisation and Leverage Finance.
- **Investment committee** with **two external members**, over **140 years of combined** experience across credit markets, cycles and products.
- **Investor relations and distribution**, two person internal team dedicated to working alongside the Company broker to **enhance the profile and rating of the Company**.

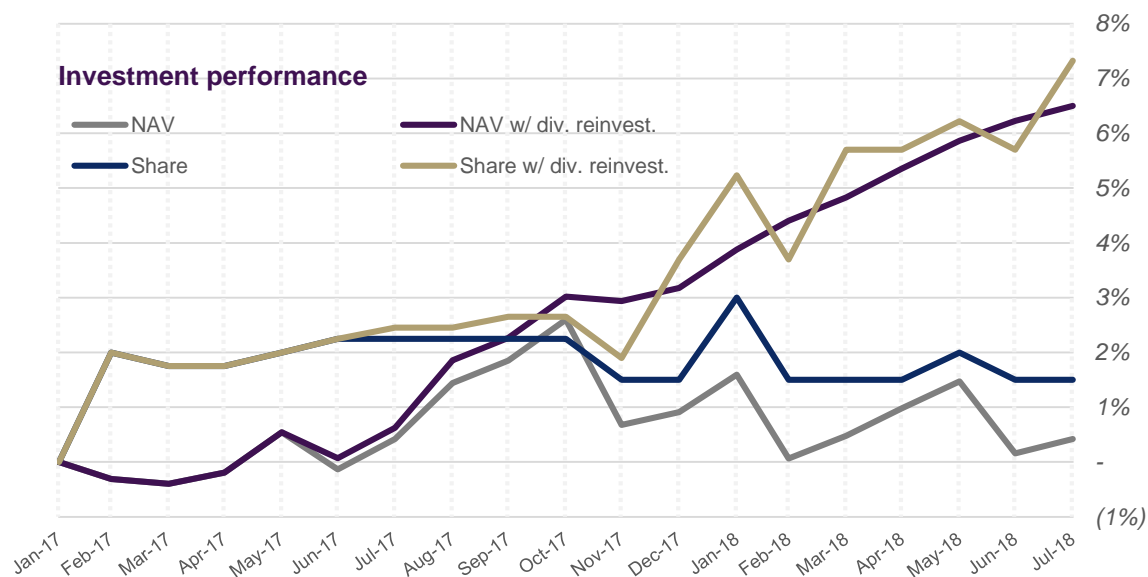
RM founded in  
**2010**

Specialists  
in alternative  
asset fund  
management

Investment  
team of five,  
plus additional  
support staff

# Investment Performance

Performance summary	NAV (reinv. div.)
Year-to-date	3.22%
Inception-to-date	6.50%
NAV	98.11
Share (mid)	
Price	101.50
Year-to-date	-
Inception-to-date	1.50%
Dividends-to-date	5.83
Premium to NAV	3.39%



## Company Performance NAV Total Return

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2018	0.68%	0.50%	0.41%	0.50%	0.49%	0.34%	0.26%	-	-	-	-	-
2017	(0.31%)	(0.31%)	(0.09%)	0.21%	0.74%	(0.47%)	0.55%	1.22%	0.40%	0.73%	(0.08%)	0.23%

## Dividend History

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2018	-	2.00	-	-	-	1.63	-	-	-	-	-	-
2017	-	-	-	-	-	0.20	-	0.20	-	-	1.80	-

# RMDL Investment Strategy

Key Investment Parameters	
Investment Universe:	<ul style="list-style-type: none"> <li>UK &amp; European SMEs and Mid-market Corporates.</li> </ul>
Eligible Investments:	<ul style="list-style-type: none"> <li>Across the capital structure, with a focus on: 1<sup>st</sup> &amp; 2<sup>nd</sup> ranking secured and unitranche investments, either bi-laterally or in a club. No equity only positions.</li> </ul>
Target Deal Size:	<ul style="list-style-type: none"> <li>£2.5m - £10m.</li> </ul>
Investment Duration:	<ul style="list-style-type: none"> <li>1 – 10 years</li> </ul>
Performance Objective:	<ul style="list-style-type: none"> <li>8.5% Target Return (across investments).</li> </ul>
Investment Diversity	<ul style="list-style-type: none"> <li>Investments may be made on a Fixed, Floating and Index Linked basis.</li> </ul>
Currency	<ul style="list-style-type: none"> <li>GBP / EUR Preference. All currencies to be hedged to GBP.</li> </ul>
Counterparty Exposure	<ul style="list-style-type: none"> <li>Single Borrower Exposure: 10%.</li> <li>Any Single Investment: Maximum 10% of Gross Assets.</li> </ul>
Sector Preference	<ul style="list-style-type: none"> <li>Beverage &amp; Food</li> <li>Capital Equipment</li> <li>Technology, Media &amp; Telecoms</li> <li>Healthcare &amp; Pharma</li> <li>Property</li> <li>Social Infrastructure</li> <li>Energy &amp; Waste</li> <li>Maximum Single Sector Exposure: 40%</li> </ul>
Restrictions	<ul style="list-style-type: none"> <li>UK / EU focus with minimum 70% hedged to GBP.</li> <li>20% leverage for liquidity and investment purposes.</li> <li>No Investments in Companies which have considerable involvement (33% &gt; turnover) in: Weapons &amp; Defense, Gambling, Tobacco, Alcohol or Pornography.</li> </ul>

***RMDL seeks to invest in high-quality, secured loans with the flexibility to invest in suitable higher yielding investments to achieve our return target.***

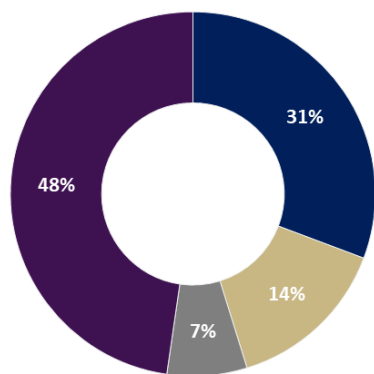


# Investment Portfolio

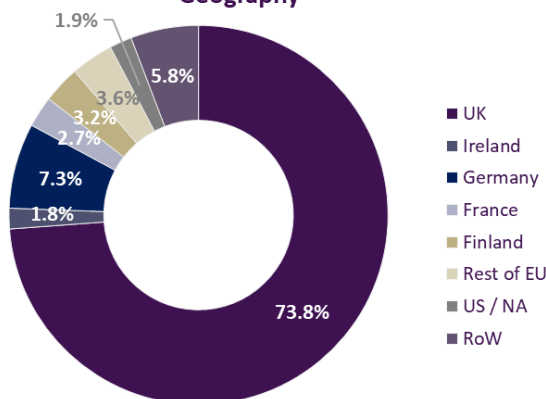
- **Focus on lending to corporates in areas of the market which are under-banked.**
- SME Borrowers account for c.35% of the Investment Portfolio<sup>1</sup>.
- **Majority of RMDL Borrowers are Sponsor backed.**
- Our **funding is used by borrowers** for a multitude of purposes including:
  - General Corporate Purposes
  - Acquisition Financing
  - Refinancing
  - Growth

Size of Borrower, split by Revenues

■ <£25m ■ £25-75m ■ £75-150m ■ £150m+

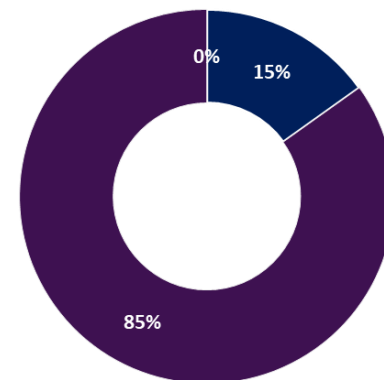


Revenue profile of Borrowers, split by Geography



Ownership Profile of Borrowers

■ Public Company ■ Private Non-Sponsor ■ Private Sponsor-Backed

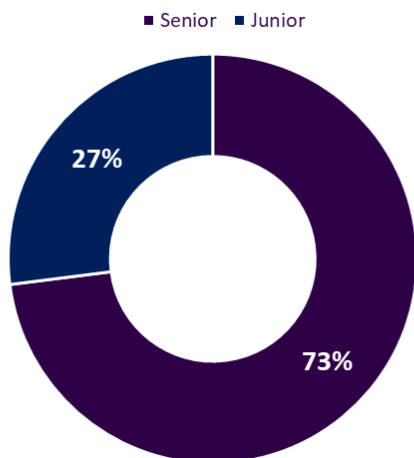


<sup>1</sup>SME EU definition defined as: <250 employees and <€50m turnover, or balance sheet of <= €43m.

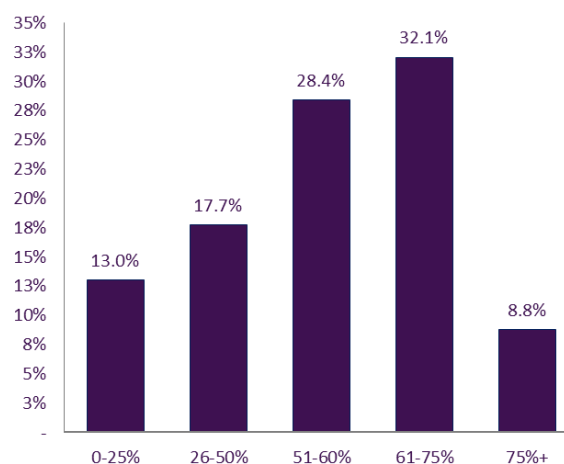
# Investment Portfolio

- RM focus on **lending opportunities** which display the following characteristics:
  - **Strong Management Teams**
  - **Robust Security Packages**
  - **Demonstrable Cash Flows**
- **100% of investments within the Loan Book are secured**, either on a senior or junior basis.
- **All RMDL investments have collateral supporting the Loan**, this can include **security over the entire company** and **all its assets**, to specific assets and receivables.
- **No material impairments**, covenant breaches or defaults in the Loan Book since launch / investment.
- **H1 focus on senior secured investment opportunities**, which offer **better recovery profiles** in the event of an adverse credit event.

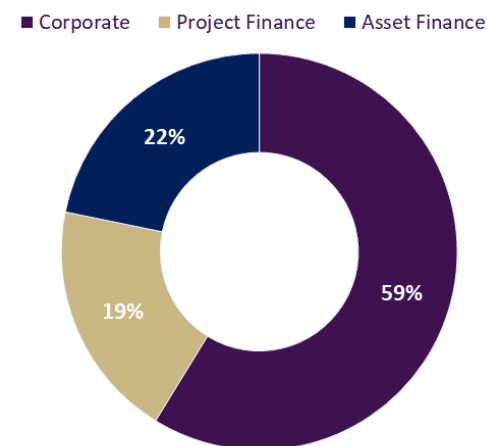
Investment Ranking



Loan to Value<sup>1</sup>



Loan Book, split by Investment Type



<sup>1</sup>Loan to Value as at the most recent valuation or from most recent corporate reporting date. – LTV split as a percentage of the Portfolio.

# Transaction Snapshots



## Childcare

### Borrower Description:

The Company operates a chain of ~20 nurseries in South East UK. It operates a buy-and-build strategy with the aim of becoming a premium portfolio of nursery sites.

RMDL, alongside an incumbent lender, provided a £21 million senior secured unitranche facility, the proceeds used to refinance existing debt and fund the acquisition of a number of targeted (1 and 2x site) Nurseries.

### Use of Proceeds:

Growth Finance

### Expected Yield:

10%

### Ranking:

1<sup>st</sup> Charge

### Security:

Secured over all business assets and cash flows.

### Leverage

~5.0x

### Investment Type:

Corporate

### Sponsor Backed?:

Yes



## Food Manufacturing

### Borrower Description:

Founded in 2010, Valeo Foods has through strategic acquisition developed into leading manufacturer and distributor of ambient branded and private label foods, many with market leading positions. Headquartered in Dublin, the group generates ~€875 million in Revenues across Ireland, the UK, and the EU.

### Use of Proceeds:

Refinancing of existing facilities and Bolt-on Acquisition Financing

### Expected Yield:

9.5%

### Ranking:

2<sup>nd</sup> Charge

### Security:

Secured over all business assets and cash flows.

### Leverage

6.0x

### Investment Type:

Corporate

### Sponsor Backed?:

Yes



## Student Accommodation

### Borrower Description:

The Borrower is a ring-fenced special purpose vehicle, which owns and operates a 7-storey property located in prime central Glasgow. The property is a 3 minute walk from the city centre offering desirable accommodation for local students.

RMDL funded the redevelopment and refurbishment as sole lender. The property is now operating with a ~95% occupancy for academic year 2018 / 19.

### Use of Proceeds:

Capital Expenditure

### Expected Yield:

9.5%

### Ranking:

1<sup>st</sup> Charge

### Security:

Secured over all business assets and cash flows.

### Loan-to-Value<sup>1</sup>:

74%

### Investment Type:

Project Finance

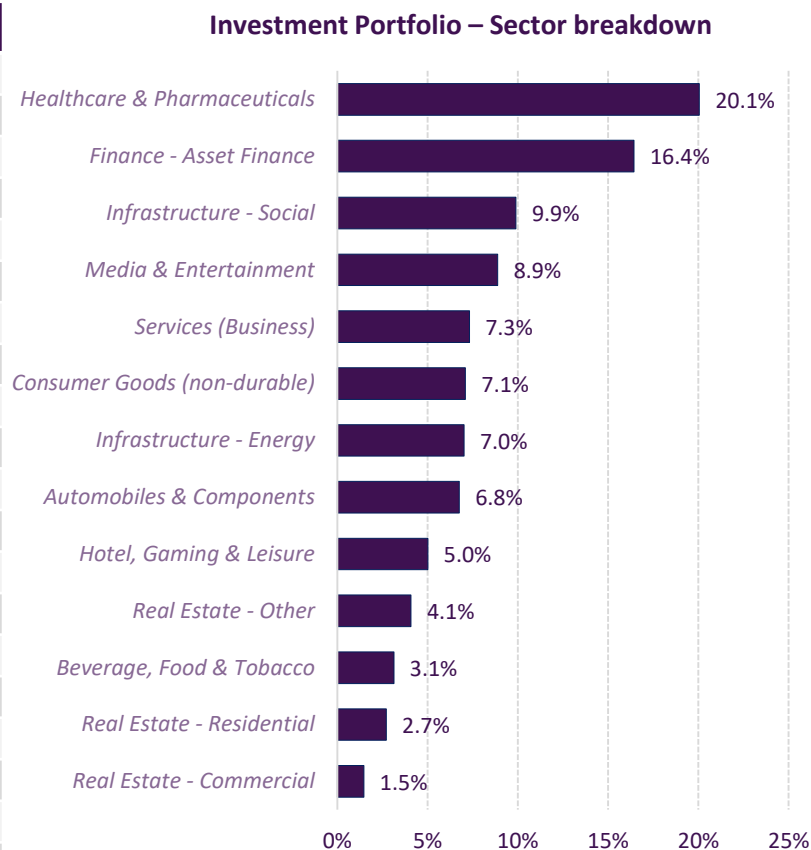
### Sponsor Backed?:

No

<sup>1</sup> Loan to Value correct as at the most recent valuation, or implied via transaction comparables.

# Top 20 Investments

Business Activity	Loan Size <sup>1</sup>	Yield <sup>2</sup>	Duration <sup>3</sup>	WAL <sup>4</sup>	LTV <sup>5</sup>
Asset Finance	10.00	8.00%	2.86	3.34	61%
Advertising	8.50	9.64%	-	4.05	41%
Business Services	7.00	6.22%	-	6.23	60%
Healthcare	6.56	5.85%	0.09	0.87	55%
Automotive Parts Manufacturing	6.47	12.00%	-	4.33	67%
Telecommunications	5.72	11.5%	1.69	1.93	100%
Healthcare	5.48	6.15%	-	5.25	40%
Child Care	5.05	9.00%	3.67	4.50	39%
Forecourt Operator	4.48	8.75%	-	7.56	50%
Student Accommodation	4.42	9.50%	1.24	1.36	74%
Renewable Energy	4.00	7.00%	1.47	1.58	70%
Healthcare	4.00	8.97%	3.82	5.05	63%
Forecourt Operator	4.00	5.34%	-	3.87	52%
Hotel	3.54	7.39%	-	1.66	64%
Healthcare	3.14	7.52%	-	7.85	49%
Food Manufacturing	3.00	9.60%	-	6.94	58%
Property Development	2.60	7.50%	-	1.49	56%
Renewable Energy	2.10	7.00%	7.07	9.93	90%
Property Bridging	1.70	10.50%	0.02	0.02	65%
Property Development	1.42	10.00%	1.71	1.92	60%



<sup>1</sup> Committed & Drawn

<sup>2</sup> Expected Yield

<sup>3</sup> Stated in Years, as at 31<sup>st</sup> August 2018

<sup>4</sup> Stated in Years, as at 31<sup>st</sup> August 2018

<sup>5</sup> Implied Loan to Value as at the date of the most recent valuation / recent company materials & metrics.

# Summary

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- An **experienced team**, with **backgrounds in lending, project finance**, credit trading, structuring and **risk management**.
- A **robust due diligence and investment process** with oversight by a five person (2 external) **credit committee with over 130 years of combined experience**.
- **Secured, asset backed lending strategy**, to a variety of borrowers in attractive sectors, with a **focus on mitigating risks** where possible through **structuring robust security and covenant packages**.
- We are a supportive lender/investor in companies, acting as a trusted partner. Borrowers value our:
  - Industry knowledge and financial expertise
  - Commercial flexibility in structuring investments
  - Speed of execution
- An attractive **pipeline** of prospective investments.
- Strong, **stable dividend yield** with inflation and or interest rate protection – Investment Manager is targeting floating, index-linked and fixed rate loans.
- **Investment Manager with a committed on-going financial interest in the Company.**



# Questions & Answers

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Q & A

# Contact Information

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