

Nissan Motor (NSANY US)

FUNDAMENTAL VIEW ¹

As of 04 Mar 2024

- Nissan remains a turnaround work-in-progress, having made significant progress in improving its automotive profitability in the past few years but falling short of its 5.0% China JV Proportionate Basis operating margin target by FY23 set out in its Nissan NEXT plan. A primary reason for the profit shortfall is its volumes, which remain short of its 4.0 mn target and hinder its fixed cost absorption. While the reasons for the volume shortfall are understandable, including its China strategy revamp due to changing market dynamics in that country along with transitory logistics challenges, we believe improved volumes in FY24 could be key in enabling Nissan to improve automotive profitability in the direction of most OEM peers and reigniting positive ratings momentum.

RISKS & CATALYSTS

As of 04 Mar 2024

- Nissan once again lowered its FY23 retail sales volume target to 3.55 mn units from a target of 3.70 mn units last quarter and an original FY23 target of 4.00 mn units it unveiled in May 2023. The volume guidance reductions in the first two quarters of FY23 reflected Nissan's revised Chinese strategy to reduce production and sales targets based on the changing dynamics of the Chinese automotive industry. The company also lowered its sales target in other Asian countries, primarily India, as it reboots its business in that country via its new Renault-Nissan-Mitsubishi Alliance.
- Management maintained its FY23 financial guidance for revenue, operating profit, and net income. While the FY23 retail sales volume target was lowered compared to last quarter's guidance, the volume still represents an expected 8% YoY increase. The guidance reflects improving volume trends in the fourth quarter, resilient pricing, and its revised outlook for a weaker Yen compared to previous expectations. The outlook calls for an FY23 operating margin (equity basis) of 4.8%, or an expected 120 bp margin expansion compared to its FY22 margin of 3.6%.

CREDIT QUALITY SCORE (CQS)²

As of 14 May 2024

CURRENT CQS

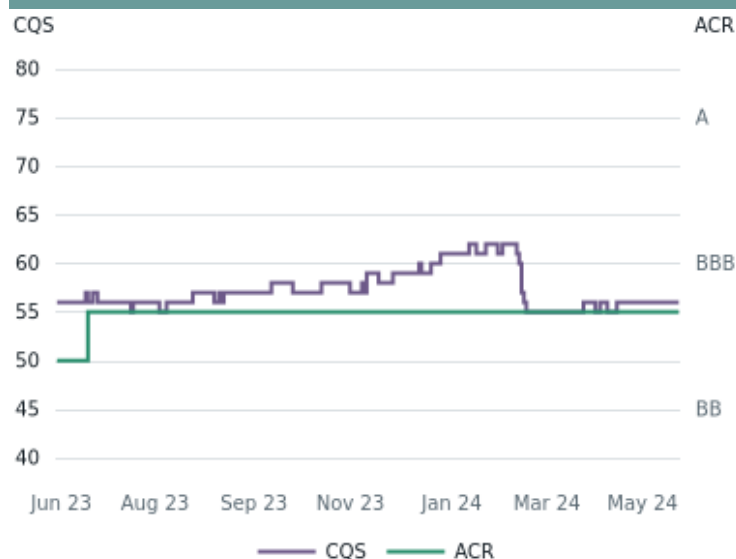
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CQS OUTLOOK ³

NEGATIVE

STABLE

POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)⁴ VS CQS

KEY METRICS

As of 04 Mar 2024

¥ BN	FY19	FY20	FY21	FY22	LTM F3Q23
Revenue	8,716	6,843	7,393	9,573	11,159
EBIT	(183)	(471)	(42)	242	391
EBIT Margin	(2%)	(7%)	(1%)	3%	2%
EBITDA	183	(199)	252	592	750
EBITDA Margin	2.1%	(2.9%)	3.4%	6.2%	5.6%
Total Liquidity	2,795	4,096	3,601	3,660	3,416
Net Debt	(1,065)	(636)	(728)	(1,213)	(1,331)
Total Debt	430	1,260	973	687	335
Gross Leverage	2.3x	8.3x	3.9x	1.2x	0.4x
Net Leverage	-5.8x	-1.2x	-2.9x	-2.0x	-1.8x

BUSINESS DESCRIPTION

As of 04 Mar 2024

- Nissan, with headquarters in Yokohama, Japan, is a leading global automotive manufacturer with a market presence in many countries around the globe. The company's growth investments are focused primarily on Japan, North America, and China, core markets with large profit pools in which Nissan has a meaningful market share. The company's business in China is conducted through a joint venture with Dongfeng Motor Corporation.
- Nissan's Sales Financing segment supports the sale of its vehicles by providing financing solutions to its customers and dealers. To enhance their creditworthiness, Nissan maintains keepwell (support) agreements with its wholly owned financial subsidiaries including Nissan Motor Acceptance Corporation (NMAC) in the United States and Nissan Financial Services (NFS) in Japan.
- The Renault-Nissan-Mitsubishi Alliance was established in 1999 to enhance member company scale in product development and raw material purchasing. The alliance includes equity participation, which led to Nissan holding ownership stakes in Renault (15% non-voting) and Mitsubishi (34%) and Renault holding an ownership stake in Nissan (43%). The Alliance's automobile production volume is the third largest globally behind Toyota and Volkswagen.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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