S&P Global
Ratings

Research

Presale:

CNH Equipment Trust 2024-A

January 10, 2024

PRIMARY CREDIT ANALYST

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Preliminary ratings

Class	Preliminary rating	Type	Interest rate	Preliminary amount (mil. $)	Legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	180.00	Feb. 18, 2025
A-2	AAA (sf)	Senior	Fixed	310.00	July 15, 2027
A-3	AAA (sf)	Senior	Fixed	310.00	June 15, 2029
A-4	AAA (sf)	Senior	Fixed	62.73	July 15, 2031

Note: This presale report is based on information as of Jan. 10, 2024. The ratings shown are preliminary. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. This report does not constitute a recommendation to buy, hold, or sell securities.

Profile

Expected closing date	Jan. 24, 2024.
First payment date	Feb. 15, 2024.
Collateral	Equipment retail installment sales contracts.
Originator and sponsor	CNH Industrial Capital America LLC.
Servicer	New Holland Credit Co. LLC.
Depositor	CNH Capital Receivables LLC.
Indenture trustee	Citibank N.A.
Trustee	Wilmington Trust Co.
Underwriter	BofA Securities Inc.

3108889

CNH Equipment Trust credit enhancement summary (%)

	2024-A			2023-B(ii)			2023-A		
Hard credit enhancement(i)	Initial	Target	Floor	Initial	Target	Floor	Initial	Target	Floor
Class A									
Subordination	--	--	--	--	--	--	--	--	--
Reserve account	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Overcollateralization	2.50	3.50	3.50	2.50	3.50	3.50	2.50	3.70	3.70
Total	4.50	5.50	5.50	4.50	5.50	5.50	4.50	5.70	5.70
Excess spread(iii)	1.62			--			1.97		

(i)Percentage of the initial receivables balance without excess spread. (ii)Not rated by S&P Global Ratings. (iii)Per annum estimated excess spread is pre-pricing for 2024-A and post-pricing for 2023-A. Class A--collectively, class A-1, A-2, A-3, and A-4. N/A--Not applicable.

Rationale

The preliminary ratings assigned to CNH Equipment Trust 2024-A's (CNHET 2024-A) asset-backed notes reflect:

- The availability of 7.31% credit support, inclusive of excess spread, for the class A (collectively, class A-1, A-2, A-3, and A-4) notes. The credit support provides coverage of approximately 4.75x, the midpoint of our cumulative net loss range of 1.30%-1.50% (see the Cash Flow Modeling section for more information).
- Our expectation of the timely payment of periodic interest and principal by the legal final maturity date based on stressed cash flow modeling scenarios that we deem appropriate for the assigned preliminary ratings.
- Our expectation that under a moderate ('BBB') stress scenario of 1.75x our cumulative net loss level and accounting for a moderate stress recovery rate, the assigned preliminary ratings on the class A notes will remain consistent with our credit stability criteria (see "S&P Global Ratings Definitions," published June 9, 2023).
- The securitized equipment loan pool's collateral characteristics, considering the concentrations of agricultural and construction equipment contracts (87.87% and 12.13% of the pool balance, respectively).
- Our forward-looking view of the agricultural sector, which anticipates continued revenue and income effects on farmers due to global economic conditions, the ongoing conflict in Europe, and the expected decline in federal aid.
- Structural features that offset the liquidity risk associated with the pool's annual pay contracts (63.45% of the pool balance but with some diversification by calendar month when payments on annual pay contracts are due), including a non-amortizing cash reserve account that is initially funded at 2.00% of the initial pool balance and a discounting methodology that allows principal cash flows to be used to pay timely interest if needed.
- CNH Industrial Capital America LLC's (CNH) history of servicing 77 previous U.S. retail securitizations and management's lending experience through multiple cycles in the agricultural and construction equipment sectors. CNH is a wholly owned subsidiary of CNH Industrial Capital LLC (BBB+/Stable/--).

- The transaction's legal structure.

Environmental, Social, And Governance

Our rating analysis considers a transaction's potential exposure to ESG credit factors. In our view, the transaction has material exposure to environmental credit factors due to the weather-dependent nature of agricultural end markets and the impact of weather-related phenomena on farm income. Additionally, the collateral pool primarily comprises equipment with diesel or internal combustion engines, which emit pollutants that contribute to climate transition risks. In our view, CNH's extensive performance information, more than two decades, contains significant weather-related sensitivities which are incorporated into our analysis. We believe that our current approach to evaluating recovery values adequately accounts for equipment wholesale prices over the relatively short, expected life of the transaction.

Changes From CNH Equipment Trust 2023-A

We did not rate CNH Equipment Trust's series 2023-B, so we compared the series 2024-A transaction with the last CNH U.S. retail transaction that we rated: series 2023-A.

The structural changes from the series 2023-A transaction include:

- The target overcollateralization decreased to 3.50% as a percent of the initial pool balance from 3.70%;
- The discount rate decreased slightly to 7.90% from 7.95%; and
- The excess spread declined to 1.62% (pre-pricing) from 1.97% (post-pricing).

The coverage multiple decreased to 5.22x from approximately 5.36x for series 2023-A, closer to our 'AAA (sf)' multiple of 4.75x. Our stressed cash flow analysis results indicate that each of CNHET 2024-A's classes is enhanced to the degree consistent with the assigned preliminary ratings (see the Cash Flow Modeling Assumptions and Results section below).

The collateral composition changes from the series 2023-A transaction include:

- The percentage of construction equipment contracts decreased to 12.13% from 15.77%.
- The percentage of annual pay contracts has increased slightly to 63.45% from 63.01%, and monthly pay contracts decreased to 23.78% from 28.53%. The structure includes various protections against the liquidity risk from annual pay contracts.
- The total concentration of the top five obligors increased to 3.44% from 1.96%. Each individual obligor accounts for less than 1.50%. As a result, we do not incorporate obligor default risk as an additive factor in our stressed loss analysis.
- Seasoning is marginally lower at 6.5 months compared with 6.7 months.

Overall, we believe the series 2024-A collateral pool is generally comparable to series 2023-A (see the Pool Analysis section). However, given the recent better-than-expected CNH securitization performance and strong recovery rates over multiple credit cycles (see Securitization Performance and Surveillance section), we have lowered our cumulative net loss (CNL) range for series 2024-A to 1.30%-1.50%, from 1.35%-1.55% for the prior 2023-A transaction.

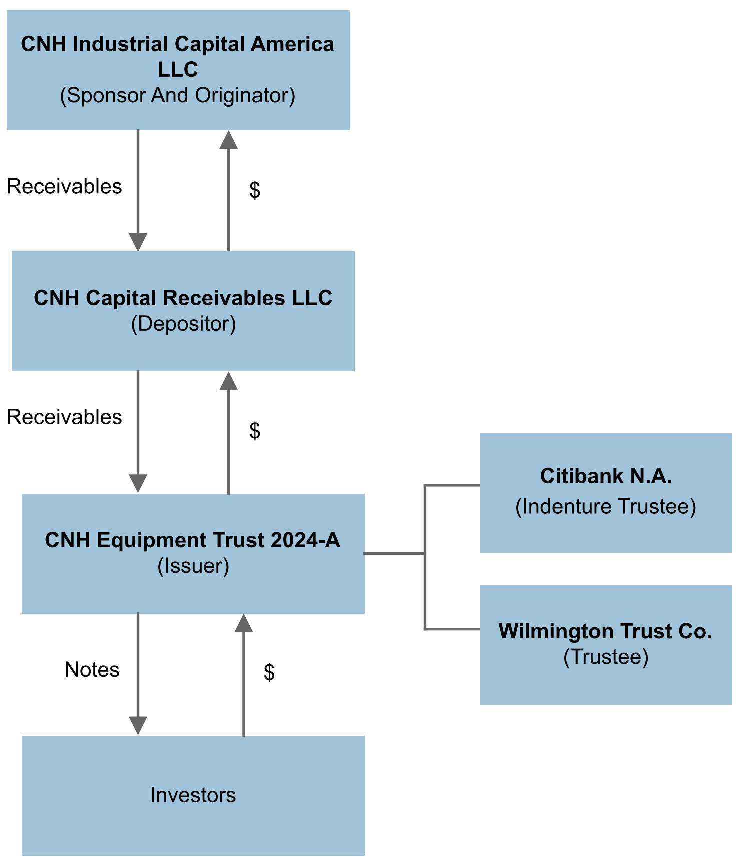
Transaction Overview

CNH Equipment Trust 2024-A is CNH's 78th retail equipment loan securitization. For legal purposes, the transaction is structured as a true sale of the receivables to CNH Capital Receivables LLC, a bankruptcy remote special-purpose entity, from CNH, the originator. CNH Capital Receivables LLC, in turn, will sell the receivables to the owner trust, the issuer (see chart 1).

In rating this transaction, S&P Global Ratings will review the legal matters that it believes are relevant to our analysis, as outlined in the criteria.

Chart 1

Transaction Structure



Transaction Structure

The series 2024-A transaction incorporates the following structural features:

- Overcollateralization will begin at approximately 2.50%, and then grow to 3.50% as a percent of the initial pool balance. Once the targeted overcollateralization amount is met, it will remain there for the life of the transaction.
- A nonamortizing reserve account funded with an initial deposit of 2.00% of the initial pool balance. If funds in the collection account are insufficient, the reserve account will be available to pay monthly interest, pay priority principal distribution amounts to the class A noteholders to keep their respective advance rates from exceeding 100% of the performing pool balance.
- A sequential-pay structure that will increase credit enhancement for the senior notes as the pool amortizes.

Payment Structure

Payment distributions will be made from the available funds in the payment priority shown in table 1.

Table 1

Payment waterfall

Priority	Payment
1	If applicable, asset representations reviewer fees, expenses, and indemnities capped at $200,000 annually.
2	Servicing fee of 1.00% per year.
3	Administration fees.
4	Class A accrued and unpaid interest.
5	Class A priority principal payment.
6	To the spread account as necessary to maintain the specified minimum balance.
7	Regular principal distribution amount, sequentially.
8	Asset representations reviewer remaining fees, expenses, and indemnities not paid.
9	Any reimbursable expenses to the servicer.
10	Any remaining amount to the issuer.

Managed Portfolio

As of the nine months ended Sept. 30, 2023, CNH's U.S. retail serviced portfolio amounted to $6.5 billion, an increase of approximately 10% from the corresponding period in 2022. While annualized net losses declined slightly to 0.11% from 0.12% for the nine months ended Sept. 30, 2023 relative to the same period the year prior, total delinquencies increased to 0.89% from 0.59% (see table 2). Delinquencies increased as commodity prices were under pressure in 2023 decreasing from their post-pandemic highs. Despite the increase in delinquencies, total delinquencies generally remain below pre-pandemic levels.

Table 2

CNH Industrial Capital managed portfolio performance

	As of Sept 30		As of Dec. 31				
	2023	2022	2022	2021	2020	2019	2018
Delinquency experience							
Portfolio balance at the end of period (mil. $)	6,482.6	5,875.6	5,961.2	5,420.9	5,109.3	5,228.4	5,421.3
31-60 days (%)	0.46	0.24	0.37	0.24	0.46	0.38	0.36
61 days or more (%)	0.43	0.35	0.39	0.35	0.53	0.67	0.57
Total 31-plus days (%)	0.89	0.59	0.76	0.59	0.99	1.04	0.93
Loan loss experience							
Avg. portfolio balance during the period (mil. $)(i)	6,221.9	5,648.2	5,691.0	5,265.1	5,168.9	5,324.9	5,558.5
Annualized net charge-offs as a % of the average portfolio outstanding	0.11	0.12	0.11	0.20	0.26	0.39	0.44

(i)Average of the year-end principal balances for the prior and current year.

Collateral Pool

As of the Dec. 31, 2023, cutoff date, the collateral pool comprised approximately $958.97 million in CNH-originated equipment loans (see table 3). Although the pool primarily comprises agricultural equipment contracts, we also considered the concentration of construction equipment contracts. Construction equipment contracts have historically had higher and more volatile losses than agricultural equipment contracts, but their performance has improved significantly since 2010. In addition, we believe they provide some diversification benefit to the pool.

Table 3

CNH Equipment Trust collateral(i)

	2024-A	2023-A	2022-C	2022-A	2021-C	2021-A
Receivables balance (mil. $)	958.97	900.59	809.99	1,123.00	992.30	1,011.81
No. of receivables	12,621	11,405	11,083	15,452	15,944	21,466
Avg. initial loan balance ($)	92,175	95,398	89,511	83,723	76,271	50,348
Weighted average						
APR (%)	4.97	4.91	4.15	3.01	3.05	2.96
Original term (mos.)	62.49	61.25	62.32	62.84	62.99	61.16
Remaining term (mos.)	56.00	54.59	55.38	57.21	54.83	54.05
Seasoning (mos.)	6.49	6.66	6.94	5.63	8.17	7.12
Industry (%)						
Construction	12.13	15.77	14.94	12.85	11.78	11.59
Agriculture	87.87	84.23	85.06	87.15	88.22	88.41
Equipment type (%)						
New	62.43	63.94	64.41	54.38	51.13	58.59

Table 3

CNH Equipment Trust collateral(i) (cont.)

	2024-A	2023-A	2022-C	2022-A	2021-C	2021-A
Used	37.57	36.06	35.59	45.62	48.87	41.41
Payment frequency (%)						
Annually	63.45	63.01	61.86	63.48	63.03	56.09
Semi-annually	2.81	2.39	2.32	2.17	2.95	3.38
Quarterly	0.48	0.86	0.90	0.96	0.69	1.01
Monthly	23.78	28.53	30.39	28.22	28.60	36.05
Other	9.49	5.22	4.54	5.17	4.73	3.48
Concentration (%)						
Top five obligor	3.44	1.96	2.48	1.18	1.95	1.29
Top five states	32.97	31.54	30.13	32.25	33.35	28.16

(i)All percentages are of the initial receivables balance. APR--Annual percentage rate. N/A--Not applicable.

CNH Equipment Trust Series' Performance

We currently have outstanding ratings on six CNH Equipment Trust series (see table 4). As of the December 2023 distribution date, the actual cumulative net losses for the six rated and outstanding transactions range from 0.00% to 0.11%. When we extrapolate these losses using the remaining pool factors (the percentage of the balance remaining), the maximum projected loss is approximately 0.17% (see table 4).

Chart 2

Outstanding CNH capital receivables equipment loan securitizations 2019-2023 cumulative net losses
As of the December 2023 distribution date

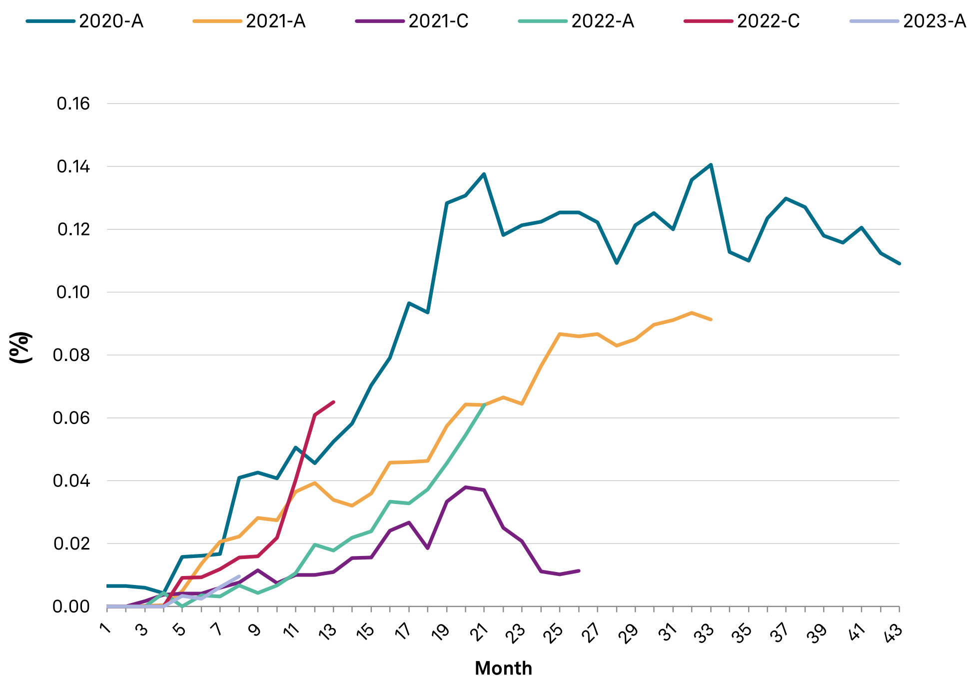


Table 4

Net loss performance of outstanding CNH Capital Receivables LLC transactions rated by S&P Global Ratings(i)

Transaction	Month	Original issuance amount (mil. $)	Original agricultural equipment (%) New	Original agricultural equipment (%) Used	Original construction equipment (%) New	Original construction equipment (%) Used	Pool factor (%)	Cumulative net loss ratio (%)	Projected net loss (%)(ii)
2020-A	43	789.04	42.09	46.47	7.68	3.76	13.65	0.11	0.13
2021-A	33	961.69	50.58	37.83	8.01	3.58	25.36	0.09	0.12
2021-C	26	940.43	43.06	45.16	8.08	3.71	38.07	0.01	0.02
2022-A	21	1,014.85	46.01	41.14	8.37	4.48	54.85	0.06	0.14
2022-C	13	720.28	53.93	31.13	10.48	4.46	61.39	0.07	0.17
2023-A	8	817.01	52.80	31.43	11.14	4.63	82.63	0.01	NM

(i)As of the December 2023 distribution date. (ii)Projected using the pool factor using the straight-line loss projection method. NM--Not meaningful.

On Sept. 13, 2023, we raised our ratings on two classes and affirmed our ratings on 11 classes from the CNH Equipment Trust 2020-A, 2021-A, 2021-C, and 2022-A transactions (see "Two Ratings Raised And 11 Affirmed On Four CNH Equipment Trust Transactions").

In our view, all of the outstanding classes that we rate currently have adequate credit enhancement at their current rating levels. We will continue to monitor the performance of the outstanding transactions, to ensure that the credit enhancement remains sufficient, in our view, to cover our revised cumulative net loss expectations under our stress scenarios for each of the rated classes.

S&P Global Ratings' CNL Range: 1.30%-1.50%

We determined our net loss for series 2024-A by analyzing CNH's managed portfolio performance (see table 2), series 2024-A's collateral characteristics relative to those of paid-off and outstanding series (see table 3), paid-off and outstanding series performance (see table 4 and chart 2), and CNH's managed portfolio quarterly origination static pool net loss data.

Origination static pool analysis

We analyzed CNH's quarterly origination static pool performance data from first-quarter 2000 to third-quarter 2023 in aggregate and by new and used cohorts for agriculture and equipment loans. Where the quarterly originations have amortized to a minimum 50.0% pool factor, we applied a straight-line loss curve to project the pools' performance. This constant loss timing is based on CNH's lengthy historical data evidencing straight-line loss curves.

We also established base-case recovery rates for the agriculture and construction segments to which we applied haircuts to determine a stressed recovery rate that reflects the stressed performance experienced in these segments over the economic cycles. Our stressed recovery rate remains below CNH's relatively high historical recovery rates to account for recovery performance potentially deteriorating to less than the historical levels for various factors, including if New Holland Credit Co. LLC is no longer the servicer.

We then determine the series 2024-A CNL by weighting the pool's performance results based on the series 2024-A pool's agricultural and construction equipment contract concentrations. Using a stressed recovery rate, the net loss proxy is increased to determine a net loss range.

Based on our review of the data and collateral pool, our updated macroeconomic forecast, forward-looking view of the economy, agriculture and construction sectors, our net loss range for series 2024-A is 1.30%-1.50%. This CNL range is lower relative to 2023-A's, which had an CNL range of 1.35%-1.55%. The decline in CNL primarily reflects CNH's better-than-expected securitization performance.

Agricultural equipment contract performance

We based our net loss for the series 2024-A transaction primarily on the performance (covering more than 20 years and multiple business cycles) of CNH's agricultural equipment contracts, which make up most of this pool (approximately 88%).

Our net loss range for 2024-A is higher than the actual recent net loss rates experienced by CNH's agricultural equipment contracts because we still consider CNH's portfolio performance across agricultural industry cycles, including strong and weak periods. Our proxy is also higher than historical net losses for CNH's agricultural equipment contracts because we incorporate factors in our loss assumption that could, in our opinion, increase agricultural equipment losses and decrease recovery rates. These include low commodity prices or disruptions in crop insurance payments or government subsidies and a servicer disruption.

Construction equipment contracts performance

The collateral pool for CNHET 2024-A has a lower concentration of construction equipment contracts at approximately 12% relative to the prior transaction rated by S&P (CNHET 2023-A) at 16%.

The construction segment tends to experience higher losses and more volatility than the agricultural segment. Our net loss range considers performance of construction equipment contracts during prior economic downturns.

Cash Flow Modeling Assumptions And Results

Loss-timing curves

We reviewed cash flow scenarios that were subject to stress cases that we believe are commensurate with the assigned preliminary ratings. These scenarios included two loss-timing curves, a stressed prepayment rate, a stressed recovery rate, and varying lags between initial default and ultimate loss. The expected loss curve for the series 2024-A pool is a straight line (25/25/25/25 loss timing). Although we considered various loss curves in our analysis, loss timing had little effect on the break-even levels (see table 5).

Table 5

Cash flow assumptions and results

	Class A
Scenario (preliminary rating)	AAA (sf)
Voluntary prepayments (%)	20
Recoveries (%)	40
Recovery lag (mos.)	6
Servicing fee (%)	1
Front-loaded curve	
Cumulative net loss timing (%)	25/40/20/15
Approximate break-even levels (%)	7.31
Back-loaded curve	
Cumulative net loss timing (%)	15/30/30/25
Approximate break-even levels (%)	7.43

Based on our cash flow analysis, we expect the notes to pay timely interest and ultimate principal and withstand a net loss level that is consistent with the assigned preliminary ratings.

Class A-1 assumptions

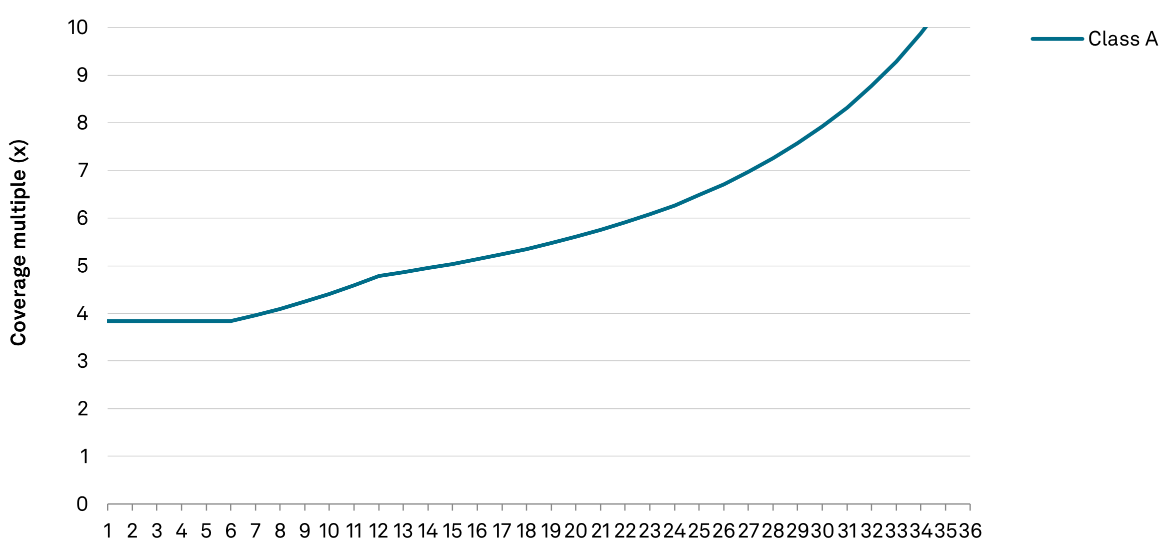
In evaluating the class A-1 notes' size, we reviewed cash flows that considered only principal payments during the transaction's first 12 months, assuming zero losses and a 2% constant prepayment rate (CPR).

Sensitivity Analysis

In addition to analyzing break-even cash flows, we conducted a sensitivity analysis that included running a moderate stress scenario to determine the loss coverage level and potential rating migration that could occur for the class A notes (see chart 3).

Chart 3

Sensitivity analysis



2.19% cumulative net loss results

We assumed 2.19% cumulative net losses in our sensitivity analysis to approximate a moderate level of stress. This level reflects a 1.75x stress on our net loss assumption if that assumption is adjusted to reflect a moderate stressed recovery rate. Assuming cumulative net losses of 2.19% and a CPR of 20.00%, the credit enhancement for class A begins at 3.84x and reaches 4.78x by month 12, increasing thereafter. This coverage is consistent with our credit stability criteria.

Cross-Collateralization

An indeterminate portion of the equipment in the series 2024-A pool is subject to certain cross-collateralization and cross-default provisions in other contracts with the same obligor that the series 2024-A pool does not include. CNH has agreed to subordinate any claims that it may have by virtue of the cross-collateralization provisions in the equipment contracts backing the series 2024-A notes. Furthermore, CNH has agreed that it will not sell any of the contracts it currently owns that have cross-collateralization provisions unless the contract's purchaser similarly agrees to subordinate any claim it has in the equipment financed by the series 2024-A securitization.

CNH

CNH, a subsidiary of CNH Industrial N.V. (BBB+/Stable/A-2), maintains headquarters in Racine, Wis., and is a leading equipment financing organization. Its servicing and collections operations are carried out by staff in both Racine and New Holland, Pa. CNH is a seasoned servicer, having serviced 77 previous U.S. retail securitizations, and it previously was a subsidiary of CNH Global N.V., which merged with Fiat Industrial on Oct. 1, 2013, to create CNH Industrial N.V.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | ABS: Global Equipment ABS Methodology And Assumptions, May 31, 2019
- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 15, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- CNH Industrial N.V., Dec. 14, 2023
- Credit Conditions North America Q1 2024 A Cluster Of Stresses, Nov. 28, 2023
- Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking, Nov. 28, 2023
- Two Ratings Raised And 11 Affirmed On Four CNH Equipment Trust Transactions, Sept. 13, 2023