

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

<u>ISSUER</u> Escher Marwick PLC.	<u>ISSUE RATING</u> A(sf)	Senior Secured Notes - Long Term (A(sf), with stable outlook)
<u>RATING DATE</u> 11 October 2018		

ARC Ratings, S.A. (ARC Ratings) has affirmed the final, long-term public rating of 'A(sf)' to the Series 2016-7 and Series 2016-8 Secured Notes issued and drawn by Escher Marwick PLC, with stable outlook following the annual review. The methodology used is ARC's Global Structured Finance Rating Criteria (published September 2018). This methodology is 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 fulfil 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. JLG 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 are paid bi-annually in May and November.

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 21.84% for the last 12 months given the aggregate Monthly Interest Accrual for the last 12 months. Interest is predominantly paid on a weekly basis. At August 2018, the unencumbered assets used for the analysis of this transaction had GBP 50.4m in Secured Revolving Credit Facility ('RCF') with GBP 41.8m utilised. RCF amounts range from GBP10,000 to GBP 500,000.
- Portfolio Performance- the default graphs created by ARC shows that gross defaults have been low as expected, with an increase between Q2 2015 to Q1 2017, however the rate then stabilises to a low average default rate of approximately 1%.
- 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 (MPR) and Utilisation Rates of the Secured Notes.
- The full rating report can be accessed at www.arcratings.com.

THIS DISCLOSURE IS FOR INFORMATION PURPOSES ONLY AND SHOULD BE READ IN CONJUNCTION WITH THE RESPECTIVE RATING REPORT.

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Ratings assigned by ARC Ratings represent opinions on the capacity and willingness of an entity to make all required payments on a given obligation in a timely manner.

The rating(s) assigned by ARC Ratings in this report was / were sought by the entity whose financial commitments are being rated.

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 cerep.esma.europa.eu/cerep-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 stated 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 web site 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.