Morningstar Corporate Credit Research Highlights
High-Yield Bonds Rally as Spreads Near Multiyear Highs

Morningstar Credit Ratings, LLC
5 November 2018

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Credit Market Insights

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- Recent Morningstar Credit Ratings Research

Credit Rating Actions

- Ratings Under Review

Issuer/Ticker	Current Issuer Credit Rating	Previous Issuer Credit Rating
International Business Machines **IBM**	A+/UR	A+

- Rating Affirmations

Issuer/Ticker	Current Issuer Credit Rating	Previous Issuer Credit Rating
Anheuser-Busch InBev **BUD**	BBB+	BBB+
Gilead Sciences **GILD**	A	A
Kimco Realty **KIM**	BBB+	BBB+
Weingarten Realty Investors **WRI**	BBB	BBB
Hasbro **HAS**	BBB+	BBB+
Caterpillar **CAT**	A-	A-

Recent Notes Published by Credit Analysts

- **Weatherford** (B-, Negative) Preserves Liquidity in 3Q; Focused on Restructuring and Divestitures
- **Eastman Chemical** (BBB, Stable) Issuing 3-Year and 10-Year Notes to Refinance Debt
- **HCA Healthcare** (BB+, Stable) Beats Expectations in 3Q, Raises 2018 Guidance, Preps for Mission Health Acquisition
- **Allergan** (BBB, Stable) Sees Relief in 3Q as Restasis Generics Delayed; Debt Refinancing in 4Q
- **Amgen** (A, Stable) Posts Modest Sales Growth in 3Q; Cash Rebuild Limited by Shareholder Rewards
- Event Risk Rises at **Baxter International** (A, Stable) After Medication Delivery and Nutrition Division Problems Revealed in 3Q
- **BP** (A-, Stable) Issuing New 5- and 10-Year Senior Unsecured Notes
- **National Retail Properties** (BBB+, Stable) Reports Steady 3Q With Light Acquisition Volume
- **Hanesbrands** (BBB-, Stable) Remains on Track to Hit Leverage Target as Champion Brand Outperforms
- **Teva** (BB, Stable) Raises EBITDA Expectation on Cost Savings and Better Revenue in 3Q; Leverage Rises Despite Lighter Debt Load
- **Marathon Petroleum** (BBB, Stable) Posts Decent 3Q Results; Closed Andeavor Acquisition on Oct. 1 With Integration Underway
- **AbbVie**'s (BBB+, Stable) Industry-Leading Sales Growth Continues in 3Q; Faces $3 Billion of Maturing Debt in 4Q

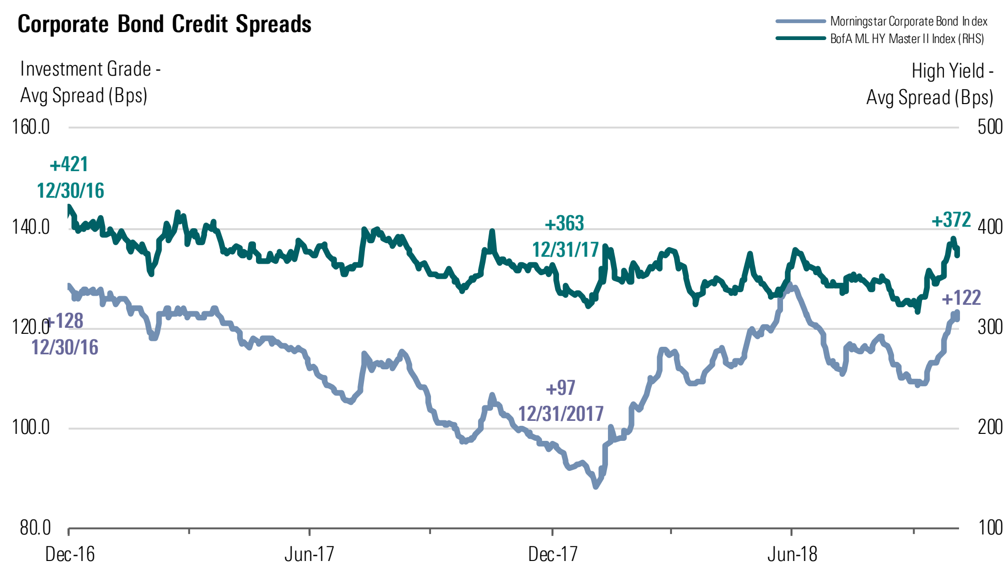
Credit Market Insights

High-Yield Bonds Rally as Spreads Near Multiyear Highs

While last week ended on a sour note after Apple (AA-, negative) reported weaker-than-expected earnings, the S&P 500 had surged higher before that and, even after accounting for the pullback Friday, rose 2.42% for the week. While there were some disappointments in the technology sector as a few highfliers failed to meet the Street's lofty growth expectations, reported earnings growth has generally been robust, and economic growth remains relatively strong.

In the corporate bond market, investment-grade bonds were unable to participate in the rally; investors were unwilling to pay up for investment-grade corporate bonds as Treasury prices were plunging. The average spread of the Morningstar Corporate Bond Index (our proxy for the investment-grade market) widened 1 basis point and ended the week at +122. However, in the junk bond market, with its wider credit spreads (closing in on two-year highs) and shorter durations, the risk-on atmosphere created by rising stock prices led investors to bid up prices and push spreads tighter. The BofA Merrill Lynch High Yield Master Index tightened 13 basis points to end the week at +372. As the equity market rebounded, the risk-on atmosphere reopened the window to the new issue market and corporate bond issuers returned to the market place. Now that most companies have reported third-quarter results and the holidays will arrive sooner rather than later, we expect that the next few weeks will be busy in the new issue market as CFOs look to complete their capital market activities before the new issue window closes toward the end of the year.

Corporate Bond Credit Spreads



Source: Morningstar,Inc., BofA Merrill Lynch Global Indexes. Data as of 11/02/2018.

With investors rushing back into risk assets, the U.S. Treasury market gave back the price gains it made the prior week, when investors fled to the safety of bonds as equity prices plummeted. By the end of the week, the yield on the 2-year rose 9 basis points to 2.90%, the 5-year increased 12 basis points to 3.03%, the 10-year rose 13 basis points to 3.21%, and the 30-year increased 14 basis points to 3.45%.

The S&P 500 was not the only index to regain some of its recent losses. In Europe, Germany's DAX rose 2.84%, France's CAC increased 2.71%, Spain's IBEX rose 3.01%, and Italy's MIB surged 3.78%. However, even after these strong weekly gains, the main European indexes remain in the red year to date as the DAX, CAC, IBEX, and MIB have posted losses of 13.52%, 6.74%, 13.62%, and 14.81%. In the European sovereign debt market, investors drove up the price of Italy's 10-year bond, which pushed the yield down 13 basis points to 3.32%. The yield has risen 130 basis points thus far this year, starting in earnest after the Italian government disclosed its original 2019 budget, which would have breached the European Union's limit. The yield has since stabilized after the Italian government signaled that it may revise its 2019 budget in order to reduce its forecast deficit.

Recent Morningstar Credit Ratings Research

Last week, Morningstar Credit Ratings' basic materials team published its quarterly Corporate Credit Spread Chartbook. In this report, Sean Sexton, MCR's senior basic materials analyst, noted that the chemicals subsector is stable, since most end markets for these issuers have remained relatively steady over the past several quarters. For metal producers, steel tariffs have had a positive impact on steel prices and margins, thereby increasing cash flows for issuers in this sector. Steel Dynamics and U.S. Steel have positive outlooks that reflect these strong cash flows. In mining, relatively robust prices for iron ore, metallurgical coal, and copper continued through the first three quarters of 2018. We have positive outlooks on Freeport-McMoRan, Southern Copper, Teck Resources, and Vale, which are a result of these prices and their corresponding cash flow impacts.

As third-quarter earnings season continues, we published credit notes on AbbVie (BBB+, stable), Amgen (A, stable), Allergan (BBB, stable), BP (A-, stable), Eastman Chemical (BBB, stable), Hanesbrands (BBB-, stable), HCA Healthcare (BB+, stable), Marathon Petroleum (BBB, stable), Teva (BB, stable), National Retail Properties (BBB+, stable), and Weatherford International (B-, negative).

For greater detail regarding our credit ratings as well as access to our corporate credit research and notes, please visit www.morningstarcreditratings.com

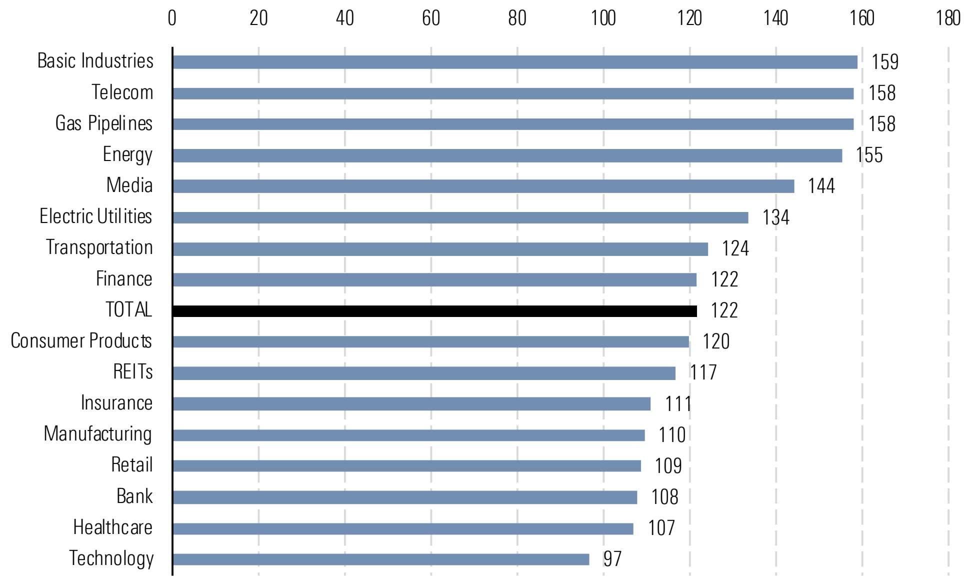
Exhibit 1 Morningstar Corporate Bond Index Sector Summary

Sector	Average Rating	Number of Issues	Modified Duration	Spread (bps)	MTD Spread Chg (bps)	YTD Spread Chg (bps)	MTD Total Return (%)	YTD Total Return (%)
TOTAL	**A-**	**5,157**	**6.7**	**122**	**(1)**	**25**	**(0.25)**	**(3.77)**
FINANCIAL	**A-**	**1,481**	**5.2**	**111**	**0**	**27**	**(0.22)**	**(2.73)**
Bank	A-	909	4.7	108	(0)	27	(0.16)	(2.20)
Finance	A	256	5.4	122	3	34	(0.35)	(3.84)
Insurance	A	218	8.0	111	(0)	25	(0.37)	(4.53)
REITs	BBB+	89	5.9	117	0	12	(0.28)	(2.23)
INDUSTRIAL	**A-**	**2,998**	**7.3**	**126**	**(1)**	**25**	**(0.24)**	**(4.21)**
Basic Industries	BBB	248	7.1	159	(1)	30	(0.16)	(4.39)
Consumer Products	BBB+	362	7.3	120	1	36	(0.38)	(5.38)
Energy	A-	401	7.1	155	(0)	33	(0.20)	(4.13)
Healthcare	A-	427	7.5	107	(1)	19	(0.28)	(4.62)
Manufacturing	A-	460	5.9	110	(1)	28	(0.23)	(3.37)
Media	BBB+	178	8.4	144	(8)	15	(0.15)	(4.42)
Retail	A-	168	7.5	109	(2)	22	(0.28)	(4.36)
Technology	A+	348	7.1	97	(1)	19	(0.20)	(3.60)
Telecom	BBB+	164	8.8	158	(3)	15	(0.17)	(3.44)
Transportation	BBB+	176	8.7	124	(1)	26	(0.39)	(5.46)
UTILITY	**BBB+**	**627**	**8.4**	**144**	**(1)**	**24**	**(0.42)**	**(4.99)**
Electric Utilities	A-	363	8.9	134	0	30	(0.50)	(6.06)
Gas Pipelines	BBB	246	7.7	158	(2)	15	(0.29)	(3.41)
Rating Bucket								
AAA Bucket		122	7.4	50	(1)	2	(0.23)	(3.72)
AA Bucket		501	5.6	68	(0)	10	(0.21)	(2.32)
A Bucket		1,939	6.7	98	0	25	(0.29)	(3.94)
BBB Bucket		2,595	7.0	157	(1)	29	(0.22)	(3.94)
Term Bucket								
1-4	A-	1,676	2.3	73	1	16	(0.06)	0.37
4-7	A-	1,179	4.7	114	(0)	35	(0.17)	(1.72)
7-10	A-	897	6.9	139	(1)	33	(0.27)	(4.02)
10PLUS	A-	1,405	13.2	173	(2)	28	(0.52)	(9.53)

Data as of 11/02/2018

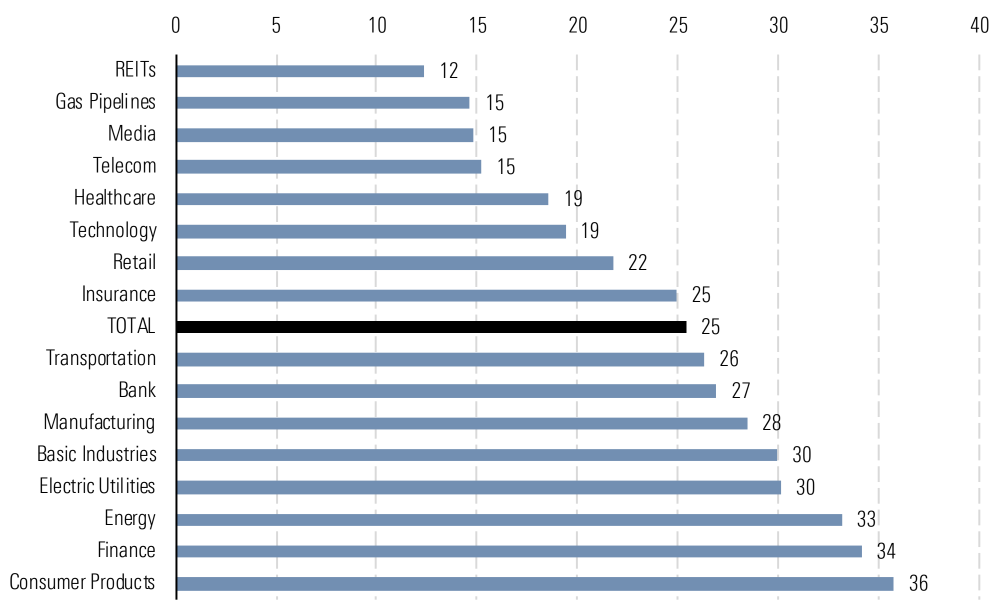
Source: Morningstar, Inc.

Exhibit 2 Morningstar Corporate Bond Index Spread by Sector



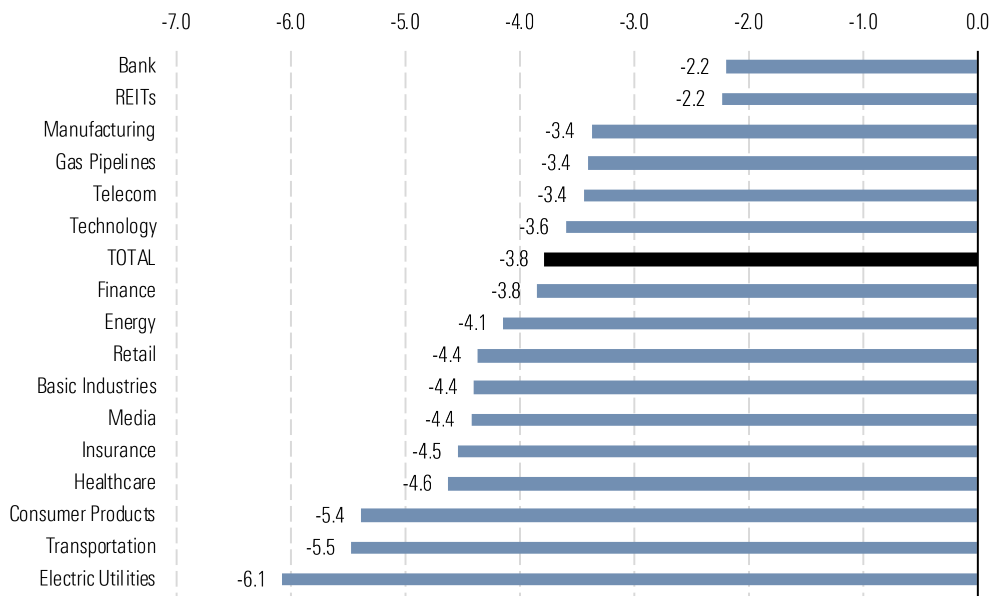
Source: Morningstar, Inc.

Exhibit 3 Morningstar Corporate Bond Index YTD Spread Change



Source: Morningstar, Inc.

Exhibit 4 Morningstar Corporate Bond Index YTD Return



Source: Morningstar, Inc.

Credit Rating Actions

Ratings Under Review

Issuer/Ticker	Current Issuer Credit Rating	Previous Issuer Credit Rating
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Rating Affirmations

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Anheuser-Busch InBev **BUD**	BBB+	BBB+
Gilead Sciences **GILD**	A	A
Kimco Realty **KIM**	BBB+	BBB+
Weingarten Realty Investors **WRI**	BBB	BBB
Hasbro **HAS**	BBB+	BBB+
Caterpillar **CAT**	A-	A-

Morningstar Credit Ratings Places Ratings for International Business Machines Under Review
Morningstar Credit Ratings, LLC is placing the A+ corporate credit rating of International Business Machines (A+, negative) under review negative following the company's announcement of a deal to acquire open-source software provider Red Hat Inc. (not rated) for $190 per share, a cash deal valued at $34 billion of enterprise value. IBM's offer price represents a 63% premium over the closing price of Red Hat's common stock Oct. 26. IBM's management expects to be able to close this transaction in mid- to late 2019. While we expect the impact of the merger to be neutral to Business Risk, we believe the additional debt raised to fund the transaction is likely to contribute to weaker Cash Flow Cushion and Solvency pillars that may not be fully offset by intermediate-term operating efficiencies.

Over the most recent 12 months, Red Hat produced $2.6 billion of revenue (3.3% of IBM revenue) and $459 million of EBITDA (2.7% of IBM). The company has $800 million par value of a convertible note due 2019. We expect this note to be retired before closing. Red Hat also reported $1.5 billion of cash and investments as of Aug. 31. We expect IBM's net debt to increase from 1.9 times trailing 12-month EBITDA to 2.8 times pro forma EBITDA, including a full year of Red Hat results. Excluding IBM's customer financing debt, we estimate that net corporate debt will likely increase from 0.2 times to 0.5 times pro forma EBITDA. Neither of these metrics includes IBM's pension and postretirement benefit obligations, which represent an additional turn of EBITDA. Management indicated it is targeting a leverage profile consistent with mid- to high single A, though did not provide near or long-term leverage guidance. To support liquidity and rebuild cash, IBM plans to suspend its share-repurchase program in 2020 and 2021.

IBM believes the acquisition of Red Hat will promote the combined company to a leading market position in hybrid cloud, which combines on-premises physical data systems, private cloud environments, and public cloud services. IBM expects to use Red Hat's expertise in the Linux operating system to enhance its existing hybrid cloud products and make it easier for clients to move increasing amounts of their workloads to the cloud. We believe that Red Hat's server version of Linux held a 33% share in the server operating system market according to a 2017 report from IDC, compared with roughly 50% of servers running Microsoft's (AA+, stable) Windows Server. The popularity of Linux has led to a large developer base of Linux-based applications. IBM management has targeted 200 basis points of potential revenue synergies to accrue from the merger, which should help address IBM's stagnant growth profile in recent years. IBM did not provide specific cost synergy targets, though we note that Red Hat's trailing 12-month EBITDA margin was 17%, about 4 points below IBM's over the same period. IBM believes the acquisition will be operating margin accretive by the end of the first full year after closing.

Morningstar Credit Ratings Releases Updated Ratings for Anheuser-Busch InBev

Morningstar Credit Ratings, LLC is affirming the BBB+ corporate credit rating on Anheuser-Busch InBev SA/NV and maintaining a stable outlook. AB InBev's credit rating reflects our low Business Risk assessment and substantial economies of scale, which provide the company with a significant cost advantage. These attributes coupled with the strength of AB InBev's intangible brand assets, demonstrated by its ownership of five of the world's largest beer brands by volume and industry-leading operating margins, have resulted in Morningstar's Equity Research Group assigning the company a wide economic moat. In addition, the company's global scale provides geographic diversification and stability to its operating earnings and cash flows. These positives are balanced by a weak Solvency Score that has resulted from high debt balances and a weak Cash Flow Cushion that is pressured by significant debt maturities as approximately 40% of the company's debt matures within our five-year forecast period. However, AB InBev's Oct. 25 announcement to cut its dividend by 50% should free up approximately $4.5 billion annually for debt reduction, which will improve the Cash Flow Cushion and Solvency Score.

Slower-than-anticipated growth in the U.S. and weakening emerging markets currencies will slow top-line growth efforts in the near term. Revenue growth is forecast to be flat to low single digit throughout our five-year forecast period. Yet, we project that AB InBev's operating leverage will significantly bolster operating cash flow and provide additional funds to deleverage. Operating margins are forecast to expand to above 34% with the continued realization of synergies and cost savings, of which $2.7 billion of $3.2 billion have been achieved to date. AB InBev estimates that it has spent $778 million of the $1.0 billion budget to capture those synergies. For the nine-month period ended Sept. 30, in which the company reported only a summary of its operating results, revenue declined 3.5% to $40.4 billion and operating profits increased 1.8% to $12.5 billion. Yet, revenue on an organic basis grew 4.6% and operating profit increased 7.7%. Further supporting the rating is a highly focused management team with an extraordinary record, particularly at extracting production cost savings, selling, general, and administrative cost savings, and efficiency through supply chain management. By utilizing its economies of scale, AB InBev has been able to leverage its fixed-cost structure and generate industry-leading gross and operating margins.

AB InBev had approximately $117 billion of debt at June 30, the last period reported, composed of $6 billion of short-term debt including $1.8 billion of commercial paper and $1.4 billion of secured bank loans, with the remainder being substantially unsecured bonds. AB InBev's $8 billion in cash and cash equivalents at June 30, the last period reported, combined with $9.0 billion available under its committed credit facility provides sufficient liquidity and financial flexibility. AB InBev's debt maturities average $8.0 billion per year during the next five years and necessitates the company having access to capital markets.

For the latest 12-month period ending June 30, the company's debt/EBITDA was 5.3 times, which is high for the rating category, but it is expected to decline over the near to intermediate period, as the company remains committed to deleveraging to its stated optimum leverage of net debt/EBITDA of approximately 2.0 times, which we believe is a longer-term goal that will be facilitated by its recent dividend cut. MCR believes the likelihood of any sizable acquisition is low, because of AB InBev's size and market share leadership, which would subject any transaction to heightened regulatory scrutiny. AB InBev is expected to increase its dividend modestly in the near term until it deleverages. The company's defined-benefit obligation exceeds the plan asset by $2.9 billion at Dec. 31, 2017, the latest period reported, which is likely to utilize a portion of its future cash flow.

A stable outlook is an indication that the company's rating is not likely to change during the next one to two years. However, meaningful revenue growth, greater operating earnings, and free cash flow generation coupled with debt reduction should improve Anheuser-Busch InBev's Solvency Score and Cash flow Cushion and may lead to a positive rating action. Conversely, stagnant revenue growth, lower operating earnings or cash flows, and a failure to reduce leverage, resulting in a weaker Cash Flow Cushion or Solvency Score, would result in a negative rating action

Morningstar Credit Ratings Releases Updated Ratings for Gilead Sciences

Morningstar Credit Ratings, LLC is affirming Gilead's A rating, reflecting the firm's leadership position in infectious disease medicines and its strong cash-generating ability balanced against higher leverage after the acquisition of Kite Pharma in October 2017. The addition of oncology cell therapy Yescarta from the Kite acquisition helps drive a positive revenue trend through 2021 after bottoming this year and supports our stable rating outlook.

Gilead gained a new therapeutic category, gene therapy, with Kite's Yescarta (a chimeric antigen receptor T cell therapy) approved in October 2017 for the treatment of non-Hodgkin lymphoma. Increased diversification from this acquisition could help ease Gilead's heavy reliance on its infectious disease medicines, which adds support to its low Business Risk. Gilead's leadership in developing new medicines to combat HIV moderates the drag from rapidly eroding HCV franchises Harvoni and Sovaldi to yield an overall revenue decline in the low single digits compounded annually over the next five years, in our estimation. We also expect EBITDA to decline at a faster rate than sales in the midsingle digits compounded annually through 2022 as Gilead dedicates additional resources to its internal research engine and to ensuring successful commercialization of these new treatments. We would not be surprised if Gilead consummated another transformational deal in the intermediate term to redefine its growth prospects, as a viable offset to a looming HIV patent cliff starting in 2021 has yet to materialize. We remain concerned about Gilead's capital deployment, which greatly rewards shareholders through rising dividends and aggressive share repurchases even as the firm continues to fill gaps in its research and product portfolio. Specifically, the firm paid $2.9 billion in dividends and repurchased $2.1 billion in shares for the latest 12 months ended Sept. 30.

Gilead's capital structure consists of unsecured debt obligations and occasional borrowing against an unsecured revolving credit agreement. Since increasing its debt load to finance its purchase of Kite Pharma, the firm repaid all term loan borrowings ($1.5 billion in the fourth quarter of 2017 and $4.5 billion in March 2018), which favors a strong Cash Flow Cushion pillar and could provide uplift to an already strong Solvency Score over the intermediate term. Because of this debt repayment, gross debt has fallen to $27.3 billion on Sept. 30 from $33.5 billion at the end of 2017. However, gross debt leverage has risen to 2.5 times for the trailing 12-month period ending Sept. 30 from 2.2 times at the end of 2017 due to rapidly compressing EBITDA generation linked to declining revenue. Considering Gilead's cash and investments balance of $30.8 billion on Sept. 30, net leverage was negative 0.3 times for the latest 12 months. The firm's solid financial flexibility also arises from substantial free cash flow generation that we see averaging more than $9 billion annually through 2022. External liquidity is provided by a $2.5 billion five-year revolving credit facility that matures in May 2021, which was fully available as of June 30. Following the paydown of outstanding term loans and maturing senior unsecured notes throughout 2018, long-term maturities over the next five years consist of about $2.8 billion due 2019, $2.5 billion due 2020, $2.3 billion due 2021, and $1.5 billion due 2022. Gilead's large cash balance and strong estimated free cash flow are enough to manage these coming debt maturities.

Considering our stable outlook on Gilead's rating, we do not see an immediate catalyst to move the current rating either upward or downward. However, a lack of growth drivers from Gilead's current portfolio or arising from its research engine needed to overcome declining performance heightens the possibility of another leveraging acquisition. Within the A rating, Gilead has some flexibility to acquire new assets to bolster its research and product portfolios. But significant leveraging transactions that fail to mitigate sales and earnings erosion, such that the Solvency Score and Cash Flow Cushion pillars deteriorate, could lead to a rating downgrade. On the other hand, if a clear path to reversing operational declines crystallizes, most likely through prudent business development, this could improve our Cash Flow Cushion pillar enough to support a positive rating action.

Morningstar Credit Ratings Releases Updated Ratings for Kimco Realty

Morningstar Credit Ratings, LLC is affirming the corporate credit rating of BBB+ for Kimco Realty Corporation and maintaining a stable outlook. Our credit rating reflects Kimco's long record of successful operations of shopping centers through several economic cycles and recent trimming of its portfolio to focus on core properties.

The rating reflects Kimco's moderate Business Risk, supported by a high-quality, well-located portfolio of shopping centers in a wide range of markets, with a large number of investment-grade tenants and little tenant concentration, adequate interest coverage and leverage metrics, and a highly experienced management team. The rating also considers Kimco's moderate Cash Flow Cushion and weak Solvency Score, which are both likely to remain stable at least through 2020. However, we expect leverage to stabilize at about 6.5 times, or a slight uptick as lower EBITDA will reflect a smaller portfolio after a year with as much as $900 million of property sales. EBITDA interest coverage is forecast to settle around 4.5 times. Since 2014, debt levels have been stable, with a substantial decline in secured debt and a larger increase in unsecured debt in terms of absolute dollars.

Kimco owns gross real estate assets of roughly $12.8 billion, among the larger shopping center REIT portfolios. Although the retail industry has endured years of negative headlines due to bankruptcies and store closings, the shopping center REIT peer group average occupancy held steady at 95.3% from the second quarter of 2016 to the second quarter of 2018 and actually gained 20 basis points from the same quarter in 2017. Demand for store space remains better than adequate, as many stores vacated due to bankruptcy have been leased to more viable tenants in the past two years. Kimco, with occupancy at 96.0% in the second quarter of 2018, stands to continue to benefit from this trend. Barring an unusually deep recession in the next year or two, new store openings should continue to outpace store closings. Based on this outlook, we do not have concerns about oversupply for the sector for the immediate future

We view the company's credit metrics as slightly out of line with peers, as forecast year-end 2018 debt/EBITDA is relatively high at 6.3 times compared with the peer average of 5.6 times. The higher leverage ratio is because of the large amount of dispositions having already been completed and more anticipated through year-end; the smaller portfolio is expected to generate about 10% less EBITDA than in 2017. Forecast EBITDA interest coverage of 4.6 times is just below the peer group average forecast of 4.8 times. We anticipate that the company will access debt and equity financing to fund debt maturities averaging $422 million and other capital needs over the next four years, including Kimco's share of joint venture debt, based on our forecast of average adjusted funds from operations of just more than $600 million per year from 2018 through 2022. Though an estimated $800 million-$900 million of properties will be sold by year-end, the size of the unencumbered portfolio will remain substantial, supporting the company's moderate Cash Flow Cushion. We continue to expect Kimco to maintain high occupancy rates and continue its focus on improving its portfolio through selling noncore assets and selective property acquisitions. The commoditized nature of shopping centers and the large number of builders and owners prevent any clear sustainable competitive advantages to support material returns on investment above the cost of capital over the long term for Kimco and its peers.

Our stable outlook assumes that Kimco will maintain leverage near current levels over time and a transparent and simple debt structure. We may consider an upgrade if Kimco can weather the headwinds that are causing some tenants to vacate stores, as other retailers thrive and expand. In our view, this scenario could include modestly increasing rents and improving margins, helping to improve Cash Flow Cushion and Solvency Score while permitting management of the firm's debt obligations and dividend payments without incurring much new debt. We may consider a downgrade of the rating if the REIT is unable to successfully manage against the secular weakness of many traditional brick-and-mortar retailers, causing rent growth to shrink significantly or possibly decline. That scenario would likely reduce profitability, resulting in lower interest coverage and higher leverage and negatively affecting the firm's Cash Flow Cushion and Solvency Score.

Morningstar Credit Ratings Releases Updated Ratings for Weingarten Realty Investors
Morningstar Credit Ratings, LLC is affirming the corporate credit rating of BBB for Weingarten Realty Investors and updating the outlook to positive from stable. The rating reflects Weingarten's long history of operating a successful portfolio of shopping centers through several economic cycles and its

experienced management team. Weingarten has reduced its debt obligations during the past year. That lowered leverage and prospects for better interest coverage influence our new positive outlook.

The rating reflects Weingarten's moderate Business Risk, supported by a high-quality, well-located portfolio of shopping centers in a wide range of markets, with a large number of investment-grade tenants and little tenant concentration, adequate interest coverage and leverage metrics, and highly experienced management team. The rating also considers Weingarten's moderate Cash Flow Cushion and weak Solvency Score, which are both likely to remain steady between now and 2019 with slightly less net debt. We expect leverage to remain at or just less than 5.5 times and interest coverage to flatten at about 5.0 times.

Weingarten owns gross real estate assets of nearly $4.7 billion, a portfolio smaller than that of some of its shopping center REIT peers and comparable with others. Although the retail industry has endured nearly two years of negative headlines due to bankruptcies and store closings, the shopping center REIT peer group average occupancy held steady at 95.3% from the second quarter of 2016 to the second quarter of 2018 and actually gained 20 basis points from the same quarter in 2017. Demand for store space remains better than adequate, as many stores vacated due to bankruptcy have been leased to stronger tenants in the past two years. Weingarten, with occupancy at 94.6% in the second quarter of 2018, stands to continue to benefit from this trend. Barring an unusually deep recession in the next year or two, new store openings should continue to outpace store closings. Based on this outlook, we do not have concerns about oversupply for the sector for the immediate future.

We view the company's credit metrics as in line with peer averages, with forecast year-end 2018 debt/EBITDA at 5.5 times compared with the peer average of 5.6 times and EBITDA interest coverage of 4.8 times, the same as the peer group average. We anticipate that the company will be able to fund debt maturities averaging $90 million with little or no new net debt over the next five years and other obligations based on our operating forecast of average adjusted funds from operations of just more than $270 million per year from 2018 through 2022. Though smaller than a year ago, the unencumbered portfolio still represents a substantial source of backup liquidity and supports the company's moderate Cash Flow Cushion. We continue to expect Weingarten to maintain high occupancy rates and continue its focus on improving its portfolio through selling noncore assets and selective property acquisitions. The commoditized nature of shopping centers and the large number of builders and owners prevent any clear sustainable competitive advantages to support material returns on investment above the cost of capital over the long term for Weingarten and its peers.

Our positive outlook assumes that Weingarten will manage leverage at this year's improved levels or better over time and maintain a capital structure supportive of its unsecured borrowing platform. Also, a continuation of successes each quarter on such operating metrics as occupancy and leasing spread, as well as replacement of vacating anchor tenants despite the pressures on retailers, would be consistent with a positive outlook at the current rating level. We may consider an upgrade if Weingarten can continue to successfully improve the quality of its portfolio and replace weak tenants with better tenants at higher rents, as other retailers thrive and expand. In our view, this should drive modestly increasing rents and improving margins, helping improve Cash Flow Cushion and Solvency Score, permitting management of debt service and dividend payments without incurring much new debt. On the other hand, we may consider returning our outlook to stable if recent reductions in leverage prove to be temporary. We could also consider a downgrade of the rating if steps to dispose of noncore assets and replace weaker tenants with more viable ones prove unsuccessful, resulting in reduced or negative rent growth and lower interest coverage and higher leverage, and have a negative impact on the Cash Flow Cushion and Solvency Score.

Morningstar Credit Ratings Releases Updated Ratings for Hasbro

Morningstar Credit Ratings, LLC is affirming Hasbro Inc's BBB+ credit rating and maintaining a stable outlook. Hasbro's rating reflects its leading position in the highly competitive toy industry, consistent strong profitability, and the maintenance of a conservative balance sheet.

Hasbro's moderate Business Risk Score is based on its large scale, leading toy brands, and strong licensing relationships. Hasbro continues to transform itself, especially through the design and development of its franchise brands, which include Nerf, Monopoly, Transformers, and My Little Pony. Hasbro's competitive advantages include strong partnership relationships with licensed brands including Marvel, Star Wars, and Disney Princess and Frozen.

Over the past several years, the company has hired experts in marketing, data analytics, and other new areas such as shoppable social content. Hasbro's brands are now embedded in consumer products, movie releases, television, and streaming content. In 2017, the company recorded over 1 billion views on YouTube from the creation of its original digital videos and social posts. The company's competitive positioning has improved with its investment in e-commerce, with revenue from this distribution channel now representing over 20% of total global toy and game sales. Hasbro's e-commerce distribution includes its position as one of the top five vendors on Walmart.com and its rank as the toy and game market share leader on Amazon.com. Morningstar's Equity Research Group has assigned Hasbro a narrow moat.

The company's recent operating results have been negatively affected by the growth of its business with online retailers, who generally carry fewer weeks of supply. Weaker results were further exacerbated by the bankruptcy of Toys 'R' Us, the only big-box toy retailer with scale and one of Hasbro's major customers. Other retailers, including discounters, specialty stores, department stores, grocery and drug stores, and dollar stores, will pick up this business over the next couple of quarters, however, they do not carry significant toy merchandise year-round and have invested in their own initiatives to sell online. Hasbro's recent sales weakness reflect a retail inventory decline of 17% in its domestic business and over 20% in Europe. Once this retail inventory adjustment is complete, results are expected to stabilize, as evidenced by the strong growth at Hasbro at the point of sale.

Over the last 12 months through the third quarter, revenue declined 8.8% and EBITDA margins contracted slightly to 17.6%. Morningstar forecasts an improvement in Hasbro's margins based on the growth of its higher-margin entertainment and licensing segment, along with growth in its higher-margin franchise brands and Hasbro gaming segments. Over the past several years, Hasbro has consistently generated EBITDA margins in the high teens. A strong Solvency Score reflects Hasbro's high return on invested capital, which has averaged near 25% historically and is forecast to increase several hundred basis points over the next several years.

Hasbro's Solvency Score also reflects Morningstar's expectation that the company will maintain its moderately leveraged balance sheet. Debt leverage has ranged between 1.0 and 2.0 times over the past decade, and management maintains a financial policy that targets a capital structure that supports a strong investment-grade rating and access to the commercial paper market. Most recently, Hasbro's debt/EBITDA was 2.0 times at the end of the third quarter, modestly higher than the previous year. Adjusted debt/EBITDAR was 2.5 times at Sept. 30, based on adjusted debt of $2.2 billion, including $1.7 billion in senior unsecured notes, $500 million of commitments related to operating leases (8 times rent), and modest underfunded pension liabilities. Net debt leverage is 1 turn lower, including $907 million in cash, most of which is held overseas. Cash declined from $1.6 billion at year-end 2017, reflecting seasonal working capital usage and a $150 million outflow related to its acquisition of Power Rangers assets from Saban Properties for $536 million including $280 million in stock. Additional cash payments totaling $100 million for the acquisition will be completed in 2019. Further, the company maintains full availability under its $1.0 billion committed revolver. Hasbro's strong Cash Flow Cushion score benefits from minimal debt maturities over the next five years, with only its $300 million 3.15% notes due in 2021 as well as solid free cash flow generation that has historically covered dividends and share repurchases

A stable outlook incorporates the expectation that Hasbro will continue to successfully navigate the evolving toy industry with innovative brand strategies and growing omnichannel distribution. Morningstar expects this will translate into strong returns on invested capital and free cash flow generation, enabling the company to maintain its targeted maximum debt/EBITDA ratio of 2.0-2.5 times. The credit rating could be raised if the company continues to strengthen its competitive position along with adherence to a financial policy that maintains debt leverage below current targets. The credit rating could be lowered if Hasbro's profitability and returns erode due to a weakened competitive position resulting from intensifying competition, while also sustaining debt leverage above targets.

Morningstar Credit Ratings Releases Updated Ratings for Caterpillar

Morningstar Credit Ratings, LLC is affirming our A- corporate credit rating on Caterpillar Inc. Our issuer rating on Caterpillar focuses on its manufacturing operations, along with a qualitative assessment of the risk added by its finance subsidiary, Caterpillar Financial Services. Caterpillar's financial results and credit profile have improved over the last few years through a combination of internal reorganization that has helped eliminate costs and resurgent end markets that have driven revenue growth and produced record results. Although we expect the positive momentum to continue, we prefer to see how management protects the credit profile throughout the cyclical upturn before considering an upgrade to our rating. As such, we are affirming the company's stable outlook.

Caterpillar's strong brand name and global dealer network have enabled the company to enjoy impressive market share of the construction market, nearly double the size of its nearest competitor. This strong advantage has resulted in a wide economic moat assessment from Morningstar's Equity Research Group. Combined, these factors help its Business Risk pillar, although they are offset by the firm's end-market cyclicality and limited industry focus. Despite a tumultuous four-year stretch that lopped off more than 40% of revenue from 2013 through 2016, Caterpillar still managed to monetize its competitive position into double-digit returns on invested capital and solid interest coverage ratios. During this span, the firm eradicated inefficiencies and cut costs, so we expect the industry's rebound will further help to bolster these metrics. We forecast that Caterpillar will generate average annual operating cash flow of $7.4 billion over our forecast year and reinvest $2.1 billion per year in the business. However, the firm faces two meaningful debt maturities totaling $1.9 billion over the next five years and is committed to increasing its $1.8 billion dividend with earnings, factors that constrain its Cash Flow Cushion score.

End markets have vastly improved for much of the last year, and the restructuring actions have helped adjusted EBITDA margins expand 560 basis points to 19.7%, while gross leverage has fallen more than half a turn to 0.8 times. Still, we are assigning the company a stable outlook since we want to observe how management preserves its creditworthiness, given the cyclicality of its end markets. Should restructuring prove even more fruitful than our estimates, we could see an improvement in the Solvency Score and Cash Flow Cushion that leads to a rating upgrade. Although we suspect that Caterpillar's aggressive capital-allocation polices of yesteryear are unlikely to reappear, we could envision a rating downgrade should the firm become more aggressive on pursing acquisitions. A debt-funded deal could negatively affect both the Solvency Score and Cash Flow Cushion scores.

Recent Notes Published by Credit Analysts

Weatherford International (B-, Negative) Preserves Liquidity in 3Q; Remains Focused on Restructuring and Divestitures

MCR Credit Risk Assessment

On Oct. 29, Weatherford International plc (B-, negative) reported third-quarter revenue of $1.44 billion, $16 million (1%) less than $1.46 billion reported in the year-ago quarter. Net cash provided by operating activities was negative $32 million, a $211 million improvement from negative $243 million in operating cash flow for the third quarter of 2017. For the quarter, after capital expenditures of $55 million plus proceeds from asset disposals of $20 million, we estimate Weatherford realized negative $67 million of net cash flow.

On a sequential basis, total company revenue was nearly unchanged in the third quarter, as lower overall activity in the U.S. offset seasonal improvements in Canada and activity increases in Europe and Asia. On the earnings conference call, management said it expects fourth-quarter revenue to be nearly flat sequentially, but that working capital improvements will support cash flow generation. To improve its financial health, Weatherford is focusing on aggressively rationalizing its core operations and pursuing the sale of nonstrategic assets, using sale proceeds to reduce debt.

At Sept. 30, Weatherford's liquidity remains adequate, with $393 million in cash and equivalents and an estimated aggregate $506 million available under the credit agreements, which consist of a $900 million revolving credit facility (matures July 2020) and a $350 million secured term loan (matures July 2020). Longer term, we view Weatherford's debt maturity schedule as a challenge, with $736 million due in 2020, $2.0 billion (including the convertible at full par value) in 2021, and $643 million in 2022. Management guidance for fourth-quarter capital expenditures is $80 million-$90 million, which would result in $203 million-$213 million in capital expenditures for full-year 2018. After subtracting capital expenditures, plus proceeds from asset sales we estimate to be $550 million (includes $490 million the company expects to finalize in the fourth quarter) and debt issuance of $588 million (completed in February), we estimate Weatherford's net cash flow to be about $1.5 billion for 2018.

At the end of September, total debt was $8.0 billion and net debt $7.6 billion. We estimate last 12-month debt/adjusted EBITDA for Weatherford to be 13.1 times and net leverage 12.4 times, with the total debt ratio having declined by 5.3 turns and net leverage by 4.5 turns since year-end 2017, resulting from gradually rebounding cash flow.

Market News and Data

According to pricing service Interactive Data, Weatherford International's 8.25% notes due June 15, 2023, recently traded at a price of 79.1, resulting in a yield to worst of 14.6%. For an index comparison, BofA Merrill Lynch's U.S. High-Yield B Yield to Worst Index is currently quoted at 6.98%.

Eastman Chemical (BBB, Stable) Issuing 3-Year and 10-Year Notes to Refinance Debt

Market News and Data

Eastman Chemical Company (BBB, stable) is reportedly in the market Oct. 30 issuing 3-year and 10-year senior notes. Eastman also announced Oct. 30 that is it tendering for its 5.5% notes due November 2019 that have $250 million outstanding. Additionally, Eastman has $800 million of 2.7% notes due in January 2020 and anticipates redeeming $550 million of these notes.

According to Interactive Data, Eastman's 7.6% notes due Feb. 1, 2027, recently traded at a spread over nearest Treasury of +180 basis points. A comparable in the basic materials sector is Nutrien Ltd. (BBB, stable), whose 4.0% notes due Dec. 15, 2026, traded at a spread of +135 basis points. For an index perspective, we look to the BBB Morningstar Corporate Bond Index, which is at +153 basis points.

MCR Credit Risk Assessment

Eastman's BBB corporate credit rating is supported by the company's position in end-user markets, diversity of chemical products, low-cost integrated production profile along the acetyl and polyester chains, and moderate financial leverage. Leverage (debt/adjusted EBITDA) remains at approximately 3 times, although management has stated its intention to return leverage to 2-2.5 times over the next few years, which is achievable, given its free cash flow prospects. The rating reflects moderate risk scores for the company's Business Risk and Solvency Score credit pillars, while its Cash Flow Cushion pillar is weak and its Distance to Default pillar is strong. The firm's Business Risk is supported by Eastman's large size and narrow economic moat as assigned by Morningstar's Equity Research Group, partially offset by inherent chemical industry cyclicality. Eastman's Cash Flow Cushion is negatively affected by significant debt maturities over the next five years along with capital expenditures and shareholder remuneration. Its Solvency Score reflects good interest coverage and returns on invested capital offset by moderate leverage, while its Distance to Default is supported by the company's large market capitalization ($11 billion) relative to its debt balance.

As of Sept. 30, Eastman had $6.6 billion in total debt, and cash and equivalents were $193 million. Its latest 12 months free cash flow was nearly $1 billion, with share remuneration consuming most of the free cash flow. For external liquidity, the company has a $1.25 billion revolving credit facility due October 2023, a commercial paper program that is backstopped by the revolver, and a $250 million accounts receivable securitization facility. As of the end of September, there were no borrowings on the revolver or the accounts receivable facility and $605 million of commercial paper was outstanding. After the $800 million in notes due in early 2020, the next long-term debt maturities are $185 million in 2021 and $750 million in 2022.

Going forward, our expectations are for low-single-digit revenue growth combined with adjusted EBITDA margins in the 22%-23% range. We estimate free cash flow for 2018 to be slightly higher than $1 billion with the excess cash being directed toward the company's dividend, share repurchases, and debt reduction. Over the next 12-24 months, we believe that debt/adjusted EBITDA will decline to the company's targeted range of 2.0-2.5 times.

HCA Healthcare (BB+, Stable) Beats Expectations in 3Q, Raises 2018 Guidance, and Preps for Mission Health Acquisition

MCR Credit Risk Assessment

On Oct. 30, HCA Healthcare Inc (BB+, stable) reported third-quarter operating results that beat consensus expectations. Management increased its guidance for 2018, too. With leverage currently on the lighter end of its target range despite ongoing outflows to stakeholders and acquisition activities, our outlook on HCA's rating remains stable.

In the third quarter, HCA's net revenue grew 7% to $11.5 billion (above consensus of $11.3 billion), adjusted EBITDA increased 18% year over year to $2.1 billion, and adjusted earnings per share grew 79% to $2.16 (above consensus of $1.89). Positive trends in admissions (3.2% growth) and revenue per equivalent admission (2.5% growth) helped the top line grow. With an easy comparable period that was negatively affected by hurricanes and the Texas Medicaid waiver program last year, EBITDA margins improved significantly year over year, helped by strong volume growth and cost control efforts. Earnings per share grew even more significantly than EBITDA due to tax reform benefits and a lower share count from repurchases. With these positive results, HCA raised its guidance to $46.0 billion-$47.0 billion in net revenue (from $45.5 billion-$46.5 billion), EBITDA of $8.7 billion-$8.9 billion (from $8.65 billion-$8.85 billion), and adjusted earnings per share of $9.05-$9.45 (from ($9.00-$9.40).

From a credit perspective, the firm's leverage currently stands in the lighter half of its target range, despite ongoing outflows to stakeholders and acquisitions. At the end of September, HCA owed $33 billion in debt (no change since the end of 2017), and gross leverage stood at 3.8 times, or in the lighter half of its 3.5-4.5 times target range. During the quarter, HCA pushed out $538 million of cash to stakeholders through its dividend ($121 million), distributions to noncontrolling interests ($130 million), and share repurchases ($302 million), or nearly two thirds of free cash flow ($875 million). The company remains active on the acquisition front, too, making outflows of $518 million and announcing the $1.5 billion pending acquisition of Mission Health, a nonprofit Asheville, North Carolina-based healthcare system, during the quarter. Management said it will likely finance the Mission Health acquisition with proceeds from new debt issuance, but that decision has not been finalized yet. Overall, we expect these ongoing outflows will likely keep leverage within its target range for the foreseeable future, which reinforces our stable outlook for HCA's credit rating.

Market News and Data

As it is one of only two hospital operators in our coverage universe, we compare HCA with Tenet Healthcare Inc (B-, positive). Given their very different ratings, though, we expand HCA's comparables to the broader healthcare market with notes from Teva Pharmaceutical Industries Ltd (BB, stable). All of the following bond data is sourced from Interactive Data.

- HCA's (BB+, stable) 5.63% notes due 2028 at 98.25, yield to maturity of 5.86%, and spread to maturity of +275 basis points.
- Teva's (BB, stable) 3.15% notes due 2026 at 80.86, yield to maturity of 6.25%, and spread to maturity of +320 basis points.

- Tenet's (B-, positive) 7.00% notes due in 2025 at 97.47, yield to maturity of 7.48%, and spread to maturity of +447 basis points.

For comparison, BofA Merrill Lynch's U.S. BB High Yield Index was recently indicated at 5.53% and a spread of +258 basis points

Allergan (BBB, Stable) Sees Relief in 3Q as Restasis Generics Delayed; Debt Refinancing in 4Q
MCR Credit Risk Assessment
On Oct. 30, Allergan PLC (BBB, stable) experienced a decline in revenue in the third quarter mainly from the loss of patent protection for the Alzheimer's disease treatment Namenda XR and women's health medicine Estrace. But a delay in the introduction of a Restasis generic helped the firm raise its expectation for sales in 2018. We expect the current patent cliff along with divestures will damp revenue and profitability through 2019, but we still forecast sales and EBITDA to increase in the low to mid-single digits compounded annually through 2022, which informs our stable outlook.

Allergan's respite from generic competition to dry-eye drops Restasis (about 8% of total sales) may be short-lived, as the firm expects new copycat treatments sometime in November 2018 to January 2019. In light of the delay, management slightly increased its 2018 revenue forecast to $15.55 billion-$15.70 billion (a decrease of about 2.0% at the midpoint of the range from 2017) from its prior guidance of $15.45 billion-$15.60 billion. The firm also increased its outlook for non-GAAP net income per share in 2018 to $16.20-$16.60 from $16.00-$16.50, boosted by share repurchases of $2.0 billion in the first nine months of 2018. Allergan can manage through its present patent cliff; however, we now expect the most pronounced erosion in 2019 (as opposed to 2018) concomitant with generic competition to Restasis and as contributions from new pharmaceuticals and medical devices (12 novel products launched in 2017) ramp up over time. Also, we expect the next wave of innovation to arise in 2020 given anticipated regulatory filings of migraine drug candidate ubrogepant in the first quarter of 2019 and eye care project abicipar (with collaborator Molecular Partners) in the first half of 2019.

Allergan has significantly decreased its elevated debt load, having repaid $6.5 billion of outstanding obligations throughout 2018. As a result, total debt was $23.6 billion on Sept. 30, or gross leverage of 3.0 times for the trailing 12-month period, falling comfortably within the firm's target of 3.0-3.5 times. Considering $1.2 billion in cash and investments, net leverage was 2.8 times for the latest 12 months ended Sept. 30. The company mentioned refinancing currently underway that will result in net debt retirement year to date of $5.4 billion on a pro forma basis, which implies an increase of $1 billion in the end of third-quarter debt level to yield slightly higher pro forma debt leverage of 3.1 times for the latest 12 months ended Sept. 30, in our estimation. We view Allergan as having the financial flexibility to further ease its debt load, given free cash flow averaging more than $5.5 billion annually through 2022 versus around $13 billion of maturing debt obligations in 2019-22 composed of $1.3 billion due in 2019, $4.7 billion due in 2020, $2.6 billion due in 2021, and $4.7 billion in 2022. In addition, the firm plans to use proceeds from the divestment of its infectious disease and women's health businesses for debt reduction to compensate for earnings erosion from the sales of these assets and Restasis generic competition in the near term. But we expect Allergan to mostly refinance the coming maturities, keeping its debt load steady after reaching its targeted leverage range, which helps inform our stable outlook for Allergan's rating.

Market News and Data

For closest comparisons to Allergan's notes, we frame the firm's notes using higher-rated AbbVie Inc (BBB+, stable) and lower-rated Shire PLC (BBB-/UR). Within this comparable group, Allergan's bonds due 2025 trade at spreads close to AbbVie's bonds due 2026 and around the level of the BBB+ Morningstar Corporate Bond Index. All of 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:

- Allergan's 3.25% notes due in 2022 at +108 basis points.
- AbbVie's 2.90% notes due 2022 at +82 basis points.
- Shire's 2.88% notes due 2023 at +115 basis points.

In the approximate 10-year maturity bucket, bonds from these issuers recently traded over the nearest Treasury as follows:

- Allergan's 3.80% notes due in 2025 at +136 basis points.
- AbbVie's 3.20% notes due 2026 at +136 basis points.
- Shire's 3.20% notes due 2026 at +147 basis points.

For comparison to the approximate 10-year maturities, the Morningstar Corporate Bond Index is at +145 basis points in the BBB+ category, +157 basis points in the BBB category, and +179 basis points in the BBB- category.

Amgen (A, Stable) Posts Modest Sales Growth in 3Q;
Cash Rebuild Limited by Shareholder Rewards

MCR Credit Risk Assessment

On Oct. 30, Amgen Inc. (A, stable) announced revenue growth of 2% and adjusted earnings per share growth of 13% in the third quarter as it works to refresh its aging biopharmaceutical portfolio challenged by biosimilar and next-generation competition. Our stable outlook reflects our expectation that the firm can withstand branded and biosimilar competition to its older pharmaceutical portfolio via research innovation and attractive demand for its novel medicines.

Amgen's sales increase in the third quarter was driven by solid demand for osteoporosis treatment Prolia (increased 15%), increased uptake of cancer drug Kyprolis (rose 12%), and expanding use of cholesterol-lowering medicine Repatha (increased 35%). Performance of these medicines more than offset declining revenue coming from its maturing biopharmaceutical portfolio—Enbrel (autoimmune disorders), and blood treatments Epogen, Neulasta, and Neupogen—that declined 5%, 5%, 6%, and 38%, respectively, from increased brand and biosimilar competition. We expect total revenue to reach a floor in 2018 but improve thereafter to yield low-single-digit growth through 2022 compounded annually, thanks to new drug launches including the novel migraine treatment Aimovig and a growing biosimilar portfolio. With continued solid performance, management positively revised its expectations for 2018 and now anticipates total revenue to fall in the range of $23.2 billion-$23.5 billion (from $22.5 billion-$23.2 billion), representing an increase of 2.2% at the midpoint of its target. The firm also increased its outlook for adjusted EPS to $14.00-$14.25 from $13.30-$14.00. We estimate EBITDA growth slightly ahead of sales performance through 2022, as Amgen has successfully held down operating expenses through its transformation efforts since 2014.

Amgen's cash and investments balance has withered throughout 2018 as the firm focused its capital allocation on shareholder rewards, including share repurchases of $15.6 billion and dividends of $2.7 billion. As a result, the firm's cash balance fell to $29.9 billion on Sept. 30 from $41.7 billion at the end of 2017. With total debt holding relatively steady at $34.4 billion on Sept. 30, Amgen's net leverage was 0.4 times for the trailing 12 months compared with a net cash position at the end of 2017. Considering the increased share-repurchase authorization by $5 billion in April, Amgen had $3.7 billion of repurchase authorization remaining on Sept. 30. Gross debt leverage for the trailing 12 months ended Sept. 30 was 2.8 times, nearly consistent with the level at the end of 2017. With debt reduction as a low priority, we expect steady EBITDA generation may be the main contributor to keeping debt leverage relatively constant over the next few years. While we expect the company's top focus for cash flows to remain shareholder rewards, including an increasing dividend, we see Amgen increasing its M&A focus toward later-stage research assets shifting from early-stage candidates. For the latest 12 months ended at the third quarter, the firm paid about $3.5 billion in dividends and repurchased $16.5 billion in equity, compared with $10.4 billion in free cash flow (operating cash flow of $11.1 billion less capital spending of $666 million). Our stable outlook considers that Amgen can effectively manage its balance sheet while greatly rewarding shareholders, but aggressive shareholder returns lessen our conviction somewhat.

Market News and Data

For closest comparisons to Amgen's notes, we look to similar-rated companies Biogen Inc (A, stable) and Gilead Sciences Inc (A, stable) and lower-rated biotech firm Celgene Corp (A-, stable). Within this comparable group and adjusted for bond maturities, Amgen's 10-year bonds recently traded wider than those at Gilead and closest to the Morningstar Corporate Bond Index in the A- category. The 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:

- Amgen's 3.63% notes due 2022 at +68 basis points.
- Gilead's 1.95% notes due 2022 at +45 basis points.
- Biogen's 3.63% notes due 2022 at +69 basis points.
- Celgene's 3.25% notes due 2022 at +86 basis points.

In the approximate 10-year maturity bucket, bonds from these issuers recently traded over the nearest Treasury as follows:

- Amgen's 3.20% notes due 2027 at +111 basis points.
- Gilead's 2.95% notes due 2027 at +102 basis points.

- Biogen's 4.05% notes due 2025 at +109 basis points.
- Celgene's 3.88% notes due 2025 at +138 basis points.

For comparison to the approximate 10-year maturities, the Morningstar Corporate Bond Index is at +97 basis points in the A category and at +111 basis points in the A- category.

Event Risk Rises at Baxter International Inc (A, Stable)
After Medication Delivery and Nutrition Division Problems Revealed in 3Q
MCR Credit Risk Assessment
On Oct. 31, Baxter International Inc (A, stable) turned in third-quarter operating results that beat consensus on the bottom line. However, two divisions reported weaker-than-expected results that caused management to trim its 2018 outlook. We do not expect these to be long-term problems, and management remained committed to its long-range projections through 2023. However, creditors should be aware that management appeared more aggressive on potential acquisitions than we had heard in the past. Although event risk appears to be rising, the company's balance sheet remains very flexible at a net neutral position. Our rating already assumes that net leverage will rise toward its target of 2.0 times, so if management remains committed to that target on a sustainable basis, our credit rating could remain appropriate, which reinforces our stable outlook.

During the third quarter, Baxter beat expectations on the bottom line, but problems in two divisions (medication delivery and nutrition) caused the firm to trim its outlook for 2018. During the quarter, total sales grew 3% on an operational basis year over year to $2.8 billion (in line with consensus). Positively, the firm expanded its adjusted operating margin by 170 basis points versus the year-ago period to 18.3%, which helped adjusted earnings per share grow 25% to $0.80 (above consensus of $0.74) along with tax reform benefits and share repurchases.

Despite this outperformance on the bottom line, Baxter's top management team was surprised by problems in the medication delivery and nutrition divisions, which declined 3% and 2%, respectively, on an operational basis. Given these results, the company replaced key managers in those divisions because of a lack of understanding of their markets, which resulted in poor forecasts. A temporary spike in volume on some products in the first five months of 2018 related to previous supply disruptions after Hurricane Maria and an unusually strong flu season last year were highlighted as factors that were not accounted for properly. Since then, many hospital customers have been destocking their internal supplies, which influenced revenue declines in those Baxter divisions. Also, some customers changed their patient care protocols due to supply disruptions related to Baxter's products, particularly the Mini-Bag and Mini-Bag Plus products.

While Baxter believes some of that business will return in 2019 and beyond, it has lowered its outlook for 2018. Baxter now expects low-single-digit declines in its medication delivery and nutrition divisions (versus 4% and 2% previously expected increases, respectively), which has resulted in lower expected top-line growth in 2018 (3% growth operationally) than its previous expectation (4%-5% growth operationally). Also, Baxter has trimmed its free cash flow expectation slightly for the year (to around

$1.5 billion versus $1.55 billion) as its slower-than-expected growth has caused inventories to rise on its balance sheet. However, free cash flow growth should still exceed 20% year over year, and Baxter has not reduced its adjusted earnings per share outlook for 2018 ($2.98-$3.00) or its long-range plan for the firm. From 2018 through 2023, Baxter expects to increase revenue about 5% compounded annually on a constant-currency basis, increase its operating margin to 23%-24%, boost adjusted earnings per share to about $5, and generate free cash flow of $2.65 billion. Management remains committed to that plan.

On the call, though, the company was questioned about its balance sheet management, as the firm's roughly net neutral position stands well below its 2.0 times net leverage target. Management noted that repurchases and acquisitions were likely. In particular, the company's rhetoric on acquisitions was more aggressive than we have heard previously. Basically, acquisitions of any size, rather than its previous preference for tuck-ins, would be considered. Also, the company's leverage could rise above its target in an acquisition scenario. If management expects to deleverage to its 2.0 net leverage target in a reasonable time frame, our current rating could remain appropriate, which informs our stable outlook. However, if that target changes due to an acquisition or other factors, our rating or stable outlook could change as well.

Market News and Data

We compare Baxter's bonds to higher-rated medical technology firms Medtronic PLC (A+, stable) and Stryker Corp (A+, stable). Baxter's bonds recently traded wider than Medtronic's bonds, tighter than Stryker's bonds, and close to the A category of the Morningstar Corporate Bond Index at A. All of the following bond data is sourced from Interactive Data.

In the approximate 10-year maturity area, bonds in this comparable group recently traded over the nearest Treasury as follows:

- Baxter's 2.60% notes due 2026 at +99 basis points.
- Medtronic's 3.35% notes due 2027 at +78 basis points.
- Stryker's 3.65% notes due 2028 at +109 basis points.

For comparison with the approximate 10-year maturities, the Morningstar Corporate Bond Index recently was at +82 basis points in the A+ category and +98 basis points in the A category.

In the approximate 30-year maturity area, bonds in this comparable group recently traded over the nearest Treasury as follows:

- Baxter's 3.50% notes due 2046 at +136 basis points.
- Medtronic's 4.63% notes due 2045 at +118 basis points.
- Stryker's 4.63% notes due 2046 at +142 basis points.

BP (A-, Stable) Issuing New 5- and 10-Year Senior Unsecured Notes

Market News and Data

BP plc (A-, stable) is reportedly in the market Nov. 1 with an offering of 5- and 10-year senior unsecured notes. Proceeds from the offering will be used for general corporate purposes, including working capital for BP or other companies in the BP Group and the repayment of existing borrowings.

For market comparisons, we reference integrated oil and gas peers ExxonMobil (AA+, stable) and Chevron (AA-, stable). As the world's largest refiner and one of the world's largest manufacturers of commodity and specialty chemicals, ExxonMobil is much larger than BP. Chevron is the second-largest oil company in the U.S., conducting exploration, production, and refining operations worldwide. All of the bond data is sourced from pricing service Interactive Data.

In the approximate 5-year maturity bucket, bonds from these issuers recently traded over the nearest Treasury as follows:

- BP 3.944% notes due September 2023 at +74 basis points.
- Chevron 3.171% notes due June 2023 at +60 basis points.
- ExxonMobil 2.726% notes due March 2023 at +48 basis points.

In the approximate 10-year maturity bucket, bonds from these issuers recently traded as follows:

- BP 3.588% notes due April 2027 at +103 basis points.
- Chevron 2.954% notes due May 2026 at +77 basis points.
- ExxonMobil 3.043% notes due March 2026 at +68 basis points.

For comparison to the approximate 10-year maturities, the Morningstar Corporate Bond Index is at +112 basis points in the A- and +92 basis points in the A categories, respectively.

MCR Credit Risk Assessment

Our A- rating on BP reflects the company's large scale and geographically diversified upstream reserves and integrated operations. BP typically derives about 70% of total operating income from the upstream segment and 30% from downstream. In order of significance, Rosneft (Russia, 19.75% equity stake), the U.S., Africa, and Trinidad and Tobago account for a significant percentage of total BP oil-equivalent production. The company's large size, market share, and narrow moat rating (as assigned by Morningstar's Equity Research Group) helps to offset end-market cyclicality, resulting in a moderate Business Risk score.

Although operating income is mostly derived from upstream activities, BP's downstream operations often achieve higher margins during times of low energy prices, partially offsetting the decline of production income. To pay for the more than $20 billion U.S. government settlement stemming from the 2010 Gulf of Mexico oil spill, BP undertook a broad asset-monetization program. BP has emerged from the incident with a smaller, more focused business footprint, and revamped companywide safety policies and procedures that have resulted in, thus far, an improved safety record. With $26.2 billion in cash and equivalents and estimated $7.4 billion available on bank facilities at Sept. 30, BP has more than adequate liquidity relative to near-term debt maturities.

Regarding leverage, we estimate the ratio of total debt/trailing EBITDAX to decline from 1.7 times at Sept. 30 to less than 1 times by 2022. We forecast revenue to grow 8% per year and EBITDAX margins to expand to 16% in 2022 from about 13% in 2018 as the company benefits from a rebound in energy pricing and a lower cost structure. After capital expenditures, dividends, share repurchases, and divestments, we estimate net cash flow for BP in 2018 of $8 billion, steadily increasing thereafter.

National Retail Properties (BBB+, Stable) Reports Steady 3Q With Light Acquisition Volume

MCR Credit Risk Assessment

National Retail Properties, Inc. (BBB+, stable), known in the real estate investment trust industry by its NNN ticker symbol, reported third-quarter earnings consistent with its historical record of solid performance with a steadily growing portfolio. Its straightforward business model of acquiring and owning mostly stand-alone, single-tenant properties with long-term triple-net leases to Internet-resistant tenants, plus decades of experience through several economic cycles and a good quality property portfolio support its moderate Business Risk position. Its substantial liquidity, bolstered by a portfolio with very little mortgage debt and a credit facility with a $900 million capacity, underpins its moderate Cash Flow Cushion.

The company's revenue for the third quarter rose 5.1% to $155 million versus the third quarter of 2017, while funds from operations increased 7.5% to $105 million. Portfolio occupancy ticked up 20 basis points to 98.7% as of Sept. 30. Occupancy had been as high as 99.2% during the first quarter, until tenant bankruptcies pulled it below 99% later in the year. The company purchased 18 properties for $79 million during the quarter, bringing the year-to-date totals to 129 and $396 million, respectively. Guidance for 2018 remains at $600 million-$700 million in total acquisitions. National Retail Properties has a long history of being largely a net buyer; annual acquisition spending averaged $715 million from 2013 through 2017 as dispositions averaged just $71 million.

The lower end of guidance for 2018 core funds from operations per share has been revised upward to $2.64 from $2.62, with the upper end remaining at $2.66. As well, management introduced core FFO per share guidance for 2019 at $2.71-$2.76. We project the company to generate rent growth at an annual rate of about 2.5% over the next 12-24 months while maintaining debt at around 5.2 times EBITDA and between 35% to 38% of gross assets. We project interest coverage to be around 4.5 times EBITDA. The company extended its weighted average maturity to 9.6 years with the help of the $300 million 30-year bond issuance at 4.8% (in addition to $400 million of 10-year notes at 4.3%) and reduced its average interest cost with the early retirement of $300 million of 5.5% bonds due in 2021, both of which support financial flexibility.

Market News and Data

National Retail Properties' retail REIT peers are Kimco Realty Corporation (BBB+, stable), Regency Centers Corporation (BBB+, stable), and Weingarten Realty Investors (BBB, positive). The following pricing data is from Interactive Data as of Oct. 30.

In the 10-year area, spreads over the nearest Treasury from these issuers are:

- National Retail Properties' $400 million 4.30% bonds due 2028 at +134 basis points.
- Kimco Realty's $400 million 3.80% bonds due 2027 at +144 basis points.
- Regency's $300 million 4.125% bonds due 2028 at +134 basis points.
- Weingarten's $250 million 3.25% bonds due 2026 at +146 basis points.

The BBB+ Morningstar Corporate Bond Index is currently at a spread of +146 basis points.

Hanesbrands (BBB-, Stable) Remains on Track to Hit Leverage Target as Champion Outperforms

MCR Credit Risk Assessment

Hanesbrands' (BBB-, stable) reported third-quarter results, reiterating its forecast to reach a long-term debt leverage target of 2-3 times in the second half of 2019, while also confirming it remains on track to double revenue from its Champion brand to $2 billion over the five-year period ended 2022.

Hanesbrands reported a 3% revenue increase, including a 1% gain in constant-currency organic sales. Revenue increased despite ongoing weakness in the company's innerwear segment, which declined 7% from last year. Sales from the Champion brand increased 30% on a constant-currency basis. Successful execution of management's strategy to improve sales from its consumer-directed channels was evident, as revenue from its online and company-operated stores increased 15% and now represents 21% of total sales. EBITDA, adjusted for acquisitions and integration related charges, increased 10 basis points to 16.9% in the quarter, reflecting 50 basis points of improvement in gross margins. Excluding $14 million of bad debt expense related to the Sears bankruptcy, adjusted EBITDA margins were 17.6%. For the last 12 months, EBITDA was $1.08 billion, or 16.2% of sales. For full-year 2018, management forecasts revenue to increase 4.3% to $6.75 billion, which assumes organic growth of 1.5%. Management anticipates fourth-quarter innerwear segment revenue will be flat with last year, as indicated by positive point of sales trends.

During the quarter, Hanesbrands repaid approximately $115 million to reduce debt to $4.4 billion, resulting in a slight decline in net debt/adjusted EBITDA to 3.8 times. Hanesbrands' management continues to expect that net debt/adjusted EBITDA will approach 3 times by the end of 2018 and will be within its targeted leverage range of 2-3 times in the second half of 2019.

Morningstar's BBB- rating on Hanesbrands continues to reflect the leading market positions of its brands, along with competitive advantages in the apparel industry that is underscored by strong midteens return on invested capital, ongoing successful execution of an active acquisition strategy, and a clearly articulated near-term financial policy goal. A stable rating outlook reflects the expectation the company's leadership positions will continue to support solid profitability and that the company will manage its debt leverage within targets despite temporary increases that may occur due to its ongoing acquisition strategy.

Market News and Data
According to Trace, Hanesbrands' $900 million 4.875% notes due 2026 are indicated at +267 basis points over the nearest Treasury. By comparison, Macy's (BBB-, negative) $300 million 7.00% notes due 2028 are at +307 basis points and Bed Bath & Beyond's (BB+, negative) $300 million 3.750% notes due 2024 are indicated at +340 basis points. Additionally, the BBB- Morningstar Corporate Bond Index is at a spread of +180 basis points.

Teva (BB, Stable) Raises EBITDA Expectation on Cost Savings and Better Revenue in 3Q; Leverage Rises Despite Lighter Debt Load
MCR Credit Risk Assessment
On Nov. 1, Teva Pharmaceutical Industries Ltd (BB, stable) announced better-than-expected operational performance albeit declining, which prompted the firm to positively revise its result guidance for 2018. We expect Teva to continue to direct free cash flow to improve its weakened financial position and offset earnings pressure to steady elevated debt leverage, which helps inform our stable outlook on the company's rating.

Teva's flailing operational performance continued into the third quarter as total revenue dropped 24.0% to $4.5 billion from tight pricing within the U.S. generic market and Copaxone sales erosion due to generic competition of 39.1% (including a 43.4% drop in U.S.). Despite contending with generic versions of Copaxone from Mylan (BBB-, negative) and Novartis' (AA, stable) Sandoz, Teva slightly increased its expectation of revenue in 2018 to $18.6 billion-$19.0 billion from $18.5 billion-$19.0 billion in 2018 (a 15% decline from 2017 at the midpoint). Given successful cost-reduction efforts that have trimmed $1.8 billion of manufacturing and operating costs so far in 2018, management increased its outlook for EBITDA in 2018 to $5.2 billion-$5.4 billion from $5.0 billion-$5.3 billion and free cash flow of $3.6 billion-$3.8 billion from $3.2 billion-$3.4 billion. Teva still commits to achieving $3 billion of annual savings by 2019 through its restructuring plan. We estimate a moderation of revenue and EBITDA declines into the low single digits compounded annually over the next five years, assuming solid execution of its restructuring plan and successful commercialization of novel medicines. Recovery of top-line growth in the intermediate term may be supported by continued uptake of specialty drug Austedo for Huntington's disease and tardive dyskinesia and the recent U.S. launch of migraine drug Ajovy in September.

During the third quarter, Teva continued to ease its debt burden, which stood at $29.5 billion on Sept. 30, compared with $30.2 billion on June 30 and $32.5 billion at the end of 2017. Despite this reduction, gross debt leverage increased to 5.7 times for the latest 12 months versus 5.3 times in 2017, resulting from earnings compression. With cash and investments of $1.9 billion on Sept. 30, net leverage was 5.4 times, by our estimates. Debt reduction remains the highest priority for cash deployment and the firm still expects to decrease net leverage to below 4 times EBITDA by 2020 and under 3 times within three to five years. Teva closed in on its target of reducing debt by at least $3.5 billion during 2018 with the repayment of Swiss notes (about $458 million) in October that would bring the total to $3.4 billion for the year. The firm also expects to further decrease the debt level by between $2.5 billion and $3 billion in 2019. This demonstrated commitment gives us conviction that Teva can materially reduce high financial leverage, which helps inform our stable outlook. Teva is still far from reaching its current leverage target that we see requiring a combination of substantial debt reduction and stronger EBITDA generation stemming from continued execution against its restructuring program together with successful commercialization of new products. Teva has some financial flexibility to address its debt burden with free cash flow that we see averaging around $3 billion annually over the next five years.

Market News and Data

We compare Teva's unsecured bonds with another peer that is rated in the general BB category in the healthcare industry, healthcare provider HCA Healthcare Inc. (BB+, stable). Teva's unsecured bonds due in 2026 recently traded much wider than those of HCA. All the following bond data is sourced from Interactive Data.

- Teva's (BB, stable) 3.15% unsecured notes due in 2026 were recently indicated at 81.50, a yield to maturity of 6.14%, and a spread to maturity of +305 basis points.
- HCA's (BB+, stable) 5.38% unsecured notes due in 2026 were recently indicated at 99.25, a yield to maturity of 5.49%, and a spread to maturity of +241 basis points

Marathon Petroleum (BBB, Stable) Posts Decent 3Q Results;
Closed Andeavor Acquisition on Oct. 1 With Integration Underway

MCR Credit Risk Assessment

On Nov. 1, Marathon Petroleum (BBB, stable), reported third-quarter revenue of $23.1 billion, a solid 19% increase from the $19.4 billion revenue in the third quarter of 2017. However, total segment EBITDA for the third quarter was $2.04 billion, $119 million (6%) less than $2.16 billion generated in the year-ago period. After capital expenditures of $945 million, we estimate free cash flow for the third quarter of 2018 was $235 million. Initially announced April 30, Marathon Petroleum's acquisition of Andeavor (not rated) closed Oct. 1, forming the largest U.S. refiner by crude throughput capacity.

On the earnings conference call, management explained that lower Midwest and Gulf Coast crack spreads resulted in the operating income contribution from the refining and marketing segment to be 18% lower than last year. However, third-quarter contribution from the midstream segment increased 27% from a year ago largely on increased pipeline volumes and record gathered, processed, and fractionated volumes (not including the contribution from Marathon Petroleum's drop-down of refining and logistics assets to MPLX LP (not rated) in February). Lower light product margins and higher operating expenses caused the company's Speedway convenience store chain to contribute 23% less than the year-ago period. The integration of Andeavor owned and operated stores to the Speedway brand is now underway.

At the end of the September quarter, Marathon Petroleum had $18.4 billion in total debt and $5.0 billion in cash and equivalents. After consummation of the deal, we estimate last 12-month debt/EBITDA for Marathon Petroleum would increase to 2.8 times from 2.7 times, and net debt/EBITDA would increase to

2.1 times from 2.0 times, pro forma for Andeavor's contribution (assuming no synergies) and assumption of Andeavor's net debt. Marathon Petroleum continues to estimate that the combination will achieve at least $1 billion of annual cost synergies with the run rate realized by the end of the third year. Merger synergies (including cost synergies) should help to offset the modest increase in debt leverage.

On a stand-alone basis, Marathon Petroleum's liquidity is excellent. At the end of September, Marathon Petroleum has $5.0 billion in cash and equivalents (includes $37 million from MPLX) and an aggregate $3.25 billion from credit facilities and a trade receivables facility. Further, as of Sept. 30, MPLX had approximately $1.25 billion available on its bank revolving credit facility and $1.0 billion available through its credit facility with Marathon Petroleum. Marathon controls MPLX through ownership of its noneconomic general partner interest and owns about 64% of outstanding MPLX common units. Marathon Petroleum is assessing all options for MPLX and Andeavor Logistics LP (not rated), a master limited partnership that was controlled by Andeavor, including combining the two MLPs.

Market News and Data

Marathon can be compared with Valero Energy (BBB+, stable), a U.S.-based refining peer. According to pricing service Interactive Data, the 3.80% notes due in 2028 from Marathon, recently traded at +147 basis points over the nearest Treasury. By comparison, Valero's 4.35% notes due in 2028 recently traded at +154 basis points. For Phillips 66 (BBB+, stable), a more diversified U.S.-based refiner, the 3.90% notes due on March 15, 2028, recently traded at +134 basis points over the nearest Treasury.

AbbVie's (BBB+, Stable) Industry-Leading Sales Growth Continues in 3Q; Faces $3 Billion of Maturing Debt in 4Q

MCR Credit Risk Assessment

On Nov. 2, AbbVie Inc. (BBB+, stable) revealed very strong operating results as shown by adjusted top-line growth in the third quarter of 18.5% on an operational basis (17.8% reported growth) that propelled a 51.8% jump in adjusted earnings after taxes. Continued solid operating performance reinforces our expectation that AbbVie can overcome recently launched biosimilar Humira competition in Europe with newer medicines and potential contribution from its late-stage research pipeline, which informs our stable rating outlook.

Ahead of the entrance of biosimilar versions of Humira in Europe, sales of AbbVie's bestseller Humira (autoimmune disorders) grew by 9.8% operationally, comprising an increase of 12.5% in the U.S. and a rise of 4.2% in international markets. Despite the launch of four biosimilars to Humira in October that has ratcheted up discounting internationally, the firm still expects to achieve $6.3 billion of sales outside the U.S. in 2018. In addition, the hematologic oncology agent Imbruvica continues to experience strong uptake in chronic lymphocytic leukemia that yielded revenue growth of 41.3% in the third quarter. Given the solid performance through the first nine months of the year, AbbVie expects to reach $32.7 billion of sales in 2018 (was $32.5 billion previously), including around $3.5 billion of Imbruvica sales.

Further ensuring market exclusivity for Humira in the U.S., AbbVie recently reached patent agreements with two more biosimilar competitors—Fresenius' Kabi (not rated) and Novartis' (AA, stable) Sandoz division—bringing the total to five biosimilar developers that cannot enter the market until 2023. With these agreements, we now see more-certain growth rates for revenue in the midsingle digits and EBITDA in the low double digits compounded annually in 2017-22, which supports our moderate Cash Flow Cushion. Our forecast considers solid contributions from expanding clinical utility of oncology medicines Venclexta and Imbruvica and continued demand for HCV treatment Mavyret ($839 million in sales in the third quarter). Our projections also include strong uptake of recently approved first-in-class endometriosis treatment Orilissa and potential commercialization of novel late-stage immunology drug candidates risankizumab (moderate to severe psoriasis) and upadacitinib (moderate to severe rheumatoid arthritis) in 2019.

While no balance sheet or cash flow information is offered on the firm's quarterly conference calls, we assume that gross debt remained near the second-quarter level of $37.1 billion, given AbbVie's lack of focus on debt reduction. This debt balance was consistent with the first quarter, given that the firm used a one-year term loan to refinance $3 billion of maturing 1.8% notes that came due in May. As a result, total debt leverage was 2.8 times for the latest 12 months as of June 30. For the remainder of 2018, AbbVie has a total of $3 billion of debt obligations maturing composed of $1 billion in 2% unsecured notes due in November and $2 billion of floating-rate notes. With a cash balance of $3.7 billion as of June 30 and free cash flow that we see averaging over $7.5 billion over the next five years, AbbVie has the financial flexibility to repay this debt. But the firm prioritizes shareholder rewards, including an 11.5% increase to its dividend in 2019 (on top of a 35% jump this year) and $8.9 billion in share repurchases in the first half of 2018. Growing shareholder rewards may minimize debt reduction, limiting improvement to our moderate Cash Flow Cushion and strong Solvency Score pillars. As such, we anticipate that improvement in debt leverage over the long term may stem mainly from solid operational improvement, which helps inform our stable outlook.

Market News and Data

For comparison with AbbVie's notes, we look to similar-rated AstraZeneca PLC (BBB+, stable) as well as lower-rated peer Allergan PLC (BBB, stable). Within this comparable group and adjusted for bond maturities, AbbVie's bonds due 2026 recently traded wider than those at AstraZeneca. These bonds also traded close to the level of the BBB+ Morningstar Corporate Bond Index. All 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:

- AbbVie's 2.90% notes due 2022 at +80 basis points.
- AstraZeneca's 2.38% notes due 2022 at +80 basis points.
- Allergan's 3.25% notes due 2022 at +105 basis points.

In the approximate 10-year maturity bucket, bonds from these issuers recently traded over the nearest Treasury as follows:

- AbbVie's 3.20% notes due 2026 at +142 basis points.
- AstraZeneca's 3.13% notes due 2027 at +118 basis points.
- Allergan's 3.80% notes due 2025 at +137 basis points.

For comparison with the approximate 10-year maturities, the Morningstar Corporate Bond Index is at +148 basis points in the BBB+ category and at +159 basis points in the BBB category.

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