

Consumer & Retail

No earnings touchdown dance

Industry Overview

Volumes soft, EBITDA defended, FY24 outlooks 2H-wgt'd

Earnings took the focus last week with results & outlooks somewhat scattered all over the field, depending on sub-sector & relative positioning. Thematically we saw revenues light of our expectations due to volume softness, but EBITDA & margins benefit from productivity, lower inflationary pressure (i.e. freight, feed, resin, logistics), cost savings, and inventory management. Leverage was flat-0.1x lower q/q but for more challenged operators (EL, TSN, VFC), it cont. to weaken given EBITDA contraction. FY24 outlooks were in-line to a touch light of our forecasts, likely reflecting conservatism given consumer belt tightening, international variability, and 2H-weighted inflections. The **ICE BofA IG Corp Bond Index** tightened -2bps w/w, returning -0.81% Non-Cyclicals were in-line vs. Cyclicals tightened -1bp, both with weaker returns of -0.88% and -0.95%. New issuance totaled \$46.6bn last week including \$8.25bn from Starbucks, Philip Morris Int'l, Alimentation Couche-Tard combined. \$35bn+ in supply is expected this week.

In **Retail (-1bp)**, VF Corp 3Q results widely missed consensus driven by wholesale disruption (particularly in NA), warmer weather, and Vans inventory repositioning. Management held firm on FCF & deleveraging objectives, but will need assistance from asset sales (jets, buildings & brands now formally under review as expected). Tapestry 2Q results were strong & FY24 was raised led by Coach, y/y FCF growth, and gross margins. Acquisition target Capri Holdings meanwhile reported another weak result across all brands, citing wholesale contraction, softer demand for fashion luxury goods & costs as headwinds. \$313mn of debt was repaid using FCF. O'Reilly Auto comps & EBITDA missed elevated expectations with Pro momentum offset by DIY. We see FY24 guidance as conservative and ORLY still very well positioned in Retail (Overweight). In **Food Retail (-4bps)**, Kroger announced CFO Millerchip will step down to become CFO of Costco – we view this as a loss ahead of potential M&A integration & financing. In **Restaurants (-1bp)**, McDonald's 4Q comps missed due to international disruption (war in the Middle East) but EBITDA was in-line. FY24 guidance was in-line w/ investor day.

In **Consumer Products (-2bps)**, Estee Lauder 2Q24 results beat cautious expectations. Inventory is expected to be normalized in 3Q, core margins are intact, and new layoffs aid margin recovery in FY25-26. Leverage rose to 4.5x ahead of funding its remaining 24% stake in Deciem. Softness in skin & beauty, China and slower cold & flu season hurt Kenvue's 4Q while FY24's outlook reflects standalone company costs hit to margins. Unilever introduced FY24 guidance in-line with its multi-year framework and expects net leverage ~2x. In **Packaged Food (-2bps)**, Tyson Foods 1Q results beat our est. stronger Chicken, lower input costs, and working capital upside. FY24 guidance was mostly reaffirmed cautioning on 2Q disruption from weather & plant costs. We think this de-risks FY24 EBITDA & leverage trends but TSN spreads re-main tight vs. food (Underweight). Kellanova uniquely saw strong pricing & volumes in 4Q with margins in-line on normalizing supply chain activity and productivity. FY24 guidance is in-line with K's long-term algorithm. Hershey's 4Q org sales lagged on lower salty snacks volumes - FY24 guide was below our est. and 2H-weighted, anticipated due to cocoa & operating costs. In **Beverages (-2bps)**, PepsiCo volumes missed...cont. on next page...

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Valuation & Risk on page 26.

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High Grade Credit
United States
Retailing & Consumer

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Exhibit 1: Market week ended 2/9/24

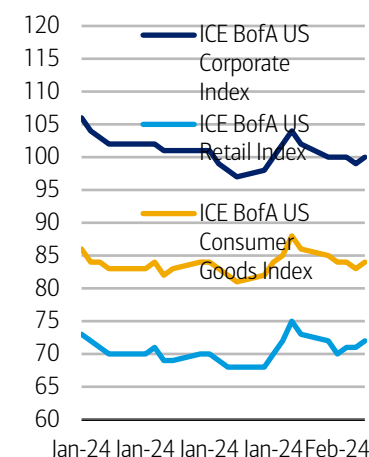
Last week's market performance

Market	Value	WoW
IG ICE BofA Index	100	(2)
IG ICE BofA Index (yld)	5.36	+11
HY ICE BofA Index	463	(14)
HY ICE BofA Index (yld)	7.81	(3)
CDX IG 5yr	54	(0)
CDX HY 5yr	348	(4)
Consumer Cyclicals	72	(1)
Consumer Non-Cyclicals	84	(2)
5yr Treasury (yld)	4.14	+15
10yr Treasury (yld)	4.18	+16
30yr Treasury (yld)	4.37	+15
S&P 500 (index)	5,027	1.4%

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

Spreads mostly unchg'd across sub-sectors



Source: ICE Data Indices, LLC, Bloomberg
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...driven by categories normalizing to pre-COVID levels with consumers exhibiting more value-seeking behavior. FY24 guidance (previewed during 3Q results) was lowered to reflect a softer top-line, 2H-weighted, but EPS in-line with our est. Finally in **Tobacco (-3bps)**, British American Tobacco (BATSLN) full-year results were slightly below consensus expectations and FY24's outlook was in-line. The news in focus was a faster achievement of profitability from its next generation product portfolio (an improvement factor for S&P to stabilize the BBB+ rating) and the company's plans to pursue a likely 4% stake sale in ITC. This est. £2bn pre-tax proceeds (including hotel de-merger) will supplement further deleveraging as needed (2.6x net in FY23, BATSLN organically can deleverage -0.2-0.3x reaching their mid 2-3x net leverage target) but more likely provides flexibility for share repurchases. Management did not indicate they preferred to wait for higher ratings from Moody's (Baa2/Pos) or Fitch (BBB/Pos) before resuming repurchases but given S&P dropped the outlook on past buyback activity, Stabilizing this rating is likely a focus. BATSLN expects to generate enough FCF in FY24 to cover maturities and the dividend but will still likely return to the debt markets by mid-year. Competitor Philip Morris International 4Q results missed on weak volumes in both heated tobacco and combustibles, higher marketing & research costs, and FX headwind. FY24's underlying outlook was largely in-line though tax, interest expense, and FX weighed on EPS expectations. PM expects to ramp up deleveraging with -0.3x-0.5x expected in FY24 but frustrated bondholders issuing \$4.75bn across 3-yr to 10-yr to start the year, leading to steep +20bps new issue concessions. PM remains on track to achieve 2x net target in FY26.

Exhibit 3: Upcoming Consumer/Retail Events Calendar

2-week calendar of events, subject to change

February 2024				
Mon, Feb-12	Tue, Feb-13	Wed, Feb-14	Thu, Feb-15	Fri, Feb-16
	KO 4Q23 earnings HAS 4Q23 earnings TAP 4Q23 earnings	HEIAN A FY23 earnings KHC 4Q23 earnings	RIFP 1H24 earnings GPC 4Q23 earnings	ADM 4Q23 earnings
Mon, Feb-19	Tue, Feb-20	Wed, Feb-21	Thu, Feb-22	Fri, Feb-23
	HD 4Q23 earnings WMT 4Q23 earnings CAGNY	JDEPNA FY23 earnings CAGNY	BNFP FY23 earnings NESNVX FY23 earnings KDP 4Q23 earnings CAGNY	JAPTOB FY23 earnings CCEP FY23 earnings CAGNY

Source: Company filings, Bloomberg

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Exhibit 4: Notable Weekly Movers

DKS widened the most last week

Active Cash Trading										Active CDS		
				Chg (G-spread)				Chg (G-spread)				
Issuer					Issuer				Entity	5y	Chg	
DKS	4.100%	1/15/2052	+16	MO	3.125%	6/15/2031	-15	Altria Group	52	-2		
NKE	3.375%	3/27/2050	+15	FLO	2.400%	3/15/2031	-6	Home Depot	26	-1		
BATSLN	3.984%	9/25/2050	+15	GPC	1.875%	11/1/2030	-6	Kroger	49	1		
AMZN	3.100%	5/12/2051	+14	SFD	2.625%	9/13/2031	-6	Darden Restaurants	41	2		
SYN	6.600%	4/1/2050	+12	VFC	2.950%	4/23/2030	-5	Tyson Foods	67	3		

Source: ICE Data Indices, LLC, Bloomberg

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Notable Consumer & Retail credit news**Retail**

VF Corp (VFC, Baa3/BBB/--) 3Q24 results widely missed estimates again driven by continued wholesale channel challenges, warm weather impacting outerwear & boots, repositioning of Vans inventory (which will leak into 4Q), and general marketplace softness (particularly Americas) which all dented sales. The dimmed top line translated to substantial SG&A deleverage causing EBITDA & margins to also miss, despite gross margin remaining intact on outlet inventory clearance. Leverage rose to 5.2x, notwithstanding a \$461mn reduction in balance sheet debt, and VFC reiterated its view that improving FCF (\$600mn rising back toward \$900mn in FY25) plus the sale of Packs will allow it to repay \$1.75bn of debt within 15 months. Management formally initiated an in-depth strategic review of brand assets (as expected) and plans to monetize \$50-100mn of non-core physical assets near-term to offset Reinvent program costs. The company also announced the current CFO Matt Puckett will be stepping down later this year as leadership turns over under new CEO Bracken Darrell.

Exhibit 5: VF Corp 3Q24

VFC financial summary

	3Q24	Consensus
Revenue	-16.2%	-7.3%
EBITDA	-37.9%	-15.3%
EBITDA margin	12.3%	15.2%
EPS	\$0.57	\$0.80
	3Q24	Q/Q
Adj. Debt	\$7,436	(\$461)
Gross leverage	5.2x	+0.4x
Net leverage	4.5x	Flat

Source: Company filings, Visible Alpha

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Revenue-related commentary

- Big 4 Brands (all missed, ex-FX): Vans -29% vs -23% est. (softness across regions including ongoing wholesale challenges & intentional unproductive inventory clean-up worth -150bps), The North Face -11% vs -2% est. (driven by unseasonably warm weather & wholesale shift worth -400bps), Timberland -22% vs -8.5% est (marketplace challenges in Americas & warm weather) , Dickies -17% vs. -6% est. (softer sell-out in Americas).
- International sales -8% ex-FX: Americas -25%, EMEA -12%, APAC +3% and Greater China +7%. Wholesale delivery timing shift hit The North Face and EMEA (-7% ex wholesale)
- DTC -9% vs -6% est. (-3% ex-Vans) with digital -14% and Wholesale -28% (vs -10% est.)
- Results impacted by: 1) unseasonably warm weather, 2) difficult y/y lapping when late deliveries hit 3Q23 (-550bps drag to global wholesale and -250bps to total revenue), 3) continued Americas underperformance, 4) Vans product repositioning & channel reset (-150bps), 5) cybersecurity incident (less than -200bps impact on revenue, -\$0.04-0.05 EPS impact)
- Promotions flat y/y, inventory was largely cleared via outlets, and impact from Vans marketplace reset could leak into 4Q24
- The North Face returned to growth as weather turned cold in January

Profit & margin-related commentary

- Adj. EBITDA margins declined -431bps vs. -146bps est. primarily on weaker sales and greater than expected SG&A deleverage
- Adj. gross margins expanded +36bps slightly ahead of +22bps est. driven by +175bps from favorable mix (APAC), freight & pricing partially offset by headwinds -135bps from unfavorable rate impact largely driven by transaction FX, higher inventory reserves & product costs. SG&A deleveraged +593bps widely missing +222bps est. driven by the decline in sales.
- Inventory was -17% y/y (Vans -30%) but now expect inventory at least -10% y/y from prior expectation for -MSD-HSD% at FY24 end
- \$300mn cost savings remains on track, 25-35% intended to be reinvested

Capital allocation

- Reaffirmed desire to pay down upcoming debt (\$1bn Term Loan due Dec 2024 and \$750mn due April 2025) but dependent on rebounding FCF and sale of Packs business (substantive due diligence in progress)
- Indicated FY25 FCF expected near \$900mn
- Identified non-core physical assets (corporate jets, buildings) to be monetized (\$50-100mn) in coming quarters to offset cash costs related to Reinvent program
- Formally announced strategic portfolio review of brand assets (already discussed informally & in consensus expectations)

FY24 cash guidance unchanged

- Continue to expect FCF of \$600mn, implying 4Q FCF -\$386mn
- Gross savings from Reinvent plan to be at least \$60mn this year (within SG&A)

O'Reilly Automotive (ORLY, Baa1/BBB/--) 4Q comps were roughly in-line with our estimate but missed elevated consensus expectations (Pro strength was offset by an expected DIY drag). EBITDA & margins missed slightly due to elevated spending & associated SG&A deleverage. New FY24 guidance assumes stronger sales/comps vs our estimates (at or above the current pace despite difficult comparisons) but continued reinvestment weighing on margins, though ORLY has a propensity to guide conservatively to start the year.

Exhibit 6: O'Reilly Automotive 4Q23

ORLY financial summary

	4Q23	BofA est.	Consensus
Revenue	+5.1%	+6.2%	+6.0%
Comps	+3.4%	+3.5%	+3.9%
Adj. EBITDA	+6.3%	+8.0%	+7.7%
Adj. EBITDA margin	21.7%	21.8%	21.8%
Adj. EPS	\$9.26	\$9.23	\$9.13

	4Q23	BofA est.	Q/Q
Debt	\$7,841	\$7,384	\$457
Gross leverage	2.0x	1.9x	+0.1x
Net leverage	2.0x	1.9x	+0.1x

Source: BofA Global Research, Company filings, Visible Alpha

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Earnings-related commentary

- Comps +3.4% roughly in-line with our +3.5% est.; saw +double-digit % increase in Pro but faced anticipated DIY pressure (est. negative) on tough weather compare
- EBITDA margins expanded +23bps, slightly behind our +37bps est. as gross margins beat (+47bps vs. +30bps est.) but were partially offset by SG&A deleverage (+43bps vs our -15bps)
- Repurchased \$560mn of stock in the quarter, \$102mn in 1Q24TD

FY24 Guidance better top-line, mixed bottom-line

- FY24 outlook: (a) Comps +3-5% (vs. our +3.5% est.); (b) revenue \$16.8-17.1bn (vs. our \$16.7bn est.); (c) gross margin 51.0-51.5% (vs. our 51.4% est.); (d) operating margin 19.7-20.2% (vs. our 20.4% est.); (e) effective tax rate 22.6%; (f) EPS \$41.05-41.55 (vs our \$42.83 est.); and (g) adj. FCF \$1.8-2.1bn with capex \$900-1,000mn vs. our \$2.2bn est.
- Planning for +190-200 net new stores in FY24

Tapestry (TPR, Baa2/BBB/--) beat 2Q24 expectations led by Coach and strong divisional margins. FCF in 2Q was \$804mn (+\$253mn y/y) which covers the vast majority of the \$900mn assumed would be generated between TPR and Capri Holdings (CPRI) during the holiday period. Management is raising FY24 profit guidance, albeit below the 2Q beat, while the revenue and FCF outlooks were unchanged. Regarding the pending acquisition of CPRI, there was no change in message – Confident in the ability to complete the transaction with a close expected in calendar 2024, >\$200mn of synergies within 3-yrs of closing, and achieving <2.5x leverage within 24mo of transaction close.

- 2Q24 EPS \$1.63 beat \$1.45 est
- Sales +2.9% beat +1.3% est; North America flat and Int'l +12% (including China +19%). Coach +6.4% y/y (+3.1% est) and Kate Spade -6.1% y/y (-3.3% est)



- Adj. EBITDA +11.7% beat +3.7% est, gross margins beat (+304bps) via lower freight & inventory -15.5%. Both Coach (34.3% margin vs. 32% est.) and Kate Spade (15.7% vs. 15% est.) margins beat expectations.
- FY24 outlook raised (less than 2Q beat): Revenue +1% (unchg'd/in-line), EPS now \$4.20-4.25 (+\$0.10) vs. \$4.11 est (note: Interest expense from Nov debt financing not included in outlook), FCF \$1.1bn (unchg'd)

Tobacco

Philip Morris International (PM, A2/A-/A) 4Q23 results missed estimates due to slightly weaker volumes in both HTUs and cigarettes (EU flavor ban impact cont. into FY24) but stronger price/mix, and higher marketing, admin & research costs, including continued supply chain headwinds. FX was also a stronger drag, including a \$0.09 impact from Argentina. FY24 guidance was largely in-line with expectations (total volumes forecasted flat to +1% with smoke-free continuing to increase mix) though EPS was below due to tax (Russia), interest expense (< 3% coupons continue to mature & be refinanced), and FX. PM expects to ramp up progress on deleveraging with -0.3x-0.5x expected next year (or 2.8x net at mid-point, on track to reach ~2x target in FY26) but also continues to actively refinance.

Exhibit 7: Philip Morris International 4Q23

PM financial summary

	4Q23	Consensus
Revenue (y/y)	+11.0%	+9.2%
Volumes (cigs/HTUs)	-0.5%	+0.6%
Adj. EBITDA (y/y)	+0.7%	5.5%
Adj. EBITDA margin	36.3%	38.0%
Adj. EPS	\$1.36	\$1.44

	4Q23	Q/Q
Debt	\$48,523	\$194
Adj gross leverage	3.5x	Flat
Adj net leverage	3.3x	Flat

Source: Company filings, Visible Alpha

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Revenue & segment-related commentary

- Organic revenue +8.3% driven by shipment growth +6.1% for HTUs and +23.4% for oral products (adj pro forma for Swedish Match) partially offset by cigarettes declining -1.9% against combustible price/mix +9.9%
- Total volumes decreased -0.5% y/y (vs. +0.6% est.), driven by heated tobacco units (HTUs) +6.1% (vs +8.7% est.) and cigarettes -1.9% (vs -1.1% est.)
- By region (cigarettes): (a) Europe flat; (b) SSEA, CIS & MEA -1.1%; (c) EA, AU & PMI DF -8.5%; (d) Americas -5.2%
- Marlboro -0.8%, primarily driven by the Philippines
- Smoke-free revenue mix = 39.3%
- Est. 2bn HTU impact from recent EU flavor ban

Profit & margin-related commentary

- Adj. EBITDA margins declined -369bps, missing expectations. Gross margins fell -41bps on acute cost and supply chain headwinds. SG&A deleveraged +236bps
- Saw higher marketing, administrative, and research costs (including inflation & amortization) vs expectations

Capital allocation

- PM-reported leverage was 3.4x gross (flat q/q) and 3.2x net leverage (flat q/q)
- Expect to de-lever -0.3x-0.5x in FY24 (implied 2.8x net)
- Reiterated expectation to de-lever to ~2.0x net leverage in FY26; will consider buybacks once back on track

FY24 Guidance light

- **FY24 guidance:** (a) org sales +6.5-8.0% vs +6.7% est., (b) adj org op income +8-9.5% vs +8.4% est., (c) adj EPS \$6.32-6.44 vs. \$6.58 consensus, including FX -\$0.11 headwind; (d) OCF \$10-11bn and capex ~\$1.2bn; and (e) effective tax rate ~21-22%
- Total int'l volumes (ex-China & U.S.) est. -2.0% to flat y/y but PMI total volumes flat to +1% y/y
- HTU shipment volumes of >140bn (+14-16%), nicotine pouch shipment volume 520mn cans
- **1Q24:** adj EPS \$1.37-\$1.42 including FX -\$0.10

Packaged Food

A material benefit from lower feed & raw material costs lifted Chicken and Prepared Foods, improved supply & spreads helped Pork, and overall better efficiency drove **Tyson Foods (TSN, Baa2/BBB/BBB)** 1Q24 results above our expectations. This offset underperformance in Beef where an inventory valuation adj. tied to cattle futures dented profit and narrow cattle supply continue to compress spreads. FCF was \$956mn on much better than expected working capital contribution (\$698mn) allowing for \$592mn of commercial paper repayment and kept leverage at 4.6x (+0.2x q/q). FY24's outlook was left largely unchanged (details below) and management seemingly cautioned investors from taking earnings revisions much higher, citing weather disruption & additional plant startup costs in 2Q, seasonality, and uncertainty around Beef.

Exhibit 8: Tyson Foods 1Q24

TSN financial summary

	1Q24	BofA est.	Consensus
Revenue	+0.4%	+0.2%	+0.8%
Adj. EBITDA	-5.8%	-21.9%	-23.5%
Adj. EBITDA margin	5.6%	4.7%	4.4%
Adj. EPS	\$0.69	\$0.42	\$0.41

	1Q24	BofA est.	Q/Q
Debt	\$9,678	\$10,256	\$172
Gross leverage	4.6x	5.2x	+0.2x
Net leverage	3.9x	4.5x	-0.3x

Source: BofA Global Research, Company filings, Visible Alpha

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Revenue-related commentary

- Sales +0.4% y/y were slightly ahead of our +0.2% est. driven by beef pricing offset by weaker pricing in the balance of segments and negative beef & chicken volumes. Overall pricing was +0.4% vs. our +1.0% est. and volumes were flat y/y vs. -0.8% est.



- 2Q is a seasonally weaker period of the FY (Chicken/Beef) and has started off with unfavorable weather (most impactful to Chicken, followed by Beef/Pork cost absorption)
- TSN brand share remains healthy (27.5% lb share in core lines, -20bps q/q)
- Prepared Foods: Foodservice solid (+3%) and seeing customer expansion, Williams Sausage acquisition contributed in retail (not quantified). Elasticities returning to pre-COVID levels.

Profit & margin-related commentary

- Adj. EBITDA margins declined -37bps (vs. our -132bps est.) driven by upside in Chicken, Pork and to a lesser extent Prepared Foods offsetting weakness in Beef. Adj. gross margins beat (+13bps vs. our -97bps est.) from lower raw material costs, benefits from plant closures, and stronger execution. SG&A deleverage slightly missed (+46bps vs. our +25bps est.).
- By operating segment: (a) Beef sales +6.4% on higher price per pound offset by lower head throughput and adj. margins -2.3% (miss) on spread compression and inventory valuation adjustment tied to a rapid decline in cattle futures (~\$60mn impact); (b) Pork sales -0.8% primarily on lower pricing and adj. margins 4.5% (beat) on spreads improving (better supply means lower hog costs); (c) Chicken sales -5.4% (lower commodity prices) and adj. margins 4.8% (beat) on benefits from strategic actions (plant closures) and operational efficiencies (labor & yields); (d) Prepared Foods sales +0.2% on traction with foodservice volume recovery and margins 10.4% (beat) helped by lower raw materials & efficiencies.
- Chicken had no notable derivative gain or loss in 1Q and \$170mn flow-through benefit from lower feed costs
- Still no visibility into a turn in heifer retention rates, management expects tight supplies in FY24 and even beyond

Capital allocation

- FCF of \$956mn beat our \$186mn est. driven by a substantial improvement in working capital (\$698mn); expect some working capital to reverse but have higher confidence in “positive” FCF guidance for FY24
- Reiterated LT net leverage target of being at or below 2.0x (no timeline)

FY24 Guidance largely unchanged

- FY24: (a) Sales relatively flat vs our +0.1% est.; (b) Segment adj. operating income: Beef (\$400mn)-breakeven (in-line), Pork now breakeven-\$100mn (in-line), Chicken low-end raised to \$500-700mn (in-line), and Prepared Foods \$800mn-\$1bn (in-line); (c) total adj. operating income \$1.0-1.5bn; (d) net interest expense \$400mn; (e) tax rate 23-24%; and (f) capex \$1-1.5bn and “positive” FCF
- 2024 USDA domestic protein production now expected to increase slightly y/y (vs. decrease slightly prior): (a) Beef -2% (was -5%); (b) Pork +2%; and (c) Chicken flat y/y (was increase slightly).
- CFO indicated weather disruption & additional plant startup costs in 2Q, in addition to normal seasonality, would depress adj. operating income and that they remain focused on the mid-point of the \$1.0-1.5bn adj operating income guidance

Kellanova (K, Baa2/BBB/--) 4Q23 results beat our expectations driven by better volumes and price/mix lifting organic sales +6.9%, particularly in North America. Profitability was also slightly ahead of est.’s helped by the benefit of revenue program

management, normalizing supply chain activity and ongoing productivity. Leverage continued to decline, slightly ahead of our forecast, providing K spending capacity under its net 3.0x leverage target. FY24 guidance is consistent with investor day guidance and K's LT algorithm, though sales was nudged down slightly.

Exhibit 9: Kellanova 4Q23

K financial summary

	4Q23	BofA est.	Consensus
Revenue	-17.2%	-20.0%	-16.7%
Org. sales	+6.9%	+3.4%	+1.5%
Adj. EBIT	-6.9%	-9.4%	-7.8%
Adj. EBIT margin	12.4%	12.4%	12.4%
Adj. EPS	\$0.78	\$0.74	\$0.75

	4Q23	BofA est.	Q/Q
Debt	\$6,526	\$7,117	(\$1,148)
Gross leverage (K)	2.4x	2.6x	-0.5x
Net leverage (K)	2.3x	2.5x	-0.2x

Source: BofA Global Research, Company filings, Visible Alpha

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Revenue-related commentary

- Organic net sales +6.9% beat our +3.4% est. driven by strong price realization. Volume declined -1.2% (vs -4% est.) from rising elasticities across categories. Price/mix was +8.1% (vs. +7.4% est). By region: (a) North America -0.8% beat (volume -6.5% and price +5.7%); (b) Europe +10.3% beat; (c) Latin America +5.3% beat; and (d) AMEA +22% beat
- Snacks +3.4% y/y; International cereal +5.1%, Frozen -4.4%, and Noodles & Other +39.5%
- Price elasticities rising, volume better than estimates due to emerging markets
- FX will be a -5-6% drag in FY24 driven by Nigerian Naira and LATAM currencies

Profit & margin-related commentary

- Adj. operating margins expanded +137bps (+145bps est.) and adj. gross margins expanded +249bps (beat our +165bps est.) driven by revenue growth management, productivity, and improved supply & service levels. SG&A deleveraged +112bps (missed our +20bps est.). *Note – these figures reference non-restated 4Q22 results for comparability to est.'s*
- Net inflation is slightly deflationary—couple of commodities are still inflationary

Capital allocation

- Net leverage remains below targeted 3.0x
- Accelerated share repurchase planned in FY24 into 4Q

FY24 Guidance in-line with LT algo

- Key components: (a) org sales +3% or better vs our +3.2% est. led by snacks & emerging markets, (b) adj operating profit \$1.85-1.90bn vs our \$1.863bn est., (c) adj EPS \$3.55-3.65 vs our \$3.59 est.; and (d) FCF \$1bn
- Price/mix anticipated to moderate, productivity will cover inflation meaning less need for revenue growth management activity. Volume likely starts negative & sequentially improves
- +LSD% growth in North America on merchandising/innovation investment

- Gross margin (35% FY) should be balanced across the quarters (y/y chg) with A&P more front-loaded

Hershey (HSY, A1/A/--) 4Q23 org. sales missed our estimates (-0.1% vs. +3.5% est.) due to lower volume in the NA Salty Snacks segment (intentional system implementation as well as *SkinnyPop* pullback), but was offset by stronger gross & EBITDA margins helped by pricing & productivity. FY24 guidance was introduced below our & consensus estimates (expectations were more bearish) stemming from known high cocoa prices expected to weigh on margins despite in-line sales. The outlook is also 2H-weighted reflected continued operating conditions & more difficult comparisons before easing late year.

Exhibit 10: Hershey 4Q23

HSY financial summary

	4Q23	BofA est.	Consensus
Revenue	+0.2%	+3.5%	+2.6%
Organic sales	-0.1%	+3.5%	+2.3%
Adj. EBITDA	-1.2%	-0.5%	-1.3%
Adj. EBITDA margin	24.4%	23.8%	23.7%
Adj. EPS	\$2.02	\$1.95	\$1.96

	4Q23	BofA est.	Q/Q
Debt	\$4,814	\$4,914	(\$100)
Gross leverage	1.7x	1.7x	flat
Net leverage	1.6x	1.5x	flat

Source: BofA Global Research, Company filings, Visible Alpha

BofA GLOBAL RESEARCH

Revenue-related commentary

- Core organic sales (ex-FX) -0.1% missed our +3.5% est.; both volumes -6.6% & price +6.5% missed
- By segment:** (a) North America Confectionery org. sales increased +2.1% with +7.2% pricing offsetting -5.1% volumes (related to price elasticity in everyday candy). U.S. CMG retail takeaway was +3.6% but market share declined -38bps due to declines in everyday chocolate and sweets share. (b) North America Salty Snacks org. sales decreased -24.6% with -26.1% volumes on a -16% headwind from planned inventory declined related to ERP implementation; ex ERP volumes declined -HSD%. (c) International & Other org. sales increased +8.3% with +2.3% volumes.
- Strong seasonal sales in Oct and Dec: Halloween +7.6% y/y, Holiday +3.3% y/y
- Salty snacks drag driven by softness in the ready-to-eat popcorn category (private label gained some share), share improved in December but expect trends to continue through 1H24.
- On track to complete ERP upgrade: +3-4% benefit in 1Q
- Further pricing could benefit 2H24 and into FY25

Profit and margin-related commentary

- Adj. EBITDA margins declined -33bps (vs. our -95bps est.) driven by increased brand and capability investment offsetting price realization and productivity.
- Adj. gross margins (+47bps vs. our -95bps est.) beat on pricing and supply chain productivity gains more than offsetting inflation (cocoa and sugar costs), mix and volume deleverage. Adj. SG&A rose +4.2% (deleverage +93bps missed our flat est.).

Capital allocation

- Reiterated capital allocation priorities, planning for share buybacks to rise given strength of balance sheet; shares outstanding in FY24 will be 1% lower
- Interest expense guidance largely contemplates refinancing maturities & commercial paper management

FY24 Guidance below our estimates

- **FY24:** (a) Net sales +2-3% vs. our +2.4% est.; (b) adj. EPS ~flat (implying \$9.59) vs. our \$9.72 est.; (c) gross margins to contract -200bps vs our -68bps est. driven by high cocoa, sugar, labor costs; (d) other expenses ~\$220-230mn; (e) interest expense ~\$165-175mn; and (f) capex of ~\$600-650mn driven by core confection capacity expansion and continued investment in digital infrastructure
- **Phasing:** Sales led by pricing vs. volume flat to slightly down. Expect more gross margin contraction in 1H24, and EPS -HSD-LDD% in 1H24 and growth in 2H to get to flat.
- **North America Confectionery and International segments** expected to grow in-line with LT algo while North America Salty Snacks will be in-line or slightly ahead of 2023 (improving sequentially)
- **Inflation:** +HSD% average from +LDD% commodities and rest +MSD%
- **Advancing Agility & Automation initiative:** Expect to realize \$100mn net savings (supply chain, manufacturing, operating expense) in FY24 and \$300mn by 2026. \$175-225mn cash charge associated with this efficiency program.

Beverages

PepsiCo (PEP, A1/A+/-) 4Q23 organic sales +4.5% missed on weaker volumes from categories normalizing to pre-COVID levels, more out-of-home activity, and value-seeking consumer behavior including greater need-based spending. Nearly all segments missed estimates with the biggest decline in Quaker Foods as the result of product recalls and soft category growth which is expected to linger into 1H24. EBITDA and margins beat our estimates on strength from productivity and cost savings initiatives offsetting inflation. FY24 org. sales guidance was softened to $\geq +4\%$ (from prior +5-6%) but EPS in-line with our estimate, albeit 2H-weighted given recall, international conflict & associated operating deleverage.

Exhibit 11: PepsiCo 4Q23

PEP financial summary

	4Q23	BofA est.	Consensus
Revenue	-0.5%	+1.5%	+1.5%
Organic sales	+4.5%	+6.1%	+6.2%
Adj. EBITDA	+8.4%	+6.9%	+5.9%
Adj. EBITDA margin	14.9%	14.4%	14.3%
Core EPS	\$1.78	\$1.72	\$1.72

	4Q23	BofA est.	Q/Q
Debt	\$44,105	\$46,524	(\$669)
Gross leverage	2.9x	3.0x	-0.1x
Net leverage	2.3x	2.3x	-0.1x

Source: BofA Global Research, Company filings, Visible Alpha

BofA GLOBAL RESEARCH

Revenue & segment-related commentary

- Organic revenue +4.5%; volumes -4% (miss vs. our -2% est.) and price/mix +9% (beat vs. our +8.1% est.). North America rose +2% and International +8%. Global Food/Snack segment increased +5% and Beverages grew +4%.



- **By division:** (a) Frito-Lay N.A.: +3% missed (volume -2.5% & pricing +5%); (b) Quaker Foods N.A. -10% big miss (volume -8% hurt by recall & pricing -2%); (c) North America Beverages +3% small miss (volume -7% & pricing +9%); (d) Latin America: +8% small miss (volume -5% & pricing +13%); (e) Europe: +10% in-line (volume -1% & pricing +11%); (f) Africa, Middle East & South Asia: +11% miss (volume flat & pricing +11%); and (g) Asia Pacific, Australia and New Zealand and China -1% miss (volume -6% & pricing +5%)
- Expect category growth rates to moderate vs recent years as behavior reverts to pre-pandemic norms, less net revenue growth from moderating inflation
- Seeing economic pressure drive consumer preference for smaller pack sizes and immediate consumption channels

Profit & margin-related commentary

- Adj. EBITDA margins expanded +122bps y/y vs. our +74bps est. Adj. gross margins (+97bps vs. our +55bps est.) beat expectations benefitting from holistic cost management initiatives partially offset by ongoing inflationary pressures. SG&A was flat vs our -11bps est.
- Expect inflation to moderate but some agricultural commodity costs may remain elevated

FY24 Guidance lower top-line, in-line bottom

- (a) org sales at least +4% (from prior upper-end of +4-6%) vs our +5.2% est.; (b) core EPS at least \$8.15 vs our \$8.14 est.; (c) effective tax rate 20%; (d) \$1.0bn share repurchase; and (e) capex flat to slightly up
- -1% drag from FX to net revenue and core EPS
- Expect revenue and to a greater degree EPS to be 2H-weighted vs. 1H - QFNA product recalls & international conflict plus fixed cost deleverage from lower sales
- Expect International org sales growth to exceed North America
- Will look to get sharper with holistic cost management while leaning into convenience, value offerings, flavor & packaging combinations, and go-to-market capabilities.

Consumer Products

Estee Lauder (EL, A1/A/--) 2Q24 results beat both consensus and low investor expectations across the board – Org sales were able to absorb lingering pressure on skin care from Asia Travel Retail & disruption as a result of conflict in the Middle East, and profitability was widely ahead of estimates. Trade and in-house inventory continues to be rebalanced, focused on global travel retail, with the company reiterating that they are on track to see normalized inventory levels by the end of 3Q. FY24 guidance was re-jiggered to reflect macro volatility, removing the top-end of the org. sales outlook (est.'s already at low-end), and a higher tax rate lowering EPS but importantly EL's core margin outlook was unchanged. EL's Profit Recovery Plan (focused on FY25-26) was also juiced by another \$300-400mn via workforce reduction showing management's focus on cost control and rebuilding gross margins.

Exhibit 12: Estee Lauder 2Q24

EL financial summary

	2Q24	Consensus
Revenue	-7.4%	-9.3%
Org. sales	-7.9%	-9.0%
Adj. EBITDA	-17.6%	-46.1%
Adj. EBITDA margin	18.3%	12.2%
Adj. EPS	\$0.88	\$0.55

	2Q24	Q/Q
Debt	\$10,201	\$69
Gross leverage	4.5x	+0.3x
Net leverage	2.8x	-0.2x

Source: Company filings, Visible Alpha

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Revenue-related commentary

- Org. sales -7.9% beat consensus -9.0%, including -1% from disruption the Middle East
- By product category (org. y/y): Skin Care -10% (on decline in Asia travel retail from resetting retailer inventory levels); Makeup -8%; Fragrance flat; Hair Care -6%; and Other +7%
- By region: Americas -1% y/y (beat); EMEA -14% (beat); and APAC -7% (in-line)
- Global travel retail declined -28% primarily on inventory reduction; continue to expect normalized inventory trade levels in Asia Travel Retail by end of 3Q
- Prestige beauty softness continued (lower sales during the 11/11 Global Shopping Festival) but saw momentum with brick & mortar in mainland China

Profit & margin-related commentary

- Adj. EBITDA margins declined -227bps (vs. -837bps est.) and adj. gross margins declined -58bps on negative mix from travel retail, obsolescence charges & manufacturing overhead. SG&A deleveraged +253bps on the reduction in sales including +60bps from A&P, innovation & selling activities

FY24 Guidance narrowed

- FY24 outlook: (a) org sales -1% to +1% (from prior -1% to +2%) vs -1% est.; (b) adj. EPS \$2.08-\$2.23 from prior \$2.17-2.42 (vs. \$2.34 est.) including only \$0.08 from Middle East disruption and \$0.07 headwind from FX; (c) operating margin unchanged at 9.0-9.5%; (d) effective tax rate ~35%
- Expect to return to strong +DD% org sales growth in 2H (including Mainland China & Asia Travel Retail); growth in 3Q and sequential improvement in 4Q
- Stronger operating margin expected in 2H
- 3Q24: (a) org sales +4-6% vs +5.2% est.; and (b) adj EPS \$0.36-\$0.46 vs \$0.83 est.
- Expanding profit recovery plan (FY25/26) to include restructuring (3-5% workforce reduction) which will begin during 3Q: now expect to deliver \$1.1bn-\$1.4bn operating profit net of benefits from its restructuring program (from prior plan of \$800mn-\$1bn)

Kenvue (KVUE, A1/A/--) 4Q23 org. sales missed from softness in US skin & beauty and China as well as volume impacts from lapping an early & strong cold/cough/flu season last year. This was offset by EBITDA and margins which were ahead of est. on pricing strength and easing inflationary pressures. Leverage declined -0.1x q/q to 2.2x



and the company reiterated its disciplined capital allocation philosophy. FY24 guidance was introduced with sales in-line but EPS below as the result of standalone company costs weighing on margins.

Exhibit 13: Kenvue 4Q23

KVUE financial summary

	4Q23	Consensus
Revenue	-2.7%	+0.4%
Organic sales	-2.4%	+0.7%
EBITDA	+9.0%	+6.5%
EBITDA margin	24.2%	23.5%
Adj EPS	\$0.31	\$0.29

	4Q23	Q/Q
Debt	\$8,300	\$88
Gross leverage	2.2x	-0.1x

Source: Company filings, Visible Alpha

BofA GLOBAL RESEARCH

Revenue & segment-related commentary

- Organic sales -2.4% missed +0.7% est.; volumes -8.2% vs -4.3% est. and price/mix +5.8% vs +5.1% est.
- Volume decline stemming from lapping an early/strong cold, cough, flu season with a later start this year (-3%), product discontinuations (-1%), trade inventory reductions (-1%), and softer than anticipated performance in US skin health and beauty and China
- By segment (org sales): Self care -2.0% (volume +4.3%, price/mix -6.3%), Skin Health and Beauty -8.0% (volume -12.8%, price/mix +4.8%), Essential Health +2.5% (volume -6.3%, price/mix +8.8%)
- By geography (net sales): North America -7.6%; EMEA +3.3%; LATAM +7.1%; APAC -0.7%
- Priorities: 1) focus on the 15 priority brands (2/3 of growth), 2) further investment in brands via gross margin expansion, 3) performance management plan
- Private label penetration flat throughout the year

Profit & margin-related commentary

- Adj. EBITDA margins expanded +259bps y/y, above estimates driven by strong operating leverage
- Adj. gross margins expanded +226bps driven by pricing, productivity initiatives, easing of inflation (logistics, resins, agrochemicals) partially offset by wage inflation and energy input costs
- Inflation moderated during the quarter—favorable logistics offset pressures in energy/wage

FY24 Guidance light, 2H-skew

- FY24: a) Net sales +1-3% vs +2.2% est. (FX impact of -100bps) and Organic sales +2-4% vs +2.6% est.; b) adj EPS \$1.10-1.20 vs \$1.25 est.; c) interest expense, net ~\$400mn; d) adjusted effective tax rate 25.5-26.5%
- Expect org sales to sequentially improve over the year
- Expect gross margin similar to '21 levels, but adj operating margin slightly down y/y

- 1Q24: (a) org sales ~flat vs +0.8% est.

Food Retail

Kroger (KR, Baa1/BBB/--), announced that SVP/CFO Gary Millerchip will step down to accept the position of CFO at Costco (COST). Corporate controller and chief accounting officer Todd Foley has been appointed as interim chief financial officer effective today. A CFO successor will be named at a later date. Foley has been with Kroger since 2001 and previously served as KR's treasurer.

Restaurants

McDonald's (MCD, Baa1/BBB+/-) global comps weighed on 4Q results (as anticipated) due to the war in the Middle East impacting the IDL segment, while U.S. comps were only slightly behind est., helped by continued strong pricing. EBITDA and margins were largely in-line driven by company-operated margins and strong SG&A control, offsetting franchise margins (which got hit on associated IDL weakness). Capital allocation priorities were reiterated for FY24 – (1) investing in the business, including raised capex and (2) share buybacks/dividends. MCD continued to comment on how it is seeing pressure on the lower-income cohort with smaller basket size and trade down behavior (<\$45k HH income). FY24 guidance was in-line with detail provided at the early December Investor Day

Exhibit 14: McDonald's 4Q23

MCD financial summary

	4Q23	Consensus
Revenue	+8.1%	+9.0%
Global comps	+3.4%	+4.7%
Adj. EBITDA (est.)	+10.7%	+11.0%
Adj. EBITDA margin	52.6%	52.5%
Adj. EPS	\$2.95	\$2.82

	4Q23	Q/Q
Debt	\$37,153	(\$122)
Gross leverage	3.2x	-0.1x
Net leverage	2.9x	-0.2x

Source: Company filings, Visible Alpha

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Revenue-related commentary

- Global comps +3.4% missed +4.7% est.; (a) U.S. comps +4.3% (vs. +4.5% est.) driven by strong check growth from strategic menu price increases; (b) Int'l Operated Markets +4.4% (vs. +4.9% est.) partly offset by neg comps in France; (c) Int'l Developmental Licensed Markets +0.7% (vs. +5.0% est.) with Middle East area impacted by war in the region
- Continuing to see pressure on consumers with <\$45K income (transaction size smaller, signs of trade down) as eating at home has become more affordable (called out less pricing from packaged food companies). Continuing to gain share with middle income and high income cohorts, no change.
- Pricing in the US was +MSD-HSD% depending on the part of the country, overall pricing for FY23 approx. +10% but came down in 4Q
- China: Consumer sentiment under pressure, seeing the environment getting more promotional

Profit & margin-related commentary

- Adj. EBITDA margins (est.) expanded +122bps y/y, roughly in-line with estimates. Franchised margins missed (-22bps vs +61bps) but company-operated margins beat (+92bps vs +30bps est.) and higher sales drove performance. SG&A leveraged -87bps y/y on lower employee costs and y/y comparison.



FY24 Guidance in-line with Investor Day

- FY24 outlook: (a) Unit growth +4% y/y; (b) adj. operating expected to be mid-to-high 40% vs. 46.7% est.; (c) SG&A 2.2% of system wide sales; (d) interest expense +9-11% y/y; (e) effective tax rate 20-22% unchanged; (f) capex raised to \$2.5-\$2.7bn to open ~2,100 restaurants; and (g) FCF conversion rate in the 90% range
- Expect comps moderating in 2024 with US comps returning to more historical norms (+3-4%)
- Inflation ~+LSD%: US – commodities +LSD%, wages +MSD-HSD% partly due to the impact from CA; International – commodity +LSD%, wages +LSD-MSD%

Recent New Issuance

Philip Morris International (A2/A-) issued \$4,750mn across \$750mn 3yr Notes, \$1,000mn 5yr Notes, \$1,250mn 7yr Notes, and \$1,750mn 10yr Notes.

Alimentation Couche-Tard (Baa1/BBB+) issued \$1,500mn across \$900mn 10yr Notes and \$600mn 30yr Notes. The use of proceeds was for refinancing.

Starbucks (Baa1/BBB+) issued \$2,000mn across \$1,000mn 3yr Notes, \$500mn 7yr Notes, and \$500mn 10yr Notes. The use of proceeds was for refinancing.

BofA Current Recommendations**Exhibit 15: 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.	SYU	✓					
Keurig Dr. Pepper	KDP	✓					
Lowe's	LOW	✓				✓	
Tyson Foods	TSN			✓		✓	
Conagra Brands	CAG		✓			✓	
Kellogg*	K		✓				
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 (\$)

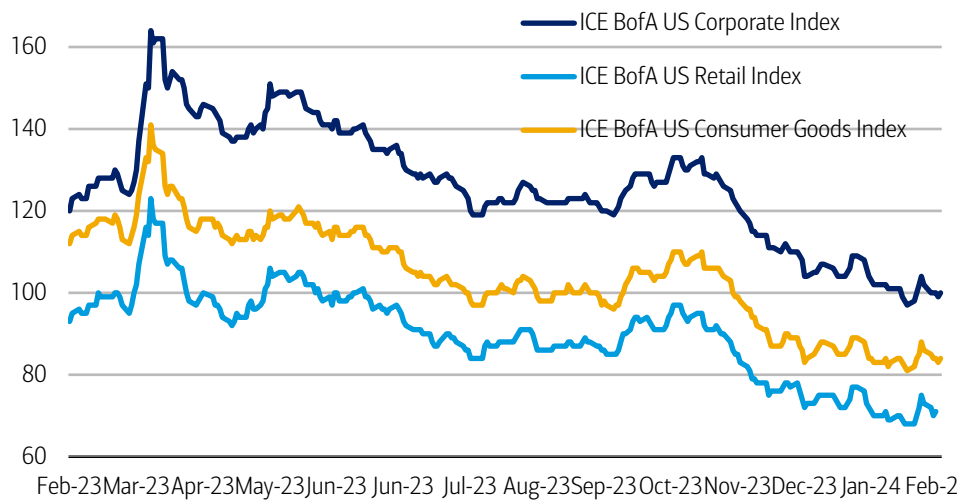
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Market Snapshot

Exhibit 16: 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 17: ICE Data Indices Investment Grade Index

Benchmark spread and credit metrics by issuer

	Num of Issues	% of Index	Spreads (OAS)					Price	YTW	Modified Average		Total Returns					Excess Returns				
			OAS	1 week	MTD	QTD	YTD			Duration	Rating	1 week	MTD	QTD	YTD	12 month	1 week	MTD	QTD	YTD	12 month
US Corporate Index	10,230	100.0%	100 bps	-2 bps	-2 bps	-4 bps	-4 bps	\$92.1	5.36%	6.7	A3	-0.81%	-1.24%	-1.09%	-1.09%	4.20%	12 bps	11 bps	52 bps	52 bps	362 bps
Rating Categories																					
AAA US Corporate Index	117	1.1%	38 bps	-2 bps	-2 bps	-2 bps	-2 bps	\$85.8	4.77%	9.2	AAA	-1.22%	-1.73%	-2.14%	-2.14%	1.60%	11 bps	-4 bps	41 bps	41 bps	318 bps
AA US Corporate Index	791	8.1%	54 bps	-2 bps	-2 bps	-2 bps	-2 bps	\$89.9	4.93%	7.1	AA3	-0.85%	-1.29%	-1.46%	-1.46%	2.76%	16 bps	10 bps	35 bps	35 bps	280 bps
Single-A US Corporate Index	4,159	43.7%	84 bps	-2 bps	-2 bps	-4 bps	-4 bps	\$92.3	5.21%	6.7	A2	-0.83%	-1.25%	-1.16%	-1.16%	3.52%	10 bps	9 bps	45 bps	45 bps	290 bps
BBB US Corporate Index	5,163	47.1%	124 bps	-1 bps	-2 bps	-5 bps	-5 bps	\$92.4	5.60%	6.6	BBB2	-0.78%	-1.20%	-0.94%	-0.94%	5.12%	13 bps	13 bps	61 bps	61 bps	441 bps
Maturity																					
1-3 Year US Corporate Index	2,129	23.0%	70 bps	-3 bps	-3 bps	-6 bps	-6 bps	\$96.8	5.28%	1.8	A3	-0.03%	-0.24%	0.28%	0.28%	5.09%	7 bps	10 bps	24 bps	24 bps	105 bps
3-5 Year US Corporate Index	1,785	18.6%	89 bps	-3 bps	-5 bps	-4 bps	-4 bps	\$96.8	5.16%	3.5	A3	-0.28%	-0.68%	-0.22%	-0.22%	5.12%	13 bps	18 bps	31 bps	31 bps	209 bps
5-7 Year US Corporate Index	1,231	12.1%	105 bps	-3 bps	-4 bps	-3 bps	-3 bps	\$91.7	5.23%	5.2	BBB1	-0.51%	-1.02%	-0.70%	-0.70%	4.98%	22 bps	27 bps	37 bps	37 bps	298 bps
7-10 Year US Corporate Index	1,452	15.1%	125 bps	-1 bps	-2 bps	-1 bps	-1 bps	\$92.9	5.43%	6.8	A3	-0.90%	-1.38%	-1.30%	-1.30%	4.34%	11 bps	21 bps	30 bps	30 bps	370 bps
10-15 Year US Corporate Index	573	5.3%	124 bps	-1 bps	1 bps	-6 bps	-6 bps	\$100.4	5.52%	8.7	A3	-1.21%	-1.92%	-1.67%	-1.67%	4.42%	10 bps	-7 bps	52 bps	52 bps	522 bps
15+ Year US Corporate Index	3,060	26.0%	112 bps	0 bps	2 bps	-5 bps	-5 bps	\$83.8	5.58%	13.5	A3	-1.88%	-2.39%	-2.84%	-2.84%	2.22%	12 bps	-5 bps	106 bps	106 bps	652 bps
Industry																					
US Corporate Index																					
Industrials	6,075	58.6%	94 bps	-2 bps	-2 bps	-3 bps	-3 bps	\$91.2	5.30%	7.4	A3	-0.93%	-1.37%	-1.43%	-1.43%	4.10%	11 bps	9 bps	42 bps	42 bps	405 bps
Consumer Cyclical	348	3.5%	72 bps	-1 bps	0 bps	0 bps	0 bps	\$90.1	5.07%	7.7	A2	-0.95%	-1.50%	-1.69%	-1.69%	3.45%	15 bps	1 bps	28 bps	28 bps	363 bps
US Corp Retail	263	2.8%	69 bps	-2 bps	0 bps	0 bps	0 bps	\$89.9	5.04%	7.6	A2	-0.96%	-1.52%	-1.71%	-1.71%	3.36%	14 bps	-1 bps	27 bps	27 bps	355 bps
US Corp Food & Drug Retail	37	0.3%	105 bps	-4 bps	-7 bps	-9 bps	-9 bps	\$88.8	5.40%	7.6	BBB2	-0.66%	-0.99%	-0.84%	-0.84%	4.51%	41 bps	50 bps	104 bps	104 bps	429 bps
US Corp Restaurants	48	0.4%	70 bps	-1 bps	1 bps	3 bps	3 bps	\$92.1	5.09%	7.8	BBB1	-1.06%	-1.65%	-2.08%	-2.08%	3.33%	5 bps	-14 bps	-8 bps	-8 bps	374 bps
Consumer Non-Cyclicals	608	5.6%	84 bps	-2 bps	-1 bps	-1 bps	-1 bps	\$92.2	5.19%	7.3	A3	-0.88%	-1.39%	-1.53%	-1.53%	4.26%	15 bps	7 bps	27 bps	27 bps	407 bps
US Corp Beverage	165	1.7%	67 bps	-2 bps	-1 bps	1 bps	1 bps	\$91.7	5.04%	8.4	A3	-1.07%	-1.63%	-2.07%	-2.07%	3.52%	13 bps	0 bps	9 bps	9 bps	429 bps
US Corp Food Wholesale	238	1.9%	89 bps	-2 bps	-2 bps	-1 bps	-1 bps	\$92.0	5.24%	6.9	BBB1	-0.83%	-1.29%	-1.43%	-1.43%	3.90%	15 bps	11 bps	27 bps	27 bps	340 bps
US Corp Tobacco	80	1.0%	121 bps	-3 bps	-3 bps	-8 bps	-8 bps	\$92.8	5.56%	6.9	BBB1	-0.75%	-1.28%	-0.90%	-0.90%	6.70%	22 bps	10 bps	73 bps	73 bps	591 bps
US Corp Consumer Products	125	0.9%	64 bps	-2 bps	-2 bps	-1 bps	-1 bps	\$93.1	4.96%	6.5	A2	-0.77%	-1.24%	-1.41%	-1.41%	3.64%	14 bps	10 bps	12 bps	12 bps	269 bps

Source: BofA Global Research, Bloomberg

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Exhibit 18: 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
02/09/2024	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
08/14/2023	MCD	MCDONALD'S CORP	Baa1/BBB+	\$600	4.950%	08/14/2033	98
08/14/2023	MCD	MCDONALD'S CORP	Baa1/BBB+	\$800	5.450%	08/14/2053	128
07/31/2023	BATSLN	BRITISH AMERICAN TOBACCO	Baa2/BBB+	\$1,000	5.931%	02/02/2029	175
07/31/2023	BATSLN	BRITISH AMERICAN TOBACCO	Baa2/BBB+	\$1,000	6.343%	08/02/2030	225
07/31/2023	BATSLN	BRITISH AMERICAN TOBACCO	Baa2/BBB+	\$1,250	6.421%	08/02/2033	245
07/31/2023	BATSLN	BRITISH AMERICAN TOBACCO	Baa2/BBB+	\$750	7.079%	08/02/2043	285
07/31/2023	BATSLN	BRITISH AMERICAN TOBACCO	Baa2/BBB+	\$1,000	7.081%	08/02/2053	305
07/18/2023	AZO	AUTOZONE	Baa1/BBB	\$450	5.050%	07/15/2026	75
07/18/2023	AZO	AUTOZONE	Baa1/BBB	\$300	5.200%	08/01/2033	143
07/17/2023	CAG	CONAGRA BRANDS	Baa3/BBB-	\$500	5.300%	10/01/2026	100

Source: BofA Global Research, Bloomberg Data excludes FRN

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Exhibit 19: 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			Net FCF	Credit Metrics		EV / EBITDAR		
						Bid	YTW	G- spd			T- spd	EBITDAR	Debt		Cash	Total Debt/ EBITDAR		Net Debt/ EBITDAR	EV
Walmart Inc (WMT)	4.100%	4/15/2033	\$1,500	Aa2 / AA / AA	S / S / S	\$95.8	4.67%	47	51	30	\$638,785	\$40,114	\$69,739	\$12,154	\$4,333	1.7x	1.4x	\$519,681	11.8x
Walmart Inc (WMT)	4.500%	4/15/2053	\$1,500	Aa2 / AA / AA	S / S / S	\$91.5	5.06%	66	70										
Costco Wholesale Corp (COST)	1.600%	4/20/2030	\$1,750	Aa3 / A+ / --	S / S / --	\$83.8	4.64%	45	50	40	\$238,710	\$10,798	\$8,884	\$13,700	\$4,818	0.8x	-0.5x	\$312,476	21.6x
Costco Wholesale Corp (COST)	1.750%	4/20/2032	\$1,000	Aa3 / A+ / --	S / S / --	\$80.1	4.71%	51	55										
Nike Inc (NKE)	2.850%	3/27/2030	\$1,500	A1 / AA- / --	S / S / --	\$90.4	4.67%	47	53	72	\$51,469	\$7,294	\$12,177	\$6,178	(\$2,558)	2.1x	1.3x	\$160,580	22.6x
Nike Inc (NKE)	3.375%	3/27/2050	\$1,500	A1 / AA- / --	S / S / --	\$76.3	5.01%	57	61										
Target Corp (TGT)	4.400%	1/15/2033	\$500	A2 / A / A	S / S / S	\$97.3	4.78%	58	63	41	\$106,518	\$7,783	\$18,442	\$1,910	\$1,518	2.4x	2.1x	\$85,083	13.3x
Target Corp (TGT)	4.800%	1/15/2053	\$1,150	A2 / A / A	S / S / S	\$93.5	5.24%	83	87										
TJX Companies Inc (TJX)	1.600%	5/15/2031	\$500	A2 / A / --	S / S / --	\$80.8	4.75%	55	60	193	\$52,326	\$8,340	\$2,861	\$4,290	\$1,465	1.5x	1.0x	\$120,772	13.2x
TJX Companies Inc (TJX)	4.500%	4/15/2050	\$385	A2 / A / --	S / S / --	\$90.8	5.14%	68	75										
Ralph Lauren Corp (RL)	2.950%	6/15/2030	\$750	A3 / A- / --	S / S / --	\$89.5	4.89%	71	75	--	\$6,604	\$919	\$2,882	\$1,804	(\$493)	3.1x	1.2x	\$12,026	7.0x
Amazon.com Inc (AMZN)	3.600%	4/13/2032	\$2,500	A1 / AA / AA-	S / S / S	\$92.8	4.68%	51	52										
Amazon.com Inc (AMZN)	3.950%	4/13/2052	\$2,500	A1 / AA / AA-	S / S / S	\$82.6	5.12%	70	75										
Ross Stores Inc (ROST)	1.875%	4/15/2031	\$500	A2 / BBB+ / --	S / S / --	\$81.0	5.07%	85	92	--	\$19,569	\$3,436	\$5,780	\$4,499	\$595	1.7x	0.4x	\$50,390	13.6x
Best Buy Co Inc (BBY)	1.950%	10/1/2030	\$650	A3 / BBB+ / --	S / S / --	\$82.2	5.14%	98	100	68	\$43,541	\$3,478	\$4,029	\$636	(\$239)	1.2x	1.0x	\$19,677	5.7x
Home Depot Inc (HD)	4.500%	9/15/2032	\$1,250	A2 / A / A	S / S / S	\$98.2	4.75%	55	60	28	\$153,714	\$26,741	\$49,255	\$2,058	\$1,810	2.0x	1.9x	\$408,626	13.1x
Home Depot Inc (HD)	4.950%	9/15/2052	\$1,000	A2 / A / A	S / S / S	\$95.4	5.26%	85	89										
Lowe's Companies Inc (LOW)	5.000%	4/15/2033	\$1,250	Baa1 / BBB+ / --	S / S / --	\$99.0	5.13%	93	98	39	\$90,219	\$14,739	\$40,053	\$1,531	(\$4,932)	2.7x	2.6x	\$166,347	10.8x
Lowe's Companies Inc (LOW)	5.625%	4/15/2053	\$1,500	Baa1 / BBB+ / --	S / S / --	\$99.9	5.63%	122	127										
VF Corp (VFC)	2.950%	4/23/2030	\$750	Baa3 / BBB / --	N / N / --	\$82.6	6.39%	221	226	156	\$10,820	\$1,008	\$8,151	\$988	(\$1,527)	8.1x	7.1x	\$12,303	9.0x
Tractor Supply (TSCO)	1.750%	11/1/2030	\$650	Baa1 / BBB+ / --	S / S / --	\$81.2	5.09%	93	95	--	\$14,902	\$2,323	\$4,977	\$422	(\$207)	2.1x	2.0x	\$30,054	15.3x
AutoZone Inc (AZO)	4.750%	8/1/2032	\$750	Baa1 / BBB / BBB	S / S / S	\$96.5	5.28%	108	112	37	\$17,457	\$4,471	\$7,669	\$277	(\$1,373)	2.3x	2.3x	\$57,792	12.4x
AutoZone Inc (AZO)	6.550%	11/1/2033	\$500	Baa1 / BBB / BBB	S / S / S	\$108.6	5.37%	117	122										
O' Reilly Automotive (ORLY)	1.750%	3/15/2031	\$500	Baa1 / BBB / --	S / S / --	\$79.9	5.17%	95	102	--	\$15,625	\$4,011	\$7,384	\$83	(\$533)	1.9x	1.9x	\$68,160	15.5x
O' Reilly Automotive (ORLY)	4.700%	6/15/2032	\$850	Baa1 / BBB / --	S / S / --	\$96.9	5.16%	96	101										
Genuine Parts Co. (GPC)	2.750%	2/1/2032	\$500	Baa1 / BBB / --	S / S / --	\$82.3	5.53%	132	137	--	\$23,028	\$2,387	\$4,237	\$655	(\$82)	2.3x	2.1x	\$23,671	12.4x
Genuine Parts Co. (GPC)	6.875%	11/1/2033	\$375	Baa1 / BBB / --	S / S / --	\$109.8	5.53%	132	137										
Advance Auto Parts (AAP)	3.900%	4/15/2030	\$500	Baa2 / BB+ / --	N / S / --	\$88.0	6.26%	207	213	--	\$11,296	\$1,350	\$4,462	\$318	(\$293)	3.3x	2.9x	\$7,445	6.5x
Advance Auto Parts (AAP)	3.500%	3/15/2032	\$501	Baa2 / BB+ / --	N / S / --	\$82.2	6.34%	217	219										
Dollar General Corp (DG)	5.450%	7/5/2033	\$1,000	Baa2 / BBB / --	S / S / --	\$99.7	5.49%	128	133	--	\$39,036	\$5,400	\$18,087	\$365	(\$1,160)	3.3x	3.3x	\$47,400	11.9x
Dollar General Corp (DG)	5.500%	11/1/2052	\$300	Baa2 / BBB / --	S / S / --	\$93.0	6.01%	157	165										
Dollar Tree Inc (DLTR)	2.650%	12/1/2031	\$800	Baa2 / BBB / --	S / S / --	\$83.1	5.32%	111	117	--	\$29,685	\$3,875	\$10,688	\$445	\$175	2.8x	2.6x	\$40,407	9.2x
Dollar Tree Inc (DLTR)	3.375%	12/1/2051	\$400	Baa2 / BBB / --	S / S / --	\$65.9	5.88%	144	151										
Tapestry Inc (TPR)	3.050%	3/15/2032	\$500	Baa2 *- / BBB / --	UR / N / --	\$79.8	6.28%	207	212	--	\$6,668	\$1,699	\$3,247	\$622	\$144	1.9x	1.5x	\$11,511	7.4x
Tapestry Inc (TPR)	7.850%	11/27/2033	\$1,250	Baa2 *- / BBB / --	UR / N / --	\$106.7	6.88%	267	272										
PVH Corp. (PVH)	4.625%	7/10/2025	\$499	Baa3 / BBB- / --	P / P / --	\$98.7	5.60%	80	93	--	\$9,217	\$1,463	\$3,660	\$358	(\$4)	2.5x	2.3x	\$10,921	5.7x
Dick's Sporting Goods (DKS)	3.150%	1/15/2032	\$750	Baa3 / BBB / --	S / S / --	\$83.5	5.77%	156	162	--	\$12,705	\$1,608	\$4,205	\$1,406	(\$64)	2.6x	1.7x	\$16,083	5.2x
Dick's Sporting Goods (DKS)	4.100%	1/15/2052	\$750	Baa3 / BBB / --	S / S / --	\$69.4	6.48%	205	211										
Nordstrom Inc (JWN)	4.250%	8/1/2031	\$425	Ba1 / BB+ / BB+	N / N / S	\$83.3	7.19%	292	304	193	\$14,592	\$1,473	\$4,496	\$375	\$189	3.1x	2.8x	\$7,225	4.8x
Nordstrom Inc (JWN)	5.000%	1/15/2044	\$966	Ba1 / BB+ / BB+	N / N / S	\$71.3	7.88%	338	342										
Kohl's Corporation (KSS)	4.625%	5/1/2031	\$500	Ba3 / BB / BBB-	N / N / N	\$79.0	8.59%	425	444	193	\$17,539	\$1,142	\$8,046	\$190	\$278	7.0x	6.9x	\$10,839	8.3x
Kohl's Corporation (KSS)	5.550%	7/17/2045	\$427	Ba3 / BB / BBB-	N / N / N	\$67.0	9.07%	446	462										

Source: BofA Global Research, Bloomberg

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Exhibit 20: Restaurant, Food & Drug Retail Historical Spread & Return Monitor

Benchmark spread and credit metrics by issuer

																Credit Metrics				
																Total Debt/	Net Debt/	EV /		
		Outstanding	Ratings			Current Pricing				5-yr	LTM			Net						
						Bid	YTW	G- spd	T- spd	CDS	Revenue	EBITDAR	Debt	Cash	FCF	EBITDAR	EBITDAR	EV	EBITDAR	
Issuer	Coupon	Maturity	(\$mil)	Mdy/S&P/Fit	Outlook															
Starbucks Corp (SBUX)	2.250%	3/12/2030	\$750	Baa1 / BBB+ / --	S / S / --	\$86.3	4.88%	70	74	--	\$35,976	\$8,741	\$24,600	\$3,953	\$426	2.8x	2.4x	\$131,250	14.1x	
Starbucks Corp (SBUX)	2.550%	11/15/2030	\$1,250	Baa1 / BBB+ / --	S / S / --	\$86.7	4.88%	69	73											
Starbucks Corp (SBUX)	3.000%	2/14/2032	\$1,000	Baa1 / BBB+ / --	S / S / --	\$87.1	4.97%	77	81											
Starbucks Corp (SBUX)	4.800%	2/15/2033	\$500	Baa1 / BBB+ / --	S / S / --	\$98.8	4.97%	77	81											
Starbucks Corp (SBUX)	3.350%	3/12/2050	\$500	Baa1 / BBB+ / --	S / S / --	\$71.2	5.43%	98	103											
Starbucks Corp (SBUX)	3.500%	11/15/2050	\$1,250	Baa1 / BBB+ / --	S / S / --	\$73.5	5.38%	94	99											
McDonald's Corp (MCD)	3.600%	7/1/2030	\$1,000	Baa1 / BBB+ / --	S / S / --	\$93.2	4.85%	68	71	28	\$25,014	\$15,156	\$49,082	\$3,496	\$358	3.3x	3.1x	\$255,596	17.3x	
McDonald's Corp (MCD)	4.600%	9/9/2032	\$750	Baa1 / BBB+ / --	S / S / --	\$98.3	4.84%	64	69											
McDonald's Corp (MCD)	4.950%	8/14/2033	\$600	Baa1 / BBB+ / --	S / S / --	\$99.7	5.00%	79	84											
McDonald's Corp (MCD)	4.200%	4/1/2050	\$750	Baa1 / BBB+ / --	S / S / --	\$82.9	5.43%	99	104											
McDonald's Corp (MCD)	5.150%	9/9/2052	\$750	Baa1 / BBB+ / --	S / S / --	\$95.7	5.45%	103	108											
McDonald's Corp (MCD)	5.450%	8/14/2053	\$800	Baa1 / BBB+ / --	S / S / --	\$100.0	5.45%	104	109											
Kroger Co (KR)	1.700%	1/15/2031	\$500	Baa1 / BBB / --	N / N / --	\$79.9	5.20%	100	105	49	\$147,798	\$7,946	\$19,839	\$1,725	\$1,330	2.5x	2.3x	\$50,765	6.2x	
Kroger Co (KR)	5.400%	1/15/2049	\$600	Baa1 / BBB / --	N / N / --	\$96.5	5.66%	118	125											
Kroger Co (KR)	3.950%	1/15/2050	\$750	Baa1 / BBB / --	N / N / --	\$78.4	5.52%	107	113											
7-Eleven Inc. (SVELEV)	1.800%	2/10/2031	\$1,700	Baa2 / A / --	S / S / --	\$79.8	5.29%	110	114	--	--	--	--	--	--	--	--	--	--	
7-Eleven Inc. (SVELEV)	2.800%	2/10/2051	\$1,250	Baa2 / A / --	S / S / --	\$62.0	5.53%	109	114											
Alimentation Couche-Tard (ATDBCN)	2.950%	1/25/2030	\$750	Baa1 / BBB+ / --	S / S / --	\$89.1	5.10%	93	97	--	\$68,368	\$5,791	\$9,466	\$1,405	(\$229)	1.6x	1.4x	\$66,784	10.1x	
Alimentation Couche-Tard (ATDBCN)	3.625%	5/13/2051	\$350	Baa1 / BBB+ / --	S / S / --	\$72.4	5.61%	118	123											
Darden Restaurant Inc (DRI)	3.850%	5/1/2027	\$500	Baa2 / BBB / BBB	S / S / S	\$96.3	5.10%	82	87	44	\$10,772	\$3,875	\$8,965	\$192	(\$157)	3.4x	3.3x	\$26,827	12.8x	
Darden Restaurant Inc (DRI)	6.300%	10/10/2033	\$500	Baa2 / BBB / BBB	S / S / S	\$104.4	5.69%	148	153											
Darden Restaurant Inc (DRI)	4.550%	2/15/2048	\$300	Baa2 / BBB / BBB	S / S / S	\$80.6	6.10%	161	168											
Albertson Cos Inc (ACI)	4.875%	2/15/2030	\$1,000	Ba3 *+ / BB+ *+ / --	-- / -- / --	\$95.6	5.75%	154	161	98	\$79,163	\$3,862	\$15,036	\$223	(\$3,537)	3.9x	3.8x	\$26,712	5.5x	

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 21: 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		LTM		Debt	Cash	Net FCF	Credit Metrics			
						Bid	YTW	G-spd	T-spd	CDS	Revenue	EBITDA	EBITDA				Total Debt/ EBITDA	Net Debt/ EBITDA	EV	EV / EBITDA
Procter & Gamble (PG)	2.300%	2/1/2032	\$850	Aa3 / AA- / --	S / S / --	\$85.7	4.45%	25	30	27	\$83,265	\$22,375	\$35,880	\$9,733	\$2,091		1.6x	1.2x	\$397,338	18.1x
Procter & Gamble (PG)	4.050%	1/26/2033	\$850	Aa3 / AA- / --	S / S / --	\$96.4	4.54%	34	39											
Procter & Gamble (PG)	3.600%	3/25/2050	\$491	Aa3 / AA- / --	S / S / --	\$82.9	4.75%	30	35											
Colgate-Palmolive Co (CL)	3.250%	8/15/2032	\$500	Aa3 / AA- / --	S / N / --	\$90.2	4.67%	46	51	35	\$19,136	\$4,455	\$8,724	\$951	(\$136)		2.1x	1.9x	\$76,471	16.1x
Colgate-Palmolive Co (CL)	4.600%	3/1/2033	\$500	Aa3 / AA- / --	S / N / --	\$99.5	4.66%	45	51											
Colgate-Palmolive Co (CL)	3.700%	8/1/2047	\$500	Aa3 / AA- / --	S / N / --	\$82.3	4.99%	50	57											
Unilever Capital Corp (UNANA)	1.750%	8/12/2031	\$850	A1 / A+ / Au	S / S / S	\$80.9	4.82%	60	67	20	\$59,604	\$10,350	\$29,622	\$4,159	\$1,661		2.9x	2.5x	\$143,645	11.6x
Unilever Capital Corp (UNANA)	5.000%	12/8/2033	\$800	A1 / A+ / Au	S / S / S	\$100.5	4.94%	74	78											
Unilever Capital Corp (UNANA)	2.625%	8/12/2051	\$650	A1 / A+ / Au	S / S / S	\$64.6	5.01%	57	63											
Kimberly-Clark Corp (KMB)	2.000%	11/2/2031	\$600	A2 / A / --	S / S / --	\$82.3	4.76%	55	61	45	\$20,425	\$3,752	\$8,090	\$814	\$978		2.2x	2.0x	\$47,882	10.8x
Kimberly-Clark Corp (KMB)	4.500%	2/16/2033	\$350	A2 / A / --	S / S / --	\$97.6	4.82%	60	67											
Kimberly-Clark Corp (KMB)	2.875%	2/7/2050	\$500	A2 / A / --	S / S / --	\$67.6	5.15%	69	76											
SC Johnson & Son Inc (SCJOHN)	4.750%	10/15/2046	\$850	A- / BBB+ / --	S / N / --	\$89.2	5.59%	110	116	--	--	--	--	--	--	--	--	--	--	--
Estee Lauder Co Inc (EL)	4.650%	5/15/2033	\$700	A1 / A / --	N / N / --	\$97.9	4.93%	73	78	--	\$15,545	\$2,032	\$8,093	\$3,090	(\$283)		4.2x	3.0x	\$58,496	25.6x
Estee Lauder Co Inc (EL)	5.150%	5/15/2053	\$600	A1 / A / --	N / N / --	\$97.2	5.34%	93	97											
Kenvue (KVUE)	5.000%	3/22/2030	\$973	A1 / A / --	S / S / --	\$101.1	4.78%	60	65	--	\$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 / --	\$99.8	4.92%	72	77											
Kenvue (KVUE)	5.050%	3/22/2053	\$1,500	A1 / A / --	S / S / --	\$97.1	5.24%	82	88											
Reckitt Benckiser TSY (RKTILN)	3.000%	6/26/2027	\$2,500	A3 / A- / --	S / S / --	\$94.4	4.82%	53	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 / --	\$104.2	4.98%	78	83	--	\$5,776	\$1,307	\$2,405	\$573	\$792		1.9x	1.5x	\$26,411	19.8x
Church & Dwight Co Inc (CHD)	3.950%	8/1/2047	\$400	A3 / BBB+ / --	S / S / --	\$79.9	5.48%	99	106											
Church & Dwight Co Inc (CHD)	5.000%	6/15/2052	\$500	A3 / BBB+ / --	S / S / --	\$94.7	5.36%	92	99											
Clorox Company (CLX)	1.800%	5/15/2030	\$500	Baa1 / BBB+ / --	S / N / --	\$82.7	5.06%	88	92	70	\$7,035	\$1,074	\$2,913	\$518	\$247		2.9x	2.5x	\$21,952	15.8x
Clorox Company (CLX)	4.600%	5/1/2032	\$600	Baa1 / BBB+ / --	S / N / --	\$97.3	5.00%	80	85											
Haleon Plc (HLNLN)	3.625%	3/24/2032	\$1,998	Baa1 / BBB / --	S / -- / --	\$90.25	5.11%	91	95	--	£9,545	£2,413	£9,782	£405	£25		4.1x	3.9x	\$38,992	16.2x
Haleon Plc (HLNLN)	4.000%	3/24/2052	\$1,000	Baa1 / BBB / --	S / -- / --	\$81.2	5.29%	87	92											
Whirlpool Corp (WHR)	4.700%	5/14/2032	\$300	Baa1 / BBB / BBB	N / N / N	\$94.5	5.54%	132	139	140	\$19,290	\$1,489	\$7,664	\$1,123	(\$197)		5.3x	4.4x	\$12,446	8.8x
Whirlpool Corp (WHR)	5.500%	3/1/2033	\$300	Baa1 / BBB / BBB	N / N / N	\$98.9	5.66%	143	150											
Whirlpool Corp (WHR)	4.600%	5/15/2050	\$500	Baa1 / BBB / BBB	N / N / N	\$80.5	6.09%	163	170											
Hasbro Inc (HAS)	3.900%	11/19/2029	\$900	Baa2 / BBB / BBB-	N / N / S	\$92.0	5.54%	137	141	88	\$5,393	\$1,026	\$3,715	\$186	(\$146)		3.6x	3.5x	\$10,721	7.7x
Hasbro Inc (HAS)	5.100%	5/15/2044	\$300	Baa2 / BBB / BBB-	N / N / S	\$88.7	6.08%	157	162											
Brunswick Corp (BC)	2.400%	8/18/2031	\$550	Baa2 / BBB- / BBB	S / S / S	\$78.5	5.99%	182	184	193	\$6,401	\$1,008	\$2,430	\$468	\$57		2.4x	1.9x	\$7,895	7.9x
Brunswick Corp (BC)	4.400%	9/15/2032	\$450	Baa2 / BBB- / BBB	S / S / S	\$89.2	6.03%	182	188											
Brunswick Corp (BC)	5.100%	4/1/2052	\$300	Baa2 / BBB- / BBB	S / S / S	\$78.5	6.83%	239	246											
Mattel Inc (MAT)	3.750%	4/1/2029	\$600	Baa3 / BBB- / BB+	S / P / P	\$91.4	5.71%	154	159	230	\$5,441	\$739	\$2,590	\$1,261	\$710		3.5x	1.8x	\$8,001	9.8x
Newell Brands Inc (NWL)	6.625%	9/15/2029	\$500	Ba3 / BB / BB-	N / N / S	\$96.5	7.40%	320	327	416	\$8,133	\$1,226	\$5,350	\$332	\$462		4.4x	4.1x	\$7,855	8.0x
Newell Brands Inc (NWL)	6.500%	4/1/2046	\$666	Ba3 / BB / BB-	N / N / S	\$79.3	8.61%	410	418											

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH



Benchmark spread and credit metrics by issuer

Issuer	Coupon	Maturity	Outstanding (\$mil)	Ratings	Outlook	Current Pricing			5-yr	LTM	Net	Credit Metrics										
						Bid	YTW	G- spd				T- spd	CDS	Revenue	EBITDA	Debt	Cash	FCF	EBITDA	EBITDA	EV	EBITDA
Nestle Holdings Inc. (NESNVX)	4.850%	3/14/2033	\$650	Aa3 / AA- / A+	S / S / S	\$100.1	4.84%	56	69	27	CHF 95,498	CHF 16,476	CHF 53,501	CHF 3,667	(CHF 11,485)	3.2x	3.0x	\$310,683	18.5x			
Nestle Holdings Inc. (NESNVX)	4.700%	1/15/2053	\$1,000	Aa3 / AA- / A+	S / S / S	\$95.2	5.01%	61	65													
Hershey Company (HSY)	4.500%	5/4/2033	\$400	A1 / A / --	S / S / --	\$98.4	4.71%	52	55	30	\$11,160	\$3,113	\$4,914	\$471	\$521	1.7x	1.6x	\$44,381	18.4x			
Hershey Company (HSY)	2.650%	6/1/2050	\$350	A1 / A / --	S / S / --	\$64.9	5.09%	64	69													
Mars Inc. (MARS)	1.625%	7/16/2032	\$700	A1 / A+ / --	S / S / --	\$77.4	4.94%	73	79	--	--	--	--	--	--	--	--	--	--			
Mars Inc. (MARS)	2.450%	7/16/2050	\$400	A1 / A+ / --	S / S / --	\$60.3	5.24%	80	85													
Hormel Foods (HRL)	1.800%	6/11/2030	\$1,000	A1 / A- / --	N / S / --	\$83.9	4.78%	62	64	--	\$12,195	\$1,325	\$3,481	\$737	\$172	2.6x	2.1x	\$18,623	14.3x			
Hormel Foods (HRL)	3.050%	6/3/2051	\$600	A1 / A- / --	N / S / --	\$67.4	5.33%	90	95													
Archer-Daniels-Midland Co (ADM)	4.500%	8/15/2033	\$500	A2 *- / A *- / A	-- / -- / S	\$95.9	5.05%	86	89	45	\$97,188	\$3,306	\$10,288	\$1,498	(\$190)	3.1x	2.7x	\$36,651	10.9x			
Archer-Daniels-Midland Co (ADM)	2.700%	9/15/2051	\$750	A2 *- / A *- / A	-- / -- / S	\$62.3	5.32%	90	94													
Cargill Inc (CARGIL)	4.750%	4/24/2033	\$500	A2 / A / A	S / S / S	\$96.6	5.22%	89	107	59	--	--	--	--	--	--	--	--	--			
Cargill Inc (CARGIL)	4.375%	4/22/2052	\$500	A2 / A / A	S / S / S	\$86.3	5.32%	87	94													
Danone SA (BNFP)	0.395%	6/10/2029	\$800	Baa1 / BBB+ / --	S / S / --	\$86.3	3.24%	88	96	33	\$28,503	\$4,787	\$14,799	\$1,880	\$853	3.1x	2.7x	\$52,835	10.1x			
Mondelez International Holdings Netherlands BV (MIHN)	1.250%	9/24/2026	\$350	A3 / BBB / --	S / S / --	\$90.9	5.01%	63	69													
Mondelez International (MDLZ)	3.000%	3/17/2032	\$750	Baa1 / BBB / --	S / S / --	\$86.1	5.11%	89	96	45	\$35,397	\$6,803	\$19,986	\$1,610	\$530	3.2x	2.9x	\$116,978	16.3x			
Mondelez International (MDLZ)	2.625%	9/4/2050	\$1,125	Baa1 / BBB / WD	S / S / --	\$62.5	5.26%	80	87													
Ingredion Inc (INGR)	2.900%	6/1/2030	\$600	Baa1 / BBB / BBB	S / S / S	\$88.6	5.04%	88	90	--	\$8,226	\$1,148	\$2,406	\$335	\$123	2.2x	1.9x	\$8,888	7.5x			
Ingredion Inc (INGR)	3.900%	6/1/2050	\$400	Baa1 / BBB / BBB	S / S / S	\$71.2	6.11%	165	172													
Sysco Corporation (SYI)	2.450%	12/14/2031	\$450	Baa1 / BBB / BBB	S / S / S	\$83.0	5.11%	89	96	56	\$76,818	\$3,954	\$11,698	\$569	\$739	3.0x	2.8x	\$51,643	11.4x			
Sysco Corporation (SYI)	6.000%	1/17/2034	\$500	Baa1 / BBB / BBB	S / S / S	\$105.8	5.23%	103	108													
Sysco Corporation (SYI)	3.150%	12/14/2051	\$800	Baa1 / BBB / BBB	S / S / S	\$67.0	5.47%	104	110													
McCormick & Co (MKC)	4.950%	4/15/2033	\$500	Baa2 / BBB / --	S / N / --	\$98.0	5.22%	104	107	--	\$6,605	\$1,311	\$4,777	\$155	\$344	3.6x	3.6x	\$21,898	16.9x			
McCormick & Co (MKC)	4.200%	8/15/2047	\$300	Baa2 / BBB / --	S / N / --	\$82.0	5.59%	111	116													
General Mills Inc (GIS)	4.950%	3/29/2033	\$1,000	Baa2 / BBB / --	S / S / --	\$98.0	5.23%	102	107	36	\$20,281	\$4,109	\$12,282	\$491	(\$516)	3.1x	3.0x	\$47,712	14.8x			
General Mills Inc (GIS)	3.000%	2/1/2051	\$605	Baa2 / BBB / --	S / S / --	\$65.4	5.47%	102	108													
Kellanova (K)	5.250%	3/1/2033	\$400	Baa2 / BBB / BBB	S / N / S	\$99.5	5.32%	110	117	68	\$15,866	\$2,536	\$7,674	\$1,099	\$440	3.7x	3.3x	\$24,767	12.5x			
Kellanova (K)	4.500%	4/1/2046	\$650	Baa2 / BBB / BBB	S / N / S	\$87.0	5.52%	105	109													
Flowers Foods Inc (FLO)	2.400%	3/15/2031	\$500	Baa2 / BBB / BBB	S / S / S	\$83.4	5.24%	102	108	--	\$5,091	\$571	\$1,333	\$23	(\$21)	2.3x	2.3x	\$5,995	12.2x			
JM Smucker Co (SJM)	6.200%	11/15/2033	\$1,000	Baa2 / BBB / --	S / N / --	\$106.4	5.34%	114	118	--	\$8,461	\$1,668	\$4,495	\$241	(\$229)	2.6x	2.4x	\$17,465	11.5x			
JM Smucker Co (SJM)	6.500%	11/15/2053	\$1,000	Baa2 / BBB / --	S / N / --	\$110.3	5.77%	136	141													
Tyson Foods Inc (TSN)	4.350%	3/1/2029	\$1,000	Baa2 / BBB / BBB	N / S / S	\$97.1	5.01%	87	89	62	\$52,999	\$2,149	\$9,506	\$573	(\$1,200)	4.4x	4.2x	\$27,069	11.4x			
Tyson Foods Inc (TSN)	5.100%	9/28/2048	\$1,500	Baa2 / BBB / BBB	N / S / S	\$87.6	6.07%	161	166													
Campbell Soup Co (CPB)	2.375%	4/24/2030	\$500	Baa2 / BBB- / BBB *-	S / S / --	\$85.4	5.15%	98	102	47	\$9,357	\$1,753	\$4,689	\$189	\$206	2.9x	2.8x	\$17,426	10.1x			
Campbell Soup Co (CPB)	3.125%	4/24/2050	\$500	Baa2 / BBB- / BBB *-	S / S / --	\$64.9	5.73%	127	134													
Conagra Brands Inc (CAG)	7.000%	10/1/2028	\$382	Baa3 / BBB- / BBB-	S / S / S	\$107.0	5.29%	113	115	45	\$12,277	\$2,586	\$9,274	\$93	\$61	3.6x	3.6x	\$22,176	11.1x			
Conagra Brands Inc (CAG)	5.400%	11/1/2048	\$1,000	Baa3 / BBB- / BBB-	S / S / S	\$92.6	5.97%	151	156													
Kraft Heinz Foods Co (KHC)	3.750%	4/1/2030	\$741	Baa2 / BBB / BBB	S / P / S	\$93.7	4.96%	79	83	48	\$27,161	\$6,400	\$19,878	\$1,053	\$545	3.1x	2.9x	\$63,127	9.9x			
Kraft Heinz Foods Co (KHC)	4.375%	6/1/2046	\$2,786	Baa2 / BBB / BBB	S / P / S	\$83.5	5.69%	121	125													
Kraft Heinz Foods Co (KHC)	4.875%	10/1/2049	\$1,450	Baa2 / BBB / BBB	S / P / S	\$89.8	5.64%	119	123													
JBS USA (JBSSBZ)	6.750%	3/15/2034	\$1,600	Baa3 / BBB- / BBB-	S / S / S	\$103.9	6.22%	203	206	--	R\$ 360,341	R\$ 16,494	R\$ 101,338	R\$ 26,790	-R\$ 5,989	6.1x	4.5x	R\$ 143,029	4.0x			
JBS USA (JBSSBZ)	7.250%	11/15/2053	\$900	Baa3 / BBB- / BBB-	S / S / S	\$106.3	6.75%	235	239													
Pilgrim's Pride (PPC)	6.250%	7/1/2033	\$1,000	Ba2 / BBB- / BBB-	S / N / S	\$101.4	6.05%	186	190	--	\$16,961	\$670	\$3,596	\$899	(\$17)	5.4x	4.0x	\$9,485	5.2x			
Pilgrim's Pride (PPC)	6.875%	5/15/2034	\$500	Ba2 / BBB- / BBB-	S / N / S	\$105.5	6.13%	194	197													
Smithfield Foods Inc (SFD)	2.625%	9/13/2031	\$500	Ba1 / BBB- / BBB	S / S / S	\$76.8	6.56%	235	240	45	--	--	--	--	--	--	--	--	--			

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 23: Beverages 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	EBITDA	Debt	Cash	FCF	EBITDA	EBITDA	EV	EBITDA
The Coca-Cola Co. (KO)	2.250%	1/5/2032	\$2,000	A1 / A+ / WD	S / S / --	\$84.4	4.64%	43	48	45	\$45,031	\$16,079	\$40,171	\$11,883	\$1,741	2.5x	1.5x	\$283,747	21.5x
The Coca-Cola Co. (KO)	3.000%	3/5/2051	\$1,700	A1 / A+ / WD	S / S / --	\$70.5	5.00%	58	62										
Coca-Cola European Partners (CCEP)	1.500%	1/15/2027	\$500	Baa1 / -- / BBB+	S / -- / S	\$90.3	5.11%	79	84	--	\$18,017	\$3,096	\$11,907	\$1,112	\$1,539	3.8x	3.5x	\$38,377	11.1x
PepsiCo Inc (PEP)	4.450%	2/15/2033	\$1,000	A1 / A+ / --	S / S / --	\$98.8	4.62%	40	47	45	\$91,617	\$16,953	\$44,774	\$10,283	(\$550)	3.0x	2.4x	\$267,643	15.5x
PepsiCo Inc (PEP)	2.750%	10/21/2051	\$1,000	A1 / A+ / --	S / S / --	\$65.6	5.07%	65	70										
PepsiCo Inc (PEP)	4.650%	2/15/2053	\$500	A1 / A+ / --	S / S / --	\$93.1	5.11%	70	74										
Brown-Forman Corp (BFB)	4.750%	4/15/2033	\$650	A1 / A- / --	S / S / --	\$99.3	4.85%	67	69	--	\$4,272	\$1,355	\$3,110	\$373	\$79	2.3x	2.1x	\$29,930	25.2x
Brown-Forman Corp (BFB)	4.500%	7/15/2045	\$500	A1 / A- / WD	S / S / --	\$89.2	5.36%	86	91										
Diageo Investment Corp (DGELN)	5.500%	1/24/2033	\$750	A3 / A- / A-u	S / S / S	\$103.5	5.00%	80	85	26	£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	\$86.0	3.52%	110	115										
Diageo Investment Corp (DGELN)	3.875%	4/29/2043	\$500	A3 / A- / A-u	S / S / S	\$83.3	5.27%	76	83										
Anheuser-Busch InBev Fin (ABIBB)	4.900%	1/23/2031	\$750	A3 / A- / --	S / S / --	\$100.8	4.77%	55	62	70	\$59,091	\$19,928	\$80,900	\$6,848	\$4,662	4.1x	3.7x	\$215,707	10.8x
Anheuser-Busch InBev Fin (ABIBB)	4.900%	2/1/2046	\$9,519	A3 / A- / --	S / S / --	\$94.3	5.35%	88	91										
Anheuser-Busch InBev Fin (ABIBB)	4.500%	6/1/2050	\$1,102	A3 / A- / --	S / S / --	\$89.4	5.25%	80	86										
Heineken NV (HEIANA)	1.750%	3/17/2031	\$750	A3 / BBB+ / --	S / S / --	\$89.5	3.45%	111	118	29	€ 29,725	€ 5,824	€ 19,857	€ 2,168	-€ 1,560	3.4x	3.0x	€ 74,829	11.6x
Heineken NV (HEIANA)	4.350%	3/29/2047	\$650	A3 / BBB+ / --	S / S / --	\$86.4	5.38%	91	96										
Pernod Ricard SA (RIFP)	1.625%	4/1/2031	\$900	Baa1 / BBB+ / BBB+	S/S/S	\$79.2	5.15%	95	100	70	€ 12,136	€ 3,765	€ 10,741	€ 1,624	(€ 427)	2.9x	2.4x	€ 50,833	16.7x
Pernod Ricard SA (RIFP)	2.750%	10/1/2050	\$500	Baa1 / BBB+ / BBB+	S/S/S	\$63.0	5.38%	92	99										
Suntory Holdings LTD (SUNTOR)	6.625%	7/15/2028	\$184	Baa1 / BBB+ / WD	S / S / --	\$106.7	4.92%	75	77	--	¥2,819	¥416	¥1,468	¥253	¥95	3.5x	2.9x		
JAB Holdings BV (JABHOL)	1.000%	7/14/2031	\$306	Baa1 / BBB+ / --	S / S / --	\$83.7	3.54%	119	127	--	--	--	--	--	--	--	--	--	--
JAB Holdings BV (JABHOL)	3.750%	5/28/2051	\$500	Baa1 / BBB+ / --	S / S / --	\$65.2	6.48%	204	210										
JAB Holdings BV (JABHOL)	4.500%	4/8/2052	\$500	Baa1 / BBB+ / --	S / S / --	\$74.7	6.46%	204	209										
Keurig Dr Pepper (KDP)	4.050%	4/15/2032	\$850	Baa1 / BBB / --	S / S / --	\$93.1	5.09%	90	94	--	\$14,750	\$4,116	\$12,860	\$260	(\$467)	3.1x	3.1x	\$57,651	15.5x
Keurig Dr Pepper (KDP)	3.350%	3/15/2051	\$500	Baa1 / BBB / --	S / S / --	\$70.0	5.49%	105	111										
Keurig Dr Pepper (KDP)	4.500%	4/15/2052	\$1,150	Baa1 / BBB / --	S / S / --	\$85.4	5.53%	111	116										
Constellation Brands Inc (STZ)	4.750%	5/9/2032	\$700	Baa3 / BBB / --	S / S / --	\$96.7	5.25%	105	109	96	\$9,786	\$3,486	\$11,707	\$83	\$686	3.2x	3.2x	\$56,290	15.8x
Constellation Brands Inc (STZ)	4.900%	5/1/2033	\$750	Baa3 / BBB / --	S / S / --	\$97.3	5.28%	108	112										
Constellation Brands Inc (STZ)	3.750%	5/1/2050	\$600	Baa3 / BBB / --	S / S / --	\$74.4	5.63%	118	124										
Molson Coors Brewing Co (TAP)	3.000%	7/15/2026	\$2,000	Baa2 / BBB / WD	P / S / --	\$95.6	4.97%	54	60	71	\$11,541	\$2,412	\$6,180	\$802	\$950	2.7x	2.3x	\$18,829	8.4x
Molson Coors Brewing Co (TAP)	4.200%	7/15/2046	\$1,800	Baa2 / BBB / WD	P / S / --	\$82.5	5.58%	110	114										
Bacardi LTD (BACARD)	5.400%	6/15/2033	\$700	Baa3 / BBB- / BBB-	-- / -- / --	\$99.1	5.53%	132	137	--	--	--	--	--	--	--	--	--	--
Bacardi LTD (BACARD)	5.900%	6/15/2043	\$400	Baa3 / BBB- / BBB-	-- / -- / --	\$100.1	5.89%	141	146										
Bacardi LTD (BACARD)	5.300%	5/15/2048	\$700	Baa3 / BBB- / BBB-	S / S / S	\$93.1	5.83%	138	142										
JDE Peet's NV (JDEPNA)	2.250%	9/24/2031	\$500	Baa3 / BBB- / BBB	S / S / S	\$79.0	5.69%	148	154	--	€ 8,243	€ 1,360	€ 4,967	€ 755	€ 522	3.7x	3.1x	€ 15,504	11.3x

Source: BofA Global Research, Bloomberg

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Exhibit 24: 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	Revenue	LTM EBITDA	Debt	Cash	Net FCF	Credit Metrics		
						Bid	YTW	G-spd	T-spd							Total Debt/ EBITDA	Net Debt/ EBITDA	EV / EBITDA
Japan Tobacco (JAPTOB)	2.250%	9/14/2031	\$625	A2 / A+ / --	S / -- / --	\$82.2	5.10%	90	95		¥2,806,302	¥875,721	¥1,018,639	¥869,042	¥136,212	1.2x	0.2x	¥310,683
Japan Tobacco (JAPTOB)	3.300%	9/14/2051	\$400	A2 / A+ / --	S / -- / --	\$65.5	5.83%	138	145									
Philip Morris Intl Inc (PM)	1.750%	11/1/2030	\$750	A2 / A- / A	S / S / N	\$81.4	5.05%	89	91	45	\$34,359	\$14,111	\$47,715	\$3,017	(\$276)	3.5x	3.3x	\$185,636
Philip Morris Intl Inc (PM)	5.750%	11/17/2032	\$1,500	A2 / A- / A	S / S / N	\$102.3	5.42%	121	126									
Philip Morris Intl Inc (PM)	5.375%	2/15/2033	\$2,250	A2 / A- / A	S / S / N	\$99.5	5.45%	125	129									
Philip Morris Intl Inc (PM)	5.625%	9/7/2033	\$1,000	A2 / A- / A	S / S / N	\$101.3	5.45%	125	130									
Philip Morris Intl Inc (PM)	4.250%	11/10/2044	\$1,250	A2 / A- / A	S / S / N	\$82.6	5.69%	117	124									
Altria Group (MO)	3.125%	6/15/2031	\$1,250	A3 / BBB / BBB	S / P / S	\$90.7	4.65%	230	238	45	\$20,561	\$12,131	\$25,098	\$1,537	\$641	2.1x	2.0x	\$93,329
Altria Group (MO)	2.450%	2/4/2032	\$1,750	A3 / BBB / BBB	S / P / S	\$79.8	5.64%	141	148									
Altria Group (MO)	6.875%	11/1/2033	\$500	A3 / BBB / BBB	S / P / S	\$107.4	5.85%	164	169									
Altria Group (MO)	5.375%	1/31/2044	\$1,800	A3 / BBB / BBB	S / P / S	\$94.9	5.81%	129	135									
Altria Group (MO)	3.700%	2/4/2051	\$1,250	A3 / BBB / BBB	S / P / S	\$67.5	6.19%	175	181									
British American Tobacco (BATSLN)	2.726%	3/25/2031	\$1,250	Baa2 / BBB+ / BBB	P / N / P	\$82.00	5.85%	166	170	65	£28,227	£13,906	£42,169	£3,681	£2,318	3.0x	2.8x	\$88,982
British American Tobacco (BATSLN)	7.750%	10/19/2032	\$600	Baa2 / BBB+ / BBB	P / N / P	\$111.0	6.06%	184	191									
British American Tobacco (BATSLN)	4.742%	3/16/2032	\$900	Baa2 / BBB+ / BBB	P / N / P	\$93.4	5.78%	156	163									
British American Tobacco (BATSLN)	6.421%	8/2/2033	\$1,250	Baa2 / BBB+ / BBB	P / N / P	\$102.6	6.05%	185	189									
British American Tobacco (BATSLN)	5.282%	4/2/2050	\$500	Baa2 / BBB+ / BBB	P / N / P	\$82.3	6.73%	228	234									
British American Tobacco (BATSLN)	3.984%	9/25/2050	\$1,000	Baa2 / BBB+ / BBB	P / N / P	\$67.3	6.62%	216	223									
British American Tobacco (BATSLN)	5.650%	3/16/2052	\$600	Baa2 / BBB+ / BBB	P / N / P	\$86.6	6.71%	228	234									
British American Tobacco (BATSLN)	7.081%	8/2/2053	\$1,000	Baa2 / BBB+ / BBB	P / N / P	\$103.9	6.77%	236	241									
Imperial Brands Fin Plc (IMBLN)	3.875%	7/26/2029	\$1,000	Baa3 / BBB / BBB	S / S / S	\$92.2	5.54%	138	142	69	£7,961	£4,073	£10,249	£596	(£186)	2.5x	2.4x	£25,522

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Valuation & risk

Hershey (HSY)

The Hershey Co. (HSY) is a leader in North American confectionery offering high-quality and recognizable products within a well-insulated sub-segment of the packaged food industry. The company possesses top-tier capabilities, including its innovation pipeline, brand management, media & sales insights and expense efficiency, resulting in industry-leading margins and relative pricing power. The profile is further bolstered by a conservative balance sheet, leverage and protection by The Hershey Trust (80% of HSY voting control). Downside risks are any aggressive M&A ambitions, which could lead it to operate above its targeted leverage range of 1.5-2.0x, along with the possibility of industry growth slowdown as consumers tighten discretionary consumable purchases. Upside potential is improved relative value, margin & salty snack growth opportunities & a strong track record of execution. Our Neutral rating on CDS is driven by a view of fair value vs. CDX IG index given HSY's premium positioning, long-term conservative financial policy and desire to be A-rated, and the protection of the Trust from unwanted suitors or activists. On an issuer level, we rate HSY's cash a Marketweight.

Kellogg Co. (K)

Kellogg Co (K) is a global leader in cereal, snacks and convenience foods, meat alternatives and frozen foods offering high-quality and recognizable products within the packaged food industry. With the recently announced spin-off of the company's NA cereal business on-track to occur in 4Q23, Kellanova (RemainCo) will house global snacking, international cereal & noodles, and NA frozen foods and have the opportunity to grow faster vs legacy K and expand margins to 15% while maintaining a stable 3x net leveraged balance sheet. New financial targets assume steady sales growth +3-5% led by snacks & international growth, EBITDA +MSD% and EPS +HSD% which is in-line with snacking peers. Operational plans will focus on occasions & emerging markets, margin-enhancing tools that improve supply chain, and innovation. Our issuer-level Marketweight is supported by fair valuation relative to BBB food, portfolio advantages, an improved financial policy and lower relative exposure to private label offset by the loss of cash cereal assets, lower relative margin profile and our view of potential M&A within snacking. We are Underweight 2046 Notes as valuation is extended vs. peers and flat vs. intermediates. Upside risks are cont. demand tailwinds, increased focus on debt paydown or faster capacity build out allowing for margin expansion while downside risks come from a snacking normalizing, supply related pension de-risking, execution risk related to the cereal spin or future M&A ambitions.

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.

O'Reilly (ORLY)

O'Reilly Automotive (ORLY) has produced peer-leading results supported by a favorable industry backdrop, strong execution, outsized exposure to the faster growing DIFM segment and conservative balance sheet management. ORLY operates an advantaged supply chain allowing for greater same-day parts availability and more frequent replenishment relative to the competition. We believe valuation is deserving of a premium to the auto parts retail group due to execution superiority, management's strict

ROI discipline around capital deployment, lower leverage and higher credit ratings. Further operational outperformance, improved capital efficiency, and free cash flow generation funding investment and share repurchase provide upside risks closer to single-A broadlines. Downside risks are irrational industry competition or consolidation, store concentration in Texas and California (26% of stores), high expectations given history of earnings beats, or debt-funded shareholder returns given ORLY's under-leveraged balance sheet vs. peers. On an issuer level, we rate ORLY's cash an Overweight.

PepsiCo (PEP)

PepsiCo, a global leader in snacking & beverages, benefits from a defensive branded consumables portfolio that we believe can consistently grow EBITDA at mid-to-high single digits (%) over time backed by distribution, marketing, and innovation investment funded via productivity. Elevated payouts, opportunistic M&A and depressed cash conversion are offset by a disciplined financial policy that focuses on protecting mid-A ratings. We rate PEP Marketweight as we believe spreads fully reflect the company's high-quality performance & track record and that tightening is constrained by single-A peers with only marginally greater risk(s) trading +15-35bps wider on avg. We do not see PEP spreads compressing to AA comps (P&G) without further acceleration in margins & cash flow alongside leverage being closer to 2x. Upside risks include a faster ramp in productivity & digitization initiatives allowing for progressive margin expansion, notably in PBNA and Internationally, and snacking share gains. An easing of capital investment without a reacceleration of shareholder returns or M&A would be well received as PEP might be less reliant on debt-financing to fund working capital, payouts & refinancing. Downside risks are the inability to recover margins to pre-COVID levels due to costs or competition, historically aggressive debt-financed M&A, or a lagging turnaround at PBNA which might create strategic risk with bottling assets.

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.

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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%

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