

American Honda Finance (HFCZ JP)

FUNDAMENTAL VIEW ¹

As of 10 Jul 2024

- Honda continues to post impressive growth in its Automobile segment wholesale volumes and profitability following the normalization of its supply chain. While Motorcycle wholesale volumes remain pressured by weak economic conditions in Vietnam, volumes are increasing in most other regions. Honda posted significantly higher YoY profit in its automobile segment, supported by margin expansion from the motorcycle segment in its FY24 reporting. Management expects to lean into the increasing demand for hybrid vehicles by introducing a Civic hybrid this year that it expects should account for about 40% of the models' sales in the U.S.
- For additional information on Honda Motor Corporation see [Honda Motor](#).

RISKS & CATALYSTS

As of 10 Jul 2024

- Management unveiled its FY25 guidance, including flat automobile wholesale volumes, and a modest increase of +5% YoY in global motorcycle volumes driven primarily by growth in Asia. Global automotive wholesales of 4.1 mn units anticipates incremental unit growth in North America and Japan, offsetting volume declines in Asia. Consolidated volumes are expected to increase modestly in FY25 while sales revenues are expected to decline 1% and operating profit is expected to increase 3% YoY as the positive impacts of elevated selling prices is expected to more than offset increased labor costs.
- Changes in hybrid vehicle architecture, through increased design commonality, have resulted in increased power density and cost efficiency expected to continue improving through the decade's end, supporting longer-term operating profit margins of 7%. Consolidated operating profit margins are expected to expand 20 bp to 7% in FY25 as the benefits of stronger pricing are expected to be nearly offset by increased warranty expense, greater R&D expenditures and currency headwinds.

KEY METRICS

As of 10 Jul 2024

\$ MN	FY20	FY21	FY22	FY23	FY24
Total Company Earning Assets	73,397	76,778	71,105	65,363	74,626
Cash and Investments	1,503	1,870	2,607	1,544	1,670
Excess Liquidity	8,503	8,870	9,607	8,544	8,670
Unsecured Debt	40,399	43,037	38,026	33,410	41,566
Secured Debt	9,748	8,890	8,888	6,927	9,351
Total Debt	50,147	51,927	46,914	40,337	50,917
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	1.72x
Net Charge-offs % Avg. Receivable	0.63%	0.33%	0.15%	0.29%	0.52%
30+ Day Delinquency Rate	1.2%	0.7%	1.1%	1.2%	1.2%

BUSINESS DESCRIPTION

As of 10 Jul 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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