

American Honda Finance (2377Z US)

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.**

KEY METRICS

As of 26 Mar 2025

\$ MN	FY21	FY22	FY23	FY24	F3Q25
Total Company Earning Assets	76,778	71,105	65,363	74,626	81,564
Cash and Investments	1,870	2,607	1,544	1,670	1,591
Excess Liquidity	8,870	9,607	8,544	8,670	8,591
Unsecured Debt	43,037	38,026	33,410	41,566	46,548
Secured Debt	8,890	8,888	6,927	9,351	11,007
Total Debt	51,927	46,914	40,337	50,917	57,555
Allowance % Retail Rece.	0.75%	0.58%	0.71%	0.80%	0.83%
Allowance / Net Charge-offs	2.41x	3.75x	2.41x	1.72x	1.59x
Net Charge-offs % Avg. Receivable	0.33%	0.15%	0.29%	0.52%	0.52%
30+ Day Delinquency Rate	0.7%	1.1%	1.2%	1.2%	1.6%

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.
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