

Consumer & Retail

DIY on hiatus

Industry Overview

Retail hardlines prints light, FTC sues KR/ACI merger

Earnings continued last week skewed to Retail where hardlines experienced light 4Q results on impacts from weather and DIY softness, the latter which we expect to leak into 1H24, while other sector news focused on capital deployment, including an FTC lawsuit to stop grocery consolidation. BBB's were weak, notably in Retail, Food & Drug Retail, and Consumer Products. In economic news, January consumer spending rose +0.2% (in-line with consensus) and income increased +1% (ahead of +0.4% consensus). February UofMich sentiment missed estimates at 76.9 vs 79.6 est. but inflation expectations are unchanged. The **ICE BofA IG Corp Bond Index** widened +6bps w/w, returning +0.18%. Cyclical widened +5bps and Non-Cyclical +7bps with both returns in-line. New issuance totaled \$55.55bn last week (including \$1.5bn from Tyson Foods) with \$30bn+ expected this week and a slower March (\$125bn).

Zooming in on **Retail (+4bps)**, AutoZone 2Q comps missed our est. given factors previously stated but EBITDA and margins were well ahead given supply chain productivity. 2.4x leverage is consistent with AZO's target but additional issuance may be required to both repay \$300mn Notes (mid-Apr) and maintain buybacks unless FCF seasonality and 2H working capital improves. Maintain Marketweight. Advance Auto Parts 4Q widely missed est. as they recalibrate inventory and manage elevated supply chain costs. Leverage rose to 4.0x and management sought additional add-back flexibility while amending its revolving credit facility covenants again (an increasing read-thru concern for vendor financing program costs). Until we see more valuation clarity on Worldpac or have a path back to IG (AAP fell in both indices this month), we think bonds are fairly valued and reiterated Marketweight. Lowe's 4Q results fared better than our est.'s despite caution in customer's DIY projects and harsh winter weather in Jan. This was offset by FY24 guidance below our forecast but the silver lining is this fully rebases expectations in our view, assumes no market improvement (which we see occurring), and is backed by slower buybacks and further debt pay down to defend leverage creeping to 3x (vs 2.75x target). We remain Overweight but expect the magnitude of upside to slow vs. more compelling valuation mid-'23. Discount retailer performance remained strong as TJX Cos 4Q results were above consensus with management commenting that 1Q is off to a good start despite weather disruption in early February. In **Food Retail (+7bps)**, the FTC finally sued to block the proposed merger of Kroger & Albertsons (as anticipated) on grounds that the deal would hurt consumers via prices & quality and workers negotiation abilities. They see the proposed divestiture to C&S Wholesale as inadequate, creating an inferior competitor in scale, assets & resources. KR spreads widened +3-5bps with the market on minimal volume.

In **Packaged Food (+5bps)**, Conagra Brands announced plans to divest its 51.8% stake in Indian food producer Agro Tech Foods for implied pre-tax proceeds of ~\$150mn. We expect this to be used for working capital or debt reduction. J.M. Smucker 3Q results were mixed in the company's first quarter post the acquisition of Hostess Brands though expectations were elevated. Top-line beat estimates led by Pet and Coffee performance while EBITDA missed on the step-up..continued on next page...

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Valuation & Risk on page 23.

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High Grade Credit
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Retailing & Consumer

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Exhibit 1: Market week ended 3/1/24

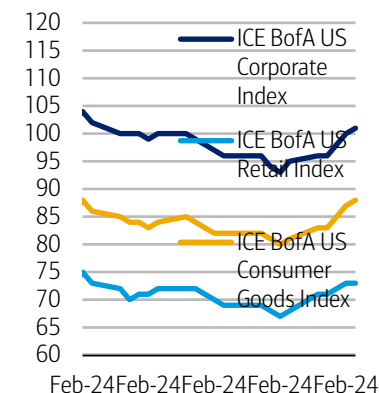
Last week's market performance

Market	Value	WoW
IG ICE BofA Index	101	+6
IG ICE BofA Index (yld)	5.40	(2)
HY ICE BofA Index	463	+9
HY ICE BofA Index (yld)	7.86	+2
CDX IG 5yr	51	(0)
CDX HY 5yr	334	(4)
Consumer Cyclical	73	+5
Consumer Non-Cyclical	88	+7
5yr Treasury (yld)	4.16	(12)
10yr Treasury (yld)	4.18	(7)
30yr Treasury (yld)	4.33	(4)
S&P 500 (index)	5,137	0.9%

Source: ICE Data Indices, LLC, Bloomberg
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Exhibit 2: Consumer/Retail Spreads

1mo spread performance



Source: ICE Data Indices, LLC, Bloomberg
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...in depreciation & amortization and margins were light. FY24 guidance was tightened and the free cash flow outlook lowered. In **Beverages (+6bps)**, Anheuser-Busch InBev reported mixed 4Q results with weak volumes driven by Bud Light in the US and FX weighing on reported sales & EBITDA (6% miss) but organic growth & margins beat our estimates. We expect ABIBB will repay maturities (~\$2.5bn) in FY24 to work down leverage (FY23 3.4x net) and could opportunistically look to tender \$2bn in 2H dependent on upside to EBITDA, ultimately trying to reach 3x. We remain Overweight long duration (\$), with relative value upside being +15bps vs. PepsiCo. Keurig Dr Pepper (KDP) announced that JAB Holdings (JABHOL) will sell shares via a secondary offering, reducing its stake to 21%, and KDP plans to repurchase 35mn (or slightly >\$1bn). This raises our supply forecast to \$2.5bn where we believe 10Y valuation near +100 is fair given KDP's favorable category exposure, cost & margin discipline, and disciplined capital decisions (2.0-2.5x LT net leverage vs. low-3x est.). Alternatively, JABHOL has not detailed explicit plans for debt reduction but assume it could be a combination of debt repayment, tenders, and holding some capital for reinvestment or future redeployment which managing LTV <20%. Lastly, in **Consumer Products (+6bps)**, Haleon 4Q and FY23 results were strong led by sales & recovering volumes but EBITDA and margins missed on translational FX and mix. FY24 guidance was introduced in-line with the company's MT outlook but encouragingly, management set a new 2.5x leverage target (-0.5x vs. FY23) indicating further conservatism along with optionality for M&A and buybacks & dividend (both raised).

Exhibit 3: Upcoming Consumer/Retail Events Calendar

2-week calendar of events, subject to change

March 2024				
Mon, Mar-04	Tue, Mar-05	Wed, Mar-06	Thu, Mar-07	Fri, Mar-08
	TGT 4Q23 earnings ROST 4Q23 earnings	CPB 2Q24 earnings BFB 3Q24 earnings DLTR 4Q23 earnings	KR 4Q23 earnings COST 2Q24 earnings	
Mon, Mar-11	Tue, Mar-12	Wed, Mar-13	Thu, Mar-14	Fri, Mar-15
	BofA C&R Conference	DLTR 4Q23 earnings BofA C&R Conference	DKS 4Q23 earnings DG 4Q23 earnings	ADM 4Q23 earnings BACARD 3Q24 earnings

Source: Company filings, Bloomberg

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Exhibit 4: Spread week over week changes

MDLZ & TAP front-end widened the most last week

Active Cash Trading				Active CDS			
Issuer		Chg (G-spread)		Issuer		Chg (G-spread)	
MDLZ	2.250% 9/19/2024	+15		INGR	2.900% 6/1/2030	-6	
TAP	3.000% 7/15/2026	+13		PVH	4.625% 7/10/2025	-4	
TSN	4.350% 3/1/2029	+10		BBY	1.950% 10/1/2030	-4	
GIS	3.000% 2/1/2051	+10		TPR	4.125% 7/15/2027	-4	
BATSLN	3.984% 9/25/2050	+10		CL	3.700% 8/1/2047	-3	
				Whirlpool Corp	131		3
				General Mills	35		1
				Darden Restaurants	39		1
				Tyson Foods	57		0
				McDonalds	25		-1

Source: Bloomberg

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Notable Consumer & Retail credit news**Retail**

Lowe's (LOW, Baa1/BBB+/-) 4Q results reflected a difficult operating environment for home improvement retail but were ultimately better than expected on comps, EBITDA and margins. The -6.2% comp decline is impacted by macroeconomic challenges weighing on DIY behavior, difficult comparisons, and the drag from winter weather in January. LOW's efforts around inventory management, in-store execution (cost & productivity), expanding private label penetration, and better procurement & transportation costs all helped margins recover +14bps y/y (vs. our -33bps est.), helped by a 3rd straight quarter of gross margin expansion. FY24 guidance was introduced below our & consensus est.'s given expectations for DIY demand to remain under pressure and comps to be 2H-weighted (vs. 1H est. -MSD%). This is due to lapping 1H23 comparisons, rather than any expected market improvement. Relative to already low expectations, this pragmatic approach helped re-base the FY24 earnings cadence. On capital allocation – LOW decelerated the buyback more than we est. in 4Q and didn't commit to a level in FY24 (we had est. \$3.85bn) and noted it expects to pay down its \$450mn September maturity with FCF given leverage is trending ~0.3x above its 2.75x target.

Exhibit 5: Lowe's 4Q23

LOW financial summary

	4Q23	BofA est.	Consensus
Sales	-17.1%	-18.5%	-18.3%
Total comps	-6.2%	-7.5%	-6.9%
Adj. EBITDA	-16.7%	-20.8%	-19.2%
Adj. EBITDA margin	12.0%	11.6%	11.3%
EPS	\$1.77	\$1.64	\$1.68



Exhibit 5: Lowe's 4Q23

LOW financial summary

	4Q23	BofA est.	Q/Q
Debt	\$40,145	\$40,553	\$92
Gross leverage	2.8x	2.9x	+0.1x
Net leverage	2.7x	2.8x	+0.1x

Source: BofA Global Research, Company filings, Visible Alpha

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Revenue-related commentary

- Total comps -6.2% beat our -7.5% est. and consensus -6.9%. Comps were composed of transactions -6.1% and ticket -0.1%. Comps were impacted by cautious behavior among DIY customers and harsh winter weather in January. Pro comps were flat & backlogs remain in-line, helped by LOW investment to engage Pro customers. Lowes.com sales declined -0.2% y/y during 4Q.
- Lumber deflation didn't have a material impact on comp sales
- U.S. monthly comp cadence: Nov -4.8%, Dec -6.6%, and Jan -7.4%. By basket size: ticket >\$500 comps -8.8%; \$100-500 -7.2%; and <\$100 -4.5%
- DIY consumers engaged in smaller non-discretionary projects in kitchen & bath, flooring, appliances
- Some customers are budget-conscious while others are trading up for innovative offerings

Profit and margin-related commentary

- Adj. EBITDA margins +14bps beat our -33bps estimate
- Gross margins expanded +7bps ahead of our -15bps est. driven by PPI initiatives, favorable product mix & costs, and lower transportation costs. SG&A (ex-D&A) deleveraged only +6bps (vs. our +25bps estimate) on investments in PPI initiatives (i.e. expanding private label, better inventory productivity, retail media network scale, procurement costs).

Capital allocation

- Repurchased \$404mn stock during the quarter (\$200mn on C/F statement) vs. our \$750mn est.
- Will use FCF to repay Sept \$450mn maturity and return excess cash to shareholders
- Reiterated capital allocation priorities: 1) investment in the business, 2) target 35% dividend payout ratio, 3) return excess cash to shareholders

FY24 guidance below estimates

- FY24 outlook: (a) Sales \$84-85bn vs. our \$85.6bn est.; (b) comps -2-3% vs. our -0.6% est.; (c) operating margin 12.6-12.7% vs. our 12.8% est.; (e) EPS \$12-12.30 vs. our \$12.63 est.; (f) CapEx ~\$2bn
- Expect Pro to continue to outpace DIY spend where comparisons remains difficult in 1H
- Expect 2H comps > 1H on easier comparisons
- 1Q: comps similar to 4Q23 and operating margin -200bps lower y/y due to volume deleverage & legal settlement in the period

AutoZone (AZO, Baa1/BBB/BBB) 2Q comps missed our estimate due to weather effects, DIY purchasing headwinds and seasonal comparisons but outweighing this sluggish top-line was stellar EBITDA and margin performance reflecting merchandise margin improvement & cost discipline, notably in the supply chain. Leverage ended 1H24 at 2.4x (-0.1x q/q) which was better than our 2.5x est. and AZO's LT target of 2.5x but 2H working capital and FCF seasonality will need to improve to support both ongoing share repurchases and repayment of \$300mn of notes maturing in mid-April without additional refinancing.

Exhibit 6: AutoZone 2Q24

AZO financial summary

	2Q24	BofA est.	Consensus
Revenue	+4.6%	+4.4%	+4.1%
Domestic comps	+0.3%	+1.3%	+1.4%
Adj. EBITDA	+10.8%	+4.7%	+4.9%
Adj. EBITDA margin	22.5%	21.3%	21.4%
Adj. EPS	\$28.89	\$26.22	\$26.25

	2Q24	BofA est.	Q/Q
Debt	\$11,467	\$11,783	\$125
Gross leverage	2.4x	2.5x	-0.1x
Net leverage	2.4x	2.5x	flat

Source: BofA Global Research, Company filings, Visible Alpha

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Revenue-related commentary

- Total company comps +3.0% (vs. +3.1% est.) or +1.5% y/y (ex-FX): Domestic comps +0.3% y/y missed our +1.3% est. (though market expectations were closer to up modestly) with Retail (DIY) performance -0.3% and Commercial lighter than expected (+2.7%). International comps +10.6% y/y (ex-FX).
- Domestic comps fell -1.8% in the first 8 weeks then rallied +4.4% in the last four weeks. Domestic DIY comps were +0.7% in first 4 weeks, -6.2% next 4 weeks, and +4.8% over final 4 weeks. Commercial were +4.1% in first 4 weeks, -0.7% next 4 weeks, then +4.4% over final 4 weeks – weather shut down customers in Mid-South.
- DIY traffic -2.2% vs ticket +1.7%, expect ticket to return to normalized +2-4% levels vs. slightly declining traffic as they get further away from high inflation periods of last year
- Holiday shift (Christmas and New years' comparison) combined with weather was a -200bps drag on sales in 2Q
- Seeing low-income consumer pull back on discretionary purchases
- +270bps performance gap between NE/MW and rest of the country for 2Q (West weakest)
- 3Q performance is contingent on a normalized tax refund season, expect this year to be similar to last
- Interested in expanding in Mexico & Brazil, commented that Canada (Carquest assets) is not a focus at the moment given solid competitive environment

Profit & margin-related commentary

- Adj. EBITDA margins expanded +127bps (vs. our +7bps est.). Gross margins expanded +160bps (vs our +70bps est.) primarily due to improvement in core business (merchandise margins) and a non-cash LIFO benefit, ex-LIFO gross margin



+97bps. SG&A deleveraged +49bps vs. our +73bps est. on better cost discipline despite intentional investment in IT and store payroll

Capital allocation

- Remain committed to leverage in 2.5x area
- Expect Capex \$1.1bn for FY24
- Historically generate majority of FCF in 2H of year
- Repurchased \$224mn of shares in the quarter

Advance Auto Parts (AAP, Baa3/BB+/-) 4Q results missed across the board as comps were soft given DIY pressure (consistent with trends displayed by peers) while EBITDA and margins widely missed our estimates due to inventory write-downs & capitalization losses along with elevated supply chain costs. Leverage increased +0.4x q/q to 4.0x (post restatements) which is +0.2x above our estimate and in conjunction with the coverage ratio covenant required AAP to amend its RCF covenants again to provide more add-back flexibility. The sale processes for Worldpac and Carquest are ongoing with management expecting to provide an update on Worldpac in 2Q. FY24 guidance was a bit of relief, introduced above our estimates on margins and cash flow, though comps are expected to remain challenged on DIY softness and more 2H-weighted.

Exhibit 7: Advance Auto Parts 4Q23

AAP financial summary

	4Q23	BofA est.	Consensus
Revenue	-0.4%	-0.6%	-0.5%
Comps store sales	-1.4%	-1.1%	-1.1%
Adj. EBITDA	-87.8%	-62.0%	-55.5%
Adj. EBITDA margin	0.9%	4.4%	4.2%
Adj. EPS	(\$0.59)	\$0.22	\$0.18

	4Q23	BofA est.	Q/Q
Debt	\$4,447	\$4,462	(\$14)
Gross leverage	4.0x	3.8x	+0.4x
Net leverage	4.0x	3.8x	+0.8x

Source: BofA Global Research, Company filings, Visible Alpha

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Revenue-related commentary

- Comps -1.4% missed our and consensus -1.1% est.; DIY was soft throughout the quarter and particularly in the last 4 weeks
- Seeing improvement in Pro performance & transactions as inventory availability has improved
- Mid-Atlantic and Mid-West regions most challenged due to unfavorable weather

Profit & margin-related commentary

- Adj. EBITDA margins declined -667bps vs. our -320bps y/y est.
- Adj. gross margins -504bps vs our -271bps est. due to inventory-related items (-280bps), previously earned vendor incentives (-120bps) and supply chain costs (-50bps). Adj. SG&A deleveraged +176bps driven by y/y increase in occupancy costs, labor & new store expenses
- Simplifying structure – aligning pricing & merchandising teams, consolidated real estate functions, hired accounting, data, & procurement leaders, transitioning

vendors & SKUs to better coordinate merchandising & inventory to become more data-driven

- Will now more deeply assess the productivity of all assets including Carquest independents (terminated agreements with >100 stores, modest profit contribution go-fwd) and consolidate the supply chain into 1 national network, including conversion of some replenishment distribution centers to marketplace hubs (improves inventory turns & lowers costs)
- Eliminating additional \$50mn of costs via indirect spend, on top of \$150mn costs already taken out (marketing, corporate, broad-based functional areas)

Capital allocation

- Actively engaged on Worldpac sale, expect to conclude process during 2Q24. Have begun exploring separating the Canadian business (Carquest), intentionally laddered behind Worldpac transaction
- Worldpac proceeds would be used for debt paydown and funding initiatives (supply chain consolidation, POS upgrades & IT, store infrastructure)
- Unwilling to provide standalone financials
- Amended revolving credit facility (RCF) again to enable add-backs for inventory write-downs and vendor receivables

FY24 Guidance

- **FY24:** (a) Sales \$11.3-11.4bn vs our \$11.435bn est., (b) Comps +0-1% vs our +1.3% est., (c) Operating margin 3.2-3.5% vs our 3.1% est., with the majority of expansion via gross margin, (d) EPS \$3.75-4.25 vs our \$3.41 est., (e) FCF >\$250mn vs our \$181mn est.
- Expect continued pressure on DIY offset by improvement in Pro and modest inflation (~1%)
- Filed for extension of 10-K filing given internal control remediation

The TJX Co (TJX, A2/A/--) 4Q results were strong driven by EBITDA & margin upside (merchandise margins, lower freight & shrink expense) and +5% comps in-line with expectations led by HomeGoods. Management commented that performance during 4Q was consistent across regions & customer demographics and was “off to a good start” despite weather disruption early in February. FY24 guidance was introduced slightly below consensus but in-line with the company’s conservative nature.

Exhibit 8: The TJX Co 4Q23

TJX financial summary

	4Q23	Consensus
Revenue	+13.0%	+11.3%
Comps	+5.0%	+4.0%
EBITDA	+32.6%	+24.9%
EBITDA margin	12.7%	11.9%
Adj. EPS	\$1.22	\$1.11
	4Q23	Q/Q
Debt	\$12,542	\$23
Gross leverage	1.4x	-0.1x
Net leverage	0.8x	-0.2x

Source: Company filings, Visible Alpha

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Revenue-related commentary

- Comps increased +5% y/y (met expectation bar) entirely driven by traffic and composed of HomeGoods +7% (beat +4.6% est. and +6% expectation bar) and Marmaxx +5% (beat +4.4% est. but miss +6% expectation bar). International: TJX Canada +6% y/y (beat +2.5% est.) and TJX International +3% (beat +2.2% est.).
- Apparel and home categories both grew, TJX believes their business skews younger and a bit more to the \$50k+ income cohort
- Performance in the quarter was consistent across regions and income cohorts
- 1Q24 off to a good start: First weeks of Feb a bit challenged on weather (but still within guidance) and since improved

Profit & margin-related commentary

- EBITDA margins expanded +187bps (vs. +110bps est.). Gross margins expanded +366bps (vs. +250bps est.) driven by a benefit from lower freight costs, lower inventory shrink expense, strong mark-on, and lower markdowns. SG&A deleveraged +182bps y/y due to higher incentive compensation accruals and incremental store wage and payroll costs.

FY24 Guidance conservative

- FY24 (fiscal 2025) outlook: (a) Total sales \$55.6-56.1bn; (b) comps +2-3% vs +3.3% est.; (c) adj. pretax margin 10.9-11.0% vs. 10.9% est., and gross margin 30.0-30.1%; (d) EPS \$3.94-4.02 vs \$4.12 est.; and (e) capex \$2.0-2.1bn
- 1Q: Comps +2-3% vs +3.4% est., sales in the range of \$12.4-12.5bn, adj. pretax margin 10.5-10.6%, gross margin 29.8%, EPS \$0.84-0.86 vs \$0.86 est.

Food Retail

The FTC officially sued to block the proposed merger of **Kroger (KR, Baa1/BBB/--)** and Albertsons (ACI), asserting that the deal is anticompetitive and will harm both consumers and workers alongside their issue that the proposed divestiture remedy is inadequate. The 3-0 vote highlighted that the merger would lead to higher prices, lower quality products & shopping services, and less consumer choice. It also argues that it will erase competition for workers as the combined entity would gain increased leverage over employment negotiations and unions (in regions like Denver, KR/ACI would be the only employer of union grocery labor). Regarding the proposed divestiture to C&S Wholesale Grocers, the FTC said the package of stores & assets cannot operate as a standalone business and C&S would therefore have difficulty integrating the pieces into a successful competitor against KR/ACI. Additionally, they cite a "hodgepodge of unconnected stores, banners, brands..." saying the plan ignores many overlapping markets and fails to include all the assets/resources C&S would need to succeed.

- A bipartisan group of nine attorney generals are joining the FTC's complaint (AZ, CA, DC, IL, MD, NV, NM, OR, WY)
- An ACI spokesperson indicated they plan to challenge the lawsuit in court
- The anticipated challenge is largely priced into spreads – See our KR downgrade rationale in September; [Closer to checkout? Wait for better coupons](#)

Beverages

Anheuser-Busch InBev (ABIBB, A3/A/--) reported an org. EBITDA beat in 4Q with margins holding steady which helped offset weak volumes (anticipated U.S. softness and China/S. Korea headwind), reinvestment activity, and a stronger than expected FX drag

including Argentina devaluation (rpt. revenue & EBITDA missed by -6%). Regionally, South America (Brazil) was better than est. across org. volume/revenue/EBITDA (margin accretive) vs. both North America and Middle Americas missed across the board. U.S. STWs fell -16.1% and EBITDA contracted -34% y/y as mainstream beer (Bud Light) has yet to recover from marketing missteps in April '23. Leverage declined modestly vs. 1H23 and -0.1x y/y helped by a \$3bn debt tender in Nov, though the remainder delta vs. our \$3.75bn est. was allocated to rapid share buyback. FY24 guidance (EBITDA +4-8%) is consistent with ABIBB's conservative practice but we & consensus are already at/above the high-end of the range.

We rate ABIBB Marketweight at the issuer level but Overweight long duration (\$) – See [Deleverage on draft, but spreads near stout](#) for detail from our reinstatement of coverage.

Exhibit 9: Anheuser-Busch InBev 4Q23

ABIBB financial summary

	4Q23	BofA Est.	Consensus
Org sales	+6.2%	+5.9%	+6.1%
Org volumes	-2.6%	-2.1%	-2.0%
Org EBITDA	+6.2%	+5.8%	+5.3%
Underlying EPS	\$0.82	\$0.77	\$0.75

	4Q23	BofA Est.	vs 1H23
Gross leverage	3.9x	3.8x	-0.2x
Net leverage	3.4x	3.3x	-0.3x

Source: BofA Global Research, Company filings, Visible Alpha

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Operational highlights (4Q) & FY24 guidance

- Underlying EPS \$0.82 beat \$0.75 est.
- Organic sales +6.2% was a touch ahead driven by price/mix (+8.8%), premiumization, and revenue management initiatives. Ex-Argentina org. sales grew +0.5%. By region: South America, EMEA, and APAC beat vs. North America and Middle Americas missed.
- Volumes -2.6% missed -2.0% est. led by North America (-15.3% vs -12% est.) and APAC (-2.8% vs +0.6% est.). All regional volumes missed except South America (-0.3% vs. -1.6% est.). Own beer fell -3.6% vs. non-beer grew +3.0%.
- Org. EBITDA +6.2% y/y beat our +5.8% est. and consensus +5.3% est. helped by Brazil and APAC performance. Margins held steady at 33.7% (-2bps vs. -26bps est.) reflecting anticipated commodity cost headwinds, FX drag (including \$356mn hit from Argentinean peso devaluation alone), increased sales & marketing investments (notably U.S., including wholesaler support), and less cost absorption due to lower U.S. plant productivity given Bud Light volumes.
- Material FX headwind: Reported revenue & normalized EBITDA missed by -6% due to FX
- ABIBB and The International Brotherhood of Teamsters reached a tentative deal to avoid a strike on March 1st (\$8/hr raise, 50% immediate as well as bonuses, benefit changes & higher pension contributions)

Cash & capital allocation

- FY23 FCF of \$8.78bn (including 2H \$9.25bn) beat our \$8.3bn est. largely via lower capex. Working capital saw a \$1.5bn drag due to higher A/R, extended wholesaler credit terms and lower payables (less inventory, net capex & US volumes).



- Net leverage 3.4x, net debt fell to \$67.6bn (vs. \$73.7bn at 1H23) aided by the \$3bn debt tender in November; optimal capital structure remains net leverage ~2x
- Repurchased \$870mn of its \$1bn share buyback program announced only in October
- Announced +9% increase in final dividend (€0.82/sh)

Regional summary

- Regional EBITDA: North America -31.3% (U.S. -34.2%) missed, Middle Americas +7.4% missed, South America +52.4% beat, EMEA +5.5% missed, APAC +21.0% beat, and GEHC -10.2%
- U.S. sales fell -17.3% (including STWs -16.1% and STRs -12.1%) primarily due to Bud Light volume declines. EBITDA -34.2% y/y with 2/3 driven by market share loss and 1/3 from lower productivity, increased sales & marketing investments to support wholesalers.
- Europe sales grew +MSD% with volumes -LSD%, outperforming the soft overall industry. EBITDA declined -10% given commodity cost headwinds.
- Brazil sales +5.8% (total volume +0.8% and beer volume -1.1% cycling World Cup). EBITDA grew +26.3% y/y with margins expanding strong +537bps
- China sales grew +11.2% with volumes -3.1%, driven by softer mainstream industry. EBITDA grew +31.6%

FY24 Guidance below est.

- FY24 (est. Argentina included): (a) Org EBITDA +4-8% y/y (vs. consensus +8.7% est.); (b) net finance costs \$220-250mn/qtr, (c) effective tax rate 27-29% (better than feared given interest on capital/equity tax deductibility changes in Brazil), and net capex \$4.0-4.5bn (vs. \$4.5bn LY)
- No comment on org. revenue but estimates are org sales +7.1% with vols +1.2%.

Keurig Dr. Pepper (KDP, Baa1/BBB/--) announced that **JAB Holdings (JABHOL, Baa1/BBB+/-)** will sell up to an aggregate 100mn shares through a secondary offering. KDP subsequently plans to repurchase 35mn shares through the offering under its existing repurchase authorization and will purchase shares at a price of \$29.10/share for a total outlay of ~\$1.02bn (or +0.2x leverage). KDP ended FY23 with net leverage of 3.1x (vs. 2.0-2.5x target) and additionally has \$1.15bn debt coming due mid-March (0.75% Notes due 2024) which we expect will be refinanced.

- Following the offering, JABHOL will own ~21% of KDP's outstanding stock vs. 28% today.
- JABHOL's CEO commented that the proceeds from the share sale will allow the company to maintain their leverage target in-line with its financial policies (15-20% LTV) and that the company expects to continue to be a long-term anchor shareholder in KDP (at or above 20% ownership level).

Consumer Products

Haleon (HLNLTN, Baa1/BBB/--) FY23 and 4Q top-line beat est. led by momentum from pricing and a recovery to positive volume growth but EBITDA and margins missed on the impact from net M&A activity and translational FX. Adj net leverage reached 3.1x (we include pension adj) nearing the company's targeted <3.0x during FY24; as a result of balance sheet strength, encouragingly HLNLTN set a new net 2.5x leverage target (over

medium-term) and announced a £500m share buyback program to be completed in 2024. FY24 guidance was introduced in-line with the company's MT outlook but above consensus, though 1Q top-line is expected to be hampered by tough y/y comparisons.

Exhibit 10: Haleon FY23

HLNLN financial summary

	FY23	Consensus
Revenue	+4.1%	+3.9%
Organic sales	+8.0%	+7.6%
Adj. EBITDA	+3.7%	+5.0%
Adj. EBITDA margin	25.0%	25.3%
Adj. EPS	17.3p	17.6p

	FY23	vs 1H23
Adj Debt	£9,613	(£412)
Gross leverage	3.4x	-0.1x
Net leverage	3.1x	-0.3x

Source: Company filings, Visible Alpha

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FY23 operating highlights

- FY23 organic revenue +8.0% beat +7.6% est. composed of price +7.0% and volume/mix +1.0%; 4Q org revenue +6.7% beat +5.3% est. with a return to volume growth (+0.3% vs. -0.2% est.) and +6.4% price (vs. +5.5% est.)
- By geography: North America +2.7% (vs. +2.4% est.); EMEA and LatAm +12.6% (vs. +12.2% est.); APAC +9.0% (vs. +8.8% est.); Developed markets +4.9% and emerging markets +14.5%
- By segment: Oral Health +10.6%; VMS +0.9%; Pain Relief +7.4%; Respiratory Health +13.7%; and Digestive Health & Other +6.5%
- Power brands +9.1% and 58% of business gained or maintained share
- Cold & flu (~15% of business), '23-'24 season to-date is returning to pre-pandemic levels
- China +DD% skewed towards 1H on COVID-19 restrictions easing
- Consumer environment: U.S. seeing volume declines in certain categories not materially affected by private label/trading down, Asia is strong with good volume growth

Profit & margin-related commentary

- Adj EBITDA increased +3.7% y/y. Adj. operating profit +3.1% y/y missed +3.8% est. and margins fell -21bps to 22.6% (vs. consensus 23%) on the impact from divestitures (predominantly the Lamisil disposal) and translational FX. SG&A fell -1.6% y/y.

Balance sheet & capital allocation

- Net leverage reached ~3x, ahead of commitment of deleveraging to <3x during FY24
- Introduced new MT net leverage target of ~2.5x
- Announced £500m share buyback program to be completed during 2024 using cash on hand, productivity yield, proceeds from recent Chapstick/Lamisil disposals and mitigates dilution. Preference is to be able to buy any potential discounted blocks from GSK and Pfizer

- Announced 35% dividend payout (vs. 30% est.) and intend to grow dividend in-line with earnings go-fwd
- 77% of debt is fixed, intend to paydown upcoming March maturity (\$700mn); no major refinancing needs until '25

FY24 Guidance in-line with MT outlook

- FY24:** (a) Org rev +4-6% (vs +4.5% est.) with pricing > volume, (b) org adj operating profit growth ahead of revenue growth reflecting ongoing operating leverage & productivity efforts; (c) net interest expense £320m, and (d) adj effective tax rate 24-25%
- FX will be a -2% drag on revenue and -3% on adj. operating profit (based on USD and EUR move vs GBP)
- 1Q org rev will be near +4% given tough cold & flu comparisons and China rebound
- Expect gross margin expansion driven by pricing and inflation easing
- LT expect revenue growth 50:50 split between volume and pricing (won't get there in '24)
- Expecting £300mn gross savings over 3Y from productivity program (£100mn in '24 and the remainder in '25), will be accompanied by another £150mn restructuring costs

Mattel (MAT, Baa3/BBB/BBB-) indicated it will delay filing its Form 10-K after it identified certain deficiencies in its internal control over financial reporting. The finding relates to IT general controls that MAT management determined represent a material weakness. The control deficiencies have reportedly not resulted in any material misstatements or omissions in previously reported financial statements and MAT does not expect such control deficiencies will materially impact the financial information to be reported in the 2023 Annual Report.

- They plan to file no later than March 15th

Recent New Issuance

Tyson Foods (Baa2/BBB) issued \$1,500mn across \$600mn 5yr Notes and \$900mn 10yr Notes. The use of proceeds was to refinance its 3.950% notes due August '24 (\$1.25bn).

BofA Current Recommendations

Exhibit 11: Cash & CDS ratings

BofA cash & CDS ratings

Name	Ticker	Cash			CDS		
		Overweight	Marketweight	Underweight	Buy Protection	Neutral	Sell Protection
O'Reilly Automotive	ORLY	✓					
The Home Depot	HD		✓			✓	
Anheuser-Busch InBev SA/NV*	ABIBB		✓				
Advance Auto Parts	AAP		✓				
McCormick & Co	MKC	✓					
Campbell Soup Co.	CPB	✓				✓	
Sysco Corp.	SYF		✓				
Keurig Dr. Pepper	KDP	✓					
Lowe's	LOW	✓				✓	
Tyson Foods	TSN			✓		✓	
Conagra Brands	CAG		✓			✓	
Kellogg*	K		✓				

Exhibit 11: Cash & CDS ratings

BofA cash & CDS ratings

		Cash		CDS	
Kraft Heinz	KHC	✓			✓
General Mills Inc.	GIS		✓	✓	
AutoZone	AZO		✓		
Kroger	KR		✓		✓
Nordstrom	JWN		✓		✓
Dollar General Corp.	DG		✓		
Mondelez International	MDLZ		✓		✓
Mondelez Int'l Holdings Netherlands	MDLZ		✓		
J.M. Smucker	SJM		✓		
The Coca-Cola Company	KO		✓		
PepsiCo	PEP		✓		
Pilgrim's Pride	PPC		✓		
Mattel	MAT		✓		
The Hershey Co.	HSY		✓	✓	

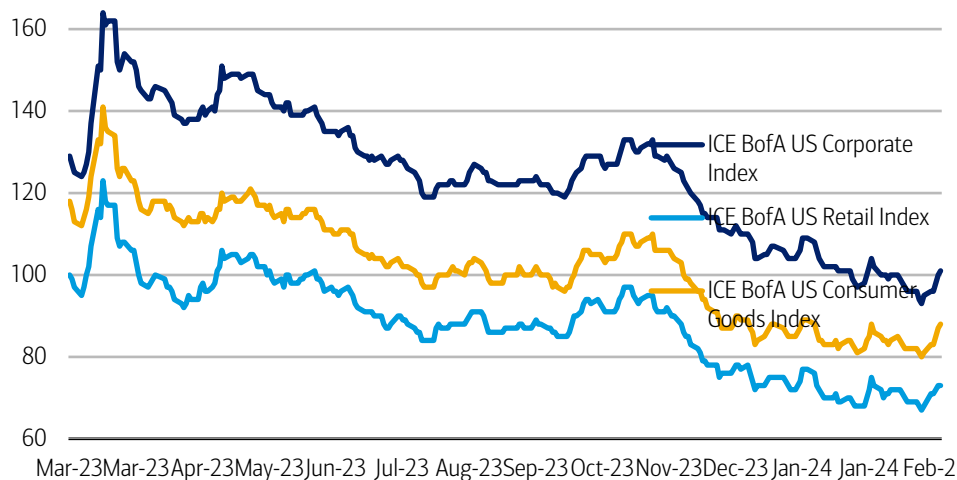
Source: BofA Global Research;

Notes (*): Underweight K long-end, Overweight ABIBB long-end (\$)

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Market Snapshot**Exhibit 12: BofA HG Index vs. Consumer/Retail Sectors**

Consumer/Retail 1-year spread performance sits near the tight



Source: ICE Data indices, LLC

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**Exhibit 13: ICE Data Indices Investment Grade Index**

Benchmark spread and credit metrics by issuer

	Num of Issues	% of Index	Spreads (OAS)					Price	YTW	Modified Duration	Average Rating	Total Returns					Excess Returns				
			OAS	1 week	MTD	QTD	YTD					1 week	MTD	QTD	YTD	12 month	1 week	MTD	QTD	YTD	12 month
US Corporate Index	10,309	100.0%	101 bps	6 bps	1 bps	-3 bps	-3 bps	\$92.0	5.40%	6.7	A3	0.18%	0.33%	-0.93%	-0.93%	7.03%	-41 bps	-6 bps	42 bps	42 bps	410 bps
Rating Categories																					
AAA US Corporate Index	117	1.1%	42 bps	4 bps	0 bps	2 bps	2 bps	\$85.6	4.82%	9.4	AAA	0.35%	0.42%	-1.90%	-1.90%	4.59%	-34 bps	-2 bps	19 bps	19 bps	310 bps
AA US Corporate Index	795	8.2%	56 bps	4 bps	1 bps	0 bps	0 bps	\$89.9	4.98%	7.1	AA3	0.27%	0.34%	-1.32%	-1.32%	5.32%	-33 bps	-5 bps	18 bps	18 bps	283 bps
Single-A US Corporate Index	4,226	43.9%	85 bps	6 bps	1 bps	-3 bps	-3 bps	\$92.4	5.24%	6.7	A2	0.17%	0.33%	-1.01%	-1.01%	6.23%	-42 bps	-6 bps	34 bps	34 bps	333 bps
BBB US Corporate Index	5,171	46.8%	125 bps	7 bps	1 bps	-4 bps	-4 bps	\$92.3	5.64%	6.6	BBB2	0.17%	0.32%	-0.77%	-0.77%	8.10%	-41 bps	-7 bps	54 bps	54 bps	504 bps
Maturity																					
1-3 Year US Corporate Index	2,136	22.9%	69 bps	5 bps	1 bps	-7 bps	-7 bps	\$96.7	5.34%	1.8	A3	0.20%	0.15%	0.47%	0.47%	5.84%	-7 bps	-1 bps	30 bps	30 bps	118 bps
3-5 Year US Corporate Index	1,796	18.5%	89 bps	8 bps	1 bps	-4 bps	-4 bps	\$96.8	5.21%	3.5	A3	0.26%	0.28%	-0.05%	-0.05%	6.87%	-21 bps	-4 bps	42 bps	42 bps	247 bps
5-7 Year US Corporate Index	1,264	12.4%	106 bps	6 bps	1 bps	-2 bps	-2 bps	\$91.3	5.27%	5.2	BBB1	0.34%	0.39%	-0.56%	-0.56%	7.47%	-26 bps	-4 bps	43 bps	43 bps	345 bps
7-10 Year US Corporate Index	1,460	15.1%	126 bps	8 bps	1 bps	0 bps	0 bps	\$93.6	5.45%	6.8	A3	0.12%	0.37%	-1.05%	-1.05%	7.69%	-50 bps	-9 bps	39 bps	39 bps	446 bps
10-15 Year US Corporate Index	573	5.2%	126 bps	5 bps	1 bps	-4 bps	-4 bps	\$100.3	5.53%	8.8	A3	0.22%	0.44%	-1.50%	-1.50%	8.15%	-46 bps	-6 bps	42 bps	42 bps	583 bps
15+ Year US Corporate Index	3,080	26.0%	116 bps	6 bps	1 bps	-1 bps	-1 bps	\$83.7	5.60%	13.5	A3	0.04%	0.44%	-2.75%	-2.75%	7.13%	-86 bps	-13 bps	49 bps	49 bps	727 bps
Industry																					
US Corporate Index																					
Industrials	6,145	58.9%	97 bps	6 bps	1 bps	0 bps	0 bps	\$91.1	5.35%	7.4	A3	0.19%	0.35%	-1.33%	-1.33%	7.06%	-43 bps	-6 bps	22 bps	22 bps	444 bps
Consumer Cyclical	347	3.5%	73 bps	5 bps	0 bps	1 bps	1 bps	\$90.0	5.11%	7.6	A2	0.18%	0.38%	-1.64%	-1.64%	6.46%	-45 bps	-4 bps	2 bps	2 bps	399 bps
US Corp Retail	258	2.8%	70 bps	4 bps	0 bps	1 bps	1 bps	\$89.7	5.08%	7.6	A2	0.18%	0.39%	-1.65%	-1.65%	6.34%	-45 bps	-3 bps	1 bps	1 bps	389 bps
US Corp Food & Drug Retail	38	0.3%	105 bps	7 bps	1 bps	-9 bps	-9 bps	\$89.3	5.41%	7.9	BBB2	0.31%	0.37%	-0.49%	-0.49%	7.65%	-34 bps	-8 bps	109 bps	109 bps	489 bps
US Corp Restaurants	51	0.5%	74 bps	6 bps	1 bps	7 bps	7 bps	\$92.1	5.14%	7.6	BBB1	0.11%	0.34%	-2.21%	-2.21%	6.59%	-52 bps	-8 bps	-53 bps	-53 bps	419 bps
Consumer Non-Cyclicals	620	5.6%	88 bps	7 bps	1 bps	3 bps	3 bps	\$92.1	5.25%	7.2	A3	0.18%	0.33%	-1.51%	-1.51%	7.13%	-44 bps	-8 bps	3 bps	3 bps	436 bps
US Corp Beverage	168	1.7%	72 bps	6 bps	2 bps	6 bps	6 bps	\$91.4	5.10%	8.3	A3	0.05%	0.32%	-2.21%	-2.21%	6.40%	-62 bps	-13 bps	-37 bps	-37 bps	423 bps
US Corp Food Wholesale	236	1.9%	92 bps	5 bps	1 bps	2 bps	2 bps	\$91.8	5.29%	6.9	BBB1	0.24%	0.34%	-1.36%	-1.36%	6.71%	-36 bps	-7 bps	8 bps	8 bps	375 bps
US Corp Tobacco	86	1.1%	124 bps	8 bps	1 bps	-5 bps	-5 bps	\$93.2	5.61%	6.8	BBB1	0.20%	0.33%	-0.62%	-0.62%	10.04%	-40 bps	-9 bps	75 bps	75 bps	691 bps
US Corp Consumer Products	130	0.9%	68 bps	6 bps	1 bps	3 bps	3 bps	\$93.0	5.04%	6.4	A2	0.26%	0.36%	-1.44%	-1.44%	6.03%	-33 bps	-4 bps	-13 bps	-13 bps	282 bps

Source: BofA Global Research, Bloomberg

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Exhibit 14: Recent Sector New Issuance

Consumer/Retail new issuance tracker in reverse chronological order

Issue Date	Ticker	Issuer	Rating (Moody's/S&P)	Size	Coupon	Maturity	New Issue Spread
02/28/2024	TSN	TYSON FOODS	Baa2/BBB	\$600	5.400%	03/15/2029	115
02/28/2024	TSN	TYSON FOODS	Baa2/BBB	\$900	5.700%	03/15/2034	145
02/22/2024	WHR	WHIRLPOOL CORP	Baa2/BBB	\$300	5.750%	03/01/2034	145
02/15/2024	BATSLN	BAT CAPITAL CORP	Baa2/BBB+	\$850	5.834%	02/20/2031	158
02/15/2024	BATSLN	BAT CAPITAL CORP	Baa2/BBB+	\$850	6.000%	02/20/2034	183
02/15/2024	MDLZ	MONDELEZ INTERNATIONAL	Baa1/BBB	\$550	4.750%	02/20/2029	65
02/12/2024	EL	ESTEE LAUDER	A1/A	\$650	5.000%	02/14/2034	87
02/12/2024	PEP	PEPSICO SINGAPORE FINANCING	A1/A+	\$550	4.650%	02/16/2027	40
02/12/2024	PEP	PEPSICO SINGAPORE FINANCING	A1/A+	\$450	4.550%	02/16/2029	45
02/12/2024	PEP	PEPSICO SINGAPORE FINANCING	A1/A+	\$450	4.700%	02/16/2034	55
02/09/2024	PM	PHILIP MORRIS INTERNATIONAL	A2/A-	\$750	4.750%	02/12/2027	70
02/09/2024	PM	PHILIP MORRIS INTERNATIONAL	A2/A-	\$1,000	4.875%	02/13/2029	95
02/09/2024	PM	PHILIP MORRIS INTERNATIONAL	A2/A-	\$1,250	5.125%	02/13/2031	120
02/09/2024	PM	PHILIP MORRIS INTERNATIONAL	A2/A-	\$1,750	5.250%	02/13/2034	135
02/06/2024	ATDBCN	ALIMENTATION COUCHE-TARD	Baa1/BBB+	\$900	5.267%	02/12/2034	118
02/06/2024	ATDBCN	ALIMENTATION COUCHE-TARD	Baa1/BBB+	\$600	5.617%	02/12/2054	130
02/05/2024	SBUX	STARBUCKS	Baa1/BBB+	\$1,000	4.850%	02/08/2027	60
02/05/2024	SBUX	STARBUCKS	Baa1/BBB+	\$500	4.900%	02/15/2031	80
02/05/2024	SBUX	STARBUCKS	Baa1/BBB+	\$500	5.000%	02/15/2034	90
01/24/2024	PG	PROCTER & GAMBLE	Aa3/AA-	\$600	4.350%	01/29/2029	27
01/24/2024	PG	PROCTER & GAMBLE	Aa3/AA-	\$750	4.550%	01/29/2034	37
01/16/2024	GIS	GENERAL MILLS	Baa2/BBB	\$500	4.700%	01/30/2027	70
01/09/2024	STZ	CONSTELLATION BRANDS	Baa3/BBB	\$400	4.800%	01/15/2029	85
01/04/2024	BIMBOA	BIMBO BAKERIES USA	Baa1/BBB+	\$450	6.050%	01/15/2029	115
01/04/2024	BIMBOA	BIMBO BAKERIES USA	Baa1/BBB+	\$800	5.375%	01/09/2036	150
11/27/2023	HD	HOME DEPOT	A2/A	\$500	5.125%	04/30/2025	28
11/27/2023	HD	HOME DEPOT	A2/A	\$750	4.950%	09/30/2026	43
11/27/2023	HD	HOME DEPOT	A2/A	\$750	4.900%	04/15/2029	58
11/15/2023	TPR	TAPESTRY INC	Baa2/BBB	\$500	7.050%	11/27/2025	220
11/15/2023	TPR	TAPESTRY INC	Baa2/BBB	\$750	7.000%	11/27/2026	240
11/15/2023	TPR	TAPESTRY INC	Baa2/BBB	\$1,000	7.350%	11/27/2028	290
11/15/2023	TPR	TAPESTRY INC	Baa2/BBB	\$1,000	7.700%	11/27/2030	320
11/15/2023	TPR	TAPESTRY INC	Baa2/BBB	\$1,250	7.850%	11/27/2033	340
11/13/2023	ORLY	O'REILLY AUTOMOTIVE	Baa1/BBB	\$750	5.750%	11/20/2026	95
11/08/2023	PEP	PEPSICO	A1/A+	\$800	5.250%	11/10/2025	35
11/08/2023	PEP	PEPSICO	A1/A+	\$700	5.125%	11/10/2026	43
11/06/2023	SYN	SYSCO CORP	Baa1/BBB	\$500	5.750%	01/17/2029	120
11/06/2023	SYN	SYSCO CORP	Baa1/BBB	\$500	6.000%	01/17/2034	147
10/30/2023	BIMBOA	BIMBO BAKERIES USA	Baa1/BBB+	\$450	6.050%	01/15/2029	125
10/30/2023	BIMBOA	BIMBO BAKERIES USA	Baa1/BBB+	\$550	6.400%	01/15/2034	155
10/30/2023	MO	ALTRIA	A3/BBB	\$500	6.200%	11/01/2028	145
10/30/2023	MO	ALTRIA	A3/BBB	\$500	6.875%	11/01/2033	205
10/23/2023	GPC	GENUINE PARTS CO	Baa1/BBB	\$425	6.500%	11/01/2028	180
10/23/2023	GPC	GENUINE PARTS CO	Baa1/BBB	\$375	6.875%	11/01/2033	210
10/19/2023	AZO	AUTOZONE	Baa1/BBB	\$500	6.250%	11/01/2028	132
10/19/2023	AZO	AUTOZONE	Baa1/BBB	\$500	6.550%	11/01/2033	162
10/11/2023	SJM	JM SMUCKER	Baa2/BBB	\$750	5.900%	11/15/2028	130
10/11/2023	SJM	JM SMUCKER	Baa2/BBB	\$1,000	6.200%	11/15/2033	160
10/11/2023	SJM	JM SMUCKER	Baa2/BBB	\$750	6.500%	11/15/2043	163
10/11/2023	SJM	JM SMUCKER	Baa2/BBB	\$1,000	6.500%	11/15/2053	180
10/10/2023	GIS	GENERAL MILLS	Baa2/BBB	\$500	5.500%	10/17/2028	103
10/04/2023	DRI	DARDEN RESTAURANTS	Baa2/BBB	\$500	6.300%	10/10/2033	165
10/02/2023	DGELN	DIAGEO CAPITAL	A3/A-	\$800	5.375%	10/05/2026	60
10/02/2023	DGELN	DIAGEO CAPITAL	A3/A-	\$900	5.625%	10/05/2034	100
09/27/2023	PPC	PILGRIM'S PRIDE CORP	Ba2/BBB-	\$500	6.875%	05/15/2034	250
09/06/2023	NESNVX	NESTLE HOLDINGS	A3/AA-	\$500	5.000%	09/12/2028	57
09/06/2023	NESNVX	NESTLE HOLDINGS	A3/AA-	\$500	5.000%	09/12/2030	67
09/06/2023	NESNVX	NESTLE HOLDINGS	A3/AA-	\$500	5.000%	09/12/2033	77
09/05/2023	UNANA	UNILEVER CAPITAL CORP	A1/A+	\$700	4.875%	09/08/2028	55
09/05/2023	UNANA	UNILEVER CAPITAL CORP	A1/A+	\$800	5.000%	12/08/2033	85
09/05/2023	JBSSBZ	JBS USA	Baa3/BBB-	\$1,600	6.750%	03/15/2034	250
09/05/2023	JBSSBZ	JBS USA	Baa3/BBB-	\$900	7.250%	11/15/2053	290
09/05/2023	PM	PHILIP MORRIS INTERNATIONAL	A2/A-	\$650	5.250%	09/07/2028	105
09/05/2023	PM	PHILIP MORRIS INTERNATIONAL	A2/A-	\$700	5.500%	09/07/2030	135
09/05/2023	PM	PHILIP MORRIS INTERNATIONAL	A2/A-	\$1,000	5.625%	09/07/2033	160
08/14/2023	MCD	MCDONALD'S CORP	Baa1/BBB+	\$600	4.800%	08/14/2028	68

Source: BofA Global Research, Bloomberg Data excludes FRN

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**Exhibit 15: Retail Historical Spread & Return Monitor**

Benchmark spreads and credit metrics by issuer

Issuer	Coupon	Maturity	Outstanding (\$mil)	Ratings Mdy/S&P/Fit	Outlook	Current Pricing				5-yr CDS	Revenue	LTM EBITDAR	Debt	Cash	Net FCF	Credit Metrics			
						Bid	YTW	G- spd	T- spd							Total Debt/ EBITDAR	Net Debt/ EBITDAR	EV EBITDAR	
Walmart Inc (WMT)	4.100%	4/15/2033	\$1,500	Aa2 / AA / AA	S / S / S	\$95.1	4.77%	48	50	28	\$638,785	\$40,114	\$69,739	\$12,154	\$4,333	1.7x	1.4x	\$530,138	12.9x
Walmart Inc (WMT)	4.500%	4/15/2053	\$1,500	Aa2 / AA / AA	S / S / S	\$90.2	5.15%	73	73										
Costco Wholesale Corp (COST)	1.600%	4/20/2030	\$1,750	Aa3 / A+ / --	S / S / --	\$83.1	4.82%	52	54	32	\$238,710	\$10,798	\$8,884	\$13,700	\$4,818	0.8x	-0.5x	\$321,568	21.6x
Costco Wholesale Corp (COST)	1.750%	4/20/2032	\$1,000	Aa3 / A+ / --	S / S / --	\$79.7	4.79%	49	51										
Nike Inc (NKE)	2.850%	3/27/2030	\$1,500	A1 / AA- / --	S / S / --	\$89.7	4.83%	53	55	70	\$51,469	\$7,294	\$12,177	\$6,178	(\$2,558)	2.1x	1.3x	\$159,717	22.6x
Nike Inc (NKE)	3.375%	3/27/2050	\$1,500	A1 / AA- / --	S / S / --	\$75.5	5.08%	62	63										
Target Corp (TGT)	4.400%	1/15/2033	\$500	A2 / A / A	S / S / S	\$96.4	4.90%	60	63	41	\$106,518	\$7,783	\$18,442	\$1,910	\$1,518	2.4x	2.1x	\$88,033	13.3x
Target Corp (TGT)	4.800%	1/15/2053	\$1,150	A2 / A / A	S / S / S	\$91.8	5.36%	94	94										
TJX Companies Inc (TJX)	1.600%	5/15/2031	\$500	A2 / A / --	S / S / --	\$80.4	4.86%	53	57	175	\$52,326	\$8,340	\$2,861	\$4,290	\$1,465	1.5x	1.0x	\$119,930	17.5x
TJX Companies Inc (TJX)	4.500%	4/15/2050	\$385	A2 / A / --	S / S / --	\$90.4	5.17%	69	72										
Ralph Lauren Corp (RL)	2.950%	6/15/2030	\$750	A3 / A- / --	S / S / --	\$88.6	5.08%	78	81	--	\$6,604	\$919	\$2,882	\$1,804	(\$493)	3.1x	1.2x	\$12,724	7.0x
Amazon.com Inc (AMZN)	3.600%	4/13/2032	\$2,500	A1 / AA / AA-	S / S / S	\$91.9	4.81%	51	54										
Amazon.com Inc (AMZN)	3.950%	4/13/2052	\$2,500	A1 / AA / AA-	S / S / S	\$82.3	5.15%	71	72										
Ross Stores Inc (ROST)	1.875%	4/15/2031	\$500	A2 / BBB+ / --	S / S / --	\$81.0	5.10%	76	81	--	\$19,569	\$3,436	\$5,780	\$4,499	\$595	1.7x	0.4x	\$51,430	13.6x
Best Buy Co Inc (BBY)	1.950%	10/1/2030	\$650	A3 / BBB+ / --	S / S / --	\$81.9	5.24%	93	96	60	\$43,541	\$3,478	\$4,029	\$636	(\$239)	1.2x	1.0x	\$20,814	5.7x
Home Depot Inc (HD)	4.500%	9/15/2032	\$1,250	A2 / A / A	S / S / S	\$97.5	4.86%	56	58	27	\$153,714	\$26,741	\$49,255	\$2,058	\$1,810	2.0x	1.9x	\$427,290	16.1x
Home Depot Inc (HD)	4.950%	9/15/2052	\$1,000	A2 / A / A	S / S / S	\$94.2	5.35%	92	93										
Lowe's Companies Inc (LOW)	5.000%	4/15/2033	\$1,250	Baa1 / BBB+ / --	S / S / --	\$98.2	5.25%	96	98	34	\$90,219	\$14,739	\$40,053	\$1,531	(\$4,932)	2.7x	2.6x	\$177,062	12.2x
Lowe's Companies Inc (LOW)	5.625%	4/15/2053	\$1,500	Baa1 / BBB+ / --	S / S / --	\$98.6	5.72%	131	130										
VF Corp (VFC)	2.950%	4/23/2030	\$750	Baa3 / BBB- / --	N / N / --	\$82.3	6.50%	220	222	149	\$10,820	\$1,008	\$8,151	\$988	(\$1,527)	8.1x	7.1x	\$12,707	9.0x
Tractor Supply (TSCO)	1.750%	11/1/2030	\$650	Baa1 / BBB+ / --	S / S / --	\$80.3	5.29%	99	101	--	\$14,902	\$2,323	\$4,977	\$422	(\$207)	2.1x	2.0x	\$32,084	12.2x
AutoZone Inc (AZO)	4.750%	8/1/2032	\$750	Baa1 / BBB / BBB	S / S / S	\$95.7	5.40%	110	112	34	\$17,457	\$4,471	\$7,669	\$277	(\$1,373)	2.3x	2.3x	\$60,306	12.4x
AutoZone Inc (AZO)	6.550%	11/1/2033	\$500	Baa1 / BBB / BBB	S / S / S	\$107.7	5.50%	120	123										
O' Reilly Automotive (ORLY)	1.750%	3/15/2031	\$500	Baa1 / BBB / --	S / S / --	\$80.0	5.19%	85	90	--	\$15,625	\$4,011	\$7,384	\$83	(\$533)	1.9x	1.9x	\$71,759	16.0x
O' Reilly Automotive (ORLY)	4.700%	6/15/2032	\$850	Baa1 / BBB / --	S / S / --	\$96.4	5.24%	94	96										
Genuine Parts Co. (GPC)	2.750%	2/1/2032	\$500	Baa1 / BBB / --	S / S / --	\$82.1	5.59%	127	131	--	\$23,028	\$2,387	\$4,237	\$655	(\$82)	2.3x	2.1x	\$24,909	9.5x
Genuine Parts Co. (GPC)	6.875%	11/1/2033	\$375	Baa1 / BBB / --	S / S / --	\$108.9	5.64%	135	137										
Advance Auto Parts (AAP)	3.900%	4/15/2030	\$500	Baa3 / BB+ / --	N / S / --	\$89.1	6.05%	176	178	--	\$11,296	\$1,350	\$4,462	\$318	(\$293)	3.3x	2.9x	\$7,517	15.4x
Advance Auto Parts (AAP)	3.500%	3/15/2032	\$501	Baa3 / BB+ / --	N / S / --	\$84.4	5.98%	170	170										
Dollar General Corp (DG)	5.450%	7/5/2033	\$1,000	Baa2 / BBB / --	S / S / --	\$99.2	5.56%	126	129	--	\$39,036	\$5,400	\$18,087	\$365	(\$1,160)	3.3x	3.3x	\$49,616	11.9x
Dollar General Corp (DG)	5.500%	11/1/2052	\$300	Baa2 / BBB / --	S / S / --	\$93.3	5.99%	154	157										
Dollar Tree Inc (DLTR)	2.650%	12/1/2031	\$800	Baa2 / BBB / --	S / S / --	\$83.1	5.35%	103	107	--	\$29,685	\$3,875	\$10,688	\$445	\$175	2.8x	2.6x	\$41,972	9.2x
Dollar Tree Inc (DLTR)	3.375%	12/1/2051	\$400	Baa2 / BBB / --	S / S / --	\$65.7	5.90%	143	146										
Tapestry Inc (TPR)	3.050%	3/15/2032	\$500	Baa2 *- / BBB / --	UR / N / --	\$80.5	6.16%	185	188	--	\$6,668	\$1,699	\$3,247	\$622	\$144	1.9x	1.5x	\$12,779	7.4x
Tapestry Inc (TPR)	7.850%	11/27/2033	\$1,250	Baa2 *- / BBB / --	UR / N / --	\$107.9	6.71%	242	244										
PVH Corp. (PVH)	4.625%	7/10/2025	\$499	Baa3 / BBB- / --	P / P / --	\$98.5	5.76%	79	89	--	\$9,217	\$1,463	\$3,660	\$358	(\$4)	2.5x	2.3x	\$11,453	5.7x
Dick's Sporting Goods (DKS)	3.150%	1/15/2032	\$750	Baa3 / BBB / --	S / S / --	\$83.6	5.78%	146	150	--	\$12,705	\$1,608	\$4,205	\$1,406	(\$64)	2.6x	1.7x	\$17,368	5.2x
Dick's Sporting Goods (DKS)	4.100%	1/15/2052	\$750	Baa3 / BBB / --	S / S / --	\$70.2	6.41%	196	198										
Nordstrom Inc (JWN)	4.250%	8/1/2031	\$425	Ba1 / BB+ / BB+	N / N / S	\$84.0	7.06%	278	278	175	\$14,592	\$1,473	\$4,496	\$375	\$189	3.1x	2.8x	\$7,525	4.8x
Nordstrom Inc (JWN)	5.000%	1/15/2044	\$966	Ba1 / BB+ / BB+	N / N / S	\$70.8	7.95%	344	342										
Kohl's Corporation (KSS)	4.625%	5/1/2031	\$500	Ba3 / BB / BBB-	N / N / N	\$78.9	8.64%	436	436	175	\$17,539	\$1,142	\$8,046	\$190	\$278	7.0x	6.9x	\$10,942	8.3x
Kohl's Corporation (KSS)	5.550%	7/17/2045	\$427	Ba3 / BB / BBB-	N / N / N	\$66.1	9.20%	455	468										

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 16: Restaurant, Food & Drug Retail Historical Spread & Return Monitor

Benchmark spread and credit metrics by issuer

															Credit Metrics				
Outstanding				Ratings		Current Pricing			5-yr	LTM			Net	Total Debt/	Net Debt/	EV /			
Issuer	Coupon	Maturity	(\$mil)	Mdy/S&P/Fit	Outlook	Bid	YTW	G- spd	T- spd	CDS	Revenue	EBITDAR	Debt	Cash	FCF	EBITDAR	EBITDAR	EV	EBITDAR
Starbucks Corp (SBUX)	2.250%	3/12/2030	\$750	Baa1 / BBB+ / --	S / S / --	\$85.3	5.12%	82	84	--	\$35,976	\$8,741	\$24,600	\$3,953	\$426	2.8x	2.4x	\$128,533	14.1x
Starbucks Corp (SBUX)	2.550%	11/15/2030	\$1,250	Baa1 / BBB+ / --	S / S / --	\$85.7	5.10%	79	82										
Starbucks Corp (SBUX)	3.000%	2/14/2032	\$1,000	Baa1 / BBB+ / --	S / S / --	\$86.6	5.08%	77	80										
Starbucks Corp (SBUX)	4.800%	2/15/2033	\$500	Baa1 / BBB+ / --	S / S / --	\$98.0	5.08%	78	81										
Starbucks Corp (SBUX)	3.350%	3/12/2050	\$500	Baa1 / BBB+ / --	S / S / --	\$70.4	5.50%	101	104										
Starbucks Corp (SBUX)	3.500%	11/15/2050	\$1,250	Baa1 / BBB+ / --	S / S / --	\$72.7	5.45%	100	100										
McDonald's Corp (MCD)	3.600%	7/1/2030	\$1,000	Baa1 / BBB+ / --	S / S / --	\$92.5	4.99%	69	71	25	\$25,014	\$15,156	\$49,082	\$3,496	\$358	3.3x	3.1x	\$259,553	17.0x
McDonald's Corp (MCD)	4.600%	9/9/2032	\$750	Baa1 / BBB+ / --	S / S / --	\$97.6	4.95%	65	67										
McDonald's Corp (MCD)	4.950%	8/14/2033	\$600	Baa1 / BBB+ / --	S / S / --	\$98.9	5.10%	81	83										
McDonald's Corp (MCD)	4.200%	4/1/2050	\$750	Baa1 / BBB+ / --	S / S / --	\$81.7	5.53%	107	107										
McDonald's Corp (MCD)	5.150%	9/9/2052	\$750	Baa1 / BBB+ / --	S / S / --	\$94.5	5.53%	110	111										
McDonald's Corp (MCD)	5.450%	8/14/2053	\$800	Baa1 / BBB+ / --	S / S / --	\$98.8	5.53%	112	112										
Kroger Co (KR)	1.700%	1/15/2031	\$500	Baa1 / BBB / --	N / N / --	\$79.4	5.32%	98	103	45	\$147,798	\$7,946	\$19,839	\$1,725	\$1,330	2.5x	2.3x	\$53,787	6.2x
Kroger Co (KR)	5.400%	1/15/2049	\$600	Baa1 / BBB / --	N / N / --	\$96.5	5.66%	116	119										
Kroger Co (KR)	3.950%	1/15/2050	\$750	Baa1 / BBB / --	N / N / --	\$78.0	5.56%	109	110										
7-Eleven Inc. (SVELEV)	1.800%	2/10/2031	\$1,700	Baa2 / A / --	S / S / --	\$79.6	5.36%	106	108	--	--	--	--	--	--	--	--	--	--
7-Eleven Inc. (SVELEV)	2.800%	2/10/2051	\$1,250	Baa2 / A / --	S / S / --	\$61.8	5.55%	111	110										
Alimentation Couche-Tard (ATDBCN)	2.950%	1/25/2030	\$750	Baa1 / BBB+ / --	S / S / --	\$89.0	5.14%	85	87	--	\$68,368	\$5,791	\$9,466	\$1,405	(\$229)	1.6x	1.4x	\$68,444	10.1x
Alimentation Couche-Tard (ATDBCN)	3.625%	5/13/2051	\$350	Baa1 / BBB+ / --	S / S / --	\$72.9	5.57%	111	113										
Darden Restaurant Inc (DRI)	3.850%	5/1/2027	\$500	Baa2 / BBB / BBB	S / S / S	\$96.0	5.23%	79	81	44	\$10,772	\$3,875	\$8,965	\$192	(\$157)	3.4x	3.3x	\$27,191	12.8x
Darden Restaurant Inc (DRI)	6.300%	10/10/2033	\$500	Baa2 / BBB / BBB	S / S / S	\$104.1	5.73%	144	146										
Darden Restaurant Inc (DRI)	4.550%	2/15/2048	\$300	Baa2 / BBB / BBB	S / S / S	\$80.7	6.09%	158	161										
Albertson Cos Inc (ACI)	4.875%	2/15/2030	\$1,000	Ba3 *+ / BB+ *+ / --	-- / -- / --	\$93.4	6.22%	187	195	93	\$79,163	\$3,862	\$15,036	\$223	(\$3,537)	3.9x	3.8x	\$26,182	5.5x

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH



**Exhibit 17: Consumer Products Historical Spread & Return Monitor**

Benchmark spread and credit metrics by issuer

Issuer	Coupon	Maturity	Outstanding (\$mil)	Ratings Mdy/S&P/Fit	Outlook	Current Pricing				5-yr CDS	LTM				Net FCF	Credit Metrics			
						Bid	YTW	G- spd	T- spd		Revenue	EBITDA	Debt	Cash		Total Debt/	Net Debt/	EV /	
Procter & Gamble (PG)	2.300%	2/1/2032	\$850	Aa3 / AA- / --	S / S / --	\$85.1	4.57%	26	29	24	\$83,265	\$22,375	\$35,880	\$9,733	\$2,091	1.6x	1.2x	\$400,914	18.1x
Procter & Gamble (PG)	4.050%	1/26/2033	\$850	Aa3 / AA- / --	S / S / --	\$95.5	4.67%	37	39										
Procter & Gamble (PG)	3.600%	3/25/2050	\$491	Aa3 / AA- / --	S / S / --	\$81.4	4.86%	39	41										
Colgate-Palmolive Co (CL)	3.250%	8/15/2032	\$500	Aa3 / AA- / --	S / N / --	\$89.4	4.80%	47	52	35	\$19,136	\$4,455	\$8,724	\$951	(\$136)	2.1x	1.9x	\$79,486	15.7x
Colgate-Palmolive Co (CL)	4.600%	3/1/2033	\$500	Aa3 / AA- / --	S / N / --	\$98.9	4.75%	44	48										
Colgate-Palmolive Co (CL)	3.700%	8/1/2047	\$500	Aa3 / AA- / --	S / N / --	\$81.9	5.03%	50	53										
Unilever Capital Corp (UNANA)	1.750%	8/12/2031	\$850	A1 / A+ / Au	S / S / S	\$80.5	4.92%	60	63	18	\$59,604	\$10,350	\$29,622	\$4,159	\$1,661	2.9x	2.5x	\$139,300	11.6x
Unilever Capital Corp (UNANA)	5.000%	12/8/2033	\$800	A1 / A+ / Au	S / S / S	\$99.9	5.02%	73	75										
Unilever Capital Corp (UNANA)	2.625%	8/12/2051	\$650	A1 / A+ / Au	S / S / S	\$64.4	5.03%	58	59										
Kimberly-Clark Corp (KMB)	2.000%	11/2/2031	\$600	A2 / A / --	S / S / --	\$82.0	4.85%	53	57	42	\$20,425	\$3,752	\$8,090	\$814	\$978	2.2x	2.0x	\$48,340	10.8x
Kimberly-Clark Corp (KMB)	4.500%	2/16/2033	\$350	A2 / A / --	S / S / --	\$97.1	4.90%	58	63										
Kimberly-Clark Corp (KMB)	2.875%	2/7/2050	\$500	A2 / A / --	S / S / --	\$67.7	5.14%	65	68										
SC Johnson & Son Inc (SCJOHN)	4.750%	10/15/2046	\$850	A- / BBB+ / --	S / N / --	\$88.8	5.63%	110	113	--	--	--	--	--	--	--	--	--	--
Estee Lauder Co Inc (EL)	4.650%	5/15/2033	\$700	A1 / A / --	N / N / --	\$96.4	5.15%	85	88	--	\$15,545	\$2,032	\$8,093	\$3,090	(\$283)	4.2x	3.0x	\$60,374	25.6x
Estee Lauder Co Inc (EL)	5.150%	5/15/2053	\$600	A1 / A / --	N / N / --	\$95.4	5.47%	105	105										
Kenvue (KVUE)	5.000%	3/22/2030	\$973	A1 / A / --	S / S / --	\$100.0	4.99%	69	72	--	\$14,950	\$3,624	\$8,198	\$1,062	\$2,119	2.3x	2.0x	\$45,076	12.4x
Kenvue (KVUE)	4.900%	3/22/2033	\$1,224	A1 / A / --	S / S / --	\$98.6	5.10%	80	83										
Kenvue (KVUE)	5.050%	3/22/2053	\$1,500	A1 / A / --	S / S / --	\$95.7	5.34%	91	92										
Reckitt Benckiser TSY (RKTLLN)	3.000%	6/26/2027	\$2,500	A3 / A- / --	S / S / --	\$93.9	5.01%	57	60	--	\$13,234	\$3,239	\$9,637	\$1,259	\$1,258	3.0x	2.6x	\$53,852	16.6x
Church & Dwight Co Inc (CHD)	5.600%	11/15/2032	\$500	A3 / BBB+ / --	S / S / --	\$103.6	5.08%	77	80	--	\$5,776	\$1,307	\$2,405	\$573	\$792	1.9x	1.5x	\$26,668	19.2x
Church & Dwight Co Inc (CHD)	3.950%	8/1/2047	\$400	A3 / BBB+ / --	S / S / --	\$79.2	5.55%	102	105										
Church & Dwight Co Inc (CHD)	5.000%	6/15/2052	\$500	A3 / BBB+ / --	S / S / --	\$94.0	5.42%	96	99										
Clorox Company (CLX)	1.800%	5/15/2030	\$500	Baa1 / BBB+ / --	S / N / --	\$82.4	5.14%	84	87	61	\$7,035	\$1,074	\$2,913	\$518	\$247	2.9x	2.5x	\$21,966	15.8x
Clorox Company (CLX)	4.600%	5/1/2032	\$600	Baa1 / BBB+ / --	S / N / --	\$96.8	5.08%	78	80										
Haleon Plc (HLNLLN)	3.625%	3/24/2032	\$1,998	Baa1 / BBB / --	S / -- / --	\$89.39	5.26%	96	98	--	\$9,545	\$2,413	\$9,782	\$405	\$25	4.1x	3.9x	\$39,143	16.2x
Haleon Plc (HLNLLN)	4.000%	3/24/2052	\$1,000	Baa1 / BBB / --	S / -- / --	\$79.6	5.42%	99	99										
Whirlpool Corp (WHR)	4.700%	5/14/2032	\$300	Baa2 / BBB / BBB	S / N / N	\$93.7	5.68%	135	140	134	\$19,290	\$1,489	\$7,664	\$1,123	(\$197)	5.3x	4.4x	\$12,476	7.6x
Whirlpool Corp (WHR)	5.500%	3/1/2033	\$300	Baa2 / BBB / BBB	S / N / N	\$98.1	5.78%	147	151										
Whirlpool Corp (WHR)	4.600%	5/15/2050	\$500	Baa2 / BBB / BBB	S / N / N	\$79.4	6.20%	172	175										
Hasbro Inc (HAS)	3.900%	11/19/2029	\$900	Baa2 / BBB / BBB-	N / N / N	\$91.6	5.63%	135	136	91	\$5,393	\$1,026	\$3,715	\$186	(\$146)	3.6x	3.5x	\$9,900	9.5x
Hasbro Inc (HAS)	5.100%	5/15/2044	\$300	Baa2 / BBB / BBB-	N / N / N	\$83.8	6.55%	201	202										
Brunswick Corp (BC)	2.400%	8/18/2031	\$550	Baa2 / BBB- / BBB	S / P / S	\$78.7	5.98%	170	170	175	\$6,401	\$1,008	\$2,593	\$468	\$57	2.6x	2.1x	\$8,082	7.6x
Brunswick Corp (BC)	4.400%	9/15/2032	\$450	Baa2 / BBB- / BBB	S / P / S	\$89.1	6.06%	175	178										
Brunswick Corp (BC)	5.100%	4/1/2052	\$300	Baa2 / BBB- / BBB	S / P / S	\$78.4	6.84%	238	241										
Mattel Inc (MAT)	3.750%	4/1/2029	\$600	Baa3 / BBB / BBB-	S / S / S	\$91.2	5.77%	144	151	230	\$5,441	\$739	\$2,590	\$1,261	\$710	3.5x	1.8x	\$8,287	9.8x
Newell Brands Inc (NWL)	6.625%	9/15/2029	\$500	Ba3 / BB- / BB-	N / N / S	\$95.3	7.69%	331	343	387	\$8,133	\$1,226	\$5,472	\$332	\$462	4.5x	4.2x	\$8,247	8.6x
Newell Brands Inc (NWL)	6.500%	4/1/2046	\$666	Ba3 / BB- / BB-	N / N / S	\$79.0	9.24%	466	473										

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 18: Packaged Food Spread & Return Monitor

Benchmark spread and credit metrics by issuer

Issuer	Coupon	Maturity	Outstanding (\$mil)	Ratings Mdy/S&P/Fit	Outlook	Current Pricing			5-yr CDS	Revenue	LTM EBITDA	Debt	Cash	Net FCF	Credit Metrics				EV /	
						Bid	YTW	G- spd							T- spd	Total Debt/	Net Debt/	EV		EBITDA
Nestle Holdings Inc. (NESNVX)	4.850%	3/14/2033	\$650	Aa3 / AA- / A+	S / S / S	\$99.5	4.92%	57	65	25	CHF 93,351	CHF 17,521	CHF 54,434	CHF 4,816	(CHF 2,836)	3.1x	2.8x	\$294,227	18.5x	
Nestle Holdings Inc. (NESNVX)	4.700%	1/15/2053	\$1,000	Aa3 / AA- / A+	S / S / S	\$94.0	5.10%	69	68											
Hershey Company (HSY)	4.500%	5/4/2033	\$400	A1 / A / --	S / S / --	\$97.7	4.81%	53	54	30	\$11,160	\$3,113	\$4,914	\$471	\$521	1.7x	1.6x	\$43,050	13.5x	
Hershey Company (HSY)	2.650%	6/1/2050	\$350	A1 / A / --	S / S / --	\$64.4	5.14%	67	68											
Mars Inc. (MARS)	1.625%	7/16/2032	\$700	A1 / A+ / --	S / S / --	\$76.9	5.04%	75	77	--	--	--	--	--	--	--	--	--	--	
Mars Inc. (MARS)	2.450%	7/16/2050	\$400	A1 / A+ / --	S / S / --	\$60.0	5.27%	81	82											
Hormel Foods (HRL)	1.800%	6/11/2030	\$1,000	A1 / A- / --	N / S / --	\$82.9	5.01%	71	73	--	\$12,195	\$1,314	\$3,481	\$963	\$172	2.6x	1.9x	\$22,076	14.3x	
Hormel Foods (HRL)	3.050%	6/3/2051	\$600	A1 / A- / --	N / S / --	\$67.0	5.37%	92	93											
Archer-Daniels-Midland Co (ADM)	4.500%	8/15/2033	\$500	A2 *- / A *- / A	-- / -- / S	\$95.3	5.13%	87	86	45	\$97,188	\$3,306	\$10,288	\$1,498	(\$190)	3.1x	2.7x	\$36,683	10.9x	
Archer-Daniels-Midland Co (ADM)	2.700%	9/15/2051	\$750	A2 *- / A *- / A	-- / -- / S	\$63.0	5.26%	83	82											
Cargill Inc (CARGIL)	4.750%	4/24/2033	\$500	A2 / A / A	S / S / S	\$95.9	5.32%	90	105	46	--	--	--	--	--	--	--	--	--	
Cargill Inc (CARGIL)	4.375%	4/22/2052	\$500	A2 / A / A	S / S / S	\$85.8	5.36%	90	93											
Danone SA (BNFP)	0.395%	6/10/2029	\$800	Baa1 / BBB+ / --	S / S / --	\$86.2	3.30%	84	84	31	\$27,619	\$4,787	\$14,799	\$1,880	\$1,316	3.1x	2.7x	\$51,567	10.1x	
Mondelez International Holdings Netherlands BV (MIHN)	1.250%	9/24/2026	\$350	A3 / BBB / --	S / S / --	\$90.6	5.22%	69	70											
Mondelez International (MDLZ)	3.000%	3/17/2032	\$750	Baa1 / BBB / --	S / S / --	\$85.6	5.21%	89	93	42	\$35,397	\$6,803	\$19,986	\$1,610	\$530	3.2x	2.9x	\$116,843	16.3x	
Mondelez International (MDLZ)	2.625%	9/4/2050	\$1,125	Baa1 / BBB / WD	S / S / --	\$61.6	5.35%	88	90											
Ingredion Inc (INGR)	2.900%	6/1/2030	\$600	Baa1 / BBB / BBB	S / S / S	\$87.9	5.20%	91	92	--	\$8,226	\$1,148	\$2,406	\$335	\$123	2.2x	1.9x	\$9,761	7.3x	
Ingredion Inc (INGR)	3.900%	6/1/2050	\$400	Baa1 / BBB / BBB	S / S / S	\$72.6	5.98%	150	153											
Sysco Corporation (SYN)	2.450%	12/14/2031	\$450	Baa1 / BBB / BBB	S / S / S	\$82.0	5.30%	99	102	57	\$76,818	\$3,954	\$11,698	\$569	\$739	3.0x	2.8x	\$52,350	11.4x	
Sysco Corporation (SYN)	6.000%	1/17/2034	\$500	Baa1 / BBB / BBB	S / S / S	\$104.5	5.39%	111	112											
Sysco Corporation (SYN)	3.150%	12/14/2051	\$800	Baa1 / BBB / BBB	S / S / S	\$66.5	5.52%	107	109											
McCormick & Co (MKC)	4.950%	4/15/2033	\$500	Baa2 / BBB / --	S / S / --	\$97.6	5.29%	102	102	--	\$6,605	\$1,311	\$4,777	\$155	\$344	3.6x	3.6x	\$22,951	16.9x	
McCormick & Co (MKC)	4.200%	8/15/2047	\$300	Baa2 / BBB / --	S / S / --	\$81.7	5.61%	111	112											
General Mills Inc (GIS)	4.950%	3/29/2033	\$1,000	Baa2 / BBB / --	S / S / --	\$97.3	5.34%	104	106	34	\$20,281	\$4,109	\$12,282	\$491	(\$516)	3.1x	3.0x	\$48,757	14.8x	
General Mills Inc (GIS)	3.000%	2/1/2051	\$605	Baa2 / BBB / --	S / S / --	\$64.3	5.58%	111	114											
Kellanova (K)	5.250%	3/1/2033	\$400	Baa2 / NR / BBB	S / -- / S	\$98.3	5.50%	120	123	65	\$15,866	\$2,536	\$7,674	\$1,099	\$440	3.7x	3.3x	\$25,234	11.7x	
Kellanova (K)	4.500%	4/1/2046	\$650	Baa2 / NR / BBB	S / -- / S	\$85.1	5.69%	115	118											
Flowers Foods Inc (FLO)	2.400%	3/15/2031	\$500	Baa2 / BBB / BBB	S / S / S	\$83.5	5.24%	94	96	--	\$5,091	\$571	\$1,333	\$23	(\$21)	2.3x	2.3x	\$6,031	10.7x	
JM Smucker Co (SJM)	6.200%	11/15/2033	\$1,000	Baa2 / BBB / --	S / N / --	\$105.5	5.45%	117	118	--	\$8,461	\$1,668	\$4,495	\$241	(\$229)	2.6x	2.4x	\$21,463	11.5x	
JM Smucker Co (SJM)	6.500%	11/15/2053	\$1,000	Baa2 / BBB / --	S / N / --	\$108.4	5.89%	148	148											
Tyson Foods Inc (TSN)	4.350%	3/1/2029	\$1,000	Baa2 / BBB / BBB	N / S / S	\$95.5	5.38%	108	112	57	\$52,999	\$2,149	\$9,506	\$573	(\$1,200)	4.4x	4.2x	\$27,660	11.4x	
Tyson Foods Inc (TSN)	5.100%	9/28/2048	\$1,500	Baa2 / BBB / BBB	N / S / S	\$88.0	6.04%	156	157											
Campbell Soup Co (CPB)	2.375%	4/24/2030	\$500	Baa2 / BBB- / BBB *-	S / S / --	\$84.8	5.30%	103	102	46	\$9,357	\$1,753	\$4,689	\$189	\$206	2.9x	2.8x	\$17,620	10.1x	
Campbell Soup Co (CPB)	3.125%	4/24/2050	\$500	Baa2 / BBB- / BBB *-	S / S / --	\$64.5	5.77%	130	131											
Conagra Brands Inc (CAG)	7.000%	10/1/2028	\$382	Baa3 / BBB- / BBB-	S / S / S	\$106.5	5.37%	106	107	42	\$12,277	\$2,586	\$9,274	\$93	\$61	3.6x	3.6x	\$22,501	11.1x	
Conagra Brands Inc (CAG)	5.400%	11/1/2048	\$1,000	Baa3 / BBB- / BBB-	S / S / S	\$91.8	6.05%	155	157											
Kraft Heinz Foods Co (KHC)	3.750%	4/1/2030	\$741	Baa2 / BBB / BBB	S / P / S	\$93.3	5.04%	76	76	49	\$27,161	\$6,400	\$19,878	\$1,053	\$545	3.1x	2.9x	\$62,243	9.7x	
Kraft Heinz Foods Co (KHC)	4.375%	6/1/2046	\$2,786	Baa2 / BBB / BBB	S / P / S	\$82.4	5.79%	128	128											
Kraft Heinz Foods Co (KHC)	4.875%	10/1/2049	\$1,450	Baa2 / BBB / BBB	S / P / S	\$88.9	5.71%	124	124											
JBS USA (JBSSBZ)	6.750%	3/15/2034	\$1,600	Baa3 / BBB- / BBB-	S / S / S	\$103.0	6.34%	207	207	--	R\$ 360,341	R\$ 16,494	R\$ 101,338	R\$ 26,790	-R\$ 5,989	6.1x	4.5x	R\$ 144,382	4.0x	
JBS USA (JBSSBZ)	7.250%	11/15/2053	\$900	Baa3 / BBB- / BBB-	S / S / S	\$104.9	6.86%	245	244											
Pilgrim's Pride (PPC)	6.250%	7/1/2033	\$1,000	Ba2 / BBB- / BBB-	S / N / S	\$101.2	6.07%	181	180	--	\$17,362	\$942	\$3,545	\$698	\$134	3.8x	3.0x	\$10,400	9.4x	
Pilgrim's Pride (PPC)	6.875%	5/15/2034	\$500	Ba2 / BBB- / BBB-	S / N / S	\$105.3	6.15%	189	189											
Smithfield Foods Inc (SFD)	2.625%	9/13/2031	\$500	Ba1 / BBB- / BBB	S / S / S	\$77.0	6.54%	224	225	42	--	--	--	--	--	--	--	--	--	

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH





Exhibit 19: Beverages Historical Spread & Return Monitor

Benchmark spread and credit metrics by issuer

Issuer	Coupon	Maturity	Outstanding (\$mil)	Ratings Mdy/S&P/Fit	Outlook	Current Pricing				5-yr CDS	LTM				Net FCF	Credit Metrics			
						Bid	YTW	G-spd	T-spd		Revenue	EBITDA	Debt	Cash		Total Debt/EBITDA	Net Debt/EBITDA	EV	EV / EBITDA
The Coca-Cola Co. (KO)	2.250%	1/5/2032	\$2,000	A1 / A+ / WD	S / S / --	\$84.1	4.70%	42	42	42	\$45,031	\$16,079	\$40,171	\$11,883	\$1,741	2.5x	1.5x	\$290,136	19.2x
The Coca-Cola Co. (KO)	3.000%	3/5/2051	\$1,700	A1 / A+ / WD	S / S / --	\$69.4	5.10%	65	65										
Coca-Cola European Partners (CCEP)	1.500%	1/15/2027	\$500	Baa1 / -- / BBB+	S / -- / S	\$90.3	5.18%	71	72	--	\$18,302	\$3,131	\$11,396	\$1,419	\$1,111	3.6x	3.2x	\$38,580	11.5x
PepsiCo Inc (PEP)	4.450%	2/15/2033	\$1,000	A1 / A+ / --	S / S / --	\$97.3	4.83%	53	56	42	\$91,617	\$16,953	\$44,774	\$10,283	(\$550)	3.0x	2.4x	\$264,440	15.5x
PepsiCo Inc (PEP)	2.750%	10/21/2051	\$1,000	A1 / A+ / --	S / S / --	\$64.8	5.16%	72	72										
PepsiCo Inc (PEP)	4.650%	2/15/2053	\$500	A1 / A+ / --	S / S / --	\$92.0	5.19%	77	77										
Brown-Forman Corp (BFB)	4.750%	4/15/2033	\$650	A1 / A- / --	S / S / --	\$98.5	4.95%	68	68	--	\$4,272	\$1,355	\$3,110	\$373	\$79	2.3x	2.1x	\$31,335	25.2x
Brown-Forman Corp (BFB)	4.500%	7/15/2045	\$500	A1 / A- / WD	S / S / --	\$88.5	5.41%	89	89										
Diageo Investment Corp (DGELN)	5.500%	1/24/2033	\$750	A3 / A- / A-u	S / S / S	\$102.4	5.16%	83	88	24	£17,113	£6,120	£16,502	£1,439	-£1,382	2.7x	2.5x	£77,061	12.6x
Diageo Investment Corp (DGELN)	1.875%	6/8/2034	\$900	A3 / A- / A-u	S / S / S	\$85.9	3.54%	109	107										
Diageo Investment Corp (DGELN)	3.875%	4/29/2043	\$500	A3 / A- / A-u	S / S / S	\$82.8	5.31%	84	80										
Anheuser-Busch InBev Fin (ABIBB)	4.900%	1/23/2031	\$750	A3 / A- / --	S / S / --	\$100.1	4.88%	55	59	63	\$59,091	\$19,928	\$80,900	\$6,848	\$4,662	4.1x	3.7x	\$200,149	10.0x
Anheuser-Busch InBev Fin (ABIBB)	4.900%	2/1/2046	\$9,519	A3 / A- / --	S / S / --	\$92.8	5.47%	95	95										
Anheuser-Busch InBev Fin (ABIBB)	4.500%	6/1/2050	\$1,102	A3 / A- / --	S / S / --	\$88.5	5.32%	85	86										
Heineken NV (HEIANA)	1.750%	3/17/2031	\$750	A3 / BBB+ / --	S / S / --	\$89.2	3.51%	111	110	30	€ 29,725	€ 5,824	€ 19,857	€ 2,168	-€ 1,560	3.4x	3.0x	€ 67,796	10.8x
Heineken NV (HEIANA)	4.350%	3/29/2047	\$650	A3 / BBB+ / --	S / S / --	\$87.0	5.33%	83	84										
Pernod Ricard SA (RIFP)	1.625%	4/1/2031	\$900	Baa1 / BBB+ / BBB+	S/S/S	\$79.0	5.22%	92	93	63	€ 12,136	€ 3,765	€ 10,741	€ 1,624	(€ 427)	2.9x	2.4x	€ 51,905	16.7x
Pernod Ricard SA (RIFP)	2.750%	10/1/2050	\$500	Baa1 / BBB+ / BBB+	S/S/S	\$62.7	5.42%	94	97										
Suntory Holdings LTD (SUNTOR)	6.625%	7/15/2028	\$184	Baa1 / BBB+ / WD	S / S / --	\$105.7	5.14%	81	82	--	¥2,952	¥439	¥1,348	¥319	¥85	3.1x	2.3x		
JAB Holdings BV (JABHOL)	1.000%	7/14/2031	\$306	Baa1 / BBB+ / --	S / S / --	\$83.7	3.56%	116	116	--	--	--	--	--	--	--	--	--	--
JAB Holdings BV (JABHOL)	3.750%	5/28/2051	\$500	Baa1 / BBB+ / --	S / S / --	\$64.9	6.52%	206	208										
JAB Holdings BV (JABHOL)	4.500%	4/8/2052	\$500	Baa1 / BBB+ / --	S / S / --	\$74.4	6.50%	206	206										
Keurig Dr Pepper (KDP)	4.050%	4/15/2032	\$850	Baa1 / BBB / --	S / S / --	\$92.1	5.25%	97	98	--	\$14,750	\$4,116	\$12,860	\$260	(\$467)	3.1x	3.1x	\$56,127	14.2x
Keurig Dr Pepper (KDP)	3.350%	3/15/2051	\$500	Baa1 / BBB / --	S / S / --	\$68.6	5.62%	117	118										
Keurig Dr Pepper (KDP)	4.500%	4/15/2052	\$1,150	Baa1 / BBB / --	S / S / --	\$83.9	5.65%	122	122										
Constellation Brands Inc (STZ)	4.750%	5/9/2032	\$700	Baa3 / BBB / --	S / S / --	\$95.9	5.38%	109	110	95	\$9,786	\$3,486	\$11,707	\$83	\$686	3.2x	3.2x	\$57,382	15.8x
Constellation Brands Inc (STZ)	4.900%	5/1/2033	\$750	Baa3 / BBB / --	S / S / --	\$96.4	5.41%	113	113										
Constellation Brands Inc (STZ)	3.750%	5/1/2050	\$600	Baa3 / BBB / --	S / S / --	\$73.3	5.74%	125	128										
Molson Coors Brewing Co (TAP)	3.000%	7/15/2026	\$2,000	Baa2 / BBB / WD	P / S / --	\$95.1	5.22%	63	66	51	\$11,541	\$2,412	\$6,180	\$802	\$950	2.7x	2.3x	\$19,077	7.5x
Molson Coors Brewing Co (TAP)	4.200%	7/15/2046	\$1,800	Baa2 / BBB / WD	P / S / --	\$81.0	5.71%	121	121										
Bacardi LTD (BACARD)	5.400%	6/15/2033	\$700	Baa3 / BBB- / BBB-	-- / -- / --	\$98.2	5.65%	136	138	--	--	--	--	--	--	--	--	--	--
Bacardi LTD (BACARD)	5.900%	6/15/2043	\$400	Baa3 / BBB- / BBB-	-- / -- / --	\$99.1	5.98%	145	145										
Bacardi LTD (BACARD)	5.300%	5/15/2048	\$700	Baa3 / BBB- / BBB-	S / S / S	\$92.9	5.86%	137	137										
JDE Peet's NV (JDEPNA)	2.250%	9/24/2031	\$500	Baa3 / BBB- / BBB	S / S / S	\$78.5	5.81%	151	153	--	€ 8,191	€ 1,323	€ 5,915	€ 2,048	€ 228	4.5x	2.9x	€ 14,252	8.9x

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 20: Tobacco Historical Return & Spread Monitor

Benchmark spread and credit metrics by issuer

Issuer	Coupon	Maturity	Outstanding (\$mil)	Ratings Mdy/S&P/Fit	Outlook	Current Pricing			5-yr CDS	LTM				Net FCF	Credit Metrics					
						Bid	YTW	G- spd		T- spd	Revenue	EBITDA	Debt		Cash	Total Debt/ EBITDA	Net Debt/ EBITDA	EV EBITDA	EV /	
Japan Tobacco (JAPTOB)	2.250%	9/14/2031	\$625	A2 / A+ / --	S / -- / --	\$81.6	5.24%	94	96		¥2,841,077	¥843,731	¥1,142,259	¥1,040,206	¥104,821		1.4x	0.1x	¥294,227	0.3x
Japan Tobacco (JAPTOB)	3.300%	9/14/2051	\$400	A2 / A+ / --	S / -- / --	\$67.0	5.69%	122	125											
Philip Morris Intl Inc (PM)	1.750%	11/1/2030	\$750	A2 / A- / A	S / S / N	\$80.6	5.23%	93	95	42	\$34,359	\$14,111	\$47,715	\$3,017	(\$276)		3.5x	3.3x	\$186,940	13.2x
Philip Morris Intl Inc (PM)	5.750%	11/17/2032	\$1,500	A2 / A- / A	S / S / N	\$101.8	5.49%	121	121											
Philip Morris Intl Inc (PM)	5.375%	2/15/2033	\$2,250	A2 / A- / A	S / S / N	\$99.1	5.51%	121	124											
Philip Morris Intl Inc (PM)	5.625%	9/7/2033	\$1,000	A2 / A- / A	S / S / N	\$100.8	5.52%	124	125											
Philip Morris Intl Inc (PM)	4.250%	11/10/2044	\$1,250	A2 / A- / A	S / S / N	\$82.5	5.70%	117	117											
Altria Group (MO)	3.125%	6/15/2031	\$1,250	A3 / BBB / BBB	S / P / S	\$90.5	4.69%	229	229	42	\$20,561	\$12,131	\$25,098	\$1,537	\$641		2.1x	2.0x	\$94,740	7.8x
Altria Group (MO)	2.450%	2/4/2032	\$1,750	A3 / BBB / BBB	S / P / S	\$79.9	5.63%	134	135											
Altria Group (MO)	6.875%	11/1/2033	\$500	A3 / BBB / BBB	S / P / S	\$107.6	5.81%	153	154											
Altria Group (MO)	5.375%	1/31/2044	\$1,800	A3 / BBB / BBB	S / P / S	\$95.0	5.80%	123	126											
Altria Group (MO)	3.700%	2/4/2051	\$1,250	A3 / BBB / BBB	S / P / S	\$67.9	6.15%	173	171											
British American Tobacco (BATSLN)	2.726%	3/25/2031	\$1,250	Baa2 / BBB+ / BBB	P / N / P	\$82.16	5.85%	155	156	61	£28,227	£13,906	£42,169	£3,681	£2,318		3.0x	2.8x	\$87,282	6.3x
British American Tobacco (BATSLN)	7.750%	10/19/2032	\$600	Baa2 / BBB+ / BBB	P / N / P	\$110.5	6.13%	181	185											
British American Tobacco (BATSLN)	4.742%	3/16/2032	\$900	Baa2 / BBB+ / BBB	P / N / P	\$93.1	5.83%	151	155											
British American Tobacco (BATSLN)	6.421%	8/2/2033	\$1,250	Baa2 / BBB+ / BBB	P / N / P	\$102.0	6.13%	185	186											
British American Tobacco (BATSLN)	5.282%	4/2/2050	\$500	Baa2 / BBB+ / BBB	P / N / P	\$82.1	6.75%	227	229											
British American Tobacco (BATSLN)	3.984%	9/25/2050	\$1,000	Baa2 / BBB+ / BBB	P / N / P	\$67.6	6.58%	211	213											
British American Tobacco (BATSLN)	5.650%	3/16/2052	\$600	Baa2 / BBB+ / BBB	P / N / P	\$86.4	6.74%	229	231											
British American Tobacco (BATSLN)	7.081%	8/2/2053	\$1,000	Baa2 / BBB+ / BBB	P / N / P	\$103.0	6.84%	242	242											
Imperial Brands Fin Plc (IMBLN)	3.875%	7/26/2029	\$1,000	Baa3 / BBB / BBB	S / S / S	\$92.3	5.55%	127	128	66	£7,961	£4,073	£10,249	£596	(£186)		2.5x	2.4x	£23,835	5.9x

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH



Valuation & risk

AB InBev SA/NV (ABIBB)

Anheuser-Busch InBev, the world's largest brewer by volumes, benefits from diverse portfolio depth and scale with operations around the world in both developed and developing markets. We believe near-term tailwinds from easing COGS inflation and portfolio mix will benefit EBITDA generation. Consistent financial policy and historical trends of deleveraging following acquisitions via dividend cuts and portfolio restructuring are partially offset the lack of timeline for reaching net leverage targets and past interest in large scale acquisitions. We rate ABIBB issuer-level and € bonds Marketweight as near-term uncertainty lingers on Bud Light volume recovery, EM/FX volatility and see spread outperformance being more limited following the upgrade to single-A in early 2023. We rate ABIBB USD long-end Overweight given relative value upside vs A-rated industrials as the company continues to de-lever with expectations for mid-A ratings in FY25 and near-term tender expected. Upside risks include accelerated debt reduction, premiumization/digitalization/marketing driving structurally higher margins, conservative capital allocation and liquidity management outside of major M&A, and limited near-term refinancing needs. Downside risks are elongated headwinds from Bud Light, emerging market volatility & consumer strain, and interest in large-scale M&A (Africa & Asia).

AB InBev Finance (ABIBB)

Anheuser-Busch InBev, the world's largest brewer by volumes, benefits from diverse portfolio depth and scale with operations around the world in both developed and developing markets. We believe near-term tailwinds from easing COGS inflation and portfolio mix will benefit EBITDA generation. Consistent financial policy and historical trends of deleveraging following acquisitions via dividend cuts and portfolio restructuring are partially offset the lack of timeline for reaching net leverage targets and past interest in large scale acquisitions. We rate ABIBB issuer-level and € bonds Marketweight as near-term uncertainty lingers on Bud Light volume recovery, EM/FX volatility and see spread outperformance being more limited following the upgrade to single-A in early 2023. We rate ABIBB USD long-end Overweight given relative value upside vs A-rated industrials as the company continues to de-lever with expectations for mid-A ratings in FY25 and near-term tender expected. Upside risks include accelerated debt reduction, premiumization/digitalization/marketing driving structurally higher margins, conservative capital allocation and liquidity management outside of major M&A, and limited near-term refinancing needs. Downside risks are elongated headwinds from Bud Light, emerging market volatility & consumer strain, and interest in large-scale M&A (Africa & Asia).

AB InBev Worldwide (ABIBB)

Anheuser-Busch InBev, the world's largest brewer by volumes, benefits from diverse portfolio depth and scale with operations around the world in both developed and developing markets. We believe near-term tailwinds from easing COGS inflation and portfolio mix will benefit EBITDA generation. Consistent financial policy and historical trends of deleveraging following acquisitions via dividend cuts and portfolio restructuring are partially offset the lack of timeline for reaching net leverage targets and past interest in large scale acquisitions. We rate ABIBB issuer-level and € bonds Marketweight as near-term uncertainty lingers on Bud Light volume recovery, EM/FX volatility and see spread outperformance being more limited following the upgrade to single-A in early 2023. We rate ABIBB USD long-end Overweight given relative value upside vs A-rated industrials as the company continues to de-lever with expectations for mid-A ratings in FY25 and near-term tender expected. Upside risks include accelerated debt reduction, premiumization/digitalization/marketing driving structurally higher margins, conservative capital allocation and liquidity management outside of major M&A, and limited near-term refinancing needs. Downside risks are elongated headwinds

from Bud Light, emerging market volatility & consumer strain, and interest in large-scale M&A (Africa & Asia).

Advance Auto (AAP)

After a transformative acquisition in scale & improved growth exposures, AAP has been fraught with execution issues leading to balance sheet pressure but we believe operating & margin trajectory can be fixed over the medium term. New management will seek to improve category & inventory management, costs including labor, and stabilizing comps & Pro share. Our Marketweight reflects spread pickup vs. HY auto peers and Crossover / BB indices but risk from elongated operational turnaround.

Upside risks are stronger than expected comps & faster margin improvement via quickly improving demand landscape, improved ROIC & cash generation efficiency, soliciting a 2nd IG rating, deleveraging via EBITDA growth back toward 3x sustainably (2.5x LT), and asset sales used for debt pay down. Downside risks are execution volatility or cost escalation related to a turnaround, margins remaining well below peers, activist or private equity pressure to focus on shareholder returns (if CoC trigger not satisfied), or permanent disruption to independents (CARQUEST) & Pro share given challenged execution.

AutoZone Inc. (AZO)

While AZO represents the industry benchmark in terms of profitability, capital efficiency, and balance sheet consistency, we believe they face incremental challenges with distribution and lower DIFM (do it for me) exposure. Valuation appears fair in both cash and CDS and we would expect returns in line with the market, with little catalyst for spreads to trade materially better or worse. Upside risks: reaccelerating comps, improved supply chain logistics as well as faster than expected uplift from transition to DIFM (incrementally faster growth). Downside risks: challenges with distribution, continued overexposure to DIY segments, tariffs, or a raised leverage/debt issuance profile. On an issuer level, we rate AZO's cash a Marketweight.

Conagra Brands (CAG)

Conagra Brands (CAG) manufactures and distributes frozen & refrigerated meals, snacks, desserts, condiments, enhancers and other foods primarily through retail and foodservice channels. Executing a LT portfolio transformation, CAG seeks to sustainably improve brand positioning & distribution while improving EBITDA margins via cost savings & productivity efforts, market share gains & innovation while also managing an IG balance sheet & steady shareholder returns. Execution has been inconsistent as CAG deals with cost inflation & demand uncertainty and working capital weighs on free cash flow. Management's IG rating commitment is firm but headroom has narrowed vs. peers leaving spreads & CDS trading at fair value relative to potential downgrade risk.

Upside risks are lasting consumption benefits related to innovation, trial & repeat buying, a faster margin rebound as costs decelerate, cash conversion improves or divestiture proceeds are used for deleveraging. Downside risks are failed brand adoption due to rising prices, sharp volume elasticity, or management chooses M&A and buybacks over debt reduction.

Keurig Dr. Pepper (KDP)

Keurig Dr. Pepper, a leader in U.S. at-home coffee and flavored beverages, benefits from a diverse and on-trend portfolio, top-tier distribution system, efficient cost and cash flow optimization, and strong management team that is committed to an IG rating. Our Overweight rating is based on KDP's ability to sustain above-average industry growth and EBITDA margin expansion, benefitting from structurally improved consumption following COVID-19, while further improving the balance sheet and leverage metrics. Relative value is overall attractive based on relative growth prospects, successful integration & deleveraging, superior credit metrics, and disciplined financial policy

(favoring partnerships over high multiple M&A) compared to BBB food & beverage peers. Risks are structural contraction in some of KDP's important soft drink & juice segments, less geographical diversification vs. peers, an expected penchant for platform expansion, supply chain financing risks, and significant insider influence.

Lowe's (LOW)

Lowe's (LOW) is second-largest home improvement retailer, operating with significant market presence, strong margins and solid free cash flow generation. Financial policy is transparent and liquidity is deep, but modestly more aggressive vs. single-A peers for capital deployment, including reinvestment, share buybacks and acquisitions. We rate LOW cash Overweight due to its improved discount vs. peer HD and relative value vs. BBB cyclicals such as restaurants. We believe spread outperformance is tangible given operational initiatives, margin improvement opportunities and more flexible balance sheet paired with historical trading relationships. Upside may occur if LOW continues to close the comp and margin gap vs. its largest competitor, shows share gains with Pro customers, and delivers higher free cash flow to support elevated buybacks or maintains leverage <2.75x. Downside risks are heightened competition or a spending slowdown caused by stronger housing moderation post-pandemic, elongated cost inflation or spending timeline to achieve long-term targets, or further aggressive capital deployment. CDS is rated Neutral given fair value vs. low beta Retail and CDX IG but lack of a credit-specific widening catalyst given underlying fundamentals remain strong relative to discretionary retailers.

Mattel, Inc (MAT)

We rate all MAT Sr Notes at Marketweight. We expect 4Q23 will be solid but the industry remains soft and the company is facing challenging comparisons to the release of the Barbie movie in FY24. We expect this challenging outlook for FY24 will make it unlikely yields tighten and support our Marketweight.

The downside risk is that retailers plan for the holidays more conservatively than we have estimated and 4Q23 sales are below our estimates.

The upside risk is that if Mattel were to reduce share repurchases, credit metrics may improve by more than we have estimated.

Tyson Foods (TSN)

Tyson Foods is the largest U.S. protein processor with leading share in Beef and Chicken, and increasing scale in Pork and Prepared Foods. We anticipate weak protein industry fundamentals into 2025 will continue to weigh on business performance. Cyclical pressures from consumer demand rotation, supply imbalances, elevated commodity & operating costs, and limited exports will remain an overhang to credit and cash flow metrics which are already strained. TSN has not shown an urgency to address elevated leverage despite historically running a conservative balance sheet. We believe risk is not reflected in current bond relative valuation and see additional spread widening so TSN trades equidistant between less leverage packaged food names and traditional protein peers. Our Neutral rating in CDS incorporates ongoing operating disruption, the uncertainty around protein cyclicity.

Analyst Certification

I, Brian Callen, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.



Special Disclosures

BofA Securities is currently acting as Financial Advisor to Conagra Brands in connection with its proposed sale of 51.77% stake in Agro Tech Foods Limited to funds advised by Convergent Finance LLP and Samara Capital, which was announced on 29 Feb 2024.

Security/Loan pricing

Anheuser-Busch InBev SA/NV / ABIBB

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(bps)
3.7, Senior, EUR, 2040:B	1,750	02-Apr-2040	A3/A-/WD	99.61	01-Mar-2024	3.73	113

For pricing information refer to "Other Important Disclosures" below.

B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Advance Auto Parts, Inc. / AAP

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(bps)
3.9, Senior, USD, 2030:B	500	15-APR-2030	Baa3/BB+/NR	89.29	01-Mar-2024	6.02	184
1.75, Senior, USD, 2027:B	350	01-OCT-2027	Baa3/BB+/NR	86.72	01-Mar-2024	5.92	161
3.5, Senior, USD, 2032:B	350	15-MAR-2032	Baa3/BB+/NR	84.17	01-Mar-2024	6.01	184
5.9, Senior, USD, 2026:B	300	09-MAR-2026	Baa3/BB+/NR	99.90	01-Mar-2024	5.95	138
5.95, Senior, USD, 2028:B	300	09-MAR-2028	Baa3/BB+/NR	99.95	01-Mar-2024	5.97	170

For pricing information refer to "Other Important Disclosures" below.

B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Anheuser-Busch InBev Finance Inc / ABIBB

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(bps)
4.7, Senior, USD, 2036:B	615	01-FEB-2036	A3/A-/WD	96.17	01-Mar-2024	5.13	90
4, Senior, USD, 2043:B	750	17-JAN-2043	A3/A-/WD	84.65	01-Mar-2024	5.30	84
4.625, Senior, USD, 2044:B	850	01-FEB-2044	A3/A-/WD	90.78	01-Mar-2024	5.39	91
4.9, Senior, USD, 2046:B	1,457	01-FEB-2046	A3/A-/WD	92.59	01-Mar-2024	5.49	98

For pricing information refer to "Other Important Disclosures" below.

B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Anheuser-Busch InBev / ABIBB

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(bps)
4, Senior, USD, 2028:B	2,500	13-APR-2028	A3/A-/WD	97.08	01-Mar-2024	4.79	53
4.75, Senior, USD, 2029:B	4,250	23-JAN-2029	A3/A-/WD	99.44	01-Mar-2024	4.88	67
4.9, Senior, USD, 2031:B	750	23-JAN-2031	A3/A-/WD	100.97	01-Mar-2024	4.73	56
4.375, Senior, USD, 2038:B	1,500	15-APR-2038	A3/A-/WD	92.00	01-Mar-2024	5.18	87
8.2, Senior, USD, 2039:B	1,249	15-JAN-2039	A3/A-/WD	129.37	01-Mar-2024	5.32	98
4.95, Senior, USD, 2042:B	1,490	15-JAN-2042	A3/A-/WD	95.89	01-Mar-2024	5.31	88
4.75, Senior, USD, 2058:B	1,500	15-APR-2058	A3/A-/WD	90.58	01-Mar-2024	5.35	107
5.8, Senior, USD, 2059:B	2,000	23-JAN-2059	A3/A-/WD	106.49	01-Mar-2024	5.38	110
4.7, Senior, USD, 2036:B	5,342	01-FEB-2036	A3/A-/WD	96.17	01-Mar-2024	5.13	90
3.65, Senior, USD, 2026:B	3,336	01-FEB-2026	A3/A-/WD	97.57	01-Mar-2024	5.00	39
3.5, Senior, USD, 2030:B	1,750	01-Jun-2030	A3/A-/WD	92.81	01-Mar-2024	4.85	67
4.5, Senior, USD, 2050:B	2,250	01-Jun-2050	A3/A-/WD	90.35	01-Mar-2024	5.18	73
4.35, Senior, USD, 2040:B	1,000	01-Jun-2040	A3/A-/WD	89.86	01-Mar-2024	5.29	91
4.6, Senior, USD, 2060:B	1,000	01-Jun-2060	A3/A-/WD	88.22	01-Mar-2024	5.34	105
8, Senior, USD, 2039:B	450	15-NOV-2039	A3/A-/WD	126.36	01-Mar-2024	5.48	111
4.6, Senior, USD, 2048:B	2,179	15-APR-2048	A3/A-/WD	90.08	01-Mar-2024	5.34	84
5.45, Senior, USD, 2039:B	2,000	23-JAN-2039	A3/A-/WD	102.28	01-Mar-2024	5.22	91
5.55, Senior, USD, 2049:B	4,000	23-JAN-2049	A3/A-/WD	102.85	01-Mar-2024	5.34	85
4.9, Senior, USD, 2046:B	9,519	01-Feb-2046	A3/A-/WD	92.59	01-Mar-2024	5.49	98
6.625, Senior, USD, 2033:B	298	15-AUG-2033	A3/A-/WD	111.27	01-Mar-2024	5.11	92

Anheuser-Busch InBev / ABIBB

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(bps)

For pricing information refer to "Other Important Disclosures" below.

B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

AutoZone Inc. / AZO

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(bps)

3.25, Senior, USD, 2025:B

400

15-APR-2025

Baa1/BBB/BBB

97.75

01-Mar-2024

5.34

41

3.125, Senior, USD, 2026:B

400

21-APR-2026

Baa1/BBB/BBB

96.02

01-Mar-2024

5.11

56

Senior Unsecured, USD, Y5, CDS

02-Mar-2024

28

For pricing information refer to "Other Important Disclosures" below.

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Conagra Brands / CAG

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(bps)

4.3, Senior, USD, 2024:B

1,000

01-MAY-2024

Baa3/BBB-/BBB-

99.77

01-Mar-2024

5.61

26

4.6, Senior, USD, 2025:B

1,000

01-NOV-2025

Baa3/BBB-/BBB-

98.68

01-Mar-2024

5.43

75

4.85, Senior, USD, 2028:B

1,300

01-NOV-2028

Baa3/BBB-/BBB-

98.64

01-Mar-2024

5.18

96

5.3, Senior, USD, 2038:B

1,000

01-NOV-2038

Baa3/BBB-/BBB-

95.04

01-Mar-2024

5.81

148

5.4, Senior, USD, 2048:B

1,000

01-NOV-2048

Baa3/BBB-/BBB-

92.61

01-Mar-2024

5.98

149

1.375, Senior, USD, 2027:B

1,000

01-NOV-2027

Baa3/BBB-/BBB-

87.24

01-Mar-2024

5.25

95

Secured, USD, Y5:CDS

42

Neutral

24-Jul-2023

66

For pricing information refer to "Other Important Disclosures" below.

B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Keurig Dr. Pepper / KDP

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(bps)

2.55, Senior, USD, 2026:B

400

15-SEP-2026

Baa1/BBB/NR

93.97

01-Mar-2024

5.12

66

3.43, Senior, USD, 2027:B

498

15-JUN-2027

Baa1/BBB/NR

95.52

01-Mar-2024

4.92

58

4.597, Senior, USD, 2028:B

2,000

25-MAY-2028

Baa1/BBB/NR

98.95

01-Mar-2024

4.87

62

4.597, Senior, USD, 2028:B

2,000

25-MAY-2028

Baa1/BBB/NR

98.95

01-Mar-2024

4.87

62

3.2, Senior, USD, 2030:B

750

01-MAY-2030

Baa1/BBB/NR

90.76

01-Mar-2024

4.96

78

5.085, Senior, USD, 2048:B

750

25-MAY-2048

Baa1/BBB/NR

94.13

01-Mar-2024

5.53

103

5.085, Senior, USD, 2048:B

750

25-MAY-2048

Baa1/BBB/NR

94.13

01-Mar-2024

5.53

103

3.8, Senior, USD, 2050:B

750

01-MAY-2050

Baa1/BBB/NR

76.18

01-Mar-2024

5.53

108

.75, Senior, USD, 2024:B

1,150

15-MAR-2024

Baa1/BBB/NR

99.80

28-Feb-2024

5.17

-19

3.35, Senior, USD, 2051:B

500

15-MAR-2051

Baa1/BBB/NR

70.18

01-Mar-2024

5.48

105

2.25, Senior, USD, 2031:B

500

15-MAR-2031

Baa1/BBB/NR

83.45

01-Mar-2024

5.08

91

3.95, Senior, USD, 2029:B

1,000

15-APR-2029

Baa1/BBB/NR

95.54

01-Mar-2024

4.95

74

4.05, Senior, USD, 2032:B

850

15-APR-2032

Baa1/BBB/NR

93.26

01-Mar-2024

5.07

90

4.5, Senior, USD, 2052:B

1,150

15-APR-2052

Baa1/BBB/NR

85.18

01-Mar-2024

5.55

117

For pricing information refer to "Other Important Disclosures" below.

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Lowe's / LOW

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(bps)

2.5, Senior, USD, 2026:B

1,350

15-APR-2026

Baa1/BBB+/NR

95.02

01-Mar-2024

5.01

45

3.1, Senior, USD, 2027:B

1,500

03-MAY-2027

Baa1/BBB+/NR

94.78

01-Mar-2024

4.90

54

3.7, Senior, USD, 2046:B

1,350

15-APR-2046

Baa1/BBB+/NR

75.46

01-Mar-2024

5.66

116

4.05, Senior, USD, 2047:B

1,500

03-MAY-2047

Baa1/BBB+/NR

79.85

01-Mar-2024

5.62

111

3.75, Senior, USD, 2032:B

1,500

01-APR-2032

Baa1/BBB+/NR

91.17

01-Mar-2024

5.10

93

3, Senior, USD, 2050:B

1,750

15-OCT-2050

Baa1/BBB+/NR

64.74

01-Mar-2024

5.55

111

1.7, Senior, USD, 2030:B

1,250

15-OCT-2030

Baa1/BBB+/NR

81.54

01-Mar-2024

5.01

84

2.625, Senior, USD, 2031:B

1,500

01-APR-2031

Baa1/BBB+/NR

85.35

01-Mar-2024

5.12

95

3.5, Senior, USD, 2051:B

500

01-APR-2051

Baa1/BBB+/NR

70.69

01-Mar-2024

5.62

120

1.7, Senior, USD, 2028:B

1,000

15-SEP-2028

Baa1/BBB+/NR

87.01

01-Mar-2024

4.93

70

2.8, Senior, USD, 2041:B

1,000

15-SEP-2041

Baa1/BBB+/NR

70.57

01-Mar-2024

5.42

100



Lowe's / LOW

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(bps)
3.35, Senior, USD, 2027:B	750	01-APR-2027	Baa1/BBB+/NR	95.56	01-Mar-2024	4.92	55
4.25, Senior, USD, 2052:B	1,500	01-APR-2052	Baa1/BBB+/NR	80.61	01-Mar-2024	5.63	125
4.45, Senior, USD, 2062:B	1,250	01-APR-2062	Baa1/BBB+/NR	80.27	01-Mar-2024	5.73	144
4.4, Senior, USD, 2025:B	1,000	08-SEP-2025	Baa1/BBB+/NR	98.86	01-Mar-2024	5.19	46
5, Senior, USD, 2033:B	1,250	15-APR-2033	Baa1/BBB+/NR	99.17	01-Mar-2024	5.11	93
5.625, Senior, USD, 2053:B	1,500	15-APR-2053	Baa1/BBB+/NR	99.57	01-Mar-2024	5.66	132
5.8, Senior, USD, 2062:B	1,000	15-SEP-2062	Baa1/BBB+/NR	100.43	01-Mar-2024	5.77	148
Senior Unsecured, USD, Y5:CDS					02-Mar-2024		34

For pricing information refer to "Other Important Disclosures" below.

B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Mattel, Inc / MAT

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(bps)
6.2, Senior, USD, 2040:B	250	01-OCT-2040	Baa3/BBB/BBB-	98.10	01-Mar-2024	6.39	200
5.45, Senior, USD, 2041:B	300	01-NOV-2041	Baa3/BBB/BBB-	90.22	01-Mar-2024	6.38	196
5.875, Senior, USD, 2027:B	600	15-DEC-2027	Baa3/BBB/BBB-	99.94	01-Mar-2024	5.89	160
3.375, Senior, USD, 2026:B	600	01-APR-2026	Baa3/BBB/BBB-	94.95	01-Mar-2024	5.99	143
3.75, Senior, USD, 2029:B	600	01-APR-2029	Baa3/BBB/BBB-	91.50	01-Mar-2024	5.70	149

For pricing information refer to "Other Important Disclosures" below.

B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Tyson Foods / TSN

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(bps)
3.95, Senior, USD, 2024:B	1,250	15-AUG-2024	Baa2/BBB+/BBB	99.22	01-Mar-2024	5.71	31
4.35, Senior, USD, 2029:B	1,000	01-MAR-2029	Baa2/BBB+/BBB	96.36	01-Mar-2024	5.19	98
5.700, Senior, USD, 2034:B	900	15-Mar-2034	Baa2/BBB/BBB	100.00	29-Feb-2024	5.69	145
4.55, Senior, USD, 2047:B	750	02-JUN-2047	Baa2/BBB+/BBB	81.27	01-Mar-2024	6.06	156
5.1, Senior, USD, 2048:B	1,500	28-SEP-2048	Baa2/BBB+/BBB	88.53	01-Mar-2024	6.00	151
5-Year CDS:CDS					02-Mar-2024		58

For pricing information refer to "Other Important Disclosures" below.

B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Disclosures

Important Disclosures

BofA Global Research Credit Opinion Key

BofA Global Research provides recommendations on an issuer's bonds (including corporate and sovereign external debt securities), loans, capital securities, equity preferreds and CDS as described below. Convertible securities are not rated. An issuer level recommendation may also be provided for an issuer as explained below. BofA Global Research credit recommendations are assigned using a three-month time horizon.

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Overweight: Spreads and /or excess returns are likely to outperform the relevant and comparable market over the next three months.

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Underweight: Spreads and/or excess returns are likely to underperform the relevant and comparable market over the next three months.

BofA Global Research uses the following rating system with respect to **Credit Default Swaps (CDS)**:

Buy Protection: Buy CDS, therefore going short credit risk.

Neutral: No purchase or sale of CDS is recommended.

Sell Protection: Sell CDS, therefore going long credit risk.

Corporate Credit Issuer Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	144	37.21%	Buy	119	82.64%
Hold	193	49.87%	Hold	163	84.46%
Sell	50	12.92%	Sell	37	74.00%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only corporate credit issuer recommendations. A corporate credit issuer rated Overweight is included as a Buy, a corporate credit issuer rated Marketweight is included as a Hold, and a corporate credit issuer rated Underweight is included as a Sell.

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