

ARC Ratings accords a public, final 'A+(sf)' rating to the Guaranteed Floating Rate Notes issued by GLQC S.À.R.L. and to the Guaranteed Floating Rate Notes issued by GLQL S.À.R.L.

<u>ISSUERS</u>	<u>ISSUE RATING</u>
GLQC S.À.R.L. GLQL S.À.R.L.	<div style="background-color: #808080; color: white; padding: 5px; display: inline-block; margin-right: 10px;">A+(sf)</div> Guaranteed Floating Rate Notes issued by GLQC S.À.R.L. (A+(sf), with stable outlook)
	<div style="background-color: #808080; color: white; padding: 5px; display: inline-block; margin-right: 10px;">A+(sf)</div> Guaranteed Floating Rate Notes issued by GLQL S.À.R.L. (A+(sf), with stable outlook)
<u>RATING DATE</u>	<u>NEXT REVIEW DATE</u>
28 February 2019	28 February 2020

ARC Ratings, S.A. (ARC) has accorded a final, long-term public rating of 'A+(sf)' to the Guaranteed Floating Rate Notes issued by GLQC S.À.R.L. and has accorded a final, long-term public rating of 'A+(sf)' to the Guaranteed Floating Rate Notes issued by GLQL S.À.R.L., both with stable outlook.

COMPANY PROFILE

GLQC S.À.R.L. ('GLQC', company number: B 226 524) and GLQL S.À.R.L. ('GLQL', company number: B 226 520) act as the 'Issuers' in this transaction. The registered office of both GLQC and GLQL is in Luxembourg.

Under the initial terms of the Deed of Covenant, GLQC issued a Guarantee in favour of the Noteholders of GLQL and GLQL issued a Guarantee in favour of the Noteholders of GLQC. Due to the recent amendments, which include two additional Issuers and Guarantees, the Notes issued by GLQC are guaranteed by GLQL, ELQ Investors II Ltd ('ELQ II') and ELQ Investors VI Ltd ('ELQ VI') and the Notes issued by GLQL are guaranteed by GLQC, ELQ II and ELQ VI. In addition, the Notes benefit from a security trust deed, entered into by GLQC/GLQL Invest and Goldman Sachs International (the 'Security Trustee') and a Luxembourg law pledge in respect of all shares in the share capital of the GLQC/GLQL entered into by GLQ International Holdings Ltd ('GLQI'), GLQC/GLQL and the Security Trustee.

The ratings address the legal and financial structure of the transaction, the quality of the underlying collateral and the timely payment of interest and the ultimate repayment of principal on maturity of the obligations.

TRANSACTION OVERVIEW & CAPITAL STRUCTURE

Goldman Sachs International Bank ('GSIB', company number: 01122503) hold a Reverse Repurchase Agreement over the Guaranteed Floating Rate Notes ('Notes') owned by GLQI in two wholly owned subsidiaries: GLQC and GLQL.

As per the original Subscription Agreement GLQC issued Notes in the amount of USD 91,000,000 and GLQL issued

Notes in the amount of USD 550,000,000, both due in November 2023. The amendments included the expansion of both GLQC and GLQL portfolios. In addition, GLQC upsized its Notes issuance amount to USD 423,600,000. Due to the Guarantees outlined above, there is cross-collateralisation of the assets between all four vehicles. It should be noted, that the Notes which will be issued by ELQ II amounts to USD 1,298,500,000 and the Notes which will be issued by ELQ VI amounts to USD 765,200,000. Consequently, ARC has rated the Notes issued by GLQC, GLQL, ELQ II and ELQ VI together, assuming a total Note issuance amount of USD 3,037,300,000.

In the Subscription Agreements, GLQI agree to provide Transferable Preferred Equity Certificates (TPECs) to GLQC and GLQL to partially offset the subscription amount due to the Issuers.

The current aggregate Fair Market Value (FMV) of the underlying assets is USD 4,853,433,276. ARC credit assessed 47.3% of the underlying loans of the whole portfolio prior to this transaction. Noted, that GLQC and GLQL benefits from the funding of subordinated instruments such as TPECs.

RATING HIGHLIGHTS

Key rating drivers include:

- Credit Enhancement (CE): For the Notes CE comprises of over-collateralisation, which amounts to 37.41% as the portfolio amount is greater than the issuance amount of the Notes. ARC believes this is sufficient to protect the Notes against losses at a 'A+(sf)' rating level.
- 'B/B-' Weighted Average Asset Quality: The weighted average credit rating of the portfolio is 'B/B-'. Whilst issuers rated in the 'B/B-' rating category imply relatively weak credit quality, ARC considers the Notes are unlikely to be affected by the projected level of defaults (weighted average 1-year probability of default rate is 10.07%) - primarily given the available CE in the 'A+(sf)' scenario.
- Strong Recovery Expectations: The updated portfolio mainly consists of 33.8% Term Loans, 16.2% Private Equity and 12.7% NPLs. ARC stressed the recoveries of the portfolio by assuming a higher concentration of assets with weak recovery prospects and applying a further haircut to recovery assumptions for higher ratings, resulting in recovery rate assumptions of 32.7% in ARC's 'A+(sf)' scenario.
- Industry and Regional Diversification: The portfolio assets demonstrate broad industry distribution with no individual sector accounting for more than 24.5% of the portfolio, with the largest corporate sectors being Real Estate (24.2%) and Industrial and Manufacturing (20.8%). Regional distribution is concentrated primarily in the United Kingdom, Netherlands and France. Although this shows a degree of concentration, the underlying assets have been marked down to the FMV (which is more conservative than the Notional Value) and are rated according to current risk expectations. Monthly surveillance of the FMV will commence after the Notes are issued.
- Cross collateralisation: Assets from ELQII, ELQVI, GLQC and GLQL are all fully fungible and cross collateralise each pool providing additional support to each other. This has resulted in further support being provided than in the original analysis as each pool benefits from the total pool of underlying security.

SUMMARY OF RATING METHODOLOGIES

ARC has applied the ARC Ratings Global Structured Finance Rating Criteria (updated in September 2018) in conjunction

with the ARC Ratings Collateralised Loan Obligation (CLO) Rating Criteria (updated in February 2019). The methodologies are freely available from www.arcratings.com.

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

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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 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 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 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 together with the rating of the financial commitment in question.