

Bulletin:

VW's Hybrids Retain Equity Content Despite Hybrid Call

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This report does not constitute a rating action.

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FRANKFURT (S&P Global Ratings) July 28, 2023--S&P Global Ratings today said that the decision by Germany-based global automaker Volkswagen AG (VW; BBB+/Stable/A-2) to call the €750 million hybrid issued by its financing subsidiary, Volkswagen International Finance N.V., on the first call date of Sept. 4, 2023, does not affect the intermediate equity content of the remaining portfolio, which consists of about €13.3 billion of hybrid instruments. This is because we think VW remains committed to maintaining its layer of hybrid capital as a cushion in times of stress, which is underscored by the company's track record of regular hybrid issuance.

VW last issued €2.25 billion of hybrid notes on March 28, 2022, which we view as a replacement for the €1.5 billion hybrid already called on its first call date in December 2022 and the €750 million hybrid being called today. In March 2022, VW announced the redemption of a €1.1 billion hybrid with a first call date on March 21, 2022, and also stated that it intended to maintain the total volume of its hybrid capital at around the level prior to the redemption, which was €14.25 billion at the time. The effect on VW's credit metrics from the current redemption will be negligible, and not diminish the headroom under our rating thresholds given the company's adjusted debt was lower than €4 billion as of March 31, 2023.

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