



# ZP Secured Direct Lending PLC

## Frequently Asked Questions

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For sales & distribution queries contact;

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Important Notice: This Information document should not be relied upon for making any investment decision in relation to the purchase of bonds issued by ZP Secured Direct Lending PLC. Any investment decision should be made solely on the basis of a careful review of the Information Memorandum. Please read the Information Memorandum carefully before you invest.

**Transaction Parties****ISSUER**

ZP Secured Direct Lending PLC, Level 37, 25 Canada Square, Canary Wharf, London, England, E14 5LQ.

**NOTE TRUSTEE**

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

**SECURITY TRUSTEE**

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

**PAYING AGENT**

Avenir Registrars Limited, 5 St. John's Lane, London, England, EC1M 4BH

**LEGAL COUNSEL TO THE ISSUER**

DWF Law, 20 Fenchurch Street, London, EC3M 3AG

**REGISTRAR**

Avenir Registrars Limited, 5 St. John's Lane, London, England, EC1M 4BH

**ARRANGER AND CALCULATION AGENT**

Zenic Partners Limited, Brompton Place, 161 Brompton Road, London, SW3 1QP

**CORPORATE SERVICES PROVIDER**

CSC, 25 Canada Square, 37th Floor, Canary Wharf, London E14 5LQ

**SHARE TRUSTEE**

CSC, 25 Canada Square, 37th Floor, Canary Wharf, London E14 5LQ

**INVESTMENT ORIGINATOR AND SERVICER**

Zenic Partners Limited, Brompton Place, 161 Brompton Road, London, SW3 1QP

**ACCOUNT BANK**

Coutts & Co, 440 Strand, Charing Cross, London, WC2R 0QS

**AUDITOR**

BDO LLP, 55 Baker St, Marylebone, London W1U 7EU

**DEALING AGENT**

Monsas Limited, 26 Grosvenor Street, London, W1K 4OW

**LISTING AUTHORITY**

The Euronext Dublin Exchange (XDUB)

**ISIN/SEDOL NUMBERS****GBP:**

Security Description: 8% NTS 24/07/24 GBP1000 2019-ZP1

SEDOL : BJV2L15

ISIN : GB00BJV2L158

Security Description: 8% NTS 24/07/24 EUR1000 2019-ZP1

SEDOL : BJV2L26

ISIN : GB00BJV2L265

Security Description: 8% NTS 24/07/24 USD1000 2019-ZP1

SEDOL : BJV2L37

ISIN : GB00BJV2L372

All of the above relate to the Issuers GB£500,000,000.00 Secured Medium Term Note Programme.

**MINIMUM ORDER LIMIT**

£100,000.00 and multiples of £1,000.00 thereof.

€100,000.00 and multiples of €1,000.00 thereof.

\$125,000.00 and multiples of \$1,000.00 thereof.

**LIQUIDITY AND TRANSFERABILITY**

The bonds are freely transferrable to a 3rd party at any time throughout the term.

The bonds will be admitted to trading on the Euronext Dublin Exchange. One or more market-makers can be appointed to procure secondary market sales, where necessary.

(Note: The Issuer is not responsible for creating a secondary market in the Bonds).

**ELIGIBILITY**

In addition to direct institutional and professional investors, the bonds can be acquired through UCITS, ISA, SIPP, SSAS, QROPS, Portfolio Bonds and Investment Platforms.

**INTEREST RATE**

Fixed at 8.0% per annum

Note: First coupon is payable after 6 months of the bond closing and thereafter, quarterly in arrears.

**MATURITY DATE**

September 2024

**EARLY REDEMPTION**

Subject to any purchase, cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100% of their nominal amount.

In event of death the Issuer will endeavour to exit the investor early. Where this is not possible, the bonds would form part of the estate of the deceased and title to them would be held by the executors or administrators of the estate. The executors or administrators would hold the bonds until the maturity date.

**SUITABILITY**

Professional, certified HNW and Sophisticated investors.

The Bond offer is restricted to “relevant persons” as defined within the IM. Anyone who is not a relevant person is instructed to seek independent financial advice prior to investing.

**SETTLEMENT**

CREST, EUROCLEAR, CLEARSTREAM

**BOND RATING**

**Issue Rating:** A-(sf)(ind)

**Outlook:** Stable

ARC Ratings, S.A. (“ARC”) has accorded an indicative, long-term public rating of ‘A-(sf)(ind)’ with stable outlook to the Secured Medium-Term Funding Notes to be issued by ZP Secured Direct Lending PLC

**Methodology;**

ARC has applied their Global Structured Finance Rating Criteria (updated in September 2019) in conjunction with ARC Ratings’ Global Residential Mortgage Backed Securities (RMBS) Rating Criteria (updated in May 2019).

These methodologies are freely available from [www.arcratings.com](http://www.arcratings.com).

**BOND INVESTMENT STRATEGY**

All secured loans in which the issuer invests will be diversified across the following strategies;

**1.** ZSL Capital Limited (“ZSL”), a private limited company with registered number 11398339 and whose registered office is at Brompton Place, 161 Brompton Road, London, SW3 1QP;

ZSL is a group company of Zenic Partners Limited, a specialist real-estate lender providing acquisition and development finance to SME real-estate companies who focus on the delivery of widely affordable housing. ZSL has been lending since 2014 and lent over £23m with zero capital losses. Its principals are seasoned structured finance and real-estate professionals. ZP Secured Direct Lending PLC will provide senior secured growth financing to ZSL in the form of a cross-collateralised asset pool and a multi-layered credit enhancement approach. The collateral within the pool is composed of UK real-estate with significant equity value over and above the amount of the loan amount to be provided by ZP Secured Direct Lending PLC.

**2.** BlueZest Mortgages and Loans Limited (“BlueZest”), a private limited company with company number 10685117 and whose registered office is at Brompton Place, 161 Brompton Road, London, SW3 1QP.

BlueZest is a group company of Zenic Partners Limited, a fintech mortgage lending company looking to disrupt the £2bn BTL and owner occupier mortgage market. It was founded by seasoned ABS market veterans with experience in operating and scaling mortgage businesses and has developed a “straight through” lending process that uses new technologies and data to deliver binding mortgage offers in 30-minutes. This technology is proprietary, developed by senior BlueZest professionals who previously created the Experian credit platform used by banks globally. Existing banks struggle to adopt new technology at the pace and extent of a new player. In addition to taking a 1st ranking charge over existing residential property, all mortgage loans will be insured by AmTrust (A- rated insurer) against a drop in value of the portfolio of up to 40%.

**PORTFOLIO WEIGHTING:**

- 30% into ZSL Capital -UK real-estate lender
- 70% into BlueZest Mortgages -UK insurance-wrapped residential mortgages

**CONCENTRATION LIMITS:**

- Largest single Loan -Not to exceed 4% of series limit
- Largest 10 Loans -Not to exceed 20% of series limit
- Top 5 borrowers -Not to exceed 20% of series limit

**LOAN TO VALUE LIMITS:**

- ZSL Capital -Not to exceed 75% of fair market value
- BlueZest Insured Mortgages -Not to exceed 85% of fair market value

**BACKGROUND TO INVESTMENT STRATEGY**

The Zenic Bond is a direct-lending fund focussed on asset-backed lending opportunities in the mid-market.

Direct lending is a known term and investment strategy. It means lending direct to businesses rather than lending to private equity firms for them to invest in businesses.

The investment thesis is:

Banks have largely withdrawn from mid-market lending due to regulatory changes increasing the capital charge of such loans. Non-bank lenders are filling this space.

Zenic is perfectly positioned to capture market share in this space. We are a debt/credit based firm with expertise across asset classes. We have a track record of investing (ZSL Capital) and a proprietary pipeline driven by the advisory business which has advised on over £1bn of deals since inception and regularly places transactions with leading direct lenders.

Focus on UK real estate;

The UK faces acute housing shortages brought about by two key factors:

1. The UK's growing population, which at 1.2% p.a., is the fastest growing population in the EU and in particular population growth amongst 24-34 year olds is 4% p.a. By 2035, the population of the UK is expected to be 73.25m.
2. Housebuilding has fallen behind government targets for decades, creating an annual supply deficit of c.150,000 which is expected to total a c.1,100,000 housing deficit by 2020.

Residential real estate is, therefore, well positioned for continued growth in both Build-to-Rent (BTR) and Build-to-Sell (BTS) sectors. These market sectors are a large part of the ZSL strategy, alongside other sectors across UK Real Estate including, but not limited to, commercial real estate; purpose built student accommodation; retirement/senior living; and care home sector.

The global financial crisis of 2008 and the European debt crisis of 2009-2011 highlighted the need for greater supervision of the financial sector and the need for corporate borrowers to diversify their sources of funding as the traditional bank lending market changed. A considerable amount of regulation has been introduced in the last eight years, such as Basel III, Solvency II, AIFMD, EMIR, MIFID II, CRR, Dodd Frank etc. The impact of this regulation on the financial services sector and in particular the banking sector has led to a reduction in lending, bank leverage, and overall risk-appetite.

Since the financial crisis lending by banks to SMEs and mid-market corporates has contracted significantly as traditional lenders have sought to lend to larger 'safer' companies with less complex financing requirements. This has meant that small and medium size corporates have had less access to capital and have had to seek funding elsewhere. Often borrowers in this category require funding for projects or assets which are bespoke and do not therefore fit the standardised banking model.

Zenic Partners Limited (the Investment Manager) believes that whilst there are now more lenders in the market, direct lending will grow much larger and become a permanent feature in the UK and Europe as supply side drivers, such as regulatory banking reforms hamper liquidity, whilst demand side drivers such as corporate refinancing requirements remain significant. Furthermore, non-bank lenders have tended to favour vanilla, homogenous lending opportunities often in specific sectors, whilst Zenic believes the greatest opportunities to generate risk-adjusted returns are in providing bespoke direct lending solutions, where lending and security can be tailored to the specific needs of the borrower(s) and lender(s) requirements – it is therefore this area which Zenic, as investment manager, intends to focus on.

### **FINANCING UK REAL-ESTATE**

The market for obtaining development finance remains relatively challenging. Mainstream bank allocations for development finance remain compressed chiefly due to enhanced banking regulations with the knock on effect for borrowers being an increased cost for such borrowing.

There is, therefore, significant opportunities for alternative lenders to lend on such projects in the BTR and BTS sectors.

### **EXIT STRATEGY**

All secured loans advanced under the bond programme will mature prior to the end of the bond term. Typically, the investment advisor will arrange 2-3 year loans with the corresponding maturity dates falling due in advance of the bond maturity date.

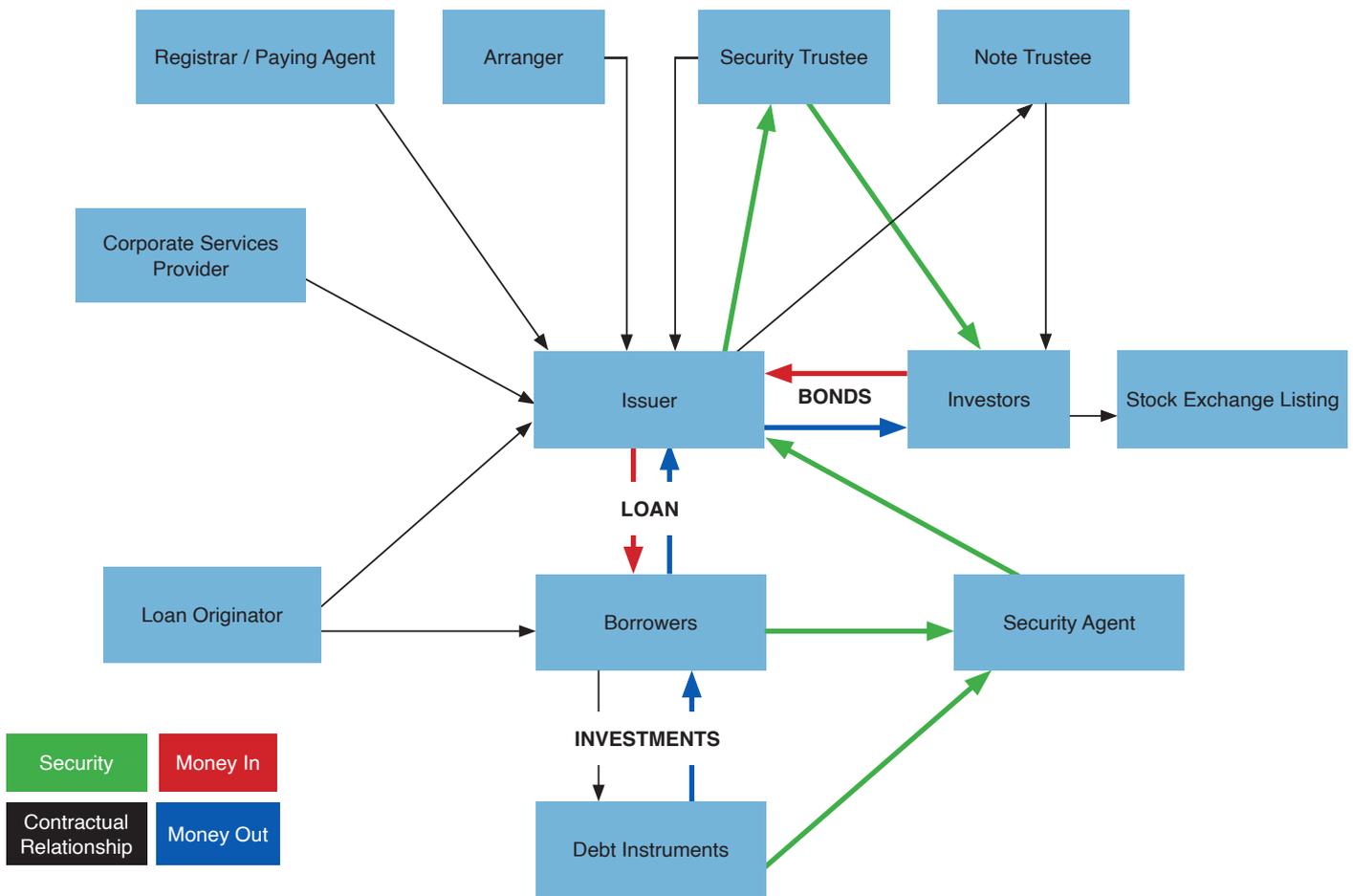
### **ROLE OF ZENZIC PARTNERS LIMITED**

Zenic Partners Limited will perform the role of Servicer, Arranger and Investment Advisor, such duties include;

- Originate high quality investment opportunities;
- Arrange, structure and deploy the funding of the investment;
- Manage the investment through its entire lifecycle;
- Take all action necessary to protect the investment and maintain its value;
- Provide good governance and reporting to the counter-parties;
- Ensure the covenants of the Notes are achieved

**INVESTMENT STRUCTURE**

The following diagram illustrates the investment structure of ZP Secured Direct Lending PLC;



**TRANSACTION STRUCTURE**

The Issuer is a vehicle specifically set up to establish the Programme and to issue series under it.

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 Borrowers’ trading. By isolating this financial risk and ring-fencing assets, the Noteholders do not have direct financial exposure to the Borrowers.

**ABOUT ZSL CAPITAL LIMITED (“ZSL”)**

Zenic Secured Lending advances multiple secured loans to UK SME real-estate developers, to provide a diversified, asset-backed portfolio underpinned by UK real-estate. ZSL finances a range of real-estate schemes focusing on residential-led developments in key provincial cities and selected growth areas.

**DIVERSIFICATION**

ZSL diversifies its portfolio by reference to geography, developer, scheme size and leverage (non-exhaustive), reducing exposure to specific or concentrated risks. To maximise the benefits of such diversification, ZSL targets a portfolio of no fewer than 20 loan positions at any given time.

## **LOAN CHARACTERISTICS**

ZSL concentrates on senior and junior loans secured by high-quality real estate, focussing on established locations with affordable price points (no greater than £700 psf) and on sub 100-unit schemes. These metrics are designed to ensure ZSL finances developments that are widely affordable by a large cross section of home buyers and to avoid sales pressure caused by developments with a large number of highly priced units or saturating local markets with delivery of overly large developments. ZSL focuses on growth locations across the UK, typically towns and cities which exhibit strong and supportable real estate price and income growth. Such locations include: Bristol, Leeds, Newcastle, Cardiff, Birmingham and surrounding areas.

All ZSL loans are secured against real estate, typically by an asset level charge. In addition, where possible further security is taken in the form of corporate debentures; personal guarantees combined with wider asset charges over non-development assets. ZSL average loan term is between 12-15 months

## **INVESTMENT APPROACH**

ZSL continuously monitors risk, both at a portfolio and individual loan level to try and ensure rigorous downside protection. Before any loan is approved, it requires a two-stage credit committee approval, with unanimity amongst members of such committee.

ZSL credit analysis process involves over 200 data metrics to assess loan viability including:

- GDV on absolute and per square foot basis by reference to historic comparable transactions, third party red-book valuations from leading valuation firms, income and population demographics;
- Construction costs on absolute and per square foot basis;
- Construction timescales;
- Sales periods and absorption rates, based on assessment of likely average number of sales days per unit;
- Scenario analysis including worst case scenario analysis to establish investment return in the event of adverse movement in construction costs, sales values and project timelines;
- Sensitivity analysis examining the impact of investment returns by changes in certain key variables.

Post advance of the loan, individual loans and the loan book portfolio is monitored regularly on a monthly and quarterly basis.

ZSL (together with selected co-investors) has deployed in excess of £20m across 25+ separate transactions, generating an IRR in excess of 22%, with zero capital losses.

## **ABOUT BLUEZEST MORTGAGES AND LOANS LIMITED ("BLUEZEST")**

BlueZest is a newly-established UK mortgage lender. The core of BlueZest mortgage business is the provision of mortgage loans to UK-resident borrowers, secured against residential property situated in England and Wales. BlueZest generates its margins on mortgage loans through charging product fees and the accrual of interest. Each mortgage loan represents a proportion of the value of each mortgaged property and/or portfolio of mortgaged properties. These individual granular exposures are pooled to achieve broad diversification.

BlueZest manages the interest rate risk on its balance sheet through matching the interest rates applicable to its outstanding assets (being for the most part the mortgage loans advanced to borrowers) with the interest rates applicable to its outstanding liabilities (being in the most part its payment obligations under the Bond) within approved mismatch limits.

## **MORTGAGE INDEMNITY GUARANTEE (“MIG POLICY”)**

The value of the security granted by BlueZest may be affected by, among other things, a decline in the value of the Mortgaged Properties. No assurance can be given that the values of the Mortgaged Properties will remain at the level at which they were on the dates of origination of the related Mortgage Loans. Declines in property values could in certain circumstances result in the value of the Mortgages supporting the Mortgage Loans being significantly reduced and, ultimately, may result in losses to the Bondholders if the security granted by BlueZest Mortgages is required to be enforced.

In order to reduce its exposure (and correspondingly the exposure of Investors under the Bonds) to a potential future decline in property values, in addition to the equity provided by the borrower, BlueZest has entered into a mortgage indemnity guarantee policy (the “MIG Policy”) with AmTrust Europe Limited. AmTrust Europe Limited is a UK regulated insurance company of the AmTrust Group and is rated “A-” (Excellent) by A.M. Best.

Each Mortgage Loan will be insured against a potential decline in the market value of the underlying property of up to 40%, meaning claims can be made on an individual property basis, therefore not restricted to portfolio claims.

## **THE ZEST ENGINE**

BlueZest has developed its own decision-making software solution called the Zest Engine (“Zest Engine”). The Zest Engine interprets data from its own digital platform to deliver credit assessments in relation to Mortgage Loans. BlueZest’s Chief Technology Officer, was responsible for the development and delivery of Experian’s decision-engine, (Strategy Management), and has brought this experience and expertise to BlueZest in the development of the Zest Engine.

While the processing of applications for many credit products such as credit cards have been automated, BlueZest believes that its development of ‘straight through’ mortgage application processing distinguishes it from other mortgage providers. In a typical application, the Zest Engine considers over 3,000 data points from up to 30 data sources, including multiple credit bureaus, property valuation models and the Land Registry to deliver credit decisions which relate to the specific lending criteria for the relevant product and applicant. Where computer models are unable to provide data of sufficient accuracy, there are digital connections to platforms that instruct surveyors and the conveyancing team. Every aspect of the application process is digitally captured and this ensures fast, accurate decisions. This means that BlueZest has a very sophisticated decision engine, similar to that deployed by some of the world’s largest credit bureaus and analytics companies. The Zest Engine is configurable and the BlueZest team can implement changes to product rules and criteria in minutes ready for deployment after thorough testing has been done. This allows the business to be very responsive to the market. It also has a ‘Plug and Play’ capability, which allows new relevant data sources to be rapidly added to the digital platform in order to further enhance the credit decision making process.

## **BLUEZEST MORTGAGE PRODUCTS**

### **Product 1: Buy-to-Let Loans for properties available for immediate rental**

A type of mortgage loan (being a “Buy-to-Let Loan”): granted to individuals or limited companies; for the purpose of purchasing a property for letting or re-mortgaging a property being let; and secured by non-owner occupied freehold or leasehold property or properties and, where the borrower is a limited company, a personal guarantee from each director of the borrowing company, in each case securing all of the obligations of the borrowing company under the Buy-to-Let Loan.

The target market for the Buy-to-Let Loan is first time landlords, individual property investors and/or small companies set up specifically to operate buy-to-let property portfolios. Buy-to-let loans which are regulated by the UK’s Financial Conduct Authority are outside of the Lending Policy.

## **PRODUCT 2: BUY-TO-LET LOANS FOR PROPERTIES REQUIRING STRUCTURAL DEVELOPMENT**

A type of mortgage loan (being a “Property Development Loan”): granted to UK resident limited companies for the purposes of acquiring and developing a property. The loan is secured against the residential property of one or more of the directors of the borrowing company and the development property, and a personal guarantee from each director of the borrowing company, in each case securing all of the obligations of the borrowing company under the Property Development Loan.

The target market for Property Development Loans is small property development companies that wish to buy and develop property for the principal purpose of leasing the property after the development. Upon completion of the development, the borrower can transfer the loan to the standard Buy-to-Let Loan secured only against the developed property, provided that the relevant lending criteria are met, or may sell the property and repay the loan.

## **PRODUCT 3: BUSINESS LOANS SECURED AGAINST RESIDENTIAL PROPERTY**

A type of mortgage loan (being a “Business Loan”): granted to UK resident limited companies to fund its existing business. The loan is secured against residential property of one or more of the directors of the borrowing company and a personal guarantee from each director of the borrowing company, in each case securing all of the obligations of the borrowing company under the Business Loan.

The target market for Business Loans is small and medium-sized limited companies with at least two years’ trading that wish to raise capital to develop the business.

## **MARKET DIFFERENTIATION**

### **Price;**

BlueZest expects to be able to offer competitive rates compared to prime alternative lenders due to the mortgage security taken and ability to better price for risk using the Zest Engine.

### **Cost;**

BlueZest does not charge early redemption fees or exit fees, both of which are often charged by lenders in the market. Additionally, BlueZest simply applies a minimum term to its mortgage loans of no more than 12 months. BlueZest charges no valuation fee if a computer modelled valuation is sufficient for the property.

### **Speed;**

BlueZest believes that its proprietary technology platform enables rapid decisions without compromising credit risk measurement. The Zest Engine, the decision-making software that drives the application process, handles over 3,000 data points from over 30 data sources to deliver the credit risk decisions. This speed of delivery is expected to prove attractive to applicants and brokers alike.

### **Access;**

BlueZest offers direct access to its mortgage support team via email, phones and live chat. Packagers and brokers have access to underwriters via email to discuss special cases.

### **Transparency;**

Unlike some lenders, all fees and progress through the application processes are transparent to the borrower.

### **Efficiency;**

Every application can be done online. There is no need to provide business case documents, marketing plans or have face-to-face meetings.

## ZENZIC GROUP – KEY INDIVIDUALS



### **Thomas Lloyd-Jones**

Thomas is an experienced corporate finance professional, with over 15 years' experience specialising in real estate finance, illiquid credit and has a particular expertise in bespoke finance structures for asset-backed transactions. Prior to founding Zenzic, Thomas worked at Ernst & Young LLP and Macfarlanes LLP bespoke finance structures for asset backed scenarios.



### **Nadine Buckland**

Nadine is a real estate finance and asset-backed finance (across all major asset classes) specialist with more than 15 years' experience. Prior to her time at Zenzic, Nadine held a variety of roles at major asset managers such as Morley Fund Management and F&C Asset Management and wide variety of previous finance roles at major asset managers such as Morley and F&C.



### **Daryl Thorpe**

Daryl has over 20 years' experience in originating and managing corporate finance transactions, with particular expertise in real estate finance transactions. Prior to joining Zenzic, Daryl co-founded a consumer finance business which he then sold to a listed US corporation. focus as a principal lender within the sector.



### **Robbie Ainscow**

Robert has more than 15 years' experience in financing mortgages and loans. Prior to join Zenzic, Robert held roles at various investment banks including Morgan Stanley, Bear Stearns and Investec.



### **Theo Theodosiadis**

Leads the investment and risk analysis operation at ZSL. Has over 7 years experience of market research, credit DD, business management reporting, data analysis, business development and account management across real estate and other sectors.



### **Harriet Hiebendaal**

Director in the Private Debt department. Qualified as a solicitor in New Zealand before entering banking. Has over 7 years experience at ANZ and more recently HSBC in the leveraged finance sphere. Has worked on more than 35 transactions to date covering LBOs, acquisitions/bolt ons and recaps.



### **John Robinson**

Has over 30 years' experience in building credit risk decision software and application processing solutions with Experian, and the International Risk Partnership.

## Disclaimer

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