S&P Global Ratings

Research

Presale:

Ford Credit Floorplan Master Owner Trust A (Series 2024-1)

May 2, 2024

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Preliminary ratings

Class	Preliminary rating	Interest rate	Preliminary amount (mil. $)(i)	Credit support (% of collateral amount)	Expected final payment date	Final maturity date
A-1/A-2	AAA (sf)	Fixed/floating(ii)	750.000	24.44	April 15, 2027	April 15, 2029
B	AA (sf)	Fixed	44.408	19.94	April 15, 2027	April 15, 2029
C(iii)	NR	Fixed	39.474	15.94	April 15, 2027	April 15, 2029
D(iii)	NR	Fixed	29.605	12.94	April 15, 2027	April 15, 2029

Note: This presale report is based on information as of May 2, 2024. 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)Subject to change. The size of each of the class A-1 and A-2 notes will be determined on or before the pricing date. The entire principal amount may be allocated to either the class A-1 or A-2 notes, but neither class will be issued in an aggregate principal amount of less than $150.00 million. (ii)The class A-1 notes will accrue interest at a fixed rate, and the class A-2 notes will accrue interest at a floating rate initially benchmarked to 30-day average SOFR plus a spread. If the benchmark rate plus the spread for the class A-2 notes is less than zero, the interest rate will be 0.00%. (iii)The depositors will initially retain the class C and D notes. NR--Not rated.

Profile

Expected closing date	May 10, 2024.
Interest payment date	The 15th of each month, beginning June 17, 2024.
Collateral	A revolving pool of receivables that were originated in connection with dealers purchasing and financing primarily Ford-manufactured new and used cars, trucks, and utility vehicles.
Issuer	Ford Credit Floorplan Master Owner Trust A.
Sponsor, servicer, administrator, and originator	Ford Motor Credit Co. LLC (BBB-/Stable/A-3).
Backup servicer	Computershare Trust Co. N.A. (BBB/Stable/--).
Depositors	Ford Credit Floorplan Corp. and Ford Credit Floorplan LLC.

Profile (cont.)

Indenture trustee	The Bank of New York Mellon (AA-/Stable/A-1+).
Owner trustee	U.S. Bank Trust N.A.
Lead underwriter	Barclays Capital Inc.

Rationale

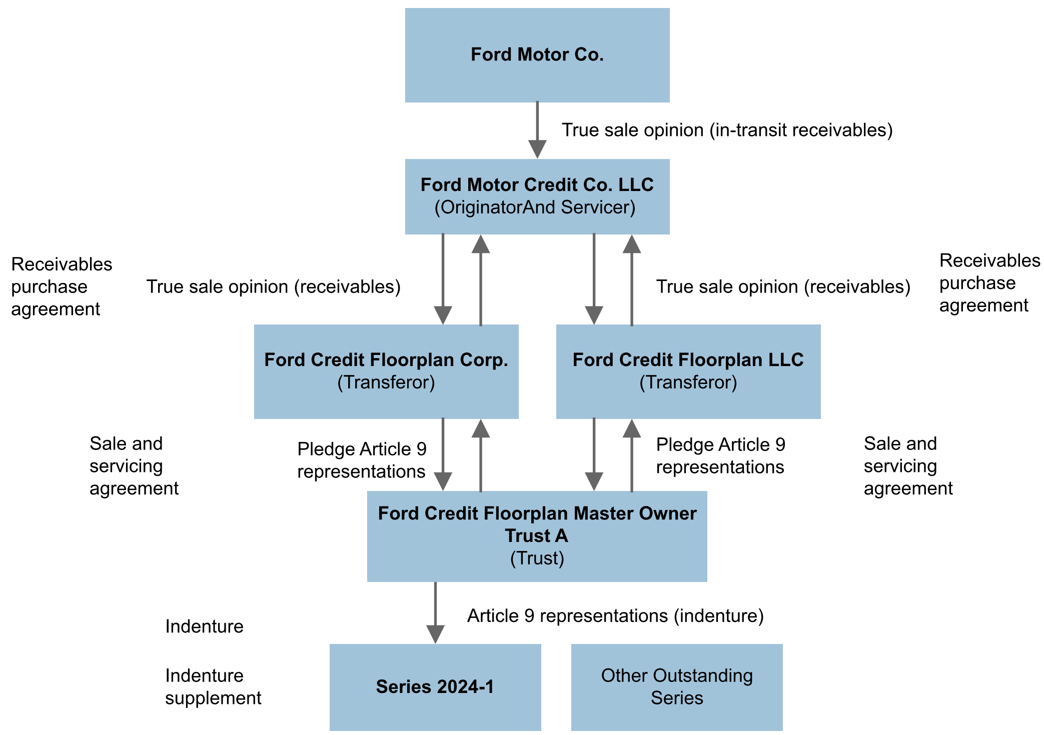
The preliminary ratings assigned to Ford Credit Floorplan Master Owner Trust A's (the trust) asset-backed notes series 2024-1 reflect:

- Our view that the 24.44% and 19.94% hard credit support (expressed as a percentage of the collateral amount) for the class A-1/A-2 (collectively, class A) and B notes, respectively, is sufficient to withstand our stress scenarios commensurate with the assigned preliminary 'AAA (sf)' and 'AA (sf)' ratings.
- Our issuer credit rating (ICR) on the primary manufacturer, Ford Motor Co. (Ford; BBB-/Stable/A-3).
- The 25.00% three-month average monthly principal payment rate trigger, which, when breached, causes a subordination step-up period in which (a) the transaction's required subordination amount will increase to 16.50% from 12.50% of the collateral amount, or (b) the reserve account required amount will increase by an amount equal to the step-up percentage, or, if sufficient credit enhancement is not provided, an early amortization event will occur.
- The 21.00% three-month average monthly principal payment rate trigger, which, when breached, causes an early amortization event to occur.
- Our expectation that under a moderate ('BBB') stress scenario, all else being equal, the ratings will remain within one rating category of the assigned preliminary 'AAA (sf)' and 'AA (sf)' ratings for the class A and B notes, respectively, within one year. These potential rating movements are consistent with our credit stability limits specified in section A.4 of the Appendix contained in S&P Global Rating Definitions (see "S&P Global Ratings Definitions," published June 9, 2023).
- Our view of the relative financial strength of the dealers that have accounts designated to the trust (the underlying obligors of the floorplan loans) and Ford's sizable market share in the U.S.
- Ford Motor Credit Co. LLC's (Ford Credit) servicing experience and our opinion of the quality and consistency of its account origination, account management, and auditing practices.
- Computershare Trust Co. N.A.'s (the backup servicer) servicing experience and our view of its ability to assume the successor servicer role if the servicer is terminated.
- Our expectation of timely payment of interest and principal payments by the final maturity date according to the transaction documents, based on stressed cash flow modeling scenarios, using assumptions commensurate with the assigned preliminary ratings.
- The transaction's underlying payment structure, legal structure, and cash flow mechanics.

Transaction Overview

The collateral consists of receivables secured by vehicles from designated revolving floorplan accounts offered by Ford Credit to Ford's retail automobile dealers (see chart). Each receivable is an obligation in which the dealer agrees to repay the loan amount that it incurred when purchasing a vehicle for its inventory. The related vehicle secures the receivable. The dealer generally repays the related receivables when it sells the underlying vehicle.

Transaction structure



A dealer's inventory may include new and used cars and light-, medium-, and heavy-duty trucks, which include vans and other vehicle classifications, such as SUVs, crossover vehicles, and vehicles intended for fleet sales (sales of 10 or more vehicles to a single purchaser at one time). Medium- and heavy-duty trucks are typically delivered as incomplete vehicles or chassis cabs that the dealer may send to a third party for final assembly. A small portion of a dealer's inventory may also include demonstrator, daily rental and service loaner vehicles.

The trust is a master owner trust that issues notes through discrete series. The series 2024-1 issuance will include five classes of notes. The class A-2 notes will bear a floating interest rate based on 30-day average SOFR, with a margin that will be determined on the pricing date, while the class A-1, B, C, and D notes will have fixed-rate coupons. The transaction is scheduled to pay principal to the class A, B, C, and D noteholders on the expected final payment date. However, S&P Global Ratings' credit ratings address principal payments by the final maturity date.

Changes From The Series 2023-1 Transaction

The changes to the transaction structure from the series 2023-1 transaction issued in May 2023 (not rated by S&P Global Ratings) include an:

- Increase of the dealer concentration limit for dealers affiliated with Lithia Motors (BB+/Stable) to 3% from 2%; and
- Increase of the fleet concentration limit to 15% from 10%

In addition, for series 2023-1, Ford Credit added several structural features that also apply to this series (see Ford Credit Floorplan Master Owner Trust A program enhancements).

We do not expect these changes to materially impact our ratings on the series 2024-1 transaction.

Environmental, Social, And Governance

Our rating analysis considers a transaction's potential exposure to ESG credit factors. In our view, the transaction has material exposure to environmental credit factors due to the collateral pool that primarily comprises vehicles with internal combustion engines (ICE), which create emissions of pollutants including greenhouse gases. While the adoption of electric vehicles and future regulation could, in time, lower ICE vehicle values, we believe that our current approach to evaluating recovery values adequately accounts for vehicle values over the relatively short expected life of the transaction.

In our view, the transaction has exposure to governance risk given the revolving collateral pool and the originator's more active role over the transaction's life, there is the risk of loosening underwriting standards or potential adverse selection. We believe this risk is mitigated by the performance-based triggers, including the payment rate and credit enhancement triggers, incorporated in the transaction structure. Additional mitigating factors include the transaction's asset eligibility and concentration limits. As a result, we have not separately identified this as a material ESG credit factor in our analysis.

Ford Motor Co.

Ford is the primary manufacturer of the vehicles securing receivables sold to the trust. Ford is one of the world's largest automakers, based on unit sales, with worldwide vehicle sales of approximately 4.4 million in 2023 and about 2.0 million in U.S. sales for the same period. Ford benefits from sizable market shares across most major North American vehicle segments, particularly the full-size pickup truck market.

Manufacturer-related risks

The obligors of a non-diversified auto dealer floorplan (ADFP) pool are predominantly franchised dealers. We view these dealers' financial health as being largely dependent on those of the related manufacturers (Ford, in this transaction). Accordingly, we believe a manufacturer bankruptcy--an event risk in non-diversified ADFP transactions--could decrease the manufacturer's support such as sales incentives and other payments, to the dealer. Under this stressed scenario, the related dealer may be left with a relatively large inventory of vehicles from a bankrupt manufacturer that is not providing sales support or payment reimbursements. Therefore, we view our ICR on Ford as a differentiating factor affecting the credit quality of floorplan loans sold to the trust.

Ford Motor Credit Co. LLC

Ford Credit, a wholly owned subsidiary of Ford, was established in 1959 to provide financing for Ford vehicles and to support Ford dealers. Ford Credit is the primary source of financing for Ford-franchised dealers who sell Ford and Lincoln brand vehicles. The company provides financing products and services to and through dealers of Ford- and Lincoln-brand vehicles, as well as the non-Ford vehicles these dealers and their affiliates sell.

Origination and Underwriting

Ford Credit has financed approximately 71%-76% of all Ford and Lincoln dealer new vehicle inventory over the past five years. The transaction limits non-Ford vehicles to 10% for manufacturers rated 'A-' or higher by S&P Global Ratings and 2% for manufacturers rated 'BBB+' or lower. Over the past five years, new vehicle financing was approximately 78%-96% of Ford Credit's floorplan portfolio and used-vehicle financing, including program vehicles and customer trade-ins, was approximately 4%-22%. Ford Credit selects the accounts designated to the trust from its dealer floorplan portfolio. Ford Credit has been securitizing floorplan receivables since 1991. Its current floorplan securitization trust, Ford Credit Floorplan Master Owner Trust A, was established in 2001 as a master trust and has issued more than 55 series.

Ford Credit extends floorplan financing under established credit lines. A dealer may have multiple credit lines for different types of vehicles such as new, used, program vehicles, medium and heavy truck, fleet, demonstrator, or servicer loaner vehicles. The size of each credit line is primarily based on the dealer's historical sales rate.

For new dealer floorplan financing requests, Ford Credit performs a thorough review of the dealer or dealer group, including its business, legal, and operations structure, including number of manufacturer franchises, credit information, financial statements or tax returns, and types of vehicles in the dealer's inventory and specialty services provided by the dealer. The financing extended to a dealer depends on the dealer's financial strength and the nature of its business. Floorplan receivables are secured primarily by the financed vehicles and payment is required when the vehicle is sold. For many dealers, Ford Credit also obtains personal guarantees and secondary collateral or additional dealer assets, including dealer-adjusted net worth and real estate equity. Ford Credit will periodically perform a credit review of each dealer at least biennially following the similar process used to evaluate new dealer account originations.

Ford Credit evaluates new dealer account originations using its proprietary scoring model, performs ongoing credit reviews of dealers, and assigns risk ratings. The proprietary scoring model and dealer risk ratings are designed to predict a dealer's ability to meet financial obligations, including capitalization and leverage, liquidity and cash flow, profitability, credit history, and payment performance. Ford Credit updated its dealer risk rating model in August 2019.

Servicing

Ford Credit will service the receivables according to the customary policies and procedures that it uses in servicing dealer floorplan receivables for its own account and for others. It also has web-based servicing policies and procedures that are designed to ensure common servicing practices for all receivables.

In addition to a typical servicing and collection function, inventory monitoring is important for floorplan transactions because of the assorted parties involved, the receivables' high turnover rate, and the high value of the collateral securing the receivables. According to Ford Credit, it reviews the dealer's financial statements and audits its inventory and sales records regularly to evaluate each dealer's financial position and verify that the dealer possesses the financed vehicles and promptly pays each receivable following the vehicle's sale. Ford Credit engages a third-party vendor to perform on-site wholesale inventory audits, the frequency of which depends on the dealer's risk rating.

Ford Credit is the servicer for the trust, and Computershare Trust Co. N.A., as successor in interest to Wells Fargo Bank N.A., is the backup servicer. The backup servicer must confirm certain data in the monthly investor report and become the successor servicer if, for any reason, Ford Credit is terminated as the servicer.

The servicer must deposit all interest and principal collections into a collection account within two business days after the receivables have been processed. However, if certain provisions in the transaction documents are met, including that S&P Global Ratings' short-term ICR on the servicer is at least 'A-1', the servicer may make a single collections deposit into a collection account on the payment date.

Legal Structure

Ford Credit, the originator, will sell and transfer its right, title, and interest in all of the receivables and other floorplan assets, as well as the collateral security for the accounts, to the depositors, Ford Credit Floorplan Corp. and Ford Credit Floorplan LLC. The depositors, which are both structured to be bankruptcy-remote special-purpose entities, will grant a perfected security interest in the receivables and the collateral security to the trust, which will then grant a security interest to the indenture trustee on the noteholders' behalf. In rating this transaction, S&P Global Ratings will review the relevant legal matters outlined in its criteria.

Credit Support

According to the transaction documents, the credit support for the class A notes will total 24.44% of the collateral amount and is structured as follows:

- The class B notes equal 4.50% of the collateral amount.
- The class C notes equal 4.00% of the collateral amount.
- The class D notes equal 3.00% of the collateral amount.
- The available subordinated amount equals 12.50% of the collateral amount.
- The required reserve account amount for any payment date will equal approximately 0.50% of the adjusted invested amount or 0.44% of the collateral amount.

According to the transaction documents, the credit support for the class B notes will total 19.94% of the collateral amount and is structured as follows:

- The class C notes equal 4.00% of the collateral amount.
- The class D notes equal 3.00% of the collateral amount.
- The available subordinated amount equals 12.50% of the collateral amount.

- The required reserve account amount for any payment date will equal approximately 0.50% of the adjusted invested amount or 0.44% of the collateral amount.

Available subordinated amount and subordination step-up period

During the subordination step-up period, the transaction's required subordination amount will increase to 16.50% from 12.50% of the collateral amount if the three-month average monthly principal payment rate is less than 25.00%. Alternatively, the depositors may raise the required reserve account amount in lieu of increasing the required subordinated amount. That increase would equal the increase otherwise required for the subordinated percentage (the subordinated percentage will increase to 19.76% from 14.29% of the series 2024-1 notes' initial balance during a subordination step-up period).

If the depositors fail to deposit this higher amount into the reserve account on or before the distribution date, the required subordination amount will automatically increase to 16.50% of the collateral amount. The required available subordinated amount is based on the initial invested amount. An early amortization event will occur if the available subordinated amount is less than the required subordinated amount.

The series 2024-1 transaction structure also incorporates an incremental subordination feature. If the dealer, manufacturer, and other collateral characteristics exceed the concentration limits established in the transaction documents or the receivables become ineligible, the required available subordinated amount level will increase by an amount equal to the excess concentration amounts.

Reserve account

The required reserve account amount will increase to 4.50% of the series 2024-1 notes' initial balance if an early amortization event occurs. The amounts held in the reserve account will be available to cover any shortfalls in the notes' monthly interest, the monthly servicing fee, and any defaults. If a reserve account shortfall occurs, available depositor collections will be deposited in the reserve account to the required amount. On the final maturity date, the funds in the reserve account will be available to pay the notes' outstanding principal amount.

Structural Overview And Payment Priority

Allocations

The series 2024-1 transaction has three distinct allocation periods: revolving, required amortization, and early amortization. For all three periods, the interest collections (interest, fees, investment earnings, and recoveries) will be allocated to the series 2024-1 notes based on the floating allocation percentage or the series 2024-1 notes' proportional share of the trust's receivables.

The revolving period starts on the closing date and ends when the required amortization period or the early amortization periods starts. During the revolving period, no principal will be paid to or accumulated for the series.

The required amortization period for the series will start on the expected final payment date and will end on the earliest of (a) the day before the start of the early amortization period, (b) the end of the month before the payment date on which the notes will be fully repaid, and (c) the final maturity date. During this period for the related series, principal collections equal to the note balance will be deposited in the collection account for application and payment to the related series notes.

Asset test

The transaction structure requires the depositors to hold principal receivables equal to 100% of the sum of the series 2024-1 notes' initial invested amount plus the required subordinated amount.

Payment priority--interest collections

On each distribution date, the indenture trustee will apply the interest collections allocated to the series 2024-1 notes in the priority shown in table 1.

Table 1

Payment waterfall

Priority	Payment
1	Class A monthly interest.
2	Class B monthly interest.
3	Class C monthly interest.
4	Class D monthly interest.
5	Transaction fees and expenses to the indenture trustee, owner trustee, and asset representations reviewer (up to $375,000 per year).
6	Servicing fee (1.0% annualized if Ford Credit is no longer the servicer) and the backup servicing fee (0.0065% annualized).
7	Treat an amount equal to the investor default amount as the investor principal collections(i).
8	Deposit to the reserve account an amount up to the reserve account required amount.
9	Treat an amount equal to the unreimbursed investor charge-offs as the investor principal collections(ii).
10	Treat an amount equal to the unreimbursed reallocated principal collections as the investor principal collections(ii).
11	The servicing fees to Ford Credit if Ford Credit is the servicer.
12	An amount needed to fund the available subordinated amount up to the required amount(iii).
13	Make-whole payments and, after the expected final payment date, step-up amounts (see optional redemption section for more info).
14	Additional trustee and asset representations reviewer fees, expenses, and indemnities not paid in item 5.
15	Amounts due to the back-up servicer that remain repaid.
16	An amount needed to cover any interest shortfalls in other series.
17	Any remainder to the depositor interest holders.

(i)In item 7, the available interest collections will cover the current monthly defaults, if any, and other items that would otherwise reduce the pool balance. (ii)The amounts paid under items 9 and 10 will make principal payments to bring the invested amount back into parity with the performing pool balance (reimburse the noteholders for losses and reimburse the reallocated principal collections that were not covered in previous months). (iii)The amounts paid under item 12 will turbo the notes to re-establish the subordination amounts that were reduced in previous collection periods and absorb losses that the excess spread did not cover. Ford Credit--Ford Motor Credit Co. LLC.

Similar to series 2023-1, the series 2024-1 available interest collections on a payment date equals the sum of its floating allocation percentage of interest collections for the prior month plus any yield supplement interest collections, plus any net investment earnings from the reserve account and the principal funding account, plus the monthly depositor servicing fee, plus any available principal collections treated as interest collections, and, if the payment date is the redemption date, the portion of the note redemption price over the notes' principal balance as of such redemption date.

A payment shortfall will occur if the floating interest collections for the series 2024-1 notes are insufficient to cover the series' servicing fees, trustee fees, the notes' monthly interest, and the series' share of defaulted receivables. Payment shortfalls will be covered first by the available excess interest collections from other series in the trust, then by available depositor collections, then by the amounts deposited into the reserve account, and then by the principal collection reallocation. Any unreimbursed reallocation of available depositor principal collections will result in a write-down of the available subordinated amount. If the available subordinated amount is below the required levels for any month, an early amortization period will begin.

Payment priority--principal collections

During the revolving period, the indenture trustee will pay the depositors the principal collections allocated to the series 2024-1 notes in exchange for the new receivables that are sold to the trust. If the pool balance is less than the required amount, the indenture trustee will then deposit enough principal collections into the excess funding account (that it would otherwise allocate to the depositors) to cure the shortfall in the required pool balance.

During the required amortization period or early amortization period, the indenture trustee will use the available investor principal collections and the available depositor collections (in an amount not to exceed the available subordinated amount) to make principal distributions on each payment date to the class A notes until paid in full, and then pay any remainder to the depositor interest holders (i.e., class B, C, and D noteholders).

The transaction structure incorporates early amortization events that will occur under certain circumstances, which would then initiate the early amortization period and end the revolving period.

Amortization events

An amortization event will occur if any of the following events occurs:

- The average monthly payment rate for the three preceding collection periods is less than 21% on any determination date.
- The available subordinated amount falls below the required subordinated amount (12.50% of the collateral amount or 16.50% of the collateral amount during a subordination step-up period) for five business days; provided, that any reduction of the available subordinated amount resulting from the reallocations of the available depositor principal collection to pay interest on the notes if the benchmark is equal to or greater than the prime rate will be considered an amortization event only if the benchmark remains equal to or greater than the prime rate for the 30 days following that benchmark determination date.
- The amount deposited into the excess funding account exceeds 70% of the sum of the adjusted invested amounts of all outstanding series the trust has issued for three consecutive collection periods.

- The depositors fail to make the required distributions or deposits, violate other covenants and agreements, or make materially incorrect representations, and any one of these breaches is not cured within a specified period.
- A servicer termination event occurs that adversely affects the series 2024-1 notes.
- The series 2024-1 notes are accelerated following an event of default under the indenture. Events of default include failure to pay interest or principal when due, failure to observe a material covenant, or an insolvency of the issuer.

Additional early amortization events include the depositors' failure to transfer the receivables from the additional accounts as the transaction documents require, bankruptcy or dissolution of a depositor, Ford or Ford Credit, and the trust being subject to regulation as an investment company under the Investment Company Act of 1940.

Optional redemption

The series 2024-1 notes may be redeemed in full at the option of the trust (i) on any payment date beginning with the second payment date before the expected final payment date ("note redemption period") without a make-whole payment or (ii) on any earlier payment date occurring after the first anniversary of the closing date or during the early amortization period with a make-whole payment.

On the exercise of the optional redemption and payment of the notes in full including all accrued and unpaid interest, principal, any applicable make-whole payments or step-up amounts due, and all fees and expenses of the trust payable under the transaction documents, the notes will be redeemed and paid in full.

An optional redemption of the notes before the note redemption period will also cause make-whole payments to accrue. Make-whole payments aim to compensate noteholders for the early return of principal. If the notes are not redeemed during the note redemption period and remain outstanding, step-up amounts will accrue on the notes. Make-whole payments and step-up amounts are subordinate to interest and principal payments to the notes, and nonpayment of these amounts before the final maturity date will not be an event of default. S&P Global Ratings' preliminary ratings do not address the likelihood that make-whole payments or step-up amounts will be paid.

Ford Credit Floorplan Master Owner Trust A program enhancements

In connection with issuance of series 2023-1 in May 2023, Ford Credit introduced several enhancements to the series and Ford Credit Floorplan Master Owner Trust A securitization program that also apply to series 2024-1. These features include:

- The option to fully redeem the notes one year after issuance, subject to a make-whole payment. This feature provides Ford Credit flexibility to manage the outstanding debt amount and compensate the series' noteholders in the event of an early redemption.
- The removal of the series principal accumulation period, or controlled accumulation, which began six months prior to the expected final payment date but could be delayed until 45 days prior to the expected final payment date. Instead, Ford Credit may make a bullet payment on the expected final payment date without prior accumulation. If the notes are not repaid in full on the expected final payment date, the series will enter the required amortization period. During this period, series' noteholders will receive step-up amounts until the series is paid in

full.

- The addition of a yield supplement mechanism that, if needed, will re-classify a portion of principal to be used as interest to generate additional asset yield and provide additional liquidity. The yield supplement mechanism is effectuated via an increase in the subordinated percentage, not to exceed 2% in the aggregate. The feature is in addition to, not in place of, the existing cross-series interest sharing.

We do not believe these added features materially impacts our ratings for series 2024-1 nor our ratings on outstanding series from the trust.

Collateral Overview And Master Trust Statistics

The collateral comprises receivables generated under lines of credit that Ford Credit extends to dealers throughout the U.S. Dealers use the floorplan financing to purchase new and used cars and trucks pending their sale to the ultimate retail buyer. Substantially all of the vehicles that have been financed by the securitized floorplan loans were manufactured by Ford. Dealers generally must repay the floorplan loan as soon as they sell the underlying vehicle.

As of March 31, 2024, the trust's portfolio consisted of 3,160 designated dealer accounts and approximately $19.266 billion in principal receivables with an average dealer balance of approximately $6.097 million per account. The weighted average spread above the prime rate that Ford Credit charged the dealers in the floorplan pool was 1.20% per year.

Geographic distribution

Table 2 shows the geographic distribution of the vehicle inventories for the receivables in the trust portfolio.

Table 2

Geographic distribution of trust receivables(i)

State	Receivables outstanding (%)	Total number of designated accounts (%)
Texas	13.4	7.7
Florida	7.0	3.8
California	6.8	5.0
Michigan	6.4	4.3
Other(ii)	66.4	79.2

(i)As of March 31, 2024. (ii)No other state represents more than 5% of the principal balance of receivables owned by the trust.

Dealer financial strength and risk ratings

The obligors of a non-diversified ADFP pool are predominantly franchised dealers, whose financial health we view as being largely dependent on that of the related manufacturer. Key factors considered in determining this financial strength include the dealer base's overall profitability and net worth through business cycles, the service absorption rate (the parts and service profits expressed as a percentage of a dealer's fixed costs), and the degree to which the dealer is part of a multibrand dealer group.

Ford Credit uses a proprietary model to assign each dealer a risk rating, and ranks these risk ratings in four groups, with Group I being the lowest risk and Group IV the highest risk (see table 3). Ford Credit reviews each dealer's credit at least biennially and adjusts the dealer's risk rating, if necessary. Ford Credit also uses historical performance data to identify key financial indicators that help predict each dealer's ability to meet financial obligations. These indicators include the dealer's capitalization and leverage, liquidity and cash flow, profitability, and credit history with Ford Credit.

The Group I receivables balance has accounted for more than 80% of the pool balance since 2016 (see table 3). Since 2021, the Group III and IV combined receivables balance was approximately 0%, a decline from historical levels.

Table 3

Ford Credit dealer risk ratings (%)

	As of March 31		Year ended Dec. 31						
	2024	2023	2023	2022	2021	2020	2019	2018	2017
Group I	84.0	83.5	86.1	84.6	79.2	83.2	88.9	89.0	89.6
Group II	1.8	0.8	1.6	0.9	3.6	7.5	6.0	5.3	5.1
Group III	0.0	0.0	0.0	0.0	0.3	0.6	0.4	0.2	0.4
Group IV	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0
Other(i)	14.2	15.6	12.2	14.4	16.8	8.7	4.2	5.5	4.9

(i)Includes dealers that have no dealer risk rating generally because Ford Credit only provides in-transit financing for the dealers or is in the process of terminating the dealer's financing.

Age distribution

Age distribution is the number of days Ford Credit has financed each receivable, expressed as a percentage of the receivables' total principal balance (see table 4). For receivables relating to Ford-manufactured or Ford–distributed new vehicles that are in transit, the age distribution measures the receivables' age from the date the related vehicles were released from the factory or customs, or during maritime transit from the port of export, as applicable. For receivables from Ford-manufactured or Ford–distributed new vehicles that have been delivered to the dealer, the distribution measures the receivables' age from the date the related vehicles were actually delivered to the dealer. In our view, having older inventory, specifically over 270 days old, indicates lower turnover rate and potentially lower payment rates because aged inventory can precipitate inventory discounting or production cutbacks.

As of March 31, 2024, the over-270-days receivables balance was 2.2% of the pool balance, up from 1.9% a year earlier, but still below the historical levels experienced prior to the 2020 COVID pandemic. As the industry returns to more normalized sales and inventory levels, we expect a continued gradual rise in receivables outstanding beyond 120 days and the 1-120 days outstanding category will fall to below 90%, comparable to historical levels.

Table 4

Age distribution of the trust portfolio (%)

	As of March 31		Year ended Dec. 31							
Days outstanding	2024	2023	2023	2022	2021	2020	2019	2018	2017	2016
1-120	92.6	95.3	92.4	93.3	94.5	86.2	81.4	84.2	84.0	78.8
121-180	3.0	1.2	3.3	3.3	2.7	7.0	8.0	6.8	5.8	8.0
181-270	2.2	1.7	2.5	2.1	1.7	2.3	5.9	4.8	4.7	6.7
Over 270	2.2	1.9	1.7	1.3	1.2	4.6	4.7	4.2	5.5	6.4

Concentration limits

Series 2024-1 will incorporate the following concentration limits, which are each shown as a percentage of the pool balance:

- A 5% dealer concentration limit for dealers affiliated with AutoNation Inc. (BBB-/Stable/A-3), 3% for dealers affiliated with Lithia Motors (BB+/Stable), and 2% for all others,
- A 4% development dealer concentration limit,
- A 15% fleet concentration limit,
- A 10% manufacturer concentration limit for manufacturers (other than Ford) that S&P Global Ratings rates 'A-' or higher and 2% for manufacturers (other than Ford) that S&P Global Ratings rates 'BBB+' or lower,
- A 5% medium- and heavy-duty truck concentration limit, and
- A 20% used-vehicle concentration limit.

Collateral Historical Performance

Payment rates

Payment rates denote inventory turnover and, as a result, often indicate whether inventory discounting or production cutbacks may be forthcoming. The trust's average monthly payment rates have steadily declined year-over-year since its peak in 2021 as sales and inventory levels normalize, but still remain above pre-2021 levels of around 40% (see table 5). As of March 31, 2024, the monthly principal payment rate was 52.7% and the three-month average monthly principal payment rate was 49.8%, well above the trust's 25% payment rate trigger level. Most of the auto industry, including Ford, was heavily impacted by the semi-conductor chip shortages and vehicle production constraints experienced during 2021-2022 which significantly reduced available new vehicle inventory, resulting in pent-up demand for such vehicles and significantly reduced vehicles days supply. As a result, principal payment rates increased rapidly, reaching a peak in 2021, and has since gradually come down as auto sales and inventory levels normalize. We expect this trend to continue.

Table 5

Monthly payment rates for Ford Credit Floorplan Master Owner Trust A

	As of March 31		Year ended Dec. 31							
	2024	2023	2023	2022	2021	2020	2019	2018	2017	2016
Highest month (%)	52.7	71.4	71.4	95.5	99.4	65.9	44.9	48.4	45.9	44.9
Lowest month (%)	48.1	56.7	53.1	59.0	52.0	28.8	31.6	33.8	34.3	34.5
Avg. of the months in the period (%)	49.8	62.0	59.6	73.9	79.5	49.6	39.1	40.4	40.5	38.9

Net losses

The trust has had no net losses (see table 6). The significant assistance that Ford offers its dealer base, including repurchasing certain vehicles, influences the historical loss performance. This assistance helps mitigate losses, especially during times of financial stress for the dealers. However, in our stress scenarios, we consider factors other than historical losses when determining the transaction's ability to withstand stress-case scenarios commensurate with the assigned preliminary ratings.

Table 6

Ford Credit Floorplan Master Owner Trust A loss experience

	As of March 31		Year ended Dec. 31							
	2024	2023	2023	2022	2021	2020	2019	2018	2017	2016
Avg. principal balance (mil. $)	16,434	13,602	14,294	10,858	11,536	16,651	19,508	19,259	19,514	20,226
Net losses (mil. $)	0	0	0	0	0	0	0	0	0	0
Net losses/avg. principal balance (%)	0	0	0	0	0	0	0	0	0	0

Cash Flow Modeling Assumptions

We view the ICR on the manufacturer as a differentiating factor affecting the credit quality of a pool of non-diversified ADFP loans. Ford is currently rated BBB-/Stable/A-3. For a manufacturer rated in the 'BBB' category, typical ranges for our stressed default-to-liquidation (DTL) and loss-given default (LGD) ratios are shown in table 7.

Loss assumptions

To determine our cash flow stresses for this pool's DTL and LGD, we started with base stress assumptions for DTL and LGD equal to the approximate midpoint of the base ranges for a manufacturer in the 'BBB' rating category (see columns B and E in table 7). However, we believe the manufacturer ICR may not necessarily capture all of the credit risks associated with a non-diversified ADFP pool. As a result, per our criteria, we can adjust the DTL and LGD assumptions within the ranges shown in columns A and D to recognize certain manufacturer- and dealer base-specific characteristics that we view as most applicable to the related floorplan loans' credit quality. These characteristics include:

- The dealer base's overall financial strength and the level of dealer concentrations,
- The manufacturer's domestic and global market shares and position,
- The manufacturer's inventory and dealer management practices, and
- The overall quality of the vehicles being produced and the overall product mix of the vehicles securing the floorplan loans.

For this transaction, our stressed DTL and LGD assumptions for 'AAA' rated securities are shown in columns C and F. Column G shows the resulting loss-to-liquidation (LTL) rate, based on the modeled DTL and LGD assumptions from columns C and F (LTL is the product of DTL and LGD). Based on the modeled DTL, LGD, and LTL assumptions (columns C, F, and G, respectively) and assuming a 25% payment rate trigger, the resulting cumulative gross default rate was approximately 63% for a 'AAA' stress scenario. The weighted average LGD is 36%. Therefore, the overall 'AAA' stressed cumulative net loss is approximately 22.8% (63% multiplied by 36%). Our 'AA' net loss assumption is approximately 80% of this 'AAA' result.

Our modeled DTL and LGD reflect adjustments made to account primarily for Ford's ICR negative rating modifer and, to a lesser degree, the series 2024-1's higher concentration limits for fleet (15%) and medium/heavy-duty truck (5%) from the trust's previous limits of 4% and 2%, respectively.

Table 7

DTL, LGD, and LTL cash flow modeling assumptions for 'AAA' rated ABS

Manufacturer issuer credit rating	Month	(A)Base DTL range (%)	(B)Midpoint of base DTL range (%)	(C)Modeled DTL (%)	(D)Base LGD range (%)	(E)Midpoint of base LGD range (%)	(F)Modeled LGD (%)	(G)LTL (%)
BBB	1	44.0-56.0	50.0	50.8	28.0-32.0	30.0	30.5	15.5
BBB	6	66.0-84.0	75.0	76.3	37.5-42.5	40.0	40.7	31.0

DTL--Default-to-liquidation rate. LGD--Loss-given default. LTL--Loss-to-liquidation rate. ABS--Asset-backed securities.

Liquidation rate assumption

We consider the payment rate an important performance variable in dealer floorplan transactions. All else being equal, a higher payment rate means fewer receivables will be exposed to losses in any given month.

The series 2024-1 transaction incorporates a 25.0% three-month average principal payment rate trigger, which, if breached, causes either the required subordinated amount or the required reserve account amount to increase. In our view, the dealers' ability to sell vehicles in their inventory may be severely hampered if the manufacturer files for bankruptcy protection, which may cause payment rates to drop sharply because retail customers may be more hesitant to purchase the manufacturer's vehicles.

In our 'AAA' and 'AA' stressed cash flows, we assumed that the pool's liquidation rate would start at 100.0% of the 25.0% or 21.0% payment rate triggers, respectively, as applicable, in the first month of the early amortization period and then follow a straight-line decline to 70.0% of the payment rate trigger (17.5% or 14.7%, respectively) by month six. The remaining collateral was assumed to liquidate fully following month six. The monthly liquidation rate equals the monthly decline in the pool balance (i.e., the sum of the monthly principal collections from performing dealers, recoveries, and net losses, divided by the pool balance as of the beginning of the month).

We also ran additional cash flows to test the ability of the class A and B notes' stepped-up credit enhancement to withstand 'AAA' and 'AA' stresses. These cash flow runs used stresses identical to those described above, except that the starting point is the 21.0% payment rate trigger level.

Yield and coupon stresses

The class A-2 notes have a floating interest rate based on 30-day average SOFR, with a margin that will be determined on the pricing date. The class A-1, B, C, and D notes will have fixed interest rates that will be determined on the pricing date. The receivables bear interest at a variable rate based on the prime rate. We applied stressed yield and coupon assumptions derived from historical data and our one-month SOFR and prime rate interest rate curves (see "Methodology To Derive Stressed Interest Rates in Structured Finance," published Oct. 18, 2019) in our 'AAA' and 'AA' rating scenarios to stress the interest rate and basis risk inherent in this transaction.

Top dealer concentrations

Our criteria address the risk of one or more large dealer defaults by setting a credit enhancement floor for investment-grade non-diversified ADFP ABS that could withstand the default of a percentage of the largest dealers (based on the concentration limits in the transaction documents), assuming that the trust has limited or no access to the underlying collateral (see table 8).

Table 8

Dealer Concentration Limits

Dealer rank (by principal receivables)	Concentration limit (%)(i)
1	5.0(ii)
2	3.0(iii)
All other dealers	2.0

(i)Equals the maximum principal amount of a dealer's receivables (as a percentage of the total pool balance) that can be included in the borrowing base. (ii)AutoNation Inc. (iii)Lithia Motors.

The credit enhancement floor based on dealer concentrations for 'AAA' rated non-diversified ADFP ABS equals the greater of:

- 100.00% of the top dealer's concentration (5.00% in this transaction: 100.00% multiplied by 5.00%);
- 33.00% of the top five dealers (4.62% in this transaction: 33.00% multiplied by 14.00%); and
- 25.00% of the top 10 dealers (6.00% in this transaction: 25.00% multiplied by 24.00%).

All investment-grade non-diversified ADFP ABS should cover a default by the top dealer (in this case 5.00%). The top five and 10 dealer concentrations for the 'AA' rating scenario are approximately 80% of the applicable 'AAA' concentration percentages (in this case 3.70% for the top five dealers and 4.80% for the top 10 dealers). Thus, the credit enhancement available to each of the class A and B notes in this transaction exceeds the dealer concentration floor for the 'AAA and 'AA' rating scenarios, respectively.

Sensitivity Analysis

Our ratings incorporate credit stability as one of several factors that we use to determine an issuer's or an issue's creditworthiness (see "S&P Global Ratings Definitions," published June 9, 2023). For example, based on our rating stability definition, assigning an 'AAA' or 'AA' rating to a new class of dealer floorplan receivables-backed notes signifies that we do not expect the ratings on the notes to fall more than one rating category within one year of the rating assignment under moderate stress conditions.

To test whether the preliminary 'AAA (sf)' and 'AA (sf)' ratings we assigned to the series 2024-1 class A and B notes, respectively, would be vulnerable to a downgrade of more than one category, we analyzed the potential changes in the manufacturer's ICR, specifically a two-category downgrade to 'B' because it is one of the two main factors in determining the base cumulative loss levels. The second major factor, the payment rate trigger, is defined in the transaction documents.

In our sensitivity analysis, we adjusted our DTL, LGD, and LTL modeling assumptions to within the base-level ranges for a 'B-' rated manufacturer. We also made the maximum qualitative adjustments to the base levels, consistent with our criteria, to determine our assumption for each within the base-level range. We then applied 80% and 65% factors to the 'AAA' assumptions to arrive at our 'AA' and 'A' assumptions, respectively.

Related Criteria

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- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
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- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- Credit Conditions North America Q2 2024 Soft Landing, Lurking Risks, March 27, 2024
- Economic Outlook U.S. Q2 2024: Heading For An Encore, March 26, 2024
- Tougher Pricing Conditions In 2024 Could Cramp U.S. Auto Sector Ratings Headroom, Feb. 12, 2024
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