CCXAP upgrades Shanghai Yixin Financing Lease Co., Ltd.'s long-term credit rating to BBB_g, with a stable outlook.

Hong Kong, 28 January 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has upgraded the long-term credit rating of Shanghai Yixin Financing Leasing Co., Ltd. ("Yixin Financing" or the "Company") to BBB_g from BBB_g-, reflecting its improving profitability and asset quality. The outlook is revised to stable after this rating upgrade.

The BBB_g long-term credit rating of Yixin Financing is underpinned by the Company's (1) strong franchise in auto financial leasing industry; (2) profession in internet auto finance trading platform with rich product experience and efficient technical measures; (3) business and technical support provided by its shareholders in terms of channel access and risk assessment; and (4) good access to multiple funding sources.

However, the rating is constrained by the Company's (1) asset concentration in the auto industry which is still challenged by the broad economic slowdown; (2) relatively high leverage; and (3) credit contagion risk related to large receivables from its affiliates.

Corporate Profile

Yixin Financing was founded in 2014 and is wholly owned by Yixin Group Limited ("Yixin Group"). Yixin Group is China's professional Internet automotive finance trading platform committed to providing consumers with more convenient, safe and efficient automobile financing services. Yixin Group has been listed in Hong Kong since 2017 (stock code: 2858.HK). As of 6 December 2024, Tencent Holdings Limited and its subsidiaries are the largest shareholders of Yixin Group, with a total holding of 53.88% equity interest in the Company. At the same time, JD.com Investment Limited was no longer the second-largest shareholder after a decline in holding.

Yinxin Financing is the core operating subsidiary of Yixin Group that principally engaged in loan facilitation services and self-operated financing business in China. Since 2018, the Company has transitioned its attention towards loan facilitation services, which surpassed all other revenue streams by the end of 2021. Its assets portfolio is mainly retail business, providing financial services for car buyers. As of 30 June 2024, the Company's registered capital was USD1.5 billion and paid-in capital was around USD1.47 billion. At the same time, the Company's total assets and net assets increased to RMB38.0 billion and RMB11.8 billion, respectively.

Rating Rationale

Credit Strengths

Strong franchise in China's auto financial leasing industry. Yixin Financing has a strong competitiveness in the sub-sector of automotive financing leasing, with acquisition channels advantages and rich experience in the industry. It has cultivated the automotive financing leasing market since 2014 and has developed high approval efficiency, good risk identification and assessment and capacity for disposal and liquidity of vehicles. In addition, on the back of the data flow advantages of Tencent, JD.com and Bitauto, its shareholders and related parties, the Company has strong advantages in exploring potential customers and increasing exposure.

Improving and moderate profitability supported by the growth of loan facilitation services. Since 2021, Yixin Financing has demonstrated an improvement in profitability. In 2023, the Company experienced a profitability improvement mainly due to the rapid expansion of its loan facilitation business, higher penetration in new-energy vehicles (“NEV”), and declined management fees and impairment loss. From 2021 to 2023, the average pre-tax net income/average asset ratio and the average return on equity ratio increased to 2.5% and 5.8%, respectively.

Good access to multiple funding sources. The Company has good access to diversified funding channels mainly including traditional loans from banks, sublease and onshore debt capital markets, including bonds and asset-backed securities ("ABS”) and asset-backed medium-term notes (“ABN”). The interest expenses on funding activities also demonstrated a downward trend. In the first half of 2024, Yixin Financing raised around RMB3.6 billion on the onshore bond market through different products.

Credit Challenges

Asset quality is still vulnerable to changes in the broad economy. The Company’s non-performing asset ratio has improved since 2021 but remains weak. As of mid-2024, the Company’s non-performing asset ratio for all platforms and self-operated leasing business was 1.86% and 1.92%, respectively. Yixin Financing’s asset portfolio is highly concentrated on the Chinese auto market, which is vulnerable to changes in the broad economy. The Company has a moderate risk appetite with proper selection to trade off risk and return. The main customers are retail customers within lower-tier cities characterized by low per-capita income, which are more susceptible to the changes in macroeconomic conditions.

Relatively high leverage. Since 2021, Yixin Financing’s equity has grown steadily mainly as profits are retained. However, its debt leverage has steadily increased with business expansion. The Company's leverage multiples are in line with regulatory requirements. However, if including the assets under management of its loan facilitation business, its leverage multiples will be higher than most of its peers.

Credit contagion risk from its affiliates. Yixin Financing has credit contagion risk from its affiliates because of the loan facilitation business, given their close relationship under the control of Yixin Group. Under the arrangements with certain financial institutions for loan facilitation services, Yixin Group, its parent company, is obligated to purchase the relevant loans upon certain specified events of default by car buyers. In addition, there was a certain portion of the receivables from related parties, which was mainly used for contribution or capital increase to financing guarantee companies within Yixin Group.

Rating Outlook

The positive outlook on Yixin Financing's rating reflects our expectation that the Company's credit metrics will continue improving driven by increasing revenue combined with prudent risk management over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if the Company (1) significantly enlarges its capital base and net operating income scale; (2) improves its asset quality; and (3) significantly improves its profitability and sustainability.

What could downgrade the rating?

The rating could be downgraded if (1) there is a deterioration in capital and profitability; (2) the Company's risk appetite obviously becomes aggressive; or (3) its asset-liability management and liquidity are severely weakened.

Rating Methodology

The methodology used in this rating is the Rating Methodology for Finance Companies (April 2019).

Regulatory Disclosures

CCXAP's Rating Symbols and Definitions are available on its website at:
http://www.ccxap.com/en/rating_services/category/6/

This rating is solicited. Please refer to CCXAP's Policy for designating and assigning Solicited and Unsolicited Credit Ratings available on its website at:
http://www.ccxap.com/en/rating_services/category/9/

The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

CCXAP considers a rated entity or its related party to be participating when it maintains an overall relationship with CCXAP. Unless specifically noted in the Regulatory Disclosures as a non-participating entity, the rated entity or its related party is participating and the rated entity or its related party generally provides CCXAP with information for the purposes of its rating process.

Regulatory disclosures contained here apply to press release, rating report, and if applicable, the related rating outlook or rating review.

CCXAP's public ratings are available at www.ccxap.com (Rating Results) and may be distributed through media and other means.

The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Kelly Liang
Credit Analyst
+852-2860 7127
kelly_liang@ccxap.com

Elle Hu
Executive Director of Credit Ratings
+852-2860 7120
elle_hu@ccxap.com

Client Services: +852-2860 7111

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP’s publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP’s publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656