Morningstar Corporate Credit Research Highlights
Second-quarter 2018 fixed-income index review.

Morningstar Credit Ratings, LLC
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Issuer/Ticker	Current Issuer Credit Rating	Previous Issuer Credit Rating
Anglo American NGLOY	BBB-	BB+
Starbucks SBUX	A-	A
MGM Resorts MGM	BB	BB-

- Rating Affirmations

Issuer/Ticker	Current Issuer Credit Rating	Previous Issuer Credit Rating
Teck Resources TECK	BB	BB
Ford Motor F	BBB	BBB
Dish DISH	B+	B+
Southern Copper SCCO	BBB-	BBB-
General Motors GM	BBB	BBB

Credit Market Insights

Second-Quarter 2018 Fixed-Income Index Review

Most fixed-income indexes continued to decline over the course of the second quarter as interest rates rose and investment-grade corporate credit spreads widened. However, with its shorter duration and higher correlation to economic growth, the high-yield sector was one of the few that registered gains this quarter.

Morningstar's Core Bond Index, our broadest measure of the fixed-income universe, declined 0.17% in the second quarter and has fallen 1.70% year to date. The decline was mainly driven by the increase in interest rates across the entire yield curve but was also under pressure from widening investment-grade corporate credit spreads. Underlying the Core Bond Index, Morningstar's Short-Term Core Bond Index was able to post a small gain of 0.22% even as short-term rates rose to their highest levels in over a decade. This gain in the second quarter helped offset earlier losses, and this index is now down only 0.17% for the year. The Intermediate Core Bond Index rose 0.10% during the quarter but has dropped 1.19% year to date. With its longer duration and greater price sensitivity to interest rates, the Long-Term Core Bond Index fell by 1.11% this quarter and had registered a 4.25% loss this year as falling bond prices from rising rates more than offset the yield carry from the underlying bonds in this index.

In the Treasury market, the Morningstar U.S. Government Bond Index increased 0.07% but has declined 1.13% so far this year. The Morningstar Agency Bond Index declined 0.04% in the quarter and 0.58% year to date. One of the bright spots this quarter was in the Treasury Inflation-Protected Securities market. As inflation measures edged up, investors looked to TIPS, which led the Morningstar TIPS Index to a gain of 0.79%. That gain was just enough to offset the losses incurred in the first quarter and the index was able to break into positive territory for the year to the tune of 0.01%.

During the second quarter, the yield on the 2-year Treasury bond rose another 26 basis points on top of the 38 basis points it rose in the first quarter. At its current yield of 2.53%, the 2-year is trading at its highest yield since August 2008. The yield on the 5-year Treasury bond rose 18 basis points to 2.74%, which rivals its highest yield since 2010. Along the long end of the curve, the yield in the 10-year Treasury rose 12 basis points to 2.86%. The yield on the 10-year briefly broke through the psychological ceiling at 3% but was quickly driven back down as concerns about a possible global trade war drove a flight to safety. At the longest end of the curve, the 30-year rose only 2 basis points to 2.99%. As short-term rates have continued to rise faster than long-term rates, the spread between the 2-year Treasury and the 10-year Treasury has since compressed to 33 basis points, representing the flattest the yield curve has registered since fall 2007.

In the corporate bond market, the Morningstar Corporate Bond Index (our proxy for the investment-grade bond market) declined 0.95% this quarter as the combination of higher interest rates and wider credit spreads pushed bond prices down. Year to date, our corporate bond index has lost 3.17%. In contrast, in the high-yield market, the Bank of America Merrill Lynch High Yield Master Index rose 1.00% in the second quarter as credit spreads tightened and the higher yield carry of the index more than offset the impact of higher interest rates. This gain was enough to bring the year-to-date return for the high-yield market up to 0.08%. Among European fixed-income markets, the Morningstar European Corporate Bond Index declined 0.07% as the benefit from the decline in underlying interest rates of benchmark German bonds was not enough to offset the amount that corporate credit spreads widened. Year to date, the European Corporate Bond Index has registered a loss of 0.38%.

Once again, the emerging-markets fixed-income indexes were among the worst-performing fixed-income asset classes following significant losses in the first quarter. In the second quarter, the Morningstar Emerging Market Composite Index fell 2.62%, as the underlying Morningstar Emerging Market Sovereign Index declined 4.14% and the Morningstar Emerging Market Corporate Index fell 1.77%. Morningstar's Emerging Market High Yield Index dropped by 5.01%. Year to date, the composite index has fallen 4.25%, the sovereign index has dropped 6.08%, the corporate index has declined 3.22%, and the high-yield index has plunged by 6.21%.

Fixed Income Index Returns

Broad Market Index	*2Q18*	*YTD*	*2017*	*2016*	*2015*	*2014*	*2013*	*2012*
Core Bond	-0.17	-1.70	3.64	2.64	0.98	6.07	-1.89	4.41
Short-Term Core	0.22	-0.17	1.12	1.46	0.79	1.04	0.57	1.75
Intermediate Core	0.10	-1.19	2.63	2.22	1.96	5.56	-1.07	4.25
Long-Term Core	-1.11	-4.25	8.39	5.10	-1.55	15.10	-6.88	8.32
Sector Indexes								
US Gov't Bond	0.07	-1.13	2.41	0.97	0.91	5.08	-2.74	1.98
Agency	-0.04	-0.58	2.10	1.67	0.72	3.01	-1.03	1.96
Corporate Bond	-0.95	-3.17	6.40	5.81	-0.46	7.20	-1.50	10.54
BofAML High Yield Master II	1.00	0.08	7.48	17.49	-4.64	2.50	7.42	15.58
Eurobond Corp	-0.07	-0.38	1.81	4.66	-0.59	8.35	1.94	12.67
TIPS	0.79	0.01	3.10	4.68	-1.60	3.95	-8.53	6.93
Emerging Markets Indexes								
Emerging Mkt Composite	-2.62	-4.25	8.24	9.94	0.62	5.06	-4.39	16.25
Emerging Mkt Sovereign	-4.14	-6.08	9.31	9.25	1.15	7.69	-3.40	13.75
Emerging Mkt Corporate	-1.77	-3.22	7.85	11.30	0.08	3.47	-2.81	15.32
Emerging Mkt High Yield	-5.01	-6.21	9.34	15.17	1.42	2.63	-4.99	24.07

Sources: Morningstar, Inc. and Bank of America Merrill Lynch. Data as of 06/30/2018.

Divergence Between Investment-Grade and High-Yield Corporate Credit Spread Performance

Since the end of last quarter, the average credit spread of the Morningstar Corporate Bond Index widened 13 basis points to +128, whereas in the high-yield market, over the same time period, the Bank of America Merrill Lynch High Yield Master Index has tightened 8 basis points to +371. Year to date, the investment-grade index has widened 32 basis points, whereas the high-yield index has only widened 8 basis points.

At its current level, the average credit spread in the investment-grade market is at its widest level this year and is at its highest level since the beginning of 2017. At that time, the corporate bond markets were still recovering from an earlier plunge in oil prices, which bottomed out in 2016. In contrast, the average credit spread of the high-yield index hit levels a few weeks ago that were not that far off of its tightest levels since before the 2008–09 credit crisis; however, toward the end of the second quarter, high-yield credit spreads gave back much of the outperformance from earlier in the quarter.

There are several factors in play that have led to this divergence. Investment-grade credit spreads are more susceptible to sell-offs in relation to debt-leveraged mergers and acquisitions than are high-yield spreads. Following a recent court ruling in which the U.S. Justice Department lost its attempt to block the proposed merger between AT&T and Time Warner, investment-grade portfolio managers have become increasingly concerned that the potential for megamergers and acquisitions that may not have passed antitrust regulators in the past may now be possible. For example, as soon as the Department of Justice announcement was made, Comcast commenced a bidding war with a counteroffer to acquire certain assets from Twenty-First Century Fox, for which Disney had made a prior offer. Typically, mergers and acquisitions are funded with significant amounts of newly issued debt, which heighten default risk and often lead to rating downgrades. However, more often than not, high-yield companies are purchased by larger, investment-grade companies and the outstanding debt of those acquired high-yield companies are upgraded to the same rating as the acquirer.

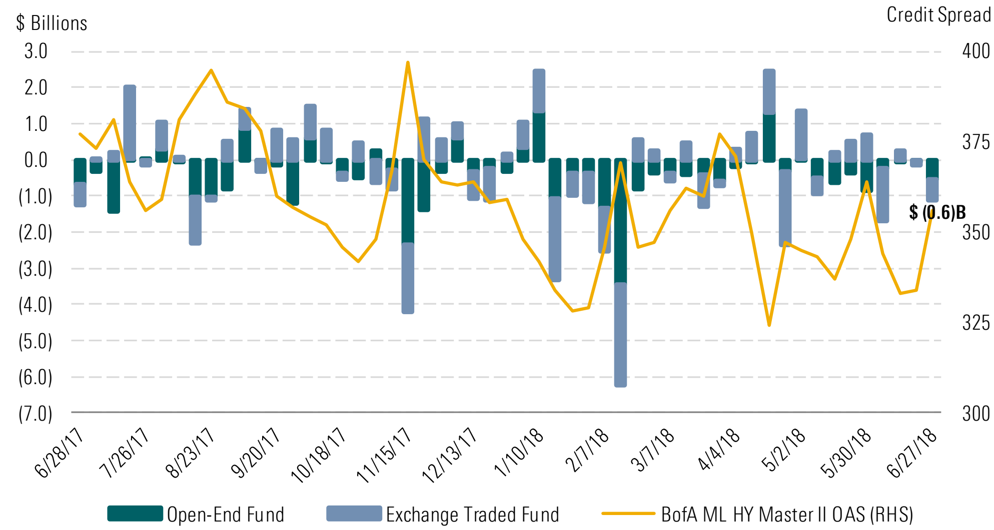
While investment-grade has struggled, the high-yield market has outperformed thus far this year as the performance of the underlying high-yield companies are more affected by changes in economic activity, which has been robust this quarter. Whether it has been driven by the implementation of the tax cuts earlier this year, or some other reason, economic activity has been robust recently. In its most recent GDPNow estimate based on current economic metrics, the Federal Reserve Bank of Atlanta is projecting that second-quarter GDP growth will be 3.8%.

Rising interest rates have also played a significant part in the divergence between the performance of the investment-grade and high-yield markets. With their lower credit spread and longer average duration, investment-grade bond performance is more closely correlated to movements in interest rates than high-yield bonds. High-yield bonds typically have shorter durations and wider credit spreads, which are more closely tied to the performance of the underlying companies. Similar to the credit spread widening that occurred during the "taper tantrum" in mid-2013, investors are requiring additional credit spread to compensate for the risk that interest rates rise further.

The impact to corporate credit spreads on the investment-grade market from issuers that engage in large, debt-funded M&A can be seen in the performance of Disney and Comcast notes. As the bidding war for the Fox assets between the two rages on, the credit spreads for those companies' bonds have widened as investors price in a higher probability that debt leverage will increase significantly for whichever firm emerges the winner. With its higher credit rating, Disney's notes had been outperforming the market earlier this year, but this past month, Disney's 2027 notes widened 10 basis points and are 25 basis points wider than at the end of 2017. The credit spread on Comcast's 2028 notes widened 5 basis points in June and have widened 53 basis points since the end of last year.

Weekly High-Yield Fund Flows

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



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

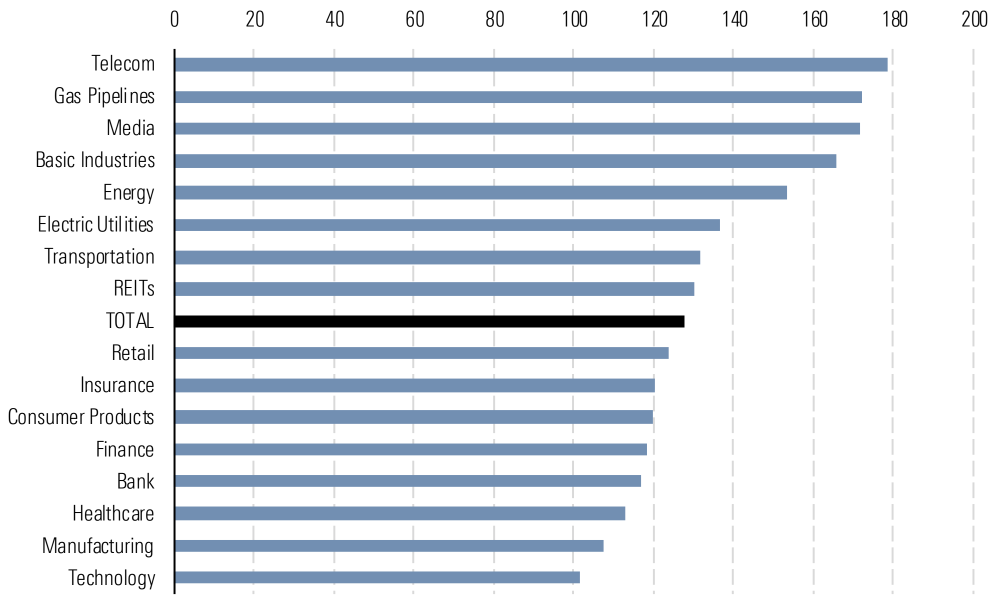
Exhibit 1 Morningstar, Inc. Corporate Bond Index Sector Summary

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**	**6.8**	**128**	**8**	**32**	**(0.37)**	**(3.17)**
FINANCIAL	**A-**	**1,488**	**5.3**	**118**	**7**	**35**	**(0.19)**	**(2.63)**
Bank	A-	902	4.7	117	7	36	(0.19)	(2.47)
Finance	A	271	5.5	118	6	31	(0.11)	(2.70)
Insurance	A	220	8.0	121	10	34	(0.47)	(3.69)
REITs	BBB+	86	5.8	130	6	26	0.05	(2.38)
INDUSTRIAL	**A-**	**2,930**	**7.4**	**131**	**8**	**30**	**(0.42)**	**(3.40)**
Basic Industries	BBB	238	7.6	166	7	37	(0.25)	(3.80)
Consumer Products	BBB+	351	7.4	120	9	36	(0.40)	(3.91)
Energy	A-	406	7.3	154	7	31	(0.34)	(2.93)
Healthcare	A-	402	7.7	113	7	25	(0.30)	(3.54)
Manufacturing	A-	470	5.9	107	6	26	(0.22)	(2.61)
Media	BBB+	188	8.3	172	13	42	(0.76)	(4.89)
Retail	A-	162	7.7	124	10	37	(0.45)	(3.64)
Technology	A+	354	7.2	101	8	24	(0.38)	(2.83)
Telecom	BBB+	145	8.9	178	13	35	(1.08)	(3.66)
Transportation	BBB+	160	8.8	132	10	34	(0.62)	(4.42)
UTILITY	**BBB+**	**592**	**8.6**	**152**	**11**	**32**	**(0.74)**	**(3.92)**
Electric Utilities	A-	341	9.1	136	10	33	(0.72)	(4.35)
Gas Pipelines	BBB	236	7.8	172	12	29	(0.77)	(3.25)
Rating Bucket								
AAA Bucket		111	8.0	60	3	12	0.03	(2.50)
AA Bucket		463	5.6	77	7	19	(0.20)	(1.97)
A Bucket		1,994	6.7	104	7	30	(0.34)	(3.19)
BBB Bucket		2,480	7.0	164	9	36	(0.45)	(3.44)
Term Bucket								
1-4	A-	1,629	2.3	79	5	22	(0.01)	(0.23)
4-7	A-	1,162	4.7	116	8	36	(0.17)	(1.95)
7-10	A-	921	7.0	144	8	38	(0.22)	(3.55)
10PLUS	A-	1,336	13.6	184	13	39	(1.03)	(6.98)

Data as of 06/29/2018

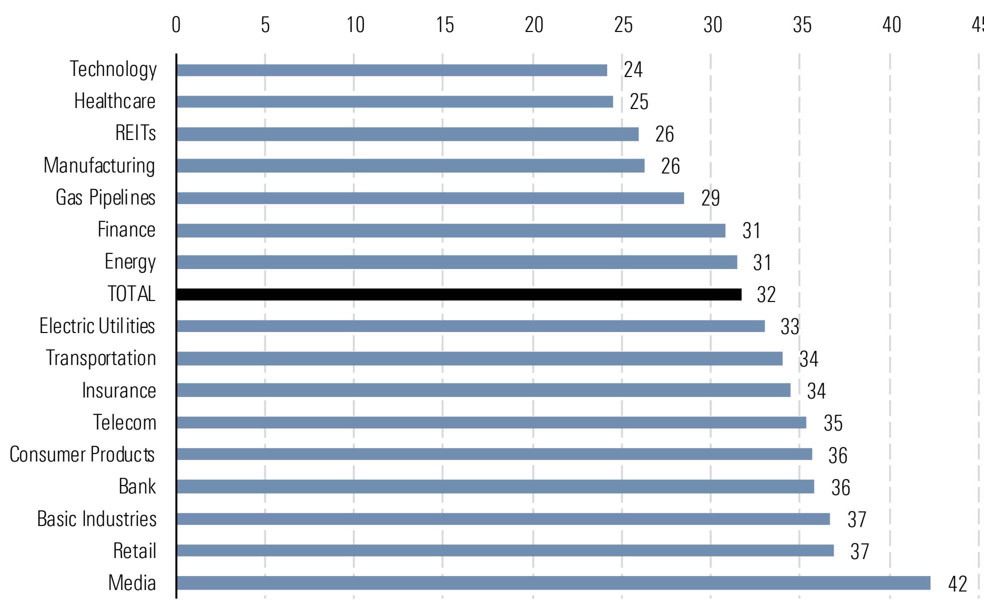
Source: Morningstar, Inc.

Exhibit 2 Morningstar, Inc. Corporate Bond Index Spread by Sector



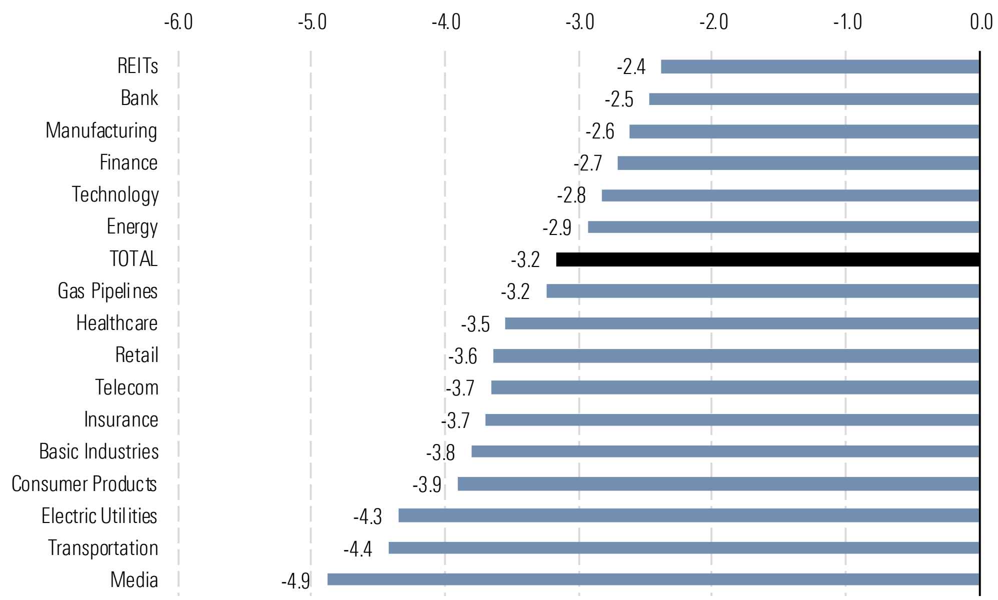
Source: Morningstar, Inc.

Exhibit 3 Morningstar, Inc. Corporate Bond Index YTD Spread Change



Source: Morningstar, Inc.

Exhibit 4 Morningstar, Inc. Corporate Bond Index YTD Return



Source: Morningstar, Inc.

Credit Rating Actions

Rating Changes

Issuer/Ticker	Current Issuer Credit Rating	Previous Issuer Credit Rating
Anglo American NGLOY	BBB-	BB+
Starbucks SBUX	A-	A
MGM Resorts MGM	BB	BB-

Rating Affirmations

Issuer/Ticker	Current Issuer Credit Rating	Previous Issuer Credit Rating
Teck Resources TECK	BB	BB
Ford Motor F	BBB	BBB
Dish DISH	B+	B+
Southern Copper SCCO	BBB-	BBB-
General Motors GM	BBB	BBB

Anglo American's Credit Rating Upgraded to BBB-; Outlook Stable

Morningstar Credit Ratings, LLC is upgrading Anglo American PLC’s corporate credit rating to BBB- from BB+ and revising the rating outlook to stable from positive.

The upgrade results from the company’s progress toward reducing debt and our expectations of robust free cash flow in 2018 and further debt reduction. The company reduced debt by approximately $1.2 billion in 2017 to approximately $12 billion at Dec. 31, building on a nearly $5 billion reduction in 2016. Our current rating reflects Anglo’s high Business Risk, moderate Cash Flow Cushion risk combined with its strong risk profiles for its Solvency Score and Distance to Default. Anglo’s revenue is well-supported by a somewhat diverse product mix. For 2017, approximately 32% of the company’s operating EBITDA came from coal, 26% from iron ore and manganese, 16% from diamonds, 17% from copper and nickel and 10% from platinum. However, Morningstar’s Equity Research Group does not view Anglo as benefiting from an economic moat, based on its view that the firm’s overall asset base is not sufficiently cost-advantaged. We believe this constrains upside for the company’s Business Risk pillar as does its exposure to high industry cyclicality. Meanwhile, we view Anglo’s Cash Flow Cushion as constrained by debt maturities scheduled over the next five years, partially offset by the company’s large cash balance. Company operating performance has benefited from a rebound in commodity prices since 2016. We expect strong metallurgical coal and iron ore prices this year will help drive debt/EBITDA toward 1.0 times. However, we do not expect the price strength of these two commodities to persist longer term.

At the end of 2017, Anglo’s liquidity was robust, supported by $7.8 billion in cash and equivalents on hand and $9.0 billion in undrawn committed credit facilities. Excluding South Africa, the company had $3.5 billion of cash and equivalents and $5.6 billion of available credit facilities. We estimate approximate nearer-term maturities of $800 million yet in 2018, $500 million in 2019, $500 million in 2020, $1.1 billion in 2021, and $1.9 billion in 2022.

Given our stable outlook we do not expect to move Anglo’s rating in the near term. However, if the company’s Cash Flow Cushion or Business Risk materially improve as a result of further debt reduction or sustainable commodity prices above our current expectations, we may consider upgrading the rating. On the other hand, we would consider a downgrade if Anglo's Business Risk or Cash Flow Cushion deteriorated as a result of commodity prices being significantly below our expectations for a prolonged period.

Starbucks Corporation's Credit Rating Downgraded to A- from A; Outlook Stable

Morningstar Credit Ratings, LLC is downgrading Starbucks Corporation's rating to A- from A after the company announced that it will increase its fiscal 2018-20 cash return to shareholders program to $25 billion from $20 billion. Starbucks increased the program to $20 billion in May from $15 billion in November after it announced a global coffee alliance with Nestle and that it will receive a pretax upfront payment of $7.15 billion. The additional net increase in the company's cash return to shareholders will be debt-financed, which is expected to weaken the company's pillars. The outlook is stable.

We believe that Starbucks' core operations are strong and that the brand's growing ubiquity in the beverage industry still supports our low Business Risk assessment. However, Starbucks will increase its debt levels and reliance on capital markets, eventually weakening its strong Solvency Score and moderate Cash Flow Cushion. Starbucks has solid brand intangible assets that command premium pricing and combined with its scale advantages has resulted in Morningstar's Equity Research Group assigning the firm a wide economic moat. In addition to the alliance with Nestle, which is expected to accelerate the company's global growth, we believe that three facets identified by Starbucks—digital media, tapping the market in China and Starbucks Roasteries and Reserve, and the innovation lab to generate new ideas—provide the company with a strong growth platform. The rating also reflects the recent transformation in the company's portfolio to accelerate growth in high-return businesses and remove noncore, slow growth activities. The initiatives include acquisition of its East China joint venture, full conversion of the Singapore retail operations to licensed, ongoing closures of Teavana TM/MC retail stores, and the sale of the Tazo brand company-operated to licensed stores. We forecast comparable-store sales at approximately 3%, the low end of the company's guidance, operating margins at 18%, and that Starbucks maintains its commitment of lease-adjusted leverage of below 3.0 times.

As of April 1, 2018 (second quarter ended of fiscal 2018), Starbucks had total debt of $6.5 billion, with maturities estimated as follows: $350 million in fiscal 2019, $1.2 billion in 2021, $500 million in 2022, and $4.5 billion thereafter. We expect the company will finance a substantial portion of its cash return to shareholders with incremental debt. We project that Starbucks' lease-adjusted leverage will increase to approximately 3.0 times from 2.2 times at fiscal 2017 and that its lease-adjusted coverage ratio will decline to 8.0 times from 10 times. Starbucks has committed to maintaining its lease-adjusted leverage below 3.0 times. The heightened leverage is balanced by Starbucks' low Business Risk and strong free cash flow (cash flow from operations less capital expenditures and dividends) generation, which we forecast to be lower in the near term but to average $1.4 billion annually over our five-year forecast period.

Starbucks maintains strong liquidity, with cash and short-term investments of $2.2 billion at quarter-end. Financial flexibility is enhanced by Starbucks' $2.0 billion unsecured five-year revolving credit facility that matures in 2022 and its $1.0 billion unsecured 364-day credit facility that matures in October. Both facilities back the company's $3.0 billion commercial paper program and were unused at quarter-end. Starbucks was compliant with the financial covenant of the credit agreement that doesn't permit its fixed-charge coverage ratio to be less than 2.5 times. Starbucks spent $4.0 billion on buybacks and dividends during the first six months of fiscal 2018, and that amount will likely double by fiscal year-end if the company evenly spreads its return to shareholders over fiscal 2018-20.

Our stable outlook reflects the expectation that the rating is not likely to change in a one- to two-year period. Maintaining the strength of its Solvency Score and improving its Cash Flow Cushion could result in a positive rating action for Starbucks. A further slowdown in the company's growth or further weakening of its operating margins that results in a deterioration of its Cash Flow Cushion could result in a negative rating action. An increase in the Starbucks' lease adjusted leverage beyond its committed range of 3.0 times that affects company's Solvency Score or its Cash Flow Cushion could also have a negative impact on the company's ratings.

MGM Resorts Rating Upgraded One Notch to BB; Outlook Stable

Morningstar Credit Ratings, LLC is upgrading MGM Resorts International's corporate credit rating one notch to BB and revising the outlook to stable. The upgrade reflects MGM's greater revenue diversity following the opening of several new resorts, growing free cash flow, a reduction in near-term new development, and meaningful progress toward management's targeted net leverage goal of 3 to 4 times, which Morningstar expects will be reached in 2019.

MGM's rating continues to be based on its position as the leading operator in its domestic markets, including Las Vegas, Detroit, the Mississippi Gulf Coast, Maryland, and New Jersey. Las Vegas is the company's largest market, at over 40% share. Las Vegas fundamentals continue to improve, with occupancy rates on the Las Vegas strip at 93%, the highest level in 10 years, according to management. Supporting this improvement, room inventory has not increased since 2013, according to the Las Vegas Convention and Visitors Authority. Consequently, Morningstar believes the industry will be able to absorb three new resort openings in 2020, which are estimated to contribute to a 6% increase in Las Vegas room inventory. Further, MGM and its peers continue to invest to reposition Las Vegas into an entertainment destination, resulting in a more diversified revenue stream with less reliance on gaming. Nongaming revenue in Las Vegas has achieved 4% average annual growth rates over the past five years led by increased sports and entertainment venues. MGM's nongaming revenue at domestic resorts, including hotel, food and beverage, and entertainment represents over 50% of total revenue. MGM generates about 80% of its EBITDA from Las Vegas and U.S. regional markets, yet the company is also firmly positioned in Macau, the largest gaming market in the world. MGM currently holds one of only six gaming licenses in Macau and thus enjoys high regulatory and land barriers. Gross gaming revenue in the Macau market has accelerated by over 20% in each of the last four quarters as the region continues to recover from a multiyear decline prompted by government enforcement on corruption. However, Morningstar believes MGM Resorts' overall Business Risk remains moderate due in part to the absence of sustainable competitive advantages and moderate cyclicality.

MGM's profitability and credit metrics have improved over the past several years. The company recently concluded a three-year profit growth plan, increasing incremental EBITDA by $400 million, ahead of its $300 million target. Adjusted EBITDA margins improved 450 basis points over this period to 27.2% in 2017. Over the next several years Morningstar's forecast assumptions include low-single-digit revenue growth in Las Vegas despite potential weakness in 2020, the 2018 opening of its Springfield, Massachusetts resort, and strong double-digit revenue growth in Macau due to industrywide increases in gross gaming revenue and the ramp-up of the recently opened MGM Cotai. We forecast EBITDA margins to expand further over the next several years, driven by Macau, which is increasing its revenue mix to higher-margin mass gaming revenue (versus the VIP segment) and from stronger nongaming activity. Following a full ramp-up of its new resorts, we expect MGM's return on invested capital to improve, benefiting its Solvency Score.

MGM continues to reduce adjusted net debt to within management's target of 3 to 4 times EBITDA. At the end of the latest quarter, Morningstar calculates the company's adjusted net debt/EBITDA ratio was 4.4 times, down slightly from one year ago. Adjusted debt totaled $14.0 billion at March 31, 2018, including $5.1 billion outstanding under various secured credit facilities, $8.2 billion of senior unsecured notes, and $700 million related to capitalized operating leases. Liquidity included $1.5 billion of cash balances at quarter-end, along with approximately $1.8 billion of availability under its credit facilities. Near-term debt maturities weigh on MGM's Cash Flow Cushion, with over 50% of total debt due within the next five years. MGM's recently issued $1 billion senior notes due 2025 will support near-term maturities.

Free cash flow is projected to substantially improve over the next three years as capital spending on recent new development is completed. The company recently opened MGM National Harbor (December 2016) and MGM Cotai (February 2018), and is on track to open MGM Springfield (Massachusetts) in September 2018. MGM indicated the conclusion of its current development cycle with an estimated $1.6 billion of capital spending in 2018. Spending is expected to decline to about $600 million each of the next two years. Over the next three years we forecast MGM will generate between $4.5 billion and $5.0 billion of cumulative free cash flow and pay out between 50% to 65% of this free cash flow to shareholders via dividends and share repurchases. We forecast net leverage to decline to within its target range by 2019. The rating incorporates an expectation that new development over the next few years will be minimal, with potential for a significant resort project in Japan three to four years out. Nevertheless, MGM may continue to pursue acquisitions, such as the 2016 $600 million purchase of the remaining 50% equity in Borgata it did not own and the recently announced $600 million acquisition of Empire City Casino.

The stable outlook reflects Morningstar's expectation that MGM will generate substantial free cash flow over the next several years and that net adjusted debt leverage will enter management's target range over the next year and be maintained thereafter. Higher return on invested capital coupled with the maintenance of debt leverage at the low end of management's targets may improve the Solvency Score and Cash Flow Cushion, thus supporting a rating upgrade. An unexpected deterioration in market conditions that negatively affects credit protection measures could result in a lower rating.

Teck Resources Affirmed at BB; Outlook Revised to Positive

Morningstar Credit Ratings, LLC is affirming the corporate credit rating of Teck Resources, Ltd. at BB and revising the outlook to positive from stable.

Our outlook revision arises from the ongoing robustness of metallurgical coal price realizations and the resulting free cash flow and expectations of increased cash balances for Teck over the next year or two. The current rating reflects the company's high Business Risk, moderate risk profiles for its Cash Flow Cushion and Distance to Default and low to moderate risk profile for its Solvency Score. The Business Risk is negatively affected by its product concentration, the cyclicality of commodity prices and the lack of an economic moat rating, as assigned by Morningstar's Equity Research Group. Its view is that while Teck holds some attractive assets, its overall portfolio remains positioned in the middle of the industry cost curve, limiting any sustainable competitive advantage over peers. Additionally, the company's production mix of metallurgical coal, copper and zinc/lead offers limited diversification in terms of price sensitivity. Teck's Cash Flow Cushion is helped by relatively healthy cash inflows and a reasonable debt maturity schedule over the next five years. Its next significant debt maturities are scheduled to occur in 2021-23, when $220 million is due in 2021, $672 million is due in 2022, and $646 million is due in early 2023. Teck's Solvency Score is supported by a moderately leveraged capital structure and robust interest coverage.

For 2018, Teck's operating performance is benefiting from strong met coal prices, which reached slightly over $200 per metric ton on a realized basis in the first quarter. Teck has significant operating leverage to met coal and, currently, met coal is providing over 60% of the company's gross profits. As of March 31, Teck reported balance sheet debt of approximately CAD 6.5 billion, and its last 12-months debt/EBITDA was approximately 1.1 times. Beyond 2018, we do not see met coal prices remaining as strong as the first quarter, although we believe that the company will remain free cash flow positive. We believe Teck's 90%-owned Quebrada Blanca 2 project, based in northern Chile, could be sanctioned as early as the second half of this year. In our view, the company's credit profile is likely to be influenced by the financing of this project in addition to Teck's shareholder remuneration policy.

We could consider upgrading the rating if the Teck's Business Risk or Cash Flow Cushion were to improve as a result of sustained robust met coal, copper, and zinc price realizations. Any potential upgrade would also consider future financing plans for Quebrada Blanca 2. Given our positive outlook, we do not see a near-term likelihood of a downgrade. However, the rating could experience downward pressure if prices for Teck's products drop significantly below our expectations for an extended period of time.

Ford Motor Company Affirmed at BBB With a Stable Outlook as Fitness Initiatives Implemented
Morningstar Credit Ratings, LLC is affirming its BBB corporate credit rating and stable outlook on Ford Motor Co. The rating captures the relatively weaker recent operating performance of the manufacturing unit balanced by management's commitment to take costs out and control capital spending, both of which should lead to modest improvements in credit metrics. Still, the stable outlook reflects the strong balance sheet but also the need to continue to invest in emerging technologies to remain competitive.

Our BBB rating on Ford considers the company's position as a leading manufacturer of cars and trucks in the U.S. and globally, along with the changing landscape around transportation. Ford garners a moderate Business Risk score driven by solid positioning in the global automotive industry, and particularly light trucks in the U.S., but offset by high cyclicality and the lack of an economic moat as assessed by Morningstar's Equity Research Group. The automotive OEM business is marked by intense competition, overcapacity, and limited brand loyalty, which lead to minimal sustainable competitive advantages. Further, the evolution of the industry allows disruptive companies like Tesla and Google to enter the industry and forces incumbents to learn how to compete as the transportation industry moves toward electric cars, autonomous driving, and mobility as a service. Ford is countering these threats primarily through its Argo AI autonomous driving unit, in which it commenced an investment in February 2017. Ford's plan to roll out an autonomous driving fleet by 2021 lags certain competitors, such as GM's efforts targeted for next year, but we don't see either as being a credit driver in the intermediate term. Finally, Ford's shift to a portfolio of primarily trucks, utilities, and commercial vehicles domestically in the next few years is indicative of consumer preferences continuing to move in this direction but leaves the firm exposed if passenger cars come back into demand at some point.

Ford's moderate Cash Flow Cushion score is driven by our forecast of steady free cash flow, which is nearly fully absorbed by expected dividend payments, but also considers only modest debt maturities after 2018. Ford's moderate Solvency Score captures the impressive automotive cash balances of over $26 billion at year-end, but also modest debt leverage and mediocre interest coverage and ROICs. We forecast low-single-digit revenue declines after 2018 as the domestic market continues to trend lower on higher interest rates and the substitutability of nearly new used cars. Further, toward the end of our five-year forecast, we believe the impact of autonomous vehicles and ride-sharing services will continue to pressure new car sales as millennials and others choose other forms of transportation. As such, we believe 2016 may have been peak sales for the foreseeable future. Still, Ford's efforts to be part of the transportation evolution, along with a keen focus on limiting capital spending and expenses, could drive margins higher. The planned shift to a mostly light truck and commercial vehicle domestic product portfolio by 2021 will naturally boost margins due to mix shift. Exiting other low-margins geographical locations could be another method the company uses in its attempt to reach a full-company (includes equity income and income from Ford Motor Credit) adjusted EBIT margin of 8% by 2020. Finally, Ford management has identified $11.5 billion of cost savings across engineering, marketing, and manufacturing along with a $5 billion reduction in capital spending plans to $29 billion over the 2019 to 2022 time frame. These will support our Solvency Score on improved ROICs and the Cash Flow Cushion on improved free cash flow.

If there is a sharp cyclical downturn which causes Ford’s cash position to decline below its targets and keeps operating margins at depressed levels, we could downgrade the rating. This would negatively impact the Cash Flow Cushion and Solvency Scores. The implementation of global tariffs on autos and automotive products also has the potential to be disruptive and negatively impact the rating. Should Ford prove successful in expanding beyond its core automotive business and into a significant provider of mobility products and services, which would drive growth in sales and margins, we could upgrade our rating.

Affirming Dish Rating at B+; Outlook Moved to Negative

Morningstar Credit Ratings, LLC is affirming the corporate credit rating on Dish Network Corp. at B+ and moving the outlook to negative from stable. The credit rating continues to incorporate a secular decline in core satellite customers, declining gross profit margins, high interest expense, and our long-term concerns about the long-term burden on bondholders from funding the firm's wireless ambitions. We believe the impact of these issues will continue to weigh on Dish’s Business Risk and Solvency Score. We also note that Cash Flow Cushion has eroded from the prior review as projected free cash flow has diminished and the volume of debt maturities has increased.

Since 2011, Dish's debt has more than doubled despite a general decline in the pay-TV business as the Internet has emerged as a popular alternative viewing platform for video consumption. At the end of March, we calculate adjusted total debt at $17 billion, including Dish Network’s $4 billion convertible notes included at full par value. The company also reported cash and investments of $2.3 billion. Net debt ended the first quarter at 5.1 times trailing EBITDA, considerably higher from 3.3 times a year ago. Substantially all of Dish's operating income and free cash flow is generated at subsidiary Dish DBS, the issuing entity of its senior notes. However, the entity only controls $2.3 billion of tangible operating assets to support total debt of $13 billion, making bondholders reliant on future cash flows and the long-term profitability of the pay-TV model.

Dish has abandoned its historical leverage discipline to fund substantial investments in wireless spectrum licenses. Over the past five years, the company has invested $21 billion of capital in wireless spectrum covering the U.S. through a series of transactions and government auctions. Between now and 2020, management plans to spend up to $1 billion of capital expenditures to make this spectrum marketable for public use. However, with limited internal cash flow to direct toward this effort, we believe the company remains reliant on debt financing to the extent allowable under its current indentures and will likely continue to extract cash flow as needed from its pay-TV subsidiaries over time.

Our rating assumes a 5% average annual decline in revenue over the next five years, operating margin declining toward 12%, and free cash flow averaging $800 million. At this point, we do not anticipate an upgrade to the credit rating. We may downgrade the rating if operating performance falls meaningfully short of our base forecast or if debt is maintained at current levels or higher on a sustained basis to fund a wireless network buildout.

Southern Copper's Credit Rating Affirmed at BBB-; Outlook Revised to Positive

Morningstar Credit Ratings, LLC is affirming Southern Copper Corporation's credit rating at BBB- and revising the outlook to positive from stable. The revision in outlook stems from expectations of continued robust operating cash flows that are partially due to strong copper prices.

The rating reflects the company's high Business Risk coupled with a moderate risk profile for its Cash Flow Cushion and low risk profiles for its Solvency Score and Distance to Default. Its Business Risk is negatively affected by a combination of product concentration and industry cyclicality, while its Cash Flow Cushion benefits from a long debt maturity schedule and expectations of relatively stable copper pricing going forward. Southern Copper's Solvency Score reflects good projected returns on invested capital and strong interest coverage. The company is the world's largest copper miner by reserves, among the largest by annual output, and thanks to an enviable portfolio of world-class open-pit mines in Mexico and Peru, one of the lowest-cost. Southern Copper has approximately $6 billion in total debt, and its latest 12-months adjusted EBITDA was approximately $3.5 billion as of March 31, resulting in debt/LTM adjusted EBITDA ending March 31 of 1.7 times on a gross basis (1.4 times net).

For the last 12 months ended March 31 operating cash flow was approximately $2.1 billion and free cash flow was slightly over $1 billion over the same period. The company produced slightly over 900,000 metric tons of copper in 2017 and is on track to increase annual production to approximately 1.2 million metric tons by 2021. Southern Copper's debt structure consists entirely of senior notes, and its nearest debt maturity is $400 million due in 2020 and then $300 million due in 2022. Nearly 80% of the company's senior notes are due in 2035 or after. Liquidity is provided by cash and short-term investments of approximately $1.1 billion as of March 31 and operating cash flows.

The rating could be upgraded if Southern Copper continues to generate robust free cash flow, is able to achieve its production targets and maintains its conservative capital structure. On the hand, the rating could be pressured to the downside if copper prices were to decline significantly for a prolonged period of time, which would detrimentally affect its Cash Flow Cushion and Solvency Score.

General Motors Company Affirmed at BBB with a Stable Outlook After Partial Sale of Cruise

Morningstar Credit Ratings, LLC is affirming its BBB corporate credit rating and stable outlook on General Motors Company. The rating reflects GM's core operations along with the recent deal to sell part of its GM Cruise unit.

Our rating on GM considers the company's position as a leading manufacturer of cars and trucks in the U.S. and globally, along with the changing landscape around transportation. GM garners a moderate Business Risk score driven by solid positioning in the global automotive industry, particularly light trucks in the U.S., but offset by high cyclicality and the lack of an economic moat as assessed by Morningstar's Equity Research Group. The automotive OEM business is marked by intense competition, overcapacity, and limited brand loyalty, which lead to minimal sustainable competitive advantages. Further, the evolution of the industry allows disruptive companies like Tesla and Google to enter the industry and forces incumbents to learn how to compete as the transportation industry moves toward electric cars, autonomous driving, and mobility as a service.

GM is countering these threats primarily through its Cruise autonomous driving unit, which it bought in 2016 for under $1 billion. GM's recently announced deal to sell 19.6% of its Cruise unit to Softbank for an implied equity value of over $11 billion validates GM's position as a leader in emerging autonomous vehicle technologies. GM intends to roll-out an autonomous vehicle in a ride-sharing network next year. While the details continue to emerge, GM will be at the front of the shift to ride-hailing services as an alternative to buying cars, which should pay dividends down the road when the scale of the effort becomes meaningful. Cruise, as a separate unit controlled by GM and with its own equity, will be able to attract its own talent and continue to grow and also tap into Softbank's expertise in technology investments. We view the effort as a credit positive but also rely on GM's intent to continue to control this entity for many years rather than spin it off. The combination of manufacturing cars and controlling the technology to build autonomous vehicles gives the firm a unique competitive edge versus other key players such as Waymo. Softbank's investment in Cruise--including $900 million initially and another $1.35 billion at commercial launch that is expected in 2019--along with GM's additional $1.1 billion investment is expected to give Cruise the funding it needs to achieve commercial deployment of its AV products. Further, we see Cruise as possibly being a material segment in the outer years of our five-year forecast horizon. GM's other mobility efforts include its Maven car-sharing operation and a $0.5 billion investment in Lyft.

We forecast mixed top-line results as ongoing weakness in North America is offset by improving international operations after GM exited Europe. We expect margins to trend moderately higher after 2018 based on GM's cost cutting efforts and manufacturing efficiencies. This should produce steady positive free cash flow, supporting our moderate Cash Flow Cushion. The strong Solvency Score is driven by healthy ROICs and interest coverage.

GM has indicated a targeted automotive cash number of $18 billion, which it believes will allow it to maintain enough liquidity to manage through a normal downturn and maintain investment grade ratings. At March 31, the company had $17.2 billion of automotive cash and equivalents. At March 31, automotive debt was $15.3 billion, up from $13.5 billion at year-end. With substantial free cash flow expected for the remainder of the year, we forecast the company will cycle back close to year-end debt levels by the end of 2018. Debt maturities after 2018 are minimal with a total of under $1 billion due through 2022. We forecast generally flat levels of debt as we expect any free cash flow to be returned to shareholders, reinvested in the business, or deployed on acquisitions.

We view the rating as stable although should GM eventually separate its Cruise business while the core auto manufacturing business suffers a market downturn then our rating could be pressured. A sharp downturn which pushes GM's net cash position into a net debt position would also be a negative ratings driver as it would likely negatively impact our Solvency Score. Should GM decide to reduce debt and pension liabilities while its core operations and mobility efforts drive margins higher, our rating could increase.

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