



INVEST/STAY CONNECTED
 INITIAL REPORT JULY 29, 2024
 LAST UPDATED JULY 29, 2024

READY CAPITAL CORPORATION

\$9.32 / Recommendation: HOLD, target \$9

We are an industry leader in analyzing publicly traded loan portfolios and continue our coverage with our analysis of Ready Capital Corporation (RC). Ready Capital Corporation is a manager, owner and originator of commercial real estate loans, Small Business Administration (“SBA”) loans and construction loans with a \$10.3 billion dollar portfolio as of March 31, 2024. The current book value of the common shares is \$13.44 and the shares are trading slightly above \$9. A reflection on the challenges in the portfolio. RC refers to its’ market as lower-to-middle-market commercial real estate loans or LMM loans. Although the company receives some principal protection from SBA guarantees and securitization structures, we analyzed the portfolio with 100% of any future losses accruing to the shareholders. Ready has also acquired various loan portfolios, completing 8 acquisitions since 2014.

The current RC portfolio is comprised of 98% senior lien and 82% floating interest rate loans. The majority of the loans, or 69%, are multifamily (apartment) loans with the remainder in retail, industrial, mixed use and office. The Office category comprises 4.4% of the total portfolio. Office type commercial real estate loans have performed terribly due to a number of factors. The primary one being the reduced need for space due to the shift to work from home. The company took a \$146 million valuation allowance against a group of loans in the first quarter (including all office loans) in order to address the problem.

As mentioned above the loan portfolio is facing challenges. 9.9% of the portfolio is in the 60 day plus past due category as of March, up from 9.5% in December. The worst performing loan groups are from the acquired portfolios. Although we are seeing signs that improvements may be beginning, we are forecasting a 20% default rate for the entire Ready portfolio with a 71% recovery rate as an initial estimate. This would equate to additional losses of \$597 million or \$3.50 per share Before dividends. The shares are already trading at a \$4.12 discount to book value so some of this may be anticipated. For ordinary investors it is difficult to invest in the common shares at this time, but opportunities may be emerging in the preferred and bonds. We are starting the shares with a hold rating and a \$9 target until we get clarity on the stabilization and eventual improvement of the portfolio.

Company Stats & Estimates \$	
Shares outstanding	169
Equity Market Cap	1,575
Total Assets	12,441
Total Liabilities & PFD	9,914
2024 Total Revenue	-150
2024 Distributable EPS	0.81
2025 Distributable EPS	0.88
2024 Distributable Earnings	138
2025 Distributable Earnings	149
2024 Current Cash Flow Yield	8.74%
Enterprise Value	11,489
EBITDA (2024 Est.)	162
Dividend coverage @1.50	68%
Price to Dist. Earnings / Share	11.4

RC INVESTOR RELATIONS



RC CHART SINCE JAN 2023

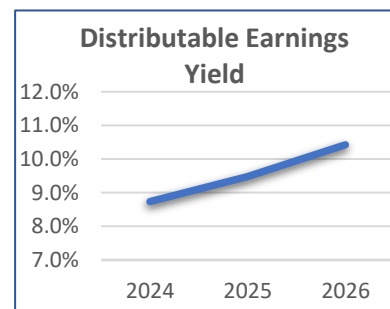
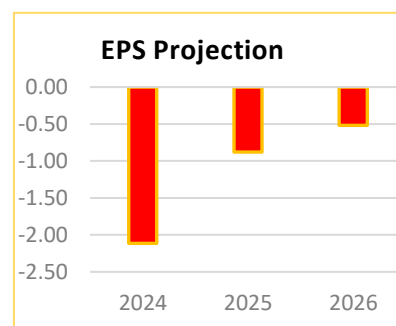
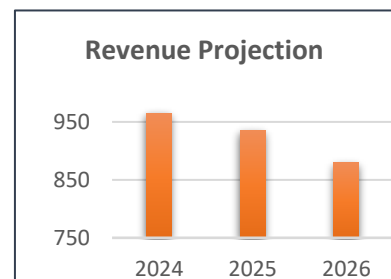
BROXTON CAPITAL ADVISORS RC as of 3/31/2024

Monday, July 29, 2024

share price	\$9.32		
PROJECTIONS IN MM fiscal yr.	2024	2025	2026
Income Statement			
Interest Income	965	936	880
Interest Expense	788	733	660
Net Investment Income	\$177	\$203	\$220
Other Revenue	-326	-120	-69
Total Revenue net incl. Provision	-150	83	151
Provisions for losses	-396	-200	-147
Other Expenses	225	225	225
Net Income	-399	-166	-98
Net Income / Share GAAP	-2.11	-0.88	-0.52
Distributable Earnings	138	149	164
Distributable Earnings / Share	0.81	0.88	0.97
EBITDA	162	173	188
Cash Flow	138	149	164
Dividend	1.20	1.00	1.00
Common Dividend Coverage %	67.8%	88.4%	97.2%
Price to Dist. Earnings / Share	11.4	10.5	9.6
Valuations			
Distributable Earnings Yield	8.7%	9.5%	10.4%
Dividend Yield	12.88%	10.73%	10.73%
PE ratio	NA	NA	NA
Enterprise Value	11,489		
Equity Market Cap	1,575	1,575	1,575
Capital Structure			
Shares outstanding	169		
Senior Notes	1,110		
PFD Shares Face Value	120.0		
Liquidity March 31, 2024			
Cash	166		
Borrowing Availability est.	500+		
Total Assets	12,441		
Total Liabilities & PFD	9,914		
Ratio	125%		
Book Value			
BV / Share	\$13.44		
Book Value Gross	\$2,527		

NOTES:

Amortization schedule includes corporate debt only



Disclosures

Previous reports are available upon request. Smart Yield Fund targets a mix of different security classes that contain the risk of loss. Investors should carefully consider the Fund's investment objectives and risk factors before investing. Investing involves risk, including possible loss of principal. Investors should consider the loss of principle and targeted returns are not guaranteed. Individual investors in Smart Yield are generally required to be accredited investors. Smart Yield is a fund operated through individual accounts creating the composite. Smart Yield Fund is a new product with an inception date of September 30, 2020, and as such does not have historical data. Asset Mix Projections on page 2 and 6, Smart Yield Portfolio Metrics on page 5 are estimated or targets of the fund. Asset class mix and targets may change based on the direction of the managers. Portfolio allocation projected annual return and beta assumption for each asset class on pages 7-10 are estimated. Beta for the fund and each asset class is estimated versus the S&P 500. The average beta for the entire fund is projected to be .32. Beta is a measure of the fund's volatility in relation to S&P 500 Index. This index has a beta of 1.0. The fund targets a total gross return before fees and expenses of 9.24%. The fund projects a blended return based on income securities and capital gains. Smart Yield attempts to continuously improve the value of investment portfolios by investing in corporate bonds, convertible bonds, other types of bonds (investment grade and sub-investment grade, [which may also have limited liquidity]), dividend paying equities, non-dividend paying equities, ETFs, including leveraged ETFs, and other securities. Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. All securities types mentioned in this brochure have the risk of loss. Long term strategies purchase securities which are underpriced according to our appraisal methodologies. Broxton uses regression analysis to obtain an average appraisal value for an individual company and places a priority on the securities of companies with improving financial performance and or additional catalysts that provide for increases in earnings and valuation. We use financial modeling, technical analysis, proprietary and third-party research. Smart Yield does not have any capitalization (market size), sector or industry allocation mandates. Asset class allocation percentages may be changed without notice. Broxton deploys technical analysis and momentum as indicators of movement for shorter term strategies, that may not involve deep fundamental analysis. Shorting (selling and then buying) of securities can be used for hedging and as a long term or short-term strategy. We exit positions in accordance with our discipline, this includes when valuation targets are clearly exceeded, or financial performance falls below our projections. Since Smart Yield returns will be calculated using a composite of accounts, the average account will not match the composite return and the return could be higher or lower. Broxton offers Smart Yield for other investment managers. Any commentary is solely the opinion of the Broxton Capital Advisors. It refers to securities we hold in our portfolio and sometimes ones we are considering but does not represent a complete list of positions held at Broxton Capital Advisors. A complete list covering the last twelve months will be furnished upon request. Price targets are mentioned for information purposes only. Nothing contained herein constitutes a recommendation to purchase or sell securities at any designated price or time. Targeted performance does not guarantee future results. 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Also, from time-to-time we may also discuss and display charts, graphs, formulas which are not intended to be used by themselves to determine which securities to buy or sell, or when to buy or sell them. Such charts and graphs offer limited information and should not be used on their own to make investment decisions.

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