FitchRatings

RATING ACTION COMMENTARY

Fitch Assigns DRIVALIA 'A-' IDR; Outlook Stable

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Fitch Ratings - Frankfurt am Main - 24 Apr 2024: Fitch Ratings has assigned DRIVALIA S.p.A. a Long-Term Issuer Default Rating (IDR) of 'A-'. The Outlook is Stable. Fitch has also assigned a Shareholder Support Rating of 'a-' and a Short-Term IDR of 'F1'.

KEY RATING DRIVERS

Support Drives Ratings: The ratings primarily reflect Fitch's 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.

DRIVALIA is the fully-owned rental subsidiary of CA Auto Bank (A-/Stable). It was previously known as Leasys Rent, until it was spun-off from Leasys Italia S.p.A. (A-/Stable) and rebranded in 2022 due to the reorganisation of Stellantis's captive finance arms.

Ratings Aligned with Parent: Fitch equalises DRIVALIA's ratings with those of CA Auto Bank, to reflect its view that any extraordinary support from CA to DRIVALIA would be part of and would not be over and above that provided by CA to CA Auto Bank group as a whole. This considers DRIVALIA's strategic role for CA Auto Bank, DRIVALIA's high operational integration into CA Auto Bank as well as its direct access to CA funding.

Rating Above the Sovereign: Fitch rates DRIVALIA two notches above Italy's sovereign rating as the company has no direct exposure to Italian sovereign risk. However, Fitch is unlikely to widen the notching difference between DRIVALIA's and Italy's IDRs to more than two notches, in line with our approach for CA Auto Bank.

CA Auto Bank's Fleet Lessor: DRIVALIA is the rental and mobility services provider of CA Auto Bank and a pillar of its post-Stellantis strategy. DRIVALIA's ambitious strategy aims at doubling its fleet by end-2028 (from 174,000 cars at end-2023) and operating in 18 European countries (currently 14). However, Fitch believes there are high execution risks, because this strategy (growth in long-term rental in new countries) would bring DRIVALIA in competition with more established fleet lessors, while DRIVALIA's current product and country mix (short-term rental plus long-term rental in six countries) has a more established market position.

High Operational Integration: Fitch does not assess DRIVALIA's Standalone Credit Profile due to DRIVALIA's reliance on CA Auto Bank for key functions (including risk management and treasury). CA Auto Bank is highly involved in defining DRIVALIA's strategy, and CA Auto Bank's commercial executives often oversee Drivalia's operations within their region, highlighting DRIVALIA's close relation and importance for CA Auto Bank. DRIVALIA plans to diversify its funding sources, away from parental funding, in line with CA's group strategy.

Leverage and Funding Constrain SCP: If we assessd DRIVALIA's SCP, it would be constrained by its high leverage (gross debt-to-tangible equity of 25x at end-2023). This means that DRIVALIA's independent funding access would be at inferior terms than those it has as part of CA.

RATING SENSITIVITIES

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

In Fitch's view, DRIVALIA's Long-Term IDR and SSR and CA Auto Bank's Long-Term IDR and SSR are likely to move in parallel, due to common and equal support from their ultimate shareholder, CA.

Fitch would downgrade DRIVALIA's Long-Term IDR and SSR if Italy was downgraded, because DRIVALIA's Long-Term IDR and SSR are likely to remain capped at two notches above Italy's Long-Term IDR, in line with Fitch's approach for CA Auto Bank.

A downgrade of CA's and CACF's Long-Term IDRs by one notch would not lead to a downgrade of DRIVALIA's Long-Term IDR and SSR. Instead, a downgrade by two notches would result in a downgrade of DRIVALIA's IDR and SSR by one notch, reflecting a weakening of the parents' ability to support a wholly-owned subsidiary.

Like CA Auto Bank's, DRIVALIA's ratings are sensitive to adverse changes in Fitch's assumptions about CA's propensity to support the group. DRIVALIA's attractiveness to CA, as part of CA Auto Bank, is sensitive to the execution of the group's new strategy outside Stellantis and after the spin-off of Leasys. It is also sensitive to unfavourable changes in both CA's strategy and in the automotive sector. DRIVALIA's ratings are also sensitive to changes in the current institutional arrangements with CA Auto Bank (i.e. full ownership, role in strategy, operational and funding integration).

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 DRIVALIA's Long-Term IDR and SSR, if CA Auto Bank's IDR and SSR were upgraded. This would require an upgrade of Italy's Long-Term IDR, while the Italian operating environment remains stable and CA Auto Bank's exposure to Italian sovereign risk remains limited. It would also require a successful execution of CA Auto Bank's strategy outside Stellantis.

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

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

DRIVALIA's ratings are driven by parental support from CA and equalised with those of CA Auto Bank.

ESG CONSIDERATIONS

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

DRIVALIA's scores are mostly aligned with CA's. Like CA Auto Bank, DRIVALIA differs from CA with scores for 'GHG Emissions' 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 Drivalia, 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		
DRIVALIA S.p.A.	LT IDR	A- Rating Outlook Stable	New Rating
	ST IDR	F1	New Rating
	Shareholder Support	a-	New Rating

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

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

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

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DRIVALIA S.p.A.	EU Issued, UK Endorsed

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