Presale:

ServiceMaster Funding LLC (Series 2020-1)

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Preliminary Ratings

Class	Preliminary rating	Balance (mil. $)	Anticipated maturity	Legal maturity (years)
A-1	BBB- (sf)	50.0	January 2026	30
A-2-I	BBB- (sf)	225.0	January 2028	30
A-2-II	BBB- (sf)	475.0	January 2031	30

Note: This presale report is based on information as of Nov. 21, 2020. 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.

Executive Summary

ServiceMaster Funding LLC (ServiceMaster) and ServiceMaster of Canada Ltd.'s series 2020-1 is a corporate securitization and the first issuance from ServiceMaster Brands (SMB), a provider and franchisor of residential and commercial restoration and cleaning services. Over 1,900 franchisees operate approximately 2,392 locations in 50 states and nine countries. The company consists of ServiceMaster Restore, ServiceMaster Clean, Merry Maids, Furniture Medic, and AmeriSpec brands and had approximately $2.6 billion in systemwide sales for the trailing 12 months (TTM) ended third-quarter 2020.

The company was recently acquired by an affiliate of Roark Capital Group in October 2020. In conjunction with the acquisition, SMB incurred a bridge loan facility of $675 million, which is expected to be repaid by the proceeds of this transaction.

The proposed transaction will consist of $50.0 million of class A-1 variable-funding notes (VFN; not offered) and $700.0 million of class A-2 senior term ABS notes, which will have a legal final maturity of 30 years, in addition to seven-year and 10-year anticipated repayment dates (ARD). Per management, $675.0 million of proceeds will be used to fully repay the existing debt, and excess proceeds will be used for general corporate purposes, including transaction fees and expenses. The series 2020-1 note issuance will result in leverage of approximately 7.6x on a total debt/adjusted EBITDA basis, assuming the series 2020-1 class A-1 is fully drawn, or 7.1x if the VFN is not drawn. Our analysis assumes the VFN is fully drawn.

Key credit features of the transaction include:

- The 99% franchised nature of the ServiceMaster business, which results in a less volatile cash flow stream.

- Strong brand recognition of the core businesses and highly fragmented industries, complemented by strong relationships with major insurance companies and national account customers.
- Non-discretionary nature of the core services provided.
- The backup manager's ability to maintain cash flow continuity in the event of a manager bankruptcy.
- A long operating history since 1929 for the ServiceMaster restoration and cleaning units, and since 1979 for Merry Maids, including six decades of presence in international markets.
- A long history of franchising, which began in 1952 for ServiceMaster restoration and cleaning units, and in 1980 for Merry Maids.
- Stable historic performance metrics, with a cumulative average growth rate in U.S. systemwide sales of approximately 2.6% from 2007 through 2019, even during the 2008-2009 financial crisis, and positive same-store sales growth since 2016.
- Strong profit margins for franchisees, with relatively lower investment levels than other franchise concepts.
- Geographic concentration, with the three largest states comprising less than 25% of annualized U.S. systemwide sales as of the 12-month period ending Sept. 30, 2020. International locations contributed approximately 30% of systemwide revenues and approximately 20% of securitization revenues.
- The company's high adjusted leverage of approximately 7.6x.

S&P Global Ratings believes there remains a high degree of uncertainty about the evolution of the coronavirus pandemic. Reports that at least one experimental vaccine is highly effective and might gain initial approval by the end of the year are promising, but this is merely the first step toward a return to social and economic normality; equally critical is the widespread availability of effective immunization, which could come by the middle of next year. We use this assumption in assessing the economic and credit implications associated with the pandemic (see our research here: www.spglobal.com/ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

Transaction Timeline

Expected closing date	Dec. 9, 2020.
First interest payment date	April 30, 2021.
Class A-1 (VFN) renewal dates	January 2026 and January 2027.
Class A-2 (ARD)	January 2028 and January 2031.
Legal maturity date	January 2051.
Note payment frequency	Quarterly.

VFN--Variable funding note. ARD--Anticipated repayment date.

Participants

Sole structuring advisor and bookrunner	Barclays Capital Inc.

Participants (cont.)

Managers	ServiceMaster Opco Holdings LLC (U.S.) and RW Canada Ltd. (Canadian).
Backup manager	FTI Consulting Inc.
Issuer and co-issuer	ServiceMaster Funding LLC (issuer) and ServiceMaster of Canada Ltd. (Canadian co-issuer).
Trustee	Citibank N.A.
Servicer	Midland Loan Services (a division of PNC Bank N.A.).

Rating Rationale

The preliminary ratings assigned to ServiceMaster's $750.0 million senior secured notes series 2020-1 reflect our assessment of:

- Brand strength: The strength of the ServiceMaster brands, the likelihood for the brands to survive through a ServiceMaster bankruptcy, and the brands' resulting capacity to continue generating sufficient cash flows from business operations, provided that adequate servicing remains in place.
- Replaceable manager: The manager's responsibilities are generally limited to sales, general, and administrative (SG&A) functions, which we believe increases the likelihood of successful replacement following a termination of the current manager. Additionally, the transaction has a backup manager, FTI Consulting Inc. (established at the transaction's closing), who has reviewed the business' cost structure relative to the sizing of the management fee and believes the cost structure is adequate should it need to step in.
- Legal isolation of the assets: Substantially all of the business' cash-generating assets will not be owned by the manager at the transaction's closing. 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 ServiceMaster creditors could disrupt cash flow to the securitization following a manager bankruptcy. Legal opinions related to a true sale and non-consolidation have been, or will be, provided before this transaction's closing.
- Asset performance not fully correlated with manager performance: ServiceMaster's restoration and cleaning services 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 manager).
- Cash flow coverage: Given the brands' strength, 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 businesses. Our analysis incorporates cash flow haircuts reflecting our view of how the business' assets could weaken in adverse economic conditions. Under these conditions, our analysis shows the cash flows generated by the businesses are sufficient to meet all debt service obligations of the rated notes.
- Liquidity: A reserve account funded with three months of interest expenses and/or a letter of credit.

Key Credit Metrics And Peer Comparisons

Table 1

Key Credit Metrics And Peer Comparisons

Brands	Series	S&P Global Ratings' credit rating(i)	Store count (no.)	AUV (mil. $)	Franchised (%)(iii)	International (%)(iii)	Operating history (from founding)	Concept type	Leverage (total debt/adjusted EBITDA)(iv)	S&P Global Ratings' min. base-case DSCR(v)	S&P Global Ratings' min. downside DSCR(v)
ServiceMaster Brands 2020-1(ii)	2020-1	BBB- (sf)	2,392	1.1	99	31	Over 40 years	R/R	7.1	1.7	1.3
Hardee's/Carl's Jr.(ii)	2020-1	BBB (sf)	3,840	1.2	93	25	Over 30 years	QSR	6.8	1.8	1.5
Driven Brands(ii)	2020-2	BBB- (sf)	3,229	1.0	84	19	Over 30 years	Auto services	6.7	1.9	1.6
Driven Brands	2020-1	BBB- (sf)	3,245	1.1	85	19	Over 30 years	Auto services	6.5	1.8	1.5
Sonic(vi)	2020-1	BBB (sf)	3,583	1.3	94	0	Over 30 years	QSR	5.9	1.8	1.6
Jersey Mike's(vi)	2019-1	BBB (sf)	1,615	0.8	99	0.3	Over 30 years	QSR	6.4	2.2	1.7
Planet Fitness	2019-1	BBB (sf)	1,899	2.1	96	2.7	27 years	Fitness	6.5	1.7	1.3
Domino's	2019-1	BBB+ (sf)	16,528	0.9	98	64	Over 30 years	QSR	5.9	1.8	1.4
SERVPRO	2019-1	BBB- (sf)	1,719	1.5	100	0	Over 30 years	R/R	7.1	1.7	1.3
Wendy's	2019-1	BBB (sf)	6,710	1.6	95	8	Over 30 years	QSR	6.6	1.7	1.4
Driven Brands	2019-2	BBB- (sf)	2,702	1.3	86	15	Over 30 years	Auto services	6.8	1.5	1.3
Jack in the Box	2019-1	BBB (sf)	2,240	1.5	94	0	Over 30 years	QSR	4.9	1.9	1.6
Applebee's/IHOP	2019-1	BBB (sf)	3,652	2.2	98	7	Over 30 years	CDR	6	1.7	1.4
Dunkin' Brands	2019-1	BBB (sf)	20,912	0.8	100	43	Over 30 years	QSR	6.2	1.6	1.4
Driven Brands	2019-1	BBB- (sf)	2,588	1.2	88	17	Over 40 years	Auto services	6.8	1.7	1.4
Taco Bell	2018-1	BBB (sf)	6,505	1.6	91	6	Over 30 years	QSR	5.3	1.6	1.5
Driven Brands	2018-1	BBB- (sf)	2,591	0.9	89	15	Over 30 years	Auto services	6.3	1.8	1.5
Hardee's/Carl's Jr.	2018-1	BBB (sf)	3,873	1.2	96	22	Over 30 years	QSR	6.1	1.9	1.6
Jimmy John's	2017-1	BBB (sf)	2,690	0.8	98	0	Over 30 years	QSR	5.2	1.8	1.7

Table 1

Key Credit Metrics And Peer Comparisons (cont.)

Brands	Series	S&P Global Ratings' credit rating(i)	Store count (no.)	AUV (mil. $)	Franchised (%)(iii)	International (%)(iii)	Operating history (from founding)	Concept type	Leverage (total debt/adjusted EBITDA)(iv)	S&P Global Ratings' min. base-case DSCR(v)	S&P Global Ratings' min. downside DSCR(v)
Cajun Global	2017-1	BBB- (sf)	1,588	0.7	85	32	Over 30 years	QSR	5.2	1.8	1.4
Five Guys	2017-1	BBB- (sf)	1,437	1.2	69	5	Over 30 years	QSR	6.7	1.6	1.5
TGIF	2017-1	B+ (sf)	903	2.7	94	48	Over 30 years	CDR	5.6	1.3	1
Arby's	2015-1	BBB- (sf)	3,335	1	72	1	Over 30 years	QSR	5.3	1.6	1.2

(i)S&P Global Ratings' credit rating is for the senior-most securitization note issued. (ii)Preliminary. (iii)International. % of total store count. (iv)Total debt/adjusted EBITDA. As reported. (v)As of each series' closing date unless otherwise noted. (vi)Leverage reflected from preliminary rating. AUV--Average unit volume. DSCR--Debt service coverage ratio. QSR--Quick-service restaurant. CDR--Casual dining restaurant. R/R--Remediation/reconstruction. Hardee's/Carl's Jr.--Hardee's Funding LLC/Carl's Jr. Funding LLC. Driven Brands--Driven Brands Funding LLC (Maaco, Meineke, and others). Sonic--Sonic Capital LLC. Jersey Mike's--Jersey Mike's Funding LLC. Planet Fitness--Planet Fitness Master Issuer LLC. Domino's--Domino's Pizza Master Issuer LLC. ServPro--ServPro Master Issuer LLC. Wendy's--Wendy's Funding LLC. Jack in the Box--Jack in the Box Funding LLC. Applebee's/IHOP--Applebee's Funding LLC/IHOP Funding LLC (Dine Brands Global). Dunkin' Brands--DB Master Finance LLC (AUV represents domestic for both brands, leverage assumes no variable-funding note). Taco Bell--Taco Bell Funding LLC. Jimmy John's--Jimmy John's Funding LLC. Cajun Global--Cajun Global LLC (Church's Chicken). Five Guys--Five Guys Funding LLC. TGIF--TGIF Funding LLC. Arby's--Arby's Funding LLC.

Industry Overview

The restoration, reconstruction, and cleaning industries are highly competitive with low barriers to entry, in our view. The markets are highly fragmented, mostly comprising smaller, regional firms, which highlights the competitive industry dynamics. The fragmented market mandates speed to start work as the key factor in overall customer satisfaction, as well as insurance referrals.

Summary Of The Business

ServiceMaster, based in Memphis, Tenn., is a leading franchisor in the restoration, reconstruction, and cleaning services industry, with national franchising platforms in the U.S., U.K., and Canada, and a 99% franchised system comprising 1,922 franchisees in approximately 2,392 locations. Systemwide sales were approximately $2.6 billion in the TTM ended Sept. 30, 2020. The SMB brands had previously been part of ServiceMaster Global Holdings Inc., which is now known as Terminix Global Holdings Inc., and includes the Terminix pest control business.

SMB consists of ServiceMaster Restore (restoration and reconstruction), ServiceMaster Clean (commercial cleaning), Merry Maids (residential cleaning), Furniture Medic (cabinet and furniture repair), and AmeriSpec (home inspection) businesses. As of the TTM ended third-quarter 2020, the approximate contribution to U.S. systemwide sales was as follows: SMB-Restore, 62%; SMB-Clean, 23%; Merry Maids, 12%; Furniture Medic, 2%; and AmeriSpec, 1%.

ServiceMaster Restore's business revenues are predominantly derived from "everyday loss" events, which make up approximately 97% of the business' sales, according to management. These losses include broken pipes, flooding, and small house fires. ServiceMaster also provides services to "large loss" events, which represents approximately 3% of systemwide sales, and are a result of catastrophic events such as hurricanes, tornados, or large-scale flooding. ServiceMaster leverages its relationships with insurance companies and national account customers to directly generate approximately 20% of its leads and a majority of residential claims reimbursement, though the vast majority of the restoration transactions likely have some degree of influence from insurance providers. As of Sept. 30, 2020, ServiceMaster had programs with nine of the top 10 insurance companies, and with 118 insurance companies in total. The company has the capability to reach 98% of U.S. zip codes within a one-hour drive from each franchisee. These are non-exclusive territories per the franchise agreements.

Despite being one of the top providers in this industry, with the second-highest market share, SMB is relatively small in scale and has a narrow focus in the niche residential and commercial restoration segment, which is characterized by highly fragmented and competitive industry dynamics with low barriers to entry and non-exclusivity of service within the franchisee's respective regions. These credit risks are partially offset by ServiceMaster's strong market position, high brand-awareness, and predictable revenue stream given the non-discretionary service and franchise-operating model, in our view.

ServiceMaster Clean provides commercial and janitorial cleaning services to customers in various industries, including health care, logistics, education, financial services, industrial, and transportation, among others. Recurring services accounted for 94% of its North American systemwide sales in the TTM ended third-quarter 2020. Health care capabilities include cleaning services for physicians' and dental offices, medical facilities, outpatient facilities and surgery centers, urgent care, dialysis centers, assisted living and nursing homes, and hospitals. The brand provides commercial and janitorial cleaning services to 90 recurring national account customers. These are non-exclusive territories per the franchise agreements.

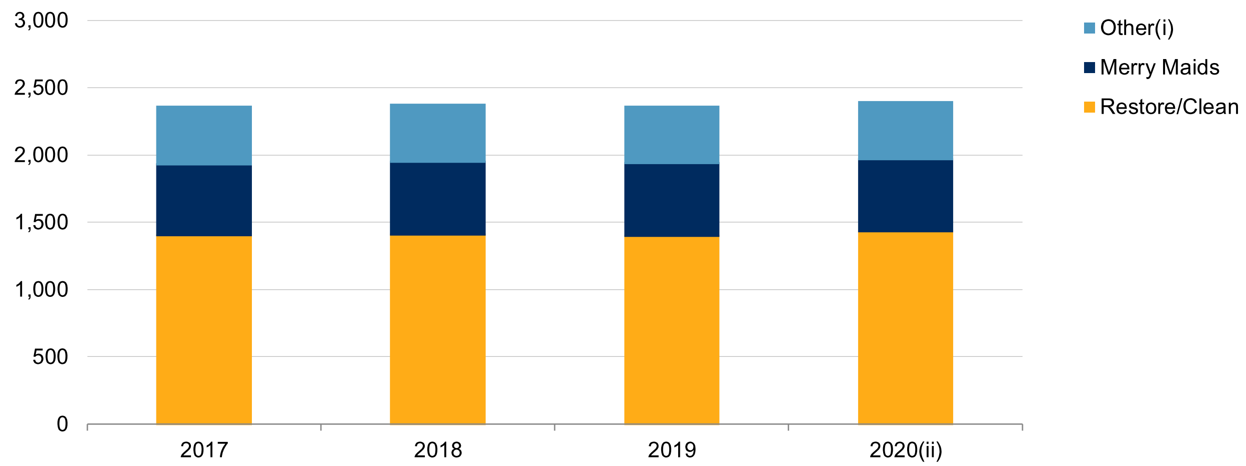
Merry Maids' revenue is primarily derived from recurring residential cleaning services, with regularly scheduled services on a daily to monthly basis (over 50% is bi-weekly), accounting for 86% of its North American systemwide sales in the TTM ended third-quarter 2020. With one of the largest shares of the highly fragmented, residential cleaning market segment, Merry Maids has very high brand awareness relative to other competitors. Merry Maids uses tailored digital marketing to support its business, and launched a new website earlier this year with improved search engine optimization. These are exclusive territories per the franchise agreements.

Furniture Medic was founded in 1992 and acquired by ServiceMaster in 1996. Furniture Medic offers complete commercial and residential on-site precision repair and restoration of furniture, following disasters and damages from moving claims.

AmeriSpec was founded in 1987 and acquired by ServiceMaster in 1996. AmeriSpec offers complete residential and commercial building inspection services throughout the country. AmeriSpec's revenue is driven locally by real estate referral relationships of franchisees with brokers, and nationally through corporate relationships with residential real estate investment trusts.

Chart 1

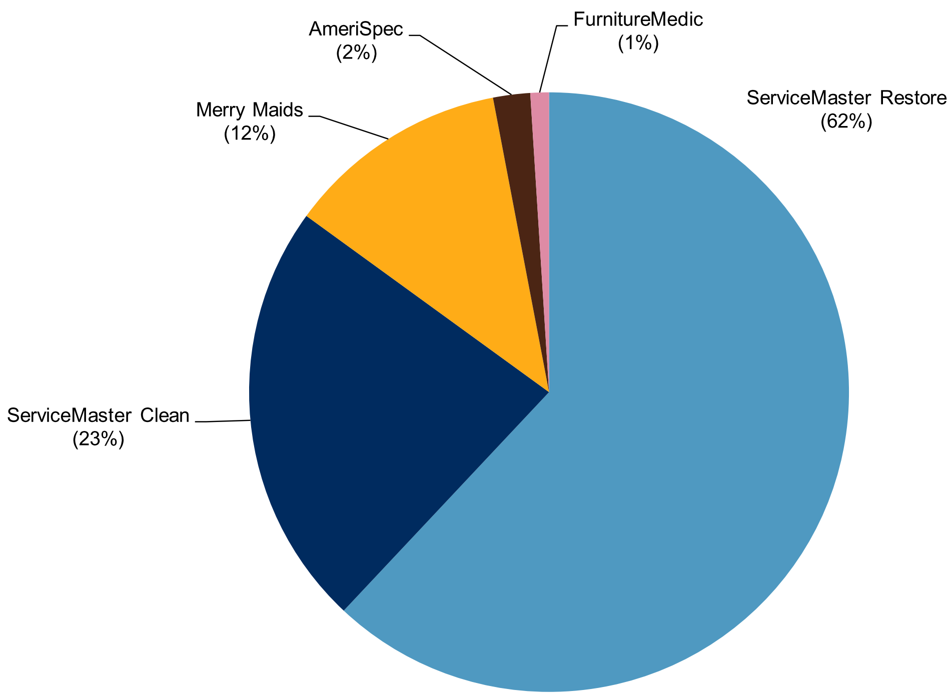
Total Unit Count



(i)Includes AmeriSpec and Furniture Medic brand locations. (ii)Trailing 12 months ended Sept. 30, 2020.
Source: ServiceMaster Brands.

Chart 2

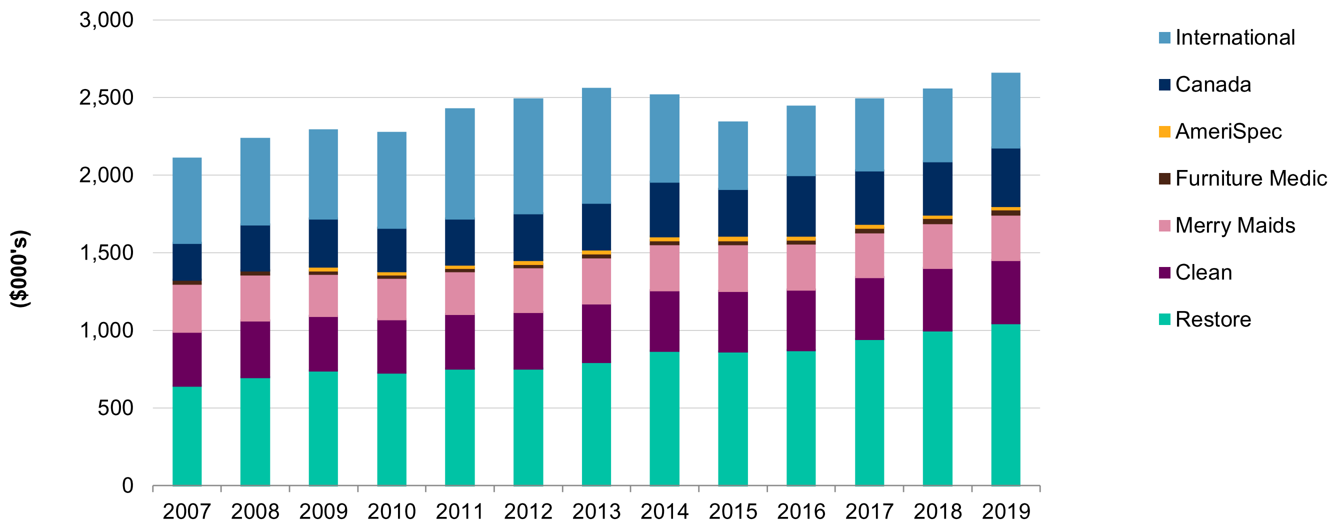
Business Line As % Of Systemwide Sales(i)



(i)Trailing 12 months ended Sept. 30, 2020. Source: ServiceMaster Brands.

Chart 3

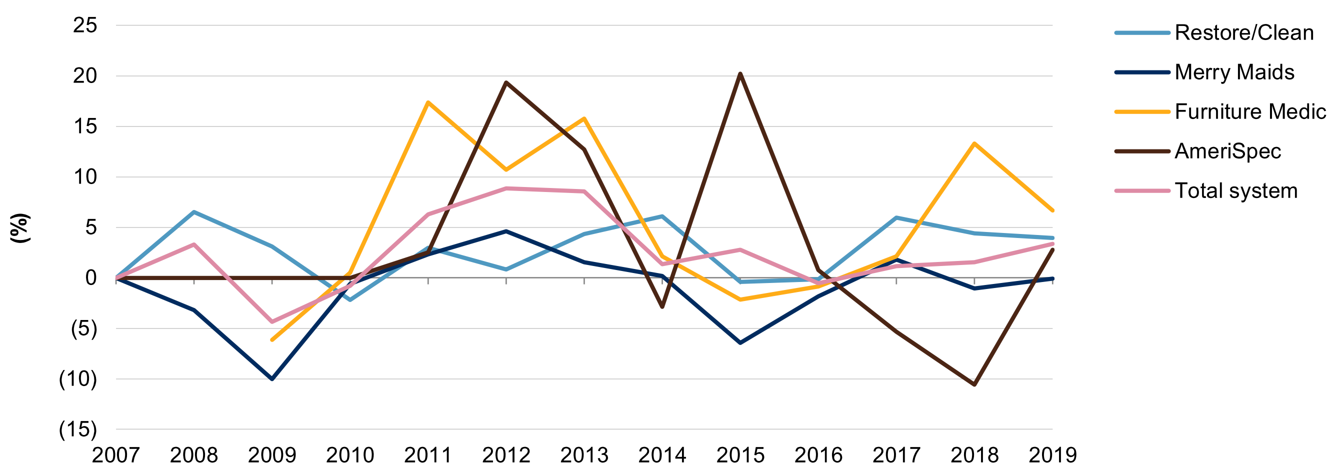
Total Systemwide Sales



Source: ServiceMaster Brands.

Chart 4

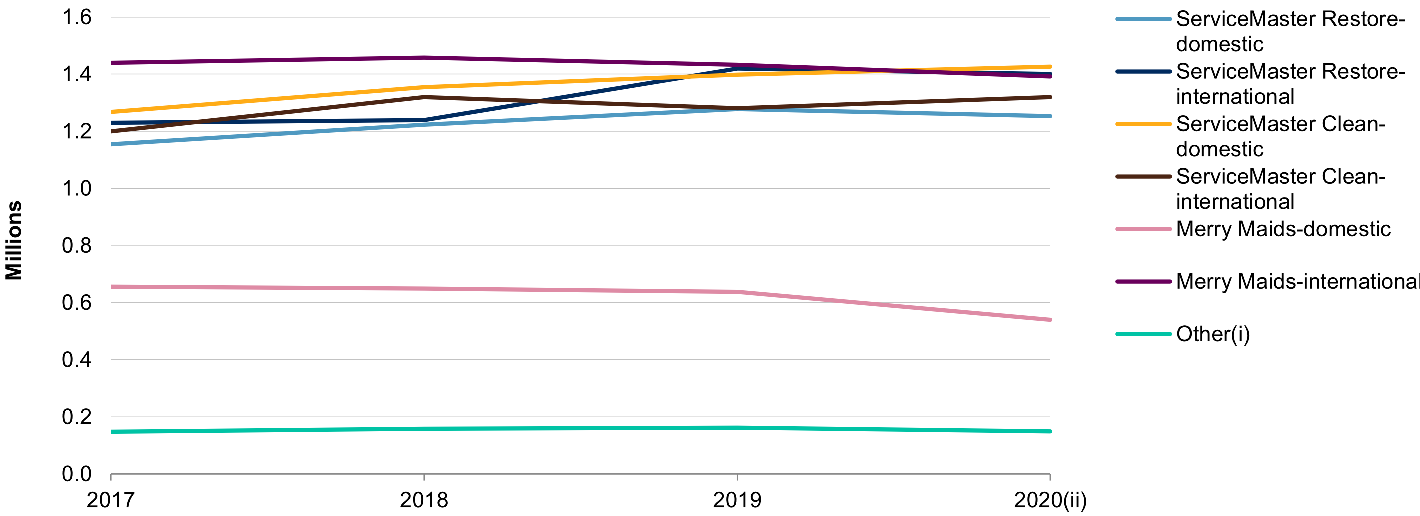
Historical Same-Store Sales Percent Growth/Decline



Source: ServiceMaster Brands.

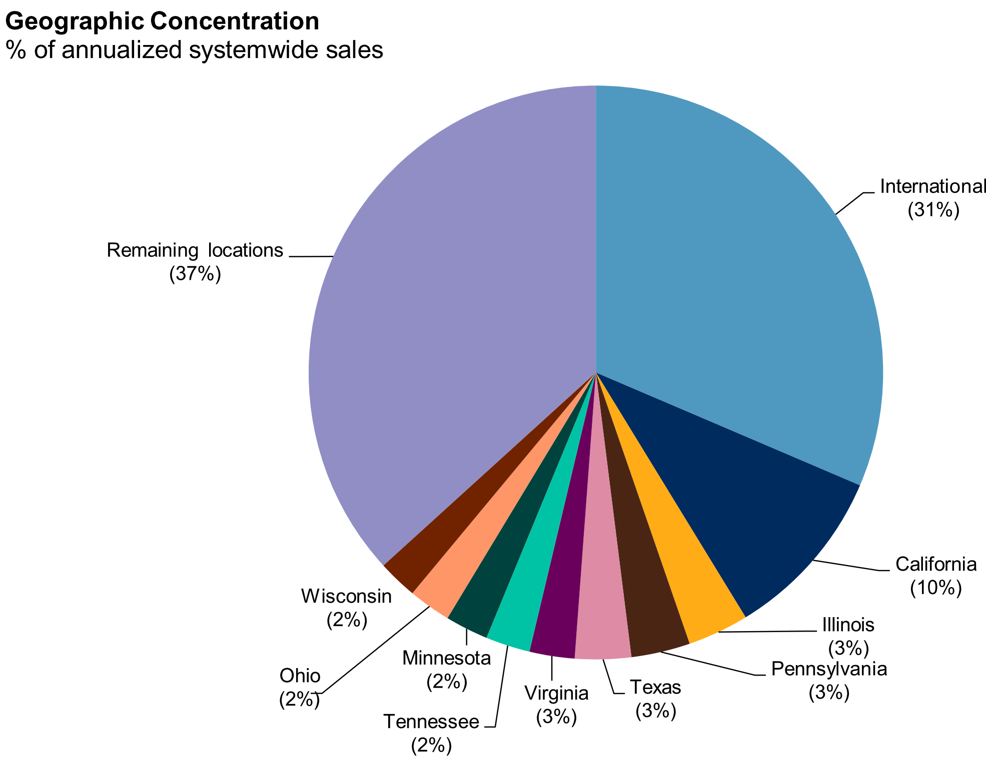
Chart 5

Average Unit Volume By Location



(i)Includes AmeriSpec and Furniture Medic brand locations. (ii)Trailing 12 months ended Sept. 30, 2020.

Chart 6



Source: ServiceMaster Brands.

International

All five SMB business lines operate in Canada, all but AmeriSpec operate in the U.K., and only ServiceMaster Clean and Merry Maids operate in Japan. Total royalty contribution from international units is approximately 20% of the systemwide amount. Royalty contributions, adjusted for national accounts and ad fund pass-through, comprised 68% from Canada, 18% from Japan, 14% from the U.K., and 2% from all others. These are in the form of license agreements. The operations in Japan are structured through a long-term partnership with one company, Duskin, which is a Japanese services provider for its commercial and residential cleaning services.

Collateral

The notes will be secured by a security interest in substantially all of the co-issuers' and the guarantors' assets and will include:

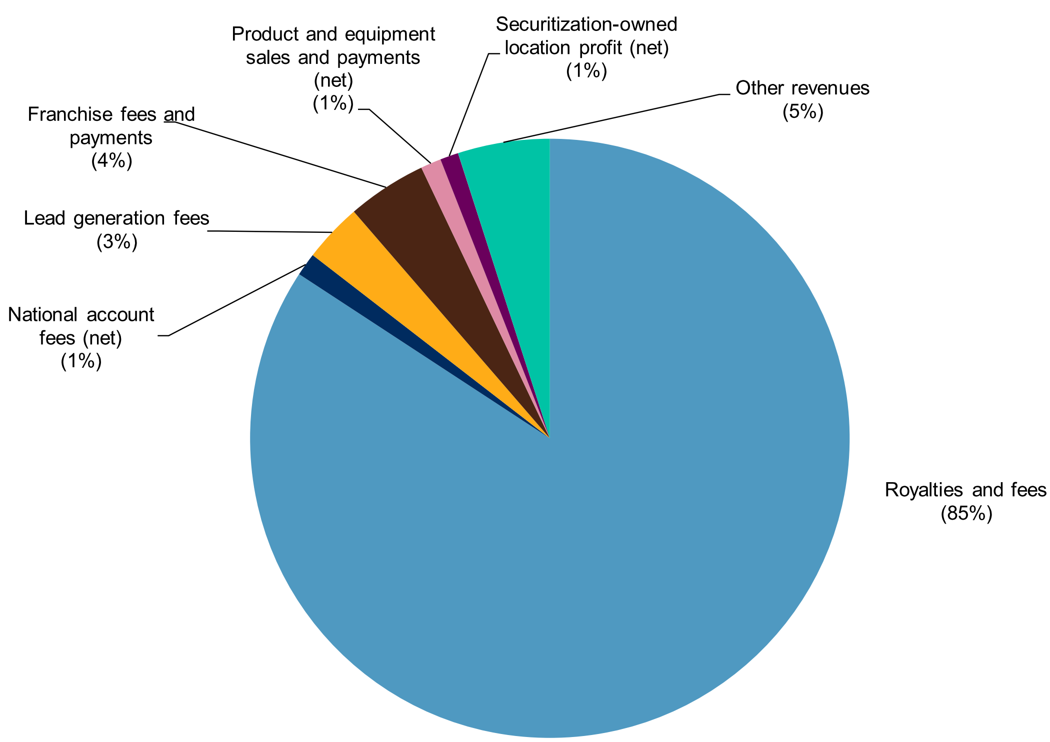
- Existing and future franchise agreements for such brands;
- Existing and future regional distribution and development agreements;

- Distribution and training agreements;
- Associated royalties and other fees and amounts paid thereon except to the extent allocable to third parties;
- Lead generation fees;
- National account, insurance referral, and other vendor fees;
- Product and equipment sales margins and rebate income;
- Franchise notes' interest income and principal repayments;
- Transaction accounts and pledge of equity interests; and
- Profits from securitization-owned locations.

Chart 7 illustrates the relative initial contributions of the various cash flow streams to the transaction.

Chart 7

Securitized Cash Flow Source(i)



(i)Trailing 12 months ended Sept. 30, 2020. Source: ServiceMaster Brands

Key Credit Considerations

Table 2

Key Credit Considerations

Long operating history	ServiceMaster was founded in 1929. The brands have survived multiple economic downturns and have built loyal customer bases. This supports the likelihood that brand loyalty/recognition (and thus sales) will continue even in the event ServiceMaster OpCo is replaced as the manager.
High franchised percentage	Franchisees operated 99% of ServiceMaster's domestic franchise units. We believe a high franchised percentage provides the transaction with better cash flow stability and independence from the manager than transactions with a lower percentage of franchised units.
Stable performance metrics	Since 2007, the ServiceMaster system has experienced very stable growth, including an approximately 2.6% compound annual growth rate, and 13 consecutive years of positive systemwide sales growth.

Credit Rating Methodology

Table 3 details our specific conclusions for each of the five analytical steps in our ratings process.

Table 3

Credit Rating Step

Step	Result	Comment
Step 1		
Eligibility analysis	Pass	We believe that the system of franchised restoration and cleaning locations would likely continue to generate cash flow in the event of a bankruptcy by the manager because individual franchisees generally operate independently from the manager (aside from their reliance on the manager's SG&A functions, which we believe can be transferred to a backup manager). As long as a brand has sufficient customer loyalty, royalty revenues can 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. Because we do not believe that substantially all cash flow from the system will be at risk in the event of a manager bankruptcy, our subsequent analysis quantifies the impact of the correlated cash flow decline from the system and compares that to ongoing required interest and principal payments to the rated debt.
Step 2		
Business volatility score (BVS)	4(i)	ServiceMaster's BRP is currently weak, which maps to an unadjusted BVS of '5'(i). We adjusted the BVS upward by one notch to '4' because the cash flows are revenue-based, and the system has demonstrated stability for more than 30 years.
Cash flow assumptions	See table 4 below	
Min. base DSCR	1.76x	Principal and interest are fully paid in this scenario.
Anchor	bb+	Determined per table 1 of our corporate securitization criteria, "Global Methodology And Assumptions For Corporate Securitizations," published June 22, 2017.
Min. downside run DSCR	1.41x	Principal and interest are fully paid in this scenario.

Table 3

Credit Rating Step (cont.)

Step	Result	Comment
Step 3		
Resiliency score	Satisfactory	Determined per table 3 of the Corporate Securitization criteria.
Resiliency adjusted anchor	bbb	Determined per table 4 of the Corporate Securitization criteria.
Step 4		
Modifier analysis	One notch down	This structure is an outlier from a leverage perspective.
Step 5		
Comparable rating analysis	No adjustment	The issuer's overall profile, including its system size, AUV, royalty rates, franchised percentage, margins, and recent performance, are typical of its peer group. BBB-.

(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. BRP--Business risk profile. DSCR--Debt service coverage ratio. AUV--Average unit volume.

Table 4 shows our cash flow assumptions.

Table 4

Cash Flow Assumptions

	Cumulative decline (%)		
Asset cash flow category	**Base case**	**Downside case(i)**	**Description**
Royalty revenue and fees	0	20	Franchise and company-owned store royalties, which constitute a majority of the overall projected cash flow, are a function of store count, AUV, and royalty rates. Business consumer services category.
All other securitization collections	0	30	All other securitization collections.

(i)For the downside case, we applied periodic stresses to non-U.S. license income to address the risk of foreign exchange rate volatility; we assumed foreign currency depreciation rates consistent with our criteria "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 4, we determined that the management fee could be increased by as much as 255% (translating to an approximately 57% 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. In our opinion, the additional management fee stresses what could occur if ServiceMaster experienced a bankruptcy. While the management fee is currently outlined in the transaction documents, we believe that it may be possible that such fees are renegotiated in a potential 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 is approximately 57%. We examined several event risks associated with cash flow losses, including the royalty losses from the top three geographies by store count, from top 10 franchisees, and from some of the smaller, non-core brands that could be permitted brand dispositions. Under these scenarios, our analysis showed that transaction could pay timely interest and full principal by the legal final maturity date.

Additional sensitivity runs: COVID-19-related stresses

As part of our review, we performed several analyses to determine the resilience of the structure given the economic stresses resulting from the COVID-19 pandemic. These included additional liquidity and break-even runs. S&P Global Ratings' analysis suggests that the decline in securitization collections would need to exceed 80% for an interest shortfall to occur over the coming six months. Given that break-even value, we believe it is unlikely that the transaction will experience an interest shortfall over that timeframe. Additionally, our analysis indicated that the transaction could withstand an additional 7.5% decline in retained collections over the life of the deal before it would lead to a one-notch reduction in our resilience-adjusted anchor (without consideration of any modifier or comparable ratings adjustments).

Throughout the pandemic, the restoration business has remained generally uninterrupted while the commercial cleaning business has outperformed due to heightened cleanliness standards, particularly in health care-related facilities, in which the company has had a major focus. Both the restoration and commercial cleaning businesses were deemed essential. Merry Maids faced greater challenges but has stabilized at approximately 83-85% of prior year sales, which is factored into the base case assumption.

Structural Protection Summary

The structural features and credit enhancements (see table 5) are generally consistent with those of other recently rated corporate securitizations.

Table 5

Structural Features

Test	Result
Rapid amortization DSCR trigger (P&I)	1.20x; system sales < $1.17 billion
Cash sweep DSCR trigger (P&I)	1.75x (50% sweep); <1.50x (100%)
ARD horizon(i)	Seven and ten years
Scheduled amortization through ARD (%)	1.0%

Table 5

Structural Features (cont.)

Test	Result
Senior leverage ratio nonamortization test (ABS debt/net cash flow)	5.00x (no scheduled amortization if the senior leverage ratio is less than or equal to this level).
Manager termination DSCR trigger (IO)	1.20x
Event-of-default DSCR trigger (IO)	1.10x
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 for the U.S. manager is assumed to be $7.8 million annually, and the variable component is assumed to be $11,500 per $100,000 of retained collections, and, for the Canadian manager, C$700,000, plus a fee of C$7,800 for every C$100,000 of retained collections. The management fee is also subject to a 2% annual increase of the fixed component if the increased amount does not exceed 35% of retained collections in the preceding four quarterly collection periods.

(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. ARD--Anticipated repayment date. IO--Interest only.

Payment Priority

Following the series 2020-1 issuance, the transaction will include two tranches of A-2 notes that will pay interest and principal quarterly from weekly distributions in the priority shown below (see table 6). Currently, the transaction includes no senior subordinated or subordinated notes; however, the transaction may issue these notes if certain conditions are met.

Table 6

Payment Priority

Priority	Payment
1	Solely related to indemnification amounts, release prices, asset dispositions proceeds, and insurance/condemnation proceeds: (a) from the U.S. collection account to the trustee, then the servicer for unreimbursed advances; (b) from the U.S. collection accounts to the U.S. manager for any unreimbursed manager advances and from the Canadian collection account to reimburse the Canadian manager for any unreimbursed manager advances; (c) from the applicable collection account, if on or after a class A-1 note renewal date, principal on the class A-1 notes; (d) following a rapid amortization event, from the applicable collection account, to the applicable senior notes principal payment account, to reduce the principal balance and permanently reduce the commitments under any class A-1 notes; (e) to reduce the balance and permanently reduce amount of all other senior notes in alphanumerical order; (f) from the applicable collection account, to prepay the outstanding principal amount of all senior subordinated notes of each class on a pro rata basis in alphanumerical order; and (g) from the applicable collection account, to prepay the outstanding principal amount of all subordinated notes of each class on a pro-rata basis in alphanumerical order.
2	(a) From the U.S. collection accounts to the trustee, then the servicer for unreimbursed advances; then backup manager, then (b) from the U.S. collection accounts to the U.S. manager for any unreimbursed manager advances, and from the Canadian collection accounts to the Canadian manager for any unreimbursed manager advances; and (c) from the U.S. collection accounts to the servicer all servicing fees, liquidation fees, and workout fees.
3	From the U.S. collection accounts to pay the U.S. successor manager transition expenses, if any, and from the Canadian collection accounts to pay the Canadian successor manager transition expenses, if any.
4	Weekly management fees, from each respective U.S. and Canadian collection account.

Table 6

Payment Priority (cont.)

Priority	Payment
5	Capped securitization operating expense amount provided that such cap will not apply after an event of default has occurred and is continuing.
6	Interest on the senior notes, the class A-1 note commitment fee amount, and hedge payments, if any.
7	From the U.S. collection accounts, the capped class A-1 note administrative expenses amount.
8	From the applicable collection account, interest on the senior subordinated notes, if any, pro rata.
9	From the U.S. collection accounts, the senior note interest reserve account deficit amount and then the senior subordinated note interest reserve account deficit amount, if any.
10	From the applicable collection account, the senior notes scheduled principal payment amount, any senior notes scheduled principal payment deficiency amount, and any letter of credit collateralization amounts.
11	Supplemental management fee, if any.
12	From the applicable collection account, 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	From the U.S. collection accounts, as long as no rapid amortization event has occurred and is continuing, and the weekly allocation date occurs during a cash trapping period, to (a) deposit into the U.S. cash trap reserve account an amount equal to the issuer's cash trapping amount, if any, on such weekly allocation date and (b) to deposit into the Canadian cash trap reserve account an amount equal to the Canadian co-issuer's cash trapping amount, if any.
14	From the U.S. collection accounts, if a rapid amortization has occurred and is continuing, all remaining amounts to pay down the class A-1 notes, then to pay down the remaining senior notes, and then to pay down any senior subordinated notes.
15	From the applicable collection account, as long as no rapid amortization event has occurred and is continuing, to the applicable senior subordinated notes' principal payment accounts, the senior subordinated accrued scheduled principal payments.
16	From the applicable collection account, the subordinated notes accrued quarterly interest amount, if any.
17	From the applicable collection account, as long as no rapid amortization event has occurred and is continuing, to the applicable subordinated notes accrued scheduled principal payment amounts, if any, and the subordinated notes scheduled principal payment deficiency amount, if any.
18	From U.S. collection accounts, if a rapid amortization event has occurred and is continuing, to allocate 100% of the amounts remaining on deposit in the U.S. collection accounts to the applicable subordinated notes principal payment account to each class of subordinated notes until the outstanding principal amount of each such class will be reduced to zero on the next quarterly payment date after giving effect to all deposits in the applicable subordinated notes principal payment account.
19	From the U.S. collection accounts, or Canadian collection accounts in respect of any Canadian direct payment amount, uncapped securitization operating expenses.
20	From the U.S. collection accounts, uncapped class A-1 note administrative expenses amounts.
21	From the U.S. collection accounts, class A-1 notes other amounts.
22	From the U.S. collection accounts, after the ARD, post-ARD contingent interest on the senior notes.
23	From the U.S. collection accounts, after the ARD, post-ARD contingent interest on any senior subordinated notes.
24	From the U.S. collection accounts, after the ARD, post-ARD contingent interest on any subordinated notes.
25	From the U.S. collection accounts, hedge termination payments and any other unpaid hedge amounts, pro rata, if any.
26	From the U.S. collection accounts, any unpaid make-whole prepayment considerations.

Table 6

Payment Priority (cont.)

Priority	Payment
27	In the case of available funds with respect to the U.S. collection accounts, to the Canadian residual account, the amount of any shortfall payments and any accrued interest thereon made by the Canadian co-issuer on any prior weekly allocation date or quarterly payment date, or any other applicable date, and not previously reimbursed, and in the case of available funds with respect to the Canadian collection accounts, to the issuer the amount of any shortfall payments (and any accrued interest thereon) made by the issuer on any prior weekly allocation date or quarterly payment date, or any other applicable date, and not previously reimbursed.
28	Excess Canadian weekly management fee, if any, allocable to the Canadian manager.
29	Any remaining funds at the direction of the co-issuers.

Ratings do not address the likelihood of receiving post-ARD interest. ARD--Anticipated repayment date.

Permitted Brand Disposition

The transaction documents allow for the potential brand disposition of the three smaller business lines or of a future brand, but specifically state that the managers will not be permitted to dispose of the ServiceMaster Clean and Restore brands. This disposition concept looks to a release price and an allocated amount, whereby the outstanding notes will be paid down by the percentage contribution of the respective disposed brand assets and intellectual property to retained collections (TTM average). The release price locks in a slight buffer over the contribution level, or allocated amount, by applying a multiplier of 125% for Merry Maids or a future brand, and 110% to the allocated amount for Furniture Medic or AmeriSpec. This feature is not uncommon in whole business securitizations.

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.

We view ServiceMaster's performance as an important part of analyzing and monitoring the performance and risks associated with the transaction. While company performance will likely have an effect on the transaction, we believe other factors, such as cash flow, debt reduction, and legal framework, also contribute to the overall analytical opinion.

Related Criteria

- 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

- 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
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria | Structured Finance | General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- 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

- U.S. Whole Business Securitizations Under Stress From COVID-19, March 17, 2020
- Credit FAQ: The Key Ingredients For Whole Business Securitization Ratings, Feb. 22, 2019
- Restaurant Securitizations Are Structured To Survive A Big Bite, Sept. 7, 2017
- Why Social Media Should Be A #trendingtopic In Corporate Securitization Analysis, June 9, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016