SCOPE Scope Ratings

Vantage Data Centers Jersey Borrower SPV Limited

Data centre lease backed notes – United Kingdom

Note class	Rating	Notional[1] (GBP)	LTV (%)	Coupon[2]	Anticipated repayment[3]	Final maturity
Class A-1 VFN	NR	Max. 100,000,000	N/A	SONIA + 2.75%	May 2028	May 2039
Class A-2	(P) A_{SF}	600,000,000	54.8	6.7%	May 2029	May 2039

1. Class A-1 VFN will not be drawn at closing date. 2. Class A-1 VFN's commitment fee is 0.8% p.a. 3. For Class A-1 it includes two one-year extension options. Scope's quantitative analysis is based on the latest lease portfolio data provided by the issuer reflecting information up to April 2024. Scope's Structured Finance Ratings constitute an opinion about relative credit risks and reflect the expected loss associated with the payments contractually promised by an instrument on a particular payment date or by its legal maturity. The rating assigned to the Class A-2 notes does not address payment of any additional interest in respect of the Class A-2 notes post the anticipated repayment date in 2029.

The preliminary rating relies on the information made available to Scope up to 22 April 2024. Scope will assign a final rating conditional to the review of the final version of all transaction documents and legal opinions. The final rating may deviate from the preliminary rating. See Scope's website for the Scope Ratings Rating Definitions.

Transaction details

Purpose	Refinancing
Issuer	Vantage Data Centers Jersey Borrower SPV Limited
Joint lead managers	Barclays Bank PLC and SMBC Nikko Capital Markets Limited
Issuer account bank	Barclays Bank PLC
Propco account bank	National Westminster Bank Plc
Agent bank, principal paying agent	Elavon Financial Services DAC
Data centre managers	Vantage Data Centers Europe S.à r.l. Vantage Data Centers United Kingdom (Opco) Limited VDC UK Management Company Limited
Servicer and back-up manager	Jones Lang LaSalle Services Limited
Closing date	May 2024
Payment frequency	Monthly (28th of each month)

The transaction is a securitisation of data centre lease receivables, related to two data centres in Newport, near Cardiff, in the United Kingdom. The issuer, Vantage Data Centers Jersey Borrower SPV Limited, will use the GBP 600.0m proceeds from the issuance of the Class A-2 notes to refinance existing debt, fund several transaction reserves, finance third-party transaction costs as well as for general corporate purposes, including the development of data centres. Class A-1 variable funding notes may only be issued after the closing date, up to the total committed amount of GBP 100.0m and subject to conditions. Once issued, the Class A-1 notes will rank senior to the Class A-2 notes in the pre-enforcement priority of payments, but pari passu in the post-enforcement priority of payments.

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Related Methodologies

CRE Loan and CMBS Rating Methodology, November 2023

General Structured Finance Rating Methodology, March 2024

Counterparty Risk Methodology, July 2023

Related Research

Real Estate Insight
April 2024

Structured Finance Activity Report negative rating drift continues reversal
February 2024

European CRE/CMBS outlook, January 2024

European real estate: companies face jump in bond refinancing in 2024-26 as investment burden grows
October 2023

Rating rationale (summary)

The rating reflects: i) the transaction's legal and financial structure; ii) the quality of the underlying collateral; iii) the Vantage Data Centers group's ('Vantage group' or 'Vantage') experience and incentives as data centre manager; and iv) the transaction's exposure to key counterparties.

The rating is primarily driven by the characteristics of the lease portfolio, with tenants of good credit quality (with the largest tenant of AAA credit quality), rent escalation, long lease terms without break options and high fees in case of lease termination. The rating is also supported by protective financial covenants as well as by high expected recovery in case of default, as a result of overcollateralisation. The rating is constrained by the risk associated with the completion of ongoing fit-out works and the sizing of the liquidity reserve, which covers three months of debt service.

The transaction is exposed to the following key counterparties: i) Barclays Bank PLC as issuer account bank; ii) National Westminster Bank Plc as propco account bank; iii) FM Insurance Company Limited and Zurich Insurance Company Limited as insurers; iv) Vantage Data Centers Europe S.à.r.l, Vantage Data Centers United Kingdom Opco Limited and VDC UK Management Company Limited as data centre managers; and v) Elavon Financial Services DAC as principal paying agent. Counterparty risk is mitigated by the credit quality of the counterparties, structural mechanisms such as replacement rating triggers, limited time exposure, and the long-standing data centre operating expertise of the Vantage group. We have assessed the credit quality of the counterparties considering public information and our own ratings where available.

Rating drivers

Positive rating drivers

Tenants' credit quality and long lease terms. The properties are almost fully let. Upon stabilisation, investment-grade rated tenants will account for around 90% of the contracted annualised rent and the weighted average unexpired lease term will be around nine years. The largest tenant holds AAA public ratings from two of the largest credit rating agencies and all its new leases have a 15-year original term. The high credit quality of the tenants combined with a long remaining lease term ensures stable cash flows.

Strong structural protection. The transaction features several financial covenants which protect noteholders against adverse developments. A test performed at each payment date ensures that deleveraging starts in case LTV increases above 70%. Different debt service coverage ratio covenant levels – starting at 1.5x – ensure that a substantial reduction in rental income results in amortisation of the outstanding notes' balance. After the anticipated repayment date of each class of notes an ongoing cash sweep will be applied regardless of the financial metrics. In each case, the principal repayment starts with the senior ranking Class A-1 notes (if any), and the Class A-2 notes' balance will start to amortise only after full repayment of the Class A-1 notes.

High-quality data centres and experienced sponsor. The Vantage group has a global track record in developing and operating data centres. The properties are built to high industry standards, and as demonstrated by the commitment in the lease agreements, can provide 99.999% uptime. The properties also benefit from renewable energy sources.

Strong fundamentals in the data centre market. Demand for data centres is growing, driven by digitalisation, artificial intelligence, cloud computing, and the extensive demand for data, while supply is limited. High costs, time need of construction, power capacity constraints are significant entry barriers. This is an incentive for tenants to renew the existing leases, which contributes to maintaining healthy cash flows, and supports sustainability of the properties' market value.

Negative rating drivers and mitigants

Fit-out risk. As of April 2024, there is a total GBP 135.9m capital expenditure remaining for completion of the fit-out works, GBP 123.8m thereof not covered by a dedicated capex reserve. In the CWL13 property, which is let to a single tenant, time overruns by more than 90 days would give lease termination right to the tenant for the leases starting in the future. Any delay in handovers would hinder cash flow stabilisation, which would be further jeopardised, should the termination rights be exercised. Nevertheless, we deem severe delays as well as the termination rights' exercise unlikely, as it is against the interest of the major tenant, which seeks additional data centre capacities.

Liquidity coverage. The transaction features a liquidity reserve which covers only three months of interest and Class A-1 commitment fee payments, providing protection against short-term liquidity shortfalls. However, the risk is mitigated by the large share of high credit quality tenants contributing to the rental income.

Potential technological innovation adversely affecting data centres. Unlike traditional commercial real estate asset types, data centres are heavily reliant on the fast-changing high-tech environment. We believe in the short-term demand for data centres will be high, but the total 15 years until the final maturity may provide room for development of new technologies or tightening in artificial intelligence regulation, resulting in declining interest for data centres.

Concentration of rental income. The two largest tenants account for more than 80% of the current contracted annualised rent. Diversification of the rental income increases transaction resilience against tenant departures. The risk is mitigated by both tenants' high credit quality, long lease terms and high termination fees.

Upside rating-change drivers

A significant increase in rental income as a result of new leases.

A timely and successful completion of the fit-out works

Downside rating-change drivers

Severe delays in the completion of the fit-out works.

A material reduction in rental income as a result of new leases.

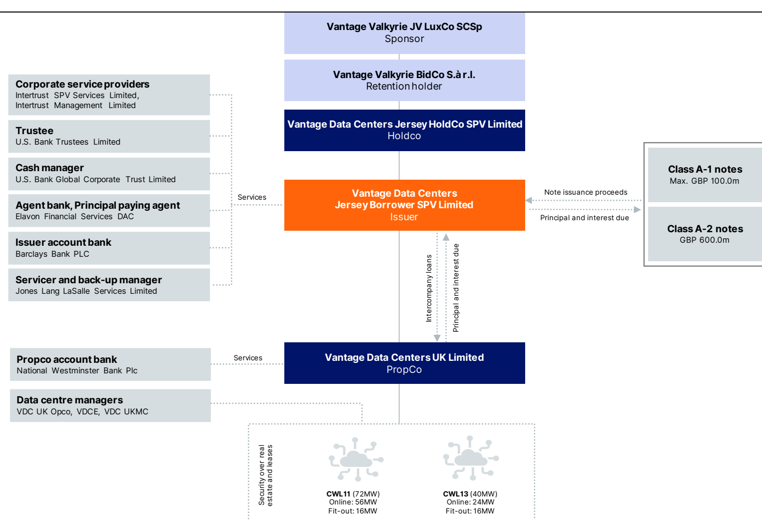
1. Transaction summary

The transaction is a securitisation of data centre lease receivables. The issuer, Vantage Data Centers Jersey Borrower SPV Limited, will use the GBP 600.0m proceeds from the issuance of the Class A-2 notes to refinance existing debt, fund several transaction reserves, finance third-party transaction costs as well as for general corporate purposes, including the development of data centres. Class A-1 variable funding notes, which will finance general corporate purposes, may only be issued after the closing date, subject to conditions which include rating agency confirmation. Once issued, the payment of interest and principal on the Class A-1 notes will rank senior to the respective payments on the Class A-2 notes in the pre-enforcement priority of payments, but pari passu in the post-enforcement priority of payments.

The lease agreements rent out power capacities in two data centres in Newport, near Cardiff, in the United Kingdom. The properties are owned, operated and managed by different subsidiaries of the Vantage Data Centers group. The assets are completed and operational already, with commenced leases accounting for GBP 74.2m contracted annualised rent as of April 2024. Nevertheless, fit-out work is needed in both of them before the additional pre-let power capacities can be handed over to the tenants. Upon completion of all fit-out works, which is expected for July 2025, the total critical load power of the data centres will increase from the current 80MW to 112MW. The combined market value of the properties was estimated at GBP 1.1bn as of January 2024. Therefore, the financing will take place at 54.8% loan-to-value (LTV) at closing.

The notes will pay interest with monthly frequency. The interest rate on the Class A-2 notes is expected to be a fixed rate of 6.7% p.a., while the Class A-1 notes are expected to pay a variable rate referenced to SONIA with a 2.75% p.a. margin. The Class A-2 notes feature an anticipated repayment date in 2029, five years after closing, when the issuer may redeem the notes. The Class A-1 notes' anticipated repayment date is in 2026, two years after closing, which can be extended twice by an extra year. There is no scheduled principal amortisation before the anticipated repayment dates. If the notes are not repaid by their respective anticipated repayment, additional interest will start to accrue on the corresponding class of notes, and an ongoing sweep of the excess cash will grant principal amortisation until the legal final maturity in 2039, fifteen years after closing. As described in the pre-enforcement priority of payments, interest and principal payments on the Class A-1 notes rank senior to those payments on the Class A-2 notes. As a result, the cash sweep would result predominantly in a reduction of Class A-1 notes' balance. The Class A-2 notes' balance would start to amortise only after full repayment of the Class A-1 notes, therefore the impact on the Class A-2 notes' balance would be limited.

Figure 1: Simplified transaction diagram



Source: transaction documents, Scope Ratings

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Figure 2: Transaction summary

Notes details	Class A-2	Class A-1	Structural enhancement		
Notes amount (GBP m)	600.0	100.0	Senior credit enhancement[6]	N/A	
Note type	Term notes	Variable funding notes	Senior liquidity reserve (# of IPDs)	3	
Interest rate type (reference rate)	Fixed	SONIA[1]	Interest rate hedging	N/A	
Margin (or interest rate)	[6.7%]	[2.75%]			
Remaining term to anticipated repayment date (years)	5.0	2.0 + 1.0 + 1.0			
Remaining term to final maturity date (years)	15.0	15.0			
Amortisation rate (p.a.)	0.0%	0.0%			
Transaction metrics[2]	Current[3]				
Loan-to-market value	54.8%		Financial covenants (at closing)	Soft covenant	Hard covenant
Initial NRI[4] debt yield (% of total debt)	9.0%		Interest coverage ratio	N/A	N/A
Initial NRI investment yield (%)	4.9%		Debt service coverage ratio	150%: amortisation[7] 135%: cash trap 120%: cash sweep	N/A
Physical occupancy (% of total capacity)	99.4%		Loan-to-value	70%	N/A
WAULB / WAULT / WAULTtoLT[5] (years)	7.5 / 7.5 / -7.5		Debt yield	N/A	N/A
			Diversification score	Diversification discount	
			Asset (#)	0.02%	
			Asset type (#)	0.00%	
			Location (#)	0.00%	
Collateral details	Current[3]			% of market value	% of capacity
Properties (#)	2		Micro location		
Units (#)	196		Wales	100%	100%
Total collateral market value (GBP m)	1,095.2				
Power capacity (kW)	112,000				
Freehold properties	1				
Single-tenant let properties	1				
Asset type	% of market value	% of capacity	Macro location	% of market value	% of capacity
Data centre	100.0%	100.0%	United Kingdom	100%	100%
Tenancy details	Current[3]			Rent (% of total)	WAULT (y)
Tenants (#)	62		Top tenants		
Leases (#)	186		Tenant #1	73.7%	8.9
Gross rental income (GBP m p.a.)	74.2		Tenant #2	7.7%	7.1
Net rental income (GBP m p.a.)	54.1		Tenant #3	4.1%	0.9
			Tenant #4	2.5%	3.3
			Tenant #5	1.8%	0.8
			Top 10 tenants	95.4%	7.7
Transaction parties					
Issuer	Vantage Data Centers Jersey Borrower SPV Limited	Sponsor	Vantage Valkyrie JV LuxCo SCSp	Property managers	VDC Europe S.à r.l., VDC UK Opco Limited, VDC UK Management Company Limited
Arranger	Barclays Bank PLC			Servicer	Jones Lang LaSalle Services Limited

[1] Daily compounded. [2] Calculated on a day-one basis, not forward-looking. Metrics are based on Scope's definitions which may differ from transaction-specific calculation methods detailed in the transaction documents. [3] As at the cut-off date. [4] Net rental income = gross rent – non-recoverable costs (as defined by Scope). [5] Weighted average unexpired lease term until the first break option, weighted average unexpired lease term, weighted average unexpired lease term to loan term. [6] Credit enhancement: applies to CMBS only. [7] Up to 3% p.a. of the notes' balance at closing.

Source: transaction documents, Scope Ratings

2. Macroeconomic environment

2.1. Economic outlook

In 2023, the UK economy stagnated, seeing growth of just 0.1% year-on-year, and output ended the year around 1.8% above 2019 pre-Covid levels. While the near-term economic outlook remains weak, comparatively high wealth levels, a very-diversified economic base and a flexible labour market continue to be significant factors supporting economic resilience. We expect output to increase by 0.5% this year before returning near its medium-run growth potential (of 1.5%) to 1.4% by 2025. Our growth forecast accounts for the fact that, like many other developed economies, the UK economy will see its finances strained by higher-for-longer inflation and interest rates, as well as households' increasing vulnerabilities to future economic crises.

The tightness in the labour market has supported robust wage growth, exceeding consumer-price-index (CPI) inflation, causing for gains in real incomes. The pace of wage growth and labour-market developments will remain important factors for the Bank of England in its future policy-rate decisions. We have consistently maintained a view for fewer rate cuts than markets have priced in under our thesis of higher rates for longer and see the official base rate being cut only 25bps to 5.0% by end-2024 before 4.5% by end-2025. Unemployment increased to 4.1% of the active labour force in 2023, and we expect it to remain around 4.2% in both 2024 and 2025.

Inflation declined last year to an average of 7.3% year-over-year from its peaks the previous calendar year and the first three months of 2024 have seen a further reduction to 3.2% year-on-year by March of this year. We expect nevertheless inflation to stay sticky at slightly-above 2% price-stability objectives, averaging 2.8% this year before 2.7% in 2025.

Figure 3: United Kingdom: Scope's forecasts for major economic indicators

Indicator	2021	2022	2023E	2024F	2025F
Real GDP growth (average)	8.7%	4.3%	0.1%	0.5%	1.4%
Headline CPI inflation (average)	2.6%	9.1%	7.3%	2.8%	2.7%
Unemployment rate (average)	4.7%	3.9%	4.1%	4.2%	4.2%
Base rate (end of period)	0.25%	3.5%	5.25%	5.0%	4.5%

Source: Scope Ratings, Office for National Statistics (UK), IMF

For further information, see our Sovereign Outlook 2024, dated 15 December 2023.

2.2. Data centre sector outlook

Robust outlook driven by an increasingly digitalised world and the recent AI boom

Data centres provide space for hardware equipment, which is necessary for certain IT services, applications and for storing the related digital data. Following the increase in demand in the last couple of years, the outlook for data centres remains robust driven by an increasingly digitalised world and the recent artificial intelligence ('AI') boom. Despite the challenges of land and power availability and the global economy's slowdown, growth in the sector is not slowing down: not only are the major and historical markets that are Frankfurt, London, Amsterdam, Paris and Dublin ('FLAP-D') expected to continue growing by 16% in 2024[1] but secondary markets are also benefiting from the growth as developers look outside core markets.

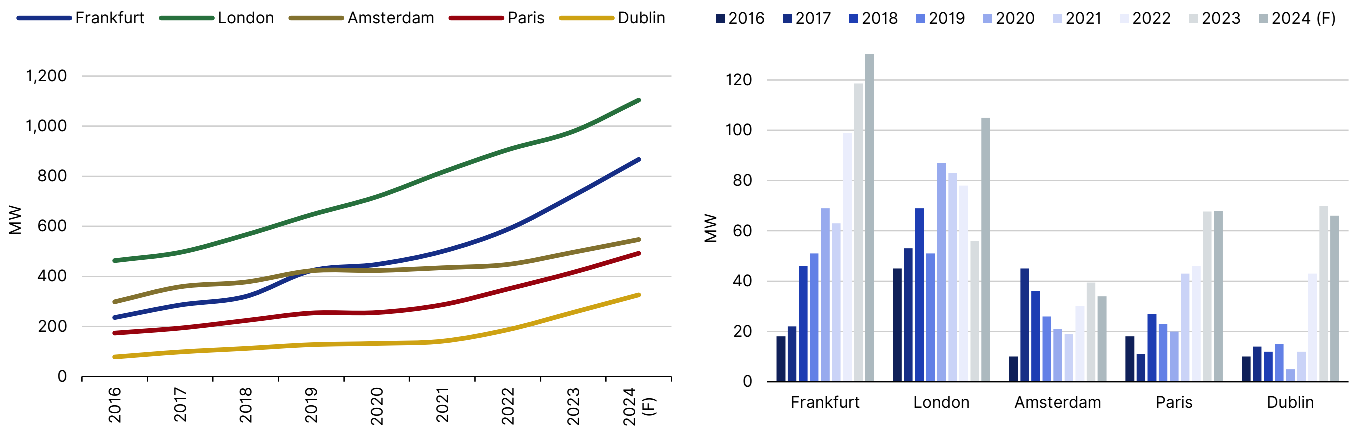
[1] JLL - EMEA Data Centre Report Q4 2023

London has experienced a constant annual growth rate of 11% from 2016 to 2023 and is still expected to grow a further 13% in 2024 according to JLL. However, new supply has been decreasing over the last three years due to the constraint of power capacity with a drop to 73MW in 2023, the lowest growth of the FLAP-D markets at 8.1%.

Power constraint limits new supply and take up in FLAP-D markets

Issues of power supply and infrastructure in the FLAP-D markets led to substantial growth in emerging markets such as Wales, also motivated by strategic connectivity points, stable regulatory environment and hyperscale interest in the region.

Figure 4: FLAP-D total market size and take-up



Source: JLL - EMEA Data Centre Report Q4 2023, Scope Ratings

Enterprises transitioning away from on-premises IT equipment to the cloud and data centre drives up demand

The increase in demand is not only driven by enterprise data centre demand but also hyperscalers' and cloud demand. Businesses are moving away from the on-premises IT equipment which requires high upfront and running capital to pay-per-use third party data centre ('colocation') or public cloud options. The overwhelming growth in data centres is from hyperscale opportunities as cloud service providers are working to increase overall efficiencies. Strategic interconnection is increasingly essential to allow connectivity to multiple cloud platforms and provide proximity for optimised performance, as it is the case for this transaction's main tenant. While the main hyperscalers continue to build their own data centres, they are unable to keep up with demand and, therefore, lease large amounts of space and power from competent, compliant, and efficient data centre developers. The main tenant has a strong and historical relationship with the Vantage group and CWL13 was purpose-built as a result.

Limited disruption expected in the near future

A potential disrupter for wholesale data centres is Web3. Still in its infancy, it is expected to be the next generation of the internet, characterised by the use of blockchain technology and decentralisation. Individual users would take on greater responsibilities for computing, storing, and communicating, as opposed to servers owned by large providers doing the bulk of computing and storage. It is unlikely to disrupt demand in the next 10 to 15 years given the sheer size of the other demand drivers, such as video, social networks, gaming, e-commerce, web browsing, music streaming, back-up operating systems, and AI.

3. Vantage Data Centers overview

The sponsor operates more than 30 data centre campuses

Vantage Data Centers is a globally operating owner, developer and manager of data centres. The company has significant experience with over 30 campuses across North America, Europe and the Asia-Pacific region. Vantage was founded in the United States in 2010, where it completed its first data centre construction in 2013. In 2017 the company was acquired by a consortium led by DigitalBridge, a global alternative asset manager which invests in digital infrastructure. Vantage expanded into Europe in 2020 and into the Asia-Pacific region in 2021, through large acquisitions.

Vantage's core business is to own, build and lease data centres, to provide space, power, cooling, and physical security. The IT equipment such as server racks inside the data halls are owned, operated, and maintained by the tenants. The business model aims letting to high quality tenants under long term lease agreements, which include rent escalation. Vantage receives fixed monthly rent payments from the tenants based on the guaranteed power availability, regardless of actual power usage or space occupied. The cost of the power is paid by the tenants.

Vantage acquired the CWL campus in 2020

The CWL campus is the European flagship of the company. Vantage acquired the campus from Next Generation Data ('NGD') in July 2020. It was its sixth European market following its acquisition of Etix Everywhere which had campuses in Berlin, Frankfurt, Milan, Warsaw and Zurich. The NGD team joined Vantage and brought in local knowledge, skills, in-place tenant relationships and resources to manage the site. In January and April 2023, Vantage also announced the development of two new campuses in London scheduled to open late 2024 and early 2025 respectively, accelerating Vantage's presence in the United Kingdom.

Furthermore, Vantage has extensive experience with data centre securitisation with several transactions issued since 2018. This transaction will mark the first issuance in Europe and Vantage's tenth data centre ABS issuance globally.

Significant experience and resources

We deem Vantage to have significant experience with data centre management and to have the knowledge, skills, systems and resources which are necessary for the subsidiaries in the group to perform the key role as data centre managers of the properties which are backing the rated notes. We consider the sponsor to be of good quality with a strong market position, investment experience and risk management.

4. Asset analysis

Two high quality data centres secure the notes

Figure 5: The CWL11 data centre

Source: Scope Ratings

The property portfolio comprises two data centres, CWL11 and CWL13, located near Cardiff, in the United Kingdom. The assets are in an established business park on the outskirts of Newport, 10 miles east of Cardiff, 35 miles west of Bristol, 140 miles west of London. The location has good access to the M4 motorway, and the properties are also well accessible by train from London. Property valuer Knight Frank estimated the total market value at GBP 1,095m as of January 2024.

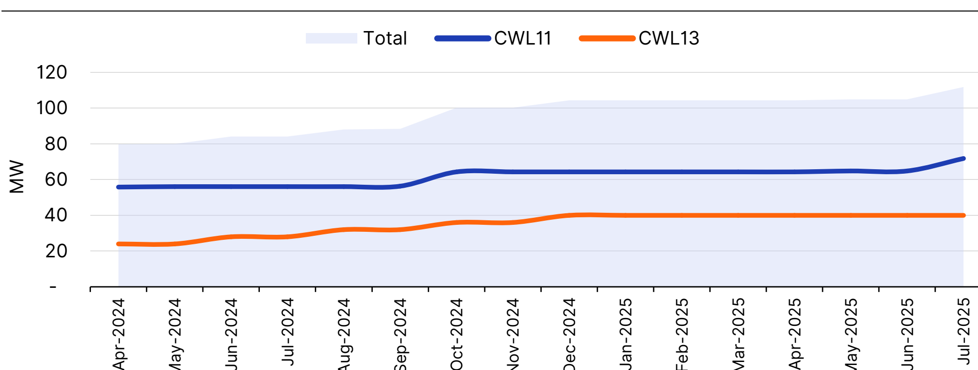
The properties are on two separate, but adjacent plots. The combined building area is 96,804 sqm (1,042,000 sq ft) with a total site area of 9.7 hectares (23.9 acres). The properties incorporate data halls, control room, plant rooms, robust fire suppression system, some offices and meeting rooms as well as break room for staff. Strong safety measures are in place, both for entering the area from the street and inside. Entry to the data halls is possible only following a security check. The generators, which can generate electricity even for a longer period of time in case of an outage in the electrical grid, are connected to the buildings from outside. Outside the buildings parking spaces are provided. We conducted a site visit on 20 February 2024, during which we ascertained that the properties were high quality data centres.

CWL11 was built in 1996 as a semiconductor manufacturing facility, before it was converted into a data centre in 2010. It houses several enterprise- and hyperscale tenants. CWL13 is a purpose-built data centre, which is let to a single hyperscale tenant. CWL13's shell and core were completed in 2023 and since, Vantage has fitted out and handed over six out of the total ten data halls to the tenant as of April 2024. There is a further development plot in the area for another data centre, CWL12. CWL12 does not form part of the transaction, even though it utilises certain shared infrastructure with CWL 11 and CWL13, as governed by a separation framework agreement.

One of the highest power capacity data centre campuses in Europe

Both CWL11 and CWL13 are already operational, but there are some fit-out works remaining to increase the lettable critical load power. The additional capacities are already pre-let, predominantly to two hyperscale tenants. CWL11's current power capacity is 56MW, which, after two meaningful fit-out completions (8MW in October 2024 and 7MW in July 2025) will ramp up to 72MW. CWL13's current online capacity of 24MW (six data halls out of ten) will increase with the

Figure 6: Scheduled capacity increase



Source: rent roll, Scope Ratings

gradual handover of the remaining four data halls to 40MW. Each data hall has 4MW capacity, and the handovers are scheduled to take place every two months, the last one occurring in December 2024. Consequently, the combined capacity of the two properties will increase to 112 MW by July 2025.

Excellent power source and data traffic connection

The total power capacity is available via a rare 400 kV connection to the UK's grid, thereby avoiding the more distributed lower voltage power networks where faults normally occur. Furthermore, in 2020, the London Internet Exchange, LINX, opened a new peering node in CWL11 which is combined with the first Welsh LINX node in BT's Cardiff data centre to jointly become LINX WALES. Wales is ideally located close to important subsea cables efficiently shuttling massive data not only directly to Ireland, North America, Spain and Portugal but also indirectly to Africa, the Middle East and Asia.

The properties are built to high industry standards, and as demonstrated by the commitment in the lease agreements, can provide 99.999% uptime. We were informed by Vantage that this covenant has not been breached in the past. The buildings are in good condition. The valuer did not identify any urgent expenditures to repair anything which is not accounted for in the standard maintenance capital expenditures. No environmental issues which could impact the properties' market value were identified. Even though a part of the CWL11 site is at some risk of flooding (around 3%), there have not been any recorded flooding incidents, according to Vantage. The environmental report did not identify any contaminated land liabilities, or any issues regarding operational compliance and best practice.

CWL13 is freehold, while CWL11 is on leasehold under several leases with a remaining lease term of 111 years. The aggregate head rent is GBP 5.0m for 2024, but the headleases are subject to rent reviews. The head rent will significantly increase in 2025 to GBP 7.3m, and only gradually in the coming years, to GBP 9.3m by 2037.

Both properties properly covered by insurance

Both properties are covered by insurance, which incorporates all usual items, such as insurance of the property, plant and machinery, provides cover for damage by fire, storm, flood, site clearance, terrorism, and loss of rent. CWL11's policy limit is GBP 650.0m, while CWL13's already delivered and to-be fitted out data halls are insured up to a combined policy limit of GBP 305m.

Figure 7: Main property attributes as of April 2024 and upon completion of the fit-out[2]

Property	Market value (GBP m)	Current online capacity (kW)	Capacity upon completion (kW)	Online of total (%)	Current rent (GBP m)	Rent upon completion (GBP m)	WAULT, Current (years)	WAULT, upon completion (years)
CWL11	636.0	55,473	72,000	77.0%	53.9	72.6	4.7	6.1
CWL13	459.2	24,000	40,000	60.0%	20.3	33.8	14.9	15.2
Total	**1,095.2**	**79,473**	**112,000**	**71.0%**	**74.2**	**106.4**	**7.5**	**9.0**

[2] For our stratifications in section 4 and section 5, we generally compare the 'current' and the 'upon completion' stages. The current stage considers the contracted annualised rent of the commenced leases only; therefore, the total rental income is lower than the 'Annualised Adjusted Base Rent' as described in the transaction documents. The latter also accounts for the part of the executed forward starting leases which will be payable in the next twelve months. The 'upon completion' stage assumes renewal of all expiring leases, but disregards rent escalation. The WAULT provided for the 'upon completion' stage is to be understood from end-April 2024 cut-off date.

5. Tenancy analysis

The contracted annualised rent of the commenced leases accounts for GBP 74.2m as of April 2024, which, upon completion of the fit-out works in both properties will increase to more than GBP 106.4m. The data halls are let to 62 different tenants, the majority of which are engaged in cloud computing, software and other technology industries.

Large concentration of high credit quality tenants

Vantage targets predominantly hyperscale tenants, which require significantly larger power capacities than enterprise tenants, and typically sign longer lease contracts. Consequently, despite the relatively large number of tenants, hyperscale tenants[3] contribute highly to the rental income (93.2%). The largest tenant currently accounts for 74% of the contracted annualised rent. Upon completion of the fit-out, its share will reduce to 64%, given the capacity expansion in CWL11 will result in the increase of the second largest tenant's contribution. The top five tenants account for 93.9% of the current online capacity and 89.8% of the rental income, which upon completion will increase further to 95.7% and 92.9%, respectively. The risk related to the high concentration is well mitigated by the good credit quality of large tenants with long remaining lease terms.

Figure 8: Breakdown of tenancy, April 2024

	Leased capacity (kW)	Leased capacity (%)	Rent (GBP m)	Rent (%)	WAULT (years)	Rating
Tenant #1	64,800	81.0%	54.7	73.7%	8.9	AAA
Tenant #2	6,000	7.5%	5.7	7.7%	7.1	BBB
Tenant #3	1,706	2.1%	3.1	4.1%	0.9	CCC-
Tenant #4	1,500	1.9%	1.8	2.5%	3.3	A-
Tenant #5	1,125	1.4%	1.3	1.8%	0.8	NR
Top 5	***75,131***	***93.9%***	***66.6***	***89.8%***	***8.1***	
Others	4,342	5.4%	7.6	10.2%	1.8	
Vacant	518	0.6%	0.0	0.0%		
Total	**79,991**	**100.0%**	**74.2**	**100.0%**	**7.5**	

Source: rent roll, credit rating agencies, Scope Ratings

Figure 9: Breakdown of tenancy, upon completion

	Leased capacity (kW)	Leased capacity (%)	Rent (GBP m)	Rent (%)	WAULT (years)	Rating
Tenant #1	80,800	72.1%	68.2	64.1%	10.3	AAA
Tenant #2	21,000	18.8%	23.1	21.7%	9.7	BBB
Tenant #4	2,500	2.2%	3.1	2.9%	4.0	A-
Tenant #3	1,706	1.5%	3.1	2.9%	0.9	CCC-
Tenant #5	1,125	1.0%	1.3	1.3%	0.8	NR
Top 5	***107,131***	***95.7%***	***98.8***	***92.9%***	***9.5***	
Others	4,351	3.9%	7.6	7.1%	1.8	
Vacant	518	0.5%	0.0	0.0%		
Total	**112,000**	**100.0%**	**106.4**	**100.0%**	**9.0**	

Source: rent roll, credit rating agencies, Scope Ratings

[3] We consider hyperscale leases the 46 agreements which lease out more than 200kW critical load power.

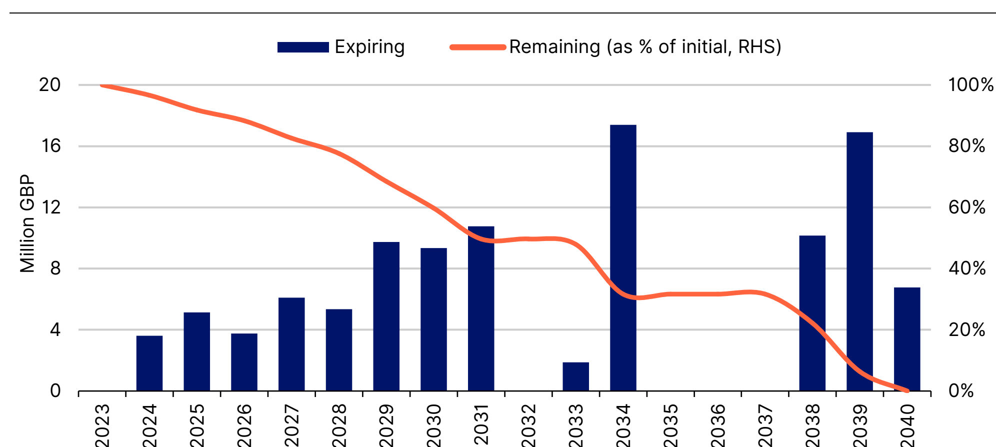
As most hyperscale leases have been executed on a long-term basis, the lease portfolio features a long weighted average unexpired lease term (WAULT). The weighted average original lease term is 10.8 years, while the WAULT is 7.5 years, which will increase to 9.0 years upon completion of the fit-out works. The leases also include potential extension(s), which, based on historical evidence are likely to be exercised, as moving to a new location is time consuming and might require additional expenses from the tenants.

100% of the remaining rent payable in case of early termination

The leases do not incorporate break options. Early termination is possible, but in most cases[4] the tenant would have to pay 100% of the remaining rent for the period between the date of the termination and the contractual lease expiry. Therefore, the tenants are materially incentivised to not terminate. If, as a result of early termination(s) the DSCR falls below 1.5x, the termination fee will be deposited into a reserve, thereby providing further protection (see section 6.3.).

Disregarding potential renewals, around 26% of the lease agreements (by contracted rent) will expire before May 2029, the anticipated repayment date of the Class A-2 notes, and 81% before the final maturity date of the notes in May 2039.

Figure 10: Lease expiries and the total remaining contracted rent



Source: rent roll, Scope Ratings

Hyperscale tenants pay lower rents

There is a significant difference between the rent paid by enterprise tenants, which lease smaller capacities, and the hyperscale tenants. The current weighted average rent for the commenced leases is GBP 84.9/kW/month resulting from hyperscale tenants paying GBP 78.7/kW/month on average for the aggregate 76.6MW online leased capacity, while enterprise tenants pay GBP 170.4/kW/month for the aggregate 2.8MW online leased capacity. The difference is explained by the hyperscale tenants' much larger and longer commitment. They generally sign 10-year leases with potential extension: this is also reflected in the longer WAULT, which in the case of the hyperscale tenants' online capacities is 7.9 years compared to 1.7 years for the enterprise tenants.

The turnover is low since Vantage acquired the assets in 2020. This reflects the tenants' ongoing demand for data centre capacities and the fact that moving away may require additional expenses. As evidenced by some recently signed leases, tenants are also willing to accept higher rent levels as earlier.

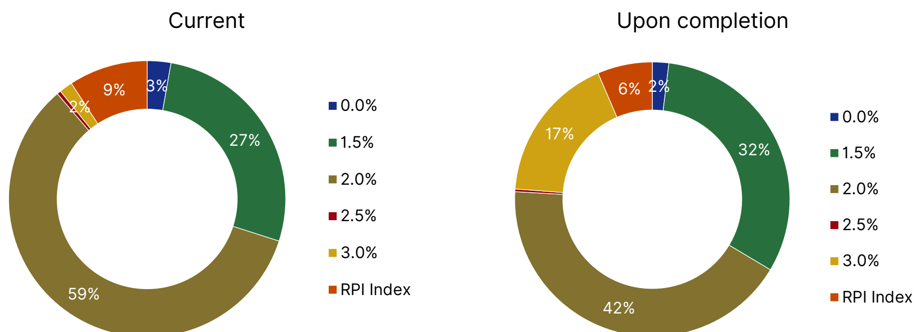
Most leases feature rent escalation

The vast majority of the leases feature rent escalation. 59% of the contracted rent will increase by 2.0% p.a., 27% by 1.5% p.a., 9% by the RPI index and there are only three leases which will not be escalated, accounting for less than 3% of rental income. Enterprise leases tend to be either

[4] There are two leases which incorporate lower early termination fees after the first five years of the term, and there is one lease which provides an option to terminate for convenience at any time.

escalated by the RPI (60% of their rent) or have a fixed 2.0% escalation (28%), while hyperscale tenants' leases feature predominantly a fixed 2.0% (61% of their rent) or only 1.5% (29%) escalation.

Figure 11: Lease escalation breakdown

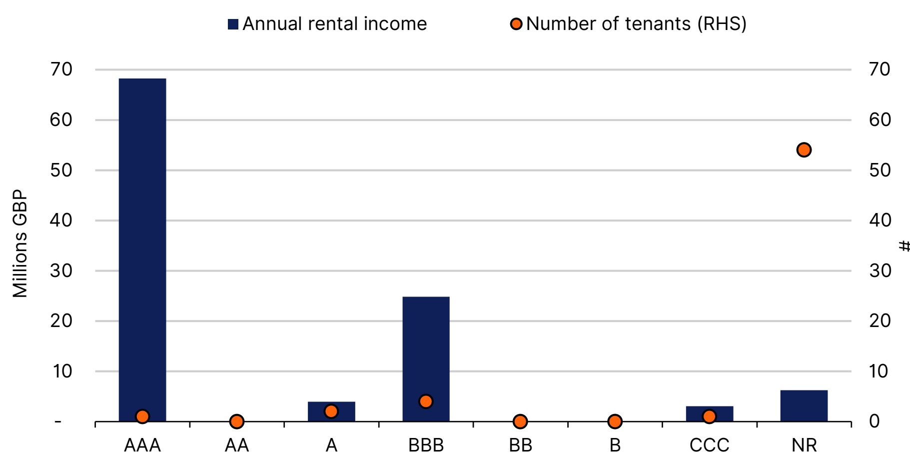


Source: rent roll, Scope Ratings

Around 90% of the tenants are of investment grade credit quality

The key tenants are well-known entities in the software industry and many of them are publicly rated. The portfolio is of very good credit quality, as currently around 87% of the contracted annualised rent can be attributed to investment grade tenants (91 % upon completion of the fit-out works). Four out of the top five tenants are publicly rated, and three of them are of investment grade credit quality. The two largest tenants are of AAA and BBB credit quality, respectively, based on the public ratings from large credit rating agencies.

Figure 12: Portfolio breakdown by tenant credit quality (upon completion)[5]



Source: rent roll, Scope Ratings

[5] Based on the second best rating of the publicly available issuer ratings.

6. Key structural features

6.1. Key financing terms

Only Class A-2 notes will be issued at closing

The transaction features Class A-1 variable funding notes and Class A-2 notes. Once issued, the Class A-1 notes will rank senior to the Class A-2 notes in the pre-enforcement priority of payments, but pari passu in the post-enforcement priority of payments. At closing date only Class A-2 notes will be issued in an amount of GBP 600.0m. The issuer will use the proceeds to repay GBP 480.0m of existing debt, fund several transaction-related reserves, finance third-party transaction costs, and for general corporate purposes, including the development of data centres.

Class A-1 notes' drawing requires rating agency confirmation

The Class A-1 notes will finance solely general corporate purposes, but issuance may occur only later, after the closing date and before the anticipated repayment date, up to a maximum amount of GBP 100.0m. Drawings on the Class A-1 notes are possible on a revolving basis (i.e., the repaid amounts can be redrawn). Each Class A-1 notes' drawing is subject to certain conditions, including: i) rating agency confirmation, which confirms that, as a result of the increase in the Class A-1 notes' balance, the Class A-2 notes' rating will not be downgraded, withdrawn or placed under review; ii) it will not result in an event of default, cash trap event, rapid amortisation event, manager termination event, scheduled amortisation event, Class A LTV test event; iii) the debt service coverage ratio will remain at least 1.6x; and iv) the AANOI leverage will not increase above 10:1.[6]

The issuer will provide intercompany loans to the propco from time to time, starting around the closing date. The main source of the interest and principal payment on the notes will be the payments made by the propco to the issuer related to the intercompany loans. The propco funds those payments from the net operating income which the data centres generate.

Class A-2 notes' ARD in five years, final maturity in 15 years

Both notes feature an anticipated repayment date ('ARD'), on which the issuer may redeem the notes. The legal final maturity date is May 2039 for both classes of notes, i.e. 15 years after closing.

The Class A-2 notes' ARD will be five years after the closing date, on the payment date falling in May 2029. The Class A-1 notes' ARD will be two years after the closing date, on the payment date falling in May 2026. The Class A-1 notes' ARD can be extended twice by an extra year on each occasion. The extension has no specific precondition other than that the issuer must give not less than 60 days' (and not more than 90 days') notice before the extension.

Interest is paid monthly on the 28th of each month. Class A-2 notes' interest rate is expected to be a fixed rate of 6.7% p.a., while Class A-1 notes will pay a variable interest rate linked to SONIA. The Class A-1 notes' commitment fee is a fixed rate of 0.8% p.a. After the respective ARD, an additional interest of 5.0% p.a. will begin to accrue on each class of notes. The additional interest is deferrable and there is no further interest on interest payable. In the pre-enforcement priority of payments[7] the additional interest is subordinated to the base interest. Our rating on the Class A-2 notes does not address the payment of any additional interest after the ARD.

No scheduled amortisation

There is no scheduled principal amortisation on the notes. However, the breach of certain financial covenants before the ARD can trigger partial principal amortisation. The trigger events and their consequences are detailed in the next section. After an ARD, on each payment date, all excess cash which remains after payment of the first 13 items in the priority of payments (see Figure 15), will be used for principal amortisation.

[6] For definitions of the financial covenants see section 6.2.
[7] For simplicity, in this section, by priority of payments we usually refer to the pre-enforcement priority of payments.

6.2. Trigger events

Financial covenants provide protection to the noteholders

The transaction includes financial covenants linked to the LTV and the transaction-specific debt service coverage ratio (DSCR[8]), complemented by a covenant related to the transaction-specific metric of the AANOI leverage[9]. These triggers are curable and provide protection to the noteholders should adverse market developments or tenants' departure result in a reduction of the properties' market value or the rental income. Compliance with the covenants will be tested two business days before each payment date.

a) **Class A LTV test event:** if the LTV exceeds 70%, the part of the excess cash remaining after payment of the first 11 items of the priority of payments (Figure 15) which is necessary to reduce the LTV to maximum 70% will be used for amortisation of the outstanding notes' balance.

b) **Scheduled amortisation event:** if the DSCR falls below 1.5x, the excess cash remaining after payment of the first 12 items in the priority of payments (capped at 3.0% p.a. of the initial principal balance less the early termination fees) will be used for amortisation of the outstanding notes' balance until the condition cures.

c) **Cash trap event:** if the DSCR falls below 1.35x., the excess cash remaining after payment of the first 14 items in the priority of payments (Figure 15) will be transferred to the cash trap reserve. If the event continues for more than nine consecutive months, the trapped amount will be used for amortisation of the notes. If the cash trap event ceases to exist, the trapped amount will be made available as part of the available funds.

d) **Rapid amortisation event:** if the DSCR falls below 1.20x, or any covenant, representation, warranty or other obligation contained in the Tax Deed of Covenant is breached, the excess cash remaining after payment of the first 15 items in the priority of payments (Figure 15) will be used for amortisation of the outstanding notes' balance.

e) **AANOI leverage test event:** drawing on the Class A-1 notes is not allowed if the ratio of notes' outstanding balance divided by the annualised adjusted net operating income exceeds 10:1.

6.3. Reserves

Reserves support interest payment on the notes

The transaction incorporates several reserves as shown on Figure 13. Part of them will be funded at closing with the proceeds from the issuance of the Class A-2 notes. Each reserve will be held on a separate ledger on the issuer reserve account (except for the capital expenditure reserve which has a dedicated account).

Figure 13: Transaction reserves

Reserve	Amount at closing (GBP m)	Replenishment possible?
Liquidity reserve	10.4	Yes
Executed forward starting lease reserve	10.0	Yes
Priority expense reserve	1.9	Yes
Quarterly paying rent reserve	7.9	Yes
Capital expenditure reserve	12.1	Yes
Delayed penalty reserve	11.7	No
Early termination fee reserve	0.0	N/A
Cash trap reserve	0.0	N/A

Source: transaction documents, Scope Ratings

[8] Based on the average of the transaction-specific debt service coverage ratio on the test date and the two preceding test dates.
[9] The Class A-1 and Class A-2 notes' aggregate outstanding balance divided by the annualised adjusted net operating income.

The risk of reduction in rental income is mitigated by a liquidity reserve

a) **Liquidity reserve:** can be applied to cover any shortfall in senior expenses as well as in interest and commitment fee payments. On each payment date it will be replenished to the required amount, which is the amount of interest on all outstanding notes and Class A-1 commitment fees that will become due on the following three payment dates.

b) **Executed forward starting lease reserve ('EFSL reserve'):** to provision for the rent payments related to certain lease agreements where tenants have not started paying rent yet. The required amount at each payment date[10] is the difference between: i) the amount of rent which would be payable by the tenants in the next 13 months; and ii) the rent which they will actually pay in the next twelve months. On each payment date the proportional part of the reserve related to the covered lease agreements will be used as available fund for payments.

c) **Priority expense reserve:** to fund the priority expenses (headlease, property tax and insurance) which are expected to become due before the next payment date. The required amount at each payment date is the amount expected by the data centre managers to be due until then, which will be allocated to the reserve as first item of the priority of payments.

d) **Quarterly paying rent reserve:** to reserve for the payment of accrued monthly rents under the quarterly paying leases[11]. Each week, all rent amounts received from quarterly paying leases will be credited to this reserve. On each payment date the proportional monthly part of the rent will be used as available fund for payments.

e) **Delayed penalty reserve:** a one-off reserve at closing to reserve for a delayed penalty, which may be claimed by the CWL13 tenant by way of set-off against its rent payment. The penalty is a compensation for a past delayed delivery of certain data halls in CWL13. If the tenant exercises its set-off right, it will be gradually utilised as available fund as if it was a rental payment by the tenant.

f) **Capex reserve:** to reserve funds for the fit-out expenses of CWL13. As the fit-out works progress, at the direction of the data centre managers the issuer will reimburse the propco for the expenses which it already paid for such purpose since the closing date.

g) **Early termination fee reserve:** to reserve any early termination fees received by the propco with respect to full or partial termination of any lease. If an early termination fee is received, and as a result of the termination DSCR falls below 1.5x, the amount will be deposited into this reserve. On each payment date, if DSCR is at least 1.5x, the respective monthly rent amount will be released as available fund. If DSCR is below 1.5x for six months, the remaining reserve amount will be used for partial redemption of the notes.

h) **Cash trap reserve:** if a cash trap event occurs, on each payment date until it ceases to exist, all remaining available funds after payment of the first 15 items of the priority of payments will be credited to the cash trap reserve ledger.

[10] Only related to the leases which will start paying rent in less than one year from the given date.
[11] Currently around 64% of the leases – by the contracted annualised rent amount – pay rent quarterly, which will reduce to around 45%, as each of the two largest tenants' forward starting leases will pay rent with monthly frequency.

6.4. Priority of payments

On each payment date the cash manager (post-enforcement, the trustee) will apply the available funds in accordance with the below priority of payments in sequential order. In the pre-enforcement priority of payments, interest and principal payments on the Class A-1 notes rank senior to those payments on the Class A-2 notes, whereas in the post-enforcement priority of payments Class A-1 and Class A-2 rank pari passu.

Figure 14: Available funds (simplified)

	Available funds
a)	all amounts received by the issuer from the propco, which payments will be funded by the propco from all revenues arising from the ownership, operation or management of the data centres
b)	any liquidity reserve draw amounts (only for payment of items 2-6 of the pre-enforcement priority of payments)
c)	any liquidity reserve excess amount
d)	any executed forward starting lease release amount
e)	any available terminated tenant lease rent amount
f)	any released early termination fee
g)	any cash trap release amount (only for payment of items 14-16 of the pre-enforcement priority of payments)
h)	any released delayed penalty fee
i)	any amounts released from the issuer capital expenditure reserve to be part of the available funds
j)	any available quarterly paying rent amount
k)	any interest earned on the issuer’s accounts (excluding its general account)

Source: transaction documents, Scope Ratings

Figure 15: Simplified pre- and post-enforcement priority of payments

	Pre-enforcement priority of payments
1	to fund the priority expense reserve up to the required amount
2	amounts due to the trustee
3	amounts due to the corporate services providers, the issuer account bank, the cash manager, and the agents
4	amounts due to the servicer (capped at GBP 96,000 p.a.) and the back-up manager (capped at GBP 24,000 p.a.)
5	any tax of the issuer
6	firstly: interest and commitment fee on the Class A-1 VFN secondly: interest on the Class A-2 notes
7	an amount up to the budgeted operating expenses and targeted maintenance capital expenditure
8	management fees due to the data centre managers (capped at 3% of the AABR divided by twelve)
9	to fund the liquidity reserve to the required reserve amount
10	at the direction of the relevant data centre manager, to fund the EFSL reserve up to the EFSL reserve threshold amount
11	the excess, if any, of the actual operating expenses and maintenance capital expenditure, over the budgeted operating expenses and targeted maintenance capital expenditure (subject to the consent of the servicer)
12	if the Class A LTV exceeds 70%, for redemption of the notes[12]
13	if the 1.50x DSCR trigger is breached (scheduled amortisation event), for redemption of the notes[12]
14	following an ARD, redemption of the relevant notes[12]
15	if a cash trap event is continuing (1.35x DSCR trigger is breached), crediting the cash trap reserve
16	if the 1.20x DSCR trigger is breached (rapid amortisation event), for redemption of the notes[12]
17	following an ARD, subordinated manager expense contribution to the data centre managers (capped at 3% of the AABR divided by twelve)
18	following an ARD, accrued post-ARD additional interest on the relevant notes[12]
19	amounts determined by the data centre managers to credit the issuer capital expenditure reserve account
20	unpaid amounts to the agent, the servicer, the back-up manager, the cash manager, or the trustee
21	any surplus to the issuer's general account, then transferred to the propco's general account
	Post-enforcement priority of payments
1	amounts due to the trustee
2	amounts due to the corporate services providers, the issuer account bank, the cash manager, and the agents
3	amounts due to the servicer and the back-up manager
4	to fund the priority expense reserve until it contains an amount sufficient to discharge any unpaid priority expenses and other expenses of the issuer or the propco (approved by the trustee)
5	interest and fees due or overdue on both classes of notes
6	principal due or overdue on both classes of notes
7	management fees due to the data centre managers
8	any tax of the issuer
9	any surplus to the issuer's general account, then transferred to the propco's general account

Source: transaction documents, Scope Ratings

[12] Payments on the Class A-1 notes rank senior to the payments on the Class A-2 notes.

6.5. Interest rate risk

Potential moderate exposure to interest rate risk

At the closing date the transaction is not exposed to interest rate risk, as the Class A-2 notes pay fixed interest. Nevertheless, drawings on the Class A-1 notes will expose the transaction to interest rate risk, as those notes will pay a variable rate referenced to SONIA. There is no hedging agreement in place which would entail compensation for the issuer should the SONIA reference rate increase. The risk is moderate: assuming the maximum Class A-1 amount of GBP 100.0m is drawn, the Class A-1 notes' outstanding balance would represent only 14.3% of the combined amount of the Class A-1 and Class A-2 notes, and the liquidity reserve also mitigates the risk.

An increase in market rates would also elevate the refinancing risk, as lenders would likely seek higher debt yields. The high share of the largest tenant ensures healthy debt yield, which serves as a significant mitigant, and it is further supported by the deleveraging which would start at the anticipated repayment date.

6.6. Accounts

Frequent transfer of collected rent from the propco's account to the issuer's collection account

The issuer's accounts will be held at closing with Barclays Bank PLC, while the propco's accounts with National Westminster Bank Plc. From the issuer's accounts both the issuer and the cash manager can make payments, while the propco has sole signing rights on the propco accounts. This may change only in the case of an event of default, upon which the cash manager would take over the operation of those accounts.

Account	Description
Issuer accounts	
Issuer collection account	All repayments on any intercompany loans advanced by the issuer will be made into this account
Issuer reserve account	The following amounts will be deposited into this account: required priority expense reserve amount, executed forward starting lease reserve threshold amount, delayed penalty, required liquidity reserve amount, required quarterly paying rent reserve amount and any amounts required into the cash trap reserve
Issuer capital expenditure reserve account	To reserve an amount of funds for the payment of CWL13 fit-out expenses
Issuer general account	Surplus available funds will be transferred into this account
Propco accounts	
Propco rent collection account	All monies received by the propco will be paid into this account (excluding power income and CWL12 headlease income). On the third business day of each week interest and principal payments will be made under the intercompany loans to the issuer collection account
Propco power income and headlease collection account	All power income and CWL12 headlease proceeds are paid into this account, unless rapid amortisation event or event of default is continuing, in which case, all such amounts will be paid directly into the issuer collection account
Propco expense account	From the issuer collection account, the following amounts will be transferred into this account, and paid by the propco: i) priority expenses, ii) operating expenses and maintenance capital expenditure, iii) CWL13 fit-out expenses
Propco general account	Any income received by the propco, unless otherwise required to be paid into a specific account, will be paid into this account

Source: transaction documents, Scope Ratings

7. Cash flow analysis and rating stability

We analysed the transaction's cash flows as per the approach detailed in our CRE Loan and CMBS Rating Methodology. We derived the expected loss, expected weighted average life and default probability of the rated instrument by using rating-scenario dependent assumptions.

The analysis considers that the likelihood of a default of commercial real estate (CRE) securities is two-fold: i) term default risk relates to the borrower's failure to service its contractual interest and principal obligations during the term and ii) refinancing default risk relates to the borrower's failure to refinance at the legal final maturity of the notes.

Term default risk captured through Monte Carlo simulation based on tenants' individual credit quality

Our cash flow modelling considers contracted rental income, and, after lease expiries or tenants' default followed by a void period, an estimated rental income, which is the then-current market rent reduced by haircuts. Tenant solvency in each period is determined by a Monte Carlo simulation which factors in the tenants' individual credit quality. The cost assumptions take into account characteristics of the properties and, in this particular case, follow the figures set out in the transaction documents.

Refinancing risk captured through debt yield at the maturity date

The cash flow analysis also considers the transaction's liability structure, the interest and commitment fee payable on the notes, the reserves, the costs ranking senior to debt service and accounts for potential delays against the expected ready-for-service dates. Refinancing risk is captured through the modelled debt yield at maturity.

The portfolio's market value is modelled by discounted cash flows

The calculated value of each property equals the capitalised net cash flow at an appropriate capitalisation rate using an income valuation approach. The recovery proceeds in case of a default equal to the modelled value of the property portfolio at the end of the foreclosure period net of liquidation costs.

7.1. Main assumptions

We assessed the tenants' credit quality based on public ratings where available and assumed B credit quality for unrated tenants. The tenants' assumed credit quality ranges from CCC to AAA, with an A+ weighted average portfolio level credit quality.

Capacities assumed to be unutilised for 20 months after tenants' departure

Based on our framework for transactions which include refurbishment/construction risk, we assumed that the forward starting leases would start six to nine months later than the expected ready-for-service date. At the assigned A rating level, we assumed the void periods, which reflect temporary vacancies following a lease discontinuation event, to last for 20 months. We do not model the renewal of any leases.

We considered an estimated rental value (ERV) of GBP 90.0/kW/month. This assumption factors in that the current rents paid by the tenants vary in a wide range, depending on several factors, such as the size of the leased capacity, the rental contract's signing date and individual features. We adjusted down the ERV by a 20.8% haircut and considered 10% structural vacancy limiting rental income and property value in the long term.

Cost assumptions follow the transaction documents

Our cost assumptions follow the transaction documents, such as, for CWL11 and CWL13 property tax and insurance at GBP 3.9 and GBP 2.6 /kW/month, respectively, budgeted operating expenditures at GBP 13.0 and GBP 11.2 /kW/month, respectively, budgeted maintenance capital expenditure being GBP 35.8/kW p.a. from 2025, and management fee accounting for 3% p.a. of rental income. The modelled costs also include the head rent payable in relation to CWL11, which will gradually increase as a result of RPI-linked uplifts.

To determine the properties' sustainable cash flows which are used for the market value calculation, we applied a 10% sustainable rental value haircut to the assumed market rent, to reflect that the build of new data centres and/or technological innovations may result in limited increase in market rents. Under the A scenario, we capitalised the net cash flows generated by the CWL11

and CWL13 properties by 9.3% and 8.5% capitalisation rates, respectively, to determine the property value. Liquidation costs accounted for 1.5% of the notes' outstanding balance, capped at GBP 1.7m, plus 8% of the modelled portfolio market value as well as an additional 24.6% of the modelled portfolio market value, in line with our framework applied to CRE securities which include refurbishment/construction risk.

Figure 16: Assumptions under the assigned rating level

Parameter	Assumptions at the assigned rating level
Capitalisation rate	9.0%
Rental value haircut	20.8%
Sustainable rental value haircut	10.0%
Structural vacancy	10.0%
Non-recoverable costs (GBP/kW/month)	CWL11: 16.9 CWL13: 13.8
Non-rated tenant credit quality	B
Void period (months)	20
Void costs (GBP/kW/year)[13]	CWL11: 49 CWL13: 33
Leasing commissions (months)	3
Maintenance capex (GBP/kW/year)[14]	35.8
Senior costs (% of gross rental income)	3.2%
Foreclosure period (months)	24
Liquidation costs	1.5% of the outstanding note balance[15], plus 8.0% of modelled market value, plus additional 24.6% of modelled market value, with respect to our construction/refurbishment framework

Source: Scope Ratings

7.2. Rating sensitivity

We tested the resilience of the credit rating against deviations in certain input parameters. This analysis has the sole purpose of illustrating the sensitivity of the credit rating to input assumptions and is not indicative of expected or likely scenarios. The following shows how the results for the Class A-2 notes change compared to the assigned rating in the event of:

i) 20% higher rental value haircut: zero notches;

ii) 20% higher capitalisation rates: zero notches;

iii) 100% higher structural vacancy: zero notches;

iv) GBP 50m Class A-1 issuance in six months and further GBP 50m in twelve months: zero notches.

[13] Applies only during the void period for those capacities which are temporarily not let.
[14] From 2025. In 2024 GBP 34.9/kW p.a. which is the 2025 value discounted by the annual escalator of 2.5%.
[15] Capped at GBP 1.7m

8. Sovereign risk

Sovereign risk does not limit the notes' rating

Sovereign risk does not limit the Class A-2 notes' rating. The risks of an institutional framework meltdown or legal insecurity are immaterial for the rating.

For more insight into our fundamental analysis of the UK economy, see our press release dated 26 April 2024 ('Scope has completed a monitoring review on the United Kingdom').

9. Counterparty risk

The transaction's counterparty risk supports the rated instrument's rating. We do not consider any counterparty exposure to be excessive.

The financial counterparty roles of the issuer account bank (Barclay Bank PLC), the propco account bank (National Westminster Bank Plc) and the insurers (FM Insurance Company Limited and Zurich Insurance Company Limited) are material exposures to the issuer.

Financial counterparty risk is mitigated by the counterparties' high credit quality

In relation to the issuer account bank and the propco account bank, the transaction's downgrade and replacement language, which requires a suitable replacement within 60 calendar days upon loss of a minimum BBB- rating by Scope, is only partially effective at mitigating counterparty risk. The residual exposure does not affect the rating given the credit quality of the account banks. We assessed the issuer account bank's credit quality with Scope's credit rating[16], while that of the propco account bank by the A1/A+/A+ public ratings from Moody's/S&P/Fitch, respectively.

Regarding the insurers, the lack of effective replacement mechanism is mitigated by the current high credit quality of the counterparties, which supports the Class A-2 notes' rating. We assessed the credit quality of these counterparties based on the following public ratings from Moody's/S&P/Fitch, respectively: FM Insurance Company Limited: n.a./A+/AA, Zurich Insurance Company Limited: Aa3/AA/AA-.

Operational risk related to the data managers is mitigated by their experience

Operational risk is mainly related to the data centre managers (Vantage Data Centers Europe S.à. r.l., Vantage Data Centers United Kingdom (Opco) Limited, and VDC UK Management Company Limited). Since the acquisition of the properties, the data centre managers have demonstrated their ability to carry out their duties. The operational risk is also mitigated by the transaction's master services manager termination event, upon which Vantage Data Centers Europe S.à r.l., as master services manager may be replaced by the back-up manager (Jones Lang LaSalle Services Limited).

In relation to the principal paying agent, Elavon Financial Services DAC ('Elavon'), we consider the counterparty risk immaterial, as the short exposure and Elavon's credit quality are effective mitigants. Elavon holds the following public ratings from Moody's/S&P/Fitch, respectively: A1/A+/A+.

10. Use of legal and tax opinions

Legal, valid, binding obligations

The notes are governed by English law, and the related transaction documents are governed by either English or Jersey law. The legal opinions cover all Vantage entities which are obligors in the transaction, and as such, also two entities which are incorporated in Luxembourg. We reviewed the English, Jersey and Luxembourg legal and tax opinions produced by reputable law firms with significant experience in international securitisation. These provide comfort on the issuer's legal structure and support our general legal analytical assumptions.

The issuer has been duly incorporated and is validly existing under the laws of Jersey. It has the capacity and power to enter into the transaction documents, to exercise its rights and perform its

[16] Available on a subscription basis

obligations. The transaction documentation will constitute legal, valid, binding and enforceable obligations, and will create a valid security interest in the collateral. The choice of English law as governing law specified in each examined transaction document signed on behalf of the issuer, will be upheld as a valid choice of law and will be applied by the Jersey courts. The issuer is not a tax resident in Jersey, but in the United Kingdom. Based on our review of the structure and with the support of the tax opinions, we assumed the structure to be tax-efficient, and the effect of taxes immaterial to the Class A-2 notes' rating.

11. ESG considerations

Environmental

The transaction has a moderate exposure to physical climate related risks, which is mitigated by the insurance of the properties which covers against natural risks, such as flood, fire, and storms. The data centre campus uses renewable energy sources with the aim of limiting its carbon footprint, and by maintaining high energy efficiency, to operate on a sustainable basis.

The sponsor has developed the Vantage Green Finance Framework to obtain green loans and issue green bonds to develop data centres. The framework has been deemed compliant with the ICMA Green Bond Principles 2021 and the Green Loan Principles 2023 by an external party. The issuer intends the notes to be compliant with the framework, in which the financed projects need to meet the following criteria: i) the properties have to have clear comparable environmental benefits; ii) clear information on how the transaction fits into green projects, its sustainability as green project and identification and management of social and environmental risks related to the project; iii) proceeds should be tracked; iv) annual reporting on the allocation of funds.

Social

The data centres are less reliant on the human factor than on technology, even though they employ staff who constantly monitor the power supply and take actions when necessary. The buildings ensure proper conditions for the employees. The transaction's social impact is limited, even though the data centres' activity contributes to improvement in user experience by supporting cloud storage and digitalisation of the economy.

Governance

The transaction's governance-related risk is low and typical of CMBS transactions. The notes are governed by extensive documentation, and transparency is provided through monthly reporting. The sponsor retains substantial economic interest in the transaction.

12. Monitoring

Scope analysts are available to discuss all the details surrounding the rating analysis

We will monitor this transaction based on investor reports and rent roll updates provided by the cash manager as well as other available information. The rating will be monitored continuously and reviewed at least once a year, or earlier if warranted by events.

Scope analysts are available to discuss all the details surrounding the rating analysis, the risks to which this transaction is exposed and the ongoing monitoring of the transaction.

13. Applied methodology and data adequacy

We analysed this transaction using our General Structured Finance Rating Methodology dated March 2024, CRE Loan and CMBS Rating Methodology dated November 2023 and Counterparty Risk Methodology dated July 2023. All are available on our website, www.scoperatings.com. We have received an agreed-upon procedures report as of the date of the preliminary rating.

We have received and used the following main documents and data sources:
Offering circular
Rating agency presentation
Data tape (rent roll)
Lease abstracts
Valuation report – January 2024
CWL13 construction update – March 2024
Capex projections – February 2024
Headlease expense schedule
Insurance broker's letter - 2024
CWL11 and CWL13 Phase One Compliance reports
Legal opinions
Tax opinion
Project Draig Tax Structure paper - April 2024
Vantage Green Finance Framework second-party opinion
Vantage Data Centers UK Limited management accounts – December 2023
Other transaction documents, including: security documents, account bank agreements, intercompany loan agreement, agency agreement, servicing and back-up management agreement, incorporated terms memorandum, deed of covenant

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