Presale:

Westlake Automobile Receivables Trust 2023-1

January 4, 2023

PRIMARY CREDIT ANALYST

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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	209.80	Jan. 16, 2024
A-2-A/A-2-B	AAA (sf)	Senior	Fixed/floating(ii)	350.00	June 15, 2026
A-3	AAA (sf)	Senior	Fixed	104.66	Jan. 18, 2028
B	AA (sf)	Subordinate	Fixed	71.98	Jan. 18, 2028
C	A (sf)	Subordinate	Fixed	115.17	Aug. 15, 2028
D	BBB (sf)	Subordinate	Fixed	94.13	Nov. 15, 2028
E	BB (sf)	Subordinate	Fixed	54.26	Aug. 15, 2029

Note: This presale report is based on information as of Jan. 4, 2023. The ratings shown are preliminary. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. This report does not constitute a recommendation to buy, hold, or sell securities. (i)The interest rate for each class will be determined on the pricing date. (ii)The class A-2 notes may consist of a fixed-rate class A-2-A and a floating-rate class A-2-B. If issued, up to 50% of the class A-2 notes may be allocated to A-2-B, which will accrue interest at a floating rate indexed to 30-day compounded SOFR plus a spread. SOFR--Secured Overnight Financing Rate.

Profile

Collateral	Subprime auto loan receivables.
Issuer	Westlake Automobile Receivables Trust 2023-1.
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 2023-1's (Westlake 2023-1) automobile receivables-backed notes series 2023-1 reflect:

- The availability of approximately 44.05%, 37.69%, 28.94%, 22.04%, and 18.91% credit support (hard credit enhancement and haircut to excess spread) for the class A (A-1, A-2-A/A-2-B, and A-3), B, C, D, and E notes, respectively, based on stressed cash flow scenarios. These credit support levels provide at least 3.50x, 3.00x, 2.30x, 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 preliminary 'AAA (sf)', 'AA (sf)', 'A (sf)', 'BBB (sf)', and 'BB (sf)' ratings on the class A, B, C, D, and E notes, respectively, are within our credit stability limits (see the Cash Flow Modeling Assumptions And Results section 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 securitized pool of 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. (Wells Fargo), 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 credit factors, which are in line with our sector benchmark.
- The transaction's payment and legal structures.

Our ECNL for Westlake 2023-1 is 12.50%, which is the same as for Westlake 2022-3. It reflects:

- Our view that the series 2023-1 collateral characteristics are slightly stronger, relative to series 2022-3, primarily due to the stronger program distribution, higher FICO, and lower loan-to-value (LTV);
- Westlake Services LLC's (Westlake) more recent outstanding securitizations are showing signs of deterioration in performance with higher losses, delinquencies, and extensions compared to more seasoned transactions; 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 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.

Secured Overnight Financing Rate (SOFR) Interest Rate Benchmark

The floating interest rate benchmark on the class A-2-B tranche for series 2023-1 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). 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 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 2022-3

- Total initial hard credit enhancement increased for classes A, B, C, D, and E to 41.00%, 34.50%, 24.10%, 15.60%, and 10.70%, respectively, from 40.70%, 34.25%, 24.00%, 15.05%, and 10.50%.
- Subordination increased for classes A, B, and D to 30.30%, 23.80%, and 4.90%, respectively, from 30.20%, 23.75%, and 4.55%. Subordination for class C decreased to 13.40% from 13.50%.
- Initial overcollateralization increased to 9.70% from 9.50%, and target overcollateralization increased to 13.25% (12.25% once class A-2 pays off) from 12.45% (11.45% once class A-2 pays off).

- Pre-pricing excess spread is estimated to decrease to 7.03% from 8.51% (post-pricing), mostly due to a higher weighted average cost of debt.

The increase in initial hard credit enhancement reflects higher indicative cost-of-debt and lower excess spread for this transaction. Our stressed cash flow results indicate that each class in the series 2023-1 transaction is enhanced to a degree consistent with the assigned preliminary ratings (see the Cash Flow Modeling Assumptions And Results section below).

Table 1 shows the credit enhancement changes from recent transactions.

Table 1

Credit Enhancement Summary

	Westlake Automobile Receivables Trust				
	2023-1	2022-3	2022-2	2022-1	2021-3
Subordination(i)					
Class A	30.30	30.20	37.25	37.80	36.70
Class B	23.80	23.75	30.50	29.70	28.65
Class C	13.40	13.50	19.80	19.10	17.50
Class D	4.90	4.55	10.55	10.45	8.50
Class E	0.00	0.00	7.55	7.55	5.15
Class F	N/A	N/A	0.00	0.00	0.00
Overcollateralization					
Initial(i)	9.70	9.50	2.75	1.10	0.50
Target(ii)	13.25	12.45	5.75	4.40	2.25
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	41.00	40.70	41.00	39.90	38.20
Class B	34.50	34.25	34.25	31.80	30.15
Class C	24.10	24.00	23.55	21.20	19.00
Class D	15.60	15.05	14.30	12.55	10.00
Class E	10.70	10.50	11.30	9.65	6.65
Class F	N/A	N/A	3.75	2.10	1.50
Estimated excess spread per year(iii)	7.03	8.51	8.84	10.68	12.82

(i)Percentage of initial receivables balance. (ii)The overcollateralization target is a percentage of the current receivables balance. Target overcollateralization for series 2022-1, 2022-2, 2022-3, and 2023-1 will step down to 4.20%, 4.75%, 11.45%, and 12.25%, respectively, once the class A-2 notes are paid in full. (iii)Excess spread is post pricing for the series 2021-3 through 2022-3 transactions. N/A--Not applicable.

Collateral changes from Westlake 2022-3

The significant collateral changes from Westlake's statistical pool (as of Nov. 30, 2022) from series 2022-3 closing collateral pool include:

- The gold and platinum programs' concentration levels increased to 40.20% and 8.00% of the pool, respectively, from 39.94% and 4.85%, while the standard program's decreased to 51.80% from 55.21%
- The weighted average LTV ratio decreased to 110.64% from 114.51%.
- The weighted average non-zero credit score increased to 623 from 609.
- The percentage of loans with an original term of 61-72 months increased to 58.03% from 37.35%, while the weighted average seasoning decreased to 3.39 months from 4.86 months.

We believe the Westlake 2023-1 collateral pool is slightly stronger relative to Westlake 2022-3's, primarily due to the stronger program breakout, lower LTV, and higher FICO (see table 2). We have factored this into our expected loss for Westlake 2023-1 (see the S&P Global Ratings' Expected Loss section below).

Table 2

Collateral Comparison(i)

	Westlake Automobile Receivables Trust				
	2023-1	2022-3	2022-2	2022-1	2021-3
Receivables balance (mil. $)	1,642.87	1,279.82	1,645.25	1,516.68	1,975.52
No. of receivables	97,646	84,295	95,649	105,013	137,394
Average principal balance ($)	16,825	15,183	17,201	14,443	14,378
Weighted average					
APR (%)	18.53	18.42	17.60	18.07	18.56
LTV ratio (%)	110.64	114.51	112.54	112.10	110.48
Original term (months)	62.93	59.22	62.78	60.08	59.72
Remaining term (months)	59.54	54.36	59.19	54.4	56.00
Seasoning (months)	3.39	4.86	3.59	5.62	3.72
Original term 49-60 months (%)	23.79	36.91	25.09	29.91	30.81
Original term 61-72 months (%)	58.03	37.35	56.06	43.31	41.54
Mileage	97,917	96,309	84,700	94,199	93,404
Westlake proprietary credit score(ii)	3.50	3.53	3.57	3.52	3.48
New vehicles (%)	2.60	2.41	3.29	2.72	2.40
Used vehicles (%)	97.40	97.59	96.71	97.28	97.60
Dealer loan program(iii)					
Standard (%)	51.80	55.21	59.04	59.15	62.12
Gold (%)	40.20	39.94	38.68	38.36	36.39
Platinum (%)	8.00	4.85	2.29	2.50	1.50
Franchise dealers (%)	36.34	36.76	40.82	35.82	34.38
Independent dealers (%)	63.66	63.24	59.18	64.18	65.62

Table 2

Collateral Comparison(i) (cont.)

	Westlake Automobile Receivables Trust				
	2023-1	2022-3	2022-2	2022-1	2021-3
Weighted average FICO/Vantage score(iv)	623	609	606	605	600
FICO/Vantage score distribution (%)(iv)					
660 and above	20.65	12.19	12.05	13.22	10.25
600-659	27.55	32.60	28.91	27.63	27.63
540-599	18.52	20.51	25.27	22.27	2.96
Less than 540	7.34	9.48	8.23	10.25	10.43
None	25.94	25.22	25.53	26.63	29.72
Top three state concentrations (%)					
	TX=18.94	TX=19.22	TX=16.30	TX=15.29	TX=15.42
	FL=18.61	CA=14.11	CA=13.30	CA=13.52	CA=14.02
	CA=12.90	FL=10.39	FL=12.88	FL=13.04	FL=11.60
S&P Global Ratings' original exp. CNL (%)	12.50	12.50	12.50-13.00	12.50-13.00	12.50-13.00

(i) As of the initial collateral pool balance (ii) Westlake 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. (ii)Westlake divides the collateral pool into three distinct underwriting channels: standard, gold, and platinum. (iii)All series use a blended credit score, incorporating both FICO and Vantage scores. APR--Annual percentage rate. LTV--Loan-to-value. Exp. CNL exp.--Expected cumulative net loss. N/A--Not applicable.

Macroeconomic And Auto Finance Sector Outlook

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

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

As the Federal Reserve's aggressive tightening of interest rates increases borrowing costs, economic growth is expected to slow to 1.8% this year and -0.1% for 2023, as the economy falls into a shallow recession in the first half of 2023 (see "Economic Outlook U.S. Q1 2023: Tipping Toward Recession," published Nov. 28, 2022). With economic pressures worsening as the Fed raises interest rates, we now expect the unemployment rate to peak at 5.6% in fourth-quarter 2023, and then slowly descend to 4.7% by fourth-quarter 2025.

Inflation continues to be a concern as it erodes wage gains and the savings cushion built during the pandemic, particularly for those with lower incomes and smaller cushions.

Table 3

U.S. Economic Factors

	Actual	Forecast				
	2021	2022	2023	2024	2025	2026
Real GDP (% year over year growth)	5.9	1.8	(0.1)	1.4	1.8	1.9

Table 3

U.S. Economic Factors (cont.)

	Actual	Forecast				
	2021	2022	2023	2024	2025	2026
Unemployment rate (% annual average)	5.4	3.7	4.9	5.3	4.8	4.6
Consumer Price Index (CPI) (% annual average)	4.7	8.1	4.3	2.7	2.3	2.1

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

The U.S. auto market has been facing strong supply constraints that have kept used vehicle prices buoyed and recovery rates higher than normal. However, we expect to see the normal seasonal decline in used vehicle values and recovery rates. Also, as new vehicle supply imbalances ease, used vehicle values are likely to normalize to historical levels.

S&P Global Ratings' Expected Loss: 12.50%

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

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

Given Westlake's 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 2023-1 to experience a lifetime CNL of 12.50%, the same for Westlake 2022-3.

Managed portfolio

Westlake's managed portfolio grew approximately 19% as of Nov. 30, 2022, from a year earlier (see table 4). Meanwhile, total delinquencies increased to 3.72% from 3.07% in 2022. Annualized losses increased to 4.17%, from 2.55% a year earlier. We attribute this performance to ongoing normalization to pre-pandemic levels. Vehicle recovery rates, while still strong relative to historical standards, are normalizing, which, together with rising inflation, is putting increasing pressure on vehicle affordability and borrowers' ability to meet their monthly payment obligations.

Table 4

Managed Portfolio

	As of Nov. 30		As of Dec. 31				
	2022	2021	2021	2020	2019	2018	2017
Delinquency experience							
Amount of receivables outstanding (mil. $)	13,722.43	11,513.82	11,644.81	8,985.90	7,442.83	5,492.27	3,967.27
Total delinquencies (% of principal amount of receivables outstanding)	3.72	3.07	3.30	3.51	4.20	4.11	4.50
Net loss experience							
Average month-end amount outstanding (mil. $)	12,757.95	10,281.91	10,386.75	8,146.47	6,518.27	4,861.76	3,575.77
Net losses (% of the average month-end amount outstanding)(i)	4.17	2.55	2.69	4.38	5.23	5.65	7.36

(i)Annualized.

Origination static pool analysis

Westlake's three dealer loan programs are FICO-based:

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

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

We also analyzed the data, segmented by original terms of up to 60 months and greater than 60 months. In our analyses, we used a second-quarter 2006 through second-quarter 2016 paid-off loss curve to project losses for the outstanding collateral for 2016 through 2021 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 by weighting each outstanding vintage month's projected loss by the origination dollar volume for the respective vintage. Then, we computed a weighted average projected loss for the pool by weighting the loss proxies for each term, program, and dealer type by the respective percentage of the current pool balance for each program. Overall, loss projections have improved slightly for Westlake 2023-1, compared with Westlake 2022-3, mainly due to the stronger collateral mix.

Westlake transaction performance

We have outstanding ratings on 11 Westlake transactions that were issued between 2019 and 2022. Westlake's outstanding series continue to perform in line with or better than our initial expectations (see "Twenty-Two Ratings Raised And Ten Affirmed On Seven Westlake Automobile Receivables Trust Transactions," published, Sept. 7, 2022, and table 5 and charts 1-3).

Table 5

Westlake Collateral Performance And CNL Expectations(i)

Series	Month	Pool factor (%)	CNL (%)	Current CRR (%)	60-plus day delinquency (%)	Extensions (%)	Initial lifetime exp. CNL (%)	Prior lifetime exp. CNL (%)	Revised lifetime exp. CNL (%)(ii)
2019-2	41	15.06	7.85	42.51	1.23	7.56	13.00-13.50	9.00-9.50	8.00-8.50
2019-3	37	18.61	6.88	43.78	1.36	6.73	13.00-13.50	8.75-9.25	7.25-7.75
2020-1	32	24.71	5.75	45.38	1.31	6.39	13.00-13.50	8.75-9.25	7.00-7.50
2020-2	29	26.72	4.66	44.13	1.22	6.85	14.75-15.25	8.50-9.00	6.50-7.00
2020-3	25	35.50	4.34	44.44	1.22	7.52	14.75-15.25	N/A	8.25-9.25(iii)
2021-1	20	44.64	4.23	41.88	1.29	7.28	13.50-14.00	N/A	8.75—9.25
2021-2	17	53.55	4.70	39.48	1.43	7.98	13.50-14.00	N/A	9.75-10.25
2021-3	12	65.05	4.14	31.87	1.39	6.45	12.50-13.00	N/A	N/A
2022-1	8	76.09	3.28	26.52	1.43	6.51	12.50-13.00	N/A	N/A
2022-2	5	87.35	1.67	24.98	1.17	6.05	12.50-13.00	N/A	N/A
2022-3	1	97.63	0.03	26.80	0.11	2.83	12.50	N/A	N/A

(i)As of the December 2022 distribution date. (ii)Revised in September 2022. (iii)Revised in February 2022. Exp. CNL--Expected cumulative net loss. CRR--Cumulative recovery rate. cumulative net loss. N/A–-Not applicable.

Chart 1

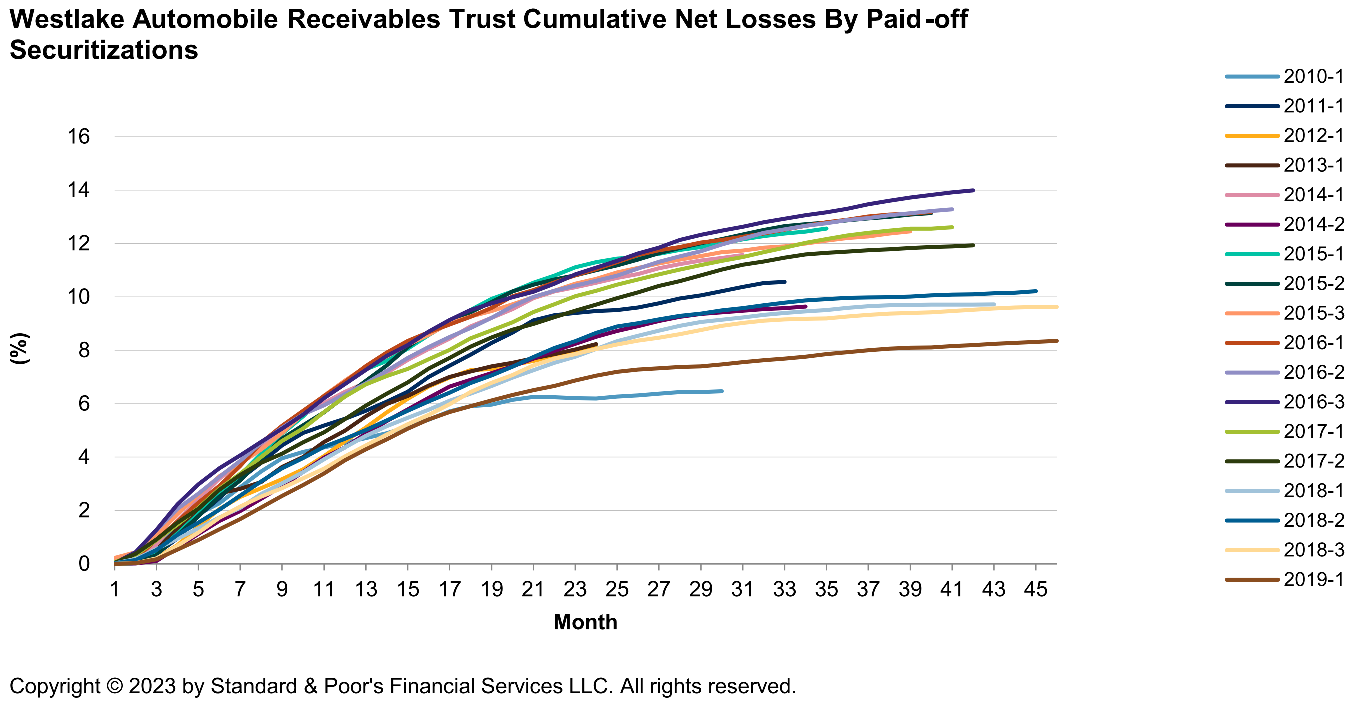
Westlake Automobile Receivables Trust Cumulative Net Losses By Paid-off Securitizations
(%)
16
14
12
10
8
6
4
2
0
1 3 5 7 9 11 13 15 17 19 21 23 25 27 29 31 33 35 37 39 41 43 45
Month
2010-1
2011-1
2012-1
2013-1
2014-1
2014-2
2015-1
2015-2
2015-3
2016-1
2016-2
2016-3
2017-1
2017-2
2018-1
2018-2
2018-3
2019-1
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Chart 2

Westlake Automobile Receivables Trust Cumulative Net Losses By Outstanding Securitizations

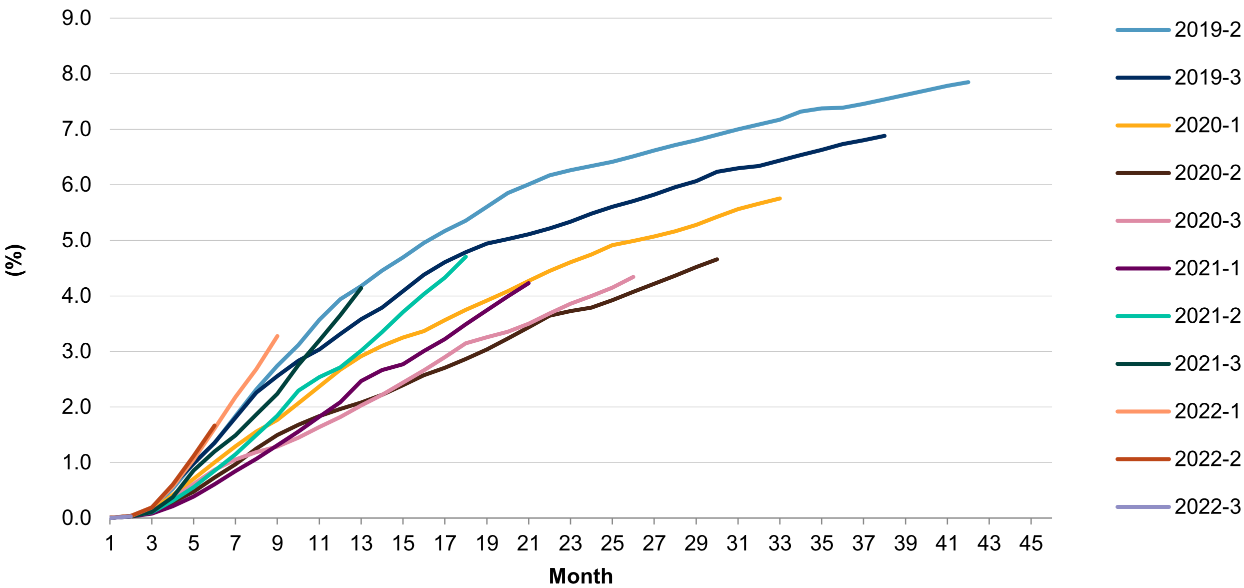
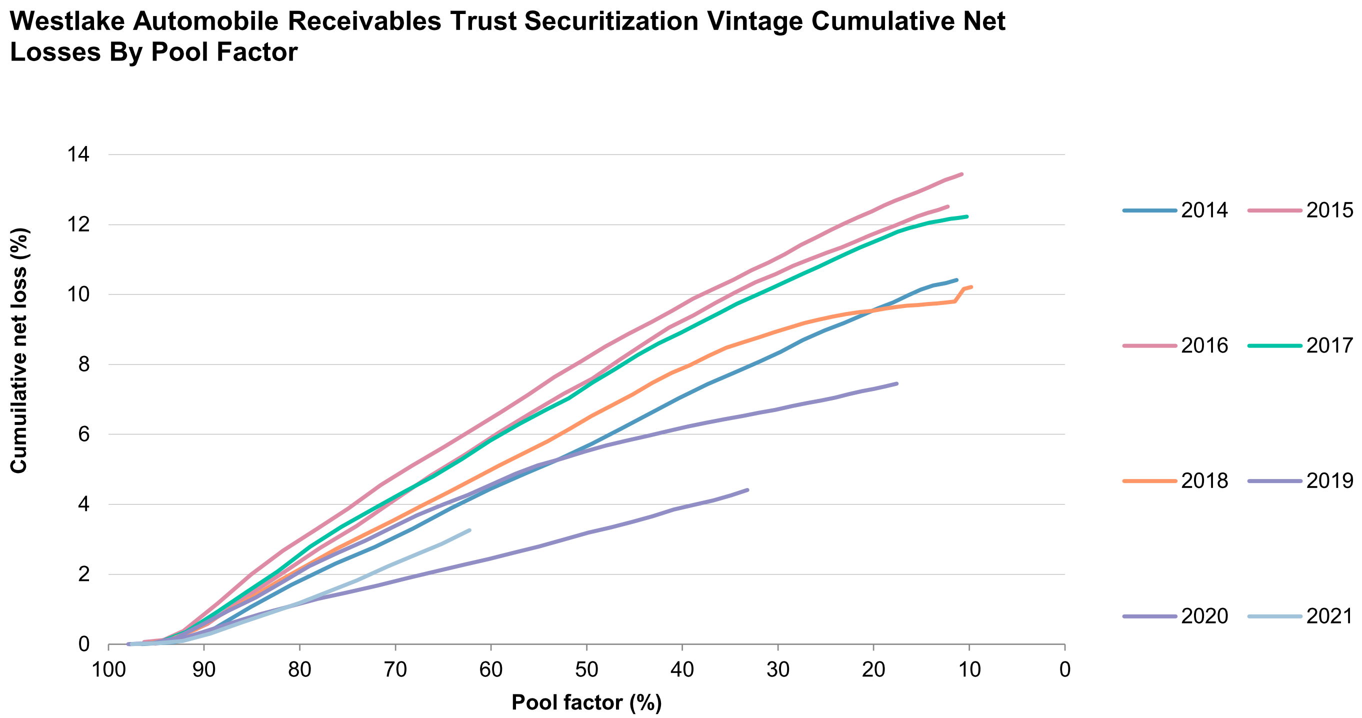


Chart 3



Legal Overview And Transaction Structure

Legal overview

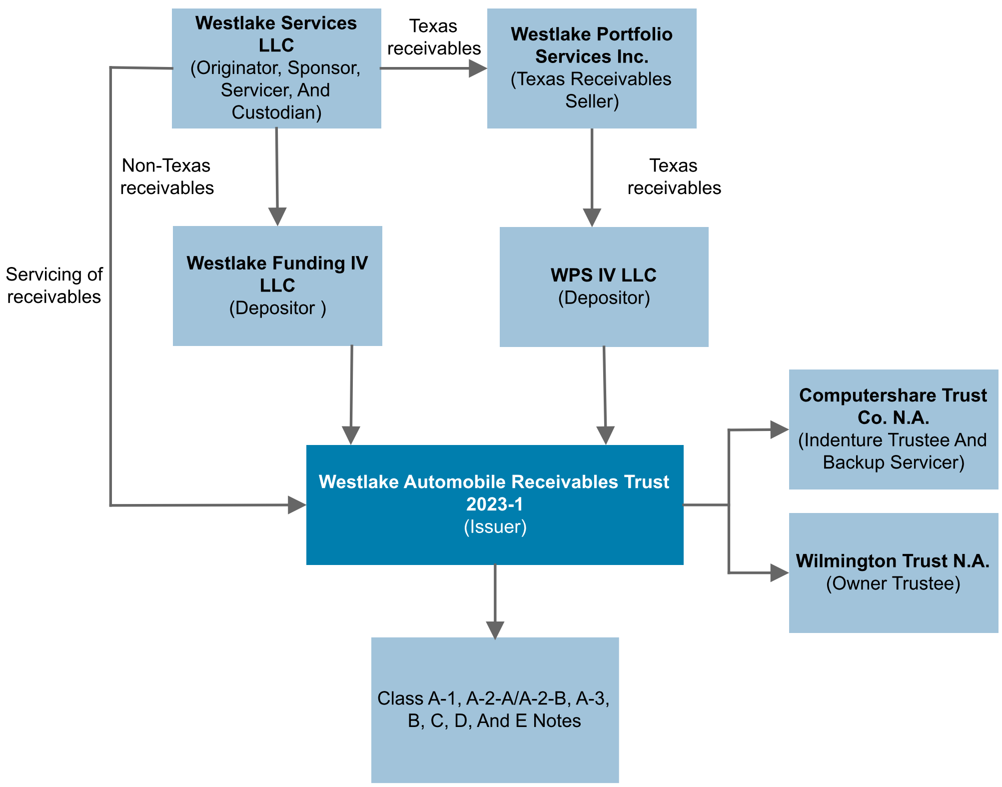
In rating this transaction, S&P Global Ratings will review the legal matters it believes are relevant to its analysis, as outlined in its criteria.

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, respectively, the depositors and special-purpose Delaware limited liability companies. The depositors will then sell the receivables to Westlake 2023-1, the issuing entity, which is a newly formed special-purpose Delaware statutory trust. Westlake 2023-1 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.

The transaction structure is outlined in chart 4.

Chart 4

Transaction Structure



Transaction structure

Westlake 2023-1 incorporates the following structural features:

- A senior-subordinated sequential-pay structure in which the senior-most notes outstanding are paid first.
- Initial overcollateralization of 9.70% of the initial pool balance that will build to a target of 13.25% of the current pool balance. The overcollateralization target will step down to 12.25% 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 nonamortizing reserve account amount that will equal 1.00% of the cutoff date pool balance as of the closing date.
- Excess spread of approximately 7.03% (pre-pricing) per year.

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.
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, the following 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 breaches certain representations, warranties, or covenants;
- The issuer files for bankruptcy; and
- The issuer becomes taxable as an association or becomes 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, 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.
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 2023-1 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' lower break-even (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.

We also conservatively modeled the maximum size of the class A-2-B note balance (50% of the class A-2 notes) indexed to SOFR. The cash flow results are based on a $1.483 billion note size.

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 (%)	1.60
Servicing fee (%)	4.00
Recovery rate (%)	35.00
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	B	C	D	E
Preliminary rating	AAA (sf)	AA (sf)	A (sf)	BBB (sf)	BB (sf)
CNL timing mos. (12/24/36/48) (%)					
Front-loaded loss curve	53/94/100	51/91/100	51/90/100	51/90/100	51/90/100
Back-loaded loss curve	53/93/100	49/86/96/100	46/81/91/100	46/81/91/100	46/81/91/100
Approx. break-even CNL levels (%)(i)					
Required	43.75	37.50	28.75	21.88	18.75
Available: front-loaded loss curve	44.05	37.69	28.94	22.04	18.91
Available: back-loaded loss curve	44.06	38.50	29.43	22.47	19.24

(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 7. 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 by section A.4 of the Appendix of "S&P Global Ratings Definitions," published Nov. 10, 2021 (see table 10).

Table 10

Credit Stability As A Limiting Factor On Ratings

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

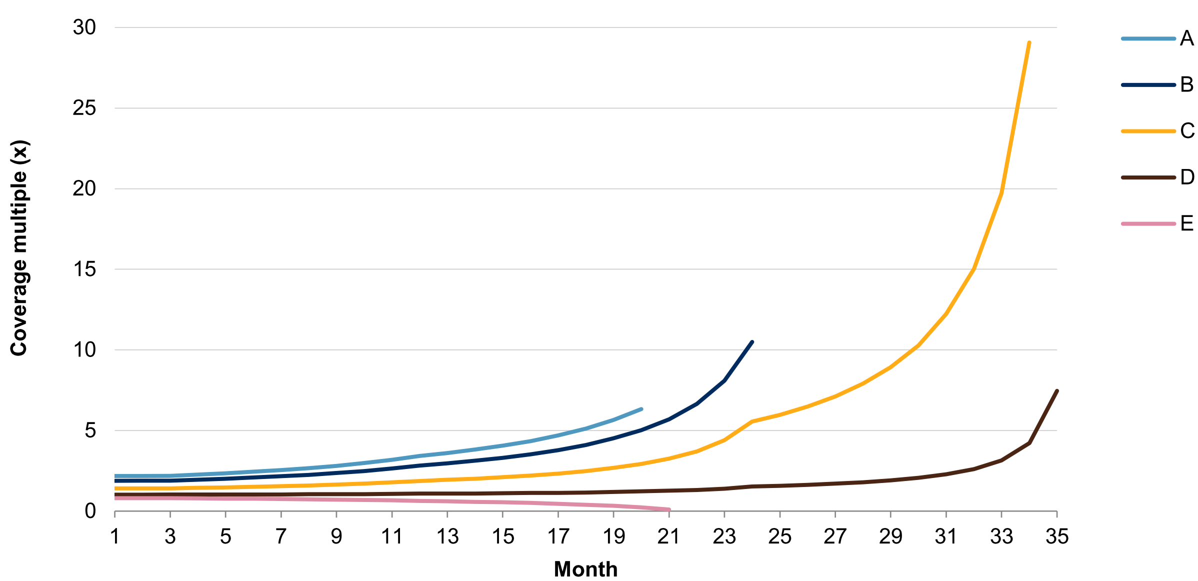


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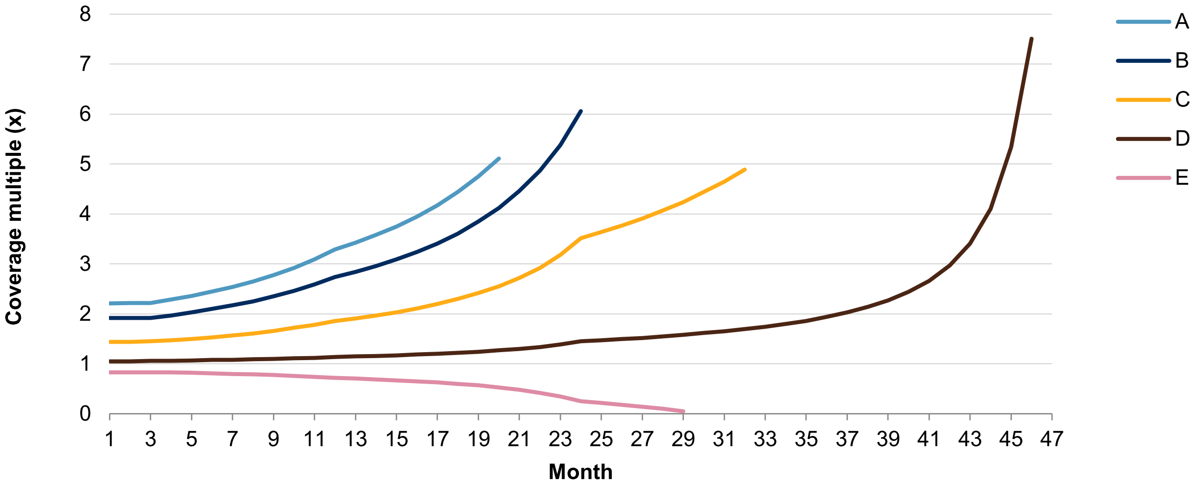
Chart 6

'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 Jan. 15, 2024. 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 six 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 2023-1 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 Bank N.A. 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 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 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 as servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

The key transaction parties are subject to various regulatory investigation and or legal proceedings that may arise in their ordinary course of business. We are not aware of any proceedings that constraint our counterparty and operational risk assessment.

Westlake

Westlake 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 Nov. 30, 2022, Westlake had a network of more than 22,541 producing dealers nationwide (last 12 months count) across all 50 states from which it buys its auto loans; approximately 2,901 employees; and a managed portfolio of prime, nonprime, and subprime retail auto installment sales contracts totaling $14.55 billion.

Westlake is owned 100% by Nowlake Technology LLC, which is owned Mr. Hankey (the CEO) and family (70.5%), Marubeni Corp. (21.7%; a Japanese conglomerate), and Westlake employees (7.8%). The company remains profitable with a pretax income of $1.41 billion in 2022 (as of Nov. 30) and has established liquidity facilities of approximately $3.85 billion.

Related Criteria

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- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
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- 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: October 2022 Performance, Dec. 13, 2022
- Credit Conditions North America Q1 2023: Worse Before It Gets Better, Dec. 1, 2022
- Economic Outlook U.S. Q1 2023: Tipping Toward Recession, Nov. 28, 2022
- Twenty-Two Ratings Raised And Ten Affirmed On Seven Westlake Automobile Receivables Trust Transactions, Sept. 7, 2022
- Five Ratings Raised, One Affirmed From Westlake Automobile Receivables Trust 2020-3, Feb. 1, 2022