



# U.S. Non-Traditional ABS

## Issuance And 2023 Outlook

February 2023

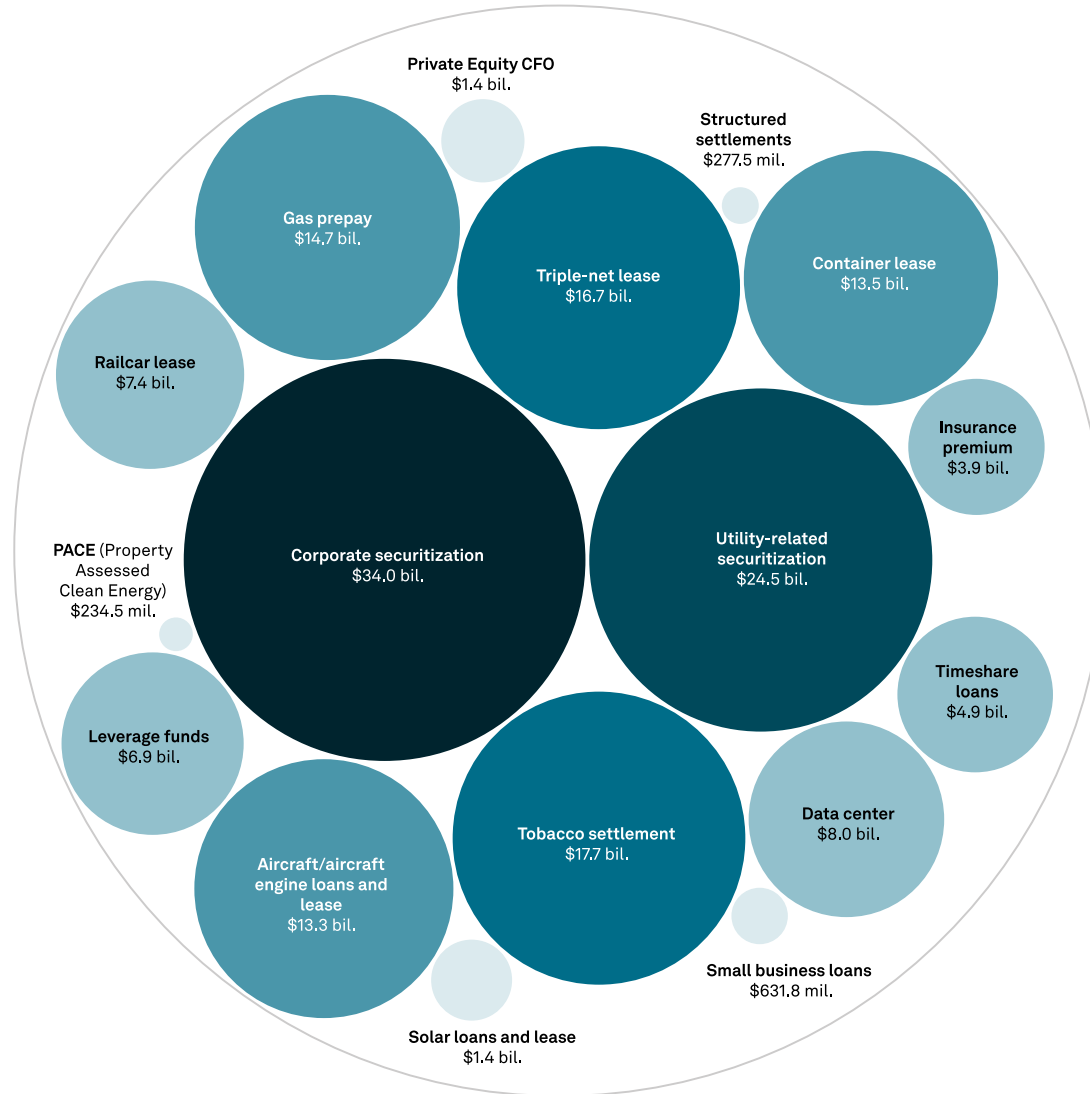
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**S&P Global**

Ratings

*This report does not constitute a rating action*

# S&P Global Ratings-Rated Non-Traditional ABS: Current Outstanding Balance By Sector

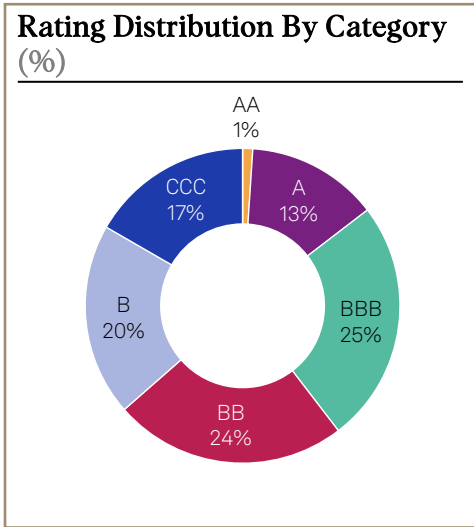
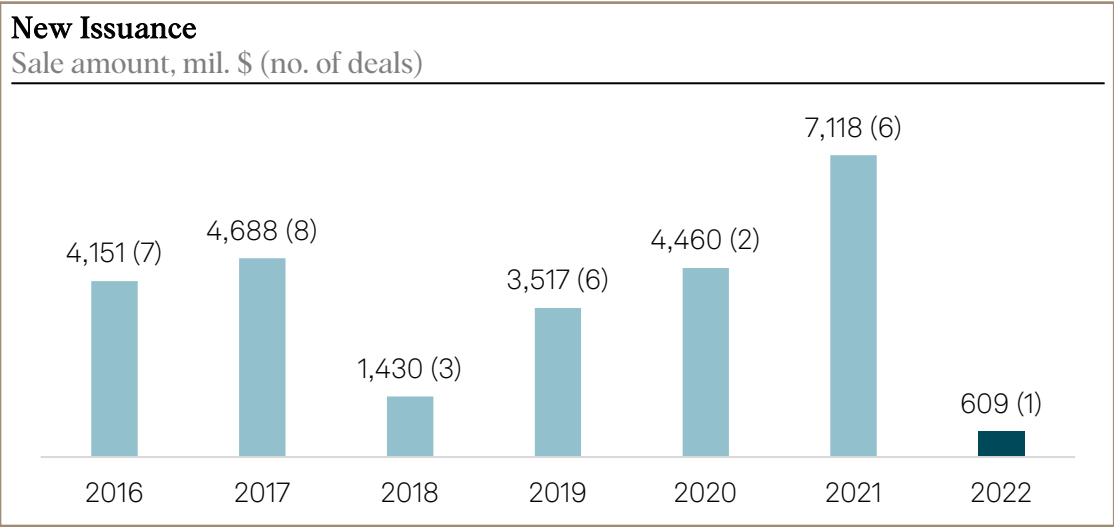


Data as of Dec. 31, 2022

Deal Count **33** | Rated Outstanding Bond Balance **\$13.30 bil.**

### 2023 Outlook

- Global air traffic is unlikely to return to 2019 levels until 2024.
- Aircraft ABS outlook for 2023 is stable. There may be some vulnerability if macroeconomic challenges, rising interest rates, and geopolitical concerns strain the airline industry.
- There is some recovery in collections for certain transactions. Senior notes of nearly all rated transactions are receiving either full or partial scheduled principal payments.
- Uncertainty on the amount and timing of insurance settlements for transactions affected by the Russia-Ukraine conflict remains.



### 2022 Rating Actions

(No.)

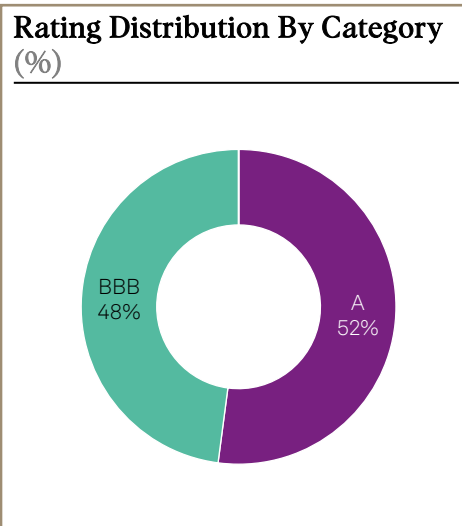
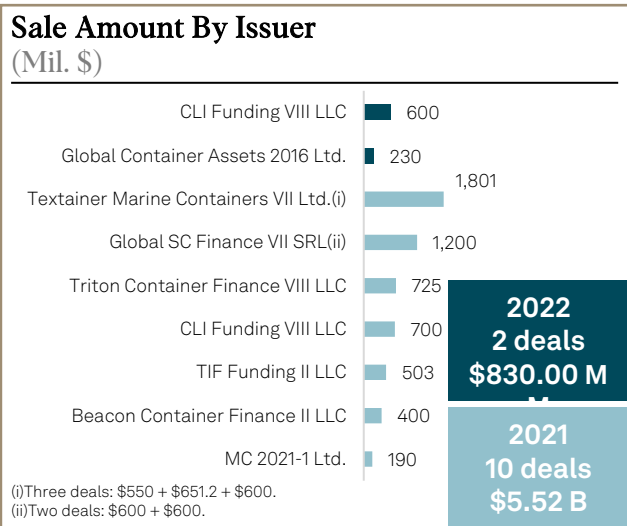
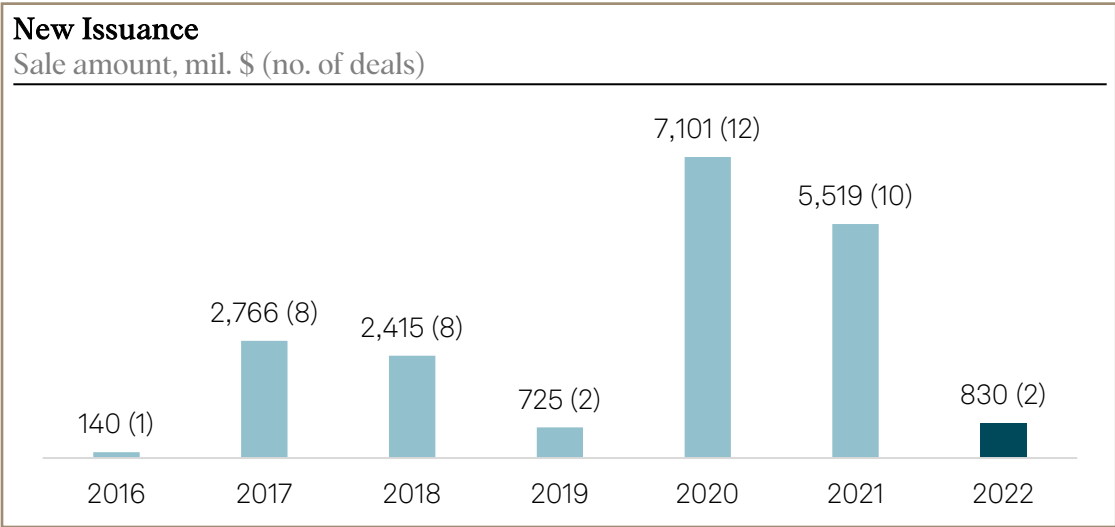
Rating category prior action	Downgrades				
	Affirmations	▼	▼▼	▼▼▼	▼▼▼▼
AA				1	
A	6	1	1		1
BBB	7	1		2	1
BB	7	2	1	1	1
B	4	5	2	2	
CCC	3		1		

Data as of Dec. 31, 2022

Deal Count	<b>25</b>	Rated Outstanding Bond Balance	<b>\$13.52 bil.</b>
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### 2023 Outlook

- Utilization and lease rates likely to remain above SPGR base-case levels.
- Delinquency/default rates likely below SPGR base case.
- New lease composition to remain tilted toward longer lease terms, including a significant percentage of finance leases.
- CapEx and associated new issuance to remain at limited levels.
- Some issuance may occur in relation to financing of assets not currently held in ABS vehicles.



### 2022 Rating Actions (No.)

Rating category prior action	Affirmations
A	1
BBB	1

Data as of Dec. 31, 2022

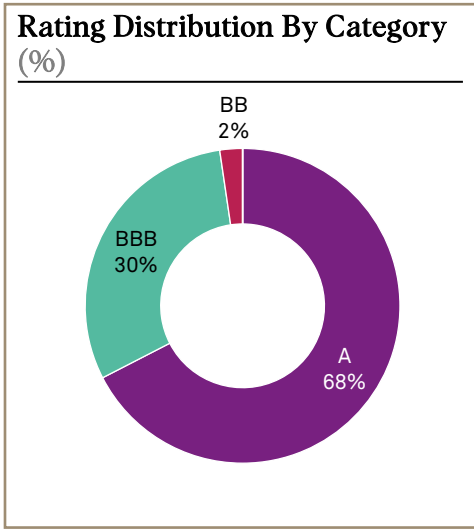
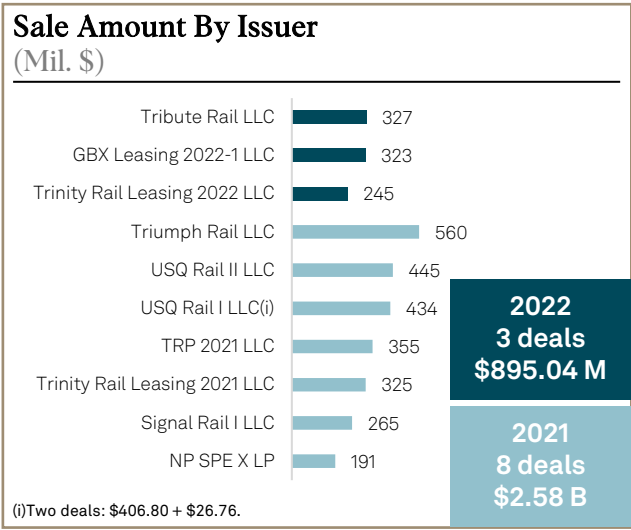
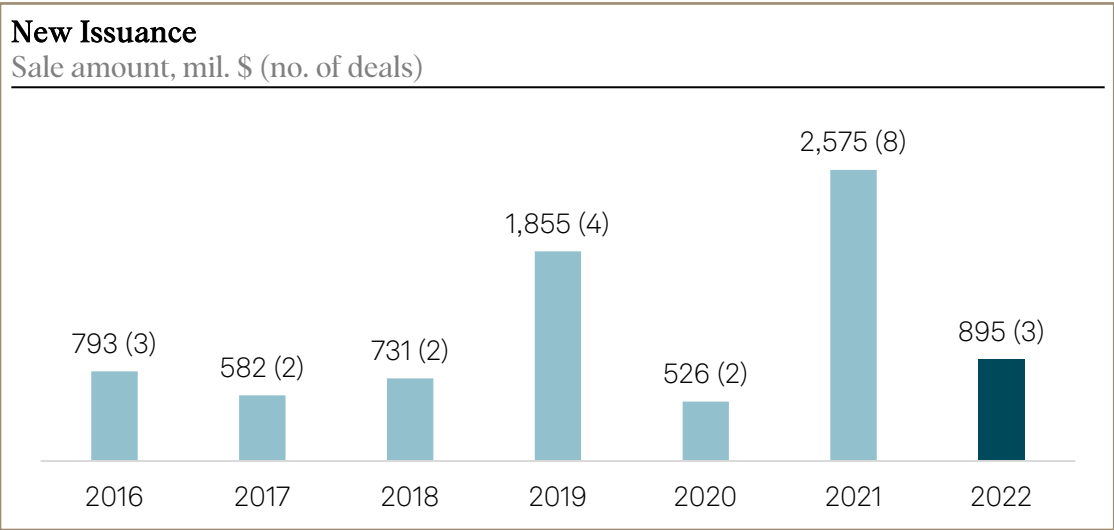


# Railcar Lease

Deal Count	<b>23</b>	Rated Outstanding Bond Balance	<b>\$7.39 bil.</b>
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### 2023 Outlook

- Delinquency/default rates likely to remain low overall; some transactions show pockets of delinquency associated with their weakest lessors.
- Utilization and lease rates may be softer for cars used in certain sectors (e.g., cars carrying petroleum products, fracking sand).
- Precision scheduled railroading implementation may continue to pressure demand for intermodal railcars, but these form a small portion of ABS pools.
- Inflationary pressures may lead to increases in operating expenses.
- Transactions with tank cars that are still due for safety modifications may face increased maintenance costs.



### 2022 Rating Actions

(No.)

Rating Category prior action	Affirmations
A	2

Data as of Dec. 31, 2022

# Timeshare Loans

Deal  
Count

52

Rated Outstanding  
Bond Balance

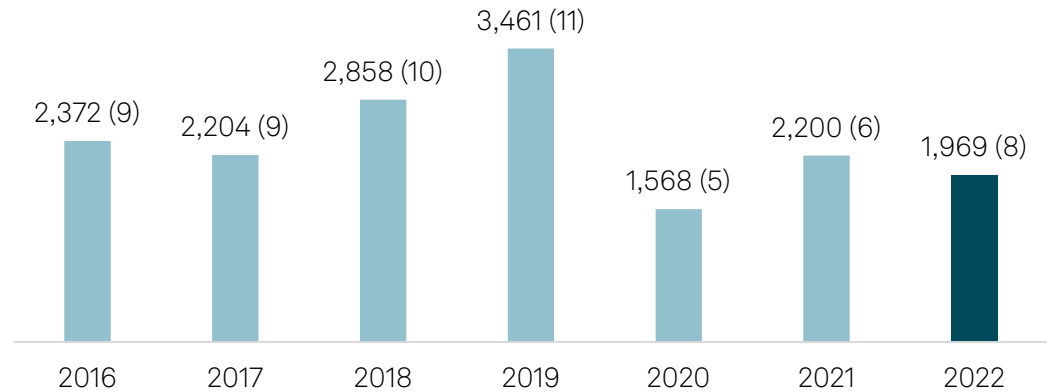
\$4.95 bil.

## 2023 Outlook

- Delinquencies expected to return to pre-COVID-19 levels, but could be impacted should we experience a recession.
- Ratings expected to remain generally stable given available excess spread and strength of structure.
- Issuance expected to remain steady as developers continue to see strong leisure demand post-COVID-19 and the relative value proposition of the timeshare product versus higher hotel costs.

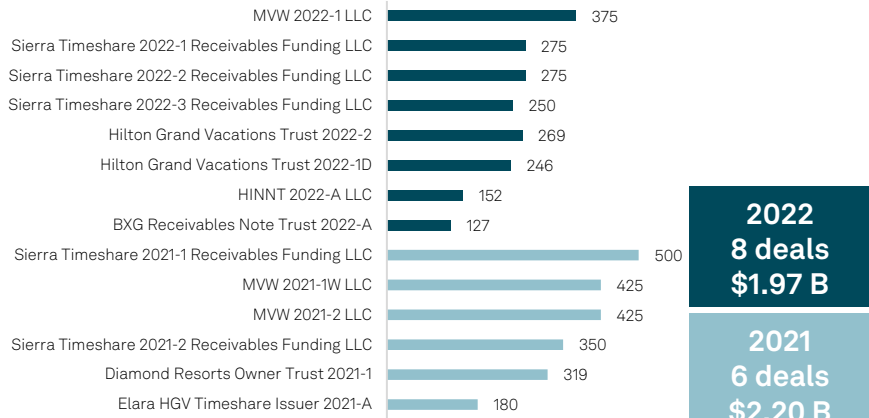
## New Issuance

Sale amount, mil. \$ (no. of deals)



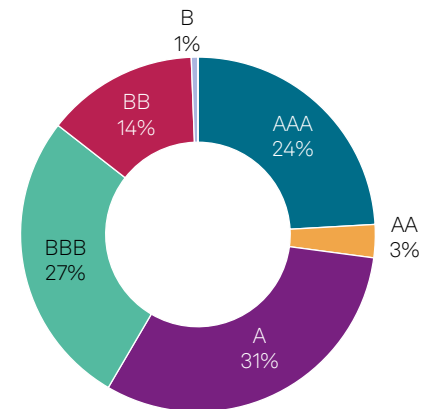
## Sale Amount By Issuer

(Mil. \$)



## Rating Distribution By Category

(%)



Data as of Dec. 31, 2022

Deal  
Count

54

Rated Outstanding  
Bond Balance

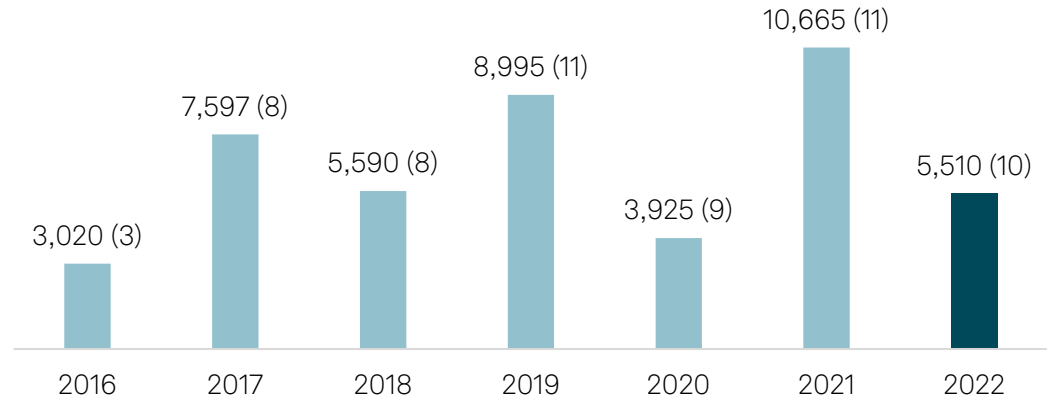
\$34.03 bil.

## 2023 Outlook

- Sales
  - Quick-service restaurant (QSR): stable to positive as they are a low-cost provider.
  - Casual dining: lower as pent-up demand wanes and at-home dining increases.
  - Services: remain stable due to their essential nature.
- Earnings margin stress is intensifying, and transactions with a larger portion of non-royalty income are becoming impacted.

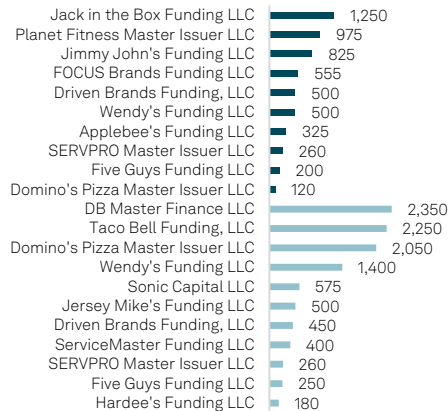
## New Issuance

Sale amount, mil. \$ (no. of deals)



## Sale Amount By Issuer

(Mil. \$)

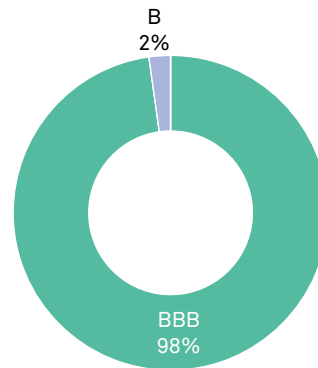


**2022**  
10 deals  
\$5.51 B

**2021**  
11 deals  
\$10.67 B

## Rating Distribution By Category

(%)



## 2022 Rating Actions

(No.)

Rating category	Affirmations	Downgrades
BBB	5	1

Data as of Dec. 31, 2022



# Triple-Net Lease (NNN)

Deal  
Count

21

Rated Outstanding  
Bond Balance

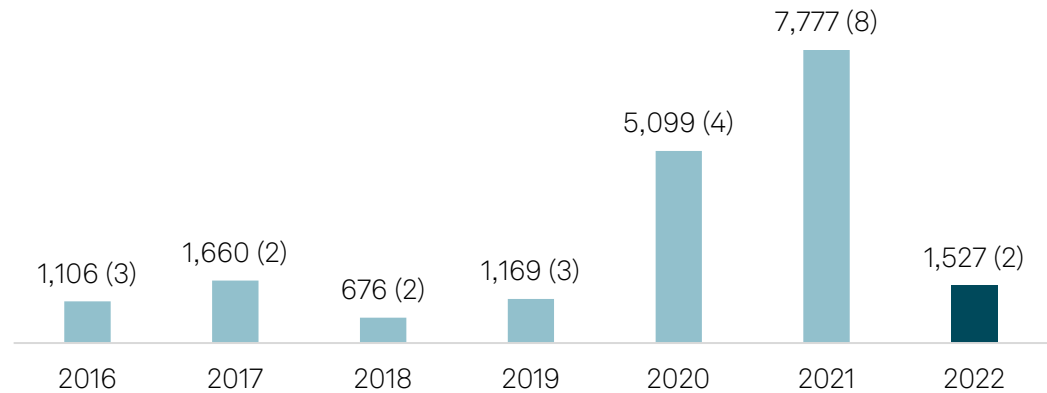
\$16.70 bil.

## 2023 Outlook

- Some retail tenants may experience weakened performance as near-record high inflation pressures consumers to cut back on discretionary spending, while non-discretionary retail tenants are expected to better withstand potential downturns.
- Transaction debt service coverage ratios (DSCRs) and fixed-charge coverage ratios (FCCRs) have been generally stable in 2022 and, in some cases, improved year over year.
- On Jan. 18, 2023, we published a request for comment for the proposed revisions to our “Methodology And Assumptions For Rating North American real Estate Securitizations Backed By Triple-Net Leases.”

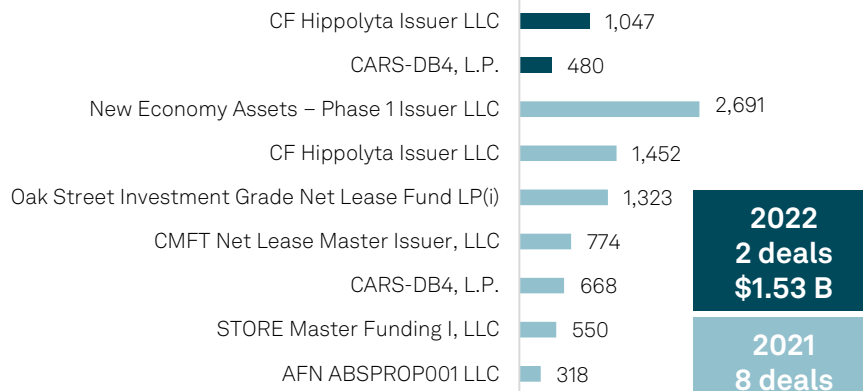
## New Issuance

Sale amount, mil. \$ (no. of deals)



## Sale Amount By Issuer

(Mil. \$)



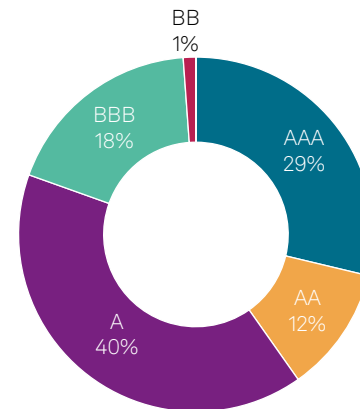
(i) Two deals: \$562 + \$761.

**2022**  
2 deals  
\$1.53 B

**2021**  
8 deals  
\$7.78 B

## Rating Distribution By Category

(%)



Data as of Dec. 31, 2022



Deal  
Count

21

Rated Outstanding  
Bond Balance

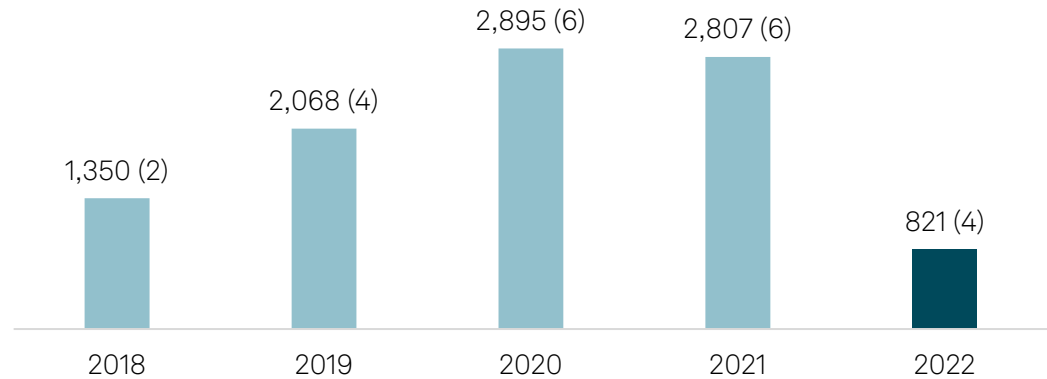
\$7.99 bil.

## 2023 Outlook

- Increasing data usage, migration to the cloud, and transition to a fully digitized economy will continue to shape demand for third-party operated data centers.
- We expect data centers to see some growth deceleration in a recessionary environment, but the critical nature of data centers somewhat mitigate industry cyclicality.
- New data center development is somewhat limited in certain markets due to site availability, global supply chain issues, and power constraints.
- On Jan. 18, 2023, we published "Advance Notice Of Proposed Criteria Change: Data Center Securitizedizations."

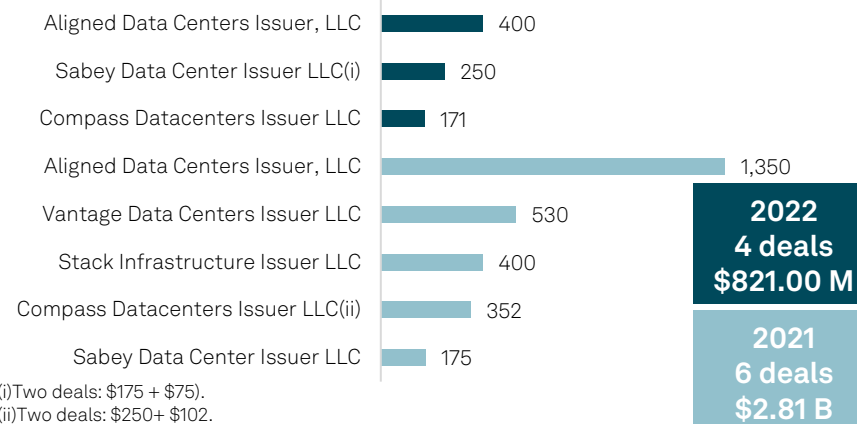
## New Issuance

Sale amount, mil. \$ (no. of deals)



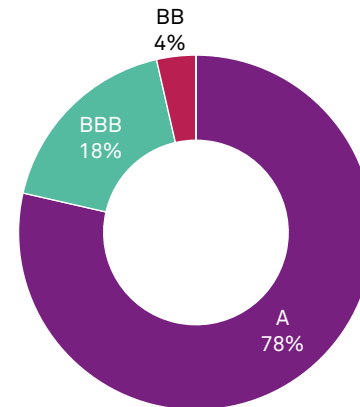
## Sale Amount By Issuer

(Mil. \$)



## Rating Distribution By Category

(%)



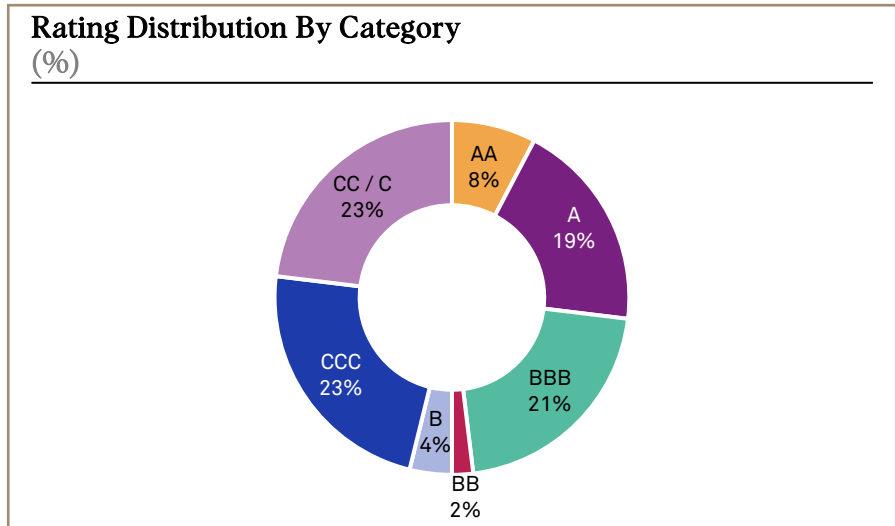
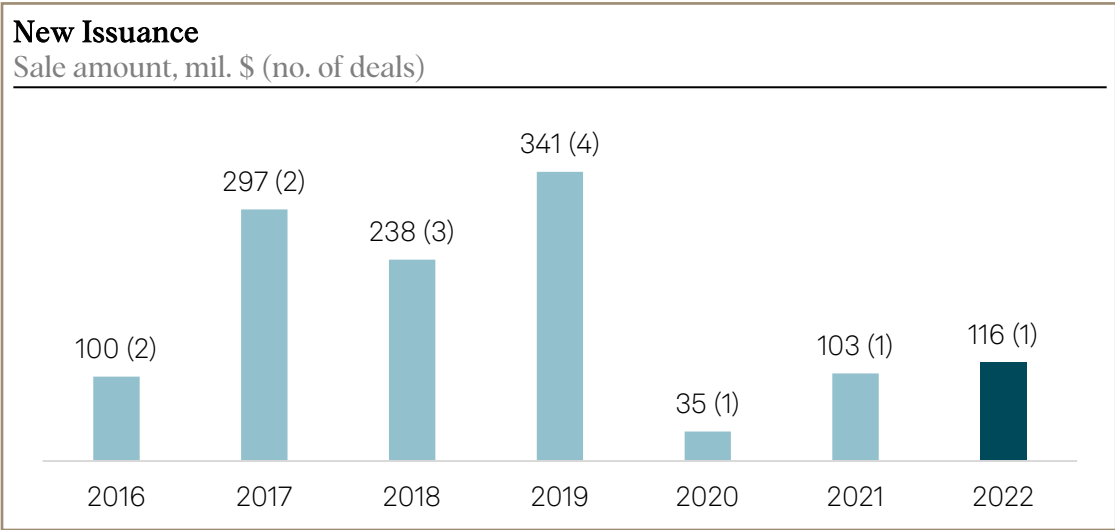
Data as of Dec. 31, 2022

# Small Business Loans

Deal Count **19** | Rated Outstanding Bond Balance **\$631.77 mil.**

### 2023 Outlook

- Collateral performance in 2023 will continue to reflect borrower industry dynamics. We expect to see some reversion to pre-COVID-19 delinquency and default rates after the removal of pandemic-related supports.
- Demand for loans among small business is robust. Strict bank lending standards continue to create opportunity for non-bank lenders to grow their market share.



Data as of Dec. 31, 2022



# Utility-Related Securitization

Deal Count **42**

Rated Outstanding Bond Balance **\$24.48 bil.**

### 2023 Outlook

- Continued stable performance due to the strength of the true-up.
- Asset class is positioned for growth given increased frequency of extreme weather events and the need for risk mitigation projects.

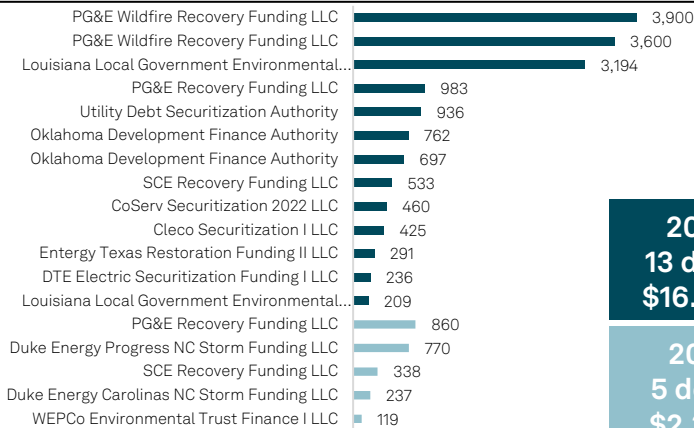
### New Issuance

Sale amount, mil. \$ (no. of deals)



### Sale Amount By Issuer

(Mil. \$)

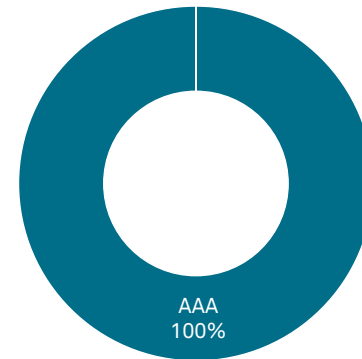


**2022**  
13 deals  
\$16.23 B

**2021**  
5 deals  
\$2.32 B

### Rating Distribution By Category

(%)



Data as of Dec. 31, 2022

# Solar Loans And Lease

## 2023 Outlook

- On Aug. 16, 2022, the Inflation Reduction Act (IRA) was signed into law. The personal income tax credit for the installation of solar energy property is extended and raised to 30%, with the step-down beginning in 2033 when it drops to 26%.
- Stand-alone energy storage also becomes eligible for this credit for batteries with at least 3 kWh of capacity.
- The stand-alone battery credit only applies to expenditures made after Dec. 31, 2022.



## S&P Global Ratings' Long History In Solar ABS

2013

- Solar lease/PPA ABS ratings, for SolarCity LMC Series 2013

2019

- Global Methodology For Solar ABS Transactions

2021

- Solar loan ABS ratings for GoodLeap 2021-4
- Solar loan ABS ratings for GoodLeap 2021-5

2022

- Solar loan ABS ratings for GoodLeap 2022-2
- Solar loan ABS ratings assigned to GoodLeap 2022-3

# Key Contacts by Sector

Asset type	Analytical Manager	Team Lead
Aircraft	Ildiko Szilank	Rajesh Subramanian
Container	Ildiko Szilank	Steve Margetis
Corporate Securitization	Jay Srivats	Chris Dalton
Data Center	Jay Srivats	Jie Liang
DPC	Ildiko Szilank	Srabani Chandra-lal
Drug Royalty	Ildiko Szilank	Steve Margetis
Gas Prepay	Ildiko Szilank	Steve Margetis
Insurance Premium	Ildiko Szilank	Srabani Chandra-Lal
Leveraged Funds	Ildiko Szilank	Steve Margetis
PACE	Ildiko Szilank	Srabani Chandra-Lal
Private Equity CFO	Ildiko Szilank	Jie Liang
Railcar	Ildiko Szilank	Steve Margetis
Small Business Loan	Jay Srivats	Deborah Newman
Solar Loans and Lease	Ildiko Szilank	Srabani Chandra-Lal
Utility Related Securitization	Ildiko Szilank	Srabani Chandra-Lal
Structured Settlements	Jay Srivats	Chris Dalton
Timeshare Loans	Jay Srivats	Deborah Newman
Tobacco Settlement	Jay Srivats	Jie Liang
Triple Net Lease	Jay Srivats	Jie Liang

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Rajesh Subramanian	<a href="mailto:rajesh.subramanian@spglobal.com">rajesh.subramanian@spglobal.com</a>	1 (416)-507-3232

## Who Should I Contact?

- **For all escalations** – Analytical Managers
- **For new proposal feasibility** – Analytical Managers and Sector Lead
- **For rating methodology-related questions** – Sector Lead
- **For transaction-specific questions** – Team Leads
- **For commercial questions** – Commercial Contacts

## Commercial Contacts

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