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Rating Action

EthiFinance Ratings ("the Agency") assigns for the first time a "A+" Rating to the Notes issued by LINKFACTOR TRADE RECEIVABLES EUR 1, F.T. The initial rating determined for this financial instrument is for a new issue.

Rating Rationale

The Rating of A+ given to this Transaction is based on two main factors; the first is the Insurance Policy, with a LOI of 35.3 million euros, used as credit enhancement for the transaction while the Insurer of this Policy is Euler Hermes France, which has a Credit Rating of "AA-" with "Stable" outlook by EthiFinance Ratings; in second place, is the loan origination quality and operational capacity shown by Gedesco in the past years.

Executive Summary

Linkfactor Trade Receivables EUR 1, FT (the "FT" or the "Fund"), is a vehicle constituted in December 2022, under Spanish legislation, which constitutes a separate equity, opened both by the asset (of a renewable and expandable nature) and by the liabilities (through the successive issuance of securities). The objective of the Fund is to obtain financing and liquidity through the issuance of Promissory Notes. The Fund has an Amount of the Promissory Note Program of 300 million euros, but the rating assigned supports a maximum amount of 250 million euros. The collateral is composed of Credit Rights originated and assigned to the Fund by Linkfactor Pymes, S.L. (hereinafter "Linkfactor Pymes"), while the servicer will be Gedesco Services Spain, S.A.U. (hereinafter "Gedesco"). The Credit Rights assigned to the Fund are originated by the Clients related with their commercial activities/services carried out with the Debtors. The Fund's Maturity Date is December 15, 2029, and the Legal Maturity Date is December 15, 2031.

| Fund | Class | Amount of the Promissory Note Program | Coupon | Maturity Date | Collateral Type |
|--|------------------|---------------------------------------|----------------|--|-------------------|
| Linkfactor Trade Receivables EUR 1, FT | Promissory Notes | 300,000,000 € | Fix (Implicit) | Each Promissory Note will have a maturity between 3 and 731 days | Trade Receivables |

*Source: Deed of the transaction.

*The main credit enhancement is given by the Insurance Policy signed with EULER HERMES, whose Limit of Indemnity (LOI) is 35.3 million euros. It should be noted that the assigned rating level supports a Maximum Note Issue Amount of 250 million euros.

Rating Fundamentals

- **The credit enhancement of the Fund is the Insurance Policy that has a LOI of 35.3m euros and where the Insurer is EULER HERMES France.** Euler Hermes has been rated by EthiFinance Ratings in July 2022, where EthiFinance maintains the rating at "AA-" with a "Stable" outlook.
- **The Insurer will cover 90.0% of the defaulted Credit Rights' nominal balance.** The uncovered percentage will be compensated through a discount on the purchase price of the Credit Rights that will be at least 10.0% of their nominal balance. Also, Euler Hermes classifies each Client and Debtors in a ranking from 1 to 10, only insuring Credit Rights with Clients that have a ranking from 1 to 7 and Debtors with rankings from 1 to 5; this criterion will give strength to the Fund as high-risk Clients will not be included in the Fund's portfolio.
- **The stressed cash flow withstands the level of default required by the rating assigned.** The maximum level of default given by the cashflow analysis that withstands the transaction is 20.7%, taking into consideration the LOI of 35.3 million euros and the over-collateralization obtained by the discount in

the purchase price; this level of maximum default satisfies the level required to get the actual rating, where this level is obtained by the granular analysis.

- **Strength in the portfolio performance and adequate levels of arrears.** The performance of the portfolio over the last three years has been analyzed, resulting in a default rate (more than 90 days in arrears) weighted average of 1.2%.
- **The Expense Advance, defined in the Deed, ensures that the Fund will have access to an interest-free subordinated loan to meet present and future ordinary and extraordinary expenses.** This structural instrument has been designed to ensure the Expense Reserve is well funded and to meet any liquidity shortfalls that may affect the Fund's ability to pay ordinary and extraordinary expenses.
- **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.
- **The Fund doesn't have an industry concentration limit exposing it to industry risk.** If the underlying Credit Rights are highly concentrated in Debtors of the same industry and an economic shock hits said industry, the debtors' ability to pay back their financial obligations could be impaired. Because of the relatively short life of the Credit Rights, this risk is less likely to materialize, nevertheless, the risk exists and must be considered. The Insurance Policy reduces the impact this risk can have on the Fund.
- **The portfolio originated by Gedesco (the Administrator) during the last three years, has been diversified by Clients and Debtors.** The main ten Debtors of this portfolio represent 31.3% of the total origination in these years, while the main ten Clients of the portfolio represented 32.3% of the total origination in the same period time.
- **A Legal Opinion was made by independent lawyers.** The legal opinion states that the Assignment of the Credit Rights to the Fund is a true sale.
- **Gedesco has demonstrated to have outstanding origination and recovery processes.** Historically, Gedesco has demonstrated to have adequate risk controls on its origination process that ensure a small percentage of loans with delays higher than 30 days. Since 2019 no more than 2.23% of the issued loans have had a delay higher than 30 days. This track record gives a positive outlook on the expected performance of the underlying assets in the portfolio.
- **The Assignor and the Fund have entered into Bank Account Pledge Agreement.** This agreement mitigates the commingling risk that exists during the time the resources, coming from Credit Rights payments, stay in the Assignor's bank account. In the agreement, the Assignor pledge their bank account resources in favor of the Fund.

Sensitivity analysis

Factors that could (individually or collectively) impact the rating

■ Positive factors (↑).

A positive movement in the rating of EULER HERMES could cause a rating upgrade if the LOI remains in the same amount and the vintage analysis and arrears are at similar levels.

■ Negative factors (↓).

A deterioration in the probability of default of the portfolio can cause the default

curve obtained by the granular analysis and the current rating assigned will need to withstand a greater percentage of default and require a greater LOI. Also, a downgrade in the EULER HERMES rating can affect this rating.

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 the liabilities |
| Servicer | Gedesco Services Spain S.A.U. |
| Asset Class | Trade Receivables |
| Issue Date | December 2022 |
| Issuance Amount of Promissory Notes | 300,000,000 euros |
| 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) |

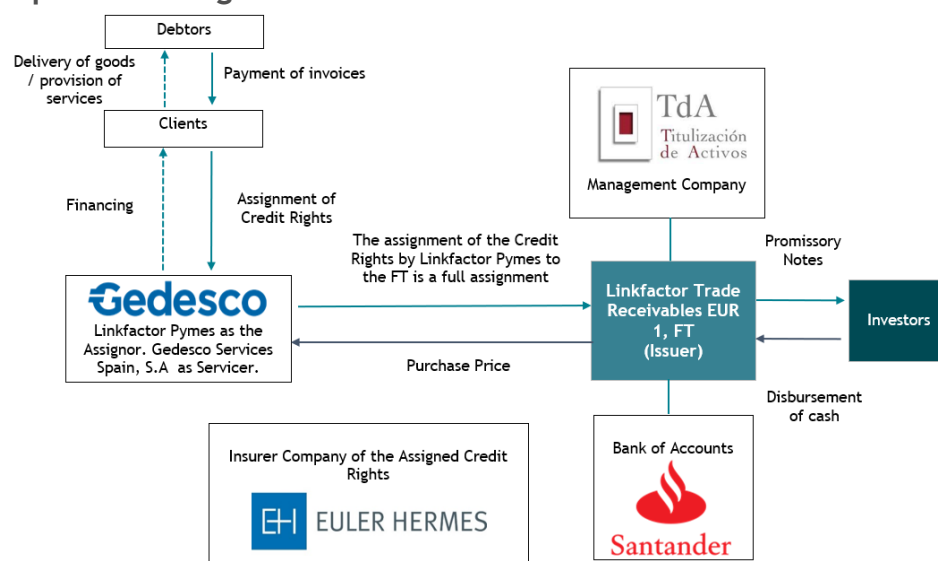
*Source: Deed of the transaction.

Participants

| Participants | |
|----------------------------------|--------------------------------|
| Assignor | Linkfactor Pymes, S.L. |
| Arranger | Bravo Capital Markets, S.L. |
| Servicer | Gedesco Services Spain, S.A.U. |
| Paying and Liquidation Agent | Banco Santander, S.A. |
| Account Bank | Banco Santander, S.A. |
| Insurance Company | Euler Hermes, S.A. |
| Managing Company & Listing Agent | Titulización de Activos (TdA) |
| Legal Advisor | Cuatrecasas |
| Auditors | Deloitte |

*Source: Termsheet of the transaction

Operation Diagram



Description of the Credit Rights

The Credit Rights assigned to the Fund, will derive from the provision of financing services and discount of invoices (factoring) by the Assignor to companies domiciled in Spain or abroad “the Clients” with respect to accounts receivables or invoices that such Clients hold against companies “the Debtors” arising from the supply of goods or services.

In addition, the Credit Rights, in an ancillary manner, benefit from recourse against persons other than the Debtors, the “Accessory Resource”, consisting in which each Client is liable to the Fund, with respect to the corresponding Credit Right, the solvency of the corresponding Debtor and, consequently, has an action against it in the claim of the credit in case of default of such Debtor.

There are Initial Credit Rights that will be assigned to the Fund at the inception moment, and there are Additional Credit Rights that can be assigned during the “Assignment Period”.

Description of the Insurance Company

The rating was revised by EthiFinance Ratings in July 2022, where Ethifinance maintains the rating of Euler Hermes, S.A. at “AA-”, with a “Stable” outlook. Euler Hermes, S.A. (hereinafter “Euler Hermes”) is the main insurance subsidiary of the Euler Hermes Group, which belongs to one of the most important insurance groups, the Allianz Group. Euler Hermes is the global leader in the credit insurance market and complements its core business with the activities of surety bonds, fraud insurance, and debt collection.

Our credit rating is based on Euler Hermes’ position as a market leader in the credit insurance sector, its improved efficiency, low leverage, adequate liquidity position, and growing profitability, which, although it has evolved positively towards pre-pandemic levels, remains below its peers. Euler Hermes’ credit rating benefits from the implicit and explicit support of its parent, the Allianz Group, which owns 100% of the company. In contrast, the main mitigants to our rating are the high concentration of its revenues in credit insurance (a particularly cyclical business) and the current uncertain economic environment, which, although it could affect the Insurer’s results, Euler Hermes’ performance is expected to remain at adequate levels.

Credit Insurance Policy

One of the main credit enhancements of the transaction is the existence of this policy, because of this, an analysis of this policy has been carried out. The term of the policy is 24 months, ending November 2024.

Under the Policy agreement, Euler Hermes is obliged to indemnify the Fund, within the limits set out in the Policy and up to the amount of the maximum sum insured, against ultimate losses arising from the Debtors' defaults on the receivables assigned to the Fund under the factoring agreements.

The percentage of coverage granted by the policy is 90,0%, however, the purchase price of the Credit Rights will be at the nominal amount minus a discount of 10,0%. In accordance with the conditions of the Policy entered between Euler Hermes and Linkfactor Pymes, all the Clients must have a Grade from 1 to 7 and all Debtors must have a grade from 1 to 5, in order to be included in the coverage of the Policy. It is important to notice that the policyholder is Linkfactor Pymes, but the beneficiary of the indemnity is the Fund, in this way the indemnity payments will be transferred directly into the Fund accounts.

| Characteristics | EULER HERMES |
|-----------------------------------|--|
| Policy Duration | Two years, due November 30, 2024 |
| Sales Insured | 300,000,000 € |
| Payment days for indemnity | 180 days |
| Payment Period | 90-day grace period + 180-day payment term, equals a total of 270 days |
| Percentage of Coverage | 90.0% |
| 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.

Regulatory information

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:

- Public information from public access sources.
- 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:

- The performance of the credit quality of the assets comprising the collateral of the Fund.
- The level of credit enhancement.
- The evolution of the quantitative triggers of the Fund.
- 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, and in accordance with the Trade Receivables Methodology that can be consulted on <https://www.ethifinance.com/en/ratings/methodologies> and according to the Structured Finance Rating scale 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 provided ancillary services to related third parties of the rated entity, but not to the rated entity. However, according to our Conflict of Interest Policy, it does not involve a conflict of interest, since the aggregate sale does not exceed 5% of net turnover.
- The issued credit rating has been notified to the rated entity, and has not been modified since.

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