

RATING ACTION COMMENTARY

Fitch Rates Leasys' Inaugural Bond 'BBB+(EXP)'

Feedback

Mon 12 Jul, 2021 - 08:22 ET

Fitch Ratings - Milan - 12 Jul 2021: Fitch Ratings has assigned Leasys S.p.A.'s (Leasys) proposed EUR500 million inaugural senior unsecured bond an expected rating of 'BBB+(EXP)!'.

The issue rating is in line with Leasys' 'BBB+' Long-Term Issuer Default Rating (IDR). Leasys' Long-Term IDR is unaffected by the proposed bond issue and is based on Fitch's expectations of support for Leasys from its ultimate parent, Credit Agricole (CA; A+/Negative), via FCA Bank (BBB+/Negative). The Negative Outlook on Leasys' Long-Term IDR mirrors that on CA's.

The assignment of the final rating is contingent on the receipt of final documents conforming to information already received.

KEY RATING DRIVERS

The equalisation of the senior unsecured bond's expected rating with Leasys' Long-Term IDR reflects the bond's status as Leasys' reference obligation.

The net proceeds of the new senior unsecured bond will be used to finance or refinance Leasys' eligible green portfolio, in line with its Green Bond Framework. Leasys plans to allocate the net proceeds of the bond in the next two years to facilitate the shift of its fleet towards electric and hybrid cars and the establishment of a network of charging points for electric vehicles.

Leasys is the rental and mobility services provider of FCA Bank Group. It is Italy's leader in long-term car rental and is present in 11 other European markets, with a fleet of around 315,000 vehicles at end-2020. Leasys plans to grow domestically and internationally, supported by the long-term market trend towards leasing and rental solutions, away from direct car ownership.

The ratings of Leasys are based on Fitch's assessment of its integration with FCA Bank and the availability of potential support from CA Consumer Finance (CACF; A+/Negative), and ultimately from CA. CA owns a 50% stake in FCA Bank through CACF and provides ongoing support to FCA Bank, mostly through funding and liquidity. The provision of funding and liquidity is governed via a joint-venture (JV) agreement with FCA Italy S.p.A. (FCA Bank's other 50% shareholder), a 100% subsidiary of Stellantis N.V. (BBB-/Stable).

The three-notch difference between CA's and Leasys' IDRs reflects that any support from CA to Leasys would be part of any support provided by CA to FCA Bank Group as a whole. FCA Bank's ratings are not constrained by Italy's sovereign (BBB-/Stable), but Fitch is unlikely to widen the notching difference between FCA Bank's and Italy's IDRs to above two notches.

The bond issue is part of Leasys' planned diversification of funding sources away from the banking parent, mirroring FCA Bank's. This is in line with CA's overall strategy across the group's subsidiaries. Nonetheless, in Fitch's view, CA's willingness to support remains high.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade of the senior unsecured bond:

-An upgrade of Leasys' Long-Term IDR would be mirrored in an upgrade of the bond rating.

Factors that could, individually or collectively, lead to negative rating action/downgrade of the senior unsecured notes:

-A downgrade of Leasys' Long-Term IDR would result in a corresponding downgrade of the bond rating.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

The ratings of Leasys are equalised with those of FCA Bank and are driven by support from CA.

ESG CONSIDERATIONS

As support-driven issuers have strong linkages to their support providers, the ESG Relevance Score assigned to the 'supported' subsidiaries often mirror those of their corporate and financial institution parents. This reflects our opinion that many of the ESG elements at the parent level are credit-relevant for the subsidiary.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on Leasys, either due to their nature or the way in which they are being managed. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

RATING ACTIONS

ENTITY/DEBT RATING

Leasys S.p.A.

● senior	LT	BBB+(EXP)	Expected Rating
unsecured			

[VIEW ADDITIONAL RATING DETAILS](#)**FITCH RATINGS ANALYSTS****Gianluca Romeo**

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APPLICABLE CRITERIA

[Non-Bank Financial Institutions Rating Criteria \(pub. 28 Feb 2020\) \(including rating assumption sensitivity\)](#)

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Leasys S.p.A.

EU Issued, UK Endorsed

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Non-Bank Financial Institutions Europe Italy
