

AA Bond Co. Ltd. Class A13 U.K. Corporate Securitization Notes Assigned Rating; Outstanding Ratings Affirmed

November 13, 2025

Ratings

Class	Rating to	Rating from	Balance (mil. £)
Rating Assigned			
A13	BBB (sf)	N/A	375.0
Ratings Affirmed			
A9	BBB (sf)	BBB (sf)	270.0
A10	BBB (sf)	BBB (sf)	385.0
A11	BBB (sf)	BBB (sf)	400.0
A12	BBB (sf)	BBB (sf)	435.0
Rating Withdrawn			
A8	NR	BBB (sf)	N/A

N/A--Not applicable. NR--Not rated.

Overview

- We have assigned our 'BBB (sf)' rating to AA Bond Co.'s class A13 notes. At the same time, we affirmed our 'BBB (sf)' ratings on the outstanding class A notes. The issuer used the proceeds from the issuance of the class A13 notes to fully redeem the class A8 notes, the rating on which we have withdrawn.
- Our rating on the class A13 notes addresses the timely payment of interest and the ultimate payment of principal due on the class A13 notes. They are based primarily on our ongoing assessment of the borrowing group's underlying business risk profile, the integrity of the transaction's legal and tax structure, and the robustness of operating cash flows supported by structural enhancements.
- AA Bond Co.'s financing structure blends a corporate securitization of the operating business of the Automobile Association (AA) group in the U.K.

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LONDON (S&P Global Ratings) Nov. 13, 2025--S&P Global Ratings today assigned its 'BBB (sf)' credit rating to [AA Bond Co. Ltd.](#)'s new fixed-rate £375 million class A13 notes with an expected maturity date in July 2032. At the same time, we affirmed our 'BBB (sf)' ratings on the outstanding class A9, A10, A11, and A12 notes. We also withdrew our 'BBB (sf)' rating on the class A8 notes as they have fully redeemed.

Our ratings are primarily based on our ongoing assessment of the borrowing group's underlying business risk profile (BRP); the integrity of the transaction's legal and tax structure; and the robustness of its operating cash flows, supported by structural enhancements.

Summary

AA Bond Co.'s financing structure blends a corporate securitization of the operating business of the Automobile Association (AA) group in the U.K. Debt repayment is supported by the operating cash flows generated by the borrowing group's two main lines of business: roadside assistance and insurance brokering.

The transaction will likely qualify for the appointment of an administrative receiver under the U.K. insolvency regime. An obligor default would allow the noteholders to gain substantial control over the charged assets prior to an administrator's appointment, without necessarily accelerating the secured debt, both at the issuer and at the borrower level.

Overall, the total debt leverage remains broadly stable, at about 6.01x based on the reported EBITDA for the financial year (FY) ended in January 2025 as adjusted by us. As part of the refinancing, we expect a relative increase of the cost of senior debt, as the class A8 notes have a lower balance compared with the notes replacing them. The class A13 notes are priced at the same level as the class A8 notes.

Our 'BBB (sf)' ratings on the class A notes are not constrained by the ratings on any of the counterparties, including the liquidity facility, derivative, and bank account providers.

The counterparties can invest cash in short-term investments with a minimum required rating of 'BBB+'. Given the substantial reliance on excess cash flow as part of our analysis and the possibility that this could be invested in short-term investments, we can only fully rely on excess cash flows in rating scenarios up to 'BBB+'.

After considering the base-case analysis, resilience-adjusted anchor, and modifiers, we assigned our 'BBB (sf)' ratings to the class A13 notes and affirmed our 'BBB (sf)' ratings on the outstanding class A notes. At the same time, we have withdrawn our rating on class A8 notes following redemption at closing.

Overview of the new issuance

At closing, the issuer issued £375.0 million class A13 notes to fully redeem the class A8 notes. The fixed-rate class A13 notes will have an expected maturity date (EMD) in July 2032 and a legal final maturity date in July 2050. These new notes rank pari passu with the existing senior class A notes. The class A13 notes have access to the same security package as the existing class A notes.

The senior and total debt for the issuer is unchanged by this issuance.

Table 1

Sources and uses of funds

Sources	Mil. £	Uses	Mil. £
Class A13 issuance	375.0	Redemption of the class A2 notes	325.0
Cash from whole business securitization	12.8	Transaction fees	2.7
		Make whole price on A8 notes	4.9
		Accrued interest on A8 notes	5.2
		Mandatory prepayment account	50.0
Total sources	387.8	Total uses	387.8

Tender purchase of class A8 notes

- £325.0 million of class A8 notes will be repaid via tender purchase.
- The surplus of £50.0 million from the class A13 notes' issuance will be deposited in the mandatory prepayment account at closing.
- The balance of the mandatory prepayment account will be used only to further partially repay the class A9 or A11 notes on or before their EMD in 2028.

Senior term facility (STF)

The only interest rate swaps the AA Bond Co. has in place are to hedge the drawings on the STF.

Under our ratings scenario, we assume that the STF is fully used and it will remain fully drawn until its legal final maturity date. Thereafter, our analysis assumes that the STF will take a pro rata share of a 100% excess cash sweep, along with all other class A debt that has passed its respective EMD.

Liquidity facility

The liquidity facility has a balance of £200 million, which represents about 9.6% of the current outstanding senior debt. Our threshold for liquidity support to be assessed as significant is 10%. Therefore, we do not apply any uplift to the resilience-adjusted anchor for liquidity support. The current liquidity facility providers are Barclays Bank PLC; BNP Paribas S.A., London branch; Goldman Sachs International Bank; and Standard Chartered.

Business risk profile

We have not seen material changes to the business fundamentals for the borrowing group's holding company, AA Intermediate Co., so we continue to view the group's BRP as satisfactory. Our BRP assessment is based on the factors outlined below.

Table 2

Key credit considerations

Leading market position	With a market share of about 40% in the B2C and 60% in the B2B roadside segments, the AA is the market leader in the U.K.'s roadside breakdown services industry.
Membership-based business model	In FY2025, the AA had about 3.3 million paid members in the B2C roadside segment, reflecting 1% member growth year-on-year. Within B2C, average income per customer was up 9%, due to pricing action and benefits from upselling. Meanwhile, the borrower had 11.3 million paid members in the B2B roadside segment, reflecting 3% member growth year-on-year. Within B2B, average income per business was up 4%, due to continued commercial strategies around customer relationship management and deepening scope of services for specific customers. Although the AA has potential

Key credit considerations

	exposure to some churn in membership base and potential renewal risk for the longer-term B2B contracts, we believe this membership-based business model provides good earnings and cash flow visibility.
Relatively high barriers to entry	The AA's long-standing brand name, strong customer loyalty, and retention rates, as well as its national roadside assistance fleet, create relatively high barriers to entry.
Strong profitability	The BRP is underpinned by above-average S&P Global Ratings-adjusted EBITDA margins of about 30%. We expect margins to be 31%-33%, going forward, because of the AA's lower exceptional costs, better efficiency, and higher volumes. Absent major operational issues related to the program's implementation and given its ability to largely pass on cost increases to its customers (especially in the roadside segment), adjusted EBITDA margins should remain comfortably above the 25% threshold we would expect from the group, and so will support the group's satisfactory BRP.
Limited scale	Despite the significant advantage in terms of size relative to its direct competitors, we view its base as relatively small compared with peers from across other business services sectors.
Limited service diversification and weak geographic diversification	The AA's roadside segment accounted for about 89% of the group's revenue base and about 98% of company-reported EBITDA in FY2025. The AA derives its revenue solely in the U.K.
Moderate customer concentration	Top 10 B2B clients account for about 15% of the group's revenue in that segment.

Rating Rationale For The Class A Notes

AA Bond Co.'s primary sources of funds for principal and interest payments on the class A notes are the loan interest and principal payments from the borrower and amounts available from the liquidity facility, which is shared with the borrower to service the senior term loan (if the latter is drawn).

Our ratings on the class A notes address the timely payment of interest and the ultimate payment of principal due on these notes. Our ratings are based primarily on our ongoing assessment of the borrowing group's underlying BRP; the integrity of the transaction's legal and tax structure; and the robustness of operating cash flow, supported by structural enhancements.

Our cash flow analysis serves to both assess whether cash flows will be sufficient to service debt through the transaction's life and to project minimum debt service coverage ratios (DSCRs) in base-case and downside scenarios. In our analysis, we have excluded any projected cash flows from the underwriting part of the AA's insurance business, which is not part of the restricted borrowing group (only the insurance brokerage part is included).

Under our criteria, we typically expect liquidity facilities and cash trapped by a breach of a financial covenant or following an expected repayment date to be kept in the structure if:

- The funds are held in accounts or may be accessed from liquidity facilities; and
- We view it as dedicated to service the borrower's debts--specifically, that the funds are exclusively available to service the issuer/borrower loans and any super senior or pari passu debt, which may include bank loans.

In this transaction, although the borrower and the issuer share the liquidity facility, the borrower's ability to draw on it is limited to liquidity shortfalls related to the STF and does not cover the issuer/borrower loans. Therefore, we do not give credit to the liquidity facility in our base-case DSCR analysis.

Currently, as per AA Ltd.'s semiannual report, about £115 million of cash is trapped in the whole business securitization (WBS) structure, given the breach of the restricted payment condition (RPC). The RPC permits the upstreaming of unrestricted surplus cash if the class A net debt-to-

EBITDA ratio is less than or equal to 5.5x. Since the unrestricted cash is not dedicated for debt service and may be upstreamed at any point the RPC is satisfied, we do not account for it in our DSCR analysis.

Base-case scenario

Our base-case EBITDA, short-term operating cash flow projections, and the company's satisfactory BRP rely on our corporate methodology. We discussed and received confirmation on the company's performance as well as expectations from its management. Considering the updates provided, we have revised our forecasts upward, primarily based on the higher contribution from the roadside segment, fueled by new business wins, pricing, and volume. We gave credit to growth through the end of FY2027. Beyond FY2027, our base-case projections are based on our methodology and assumptions for corporate securitizations, from which we then apply assumptions for capital expenditure (capex), finance leases, pension contributions, and taxes to arrive at our projections for the cash flow available for debt service. For AA Intermediate Co., our assumptions were:

- U.K. GDP growth of 1.2 % in 2025, rising to 1.3% in 2026 and 1.6% in 2027. Consumer price index growth in 2025 of 3.4%, slowing to 2.5% in 2026 and 2.0% in 2027. These forecasts are for the calendar years.
- Revenue of about £1.2 billion in FY2026 and about £1.3 billion in FY2027. This will be driven by increasing income paid per member in both consumer (B2C) and business (B2B) as well as continued expansion of the driving school, service, maintenance, and repair businesses.
- S&P Global Ratings-adjusted EBITDA margin of 30%-31% in FY2026-FY2027, thanks to good cost control, improved operational efficiencies, and continued investments in data, technology, and artificial intelligence.
- Maintenance capex (including net finance leases): £97.1 million for FY2026 and about £108.9 million for FY2027. Thereafter, we assume £44 million, in line with the transaction documents' minimum requirements, which were revised to increase the minimum to £44 million from £35 million from the end of February 2023.
- Development capex: £23.9 million for FY2026, and £26.4 million for FY2027. Thereafter, because we assume no growth, we considered no investment capex, in line with our corporate securitization criteria.
- Working capital: A net inflow of £1.4 million in FY2026, and £5.0 million in FY2027, compared with our previous expectations of net inflow of £2 million in FY2026 and nil in FY2026. Thereafter, we assume that the change in working capital is nil.
- Pension contributions: We considered the plan agreed by the company with the trustee in February 2023, accordingly we assume £25.2 million in FY2026, £25 million in FY2027, thereafter £25 million annually until FY2031.
- Tax: Our updated tax assumptions are £24.1 million for FY2026, and £30.7 million for FY2027. Thereafter, we considered £30.7 million tax exposure.
- Asset disposals: We assume nil inflow in FY2026 and thereafter. Cash from asset disposals can only be used toward debt repayment for the WBS.

The transaction structure includes a cash sweep mechanism for the repayment of principal following an EMD on each class of class A notes, including the issuance of the class A13 notes. Therefore, in line with our corporate securitization criteria, we assumed a benchmark principal

amortization profile where the class A13 notes are repaid over 15 years following the EMD based on an annuity payment that we include in our calculated DSCRs.

Based on our assessment of AA Intermediate Co.'s BRP as satisfactory, which we associate with a business volatility score of 3, and the minimum DSCR achieved in our base-case analysis, we established a 'bbb-' anchor for the class A notes.

Downside DSCR analysis

Our downside DSCR analysis tests whether the issuer-level structural enhancements improve the transaction's resilience under a stress scenario. AA Intermediate Co. falls within the business and consumer services industry, for which we apply a 30% decline in EBITDA relative to the base case at the point where we believe the stress on debt service would be greatest.

Our downside DSCR analysis resulted in a strong resilience score for the class A notes' issuance. The combination of a strong resilience score and the 'bbb-' anchor derived in the base-case results in a resilience-adjusted anchor of 'bbb+'.

The £200 million balance in the liquidity facility represents liquidity support of about 9.6% of the current outstanding senior debt, which is below the 10% level we typically assess as offering significant liquidity support. Therefore, we have not considered any further uplift adjustment to the resilience-adjusted anchor for liquidity.

Modifiers analysis

We have not applied any adjustments under our modifier analysis.

Comparable rating analysis

Due to its cash sweep amortization mechanism, the transaction relies significantly on future excess cash. In our view, the uncertainty related to this feature is increased by the execution risks related to the company's investment plan and the returns it will effectively generate. The company may need to invest periodically to maintain its cash flow generation potential over the long term, which could erode future excess cash. To account for this combination of factors, we applied a one-notch decrease to the senior class A notes' resilience-adjusted anchor.

Counterparty risk

Our 'BBB (sf)' rating on the class A notes is not constrained by the ratings on any of the counterparties, including the liquidity facility, derivatives, and bank account providers.

Eligible investments

Following amendments to the transaction documents, the counterparties are allowed to invest cash in short-term investments with a minimum required rating of 'BBB+'. Given the substantial reliance on excess cash flow as part of our analysis and the possibility that this could be invested in short-term investments, full reliance can be placed on excess cash flows only in rating scenarios up to 'BBB+'.

Table 3

Credit rating steps for class A notes

Business risk profile	Satisfactory
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Credit rating steps for class A notes

Business volatility score	3
Base case minimum DSCR range	Lower end of 1.40x-3.25x
Anchor	bbb-
Downside case EBITDA decline	30%
Downside minimum DSCR range	1.8x-4.0x
Resilience score	Strong
Resilience-adjusted anchor	bbb+
Liquidity adjustment	None
Modifier analysis adjustment	None
Comparable rating analysis adjustment	-1 notch
Maximum potential rating	BBB
Counterparty cap	A
Eligible investment cap	BBB+
Rating	BBB (sf)

DSCR--Debt service coverage ratio.

Outlook

A change in our assessment of the company's BRP would likely prompt a rating action on the notes. To achieve the same anchor, we would expect higher DSCRs for a weaker BRP and lower DSCRs for a stronger BRP.

Upside scenario

We do not expect to revise upward our assessment of the borrowing group's BRP because it is constrained by the group's weak geographic and service diversification, as well as its exposure to the insurance broker business. We may consider raising our rating on the class A notes if our minimum projected DSCR reaches the middle of the 1.4x-3.25x range, under our base-case scenario.

Downside scenario

We could lower our anchor or the resilience-adjusted anchor for the class A notes if we were to revise the borrowing group's BRP to fair from satisfactory. This could occur if the group faced significant operational difficulties in relation to its investment plan or if trading conditions in its core roadside service market were to deteriorate, so that it saw a significant loss of customers or lower revenue per customer. Under these scenarios, we would likely observe margins falling below 25% with little prospect for rapid improvement, or an increase in the volatility of the group's profitability.

We may also consider lowering our rating on the class A notes if our minimum projected DSCR falls below 1.4x in our base-case scenario or 1.8x in our downside scenario. This could happen if the cash flow available for debt service declines beyond our expected base-case level.

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 to enable it to maintain continuous surveillance on the rated notes.

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

Related Criteria

- [Criteria | Structured Finance | General: Counterparty Risk Methodology](#), July 25, 2025
- [Criteria | Structured Finance | Legal: Asset Isolation And Special-Purpose Entity Methodology](#), May 29, 2025
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities](#), Dec. 22, 2020
- [Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance](#), Oct. 18, 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
- [Criteria | Structured Finance | General: Global Derivative Agreement Criteria](#), June 24, 2013
- [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

- [United Kingdom](#), Oct. 13, 2025
- [Credit Conditions Europe Q4 2025: Resilient Credit, Fractious World](#), Sept. 24, 2025
- [U.K. Economic Outlook Q4 2025: Inflation And Labor Costs Are A Persistent Challenge](#), Sept. 23, 2025
- [AA Bond Co Ltd. Refinancing Of Existing Facilities Has No Ratings Impact](#), March 24, 2025
- [U.K. Corporate Securitization Issuers Can Withstand Higher Refinancing Rates](#), Sept. 18, 2024
- [New Issue: AA Bond Co. Ltd.](#), May 22, 2024
- [Credit Rating Model: Standard & Poor's Cash Flow Evaluator](#), April 12, 2019

- [Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors](#), Dec. 16, 2016
- [European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors](#), Dec. 16, 2016

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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