

Media Release:

Carplus Auto Leasing Corp. Ratings Affirmed At 'twA-/twA-2'; Outlook Positive

June 30, 2023

Overview

- By our assessment, Carplus' capitalization has strengthened to strong from adequate, due to consecutive capital injections from the parent, Yulon Finance Corp.
- We affirmed our 'twA-' long-term and 'twA-2' short-term issuer credit ratings on Carplus. We view the company as a core group member of Yulon Finance Corp. and as such, the rating on Carplus mirrors that on the parent.
- The positive rating outlook on Carplus follows the direction of the outlook on its parent.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twA-' long-term and 'twA-2' short-term issuer credit ratings on **Carplus Auto Leasing Corp.** The outlook on the long-term rating is positive.

Rationale

The rating affirmation reflects our view that Carplus will remain a core entity within the group's business development plan over the next two years. We believe Carplus fits into the parent's strategy to offer auto related services in Taiwan. The company's operations also fulfil the parent's investment strategy in Taiwan's green energy industry.

Carplus' stand-alone credit profile has improved following the strengthening of its capitalization. We have raised our capital assessment for Carplus to strong from adequate following a new Taiwan dollar (NT\$) 1.5 billion capital injection plan from parent Yulon Finance. In our view, Carplus' capitalization is sufficient to absorb an intermediate level of unexpected credit costs while at the same time supporting the company's strong business growth over the coming two years.

We believe Carplus' growth appetite will accelerate, with a double-digit increase in receivables annually, in line with management's strategy to enhance earnings performance. The group's supportive capital policy, including timely capital injections and about 70% of earnings retention, will support the company's business development while controlling its capital strength and financial leverage.

We assess Carplus' capitalization according to its consolidated risk-adjusted capital ratio, which we forecast will hover at 14%-15% before the end of 2025. We also assess the ratio of the firm's outstanding commercial papers to its net worth will be below 3.0x over the next two years.

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Outlook

The positive rating outlook mirrors the direction of the outlook on the parent, Yulon Finance. The ratings on Carplus move in tandem with those on its immediate parent, given Carplus' core group role.

Upward scenario

We may upgrade Carplus if Yulon Motor improves its credit profile.

Downward scenario

We may revise the outlook to stable if:

- The ultimate parent, **Yulon Motor Co. Ltd.** fails to improve its financial profiles by improving its debt to EBITDA ratio to below 4.0x over the next two years.
- The parent, Yulon Finance's consolidated credit profile weakens. This could occur due to the parent's failure to maintain its strong capitalization, as indicated by a risk-adjusted capital ratio consistently below 10% or significantly deteriorated asset quality.

Related Criteria & Research

Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - December 09, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology - December 09, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- General Criteria: Principles Of Credit Ratings - February 16, 2011

Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021
- Full Analysis: Yulon Finance Corp. – Aug. 4, 2022

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Ratings Affirmed

Carplus Auto Leasing Corp.

Issuer Credit Rating	twA-/Positive/twA-2
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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.

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