



RATING ACTION COMMENTARY

Fitch Rates Leasys 'BBB+' / Negative on Parental Support

Thu 10 Dec, 2020 - 07:25 ET

Fitch Ratings - Milan - 10 Dec 2020: Fitch Ratings has assigned Leasys S.p.A. (Leasys) a Long-Term Issuer Default Rating (IDR) of 'BBB+' with Negative Outlook. This reflects Fitch's expectations of support for Leasys from its ultimate parent, Credit Agricole (CA; A+/Negative), flowing through FCA Bank (BBB+/Negative) and its role as CA's only group-wide competence centre for long-term car rental. A full list of rating actions is below.

Leasys is the rental and mobility services provider of the FCA Bank Group. It is Italy's leader in long-term car rental and is present in eight other European markets, with a fleet of around 290,000 vehicles at end-1H20. Leasys plans to grow domestically and internationally, supported by the long-term market trend towards leasing and rental solutions, away from direct car ownership.

KEY RATING DRIVERS

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 Fiat Chrysler Automobiles N.V. (Fiat Chrysler, BBB-/Stable).

We believe that CA's support for Leasys is equal to that for FCA Bank Group as whole due to Leasys' very high level of operational integration into FCA Bank. The presence of cross-default clauses (referencing, among others, Leasys) in part of FCA Bank's financing agreements with third parties, Leasys' explicit inclusion in the JV agreements and its strategic role for the group, in Fitch's view, further underpin CA's willingness to provide support since a default of Leasys would have a significant negative impact on parts of the CA group.

In Fitch's view, CA's willingness to support remains high, despite Leasys' planned diversification of funding sources from parental funding towards a more autonomous funding profile, mirroring FCA Bank. This is part of CA's overall strategy across the group's subsidiaries, as seen since 2010 also at other CA entities in Italy.

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 the FCA Bank Group as a whole. FCA Bank's ratings are not constrained by Italy's sovereign, but Fitch is unlikely to widen the notching difference between FCA Bank's and Italy's IDRs to above two notches.

The Negative Outlook on Leasys' Long-Term Foreign-Currency IDR mirrors that on CA's.

Given Leasys' operational integration within FCA Bank (and ultimately CA) as well as because of Fiat Chrysler's lower rating, Fitch does not factor any support from Fiat Chrysler into Leasys' ratings. At the same time, given Leasys' access to financial support from CA, if required, and Fiat Chrysler's current rating, Fiat Chrysler does not represent a constraint for Leasys' ratings.

Fitch believes the standalone credit profile of Leasys is constrained by its high operational integration with FCA Bank, in terms of centralised functions (including co-ordination by FCA Bank Group treasury) and seconded personnel, as well as by its high leverage. Positively, sound profitability, moderate credit risk and medium-term growth prospects highlight Leasys' positive contribution to the parent's performance, underpinning our assessment of support willingness.

RATING SENSITIVITIES

Factors, actions or events that could, individually or collectively, lead to positive rating action or an upgrade include:

Fitch would upgrade Leasys' Long-Term IDR if FCA Bank's IDR is upgraded. FCA Bank's Long-Term IDR in turn could be upgraded if CA's, CACF's and Italy's IDRs are all upgraded, while the Italian operating environment remains stable and FCA Bank's exposure to Italian sovereign risk remains limited.

Fitch would revise the Outlook on Leasys' Long-Term IDR to Stable, if the Outlook on FCA Bank's IDR is revised to Stable, which would likely require an Outlook revision to Stable on CA's Long-Term IDR.

Fitch could reduce the notching between Leasys' and CA's IDRs, if Leasys becomes so individually relevant for CA that CA would support it directly and independently from FCA Bank, although we do not consider this likely in the medium term.

Factors, actions or events that could individually or collectively, lead to negative rating action or a downgrade include:

Fitch would downgrade Leasys' Long-Term IDR if FCA Bank's IDR is downgraded or if the current institutional arrangements (i.e. cross-default clauses, JV and funding agreements) are removed, leading to lower expectation of support.

As Leasys' Long-Term IDR is equalised to that of FCA Bank, Fitch would also downgrade Leasys' Long-Term IDR if Italy is downgraded, because Fitch is unlikely to widen the notching difference between FCA Bank's and Italy's IDRs to above two notches.

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 and equalised with those of FCA Bank. The ratings are also sensitive to Italy's sovereign rating.

ESG CONSIDERATIONS

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 the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY/DEBT	RATING		
Leasys s.p.a.	LT IDR	BBB+ Rating Outlook Negative	New Rating
	ST IDR	F1	New Rating
	Support	2	New Rating

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

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

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