US High Grade Credit Research

Top US High Grade Ideas – February 2024 edition

Credit Analysis

01 February 2024

High Grade Credit
United States
Cross-Industry

Table of Contents

Larry Bland
Research Analyst
BofAS
+1 646 855 6502
larry.bland@bofa.com

US High Grade Research

See Team Page for List of Analysts

Our Top High Grade ideas list

This report is our Top US High Grade (HG) Ideas list comprising corporate bond and/or loan recommendations. As selected by the Head of BofA US Credit Research, these recommendations are a collection of our best investment ideas from the universe of bonds and loans covered by BofA Global Research US fundamental HG credit research analysts. We expect the picks to outperform or underperform their relevant benchmarks, and they could be based on particularly attractive or unattractive expected total return due to potential market and/or business-related catalysts, interest carry, yield-to-redemption, and/or value based on spread and/or yield relative to credit quality. BofA Global Research credit ratings reflect a three-month time horizon. While the list is not a model portfolio, we strive to provide a diversified group of debt instruments from a range of sectors. Instruments not under research coverage cannot be included. Accordingly, we do not have any technology ideas to include.

5 Overweights & 3 Underweights

Our February 2024 list consists of 8 issuer recommendations and is comprised of 3 Underweight (UW) and 5 Overweight (OW) ratings. The Underweight issuer recommendations are Aon, Sherwin-Williams Company and Tyson Foods. The Overweight bond issuer recommendations are Abbvie, AutoNation, Charles Schwab, CVS Health Corp and Pacific Gas.

Exhibit 1: Top US High Grade Ideas List – February 2024 – Representative Issues(1)
Our top High Grade ideas consist of 3 Underweight and 5 Overweight recommendations

							As of 1/31/2024			
BofA Rec	Company	Issue	Interest Rate (%)	Maturity	Out $MM	Mdy / S&P	Bid Price	YTW(2) (%)	Sprd/ DM (bp)	Rec Type(3)
OW	AbbVie	Sr. Notes	4.250	11/21/49	5,745	A3/A-	88.36	5.06	84	ISR
UW	Aon	Sr. Notes	5.350	2/28/33	750	Baa2/A-	101.83	5.09	105	ISR
OW	AutoNation	Sr. Notes	4.750	6/01/30	500	Baa3/BBB-	96.45	5.42	151	ISR
OW	Charles Schwab	Sr Notes	6.136	6/08/34	1,350	A2/A-	105.17	5.41	139	ISR
OW	CVS Health Corp	Sr. Notes	5.875	6/01/53	1,250	Baa2/BBB	103.19	5.65	142	ISR
OW	Pacific Gas	1st Mtge	3.500	8/1/50	1,925	Baa3/BBB-	69.11	5.79	142	ISR
UW	Sherwin-Williams	Sr. Notes	2.200	3/15/32	500	Baa2 / BBB	82.31	4.86	84	ISR
UW	Tyson Foods	Sr. Notes	5.100	9/28/48	1,500	Baa2/BBB	89.67	5.87	161	ISR

(1) Additional representative issues may be listed later in report
(2) YTW for loans is with the swap curve per Bloomberg
(3) ISR denotes issuer recommendation, SP denotes bond- or loan-specific issue recommendation
Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

We refresh our top ideas list each month

We update and publish this list at the beginning of each month to ensure that it continues to represent our best current ideas for the next three months (in line with the three-month time horizon for BofA Global Research credit ratings). We further explain how this list is maintained in this report.

AbbVie Inc (ABBV)

Andrew Kaplan
Research Analyst
BofAS
+1 646 855 8748
andrew.kaplan@bofa.com

Overweight

Exhibit 2: AbbVie – Representative Issues
We believe that ABBV will outperform in the near term

BofA Rec	Issue	Coupon %	Maturity	Out $MM	Mdy/S&P	As of 1/31/2024 Bid Price	YTW %	Sprd bp
OW	Senior Notes	3.200	11/21/2029	5,437	A3/A-	93.07	4.57	70
OW	Senior Notes	4.250	11/21/2049	5,745	A3/A-	88.36	5.06	84

Source: Company reports, BofA Global Research, ICE Data Indices, LLC, Bloomberg

BofA GLOBAL RESEARCH

Investment thesis

The acquisition of Allergan for $84 billion brought in a leading medical aesthetics portfolio and significant cash flow generation. Key pipeline assets Venclexta, Rinvoq and Skyrizi will provide an offset to the patent loss on Humira which began in January 2023 in the United States. We see ABBV having the ability to fill the Humira gap both through pipeline development and M&A capacity if need be. We expect ABBV to trade 15 bps behind pharma peer AstraZeneca.

Key drivers and/or catalysts

Humira patent cliff: Humira began facing biosimilar competition in the U.S. with the launch of Amjevita in January 2023. There are currently eight biosimilars on the market. Management expects 2023 erosion to be 35% (prior estimate 45% +/- 10%) off of 2022 sales of $18.6 bn. We expect sales to outperform guidance as the company has historically been successful in maintaining formulary access and growing market share in immunology.

Upward ratings momentum: With recent upgrades from Moody's and S&P to A- and a consistent leverage policy, we still see ABBV benefitting from ratings upgrades overtime as the company drives growth post Humira.

Pipeline: Estimates for Imbruvica sales are $1.9 bn in 2025, Venclexta sales of $2.7 bn, Rinvoq sales of $7.1 bn, and Skyrizi sales of $12.5 bn in 2025

Leverage commitment: ABBV has paid down $34 bn of debt since the Allergan acquisition. Net leverage of 2x is the long-term target.

M&A: Following the acquisitions of ImmunoGen ($10.1 bn) and Cerevel Therapeutics ($8.7 bn), we expect the focus for M&A will be on smaller sized, early stage deals. Any additional M&A will be viewed in the context of the goal to get back to 2x net leverage in 2-3 years post close.

Risks

1) Large debt funded acquisitions, 2) more rapid Humira erosion curve then expected, 3) pipeline failures, and 4) drug price reform legislation.

Company description

ABBV is a biopharmaceutical company offering R&D, manufacturing, commercialization and sale of innovative medicines and therapies with products across immunology, hematologic oncology, neuroscience, aesthetics, and eye care.

Latest report: Healthcare 2024 Year Ahead

Aon PLC (AON)

Shanna Qiu, CFA
Research Analyst
BofAS
+1 646 855 7237
shanna.qiu@bofa.com

Underweight

Exhibit 3: Aon – Representative Issues
AON '33s trade at OAS of 105bps vs the IG US Corp Index at 98bps

BofA Rec	Issue	Coupon %	Maturity	Out $MM	Mdy/S&P	As of 1/31/2024 Bid Price	YTW (%)	Spread (bp)
UW	Senior Notes	5.350	02/28/2033	$750	Baa2/A-	$101.83	5.09%	105

Source: Company reports, BofA Global Research, ICE Data Indices, LLC, Bloomberg, BofA Securities

BofA GLOBAL RESEARCH

Investment thesis

We believe that Aon PLC 5.35% senior notes due 2033 trading at a g-spread of 107bps has limited upside relative to the ICE BofA Corp Index at an OAS of 98bps and peer Marsh & McLennan (MMC – UW) 5.40% '33s trading at a g-spread of 82bps. With the recent $13.4bn acquisition of NFP, the company needs to issue $5-7bn of debt. We believe AON '33s could widen another 10-15bps and trade only 10-15bps inside Willis Towers Watson (WTW – OW) 5.35% '33s trading at a g-spread of 131bps until integration progresses.

Key drivers and/or catalysts

On December 20th, AON announced an agreement to acquire HY insurance broker, NFP, for $13.4bn (20x LTM EBITDA) funded using $6.4bn of AON stock and $7bn of new debt that the company plans to raise $5bn of in early 2024 and $2bn at close, which is targeted in 2024. PF leverage increase to 3.7x (3.6x net) from 2.7x (2.6x net). Moody's changed AON's outlook to Stable from Positive affirming Baa2 ratings and both S&P and Fitch put AON's A- and BBB+ ratings on Negative outlook, respectively, following the announcement. While we believe in AON's ability to delever in the medium term, our underweight recommendation reflects $5bn supply overhang in early 2024 and execution risk that will weigh on existing bonds. We also note given NFP's substantial exposure to employee benefits there could be downside risk to the 15x closing EBITDA multiple if we enter a period of labor weakness.

Risks

Risks to the thesis are: (1) the company is able to delever quicker than the 12-18 month timeframe, (2) a favorable operating environment for the employee benefits business and (3) the company generates FCF and realizes positive synergies from the transaction earlier than expected, which is currently 2026.

Company description

Aon Corp (AON) is an insurance broker and a professional services firm providing risk, retirement, and health solutions to clients. AON's product base within insurance brokerage is diversified across P&C, reinsurance solutions, and employee benefits. The company is the second largest insurance broker with a market cap of $65.1bn at 3Q23.

See latest report: Aon Plc (subsidiary issuer): AON to acquire NFP Corp

AutoNation (AN)

Douglas Karson
Research Analyst
BofAS
+1 646 855 7405

Overweight

Exhibit 4: AutoNation – Representative Issues
We believe that AN bonds will outperform going forward.

BofA Rec	Issue	Coupon %	Maturity	Out $MM	Mdy/S&P	As of 1/31/2024 Bid Price	YTW %	Sprd bp
OW	Senior Notes	4.500	10/01/2025	450	Baa3/BBB-	98.99	5.14	87
OW	Senior Notes	4.750	6/01/2030	500	Baa3/BBB-	96.45	5.42	151

Source: Company reports, BofA Global Research, ICE Data Indices, LLC, Bloomberg

BofA GLOBAL RESEARCH

Investment thesis

AutoNation has a strong business profile that is resilient to economic downturns. This is largely due to its economies of scale and high degree of variable costs, as well as its diversity in revenue from its profitable parts & services business that compliments new and used vehicle sales. As of 9/30/23, AutoNation had $1.6bn of liquidity, comprised of $64mn in cash and about $1.55bn availability under its revolving credit facility. Free cash flow for the quarter was $258mn, and cash conversion sat at 105% of net income. AutoNation had approximately $3.9bn of non-vehicle debt outstanding as of 9/30/23 compared to $4.1bn at 6/30/23. Its leverage ratio was 2.0x at the end of 3Q23, roughly flat sequentially. Management remains committed to maintaining a leverage ratio between 2x-3x, and moving forward plans to allocate capital to maximizing shareholder value. We remain Overweight because bonds look cheap against IG and BBB names, and although pricing is falling/moderating, the credit profile is still very strong. Auto retailers also benefit from their stable parts and services businesses which should continue to perform in the face of an uncertain macro environment, serving as a hedge to the new and used vehicle segments. On a relative value basis, the AN 4.75% 30s are being offered at $95.90 or a g-spread of 152bps, 29bps wide to the ICE BofA BBB index with a g-spread of 123bps.

Key drivers and/or catalysts

We see several key drivers of outperformance for AN. 1) Strong margins and cash flows given elevated pricing 2) the continuation of a solid balance and low leverage 3) a negative catalyst could be the potential for a recession and normalization in new and used pricing.

Company description

AN is a leading automotive retailer in the US. The Company offers cars, trucks, pre-owned vehicles, auto parts, and accessories, as well as provides service contracts, auto financing, and repairing services.

Latest report: AutoNation 3Q23 EPS Beat - Remain OW

Charles Schwab (SCHW)

Tom Curcuruto
Research Analyst
BofAS
+1 646 855 6870
tom.curcuruto@bofa.com

Overweight

Exhibit 5: Charles Schwab – Representative Issues
We believe SCHW bonds will outperform going forward

						As of 1/31/2024		
BofA Rec	**Issue**	**Cpn %**	**Maturity**	**Out $MM**	**Mdy/S&P**	**Bid Price**	**YTW %**	**Sprd Bp**
OW	Senior Notes	6.196	11/17/29	1,300	A2/A-	104.03	5.20	125
OW	Senior Notes	6.136	8/24/34	1,350	A2/A-	105.17	5.41	139

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Investment thesis

Our Overweight rating on SCHW reflects the favorable risk/reward potential in the bonds that trade +18 bp behind the GSIB average compared to about 40 bp inside GSIBs prior to March '23, a high quality, fee-driven business with secular growth tailwinds, and given the favorable backdrop in the interest rate and credit cycles that should benefit SCHW's credit risk-lite model relatively more than credit-sensitive banks, in our view. SCHW has underperformed GSIBs since early March due to concerns about the impact of unrealized losses on securities on its proforma capital ratios and persistent deposit outflows as customers reinvest cash into higher yielding instruments. However, trends have improved as SCHW saw deposit inflows $15B in 4Q23, the first quarter of inflows since 1Q22, including $11B in November and $10B in December.

Key drivers and/or catalysts

Balance sheet positioned to benefit from lower rates. As rate cuts begin in 2024 and signs of a weakening consumer, we view the rate cycle in the later innings whereas the credit cycle is in the early innings. As the prospect for lower rates increases and as time elapses, we think unrealized losses should begin to 'pull' to par and accrete back to capital and deposit flows should improve.

Substantial value from non-bank earnings. SCHW generates earnings from non-bank entities (77% in 9M23, ~55% in '21 and '22) through its fee driven business model. If valued at wealth manager comp P/E multiples, the value of these earnings alone could be $50-75B, well above the $35B of holdco debt and preferreds outstanding.

Risks

Risks are an increase in short term and long term interest rates that put pressure on net interest margin, deposit flows, securities valuations and pro forma capital ratios, client asset net outflows, and declines in market prices that impact fees.

Company description

Charles Schwab Corporation is a domestically focused financial services company with $8.5T of client assets on its platform that serves individual investors and registered investment advisors (RIAs). Within its bank entities, its deposit base of $290B at YE23 ranked #12 in the U.S.

Latest report: Charles Schwab: Initiating at Overweight 19 December 2023

GSIB: Global systemically important banks; AFS: Available for sale; AOCI: accumulated other comprehensive income; CET1: common equity tier 1 capital; RWA: risk-weighted assets

CVS Health (CVS)

Andrew Kaplan
Research Analyst
BofAS
+1 646 855 8748
andrew.kaplan@bofa.com

Overweight

Exhibit 6: CVS Health – Representative Issues
We believe that CVS will outperform in the near term

						As of 1/31/2024		
BofA Rec	Issue	Cpn %	Maturity	Out $MM	Mdy/S&P	Bid Price	YTW %	Sprd bp
OW	Senior Notes	5.300	06/01/33	1,250	Baa2/BBB	101.45	5.10	113
OW	Senior Notes	5.875	06/01/53	1,250	Baa2/BBB	103.19	5.65	142

Source: Company reports, BofA Global Research, ICE Data Indices, LLC, Bloomberg

BofA GLOBAL RESEARCH

Investment thesis

Following the acquisition of Aetna, along with Signify and Oak Street, we see potential for outperformance as the company continues to benefit from its vertically integrated healthcare model. CVS now offers a full suite of healthcare offerings to better compete against the diversified offerings of the other managed care companies. CVS is strongly committed to IG ratings with mid-BBB as the floor and a long-term leverage target range of low 3x. We expect CVS to trade 5-10 bps behind managed care peer Cigna.

Key drivers and/or catalysts

M&A: CVS completed the acquisition of Signify (home health) in March, funding the transaction with $6 bn of new debt. In May, CVS closed the acquisition of Oak Street Health (primary care) for $10.6 bn, funding with $5 bn of new debt. We expect the company to remain acquisitive going forward, however with a focus on smaller sized deals while integration is underway.

Primary care/home health strategy: At its investor day in 2021, CVS highlighted primary care as a key growth pillar for the company going forward. CVS is looking to build out a network of physician-led primary care centers with integrated virtual and home health assets. We see this as a positive strategic focus due to the continued success of Optum's OptumCare unit.

2024 headwinds: Going into 2024 CVS faces four key headwinds: loss of 4 star position, the Centene (CNC) pharmacy benefit manager (PBM) contract loss, changes to the 340B program, and a more rapid decline in the covid contribution. While previously pointing to buybacks to offset these headwinds, CVS has laid out a new plan to mitigate the headwinds. The components include G&A savings ($400-$500 mn), Oak Street and Signify growth (adding 10-15 cents to earnings), biosimilars, and the expanded exchange business.

Risks

1) Amazon entering the healthcare industry, 2) negative regulatory changes, 3) debt funded M&A or buybacks, and 4) slower than expected integration.

Company description

CVS is a diversified health solutions company with retail, medical clinics, a pharmacy benefits manager, and consumer-directed health insurance products including Medicare Advantage and Medicare Part D prescription drug plans.

Latest report: Healthcare 2024 Year Ahead

Pacific Gas and Electric Co (PCG)

Antoine Aurimond, CFA
Research Analyst
BofAS
+1 646 855 8284
antoine.aurimond@bofa.com

Overweight

Exhibit 7: Pacific Gas & Electric – Representative Issues
We believe that the PG&E first mortgage bonds (FMBs) will outperform going forward

						As of 1/31/2024		
BofA Rec	Issue	Cpn %	Maturity	Out $MM	Mdy/S&P	Bid Price	YTW %	Sprd Bp
OW	First Mortgage Bonds	3.500	08/01/2050	1,925	Baa3/BBB-	69.11	5.79	142

Source: Company reports, BofA Global Research, ICE Data Indices, LLC, Bloomberg

BofA GLOBAL RESEARCH

Investment thesis

PCG has made substantial and consistent progress mitigating wildfire exposure, as exemplified by the now three seasons in a row with manageable utility-caused damages. The company is also taking steps to implement its ambitious undergrounding program, which we expect will dramatically reduce the company's business risk profile medium term. We note Fitch upgraded the name by one notch earlier this year, underlining the first rating upgrade since the emergence from bankruptcy in the summer of 2020. While we expect both S&P and Moody's to take more time (we could see an upgrade early 2024), we believe these positive rating actions are signaling to investors that PCG is investable again and that the wildfire risk can be managed.

Key drivers and/or catalysts

- **Wildfire season:** The 2023 wildfire season is ongoing, with the core typically running from July to October. While the company has made considerable progress mitigating wildfires, substantial risk remains, and we continue to expect seasonal pressure.

- **2023 General Rate Case:** The California Public Utility Commission is expected to make a decision on PCG's 2023 General Rate Case on Nov. 2 which will determine base rate increases through 2026.

Risks

Risks are 1) new evidence indicating that destructive wildfires were caused by PCG equipment, which could increase the company's liabilities and lead to a faster-than-anticipated exhaustion of the AB1054 wildfire fund; 2) Unfavorable outcome in 2023 General Rate Case

Company description

PCG engages in the sale and delivery of electricity and natural gas to approximately 16 million people throughout a 70,000-square-mile service area in northern and central California.

Latest report: [2022 California Wildfire season: Yet another mild season for Utilities]

Sherwin-Williams Company (SHW)

Daniel Lungo
Research Analyst
BofAS
+1 646 855 9965
daniel.e.lungo@bofa.com

Underweight

Exhibit 8: Sherwin-Williams Company – Representative Issues
We believe SHW's bonds will underperform going forward

						As of 1/31/2024		
BofA Rec	Issue	Cpn %	Maturity	Out $MM	Mdy/S&P	Bid Price	YTW %	Sprd bp
UW	Senior Notes	2.200	3/15/2032	500	Baa2 / BBB	82.31	4.86	84
UW	Senior Notes	2.900	3/15/2052	500	Baa2 / BBB	67.20	5.11	84

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Investment thesis

SHW's recent YE23 earnings update did not change our fundamental view of the business. We continue to like the company's large, bellwether status, conservative balance sheet, and robust market share position. We have concerns around its end-markets, however, given sluggish residential housing turnover, fading do-it-yourself (DIY) demand, and an uncertain macro back drop. We think these headwinds could weigh on the credit story going forward despite our forecasts for the business to generate consistent cash flow this year and maintain leverage within its long-term target range (2.0-2.5x). Furthermore, we view SHW's current trading levels, which are inside Dow Chemical (DOW, UW) and near the BofA Single-A Corporate Index, as rich given our cautious outlook for the company's primary end-markets going forward. This leads to provide an UW recommendation on the name as we think credit spreads are likely biased wider in the near-term. We also note that SHW's flatter 10s30s curve vs peers further support our UW recommendation.

Key drivers and/or catalysts

Moderating end-markets / uncertain macro: We have concerns around SHW's end-markets in 2024 given sluggish residential housing turnover, fading do-it-yourself demand, and an uncertain macro backdrop. At its recent 4Q23 update, SHW guided FY24 adj earnings below consensus estimates due to sluggish new residential construction / existing home sales activity. We think this softer outlook, coupled with an uncertain macro backdrop, could weigh on the company's credit story in the near-term.

Unattractive relative value: We view SHW's current trading levels, which are inside Dow Chemical (DOW, UW) and near the Single-A Corp Index, as unwarranted particularly given our cautious outlook for the company's primary end-markets in 2024. We also note that SHW's flatter 10s30s curve vs peers further support our UW recommendation.

Risks

M&A, a change in leverage targets, a shift in FCF priorities, unexpected raw material price increases/decreases and competitors taking market share.

Company description

SHW is a global specialty chemicals company engaged in the development, manufacture, distribution and sale of paint, coatings, and related products.

Latest report: High Grade Basic Materials Weekly: Week ended January 26, 2024

Tyson Foods (TSN)

Brian Callen, CFA
Research Analyst
BofAS
+1 646 855 8987
brian.callen@bofa.com

Underweight

Exhibit 9: Tyson Foods – Representative Issues
We see opportunity for TSN to widen further vs packaged food & protein peers, implying 30-50bps of downside

						As of 1/31/2024		
BofA Rec	Issue	Coupon %	Maturity	Out $MM	Mdy/S&P	Bid Price	YTW %	Sprd bp
UW	Senior Notes	5.100%	09/28/2048	1,500	Baa2/BBB	89.67	5.87	161

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Investment thesis

We believe that weak protein complex fundamentals into '25, limited execution visibility, headwinds to productivity & efficiency aspirations, and stressed credit & cash flow metrics over the next 12+ months, including high-4x leverage and narrow net FCF, are not adequately reflected in TSN bonds and could lead to spreads lagging by +30-50bps.

Key drivers and/or catalysts

Industry dynamics under pressure: We anticipate protein industry challenges continue for at least the next 12-18mo on unsteady demand, volatile commodity & operating costs, supply imbalances, and limited exports. Beef & Pork are likely EBITDA headwinds while Chicken's upturn is early & unproven and Prepared Foods competition heats up due to elasticity.

Deleveraging while refinancing: We est. leverage 4.7-5.2x in 1H24 which is ~2x above agency downgrade thresholds so TSN has limited headroom in path to <4x exiting FY24. $1.25bn mid-Aug maturity will remain an overhang which we est. needs to be refinanced via bonds or more ST/bank debt. TSN already drew on 3Y/5Y term loans.

Weak relative value: TSN spreads trade rich relative to operational risks & underlying business cyclicality. We think it should trade equidistant between less levered packaged food & weaker rated protein peers. If TSN widened +30-50bps it would trade slightly inside ICE BofA Crossover Index levels.

Management turnover: TSN has had numerous management changes over the past few years (CEO, CFO, Prepared Foods & Chicken heads) which has reduced our confidence in a smooth turnaround.

Risks

(1) Protein segments rebound faster than expected, notably via Beef packer margins & Chicken efficiency actions; (2) Financial discipline & cash conversion is prioritized leading to rapid deleveraging and mid-BBB stabilization; or (3) asset or brand sales or dividend cut augments cash flow.

Company description

Tyson Foods (TSN) is the largest US protein processor with the leading share in Beef and Chicken, and increasing scale in Pork and Prepared Foods.

Latest report: Vegetarian valuation while '24 risks graze

How this list will be maintained and updated

We refresh and publish this list at the beginning of each month to ensure that it continues to represent our best current ideas for the next three months (in line with the three-month time horizon for BofA Global Research credit ratings). After the list is published, ideas remain on the list through the month unless coverage is dropped or the recommendation changes, in which case we publish the change in a research report. Issuers and instruments that become restricted should be considered deleted from the list at the time they are restricted. Any issuer or instrument that is removed will not be replaced. Issuers and instruments are intended to stay on the list for at least a month and may be chosen to remain on the list for subsequent months.

Valuation & risk

AbbVie Inc. (ABBV)

AbbVie is a biopharmaceutical company offering R&D, manufacturing, commercialization and sale of innovative medicines and therapies with products across immunology, hematologic oncology, neuroscience, aesthetics, and eye care. The acquisition of Allergan for $84 billion brought a leading medical aesthetics portfolio and significant cash flow generation. ABBV paid down $34 bn of debt over the last three years and reached its leverage target of 1.8x at the end of 2023. Key pipeline assets Imbruvica, Venclexta, Rinvoq, and Skyrizi will provide an offset to the patent loss on Humira, which began in January 2023 in the United States. Following the acquisitions of ImmunoGen ($10.1 bn) and Cerevel Therapeutics ($8.7 bn), we expect the focus for M&A will be on smaller sized, early-stage deals. We expect ABBV to trade 15 bps behind pharma peer AstraZeneca.
Credit strengths: 1) A diverse portfolio, 2) commitment to debt pay down, 3) upward ratings momentum, 4) strong cash flow position, 5) favorable demographic trends, and 6) a strong liquidity position.
Credit risks: 1) Large debt funded acquisitions, 2) more rapid Humira erosion curve then expected, 3) pipeline failures, and 4) drug price reform legislation.

Aon Corp (AON)

Our Underweight recommendation on Aon Corp is based on the company's announcement on its plan to acquire NFP, a high-yield middle market insurance broker. The transaction will result in a $7bn supply overhang over the next 18-24 months and expected to increase leverage with elevated execution risk. Upside risks to our recommendation are (1) the company is able to delever quicker than the 12-18 month timeframe it guides, (2) a favorable operating environment for the employee benefits business, (3) the company generates FCF and realizes positive synergies before expectation, which is currently 2026. Downside risks to our recommendation are: (1) the company's leverage metrics remain elevated longer than expected, (2) the transaction faces integration or regulatory challenges and falls through, (3) the company faces delays in realizing positive financial synergies from the transaction, and (4) the company's ratings are downgraded as a result of the merger.

Aon Corp/Aon Global (AON)

Our Underweight recommendation on Aon Corp is based on the company's announcement on its plan to acquire NFP, a high-yield middle market insurance broker. The transaction will result in a $7bn supply overhang over the next 18-24 months and expected to increase leverage with elevated execution risk. Upside risks to our recommendation are (1) the company is able to delever quicker than the 12-18 month timeframe it guides, (2) a favorable operating environment for the employee benefits business, (3) the company generates FCF and realizes positive synergies before expectation, which is currently 2026. Downside risks to our recommendation are: (1) the company's leverage metrics remain elevated longer than expected, (2) the transaction faces integration or regulatory challenges and falls through, (3) the company faces delays in realizing positive financial synergies from the transaction, and (4) the company's ratings are downgraded as a result of the merger.

Aon Global Ltd (AON)

Our Underweight recommendation on Aon Corp is based on the company's announcement on its plan to acquire NFP, a high-yield middle market insurance broker. The transaction will result in a $7bn supply overhang over the next 18-24 months and expected to increase leverage with elevated execution risk. Upside risks to our recommendation are (1) the company is able to delever quicker than the 12-18 month timeframe it guides, (2) a favorable operating environment for the employee benefits business, (3) the company generates FCF and realizes positive synergies before expectation, which is currently 2026. Downside risks to our recommendation are: (1) the company's leverage metrics remain elevated longer than expected, (2) the transaction faces integration or regulatory challenges and falls through, (3) the company faces delays in realizing positive financial synergies from the transaction, and (4) the company's ratings are downgraded as a result of the merger.

AutoNation Inc (AN)

AutoNation has a strong business profile that is resilient to economic downturns. This is largely due to its economies of scale and high degree of variable costs, as well as its diversity in revenue from its profitable parts & services business that compliments new and used vehicle sales. The senior notes are guaranteed by AutoNation's subsidiaries, which rank equal to the revolving credit facility. Risks are potential deterioration of credit metrics in an economic downturn, likely driven by decreasing margins and pressure on top-line. Based on management commentary, AutoNation is also likely to continue to expand via acquisitions, which could result in increasing leverage if funded through debt. We are Overweight.

Charles Schwab (SCHW)

We have an Overweight rating on Charles Schwab (SCHW) due to the favorable risk/reward opportunity in the bonds, trading at a material discount to comps from a historical perspective and given the favorable timing in the interest rate and credit cycles that should benefit SCHW's credit risk-lite model relatively more than credit-sensitive banks. As the prospect for lower rates increases and as time elapses, deposit flows should improve and unrealized losses should begin to 'pull' to par and accrete back to capital, removing overhangs from bonds. Risks are an increase in short term and long term interest rates that put pressure on net interest margin, deposit flows, securities valuations and pro forma capital ratios, client asset net outflows, and declines in market prices that impact fees.

CVS Health (CVS)

CVS is a diversified health solutions company with retail, medical clinics, a pharmacy benefits manager, and consumer-directed health insurance products, including Medicare Advantage and Medicare Part D prescription drug plans. We maintain CVS and bonds issued at Aetna Inc. at Overweight. Following the acquisition of Aetna, along with Signify and Oak Street, we see potential for outperformance as the company continues to benefit from its vertically integrated healthcare model. CVS now offers a full suite of healthcare offerings to better compete against the diversified offerings of the other managed care companies. 2024 headwinds (Star ratings and CNC contract loss) will constrain flexibility in the near term, but we believe cash generation and the strength of the balance sheet will allow the company to execute on its strategy. CVS is strongly committed to IG ratings with mid-BBB as the floor and a long-term target range of low 3x. We expect CVS to trade 5-10 bps behind MCO peer Cigna.
Credit Strengths: 1) Positive market demographics, 2) fully integrated health insurer, 3) strong and stable cash flows, and 4) largest U.S. pharmacy chain.

Credit Risks: 1) Amazon entering the healthcare industry, 2) negative regulatory changes, 3) debt funded M&A or buybacks, and 4) pharmacy reimbursement pressure.

Pacific Gas (PCG)
PG&E has made substantial and consistent progress mitigating wildfire exposure as exemplified by the now three seasons in a row with manageable utility-caused damages. The company is also taking steps to implement its ambitious undergrounding program, which we expect will dramatically reduce the company's business risk profile in the medium-term. While the upcoming wildfire season could put pressure on the name, we emphasize the bonds have already underperformed the index due to higher beta and we see the bonds attractively priced, particularly as we believe the low dollar price and first lien security somewhat mitigates downside risk. We expect positive rating actions across the board should the company navigate the 2022 wildfire season with manageable utility-caused damages and successfully raises the $7.5 Bn rate-neutral securitization bonds.

We view risks as additional large wildfires which could potentially increase PG&E's liabilities and lead to a faster-than-anticipated exhaustion of the AB1054 wildfire fund, as well as political risks including less favorable regulatory treatment from the CPUC.

The Sherwin-Williams (SHW)
The Sherwin-Williams Company (SHW) is a global specialty chemicals company engaged in the development, manufacture, distribution and sale of paint, coatings and related products.

We view SHW favorably given its large size and scale, conservative balance sheet, and robust market share position. We foster concerns around its end-markets, however, given sluggish residential housing turnover, fading DIY demand, and an uncertain macro backdrop. We think these headwinds could weigh on the credit story going forward despite our forecasts for the business to generate consistent cash flow this year and maintain leverage within its long-term range (2.0-2.5x). Compared to peers, we think SHW trades rich particularly given our concerns around end-market demand this year. As a result, we see spreads biased wider in the near-term and provide an UW rec on the name.

Risks: M&A, a change in leverage targets, a shift in FCF priorities, unexpected raw material price increases/decreases and competitors taking market share

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 cyclicality.

Analyst Certification

We, Larry Bland, Andrew Kaplan, Antoine Aurimond, CFA, Brian Callen, CFA, Daniel Lungo, Douglas Karson, Shanna Qiu, CFA and Tom Curcuruto, CFA, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Special Disclosures

BofA Securities is currently acting as Advisor to NFP Corp in connection with its proposed acquisition by Aon Plc, which was announced on December 20, 2023.

Security/Loan pricing

AbbVie Inc. / ABBV

Security	Amt	Maturity date	Ratings Moody's/S&P/Fitch	Price	Price date	Yield (%)	Spread (bps)
4.4, Senior, USD, 2042:B	2,600	06-NOV-2042	A3/A-/NR	92.38	31-Jan-2024	4.98	80
3.2, Senior, USD, 2026:B	2,000	14-May-2026	A3/A-/NR	96.76	30-Jan-2024	4.71	39
3.2, Senior, USD, 2029:B	5,437	21-NOV-2029	A3/A-/NR	92.69	30-Jan-2024	4.65	65
4.25, Senior, USD, 2049:B	5,750	21-NOV-2049	A3/A-/NR	88.19	31-Jan-2024	4.96	91

For pricing information refer to "Other Important Disclosures" below.
B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Aon Corp / Aon Global Holdings PLC / AON

Security	Amt	Maturity date	Ratings Moody's/S&P/Fitch	Price	Price date	Yield (%)	Spread (bps)
2.05, Senior, USD, 2031:B	400	23-AUG-2031	Baa2/A-/BBB+	81.30	30-Jan-2024	5.06	105
2.9, Senior, USD, 2051:B	600	23-AUG-2051	Baa2/A-/BBB+	64.39	30-Jan-2024	5.40	106
2.6, Senior, USD, 2031:B	500	02-DEC-2031	Baa2/A-/BBB+	84.20	30-Jan-2024	5.07	106
2.85, Senior, USD, 2027:B	600	28-MAY-2027	Baa2/A-/BBB+	94.13	30-Jan-2024	4.78	64
3.9, Senior, USD, 2052:B	900	28-FEB-2052	Baa2/A-/BBB+	78.33	30-Jan-2024	5.41	109
5, Senior, USD, 2032:B	500	12-Sep-2032	Baa2/A-/BBB+	99.67	30-Jan-2024	5.05	102

For pricing information refer to "Other Important Disclosures" below.
B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Aon Corp / AON

Security	Amt	Maturity date	Ratings Moody's/S&P/Fitch	Price	Price date	Yield (%)	Spread (bps)
6.25, Senior, USD, 2040:B	300	30-SEP-2040	Baa2/A-/BBB+	106.86	30-Jan-2024	5.61	132
8.205, Junior-Subordinated, USD, 2027:B	521	01-JAN-2027	Baa3/BBB/BBB-	107.68	30-Jan-2024	5.33	113
2.8, Senior, USD, 2030:B	1,000	15-MAY-2030	Baa2/A-/BBB+	88.28	30-Jan-2024	4.99	99

For pricing information refer to "Other Important Disclosures" below.
B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Aon Global Ltd / AON

Security	Amt	Maturity date	Ratings Moody's/S&P/Fitch	Price	Price date	Yield (%)	Spread (bps)
4.25, Senior, USD, 2042:B	256	12-DEC-2042	Baa2/A-/WD	82.02	30-Jan-2024	5.83	147
4.25, Senior, USD, 2042:B	256	12-DEC-2042	Baa2/A-/WD	82.02	30-Jan-2024	5.83	147
4.45, Senior, USD, 2043:B	250	24-MAY-2043	Baa2/A-/BBB+	84.28	30-Jan-2024	5.82	144
4.25, Senior, USD, 2042:B	256	12-DEC-2042	Baa2/A-/BBB+	82.02	30-Jan-2024	5.83	147
3.5, Senior, USD, 2024:B	600	14-JUN-2024	Baa2/A-/BBB+	99.22	30-Jan-2024	5.62	17
4.6, Senior, USD, 2044:B	550	14-JUN-2044	Baa2/A-/BBB+	88.87	30-Jan-2024	5.52	112
2.875, Senior, EUR, 2026:B	500	14-MAY-2026	Baa2/A-/BBB+	97.97	30-Jan-2024	3.81	133
4.75, Senior, USD, 2045:B	600	15-MAY-2045	Baa2/A-/BBB+	90.71	30-Jan-2024	5.50	108
3.875, Senior, USD, 2025:B	750	15-DEC-2025	Baa2/A-/BBB+	97.82	30-Jan-2024	5.11	67

For pricing information refer to "Other Important Disclosures" below.
B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

AutoNation, Inc. / AN

Security	Amt	Maturity date	Ratings Moody's/S&P/Fitch	Price	Price date	Yield (%)	Spread (bps)
4.5, Senior, USD, 2025:B	450	01-OCT-2025	Baa3/BBB-/BBB-	98.39	30-Jan-2024	5.51	101
3.5, Senior, USD, 2024:B	450	15-NOV-2024	Baa3/BBB-/BBB-	98.00	30-Jan-2024	6.10	116
3.8, Senior, USD, 2027:B	300	15-NOV-2027	Baa3/BBB-/BBB-	93.92	30-Jan-2024	5.60	151
4.75, Senior, USD, 2030:B	500	01-JUN-2030	Baa3/BBB-/BBB-	95.67	30-Jan-2024	5.57	157
3.85, Senior, USD, 2032:B	700	01-MAR-2032	Baa3/BBB-/BBB-	87.87	30-Jan-2024	5.75	173

For pricing information refer to "Other Important Disclosures" below.
B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Charles Schwab / SCHW

Security	Amt	Maturity date	Ratings Moody's/S&P/Fitch	Price	Price date	Yield (%)	Spread (bps)
4, Senior, USD, 2029:B	600	01-FEB-2029	A2/A-/A	96.76	29-Jan-2024	4.74	73
4.625, Senior, USD, 2030:B	500	22-MAR-2030	A2/A-/A	99.90	29-Jan-2024	4.64	64
2.3, Senior, USD, 2031:B	750	13-MAY-2031	A2/A-/A	82.82	29-Jan-2024	5.16	114
2, Senior, USD, 2028:B	1,250	20-MAR-2028	A2/A-/A	89.09	29-Jan-2024	4.95	91
2.45, Senior, USD, 2027:B	1,500	03-MAR-2027	A2/A-/A	93.22	29-Jan-2024	4.84	71
2.9, Senior, USD, 2032:B	1,000	03-MAR-2032	A2/A-/A	85.25	29-Jan-2024	5.15	112
6.136, Senior, USD, 2034:B	1,350	24-AUG-2034	A2/A-/A	104.95	29-Jan-2024	5.46	139
5.875, Senior, USD, 2026:B	1,000	24-AUG-2026	A2/A-/A	102.24	29-Jan-2024	4.91	67
5.643, Senior, USD, 2029:B	1,200	19-MAY-2029	A2/A-/A	102.02	29-Jan-2024	5.11	108
5.853, Senior, USD, 2034:B	1,300	19-MAY-2034	A2/A-/A	102.79	29-Jan-2024	5.47	140
6.196, Senior, USD, 2029:B	1,300	17-NOV-2029	A2/A-/A	103.72	29-Jan-2024	5.31	126

For pricing information refer to "Other Important Disclosures" below.
B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

CVS Health / CVS

Security	Amt	Maturity date	Ratings Moody's/S&P/Fitch	Price	Price date	Yield (%)	Spread (bps)
4.3, Senior, USD, 2028:B	9,000	25-Mar-2028	Baa2/BBB/NR	97.85	30-Jan-2024	4.88	81
4.78, Senior, USD, 2038:B	5,000	25-Mar-2038	Baa2/BBB/NR	93.36	30-Jan-2024	5.46	127
5.05, Senior, USD, 2048:B	8,000	25-Mar-2048	Baa2/BBB/NR	91.39	30-Jan-2024	5.71	129
1.75, Senior, USD, 2030:B	1,250	21-AUG-2030	Baa2/BBB/NR	82.20	30-Jan-2024	4.97	96
4.25, Senior, USD, 2050:B	750	01-APR-2050	Baa2/BBB/NR	81.83	30-Jan-2024	5.58	120
1.875, Senior, USD, 2031:B	1,250	28-FEB-2031	Baa2/BBB/NR	81.56	30-Jan-2024	5.00	100
5.3, Senior, USD, 2033:B	1,250	01-JUN-2033	Baa2/BBB/NR	100.78	30-Jan-2024	5.19	116
5.875, Senior, USD, 2053:B	1,250	01-JUN-2053	Baa2/BBB/NR	102.66	30-Jan-2024	5.69	141

For pricing information refer to "Other Important Disclosures" below.
B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Pacific Gas & Electric / PCG

Security	Amt	Maturity date	Ratings Moody's/S&P/Fitch	Price	Price date	Yield (%)	Spread (bps)
2.1, Secured, USD, 2027:B	1,000	01-AUG-2027	Baa3/BBB-/BBB	90.17	30-Jan-2024	5.21	109
2.5, Secured, USD, 2031:B	2,000	01-FEB-2031	Baa3/BBB-/BBB	82.54	30-Jan-2024	5.54	154
3.3, Secured, USD, 2040:B	1,000	01-AUG-2040	Baa3/BBB-/BBB	73.53	30-Jan-2024	5.82	153
3.5, Secured, USD, 2050:B	1,925	01-AUG-2050	Baa3/BBB-/BBB	69.12	30-Jan-2024	5.80	142

For pricing information refer to "Other Important Disclosures" below.
B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

The Sherwin-Williams Co / SHW

Security	Amt	Maturity date	Ratings Moody's/S&P/Fitch	Price	Price date	Yield (%)	Spread (bps)
4.5, Senior, USD, 2047:B	1,250	01-JUN-2047	Baa2/BBB/BBB	89.43	30-Jan-2024	5.29	87
3.45, Senior, USD, 2027:B	1,500	01-JUN-2027	Baa2/BBB/BBB	96.06	30-Jan-2024	4.74	61
3.125, Senior, USD, 2024:B	500	01-JUN-2024	Baa2/BBB/BBB	99.11	30-Jan-2024	5.83	39
4, Senior, USD, 2042:B	300	15-DEC-2042	Baa2/BBB/BBB	83.44	30-Jan-2024	5.41	105
3.45, Senior, USD, 2025:B	400	01-AUG-2025	Baa2/BBB/BBB	97.52	30-Jan-2024	5.19	63
4.55, Senior, USD, 2045:B	400	01-AUG-2045	Baa2/BBB/BBB	88.14	30-Jan-2024	5.50	108
2.3, Senior, USD, 2030:B	500	15-MAY-2030	Baa2/BBB/BBB	86.40	30-Jan-2024	4.83	83
3.3, Senior, USD, 2050:B	500	15-MAY-2050	Baa2/BBB/BBB	72.17	30-Jan-2024	5.27	89
2.2, Senior, USD, 2032:B	500	15-MAR-2032	Baa2/BBB/BBB	82.28	30-Jan-2024	4.87	85
2.9, Senior, USD, 2052:B	500	15-MAR-2052	Baa2/BBB/BBB	67.08	30-Jan-2024	5.12	81

For pricing information refer to "Other Important Disclosures" below.
B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Tyson Foods / TSN

Security	Amt	Maturity date	Ratings Moody's/S&P/Fitch	Price	Price date	Yield (%)	Spread (bps)
3.95, Senior, USD, 2024:B	1,250	15-AUG-2024	Baa2/BBB+/BBB	99.10	30-Jan-2024	5.67	52
4.35, Senior, USD, 2029:B	1,000	01-MAR-2029	Baa2/BBB+/BBB	97.04	30-Jan-2024	5.02	100

Tyson Foods / TSN

	Amt		Ratings			Yield	Spread
Security		**Maturity date**	**Moody's/S&P/Fitch**	**Price**	**Price date**	**(%)**	**(bps)**
4.55, Senior, USD, 2047:B	750	02-JUN-2047	Baa2/BBB+/BBB	83.54	30-Jan-2024	5.85	143
5.1, Senior, USD, 2048:B	1,500	28-SEP-2048	Baa2/BBB+/BBB	90.10	30-Jan-2024	5.86	145
5-Year CDS:CDS					31-Jan-2024		66

For pricing information refer to "Other Important Disclosures" below.
B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Disclosures

Important Disclosures

BofA Global Research Credit Opinion Key

BofA Global Research provides recommendations on an issuer's bonds (including corporate and sovereign external debt securities), loans, capital securities, equity preferreds and CDS as described below. Convertible securities are not rated. An issuer level recommendation may also be provided for an issuer as explained below. BofA Global Research credit recommendations are assigned using a three-month time horizon.
Issuer Recommendations: If an issuer credit recommendation is provided, it is applicable to bonds and capital securities of the issuer except bonds and capital securities specifically referenced in the report with a different credit recommendation. Where there is no issuer credit recommendation, only individual bonds and capital securities with specific recommendations are covered. Loans, CDS and equity preferreds are rated separately and issuer recommendations do not apply to them.

BofA Global Research credit recommendations are assigned using a three-month time horizon:
Overweight: Spreads and /or excess returns are likely to outperform the relevant and comparable market over the next three months.
Marketweight: Spreads and/or excess returns are likely to perform in-line with the relevant and comparable market over the next three months.
Underweight: Spreads and/or excess returns are likely to underperform the relevant and comparable market over the next three months.

BofA Global Research uses the following rating system with respect to Credit Default Swaps (CDS):
Buy Protection: Buy CDS, therefore going short credit risk.
Neutral: No purchase or sale of CDS is recommended.
Sell Protection: Sell CDS, therefore going long credit risk.

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

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

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

Credit Opinion History Tables for the securities referenced in this research report are available on the Price Charts and Credit Opinion History Tables website, or call 1-800-MERRILL to have them mailed.
BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: Aon Corp, Aon Corp/Aon Global, Charles Schwab, CVS Health, Pacific Gas.
The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Abbvie Inc, Aon Corp, Aon Corp/Aon Global, Aon Global Ltd, Aon Plc, AutoNation Inc, Charles Schwab, CVS Health, Pacific Gas, Sherwin-Williams, Tyson Foods.
BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Abbvie Inc, Aon Corp, Aon Corp/Aon Global, Aon Global Ltd, Aon Plc, AutoNation Inc, Charles Schwab, CVS Health, Pacific Gas, Sherwin-Williams, Tyson Foods.
The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: Abbvie Inc, Aon Corp, Aon Corp/Aon Global, Aon Global Ltd, Aon Plc, AutoNation Inc, Charles Schwab, CVS Health, Pacific Gas, Sherwin-Williams, Tyson Foods.
BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: Abbvie Inc, Aon Corp, Aon Corp/Aon Global, Aon Global Ltd, Aon Plc, AutoNation Inc, Charles Schwab, CVS Health, Pacific Gas, Tyson Foods.
BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: Abbvie Inc, Aon Corp, Aon Corp/Aon Global, Aon Global Ltd, Aon Plc, Charles Schwab, CVS Health, Pacific Gas, Sherwin-Williams, Tyson Foods.
BofAS together with its affiliates beneficially owns one percent or more of the common stock of this issuer. If this report was issued on or after the 9th day of the month, it reflects the ownership position on the last day of the previous month. Reports issued before the 9th day of a month reflect the ownership position at the end of the second month preceding the date of the report: Abbvie Inc, Aon Corp, Charles Schwab, CVS Health.
BofAS or one of its affiliates has a significant financial interest in the fixed income instruments of the issuer. If this report was issued on or after the 15th day of the month, it reflects a significant financial interest on the last day of the previous month. Reports issued before the 15th day of the month reflect a significant financial interest at the end of the second month preceding the report: Abbvie Inc, Aon Corp/Aon Global, CVS Health, Sherwin-Williams, Tyson Foods.
BofAS or one of its affiliates trades or may trade as principal in the debt securities (or in related derivatives) that are the subject of this research report: Abbvie Inc, Aon Corp, Aon Corp/Aon Global, Aon Global Ltd, Aon Plc, AutoNation Inc, Charles Schwab, CVS Health, Pacific Gas, Sherwin-Williams, Tyson Foods.
The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: Abbvie Inc, Aon Corp, Aon Corp/Aon Global, Aon Global Ltd, Aon Plc, AutoNation Inc, Charles Schwab, CVS Health, Pacific Gas, Sherwin-Williams, Tyson Foods.
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 Canadian Investment Regulatory Organization; 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.

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.

This report may contain a trading idea or recommendation which highlights a specific identified near-term catalyst or event impacting a security, issuer, industry sector or the market generally that presents a transaction opportunity, but does not have any impact on the analyst's particular "Overweight" or "Underweight" rating (which is based on a three month trade horizon). Trading ideas and recommendations may differ directionally from the analyst's rating on a security or issuer because they reflect the impact of a near-term catalyst or event.

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

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.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and BofA Securities policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.

Research Analysts

Larry Bland
Research Analyst
BofAS
larry.bland@bofa.com

Andrew Kaplan
Research Analyst
BofAS
andrew.kaplan@bofa.com

Antoine Aurimond, CFA
Research Analyst
BofAS
antoine.aurimond@bofa.com

Brian Callen, CFA
Research Analyst
BofAS
brian.callen@bofa.com

Daniel Lungo
Research Analyst
BofAS
daniel.e.lungo@bofa.com

Douglas Karson
Research Analyst
BofAS
doug.karson@bofa.com

Tom Curcuruto, CFA
Research Analyst
BofAS
tom.curcuruto@bofa.com

Shanna Qiu, CFA
Research Analyst
BofAS
shanna.qiu@bofa.com