BofA SECURITIES

Global Convertibles

Who might make the switch to CBs?

19 September 2023

Convertibles Strategy
Global

Michael Youngworth, CFA
CBs, Pfds & Derivs Strategist
BofAS
+1 646 855 6493
michael.youngworth@bofa.com

Matthew Welty
Equity-Linked Analyst
BofAS
+1 646 743 6023
matthew.welty@bofa.com

CBs are a cheaper alternative to straight credit financing

We've argued in the past that companies may become more incentivized to assess convertible bond financing given the prevailing high rates backdrop since CBs offer borrowers, particularly those in more cyclical sectors such as media, tech, and industrials, considerable interest savings (as much as 4-5 percentage points, on average). Our case is supported by the end-of-summer surge in CB issuance volumes (over $16bn globally since the start of August), of which a number of deals were offered expressly for the purpose of replacing soon-to-mature non-convertible bonds. As the 2025 and 2026 maturity walls in both convertible and non-convertible credit grow closer (nearly $1tr of market value in global CBs and HY alone), we expect more CFOs will look to convertibles for financing, especially now that recession expectations have meaningfully diminished and interest rates may remain higher-for-longer, making it more challenging for borrowers to wait for a period of lower costs to raise fresh capital.

Most credible crossover issuers are borderline IG cyclicals

Which issuers do we think would be prudent to refinance their outstanding non-convertible debt with a new convertible bond? To tackle this question, we considered names that have upcoming maturities by 2025, have realized strong underlying equity performance year-to-date in 2023 (a factor which has been closely-tied to CB issuance in the past), and have relatively high net leverage versus peers, which typically corresponds to paying higher coupons. Based on these criteria, we found that the total opportunity set is just under $130bn (of course, it's highly unlikely all of these names would refi in the CB space, but if even just 25% did it would represent over $30bn), and it consists of mostly BBB and BBB- issuers in the media, tech, travel/leisure, energy, and real estate sectors. To us, this outcome seems reasonable in the context of today's primary market as over 30% of volumes have been IG-rated, the most in at least the past 10 years, and cyclical sectors have enjoyed solid equity rebounds in 2023. Notably, we've also found that 57% of all names that fit our criteria have priced at least one CB in the past—we think candidates which have a history with converts would be more inclined to return to the market. Overall, we've found that the crossover candidates with the most maturing debt before 2025 are Oracle (ORCL), Comcast (CMCSA), and Charter Communications (CHTR).

Global Convertibles Chartbook

Please note that we will publish our monthly update of the full Global Convertibles Chartbook, including a discussion of global convertibles performance, issuance, and fund flows, and an update of our Excel Chartbook, at the beginning of next month.

Abbreviations

- **AUM:** Assets under management
- **CB:** Convertible bond
- **CFO:** Chief Financial Officer
- **EBITDA:** Earnings before interest, taxes, depreciation, and amortization
- **EPS:** Earnings per share
- **ETF:** Exchange-traded fund
- **GFC:** Global Financial Crisis
- **HF:** Hedge fund
- **IG:** Investment grade
- **HY:** High yield
- **Mando:** Mandatory

Refer to important disclosures on page 9 to 11. 12603615

Timestamp: 19 September 2023 06:45AM EDT

Who might make the switch to CBs?

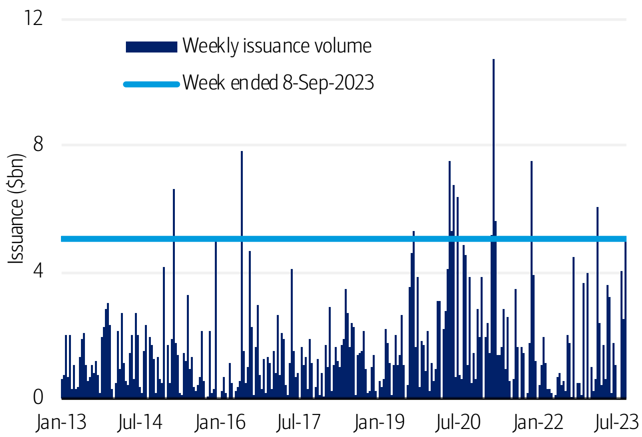
Issuance is up, but the deals haven't come cheap

Primary volumes have swelled since July's dearth and are pacing to hit targets…

Since July's disappointment, when the global market saw less than $3.5bn of new paper and the US suffered its first zero issuance month since August 2011, the convertible bond primary market has boomed. Specifically, August saw nearly $9bn globally (with just under $8bn from the US), while the week after Labor Day (historically a very quiet period) saw over $6bn globally (with over $5bn from the US). In fact, the 5 days ending on 8-Sep was among the best weeks for US new supply volumes in the past 10 years (Exhibit 1). Year-to-date, the US and global primary markets have priced $41bn and $59bn respectively, each on pace to our reach our year-end targets (published in our Halftime report) of $75-85bn globally with $50-55bn from the US (Exhibit 2).

Exhibit 1: US convertible bond issuance by week

Since Labor Day, US CB issuance volumes have surged, topped by $5.1bn in the week ending on 8-Sep (one of the best weeks in the past 10 years)

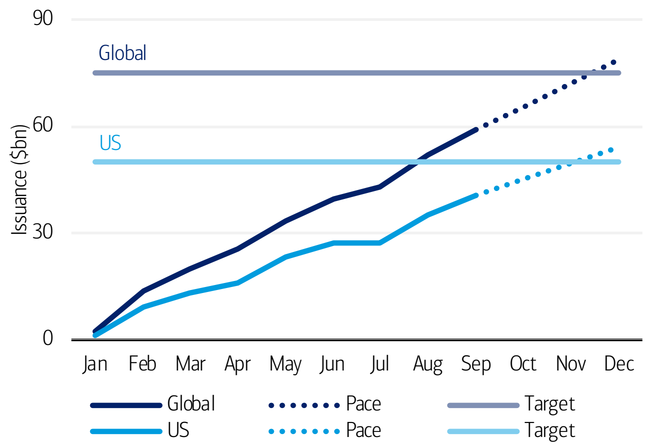


Source: BofA Global Research. Data as of 18-Sep-2023.

BofA GLOBAL RESEARCH

Exhibit 2: Global and US CB cumulative issuance pace year-to-date

Both our US and global CB issuance volumes are on pace to reach our year-end targets ($75-85bn globally, $50-55bn US)



Source: BofA Global Research. Data as of 18-Sep-2023.

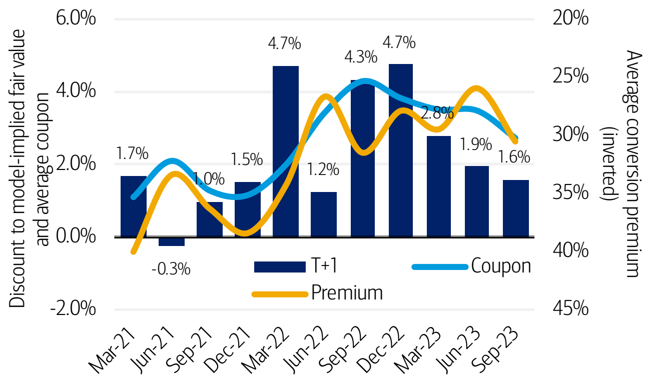
BofA GLOBAL RESEARCH

…though new deal discounts have been fading as issuer pricing power has risen

Despite the pickup in volumes, net supply (new issuance – redemptions) has remained firmly negative in 2023 (see Exhibit 23 in our issuance section of our 01-Sep Global Convertibles Chartbook), trimming the breadth of investable names in the space. Additionally, even though interest rates remain elevated, the macro picture for borrowers has generally improved this year relative to last as share prices have rallied from lows and credit spreads have meaningfully tightened. Taken together, these factors have helped to shift some pricing power back into the hands of convertible bond issuers—a point illustrated by narrowing coupons and widening conversion premiums relative to what came to market in 2022 (granted, pricing hasn't gotten nearly as aggressive as it was during the pandemic-era boom, when 0% coupon and 50% premium became the norm). See tab 3.06 of our most recent Global Convertibles Chartbook spreadsheet for a comprehensive history of global CB new deal terms.

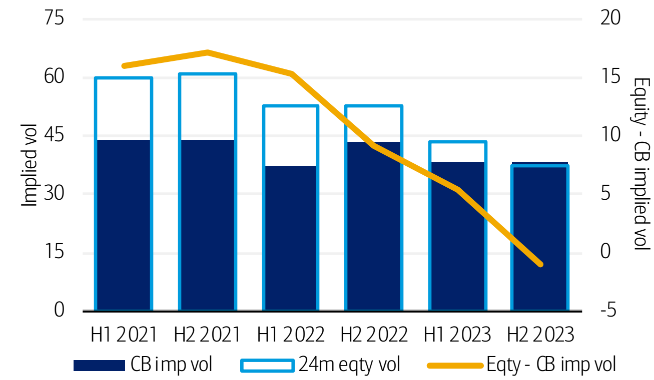
What's more, as we highlighted in a note from mid-August (see our 17-Aug Global Convertibles Quick Note), based on underwriter credit spread and volatility assumptions, the discount embedded in CB new deals has been consistently declining since Q4 2022 (Exhibit 3). Similarly, we've also found that relatively cheap vol in the CB primary market has been harder to come by. Indeed, the spread between a new issue CB's implied vol and its underlying stock's longer-dated (24m) listed option vol has been waning—a function of not only more aggressively priced CBs, but also a greater portion of lower growth names in the space (namely IG-rated utilities) and steadily declining single-stock option vol (Exhibit 4).

Exhibit 3: New deal average discount versus coupons and premiums
The discounts embedded in CB new deals have declined (alongside deal terms) since peaking at the end of last year



Source: BofA Global Research, Bloomberg. Data as of 14-Sep-2023. Weighted-average discount.
BofA GLOBAL RESEARCH

Exhibit 4: CB new deal implied vol versus 24m listed option vol
Relatively cheap vol in the CB primary market has been harder to come by as new deal discounts have narrowed and single-stock vol has declined



Source: BofA Global Research, Bloomberg. Data as of 14-Sep-2023.
BofA GLOBAL RESEARCH

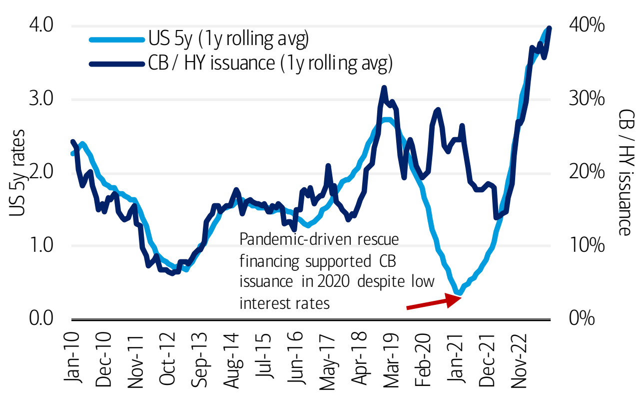
Higher-for-longer rates and refi hurdle may promote CBs

Companies in need of cheaper financing may look to refi debt in the CB space

Regardless of narrowing discounts in the primary market, the recent slate of deals has garnered solid demand and has generally performed well, and CB investors have indicated a strong appetite for new paper (see our 01-Aug Global Convertibles Investor Survey). Moving into the final quarter of 2023 and 2024, we reiterate our view that higher-for-longer interest rates paired with the impending maturity hurdles in both convertible and straight credit will inure to the benefit of CB primary volumes.

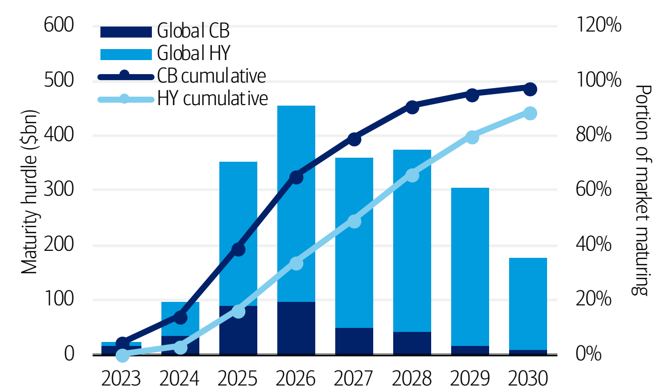
In light of a resilient economic activity and softening wage and price pressures, our economists are now of the belief that the US economy will avoid recession, which may promote a slower pace of Fed rate cuts and higher-for-longer yields (see their 02-Aug US Economic Viewpoint). As we've belabored in past research, historically a backdrop of higher borrowing costs favors CB over straight credit financing, a point made especially noteworthy by the fact that a significant chunk of paper is set to retire by 2025 and 2026 (over $230bn of global CBs and nearly $700bn of global HY—see Exhibit 6), which may prompt imminent refis. Indeed, 2025 maturities will "go current" next year, and our credit strategists recently noted that IG and HY issuers typically prefund 12m and 18m before maturity, respectively—see their 15-Sep HY Strategy note. In contrast to what we've experienced in 2023, the looming maturity wall suggests that next year it will be harder for CFOs to wait for a period of lower costs to raise capital.

Exhibit 5: CB v. HY issuance with respect to interest rates
Historically, CB issuance rises versus HY issuance during periods when borrowing costs are elevated



Source: BofA Global Research, Bloomberg. Data as of 15-Sep-2023.
BofA GLOBAL RESEARCH

Exhibit 6: Global convertibles and high yield maturity hurdles
The majority of the converts market and a sizable portion of the high yield market are set to mature in 2025 and 2026



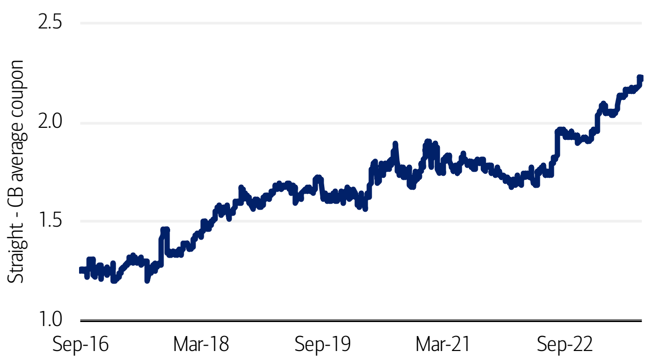
Source: BofA Global Research, ICE Data Indices, LLC. Data as of 15-Sep-2023.
BofA GLOBAL RESEARCH

Why? Coupon savings have risen meaningfully, especially for cyclical industries

The reason, of course, that CB issuance volumes may benefit from higher-for-longer rates is that converts offer borrowers lower interest payments (in exchange for the embedded option), a key advantage when financing costs are high. In fact, based on outstanding bonds in the secondary market, CB coupons are 2.25 percentage points lower, on average, than straight debt coupons—a high since at least 2016 (Exhibit 7). Notably, however, interest savings are even greater for names in more cyclical sectors, which can monetize their higher equity vol and upside potential for more attractive pricing. Specifically, based on issuers that have both non-convertible and convertible debt outstanding, we've found that CBs provide the largest coupon savings in the media, industrials, telecoms, and tech sectors, whereas savings are less meaningful in utilities and financials (Exhibit 8). Notably, however, this hasn't precluded utilities from offering new CBs—they've topped the US primary market year-to-date, comprising nearly 25% of volumes (see tab 3.07 of our most recent [Global Convertibles Chartbook spreadsheet](#)).

Exhibit 7: Straight bond v. CB average coupon differential history

On average, secondary market CB coupons are 2.25 percentage points lower than secondary market straight debt coupons, a high since at least 2016

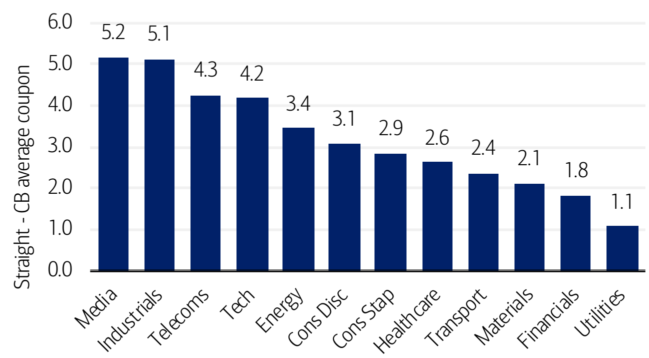


Source: BofA Global Research, ICE Data Indices, LLC. Data as of 15-Sep-2023.

BofA GLOBAL RESEARCH

Exhibit 8: Straight bond v. CB average coupon differential by sector

Based on issuer-level comparisons of outstanding bonds, cyclicals (media, industrials, telecoms, and tech) realize the top coupon savings from CBs



Source: BofA Global Research, ICE Data Indices, LLC. Data as of 15-Sep-2023.

BofA GLOBAL RESEARCH

Large-cap tech, media, and energy may cross into converts

Who are credible issuers? More leveraged names with strong stock performance

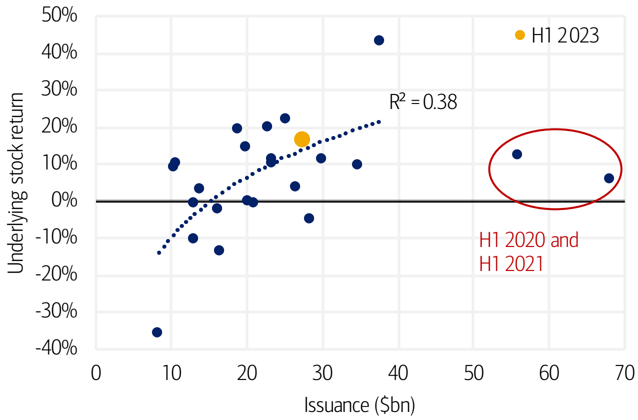
A number of issuers have already gone ahead and offered new CBs this year to replace existing straight debt, including Seagate Technology (STX), Fluor (FLR), and Welltower (WELL). However, we think there are numerous others that would also be prudent to consider CBs when refinancing their soon-to-mature straight debt. To determine which might be most likely to do a convert, we considered all outstanding issuers in the US IG and HY markets, and we defined our universe based on the below features:

- **Upcoming maturity by 2025:** We only considered issuers that have debt due by 2025 (as we mentioned earlier, we expect CFOs are more apt to refi debt before it "goes current" on the balance sheet).

- **Strong equity performance:** We eliminated all credit issuers that currently do not have publicly-traded stock on a US exchange. Additionally, we limited our credible issuer-set to only names whose year-to-date equity returns were in the top half of the full universe. Indeed, we've found that in the past, CB new issuance has been closely-tied to the performance underlying stocks as companies are able to command better terms and are more willing to tap their equity after their stocks have rallied, while they're less likely to do so following a period of weak equity performance (Exhibit 9).

- **Relatively high leverage:** We included only issuers that have modest net leverage of at least 2.5x, or roughly the top half of the full universe. Unsurprisingly, we've found that more levered names pay higher coupons, on average, and thus may be more likely to benefit from a new CB versus new straight debt (Exhibit 10).

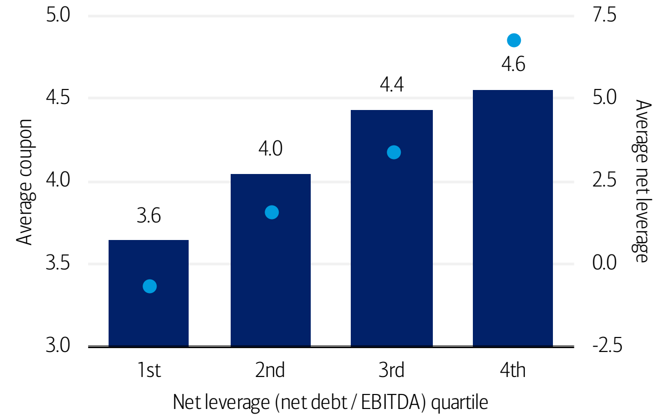
Exhibit 9: US CB issuance v. underlying stock performance by half
Historically, convertible bond issuance is better during periods of strong CB underlying issuer performance



Source: BofA Global Research, ICE Data Indices, LLC. Data as of 14-Sep-2023. Dots represent halves since H1 2012. Trendline excludes pandemic-era outliers.

BofA GLOBAL RESEARCH

Exhibit 10: Average coupon versus issuer net leverage
Credit issuers (IG, HY, and CB) with lower net leverage have debt with lower coupons, on average



Source: BofA Global Research, Bloomberg, ICE Data Indices, LLC. Data as of 14-Sep-2023.

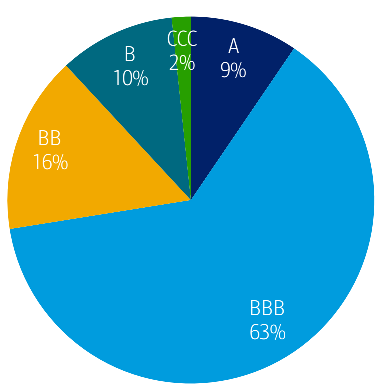
BofA GLOBAL RESEARCH

CB crossover candidates are mostly borderline IG cyclical issuers

Based on the above criteria, we think that the credible opportunity set of crossover issuance volumes is just under $130bn (of course, it's highly unlikely all of these names would refi in the CB space, but if even just 25% did it would represent over $30bn—a significant portion given US CB volumes have averaged about $53bn since 1998). Notably, of these names, more than half (57%) have priced at least one CB in the past (6% currently have one outstanding), while 43% have never issued one at all.

On credit rating, by market value about two-thirds of candidate issuers are BBB-rated (mostly the lower notches of BBB and BBB- rather than BBB+), while 16% are BB-rated (Exhibit 11). While a bit higher than the current average credit rating of US CB issuers (BB+), this seems plausible in the context of today's primary market. In fact, over 30% of realized primary market volumes year-to-date have been IG-rated, the most in at least the past 10 years (Exhibit 12). We note that the Financial Accounting Standards Board's (FASB) decision to eliminate the requirement that issuers bifurcate their CBs on their balance sheets into part equity, part debt makes the structure more attractive for EPS-sensitive IG names, particularly in an environment when financing costs are elevated.

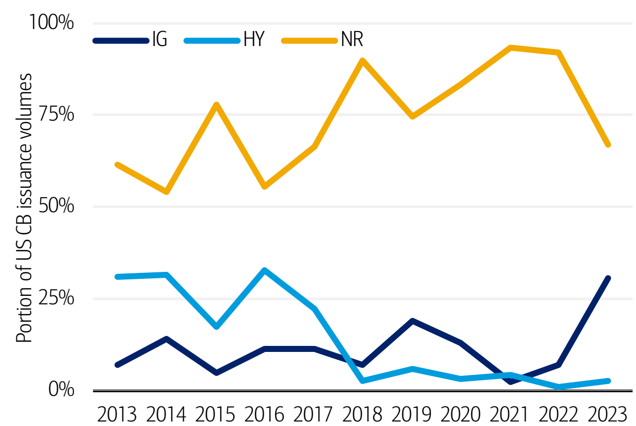
Exhibit 11: CB crossover candidates breakdown by credit rating
About two-thirds of our CB crossover candidates are BBB-rated (mostly the lower BBB and BBB- notches), while 16% are BB-rated



Source: BofA Global Research, Bloomberg, ICE Data Indices, LLC. Data as of 14-Sep-2023.

BofA GLOBAL RESEARCH

Exhibit 12: US CB new deals by credit rating history
Over 30% of US CB issuance volumes in 2023 have been IG-rated, the most in at least the past 10 years



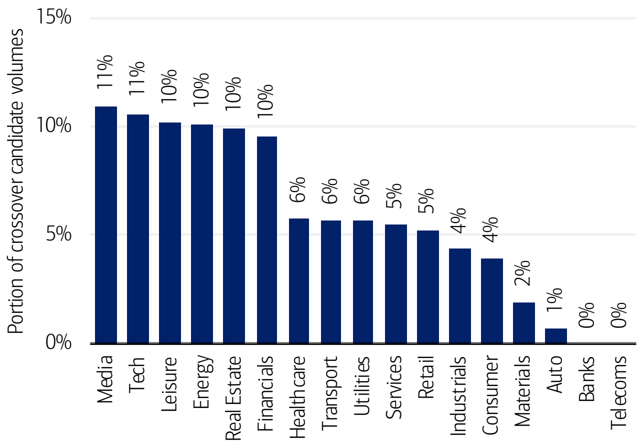
Source: BofA Global Research, ICE Data Indices, LLC. Data as of 14-Sep-2023.

BofA GLOBAL RESEARCH

Sector-wise, the leaders among our CB crossover candidate issuers (again, based on market value) are media, tech, travel/leisure, energy, and real estate (Exhibit 13). We believe these results are reasonable given these sectors enjoyed solid equity rebounds in 2023, which as we noted earlier, we see as a key determinate as to whether or not a company would consider refinancing its straight debt in the CB space. For illustration purposes, if all of these candidate names were to offer CBs in these sizes, the pro-forma sector breakdown shows that tech, healthcare, and utilities would see the biggest total declines, while financials (mostly real estate), consumer discretionary, and media would realize the largest gains (Exhibit 14).

Exhibit 13: CB crossover candidates breakdown by sector

The top sectors among our CB crossover candidate issuers include media, tech, travel/leisure, energy, and real estate

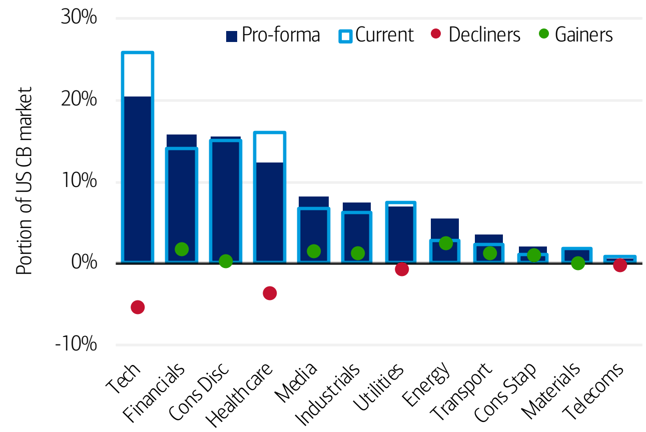


Source: BofA Global Research, Bloomberg, ICE Data Indices, LLC. Data as of 14-Sep-2023.

BofA GLOBAL RESEARCH

Exhibit 14: Current versus pro-forma US CB market sector breakdown

If all CB crossover candidates were to come to CBs, versus today's market tech, healthcare, and utilities would decline



Source: BofA Global Research, Bloomberg, ICE Data Indices, LLC. Data as of 14-Sep-2023.

BofA GLOBAL RESEARCH

Crossover candidates with the most maturing debt are ORCL, CMCSA, and CHTR

Below, we include a table with all convertible bond crossover candidate issuers based on the criteria we outlined earlier (upcoming maturity by 2025, strong equity performance, and relatively high net leverage versus the full consideration set of issuers). Please note that we measure net leverage based on each company's most recent filing's net debt and trailing 12m EBITDA metrics. The market value column displays the current market value of all 2024 and 2025 IG and HY maturities, while the current and past CB columns show whether or not the issuer currently has a CB outstanding and whether or not it had offered one historically. We'd expect that candidates which have a history with converts would be more likely to return to the market. Note the table is sorted by sector, and then by market value of maturing debt within each sector (Exhibit 15).

The candidate issuers with the most maturing debt include Oracle (ORCL), Comcast (CMCSA), Charter Communications (CHTR), HCA Healthcare (HCA), and Warner Brothers Discovery (WBD).

Exhibit 15: Convertible bond crossover candidate screen

We think the below issuers are plausible CB crossover candidates based on their upcoming debt maturities, modest net leverage, and stock performance year-to-date

Ticker	Equity Ticker	Issuer	Sector	Rating	2024/2025 Maturities	Mkt Val ($mn)	Net Leverage	Stock YTD	Current CB	Past CB
GT	GT US Equity	Goodyear Tire & Rubber Co/The	Auto	B+	1	839	5.5	22.4%		Yes
MDLZ	MDLZ US Equity	Mondelez International Inc	Consumer	BBB+	4	2,165	3.9	7.8%	Yes	Yes
STZ	STZ US Equity	Constellation Brands Inc	Consumer	BBB-	3	1,294	4.0	12.9%		Yes
USFOOD	USFD US Equity	US Foods Holding Corp	Consumer	BB	1	1,040	3.9	13.7%		
HAS	HAS US Equity	Hasbro Inc	Consumer	BBB	1	487	16.8	19.2%		Yes
ET	ET US Equity	Energy Transfer LP	Energy	BBB-	3	2,357	4.1	22.9%		
PAA	PAA US Equity	Plains All American Pipeline L	Energy	BBB-	2	1,730	3.4	34.2%		
WMB	WMB US Equity	Williams Cos Inc/The	Energy	BBB	2	1,474	3.7	7.9%		Yes
OKE	OKE US Equity	ONEOK Inc	Energy	BBB	3	1,352	3.1	4.9%		Yes
EPD	EPD US Equity	Enterprise Products Partners L	Energy	BBB+	1	1,122	4.0	17.5%		

Exhibit 15: Convertible bond crossover candidate screen

We think the below issuers are plausible CB crossover candidates based on their upcoming debt maturities, modest net leverage, and stock performance year-to-date

Ticker	Equity Ticker	Issuer	Sector	Rating	2024/2025 Maturities	Mkt Val ($mn)	Net Leverage	Stock YTD	Current CB	Past CB
WES	WES US Equity	Western Midstream Partners LP	Energy	BBB-	2	980	3.3	3.8%		
NSUS	NS US Equity	NuStar Energy LP	Energy	BB-	1	603	4.4	15.6%		
GEL	GEL US Equity	Genesis Energy LP	Energy	B-	1	543	5.2	11.3%		
CMLP	CEQP US Equity	Crestwood Equity Partners LP	Energy	BB-	1	505	5.5	17.8%		
CLMT	CLMT US Equity	Calumet Specialty Products Par	Energy	CCC+	1	441	5.3	13.3%		
ENLK	ENLC US Equity	EnLink Midstream LLC	Energy	BB+	1	410	3.5	5.0%		
EQM	ETRN US Equity	Equitrans Midstream Corp	Energy	BB-	1	400	6.6	52.0%		
RIG	RIG US Equity	Transocean Ltd	Energy	CCC	1	358	11.5	84.2%	Yes	Yes
NGL	NGL US Equity	NGL Energy Partners LP	Energy	CCC	1	276	4.8	214.9%		
MMP	MMP US Equity	Magellan Midstream Partners LP	Energy	BBB+	1	243	3.2	42.3%		
AL	AL US Equity	Air Lease Corp	Financials	BBB	4	2,696	7.8	3.0%		Yes
GPN	GPN US Equity	Global Payments Inc	Financials	BBB-	2	1,431	4.1	26.8%		
OMF	OMF US Equity	OneMain Holdings Inc	Financials	BB	1	1,280	8.7	32.9%		
FI	FI US Equity	Fiserv Inc	Financials	BBB	1	881	2.9	20.3%		
UWMLLC	UWMC US Equity	UWM Holdings Corp	Financials	BB-	1	776	11.7	64.6%		
AON	AON US Equity	Aon PLC	Financials	BBB+	1	729	2.5	12.6%		Yes
FTAI	FTAI US Equity	FTAI Aviation Ltd	Financials	BB-	1	659	4.4	116.9%		
PFSI	PFSI US Equity	PennyMac Financial Services In	Financials	BB-	1	637	4.2	24.9%		
BGCP	BGC US Equity	BGC Group Inc	Financials	BBB-	2	574	2.9	38.9%		Yes
BRO	BRO US Equity	Brown & Brown Inc	Financials	BBB-	1	501	2.5	29.2%		
CACC	CACC US Equity	Credit Acceptance Corp	Financials	BB-	1	393	6.8	4.4%		
ENVA	ENVA US Equity	Enova International Inc	Financials	B-	1	383	4.7	29.4%		
TSLX	TSLX US Equity	Sixth Street Specialty Lending	Financials	BBB-	1	342	4.8	22.7%		Yes
GMT	GATX US Equity	GATX Corp	Financials	BBB	1	292	8.2	8.9%		Yes
OCSL	OCSL US Equity	Oaktree Specialty Lending Corp	Financials	BBB-	1	286	6.9	5.6%		
ARES	ARES US Equity	Ares Management Corp	Financials	BBB+	1	245	6.2	56.4%		
HCA	HCA US Equity	HCA Healthcare Inc	Healthcare	BBB-	3	4,311	3.2	9.6%		
SYK	SYK US Equity	Stryker Corp	Healthcare	BBB+	2	1,332	2.6	20.9%		
BDX	BDX US Equity	Becton Dickinson & Co	Healthcare	BBB	1	861	3.4	4.9%		Yes
BSX	BSX US Equity	Boston Scientific Corp	Healthcare	BBB+	1	472	2.8	15.1%		Yes
EHC	EHC US Equity	Encompass Health Corp	Healthcare	B+	1	356	3.2	14.7%		
HWM	HWM US Equity	Howmet Aerospace Inc	Industrials	BBB-	2	1,334	2.6	20.5%		
OTIS	OTIS US Equity	Otis Worldwide Corp	Industrials	BBB	1	1,240	2.6	5.7%		
SWK	SWK US Equity	Stanley Black & Decker Inc	Industrials	BBB+	2	1,103	13.3	20.6%		Yes
WRK	WRK US Equity	Westrock Co	Industrials	BBB	2	1,074	10.0	5.3%		
PH	PH US Equity	Parker-Hannifin Corp	Industrials	BBB+	1	490	3.2	39.3%		
OI	OI US Equity	O-I Glass Inc	Industrials	B	1	299	3.2	10.7%		Yes
CZR	CZR US Equity	Caesars Entertainment Inc	Leisure	B+	1	3,410	7.0	26.9%		Yes
MGM	MGM US Equity	MGM Resorts International	Leisure	B+	2	1,444	5.0	24.5%		Yes
WYNNLV	WYNN US Equity	Wynn Resorts Ltd	Leisure	B	1	1,384	8.8	15.8%		
MAR	MAR US Equity	Marriott International Inc/MD	Leisure	BBB	3	1,269	2.5	36.2%		Yes
H	H US Equity	Hyatt Hotels Corp	Leisure	BBB-	2	1,175	2.8	19.1%		
NCLH	NCLH US Equity	Norwegian Cruise Line Holdings	Leisure	CCC+	1	547	20.1	34.5%	Yes	Yes
RCL	RCL US Equity	Royal Caribbean Cruises Ltd	Leisure	BB	1	539	7.3	97.0%	Yes	Yes
HLT	HLT US Equity	Hilton Worldwide Holdings Inc	Leisure	BB	1	504	3.5	21.8%		Yes
IGT	IGT US Equity	International Game Technology	Leisure	BB+	1	503	3.8	37.0%		Yes
LVS	LVS US Equity	Las Vegas Sands Corp	Leisure	BB+	1	474	6.0	2.5%		
SIX	SIX US Equity	Six Flags Entertainment Corp	Leisure	BB	1	371	5.6	6.8%		
TNL	TNL US Equity	Travel + Leisure Co	Leisure	BB	1	359	4.0	6.9%		
CE	CE US Equity	Celanese Corp	Materials	BBB-	1	1,028	8.6	22.8%		Yes
SHW	SHW US Equity	Sherwin-Williams Co/The	Materials	BBB	2	778	3.1	13.6%		
AVNT	AVNT US Equity	Avient Corp	Materials	BB-	1	652	4.0	12.1%		
CMCSA	CMCSA US Equity	Comcast Corp	Media	A-	4	5,575	3.6	31.2%		Yes
CHTR	CHTR US Equity	Charter Communications Inc	Media	BBB-	1	4,433	4.7	26.3%		Yes
WBD	WBD US Equity	Warner Bros Discovery Inc	Media	BBB-	5	3,452	16.0	19.3%		
CCO	CCO US Equity	Clear Channel Outdoor Holdings	Media	B	1	383	11.8	35.2%		
EQIX	EQIX US Equity	Equinix Inc	Real Estate	BBB	3	2,072	4.4	19.4%		Yes
SVC	SVC US Equity	Service Properties Trust	Real Estate	B	3	1,970	9.5	15.4%		
WELL	WELL US Equity	Welltower Inc	Real Estate	BBB+	1	1,223	6.6	29.7%	Yes	Yes
AVB	AVB US Equity	AvalonBay Communities Inc	Real Estate	A-	3	1,098	4.7	14.4%		
STWD	STWD US Equity	Starwood Property Trust Inc	Real Estate	BB	2	879	9.2	18.4%	Yes	Yes
BRX	BRX US Equity	Brixmor Property Group Inc	Real Estate	BBB-	1	678	6.5	2.6%		Yes
PK	PK US Equity	Park Hotels & Resorts Inc	Real Estate	B+	1	665	8.9	14.2%		

Exhibit 15: Convertible bond crossover candidate screen

We think the below issuers are plausible CB crossover candidates based on their upcoming debt maturities, modest net leverage, and stock performance year-to-date

Ticker	Equity Ticker	Issuer	Sector	Rating	2024/2025 Maturities	Mkt Val ($mn)	Net Leverage	Stock YTD	Current CB	Past CB
DHC	DHC US Equity	Diversified Healthcare Trust	Real Estate	CCC+	1	504	59.1	269.4%		
ESS	ESS US Equity	Essex Property Trust Inc	Real Estate	BBB+	1	490	5.6	8.5%		Yes
HST	HST US Equity	Host Hotels & Resorts Inc	Real Estate	BBB-	1	487	2.8	4.1%		Yes
EQR	EQR US Equity	Equity Residential	Real Estate	A-	1	437	4.4	9.3%		Yes
VNO	VNO US Equity	Vornado Realty Trust	Real Estate	BBB-	1	428	10.6	22.8%		Yes
OHI	OHI US Equity	Omega Healthcare Investors Inc	Real Estate	BBB-	1	392	9.0	26.0%		
LADR	LADR US Equity	Ladder Capital Corp	Real Estate	BB	1	343	7.1	13.0%		
KRG	KRG US Equity	Kite Realty Group Trust	Real Estate	BBB-	1	343	5.2	11.2%	Yes	Yes
EPR	EPR US Equity	EPR Properties	Real Estate	BBB-	1	294	6.3	20.2%	Yes	Yes
REG	REG US Equity	Regency Centers Corp	Real Estate	BBB+	1	241	4.8	4.9%		
LOW	LOW US Equity	Lowe's Cos Inc	Retail	BBB+	4	2,901	3.1	17.0%		Yes
MCD	MCD US Equity	McDonald's Corp	Retail	BBB+	3	1,876	3.6	8.3%		
AN	AN US Equity	AutoNation Inc	Retail	BBB-	2	884	3.1	41.6%		
PAG	PAG US Equity	Penske Automotive Group Inc	Retail	BB-	1	525	3.8	43.3%		Yes
PVH	PVH US Equity	PVH Corp	Retail	BBB-	1	487	4.8	11.4%		
WCC	WCC US Equity	WESCO International Inc	Services	BB	1	1,529	3.3	24.4%		Yes
CDW	CDW US Equity	CDW Corp/DE	Services	BBB-	2	1,168	3.0	16.9%		
UBER	UBER US Equity	Uber Technologies Inc	Services	B	1	1,033	24.8	94.0%	Yes	Yes
VRSK	VRSK US Equity	Verisk Analytics Inc	Services	BBB	1	881	2.6	38.2%		
WM	WM US Equity	Waste Management Inc	Services	BBB+	2	863	2.7	2.5%		
RSG	RSG US Equity	Republic Services Inc	Services	BBB+	2	808	2.9	16.3%		Yes
BCO	BCO US Equity	Brink's Co/The	Services	BB	1	396	4.2	43.7%		
MATW	MATW US Equity	Matthews International Corp	Services	B	1	293	9.5	30.6%		
ORCL	ORCL US Equity	Oracle Corp	Tech	BBB	4	8,758	4.3	36.5%		Yes
IBM	IBM US Equity	International Business Machine	Tech	A-	2	1,614	3.8	7.8%		Yes
ROP	ROP US Equity	Roper Technologies Inc	Tech	BBB	3	1,423	2.6	15.5%		Yes
XRX	XRX US Equity	Xerox Holdings Corp	Tech	BB	1	717	22.9	12.7%		Yes
STX	STX US Equity	Seagate Technology Holdings PL	Tech	BB	1	474	29.5	22.5%	Yes	Yes
QRVO	QRVO US Equity	Qorvo Inc	Tech	BBB-	1	472	3.6	4.7%		
DAL	DAL US Equity	Delta Air Lines Inc	Transport	BB+	3	2,962	3.3	20.5%		Yes
AAL	AAL US Equity	American Airlines Group Inc	Transport	B-	2	2,645	5.1	6.5%	Yes	Yes
UNP	UNP US Equity	Union Pacific Corp	Transport	A-	3	1,311	2.9	3.9%		Yes
UAL	UAL US Equity	United Airlines Holdings Inc	Transport	B+	1	342	2.8	22.9%		Yes
EIX	EIX US Equity	Edison International	Utilities	BBB	5	2,450	6.6	13.1%		
PCG	PCG US Equity	PG&E Corp	Utilities	BBB-	3	1,857	8.8	3.0%		Yes
VST	VST US Equity	Vistra Corp	Utilities	BBB-	1	1,091	2.7	46.5%		Yes
PEG	PEG US Equity	Public Service Enterprise Grou	Utilities	A	3	1,086	4.1	2.4%		Yes
PNW	PNW US Equity	Pinnacle West Capital Corp	Utilities	A-	2	754	5.7	4.2%		

Source: BofA Global Research, Bloomberg, ICE Data Indices, LLC. Data as of 14-Sep-2023. Disclaimer: The screen above is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This screen was not created to act as a benchmark. Note: This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decisions.

BofA GLOBAL RESEARCH

Disclosures

Important Disclosures

Due to the nature of the market for convertible securities, the issuers or securities recommended or discussed in this report are not continuously followed. Accordingly, investors must regard this report as providing stand-alone analysis and should not expect continuing analysis or additional reports relating to such issuers and/or securities.

Due to the nature of strategic analysis, the issuers or securities recommended or discussed in this report are not continuously followed. Accordingly, investors must regard this report as providing stand-alone analysis and should not expect continuing analysis or additional reports relating to such issuers and/or securities.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

BofA Securities fixed income analysts regularly interact with sales and trading desk personnel in connection with their research, including to ascertain pricing and liquidity in the fixed income markets.

Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

This report may refer to fixed income securities or other financial instruments that may not be offered or sold in one or more states or jurisdictions, or to certain categories of investors, including retail investors. Readers of this report are advised that any discussion, recommendation or other mention of such instruments is not a solicitation or offer to transact in such instruments. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor for information relating to such instruments.

Rule 144A securities may be offered or sold only to persons in the U.S. who are Qualified Institutional Buyers within the meaning of Rule 144A under the Securities Act of 1933, as amended.

SECURITIES OR OTHER FINANCIAL INSTRUMENTS DISCUSSED HEREIN MAY BE RATED BELOW INVESTMENT GRADE AND SHOULD THEREFORE ONLY BE CONSIDERED FOR INCLUSION IN ACCOUNTS QUALIFIED FOR SPECULATIVE INVESTMENT.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

The securities or other financial instruments discussed in this report may be traded over-the-counter. Retail sales and/or distribution of this report may be made only in states where these instruments are exempt from registration or have been qualified for sale.

Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

This report, and the securities or other financial instruments discussed herein, may not be eligible for distribution or sale in all countries or to certain categories of investors, including retail investors.

Information relating to Affiliates of BofAS, MLPF&S and Distribution of Affiliate Research Reports:

Refer to BofA Global Research policies relating to conflicts of interest.

"BofA Securities" includes BofA Securities, Inc. ("BofAS") and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. "BofA Securities" is a global brand for BofA Global Research.

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no. 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at www.bofaml.com/BofASEdisclaimer; BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSFC); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Investment Industry Regulatory Organization of Canada; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofAS Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information: has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSFC; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the Electronic Communications Disclaimers for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

Futures and options are not appropriate for all investors. Such financial instruments may expire worthless. Before investing in futures or options, clients must receive the appropriate risk disclosure documents. Investment strategies explained in this report may not be appropriate at all times. Costs of such strategies do not include commission or margin expenses.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

Convertible bonds are traded over-the-counter. Retail sales and/or distribution of this report may be made only in states where these securities are exempt from registration or have been qualified for sale. BofAS or one of its affiliates may make a market in the convertible bonds of this issuer.

BofAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information.

In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

Copyright and General Information:

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.