

ARC Ratings, S.A. affirms the public, final 'A+(sf)' rating to the Guaranteed Floating Rate Notes issued by ELQ Investors II Ltd. and to the Guaranteed Floating Rate Notes issued by ELQ Investors VI Ltd., both with stable outlook

<u>ISSUER</u>	<u>ISSUE RATINGS</u>
ELQ Investors II Ltd. ELQ Investors VI Ltd.	A+(sf) Guaranteed Floating Rate Notes issued by ELQ Investors II Ltd. (A+(sf), with stable outlook)
	A+(sf) Guaranteed Floating Rate Notes issued by ELQ Investors VI Ltd. (A+(sf), with stable outlook)
<u>RATING DATE</u>	<u>NEXT REVIEW DATE</u>
8 July 2019	8 July 2020

ARC Ratings, S.A. (ARC) has affirmed the final, long-term public rating of 'A+(sf)' to the Guaranteed Floating Rate Notes issued by ELQ Investors II Ltd. and to the Guaranteed Floating Rate Notes issued by ELQ Investors VI Ltd., both with stable outlook.

COMPANY PROFILES

ELQ Investors II Ltd. ('ELQ II', company number: 06375035) and ELQ Investors VI Ltd. ('ELQ VI', company number: 08491527) are both private limited companies incorporated in England and Wales and are the Existing Issuers/Guarantors in this transaction. GLQC S.À.R.L. and GLQL S.À.R.L. are also Existing Issuers/Guarantors in this transaction.

The holders of Notes issued by each Existing Issuer/Guarantor benefit from a mutual exchange of guarantees and security. Consequently, assets from GLQC S.À.R.L., GLQL S.À.R.L., ELQ Investors II Ltd. and ELQ Investors VI Ltd. are fully fungible and cross-collateralised. As at June 2019, the Existing Notes were redenominated from USD to EUR. ARC affirmed the final, long-term public ratings of 'A+(sf)' to the Guaranteed Floating Rate Notes issued by ELQ Investors II Ltd. and ELQ Investors VI Ltd. on 8 July 2019.

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

TRANSACTION OVERVIEW & CAPITAL STRUCTURE

The Existing Notes issued by the Existing Issuers are all due November 2023:

1. GLQC S.À.R.L. issued an aggregate principal amount of USD 91,000,000 on 9 November 2018 and a further

aggregate principal amount of USD 332,600,000 on 19 February 2019.

2. GLQL S.Á.R.L. issued an aggregate principal amount of USD 550,000,000 on 9 November 2018.
3. ELQ Investors II Ltd. issued an aggregate principal amount of USD 1,298,500,000 on 19 February 2019.
4. ELQ Investors VI Ltd. issued an aggregate principal amount of USD 765,200,000 on 19 February 2019.

As at February 2019, each Parent Company to the Existing Issuers granted security over the shares of the Existing Issuer of which they were the shareholder. ELQ Investors IX Ltd. is the sole shareholder of ELQ Investors II Ltd. and granted security over the Charged Portfolio in favour of the Security Trustee to secure the Secured Liabilities. ELQ Investors IX Ltd. has confirmed the existing security created as at July 2019. ELQ Holdings (UK) Ltd. sold all the shares it held in ELQ Investors VI Ltd. to GLQ Holdings (UK) Ltd. and GLQ Holdings (UK) Ltd. acceded to the ELQ Investors VI Ltd. share security as Chargor. Therefore, GLQ Holdings (UK) Ltd. is now the sole shareholder of ELQ Investors VI Ltd. and granted security over the Charged Portfolio in favour of the Security Trustee to secure the Secured Liabilities. GLQ Holdings (UK) Ltd. has confirmed the existing security created as at July 2019. GLQ International Holdings Ltd. agreed to grant a pledge over the Pledged Assets of GLQC S.Á.R.L and GLQL S.Á.R.L.; ARC received confirmation documentation that this is still the case as at July 2019.

As at June 2019, the Existing Notes were redenominated from USD to EUR. To account for this, ARC conducted sensitivity analysis around the exchange rate.

The holders of Notes issued by each Existing Issuer/Guarantor benefit from a mutual exchange of guarantees and security. Consequently, assets from GLQC S.Á.R.L., GLQL S.Á.R.L., ELQ Investors II Ltd. and ELQ Investors VI Ltd. are fully fungible and cross-collateralised. ARC has therefore rated the Notes issued by GLQC S.Á.R.L., GLQL S.Á.R.L., ELQ Investors II Ltd. and ELQ Investors VI Ltd. together, assuming a Total Note Issuance Amount of EUR 2,722,570,814.

RATING RATIONALE

Key rating drivers include:

- Credit Enhancement (CE): For the Guaranteed Floating Rate Notes CE comprises of over-collateralisation, which amounts to 53.5%, as the Portfolio Notional Amount is greater than the Issuance Amount of the Notes. ARC believes this is more than sufficient to protect the Guaranteed Floating Rate Notes against losses at an '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 Guaranteed Floating Rate Notes are unlikely to be affected by the projected level of defaults (weighted average 1-year probability of default rate is 10.48%) – primarily given the high level of available CE provided to the transaction.
- Recovery Expectations: ARC stressed the recoveries of the portfolio by assuming a higher concentration of assets with weak recovery prospects and by applying a further haircut to recovery assumptions for higher ratings, ultimately resulting in a 29% recovery rate assumption in ARC's 'A+(sf)' rating scenario. Whilst this is a low recovery rate assumption, there is a high level of available CE provided to the transaction.
- Industry and Regional Diversification: The portfolio is concentrated in terms of industry distribution; real estate

contributed 55.19% of the TD MV (EUR) Amount. Regional distribution is concentrated primarily in Spain (15.8% of the TD MV (EUR) Amount), United Kingdom (12.95% of the TD MV (EUR) Amount) and Ireland (11.44% of the TD MV (EUR) Amount).

- Cross-collateralisation: Assets from GLQC S.Á.R.L., GLQL S.Á.R.L., ELQ Investors II Ltd. and ELQ Investors VI Ltd. are fully fungible and cross-collateralise each pool providing additional support to each other. This has resulted in further support being provided than if analysed on a stand-alone basis, 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 September 2018) in conjunction with the ARC Ratings’ Collateralised Loan Obligation (‘CLO’) Rating Criteria (updated February 2019). These methodologies are freely available from www.arcratings.com.

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This Review Report should be read together with initial Rating Report and with the subsequent Review reports.

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