FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Leasys at 'A-'; Outlook Stable

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Fitch Ratings - Milan - 26 Jul 2023: Fitch Ratings has affirmed Leasys Italia S.p.A.'s Long-Term Issuer Default Rating (IDR) and senior unsecured debt rating at 'A-'. Fitch also affirmed Leasys' Shareholder Support Rating (SSR) at 'a-'. The Outlook on Leasys' Long-Term IDR is Stable.

KEY RATING DRIVERS

Support Drives Ratings: The affirmation primarily reflects our view of an extremely high probability of support from CA Consumer Finance (CACF; A+/Stable), and ultimately from CACF's owner Credit Agricole (CA; A+/Stable). The Stable Outlook reflects those on CACF and CA.

Leasys is a joint-venture (JV) between CA and Stellantis N.V.'s (BBB+/Stable), with a 50% share each.

Rating Notched Down Twice: Leasys' Long-Term IDR is notched down twice from CACF's and CA's IDRs. Our view of support is based on Leasys' franchise and strong growth prospects in the car-finance segment, whose importance for CA is increasing. Sound profitability and moderate credit risk are underlined by Leasys' positive contribution to the parent's performance in the last five years, which is set to increase following Leasys's takeover of the Free2Move Lease business of the former PSA Group.

We do not anchor Leasys' ratings to Stellentis's ratings, given Leasys' operational integration within CA and Stellantis's lower rating. The latter does not represent a constraint on Leasys' ratings. The current JV agreement between CA and Stellantis lasts until 2032.

No Sovereign Constraint: Leasys' ratings are not constrained at the level of Italy's sovereign rating (BBB/Stable), because Leasys is not a regulated financial institution and also because it has no direct exposure to Italian sovereign risk.

CA's Fleet Lessor: Leasys is a rental and mobility services provider. It is Italy's leader in long-term car rental and is present in 10 other European markets with a managed fleet of 406,000 vehicles at end-2022. Following a reorganisation in 1Q23, Leasys has taken over Free2Move Lease's operations and now plans to grow with a pan-European presence, benefitting from the long-term market trend towards leasing and rental alternatives, away from direct car ownership.

Increasing Operational Autonomy: Leasys' Standalone Credit Profile is constrained by its reliance on CA Auto Bank for key functions (including risk management and treasury) and seconded staff. These are a legacy of the previous corporate structure and are provided under a master service agreement until 2026, while Leasys gradually builds its internal capabilities.

Leverage, Funding Constrain Standalone Profile: Leasys' standalone creditworthiness is constrained by its high leverage (gross debt-to-tangible equity of 10x at end-2022). This means that Leasys' independent funding access would not be on as competitive terms as those it has as part of CA. Leasys' sound return on equity, moderate credit risk and medium-term growth prospects make it an important contributor to CA's performance, underpinning our assessment of the support propensity following the reorganisation.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade of CA's and CACF's IDRs would result in a downgrade of Leasys' IDR, reflecting a weakening of the parents' ability to support a strategically important subsidiary.

Leasys' ratings are sensitive to adverse changes in Fitch's assumptions about CA's propensity to support the company. Leasys' attractiveness to CA could be sensitive to changes in CA's strategy and in the automotive sector if this results in a materially negative impact on Leasys' profitability and growth prospects.

Leasys' ratings are also sensitive to an unfavourable change in the ownership structure, should CA or Stellantis decide to terminate their partnership.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Upside is limited in the medium term, as indicated by the Stable Outlook.

Fitch would upgrade Leasys' Long-Term IDR if CA's and CACF's Long-Term IDRs are upgraded, while Fitch's assessment of CA's support propensity remains unchanged.

A narrowing of the difference between Leasys', CA's and CACF's Long-Term IDRs would require evidence of a larger role of Leasys' within the CA group, including from a bigger fleet of over one million vehicles, as well as of improved prospects and financial performance, especially in new business origination and income contribution.

The notching difference between Leasys' and CACF's IDRs could narrow if CACF significantly increases its stake in Leasys to above the 50% it currently holds.

DEBT AND OTHER INSTRUMENT RATINGS: KEY RATING DRIVERS

Leasys's long-term senior unsecured debt rating is aligned with its Long-Term IDR. This is because Fitch believes default on its unsecured and unsubordinated obligations (two bonds and issuance from its EUR5 billion EMTN programme) would equate to a default of Leasys itself and also because of it average recovery prospects.

DEBT AND OTHER INSTRUMENT RATINGS: RATING SENSITIVITIES

Changes to Leasys' Long-Term IDR would be mirrored in its senior unsecured debt 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 driven by parental support from CA.

ESG CONSIDERATIONS

As support-driven issuers have strong linkages to their support providers, the ESG Credit-Relevance Score assigned to the 'supported' subsidiaries often mirrors 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.

Therefore, Leasys' scores are mostly aligned with those of CA. Leasys differs from CA with scores for 'GHG Emissions' at '3' and 'Energy Management' at '3', reflecting its focus on the automotive industry.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the materiality and relevance of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Leasys Italia S.p.A.	LT IDR	A- Rating Outlook Stable	Affirmed	A- Rating Outlook Stable
	ST IDR	F1	Affirmed	F1
	Shareholder Support	a-	Affirmed	a-
senior unsecured	LT	A-	Affirmed	A-

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Non-Bank Financial Institutions Rating Criteria (pub. 05 May 2023) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

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Leasys Italia S.p.A.	EU Issued, UK Endorsed

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