

# American Honda Finance (HFCZ JP)

## FUNDAMENTAL VIEW <sup>1</sup>

As of 04 Mar 2024

- Honda continues to post impressive growth in its Automobile segment wholesale volumes and profitability following the normalization of its supply chain. Management expects to lean into the increasing demand for hybrid vehicles by introducing a Civic hybrid this year that it expects to account for about 40% of the models' sales in the U.S. It is also introducing its first high volume electric vehicles in 2024 under the Honda and Acura brands, along with a fuel cell electric vehicle (FCEV). Like Toyota, Honda's electrification strategy has been focused primarily on hybrid vehicles, although its introduction of electric and FCEVs is timely even if it lags most competitors.
- For additional information on Honda Motor Corporation see [Honda Motor](#).

## RISKS & CATALYSTS

As of 04 Mar 2024

- AHFC profit and credit metrics stable in F3Q24. AHFC profit increased modestly YoY and sequentially on increased financing volumes owing to greater vehicle availability than the year-ago period. The 60+ days delinquency rate of 0.4% was flat both YoY and sequentially and remains elevated compared to pre-pandemic levels. Charge-offs increased 20 bp YoY and 10 bp sequentially. Credit metrics have stabilized at levels slightly higher than pre-pandemic levels owing to inflationary pressures and higher interest rates.

## KEY METRICS

As of 04 Mar 2024

\$ MN	FY20	FY21	FY22	FY23	F3Q24
Total Company Earning Assets	73,397	76,778	71,105	65,363	72,781
Cash and Investments	1,503	1,870	2,607	1,544	1,439
Excess Liquidity	8,503	8,870	9,607	8,544	8,439
Unsecured Debt	40,399	43,037	38,026	33,410	39,182
Secured Debt	9,748	8,890	8,888	6,927	8,722
Total Debt	50,147	51,927	46,914	40,337	47,904
Allowance % Retail Rece.	1.07%	0.75%	0.58%	0.71%	0.80%
Allowance / Net Charge-offs	1.68x	2.41x	3.75x	2.41x	2.10x
Net Charge-offs % Avg. Receivable	0.63%	0.33%	0.15%	0.29%	0.39%
30+ Day Delinquency Rate	1.2%	0.7%	1.1%	1.2%	1.5%

## BUSINESS DESCRIPTION

As of 04 Mar 2024

- Honda Motor Co., Ltd. engages in the manufacture and sale of automobiles, motorcycles, and power products. It operates through the following segments: Automobile, Motorcycle, Financial Services, and Power Product and Other Businesses. The Automobile segment manufactures and sells automobiles and related accessories. The Motorcycle segment handles all-terrain vehicles, motorcycle business, and related parts. The Financial Services segment provides financial and insurance services. The Power Product and Other Businesses segment offers power products and relevant parts.
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