

Series 2021-ZP1 (£GBP)

ISIN: GB00BNKLX486
SEDOL: BNKLX48
OPOL: XWBO

Series 2021-ZP2 (\$USD)

ISIN: GB00BNKLX593
SEDOL: BNKLX59
OPOL: XWBO

ZP Secured Direct Lending PLC

Principal lender of secured loans and investments to high-growth real-estate groups and developers

7.25% Fixed Rate Secured Notes due 2026

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ZP SECURED DIRECT LENDING PLC IS REGULATED BY THE FINANCIAL CONDUCT AUTHORITY (REFERENCE NUMBER: 913381)

Q2 2023



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Bond Overview

The Issuer will advance secured loans to SME real-estate groups and developers, providing a diversified, asset-backed portfolio underpinned by UK real-estate. ZSL Capital Limited ("ZSL") is an experienced real-estate lender and provides loan origination, portfolio and asset management services to the Issuer. ZSL is led by a team of senior finance professionals specialising in real-estate and structured finance transactions, having worked on a combined transactional value of several billion.

About ZSL Capital

ZSL forms part of the Zenic Group of companies ("Zenic"), a real-estate lender and value investment firm. Zenic Secured Lending has financed over £150m of real-estate asset value to date with expertise across a range of sectors including logistics, hotel & leisure, storage, residential and purpose-built student accommodation.

ZSL can demonstrate a successful track record of lending since inception. It concentrates on senior, junior and whole loans secured by high-quality real estate, focussing on established locations with affordable price points and small-medium sized schemes. These metrics are designed to ensure the Issuer only finances projects that are widely affordable by a large cross section of buyers, avoiding sales pressure caused by highly priced property or saturating local areas with overly large schemes.

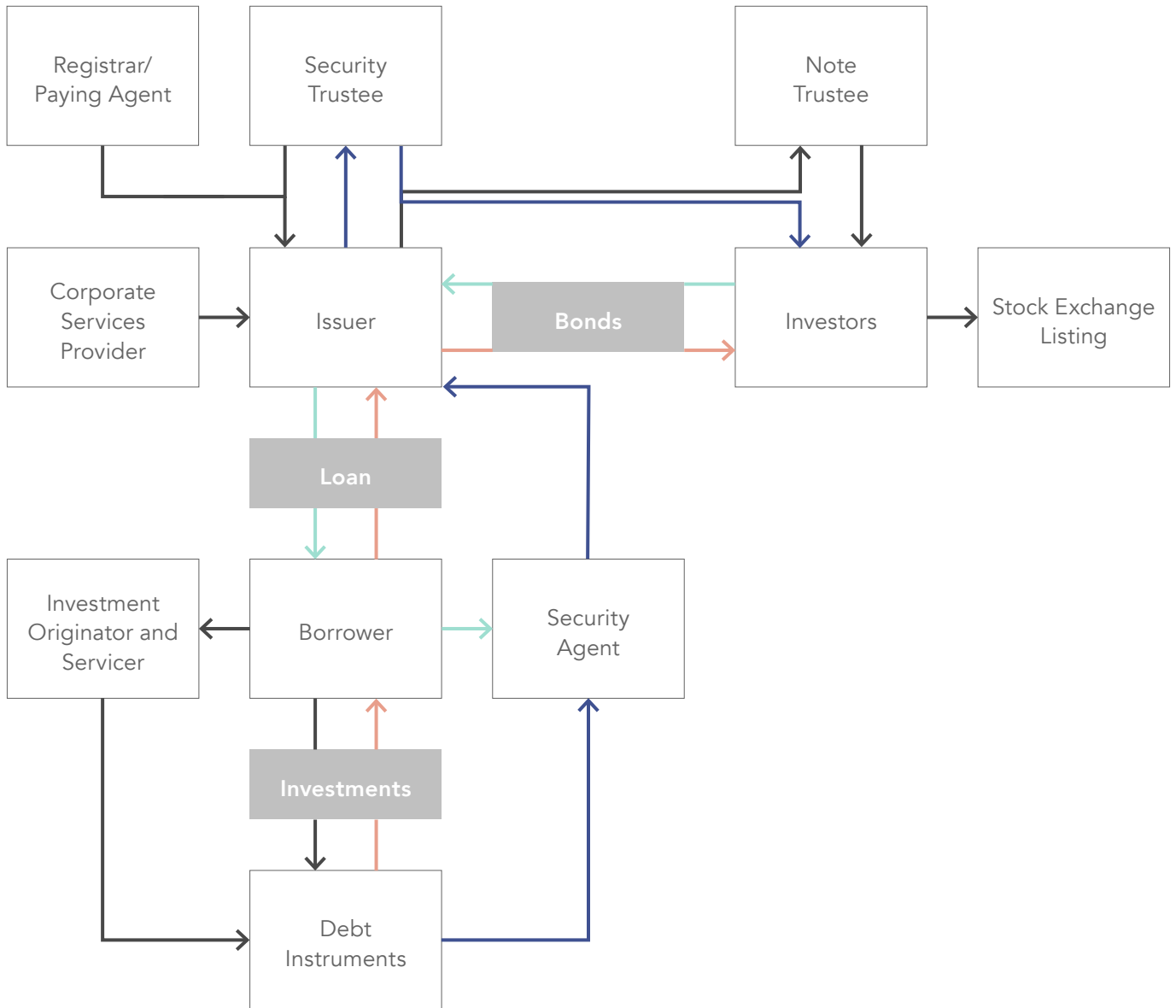
ZSL diversifies its portfolio by reference to geography, developer, scheme size and real-estate asset-class, reducing exposure to concentration risk. All loans are secured against UK real-estate typically by an asset-level charge. If necessary, further security is taken in the form of personal guarantees or charges over non-development assets. ZSL's credit analysis process involves a significant number of data metrics to assess loan viability and a three-stage credit committee approval process. As a result, fewer than 5% of applications reviewed by ZSL receive funding.

Bond Information

Issuer	ZP Secured Direct Lending PLC
Maturity	December 2026 (GBP) December 2026 (USD)
Exchange	Vienna MTF (XWBO)
Coupon	7.25% p.a.
Payment	Quarterly
Status	Senior Secured Debt under English Law
Eligibility	UCITS, Pension Wrappers, Portfolio Bonds and Investment Platforms
Loan Types	Secured Loans and Investments to UK SME real-estate borrowers covering all real-estate asset classes
Liquidity	Freely transferable subject to relevant exchange rules
Settlement	Crest/Euroclear
Pricing	Daily

Investment Structure

ZP Secured Direct Lending PLC
 (7.25% Fixed Rate Secured Notes due 2026)



■ Security ■ Money In ■ Money Out ■ Contractual Relationship

The Issuer is bankruptcy remote in that the risks associated with the issue of the Notes are somewhat divorced from the risks associated with the Borrower's trading. By mitigating this financial risk and ring-fencing assets, the Noteholders have limited direct financial exposure to the individual underlying Borrowers.

Zenzic Capabilities

Advisory



- Private Debt & Equity
- M&A
- Capital Markets
- Focus on mid-market corporates across asset-backed industries
- Since inception, transactions totaling over \$3.0bn

Direct Lending



- Principal lender to all real-estate sectors including...
 - Build-To-Sell
 - Private Rented Sector
 - Purpose Built Student Accommodation
 - Retirement
 - Hotel & Commercial
- Financed over £150m of asset value to date

Key numbers

3bn

Cumulative value of transactions

70+

Individual transactions

10+

Investment sectors

Sectors we work in



Power and Renewables



Life Science



Financial Services



Aviation and Shipping



Real-estate



Leasing

Target Market Overview

Residential Housing

Even before the Covid crisis the UK faced acute housing shortages driven by population growth and a significant shortfall in housebuilding that has fallen below official targets for decades. The government was 120,000 homes short of meeting its target to build 300,000 homes per year in 2021¹.

This shortfall was exacerbated during the pandemic as housebuilding slowed throughout 2020. The urgent government need to meet housing targets will ensure residential real estate is well positioned for continued growth in both the Build-to-Sell (BTS) and Build-to-Rent (BTR) sectors.

Purpose-Built Student Accommodation

The UK has a global reputation for outstanding higher education which is appealing to both UK and non-UK students. Destination cities for these students experience significant under supply of quality accommodation. This has resulted in a purpose-built student accommodation sector that presents a growing number attractive investment opportunities.

Senior Living Sector

In the UK, over 65s will account for almost a quarter of the population by 2040². This profound demographic shift, along with the impact of the pandemic on individual priorities for quality of life and care, have led to growing strength in the 'later-living' and 'assisted living' residential sectors.

Hotel & Leisure

Financial relationships in the hotel and leisure sector experienced fundamental changes during the pandemic. Banks withdrew finance from the sector as fears grew about the impact of Covid-19. This provided smaller, more flexible capital providers an opportunity to fill many of the lending gaps and maximise greater value for investors. There is now a significant rise in hotel and leisure developments due to the increase in post-Covid demand. Existing hotel assets are expected to change ownership more frequently and a higher demand for non-core assets to be repurposed into leisure facilities.

All-Weather Lending Capability

Zenic operates in a niche market servicing SME real-estate firms looking to raise between £500K - £10M, a market that is important to the UK economy but underserved by mainstream lenders. Mainstream bank allocations in this lending bracket remain compressed due to enhanced regulations and this has created greater lending opportunities for flexible finance providers such as Zenic.

The recent interest rate hike and general economic turmoil will see an increase of high-value "distressed" opportunities. Zenic's highly proactive, flexible and nimble approach to the market means we are well positioned to capitalise on distressed market opportunities, whereby we tend to see and realise more value in the transactions we close.

¹ www.homebuilding.co.uk/news/government-short-on-housebuilding-targets-in-2021

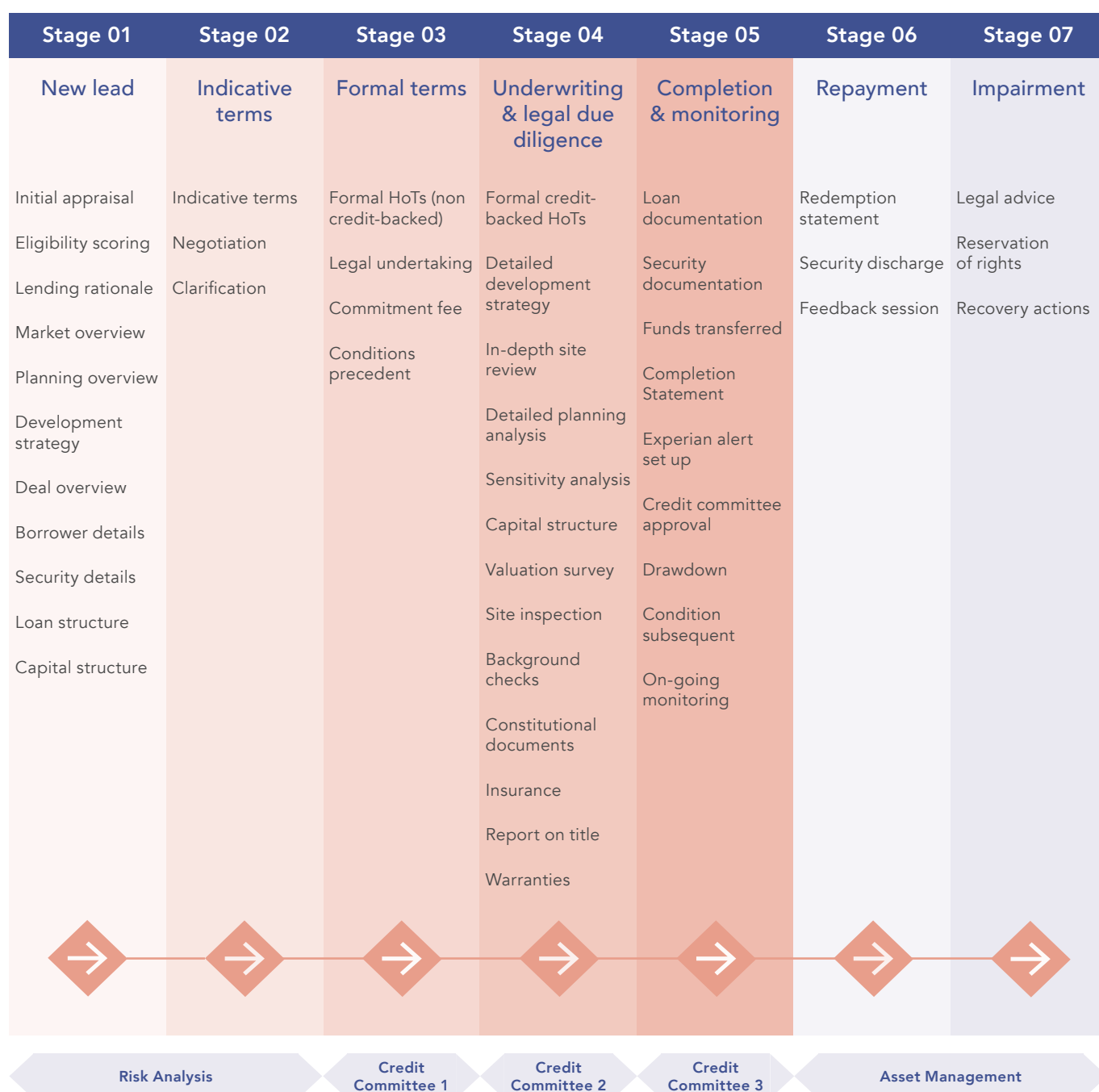
² www.schroders.com/en-gb/uk/individual/insights/how-the-ageing-population-could-be-a-boon-for-investors/

Managing the Loans

From new leads to repayment

The diagram below shows the seven stages in the ZSL lending process, from new lead to redemption or recovery. At all stages, ZSL seeks to mitigate the risks arising under the loan and recover the sums due.

Proven underwriting: End-to-end investment and portfolio management



Managing the Loans

Zenic will advance secured loans to SME real-estate groups across numerous developers, locations, scheme sizes and real-estate asset classes. This provides a diversified, asset-backed portfolio underpinned by UK real-estate.

Zenic concentrates on senior, junior and whole loans secured by high-quality real estate, focussing on established locations with affordable price points and small-medium sized schemes. These metrics are designed to ensure the Loan Note proceeds are used to finance projects that are widely affordable by a large cross section of buyers, avoiding sales pressure caused by highly priced property or saturating local areas with overly large schemes.

All loans are secured against UK real-estate by an asset-level charge. In addition, and wherever possible, further security is taken in the form of personal or corporate guarantees and charges over non-development assets.

“Zenic’s rigorous approach to downside protection means fewer than 5% of funding applications are successful in passing its credit analysis process”

Investment Approach

Zenic continuously monitors risk, both at a portfolio and individual loan level to ensure rigorous downside protection. Before any loan is approved, it requires a three-stage credit committee approval, with unanimity amongst members at each stage. The credit analysis process involves a significant number of data metrics to assess loan viability.

These metrics include;

- GDV on an absolute and per square foot basis by reference to historic comparable transactions, third party red-book valuations from leading valuation firms,
- Income and population demographic analysis to assess buyer profile and ability to transact;
- Sales liquidity and absorption analysis;
- Construction costs on an absolute and per square foot basis;
- Construction timescales;
- Scenario and sensitivity analysis including worst case scenario modelling to establish investment return in the event of adverse movements in construction costs, sales values and project timelines;
- Average Loan portfolio weighting of 70% LTV to provide downside protection buffer.

Case Study

Boundary Road, Wood Green, North London

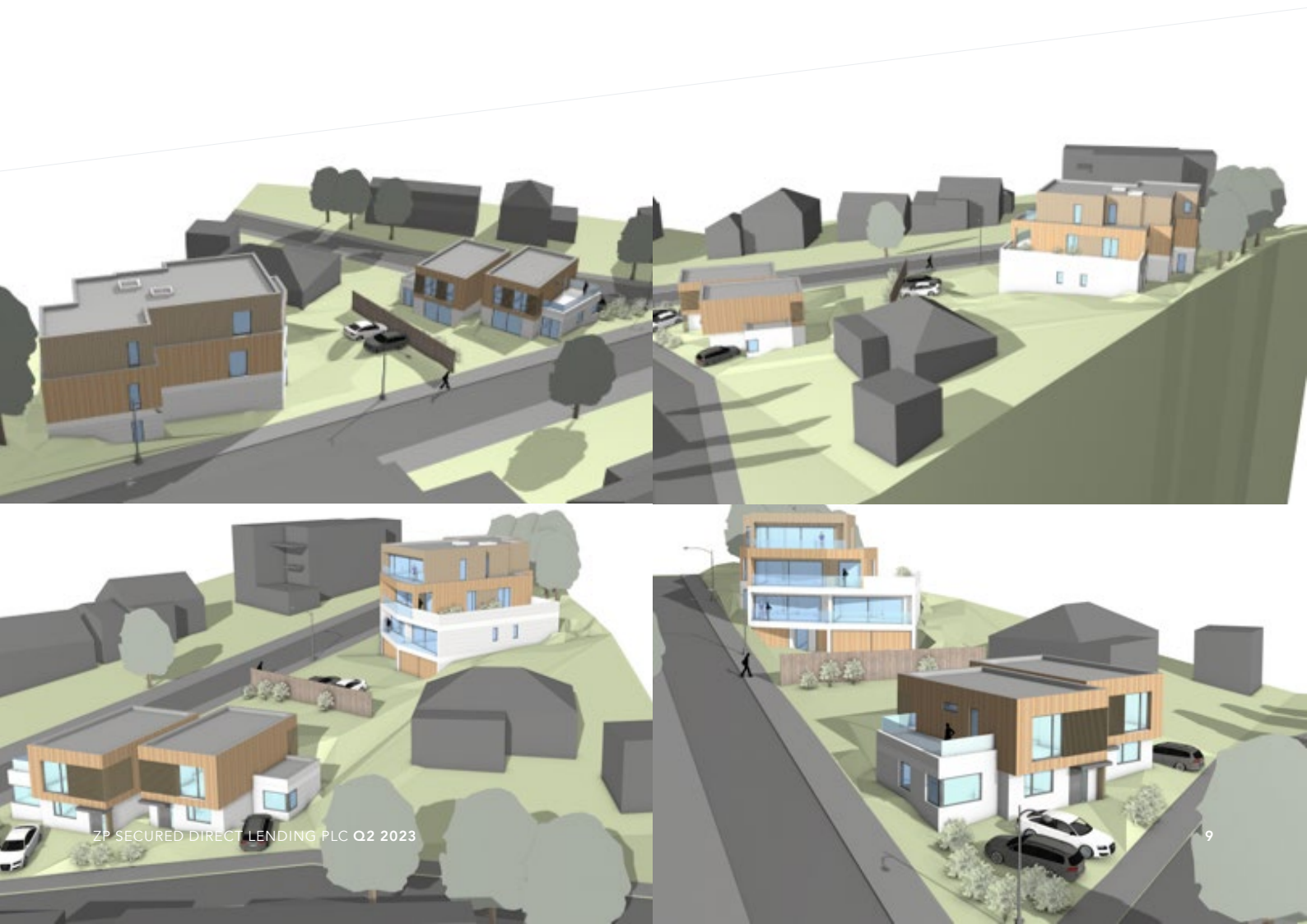
Key Items	Description
Summary	Zenic provided a Senior facility for the development of a 3-unit residential scheme in North London. Completion took place on the 9th of December 2022. Once construction completes, the scheme will deliver 3 flats (1, 2, and 3 beds) at a GDV of £1.36 million.
Financials	Loan Type: Senior Gross Loan: £860,673 Term: 15 months (7-month build and 8-month sale) Security: A full security package for a facility of this nature including a first legal charge over the land.
Key KPIs	Gross POC: 19.8% Gross LTGDV: 63.3% Gross LTC: 68.0%
Exit	Sale on the open market.



Case Study

Naildown Road, Hythe, Kent

Key Items	Description
Summary	<p>Zenic will provide a Stretched Senior Facility for the development of an 8-unit residential scheme in Hythe, Kent. Completion is due to take place by the 15th of January 2023.</p> <p>Once construction completes, the scheme will deliver 8 luxury sea-view units with a GDV of £4.67 million.</p> <p>With over 15 years' experience in construction, the developer has been able to successfully deliver over 1,000 units across the U.K. They specialise in luxury, lifestyle-led and sustainable residential property in Kent, Surrey, East Sussex, West Sussex and Essex.</p>
Financials	<p>Loan Type: Stretched Senior</p> <p>Gross Loan: £3,265,500</p> <p>Term: 18 months (12-month build and 6-month sale)</p> <p>Security: A full security package for a facility of this nature including a first legal charge over the land.</p>
Key KPIs	<p>Gross POC: 29.8% Gross</p> <p>Gross LTGDV: 70%</p> <p>Gross LTC: 80.1%</p>
Exit	<p>Sale of all units on the open market.</p>



Selected ZSL Team



Thomas Lloyd-Jones
Principal - Founder

Corporate finance professional, with over 15 years' experience specialising in real estate and illiquid credit. Before founding Zenic, Thomas worked at EY and Macfarlanes. He has particular expertise in bespoke finance structures for asset-backed scenarios.



James Lloyd-Jones
Founder - CFO

A qualified chartered accountant with extensive experience in financial services and real estate. Previously at Moore Stephens within audit and advisory before working at Northern Trust's Asset Management division.



Nadine Buckland
Principal - Founder

Specialising in real estate and asset-backed finance across all major classes for over 15 years, and wide variety of previous finance roles at major asset managers such as Morley and F&C.



Daryl Thorpe
Principal

Over 20 years' finance experience, successfully co-founding and exiting a consumer finance business to a listed US Corporation. Involved in UK real estate since 2002 with more recent focus as a principal lender within the sector.



Theo Theodosiadis
Director of Investment & Risk Analysis

Leads the investment and risk analysis operation at Zenic. Has over seven years' experience of market research, credit DD, business management reporting, data analysis, business development and account management across real estate and other sectors.



Steve Hallam
Capital Raising Consultant

Steve's entire career has been spent in institutional sales, and recently MD of a leading commercial property development. During an 11-year period Steve played a key role in generating more than €500m in development revenues, producing EBITDA in excess of €200m.

Transaction Parties

Issuer

ZP Secured Direct Lending PLC, 1 George Yard,
London, EC3V 9DF

Calculation Agent, Investment Originator & Servicer

ZSL Capital Limited, 2 London Wall Place,
London, EC2Y 5AU

Note Trustee, Security Trustee & Security Agent

Woodside Corporate Services Limited, 4th Floor, 50 Mark Lane,
London, EC3R 7QR

Paying Agent & Registrar

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London, EC1M 4BH

Legal Counsel to the Issuer

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London, WC2A 1JF

Corporate Services Provider

Truva Corporate Administration Limited, 1 Northumberland Avenue,
London, WC2N 5BW

Clearing & Settlement Agent

Mayfair Capital Ltd, 28 Bruton Street, Mayfair,
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