Morningstar Corporate Credit Research Highlights
Corporate Bond Market Steadies
After Italian Political Turmoil Subsides

Morningstar Credit Ratings, LLC
4 June 2018

Contents

Credit Market Insights

- Weekly Corporate Bond Market Highlights
- High-Yield Fund Flows

Credit Rating Actions

- Rating Changes

Issuer/Ticker	Current Issuer Credit Rating	Previous Issuer Credit Rating
Tyson Foods **TSN**	BBB	BBB-
Comerica **CMA**	A/UR	A
Fifth Third Bancorp **FITB**	BBB+/UR	BBB+
Regions Financial **RF**	BBB+/UR	BBB+
BB&T **BBT**	A/UR	A
Discover Financial **DFS**	BBB+/UR	BBB+
Zions Bancorp **ZION**	BBB/UR	BBB

- Rating Affirmations

Issuer/Ticker	Current Issuer Credit Rating	Previous Issuer Credit Rating
Halliburton **HAL**	BBB+	BBB+
Summit Materials **SUM**	B+	B+
Aptiv **APTV**	BBB+	BBB+
Martin Marietta Materials **MLM**	BBB-	BBB-
Intercontinental Exchange **ICE**	A	A
Anthem **ANTM**	BBB	BBB

Recent Notes Published by Credit Analysts

- **Fifth Third Bancorp** (BBB+, Stable) Acquiring MB Financial; Credit Rating Unaffected
- **Mattel** (BB, Negative) Offering Additional $500 Million 6.75% Private Notes Due 2025

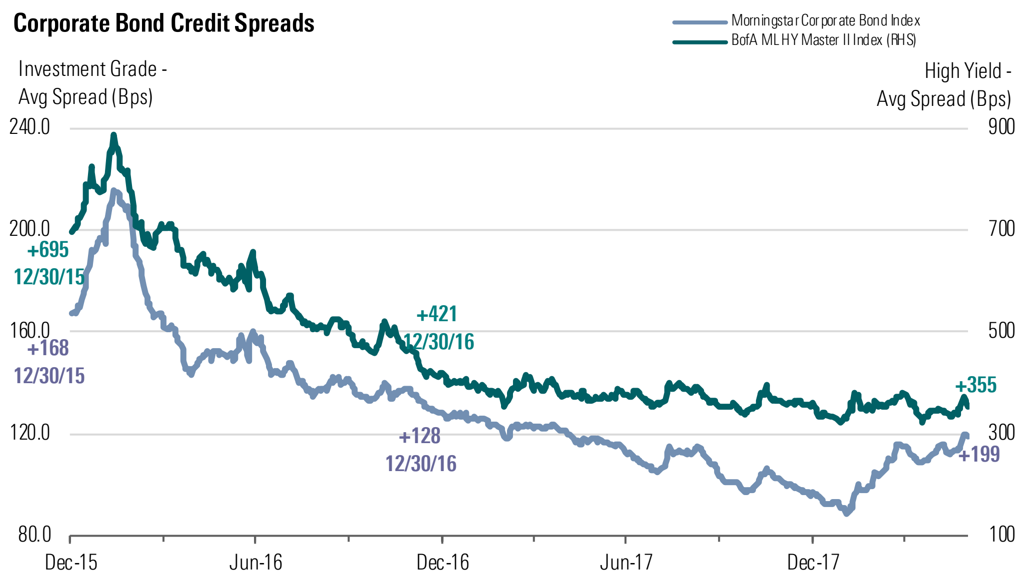
Credit Market Insights

Corporate Bond Market Steadies After Italian Political Turmoil Subsides

Global asset markets had a wild ride at the beginning of last week as political turmoil roiled Italy's sovereign bond market. After Italy's president rejected the formation of a new government by the recently elected prime minister, the country's sovereign bonds plummeted, sending their yields soaring. At the short end of the curve, the yield on the Italian 2-year bond surged from 0.25% to peak at 2.50% midweek. Along the longer end of the curve, the interest rate on the 10-year bond rose from 2.40% to 3.10%. This represented the greatest weekly volatility since the onset of the European debt crisis in 2011. As Italian bonds sank, many investors across the globe had flashbacks to the 2011-12 European sovereign debt and banking crisis, which led them to sell risky assets first and ask questions later.

Contagion from the selling wave spread to the U.S. asset markets, where credit spreads on investment-grade corporate bonds widened as much as 5 basis points, high-yield spreads widened as much as 22 basis points, and the S&P 500 fell as much as 1.15%. However, by the latter half of the week, markets began to calm as the Italian prime minister was able to form a government that was approved by the president. As the political turmoil dwindled, asset markets quickly ramped up and regained much of the lost ground. In the United States, strong economic indicators fueled a strong rally Friday, and most assets in the U.S. ended the week near where they started. The average credit spread of the Morningstar Corporate Bond Index ended the week at +199, 4 basis points wider from the prior week. In the high-yield market, the average spread of the BofA Merrill Lynch High Yield Master Index ended the week at +355, only 2 basis points wider. In the equity market, the S&P 500 ended the week unchanged.

Corporate Bond Credit Spreads



Source: Morningstar,Inc., BofA Merrill Lynch Global Indexes. Data as of 6/1/2018.

In addition to trying to predict the impact of Italian politics, investors had to contend with plummeting oil prices. Oil prices had steadily risen over the past year after Saudi Arabia hinted to the markets that it was targeting $80 per barrel. After reaching $72.50 per barrel May 21, oil declined about 9% to $67.70

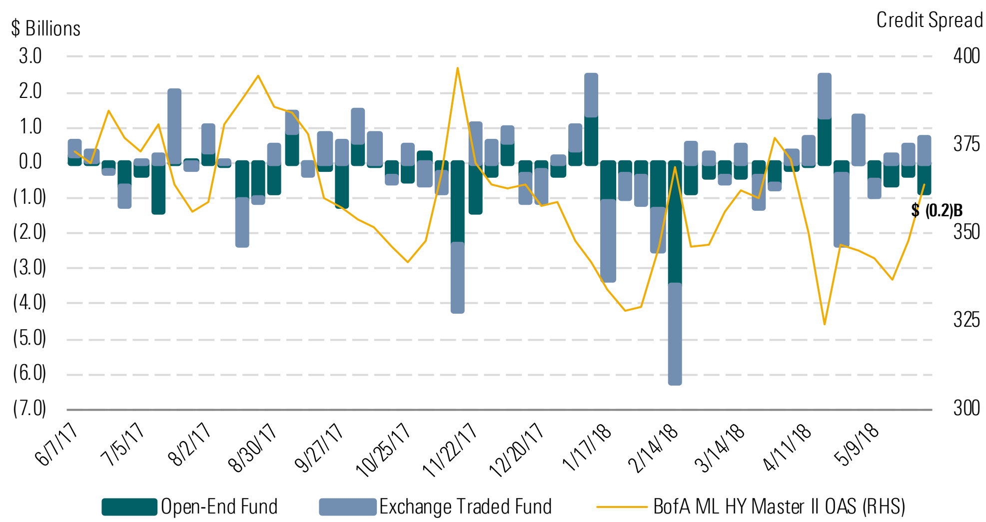
last Friday. The pullback was instigated by trial balloons floated across the news media earlier in the week by OPEC and Russia, reporting that those oil producers were considering easing output restrictions and allowing increases in production.

Interest rates have marched higher over the past year, hitting their highest levels since the 2008-09 credit crisis in mid-May, but quickly pulled back as investors bid up U.S. Treasury bonds in a flight to safety, away from the turmoil driven by the Italian political chaos. On the shorter end of the curve, the yield on the 2-year Treasury bond declined 1 basis point to 2.47% and the yield on the 5-year Treasury bond fell 2 basis points to 2.75%. Yields on the longer end of the curve declined slightly as the yield on the 10-year Treasury dropped 3 basis points to 2.90% and the 30-year fell 4 basis points to 3.05%. Although interest rates have come down from mid-May, they remain much higher than where they began the year. Since the end of last year, the 2-year, 5-year, 10-year, and 30-year bonds have risen 59, 54, 49, and 31 basis points, respectively.

Weekly High-Yield Fund Flows

While retail investors in the high-yield asset class headed for the exit, institutional investors flooded through the front door last week. Fund flows in the high-yield sector experienced a net outflow of $0.2 billion last week; however, the net outflow concealed the divergence between retail and institutional activity. Historically, open-end mutual funds have been viewed as a proxy for retail investors, while exchange-traded funds are considered a proxy for institutional investors. Last week, there was an outflow of $0.9 billion across high-yield open-end mutual funds. Among ETFs, there was net unit creation of $0.2 billion. Year to date through May 30, there has been a total of $12.6 billion of outflows across the high-yield sector. Net fund flows have consisted of $9.4 billion of outflows among open-end high-yield mutual funds but only $3.2 billion of net unit redemptions among high-yield ETFs.

Estimated Weekly High-Yield Bond Fund Flows and High Yield Credit Spreads



Source: Morningstar, Inc. and BofA Merrill Lynch Global Indexes.

Exhibit 1 Morningstar Credit New Issue Monitor

Week ended June 1, 2018

(000,000s $ unless otherwise noted)

Issuer			Issue				
Name	Ticker	Morningstar Corporate Rating(1)	Size	Coupon	Description	Maturity	Approx Spread to US Treasuries
BB&T	BBT	A	$500	3.20%	Senior Unsecured	2021	+70
BB&T	BBT	A	$1,000	3.70%	Senior Unsecured	2025	+95
Citigroup	C	A-	$3,850	4.45%	Senior Unsecured	2027	+235
Mattel	MAT	BB	$1,500	6.75%	Senior Unsecured	2025	+444

Source: Bloomberg, company Securities and Exchange Commission filings.

(1) Morningstar's issuer credit rating is assigned at the holding company level.

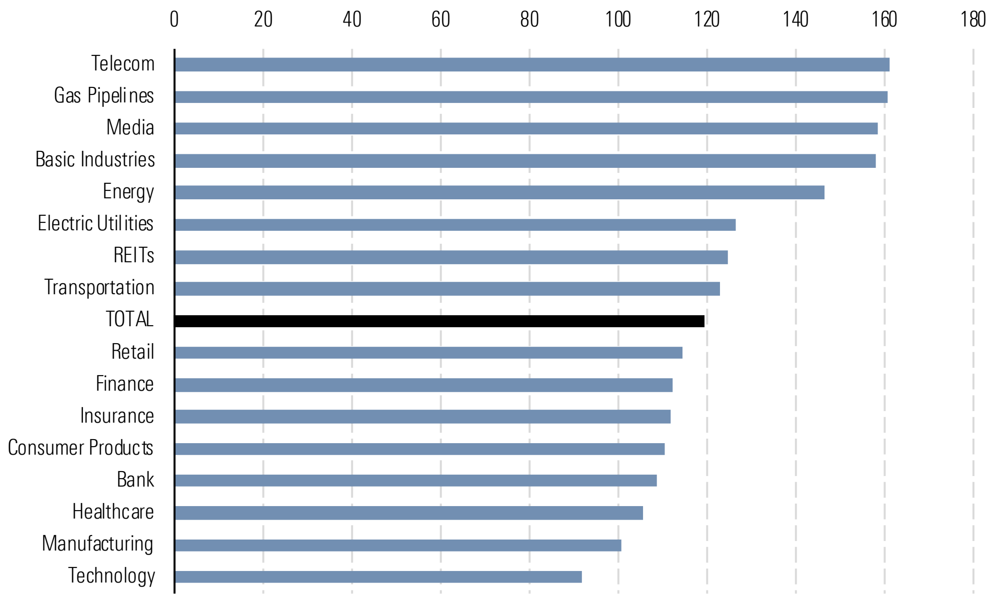
Exhibit 2 Morningstar Corporate Bond Index Sector Summary

Sector	Average Rating	Number of Issues	Modified Duration	Spread (bps)	MTD Spread Chg (bps)	YTD Spread Chg (bps)	MTD Total Return (%)	YTD Total Return (%)
TOTAL	**A-**	**5,048**	**6.9**	**119**	**(1)**	**23**	**(0.22)**	**(3.03)**
FINANCIAL	**A-**	**1,488**	**5.3**	**110**	**(1)**	**27**	**(0.17)**	**(2.61)**
Bank	A-	902	4.8	109	(1)	28	(0.14)	(2.42)
Finance	A	271	5.6	112	(0)	25	(0.20)	(2.79)
Insurance	A	220	8.1	112	1	26	(0.26)	(3.49)
REITs	BBB+	86	5.9	125	(0)	20	(0.25)	(2.67)
INDUSTRIAL	**A-**	**2,930**	**7.5**	**122**	**(1)**	**21**	**(0.24)**	**(3.23)**
Basic Industries	BBB	238	7.7	158	(1)	29	(0.27)	(3.82)
Consumer Products	BBB+	351	7.5	111	(0)	27	(0.25)	(3.76)
Energy	A-	406	7.4	147	(0)	25	(0.27)	(2.87)
Healthcare	A-	402	7.8	106	(0)	17	(0.25)	(3.49)
Manufacturing	A-	470	6.0	101	(1)	20	(0.22)	(2.62)
Media	BBB+	188	8.4	158	(0)	29	(0.27)	(4.41)
Retail	A-	162	7.8	114	0	27	(0.24)	(3.43)
Technology	A+	354	7.3	92	(1)	14	(0.21)	(2.66)
Telecom	BBB+	145	9.0	161	(4)	18	(0.13)	(2.73)
Transportation	BBB+	160	8.9	123	1	25	(0.38)	(4.18)
UTILITY	**BBB+**	**592**	**8.7**	**141**	**0**	**22**	**(0.34)**	**(3.53)**
Electric Utilities	A-	341	9.2	127	0	23	(0.33)	(3.96)
Gas Pipelines	BBB	236	7.9	161	1	17	(0.36)	(2.84)
Rating Bucket								
AAA Bucket		111	8.1	56	(1)	8	(0.22)	(2.75)
AA Bucket		463	5.7	70	0	12	(0.20)	(1.97)
A Bucket		1,994	6.8	96	(1)	22	(0.23)	(3.09)
BBB Bucket		2,480	7.1	154	(1)	26	(0.23)	(3.22)
Term Bucket								
1-4	A-	1,629	2.4	73	(1)	16	(0.11)	(0.33)
4-7	A-	1,162	4.8	109	1	29	(0.23)	(2.01)
7-10	A-	921	7.0	135	(1)	29	(0.25)	(3.58)
10PLUS	A-	1,336	13.7	170	(1)	25	(0.33)	(6.33)

Data as of 06/01/2018

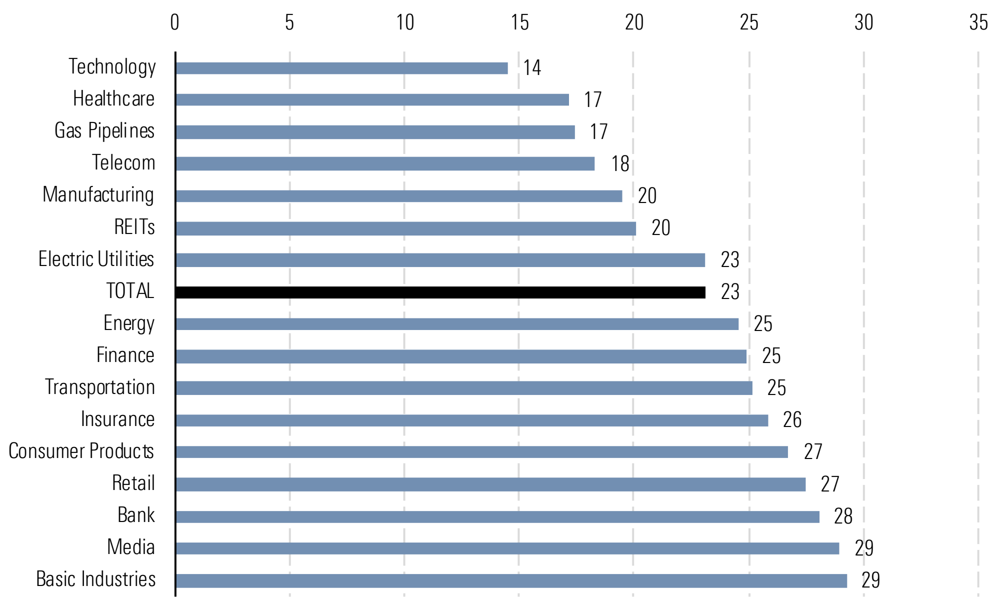
Source: Morningstar, Inc.

Exhibit 3 Morningstar Corporate Bond Index Spread by Sector



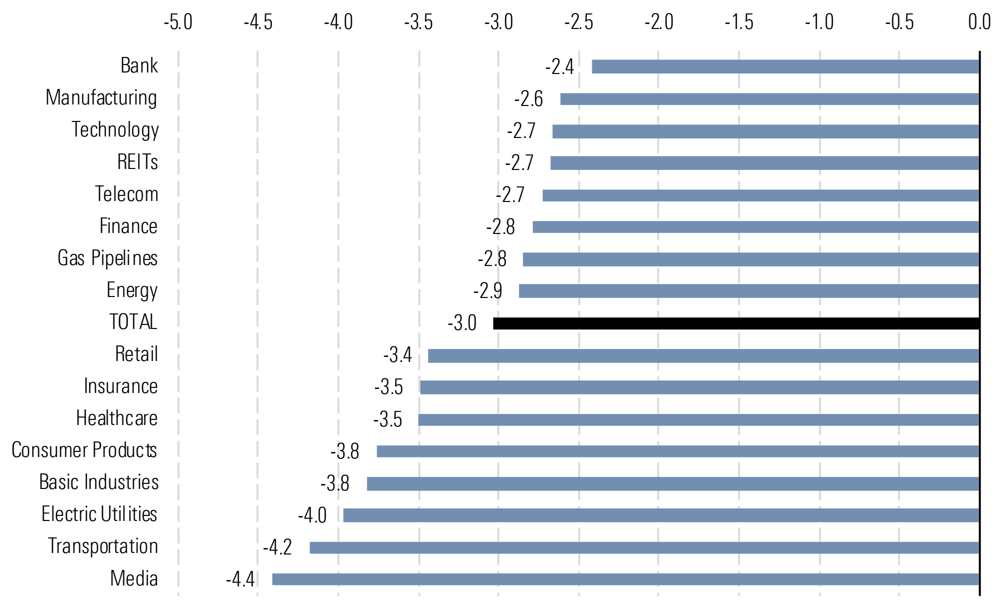
Source: Morningstar, Inc.

Exhibit 4 Morningstar Corporate Bond Index YTD Spread Change



Source: Morningstar, Inc.

Exhibit 5 Morningstar Corporate Bond Index YTD Return



Source: Morningstar, Inc.

Credit Rating Actions

Rating Changes

Issuer/Ticker	Current Issuer Credit Rating	Previous Issuer Credit Rating
Tyson Foods **TSN**	BBB	BBB-
Comerica **CMA**	A/UR	A
Fifth Third Bancorp **FITB**	BBB+/UR	BBB+
Regions Financial **RF**	BBB+/UR	BBB+
BB&T **BBT**	A/UR	A
Discover Financial **DFS**	BBB+/UR	BBB+
Zions Bancorp **ZION**	BBB/UR	BBB

Rating Affirmations

Issuer/Ticker	Current Issuer Credit Rating	Previous Issuer Credit Rating
Halliburton **HAL**	BBB+	BBB+
Summit Materials **SUM**	B+	B+
Aptiv **APTV**	BBB+	BBB+
Martin Marietta Materials **MLM**	BBB-	BBB-
Intercontinental Exchange **ICE**	A	A
Anthem **ANTM**	BBB	BBB

Tyson's Rating Upgraded to BBB; Outlook Revised to Stable From Positive

Morningstar Credit Ratings, LLC, has upgraded Tyson's credit rating to BBB from BBB- and revised the outlook to stable from positive. Tyson's rating is supported by a sustained increase in profitability and earnings stability, larger scale, increased diversification provided through acquisitions, and good diversification across the three major protein categories. These elements are partially offset by lack of economic moat, an assessment made by Morningstar's Equity Research Group that is driven by Tyson's hard-to-differentiate, low-margin products in its core meat processing business. These attributes result in Tyson's moderate Business Risk. The realization of $670 million of annual cost synergies from the acquisition of Hillshire has enhanced and increased the stability of Tyson's operating earnings and cash flow and represents a step up in the company's profitability. Tyson's Solvency Score is moderate and sustained by an increased focus on improving profitability through cost control programs, lower leverage, and strong interest coverage.

The company's new multiyear restructuring program announced in the fourth quarter of fiscal 2017 is expected to increase operational effectiveness and overhead reduction. Through a combination of synergies from the integration of AdvancePierre and additional elimination of non-value-added costs, this program combined with prior cost-saving measures is estimated to result in net savings of $200 million in fiscal 2018, $400 million in fiscal 2019, and $600 million in fiscal 2020. The majority of these savings, which are focused on supply chain, procurement, and overhead improvements, is expected to be realized in the prepared foods and chicken segments. Given the sizable amount of debt maturing (over 60% during the next five years), we believe that Cash Flow Cushion score will remain moderate. However, Tyson is committed to achieving its targeted net debt/adjusted EBITDA range of 1.5-2.0 times over the intermediate term, and a reduction of its debt levels will likely improve the Cash Flow Cushion.

Tyson's total debt was $10.0 billion at March 31, the end of the second fiscal quarter, including $1.0 billion of commercial paper. Debt maturities for the fiscal years include $1.1 billion in 2018, $1.3 billion in 2019, $1.5 billion in 2020, and $6.0 billion thereafter. Tyson's cash balance at quarter-end was minimal at $198 million, but we forecast that added liquidity will be provided by an estimated $1.0 billion of free cash flow (cash flow from operations less capital expenses and dividends) generation in 2018. Additional financial flexibility is provided by the recently amended $1.75 billion revolving credit facility, which was increased by $250 million and its maturity extended by one year to March 2023. There was $750 million available at quarter-end under Tyson's revolving credit facility, which was reduced by $1.0 billion outstanding under its commercial paper program. The amended credit facility relaxed the covenants for the interest coverage ratio to be greater than 3.5 times from earlier 3.75 times and its debt/capitalization ratio not to exceed 65% from its earlier 60% following certain material acquisitions.

Tyson's adjusted debt was $11.7 billion including $1.4 billion of operating leases. Total adjusted debt/EBITDAR was 2.9 times and the lease-adjusted interest coverage ratio was 9.9 times for the 12 months ended March 31. Tyson's free cash flow was $1.2 billion for the period.

As of March 31, Tyson had 25.5 million shares available for repurchase under its share-repurchase program, which has no fixed or scheduled termination date. In addition to the share-repurchase program, Tyson purchases shares on the open market to fund obligations under its equity compensation plans. The company is targeting to reduce net leverage to approximately 2.0 times during fiscal 2018 and stated that thereafter it would consider increasing share repurchases.

Our stable outlook indicates that a rating change is unlikely during a one- to two-year period. A negative rating action could occur if management fails to reach or maintain its targeted leverage ratio to the extent that it affect the company's Solvency Score or Cash Flow Cushion. An upgrade could occur if Tyson were to meaningfully increase its sales of branded products, improve its intangible assets, and generate higher sustainable operating margins. A meaningful reduction in debt maturing within the forecast period may improve the Cash Flow Cushion and could also lead to a positive rating action.

Comerica's A Rating Under Review Developing on New Banking Legislation

Morningstar Credit Ratings, LLC is placing its A rating on Comerica Inc. under review developing as it considers the impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act on the rating. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, banks with over $50 billion in total assets were regulated as systemically important banks, including application of enhanced prudential standards and a requirement to undertake annual company-run stress tests. Under the Economic Growth, Regulatory Relief, and Consumer Protection Act recently signed into law, only banks with $250 billion or more in total assets will be designated as SIBs. For banks with $100 billion or less in total assets, the change will be effective immediately. For banks with $100 billion-$250 billion in total assets, the change will be effective in 18 months, or sooner if regulators take such action. The Federal Reserve may determine on a case-by-case basis if it should apply enhanced prudential standards to banks with $100 billion-$250 billion in total assets.

Under Morningstar's bank credit rating methodology (September 2017), banks that are regulated as SIBs are compared with other SIBs, while non-SIBs are compared with other non-SIBs. We expect that as a result of the Economic Growth, Regulatory Relief, and Consumer Protection Act, we will move Comerica into our U.S. regional bank peer set from our global bank peer set. Our rating could be affirmed or move either higher or lower based on Comerica's performance relative to the U.S. regional bank peer set in the Solvency Score and Distance to Default pillars. We expect to conclude our review in the third quarter.

Fifth Third Bancorp's BBB+ Rating Under Review Developing on New Legislation

Morningstar Credit Ratings, LLC is placing its BBB+ rating for Fifth Third Bancorp under review developing as it considers the impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act on the rating. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, banks with over $50 billion in total assets were regulated as systemically important banks, including application of enhanced prudential standards and a requirement to undertake annual company-run stress tests. Under the Economic Growth, Regulatory Relief, and Consumer Protection Act recently signed into law, only banks with $250 billion or more in total assets will be designated as SIBs. For banks with $100 billion or less in total assets, the change will be effective immediately. For banks with $100 billion-$250 billion in total assets, the change will be effective in 18 months, or sooner if regulators take such action. The Federal Reserve may determine on a case-by-case basis if it should apply enhanced prudential standards to banks with $100 billion-$250 billion in total assets.

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Regions Financial's BBB+ Rating Under Review Developing on New Legislation

Morningstar Credit Ratings, LLC is placing its BBB+ rating on Regions Financial Corp. under review developing as it considers the impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act on the rating. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, banks with over $50 billion in total assets were regulated as systemically important banks, including application of enhanced prudential standards and a requirement to undertake annual company-run stress tests. Under the Economic Growth, Regulatory Relief, and Consumer Protection Act recently signed into law, only banks with $250 billion or more in total assets will be designated as SIBs. For banks with $100 billion or less in total assets, the change will be effective immediately. For banks with $100 billion-$250 billion in total assets, the change will be effective in 18 months, or sooner if regulators take such action. The Federal Reserve may determine on a case-by-case basis if it should apply enhanced prudential standards to banks with $100 billion-$250 billion in total assets.

Under Morningstar's bank credit rating methodology (September 2017), banks that are regulated as SIBs are compared with other SIBs, while non-SIBs are compared with other non-SIBs. We expect that as a result of the Economic Growth, Regulatory Relief, and Consumer Protection Act, we will move Regions Financial into our U.S. regional bank peer set from our global bank peer set. As a result, our rating could be affirmed or move either higher or lower based on Regions Financial's performance relative to the U.S. regional bank peer set in the Solvency Score and Distance to Default pillars.

BB&T's A Rating Under Review Developing on New Legislation

Morningstar Credit Ratings, LLC is placing its A rating on BB&T Corporation under review developing as it considers the impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act on the rating. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, banks with over $50 billion in total assets were regulated as systemically important banks, including application of enhanced prudential standards and a requirement to undertake annual company-run stress tests. Under the Economic Growth, Regulatory Relief, and Consumer Protection Act recently signed into law, only banks with $250 billion or more in total assets will be designated as SIBs. For banks with $100 billion or less in total assets, the change will be effective immediately. For banks with $100 billion-$250 billion in total assets, the change will be effective in 18 months, or sooner if regulators take such action. The Federal Reserve may determine on a case-by-case basis if it should apply enhanced prudential standards to banks with $100 billion-$250 billion in total assets.

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Discover Financial Services' BBB+ Rating Under Review Developing on New Legislation

Morningstar Credit Ratings, LLC is placing its BBB+ rating for Discover Financial Services under review developing as it considers the impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act on the rating. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, banks with over $50 billion in total assets were regulated as systemically important banks, including application of enhanced prudential standards and a requirement to undertake annual company-run stress tests. Under the Economic Growth, Regulatory Relief, and Consumer Protection Act recently signed into law, only banks with $250 billion or more in total assets will be designated as SIBs. For banks with $100 billion or less in total assets, the change will be effective immediately. For banks with $100 billion-$250 billion in total assets, the change will be effective in 18 months, or sooner if regulators take such action. The Federal Reserve may determine on a case-by-case basis if it should apply enhanced prudential standards to banks with $100 billion-$250 billion in total assets.

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Zions Bancorp's BBB Rating Under Review Developing on New Legislation

Morningstar Credit Ratings, LLC is placing its BBB rating for Zions Bancorp under review developing as it considers the impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act on the rating. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, banks with over $50 billion in total assets were regulated as systemically important banks, including application of enhanced prudential standards and a requirement to undertake annual company-run stress tests. Under the Economic Growth, Regulatory Relief, and Consumer Protection Act recently signed into law, only banks with $250 billion or more in total assets will be designated as SIBs. For banks with $100 billion or less in total assets, the change will be effective immediately. For banks with $100 billion-$250 billion in total assets, the change will be effective in 18 months, or sooner if regulators take such action. The Federal Reserve may determine on a case-by-case basis if it should apply enhanced prudential standards to banks with $100 billion-$250 billion in total assets.

Under Morningstar's bank credit rating methodology (September 2017), banks that are regulated as SIBs are compared with other SIBs, while non-SIBs are compared with other non-SIBs. We expect that as a result of the Economic Growth, Regulatory Relief, and Consumer Protection Act, we will move Zions Bancorp into our U.S. regional bank peer set from our global bank peer set. As a result, our rating could be affirmed or move either higher or lower based on Zion Bancorp's performance relative to the U.S. regional bank peer set in the Solvency Score and Distance to Default pillars. We expect to conclude our review in the third quarter.

Halliburton's Rating Affirmed at BBB+; Outlook Revised to Positive From Stable

Morningstar Credit Ratings, LLC is affirming the BBB+ corporate credit rating on Halliburton Co. and revising the outlook to positive from stable. The positive rating outlook incorporates our forecast for rebounding demand for oilfield products and services and benefits resulting from streamlining of company operations during the past three years.

Within our rating, the Business Risk score reflects the cyclicality of the oilfield services industry, partially offset by Halliburton's large size and broad product and service lines sold into a geographically diverse end market and our forecast for positive free cash flow generation, which minimizes the company's need to tap capital markets. Our rating also reflects the view of Morningstar's Equity Research Group that Halliburton benefits from a narrow economic moat, with a return on invested capital forecast to be well above its weighted average cost of capital. Collectively, this results in a Business Risk score that is moderate.

Long-term relationships with exploration and production companies that control the right acreage in desirable oil and gas basins before the onset of the collapse in global upstream activity in the fall of 2014 helped mitigate the financial impact on Halliburton. Since mid- to late-2016, Halliburton has benefited from a sustained upswing in North American land-based oilfield services activity. A gradual recovery in international demand for oilfield products and services is underway, but the recovery is uneven and prior contractual pricing concessions will likely continue through 2018. Overall, a gradually growing number of pockets where international demand is reviving makes for an increasingly more constructive market tone.

We regard Halliburton's liquidity as very good. At the end of the March quarter, the company had $2.3 billion in cash and equivalents and full availability on a $3.0 billion unsecured revolving credit facility. The next significant debt maturities include $400 million due in August 2018 and an aggregate $685 million due in 2021. Therefore, Halliburton's near-term debt maturity schedule is not a concern. Halliburton plans to spend approximately $2 billion on capital expenditures in 2018, about 45% more than $1.4 billion spent in 2017. After capital expenditures and dividends, plus net proceeds from divestments, we estimate Halliburton will generate about $1.2 billion net cash flow in 2018. Our forecast incorporates $150 million of proceeds from noncore asset sales per year. We project that net cash flow cycles higher to $1.6 billion by 2022, including our assumption that total annual capital expenditures gradually increase to $2.7 billion in 2022. Combined with the company's ample cash position, this results in a moderate Cash Flow Cushion score. However, an increasing return on invested capital drives an improving Solvency Score through our forecast period.

Our base forecast incorporates revenue cyclically rebounding to about $30 billion in 2022 from $20.6 billion in 2017, which equates to an approximate 8% compound annual growth rate from 2017. We estimate the company's adjusted EBITDA margin gradually rising to 19% by 2022 from about 17% in 2017. Commensurate with this, we estimate the ratio of total debt/trailing 12-month EBITDA gradually declining to about 1.5 times by 2022 from 3.2 times in 2017.

Our positive outlook indicates a possible upgrade in Halliburton's credit rating in the next one to two years, given the company's solid free cash flow generation and good liquidity bolstered by ongoing improvements to companywide efficiencies and cost-reduction progress. The company's credit trend should benefit from a gradual improvement in oil and gas supply/demand fundamentals and therefore higher commodity prices, stimulating global exploration and production activity and demand for oilfield services. A faster-than-expected improvement in global demand for oilfield services could allow Halliburton's operating margins and cash flow to expand faster than our current forecast, allowing the company to accelerate debt reduction, positively affecting our Cash Flow Cushion and Solvency Score. Given our positive outlook, we do not anticipate downgrading our rating over the next year or two.

Summit Materials' Credit Rating Affirmed at B+; Outlook Stable

Morningstar Credit Ratings, LLC is affirming the corporate credit rating of Summit Materials Inc. at B+ and maintaining its stable outlook.

Our credit rating for Summit Materials takes into account the firm's leveraged balance sheet, smaller size within the building materials industry, and growth ambitions. The company has had a rollup strategy since its founding in 2009, and its growth has primarily come through acquisitions that often are funded with a debt component. Summit's balance sheet debt totaled approximately $1.8 billion as of the end of

March, and its debt/EBITDA ratio was approximately 4.2 times on a gross basis. While the company has grown aggressively over the last few years, it is still considerably smaller than some of the larger players in the industry. The B+ rating reflects Summit's high Business Risk, weak Cash Flow Cushion and Solvency Score, and moderate Distance to Default. The Business Risk is hindered by the company's smaller size, product concentration, and industry cyclicality but helped by a narrow economic moat as assigned by Morningstar's Equity Research Group. Its Cash Flow Cushion is affected by capital expenditures, interest payments, and sizable debt maturities in our forecast horizon. Significant maturities are $256 million in 2022, $656 million in 2023, and approximately $900 million thereafter. Summit's Solvency Score reflects the leveraged balance sheet offset by strong internal liquidity. Summit is currently benefiting from strong industry conditions; however, cyclicality for aggregates companies can be quite high, working against high operating and financial leverage during downturns.

Our expectations are for debt/EBITDA to be approximately 4.0 times or slightly lower and for Summit to be free cash flow positive. We believe the company will continue to make acquisitions, although we haven't modeled them into our forecasts. Organic revenue growth is assumed to be in the midsingle digits annually, and adjusted EBITDA margins are assumed to be approximately 23%. The company's liquidity is good, consisting of $178 million of cash and equivalents as of March 31 and availability of $220 million on its revolving credit facility that expires 2024.

Since our outlook is stable, we do not foresee movement in the rating near term. However, the rating could be upgraded if Summit's Business Risk or Solvency Score were to improve, which would most likely be a result of lower leverage. The rating could experience downward pressure if the Business Risk or Cash Flow Cushion were to deteriorate, which could be caused by weaker-than-expected volume and/or margins.

Aptiv Affirmed at BBB+, Outlook to Stable From Negative on Consistent Financial Strength
Morningstar Credit Ratings, LLC is affirming its BBB+ rating on Aptiv PLC--formerly known as Delphi Automotive PLC--but changing the outlook to stable from negative after the spin-off of its Powertrain unit now known as Delphi Technologies (not rated) in early 2018.

The transaction reduced sales to about $13 billion in 2017 for Aptiv from almost $17 billion in 2016 for Delphi, and leverage increased to almost 2 times from about 1.5 times. However, Aptiv received a dividend of $1.1 billion from Delphi Technologies on the spin and thus net leverage remains modestly above 1 times. We expect the firm to maintain its $4.2 billion of debt outstanding but gradually deleverage on a gross basis as EBITDA grows with the business. We also expect the firm to put the bulk of its $1.3 billion cash hoard as of March 31 to work on acquisitions, bringing cash closer to normal balances of around $0.5 billion. Indicative of this was the recent announcement of the $500 million cash acquisition of KUM LLC, which expanded Aptiv's presence in Asia and should be integrated nicely into its connectors portfolio.

Our rating reflects Aptiv's proven sustainable business model and steady free cash flow. Aptiv's leaner cost structure and focus on healthier parts of the auto-supply industry since exiting bankruptcy in 2009 have led to higher profitability. The firm redeployed much of its cost base out of the U.S. to lower-cost countries. We view Aptiv as being well positioned in the auto-supply chain as demand increases for electrical architectural systems supporting electronic devices, electronic controls, and safety systems. The firm provides products that are in high demand by consumers and supported by government legislation. As such, we believe Aptiv is positioned to enjoy growth in excess of global vehicle production. Our Business Risk assessment considers Morningstar's Equity Research Group's narrow moat rating and the deep cyclicality of the industry and historically cutthroat nature of the business. We also consider the company's attractive portfolio of products, which continue to evolve around electronic content supporting connectivity, infotainment, and safety, along with emerging autonomous vehicle applications.

Our forecast for the firm includes top-line growth averaging over 6% annually, driven by increasing electrical content in vehicles including growth in autonomous driving and advanced driver-assist systems. We also expect modest expansion of operating margins from 12.4% in 2017 and free cash flow exceeding $800 million annually. Management has indicated its capital-allocation plan will remain consistent and include a disciplined allocation to dividends, acquisitions, and share repurchases. Our moderate Cash Flow Cushion score reflects the solid operating cash flow but capital spending exceeding 5% of sales as the company looks to retain its technological advantages that support the narrow economic moat assessment. The Cash Flow Cushion also reflects dividends of over $200 million annually and modest debt maturities of $650 million in 2020 and $400 million in 2021. Our strong Solvency Score reflects returns on invested capital in the upper teens and double-digit interest coverage.

Our stable outlook reflects the solid underlying end market demand for Aptiv's various electronics and electrical architecture products combined with a balanced capital-allocation policy. We do not envision an increase to the rating at this point, although if management decides to aggressively pay down debt and reduce leverage in the capital structure to improve overall financial flexibility, the rating could move higher. The rating could be downgraded if the firm makes a large debt-funded acquisition that pushes leverage well above recent levels. This could affect the Solvency Score and Cash Flow Cushion.

Martin Marietta's Rating Affirmed at BBB-, Outlook Remains Stable

Morningstar Credit Ratings, LLC is affirming the corporate credit rating of Martin Marietta Materials Inc. at BBB- and maintaining the stable outlook.

The rating reflects the company's high Business Risk and weak Cash Flow Cushion offset by a strong Solvency Score and Distance to Default risk profile. Martin Marietta's Business Risk is negatively affected by a combination of product concentration and industry cyclicality. The company does possess a narrow moat rating, as assigned by Morningstar's Equity Research Group, which factors positively into its Business Risk. Martin Marietta is one of the largest producers of construction aggregates in the U.S. and is somewhat protected from new competition by high barriers to entry and the costs of building new quarries, which is the basis for its narrow moat rating. Still, the industry can be quite cyclical and while Martin Marietta is currently benefiting from strong industry conditions volumes and margins were significantly lower just a few years ago. The company's Cash Flow Cushion is affected by nearer-term debt maturities, interest expense, capital spending and dividend payments and its Solvency Score is supported by moderate leverage and strong interest coverage. The Distance to Default is supported by the firm's large market capitalization relative to its debt balance. We estimate its pro forma debt for the Bluegrass acquisition to be approximately $3.3 billion, which is an increase from the $1.7 billion balance at the end of 2016.

For 2018, we expect that the company will post approximately $1.2 billion in EBITDA and that debt/EBITDA will end the year at approximately 2.75 times. We also expect Martin Marietta will continue to be free cash flow positive going forward and wouldn't be surprised to see the company continue to be acquisitive in the future.

Given our stable outlook, we do not expect movement in the rating in the near term. However, the rating could experience upward momentum if we see sustainable improvement in Martin Marietta's Business Risk or Cash Flow Cushion which would likely be a result of stronger volumes and margins. The rating could be pressured downward if the company's Business Risk or Cash Flow Cushion would deteriorate, which could be a result of a leveraging acquisition or weak volumes and/or margins.

Intercontinental Exchange's Credit Rating Affirmed at A With Stable Outlook

Morningstar Credit Ratings, LLC is affirming its A credit rating on Intercontinental Exchange, Inc. The outlook remains stable.

Our rating for ICE takes into account the firm's leading position as one of the largest global exchange operators, with a recognizable brand and solid sustainable competitive advantages. These items factor favorably in our assessment of ICE's Business Risk, which we consider low and on par with peer CME Group (A+, stable). While ICE generates significant free cash flows and is generally profitable, roughly $2.4 billion of debt and commercial paper borrowings coming due over our five-year forecast horizon lead to a moderate Cash Flow Cushion score. Of note, ICE's increased utilization of commercial paper borrowings in the first quarter of 2018, used to help fund its acquisition of Virtu BondPoint, increase its stake in Euroclear, and for general corporate purposes, have a limiting effect on upwards migration of this pillar. Solid interest coverage is somewhat offset by weaker returns on invested capital, contributing to a moderate Solvency Score pillar. However, excluding goodwill from the denominator of ROIC results in a much stronger ratio, a factor we consider in the rating. Rounding out our assessment, ICE's Distance to Default pillar is strong and in line with peer Nasdaq (BBB+, negative).

Intercontinental Exchange operates exchanges and clearinghouses for financial, derivative, and commodity markets worldwide, and also provides key data services to clients. Morningstar's Equity Research Group assigns the company a wide economic moat rating, supported by its sticky customer base, intangible assets, network effects and cost advantages arising from scale across 12 exchanges and seven clearinghouses. Following its large purchases of the New York Stock Exchange in 2013 and Interactive Data in 2015, ICE has made some smaller bolt-on acquisitions more recently, resulting in leverage remaining stubbornly above the 2.0 times area. Our stable outlook incorporates our view that the firm will continue to use its substantial cash-flow-generating capabilities to reduce debt balances from these acquisitions, though the continued wave of consolidation in the exchange space may result in a longer period of heightened financial leverage, which would be a credit negative for the company. ICE was able to decrease financial leverage below 2.0 times debt/EBITDA at year-end 2017, in line with our expectations, though leverage rose to 2.2 times debt/EBITDA at the close of the first quarter. Outside of further acquisitions, we forecast leverage decreasing to around 1.5 times by late 2018, which would positively influence the company's Cash Flow Cushion score and more firmly cement ICE in the A rating category range.

Our stable outlook indicates we are unlikely to take positive or negative rating actions on ICE over the next 12-24 months. However, if management shifts its capital policy away from prioritizing debt reduction, we may consider moving to a negative outlook or a lower rating. Regulatory changes contributing to lower revenue, decreased margins, or diminished cash flow could also lead to a rating downgrade. We may consider an upgrade if the company were to make substantial improvements in operating income and debt reduction.

Anthem's Rating Affirmed at BBB; Outlook Remains Stable

Morningstar Credit Ratings, LLC has affirmed its credit rating on Anthem, Inc. at BBB. The outlook is stable.

Anthem's rating is supported by a good Business Risk pillar, as the company's size, underwriting results, and sustainable competitive advantages place it in a solid competitive position. As one of the largest managed-care organizations by medical membership and revenue, Anthem benefits from pricing advantages and some network effects, leading to good returns and above average performance. An increase in debt/capital to 43% at year-end 2017 from 39% at the prior year-end resulted in deterioration in Anthem's Financial Risk and Debt Cushion scores, and the company's issuance of $2.1 billion of new debt in February 2018 has kept leverage slightly elevated at 42% at the close of the first quarter. However, outside of any large potential M&A activity, we believe Anthem will keep its commitment to maintaining debt/capital in the low 40s, which should limit any further deterioration in these pillars. The company's Distance to Default pillar is very strong, but there was slight deterioration year over year as Anthem's stock price volatility was higher over the preceding 300 days due to news events surrounding market consolidation and the exit of its IngenioRX CEO.

Longer-term threats to Anthem's rating include the potential combinations of CVS (BBB+/UR-)/Aetna (unrated) and Cigna (BBB/UR-)/Express Scripts (A-/UR-), along with the proposed development of a new health insurance startup by Amazon, Berkshire Hathaway, and JPMorgan. If the MCO/pharmacy benefit manager mergers receive necessary approvals, we believe these entities--along with UnitedHealth Group (A-, stable)--will be in stronger competitive positions against Anthem, as all three organizations will have the benefit of operating with established, successful PBMs while Anthem works to build out IngenioRX. Anthem has already experienced hurdles in this area, as its pick for the PBM CEO position left to pursue an outside opportunity, and there are concerns that CVS may decide to withdraw its support of IngenioRX if the Aetna merger comes to fruition. However, over the near to medium term we expect Anthem to continue reporting good performance and maintain leverage in the low 40s, which contributes to our stable outlook.

Our stable outlook implies that we are unlikely to change the rating over the next 12-24 months. However, if Anthem decides to operate with leverage above 45% for a sustainable period, a downgrade is possible. On the other end of the spectrum, an upgrade is possible if Anthem gets serious about deleveraging on a sustainable basis. For example, if new regulatory initiatives such as tax reform or Affordable Care Act repeal/replacement efforts make it more attractive to operate with less debt on the balance sheet relative to profits, Anthem may have incentive to deleverage enough to make an upgrade possible.

Recent Notes Published by Credit Analysts

Fifth Third Bancorp (BBB+, Stable) Acquiring MB Financial; Credit Rating Unaffected

MCR Credit Risk Assessment

On May 21, Fifth Third Bancorp (BBB+, stable) announced that it has agreed to acquire Chicago-based MB Financial for approximately $4.7 billion. About 90% of the consideration will be stock, with the remainder paid in cash. We view the transaction as a bolt-on acquisition for Fifth Third, as MB Financial is a well-run commercial-focused bank concentrated in the Chicago-area market, where Fifth Third already has a sizable presence. Although management said that it expects the transaction to reduce Fifth Third's common equity Tier 1 ratio by 45 basis points from 10.8% at the end of the first quarter, we think Fifth Third's strong positioning within the BBB+ category gives it ample flexibly to absorb this acquisition without detriment to its credit rating.

While the transaction will increase Fifth Third's total assets of $141.5 billion by only 14%, it will significantly increase the group's presence in the Chicago-area market. On a pro forma basis, Fifth Third's deposit market share will increase to 9.7% from 5.0% and its middle-market firm relationship share will increase to 20% from 9%. Management said it sees the Chicago market as especially attractive, given its large number of middle-market firms, above-average household income, and strong projected household income growth.

The deal price of $4.7 billion as of the May 18 close implies that Fifth Third is paying a lofty 2.8 times tangible book value for MB Financial. Management said that it expects cost savings equivalent to 45% of MB Financial's noninterest expense base, which we view as above average for this type of transaction. We expect that much of this will be realized, given the significant potential for branch consolidation in the Chicago-area market. However, as this is a predominantly stock-financed transaction, our credit rating is unlikely to depend on the company fully realizing its cost-cutting or return on invested capital targets.

Market Data

We compare Fifth Third with other U.S. regional banks. According to pricing service Interactive Data, Fifth Third's senior 2.6% notes due 2022 were indicated at +74 basis points over the nearest Treasury as of May 18, 2018. In comparison, PNC's (A-, stable) 3.3% notes due 2022 were indicated at +69 basis points, Region Financial Corp.'s (BBB+, stable) 2.75% notes due 2022 were indicated at +93 basis points, and Zions Bancorp's (BBB, stable) 4.5% notes due 2023 were indicated at +149 basis points.

Mattel (BB, Negative) Offering Additional $500 Million 6.75% Private Notes Due 2025

Market Data

Mattel, Inc. (BB, negative) announced a $500 million add-on to its 6.75% senior unsecured notes due 2025. The notes will be issued as additional notes under an indenture dated Dec. 20, 2017. The proposed note offering will be guaranteed on a senior unsecured basis by Mattel's domestic restricted subsidiaries that are also guarantors under the company's $1.6 billion senior secured revolver. Mattel expects to use proceeds to repay its $500 million 2.35% notes due May 2019.

Mattel is best compared with other high-yield BB category bonds in the consumer cyclical sector, including L Brands Inc. (BB+, stable) and Hanesbrands Inc. (BBB-, stable). L Brands' bonds reflect recent weaker operating performance at the company, while Hanesbrands' bonds are unsecured and subordinated to substantial secured bank debt. The following data is from Interactive Data.

Mattel's $1 billion 6.75% senior unsecured notes due 2025 recently traded at a yield of 7.13% and a spread of +409 basis points over the nearest Treasury.
L Brands' $500 million 5.25% senior unsecured notes due in 2028 recently traded at a yield of 6.28% and a spread of +321 basis points.
Hanesbrands' $900 million 4.875% senior unsecured notes due in 2026 recently traded at a yield of 5.32% and a spread of +228 basis points.

MCR Credit Risk Assessment

Mattel's BB rating and negative outlook reflect ongoing revenue and cash flow declines, weaker credit protection measures, and heightened uncertainty regarding future operating performance. The rating could be lowered if Mattel is unable to stabilize revenue and improve margins and debt protection metrics. During the past several years, Mattel's revenue has declined. The company had to address the loss of a key license agreement, intensified competition due to shorter product lifecycles, the increasing use of technology in toys, the growth of online retailers, heightened competition from its largest retail customers that promote their own private-label toys, and the bankruptcy filing of Toys 'R' Us.

In 2017 Mattel's Solvency Score deteriorated due to lower returns, weaker interest coverage, and higher leverage. Recently, Mattel has taken aggressive actions to reduce and manage obsolete inventory. As such, Mattel's recent results posted a substantial decline in margins and profitability. Current actions designed to stabilize revenue and improve profitability, including initiatives to reduce its cost structure by at least $650 million over the next two years, are expected to continue under its recently hired CEO. Morningstar forecasts that margins will begin to recover in 2018, as indicated by the growth of key brands at the consumer level, including single-digit point-of-sale growth at the store level for its Barbie and Hot Wheels brands over the past several quarters.

Mattel's Cash Flow Cushion score will benefit from the proposed $500 million note issue, further reducing its near-term maturity schedule. Over the next five years, Mattel will have a $250 million maturity in 2020 and a $350 million maturity in 2021. Adjusted debt at March 31 was $4.1 billion: $1.0 billion of senior unsecured guarantee notes, $1.9 billion of senior unsecured nonguarantee notes, and $1.2 billion of commitments related to operating leases and underfunded pensions and postretirement obligations. Mattel's liquidity includes full availability under a $1.6 billion asset-based lending facility, which is secured by Mattel's accounts receivable and inventory and expires in June 2020. Management has committed to maintaining year-end cash balances of at least $800 million. In 2017, Mattel suspended its cash dividend, which was over $500 million in previous years, and reduced capital spending by one third to about $200 million annually. As Mattel normalizes operations, we forecast leverage to decline to 4.5 times by year-end 2020, improving its Solvency Score.

Mattel's rating continues to reflect its brand strength in the fragmented toy market, along with licensing and entertainment relationships that provide modest barriers to entry. Mattel remains under pressure to negotiate shorter product cycles and an increasing use of high technology in electronics and video games and the growth of on-line distribution. The negative outlook reflects the potential for a lower rating if Mattel is unable to sustain its competitive position, stabilize revenue, and improve margins and debt protection metrics, which otherwise could result in a weakened Business Risk and Cash Flow Cushion. The rating outlook could be stabilized if Mattel is able to return to industry growth rates, normalize operating margins, and reduce debt leverage to historical levels, which would support improvement in the Solvency Score.

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