Presale:

Westlake Automobile Receivables Trust 2024-1

February 28, 2024

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Preliminary ratings

Class	Preliminary rating	Type	Interest rate(i)	Amount (mil. $)	Legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	272.00	March 17, 2025
A-2-A/A-2-B	AAA (sf)	Senior	Fixed/floating(ii)	325.50	March 15, 2027
A-3	AAA (sf)	Senior	Fixed	120.00	May 17, 2027
B	AA+ (sf)	Subordinate	Fixed	120.36	Nov. 15, 2027
C	A+ (sf)	Subordinate	Fixed	129.73	Feb. 15, 2029
D	BBB (sf)	Subordinate	Fixed	132.41	Oct. 15, 2029
E	BB (sf)	Subordinate	Fixed	86.27	May 15, 2031

Note: This presale report is based on information as of Feb. 28, 2024. 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 will be determined on the pricing date. (ii)The class A-2 notes will either have a fixed interest rate or comprise a fixed-rate class A-2-A and a floating-rate class A-2-B, which will accrue interest at a floating rate indexed to the 30-day compounded SOFR plus a spread. If the class A-2-B is issued, up to 50% of the class A-2 notes may be allocated to A-2-B.

Profile

Collateral	Subprime auto loan receivables.
Issuer	Westlake Automobile Receivables Trust 2024-1.
Originator, sponsor, servicer, and custodian	Westlake Services LLC.
Originator	Westlake Portfolio Services Inc.
Depositors	Westlake Funding IV LLC and WPS IV LLC.
Indenture trustee and backup servicer	Computershare Trust Co. N.A. (BBB/Stable/--).
Owner trustee	Wilmington Trust N.A. (A-/Stable/A-2).
Bank account provider	Wells Fargo Bank N.A. (A+/Stable/A-1).

Rationale

The preliminary ratings assigned to Westlake Automobile Receivables Trust 2024-1's (Westlake 2024-1) automobile receivables-backed notes reflect:

- The availability of approximately 49.70%, 42.49%, 33.85%, 26.07%, and 21.81% credit support (hard credit enhancement and haircut to excess spread) for the class A (classes A-1, A-2, and A-3, collectively), B, C, D, and E notes, respectively, based on stressed cash flow scenarios. These credit support levels provide at least 3.50x, 3.25x, 2.53x, 1.75x, and 1.50x coverage of our expected cumulative net loss (ECNL) of 12.50% for the class A, B, C, D, and E notes, respectively (see the Credit Enhancement And Collateral and the Cash Flow Modeling Assumptions And Results sections below).
- The expectation that under a moderate ('BBB') stress scenario (1.75x our expected loss level), all else being equal, our '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 below).
- 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, and 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 below).
- The series' bank accounts at Wells Fargo Bank N.A., which do not constrain the preliminary ratings.
- Our operational risk assessment of Westlake Services LLC as servicer and our view of the company's underwriting and the backup servicing arrangement with Computershare Trust Co. N.A.
- 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 Westlake 2024-1 is 12.50%, which is unchanged from the previous series, Westlake 2023-4. It reflects:

- Our view that the collateral characteristics for Westlake 2024-1 are marginally weaker relative to Westlake 2023-4's (see table 2 below).
- The outstanding Westlake Services LLC transactions, which are performing in line with or better than our expectations, except for series 2021-3, 2022-1, and 2022-2, which, more recently, are exhibiting elevated losses.
- Our forward-looking view of the auto finance sector, including our macroeconomic outlook for persistent inflation and slower economic growth.

Environmental, Social, And Governance

Our rating analysis considers a transaction's potential exposure to ESG credit factors. For the auto asset-backed securities (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 environmental and governmental credit factors are in line with our sector benchmark. Environmental credit factors are generally viewed as above average, given that the collateral pool primarily comprises vehicles with internal combustion engines (ICEs), which emit pollutants that contribute to climate transition risks. While the adoption of electric vehicles and future regulation could eventually lower ICE vehicle values, we believe our current approach to evaluating recovery values adequately accounts for vehicle values over the relatively short expected life of the transaction. As a result, we have not separately identified this as a material ESG credit factor in our analysis.

We believe the transaction has relatively higher exposure to social credit factors than our sector benchmark because the transaction has a pool of subprime obligors, while the benchmark comprises 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 were challenged. We believe this risk is mitigated by representations made by the issuer that each loan complied with all laws when it was originated. The issuer also has a compliance department managing its adherence to all applicable laws.

SOFR Interest Rate Benchmark

If issued, the floating interest rate benchmark on the class A-2-B tranche for series 2024-1 is SOFR, and the coupon will be based on compounded SOFR (a 30-day average SOFR calculated in advance using the published rate on the Federal Reserve Bank of New York's website) plus a spread. The guidelines for using SOFR are broadly consistent with the Alternative Reference Rate Committee's "Options for Using SOFR in New ABS, MBS, CMBS Products," published in March 2021. For the 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.

Credit Enhancement And Collateral

Structural changes from Westlake 2023-4

- The total initial hard credit enhancement for classes A, B, C, D, and E increased to 47.35%, 38.35%, 28.65%, 18.75%, and 12.30%, respectively, from 40.80%, 34.25%, 23.55%, 14.65%, and 9.50%.
- Subordination for classes A, B, C, and D increased to 35.05%, 26.05%, 16.35%, and 6.45%, respectively, from 31.30%, 24.75%, 14.05%, and 5.15%.
- Initial overcollateralization increased to 11.30% from 8.50% of the initial collateral pool balance.
- Target overcollateralization increased to 22.45% (21.45% once class A-2 pays off) of the current collateral pool balance from 14.00% (13.00% once class A-2 pays off).
- Pre-pricing excess spread decreased to an estimated 8.96% from 9.08% (post-pricing).

Our stressed cash flow results indicate that each class in the Westlake 2024-1 transaction is enhanced to a degree consistent with the assigned preliminary ratings (see the Cash Flow Modeling Assumptions And Results section below).

Table 1

Credit enhancement summary

	Westlake Automobile Receivables Trust				
	2024-1	**2023-4**	**2023-3**	**2023-2**	**2023-1**
Subordination(i)					
Class A	35.05	31.30	31.05	30.30	30.30
Class B	26.05	24.75	24.50	23.30	23.80
Class C	16.35	14.05	13.80	16.70	13.40
Class D	6.45	5.15	5.00	5.70	4.90
Class E	0.00	0.00	0.00	0.00	0.00
Overcollateralization					
Initial(i)	11.30	8.50	8.25	11.30	9.70
Target(ii)	22.45	14.00	13.75	15.75	13.25
Floor(i)	1.00	1.00	1.00	1.00	1.00
Reserve fund(i)					
Initial	1.00	1.00	1.00	1.00	1.00
Target	1.00	1.00	1.00	1.00	1.00
Floor	1.00	1.00	1.00	1.00	1.00
Total initial hard credit enhancement(i)					
Class A	47.35	40.80	40.30	42.60	41.00
Class B	38.35	34.25	33.75	35.60	34.50
Class C	28.65	23.55	23.05	29.00	24.10
Class D	18.75	14.65	14.25	18.00	15.60
Class E	12.30	9.50	9.25	12.30	10.70
Estimated excess spread per year(iii)	8.96	9.08	9.74	7.67	8.46

(i)Percentage of initial receivables balance. (ii)The overcollateralization target is the greater of 1.00% of the original collateral pool balance and the stated percentage of the current receivables balance. Target overcollateralization for Westlake 2023-1, 2023-2, 2023-3, 2023-4, and 2024-1 will step down to 12.25%, 14.75%, 12.75%, 13.00%, and 21.45%, respectively, once the class A-2 notes are paid in full. (iii)Excess spread is pre-pricing for 2024-1 and post-pricing for other series.

Collateral changes from Westlake 2023-4

The significant collateral changes in the Westlake 2024-1 statistical pool (as of Jan. 31, 2024) from Westlake 2023-4's closing collateral pool include:

- The gold programs' concentration decreased to 41.33% from 42.07, while the standard program increased to 50.67% from 49.93%.
- The weighted average loan-to-value ratio decreased to 111.90% from 116.31%.
- The weighted average non-zero credit score increased to 622 from 620.
- The percentage of loans with an original term of 61-72 months decreased to 48.96% from 51.32%, while the weighted average seasoning decreased to 5.44 months from 5.89 months.
- The percentage of loans originated through franchise dealers decreased to 35.64% from

40.54%, while loans through independent dealers increased to 64.36% from 59.46%.

We believe Westlake 2024-1's collateral characteristics are marginally weaker than Westlake 2023-4's primarily due to the pool's weaker program distribution, less gold, and more standard (see table 2). The final collateral pool as of the Feb. 29, 2024, cut-off date, is not expected to be materially different from the statistical pool as of the Jan. 31, 2024, cut-off date. We factored this into our expected loss for Westlake 2024-1 (see the S&P Global Ratings' Expected Loss section below).

Table 2

Collateral comparison(i)

	Westlake Automobile Receivables Trust				
	2024-1	2023-4	2023-3	2023-2	2023-1
Receivables balance (mil. $)	1,769.23	1,530.08	1,800.00	1,465.67	1,661.12
No. of receivables	119,916	105,005	120,539	87,662	101,349
Average principal balance ($)	14,754	14,572	14,933	16,720	16,390
Weighted average					
APR (%)	19.70	19.98	20.16	18.22	18.67
LTV ratio (%)	111.90	116.31	118.21	114.81	114.78
Original term (months)	61.97	61.43	61.09	61.33	63.08
Remaining term (months)	55.53	55.54	56.33	56.17	58.82
Seasoning (months)	5.44	5.89	4.76	5.17	4.26
Original term 49-60 months (%)	26.81	25.68	27.84	25.97	25.03
Original term 61-72 months (%)	48.96	51.32	48.35	49.54	57.18
Mileage	86,284	89,125	93,640	89,310	97,917
Proprietary credit score(ii)	3.53	3.37	3.41	3.64	3.48
New vehicles (%)	2.80	3.06	2.56	4.28	3.16
Used vehicles (%)	97.20	96.94	97.44	95.72	96.84
Dealer loan program(iii)					
Standard (%)	50.67	49.93	51.45	46.12	50.50
Gold (%)	41.33	42.07	41.55	42.28	41.50
Platinum (%)	8.00	8.00	7.00	11.60	8.00
Franchise dealers (%)	35.64	40.54	38.44	42.29	38.45
Independent dealers (%)	64.36	59.46	61.56	57.71	61.55
Weighted average FICO/Vantage score(iv)	622	620	616	629	624
FICO/Vantage score distribution (%)(iv)					
660 and above	21.76	18.71	15.87	23.60	21.22
600-659	27.57	31.36	32.68	30.29	28.28
540-599	19.17	19.47	19.81	18.47	18.08
Less than 540	6.80	7.58	7.80	7.33	7.12
None	24.70	22.88	23.84	20.32	25.31

Table 2

Collateral comparison(i) (cont.)

	Westlake Automobile Receivables Trust				
	2024-1	2023-4	2023-3	2023-2	2023-1
Top three state concentrations (%)					
	TX=17.31	TX=18.17	TX=18.34	TX=20.23	TX=17.26
	FL=14.20	CA=14.70	CA=13.65	FL=14.38	FL=15.85
	CA=14.16	FL=11.34	FL=11.95	CA=12.85	CA=14.01
S&P Global Ratings' original ECNL (%)	12.50	12.50	12.50	12.50	12.50

(i)As of the initial collateral pool balance. (ii)Westlake Services LLC uses its proprietary credit score, which is scaled from zero to 10 (10 being the best credit quality) to support its credit approval and pricing process. (iii)Westlake Services LLC divides the collateral pool into three distinct underwriting channels: standard, gold, and platinum. (iv)All series use a blended credit score, incorporating both FICO and Vantage scores. 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 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.

The U.S. economy has continued to outperform expectations. Better-than-expected growth has led us to raise our 2024 U.S. GDP forecast to 2.4% from 1.5%. Although this is slightly weaker than the 2.5% growth the U.S saw in 2023, the labor market remains sturdy, with strong job gains in both December 2023 and January 2024 and wage gains in most industries remaining above the inflation rate. Nonetheless, we expect unemployment to increase slightly to 3.9% this year from 3.6% in 2023 (see "U.S. Economic Forecast Update: A Sturdy Job Market Keeps Growth Going," published Feb. 21, 2024).

We are also closely watching the following developments:

- Consumers are showing signs of strain due to increased debt loads. The ratio for seriously delinquent auto loans is already at its highest level outside of recessionary periods, according to the Federal Reserve Bank of New York/Equifax credit data. This is driven primarily by the subprime segment, which represents about one-seventh of the total outstanding auto loan balance.
- Employment in the temporary help services sector was down 7.0% in January from a year ago. A decline of this magnitude has been a harbinger of weaker future demand for permanent workers.
- Student loan payments resumed in October 2023 and are putting upward pressure on debt service ratios. This could lead to even higher consumer delinquencies and charge-offs.

We believe, based on past economic cycles, that consumers for whom the vehicle is essential for work will continue to prioritize their auto loan and lease payments over their other consumer and student loan payments. Furthermore, in the auto market, as new vehicle supply imbalances continue to ease, inventory levels rebuild, and manufacturer incentives increase, we expect used vehicle values to continue to normalize to historical levels.

Table 3

U.S. economic factors

	Actual	Forecast			
	2023	2024	2025	2026	2027
Real GDP (% year-over-year growth)	2.5	2.4	1.5	1.6	1.8
Unemployment rate (% annual average)	3.6	3.9	4.2	4.3	4.2
Consumer Price Index (% annual average)	4.1	2.8	2.0	2.4	2.4

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, and S&P Global Ratings Economics' forecasts.

S&P Global Ratings' Expected Loss: 12.50%

We determined our expected loss for Westlake 2024-1 by analyzing:

- The transaction's collateral characteristics relative to those of outstanding series (see table 2);
- The managed portfolio performance (see table 4) and origination static pool data and their relative performances;
- The outstanding series' performance, with greater emphasis on recent performance (see table 5 and charts 1-3), and
- Our forward-looking view of the economy and the auto finance sector.

Given Westlake Services' established performance track record as a quarterly 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 above).

Overall, we expect Westlake 2024-1 to experience a lifetime CNL of 12.50%, unchanged from Westlake 2023-4.

Managed portfolio

Westlake Services' managed portfolio performance grew approximately 13.37% as of Dec. 31, 2023, from a year earlier (see table 4). As of Dec. 31, 2023, total delinquencies increased to 4.72% from 3.98%, and annualized losses increased to 5.88% from 4.33%, from the prior year-end. We attribute this performance to ongoing normalization to pre-pandemic levels and economic headwinds, including inflationary pressures, affecting consumers.

Table 4

Managed portfolio

	One month ended Jan. 31		Year ended Dec. 31					
	2024	2023	2023	2022	2021	2020	2019	2018
Delinquency experience								
Amount of receivables outstanding (mil. $)	15,604.13	13,977.28	15,662.43	13,814.83	11,644.81	8,985.90	7,442.83	5,492.27

Table 4

Managed portfolio (cont.)

	One month ended Jan. 31		Year ended Dec. 31					
	2024	2023	2023	2022	2021	2020	2019	2018
Total delinquencies (% of principal amount of receivables outstanding)	4.54	3.85	4.72	3.98	3.30	3.51	4.20	4.11
Net loss experience								
Avg. month-end amount outstanding (mil. $)	15,633.28	13,896.05	15,108.70	12,839.25	10,386.75	8,146.47	6,518.27	4,861.76
Net losses (% of the avg. month-end amount outstanding)(i)	7.26	5.91	5.88	4.33	2.69	4.38	5.23	5.65

(i)Annualized.

Origination static pool analysis

Westlake Services' three dealer loan programs are based on FICO scores:

- Platinum: 700 and greater;
- Gold: 600 through 699; and
- Standard: less than 600.

For each loan program, Westlake Services provided static pool performance data by origination month, segmented by franchise (excluding CarMax, which we viewed separately), independent dealer, and loan program. Although Westlake Services has focused predominantly on independent, non-franchise dealers, it has been steadily originating contracts from franchise dealers. The franchise loans generally have longer terms (greater than 60 months), which is mitigated by an increase in better-quality vehicles with lower mileage.

We analyzed the data, segmented by various cohorts; e.g., original terms of up to 60 months and greater than 60 months, programs, and origination channels. In our analyses, we used a January 2015 through January 2018 paid-off loss curve to project losses for the outstanding vintages by dealer type and program. We then calculated weighted average projected loss proxies for each of the 12 loan terms, the three loan programs, and the dealer types. We then applied Westlake 2024-1's collateral concentration to these loss proxies to establish the expected loss proxy for Westlake 2024-1.

Westlake transaction performance

We currently have outstanding ratings on 13 Westlake Automobile Receivables Trust transactions issued between 2020 and 2023, which are performing in line with or better than our expectations, except for series 2021-3, 2022-1, and 2022-2, which are currently projecting higher losses (see table 5, charts 1-3, and "Thirty-Two Ratings Raised And 12 Affirmed On Nine Westlake Automobile Receivables Trust Transactions," published Aug 15, 2023.)

Table 5

Collateral performance and CNL expectations(i)

Series	Month	Pool factor (%)	CNL (%)	Current CRR (%)	61-plus- day delinquencies (%)	Extensions (%)	Initial lifetime ECNL (%)	Revised lifetime ECNL (%)(ii)
2020-1	47	9.58	6.83	45.13	1.54	8.58	13.25 (13.00-13.50)	Up to 6.75
2020-2	44	9.97	5.88	43.87	1.75	9.38	15.00 (14.75-15.25)	Up to 5.75
2020-3	40	15.64	6.14	43.61	1.62	9.40	15.00 (14.50-15.50)	6.25
2021-1	35	22.34	7.06	40.33	1.65	9.87	13.75 (13.50-14.00)	7.50
2021-2	32	28.14	8.61	38.15	1.97	10.62	13.75 (13.50-14.00)	9.50
2021-3	27	34.13	9.68	31.05	1.92	9.46	12.75 (12.50-13.00)	11.50
2022-1	23	40.08	10.50	27.48	2.14	9.12	12.75 (12.50-13.00)	12.75
2022-2	20	50.13	9.41	29.27	1.99	9.70	12.75 (12.50-13.00)	12.75
2022-3	16	56.59	7.26	26.67	1.74	8.00	12.50%	N/A
2023-1	13	65.27	5.09	27.97	1.45	6.96	12.50%	N/A
2023-2	11	69.45	4.14	25.22	1.49	7.03	12.50%	N/A
2023-3	6	84.58	1.78	19.14	1.19	5.36	12.50%	N/A
2023-4	3	92.97	0.16	24.79	0.77	3.72	12.50%	N/A

(i)As of the February 2024 distribution date. (ii)Revised in August 2023. CNL--Cumulative net loss. ECNL--Expected cumulative net loss. CRR--Cumulative recovery rate. N/A--Not applicable.

Chart 1

Westlake Automobile Receivables Trust cumulative net losses from 2016 for paid-off series

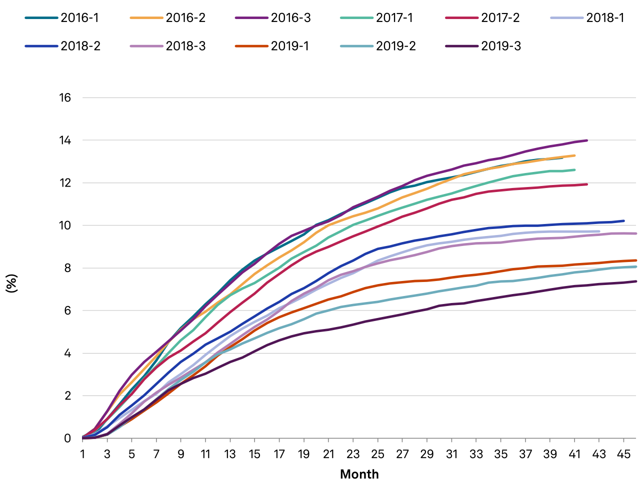


Chart 2

Westlake Automobile Receivables Trust cumulative net losses for outstanding series

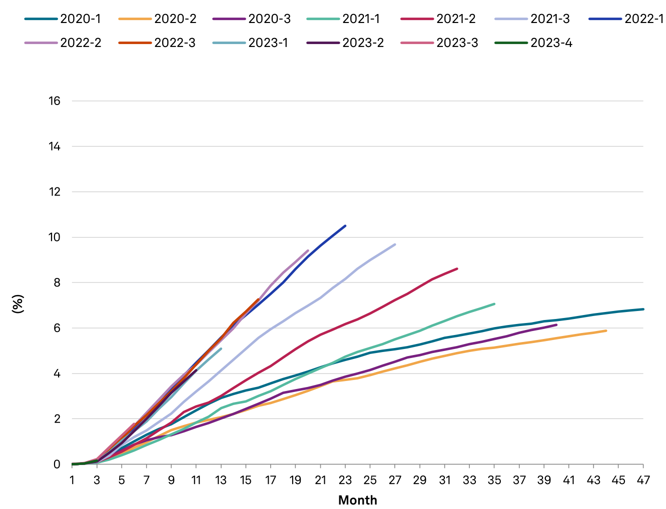
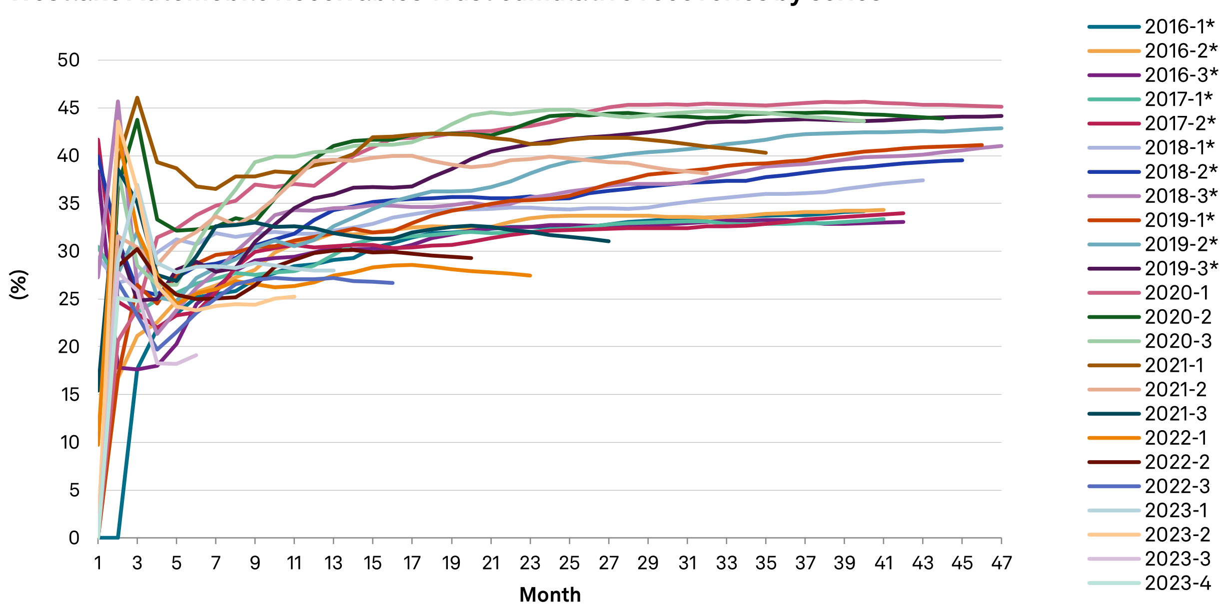


Chart 3

Westlake Automobile Receivables Trust cumulative recoveries by series



*Paid off.

Legal Overview And Transaction Structure

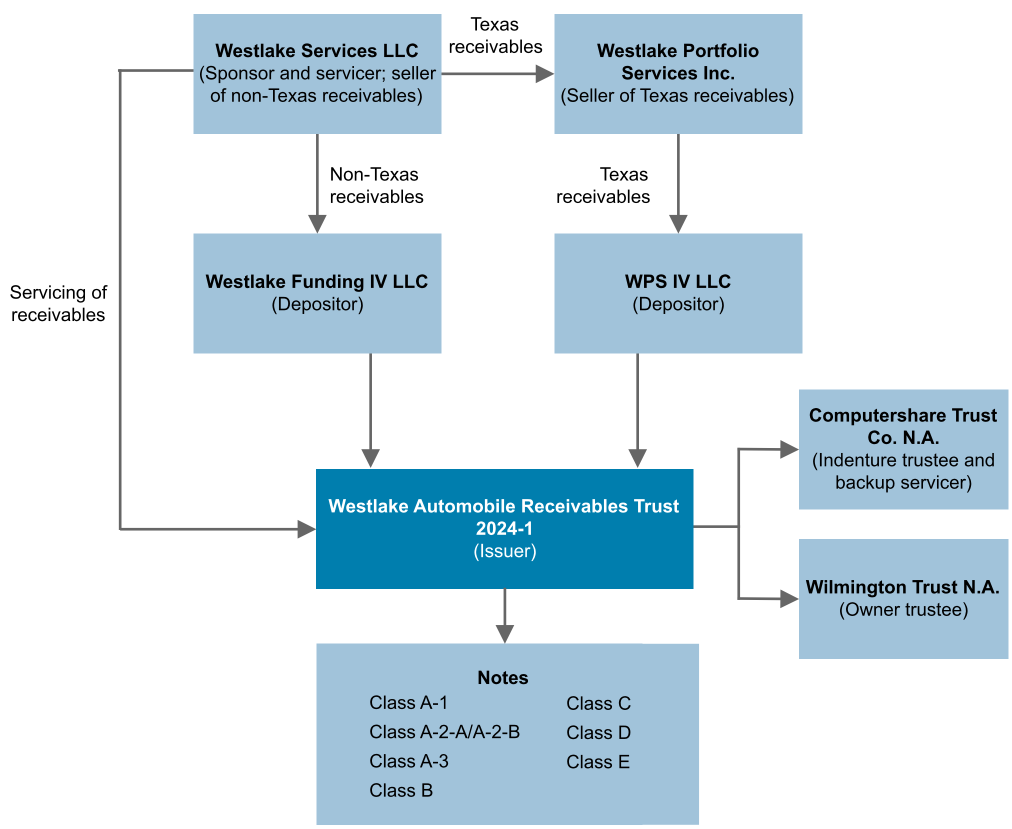
Legal overview

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.

The transaction is structured as a true sale of the receivables from Westlake Services LLC and Westlake Portfolio Services Inc. to Westlake Funding IV LLC and WPS IV LLC (the depositors and special-purpose Delaware limited liability companies; see chart 4). The depositors will then sell the receivables to Westlake 2024-1, the issuing entity, which is a newly formed special-purpose Delaware statutory trust. Westlake 2024-1 will pledge its interest in the receivables and its security interests in the vehicles to the trust collateral agent on the noteholders' behalf for the indenture trustee's benefit.

Chart 4

Transaction structure



Transaction structure

Westlake 2024-1 incorporates certain structural features:

- A senior-subordinated sequential-pay structure in which the senior-most notes outstanding are paid first.
- Initial overcollateralization of 11.30% of the initial pool balance that will build to a target that is the greater of 22.45% of the current pool balance or 1.00% of the initial pool balance. The overcollateralization target will step down to 21.45% of the current pool balance once the class A-2 notes are paid off. The target overcollateralization amount is subject to a floor of 1.00% of the initial collateral balance.
- A non-amortizing reserve account amount that will equal 1.00% of the cutoff date pool balance as of the closing date.
- Excess spread of approximately 8.96% (pre-pricing) per year.
- An optional clean-up call of 10.00% of the initial pool balance.

Payment Priority

Payment distributions before an event of default

Before an event of default, distributions will be made from available funds according to the priority shown in table 6 on each payment date.

Table 6

Payment waterfall

Priority	Payment
1	To the servicer, the 4.00% annual servicing fee and to any successor servicer, the transition fees (up to $200,000 in aggregate).
2	To the trustees, the backup servicer, and the lockbox bank, any accrued and unpaid fees, expenses, and indemnities, subject to annual aggregate limits of $100,000 (the owner trustee) and $200,000 (the lockbox bank, the indenture trustee, and the backup servicer, collectively).
3	Class A interest to the class A noteholders.
4	The first-priority principal payment to the class A noteholders.
5	Class B interest to the class B noteholders.
6	The second-priority principal payment to the senior-most class outstanding.
7	Class C interest to the class C noteholders.
8	The third-priority principal payment to the senior-most class outstanding.
9	Class D interest to the class D noteholders.
10	The fourth-priority principal payment to the senior-most class outstanding.
11	Class E interest to the class E noteholders.
12	The fifth-priority principal payment to the senior-most class outstanding.
13	To the reserve account, the amount required to restore the reserve account to its required level.

Table 6

Payment waterfall (cont.)

Priority	Payment
14	The regular principal payment on the senior-most class outstanding, which builds overcollateralization to the target.
15	To the indenture trustee, owner trustee, backup servicer, lockbox bank, and successor servicer, any fees and expenses that exceed the related cap or annual limit specified in items 1 and 2 above.
16	All remaining amounts to the certificateholders.

Events of default

Under the indenture, certain occurrences constitute an event of default:

- An interest payment default on any controlling class that continues for five or more business days;
- A principal payment default on any note on the final scheduled payment or redemption date;
- The issuer breaching certain representations, warranties, or covenants;
- The issuer filing for bankruptcy; and
- The issuer becoming taxable as an association or becoming a publicly traded partnership that is taxable as a corporation for federal or state income tax purposes.

Payment distributions after an event of default

On each payment date after an event of default due to a breach of representations, warranties, and covenants, the payment priority will remain as outlined in table 6, with two exceptions. First, there will be unlimited payment of fees and expenses to the trustee, backup servicer, and lockbox bank. Second, the regular principal payment amount (item 14) will include an amount sufficient to retire the notes in full before any funds can be used to pay items 15 (fees above the capped amount) and 16 (releases to the certificateholders) outlined in table 6.

On each payment date after an event of default (except any due to a breach of representations, warranties, and covenants), available funds will be distributed in the priority shown in table 7.

Table 7

Payment waterfall after an event of default(i)

Priority	Payment
1	To the servicer, the lockbox bank, owner trustee, indenture trustee, and backup servicer, accrued and unpaid fees not subject to any caps.
2	Class A interest to the class A noteholders.
3	Class A-1 principal to the class A-1 noteholders until the notes have been reduced to zero.
4	Class A-2 principal to the class A-2 noteholders and class A-3 principal to the class A-3 noteholders, pro rata, until the notes have been reduced to zero.
5	Class B interest to the class B noteholders.
6	Class B principal to the class B noteholders until the notes have been reduced to zero.

Table 7

Payment waterfall after an event of default(i) (cont.)

Priority	Payment
7	Class C interest to the class C noteholders.
8	Class C principal to the class C noteholders until the notes have been reduced to zero.
9	Class D interest to the class D noteholders.
10	Class D principal to the class D noteholders until the notes have been reduced to zero.
11	Class E interest to the class E noteholders.
12	Class E principal to the class E noteholders until the notes have been reduced to zero.
13	All remaining amounts to the certificateholders.

(i)Excluding an event of default due to a breach in representations, warranties, and covenants.

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.

Break-even analysis

For the Westlake 2024-1 transaction structure, 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 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.

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

The cash flow modeling scenarios were performed on the cut-off collateral pool amount of $1.337 billion, which represents the balance of the final pool expected to be sold to the issuer on the closing date.

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

Break-even cash flow assumptions

Voluntary ABS (%)	1.6

Table 8

Break-even cash flow assumptions (cont.)

Servicing fee (%)	4.0
Recovery rate (%)	35.0
Charge-off and recovery lag (mos.)	3
CNL timing (mos. 12/24/36/48) (%)	
Front-loaded loss curve	50/90/100
Back-loaded loss curve	45/80/90/100

ABS--Absolute prepayment speed.

Table 9

Break-even cash flow results

	Class A	Class B	Class C	Class D	Class E
Preliminary rating	AAA (sf)	AA+ (sf)	A+ (sf)	BBB (sf)	BB (sf)
CNL timing (mos. 12/24/36/48) (%)					
Front-loaded loss curve	66/100	53/93/100	51/91/100	51/91/100	51/91/100
Back-loaded loss curve	66/100	53/92/100	48/85/95/100	47/82/92/100	47/82/92/100
Approx. break-even CNL levels (%)(i)					
Required	43.75	40.63	31.63	21.88	18.75
Available: front-loaded loss curve	49.71	42.49	33.85	26.07	21.81
Available: back-loaded loss curve	49.70	42.50	34.61	26.55	22.17

(i)The maximum cumulative net losses (with 90% 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 8. We believe that under a moderate ('BBB') stress scenario (1.75x of 12.50% expected loss level) and with 90% credit to any excess spread, all else being equal, our preliminary ratings will be within the credit stability limits specified in section A.4 of the Appendix in "S&P Global Ratings Definitions," published June 9, 2023 (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**
One year	AA	A	BB	B	CCC

Table 10

Credit stability as a limiting factor on ratings (cont.)

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

Horizon	AAA	AA	A	BBB	BB
Three years	BBB	BB	B	CCC	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

'BBB' sensitivity loss coverage multiple--front-loaded loss curve

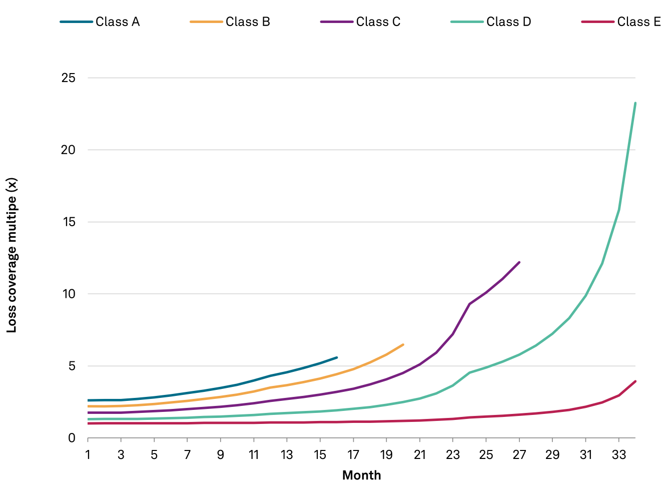
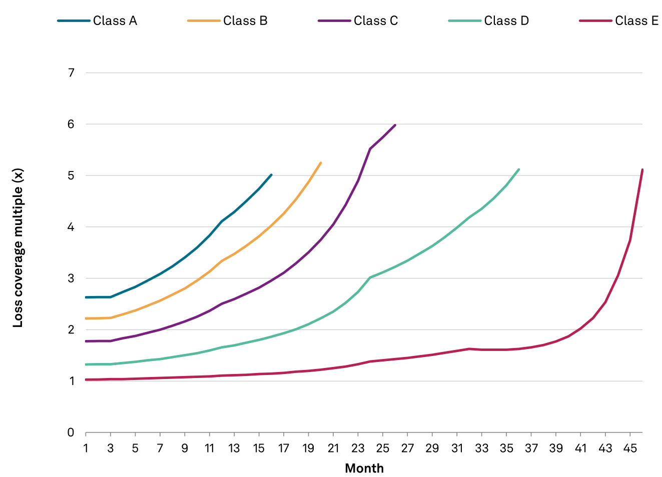


Chart 6

'BBB' sensitivity loss coverage multiple--back-loaded loss curve



Money market tranche sizing

The proposed money market tranche (class A-1) has a legal final maturity date of March 17, 2025. To test whether the money market tranche can be repaid by its legal final maturity, we ran cash flows using assumptions to delay the principal collections. We assumed zero defaults and 0.50% 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.

Legal final maturity

To test the legal final maturity dates set for classes A-2-A through D, we determined when the notes would be fully amortized in a zero-loss and zero-prepayment scenario and then added three months to that date. For the longest-dated security (class E), we added 14 months to the tenor of the longest-dated receivable in the pool to accommodate extensions 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 date.

Counterparty And Operational Risks

On or before the closing date, the Westlake 2024-1 bank accounts will be established in the name of the indenture trustee, Computershare Trust Co. N.A., as segregated trust accounts and will initially be established with the bank account provider, Wells Fargo. 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 servicer, Westlake Services has an experienced management team that oversees origination, underwriting, servicing, collections, and general operational practices. The back-up servicer, Computershare Trust Co. N.A., is engaged for outstanding series. Westlake Services is not rated by S&P Global Ratings, and commingling risk is addressed by the requirement that all collections are deposited into the series collections account within two business days of collection. Our operational risk assessment of Westlake Services as servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

Westlake Services and the key transaction parties may be subject to various regulatory, investigation, and/or legal proceedings that may arise in their ordinary course of business. We will continue to assess any such events to determine the impact, if any, on our counterparty and operational risk assessment.

Westlake Services

Westlake Services is an independent specialty auto finance company that was founded in 1978 by Don Hankey and incorporated in California in 1988 as a subchapter S corporation. As of Jan. 31, 2024, Westlake Services had a network of more than 23,804 producing dealers across all 50 states from which it buys its auto loans; approximately 3,752 employees; and a managed portfolio of prime, nonprime, and subprime retail auto installment sales contracts totaling $17.19 billion.

Westlake Services is 100% owned by Nowlake Technology LLC, which is owned by Mr. Hankey, the CEO, and family (69.5%); Marubeni Corp. a Japanese conglomerate (21.7%); and Westlake Services employees (8.8%). The company remains profitable, with a pretax income of $1.17 billion in 2023, and has established liquidity facilities of approximately $6.48 billion.

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. Economic Forecast Update: A Sturdy Job Market Keeps Growth Going, Feb. 21, 2024
- U.S. Auto Loan ABS Tracker: Full-Year And December 2023 Performance, Feb. 13, 2024
- Credit Conditions North America Q1 2024: A Cluster of Stresses, Nov. 28, 2023
- Thirty-Two Ratings Raised And 12 Affirmed On Nine Westlake Automobile Receivables Trust Transactions, Aug. 15, 2023