S&P Global
Ratings

Research

New Issue: Tikehau CLO X DAC

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Table Of Contents

Table Of Contents (cont.)

New Issue: Tikehau CLO X DAC

Ratings Detail

Ratings

Class	Rating*	Balance (mil. €)	Subordination (%)	Interest rate§
A	AAA (sf)	263.50	38.00	Three/six-month EURIBOR plus 1.50%
B-1	AA (sf)	36.10	27.51	Three/six-month EURIBOR plus 2.30%
B-2	AA (sf)	8.50	27.51	5.75%
C	A (sf)	25.90	21.41	Three/six-month EURIBOR plus 2.75%
D	BBB- (sf)	30.40	14.26	Three/six-month EURIBOR plus 4.00%
E	BB- (sf)	18.10	10.00	Three/six-month EURIBOR plus 6.95%
F	B- (sf)	14.80	6.52	Three/six-month EURIBOR plus 8.34%
Sub. notes	NR	32.60	N/A	N/A

*The ratings assigned to the class A, B-1, and B-2 notes address timely interest and ultimate principal payments. The ratings assigned to the class C, D, E, and F notes address ultimate interest and principal payments. §The payment frequency switches to semiannual and the index switches to six-month EURIBOR when a frequency switch event occurs. EURIBOR--Euro Interbank Offered Rate. NR--Not rated. N/A—-Not applicable.

Transaction Summary

Tikehau CLO X DAC is a European cash flow CLO transaction, securitizing a portfolio of primarily senior secured leveraged loans and bonds. Tikehau Capital Europe Ltd. manages the transaction.

Key Credit Metrics

Selected credit metrics

Total leverage (x)*	12.19
Weighted-average cost of debt (%)§	2.32
Modeled WAS (%)	4.26
Modeled WAC (%)	4.75
Excess spread (%)†	1.98
SDR ('AAA') (%)	63.93
Modelled weighted-average portfolio recovery ('AAA') (%)	37.05

*Total debt/equity. §Spread over EURIBOR for all classes, excluding the subordinated notes. †WAS (calculated on the assumption of 93.15% of the portfolio as floating-rate assets, with 4.26% spread and 6.85% of the portfolio as fixed-rate assets with a coupon of 4.75%) minus the weighted-average cost of debt. WAS--Weighted-average spread. WAC--Weighted-average coupon. SDR--Scenario default rate. EURIBOR--Euro Interbank Offered Rate.

Portfolio credit benchmarks

SPWARF*	2,801.61
'AAA' default rate dispersion	508.16
Obligor diversity measure§	88.14
Industry diversity measure†	19.52

Portfolio credit benchmarks (cont.)	
Regional diversity measure‡	1.42
Weighted-average life (years) extended to cover the length of the reinvestment period	5.03
Weighted-average life (years)	4.86

*The SPWARF is calculated by multiplying the par balance of each collateral obligation (with a rating from S&P Global Ratings of 'CCC-' or higher) by S&P Global Ratings' rating factor, then summing the total for the portfolio, and then dividing this result by the aggregate principal balance of all of the collateral obligations included in the calculation. The S&P Global Ratings' rating factor of an individual asset is the five-year default rate given its S&P Global Ratings' credit rating and the default table in the corporate CDO criteria, multiplied by 10,000. §The effective number of obligors in the underlying collateral, obtained by squaring the exposure for each obligor and taking the reciprocal of the sum of these squares [i.e., 1/sum()^2]. †The effective number of industry in the underlying collateral obtained the same way as the obligor diversity measure. ‡The effective number of regions in the underlying collateral obtained the same way as obligor diversity measure. SPWARF--S&P Global Ratings' weighted-average rating factor.

Transaction Timeline

Transaction timeline	
Closing date	April 11, 2024
Noncall period end date	April 11, 2026
Reinvestment period end date	April 20, 2029
Stated maturity date	April 20, 2038
Debt payment frequency	Quarterly, beginning Oct. 20, 2024. Semiannually after a frequency switch event.
Participants	
Collateral manager	Tikehau Capital Europe Ltd.
Arranger	Jefferies International Ltd.
Trustee	BNY Mellon Corporate Trustee Services Ltd.

Rationale

The ratings assigned to Tikehau CLO X DAC's notes reflect our assessment of:

- The diversified collateral pool, which primarily comprises syndicated speculative-grade senior secured term loans and bonds that are governed by collateral quality tests.
- The credit enhancement provided through the subordination of cash flows, excess spread, and overcollateralization.
- The collateral manager's experienced team, which can affect the performance of the rated notes through collateral selection, ongoing portfolio management, and trading.
- The transaction's legal structure, which is bankruptcy remote.
- The transaction's counterparty risks, which are in line with our counterparty rating framework.

Environmental, Social, And Governance

We regard the exposure to environmental, social, and governance (ESG) credit factors in the transaction as being broadly in line with our benchmark for the sector (see "ESG Industry Report Card: Collateralized Loan Obligations," published on March 31, 2021). Primarily due to the diversity of the assets within CLOs, the exposure to environmental credit factors is viewed as below average, social credit factors are below average, and governance credit factors are average.

For this transaction, the documents prohibit assets from being related to certain activities, including, but not limited to the following: the production or trade of illegal drugs or narcotics, including recreational cannabis; electrical utilities under certain conditions; oil and gas producers under certain conditions; one whose revenues are more than 25% derived from production or trade of highly hazardous chemicals, highly hazardous pesticides, highly hazardous waste or ozone-depleting substances; one whose revenues are more than 10% derived from sale or manufacturing of civilian firearms; one whose revenues are more than 5% derived from tobacco and tobacco-related products including e-cigarettes; one whose revenues are more than 1% derived from sale or extraction of thermal coal, coal-based power generation, or oil sands; one whose any revenue is from pornography, prostitution, or payday lending; are in violation of "The Ten Principles of the UN Global Compact". Accordingly, since the exclusion of assets from these industries does not result in material differences between the transaction and our ESG benchmark for the sector, no specific adjustments have been made in our rating analysis to account for any ESG-related risks or opportunities.

Rating Considerations

In our analysis, we considered the factors in table 1, among others.

Table 1

Rating considerations

Risk	Risk description	Mitigating factors
Reduction in cash flow	Defaults, adverse interest rate movements, and low recoveries can reduce the cash flow generated by the underlying portfolio and affect the issuer's ability to meet its obligations in a timely manner.	Our quantitative analysis simulates various default patterns and interest rate movements, under various stress scenarios considering portfolio characteristics, payment mechanics, covenants, collateral quality tests, and excess spread.
Excess concentration in certain types of collateral obligations	The collateral manager's ability to invest in certain types of collateral is outlined by the indenture. Larger concentrations in certain obligations can introduce additional risks to the rated notes.	Our cash flow analysis takes into consideration the underlying portfolio's maximum allowable amount of certain types of collateral obligations to stress test the transaction for concentration risk. Examples include: 12.5% fixed rate assets. For more details, please see table 8.
Collateral manager trading performance	During the reinvestment period, the collateral manager can change the underlying portfolio's composition, thus exposing the transaction to potential deterioration in credit enhancement.	The transaction documents require the portfolio manager to meet the reinvestment criteria which is in line with our criteria. See tables 10 and 11.
Divergence of effective date portfolio from assumptions	Most underlying portfolios are not fully purchased by closing. Therefore, there is a risk that the fully ramped-up portfolio at the transaction's effective date will be materially different than the one presented to us for its analysis. The portfolio is currently close to 92% ramped up.	We offer collateral managers both a model and formula-based version of its CDO Monitor at closing. This tool is intended to assist the collateral manager in maintaining a similar credit risk and cash flow profile to what was initially presented for our analysis.
Exposure to covenant-lite loans	The collateral manager can purchase covenant-lite loans (those that do not contain incurrence or maintenance covenants for the benefit of the lending party) for up to a certain percentage of the underlying portfolio (see table 8). Exposure to these types of loans may reduce the transaction's recovery prospects.	For covenant-lite loans that do not have an asset-specific recovery rating, we apply reduced recovery rates in our cash flow analysis (41% under an 'AAA' level of stress versus 50% for a senior secured first-lien loan that is not covenant-lite (in a group "A" country).

Table 1

Rating considerations (cont.)

Risk	Risk description	Mitigating factors
Long-dated collateral obligation can introduce market value risk	A portfolio containing long-dated collateral obligations exposes a transaction to market value risk. To repay the debtholders at the transaction's maturity, the collateral manager will be forced to sell such obligations at the prevailing market price, which may be below par.	According to the transaction documents, the collateral manager cannot purchase any long-dated collateral obligations (other than uptier priming debt or debt issued by an asset priming obligor). The collateral manager can however vote in favor of a waiver, modification, or amendment that would extend a collateral obligation's maturity beyond the debt's stated maturity (subject to certain conditions being met) or may receive a long-dated obligation as part of a restructuring. At all times, not more than 5.0% of the portfolio shall consist of long-dated obligations.
Loss mitigation/workout obligations	Under the transaction documents, the issuer may purchase obligations of an existing borrower offered in connection with a workout, restructuring, or bankruptcy (workout or loss mitigation obligations), to maximize the overall recovery prospects on the borrower's obligations held by the issuer. The purchase of loss mitigation obligations is not subject to the reinvestment criteria or eligibility criteria and can be funded using interest proceeds, principal proceeds, or amounts in the collateral enhancement account.	The use of interest to purchase loss mitigation obligations is subject to the manager determining (i) there are sufficient interest proceeds to pay interest on all the rated notes, and (ii) all coverage tests passing on the upcoming payment date. The use of principal proceeds is not subject to the manager having built sufficient excess par in the transaction so that the principal collateral amount is equal to or exceeds the portfolio's reinvestment target par balance after the reinvestment, but this is offset by the requirement for (i) passing par coverage tests, and (ii) most of the eligibility criteria being met. All proceeds from principal-funded loss mitigation obligations and some of the proceeds from non-principal-funded obligations (as determined by the portfolio manager) are credited to the principal account.

Collateral Manager

Tikehau Capital Europe Ltd. (Tikehau Europe) is a limited liability company incorporated in England and Wales.

We reviewed Tikehau Europe under our operational risk criteria (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published on Oct. 9, 2014). In our view, it can manage this CLO, based on the extensive experience of its portfolio managers.

Quantitative Analysis

In analyzing this transaction, we conducted a quantitative review consisting of two analyses: a portfolio analysis and a cash flow analysis.

Portfolio analysis

For the portfolio analysis, we ran the portfolio presented to us through the CDO Evaluator model, which defaults portions of the underlying collateral based on the default probability and correlation assumptions defined in our criteria. This resulted in a set of scenario default rates (SDRs), which represent expected default levels for the portfolio under the different stress scenarios associated with each rating level.

Cash flow analysis

For the cash flow analysis, we input the transaction-specific structural features presented to us into Standard & Poor's Cash Flow Evaluator model to generate a base-case set of cash flows. We then subjected these cash flows to various default timing and interest rate stress scenarios to arrive at a break-even default rate (BDR) for each rated class of debt.

For each class, the BDR represents the maximum amount of defaults that it can withstand while still being able to pay timely interest and ultimate principal (class A, B-1, and B-2 notes) or ultimate interest and principal (class C, D, E, and F notes) to its noteholders. Classes with higher subordination typically have higher BDRs.

The transaction allows the manager to buy a maximum of 12.5% fixed paying assets, and we considered in our cash flow analysis the BDRs where this fixed bucket is filled. Our base case is 100% floating assets. In our analysis, we modeled the weighted-average spread and coupon provided by the manager.

Connecting the portfolio and cash flow analyses

For a tranche to achieve a particular rating, it must be able to withstand the level of defaults projected by the CDO Evaluator and still pay timely interest and principal (class A, B-1, and B-2 notes) or ultimate interest and principal (class C, D, E, and F notes).

The results shown in table 2 indicate that the rated notes have sufficient credit enhancement to withstand our projected default levels. This scenario represents the scenario with the lowest BDR cushion at the 'AAA' level, in which we have modeled 100.0% of floating-rate assets.

Table 2

Credit enhancement

Class	BDR (%)	SDR (%)	BDR cushion (%)
A	68.54	63.93	4.61
B-1 and B-2	65.22	56.33	8.89
C	59.97	50.34	9.63
D	49.24	40.89	8.35
E	40.03	33.49	6.54
F	29.21	27.28	1.93

BDR--Break-even default rate. SDR--Scenario default rate.

Supplemental tests

We also conduct a largest industry default test, a largest obligor default test, a largest sovereign default test, and a largest transfer and convertibility default test according to "Global Methodology And Assumptions For CLOs And Corporate CDOs," published on June 21, 2019, and "Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions," published on Jan. 30, 2019. Under these assumptions, the debt can withstand the loss amounts indicated in table 3 at the assigned ratings.

Table 3

Supplemental tests

Class	Rating	Largest industry default test loss amount (mil. €)	Largest obligor default test loss amount (mil. €)	Largest sovereign test amount (mil. €)	Largest sovereign T&C test amount (mil. €)
A	AAA (sf)	39.40	65.89	26.62	0.00
B-1 and B-2	AA (sf)	39.40	58.29	26.62	0.00
C	A (sf)	N/A	50.69	0.00	0.00
D	BBB- (sf)	N/A	42.67	0.00	0.00
E	BB- (sf)	N/A	37.92	0.00	0.00

Table 3

Supplemental tests (cont.)					
Class	**Rating**	**Largest industry default test loss amount (mil. €)**	**Largest obligor default test loss amount (mil. €)**	**Largest sovereign test amount (mil. €)**	**Largest sovereign T&C test amount (mil. €)**
F	B- (sf)	N/A	32.99	0.00	0.00

T&C--Transfer and convertibility. N/A--Not applicable.

Collateral Quality Tests And Credit Metrics

In addition to the quantitative framework, we produce and review other metrics to assess specific risks inherent in a transaction. Results for the collateral quality tests based on the portfolio provided to us are shown in table 4.

Table 4

Collateral quality metrics – performing collateral			
Test	**Weighted- average**	**Covenant**	**Margin**
Modeled weighted-average life (years)*	5.03	9.03	4.00
Weighted-average spread including floors (%)	4.27	4.26	(0.01)
Weighted-average spread excluding floors (%)	4.26	4.26	0.00
Weighted-average fixed coupon (%)	4.75	4.75	0.00

*The modeled weighted-average life is the one used in our cash flow analysis and is quarterly.

Portfolio Characteristics

Metrics based on the portfolio presented to us and the level of ramp-up completion are shown in table 5.

Table 5

Target collateral obligations	
Target par balance (mil. €)	425.00
Par balance of identified collateral (mil. €)	386.77
Par balance of collateral not yet identified (mil. €)	38.23
Obligors	
Number of unique obligors	156
Number of identified obligors	152
Average obligor holding (%)	0.64
Largest-obligor holding (%)	6.88
Smallest-obligor holding (%)	0.12

In the portfolio data referenced for this analysis, the issuer had identified 91.01% of the portfolio's collateral. As the portfolio composition changes, the information and results presented in table 6 and charts 1-4 are also likely to change.

Obligor concentration

The underlying portfolio presented to us for our rating analysis comprises 156 distinct obligors. Table 6 below shows the respective industries of the 10 top obligors.

Table 6

Top obligor holdings

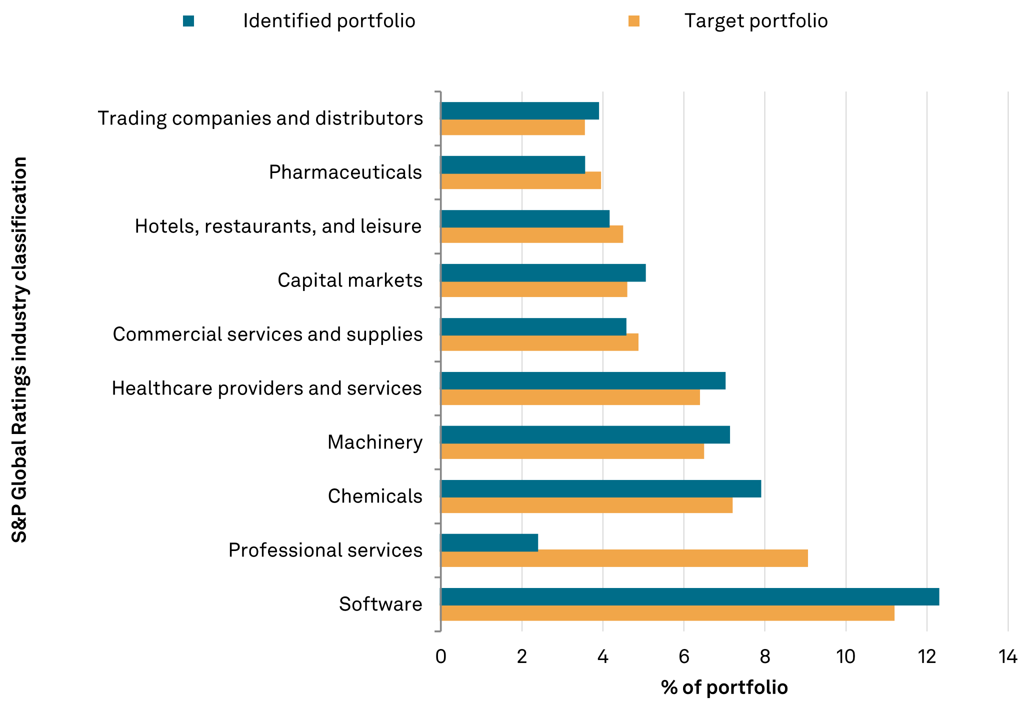
			Notional amount (mil. €)		Notional amount (%)	
Obligor reference	**Industry**	**S&P Global Ratings' credit rating**	**Obligor**	**Cumulative**	**Obligor**	**Cumulative**
1	Professional services	B-	29.23	29.23	6.88	6.88
2	IT services	NR	5.50	34.73	1.29	8.17
3	Pharmaceuticals	B+	5.19	39.91	1.22	9.39
4	Specialty retail	NR	5.00	44.91	1.18	10.57
5	Containers and packaging	B	4.24	49.15	1.00	11.57
6	Real estate management and development	B	4.20	53.35	0.99	12.55
7	Insurance	B	4.00	57.35	0.94	13.49
8	Pharmaceuticals	B	4.00	61.35	0.94	14.44
9	Trading companies and distributors	B	4.00	65.35	0.94	15.38
10	Software	NR	4.00	69.35	0.94	16.32

Industry distribution

Chart 1 shows the top 10 industry distribution in the portfolio. The portfolio comprises 37 distinct industries as per the Capital IQ industry - level 3 classification.

Chart 1

Top industry distribution

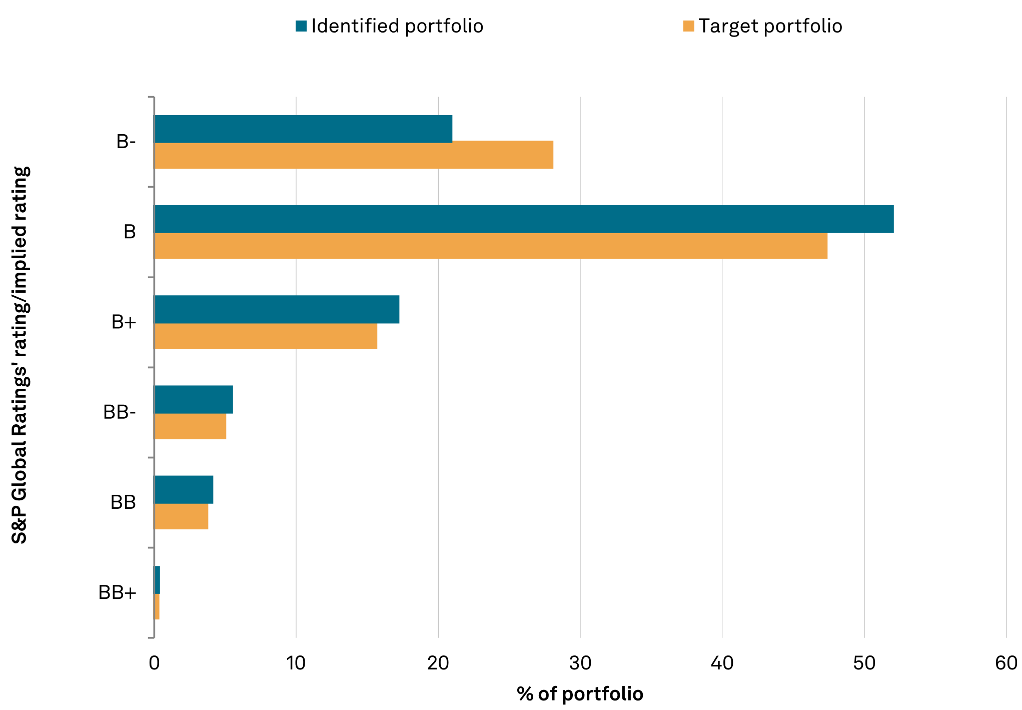


Ratings distribution

Chart 2 shows the ratings distribution in the portfolio. Of the identified underlying collateral obligations, 99.37% have credit ratings assigned by us.

Chart 2

Rating distribution



Recovery rating distribution

Table 7 presents the recovery rates modeled to calculate BDRs and actual recovery rates of the targeted portfolio. Chart 3 presents our recovery rates distribution of the portfolio. Of the identified underlying collateral obligations, 99.37% have recovery ratings issued by us.

Table 7

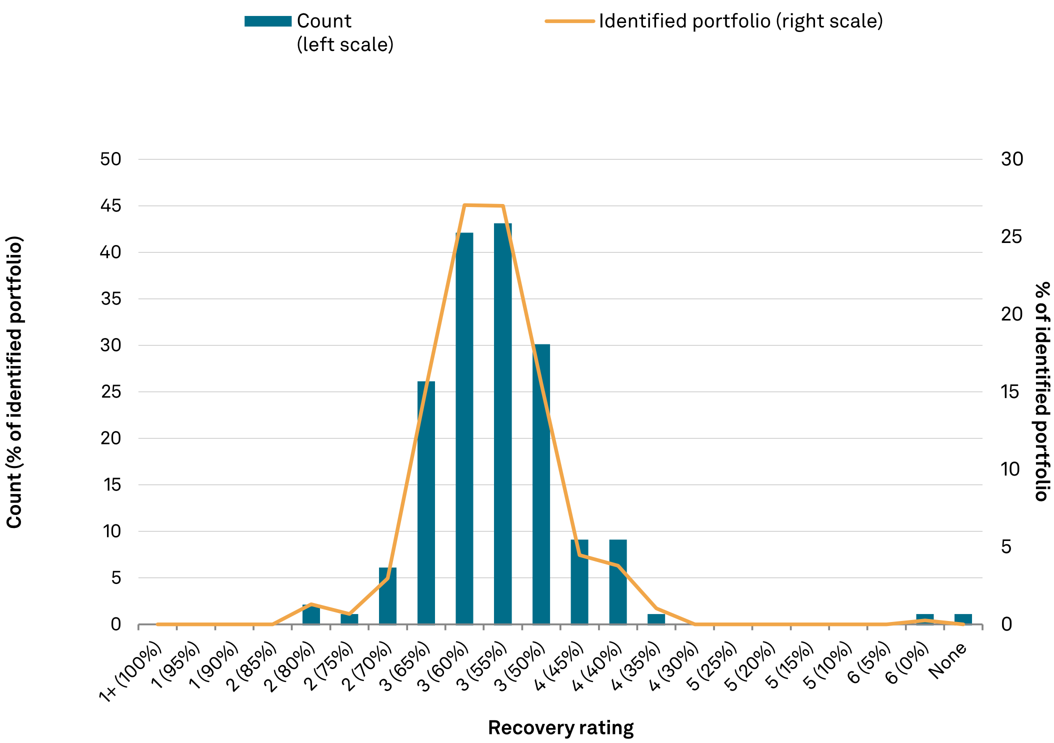
Collateral WARR

Liability rating	Modeled WARR (%)	Target pool WARR (%)	Actual WARR on identified portfolio (%)
AAA (sf)	37.05	37.05	37.25
AA (sf)	46.87	46.87	47.05
A (sf)	52.89	52.89	53.07
BBB- (sf)	59.66	59.66	59.83
BB- (sf)	64.42	64.42	64.57
B- (sf)	65.52	65.52	65.67

WARR--Weighted-average recovery rate. During the ramp-up period (generally six months from closing), the manager will buy assets to reach the modeled WARR considered in our analysis.

Chart 3

Recovery rating distribution



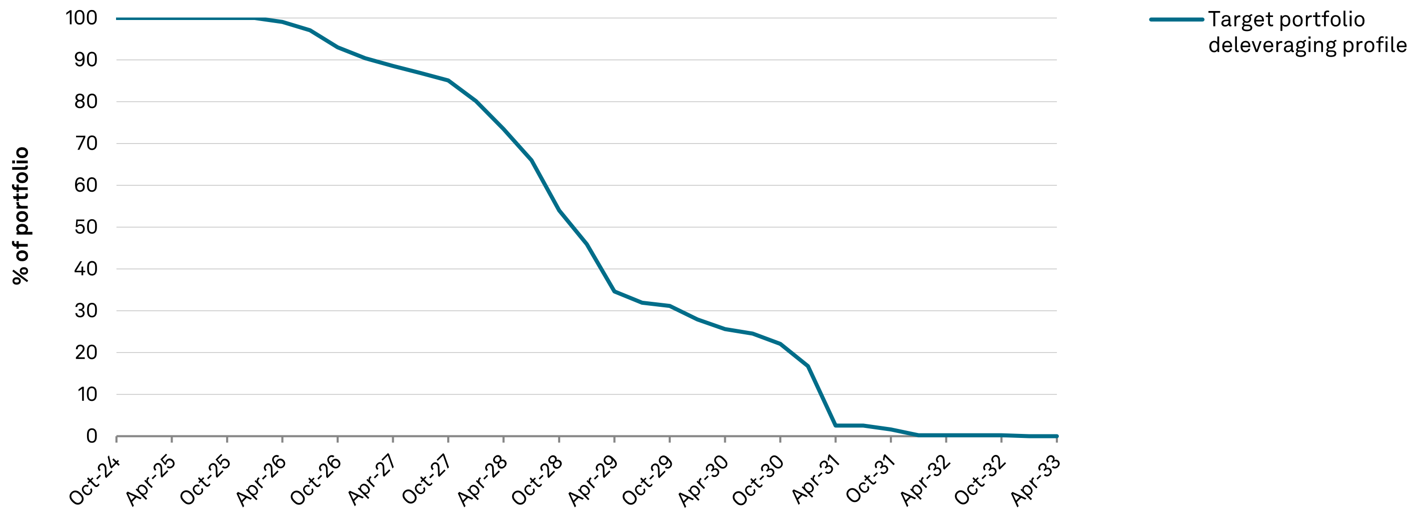
Deleveraging profile

Chart 4 shows the portfolio's deleveraging profile.

Chart 4

Deleveraging profile

Based on the legal final maturity date



Portfolio Investment Guidelines

The underlying portfolio primarily comprises euro denominated senior secured loans and bonds to broadly syndicated corporate borrowers.

Table 8

Portfolio profile test

Type of obligation	Limit (%)
Minimum senior secured loans and senior secured bonds	90.00
Unsecured senior obligations, second lien loans, mezzanine obligations, and high yield bonds in aggregate. (Second lien loans not exceeding 5.00%.)	10.00
Senior secured loans	At least 70.00%
Single obligor of CDOs that is senior secured, provided up to three obligors may each represent up to 3.00%	2.50
Single obligor of CDOs other than senior secured obligations	1.50
Non-euro obligations	20.00
Unhedged obligations	2.50
Covenant-lite loans	30.00
Participations	10.00
Current pay, provided that current pay obligations that are uptier priming debt may comprise up to an additional 2.50%	5.00
Delayed-drawdown CDOs	10.00
S&P Global Ratings' credit rating of 'CCC+', 'CCC', and 'CCC-'	7.50
Corporate rescue loans, and any uptier priming debt that is a defaulted obligation, provided a single obligor may comprise up to 2.00%	5.00

Table 8

Portfolio profile test (cont.)	
Type of obligation	**Limit (%)**
Discount obligations	25.00
Annual obligations (includes semiannual obligations)	5.00
Fixed-rate obligations	12.50
CDOs of 10 largest obligors	25.00
Obligors domiciled in countries or jurisdictions rated below 'AA-' by S&P Global Ratings	20.00
Obligors domiciled in countries or jurisdictions rated below 'A-' by S&P Global Ratings	15.00
Obligors domiciled in countries or jurisdictions rated below 'BBB-' by S&P Global Ratings	0.00
Any S&P Global Ratings' industry may represent (Any three S&P Global Ratings' industries may comprise up to 40.0%.)	15.00
PIK obligations	5.00
Credit estimate obligations	5.00
Bridge loans	2.50
Private rating obligations	5.00
Loans to portfolio companies	10.00
Indebtedness of obligor between €150 million and €250 million	5.00

Note: Covenant-lite loans are typically assigned lower recovery ratings than similar obligations that require continued compliance with covenants. PIK--Payment in kind.

Risk of concentration in certain obligation types

We consider larger concentrations in the types of obligations shown in table 9 to pose additional risk to the transaction. If the transaction can purchase these collateral obligations, our quantitative analysis would consider the risk associated with these types of obligations (see table 8 for transaction-specific limitations).

Table 9

Risks of obligation types	
Obligation type	**Risk specific to the obligation**
Fixed-rate obligations	Because interest payments for all of the rated notes is tied to EURIBOR, obligations in the underlying portfolio that pay a fixed rate create exposure to interest rate movements. Should market rates change significantly over the transaction's life, this may reduce excess spread. To account for this risk, we consider the mix of fixed- and floating-rate assets at the minimum and maximum levels. The results are captured in the BDRs generated by Cash Flow Evaluator.
Long-dated obligations	Collateral obligations scheduled to mature after the transaction's stated maturity date introduce market value risk, as the collateral manager must sell the obligations at the prevailing market price to pay the rated noteholders. To account for this risk, our cash flow analysis haircuts the par amount of these obligations, which will lower the BDRs produced by Cash Flow Evaluator. This stress would also be considered for long-dated assets that the transaction can hold after any maturity amendments.
Obligations that pay interest less frequently than quarterly	Because transactions require quarterly interest payments (before the frequency switch event) to be made to the debtholders, a portfolio consisting of collateral obligations that pay interest less frequently creates a discrepancy in the timing of cash inflows and outflows. If this mismatch is significant, it may result in a shortfall in cash available to pay the rated noteholders. To mitigate the effects of these timing mismatches, the transaction incorporates an interest smoothing account and a frequency switch mechanism, which if triggered, will switch the payment frequency on the rated notes to semiannual.
S&P Global ratings' credit rating of 'CCC+' or below	Transaction documents typically limit the amount of obligations rated 'CCC+' or below that the collateral manager can purchase. A higher concentration of obligations rated 'CCC+' or lower will increase the SDRs produced by CDO Evaluator.

BDR--Break-even default rate. SDR--Scenario default rate. EURIBOR--Euro Interbank Offered Rate.

Under the transaction documents, certain conditions must be satisfied before collateral is bought for or sold from the portfolio (see tables 10 and 11).

Table 10

Summary of trading conditions during reinvestment period

Conditions to reinvest proceeds from each type of assets sold/received	Coverage tests	New asset minimum par amount	S&P CDO Monitor test†	Concentration limitations
Defaulted (including recovery on defaulted assets)	Satisfy§	Not less than 100% of the sale proceeds*	Not required	Satisfy otherwise maintain or improve
Credit risk	Satisfy otherwise maintain or improve§	Not less than 100% of the sale proceeds*	Not required	Satisfy otherwise maintain or improve
Discretionary	Satisfy otherwise maintain or improve§	Not less than 100% of the principal balance of assets sold*	Satisfy otherwise maintain or improve	Satisfy otherwise maintain or improve
Credit improved	Satisfy otherwise maintain or improve§	Not less than 100% of the principal balance of assets sold*	Satisfy otherwise maintain or improve	Satisfy otherwise maintain or improve
Unscheduled principal (including recoveries)	Satisfy otherwise maintain or improve§	N/A	Satisfy otherwise maintain or improve	Satisfy otherwise maintain or improve
Scheduled principal	Satisfy otherwise maintain or improve§	N/A	Satisfy otherwise maintain or improve	Satisfy otherwise maintain or improve

*Alternatively, if the aggregate collateral balance of the portfolio exceeds the reinvestment target par balance. §Interest coverage ratio on or after second interest payment date & class F par value, after the end of the reinvestment period. †From the effective date. N/A--Not applicable.

Table 11

Summary of trading conditions after reinvestment period

Conditions to reinvest proceeds from each type of assets sold/received	Coverage tests	New asset minimum par amount	Limitations	New asset with an equal or a higher rating	New asset with the same or a shorter maturity
Credit risk	Passing after	Not less than 100% of the sale proceeds of assets sold	Satisfy otherwise maintain or improve	Yes, or SDR is no greater	Yes
Credit improved	Passing after	Not less than 100% of the principal balance of assets generating proceeds	Satisfy otherwise maintain or improve	Yes, or SDR is no greater	Yes
Unscheduled principal	Passing after	Not less than 100% of the principal balance of assets generating proceeds	Satisfy otherwise maintain or improve	Yes, or SDR is no greater	Yes

SDR--Scenario default rate.

Debt Payment Considerations

Overcollateralization, interest coverage, and interest diversion tests

The rated notes benefit from certain structural features that require sequential mandatory redemption upon a breach of any overcollateralization or interest coverage test. Additionally, during the reinvestment period, the rated notes benefit from the reinvestment of up to a certain amount of the excess interest proceeds, captured upon breach of the transaction's interest diversion test (see table 12).

Table 12

Overcollateralization, interest coverage, and interest diversion tests

Class	Actual O/C (%)	Min. O/C required (%)	Min. I/C required (%)
A, B-1, and B-2	137.94	128.94	120.00

Table 12

Overcollateralization, interest coverage, and interest diversion tests (cont.)

Class	Actual O/C (%)	Min. O/C required (%)	Min. I/C required (%)
C	127.25	120.25	110.00
D	116.63	110.63	105.00
E	111.11	106.11	N/A
F	106.97	103.47	N/A
Interest diversion test	106.97	102.47	N/A

O/C--Overcollateralization. I/C--Interest coverage. N/A--Not applicable.

Payment priorities

Under the transaction documents, the collateral's interest and principal collections are payable according to separate payment priorities. On each payment date during and after the reinvestment period, unless at the stated maturity or an acceleration following an event of default occurs, proceeds will be distributed in the priority outlined in table 13.

Table 13

Waterfall payment priority

Priority	Interest waterfall	Principal waterfall
A	Taxes and issuer profit amount	Payment of A through I of interest waterfall if previously unpaid
B	Accrued and unpaid trustee fees and expenses, up to the cap*	If class C is controlling class, any unpaid interest
C	Due and unpaid administrative expenses, up to the cap*	If class C is controlling class, unpaid deferred interest
D	Transfers to expense reserve account	Cure class C coverage tests
E	(i) Senior collateral management fees due and payable§; and(ii) Previously due and unpaid senior collateral management fees	If class D is controlling class, any unpaid interest
F	(i) Scheduled periodic hedge issuer payments; (ii) Any currency hedge issuer termination payments; and(iii) Interest rate hedge issuer termination payments	If class D is controlling class, unpaid deferred interest
G	Class A notes interest	Cure class D coverage tests
H	Class B-1 and B-2 notes' interest	If class E is controlling class, any unpaid interest
I	Cure class A/B notes' coverage tests	If class E is controlling class, unpaid deferred interest
J	Class C notes' interest	Cure class E coverage tests
K	Class C notes' deferred interest	If class F is controlling class, any unpaid interest
L	Cure class C notes' coverage tests	If class F is controlling class, unpaid deferred interest
M	Class D notes' interest, current period	Following the expiry of the reinvestment period, to cure class F notes' coverage tests
N	Class D notes' deferred interest	Redemption following an effective date rating event
O	Cure class D notes' coverage tests	Make payments under a special redemption event
P	Class E notes' interest, current period	During the reinvestment period, to purchase collateral in line with the reinvestment criteria or to the principal account pending reinvestment
Q	Class E notes' deferred interest	After the reinvestment period, in the case of proceeds representing unscheduled proceeds and proceeds from the sale of credit improved assets and credit impaired assets, to purchase collateral in line with the reinvestment criteria or to the principal account pending reinvestment
R	Cure class E notes' coverage tests	Debt redemption in line with notes payment sequence

Table 13

Waterfall payment priority (cont.)

Priority	Interest waterfall	Principal waterfall
S	Class F notes' interest, current period	Payment of items X through BB of interest waterfall if previously unpaid
T	Class F notes' deferred interest	Residual payments to equity and, where appropriate, collateral manager
U	Following the expiry of the reinvestment period, to cure class F notes' coverage tests	
V	Redemption following an effective date rating event	
W	Reinvestment overcollateralization test, minimum of cure amount or 50% of remaining proceeds to either redeem notes or purchase additional collateral	
X	(i) Subordinated collateral management fee due and payable on such payment date; (ii) Previously due and unpaid subordinated collateral management fee; and(iii) at the collateral manager's election, deferred senior and subordinated collateral management amounts	
Y	Any remaining trustee fees and expenses not paid under the cap*	
Z	Any remaining administrative expenses under the cap*	
AA	Any defaulted hedge termination payments	
BB	Any collateral manager advances and related interests	
CC	Transfer to supplemental reserve account	
DD	Residual payments to equity and, where appropriate, collateral manager	

*0.025% per year. §0.15% per year. Note: The debt payment sequence is: First, the class A notes at the applicable redemption price until they fully redeem, followed by the class B-1 and B-2 notes pro rata pari passu in the same manner. Then, the class C notes including unpaid interest and deferred interest at the applicable redemption price until they fully redeem, followed by the class D to F notes in the same manner.

Debt redemption circumstances

Under the transaction documents, the notes can be redeemed before the stated maturity date of the transaction in the circumstances outlined below (see table 14).

Table 14

Debt redemption

Redemption events	Redemption terms
Optional redemption through liquidation	After the non-call period, all classes of notes may be redeemed, in whole but not in part, on any payment date at the direction of the subordinated noteholders. The rated notes may also be redeemed in whole, but not in part, at the direction of the manager, if the aggregate collateral balance is less than 25% of the target par amount.
Mandatory redemption	If any applicable coverage test is not satisfied, the notes may be redeemed on any payment date before their legal final maturity dates. If a mandatory redemption occurs, the issuer will use the available principal and interest proceeds to redeem the notes according to the priority of payments outlined in table 13.
Refinancing	After the non-call period, at the direction of the subordinated noteholders, any class of notes may be redeemed, in whole or in part, from refinancing proceeds.
Special redemption	A special redemption of the rated notes may occur if the collateral manager determines, at its discretion, that it is unable to identify additional assets that it considers appropriate for reinvestment.
Redemption upon effective date rating event	If an effective date rating event has occurred, the rated notes shall be redeemed sequentially.

Table 14

Debt redemption (cont.)

Redemption events	Redemption terms
Tax redemption	If a tax event occurs, at the direction of the subordinated noteholders, the rated notes may be redeemed, in whole but not in part, on any payment date before their legal final maturity dates, in accordance with the notes payment sequence*.

*Notes payment sequence is: First, the class A notes at the applicable redemption price until they fully redeem, followed by the class B-1 and B-2 notes pro rata and pari passu in the same manner. Then, the class C notes including unpaid interest and deferred interest at the applicable redemption price until they fully redeem, followed by the class D to F notes in the same manner.

Application Of Our CDO Monitor/Compliance With Our CDO Monitor Test

Our CDO Monitor is a tool that collateral managers use during the reinvestment period to determine if a particular trade or series of trades increases the risk to the rated liabilities.

The CDO Monitor test will be considered passing if the results indicate that the current portfolio produces an SDR that is equal to or below the transaction's BDR. There is no requirement that the CDO Monitor test be considered after the reinvestment period, or when reinvesting proceeds from the sale of a credit risk or defaulted obligation.

For this transaction, the non-model version of CDO Monitor is used.

Events Of Default

Under certain conditions, the following events of default may result in the acceleration of payments to the rated notes or the collateral's liquidation:

- The issuer fails to pay interest, when due and payable, to the class A, B-1, or B-2 notes.
- A failure to pay principal payment or the redemption price on any rated class of debt when due and payable at the stated maturity date or any redemption date (each within the related five-day grace period).
- The issuer fails to disburse any amounts in accordance with the priority of payments within a ten-day grace period.
- The class A overcollateralization ratio falls below 102.5%. As defined in the transaction documents, the ratio is calculated without rating-based haircuts, but includes defaulted assets carried at their market value.
- The issuer becomes required to register as an investment company under the Investment Company Act and such requirement continues for 45 days.
- A material default in the performance or material breach of any covenant, or other issuer agreement that is not cured within the 45-day cure period.
- The issuer's bankruptcy.
- It becomes unlawful for the issuer to perform or comply with one or more of its obligations.

Structural Overview

Tikehau CLO X, the issuer, is a special-purpose entity (SPE) that was incorporated as an exempted company with limited liability under the laws of Ireland. The issuer's only purposes are to acquire the collateral portfolio, issue the debt, enter into transaction documents, and engage in certain related transactions. We consider the issuer's SPE provisions to be consistent with our bankruptcy remoteness criteria outlined in our latest legal criteria. In rating this transaction, we reviewed the legal matters that we consider to be relevant to our analysis, as outlined in our criteria.

Surveillance

We will maintain active surveillance on the rated notes until the debt mature or are retired, or until our credit ratings on the transaction have been withdrawn. The purpose of surveillance is to assess whether the rated notes is performing within the initial parameters and assumptions applied to each rating category. The issuer is required under the terms of the transaction documents to supply periodic reports and notices to us to maintain continuous surveillance on the rated notes.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | CDOs: Global Methodology And Assumptions For CLOs And Corporate CDOs, June 21, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Weekly European CLO Update, April 8, 2024
- CLO Pulse Q2 2023: The ‘Snooze Drag’ Takes Hold In Europe, Sept. 28, 2023
- The European CLO Market: Is The Par Back?, May 18, 2023
- Credit Conditions Europe Q4 2023: Resilience Under Pressure Amid Tighter Financial Conditions, Sept. 26, 2023
- ESG Credit Indicator Report Card: Global CLOs, Nov. 24, 2022
- ESG Industry Report Card: Collateralized Loan Obligations, March 31, 2021
- Leveraged Finance: A 10-Year Lookback At Actual Recoveries And Recovery Ratings, Feb 4, 2019
- 2017 EMEA Structured Credit Scenario And Sensitivity Analysis, July 6, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016