



RATING ACTION COMMENTARY

Fitch Maintains Leasys' 'BBB+' IDR on Watch Positive

Fri 25 Nov, 2022 - 13:35 ET

Fitch Ratings - Milan - 25 Nov 2022: Fitch Ratings is maintaining Leasys S.p.A.'s 'BBB+' Long-Term Issuer Default Rating (IDR) on Rating Watch Positive (RWP).

KEY RATING DRIVERS

The rating action reflects Fitch's expectation that Leasys' Long-Term IDR will be upgraded to the lower end of the 'A' category on completion of its spin-off from its 100% shareholder FCA Bank and merger with Free2Move Lease in 1H23. This reflects that its ultimate shareholder Credit Agricole S.A. (CA; A+/Stable) will be able to support Leasys directly and independently from FCA Bank.

At the same time, Fitch expects that CA's propensity to support Leasys will increase, due to the latter's materially broader franchise and strong growth prospects in the car-finance segment, whose strategic importance for CA is increasing.

The magnitude of the upgrade will depend on Leasys' organisational structure, joint-venture (JV) agreements, its role within and integration with CA, among other factors, once the corporate reorganisation is completed. CA and Stellantis N.V. (BBB/Stable) will each own a 50% stake in Leasys, with over 800,000 vehicles in its combined fleet based on end-2021 data.

Sound profitability, moderate credit risk and medium-term growth prospects underline Leasys' positive contribution to CA performance in recent years and already underpin our assessment of support propensity.

Leasys' ratings are already based on Fitch's assessment of the availability of potential support from CA Consumer Finance (CACF), and ultimately from CA, through FCA Bank. CA provides ongoing support to FCA Bank, mostly through funding and liquidity, under a JV agreement with FCA Italy S.p.A., a 100% subsidiary of Stellantis. Leasys is explicitly included in the agreement, which will remain in place until the spin-off is completed.

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. However, Leasys's ratings are currently equalised with those of FCA Bank, because it is an integrated subsidiary.

Leasys' EUR500 million senior unsecured notes due July 2024 (ISIN: XS2366741770), which are rated 'BBB+', are also on RWP, in line with Leasys' Long-Term IDR.

Fitch did not place Leasys' Short-Term IDR of 'F1' on RWP, because it is already at the level of CA's Short-Term IDR.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

Following the completion of the reorganisation, Fitch expects to upgrade Leasys' Long-Term IDR and Shareholder Support Rating to the lower end of the 'A' and 'a' categories, respectively.

Fitch could resolve the Rating Watch and affirm Leasys' ratings at their current level, if the spin-off fails to be implemented.

Until the transaction's completion, Leasys' Long-Term IDR is equalised and will move in tandem with that of FCA Bank.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

Until the transaction's completion, Fitch would downgrade Leasys' Long-Term IDR if FCA Bank is downgraded.

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. Both Leasys' and FCA Bank's ratings 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 '2', 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. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕	PRIOR ↕
Leasys S.p.A.	LT IDR BBB+ Rating Watch Positive	BBB+ Rating Watch Positive
	Rating Watch Maintained	

ST IDR	F1	Affirmed	F1
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Shareholder Support

bbb+ Rating
Watch
Positive

bbb+ Rating Watch Positive

Rating Watch Maintained

senior unsecured

LT BBB+ Rating Watch Positive

BBB+ Rating
Watch
Positive

Rating Watch Maintained

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APPLICABLE CRITERIA

[Non-Bank Financial Institutions Rating Criteria \(pub. 31 Jan 2022\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

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Leasys S.p.A.

EU Issued, UK Endorsed

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Non-Bank Financial Institutions Europe Italy
