European HY Credit Strategy

"Bubble economics" 101

Credit Analysis

31 January 2020

High Yield Credit Strategy
Europe

Barnaby Martin
Credit Strategist
MLI (UK)
+44 20 7995 0458
barnaby.martin@bofa.com

Ioannis Angelakis
Credit Derivatives Strategist
MLI (UK)
ioannis.angelakis@bofa.com

Elyas Galou
Credit Strategist
BofASE (France)
elyas.galou@bofa.com

Nick Macdonald, CFA
Research Analyst
BofASE (France)
nick.macdonald@bofa.com

Calum Emslie
Research Analyst
MLI (UK)
calum.emslie@bofa.com

Tom Gibney, CFA
Research Analyst
MLI (UK)
tom.gibney@bofa.com

Like the proverbial coiled spring...

While it's been "hubris for the many" still in the 2020s (CCCs up 2.6% YTD), it's been a painful lesson in evaporating returns for the rest. Valuations are now so tight in classic safe haven parts of the credit market that the slightest macro shock overwhelms. BBs – especially front-end bonds – look incredibly tight to us now, as do valuations in defensives, such as telecoms. We would preach some caution here. Conversely, we see a better value proposition still in single-Bs, and take heart from the recent drop in spread dispersion across the sector.

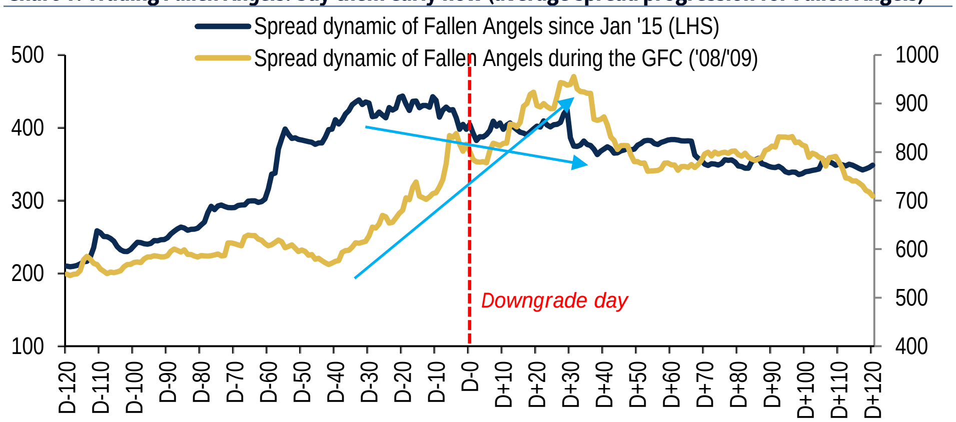
EMbracing the good times

Technicals aside, we think European high-yield is well placed to capture some of the big secular themes of the 2020s. Monetary largesse is still not dead, with central banks across the globe having cut rates a total of 7 times already in 2020. Yet, they are heavily driven by EM central banks now, and we think this is good news for European high-yield given still-high sensitivity to the EM complex. Moreover, improving global trade should further benefit EM sentiment, again playing nicely into European high-yield performance.

Fallen Angels? Fake news

Monday sees almost €8bn of Atlantia debt enter ICE HY bond indices, marking the third largest European *Fallen Angel* since 2008. In prior times, this would be a harbinger of bad times ahead for the credit cycle. But not today. In fact, credit markets globally are currently amid a synchronised *Rising Star* cycle, a historically unique occurrence. Our work also shows that Fallen Angels in today's environment should be snapped up sooner rather than later. Recent downgraded names have started to rally long before they enter HY indices, and have continued to rally for months afterwards. Yet, cyclical names still have a penchant for being more like *Falling Knives* rather than Falling Angels, we find.

Chart 1: Trading *Fallen Angels*: buy them early now (average spread progression for Fallen Angels)



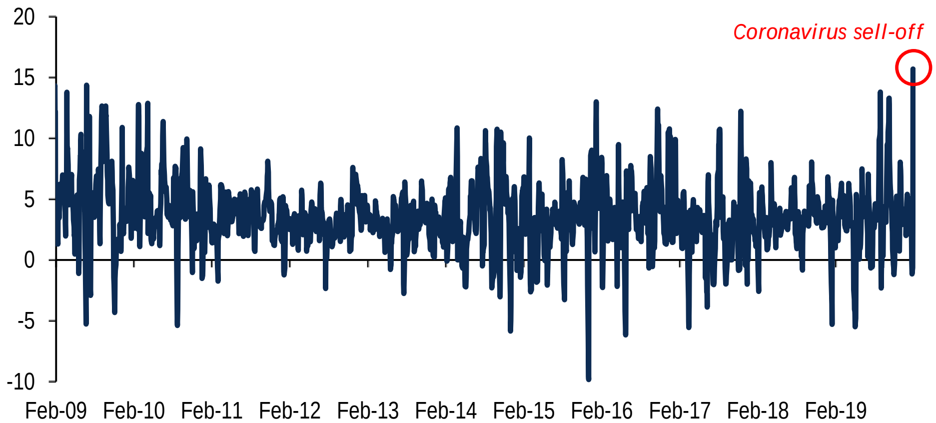
Source: BofA Global Research. Average spreads for Fallen Angels, GFC vintage and 2015+ vintage. D=0 is day name enters HY indices.

"Bubble economics" 101

The first month of the new decade has already contained its fair share of excitement for high-yield. Hubris has been one evident theme, given the incessant reach for yield in a world full of negative debt: CCC returns stand at an impressive +2.6% already.

And yet, hidden amid the strong performance, are some other less-than-desirable market traits. "Fragility" has been one such theme. Note that high-yield spreads moved 30bp wider in a matter of days last week, as coronavirus concerns mounted. IG spreads, though, were virtually unchanged. And so as chart 2 shows, this move has proven to be one of the most extreme underperformances – in beta terms – for the European high-yield market over the last decade.

Chart 2: Rolling 2w betas of HY vs IG spreads

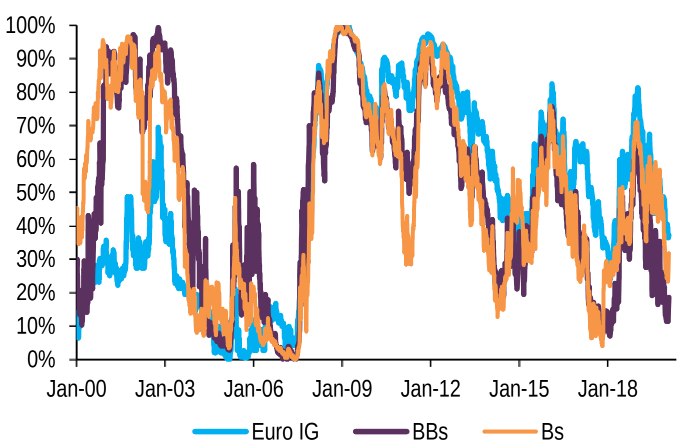


Source: BofA Global Research. ICE Data Indices LLC. Rolling beta of spread levels (HE00 vs ER00 indices).

Herein lies the lesson for markets. Like the proverbial coiled spring, the reality of tight valuations can come back to haunt the market should leftfield events crop-up. And it's in European high-yield where the market is posting some of its tightest valuations in years.

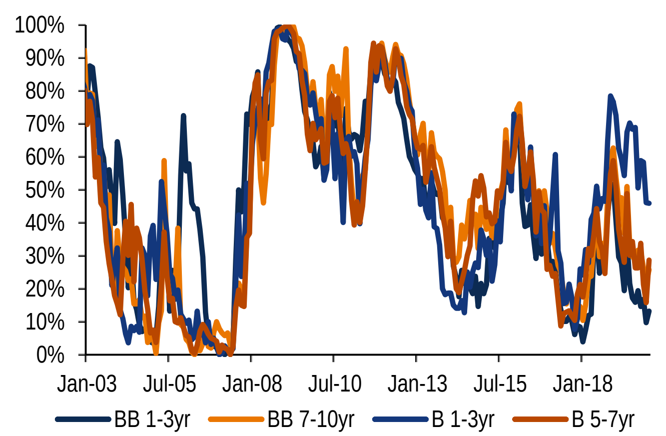
Which parts of high-yield are closest to "hitting the wall"? The charts below show the historical spread percentiles of the Euro HY bond market (higher percentiles = spreads are historically wide, lower percentiles = spreads are historically tight). We use a fixed window from 2000-today to calculate percentiles over time.

Chart 3: Long term percentiles of € corporate bonds. BBs screening as very tight now.



Source: BofA Global Research, ICE Data Indices LLC.

Chart 4: Long term percentiles of Euro HY (2000-today). Short-maturities very tight now, especially for BBs.



Source: BofA Global Research, ICE Data Indices LLC.

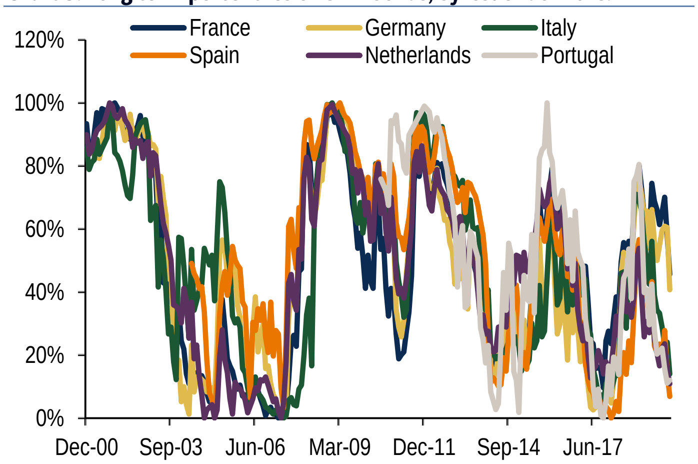
While the valuation picture is mixed, when digging down there are nonetheless a number of "red flags" we think:

- **BBs continue to offer the least value** historically, which we think is reflective of IG investors' mandate drift into high-yield, and the ECB's foray into buying BBs amid QE (and note, on this front, the ECB recent bought Cellnex bonds).
- As a sector, BBs currently trade around the 17th percentile (i.e. spreads have only been tighter 16% of the time historically)
- Yet, the picture is even more stretched at the front-end: **(1-3yr) BBs now trade at the 12th percentile**. Here, the popularity of short-duration high-yield funds has likely exacerbated the tightness of the market. Conversely, we see **more value in the belly (5-10yr)** of the BB curve now (22nd percentile)

For single-Bs, note that the story is reversed:

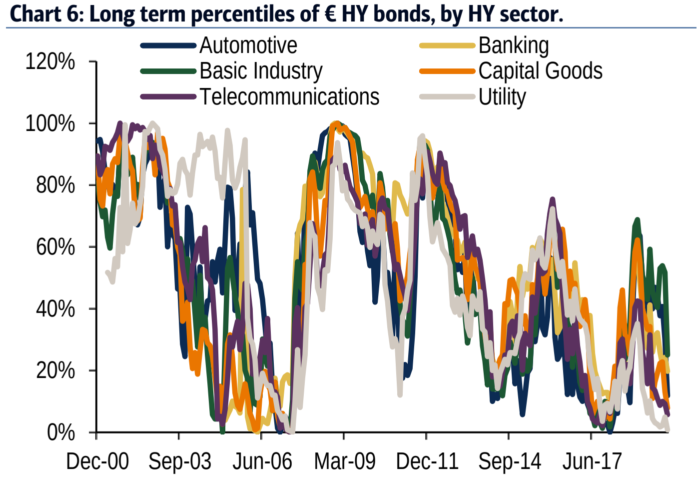
- Front end (1-3yr) single-B bonds still offer a lot of value **(46th percentile)**. But the further along the curve one goes, value gets tougher and tougher: 7-10yr single-Bs trade at just their **5th percentile**, for instance.

Chart 5: Long term percentiles of € HY bonds, by issuer domicile.



Source: BofA Global Research, ICE Data Indices LLC.

Chart 6: Long term percentiles of € HY bonds, by HY sector.



Source: BofA Global Research, ICE Data Indices LLC.

By country, the picture is interesting as well. We find **value to be in core credit** now, while the **periphery looks very tight**:

- Spanish high-yield credit, for instance, is trading at its 7th percentile, while Italian high-yield credit at the 14th. Why so tight? Note the multi-year deleveraging effort of HY peripheral credit (chart 35 in the HY fundamentals section), which has likely added to the attraction of this part of the market and made it super-crowded.
- Yet, high-yield spreads for French and German credits are still wide (~45% percentile), in part reflective, we think, of their willingness to releverage recently (chart 34 in the HY fundamentals section). Spreads here, therefore, still appear cheap.

And by sector (chart 6), we find that there are even starker discrepancies in value:

- Retail and consumer sectors have high spread percentiles (~40th, and ~50th percentiles, respectively), at present. That said, our HY consumer and retail analyst, Tom Gibney, argues that these historically wide levels are warranted by the current high levels of distress in the sectors. Moreover, he notes that the structural drivers of these defaults do not appear to be lessening.

- On the other hand, classic "safe haven" sectors feel like they have become very tight: telecom spreads are currently at the 10th percentile, for instance.

Our HY TMT analyst, Nick Macdonald, sees a number of important points here:

> *Telecom and Cable names trades near all-time tights. Changing index composition muddies the waters; nonetheless we think this is interesting in the context of the destruction of equity value and a reduction in asset coverage.*

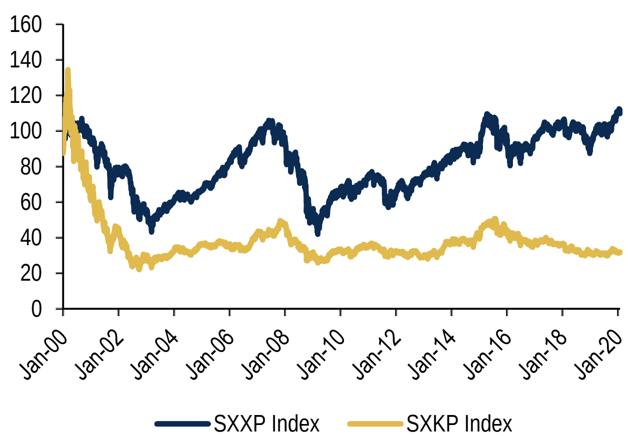
Telecoms (including the likes of Altice, Matterhorn, Telecom Italia) and Media (which includes many "cable" names e.g. Liberty silos) appear very rich in spread percentile terms, having effectively only been tighter less than 10% of the time historically (2000-today). While we acknowledge the changing make-up of bond indices over time, we think it is worth highlighting three key points:

1. **Telecom/cable equity performance**: we think it is interesting to compare the relative tight levels of HY Telecoms and Cable names vs. the significant underperformance of European Telecoms Equity index. Performance over the last 3 years (and from the early '00s tech bubble) suggests material destruction of value (total returns: -14%/-25% since '16/'00 and eroding equity cushions, given comparable leverage, (see below chart).

2. **Altice as a driver**: the company had a significant wobble from '17 and into 2018. Much of the recovery it has enjoyed has been driven by rates and to a lesser extent asset monetisation (see below). Altice bonds represented 31% of the Media index in '17. However the plunge prompted question marks over not just the intrinsic value of Altice but the sector as a whole. We think many of those question marks remain, even if credit spreads have normalised.

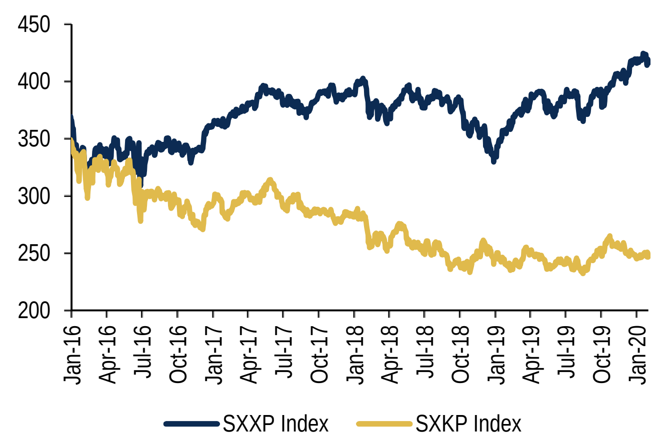
3. **Infrastructure monetisation**: several of the companies concerned have pursued a policy of selling telecom infrastructure assets with proceeds used partially to reduce traditional debt. We highlight Matterhorn and Altice in particular in this respect. Predominantly these deals are sale and lease back in nature. We think this may reduce capacity to deal with future shocks. We have Underweights on Telenet and Matterhorn bonds which reflect these valuation and asset coverage themes.

Chart 7: Telecoms equity never recovered from the early '00s collapse...



Source: BofA Global Research, Bloomberg.

Chart 8: ... however the last three year performance has also been poor

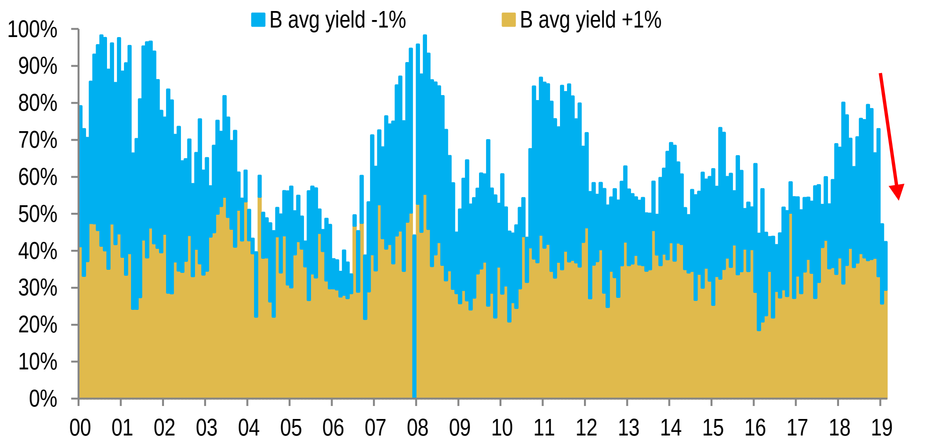


Source: BofA Global Research, Bloomberg

In summary, there are some big divergences in the valuation proposition across high-yield, at present. However, some parts of the market – through crowding and the ongoing reach for yield – are starting to look very tight in our view.

Our preference remains to be long single-Bs over BBs in the early part of this year, and we are especially encouraged by signs that spread dispersion is finally falling in the single-B space, as chart 9 shows.

Chart 9: Spread dispersion finally falling across European single-Bs (% of index debt trading at a yield +/- 1% away from the average index yield)



Source: BofA Global Research, ICE Data Indices LLC.

HY and the secular winners for the 2020s

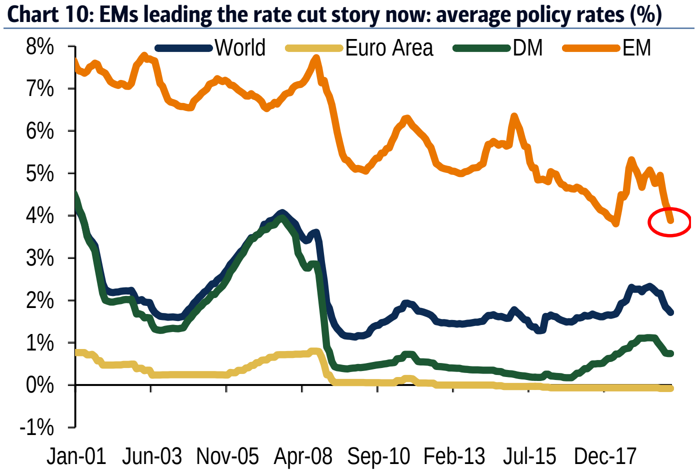
Market technicals aside, we still think European HY is well placed to capture many of the growing market narratives for the 2020s. Three big macro themes stand out at present: EM monetary largesse, improving global trade and fiscal spending.

EM monetary largesse

2019 was a story of central bank rate cuts galore, with 69 net rate cuts being witnessed across the globe. Of course, markets duly rallied last year, given such a backdrop.

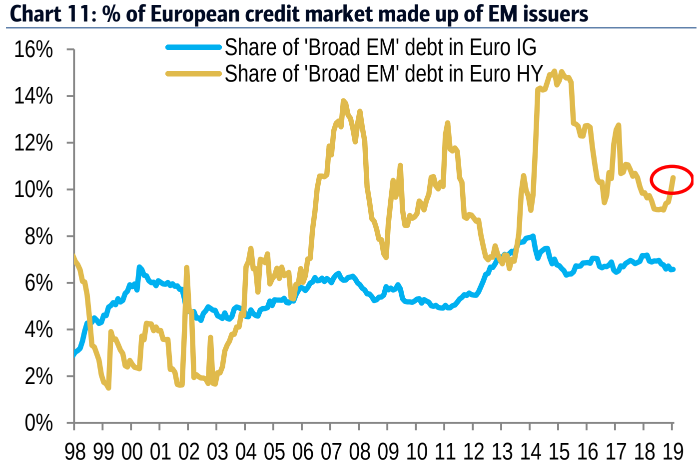
Yet, the theme lives on: Jan 2020 has already seen 7 rate cuts (Ukraine being the latest yesterday), meaning 2020 could also be another year of strong central bank support. But as chart 10 shows, it's now EM central banks that are leading the charge: the average EM policy rate has fallen to match its previous all-time low of 3.8%.

Chart 10: EMs leading the rate cut story now: average policy rates (%)



Source: BofA Global Research, Haver Analytics. GDP-weighted central bank policy rates.

Chart 11: % of European credit market made up of EM issuers



Source: BofA Global Research, ICE Data Indices LLC. "Broad EM" defined as EM + APAC economies.

We think EM stimulus is an important narrative, at present, because the European high-yield credit market still has a notable amount of EM "exposure". Chart 11 shows the share of Euro-denominated corporate bond issuers domiciled in EM countries. While the number is down from the peak of late 2015, EM companies still make up 11% of the high-yield market today…and the number has been rising over the last year, in contrast to the IG market.

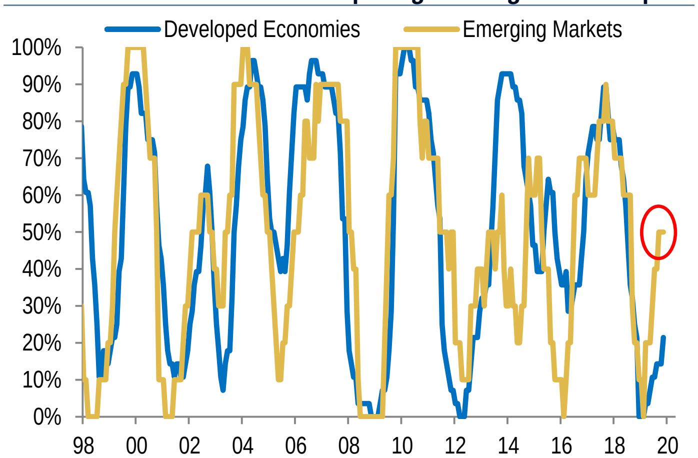
The global trade "bounce"

Allied with the above, leading indicators for EM growth are also encouraging, we think. Chart 12 shows the percentage of OECD Leading Indicators that are rising/falling YoY. While the breadth of data improvement is rising for both developed and emerging economies, at present, it is particularly encouraging for the latter: half of EM Lead Indicators are now rising YoY.

Moreover, as we argued here, we remain confident that global trade data will shift higher soon on the back of the US-China trade deal (and global trade lead indicators – such as Taiwanese and S.Korea exports – are encouraging).

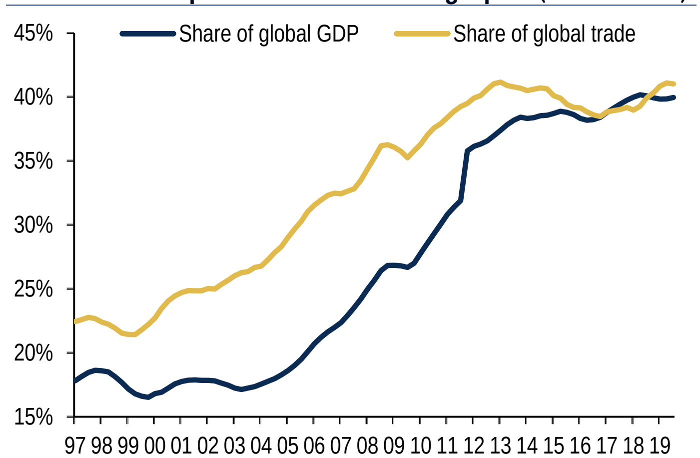
Chart 14 shows that while it may be early days still to find conclusive evidence of a trade bounce, the latest data shows that EM import growth is once again back in (small) positive territory. And EM's share of global trade (Chart 13) has been moving higher since 2018, given the intensification of the US-China trade spat last year (some DM-EM trade flows would have been redirected to EM-EM trade flows, for instance).

Chart 12: % of OECD Lead Indicators posting +ve YoY growth: EMs up



Source: BofA Global Research, Bloomberg, OECD.

Chart 13: EMs well placed to benefit from rising exports (EMs share of…)



Source: BofA Global Research, IMF.

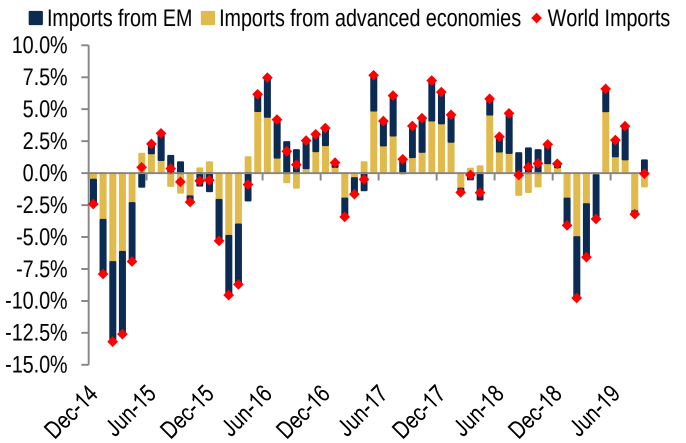
The "hand-off" from monetary policy to fiscal policy

The 2020s is likely to be demarked by monetary authorities urging governments to do more on the fiscal side to prop-up growth. As our European economists have highlighted, for now the story remains more about baby steps in the right direction, rather than significant fiscal loosing being imminent, but the trend is nonetheless in the right direction.

We think a growing fiscal narrative should be supportive for spreads of manufacturing companies, which as we have shown before, have often tightened in periods where government investment has risen.

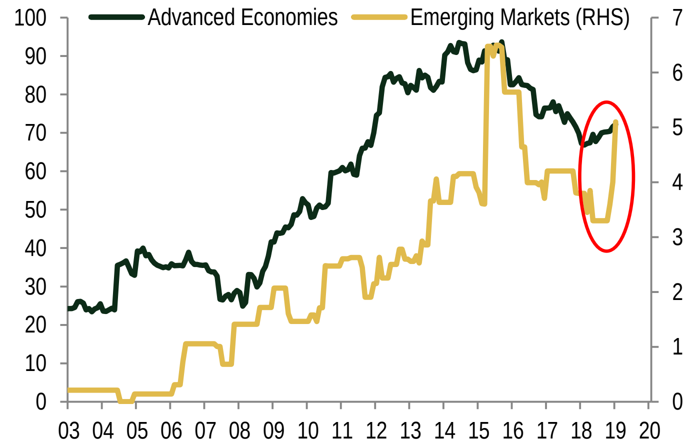
We think this is good news for European high-yield as well. Chart 15 shows that the share of manufacturing companies in European high-yield is on the rise again, given the increase in issuance. As can be seen, the rise in manufacturer €-debt is even stronger for EM issuers.

Chart 14: 3m/3m change in world imports (and contributions). EM up.



Source: BofA Global Research, IMF

Chart 15: Amount of € credit that is manufacturing (Eur bn)



Source: BofA Global Research, ICE Data Indices LLC. Manufacturing sectors are automotive, basic industry and capital goods. Par amount of manufacturing debt issued by DM and EM corps in ER00.

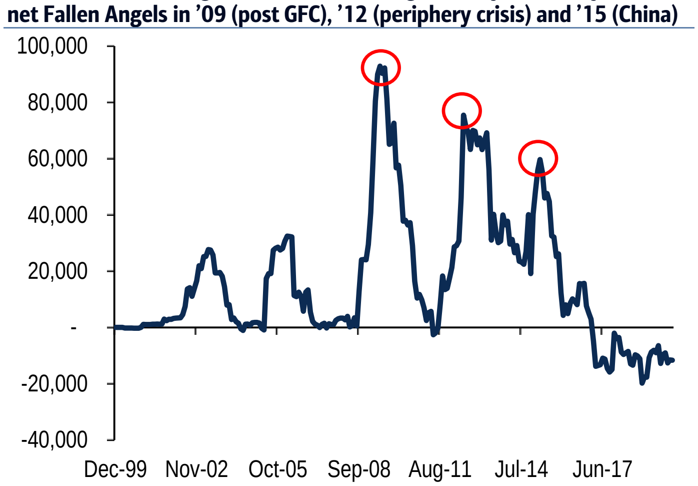
Fallen Angels? Fake news

Next month will see €7.6bn of Atlantia debt migrate from ICE Data Indices high-grade benchmarks (ER00) into high-yield indices (HE00). Atlantia will be the largest Fallen Angel in Europe since Telecom Italia in 2H '13 (~€13bn), and the third largest Fallen Angel since 2008 (Lafarge had €7.8bn of debt fall into HY indices in 2H '11).

Should HY investors be concerned about an imminent trend? We don't think so. In fact, the Atlantia downgrade is fairly unique in a number of ways. What we mean by this is that big Fallen Angels usually happen amid a broader downgrade cycle for credit markets...which is often driven by economic malaise or political risk, for instance.

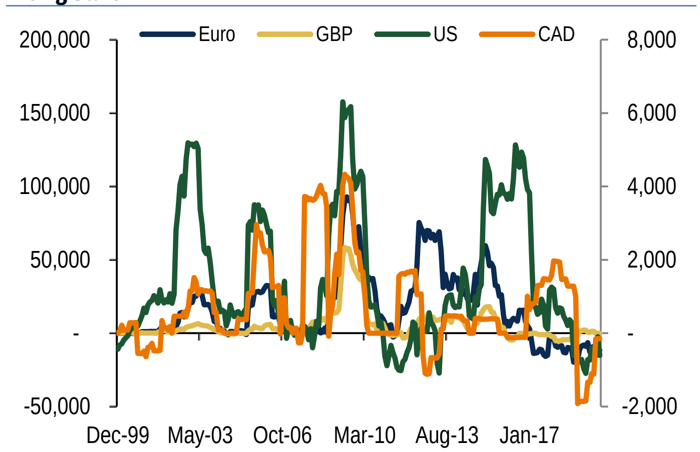
But things are very different this time around. In fact, we are far from being amid a broader Fallen Angel cycle. Chart 16 shows that Fallen Angels have become something of a rarity over the last few years. Over the last 12m in Europe, there has actually been more Rising Stars (€18.1bn) than Fallen Angels (€6.5bn), as the economic backdrop has improved. **This is clearly good news for high-yield, in our opinion**.

Chart 16: More Rising Stars than Fallen Angels today. But many more net Fallen Angels in '09 (post GFC), '12 (periphery crisis) and '15 (China)



Source: BofA Global Research, ICE Data Indices LLC. Fallen Angel 12m trailing volume, minus Rising Star 12m trailing volume (Eur mn). Euro credit markets only.

Chart 17: First time ever that all credit markets are experiencing net Rising Stars



Source: BofA Global Research, ICE Data Indices LLC. 12m trailing Fallen Angels minus Rising Stars, mn. Canada (RHS).

Note the previous peaks for (net) Fallen Angels – June '09 (net €93bn), June '12 (€75bn), March '15 (€59bn) and 'Oct '16 (€16bn) – were all during periods of big macro risks or economic uncertainty.

Moreover as Chart 17 shows, Rising Stars are a global phenomenon at present, and not just a European story: note that across Euro, Sterling, CAD and US markets, Rising Stars have outnumbered Fallen Angels over the last 12m.

The time is now

The question that naturally arises, amid Fallen Angels, is "when is the right time to buy?". Should HY investors buy early – but run the risk of further price falls when bonds enter HY indices because of indigestion? Or should HY investors buy later on – but run the risk that the name is already rallying.

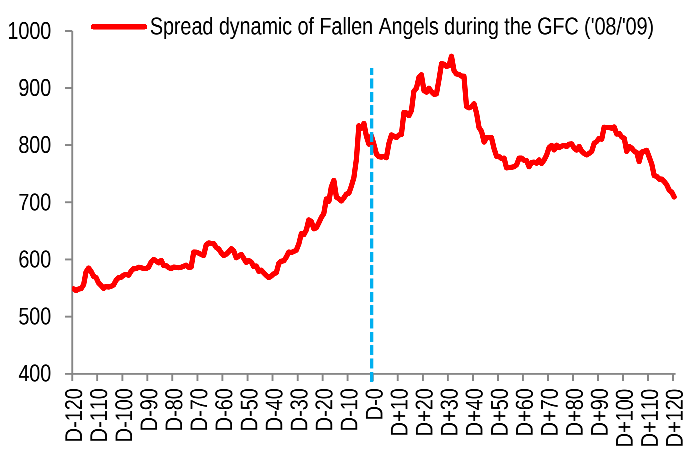
History has a lot to say on this, and we find that the answer very much depends on the vintage of Fallen Angels being looked at.

In chart 18, below, we show the average spread progression of non-financial Fallen Angels in the 2008-2009 period – one characterised by the GFC and Lehman events. We show average spreads for our sample heading into, and after, "downgrade day" (defined as the day at which the composite rating changes to HY in ICE Data Indices).

- The '08-'09 era was full of macro shocks and thus sudden rating downgrades to HY, with little warning from the rating agencies. Downgrades would often be multi-notch, adding to the bearishness.
- Chart 18 shows that spreads for Fallen Angels would not only widen into "downgrade day", but they would continue to widen after this – and only stop widening after a further 30-40 days, and an additional ~150bp of spread increase.

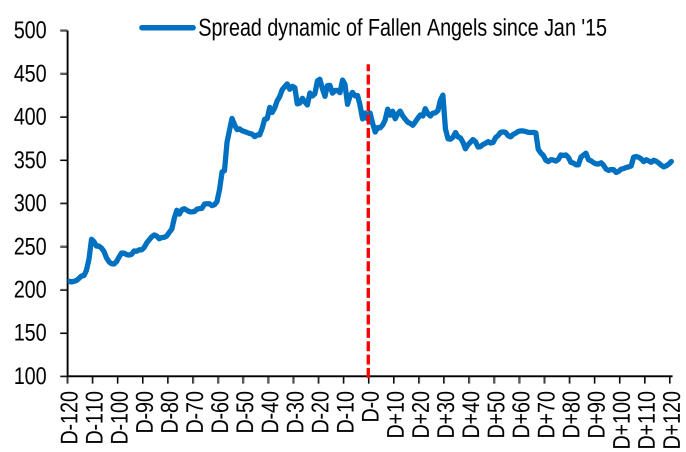
In this regard, it paid to wait until after a name had entered HY indices to buy Fallen Angels in this era.

Chart 18: Spread dynamic of Fallen Angels during the '08/'09 era. D=0 is downgrade day into ICE Data Indices HE00 index.



Source: BofA Global Research, ICE Data Indices LLC. OAS (basis points).

Chart 19: Spread dynamic of Fallen Angels since Jan' 15, average spreads over our sample. D=0 is downgrade day into ICE Data Indices HE00 index.



Source: BofA Global Research, ICE Data Indices LLC. OAS (basis points).

Chart 19, however, shows the same analysis for Fallen Angels in the 2015-today period. The picture – and message for investors – is very different:

- As can be seen, investors have become much less fearful of buying Fallen Angels lately. We think a lot of this reflects the enormous amount of support that central banks are now providing, and the search for yield that they have created.

- We find that spread widening appears to peak about 20 days *before* a name moves into ICE Data Indices' HE00 index.
- Moreover, once in HY indices, credit spreads tend to rally for another ~100 days.

In other words, Fallen Angels should be snapped up by high-yield investors sooner rather than later. Charts 20 and 21 also affirm this theme, but add some interesting nuances. They show Fallen Angel spread dynamics, by vintage and by sector.

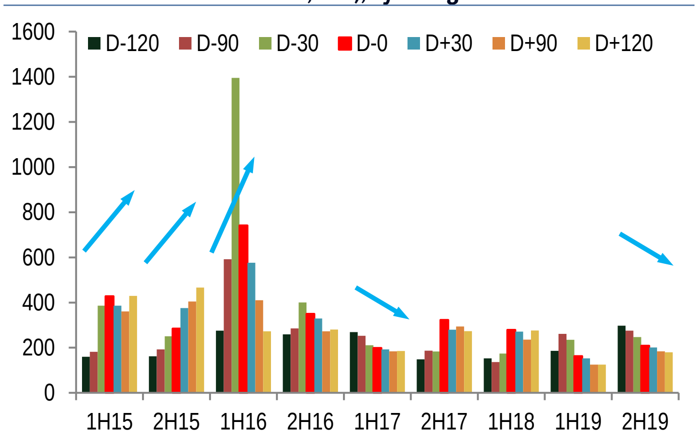
On chart 20:

- We find that, perhaps understandably, Fallen Angels are slow to rally when there are prevailing (big) macro headwinds. Note that in 2015 and 2016 – when China was weak – spreads would widen materially into the downgrade, and then often for a few weeks after.
- Yet, in calmer macro waters – such as 1H '17 or 2H '19 – spreads would rally almost consistently, and start long before a name formally enters HY bond indices.

For sectors (chart 21), the patterns are likewise interesting:

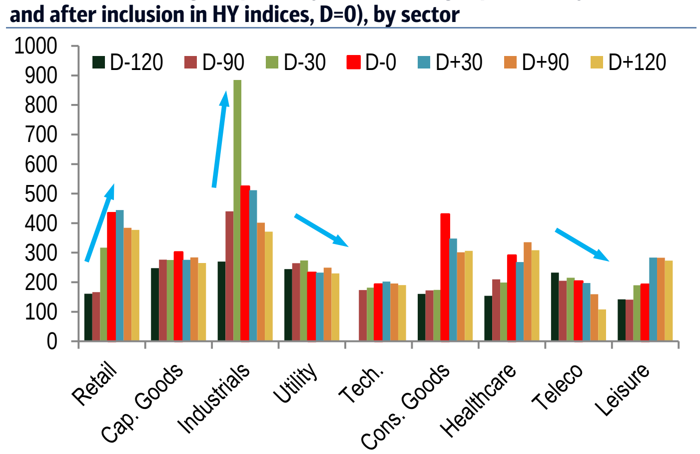
- Investors still retain an element of cautiousness when it comes to cyclical Fallen Angels. Note the significant widening in retail and industrial Fallen Angels, and the relatively slow recovery in spreads thereafter.
- Yet it is a very different picture for utility and telecoms spreads, where sectors are more defensive. Fallen Angel spreads begin rallying before downgrade day and then are almost consistently tighter thereafter (albeit we note that a number of these Fallen Angel bonds are hybrid securities, where the senior ratings of the issuer remain in investment-grade).

Chart 20: Fallen Angels spread dynamic (average spreads, days before and after inclusion in HY indices, D=0), by vintage



Source: BofA Global Research, ICE Data Indices LLC. OAS (basis points).

Chart 21: Fallen Angels spread dynamic (average spreads, days before and after inclusion in HY indices, D=0), by sector



Source: BofA Global Research, ICE Data Indices LLC. OAS (basis points). 2015-today vintage.

We include our latest thoughts on the Atlantia story from Calum Emslie: We have Overweight recommendations on Atlantia, Autostrade per l'Italia (ASPI), Aeroporti di Roma (AdR), Abertis, and Holding d'Infrastructures de Transport (HIT) Euro bonds. While the bonds have materially tightened lately, we think that the substantially reduced risk of concession revocation means that risk/reward remains skewed to the upside in the near term. While we don't expect Atlantia to return to Investment Grade in the near term, we think the bonds are likely to settle as among the tightest trading BB/BB+ names in the High Yield index. We also expect that a negotiated settlement will stabilise the credit ratings at Atlantia subsidiaries, resulting in a narrowing of the discount of these bonds to ratings and industry peers. For more on Atlantia, please see here.

HY fundamentals update

We update our European HY fundamental data, looking at the progression of fundamental metrics. This edition includes data up until Q3'19 and includes adjustments to the history to take into consideration the change in composition and rating.

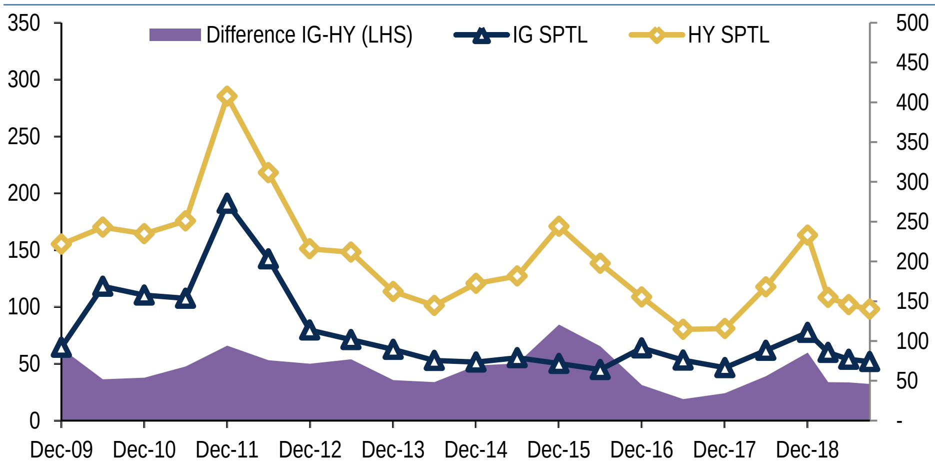
Of note in this edition:

- Overall European high-yield leverage ticked-up slightly +0.1x at **3.7x** QoQ.
- We find that BB leverage was up QoQ (+0.1x) on the back of a net debt growing at a slightly faster pace than earnings. Note the BB leverage ratio has risen markedly in 2019, highlighting the adverse effect of slowing global trade and the relatively greater exposure of Euro high-yielding market to the manufacturing sector.
- That said, single B leverage rose a more meaningful +0.4x QoQ in Q3 '19 to **4.8x** on the back of EBITDA growth contracting at a much faster pace than net debt.

Chart 22 shows that spread-per-turn-of-leverage for European high-yield has decreased somewhat in Q3 '19, extending the downward trend observed throughout 2019.

At just below 98bp, it remains almost 20bp higher than the 2017 low (80bp in Q2 '17) and has room to tighten further on the back of improving macro data in Europe and CSPP-driven beta-compression, we think.

Chart 22: Spread per turn of leverage has decreased in 2019 for European HY, but remains higher than 2017 lows

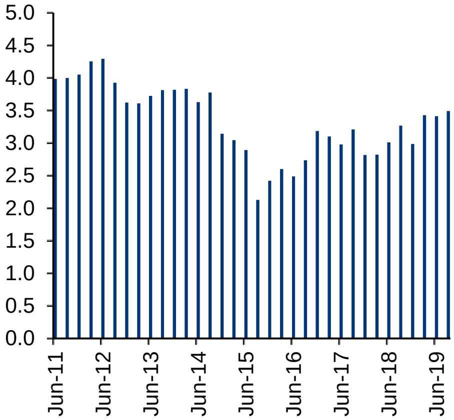


Source: BofA Global Research, ICE Data Indices, LLC. Basis points.

HY fundamentals

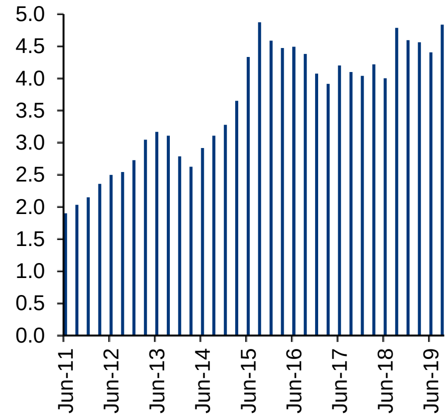
Below we show European high-yield leverage, coverage, EBITDA, cash and debt metrics for a broad sample of BB and single-B names.

Chart 23: Leverage ratio for BB



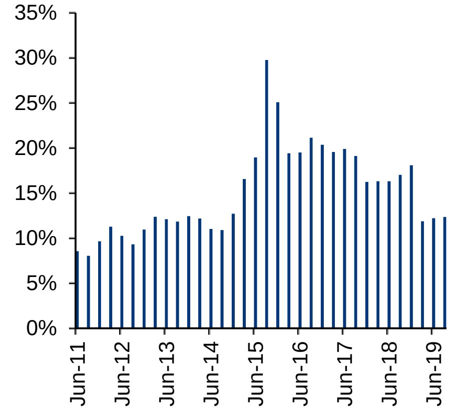
Source: BofA Global Research, Bloomberg

Chart 24: Leverage ratio for B



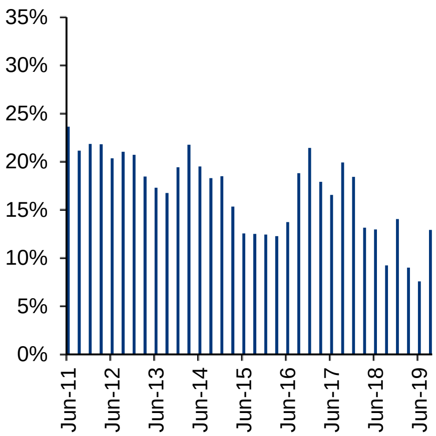
Source: BofA Global Research, Bloomberg

Chart 25: Cash to debt ratio for BB



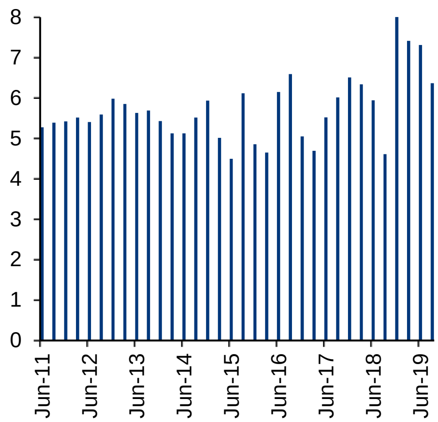
Source: BofA Global Research, Bloomberg

Chart 26: Cash to debt ratio for B



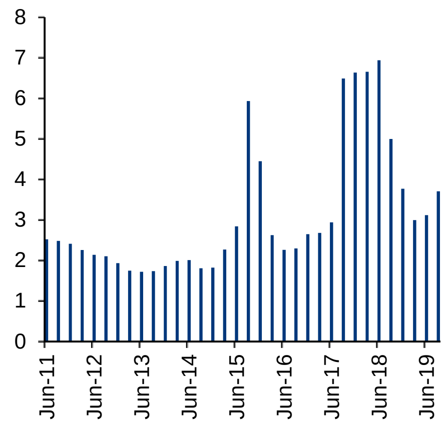
Source: BofA Global Research, Bloomberg

Chart 27: Coverage ratio for BB



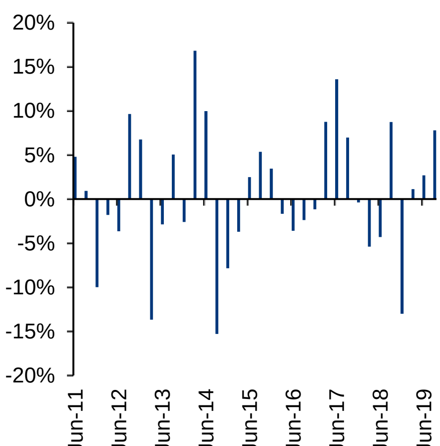
Source: BofA Global Research, Bloomberg

Chart 28: Coverage ratio for B



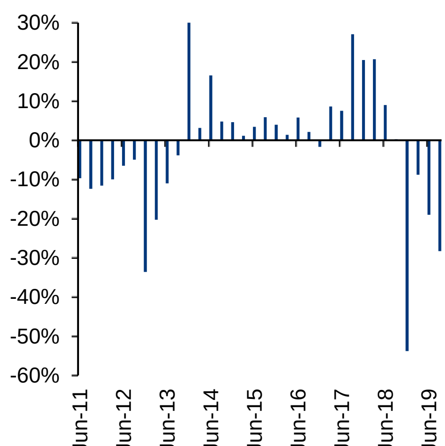
Source: BofA Global Research, Bloomberg

Chart 29: EBITDA change YoY for BB



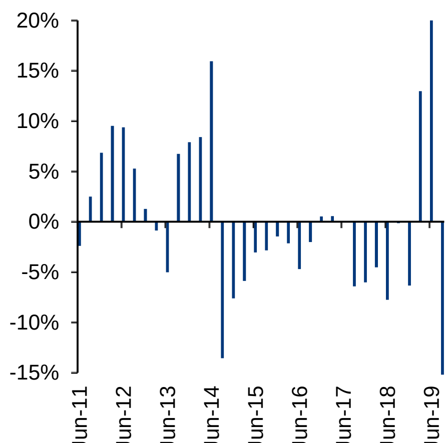
Source: BofA Global Research, Bloomberg

Chart 30: EBITDA change YoY for B



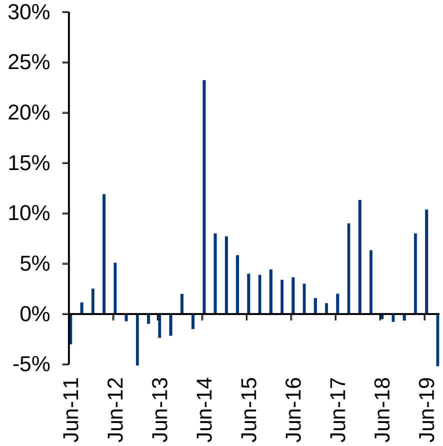
Source: BofA Global Research, Bloomberg

Chart 31: Debt change YoY for BB



Source: BofA Global Research, Bloomberg

Chart 32: Debt change YoY for B

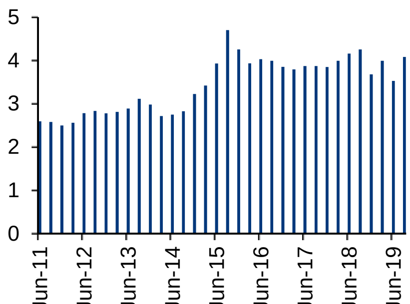


Source: BofA Global Research, Bloomberg

HY Chartbook – by Domicile

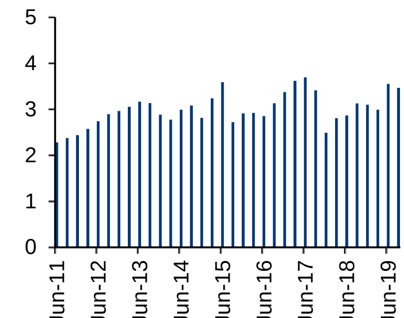
- European corporates' leverage has remained below their non-Eurozone peers, on average, in 2019, respectively at 3.5x and 3.9x.
- Leverage ratios have ticked-up for Eurozone non-financial corporations in 2019, on average by +0.3x, whilst non-Eurozone have seen a slight decrease in their average leverage ratio (-0.1x).
- Leverage has jumped for non-Eurozone companies in Q3 '19 (+0.6x QoQ) whilst it has improved for core Euro Area companies (-0.1x QoQ) which have tackled the manufacturing slump by reducing debt issuance.

Chart 33: Leverage ratio in non-Eurozone



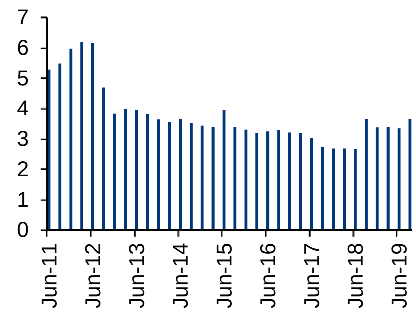
Source: BofA Global Research, Bloomberg

Chart 34: Leverage ratio in Core



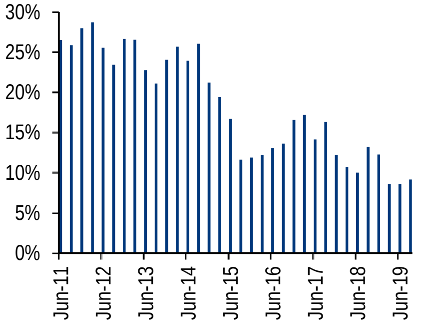
Source: BofA Global Research, Bloomberg.

Chart 35: Leverage ratio in Periphery



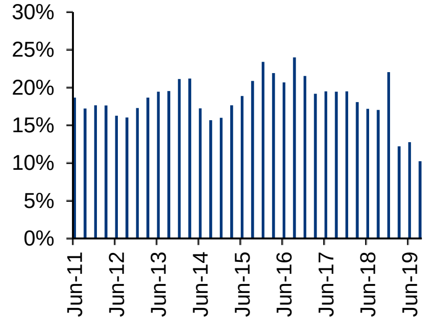
Source: BofA Global Research, Bloomberg

Chart 36: Cash to debt ratio in non-Eurozone



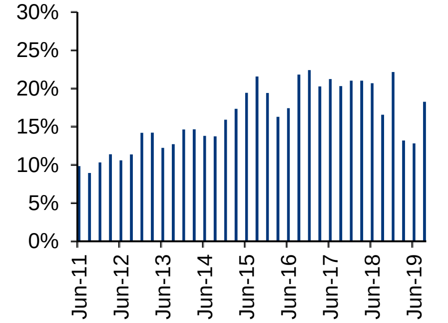
Source: BofA Global Research, Bloomberg

Chart 37: Cash to debt ratio in Core



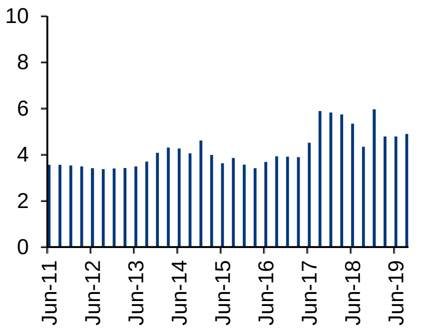
Source: BofA Global Research, Bloomberg

Chart 38: Cash to debt ratio in Periphery



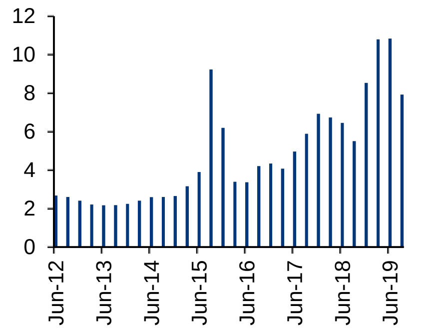
Source: BofA Global Research, Bloomberg

Chart 39: Coverage ratio in non-Eurozone



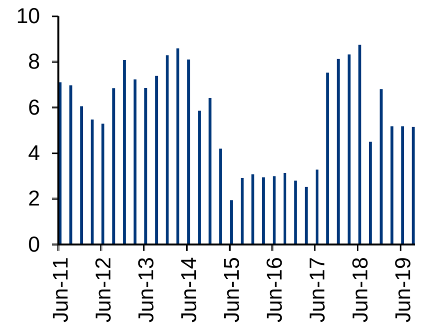
Source: BofA Global Research, Bloomberg

Chart 40: Coverage ratio in Core



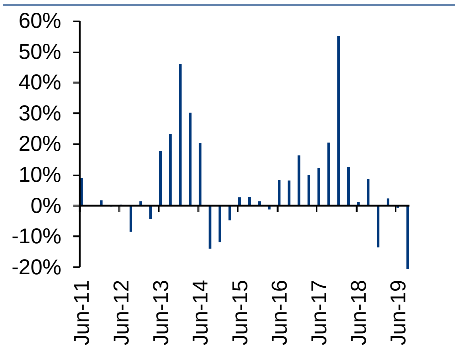
Source: BofA Global Research, Bloomberg

Chart 41: Coverage ratio in Periphery



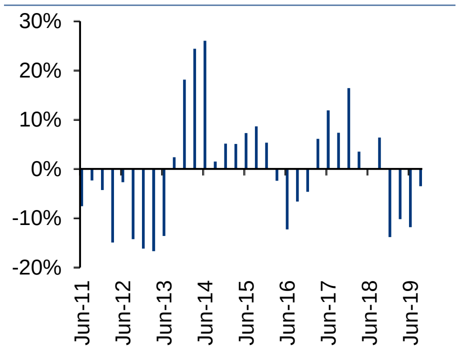
Source: BofA Global Research, Bloomberg

Chart 42: EBITDA YoY in non-Eurozone



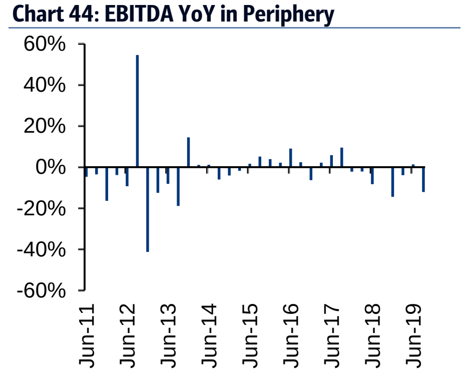
Source: BofA Global Research, Bloomberg

Chart 43: EBITDA YoY in Core



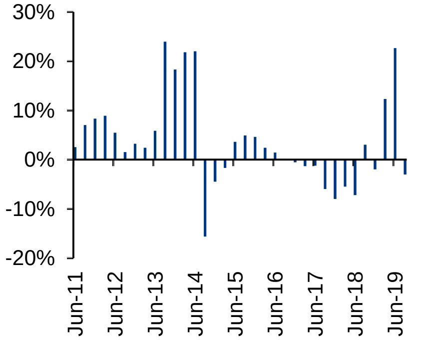
Source: BofA Global Research, Bloomberg

Chart 44: EBITDA YoY in Periphery



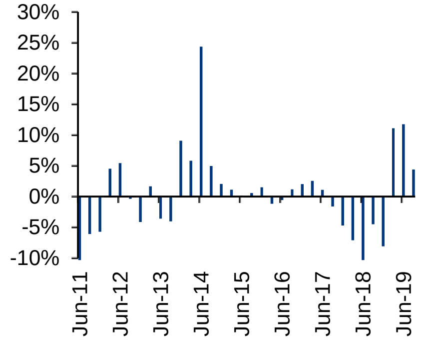
Source: BofA Global Research, Bloomberg

Chart 45: Debt change YoY in non-Eurozone



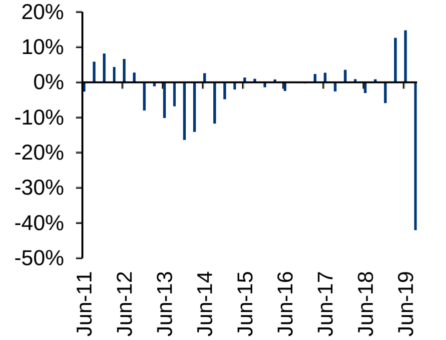
Source: BofA Global Research, Bloomberg

Chart 46: Debt change YoY in Core



Source: BofA Global Research, Bloomberg

Chart 47: Debt change YoY in Periphery



Source: BofA Global Research, Bloomberg

Valuation & risk

Abertis (ABESM)

Abertis is a cash generative and well diversified Group which benefits from a strong position in toll roads in its key markets. While issues remain at parent Atlantia, we see concession revocation risks receding. We expect that near term clarity on a negotiated settlement for Altantia will decrease risks to Abertis credit profile, and drive outperformance on the bonds.

Upside risks to our recommendation are: (1) toll road outperformance, (2) an increase in inflation driving tariffs higher, (3) positive resolution of ultimate parent Atlantia's concession issues.
Downside risks to our price objective are: (1) Concession revocation at parent Atlantia, (2) slowing global growth driving down traffic (3) working capital deterioration, (4) a prolonged period of deflation, (5) an increase in shareholder remuneration (6) political interference

Atlantia S.p.A (ATLIM)

We have an Overweight recommendation on Atlantia € bonds where we think risk/reward is skewed to the upside over the next three to six months as we see concession revocation as increasingly unlikely. We expect near term clarity on a negotiated settlement to drive outperformance.

Upside risks to our recommendation are: (1) positive resolution of the concession revocation discussions (2) toll road and/or airport traffic outperformance, (3) an increase in inflation driving tariffs higher (4) improved Italian and global economic growth prospects
Downside risks to our price objective are: (1) Concession revocation, (2) slowing Italian growth driving down traffic, (3) working capital deterioration, (4) a prolonged period of deflation, (5) an increase in shareholder remuneration (6) political interference

Autostrade (ATLIM)

We have a Overweight recommendation on ASPI bonds, where we think risk/reward is skewed to the upside over the next three to six months as we see concession revocation as increasingly unlikely. We expect near term clarity on a negotiated settlement to drive outperformance.

Upside risks to our recommendation are: (1) positive resolution of the concession revocation discussions (2) toll road and/or airport traffic outperformance, (3) an increase in inflation driving tariffs higher (4) improved Italian and global economic growth prospects
Downside risks to our price objective are: (1) Concession revocation, (2) slowing Italian

growth driving down traffic, (3) working capital deterioration, (4) a prolonged period of deflation, (5) an increase in shareholder remuneration (6) political interference

Holding d'infra (HITTFP)

HIT's underlying French toll road business remains attractive with solid growth prospects, and the HIT credit profile is likely to remain comfortably positioned over the next one to two years. We think that near term clarity on a negotiated settlement at parent Atlantia will drive near term outperformance of the bonds.

Upside risks to our recommendation are: (1) toll road outperformance, (2) an increase in inflation driving tariffs higher, (3) positive resolution of ultimate parent Atlantia's concession issues.
Downside risks to our price objective are: (1) Concession revocation at parent Atlantia, (2) slowing global growth driving down traffic (3) working capital deterioration, (4) a prolonged period of deflation, (5) an increase in shareholder remuneration (6) political interference

Matterhorn Tel Hld (MATTER)

We view bond spreads as relatively tight in the context of a challenging Swiss telecom market outlook and limited additional financial levers. CDS is more nuanced, spreads also reflects perceived deliverability of the secured bonds/additional sub issuance risks.

Downside risks are: i) the potential for aggressive price cuts in the Swiss market, ii) increased competition from convergent peers, iii) weak covenant protection, iv) a more aggressive approach to financial policy.

Upside risks: i) rapid fixed line growth contributing materially to profitability, ii) using FCF to reduce gross debt, iii) a further stabilization in the mobile base and ARPU, iv) benefitting from Swiss market consolidation without re-leveraging.

Analyst Certification

We, Barnaby Martin, Calum Emslie and Nick Macdonald, CFA, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Security/Loan pricing

Abertis / ABESM

Security	Amt	Maturity date	Ratings Moody's/S&P/Fitch	Price	Price date	Yield (%)	Spread (Govt+bps)
1.5, Senior, EUR, 2024:B	600	27-JUN-2024	NR/BBB-/BBB	103.17	30-Jan-2020	.72	138
.625, Senior, EUR, 2025:B	700	15-JUL-2025	NR/BBB-/BBB	98.72	30-Jan-2020	.87	148
1, Senior, EUR, 2027:B	500	27-FEB-2027	NR/BBB-/BBB	99.40	30-Jan-2020	1.09	163
2.375, Senior, EUR, 2027:B	1,000	27-SEP-2027	NR/BBB-/BBB	108.03	30-Jan-2020	1.23	176
1.625, Senior, EUR, 2029:B	600	15-JUL-2029	NR/BBB-/BBB	101.41	30-Jan-2020	1.46	190
3, Senior, EUR, 2031:B	1,000	27-MAR-2031	NR/BBB-/BBB	112.16	30-Jan-2020	1.77	213
4.375, Senior, EUR, 2020:B	611	30-MAR-2020	NR/BBB-/BBB	100.66	30-Jan-2020	.27	84
3.75, Senior, EUR, 2023:B	600	20-JUN-2023	NR/BBB-/BBB	110.90	30-Jan-2020	.49	117
2.5, Senior, EUR, 2025:B	700	27-FEB-2025	NR/BBB-/BBB	108.20	30-Jan-2020	.84	147

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

Atlantia S.p.A / ATLIM

Security	Amt	Maturity date	Ratings Moody's/S&P/Fitch	Price	Price date	Yield (%)	Spread (Govt+bps)
1.625, Senior, EUR, 2025:B	750	03-FEB-2025	Ba2/BB-/BB	99.02	30-Jan-2020	1.83	246
1.875, Senior, EUR, 2027:B	1,000	13-JUL-2027	Ba2/BB-/BB	99.32	30-Jan-2020	1.97	249

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

Autostrade per l'Italia / ATLIM

Security	Amt	Maturity date	Ratings Moody's/S&P/Fitch	Price	Price date	Yield (%)	Spread (Govt+bps)
4.375, Senior, EUR, 2020:B	502	16-MAR-2020	Ba1/BB-/BB+	99.97	30-Jan-2020	4.43	503
2.875, Senior, EUR, 2021:B	595	26-FEB-2021	Ba1/BB-/BB+	101.00	30-Jan-2020	1.93	255
1.125, Senior, EUR, 2021:B	480	04-NOV-2021	Ba1/BB-/BB+	97.88	30-Jan-2020	2.37	301
5.875, Senior, EUR, 2024:B	1,000	09-JUN-2024	Ba1/BB-/BB+	116.04	30-Jan-2020	1.99	263
4.375, Senior, EUR, 2025:B	500	16-SEP-2025	Ba1/BB-/BB+	112.76	30-Jan-2020	1.96	255
1.875, Senior, EUR, 2025:B	500	04-NOV-2025	Ba1/BB-/BB+	97.62	30-Jan-2020	2.32	291
1.75, Senior, EUR, 2026:B	750	26-JUN-2026	Ba1/BB-/BB+	96.69	30-Jan-2020	2.31	287
1.75, Senior, EUR, 2027:B	600	01-FEB-2027	Ba1/BB-/BB+	96.38	30-Jan-2020	2.32	285
1.875, Senior, EUR, 2029:B	700	26-SEP-2029	Ba1/BB-/BB+	95.98	30-Jan-2020	2.35	276

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

Holding d'Infrastructures de Transport / HITTFP

Security	Amt	Maturity date	Ratings Moody's/S&P/Fitch	Price	Price date	Yield (%)	Spread (Govt+bps)
4.875, Senior, EUR, 2021:B	1,360	27-OCT-2021	Baa3/BBB-/NR	108.24	30-Jan-2020	.13	78
.625, Senior, EUR, 2023:B	500	27-MAR-2023	Baa3/BBB-/NR	100.04	30-Jan-2020	.61	129
2.25, Senior, EUR, 2025:B	650	24-MAR-2025	Baa3/BBB-/NR	106.59	30-Jan-2020	.93	156
1.625, Senior, EUR, 2027:B	500	27-NOV-2027	Baa3/BBB-/NR	102.98	30-Jan-2020	1.21	173

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

Matterhorn Telecom / MATTER

Security	Amt	Maturity date	Ratings Moody's/S&P/Fitch	Next call Call date	Call price	Price	Price date	YTW* (%)	STW (Govt+bps)
Senior Unsecured, EUR, Y5, CDS:CDS							30-Jan-2020		133

For pricing information refer to "Other Important Disclosures" below.
*For loans, YTW reflects yield to maturity. Floating rate loan yields use forward swap curve.
B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Disclosures

Important Disclosures

Credit opinion history

Abertis / ABESM

Security	Date^	Action	Recommendation	Price
1.5, Senior, EUR, 2024:B	02-Sep-2019	Initial	Marketweight	105.61
	17-Sep-2019	Restricted	NA	NA
	11-Nov-2019	Coverage Resumed	Marketweight	104.08
	27-Jan-2020	Upgrade	Overweight	102.95
.625, Senior, EUR, 2025:B	02-Sep-2019	Initial	Marketweight	100.98
	17-Sep-2019	Restricted	NA	NA
	11-Nov-2019	Coverage Resumed	Marketweight	99.35
	22-Nov-2019	Upgrade	Overweight	98.83
	04-Dec-2019	Downgrade	Marketweight	98.36
	27-Jan-2020	Upgrade	Overweight	98.35
1, Senior, EUR, 2027:B	02-Sep-2019	Initial	Marketweight	102.91
	17-Sep-2019	Restricted	NA	NA
	11-Nov-2019	Coverage Resumed	Marketweight	100.78
	22-Nov-2019	Upgrade	Overweight	100.04
	04-Dec-2019	Downgrade	Marketweight	99.41
	27-Jan-2020	Upgrade	Overweight	99.03
2.375, Senior, EUR, 2027:B	02-Sep-2019	Initial	Marketweight	111.58
	17-Sep-2019	Restricted	NA	NA
	11-Nov-2019	Coverage Resumed	Marketweight	109.27
	22-Nov-2019	Upgrade	Overweight	108.29
	04-Dec-2019	Downgrade	Marketweight	107.49
	27-Jan-2020	Upgrade	Overweight	107.60
1.625, Senior, EUR, 2029:B	02-Sep-2019	Initial	Marketweight	104.02
	17-Sep-2019	Restricted	NA	NA
	11-Nov-2019	Coverage Resumed	Marketweight	101.61
	22-Nov-2019	Upgrade	Overweight	100.38
	04-Dec-2019	Downgrade	Marketweight	99.45
	27-Jan-2020	Upgrade	Overweight	100.70
3, Senior, EUR, 2031:B	02-Sep-2019	Initial	Marketweight	116.25
	17-Sep-2019	Restricted	NA	NA
	11-Nov-2019	Coverage Resumed	Marketweight	112.78
	22-Nov-2019	Upgrade	Overweight	110.52
	04-Dec-2019	Downgrade	Marketweight	109.74
	27-Jan-2020	Upgrade	Overweight	111.19
4.375, Senior, EUR, 2020:B	31-Dec-2018		NA	
	17-Sep-2019	Restricted	NA	NA
	11-Nov-2019	Coverage Resumed	Marketweight	101.69
	27-Jan-2020	Upgrade	Overweight	100.74
3.75, Senior, EUR, 2023:B	31-Dec-2018		NA	
	17-Sep-2019	Restricted	NA	NA
	11-Nov-2019	Coverage Resumed	Marketweight	112.58
	27-Jan-2020	Upgrade	Overweight	110.77
2.5, Senior, EUR, 2025:B	31-Dec-2018		NA	
	17-Sep-2019	Restricted	NA	NA
	11-Nov-2019	Coverage Resumed	Marketweight	110.02
	22-Nov-2019	Upgrade	Overweight	109.30
	04-Dec-2019	Downgrade	Marketweight	108.73
	27-Jan-2020	Upgrade	Overweight	107.97

Table reflects credit opinion history as of previous business day's close. ^First date of recommendation within the last 36 months, if for an issuer or within the last 12 months, if for a security or loan. The investment opinion system is contained at the end of the report under the heading "BofA Global Research Credit Opinion Key."

Pricing information in the table is provided for each action where available. In the case of bonds, loans, capital securities and equity preferreds, the price shown reflects the nominal cash price for the security; and in the case of CDS, the price shown reflects the spread, on the date of the relevant action.

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

Atlantia S.p.A / ATLIM

Security	Date^	Action	Recommendation	Price
1.625, Senior, EUR, 2025:B	02-Sep-2019	Initial	Underweight	100.02
	27-Jan-2020	Upgrade	Overweight	98.37
1.875, Senior, EUR, 2027:B	02-Sep-2019	Initial	Underweight	99.67
	27-Jan-2020	Upgrade	Overweight	98.26

Table reflects credit opinion history as of previous business day's close. ^First date of recommendation within the last 36 months, if for an issuer or within the last 12 months, if for a security or loan. The investment opinion system is contained at the end of the report under the heading "BofA Global Research Credit Opinion Key."

Pricing information in the table is provided for each action where available. In the case of bonds, loans, capital securities and equity preferreds, the price shown reflects the nominal cash price for the security; and in the

Atlantia S.p.A / ATLIM

Security	Date^	Action	Recommendation	Price

case of CDS, the price shown reflects the spread, on the date of the relevant action.
B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); EP=Equity Preferred; CDS=Credit Default Swap

Autostrade per l'Italia / ATLIM

Security	Date^	Action	Recommendation	Price
4.375, Senior, EUR, 2020:B	02-Sep-2019	Initial	Underweight	102.50
	10-Oct-2019	Upgrade	Marketweight	101.40
	04-Dec-2019	Downgrade	Underweight	100.93
	20-Jan-2020	Upgrade	Marketweight	99.50
	27-Jan-2020	Upgrade	Overweight	99.86
2.875, Senior, EUR, 2021:B	02-Sep-2019	Initial	Underweight	104.10
	10-Oct-2019	Upgrade	Marketweight	101.84
	04-Dec-2019	Downgrade	Underweight	101.81
	20-Jan-2020	Upgrade	Overweight	98.85
1.125, Senior, EUR, 2021:B	02-Sep-2019	Initial	Underweight	101.20
	10-Oct-2019	Upgrade	Marketweight	98.62
	04-Dec-2019	Downgrade	Underweight	99.06
	27-Jan-2020	Upgrade	Overweight	96.93
5.875, Senior, EUR, 2024:B	02-Sep-2019	Initial	Underweight	122.00
	10-Oct-2019	Upgrade	Marketweight	113.74
	04-Dec-2019	Downgrade	Underweight	113.48
	27-Jan-2020	Upgrade	Overweight	115.01
4.375, Senior, EUR, 2025:B	02-Sep-2019	Initial	Underweight	115.80
	10-Oct-2019	Upgrade	Marketweight	107.89
	04-Dec-2019	Downgrade	Underweight	108.14
	27-Jan-2020	Upgrade	Overweight	111.87
1.875, Senior, EUR, 2025:B	02-Sep-2019	Initial	Underweight	100.70
	10-Oct-2019	Upgrade	Marketweight	94.25
	04-Dec-2019	Downgrade	Underweight	93.99
	27-Jan-2020	Upgrade	Overweight	95.32
1.75, Senior, EUR, 2026:B	02-Sep-2019	Initial	Marketweight	99.90
	23-Sep-2019	Downgrade	Underweight	98.70
	10-Oct-2019	Upgrade	Marketweight	93.00
	04-Dec-2019	Downgrade	Underweight	91.66
	27-Jan-2020	Upgrade	Overweight	93.98
1.75, Senior, EUR, 2027:B	02-Sep-2019	Initial	Marketweight	99.60
	23-Sep-2019	Downgrade	Underweight	97.76
	10-Oct-2019	Upgrade	Marketweight	91.71
	04-Dec-2019	Downgrade	Underweight	91.85
	27-Jan-2020	Upgrade	Overweight	94.07
1.875, Senior, EUR, 2029:B	02-Sep-2019	Initial	Marketweight	99.00
	23-Sep-2019	Downgrade	Underweight	97.02
	10-Oct-2019	Upgrade	Marketweight	90.76
	04-Dec-2019	Downgrade	Underweight	90.37
	27-Jan-2020	Upgrade	Overweight	93.00

Table reflects credit opinion history as of previous business day's close. ^First date of recommendation within the last 36 months, if for an issuer or within the last 12 months, if for a security or loan. The investment opinion system is contained at the end of the report under the heading "BofA Global Research Credit Opinion Key."
Pricing information in the table is provided for each action where available. In the case of bonds, loans, capital securities and equity preferreds, the price shown reflects the nominal cash price for the security; and in the case of CDS, the price shown reflects the spread, on the date of the relevant action.
B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); EP=Equity Preferred; CDS=Credit Default Swap

Holding d'Infrastructures de Transport / HITTFP

Security	Date^	Action	Recommendation	Price
4.875, Senior, EUR, 2021:B	02-Sep-2019	Initial	Marketweight	110.80
	17-Sep-2019	Restricted	NA	NA
	11-Nov-2019	Coverage Resumed	Marketweight	109.44
	27-Jan-2020	Upgrade	Overweight	108.30
.625, Senior, EUR, 2023:B	02-Sep-2019	Initial	Marketweight	101.93
	17-Sep-2019	Restricted	NA	NA
	11-Nov-2019	Coverage Resumed	Marketweight	100.68
	27-Jan-2020	Upgrade	Overweight	99.89
2.25, Senior, EUR, 2025:B	02-Sep-2019	Initial	Marketweight	109.99
	17-Sep-2019	Restricted	NA	NA
	11-Nov-2019	Coverage Resumed	Marketweight	107.48
	25-Nov-2019	Upgrade	Overweight	107.15
	04-Dec-2019	Downgrade	Marketweight	107.01
	27-Jan-2020	Upgrade	Overweight	106.28
1.625, Senior, EUR, 2027:B	02-Sep-2019	Initial	Marketweight	107.24
	17-Sep-2019	Restricted	NA	NA
	11-Nov-2019	Coverage Resumed	Marketweight	103.91
	25-Nov-2019	Upgrade	Overweight	103.82
	04-Dec-2019	Downgrade	Marketweight	103.48
	27-Jan-2020	Upgrade	Overweight	102.46

Table reflects credit opinion history as of previous business day's close. ^First date of recommendation within the last 36 months, if for an issuer or within the last 12 months, if for a security or loan. The investment opinion system is contained at the end of the report under the heading "BofA Global Research Credit Opinion Key."
Pricing information in the table is provided for each action where available. In the case of bonds, loans, capital securities and equity preferreds, the price shown reflects the nominal cash price for the security; and in the case of CDS, the price shown reflects the spread, on the date of the relevant action.
B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); EP=Equity Preferred; CDS=Credit Default Swap

Matterhorn Telecom / MATTER

Security	Date^	Action	Recommendation	Price
Senior Unsecured, EUR, Y5, CDS:CDS	31-Dec-2018		Sell Protection	
	04-Jan-2019	Rating Change	Buy Protection	345.64

Table reflects credit opinion history as of previous business day's close. ^First date of recommendation within the last 36 months, if for an issuer or within the last 12 months, if for a security or loan. The investment opinion system is contained at the end of the report under the heading "BofA Global Research Credit Opinion Key."
Pricing information in the table is provided for each action where available. In the case of bonds, loans, capital securities and equity preferreds, the price shown reflects the nominal cash price for the security; and in the case of CDS, the price shown reflects the spread, on the date of the relevant action.
B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); EP=Equity Preferred; CDS=Credit Default Swap

BofA Global Research Credit Opinion Key

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

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

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

Corporate Credit Issuer Investment Rating Distribution: Global Group (as of 31 Dec 2019)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	135	31.03%	Buy	107	79.26%
Hold	223	51.26%	Hold	186	83.41%
Sell	77	17.70%	Sell	64	83.12%

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

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. *VOLATILITY RISK RATINGS*, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. *INVESTMENT RATINGS* reflect the analyst's assessment of a stock's: (i) absolute total return potential and (ii) attractiveness for investment relative to other stocks within its *Coverage Cluster* (defined below). There are three investment ratings: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

***INCOME RATINGS*, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend.** *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Credit Opinion History Tables for the securities referenced in this research report are available at https://pricecharts.baml.com, or call 1-800-MERRILL to have them mailed.
BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: Abertis.
The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Abertis, Atlantia S.p.A, Autostrade, Matterhorn Telecom.
BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Abertis, Atlantia S.p.A, Autostrade.
The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: Abertis, Atlantia S.p.A, Autostrade.
BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: Abertis, Atlantia S.p.A, Autostrade.
BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: Abertis, Atlantia S.p.A, Autostrade, Matterhorn Telecom.
BofAS or one of its affiliates trades or may trade as principal in the debt securities (or in related derivatives) that are the subject of this research report: Abertis, Atlantia S.p.A, Autostrade, Holding d'infra, Matterhorn Telecom, Telenet Fin Lux SCA.
The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: Abertis, Atlantia S.p.A, Autostrade.
Due to the nature of strategic analysis, the issuers or securities recommended or discussed in this report are not continuously followed. Accordingly, investors must regard this report as providing stand-alone analysis and should not expect continuing analysis or additional reports relating to such issuers and/or securities.
BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.
BofA Securities fixed income analysts regularly interact with sales and trading desk personnel in connection with their research, including to ascertain pricing and liquidity in the fixed income markets.

Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.
Prices are indicative and for information purposes only. Except as otherwise stated in the report, for the purpose of any recommendation in relation to: (i) an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report; or (ii) a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.
The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

This report may refer to fixed income securities that may not be offered or sold in one or more states or jurisdictions. Readers of this report are advised that any discussion, recommendation or other mention of such securities is not a solicitation or offer to transact in such securities. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor for information relating to fixed income securities.
Rule 144A securities may be offered or sold only to persons in the U.S. who are Qualified Institutional Buyers within the meaning of Rule 144A under the Securities Act of 1933, as amended.
SECURITIES DISCUSSED HEREIN MAY BE RATED BELOW INVESTMENT GRADE AND SHOULD THEREFORE ONLY BE CONSIDERED FOR INCLUSION IN ACCOUNTS QUALIFIED FOR SPECULATIVE INVESTMENT.
Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.
The securities discussed in this report may be traded over-the-counter. Retail sales and/or distribution of this report may be made only in states where these securities are exempt from registration or have been qualified for sale.
Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.
This report, and the securities discussed herein, may not be eligible for distribution or sale in all countries or to certain categories of investors.
Information relating to Affiliates of BofAS, MLPF&S and Distribution of Affiliate Research Reports:
BofA Global Research policies relating to conflicts of interest are described at https://rsch.baml.com/coi
"BofA Securities" includes BofA Securities, Inc. ("BofAS") and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. "BofA Securities" is a global brand for BofA Global Research.
BofAS and/or Merrill Lynch, Pierce, Fenner & Smith ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF); BAMLI DAC (Milan): Bank of America Merrill Lynch International DAC, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BAMLI DAC (Frankfurt): Bank of America Merrill Lynch International DAC, Frankfurt Branch regulated by BaFin, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSFC); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Investment Industry Regulatory Organization of Canada; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; Merrill Lynch (Japan): Merrill Lynch Japan Securities Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; DSP Merrill Lynch (India): DSP Merrill Lynch Limited, regulated by the Securities and

Exchange Board of India; Merrill Lynch (Indonesia): PT Merrill Lynch Sekuritas Indonesia, regulated by Otoritas Jasa Keuangan (OJK); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (Russia): OOO Merrill Lynch Securities, Moscow, regulated by the Central Bank of the Russian Federation; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Spain): Merrill Lynch Capital Markets Espana, S.A.S.V., regulated by Comisión Nacional del Mercado De Valores; Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information: has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by Merrill Lynch (Japan), a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSFC; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by DSP Merrill Lynch (India); and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Bank of America N.A., Australian Branch (ARBN 064 874 531), AFS License 412901 (BANA Australia) and Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distribute this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of BANA Australia, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BAMLI DAC (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BAMLI DAC and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please use this link http://www.bankofamerica.com/emaildisclaimer for further information

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

General Investment Related Disclosures:

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

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

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

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

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

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

UK Readers: The protections provided by the U.K. regulatory regime, including the Financial Services Scheme, do not apply in general to business coordinated by BofA Securities entities located outside of the United Kingdom.

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

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

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

Copyright and General Information:

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

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

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

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

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

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

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

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

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