S&P Global
Ratings

Research

Presale:

Driven Brands Funding LLC/Driven Brands Canada Funding Corporation (Series 2020-1)

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Preliminary Ratings

Class	Preliminary rating(i)	Balance (mil. $)	Anticipated maturity	Legal maturity (years)
A-2	BBB- (sf)	175.00	July 2027	30

Note: This presale report is based on information as of June 26, 2020. 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 rating does not address post-ARD additional interest. ARD--Anticipated repayment date.

Executive Summary

Driven Brands Funding LLC's (the issuer) and Driven Brands Canada Funding Corporation's (Canadian co-issuer) series 2020-1 issuance is a $175.0 million corporate securitization of the Driven Brands Inc. business, out of its existing securitization vehicle from 2015. The main brands backing this securitization, as of the series 2020-1 transaction closing, will be Maaco, Meineke,1 800 Radiator & A/C, CARSTAR, Take 5, ABRA, and, most recently, Uniban, P.H. Vitres d'Autos, and Fix Auto USA.

From the debt issuance, management has stated that it intends to use $40 million of the issuance to pay down an existing bridge facility, $54 million to repay a portion of the series 2019-3 class A-1 variable funding notes, and $7 million to repay estimated fees and expenses associated with the transactions. The remaining $74 million will be used for general corporate purposes, which may include future acquisitions. The series 2020-1 note issuance will result in leverage of approximately 6.5x on a total debt/adjusted EBITDA basis, assuming series 2019-3 A-1 VFN remains fully drawn.

Debt repayment is supported by substantially all revenue-generating assets for the specified brands, including existing and future franchise income, product sales margins, and intellectual property.

Key credit features of the transaction include:

- A long operating history of almost 40 years for the Meineke and Maaco brands, while the majority of the other brands in the system have an operating history of approximately 30 years.

- Driven's large and developed franchise base, which is now 85% franchised, down from 99% in 2015. This is due to a number of sizeable acquisitions that have been completed since the initial 2015-1 issuance.
- Stable historical systemwide sales with a cumulative average growth rate of approximately 7% since 2014.
- Geographic concentration, with the three largest states accounting for approximately 26.7% of systemwide sales as of March 28, 2020.
- A contribution by the top 10 franchisees of approximately 7% to system-wide sales as of March 2020.
- The non-discretionary nature of the system's services and offerings.

Transaction Timeline/Participants

Transaction Timeline

Expected closing date	July 6, 2020
First payment date	July 20, 2020
Class A-2 ARD	July 20, 2027
Legal maturity date	July 20, 2050
Note payment frequency	Quarterly

ARD--Anticipated repayment date.

Participants

Manager	Driven Brands Inc. and Driven Brands Canada Shared Services Inc.
Backup manager	FTI Consulting Inc.
Servicer/control party	Midland Loan Services, a division of PNC Bank N.A.
Trustee	Citibank N.A.
LOC provider	Barclays Bank PLC.
Sole structuring adviser and sole book-running manager	Barclays Capital Inc.
Issuer	Driven Brands Funding LLC and Driven Brands Canada Funding Corporation.
Guarantors (U.S.)	Driven Systems LLC, Driven Product Sourcing LLC, 1 800 Radiator Product Sourcing LLC, the subsidiaries of Driven Systems LLC (Meineke Franchisor SPV LLC, Maaco Franchisor SPV LLC, Econo Lube Franchisor SPV LLC, Drive N Style Franchisor SPV LLC, Merlin Franchisor SPV LLC, 1-800-Radiator Franchisor SPV LLC, CARSTAR Franchisor SPV LLC, Take 5 Franchisor SPV LLC, ABRA Franchisor SPV LLC, and FUSA Franchisor SPV LLC), Take 5 Properties SPV LLC, and FUSA Properties SPV LLC.
Guarantors (Canada)	Carstar Canada SPV GP Corporation, Maaco Canada SPV GP Corporation, Meineke Canada SPV GP Corporation, Take 5 Canada SPV GP Corporation, Go Glass Franchisor SPV GP Corporation, Star Auto Glass Franchisor SPV GP Corporation, Driven Canada Product Sourcing GP Corporation, Driven Canada Claims Management GP Corporation, Carstar Canada SPV LP, Maaco Canada SPV LP, Meineke Canada SPV LP, Take 5 Canada SPV LP, Go Glass Franchisor SPV LP, Star Auto Glass Franchisor SPV LP, Driven Canada Product Sourcing LP, and Driven Canada Claims Management LP.

Participants (cont.)

LOC--Letter of credit.

Rating Rationale

The preliminary rating assigned to Driven Brands Funding LLC's $175 million senior secured notes series 2020-1 reflects our assessment of:

- The brand strength: The strength of the Maaco, Meineke,1 800 Radiator & A/C, CARSTAR, Take 5, ABRA, Uniban, P.H. Vitres d'Autos, and Fix Auto USA brands and the likelihood that the brands would survive a Driven Brands bankruptcy; and the brands' resulting capacity to continue generating sufficient cash flows from business operations, provided that adequate servicing remains in place.
- The business strength: when taken as a whole, the brands comprising Driven's collateral pool have a national presence in both the U.S. and Canada and generate substantial and reliable cash flow to the securitization.
- Resilience to a stressed economic environment: we believe a significant portion of the brands' sales can be considered non-discretionary, and thus likely to be more resilient to the continuing pandemic and current recessionary environment than sales for consumer brands driven by more discretionary spending.
- The manager's replicability: The manager's responsibilities are generally limited to sales, general, and administrative (SG&A) functions, which we believe increase the likelihood of successful replacement following a termination of the current managers. Additionally, the transaction has a backup manager--FTI Consulting Inc. (established at the 2015-1 transaction's closing)--that has reviewed the business' cost structure relative to the sizing of the management fee and believes it is adequate should the company need to step in.
- The legal isolation of the assets: As of the close of the 2020-1 transaction, substantially all of the business' cash-generating assets will be sold through a "true sale" to the securitization issuers and guarantors, which are bankruptcy-remote entities. This should decrease the likelihood that existing Driven Brands' creditors could disrupt cash flow to the securitization following a bankruptcy of the manager. Legal opinions related to the true sale and non-consolidation have been, or will be, provided before this transaction's closing.
- Asset performance not fully correlated with manager performance: A system of franchised stores will likely continue to generate cash flow following the managers' bankruptcy because individual franchisees generally operate independently from the managers (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 managers, the income generated by the various brands that collateralize the transaction, 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 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 business 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.

As Driven's services are deemed essential by virtually all U.S. and Canadian jurisdictions, approximately 97% of locations remained open during the COVID-19 pandemic, and Driven reports that all are now open. Although the company has experienced some negative impact, especially in late March through mid-April weekly same-store sales, it has shown significant improvement from that time. The system is at approximately 96% of same store sales levels as of the second week of June.

S&P Global Ratings acknowledges a high degree of uncertainty about the evolution of the coronavirus pandemic. The consensus among health experts is that the pandemic may now be at, or near, its peak in some regions but will remain a threat until a vaccine or effective treatment is widely available, which may not occur until the second half of 2021. We are using this assumption in assessing the economic and credit implications associated with the pandemic (see our research at www.spglobal.com/ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

Environmental, social, and governance (ESG) factors relevant to the rating

action:

- Health and safety

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)
Driven Brands(ii)	2020-1	BBB- (sf)	3245	1.1	85	15	Over 30 years	Automotive services	6.5	1.8	1.5
Sonic(vi)	2020-1	BBB (sf)	3583	1.3	94	0	Over 30 years	QSR	5.9	1.8	1.6
Jersey Mike's(vi)	2019-1	BBB (sf)	1615	0.8	99	0.3	Over 30 years	QSR	6.4	2.2	1.7
Planet Fitness	2019-1	BBB (sf)	1899	2.1	96	2.7	27 years	Fitness	6.5	1.7	1.3
Domino's	2019-1	BBB+ (sf)	16528	0.9	98	64	Over 30 years	QSR	5.9	1.8	1.4
SERVPRO	2019-1	BBB- (sf)	1719	1.5	100	0	Over 30 years	R/R	7.1	1.7	1.3
Wendy's	2019-1	BBB (sf)	6710	1.6	95	8	Over 30 years	QSR	6.6	1.7	1.4
Driven Brands	2019-2	BBB- (sf)	2702	1.3	86	15	Over 30 years	Auto services	6.8	1.5	1.3
Jack in the Box	2019-1	BBB (sf)	2240	1.5	94	0	Over 30 years	QSR	4.9	1.9	1.6
Applebee's/IHOP	2019-1	BBB (sf)	3652	2.2	98	7	Over 30 years	CDR	6	1.7	1.4

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)
Dunkin' Brands	2019-1	BBB (sf)	20912	0.8	100	43	Over 30 years	QSR	6.2	1.6	1.4
Driven Brands	2019-1	BBB- (sf)	2588	1.2	88	17	Over 40 years	Automotive services	6.8	1.7	1.4
Taco Bell	2018-1	BBB (sf)	6505	1.6	91	6	Over 30 years	QSR	5.3	1.6	1.5
Driven Brands	2018-1	BBB- (sf)	2591	0.9	89	15	Over 30 years	Automotive services	6.3	1.8	1.5
Hardee's/Carl's Jr.	2018-1	BBB (sf)	3873	1.2	96	22	Over 30 years	QSR	6.1	1.9	1.6
Jimmy John's	2017-1	BBB (sf)	2690	0.8	98	0	Over 30 years	QSR	5.2	1.8	1.7
Cajun Global	2017-1	BBB- (sf)	1588	0.7	85	32	Over 30 years	QSR	5.2	1.8	1.4
Five Guys	2017-1	BBB- (sf)	1437	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)	3335	1	72	1	Over 30 years	QSR	5.3	1.6	1.2

(i)S&P Global Ratings' credit rating--Rating is for the senior-most securitization note issued. (ii)Preliminary. (iii)International. % of total store count. (iv)Leverage (total debt/adj. EBITDA). As reported. (v)As of each series' closing date unless otherwise noted. (VI)Leverage reflected from preliminary rating. 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 Funding LLC (Jack in the Box). 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 VFN). Taco Bell--Taco Bell Funding LLC. Hardee's/Carl's Jr.--Hardee's Funding LLC/Carl's Jr. 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. AUV--Average unit volume. QSR--Quick-service restaurants. DSCR--Debt service coverage ratio.

Industry Outlook

The auto aftermarket services industry is highly fragmented, with most companies accounting for a very small proportion of market share. The industry is mature, and barriers to entry are considered low as initial capital costs can vary depending on the scale of operations. Demand remains fairly stable; companies in the auto-part and services space are less susceptible to economic downturns, as consumers opt to maintain existing vehicles rather than purchase new ones. Secular trends, including the increasing age of vehicles on the road, growth in the number of annual miles travelled, and greater vehicle complexity, increase customer's reliance on trained technicians to service and maintain their cars.

Summary Of The Business

Driven, based in Charlotte, N.C., is a leading franchisor in the aftermarket automobile service and parts distribution industry, with national franchising platforms in the U.S. and Canada. The company offers various automotive services--including general repair and maintenance, automotive paint, collision, parts distribution, quick lube, and appearance refinishing services. The Driven system is 85% franchised, with approximately 3,245 operating locations across 49 U.S. states, all 10 Canadian provinces, one Canadian territory, and Puerto Rico as of March 28, 2020.

Driven's primary business is to serve as the franchisor of its brands. It franchises, owns, operates, and manages retail and service locations under the core service brands of CARSTAR, ABRA, Fix Auto USA, Maaco, Take 5, Meineke, 1 800 Radiator & A/C, P.H. Vitres D'Autos, and Spire Supply. Maaco and Meineke have continuously operated in their respective segments for over 40 years.

In the last year, Driven has executed several acquisitions, including ABRA (September 2019); Clairus, which includes the Uniban and PH Vitres D'Autos brands (November 2019); Automotive Training Institute (2019); and Fix Auto USA (2020). ABRA specializes in collision repair and maintains partnerships with major auto insurers. The ABRA acquisition included 55 automotive collision repair centers as well as all ABRA intellectual property. Clairus, a leader in automotive glass repair and replacement in Canada, operates in three segments: service, distribution, and claims management. The brand consists of approximately 220 units throughout Canada. Automotive Training Institute is a leading provider of financial and operational training services to the automotive maintenance and paint, collision & glass markets. Fix Auto USA specializes in automotive collision repair and has over 150 locations across 12 U.S. states.

Driven operates in three segments: the maintenance segment, the platform services segment, and the paint, collision, and glass segment.

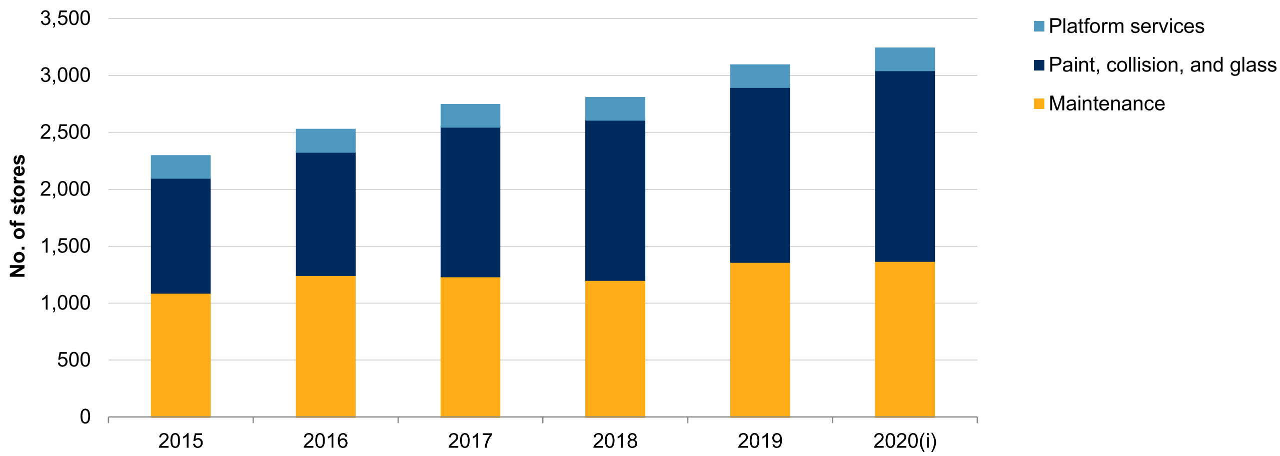
- Driven's maintenance segment is primarily comprised of the Take 5 Brand and Meineke Brand and services both retail and commercial customers such as fleet operators through 1,370 total branded locations. The company's maintenance services include oil changes and other regularly scheduled and as-needed services, including vehicle component repair and replacement.

- Driven's platform services segment is primarily composed of the 1-800-Radiator & A/C Brand, PH Vitres D'Autos, and Spire Supply. This segment specializes in parts procurement and distribution as well as the training of automotive technicians. 1-800-Radiator & A/C had 200 branded locations as of March 28, 2020.

- Driven's paint, collision, and glass Segment is primarily composed of the CARSTAR Brand, ABRA Brand, Fix Auto Brand, Maaco Brand, and Uniban Brands. This segment services both retail and commercial customers such as fleet operators and insurance carriers through 1,675 total branded locations. The company's collision services (CARSTAR, ABRA, and Fix Auto USA) include full collision repair and refinishing services; paint services (Maaco) include standard paint services, surface preparation protection and refinishing, and other cosmetic repairs; and the company's glass services (Uniban Brands) include replacement, repair and calibration services for automotive glass.

Chart 1

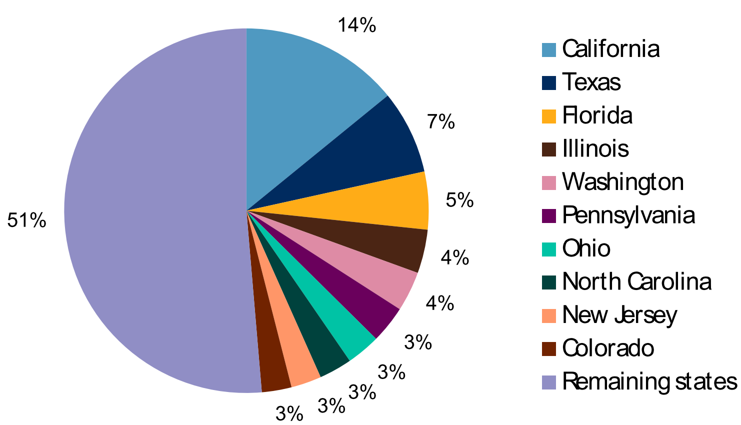
Historical Systemwide Store Count



(i)Fifty-two weeks ended March 28, 2020. Source: Driven Brands Inc.

Chart 2

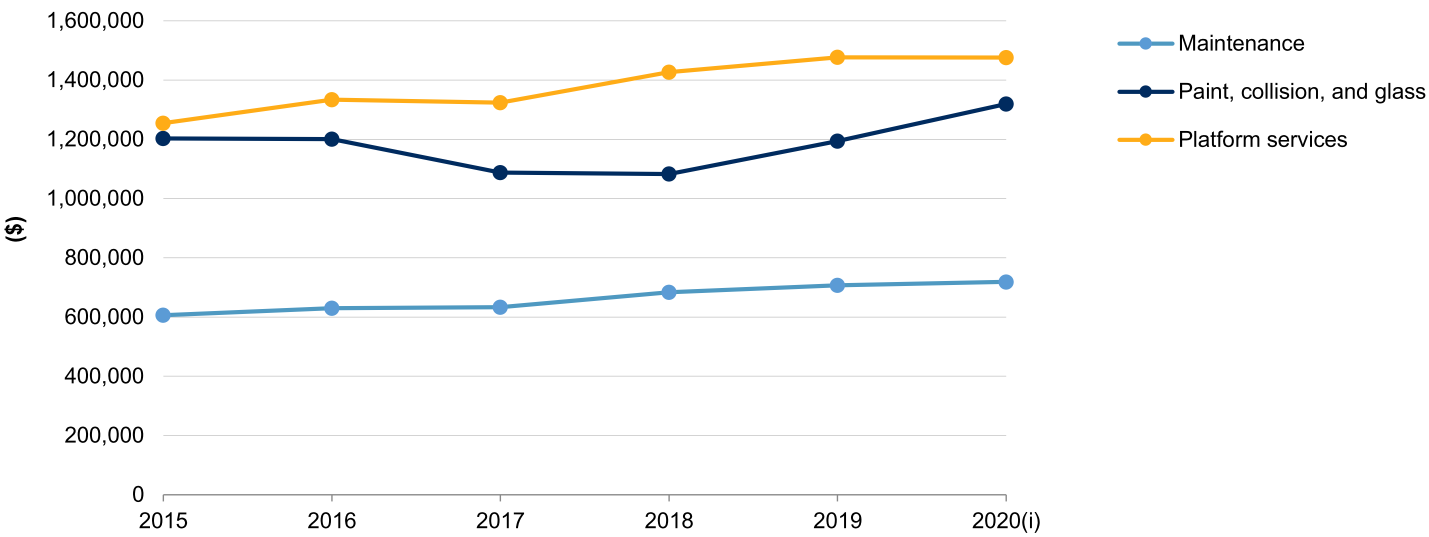
Top 10 States By U.S Sales (%)



Source: Driven Brands Inc.

Chart 3

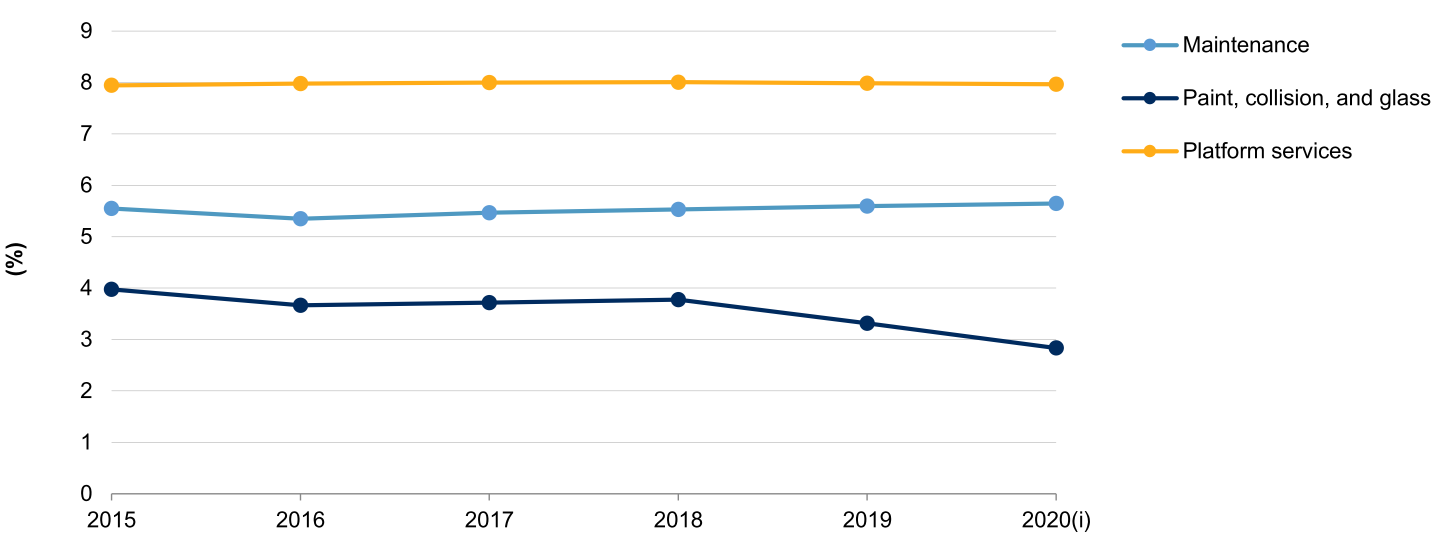
Average Unit Volume



(i)Fifty-two weeks ended March 28, 2020. Source: Driven Brands Inc.

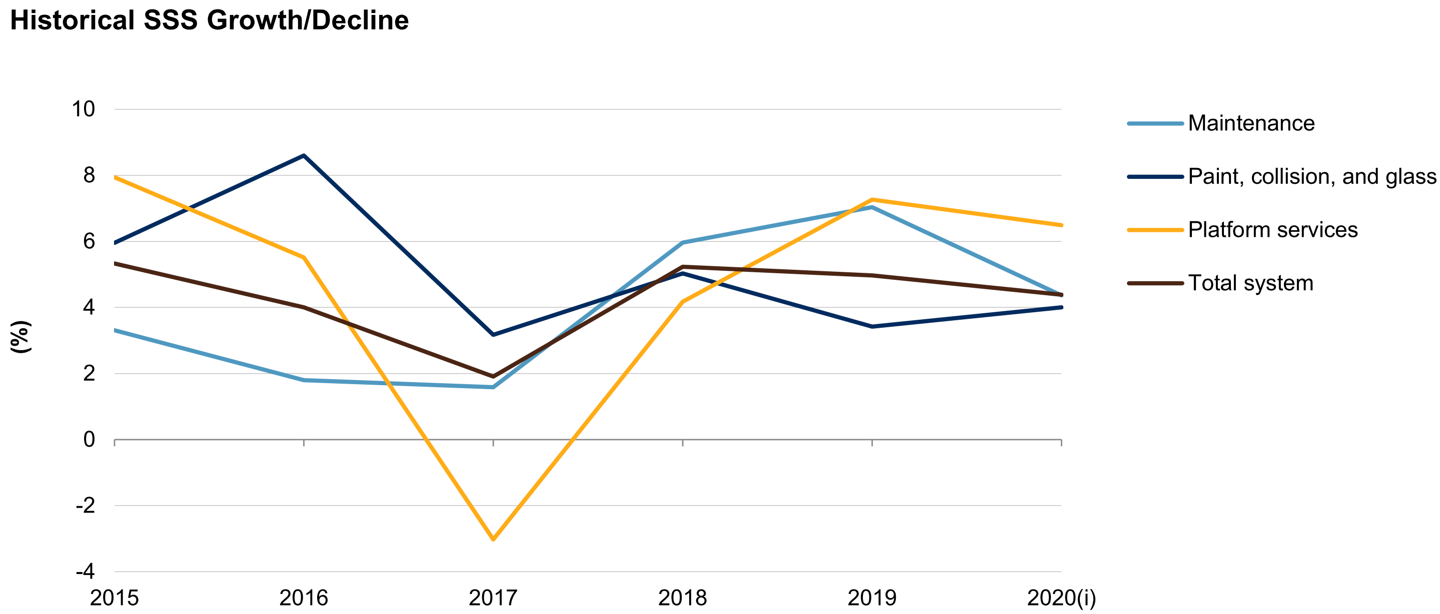
Chart 4

Average Royalty Rate



(i)Fifty-two weeks ended March 28, 2020. Source: Driven Brands Inc.

Chart 5



(i)Fifty-two weeks ended March 28, 2020. Source: Driven Brands Inc.

Collateral

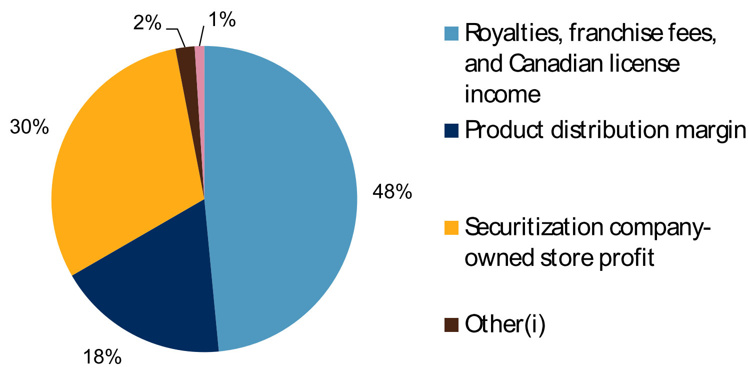
The notes will be secured by a security interest in substantially all of the assets of the master issuers and guarantors for the specified brands, both domestic and Canadian, including:

- Existing and future domestic franchise and development agreements for such brands;
- Existing and future domestic product sales margin for such brands;
- Existing and future intellectual property for such brands (including certain IT, license, and other income from royalties on Canadian trademarks);
- Profits from securitization-owned company stores and related store assets;
- Profits from Canadian distribution and Canadian claims management and related assets;
- The domestic distribution margin;
- Certain transaction accounts; and
- A pledge of the equity interests in each co-issuer and its subsidiaries.

Chart 6 illustrates the relative initial contributions of the various cash flow streams to the transaction.

Chart 6

Securitized Cash Flow Sources



(i)Other securitization revenues include information technology maintenance fees, fees received for certain advertising and insurance services provided by the managers on behalf of the franchisees, and collections related to note repayments made by franchisees and other franchisee payments.

(See table 4 below for more details on each category of securitization collections.)

Prefunding Account

Unlike the 2019-1 and 2019-2 issuances, there is no prefunding account in this transaction.

Key Credit Considerations

Table 2

Key Credit Consideration

Credit consideration	Discussion
Long operating history	The brands in the Driven Brands Inc. portfolio were started over 30 years ago. The two main brands, Maaco and Meineke, were founded over 40 years ago. Since then, the brands have survived multiple economic downturns. This supports the likelihood that brand loyalty and, thus, sales will continue even in the event that Driven Brands Inc. is replaced as the manager.
Brand strength	Two of the flagship brands, Maaco and Meineke, were both founded in 1972 and are highly recognizable nationally.
High franchised percentage	Prior to the acquisition of Take 5 in 2016, Driven Brands Inc. was 99% franchised. This dropped to 86% as of June 2019, and it is currently 85% as of March 28, 2020. We believe a high franchised percentage provides the transaction with better cash flow stability and independence from the manager than transactions with lower percentages of franchised stores.
ABRA, Uniban, P.H. Vitres D'Autos, and Fix Auto USA businesses	Based on their simple service offerings, low capital expenditures, and high profitability, these businesses are good additions to the existing Driven Brands Inc. portfolio.

Credit Rating Methodology

The following table details our specific conclusions for each of the five analytical steps in our ratings process for Driven Brands Funding LLC/Driven Brands Canada Funding Corporation's series 2020-1 transaction.

Table 3

Credit Rating Step

Step	Result	Discussion
Step one		
Eligibility analysis	Pass	We believe that a system of franchised stores can continue to generate cash flows following the bankruptcy of the franchisor ("manager") because individual franchisees generally operate independently from the manager (notwithstanding their reliance on centralized general and administrative functions, which are transferable to a back-up manager). We believe that 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. Given that we do not believe substantially all cash flows from the system will be at risk following the bankruptcy of the manager, the following analysis quantifies the impact of the correlated cash flow decline from the Driven's system and compares that to ongoing required interest and principal payments to the rated debt.
Step two		
BVS	3	Driven's BRP is currently fair, which maps to an unadjusted BVS of 4(i). We adjusted that BVS upward by one notch to 3 because the cash flows are primarily revenue-based and the system has demonstrated stability over more than 20 years.
Cash flow assumptions	See table 4 below	
Min. base DSCR	1.76x	Principal and interest are fully paid in this scenario.
Anchor	'bbb-'	Determined per table 1 of our corporate securitization criteria, "Global Methodology And Assumptions For Corporate Securitizations" published June 22, 2017.
Min. downside run DSCR	1.45x	Principal and interest are fully paid in this scenario.
Step three		
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 four		
Modifier analysis	No adjustments	This structure is not an outlier from a leverage perspective, though leverage is on the higher end of the range for Driven's peer group. The anticipated repayment date and the transaction structure are all comparable to similarly rated deals. Also, Driven has shown a strong track record of cash generation and deleveraging.
Step five		
Comparable rating analysis	1 notch	Driven's overall profile, including its system size, AUV, royalty rates, franchised percentage, and recent performance, are typical of its peer group; however, its highly acquisitive strategy has the potential for performance volatility in the near term, relative to those peers, which typically grow more organically, until new systems are fully integrated. Thus we apply one downward notch for a preliminary rating of 'BBB- (sf)'.

(i)The mappings from BRP to BVS are: excellent=1; strong=2; satisfactory=3; fair=4; weak=5; and vulnerable=6. BVS--Business volatility score. BRP--Business risk profile. DSCR--Debt service coverage ratio. AUV--Average unit volume.

Table 4

Cash Flow Assumptions

	Cumulative decline (%)		
Asset cash flow category	Base case	Downside case(i)	Description
Royalty revenue and fees	0	15	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. Note: The base-case assumptions on the newly acquired quick lube stores are based on 2018 performance before they were acquired by Driven Brands.
Contributed store securitized-adjusted EBITDA	0	30	Profits from contributed company-owned stores.
Other securitization revenues	0	30	Any other collections from franchisees.

(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 above, we determined that the management fee could be increased by as much as 246% (translating to an approximately 55.58% 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 could occur if Driven experienced a bankruptcy. While the management fee is currently outlined in the transaction documents, we believe that it may be possible that such fees might be 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 after fees is approximately 53%. We examined several event risks associated with cash flow losses, including royalty losses from the top three geographies by store count and from the top 10 franchisees. Under these scenarios, our analysis showed that the 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 COVID 19. These included additional liquidity and break-even runs. S&P Global Ratings' analysis suggests that the decline in securitization collections would need to exceed 81% 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 up to a 10% 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 to any modifier or comparable ratings adjustments).

Structural Protection Summary

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

Table 5

Structural Features

Test	
Rapid amortization DSCR trigger (P&I)	1.20x or systemwide sales < $640 mil.
Cash flow trapping DSCR trigger (P&I)	1.75x (50% trap); 1.5x (100% trap)
Holding company and senior leverage ratio nonamortization test (total debt/EBITDA)	5.00x (no scheduled amortization if the holding company leverage ratio and senior leverage are less than or equal to this level)
ARD horizon(i)	Seven years
Scheduled amortization through ARD (%)	1.0
Manager termination DSCR trigger (IO)	1.2x
Event-of-default DSCR trigger (IO)	1.1x
Management fee	The management fee, which includes both fixed and variable components, is a function of the retained collections of both the U.S. and Canadian operations. According to the transaction documents, the U.S. portion of the management fee has a fixed component of $8.5 million annually, and the variable component is assumed to be $14,375 per $100,000 of retained collections in the form of U.S. collections. The Canadian portion of the management fee has a fixed component of CAD$2.0 million and a variable component of CAD$19,165 for every CAD$133,000 of retained collections in the form of Canadian collections. Both the U.S. and Canadian portions of the management fee are subject to 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)The 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, the class A-1 notes would be retired first, and then pro rata rapid amortization will begin for all class A-2 tranches (for all outstanding series, including series 2015-1, 2016-1, 2018-1, 2019-1, and 2019-2). DSCR--Debt service coverage ratio. P&I--Principal and interest. ARD--Anticipated repayment date. IO--Interest only.

Payment Priority

The series 2020-1 class A-2 notes and the notes currently outstanding that were previously issued by Driven Brands Funding LLC (including the outstanding class A-2 notes from series 2015-1, the class A-2 notes from series 2016-1, the class A-2 notes from series 2018-1, the class A-2 notes from 2019-1, the class A-2 notes from 2019-2, and the class A-1 notes from 2019-3) 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 account to the U.S. managers 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) from the applicable collection account, to prepay the outstanding principal amount of all senior notes in alphanumerical order; (e) 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 (f) 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 account to the trustee, then the servicer for unreimbursed advances; (b) from the U.S. collection account to the U.S. manager for any unreimbursed manager advances, and from the Canadian collection account to the Canadian manager for any unreimbursed manager advances; and (c) from the U.S. collection account to the servicer all servicing fees, liquidation fees, and workout fees.
3	From the U.S. collection account 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.
5	Capped from the applicable collection account, securitization operating expense amount; and, as long as an event of default has occurred and is continuing, to the trustee the post-default capped trustee expense amount.
6	From the applicable collection account, senior notes accrued quarterly interest amount and the class A-1 note accrued quarterly commitment fees amount.
7	From the U.S. collection account, the capped class A-1 note administrative expenses amount.
8	From the applicable collection account, senior subordinated notes accrued quarterly interest amount, if any.
9	From the U.S. collection account, the senior note interest reserve account deficit amount and the senior subordinated note interest reserve account deficit amount, in alphanumerical order of designation.
10	From the applicable collection account, the senior notes accrued scheduled principal payment amount; any senior notes scheduled principal payment deficiency amount; amounts then known by the managers that will become due under any class A-1 note purchase agreement before the immediately succeeding quarterly payment date with respect to the cash collateralization of letters of credit issued under such class A-1 note purchase agreement; and in respect of any series of class A-1 notes for which their renewal date has not occurred, any outstanding amounts due and payable in respect of principal for such series.
11	Supplemental management fees, if any, from the respective collection account.
12	From the U.S. 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 account, If no rapid amortization has occurred and is continuing, during a cash-trapping period, the cash-trapping amount of the issuer into the U.S. cash trap reserve account, and to deposit into the Canadian cash trap reserve account an amount equal to the Canadian co-issuer's cash trapping amount, if any on such weekly allocation date.
14	From the U.S. collection account, 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 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, any senior subordinated notes accrued scheduled principal payment amount; and then senior subordinated notes scheduled principal payment deficiency amount, if any.
16	From the applicable collection account, subordinated notes accrued quarterly interest amount, if any.

Table 6

Payment Priority (cont.)

Priority	Payment
17	From the applicable collection account, as long as no rapid amortization event has occurred, the subordinated notes' accrued scheduled principal payment amount, if any; and then the subordinated notes' scheduled principal payment deficiency amount, if any.
18	From the U.S. collection account, if a rapid amortization has occurred and is continuing, all remaining amounts to pay down the subordinated notes, if any.
19	From the U.S. collection account, or Canadian collection account in respect of any Canadian direct payment amount, uncapped securitization operating expenses.
20	From the U.S. collection account, uncapped class A-1 note administrative expenses amounts.
21	From the U.S. collection account, class A-1 notes other amounts.
22	From the U.S. collection account, after the ARD, any senior notes accrued quarterly post-ARD additional interest amount.
23	From the U.S. collection account, after the ARD, any senior subordinated notes accrued quarterly post-ARD additional interest amount.
24	From the U.S. collection account, after the ARD, any subordinated notes accrued quarterly post-ARD additional interest amount.
25	From the U.S. collection account, any unpaid premiums and make-whole prepayment consideration.
26	From the Canadian collection account, to deposit to the Canadian product sourcing lease expense account and the Canadian claims management lease expense account, respectively, an amount equal to any previously accrued and unpaid rent, tenancy costs, or other similar costs and expenses of the Canadian product sourcing business and the Canadian claims management business, together with any such amounts that are expected to be payable prior to the last day of the immediately following fiscal month.
27	In the case of available funds with respect to the U.S. collection account, to the Canadian co-issuer 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 and not previously reimbursed, and in the case of available funds with respect to the Canadian collection account, 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 and not previously reimbursed.
28	From the Canadian collection account, to pay the excess Canadian weekly management fee.
29	Any remaining funds at the direction of the co-issuers.

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.

We view Driven'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, other factors such as cash flow, debt reduction, and legal framework also contribute to our 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: 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: 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

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

In addition to the criteria specific to this type of security (listed above), the following criteria articles, which are generally applicable to all ratings, may have affected this rating action: "Counterparty Risk Framework: Methodology And Assumptions," March 8, 2019; "Post-Default Ratings Methodology: When Does Standard & Poor's Raise A Rating From 'D' Or 'SD'?," March 23, 2015; "Global Framework For Assessing Operational Risk In Structured Finance Transactions," Oct. 9, 2014; "Methodology: Timeliness of Payments: Grace Periods, Guarantees, And Use of 'D' And 'SD' Ratings," Oct. 24, 2013; "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings," Oct. 1, 2012; "Methodology: Credit Stability Criteria," May 3, 2010; and "Use of CreditWatch And Outlooks," Sept. 14, 2009.