

Honda Motor (7267 JP)

FUNDAMENTAL VIEW ¹

As of 26 Mar 2025

- Absent the potential increase in leverage and complexities of integrating the business with Nissan, Honda management is returning its focus to increasing the production and sale of hybrid vehicles while accelerating investments in electric vehicles to potentially catch up to competitors in China and other markets. The company's plan to repurchase up to 24% of its outstanding shares in 2025 remains intact but should not adversely impact the company's fortress balance sheet.

RISKS & CATALYSTS

As of 26 Mar 2025

- Management raised its FY25 motorcycle wholesales forecast by 2% but lowered its automobile wholesales forecast for the third consecutive quarter, this time by as modest 1% after decreases of 3% and 5% the previous two quarters. Motorcycle wholesales are now projected to increase 9% YoY, driven by growth in Asia (+9%) – which is expected to account for 85% of total motorcycle wholesales – along with growth in all other regions. The company's lower automobile wholesale forecast is driven by a downward revision in Japan and Europe, with the former related to the increasingly competitive environment in that country.
- Management maintained its FY25 consolidated operating profit forecast but noted some underlying changes to the composition of the forecast. It expects FY25 profit to be reduced by lower automobile unit sales, lower price and higher cost revisions, and increased expenses, all of which are projected to be offset by a favorable currency impact. **Consolidated operating profit margins of 6.6% in FY25 were revised lower by 20 bp and are also expected to be 20 bp lower on a YoY basis.**

CREDIT QUALITY SCORE (CQS) ²

As of 07 May 2025

CURRENT CQS

75

CQS OUTLOOK ³

NEGATIVE

STABLE

POSITIVE

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



KEY METRICS

As of 26 Mar 2025

¥ BN	FY21	FY22	FY23	FY24	LTM F3Q25
Revenue	10,908	11,967	14,167	17,434	18,555
EBIT	576	741	612	1,219	1,148
EBIT Margin	5.3%	6.2%	4.3%	7.0%	6.5%
EBITDA	1,175	1,334	1,294	1,964	1,879
EBITDA Margin	10.8%	11.1%	9.1%	11.3%	10.2%
Total Liquidity	3,717	4,612	4,926	6,150	6,182
Net Debt	(2,048)	(2,481)	(2,751)	(3,762)	(3,779)
Total Debt	480	837	803	863	877
Gross Leverage	0.4x	0.6x	0.6x	0.4x	0.5x
Net Leverage	-1.7x	-1.9x	-2.1x	-1.9x	-2.0x

BUSINESS DESCRIPTION

As of 26 Mar 2025

- 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 Products and Other Businesses segment offers power products and relevant parts.
- American Honda Finance Corporation (AHFC) is a wholly-owned subsidiary of American Honda Motor Co., Inc. (AHM or the Parent). Honda Canada Finance Inc. (HCFI) is a majority-owned subsidiary of AHFC. Non-controlling interest in HCFI is held by Honda Canada Inc. (HCI), an affiliate of AHFC. AHM is a wholly-owned subsidiary and HCI is an indirect wholly-owned subsidiary of Honda Motor Co., Ltd. (HMC). Honda Motor Co. (HMC) maintains Keep Well (support) agreements with its North American finance subsidiaries, AHFC and HCFI. Under the Keep Well agreements, HMC agrees to (1) maintain at least 80% ownership in AHFC and HCFI, (2) ensure AHFC and HCFI maintain a positive net worth, and (3) ensure both AHFC and HCFI have sufficient liquidity to meet their debt payment obligations.

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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