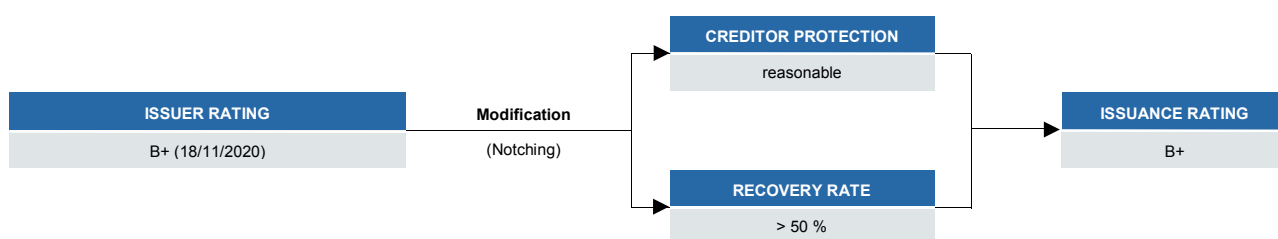


Issuance Rating

Trans-Sped Logisztikai Szolgáltató Központ Kft. Senior unsecured bonds 2020/30 (ISIN HU0000359500)		18 November 2020	B+
		Issuance rating	
		Outlook	stable
Industry	Transportation and Logistics	Nominal value	HUF 5bn
		Coupon (% p.a.)	2.5% p.a.



ISSUER RATING	B+
<ul style="list-style-type: none"> Increased business risks due to operations in highly cyclical, highly competitive and fragmented markets Slightly increased financial risks due to rather weak earnings, low capital returns and increased leverage No modification for operational risks or external influence 	

CREDITOR PROTECTION	reasonable
<ul style="list-style-type: none"> Final bond terms and conditions (03/03/2020) Partially amortising bond structure Reasonable, market standard terms esp. with view to termination rights, covenants and negative clauses 	

RANKING	senior unsecured
<ul style="list-style-type: none"> Unsecured bonds rank effectively below higher ranking secured bank debt Issue proceeds predominantly utilized for asset expansion plans (warehouse, equipment) 	

RECOVERY	> 50 %
<ul style="list-style-type: none"> Hypothetical default scenario based on assumed liquidation of assets Expected recovery rate: > 50% 	

KEY DATA		
Listing	since 11/09/2020	Budapest Stock Exchange (HU0000359500)
Nominal value	HUF 5bn	Date of issue 16/03/2020
Denomination	HUF 50.000.000	100 bonds á HUF 50mn = HUF 5bn (total amount issued)
Coupon	2.5% p.a. fix	Annual coupon payments from 16/03/2021 (retrospective)
Amortisation	30% / 70%	Annual repayments from 16/03/2026; balloon payment at maturity (70%)
Term to maturity	10 years	Term begins on 16/03/2020, maturity date is 16/03/2030
Collateral	none	Senior unsecured bonds

Rating rationale

Euler Hermes Rating confirms the B+ issuance rating for Trans-Sped’s 2020/30 senior unsecured bonds with a total nominal value of HUF 5bn. The rating was derived from Trans-Sped’s current issuer credit rating (B+), the bond’s structural ranking, reasonable creditor rights and recovery expectations of more than 50% in a hypothetical bond default scenario.

Unsecured bonds rank effectively below higher ranking secured debt

Trans-Sped’s HUF 5bn senior unsecured bonds (2020/30; fixed annual coupon rate 2.5%) are governed by Hungarian law and are structured as a partially amortising balloon notes with a term of 10 years. Overall, we assess the bonds to be subject to a senior ranking, as the net proceeds from the issue rank pari passu with any other non-subordinated, unsecured financial liabilities. Nevertheless, the bond proceeds have not fully replaced other financial liabilities, and hence, a notable proportion of effectively higher ranking secured bank debt (“OTP”, “Erste”, “K&H”) remain post issuance (30/09/20 c. HUF 3.6bn). This situation may put bondholders at risk of relatively low recovery in a default scenario.

Reasonable creditor protection rights

Trans-Sped’s core operating assets remain pledged as collateral to the existing providers of secured bank debt. For holders of unsecured debt it is important to mitigate the risk of becoming significantly disadvantaged in the event of additional debt issues, when permitted. We generally expect higher risks for lower rated entities, as these are often forced to raise new debt against any unencumbered assets should their credit quality deteriorate further. To mitigate these risks, a standard set of reasonable creditor protection clauses has been included into the final bond terms. In our view, the applied clauses such as pari passu, negative pledge, cross default, rating deterioration, change of control or dividend restrictions keep the issuers capital structure under control while ensuring equal rights of payment and equal seniority with any new debt issues. We also acknowledge the binding commitment for partial amortization (30%) from 2026.

Expected recovery > 50% based on hypothetical default scenario

Our recovery expectation for senior unsecured bonds follows a hypothetical default scenario based on an assumed liquidation of assets. Trans-Sped’s overall creditworthiness is currently driven by a slightly increased default risk mainly as a result of its operations in the transportation and logistics sector, which we assess as highly cyclical and highly competitive with low barriers to entry, low profit margins and a fragmented market environment. This set-up is not supportive in sustaining high long-term debt levels, usually seen with asset-intensive transport and logistic companies (cp. B+ issuer rating report). In a hypothetical default scenario, however, we assume a further deterioration of the issuer’s overall creditworthiness as a cause of prolonged market stress leading up to depressed long-term profit prospects, overcapacities (e.g. warehouses) and stressed net asset values (e.g. shrinking warehouse rent multiples). We also assume that ranking and size of debt claims could change prior to default, and that the issuer could be forced to pledge more assets as its credit quality deteriorates. Consequently, loss given default usually rises disproportionately the higher the probability of default is. This is especially true for unsecured debt. Nevertheless, we still expect recovery rates of at least 50% for the holders of the unsecured senior bonds, as in our opinion the current net assets of Trans-Sped already contain a notable amount of hidden reserves (cp. reported revaluation reserve). Furthermore, Trans-Sped keeps expanding into new and very modern facilities which we expect to maintain higher values in distressed situations while being exempt from any unfavorable pledge agreements (pari passu / negative pledge). Our assessment leads to the equalization of the bond issuance rating with the current issuer rating of Trans-Sped (B+).

Rating History

	26 November 2019	03 March 2020	18 November 2020
Issuer rating	B+	B+	B+
Issuance rating	preB+	B+	B+
Outlook	stable	stable	stable

Upgrade / Downgrade Factors

Factors that could lead to an Upgrade

- Upgrade of Trans-Sped's issuer credit rating
- Lasting improvement of the bond's expected recovery rate

Factors that could lead to a Downgrade

- Downgrade of Trans-Sped's issuer credit rating
- Lasting deterioration of the bond's expected recovery rate

Issuance

Issue proceeds to fund asset expansion plans

Trans-Sped's HUF 5bn senior unsecured bonds (2020/30; fixed annual coupon rate 2.5%) are governed by Hungarian law and are structured as a partially amortising balloon notes with a term of 10 years. The balloon payment (70%) is due at maturity (16/03/2030). The net proceeds will predominantly be utilised for Trans-Sped's asset expansion plans. More precisely the group intends to build new warehouse capacities and replace transport & logistics equipment along with the expansion plans of its existing customers, e.g. from the automotive or chemical industry. Unutilised amounts are being used to optimise the issuer's capital structure (e.g. repayment of bank facilities). As of 30/09/20 Trans-Sped had still deposited most of the net proceeds as cash (reported liquid sources: HUF 4.5bn; 31/12/19: HUF 0.7bn). Depending on the further utilisation, we expect financial liabilities of around HUF 10.2bn at group level for 31/12/2020, containing HUF 2.8bn secured long- and short-term bank loans ("OTP", "Erste", "K&H"), HUF 2.4bn capitalised leases ("DLL", "Ober") and HUF 5.0bn bond financing.

Issuing process March 2020

Trans-Sped applied for MNB's "Bond Funding for Growth Scheme" (BGS) and initiated a private placement process under the advice of OTP Bank (issuing agent) in Q1/2020. Besides the Central Bank of Hungary (MNB), three additional institutional investors ("OTP", "K&H", "Erste") placed their purchase orders in a formal bidding process until the closing date (12/03/2020). Overall, the bond offering was oversubscribed (factor 1.36x). Allocation of the bonds and settlement with the paying agent took place on 16th March 2020 (date of issue), and finally, out of 100 bonds, 50 bonds were allocated to MNB, 37 bonds to OTP Bank and 13 bonds to K&H Bank. Since 11th September 2020 the bonds are registered with the Budapest Stock Exchange (HU0000359500).

Issuance rating based on bond documentation of 03/03/2020

The issuance rating is linked to Trans-Sped's current issuer credit rating (18/11/2020; B+), which already takes account of the newly formed group structure based on consolidated figures as of 31/12/2019. Furthermore, the issuance rating takes account of the final bond documentation as of 03/03/2020, which is the basis for our assessment on the bond's structural ranking, creditor rights and recovery expectations.

Appendix 1: Execution

Notice

This report represents a supplement to the issuer rating report from 18 November 2020. The issuance rating is derived from the current issuer rating. The full rationale for the issuer rating notation can be found in the issuer rating report.

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Rating committee

- Dörte Mähmann, Director
- Holger Ludewig, Director

Rating, Solicitation, Principal Sources of Information

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

Solicited Rating

Unsolicited Rating

No participation of the issuer or related third party

With participation of the issuer or related third party

Access to internal documents

Access to management

- Prior to its publication the rating was disclosed to the issuer. During this period, the issuer 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:
 - Final bond documentation (as of 03/03/2020)
 - Use of the proceeds - Business plan provided by the issuer
 - Management interview

Rating methodologies and definitions

- Euler Hermes Rating GmbH Issue Rating Methodology as of December 2014 (formally amended on 14 November 2017) (https://www.ehrq.de/seiten/Methodology_Issue_Rating_20171114.pdf)
- Basic principles for Assigning Credit Ratings and Other Services as of July 2020 (https://www.ehrq.de/seiten/Principles_200701.pdf)
- Guidance Regarding the Consideration of ESG Factors in Euler Hermes Rating Credit Ratings as of March 2020 (https://www.ehrq.de/seiten/ESG_2020.pdf)

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Appendix 2: Rating categories*

Category	Explanation
AAA	In the opinion of EHR, AAA rated obligations demonstrate an excellent credit quality and the lowest default risk.
AA	In the opinion of EHR, AA rated obligations demonstrate a very high credit quality with a very low default risk.
A	In the opinion of EHR, A rated obligations demonstrate a high credit quality with a low default risk.
BBB	In the opinion of EHR, BBB rated obligations demonstrate a medium credit quality with a moderate default risk.
BB	In the opinion of EHR, BB rated obligations demonstrate a medium-low credit quality with a slightly increased default risk.
B	In the opinion of EHR, B rated obligations demonstrate a low credit quality with an increased default risk.
CCC	In the opinion of EHR, CCC rated obligations demonstrate a very low credit quality with a high default risk.
CC	In the opinion of EHR, CC rated obligations demonstrate a very low credit quality, an event of default is very likely.
C	In the opinion of EHR, C rated obligations demonstrate a very low credit quality, an event of default is imminent.
D	D rated obligations have defaulted, as defined by the rating agency.
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 (https://www.ehrg.de/seiten/Principles_200701.pdf)

Disclaimer

Magyar Nemzeti Bank (client) engaged Euler Hermes Rating GmbH to conduct a rating update on the bond issuance (rated obligation) of Trans-Sped Logisztikai Szolgáltató Központ Kft. (issuer) on 28 August 2020. Interviews with the issuer were conducted on 10 November 2020.

The Rating Committee of Euler Hermes Rating GmbH reviewed the rating process, issued the rating notation and approved the rating report in its current form on 18 November 2020. This rating report was given to the client on 27 November 2020, thereby concluding the rating process.

The rating is Euler Hermes Rating GmbH's opinion of the creditworthiness of a certain obligation. It is not a statement of fact. Euler Hermes Rating GmbH is not engaged in buying or selling securities. Its rating report is neither a prospectus nor a substitute for information assembled and presented by companies or issuers for investors regarding the purchase of a security or for assessing the creditworthiness of a rated entity. The rating is not a recommendation to participate in certain facilities. All recipients of the information must conduct their own independent analyses, credit assessments and other verifications and evaluations that are customary and necessary in order to reach a final decision about participating in any facility.

The issuer is solely and exclusively liable for any errors and omissions in the documents and information openly and willingly provided to us in response to our requests for information. The issuer has reviewed the rating report and certified that all the information considered in the rating report is accurate and complete in all significant respects, no significant aspects have been concealed and any forward-looking statements are based on plausible, verifiable and current data and were prepared by the issuer exercising reasonable and commercial care. The issuer's representatives have issued a written certification of completeness to Euler Hermes Rating GmbH. However, the issuer cannot be held liable if actual results differ from the forward-looking statements presented in this document, particularly the projections. Forward-looking statements and projections may be adversely affected by unforeseeable events and changes in the economic environment. Euler Hermes Rating GmbH assumes no liability for the accuracy of the information it considers when issuing a rating and extends no guarantee whatsoever that the information is explicitly or implicitly correct, timely, complete, suitable for the market or fit for any particular purpose.

The rating is published on Euler Hermes Rating GmbH's website (www.eulerhermes-rating.com) or published for subscribers (e.g. on a portal) and will be followed by a subsequent one-year monitoring process. During this period, the issuance, the issuer and the sector and business environment in which it operates will remain under observation. The representatives of the issuer remain subject to a full disclosure obligation during this period. Any change in Euler Hermes Rating GmbH's rating assessment will result in a change in the published rating notation, meaning that this notation represents the current rating assessment at all times. The rating will only remain published after the end of the monitoring period if a follow-up rating is performed.

Please note that summaries of contracts, laws and other documents contained in the rating report cannot replace careful study of the complete texts. Euler Hermes Rating GmbH cannot guarantee that the information used to prepare this report has not changed since it was collected and is still accurate at the time of publication. Euler Hermes Rating GmbH is under no obligation to complete the information that it considered when issuing the rating.

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Euler Hermes Rating GmbH

Hamburg, 27 November 2020