

## FITCH MAINTAINS LEASEPLAN ON RATING WATCH NEGATIVE

Fitch Ratings-London-12 October 2015: Fitch Ratings has maintained the Negative Rating Watch on the 'A-' currently assigned to the long-term Issuer Default Rating (IDR), 'a-' currently assigned to the Viability Rating (VR), and 'A-' currently assigned to the senior debt ratings for LeasePlan Corporation N.V. (LeasePlan). In addition, Fitch has affirmed the short-term IDR and senior unsecured/commercial paper ratings at 'F2' and the Support Rating (SR) at '5'. The rating actions were taken in conjunction with a broader industry review of commercial fleet leasing companies. A full list of rating actions is provided at the end of this rating action commentary.

### KEY RATING DRIVERS

#### IDRS, VR AND SENIOR DEBT

LeasePlan's IDRs and senior debt ratings are driven by the company's intrinsic creditworthiness, as expressed in its VR. The VR continues to reflect LeasePlan's global market-leading vehicle leasing franchise, solid capitalisation, prudent liquidity and strong risk management. The VR also recognises a fairly large exposure to residual value risk, but Fitch believes this is well-managed by LeasePlan within a resilient business model.

The current Rating Watch Negative reflects the ongoing sale of LeasePlan by present owner Global Mobility Holding BV, a joint venture between Volkswagen Aktiengesellschaft (VW) and Fleet Investments BV, to a consortium of long-term investors. The transaction will be partly financed by debt and introduces a new debt service requirement to the group ownership structure. Fitch notes that none of the debt raised by the consortium is to be borrowed by LeasePlan itself, and that the company would not be directly responsible for the repayment of such debt. Nonetheless, if the servicing of acquisition-related debt is to be funded by upstreaming dividends from LeasePlan's operating companies, Fitch considers this may reduce LeasePlan's internal capital generation capacity and thereby its financial flexibility.

As the world's largest fleet and vehicle management company, LeasePlan holds leading market positions in most of its countries of operation. This geographic diversification counterbalances the group's monoline business model and renders its performance less susceptible to economic downturn in a particular market. Recent financial performance has remained sound, in part due to a strong second hand car market, with operating profit / average assets of 2.2% in 2011-1H15 (3.1% in 1H15) .

LeasePlan's banking status is unusual among leasing companies and gives it potential access to European Central Bank (ECB) refinancing operations, if needed. It has also allowed the company to achieve a more diversified funding profile than peers through the gathering of retail savings, which has reduced reliance on wholesale funding in recent years. Most of these are eligible to the Dutch deposit guarantee scheme, which supports the retail deposits' stability, and liquidity and refinancing risk are managed prudently.

Reported regulatory risk-weighted capital ratios are sound, though LeasePlan's debt-to-tangible equity leverage is slightly higher than leasing peers at 5.4x at end-June 2015. The group has a fairly large exposure to residual value risk via a large proportion of operating leases in its portfolio. While residual value risk cannot be entirely eliminated, efficient risk management has allowed the group to avoid material losses on sold vehicles historically. Additionally, LeasePlan's strong core profitability provides it a safety cushion against unexpected declines in car prices.

LeasePlan's current co-ownership by VW does not influence the make-up of its fleet. However, as a leading brand, VW is naturally well represented, with uncertainty remaining as yet with respect to the particular vehicles affected by the emissions testing controversy and the further course of action to be taken by VW as a result. There may be a negative impact on the resale values of these vehicles and possibly of other VW produced cars, but at this stage we believe that any negative effect on LeasePlan (as their lessor, as opposed to their manufacturer) would be manageable.

#### SUPPORT RATING

LeasePlan's SR of '5' indicates Fitch's view that institutional support from its shareholders, if ever required, may be possible but cannot be relied upon in its ratings.

#### RATING SENSITIVITIES

##### IDRS, VR AND SENIOR DEBT

The Rating Watch Negative should be resolved when the acquiring consortium receives necessary regulatory approvals, anticipated in 4Q15-1Q16. If the transaction proceeds, this could prompt a downgrade, likely to be limited to one notch in the absence of material change to the deal terms. Ratings could also be sensitive longer term should LeasePlan's owners adopt a less conservative approach towards either liquidity or capital maintenance (pronounced, in particular, in a more aggressive than expected use of LeasePlan in servicing the acquisition debt), or should the company's longstanding successful management of residual value exposures become less effective amidst a fall in used vehicle prices.

Should the acquisition for any reason not proceed, or do so on terms which could reduce materially the debt to be serviced from LeasePlan's dividend flow, Fitch may affirm the group's ratings at their current levels. Ratings could also benefit post-acquisition from demonstration of the maintenance of similar capitalisation and liquidity metrics to those shown currently.

#### SUPPORT RATING

Fitch does not currently envisage any changes to LeasePlan's SR under either the current or proposed shareholder structure.

Based in Almere, Netherlands, LeasePlan Corporation N.V. is the largest vehicle leasing and fleet management company in the world. It has a global franchise with operations in 32 countries across Europe, North and South America and the Asia/Pacific Region. The group has the top-three positions in most markets where it operates. LeasePlan's fleet totalled 1.4 million vehicles at end-2014.

Fitch has taken various rating actions as follows:

LeasePlan Corporation N.V.

- Long-term IDR 'A-'; maintained on Rating Watch Negative;
- Short-term IDR affirmed at 'F2';
- Viability Rating 'a-'; maintained on Rating Watch Negative;
- Support Rating affirmed at '5';
- Senior unsecured debt long-term rating 'A-'; maintained on Rating Watch Negative;
- Senior unsecured debt/commercial paper short-term rating affirmed at 'F2'.

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#### Applicable Criteria

Global Bank Rating Criteria (pub. 20 Mar 2015)

[https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=863501](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=863501)

Global Non-Bank Financial Institutions Rating Criteria (pub. 28 Apr 2015)

[https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=865351](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=865351)

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