Presale:

World Omni Auto Receivables Trust 2023-D

October 26, 2023

Preliminary ratings

Class	Preliminary rating	Type	Interest rate(i)	Base amount (mil. $)	Upsized amount (mil. $)	Expected legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	167.60	197.10	Nov. 15, 2024
A-2a/A-2b(ii)	AAA (sf)	Senior	Fixed/floating	320.72	377.80	Feb. 16, 2027
A-3	AAA (sf)	Senior	Fixed	270.72	317.80	Feb. 15, 2029
A-4	AAA (sf)	Senior	Fixed	52.31	61.56	Aug. 15, 2029
B	AA+ (sf)	Subordinate	Fixed	25.55	30.06	Oct. 15, 2029
C	AA (sf)	Subordinate	Fixed	12.78	15.02	July 15, 2030

Note: This presale report is based on information as of Oct. 26, 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 coupons on the tranches will be determined on the pricing date. (ii)Class A-2 will have a fixed interest rate or a combination of fixed and floating interest rates if both fixed- and floating-rate tranches are issued. If a floating-rate tranche is issued, the floating rate will be indexed to compounded SOFR plus a margin of 1.00%. The allocation of the principal amount between the class A-2a and A-2b notes will be determined on the pricing date. If class A-2b notes are issued, the depositor does not expect the initial principal balance of the class A-2b notes to exceed $160.36 million ($188.90 million if upsized). SOFR--Secured overnight financing rate.

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Profile

Expected closing date	Nov. 8, 2023.
Collateral	Prime auto loan receivables.
Originator, sponsor, and servicer	World Omni Financial Corp. (BBB/Stable/A-2), a wholly owned subsidiary of JM Family Enterprises Inc.
Depositor	World Omni Auto Receivables LLC.
Indenture trustee	U.S. Bank Trust Co. N.A. (A+/Stable/A-1).
Bank account provider	U.S. Bank N.A. (A+/Stable/A-1).
Owner trustee	Wilmington Trust N.A. (A-/Stable/A-2).

Rationale

The preliminary ratings assigned to World Omni Auto Receivables Trust 2023-D's (WOART 2023-D) asset-backed notes reflect:

- The availability of approximately 11.6%, 9.3%, and 8.3% credit support (hard credit enhancement and excess spread) for the class A (classes A-1, A-2a, A-2b, A-3, and A-4), B, and C notes, respectively, based on stressed break-even cash flow scenarios. These credit support levels provide at least 5.0x, 4.5x, and 4.0x coverage of our expected cumulative net loss (ECNL) of 1.30% for the class A, B, and C notes, 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 (2.0x our expected loss level), all else being equal, our preliminary 'AAA (sf)', 'AA+ (sf)', and 'AA (sf)' ratings on the class A, B, and C notes, respectively, are within our credit stability limits (see the Cash Flow Modeling Assumptions And Results section).
- The timely payment of interest each month and full payment of 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' prime automobile loans, our view of the credit risk of the collateral pool, and our updated macroeconomic forecast for 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 transaction's credit enhancement in the form of subordination, a nonamortizing reserve account, overcollateralization that builds to a target level and is subject to a minimum floor level, a yield supplement overcollateralization amount (YSOA), and excess spread (see the Credit Enhancement And Collateral section).
- Our review of World Omni Financial Corp.'s (World Omni; BBB/Stable/A-2) origination static pool data, managed portfolio data, and 32-year auto loan securitization track record, as well as WOART's historical and current securitization performance.
- The transaction's payment and legal structures.
- The series' bank accounts at U.S. Bank N.A., which do not constrain the preliminary ratings.
- Our operational risk assessment of World Omni as servicer and our view of the company's underwriting and servicing.
- Our assessment of the transaction's potential exposure to environmental, social, and governance (ESG) credit factors, which are in line with our sector benchmark.

Environmental, Social, And Governance 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 social and governance credit factors is in line with our sector benchmark. However, the geographic concentration in the portfolio differs from our sector benchmark: approximately 45% of the loans were originated in Florida. Geographically concentrated portfolios can be riskier due to the potential for greater localized economic downturns or disasters (e.g., climate physical risks such as hurricanes) that may adversely impact the pool's performance. In our analysis, we took into account mitigating factors that include geographic diversity within Florida, including a significant portion of the collateral located outside coastal areas, the ability to relocate the collateral, and World Omni's long operating history of servicing and originating loans in Florida since 1981.

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. Although the adoption of electric vehicles and future regulation could lower ICE vehicle values over time, we believe our current approach to evaluating recovery and residual values adequately account 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.

Credit Enhancement And Collateral

Structural changes from WOART 2023-C

The key structural changes from the WOART 2023-C transaction comprise:

- The initial YSOA discount rate increased to 11.15% from 10.90%.
- If class A-2b floating-rate notes are issued, the YSOA discount rate will step down to 10.90% from 11.15% after the class A-2 notes are paid off, compared with 10.90% to 10.65% for WOART 2023-C. If no class A-2b notes are issued, the YSOA discount rate will step down on the first payment date.

Table 1 shows a comparison of WOART 2023-D's credit enhancement to those of other recent WOART transactions.

Table 1

Credit enhancement summary

	WOART					
	2023-D (base)	2023-D (upsized)	2023-C	2023-B	2023-A	2022-D
Subordination (% of the initial adjusted receivables balance)						
Class A	4.50	4.50	4.50	4.50	4.50	4.50
Class B	1.50	1.50	1.50	1.50	1.50	1.50
Class C	0.00	0.00	0.00	0.00	0.00	0.00
Reserve account (% of the initial adjusted receivables balance)						
Initial	0.25	0.25	0.25	0.25	0.50	0.50
Target	0.25	0.25	0.25	0.25	0.50	0.50
Floor	0.25	0.25	0.25	0.25	0.50	0.50

Table 1

Credit enhancement summary (cont.)

	WOART					
	2023-D (base)	2023-D (upsized)	2023-C	2023-B	2023-A	2022-D
Overcollateralization						
Initial (% of the initial adjusted receivables balance)	0.25	0.25	0.25	0.25	0.00	0.00
Target (% of the current adjusted receivables balance)	1.15	1.15	1.15	1.15	0.90	0.90
Floor (% of the initial adjusted receivables balance)	0.50	0.50	0.50	0.50	0.50	0.50
Total initial hard credit enhancement (% of the initial adjusted receivables balance)						
Class A	5.00	5.00	5.00	5.00	5.00	5.00
Class B	2.00	2.00	2.00	2.00	2.00	2.00
Class C	0.50	0.50	0.50	0.50	0.50	0.50
Total hard floor credit enhancement (% of the initial adjusted receivables balance)						
Class A	5.25	5.25	5.25	5.25	5.50	5.50
Class B	2.25	2.25	2.25	2.25	2.50	2.50
Class C	0.75	0.75	0.75	0.75	1.00	1.00
YSOA discount rate initial (%)	11.15	11.15	10.90	10.30	10.20	10.40
YSOA discount rate (after step-down, if applicable) (%)(i)	10.90	10.90	10.65	10.05	9.95	10.15
Estimated excess spread per year (pre-pricing), including the YSOA (% of initial adjusted receivables balance)(ii)	4.1	4.1	4.2	4.0	4.1	3.9
Estimated excess spread per year (post-pricing), including the YSOA (% of initial adjusted receivables balance)(ii)	N/A	N/A	4.7	4.5	4.4	4.6
Initial gross receivables balance ($)	951,649,333	1,119,368,245	1,163,498,582	1,162,826,061	1,116,806,264	1,156,658,990
YSOA ($)	99,833,403	117,514,550	122,158,092	116,378,130	109,171,221	135,368,229
Initial adjusted receivables balance ($)	851,815,931	1,001,853,696	1,041,340,490	1,046,447,931	1,007,635,043	1,021,290,761
Initial overcollateralization ($)	2,135,931	2,513,696	2,590,490	2,617,931	5,043	761

Table 1

Credit enhancement summary (cont.)

	WOART					
	2023-D (base)	2023-D (upsized)	2023-C	2023-B	2023-A	2022-D
Total securities issued ($)	849,680,000	999,340,000	1,038,750,000	1,043,830,000	1,007,630,000	1,021,290,000

(i)If class A-2b floating-rate notes are issued, the YSOA discount rate for the series 2023-D notes will step down from 11.15% to 10.90% after the class A-2 notes are paid off. If no class A-2b floating-rate notes are issued, the YSOA discount rate will step down to 10.90% on the first payment date and remain at this level for each period thereafter. (ii)Includes the 1.00% annual servicing fee. WOART--World Omni Auto Receivables Trust. YSOA--Yield supplement overcollateralization amount. N/A--Not applicable.

Collateral changes from WOART 2023-C

The WOART 2023-D collateral pool is mostly comparable to WOART 2023-C and recent pools except for certain notable changes:

- The weighted average contract rate increased to 6.13% from 5.87%.
- The percentage of called collateral (cleaned-up and outstanding collateral from a recently called series that meet WOART 2023-D's receivables selection eligibility) is 9.01% (9.08% if upsized), which is higher than WOART 2023-C's 6.03%.
- The percentage of loans secured by used vehicles decreased slightly to 4.48% (4.40% if upsized) from 5.14%.
- The percentage of loans with original terms of 73-75 months decreased to 25.23% (25.06% if upsized) from 29.95%.
- The percentage of loans with remaining terms of 73-75 months decreased to 8.94% from 13.90%.

Table 2 shows a comparison of the WOART 2023-D collateral pools (base and upsized) and other recent WOART pools. As of the Oct. 2, 2023, cutoff date, the WOART 2023-D base collateral pool consisted of $951.65 million (approximately $1.12 billion if upsized) in World Omni-originated auto loans. The weighted average FICO score of 756 (755 if upsized) is in line with the historical vintages' weighted average FICO score.

World Omni has introduced and applied tighter pool selection criteria for its WOART securitizations over time. This has resulted in higher credit quality pools and better performance than historical WOART pools. The eligibility criteria for WOART 2023-D remains consistent with those of recent WOART pools (see below):

- None of the loans have an original term greater than 75 months.
- The loans have a minimum FICO score of 650. Loans with FICO scores of 649 and lower have been excluded from WOART pools since series 2017-B.
- The loans in the securitized pool have made their first payment as of the cutoff date. This criterion was added to the transactions beginning with WOART 2019-C.

Table 2

Collateral comparison(i)

	WOART					
	2023-D (base)	2023-D (upsized)	2023-C	2023-B	2023-A	2022-D
Receivables balance (mil. $)	951.65	1,119.37	1,163.50	1,162.83	1,116.81	1,156.66
No. of receivables	36,053	42,446	43,008	44,579	45,522	50,043
Avg. loan balance ($)	26,396	26,372	27,053	26,085	24,533	23,113
Weighted avg. contract rate (%)	6.13	6.13	5.87	5.59	5.59	4.92
Weighted avg. original term (mos.)	67.43	67.43	67.61	68.17	67.85	68.69
Weighted avg. remaining term (mos.)	59.84	59.81	59.80	60.22	60.43	60.91
Weighted avg. seasoning (mos.)	7.59	7.62	7.81	7.95	7.42	7.77
Weighted avg. FICO score	756	755	756	754	753	753
FICO score distribution (%)						
720+	66.73	66.63	66.86	65.85	64.76	65.42
700-719	10.22	10.18	9.82	10.44	10.53	11.04
680-699	9.96	9.92	9.67	10.16	10.58	10.08
650-679	11.94	12.09	12.34	12.33	12.82	12.09
No FICO score	1.14	1.18	1.31	1.22	1.30	1.37
Original term of 61-72 months (% of pool balance)	51.66	51.83	47.54	45.45	43.06	37.05
Original term of 73-75 months (% of pool balance)	25.23	25.06	29.95	32.14	33.94	43.81
Original term greater than 60 months (% of pool balance)	76.89	76.88	77.49	77.58	77.00	80.85
Remaining term of 73-75 months (% of pool balance)	8.94	8.94	13.90	14.76	19.89	18.42
New vehicles (%)	95.52	95.60	94.86	95.24	95.85	93.43
Used vehicles (%)	4.48	4.40	5.14	4.76	4.15	6.57
Toyota vehicles (%)	100.00	100.00	100.00	100.00	100.00	100.00
Non-Toyota vehicles (%)	0.00	0.00	0.00	0.00	0.00	0.00
Clean-up collateral (%)	9.01	9.08	6.03	8.22	9.89	9.14
Top five state concentrations by state of residence (%)						
	FL=44.73	FL=44.93	FL=44.80	FL=50.24	FL=45.81	FL=34.74
	GA=19.55	GA=19.35	GA=19.52	GA=17.33	GA=19.02	GA=23.25
	NC=16.59	NC=16.52	NC=16.18	NC=14.92	NC=16.48	NC=19.60
	AL=9.16	AL=9.23	AL=9.46	AL=8.45	AL=9.48	AL=11.20
	SC=7.13	SC=7.14	SC=6.94	SC=6.41	SC=6.59	SC=7.70

(i)All percentages are of the initial receivables balance as of the cutoff date. WOART--World Omni Auto Receivables Trust.

Overall, we believe the WOART 2023-D collateral pool's credit quality is comparable to that of WOART 2023-C. In determining our base-case expected loss for the transaction, we considered

WOART 2023-D's pool collateral characteristics, the outstanding WOART securitizations' performance trends, WOART's managed portfolio, and our macroeconomic and auto finance sector outlooks, including our baseline forecast and the effect on collateral credit quality. Our ECNL for WOART 2023-D is 1.30%, which is unchanged from WOART 2023-C. (see the S&P Global Ratings' Expected Loss section).

Macroeconomic And Auto Finance Sector Outlook

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. Historically, changes in the unemployment rate have been a key determinant of charge-offs in the auto finance industry.

U.S. economic data has been coming in stronger than expected, thus suggesting that an ever-elusive soft landing is still possible. Better-than-expected growth has led us to revise our U.S. GDP forecast for 2023 upwards by 0.5 percentage points to 2.3%. However, in our opinion, the current momentum is unsustainable as interest rates on the 10-year Treasury note and 30-year mortgage have recently risen to rates not seen since before the Great Financial Crisis (GFC) of 2008, and COVID-19 pandemic-related excess savings have been largely depleted. With higher interest rates, increases in house prices, higher prices for new and used automobiles, and recent and new debt origination, coupled with the resumption of student-loan payments, will put upward pressure on debt service ratios and negatively affect consumer spending. As such, we see growth slowing to 1.3% in 2024 and 1.4% in 2025, before converging to trend-like growth of 1.8% in 2026 (after multiple rate cuts in 2025 and 2026).

Given the usual lags between GDP growth and unemployment levels, we don't expect a significant deterioration in labor markets until 2024. With growth expected to slow below trend after 2023, we project the unemployment rate to rise to an average of 4.1% in 2024 and 4.8% for the fourth quarter of 2025 (see "Economic Outlook U.S. Q4 2023: Slowdown Delayed, Not Averted," published Sept. 26, 2023).

Separately, inflation and the expected increase--albeit slow--in the broader consumer financial obligations' payment ratio as a percent of disposable income with the resumption of student loan payments in October, are potential headwinds. While the CPI has declined significantly from last year, energy prices have jumped recently and have a disproportion impact on those with lower incomes. It is estimated that 24 million borrowers whose student loan payments were suspended at the onset of the pandemic will resume payments in October with an average payment of approximately $300. According to TransUnion, approximately one-third of those consumers with student loan debt took on new auto loan debt during the pandemic. The added student debt payment will be burdensome for those consumers that are financially stressed, which could negatively impact auto loan ABS performance. We believe, based on past economic cycles, that consumers for whom the vehicle is essential for work will continue to prioritize their auto loan/lease payments before their other consumer and student loan payments.

Table 3

U.S. economic factors

	Actual	Forecast			
	2022	2023	2024	2025	2026
Real GDP (% year-over-year growth)	2.1	2.3	1.3	1.4	1.8
Unemployment rate (% annual average)	3.6	3.6	4.1	4.7	4.8

Table 3

U.S. economic factors (cont.)

	Actual	Forecast			
Consumer Price Index (% annual average)	8.0	4.1	2.4	1.9	2.3

Sources: 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: 1.30%

We determined our expected loss for WOART 2023-D by analyzing:

- The transaction's collateral characteristics relative to those of outstanding series (see table 2);
- The managed portfolio's performance (see table 4) and origination static pool data and their relative performances; and,
- The relevant paid-off and outstanding series' performance (see table 5 and charts 1-3).

Given World Omni's established performance track record as a frequent issuer, we placed more emphasis on origination static pool analysis 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 WOART 2023-D to experience lifetime CNLs of 1.30%, which is unchanged from the WOART 2023-C transaction.

Managed portfolio

As of June 30, 2023, World Omni's serviced retail installment sale contracts portfolio totaled approximately $12.89 billion, up slightly from $12.42 billion as of June 30, 2022. Total delinquencies as a percentage of the ending net receivables increased to 2.05% as of June 30, 2023, from 1.80% a year earlier, primarily due to an increase in 31- to 60-day delinquencies. Annualized net losses as a percentage of the average outstanding principal amount increased to 0.23% for the six months ended June 30, 2023, from 0.21% a year earlier. Meanwhile, annualized repossessions as a percentage of the average number of contracts outstanding decreased slightly to 0.98% from 0.99%.

The portfolio performance data shown in table 4 include World Omni's total auto loan serviced portfolio and loans on non-Toyota vehicles. In comparison, the WOART 2023-D securitized pool and earlier WOART pools since 2018 consist primarily of loans with higher FICO scores (the minimum FICO score is 650) and exclude non-Toyota vehicles and loans with original terms greater than 75 months.

Table 4

Managed portfolio performance of retail installment contracts	Six months ended June 30		Year ended Dec. 31				
	2023	2022	2022	2021	2020	2019	2018
Ending net receivables ($000s)	12,888,655	12,418,950	12,739,696	12,438,689	11,961,792	11,409,089	10,693,151
Ending no. of contracts	596,463	592,413	596,766	602,402	604,898	596,514	572,018
Delinquency (%)(i)							
31-60 days	1.54	1.33	1.60	1.30	1.43	1.68	1.64
61-90 days	0.44	0.41	0.48	0.35	0.41	0.50	0.49
91-120 days	0.07	0.05	0.09	0.07	0.06	0.08	0.08
Over 120 days	0.01	0.00	0.01	0.01	0.00	0.02	0.01
Total 31-plus-day delinquencies	2.05	1.80	2.18	1.73	1.90	2.29	2.22
Avg. portfolio outstanding ($000s)	12,755,793	12,423,923	12,466,833	12,295,671	11,585,335	10,919,473	10,362,913
Avg. no. of contracts outstanding	595,110	596,762	594,540	607,305	598,081	580,291	560,197
No. of repossessions	2,910	2,960	6,137	6,757	8,463	10,985	10,794
Repossessions (% of the avg. no. of contracts outstanding)(ii)	0.98	0.99	1.03	1.11	1.42	1.89	1.93
Net losses ($000s)	14,687	13,350	36,641	28,940	98,140	106,223	110,958
Net losses (% of the avg. portfolio outstanding)(ii)	0.23	0.21	0.29	0.24	0.85	0.97	1.07

(i)The dollar amount of delinquent contracts as a percentage of the ending net receivables. (ii)Annualized percentages for the periods ended June 30.

Origination static pool analysis

To derive the base-case expected net credit loss for WOART 2023-D, we analyzed World Omni's monthly origination static pool net loss data stratified by original terms (less than 48, 49-63, 64-66, and 67-75 months), credit tiers, and new and used Toyota vehicle composition. We developed expected net loss projections for each cohort and then weighted these projections by their respective concentrations in the series 2023-D pool to determine a base-case loss expectation.

WOART series performance

World Omni's paid-off transactions from 2011 through WOART 2017-A experienced CNLs of 0.96%-2.54%, while the paid-off WOART 2017-B through 2019-C transactions experienced CNLs of 0.70%-1.37% (see chart 1). We currently maintain ratings on 14 WOART transactions issued between 2020 and 2023 (see table 5 and charts 2 and 3).

Chart 1

Paid-Off World Omni securitization cumulative net losses

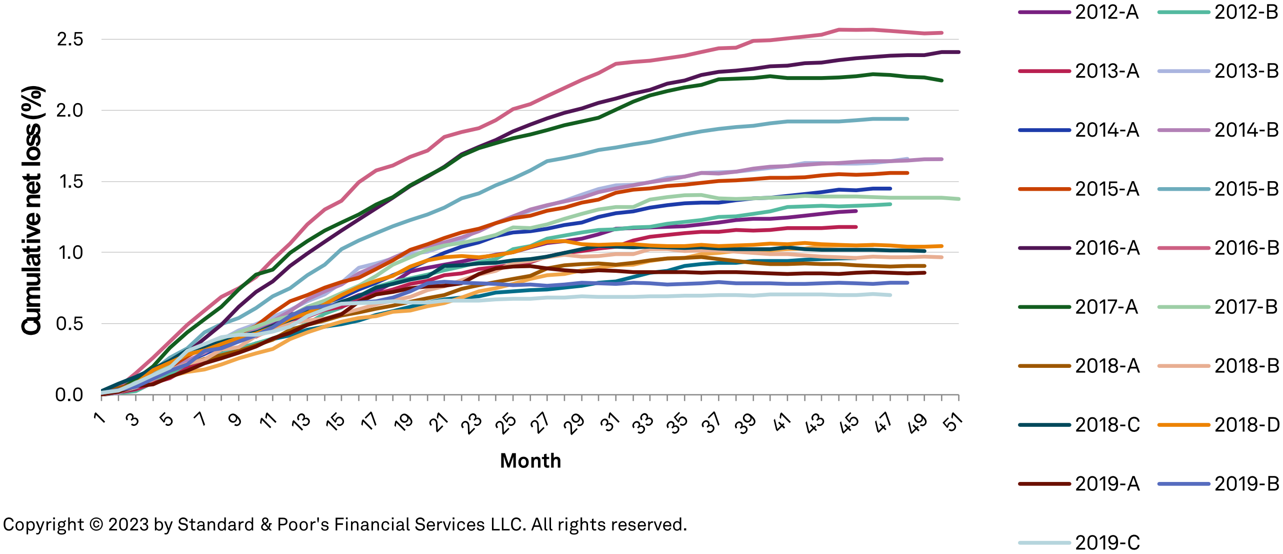


Table 5

Securitization performance on outstanding WOART transactions(i)

Series	Month	Pool factor (%)	Current CNL (%)	60-plus-day delinquencies (%)	Initial lifetime CNL exp. (%)	Revised lifetime CNL exp. (%)(ii)
2020-A	43	13.74	0.58	0.50	1.30-1.50	0.85
2020-B	40	16.28	0.23	0.34	1.80-2.00	0.70
2020-C	38	20.59	0.31	0.44	1.80-2.00	0.85
2021-A	32	26.18	0.31	0.50	1.80-2.00	1.00
2021-B	29	32.77	0.35	0.55	1.55-1.75	1.10
2021-C	26	35.04	0.38	0.54	1.40-1.60	1.10
2021-D	23	41.85	0.35	0.61	1.40-1.60	1.15
2022-A	20	46.01	0.39	0.70	1.35-1.55	1.15
2022-B	16	51.63	0.30	0.54	1.30-1.50	1.20
2022-C	14	59.48	0.29	0.52	1.30-1.50	1.30
2022-D	11	65.53	0.22	0.43	1.40	N/A
2023-A	8	72.56	0.12	0.27	1.35	N/A
2023-B	6	79.01	0.10	0.33	1.35	N/A
2023-C	2	90.58	0.01	0.22	1.30	N/A

(i)As of the October 2023 distribution date. (ii)Series 2019-C, 2020-A, 2020-B, 2020-C, 2021-A, 2021-B, 2021-C, and 2021-D revised in Dec. 2022. Series 2022-A, 2022-B, and 2022-C revised in July 2023. CNL--Cumulative net loss. CNL exp.--Cumulative net loss expectations. N/A--Not applicable.

Chart 2

Outstanding World Omni securitization cumulative net losses

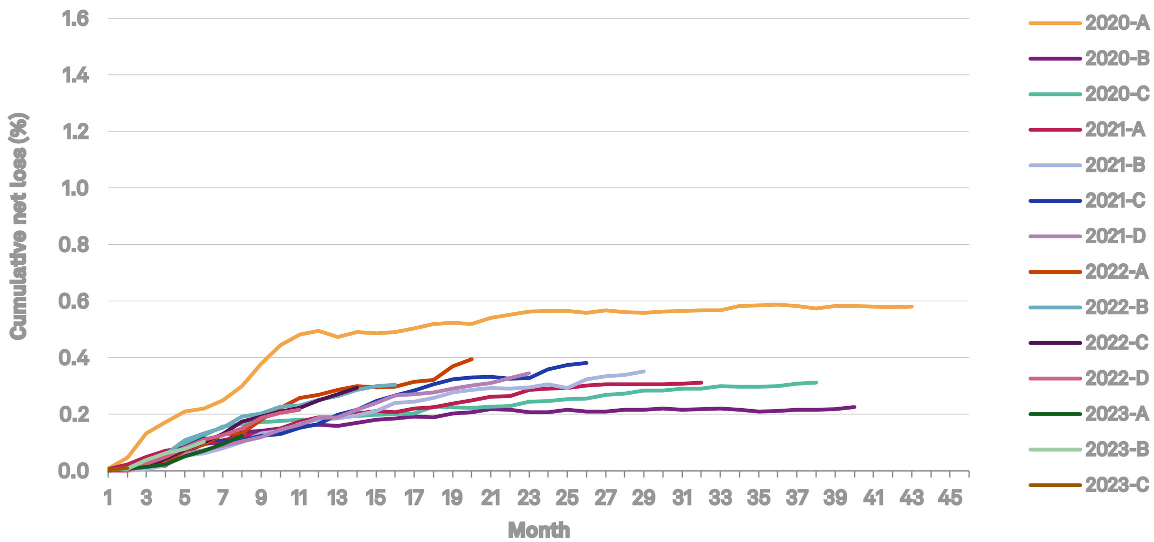
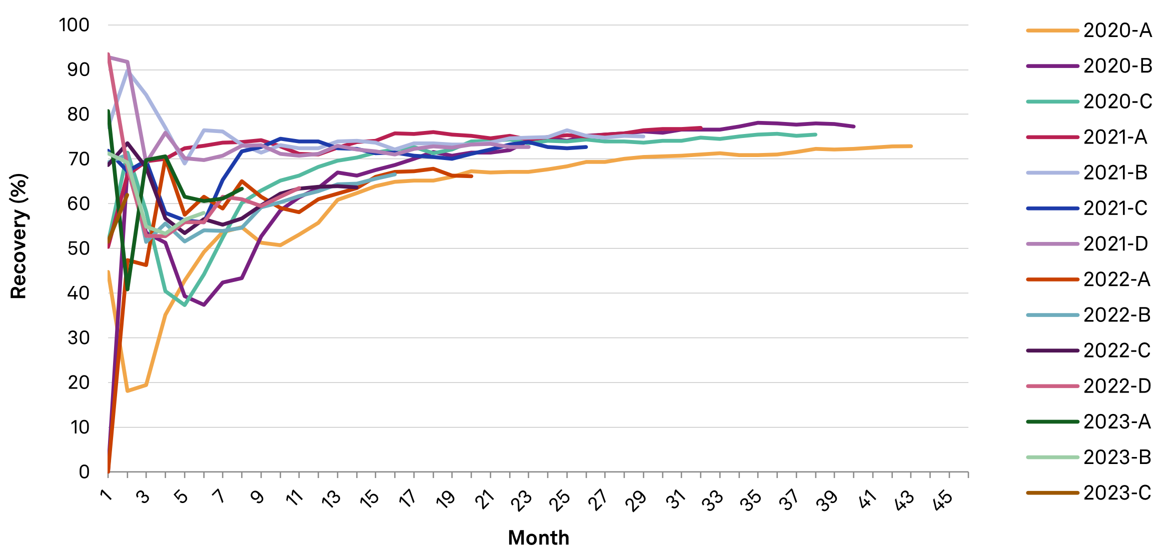


Chart 3

Outstanding World Omni securitization cumulative recovery rates



We will continue to monitor the performance of the outstanding transactions to ensure that the credit enhancement remains sufficient to cover the revised CNL expectations under our stress scenarios for the rated classes.

Legal Overview And Transaction Structure

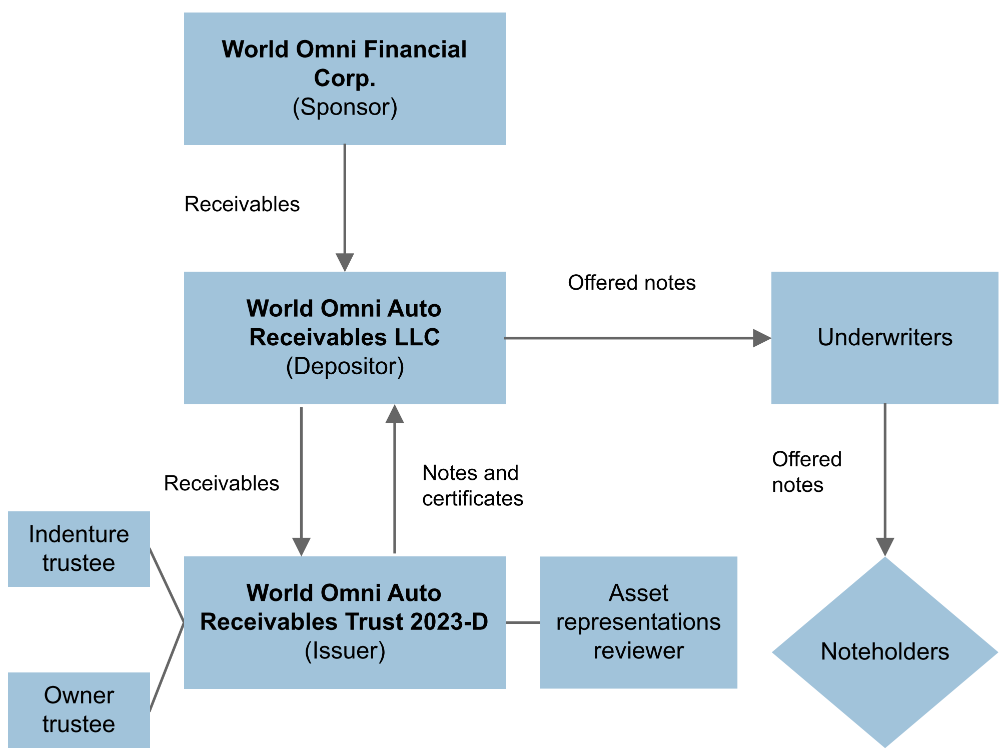
Legal overview

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

On the closing date, the depositor will purchase from World Omni, without recourse (except for repurchases due to breach of certain representations, warranties, or covenants), World Omni's entire interest in the receivables and its security interests in the related financed vehicles. When the WOART 2023-D notes are issued, the depositor will sell and assign its entire interest in the receivables and its security interests in the financed vehicles to the issuing trust according to a sale and servicing agreement. The issuing trust will pledge its interest in the receivables to the indenture trustee on the noteholders' behalf, according to the indenture (see chart 4).

Chart 4

Transaction structure



Transaction structure

WOART 2023-D is World Omni's fourth auto loan securitization in 2023 and its 27th to be issued under its Regulation AB II-compliant retail shelf. The notes will be backed by a pool of fixed-rate retail installment sale contracts used to finance new and used automobiles and light-duty trucks. Interest and principal on the notes are scheduled to be paid on the 15th of each month (or the next business day), beginning Dec. 15, 2023.

WOART 2023-D incorporates certain structural features:

- A sequential-pay mechanism that results in increased credit enhancement for the senior notes as the pool amortizes.
- Notes that pay a fixed interest rate, except for class A-2, which will pay either a fixed interest rate or a combination of fixed and floating interest rates that will be indexed to the 30-day average compounded secured overnight financing rate (SOFR).
- Overcollateralization that begins at 0.25% of the initial adjusted pool balance and builds to a target of 1.15% of the outstanding adjusted pool balance. Overcollateralization will build using excess spread to pay principal on the notes until it reaches the target, and it will then amortize down to 0.50% of the initial adjusted pool balance and remain at that amount until the rated notes are paid in full.
- A fully funded nonamortizing reserve account that will equal 0.25% of the initial adjusted pool balance.
- A YSOA that initially will be approximately 10.49% (10.50% if upsized) of the collateral balance. The YSOA will be calculated each month as the pool amortizes based on the difference between the aggregate receivables balance outstanding and the present value of the receivables balance and discounted at the greater of 11.15% per year or the receivables' actual annual percentage rate (APR). The YSOA is sized so that the yield on the contracts with APRs below the YSOA required rate is raised to the required rate. Once the class A-2b notes are fully repaid, the YSOA discount rate will step down to 10.90%. If no class A-2 floating-rate notes are issued, the YSOA discount rate will step down to 10.90% on the first payment date.
- Excess spread, to the extent available after covering net losses, to pay principal on the outstanding notes and build credit enhancement to the target level.

Payment Priority

Distributions will be made from available funds according to a specified priority (see table 6). The available funds for each payment date will be reduced by the servicing fee for the payment date and any previously unpaid servicing fees. The reserve account can be drawn on to cover any shortfalls to items 1-7 in the payment waterfall in table 6 and is available to cover principal on the legal final maturity date.

Table 6

Payment waterfall

Priority	Payment
1	Asset representations reviewer fees, up to a maximum amount of $150,000 per year.
2	Class A note interest.

Table 6

Payment waterfall (cont.)

Priority	Payment
3	First-priority principal distributable amount (if the class A notes' outstanding amount exceeds the adjusted pool balance).
4	Class B note interest.
5	Second-priority principal distributable amount (if the class A and B notes' outstanding amount exceeds the adjusted pool balance) minus any amount allocated to pay principal of the notes in item 3 above.
6	Class C note interest.
7	Third-priority principal distributable amount (if the class A, B, and C notes' outstanding amount exceeds the adjusted pool balance) minus any amount allocated to pay principal of the notes in items 3 and 5 above.
8	To the required reserve account until it reaches the required amount of 0.50% of the initial adjusted pool balance.
9	The noteholders' principal distributable amount minus the amounts allocated to pay principal of the notes in items 3, 5, and 7. This will build overcollateralization to the 0.90% target of the current adjusted pool balance.
10	Unpaid fees, expenses, and indemnities due to the asset representations reviewer.
11	Any remainder to the certificateholders.

On each payment date, principal distributions will be made in the following order of priority:

- The class A-1 notes until they are paid in full, then
- The class A-2 notes until they are paid in full, then
- The class A-3 notes until they are paid in full, then
- The class A-4 notes until they are paid in full, then
- The class B notes until they are paid in full, and then
- The class C notes until they are paid in full.

Payment distributions after an event of default

The payment priorities above can change if certain events of default occur and continue, including:

- A failure to pay interest on the controlling class;
- A failure to pay principal at final maturity;
- A material breach of a representation, warranty, or covenant; and
- The trust's involuntary and voluntary bankruptcy.

If an event of default occurs and continues, the indenture trustee or the holders of a majority of the controlling class's outstanding amount may accelerate the notes. The trust estate may be liquidated as a result, but only in certain circumstances and in order:

- If the event of default is related to the payment of principal or interest on the notes, the trust estate may be liquidated without further caveat; and
- If the event of default is related to breach of representations, warranties, or covenants, or to bankruptcy, the trust estate may be liquidated if 100% of the noteholders consent to it; if the

sale or liquidation proceeds are sufficient to ensure all noteholders are paid in full; or if the indenture trustee determines that the trust estate cannot provide sufficient funds to pay principal and interest on the notes and obtains noteholder consent of two-thirds of the controlling class's principal amount.

If the notes are accelerated following an event of default, then distributions will be made from the available funds according to the priority shown in table 7.

Table 7

Event of default payment waterfall

Priority	Payment
1	Any fees, expenses, and indemnities due to the owner trustee, the indenture trustee, and the asset representations reviewer, not previously paid by the servicer.
2	Any accrued and unpaid interest on the class A notes.
3	Principal to the class A-1 notes until the class' note balance is reduced to zero; and then principal, pro rata, to the class A-2, A-3, and A-4 notes until the classes' note balances are reduced to zero.
4	Any accrued and unpaid interest on the class B notes.
5	Principal to the class B notes until the class' note balance is reduced to zero.
6	Any accrued and unpaid interest on the class C notes.
7	Principal to the class C notes until the class' note balance is reduced to zero.
8	Any remaining funds to the certificateholders.

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. We also use our cash flow analysis in other aspects of our ratings analysis, including the testing of credit stability (sensitivity analysis) and legal final analysis.

In a stressed scenario, liquidity risk could arise due to interest shortfalls from the yield on the loans being lower than the yield on the bonds (negative carry risk). This could occur because the bonds pay sequentially, leading to higher-coupon debt remaining outstanding at the tail end of the transaction. In this transaction, negative carry risk is addressed through the YSOA.

Break-even analysis

For the WOART 2023-D transaction structure, we used a bifurcated-pool method and 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 level (the maximum net losses the class can withstand without defaulting) and generally expect it to be equal to or greater than the rating stressed scenario break-even requirement.

Under this approach, we bifurcated the pool between low-APR loans (those with an APR of 5.00% or less; underwater loans) and high-APR loans (those with an APR greater than 5.00%; above-water loans) and applied different prepayment and default assumptions between the two pools. For above-water loans, we ran faster voluntary prepayments, disproportionately higher losses, and faster loss timing than for the underwater loans. Conversely, we ran a slower voluntary prepay speed, disproportionately lower losses, and slower loss timing on the underwater loans.

These combined assumptions caused the weighted average APR of the pool to decrease faster over time, which increases the likelihood that the YSOA will be used for yield enhancement rather than credit enhancement, thus decreasing the break-even levels.

For the class A-2b floating-rate tranche, we applied our stressed interest rates for one-month SOFR as described in our criteria and corresponding guidance "Methodology To Derive Stressed Interest Rates In Structured Finance," published Oct. 18, 2019. We modeled the maximum potential size of the class A-2b note balance (up to 50.00% of the class A-2 notes) indexed to SOFR.

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

Table 8

Cash flow assumptions

Servicing fee (%)	1.00
Recovery rate (%)	50.00
Charge-off and recovery lag (mos.)	4
Bifurcated pool (%)	
Underwater	32.70
Above-water	67.30
Loss allocation (% of total losses)	
Underwater	20.00
Above-water	80.00
Voluntary ABS (%)	
Underwater	0.25
Above-water	1.50
CNL timing mos. (12/24/36/48)(%)	
Underwater	25/60/80/100
Above-water	40/75/95/100

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

Table 9

Break-even cash flow results

	Class		
	A	**B**	**C**
Preliminary rating	AAA (sf)	AA+ (sf)	AA (sf)
CNL timing mos.(12/24/36/48)(%)			
Aggregate	39/75/94/100	39/75/94/100	39/75/94/100
Underwater	31/70/88/100	31/70/88/100	31/70/88/100

Table 9

Break-even cash flow results (cont.)

	Class		
	A	B	C
Above-water	41/76/95/100	41/76/95/100	41/76/95/100
Approximate break-even CNL levels(%)(i)			
Required	6.5	5.9	5.2
Available	11.6	9.3	8.3

(i)The maximum cumulative net losses, with 100% credit to any excess spread, the transaction can withstand without triggering a payment default on the relevant class of notes. CNL--Cumulative net loss. Mos.--Months.

Although the break-even levels for classes B and C satisfy our minimum requirement for the preliminary ratings assigned to the classes immediately above, given their relative subordinated position and distribution of losses within the transaction's structure, the ratings on classes B and C are structurally constrained (see "S&P Global Ratings Definitions," published June 9, 2023).

Sensitivity analysis

In addition to running break-even cash flows, we undertook sensitivity analyses using the assumptions in table 8. We believe that under a moderate ('BBB') stress scenario (2.00x of our 1.30% expected loss level) and with 100% 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 in "S&P Global Ratings Definitions," published June 9, 2023 (see table 10 and chart 5).

Table 10

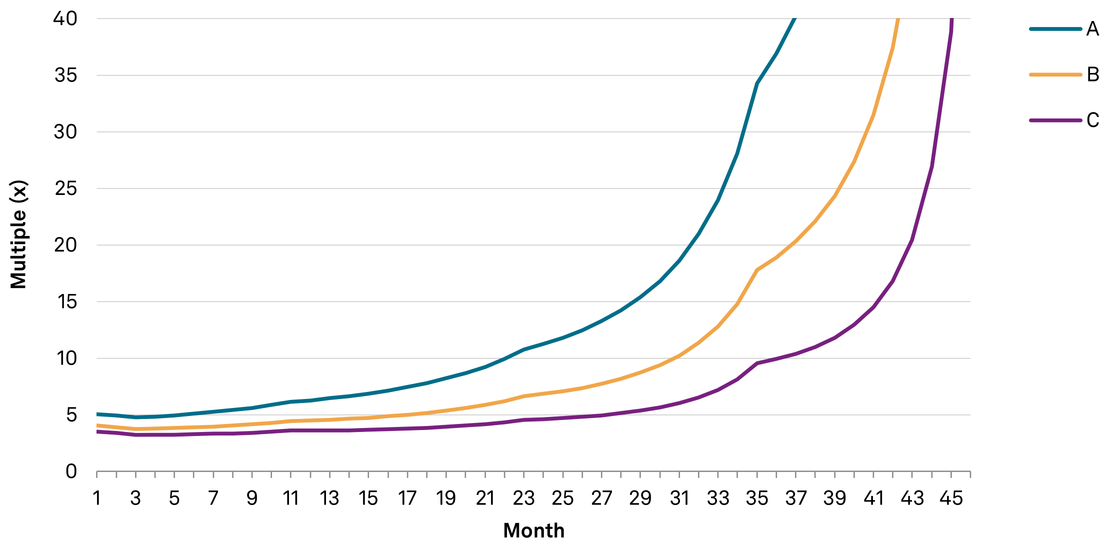
Credit stability as a limiting factor on ratings

	Maximum projected deterioration associated with rating levels for one- and three-year horizons under moderate stress conditions(i)					
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 5

Moderate stress loss scenario - net loss coverage multiples



Money market tranche sizing

The proposed legal final maturity date for the money market tranche (class A-1) is Nov. 15, 2024. To test whether the money market tranche can be repaid 12 months from closing, we ran cash flows using assumptions that delay the principal collections during the 12-month period. In addition to zero defaults, we assumed a 0.5% absolute prepayment speed on above-water loans and a 0.0% absolute prepayment speed on underwater loans in our cash flow scenario. Based on our cash flow scenario, approximately nine months of collections would be sufficient to pay off the money market tranche.

Legal final maturity

To test the legal final maturity dates for classes A-2 through B, we determined when the respective notes would be fully amortized in a zero-loss, zero-prepayment scenario and then added three months to the result. To test the legal final maturity date for the class C notes, we determined the latest maturing loan's distribution date and then added at least six months to accommodate extensions. Furthermore, in our break-even cash flow scenario for each respective rating level, we confirmed that there was sufficient credit enhancement to both cover losses and repay the related notes in full by the legal final maturity date. The notes were all paid off by their legal final maturity dates using these modeling assumptions.

Counterparty And Operational Risks

On or before the closing date, the series bank accounts will be established in the name of the account bank, U.S. Bank N.A. (an affiliate of the indenture trustee) 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).

As a servicer, World Omni has an experienced management team that oversees origination, underwriting, servicing, collections, and general operational practices, and it satisfies our requirements for commingling risk. If World Omni were to no longer satisfy our commingling requirement, collections would be required to be deposited into the series collections account within two business days of collection. Our operational risk assessment of World Omni as servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

World Omni

World Omni is a Florida corporation and a wholly owned subsidiary of JM Family Enterprises Inc. (JMFE), a Delaware corporation. JMFE, through its subsidiaries, provides a full range of automotive-related distribution and financial services to Toyota dealerships in Florida, Georgia, North Carolina, South Carolina, and Alabama (the five-state area). The company also provides financial services to other dealerships throughout the U.S.

World Omni provides retail installment financing and lease contract financing to retail customers of Toyota automotive dealers within the five-state area and services automobile-related receivables both for its own accounts and third-party accounts. It also provides wholesale floorplan financing, and capital and mortgage loans to some Toyota dealers and their affiliates. Established in 1981, World Omni has provided financial services to Toyota dealers in the five-state area and has operated under the Southeast Toyota Finance name since 1996.

Southeast Toyota, a wholly owned subsidiary of JMFE, is the exclusive distributor of Toyota cars and light-duty trucks, parts, and accessories in the five-state area. Its distributor agreement with Toyota Motor Sales USA Inc. began in 1968 and has been renewed through October 2024.

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 | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 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

- U.S. Auto Loan ABS Tracker: August 2023 Performance, Oct. 12, 2023
- Credit Conditions North America Q4 2023: Shift to Low Gear, Sept. 26, 2023
- Economic Outlook U.S. Q4 2023: Slowdown Delayed, Not Averted, Sept. 25, 2023
- World Omni Financial Corp., Aug. 21, 2023
- Sixteen Ratings Affirmed From Three World Omni Auto Receivables Trust Transactions, July 14, 2023
- Thirteen Ratings Raised And 28 Affirmed From 10 World Omni Auto Receivables Trust Transactions, Dec. 14, 2022