Presale:

Exeter Automobile Receivables Trust 2023-1

February 14, 2023

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Preliminary Ratings

Class	Preliminary rating	Type	Interest rate(i)	Preliminary amount (mil. $)	Legal final maturity
A-1	A-1+ (sf)	Senior	Fixed	63.00	March 15, 2024
A-2	AAA (sf)	Senior	Fixed	135.00	June 16, 2025
A-3	AAA (sf)	Senior	Fixed	52.02	April 15, 2026
B	AA (sf)	Subordinate	Fixed	75.72	April 15, 2027
C	A (sf)	Subordinate	Fixed	78.76	Feb. 15, 2028
D	BBB (sf)	Subordinate	Fixed	80.30	June 15, 2029
E	BB (sf)	Subordinate	Fixed	66.85	Sept. 16, 2030

Note: This presale report is based on information as of Feb. 14, 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 of these tranches 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 2023-1.
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 2023-1's (EART 2023-1) automobile receivables-backed notes reflect:

- The availability of approximately 60.23%, 52.86%, 43.46%, 32.83% and 26.92% 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 2.85x, 2.50x, 2.05x, 1.55x, and 1.27x coverage of our expected cumulative net loss (ECNL) of 21.00% 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 (1.55x 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 credit risk of the collateral, 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., 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 2023-1 is 21.00%, up from our ECNL of 18.75% for EART 2022-5--the most recent EART transaction rated by S&P Global Ratings. 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, and 2022-4, the performance of which is trending worse than our original ECNL, which was a key consideration for the higher ECNL for series 2023-1;
- Our view that the EART 2023-1 collateral characteristics are similar to EART 2022-5's.
- 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.

The higher initial hard credit enhancement reflects our higher ECNL for this series, and it is captured in our stressed cash flow analysis, which shows the notes are credit enhanced to the degree appropriate for the assigned preliminary ratings.

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 2022-5

Structural changes from the EART 2022-5 transaction include that:

- Total initial hard credit enhancement for the class A, B, C, D, and E notes increased to 60.05%, 47.65%, 34.75%, 21.60%, and 10.65%, respectively, from 56.67%, 42.82%, 30.47%, 18.27%, and 8.32% (see table 1). Subordination increased for class A, B, C, and D notes to 49.40%, 37.00%, 24.10%, and 10.95%, respectively, from 48.35%, 34.50%, 22.15%, and 9.95%.
- Overcollateralization (O/C) increased to 9.65% (from 6.75%) of the initial collateral pool balance and will grow to 23.35% (from 18.00%) of the current collateral pool balance. The overcollateralization floor is unchanged at 1.50% of the initial collateral pool balance.
- The reserve decreased to 1.00% of the initial pool balance from 1.57%.
- The estimated excess spread (pre-pricing) increased to 10.68% from 10.47% (post-pricing).

The increase in initial hard credit enhancement reflects our higher ECNL of 21.00%. Our stressed cash flow results indicate that each class in the EART 2023-1 transaction is enhanced to a degree consistent with the assigned preliminary ratings (see the Cash Flow Modeling Assumptions And Results section).

Table 1

Credit Enhancement Summary (%)

	EART 2023-1	EART 2022-5	EART 2022-4	EART 2022-3	EART 2022-2
Subordination(i)					
Class A	49.40	48.35	48.35	48.75	47.95
Class B	37.00	34.50	34.65	35.00	34.30
Class C	24.10	22.15	22.15	22.20	21.60
Class D	10.95	9.95	10.00	9.75	9.25
Class E	0.00	0.00	0.00	0.00	0.00

Table 1

Credit Enhancement Summary (%) (cont.)

	EART 2023-1	EART 2022-5	EART 2022-4	EART 2022-3	EART 2022-2
Class F	N/A	N/A	N/A	N/A	N/A
Overcollateralization					
Initial(i)	9.65	6.75	7.15	5.40	4.50
Target(ii)	23.35	18.00	18.95	17.50	17.50
Floor(i)	1.50	1.50	1.50	1.50	1.50
Reserve fund(i)					
Initial	1.00	1.57	1.00	1.90	1.00
Target	1.00	1.57	1.00	1.90	1.00
Floor	1.00	1.57	1.00	1.90	1.00
Total initial hard credit enhancement(i)					
Class A	60.05	56.67	56.50	56.05	53.45
Class B	47.65	42.82	42.80	42.30	39.80
Class C	34.75	30.47	30.30	29.50	27.10
Class D	21.60	18.27	18.15	17.05	14.75
Class E	10.65	8.32	8.15	7.30	5.50
Excess spread per year (estimated %)(iii)	10.68	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 2023-1. 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 2022-5

The significant collateral changes in the EART 2023-1 closing pool (as of Feb. 6, 2023) from the EART 2022-5 closing pool include:

- The weighted average non-zero FICO score decreased to 574 from 586, the weighted average proprietary score increased to 246 from 242, and the weighted average post-funding score increased to 221 from 220.
- Loans with a post-funding score greater than or equal to 240 increased to 17.14% from 16.14%, and loans with a proprietary score greater than or equal to 240 increased to 61.76% from 55.13%.
- The percentage of CarMax Inc. loans increased to 33.75% from 30.70%. 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 37.80% from 37.08%. While this would generally indicate greater risk, static pool data for 75-month loans (23.55% of the series 2023-1 pool compared to 23.95% for the series 2022-5 pool) shows that these loans are performing better than are the shorter-term loans as a result of the higher weighted average FICO score, proprietary score, and post-funding score than the overall pool's. For EART 2023-1, the weighted average FICO score for the 75- and 78-month loan segments decreased to 572

and 612 from 586 and 634, respectively, while Exeter's proprietary score, which the company views as being more predictive of credit performance in the subprime auto space, was nearly unchanged for both 75- and 78-month loan segments.

In our view, EART 2023-1's collateral characteristics are similar to EART 2022-5's. (see table 2). We have factored this into our expected loss for EART 2023-1 (see the S&P Global Ratings' Expected Loss section).

Table 2

Collateral Comparison(i)

	EART					
	2023-1	2022-5	2022-4	2022-3	2022-2	2022-1
Pool balance (mil. $)	610.57	643.12	624.84	1,073.77	1,169.80	871.80
No. of receivables	31,903	32,655	31,513	48,961	53,619	41,259
Avg. principal balance ($)	19,138	19,694	19,828	21,931	21,817	21,130
CarMax (% of pool)	33.75	30.70	32.48	23.35	30.24	31.57
WA APR (%)	21.83	20.94	20.75	20.27	19.56	19.23
WA original term (mos.)	73	73	72	73	72	72
WA remaining term (mos.)	69	69	69	72	71	70
WA seasoning (mos.)	4	3	3	1	2	2
Loans with original term of 61-72 mos. (%)	60.13	60.75	64.84	50.58	65.38	68.85
Loans with original term of 75-78 mos. (%)	37.80	37.08	32.90	38.50	32.81	29.30
New vehicles (%)	2.02	2.08	1.88	1.21	1.35	1.80
Used vehicles (%)	97.98	97.92	98.12	98.79	98.65	98.20
WA mileage	66,310	69,368	68,715	70,206	68,881	67,329
WA LTV ratio (%)	113.72	112.69	111.99	111.81	110.37	110.36
WA non-zero FICO score	574	586	584	583	583	584
Credit bureau score (% of pool)(ii)						
No credit bureau score (%)	0.57	3.65	4.27	4.35	4.35	4.47
Less than 540	12.31	16.15	17.94	19.24	19.76	18.88
540–564	14.41	14.68	15.21	15.08	14.94	14.72
565–599	28.31	26.80	26.82	25.90	25.46	25.78
600–659	35.70	30.98	28.82	28.71	27.96	28.34
660 and greater	8.70	7.75	6.94	6.71	7.52	7.81
WA non-zero credit bureau score	594	588	584	583	583	584
Proprietary credit score (% of pool)(iii)						
Less than 201	5.03	5.71	8.08	10.63	13.20	10.83
201–214	8.47	10.15	10.79	11.24	10.34	9.73

Table 2

Collateral Comparison(i) (cont.)

	EART					
	2023-1	2022-5	2022-4	2022-3	2022-2	2022-1
215–224	8.54	10.62	10.92	10.93	10.22	10.35
225–244	23.70	26.34	25.89	24.53	22.60	23.63
245 and greater	54.26	47.17	44.32	42.66	43.65	45.46
WA proprietary credit score (%)	246	242	240	238	237	240
Post-funding score (% of pool)(iv)						
1–179	0.37	0.35	0.31	0.28	0.27	0.41
180-199	9.69	11.12	12.21	10.91	11.62	11.48
200-219	38.27	39.62	40.16	39.03	38.87	38.26
220-239	34.53	32.78	32.09	33.26	31.29	31.76
240 and greater	17.14	16.14	15.24	16.52	17.95	18.09
WA post-funding score	221	220	220	221	221	211
Top three state concentrations (%)						
	TX: 13.05	TX: 13.95	TX: 13.54	TX: 14.81	TX=14.69	TX=14.80
	CA: 10.97	CA: 9.71	CA: 10.33	CA: 9.10	CA=9.75	CA=11.00
	FL: 8.99	GA: 8.15	GA: 8.22	FL: 8.41	GA=8.15	GA=7.97
S&P Global Ratings' original ECNL (%)	21.00	18.75	18.50-19.50	18.50-19.50	18.25-19.25	18.50-19.50

(i)All percentages are of the principal balance. (ii)This non-zero WA score is based on a blend of FICO score and VantageScore. (iii)The WA proprietary credit score is derived before loan funding. (iiv)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.

Note that in the second half of 2021, Exeter shifted its origination mix toward longer-term 75- and 78-month loans. The EART 2022-1 transaction was the first to include 78-month originations.

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 decline 0.1% this year, as the economy falls into a shallow recession in the first half of 2023 (see "Economic Outlook U.S. Q1 2023: Tipping Toward Recession," published Nov. 28. 2022). With economic pressures worsening as the Fed raises interest rates, we now expect the unemployment rate to peak at 5.6% in fourth-quarter 2023 then slowly descend to 4.7% by fourth-quarter 2025.

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

Table 3

U.S. Economic Factors (%)

	Actual	Forecast			
	2021	2022	2023	2024	2025
Real GDP (year/year growth)	5.9	1.8	(0.1)	1.4	1.8
Unemployment rate (annual average)	5.4	3.7	4.9	5.3	4.8
Consumer Price Index (annual average)	4.7	8.3	4.3	2.7	2.3

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: 21.00%

We determined our expected loss for EART 2023-1 by analyzing:

- The series collateral characteristics relative to those of outstanding series (see table 2);
- The managed portfolio performance, 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 2022-4, 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 the collateral backing the EART 2023-1 notes to experience lifetime CNLs of 21.00%, up from series 2022-5's 18.75%.

Managed Portfolio

In 2022, Exeter's portfolio increased to $8.80 billion from $7.86 billion a year earlier (see table 4). We observe that delinquencies and net losses increased year-over-year in 2022, which may be attributable to the normalization of economic conditions since COVID-19 as well as recent economic headwinds, including inflationary pressures, affecting consumers. Total delinquencies increased to 20.18% at year-end 2022 from 15.89% in 2021 and 19.06% in 2019. At the same time, net losses increased to 8.02% in 2022 from 4.00% in 2021 and 7.71% in 2019.

Table 4

Managed Portfolio

	As of Dec. 31					
	2022	2021	2020	2019	2018	2017
Principal amount outstanding at end of period (mil. $)	8,801.24	7,863.95	6,336.94	5,610.52	4,263.88	3,419.95
Delinquencies (%)(i)						
31-60 days	11.25	9.24	9.10	10.59	10.43	10.34
61-90 days	5.58	4.29	4.22	5.17	5.02	5.08
91-plus days	3.34	2.36	2.99	3.30	3.22	3.63
Total delinquencies (% of principal amount outstanding)	20.18	15.89	16.31	19.06	18.67	19.04
Net charge-offs(ii)						
Average principal amount outstanding during the period (mil. $)	8,633.81	7,260.48	6,050.72	5,066.66	3,850.03	3,307.54
Net charge-offs (% of period-end principal outstanding)	8.02	4.00	5.99	7.71	7.67	9.07

(i)Exeter Finance LLC considers an automobile loan contract delinquent when more than 10.00% of a contractual payment remains unpaid by the due date. (ii)Net charge-offs equal gross charge-offs minus recoveries. Gross charge-offs do not include unearned finance charges and other fees. Recoveries include repossession proceeds received from the sale of repossessed vehicles minus repossession expenses; refunds of unearned premiums from credit life, credit accident, and health insurance and extended-service contract costs obtained and financed in connection with the vehicle financing; and recoveries from obligors on deficiency balances.

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. Overall, our loss projections came in higher than our projections for the 2022-5 transaction.

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 primarily originates 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 2023-1 pool (see Credit Enhancement And Collateral--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 Transaction Performance

We currently maintain ratings on 18 EART transactions issued between 2018 and 2022 (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	54	12.15	15.10	4.40	16.16	20.50-21.50	17.00 (16.75-17.25)
2018-4	51	13.16	16.01	4.88	14.87	20.50-21.50	16.00 (15.75-16.25)
2019-1	48	15.20	13.44	5.55	14.66	20.50-21.50	16.50 (16.25-16.75)
2019-2	45	18.38	15.20	5.28	14.50	20.50-21.50	17.00 (16.75-17.25)
2019-3	42	21.00	14.71	5.58	12.89	20.50-21.50	16.50 (16.25-16.75)
2019-4	39	22.96	13.65	5.91	11.94	20.50-21.50	16.00 (15.75-16.25)
2020-1	36	26.07	13.30	5.56	10.97	20.50-21.50	16.00 (15.75-16.25)
2020-2	31	30.56	12.04	6.03	8.39	23.75-24.75	15.50 (15.25-15.75)
2020-3	28	36.46	11.74	6.13	7.56	23.50-24.50	15.50 (15.25-15.75)
2021-1	23	40.51	11.31	6.20	7.17	23.00-24.00	16.00 (15.75-16.25)
2021-2	19	48.40	12.00	6.58	7.55	21.00-22.00	N/A
2021-3	17	53.15	11.90	6.44	8.32	19.75-20.75	N/A
2021-4	14	59.82	11.01	6.51	7.94	19.50-20.50	N/A
2022-1	11	68.68	9.30	5.70	6.32	18.50-19.50	N/A
2022-2	9	74.88	8.88	6.46	6.33	18.25-19.25	N/A
2022-3	7	82.12	7.94	8.01	5.20	18.50-19.50	N/A
2022-4	5	86.58	8.38	3.17	3.33	18.50-19.50	N/A
2022-5	3	93.67	5.73	0.50	0.46	18.75	N/A

(i)As of the January 2023 distribution date. The CNLs reported do not include net liquidation proceeds, which include reasonable expenses incurred by the servicer in connection with the collection of such receivable, repossession, and disposition of the financed vehicle. (ii)We revised our expected CNL for series 2017-3 through 2021-1 in April 2022. EART--Exeter Automobile Receivables Trust. CNL--Cumulative net loss. Delinq.--Delinquency. N/A--Not applicable.

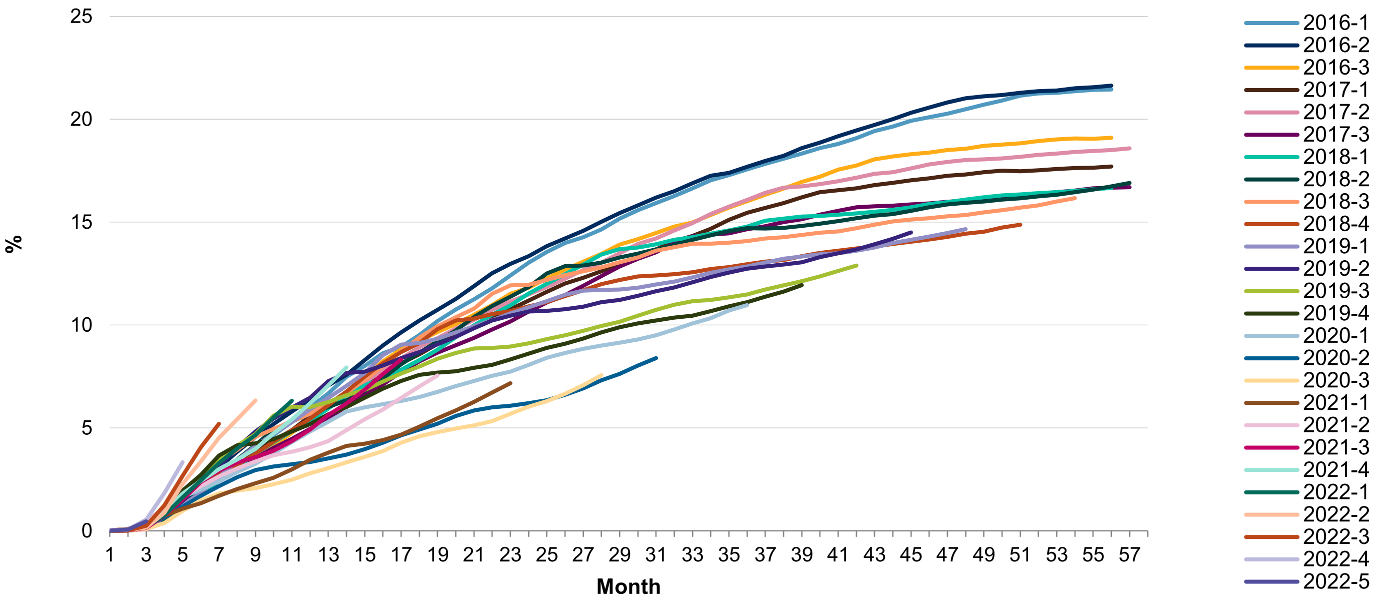
In April 2022, we revised our loss expectations for 13 EART series issued between 2017 and 2021. The transactions were all performing in line with or slightly better than our previous or initial loss expectations (see "Thirty Ratings Raised And Eight Affirmed On 13 Exeter Automobile Receivables Trust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

On Dec. 22, 2022, we placed our 'BB (sf)' ratings on the class E notes of EART 2022-1, 2022-2, 2022-3, and 2022-4 on CreditWatch negative (see "Exeter Automobile Receivables Trust 2022-1, 2022-2, 2022-3, And 2022-4 Class E Ratings Placed On CreditWatch Negative").

The EART 2022-1, 2022-2, 2022-3, and 2022-4 transactions are currently experiencing higher than expected net losses. In our view, the higher losses on these more recent pools are attributable to the loss of COVID-19-related support payments, including the expanded child tax credit payments that ended in December 2021; inflationary pressures on Exeter's consumer base; and pressures affecting the subprime auto industry, including an easing of used vehicle prices and an industrywide trend where it's taking longer to repossess vehicles due to a shortage of repossession agents.

Chart 1

Exeter Automobile Receivable Trust's Cumulative Net Loss By Series



Transaction Legal Overview And Structure

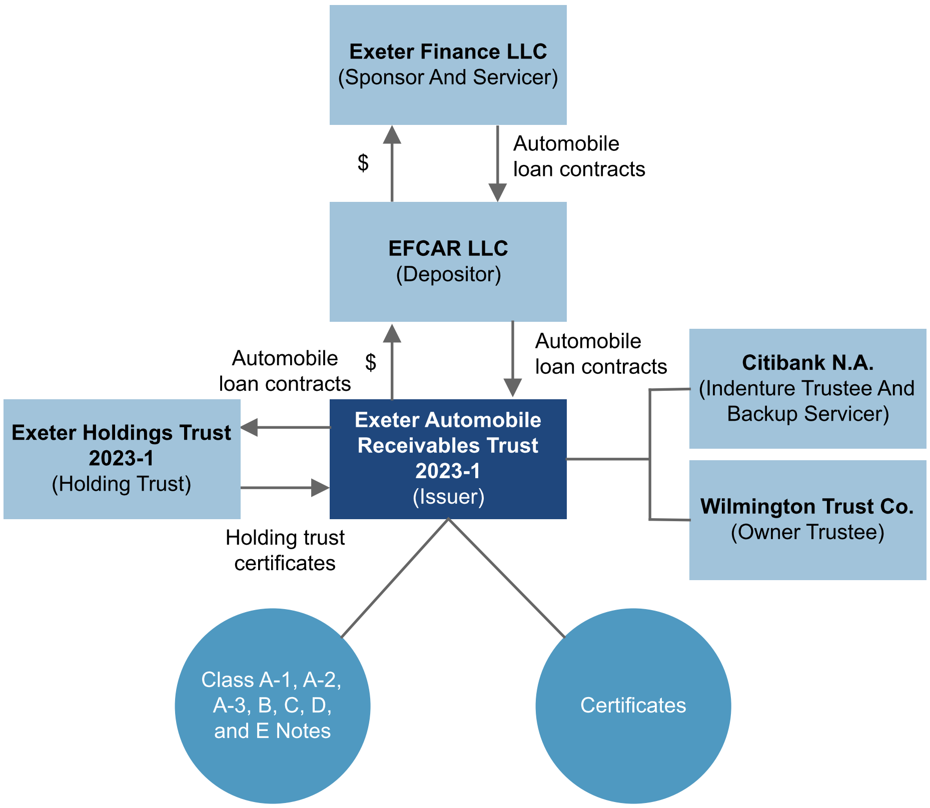
Legal overview

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), from EFCAR LLC to EART 2023-1 (the issuer), and then to Exeter Holdings Trust 2023-1 (the holding trust). The holding trust, in turn, issues holding trust certificates to EART 2023-1. 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 2023-1. 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 2023-1 incorporates certain structural features:

- An initial overcollateralization of 9.65% of the initial collateral pool balance, which will build to a target of 23.35% 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 1.00% of the initial collateral pool balance and will be fully funded at closing.
- Excess spread of approximately 10.68% (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 (%)	0.95
Servicing fee (%)	3.00
Recovery rate (classes A and B) (%)	35.00
Recovery rate (classes C, 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.

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	93/100	49/89/100	38/70/91/100	36/66/85/95/100	36/66/85/95/100
Back-loaded loss curve	92/100	41/98/100	28/67/99/100	22/54/79/94/100	21/52/76/90/100
Approximate break-even CNL levels (%)					
Required	59.85	52.50	43.05	32.55	26.67
Available front-loaded loss curve(i)	60.23	52.86	43.46	32.83	26.92
Available back-loaded loss curve(i)	60.27	53.05	44.11	34.93	27.13

(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 (1.55x of 21.00% 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

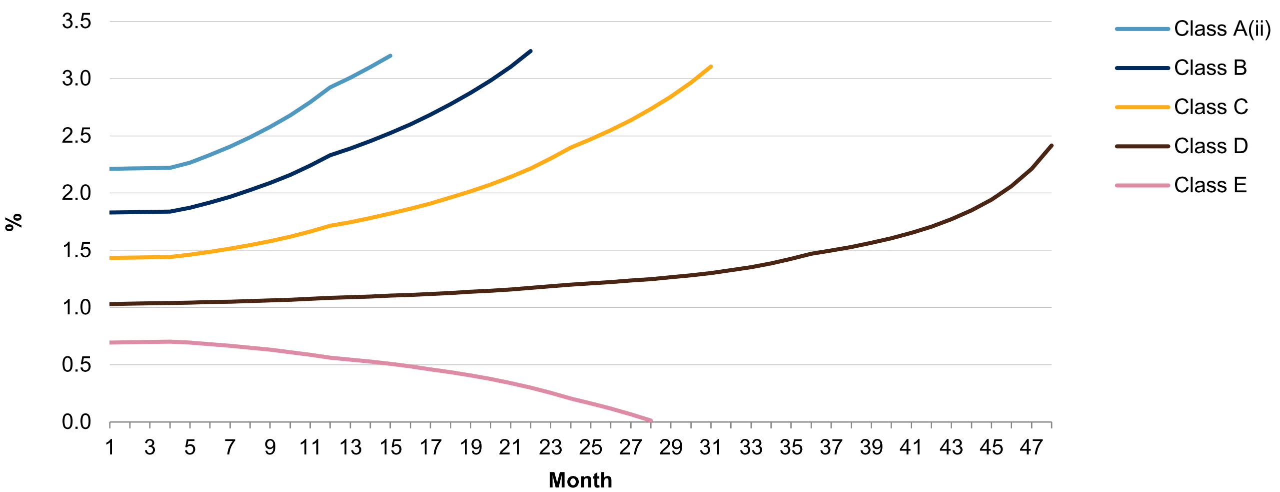
Credit Stability As A Limiting Factor On Ratings

	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

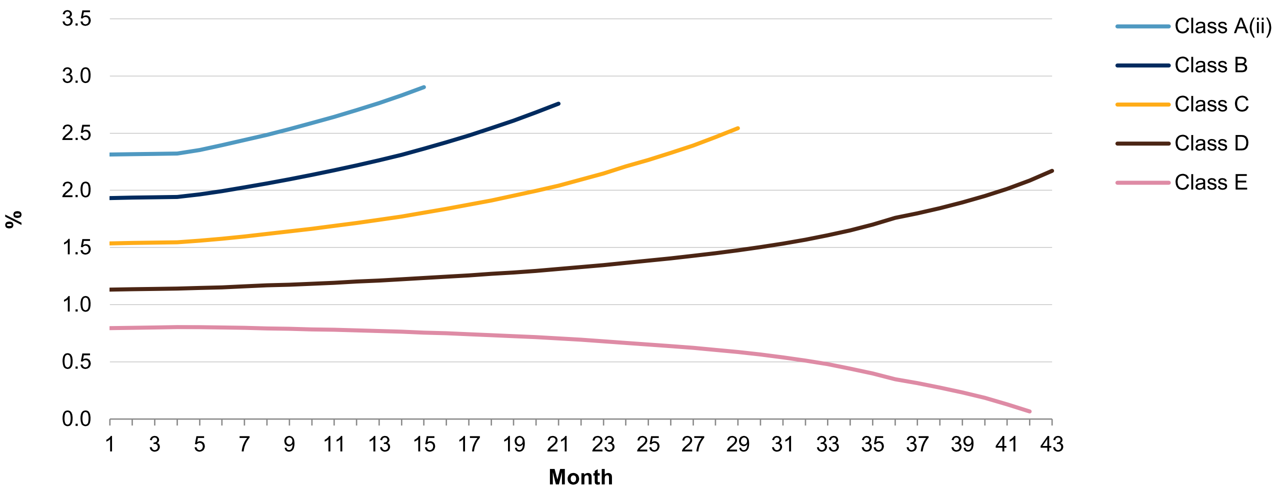
'BBB' Sensitivity Loss Coverage Multiples (Front-Loaded Loss Curve)(i)



(i)Excess spread was haircut by 10%. (ii)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%. (ii)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 March 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 12 months of principal collections would be sufficient to pay off the money market tranche by Feb. 15, 2024, 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 2023-1 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 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 are subject to various regulatory investigation and/or legal proceedings that may arise in their ordinary course of business. We will assess these outcomes when available to determine any impact on our counterparty and operational risk assessments.

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 Finance LLC. 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 Q4 2022, Exeter sourced approximately 30% of its volume from CarMax, down from approximately 34% in 2021. 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 Jan. 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 13,100 automobile dealerships. Exeter services a portfolio of approximately 530,000 auto loans, with an aggregate outstanding balance of approximately $8.8 billion.

Related Criteria

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- 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

- Research Update: Cobra Equity Holdco LLC Downgraded To 'B-' From 'B' On Higher Leverage; Outlook Stable, Jan. 26, 2023
- U.S. Auto Loan ABS Tracker: November 2022 Performance, Jan. 11, 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
- Credit Conditions North America Q1 2023: Worse Before It Gets Better, Dec. 1, 2022
- Economic Outlook U.S. Q1 2023: Tipping Toward Recession, Nov. 28, 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