Issuer Rating

Trans-Sped Logisztikai Szolgáltató Központ Kft.		11 November 2021	B+
		Issuer rating	
		Outlook	stable
Industry	Transportation and Logistics	2020 Revenues*	HUF 21,210m
		2020 Employees*	717

* consolidated group accounts

BUSINESS RISK	FINANCIAL RISK	ANCHOR RATING	Modification 1	STAND-ALONE-RATING	Modification 2	ISSUER RATING
increased	slightly increased	B+	Operational risks	B+	External influence	B+

BUSINESS RISK	increased

- Highly cyclical industry largely driven by macroeconomics
- Highly fragmented and competitive market with typically weak profits and low barriers to entry
- Tight domestic labour market
- Moderate concentration with end markets / customers

OPERATIONAL RISKS	± 0

- Operational risk profile consistent with the anchor rating; no modification required

FINANCIAL RISK	slightly increased

- Track record of positive but rather weak operating margins
- Low capital returns due to rather asset intense operations
- Solid capital structure
- Slightly increased leverage due to growth investments

EXTERNAL INFLUENCE	± 0

- Assessment of intra-group or public-sector relations causes no modification

Key financial ratios *	2018	2019	2020	FC 2021	2022e	2023e
EBITDA-Margin (%)	8.6	8.9	9.4	8.2	9.9	9.9
ROCE (%)	6.4	6.6	6.2	4.6	7.1	7.3
Equity ratio (%)	31.1	31.6	35.6	35.3	33.4	35.6
Leverage ratio (%)	55.9	56.5	48.0	55.3	56.2	50.6
Total liabilities / EBITDA	6.9	6.5	7.5	8.2	7.0	6.9
Net financial liabilities / EBITDA	3.9	3.9	3.8	5.5	4.5	3.9
EBIT interest coverage	6.6	7.2	4.7	4.1	6.2	6.6
EBITDA interest coverage	14.8	15.8	9.5	8.9	10.9	11.8

* - based on consolidated group accounts (2018/19: DELOG Kft.; 2020: Trans-Sped Kft.)
- adjusted on the basis of Scope Hamburg's analytical principles

Rating Rationale

Scope Hamburg affirms the B+ issuer credit rating of Trans-Sped Logisztikai Szolgáltató Központ Kft. The underlying factors are a combination of an increased business risk profile and a slightly increased financial risk profile with no further modifications. The rating outlook remains stable.

Increased business risk due to operations in highly cyclical, highly competitive and highly fragmented market environment

In our view Trans-Sped is subject to an increased business risk profile. The group's core business is concentrated in the transportation & logistics industry which we assess as highly cyclical in relation to other industries. This includes the strong link to macroeconomic drivers such as GDP, goods traffic or oil/fuel prices. The sector is further characterised by high competitive risks with low barriers to entry, low profit margins and a highly fragmented landscape in a mix of multinational and domestic players driving consolidation. Despite these harsh conditions, we acknowledge that Trans-Sped has managed to grow its business steadily during recent years thanks to a favourable economic climate and generally rising foreign direct investments in the Visegrád countries. Even during the 2020 global pandemic crisis Trans-Sped's operations were affected only slightly and proved to be fairly stress resistant. The group`s operations show a moderate concentration around certain customers or industries (e.g. automotive, chemicals) with often recurring and long-term business relations which ensure a solid degree of stability. To limit business risk, Trans-Sped ensures flexibility as half of the vehicle fleet is owned and operated by subcontractors. With view to the asset intense warehouse business, however, we see a limited flexibility. Nevertheless, we think that the group pursues a reasonable corporate growth strategy with a still moderately balanced risk policy, underpinned by a prudent retention policy and a positive alignment of owner's interests with long-term business viability.

Slightly increased financial risks due to positive but rather weak earnings, low capital returns and slightly increased leverage

Regarding financial risks we think that Trans-Sped is subject to a slightly increased risk profile. Overall, we appreciate the track record of sustainably achieving positive, yet rather weak, operating results and the robust performance during the pandemic crisis, which mainly rests on long-term contracts and established customer relations. However, current and future capital return ratios (ROCE / ROA) will remain at rather weak levels in our opinion mainly due to the asset intense nature of Trans-Sped's operations (vehicle fleet / warehouse capacities) and the challenging market environment, which keeps operating margins rather tight looking forward. Furthermore, we think that Trans-Sped's ongoing debt funded asset expansion will keep the analytical leverage ratio temporarily at slightly increased levels with an only modest, but recurring, deleveraging potential. On the other hand we appreciate that Trans-Sped's overall capital structure benefits from a prudent profit retention policy and an adequate financial flexibility based on sufficient access to unutilised credit facilities, a well-balanced loan portfolio and established relations to the funding banks underpinned by the first-time issue of a corporate bond in 2020.

Assessment on operational risk and external influence requires no modification

In our opinion, Trans-Sped's structures, processes and systems for controlling its operations and handling its operational risk are in consistence with the current anchor rating. A rating modification is not required. The further assessment of external factors which might have an impact on Trans-Sped's stand-alone rating, such as intra-group or public-sector relations, does also not trigger a rating modification according to our methodology.

Upgrade / Downgrade Factors

Factors that could lead to an Upgrade

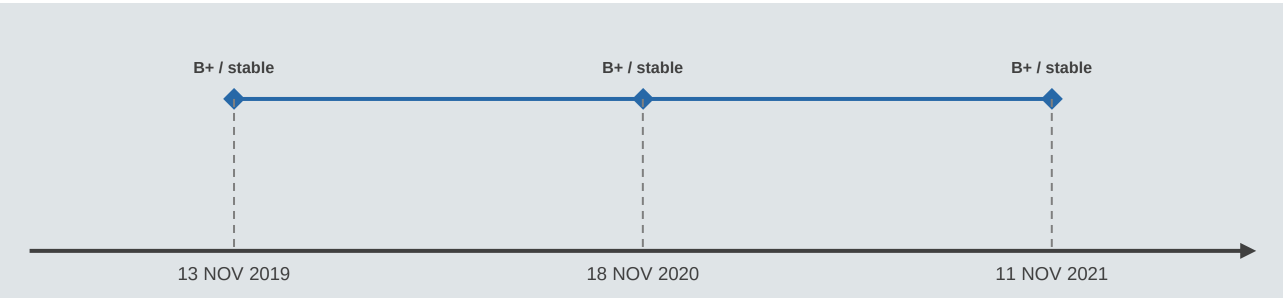
- Substantial improvements of the group's operating cash flow and profit margins as an effect of sustainable market growth or an improved competitive position
- Sustainable improvement of the group's capital structure and deleveraging potential (e.g. Scope Hamburg adjusted net debt/EBITDA < 3.5 or leverage < 50%)

Factors that could lead to a Downgrade

- Persistent market stress or deterioration of the group's competitive position combined with a substantial impact on the groups cash generation potential
- Substantial deterioration of the group's capital structure and deleveraging potential (e.g. Scope Hamburg adjusted net debt/EBITDA > 4.7 or leverage > 65%)

Rating History

Trans-Sped Logisztikai Szolgáltató Központ Kft.



Company

Major Hungarian transport & logistic group

Trans-Sped Logisztikai Szolgáltató Központ Kft. ("Trans-Sped Kft." or "Trans-Sped") is the core operating entity within a group of companies engaged in the Transport & Logistics sector since 1990. Based in Debrecen, Trans-Sped is among the top Hungarian players offering a wide range of services ranging from transportation and freight-forwarding to modern warehousing and production logistic activities with value added services like (re)packaging, storing, labelling, assembling, quality control, returned goods handling, export/import customs administration etc. The group operates c. 185.000 m² of indoor warehouse capacity with c. 200 forklift trucks and cranes, a heavy duty vehicle fleet of 480 (thereof c. 250 subcontracted) and currently 16 regional centres across Hungary. Furthermore the group engages in technical maintenance tasks, warehouse construction projects and industrial park operations at its own 28 hectare industrial park site.

Family-owned business

Under company law Trans-Sped is a family-owned and family-managed business, indirectly owned via the asset holding company Debreceni Logisztikai Központ és Ipari Park Kft. ("DELOG Kft." or "DELOG"). The founder (Fülöp Zsolt Károly; 84% shares) and his son (Fülöp Szabolcs Zsolt; 8% shares) are the group's managing directors, exercising chief executive functions. At the end of 2020, Trans-Sped Kft. reported consolidated revenues of HUF 21,210 million (c. 70% domestic / 30% international) and a workforce of 717.

Appendix 1: Execution

Notice

This rating report is a commented version of the rating report that provides more detailed information on the factors underlying the rating notation and the outlook of the rating.

Analysts

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Rating committee (Chairperson)

- Dörte Mählmann

Rating, Solicitation, Principal Sources of Information

- This credit rating has been issued in accordance with the CRA Regulation.

[x] Solicited Rating

[ ] Unsolicited Rating
- [ ] No participation of the rated entity or related third party
- [ ] With participation of the rated entity or related third party
  - [ ] Access to internal documents
  - [ ] Access to management

- Prior to its publication the rating was disclosed to the rated entity. During this period, the rated entity had the opportunity to review the rating and to verify the underlying assumptions. Following this review, the rating was not amended.
- Principal sources of information:
  - Audited financial statements on the consolidated group accounts for 2018, 2019 and 2020
  - Unaudited interim financial statements Q1-2021 / Q2-2021
  - Liquidity status and loan portfolio – 30 September 2021
  - Financial Plan 2021-2023 and CAPEX budget 2021-2023
  - Group Presentation and Business Plan
  - Management interview and market research

Rating methodologies and definitions

- Methodology: Issuer Rating as of May 2016
- Basic Principles for Assigning Credit Ratings and Other Services as of October 2021
- Guidance Regarding the Consideration of ESG Factors in Scope Hamburg Credit Ratings as of March 2020

Scope Ratings GmbH and Scope Ratings UK Limited apply the same methodologies/models and key rating assumptions for their credit rating services, while Scope Hamburg GmbH's methodologies/models and key rating assumptions are different from those of Scope Ratings GmbH and Scope Ratings UK Limited.

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Appendix 2: Rating categories*

Category	Explanation
AAA	In the opinion of Scope Hamburg, AAA rated entities demonstrate an excellent credit quality and the lowest default risk.
AA	In the opinion of Scope Hamburg, AA rated entities demonstrate a very high credit quality with a very low default risk.
A	In the opinion of Scope Hamburg, A rated entities demonstrate a high credit quality with a low default risk.
BBB	In the opinion of Scope Hamburg, BBB rated entities demonstrate a medium credit quality with a moderate default risk.
BB	In the opinion of Scope Hamburg, BB rated entities demonstrate a medium-low credit quality with a slightly increased default risk.
B	In the opinion of Scope Hamburg, B rated entities demonstrate a low credit quality with an increased default risk.
CCC	In the opinion of Scope Hamburg, CCC rated entities demonstrate a very low credit quality with a high default risk.
CC	In the opinion of Scope Hamburg, CC rated entities demonstrate a very low credit quality, an event of default is very likely.
C	In the opinion of Scope Hamburg, C rated entities demonstrate a very low credit quality, an event of default is imminent.
D / SD	D rated entities have defaulted, as defined by the rating agency. The rated entity is assigned an SD rating (Selective Default) if it has only defaulted on certain debt obligations.
PLUS (+) MINUS (–)	Rating categories from AA to CCC are modified by a PLUS (+) or MINUS (-), where required, in order to show their relative position within the rating category.

* For more explanations and definitions please refer to:
Basic Principles for Assigning Credit Ratings and Other Services as of October 2021

Appendix 3: Definition of financial ratios

Earnings power

EBITDA margin

EBITDA margin
Numerator
EBITDA
Denominator
Total revenues

Returns

ROCE
Numerator
Adjusted operating result (= EBIT)
Denominator
Net debt + economic equity (= capital employed)

Return on total assets
Numerator
Adjusted operating and financial result + interest expense
Denominator
Adjusted total assets

Cash flow return on investment

Cash flow return on investment (Cash flow ROI)
Numerator
EBITDA
Denominator
Adjusted total assets

Capital structure

Indebtedness

Equity-to-total assets ratio
Numerator
Adjusted equity (= economic capital)
Denominator
Adjusted total assets

Leverage
Numerator
Net debt
Denominator
Net debt + economic equity (= capital employed)

Net debt

Net debt
Bonds
+ Liabilities to banks
+ Bill liabilities
+ Other interest-bearing liabilities
+ Operating lease liabilities
+ Adjustments for ABS/factoring transactions
- Cash and cash equivalents

Deleveraging potential

Total liabilities / EBITDA
Numerator
Total assets - economic capital (= total liabilities)
Denominator
EBITDA

Net debt / EBITDA
Numerator
Net debt
Denominator
EBITDA

Interest coverage

EBIT interest coverage
Numerator
Adjusted operating result (= EBIT)
Denominator
Interest expenses

EBITDA interest coverage
Numerator
EBITDA
Denominator
Interest expenses

Disclaimer

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Hamburg, 11 November 2021