

INSTRUMENT RATING
LINKFACTOR TRADE
RECEIVABLES EUR 1 FT

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Rating Date 31/03/2025

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Rating Action

EthiFinance Ratings downgrades the rating of the Notes issued by the Fund from “A+” to “A-”.

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 Fund's Maturity Date is December 15, 2029, and legal maturity date is December 15, 2031.

The collateral consists of Credit Rights assigned to the Fund by Link Private Debt S.A. (hereinafter “Link Private Debt” 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, until the end of January 2025 all Credit Rights have recourse against them, and are related to their commercial activities or services delivered to the Direct Debtors. On 25 March 2025, the Fund's deed was novated allowing the Fund to acquire Credit Rights that have non-recourse against the Clients or Indirect Debtors, those Credit Rights will be insured by the CESCE policy. It is important to note that the rating downgrade from “A+” to “A-” is due to the inclusion of the new insurer (for the non-recourse Credit Rights), which holds a lower rating compared to the previous insurer that covered all the Credit Rights, although the quantitative analysis shows the structure has strong resilience to defaults, the rating has been capped by the CESCE's rating and additionally the rating has been impacted by the counterparty risk arising from both the Assignor and the Servicer.

Fund	Class	Outstanding Promissory Note Balance (31/01/2025)	Coupon	Maturity Date	Collateral Type
Linkfactor Trade Receivables EUR 1, FT	Promissory Notes	13,700,000 €	Fix (Implicit)	Each Promissory Note will have a maturity between 3 and 731 days	Trade Receivables

*Source: Deed of the transaction.

Fundamentals

- **In the upcoming weeks non-recourse Credit Rights will be assigned to the Fund and insured with the CESCE Insurance policy.** The Fund's deed was amended in March 2025 in order to include the assignment of non-recourse trade receivables; these CR will be insured with the new CESCE Insurance policy that insures 90% of the nominal amount. The CESCE policy does not have a minimum LOL, and each of the CR would be insured considering the risk assigned by the Insurer.
- **Euler Hermes and CESCE, the Insurance Companies, have an investment grade rating by EthiFinance.** The insurance company Euler Hermes France is part of the Euler Hermes Group, which in turn is part of Allianz Group. During September 2024 EthiFinance Ratings affirmed to Allianz Group the rating of “AA-” with stable outlook. Whereas, EthiFinance has given CESCE a rating of “A” with stable outlook in September 2024.
- **At the end of January 2025, the Credit Rights assigned to the Fund have been insured by Euler Hermes, as this policy insures only trade receivables with recourse.** The Euler Hermes 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 January 2025, the Fund had a portfolio of Credit Rights with a total face value of 9.671.925€.** These Credit Rights are distributed in 17 Indirect Debtors and 15 Direct Debtors and a strong concentration in the main Direct Debtor, additionally the portfolio has shown greater concentration than the observed in the last report (vs. 31 Indirect and 33 Direct Debtors respectively). In the last 12 months, the monthly-average cumulative face value of the Credit Rights in the Fund's portfolio has been 8,3MM€, while the monthly-average nominal value of the issued Promissory Notes, in the same period, has been 14,3MM€.
- **The average discount on Credit rights since the Fund's inception until January 2025 is 11,4%.** This aligns with expectations, as the main discount applied reflects the 10% uninsured portion of the CR, and an additional discount that covers the Fund's expenses and funding costs.
- **The Fund has shown 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 January 2025, the Fund's assets had a WA annual interest rate of 10,4%, 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 4,7%.

- **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. At the end of January 2025, the direct debtor represented 19,4% of the LOI, exceeding the limit established, to mitigate this, it is expected that the participation of this top debtor will be reduced as the Fund collects the payments expected in the month of March 2025.
- **Operational risk is present given that the Assignor has limited track-record, although the origination has gained volume during the last period.** Link Private Debt has a limited track-record, however, 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 Companies, provided that conditions of the Insurance Policies remain the same. An improvement in the probability of default of the portfolio direct debtors, in addition to a longer track record of the Assignor.

- **Negative factors (↓).**

The downgrade of the credit rating of the Insurance Companies, provided that the conditions of the Insurance Policies remain the same, or a reduction of the LOI in the Euler Policy. A deterioration in the performance of the assigned credit rights, as well as a high concentration amongst the top debtors.

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
Issuance Amount of Promissory Notes	300.000.000 €
Promissory Notes Outstanding Balance (31/01/2025)	13.700.000 €
Credit Rights Nominal Value (31/01/2025)	9.671.925 €
Total Bank Account Balance (31/01/2025)	5.862.429 €
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)

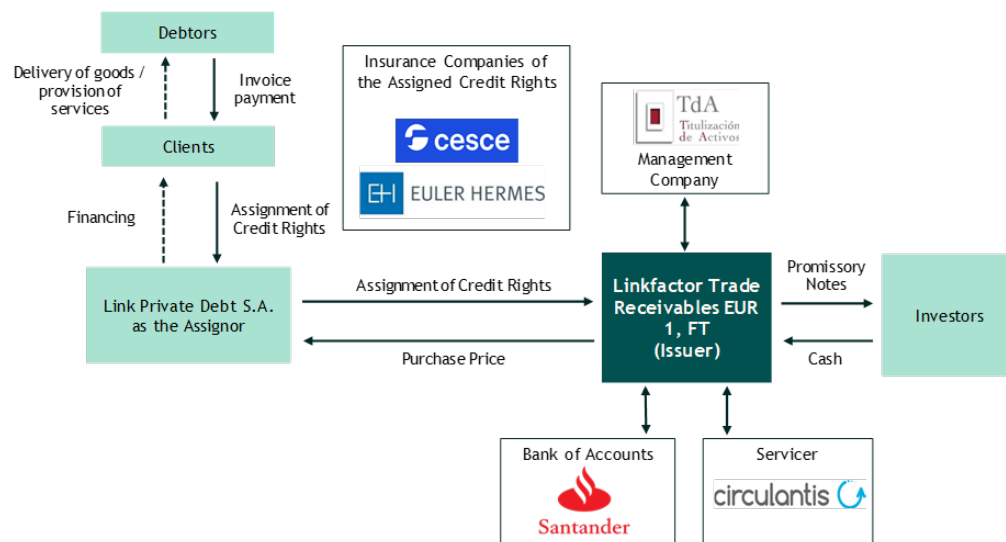
*Source: Deed of the transaction.

Participants

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

*Source: Termsheet of the transaction

Operation Diagram



Description of the Insurance Companies

One insurance company is Euler Hermes, S.A. which is part of the Euler Hermes Group, which in turn is part of Allianz Group. During September 2024, EthiFinance Ratings affirmed to Allianz Group the rating of “AA-” with stable outlook. Allianz Group is a global provider of financial services operating in the insurance and asset management industries. In the insurance sector, it is the market leader in Germany and has a broad international presence. Additionally, it is one of the largest asset managers in the world, with €1.8 trillion in third-party assets under management as of March 31, 2024.

The rating is based on Allianz’s leading position in the global insurance and asset management industries, its high level of diversification in terms of segments, business lines, and geographies, the strength of its brand, and the diversity and control of its distribution channels. This is complemented by a solid and stable operating performance, high profitability, robust regulatory capitalization, and good liquidity management.

However, the rating is constrained by macroeconomic risks, which, due to inflation, could impact the insurer’s claims experience, as well as volatility in financial markets. The rating is also limited by a low performance of the “net earned premiums to equity” indicator and moderate leverage, which have been influenced primarily by lower equity due to the downward impact of the transition to IFRS 9 accounting standards.

The insurance company, “CESCE” Compañía Española de Seguros de Crédito a la Exportación, S.A., is the main entity of a group of companies that offers solutions for issuing surety bonds and commercial credit solutions with presence in Europe and Latin America. The policy has been obtained for the main purpose of insuring the CR acquired without recourse.

As for September 2024, EthiFinance upgraded the rating for CESCE, from “A-” to “A” with a stable outlook. CESCE’s rating is mainly supported by its high profitability, efficiency, low financial leverage, and strong solvency with a conservative investor profile. However, the rating is also limited by the high geographical concentration in Spain, also because its major shareholder is the Spanish government, which is graded at “A”. CESCE as of today has more than 135.000 clients with physical presence in over 1.000 locations.

In 2023, CESCE reported a ROA of 5,5% and an ROE of 11,6%. CESCE’s overall investment decision has a more conservative approach overall compared to other insurances in the current market. Its primary focus is on fixed-income instruments, with a preference for governments debt over that of private issuers. Although some limitations were previously mentioned, EthiFinance considered CESCE a company with a strong focus and good results with a stable outlook.

Description of the Credit Insurance Policies

The EULER credit insurance policy (the “EULER HERMES 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 2024 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 Private Debt S.A. but the beneficiary is the Fund and, therefore, the indemnity is paid directly to the Fund, mitigating the risk of commingling.

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	90-day grace period + 180-day payment term, equals a total of 270 days
Percentage of Coverage	90%
Minimum Premium	441.000 €
LOI	35.280.000 €
Policy Holder	Link Private Debt, S.A.

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

The CESCE credit insurance policy (the “CESCE Policy”) has been acquired and designed specifically as a measure to address the risk of a default in a transaction that involves factoring non-recourse credit rights. Under the policy agreement, CESCE is obliged to cover the losses that are related to the acquired credit rights if the conditions by the insurance company are met).

The policy grants a coverage percentage of 90% of the nominal of the CR. Coverage for both International and national debtors as well as classification and general conditions will be equally applied, except by the addition of Political Risk Coverage within international transactions. The insurer’s minimum premium will be amounted in 185.000€ plus taxes. An important aspect of the policy is that there is no maximum annual indemnity. One key condition for the CESCE policy is that Link must be listed as the sole creditor by means of generic assignment, maintaining control over all payments made by the debtor. In relation to the indemnity, a period of 60 days is established from the date of notification to the insurer of an unpaid credit note, except for Portugal and Italy that from the date of notification the term will be of 180 days. It should be noted that the eligibility criteria for establishing a 15% top debtor concentration limit on the LOI does not apply to CESCE’s policy as it does not have a LOI.

Characteristics	COMPAÑÍA ESPAÑOLA DE SEGUROS DE CRÉDITOS A LA EXPORTACIÓN
Policy Duration	One year, due February 2026
Sales Insured	50.000.000 €
Payment days for indemnity	60 days from the noticed day except Italy and Portugal which will be 180 days from the noticed day.
Payment Period	Divided in 4 quarters, first at the day of the signing for the amount of 46.250€
Percentage of Coverage	90%
Minimum Premium	185.000 €
Policy Holder	Link Private Debt, S.A.

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 the 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, amongst others.

Description of the Assignor

Linkfactor Pymes, S.L. (original constitution name), was established in Spain in September 2022 with its core purpose of encompassing a comprehensive range of activities designed to enhance the administration, evaluation, security, and financing of credit receivables generated from both domestic and international commercial transactions that are assigned to the company. This includes conducting analysis on clients, managing debtor accounts, and undertaking any ancillary activities that contribute to the optimal management of these credit receivables. During 2024, the Assignor changed the corporate name from "Linkfactor Pymes S.L." to "Link Private Debt S.A.". Please note this change has no significant impact on the Fund other than the name.

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/CRA_153_V1.Structured_Finance_Rating_Methodology_Trade_Receivables.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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