FitchRatings

RATING ACTION COMMENTARY

# Fitch Revises DRIVALIA's Outlook to Positive on Parent Action

Tue 09 Jul, 2024 - 9:06 AM ET

Fitch Ratings - Frankfurt am Main - 09 Jul 2024: Fitch Ratings has revised the Outlook on DRIVALIA S.p.A.'s Long-Term Issuer Default Rating (IDR) to Positive from Stable and affirmed the IDR at 'A-'. A full list of rating actions is below.

The Outlook revision mirrors the rating action on DRIVALIA's immediate parent, CA Auto Bank S.p.A. (A-/Positive), as DRIVALIA's ratings are driven by shareholder support and equalised with those of CA Auto Bank (see "Fitch Revises CA Auto Bank's Outlook to Positive; Affirms at 'A-'" on www.fitchratings.com for further details).

## KEY RATING DRIVERS

**Support Drives Ratings:** The ratings reflect Fitch's view of an extremely high probability of support from Credit Agricole Personal Finance and Mobility (CAPFM; A+/Stable; previously branded CA Consumer Finance), and ultimately from CAPFM's owner Credit Agricole (CA; A+/Stable). DRIVALIA is the fully-owned rental subsidiary of CA Auto Bank. 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 not 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. The Outlook revision reflects our view that CA Auto Bank's and DRIVALIA's growth as CAPFM's pan-European competence for car finance will make support from CAPFM and CA more certain, potentially leading to an upgrade of the Shareholder Support Rating (SSR). This would reflect a more robust group commitment and stronger incentive to support it in case of an Italian sovereign default.

**CA Auto Bank's Fleet Lessor:** DRIVALIA is CA Auto Bank's rental and mobility services provider 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 15). However, Fitch believes there are high execution risks, because this strategy (growth in long-term rental in new countries) will put DRIVALIA in competition with more established fleet lessors, while its 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 (SCP) due to its 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 assessed 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 on 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.

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. This means that Fitch would affirm DRIVALIA's ratings and revise the Outlook to Stable, if the execution of the group's new strategy outside Stellantis and after the spin-off of Leasys, and therefore its relevance for CA, fall below our expectations.

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).

Fitch would downgrade DRIVALIA's Long-Term IDR and SSR if Italy was downgraded, because DRIVALIA's Long-Term IDR and SSR are currently 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, but Fitch would revise the Outlook on DRIVALIA's Long-Term IDR to Stable from Positive. 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.

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

The Positive Outlook means that an upgrade is likely if CA Auto Bank and DRIVALIA continue to successfully execute their joint post-Stellantis growth strategy and increase business diversification outside of Italy.

An upgrade could also follow an upgrade of Italy's Long-Term IDR, if the Italian operating environment remains stable and CA Auto Bank's exposure to Italian sovereign risk remains limited.

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.

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 |
|---|---|---|---|---|
| DRIVALIA S.p.A. | LT IDR | A- Rating Outlook Positive | Affirmed | A- Rating Outlook Stable |
| | ST IDR | F1 | Affirmed | F1 |
| | Shareholder Support | a- | Affirmed | a- |

**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

## ENDORSEMENT STATUS

| | |
|---|---|
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