

ARC Ratings accords a public, indicative 'A(sf)' rating to the Series 2016-7 and Series 2016-8 Senior Notes issued by Escher Marwick PLC

ISSUER	ISSUE RATING	
Escher Marwick PLC.	A(sf)(ind)	Senior Secured Notes - Long Term (A(sf)(ind), with stable outlook)
RATING DATE		
22 December 2016		

ARC Ratings, S.A. (ARC Ratings) has accorded an indicative, long-term public rating of 'A(sf)(ind)' to the Series 2016-7 and Series 2016-8 Secured Notes to be issued by Escher Marwick PLC, with stable outlook. The methodology used is ARC's Global Structured Finance Rating Criteria (published September 2016). These methodologies are available from www.arcratings.com.

COMPANY PROFILE

The Issuer was incorporated in England on 8 September 2016 as a public limited company under the Companies Act of 2006. The issuer is a special purpose company, established to raise money for purposes set out in the Listing Particulars and to fulfill the transaction purposes set out under the asset backed securities.

The assets for the Senior Notes are a designated pool of unencumbered assets originated from Just Cash Flow PLC ('JCF') - an SME lender. JCF is a public limited company incorporated and registered in England and Wales with registration number 08508165. JCF is a wholly-owned subsidiary of The Just Loans Group PLC ('JLG'). JLG is breaking new ground in terms of its originating policies and offers business loans or overdraft facilities ('business facilities') to businesses as an alternative to bank funding. The lender is a FinTech company that operates, through its subsidiaries, in a number of European jurisdictions.

TRANSACTION OVERVIEW & CAPITAL STRUCTURE

Escher Marwick PLC (the 'Issuer', company number 10112860), have a GBP500m Secured Medium Note Programme listed with the Channel Islands Securities Exchange Authority, which acquires assets from Just Cash Flow PLC ('JCF') - an SME lender. The Series 2016-7 Secured Fixed Rate Notes are due 2019 with 7.25% fixed rate coupon (ISIN: GB00BDHDRL27), whilst the Series 2016-8 Secured Fixed Rate Notes are due 2021 with 8.50% fixed rate coupon (ISIN: GB00BDH37892), both paid bi-annually in May and November. The Issuer Deed of Charge is the security of the Notes in accordance with a fixed first priority charge and segregated bank accounts. The Borrower Loans, Financial Collateral Assets and each Borrower Deed of Charge are the Secured Assets. The Secured Notes and coupons constitute secured obligations of the Issuer which rank pari passu and without preference amongst themselves. ARC expects to be notified

sufficiently in advance should there be changes to the assets and once the final executed transaction documents have been executed to assess the Transaction and such changes on their own merits.

RATING RATIONALE

- JCF has a targeted APR of 27.4%, however being unregulated, JCF does not state an APR with each business loan application. ARC calculated an APR of 33.4% for the last 12 months, given the aggregate Monthly Interest Accrual for the last 12 months. The businesses are obliged to pay interest on a weekly basis. JCF reported high utilisation rates of around 565 active facilities. At November 2016, the unencumbered assets used for the analysis of this transaction, had GBP 17.3m in Secured Revolving Credit Facility ('RCF') with GBP 13.7m utilised. RCF amounts range from GBP10,000 to GBP 500,000 with the average facility being approximately GBP31,500.
- The rating of the Series 2016-7 and 2016-8 Secured Fixed Rate Notes are derived by applying the Global Structured Finance Rating Criteria. ARC used a future flow and credit card approach to rate the transaction given the estimated APR, Monthly Payment Rate and Utilisation Rates of the Secured Notes.

THIS DISCLOSURE IS FOR INFORMATION PURPOSES

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Prior to the assignment or revision of a rating ARC Ratings provides to the entity whose financial commitments are being rated the documents that substantiate the rating to be attributed (the preliminary rating report). This entity is thus given the opportunity to clarify or correct factual details, thus allowing the rating assigned to be as accurate as possible. The comments made by the entity whose financial commitments are being rated are taken into account by ARC Ratings in the assignment of the rating.

ARC Ratings historical default rates are published in the European Securities and Markets Authority Central Repository (CEREP) which can be accessed in the website cerrep.esma.europa.eu/cerrep-web/. ARC Ratings default rate is the probability of lack of full and timely payment of capital or interest or of the occurrence of any event that explicitly indicates that the future full and timely payment of those commitments will not occur (e.g., in case of insolvency).

Ratings do not constitute a recommendation to buy or sell, but only one of the factors to be weighted by investors.

Throughout the entire period during which ratings are valid, ARC Ratings monitors the issuer's performance on a constant basis, and may even bring forward the date of the review unless started as point in time. Hence, prior to an investor using a rating, ARC Ratings recommends that it be confirmed, namely by consulting the list of public ratings available at the website www.arcratings.com.

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In the rating process, ARC Ratings adopts procedures and methodologies aimed at ensuring transparency, credibility and independence, and also that rating classifications are not influenced by situations of conflict of interests. Any exceptions to these principles are disclosed by ARC Ratings together with the rating of the financial commitment in question.