S&P Global
Ratings

Research

Presale:

World Omni Auto Receivables Trust 2023-A

February 2, 2023

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Preliminary Ratings

Class	Preliminary rating	Type	Interest rate(i)	Base amount (mil. $)	Upsized amount (mil. $)	Expected legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	183.89	216.55	Feb. 15, 2024
A-2a/A-2b(ii)	AAA (sf)	Senior	Fixed/floating	312.70	368.24	July 15, 2026
A-3	AAA (sf)	Senior	Fixed	237.70	279.88	May 15, 2028
A-4	AAA (sf)	Senior	Fixed	82.87	97.61	May 15, 2029
B	AA+ (sf)	Subordinate	Fixed	25.67	30.23	May 15, 2029
C	AA (sf)	Subordinate	Fixed	12.84	15.12	March 15, 2030

Note: This presale report is based on information as of Feb. 2, 2023. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. (i)The coupons on the tranches will be determined on the pricing date. (ii)The class A-2 interest rate will be a fixed interest rate or a combination of fixed and floating interest rates if both fixed- and floating-rate tranches are issued. If a floating-rate tranche is issued, the floating rate will be indexed to compounded SOFR plus a margin (to be determined). The allocation of the principal amount between the class A-2a and A-2b notes will be determined on the pricing date. If class A-2b notes are issued, the depositor does not expect the initial principal balance of the class A-2b notes to exceed $156.35 million ($184.12 million if upsized). SOFR--Secured overnight financing rate.

Profile

Expected closing date	Feb. 15, 2023.
Collateral	Prime auto loan receivables.
Originator, sponsor, and servicer	World Omni Financial Corp. (BBB/Stable/A-2), a wholly owned subsidiary of JM Family Enterprises Inc.
Depositor	World Omni Auto Receivables LLC.
Indenture trustee	U.S. Bank Trust Co. N.A. (AA-/Negative/A-1+).
Bank account provider	U.S. Bank N.A. (AA-/Negative/A-1+).
Owner trustee	Wilmington Trust N.A. (A-/Stable/A-2).

Rationale

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

- The availability of approximately 11.9%, 9.5%, and 8.5% credit support (hard credit enhancement and excess spread) for the class A (classes A-1, A-2a, A-2b, A-3, and A-4), B, and C notes, respectively, based on stressed break-even cash flow scenarios. These credit support levels provide at least 5.0x, 4.5x, and 4.0x coverage of our expected cumulative net loss (ECNL) of 1.35% for the class A, B, and C 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 (2.0x our expected loss level), all else being equal, our preliminary 'AAA (sf)', 'AA+ (sf)', and 'AA (sf)' ratings on the class A, B, and C notes, respectively, are within our credit stability limits (see the Cash Flow Modeling Assumptions And Results section below).
- The timely payment of interest each month and full payment of principal by the designated legal final maturity dates under our stressed cash flow modeling scenarios, which we believe are appropriate for the assigned preliminary ratings.
- The collateral characteristics of the series' prime automobile loans, our view of the credit risk of the collateral pool, and our updated macroeconomic forecast for and forward-looking view of the auto finance sector (see the Credit Enhancement And Collateral and the Macroeconomic And Auto Finance Sector Outlook sections below).
- The transaction's credit enhancement in the form of subordination, a nonamortizing reserve account, overcollateralization that builds to a target level and is subject to a minimum floor level, yield supplement overcollateralization (YSOC), and excess spread (see the Credit Enhancement And Collateral section below).
- Our review of World Omni Financial Corp.'s (World Omni; BBB/Stable/A-2) origination static pool data, managed portfolio data, and 31-year auto loan securitization track record, as well as WOART's historical and current securitization performance.
- The transaction's payment and legal structures.
- The series' bank accounts at U.S. Bank N.A., which do not constrain the preliminary ratings.
- Our operational risk assessment of World Omni as servicer and our view of the company's underwriting and servicing.
- Our assessment of the transaction's potential exposure to environmental, social, and governance credit factors, which are in line with our sector benchmark.

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 primarily consists of vehicles with internal combustion engines (ICEs), which emit pollutants that contribute to climate transition risk. Although the adoption of electric vehicles and future regulation could lower ICE vehicle values over time, we believe our current approach to evaluating recovery and residual values adequately account for vehicle values over the transaction's relatively short expected life. As a result, we did not identify this as a separate material ESG credit factor in our analysis.

Credit Enhancement And Collateral

Structural changes from WOART 2022-D

The key structural changes from the WOART 2022-D transaction comprise:

- The initial YSOC discount rate decreased to 10.20% from 10.40%.
- As of result, the initial YSOC amount decreased to 9.77% (9.78% if upsized) of the aggregate collateral balance from 11.70%.
- If class A-2b floating-rate notes are issued, the YSOC discount rate will step down from 10.20% to 9.95% after the class A-2 notes are paid off, compared with 10.40% to 10.15% for WOART 2022-D. (If no class A-2b notes are issued, the YSOC discount rate will step down on the first payment date.)

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

Table 1

Credit Enhancement Summary

	WOART					
	2023-A (base)	2023-A (upsized)	2022-D	2022-C	2022-B	2022-A
Subordination (% of the initial adjusted receivables balance)						
Class A	4.50	4.50	4.50	4.50	4.50	4.50
Class B	1.50	1.50	1.50	1.50	1.50	1.50
Class C	0.00	0.00	0.00	0.00	0.00	0.00
Reserve account (% of the initial adjusted receivables balance)						
Initial	0.50	0.50	0.50	0.50	0.50	0.25
Target	0.50	0.50	0.50	0.50	0.50	0.25
Floor	0.50	0.50	0.50	0.50	0.50	0.25
Overcollateralization						
Initial (% of the initial adjusted receivables balance)	0.00	0.00	0.00	0.00	0.00	0.25
Target (% of the current adjusted receivables balance)	0.90	0.90	0.90	0.90	0.90	1.15
Floor (% of the initial adjusted receivables balance)	0.50	0.50	0.50	0.50	0.50	0.50

Table 1

Credit Enhancement Summary (cont.)

	WOART					
	2023-A (base)	2023-A (upsized)	2022-D	2022-C	2022-B	2022-A
Total initial hard credit enhancement (% of the initial adjusted receivables balance)						
Class A	5.00	5.00	5.00	5.00	5.00	5.00
Class B	2.00	2.00	2.00	2.00	2.00	2.00
Class C	0.50	0.50	0.50	0.50	0.50	0.50
Total hard floor credit enhancement (% of the initial adjusted receivables balance)						
Class A	5.50	5.50	5.50	5.50	5.50	5.25
Class B	2.50	2.50	2.50	2.50	2.50	2.25
Class C	1.00	1.00	1.00	1.00	1.00	0.75
YSOC discount rate initial(%)	10.20	10.20	10.40	8.90	8.50	5.35
YSOC discount rate (after step-down, if applicable) (%)(i)	9.95	9.95	10.15	8.70	8.25	N/A
Estimated excess spread per year (pre-pricing), including the YSOC amount (% of initial adjusted receivables balance)(ii)	4.1	4.1	3.9	3.8	3.2	3.2
Estimated excess spread per year (post-pricing), including the YSOC amount (% of initial adjusted receivables balance)(ii)	N/A	N/A	4.6	4.3	4.6	3.3
Initial gross receivables balance ($)	948,361,832	1,116,806,264	1,156,658,990	1,123,484,105	1,083,969,918	964,210,704
YSOC amount ($)	92,685,867	109,171,221	135,368,229	111,703,805	100,798,238	35,371,117
Initial adjusted receivables balance ($)	855,675,965	1,007,635,043	1,021,290,761	1,011,780,300	983,171,680	928,839,586
Initial overcollateralization ($)	5,965	5,043	761	300	1,680	2,329,586
Total securities issued ($)	855,670,000	1,007,630,000	1,021,290,000	1,011,780,000	983,170,000	926,510,000

(i)If class A-2b floating-rate notes are issued, the YSOC discount rate for the series 2023-A notes will step down from 10.20% to 9.95% after the class A-2 notes are paid off. If no class A-2b floating-rate notes are issued, the YSOC discount rate will step down to 9.95% on the first payment date and remain at this level for each period thereafter. (ii)Includes the 1.00% annual servicing fee. WOART--World Omni Auto Receivables Trust. YSOC--Yield supplement overcollateralization. N/A--Not applicable.

Collateral changes from WOART 2022-D

The WOART 2023-A collateral pool is mostly comparable to WOART 2022-D and recent pools except for the following notable changes:

- The percentage of Florida receivables (based on the obligors' current billing address) increased to 45.96% (45.81% if upsized) from 34.74%, but it is in line with pools prior to WOART 2022-D. For WOART 2022-D, obligors residing in certain Florida counties were excluded from the pool due to Hurricane Ian.
- The percentage of called collateral (cleaned-up and outstanding collateral from a recently called series that meet WOART 2023-A's receivables selection eligibility) is 9.93% (9.89% if upsized), which is in line with WOART 2022-D (9.14%) but higher than those of prior transactions.
- The percentage of loans secured by used vehicles decreased to 4.17% (4.15% if upsized) from 6.57%.
- The weighted average contract rate increased to 5.59% (base and upsized) from 4.92%.
- The percentage of loans with original terms of 61-72 months increased to 42.93% (43.06% if upsized) from 37.05%.
- The percentage of loans with original terms of 73-75 months decreased to 34.04% (33.94% if upsized) from 43.81%. However, the remaining term for these loans increased slightly to 20.00% (19.89% if upsized) from 18.42%.

Table 2 shows a comparison of the WOART 2023-A collateral pools (base and upsized) and other recent WOART pools. As of the Jan. 2, 2023, cutoff date, the WOART 2023-A base collateral pool consisted of $948.36 million (approximately $1.117 billion if upsized) in World Omni-originated auto loans. The weighted average FICO score of 753 is in line with the historical vintages' weighted average FICO score.

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

- None of the loans have an original term greater than 75 months.
- The loans have a minimum FICO score of 650. Loans with FICO scores of 649 and lower have been excluded from WOART pools since series 2017-B.
- None of the loans are backed by non-Toyota vehicles. These loans have been excluded from WOART securitization since series 2018-A. Based on historical performance data provided by the company, loans on non-Toyota vehicles generally performed slightly worse than Toyota vehicle loans.
- The loans in the securitized pool have made their first payment as of the cutoff date. This criterion was added to the transactions beginning with WOART 2019-C.
- Receivables that have received an extension must have made at least one scheduled payment after the extension to be eligible for inclusion in the securitization pool.

Table 2

Collateral Comparison(i)

	WOART					
	2023-A (base)	2023-A (upsized)	2022-D	2022-C	2022-B	2022-A
Receivables balance (mil. $)	948.36	1,116.81	1,156.66	1,123.48	1,083.97	964.21

Table 2

Collateral Comparison(i) (cont.)

	WOART					
	2023-A (base)	2023-A (upsized)	2022-D	2022-C	2022-B	2022-A
No. of receivables	38,694	45,522	50,043	42,981	44,920	37,826
Avg. loan balance ($)	24,509	24,533	23,113	26,139	24,131	25,491
Weighted avg. contract rate (%)	5.59	5.59	4.92	4.33	4.16	4.21
Weighted avg. original term (mos.)	67.86	67.85	68.69	68.00	68.01	69.09
Weighted avg. remaining term (mos.)	60.43	60.43	60.91	61.07	59.67	61.65
Weighted avg. seasoning (mos.)	7.43	7.42	7.77	6.93	8.33	7.44
Weighted avg. FICO score	753	753	753	752	751	750
FICO score distribution (%)						
720-plus	64.86	64.76	65.42	64.45	62.81	62.05
700-719	10.55	10.53	11.04	10.94	11.05	11.79
680-699	10.49	10.58	10.08	10.55	10.75	10.65
650-679	12.85	12.82	12.09	12.71	13.94	13.70
No FICO score	1.25	1.30	1.37	1.35	1.45	1.80
% of pool balance with an original term of 61-72 months	42.93	43.06	37.05	31.24	30.86	28.88
% of pool balance with an original term of 73-75 months	34.04	33.94	43.81	49.51	49.47	52.53
% of pool balance with an original term greater than 60 months	76.97	77.00	80.85	80.74	80.33	81.41
% of pool balance with remaining term of 73-75 months	20.00	19.89	18.42	17.63	24.39	2.48
New vehicles (%)	95.83	95.85	93.43	94.06	93.95	92.67
Used vehicles (%)	4.17	4.15	6.57	5.94	6.05	7.33
Toyota vehicles (%)	100.00	100.00	100.00	100.00	100.00	100.00
Non-Toyota vehicles (%)	0.00	0.00	0.00	0.00	0.00	0.00
Clean-up collateral (%)	9.93	9.89	9.14	6.29	7.79	5.47
Top five state concentrations by state of residence (%)						
	FL=45.96	FL=45.81	FL=34.74	FL=47.71	FL=48.16	FL= 47.76
	GA=18.97	GA=19.02	GA=23.25	GA=18.81	GA=18.27	GA=19.01
	NC=16.57	NC=16.48	NC=19.60	NC=15.65	NC=15.47	NC=15.13
	AL=9.38	AL=9.48	AL=11.20	AL=8.91	AL=9.07	AL=9.27
	SC=6.50	SC=6.59	SC=7.70	SC=6.28	SC=6.28	SC=6.44

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

Overall, we believe the WOART 2023-A collateral pool's credit quality is comparable to that of WOART 2022-D. In determining our base-case expected loss for the transaction, we considered WOART 2023-A's pool collateral characteristics, the outstanding WOART securitizations' performance trends, WOART's managed portfolio, and our macroeconomic and auto finance sector outlooks, including our baseline forecast and the effect on collateral credit quality. Our ECNL for WOART 2023-A is 1.35%, which is lower than the 1.40% for WOART 2022-D, primarily due to the better-than-expected performance of recently paid-off and outstanding series relative to our initial expectations (see the S&P Global Ratings' Expected Loss section below).

Macroeconomic And Auto Finance Sector Outlook

We believe 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 3 and their baseline effect on collateral credit quality in determining our base-case expected loss level.

As the Federal Reserve's (Fed) aggressive tightening of interest rates increases borrowing costs, we expect the economy to decline 0.1% in 2023, as the economy falls into a shallow recession in the first half of the year (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, then slowly descend to 4.7% by fourth-quarter 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 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
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

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: 1.35%

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

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

Given World Omni's established performance track record as a frequent issuer, we placed more emphasis on origination static pool analysis and outstanding series performance when determining the expected loss for this series. We complemented this analysis with our forward-looking view of the economy and the auto finance sector (see the Macroeconomic And Auto Finance Sector Outlook section above).

Overall, we expect WOART 2023-A to experience lifetime CNLs of 1.35%, which is lower than our initial ECNL expectation of 1.40% for WOART 2022-D.

Managed portfolio

As of Dec. 31, 2022, World Omni's serviced retail installment sale contracts portfolio totaled approximately $12.74 billion, up slightly from $12.44 billion as of Dec. 31, 2021. Total delinquencies as a percentage of the ending net receivables increased to 2.18% as of Dec. 31, 2022, from 1.73% a year earlier, primarily due to an increase in 31- to 60-day delinquencies. Net losses as a percentage of the average outstanding principal amount increased to 0.29% for the 12 months ended Dec. 31, 2022, from 0.24% a year earlier. Meanwhile, repossessions as a percentage of the average number of contracts outstanding decreased to 1.03% from 1.11%.

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

Table 4

Managed Portfolio Performance Of Retail Installment Contracts

	2022	2021	2020	2019	2018
Ending net receivables ($000s)	12,739,696	12,438,689	11,961,792	11,409,089	10,693,151
Ending no. of contracts	596,766	602,402	604,898	596,514	572,018
Delinquency (%)(i)					
31-60 days	1.60	1.30	1.43	1.68	1.64
61-90 days	0.48	0.35	0.41	0.50	0.49
91-120 days	0.09	0.07	0.06	0.08	0.08
Over 120 days	0.01	0.01	0.00	0.02	0.01
Total 31-plus-day delinquencies	2.18	1.73	1.90	2.29	2.22
Avg. portfolio outstanding ($000s)	12,466,833	12,295,671	11,585,335	10,919,473	10,362,913
Avg. no. of contracts outstanding	594,540	607,305	598,081	580,291	560,197
No. of repossessions	6,137	6,757	8,463	10,985	10,794
Repossessions (% of the avg. no. of contracts outstanding)	1.03	1.11	1.42	1.89	1.93
Net losses ($000s)	36,641	28,940	98,140	106,223	110,958
Net losses (% of the avg. portfolio outstanding, annualized)	0.29	0.24	0.85	0.97	1.07

(i)The dollar amount of delinquent contracts as a percentage of the ending net receivables.

Origination static pool analysis

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

WOART series performance

World Omni's paid-off transactions from 2011 through WOART 2017-A experienced CNLs of 0.96%-2.54%, while the paid-off WOART 2017-B, 2018-A, 2018-B, 2018-C, and 2018-D transactions experienced CNLs of 0.91%-1.37% (see chart 1). We currently maintain ratings on 14 WOART transactions issued between 2019 and 2022 (see table 5 and charts 2 and 3).

Chart 1

Paid-Off World Omni Securitization Cumulative Net Losses

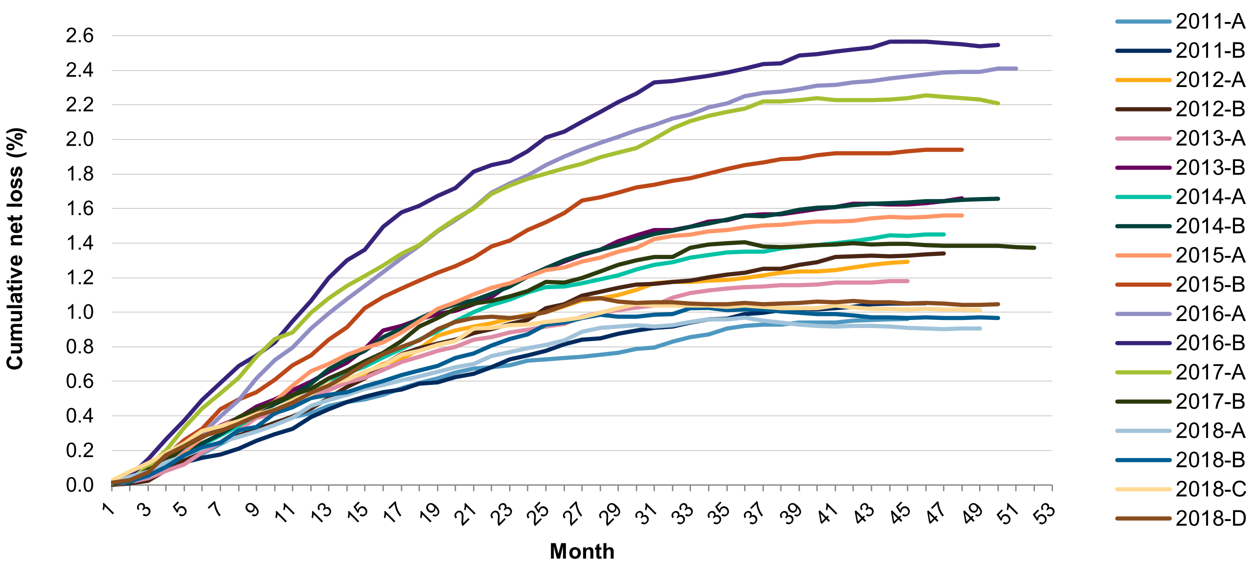


Table 5

Securitization Performance On Outstanding WOART Transactions(i)

Series	Month	Pool factor (%)	Current CNL (%)	60-plus-day delinquencies (%)	Initial lifetime CNL exp. (%)	Revised lifetime CNL exp.(%)(ii)
2019-A	48	10.44	0.86	0.67	1.20-1.40	Up to 0.90
2019-B	44	12.45	0.79	0.62	1.20-1.40	Up to 0.85

Table 5

Securitization Performance On Outstanding WOART Transactions(i) (cont.)

Series	Month	Pool factor (%)	Current CNL (%)	60-plus-day delinquencies (%)	Initial lifetime CNL exp. (%)	Revised lifetime CNL exp.(%)(ii)
2019-C	38	16.95	0.70	0.47	1.20-1.40	Up to 0.85
2020-A	34	23.12	0.58	0.43	1.30-1.50	0.85
2020-B	31	26.63	0.22	0.19	1.80-2.00	0.70
2020-C	29	31.95	0.28	0.39	1.80-2.00	0.85
2021-A	23	38.79	0.29	0.46	1.80-2.00	1.00
2021-B	20	47.33	0.29	0.40	1.55-1.75	1.10
2021-C	17	50.33	0.29	0.48	1.40-1.60	1.10
2021-D	14	58.78	0.22	0.52	1.40-1.60	1.15
2022-A	11	64.78	0.26	0.45	1.35-1.55	N/A
2022-B	7	73.74	0.15	0.38	1.30-1.50	N/A
2022-C	5	82.56	0.08	0.31	1.40	N/A
2022-D	2	90.93	0.00	0.13	1.40	N/A

(i)As of the January 2023 distribution date. (ii)Revised in Dec. 2022. CNL--Cumulative net loss. CNL exp.--Cumulative net loss expectations. N/A--Not applicable.

Chart 2

Outstanding World Omni Securitization Cumulative Net Losses

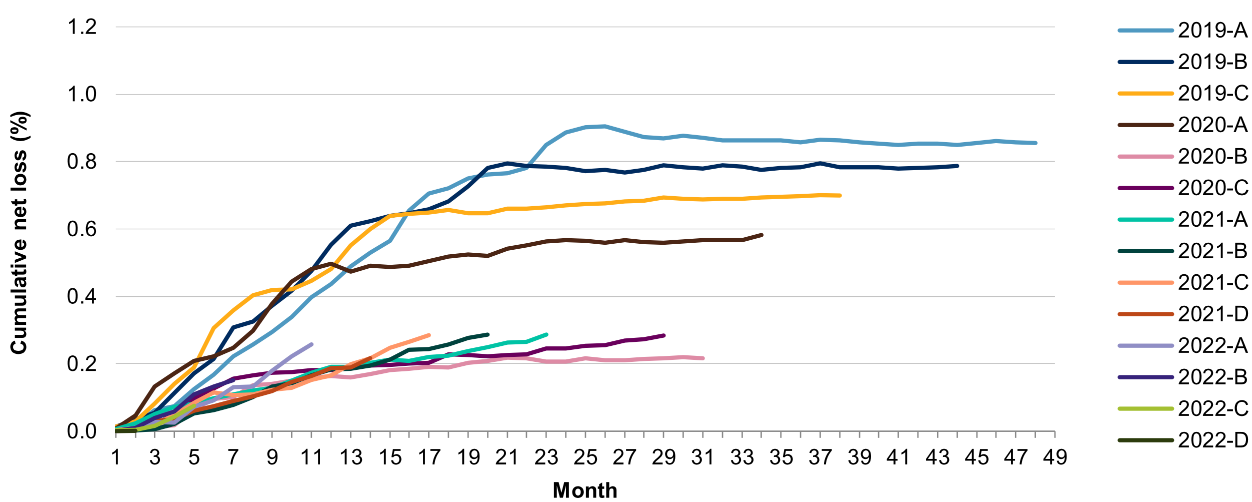
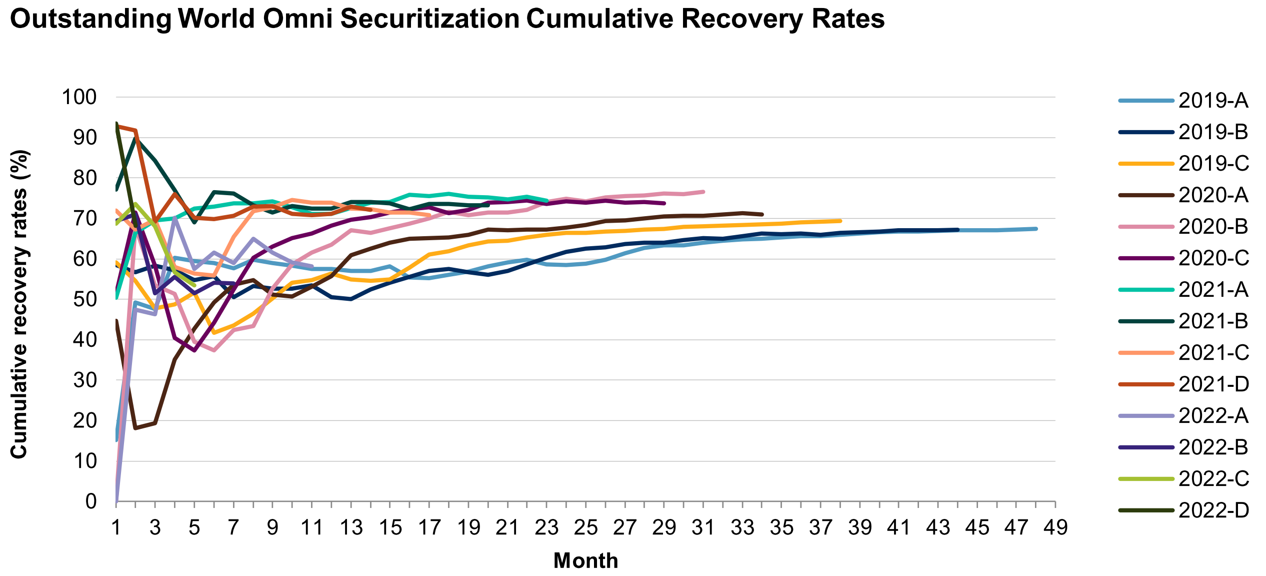


Chart 3



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

Legal Overview And Transaction Structure

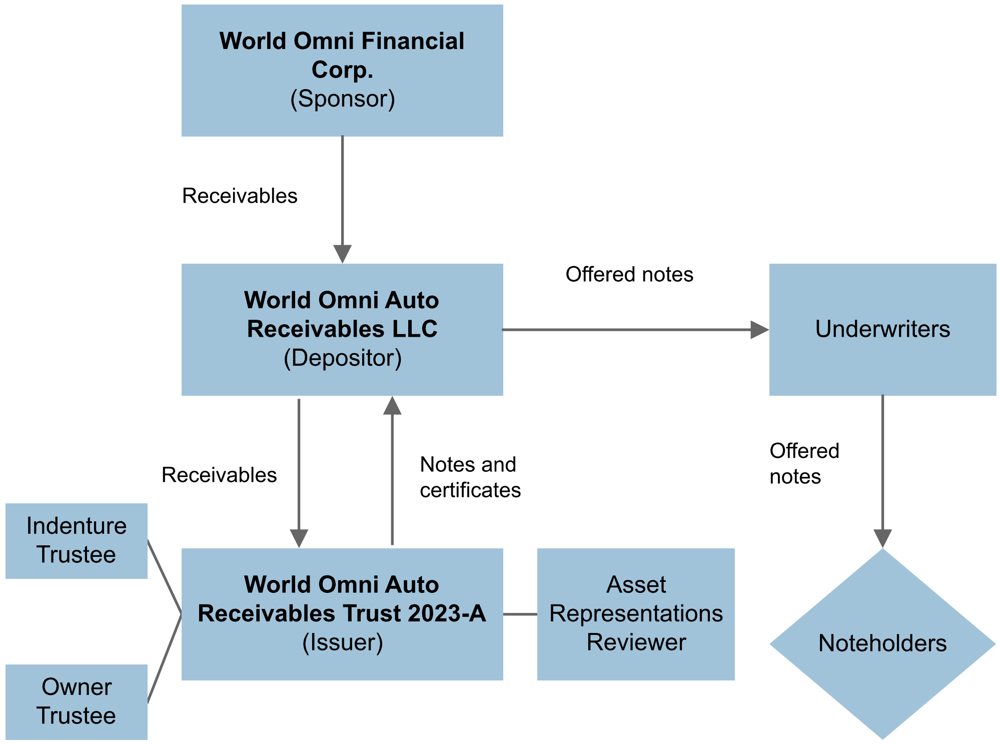
Legal overview

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

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

Chart 4

Transaction Structure



Transaction structure

WOART 2023-A is World Omni's first auto loan securitization in 2023 and its 23rd to be issued under its Regulation AB II-compliant retail shelf. The notes will be backed by a pool of fixed-rate retail installment sale contracts used to finance new and used automobiles and light-duty trucks. Interest and principal on the notes are scheduled to be paid on the 15th of each month (or the next business day), beginning March 15, 2023.

WOART 2023-A incorporates the following structural features:

- A sequential-pay mechanism that results in increased credit enhancement for the senior notes as the pool amortizes.
- Notes that pay a fixed interest rate, except for class A-2, which will pay either a fixed interest rate or a combination of fixed and floating interest rates that will be indexed to 30-day average compounded SOFR.
- Overcollateralization that begins at 0.00% of the initial adjusted pool balance and builds to a target of 0.90% of the outstanding adjusted pool balance. Overcollateralization will build using excess spread to pay principal on the notes until it reaches the target, and it will then amortize

down to 0.50% of the initial adjusted pool balance and remain at that amount until the rated notes are paid in full.

- A fully funded nonamortizing reserve account that will equal 0.50% of the initial adjusted pool balance.
- A YSOC that initially will be approximately 9.77% (9.78% if upsized) of the collateral balance. YSOC will be calculated each month as the pool amortizes, based on the difference between the aggregate receivables balance outstanding and the present value of the receivables balance, discounted at the greater of 10.20% per year or the receivables' actual annual percentage rate (APR). The YSOC is sized so that the yield on the contracts with APRs below the YSOC required rate is raised to the required rate. Once the class A-2b notes are fully repaid, the YSOC discount rate will step down to 9.95%. If no class A-2 floating-rate notes are issued, the YSOC discount rate will step down to 9.95% on the first payment date.
- Excess spread, to the extent available after covering net losses, to pay principal on the outstanding notes and build credit enhancement to the target level.

Payment Priority

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

Table 6

Payment Waterfall

Priority	Payment
1	Asset representations reviewer fees, up to a maximum amount of $150,000 per year.
2	Class A note interest.
3	First-priority principal distributable amount (if the class A notes' outstanding amount exceeds the adjusted pool balance).
4	Class B note interest.
5	Second-priority principal distributable amount (if the class A and B notes' outstanding amount exceeds the adjusted pool balance) minus any amount allocated to pay principal of the notes in item 3 above.
6	Class C note interest.
7	Third-priority principal distributable amount (if the class A, B, and C notes' outstanding amount exceeds the adjusted pool balance) minus any amount allocated to pay principal of the notes in items 3 and 5 above.
8	To the required reserve account until it reaches the required amount of 0.50% of the initial adjusted pool balance.
9	The noteholders' principal distributable amount minus the amounts allocated to pay principal of the notes in items 3, 5, and 7 above. This will build overcollateralization to the 0.90% target of the current adjusted pool balance.
10	Unpaid fees, expenses, and indemnities due to the asset representations reviewer.
11	Any remainder to the certificateholders.

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

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

Payment distributions after an event of default

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

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

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

- If the event of default is related to the payment of principal or interest on the notes, the trust estate may be liquidated without further caveat; and
- If the event of default is related to breach of representations, warranties, or covenants, or to bankruptcy, the trust estate may be liquidated if 100% of the noteholders consent to it; if the sale or liquidation proceeds are sufficient to ensure all noteholders are paid in full; or if the indenture trustee determines that the trust estate cannot provide sufficient funds to pay principal and interest on the notes and obtains noteholder consent of two-thirds of the controlling class' principal amount.

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

Table 7

Event Of Default Payment Waterfall

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

Table 7

Event Of Default Payment Waterfall (cont.)

Priority	Payment
8	Any remaining funds to the certificateholders.

Cash Flow Modeling Assumptions And Results

In our cash flow analysis, we assess the availability of asset cash flows to meet the transaction's promised obligations under a variety of stress assumptions, while considering the transaction structure and available credit support. We also use our cash flow analysis in other aspects of our ratings analysis, including the testing of credit stability (sensitivity analysis) and legal final analysis.

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

Break-even analysis

For the WOART 2023-A transaction structure, we used a bifurcated-pool method and applied the assumptions outlined in table 8 in our cash flow analysis to simulate stress scenarios that we believe are appropriate for the assigned preliminary ratings. To assign a rating to a class, we consider the class's lower break-even (the maximum net losses the class can withstand without defaulting) and generally expect it to be equal to or greater than the rating stressed scenario break-even requirement.

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

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

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

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

Table 8

Cash Flow Assumptions

Servicing fee (%)	1.00
Recovery rate (%)	50
Charge-off and recovery lag (mos.)	4
Bifurcated pool (%)	
Underwater	50
Above-water	50
Loss allocation (% of total losses)	
Underwater	40
Above-water	60
Voluntary ABS (%)	
Underwater	0.25
Above-water	1.50
CNL timing mos. (12/24/36/48)(%)	
Underwater	25/60/80/100
Above-water	40/75/95/100

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

Table 9

Break-even Cash Flow Results

	Class		
	A	B	C
Preliminary rating	AAA (sf)	AA+ (sf)	AA (sf)
CNL timing mos.(12/24/36/48)(%)			
Aggregate	37/73/91/100	37/74/92/100	35/74/92/100
Underwater	30/68/85/100	30/68/85/100	30/68/85/100
Above-water	41/76/95/100	41/76/95/100	41/76/95/100
Approximate break-even CNL levels(%)(i)			
Required	6.8	6.1	5.4
Available	11.9	9.5	8.5

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

Although the break-even levels for classes B and C satisfy our minimum requirement for the preliminary ratings assigned to the classes immediately above, given their relative subordinated position and distribution of losses within the transaction's structure, the ratings on classes B and C are structurally constrained (see "S&P Global Ratings Definitions," published Nov. 10, 2021).

Sensitivity analysis

In addition to running break-even cash flows, we undertook sensitivity analyses using the assumptions in table 8. We believe that under a moderate ('BBB') stress scenario (2.00x of our 1.35% expected loss level) and with 100% credit to any excess spread, all else being equal, our preliminary ratings will be within the credit stability limits specified by section A.4 of the Appendix in "S&P Global Ratings Definitions," published Nov. 10, 2021 (see table 10 and chart 5).

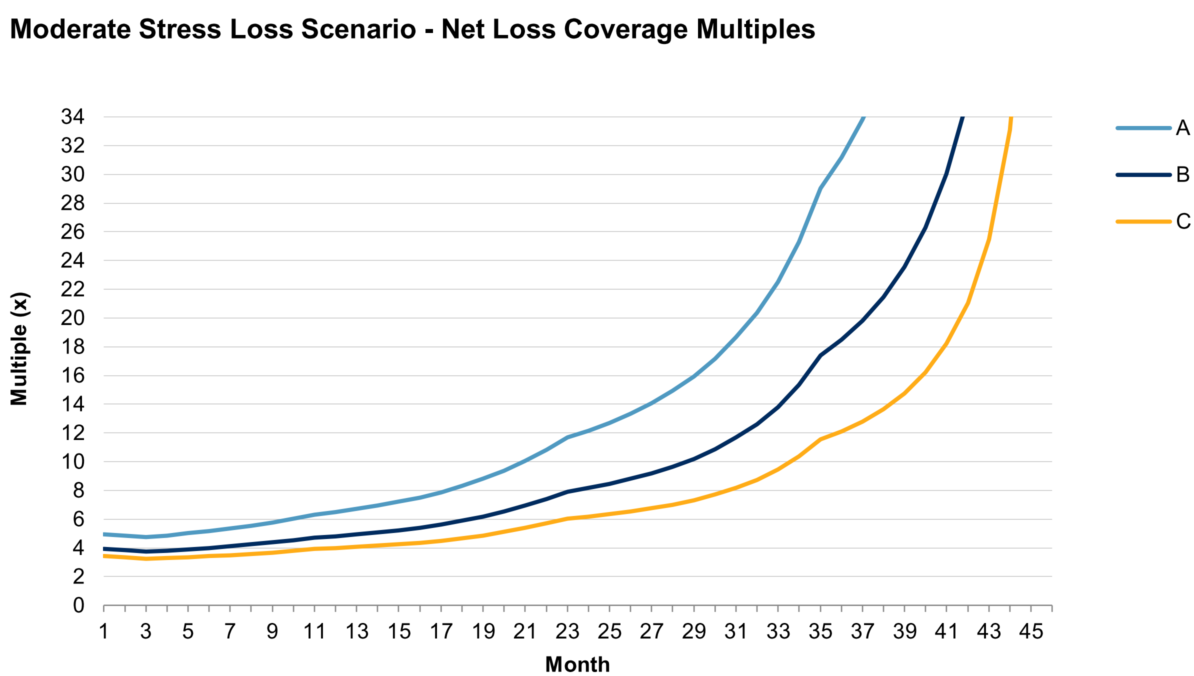
Table 10

Credit Stability As A Limiting Factor On Ratings

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

(i)These credit quality transitions do not reflect our view of the expected degree of deterioration that rated issuers or obligations could experience over the specified time horizons. Nor do they reflect the typical historical levels of deterioration among rated issuers and securities.

Chart 5



Money market tranche sizing

The proposed legal final maturity date for the money market tranche (class A-1) is Feb. 15, 2024. To test whether the money market tranche can be repaid 12 months from closing, we ran cash flows using assumptions that delay the principal collections during the 12-month period. In addition to zero defaults, we assumed a 0.50% absolute prepayment speed on above-water loans and a 0% absolute prepayment speed on underwater loans in our cash flow scenario. Based on our cash flow scenario, approximately 10 months of collections would be sufficient to pay off the money market tranche.

Legal final maturity

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

Counterparty And Operational Risks

On or before the closing date, the series bank accounts will be established in the name of the account bank, U.S. Bank N.A. (an affiliate of the indenture trustee) as segregated trusts accounts. The bank account provider is consistent with our counterparty criteria for a 'AAA'-supported transaction (see "Counterparty Risk Framework: Methodology And Assumptions," published March 8, 2019).

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

World Omni

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

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

Southeast Toyota, a wholly owned subsidiary of JMFE, is the exclusive distributor of Toyota cars and light-duty trucks, parts, and accessories in the five-state area. Its distributor agreement with

Toyota Motor Sales USA Inc. began in 1968 and has been renewed through October 2024.

Related Criteria

- Criteria | Structured Finance | ABS: Global Auto ABS Methodology And Assumptions, March 31, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 15, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
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- 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: November 2022 Performance, Jan. 11, 2023
- Thirteen Ratings Raised And 28 Affirmed From 10 World Omni Auto Receivables Trust Transactions, Dec. 14, 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
- World Omni Financial Corp., July 8, 2022