BARCLAYS

High Yield Research

HY Credit Versus Equity Relationships/Considerations

FOCUS

Equity performance can drive strategic decision-making by managements and have implications for future credit returns. Using quantitative scorecards and fundamental views, we highlight select HY issuers where equity performance has been notable or where we think equity considerations could affect credit performance.

Jeff Harlib
+1 212 412 6952
jeffrey.harlib@barclays.com
BCI, US

Jigar Patel
+1 212 412 1161
jigar.n.patel@barclays.com
BCI, US

Srinjoy Banerjee, CFA
+1 212 526 3521
srinjoy.banerjee@barclays.com
BCI, US

Paul Chambers
+1 212 412 7608
paul.d.chambers@barclays.com
BCI, US

Vincent Foley
+1 212 412 7943
vincent.foley@barclays.com
BCI, US

Hale Holden
+1 212 412 1524
hale.holden@barclays.com
BCI, US

Brian Lalli
+1 212 412 5255
brian.lalli@barclays.com
BCI, US

Rishi Parekh
+1 212 412 5245
rishi.parekh@barclays.com
BCI, US

Greggory Price, CFA
+1 212 412 7905
greggory.price@barclays.com
BCI, US

Chris Wang
+1 212 526 6719
chris.wang@barclays.com
BCI, US

Assessing the Credit-Equity Relationship

Investors often try to contextualize credit returns by comparing them to those implied by equity betas. The recent selloff has increased the scrutiny of performance across capital structures, particularly as the Bloomberg Barclays US High Yield Index managed to outperform its monthly return beta to the S&P in February (Figure 1). While we tend to place less emphasis on HY versus SPX performance due to compositional differences between the two, we think that there is value to observing credit-equity performance at a single-name level for potential signals of changes that may impact future performance.

FIGURE 1. **Despite the Recent Volatility, HY Managed to Outperform its Return Beta to the S&P in February**

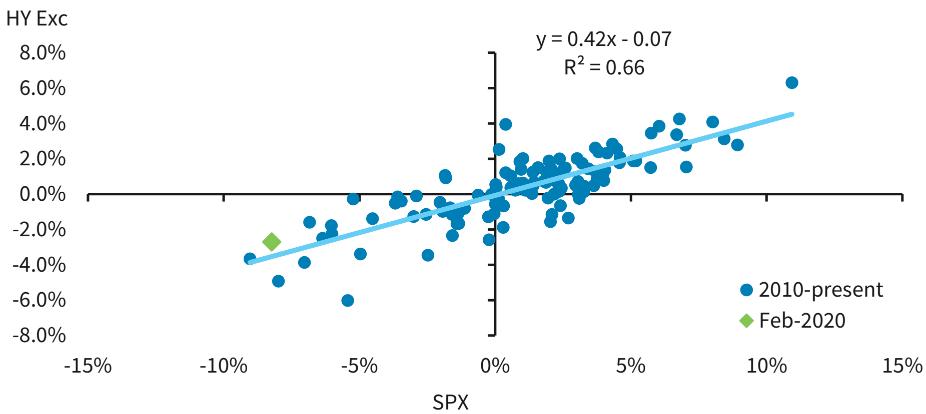


Chart shows monthly HY excess returns and S&P total returns since January 2010.
Source: Bloomberg Barclays Indices, Barclays Research

Our Quantitative Portfolio Strategy (QPS) team has analyzed credit and equity returns and has found a positive empirical relationship between past equity returns and subsequent corporate bond returns (see Equity Momentum in Credit (EMC) for more details). They have developed a quantitative scorecard called EMC which ranks companies from 1-10 with a high score indicating strong equity momentum. EMC is constructed as an equally weighted combination of stock returns over the most recent one, three, and six months, rescaled for different lengths of respective formation periods. EMC scorecard performance was positive for US HY in February, with the top EMC portfolios (scores of 9 or 10) outperforming the bottom ones (scores of 1 or 2) by 241bp (see Equity Momentum In Credit (EMC) Scorecard - February 2020). We think that the EMC framework can be a starting point for incorporating equity performance data into credit portfolio decisions.

However, there are also times when weak equity performance does not lead to credit weakness. For example, weak equity performance could presage a dividend cut (such as in the case of CenturyLink in February 2019), which should be credit-positive, all else equal. Similarly, if weak equity performance leads to a takeover by a strategic investor (with Cincinnati Bell a recent example), that would also tend to be credit-positive.

To assist investors with assessing the potential implications of recent equity performance, we provide commentary on select high yield issuers where we believe equity performance has been notable and in some cases could drive strategic decisions by issuers. For some of the credits discussed, we reference quantitative frameworks from the QPS team, including the EMC scores previously mentioned , as well as ESP (Excess Spread over Peers) scores. ESP is a measure of relative value in corporate bonds that controls for issuer characteristics and fundamentals. Scores range from 1-10, with a higher score indicating attractive valuation. A bond with high EMC and high ESP would screen as attractive, as it would have positive equity momentum and attractive valuation (see Quantitative Credit Scorecards for Relative Value (ESP) and Cross-Asset Momentum (EMC) for more details).

In this publication, our high yield fundamental credit analysts provide their perspectives on several credits with publicly traded equities in their sectors. To provide a broad assessment of credit-equity relationships, we do not limit ourselves to the quantitative frameworks; instead, we also try to determine how equity considerations could affect strategic decision-making by corporate managements, and what the implications of these decisions could be for the credit. We provide a summary of the credits discussed and our views in Figure 2, followed by more detailed commentary.

While each situation is company-specific, we have identified a number of themes in our analysis. They include the following:

1. **Where weak equity performance or actions to improve shareholder value could be credit negative**; Examples include Dell, Mednax, Olin, Sealed Air, Softbank, and IPPs Vistra Energy and NRG Energy.
2. **Where weak equity performance coupled with fundamental concerns creates potential credit downside (ie. low equity cushion);** Examples include CommScope, Michaels, Tronox, and Uber.
3. **Where despite equity weakness, credit quality remains attractive;** Examples include B&G Foods, CF Industries, Diamond Offshore, Enlink Midstream, Gap, Herbalife, Tenneco, and United Natural Food.
4. **Where both equity and credit have been strong performers but we remain negative on the credit;** Examples include DISH, L Brands, and Surgery Partners.

5. **Where both equity and credit have been strong performers but we still see value in the credit;** Examples include Beazer and Nexstar Media.
6. **Where potential asset sales, a change in corporate strategy, or M&A considerations may impact the credit;** Examples include GTT, MGM, Xerox, and Tenet Healthcare.

FIGURE 2. Summary Credit Views

Ticker	Analyst	Commentary	EMC	ESP
Weak equity performance or actions to improve shareholder value could be credit negative				
DELL	Jeff Harlib	DELL shares imply 50+% discount for VMW; while a spinoff of Dell's VMW shares is highly unlikely in our view, a go-private transaction would be credit-negative for DELL	2.0	3.3
MD	Rishi Parekh	We have concerns around aggressive payor behavior and trends in their anesthesiology and radiology segments; the surprise cancellation and lack of transparency overshadowed the fundamentals (strong FCF and low leverage); the recent activist interest raises questions around the company's capital allocation priorities, which may limit the company's delevering options.	1.0	10.0
OLN	Brian Lalli	OLN stock has underperformed over the LTM period given a challenging 2019 and expectations for a still-weak 2020; negative FCF limits the ability to do shareholder returns but credit improvement in 2021+ may get pushed out if share repurchases come back into favor	10.0	6.0
SEE	Brian Lalli	While the positive outlook for EBITDA and FCF helps insulate the credit, equity weakness is likely to slow the deleveraging focus; remain MW	2.0	6.8
SOFTBK	Jeff Harlib	If the company maintains its financial policy (maximum LTV) and objective to maintain its Ba1/BB+ rating, more aggressive share repurchases (as Elliott suggests) should not materially impact SOFTBK's credit quality	-	-
VST and NRG	Srinjoy Banerjee	We think that the risk to VST and NRG credit is a decision to go private due to low public market valuations, as their peers have done. We are Underweight VST and NRG HY unsecured bonds; we also do not see covenants restricting material re-leveraging in the bonds	VST: 3.0 NRG: 7.0	VST: 3.2 NRG: 4.8
Weak equity performance coupled with fundamental concerns creates potential credit downside				
COMM	Jeff Harlib	If the company's performance outlook is further reduced, this could heighten concern about high leverage/lower FCF and the company's fairly high LTV of 77%	5.0	3.8
MIK	Hale Holden	We are MW but remain concerned by the increasingly thin equity cushion	1.0	8.0
TROX	Brian Lalli	Deleveraging is the priority for capital allocation, but recent equity weakness may alter how the company balances capital allocation plans over the medium term; remain MW as wider spreads compensate for this risk	3.0	2.5
UBER	Chris Wang	We think Uber bonds have poor convexity at current level (~$106.5 – 107 and low 6% for 26s and 27s) in a potential COVID-19 outbreak in the US. Equities had dropped ~20% in the recent volatility. We see rideshare business taking a heavy hit if the outbreak disrupts travel activities in general.	9.0	-
Credit quality remains attractive despite equity weakness				
BGS	Hale Holden	Despite weakness in the equity and unfavorable Nielsen-tracked frozen food trends, we believe the bonds offer solid value to the B and Food/Beverage indices	6.0	4.5
CF	Brian Lalli	Despite equity weakness, we believe that the momentum to get back to IG remains intact; we remain OW on the longer duration notes relative to spreads on IG peers	3.0	3.5
DO	Paul Chambers	Despite significant equity weakness we remain OW given the 53% ownership by IG-rated Loews, no debt maturities until 2023, and liquidity that should remain above $900mn	1.0	-
ENLC/ENLK	Paul Chambers	Despite equity weakness, the recent distribution cut moved ELNC to a more self-funding model, and as a result a deleveraging strategy could start to emerge over time; we remain MW	1.0	8.1
GPS	Hale Holden	We expect the company to work towards refinancing its 2021 notes, which would extend a deliverable, and recommend buying 5y CDS protection	10.0	9.0
HLF	Hale Holden	Despite low equity momentum we view the bonds as cheap relative to peers and affirm our OW recommendation	2.0	10.0
TEN	Chris Wang	With the company running an active sale process of its entire portfolio, activist presence, worsening end market trends and limited optionality on higher balance sheet leverage are catalysts to push aligned interest for a credit-positive outcome	6.0	5.5
UNFI	Hale Holden	Although the equity has been weak, we expect the company to execute on the $200-300mn of FCF plus asset sales this year	-	-
Both credit and equity have been strong performers but we remain negative on the credit				
DISH	Vince Foley	Despite relatively robust equity and credit performance, we remain UW across the DISH capital structure as we do not believe valuations reflect the uncertainty around business execution risk or the potential financial pressures that could lie ahead	7.0	5.8
LB	Hale Holden	Both equity and credit rallied on speculation of a deal announcement; post-announcement, both sold off. We think a mall-based BBW may have operational issues and we remain MW LB credit	10.0	6.4
SURCEN	Rishi Parekh	Despite strong equity performance over the past year, fundamentals remain challenged with negative FCF, nearly 10x leverage, and little to no equity cushion.	10.0	-
Both credit and equity have been strong performers but we still see value in the credit				
BZH	Vince Foley	Both credit and equity have been strong amid a healthy economic backdrop and a low mortgage rate environment. We are OW the 2027s and 2029s as they are the only two bonds in our builder universe yielding over 5.2%	4.0	2.3
NXST	Vince Foley	We believe two positive catalysts should benefit the entire capital structure: anticipated strength in 2020 advertising revenues and the company's execution of its balance sheet improvement plan; we remain OW the 2027 notes	10.0	2.0
Potential asset sales, a change in corporate strategy, or M&A considerations may impact the credit				
GTT	Jeff Harlib	Despite high leverage, still about 2 turns of equity cushion. Credit performance tied to outcome of the Infrastructure sale process, which if successful, would be a delevering event	10.0	-
MGM	Gregg Price	CDS is trading at the tight end of its historical range relative to equity; recommend buying 5y CDS protection outright or pairing it with MGM 2023s	2.0	3.2
XRX/HPQ	Jeff Harlib	3 possibilities: remain independent (both tighten, except XRX CDS); HPQ acquires XRX (both tighten); XRX acquires HPQ (both widen)	XRX: 6.0 HPQ: 9.0	XRX: 7.7 HPQ: 7.2
THC	Rishi Parekh	The spreads between the first lien, second lien and unsecured have historically traded tight despite the notable leverage difference; the Conifer spin is a leveraging event for THC, in our opinion; at current levels, we do not believe there is much upside on credit side, however, we believe there is significant equity value based on our sum-of-parts analysis.	6.0	-

Source: Barclays Research

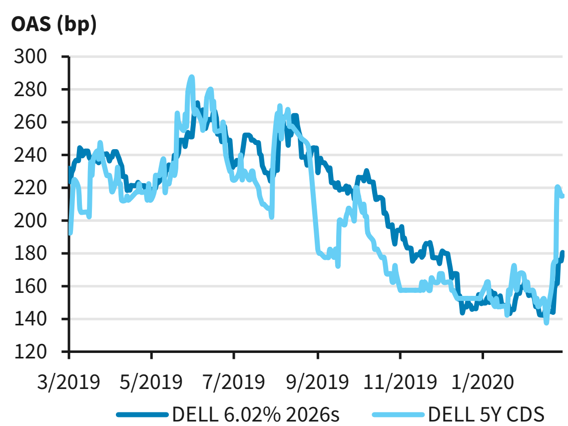
1) Weak Equity Performance or Actions to Improve Shareholder Value Could Be Credit Negative

Dell Technologies (DELL): Market Weight 2020s - 2046s

Dell's secured bonds have been strong performers, with the 26s tightening to 181bp from 235bp on September 7, while its share price has been mixed. Michael Dell and Silver Lake currently control ~71% of Dell Technologies' equity, with public shareholders owning the remaining 29%. Assuming a 7.0x FY21 EBITDA multiple, Dell Technologies shares imply a ~50% discount for VMW shares (does not reflect potential tax considerations). In FY21, we expect VMW (an unrestricted/non-guarantor subsidiary of Dell Technologies) to account for 38% of DELL's adjusted EBITDA and 63% of its free cash flow.

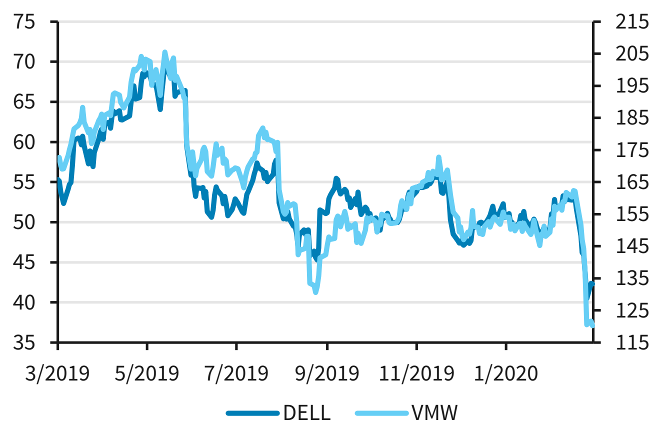
To improve Dell's share price, market participants have mentioned the potential for Dell/Silver Lake to spin-off Dell Technologies' 81% ownership in VMW to Dell Technologies shareholders ("Elliott Management Increases Passive Stake in Dell Technologies," *Bloomberg*, February 4, 2019). **We view this outcome as unlikely given the strategic tie-in/benefit of Dell and VMW being closely aligned structurally.** Another alternative could be for Dell to take VMW private in a cash/debt funded transaction. Such a transaction would likely need to be at a significant premium to VMW share price due to corporate governance protections at VMW. **With VMW's publicly traded shares valued at $13.9bn (versus Dell's core debt of $44.0bn), such a transaction would be credit negative for Dell.** An additional alternative would be for VMW to pay additional special dividends to Dell Technologies and its public shareholders, funded with FCF or additional debt.

FIGURE 3. **DELL 6.02% 2026s versus DELL 5y CDS**



Source: Bloomberg, Barclays Research

FIGURE 4. **DELL Equity versus VMW Equity**



Source: Bloomberg, Barclays Research

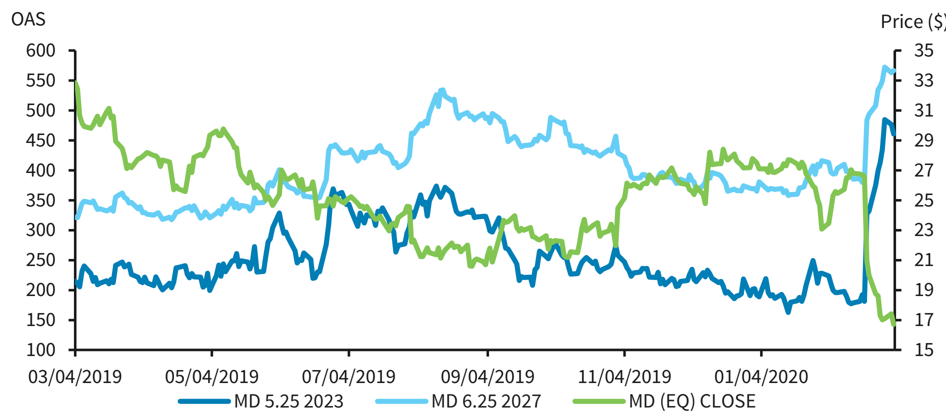
Mednax (MD): Underweight 2023s, 2027s

Our rating reflects our general sector concerns around aggressive payor behavior and trends in their anesthesiology and radiology (most VRAD) segments. Leverage is low (3.3x) and FCF is strong (18% of debt) and the recently announced contract cancellations are manageable. However, the surprise cancellations overshadowed any of the positive credit attributes, the lack of transparency gives us little confidence that these cancellations are final and we are not aware of the potential rate cuts (UNH's ask is a 50% cut: please see UNH's Contract Cancellation Overshadows Earnings, February 21, 2020), which will reduce FCF. Despite these issues, there has been recent activist interest, which raises questions around the company's capital allocation priorities.[1] We are not sure if these cancellations materially squeeze valuations but

[1] https://www.sec.gov/Archives/edgar/data/893949/000092189520000442/sc13d06297280_02132020.htm

we assume this interest could involve more equity-friendly transactions (dividends, share repurchases, spin-offs, etc), which may limit the company's delevering options. The bulk of the decline in the equity, which is down nearly -40% since the beginning of the year, was post earnings and the UNH announcement. The current NEV/EBITDA has declined to roughly 7x from nearly 9x in the last month, and now the spread between NEV/EBITDA to leverage is 3.5x versus 5.5x.

FIGURE 5. **MD Notes versus Equity**



Source: Barclays Live

Olin (OLN): Market Weight 2027s - 2030s

OLN has entered a challenging 2020, with declining commodity prices for caustic soda and epoxy resins pressuring EBITDA in 2019 and likely again this year (per management guidance). Equity momentum actually ended February at its highs after a rally for most of the month, but has since reversed in line with market volatility (EMC score: 10.0; ESP score: 6.0) and is now trading at new LTM lows (as of March 5, 2020), down 45+% from the highs from February 2019. The credit's longer duration 2027/29/30 notes have also underperformed its BB-rated peers by 50bp+ (5.1-5.2% YTW, 400-420bp OAS) since 4Q19 earnings given expectations of negative $550-600mn of FCF and elevated net leverage (~4.5x) as a result of weaker commodity prices and one-time cash outflows this year (Cash Rules Everything, February 6, 2020). There is little the company can do to increase shareholder returns in 2020 – we expect it will partially draw on its $800mn revolver ($2.0bn net of the $1.2bn delayed draw term loan to fund the 9.75/10.0% note refi in 4Q20) to fund negative cash flows – as management waits for the $250mn of annual benefit from the 2020 projects to improve FCF in 2021+. Management has reiterated that debt reduction is a key priority post-2020, which we see as necessary given the credit's commodity exposure, but we also acknowledge that excess cash flow in 2021+ could be at least partially diverted to share repurchases now that Sachem Head Capital has reported a 9.4% stake via a 13D filing. **We are Market Weight rated on the 2027/29/30 unsecured notes given the spread discount to the BB-rated peer group, and believe this remains appropriate as the near-term credit improvement may get further pushed out if share repurchases come back into favor more quickly to appease shareholders.**

Sealed Air (SEE): Market Weight 2024-2033 notes

With net leverage of 3.6x sitting at the low end of management's 3.5-4.0x target and the common equity trading at both its LTM and its 5 year lows (8.0x EV/EBITDA on 2020 consensus), we acknowledge that there is increased risk of the company pursuing shareholder returns in lieu of any additional credit improvement (EMC score: 2.0; ESP score: 6.8). M&A has been a core focus for SEE over the past few years, most recently with the acquisition of Automated Packaging Systems (APS) in August 2019 for $446mn of cash consideration (funded with $475mn of incremental term loans), but we could see a greater focus on allocating FCF ($350mn guide in FY20) to the $708mn remaining on the $1bn share buyback program (~15% of current market capitalization). As highlighted in 4Q19 Recap: Focus is on the 2020 Outlooks (February 13, 2020), the 2020 outlook for EBITDA ($1.01-1.03bn, up from $965mn) and FCF ($350mn, up from $321mn) helps to insulate the credit over the next 12 months, but the deleveraging trend for this Ba2/BB+ credit is likely to slow should management react to the weaker equity performance.

Softbank Group (SOFTBK): Overweight 6% Hybrid Notes, Market Weight Other Notes

On February 6, the WSJ reported Elliott Management has acquired over a $2.5bn stake (~over 2.5%) in Softbank shares. Senior Elliott staff have met with Chairman Son and other SOFTBK executives with discussions focused on improving corporate governance and Elliott reportedly pushed for SOFTBK repurchasing $10-20bn of its shares (current equity market cap: ~$99bn) (“Singer Said to Build Stake in Son’s Softbank, Shares Surge,” *Bloomberg*, February 6, 2020). On February 19, Softbank issued a JPY500bn (~$4.5bn) non-recourse margin loan backed by 29.9% of its position in Softbank Corp (19.9% of total shares outstanding). With a sum of the parts equity value (including SOFTBK’s stake in its publicly traded entities and book value for other investments) exceeding $200bn, SOFTBK’s shares trade at a significant discount to this metric. While more aggressive share repurchases or other shareholder-friendly actions could be credit negative and activists historically have been more aggressive pushing for change in Japanese companies, we note the following 1) with a current company-defined LTV of only ~15% (~22% Barclays-defined), SOFTBK has room to increase its LTV closer to its targeted ratio of under 25% (in normal times) 2) management has indicated it is committed to maintaining its Ba1/BB+ rating and strong credit profile. **Assuming the company does not change its financial policies/ratings objective, more aggressive share repurchases may not have a material impact on Softbank’s credit quality.**

Vistra Energy (VST) and NRG Energy (NRG): Underweight Unsecured Bonds

Vistra (**Underweight** Unsecured Bonds) and NRG (**Underweight** Unsecured Bonds) are the last remaining publicly traded Independent Power Producers (IPPs) after Talen was bought out by Riverstone in 2016 and Calpine by ECP & Partners in 2018. Both VST and NRG have introduced leverage targets of 2.5x and are aiming for Investment Grade ratings in the near-term; they are on positive outlook at mid-BB at both S&P and Moody’s. At end December 2019, NRG reported leverage at 2.65x and Vistra at 3.2x. Both companies guided to substantial FCF conversion at ~70% of EBITDA (~$2.3bn for VST, ~$1.3bn for NRG) in 2020.

Vistra and to a lesser extent NRG, equity has been relatively weak versus the broader market in 2019, and more specifically since 3Q results: Vistra’s equity is down ~25% since 3Q results, and implies EV/EBITDA of ~5.8x. NRG equity is down ~18.5%, implying a multiple of 7.0x. We note that CPN was bought out at a 9x multiple. On their 4Q 19 call (and in the past the 2Q 19 calls), following equity underperformance at the start of 2019, VST management noted that they would explore alternatives, including going private, if valuations do not improve, but would wait through 2020 to see if the public markets value achievement of leverage goals while maintaining a shareholder-friendly plan. NRG management also noted that they would ultimately explore all options to maximize value to shareholders.

We think that risk to VST and NRG credit is a decision to go private due to low public market equity valuations, as their peers have done. CPN, for example, has a leverage target 2.0x higher (4.5x) and no goal to achieve IG ratings.

Much of the existing IG upgrade strategy (associated with 2.5x leverage) appears to be priced into CDS: Vistra 5y CDS (90/110) and NRG 5y CDS (105/115) trade only modest wide to BBB+/Baa2 IG-rated peer ExGen 5y CDS (77/97). We think NRG 5y CDS in particular has room to underperform if there is any go-private re-leveraging transaction, with CPN 5y

CDS trading ~45bp wider. Vistra CDS references the Vistra Energy box, where the company is paying down debt, and has orphaning risk.

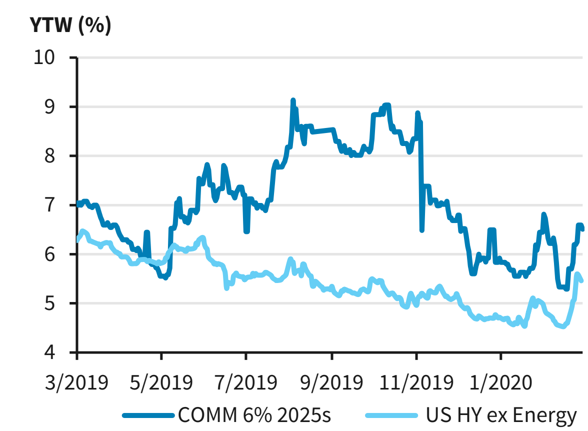
2) Weak Equity Performance Coupled With Fundamental Concerns Creates Potential Credit Downside

Commscope (COMM): Market Weight secured and unsecured notes

As the figures below indicate, until underperforming more recently, COMM's bonds had materially outperformed while its stock price performance has been weak. Until post 4Q results, when the stock and bond (albeit to a lesser extent) prices weakened, during the previous two quarterly earnings, both markets exhibited unusual performance; both weakening in advance of the reporting date and rallying post earnings, despite the company providing disappointing guidance.

We rate COMM secured and unsecured notes Market Weight, with a preference for the 5% 2027s over the higher dollar price 8 1/4% 2027s. The company generates reasonable FCF and has a good liquidity runway but has high leverage of around 7x and continues to face performance challenges (with capex constraints by leading cable/telecom customers) and near-term COVID-19 impact. Reflecting strong HY market conditions, the unsecured notes had tightened from the low 7% to low 8% yield range in mid-November to the high 5% to low 6% yield range, until recently widening to the current 6% to 7% yield range. With $10bn of debt and an equity (including preferred) market cap of $3.0bn, the loan to value (LTV) is a fairly high 77%. If the company's performance outlook continues to soften (i.e. weakening fundamentals or more protracted COVID-19 effects), loan/bond investors may become further concerned about the credit, including the high LTV.

FIGURE 6. **COMM 6% 2025s versus US HY ex Energy**



Source: Bloomberg, Barclays Research

FIGURE 7. **COMM Share Price**

Source: Bloomberg, Barclays Research

Michaels (MIK): Market Weight 2027s

MIK has an EMC score of 1 and ESP score of 8. We are not surprised by the high ESP score as MIK 2027s are one of the wider-trading retailer names. There remains a number of headwinds facing the MIK story over the near term, including tariff exposure, slowing craft industry growth ("maker's transition"), management changes (the CFO recently left and there was a mid December CEO change), and COVID-19 exposure. However, the company has a stronger balance sheet, with leverage at 3.2x, than other specialty retailer single-B peers and liquidity that gives it some flexibility on the credit side. **We reaffirm our Market Weight recommendation, however**

remain concerned by the increasingly thin equity cushion (market cap of $720mn, 4.2x EV/EBITDA).

Tronox (TROX): Market Weight 2025s, 2026s

TiO2 market weakness has continued through 2019 as muted end-market demand has extended the destocking cycle, pressuring operating/financial results, with TROX equity underperforming the credit over the past few months (EMC score: 3.0; ESP score: 2.5) and now trading more than 50% below the LTM high of $15.28/share in late April 2019. Management has been explicit in its plans to direct free cash flow towards debt reduction over the next 3 years – $2.5bn gross debt target ($3.2bn currently), with 2-3x net leverage across cycles – and management reiterated on its 4Q19 conference call that debt reduction is still the primary use of excess cash flow even with the recent equity weakness. We see debt reduction as the key use of free cash flow over the next 2-3 years as the company works towards fully realizing the now-$325mn synergy target from the Cristal acquisition. **Now trading 90/125bp wide to the HY index (6.7/7.1% YTW, 575/610bp OAS), we maintain our Market Weight rating on the 2025/26 unsecured notes as current levels reflect near-term market/credit weakness offset by an explicit focus on debt reduction (Synergies, Synergies, Synergies, February 26, 2020).**

Uber Technologies (UBER) - Not Covered

Uber equity has been down as much as ~20% in the volatile last two weeks. Uber longer-dated bonds (8% 26s and 7.5% 27s), meanwhile, are only down ~2 pts or ~40bp of widening. For reference, the single B index widened ~70bp in the same timeframe.

We highlight the dislocation between the recent action of credit and equity. **We think Uber bonds have poor convexity at current levels (~$106.5 – 107 and low 6% for 26s and 27s) in a potential COVID-19 outbreak in the US.** We see the rideshare business taking a heavy hit if the outbreak disrupts travel activities in general. Despite its strong cash position, Uber has negative EBITDA and FCF for the foreseeable future, and it is yet to be seen whether the company can achieve positive EBITDA in 4Q20.

3) Credit Quality Remains Attractive Despite Equity Weakness

B&G Foods (BGS): Overweight 2025s and 2027s

B&G Foods (BGS) equity has declined 33% from Q4 to February lows, but has since staged a 30% rally. Our concern into Q4 was driven by Nielsen-tracked channel frozen trends and the company's dividend payout. **Following the Q4 release, we upgraded our rating to Overweight (despite the dividend yield still at 12%) given that the name is cheap enough, and we believe it offers solid value to the B and Food/Beverage index. BGS has an ESP score at 6.0 and a moderate EMC score at 4.5.**

CF Industries (CF): Overweight 2034/43/44 notes

The CF credit outperformed the equity in FY19 (EMC score: 3.0; ESP score: 3.5), notably in the longer-duration 2034/43/44 unsecured notes, as the company's focus on reducing gross debt to get back to investment grade has been a significant tailwind for spread tightening relative to IG-rated peers Mosaic (MOS, Baa3/BBB-) and Nutrien (NTRCN, Baa2/BBB). Management has been very clear about its capital allocation strategy over the past several quarters: 1) pay down debt, with a focus on regaining its IG rating, 2) return excess cash flow to shareholders through dividends and share repurchases, and 3) where applicable, explore growth "within our strategic fairway." Outside of paying off the last $250mn of the 3.4% secured notes due 2021, the remainder of the $900+mn+ FCF guidance will be allocated to share buybacks in 2020+, but we do not believe this will derail the credit's movement back to IG over the next 12 months. **Net leverage now stands at 2.3x, leaving loan-to-value at ~30% relative to a 9.0-9.5x EV/EBITDA (2020 consensus), and this underpins our Overweight rating on the 2034/43/44 notes** which is predicated on further spread tightening relative to the IG-rated fertilizer credits on Rising Star potential (On the Road to Investment Grade, March 2, 2020).

Diamond Offshore (DO): Overweight 23/25/39/43 notes

DO's equity is down 64% year to date despite being 53% owned by Loews Corp (A - rated). What makes DO attractive for credit investors is 1) IG backer being majority owner; 2) no debt maturities due until August 2023 when $250mn is due, then $500mn in 2025, with nothing else due until 2039; 3) Unsecured RCF does not come up for renewal until October 2023 is undrawn; 4) Liquidity should remain well above $900mn. **From a macro standpoint, from the recent uptick in demand for offshore drilling rigs in Brazil and West Africa we see the longer-term outlook improving and feel that credit investors are receiving attractive compensation for the DO 25s at 17% YTW and longer-dated 2043s at 13% YTW.**

Enlink Midstream (ENLC/ENLK): Market Weight 2024 - 2047 notes

ENLC cut its distribution 34% in January 2020 as part of a broader transition to a self-funding growth model. Long-term net leverage target of 4.0x, which is well below industry peers, remained unchanged. **We expect gradual organic deleveraging as the company executes on its $75mn incremental EBITDA in efficiency improvements and 2020 growth projects.** Year-to-date equity returns are negative 41% and the current yield is over 21%, well above the levels of where it traded before its recent distribution cut. The bonds have declined as well, with the benchmark 2025 bonds down 7% YTD on a total return basis compared to the midstream index decline of 1.9% ,and now trade 115bps wide of the index.

Gap Inc (GPS): Overweight 2021s

In mid-January 2020, the company announced it is no longer spinning off the Old Navy brand. As a result, we expect the company to work towards refinancing its 2021 notes. We believe this will extend a deliverable and increases the potential for the company to issue a new bond. GPS equity is near a 52-week low and down YTD with the selloff, making the high EMC score surprising. The decision to not complete the spin-off of Old Navy was not, in our view, a sign of strength. **With the GPS 5y CDS trading at 130bp, we believe it trades too tight given that it could reference a weaker GPS entity with a longer bond/loan. In addition, with the company remaining consolidated and under a new CEO, there could be increased volatility in the near term. We recommend buying 5yr CDS on the potential for new financing.**

Herbalife Nutrition (HLF): Overweight 2026s

HLF has a low EMC score at 2 but a ESP score of 10. We view the bonds at 591bp OAS as cheap relative to peers in the Food & Beverage index at 312bp and the Single B cohort at 464bp. HLF shares are down 28% year to date. HLF has a distributor network in China and has indicated that COVID-19 may negatively impact its ability to achieve prior FYE2020 guidance. China accounts for just under 20% of the company's revenues. As a positive, the company accrued $40mn in DOJ FCPA penalties, which is less than we had originally thought. We expect the company to continue to refrain from share repurchases until it resolves the outstanding DOJ issues. **We affirm our Overweight recommendation and view bonds as cheap for both ratings and versus peers.**

Tenneco (TEN): Not Covered

The company is running an active sale process of its entire portfolio ("Tenneco Reconfirms Ongoing Review of Strategic Alternatives to Maximize Shareholder Value While Pursuing Separation Plan," *Company press release*, January 27, 2020). Activist presence (Icahn), worsening end-market trends and limited optionality on higher balance sheet leverage are catalysts that could push aligned interests for a credit-positive outcome.

If TEN were to sell the powertrain segment ("Apollo Made Bid for Tenneco's Powertrain Unit," *WSJ*, December 10, 2019) at a price above ~$4bn, we see meaningful deleveraging (required by an asset sale clause under credit agreement) to 1.5 – 2x (excluding pension) for the remaining DRiV business, which should re-rate to EV / EBITDA of 5x or higher (implying 3x or more equity cushion). Under the scenario of a DRiV (aftermarket and motorparts) sale, the balance sheet leverage could vary (2 - 3x) pending the deal multiple; we would expect credit react positively on balance sheet improvement.

TEN shares are trading at 10 year lows and are down ~80% in the LTM period, reflecting weak operating performance, including poor results since the Federal Mogul acquisition in late 2017. **Specific to TEN 5% 26s, at $86 / 7.8% YTW, we see upside closer to par (in line with single B index) in the powertrain sale scenario and 100bp wide to the index under the DRiV sale (sensitive to the multiple). If it quickly becomes clear there are not buyers for either of the assets, we see further downside from the current levels.**

United Natural Foods (UNFI) - Not Covered

UNFI equity has traded down 30% year to date. Recently, several natural grocer chains which we believe may be customers of UNFI have filed for liquidation including Fairway, Lucky's, and Earth Fare. Lucky's, which is liquidating most of its stores, is particularly of note given that UNFI was its largest creditor. After meeting with the company earlier this year we believe there is an increased probability it will not lose its contract to supply Amazon's Whole Foods stores. In addition, we view current guidance as conservative and expect them to execute on the $200 - $300mn of FCF plus asset sales this year, which could help it deleverage from 5.1x currently. **We view the term loan at $83, or 9.0% yield, as attractive and recommend selling SVU CDS at 1.5pts.**

4) Both Credit and Equity Have Been Strong Performers but We Remain Negative on the Credit

DISH Network/DISH DBS (DISH): Underweight 2021/22/23/24/26s

Following the widely expected upcoming close of the recently DoJ-approved Sprint/T-Mobile merger transaction, DISH Network is set to become the fourth major wireless carrier in the US, putting it among the larger operators AT&T, Verizon, and what is soon-to-be 'New T-Mobile'. In our view, the headwinds that DISH is likely to face in conjunction with its proposed wireless build-out, including capital commitments and upcoming debt maturities (~$20bn), build-out deadlines, and proving its viability as a fourth carrier amid an already competitive wireless market, pose significant risks for the company across the capital structure. In terms of the higher EMC score, we don't view this to be pertinent or predictive in the context of the overall DISH fundamental story given that neither the equity nor debt securities are immune from the significant business execution risk and potential financial pressures that could lie ahead. Conversely, we don't necessarily believe the ESP score is fundamentally indicative of a 'cheap' valuation considering the structure as a whole is trading near the highs of the past 12-months, and does not yet seem to price in these uncertainties. **We remain Underweight across the DISH capital structure as, in our view, valuations are likely dependent upon the location (DISH Network or DISH DBS) and type of financing (equity or secured/unsecured debt) that DISH ultimately decides upon to finance the more than $10bn wireless build-out.**

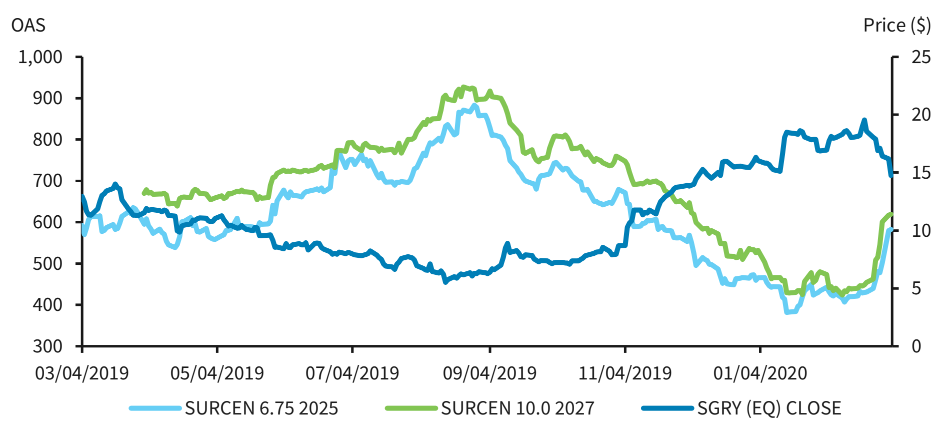
L Brands (LB) - Market Weight 2021-2037 notes

On February 20, L Brands announced that it plans to sell Victoria's Secret to Sycamore for $525mn. The company expects to use $500mn in cash proceeds and $500mn of cash on the balance sheet to reduce debt, along with removing $2.5bn VS operating leases. Before the announcement, the equity had climbed over 30% in 2020 to ~$24 (retreating slightly to $22 in the recent market sell-off). LB bonds had rallied with the equity, from a yield of 8% on the new 2029s to 5.6%, on the expectation that any proceeds could be used for a deleveraging transaction. LB 5y CDS has also rallied from nearly 350bp to 210bp, and we recommend buying protection. However, due to the lower-than-expected proceeds for VS, the long bonds fell 2-3pts following the announcement. More recently, the longer-dated notes have been outperforming – we believe purely related to duration and the move in rates. We moved our Underweight rating to Market Weight after Q4 given that we expect pro forma ratings to be BB/Ba3. **Longer term, though, we view the outlook for BBW as a stand-alone credit as muddled due to the specialty retailer's high exposure to mall and narrow sales base. We recommend buying LB 5y CDS.**

Surgery Partners (SURCEN): Underweight 2025 and 2027 notes

SURCEN has high equity momentum and does not rank on an ESP basis due to its CCC rating. **Our Underweight rating reflected our fundamental analysis of the credit. FCF is negative, leverage is high (nearly 10x on a forward basis), and we estimate little to no equity cushion (using ~7x for surgical hospitals and 10-11x for ASCs) and valuations may be under pressure due to the negative FCF) considering roughly 50% of its EBITDA has come from surgical hospitals (benefit from HOPD rates).** The bond price performance over the last year, however, has not reflected our fundamental view. The strong macro trends around ASCs, comfort with management's strategies, SGRY's ASC exposure, MSK growth and overall strong equity momentum (up +80% since January 1, 2019 and up +230% since mid-August 2019) were contributing factors to the spread tightening (the 10% bonds trade from the mid-90s to 112 since August 2019). Risks to our rating is the possibility forward levels may continue to reflect market technicals and not our fundamental views, which may support the high EMC score. Furthermore, the sponsor (owns nearly 55% of equity) may focus on strategic investors to bolster its referral program and leverage its doctor base.

FIGURE 8. Surgery Partners Notes versus Equity



Source: Barclays Live

5) Both Credit and Equity Have Been Strong Performers but We Still See Value in the Credit

Beazer Homes USA (BZH) : Overweight 2027, 2029s; Market Weight 2025s

Amid a strong economic backdrop and a low mortgage rate environment, the entirety of the Beazer capital structure has seen an impressive rally over the course of the past fiscal year to date, with the 2025s and 2027s rallying an average of about 13pts, (~6 pts for the September 2019 issuance of the company's 2029s) and the equity appreciating nearly 10.0%. Thus far, the bonds have outperformed the broader Single-B HY Index and the equity has performed relatively in line with the S&P 500. The company's majority focus on the entry level demographic (~55% of its total footprint) seems to have benefited from the lower rate environment thus far, with rates likely to continue to be a significant tailwind for order volumes as the 2020 spring selling season commences. In addition to strong trends in the company's operating metrics, management has emphasized their desire to strengthen its balance sheet and continue reducing debt and has provided guidance to reduce debt to 'under $1.0bn' from the current ~$1.2bn, by the end of 2020. Assuming ~$540mn in shareholders' equity, this would bring the company's current debt to capitalization (69.1%) down over 400bp to ~64.9%. This, along with what is likely to be a strong spring selling season, should prove very supportive for valuations across the capital structure despite the bonds screening as potentially 'rich' in terms of its ESP score. **At current valuations, we remain Market Weight the 2025s ($104.10, 5.3%), and Overweight the 2027s ($101.50, 5.5%) and 2029s ($107.30, 6.0%). The 2027s and 2029s are the only two bonds in our builder universe yielding over 5.5% and offer room for further compression, in our view.**

Nexstar Media (NXST): Overweight 2027s; Market Weight 2024s

In our view, two near-term catalysts are likely to benefit the entirety of the Nexstar Media capital structure: 1) anticipated strength in 2020 political advertising revenues and 2) the company's execution of its balance sheet improvement plan in 2020 following its $6.1bn acquisition of Tribune Media in September 2019. As the 2020 political elections begin to take shape, company management has indicated that political revenues are likely to prove a significant tailwind for the fiscal year and have suggested that 2020 could set a new high-water mark for the industry. In turn, robust political revenues would likely boost the company's free cash flow generation to allow the company to focus on its near-term net leverage target of 4.0x by the end of 2020 (currently 4.7x). We note that the company has an encouraging track record in terms of rapid deleveraging and balance sheet conservatism and believe that their leverage goal is likely achievable, which would prove beneficial to the capital structure as a whole and support the basis for the higher EMC score (10). **Despite the low ESP score (2) suggesting potentially rich valuations in the company's debt securities, at current levels and amid the current backdrop, we believe the 2027s ($106.30, 4.3%) are attractive given the relatively lower yields for similar duration double-B media credits (Average: ~3.0%) and reiterate our Overweight rating. We reiterate our Market Weight rating on the Nexstar 2024s.**

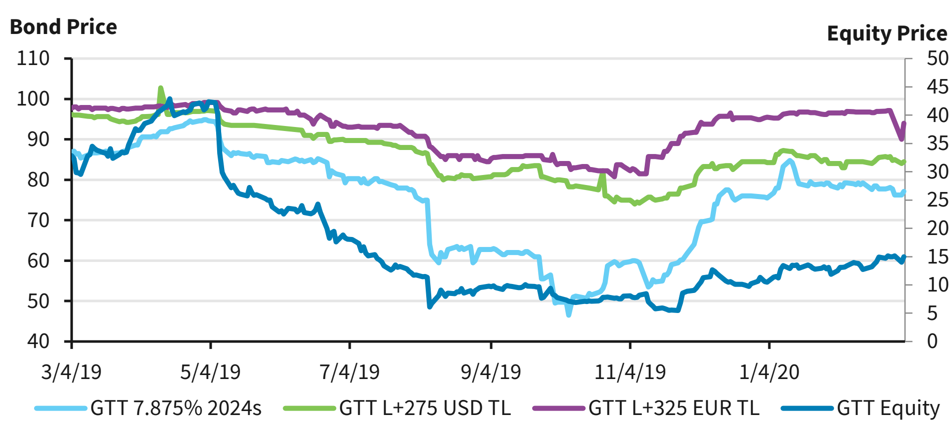
6) Potential Asset Sales, a Change in Corporate Strategy, or M&A Considerations May Impact the Credit

GTT Communications (GTT): Not Covered

GTT's debt and equity has been volatile, particularly over the past several months. The company's notes, loans, and common shares have come under significant pressure since Spring 2019 as revenues disappointed amid execution challenges, including a difficult integration of the Interoute acquisition. The credit rallied in 4Q on asset sale discussions and the equity recovered somewhat in late 2019 (EMC score of 10) after GTT announced it has hired advisors to pursue the sale of its Infrastructure Division (acquired as part of the Interoute and Hibernia acquisitions). In addition, the EUR term loan, which is secured by the European assets being marketed, has outperformed the USD term loans. While there may be signs the business is stabilizing and the company has adequate near-term liquidity, at 6.2x and 7.3x, secured and total leverage remains high while EV/EBITDA is 9.3x suggesting still a reasonable equity cushion.

Priced at $77 (yielding 14.7%), the performance of the 7 7/8% 2024 senior notes (and loans) will be significantly tied to the results of pending Infrastructure disposition process (which business is expected to account for EBITDA of $160-180mn (~40% of total EBITDA), with GTT stating it plans to use the proceeds to reduce debt and delever toward the 4x range. To a lesser extent (unless the company is unsuccessful with the Infrastructure sale process), credit quality will be affected by the company's goal to drive rep-driven organic growth; we note management has provided 2020 FCF guidance of $175-200mn, which appears aggressive.

FIGURE 9. **GTT 7 7/8% 2024s and USD/EUR Term Loans versus GTT Equity**



Source: Bloomberg, Barclays Research

MGM Resorts (MGM): Market Weight 2022/23/25/26/27s

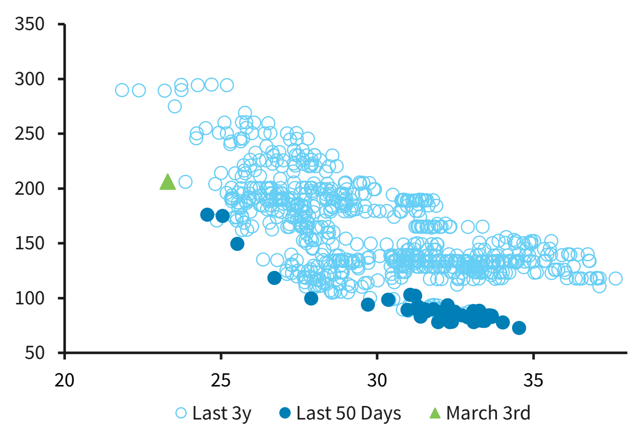
MGM Resorts (MGM) is in the midst of a significant change to its capital structure and approach to financing its business, largely driven by a desire to pursue an asset light operating model. As we recently wrote, we expect management to apply a sizable portion of the proceeds it receives from the sale of real estate to gross debt reduction but also estimate that the company's leverage targets imply a meaningful return of cash to shareholders. Moreover, we expect net lease adjusted leverage for the company's domestic operations to deteriorate pro forma for the company's financing actions, rising from 4.6x at the end of 2019 to 5.1x in 2020, assuming the transactions were completed at the start of the year.

Since MGM reported 4Q19 results, driven by concerns around the spread of COVID-19, MGM 5y CDS is roughly 120bp wider while spreads are still tight to their differential versus CDX HY in during periods of concern in 2018 and 2019. While it remains unclear what the impact of the virus may be on the company's US operations as Las Vegas and other regional properties have so far been free of major disruptions, total Macau GGR has declined by 50% YTD. Overall, we think that the severe deterioration in Macau, an increased likelihood for the virus to weigh on Strip performance in 2020, and the increased reliance on REIT financing have negative implications for the credit quality of the company and may continue to weigh on spreads, especially in CDS.

We recommend buying 5y protection outright or pairing with the MGM 2023s, the latter of which we think can perform well on a relative basis in light of a strong technical backdrop with the reduction in total outstanding MGM bonds. Barclays' EMC and ESP scores for MGM sit at low end of the range, indicating relative richness, with an EMC of 2.0 and ESP of 3.2. For a given equity price, MGM 5y CDS is also trading near the tight end of the historical range and implies limited scope for further tightening (Figure 1) absent a clearer outlook in Macau and Las Vegas, in our view.

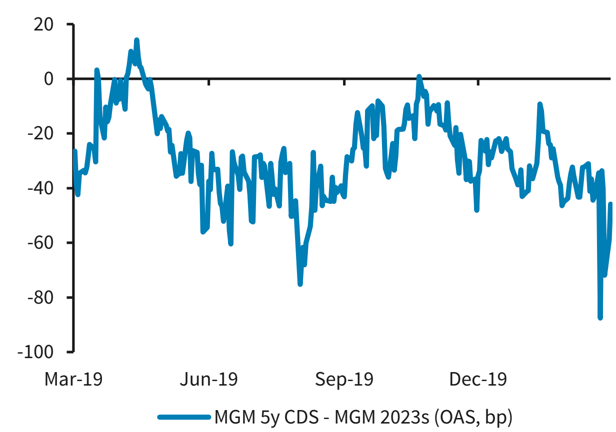
Liquidity across the MGM structure remains the strongest in MGM 2023s and MGM 5y CDS, following the company's recent tender activity for notes due 2025, 2026, and 2027. While pairing 5y CDS with the 2023s results in a maturity mismatch, we think that the benefits of liquidity, the 2023s lower dollar price, and shorter maturity make it a more likely candidate for incremental debt reduction.

FIGURE 10. **MGM Equity versus 5y CDS (3y Time Horizon)**



Source: Barclays Live, Barclays Research

FIGURE 11. **MGM 5y CDS - MGM 2023s (OAS, bp)**



Source: Barclays Live, Barclays Research

Xerox Corp (XRXCRP) / HP Inc. (HPQ): Overweight XRX 4.8% 2035s and 6.75% 2039s

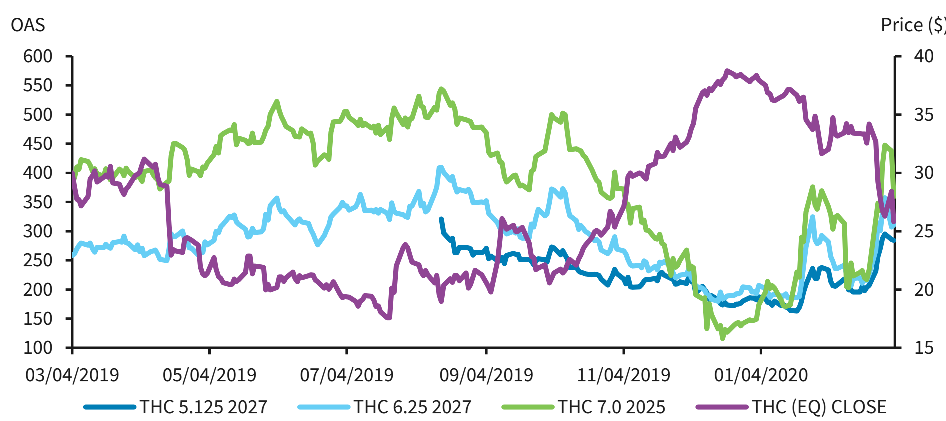
XRX continues to pursue the acquisition of HPQ, increasing its offer to $24 per share from $22 per share, and on March 2 announced an unsolicited tender offer to XRX shareholders. Under the proposed financing structure to finance the cash portion ($18.40/share) of the offer, 2020 net leverage would be 4.0x (3.1x post synergies) vs. current EV/2020E EBITDA trading multiples of 4.7x for XRX and 6.1x for HPQ and the newco would likely be a mid BB credit. Noting that the offer needs HPQ board approval to be effective, XRX has announced its 11 director nominations to replace HPQ's board at its annual meeting this summer. In response, HPQ announced a defensive shareholder rights plan and a "strategic and financial value creation plan" which includes a $15bn share repurchase authorization program (including $8bn within 12 months following its annual meeting this summer) to be funded with FCF and additional leverage. HPQ reiterated its objections to the Xerox acquisition proposal, citing the offer undervalues HPQ, overstates merger synergies, over-levers the company, and disproportionately benefits XRX shareholders. However, HPQ remains open to a combination with XRX on acceptable terms and is reaching out to XRX, which we believes leaves open the possibility HPQ could acquire XRX.

With HPQ's announced shareholder rights plan and its value creation plan, the likelihood of XRX acquiring HPQ appears lower, with the probability of XRX/HPQ remaining independent or HPQ acquiring XRX being higher. **If the companies remain independent, we would expect XRX 5y CDS to modestly widen and HPQ 5y CDS to tighten while the long-dated bonds of both companies should tighten. If HPQ were to acquire XRX, XRX bonds and CDS would significantly tighten while HPQ bonds and CDS would modestly tighten. If XRX is successful with its offer for HPQ (under the current structure), both HPQ and XRX bonds and CDS would widen.** For more detail, please see our previous note.

Tenet Healthcare (THC): Market Weight First Lien; Underweight Second Liens and Unsecureds

THC spreads between the THC First Liens, Second Liens and Unsecureds have historically traded tight despite the notable leverage difference (First Lien leverage 2.8x, Second Lien leverage 4.0x and Unsecured leverage 6.5x) as the pick up in yield from first lien to second lien is 6bps from the 2027 first lien to the 2027 second lien and there is no gain in yield moving from 2L to unsecureds (7% are call constrained). At current levels, we do not believe there is much upside. Since the beginning of the year, the equity has traded down nearly 30%. **We estimate there is notable value below the bonds based on our sum-of-parts; even if we strip the hospital benefit to USPI EBITDA, we believe the value (before excluding debt and minority interests, and including Conifer) exceeds $20.5bn. In our opinion, the announced Conifer spin (announced in 2019) is a leveraging event for THC (deleveraging through the 1L – assuming SpinCo leverage cannot exceed 3.5x/4.0x).**

FIGURE 12. **Select THC Notes versus Equity**



Source: Barclays Live

Summary of Ratings

Bloomberg Barclays U.S. High Yield 2% Issuer Capped Credit Index		
	Old	**New**
U.S. HY Food and Beverage	Overweight	Overweight
HLF 7 1/4 08/15/26	Overweight	Overweight
U.S. HY Media Entertainment	Overweight	Overweight
NXST 5 5/8 07/15/27	Overweight	Overweight
NXST 5 5/8 08/01/24	Market Weight	Market Weight
U.S. HY Retailers	Underweight	Underweight
MIK 8 07/15/27	Market Weight	Market Weight

Source: Barclays Research

Analyst(s) Certification(s):
We, Vincent Foley, Greggory Price, CFA, Hale Holden, Rishi Parekh, Jigar Patel, Paul Chambers, Jeff Harlib, Srinjoy Banerjee, CFA, Chris Wang and Brian Lalli, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures:
This document is intended for institutional investors and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors under U.S. FINRA Rule 2242. Barclays trades the securities covered in this report for its own account and on a discretionary basis on behalf of certain clients. Such trading interests may be contrary to the recommendations offered in this report.

Barclays Research is produced by the Investment Bank of Barclays Bank PLC and its affiliates (collectively and each individually, "Barclays").

All authors contributing to this research report are Research Analysts unless otherwise indicated. The publication date at the top of the report reflects the local time where the report was produced and may differ from the release date provided in GMT.

Availability of Disclosures:
For current important disclosures regarding any issuers which are the subject of this research report please refer to https://publicresearch.barclays.com or alternatively send a written request to: Barclays Research Compliance, 745 Seventh Avenue, 13th Floor, New York, NY 10019 or call +1-212-526-1072.

Barclays Capital Inc. and/or one of its affiliates does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Barclays may have a conflict of interest that could affect the objectivity of this report. Barclays Capital Inc. and/or one of its affiliates regularly trades, generally deals as principal and generally provides liquidity (as market maker or otherwise) in the debt securities that are the subject of this research report (and related derivatives thereof). Barclays trading desks may have either a long and / or short position in such securities, other financial instruments and / or derivatives, which may pose a conflict with the interests of investing customers. Where permitted and subject to appropriate information barrier restrictions, Barclays fixed income research analysts regularly interact with its trading desk personnel regarding current market conditions and prices. Barclays fixed income research analysts receive compensation based on various factors including, but not limited to, the quality of their work, the overall performance of the firm (including the profitability of the Investment Banking Department), the profitability and revenues of the Markets business and the potential interest of the firm's investing clients in research with respect to the asset class covered by the analyst. To the extent that any historical pricing information was obtained from Barclays trading desks, the firm makes no representation that it is accurate or complete. All levels, prices and spreads are historical and do not necessarily represent current market levels, prices or spreads, some or all of which may have changed since the publication of this document. Barclays Research Department produces various types of research including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations and trade ideas contained in one type of Barclays Research may differ from those contained in other types of Barclays Research, whether as a result of differing time horizons, methodologies, or otherwise.

In order to access Barclays Statement regarding Research Dissemination Policies and Procedures, please refer to https://publicresearch.barcap.com/S/RD.htm. In order to access Barclays Research Conflict Management Policy Statement, please refer to: https://publicresearch.barcap.com/S/CM.htm.

Primary Issuers/Bonds
HLF FINANCING SARL LLC / HERBALIFE INTERNATIONAL INC, CD/J

HLF 7 1/4 08/15/26, Overweight (USD 100.50, 03-Mar-2020)

Valuation Methodology: We rate HLF OW given the cash flow dynamics, low leverage, market cap, and discount to benchmark index.

Risks that May Impede Achievement of the Rating: Risks to our OW include operational weakness, M&A, and regulatory risks.

MICHAELS STORES INC, A/CD/D/J/K/L/M

MIK 8 07/15/27, Market Weight (USD 83.50, 03-Mar-2020)

Valuation Methodology: Our Market Weight reflects risks around execution, declines in the equity price, and tariff overhangs. Offsetting those risks is lower leverage than the peer group.

Risks that May Impede Achievement of the Rating: Risks include corporate action that could trigger a change of control or material decline in fundamentals. Continued increase in tariffs and M&A are also risks.

NEXSTAR BROADCASTING INC, CD/J/K/M

NXST 5 5/8 07/15/27, Overweight (USD 104.50, 03-Mar-2020)

Valuation Methodology: Amidst what is likely to be a robust political advertising year, at current valuations, we believe upside remains on the 2027s.

Risks that May Impede Achievement of the Rating: The company is unable to meaningfully reduce leverage

Political revenue in 2020 disappoints

Growth in retrans and digital revenue stalls

FCF generation comes in much lower than company estimates

NXST 5 5/8 08/01/24, Market Weight (USD 103.00, 03-Mar-2020)

Valuation Methodology: Despite the fact that we remain generally constructive on TV broadcasters as a whole and Nexstar's consistently solid balance sheet, at current levels, we don't believe much upside remains on the notes. We believe Market Weight is appropriate.

Risks that May Impede Achievement of the Rating: The company is unable to meaningfully reduce leverage

Political revenue in 2020 disappoints

Growth in retrans and digital revenue stalls

FCF generation comes in much lower than company estimates

Materially Mentioned Issuers/Bonds
B&G FOODS INC, A/CD/CE/D/J/K/L/M

BGS 5 1/4 04/01/25, Overweight (USD 100.00, 03-Mar-2020)

BGS 5 1/4 09/15/27, Overweight (USD 99.63, 03-Mar-2020)

BEAZER HOMES USA INC, CD/CE/J

BZH 5 7/8 10/15/27, Overweight (USD 100.88, 03-Mar-2020)

BZH 6 3/4 03/15/25, Market Weight (USD 103.63, 03-Mar-2020)

BZH 7 1/4 10/15/29, Overweight (USD 106.00, 03-Mar-2020)

BLUE CUBE SPINCO LLC, CD/J

OLN 10 10/15/25, Underweight (USD 108.50, 03-Mar-2020)

OLN 9 3/4 10/15/23, Underweight (USD 106.25, 03-Mar-2020)

CF INDUSTRIES INC, CD/J

CF 4.95 06/01/43, Overweight (USD 109.13, 03-Mar-2020)

CF 5 3/8 03/15/44, Overweight (USD 114.63, 03-Mar-2020)

CF 5.15 03/15/34, Overweight (USD 115.00, 03-Mar-2020)

COMMSCOPE INC, CD/D/E/J/K/L/M/N

COMM 8 1/4 03/01/27, Market Weight (USD 102.75, 03-Mar-2020)

COMM 5 1/2 06/15/24, Market Weight (USD 97.50, 03-Mar-2020)

COMM 5 06/15/21, Market Weight (USD 99.88, 03-Mar-2020)

COMM 5 1/2 03/01/24, Market Weight (USD 103.50, 03-Mar-2020)

COMM 6 03/01/26, Market Weight (USD 105.13, 03-Mar-2020)

COMMSCOPE TECHNOLOGIES LLC, CD/J

COMM 5 03/15/27, Market Weight (USD 91.63, 03-Mar-2020)

COMM 6 06/15/25, Market Weight (USD 96.75, 03-Mar-2020)

DELL INTERNATIONAL LLC / EMC CORP, A/CD/D/E/J/K/L/M/N

Other Material Conflicts: Barclays Bank PLC and/or its affiliate is serving as financial advisor to Symphony Technology Group in relation to its announced definitive agreement under which a consortium led by Symphony Technology Group, Ontario Teachers' Pension Plan Board and AlpInvest Partners will acquire RSA from Dell Technologies (NYSE: DELL).

DELL 4 07/15/24, Market Weight (USD 107.90, 03-Mar-2020)

DELL 4.42 06/15/21, Market Weight (USD 103.33, 03-Mar-2020)

DELL 4.9 10/01/26, Market Weight (USD 112.36, 03-Mar-2020)

DELL 5 7/8 06/15/21, Market Weight (USD 100.50, 03-Mar-2020)

DELL 5.3 10/01/29, Market Weight (USD 116.35, 03-Mar-2020)

DELL 5.45 06/15/23, Market Weight (USD 110.56, 03-Mar-2020)

DELL 6.02 06/15/26, Market Weight (USD 118.39, 03-Mar-2020)

DELL 7 1/8 06/15/24, Market Weight (USD 104.38, 03-Mar-2020)

DELL 8.1 07/15/36, Market Weight (USD 137.23, 03-Mar-2020)

DELL 8.35 07/15/46, Market Weight (USD 137.82, 03-Mar-2020)

DIAMOND OFFSHORE DRILLING INC, CD/CE/D/J/K/L/M/N

DO 7 7/8 08/15/25, Overweight (USD 71.75, 03-Mar-2020)

DO 3.45 11/01/23, Overweight (USD 72.00, 03-Mar-2020)

DO 4 7/8 11/01/43, Overweight (USD 41.50, 03-Mar-2020)

DO 5.7 10/15/39, Overweight (USD 44.00, 03-Mar-2020)

DISH DBS CORP, CD/J

DISH 5 03/15/23, Underweight (USD 103.00, 03-Mar-2020)

DISH 5 7/8 07/15/22, Underweight (USD 105.50, 03-Mar-2020)

DISH 5 7/8 11/15/24, Underweight (USD 104.00, 03-Mar-2020)

DISH 6 3/4 06/01/21, Underweight (USD 104.00, 03-Mar-2020)

DISH 7 3/4 07/01/26, Underweight (USD 108.75, 03-Mar-2020)

EMC CORP, CD/E/J/K/L/M

Other Material Conflicts: Barclays Bank PLC and/or its affiliate is serving as financial advisor to Symphony Technology Group in relation to its announced definitive agreement under which a consortium led by Symphony Technology Group, Ontario Teachers' Pension Plan Board and AlpInvest Partners will acquire RSA from Dell Technologies (NYSE: DELL).

DELL 2.65 06/01/20, Market Weight (USD 99.75, 03-Mar-2020)

DELL 3 3/8 06/01/23, Market Weight (USD 101.00, 03-Mar-2020)

ENLINK MIDSTREAM PARTNERS LP, CD/J

ENLK 4.15 06/01/25, Market Weight (USD 85.50, 03-Mar-2020)

ENLK 4.4 04/01/24, Market Weight (USD 91.52, 03-Mar-2020)

ENLK 4.85 07/15/26, Market Weight (USD 86.58, 03-Mar-2020)

ENLK 5.05 04/01/45, Market Weight (USD 70.25, 03-Mar-2020)

ENLK 5.45 06/01/47, Market Weight (USD 72.15, 03-Mar-2020)

ENLK 5.6 04/01/44, Market Weight (USD 73.88, 03-Mar-2020)

GAP INC/THE, CD/CE/J

GPS 5.95 04/12/21, Overweight (USD 102.79, 03-Mar-2020)

GTT COMMUNICATIONS INC, CD/E/J/K/L/M/N

GTT 7 7/8 12/31/24 (USD 77.00, 03-Mar-2020)

HP INC, Market Weight, B/CD/CE/D/J/K/L/M/N

Representative Bond: HPQ 6.0 09/15/2041 (USD 115.77, 03-Mar-2020)

L BRANDS INC, A/CD/CE/D/E/J/K/L/M

LB 5 1/4 02/01/28, Market Weight (USD 98.50, 03-Mar-2020)

LB 5 5/8 02/15/22, Market Weight (USD 105.50, 03-Mar-2020)

LB 6 5/8 04/01/21, Market Weight (USD 104.13, 03-Mar-2020)

LB 6 7/8 11/01/35, Market Weight (USD 103.38, 03-Mar-2020)

LB 6.694 01/15/27, Market Weight (USD 105.00, 03-Mar-2020)

LB 6.95 03/01/33, Market Weight (USD 93.00, 03-Mar-2020)

LB 7.6 07/15/37, Market Weight (USD 99.75, 03-Mar-2020)

MEDNAX INC, CD/CE/FA/J

MD 5 1/4 12/01/23, Underweight (USD 99.00, 03-Mar-2020)

MD 6 1/4 01/15/27, Underweight (USD 96.75, 03-Mar-2020)

MGM RESORTS INTERNATIONAL, A/CD/CE/D/E/J/K/L/M

MGM 4 5/8 09/01/26, Market Weight (USD 105.25, 04-Mar-2020)

MGM 5 1/2 04/15/27, Market Weight (USD 109.38, 04-Mar-2020)

MGM 5 3/4 06/15/25, Market Weight (USD 110.50, 04-Mar-2020)

MGM 6 03/15/23, Market Weight (USD 107.88, 03-Mar-2020)

MGM 7.75 03/15/2022, Market Weight (USD 110.00, 04-Mar-2020)

NRG ENERGY INC, A/CD/CE/D/J/K/L/M

NRG 5 1/4 06/15/29, Underweight (USD 107.00, 03-Mar-2020)

NRG 5 3/4 01/15/28, Underweight (USD 106.25, 03-Mar-2020)

NRG 6 5/8 01/15/27, Underweight (USD 106.25, 03-Mar-2020)

NRG 7 1/4 05/15/26, Underweight (USD 106.88, 03-Mar-2020)

OLIN CORP, CD/CE/J/K/M

OLN 5 02/01/30, Market Weight (USD 99.25, 03-Mar-2020)

OLN 5 1/8 09/15/27, Market Weight (USD 103.00, 03-Mar-2020)

OLN 5 5/8 08/01/29, Market Weight (USD 103.25, 03-Mar-2020)

SEALED AIR CORP, CD/CE/J

SEE 4 12/01/27, Market Weight (USD 99.75, 03-Mar-2020)

SEE 5 1/2 09/15/25, Market Weight (USD 109.00, 03-Mar-2020)

SEE 5 1/8 12/01/24, Market Weight (USD 107.75, 03-Mar-2020)

SEE 6 7/8 07/15/33, Market Weight (USD 119.00, 03-Mar-2020)

SOFTBANK GROUP CORP, A/CD/D/E/J/K/L/M/N

SOFTBK 6 7/8 PERP, Market Weight (USD 98.00, 03-Mar-2020)

SOFTBK 6 PERP, Overweight (USD 95.88, 03-Mar-2020)

SOFTBK 3 1/8 09/19/25, Market Weight (EUR 101.45, 03-Mar-2020)

SOFTBK 4 04/20/23, Market Weight (EUR 105.46, 03-Mar-2020)

SOFTBK 4 07/30/22, Market Weight (EUR 106.12, 03-Mar-2020)

SOFTBK 4 09/19/29, Market Weight (EUR 103.68, 03-Mar-2020)

SOFTBK 4 1/2 04/20/25, Market Weight (EUR 108.87, 03-Mar-2020)

SOFTBK 4 3/4 07/30/25, Market Weight (EUR 110.50, 03-Mar-2020)

SOFTBK 5 04/15/28, Market Weight (EUR 109.79, 03-Mar-2020)

SOFTBK 4 3/4 09/19/24, Market Weight (USD 101.88, 03-Mar-2020)

SOFTBK 5 1/2 04/20/23, Market Weight (USD 105.50, 03-Mar-2020)

SOFTBK 5 1/4 07/30/27, Market Weight (EUR 111.61, 03-Mar-2020)

SOFTBK 5 1/8 09/19/27, Market Weight (USD 102.00, 03-Mar-2020)

SOFTBK 5 3/8 07/30/22, Market Weight (USD 103.25, 03-Mar-2020)

SOFTBK 6 07/30/25, Market Weight (USD 106.75, 03-Mar-2020)

SOFTBK 6 1/4 04/15/28, Market Weight (USD 109.25, 03-Mar-2020)

SOFTBK 6 1/8 04/20/25, Market Weight (USD 106.62, 03-Mar-2020)

SURGERY CENTER HOLDINGS INC, CD/J/K/M

SURCEN 10 04/15/27, Underweight (USD 109.00, 03-Mar-2020)

SURCEN 6 3/4 07/01/25, Underweight (USD 99.25, 03-Mar-2020)

TENET HEALTHCARE CORP, A/CD/CE/D/J/K/L/M

THC 6 3/4 06/15/23, Underweight (USD 107.75, 03-Mar-2020)

THC 6 7/8 11/15/31, Underweight (USD 105.00, 03-Mar-2020)

THC 7 08/01/25, Underweight (USD 104.63, 03-Mar-2020)

THC 8 1/8 04/01/22, Underweight (USD 109.00, 03-Mar-2020)

THC 4 5/8 07/15/24, Market Weight (USD 102.25, 03-Mar-2020)

THC 4 5/8 09/01/24, Market Weight (USD 102.25, 03-Mar-2020)

THC 4 7/8 01/01/26, Market Weight (USD 104.25, 03-Mar-2020)

THC 5 1/8 11/01/27, Market Weight (USD 105.00, 03-Mar-2020)

THC 5 1/8 05/01/25, Underweight (USD 102.13, 03-Mar-2020)

THC 6 1/4 02/01/27, Underweight (USD 106.50, 03-Mar-2020)

TENNECO INC, CD/CE/J/K/M/N

TEN 5 07/15/26 (USD 86.50, 03-Mar-2020)

TEN 5 3/8 12/15/24 (USD 91.25, 03-Mar-2020)

TRONOX FINANCE PLC, CD/J/K/M/N

TROX 5 3/4 10/01/25, Market Weight (USD 95.63, 03-Mar-2020)

TRONOX INC, CD/J/K/M/N

TROX 6 1/2 04/15/26, Market Weight (USD 96.63, 03-Mar-2020)

UBER TECHNOLOGIES INC, A/CD/CE/D/J/K/L/M/N

UBER 7 1/2 09/15/27 (USD 106.13, 03-Mar-2020)

UBER 8 11/01/26 (USD 105.88, 03-Mar-2020)

UNITED NATURAL FOODS INC, CD/CE/J/K/M

VISTRA ENERGY CORP, A/CD/CE/D/E/J/K/L/M

VST 5 7/8 06/01/23, Underweight (USD 101.25, 03-Mar-2020)

VISTRA OPERATIONS CO LLC, A/CD/D/E/J/K/L/M

VST 5 07/31/27, Underweight (USD 102.25, 03-Mar-2020)

VST 5 1/2 09/01/26, Underweight (USD 102.25, 03-Mar-2020)

VST 5 5/8 02/15/27, Underweight (USD 104.25, 03-Mar-2020)

XEROX CORP, CD/J

XRXCRP 4.8 03/01/35, Overweight (USD 95.75, 03-Mar-2020)

XRXCRP 6 3/4 12/15/39, Overweight (USD 107.25, 03-Mar-2020)

XRX 4.5 05/15/2021, Market Weight (USD 102.38, 03-Mar-2020)

XRXCRP 2 3/4 09/01/20, Market Weight (USD 100.04, 03-Mar-2020)

XRXCRP 2.8 05/15/20, Market Weight (USD 100.01, 03-Mar-2020)

XRXCRP 3 1/2 08/20/20, Market Weight (USD 100.39, 03-Mar-2020)

XRXCRP 3 5/8 03/15/23, Market Weight (USD 103.13, 03-Mar-2020)

XRXCRP 3.8 05/15/24, Market Weight (USD 102.00, 03-Mar-2020)

XRXCRP 4.07 03/17/22, Market Weight (USD 101.75, 03-Mar-2020)

All pricing information is indicative only. Unless otherwise indicated, prices are sourced from Refinitiv and reflect the closing price in the relevant trading market, which may not be the last available price at the time of publication.

Disclosure Legend:
A: Barclays Bank PLC and/or an affiliate has been lead manager or co-lead manager of a publicly disclosed offer of securities of the issuer in the previous 12 months.

B: An employee or non-executive director of Barclays PLC is a director of this issuer.

CD: Barclays Bank PLC and/or an affiliate is a market-maker in debt securities issued by this issuer.

CE: Barclays Bank PLC and/or an affiliate is a market-maker in equity securities issued by this issuer.

D: Barclays Bank PLC and/or an affiliate has received compensation for investment banking services from this issuer in the past 12 months.

E: Barclays Bank PLC and/or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer within the next 3 months.

FA: Barclays Bank PLC and/or an affiliate beneficially owns 1% or more of a class of equity securities of this issuer, as calculated in accordance with US regulations.

FB: Barclays Bank PLC and/or an affiliate beneficially owns a long position of more than 0.5% of a class of equity securities of this issuer, as calculated in accordance with EU regulations.

FC: Barclays Bank PLC and/or an affiliate beneficially owns a short position of more than 0.5% of a class of equity securities of this issuer, as calculated in accordance with EU regulations.

FD: Barclays Bank PLC and/or an affiliate beneficially owns 1% or more of a class of equity securities of this issuer, as calculated in accordance with South Korean regulations.

GD: One of the Research Analysts on the fundamental credit coverage team (or a member of his or her household) has a long position in the common equity securities of this issuer.

GE: One of the Research Analysts on the fundamental equity coverage team (or a member of his or her household) has a long position in the common equity securities of this issuer.

H: This issuer beneficially owns more than 5% of any class of common equity securities of Barclays PLC.

I: Barclays Bank PLC and/or an affiliate is party to an agreement with this issuer for the provision of financial services to Barclays Bank PLC and/or an affiliate.

J: Barclays Bank PLC and/or an affiliate is a liquidity provider and/or trades regularly in the securities of this issuer and/or in any related derivatives.

K: Barclays Bank PLC and/or an affiliate has received non-investment banking related compensation (including compensation for brokerage services, if applicable) from this issuer within the past 12 months.

L: This issuer is, or during the past 12 months has been, an investment banking client of Barclays Bank PLC and/or an affiliate.

M: This issuer is, or during the past 12 months has been, a non-investment banking client (securities related services) of Barclays Bank PLC and/or an affiliate.

N: This issuer is, or during the past 12 months has been, a non-investment banking client (non-securities related services) of Barclays Bank PLC and/or an affiliate.

O: Not in use.

P: A partner, director or officer of Barclays Capital Canada Inc. has, during the preceding 12 months, provided services to the subject company for remuneration, other than normal course investment advisory or trade execution services.

Q: Barclays Bank PLC and/or an affiliate is a Corporate Broker to this issuer.

R: Barclays Capital Canada Inc. and/or an affiliate has received compensation for investment banking services from this issuer in the past 12 months.

S: This issuer is a Corporate Broker to Barclays PLC.

T: Barclays Bank PLC and/or an affiliate is providing equity advisory services to this issuer.

U: The equity securities of this Canadian issuer include subordinate voting restricted shares.

V: The equity securities of this Canadian issuer include non-voting restricted shares.

Explanation of the Barclays Research Corporate Credit Sector Rating System

Overweight (OW):

For sectors rated against the Bloomberg Barclays U.S. Credit Index, the Bloomberg Barclays Pan-European Credit Index, the Bloomberg Barclays EM Asia USD High Grade Credit Index or the Bloomberg Barclays EM USD Corporate and Quasi-Sovereign Index, the analyst expects the six-month excess return of the sector to exceed the six-month excess return of the relevant index.

For sectors rated against the Bloomberg Barclays U.S. High Yield 2% Issuer Capped Credit Index, the Bloomberg Barclays Pan-European High Yield 3% Issuer Capped Credit Index excluding Financials, the Bloomberg Barclays Pan-European High Yield Finance Index or the Bloomberg Barclays EM Asia USD High Yield Corporate Credit Index, the analyst expects the six-month total return of the sector to exceed the six-month total return of the relevant index.

Market Weight (MW):

For sectors rated against the Bloomberg Barclays U.S. Credit Index, the Bloomberg Barclays Pan-European Credit Index, the Bloomberg Barclays EM Asia USD High Grade Credit Index or the Bloomberg Barclays EM USD Corporate and Quasi-Sovereign Index, the analyst expects the six-month excess return of the sector to be in line with the six-month excess return of the relevant index.

For sectors rated against the Bloomberg Barclays U.S. High Yield 2% Issuer Capped Credit Index, the Bloomberg Barclays Pan-European High Yield 3% Issuer Capped Credit Index excluding Financials, the Bloomberg Barclays Pan-European High Yield Finance Index or the Bloomberg Barclays EM Asia USD High Yield Corporate Credit Index, the analyst expects the six-month total return of the sector to be in line with the six-month total return of the relevant index.

Underweight (UW):

For sectors rated against the Bloomberg Barclays U.S. Credit Index, the Bloomberg Barclays Pan-European Credit Index, the Bloomberg Barclays EM Asia USD High Grade Credit Index or the Bloomberg Barclays EM USD Corporate and Quasi-Sovereign Index, the analyst expects the six-month excess return of the sector to be less than the six-month excess return of the relevant index.

For sectors rated against the Bloomberg Barclays U.S. High Yield 2% Issuer Capped Credit Index, the Bloomberg Barclays Pan-European High Yield 3% Issuer Capped Credit Index excluding Financials, the Bloomberg Barclays Pan-European High Yield Finance Index or the Bloomberg Barclays EM Asia USD High Yield Corporate Credit Index, the analyst expects the six-month total return of the sector to be less than the six-month total return of the relevant index.

Sector definitions:

Sectors in U.S. High Grade Research are defined using the sector definitions of the Bloomberg Barclays U.S. Credit Index and are rated against the Bloomberg Barclays U.S. Credit Index.

Sectors in U.S. High Yield Research are defined using the sector definitions of the Bloomberg Barclays U.S. High Yield 2% Issuer Capped Credit Index and are rated against the Bloomberg Barclays U.S. High Yield 2% Issuer Capped Credit Index.

Sectors in European High Grade Research are defined using the sector definitions of the Bloomberg Barclays Pan-European Credit Index and are rated against the Bloomberg Barclays Pan-European Credit Index.

Sectors in Industrials and Utilities in European High Yield Research are defined using the sector definitions of the Bloomberg Barclays Pan-European High Yield 3% Issuer Capped Credit Index excluding Financials and are rated against the Bloomberg Barclays Pan-European High Yield 3% Issuer Capped Credit Index excluding Financials.

Sectors in Financials in European High Yield Research are defined using the sector definitions of the Bloomberg Barclays Pan-European High Yield Finance Index and are rated against the Bloomberg Barclays Pan-European High Yield Finance Index.

Sectors in Asia High Grade Research are defined on Barclays Live and are rated against the Bloomberg Barclays EM Asia USD High Grade Credit Index.

Sectors in Asia High Yield Research are defined on Barclays Live and are rated against the Bloomberg Barclays EM Asia USD High Yield Corporate Credit Index.

Sectors in EEMEA and Latin America Research are defined on Barclays Live and are rated against the Bloomberg Barclays EM USD Corporate and Quasi Sovereign Index. These sectors may contain both High Grade and High Yield issuers.

To view sector definitions and monthly sector returns for Asia, EEMEA and Latin America Research, go to https://live.barcap.com/go/research/EMSectorReturns on Barclays Live.

Explanation of the Barclays Research Corporate Credit Rating System

For all High Grade issuers covered in the US, Europe or Asia, and for all issuers in Latin America and EEMEA, the credit rating system is based on the analyst's view of the expected excess return over a six-month period of the issuer's index-eligible corporate debt securities* relative to the expected excess return of the relevant sector, as specified on the report.

Overweight (OW): The analyst expects the six-month excess return of the issuer's index-eligible corporate debt securities to exceed the six-month expected excess return of the relevant sector.

Market Weight (MW): The analyst expects the six-month excess return of the issuer's index-eligible corporate debt securities to be in line with the six-month expected excess return of the relevant sector.

Underweight (UW): The analyst expects the six-month excess return of the issuer's index-eligible corporate debt securities to be less than the six-month expected excess return of the relevant sector.

Rating Suspended (RS): The rating has been suspended temporarily due to market events that make coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including where the Investment Bank of Barclays Bank PLC is acting in an advisory capacity in a merger or strategic transaction involving the company.

Coverage Suspended (CS): Coverage of this issuer has been temporarily suspended.

Not Covered (NC): Barclays' fundamental credit research team does not provide formal, continuous coverage of this issuer and has not assigned a rating to the issuer or its debt securities. Any analysis, opinion or trade recommendation provided on a Not Covered issuer or its debt securities is valid only as of the publication date of this report and there should be no expectation that additional reports relating to the Not Covered issuer or its debt securities will be published thereafter.

For all High Yield issuers (excluding those covered in EEMEA or Latin America), the credit rating system is based on the analyst's view of the expected total returns over a six-month period of the rated debt security relative to the expected total return of the relevant sector, as specified on the report.

Overweight (OW): The analyst expects the six-month total return of the debt security subject to this rating to exceed the six-month expected total return of the relevant sector.

Market Weight (MW): The analyst expects the six-month total return of the debt security subject to this rating to be in line with the six-month expected total return of the relevant sector.

Underweight (UW): The analyst expects the six-month total return of the rated debt security subject to this rating to be less than the six-month expected total return of the relevant sector.

Rating Suspended (RS): The rating has been suspended temporarily due to market events that make coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including where the Investment Bank of Barclays Bank PLC is acting in an advisory capacity in a merger or strategic transaction involving the company.

Coverage Suspended (CS): Coverage of this issuer has been temporarily suspended.

Not Covered (NC): Barclays' fundamental credit research team does not provide formal, continuous coverage of this issuer and has not assigned a rating to the issuer or its debt securities. Any analysis, opinion or trade recommendation provided on a Not Covered issuer or its debt securities is valid only as of the publication date of this report and there should be no expectation that additional reports relating to the Not Covered issuer or its debt securities will be published thereafter.

Where a recommendation is made at the issuer level, it does not apply to any sanctioned securities, where trading in such securities would be prohibited under applicable law, including sanctions laws and regulations.

*In EEMEA and Latin America (and in certain other limited instances in other regions), analysts may occasionally rate issuers that are not part of the Bloomberg Barclays U.S. Credit Index, the Bloomberg Barclays Pan-European Credit Index, the Bloomberg Barclays EM Asia USD High Grade Credit Index or Bloomberg Barclays EM USD Corporate and Quasi Sovereign Index. In such cases the rating will reflect the analyst's view of the expected excess return over a six-month period of the issuer's corporate debt securities relative to the expected excess return of the relevant sector, as specified on the report.

Distribution of ratings assigned by Barclays Corporate Credit Research at the issuer level:
27% have been assigned an Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 57% of issuers with this rating category are investment banking clients of the Firm; 76% of the issuers with this rating have received financial services from the Firm.

46% have been assigned Market Weight rating which, for purposes of mandatory regulatory disclosures, is classified as a Hold rating; 60% of issuers with this rating category are investment banking clients of the Firm; 83% of the issuers with this rating have received financial services from the Firm.

27% have been assigned an Underweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Sell rating; 49% of issuers with this rating category are investment banking clients of the Firm; 79% of the issuers with this rating have received financial services from the Firm.

Distribution of ratings assigned by Barclays Corporate Credit Research at the bond level:
22% have been assigned an Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 52% of bonds with this rating category are investment banking clients of the Firm; 73% of the issuers with this rating have received financial services from the Firm.

53% have been assigned Market Weight rating which, for purposes of mandatory regulatory disclosures, is classified as a Hold rating; 58% of bonds with this rating category are investment banking clients of the Firm; 79% of the issuers with this rating have received financial services from the Firm.

25% have been assigned an Underweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Sell rating; 46% of bonds with this rating category are investment banking clients of the Firm; 70% of the issuers with this rating have received financial services from the Firm.

Explanation of the Barclays EM Sovereign Credit Issuer Rating System

Overweight (OW):
The analyst expects the six-month excess return of the country's index eligible bonds to exceed the six-month excess return of the Bloomberg Barclays EM USD Sovereign Index.

Market Weight (MW):
The analyst expects the six-month excess return of the country's index eligible bonds to be in line with the six-month excess return of the Bloomberg Barclays EM USD Sovereign Index.

Underweight (UW):
The analyst expects the six-month excess return of the country's index eligible bonds to be less than the six-month excess return of the Bloomberg Barclays EM USD Sovereign Index.

Rating Suspended (RS):
The rating has been suspended temporarily due to market events that make coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including where the Investment Bank of Barclays Bank PLC is acting in an advisory capacity.

Distribution of ratings assigned by Barclays Emerging Markets Sovereign Research at the issuer level:

32% have been assigned an Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 9% of issuers with this rating category are investment banking clients of the Firm; 64% of the issuers with this rating have received financial services from the Firm.

35% have been assigned Market Weight rating which, for purposes of mandatory regulatory disclosures, is classified as a Hold rating; 8% of issuers with this rating category are investment banking clients of the Firm; 83% of the issuers with this rating have received financial services from the Firm.

32% have been assigned an Underweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Sell rating; 9% of issuers with this rating category are investment banking clients of the Firm; 91% of the issuers with this rating have received financial services from the Firm.

Types of investment recommendations produced by Barclays FICC Research:
In addition to any ratings assigned under Barclays' formal rating systems, this publication may contain investment recommendations in the form of trade ideas, thematic screens, scorecards or portfolio recommendations that have been produced by analysts in FICC Research. Any such investment recommendations produced by non-Credit Research teams shall remain open until they are subsequently amended, rebalanced or closed in a future research report. Any such investment recommendations produced by the Credit Research teams are valid at current market conditions and may not be otherwise relied upon.

Disclosure of other investment recommendations produced by Barclays FICC Research:
Barclays FICC Research may have published other investment recommendations in respect of the same securities/instruments recommended in this research report during the preceding 12 months. To view all investment recommendations published by Barclays FICC Research in the preceding 12 months please refer to https://live.barcap.com/go/research/Recommendations.

Legal entities involved in producing Barclays Research:
Barclays Bank PLC (Barclays, UK)

Barclays Capital Inc. (BCI, US)

Barclays Bank Ireland PLC, Frankfurt Branch (BBI, Frankfurt)

Barclays Bank Ireland PLC, Paris Branch (BBI, Paris)

Barclays Bank Ireland PLC, Milan Branch (BBI, Milan)

Barclays Securities Japan Limited (BSJL, Japan)

Barclays Bank PLC, Hong Kong branch (Barclays Bank, Hong Kong)

Barclays Capital Canada Inc. (BCCI, Canada)

Barclays Bank Mexico, S.A. (BBMX, Mexico)

Barclays Securities (India) Private Limited (BSIPL, India)

Barclays Bank PLC, India branch (Barclays Bank, India)

Barclays Bank PLC, Singapore branch (Barclays Bank, Singapore)

Barclays Bank PLC, DIFC Branch (Barclays Bank, DIFC)

Disclaimer:
This publication has been produced by Barclays Research Department in the Investment Bank of Barclays Bank PLC and/or one or more of its affiliates (collectively and each individually, "Barclays"). It has been prepared for institutional investors and not for retail investors. It has been distributed by one or more Barclays affiliated legal entities listed below. It is provided to our clients for information purposes only, and Barclays makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this publication. To the extent that this publication states on the front page that it is intended for institutional investors and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors under U.S. FINRA Rule 2242, it is an "institutional debt research report" and distribution to retail investors is strictly prohibited. Barclays also distributes such institutional debt research reports to various issuers, media, regulatory and academic organisations for their own internal informational news gathering, regulatory or academic purposes and not for the purpose of making investment decisions regarding any debt securities. Media organisations are prohibited from re-publishing any opinion or recommendation concerning a debt issuer or debt security contained in any Barclays institutional debt research report. Any such recipients that do not want to continue receiving Barclays institutional debt research reports should contact debtresearch@barclays.com. Clients that are subscribed to receive equity research reports, will not receive certain cross asset research reports co-authored by equity and FICC research analysts that are distributed as "institutional debt research reports" unless they have agreed to accept such reports. Eligible clients may get access to such cross asset reports by contacting debtresearch@barclays.com. Barclays will not treat unauthorized recipients of this report as its clients and accepts no liability for use by them of the contents which may not be suitable for their personal use. Prices shown are indicative and Barclays is not offering to buy or sell or soliciting offers to buy or sell any financial instrument.

Without limiting any of the foregoing and to the extent permitted by law, in no event shall Barclays, nor any affiliate, nor any of their respective officers, directors, partners, or employees have any liability for (a) any special, punitive, indirect, or consequential damages; or (b) any lost profits, lost revenue, loss of anticipated savings or loss of opportunity or other financial loss, even if notified of the possibility of such damages, arising from any use of this publication or its contents.

Other than disclosures relating to Barclays, the information contained in this publication has been obtained from sources that Barclays Research believes to be reliable, but Barclays does not represent or warrant that it is accurate or complete. Barclays is not responsible for, and makes no warranties whatsoever as to, the information or opinions contained in any written, electronic, audio or video presentations of third parties that are accessible via a direct hyperlink in this publication or via a hyperlink to a third-party web site ('Third-Party Content'). Any such Third-Party Content has not been adopted or endorsed by Barclays, does not represent the views or opinions of Barclays, and is not incorporated by reference into this publication. Third-Party Content is provided for information purposes only and Barclays has not independently verified its accuracy or completeness.

The views in this publication are solely and exclusively those of the authoring analyst(s) and are subject to change, and Barclays Research has no obligation to update its opinions or the information in this publication. Unless otherwise disclosed herein, the analysts who authored this report have not received any compensation from the subject companies in the past 12 months. If this publication contains recommendations, they are general recommendations that were prepared independently of any other interests, including those of Barclays and/or its affiliates, and/or the subject companies. This publication does not contain personal investment recommendations or investment advice or take into account the individual financial circumstances or investment objectives of the clients who receive it. The securities and other investments discussed herein may not be suitable for all investors. Barclays is not a fiduciary to any recipient of this publication. Investors must independently evaluate the merits and risks of the investments discussed herein, consult any independent advisors they believe necessary, and exercise independent judgment with regard to any investment decision. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results. The information provided does not constitute a financial benchmark and should not be used as a submission or contribution of input data for the purposes of determining a financial benchmark.

United Kingdom: This document is being distributed (1) only by or with the approval of an authorised person (Barclays Bank PLC) or (2) to, and is directed at (a) persons in the United Kingdom having professional experience in matters relating to investments and who fall within the definition of “investment professionals” in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”); or (b) high net worth companies, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Order; or (c) other persons to whom it may otherwise lawfully be communicated (all such persons being “Relevant Persons”). Any investment or investment activity to which this communication relates is only available to and will only be engaged in with Relevant Persons. Any other persons who receive this communication should not rely on or act upon it. Barclays Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the London Stock Exchange.

European Economic Area (“EEA”): This material is being distributed in the EEA by Barclays Bank PLC. Barclays Bank PLC is not registered in France with the Autorité des marchés financiers or the Autorité de contrôle prudentiel.

Americas: The Investment Bank of Barclays Bank PLC undertakes U.S. securities business in the name of its wholly owned subsidiary Barclays Capital Inc., a FINRA and SIPC member. Barclays Capital Inc., a U.S. registered broker/dealer, is distributing this material in the United States and, in connection therewith accepts responsibility for its contents. Any U.S. person wishing to effect a transaction in any security discussed herein should do so only by contacting a representative of Barclays Capital Inc. in the U.S. at 745 Seventh Avenue, New York, New York 10019.

Non-U.S. persons should contact and execute transactions through a Barclays Bank PLC branch or affiliate in their home jurisdiction unless local regulations permit otherwise.

This material is distributed in Canada by Barclays Capital Canada Inc., a registered investment dealer, a Dealer Member of IIROC (www.iiroc.ca), and a Member of the Canadian Investor Protection Fund (CIPF).

This material is distributed in Mexico by Barclays Bank Mexico, S.A. This material is distributed in the Cayman Islands and in the Bahamas by Barclays Capital Inc., which it is not licensed or registered to conduct and does not conduct business in, from or within those jurisdictions and has not filed this material with any regulatory body in those jurisdictions.

Japan: This material is being distributed to institutional investors in Japan by Barclays Securities Japan Limited. Barclays Securities Japan Limited is a joint-stock company incorporated in Japan with registered office of 6-10-1 Roppongi, Minato-ku, Tokyo 106-6131, Japan. It is a subsidiary of Barclays Bank PLC and a registered financial instruments firm regulated by the Financial Services Agency of Japan. Registered Number: Kanto Zaimukyokucho (kinsho) No. 143.

Asia Pacific (excluding Japan): Barclays Bank PLC, Hong Kong Branch is distributing this material in Hong Kong as an authorised institution regulated by the Hong Kong Monetary Authority. Registered Office: 41/F, Cheung Kong Center, 2 Queen’s Road Central, Hong Kong.

All Indian securities-related research and other equity research produced by Barclays’ Investment Bank are distributed in India by Barclays Securities (India) Private Limited (BSIPL). BSIPL is a company incorporated under the Companies Act, 1956 having CIN U67120MH2006PTC161063. BSIPL is registered and regulated by the Securities and Exchange Board of India (SEBI) as a Research Analyst: INH000001519; Portfolio Manager INP000002585; Stock Broker/Trading and Clearing Member: National Stock Exchange of India Limited (NSE) Capital Market INB231292732, NSE Futures & Options INF231292732, NSE Currency derivatives INE231450334, Bombay Stock Exchange Limited (BSE) Capital Market INB011292738, BSE Futures & Options INF011292738; Depository Participant (DP) with the National Securities & Depositories Limited (NSDL): DP ID: IN-DP-NSDL-299-2008; Investment Adviser: INA000000391. The registered office of BSIPL is at 208, Ceejay House, Shivsagar Estate, Dr. A. Besant Road, Worli, Mumbai – 400 018, India. Telephone No: +91 2267196000. Fax number: +91 22 67196100. Any other reports produced by Barclays’ Investment Bank are distributed in India by Barclays Bank PLC, India Branch, an associate of BSIPL in India that is registered with Reserve Bank of India (RBI) as a Banking Company under the provisions of The Banking Regulation Act, 1949 (Regn No BOM43) and registered with SEBI as Merchant Banker (Regn No INM000002129) and also as Banker to the Issue (Regn No INBI00000950). Barclays Investments and Loans (India) Limited, registered with RBI as Non Banking Financial Company (Regn No RBI CoR-07-00258), and Barclays Wealth Trustees (India) Private Limited, registered with Registrar of Companies (CIN U93000MH2008PTC188438), are associates of BSIPL in India that are not authorised to distribute any reports produced by Barclays’ Investment Bank.

This material is distributed in Singapore by the Singapore branch of Barclays Bank PLC, a bank licensed in Singapore by the Monetary Authority of Singapore. For matters in connection with this material, recipients in Singapore may contact the Singapore branch of Barclays Bank PLC, whose registered address is 10 Marina Boulevard, #23-01 Marina Bay Financial Centre Tower 2, Singapore 018983.

This material is distributed to persons in Australia by Barclays Bank PLC. None of Barclays Bank PLC, nor any other Barclays group entity, holds an Australian financial services licence and instead relies on an exemption from the requirement to hold such a licence. This material is intended to only be distributed to “wholesale clients” as defined by the Australian Corporations Act 2001. This material is distributed in New Zealand by Barclays Bank PLC, but it has not been registered, filed or approved by any New Zealand regulatory authority or under or in accordance with the Financial Markets Conduct Act of 2013, and this material is not a disclosure document under New Zealand law.

Middle East: Nothing herein should be considered investment advice as defined in the Israeli Regulation of Investment Advisory, Investment Marketing and Portfolio Management Law, 1995 (“Advisory Law”). This document is being made to eligible clients (as defined under the Advisory Law) only. Barclays Israeli branch previously held an investment marketing license with the Israel Securities Authority but it cancelled such license on 30/11/2014 as it solely provides its services to eligible clients pursuant to available exemptions under the Advisory Law, therefore a license with the Israel Securities Authority is not required. Accordingly, Barclays does not maintain an insurance coverage pursuant to the Advisory Law.

This material is distributed in the United Arab Emirates (including the Dubai International Financial Centre) and Qatar by Barclays Bank PLC. Barclays Bank PLC in the Dubai International Financial Centre (Registered No. 0060) is regulated by the Dubai Financial Services Authority (DFSA). Principal place of business in the Dubai International Financial Centre: The Gate Village, Building 4, Level 4, PO Box 506504, Dubai, United Arab Emirates. Barclays Bank PLC-DIFC Branch, may only undertake the financial services activities that fall within the scope of its existing DFSA licence. Related financial products or services are only available to Professional Clients, as defined by the Dubai Financial Services Authority. Barclays Bank PLC in the UAE is regulated by the Central Bank of the UAE and is licensed to conduct business activities as a branch of a commercial bank incorporated outside the UAE in Dubai (Licence No.: 13/1844/2008, Registered Office: Building No. 6, Burj Dubai Business Hub, Sheikh Zayed Road, Dubai City) and Abu Dhabi (Licence No.: 13/952/2008, Registered Office: Al Jazira Towers, Hamdan Street, PO Box 2734, Abu Dhabi). This material does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase, any securities or investment products in the UAE (including the Dubai International Financial Centre) and accordingly should not be construed as such. Furthermore, this information is being made available on the basis that the recipient acknowledges and understands that the entities and securities to which it may relate have not been approved, licensed by or registered with the UAE Central Bank, the Dubai Financial Services Authority or any other relevant licensing authority or governmental agency in the UAE. The content of this report has not been approved by or filed with the UAE Central Bank or Dubai Financial Services Authority. Barclays Bank PLC in the Qatar Financial Centre (Registered No. 00018) is authorised by the Qatar Financial Centre Regulatory Authority (QFCRA). Barclays Bank PLC-QFC Branch may only undertake the regulated activities that fall within the scope of its existing QFCRA licence. Principal place of business in Qatar: Qatar Financial Centre, Office 1002, 10th Floor, QFC Tower, Diplomatic Area, West Bay, PO Box 15891, Doha, Qatar. Related financial products or services are only available to Business Customers as defined by the Qatar Financial Centre Regulatory Authority.

Russia: This material is not intended for investors who are not Qualified Investors according to the laws of the Russian Federation as it might contain information about or description of the features of financial instruments not admitted for public offering and/or circulation in the Russian Federation and thus not eligible for non-Qualified Investors. If you are not a Qualified Investor according to the laws of the Russian Federation, please dispose of any copy of this material in your possession.

IRS Circular 230 Prepared Materials Disclaimer: Barclays does not provide tax advice and nothing contained herein should be construed to be tax advice. Please be advised that any discussion of U.S. tax matters contained herein (including any attachments) (i) is not intended or written to be used, and cannot be used, by you for the purpose of avoiding U.S. tax-related penalties; and (ii) was written to support the promotion or marketing of the transactions or other matters addressed herein. Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.

BRCF2242