Presale:

Jack In The Box Funding LLC (Series 2022-1)

January 27, 2022

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Preliminary Ratings

Class	Preliminary rating	Balance (mil. $)	Anticipated maturity	Legal maturity (years)
A-1(i)	BBB (sf)	150.00	February 2027	30
A-2-I	BBB (sf)	550.00(ii)	February 2027	30
A-2-II	BBB (sf)	550.00(ii)	February 2032	30

Note: This presale report is based on information as of Jan. 27, 2022. 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. (i)The class A-1 interest rate will be a floating rate indexed to SOFR. (ii)Individual tranche sizes are preliminary. The aggregate class A-2 balance will be $1.100 billion. SOFR--Secured Overnight Financing Rate.

Executive Summary

Jack in the Box Funding LLC's (JIB Funding's) series 2022-1 issuance is a $1.250 billion corporate securitization of The Jack in the Box Inc.'s (JIB's) business. This issuance consists of $150.00 million of variable funding notes (VFNs), and $1.100 billion in senior term asset-backed securitization (ABS) notes. The company will use approximately $571.00 of the net proceeds from the debt issuance to repay the existing series 2019-1 class A-2-I notes and the associated make-whole payment. The remaining proceeds, after transaction fees and expenses, will be used to fund the previously announced acquisition of Del Taco. Del Taco units are not being pledged as collateral as part of this securitization.

The series 2022-1 note issuance will increase leverage to approximately 5.6x (total debt to adjusted EBITDA as of the trailing 12-month (TTM) period ended Oct. 3, 2021), or approximately 5.9x if the series 2022-1 class A-1 VFN is fully drawn. Including the proposed $1.100 million series 2022-1 class A-2 notes and assuming a full draw of the series 2022-1 class A-1 VFN, total debt outstanding for JIB Funding's master trust is expected to be approximately $1.97 billion as of the May 2022 payment date.

Key credit features of the transaction include:

- The 93% franchised nature of the Jack in the Box business, which results in a less volatile cash flow stream;
- Strong brand recognition;
- The backup manager's ability to maintain cash flow continuity in the event of a manager

bankruptcy;

- A long operating history of 71 years;
- Stable performance since the initial 2019-1 issuance, with systemwide sales and average unit volume increasing at a compound annual growth rate (CAGR) of approximately 8.9% and 9.0% per year, respectively, since 2019, and positive same-store sales growth for both franchise and corporate-owned stores over the same period;
- High geographic concentration in California and Texas, which accounts for 72% of systemwide sales as of fiscal year-end 2021; the metropolitan area of Los Angeles alone contributes to 26% of sales; and
- Moderate leverage when compared to other quick-service restaurants rated by S&P Global Ratings.

Transaction Timeline/Participants

Transaction Timeline

Expected closing date	Feb. 11, 2022.
First interest payment date	May 2022.
Class A-1 (VFN) renewal date(i)	February 2027.
A-2-I (ARD)	February 2027.
A-2-II (ARD)	February 2032.
Legal maturity date	February 2052.
Note payment frequency	Quarterly, beginning in May 2022.

(i)Not inclusive of the two optional one-year extensions. VFN--Variable funding note. ARD--Anticipated repayment date.

Participants

Joint structuring advisor and joint active bookrunner	Guggenheim Securities.
Joint structuring advisor and joint active bookrunner	BOFA Securities Inc.
Co-manager	Rabo Securities U.S.A. Inc.
Manager	Jack in the Box Inc.
Backup manager	FTI Consulting Inc.
Issuer	Jack in the Box Funding LLC.
Guarantors	Jack in the Box SPV Guarantor LLC, Different Rules LLC, and Jack in the Box Properties LLC.
Trustee	Citibank N.A.
Servicer	Midland Loan Services (a division of PNC Bank N.A.).

Rating Rationale

The preliminary ratings assigned to JIB Funding's $1.250 billion senior secured notes series 2022-1 reflect our assessment of:

- Brand strength: The strength of the Jack in the Box brand, the likelihood for the brand to survive through a JIB 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 it is adequate should they 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 Jack in the Box creditors could disrupt cash flow to the securitization following a manager bankruptcy. Legal opinions related to a true sale and nonconsolidation have been, or will be, provided before this transaction's closing.
- Asset performance not fully correlated with manager performance: A system of franchised restaurants will likely continue to generate cash flow following the manager's bankruptcy because individual franchisees generally operate independently from the manager (aside from SG&A functions, which we believe can be transferred to a backup).
- 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 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 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.

Environmental, Social, And Governance (ESG) Factors

Our rating analysis considered the potential exposure of the transaction to ESG credit factors, which in our view is in line with others in the corporate securitization sector. We have generally accounted for these ESG factors, along with other factors, in our business volatility score and cash flow assumptions.

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

Under the social credit factors, we consider the exposure restaurant chains have to public health risks and changes in demographic trends. The poignant example of the COVID-19 pandemic demonstrates how health and safety fears can cause widespread temporary disruptions to businesses, which in turn could have an impact on collateral performance backing the securitization. The restaurant industry is dependent on consumer discretionary spending, which can materially diminish during economic downturns. However, Jack in the Box has historically focused on the drive-thru and carry-out sales channels, and experienced less of an impact to changes in consumer discretionary spending than other brands. In addition, restaurants are vulnerable to foodborne illness, labor shortages, and increased labor costs should there be changes to wage and labor laws.

Under the governance credit factors, we consider how Jack in the Box executes and monitors its overall strategy, along with internal controls and risk management, within our operational risk assessment framework. The members of the Jack in the Box management team, although relatively new to the JIB system, have experience within the industry and have managed other brands through multiple economic and business cycles. Additionally, the system has performed well during the COVID-19 pandemic, even considering the short tenure of the management team.

Key Credit Metrics And Peer Comparisons

Table 1

Key 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/adj. EBITDA) (iv)	Min. base-case DSCR (v)	Min. downside DSCR (v)
Jack in the Box	2022-1	BBB (sf)	2,218	1.9	93.0	--	Over 30 years	QSR	5.6	1.84	1.44
Planet Fitness	2022-1	BBB- (sf)	2,193	1.7	90.0	2.9	Over 30 years	Fitness	7.7	2.00	1.30
SERVPRO	2022-1	BBB- (sf)	1,923	1.7	100.0	--	Over 30 years	Restoration services	7.0	1.70	1.40
Jersey Mike's	2021-1	BBB (sf)	2,027	1.1	99.0	0.1	Over 30 years	QSR	5.4	2.00	1.50
Dunkin' Brands	2021-1	BBB (sf)	20,552	1.0	100.0	43.0	Over 30 years	QSR	6.7	1.70	1.40
Driven Brands	2021-1	BBB- (sf)	3,331	1.1	84.0	19.0	Over 30 years	Auto services	5.5	1.80	1.40
Taco Bell	2021-1	BBB (sf)	6,895	1.8	93.0	8.9	Over 30 years	QSR	4.9	1.84	1.62
Sonic	2021-1	BBB (sf)	3,524	1.7	92.0	--	Over 30 years	QSR	6.5	1.79	1.62
ServiceMaster Brands	2021-1	BBB- (sf)	2,624	1.2	99.0	31.0	Over 30 years	Restoration services	8.0	1.80	1.40
Five Guys	2021-1	BBB- (sf)	1,684	1.3	73.0	18.0	Over 30 years	QSR	7.8	1.70	1.50
Hardee's/Carl's Jr.	2021-1	BBB (sf)	3,834	1.3	94.0	26.0	Over 30 years	QSR	7.2	1.80	1.40
Wendy's	2021-1	BBB (sf)	6,838	1.8	95.0	14.0	Over 30 years	QSR	6.9	1.76	1.45
Domino's	2021-1	BBB+ (sf)	17,644	0.9	98.0	64.0	Over 30 years	QSR	6.4	1.80	1.40
Arby's	2020-1	BBB- (sf)	3,520	1.2	66.0	0.2	Over 30 years	QSR	5.9	1.50	1.30
Applebee's/IHOP	2019-1	BBB (sf)	3,652	2.2	98.0	7.0	Over 30 years	CDR	6.0	1.70	1.40
Focus Brands	2018-1	BBB (sf)	6,191	0.3-1.7	98.0	22.0	Range between 1934 and 2000	QSR, casual dining, coffee, etc.	5.8	1.58	1.45
Jimmy John's	2017-1	BBB+ (sf)	2,690	0.8	98.0	--	Over 30 years	QSR	5.2	1.80	1.70
Cajun Global	2017-1	BBB- (sf)	1,588	0.7	85.0	32.0	Over 30 years	QSR	5.2	1.80	1.40

Table 1

Key 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/adj. EBITDA) (iv)	Min. base-case DSCR (v)	Min. downside DSCR (v)
TGIF	2017-1	B (sf)	903	2.7	94.0	48.0	Over 30 years	CDR	5.6	1.30	1.00

(i)Rating is for the senior-most securitization note issued. (ii)Preliminary. (iii)% of total store count. (iv)As reported. (v)As of each series' closing date unless otherwise noted. SERVPRO--ServPro Master Issuer LLC. Planet Fitness--Planet Fitness Master Issuer LLC. Jersey Mike's--Jersey Mike's Funding LLC. Dunkin' Brands--DB Master Finance LLC (AUV represents domestic for both brands, leverage assumes no VFN). Driven Brands--Driven Brands Funding LLC (Maaco, Meineke, and others). Taco Bell--Taco Bell Funding LLC. Sonic--Sonic Capital LLC. ServiceMaster Brands--ServiceMaster Funding LLC. Five Guys--Five Guys Funding LLC. Hardee's/Carl's Jr.--Hardee's Funding LLC/Carl's Jr. Funding LLC. Wendy's--Wendy's Funding LLC. Domino's--Domino's Pizza Master Issuer LLC. Arby's--Arby'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). Focus Brands--Focus Brands Funding LLC (Carvel, Cinnabon, Auntie Anne's, and others). Jimmy John's--Jimmy John's Funding LLC. Cajun Global--Cajun Global LLC (Church's Chicken). TGIF--TGIF Funding LLC. AUV--Average unit volume. DSCR--Debt service coverage ratio. QSR--Quick-service restaurants. VFN--Variable funding note.

Industry Outlook

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

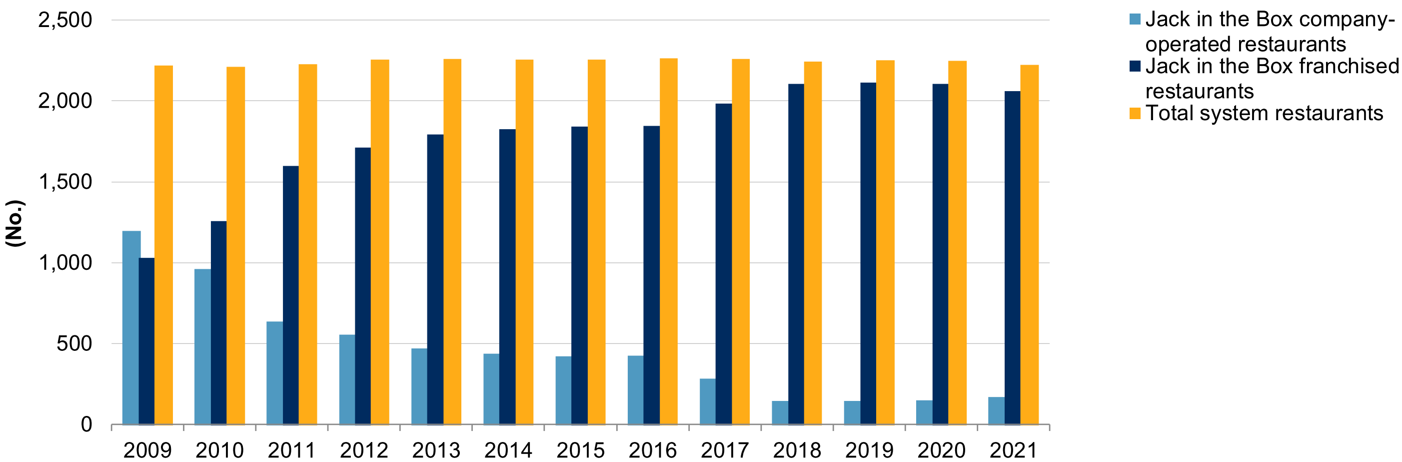
Looking to 2022, the restaurant industry as a whole stands to benefit from high levels of customer savings, as well as a tight job market and the possibility of declining COVID-19 cases, all of which will support consumer spending. Still, full-service restaurants face the reality that pent-up demand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

Summary Of The Business

Jack in the Box currently owns and franchises 2,218 restaurants, which operate in the quick-service restaurant industry. The restaurants operate as a single brand in 21 states and Guam, with a heavy concentration in the west coast, specifically in California, which attributes to approximately 51% of total systemwide sales. The first Jack in the Box restaurant opened in 1951 in San Diego. At the time, it was primarily a hamburger chain. The brand has since expanded its offerings into other product lines, such as tacos, chicken, breakfast, and ice cream. Burgers currently represent only 30% of the product mix (see chart 4).

Chart 1

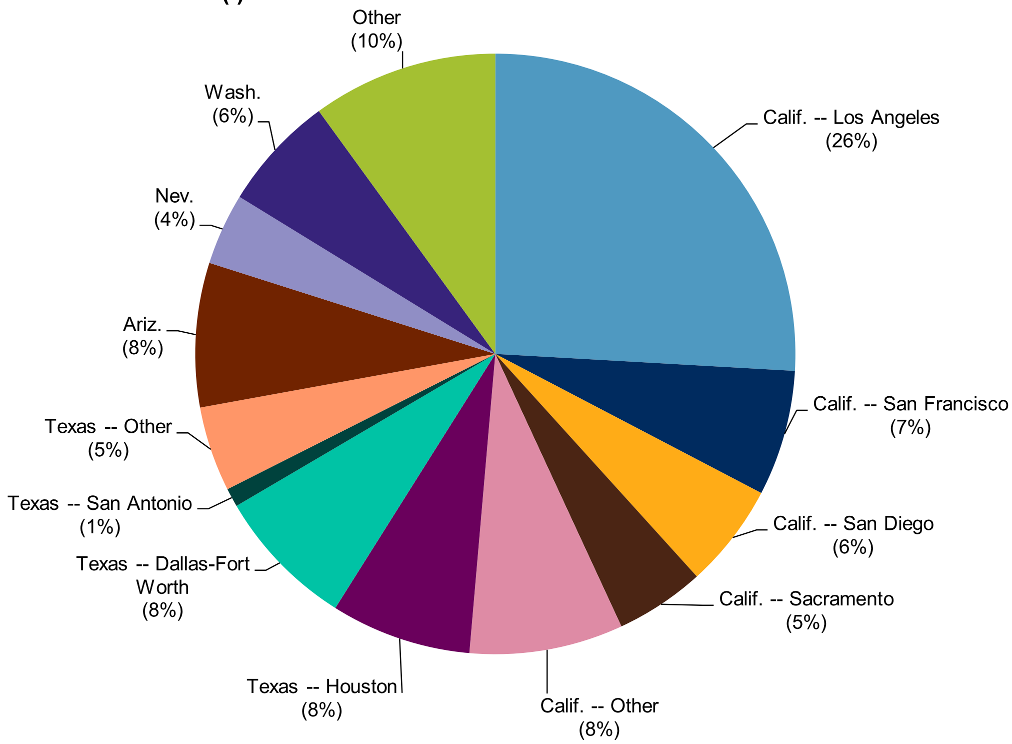
Total Store Count



Source: Jack in the Box Inc.

Chart 2

Geographic Concentration(i)

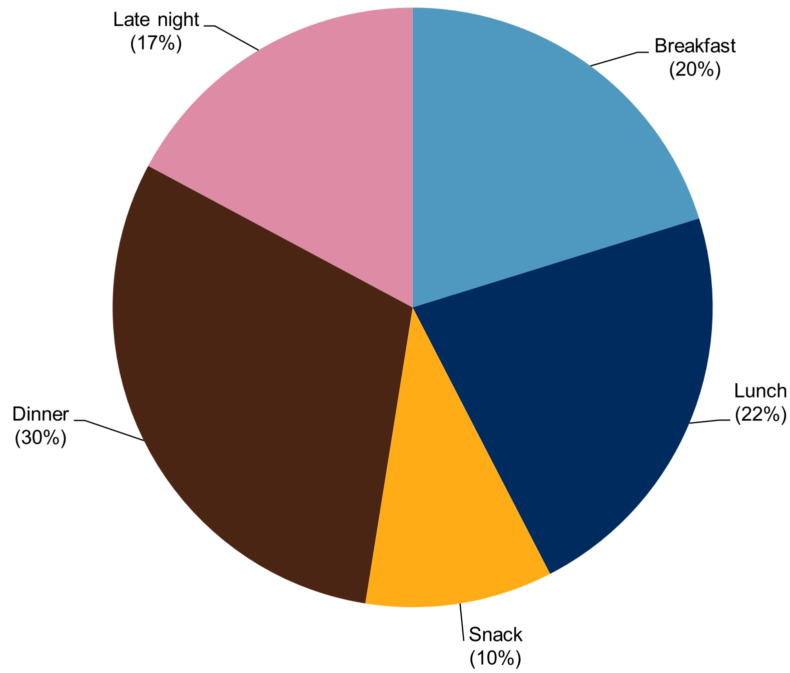


(i)Based off of a percentage of annualized systemwide sales.

Jack in the Box restaurants offer lower priced, unique menu options that are available at any time during the day, such that the diverse range of products create a balanced daypart mix. The brand also focuses on being a 'go-to' late-night option for customers. The restaurant sites offer a casual sit-down environment, but focus primarily on its drive-thru services, which generate 84% of the stores' sales. The company's current strategic initiatives include drive-thru enhancements and continued development of the company's mobile app.

Chart 3

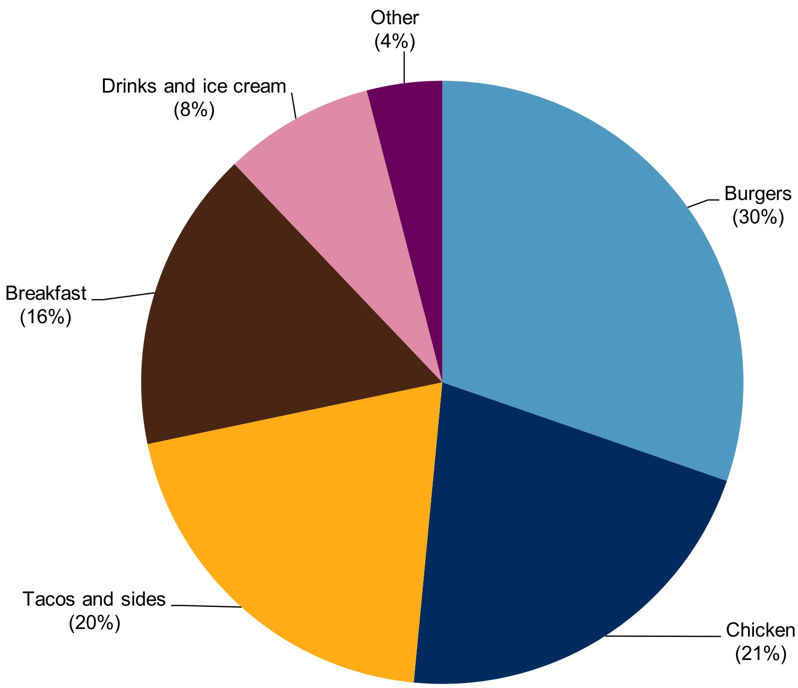
Daypart Mix



Total may not sum to 100% due to rounding.

Chart 4

Product Mix



Total may not sum to 100% due to rounding.

In 2012, Jack in the Box began its refranchising initiative, at which point it was only 76% franchised. In an effort to achieve a higher franchised business model, Jack in the Box sold off its stake in Qdoba in 2017. Over the course of six years, the company grew its franchised restaurants to 93% (2,218 stores as of fiscal year-end 2021), which in total makes up about 91% of systemwide sales. Since implementing the new model, total systemwide sales have remained positive with an average of 3.54% year-over-year growth over the past five years.

Chart 5

Historical Same-Store Sales Percent Growth/Decline

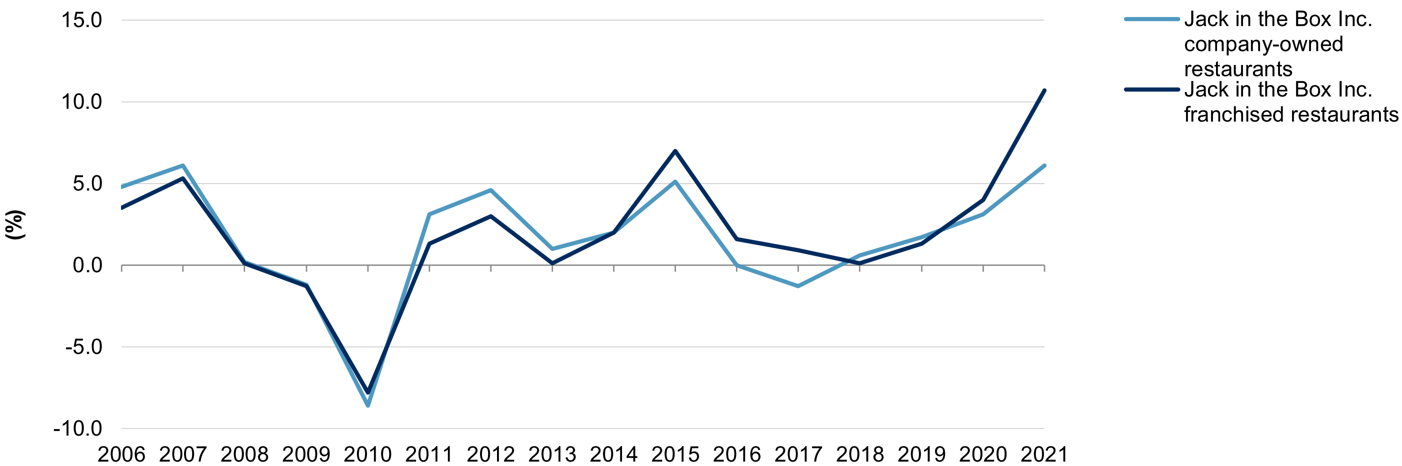
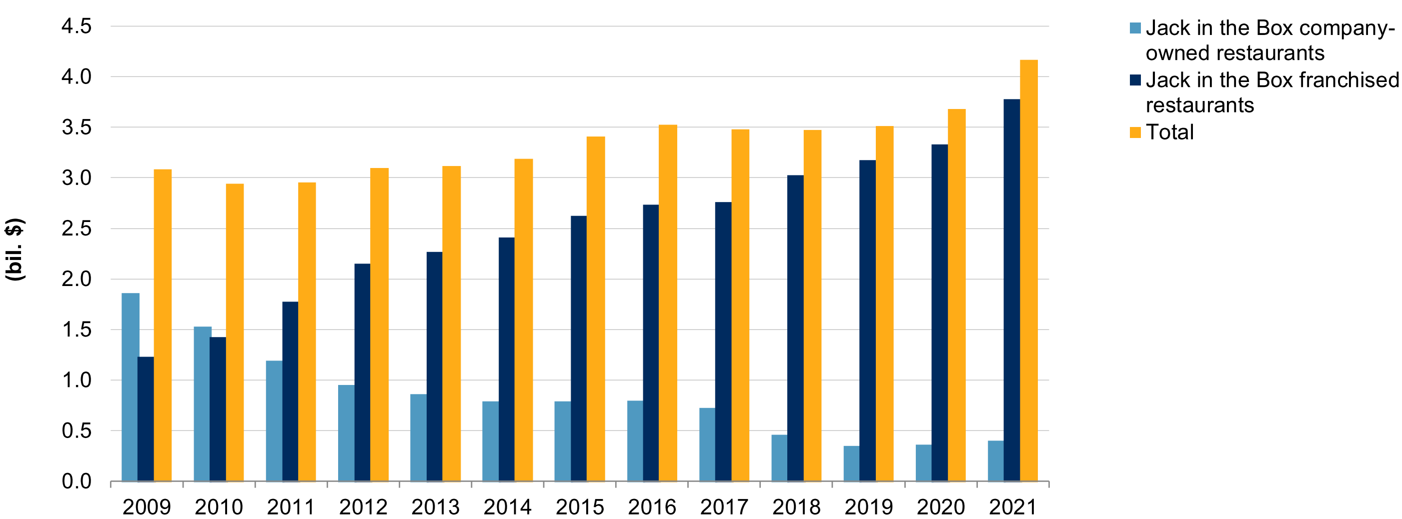


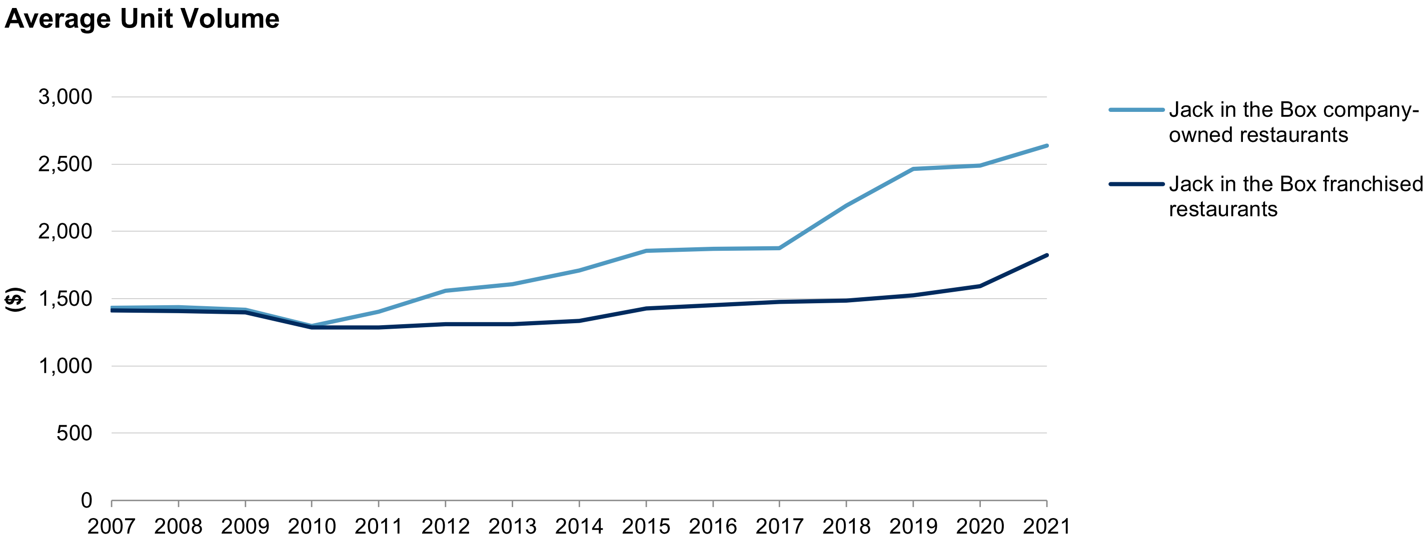
Chart 6

Systemwide Sales



Source: Jack in the Box Inc.

Chart 7



Source: Jack in the Box Inc.

The focal point for the stores--all of which are located domestically--are carry out and drive-thru services, such that stores are typically smaller in terms of square footage and require less capital expenditure to build and maintain, but are located in higher-volume locations. The top 10 U.S. franchisees (42% of franchise stores) have an average tenure of over 20 years in the Jack in the Box system, with 107 franchisees operating 2,055 restaurants total. Since 2009, the average franchisee royalty rate has remained steady, with an average slightly above 5.0%.

In December 2019, the previous CEO of JIB stepped down, following a series of high-profile complaints from franchisees and the National Jack in the Box Franchise Assn. (NFA) relating to the use of the franchisee marketing fund and the mischaracterization of tenant improvement contributions. Current CEO Darin Harris stepped into the role in June 2020. Mr. Harris previously served as the CEO of Regus Group and Cici's Pizza. Other changes to JIB management have followed: In 2020 and 2021, the company hired external candidates for the roles of CFO, Chief Marketing Officer, Chief People Officer, Chief Operating Officer, and the leader of Franchise and Corporate Development.

In 2021, JIB announced its intention to acquire Del Taco, a quick-service Mexican restaurant brand. The Del Taco system currently comprises approximately 600 units, 99% of which have a drive-thru. Del Taco is the second-largest player in the growing Mexican quick-service restaurant space and has been in operation for 57 years. For the TTM period ended Sept. 30, 2021, Del Taco reported approximately $918 million in systemwide sales. Both JIB and Del Taco have similar core demographics and operating models. JIB leadership expects that consolidation of the systems' operations will result in approximately $15 million of synergies per annum for both brands by the end of fiscal year 2023. The transaction, if approved by Del Taco shareholders during a shareholder vote, is expected to close by the end of first-quarter 2022. Del Taco units are not being pledged as collateral as part of this securitization.

Collateral

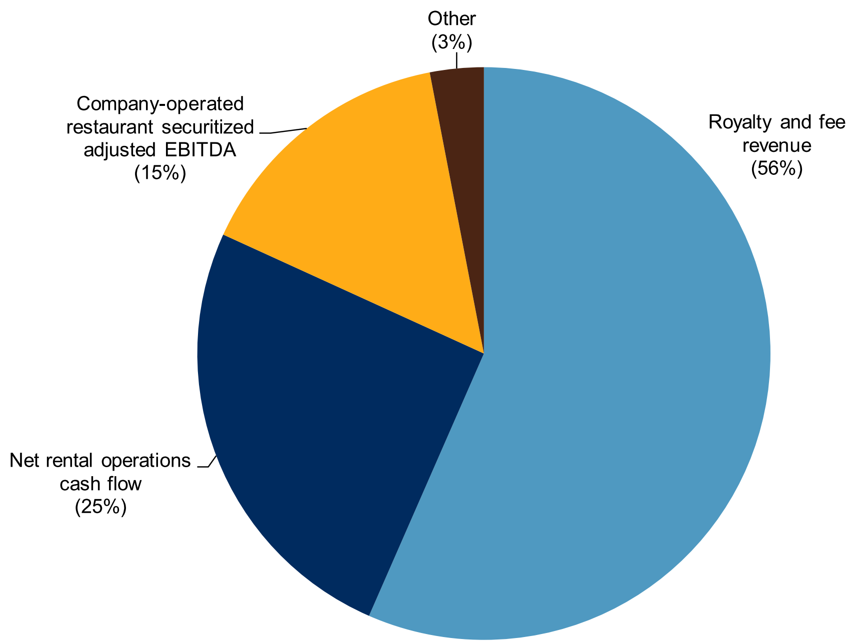
The notes will be secured by a security interest in substantially all of the assets of co-issuers and guarantors and will include:

- Contributed and new franchise and development agreements and the related franchisee payments;
- Securitization intellectual property (IP) and IP license agreements;
- After mortgages have been recorded, contributed and new owned real property and franchisee leases and those related lease payments;
- Transaction accounts;
- Membership interests in the securitization entities; and
- Any interest reserve letter of credit.

Chart 8 illustrates the relative initial contributions of the various cash flow streams to the transaction.

Chart 8

Securitized Cash Flow Source(i)



(i)As a percentage of total securitized net cash flow collections. Total may not sum to 100% due to rounding.

The largest contributor of cash flow is the royalty revenue, which is a combination of sales and the royalty rate. As mentioned above, sales have been stable and increasing slightly, driven by an increase in average check size per transaction. The franchisee royalty rate has also remained consistent.

The second source of cash flow is the real estate-related income. JIB controls 86% of the franchised restaurants underlying real estate. This is split in three categories: company-owned building and land, company-owned building with leased land, and corporate-leased building with land ("sandwich leases"). We expect that this income source will remain strong and consistent, as it is generally in line with the performance of the stores themselves.

The company EBITDA percentage has declined since the 2019-1 issuance, primarily due to higher payroll and benefits cost resulting from wage inflation, higher occupancy, and other costs (e.g., higher delivery fees), as well as the acquisition of 28 underperforming units that were previously owned by franchisees. The underperformance of these units was attributed to inefficiencies of the previous operators, rather than market fundamentals or demand for Jack in the Box in the given localities. As such, the company expects its EBITDA percentage to increase in the coming years as the performance of the acquired units improves.

Key Credit Considerations

Table 2

Key Credit Considerations

Long operating history	Jack in the Box was founded in 1951. The brand has survived multiple economic downturns and has built a loyal customer base. This supports the likelihood that brand loyalty/recognition (and thus sales) will continue even in the event JIB is replaced as the manager.
High franchised percentage	As of fiscal year-end 2021 (Oct. 3, 2021), franchisees operated 93% of JIB's 2,218 systemwide stores. 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.
Stable performance metrics	Since 2011, JIB's system has sustained 11 consistent years of positive same-store sales, and an average of 3.0% growth of systemwide sales.
Large geographic concentrations	The highest state and metropolitan geographic concentration of cash flows comes from the California (51.4%) and Texas (20.8%) markets. Los Angeles makes up approximately 25.9% of the annualized systemwide sales, and the combination of Houston and Dallas contributes 15.2% of the annual systemwide sales.

JIB--Jack in the Box Inc.

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 restaurants would likely continue to generate cash flow following 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 following 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)	3(i)	JIB'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 revenue-based, and the system has demonstrated stability for more than 30 years.
Cash flow assumptions	See table 4 below	
Min. base DSCR	1.84x	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. While the minimum base case DSCR was on the cusp of the next rating adjustment, we considered the stability of historic cash flows and the geographic concentration comparable rating adjustment that already moves the rating down one notch. We also recognize that the system has continued to perform well over the last two years of the COVID-19 pandemic, and that the management team and relations with franchisees have stabilized since the replacement of the CEO.
Min. downside run DSCR	1.44x	Principal and interest are fully paid in this scenario.
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	No adjustment	This structure is not an outlier from a leverage perspective. The anticipated repayment dates and the liquidity and deleveraging triggers are all comparable to those of other transactions
Step 5		
Comparable rating analysis	One notch	Based on geographic concentration of cash flows coming from metropolitan California and Texas.

(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. JIB--Jack In The Box Inc. BRP--Business risk profile. DSCR--Debt service coverage ratio.

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	15	Franchise and company-owned store royalties, which comprise a majority of the overall projected cash flow, are a function of store count, AUV, and royalty rates.
All other securitization collections	0	30	All other securitization collections.

(i)For AUV. 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 325% (translating to an approximately 50.7% 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 JIB 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 permanent cash flow haircut that would allow timely interest and full principal payments by the transaction's legal final maturity date. This breakeven haircut to cash flow is approximately 49.0%. We examined several event risks associated with cash flow losses, including the equivalent of royalty losses from the top 10 franchisees, which accounts for approximately 40% of sales.

We typically also assess the sufficiency of the breakeven haircut to cover the complete loss of royalty cash flows from stores in the top three states. The top two states alone in JIB's system account for 72% of systemwide sales, which is substantially higher than the 54% breakeven haircut. We believe that this is a misleading comparison in this case, however, given the population size and economic diversity within California and Texas. We instead looked at the regional concentrations in Los Angeles, Houston, and Dallas. Together they account for approximately 41% of sales, which is comfortably below the break-even. Under these scenarios, our analysis showed that the transaction could pay timely interest and full principal by legal final maturity.

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	Jack in the Box Funding LLC (Series 2022-1)
Rapid amortization DSCR trigger (P&I)	1.20x
Cash trapping DSCR trigger (P&I)	1.75x (50% trap) and 1.5x (100% trap)
ARD horizon(i)	Five, five, and 10 years for classes A-1, A-2-I, A-2-II, respectively.(ii)
Scheduled amortization through ARD (%)	2.0%
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 retained collections. According to the transaction documents, the fixed component is assumed to be $17 million annually, and the variable component is assumed to be $15,000 per franchised store, and $33,000 per company-owned store. The management fee is also subject to a 2% annual increase 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. (ii)Not inclusive of the two optional, one-year extensions of the 2022-1 class A-1 VFN. DSCR--Debt service coverage ratio. P&I--Principal and interest. ARD--Anticipated repayment date. IO--Interest only. VFN--Variable funding note.

Payment Priority

Following the series 2022-1 issuance, the transaction will include four classes of A-2 notes (from the series 2019-1 and series 2022-1 issuances) 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 for amounts from indemnification, permitted asset dispositions, and insurance/condemnation payments: (a) to the trustee and then the servicer for unreimbursed advances; (b) to the manager for any unreimbursed advances; (c) if a class A-1 note amortization event is continuing, the class A-1 notes; (d) all other senior notes; (e) if item (c) does not apply, the class A-1 notes; (f) to the senior subordinated notes, if any; and (g) to the subordinated notes, if any.
2	To the trustee and then the servicer for unreimbursed advances; then to the manager for unreimbursed advances; and then to the servicer for servicing, liquidation, and workout fees.
3	Successor manager transition expenses, if any.
4	Management fees.
5	Capped securitization operating expense amount; to the trustee, the post-default capped trustee expense amount; and certain mortgage expenses.
6	Interest on the senior notes, the class A-1 note commitment fee amount, and hedge payments, if any.

Table 6

Payment Priority (cont.)

Priority	Payment
7	The capped class A-1 note administrative expense amount.
8	Interest on the senior subordinated notes, if any.
9	The senior note interest reserve account deficiency amount and then the senior subordinated note interest reserve account deficiency amount, if any.
10	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	As long as no rapid amortization has occurred, if the class A-1 note amortization event is continuing, to the class A-1 notes' principal.
13	If no rapid amortization has occurred, any cash trapping amount to the cash-trap reserve account.
14	If a rapid amortization has occurred and is continuing, all remaining amounts to pay down the class A notes and then any senior subordinated notes.
15	As long as no rapid amortization event has occurred, any senior subordinated notes' scheduled principal payment amount and then senior subordinated notes' scheduled principal payment deficiency amount, if any.
16	Uncapped securitization operating expenses.
17	Uncapped class A-1 note administrative expenses amounts.
18	Other class A-1 note amounts.
19	Interest on the subordinated notes, if any.
20	As long as no rapid amortization event has occurred, the subordinated notes scheduled principal payment amount and then the subordinated notes' scheduled principal payment deficiency amount, if any.
21	If a rapid amortization has occurred and is continuing, all remaining amounts to pay down the subordinated notes, if any.
22	After the ARD, post-ARD contingent interest on the senior notes.
23	After the ARD, post-ARD contingent interest on any senior subordinated notes.
24	After the ARD, post-ARD contingent interest on any subordinated notes.
25	Hedge termination payments and any other unpaid hedge amounts, pro rata.
26	Any unpaid premiums and make-whole prepayment premiums on the senior notes.
27	Any unpaid premiums and make-whole prepayment premiums on any senior subordinated notes.
28	Any unpaid premiums and make-whole prepayment premiums on any subordinated notes.
29	Any other payments to or for the benefit of any series notes as stated in the series supplement
30	Any remaining funds at the direction of the master issuer.

(i)Ratings do not address the likelihood of receiving post-ARD interest. 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 JIB'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, are main components of the overall analytical opinion.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | 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 | ABS: Global Methodology And Assumptions For Corporate Securitizations, June 22, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Economic Outlook U.S. Q1 2022: Cruising At A Lower Altitude, Nov. 29, 2021
- U.S. Restaurants and Foodservice Distributors Face A Jagged Recovery While Food And Beverage Fare Better, March 1, 2021
- 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