Morningstar Corporate Credit Research Highlights
Credit Spreads on Corporate Bonds Tighten to Multiyear Lows

Morningstar Credit Ratings, LLC
17 July 2017

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Issuer/Ticker	Current Issuer Credit Rating	Previous Issuer Credit Rating
Corning **GLW**	A-	A-
Franklin Resources **BEN**	AA-	AA-
Medtronic **MDT**	A+	A+
Edwards Lifesciences **EW**	A-	A-
Boston Scientific **BSX**	BBB	BBB
NetApp **NTAP**	BBB	BBB

Recent Notes Published by Credit Analysts

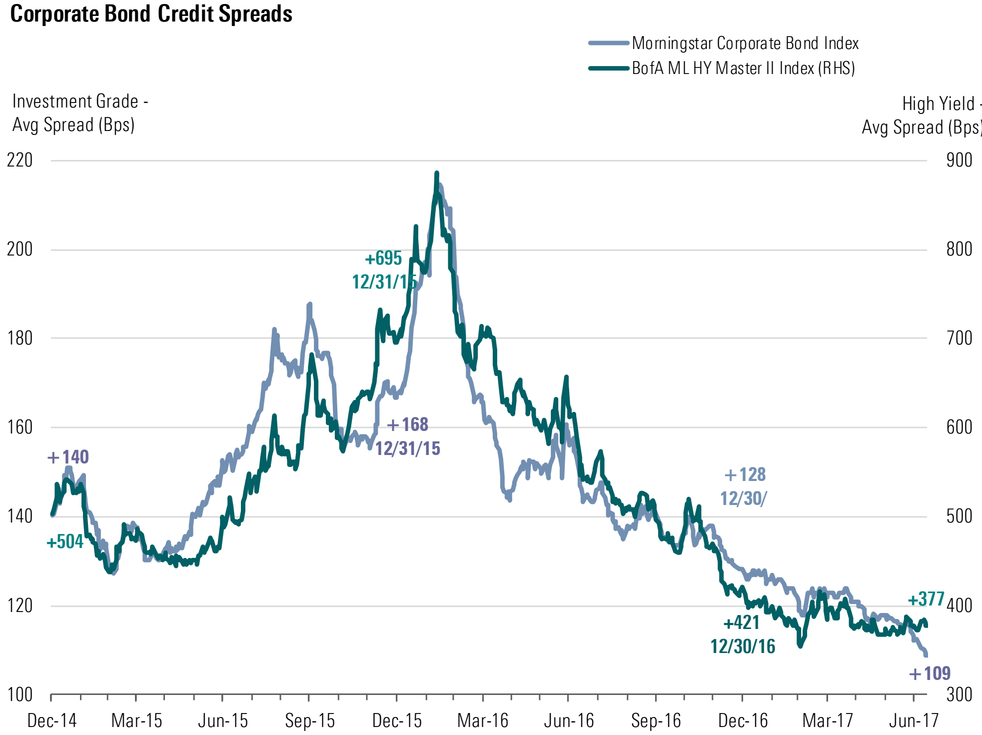
- **Zimmer Biomet** Reveals Weak 2Q Preliminary Results and CEO Departure

Credit Market Insights

Credit Spreads on Investment-Grade Corporate Bonds Tighten to Multiyear Lows

It was a quiet summer week in the corporate bond market last week. Volatility remained especially muted, the news flow was unusually uneventful, and there were no new issues of any significance. The stock markets marched higher, and the S&P 500 hit a new high. As expected in such an environment, the average spread of the Morningstar Corporate Bond Index (our proxy for the investment-grade bond market) continued its tightening trend, declining 2 basis points to end the week at +109, its lowest level since September 2014. In the high-yield market, the BofA Merrill Lynch High Yield Master Index tightened 10 basis points to +373. Year to date, the investment-grade bond index has tightened 19 basis points, while the high-yield index has tightened 44 basis points.

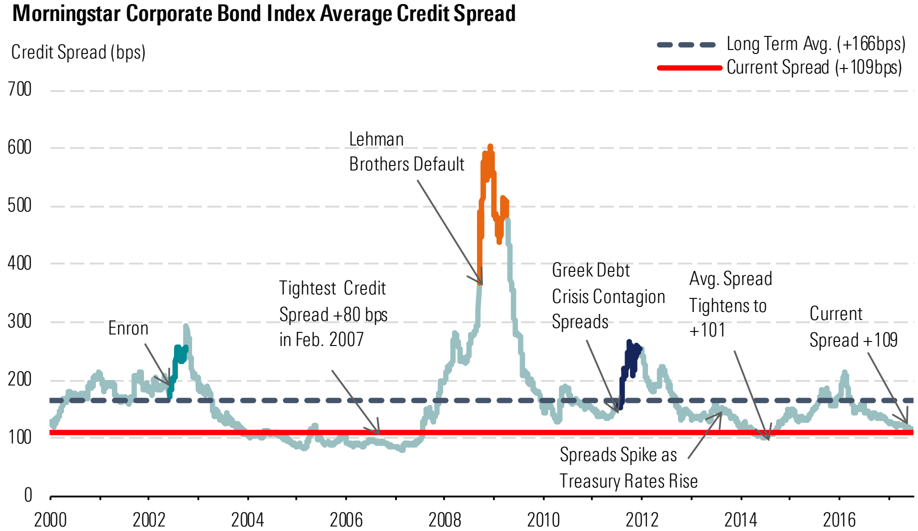
Corporate Bond Credit Spreads



Source: Morningstar,Inc., BofA Merrill Lynch Global Indexes. Data as of 07/14/2017.

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 compared with now is 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 currently 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 20% of the time.

Morningstar Corporate Bond Index Average Credit Spread

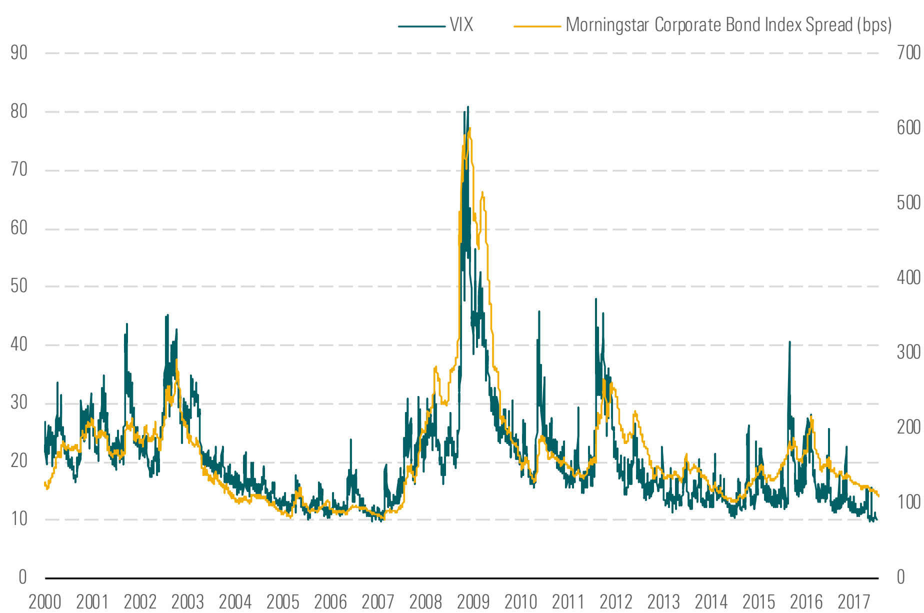


Source: Morningstar, Inc. Data as of 07/14/2017.

Asset Volatility Closing In on New Low

Volatility in the asset markets continues to decline and is nearing its historical low. In the equity market, the CBOE Volatility Index (VIX) declined to 9.5 at the end of last week. Since 1990, there have been only two instances in which the index has registered the same or lower: Dec. 22 and Dec. 23, 1993, when the index registered 9.3 and 9.5, respectively. Factors that have helped suppress volatility include the lack of surprises in the first-quarter earnings season, weak economic growth, a decline in debt-funded M&A, and diminishing geopolitical risk. Market volatility and corporate credit spreads are highly correlated as the spreads of the Morningstar Corporate Bond Index and the VIX have an r-squared of about 85%.

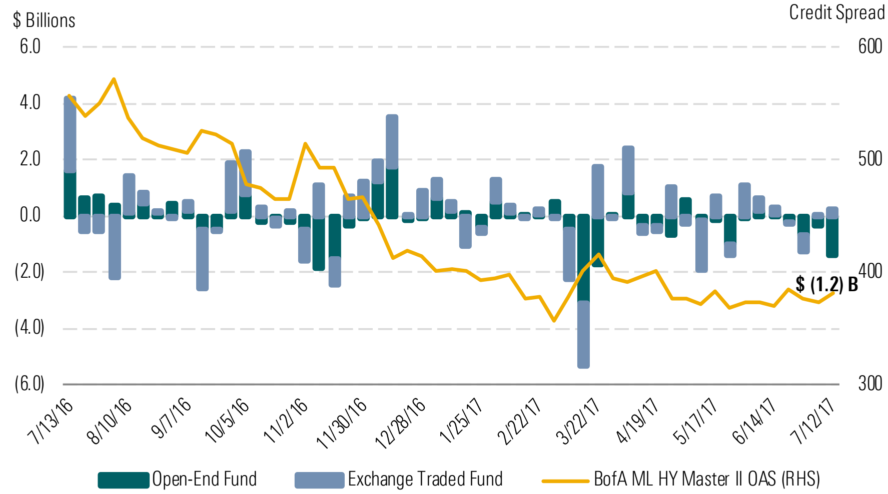
VIX Index vs Morningstar Corporate Bond Index Spread



Source: CBOE, Morningstar Inc. Data as of 7/14/2017.

Although volatility is at new historical lows, with second-quarter earnings reports due to begin in earnest this week, some investors are reducing their exposure to the high-yield asset class. Last week, investors pulled a net $1.4 billion out of the high-yield market. The net withdrawals were driven by redemptions from open-end mutual funds as high-yield exchange-traded funds experienced a small inflow of $0.2 billion.

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 14, 2017
(000,000s $ unless otherwise noted)

Issuer			Issue				
Name	Ticker	Morningstar Corporate Rating	Size	Coupon	Description	Maturity	Approx Spread to US Treasuries
Marathon Oil	MRO	BBB-	$1,000	4.40%	Senior Unsecured	2027	+210

Source: Bloomberg, company Securities and Exchange Commission filings.
(1) Morningstar's issuer credit rating is assigned at the holding company level.

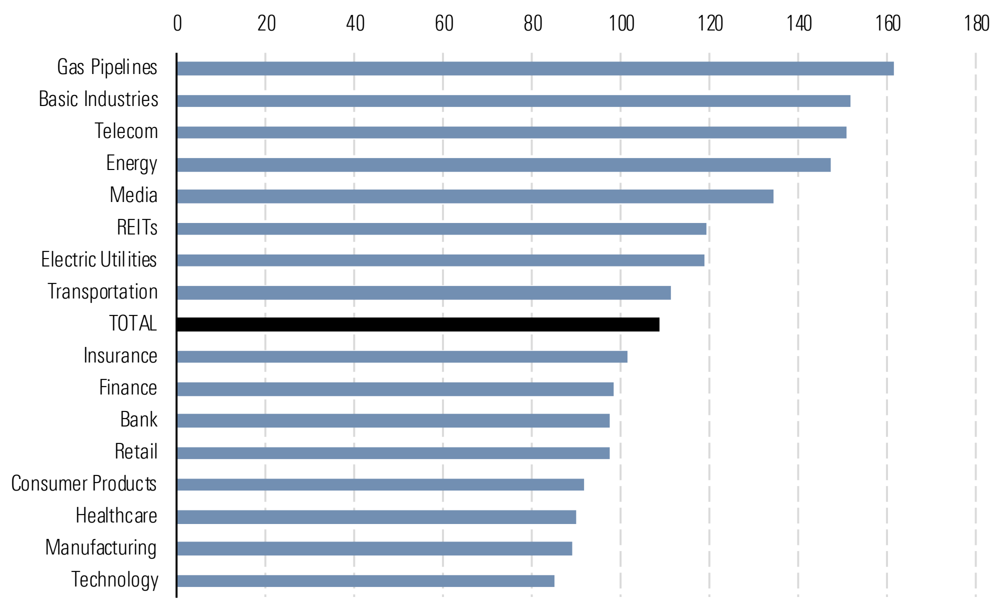
Exhibit 2 Morningstar, Inc. Corporate Bond Index Sector Summary

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**	**6.9**	**109**	**(4)**	**(20)**	**0.15**	**4.07**
FINANCIAL	**A-**	**1,460**	**5.5**	**99**	**(3)**	**(24)**	**0.18**	**3.66**
Bank	A-	883	5.1	98	(3)	(25)	0.22	3.53
Finance	A	273	5.7	98	(2)	(22)	0.14	3.61
Insurance	A	219	7.8	101	(3)	(20)	(0.05)	4.54
REITs	BBB+	76	5.9	119	(4)	(16)	0.25	3.79
INDUSTRIAL	**A-**	**2,757**	**7.6**	**111**	**(4)**	**(19)**	**0.16**	**4.28**
Basic Industries	BBB	221	7.7	152	(4)	(28)	0.18	6.05
Consumer Products	A-	314	7.6	91	(4)	(16)	0.13	3.85
Energy	A-	409	7.2	147	(2)	(8)	0.10	3.84
Healthcare	A-	399	7.9	90	(6)	(26)	0.36	5.05
Manufacturing	A-	414	6.3	89	(4)	(21)	0.20	3.37
Media	BBB+	189	8.5	134	(4)	(24)	0.15	5.28
Retail	A-	157	8.2	97	(5)	(11)	0.11	3.56
Technology	A+	317	7.2	85	(5)	(20)	0.29	4.12
Telecom	BBB+	153	8.6	151	(1)	(7)	(0.30)	3.72
Transportation	BBB+	139	9.1	111	(4)	(22)	0.20	4.98
UTILITY	**BBB+**	**535**	**8.5**	**136**	**(3)**	**(16)**	**0.01**	**4.58**
Electric Utilities	A-	320	9.0	119	(3)	(17)	0.03	4.67
Gas Pipelines	BBB	205	7.6	161	(1)	(15)	(0.01)	4.47
Rating Bucket								
AAA Bucket		112	8.2	56	(3)	(10)	0.17	3.73
AA Bucket		489	6.0	68	(3)	(15)	0.11	2.95
A Bucket		1,840	6.9	87	(4)	(19)	0.13	3.68
BBB Bucket		2,351	7.1	140	(4)	(25)	0.18	4.71
Term Bucket								
1-4	A-	1,518	2.4	67	(4)	(26)	0.24	1.93
4-7	A-	1,166	4.7	92	(3)	(23)	0.36	3.60
7-10	A-	886	7.1	121	(3)	(16)	0.29	4.37
10PLUS	A-	1,222	13.8	160	(4)	(15)	(0.22)	6.75

Data as of 07/14/2017

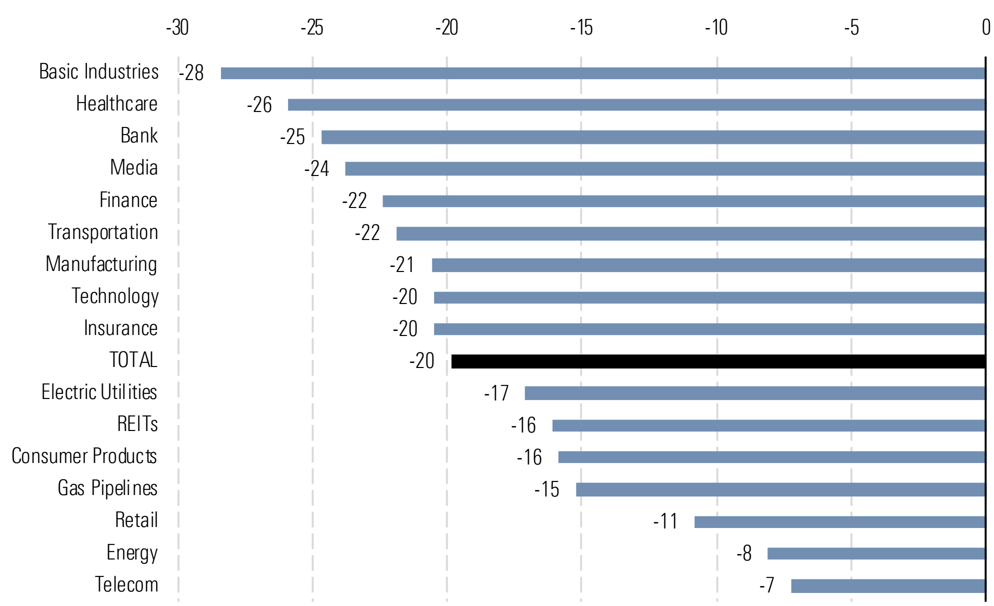
Source: Morningstar, Inc.

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



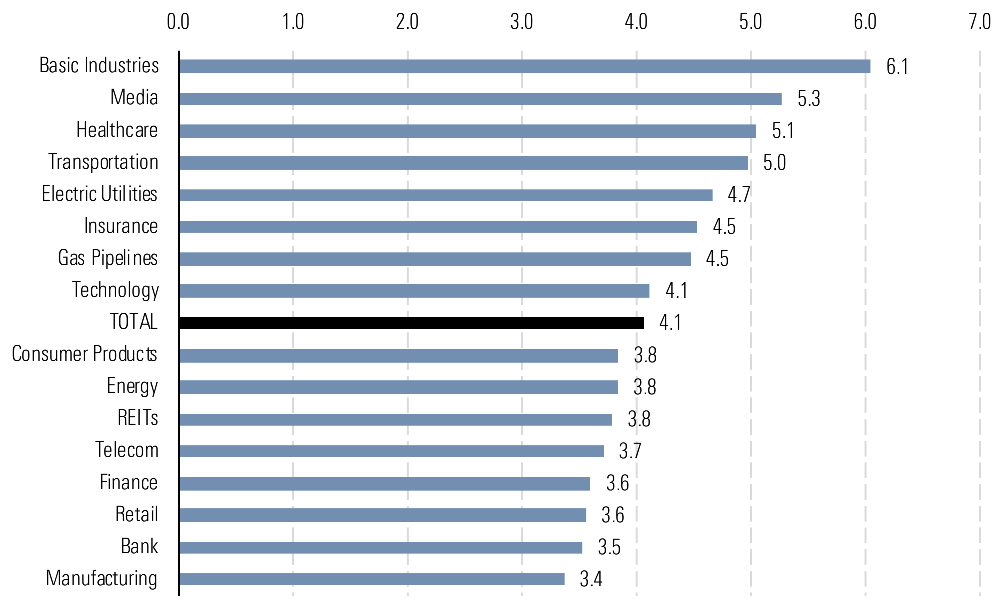
Source: Morningstar, Inc.

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 affirmations

Issuer/Ticker	Current Issuer Credit Rating	Previous Issuer Credit Rating
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Boston Scientific **BSX**	BBB	BBB
NetApp **NTAP**	BBB	BBB

Corning's Rating Affirmed at A-; Outlook Revised to Stable From Negative

Morningstar Credit Ratings, LLC is affirming its A- corporate credit rating on Corning, Inc. and moving the outlook to stable from negative. Our improved outlook reflects our expectation of stronger growth from telecommunications spending over the next few years as wireless carriers look to upgrade their networks to 5G capability. Our rating continues to reflect Corning's sustainable competitive advantages, strong and stable Solvency Score, and moderate Cash Flow Cushion.

Morningstar's Equity Research Group continues to view Corning as having a narrow economic moat, supported by dominant market share and high barriers to entry in its core product categories. However, we believe Business Risk remains negatively affected by customer concentration, price competition, and the threat of new technologies supplanting existing materials in the years ahead.

At the end of March, Corning reported $4.9 billion in cash, including $1.7 billion held domestically, against $3.9 billion in debt. Under its current capital plan, management is targeting a long-term global cash balance of $2 billion, with about half held in the United States. We calculate total debt at 1.4 times EBITDA and cash in excess of debt at 0.3 times.

The company is about midway through its $12.5 billion share-repurchase and dividend commitment, leaving about $6 billion of repurchases and dividends targeted over the next three years. Under its plan, management is targeting a net debt level of 2.0 times EBITDA by year-end 2019, which we believe indicates an additional $1.5 billion-$2.5 billion of incremental debt capacity over the next three years, depending on the pace of EBITDA growth.

Our rating assumes the company will continue to experience cyclical variation in its revenue and operating margins, while credit metrics and financial flexibility are likely to remain under pressure through 2019 from the aggressive share-repurchase plan. Given the likelihood of higher future debt levels and management's payout target, we do not expect to upgrade the company's credit rating. We may consider a downgrade of the rating if performance falls short of our forecast of 3%-4% average annual revenue growth and stable operating margins, or if leverage increases above our expectations.

Franklin Resources' Rating Affirmed at AA-; Outlook Negative

Morningstar Credit Ratings, LLC has affirmed the AA- credit rating of Franklin Resources, Inc. The outlook remains negative. Franklin is one of the strongest credits in Morningstar's asset management universe, sporting a diversified asset mix, broad client base, and manageable debt. The firm's size gives it the advantage of scale relative to most others in the asset management sector. Franklin's product mix is fairly diverse with 42% of assets under management dedicated to equity strategies, 19% in hybrid funds, 38% in fixed income, and 1% in cash management. While product distribution is weighted more toward less-sticky retail investors (approximately 73% of AUM at fiscal 2017's first quarter), the firm has strong relationships with financial advisors. Franklin's global operations provide positive diversification benefits, with almost half its AUM invested in global/international strategies and one third of its managed assets sourced from clients domiciled outside the U.S.

On a less positive note, AUM decreased at a precipitous pace before stabilizing at the close of the second quarter, with Franklin reporting 3% growth over the prior quarter to end at $740 billion of AUM. The total remains $158 billion lower than the high-water mark of $898 billion reported at fiscal year-end 2014. Franklin reported positive growth in all AUM investment objectives aside from its nonmaterial cash management objective quarter over quarter, due to 84% of equity and hybrid assets outperforming respective peer groups and a 24% increase in long-term sales; total revenue increased 3%. However, we have chosen to maintain a negative outlook as it is not yet clear if this trend will continue. Aside from its AUM growth issues, trailing 12-month revenue has decreased 12% over the prior 12-month period. While equity market volatility has abated for the time being, the Department of Labor fiduciary rule and an industrywide shift toward passively managed strategies have all contributed to outflows and the decreases in AUM and revenue before the second quarter. While we think Franklin's credit metrics are adequate for its AA- credit rating, we believe these near-term pressures may lead to slightly weaker credit quality, which influences our negative outlook. Despite these issues, we expect Franklin's credit quality to remain strong through the market cycle and continue to compare favorably with that of peers.

Franklin performs exceedingly well in our credit risk assessment. Its Business Risk score is good primarily due to its size, wide economic moat assigned by Morningstar's Equity Research Group, and low dependence on capital markets. The company's large cash and cash equivalents balance, which is more than 6 times its debt balance, leads to a very good Cash Flow Cushion score. Franklin receives the top Solvency Score in our credit rating model due to stellar returns on invested capital and fixed-charge coverage as well as reporting a low ratio of total liabilities/total assets and a very high quick ratio. The company's Distance to Default also receives a top score.

Our negative outlook implies Franklin's rating could be downgraded over the next 12-24 months. The most probable positive rating action would be a return to a stable outlook. A downgrade could take place if the company returns to sustained decreases in AUM or revenue following its fiscal second-quarter results, if Franklin loses its wide economic moat rating, or if debt/EBITDA increases to 1.5 times. The company could be returned to a stable outlook if the positive turnaround in AUM and revenue growth continues through the rest of 2017.

Medtronic's Credit Rating Affirmed at A+ With Stable Outlook

Morningstar Credit Ratings, LLC is affirming our A+ credit rating on Medtronic, which reflects the firm's strong advantages in the medical device industry and manageable leverage. With a solid fundamental outlook from both an operational and credit perspective that is within our expectations, we see limited organic upgrade or downgrade catalysts in the near future. Therefore, we maintain a stable outlook.

By our methodology, Medtronic benefits from strong Business Risk, Solvency Score, and Distance to Default pillars, but its Cash Flow Cushion is constrained by the elevated obligations on its balance sheet from the 2015 Covidien merger. Medtronic's Business Risk pillar remains better than its pure-play medical device peers', as it operates one of the most diverse and advantaged medical technology businesses in the world. The wide economic moat assigned by Morningstar's Equity Research Group is rooted in Medtronic's dominant presence in highly engineered medical devices to improve patient outcomes in a variety of diseases. Medtronic is a market leader in cardiac devices, spinal products, insulin pumps, and neuromodulators for chronic pain. The 2015 combination with Covidien added a dominant position in medical instrumentation that is particularly useful in minimally invasive procedures.

While Medtronic's financial health has improved somewhat since merging with Covidien in 2015, its leverage still remains elevated, which constrains its Cash Flow Cushion. To fund the Covidien merger, Medtronic's gross debt rose to $36 billion in 2015, or debt/adjusted EBITDA in the mid-4s, while net leverage stood around 2 times. As of April, Medtronic owed $33 billion in debt, or gross leverage at 3.7 times, and held about $14 billion of cash and investments on its balance sheet, keeping net leverage in the low 2s. By the end of October, Medtronic plans to sell its patient care, deep vein thrombosis, and nutritional insufficiency businesses for $6.1 billion. After tax, Medtronic expects to receive $5.5 billion in proceeds, which will be used primarily to pay down debt and finance $1 billion in share repurchases. These activities should help Medtronic deleverage in line with previous expectations of reducing debt by $5 billion-$6 billion by the end of fiscal 2018. Initially after the divestiture, we estimate gross leverage will fall below 3.5 times while net leverage will fall by about half a turn to the high 1s. Management estimates it will reach about 3.0 times gross debt/EBITDA by the end of fiscal 2018.

We currently view Medtronic's credit trajectory as stable; potential rating actions will probably depend on management's capital-allocation activities. For example, if the firm sustainably deleverages by roughly another half a turn on a net basis beyond its current divestiture-related plan, we would consider an upgrade. If Medtronic makes debt-funded acquisitions or shareholder returns that push gross leverage up substantially again, the progress the company has made in its Solvency Score and Distance to Default may recede, and a downgrade would be possible.

Edwards' Rating Affirmed at A-; Outlook Revised to Negative From Stable

Morningstar Credit Ratings, LLC is affirming its A- credit rating on Edwards Lifesciences, reflecting the company's top-tier position in cardiac devices and light debt leverage. However, we are revising our outlook to negative from stable based on the recent increase in gross debt and other cash outflows, including share repurchases. These activities and an ongoing legal dispute could eventually cut into Edwards' very strong financial position enough for us to downgrade.

In our methodology, Edwards' Business Risk pillar scores at mediocre levels, while its light leverage helps it score much better in the Cash Flow Cushion, Solvency Score, and Distance to Default pillars. In the Business Risk pillar, Edwards' concentrated operations and relatively small size represent constraints, although those factors are somewhat offset by its dominance and ongoing innovation in the heart valve market. Edwards pioneered minimally invasive transcatheter aortic valves, and these devices continue to grow at a fast pace worldwide, as they steal share from traditional valves that require invasive surgical procedures. Many elderly patients are too frail to undergo surgical valve replacement, and recent clinical data suggests intermediate-risk patients may benefit from Edwards' transcatheter valves as well. Going forward, Edwards aims for similar success with a minimally invasive mitral valve, which looks like a big opportunity if that multiyear development program succeeds.

Edwards' low debt levels and large cash and investment position currently give the company financial flexibility that helps its Cash Flow Cushion, Solvency Score, and Distance to Default pillars. At the end of March, Edwards' debt obligations consisted of $600 million in senior unsecured notes due October 2018 and $250 million of borrowings under its $750 million credit agreement that mature in July 2019. Gross debt remained below 1 times adjusted EBITDA and was fully covered by the firm's $1.4 billion cash and total investment position. With Edwards recently pushing out more cash to shareholders through its repurchase program than it generated internally, though, we would not be surprised to see leverage increase, especially considering the firm's low domestic cash balance. Also, if Edwards has to pay substantial legal penalties, or if it makes capital-allocation decisions that lead to substantially higher leverage, its financial position may weaken.

Our outlook on Edwards' rating is currently negative. After recent acquisitions and share repurchases, the company operates on the weak end of its rating category. If those activities continue, Edwards may increase its leverage enough for us to consider a downgrade. An ongoing legal dispute with a key competitor in transcatheter valves also creates uncertainty around future cash flows. If large legal penalties are leveled against Edwards in that dispute, our Solvency Score pillar in particular may decline enough for us to consider a downgrade. Given our negative outlook, we see limited upgrade catalysts at this time. Also, with a very conservative balance sheet buoying most of its pillars, Edwards' rating would only improve if its Business Risk pillar strengthens. To improve that pillar, Edwards would probably need to grow in size and diversity. However, Edwards prefers internal innovation and tuck-in acquisitions, so improvement in these factors could take some time. In addition, there are no guarantees that the company would maintain a conservative balance sheet in an acquisition scenario.

Boston Scientific's Credit Rating Affirmed at BBB; Outlook Increased to Positive From Stable
Morningstar Credit Ratings, LLC is affirming our BBB credit rating on Boston Scientific, which reflects its ongoing advantages in the medical device sector and manageable leverage. We are also increasing our outlook to positive from stable. As the firm works through its large legal and tax-related obligations during the next year or so, we see the potential for a rating upgrade, as its Cash Flow Cushion may improve.

By our methodology, Boston's Business Risk pillar remains solid with the support of a narrow moat assessment from Morningstar's Equity Research Group on its diverse set of medical device businesses. Boston develops, manufactures, and markets a variety of devices through its cardiovascular (cardiac and peripheral), rhythm management (cardiac and electrophysiology), and MedSurg (endoscopy, urology/pelvic health, and neuromodulation) segments. While Boston's narrow moat assessment from the equity group remains lower than that of key peers such as Medtronic, which enjoys a wide moat assessment, Boston still benefits from the sector's high barriers to entry, including intellectual property and practitioner relationship hurdles. Because of these barriers, Boston's chosen niches typically enjoy rational competition from a small set of peers with substantial scale. Also, the firm's internal innovation engine appears to be gaining steam with strong growth on both the top and bottom lines in recent quarters, which is expected to continue during the next few years.

Boston earns strong scores in our Solvency Score and Distance to Default pillars because of its manageable leverage, while its Cash Flow Cushion is constrained by expected outflows on legal and tax obligations during the next year or so. After the firm deleveraged moderately in 2016 on profit growth and some debt repayment, leverage has been stagnant and will probably remain so in 2017. At the end of March, the company owed $5.5 billion in total debt, or gross debt/adjusted EBITDA of 2.6 times by our estimates, and with cash of $156 million, net debt/EBITDA stood only slightly lower at 2.5 times. The firm aims to hit gross leverage in the low 2s eventually, primarily through profit growth. In 2017, the company is shooting for adjusted free cash flow of $1.75 billion, and strong near-term cash flows are needed to help cover roughly $2 billion of legal and tax outflows expected by the end of 2018. Once it pays off those obligations, Boston should enjoy more financial flexibility. While the firm doesn't anticipate paying a dividend in the near future, the suspension of its share-repurchase program ($535 million authorized as of March) was lifted in early 2017. The company also continues to make tuck-in acquisitions, such as the recent $435 million acquisition of transcatheter valve maker Symetis, that may require new borrowings.

As the firm works through its large legal and tax obligations, which are expected to mostly be paid off by the end of 2018, we see room for improvement in the Cash Flow Cushion pillar. If that occurs, we see the potential for a rating upgrade within the next year or so, and we have increased our outlook to positive from stable. However, other capital-allocation activities, such as share repurchases and acquisitions, could constrain the credit trajectory. We could consider a downgrade if debt leverage rises substantially to cover such activities, especially while still managing the large legal and tax obligations.

NetApp's Rating Affirmed at BBB; Outlook Stable

Morningstar Credit Ratings, LLC is affirming its corporate credit rating on NetApp at BBB and maintaining a stable outlook. Notwithstanding the recent improvement in operating performance, driven by increased momentum behind new product launches, our BBB rating reflects a moderately high Business Risk score and moderate Cash Flow Cushion and Solvency Score. Our rating also incorporates the company's elevated debt level, management's focus on share-repurchase activity, and the intense competition NetApp is likely to face in the coming years.

After several years of net revenue declines and weaker operating margins, NetApp is in the early stages of a strategic shift in its product offerings. As a result, we expect slightly improved revenue over the next few years as sales of flash array and converged storage systems gain momentum. Management's margin outlook has also improved due to cost synergies and improved sales processes. However, Morningstar's Equity Research Group does not view NetApp as benefiting from an economic moat despite holding a meaningful market position in storage. Historically, the company has occasionally lagged behind peers in new product development, reducing its pricing power and customer retention. In the years ahead, we believe NetApp is likely to remain vulnerable to ongoing migration of storage workloads to public cloud platforms, reducing demand for on-premises storage systems.

We calculate that NetApp's total debt ended the December quarter at 2.1 times trailing EBITDA, lower from a year ago as the company paid off $350 million of the $850 million of debt related to its fiscal 2016 acquisition of flash storage maker SolidFire. While global cash and investments were $4.9 billion at the end of April, only $421 million is domiciled in the U.S. Short-term liquidity is also supported by a $600 million revolving credit facility due in December 2021. The facility backs the company's commercial paper program, of which $500 million was reported outstanding at April fiscal year-end.

NetApp's operating performance has weakened in recent years, bringing the rate of annual free cash flow down to around $800 million. Nonetheless, management has maintained an aggressive share-repurchase program, with total shareholder payout at 101% of free cash flow over the past four quarters. NetApp's current share-repurchase authorization is $9.6 billion, of which $8.8 billion has been repurchased. The program has no stated expiration. The company faces $750 million of senior note maturities in December, which we expect to be at least partially refinanced with new debt.

Over the next five years, our rating assumes revenue growth of 1%-2% per year and a modest improvement in operating margins. In the context of these assumptions, we expect free cash flow to gradually increase from $800 million toward $1 billion. We may consider an upgrade to the rating if NetApp can sustainably improve its Solvency Score and Cash Flow Cushion pillars, including a reduction in shareholder payout to a level comfortably below the rate of free cash flow generation. We may consider a downgrade of the rating if revenue growth turns negative and operating profit improvements do not materialize.

Recent Notes Published by Credit Analysts

Zimmer Biomet Reveals Weak 2Q Preliminary Results and CEO Departure

MCR Credit Risk Assessment

On July 11, Zimmer Biomet Holdings Inc (rating: BBB+, negative) reported preliminary results below consensus for its second quarter, suggesting that management did not have its arms wrapped around the supply chain problems that emerged in late 2016. Also, customer demand for related products appears to have been negatively affected. Given these ongoing problems, we are not terribly surprised by the announced departure of CEO David Dvorak along with these weak preliminary results. We maintain a negative outlook on Zimmer's credit rating, and if these supply chain problems or new management priorities cut into its deleveraging capabilities, our credit rating could prove too high.

Zimmer's second-quarter preliminary results appear weak. The company said sales in the second quarter were $1.95 billion, or below consensus of $2.00 billion, on an organic constant-currency decrease of 0.3% relative to previous guidance for an increase of 0.0%-1.0%. The company also said earnings per share in the second quarter would be at or near the bottom of its $2.08-$2.13 guidance. In its release, management said production output at its legacy Biomet facility in Warsaw did not rebound as much as expected. Also, the company may have lost some market share during this supply chain problem, as it is proving more difficult to recapture volume with certain customers than anticipated.

Overall, management's messaging about this supply chain problem has been inconsistent since it emerged in the third quarter of 2016, and Dvorak has stepped down from management duties and the board. Given the lack of a permanent CEO named and the ongoing supply chain problems, the departure was abrupt and appears forced. Zimmer CFO Daniel Florin has stepped in as interim CEO and as a board member until a permanent successor can be named. Given the uncertainty around long-term leadership at Zimmer, creditors should be aware that the company's capital-allocation priorities, including its deleveraging plan, may be altered. Zimmer has been shooting for gross leverage of 2.5 times by the end of 2018, and we would consider a downgrade if that timeline is delayed or the target is increased.

Market Data

From a credit perspective, Zimmer's closest comparables are similar-rated firms in the medical technology sector, including Becton, Dickinson and Co (rating: BBB+/UR-) and Boston Scientific Corp (rating: BBB, stable). All the following bond data is sourced from Interactive Data.

In the approximate 5-year maturity bucket, bonds from these issuers recently traded over the nearest Treasury as follows:
Zimmer Biomet's 3.15% notes due 2022 at +94 basis points.
Becton Dickinson's 2.89%% notes due 2022 at +92 basis points.
Boston Scientific's 3.38% notes due 2022 at +78 basis points.

In the approximate 10-year maturity bucket, bonds from these issuers recently traded over the nearest Treasury as follows:
Zimmer Biomet's 3.55% notes due 2025 at +118 basis points.
Becton Dickinson's 3.70%% notes due 2027 at +126 basis points.
Boston Scientific's 3.85% notes due 2025 at +109 basis points.

For comparison with the approximate 10-year maturities, the Morningstar Corporate Bond Index is at +98 in the A- category, +130 basis points in the BBB+ category, and +141 basis points in the BBB category.

In the approximate 30-year maturity bucket, bonds from these issuers recently traded over the nearest Treasury as follows:
Zimmer Biomet's 4.45% notes due 2045 at +167 basis points.
Becton Dickinson's 4.67%% notes due 2047 at +148 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, Non-Bank 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