Morningstar Corporate Credit Research Highlights

Ongoing Trends Unchanged: Corporate Credit Spreads Tighter, Stocks Higher, Volatility Lower

Morningstar Credit Ratings, LLC
24 July 2017

Contents

2 Credit Market Insights
10 Credit Rating Actions
14 Recent Notes Published by Credit Analysts
25 Credit Contacts

Credit Market Insights

- Market Data and Insights
- Asset Volatility at Historical Lows

Credit Rating Actions

- Rating Changes

Issuer/Ticker	Current Issuer Credit Rating	Previous Issuer Credit Rating
McCormick **MKC**	A+/UR-	A+

- Rating Affirmations

Issuer/Ticker	Current Issuer Credit Rating	Previous Issuer Credit Rating
BlackRock **BLK**	AA-	AA-
Ameriprise Financial **AMP**	BBB+	BBB+
TE Connectivity **TEL**	BBB+	BBB+

Recent Notes Published by Credit Analysts

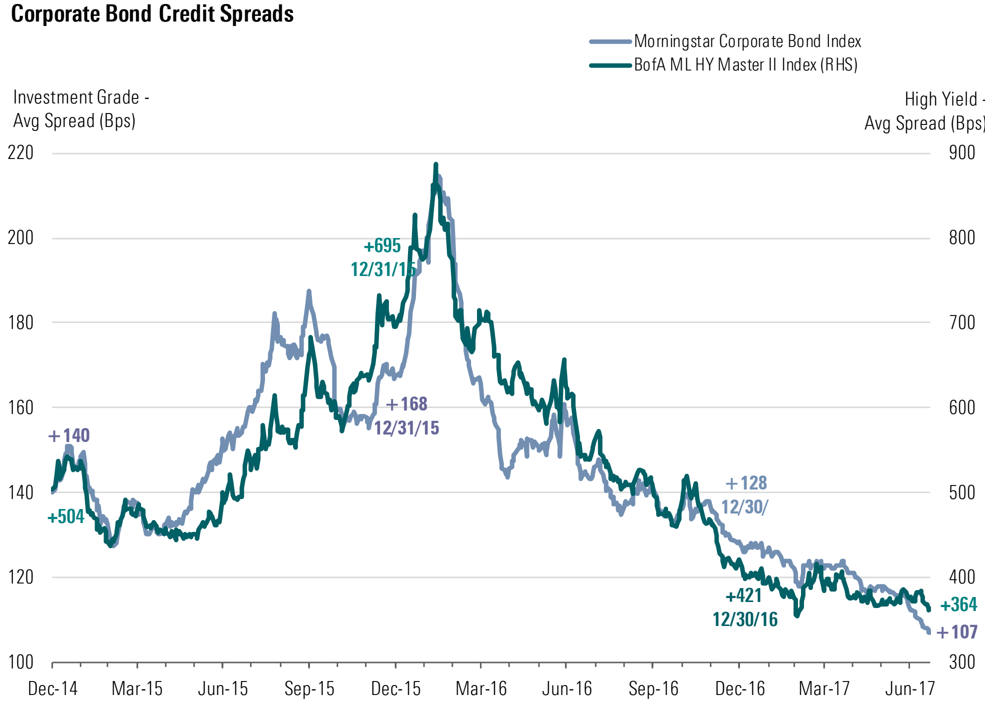
- **Travelers** Posts Decent 2Q Results Despite Continued Personal Auto Problems
- **Crown Castle** Announces $7.1 Billion Acquisition of Fiber Network Operator Lightower
- Following 2Q Earnings, **Goldman Sachs** Offering 6-Year Callable Notes
- Low Market Volatility and Subdued Trading Contribute to Weak 2Q for **Goldman Sachs**
- **Netflix**'s 2Q Free Cash Burn Rate Increases, Overshadowing Uptick in Subscriber Growth
- **Novartis'** 2Q Results Within Guidance; Leverage Remains Elevated
- **TD Ameritrade** Posts Strong Quarterly Results Prior to Close of Scottrade Deal
- Republicans Defect From Senate Repeal/Replace Healthcare Efforts
- **Johnson & Johnson**'s 2Q Growth Benefits From Recent Business Development

Credit Market Insights

Ongoing Trends Unchanged: Corporate Credit Spreads Tighter, Stocks Higher, Volatility Lower

Risk assets continued to trend higher last week as the S&P 500 hit an all-time high, corporate credit spreads tightened to multiyear lows, and volatility reached a new low. The average spread of the Morningstar Corporate Bond Index (our proxy for the investment-grade bond market) continued its tightening trend and declined 2 basis points to end the week at +107, its lowest level since September 2014. In the high-yield market, the BofA Merrill Lynch High Yield Master Index tightened 9 basis points to +364. Year to date, the investment-grade bond index has tightened 21 basis points and the high-yield index has tightened 57 basis points.

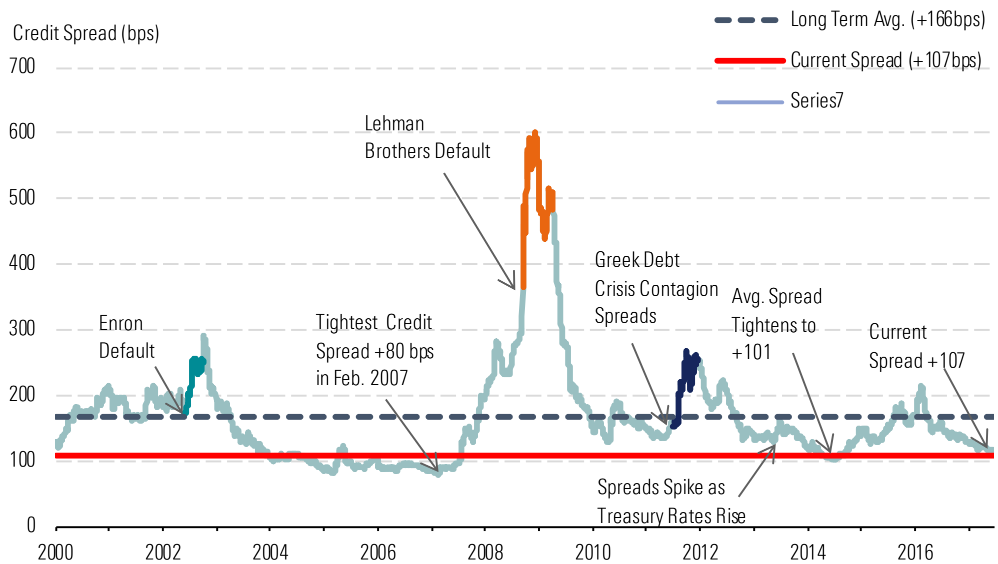
Corporate Bond Credit Spreads



Source: Morningstar,Inc., BofA Merrill Lynch Global Indexes. Data as of 07/21/2017.

The last time investment-grade credit spreads reached this level was in mid-2014, when our index briefly traded as low as +101. The Morningstar Corporate Bond Index traded even lower during the runup to the 2008-09 credit crisis; however, part of the differential in credit spreads at that time was due to the fact that the average credit quality of the Morningstar Corporate Bond Index was single A for much of the time, whereas the current average credit quality is one notch lower at A-. As an indication of how tight corporate credit spreads have become compared with their historical averages, since the beginning of 2000, the average spread of the Morningstar Corporate Bond Index has registered below the current level only about 19% of the time.

Morningstar Corporate Bond Index Average Credit Spread

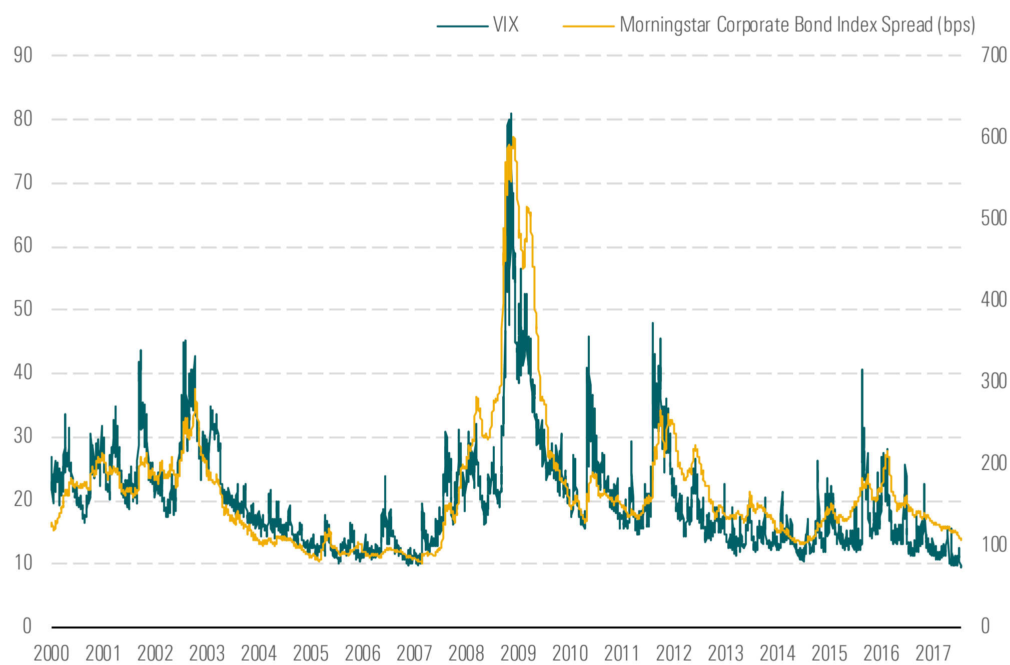


Source: Morningstar, Inc. Data as of 07/21/2017.

Asset Volatility at Historical Lows

As an example of how much volatility in the asset markets has declined this year, in the equity market, the CBOE Volatility Index (VIX) fell to 9.36 at the end of last week. Typically, asset volatility would rise as the calendar shifts into earnings season, but reports have thus far been generally in line with expectations, and there have been few warnings that earnings will miss consensus expectations. Other factors that have helped suppress volatility are the ongoing bland economic environment, a decline in debt-funded M&A, and diminishing geopolitical risk. Market volatility and corporate credit spreads are highly correlated as the spread of the Morningstar Corporate Bond Index and the VIX have an R-squared of approximately 85%.

VIX Index vs Morningstar Corporate Bond Index Spread



Source: CBOE, Morningstar Inc. Data as of 7/21/2017.

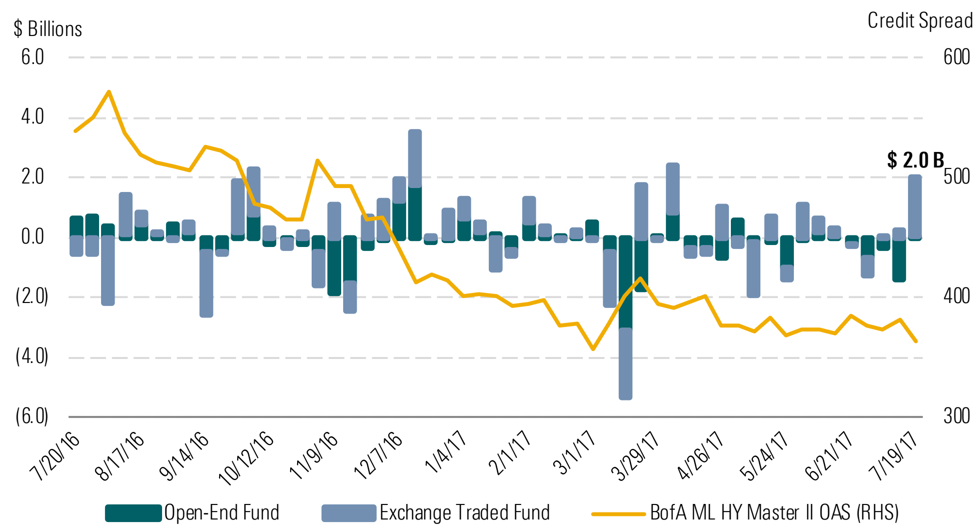
Interest Rates Subside

Over short periods, the Treasury bond market performs best in a risk-off environment when other asset classes are selling off. However, even though assets have been on a steady upward trend and volatility is nearly nonexistent, the markets still bid up prices of Treasury bonds last week. For example, the yield on the 5-, 10-, and 30-year Treasury bonds declined 7, 9, and 11 basis points, respectively, to 1.80%, 2.24%, and 2.81%. Year to date, the yields have declined a total of 13, 20, and 18 basis points. Bonds rallied on dovish comments from the European Central Bank, which held its monetary policy steady and said it had not begun to plan how and when it would begin to wind down its quantitative easing program. Currently, the ECB's main refinancing rate is 0%, the deposit rate is negative 0.40%, and the marginal lending rate is 0.25%. In addition, the ECB is purchasing EUR 60 billion per month of euro-denominated bonds; this is scheduled to run through the end of December and could be extended if deemed necessary. While the markets don't anticipate that the ECB will taper its quantitative easing program or raise its short-term interest rates anytime soon, an increasing number of news stories have postulated that ECB President Mario Draghi will use his speech at the Federal Reserve's annual economic conference in Jackson Hole, Wyoming, on Aug. 24-26 to lay out his thoughts on when the ECB will begin to normalize its monetary policy.

Although the Federal Reserve has begun normalizing monetary policy and has increased the federal funds rate several times, the interest rate futures market is not pricing in a substantial probability of another rate hike until December. Based on the current trading levels, the market-implied probability of the next rate hike occurring in December is 48%.

With volatility at historical lows and the stock market at historical highs, investors returned to the high-yield market as inflows into the high-yield asset class reached $2.0 billion last week. Inflows were driven by exchange-traded funds, which saw an inflow of $2.0 billion, while the assets of the open-end mutual funds were relatively unchanged.

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 July 21, 2017

(000,000s $ unless otherwise noted)

Issuer			Issue				
Name	Ticker	Morningstar Corporate Rating	Size	Coupon	Description	Maturity	Approx Spread to US Treasuries
Bank of America	BAC	BBB	$2,500	2.37%	Senior Unsecured	2021	+85
Bank of America	BAC	BBB	$1,000	L+66	Senior Unsecured	2021	NA
Bank of America	BAC	BBB	$1,500	2.82%	Senior Unsecured	2023	+100
Bank of America	BAC	BBB	$2,000	3.59%	Senior Unsecured	2028	+133
Chuch & Dwight	CHD	A-	$300	L+15	Senior Unsecured	2019	NA
Chuch & Dwight	CHD	A-	$300	2.45%	Senior Unsecured	2022	60
Chuch & Dwight	CHD	A-	$425	3.15%	Senior Unsecured	2027	90
Chuch & Dwight	CHD	A-	$400	3.95%	Senior Unsecured	2047	115
Citigroup	C	A-	$750	L+95	Senior Unsecured	2023	NA
Citigroup	C	A-	$2,500	2.88%	Senior Unsecured	2023	+103
Citigroup	C	A-	$2,500	3.67%	Senior Unsecured	2028	+137
Goldman Sachs Group	GS	BBB+	$500	1.95%	Senior Unsecured	2019	+60
Goldman Sachs Group	GS	BBB+	$2,250	2.91%	Senior Unsecured	2023	+108
Goldman Sachs Group	GS	BBB+	$750	L+100	Senior Unsecured	2023	NA
JPMorgan Chase	JPM	A-	$2,500	3.88%	Senior Unsecured	2038	+100
JPMorgan Chase	JPM	A-	$1,500	4.03%	Senior Unsecured	2048	+115
Kroger	KR	BBB	$400	2.80%	Senior Unsecured	2022	+95
Kroger	KR	BBB	$600	3.70%	Senior Unsecured	2027	+140
Kroger	KR	BBB	$500	4.65%	Senior Unsecured	2048	+180
Morgan Stanley	MS	BBB	$2,000	L+93	Senior Unsecured	2022	NA
Morgan Stanley	MS	BBB	$3,000	3.59%	Senior Unsecured	2028	+133
Morgan Stanley	MS	BBB	$2,000	3.97%	Senior Unsecured	2038	113
Wells Fargo	WFC	A-	$3,750	2.63%	Senior Unsecured	2022	+80
Wells Fargo	WFC	A-	GBP 650	1.38%	Senior Unsecured	2022	+97(1)

Source: Company SEC filings. Bloomberg.
(1) Spread over U.K. Treasuries.

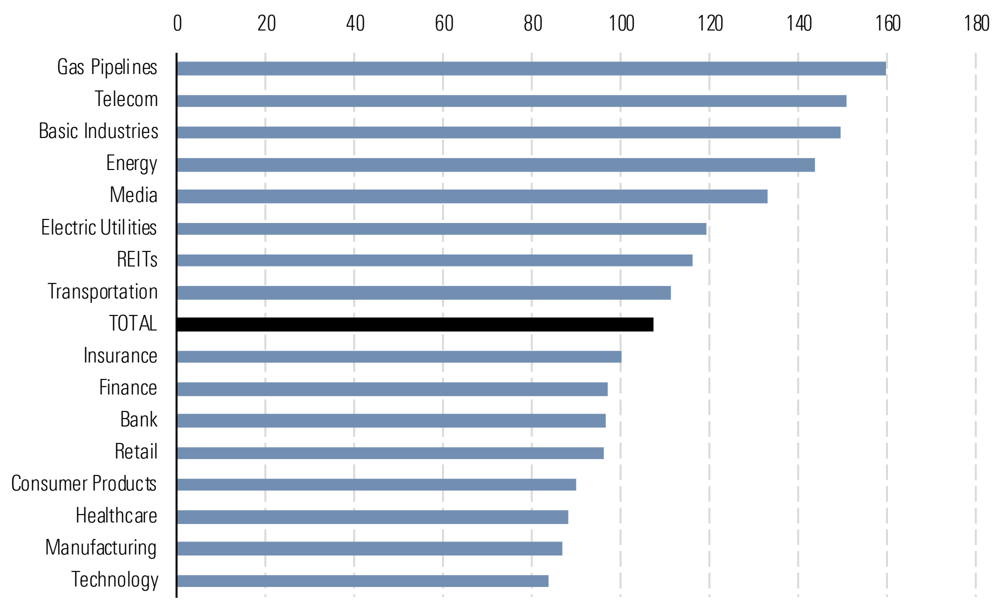
Exhibit 2 Morningstar, Inc. Corporate Bond Index Sector Summary

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-**	**4,792**	**7.0**	**107**	**(5)**	**(21)**	**0.92**	**4.86**
FINANCIAL	**A-**	**1,460**	**5.5**	**97**	**(4)**	**(25)**	**0.74**	**4.23**
Bank	A-	883	5.1	96	(5)	(26)	0.72	4.05
Finance	A	273	5.7	97	(3)	(24)	0.72	4.21
Insurance	A	219	7.9	100	(4)	(22)	0.80	5.42
REITs	BBB+	76	5.9	116	(7)	(19)	0.94	4.51
INDUSTRIAL	**A-**	**2,757**	**7.7**	**110**	**(6)**	**(21)**	**1.02**	**5.17**
Basic Industries	BBB	221	7.8	149	(6)	(31)	1.14	7.06
Consumer Products	A-	314	7.7	90	(6)	(18)	0.98	4.73
Energy	A-	409	7.3	144	(5)	(11)	1.07	4.85
Healthcare	A-	399	8.0	88	(8)	(28)	1.26	6.00
Manufacturing	A-	414	6.3	87	(6)	(22)	0.88	4.08
Media	BBB+	189	8.5	133	(6)	(25)	1.12	6.30
Retail	A-	157	8.3	96	(6)	(12)	1.01	4.50
Technology	A+	317	7.3	83	(6)	(22)	1.04	4.91
Telecom	BBB+	153	8.7	151	(1)	(7)	0.51	4.56
Transportation	BBB+	139	9.2	111	(4)	(22)	1.09	5.91
UTILITY	**BBB+**	**535**	**8.5**	**136**	**(3)**	**(16)**	**0.99**	**5.60**
Electric Utilities	A-	320	9.0	119	(3)	(17)	1.05	5.73
Gas Pipelines	BBB	205	7.7	160	(3)	(17)	0.91	5.43
Rating Bucket								
AAA Bucket		112	8.3	56	(3)	(10)	0.95	4.54
AA Bucket		489	6.0	67	(5)	(17)	0.72	3.58
A Bucket		1,840	6.9	85	(5)	(21)	0.87	4.45
BBB Bucket		2,351	7.2	138	(6)	(26)	1.00	5.56
Term Bucket								
1-4	A-	1,518	2.4	66	(5)	(27)	0.40	2.09
4-7	A-	1,166	4.7	91	(5)	(25)	0.80	4.05
7-10	A-	886	7.1	120	(5)	(18)	1.08	5.19
10PLUS	A-	1,222	13.9	158	(6)	(17)	1.47	8.56

Data as of 07/21/2017

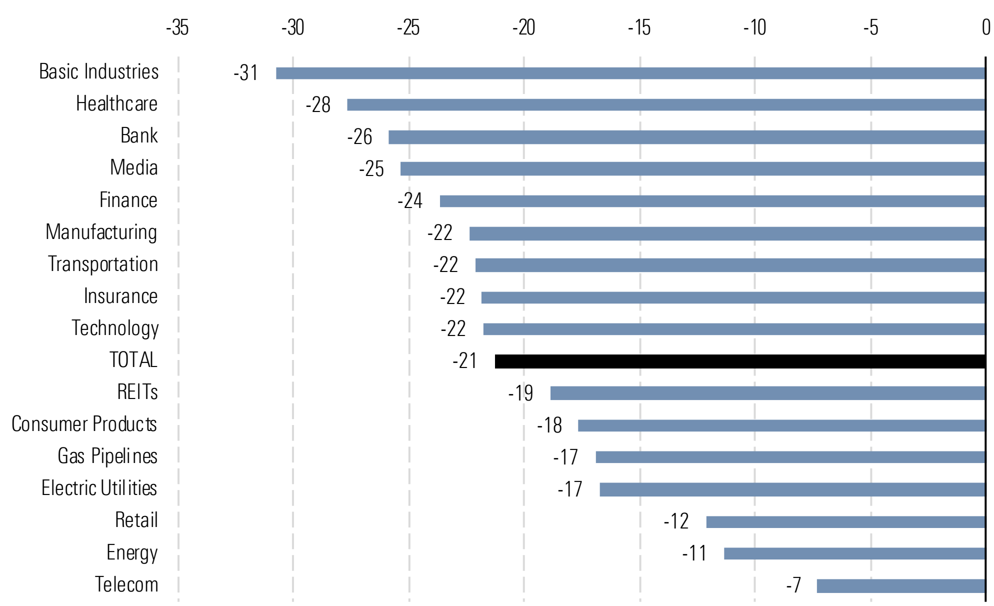
Source: Morningstar, Inc.

Exhibit 3 Morningstar, Inc. Corporate Bond Index Spread by Sector



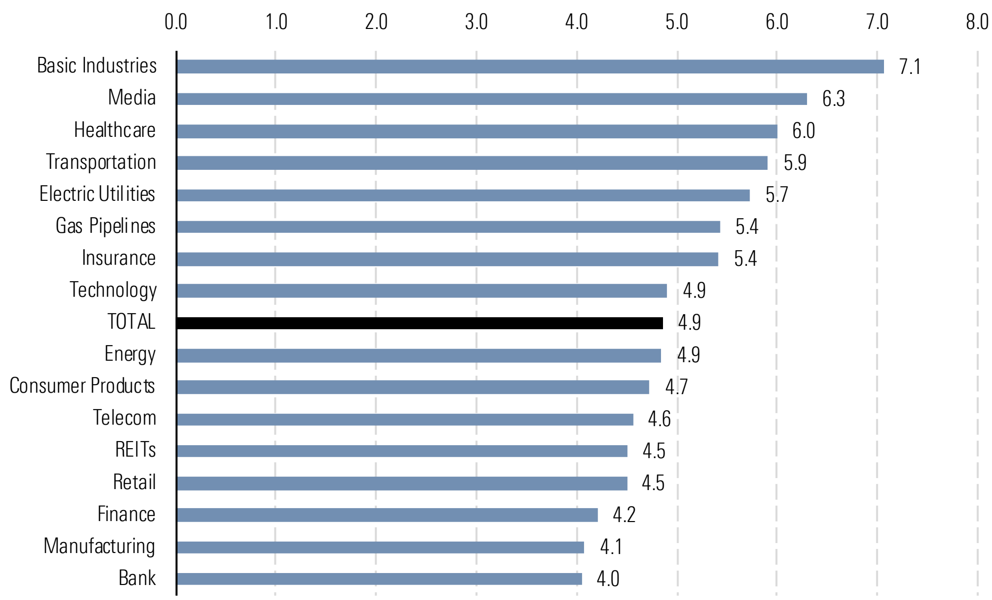
Source: Morningstar, Inc.

Exhibit 4 Morningstar, Inc. Corporate Bond Index YTD Spread Change



Source: Morningstar, Inc.

Exhibit 5 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
McCormick **MKC**	A+/UR-	A+

Rating Affirmations

Issuer/Ticker	Current Issuer Credit Rating	Previous Issuer Credit Rating
BlackRock **BLK**	AA-	AA-
Ameriprise Financial **AMP**	BBB+	BBB+
TE Connectivity **TEL**	BBB+	BBB+

McCormick's A+ Rating Under Review Negative After Acquisition Announcement

Morningstar Credit Ratings, LLC is placing McCormick & Company's A+ credit rating under review with negative implications following the company's agreement to acquire Reckitt Benckiser's food division for $4.2 billion. Pro forma for the acquisition, McCormick's leverage will approach 5 times estimated 2017 EBITDA, which represents a substantial increase from leverage that has remained near 2.0 times over the past several years. While McCormick will reduce leverage over the next several years, its debt profile may remain elevated for its current rating even after 2020. McCormick anticipates deleveraging to approximately 3 times by 2020 year-end, or still 1 turn above historical leverage guidance.

While we do not anticipate significant changes to the Business Risk pillar because of the strategic appropriateness of the acquisition, McCormick's other three pillars, which are heavily influenced by leverage, may weaken materially. Strategically, we think the acquisition of RB's food division, which the company estimates will generate 2017 revenue of $581 million and adjusted EBITDA of $215 million, makes sense. The acquisition will vault McCormick into a leading position in the U.S. condiment market, and its pro forma adjusted EBITDA margins will increase significantly. Combined pro forma net sales are estimated at $5.2 billion with adjusted EBITDA of $1.1 billion. However, leverage is expected to rise substantially with financing expected to include $3.7 billion of new debt and $500 million in equity. McCormick's debt will increase to approximately $5.4 billion pro forma for the acquisition.

On a stand-alone basis, MCR's A+ rating reflects McCormick's unparalleled scale, pricing power in the spice and seasonings market, historically low debt leverage, and very strong returns on invested capital. Controlling at least half of the market in North America, McCormick is more than twice the size of its next-largest branded competitor. These attributes have resulted in Morningstar's Equity Research Group assigning a wide economic moat to McCormick, and that assessment looks unlikely to change after the proposed acquisition. The costs of commodity-based raw materials that McCormick uses to produce its spices and seasonings can be volatile and could lead to periodic margin pressure. Despite this, we believe its dominant scale and command over the spice and seasoning market should ensure that the company can withstand these headwinds over time.

We view a downgrade of McCormick's rating as likely based on this leverage-increasing deal. MCR's review of McCormick's rating will include an analysis of the strategic merits of the combination, the ability to generate synergies, MCR's estimates for the combined entity's ability to reduce debt, and a review of McCormick's financial and capital-allocation policies, including guidance or expectations for future acquisitions.

BlackRock's Credit Rating Affirmed; Outlook Stable

Morningstar Credit Ratings, LLC has affirmed the AA- credit rating of BlackRock, Inc. The outlook is stable. BlackRock's AA- credit rating is supported by the company's substantial scale, diverse revenue streams, and overall low leverage. The company continues to robustly increase assets under management at a time when other asset managers are struggling due to the passive management craze that has plagued the active management industry. This is mainly due to BlackRock's diversified products, which provide a high degree of resilience to downturns in any single asset class or market. BlackRock is the largest provider of exchange-traded funds via iShares, totaling roughly $1.4 trillion out of $5.4 trillion of assets under management at the close of the first quarter. Passive and actively managed strategies account for roughly 64% and 28% of assets under management, respectively, with the remaining balance in short-term cash management and advisory services. Long-term assets under management by product type are split so that approximately 53% of total AUM is in equity strategies, 30% is in fixed income, and 10% is in multiasset and alternative class products. With more than 80% of its AUM sourced from institutional and iShares clients, BlackRock is less susceptible to the volatility that often characterizes retail investors. The firm is also globally diversified, with 29% of its AUM coming from investors domiciled in Europe, the Middle East, and Africa and 7% from Asia-Pacific.

Aside from its size and diversification, BlackRock's stellar operating performance is evidenced by its consistently strong operating margins both on an absolute basis and relative to peers, with the company reporting a 41.9% trailing 12-month margin as of the first quarter. Overall returns are more in line with competitors, as BlackRock reported a 12% trailing 12-month return on equity. Financial leverage, reported at 16% (14% on a pro forma basis), is also lower than most peers and viewed as a credit positive. In our credit rating model, BlackRock receives a score of very good for its Business Risk pillar because of its size, product diversification, and wide moat rating, as assigned by Morningstar's Equity Research Group. Strong cash flow generation relative to debt obligations results in a good Cash Flow Cushion, and the company receives a good Solvency Score and very good Distance to Default score.

Given our stable outlook, it is unlikely that we will upgrade or downgrade BlackRock's credit rating over the next 12-24 months. However, the rating could be downgraded if the company's debt/EBITDA rises above 1.5 times on a sustained basis--possibly in the event of a large, debt-funded acquisition--or its net debt/EBITDA rises to 0.5 times, if it loses its wide moat rating, or if its operations are seriously impaired, leading to material revenue and AUM declines. The rating could be upgraded if the company significantly expands with corresponding increases in revenue, or if the company's cash and equivalents balance increases to 1.0-1.5 times its debt balance.

Ameriprise's Credit Rating Affirmed; Outlook Stable

Morningstar Credit Ratings, LLC has affirmed the BBB+ credit rating and stable outlook of Ameriprise Financial, Inc. The affirmation of Ameriprise's rating reflects the company's diverse source of earnings and narrow economic moat rating as assigned by Morningstar's Equity Research Group. The greater focus placed on asset management and away from life insurance is a positive for the firm's moat and its credit profile, as operating margins and client retention are more favorable. Additionally, asset management, which is not liability-driven, does not increase balance sheet risk because Ameriprise operates as a custodian and isn't obligated to meet unexpected financial claims with its own resources. Tempering our view, we believe while there are synergies between asset management and Ameriprise's insurance and annuity business, correlations between these segments leave the company further exposed to financial market fluctuations and interest rate movements.

The company's trailing 12-month segment revenue split at the first quarter was largely unchanged over the prior TTM period, with advice and wealth management generating 40.1% of total revenue, asset management 23.2%, annuities 19.3%, and protection 17.4%. Revenue generated from asset management segments increased 5% in the first quarter over the prior-year quarter and the company's AUM increased 4% over year-end 2016 to $680 billion. However, unlocking led to subpar third-quarter 2016 results primarily from the continued low interest rate environment, higher persistency on living benefits contracts, and legacy long-term care business, with TTM EBITDA declining 20% to $2.1 billion from $2.6 billion and the TTM operating margin decreasing to 15.4% from 19.8%. Despite the modest deterioration in operating performance, we believe Ameriprise's margins and profitability potential are supportive of its BBB+ credit rating and stable outlook.

In our credit rating model, Ameriprise's Business Risk considers the company's narrow moat, large scale, and high equity uncertainty. Financial risk considers the company's reserve, operating, and financial leverage. Debt/capital is moderately lower than most life insurance peers at 33% but higher than most asset managers in our rating universe. Financial risk also takes into account the firm's riskier allocation to residential mortgage-backed securities, commercial mortgage-backed securities, and commercial mortgages in its investment portfolio. Nonagency RMBS represent about 19% of the portfolio, with CMBS and commercial mortgage loans constituting roughly 9% and 8% of the portfolio, respectively. This allocation increases our loss assumptions for the company, which can materialize under stressed financial market scenarios and contribute to a lower credit rating. Ameriprise has an ample debt cushion, as its projected profitability provides sufficient room to meet all future required payments.

Our assignment of a stable rating outlook means we are unlikely to upgrade or downgrade the rating over the next 12-24 months. However, Ameriprise's rating could be downgraded if the company loses its narrow moat rating, debt/capital rises above 40% due to increased debt issuance or marked declines in equity, or if the company reports large, material reserve charges in its closed block of long-term care business. The rating could be upgraded if debt is significantly reduced to around 20% of capital or 1.0 times EBITDA, operating margins consistently improve to over 20%, or AUM increases to levels reported by higher-rated peers.

TE Connectivity BBB+ Rating Affirmed; Outlook Stable

Morningstar Credit Ratings, LLC is affirming its BBB+ corporate credit rating on TE Connectivity Ltd and maintaining a stable outlook. Our rating reflects the firm's global presence and diversified product portfolio, which contributes to a moderate Business Risk and a strong Solvency Score.

TE is a market leader in electronic connector and sensor products, with product sales in more than 150 countries across a range of end markets. TE has invested heavily in developing specialty products designed to withstand harsh environments, which represent about 80% of its revenue. However, Morningstar's Equity Research Group does not view TE as benefiting from an economic moat as the company continues to face competitive pricing pressure despite moderate customer switching costs.

Despite some margin improvement over the past year, TE continues to operate at lower margins relative to some peers. Meanwhile, management's shareholder-focused capital-allocation strategy and acquisitions have contributed to keeping leverage near the high end of the company's historical range, and we remain concerned about a further increase in net leverage from current levels.

For its fiscal second quarter ended in March, TE reported $773 million in cash and cash equivalents to support $4.0 billion in debt. We calculate that total debt represented 1.5 times EBITDA at the end of the quarter, while net debt was 1.2 times. Comparatively, total debt was 1.6 times a year ago, while net debt was slightly lower at 1.1 times. Although TE continues to generate solid free cash flow, we believe management's shareholder-focused capital policy has reduced the company's flexibility to fund debt maturities internally. We also expect the company to remain acquisitive over the next few years, which could result in additional debt issuance.

Our rating assumes average annual revenue growth around 4% with operating margins remaining steady between 16% and 17%. We may consider an upgrade of the credit rating if net leverage reverts below 1 times on a sustainable basis and the Cash Flow Cushion materially improves. We may consider a downgrade of the rating if the Cash Flow Cushion worsens or if the Solvency Score, driven by leverage and returns on invested capital, begins to weaken.

Recent Notes Published by Credit Analysts

Travelers Posts Decent 2Q Results Despite Continued Personal Auto Problems

MCR Credit Risk Assessment

Travelers Companies, Inc. (rating: A-, stable) reported earnings of $595 million for the second quarter, a 10% decrease over the prior-year quarter. Year to date, earnings decreased 11% to $1.2 billion from $1.4 billion. The decline in performance is mainly a result of elevated losses from catastrophes and continued weak performance in the personal auto segment. Reported catastrophe losses for the first half, their highest since the first half of 2011, totaled $488 million aftertax and contributed 6 points to the company's combined ratio. No single event was responsible for the elevated level of losses--it was more of a "death by a thousand cuts." Increased loss costs from bodily injury claims caused another underwriting loss in the personal auto segment, with the company reporting a 106.4% combined ratio in the second quarter and 103.8% through the first half of the year.

While results are decent, at best, the problems plaguing Travelers are not company-specific but are affecting the property-casualty industry as a whole. Elevated catastrophe losses spawning from various small U.S. weather events have contributed to lower underwriting profits through the first half of 2017, but we believe losses thus far have been adequately reserved for and are manageable as a result of strong capitalization in the sector. Technological advancements in newer automobiles have given rise to increased complexity, skill, and costs in replacing damaged parts, and consumers are driving more and farther as the economy improves.

However, Travelers' A- rating is based in part on its ability to consistently report better underwriting results and profitability metrics than the broader P&C industry. Furthermore, Travelers' increase in personal auto loss costs from bodily injury claims is somewhat worrying, because we would expect higher losses to stem from auto damage and repair. Should the company continue to struggle in personal auto, we reiterate our view that this would be considered a credit negative and possible threat to Travelers' rating, as personal auto accounts for almost one fifth of Travelers' premiums.

We look to rated peers Chubb Ltd. (rating: A-, positive), Allstate Corp. (rating: BBB+, stable) and AIG (rating: BBB, negative) to compare with Travelers. Chubb's positive outlook is tied to the potential for improvement in performance from economies of scale arising out of the 2016 ACE Ltd./Chubb Corp. merger, while AIG's negative outlook reflects large, material reserve charges taken in its commercial auto business in the fourth quarters of 2015 and 2016.

Market Data

The following spreads over the nearest Treasury are provided by Interactive Data:
Travelers Companies, Inc.'s 3.90% notes due in 2020 are indicated at +54 basis points.
Chubb Ltd.'s 3.35% notes due in 2026 are indicated at +76 basis points.
Allstate Corp.'s 3.28% notes due in 2026 are indicated at +86 basis points.
American International Group, Inc.'s 3.90% notes due in 2026 are indicated at +126 basis points.

Crown Castle Announces $7.1 Billion Acquisition of Fiber Network Operator Lightower

MCR Credit Risk Assessment

Crown Castle International (rating: BBB-, stable) has announced an agreement to acquire fiber network owner LTS Group Holdings (Lightower) for $7.1 billion of cash consideration from a consortium of private equity firms led by Berkshire Partners. The acquisition will more than double Crown's total fiber optic network reach to 60,000 route-miles and will give it a network presence in each of the top 10 markets, as well as 23 of the top 25 metro market areas. Lightower was separated from utility company National Grid in 2007 and later merged with Sidera Networks. Lightower owns 33,000 miles of fiber and provides services to data centers, colocation centers, and over 7,000 wireless towers and small cell sites.

Lightower marks Crown's fourth fiber optic network acquisition over the past three years, following the $600 million acquisition of Wilcon and the $1.5 billion acquisition of FiberNet earlier this year. Since 2014, Crown Castle has invested $10 billion in acquiring new fiber optic network assets to form the basis of its metro area small cell densification growth strategy. We believe small cells will be integral to developing the next evolution of wireless technology.

Management was not specific on its targeted long-term financing mix for the acquisition, though it reiterated that it remains committed to maintaining its investment-grade rating. Historically, Crown has funded its acquisition volume with a balanced mix of debt and equity issuance. To help fund Lightower, Crown concurrently announced $3.25 billion of new common stock and a $1.5 billion issuance of 3-year mandatory convertible preferred stock, leaving $2.7 billion to be covered by new debt issuance.

Crown reported $200 million of unrestricted cash and equivalents at the end of the June quarter as well as $2.1 billion of undrawn revolving credit availability. Total debt ended the quarter at $13.8 billion, including 33% allocated to secured debt. On a most-recent-quarter annualized basis to reflect recent acquisitions, the company reported net debt at 5.8 times EBITDA, already at the high end of its historical range between 5 and 6 times. Factoring in the announced equity issuance, we expect leverage to remain close to current levels following the close of the transaction, expected by year-end.

We continue to view Crown's higher leverage as balanced by the prospect of high revenue growth and consistent profitability and cash flow generation. Our current rating assumes free cash flow will expand toward $1.7 billion by 2021, compared with $754 million over the past 12 months, as acquired assets are integrated. Based on this forecast, we expect leverage to moderate over the next few years.

Our BBB- rating on Crown reflects a stable business model and growing cash flow, offset by high near-term cash obligations and an aggressive dividend growth plan. Our moderate Business Risk score is supported by the firm's strong competitive position as one of the three largest tower operators. Over the next five years, we assume recent acquisitions will gradually improve returns on capital, offsetting the high levels of goodwill. Despite taking on additional leverage for acquisitions, the company remains committed to increasing dividends 7%-8% per year, in line with leasing revenue. As a result, we expect net cash flow after dividends to remain tight, pressuring on Crown's Cash Flow Cushion.

Market Data

According to pricing data from Interactive Data, Crown Castle's existing 3.70% notes due 2026 traded on July 18 at +126 basis points over the nearest Treasury, about 5 basis points tighter from the level before news reports of the bid that surfaced July 14. Meanwhile, American Tower's (rating: BBB, stable) 3.38% notes due 2027 traded July 19 at +143 basis points. AT&T's (rating: BBB, UR-) 4.25% notes due 2027 traded on July 19 at +154 basis points. The Morningstar Corporate Bond BBB- Index is currently quoted at +168 basis points.

Following 2Q Earnings, Goldman Sachs Offering 6-Year Callable Notes

Market News and Data

Goldman Sachs Group Inc (rating: BBB+, stable outlook) is in the market with an offering of benchmark-size tranches of 6-year fixed- and floating-rate and 2-year fixed-rate senior unsecured holding company notes. Reportedly, the 6-year tranche is callable one year before maturity. We understand this structure to be beneficial to the issuer's ability to manage its liability structure and comply with various regulatory requirements including its total loss-absorbing capacity and net stable funding ratio. Proceeds of the notes are for general corporate purposes. According to pricing service Interactive Data, bonds with maturities similar to the new issuance for Goldman Sachs and key comparables are indicated over the nearest Treasury as follows:

6-year area:
Goldman Sachs' 2.908% notes due 2023 at +106 basis points.
Morgan Stanley's (rating: BBB, stable) 2.75% notes due 2022 at +89 bps.
Bank of America Corporation's (rating: BBB, stable) 2.503% notes due 2022 at +84 bps.
Citigroup Inc's (A-, stable) 2.75% notes due 2022 at +91 bps.
JPMorgan Chase & Co's (rating: A-, stable) 2.972% notes due 2023 at +90 bps.

MCR Credit Risk Assessment

Our credit rating for Goldman Sachs reflects the company's above-average profits and solid capital position but is hindered by the bank's dependence on wholesale funding and volatile revenue sources that increase its business risk. Historically, Goldman had been able to achieve excellent earnings thanks to considerable leverage and risk-taking. By the end of 2007, Goldman's ratio of assets/equity exceeded 25 times. After the 2008 financial crisis, increased regulation and market discipline have contributed to much lower financial leverage and higher capital levels. These factors have played a role in reducing the earnings Goldman is able to achieve, with return on equity falling from 25% in the five years before 2008 to a respectable 10.7% for the trailing 12 months ended June. Such results are testament to the firm's adaptability and flexibility during often difficult financial markets. With this lower leverage, Goldman maintains solid regulatory capital levels, including a transitional common equity Tier 1 ratio of 12.5% as of June and a supplemental leverage ratio of 6.3%. However, the bank's accounting capital levels are considerably lower and generally consistent with global banking peers with a tangible common equity/tangible assets ratio of 7.9%.

Low Market Volatility and Subdued Trading Contribute to Weak 2Q for Goldman Sachs

MCR Credit Risk Assessment

Goldman Sachs Group (rating: BBB+, stable) reported relatively weak second-quarter results, including net income available to common shareholders of $1.63 billion. Profits were largely unchanged from a year ago but down 24.6% from the first quarter. Lower client activity and market volatility in key trading segments contributed to significantly lower revenue in Goldman's important fixed-income, currencies, and commodities division, where revenue decreased 39.9% year over year and 31.2% sequentially, levels that underperformed peers that have reported second-quarter results thus far. Investment banking revenue also underperformed peers, decreasing 3.2% year over year while peers' results showed increases of 13%-22%. Bright spots included the investing and lending segment, which reported a revenue increase of 41.9% and 18.4% sequentially, and investment management, which reported revenue 13.1% higher than a year ago on positive asset flows, higher management fees, and record assets under management of $1.4 trillion. Results benefited from cost control during the quarter. Total operating expenses of $5.4 billion decreased 1.7% compared with a year ago, led by compensation costs, which decreased 2.94%. Compensation costs relative to net revenue decreased 100 basis points during the quarter to 41%, representing the lowest rate in the company's public history. Relative to peers, profitability was average, with an annualized return on average common equity of 8.7%. This compared favorably with Citigroup (rating: A-, stable) and Bank of America (rating: BBB, stable) which reported rates of 6.8% and 8.0%, respectively, but trailed results of higher-rated peers including JPMorgan (rating: A-, stable), and Wells Fargo (rating: A, negative), which reported rates of 11.3% and 12.0%, respectively. Because of a solid second half of 2016, Goldman's trailing 12-month profitability metrics are more favorable and include a return on average assets of 0.95% and a return on average common equity of 10.7%.

Capital metrics decreased year to date on higher asset balances but remained up relative to year-earlier levels. Tangible common equity decreased about 50 basis points year to date to represent 7.9% of tangible assets, a level that we consider roughly average relative to U.S. banks. The company estimates that its fully phased common equity Tier 1 capital ratio decreased 20 basis points during the first half to 12.5%, a level we still consider above average.

Market Data

Given its business model as an investment bank, Goldman Sachs can be compared to close peer Morgan Stanley (rating: BBB, stable) as well as global banks, including significant investment banks in their overall operations. According to pricing service Interactive Data., Goldman Sachs' 3.85% notes due 2027 are indicated at +143 basis points over the nearest Treasury. By comparison, Morgan Stanley's 3.625% notes due 2027 are indicated at +126 basis points. while those Bank of America Corp, which we also rate BBB, are indicated at +136 basis points. Among higher-rated peers, JPMorgan Chase's (rating: A-) 3.782% due 2028 are indicated at +127 basis points while Citigroup's (rating: A-) 3.887% notes due 2028 are indicated at +143 basis points.

Netflix's 2Q Free Cash Burn Rate Increases, Overshadowing an Uptick in Subscriber Growth

MCR Credit Risk Assessment

Netflix Inc. (rating: BB-, stable) reported second-quarter operating results on July 17, reflecting higher-than-expected growth in subscribers both domestically and abroad on the strength of new content launches during the quarter. It also continues to make progress at strengthening operating margins, and management now expects to report a positive gross margin for the international business for the full year. However, the rate of cash burn has accelerated to $2.1 billion on a trailing 12-month basis. Management now expects a full-year net cash usage of $2.5 billion.

For the trailing 12 months, Netflix invested $8.0 billion in new content development while increasing revenue by $2.6 billion. Through June 30, it reported unamortized content of $133 per subscriber in streaming assets, compared with $113 per sub a year ago.

Total debt ended the period at $4.8 billion, or 5.5 times trailing four-quarter EBITDA, including $1.4 billion of proceeds from the April issuance of new euro senior notes. Cash on hand ended the quarter at $2.2 billion, higher than the first quarter due to the note issuance. Net debt ended the quarter at 3.0 times EBITDA, more than double the level a year ago, despite an 88% increase in EBITDA.

Netflix added 5.2 million total subscribers, including 4.7 million paid subscribers. This brings net new paid subscriber net growth for the trailing four quarters to 19 million. Domestic subscribers ended the quarter at 50 million, up 990,000 from last quarter. Meanwhile, international paid subscribers increased 3.7 million to 49 million. For the third quarter, management is guiding to 4.6 million global paid net adds, with the pace of U.S. net adds at 1 million.

Revenue increased 32% year over year. Meanwhile, the company reported its consolidated operating margin up 103 basis points from a year ago but down about 300 basis points from last quarter due to higher content releases. Domestic gross margin jumped 300 basis points from last year, while international gross margin improved by 800 basis points, though it remained negative at 1.1% in the second quarter. The company is expecting domestic gross margin to remain flat in the third quarter, while international margin is expected to improve to positive 2.3%.

Our BB- credit rating and stable outlook reflect Netflix's increasing debt load and free cash burn condition as a result of ongoing investment in programming content and overseas expansion. In the near term, we believe Netflix's credit strength will remain constrained by free cash burn and the highly capital-intensive nature of content procurement, but short-term liquidity appears adequate and the debt maturity schedule is long-dated, with its first maturity due in 2021.

Market Data

According to pricing from Interactive Data, Netflix's BB- rated +4.38% notes due 2026 closed July 17 at a spread over the nearest Treasury of +204 basis points, or 60 basis points tighter from the last earnings release in April. For comparison, T-Mobile US Inc's (rating: BB, stable) 6.50% notes due 2026 are indicated at a yield of 4.08% to the 2021 par call (+246 basis points over Treasuries), 53 basis points tighter over the same period. Meanwhile, the BofA Merrill Lynch BB rated high-yield index is currently at a spread of +226 basis points, 34 basis points tighter compared with three months ago.

Novartis' 2Q Results Within Guidance; Leverage Remains Elevated

MCR Credit Risk Assessment

On July 18, Novartis (rating: AA, stable) detailed operating performance in the second quarter that paralleled sales and earnings guidance for the full year. In the quarter, the firm saw steady revenue and core operating income growth at constant currency despite pressure from global generic competition to its once top-selling pharmaceutical Gleevec (cancer). This flat sales growth comprised modest growth of 1% from the Innovative Medicines segment helped by continued strong uptake of Entresto (chronic heart failure) and Cosentyx (autoimmune disorders) and sustained growth of 1% of the recovering Alcon business (eye care) that mitigated a 4% decrease in the Sandoz division (generic drugs) mainly due to ongoing U.S. generic pricing pressure. Overall revenue in 2017 is expected to remain stable with the 2016 level, consisting of flat to slightly increasing sales in Innovative Medicines, steady performance in Sandoz, and low-single-digit growth from Alcon. While Alcon has returned to growth in the first half of the year, management is still looking at strategic options for the business that may range from a capital market transaction to keeping the segment in-house with a decision expected closer to the end of the year. Including this segment, we foresee revenue growing in the low single digits compounded annually over the next five years, despite potential U.S. patent expirations of top-selling drugs Gilenya in 2019 and Afinitor in 2020. This decent sales growth may leverage a leaner operating cost base to drive EBITDA expansion in the midsingle digits over the same time frame as the firm succeeds with its cost-containment efforts.

Novartis' balance sheet remains stressed after a corporate reshuffling, including the purchase of GlaxoSmithKline's oncology assets in 2015, and sustained generous shareholder returns. While gross debt leverage is elevated as the company works off incremental debt used to pay its first-quarter dividend of $6.5 billion, we see aggressive share repurchasing, including a commitment to purchase $5 billion shares during 2017, potentially impeding traditional deleveraging over the course of the year. As of June 30, Novartis owed $30.5 billion of debt and held cash and marketable securities of $8.4 billion. The higher debt load has pushed gross debt leverage and net debt leverage to 2.0 times and 1.4 times, respectively, for the latest 12 months ended on June 30. However, considering investments in associates including the stake in Roche Holding AG (rating: AA-, stable), net leverage drops nearly a full turn to 0.5 times. Over the long term, we see debt leverage easing mainly from EBITDA growth boosted by effective cost containment.

Market Data

For closest comparisons with Novartis' notes, we look to similar-rated Eli Lilly & Co. (rating: AA, stable) and Merck & Co. Inc. (rating: AA, stable). Within this comparable group and adjusted for bond maturities, Novartis' 10-year bonds recently traded tighter than those of its peers and the Morningstar Corporate Bond Index, according to Interactive Data.

Novartis' 2.4% notes due 2022 at +39 basis points.
Eli Lilly's 2.35% notes due 2022 at +41 basis points.
Merck's 2.35% notes due 2022 at +38 basis points.

In the approximate 10-year maturity bucket, bonds from these issuers recently traded over the nearest Treasury as follows:
Novartis' 3.1% notes due 2027 at +61 basis points.
Eli Lilly's 3.1% notes due 2027 at +70 basis points.
Merck's 2.75% notes due 2025 at +63 basis points.

For comparison to the approximate 10-year maturities, the Morningstar Corporate Bond Index is at +67 basis points in the AA category.

In the approximate 30-year maturity bucket, bonds from these issuers recently traded over the nearest Treasury as follows:
Novartis' 4.0% notes due 2045 at +97 basis points.
Eli Lilly's 3.95% notes due 2047 at +89 basis points.
Merck's 3.7% notes due 2045 at +97 basis points.

TD Ameritrade Posts Strong Quarterly Results Prior to Close of Scottrade Deal
MCR Credit Risk Assessment
TD Ameritrade Holding Corporation (rating: A, stable) reported record net revenue of $931 million for fiscal third quarter, a 3% increase over the prior quarter. A 9% increase in asset-based revenue to $573 million was more than enough to offset an 8% decrease in revenue from commission and transaction fees caused by price cuts from the trading fee war Charles Schwab (rating: A+, stable) sparked at the beginning of the year. Net income increased 8% over the prior quarter but was 4% lower than the year-ago quarter due to a nonrecurring tax benefit. On a trailing 12-month basis, revenue increased 3% to $3.5 billion, while EBITDA was relatively flat at $1.5 billion. As a result, the TTM operating margin decreased roughly 900 basis points to 39.4% from 40.5% but is still considered strong and in line with expectations for the company. Client assets also grew 4% and are now reported at $882 billion.

TD Ameritrade is expected to close its acquisition of Scottrade Financial Services in September. In April 2017, we affirmed TD Ameritrade's A rating and stable outlook, citing the potential for a larger operating platform, enhanced scale, and an improved competitive position versus peers such as higher-rated Charles Schwab following the close of the deal. Combined annual expense synergies and additional long-term opportunities could also positively add to the company's earnings profile.

Despite the strong results and pending acquisition, some items give us pause. The company's $800 million late-April debt issuance was $400 million above initial estimates and raises debt to 32% of capital from 27% at fiscal year-end 2016. More important, gross debt as a percentage of TTM EBITDA rose to 1.7 times from 1.2 times at the close of the second fiscal quarter. While we anticipated a temporary increase in debt to help fund the Scottrade acquisition, the magnitude of the increase may lead to a longer timetable of debt reduction or greater likelihood of leverage metrics remaining elevated on a "new normal" basis. As a result, we may take negative rating actions in the future if TD Ameritrade's financial leverage metrics do not decrease in line with our projections.

We look to A+ rated peer Charles Schwab as a comparable for TD Ameritrade. Schwab's rating reflects the firm's substantial size and solid market position, including its wide economic moat, as defined by Morningstar's Equity Research Group. The company recently issued its fiscal second-quarter results, reporting a 17% increase in net revenue over the prior-year quarter and $3.0 trillion in client assets, a 16% increase over the prior-year quarter.

Market Data
The following market pricing data is available from pricing service Interactive Data.:
TD Ameritrade Holding Corporation's 3.30% notes due in 2027 are indicated at +105 basis points.
Charles Schwab Corporation's 3.2% notes due in 2027 are indicated at +91 basis points.

Republicans Defect From Senate Repeal/Replace Healthcare Efforts
On July 17, Republican efforts to repeal and replace the Affordable Care Act were stymied by two more defections from the proposed Senate bill. Within the healthcare industry, these developments probably have the most consequences for the managed-care sector, as the promise of deregulation is replaced by more uncertainty around dynamics in the individual market. However, we see relatively neutral effects for other sectors in healthcare, as the status quo may continue for most of the U.S. insured patient population at least in the short term.

On Monday evening, Sens. Mike Lee (Utah) and Jerry Moran (Kansas) joined Sens. Susan Collins (Maine) and Rand Paul (Kentucky) in opposing the Senate bill, effectively killing the current bill, which could stand to lose only two votes to proceed. Both sides of the Republican spectrum are represented in these opposing senators, as moderate Collins expressed that the bill cut too many protections while the conservatives expressed that the bill did not go far enough to repeal the ACA. Many other Republican senators (10 at last count by the Washington Post) also expressed serious concerns about the bill, representing a broad spectrum of the Republican party.

With opposing forces in the Republican party, uncertainty now surrounds the path forward on repeal/replacement efforts. Some Republicans have suggested that it is time for a bipartisan approach to fixing the healthcare system, including shoring up the individual exchanges that remain threatened, while others have suggested pursuing an outright repeal with a multiyear transition period to find a new replacement solution. Although the latter option previously won approval in Congress when President Obama was in office, those votes were certain to garner a veto from the sitting president at the time. Moderate Republicans would probably have a far more difficult time voting for such a bill with President Trump ready to sign it into law.

With uncertainty surrounding repeal and replacement efforts, we think the most pressing need for Congress to address is how to shore up the individual exchanges, as insurers are likely to continue exiting unprofitable markets. Signs of stabilization, in terms of profitability for insurers and the general health of the patient pools, emerged in early 2017. However, with uncertainty surrounding incentives to continue in certain markets under the new administration, a recent Centers for Medicare & Medicaid Services report showed several trends that point to future destabilization. For example, as of June, the number of insurers that applied to offer plans on the exchanges in 2018 had dropped 38% relative to 2017. CMS also highlighted that some counties will have no insurer options (representing at least 35,000 active exchange participants) while others (about 40% of all counties and roughly 2.4 million of exchange participants) will only have one insurer choice. So the exchange issue remains pressing and very important to resolve.

The American Action Forum estimates that about one fourth of the people who gained insurance coverage under the ACA received it through the individual exchanges. While smaller than the Medicaid expansion population, which represents about half of those that received insurance through the ACA and was threatened with large cuts in the stymied Senate bill, the exchanges are still a vital part of the safety net that the ACA sought to provide Americans. We could see further destabilization in the exchanges as soon as 2018 with many important deadlines looming. For the exchanges in 2018, rates will be finalized in mid-August while insurers are required to sign a final qualified health plan contract by the end of September. So with uncertainty still looming in Washington, more insurance companies could defect from unprofitable exchanges in 2018 and beyond, especially if government officials, seeking to destabilize the individual exchanges in hopes of bringing down the ACA, eliminate incentives designed to attract insurers to the marketplace.

Johnson & Johnson's 2Q Growth Benefits From Recent Business Development

MCR Credit Risk Assessment

On July 18, Johnson & Johnson (rating: AAA, negative) announced relatively modest revenue growth of 1.9% in the second quarter, aided by recent acquisitions in medical devices and pharmaceuticals. This performance comprised reported sales growth in J&J's consumer segment and medical devices division of 1.7% and 4.9%, respectively, which offset a 0.2% decline in the pharmaceuticals business. However, adjusting for business development activities, including the purchases of Abbott's vision-care business in February and Actelion in June, worldwide sales grew only 0.5% operationally in the quarter. Management is confident that growth may accelerate in the second half of the year, helped by new product launches from each of its divisions and the newly acquired Actelion portfolio, and as such, the team raised the low end of reported sales guidance to $75.8 billion-$76.1 billion in 2017 from $75.4 billion-$76.1 billion. Their expectation considers limited headway made by Pfizer's (rating: AA-, stable) biosimilar Remicade, Inflectra, and no generic competition to Invega Sustenna, Prezista, Procrit, Risperdal Consta, and Zytiga during the year. Remicade, which accounts for around 8% of total sales, may soon face Samsung/Merck's biosimilar Renflexis that gained U.S. Food and Drug Administration approval in April. Our longer-term revenue forecast in the low single digits through 2021 compounded annually includes losses of market exclusivity for multiple blockbuster drugs--Velcade, Invega Sustenna, Zytiga, and Prezista (collectively representing around 10% of total revenue)--over the next three years.

We also see J&J's earnings growth prospects falling at the low end of the large pharmaceutical industry, with EBITDA rising in the low single digits through 2021 compounded annually, which may be prompting a step up in external investment and shareholder distributions.

Our expectation that financial flexibility may be compromised over the next few years from aggressive capital deployment while J&J battles a period of key drug patent expirations through 2019 informs our negative outlook. J&J lost its net cash position during the second quarter after consummating the $30 billion purchase of Actelion and now holds $35 billion in debt compared with $13 billion in cash. Gross debt leverage was only slightly affected by the transaction and stood at 1.4 times by our estimation for the trailing 12 months at the end of the second quarter. With substantial free cash flow averaging nearly $17 billion annually over the next five years, we are confident that J&J can easily manage its well-laddered debt maturities totaling just over $8 billion through 2021. Capital deployment is traditionally balanced between M&A and shareholder returns, but heavy annual dividends and aggressive share repurchases that consume much of the firm's free cash flow could moderate J&J's industry-leading financial flexibility.

Market Data

For closest comparisons to J&J's notes, we look to lower-rated companies Eli Lilly and Co (rating: AA, stable), Novartis AG (rating: AA, stable), and Merck & Co Inc (rating: AA, stable). Within this comparable group and adjusted for bond maturities, J&J's 10-year bonds recently traded tighter to those from the AA rated firms and tighter than the Morningstar Corporate Bond Index at AAA, according to Interactive Data.

In the approximate 5-year maturity bucket, bonds from these issuers recently traded over the nearest Treasury as follows:
Johnson & Johnson's 2.25% notes due 2022 at +29 basis points.
Eli Lilly's 2.35% notes due 2022 at +41 basis points.
Merck's 2.35% notes due 2022 at +38 basis points.
Novartis' 2.4% notes due 2022 at +39 basis points.

In the approximate 10-year maturity bucket, bonds from these issuers recently traded over the nearest Treasury as follows:
J&J's 2.45% notes due 2026 at +50 basis points.
Eli Lilly's 3.1% notes due 2027 at +70 basis points.
Merck's 2.75% notes due 2025 at +63 basis points.
Novartis' 3.1% notes due 2027 at +61 basis points.

For comparison to the approximate 10-year maturities, the Morningstar Corporate Bond Index is at +56 basis points in the AAA category and at +67 basis points in the AA category.

In the approximate 30-year maturity bucket, bonds from these issuers recently traded over the nearest Treasury as follows:
J&J's 3.75% notes due 2047 at +72 basis points.
Eli Lilly's 3.95% notes due 2047 at +89 basis points.
Merck's 3.7% notes due 2045 at +97 basis points.
Novartis' 4.0% notes due 2045 at +97 basis points.

Credit Contacts

Basic Materials
Sean Sexton, CFA
sean.sexton@morningstar.com
+1 312 348-3077

Consumer
Dave Sekera, CFA
david.sekera@morningstar.com
+1 312 696-6293

Consumer Defensive
Wesley Moultrie, CPA, CGMA
wesley.moultrie@morningstar.com
+1 312 384-5405

Consumer Cyclical
Wayne Stefurak, CFA
wayne.stefurak@morningstar.com
+1 312 696-6114

Energy
Andrew O'Conor
andrew.oconor@morningstar.com
+1 312 348-3021

Financials – Banks
Chris Baker, CFA
christopher.baker@morningstar.com
+1 312 244-7533

Financials – European Banks
Erin Davis
erin.davis@morningstar.com
+1 312 384-4810

Financials – Insurance, Nonbank Financials
Jeremy Graczyk, CFA
jeremy.graczyk@morningstar.com
+1 312 244-7491

Healthcare
Julie Utterback, CFA
julie.utterback@morningstar.com
+ 1 312 696-6278

Healthcare
Michael Zbinovec
michael.zbinovec@morningstar.com
+ 1 312 348-3136

Industrials
Rick Tauber, CFA, CPA
rick.tauber@morningstar.com
+1 312 384-5431

Industrials
Basili Alukos, CFA, CPA
basili.alukos@morningstar.com
+1 312 384-4984

REITs
Chris Wimmer, CFA
chris.wimmer@morningstar.com
+1 646 560-4585

REITs
Mike Magerman, CFA
mike.magerman@morningstar.com
+1 267 960-6022

Technology, Media, and Telecom
Michael Dimler, CFA
michael.dimler@morningstar.com
+1 312 696-6339

For More Information
Gregg Novek
+1 646 560-4529
gregg.novek@morningstar.com

22 West Washington Street
Chicago, IL 60602 USA

©2017 Morningstar. All Rights Reserved. Unless otherwise provided in a separate agreement, you may use this report only in the country in which its original distributor is based. The information, data, analyses, and opinions presented herein do not constitute investment advice; are provided solely for informational purposes and therefore are not an offer to buy or sell a security; and are not warranted to be correct, complete, or accurate. The opinions expressed are as of the date written and are subject to change without notice. Except as otherwise required by law, Morningstar shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, the information, data, analyses, or opinions or their use. References to "Morningstar Credit Ratings" refer to ratings issued by Morningstar Credit Ratings, LLC, a credit rating agency registered with the Securities and Exchange Commission as a nationally recognized statistical rating organization ("NRSRO"). Under its NRSRO registration, Morningstar Credit Ratings issues credit ratings on financial institutions (e.g., banks), corporate issuers, and asset-backed securities. While Morningstar Credit Ratings issues credit ratings on insurance companies, those ratings are not issued under its NRSRO registration. All Morningstar credit ratings and related analysis are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Morningstar credit ratings and related analysis should not be considered without an understanding and review of our methodologies, disclaimers, disclosures, and other important information found at http://morningstarcreditratings.com. Investment research is produced and issued by subsidiaries of Morningstar, Inc. including, but not limited to, Morningstar Research Services LLC, registered with and governed by the U.S. Securities and Exchange Commission. The information contained herein is the proprietary property of Morningstar and may not be reproduced, in whole or in part, or used in any manner, without the prior written consent of Morningstar. To license the research, contact Vanessa Sussman (+1 646 560-4541) or by email to: vanessa.sussman@morningstar.com.