S&P Global Ratings

Research

Presale:

Exeter Automobile Receivables Trust 2023-2

May 4, 2023

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Preliminary ratings

Class	Preliminary rating	Type	Interest rate(i)	Amount (mil. $)	Legal final maturity
A-1	A-1+ (sf)	Senior	Fixed	53.700	May 15, 2024
A-2	AAA (sf)	Senior	Fixed	150.000	Nov. 17, 2025
A-3	AAA (sf)	Senior	Fixed	59.741	Aug. 17, 2026
B	AA (sf)	Subordinate	Fixed	109.256	Sept. 15, 2027
C	A (sf)	Subordinate	Fixed	91.218	July 17, 2028
D	BBB (sf)	Subordinate	Fixed	95.982	Aug. 15, 2029
E	BB (sf)	Subordinate	Fixed	62.967	Nov. 15, 2030

Note: This presale report is based on information as of May 4, 2023. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. (i)The interest rates for each class will be determined on the pricing date.

Profile

Collateral	Subprime auto loan receivables.
Originator, servicer, custodian, seller, and sponsor	Exeter Finance LLC, a wholly owned subsidiary of Cobra Equity Holdco LLC (B-/Stable/--).
Depositor	EFCAR LLC, a Delaware limited liability company and a wholly owned special-purpose subsidiary of Exeter Finance LLC.
Issuer	Exeter Automobile Receivables Trust 2023-2.
Indenture trustee and backup servicer	Citibank N.A. (A+/Stable/A-1).
Bank account provider	Citibank N.A. (A+/Stable/A-1).
Owner trustee	Wilmington Trust Co. (A-/Stable/A-2).

Rationale

The preliminary ratings assigned to Exeter Automobile Receivables Trust 2023-2's (EART 2023-2) automobile receivables-backed notes reflect:

- The availability of approximately 61.96%, 52.93%, 44.12%, 33.07% and 27.58% credit support--hard credit enhancement and haircut to excess spread--for the class A (collectively, classes A-1, A-2, and A-3), B, C, D, and E notes, respectively, based on stressed cash flow scenarios. These credit support levels provide at least 2.70x, 2.40x, 2.00x, 1.50x, and 1.25x coverage of our expected cumulative net loss (ECNL) of 22.00% for classes A, B, C, D, and E, respectively (see the Credit Enhancement And Collateral and the Cash Flow Modeling Assumptions And Results sections).
- The expectation that under a moderate ('BBB') stress scenario (1.50x our expected loss level), all else being equal, our preliminary 'AAA (sf)', 'AA (sf)', 'A (sf)', 'BBB (sf)', and 'BB (sf)' ratings on the class A, B, C, D, and E notes, respectively, are within our credit stability limits (see the Cash Flow Modeling Assumptions And Results section).
- The timely payment of interest and principal by the designated legal final maturity dates under our stressed cash flow modeling scenarios, which we believe are appropriate for the assigned preliminary ratings.
- The collateral characteristics of the series' subprime automobile loans, our view of the collateral's credit risk, our updated macroeconomic forecast, and forward-looking view of the auto finance sector (see the Credit Enhancement And Collateral and the Macroeconomic And Auto Finance Sector Outlook sections).
- The series' bank accounts at Citibank N.A. (Citibank), which do not constrain the preliminary ratings.
- Our operational risk assessment of Exeter Finance LLC (Exeter) as servicer, along with our view of the company's underwriting and the backup servicing arrangement with Citibank.
- Our assessment of the transaction's potential exposure to environmental, social, and governance (ESG) credit factors, which are in line with our sector benchmark.
- The transaction's payment and legal structures.

Our ECNL for EART 2023-2 is 22.00%, up from 21.00% for EART 2023-1. It reflects:

- EART's outstanding rated series performance, which continues to be in line with or better than our initial expectations, except for series 2022-1, 2022-2, 2022-3, 2022-4, and 2022-5, the performances of which, are trending worse than our original ECNLs, which was a key consideration for the higher ECNL for series 2023-2;
- Our view that the EART 2023-2 collateral characteristics are similar to EART 2023-1's. However, unlike EART 2023-1, this series will include a representation in the transaction documents limiting eligible loans to accounts that have made at least one payment, which we view as a credit positive and which was a key consideration in our analysis.
- Our forward-looking view of the auto finance sector, including our outlook for a shallow recession for the first half of this year and lower recovery rates.

ESG Factors

Our rating analysis considers a transaction's potential exposure to ESG credit factors. For the auto ABS sector, we view the exposure to environmental credit factors as above average, to social credit factors as average, and to governance credit factors as below average (see "ESG Industry Report Card: Auto Asset-Backed Securities," published March 31, 2021).

The transaction's exposure to ESG credit factors is in line with our sector benchmark. We generally view environmental credit factors as above average because the collateral pool primarily consists of vehicles with internal combustion engines (ICEs), which emit pollutants that contribute to climate transition risk. While the adoption of electric vehicles and future regulation could lower ICE vehicle values, we believe our current approach to evaluating recovery values adequately accounts for vehicle values over the transaction's relatively short, expected life. As a result, we did not identify this as a separate material ESG credit factor in our analysis.

The transaction has relatively higher exposure to social credit factors than our sector benchmark, in our view, because the transaction has a pool of subprime obligors versus the benchmark's pool of prime obligors. Given the elevated interest rate and affordability considerations for these subprime borrowers, legal and regulatory risks could increase if the validity of the contracts or the servicer's collection practices are challenged. We believe this risk is mitigated by representations made by the issuer that each loan when originated complied with all laws when it was originated. The issuer also has a compliance department that manages its adherence to all applicable laws.

Credit Enhancement And Collateral

Structural changes from EART 2023-1

Structural changes from the EART 2023-1 transaction include that:

- Total initial hard credit enhancement for the class A notes increased to 62.60% from 60.05% and decreased for the class B, C, D, and E notes to 46.55%, 33.15%, 19.05%, and 9.80%, respectively, from 47.65%, 34.75%, 21.60%, and 10.65%.
- Subordination increased for class A notes to 52.80% from 49.40%, and decreased for the class B, C, and D notes to 36.75%, 23.35%, and 9.25%, respectively, from 37.00%, 24.10%, and 10.95%.
- Initial overcollateralization decreased to 8.50% (from 9.65%) of the initial collateral pool balance and will grow to 19.10% (from 23.35%) of the current collateral pool balance. The overcollateralization floor is unchanged at 1.50% of the initial collateral pool balance.
- The reserve increased to 1.30% of the initial pool balance from 1.00%.
- The estimated excess spread (pre-pricing) increased to 11.70% from 11.02% (post-pricing).

The changes in initial hard credit enhancement from EART 2023-1 (see table 1), in part, reflect our higher ECNL for the series, higher estimated excess spread, and structural optimizations by the issuer. The changes are captured in our stressed cash flow analysis, which shows the notes are credit enhanced to the degree appropriate for the assigned preliminary ratings (see the Cash Flow Modeling Assumptions And Results section).

Table 1

Credit enhancement summary (%)

	EART 2023-2	EART 2023-1	EART 2022-5	EART 2022-4	EART 2022-3	EART 2022-2
Subordination(i)						
Class A	52.80	49.40	48.35	48.35	48.75	47.95
Class B	36.75	37.00	34.50	34.65	35.00	34.30

Table 1

Credit enhancement summary (%) (cont.)

	EART 2023-2	EART 2023-1	EART 2022-5	EART 2022-4	EART 2022-3	EART 2022-2
Class C	23.35	24.10	22.15	22.15	22.20	21.60
Class D	9.25	10.95	9.95	10.00	9.75	9.25
Class E	0.00	0.00	0.00	0.00	0.00	0.00
Overcollateralization						
Initial(i)	8.50	9.65	6.75	7.15	5.40	4.50
Target(ii)	19.10	23.35	18.00	18.95	17.50	17.50
Floor(i)	1.50	1.50	1.50	1.50	1.50	1.50
Reserve fund(i)						
Initial	1.30	1.00	1.57	1.00	1.90	1.00
Target	1.30	1.00	1.57	1.00	1.90	1.00
Floor	1.30	1.00	1.57	1.00	1.90	1.00
Total initial hard credit enhancement(i)						
Class A	62.60	60.05	56.67	56.50	56.05	53.45
Class B	46.55	47.65	42.82	42.80	42.30	39.80
Class C	33.15	34.75	30.47	30.30	29.50	27.10
Class D	19.05	21.60	18.27	18.15	17.05	14.75
Class E	9.80	10.65	8.32	8.15	7.30	5.50
Excess spread per year (estimated %)(iii)	11.70	11.02	10.47	11.91	11.01	12.24

(i)Percent of the initial collateral balance. (ii)Percent of the current collateral balance. (iii)Includes the 3.00% servicing fee. Post-pricing for all series except 2023-2. EART--Exeter Automobile Receivables Trust. Class A--collectively, class A-1, A-2, and A-3 notes. N/A--Not applicable.

Collateral changes from EART 2023-1

The significant collateral changes in the EART 2023-2 final pool (as of April 23, 2023) from the EART 2023-1 final pool include:

- The weighted average non-zero FICO score decreased to 571 from 574, the weighted average proprietary score decreased to 245 from 246, and the weighted average post-funding score increased to 222 from 221.
- Loans with a post-funding score greater than or equal to 240 decreased to 16.55% from 17.14%, and loans with a proprietary score greater than or equal to 240 decreased to 60.32% from 61.76%.
- The percentage of CarMax Inc. (CarMax) loans decreased to 31.27% from 33.75%. These loans have historically performed better than Exeter's core originations, although we observe that the CarMax originations have been performing worse in recent months.
- Loans with an original maturity of 75-78 months increased to 39.19% from 37.80%. The term risk is generally mitigated by higher weighted average FICO score, proprietary score, and post-funding score than the overall pool's. However, EART 2023-2's weighted average FICO

score for the 75- and 78-month loan segments decreased to 568 and 606 from 572 and 612. Exeter's proprietary score, was nearly unchanged for both 75- and 78-month loan segments.

In our view, EART 2023-2's collateral characteristics are similar to EART 2023-1's (see table 2). This series will include a representation in the transaction documents limiting eligible loans to accounts that have made at least one payment, which we view as a credit positive. We have factored this into our expected loss for EART 2023-2 (see the S&P Global Ratings' Expected Loss section).

Table 2

Collateral comparison(i)

	EART					
	2023-2	**2023-1**	**2022-5**	**2022-4**	**2022-3**	**2022-2**
Pool balance (mil. $)	680.73	610.57	643.12	624.84	1,073.77	1,169.80
No. of receivables	33,361	31,903	32,655	31,513	48,961	53,619
Avg. principal balance ($)	20,405	19,138	19,694	19,828	21,931	21,817
CarMax Inc. (% of pool)	31.27	33.75	30.70	32.48	23.35	30.24
WA APR (%)	22.10	21.83	20.94	20.75	20.27	19.56
WA original term (mos.)	73	73	73	72	73	72
WA remaining term (mos.)	71	69	69	69	72	71
WA seasoning (mos.)	2	4	3	3	1	2
Loans with original term of 61-72 mos. (%)	58.56	60.13	60.75	64.84	50.58	65.38
Loans with original term of 75-78 mos. (%)	39.19	37.80	37.08	32.90	38.50	32.81
New vehicles (%)	1.08	2.02	2.08	1.88	1.21	1.35
Used vehicles (%)	98.92	97.98	97.92	98.12	98.79	98.65
WA mileage	66,760	66,310	69,368	68,715	70,206	68,881
WA LTV ratio (%)	114.72	113.72	112.69	111.99	111.81	110.37
WA non-zero FICO score	571	574	586	584	583	583
Credit bureau score (% of pool)(ii)						
No credit bureau score (%)	0.21	0.57	3.65	4.27	4.35	4.35
Less than 540	12.74	12.31	16.15	17.94	19.24	19.76
540–564	14.88	14.41	14.68	15.21	15.08	14.94
565–599	28.63	28.31	26.80	26.82	25.90	25.46
600–659	36.61	35.70	30.98	28.82	28.71	27.96
660 and greater	6.93	8.70	7.75	6.94	6.71	7.52
WA non-zero credit bureau score	592	594	588	584	583	583
Proprietary credit score (% of pool)(iii)						
Less than 201	5.31	5.03	5.71	8.08	10.63	13.20
201–214	8.62	8.47	10.15	10.79	11.24	10.34
215–224	8.87	8.54	10.62	10.92	10.93	10.22

Table 2

Collateral comparison(i) (cont.)

	EART					
	2023-2	2023-1	2022-5	2022-4	2022-3	2022-2
225–244	24.29	23.70	26.34	25.89	24.53	22.60
245 and greater	52.90	54.26	47.17	44.32	42.66	43.65
WA proprietary credit score (%)	245	246	242	240	238	237
Post-funding score (% of pool)(iv)						
1–179	0.19	0.37	0.35	0.31	0.28	0.27
180-199	7.77	9.69	11.12	12.21	10.91	11.62
200-219	39.26	38.27	39.62	40.16	39.03	38.87
220-239	36.23	34.53	32.78	32.09	33.26	31.29
240 and greater	16.55	17.14	16.14	15.24	16.52	17.95
WA post-funding score	222	221	220	220	221	221
Top three state concentrations (%)						
	TX: 15.06	TX: 13.05	TX: 13.95	TX: 13.54	TX: 14.81	TX: 14.69
	CA: 10.10	CA: 10.97	CA: 9.71	CA: 10.33	CA: 9.10	CA: 9.75
	FL: 9.26	FL: 8.99	GA: 8.15	GA: 8.22	FL: 8.41	GA: 8.15
S&P Global Ratings' original ECNL (%)	22.00	21.00	18.75	18.50-19.50	18.50-19.50	18.25-19.25

(i)All percentages are of the principal balance. (ii)This non-zero WA score is based primarily on VantageScore for EART 2022-5, 2023-1, and 2023-2. For prior series, this score is based on FICO score. (iii)The WA proprietary credit score is derived before loan funding. (iv)Post-funding scores are assigned by Exeter to loans after funding. The scale of the post-funding score is not comparable to a credit bureau score. WA--Weighted average. APR--Annual percentage rate. LTV--Loan-to-value. ECNL--Expected cumulative net loss. N/A--Not applicable.

Macroeconomic And Auto Finance Sector Outlook

In our view, changes in the unemployment rate are a key determinant of charge-offs in the auto finance industry. We have also observed that recovery values tend to weaken during recessionary periods.

In our analysis, we considered the economic data and forecasts outlined in table 3 and their baseline effect on collateral credit quality in determining our base-case expected loss level.

As the Federal Reserve's aggressive tightening of interest rates increases borrowing costs, we expect the economy to fall into a shallow recession later this year. We are forecasting slightly negative growth in the second and third quarters of this year with GDP averaging 0.70% growth for the year (see "Economic Outlook U.S. Q2 2023: Still Resilient, Downside Risks Rise). With economic pressures worsening due to higher borrowing costs, businesses will be need to trim payrolls in interest rate-sensitive sectors. The recent banking sector disturbance may also lead to credit tightening and a softer jobs market. We expect the unemployment rate to rise and peak at 5.40% in early 2025 and then decline in late 2025.

Inflation remains a concern because it is eroding wage gains and the savings cushion that was built during the COVID-19 pandemic, particularly for those with lower incomes and smaller cushions.

Table 3

U.S. economic factors (%)

	Actual	Forecast			
	2022	2023	2024	2025	2026
Real GDP (year-over-year growth)	2.1	0.7	1.2	1.8	2
Unemployment rate (% annual average)	3.7	4.1	5.0	5.1	4.6
Consumer Price Index (% annual average)	8.0	4.2	2.4	1.6	1.5

GDP--Gross domestic product. Source: Bureau of Economic Analysis, Bureau of Labor Statistics, and S&P Global Ratings Economics forecasts.

In the auto market, as new vehicle supply imbalances continue to ease and borrowing rates continue to rise, we would expect used vehicle values to normalize to historical levels.

S&P Global Ratings' Expected Loss: 22.00%

We determined our expected loss for EART 2023-2 by analyzing:

- The series collateral characteristics relative to those of outstanding series (see table 2), and the representation in the transaction documents limiting eligible loans to accounts that have made at least one payment;
- The managed portfolio performance, and origination static pool data and their relative performances (see table 4); and
- The outstanding series' performance (see table 5 and chart 1). In particular, we considered that performance has weakened for recent transactions, including EART 2022-1 through EART 2022-5, which are experiencing higher net losses than our initial expectations.

We placed more emphasis on recent origination static pool analysis, particularly from 2022, and outstanding series performance when determining the expected loss for this series. We complemented this analysis with our forward-looking view of the economy and the auto finance sector (see the Macroeconomic and Auto Finance Sector Outlook section). Overall, we expect EART 2023-2 to experience a lifetime CNL of 22.00%, up from series 2023-1's 21.00%.

Managed Portfolio

As of March 31, 2023, Exeter's portfolio increased to $8.91 billion from $8.46 billion a year earlier (see table 4). We observe that delinquencies and net losses increased year-over-year as of March 31, 2023, which may be attributable to the normalization of economic conditions since the COVID-19 pandemic, as well as recent economic headwinds, including inflationary pressures, affecting consumers. Total delinquencies increased to 15.09% as of March 31, 2023, from 12.04% a year ago. As of year-end 2022, they increased to 19.68% from 15.23% in 2021 and 18.17% in 2019. Similarly, annualized net losses as of the three months ended March 31, 2023, increased year-over-year to 10.50% from 6.05% in 2022. As of the fiscal year ended December 2022, net losses increased to 8.13% from 4.29% in 2021 and 7.78% in 2019.

Table 4

Managed portfolio

	As of Mar. 31		As of Dec. 31				
	2023	2022	2022	2021	2020	2019	2018
Principal amount outstanding at end of period (mil. $)	8,911.83	8,459.12	8,782.98	7,840.42	6,302.96	5,604.44	4,258.45
Delinquencies (%)							
31-60 days	9.23	7.83	11.27	9.26	9.13	10.59	10.43
61-90 days	4.00	3.06	5.58	4.28	4.22	5.15	5.01
91-plus days	1.86	1.16	2.83	1.68	1.79	2.42	2.22
Total delinquencies (% of principal amount outstanding)	15.09	12.04	19.68	15.23	15.15	18.17	17.66
Net charge-offs							
Average principal amount outstanding during the period (mil. $)	8,818.93	8,185.09	8,624.44	7,237.94	6,023.72	5,060.86	3,845.85
Net charge-offs (% of period-end principal outstanding) (i)	10.50(i)	6.05(i)	8.13	4.29	6.56	7.78	7.77

(i)Annualized.

Origination static pool analysis

Exeter provided static pool performance broken out on an aggregate basis by term buckets, custom score, post-funding score, and CarMax and non-CarMax loans. We derived loss timing curves from paid-off vintages and used them to project losses on outstanding vintages.

We also reviewed 0-72, 73-75, and 76+ month loan static pool data from late 2019 through 2022. Early performance data for these loans shows that the 73-75 month loan segment is currently outperforming the 0-72 month segment on both a gross and net basis. This trend is in line with expectations given that Exeter historically originated its longer-term loans to obligors with higher FICO, proprietary custom, and post-funding credit scores. However, for the 73-75 and 76+ month loan cohorts, only a limited amount of static pool performance data is available over a small number of meaningfully large vintages at this time. Additionally, given the changes in credit characteristics for these loans in the EART 2023-2 pool (see Credit Enhancement And Collateral section), as well as long-term loans' inherent potential for back-ended losses with high loss severity, we considered the performance of these loans on a limited basis when deriving our loss expectation for the series.

EART Transactions' Performance

We currently maintain ratings on 19 EART transactions issued between 2018 and 2023 (see table 5).

Table 5

EART collateral performance and CNL expectations(i)

EART series	Current month	Pool factor	60+ days delinq. (%)	Extensions	Current CNL (%)	Initial expected lifetime CNL (%)	Revised/maintained expected lifetime CNL (%)(ii)
2018-3	57	10.24	11.72	3.18	16.41	20.50-21.50	17.00 (16.75-17.25)
2018-4	54	11.10	11.58	3.37	15.25	20.50-21.50	16.00 (15.75-16.25)
2019-1	51	12.02	11.04	3.78	15.04	20.50-21.50	16.50 (16.25-16.75)
2019-2	48	15.78	10.61	3.81	14.98	20.50-21.50	17.00 (16.75-17.25)
2019-3	45	18.02	10.39	3.85	13.52	20.50-21.50	16.50 (16.25-16.75)
2019-4	42	19.98	9.68	4.45	12.56	20.50-21.50	16.00 (15.75-16.25)
2020-1	39	22.72	9.04	5.06	11.67	20.50-21.50	16.00 (15.75-16.25)
2020-2	34	26.79	8.71	4.59	9.15	23.75-24.75	15.50 (15.25-15.75)
2020-3	31	32.21	8.63	4.88	8.42	23.50-24.50	15.50 (15.25-15.75)
2021-1	26	35.93	8.13	4.96	8.15	23.00-24.00	16.00 (15.75-16.25)
2021-2	22	42.94	8.30	5.19	8.55	21.00-22.00	N/A
2021-3	20	47.29	8.18	5.24	9.84	19.75-20.75	N/A
2021-4	17	53.10	8.19	5.12	9.87	19.50-20.50	N/A
2022-1	14	61.49	7.19	5.02	8.43	18.50-19.50	22.00
2022-2	12	67.36	7.22	4.65	8.53	18.25-19.25	At least 23.00
2022-3	10	74.19	6.87	4.34	7.46	18.50-19.50	At least 23.00
2022-4	8	77.29	5.97	5.37	6.22	18.50-19.50	At least 23.00
2022-5	6	84.13	5.85	4.71	3.75	18.75	N/A
2023-1	2	96.78	1.06	0.14	0.02	21.00	N/A

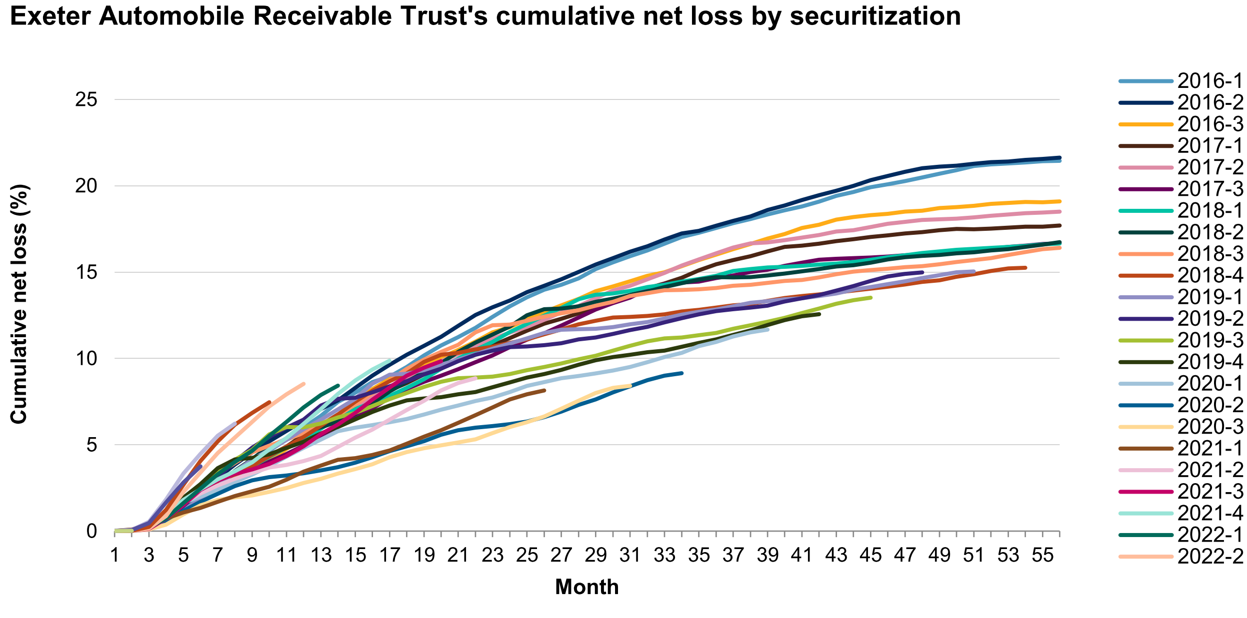
(i)As of the April 2023 distribution date. (ii)We revised our expected CNL for series 2017-3 through 2021-1 in April 2022 and 2022-1 through 2022-4 in March 2023. EART--Exeter Automobile Receivables Trust. CNL--Cumulative net loss. Delinq.--Delinquency. N/A--Not applicable.

In April 2022, we revised our loss expectations for 13 EART series issued between 2017 and 2021. The transactions were all performing in line with or slightly better than our previous or initial loss expectations (see "Thirty Ratings Raised And Eight Affirmed On 13 Exeter Automobile Receivables Trust Transactions," published April 13, 2022).

On March 30, 2023, we lowered our ratings on and removed the CreditWatch negative placement for the EART 2022-1, 2022-2, 2022-3, and 2022-4 class E notes, raised our ratings on one class from EART 2022-1, and affirmed our ratings on three classes from EART 2022-1 (see "Various Rating Actions Taken On Exeter Automobile Receivables Trust 2022-1, 2022-2, 2022-3, And 2022-4," published March 30, 2023). The rating actions reflected our views regarding the transactions' collateral performance and our expectations regarding future collateral performance, structure, and credit enhancement, among other factors, including Exeter's capital contribution to EART 2022-2 and 2022-3.

On March 31, 2023, we placed our 'BB (sf)' rating on the class E notes from EART 2022-5 on CreditWatch with negative implications, reflecting the transaction's worse-than-expected performance and decreased overcollateralization amounts, among other factors (see "Exeter Automobile Receivables Trust 2022-5 Class E Ratings Placed On CreditWatch Negative", published March 31, 2023).

Chart 1



Legal Overview And Transaction Structure

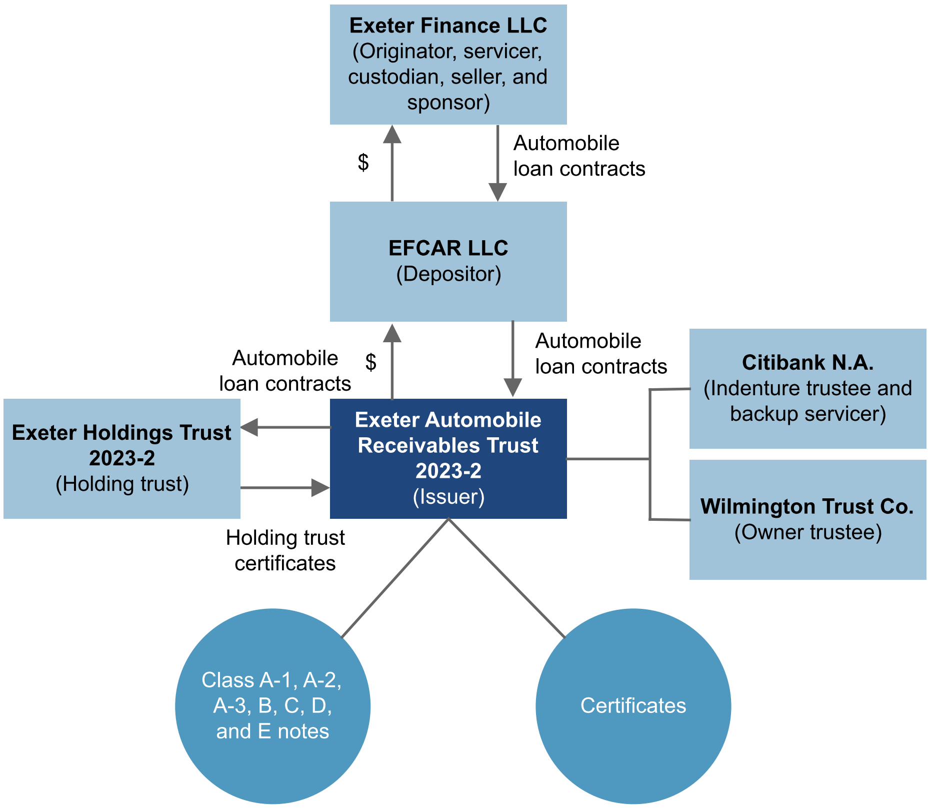
Legal overview

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

The transaction is structured as a true sale of the receivables to EFCAR LLC (the depositor) from Exeter (the sponsor and servicer), then from EFCAR LLC to EART 2023-2 (the issuer), and then to Exeter Holdings Trust 2023-2 (the holding trust). The holding trust, in turn, issues holding trust certificates to EART 2023-2. The issuer has pledged its interest in the holding trust certificates, and the holding trust has pledged its interest in the holding trust estate (including the receivables) to the indenture trustee on the noteholders' behalf. In addition to acting as servicer, Exeter will act as the custodian for EART 2023-2. As custodian, Exeter may engage one or more sub-custodians to delegate its duties to maintain loan files and contracts.

Chart 2

Transaction Structure



Transaction structure

EART 2023-2 incorporates certain structural features that include the following:

- A senior-subordinated, sequential payment structure in which the senior notes outstanding are paid first.
- An initial overcollateralization of 8.50% of the initial collateral pool balance, which will build to a target of 19.10% of the current collateral pool balance by using excess spread after net losses to pay principal on the outstanding notes. The overcollateralization floor is set at 1.50% of the initial collateral pool balance.
- A nonamortizing reserve account that will equal 1.30% of the initial collateral pool balance and will be fully funded at closing.
- Excess spread of approximately 11.70% (pre-pricing) per year.

Payment Priority

Payment distribution before an event of default

Before an event of default, distributions will be made from available funds, according to a specific payment priority on each payment date (see table 6).

Table 6

Payment waterfall

Priority	Payment
1	To the servicer, the servicing fee (3.00%), any supplemental servicing fees, reimbursements for mistaken deposits, and other related amounts. To any successor servicer, the transition fees up to the specified cap.
2	To the indenture trustee, custodian, owner trustee, asset representations reviewer, backup servicer, and the lockbox bank, any accrued and unpaid fees, expenses, and indemnities, each capped at an annual limit.
3	Class A notes interest, pro rata.
4	Principal to the extent necessary to reduce the class A notes' aggregate principal balance to the pool balance (the class A principal parity amount).
5	The class A notes' remaining principal balance on the final scheduled distribution date.
6	Class B note interest.
7	Principal to the extent necessary, after paying items 4 and 5, to reduce the class A and B notes' combined principal balance to the pool balance (the class B principal parity amount).
8	The class B notes' remaining principal balance on the final scheduled distribution date.
9	Class C note interest.
10	Principal to the extent necessary, after paying items 4, 5, 7, and 8, to reduce the class A, B, and C notes' combined principal balance to the pool balance (the class C principal parity amount).
11	The class C notes' remaining principal balance on the final scheduled distribution date.
12	Class D note interest.
13	Principal to the extent necessary, after paying items 4, 5, 7, 8, 10, and 11, to reduce the class A, B, C, and D notes' combined principal balance to the pool balance (the class D principal parity amount).
14	The class D notes' remaining principal balance on the final scheduled distribution date.
15	Class E note interest.
16	Principal to the extent necessary, after paying items 4, 5, 7, 8, 10, 11, 13, and 14, to reduce the class A, B, C, D, and E notes' combined principal balance to the pool balance (the class E principal parity amount).
17	The class E notes' remaining principal balance on the final scheduled distribution date.
18	To the reserve account, the amount necessary to achieve the specified reserve account amount.
19	Principal to achieve the specified overcollateralization amount (the principal payment amount).
20	To the indenture trustee, owner trustee, custodian, asset representations reviewer, backup servicer, lockbox bank, and any successor servicer, any fees, expenses, and indemnities that exceed the related cap or annual limitation.
21	All remaining amounts to the certificateholders.

Class A--Collectively, the class A-1, A-2, and A-3 notes.

Events of default

Any of the following will constitute an event of default:

- A default in the interest payment on the senior-most class of notes that remains uncured for five days.
- A default in the principal payment on any class' final scheduled distribution date.
- The issuer's failure to observe or perform any of its material covenants or agreements, or its representations or warranties being materially incorrect and not cured for 45 days (up to 90 days in certain cases). This requires notice by the indenture trustee or the holders of at least 25.00% of the voting rights for the notes outstanding.
- The issuer's insolvency.

Payment distribution after an event of default

On each payment date, following an event of default related to a breach of a covenant, agreement, representation, or warranty and the acceleration of the notes, available funds will be distributed as described in table 6. However, the payment in item 19 will include all available funds until the total note balance has been reduced to zero. In addition, the fees, expenses, and indemnities in items 1 and 2 will not be limited.

On each payment date following an event of default (other than an event of default solely from a covenant, agreement, representation, or warranty breach) and the acceleration of the notes, or upon the trust assets' liquidation, available funds will instead be distributed in the priority shown in table 7.

Table 7

Payment waterfall following an event of default other than a covenant, agreement, or representation and warranty breaches

Priority	Payment
1	To the servicer, custodian, owner trustee, indenture trustee, and backup servicer, certain amounts due and owing to those entities without regard to any caps or annual limitations.
2	Class A note interest.
3	Class A note principal to the class A-1 notes until paid in full, and then to the class A-2 and A-3 notes, pro rata, until each class paid in full.
4	Class B note interest.
5	Class B note principal until paid in full.
6	Class C note interest.
7	Class C note principal until paid in full.
8	Class D note interest.
9	Class D notes until paid in full.
10	Class E note interest.
11	Class E notes until paid in full.

Table 7

Payment waterfall following an event of default other than a covenant, agreement, or representation and warranty breaches (cont.)

Priority	Payment
12	All remaining amounts to the certificateholders.

Class A--Collectively, the class A-1, A-2, and A-3 notes.

Servicer termination events

Any of the following will constitute a servicing termination:

- The servicer's failure to deliver any required payment to the indenture trustee that remains unremedied for two business days (an additional 60-day grace period will apply if the delay is caused by force majeure);
- The servicer's failure to deliver the servicer's certificate by the first business day before the distribution date or its breach of its covenant to not merge, consolidate, or transfer all, or substantially all, of its assets unless the successor or surviving entity of the merger or consolidation can fulfill the servicer's duties;
- The servicer's failure to observe or perform any covenant or agreement materially and adversely affecting the noteholders' rights that remains unremedied for 45 days (an additional 60-day grace period will apply if the delay is caused by force majeure);
- The servicer's becoming insolvent; and
- Any materially incorrect servicer representation, warranty, or statement remaining unremedied for 45 days (an additional 60-day grace period will apply if the delay is caused by force majeure).

If a servicer termination occurs, the indenture trustee or a majority of the noteholders holding the senior-most class can terminate the servicer's rights and obligations.

Cash Flow Modeling Assumptions And Results

In our cash flow analysis, we assess the availability of asset cash flows to meet the transaction's promised obligations under a variety of stress assumptions while considering the transaction structure and available credit support. In addition, we use our cash flow analysis in other aspects of our ratings analysis, including the testing of credit stability (sensitivity analysis) and legal final analysis.

Break-even analysis

We applied the assumptions outlined in table 8 in our cash flow analysis to simulate stress scenarios that we believe are appropriate for the assigned preliminary ratings. To assign a rating to a class, we consider the class's lower break-even point (maximum net losses the class can withstand without defaulting) and generally expect it to be greater than or equal to that rating's stressed scenario breakeven requirement.

Based on our stressed cash flows, the break-even net loss results show that the class A, B, C, D, and E notes are credit-enhanced to the degree appropriate for the assigned preliminary ratings (see table 9).

Table 8

Breakeven cash flow assumptions

Voluntary ABS (%)	0.85
Servicing fee (%)	3.00
Recovery rate (classes A, B and C) (%)	35.00
Recovery rate (classes D, and E) (%)	37.50
Charge-off and recovery lag (mos.)	4
CNL timing mos. (12/24/36/48) (%)	
Front-loaded loss curve	35/65/85/95/100
Back-loaded loss curve	20/50/75/90/100

ABS--Absolute prepayment speed. Mos.-–Months. CNL--Cumulative net loss.

Table 9

Breakeven cash flow results

	Class				
	A	B	C	D	E
Preliminary rating	AAA(sf)	AA(sf)	A(sf)	BBB(sf)	BB(sf)
CNL timing mos. (12/24/36/48)(%)					
Front-loaded loss curve	100	43/84/100	34/66/87/98/100	33/64/85/95/100	33/64/85/95/100
Back-loaded loss curve	100	34/90/100	22/59/90/100	19/50/76/91/100	19/50/75/90/100
Approximate break-even CNL levels (%)					
Required	59.40	52.80	44.00	33.00	27.50
Available front-loaded loss curve(i)	61.96	52.93	44.12	33.07	28.06
Available back-loaded loss curve(i)	61.96	53.15	44.90	35.13	27.58

(i)The maximum cumulative net losses, with 90.0% credit to any excess spread, the transaction can withstand without triggering a payment default on the relevant class of notes. CNL--Cumulative net loss.

Sensitivity Analysis

In addition to running break-even cash flows, we undertook sensitivity analysis using the assumptions in table 6. We believe that under a moderate ('BBB') stress scenario (1.50x of 22.00% expected loss level) and with 90.00% credit to any excess spread, all else being equal, our preliminary ratings will be within the credit stability limits specified by section A.4 of the Appendix of "S&P Global Ratings Definitions," published Nov. 10, 2021 (see table 10).

Table 10

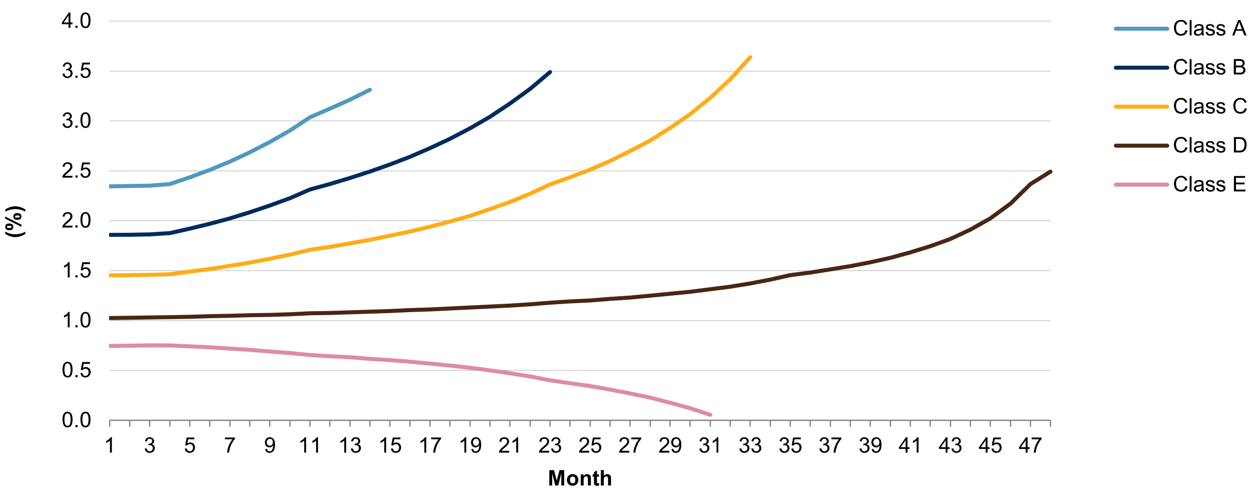
Credit stability as a limiting factor on ratings

	Maximum projected deterioration associated with rating levels for one-year and three-year horizons under moderate stress conditions					
Horizon	AAA	AA	A	BBB	BB	B
One year	AA	A	BB	B	CCC	D
Three years	BBB	BB	B	CCC	D	D

(i)These credit-quality transitions do not reflect our view of the expected degree of deterioration that rated issuers or obligations could experience over the specified time horizons. Nor do they reflect the typical historical levels of deterioration among rated issuers and securities.

Chart 3

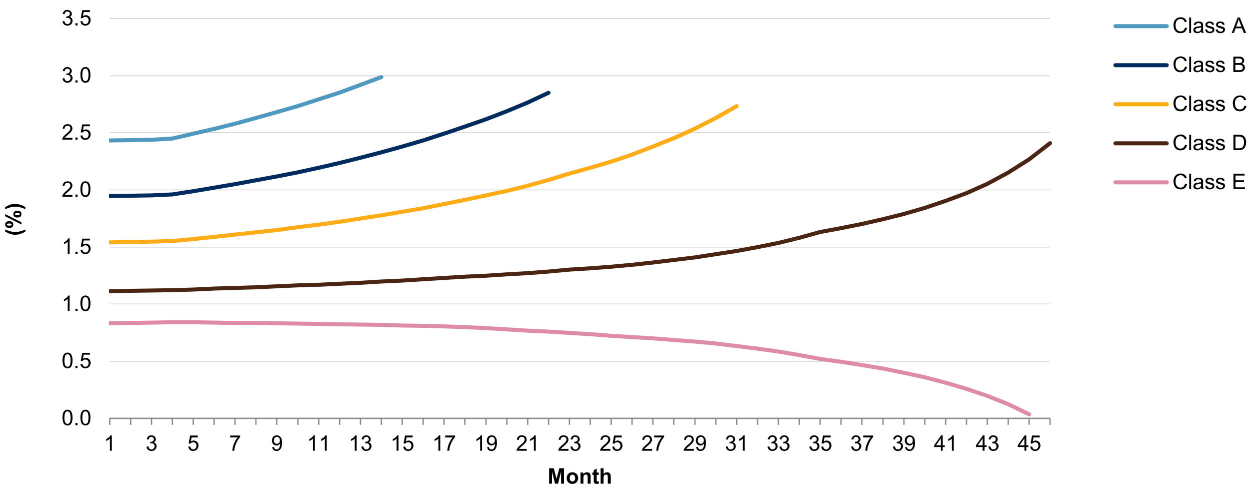
BBB' sensitivity loss coverage multiples (front-loaded loss curve)(i)



(i)Excess spread was haircut by 10.00%. Class A--Collectively, the class A-1, A-2, and A-3 notes.

Chart 4

BBB' sensitivity loss coverage multiples (back-loaded loss curve)(i)



(i)Excess spread was haircut by 10.00%. Class A--Collectively, the class A-1, A-2, and A-3 notes.

Money market tranche sizing

The proposed money market tranche (class A-1) has a legal final maturity date of May 15, 2024. To test whether the money market tranche can be repaid by its legal final maturity date, we ran cash flows using assumptions to delay the principal collections. We assumed zero defaults and 0% prepayments for our cash flow analyses, and we checked that approximately 11 months of principal collections would be sufficient to pay off the money market tranche one month before the legal final maturity date.

Legal final maturity

To test the legal final maturity dates set for the class A-2 through D notes, we determined the date when the respective notes would be fully amortized in a zero-loss, zero-prepayment scenario and then added three months to the result. For the longest-dated security (class E), we added nine months to the tenor of the longest-dated receivable in the pool to accommodate extension on the receivables. Further, in the break-even scenario for each respective rating level, we confirmed that the credit enhancement was sufficient to both cover losses and repay the related notes in full by the legal final maturity dates.

Counterparty And Operational Risks

Bank account provider

On or before the closing date, the series 2023-2 bank accounts will be established in the name of the indenture trustee, Citibank, as segregated trusts accounts. The bank account provider is consistent with our counterparty criteria for a 'AAA'-supported transaction (see "Counterparty Risk Framework: Methodology and Assumptions," published March 8, 2019).

Servicer

Exeter has a long history in the subprime auto finance business. As the servicer, Exeter has an experienced management team that oversees origination, underwriting, servicing, collections, and general operational practices. A back-up servicer, Citibank, is engaged for the outstanding series, which along with the loan file sub-custodians, would enable servicing transition if necessary. Commingling risk is addressed in this transaction by the requirement that all collections are deposited to the respective series' collections account within two business days. Our operational risk assessment of Exeter as servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

Exeter will act as custodian of the loan contracts and the related loan files. With respect to tangible chattel paper, it will hold such contracts in a secure, fire-resistant facility. With respect to electronic chattel paper (the majority of the loans in the pool are in this form), Exeter will maintain the contracts in specially designed computer systems maintained by one or more e-contracting vendors to establish control by Exeter under the Uniform Commercial Code. Exeter may engage one or more sub-custodians to maintain such loan contracts and related files.

Regulatory

Exeter and the key transaction parties could be subject to various regulatory investigation and/or legal proceedings that may arise in their ordinary course of business. We are not aware of any proceedings at this time that may constrain our counterparty and operational risk assessment.

Exeter

Exeter, a Delaware limited liability company, is a subprime auto finance company that was founded in April 2006. In August 2011, Blackstone Group acquired a majority interest in the company and continued to provide capital to support Exeter's growth. In November 2021, Exeter was acquired by an investor group led by Warburg Pincus and is now a wholly owned subsidiary of Cobra Equity Holdco LLC (B-/Stable/--). Cobra Equity Holdco LLC was established after the acquisition and is the parent entity of its only subsidiary, Cobra Acquisition Co. LLC, which is an indirect holding company for Exeter. The holding company has no operations outside of the acquisition company. On Jan. 26, 2023, Cobra Equity Holdco LLC was downgraded to 'B-' From 'B' as a result of higher leverage (see "Research Update: Cobra Equity Holdco LLC Downgraded To 'B-' From 'B' On Higher Leverage; Outlook Stable").

Exeter sources its applications primarily from franchise dealers and large independent used car dealerships. Exeter has had a partnership with CarMax since 2012 whereby it buys certain loans that do not fit CarMax's origination profile. As of first-quarter 2023, Exeter sourced approximately 30% of its volume from CarMax, down from approximately 32% in first-quarter 2022. It also sources indirect loans from other strategic partners and acquires a small percentage of loans directly originated by direct lenders (primarily refinance loans).

As of March 31, 2023, Exeter had approximately 1,600 employees, one buying center, and one national servicing center (both centers are in Irving, Texas). It also employs third-party collectors in Canada, Jamaica, Costa Rica, and Columbia. The company is licensed to operate in all states in which it is required to be licensed and has partnerships with approximately 13,200 automobile dealerships. Exeter services a portfolio of approximately 542,000 auto loans, with an aggregate outstanding balance of approximately $9.1 billion. The company continues to have a diversified funding platform. At year-end 2022, Exeter had three warehouse facilities totaling nearly $3.00 billion with staggered maturities with a low overall utilization rate.

Related Criteria

- Criteria | Structured Finance | ABS: Global Auto ABS Methodology And Assumptions , March 31, 2022
- 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 | 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

- U.S. Auto Loan ABS Tracker: February 2023 Performance, April 11, 2023
- Exeter Automobile Receivables Trust 2022-5 Class E Ratings Placed On CreditWatch Negative, March 31, 2023
- Various Rating Actions Taken On Exeter Automobile Receivables Trust 2022-1, 2022-2, 2022-3, And 2022-4, March 30, 2023
- Credit Conditions North America Q2 2023: Coalescing Stresses, March 28, 2023
- Economic Outlook U.S. Q2 2023: Still Resilient, Downside Risks Rise, March 27, 2023
- Research Update: Cobra Equity Holdco LLC Downgraded To 'B-' From 'B' On Higher Leverage; Outlook Stable, Jan. 26, 2023
- Exeter Automobile Receivables Trust 2022-1, 2022-2, 2022-3 and 2022-4 Class E Ratings Placed On CreditWatch Negative, Dec. 22, 2022

- Cobra Equity Holdco LLC, Dec. 14, 2022
- Research Update: Cobra Equity Holdco LLC Assigned 'B' Rating; Outlook Negative, July 22, 2022
- Thirty Ratings Raised And Eight Affirmed On 13 Exeter Automobile Receivables Trust Transactions, April 13, 2022