Presale:

FOCUS Brands Funding LLC (Series 2022-1)

June 28, 2022

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Preliminary Ratings

Class	Preliminary rating	Balance (mil. $)(i)	Anticipated repayment date	Legal final maturity date
A-1	BBB (sf)	200.00(ii)	July 2027(iii)	July 2052
A-2	BBB (sf)	410.00	July 2029	July 2052

Note: This presale report is based on information as of June 28, 2022. 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 individual class sizes are preliminary. (ii)$165 million is expected to be drawn at closing. In our analysis, we assumed a full draw on the $200 million series 2022-1 class A-1 variable-funding notes. (iii)Plus two optional one-year extensions.

Executive Summary

FOCUS Brands Funding LLC's series 2022-1 issuance is a $610.00 million corporate securitization of Focus Brands LLC's (FOCUS) business. Based in Atlanta, FOCUS is a limited-service restaurant (LSR) company in the quick service and fast casual segments, engaged in the business of operating and franchising a system of seven distinct brands. As of March 27, 2022, 99% of FOCUS's 6,367 units are franchised, with approximately 1,800 franchisees operating 6,292 units. With locations in all 50 states and 59 foreign countries and territories, FOCUS's global systemwide sales totaled $3.7 billion the last 12 months ended March 27, 2022.

The series 2022-1 senior notes will be the third series issued by FOCUS Brands Funding LLC (the master issuer) since 2017. The proceeds of the series 2022-1 issuance are expected to repay the outstanding series 2017-1 class A-2-I-B notes, along with fees and expenses associated with the issuance. Any remaining proceeds will be used for general corporate purposes, which may be used to fund shareholder distributions. Table 1 shows the series 2022-1 issuance's impact on leverage, while table 2 and chart 1 show the expected maturity schedule for the master issuer's outstanding series after the series 2022-1 issuance.

Debt repayment is supported primarily by franchise royalties, company-owned royalties, license revenue, and vendor rebate payments.

Table 1

Impact On Leverage

	Current(i)	Pro forma	Pro forma with fully drawn VFN(ii)
Senior ABS debt (mil. $)	854	1,245	1,280
SNCF (mil. $) (iii)	213	240	240
ABS debt to SNCF	4.0x	5.2x	5.3x

(i)As of March 27, 2022. (ii)Series 2022-1 class A-1 $200 million VFN. (iii)Reflects benefits of $27 million to SNCF due to supply chain efficiencies. Note: We make certain adjustments to SNCF in our analysis (see Cash flow assumptions section below). VFN--Variable funding notes. ABS--Asset-backed securities. SNCF—Securitized net cash flow. Source: Focus Brands LLC.

Table 2

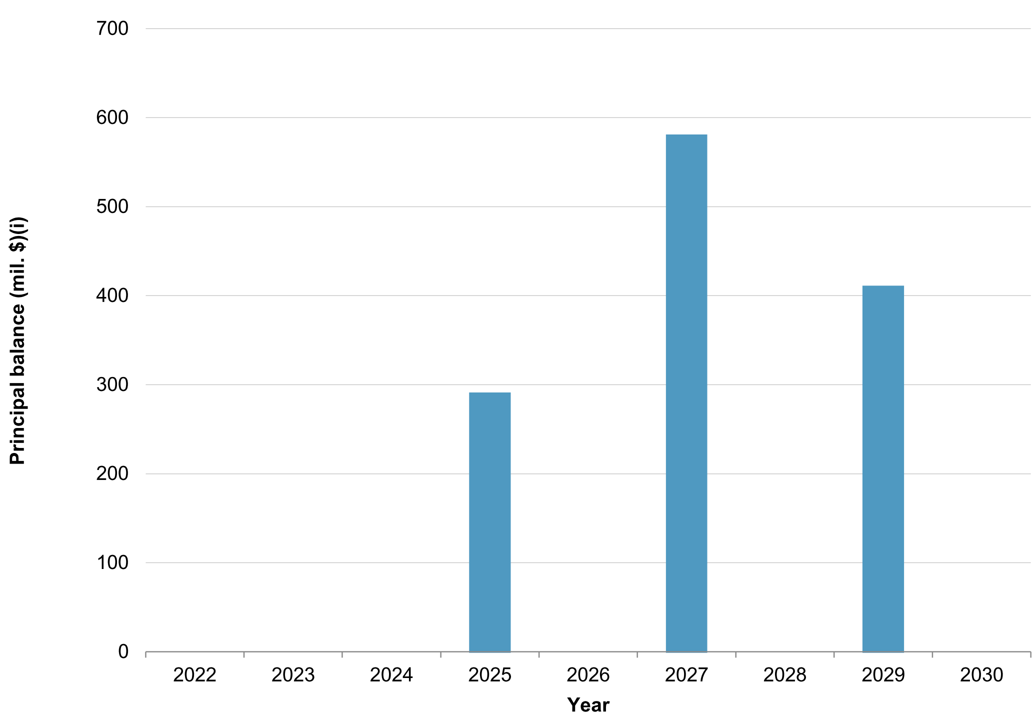
Expected Securitization Maturity Schedule

Issue	Principal balance (mil. $)	Anticipated repayment date	Legal final maturity date
Series 2017-1 class A-2-II(i)	380	April 2027	April 2047
Series 2018-1 class A-2(i)	290	October 2025	October 2048
Series 2022-1 class A-1(ii)	200	July 2027(iii)	July 2052
Series 2022-1 class A-2(ii)	410	July 2029	July 2052

(i)Outstanding principal balance as of March 27, 2022. (ii)Individual class sizes are preliminary. (iii)Plus two optional one-year extensions. We assumed a full draw on the $200 million series 2022-1 class A-1 variable-funding notes. Source: Focus Brands LLC.

Chart 1

Securitization Anticipated Repayment Date Schedule



(i)Outstanding principal balance as of March 27, 2022. Source: Focus Brands LLC.

Transaction Timeline/Participants

Table 3

Transaction Timeline

Expected closing date	July 1, 2022.
First payment date (interest)	July 30, 2022.
First payment date (principal)	Oct. 30, 2022.
Class A-1 ARD (i)	July 30, 2027.
Class A-2 ARD	July 30, 2029.
Class A-1 legal maturity date	July 30, 2052.
Class A-2 legal maturity date	July 30, 2052.
Note payment frequency	Quarterly.

(i)Plus two optional one-year extensions. ARD--Anticipated repayment date.

Table 4

Participants

Master issuer	FOCUS Brands Funding LLC.
Co-Issuer	Jamba Juice Funding LLC.
Guarantors	FOCUS Funding Holdco LLC, Jamba Juice Funding Holdco LLC, FOCUS Brands Systems LLC, Jamba Juice Franchisor SPV LLC, Carvel Franchisor SPV LLC, Auntie Anne's Franchisor SPV LLC, Cinnabon Franchisor SPV LLC, Moe's Franchisor SPV LLC, Schlotzsky's Franchisor SPV LLC, and McAlister's Franchisor SPV LLC.
Trustee	Citibank N.A.
Manager	Focus Brands LLC.
Back-up manager	FTI Consulting Inc.
Servicer	Midland Loan Services Inc., a division of PNC Bank N.A.
Lead arranger	Barclays Capital Inc.

Rating Rationale

The preliminary ratings assigned to FOCUS Brand Funding LLC's series 2022-1 senior secured notes reflect our assessment of:

- The diversified portfolio of the manager's brands. This diversification among brands and across regions provides a wide range of meal options to consumers, which may result in greater average unit volume (AUV) and unit count stability as a whole in future economic downturns (see the Summary Of The Business section below for details on each of FOCUS's brands).
- The replaceable manager. The manager's responsibilities are generally limited to sales and general and administrative (SG&A) functions, which we believe increases the likelihood of successful replacement following a termination of the current manager. In addition, the transaction has a backup manager, FTI Consulting Inc. (established in the initial series 2017-1 securitization), that has reviewed the business' cost structure relative to the sizing of the management fee and believes it is adequate should it need to step in.
- The legal isolation of the assets. As of the initial series 2017-1 transaction, the manager will no longer own substantially all of the business' cash-generating assets. They have been sold through a true sale to the securitization issuer and guarantors, which are bankruptcy-remote entities. This should decrease the likelihood that existing FOCUS creditors could disrupt cash flow to the securitization following a manager bankruptcy. Legal opinions related to true sale and nonconsolidation have been or will be provided before this transaction's closing.
- The asset performance being not fully correlated with manager performance. A system of franchised restaurants will likely continue to generate cash flow following the manager's bankruptcy because individual franchisees generally operate independently from the manager (aside from SG&A functions, which we believe can be transferred to a backup).
- The cash flow coverage. Given the strength of the brands, the replaceable nature of the manager, and the legal isolation of the assets from the manager, we have projected long-term cash flows for the business. Our analysis incorporates cash flow haircuts that reflect our view of how the business' assets could weaken in adverse economic conditions. Under these conditions, our analysis shows that the cash flows the business generates are sufficient to meet all debt service obligations of the rated notes.

- The liquidity. The transaction is supported by a reserve account funded with three months of interest expenses and/or a letter of credit.

Environmental, Social, And Governance (ESG) Factors

Our rating analysis considered the transaction's potential exposure to ESG credit factors, which, in our view, is in line with other corporate securitizations. We generally accounted for these ESG factors, and other factors, in our business volatility score and cash flow assumptions.

Under the environmental credit factors, we consider the additional costs restaurant chains would face due to increased environmental regulations or climate events, such as extreme storms or floods. In our view, FOCUS's supply chain is not an outlier in greenhouse gas emissions or pollutants, and every branded restaurant is subject to a variety of federal, state, and local environmental laws and regulations.

Under the social credit factors, we consider the exposure restaurant chains have to public health risks and changes in demographic trends. The poignant example of the COVID-19 pandemic demonstrates how health and safety fears can cause widespread temporary disruptions to businesses, which, in turn, could affect the collateral performance backing the securitization. The restaurant industry is dependent on consumer discretionary spending, which can materially diminish during economic downturns. However, FOCUS has mitigated this risk with its diverse meal offerings, tailoring to multiple dayparts and check sizes. Restaurants are also vulnerable to foodborne illness, labor shortage, and increased costs, including any increase to the federal minimum wage.

Under governance credit factors, we consider how FOCUS executes and monitors its overall strategy, along with internal controls and risk management, within our operational risk assessment framework. FOCUS's experienced management team, with a strong track record through multiple economic and business cycles and demonstrated resilience during recessions, are examples of its operational strength.

Key Ratings Considerations

Based on our review of FOCUS's operations and performance history, we considered the following transaction strengths, weaknesses, and mitigating factors.

Strengths

- FOCUS has a diverse portfolio of seven distinct brands, which offer a wide range of meal options to customers. This provides a balanced revenue stream to the company.
- FOCUS's brands have a long operating history, which have spanned multiple economic downturns. Moe's Southwest Grill (Moe's) is the youngest brand, which was founded in 2000. Carvel was founded in 1934, making it FOCUS's oldest brand.
- FOCUS's system benefits from scale and geographic diversity, with 6,367 units located in all 50 states and 59 foreign countries and territories.
- The system is 99% franchised, and franchises have an average tenure of 14 years.
- The company has an established digital presence. FOCUS leverages its brand-owned apps and websites, along with other digital infrastructure, to grow its touchpoints and loyalty with its

customers.

- Global systemwide sales have grown in 12 of the past 13 years, with the pullback in 2020 being caused by the onset of the COVID-19 pandemic.
- The securitization assets are legally isolated, accomplished through a true sale to the bankruptcy-remote securitization entities (issuer and guarantors).

Weaknesses

- FOCUS has a large presence in shopping malls, airports, and outlet centers. These venues can see significant decline in foot-traffic as consumer shopping and travel behaviors change.
- Twenty-one percent of retained collections are sourced from non-royalty-based revenues, which can exhibit more volatility.
- FOCUS's international presence in 59 foreign countries and territories could expose the company to various supply chain risks.
- Longer-term pressure on store profitability from labor shortages and inflation could degrade the system.

Mitigating Factors

- FOCUS's digital capabilities allow its brands to serve customers through off-premise ordering and delivery.
- FOCUS's seasoned franchisee base and growing system sales have provided stability to both royalty- and non-royalty-based revenues.
- A majority of FOCUS's sales are generated domestically, with international sales representing approximately 8% of total systemwide sales as of March 27, 2022. FOCUS also recently insourced its procurement function, which has strengthened its supply chain functions.
- FOCUS is a highly franchised system, therefore the impact on store profitability would not have an immediate impact on the highly revenue-based securitized net cash flows.

Table 5

Key Credit Metrics And Peer Comparison

Brands	Series	S&P Global Ratings' credit rating(i)	Store count (no.)	AUV (mil. $)	Franchised (%)(ii)	International (%)(ii)	Operating history (from founding)	Concept type	Leverage (total debt/adjusted EBITDA)(iii)	S&P Global Ratings' min. base-case DSCR(iv)	S&P Global Ratings' min. downside DSCR(iv)
FOCUS(v)	2022-1	BBB (sf)	6,367	0.6	99.0	27.0	21 years	QSR/multi	6.9	1.8	1.5
Five Guys	2022-1	BBB- (sf)	1,733	1.5	65.0	15.0	Over 30 years	QSR/burger	6.8	1.8	1.4
Wendy's	2022-1	BBB (sf)	6,949	1.8	95.0	14.0	Over 30 years	QSR/burger	6.9	1.6	1.3
Jimmy John's	2022-1	BBB (sf)	2,674	0.8	98.0	-	Over 30 years	QSR/sandwich	6.2	1.8	1.5

Table 5

Key Credit Metrics And Peer Comparison (cont.)

Brands	Series	S&P Global Ratings' credit rating(i)	Store count (no.)	AUV (mil. $)	Franchised (%)(ii)	International (%)(ii)	Operating history (from founding)	Concept type	Leverage (total debt/adjusted EBITDA)(iii)	S&P Global Ratings' min. base-case DSCR(iv)	S&P Global Ratings' min. downside DSCR(iv)
Servpro	2022-1	BBB- (sf)	1,923	1.7	100.0	-	Over 30 years	Restoration services	7.0	1.7	1.4
Jack in the Box	2022-1	BBB (sf)	2,218	1.9	93.0	-	Over 30 years	QSR/burger	5.6	1.8	1.4
Planet Fitness	2022-1	BBB- (sf)	2,193	1.7	90.0	2.9	Over 30 years	Fitness	7.7	2.0	1.3
Jersey Mike's	2021-1	BBB (sf)	2,027	1.1	99.0	0.1	Over 30 years	QSR/sandwich	5.4	2.0	1.5
Dunkin' Brands	2021-1	BBB (sf)	20,552	1.0	100.0	43.0	Over 30 years	QSR/beverage	6.7	1.7	1.4
Driven Brands	2021-1	BBB- (sf)	3,331	1.1	84.0	19.0	Over 30 years	Auto services	5.5	1.8	1.4
Taco Bell	2021-1	BBB (sf)	6,895	1.8	93.0	8.9	Over 30 years	QSR/mexican	4.9	1.8	1.6
Sonic	2021-1	BBB (sf)	3,524	1.7	92.0	-	Over 30 years	QSR/burger	6.5	1.8	1.6
ServiceMaster Brands	2021-1	BBB- (sf)	2,624	1.2	99.0	31.0	Over 30 years	Restoration services	8.0	1.8	1.4
Hardee's/Carl's Jr.	2021-1	BBB (sf)	3,834	1.3	94.0	26.0	Over 30 years	QSR/burger	7.2	1.8	1.4
Domino's	2021-1	BBB+ (sf)	17,644	0.9	98.0	64.0	Over 30 years	QSR/pizza	6.4	1.8	1.4
Arby's	2020-1	BBB- (sf)	3,520	1.2	66.0	0.2	Over 30 years	QSR/sandwich	5.9	1.5	1.3
Applebee's/IHOP	2019-1	BBB (sf)	3,652	2.2	98.0	7.0	Over 30 years	CDR	6.0	1.7	1.4
TGIF	2017-1	B (sf)	903	2.7	94.0	48.0	Over 30 years	CDR	5.6	1.3	1.0

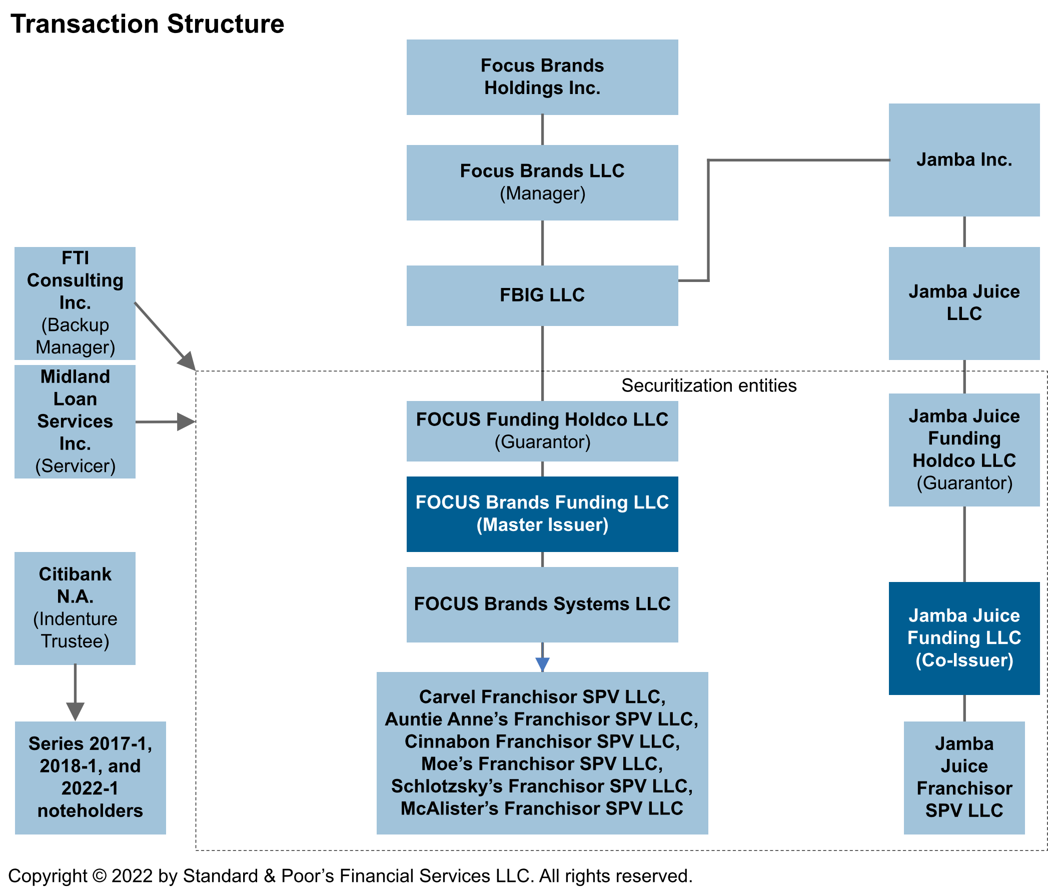
Industry Outlook

The restaurant industry is highly competitive in price and product offerings. Many operators focus on altering the menu mix and new products toward value offerings to drive guest traffic. Leading into 2020, the sector's performance was mixed due to tepid economic conditions and meaningful weakness at certain restaurant operators. Amid the COVID-19 pandemic, there was a large shift toward delivery options as consumers sought to comply with stay-at-home orders. This led to an increase in delivery orders and ticket sizes due to more people working from home. However, with the rollout of several vaccines globally and the easing of the COVID-19 pandemic-induced lockdowns, the shift to delivery slowed in 2021.

For 2022, the restaurant industry as a whole stands to benefit from high levels of customer savings, as well as a tight job market and the possibility of declining COVID-19 cases, all of which will support consumer spending. Still, full-service restaurants face the reality that pent-up demand for in-person dining will decline over time, and that consumer spending will eventually return to pre-pandemic levels. Additionally, commodity cost inflation and wage increases will continue to pressure restaurant margins. In the face of these market dynamics, we expect customers will tend to trade-down from full-service restaurant offerings to more affordable quick-service options. Overall, we expect that the first half of 2022 will continue to be strong for restaurant operators, before returning to more reasonable levels of performance in the second half of the year. Still, we acknowledge that uncertainty regarding the current surge in COVID-19 cases due to the omicron variant could impact this outlook.

Transaction Diagram

Chart 2 shows the transaction diagram.



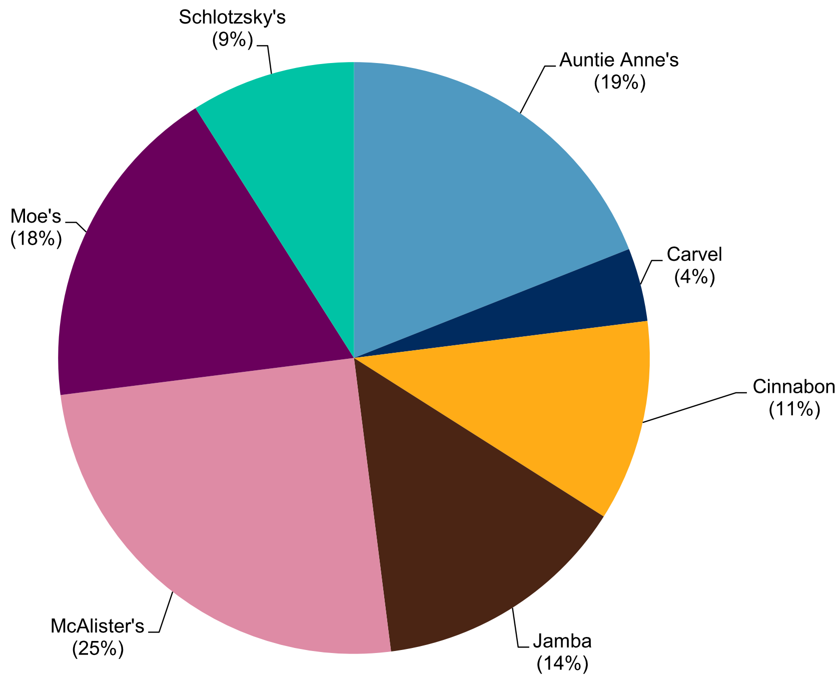
Summary Of The Business

FOCUS is a limited-service restaurant (LSR) company in the quick service and fast casual segments, engaged in the business of operating and franchising a system of seven distinct brands: Auntie Anne's, Carvel, Cinnabon, Jamba, McAlister's Deli (McAlister's), Moe's, and

Schlotzsky's. These distinct brands offer a broad range of meal options to consumers through restaurants, cafes, smoothie stores, and bakeries. Charts 3 and 4 show each brand's contribution to total systemwide sales and unit count.

Chart 3

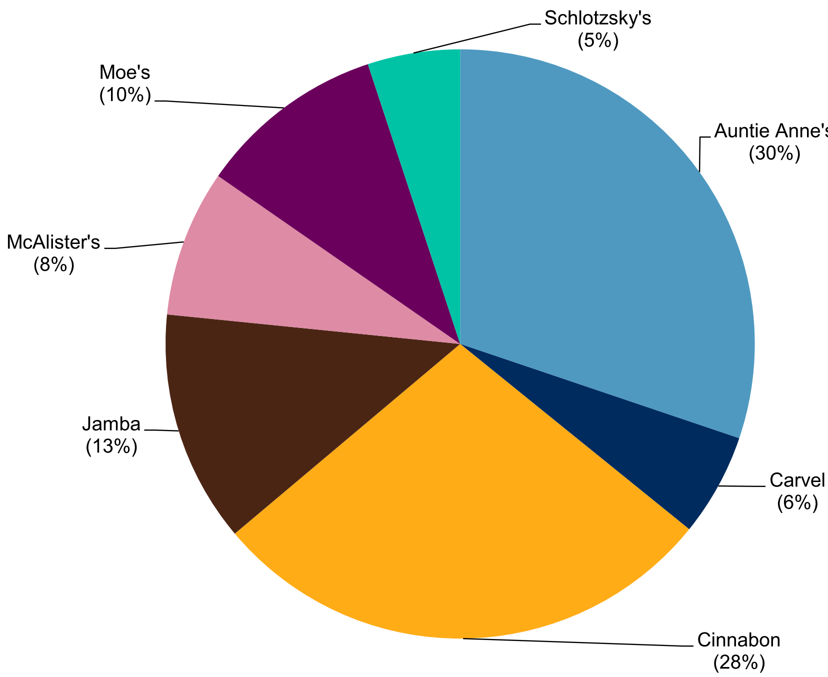
Brand As A Percent Of Total Systemwide Sales



Source: Focus Brands LLC.

Chart 4

Brand As A Percent Of Total Unit Count



Source: Focus Brands LLC.

In 2001, Carvel was acquired by Roark Capital, an Atlanta-based private equity firm that invests in consumer and business service companies. With the proceeding acquisition of Cinnabon in 2004, FOCUS was established. FOCUS grew and diversified its portfolio in 2006 with the acquisition of Schlotzsky's and continued its expansion into the fast-casual segment with its acquisition of Moe's in 2007. In 2010, FOCUS acquired Auntie Anne's as a complementary brand to the established Carvel and Cinnabon brands. FOCUS deepened its exposure to the fast-casual concept through its acquisition of McAlister's in 2013 and introduced a beverage-focused brand in 2018 through its acquisition of Jamba Juice. Given the history of FOCUS's acquisitions, we believe they will continue to look for additional acquisition targets that complement their existing portfolio of brands.

Auntie Anne's

Founded in 1988, Auntie Anne's serves hand-rolled soft pretzels and various beverages in high foot-traffic venues such as shopping malls, airports, and outlet centers. Auntie Anne's is 99% franchised, and systemwide sales as of the last 12 months ended March 27, 2022, were $707 million. Auntie Anne's has a presence in 48 states and 28 countries and territories, with 752 of its 1,922 units being international. The average check size is approximately $8.

Carvel

Founded in 1934, Carvel offers soft-serve ice cream and ice cream cakes. Carvel also sells branded ice cream cakes in supermarkets, which generates licensing revenue for the brand. Carvel is 100% franchised, and systemwide sales as of the last 12 months ended March 27, 2022, were $126 million. Carvel has a presence in 17 states and 10 countries and territories, with 31 of its 359 units being international. The average check size is approximately $13.

Cinnabon

Founded in 1985, Cinnabon serves cinnamon rolls and various beverages in high-foot traffic venues such as shopping malls, airports, and outlet centers. A number of Cinnabon locations are also combined with Auntie Anne's. Cinnabon is over 99% franchised, and systemwide sales as of the last 12 months ended March 27, 2022, were $419 million. Cinnabon has a presence in 47 states and 51 countries and territories, with 798 of its 1,785 units being international. The average check size is approximately $8.

Jamba

Founded in 1990, Jamba serves fresh smoothies and juices through its various storefront and venue types, found in both major urban and suburban locations. Jamba is over 99% franchised, and systemwide sales as of the last 12 months ended March 27, 2022, were $523 million. Sixty-two of its 811 units are international. The average check size is approximately $11.

McAlister's

Founded in 1989, McAlister's is a fast-casual concept serving sandwiches, soups, salads, and desserts through both its freestanding locations and catering business. McAlister's is 93% franchised, and systemwide sales as of the last 12 months ended March 27, 2022, were $901 million. McAlister's 513 units are all domestic, with a presence in 29 states. The average check size is approximately $18.

Moe's

Founded in 2000, Moe's is a fast-casual concept serving made-to-order burritos, tacos, and quesadillas through its freestanding or in-line locations. Moe's also sells branded products in grocery stores, which generate licensing revenue for the brand. Moe's is 100% franchised, and systemwide sales as of the last 12 months ended March 27, 2022, were $672 million. All of Moe's 654 units are domestic. The average check size is approximately $17.

Schlotzsky's

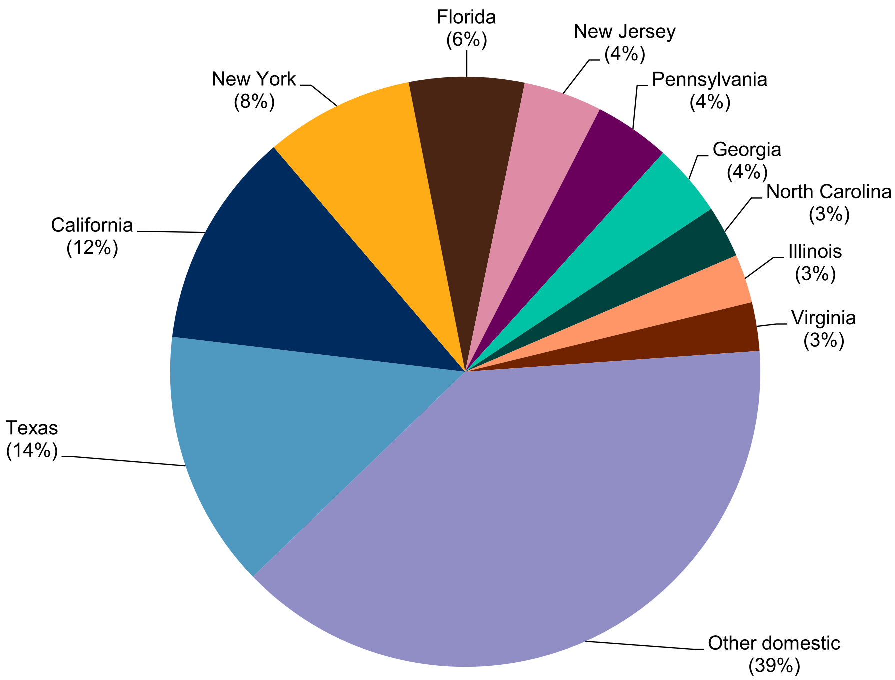
Founded in 1971, Schlotzsky's is a fast-casual concept serving toasted sandwiches, pizzas, salads, and soups through its freestanding or in-line locations, which also feature drive-thru windows. Schlotzsky's is 92% franchised, and systemwide sales as of the last 12 months ended March 27, 2022, were $337 million. All of Schlotzsky's 323 units are domestic. The average check size is approximately $15.

FOCUS Brands

As of March 27, 2022, there were 6,367 units in the FOCUS system, 75 of which are company-owned. Ninety-nine percent of the total system is franchised, with locations in all 50 states in the U.S. and 59 foreign countries and territories (see charts 5 and 6). With the ongoing hostilities brought on by the Russian invasion of Ukraine, FOCUS has paused its investments in the region. Furthermore, FOCUS nor its brands will temporarily profit from these locations, and will instead be donating funds generated by the branded locations to CARE, an Atlanta-based nonprofit, along with its partners who are providing humanitarian aid. As of March 27, 2022, annualized systemwide sales in Russia, Ukraine, and Belarus were $41 million (approximately 1% of total systemwide sales). We excluded the branded locations in Russia, Ukraine, and Belarus from our cashflow assumptions.

Chart 5

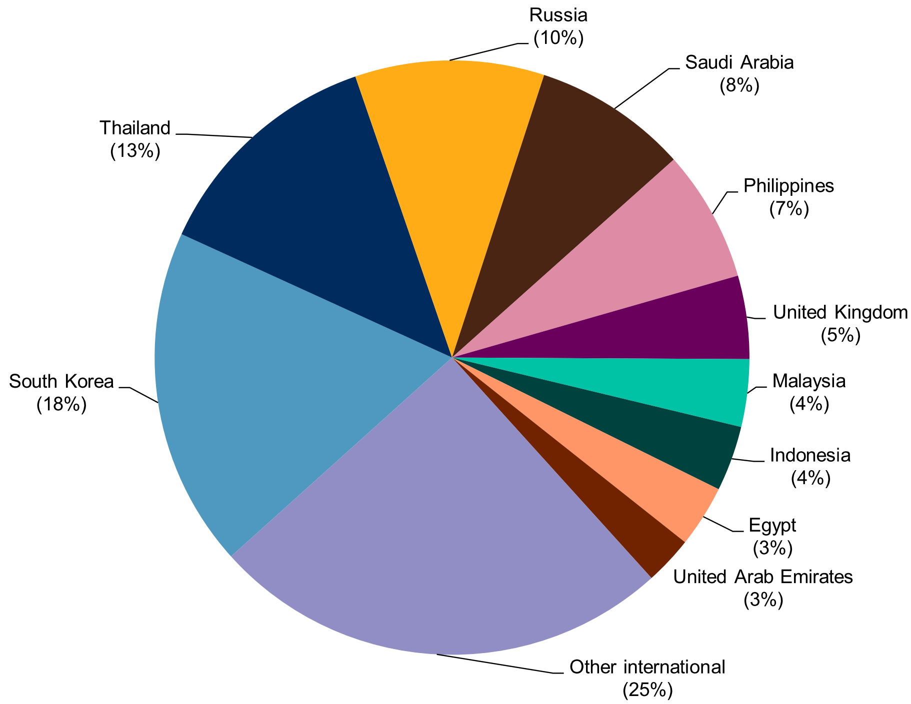
Domestic Concentration By Total Unit Count



Source: Focus Brands LLC.

Chart 6

International Concentration By Total Unit Count

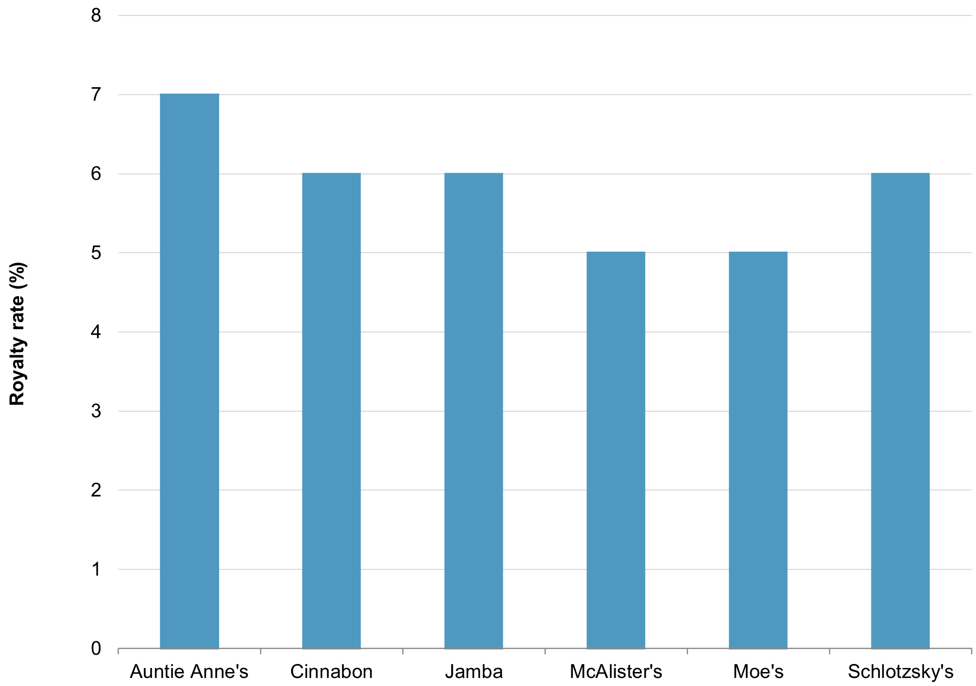


Source: Focus Brands LLC.

FOCUS's franchised units are operated by approximately 1,800 franchisees. Each franchised location operates under a franchise agreement that requires an initial franchise fee payment to FOCUS and a recurring royalty fee based on net sales, with the exception of Carvel franchisees, which pay a surcharge on gallons purchased. The royalty rates range from 5% to 7%, depending on the brand (see chart 7). Globally, approximately 95% of franchisees own 10 or fewer units, with 60% of franchisees owning one unit. Existing branded locations have been open for an average of 14 years, and the annual retention rate on the existing franchise store base is approximately 94%.

Chart 7

Royalty Rate By Brand(i)

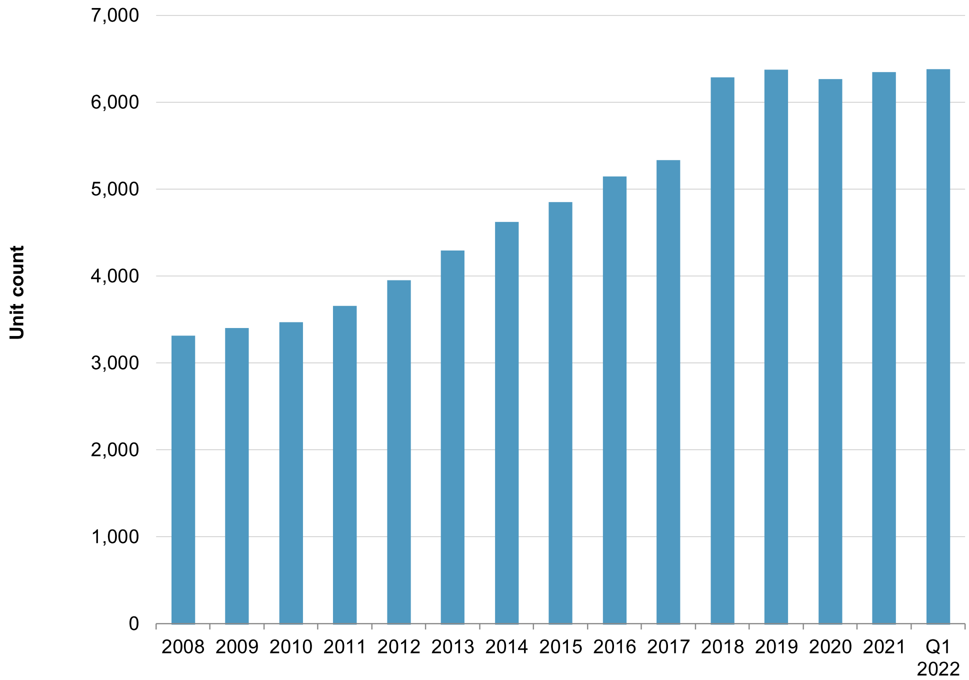


(i)Carvel franchisees pay a royalty through a surchage on gallons purchased. Source: Focus Brands LLC.

Over the years, systemwide unit count has increased both organically and through acquisitions, with the most recent being the acquisition of Jamba Juice in 2018 (see chart 8). Since 2008, FOCUS has grown unit count by a compounded annual growth rate (CAGR) of 5.1%.

Chart 8

Historical Systemwide Unit Count

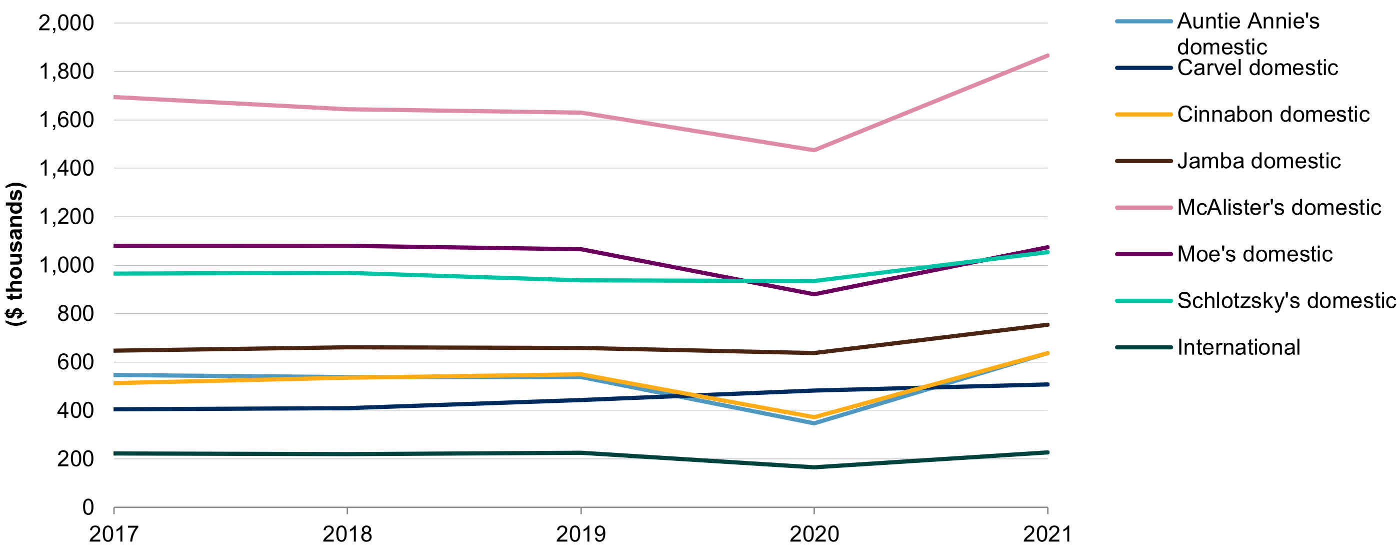


Source: Focus Brands LLC.

Average unit volumes (AUVs) for each brand have stayed steady or increased over the years and have either recovered or surpassed the decline observed in 2020 caused by the onset of the COVID-19 pandemic (see chart 9). FOCUS continues to innovate its offerings through dedicated culinary and research and development teams, focusing on bringing new products to each of its brands' respective customer base. FOCUS has also made investments in artificial intelligence and other digital infrastructure to help improve their loyalty program, mobile apps, and websites.

Chart 9

Historical Average Unit Volume



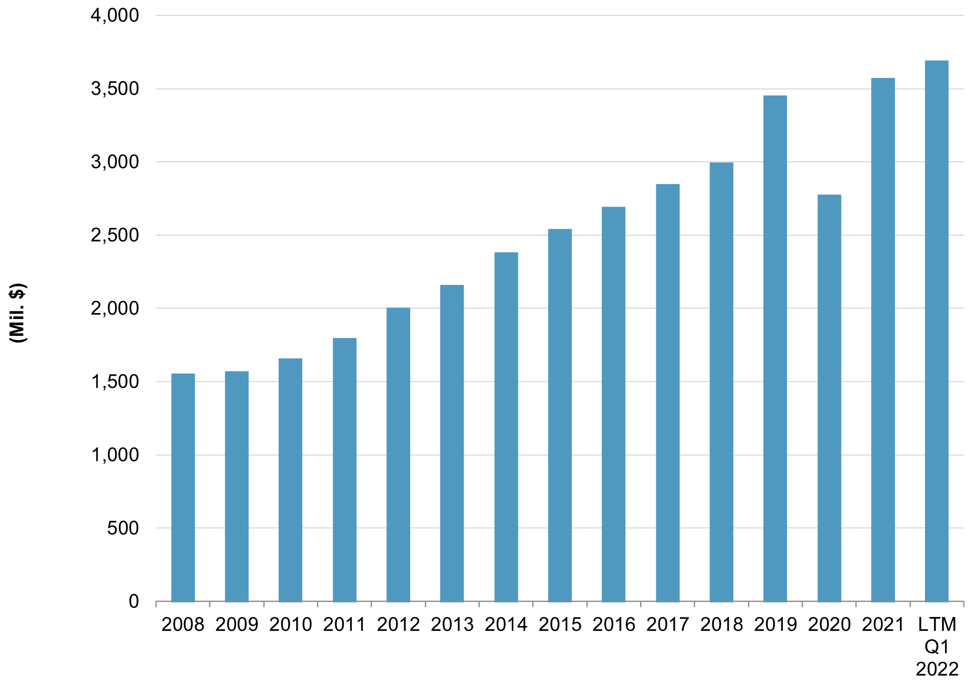
Source: Focus Brands LLC

In 2021, FOCUS went through a transformation of its supply chain functions, which has allowed for cost savings to benefit both FOCUS's franchisees and the securitization. The company was able to achieve these cost savings through the insourcing of its procurement function, which was previously dedicated to a third-party purchasing group.

Systemwide sales have grown in 12 of the past 13 years due to FOCUS's system growth and investments in technology to enhance the customer experience through digital channels (see chart 10). Sales through FOCUS's loyalty program comprise approximately 12% of total sales, and digital sales account for approximately 25% of total sales.

Chart 10

Historical Systemwide Sales



Source: Focus Brands LLC.

Collateral

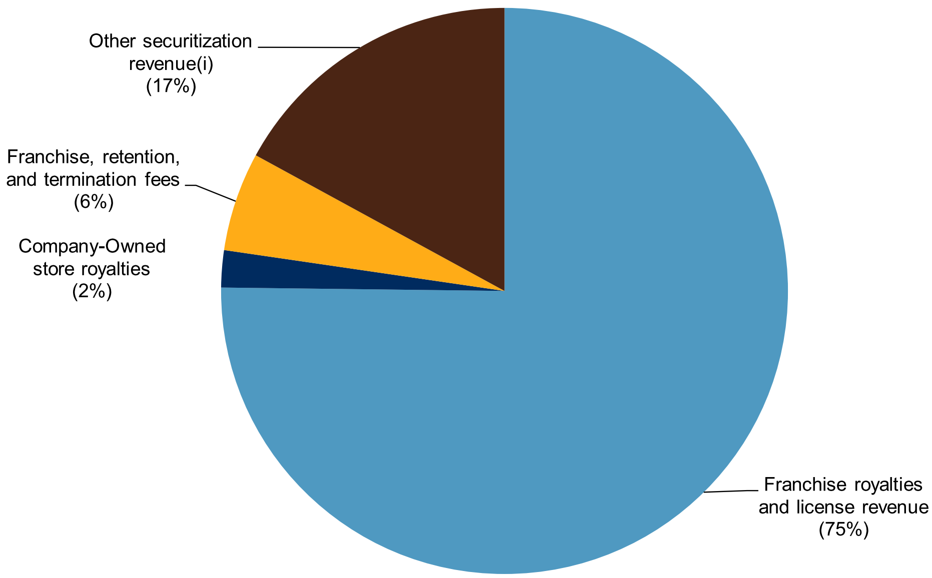
The series 2022-1 notes will be secured by a security interest in substantially all of the co-issuers' guarantors' assets, which include:

- Existing and future domestic and international franchise agreements;
- Royalties on existing and future domestic and international company-owned restaurants;
- License agreements;
- Vendor rebate agreements;
- Intellectual property;
- Transaction accounts; and
- Pledge of the equity interests in the co-issuers and their subsidiaries.

Chart 11 illustrates the relative initial contributions of the various cash flow streams to the transaction (see the Cash Flow Assumptions section below for more details on each category of securitization collections).

Chart 11

Securitized Net Cash Flow



(i)Primarily includes vendor payments and fees in respect of contributed supply and other vendor contracts.

Source: Focus Brands LLC.

Credit Analysis And Assumptions

Key credit considerations

Table 6 shows our key credit considerations for the transaction.

Table 6

Key Credit Considerations

Long operating history	FOCUS's brands generally have long operating histories that span multiple economic downturns.
High franchised percentage	As of March 27, 2022, approximately 99% of FOCUS's system is operated by franchisees. We believe a high franchised percentage provides better cash flow stability and independence from the manager than a lower percentage of franchised stores.
Diversified brand portfolio and Franchise network	FOCUS's seven distinct brands operate in unique segments of the limited-service restaurant industry, offering customers various food options spanning dayparts and check sizes. FOCUS's franchisee base is also diverse, with 95% of existing franchisees operating ten or fewer units.

Table 6

Key Credit Considerations (cont.)

Geographic Concentration	Geographic concentration in the three largest states (Texas, California, and New York) account for 34% of domestic units, and the three largest countries (South Korea, Thailand, and Russia) account for 42% of international units. As of March 27, 2022, international sales accounted for approximately 8% of total systemwide sales.

FOCUS--Focus Brands LLC.

Rating methodology

Table 7 shows our specific conclusions for each of the five analytical steps in our ratings process.

Table 7

Credit Rating Step

Step	Result	Comment
Step 1		
Eligibility analysis	Pass	We believe that a system of franchised restaurants will continue to generate cash flow following the manager's bankruptcy because individual franchisees generally operate somewhat independently from the manager (aside from general and administrative functions, which we believe can be transferred to a backup manager). As long as the brand has sufficient customer loyalty, royalty revenue will continue to be available to service securitization debt, assuming the assets have been isolated via a "true sale" to a bankruptcy-remote special-purpose entity. We do not believe that substantially all cash flow from the system will be at risk following the bankruptcy of the manager. Therefore, our subsequent analysis quantifies the impact of the correlated cash flow decline from the FOCUS system and compares that to ongoing required interest and principal payments to the rated debt.
Step 2		
Business Risk Profile (BRP)	Fair	FOCUS's BRP is fair.
Cash flow assumptions	See table 8 below	
Step 3		
Minimum base-case DSCR	1.77x	Principal and interest are fully paid in this scenario.
Business Volatility Score (BVS)	3	FOCUS's BRP is fair, which maps to an unadjusted BVS of 4(i). We adjusted the BVS upward by one notch to 3 because most of the cash flows are revenue-based, and the system has demonstrated stability through multiple economic downturns.
Anchor	'bbb-'	Determined according to table 1 of our corporate securitization criteria, "Global Methodology And Assumptions For Corporate Securitizations," published June 22, 2017.
Minimum downside DSCR	1.52x	Principal and interest are fully paid in this scenario.
Resiliency score	Satisfactory	Determined according to table 3 of our Corporate Securitization criteria.
Resiliency adjusted anchor	'bbb'	Determined according to table 4 of our Corporate Securitization criteria.

Table 7

Credit Rating Step (cont.)

Step	Result	Comment
Step 4		
Modifier analysis	No adjustment	This structure is not an outlier from a leverage perspective. The anticipated repayment dates and the liquidity and deleveraging triggers are comparable to those of similar rated transactions.
Step 5		
Comparable rating analysis	No adjustment	FOCUS's overall profile, including its system size, AUV, royalty rates, franchised percentage, and recent performance are typical of its peer group. Therefore, we do not believe any upward or downward notching is necessary.

(i)The mappings from BRP to BVS are: Excellent=1; Strong=2; Satisfactory=3; Fair=4; Weak=5; and Vulnerable=6. SG&A--Sales, general, and administrative. DSCR--Debt service coverage ratio. AUV--Average unit volume. BRP--Business risk profile. FOCUS--Focus Brands LLC.

Cash flow assumptions

Table 8 shows our cash flow assumptions. In both our base and downside scenarios, we gave no credit to the branded locations in Russia (168 units), Ukraine (seven), and Belarus (five). FOCUS will donate funds generated from these locations to CARE, an Atlanta-based nonprofit, and its partners who are providing humanitarian aid in response to the ongoing hostilities taking place in the region.

Table 8

Cash Flow Assumptions

	Cumulative decline (%)		
Asset cash flow category	**Base case**	**Downside case**	**Description**
Royalty revenue and fees	0	15	Franchise and company-owned store royalties, which comprise most of the overall projected cash flow, are a function of store count, AUV, and royalty rates.
All other securitization collections	0	30	All other securitization collections.
Foreign exchange rates	0	Foreign currency depreciation rates consistent with our criteria(i)	Royalties collected from international restaurants.

(i)"Foreign Exchange Risk In Structured Finance--Methodology And Assumptions," published April 21, 2017. AUV--Average unit volume.

Sensitivity Analysis

Sensitivity run 1: management fee stress

Using the base-case assumptions in table 8, we determined that the management fee could increase by up to 245% (translating to an approximately 52% reduction in net securitized cash flow relative to the base case) without any impact on the transaction's ability to pay timely interest and full principal payments by the legal final maturity date. We believe the additional management fee stresses what could occur if FOCUS experiences a bankruptcy. While the management fee is outlined in the transaction documents, we believe it could be renegotiated in a bankruptcy scenario.

Sensitivity run 2: event-driven stress

Starting with the base-case scenario assumptions, we determined the maximum haircut to cash flow that would allow timely interest and full principal payments by the transaction's legal final maturity date. This haircut to cash flow after fees is approximately 51%. We examined several event risks associated with cash flow losses, including royalty losses from the top three geographies by store count (Texas, California, and New York). Under these scenarios, our analysis showed that the transaction could pay timely interest and full principal by legal final maturity.

Structural Protection Summary

The transaction's structural features and credit enhancements (see table 9) are generally consistent with those of other recently rated corporate securitizations.

Table 9

Structural Features

Test	FOCUS Brands Funding LLC (Series 2022-1)
Rapid amortization DSCR trigger (P&I)	1.20x.
Rapid amortization systemwide sales trigger	Less than $1.25 billion.
Cash flow sweep DSCR trigger (P&I)	Less than 1.75x (50% trap) and less than 1.50x (100% trap).
Senior leverage ratio non-amortization test	5.00x (no scheduled amortization if the senior leverage ratio is less than or equal to this level).
ARD horizon(i)	Seven years for class A-2.
Scheduled amortization through ARD (%)	1.00.
Manager termination DSCR trigger (IO)	1.20x.
Event-of-default DSCR trigger (IO)	1.10x.

Table 9

Structural Features (cont.)

Test	FOCUS Brands Funding LLC (Series 2022-1)
Management fee	The management fee, which includes both fixed and variable components, is a function of retained collections. According to the transaction documents, the fixed component is assumed to be $16.6 million annually, and the variable component is assumed to be $11,400 for every $100,000 of aggregate retained collections over the preceding four quarterly collection periods. The management fee is also subject to a 2% annual increase if the increased amount does not exceed 35% of the retained collections in the preceding four quarterly collection periods. The management fee definition has been revised since the series 2018-1 transaction. We have reviewed the updated terms and the itemized core expenses contemplated in the management fee formulation and have incorporated the updated definition into our cash flow analysis. The updated terms were also reviewed by the backup manager, who is obligated to develop/implement a transition plan and serve as successor manager upon a manager termination event.

(i)Failure to pay the notes in full by their applicable ARDs constitutes a rapid amortization event but not an event of default. Given a rapid amortization event, pro rata rapid amortization will begin for all class A-2 tranches. DSCR--Debt service coverage ratio. P&I--Principal and interest. ABS—Asset-backed securities. ARD--Anticipated repayment date. IO--Interest only.

Payment Priority

Following the series 2022-1 issuance, the transaction will include four class A notes that will pay interest and principal quarterly from weekly distributions in the priority shown in table 10. The transaction doesn't currently include any senior subordinated or subordinated notes, but it may issue these notes if certain conditions are met.

Table 10

Payment Priority

Priority	Payment
1	Solely related to indemnification amounts, release prices, asset dispositions proceeds, and insurance/condemnation proceeds: to the trustee, then the servicer, for unreimbursed advances; to the manager for any unreimbursed manager advances; if on or after a class A-1 notes renewal date, principal on the class A-1 notes; if a rapid amortization event has occurred, principal on the class A-1 notes; to prepay the outstanding principal amount of all senior notes (other than the class A-1 notes); to prepay the outstanding principal amount of all senior subordinated notes; and to prepay the outstanding principal amount of all subordinated notes.
2	To the trustee, then the servicer, then, on and after the springing amendments implementation date, the back-up manager for unreimbursed advances; then to the manager for any unreimbursed manager advances; and then to the servicer all servicing fees, liquidation fees, and workout fees.
3	Successor manager transition expenses, if any.
4	Weekly management fees.
5	Capped securitization operating expense amount and, prior to the springing amendments implementation date, as long as an event of default has occurred and is continuing, to the trustee, the post-default capped trustee expense amount.
6	The senior notes' accrued quarterly interest amount, the class A-1 notes' accrued quarterly commitment fees amount, and any accrued and unpaid series hedge payment amount.
7	The capped class A-1 notes' administrative expenses amount.
8	Senior subordinated notes' accrued quarterly interest amount, if any.
9	The senior notes' interest reserve account deficit amount and the senior subordinated note interest reserve account deficit amount, in alphanumerical order.

Table 10

Payment Priority (cont.)

Priority	Payment
10	The senior notes' accrued scheduled principal payment amount; any senior notes' scheduled principal payment deficiency amount; amounts then known by the manager that will become due under any class A-1 note purchase agreement before the immediately succeeding quarterly payment date to cash-collateralize letters of credit issued under the class A-1 notes' purchase agreement; and, for any series of class A-1 notes for which their renewal date has not occurred, any outstanding principal amounts due and payable.
11	Supplemental management fee, if any.
12	On or after any class A-1 notes' renewal date, if the class A-1 notes have not been repaid on or before such date, all remaining amounts to the class A-1 notes until their outstanding principal amount is reduced to zero.
13	If no rapid amortization has occurred and is continuing, during a cash-trapping period, the cash-trapping amount.
14	If a rapid amortization has occurred and is continuing, all remaining amounts to pay down the class A-1 notes, then to pay down each remaining class of senior notes, and then to pay down any senior subordinated notes.
15	If a cash flow sweeping period has occurred to pay an amount equal to the lesser of (i) 30% of remaining proceeds, and (ii) the aggregate outstanding principal balance of the applicable series, subclass, or tranche of class A-2 notes, in each case after the application of 1 through 14 of the priority of payments.
16	As long as no rapid amortization event has occurred and is continuing, any senior subordinated notes' accrued scheduled principal payment amount and then the senior subordinated notes' scheduled principal payment deficiency amount, if any.
17	The subordinated notes' accrued quarterly interest amount, if any.
18	As long as no rapid amortization event has occurred and is continuing, the subordinated notes' accrued scheduled principal payment amount, if any, and then the subordinated notes' scheduled principal payment deficiency amount, if any.
19	If a rapid amortization has occurred and is continuing, all remaining amounts to pay down the subordinated notes, if any.
20	Uncapped securitization operating expenses.
21	Uncapped class A-1 notes administrative expenses.
22	The class A-1 notes other amounts.
23	After the ARD, any senior notes accrued quarterly post-ARD additional interest amount.
24	After the ARD, any senior subordinated notes accrued quarterly post-ARD additional interest amount.
25	After the ARD, any subordinated notes accrued quarterly post-ARD additional interest amount.
26	Pro rata, any accrued and unpaid series hedge payment amount that constitutes a termination payment payable to a hedge counterparty and any other due and unpaid amounts payable to a hedge counterparty.
27	Any unpaid premiums and make-whole prepayment consideration.
28	Any remaining funds at the co-issuers' direction.

ARD--Anticipated repayment date.

Surveillance

We will maintain active surveillance on the rated notes until the notes mature or are retired. The purpose of surveillance is to assess whether the notes are performing within the initial parameters and assumptions applied to each rating category. The transaction terms require the issuer to supply periodic reports and notices to S&P Global Ratings for maintaining continuous surveillance on the rated notes.

While we believe the company's performance is an important part of the transaction, other factors, such as cash flow, debt reduction, and legal framework, also contribute to our analysis.

Related Criteria

- 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: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | ABS: Global Methodology And Assumptions For Corporate Securitizations, June 22, 2017
- Criteria | Structured Finance | General: Foreign Exchange Risk In Structured Finance--Methodology And Assumptions, April 21, 2017
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- The Pandemic Persisted in 2021--And So Did U.S. Retailers and Restaurants, Feb. 25, 2022
- Industry Top Trends 2022: Retail and Restaurants, Jan. 25, 2022
- ESG Credit Indicator Report Card: Retail And Restaurants, Dec. 16, 2021
- Economic Outlook U.S. Q4 2021: The Rocket Is Leveling Off, Sept. 23, 2021
- U.S. Restaurants and Foodservice Distributors Face A Jagged Recovery While Food And Beverage Fare Better, March 1, 2021
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- Restaurant Securitizations Are Structured To Survive A Big Bite, Sept. 7, 2017
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