S&P Global Ratings

Research

Presale:

Porsche Financial Auto Securitization Trust 2023-1

May 10, 2023

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Preliminary ratings

Class	Preliminary rating	Type	Interest rate	Amount (mil. $)	Legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	153.50	May 22, 2024
A-2	AAA (sf)	Senior	Fixed	292.00	Dec. 22, 2026
A-3	AAA (sf)	Senior	Fixed	240.00	Sept. 22, 2028
A-4	AAA (sf)	Senior	Fixed	64.50	June 23, 2031

Note: This presale report is based on information as of May 10, 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.

Profile

Expected closing date	May 24, 2023.
Collateral	Prime auto loan receivables.
Issuer	Porsche Financial Auto Securitization Trust 2023-1.
Originator, sponsor, servicer, and administrator	Porsche Financial Services Inc.
Seller	Porsche Funding Ltd. Partnership.
Depositor	Porsche Auto Funding LLC.
Indenture trustee	Wilmington Trust N.A. (A-/Stable/A-2)
Owner trustee	U.S. Bank Trust N.A.
Bank account provider	Wilmington Trust N.A (A-/Stable/A-2)

Rationale

The preliminary ratings assigned to Porsche Financial Auto Securitization Trust 2023-1's (PFAST 2023-1) asset-backed notes series 2023-1 reflect:

- The availability of approximately 6.6% credit support (hard credit enhancement and excess spread) for the class A (collectively, A-1, A-2, A-3, and A-4) notes based on stressed cash flow scenarios. This credit support level provides more than our 4.0% minimum credit enhancement level for a 'AAA' rating, as outlined in our global auto criteria (see the Credit Enhancement And

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Collateral and the Cash Flow Modeling Assumptions and Results sections below).

- The expectation that under a moderate ('BBB') stress scenario (2.0x our expected loss level), all else being equal, our preliminary 'AAA (sf)' ratings on the class A notes 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' prime automobile loans, our view of the collateral's credit risk, 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 Wilmington Trust N.A., which do not constrain the preliminary ratings.
- Our operational risk assessment of Porsche Financial Services Inc. (PFS) as servicer and our view of the company's underwriting.
- Our assessment of the transaction's potential exposure to environmental, social, and governance credit factors that are in line with our sector benchmark.
- The transaction's payment and legal structures.

Our expected cumulative net loss (ECNL) for PFAST 2023-1 is 0.55% and reflects:

- The managed portfolio's performance and the origination static pool performance;
- The transaction's collateral characteristics relative to those of peers;
- The performance of the paid-off PFAST securitizations; and
- Our forward-looking view of the auto finance sector.

Environmental, Social, And Governance (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 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.

Key Rating Considerations

PFAST 2023-1 is PFS's third auto loan ABS transaction and the second one rated by S&P Global Ratings. The last PFAST transaction rated by S&P Global Ratings was PFAST 2014-1. In addition to the three auto loan transactions, PFS also issued five auto lease transactions between 2011 and 2015. Based on our review of PFS's operations and performance history, and securitization pool characteristics, we considered the following strengths in rating this transaction:

- PFS has been directly servicing motor vehicle receivables originated by Porsche, Bentley, Lamborghini, and Bugatti dealerships the early 1990s.
- Managed portfolio losses and delinquencies are trending at low levels.
- The collateral pool has a weighted average credit score of 781, which reflects high obligor credit quality. This FICO score is in line with that of series 2014-1 and higher than most prime peer securitizations.

In addition to the strengths outlined above, we also considered the following factors:

- The percentage of loans in the PFAST 2023-1 pool with an original term over 60 months is higher than that of series 2014-1 and most peer ABS securitizations. PFS has been originating these longer-term loans for over a decade, and the loans' collateral characteristics are strong. Losses on these longer-term loans trend low for obligors with FICO scores over 740, which constitute the majority of the 2023-1 pool.
- The lack of recent securitization performance for Porsche transactions because the last Porsche auto loan securitization was in 2014. However, recent managed portfolio trends indicate stable performance (see the S&P Global Ratings' Expected Loss section below).

Credit Enhancement And Collateral

Structural changes from PFAST 2014-1

- The yield supplement overcollateralization (YSOC) discount rate increased to 8.40% from 4.10%, while the initial YSOC amount increased to 5.23% of the adjusted pool balance from 1.41%.
- The pre-pricing estimated per annum excess spread (adjusted for YSOC) decreased to 2.39% from 2.73%, due to a higher weighted average cost of debt.

Table 1 shows the credit enhancement changes from 2014-1.

Table 1

Credit enhancement summary (%)

	PFAST	
	2023-1	2014-1
Overcollateralization(i)		
Initial	2.50	2.50
Target	2.50	2.50
Floor	2.50	2.50
Reserve fund(i)		
Initial	0.25	0.25
Target	0.25	0.25

Table 1

Credit enhancement summary (%) (cont.)

	PFAST	
	2023-1	2014-1
Floor	0.25	0.25
Total initial hard credit enhancement(i)	2.75	2.75
YSOC amount(i)	5.23	1.41
YSOC discount rate	8.40	4.10
Estimated YSOC-adjusted annual excess spread(ii)	2.39	2.73

(i)As a percentage of the initial adjusted receivables balance. (ii)Estimated excess spread before pricing. Assumes a 1.00% annual servicing fee. PFAST—Porsche Financial Auto Securitization Trust. YSOC--Yield supplement overcollateralization.

Collateral changes from PFAST 2014-1

As of the April 30, 2023 cutoff date, the PFAST 2023-1 statistical pool receivables balance was $1.1 billion with a weighted average FICO score of 781 and a minimum FICO score of 650. It includes only Porsche vehicles and excludes all electric vehicles.

The significant collateral changes in PFAST 2023-1 from PFAST 2014-1 include:

- The 2023-1 pool consists of only Porsche vehicles, while the 2014-1 pool also included Bentley and Lamborghini vehicles.
- The percentage of loans with an original term of greater than 60 months increased to 79.74% from 18.55%; however, the increase is mainly in the 61-72 month loan term, to 77.56% from 9.64%. The concentration of loans with extended terms of 73-84 months decreased to 2.18% from 8.91%.
- The weighted average seasoning decreased to 9.88 from 16.70.
- The weighted average annual percentage rate (APR) increased to 6.07% from 3.84%.

In our view, PFAST 2023-1's collateral characteristics are generally comparable to PFAST 2014-1 (see table 2). Although there is a high percentage of 61-72 month term loans, they have a weighted average FICO of 778, which is higher than the weighted average FICO of the overall pool for several peers (see table 3).

Table 2

Collateral comparison(i)

	PFAST 2023-1	PFAST 2014-1	PFAST 2011-1(ii)
Pool size (mil. $)	1,138.17	507.87	547.75
No. of receivables	14,404	11,721	13,321
Avg. principal balance ($)	79,017	43,330	41,119
WA APR, excluding the YSOC amount (%)	6.07	3.84	4.63
WA original term (mos.)	69.50	62.38	62.43
WA remaining term (mos.)	59.62	45.68	46.82
WA seasoning (mos.)	9.88	16.70	15.61

Table 2

Collateral comparison(i) (cont.)

	PFAST 2023-1	PFAST 2014-1	PFAST 2011-1(ii)
WA FICO score	781	781	764
% of pool balance with FICO score greater than or equal to 700	93.81	93.05	89.03
% of pool balance with FICO score less than 700	6.19	6.95	10.97
% of pool balance with an original term of 61-72 months (%)	77.56	9.64	5.41
% of pool balance with an original term of 73-84 months (%)	2.18	8.91	10.48
% of pool balance with an original term greater than 60 months (%)	79.74	18.55	15.89
New vehicles (%)	63.84	64.30	70.01
Used vehicles (%)	36.16	35.70	29.99
Porsche vehicles (%)	100.00	88.01	100.00
Bentley/Lamborghini vehicles (%)	--	11.99	--
Top three model concentrations (%)			
	911=39.50	911=34.08	911=44.46
	Cayenne=27.99	Cayenne= 28.18	Cayenne= 21.10
	Macan=15.83	Panamera=14.78	Panamera=10.29
Top three state concentrations (%)			
	CA=26.45	CA=21.82	CA=20.50
	FL= 19.50	FL= 14.30	FL=12.86
	TX=9.93	TX=10.04	TX=9.69

(i)All percentages are of the initial gross receivables balance. (ii)Not rated by S&P Global Ratings. PFAST—Porsche Financial Auto Securitization Trust. WA--Weighted average. APR--Annual percentage rate. YSOC--Yield supplement overcollateralization.

We also compared the PFAST 2023-1 collateral pool with that of some peers within the prime auto loan sector that have similar initial ECNLs (see table 3). Overall, we believe that the PFAST 2023-1 pool characteristics are comparable to those of these peer transactions. PFAST 2023-1 has a higher average outstanding principal balance compared to its peers and a greater percentage of longer-term loans than many of them. However, the transaction's weighted average FICO score is higher than most of its peers, indicating the strong credit quality of the obligors.

Table 3

Collateral peer comparison(i)

	PFAST 2023-1	TAOT 2023-A	MBART 2023-1	HAROT 2022-2	BMWOT 2022-A
Pool size (mil. $)	1,138.17	1,813.67	2,117.73	1,079.63	1,652.93
No. of receivables	14,404	69,360	52,827	50,184	54,064
Avg. principal balance ($)	79,017	26,149	40,088	21,513	30,574
WA APR, excluding the YSOC amount (%)	6.07	3.64	4.85	2.55	2.81

Table 3

Collateral peer comparison(i) (cont.)

	PFAST 2023-1	TAOT 2023-A	MBART 2023-1	HAROT 2022-2	BMWOT 2022-A
WA original term (mos.)	69.50	66.50	67.48	62.07	63.93
WA remaining term (mos.)	59.62	56.20	54.32	49.33	49.93
WA seasoning (mos.)	9.88	10.30	13.16	12.74	14.00
WA FICO score	781	766	759	769	788
% of pool balance with an original term greater than 60 months (%)	79.74	63.10	79.29	32.66	41.51
New vehicles (%)	63.84	79.06	50.14	90.41	69.31
Used vehicles (%)	36.16	20.94	49.86	9.59	30.69
Top three state concentrations (%)					
	CA=26.45	CA=26.46	CA=21.75	CA=17.40	CA=17.00
	FL=19.50	TX=13.30	FL=15.29	TX=8.63	TX=10.43
	TX=9.93	PA=4.35	TX=14.80	PA=6.36	FL=8.95
Initial ECNL (%)	0.55	0.60	0.65	0.50-0.60	0.50-0.60

(i)All percentages are of the initial gross receivables balance. PFAST—Porsche Financial Auto Securitization Trust. TAOT—Toyota Auto Receivables Owner Trust. MBART—Mercedes-Benz Auto Receivables Trust. HAROT—Honda Auto Receivables Owner Trust. BMWOT-BMW Vehicle Owner Trust. WA--Weighted average. APR--Annual percentage rate. YSOC--Yield supplement overcollateralization. ECNL--Expected cumulative net loss.

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 4, and their baseline effect on collateral credit quality in determining our base-case expected loss level.

As the Federal Reserve's aggressive tightening of interest rates increases borrowing costs, we expect the economy to fall into a shallow recession later this year. We are forecasting slightly negative growth in the second and third quarters of this year with GDP averaging 0.7% growth for the year (see "Economic Outlook U.S. Q2 2023: Still Resilient, Downside Risks Rise," published March 27, 2023). With economic pressures worsening due to higher borrowing costs, businesses will need to trim payrolls in interest rate sensitive sectors. The recent banking sector disturbance may also lead to credit tightening and a softer jobs market. We expect the unemployment rate to rise and peak at 5.4% in early 2025 and then decline in late 2025.

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

Table 4

U.S. economic factors

	Actual	Forecast			
	2022	2023	2024	2026	2026
Real GDP (% year-over-year growth)	2.1	0.7	1.2	1.8	2.0
Unemployment rate (% annual average)	3.7	4.1	5.0	5.1	4.6
Consumer Price Index (% annual average)	8.0	4.2	2.4	1.6	1.5

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: 0.55%

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

- The series' collateral characteristics relative to those of paid-off series and prime peers (see tables 2 and 3);
- The managed portfolio performance, and origination static pool data and their relative performances (see table 5); and
- The paid-off series' performance (see chart 1).

Given the lack of recent securitization performance, we placed more emphasis on origination static pool analysis, managed portfolio trends, and peer collateral comparison. 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 PFAST 2023-1 to experience lifetime cumulative net losses (CNLs) of 0.55%.

Managed portfolio

Porsche's managed portfolio grew approximately 16.24% as of March 31, 2023, from a year earlier (see table 5). As of March 31, 2023, total delinquencies as a percentage of the principal balance outstanding and as a percentage of the number of contracts outstanding were 1.00% and 0.79%, respectively, up from 0.31% and 0.31% as of March 31, 2022. Annualized net losses were 0.12% for the three months ended March 31, 2023, up slightly from 0.10% in the prior year period. Total delinquencies and losses as of Dec. 31, 2022, were higher year-over-year but lower compared to pre-COVID-19 levels. This managed portfolio data includes loans with FICO scores below 650, which are excluded from the PFAST 2023-1 collateral pool.

Table 5

Managed portfolio

	Three months ended March 31		Year ended Dec. 31				
	2023	2022	2022	2021	2020	2019	2018
No. of retail contracts outstanding	36,385	31,752	35,589	29,989	21,514	8,479	8,270

Table 5

Managed portfolio (cont.)

	Three months ended March 31		Year ended Dec. 31				
	2023	2022	2022	2021	2020	2019	2018
Retail contracts outstanding (mil. $)	2,512.65	2,161.58	2,464.98	2,018.48	1,387.97	515.54	503.17
Average retail contracts outstanding (mil. $)	2,510.59	2,124.61	2,304.89	1,717.69	912.21	518.61	463.57
Delinquencies as a % of the principal balance outstanding							
31-60 days	0.68	0.21	0.58	0.29	0.52	1.00	0.73
61-90 days	0.14	0.04	0.12	0.04	0.05	0.38	0.21
90-plus days	0.18	0.06	0.07	0.04	0.08	0.14	0.22
Total delinquencies	1.00	0.31	0.76	0.36	0.66	1.52	1.15
Delinquencies as a % of the number of contracts outstanding							
31-60 days	0.55	0.21	0.55	0.30	0.43	0.75	0.71
61-90 days	0.12	0.04	0.10	0.04	0.05	0.21	0.24
90-plus days	0.12	0.05	0.06	0.05	0.07	0.19	0.11
Total delinquencies	0.79	0.31	0.72	0.40	0.54	1.16	1.06
Net losses as a % of the average principal balance outstanding (i)	0.12	0.10	0.18	0.14	0.24	0.36	0.34

(i)Annualized if not based on a full year.

Origination static pool analysis

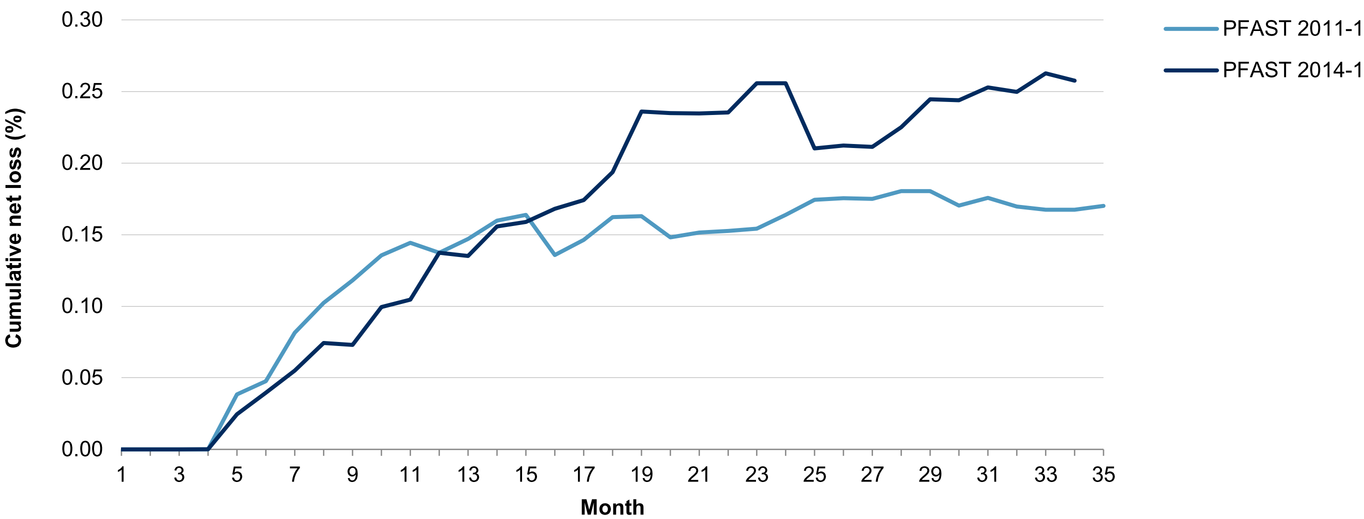
To derive our base-case loss for the series 2023-1 transaction, we analyzed quarterly origination static pool data going back to 2004. The data we received was segmented by FICO band, original term, and new and used vehicle mix. We used historical loss curves to develop expected net loss projections for each of the outstanding vintages with at least 12 months of performance. We then weighted these projections based on the actual concentration of the various cohorts in the PFAST 2023-1 pool to determine a base-case loss expectation.

PFAST series performance

PFAST 2011-1 paid off with a CNL of 0.17% at 35 months of performance, and PFAST 2014-1 paid off with a CNL of 0.26% at 34 months of performance.

Chart 1

PFAST paid-off cumulative net losses by securitization



PFAST--Porsche Financial Asset Securitization Trust.

Peer analysis

We compared Porsche's transaction performance and collateral composition against its peers, and determined that Porsche's overall performance reflects its target focus in the prime auto loan sector and remains stable relative to the benchmark and its peers (see "U.S. Auto Loan ABS Tracker: February 2023 Performance," published April 11, 2023).

Legal Overview And Transaction Structure

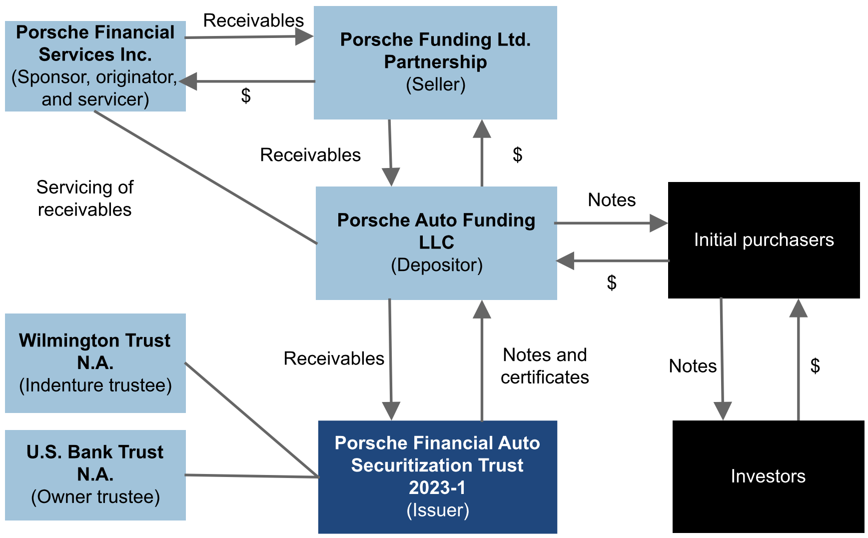
Legal overview

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 or prior to the closing date, Porsche Funding Ltd. Partnership (the seller), will acquire the series 2023-1 receivables from PFS (the sponsor, servicer, originator and administrator). The PFAST 2023-1 transaction is structured as a true sale of the receivables from Porsche Funding Ltd. Partnership to Porsche Auto Funding LLC (the depositor and a bankruptcy-remote, special-purpose entity). The depositor will then assign the rights, title, and interest in the receivables to PFAST 2023-1, the issuing entity. PFAST 2023-1 will, in turn, pledge the rights to the receivables to Wilmington Trust N.A., the indenture trustee, on the noteholders' behalf (see chart 2).

Chart 2

Transaction Structure



Transaction structure

The PFAST 2023-1 transaction incorporates the following structural features:

- A sequential-pay mechanism that will retire the class with the earliest maturity before paying the class with the next-earliest maturity.
- Nonamortizing overcollateralization that will be maintained at a target of 2.50% of initial adjusted receivables balance. As a result, the overcollateralization will grow as a percentage of the current receivables balance as the pool amortizes.
- A nonamortizing reserve account that equals 0.25% of the initial adjusted receivables balance.
- A YSOC amount that will initially be approximately 5.23% of the initial adjusted receivables balance. The YSOC amount is sized so that the yield on the contracts with APRs below the YSOC required rate of 8.40% will increase to the required rate to generate excess spread for the transaction. The YSOC amount for each distribution date will be calculated as of the cutoff date and will amortize according to a schedule.
- Excess spread, adjusted for YSOC, of 2.39% per year (pre-pricing).

Payment Priority

Payment distributions before an event of default

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

Table 6

Payment waterfall

Priority	Payment
1	Reimbursement to the servicer of any outstanding advances.
2	The 1.00% servicing fee, any investment earnings, plus any unpaid servicing fees for any previous collection periods.
3	Transaction fees, expenses, and indemnification amounts to the indenture trustee and the owner trustee in an aggregate amount that doesn't exceed $175,000 per annum.
4	Class A note interest.
5	Principal distribution amount (the excess, if any, of the class A notes' balance over the adjusted pool balance), paid sequentially.
6	Reserve account deposit up to its required amount.
7	Any unpaid trustee fees, expenses, and indemnification amounts.
8	Any remaining amounts to the certificateholder.

Class A--class A-1, A-2, A-3, and A-4 notes, collectively.

Events of default

Any of the following will constitute an event of default under the indenture:

- A default in the interest payment due on any note that continues for five or more business days;
- A default in the principal payment of any note on its final scheduled payment or redemption date;
- A breach of certain representations, warranties, or covenants that continues for 90 days; and
- The issuer files for bankruptcy.

Payment distributions after an event of default

Following an acceleration of the notes after an event of default, all amounts will be distributed and applied according to the payment priority shown in table 7.

Table 7

Payment Waterfall After An Event Of Default

Priority	Payment
1	Trustee fees, expenses, and indemnity amounts, paid pro rata.
2	Reimbursement to the servicer of any outstanding advances.
3	The 1.00% servicing fee, investment earnings, plus any unpaid servicing fees for any previous collection periods.

Table 7

Payment Waterfall After An Event Of Default (cont.)

Priority	Payment
4	Class A note interest.
5	Class A-1 note principal until paid in full.
6	Principal payment to the class A-2, A-3, and A-4 noteholders, paid pro rata, until the notes have been paid in full.
7	Any remaining amounts to the certificateholders.

Class A--class A-1, A-2, A-3, and A-4 notes, collectively.

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.

In a stressed scenario, liquidity risk could arise due to interest shortfalls resulting 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 being addressed through the YSOC amount.

Break-even analysis

For the PFAST 2023-1 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 break-even (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 subvened loans and nonsubvened loans using an APR of 5.00% and applied different prepayment and default assumptions between the two pools. For nonsubvened loans (with APRs of 5.00% or greater), we ran faster voluntary prepayments, disproportionately higher losses, and faster loss timing than for the subvened loans (with APRs less than 5.00%). Conversely, we ran a slower voluntary prepay speed, disproportionately lower losses, and slower loss timing on the subvened loans.

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

Our criteria establishes rating-specific minimum credit enhancement levels based on our view that there are limits on the predictability of auto receivable performance. For 'AAA' ratings, the minimum level is 4.00%, of which 2.50% must be in the form of hard credit support. In our stress cash flow scenarios for the transaction, we assessed the level of available credit enhancement relative to the minimum required.

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

We also ran cash flows assuming higher voluntary ABS assumptions for the subvened and nonsubvened loans given the high percentage of obligors that may prepay or have the ability to prepay. This scenario resulted in a few basis points reduction to the breakeven results but still adequately supports the assigned preliminary ratings.

Table 8

Break-even cash flow assumptions

Servicing fee (%)	1
Recovery rate (%)	50
Charge-off and recovery lag (mos.)	4
Bifurcated pool (%)	
Subvened	35
Nonsubvened	65
Loss allocation (% of total losses)	
Subvened	20
Nonsubvened	80
Voluntary ABS (%)	
Subvened	0.25
Nonsubvened	1.50
CNL timing mos.: (12/24/36/48/60) (%)	
Subvened	30/70/90/95/100
Nonsubvened	55/85/95/100

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

Table 9

Break-even cash flow results

	Class A
Preliminary rating	AAA (sf)
CNL timing mos.: (12/24/36/48) (%)	
Aggregate	51/83/95/100
Subvened	33/75/94/98/100
Nonsubvened	55/85/95/100
Approximate break-even CNL levels (%)(i)	
Required	4.0
Available	6.6

(i)The maximum CNLs, 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. Class A--Class A-1, A-2, A-3, and A-4, collectively.

Sensitivity analysis

In addition to running break-even cash flows, we undertook sensitivity analysis using the assumptions outlined in table 8. We believe that under a moderate ('BBB') stress scenario (2.0x our minimum 'B' credit enhancement level, based on 0.80% ECNL) 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 of "S&P Global Ratings Definitions," published Nov. 10, 2021 (see table 10 and chart 3).

Table 10

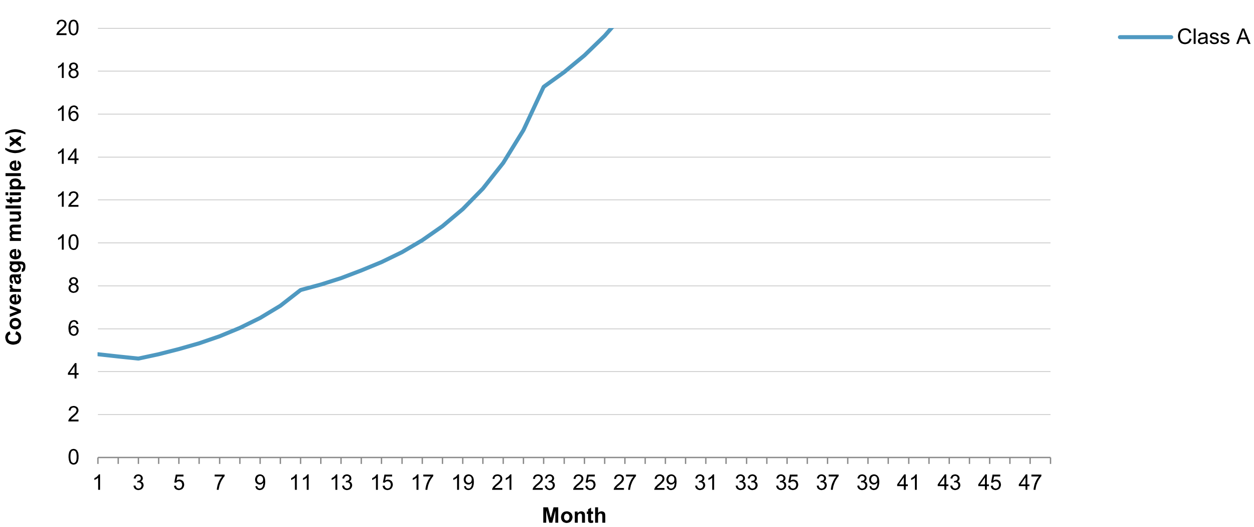
Credit stability as a limiting factor on ratings

	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



Class A--Collectively, class A-1, A-2, A-3, and A-4 notes.

Money market tranche sizing

The proposed money market tranche (class A-1) has a final maturity date of May 22, 2024. To test whether the money market tranche can be repaid by then, we ran cash flows using assumptions to delay the principal collections during the that time. We assumed zero defaults, and we found that the money market tranche would be paid off in full before the legal final maturity date, assuming a zero absolute prepayment speed for the subvened collateral and 0.50% absolute prepayment speed for the nonsubvened collateral.

Legal final maturity

To test the legal final maturity dates for class A-2 and A-3 notes, 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. For the longest-dated security (class A-4), at least 12 months were added to the tenor of the longest receivable in the pool to accommodate potential extensions on the receivables. Furthermore, in our break-even cash flow scenario for each respective preliminary 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.

Counterparty And Operational Risks

Bank account provider

On or before the closing date, the PFAST 2023-1 bank accounts will be established with Wilmington Trust N.A., the indenture trustee and bank account provider, 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

As servicer, PFS has an experienced team that oversees servicing and collections practices. PFS and its parent company, Porsche AG, are not rated by S&P Global Ratings. Commingling risk is addressed by the requirement that all collections are deposited to the series collections account within two business days of collection. Our operational risk assessment of PFS as servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

Porsche Financial Services Inc.

PFS is a wholly owned indirect subsidiary of Porsche AG. PFS was incorporated in Delaware in 1991 and is an affiliate of Porsche Cars North America Inc. (PCNA), the exclusive importer of Porsche vehicles for the U.S. PCNA is also a wholly owned indirect subsidiary of Porsche AG. PFS provides consumer loan and lease financing, and direct dealer financing through, and to U.S. Porsche, Bentley, Lamborghini, and Bugatti dealers. PFS has been directly servicing motor vehicle receivables since the early 1990s. PFS is headquartered in Atlanta, Ga.

Related Criteria

- Criteria | Structured Finance | ABS: Global Auto ABS Methodology And Assumptions , March 31, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities , Dec. 22, 2020
- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria , May 15, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions , March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions , Jan. 30, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions , Oct. 9, 2014
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts , May 31, 2012
- General Criteria: Principles Of Credit Ratings , Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment , May 28, 2009

Related Research

- U.S. Auto Loan ABS Tracker: February 2023 Performance, April 11, 2023
- Credit Conditions North America Q2 2023: Coalescing Stresses, March 28, 2023
- Economic Outlook U.S. Q2 2023: Still Resilient, Downside Risks Rise, March 27, 2023