

RATING ACTION COMMENTARY

Fitch Revises Ayvens' Outlook to Stable; Affirms IDR at 'BBB+'; Senior Preferred Debt at 'A-'

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Fitch Ratings - Frankfurt am Main - 18 Oct 2024: Fitch Ratings has revised the Outlook on Ayvens' and its subsidiary LeasePlan Corporation's N.V. Long-Term Issuer Default Ratings (IDRs) to Stable from Positive and affirmed the IDRs at 'BBB+'. Fitch has also affirmed their group Viability Rating (VR) at 'bbb+' and senior unsecured debt ratings at 'A-'. A full list of rating actions is below.

The Outlook revision follows the revision of the Outlook to Stable on Ayvens' majority shareholder, Societe Generale S.A. (SG; A-/Stable; see 'Fitch Revises Societe Generale's Outlook to Stable; Affirms at 'A-' dated 16 October 2024 at www.fitchratings.com). This in turn followed Fitch's revision of the Outlook on France's sovereign Long-Term IDR to Negative on 11 October 2024 (see Fitch Revises France's Outlook to Negative; Affirms at 'AA-' at www.fitchratings.com) and the subsequent revision of the outlook on the operating environment for French banks to negative.

KEY RATING DRIVERS

The Long-Term IDR of Ayvens and its subsidiary LeasePlan are based on our assessment of shareholder support from SG, as reflected in the Shareholder Support Ratings (SSR) of 'bbb+', and the combined entity's creditworthiness, as expressed in the group 'bbb+' VR.

Stabilised Parent Ability to Support: The Stable Outlook reflects SG's stabilised ability to support Ayvens and LeasePlan, following the revision of the Outlook on SG's Long-Term IDR to Stable. Fitch views extraordinary capital or liquidity support would be highly likely, given SG's commitment to retain a majority stake in Ayvens, material funding from SG and the inclusion of Ayvens in SG's single-point-

of-entry resolution group. The acquisition of LeasePlan increased the importance of the combined entity to SG, in particular with earnings generation.

Notched Down Once: The one-notch difference between Ayvens' and LeasePlan's and SG's Long-Term IDRs mainly reflects SG's diluted ownership stake (53%; or 51% in case of warrant exercise) and a large minority private equity ownership, following the LeasePlan acquisition.

Group Ratings: Fitch views LeasePlan as a core and highly-integrated subsidiary of Ayvens. Its integration process will be finalised by 2026. Given LeasePlan's size (about 50% of the combined group's fleet), group ratings reflect the close correlation between Ayvens' and LeasePlan's credit profiles and their substantially similar failure risk. The latter is underlined by future high integration in management and systems, as well as fungibility of balance sheets.

Standalone Strength: Ayvens' standalone creditworthiness is reflected by its 'bbb+' VR, which considers its established market position as a leading global multi-brand fleet lessor with total fleet of 3.4 million vehicles, experienced management team and well-articulated strategy, focused on integration of LeasePlan until 2026, as well as associated integration-related execution risk. The ratings also factor in Ayvens' inherent exposure to residual value risk.

Residual Value Risk Exposure: The asset-quality assessment captures the group's focus on operational leasing and exposure to residual value risk, which may expose Ayvens to moderate earnings volatility, given the ongoing correction in used-car prices. Ayvens has a good record of managing residual value risk through the cycle. The company recorded a small (EUR3.5 million) loss on used-car sales in 4Q23 (mainly due to depreciation adjustments and the volatility of used-car prices), which turned into a moderate gain in 1H24.

Profitability Pressures: Ayvens' profitability has been under pressure due to the normalisation of used-car prices, with a more pronounced price correction of electric vehicles, underlying margin pressures and additional costs from LeasePlan's integration. We expect Ayvens' pre-tax income/average assets ratio to improve to 2%-3% in the medium term (1H24: 1.6%). This is based on our expectation of easing of inflationary pressures on margins and realisation of anticipated synergies from the LeasePlan acquisition, which should be fully achieved by 2026.

High Leverage, Adequate Prudential Capitalisation: Ayvens' gross debt/tangible equity ratio was a high 6.7x at end-1H24, affected by goodwill generated by the LeasePlan acquisition. Our assessment of capitalisation is supported by Ayvens' adequate common equity Tier 1 (CET1) ratio of 12.5% at end-1H24, with a reasonable buffer of about 300bp above the requirement, notable share of deposits in total funding and availability of ordinary capital support from SG.

Well-Diversified Funding: Following the acquisition of LeasePlan, Ayvens' funding profile became more diversified. Funding from SG constituted 29% of total funding at end-1H24, while deposits at LeasePlan and issued bonds added 25% and 26%, respectively, with the remaining 20% split between third-party bank loans and securitisation programmes.

RATING SENSITIVITIES

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

A downgrade of Ayvens' and LeasePlan's Long-Term IDRs would require a downgrade of both the group VR and their SSRs.

A downgrade of SG or a weakening of SG's propensity to support the subsidiaries could result in a downgrade of the SSRs of Ayvens and LeasePlan.

The inability to integrate LeasePlan in line with projections, in particular if it leads to operational losses, materially higher restructuring costs or lower synergies, could result in a downgrade of the group VR.

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

An upgrade of Ayvens' and LeasePlan's Long-Term IDRs would require an upgrade of the group VR or their SSRs.

An upgrade of SG would lead to an upgrade of the SSRs of Ayvens and LeasePlan, in the absence of significant weakening of SG's propensity to support Ayvens.

Increased strategic relevance of the combined entity for SG and a material increase in the ownership stake could lead to an equalisation of the SSRs with SG's Long-Term IDR.

Successful integration of LeasePlan in line with management's projections, realised synergies leading to improving long-term profitability of the combined entity with a pre-tax income/average assets ratio sustained at or above 3.5%, while maintaining or improving other financial profile metrics could result in an upgrade of the group VR.

DEBT AND OTHER INSTRUMENT RATINGS: KEY RATING DRIVERS

Senior Preferred Debt Notched Up: Ayvens's and LeasePlan's senior preferred debt ratings of 'A-' reflect Fitch's expectation that the issuers' external senior creditors will benefit from the protection available from resolution debt buffers raised by SG. This is based on the subsidiaries' inclusion within SG's single point-of-entry resolution group.

DEBT AND OTHER INSTRUMENT RATINGS: RATING SENSITIVITIES

Ayvens' and LeasePlan's long-term senior preferred debt ratings are primarily sensitive to changes in their Long-Term IDRs. In addition, we would downgrade the long-term senior preferred debt ratings by a notch if we no longer expect the issuers to benefit from large resolution debt buffers raised by SG, well in excess of 10% of group risk-weighted assets, or if we no longer expect SG to meet its minimum requirement for own funds and eligible liabilities with only senior non-preferred and more junior instruments.

ADJUSTMENTS

The 'a-' business profile score has been assigned above the 'bbb' implied score due to the following adjustment reason(s): market position (positive).

The 'bbb+' asset quality score has been assigned below the 'aa' implied score due to the following adjustment reason(s): risk profile and business model (negative).

The 'bbb' earnings & profitability score has been assigned below the 'a' implied score due to the following adjustment reason(s): historical and future metrics (negative).

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

Ayvens' and LeasePlan's IDRs are driven by support available from SG.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⇅	RATING ⇅			PRIOR ⇅	
LeasePlan Corporation N.V.	LT IDR	BBB+	Rating Outlook Stable	Affirmed	BBB+ Rating Outlook Positive
	ST IDR	F1	Affirmed		F1
	Viability	bbb+	Affirmed		bbb+
	Shareholder Support	bbb+	Affirmed		bbb+

senior unsecured	LT	A-	Affirmed	A-
senior unsecured	ST	F1	Affirmed	F1
Ayvens	LT IDR	BBB+ Rating Outlook Stable	Affirmed	BBB+ Rating Outlook Positive
	ST IDR	F1	Affirmed	F1
	Viability	bbb+	Affirmed	bbb+
	Shareholder Support	bbb+	Affirmed	bbb+

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Corporate Hybrids Treatment and Notching Criteria \(pub. 12 Nov 2020\)](#)

[Non-Bank Financial Institutions Rating Criteria \(pub. 17 Jan 2024\) \(including rating assumption sensitivity\)](#)

[Bank Rating Criteria \(pub. 15 Mar 2024\) \(including rating assumption sensitivity\)](#)

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[Dodd-Frank Rating Information Disclosure Form](#)

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ENDORSEMENT STATUS

Ayvens

EU Issued, UK Endorsed

LeasePlan Corporation N.V.

EU Issued, UK Endorsed

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