

INSTRUMENT RATING
LINKFACTOR TRADE
RECEIVABLES EUR 1 FT

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Rating Action and Rationale

EthiFinance Ratings affirms the rating of the Notes issued by the Fund in “A+”.

The quantitative analysis shows the structure has strong resilience to defaults, nevertheless, the rating has been capped by the Insurance Company’s credit rating, as it provides the main credit enhancement to the Fund and, therefore, represents a significant counterparty risk for the Fund. The Fund’s rating has also been impacted by the counterparty risk arising from both the Assignor and the Servicer.

Executive Summary

Linkfactor Trade Receivables EUR 1, FT (the “FT” or the “Fund”), is a Special Purpose Vehicle established under Spanish law in December 2022, opened by its assets and liabilities. The Fund issues promissory notes under the Promissory Notes Program, the current rating only supports a maximum outstanding nominal amount of 250 MM€. The collateral consists of Credit Rights assigned to the Fund by Linkfactor Pymes, S.L. (hereinafter “Linkfactor Pymes” or the “Assignor”). The Credit Rights assigned to the Fund originate from the Assignor’s clients, who are also the Indirect Debtors of the Credit Rights, as all Credit Rights have recourse against them, and are related to their commercial activities or services delivered to the Direct Debtors. The Fund’s Maturity Date is December 15, 2029, and legal maturity date is December 15, 2031.

From the last review, the main difference was the change in the servicer, now the Credit Rights are serviced by Circulantis (hereinafter “Circulantis” or the “Servicer”).

Fund	Class	Outstanding Promissory Note Balance	Coupon	Maturity Date	Collateral Type
Linkfactor Trade Receivables EUR 1, FT	Promissory Notes	12,900,000 €	Fix (Implicit)	Each Promissory Note will have a maturity between 3 and 731 days	Trade Receivables

*Source: Deed of the transaction.

Fundamentals

- **Gedescio Finance, S.A.U. has been substituted as the Servicer by Circulantis, S.L.** This change also comes with reduction to the scope the Servicer provides both to the Fund and to the Assignor. The services provided by the new Servicer’s are mainly limited to reporting and verification tasks, but it is also responsible of processing the claims with the insurance company. The tasks that are no longer in the scope of the services provided by the Servicer are now performed by the Assignor.
- **The Credit Rights are insured by Euler Hermes.** The Insurance Policy covers 90% of the face value of the Credit Rights and has a minimum Limit of Indemnity (LOI) of 35,28MM€. The policy holder is the Assignor, but the Fund is the beneficiary and, therefore, all payments made by the Insurance Company are made directly to the Fund’s Treasury Account. It is the Servicer’s responsibility to verify that all the Credit Rights are covered by the Insurance Policy before they are purchased by the Fund.
- **At the end of December 2023, the Fund had a portfolio of Credit Rights with a total face value of 8.203.607€.** These Credit Rights are distributed in 31 Indirect Debtors and 33 Direct Debtors. Since the end of February 2023, the monthly-average cumulative face value of the Credit Rights in the Fund’s portfolio has been 5,1MM€. The monthly-average nominal value of the issued Promissory Notes, in the same period, has been 6,4MM€.
- **The Fund has shown to have an adequate spread between the interest generated by its assets and the implicit interest paid by the Fund to the Promissory Notes.** At the end of December 2023, the Fund’s assets had a WA annual interest rate of 92,3%, considering that the Credit Rights are purchased at discount by the Fund at a minimum 10,0%, on the other hand the issued Promissory Notes paid an annual WA rate of 6,8%. This spread has shown to be sufficient even during the months when the Fund had a low amount of its assets invested in Credit Rights.
- **The approach to the quantitative analysis of the transaction has changed as a consequence of the change of servicer.** For the initial rating, EthiFinance Ratings considered in its analysis the historical performance of the loan portfolio originated by Gedescio Finance, as Gedescio Finance performed the risk assessment and approval process of the Credit Rights assigned to the Fund based on their methodology. As Gedescio Finance no longer plays a role in this transaction and the Assignor does not have a relevant historical origination, EthiFinance Ratings has changed its approach to the quantitative analysis, analyzing now the probability of default of the main debtors in the portfolio, resulting in adequate levels in line with the transaction’s rating.
- **The Fund has concentration limits for debtors.** This criterion restricts the total outstanding balance of a Debtor to 15% of the LOI and establishes a maximum concentration of the top five debtors. As one Debtor’s Credit

Rights can be related to one or more Clients, this restriction is also a way of limiting the exposure of the Clients to the Debtor, further limiting the overall risk of the transaction. On the contrary, the Fund does not have a sector concentration limit, which exposes it to sector risk.

- **Operational risk is present given that the Assignor has been recently created.** Linkfactor Pymes has a limited track-record, however although this period has been short, it has shown an adequate performance in terms of origination and collection processes.
- **Commingling risk has been partially mitigated by an Account Pledge Agreement.** The Assignor has pledged the balance of the bank account in which it receives all payments of the Credit Rights in favor of the Fund. Furthermore, the balance of this account must be transferred to the Fund's treasury account on a daily basis. This risk has not been completely mitigated as the Assignor retains full control over this account and, therefore, the Fund is completely dependent on the Assignor actions.

Sensitivity analysis

Factors that could (individually or collectively) impact the rating.

- Positive factors (↑).

An upgrade of the credit rating of the Insurance Company, provided that conditions of the Insurance Policy remain the same. An improvement in the probability of default of the portfolio debtors, in addition with a longer track record of the Assignor.

- Negative factors (↓).

The downgrade of the credit rating of the Insurance Company, provided that the conditions of the Insurance Policy remain the same. A reduction of the LOI while maintaining the maximum promissory notes issuance in 250MM€. A deterioration in the performance of the assigned credit rights.

Description of the Transaction

Main Figures	
Issuer	Linkfactor Trade Receivables EUR1, FT
Purpose	Payments of the procurement of receivables
Fund Type	Open by the assets and liabilities
Servicer	Circulantis, S.L.
Asset Class	Trade Receivables
Issue Date	December 2022
Maturity Date	15 de diciembre 2029
Legal Maturity Date	15 de diciembre 2031
Assignment Period	2 years
Issuance Amount of Promissory Notes	300.000.000 €
Promissory Notes Outstanding Balance (31/12/2023)	12.900.000 €
Credit Rights Nominal Value (31/12/2023)	8.203.607 €
Total Bank Account Balance (31/12/2023)	6.143.028 €
Promissory Notes amortization period	Period from the end of the Assignment Period until the Final Maturity Date
Accounts	Treasury Account and Purchase Account
Principal and interest payment frequency	At Maturity Date
Listing	Mercado Alternativo de Renta Fija (MARF)

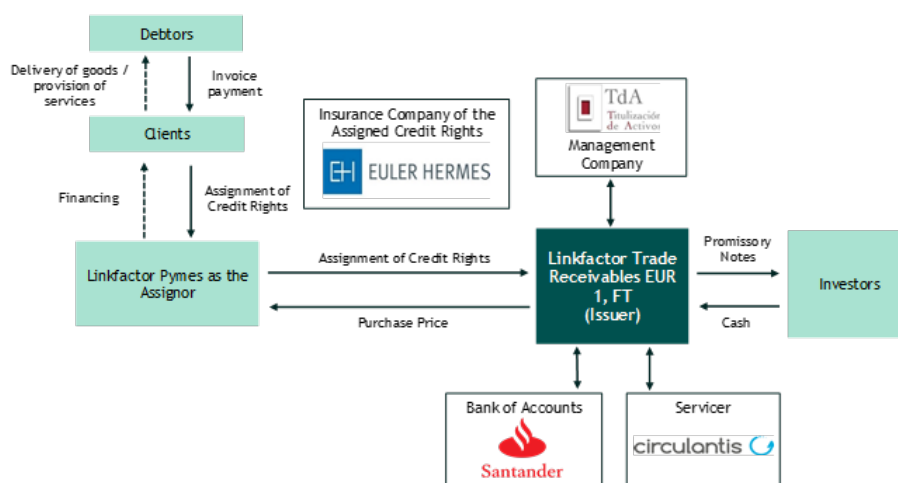
*Source: Deed of the transaction.

Participants

Participants	
Assignor	Linkfactor Pymes, S.L.
Servicer	Circulantis, S.L.
Paying and Liquidation Agent	Banco Santander, S.A.
Account Bank	Banco Santander, S.A.
Insurance Company	Euler Hermes France
Managing Company & Listing Agent	Titulización de Activos (TdA)
Legal Advisor	Cuatrecasas
Auditors	Deloitte

*Source: Termsheet of the transaction

Operation Diagram



Description of the Insurance Company

The insurance company is Euler Hermes France which is part of the Euler Hermes Group, which in turn is part of Allianz Group. During September 2023 EthiFinance Ratings assigned to Allianz Group the rating of “AA-” with stable outlook.

The rating is based on Allianz’s leading position in global insurance business and asset management, high diversification in terms of segments, lines of business and geographies, brand strength, and diversity and control of distribution channels. This is complemented by solid and stable operating performance, with strong capitalization, moderate indebtedness, and good liquidity management. However, the rating is constrained by a high exposure to assets susceptible to deterioration from further market downturns when compared to comparables, a high historical dependence on L/H investment results, and macroeconomic risks from claims inflation and slower economic development.

Description of the Credit Insurance Policy

The credit insurance policy (the “Policy”) has a 2 year-term, expiring 31 October 2025, and has a LOI of 80x the minimum premium, the LOI at the end of December 2023 is 35,28 MM€. The Policy insures 90% of the nominal value of the insured credit rights, which is sufficient to cover the Fund’s exposure, as the Fund will pay a maximum price of 90% of the nominal value of the credit right.

It is important to note that the policyholder is Linkfactor Pymes S.L. but the beneficiary is the Fund and, therefore, the indemnity is paid directly to the Fund, mitigating the risk of commingling.

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STRUCTURED FINANCE

Characteristics	EULER HERMES FRANCE
Policy Duration	Two years, due 31 October 2025
Sales Insured	300.000.000 €
Payment days for indemnity	90 days
Payment Period	30-day grace period + 90-day payment term, equals a total of 120 days
Percentage of Coverage	90%
Minimum Premium	441.000 €
LOI	35.280.000 €
Policy Holder	Linkfactor Pymes, S.L.

Source: Prepared by EthiFinance Ratings with information provided by the Insurance Policy.

Description of the Servicer

Circulantis, established in Valencia, Spain, in 2014, operates as a crowdfunding platform designed to facilitate access to alternative financing for SMEs. It enables businesses to access financing from retail investors by selling to them promissory notes and invoices at a discount. In addition to their main business, Circulantis is the servicer in this transaction, the main activities performed by Circulantis to the Fund are to ensure that all the Credit Rights are covered by the Insurance Policy, and the reconciliation of credits and debits of the different accounts, amongst others.

Sources of information

The credit rating assigned in this report has been made solicited by the originator of the assets, taking part in the process. The credit rating is based in:

1. Public information from public access sources.
2. Information provided by the originator of assets assigned or that shall be assigned to the securitization fund.

From the time of the assignment of the credit rating, all information provided by the originator of the assets, by the servicer of the assets (other than the originator) or by a third participant in the transaction, shall be reviewed and analyzed with the aim to assess the following issues:

1. The performance of the credit quality of the assets comprising the collateral of the Fund.
2. The level of credit enhancement.
3. The evolution of the quantitative triggers of the Fund.
4. The evolution of the qualitative triggers (counterparty risks).

The information has been thoroughly reviewed to ensure that it is valid, coherent and consistent and it is considered as satisfactory. Nevertheless, EthiFinance Ratings assumes no responsibility for the accuracy of the information provided and the conclusions drawn from it.

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies. Principal methodology used in this research are :
 - Structured Finance Rating Methodology - Trade Receivables :
<https://files.qivalio.net/documents/methodologies/Structured%20Finance%20Rating%20Methodology%20-%20Trade%20receivables.pdf>
- The rating scale used in this report is available at <https://www.ethifinance.com/en/ratings/ratingScale>.
- EthiFinance Ratings publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.

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