Trans-Sped Kft.

Hungary, Logistics

Issuer

B

Outlook

Stable

Senior unsecured debt

B+

Rating composition

Business risk profile		
Industry risk profile	B+	B
Competitive position	B	
Financial risk profile		
Credit metrics	B	B
Liquidity	+/-0 notches	
Standalone credit assessment		**B**
Supplementary rating drivers		
Financial policy	+/-0 notches	**+/-0 notches**
Governance & structure	+/-0 notches	
Parent/government support	+/-0 notches	
Peer context	+/-0 notches	
Issuer rating		**B**

Key metrics

			Scope estimates	
Scope credit ratios*	**2023**	**2024P**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	5.6x	5.6x	5.6x	5.4x
Scope-adjusted debt/EBITDA	5.6x	7.6x	7.1x	6.2x
Scope-adjusted funds from operations/debt	13%	12%	14%	14%
Scope-adjusted free operating cash flow/debt	4%	6%	0%	-1%
Liquidity	111%	>200%	134%	172%

Rating sensitivities

The upside scenario for the rating and Outlook:

- Debt/EBITDA of significantly below 6.0x

The downside scenarios for the rating and Outlook (individually):

- No stabilisation of the EBITDA margin at above 6%
- EBITDA interest cover of below 3.0x
- Negative free operating cash flow for a prolonged period

**All credit metrics refer to Scope-adjusted figures.*

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Related methodology

General Corporate Rating Methodology, Feb 2025

European Real Estate Rating Methodology, Mar 2024

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1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Highly diversified customer portfolio across sectors and industries • Good interest cover consistently above 5.0x • High-quality and modern asset base thanks to significant capex in previous years	• Limited company size and geographical outreach increasing vulnerability to domestic market downturns • Deteriorating operating profitability stemming from lower demand and sector underperformance • High leverage • Free operating cash flow under pressure from high maintenance capex

2. Rating Outlook

The Stable Outlook reflects our expectation that Trans-Sped's credit metrics will develop in line with our financial forecasts, supported by a stabilisation of the EBITDA margin at above 6%, albeit staying below historical averages (7-9%) in the coming years. Beyond 2024, we expect a gradual deleveraging, with debt/EBITDA improving towards 6.0x and EBITDA interest cover remaining consistently above 5.0x, while free operating cash flow generation remains under pressure from the relatively high maintenance CAPEX.

3. Corporate profile

Family-owned transport and logistics company

Trans-Sped Kft. is a Hungarian family-owned medium-sized company active in logistics. Founded in 1990 by Mr. Zsolt Fülöp as an international transport company, the company has since expanded to other logistics branches such as warehousing, freight forwarding, on-site logistics and more recently, e-commerce. Headquartered in Debrecen, Trans-Sped has 14 warehouses over more than 200,000 m2 of floor space, a fleet of 250 trucks and more than 800 employees.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
22 Apr 2025	Affirmation	B/Stable
23 Oct 2024	Downgrade	B/Stable
15 Apr 2024	Affirmation	B+/Negative

5. Financial overview (financial data in HUF m)

				Scope estimates	
Scope credit ratios	**2022**	**2023**	**2024P**	**2025E**	**2026E**
EBITDA interest cover	6.3x	5.6x	5.6x	5.6x	5.4x
Debt/EBITDA	6.1x	5.6x	7.6x	7.1x	6.2x
Funds from operations/debt	13%	13%	12%	14%	14%
Free operating cash flow/debt	-26%	4%	6%	0%	-1%
Liquidity	51%	111%	>200%	134%	172%
EBITDA					
Reported EBITDA	2,377	2,578	1,974	2,108	2,387
add: recurring dividends from associates	40	80	24	24	24
EBITDA	**2,417**	**2,658**	**1,998**	**2,132**	**2,411**
Funds from operations (FFO)					
EBITDA	2,417	2,658	1,998	2,132	2,411
less: interest	(381)	(477)	(357)	(382)	(449)
less: cash tax paid	(34)	(63)	-	-	-
Other non-operating charges before FFO	(42)	(157)	138	368	200
Funds from operations	**1,960**	**1,961**	**1,779**	**2,118**	**2,162**
Free operating cash flow (FOCF)					
Funds from operations	1,960	1,961	1,779	2,118	2,162
Change in working capital	(2,232)	1,590	1,042	(68)	(125)
Non-operating cash flow	(225)	390	9	-	-
less: capital expenditures (net)	(3,398)	(3,320)	(1,928)	(2,107)	(2,185)
Free operating cash flow	**(3,895)**	**621**	**902**	**(57)**	**(148)**
Interest					
Net cash interest per cash flow statement	381	477	357	382	449
add: other items	-	-	-	-	-
Interest	**381**	**477**	**357**	**382**	**449**
Debt					
Reported financial (senior) debt	14,102	14,299	14,455	14,476	14,157
less: cash and cash equivalents[1]	NA	NA	NA	NA	NA
add: other debt-like items	639	707	758	758	758
Debt	**14,741**	**15,006**	**15,213**	**15,234**	**14,915**

[1] Cash netting in calculation of debt is not applicable, as the issuer rating is in the B category

6. Environmental, social and governance (ESG) profile[2]

Environment	Social	Governance
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)	Labour management	Management and supervision (supervisory boards and key person risk)
Efficiencies (e.g. in production)	Health and safety (e.g. staff and customers)	Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate)
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)	Clients and supply chain (geographical/product diversification)	Corporate structure (complexity)
Physical risks (e.g. business/asset vulnerability, diversification)	Regulatory and reputational risks	Stakeholder management (shareholder payouts and respect for creditor interests)

ESG factors: credit-positive credit-negative credit-neutral

ESG factors deemed credit neutral

Trans-Sped is family-owned, with founder Mr. Zsolt Fülöp and his son, Szabolcs Fülöp in top management. They are supported by a team of independent operational directors, each an expert in their respective fields, reducing key person risk. The issuer has no independent supervisory board.

In February 2023, Trans-Sped published its first ESG report, setting targets by 2030. The strategy focuses on sustainable development and environmental protection over three key areas: responsible corporate governance, social responsibility, and environmental protection.

For the long term, Trans-Sped aims to achieve carbon-neutral operations by 2050. We currently see no ESG factors that have a substantial impact on the overall assessment of credit risk.

[2] These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

7. Business risk profile: B

Industry risk profile: B+

The blended industry risk is B+, weighted based on the EBITDA contribution. The company's core activity of logistics (B industry risk rating) is weighted at 60%, commercial real estate (BB) at 30% and business services (asset light industry group requiring specialized workforce, with an industry risk rating of BBB) at 10%. The business services offered are closely connected with the other two industries. The logistics unit has medium cyclicality, low entry barriers and medium to low substitution risks.

Sector underperformance caused by weaker end-market demand

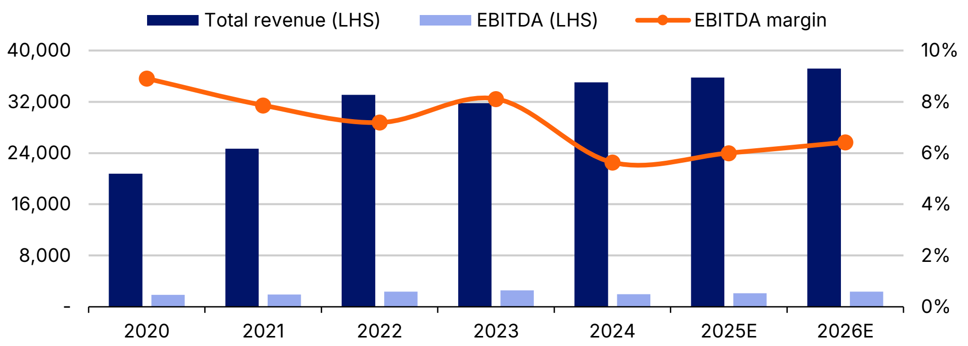
Trans-Sped is a medium-sized company in the heavily fragmented Hungarian freight and logistics market, which consists of more than 40,000 companies employing 259,000 people. The domestic market, especially road transport, has been slowing for two years. Goods transported by road decreased by around 9% in the first three quarters of 2024 compared to the same period last year. The main reason was weaker end-market demand due to the rapid devaluation of real wages in Hungary, exacerbated by domestic economic slowdown in the face of geopolitical tensions and war-related sanctions in Central and Eastern Europe.

Revenue increase driven by new customers

Even with these challenges, Trans-Sped's revenues increased by 9% to HUF 34.2bn (preliminary figures), driven by new consumers on the field of retail, chemicals and capital goods (machinery). We expect revenues to increase gradually in the upcoming years towards HUF 36.6bn, driven by a forecasted recovery of domestic demand.

In terms of revenue, the issuer remains in the top 20 companies in the logistics and transport sector in Hungary, a market led by well-known multinational companies such as Waberer's, DHL or Duvenbeck.

Figure 1: Development of revenues, EBITDA (HUF m) and EBITDA margin (%)



Source: Trans-Sped, Scope estimates

Services heavily focused on transport and logistics

In addition to its core transport business, Trans-Sped is striving to offer new and more complex services. Investments in the past years were aimed at expanding into new, higher added-value business lines such as production logistics or warehousing services, on top of modernising existing vehicle fleets and increasing warehousing capacity. While services are still centred around transport and logistics, these new complementary services will make cash flow more resilient.

Geographical scope remains narrow

Trans-Sped has been expanding from its historical geographical focus on eastern Hungary into the rest of the country. After heavy investment in the last years, the issuer now operates in 14 sites across the country. However, its geographical diversification remains weak, exposing it to domestic macroeconomic shifts, as witnessed in its operating profitability weakening in line with the sluggish domestic growth rate.

Well-diversified customer portfolio

The customer portfolio remains well diversified. This is credit-positive as different demand patterns (discretionary and non-discretionary) help to offset shifts in end-market demand. As of 2024, the automotive sector represented 13% of customers (2023: 20%) and pharmaceuticals/chemicals, 28%. Trans-Sped also generally has multi-year customer relations, with multiple business lines servicing a single entity or group through the supply chain.

Deteriorating operating profitability amongst adverse market conditions

In 2024, the EBITDA margin declined to 5.8%, below the historical average range of 7%-9%. This was due to weak end-market demand that intensified competition, exacerbated by the increase in transport costs (tolls, fuel, taxes) that had to be absorbed amid rising customer price-sensitivity. The distribution business also underperformed in 2024, which was due to lower online retail sales resulting in an inability to increase the number of parcels delivered as planned. Despite this, we expect the EBITDA margin to recover gradually above 6% by 2026, driven by the forecasted economic growth stimulating demand.

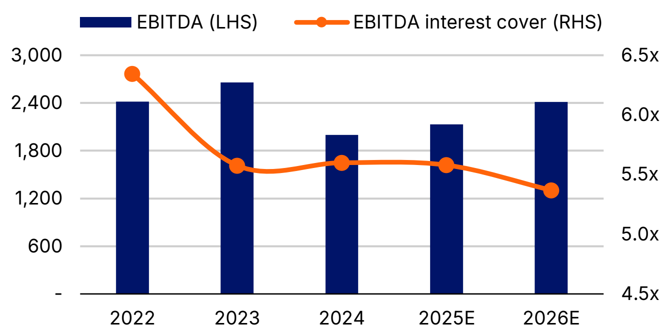
8. Financial risk profile: B

The financial risk profile remains supported by the strong interest cover but remains constrained by high leverage and volatile cash flow cover.

Interest cover consistently above 5.0x

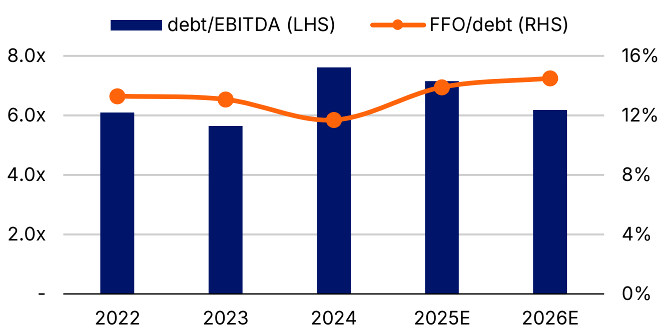
Interest cover remains the strong point of the financial risk profile, measured by EBITDA/interest cover, which remained unchanged compared to the previous year at 5.6x. Weaker EBITDA in 2024 was offset by lower interest stemming from a limited use of overdrafts and working capital financing credit lines. Beyond 2024, we expect higher interest payments, as a result of: i) more frequent use of working capital financing, necessitated by increased liquidity needs; and ii) a higher cost of debt in 2025 following the refinancing of preferential lower-rate financial debt. Despite the higher interest, we expect interest cover to stay above 5.0x thanks to gradually improving EBITDA.

Figure 2: EBITDA (HUF m) and EBITDA interest cover (x)



Source: Trans-Sped, Scope estimates

Figure 3: Leverage metrics, debt/EBITDA (x) and FFO/debt (%)



Source: Trans-Sped, Scope estimates

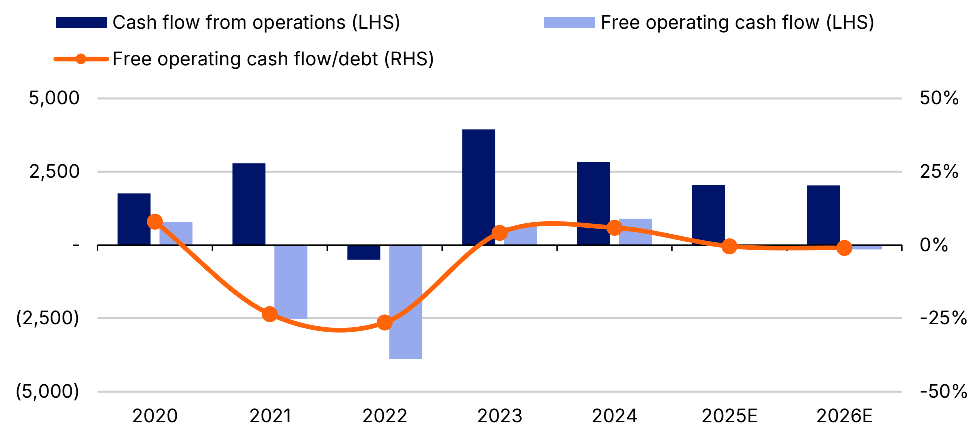
Gradual deleveraging towards 6.0x, driven by EBITDA generation

Leverage, as measured by debt/EBITDA, deteriorated to over 7.0x in 2024 due to weaker profitability and higher financial debt after HUF 1bn was added in 2024 (financial leasing). Beyond 2025, we forecast a gradual deleveraging towards 6.4x by 2026 through recovering operating profitability driven by higher demand in the premium market. At the same time, we expect financial debt to increase, driven by the higher use of working capital financing (HUF 500m additional use of credit lines included in our financial base case, both in 2025 and 2026).

Volatile FOCF generation

Free operating cash flow (FOCF) has been negative in recent years due to intensive investment in property, plant and equipment, typically financed by external debt. In 2024, FOCF was higher than in 2023, mainly related to positive changes in working capital and lower capex (around HUF 2.0bn). Beyond 2024, we expect FOCF to remain at close to break even, though still under pressure from high maintenance capex of around HUF 2.2bn a year.

Figure 4: Development of cash flow from operations, FOCF (HUF m) and FOCF/debt (%)



Source: Trans-Sped, Scope estimates

Adequate liquidity

Liquidity is adequate, with liquidity sources forecasted to cover short-term debt of HUF 3.4bn (including a HUF 1.4bn short-term lease) and negative FOCF of HUF 57m forecasted for 2025. Sources of liquidity comprise HUF 801m of free cash and HUF 3.5bn of open, committed credit lines.

We note that Trans-Sped's senior unsecured bond, issued under the Hungarian National Bank's Bond Funding for Growth Scheme, has a covenant requiring the accelerated repayment of the outstanding nominal debt amount (HUF 5bn) if the rating of the bond stays below B+ for more than two years (grace period) or drops below B- (accelerated repayment within 30 days). Such a development could adversely affect the company's liquidity profile. The rating headroom to entering the grace period is zero notches. Given the unchanged tight rating headroom, the company must address its credit weaknesses to avoid entering the grace period or the more severe event of the debt rating being downgraded below B-.

Table 1. Liquidity sources and uses (in HUF m)

	2024P	2025E	2026E
Unrestricted cash (t-1)	761	801	764
Open committed credit lines (t-1)	4,338	3,838	3,338
FOCF (t)	901	(57)	(148)
Short-term debt (t-1)	1,697	3,393	2,233
Liquidity	**>200%**	**134%**	**172%**

Source: Trans-Sped, Scope estimates

9. Supplementary rating drivers: +/- 0 notches

Supplementary rating drivers are deemed credit-neutral.

10. Debt rating

Senior unsecured debt rating: B+

The senior unsecured debt issued by Trans-Sped is rated one notch above the issuer rating. This is based on the 'superior' recovery assessment, constrained by potential volatility on the path to a default and the issuer's ability to raise additional debt ranking above senior unsecured debt.

Senior unsecured debt currently consists of a HUF 5bn senior unsecured bond (ISIN: HU0000359500) issued in March 2020 under the Hungarian Central Bank's bond scheme. The proceeds refinanced financial debt (HUF 2.8bn) and financed acquisitions (HUF 0.6bn) and capex (HUF 1.6bn). The bond has a tenor of 10 years and a fixed coupon of 2.5%. Bond repayment is in four tranches starting from 2026, with 7.5% of the face value payable yearly and a 70% balloon payment at maturity.

The recovery analysis is based on a hypothetical default scenario at YE 2026. The analysis used a liquidation scenario due to the asset-rich nature of the company, including fixed assets with high resale values (warehouses and the vehicle fleet). Following a valuation of all properties, a fair value adjustment of HUF 8bn was booked, starting from 2023. In 2024 all properties were revalued and fair value increased by around HUF 1bn compared to the 2023 level. The completion of the warehouse construction also eliminated execution risk and increased the fixed asset balance. These effects improved recovery expectations significantly, resulting in the 'superior' recovery for senior unsecured debt. This recovery rate normally allows for more than a notch of uplift against the issuer rating but we limited the uplift to one notch due to potential volatility in the capital structure on the path to default and the issuer's ability to raise additional debt ranking above the senior unsecured debt.

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