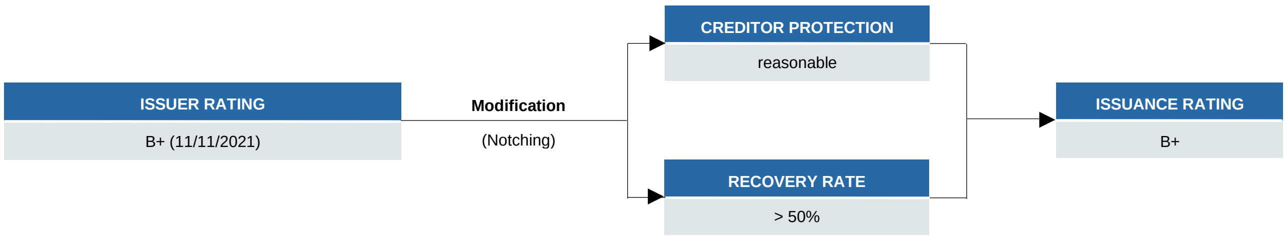
ScopeHamburg

Issuance Rating

Trans-Sped Logisztikai Szolgáltató Központ Kft. Senior unsecured bonds (2020/2030) (ISIN HU0000359500)		11 November 2021 / Issuance rating	B+
		Outlook	stable
Industry	Regulated Utility Companies	Issuance volume	HUF 5bn
		Coupon (% p.a.)	2.50%



ISSUER RATING — B+

- 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 slightly increased leverage
- No modification for operational risks or external influence

CREDITOR PROTECTION — reasonable

- Partially amortising bond structure
- Reasonable, market standard terms esp. with view to termination rights, covenants and negative clauses

RANKING — senior unsecured

- Robust senior ranking, but secured bank debt with effectively higher ranking
- Bond proceeds utilized for loan repayments and business expansion plans (warehouse, equipment)

RECOVERY — > 50%

- Hypothetical default scenario based on assumed liquidation of assets
- Expected recovery rate: > 50%

KEY DATA		
Listing	since 11 Sep 2020	Budapest Stock Exchange (BSE Xbond; HU0000359500)
Nominal value	HUF 5bn	Annual settlement date: 16 March
Denomination	HUF 50.000.000	100 bonds á HUF 50mn = HUF 5bn (total issuance volume)
Coupon	2.50% p.a. fix	Annual coupon payments from 16 Mar 2021 (retrospective)
Amortisation	partially amortising	2026-2029 7.5% p.a. / 2030: 70% balloon payment
Term to maturity	10 years	Term started on 16 Mar 2020, maturity date is 16 Mar 2030
Collateral	none	Senior unsecured bonds

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Rating rationale

Scope Hamburg affirms 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 adequate recovery expectations in a hypothetical bond default scenario.

Robust senior ranking, but effectively higher ranking secured bank 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 partially amortising balloon notes with a term of 10 years. Overall, we assess the bonds to be subject to a robust senior ranking as the issue ranks pari passu with any other non-subordinated, unsecured financial liabilities. Nevertheless, the bond proceeds have not been used to fully replace existing financial liabilities, and hence, a proportion of effectively higher ranking secured bank debt ("OTP", "Erste", "K&H") remains post issuance (30/09/21 c. HUF 4.8bn incl. leases) or may increase.

Reasonable creditor protection rights

As outlined above, Trans-Sped's core operating assets remain pledged as collateral to the existing providers (secured) bank loans/leases/guarantees. 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 (bond market securities), cross default, rating deterioration, change of control or dividend restrictions keep the issuer's 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 amortisation (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-intense 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 adequate recovery rates of at least 50% for the holders of Trans-Sped's senior unsecured bonds, as in our opinion the current net assets of Trans-Sped already contain a notable amount reserves (cp. reported assets). 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+).

Upgrade / Downgrade Factors

Factors that could lead to an Upgrade

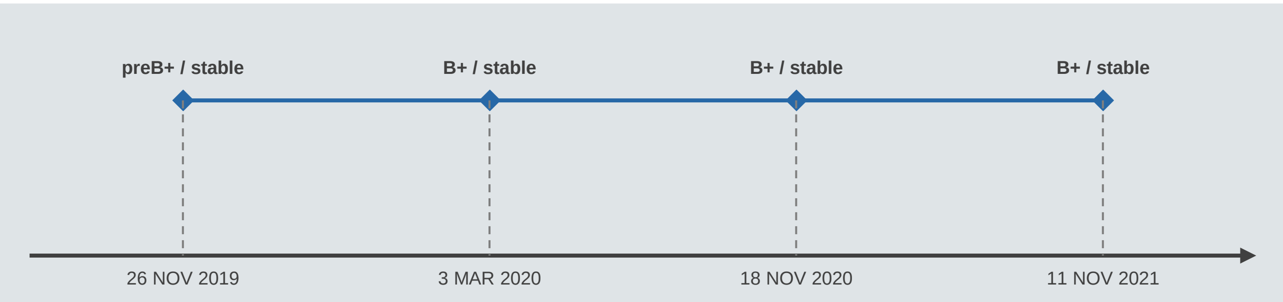
- Upgrade of Trans-Sped's issuer credit rating
- Lasting improvement of the bond's expected recovery rate

Factors that could lead to a Downgrade

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

Rating History

Trans-Sped Logisztikai Szolgáltató Központ Kft. – 2020/30 Senior Unsecured Bonds (TSNKP2030I)



Issuance

Bond proceeds for business expansion and loan repayments

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 partially amortising balloon notes with a term of 10 years. The balloon payment (70%) is due at maturity (16/03/2030). The net proceeds were partly utilised for Trans-Sped's business expansion. More precisely the group invested into the construction of new warehouse capacities, made small strategic acquisitions and replaced transport & logistics equipment along with the expansion plans of its existing customers, e.g. from the automotive or chemical industry. Unutilised amounts have also been used to repay bank facilities. As of 30 Sep 2021 financial liabilities of around HUF 10.0bn contained HUF 5.0bn bond financing, HUF 2.5bn secured long- and short-term bank loans ("OTP","Erste","K&H") and HUF 2.5bn capitalised leases ("K&H", "Ober").

Non-public auction March 2020

Trans-Sped applied for MNB's "Bond Funding for Growth Scheme" (BGS) and initiated a non-public 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") signed up for the bonds. Allocation of the bonds and settlement with the paying agent took place on 16 Mar 2020 (settlement date). Since 11 Sep 2020 the bonds are registered with the Budapest Stock Exchange (BSE Xbond; HU0000359500).

Issuance rating based on bond documentation of 3 Mar 2020

The issuance rating is linked to Trans-Sped's current issuer credit rating (B+; 11 Nov 2021), subject to a regular, ongoing monitoring process. Furthermore, the issuance rating is assigned based on the final bond documentation as of 3 Mar 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 11 November 2021. The issuance rating is derived from the current issuer rating (subject to ongoing monitoring). The full rationale for the issuer rating notation can be found in the issuer rating report.

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:
  - Final bond documentation (as of 3 Mar 2020)
  - Business plan provided by the issuer
  - Management interview

Rating methodologies and definitions

- Scope Hamburg GmbH Issue Rating Methodology as of December 2014
- 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 obligations demonstrate an excellent credit quality and the lowest default risk.
AA	In the opinion of Scope Hamburg, AA rated obligations demonstrate a very high credit quality with a very low default risk.
A	In the opinion of Scope Hamburg, A rated obligations demonstrate a high credit quality with a low default risk.
BBB	In the opinion of Scope Hamburg, BBB rated obligations demonstrate a medium credit quality with a moderate default risk.
BB	In the opinion of Scope Hamburg, BB rated obligations demonstrate a medium-low credit quality with a slightly increased default risk.
B	In the opinion of Scope Hamburg, B rated obligations demonstrate a low credit quality with an increased default risk.
CCC	In the opinion of Scope Hamburg, CCC rated obligations demonstrate a very low credit quality with a high default risk.
CC	In the opinion of Scope Hamburg, CC rated obligations demonstrate a very low credit quality, an event of default is very likely.
C	In the opinion of Scope Hamburg, C rated obligations demonstrate a very low credit quality, an event of default is imminent.
D / SD	D rated obligations have defaulted, as defined by the rating agency. The rated obligation is assigned an SD rating (Selective Default) if the issuer 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

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Hamburg, 11 November 2021